WEEKLY HEADINGS

THOUGHTS OF THE WEEK

Larry Adam, Chief Investment Officer, Private Client Group

Follow Larry Adam on Twitter: @LarryAdamRJ

Yesterday was National Handshake Day, a day that hopefully wasn't practiced and was instead replaced with extra hand washing and plenty of sanitizer! Sadly, even after the health crisis is over, I would not be surprised if this holiday, or even the gesture itself, becomes less celebrated. The rampant spread of COVID-19 across the globe made us acutely aware of our hygienic practices as they relate to the spread of disease, and I suspect the virus will have a long-lasting impact on our interpersonal interactions. Before the outbreak, I was traveling on a weekly basis in order to present our economic and financial market outlook to our firm's clients face-to-face. Now, these conversations are occurring through video conferencing and webinars instead, and likely will be for the foreseeable future. We miss meeting with investors in person, but in the meantime we hope our ongoing investment insights lend you a hand as you navigate portfolio decisions during this prolonged period of uncertainty.

Key Takeaways

Asset Allocation & Perspective Should Go 'Hand-In-Hand'

Shutdowns 'Played Into' Certain Sectors' 'Hands'

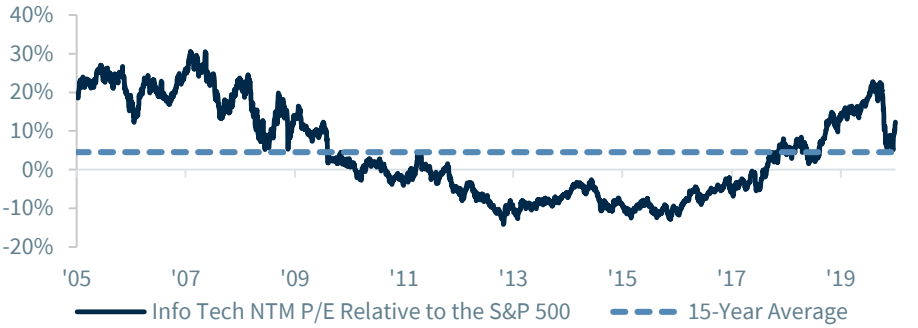
Need 'All Hands On Deck' To Mitigate New Cases

- **Bottom Line: Keep Perspective At Hand |** Having a carefully crafted asset allocation is critical to help achieve long-term investment goals, but garnering perspective during times of heightened uncertainty should be considered an essential strategy too. The COVID-19 outbreak led to overwhelming levels of concern and a historic surge in market volatility, most of which was exacerbated by news headlines. Once the panic-driven market movements were subdued, optimism regarding the economic recovery and status of the virus within the US took over, leading the S&P 500 to rally more than 38% from its low on March 23. This historic rebound has put the index on pace to notch its best quarter since 1998.* This week, concern about the rise of cases in new 'hotspot' cities and the accompanying threat to the speed at which the economy can recover revived investor concern. With valuations, overall, elevated from historical averages, it is important to put these concerns into perspective. We have stated we are in a 'show me' period for the equity market, where both economic and earnings growth would have to confirm or exceed the heightened optimism priced into the market. While the market has been range bound for the last three weeks or so, the strong recovery thesis is likely to be tested by macro data (ISM & jobs) next week and corporate earnings starting the week of July 13.
  - **Can The Economy Shake-Off The Shutdowns? |** Once states began the reopening process, widespread optimism lifted equity markets, seemingly underappreciating the financial distress the lockdowns had imposed on a number of industries. By now, most businesses have reopened their doors but this does not translate into an immediate return to pre-COVID-19 levels of operation. We maintain our belief that the path to economic recovery will resemble the shape of the letter "K," with some industries thriving during the crisis, some experiencing a quick rebound, some undergoing a psychologically-induced delayed rebound, and others, unfortunately, unable to survive—evidenced by US commercial Chapter 11 bankruptcy filings rising 48% on a year-over-year basis. Certain sectors and industries have had the good fortune of being market favorites not only during the shutdown but also during the early stages of the recovery. The top five holdings of the S&P 500, all of which are tech-oriented companies, have outperformed the other 495 companies by an average of 38% (26% vs -12%) year-to-date, and by 14%, on average, (6% vs -8%) since the recent June 8 peak.* Typically, this level of outperformance would make us more cautious, but tech valuations, surprisingly, remain attractive. The current P/E multiple of the Technology sector is modestly above that of the S&P 500 index—but it usually is. Currently, its *relative* P/E to the S&P 500 in line with its 15-year average, all the while having more stable and visible earnings expectations given the long-term growth catalysts that are still intact (e.g., the rollout of 5G).
  - **Is The Rise In COVID-19 Cases Out Of Hand? |** In regards to reopening, the US should have benefitted from the earlier successes and failures of plans in Europe and Asia. But over the last few days, more than a dozen states saw a notable rise in the number of cases and nearly half of those states experienced an uptick in the positive test percentage.* Disappointingly, the US, in aggregate, has not experienced a significant, prolonged downward trend in new cases as seen in countries like Italy and Spain. While a slight rise was expected in light of eased restrictions, recent trends suggest the first wave is not over and that an 'all hands on deck' approach is needed to prevent new epicenters from forming. From a more constructive perspective, the daily death count remains relatively stable (likely because of better care protocols), and the case count trajectory in states such as New York, where lockdown procedures and reopening guidelines were firmly followed, gives us hope that that we can reverse the paths of these recent developments.* Specific regions or cities may still need to once again implement or adjust (e.g., Texas) social distancing restrictions to prevent hospitals from reaching full capacity, but we believe a nationwide or state level lockdown can still be avoided. The next two weeks remain critical—but the primary focus will be on hospitalizations and deaths.

