WEEKLY HEADINGS

THOUGHTS OF THE WEEK

Larry Adam, Chief Investment Officer, Private Client Group

This week marks the fiftieth anniversary of the generation-defining Woodstock Festival. It was billed as 'Three Days of Peace and Music,' clearly something we could all use after the last two tumultuous weeks in the financial markets! Aside from iconic musical performances, Woodstock is also remembered for its crowds and inclement weather.

- **Overcrowding |** What was supposed to be a 50,000 person ticketed event evolved into a 400,000 person free concert on a farm in Bethel, New York. Overcrowding, or extreme levels of bullishness, can be a negative for equities. Elevated levels of bullishness exhibited in early August have reversed as the S&P 500 has fallen 6% from its highs. This has subsequently become a near-term positive for the equity market.
- **Inclement Weather |** Despite torrential thunderstorms, the festival persevered as most ignored the weather and focused on the history-making musical performances. Similarly, investors need to focus on their long-term goals and the underlying fundamentals of the market and disregard the daily deluge of negative headlines.

Key Takeaways

In a tribute to Woodstock, Markets Could Use 'Three Days of Peace and Music'

Markets May Need a 'Little Help' From President Trump and Fed Chair Powell

An Inverted Yield Curve Starts the 'Shot Clock;' Don't Panic

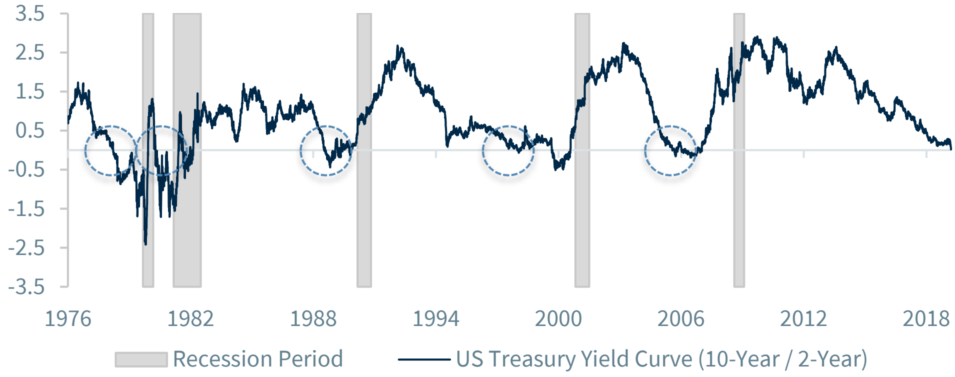
Turning to the music, many of the great songs performed at Woodstock connect to the current state of the financial markets:

- **With a Little Help From My Friends |** Two people that could be a 'friend' to the market are President Trump and Fed Chair Powell. The president could help market sentiment by alleviating the concerns around the potential for increased tariffs with China, Europe, and Japan. While the postponement of some of the Chinese tariffs until December 15 is a start, a more permanent declaration of a trade truce would serve as a catalyst for equity markets. While the Fed did cut interest rates at its July FOMC meeting, it was more coy about its commitment to further rate cuts, which disappointed the markets. As a result, the market will likely react strongly to any clues released at the Jackson Hole Economic Symposium starting next Thursday (August 22). This is especially true as we approach the September FOMC meeting, given that the futures markets are pricing in a 94% probability of two or more rate cuts and a 65% probability or three or more rate cuts by year end.
- **Déjà Vu |** The inversion of our preferred yield curve measure (10-year/2-year) for the first time in over a decade caused some investors to hit the 'panic button' this week.* However, as this subset of the yield curve historically inverts, on average, ~22 months prior to the next recession, panic is not warranted. Although the 'clock' may have started for the US economy, the strength of the US consumer and labor market are consistent with a continued expansion. In fact, following the inversion and an initial dip, the S&P 500 is up 12% on average one year following the inversion and is positive 80% of the time.
- **The Star Spangled Banner |** Just as Jimi Hendrix's acoustic rendition of our national anthem was unorthodox, so is the state of the fixed income market. US Treasury yields remain attractive, especially relative to countries such as Germany where the entire yield curve is in negative territory. With the amount of negative yielding debt approaching $17 trillion, equities are becoming increasingly attractive on a relative basis.* For example, the S&P 500 dividend yield is above the 10-year Treasury yield by the widest margin since November 2016 and is in the 94th percentile over the last 15-year period. Currently, 57% of S&P 500 companies have a higher dividend yield than the 10-year Treasury yield. *
- **Commotion |** Between President Trump's trade tweets, unrest in Hong Kong, and evidence of weak economic data from Germany and China this week, the market has no shortage of commotion. Combine the heightened volatility with the fact that the August to September period has historically been the weakest rolling two-month time period for the S&P 500 (-0.6% on average since 1980) and it should be no surprise that there are likely to be short-term spikes and pullbacks over the coming weeks. With market participation lighter than average during this vacation-laden month, it is not surprising that the VIX has spiked, that each of the first 12 trading days of August has exhibited an intra-day swing of more than 1.0%, and that five of these days have exceeded swings of 2.0 %.
- **We Shall Overcome |** The combination of depressed Treasury yields, positive earnings growth in both 2019 and 2020, and a more dovish Fed should provide a more positive environment for equities moving forward. Short-term volatility will continue to challenge investors to continue to remain positive during pullbacks and to not be complacent during rallies. We believe that investors who diversify across asset classes and stay true to their risk profile will be able to strike the right note.

