CHIEF INVESTMENT OFFICE

Capital Market Outlook

December 18, 2023

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

IN THIS ISSUE

Macro Strategy—*Macro Strategy Year-Ahead 2024 Questions and Answers:* In the U.S., upside surprises to liquidity conditions and deficit-funded fiscal stimulus defined the macro backdrop in 2023, reinforcing demand and earnings. Equity bull markets have thrived in environments of ample liquidity to support multiples and robust real growth to support earnings. The market was handed both in 2023.

A key point for 2024 is neither appear to be going away to start the year, but both are likely fading. Globally, central bank policy rates are likely to move lower as long as supply-side inflation remains benign. Real growth will likely run below trend in the U.S., and disinflation should continue, pushing bond yields lower. The still overvalued U.S. dollar should depreciate. We remain neutral Equities as below-trend real growth and low inflation should allow for some earnings growth in a soft-landing scenario, but there is still a reasonable probability of a recession, and geopolitical risks are simmering.

Market View—*The Premium on Resiliency and Why this Decade Belongs to America:* The decade is still young, and the past is rarely prologue, but, by many metrics, the 2020s belongs to the U.S. No country in the world is as dynamic, resilient, productive, diversified and wealthy as the U.S.

To this point, America's share of global gross domestic product (GDP)—an estimated 26% for 2023—is higher than when the decade started (24.8%). More impressive still, America's contribution to world GDP today is basically the same as it was in 1980. Investors should not be lulled into or bite on the "America-is-in-decline" narrative. Since the start of this decade, U.S. Equities have handily outperformed most developed markets and emerging markets.

Thought of the Week—*Don't Be So Negative About Positive Correlations: Stable Income Diversifies Portfolios:* There are concerns that the "Equity-bond correlation" becoming positive—that is, Equity and bond prices moving in the same direction—requires a major paradigm shift for asset allocation. We do not agree.

Higher yields in Fixed Income help diversify portfolios with additional income over time, regardless of the correlation of daily price moves between assets.

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Jonathan W. Kozy
Managing Director and Senior Macro Strategy Analyst

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

Ariana Chiu
Wealth Management Analyst

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Matthew Diczok
Managing Director and Head of Fixed Income Strategy

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Data as of 12/18/2023, and subject to change

Portfolio Considerations

While we continue to anticipate a choppy market environment given elevated headline risk, we believe the next couple of months will bring the beginning of a long rotation in Equities that includes a move up in areas that have significantly lagged and areas that are well placed for a more substantive rally later next year. Our portfolio strategy remains "balanced" while fully invested to start the year, as we believe that adjustments below the surface in terms of Value and Growth, Small- and Mid-capitalization shares versus Large-capitalization, and U.S. versus non-U.S. (including Emerging Markets) are paramount in 2024.

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MACRO STRATEGY

Macro Strategy Year-Ahead 2024 Q&A

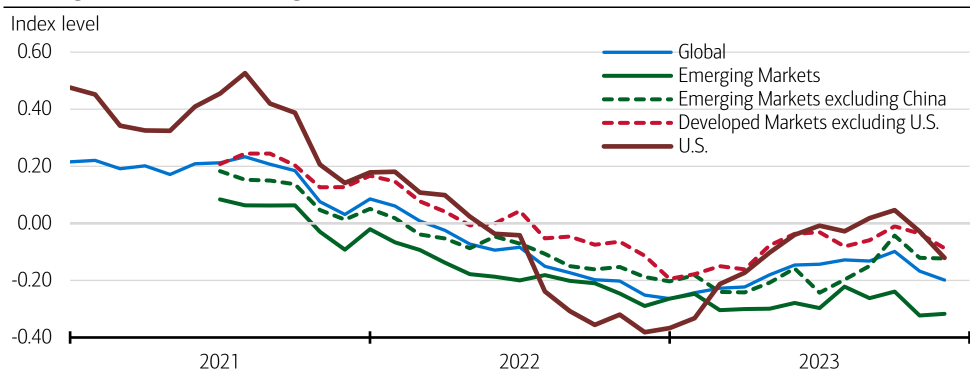
Jonathan W. Kozy, Managing Director and Senior Macro Strategy Analyst

What were the key macro lessons learned in 2023? Equity bull markets have thrived in environments of ample liquidity to support earnings multiples and robust real growth to support earnings growth. The market was handed both in 2023 in the form of Federal Reserve (Fed) liquidity injections to bail out banks and deficit-funded fiscal stimulus. Specifically, even as the Fed raised interest rates and continued with quantitative tightening (QT), regional bank failures pushed the Fed to initiate liquidity injections in March, and foundational liquidity increased over the balance of the year. That said:

Lesson #1: Economic forecasters and investment strategists who called for a recession in 2023 missed the Fed's reaction function more than anything else. To the benefit of risk-assets, the Fed tightened until it broke something but then came to the rescue with liquidity even as it kept raising rates.

