CHIEF INVESTMENT OFFICE

Capital Market Outlook

December 4, 2023

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

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Macro Strategy—*Business Cycle Extended By Still Abundant Liquidity And Strong Profits:* The U.S. economy has continued to defy downbeat predictions coming from traditional leading economic indicators. Still well-above-trend real consumer spending, elevated corporate profit margins, narrow credit spreads and a buoyant stock market have underscored economic strengths that, to date, have allayed concerns of a cyclical downturn caused by aggressive monetary policy tightening and heightened geopolitical instability.

Conflicting economic signals persist, however, juxtaposing robust consumer spending and stock-market rallies against ongoing manufacturing sector challenges, weak credit demand and supply, and rising consumer credit delinquencies, for example. As a result, while hopes of a soft landing and prospects of lower interest rates have reinvigorated risk assets, a balanced investment approach may remain in order.

Market View—*In The Race For Foreign Investment, The U.S. Leads, China Lags, And Why It Matters:* In the race for global economic supremacy, the U.S. is pulling ahead of China in one key area of this contest—namely the ability to attract the foreign capital of multinationals.

This development is important for investors to understand since foreign direct investment (FDI) is a critical economic input to sustainable, long-term economic growth. U.S. FDI inflows rose by nearly 9% in the first half of this year, while inflows to China in the first nine months of the year were down nearly 18%. The emerging FDI differential between the two nations could be a deciding factor in which nation presents the most attractive long-term investment opportunities to investors.

Thought of the Week—*Markets Cheer for the Holidays:* In time for the holidays, November returns were some of the best all year. Over the 11 months of the year, and told ad nauseum, the narrowness narrative in U.S. Equities still holds: Even given some fits and starts to the market broadening out, the outsized contribution of just seven stocks reflects one of the narrowest Equity market performances on record.

As we turn the calendar page, weakness on concerns that fundamentally do not alter the investment terrain or growth curve are buying opportunities from our perspective, with an eye toward high-quality, strong balance sheets and dividend growth all as attractive features.

MACRO STRATEGY ▶

Chief Investment Office
Macro Strategy Team

MARKET VIEW ▶

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

Ariana Chiu
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THOUGHT OF THE WEEK ▶

Lauren J. Sanfilippo
Director and Senior Investment Strategist

MARKETS IN REVIEW ▶

Data as of 12/4/2023, and subject to change

Portfolio Considerations

We believe a risk-neutral approach across asset classes makes sense for the foreseeable future. A balanced approach that is fully invested and uses Fixed Income for cash flow, Equities for long-term growth, and Alternatives* for a variety of portfolio factors makes sense in this transition phase. We recommend a slightly long-duration position versus a stated benchmark to take advantage of higher nominal and real yields and as prudent positioning against macro risk in the Equity portion of a diversified portfolio.

* Many products that pursue Alternative Investment strategies are available only to qualified investors.

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MACRO STRATEGY

Business Cycle Extended By Still Abundant Liquidity And Strong Profits

Chief Investment Office, Macro Strategy Team

Conflicting incoming data, easing financial market conditions, and diverging monetary and fiscal policies amidst a rapidly evolving technological and geopolitical landscape have created a challenging macroeconomic and investment environment this year. However, abundant liquidity along with the diversity, efficiency, flexibility and innovative characteristics of the U.S. economy have worked in its favor. Indeed, despite a deeply inverted yield curve, contracting money supply, high interest rates and downbeat leading indicators, the complex interplay of headwinds and tailwinds has resolved in favor of much better-than-expected economic growth. Combined with evidence of cooling inflation, this has increased confidence in a soft landing and interest rate cuts, reinvigorating risk-asset performance and further challenging cyclical downturn signals still flashing red.

Consumer sector strength and elevated corporate profit margins have played a major role in extending the current business cycle while big sectors of the economy, such as housing, business equipment investment and manufacturing have remained in the doldrums this year. Excess savings, limited unemployment, low debt-to-asset ratios, strict lending standards and zero interest rates early in the pandemic have resulted in low household debt-servicing ratios and enhanced spending resilience. A declining share of spending on gasoline and other energy goods has also bolstered discretionary spending. As a result, real consumer spending has remained much above trend into late 2023, supporting real gross domestic product (GDP) growth despite high interest rates and growing credit constraints.

