WEEKLY HEADINGS

THOUGHTS OF THE WEEK

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Will 'April showers bring May flowers' for the equity market? It may be hard for some investors to imagine that being the case given the bouts of volatility that equities have faced since the start of the year or just this week alone. Over the last few days, the S&P 500 reentered correction territory as it tried to weather the storm of headlines. But even as the war in Ukraine, COVID lockdowns in China, fears of slowing global economic momentum, and concerns of aggressive central bank tightening rain down on investor sentiment, we still believe that the equity market could regain the spring in its step. In fact, with the latest AAII Investor Intelligence survey recently declining to the lowest level since 1992, we think much of the bad news has already been priced into the market.

Key Takeaways

Must Look At The Contributors & Detractors Of Economic Growth

The Fed Needs To Reload Its Monetary Policy Toolkit

Earnings May Stabilize Growing Investor Pessimism

- **Bottom Line – Looking Past The Clouds |** There is no denying there are viable risks to the global economy and financial markets, especially as reinstated COVID restrictions in China once again threaten global supply chains and the war in Ukraine extends into a third month, prolonging the elevated prices for key commodities. However, this storm of volatility may pass soon as we near the maximum pressure points for economic concerns, inflation, Fed hawkishness, long-term rates, and according to the New York Fed's global supply chain index, a possible inflection point for supply chain disruptions. While that's not to say that we expect clear skies tomorrow, as continued uncertainty surrounding these developments is likely to keep the S&P 500 range bound (4,200-4,600) in the near term, we still forecast the index moving higher toward our year-end target of 4,725.* On the premise of the positive catalysts mentioned below, we'd view any weakness at the lower end of the aforementioned range as an opportune time to buy.
  - **US Economic Barometer Not Indicating A Recession |** Consensus estimates for 1Q22 GDP were fairly weak (+1.1%), but Thursday's preliminary reading actually reflected a decline of -1.4%.* While this wasn't the result investors were hoping for, there are two important things to remember. First, it is backward looking. And looking back on the first quarter of this year, our nation suffered its worst surge in COVID cases yet (which has since improved) and Russia invaded Ukraine. Second, it is important to look at the underlying contributors and detractors of economic growth. For example, stronger imports, which are indicative of domestic demand, subtracted over 3% from headline growth. Even more important, there is evidence that the strength seen in personal consumption and business fixed investment has carried over to this quarter. Real-time activity metrics are at post-COVID highs, labor market conditions are improving, and elevated levels of consumer spending and corporate capital expenditures should support a healthy fundamental backdrop for equities.
  - **Fed Needs To Prepare For The Next Storm |** The Fed needs to take advantage of raising interest rates in the current environment, not just to tame inflation, but for the purpose of reloading its monetary policy toolkit for the future. The previous economic expansion was the longest on record, and the Fed had just started to increase rates before the COVID-19 pandemic emerged. Through a number of unprecedented actions, it was able to help the economy avoid the worst case scenario. Now that the economy is on solid footing, the Fed needs to reposition itself so that it can have flexibility with its monetary policy decisions for the next contraction—which in our view, is not now. So as much as hawkish action by the Fed has caused alarm in the equity market, investors should have some level of comfort in knowing that the Fed will be prepared should an economic downturn ensue. Look for the Fed to raise interest rates 50 bps at its meeting next week.
  - **Earnings Are Not Under The Weather |** For an earnings season that was supposed to be lackluster in comparison to the record quarters seen in 2021, its robustness has been a silver lining amidst the recent equity market volatility.* While a few high-profile companies have disappointed with their earnings, the commonality is that they were beneficiaries of the stay-at-home-trade. In aggregate, the 1Q22 earnings season has been very solid with strong revenue growth, healthy beats, and favorable forward guidance. Perhaps one of the most notable trends, is that 2022 consensus S&P 500 earnings have been revised up ~2.8% (from $221.80 to $228) since the start of the year.* This is unusual from a historical perspective as earnings are typically revised down ~3.1% on average at this juncture. This upward revision—which has lifted full year S&P earnings growth to 10.5%—combined with year-to-date declines in the S&P 500 (-9.6%), has made equities more attractive from a valuation perspective. In fact, the next 12-month P/E for the index (17.8x) is now well-below the previous 5-year average (19.0x). With next week being the second of the two busiest weeks of earnings season, we expect positive reports to provide further stabilization to an equity market that has become increasingly attractive for long-term investors.