CHART OF THE WEEK

COVID-19 Outbreak Played Into Certain Sectors' Hands

Despite its recent outperformance, the Info Tech sector still appears to be attractive on a relative basis. Its relative P/E is still relatively in line with its historical average all the while having more stable and visible earnings expectations.



*See Charts of the week on page 3.

ECONOMY

- In its updated World Economic Outlook, the IMF lowered its forecast for global growth to -4.9% for 2020, down from the -3.0% estimate made three months ago. The IMF expects growth to pick up in 2021, but that will leave output far below pre-pandemic projections. In the US, a rise in COVID-19 cases led to reconsideration of states' plans to reopen their economies.
- Home sales figures were mixed between existing and new in May, likely reflecting timing issues (existing home sales measure closings, while new home sales are initial transactions). Jobless claims continued to decline in the week ending June 20, but only modestly. Durable goods orders rose by 15.8% in May, but a large part of that improvement reflected large cancellations of civilian aircraft orders in March and April (which show up as negative orders).* Ex-transportation, orders rose 4.0%, following an 8.2% decline in April. The third estimate of 1Q20 GDP growth was the same as the second estimate (a -5.0% annual rate)—annual benchmark revisions (along with the advance estimate for 2Q20) are due in late July. Personal income fell 4.3% in May, as recovery rebates had boosted income in April. Wage and salary income rose 2.7% (-5.7% YoY). Personal spending rose 8.2% (-9.3% YoY). The UM Consumer Sentiment Index edged down to 78.1 in June (vs. 78.9 at mid-month and 72.3 in May).*
- **Focus of the week:** The ISM Manufacturing Index should be less weak in June. The Conference Board's Consumer Confidence Index is likely to improve somewhat in the initial estimate for June, still relatively low. The Bureau of Labor Statistics is reported to have worked hard to correct classification issues in the unemployment rate (underreported at 13.3% in May, when it should have been closer to 16.6%). Nonfarm payrolls are likely to have improved, only partially making up the ground lost since February.

