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Capital Market Outlook

December 23, 2024

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Macro Strategy—*Banking on America: Foreign Demand for U.S. Securities Remains Robust:* The latest Flow of Funds data from the Federal Reserve (Fed) confirm the following: Foreign investors still want a piece of America. At the end of Q3 2024, foreign ownership of U.S. securities hit a record high of $30.7 trillion, roughly doubling in the past decade alone. To date, foreign investors own 20% of U.S. Equities, 31% of marketable U.S. Treasurys, and 37% of U.S. corporate bonds—which is another way of saying that foreign investors continue to play a critical role in U.S. capital markets. The flipside, however, is that foreigners have a lot riding on the various policies of the incoming administration, as does debt-laden America. Looking ahead, we believe that foreign investor confidence in the U.S. should continue, boding well for U.S. Equities and America's finances.

Market View—*Taking Stock of Some Key Lessons of 2024:* Investors learned a great deal this year. Some key lessons of 2024 were: The U.S. economy is far less interest-rate sensitive than investors believed; "bigger" is often better; thanks to the Artificial Intelligence (AI) build-out, Utilities got a glow-up; when it comes to taming inflation, the last mile is the hardest; and U.S.-China relations remain frosty and likely to remain so under any administration.

With the understanding that the past is rarely prologue, 2025 will undoubtably introduce its own unique risks, uncertainties and opportunities. The clearest takeaway from a portfolio positioning standpoint remains that the U.S. has proven it's the most resilient, dynamic economy globally, with strong earnings fundamentals, therefore rationalizing the U.S. as our preferred Equity region relative to the rest of the world.

Thought of the Week—*Bitcoin, the Magnificent 7, Bonds and Hong Kong: Taking Stock of the Leaders and Laggards of the 2020s:* The first half of this decade is over, and what a decade it's been. Count a global pandemic, the largest armed conflict in Europe since World War II, a 40-year high in U.S. inflation, and the rise of generative AI among reasons why we've called this period the "Roiling '20s."

In the meantime, leaders and laggards have emerged across the investment landscape. Among the leaders: Bitcoin, the Magnificent 7,[1] and U.S. Equities—with the S&P 500 managing an impressive 15.3% annualized total return so far this decade, well above the 11.4% average between 1945 and 2023. On the other hand: U.S. government bonds and international Equities weighed down by a struggling China.

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Managing Director and Head of CIO Market Strategy

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Data as of 12/23/2024, and subject to change

Portfolio Considerations

We maintain our tactical Equity overweight relative to Fixed Income with the U.S. as our preferred Equity region relative to the rest of the world given a broad-based and continuous earnings recovery, resilient consumer, and a solid U.S. growth outlook.

Our highest conviction Fixed Income call remains that the yield curve will normalize as short rates move lower. With that in mind, investors should consider moving out investable cash in Fixed Income to their strategic duration target as cash yields are likely to decrease from here while the short-term backup in yields may be an opportunity.

[1] Magnificent 7 = Alphabet, Amazon, Apple, Meta, Microsoft, NVIDIA, Tesla.

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MACRO STRATEGY

Banking on America: Foreign Demand for U.S. Securities Remains Robust

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

For all the anti-trade and investment rhetoric coming out of Washington, and notwithstanding the rising mood of isolationism in America—in spite of the hostile environment toward the rest of the world—foreign investors remain undaunted and still want a piece of America. They remain bullish on U.S. assets. That's evident from the latest Flow of Funds data from the Fed.

At the end of Q3 2024, foreign ownership of U.S. securities (specifically Treasurys, government agency bonds, corporate bonds and U.S. Equities) hit a record high of $30.7 trillion, up a whopping 23.3% from the same period a year ago. In the past decade alone, foreign ownership of U.S. securities has roughly doubled; since the start of this century, they have soared ten-fold, with no other nation in the world attracting as much foreign capital as the U.S. (Exhibit 1A).

