THOUGHTS OF THE WEEK

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WEEKLY HEADINGS

Key Takeaways

Must Differentiate Between New Case Count & Severity

Hawkish Surprises With The Dot Plot Could Unsettle The Markets

Inflation Has Resulted In A Few Market Positives

Have the tables turned? The S&P 500 is just shy of its level prior to the World Health Organization declaring Omicron a “variant of concern.” In the days that followed this announcement (on November 26), rhetoric from the Fed suggesting a potential acceleration in bond tapering compounded investor fears and resulted in the index declining ~4.1% from its recent high. But now, just two weeks later, positive developments related to the severity of Omicron have helped the equity market rebound and keep our hopes for a holiday-induced rally on the table. Next week, the big test will be the Fed meeting with its latest thoughts on the economy. Assuming no major surprises at the meeting, this could clear the deck for the S&P 500 to improve its already impressive rally (up ~26% YTD!) into year end.

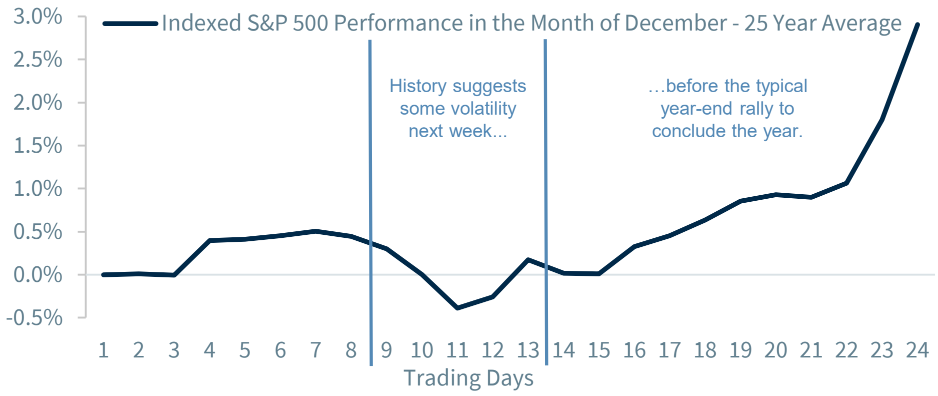
- **Initial Data Tables The Worst Case Omicron Outcome |** Preliminary data suggests that while the Omicron variant is more transmissible than previous strains, its symptoms tend to be similar, if not milder, than prior strains. In fact, thus far, neither hospitalizations nor deaths have risen drastically despite a rapid case increase in South Africa, where the variant was first identified. This continues to suggest that the market is differentiating between the new case count versus its severity. The recent equity rebound reflects the perception of the avoidance of the worst possible outcome—severe illness, burdened health care systems, and a surge in deaths—across the globe. Pfizer’s research that its three-shot vaccine regime ‘neutralizes’ the variant increased confidence in the current ‘toolbox’ of vaccines and coincided with the equity market rebound nearing previous highs.*
- **Fed Will Lay All Its Cards On The Table |** Next week’s Federal Open Market Committee Meeting (December 14-15) is likely the last major economic event of 2021. Commentary on the pace of bond tapering, the release of the updated economic projections, an updated ‘dot plot’ and Chairman Powell’s press conference will provide plenty of economic insights to unpack. Our expectation (and the market consensus) is that tapering will be increased to $30 billion/month; their economic projections will include slightly higher inflation forecasts and improving employment conditions; the ‘dot plot’ will suggest two rate hikes in 2022; and Chairman Powell will thread the needle in regard to acknowledging near-term inflationary pressures while remaining confident the Fed’s policy is ‘not behind the curve.’ However, any ‘hawkish’ surprises where the ‘dot plot’ suggests more rate hikes than expected or if the Chairman seems more concerned about inflation could unsettle the markets.*
- **What Could Inflation Bring To The Market’s Table?** While inflation has increased consumer prices at the fastest pace since 1982, the economy is not necessarily the equity market. This year, inflation has supported the equity market in several ways:
  - **Earnings Growth To Keep A Good Table |** Contrary to what many investors believe, inflation has been a positive for the market. Why? Because companies have been able to raise their prices (in the midst of healthy demand), increase margins to record levels, and help S&P 500 earnings grow an estimated 48% this year—the best earnings growth since at least 2000.
  - **The Budget Reconciliation Bargaining Table |** Apprehension over inflation have concerned moderate Democrats such as Senator Manchin and Senator Sinema about the size of the potential human infrastructure package. As a result, the size of the bill has shrunk from as high as $6 trillion to ~$1.75 trillion, with tax increases, for the most part, being withdrawn. With the corporate tax rate remaining at 21% (and not moving up to at least 25%), margins are likely to remain healthy and support robust earnings growth into 2022. We expect another year of above-average, double-digit earnings growth in 2022.
  - **Set The Table For Wage Gains |** Healthy wage increases had been elusive for decades, particularly for low-income earners. Now, hourly earnings are rising 4.8% on a year-over-year basis, and a tight labor market has led companies to offer increased pay as well as other incentives (e.g., tuition reimbursement) in order to attract and keep employees. The rise in disposable income has helped maintain an overall positive macroeconomic backdrop.