June 29 – July 3

MON Pending Home Sales (May)

TUE Consumer Confidence (Jun)

WED ADP Payroll Est. (Jun)
ISM Manufacturing (Jun)
FOMC Minutes (Jun)

THU Employment Report (Jun)
Motor Vehicle Sales (Jun)

FRI Independence Day (Markets Closed)

FUTURE EVENTS 7/6 ISM Non-Manufacturing Index (Jun)
7/15 Fed Beige Book
7/16 Retail Sales (Jun)

US EQUITY

- Recent volatility can be viewed as a normal consolidation phase following the market's historic rally off the March 23 lows. Short-term stochastics are not oversold yet. If the narrative doesn't shift (from stimulus and the economic restart), we think downside support in the 2,956-3,000 area likely holds. However, if a more challenging narrative develops (i.e., the virus spread continues to accelerate and concerns re: hospital capacity rise), the S&P 500 could push lower with support in the 2,850-2,736 area (6-10% potential pullback from current levels). Upside technical resistance lies in the 3,163-3,233 area in both scenarios.
- **Focus of the Week:** Beneath the surface, relative strength from the more technology-oriented stocks is masking the downside pressure felt by many other stocks. While the S&P 500 is just ~-5.5% from its recent high, the average S&P 500 stock is down ~12% since then. The more economically-sensitive areas—i.e., small caps, the average consumer discretionary stock, industrials, and financials—have all now pulled back to their 50 DMA support. These are also the areas that will be more volatile if the virus spread deepens. If they are able to hold technical support, we would look to buy partial positions in these more cyclical areas.

FIXED INCOME

- The 10-year Treasury has been very stable this week, but another 'flight-to-quality' bid in Treasurys could be likely as the US economy reopens in the midst of a record number of daily cases of COVID-19. The MOVE Index, which measures bond volatility, is lower than it was before the crisis. But, that could change next week if we get any kind of surprise from the employment report.
- **Focus of the Week:** The employment report will likely be the biggest economic number of next week. At his last press conference Fed Chairman Jay Powell stated that the FOMC likely wouldn't raise rates until the end of 2022. If the FOMC minutes contain more statements like that, then the bond market is likely to react more favorably (yields falling) to the news.

POLITICAL & COMMODITIES

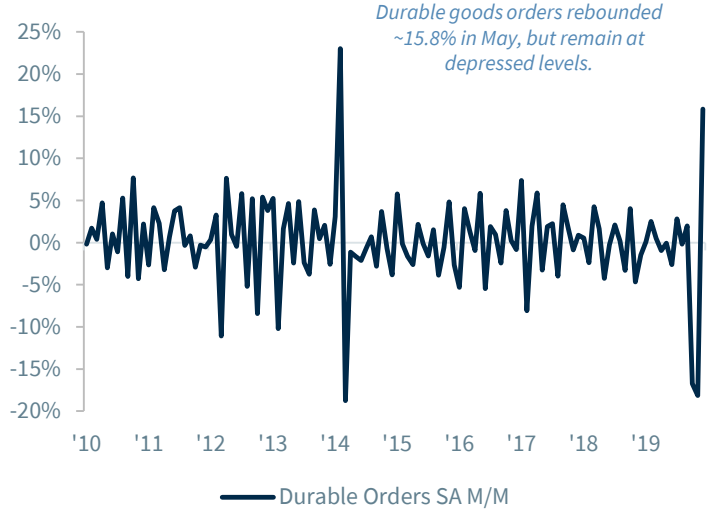
- Direct aid to individuals is rising on the priority list for policymakers as negotiations continue to take shape heading into the 'deadline' month of July. We continue to see another round of direct payments to individuals likely with the chances moderately rising following this week's reports that Treasury Secretary Mnuchin favors the idea with backing from President Trump. The payments can be viewed as a potential compromise component of adjusted unemployment provisions, which overall could produce scaled-back unemployment payments tied to another round of direct payments to avoid a 'cliff-like' dampening of consumer demand following the expiration of enhanced unemployment benefits and eviction protections at the end of July. We are still a long way from having a clear view of what the next package will ultimately look like, but direct aid to states, liability protections for businesses, extended individual benefits, and continued small business support will all be top priorities.
- The coronavirus continues to spread, with some states seeing continued improvement and others experiencing spikes in cases and hospitalizations. Unfortunately, this week, several states have seen upticks in cases (following the Memorial Day weekend, the onset of summer activities, and various crowded events) beyond what could be explained by expanded testing. Our nation's average positive/total test rate over the past seven days was 6% (compared to 4.6% last week and 4.6% the week before), now above our initial recommendation of a maximum 5% positive/total test ratio. Although initial hotspots such as New York have improved impressively with ~1% positivity rates, other states such as Texas, Florida, and Arizona trend upward in this metric. Additionally, at least 10 states (CA, FL, GA, NC, SC, OK, NV, MS, MO, and TX) have seen record high levels of weekly average case counts over the past week, while several others have experienced record hospitalizations (AZ, AR, CA, NC, SC, and TX).
- **Focus of the Week:** On a per capita basis, spread in these states is still low relative to peak-NY levels. However, a continued upward trajectory has the potential to wreak havoc on our nation's recovery, healthcare system, and economic wellbeing. We believe that states have three primary options for damage control: 1) maintain the current level of reopening but pause further steps, 2) reverse steps that were previously implemented, or 3) impose brand-new restrictions where they did not previously exist. We continue to believe that any widespread shutdowns are unlikely to occur, but individuals must remain vigilant in stopping the spread to limit this swelling of cases and stave off a second wave.