Lesson #2: The equity market is content with real growth without profits as long as profits stop contracting. Earnings momentum matters (Exhibit 1). Fiscal stimulus (CHIPS, Inflation Reduction Act, supplemental defense spending, past consumer injections) was supportive in 2023 and served to delay a recession, but the question of "soft or hard landing" does not exist for the profits cycle, because it is still under water. In the absence of organic growth, U.S. profits are yet to make a new high, but the stimulus did arrest declining earnings momentum (Exhibit 1) and was reflected in the powerful, albeit narrow, rally in U.S. Equities.

Exhibit 1: The Stimulus And Liquidity Boost to Earnings Momentum in the U.S. Is Fading But Not Reversing.



Note: Earnings Momentum = (# Stocks forward (FWD) 12 months (m) earnings per share (EPS) Revised Up - # Stocks FWD 12m EPS Revised Down)/#Stocks FWD 12m EPS Revised. Source: Bloomberg. Data as of December 7, 2023. **Past performance is no guarantee of future results. It is not possible to invest directly in an index. Please refer to asset class proxies and index definitions at the end of this report.**

Lesson #3: The U.S. stands out in an elevated geopolitical risk environment having consumer-led resilience, food and energy security, geographic security, and the leading companies in the world in terms of innovation (for example, artificial intelligence) and operational execution (as consistently demonstrated in quarterly earnings). This is reflected in Exhibit 1, which shows relative U.S. earnings momentum outperformance this year, a year partially defined by cascading geopolitical risk events.

How does this lesson inform the 2024 outlook? For one, the tailwinds mentioned above might be fading but do not appear to be reversing course in 2024, leaving a soft landing as our base case for the economy in 2024. Exhibit 1 shows there has been some softening of U.S. earnings momentum as fiscal stimulus fades, but fiscal stimulus and monetary liquidity remain supportive. And "geopolitics are here to stay,"[1] supporting the relative attractiveness of U.S. equities.

Like last year, hopes for a soft landing will be affected by the Fed's liquidity tap. For now, with inflation slowing, the Fed appears to be done raising rates, and foundational liquidity appears ample. The evolution of QT will be important to watch along with the labor market.

Investment Implications

We remain neutral Equities as below-trend real growth and gradually lower inflation should allow for some earnings growth in a soft-landing scenario, but there is still a reasonable probability of a recession and geopolitical risks are simmering.

A weaker dollar should support international Equities, but we remain cautious until there is a clear sign global cyclical momentum and global activity is picking up.

Weaker nominal growth and falling global central bank rates will keep downward pressure on interest rates but geopolitical risks are a risk to supply chains and inflation.

[1] BofA Global Research, Global Economic Viewpoint, "Geopolitics are here to stay," November 12, 2023.

What is the risk that the Fed keeps rates higher for longer or that the liquidity tide reverses? From a liquidity perspective, we already have a stealth reflationary policy because foundational liquidity is increasing. As QT progresses, this could fade, and, with interest rates still high, monetary policy will likely start to feel tighter. But the Fed could always resume liquidity injections by extending the Bank Term Funding Facility or even pausing QT.

The risk of an inflation resurgence and higher rates for longer mostly involve supply side risks, but services-sector inflation has also reaccelerated recently. One lesson of the 1970s was that inflation can come in waves with the help of geopolitical events, and Chair Powell recently acknowledged that cumulative geopolitical and supply chain risks are making supply-sourced inflation higher for longer. Disruptions in the Suez Canal and Panama Canal combined with event-risk in the Strait of Hormuz mean supply side risks are still sizzling. Our year-ahead Fixed Income Spotlight[2] balances this risk from a strategy perspective and should be used as a reference.