High margins and strong cash flows saturating the economy in the context of a 6.3% average nominal GDP growth rate year to date have had much to do with this outcome, as they supported corporate profits, keeping defaults low and credit spreads narrow. In turn, this helped sustain labor demand and consumer spending, engendering a positive feedback loop of rising incomes, spending and wealth.

As is typically the case, profits will determine in large part how long this favorable dynamic can last. Encouragingly, according to a November 20, 2023, Empirical Research Partners report, a majority of S&P 500 companies saw their margins increase and operating leverage positive for the first time in two years in Q3. This was led by the Technology sector, which continues to display an ability to maintain profitability far above average. Margins have continued to benefit from the sector-mix change, with the Technology/Interactive media sector accounting for 28% of earnings in Q3 versus 17% in 2010, for example.

The unexpectedly strong 9% annualized gain in Q3 nominal GDP similarly boosted pre-tax domestic profits after three consecutive quarterly declines. At the same time, profits from overseas operations have kept advancing to new record highs. The latter are likely to continue to benefit from the fact that the dollar has stopped appreciating this year and that the Organisation for Economic Co-operation and Development (OECD) leading indicator for the major seven developed economies has turned up again after 18 months of contraction. Absent a sudden drop in aggregate demand, domestic profits growth should benefit from unusually large declines in the net interest expense and still abundant liquidity. Overall, GDP-based profits have rebounded substantially following three weak quarters, which puts them on track for a low-single-digit gain likely in 2023 (in stark contrast to gains of 23% in 2021 and 10% in 2022).

While margins will continue to be cushioned by the unusually large drop in net-interest expense, they are likely to come under downward pressure in a lagged response to the Federal Reserve (Fed) rate hikes to date, as they typically do when the cycle matures. This, combined with the disinflation wind blowing in the economy—evident in easing wage pressures, rapidly fading business pricing power, and year-to-date drops in copper and other commodity prices—implies constraints on future domestic profits growth. So do weak credit demand and supply as well as the fact that the percentage of states in expansion territory dropped below 50% by the end of October, according to the Philadelphia Federal Reserve Bank.

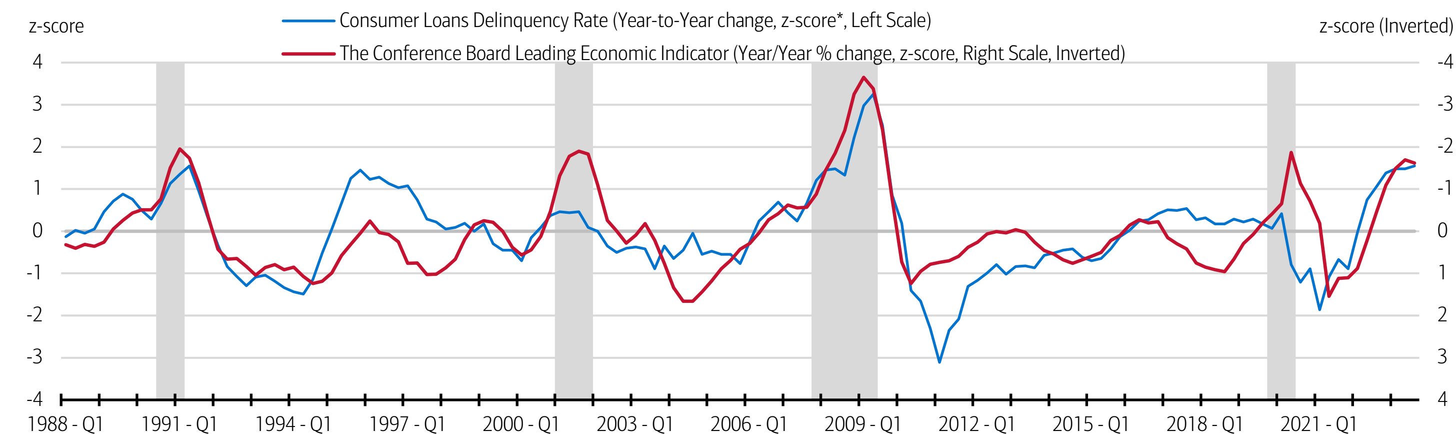
Portfolio Considerations

Expectations for slowing growth and falling inflation suggest a well-diversified investment position remains prudent into the new year.

