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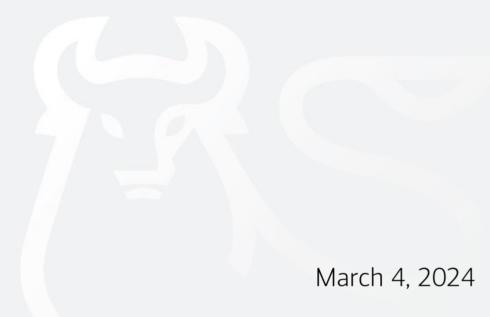

CHIEF INVESTMENT OFFICE

Capital Market Outlook

March 4, 2024

All data, projections and opinions are as of the date of this report and subject to change.

IN THIS ISSUE

Macro Strategy—*U.S. Banks—Taking Stock of Recent Industry Trends From a Fixed Income Perspective:* As we approach the one-year anniversary of the March 2023 regional banking turmoil, we look back at recent developments and examine what could be in store for the sector from a Fixed Income perspective. The Financial sector faced a challenging 2023 on many fronts, but credit markets now appear to be pricing in easier financial conditions and an improved operating environment as the year progresses. Although additional volatility is possible as the sector works through the transitioning of the credit, economic and policy cycles, we see some potential value in the larger, diversified U.S. banks at this time.

Market View—*Mission Unaccomplished: A Different Take on U.S.-China Derisking:* Recent trade data supports the U.S.-China "derisking" narrative and has given comfort to investors thinking the world's two largest economies are on course for an amicable economic separation. Thus far, "derisking" hasn't been all that threatening and disruptive to either Corporate America or the capital markets. However, the inconvenient truth is that traditional trade figures don't give a complete picture of America's massive commercial stakes in China. A more important metric pivots on U.S. foreign direct investment (FDI) in China and the attendant activities of U.S. foreign affiliates operating in-country. The bottom line is that the mainland remains among the largest and most profitable foreign markets for U.S. multinationals.

Yes, U.S. firms have been successful in finding alternative sources of supply ex China—and hence the decline in U.S. imports from China. However, finding alternative sources of demand from China (aka whither the Chinese consumer?) has not been as easy or even possible.

Thought of the Week—*Shades of Magnificence Overseas?:* Much like how U.S. Equity performance can be mostly attributed to a handful of names, performance concentration is also high within Europe's benchmark STOXX 600 Index, where just a trio of stocks account for more than 50% of the gains year-to-date (YTD). Having recently risen to all-time highs, without that trio, the index would be flat for the year. While competitive on return contribution, profitability is where Europe's giants are easily dwarfed. European large-cap counterparts are diversified (spanning industries such as semiconductor manufacturing, luxury goods, petroleum production, healthcare/diabetes management) and cheaper. Europe has rarely been this on sale relative to the S&P 500.

However, other fundamentals suggest continued weakness. The current earnings season in Europe has been underwhelming, with a larger-than-expected drop in profits being penciled in, and a rather mixed macro picture, riddled by an ongoing ground war and a manufacturing downturn that's lasted quarters in Germany (Europe's largest economy). While past performance is not indicative of future returns, positive earnings revisions are still emanating from the U.S. (particularly in technology)—which leads us to favor U.S. over international allocations.

MACRO STRATEGY ▶

Chief Investment Office
Fixed Income Team

MARKET VIEW ▶

Joseph P. Quinlan
Managing Director and Head of CIO Market Strategy

THOUGHT OF THE WEEK ▶

Lauren J. Sanfilippo
Director and Senior Investment Strategy Analyst

MARKETS IN REVIEW ▶

Data as of 3/4/2024, and subject to change

Portfolio Considerations

The U.S. economy shows early signs of reaccelerating, consumers remain healthy, corporate profits turning higher and monetary policy is pivoting from tightening to easing. We continue to favor both stocks and bonds overall. In February, we made tactical adjustments designed to increase our exposure to areas that are more correlated with easier financial conditions in the coming year by raising Equities to slight overweight from neutral—funded the increase in Equities from exposure to areas of richness in Fixed Income, increasing small capitalization shares to slight overweight from neutral with a tilt toward value in this asset class, and increasing our exposure to cyclical Equity sectors.

