June 25, 2021

WEEKLY HEADINGS

THOUGHTS OF THE WEEK

Larry Adam, Chief Investment Officer, Private Client Group

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Amazon hosted its 6th Annual Prime Day this week, and consumers spent a record $11+ billion—a hopeful sign of what's to come during the critical back-to-school and holiday shopping seasons in the second half of this year. This impressive sales figure is inclusive of results from similar bargain campaigns run by Walmart, Target, Best Buy, and Kohl's, as these retailers were not going to stand idly by while Amazon, which may soon become the largest retailer, enjoy all the sales. But instead of focusing on the tactics companies are employing to capture critical e-commerce market share—a trend that should endure well beyond the pandemic-induced acceleration—we'll focus on the broader strength of the US consumer. As the US economy reaches it peak growth in the recovery process, the consumer will remain the prime mover of economic growth over the next 12 months.

Key Takeaways

Child Tax Care Credit A New Source Of Fiscal Stimulus

Wealth Effect Has Benefitted Consumer Confidence

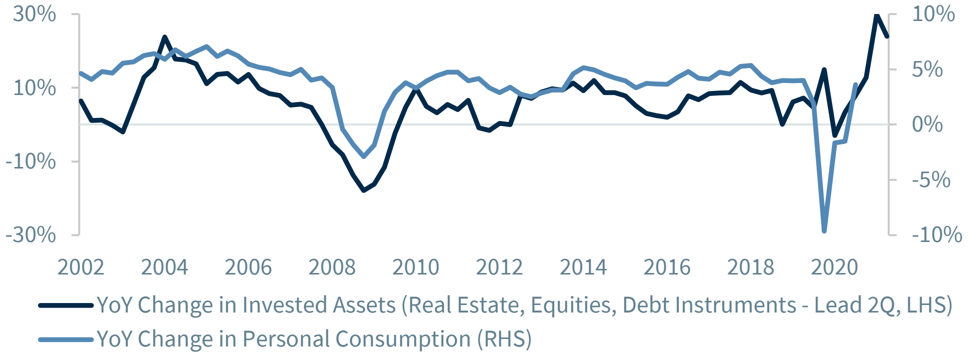
Withholding Taxes May Keep Reaching New Record Highs

- **Bottom Line – The Prime Factor For Growth |** On the heels of faster than expected vaccinations, consensus economic growth forecasts for the year have been revised more than 2.5% higher (to 6.6%) since the start of the year, and may surpass the 7.3% growth rate from 1984 to become the best year of economic growth since the 1950s!* While we've seen many new records and peaks throughout this recovery process, one of the most remarkable has been the rebound in retail sales. Core retail sales, a direct contributor to GDP, are now 18% above pre-pandemic levels. The good news is that we do not anticipate this strength dissipating. In fact, there are a number of supportive factors that suggest the resiliency of the US consumer will not waiver.
  - **Congress Will Continue To Prime The Pump |** Congress has spent ~$51 billion in stimulus-related unemployment benefits so far this year, but only anticipates an additional $16 billion in outlays for the remainder of the year as the supplemental federal unemployment benefit expires in September. With this milestone nearing, many have questioned whether it will negatively impact spending capabilities at a critical time of the recovery. Our thought is that the start of the Child Tax Credits on July 15 (which itself will provide a stimulative boost of ~$100 billion) should more than address this perceived loss. Even more impactful, if the provision is extended for the maximum permissible period through budget reconciliation, the cumulative cost would be $1.6 trillion, equating to just under 1% of real GDP/year.
  - **Wealth Effect In Its Prime |** The 'present situation' (e.g., how do you feel today) subsector of the Consumer Confidence Index has rebounded nearly 50 points over the last three months—the largest gain on record. Bolstering confidence is the aggregate increase in asset prices (includes real estate, equities, and debt instruments), that are up 25% on a year-over-year basis—the fastest pace since at least 2002. Between this overall rise in wealth and the $2 trillion in excess disposable income due to stimulus and savings, consumers will have the means, not just the desire, to spend as the economy sustainably reopens. To add, while rising shipping costs and low inventories limited the magnitude of the some deals available during this week's consumer events, consumers still found a way to notch a record spending day!
  - **Consumers Primed For Action In Post-COVID World |** On average, states have administered the first dose of the vaccine to just over 50% of their population, and real-time activity metrics are reflective of consumers being more willing to partake in some of their favorite pre-COVID activities. Airline traffic is surging, restaurant bookings are within reach of pre-pandemic levels, and hotel occupancy rates are at a post-pandemic high — just to name a few. Therefore it should be no surprise that the composition of spending has shifted. Last May, some of the leading spending categories were food and beverage stores, non-store or online retailers, and building materials. Fast forward a year later, and consumers are splurging on restaurants and bars, clothing, and recreation. As we further distance ourselves from the pandemic, consumers should feel increasingly comfortable in returning to their normal activities, which should further benefit the service-oriented spending categories.
  - **Priming For Labor Market Improvements |** Given the labor market improvements that we're expecting in the months ahead, we don't believe that withholding taxes, which are currently at a record high, have reached their peak.* With a record number of people quitting their jobs and a staggering nine million job openings remaining, we expect solid job growth ahead. With the percentage of small businesses planning to hire at the highest level since at least 2001, hiring is likely to accelerate. Assuming we create 500k jobs a month over the next year (six million total jobs) at the median salary of $35k, that would equate to an additional ~$210 billion (annualized) of spending power. As a result, robust job growth should only heighten the already strong spending capabilities of the US consumer.

