THOUGHTS OF THE WEEK

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WEEKLY HEADINGS

Happy (Early) Valentine's Day! Given that the COVID-19 pandemic has caused the loss of nearly a half million loved ones in the United States alone, I feel more grateful than ever for my four valentines—my wonderful wife and three amazing daughters. I hope that whether you celebrate with cards, chocolate, or flowers, that you're able to spend the holiday with the ones you most care about. While red may be the color of the day, it is a color that investors are hoping not to see for any asset classes in the year ahead. However, just as in a healthy relationship, we cannot take the improving COVID-19 trends for granted and become complacent about the future returns we expect to come our way. That is why we 'wear our hearts on our sleeves' and continuously provide investors with timely, thoughtful insights. Looking at some of the developments so far this year, we'll review a few key components of our economic and financial market outlook without 'rose-colored glasses.'

Key Takeaways

Rescue Package Isn't The One & Only Deal Expected

Still Smitten With Emerging Market Equities

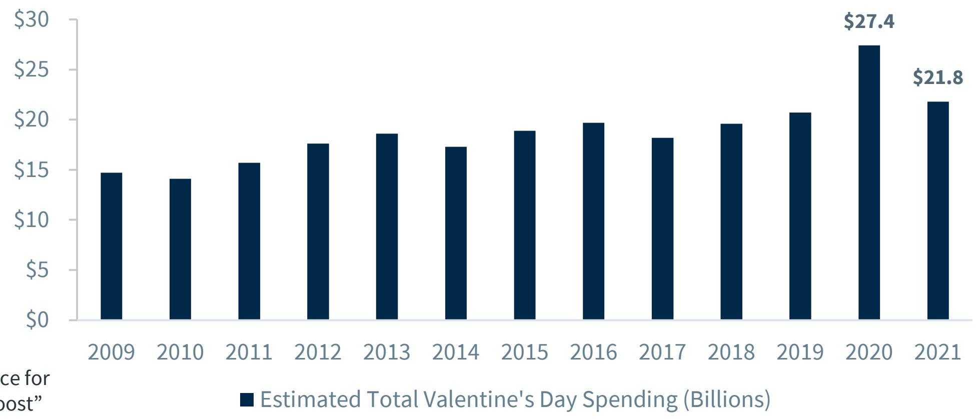
The Health Care Sector Still Has Our Heart

- **Removing The COVID-19 Thorns From The US Economy |** Roses are red, violets are blue, US economic growth is bound to breakthrough! After suffering its worst year of economic growth since 1946 (2020 Annual GDP growth: -3.5%), the US economy is forecasted to post its best year since 2000 (est. 2021 annual GDP growth: 4.0%).* This 7.5 percentage point swing would not only mark the largest rebound in growth on record, but would also bring GDP back above pre-pandemic levels. But in the near term, until herd immunity can be reached, there may still be a few 'heartbreaking' moments for certain industries and sectors as consumer behavior is still impacted. According to Bloomberg, less than 25% of consumers plan to enjoy an evening out to dinner this Valentine's Day. The lowest percentage in the survey's history translates to $1.5 billion less in spending. While consumers splurging less on their 'sweethearts' is just one example of shifting consumer behavior, the cumulative impact of such behaviors will continue to have a near-term impact. Our much 'rosier' outlook for the long term is supported by action on both the policymaker and vaccine fronts. The Federal Reserve has signaled it will remain on hold through 2023*, the Biden administration has proposed a rescue fiscal package (with hopes of a recovery package later this year), and the pace of inoculation has drastically improved (~1.5 million daily). With these supports in place, the US economy should be able to distance itself from the darkest days of the pandemic and be poised for a strong, consumer-driven rebound in the second half of the year.
- **Our Love for Emerging Market Equities Is Not Blind |** Entering the year we expressed our bias toward US equities, but within the international space we held a preference for emerging markets over the developed markets. This 'profession' has shown to be true so far, as emerging markets have rallied over 10% year-to-date (third strongest start to a year on record) and are outpacing the developed markets by the widest margin at this juncture since 2001. Despite this outperformance, emerging market equities remain the 'apple of our eye' due to several fundamental factors. First, with gradually improving economic data across the globe, emerging market economic growth is expected to outpace that of the developed markets by the widest margin in four years. Second, even in light of the recent rally, emerging market equities are still trading at a ~20% discount to global equities. And lastly, emerging market earnings growth is expected to exceed that of global equities in both 2021 and 2022. After having a 'heart-to-heart' with the underlying fundamentals, our international exposure is still biased toward emerging market equities.
- **No Love Lost For The Health Care Sector |** The Health Care sector has trailed the S&P 500 by 18.7% over the last 9 months—a record-setting degree of underperformance. While the sector's lagging performance has been rather 'heart-wrenching,' we do not believe it is aligned with the positive fundamental tailwinds for the sector. First, when it comes to consistently strong earnings, the Health Care sector is 'better than a box of chocolates.' The resiliency of the sector's earnings has been on display the entirety of 2020, as it boasts the strongest sales growth of any sector and was one of only two sectors to not experience a quarter of negative year-over-year earnings growth in the midst of COVID-19. Second, these positive earnings and sales growth trends should continue moving forward, as catalysts independent (e.g., politics, aging demographics, new drug development) and dependent (e.g., vaccine development, digital contact tracing, telehealth, testing and protective equipment) of the virus have called for substantial investment in the sector. Lastly, despite the earnings strength, the Health Care sector is trading at a 27% discount relative to the S&P 500 (NTM basis)—the lowest level since 2008 and within the first percentile over the last 20 years.*

