CHIEF INVESTMENT OFFICE

Capital Market Outlook

September 23, 2024

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

IN THIS ISSUE

Macro Strategy—*Groping In The Dark For Neutral:* The case for aggressive Federal Reserve (Fed) easing is almost entirely premised on the notion that the so-called "neutral" interest rate is far below current levels, and, therefore, policymakers should hurry to reach this hypothetical benchmark. Yet signals from the economy and markets give little support for the Fed's belief that policy is restrictive, suggesting the neutral rate is much higher than the market believes. If so, the aggressive easing priced in the market is likely to feed the higher inflation trend that has emerged since deficit spending took a quantum leap higher in 2020.

Market View—*Foreign Demand For U.S. Assets Remains Strong And Should Remain So:* We highly doubt one cut from the Fed is going to dramatically shift foreign sentiment toward U.S. assets; however, we do worry that the rising protectionist tone of both Democrats and Republicans, along with America's outsized federal budget deficit (estimated at $2 trillion in Fiscal Year (FY) 2024), could undermine the foreign appetite for U.S. securities down the road. Foreign investors have shown a remarkable penchant to "Buy America" over this century. Indeed, since 2000, the collective foreign ownership of U.S. Treasurys, U.S. Agency bonds, corporate bonds and U.S. Equities has soared roughly eight-fold, from $3.7 trillion at the start of the century to over $29 trillion in Q2 of 2024. Foreign holdings of U.S. Treasurys, U.S. corporate bonds and U.S. Equities are presently at or near record highs. Meanwhile, foreign direct investment (FDI) inflows—or investment capital in the real economy—remain strong.

This capital infusion has been hugely beneficial to the U.S. given the decades-long dependence of the U.S. on foreign capital to help fund the government's borrowing needs and grease the financial wheels of the U.S. economy. That said, against a backdrop of large U.S. budget deficits, elevated debt levels, and a tight election, the last thing the U.S. needs right now is for foreigners to bolt or bail. That is not our base case but on our watch list.

Thought of the Week—*The Investment Case for China Remains Challenging:* The MSCI China Index has shed more than half of its value since its peak in February 2021. Within four years, China has gone from accounting for around 40% of the broader MSCI Emerging Market (EM) Index to just 24% last month.

Investors continue to think twice when it comes to China, and understandably so. Among the economic headwinds: an ongoing property crisis, depressed consumption demand and a less dynamic private sector. Add overcapacity in certain sectors, as well as mounting protectionist sentiment from around the world, and the result is China's longest streak of deflation since 1999. Save for measurable relief to structural weakness in construction and sluggish consumer demand, we expect the country's economic malaise to continue.

MACRO STRATEGY ▶

Chief Investment Office
Macro Strategy Team

MARKET VIEW ▶

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

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MARKETS IN REVIEW ▶

Data as of 9/23/2024, and subject to change

Portfolio Considerations

In the next couple of months, market activity is likely to be more on edge, in our view. This is typical during election years, whereas, historically, September and October have usually been weak months. We would view weakness as an opportunity to add to Equities and diversify at the same time.

This month we adjusted our U.S. Equity sector allocations by upgrading Financials to slight overweight, and downgrading Industrials to neutral. 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.

MACRO STRATEGY

Groping In The Dark For Neutral

Chief Investment Office, Macro Strategy Team

Solid August retail sales caused upward revisions to the outlook for Q3 gross domestic product (GDP) growth, which the Atlanta Fed GDPNOW measure now estimates at 3%, the same as in Q2 with strong consumer (3.7%) and equipment spending (11.6%) now expected. The strong economic outlook raises the question of why so many pundits are calling for aggressive Fed easing when inflation is still well above the 2% target after averaging over 4% the past four years.