CHART OF THE WEEK

Wealth Effect Is In Its Prime

Bolstering consumer confidence is the aggregate increase in asset prices (includes real estate, equities, and debt instruments), that are up 25% on a year-over-year basis—the fastest pace since at least 2002. This wealth effect should spur additional personal consumption.



*See Charts of the week on page 3.

ECONOMY

- Personal spending was softer than expected (0.0% vs. +0.3% exp). The PCE Price Index rose 0.4% in May (+3.9% year-over-year). The PCE Price Index ex-food & energy rose 0.5% in May– up 3.4% year-over-year, above the Fed's long-term goal of 2.0%.
- Durable goods orders rose 2.3% in May, reflecting a jump in civilian aircraft orders, but were mixed otherwise. The underlying trends in orders and shipments of capital goods remained very strong.
- Both new and existing home sales declined in May, apparently reflecting ongoing supply constraints and affordability issues.*
- Jobless claims remained above 400,000, but are subject to noise around the end of the school year (the trend is lower).
- Fed Chair Powell testified that inflation is expected to drop back to the long-term 2% goal as transitory supply effects abate.
- **Focus of the Week**: Next week, the June Employment Report should reflect a strengthening job market, but labor market frictions (mismatches between workers and jobs) may be an issue. Seasonal adjustment around the end of the school year also adds noise.

June 28- July 2

MON		WED	ADP Employment Survey	FRI	Employment Report
TUE	Consumer Confidence	THU	ISM Manufacturing	FUTURE EVENTS	7/5 Independence Day Holiday (markets closed) 7/7 FOMC Meeting Minutes

US EQUITY

- Sector rotation over the past week has put added pressure on the relative performance of value (versus growth). Value's relative strength uptrend is being tested, but the group is oversold enough in the short term for a bounce. Ten-day relative performance for the group has declined to a similar degree to what we witnessed in January and April, in which the uptrend held and relative strength improved. We still have a bias for value to maintain leadership—supported by strong fundamental momentum and a historically cheap relative valuation—and would use the pullback as a buying opportunity.
- **Focus of the Week:** We officially increased our **2021 target price for the S&P 500 to 4,400** this week.* The economic and fundamental recovery has been progressing closer to our prior bull case scenario, so that bull case is our new base case and reflects a 2021 earnings estimate of $200 (above current consensus of $190) and 22x trailing 12-month P/E assumption (from ~25x currently).

FIXED INCOME

- As the bond market continues to digest changes in the Fed's dot-plot, other central banks are beginning to shift away from their emergency stimulus measures. The Norwegian Central Bank may be the first developed market central bank to hike rates, with policymakers signaling a September rate hike. The Reserve Bank of New Zealand is expected to lift rates in early 2022 and the Bank of Canada tweaked their expected neutral policy rate, implying that rates could surpass previous peaks in the next tightening cycle.
- According to the Bankrate US Home Mortgage Index, national mortgage rate averages have been in a tight range since April.* On a YTD basis, mortgages are within 2% of the average, but still ~17% lower than the five-year average. While any application increase can be an indication of future higher rate expectations, it remains relative as, in a larger time frame, mortgage rates remain low.
- **Focus of the Week:** The employment report will be the key focus for the markets next week. While the labor market is expected to show strong growth, labor shortages and pandemic-related child care challenges remain a headwind to a quicker jobs recovery.