CHART OF THE WEEK

Consumers Splurging Less On Their Sweethearts

According to Bloomberg, consumers are expected to spend $5.6 billion less on Valentine's Day compared to last year, translating to a more than 20% decline year-over-year.



Source: Bloomberg, "US Jewelers Brace for Valentine's Day Without a Stimulus Boost"

*See Charts of the week on page 3.

ECONOMY

- The Consumer Price Index rose 0.3% in January (+1.4% y/y), led by a 7.4% increase in gasoline prices (-8.6% y/y). Ex-food and energy, the CPI was unchanged (+1.4% y/y, vs. the Fed's long-term goal of +2%). Homeowner's equivalent rent (24% of the CPI and 30% of the core CPI) rose 0.1% for the third consecutive month (+2.0% y/y, vs. +3.3% for the 12 months ending January 2020).*
- **Focus of the Week**: In comments to the Economic Club of New York, Fed Chair Powell noted that the reported unemployment rate (+6.3%) understates the weakness in the labor market (the real rate should be closer to 10% according to Powell). He stressed the importance of "a patiently accommodative monetary policy stance" in achieving full employment and downplayed the risk of substantially higher inflation.

February 15 – February 19

MON President's Day (Markets Closed)

TUE

WED Producer Price Index (PPI)
Retail Sales

THU Housing Starts

FRI Purchasing Manager's Index (PMI)
Existing Home Sales

FUTURE EVENTS 2/22 Leading Economic Indicators
2/23 Consumer Confidence
2/26 Personal Consumption Expenditure (PCE)

US EQUITY

- It's been roughly three months since the positive Pfizer/BioNTech vaccine news on 11/9, and equity markets have continued their glide path higher. The S&P 500 has rallied 11.4% since the news release with outsized performance seen from small caps (+39.5%), Energy and Financials (+25.4%). The dominant narrative remains positive for equities—fiscal and monetary stimulus, better than expected corporate earnings, improving vaccine rollout, low interest rates and investor fear-of-missing-out create a strong tailwind and downside cushion. Market participation beneath the surface remains very broad with 88% of S&P 500 stocks trading above their 200 DMA. This supports positive technical trends over the intermediate term in our view. We are mindful of soft seasonality in February historically, but while the market is in its current mood, we expect pullbacks to likely be short and shallow.
- **Focus of the Week:** Earnings results continue to be strong in aggregate as 80% of S&P 500 companies are beating estimates by 15.1%, resulting in 7.5% earnings growth y/y at the median. Fundamental performance remains very bifurcated though with 56% of companies reporting earnings growth (median growth rate of 23%) and the other 44% reporting an earnings contraction (median rate of -22%). Full quarter S&P 500 earnings estimates are now positive (+0.1%), which given the current beat rate should finish at ~2% earnings growth when the quarterly reports are completed.*