Next year, inflation could be a positive catalyst again not because it is increasing, but because it is decelerating. If our expectation of inflation peaking this quarter/early next year and than fading toward 2.5% (core inflation) as we progress further into next year is correct, there will be less pressure for the Fed to be aggressive in the pace and magnitude of their upcoming tightening cycle. Healthy growth, decelerating inflation, improving employment and a flexible Fed would be a positive for equities in 2022.

CHART OF THE WEEK

The Fed Will Lay All Its Cards On The Table

Next week’s FOMC meeting coincides with a historically volatile period for the S&P 500. However, less hawkish commentary and more positive Omicron developments could help the index achieve its usual holiday-induced rally.



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ECONOMY

- The CPI rose 0.8% in November, a bit higher than expected (median forecast: 0.7%), up 6.8% from a year ago (median forecast: 6.7%).* Core inflation rose 0.5%, as expected, up 4.9% year-over-year (median forecast: +4.8%).
- The JOLTS report showed a rebound in job openings to 11.0 million in October, following 10.6 million in September.* The quit rate edged down to 2.8% as ~4.2 million people quit their jobs in October.
- The UM Consumer Sentiment Index was 70.4 in December, up from November, but still within the narrow range of the last several months. Those in the lower third fared better, but a quarter of respondents noted an inflationary erosion in living standards.
- **Focus of the Week:** Next week, the Federal Open Market Committee is expected to accelerate the tapering of its monthly asset purchases. The revised dot plot should signal that Fed officials anticipate an earlier lift off in short-term interest rates in 2022. In his press conference, Chair Powell is likely address the risk of persistently higher inflation.

December 13- December 17

MON	**WED** Retail Sales FOMC Meeting	**FRI** Building Permits Housing Starts
TUE Producer Price Index (PPI)	**THU**	**FUTURE EVENTS** 12/22 GDP 3Q21 12/22 Consumer Confidence 12/23 Personal Consumption Expenditures (PCE)

US EQUITY

- Equities have bounced from oversold conditions over the past week on cautiously optimistic Omicron variant headlines. It is still too early to know for sure how serious the virus will be or how long it will last, but the early reads have overall been better than feared. Once again, investors were quick to accumulate the pullback (a trend that has persisted all year long) and we note the underlying tone of performance was supportive as well with no real shift toward the more defensive areas and positive trends from the more risk-on areas. Technology also remains strong, which is important as it is the market's largest weighting. Into year end, the path of least resistance remains higher in our view and seasonality is typically strong, which bodes well for overall momentum.
- **Focus of the Week:** S&P 500 valuation is elevated—and we expect some normalization next year—but the strength of the economy, along with very low interest rates and narrow credit spreads, supports above-average multiples.* Additionally, equities remain attractive versus bonds. As economic growth, along with earnings growth and Federal Reserve (Fed) policy, normalizes over the next 12 months, it is likely that the pace of market ascent should moderate as well with normal periods of volatility. Likewise, our base case S&P 500 target for 2022 is ~5,050, and we would use pullbacks as an opportunity to accumulate favored areas.

FIXED INCOME

- The significance of inflation cannot be overstated right now. It is the primary focus of pundits and investors alike. Every print of CPI since May has been above 5%. What gets lost in the hype are mitigating factors. For example, average hourly earnings (since April 2020) have averaged 4.6% vs. CPI 2.7%. During the same time, house prices rose over 20% and the Dow Jones climbed nearly 40%. In other words, the average household has grown its net worth, but it has gone unnoticed and unpublicized because when you are at the gas station or grocery store spending a few more dollars, it is hands on and wallet draining at the moment. While inflation remains red hot, 10-year Treasury yields declined modestly to 1.48% as the latest report did not contain another upside surprise.
- **Focus of the Week**: The FOMC meets next week and expectations are that there will be a taper adjustment, with the pace expected to double to $30 billion per month (up from the $15 billion) and wind down by March 2022. Investors will also be watching for any hint of potential timing of Fed interest rate policy as new projections are announced.