Foreigners prefer Equities over bonds. According to the latest figures, foreign holdings of securities are at all-time highs. Foreign investors owned some $8.7 trillion in U.S. Treasurys at the end of the third quarter of 2024, up 13.8% from the prior year, with yield-hungry investors from Japan, the Middle East and Europe the primary foreign holders. Reaching for even more yield, foreign holdings of U.S. Equities rose 32.4% from the same period a year ago, totaling $16.0 trillion. That is a record high and solid evidence that foreign investors are just as optimistic about U.S. Equities as U.S. investors. Behind the buoyant move in U.S. Equities has been heavy participation on the part of foreign investors; conversely, many non-U.S. Equities have lagged the U.S. indexes because investors sitting in Singapore, Germany or Dubai, for instance, would rather invest abroad (America) than at home.

Meanwhile, foreign ownership of U.S. corporate bonds totaled $4.6 trillion in Q3, up 18.4% from a year ago, while foreign ownership of government agencies rose 5.5%, to $1.4 trillion.

All tallied, foreign demand for U.S. securities remains healthy. Looking forward, we believe the growing attractiveness of U.S. Equities among foreign investors is a secular trend and in the middle stages, with plenty of future upside. Not lost on foreign investors is this: The U.S. remains among the strongest, most resilient and most innovative economies in the world.

In the first half of this decade, the growth gap between the U.S. and rest of world, notably Europe, only widened, fueling foreign demand for U.S. securities. Further stoking demand is the fact that U.S. companies remain global champions in a number of key sectors, ranging from agriculture to aerospace, entertainment to energy, technology to transportation, and virtually everything in between. Against this backdrop, U.S. Equities have handily outperformed the rest of the world this decade. While the MSCI All-Country World Index (ACWI) is up 53% since the start of 2020, the same index excluding the U.S. is up a mere 10%.

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 could exit the U.S. capital markets due to the protectionist tilt of the incoming administration. Note from Exhibit 1B that foreign investors own roughly 31.4% of marketable U.S. Treasurys and are significant holders of U.S. Equities (20%). Meanwhile, foreigners account for nearly 37% ownership of U.S. corporate bonds, a significant stake that can be market-moving on the upside or downside.

All of the above is another way of saying that foreigners have a lot riding on the various policies of the incoming administration. So too, by extension, does debt-laden America.

Portfolio Considerations

Foreign demand for U.S. securities remains healthy, reflecting foreign investor confidence in the strength and resiliency of the U.S. economy. We expect capital inflows to remain healthy as U.S. growth continues to outpace the rest of the world. This should be supportive of U.S. securities and the economy at large.

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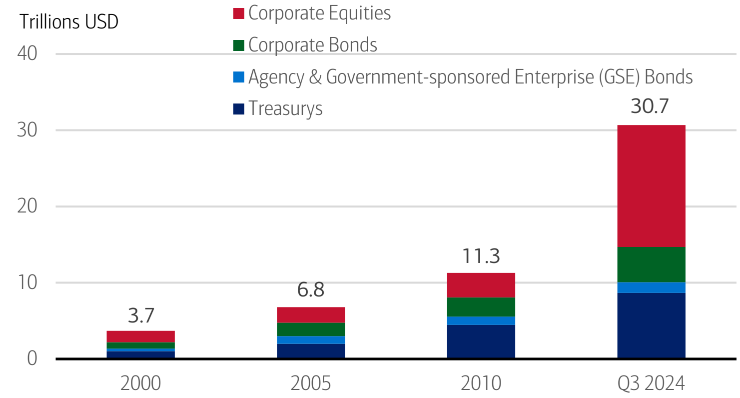
Exhibit 1: Coming to America.

1A) Foreign Ownership of U.S. Securities.



1B) Percent of U.S. Securities Held by Foreigners.

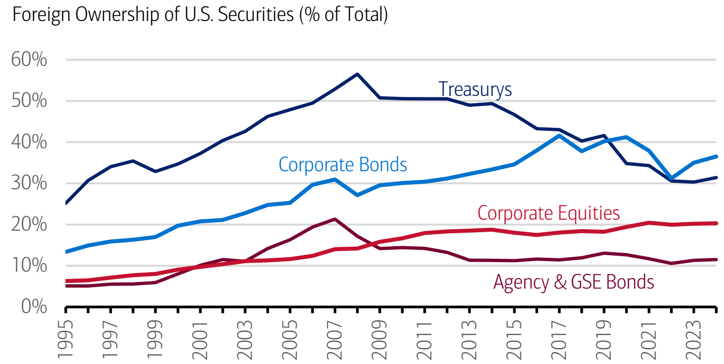


Exhibit 1A) Source: Federal Reserve Board. Data as of December 18, 2024. Exhibit 1B) *2024 data refers to Q3 2024. Source: Federal Reserve Board. Data as of December 18, 2024.