FIXED INCOME

- Wednesday's CPI (below expectations) supports the idea that the near–term inflation hype (which has been the driver of the upward movement on the long end of the curve) is overdone and that this area of the curve is oversold. At the very least, it has created a pause in investor sentiment. However, long term, as inflation modestly ticks higher and as we reach the anniversary of the COVID-induced weak inflationary rates from last year, we expect a gradual upward move in rates toward our year end target of 1.50%.
- **Focus of the Week:** Money supply growth and stimulus are putting money directly into consumers' pockets. However, after the last stimulus round, more than 70% of checks went to savings and paying debt, rather than consumption (29%). A New York Fed survey shows an even higher percentage of new checks used toward debt. As mentioned, higher inflation is expected in the next few months, but not runaway inflation. CPI has ticked modestly higher over recent months, it remains muted. Near term, interest rates will likely consolidate and remain in a tight range. Focus on the long term, not hype-driven momentum swings.

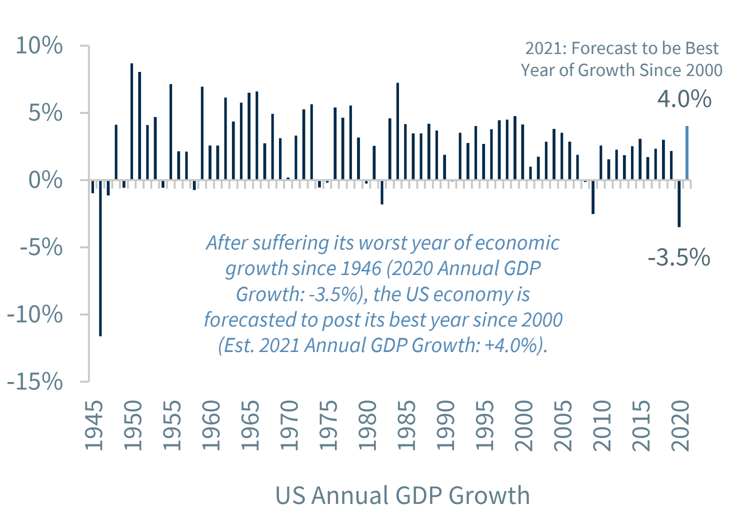
COVID-19 & POLITICS

- The US has now counted more than 27,288,400 identified cases and more than 471,700 identified deaths related to the coronavirus. Over the past seven days, daily identified cases increased by 117,108 each day on average, a 20.1% drop from the week prior; we counted 3,135 daily identified deaths on average, mostly flat from last week's 3,137; and 88,367 Americans were hospitalized each day on average, a 14.6% decline compared to the week prior. Our testing positivity rate has dropped steadily from 10.8% just three weeks ago to 7.3%. Although this figure remains above our goal of a maximum 5% of tests, and ideally even less, returning positive to signal adequate testing supply, it nonetheless shows noteworthy improvement.*
- The pace of COVID vaccinations in the US has been slowly increasing for weeks. The current daily rate of doses administered is about 1.5 million doses per day. 46 million doses have been administered in the US comprising about 11 million people who have received a full two-dose regimen. While the mRNA vaccines (Pfizer and Moderna) continue to roll out steadily, a third vaccine (Johnson & Johnson) should arrive by the end of February. The FDA is meeting on February 26 to discuss JNJ's recently announced Phase 3 data and potential emergency use authorization. If authorized, JNJ has indicated 100 million doses should be available within 2Q21, which would be enough vaccine for 100 million people since this is a one-shot vaccine. Evidence emerging from Israel, which has the highest vaccination rate (65 doses administered per 100 people) suggests vaccines are working in the real world, although the potential evasion of vaccines by new variants remains a risk to the pandemic recovery. We expect news of new 'variant vaccines' being tested to become more topical in the coming weeks.
- **Focus of the week:** Congress continues to make progress on the economic relief package, with early March and a $1.9 trillion price tag still the goal. This week the House committees worked on individual provisions, while the Senate's time was more consumed with the second impeachment trial of former President Trump. While Democrats remain unified in their desire to provide more economic relief (crucial as they will need every vote in the Senate), battle lines are being drawn on the minimum wage increase provision of the bill. President Biden's comments over the weekend suggest his administration is not expecting it to survive the Senate parliamentarian's ruling on eligibility, but progressive Democrats in the House and Senate are applying significant political pressure to advance the wage increase. A lower increase, a phase-in, or tax subsidies for small businesses paying the increased wages are among the potential compromises being debated. The battle over the next round of stimulus checks appears largely settled, as a compromise has been reached to keep the income levels the same as previous checks, but with a faster phase-out. We continue to anticipate that Congress will produce a bill, but the total amount and individual provisions are still in flux.