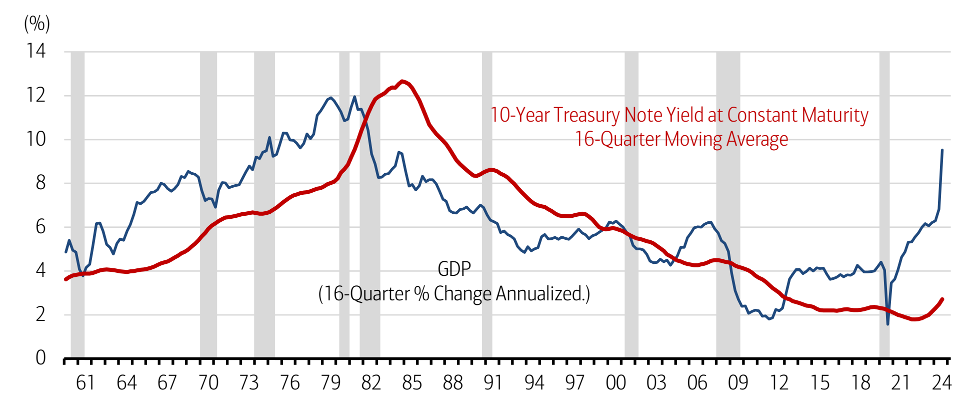
Meanwhile the stock market has risen to record highs on an equal-weighted basis as upward revisions to the year-ahead earnings outlook spread into the general population of stocks after being concentrated mainly in the magnificent seven during the past two years.

Rising earnings are rarely seen when monetary policy is actually restrictive adding to the evidence that perhaps rates are closer to neutral than Fed Chairman Powell realizes. Also, measures of financial conditions such as the Chicago Fed National Financial Conditions Index do not show tight financial conditions and have instead shown easier financial conditions since Chair Powell's pivot almost a year ago.

If rates aren't far from neutral, the rate cut trajectory currently priced into the market would take rates way below neutral and likely stimulate a renewed uptrend in inflation as it bounces off the 2% target. This is what happened in the 1970s when the Fed misjudged the restrictiveness of higher rates keeping them constantly below the level that rising inflation dictated to halt the accelerating long-term inflation trend.

Exhibit 1 illustrates how the Fed misjudged its degree of restrictiveness in the 1970s. Interest rates generally align with the growth rate of nominal GDP in a stable inflationary environment. As can be seen in Exhibit 1, the rising inflation trend in the 1960s and 1970s was associated with interest rates well below nominal GDP growth, which fueled excessive money and credit growth and ever higher inflation.

Exhibit 1: When Rates Are Kept Far Below Nominal GDP Growth, Inflation Rises.



Gray bars represent recessionary periods. Sources: Bureau of Economic Analysis (BEA); Bureau of Labor Statistics/Haver Analytics. Data as of September 11, 2024.

This reversed in the 1980s when the Fed got serious about stopping inflation by keeping interest rates well above the nominal GDP growth rate, which brought money and credit growth back in line with a low inflation environment. During most of the first two decades of this century, interest rates fluctuated around the trend in nominal GDP growth keeping inflation steady around 2% until the Fed began its most recent bout of quantitative easing.

Since the pandemic rates have averaged far below the much higher growth rate of nominal GDP causing inflation to take off as it did in the 1960s and 1970s. The Fed believed the neutral rate was over 4% as recently as 2012 but began to whittle down its estimate by

Portfolio Considerations

The easy money policies, bigger fiscal deficits and higher inflation since the pandemic increase the relative attractiveness of Real Assets including the Equities of companies with high proportions of real assets.

about 200 basis points (bps). Over the past few years, the Fed has been raising it again most recently at the September 18 Federal Open Market Committee (FOMC) meeting when it was lifted a bit to 2.9%. If long-term consumer price index (CPI) inflation averages 3% instead of 2% as now seems more likely the neutral rate to keep it from rising even more would be 3.9% instead of the 2.9% the Fed currently posits. That would imply about half as much easing as the market now is pricing in. Thus, it seems the Fed could be backtracking on its rate cut promises after the election.

Exhibit 1 illustrates that defining a single-point neutral rate doesn't make sense without regard to the level of nominal GDP growth. Higher inflation and higher real growth both raise the magnitude of the neutral rate that would maintain any particular level of GDP growth without accelerating inflation. As the exhibit illustrates, keeping rates far below nominal GDP growth is a recipe for a rising long-term inflation trend.