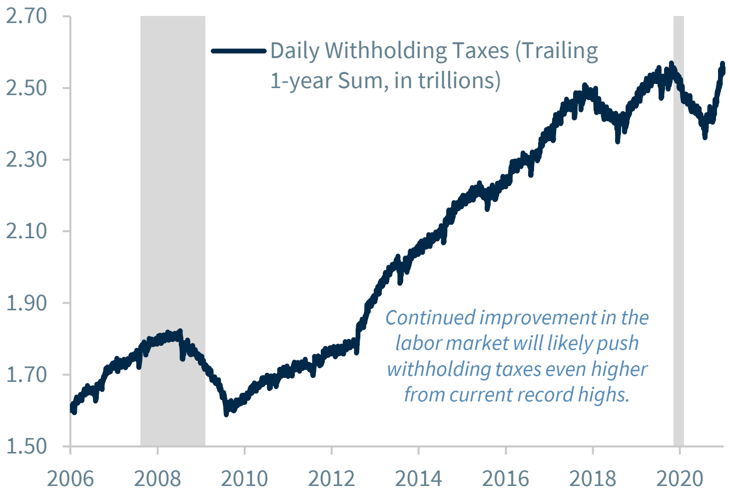
COVID-19, ENERGY & POLITICS

- **COVID-19:** The increasing prevalence of the SARS-CoV-2 Delta variant (first detected in India) continues to outpace other variants in many geographic areas worldwide including in the US where, as of mid-June, it accounts for over 20% of sampled cases. Barring a more dominant variant or drastic reduction in the infection rate in the US, the Delta variant will likely become the majority variant as it did in the UK earlier this month. This is concerning for two main reasons: 1) recent evaluations of vaccines are showing reduced viral neutralization to a similar extent as with the Beta variant (South African variant), and 2) estimates from UK officials suggest the Delta variant is ~40% more infectious than other variants. The increasing prevalence of this variant in the US and the rapidity with which new variants are emerging worldwide threaten the suppression of COVID-19 and put even more pressure on vaccine developers to quickly evaluate and produce next generation vaccine candidates designed to better neutralize newer variants.
- **Energy:** On June 18, Iran held its presidential election, and the winner by a decisive margin was Ebrahim Raisi, who is on the hardline end of the political spectrum. This election is important from the standpoint of the nuclear talks and therefore the prospect of lifting US sanctions on Iran's oil exports. At stake are incremental exports of 1.5-2 million barrels per day, ~2% of global supply.* The election of Raisi may slow down the nuclear talks, which would delay sanctions relief and therefore the revival of exports.
- **Politics:** Agreement on a bipartisan infrastructure framework announced Wednesday in the $1.2 trillion range is likely the floor on which negotiations among Democrats on other priorities will build in the weeks ahead. We expect significant political opposition from Democratic lawmakers not involved in the bipartisan negotiations. Ultimately, we continue to view it as likely that negotiations move forward on a dual-track basis, with the crafting of budget reconciliation instructions arguably being the more important development to watch in the weeks ahead, potentially taking the overall infrastructure agenda to the $2-3 trillion range. Sen. Bernie Sanders (I-VT) earlier this week signaled openness to including some SALT cap adjustments in the budget plan, a potential opening for negotiations among Democrats to advance additional 'infrastructure' priorities as outlined by President Biden's earlier proposals. As we expect negotiations to intensify among Democrats in the weeks ahead, more headlines on tax changes would be expected, as these have been central to President Biden's American Jobs Plan (AJP) and American Families Plan (AFP).
- **China:** The last couple of weeks have seen a range of EU comments about China, which over recent years has been seen as an important source of significant export opportunities. Whilst an EU criticism of China's forced closure of an independent newspaper in Hong Kong was vetoed by Hungary, it was noteworthy to hear that Armin Laschet—possibly the next chancellor of Germany—fully supported the range of comments about China over recent weeks by US President Biden. Whilst this appears consistent with the full EU comment in late March, supporting the UK and the US in imposing sanctions aimed at Chinese officials associated with potential human rights violations in Xinjiang province, EU leaders have been more circumspect due to the importance of trade relations.