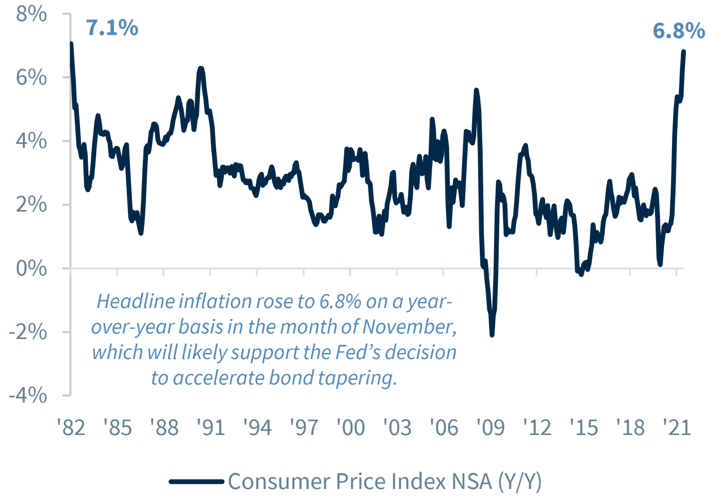
COVID, POLITICS & ENERGY

- **COVID:** Omicron has made headlines over the last two weeks given early data in southern Africa showing high rates of Omicron detection and a highly mutated Spike protein that could partially or completely evade current vaccines and therapeutics. It is still unclear if Omicron leads to more severe disease, but so far hospitalizations, ICU admissions, and ventilator usage rates in South Africa appear to be lower than what was seen with Delta. Early data from Pfizer/BioNTech indicates virus neutralization by Comirnaty is substantially reduced by Omicron, however, fully vaccinated patients who received a booster actually showed Omicron neutralization comparable to what two-dose patients have against the ancestral Wuhan strain. This suggests booster dosing could get us back to the vaccine efficacy levels seen in early 2020. While effectiveness against Omicron has not been adequately quantified for any vaccine or therapeutic, emerging anti-viral drugs are expected to hold up better than monoclonal antibody-based drugs given they are theoretically less sensitive to mutations in the Spike protein. Answers to two key questions will determine the market impact of Omicron: 1) Will it push out Delta to become the dominant global strain?, and 2) How well will vaccines/therapeutics retain their efficacy against the new variant? While we don't have these answers yet, we expect several data readouts from COVID-19 vaccine and therapeutics developers, as well as a first look at Omicron infection rates in the US in the coming weeks.
- **Politics:** This week's meeting between President Biden and Russia's Putin may ease short-term market concerns on rising geopolitical tensions with the thought that closer diplomatic contacts can help facilitate off-ramps, but we generally expect tensions to persist into 2022. For now, investors are not showing a willingness to react to heightened tensions, but the possibility of escalation remains a real risk if Russia chooses to test the NATO alliance/US response. A path of escalation could drive divisions within the NATO alliance and have important implications for China's calculus with regard to Taiwan/other regional priorities. Russia's goal is to make Ukraine's aspirations of NATO partnership and eventual membership unattainable, which is unlikely to be resolved in the short term. This prolongs tensions, and the risk of miscalculation that leads to escalation is likely to remain into 2022.
- **Energy:** WTI crude oil bounced in the past week back into the $70s, after falling as low as $66/Bbl following the initial Omicron variant headlines at the end of November. While the gyrations will likely continue as greater clarity on Omicron becomes available, early data suggests that the initial knee-jerk panic was overdone. Numerous jurisdictions around the world are restricting travel from the southern Africa region, but a global shutdown of travel activity is not happening. While demand always experiences a downtick during the Northern Hemisphere's winter, there is no basis to expect Omicron will make the situation materially worse.

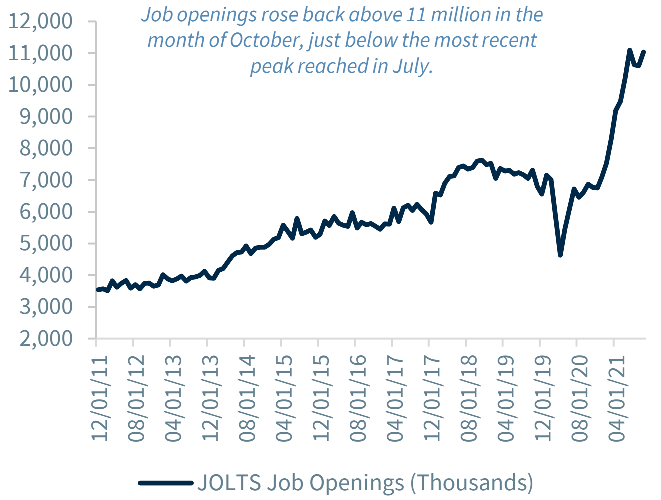
*See Charts of the week on page 3.