According to the Bureau of Labor Statistics, the breadth of job gains across industries has narrowed, job openings have declined, the duration of unemployment has increased, and the quits rate, one of the best predictors of wage growth, has dropped back to its 2019 average, all consistent with softening household income and spending growth. Though still elevated, the Conference Board measure of consumer perception of the ease of finding a job also remained on a downtrend in November and much below prepandemic levels.

Lower gasoline prices and manageable aggregate financial obligations ratios have been favorable to consumer spending. Still, several years of high inflation, much higher interest rates, cooling wage growth, and lengthening unemployment have already resulted in a significant increase in delinquency rates, in line with the negative trend of the Conference Board Leading Economic Index (LEI) over the past 18 months (Exhibit 1).

Exhibit 1: Rising Consumer Credit Delinquencies Tracks The Drop In The LEI.



*Z-score=number of standard deviations from the mean. Standard deviation from mean is a quantity calculated to indicate the extent of deviation for a group as a whole. Gray shaded area represents recession periods. Source: Federal Reserve Board; The Conference Board/Haver Analytics. Data as of November 30, 2023.

The trajectory of wages and labor demand will continue to play a crucial role in the U.S. spending and credit delinquency trends. As discussed in recent Capital Market Outlook reports, the shift in the labor market from extreme tightness to more balanced conditions has slowed wage growth particularly for the lower-earning cohorts, and various leading indicators suggest further softening in labor demand and wage growth ahead. In addition, following unexpected strength this year, government deficit spending is seen easing, causing a major source of economic resilience to fade in 2024.

In fact, according to recent Fed research,[1] economywide profit margin resilience can be explained to a great extent by the unprecedented government pandemic intervention in the form of direct support to small and medium-size businesses, as well as aggressively accommodative monetary policy, which allowed businesses to refinance their debts at rock-bottom interest rates, sharply reducing net interest expense and bolstering profits, as noted above. Absent these interventions, profit margin performance would have mirrored past economic downturns more closely, dropping much more than it did early in the pandemic and recovering just around prepandemic levels by the end of 2022, instead of significantly exceeding those levels.

In sum, money supply contraction, disinflation, moderating labor demand, rising consumer credit delinquencies, and weak demand for consumer credit suggest under-the-radar headwinds blowing across the economic landscape, constraining profits growth. Fiscal policy has played a pivotal role in bolstering corporate profits and GDP growth. This source of strength is expected to fade, however. In the context of heightened geopolitical instability and ongoing manufacturing-sector challenges both here and globally, this suggests that a balanced investment approach remains appropriate. On the upside, with inflation falling fast, markets are increasingly confident that the Fed will come to the rescue in 2024, keeping the economy from slowing too much.

[1] Corporate Profits in the Aftermath of COVID-19, September 8, 2023, Berardino Palazzo.

MARKET VIEW

In The Race For Foreign Investment, The U.S. Leads, China Lags, And Why It Matters

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

Ariana Chiu, Wealth Management Analyst

With a great deal of media attention focused on slumping FDI flows to China, we thought it an opportune time to size up what is happening in China, where inflows are declining, versus the U.S., where inflows are rising. We conclude with why this all matters to investors.

To cut to the chase, in the race for global economic supremacy, the U.S. is pulling ahead of China in one key area of this contest, namely the ability to attract the foreign capital of multinationals. This development is important for investors to understand since FDI is a critical economic input to sustainable, long-term economic growth. More specific, the benefits of FDI to the host country run the gamut, from job growth, higher wages, technology transfers, increased trade and capital investment, lower cost of goods, and greater competitiveness, to name a few benefits. If you scan the globe searching for the most competitive and innovative economies in the world, what pops up are the nations that are the most open and amenable to cross-border trade and foreign investment flows. And there, in turn, lie potential investment opportunities for investors.

A race with a clear and unexpected leader—the U.S. Enter the U.S. and China—the world's two largest economies and, not by accident, the two most successful nations in the world when it comes to attracting FDI.

Starting with China, no developing nation in the post-war era has leveraged FDI as much as the Middle Kingdom, with the mainland's dramatic economic transformation since opening in the late 1970s, underwritten in large part by investment from foreign multinationals. Enticed by China's market reforms and massive and cheap labor pool, foreign multinationals, after investing just $15 billion in China over the 1980-89 period, invested $290 billion in the country over the 1990s, $685 billion over 2000-09, and a hefty $1.3 trillion over 2010-19.