With the U.S. consumer a key to economic resilience, what is the outlook for jobs? The labor market is the transmission mechanism from a soft landing to a hard landing. While leading employment indicators point to a continued gradual weakening of the labor market, history suggests that is not typically how it goes down. In the past, the labor market has had the tendency to gradually tighten but rapidly loosen. Layoffs remain low, but there are signs of a shakier backdrop including falling job openings and contraction in temporary help workers. The profits cycle plays a key role here.

What is the outlook for profits in 2024? While the economy tries for a soft landing, the profits cycle is still digging out of a hole and trying to make a new high. Profits surprised to the upside in 2023 because of stimulus and operating execution, arresting a multiyear downtrend in earnings momentum (Exhibit 1). As Exhibit 1 shows, globally, where the U.S. stood in terms of earnings momentum particularly versus Europe and China, where geopolitical risk is also more acute. On balance, firms also had an above-average margin cushion coming in to 2023, led by the technology companies, with little refinancing risk from higher rates.

But the economywide profits growth rebound was narrow and reflected in the narrow equity rally, with Small-cap earnings bearing the brunt of slowing nominal growth. From a macro perspective, slowing nominal growth (both real growth and inflation) will keep economywide profits growth limited in 2024, and BofA Global Research expects S&P 500 earnings to rise from $222 this year to $235 next year. We continue to emphasize quality within Equities because the economywide pool of profits remains limited, and risks are skewed to the downside.

How will the unsustainable fiscal situation play out? With fiscal policy still supportive but feeding an unsustainable long-run fiscal deficit situation, the risk is that there will be payback. And it is difficult to gauge how markets will price in unsustainable deficits. For example, will they price the risk fast or slow, and what will be the trigger? Longer-term, a key concern is that the unsustainable fiscal backdrop is crowding out nonstimulus-driven private sector business investment spending via higher borrowing costs. It could be that equity markets are pulling forward longer-term returns.

What is different this time is that the level of debt combined with a higher interest cost means the threshold for nominal growth to keep the debt-to-GDP ratio stable is much higher. Looking at the election, the two leading candidates have thus far showed little interest in addressing runaway entitlement spending or raising revenue via tax increases. There is some talk that we could “inflate our way out” of deficits. Higher inflation would keep nominal growth higher and stabilize debt to GDP. But the inflation required for this scenario would have to be “surprise” inflation, because anticipated inflation would be priced into interest rates, dampening the benefit.

Should investors be looking outside the U.S.? What about emerging markets? Global goods trade and global industrial production are near zero on a year-over year basis.[3] Emerging Market Equities are tightly linked to these cycles, as are Japan and Europe. Global growth also underpins commodity demand. If we see signs of a turn, we might be more inclined to upgrade select emerging markets.

The U.S. dollar is likely to weaken over the next few years, in our view. The dollar is overvalued by purchasing power parity metrics, and U.S. growth appears to be slowing. Interest rates are coming down. A gradually weakening dollar could help International Equities, but on balance the geoeconomic backdrop favors the U.S. over International Equities for now.

[2] Chief Investment Office Fixed Income Spotlight: *Cross-sector Year Ahead Outlook*, December 2023.

[3] Netherlands Bureau for Economic Policy Analysis/Haver Analytics. Data as of November 24, 2023.

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MARKET VIEW

The Premium on Resiliency and Why this Decade Belongs to America

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

Ariana Chiu, Wealth Management Analyst

As we close out 2023, and with roughly 40% of the decade behind us, we thought it would be a good time to take stock of America's pole position in the global economic hierarchy. More specifically, in the face of an epic pandemic, wars in Europe and the Middle East, a multidecade high spike in global inflation-cum-an aggressive central bank tightening cycle, and deteriorating global relations with China, we wanted to assess how the U.S. has fared through the turbulence of this decade.

Our conclusion: surprisingly well. Indeed, despite a series of global shocks, the U.S. economy has ploughed ahead this decade, while others, namely China and Europe, have faltered. In just the past four years alone, the U.S. economy, as measured by nominal GDP, has added an additional $6 trillion to its economic base, bringing total U.S. output to roughly $27 trillion this year (Exhibit 2A).