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MACRO STRATEGY

U.S. Banks—Taking Stock of Recent Industry Trends From a Fixed Income Perspective

Chief Investment Office, Fixed Income Team

Financials have faced several challenges that continue to weigh on earnings and investor sentiment. That said, we believe most issuers have navigated the current environment relatively well—with a number of key metrics pointing to resilient balance sheets, earnings and asset quality trends. These include durable (albeit weaker) earnings power, improving regulatory capital, enhanced liquidity and rising loan loss reserves. Furthermore, a soft-landing scenario and a Fed pivot could help improve industry operating conditions as the year progresses. Importantly, easing monetary policy could help alleviate funding pressures, improve valuations on securities portfolios, and potentially reduce borrower debt-service costs. Credit markets have responded positively, with improved access to debt markets and Financials/Bank spread outperformance YTD. While Banks continue to trade wide of Industrials, it is important to note that the Bloomberg U.S. Aggregate Finance Index credit spreads are tighter today as compared to this time last year before the events of March 2023. While risks to the sector remain, which we address in more detail below, we are constructive on the sector from a credit perspective and see potential value in the higher-quality and more diversified names including the Big Six and some of the large Regionals.

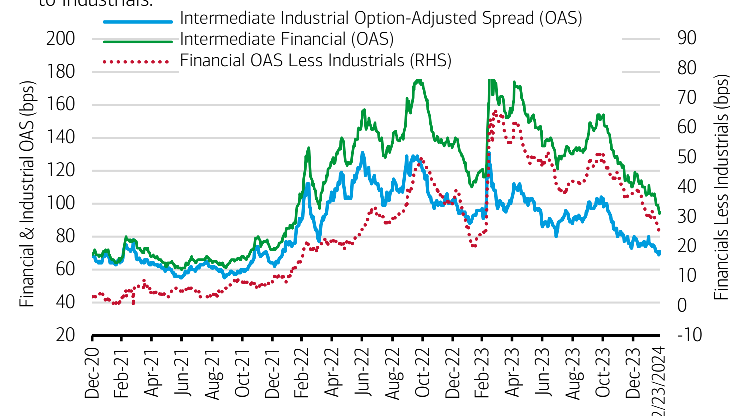
Signs of a Spring Thaw As We Approach the One-Year Anniversary of the 2023 Regional Banking Turmoil. Amid these signs of an early spring for Bank credit, we believe it is important to reflect on how we got here. Broadly speaking, U.S. banks entered the 2022 Fed tightening cycle with well-positioned balance sheets and historically low loan loss rates. As the Fed began to hike interest rates, deposit costs were slow to re-price, and higher interest rates provided a tailwind to the asset side of bank balance sheets, leading to a welcomed 80 basis points (bps) of margin expansion during the year, according to Federal Deposit Insurance Corporation (FDIC) data. However, as we entered 2023, the magnitude of tightening—i.e., 525 bps of hikes in 12 months—caused the gap between the rate paid on deposits and other short-term money market alternatives to hit its widest level in several decades. This led to a more competitive environment for deposits (i.e., outflow pressures). Following a series of regional-bank failures last March, banks were forced to pay up materially for deposits—as higher shorter-term yields and shaken customer confidence threatened the lifeblood of bank funding (deposits represent about 85% of all system liabilities). Higher deposit costs squeezed net interest margins throughout most of 2023, giving back a portion of the prior year's gains. Thankfully, system deposit levels have shown signs of stabilization. Historically, deposit cost pressures begin to ease as we transition out of a Fed tightening cycle—and we've already seen tentative signs that this is occurring, which could lead to net interest margin stabilization later this year, something we are watching closely.

Investment Implications

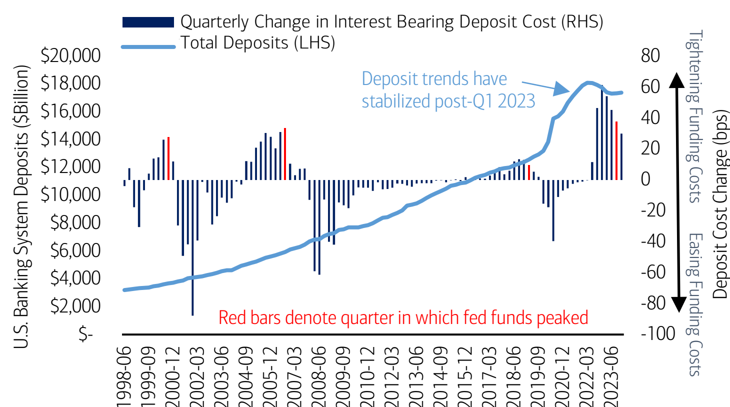
On the heels of the Federal Reserve (Fed) pivot late last year, Financial sector credit spreads have rallied strongly, retracing widening witnessed during 2023 on hopes of easing funding cost pressures and a better-than-expected macro backdrop. While several risks remain (i.e., Commercial Real Estate (CRE)) and the path forward could be bumpy, the sector continues to offer excess spread compared to non-Financials. Outperformance versus Industrials and the Bloomberg U.S. Corporate Bond Index is possible, in our view, especially for the larger and more diversified names.