CHART OF THE WEEK

Earnings Are Not Under The Weather

Since the start of the year, 2022 earnings estimates have been revised up ~2.8%. This is unusual from a historical perspective as over the last 15 years, earnings have been revised down ~3.1% on average at this juncture.

 *See Charts of the week on page 3.

ECONOMY

- Real GDP fell at a 1.4% annual rate in the advance estimate for 1Q22, reflecting a slower pace of inventory accumulation, a sharply wider trade deficit, and a drop in government consumption.* Imports rose sharply which is indicative of strength in the domestic economy. Final Sales to Private Domestic Purchasers (Consumer spending + Business Fixed Investment + Residential Fixed Investment), a better measure of domestic demand, rose at a 3.7% annual rate.
- The merchandise trade deficit rose to a record $125.3 billion in the advance estimate for March, reflecting a 7.2% m/m gain in exports and an 11.5% m/m gain in imports (not adjusted for inflation).
- **Focus of the Week:** Next week, the focus will be on the Federal Open Market Committee's policy statement and Chairman Powell's press conference. The FOMC is widely expected to raise the target range for the federal funds rate by 50 basis points (to 0.75-1.00%) and announce the start of its balance sheet unwind (quantitative tightening). The April employment report is expected to show a strong gain in nonfarm payrolls (around +450,000) and a low unemployment rate (3.5-3.6%).*

April 25 – April 29

MON ISM (manufacturing)

TUE Durable Orders
JOLTS

WED ISM (services)
FOMC meeting

THU Initial Claims
Productivity

FRI Payrolls (private, manufacturing, non-farm)
Unemployment rate
Consumer credit

FUTURE EVENTS
5/11 CPI
5/12 PPI
5/13 Consumer Sentiment

US EQUITY

- After the S&P 500 failed at the 200 DMA resistance last week the index dropped sharply to the lows of its recent trend. So far, the S&P 500 has been able to hold these lows, which keeps the sideways, range-bound trading intact for now (~4,200-4,600). Also, the decline this week was extreme, and short-term bounces have typically followed such declines. As such, the advance that followed is normal. However, less-than-impressive internals suggest continued challenges technically. Importantly, the market's correction this year has been purely valuation-driven with Q1 results continuing the upward trend in earnings estimates. Consequently, valuation has become much more reasonable for the S&P 500 and compelling for many stocks.*
- The major issue (and risk) for equity markets remains questions surrounding inflation with the recent China COVID lockdowns and some re-escalation in the Russia/Ukraine war further complicating the outlook. There have been continuous hiccups on the timeline for inflation improvement. For example, coming out of the Delta variant headwinds last fall, Omicron surfaced in November. As Omicron subsided, the Russia/Ukraine war broke out this year, and now China lockdowns are weighing on global shipping.
- **Focus of the Week:** We expect continued market choppiness while further information is gathered on the Russia/Ukraine war, inflation, and path of the Fed. Given our positive view on these issues, we believe equities can gain over the next 6-12 months back toward prior highs. We recommend long-term investors use the downdrafts as opportunity to accumulate favored stocks.

FIXED INCOME

- Treasury yields continue to show sharp daily swings as the market braces for the Fed to deliver front-loaded rate hikes and begin quantitative tightening in the coming months. Equity market jitters and concerns about global growth caused the 10-year Treasury yield to dip down to 2.7% mid-week; however, yields resumed their upward march toward week's end.* Market price action continues to follow a similar pattern to the 1994 tightening cycle, when the Greenspan-led Fed delivered four 50 basis point hikes and a single 75 basis point hike. With the market priced for a 97% probability of a 50 bp rate hike, we do not anticipate a 75 bp rate hike in the Fed's upcoming meeting. This would signal the market that the Fed is even more panicked about inflation pressures.
- **Focus of the Week:** Treasury yields will be clued into Powell's press conference next week for any additional comments on the Fed's upcoming quantitative tightening plans, as well as its thoughts on global growth, inflation pressures peaking and the recent strength in the US dollar. We think we are at peak hawkishness for the Fed, which should alleviate some of the upward pressure we've seen on bond yields over the last few months. The market will also be focused on Russia's looming default, which is expected to come next week as their 30-day grace period ends on May 4. This would be its first foreign debt default since 1918.