*See Charts of the week on page 3.

Charts of the Week

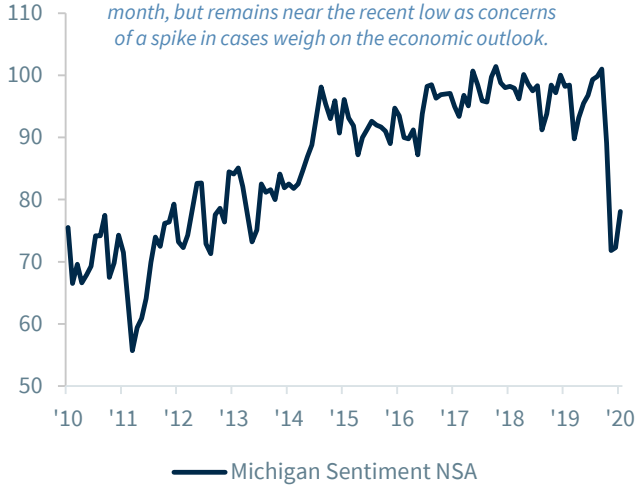
Durable Goods Orders Rebound

Durable goods orders rebounded ~15.8% in May, but remain at depressed levels.



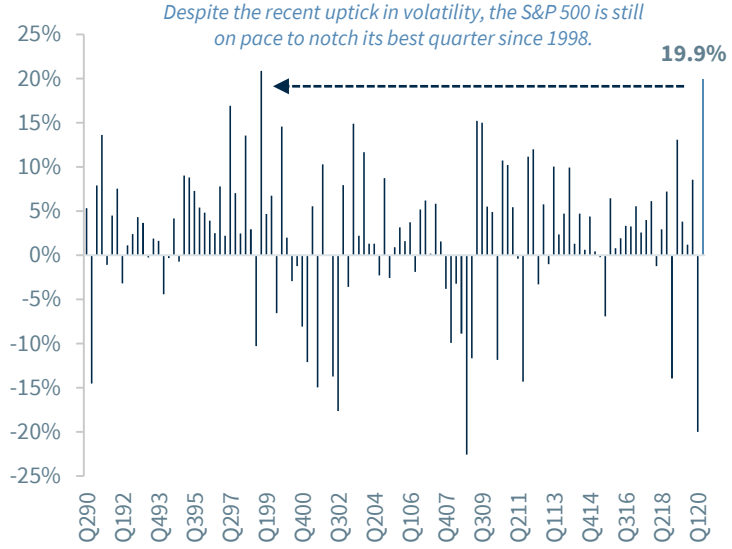
Michigan Sentiment

The Michigan Sentiment Index rebounded this month, but remains near the recent low as concerns of a spike in cases weigh on the economic outlook.