Exhibit 1: Financial Credit Spreads Have Rallied as Funding Conditions Begin to Show Tentative Signs of Stabilization.

A) Financial Sector Spreads Have Retraced 2023 Widening but Remain Cheap to Industrials.



B) FDIC Quarterly Banking Profile as of 09/30/2023. Q4 2023 Interest Bearing Deposit Cost is Chief Investment Office (CIO) Fixed Income Estimate.



Source: Bloomberg. Data as of February 24, 2024.

Another catalyst for Banking sector volatility last year was large unrealized losses on bank balance sheets. This issue was exacerbated by several years of quantitative easing, which injected excess liquidity into the banking system that was, in some cases, deployed into longer-duration Fixed Income securities at a time when interest rates were close to zero. Once it became clear that more aggressive monetary policy was needed to reduce inflation, interest rates spiked and market values for these securities fell rapidly. Solvency concerns led to an erosion of confidence across the industry—especially institutions with both large portfolios of securities holdings and elevated levels of uninsured deposits. The Fed swiftly stepped in with an emergency collateralized lending facility—a program that will stop making new loans this month as planned. While unrealized losses are still present, they have moderated, and we expect banks to continue to address this issue gradually over the next several years.

Regulatory Change Is Slow Moving with Important Technical/Supply Caveats but Supportive For Creditors Long Term. We are closely monitoring several regulatory proposals applicable to large regional banks (i.e., banks with >$100 billion in total assets). These include the recognition of unrealized losses on available-for-sale securities in capital ratios and a minimum long-term debt rule designed to better protect depositors—increasing the total loss-absorbing capital in a distressed scenario. Additional regulatory changes to address liquidity shortcomings and the risk of uninsured deposit runs are also expected in time. Positively for credit investors, regulatory uncertainty has led to reduced shareholder payouts and a steady increase in capital ratios for many issuers over the last year.

As Margin Pressures Potentially Begin to Ease, Asset Quality Concerns Start To Percolate. As we transition into the next phase of the cycle, attention is now rightfully turning toward asset quality trends. While loan loss rates remain at relatively low levels historically, they have slowly risen over the last several quarters. The elephant in the room remains CRE loans—and stress within Office given valuation pressures and the structural challenges presented by the work-from-home paradigm shift. Our work suggests that the largest banks—including most large regional banks—are relatively well positioned compared to smaller banks. The 20 largest banks hold around 75% of total system loans but only around 45% of the banking system CRE exposure, according to Bloomberg—leaving the smaller regional and community banks with relatively more concentrated exposures.

Importantly, the Investment-grade/Bloomberg U.S. Aggregate Finance Index is heavily skewed toward these large banks, both domestic and foreign. The top 10 largest issuers represent almost half the sector index weight, while banking institutions with total assets less than $250 billion—a key regulatory threshold for enhanced supervision—represent less than 5% of the Bloomberg U.S. Aggregate Finance Index by market value. Even the smaller regional banks in the $100 to $250 billion total asset cohort—while having somewhat higher levels of CRE lending more broadly—report exposure to the most troubled Office sector at about 2% of total loans on average, which is only modestly higher compared to larger peers. Further, loan loss reserves—which flow through earnings and effectively serve as an asset write-down—have increased for five straight quarters, led by reserve building against these Office exposures. Time will ultimately tell whether the current level of reserves is adequate to fully absorb future losses, but it appears that most Financial debt issuers have managed exposures prudently and proactively given larger bank derisking coming out of the 2008/2009 Global Financial Crisis.

Despite ongoing uncertainty, Financial sector credit spreads—led by the largest banks—have more than fully retraced the widening seen in the aftermath of the 2023 regional banking turmoil. Investor sentiment has improved, as evidenced by Regional Bank issuers regaining access to capital markets, bringing over $20 billion of new long-term debt to market so far this year. Given lingering fundamental risks, the fragmented/idiosyncratic nature of the Financial industry, and potential for sticky inflation to warrant a more restrictive Fed policy relative to current market expectations, additional volatility is possible going forward. However, given more attractive yields in Financial sector debt relative to Industrials, we believe outperformance remains possible over the short to intermediate term, although progress could be choppy until the current credit and interest rate cycle fully plays out.

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MARKET VIEW

Mission Unaccomplished: A Different Take on U.S.-China Derisking

Joseph P. Quinlan, Managing Director and Head of CIO Market Strategy

Recent trade data supports the U.S.-China "derisking" narrative. U.S. imports from China, for instance, accounted for only 13.9% of total U.S. imports in 2023, down from a record high of 21.6% in 2017. U.S. goods imports from China slumped 20% last year, while U.S. exports to the mainland dropped 4%, according to the Bureau of Economic Analysis. In the aggregate, total U.S.-China trade in goods is now hovering at multiyear lows. Mexico, with much media hype, was America's top supplier of imports in 2023.