How foreigners allocate their excess savings on a global basis greatly matters 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, elevated debt levels, and an incoming administration more interested in severing ties with the world rather than strengthening them, the last thing the U.S. needs right now is for foreigners to bolt or boycott U.S. securities.

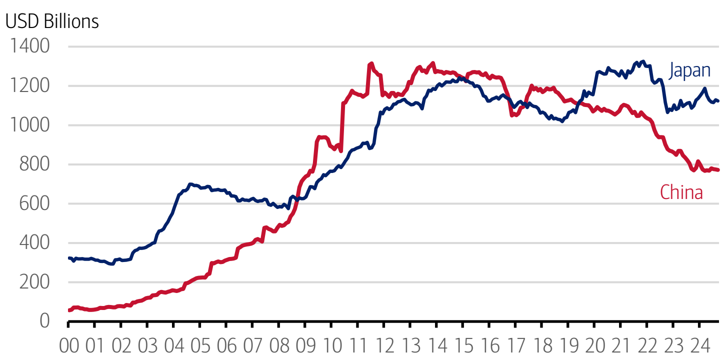
China fades U.S. Treasurys, Japan holds steady. As Exhibit 2A makes clear, Chinese investors have lightened up on U.S. Treasurys for well over the past decade, with China's holdings of U.S. Treasurys totaling $722 billion in September 2024, down roughly 41% from a peak of $1.3 trillion in 2013. Japanese holdings, however, have remained $1 trillion plus over the past decade, totaling $1.1 trillion in early this year.

Interest payments to our foreign creditors continue to rise. Finally, as Exhibit 2B depicts, the cost to the U.S. in terms of interest payments to foreign investors is hardly insignificant. Indeed, U.S. interest payments to foreign investors totaled $216 billion in 2023, a jump of 21.6% from the prior year; meanwhile, in the first half of this year, interest payments totaled $114.2 billion, up 7.9% from the same period a year ago.

The bottom line. Strong foreign demand for U.S. Equities is one more reason why the U.S. outperformed the rest of the world again in 2024. Record capital inflows reflect the confidence of foreign investors in the U.S. economy—and their desire to be part of the action, own America. Looking ahead and given the continued growth divergence between the U.S. and the rest of the world, we expect inflows to remain robust next year as well. This represents a propitious backdrop for both U.S. Equities and savings-deficit America.

Exhibit 2: China Fades, Japan Hangs In and Rising Overseas Interest Payments.

2A) Holdings of U.S. Treasury Securities.



2B) Interest Paid on Foreign-Held U.S. Treasury Securities.

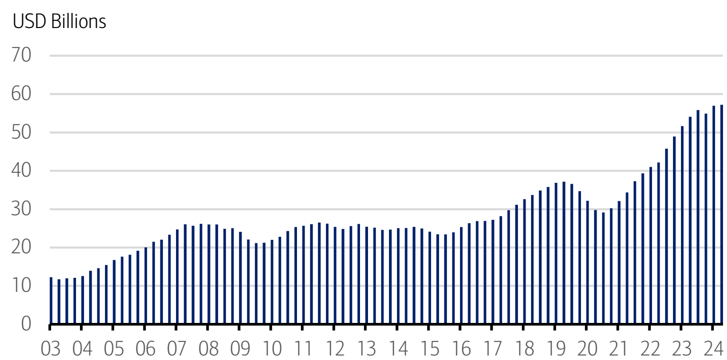


Exhibit 2A) Source: U.S. Treasury Department. Data as of December 17, 2024. Exhibit 2B) Source: Bureau of Economic Analysis, Haver Analytics. Data through Q2, as of December 2024.