In his September 18 post-FOMC press conference Chair Powell repeatedly said the Fed was "recalibrating" its monetary policy. Two years ago, when inflation was much higher and the jobs market on fire with an unprecedented two jobs opening for every unemployed worker, the Fed needed to restrain demand growth to bring down inflation. This month the FOMC decided that the risks between its dual objectives of stable prices and maximum employment have moved back into balance making it time to put policy in a neutral mode. The Fed chair kept defining "neutral" as a concept "we only know by how it works." So he will be watching the economy to see if the labor market weakens significantly from here and how inflation evolves ahead.

Leading indicators suggest that inflation could fall below 2% in the year ahead as the lagged effects of lower rental prices and weak commodity prices work their way through the numbers. The Fed has positioned itself to respond to lower inflation and rising unemployment by this latest recalibration of policy.

Normally, fiscal policy is in a position to respond to a weakened economy and the deficit rises in a severe economic slowdown as automatic stabilizers like unemployment compensation and reduced tax revenues from lower income raise spending and reduce revenues. Unfortunately, the deficit is already running in the 6% to 8% of GDP range, about double the prepandemic level, with the Congressional Budget Office projecting a continuation of this magnitude as far as the eye can see. The election is not expected to solve the problem and may make it worse.

This means the deficit would move into double digits over 10% of GDP if a recession materializes. In addition, the interest expense on the debt has ballooned to a trillion dollars as debt jumped and rates rose the past few years. Pressure on the Fed to reduce rates to keep federal finances manageable will likely intensify if current projections for deficits pan out and possibly make the Fed tolerate high inflation as they have since 2020.

This looming long-term debt management problem helps explain why long-term Treasury rates have barely budged this year, with the 30-year rate stubbornly around 4% even as Fed easing hopes have knocked about 150 bps off two-year yields. The positive near-term inflation outlook should keep short-term rates lower in the year ahead as the Fed's dot plot suggests.

The long end of the Treasury curve is telling a more worrisome story as doubts about the fiscal outlook suggest that the Fed will become increasingly captive to the Treasury market in a classic case of fiscal dominance. As Exhibit 1 shows while the short-term outlook for inflation is currently benign the increasing gap between interest rates and nominal GDP growth warns of a longer-term trend change in inflation that is already four years old. Perhaps that's why long-term yields rose after the Fed's aggressive rate cut.

While Chair Powell was reluctant to opine on the longer-term interest rate outlook, he was clear on two points: (1) he believes the neutral rate that the Fed is aiming for is higher than it used to be, and (2) he doesn't believe that rates are going back to the low levels that characterized the prepandemic years. The bond market seems to agree.

MARKET VIEW

Foreign Demand For U.S. Assets Remains Strong, And Should Remain So

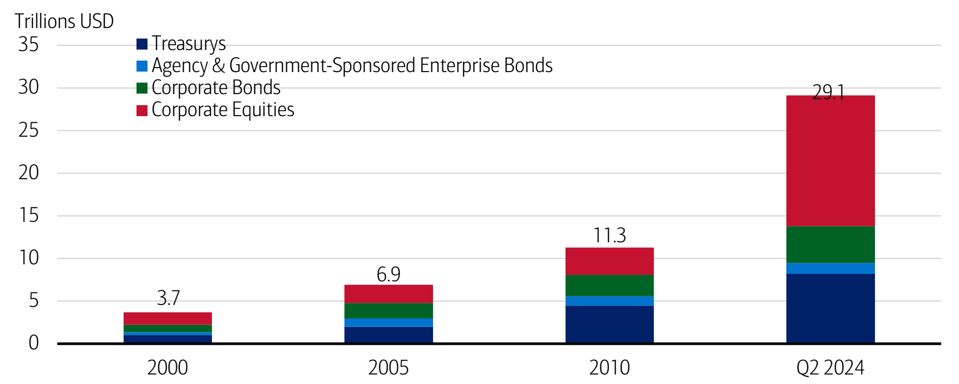
Joseph P. Quinlan, Managing Director and Head of CIO Market Strategy

With the U.S. Fed now embarked on a path of monetary easing, we thought it an appropriate time to ask whether the new easing cycle-cum-market expectations of a weaker U.S. dollar would diminish the foreign appetite for U.S. securities. Remember: While a strengthening U.S. dollar has greatly improved U.S.-based returns for global unhedged investors over the past few years, a weaker greenback could have the opposite effect and potentially contribute to net foreign selling of U.S. assets.