CHART OF THE WEEK

Starting the Clock?

The yield curve (10-Year/2-Year) has historically inverted ~22 months, on average, before the next recession.



*See Charts of the week on page 3.

RAYMOND JAMES

ECONOMY

- The Fed has been criticized for raising rates too much in 2018 and not cutting enough in 2019, but officials could not anticipate the impact of the government shutdown, Trump's trade war escalation, and the degree of slowing in the global economy. However, one of the reasons the Fed cited for cutting rates was the downside risks from slower global growth and trade policy uncertainty. Those downside risks now appear larger than initially forecast, leading financial market participants to anticipate a rate cut at the September 17-18 policy meeting(and the Fed is unlikely to disappoint).
- Leading Economic Indicators (one of our favorite recessionary indicators) for July will be released on Thursday and are expected to post a modest increase due to positive contributions from a decline in jobless claims and the increase in equity prices. Given that it posted its largest monthly decline in three years in June, an increase in the headline index may suggest that the top has not yet been reached for this cycle (LEIs historically peak ~13 months before the next recession).
- **Focus of the week:** The theme for the upcoming symposium in Jackson Hole is "Challenges for Monetary Policy." The focus will be on international spillovers from monetary policy decisions and 'normalization' of commodity and financial markets. Fed Chair Powell is expected to provide some anticipated guidance on the Fed's potential actions at the September 17-18 FOMC meeting.

August 19 – August 23

MON

TUE

WED
FOMC Minutes
Existing Home Sales

THU
Jackson Hole Economic Symposium
Leading Indicators
Jobless Claims

FRI
Jackson Hole Economic Symposium
New Home Sales

FUTURE EVENTS
8/26 Durable Goods Orders
8/29 Real GDP (2Q19 Second Estimate)
9/2 Labor Day (Markets Closed)

US EQUITY

- The inability to hold above the 50-Day Moving Average (DMA) and quick reversal lower on heavy declining volume on Wednesday increases the odds of additional weakness in the near term. From a technical perspective, a move below the August 5 close of 2844 and the 200-DMA (2,795) would raise the odds that the S&P 500 under-cuts the June low (2,728). Other indices are weaker than the S&P 500 with the equal weight S&P 500 index just below its 200-DMA currently, and the Russell 2000 in line with the June low. If these indices are not able to hold support, the odds will also increase the S&P 500 will not as well. Nonetheless, we maintain our opinion that equities are not on the cusp of being instantly swept into a decline similar to the 19.5% swoon seen last fall given economic conditions (jobs and services) are fine, the Fed is easing, and interest rates are lower now vs. then.
- **Focus of the Week:** Consider adding equity exposure at the 2,850 level and then become incrementally more positive should the market move toward its 200-day moving average at the 2,795 level, as this has been a key level of support over recent years. If the S&P 500 slices through that level, then the favored valuation support level would be 2,600.

FIXED INCOME

- As long as global conditions remain as they are and central banks continue to push money into the system, prices will rise and investors will likely maintain a 'risk-off' sentiment, maintaining or even lowering interest rates from here.
- The 30-year Treasury rallied to yield less than 2%.* The decline in US yields (particularly on the longer end of the curve) are more reflective of global economic and monetary conditions rather than the resilience of the US economy. If rates were based solely on the state of our economy, they would likely be much higher at this time.
- **Focus of the week:** Talks have surfaced regarding the brief intraday 10-year/2-year Treasury curve inversion. It is difficult to completely ignore given that each of the previous five recessions were preceded by inverted curves. However, it is essential to remember that the lag time from inversion to recession has averaged ~22 months.