MARKET VIEW

Taking Stock of Some Key Lessons of 2024

Lauren J. Sanfilippo, Director and Senior Investment Strategist
Joseph P. Quinlan, Managing Director and Head of CIO Market Strategy

We learned a great deal this year: Taylor Swift is an economy on to herself; the Kansas City Chiefs are the "new" New England Patriots; and when it comes to collecting Olympic medals, no one does it better than the U.S. In that spirit, below are other key lessons of 2024:

Economy 101 needs a rethink: The U.S. economy is far less interest-rate sensitive than investors believed. When the Fed started raising interest rates in mid-2022, economists dusted off their textbooks and boldly proclaimed that a recession was imminent—that tighter monetary policy, while working with a lag, would eventually lead to a downturn. The recession that "wasn't" was due to a number of factors, including generous countercyclical fiscal spending, robust capital spending by cash-rich technology companies, solid wage and income gains in a still tight U.S. labor market, and healthy levels of consumer spending, notably among high-income households.

By 2024, absent the elusive recession, the lesson learned was the great U.S. economy was far less interest-rate sensitive following the 100 basis points (bps) of cuts from September through December, as the fed funds target range settled at from 4.25% to 4.50%. Pockets of "rate sensitives" fell by less than expected or even rose. Since September 18, the day the Fed incited a rate cutting cycle, the 10-year, has risen by 80 bps, and the 30-year yield has risen by 70 bps. The 30-year fixed-rate mortgage has counterintuitively climbed from 6.09% to 6.72% according to Freddie Mac data. Meanwhile, money market fund yields have whittled down to 4.42% from north of 5%[2] as inflows into funds currently are near an all-time high of $6.7 trillion.

Investment implications: The U.S. economy has again proven it's the most dynamic, most innovative, and wealthiest in the world, underpinning our preference for U.S. securities versus the rest of the world. With the Fed signaling a pace of two rate cuts in the new year, short-term yields are likely to drift lower from here, normalizing the yield curve. Investors should therefore consider moving out investable cash in Fixed Income to their strategic duration target.

Bigger is often better. Market breadth did improve in the wake of the election, though, month-to-date, equity breadth has again narrowed. Despite elevated valuations, the Magnificent 7 group of stocks, and Big Technology (Tech) more broadly, has been the bedrock of this bull market. Another year of the largest of Large-caps outperforming. Driven by the outperformance of the largest names, the S&P 500 is up 24% for the year while the average stock is up a more conservative 13%. More generally, U.S. industry has become more concentrated, as superstar firms have risen to the top of the stack on a performance and composition standpoint. From airlines to telecommunications, from public utilities to payment processors, a handful of mammoth companies control industry, making Big Business, Big Business.

For investors, market concentration remains a concern. Judging by sector composition of the S&P 500, two companies make up 70% of the Communication Services sector, while two others make up 57% of the Consumer Discretionary sector. More on this ahead, as dealmaking enthusiasm among U.S. executives has returned on expectations of a more merger and acquisition-friendly environment under President-elect Trump.

Investment implications: "Quality" defined in Large-caps is often coincident with market concentration risk. That said, our overweight to Large-cap Equities remains given strong fundamentals and attributes such as free cash flow and healthy shareholder payouts.

Thanks to the AI build-out, Utilities are bringing sexy back. Investors have piled into Utility stocks as the realization set in that AI is power-hungry, driving a surge in electricity demand. U.S. power demand is expected to rise 9% by 2028 following two decades of almost flatline growth[3]. The need for server space from by hyperscalers such as Amazon,

Investment Implications

Carried over from 2024, there are fundamental supports that underpin market strength as we turn the calendar page. At the most basic level, we encourage investors to stay invested and remain tilted toward high-quality U.S. assets.

[2] Crane Data, 7-day current yield as of December 16, 2024.

[3] ICF International Inc, a global consulting and technology services provider. Data as of September 2024.

Google or Microsoft accordingly has data center construction on the rise, with project announcements tripling in the first half of 2024.[4] On that premise, a scramble for power supply has jolted the Utilities sector by 18% year-to-date, now the fifth best performing sector in the S&P 500.

In the mix is Big Tech, committing to deals and innovative solutions to the staggering demand projections. For the decade ahead, Big Tech is shifting nuclear development from what's more traditionally government-led/financed to private sector-led/financed. That's Big Tech's financial clout at work.