The macro effects from this surge in FDI were dramatic—manufacturing exports from China soared, as did jobs and incomes. A burgeoning middle class emerged, upending global demand for virtually everything, ranging from cellphones to automobiles. Seemingly overnight, a one-time economic backwater was transformed into an exporting and manufacturing powerhouse, and into one of the largest economies in the world. The rise of China, in other words, went hand in hand with the rise in FDI inflows.

So much foreign capital has flowed into China over the past few decades that the common (but mistaken) refrain is that China, like a huge vacuum cleaner, has sucked the majority of FDI to its shores, leaving the rest of the world, including the U.S., high and dry, or deindustrialized and decimated. This narrative has helped fan the flames of anti-globalization and has contributed to the deterioration in U.S.-Sino relations. However, and unbeknownst to many investors, this narrative is off the mark. The simple truth is that no nation in the world has attracted as much FDI in the post war-era as the U.S. (Exhibit 2A).

FDI inflows and American exceptionalism Since the start of this century alone, some $5.2 trillion in FDI has flowed to the U.S., a figure representing 17% of the world total. That easily outdistances second place China (with an 8.1% global share) and third place the United Kingdom (5.5%), according to data from the United Nations as of November 2023.

Multiple factors underpin America's dominance in foreign investment flows. Think a large and wealthy consumer base, a sizeable skilled labor force; advanced technological readiness and an unmatched entrepreneurial culture, a respect for intellectual property rights and a strong rule of law, a deep and sophisticated capital markets, and a world-class higher education system second to none. In other words, it's not one thing that attracts foreign capital to the U.S. but many things—an unsurpassed bundle of characteristics that are highly desirable to foreign firms.

That said, what does the U.S. get in return? Answer: Plenty.

Although largely invisible to the average U.S. investor, the activities of U.S. affiliates of foreign multinationals are substantial and competitive—and growth-enhancing. To this point and based on the latest data from the Bureau of Economic Analysis, foreign affiliates in the U.S.

Portfolio Considerations

From the perspective of portfolio construction, our preference remains tilted toward the U.S. versus China. The former, assisted by historically strong FDI inflows, remains the most competitive and dynamic economy in the world, and we don't see that changing any time soon.

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employed nearly 8 million U.S. workers in 2021, the last year of available data. That represents 6.2% of total private sector employment, with manufacturing and retail the two most prominent sectors of employment. Foreign affiliates also contributed to some $1.2 trillion to U.S. GDP, comprised some 17.3% of total U.S. private sector investment, accounted for 13.3% of total U.S. research & development expenditures, and made up 23% of U.S. exports and 27% of U.S. imports.[2]

All of the above is another way of saying that FDI inflows matter to the U.S.—a fact never more true than today, given Washington's strategic objective of "friendshoring" and its industrial push to ramp up production of semiconductors, solar panels, electrical vehicles, batteries and other strategic products. In many cases, foreign multinationals have been at the forefront of this push—think of TSMC's (Taiwan) $40 billion semiconductor investment in Arizona, Panasonic's (Japan) $4 billion investment in Oklahoma, or Hyundai's (South Korea) $5 billion investment in Georgia, to name a few examples. The list goes on.

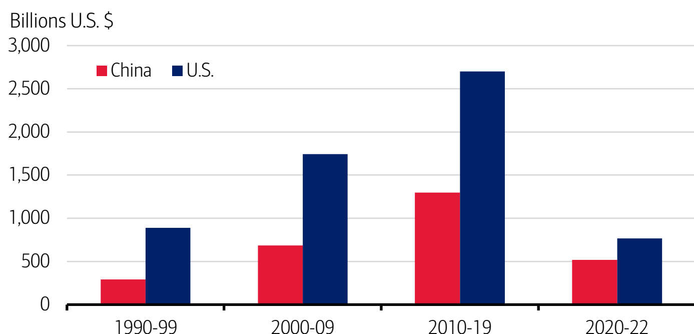
These deals, and many others, helped boost U.S. FDI inflows by nearly 9% in the first half of this year versus the same period a year ago. Widening the lens, since the start of this decade, the U.S. has accounted for 20.6% of global FDI inflows, well ahead of China's 13.9% share, according to data from the United Nations.

