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CHIEF INVESTMENT OFFICE

Capital Market Outlook

May 6, 2024

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IN THIS ISSUE

Macro Strategy—*In Brief: Three High Conviction Themes and Strategies from the CIO:* Slicing through the fog of the markets, we highlight three high conviction themes and strategies: One, stay long America, home to the world's most dynamic economy and wealth-generating machine, the S&P 500. Don't buy the America-in-decline story; two, we maintain our bias toward hard power (large defense/cyber security) and hard assets (commodities) because it's different this time—the geopolitics of today have been radically altered, portending higher global defense spending and resource protectionism over the long-term; three, the U.S. election will generate a great deal of angst and volatility, but we suggest that investors stay in the market, hold high quality assets, and use pullbacks and drawdowns as buying opportunities.

Market View—*5 Things Investors Should Know About the Interconnection Queue:* The time is ripe for investors to get acquainted with the "interconnection queue." Think of the interconnection queue as a waiting line for energy projects looking to be hooked up to the U.S. power grid. With the country's aging infrastructure and Artificial Intelligence (AI)-fueled electricity demands, predominantly renewable capacity in the queue promises a greener future. Yet the backlog of projects has ballooned in recent years, with delays and rising costs exacerbating wait times. The result? An interconnection queue now containing 2,600 gigawatts (GW) of capacity—which, incredibly, amounts to more than double the current capacity of the entire U.S. power plant fleet. And as long as renewable energy remains in the queue—and not connected to the grid—its impact is null.

In this five-part primer, we lay out the basics of the interconnection queue: what it is, why it matters, the good and bad news, what policymakers are up to, and most importantly, what this all means for investors. With a growing queue and massive energy overhaul to come, we continue to favor hard assets crucial to the grid's overhaul and leaders in electricity transmission and distribution, among other potential beneficiaries.

Thought of the Week—*There's No Place Like Home:* While plenty of recent headlines have continued to draw attention to the technology-heavy concentration of the S&P 500 Index, it may be worth taking a look at the U.S. compared to other international indexes. While ten names having a 34% weight in an index may seem like a lot, zooming out, the major U.S. index is one of the least concentrated compared to indexes in the U.K., Japan, and Europe.

While technology-heavy names have allowed the S&P 500 Index to propel forward in the last year, there are a variety of other reasons for our positive performance compared to laggards overseas. The U.S. index's sector diversity, gradual broadening out, relative isolation from the negative influences of foreign events, growth forecast, and dynamic economy allow us to remain constructive on the U.S. as a whole.

MACRO STRATEGY ▶

Joseph Quinlan
Managing Director and Head of CIO Market Strategy

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Ariana Chiu
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Theadora Lamprecht
Assistant Vice President and Investment Strategist

MARKETS IN REVIEW ▶

Data as of 5/6/2024, and subject to change

Portfolio Considerations

The economy shows early signs of reaccelerating, consumers remain healthy, corporate profits are turning higher, and monetary policy is pivoting from tightening to easing. We expect markets to take a small breather and enter a brief consolidation phase as we enter the "no fundamental news" period. Weakness is a buying opportunity, in our view. We believe the broadening out of the market is just beginning. We maintain an overweight to Equities, with a preference for higher-quality U.S. Large- and Small-caps, and still favor a significant allocation to bonds in a diversified portfolio. For qualified investors, Alternative Investments should be considered for long-term growth and various sources of yield as a complement to public investments.

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MACRO STRATEGY

In Brief: Three High Conviction Themes and Strategies from the CIO

Joseph Quinlan, Managing Director and Head of CIO Market Strategy

The one constant of the capital markets is change—often leaving investors wrong-footed, reactive, and undecided about the future. Slicing through the fog of the markets, we outline below three high conviction themes.