Charts of the Week

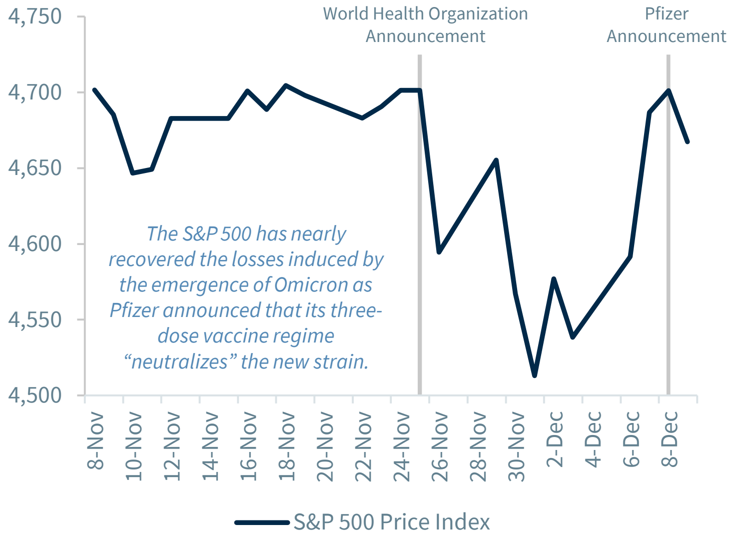
Headline Inflation Rises At The Fastest Pace Since 1982



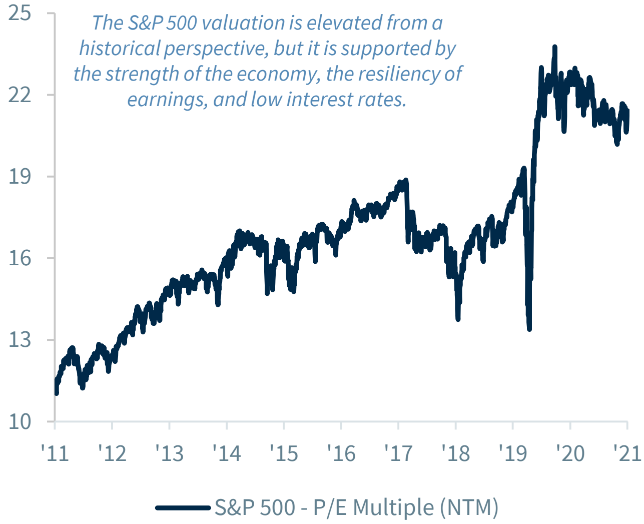
Job Openings Just Below Peak Level



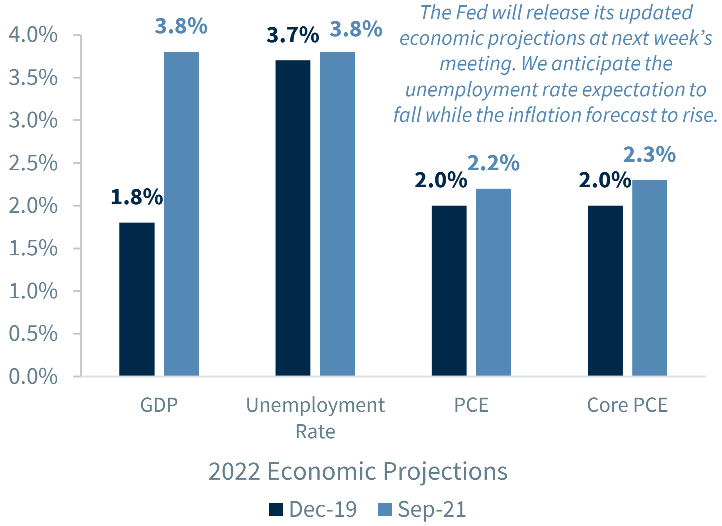
S&P 500 Recovering From Recent Selloff



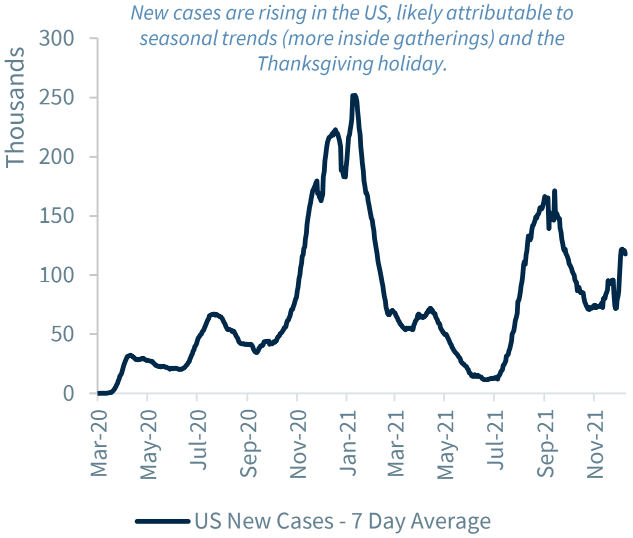
S&P 500 P/E Multiple Still Elevated



Updated Economic Projections Next Week



COVID Cases Elevated Ahead Of Omicron Variant



* Index definitions can be found on the disclosure pages

Asset Class Performance | Distribution by Asset Class and Style (as of December 9)**