Given these figures—and underlying trends—investors could be forgiven for thinking the world's two largest economies are on course for an amicable economic separation. And by association, that "derisking" hasn't been all that threatening and disruptive to either Corporate America or the capital markets. Who says breaking up is hard to do? Washington and Beijing are making it look easy and painless—giving solace to the markets.

However, the inconvenient truth is that traditional trade figures don't give a complete picture of America's massive commercial stakes in China. These stakes are not based on trade alone. Rather, they are built more off U.S. FDI in China and the attendant activities of U.S. foreign affiliates operating in-country. These particular facets of commerce are little recognized or understood on Wall Street and could lead investors to underestimate the potential adverse effects of an U.S.-Sino breakup.

At last count, the number of U.S. affiliates in China (1,956 in 2021, the last year of available data) exceeded the number of affiliates in such markets as Germany, France, Japan and virtually all of South America. These affiliates employed over 1.2 million Chinese workers, produced nearly $100 billion in total output annually in China, spent over $5.5 billion on research & development, and generated $472 billion in affiliate sales (all figures are from the Bureau of Economic Analysis). Affiliate sales in China, by the way, are one of the largest in the world, and are over three times larger than what the U.S. exports to China in a year.

In other words, U.S. exports to China don't even begin to capture how much business China generates for Corporate America each year. Success in China requires that firms be based in China. Hence the near 12-fold increase in U.S. FDI (on a historical cost basis) between 2000 and 2022 (Exhibit 2A), and the corresponding 18-fold increase in affiliate sales over roughly the same time frame (Exhibit 2B).

As America's investment presence in China has grown over the past decades, so has the payoff. Income earned by U.S. foreign affiliates in China has soared since 2000 and now easily outstrips what U.S. affiliates earn in wealthier markets like Germany and France each year (Exhibit 2C). U.S. foreign affiliate income in China ($8.7 billion) was up roughly 1% in the first nine months of last year (year-over-year), above comparable levels in France ($5.2 billion), Germany ($7.7 billion) and India ($6.7 billion). The bottom line is that China remains one of the most profitable foreign markets in the world for Corporate America, notably for U.S. consumer goods companies, food and beverages, automobiles, and related products. The presence of U.S. technology firms in China is minimal due to investment restrictions in China—although the mainland does remain a key market for many U.S. chip manufacturers. Derisking has put the latter in the cross hairs of U.S.-Sino tensions.

Derisking: More about supply, less about demand. Yes, U.S. firms have begun to diversify their China-centric supply chains. But that doesn't mean they are giving up on China. Far from it. With China's personal consumption expenditures topping $6.7 trillion in 2022, the last year of available data from the United Nations (UN), the mainland's consumption power/potential remains among the largest and most robust in the world. In 2022 alone, China accounted for nearly 30% of total personal consumption of the developing nations, according to data from the UN.

And that brings us to the nub of the "derisking" narrative. U.S. firms, yes, have been successful in finding alternative sources of supply ex China—and hence the decline in U.S. imports. However, finding alternative sources of demand from China (aka wither the Chinese consumer?) has not been as easy or even possible.

Case in point: India is a legitimate supply alternative to China when it comes to labor and the reconfiguration of global supply chains. It's far from ready, however, to offset China as a source

Portfolio Considerations

From the perch of the CIO, we continue to monitor the macro and micro metrics of U.S.-China de-risking—with one eye on trade and another eye on foreign investment/affiliate activities. Given China's push for self-sufficiency and the U.S.' bi-partisan anti-China embrace on trade and investment, investors should expect more volatility and uncertainty around the large cap earnings of U.S. multinationals most exposed to China. Key sector exposure pivots on consumer goods, food and beverages, transportation, and financial services.

of demand given the fact that India's per capita income is not even one-third of China's. As such, India's personal consumption expenditures in 2022 ($2.1 trillion) was well under China's figure for the same year ($6.7 trillion), as illustrated in Exhibit 2D. The cold reality is that China remains a key source of earnings potential for many U.S. firms and likely to remain so in the future.