Investment implications: Known for its countercyclical/defensive characteristics, the Utilities sector enters 2025 with momentum. Given AI data centers' higher average power densities, accelerating electricity demand and power generation is a long-term tailwind for the Utilities sector, which we currently view favorably within our sector preferences.

When it comes to taming inflation, the last mile is the hardest. Recent inflation data illustrate the Fed's last mile challenge in returning inflation to the Fed's 2% target. While inflation has fallen sharply since the Consumer Price Index (CPI) shot past 9% at an annual rate in June 2022, November's readings show a stalling out. November CPI accelerated to its hottest rate in five months, at 2.7% year-over-year, closer to 3% than the Fed's 2% target. Similarly, the Fed's preferred gauge, the Personal Consumption Expenditure Core (excluding food and energy) Index, hooked up to 2.8%.

Another consequential inflation lesson from this year—a key determinant of the U.S. election was the economic performance (inflation fight) greatly influencing the election result. According to exit polls, two-thirds of voters were unhappy with the economy. County by county, voters shifted to the right, even in demographic/geographic Democratic strongholds on the basis of discontent on prices. Similar sentiment has gone global as elections around the world reinforced populist candidate victories with incumbents losing ground.

Investment implications: As far as this year exhibited, the economy can run at an inflation rate closer to 3% without de-anchoring inflation expectations or denting growth prospects—a major key to our economic view. There are underlying political ramifications to voter economic unrest, and likely indicative of less globalization and more localization.

U.S.-China relations remain frosty—and likely to remain so under any administration. Against a backdrop of rising bilateral barriers to trade and investment, a key lesson of 2024 is that U.S.-China relations are not going back to the more cooperative days of the past. The great power rivalry—or Cold War—between the world's two largest economies is on and intensifying, with tit-for-tat trade restrictions becoming more frequent and pronounced this year. China, in retaliation for U.S. trade restrictions, recently banned the export of gallium, germanium, antimony and other metals, and may further pressure commodity trade on the U.S. if the incoming administration acts on its word to raise tariffs on China goods. That sounds more sour than sweet, as relations remain on a hard boil.

Investment implications: A clash of economic titans carries multiple market risks, ranging from the costly reconfiguration of global supply chains to targeted restrictions on both U.S. and China goods and services in each other's respective markets to rising resource protectionism and to geopolitical risks related to Taiwan. As such, we remain constructive on hard power (defense/cybersecurity) and hard assets (commodities).

[4] According to data provider Wood Mackenzie, December 2024.

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THOUGHT OF THE WEEK

Bitcoin, the Magnificent 7, Bonds and Hong Kong: Taking Stock of the Leaders and Laggards of the 2020s

Ariana Chiu, Wealth Management Analyst

With the first half of this decade behind us, it's time to take stock of the leaders and laggards of the 2020s. But first take a look at Exhibit 3A—what a decade thus far, with a global pandemic, the largest armed conflict in Europe since World War II, a 40-year high in U.S. inflation, the rise of generative AI, and more, all compressed into five years. For investors, it really has been the "Roiling '20s."

And as Exhibit 3B shows, leaders and laggards vary across the investment landscape. At the top of the list: Bitcoin, nary an asset at the start of this decade. The Magnificent 7 was also relatively unknown in 2020, although this cohort of U.S. technology leaders has posted magnificent gains of 560%+ this decade. Meanwhile, the S&P 500 has managed an impressive 15.3% annualized total return—well above the 11.4% average between 1945 and 2023. And despite trailing more top-heavy indexes, the performance of the S&P 500's equal-weighted counterpart (11.4%) and the Russell 2000 Index (8.4%) has been respectable. Investors lost money holding U.S. government bonds, with the 10-year Treasury posting near-2% declines this decade. Holding cash was a better strategy (2.4%).

For investors overseas, meanwhile, the 2020s have not been kind. Banking on the Euro Stoxx 600 or the Nikkei 225 Indexes has yielded a mediocre 5% to 6% annualized total return. Emerging Market Equities are basically flat for the decade, sunk by a struggling China, which has yet to fully recover from the pandemic. At the bottom of the pile is the Hang Seng Index, which has shed nearly 30% since the start of 2020. Further proof of U.S. exceptionalism: while the MSCI ACWI Index is up some 53% for the decade, after excluding the U.S., the gains are a mere 10%.