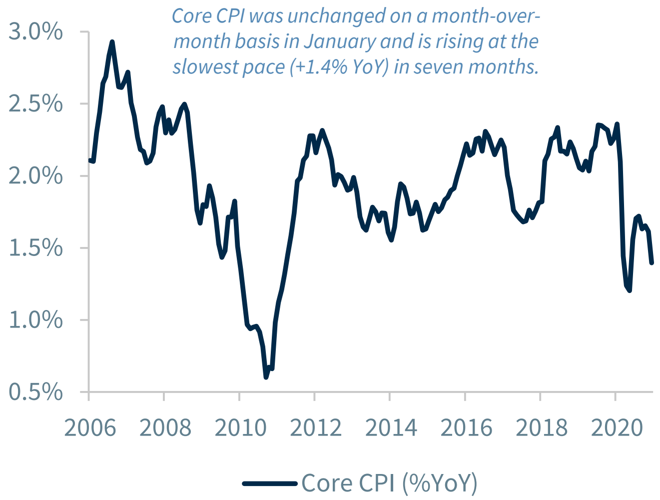
*See Charts of the week on page 3.

Charts of the Week

US Economy Poised For A Rebound In 2021

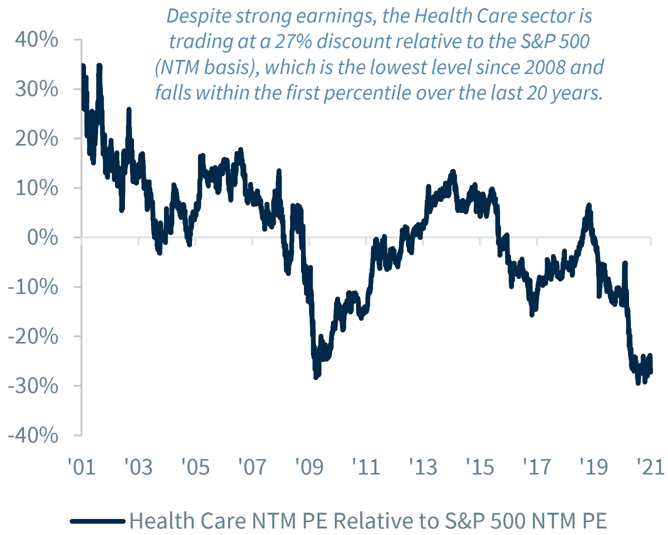


Core CPI Remains Subdued

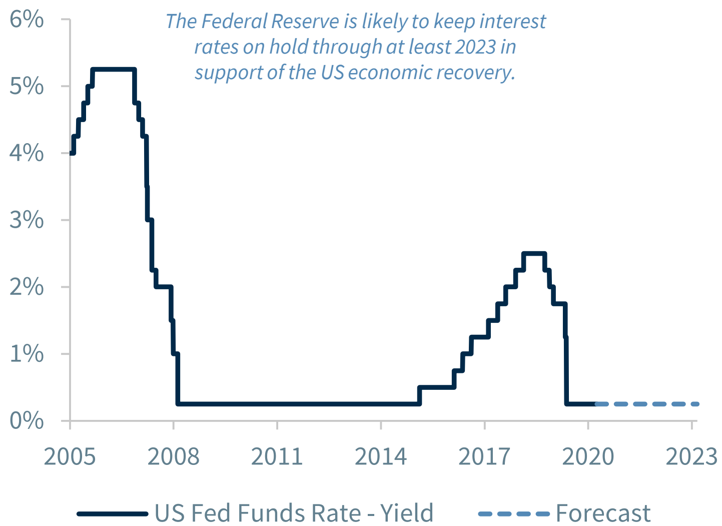


4Q20 Earnings Results Turn Positive

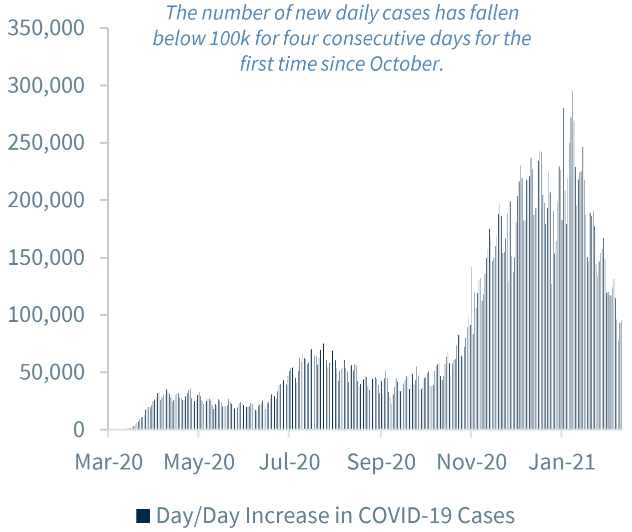
Health Care Sector Trading At A Discount



Fed To Keep Interest Rates On Hold



US COVID-19 Cases On The Decline



Asset Class Performance | Distribution by Asset Class and Style (as of February 11)**

Weekly Returns (as of February 11)

US Equities (Russell indices)

	Value	Blend	Growth
Large Cap	1.9%	1.5%	1.2%
Mid Cap	2.8%	2.9%	3.2%
Small Cap	3.7%	3.8%	3.9%

International Equities (MSCI indices)

	Dev. Mkt	World	Emerg. Mkt
Large Cap	1.5%	1.4%	2.5%
Mid Cap	1.1%	2.2%	2.0%
Small Cap	1.6%	2.7%	2.3%

Fixed Income (Bloomberg Barclays indices)

	1-3 YR	Medium	Long
Treasury	0.0%	0.0%	0.0%
Invest. Grade	0.0%	0.1%	0.2%
High Yield	0.2%	0.4%	1.1%

Year-to-Date Returns (February 11)

US Equities (Russell indices)

	Value	Blend	Growth
Large Cap	5.2%	5.1%	5.1%
Mid Cap	7.2%	7.5%	8.1%
Small Cap	15.0%	15.8%	16.5%