Weekly Returns (as of December 9)

US Equities (Russell indices)

	Value	Blend	Growth
Large Cap	2.1%	1.8%	1.6%
Mid Cap	2.2%	1.5%	0.2%
Small Cap	1.1%	0.6%	0.2%

International Equities (MSCI indices)

	Dev. Mkt	World	Emerg. Mkt
Large Cap	2.7%	1.9%	0.8%
Mid Cap	2.7%	1.8%	1.8%
Small Cap	2.4%	1.6%	2.4%

Fixed Income (Bloomberg indices)

	1-3 YR	Medium	Long
Treasury	0.0%	-0.2%	-0.5%
Invest. Grade	-0.1%	0.0%	0.0%
High Yield	0.3%	0.8%	1.0%

Year-to-Date Returns (December 9)

US Equities (Russell indices)

	Value	Blend	Growth
Large Cap	21.6%	23.9%	26.0%
Mid Cap	25.1%	20.1%	11.4%
Small Cap	25.9%	13.4%	2.3%

International Equities (MSCI indices)

	Dev. Mkt	World	Emerg. Mkt
Large Cap	18.8%	20.0%	-0.4%
Mid Cap	14.6%	18.4%	11.8%
Small Cap	16.0%	17.7%	23.2%

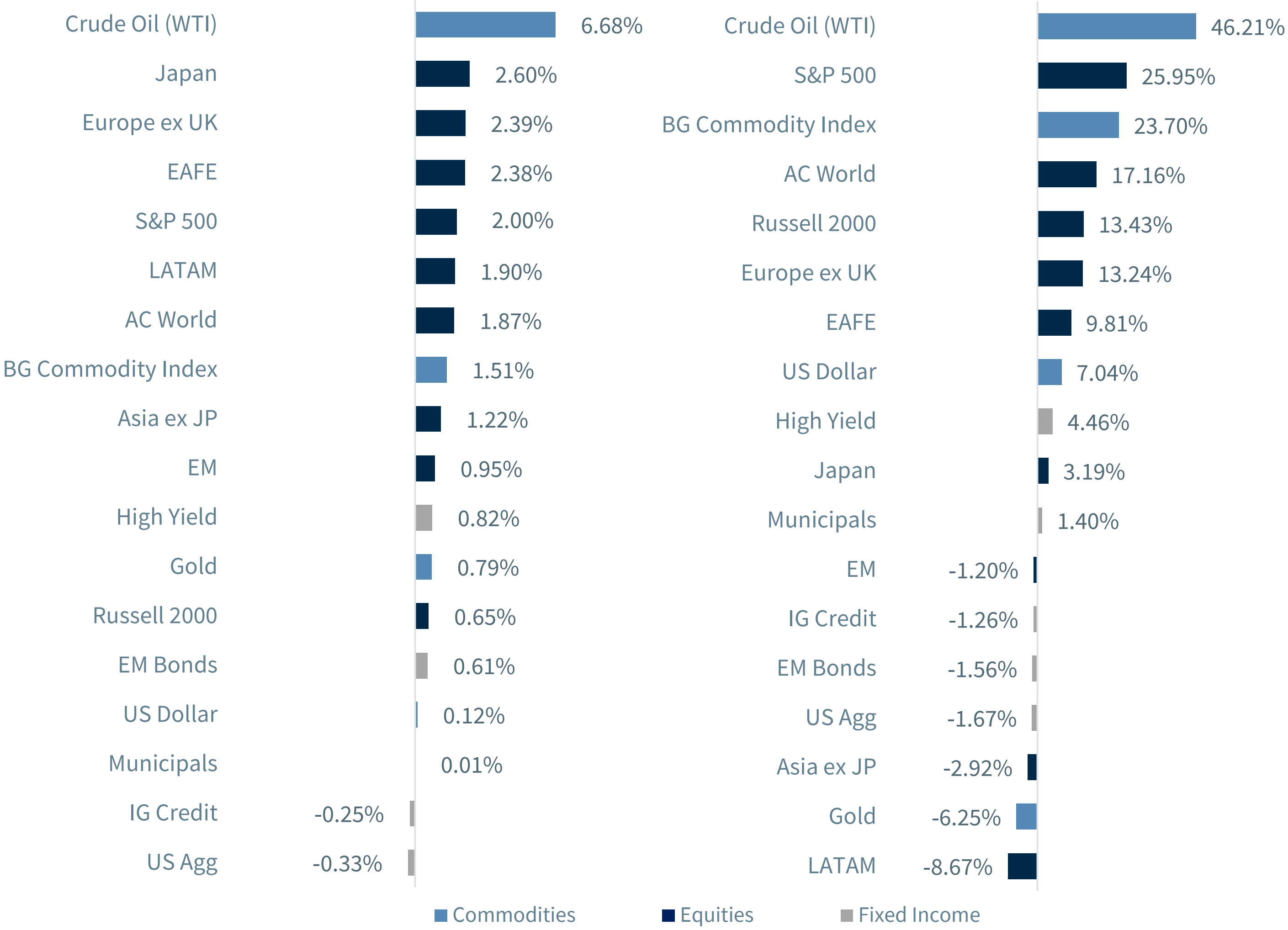
Fixed Income (Bloomberg indices)