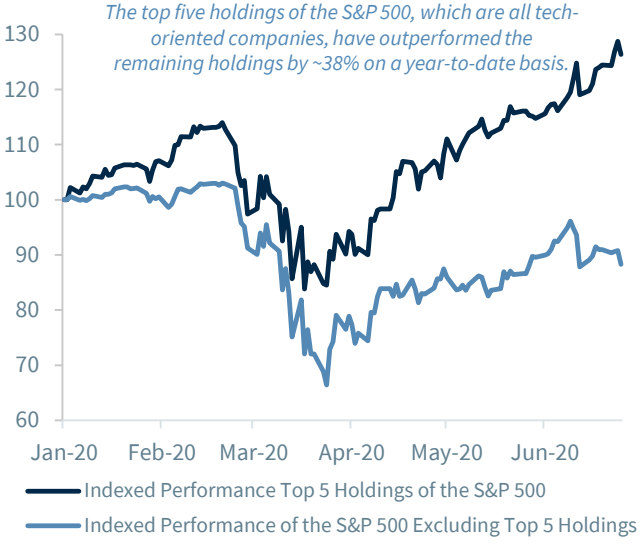
S&P 500 On Pace For Best Quarter Since 1998

Despite the recent uptick in volatility, the S&P 500 is still on pace to notch its best quarter since 1998.



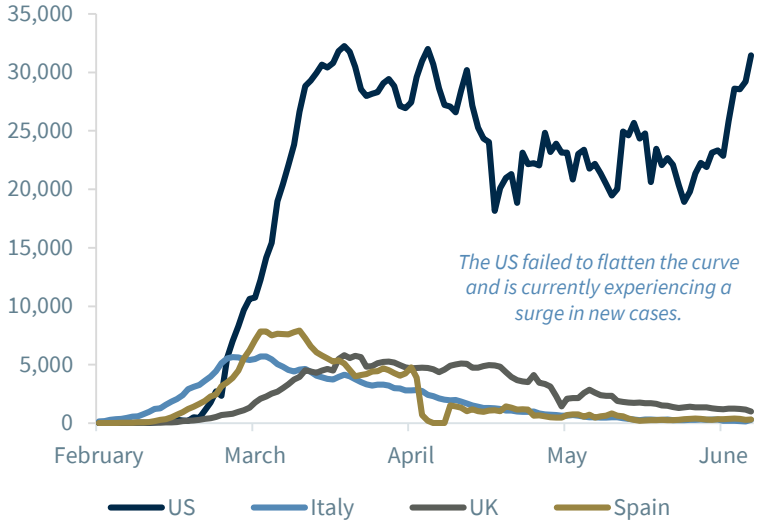
Top 5 Holdings Outperform

The top five holdings of the S&P 500, which are all tech-oriented companies, have outperformed the remaining holdings by ~38% on a year-to-date basis.



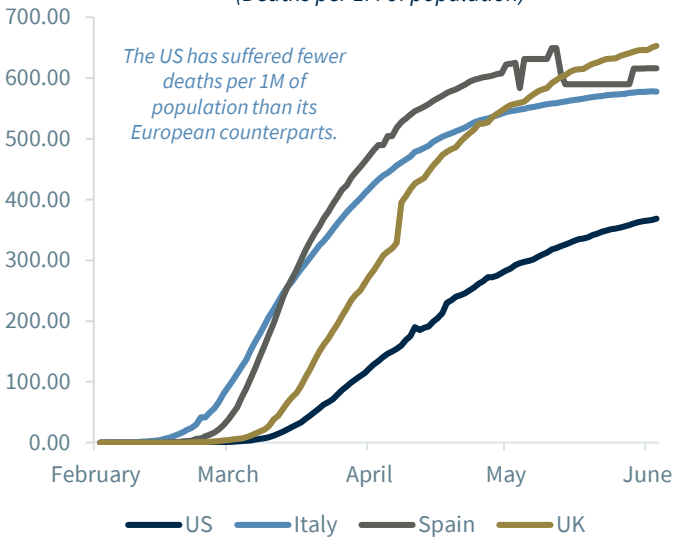
US Case Trajectory Taking A Different Path