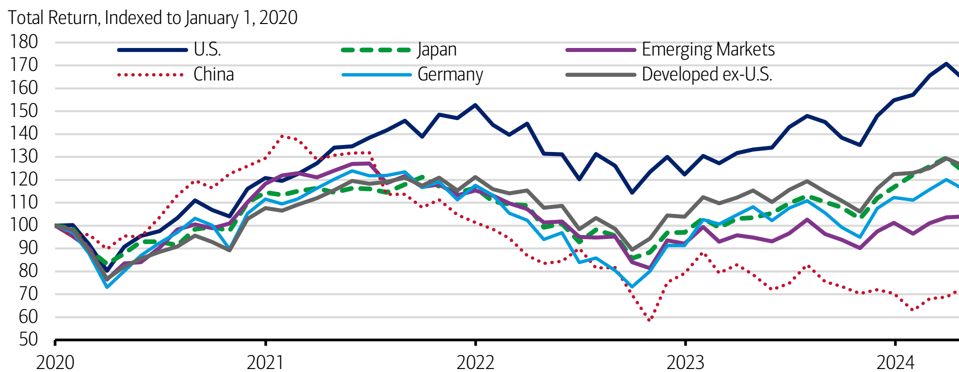
American Exceptionalism—"Shaming" the Rest of the World. As the Chief Investment Office has reiterated many times over the past few years, no country in the world is as dynamic, resilient, productive, diversified and wealthy as the U.S. We continue to hammer away at this point to counter the divisive and negative narrative that America is in decline, and to alleviate the risks that could result in investment paralysis, time out of the market, hesitation when it is time to rebalance or buy the dips, and other characteristics that undercut long-term investment returns.

Think of the U.S. economy as a hydra-headed, $28 trillion superpower that thrives and excels in multiple sectors/activities, ranging from energy to entertainment, technology to transportation, and agriculture to aerospace, to name just a few. With less than 5% of the world's population, the U.S. accounts for over one-quarter of global gross domestic product (GDP). America's contribution to world GDP is basically the same as it was in 1980. Pick any sector or activity, and there's a good chance the U.S. leads the rest of the world.

America's entrepreneurial DNA empowers startups, enables innovation, fosters competition, creates opportunities, challenges incumbents—producing, in the end, the most dynamic economy the world has ever seen and some of the world's best returns on equity (Exhibit 1). As *The Economist* recently noted, the U.S. is "putting the rest of the world to shame," with the U.S. economy expanding by nearly 8% in real terms since the end of 2019, more than twice as fast as the eurozone and ten times as fast as Japan's.[1]

Investment implications: *The CIO remains constructive on U.S. Equities of all styles and believes that at the core of portfolio construction lie U.S. Equities in particular and U.S. assets in general. Don't buy or believe the American defeatist narrative, because if you do, you're shortchanging the most dynamic economy in the world—and your portfolio. Stay long America.*

Exhibit 1: The U.S. Leads The World In Market Returns.



Source: Bloomberg. Data as of May 1, 2024. **Past performance is no guarantee of future results. It is not possible to invest directly in an index. Please refer to index definitions at the end of this report**

It's Different This Time: Geopolitics and The Axis Of Upheaval. We are careful when proclaiming "this time is different," but when it comes to the shifting geopolitical global landscape, it is different. Past will not be prologue. While the major geopolitical events of the past few years have had a minimal effect on global Equities, investors should not be lulled into thinking that a ground war in Europe, conflict in the Middle East and tensions in the South China Sea don't matter to the capital markets. It is different this time. And don't take our word for it, take China's. Here's the exchange between Xi Jinping and Vladimir Putin at the Kremlin in March 2023: Xi: "There are changes happening, the likes of which we haven't seen for 100 years. Let's drive those changes together." Putin: "I agree."

Investment Implications

Amid the swirl of 24/7 news and data flow, investors need to see the forest before the trees, and construct/anchor portfolios around high conviction themes and strategies.

[1] See "Pumped Up", The Economist, March 16, 2024.