That said, we highly doubt one cut from the Fed is going to dramatically shift foreign sentiment toward U.S. assets; however, we do worry that the rising protectionist tone of both Democrats and Republicans, along with America's outsized federal budget deficit (estimated at $2 trillion in FY 2024), could undermine the foreign appetite for U.S. securities down the road.

Flow data remains robust. Foreign investors—based on the latest Flow of Funds data from the Fed—have shown no inclination to bail on U.S. securities. Indeed, as Exhibit 2 illustrates, foreign investors have shown a remarkable penchant to "Buy America" over this century. Indeed, since 2000, the collective foreign ownership of U.S. Treasurys, U.S. Agency bonds, corporate bonds and U.S. Equities has soared roughly eight-fold, from $3.7 trillion at the start of the century to over $29 trillion at Q2 of 2024.

Exhibit 2: Foreign Ownership of U.S. Securities.



Source: Federal Reserve Board (FRB). Data as of September 18, 2024.

According to the latest Flow of Funds data, foreign demand for U.S. securities remains relatively robust, with foreign holdings of U.S. Treasurys, U.S. corporate bonds and U.S. Equities presently at or near record highs. Foreign investors owned some $8.2 trillion in U.S. Treasurys, at the end of the second quarter of this year, up 7.3% from the prior year. The comparable number for U.S. corporate bonds was $4.3 trillion in Q2 2024, a jump of 9.8% from the year prior period. Foreign demand for U.S. Equities, meanwhile, has soared over the past year, with foreign ownership of U.S. Equities rising to a record $15.3 trillion in Q2 2024, a jump of 23% from the prior year.

American Exceptionalism. Long term, we believe the growing attractiveness of U.S. Equities among foreign investors is a secular trend, with more upside notwithstanding the shift in U.S. monetary policy. Not lost on investors is the fact that the U.S. economy remains among the most competitive, innovative and resilient in the world. With just 4.2% of the world's population, U.S. economic output is now running at an annualized rate of $28.7 trillion, or roughly 28% of total world GDP, according to the International Monetary Fund. Aerospace or agriculture, energy or entertainment, transportation or technology, goods or services—pick any sector or activity, and there's a good chance the U.S. leads the rest of the world. All of this has helped fuel demand among foreign investors for U.S. securities of all stripes.

Investment Implications

We expect foreign capital inflows (portfolio and direct investment) to remain healthy over the near term due chiefly to the dynamism of the U.S. economy. This should be supportive of U.S. securities in particular, and the U.S. economy in general.

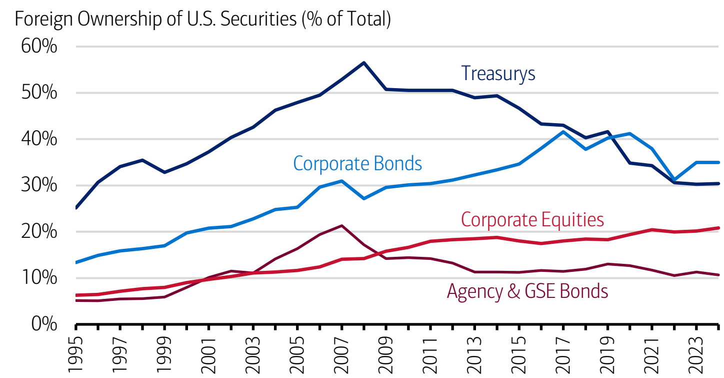
It has also sustained a steady inflow of FDI—or investment capital from some of the world's leading multinationals. A large and wealthy consumer market, strong institutions, a stable regulatory climate, top ranked research universities, advanced innovation capabilities, and a skilled workforce—all of these factors have long contributed to the U.S. being the top destination in the world for foreign direct investment. To this point, FDI inflows to U.S. accounted for 17.3% of the global total between 2000 and 2023, according to data from United Nations, well ahead of second-place China (8.3%).