(5-day moving average)



US Deaths Lower Than Europe

(Deaths per 1M of population)



Asset Class Performance | Distribution by Asset Class and Style (as of June 25)**

US Equities (Russell indices)

	Value	Blend	Growth
Weekly Returns (as of June 25)			
Large Cap	-2.8%	-1.0%	0.3%
Mid Cap	-3.3%	-2.3%	-1.1%
Small Cap	-2.6%	-1.0%	0.3%
Year-to-Date Returns (June 25)			
Large Cap	-16.8%	-3.4%	9.3%
Mid Cap	-19.1%	-10.2%	3.3%
Small Cap	-25.7%	-14.7%	-4.2%

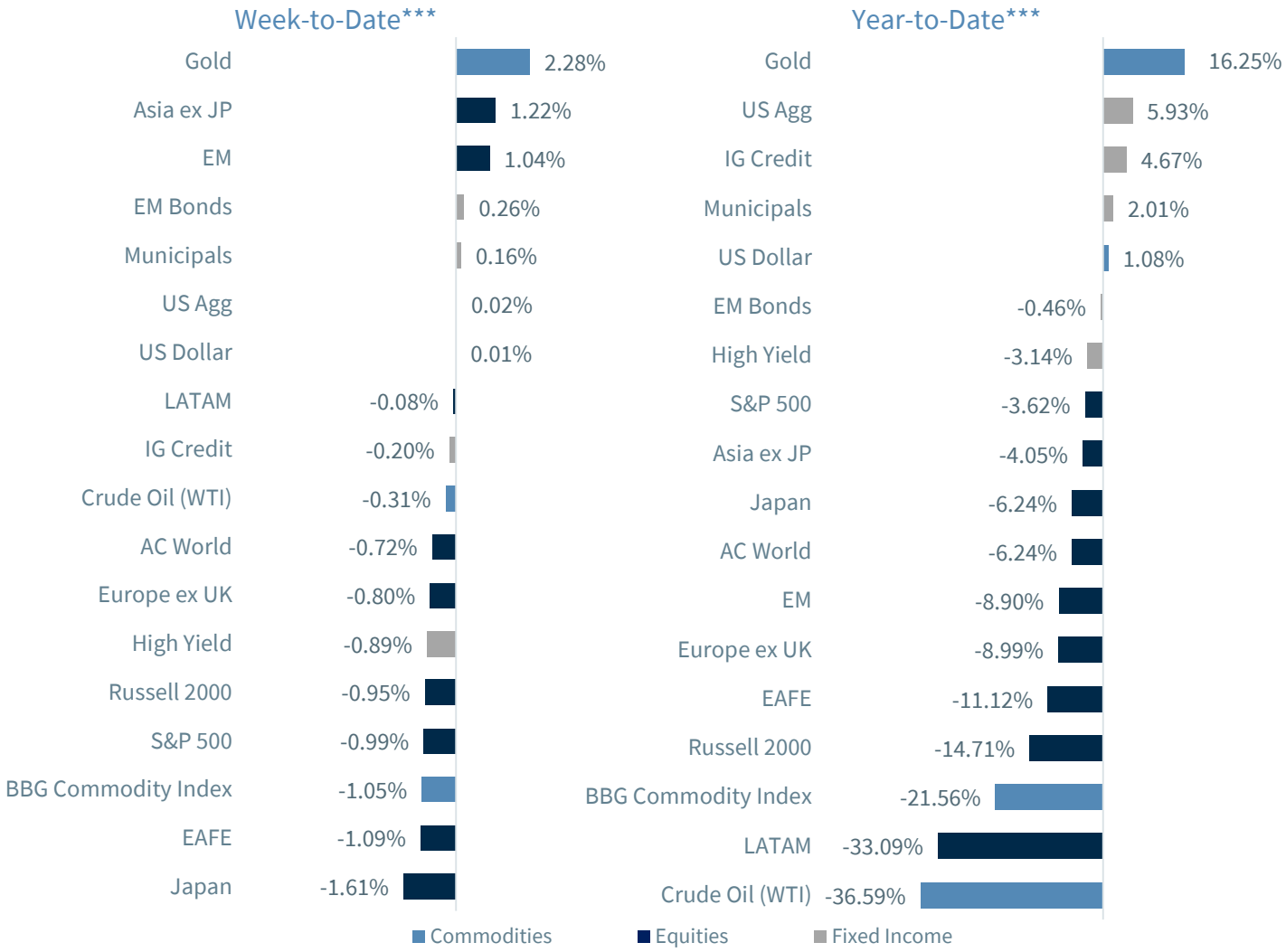
International Equities (MSCI indices)