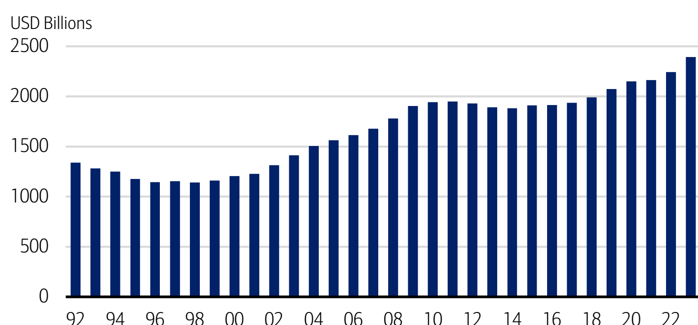
Translation: China and Russia, along with North Korea and Iran, have coalesced into "axis of upheaval," whose shared ambition is nothing short of remaking the U.S.-led global liberal economic order of the past eighty years.[2] Their goal ambition is to overturn the principles and rules of the global economy, dethrone the U.S. dollar, and create their own technology standards, among other things. What's more, the strengths and capabilities of this cohort are formidable. As *Foreign Affairs* recently noted, "Their combined economic and military capacity, together with their determination to change the way the world has worked since the end of Cold War, makes for a dangerous mix."[2]

The costs associated with unpredictable geopolitics run the risk from rising global defense spending-cum-widening budget deficits, to higher prices/inflation due to supply chain vulnerabilities and increased global populism/nationalism on account of rising levels of cross-border migrants dislocated by conflict. As depicted in Exhibit 2, global defense spending is a growth industry, with world military expenditures touching a record high of $2.4 trillion in 2023.

Investment implications: *Don't bite on the narrative that geopolitics hardly matter. They certainly do and should be top of mind when constructing/rebalancing portfolios this year. We maintain our bias toward hard power (U.S. Large-cap defense/cyber leaders) and hard assets (energy/commodities).*

Exhibit 2: More Spending on Arms and Long-term Returns on Assets.

2A) World Military Expenditure.



2B) Asset Prices: The Long View.

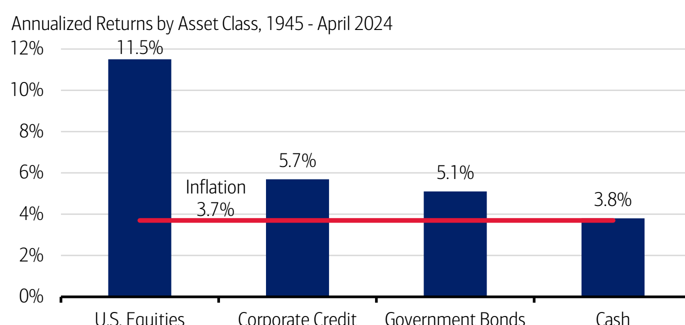


Exhibit 2A) Expenditure at constant 2022 prices and exchange rates. Source: Stockholm International Peace Research Institute. Data as of April 30, 2024. Exhibit 2B) Sources: Bloomberg; Morningstar; Ibbotson and Barclays Live. Data as of May 1, 2024. U.S. Equities are S&P 500 Total Return, Government Bonds are Intermediate U.S. Treasury, Corporate Credit is U.S. long corporate, Cash is 30-day Treasury Bill, Inflation is U.S. consumer price index. **Past performance is no guarantee of future results. It is not possible to invest directly in an index. Please refer to index definitions at the end of this report.**

The U.S. Election: A Republic, Not a Banana Republic. While six months out from the November election, we already detect a sense of dread and uncertainty among investors around the upcoming vote. The latter continues to generate a great deal of interest and angst among investors and will more than likely trigger more market volatility in the months ahead. That is to be expected—there is a great deal riding on who wins the White House and the composition of Congress. Not helping matters: the daily barrage of darkness doled out by the media.

But the campaigns heat up, and as the negativity around the future of the country builds, we suggest investors remember some election-year market fundamentals: first, profits trump politics, and the latter are in a cyclical upswing/recovery. Two, in general, U.S. Equity returns in election years have not been all that different from non-election years, according to Bloomberg, so stay in the market. Three, stay diversified across all asset classes, and prioritize quality in portfolios. Four, lock in stable income streams via bonds and dividend payers. And five, use pullbacks or market drawdowns as buying opportunities.

Investment implications: ***Politics matter, but remember that at the end of the day, the U.S. is a republic, not a Banana Republic****—notwithstanding the negative narrative from various media outlets. Life will go on after the November vote. Whatever the outcome, it's likely asset prices will reset, corporations will adapt, households will carry on, and the world will adjust. Seeing the forest before the trees, since 1945, and in lieu of many market-moving events over the past several decades, annualized total returns of the S&P have been in excess of 11%[3]. The election will test the patience of investors, but this too shall pass.*

[2] See "The Axis of Upheaval", Foreign Affairs, May/June 2024.