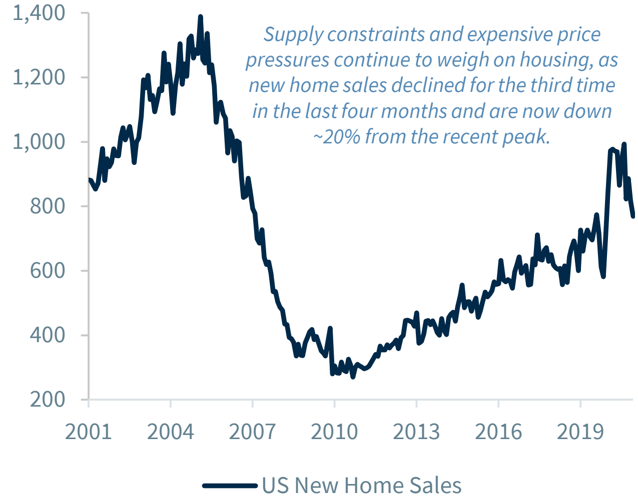
*See Charts of the week on page 3.

Charts of the Week

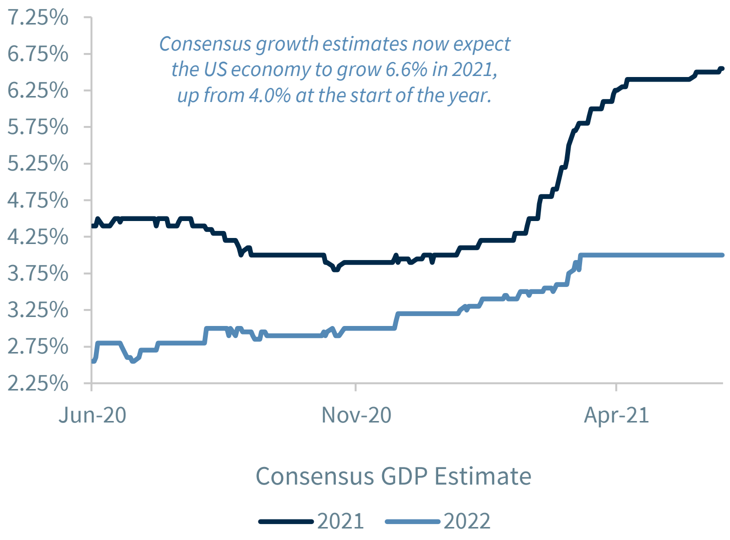
Withholding Taxes Hit Record Highs



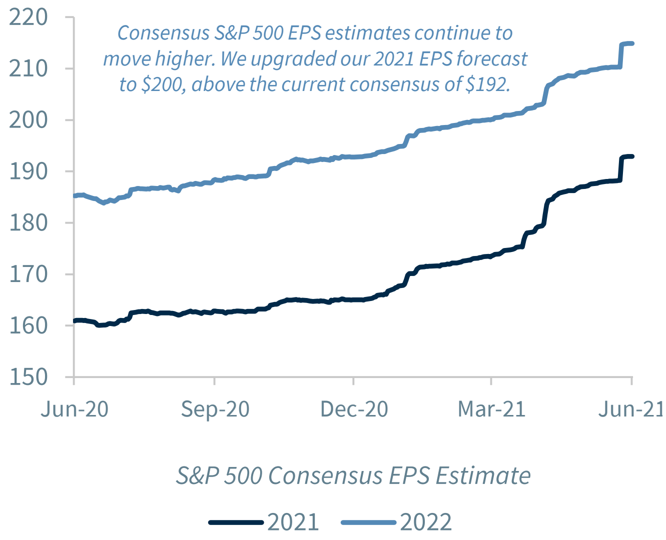
Supply Constraints Weigh on Housing



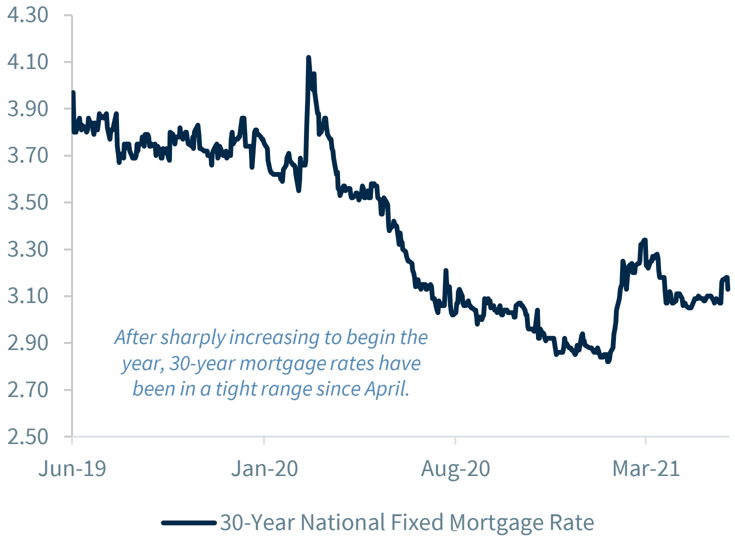
Consensus Growth Estimates Continue to Move Higher



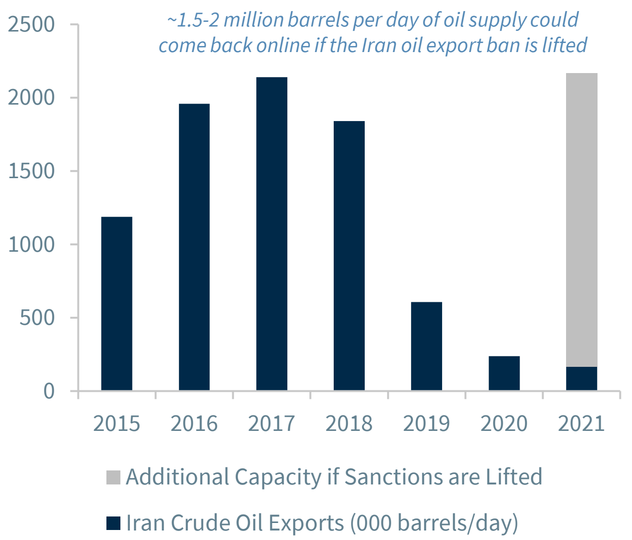
S&P 500 Earnings Estimates Moving Higher



Mortgage Rates in Tight Range



Lifting of Iran Oil Sanctions a Wildcard



Asset Class Performance | Distribution by Asset Class and Style (as of June 24)**

Weekly Returns (as of June 24)

US Equities (Russell indices)

	Value	Blend	Growth
Large Cap	**0.7%**	**1.2%**	**1.7%**
Mid Cap	**1.2%**	**1.7%**	**2.6%**
Small Cap	**1.6%**	**2.0%**	**2.5%**

International Equities (MSCI indices)

	Dev. Mkt	World	Emerg. Mkt
Large Cap	**-0.6%**	**0.6%**	**0.5%**
Mid Cap	**-0.2%**	**0.9%**	**1.0%**
Small Cap	**-0.2%**	**1.0%**	**0.3%**

Fixed Income (Bloomberg Barclays indices)

	1-3 YR	Medium	Long
Treasury	**0.0%**	**0.0%**	**0.3%**
Invest. Grade	**0.0%**	**0.0%**	**0.1%**
High Yield	**0.1%**	**0.2%**	**0.8%**

Year-to-Date Returns (June 24)

US Equities (Russell indices)

	Value	Blend	Growth
Large Cap	**16.8%**	**14.2%**	**11.8%**
Mid Cap	**19.5%**	**15.9%**	**9.6%**
Small Cap	**29.3%**	**18.7%**	**8.9%**