	1-3 YR	Medium	Long
Treasury	0.0%	-2.9%	-3.6%
Invest. Grade	-0.3%	-1.3%	-1.9%
High Yield	5.3%	4.2%	8.0%

Asset Class Performance | Weekly and Year-to-Date (as of December 9)**

Week-to-Date***

Year-to-Date***



**Weekly performance calculated from Thursday close to Thursday close.

***Assumes all asset classes are priced in US dollars unless otherwise noted. Ranked in order of performances (best to worst).

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Weekly Data**

Data as of December 9

US Equities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
S&P 500	4667.5	2.0	2.2	26.0	28.9	23.1	17.8	16.3
DJ Industrial Average	35754.7	3.2	3.7	16.8	18.9	13.6	12.6	11.4
NASDAQ Composite Index	15517.4	0.9	(0.1)	20.4	25.8	30.5	23.3	19.3
Russell 1000	4988.0	1.8	2.0	23.9	26.7	20.6	17.9	16.2
Russell 2000	5517.8	0.6	1.0	13.4	22.0	14.2	12.1	13.1
Russell Midcap	8356.9	1.5	2.0	20.1	23.3	17.5	14.4	14.4

Equity Sectors

Sector	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
Materials	549.2	2.7	3.6	22.6	24.4	21.8	13.6	12.3
Industrials	885.1	2.6	4.1	19.7	19.1	17.8	12.1	14.1
Comm Services	265.8	2.3	1.9	20.8	22.2	24.1	12.3	11.9
Utilities	347.3	3.1	4.6	12.2	13.7	10.4	11.2	10.9
Consumer Discretionary	1606.7	0.2	(0.5)	24.1	27.8	26.4	20.6	19.5
Consumer Staples	756.1	3.0	3.5	11.3	12.2	13.7	10.4	11.8
Health Care	1559.6	3.1	3.3	19.6	21.3	16.2	16.4	16.9
Information Technology	3006.6	2.1	1.7	32.3	38.8	40.2	31.5	23.5
Energy	427.4	2.2	4.2	56.3	48.6	1.4	(1.4)	1.3
Financials	646.9	0.9	2.7	34.2	38.6	18.4	12.8	16.2
Real Estate	305.2	1.9	3.2	36.9	39.2	16.8	13.6	12.8

Fixed Income

Index	Yield	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
3-Months Treasury Bill (%)	0.0	0.0	0.0	0.0	0.0	1.0	1.1	0.6
2-Year Treasury (%)	0.7	(0.1)	(0.3)	(0.6)	(0.5)	2.1	1.5	1.0
10-Year Treasury (%)	1.5	(0.5)	(0.4)	(3.6)	(3.3)	5.6	3.6	2.6
Bloomberg US Corporate HY	5.0	0.8	1.1	4.5	5.4	7.8	6.2	6.9
Bloomberg US Aggregate	1.8	(0.3)	(0.4)	(1.7)	(1.1)	5.1	3.6	3.0
Bloomberg Municipals	--	0.0	0.0	1.4	1.8	4.8	4.2	3.8
Bloomberg IG Credit	2.4	(0.3)	(0.3)	(1.3)	(0.2)	7.8	5.4	4.8
Bloomberg EM Bonds	4.5	0.6	1.1	(1.6)	(0.4)	6.1	4.7	5.2

Commodities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
WTI Crude ($/bl)	70.9	6.7	7.2	46.2	55.8	10.5	6.6	(3.3)
Gold ($/Troy Oz)	1776.7	0.8	0.0	(6.2)	(3.4)	12.4	8.9	0.3
Dow Jones-UBS Commodity Index	96.6	1.5	0.8	23.7	30.6	5.0	1.8	(3.9)

Currencies

Currency	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
US Dollar Index	96.3	0.1	0.3	7.0	5.7	(0.1)	(1.1)	2.0
Euro	1.1285	(0.3)	0.3	(7.8)	(6.6)	(0.3)	1.4	(1.7)
British Pound	1.3208	(0.8)	(0.2)	(3.4)	(1.4)	1.2	1.0	(1.7)
Japanese Yen	113.45	(0.4)	0.1	(9.0)	(8.1)	(0.2)	0.3	(3.7)