[3] Sources: Bloomberg as of May 3, 2024.

MARKET VIEW

5 Things Investors Should Know About the Interconnection Queue

Ariana Chiu, Wealth Management Analyst

If you've never heard of the "interconnection queue," you're probably not alone. It's an arcane mouthful, for sure. But as a potential bottleneck to America's national grid, and a variable that could short-circuit the transition to a greener economy, investors need to know what's at stake—and what investment opportunities exist—when it comes to the interconnection queue. Below is just that.

The Interconnection Queue: What Is It?

The interconnection queue (IQ) is exactly what it sounds like: a queue for interconnection. Think of it as a waiting line for energy projects looking to be hooked up to the grid. At a time when America's electrification needs are soaring, so too are wait times in the queue. To wit, the typical project built in 2023 took nearly five years to reach commercial operations, up from three years in 2015 and less than two years in 2008. According to the Lawrence Berkeley National Laboratory, the U.S. interconnection queue currently contains 2,600 GW of energy capacity, up 30% in 2023 from the prior year (Exhibit 3A). That's more than double the current capacity of the entire U.S. power plant fleet.

There are multiple reasons for the backlog. First, the sheer number of new requests and coveted grid upgrades have spiked over the past few years along with a surge in new U.S. power demand (think data centers, AI power-intensive facilities, cloud computing). Second, the permit process is long and involves multiple parties who must cooperate with attendant laws, regulations, and technical studies. Add rising costs to these complexities, and it is little wonder that the interconnection queue makes the Transportation Security Administration (TSA) line at Newark Airport during peak travel season look like a cake walk.

The IQ: Why It Matters.

The interconnection queue matters because stuck in line is the future—America's green future. Solar, wind, and battery storage account for more than 95% of the capacity queued, yet, as Bloomberg puts it, "Without connection to the grid, any renewable project might as well be an art installation." Put differently, yes, 2,600 GW of primarily solar, wind, and battery storage capacity indicates ample interest in electrifying the U.S. economy. However, the bottom line is that the interconnection queue ultimately determines whether these projects come online. As long as renewable energy remains in the queue—and not connected to the wider U.S. electric grid—its impact is null.

The broader stakes of the queue, and of the electrification of the U.S. power grid, cannot be understated. Consider the country's aging grid infrastructure—with 60% of U.S. distribution lines having already surpassed their 50-year life expectancy—and generative AI-fueled energy demands, not to mention an ongoing renewable trade tug-of-war with China. Meanwhile, fossil fuels continue to generate 60% of electricity in the U.S., with the electric power industry driving about a third of total U.S. emissions.[4]

The Good and Bad News.

The good news: Supercharged by the Inflation Reduction Act (IRA), renewable capacity is being added to the grid at impressive levels. Take solar, which for the first time in history accounted for more than 50% of total electric generating capacity added to the grid in 2023.[5] The Energy Information Administration expects solar and battery storage to make up a record 81% of capacity added in 2024. Even for wind, notwithstanding recent installation hiccups, electricity generation has grown 44% between 2019 and 2023.[6]

The bad news: For project developers—and for renewable energy equities—structural headwinds abound. First, the vast majority of proposed energy in the interconnection queue never ends up connected to the grid. For projects initiated between 2000 and 2018, less than 20% of them made it to commercial operations by the end of 2023.[7] Owing to higher connection costs and regulatory delays, most projects are forced to eventually withdraw from the queue, leaving developers to foot the bill.

[4] U.S. Energy Information Administration, November 2023.
[5] Solar Energy Industries Association, March 2024.
[6] U.S. Energy Information Administration, March 2024.
[7] Lawrence Berkeley National Laboratory, April 2024.

Portfolio Considerations

The interconnection queue is now overflowing in renewable capacity waiting to be connected to the grid. Structural reform to the queue will be key to watch as electricity demands challenge already-aging grid infrastructure in the U.S. While a growing queue, longer wait times, and higher costs remain structural headwinds for renewable developers, we continue to favor hard assets key to a greener grid. Leaders in electricity transmission and distribution as well as grid features of the future are also expected to benefit long-term.