All tallied, foreign demand for U.S. securities remains healthy. That is the good news. The more worrisome news is the flip side of this dynamic: that foreign investors play a critical role in U.S. capital markets, and should they decide to exit the U.S., for whatever reason, the repercussions could be substantial. Note from Exhibit 3A that foreign investors own roughly 30% of marketable U.S. Treasurys and are significant holders of U.S. corporate bonds (35%) and equities (21%). They also own billions of dollars in physical assets across the U.S.—which means they are keeping a sharp eye on the U.S. election.

Why the U.S. election matters to foreign investors. Foreigners have a lot riding on the November election considering that the amount of foreign capital sunk in the U.S. was a cool $50 trillion as of the end of 2024 (Exhibit 3B). The $50 trillion total includes hard assets (FDI in plants, equipment, real estate, research and development facilities, etc.) and portfolio/capital flows (foreign purchases of U.S. securities like Treasurys, corporate bonds, government agencies and U.S. Equities). Bullish on America, the U.S. investment stakes of foreigners have increased nearly five-fold since the start of the century. No country in the world has been at the receiving end of so much foreign capital this century.

Exhibit 3: Coming to America: Foreign Ownership of U.S. Assets.

A) Percent of U.S. Securities Held By Foreigners.



B) Foreign Stakes in the U.S.: Hard and Liquid Assets.

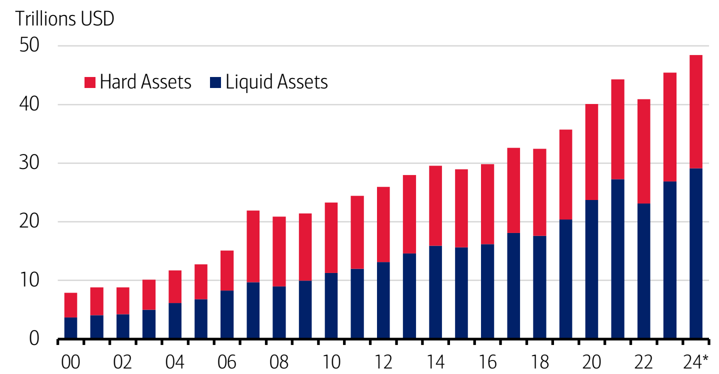


Exhibit 3A) Source: FRB. Data as of September 18, 2024. Exhibit 3B) *2024 data refers to Q2 2024. Data as of Q2 2024. Sources: FRB; U.S. BEA. Data as of September 18, 2024. Total Assets of Multinational Enterprises in the U.S. are estimated for 2022-2024.

This capital infusion, in turn, has been hugely beneficial to the U.S. given the decades-long dependence of the U.S. on foreign capital to help fund the government's borrowing needs and grease the financial wheels of the U.S. economy. For decades, America's savings deficit has been offset by importing the world's excess capital surplus. And that said, against a backdrop of large U.S. budget deficits and elevated debt levels, the last thing the U.S. needs right now is for foreigners to bolt or bail.

Think of it this way: Foreigners are barred from participating in U.S. federal elections, but they still get to vote—not with a ballot, of course, but with their own capital or cash. Foreign investors are acutely concerned about an election outcome that leads to a more closed, isolated and protectionist America and a White House occupant bent on a weaker U.S. dollar. All of the above could entail additional U.S. trade/investment restrictions, capital controls, weaker long-term growth in the U.S., higher inflation, expanding deficits and debt levels, and in the end, lower investment returns for foreign investors bullish on America.

That is not our base case but as the Fed pivots towards monetary easing, and as a close and nasty U.S. election draws closer, we are vigilantly watching for any signs of foreign selling of U.S. assets. Stay tuned.