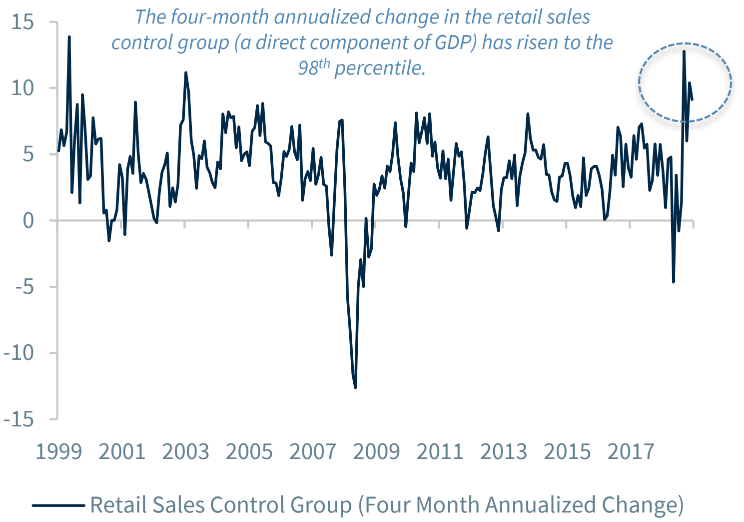
INTERNATIONAL, POLITICS & COMMODITY

- China hit the headlines for issues beyond the ongoing (and still problematic) bilateral US-China trade talks, with the protests in Hong Kong causing disruption at the local international airport. However, a stimulus program has been announced by the local government in Hong Kong, and this (in combination with talk of falling property prices) will concentrate the minds of many influential players as to whether further disruptive protests will receive widespread support or not.
- Stimulus talk is apparent in Germany, where Chancellor Merkel returned from holiday to disappointing economic data; 2Q19 GDP showed the German economy mildly contracted in the second quarter and the ZEW survey declined to its lowest level since 2011.* Germany retains material fiscal flexibility (given its current account surplus) and is likely to consider these instruments, which would complement the new stimulus measures by the European Central Bank in the fall.
- Italy might find itself (once again) without a government if Italian Prime Minister Giuseppe Conte loses the vote of no confidence on August 20. In this scenario, elections would have to be held in the fall, and Deputy Prime Minister Matteo Salvini would have the opportunity to increase his party's majority, making Italy one of the most prominent populist governments in Europe.
- Despite the increasingly negative macroeconomic headlines, falling oil demand is exceedingly unlikely. The last time global demand growth turned negative was during the financial crisis of 2008 and 2009 when it declined by 0.5% in both years. Before that, we have to go all the way back to the Asian currency crisis of 1998 to see a demand decline. During 'normal' recessions or economic slowdowns (e.g., the aftermath of the tech bubble bursting in 2000, or the Euro Crisis of 2011-2012) global demand continued to grow, just at a slower pace. Looking at the past four decades, average demand growth has been 1.4%, whereas we are forecasting around 1% in both 2019 and 2020. This forecast of increased demand continues to support our year-end target of $70/barrel for WTI crude, which may continue to higher levels in 2020.
- **Focus of the week:** On August 15 China announced that it will take 'necessary countermeasures' in response to President Trump's tariffs set to be enforced on September 1. Therefore, it will be important to continue to monitor the situation as it develops.

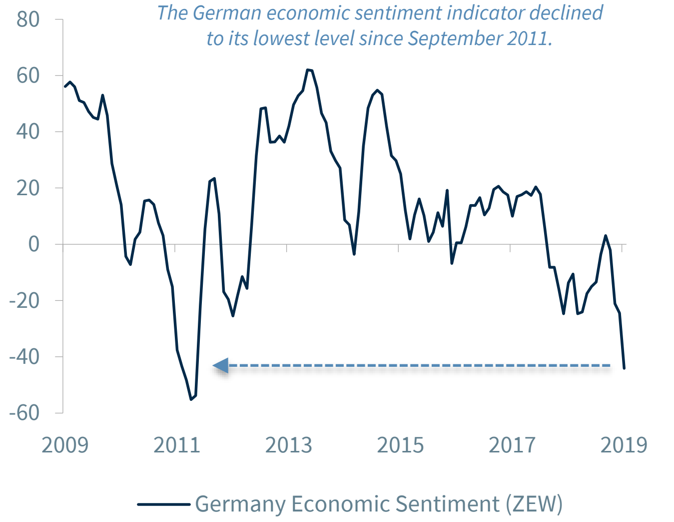
*See Charts of the week on page 3.