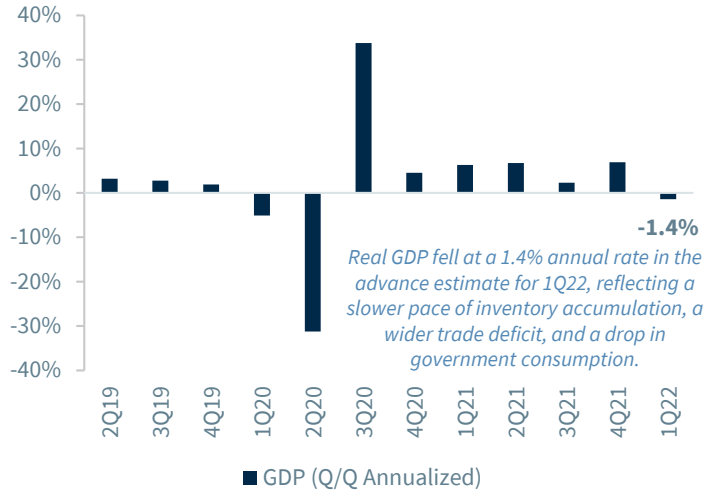
POLITICS & ENERGY

- **Politics:** The Biden administration is signaling action on student debt forgiveness is coming soon, and current signals point to relief potentially being offered more broadly than President Biden previously supported. However, the ultimate scope and timing of a decision is difficult to forecast given competing political objectives (wanting political support among younger voters vs. inflationary/fairness argument from non-college graduate voters). Looking at previous plans, a possible path forward could involve a limited set of executive actions with a call for Congress to pass more expansive relief via legislation, relieving some of the political pressure on President Biden while elevating student loan forgiveness as a key campaign issue for Democrats heading into the election cycle. Options being considered include debt forgiveness of $10K (cost of $321 billion) to $50K (cost of $904 billion), income limits on forgiveness, new income-based repayments, the potential for 0% interest for lower-income borrowers (likely below $25K annual income), as well as extending the current payment pause through the end of this year. We are particularly watching the scope of forgiveness for the macro market impact with regards to housing market demand, auto purchases, and other significant consumer purchase decisions.
- **Energy:** With Russia's invasion of Ukraine entering its third month, last week marked the first time during this war that Russia explicitly started using energy as a weapon. Russia halted deliveries of natural gas to Poland and Bulgaria after demanding payment in rubles – a demand that most European countries are rejecting as a breach of existing contracts. Russia previously (since at least 2009) occasionally played hardball with gas supply, though only vis-à-vis Ukraine directly – never against NATO countries. In case you may be wondering – why does Russia want to get paid in rubles? – the answer is that the euro and dollar are currently useless for the Russian economy. Russia's access to key products from Europe and the US – for example, semiconductors, avionics, and auto components – is banned by sanctions. In any case, European natural gas prices – already at historically high levels – surged even more after the Kremlin's decision, and currently equate to nearly twice the level of oil on an energy equivalent basis. *

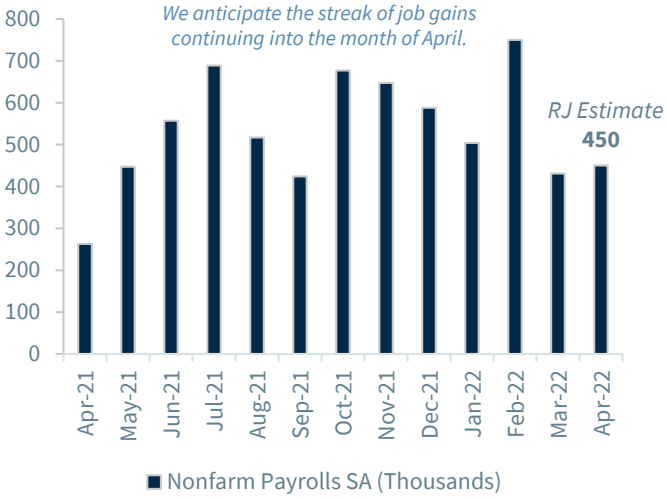
*See Charts of the week on page 3.