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THOUGHT OF THE WEEK

The Investment Case for China Remains Challenging

Ariana Chiu, Wealth Management Analyst

The MSCI China Index has shed more than half of its value since its peak in February 2021 (Exhibit 4A). To compare, the MSCI USA Index has gained 39% over the same period, notwithstanding the index's 21% decline in 2022.[1] Within four years, China has gone from accounting for around 40% of the broader MSCI Emerging Market (EM) Index to just 24%.[2] And, earlier this month, India surpassed China to become the largest country in the EM index's free-float or "investable" counterpart.[3]

When it comes to the world's second-largest economy, investors continue to think twice—and understandably so. Nearly two years post-pandemic reopening, the country's macroeconomic picture has yet to improve. The most obvious pain point: an ongoing property crisis in a country where real estate accounts for 70% of household assets. Hence the streak of record-low consumer confidence, elevated household savings, low consumption demand and, as a result, weaker earnings growth among domestic and multinational companies levered to the Chinese consumer. At the same time, China's investment and export-led strategy faces rising protectionist measures from the U.S., European Union, India, Mexico, Indonesia, Brazil and others. All of the above—namely depressed consumer activity (demand) and overcapacity in certain sectors (supply)—has coalesced to produce China's longest streak of deflation since 1999.[4] This is not to mention a declining demographic story just beginning to unfold.

Adding to investors' concerns, greater state control and tougher restrictions on private enterprise in recent years have led China's private sector astray. Exhibit 4B illustrates: among the country's 100 largest listed firms, private companies' share of market capitalization stood at 33% at the end of June—down from 55% a mere three years ago.[5] Meanwhile, the number of start-ups founded in China fell from over 50,000 in 2018 to 1,200 in 2023.[6] Whereas free market reforms fueled the economic fire witnessed over the 40 years post-opening in the late 1970s, China's economy today is trending less dynamic and more centralized—a poor backdrop for productivity and economic growth.

While the strategic importance of China in the global race for renewable technology infrastructure should not be underestimated, the investment case for China remains challenging. Save for measurable relief to structural weakness in construction and sluggish consumer demand, we expect the country's economic malaise to continue.

Portfolio Considerations

We expect growth in China, now 24% of the broader MSCI EM Index, to remain structurally weak given the country's ongoing property crisis, weak consumer demand, a tighter domestic regulatory environment, and protectionist measures targeted at the country's exports. EMs are far from being a monolith, and we continue to favor active management* when investing in EM given diverse fundamentals across countries.

*Active management seeks to outperform benchmarks through active investment decisions such as asset allocation and investment selection.

Exhibit 4: A Case of Long Pandemic?

A) Equities Struggle to Recover in China.

B) China's Private Sector Loses Ground.

Exhibit 4A) Source: Bloomberg. Data as of September 18, 2024. Exhibit 4B) "Nonpublic" refers to companies where state entities hold an equity stake below 10% while "state-owned" refers to those where the state owns a majority stake. Source: Peterson Institute for International Economics. Data through mid-2024 and as of September 3, 2024. It is not possible to invest directly in an index. Please refer to index definitions at the end of this report. **Past performance is no guarantee of future results.**

[1] Bloomberg. Data as of September 18, 2024.

[2] FactSet, MSCI. Data as of August 30, 2024. Latest data available.

[3] Free-float or "investable" refers to stocks that can be bought on the open market. See "India overtakes China in world's biggest investable stock benchmark," *Financial Times*, September 18, 2024.

[4] Inflation defined by China's GDP deflator, or the difference between nominal GDP growth and real GDP growth. Bloomberg. Data as of September 11, 2024.

[5] Peterson Institute for International Economics. Data through mid-2024 and as of September 3, 2024.

[6] See "How China has 'throttled' its private sectors," *Financial Times*, September 12, 2024.