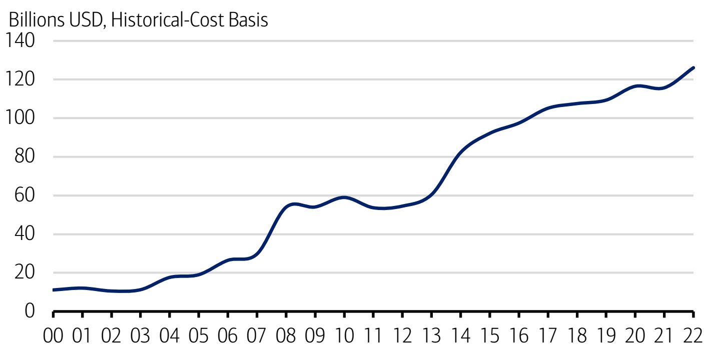
To this point, according to the latest "China Business Climate Survey" from AmCham China, whose membership includes nearly 1,000 companies operating across China, "a majority of members (77% of the total) across sectors have no plans to move their manufacturing and sourcing out of China." Meanwhile, according to the report, 50% of members rank China as their company's first or top-three near-term global investment priority, up 5 percentage points from last year's record low. Compared with last year, the outlook among members is more positive across all domains—expectations for industry market growth in 2024 are higher than they were in 2023. More than 60% of respondents still plan to grow their core business in China in 2024.

The bottom line: China Still Matters; derisking carries risks for U.S. Large-cap earnings. You can't discount U.S.-China derisking without first dissecting the different channels by which Corporate America operates in one of the world's largest economies. It's not just through traditional means of trade—or export and imports. Foreign investment and foreign affiliate activities must also be included, and when viewed through this lens, things become a great deal more complex and complicated. And a great deal riskier for many U.S. multinationals that have sunk millions in investment in China over the past few decades.

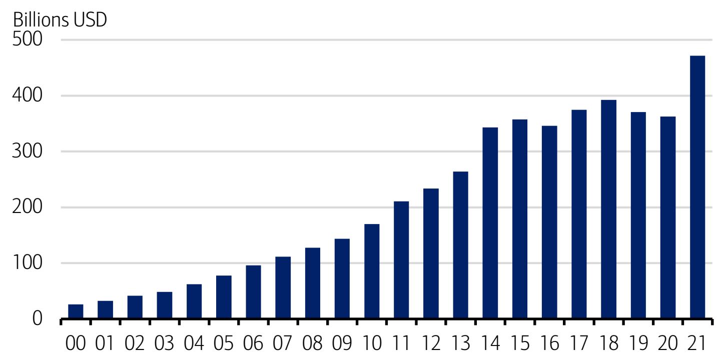
From the perch of the CIO, we continue to monitor the macro and micro metrics of U.S.-China derisking—with one eye on trade and another eye on foreign investment/affiliate activities. Given China's push for self-sufficiency and the U.S.' bi-partisan anti-China embrace on trade and investment, investors should expect more volatility and uncertainty around the largecap earnings of U.S. multinationals most exposed to China. Key sector exposure pivots on consumer goods, food and beverages, transportation, and financial services.

Exhibit 2: Beyond the Trade Numbers: Derisking from China is Complicated.

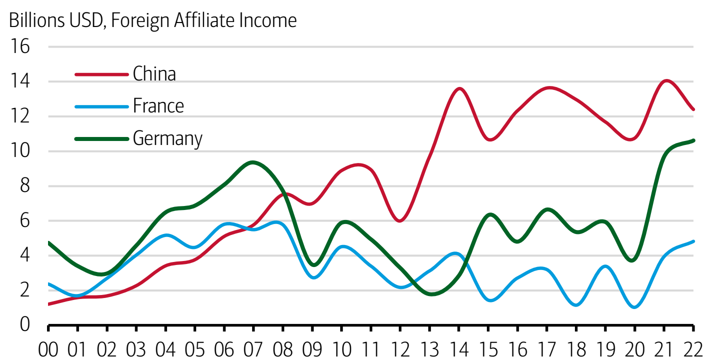
A) U.S. FDI in China Soars



B) U.S. Foreign Affiliate Sales in China



C) U.S. Foreign Affiliates Earn More in China



D) China Easily Outspends India

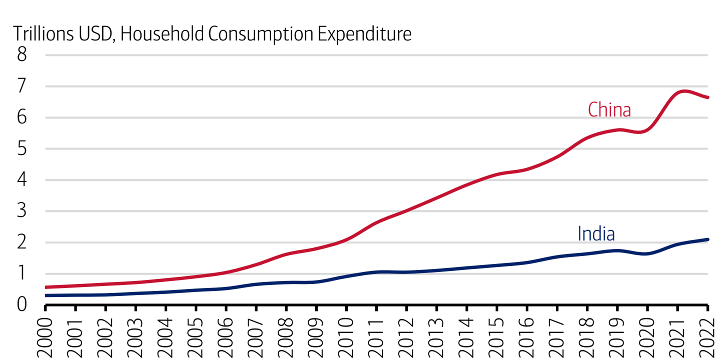


Exhibit 2A) Source: Bureau of Economic Analysis. Data as of February 27, 2024. Exhibit 2B) Majority-owned Nonbank Foreign Affiliates (data up to 2008); All Majority-owned Foreign Affiliates (data for 2009 and onward). Source: Bureau of Economic Analysis. Data as of February 27, 2024. Exhibit 2C) Source: Bureau of Economic Analysis. Data as of February 27, 2024. Exhibit 2D) Source: United Nations. Data as of February 27, 2024.