Charts of the Week

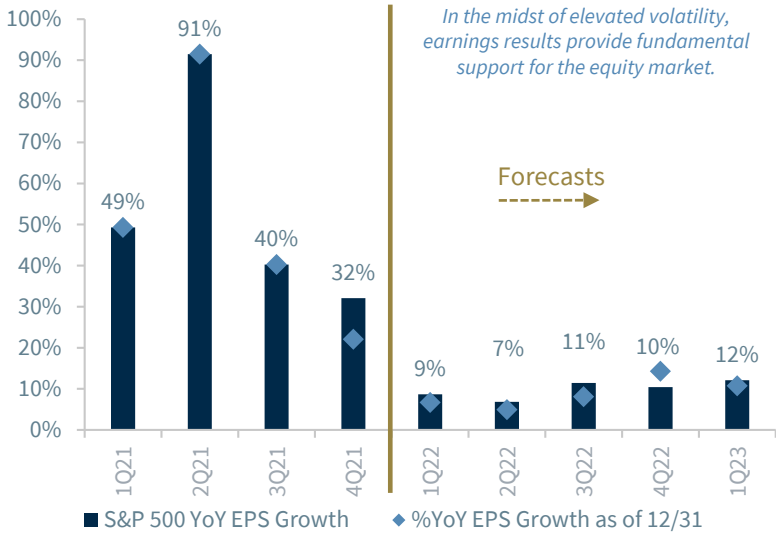
GDP Contracts In The First Quarter



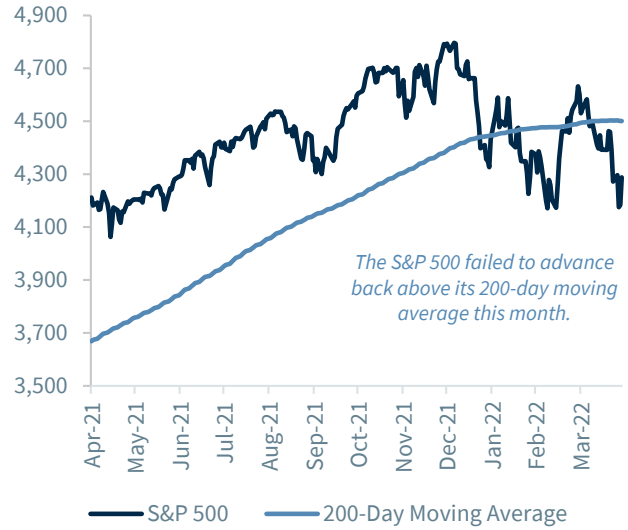
Expectations For A Solid April Jobs Reports



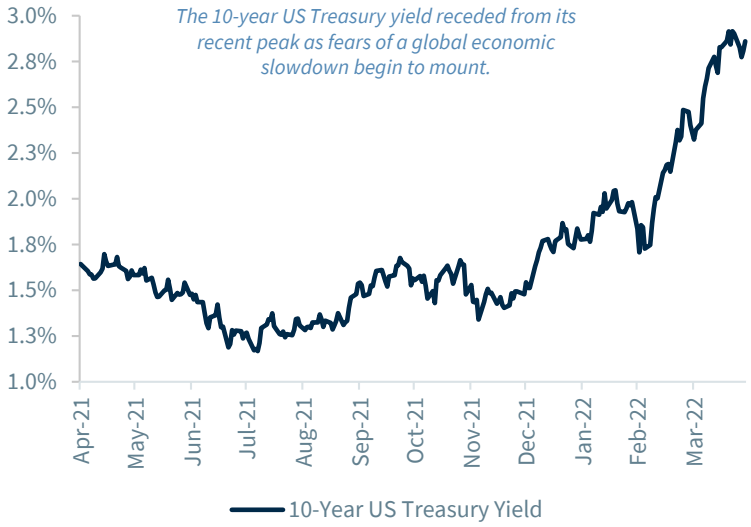
Earnings Results Support Equities Amid Volatility