What the U.S. has added in total output this decade is nearly as much as the entire gains of the last decade ($7 trillion), and well ahead of incremental gains in prior periods. What's more, America's share of global GDP—an estimated 26% for 2023—is higher than when the decade started (24.8%). More impressive still, America's contribution to world GDP today is basically the same as it was in 1980 (Exhibit 2B). Despite the prevailing "America-is-in-decline" narrative, America is "still number one," as a recent article in *Foreign Affairs* noted.[4]

Exceptionalism 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. Not to dumb it down, but it's that simple. Yes, the ultra-easy monetary and fiscal policies of this decade have helped goose nominal U.S. GDP growth. But that's hardly the full story.

Where else in the world is there an economy that leads or dominates in so many diverse industries, ranging from agriculture to aerospace, education to entertainment, and technology to transportation, to name just a few sectors?

It's easy to dismiss this year's stellar gains of the S&P 500 to the outperformance of just seven companies, the so-called Magnificent 7[5]. But what country wouldn't die for this cohort—or just a Magnificent Uno? A better question: why are these firms based in the U.S.? Answer: Because America's entrepreneurial DNA, coupled with its world-class universities, deep capital markets, and risk-reward culture is unparalleled. No country better incubates new firms, new industries, new sources of future earnings than the U.S. Where else in the world could Elon Musk, named the richest man in the world, start a car company that now has a market cap ($761 billion) nearly two times larger than the GDP of his home country, South Africa ($405 billion)?

The market cap of the Magnificent 7 ($10 trillion) is greater than combined market capitalization of the FTSE 100, the Nikkei 225, and CAC 40 Indexes ($9.3 trillion) because these firms—in addition to dominating the technologies of the present like cloud computing, social media platforms, the Internet—are now pushing on the next frontier: artificial intelligence and biotechnology/engineering, for instance. These firms are pulling the U.S. into the future, while many parts of the world languish in the present.

Ditto for energy. One of the best kept secrets on Wall Street is the stunning fact that the world's largest oil and gas producer is none other than the U.S. Since 2004, U.S. oil production has soared more than two-fold, rising from under 5 barrels per day (bpd) in 2005 to over 13 million bpd in October 2023. This, all while the U.S. continues to build out its leading pole position in renewables like wind and solar power. To the envy of resource-

Portfolio Considerations

We remain constructive on U.S. Equities for the long term given that the U.S. economy remains the most dynamic and resilient in the world. Thus far, the economy has absorbed and adjusted well to a decade of tectonic shocks and regime changes.

[4] See "The Self-Doubting Superpower," Fareed Zakaria, *Foreign Affairs*, December 2023.

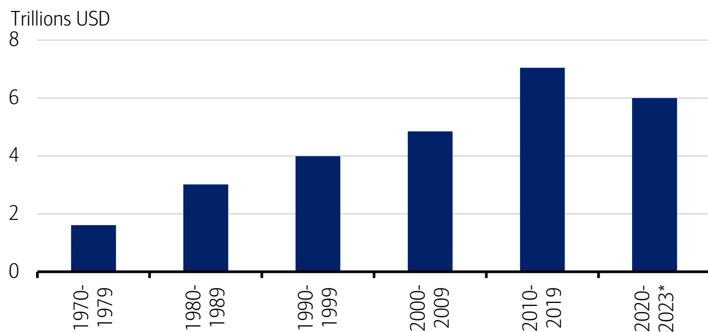
[5] Apple, Amazon, Alphabet, NVDIA, Meta, Microsoft and Tesla.

constrained Europe and China, America is a hydra-headed energy superpower—which in today's fluid geopolitical world gives the U.S. a premium over most other states.

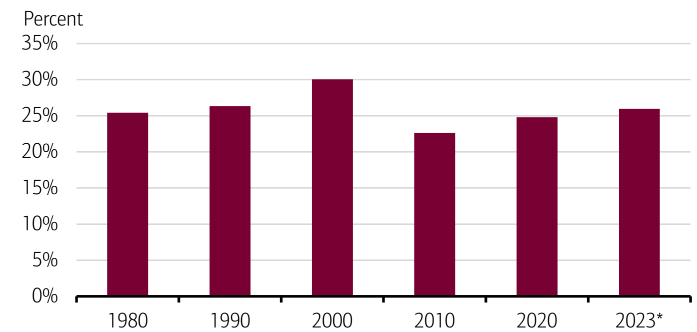
The U.S. vs. the rest of world This premium—in addition to other variables—undergirds the outperformance of U.S. Equities this decade versus other parts of the world. As Exhibit 2C depicts, since 2020, U.S. equity markets (as measured by the MSCI Index) have handily outperformed the rest of the world, delivering a total return of 52.6% through December 13. In contrast, returns over the same time frame were 17.5% for the international developed markets, ex U.S.; -3.9% for the emerging markets; and -31.7% for China. Again in 2023, international Equities are on course to trail U.S. markets for an eighth year in the past 10 years. America's outperformance, in turn, has raised the U.S.' share of global market capitalization to its highest level (57%) since 2004. Widening the lens, the Magnificent 7 have not only dominated at home—but also abroad. Since the beginning of this decade, the U.S. share of global market cap has increased by 8% (Exhibit 2D).