China has lost its FDI mojo In contrast to rising flows to the U.S., inflows to China have declined this year (Exhibit 2B). In the first nine months of 2023, FDI inflows were down nearly 18% from a year ago, with slower growth in China, rising wages, and the heavy and visible hand of the state precipitating the decline. Also contributing to the downdraft in flows: More and more foreign multinationals are repatriating local earnings, taking capital out of the country and investing it elsewhere due to the deteriorating macro and policy backdrop in China.

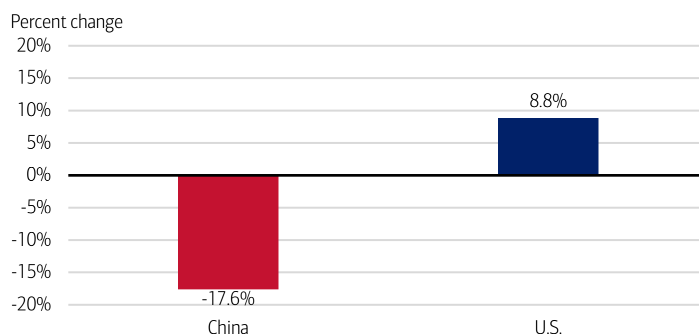
As recently cited in the *Wall Street Journal*, foreign firms have repatriated more than $160 billion in total earnings from China over the past six quarters, one of the largest drawdowns on record.[3] Meanwhile, net foreign direct investment (outflows minus inflows) in China in the third quarter was a negative $11.8 billion, the first negative quarterly outflow recorded since 1998.[3] The upshot: China is being drained of a critical input to economic growth, a prospect that could emerge as a structural headwind to future growth and development.

Exhibit 2: The U.S. Leads In The Race For Foreign Investment.

2A) Foreign Multinationals Prefer the U.S. to China.



2B) Change in FDI into China versus U.S. (2022-2023)*



*Due to the timing of data releases, data refers to the percent change in FDI between the first nine months of 2023 versus the same period in 2022 for China and the first half of 2023 versus the same period in 2022 for the U.S. (Left Exhibit) Source: United Nations Conference on Trade and Development. Data as of November 29, 2023. (Right Exhibit) Sources: Bureau of Economic Analysis; Ministry of Commerce of China. Data as of November 2023.

Investment Implications: China has lost its FDI mojo at precisely the moment when the world is beating a path to the door of the U.S. The U.S.-Sino FDI spread is widening, and that matters because the emerging FDI differential between the two nations could be a deciding factor in which nation presents the most attractive long-term investment opportunities to investors. The potential choices: a stagnate and closed China, confronting growth-draining foreign capital outflows on the one hand, versus a vibrant, relatively open U.S. economy, whose industrial base is being reinvigorated across multiple sectors with the assistance of foreign capital on the other. From the perspective of portfolio construction, our preference remains tilted towards the latter—the U.S., the most competitive and dynamic in the world.

[2] "Activities of U.S. Affiliates of Foreign Multinational Enterprises, 2023," Bureau of Economic Analysis, August 2023.
[3] "Foreign Firms Pull Billions in Earnings out of China," November 6, 2023.

THOUGHT OF THE WEEK

Markets Cheer for the Holidays

Lauren J. Sanfilippo, Director and Senior Investment Strategist

Bells were ringing in November for some of the best monthly returns seen all year. Not only did Equities put up big returns, but so did bonds—global bonds capped their best month since 2008. Right on cue for the holiday season, year-to-date returns are shown in Exhibit 3A. The S&P 500 has gone on this year to surge 20% overcoming a three-month, 10% correction along the way. Japan's Nikkei Index hit a fresh 33-year high, while wars in both Europe and the Middle East were masked by the fact that International Developed and Emerging Market aggregates are up 12% and 6%, respectively. Following a similar trajectory is gold. After nose-diving in early October, the precious metal now hovers near an all-time high, and has rallied 12% over the 11 months of this year. And then there's the commodities trade, and China, both of which have moved in sympathy lower.