THOUGHT OF THE WEEK

Shades of Magnificence Overseas?

Lauren J. Sanfilippo, Director and Senior Investment Strategy Analyst

The who's who of return contribution is being warily watched by investors this year, for how long the U.S. equity market can be held up by a handful of names. Less acknowledged is how extreme performance concentration is within Europe's benchmark index, where just three stocks—ASML, Novo Nordisk and SAP—account for more than 50% of the gains in the pan-European STOXX 600 YTD. Having recently risen to all-time highs, without that trio, the index would be flat for the year.

Sounds familiar. Having that outsized contribution and effect at the index level is impressive. Incredibly, and on a global scale, company profits have skewed far enough to eclipse the profitability of entire countries. As examples, the Magnificent 7[1] are basically on par with Japan's profitability, or equivalent to India and France's profits combined (Exhibit 3A). It's a feat that the rise in stock performance for the U.S. giants is matched by rising earnings expectations and profitability. The posterchild: Nvidia, and its Q4 earnings report, which propelled its stock by $275 billion in value in one day.[2] While an extreme example, it's illustrative of the heft these companies represent. To conceptualize, only 25 companies in the S&P 500 are valued at $275 billion (or more).

While competitive on return contribution, profitability is where Europe's giants are dwarfed. European large-cap counterparts (the aggregate European 7 in Exhibit 3A) are more diversified (spanning industries such as semiconductor manufacturing, luxury goods, petroleum production, healthcare/diabetes management) and cheaper. Europe has rarely been this inexpensive relative to the S&P 500 (Exhibit 3B).

However, other fundamentals suggest continued weakness. The current earnings season in Europe has been underwhelming, with a larger-than-expected drop in profits being penciled in (running at -11% year-on-year for Q4), and a rather mixed macro picture, riddled by an ongoing ground war and a manufacturing downturn that's lasted quarters in Germany (Europe's largest economy). European large-cap companies are also more exposed to a structurally weak China through imports (such as solar panels, electric vehicles and related products) versus their U.S. counterparts.

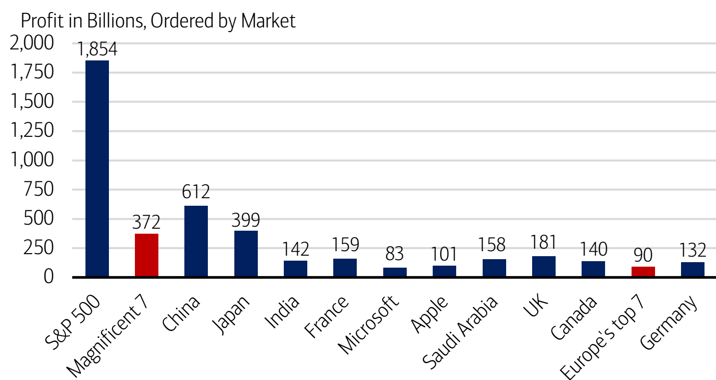
On our radar is the global advance that has swept various markets this year, with new multi-decade highs reached in Mexico, India, Taiwan, Japan, Germany and France.[3] Are Equities discounting a bottoming in global growth? Taking the longer view, and over the last decade and a half, international markets have lagged behind the U.S. While past performance is not indicative of future returns, positive earnings revisions are still emanating from the U.S. (particularly in tech)—which leads us to favor U.S. over international allocations.

Investment Implications

There's no place like home, considering that recession risk is high in Europe, while China, faced with considerable structural challenges, is representative of 25% of the MSCI Emerging Market Index. On an absolute and comparative basis, the backdrop for U.S. Equities remains more supportive, driven by economic growth running above-trend, a moderating inflation trend, a Fed that's pivoting policy, while the Artificial Intelligence leaders still captivate investment.

Exhibit 3: Measuring Profits and Valuations.

A) Comparing Profits of Countries and Companies



B) European Stocks Trade at a 35% Discount to the U.S.