And, thanks to a massive influx of IRA-incentivized projects, the wait in line is only expected to expand. More capacity joined the queue in 2022 and 2023 than in 2014-2020 combined, with over 1,100 GW in projects submitted since the IRA was passed in August 2022. Take solar capacity alone: a record 32 GW of solar generating capacity was added to the grid in 2023. Yet multiply that number by 30, and you get the amount of solar capacity that is currently sitting in the queue. (Read that again.) In more tangible terms: At 1,080 GW, solar energy waiting in the queue could power nearly 200 million homes.[8]

Where We Go From Here.

As to be expected with any large-scale infrastructure overhaul, **upgrading the U.S. electric grid will be neither easy nor cheap.** Years of regulatory reform are likely to follow, just as new electricity demands in the U.S., and North America more broadly, are projected to skyrocket (Exhibit 3B). Already, utilities are grappling with keeping the lights on amid electricity shortages, declining transmission construction, and looming AI data center demands.

Fortunately for project developers and investors alike, policymakers are increasingly attuned to the interconnection queue and its effect on the future of the grid. In 2023, the Federal Energy Regulatory Commission (FERC) issued Order No. 2023, which enabled projects requiring the same transmission upgrades to be evaluated in clusters—a significant step toward alleviating project wait times. Also key to watch will be the effect of the Department of Energy's recent "Transmission Interconnection Roadmap," the first of its kind to outline solutions to project delays, costs to developers, and disappointing completion rates. While in its early stages, the U.S. is coming to terms with the fact that $380 billion in renewable incentives will require nationwide reform to the queue.

What This All Means For Investors.

It's no secret that renewable energy equities have struggled in recent years, both in the U.S. and abroad. After more than tripling between its pandemic low of March 2020 and price highs of January 2021, the MSCI Global Alternative Energy Index—primarily composed of renewable project developers and equipment suppliers in the U.S., Europe and Asia—has since given up virtually all of those gains, falling by over 50% from its peak reached three years ago. Over the long-term, however, we see more upside for renewable indexes, supported by cyclical factors such as slowing inflation and falling interest rates, as well as structural variables like further regulatory reform targeted at shortening the interconnection queue.

Meanwhile, we continue to favor hard assets crucial to the grid's overhaul, including copper and aluminum (grid transmission and solar); lithium, nickel, cobalt, manganese, and graphite (batteries/battery storage); and rare earth elements (wind), among others. Rising energy demands and the growing interconnection queue should leave makers of industrial cables for long-distance power transmission and grid connections from renewable sources well-positioned. Additional potential beneficiaries include leaders in electricity distribution, mineral processing and refining, and solar, wind, and battery storage component suppliers. And, as more alternative energy is successfully connected to the grid, providers of grid features of the future, including demand-response and vehicle-to-grid (V2G) technology, also stand to benefit.

Exhibit 3: Time to Face Queue Realities.