Rounding out returns for the first half of this decade are a host of commodities (think wheat, corn and coffee, to name a few) boosted by wars, pandemic supply chain disruptions and extreme weather events. Energy returns have been uninspiring due to copious supplies. In contrast, gold has shined (up nearly 75%) owing to central bank demand and ongoing geopolitical uncertainty in Europe, the Middle East, and the South China Sea.

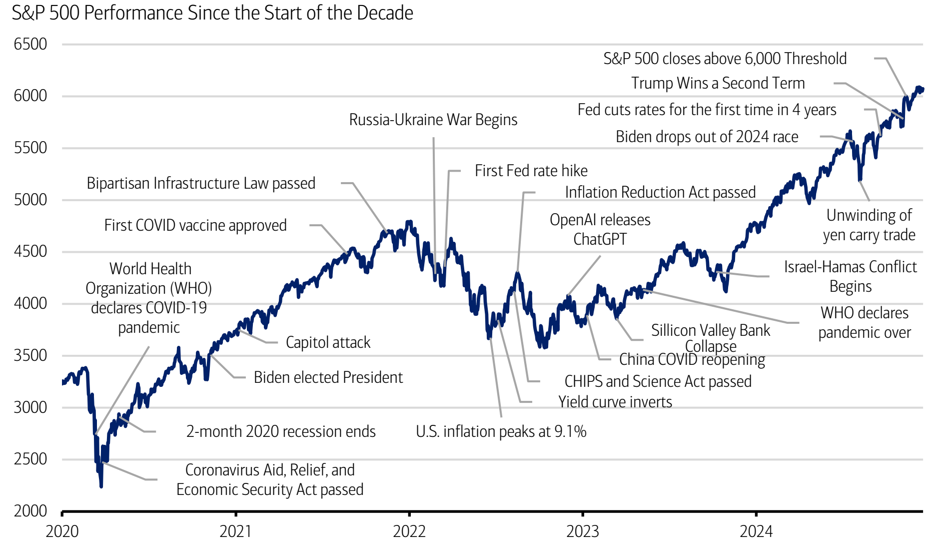
Looking ahead, if the second half of the decade is anything like the first, investors are in for an eventful ride. Through chop and churn, we encourage investors to stay invested, use pullbacks as an opportunity, and favor high-quality U.S. assets.

Portfolio Considerations

The U.S. has outperformed the rest of the world over the last five years. Looking ahead, we continue to prefer U.S. Equities given a resilient U.S. economy, strong corporate profits, and AI-led innovation.

Exhibit 3: Taking Stock of the First Half of this Decade.

3A) Halfway Through the "Roiling '20s"...



3B) ...Leaders and Laggards Emerge.

Index	Price Return	Annualized Total Return*
Bitcoin	1386.5%	71.6%
Magnificent 7	561.6%	46.6%
Nasdaq Composite	124.1%	18.6%
S&P 500 Index	87.3%	15.3%
Gold	74.4%	11.8%
Deutsche Bank Agriculture Index	62.3%	10.2%
S&P 500 Equal-Weighted Index	55.2%	11.4%
MSCI ACWI	52.9%	11.3%
Copper	46.3%	7.9%
Yen	41.3%	7.2%
Russell 2000 Index	39.9%	8.4%
Nikkei 225 Index	18.2%	5.4%
Euro Stoxx 600	15.5%	6.3%
Volatility index	15.2%	2.9%
Oil	14.8%	2.8%
Cash	12.7%	2.4%
U.S. Dollar	11.0%	2.1%
MSCI ACWI ex-USA	10.2%	5.1%
Shanghai Composite Index	5.4%	3.7%
MSCI Emerging Markets Index	-1.9%	2.4%
Euro	-6.4%	-1.3%
10-year U.S. Treasury	-8.7%	-1.8%
Hang Seng Index	-29.9%	-3.6%

Exhibit 3A) Source: Bloomberg. Data as of December 18, 2024. Exhibit 3B) *5-year price compound annual growth rate displayed for Bitcoin, U.S. Dollar, Yen, Euro, Gold, Copper, and Oil. Price return and annualized total return rankings may differ as annualizing total return, which includes dividends, spreads returns over the full time period. Oil refers to West Texas Intermediate Crude Oil Futures. Cash represented by the ICE BofA U.S. 3-Month Treasury Bill Index. Source: Bloomberg. Data as of December 18, 2024.