Charts of the Week

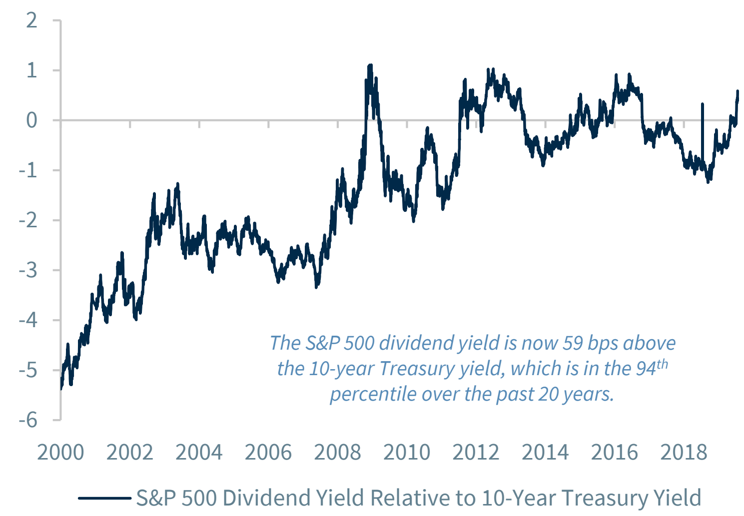
Retail Sales Increasing Significantly



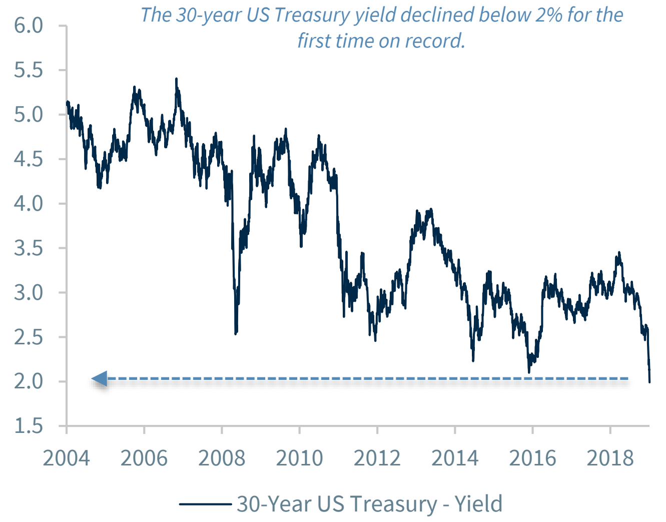
German Economic Sentiment Slumps



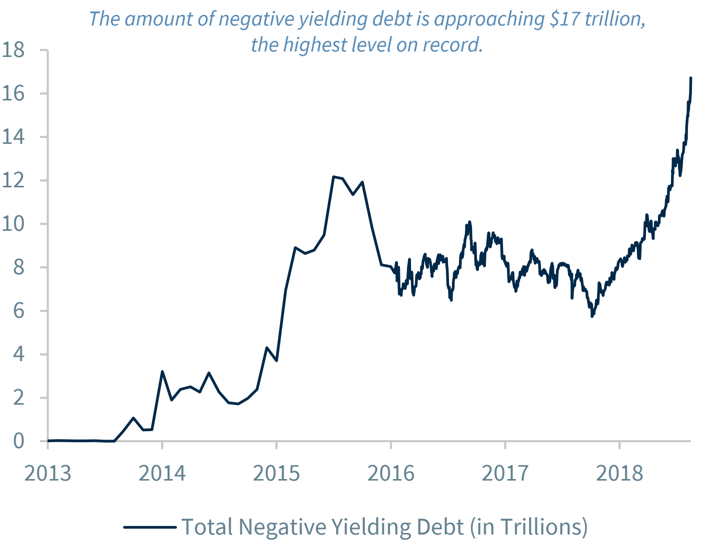
S&P 500 Dividend Yield Well Above Treasury Yields



30-Year Treasury Hits Record Low



Amount of Negative Yielding Debt Hits Record High



10-Year/2-Year Spread Briefly Inverts

Asset Class Performance | Distribution by Asset Class and Style (as of August 15)