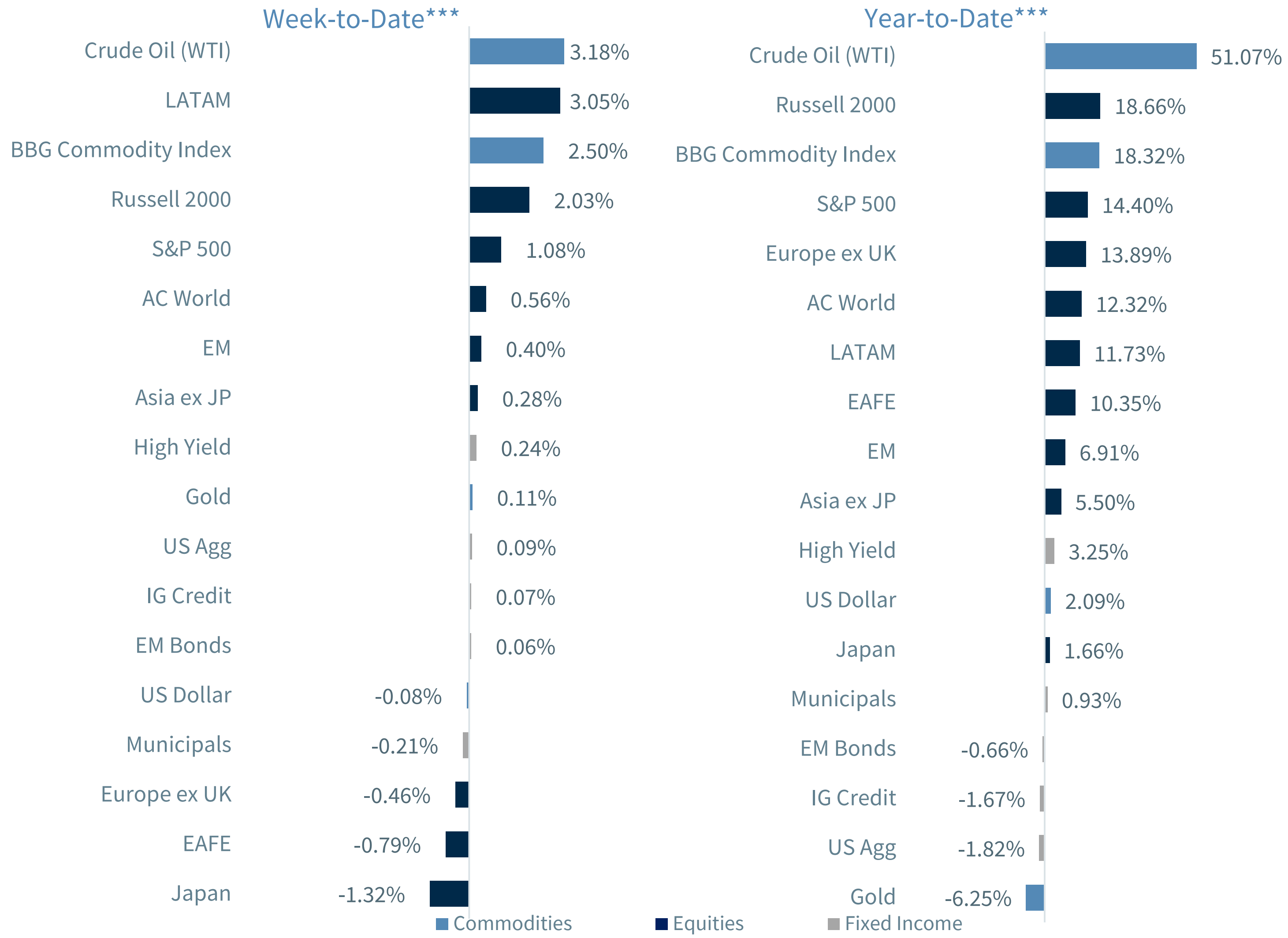
International Equities (MSCI indices)

	Dev. Mkt	World	Emerg. Mkt
Large Cap	**14.2%**	**13.0%**	**6.4%**
Mid Cap	**12.2%**	**14.2%**	**13.5%**
Small Cap	**12.9%**	**17.1%**	**20.3%**

Fixed Income (Bloomberg Barclays indices)

	1-3 YR	Medium	Long
Treasury	**0.0%**	**-1.9%**	**-4.5%**
Invest. Grade	**0.1%**	**-0.7%**	**-1.5%**
High Yield	**4.2%**	**3.2%**	**3.8%**

Asset Class Performance | Weekly and Year-to-Date (as of June 24)**



**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 June 24

U.S Equities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
S&P 500	4266.5	1.1	1.6	14.4	42.1	17.8	18.2	15.2
DJ Industrial Average	34196.8	1.1	(1.0)	11.7	34.4	11.6	14.5	11.1
NASDAQ Composite Index	14369.7	1.5	4.5	11.5	45.0	23.1	25.0	18.4
Russell 1000	4624.0	1.2	1.8	14.2	42.7	18.4	17.5	14.4
Russell 2000	5799.6	2.0	2.9	18.7	64.6	13.1	16.0	11.9
Russell Midcap	8114.2	1.7	1.2	15.9	50.3	16.1	15.4	12.8