	Dev. Mkt	World	Emerg. Mkt
Weekly Returns (as of June 25)			
Large Cap	-0.8%	-0.5%	1.0%
Mid Cap	-1.6%	-1.7%	0.4%
Small Cap	-1.8%	-1.3%	0.6%
Year-to-Date Returns (June 25)			
Large Cap	-10.2%	-4.6%	-4.4%
Mid Cap	-11.2%	-9.2%	-7.0%
Small Cap	-12.1%	-12.3%	-7.1%

Fixed Income (Bloomberg Barclays indices)

	1-3 YR	Medium	Long
Weekly Returns (as of June 25)			
Treasury	0.0%	0.1%	0.2%
Invest. Grade	0.0%	-0.1%	-0.2%
High Yield	-0.5%	-0.9%	-0.6%
Year-to-Date Returns (June 25)			
Treasury	0.6%	7.1%	12.5%
Invest. Grade	2.4%	4.0%	4.9%
High Yield	-5.1%	-3.7%	5.2%

Asset Class Performance | Weekly and Year-to-Date (as of June 25)**



**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).

RAYMOND JAMES

Weekly Data**

Data as of June 25

U.S Equities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
S&P 500	3083.8	(1.0)	1.4	(3.6)	7.8	10.3	10.2	13.4
DJ Industrial Average	25745.6	(1.3)	1.4	(9.8)	(3.0)	6.4	7.5	9.8
NASDAQ Composite Index	10017.0	0.7	5.6	11.6	27.0	16.9	14.4	16.2
Russell 1000	3282.7	(1.0)	1.6	(3.4)	12.5	10.1	9.6	13.1
Russell 2000	3512.4	(1.0)	1.5	(14.7)	(3.4)	2.0	3.7	9.2
Russell Midcap	5443.5	(2.3)	0.6	(10.2)	2.6	5.5	5.9	11.4

Equity Sectors

Sector	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
Materials	348.1	(1.4)	0.1	(8.8)	(2.0)	3.2	4.5	9.0
Industrials	569.7	(3.5)	(0.0)	(16.3)	(9.7)	1.2	6.0	11.0
Comm Services	182.1	(1.1)	0.7	0.9	13.2	8.6	7.0	10.5
Utilities	283.5	(4.9)	(5.8)	(12.2)	(4.8)	5.2	9.9	11.0
Consumer Discretionary	1044.4	(0.0)	4.3	6.5	13.2	15.1	12.7	17.5
Consumer Staples	598.0	(1.8)	(0.9)	(6.2)	1.8	4.5	6.8	11.6
Health Care	1151.4	(0.7)	(3.8)	(2.2)	9.1	9.2	7.4	15.3
Information Technology	1822.3	0.8	6.1	13.8	36.6	25.1	22.4	19.7
Energy	287.4	(4.7)	(1.3)	(35.4)	(34.9)	(12.3)	(9.3)	(0.3)
Financials	392.9	(1.6)	1.5	(22.2)	(10.4)	1.8	5.5	9.2
Real Estate	213.3	(3.2)	(0.1)	(9.9)	(4.3)	5.5	7.5	10.9