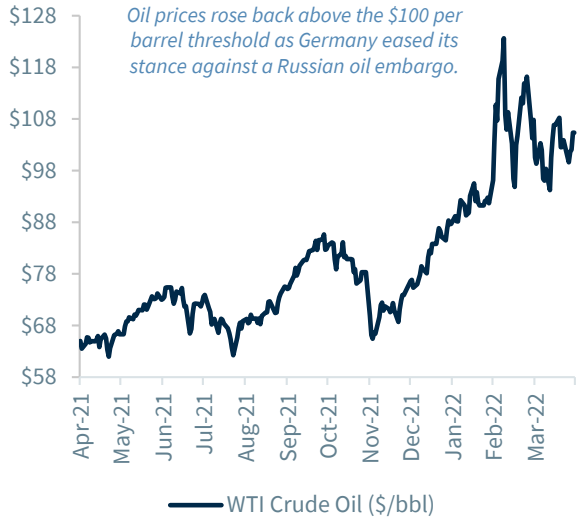
S&P 500 Falls Below 200-Day Moving Average



10-Year US Treasury Retreats From Recent Peak



Oil Prices Still Volatile



* Index definitions can be found on the disclosure pages

Asset Class Performance | Distribution by Asset Class and Style (as of April 28)**

US Equities (Russell indices)

	Value	Blend	Growth
Weekly Returns (as of April 28)			
Large Cap	-3.0%	-2.4%	-1.8%
Mid Cap	-3.3%	-3.1%	-2.7%
Small Cap	-3.3%	-3.7%	-4.1%
Year-to-Date Returns (as of April 28)			
Large Cap	-3.5%	-10.4%	-16.4%
Mid Cap	-4.8%	-10.2%	-19.8%
Small Cap	-7.4%	-14.3%	-21.1%

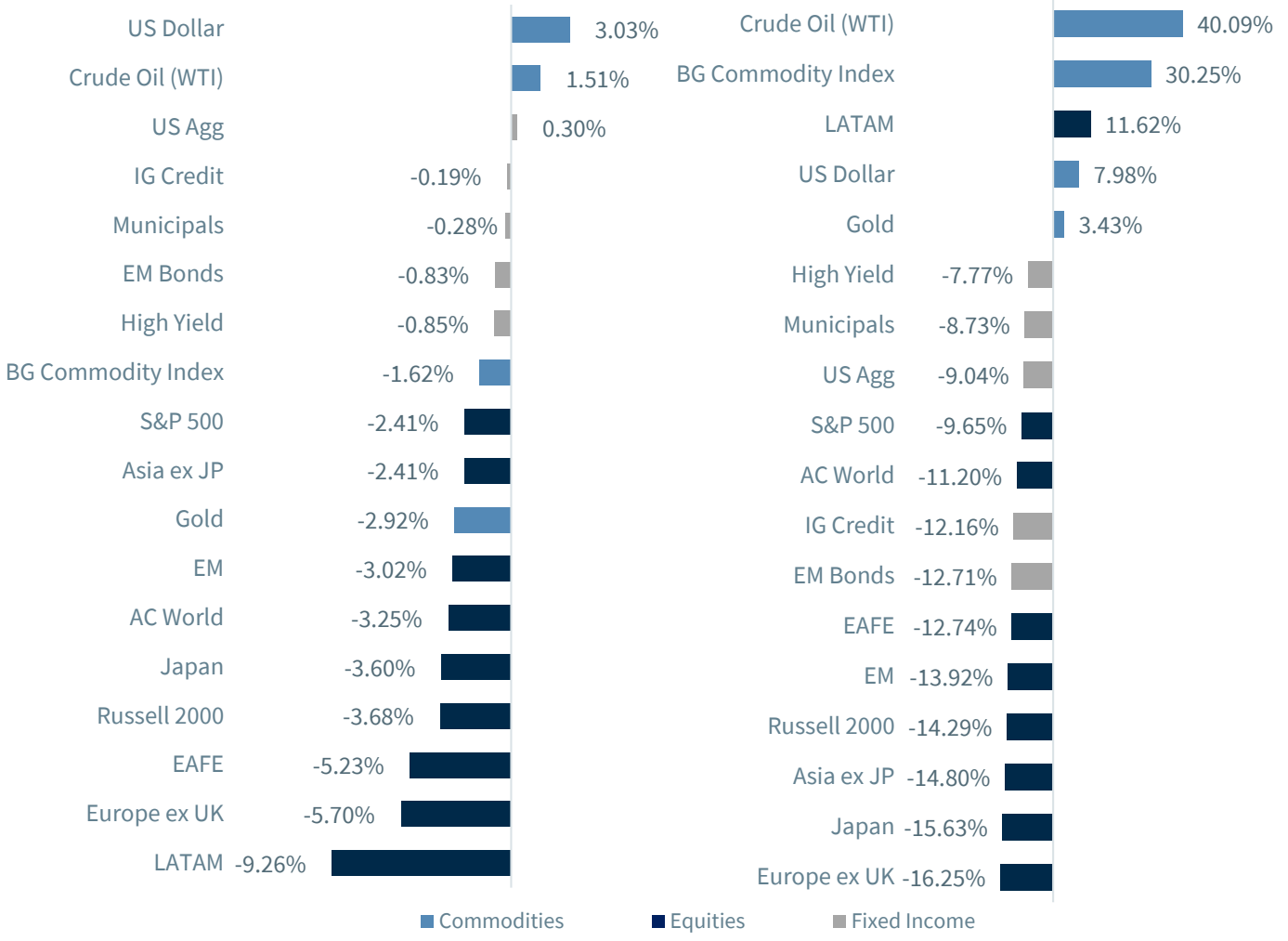
International Equities (MSCI indices)