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Equities

	Total Return in USD (%)			
	Current	WTD	MTD	YTD
DJIA	42,063.36	1.7	1.3	13.2
NASDAQ	17,948.32	1.5	1.4	20.2
S&P 500	5,702.55	1.4	1.1	20.8
S&P 400 Mid Cap	3,103.32	2.3	0.5	12.8
Russell 2000	2,227.89	2.1	0.5	11.0
MSCI World	3,676.84	1.2	0.5	17.3
MSCI EAFE	2,420.93	0.4	-1.2	10.6
MSCI Emerging Markets	1,106.44	2.3	0.8	10.4

Fixed Income†

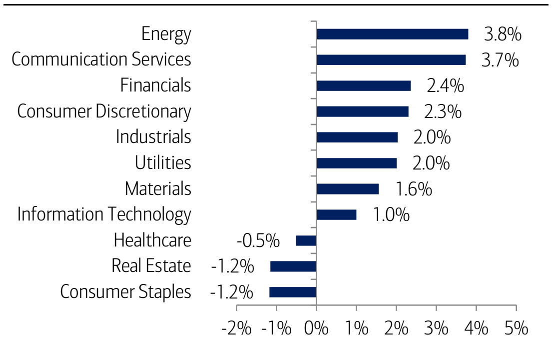
	Total Return in USD (%)			
	Current	WTD	MTD	YTD
Corporate & Government	4.06	-0.18	1.62	4.63
Agencies	4.01	-0.06	1.04	4.36
Municipals	3.33	0.17	0.86	2.16
U.S. Investment Grade Credit	4.17	-0.22	1.59	4.70
International	4.67	0.07	1.96	5.52
High Yield	6.98	0.82	1.47	7.84
90 Day Yield	4.65	4.88	5.11	5.33
2 Year Yield	3.59	3.58	3.92	4.25
10 Year Yield	3.74	3.65	3.90	3.88
30 Year Yield	4.08	3.98	4.20	4.03

Commodities & Currencies

	Total Return in USD (%)			
Commodities	Current	WTD	MTD	YTD
Bloomberg Commodity	234.18	2.1	2.4	3.4
WTI Crude $/Barrel††	71.92	4.8	-2.2	0.4
Gold Spot $/Ounce††	2621.88	1.7	4.7	27.1

	Total Return in USD (%)			
Currencies	Current	Prior Week End	Prior Month End	2022 Year End
EUR/USD	1.12	1.11	1.10	1.10
USD/JPY	143.85	140.85	146.17	141.04
USD/CNH	7.04	7.10	7.09	7.13

S&P Sector Returns



Sources: Bloomberg; Factset. Total Returns from the period of 9/16/2024 to 9/20/2024. †Bloomberg Barclays Indices. ††Spot price returns. All data as of the 9/20/2024 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 9/20/2024)

	2024E	Q1 2024A	Q2 2024A	Q3 2024E	Q4 2024E	2025E
Real global GDP (% y/y annualized)	3.1	-	-	-	-	3.2
Real U.S. GDP (% q/q annualized)	2.7	1.4	3.0	2.5	2.0	1.8
CPI inflation (% y/y)	2.8	3.2	3.2	2.6	2.2	2.0
Core CPI inflation (% y/y)	3.4	3.8	3.4	3.2	3.1	2.6
Unemployment rate (%)	4.1	3.8	4.0	4.2	4.3	4.5
Fed funds rate, end period (%)	4.13	5.33	5.33	4.88	4.13	2.88

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 September 20, 2024.

Asset Class Weightings (as of 9/3/2024)

	CIO View				
Asset Class	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

	CIO View				
Sector	Underweight		Neutral	Overweight	
Energy	•	•	•	●	•
Healthcare	•	•	•	●	•
Consumer Discretionary	•	•	•	●	•
Financials	•	•	▶	●	•
Information Technology	•	•	●	•	•
Communication Services	•	•	●	•	•
Industrials	•	•	●	◀	•
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 September 3, 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.

MSCI China Index captures large and mid cap representation across China A shares, H shares, B shares, Red chips, P chips and foreign listings (e.g. ADRs).

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

MSCI USA Index is designed to measure the performance of the large and mid cap segments of the US market.

Chicago Fed National Financial Conditions Index is a weighted average of a large number of variables (105 measures of financial activity) each expressed relative to their sample averages and scaled by their sample standard deviations.

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

Important Disclosures

Investing involves risk, including the possible loss of principal. Past performance is no guarantee of future results.

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