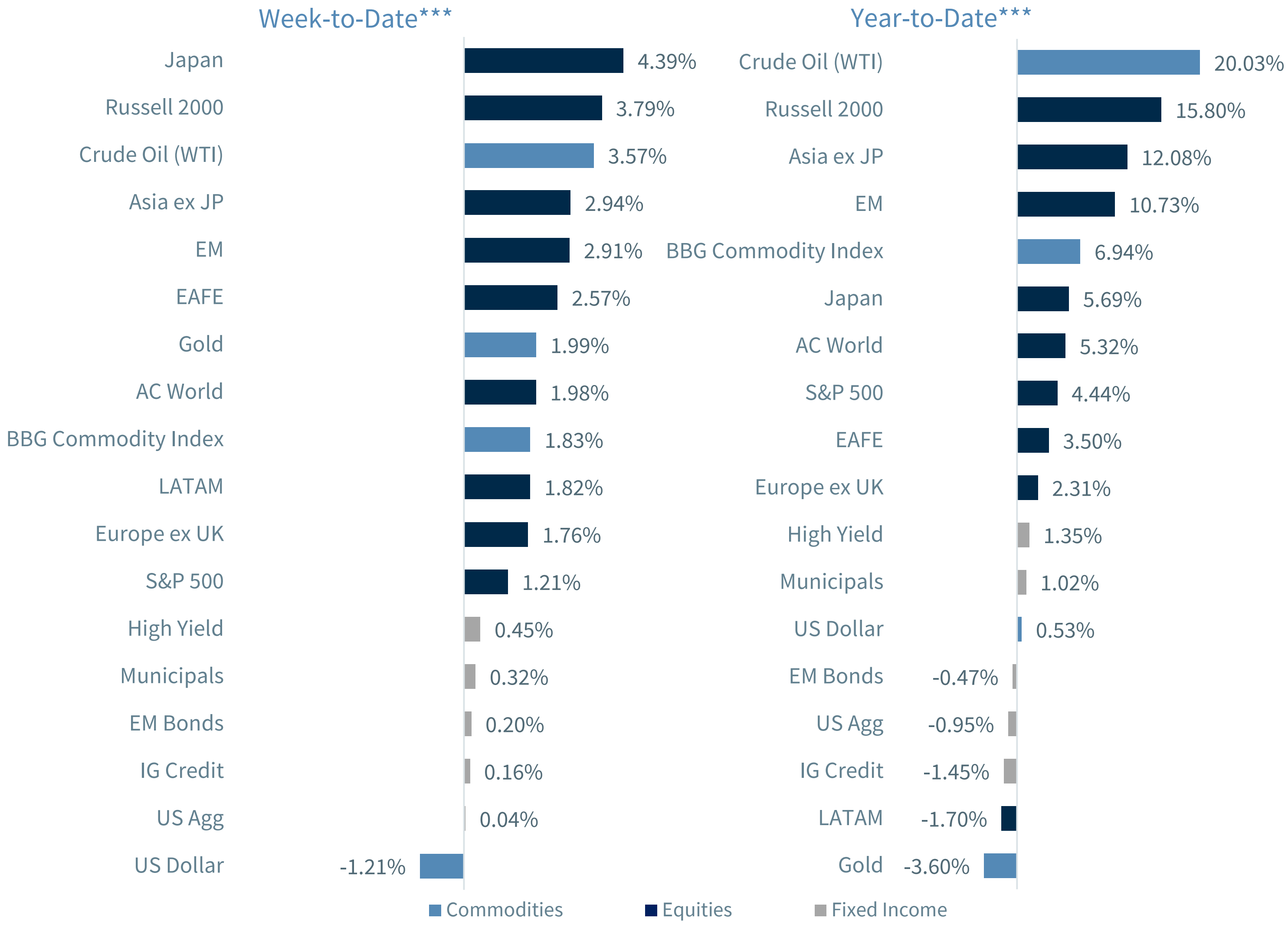
International Equities (MSCI indices)

	Dev. Mkt	World	Emerg. Mkt
Large Cap	4.0%	5.3%	11.8%
Mid Cap	4.5%	6.4%	6.1%
Small Cap	5.3%	9.9%	7.5%

Fixed Income (Bloomberg Barclays indices)

	1-3 YR	Medium	Long
Treasury	0.0%	-0.4%	-2.0%
Invest. Grade	0.1%	-0.3%	-0.6%
High Yield	1.4%	1.3%	2.4%

Asset Class Performance | Weekly and Year-to-Date (as of February 11)**



**Weekly performance calculated from Thursday close to Thursday close.

***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 February 11

U.S Equities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
S&P 500	3916.4	1.2	5.5	4.4	18.8	16.5	18.8	13.7
DJ Industrial Average	31430.7	1.2	4.8	2.7	7.4	9.1	14.9	9.9
NASDAQ Composite Index	14025.8	1.8	7.3	8.8	45.5	26.8	26.9	17.4