While 2023 has gone well for many global markets and assets, the return story of the S&P 500 is a lopsided one. While told ad nauseum, the narrowness narrative still holds: that the outsized contribution of just seven stocks reflects one of the narrowest equity market performances on record. Collectively, the seven are up 70% on the year (Exhibit 3B) and between them, they account for 28.9% of the S&P 500. Comparatively, it's been a more challenging run for the average stock, remaining in just-positive territory. Also lopsided has been the scant 25% of companies that have outperformed the benchmark, leaving behind the overwhelming majority of S&P 500 companies.

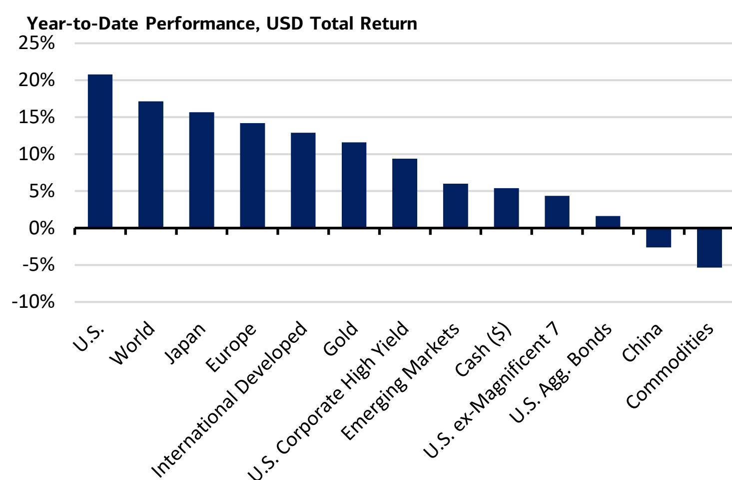
A year-end rally could punctuate the 11-month run seen in markets so far—Since 1950 the S&P 500 has risen 70% of the time from Thanksgiving through New Year's Eve for an average gain of 1.7%. Economic growth ahead is likely to slow from the 5.2% annual rate seen in Q3, while the U.S. is widely expected to avoid a recession, and yet, market expectations of the Fed's first-rate cut have been pulled forward into the beginning of next year. The CME FedWatch Tool now assigns a 45% chance that the Fed will cut rates by its March 2024 meeting, with greater than 75% odds that rates fall by May. Turning the calendar page, weakness on concerns that fundamentally do not alter the investment terrain or growth curve are buying opportunities from our perspective, with an eye toward high-quality, strong balance sheets and dividend growth all as attractive features.

Investment Implications

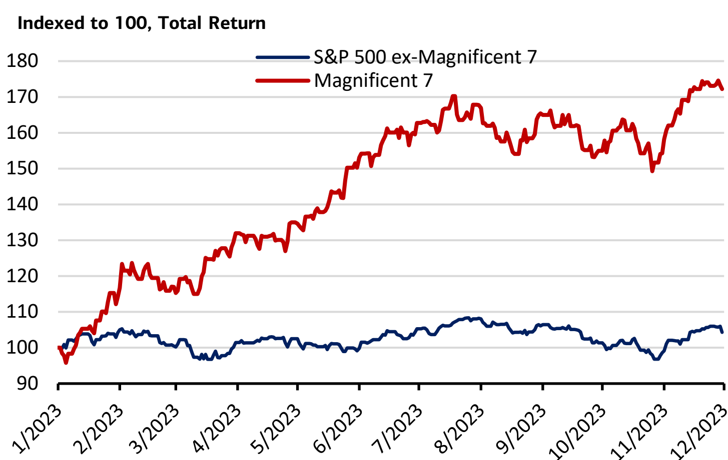
Though multiple crosscurrents have cropped up both globally and domestically this year, various markets and asset classes have defied conditions. Now in the final month of this year, our underlying position remains that investors should maintain a balanced and diversified allocation with an emphasis on high quality in both Equities and Fixed Income.

Exhibit 3: Eleven Months of 2023 Performance and A Look at the S&P 500 Return Story.

3A) All Together Now?



3B) The S&P 500 Return Story.