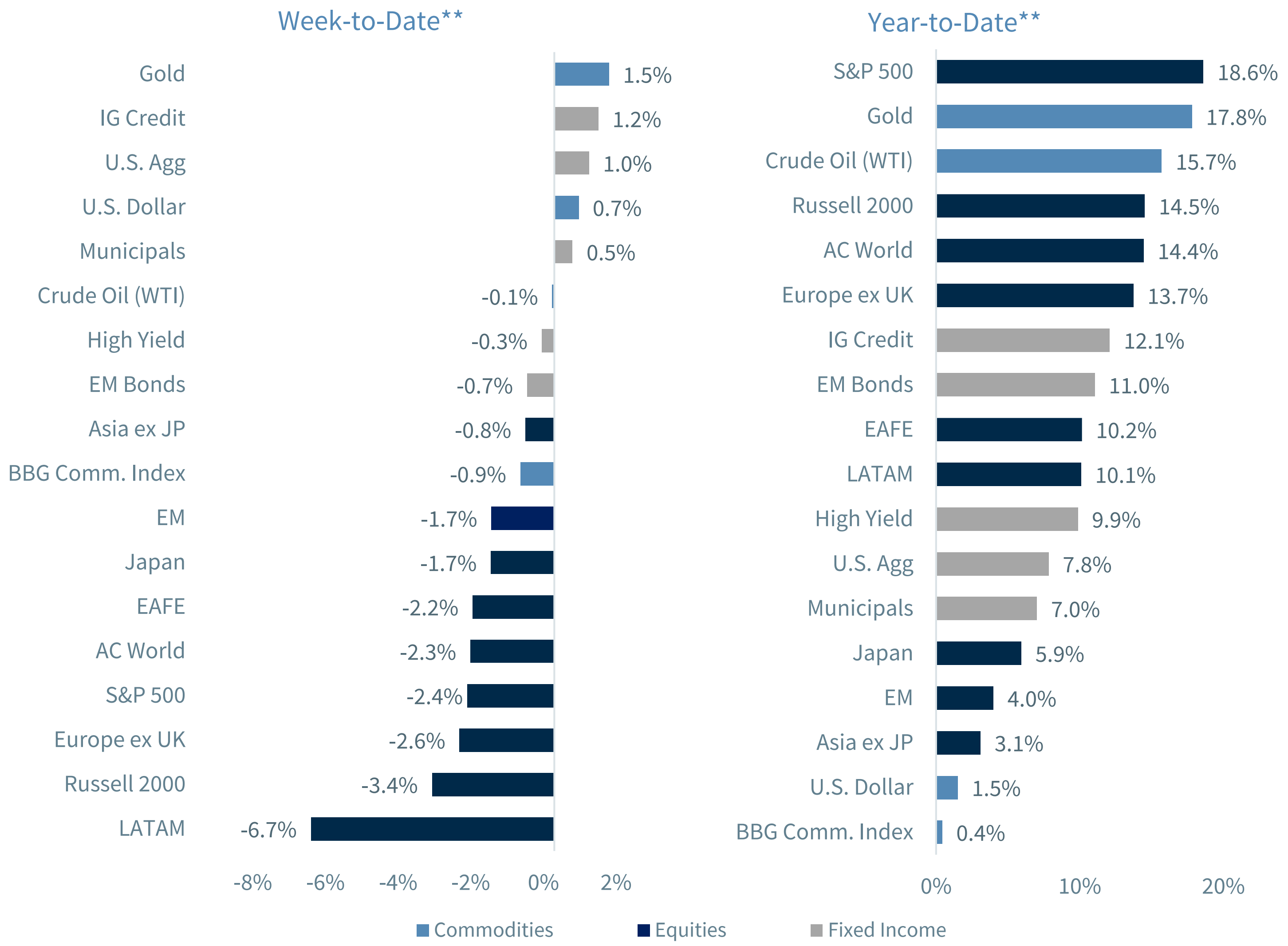
Weekly Returns (as of August 15)

U.S. Equities (S&P indices)	Value	Blend	Growth	International Equities (MSCI indices)	Dev. Mkt	World	Emerg. Mkt	Fixed Income (Bloomberg Barclays indices)	1-3 YR	Medium	Long
Large Cap	-2.6%	-2.4%	-2.1%	Large Cap	-1.7%	-2.0%	-1.1%	Treasury	0.1%	0.7%	1.8%
Mid Cap	-4.0%	-3.4%	-3.0%	Mid Cap	-2.2%	-2.7%	-2.8%	Invest. Grade	0.2%	0.5%	0.8%
Small Cap	-3.8%	-3.3%	-2.8%	Small Cap	-2.4%	-2.8%	-2.1%	High Yield	-0.3%	-0.3%	-0.5%

Year-to-Date Returns (as of August 15)

U.S. Equities (S&P indices)	Value	Blend	Growth	International Equities (MSCI indices)	Dev. Mkt	World	Emerg. Mkt	Fixed Income (Bloomberg Barclays indices)	1-3 YR	Medium	Long
Large Cap	12.3%	15.1%	17.6%	Large Cap	9.0%	11.9%	4.2%	Treasury	1.6%	6.6%	12.2%
Mid Cap	8.5%	11.5%	14.3%	Mid Cap	8.4%	11.8%	1.3%	Invest. Grade	4.0%	8.7%	12.5%
Small Cap	6.4%	7.4%	8.5%	Small Cap	7.5%	9.5%	1.3%	High Yield	5.0%	9.2%	15.5%

Asset Class Performance | Weekly and Year-to-Date (as of August 15)



**Assumes all asset classes are priced in US dollars unless otherwise noted. Ranked in order of performances (best to worst).