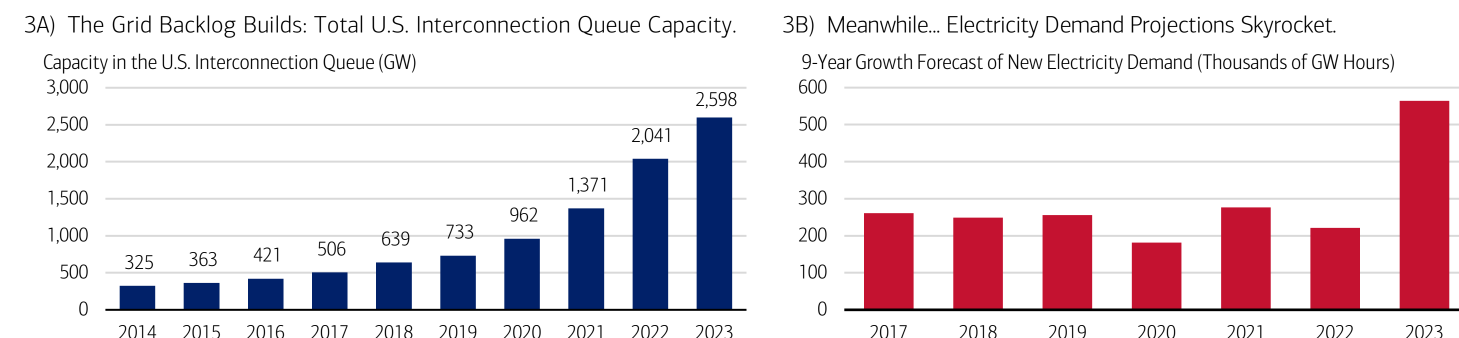


Exhibit 3A) Source: Lawrence Berkeley National Laboratory. Data as of April 2024. Exhibit 3B) Source: North American Electric Reliability Corp. Long Term Reliability Assessment. Data covers the U.S., Canada and part of Baja California, Mexico. Data as of April 2024.

[8] Estimate based on figures from "What's in a Megawatt?," Solar Energy Industries Association, April 2024.

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THOUGHT OF THE WEEK

There's No Place Like Home

Theadora Lamprecht, Assistant Vice President and Investment Strategist

Many U.S. investors continue to fret over the market concentration of the S&P 500, with the top ten firms in the index accounting for around 34% of the overall index by market cap at the end of April. That is close to a record high but when it comes to equity concentration among the major global indices, the S&P 500, is among the least concentrated and most diversified in the world. As highlighted in Exhibit 4A, there is much greater risk of market concentration outside the U.S, then inside. That is an important fact for U.S. investors to remember when considering investing overseas.

This reflects, in part, the dynamic and diverse nature of the U.S. economy—a $28 trillion behemoth comprising many sectors that are world-class leaders. To this point, while Information Technology has the largest weighting in the S&P (29%), there's more diversity within the index given the exposure to Financials, Healthcare, Consumer Discretionary and Communication Services. Meanwhile, **the U.S.' financial industry is the largest, the most liquid, and most complex in the world, with a well-established equity culture that drives more initial public offerings, equity financing, startup funds, and other equity-creating dynamics across various sectors.** The upshot: large, liquid and complex capital markets.

Portfolio Considerations

We continue to maintain an overweight stance towards U.S. Equities given the resiliency and dynamism of the economy and diversification of the major index. In addition, we've become more positive on cyclical-related Equities as the market has slowly started to broaden out this year.

Exhibit 4: The U.S. Market is Less Concentrated Compared to International Indexes and Remains a Top Performer.

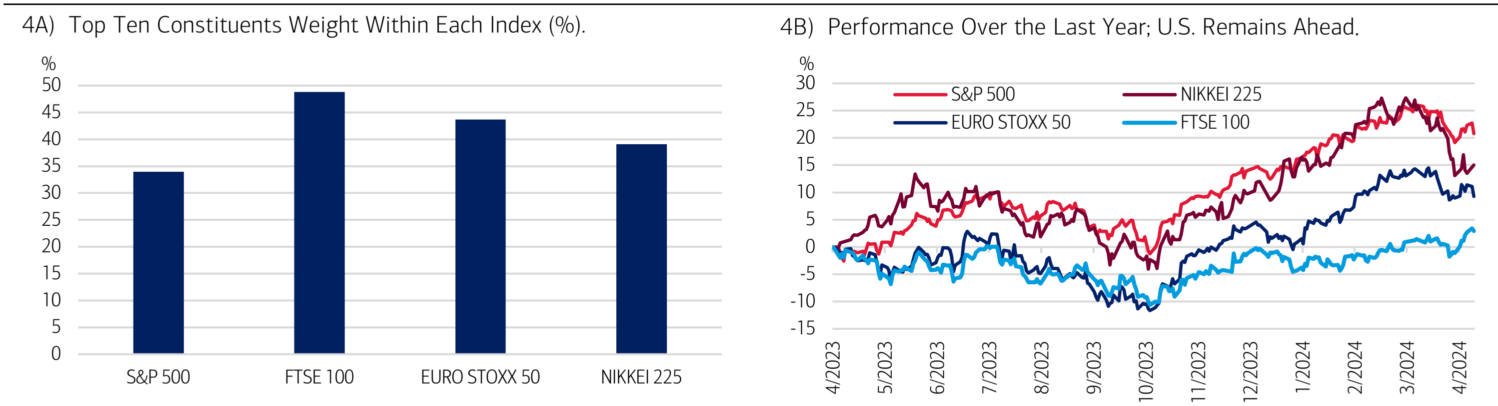

Exhibit 4A) Source: Bloomberg; Strategas Research Partners. Data as of April 30, 2024. Exhibit 4B) Source: Bloomberg. Priced in U.S. dollars and indexed to April 28, 2023. Data as of April 30, 2024. **Past performance is no guarantee of future results. It is not possible to invest directly in an index. Please refer to index definitions at the end of this report.**