Exhibit 2: The U.S. Economy and U.S. Equities Remain Exceptional.

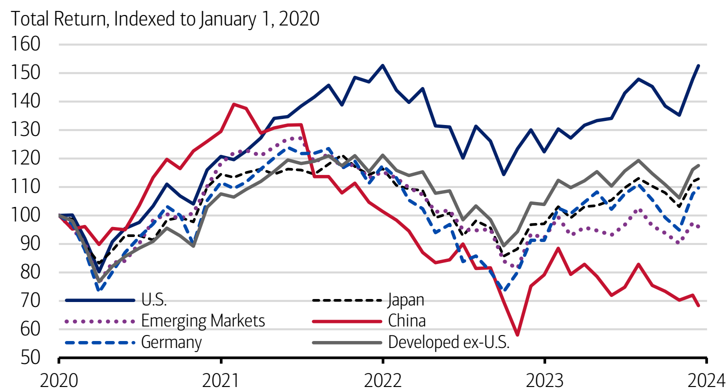
2A) U.S. Nominal GDP Gains Per Decade



2B) U.S. GDP as Percent of World GDP



2C) The U.S. Leads The World in Market Returns



2D) U.S. Share of Global Market Cap

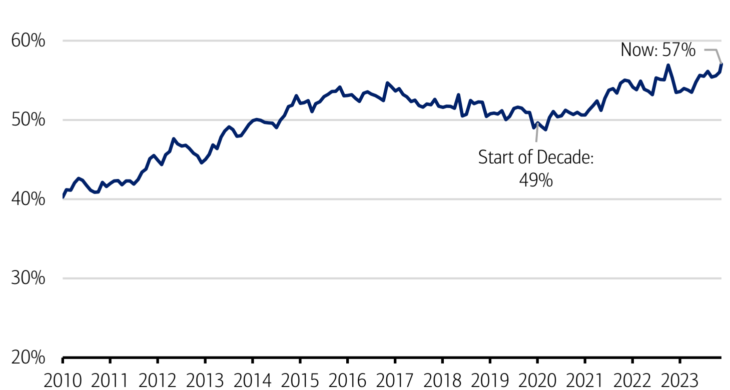


Exhibit 2A: *2023 CIO Estimate. Source: Bureau of Economic Analysis/Haver Analytics. Data as of December 14, 2023. Exhibit 2B: *2023 CIO Estimate. Source: International Monetary Fund/Haver Analytics. Data as of December 14, 2023. Exhibit 2C: Source: Bloomberg. Data as of December 14, 2023. Exhibit 2D: MSCI All Country World Index and Russell 3000 used to calculate global and U.S. market cap, respectively. Source: Bloomberg. Data as of December 13, 2023. **Past performance is no guarantee of future results. It is not possible to invest directly in an index. Please refer to asset class proxies and index definitions at the end of this report.**

The bottom line: Adapt or Die Yes, the decade is still young, and the past is rarely prologue. In addition, slowing economic growth, trade tensions with China, uncertainty surrounding the 2024 elections—all of these factors represent near-term headwinds to the U.S. investment backdrop. There are no guarantees the U.S. will continue to outpace and outperform the rest of the world as the decade wears on.

But that said, this we do know: The 2020s is no ordinary decade. Pandemic, wars, inflation, political polarization—seismic shocks have become commonplace, testing and challenging the resiliency of nations. The upshot: Future market returns will be determined by the resiliency and adaptability of nations, and by this benchmark, the U.S. remains out front.