Weekly Data

Data as of August 15

U.S Equities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
S&P 500	2847.6	(3.0)	(4.3)	15.0	3.1	11.4	10.8	15.8
DJ Industrial Average	25579.4	(3.0)	(4.8)	9.7	1.7	19.3	12.6	16.1
NASDAQ Composite Index	7766.6	(3.4)	(5.0)	17.1	(0.1)	19.9	13.1	19.0
Russell 1000	3029.5	(3.1)	(4.5)	15.3	8.0	13.3	11.2	14.1
Russell 2000	3632.6	(4.6)	(7.1)	9.3	(4.4)	10.4	8.5	12.5
Russell Midcap	5496.9	(3.8)	(5.3)	16.5	6.7	11.0	9.6	14.3

Equity Sectors

Sector	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
Materials	348.2	(4.3)	(4.6)	11.4	(1.4)	6.6	4.3	9.2
Industrials	612.6	(4.1)	(6.4)	14.4	(0.4)	8.6	8.5	13.5
Comm Services	162.4	(2.9)	(4.0)	18.2	7.0	0.6	4.9	9.6
Utilities	308.8	0.3	2.5	17.2	17.8	10.5	11.7	12.0
Consumer Discretionary	905.4	(3.9)	(5.1)	16.7	3.1	13.2	12.9	17.9
Consumer Staples	611.7	(0.1)	0.1	19.2	14.2	5.8	9.0	12.5
Health Care	1033.5	(2.0)	(1.9)	4.4	1.2	8.0	9.4	14.5
Information Technology	1345.3	(3.2)	(4.9)	24.9	7.3	21.4	17.5	17.2
Energy	414.1	(5.9)	(10.1)	(0.1)	(19.1)	(3.9)	(7.2)	3.3
Financials	432.2	(4.3)	(7.8)	10.7	(4.0)	12.3	9.5	10.5
Real Estate	237.4	(0.2)	2.5	25.6	19.5	8.2	10.1	15.4

Fixed Income

Index	Yield	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
3-Months Treasury Bill (%)	1.9	0.0	0.1	1.5	2.3	1.4	0.9	0.5
2-Year Treasury (%)	1.5	0.3	0.8	3.0	4.3	1.4	1.1	1.2
10-Year Treasury (%)	1.5	1.6	4.5	12.2	15.0	2.1	3.4	4.4
Barclays US Corporate High Yield	6.6	(0.4)	(1.0)	9.5	5.7	5.9	4.7	8.4
Bloomberg Barclays US Aggregate	2.2	0.9	2.3	8.8	10.0	3.0	3.3	4.0
Bloomberg Barclays Municipals		0.5	1.6	7.6	8.8	3.3	3.9	4.7
Bloomberg Barclays IG Credit	2.9	1.1	2.6	13.3	12.8	4.6	4.5	5.9
Bloomberg Barclays EM Bonds	4.9	(0.7)	(0.2)	10.3	11.6	4.4	4.7	7.2

Commodities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
WTI Crude ($/bl)	54.4	0.1	(7.0)	20.6	(16.3)	6.0	(11.0)	(2.1)
Gold ($/Troy Oz)	1515.7	1.3	6.2	18.5	28.2	4.2	3.2	4.7
Dow Jones-UBS Commodity Index	76.7	(0.4)	(2.9)	(0.0)	(6.7)	(3.5)	(9.4)	(5.0)

Currencies

Currency	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
U.S. Dollar Index	98.1	0.5	(0.4)	2.0	1.5	0.9	3.8	2.2
U.S. Dollar per Euro	1.1	(0.8)	(0.2)	(2.8)	(1.8)	(0.3)	(3.7)	(2.4)
U.S. Dollar per British Pounds	1.2	(0.2)	(1.1)	(4.9)	(4.4)	(2.0)	(6.2)	(3.1)
Japanese Yen per U.S. Dollar	106.1	(0.1)	(2.2)	(3.3)	(3.9)	1.7	0.7	1.2