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Equities

	Total Return in USD (%)			
	Current	WTD	MTD	YTD
DJIA	42,840.26	-2.2	-4.5	15.8
NASDAQ	19,572.60	-1.8	1.9	31.3
S&P 500	5,930.85	-2.0	-1.6	26.0
S&P 400 Mid Cap	3,124.28	-4.6	-7.1	14.0
Russell 2000	2,242.37	-4.4	-7.8	12.1
MSCI World	3,723.22	-2.4	-2.2	19.1
MSCI EAFE	2,235.78	-3.6	-3.4	2.6
MSCI Emerging Markets	1,072.25	-3.1	-0.5	7.1

Fixed Income†

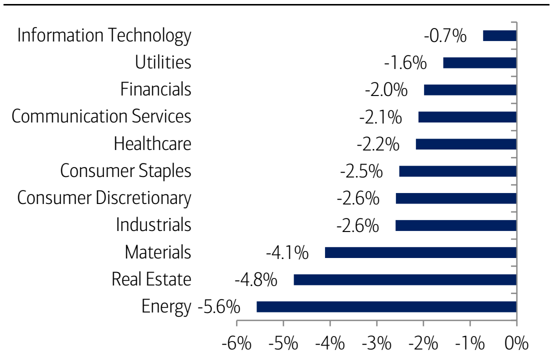
	Total Return in USD (%)			
	Current	WTD	MTD	YTD
Corporate & Government	4.78	-0.72	-1.64	1.21
Agencies	4.63	-0.28	-0.60	3.06
Municipals	3.77	-1.23	-1.76	0.74
U.S. Investment Grade Credit	4.90	-0.69	-1.62	1.27
International	5.32	-0.98	-1.87	2.19
High Yield	7.50	-0.81	-0.62	7.99
90 Day Yield	4.32	4.32	4.49	5.33
2 Year Yield	4.31	4.24	4.15	4.25
10 Year Yield	4.52	4.40	4.17	3.88
30 Year Yield	4.72	4.60	4.36	4.03

Commodities & Currencies

	Total Return in USD (%)			
Commodities	Current	WTD	MTD	YTD
Bloomberg Commodity	235.43	-1.0	-0.3	4.0
WTI Crude $/Barrel††	69.46	-2.6	2.1	-3.1
Gold Spot $/Ounce††	2622.91	-1.0	-0.8	27.1

		Total Return in USD (%)		
Currencies	Current	Prior Week End	Prior Month End	2022 Year End
EUR/USD	1.04	1.05	1.06	1.10
USD/JPY	156.31	153.65	149.77	141.04
USD/CNH	7.29	7.28	7.25	7.13

S&P Sector Returns



Sources: Bloomberg, Factset. Total Returns from the period of 12/16/2024 to 12/20/2024. †Bloomberg Barclays Indices. ††Spot price returns. All data as of the 12/20/2024 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 12/20/2024)

	Q4 2024E	2024E	Q1 2025E	Q2 2025E	Q3 2025E	Q4 2025E	2025E
Real global GDP (% y/y annualized)	-	3.1	-	-	-	-	3.2
Real U.S. GDP (% q/q annualized)	2.0	2.7	2.5	2.3	2.2	2.2	2.4
CPI inflation (% y/y)	2.7	2.9	2.3	2.3	2.7	2.5	2.5
Core CPI inflation (% y/y)	3.3	3.4	3.0	2.9	3.2	3.1	3.0
Unemployment rate (%)	4.2	4.0	4.3	4.3	4.4	4.4	4.3
Fed funds rate, end period (%)	4.38	4.38	4.13	3.88	3.88	3.88	3.88

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 December 20, 2024.

Asset Class Weightings (as of 12/3/2024)

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					

*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 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.

CIO Equity Sector Views

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

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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.