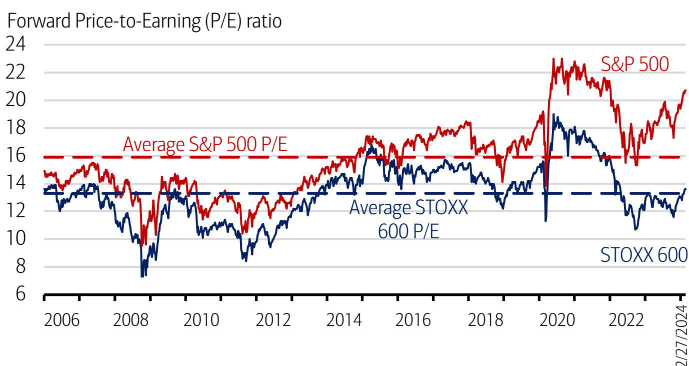


Exhibit 3A) Source: Bloomberg; Deutsche Bank. Data as of February 2024. LTM net profit in USD. Europe top 7 by weight: Novo Nordisk, ASML, Nestle, LVMH, Novartis, Shell, AstraZeneca. Exhibit 3B) Source: Bloomberg. Data as of February 27, 2024. **Past performance is no guarantee of future results. It is not possible to invest directly in an index.**

[1] Apple, Amazon, Alphabet, Nvidia, Meta, Microsoft and Tesla.

[2] Source: Bloomberg. Data as of February 23, 2024.

[3] Mexbol Index, BSE 500 Index, Taiwan Stock Exchange, Nikkei Index, CAC 40 index, DAX Index.

Equities

	Total Return in USD (%)			
	Current	WTD	MTD	YTD
DJIA	39,087.38	0.0	0.2	4.1
NASDAQ	16,274.94	1.8	1.1	8.6
S&P 500	5,137.08	1.0	0.8	8.0
S&P 400 Mid Cap	2,910.66	1.9	0.7	4.9
Russell 2000	2,076.40	3.0	1.1	2.6
MSCI World	3,364.04	0.9	0.8	6.3
MSCI EAFE	2,303.90	0.7	0.8	3.2
MSCI Emerging Markets	1,024.68	-0.3	0.4	0.3

Fixed Income†

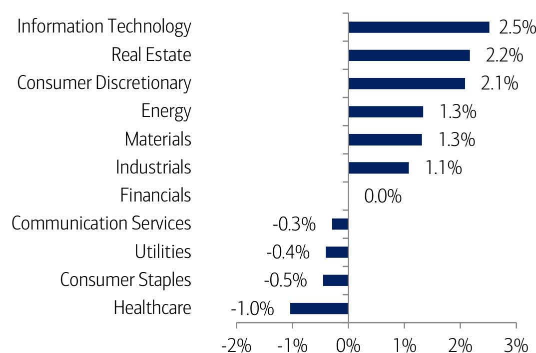
	Total Return in USD (%)			
	Current	WTD	MTD	YTD
Corporate & Government	4.75	0.43	0.38	-1.21
Agencies	4.71	0.42	0.24	-0.14
Municipals	3.41	0.19	0.01	-0.37
U.S. Investment Grade Credit	4.84	0.47	0.39	-1.30
International	5.34	0.22	0.40	-1.28
High Yield	7.82	0.20	0.18	0.47
90 Day Yield	5.37	5.40	5.38	5.33
2 Year Yield	4.53	4.69	4.62	4.25
10 Year Yield	4.18	4.25	4.25	3.88
30 Year Yield	4.33	4.37	4.38	4.03

Commodities & Currencies

	Total Return in USD (%)			
Commodities	Current	WTD	MTD	YTD
Bloomberg Commodity	225.22	2.0	0.5	-0.5
WTI Crude $/Barrel††	79.97	4.5	2.2	11.6
Gold Spot $/Ounce††	2082.92	2.3	1.9	1.0

		Total Return in USD (%)		
Currencies	Current	Prior Week End	Prior Month End	2022 Year End
EUR/USD	1.08	1.08	1.08	1.10
USD/JPY	150.12	150.51	149.98	141.04
USD/CNH	7.21	7.21	7.21	7.13

S&P Sector Returns



Sources: Bloomberg; Factset. Total Returns from the period of 2/26/2024 to 3/1/2024. †Bloomberg Barclays Indices. ††Spot price returns. All data as of the 3/1/2024 close. Data would differ if a different time period was displayed. Short-term performance shown to illustrate more recent trend. **Past performance is no guarantee of future results.**

Economic Forecasts (as of 3/1/2024)