In contrast, many overseas bourses are smaller, fragmented and relatively narrow. Across much of Europe, for instance, in-housing banking remains the norm relative to the primacy of U.S. equity/debt financing. The Eurozone's fragmented capital markets translate into more stock exchanges but with fewer listings, and hence, by simple math, greater market concentration per index. Meanwhile, **many emerging markets lack the underlying capital structure to support a broadly-based, diversified stock market, which also translates into fewer stock listings and greater market cap concentration.** Japan's Nikkei 225 index is relatively top-heavy but includes exposure to Industrials, Materials, and Information Technology, which helps explain the 15% rise in the index over the past year (Exhibit 4B).

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MARKETS IN REVIEW

Equities

	Total Return in USD (%)			
	Current	WTD	MTD	YTD
DJIA	38,675.68	1.1	2.3	3.2
NASDAQ	16,156.33	1.4	3.2	7.9
S&P 500	5,127.79	0.6	1.8	8.0
S&P 400 Mid Cap	2,929.04	1.2	2.4	5.8
Russell 2000	2,035.72	1.7	3.1	0.9
MSCI World	3,361.41	0.8	1.7	6.6
MSCI EAFE	2,309.49	1.6	1.3	4.4
MSCI Emerging Markets	1,061.45	2.0	1.6	4.4

Fixed Income†

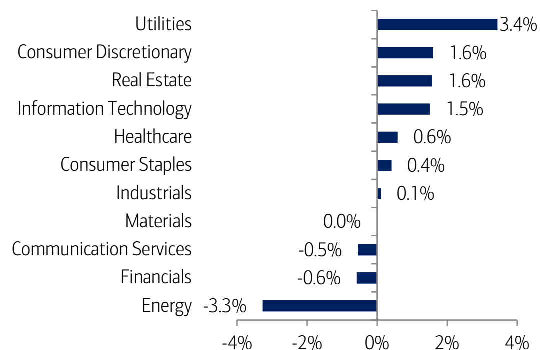
	Total Return in USD (%)			
	Current	WTD	MTD	YTD
Corporate & Government	4.99	1.12	1.14	-1.97
Agencies	4.99	0.66	0.67	-0.24
Municipals	3.68	0.68	0.61	-1.02
U.S. Investment Grade Credit	5.09	1.17	1.27	-2.06
International	5.52	1.30	1.32	-1.65
High Yield	7.85	1.06	0.95	1.47
90 Day Yield	5.39	5.39	5.39	5.33
2 Year Yield	4.82	4.99	5.04	4.25
10 Year Yield	4.51	4.66	4.68	3.88
30 Year Yield	4.66	4.78	4.78	4.03

Commodities & Currencies

	Total Return in USD (%)			
Commodities	Current	WTD	MTD	YTD
Bloomberg Commodity	236.95	-1.4	-0.3	4.6
WTI Crude $/Barrel††	78.11	-6.8	-4.7	9.0
Gold Spot $/Ounce††	2301.74	-1.5	0.7	11.6

	Total Return in USD (%)			
Currencies	Current	Prior Week End	Prior Month End	2022 Year End
EUR/USD	1.08	1.07	1.07	1.10
USD/JPY	153.05	158.33	157.80	141.04
USD/CNH	7.19	7.27	7.25	7.13

S&P Sector Returns



Sources: Bloomberg; Factset. Total Returns from the period of 4/29/2024 to 5/3/2024. †Bloomberg Barclays Indices. ††Spot price returns. All data as of the 5/3/2024 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 5/3/2024)

	2023A	Q1 2024A	Q2 2024E	Q3 2024E	Q4 2024E	2024E
Real global GDP (% y/y annualized)	3.0*	-	-	-	-	3.0
Real U.S. GDP (% q/q annualized)	2.5	1.6	2.0	2.0	2.0	2.5
CPI inflation (% y/y)	4.1	3.2	3.7	3.5	3.3	3.4
Core CPI inflation (% y/y)	4.8	3.8	3.6	3.6	3.5	3.6
Unemployment rate (%)	3.6	3.8	3.8	3.9	3.9	3.9
Fed funds rate, end period (%)	5.33	5.33*	5.38	5.38	5.13	5.13

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 May 3, 2024.