International Equities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
MSCI AC World	497.9	(2.8)	(4.9)	11.2	0.5	8.4	5.9	9.1
MSCI EAFE	1797.3	(2.6)	(5.1)	7.3	(2.6)	5.0	2.1	5.5
MSCI Europe ex UK	1864.8	(3.4)	(4.8)	9.9	(0.6)	6.0	2.8	5.8
MSCI Japan	3043.4	(0.8)	(2.8)	5.1	(5.3)	4.7	4.4	5.1
MSCI EM	963.5	(2.0)	(7.0)	1.9	(3.0)	4.5	0.6	4.0
MSCI Asia ex JP	596.5	(1.1)	(6.4)	1.9	(4.9)	5.5	2.5	6.0
MSCI LATAM	2579.2	(6.7)	(9.2)	2.7	5.9	3.8	(2.9)	0.4

DISCLOSURES

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INTERNATIONAL INVESTING | International investing involves additional risks such as currency fluctuations, differing financial accounting standards, and possible political and economic instability. These risks are greater in emerging markets.

SECTORS | Sector investments are companies engaged in business related to a specific economic sector and are presented herein for illustrative purposes only and should not be considered as the sole basis for an investment decision. Sectors are subject to fierce competition and their products and services may be subject to rapid obsolescence. There are additional risks associated with investing in an individual sector, including limited diversification.

OIL | Investing in oil involves special risks, including the potential adverse effects of state and federal regulation and may not be suitable for all investors.

CURRENCIES | Currencies investing are generally considered speculative because of the significant potential for investment loss. Their markets are likely to be volatile and there may be sharp price fluctuations even during periods when prices overall are rising.

GOLD | Gold is subject to the special risks associated with investing in precious metals, including but not limited to: price may be subject to wide fluctuation; the market is relatively limited; the sources are concentrated in countries that have the potential for instability; and the market is unregulated.

FIXED INCOME | Fixed-income securities (or "bonds") are exposed to various risks including but not limited to credit (risk of default of principal and interest payments), market and liquidity, interest rate, reinvestment, legislative (changes to the tax code), and call risks. There is an inverse relationship between interest rate movements and fixed income prices. Generally, when interest rates rise, fixed income prices fall and when interest rates fall, fixed income prices generally rise.

US TREASURIES | US Treasury securities are guaranteed by the US government and, if held to maturity, offer a fixed rate of return and guaranteed principal value.

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DATA SOURCES

FactSet and Bloomberg.

DOMESTIC EQUITY DEFINITION

LARGE GROWTH | **Russell 1000 Growth Total Return Index:** This index represents a segment of the Russell 1000 Index with a greater-than-average growth orientation. Companies in this index have higher price-to-book and price-earnings ratios, lower dividend yields and higher forecasted growth values. This index includes the effects of reinvested dividends.

MID GROWTH | **Russell Mid Cap Growth Total Return Index:** This index contains stocks from the Russell Midcap Index with a greater-than-average growth orientation. The stocks are also members of the Russell 1000 Growth Index. This index includes the effects of reinvested dividends.

SMALL GROWTH | **Russell 2000 Growth Total Return Index:** This index represents a segment of the Russell 2000 Index with a greater-than-average growth orientation. The combined market capitalization of the Russell 2000 Growth and Value Indices will add up to the total market cap of the Russell 2000. This index includes the effects of reinvested dividends.

LARGE BLEND | **Russell 1000 Total Return Index:** This index represents the 1000 largest companies in the Russell 3000 Index. This index is highly correlated with the S&P 500 Index. This index includes the effects of reinvested dividends.

MID BLEND | **Russell Mid Cap Total Return Index:** This index consists of the bottom 800 securities in the Russell 1000 Index as ranked by total market capitalization. This index includes the effects of reinvested dividends.

SMALL BLEND | **Russell 2000 Total Return Index:** This index covers 2000 of the smallest companies in the Russell 3000 Index, which ranks the 3000 largest US companies by market capitalization. The Russell 2000 represents approximately 10% of the Russell 3000 total market capitalization. This index includes the effects of reinvested dividends.

LARGE VALUE | **Russell 1000 Value Total Return Index:** This index represents a segment of the Russell 1000 Index with a less-than-average growth orientation. Companies in this index have low price-to-book and price-earnings ratios, higher dividend yields and lower forecasted growth values. This index includes the effects of reinvested dividends.

MID VALUE | **Russell Mid Cap Value Total Return Index:** This index contains stocks from the Russell Midcap Index with a less-than-average growth orientation. The stocks are also members of the Russell 1000 Value Index. This index includes the effects of reinvested dividends.