	Dev. Mkt	World	Emerg. Mkt
Weekly Returns (as of April 28)			
Large Cap	-2.3%	-2.2%	-1.4%
Mid Cap	-2.6%	-2.7%	-2.1%
Small Cap	-2.5%	-2.9%	-2.5%
Year-to-Date Returns (as of April 28)			
Large Cap	-4.5%	-8.9%	-11.5%
Mid Cap	-8.5%	-9.5%	-7.9%
Small Cap	-8.2%	-9.4%	-6.4%

Fixed Income (Bloomberg indices)

	1-3 YR	Medium	Long
Weekly Returns (as of April 28)			
Treasury	0.0%	0.5%	0.6%
Invest. Grade	0.1%	0.1%	0.0%
High Yield	-0.3%	-0.8%	-1.6%
Year-to-Date Returns (as of April 28)			
Treasury	0.1%	-6.8%	-10.8%
Invest. Grade	-3.0%	-7.6%	-10.7%
High Yield	-4.1%	-7.2%	-16.2%

Asset Class Performance | Weekly and Year-to-Date (as of April 28)**



**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).

Weekly Data**

Data as of April 28

US Equities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
S&P 500	4287.5	(2.4)	(5.3)	(9.6)	3.9	15.3	14.5	14.0
DJ Industrial Average	33916.4	(2.5)	(2.2)	(6.7)	0.3	8.5	10.1	9.9
NASDAQ Composite Index	12871.5	(2.3)	(9.5)	(17.7)	(8.4)	16.4	16.3	15.4
Russell 1000	4539.9	(2.4)	(5.5)	(10.4)	13.3	18.7	15.8	14.5
Russell 2000	4766.6	(3.7)	(7.3)	(14.3)	(5.8)	11.7	9.7	11.0
Russell Midcap	7622.3	(3.1)	(4.8)	(10.2)	6.9	14.9	12.6	12.9