International Equities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
MSCI AC World	743.6	1.9	2.4	17.2	20.1	18.8	14.5	12.2
MSCI EAFE	2296.3	2.4	3.3	9.8	12.3	12.4	9.8	8.2
MSCI Europe ex UK	2563.6	2.4	3.4	13.2	16.3	15.9	12.2	9.8
MSCI Japan	3899.7	2.6	3.1	3.2	6.0	10.6	8.7	8.7
MSCI EM	1247.7	0.9	3.0	(1.2)	1.8	11.2	10.2	5.8
MSCI Asia ex JP	803.6	1.2	3.0	(2.9)	0.1	12.5	11.3	8.4
MSCI LATAM	2116.2	1.9	5.0	(8.7)	(4.8)	(2.5)	1.7	(2.3)
Canada S&P/TSX Composite	16463.8	0.8	1.3	20.0	19.2	12.2	6.4	5.7

**Weekly performance calculated from Thursday close to Thursday close.

DISCLOSURES

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INTERNATIONAL INVESTING | International investing involves additional risks such as currency fluctuations, differing financial accounting standards, and possible political and economic instability. These risks are greater in emerging markets.

SECTORS | Sector investments are companies engaged in business related to a specific economic sector and are presented herein for illustrative purposes only and should not be considered as the sole basis for an investment decision. Sectors are subject to fierce competition and their products and services may be subject to rapid obsolescence. There are additional risks associated with investing in an individual sector, including limited diversification.

OIL | Investing in oil involves special risks, including the potential adverse effects of state and federal regulation and may not be suitable for all investors.

CURRENCIES | Currency investing is generally considered speculative because of the significant potential for investment loss. Their markets are likely to be volatile and there may be sharp price fluctuations even during periods when prices overall are rising.

GOLD | Gold is subject to the special risks associated with investing in precious metals, including but not limited to: price may be subject to wide fluctuation; the market is relatively limited; the sources are concentrated in countries that have the potential for instability; and the market is unregulated.

FIXED INCOME | Fixed-income securities (or ‘bonds’) are exposed to various risks including but not limited to credit (risk of default of principal and interest payments), market and liquidity, interest rate, reinvestment, legislative (changes to the tax code), and call risks. There is an inverse relationship between interest rate movements and fixed income prices. Generally, when interest rates rise, fixed income prices fall and when interest rates fall, fixed income prices generally rise. A credit rating of a security is not a recommendation to buy, sell or hold the security and may be subject to review, revision, suspension, reduction or withdrawal at any time by the assigning Rating Agency. Ratings and insurance do not remove market risk since they do not guarantee the market value of the bond.

US TREASURYS | US Treasury securities are guaranteed by the US government and, if held to maturity, generally offer a fixed rate of return and guaranteed principal value.

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DATA SOURCE | FactSet, as of 12/10/2021

DOMESTIC EQUITY DEFINITION

LARGE GROWTH | **Russell 1000 Growth Total Return Index:** This index represents a segment of the Russell 1000 Index with a greater-than-average growth orientation. Companies in this index have higher price-to-book and price-earnings ratios, lower dividend yields and higher forecasted growth values. This index includes the effects of reinvested dividends.

MID GROWTH | **Russell Mid Cap Growth Total Return Index:** This index contains stocks from the Russell Midcap Index with a greater-than-average growth orientation. The stocks are also members of the Russell 1000 Growth Index. This index includes the effects of reinvested dividends.

LARGE BLEND | **Russell 1000 Total Return Index:** This index represents the 1000 largest companies in the Russell 3000 Index. This index is highly correlated with the S&P 500 Index. This index includes the effects of reinvested dividends.

SMALL GROWTH | **Russell 2000 Growth Total Return Index:** This index represents a segment of the Russell 2000 Index with a greater-than-average growth orientation. The combined market capitalization of the Russell 2000 Growth and Value Indices will add up to the total market cap of the Russell 2000. This index includes the effects of reinvested dividends.

MID BLEND | **Russell Mid Cap Total Return Index:** This index consists of the bottom 800 securities in the Russell 1000 Index as ranked by total market capitalization. This index includes the effects of reinvested dividends.

SMALL BLEND | **Russell 2000 Total Return Index:** This index covers 2000 of the smallest companies in the Russell 3000 Index, which ranks the 3000 largest US companies by market capitalization. The Russell 2000 represents approximately 10% of the Russell 3000 total market capitalization. This index includes the effects of reinvested dividends.

LARGE VALUE | **Russell 1000 Value Total Return Index:** This index represents a segment of the Russell 1000 Index with a less-than-average growth orientation. Companies in this index have low price-to-book and price-earnings ratios, higher dividend yields and lower forecasted growth values. This index includes the effects of reinvested dividends.