SMALL VALUE | **Russell 2000 Value Total Return Index:** This index represents a segment of the Russell 2000 Index with a less-than-average growth orientation. The combined market capitalization of the Russell 2000 Growth and Value Indices will add up to the total market cap of the Russell 2000. This index includes the effects of reinvested dividends.

FIXED INCOME DEFINITION

AGGREGATE BOND | **Bloomberg Barclays US Agg Bond Total Return Index:** The index is a measure of the investment grade, fixed-rate, taxable bond market of roughly 6,000 SEC-registered securities with intermediate maturities averaging approximately 10 years. The index includes bonds from the Treasury, Government-Related, Corporate, MBS, ABS, and CMBS sectors.

HIGH YIELD | **Bloomberg Barclays US Corporate High Yield Total Return Index:** The index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below.

CREDIT | **Bloomberg Barclays US Credit Total Return Index:** The index measures the investment grade, US dollar-denominated, fixed-rate, taxable corporate and government related bond markets. It is composed of the US Corporate Index and a non-corporate component that includes foreign agencies, sovereigns, supranationals and local authorities.

MUNICIPAL | **Bloomberg Barclays Municipal Total Return Index:** The index is a measure of the long-term tax-exempt bond market with securities of investment grade (rated at least Baa by Moody's Investors Service and BBB by Standard and Poor's). This index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and prerefunded bonds.

VIX | **CHICAGO Board Options Exchange (VIX):** The Volatility Index, or VIX, is a real-time market index that represents the market's expectation of 30-day forward-looking volatility.

US INDEXES AND EQUITY SECTORS DEFINITION

DOW JONES INDUSTRIAL AVERAGE (DJIA) | The **Dow Jones Industrial Average (DJIA)** is an index that tracks 30 large, publicly-owned companies trading on the New York Stock Exchange (NYSE) and the NASDAQ.

NASDAQ COMPOSITE INDEX | The **Nasdaq Composite Index** is the market capitalization-weighted index of over 3,300 common equities listed on the Nasdaq stock exchange.

S&P 500 | The **S&P 500 Total Return Index:** The index is widely regarded as the best single gauge of large-cap U.S. equities. There is over USD 7.8 trillion benchmarked to the index, with index assets comprising approximately USD 2.2 trillion of this total. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

BLOOMBERG BARCLAYS CAPITAL AGGREGATE BOND TOTAL RETURN INDEX | This index represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. The index is designed to minimize concentration in any one commodity or sector. It currently has 22 commodity futures in seven sectors. No one commodity can compose less than 2% or more than 15% of the index, and no sector can represent more than 33% of the index (as of the annual weightings of the components).

INTERNATIONAL EQUITY DEFINITION

EMERGING MARKETS EASTERN EUROPE | **MSCI EM Eastern Europe Net Return Index:** The index captures large- and mid-cap representation across four Emerging Markets (EM) countries in Eastern Europe. With 50 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

EMERGING MARKETS ASIA | **MSCI EM Asia Net Return Index:** The index captures large- and mid-cap representation across eight Emerging Markets countries. With 554 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

EMERGING MARKETS LATIN AMERICA | **MSCI EM Latin America Net Return Index:** The index captures large- and mid-cap representation across five Emerging Markets (EM) countries in Latin America. With 116 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

EMERGING MARKETS | **MSCI Emerging Markets Net Return Index:** This index consists of 23 countries representing 10% of world market capitalization. The index is available for a number of regions, market segments/sizes and covers approximately 85% of the free float-adjusted market capitalization in each of the 23 countries.

PACIFIC EX-JAPAN | **MSCI Pacific Ex Japan Net Return Index:** The index captures large- and mid-cap representation across four of 5 Developed Markets (DM) countries in the Pacific region (excluding Japan). With 150 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

JAPAN | **MSCI Japan Net Return Index:** The index is designed to measure the performance of the large and mid cap segments of the Japanese market. With 319 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in Japan.

FOREIGN DEVELOPED MARKETS | **MSCI EAFE Net Return Index:** This index is designed to represent the performance of large and mid-cap securities across 21 developed markets, including countries in Europe, Australasia and the Far East, excluding the U.S. and Canada. The index is available for a number of regions, market segments/sizes and covers approximately 85% of the free float-adjusted market capitalization in each of the 21 countries.

EUROPE EX UK | **MSCI Europe Ex UK Net Return Index:** The index captures large and mid cap representation across 14 Developed Markets (DM) countries in Europe. With 337 constituents, the index covers approximately 85% of the free float-adjusted market capitalization across European Developed Markets excluding the UK.

MSCI EAFE | The **MSCI EAFE** (Europe, Australasia, and Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the United States & Canada. The EAFE consists of the country indices of 22 developed nations.

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