Equity Sectors

Sector	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
Materials	544.7	(2.6)	(1.6)	(3.9)	6.0	17.4	12.6	11.2
Industrials	826.2	(3.2)	(5.0)	(7.3)	(2.7)	10.0	9.7	12.2
Comm Services	205.4	(3.8)	(12.5)	(22.9)	(18.1)	7.5	7.4	8.0
Utilities	373.1	(2.8)	(1.3)	3.4	15.5	11.7	11.0	11.4
Consumer Discretionary	1352.2	(4.4)	(7.5)	(15.9)	(4.8)	13.2	14.8	15.6
Consumer Staples	832.7	(1.0)	5.4	4.3	21.0	15.5	11.1	12.0
Health Care	1557.0	(3.7)	(2.3)	(4.8)	11.1	16.7	14.2	15.6
Information Technology	2584.9	0.1	(7.5)	(15.2)	4.8	24.6	24.2	19.8
Energy	586.9	(1.2)	0.9	40.3	62.2	11.3	7.6	4.4
Financials	594.0	(4.2)	(6.7)	(8.1)	1.3	11.2	11.0	13.3
Real Estate	306.4	(2.6)	1.4	(4.9)	19.3	14.5	12.9	11.2

Fixed Income

Index	Yield	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
3-Months Treasury Bill (%)	0.6	0.0	0.0	0.1	0.1	0.7	1.1	0.6
2-Year Treasury (%)	2.6	0.2	(0.4)	(2.9)	(3.4)	0.6	0.8	0.7
10-Year Treasury (%)	2.8	0.6	(4.3)	(10.8)	(8.7)	0.4	0.7	1.2
Bloomberg US Corporate HY	6.9	(0.9)	(3.1)	(7.8)	(4.7)	3.0	3.8	5.3
Bloomberg US Aggregate	3.4	0.3	(3.3)	(9.0)	(8.0)	0.5	1.3	1.8
Bloomberg Municipals	--	(0.3)	(2.7)	(8.7)	(7.9)	0.5	1.8	2.5
Bloomberg IG Credit	4.2	(0.2)	(4.8)	(12.2)	(9.8)	1.2	2.1	3.0
Bloomberg EM Bonds	6.2	(0.8)	(3.8)	(12.7)	(12.1)	(0.7)	0.9	3.0

Commodities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
WTI Crude ($/bl)	105.4	1.5	5.1	40.1	65.0	18.5	16.4	0.0
Gold ($/Troy Oz)	1891.3	(2.9)	(3.2)	3.4	6.6	13.6	8.3	1.3
Bloomberg Commodity Index	129.2	(1.6)	3.8	30.3	43.2	16.9	9.0	(0.8)

Currencies

Currency	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
US Dollar Index	103.6	3.0	5.4	8.0	14.4	1.9	0.9	2.8
Euro	1.0516	(3.0)	(5.5)	(7.5)	(13.0)	(2.0)	(0.7)	(2.3)
British Pound	1.2440	(4.5)	(5.5)	(8.2)	(10.5)	(1.3)	(0.8)	(2.6)
Japanese Yen	131.02	(1.9)	(7.4)	(12.1)	(16.9)	(5.2)	(3.2)	(4.8)

International Equities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
MSCI AC World	665.8	(3.2)	(6.3)	(11.2)	(3.8)	10.7	10.4	10.0
MSCI EAFE	2012.6	(5.2)	(7.4)	(12.7)	(9.6)	4.7	5.1	6.1
MSCI Europe ex UK	2180.6	(5.7)	(7.1)	(16.3)	(11.2)	6.2	5.8	7.4
MSCI Japan	3213.1	(3.6)	(9.8)	(15.6)	(14.9)	3.2	4.1	6.1
MSCI EM	1053.8	(3.0)	(7.5)	(13.9)	(20.8)	1.9	4.2	3.1
MSCI Asia ex JP	670.1	(2.4)	(7.4)	(14.8)	(23.5)	2.2	5.0	5.3
MSCI LATAM	2330.6	(9.3)	(12.3)	11.6	2.4	(1.3)	1.7	(1.7)
Canada S&P/TSX Composite	16452.6	(2.4)	(3.5)	(0.5)	9.1	8.3	6.3	5.6

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

DISCLOSURES

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The information has been obtained from sources considered to be reliable, but we do not guarantee that the foregoing material is accurate or complete. Diversification and asset allocation do not ensure a profit or protect against a loss.

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. These 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 4/28/2022

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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