Fixed Income

Index	Yield	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
3-Months Treasury Bill (%)	0.1	0.0	0.0	0.5	1.5	1.7	1.1	0.6
2-Year Treasury (%)	0.2	0.0	(0.0)	2.9	3.8	2.5	1.7	1.2
10-Year Treasury (%)	0.7	0.2	(0.2)	12.5	14.0	6.5	5.0	4.6
Barclays US Corporate High Yield	6.9	(0.9)	1.7	(3.1)	0.8	3.7	4.8	6.7
Bloomberg Barclays US Aggregate	1.3	0.0	0.4	5.9	8.6	5.1	4.3	3.9
Bloomberg Barclays Municipals		0.2	0.8	2.0	4.4	4.0	3.9	4.2
Bloomberg Barclays IG Credit	2.2	(0.2)	1.6	4.7	9.4	6.0	5.8	5.5
Bloomberg Barclays EM Bonds	4.7	0.3	2.5	(0.5)	3.2	4.0	5.1	6.0

Commodities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
WTI Crude ($/bl)	38.8	(2.4)	8.9	(36.6)	(32.8)	(3.3)	(8.2)	(6.8)
Gold ($/Troy Oz)	1756.6	2.2	1.6	16.0	22.7	11.8	8.4	3.4
Dow Jones-UBS Commodity Index	63.4	(1.0)	(0.1)	(21.6)	(20.5)	(7.3)	(8.9)	(6.8)

Currencies

Currency	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
US Dollar Index	97.4	0.0	(0.9)	1.1	1.3	0.0	0.5	1.3
US Dollar per Euro	1.1	(0.1)	0.8	(0.1)	(1.5)	0.0	0.0	(0.9)
US Dollar per British Pounds	1.2	(0.1)	0.3	(6.4)	(2.5)	(0.9)	(4.6)	(1.9)
Japanese Yen per US Dollar	107.2	0.4	(0.5)	(1.4)	0.2	(1.2)	(2.8)	1.8

International Equities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
MSCI AC World	523.7	(0.7)	3.0	(6.2)	3.1	6.5	6.5	9.3
MSCI EAFE	1780.7	(1.1)	3.4	(11.1)	(4.5)	1.2	1.8	6.0
MSCI Europe ex UK	1902.5	(0.8)	4.5	(9.0)	(2.2)	1.7	2.7	6.8
MSCI Japan	3183.2	(1.6)	0.7	(6.2)	4.2	3.3	3.7	6.2
MSCI EM	1004.4	1.0	8.3	(8.9)	(1.2)	2.6	3.1	3.4
MSCI Asia ex JP	653.5	1.2	9.1	(4.0)	3.8	4.1	4.5	6.1
MSCI LATAM	1925.1	(0.1)	8.5	(33.1)	(30.0)	(5.2)	(2.4)	(3.8)
Canada S&P/TSX Composite	11313.0	(0.2)	1.7	(9.5)	(5.7)	0.3	0.7	2.8

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

DISCLOSURES

All expressions of opinion reflect the judgment of the author(s) and the Investment Strategy Committee, and are subject to change. This information should not be construed as a recommendation. The foregoing content is subject to change at any time without notice. Content provided herein is for informational purposes only. There is no guarantee that these statements, opinions or forecasts provided herein will prove to be correct. Past performance is not a guarantee of future results. Indices and peer groups are not available for direct investment. Any investor who attempts to mimic the performance of an index or peer group would incur fees and expenses that would reduce returns. No investment strategy can guarantee success. Economic and market conditions are subject to change. Investing involves risks including the possible loss of capital.

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 | Currencies investing are 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 TREASURIES | 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 6/26/2020

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.

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.

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.

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 Barclays 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 Barclays 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 Barclays 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 Barclays 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 BARCLAYS 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).

VIX | The CBOE Volatility Index, known by its ticker symbol VIX, is a popular measure of the stock market's expectation of volatility implied by S&P 500 index options.

MOVE | The MOVE Index is a well-recognized measure of U.S. interest rate volatility that tracks the movement in U.S. Treasury yield volatility implied by current prices of one-month over-the-counter options on 2-year, 5-year, 10-year and 30-year Treasuries.

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. With 50 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

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.

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