THOUGHT OF THE WEEK

Don't Be So Negative About Positive Correlations: Stable Income Diversifies Portfolios

Matthew Diczok, Managing Director and Head of Fixed Income Strategy

Diversification is the foundation of our portfolio construction process. Blending assets with different risk characteristics has not maximized returns; it should, however, provide a smoother portfolio journey. By dampening volatility, diversification helps investors stay fully invested through market swings and, therefore, can increase the probability of meeting long-term financial goals.

There are concerns, however, that the "Equity-bond price correlation" becoming positive—that is, Equity and bond prices moving in the same direction—requires a major paradigm shift for asset allocation. We do not agree.

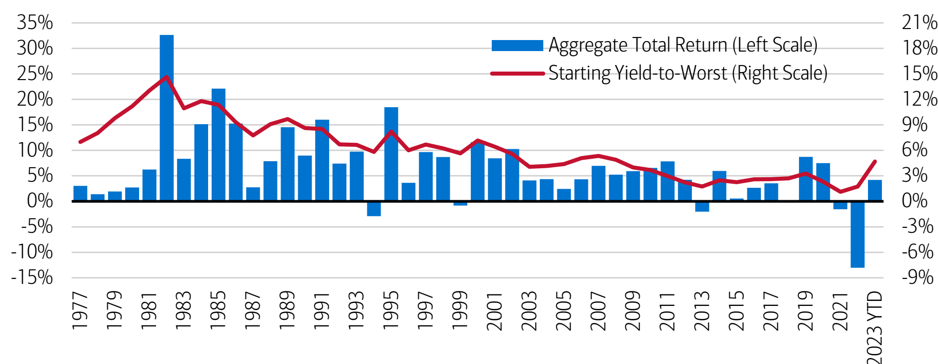
First, negative "Equity-bond price correlations" on a daily basis are not an iron law of finance. The relationship varies over time. From the 1960s through about 2000, bond and stock prices were generally positively correlated.[6] That fundamentally changed only after Russia's default and the Long-term Capital Management crisis when Treasurys showed very strong performance relative to almost all other assets.

Secondly, while the market may transition to a similar pre-2000 regime of positive correlations, we do not believe that to be the case. We are way above the uber-low yields of the post-pandemic era; there is substantial room for Treasury yields to move down (and thus prices up) if the economy or risk assets falter, from our perspective.

Finally, investors with daily price concerns and liquidity needs should not be in investment assets; we believe they should be in cash or cash alternatives. When investors extend their time horizon, the importance of daily correlations fades, and two factors come to the foreground instead: lower volatility and stability of returns. With substantially higher yields, Fixed Income again helps provide both those benefits, in our opinion. Bonds should have significantly less volatility on a total return basis, as has historically been the case, since higher coupon income can better offset any price declines due to a rise in rates. Furthermore, by providing reliable and predictable yields—the Bloomberg Aggregate Index offers close to 5%[7]—Fixed Income helps diversify portfolios by providing steady income regardless of the stance of intraday price correlations.

Don't be so negative about positive correlations—even if that becomes the case longer-term, the current yield environment has a better chance of providing higher and more stable overall Fixed Income returns versus a lower-rate environment with negative correlations.

Exhibit 3: After Two Years Of Negative Returns, Bonds Should Return To Providing Higher And More Steady Total Returns Going Forward.



Source: Bloomberg Aggregate Index. Data as of December 13, 2023. **Past performance is no guarantee of future results. It is not possible to invest directly in an index. Please refer to asset class proxies and index definitions at the end of this report.**

Portfolio Considerations

Clients should be at or slightly long to their strategic duration targets. Clients should have an appropriate amount of cash, but not overly rely on cash for long-term investment returns. Reinvestment risk continues to be a larger concern than rate risk, in our opinion, especially as the Fed continues to signal that the rate hike cycle is over and the next move is likely rate cuts.

[6] Bloomberg, Chief Investment Office. 10-year Treasury prices versus S&P 500 Index price returns, 3-month moving average of 1-month daily price moves. As of December 13, 2023.

[7] Bloomberg, Bloomberg Aggregate Index Yield-to-Worst. As of December 13, 2023.