Russell 1000	4279.9	1.5	6.0	5.1	19.8	12.5	16.7	13.6
Russell 2000	5679.6	3.8	10.3	15.8	30.2	11.1	16.5	11.8
Russell Midcap	7565.6	2.9	7.8	7.5	17.7	10.1	14.9	12.1

Equity Sectors

Sector	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
Materials	462.3	1.8	3.9	1.5	24.6	10.4	16.0	8.8
Industrials	757.7	1.3	5.8	1.2	8.5	8.9	14.6	11.1
Comm Services	237.4	2.2	8.6	7.2	26.8	17.5	12.0	10.8
Utilities	319.9	(0.3)	1.5	0.5	(5.5)	12.9	10.4	11.1
Consumer Discretionary	1366.2	(0.5)	4.5	4.9	33.0	20.8	21.8	17.6
Consumer Staples	674.2	0.7	2.3	(3.0)	5.1	10.0	9.0	11.4
Health Care	1355.7	0.9	1.1	2.6	13.8	14.6	15.1	15.9
Information Technology	2422.5	1.6	6.8	5.9	38.7	31.6	32.4	20.4
Energy	330.4	4.4	12.0	16.3	(14.5)	(8.6)	(0.4)	(2.0)
Financials	518.0	1.2	7.8	6.0	3.0	6.5	16.8	10.7
Real Estate	239.0	1.5	4.4	4.9	(2.9)	12.3	11.1	9.7