MID VALUE | **Russell Mid Cap Value Total Return Index:** This index contains stocks from the Russell Midcap Index with a less-than-average growth orientation. The stocks are also members of the Russell 1000 Value Index. This index includes the effects of reinvested dividends.

SMALL VALUE | **Russell 2000 Value Total Return Index:** This index represents a segment of the Russell 2000 Index with a less-than-average growth orientation. The combined market capitalization of the Russell 2000 Growth and Value Indices will add up to the total market cap of the Russell 2000. This index includes the effects of reinvested dividends.

FIXED INCOME DEFINITION

AGGREGATE BOND | **Bloomberg US Agg Bond Total Return Index:** The index is a measure of the investment grade, fixed-rate, taxable bond market of roughly 6,000 SEC-registered securities with intermediate maturities averaging approximately 10 years. The index includes bonds from the Treasury, Government-Related, Corporate, MBS, ABS, and CMBS sectors.

HIGH YIELD | **Bloomberg US Corporate High Yield Total Return Index:** The index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below.

CREDIT | **Bloomberg US Credit Total Return Index:** The index measures the investment grade, US dollar-denominated, fixed-rate, taxable corporate and government related bond markets. It is composed of the US Corporate Index and a non-corporate component that includes foreign agencies, sovereigns, supranationals and local authorities.

MUNICIPAL | **Bloomberg Municipal Total Return Index:** The index is a measure of the long-term tax-exempt bond market with securities of investment grade (rated at least Baa by Moody's Investors Service and BBB by Standard and Poor's). This index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and prerefunded bonds.

DOW JONES INDUSTRIAL AVERAGE (DJIA) | The **Dow Jones Industrial Average (DJIA)** is an index that tracks 30 large, publicly-owned companies trading on the New York Stock Exchange (NYSE) and the NASDAQ.

NASDAQ COMPOSITE INDEX | The **Nasdaq Composite Index** is the market capitalization-weighted index of over 3,300 common equities listed on the Nasdaq stock exchange.

S&P 500 | The **S&P 500 Total Return Index:** The index is widely regarded as the best single gauge of large-cap U.S. equities. There is over USD 7.8 trillion benchmarked to the index, with index assets comprising approximately USD 2.2 trillion of this total. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

BLOOMBERG CAPITAL AGGREGATE BOND TOTAL RETURN INDEX | This index represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. The index is designed to minimize concentration in any one commodity or sector. It currently has 22 commodity futures in seven sectors. No one commodity can compose less than 2% or more than 15% of the index, and no sector can represent more than 33% of the index (as of the annual weightings of the components).

INTERNATIONAL EQUITY DEFINITION

EMERGING MARKETS EASTERN EUROPE | **MSCI EM Eastern Europe Net Return Index:** The index captures large- and mid-cap representation across four Emerging Markets (EM) countries in Eastern Europe.

EMERGING MARKETS ASIA | **MSCI EM Asia Net Return Index:** The index captures large- and mid-cap representation across eight Emerging Markets countries. With 554 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

EMERGING MARKETS LATIN AMERICA | **MSCI EM Latin America Net Return Index:** The index captures large- and mid-cap representation across five Emerging Markets (EM) countries in Latin America. With 116 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

EMERGING MARKETS | **MSCI Emerging Markets Net Return Index:** This index consists of 23 countries representing 10% of world market capitalization. The index is available for a number of regions, market segments/sizes and covers approximately 85% of the free float-adjusted market capitalization in each of the 23 countries.

PACIFIC EX-JAPAN | **MSCI Pacific Ex Japan Net Return Index:** The index captures large- and mid-cap representation across four of 5 Developed Markets (DM) countries in the Pacific region (excluding Japan). With 150 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

JAPAN | **MSCI Japan Net Return Index:** The index is designed to measure the performance of the large and mid cap segments of the Japanese market. With 319 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in Japan.

FOREIGN DEVELOPED MARKETS | **MSCI EAFE Net Return Index:** This index is designed to represent the performance of large and mid-cap securities across 21 developed markets, including countries in Europe, Australasia and the Far East, excluding the U.S. and Canada. The index is available for a number of regions, market segments/sizes and covers approximately 85% of the free float-adjusted market capitalization in each of the 21 countries.

EUROPE EX UK | **MSCI Europe Ex UK Net Return Index:** The index captures large and mid cap representation across 14 Developed Markets (DM) countries in Europe. With 337 constituents, the index covers approximately 85% of the free float-adjusted market capitalization across European Developed Markets excluding the UK.

MSCI EAFE | The **MSCI EAFE** (Europe, Australasia, and Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the United States & Canada. The EAFE consists of the country indices of 22 developed nations.

MSCI ACWI | The **MSCI All Country World Index** (ACWI) is a stock index designed to track broad global equity-market performance. The index is comprised of the stocks of about 3,000 companies from 23 developed countries and 26 emerging markets.

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