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 All-Country World Index captures large and mid cap representation across 23 Developed Markets (DM) and 24 Emerging Markets (EM) countries. With 2,687 constituents, the index is comprehensive, covering approximately 99% of the global equity investment opportunity set.

MSCI All-Country World Index ex USA captures large and mid cap representation across 22 of 23 Developed Markets (DM) countries (excluding the United States) and 24 Emerging Markets (EM) countries.

S&P 500's equal-weighted Index is stock index that gives each company in the S&P 500 an equal weight.

Consumer Price Index (CPI) measures change over time in the prices paid by consumers for a representative basket of goods and services.

Russell 2000 Index is a benchmark index that measures the performance of about 2,000 of the smallest publicly traded companies in the United States.

Nasdaq Composite Index is a stock market index that includes almost all stocks listed on the Nasdaq stock exchange.

Gold/Bloomberg Commodity Index is a benchmark that provides exposure to a wide range of physical commodities through futures contracts.

Deutsche Bank Agriculture Index is an index that reflects the performance of certain agricultural commodities, such as corn, wheat, and soybeans.

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

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

Volatility Index is the popular name for the Chicago Board Options Exchange's CBOE Volatility Index, a popular measure of the stock market's expectation of volatility based on S&P 500 index optimism.

Cash/ ICE BofA U.S. 3-Month Treasury Bill Index is an unmanaged index that tracks the performance of a single U.S. Treasury bill that matures within three months.

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

MSCI Emerging Markets Index is a stock market performance index that measures the equity market performance of emerging countries.

Hang Seng Index is a market-capitalization-weighted stock market index in Hong Kong, adjusted for free float.

10-year U.S. Treasury/Bloomberg US Treasury Index measures US dollar-denominated, fixed-rate, nominal debt issued by the US Treasury with 7-9.9999 years to maturity.

Important Disclosures

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

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Asset allocation, diversification and rebalancing do not ensure a profit or protect against loss in declining markets.

Investments have varying degrees of risk. Some of the risks involved with equity securities include the possibility that the value of the stocks may fluctuate in response to events specific to the companies or markets, as well as economic, political or social events in the U.S. or abroad. Small cap and mid cap companies pose special risks, including possible illiquidity and greater price volatility than funds consisting of larger, more established companies. Investing in fixed-income securities may involve certain risks, including the credit quality of individual issuers, possible prepayments, market or economic developments and yields and share price fluctuations due to changes in interest rates. When interest rates go up, bond prices typically drop, and vice versa. Investments in high-yield bonds (sometimes referred to as "junk bonds") offer the potential for high current income and attractive total return, but involves certain risks. Changes in economic conditions or other circumstances may adversely affect a junk bond issuer's ability to make principal and interest payments. Treasury bills are less volatile than longer-term fixed income securities and are guaranteed as to timely payment of principal and interest by the U.S. government. Bonds are subject to interest rate, inflation and credit risks. Investments in foreign securities (including ADRs) involve special risks, including foreign currency risk and the possibility of substantial volatility due to adverse political, economic or other developments. These risks are magnified for investments made in emerging markets. Investments in a certain industry or sector may pose additional risk due to lack of diversification and sector concentration. There are special risks associated with an investment in commodities including market price fluctuations, regulatory changes, interest rate changes, credit risk, economic changes and the impact of adverse political or financial factors.

Alternative Investments are speculative and involve a high degree of risk.

Alternative investments are intended for qualified investors only. Alternative Investments such as derivatives, hedge funds, private equity funds, and funds of funds can result in higher return potential but also higher loss potential. Changes in economic conditions or other circumstances may adversely affect your investments. Before you invest in alternative investments, you should consider your overall financial situation, how much money you have to invest, your need for liquidity and your tolerance for risk.

Nonfinancial assets, such as closely-held businesses, real estate, fine art, oil, gas and mineral properties, and timber, farm and ranch land, are complex in nature and involve risks including total loss of value. Special risk considerations include natural events (for example, earthquakes or fires), complex tax considerations, and lack of liquidity. Nonfinancial assets are not in the best interest of all investors. Always consult with your independent attorney, tax advisor, investment manager, and insurance agent for final recommendations and before changing or implementing any financial, tax, or estate planning strategy.

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