Equities

	Total Return in USD (%)			
	Current	WTD	MTD	YTD
DJIA	37,305.16	2.9	3.9	15.0
NASDAQ	14,813.92	2.9	4.2	42.7
S&P 500	4,719.19	2.5	3.4	24.9
S&P 400 Mid Cap	2,745.60	4.4	7.2	14.8
Russell 2000	1,985.13	5.6	9.8	14.4
MSCI World	3,126.14	2.6	3.4	22.0
MSCI EAFE	2,192.98	2.6	3.2	15.9
MSCI Emerging Markets	1,000.89	2.7	1.5	7.2

Fixed Income†

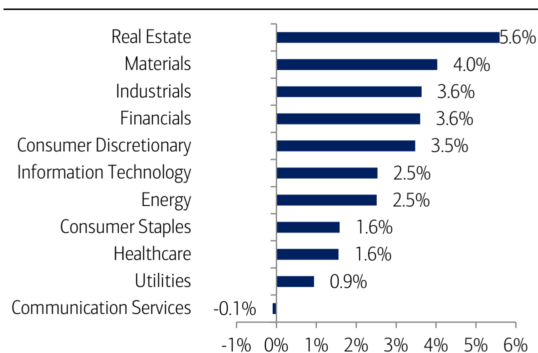
	Total Return in USD (%)			
	Current	WTD	MTD	YTD
Corporate & Government	4.55	2.20	3.17	5.20
Agencies	4.58	1.06	1.39	4.61
Municipals	3.27	1.15	1.87	5.93
U.S. Investment Grade Credit	4.63	2.16	3.19	4.88
International	5.15	2.68	3.83	7.99
High Yield	7.80	1.92	2.63	12.24
90 Day Yield	5.38	5.37	5.39	4.34
2 Year Yield	4.44	4.72	4.68	4.43
10 Year Yield	3.91	4.23	4.33	3.87
30 Year Yield	4.01	4.30	4.49	3.96

Commodities & Currencies

	Total Return in USD (%)			
Commodities	Current	WTD	MTD	YTD
Bloomberg Commodity	226.55	1.2	-2.6	-7.9
WTI Crude $/Barrel††	71.43	0.3	-6.0	-11.0
Gold Spot $/Ounce††	2019.62	0.7	-0.8	10.7

	Total Return in USD (%)			
Currencies	Current	Prior Week End	Prior Month End	2022 Year End
EUR/USD	1.09	1.08	1.09	1.07
USD/JPY	142.15	144.95	148.20	131.12
USD/CNH	7.13	7.19	7.15	6.92

S&P Sector Returns



Sources: Bloomberg; Factset. Total Returns from the period of 12/11/2023 to 12/15/2023. †Bloomberg Barclays Indices. ††Spot price returns. All data as of the 12/15/2023 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 12/15/2023)

	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	2.8	2.9	2.6	2.4	2.7
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	4.3	4.1
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 15, 2023.

Asset Class Weightings (as of 12/5/2023)

	CIO View				
Asset Class	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					

CIO Equity Sector Views

	CIO View				
Sector	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 December 5, 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.

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 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.

FTSE 100 Index is a share index of the 100 companies listed on the London Stock Exchange with the highest market capitalization.

Nikkei 225 Index is a stock market index for the Tokyo Stock Exchange.

CAC 40 Indexes is a benchmark French stock market index representing a capitalization-weighted measure of the 40 most significant stocks among the 100 largest market caps on the Euronext Paris.

MSCI Indexes are market cap-weighted indexes, which means stocks are weighted according to their market capitalization—calculated as stock price multiplied by the total number of outstanding.

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

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

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

MSCI Emerging Market Index ex China captures large and mid cap representation across 23 of the 24 Emerging Markets (EM) countries excluding China.

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

MSCI Japan Index designed to measure the performance of the large and mid cap segments of the Japanese market.

MSCI China Index consist of a range of market capitalization weighted and alternative weighted indexes for the Chinese markets, intended for both domestic and international investors, including Qualified Foreign Institutional Investors (QFII) licensees.

Developed ex U.S./MSCI All Country World Index ex U.S. is a stock market index comprising of non-U.S. stocks from 22 developed markets and 24 emerging markets.

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

Russell 3000 Index is a capitalization-weighted stock market index that seeks to be a benchmark of the entire U.S. stock market.

Bloomberg Aggregate Index is a broad base, market capitalization-weighted bond market index representing intermediate term investment grade bonds traded in the United States.

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