Asset Class Weightings (as of 4/2/2024)

Asset Class	CIO View: Underweight		Neutral	Overweight	
Global Equities				●	
U.S. Large Cap Growth			●		
U.S. Large Cap Value				●	
U.S. Small Cap Growth				●	
U.S. Small Cap Value				●	
International Developed		●			
Emerging Markets			●		
Global Fixed Income		●			
U.S. Governments				●	
U.S. Mortgages				●	
U.S. Corporates		●			
International Fixed Income			●		
High Yield		●			
U.S. Investment-grade Tax Exempt		●			
U.S. High Yield Tax Exempt		●			
Alternative Investments*					
Hedge Funds			●		
Private Equity			●		
Real Assets			●		
Cash					

CIO Equity Sector Views

Sector	CIO View: Underweight		Neutral	Overweight	
Energy				●	
Healthcare				●	
Consumer Discretionary				●	
Industrials				●	
Information Technology			●		
Communication Services			●		
Financials			●		
Real Estate			●		
Utilities		●			
Materials		●			
Consumer Staples	●				

*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 April 2, 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.

Index Definitions

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.

S&P 500 Index is a market-capitalization-weighted index that is widely regarded as the best single gauge of large-cap U.S. equities. The index includes 500 leading companies and covers approximately 80% of available market capitalization**.**

U.S. Equities/S&P 500 Total Return Index is the investment return received each year, including dividends, when holding the S&P 500 index.

Consumer Price Index is a price index, the price of a weighted average market basket of consumer goods and services purchased by households.

Government Bonds/Bloomberg US Treasury Intermediate Index measures US dollar-denominated, fixed-rate, nominal debt issued by the US Treasury with maturities of 1 to 9.9999 years to maturity.

Corporate Credit/Bloomberg U.S. Long Corporate Index designed to measure the performance of U.S. corporate bonds that have a maturity of greater than or equal to 10 years.

Cash/Ibbotson US 30-Day Treasury Bills Index is an unweighted index which measures the performance of one-month maturity US Treasury Bills.

FTSE 100 Index is a stock market index of 100 of the most highly capitalized blue chip companies listed on the London Stock Exchange.

EURO STOXX 50 Index is composed of 50 stocks from 11 countries in the Eurozone. EURO STOXX 50 represents Eurozone blue-chip companies considered as leaders in their respective sectors.

NIKKEI 225 Index is a stock market index for the Tokyo Stock Exchange. It is a price-weighted index, operating in the Japanese Yen, and its components are reviewed twice a year.

US/MSCI USA Net Total Return USD Index is designed to measure the performance of the large and mid cap segments of the US market.

MSCI Global Alternative Energy Index includes developed and emerging market large, mid and small cap companies that derive 50% or more of their revenues from products and services in Alternative energy.

Japan/MSCI Japan Net Total Return USD Index is designed to measure the performance of the large and mid-cap segments of the Japanese market, covering about 85% of the free float-adjusted market capitalization in Japan.

Emerging Markets/MSCI Emerging Markets Net Total Return USD Index captures large and mid cap representation across 24 Emerging Markets (EM) countries. With 1,376 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

China/MSCI China Net Total Return USD Index measures the performance of global Chinese companies in a net total return form (i.e. reinvestment of net dividend payout into the index portfolio) denominated in USD.

Germany/MSCI Germany Net Total Return USD Index is designed to measure the performance of the large and mid cap segments of the German market.

Developed ex-US/MSCI World ex USA Net Total Return USD Index captures large and mid cap representation across 22 of 23 Developed Markets (DM) countries--excluding the United States. With 855 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

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