U.S. as S&P 500; World as MSCI All Country World Index; Japan as Nikkei 225; Europe as Stoxx 600; International Developed as MSCI EAFE; Gold as Spot Gold; U.S. Corporate High Yield as Bloomberg U.S. Corporate High Yield Bond Index; Emerging Markets as MSCI EM; Cash as 30-day Treasury Bill; U.S. ex-Magnificent 7 is S&P 500 excluding: NVIDIA, Tesla, Apple, Amazon, Meta, Microsoft, Alphabet; U.S. Aggregate Bonds as Bloomberg U.S. Agg Index; China as Shanghai Index; Commodities as Bloomberg Commodity Index. Both Exhibits Source: Bloomberg. Data as of November 30, 2023. **It is not possible to invest directly in an index. Past performance is no guarantee of future results. Performance would differ if a different time period was displayed. Short-term performance shown to illustrate more recent trend. Please refer to asset class proxies and index definitions at the end of this report.**

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Equities

	Total Return in USD (%)			
	Current	WTD	MTD	YTD
DJIA	36,245.50	2.6	10.1	11.7
NASDAQ	14,305.03	0.4	11.5	37.8
S&P 500	4,594.63	0.8	9.8	21.5
S&P 400 Mid Cap	2,625.58	2.6	11.1	9.7
Russell 2000	1,862.64	3.1	12.3	7.3
MSCI World	3,040.70	0.9	10.0	18.7
MSCI EAFE	2,130.49	0.4	9.6	12.6
MSCI Emerging Markets	982.14	0.2	7.5	5.2

Fixed Income†

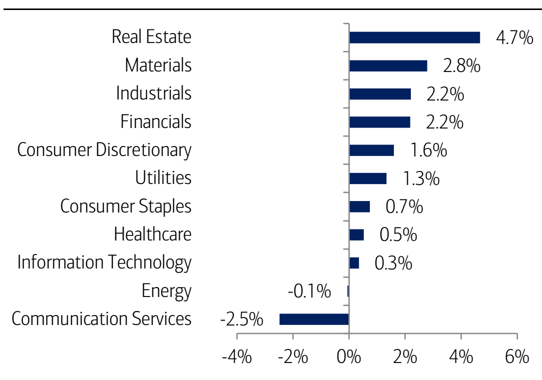
	Total Return in USD (%)			
	Current	WTD	MTD	YTD
Corporate & Government	4.82	1.89	5.14	2.76
Agencies	4.75	1.08	2.36	3.62
Municipals	3.55	1.76	6.52	4.15
U.S. Investment Grade Credit	4.91	2.04	5.42	2.51
International	5.47	2.26	6.90	4.91
High Yield	8.35	1.31	4.87	9.72
90 Day Yield	5.35	5.39	5.46	4.34
2 Year Yield	4.54	4.95	5.09	4.43
10 Year Yield	4.20	4.47	4.93	3.87
30 Year Yield	4.39	4.60	5.09	3.96

Commodities & Currencies

	Total Return in USD (%)			
Commodities	Current	WTD	MTD	YTD
Bloomberg Commodity	231.96	0.2	-2.6	-5.7
WTI Crude $/Barrel††	74.07	-1.9	-8.6	-7.7
Gold Spot $/Ounce††	2072.22	3.6	4.5	13.6

	Total Return in USD (%)			
Currencies	Current	Prior Week End	Prior Month End	2022 Year End
EUR/USD	1.09	1.09	1.06	1.07
USD/JPY	146.82	149.44	151.68	131.12
USD/CNH	7.12	7.15	7.34	6.92

S&P Sector Returns



Sources: Bloomberg; Factset. Total Returns from the period of 11/27/2023 to 12/1/2023. †Bloomberg Barclays Indices. ††Spot price returns. All data as of the 12/1/2023 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 12/1/2023)

	Q4 2023E	2023E	Q1 2024E	Q2 2024E	Q3 2024E	Q4 2024E	2024E
Real global GDP (% y/y annualized)	-	3.1	-	-	-	-	2.8
Real U.S. GDP (% q/q annualized)	1.5	2.5	0.5	0.5	0.5	1.0	1.4
CPI inflation (% y/y)	3.2	4.1	3.1	3.1	2.8	2.6	2.9
Core CPI inflation (% y/y)	4.0	4.8	3.6	3.2	3.2	3.0	3.2
Unemployment rate (%)	3.9	3.7	4.0	4.1	4.2	4.4	4.2
Fed funds rate, end period (%)	5.38	5.38	5.38	5.13	4.88	4.63	4.63