Fixed Income

Index	Yield	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
3-Months Treasury Bill (%)	0.0	0.0	0.0	0.0	0.4	1.5	1.1	0.6
2-Year Treasury (%)	0.1	0.0	0.0	0.0	2.7	2.6	1.6	1.2
10-Year Treasury (%)	1.1	0.0	(0.5)	(2.0)	5.1	6.9	2.6	4.5
Barclays US Corporate High Yield	4.8	0.4	1.0	1.3	7.5	7.2	10.0	6.6
Bloomberg Barclays US Aggregate	1.2	0.0	(0.2)	(0.9)	4.6	5.7	3.8	3.8
Bloomberg Barclays Municipals		0.3	0.4	1.0	4.5	5.5	3.7	4.8
Bloomberg Barclays IG Credit	1.9	0.2	(0.2)	(1.4)	5.8	7.4	6.3	5.5
Bloomberg Barclays EM Bonds	3.6	0.2	0.4	(0.5)	4.1	6.0	6.9	6.0

Commodities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
WTI Crude ($/bl)	57.9	2.0	11.0	19.8	15.8	(0.7)	17.2	(3.7)
Gold ($/Troy Oz)	1840.1	3.0	(1.3)	(2.5)	17.2	11.9	8.2	3.0
Dow Jones-UBS Commodity Index	83.5	1.8	4.2	6.9	12.2	(0.9)	2.5	(6.4)

Currencies

Currency	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
US Dollar Index	90.4	(1.2)	(0.2)	0.5	(8.4)	(0.0)	(1.1)	1.4
US Dollar per Euro	1.2	1.3	(0.1)	(0.8)	11.1	(0.3)	1.4	(1.1)
US Dollar per British Pounds	1.4	1.2	0.6	1.1	6.8	0.0	(0.9)	(1.5)
Japanese Yen per US Dollar	104.7	(0.7)	0.0	1.4	(4.7)	(1.2)	(1.3)	2.3

International Equities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
MSCI AC World	679.7	2.0	5.8	5.3	20.3	13.4	16.8	9.9
MSCI EAFE	2221.5	2.6	4.6	3.5	12.2	7.0	11.7	5.9
MSCI Europe ex UK	2370.7	1.8	4.2	2.3	12.8	8.1	12.7	6.6
MSCI Japan	4074.2	4.4	6.8	5.7	22.2	8.7	13.2	7.1
MSCI EM	1427.9	2.9	7.4	10.7	33.2	10.7	18.0	5.6
MSCI Asia ex JP	943.5	2.9	7.7	12.1	41.3	13.5	19.3	8.6
MSCI LATAM	2406.7	1.8	5.4	(1.7)	(11.2)	(3.5)	10.9	(2.8)
Canada S&P/TSX Composite	14500.9	1.9	6.1	5.5	3.5	6.9	8.8	2.9

**Weekly performance calculated from Thursday close to Thursday close.

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. A credit rating of a security is not a recommendation to buy, sell or hold the security and may be subject to review, revision, suspension, reduction or withdrawal at any time by the assigning Rating Agency. Ratings and insurance do not remove market risk since they do not guarantee the market value of the bond.

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

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DATA SOURCE

FactSet, as of 2/12/2021

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.

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.

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.

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.

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).

VIX | The CBOE Volatility Index, known by its ticker symbol VIX, is a popular measure of the stock market's expectation of volatility implied by S&P 500 index options.

MOVE | The MOVE Index is a well-recognized measure of U.S. interest rate volatility that tracks the movement in U.S. Treasury yield volatility implied by current prices of one-month over-the-counter options on 2-year, 5-year, 10-year and 30-year Treasuries.

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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