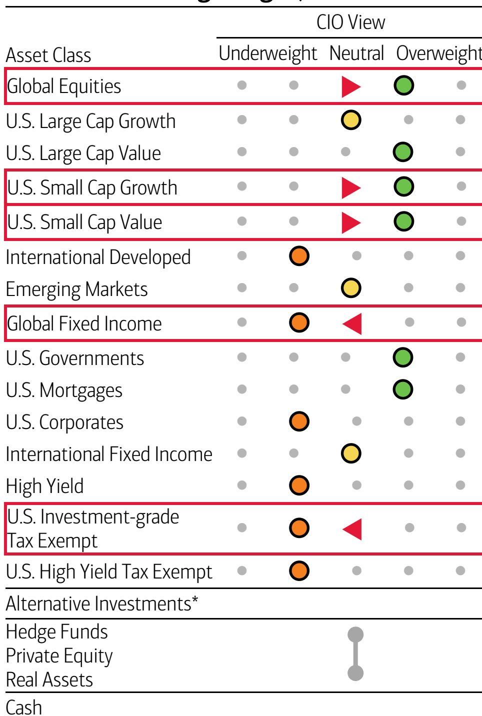
	Q4 2023A	2023A	Q1 2024E	Q2 2024E	Q3 2024E	Q4 2024E	2024E
Real global GDP (% y/y annualized)	-	3.0*	-	-	-	-	2.9
Real U.S. GDP (% q/q annualized)	3.2	2.5	2.5	2.0	2.0	2.0	2.7
CPI inflation (% y/y)	3.2	4.1	3.2	3.4	3.1	2.9	3.2
Core CPI inflation (% y/y)	4.0	4.8	3.7	3.4	3.4	3.3	3.5
Unemployment rate (%)	3.8	3.6	3.8	3.8	3.9	3.9	3.9
Fed funds rate, end period (%)	5.33	5.33	5.38	5.13	4.88	4.63	4.63

The forecasts in the table above are the base line view from BofA Global Research. The Global Wealth & Investment Management (GWIM) Investment Strategy Committee (ISC) may make adjustments to this view over the course of the year and can express upside/downside to these forecasts. Historical data is sourced from Bloomberg, FactSet, and Haver Analytics. **There can be no assurance that the forecasts will be achieved. Economic or financial forecasts are inherently limited and should not be relied on as indicators of future investment performance.**

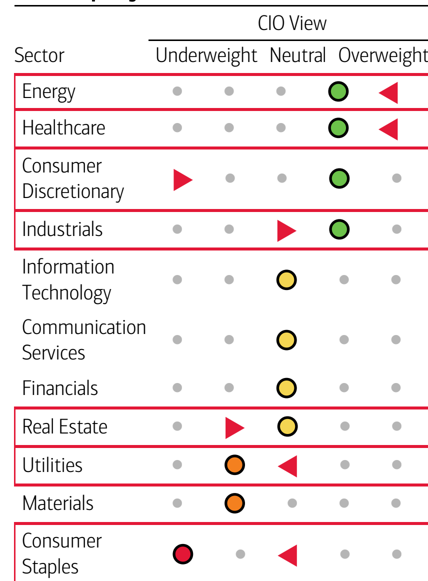
A = Actual. E/* = Estimate.

Sources: BofA Global Research; GWIM ISC as of March 1, 2024.

Asset Class Weightings (as of 2/6/2024)



CIO Equity Sector Views



*Many products that pursue Alternative Investment strategies, specifically Private Equity and Hedge Funds, are available only to qualified investors. CIO asset class views are relative to the CIO Strategic Asset Allocation (SAA) of a multi-asset portfolio. Source: Chief Investment Office as of February 6, 2024. All sector and asset allocation recommendations must be considered in the context of an individual investor's goals, time horizon, liquidity needs and risk tolerance. Not all recommendations will be in the best interest of all investors.

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Securities indexes assume reinvestment of all distributions and interest payments. Indexes are unmanaged and do not take into account fees or expenses. It is not possible to invest directly in an index. Indexes are all based in U.S. dollars.

U.S. Equities/S&P 500 Index is a stock market index tracking the stock performance of 500 of the largest companies listed on stock exchanges in the United States.

Bloomberg U.S. Aggregate Finance Index broadly tracks the performance of the U.S. investment-grade bond market.

STOXX 600 Index is a stock index of European stocks designed by STOXX Ltd.

U.S. Financials/U.S. Industrials/ Bloomberg U.S. Corporate Bond Index measures the investment grade, fixed-rate, taxable corporate bond market.

MSCI Emerging Market Index captures large and mid cap representation across 24 Emerging Markets (EM) countries.

Mexbol Index is designed to provide a broad, representative, yet easily replicable index covering the Mexican equities market.

BSE 500 Index is designed to be a broad representation of the Indian market.

Taiwan Stock Exchange is a financial institution, located in Taipei 101, in Taipei, Taiwan.

Nikkei Index is a stock market index for the Tokyo Stock Exchange.

CAC 40 Index represents a capitalization-weighted measure of the 40 most significant stocks among the 100 largest market caps on the Euronext Paris.

DAX Index is a stock market index consisting of the 40 major German blue chip companies trading on the Frankfurt Stock Exchange.

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