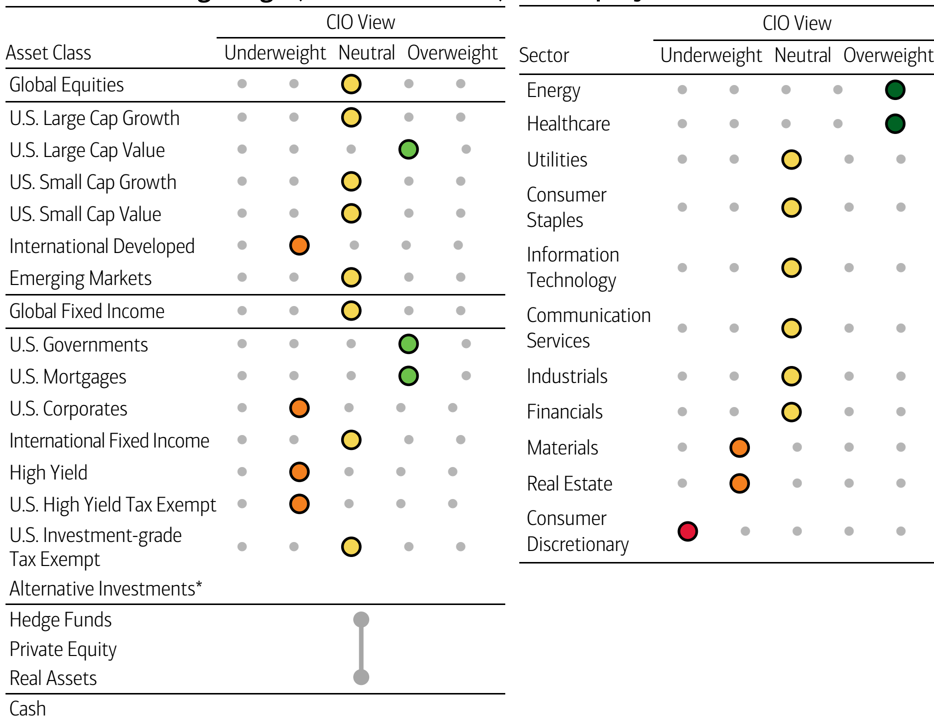
The forecasts in the table above are the base line view from BofA Global Research. The Global Wealth & Investment Management (GWIM) Investment Strategy Committee (ISC) may make adjustments to this view over the course of the year and can express upside/downside to these forecasts. Historical data is 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 December 1, 2023.

Asset Class Weightings (as of 11/7/2023)

CIO Equity Sector Views



Asset Class	CIO View: Underweight		Neutral		Overweight
Global Equities			●		
U.S. Large Cap Growth			●		
U.S. Large Cap Value				●	
US. Small Cap Growth			●		
US. 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. High Yield Tax Exempt		●			
U.S. Investment-grade Tax Exempt			●		
Alternative Investments*					
Hedge Funds			●		
Private Equity			●		
Real Assets			●		
Cash					

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

*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 November 7, 2023. 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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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.

U.S./S&P 500 Index includes a representative sample of 500 leading companies in leading industries of the U.S. economy. Although the index focuses on the large-cap segment of the market, with approximately 75% coverage of U.S. equities, it is also an ideal proxy for the total market.

Conference Board Leading Economic Index (LEI) is an American economic leading indicator intended to forecast future economic activity.

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

World/ MSCI All Country World Index (ACWI) is a stock index designed to track broad global equity-market performance.

Europe/ Stoxx 600 s a stock index of European stocks designed by STOXX Ltd.

International Developed/ MSCI EAFE Index is a stock market index that measures the performance of large- and mid-cap companies across 21 developed markets countries around the world.

U.S. Corporate High Yield/ Bloomberg U.S. Corporate High Yield Bond Index is an unmanaged, U.S. dollar– denominated, nonconvertible, non-investment-grade debt index.

Emerging Markets/MSCI Emerging Market (EM) Index is a selection of stocks that is designed to track the financial performance of key companies in fast-growing nations.

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

Commodities/Bloomberg Commodity Index is a broadly diversified commodity price index distributed by Bloomberg Index Services Limited.

China/Shanghai Index is a stock market index of all stocks that are traded at the Shanghai Stock Exchange.

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