Equity Sectors

Sector	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
Materials	515.9	0.4	(5.6)	14.2	53.0	14.4	14.7	10.6
Industrials	863.8	1.5	(2.5)	16.0	55.7	14.4	15.0	13.3
Comm Services	263.9	1.1	2.6	19.5	47.2	23.6	11.6	11.6
Utilities	321.9	(3.1)	(2.1)	2.5	15.9	11.3	8.3	10.8
Consumer Discretionary	1419.7	1.8	2.9	9.3	37.3	18.2	20.1	18.3
Consumer Staples	713.5	(0.5)	(1.3)	3.8	23.5	13.6	8.6	11.6
Health Care	1459.4	0.4	1.7	11.1	30.3	16.0	14.7	15.9
Information Technology	2554.3	1.6	5.3	12.0	43.4	28.6	31.4	22.4
Energy	416.1	3.1	6.8	48.7	55.5	(5.1)	0.2	0.8
Financials	607.1	1.4	(3.5)	24.9	62.1	13.0	17.7	14.1
Real Estate	277.9	(0.9)	3.3	23.4	35.5	15.2	10.6	11.4

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	0.1	1.3	1.1	0.6
2-Year Treasury (%)	0.3	(0.1)	(0.2)	(0.2)	(0.0)	2.6	1.4	1.0
10-Year Treasury (%)	1.5	0.3	0.9	(4.5)	(6.0)	5.9	1.8	3.4
Barclays US Corporate High Yield	4.7	0.2	1.0	3.3	13.8	7.1	7.4	6.7
Bloomberg Barclays US Aggregate	1.5	0.1	0.5	(1.8)	(0.3)	5.4	3.1	3.3
Bloomberg Barclays Municipals		(0.2)	0.1	0.9	4.1	5.1	3.2	4.2
Bloomberg Barclays IG Credit	2.1	0.1	1.2	(1.7)	3.2	7.8	5.0	5.0
Bloomberg Barclays EM Bonds	3.8	0.1	0.6	(0.7)	6.2	6.6	5.1	5.5

Commodities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
WTI Crude ($/bl)	73.3	2.3	10.5	51.6	93.4	2.0	9.4	(2.1)
Gold ($/Troy Oz)	1784.9	0.3	(6.1)	(5.4)	1.1	12.0	6.3	1.7
Dow Jones-UBS Commodity Index	92.4	2.5	(0.5)	18.3	45.0	1.9	1.2	(5.1)

Currencies

Currency	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
US Dollar Index	91.8	(0.1)	2.0	2.1	(5.5)	(1.0)	(0.8)	2.0
US Dollar per Euro	1.2	(0.1)	(2.5)	(2.5)	5.8	0.8	1.4	(1.7)
US Dollar per British Pounds	1.4	(0.4)	(2.3)	1.6	11.6	1.5	0.4	(1.4)
Japanese Yen per US Dollar	110.9	0.6	1.3	7.4	3.7	0.3	1.6	3.3

International Equities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
MSCI AC World	718.7	0.6	1.2	12.3	40.6	14.6	15.8	10.9
MSCI EAFE	2330.9	(0.8)	(0.4)	10.3	33.8	8.8	11.6	7.0
MSCI Europe ex UK	2591.9	(0.5)	0.2	13.9	40.0	12.0	13.6	7.8
MSCI Japan	3880.9	(1.3)	(0.7)	1.7	22.8	7.2	11.3	7.7
MSCI EM	1367.4	0.4	0.7	6.9	38.4	10.9	14.1	4.9
MSCI Asia ex JP	882.1	0.3	(0.0)	5.5	37.0	11.4	15.4	7.4
MSCI LATAM	2687.0	3.0	6.0	11.7	44.2	6.8	8.1	(1.5)
Canada S&P/TSX Composite	16383.8	0.4	2.5	16.0	32.2	7.1	7.8	4.6

**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.

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DATA SOURCE

FactSet, as of 6/25/2021

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).

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.

MSCI ACWI | The **MSCI All Country World Index** (ACWI) is a stock index designed to track broad global equity-market performance. The index is comprised of the stocks of about 3,000 companies from 23 developed countries and 26 emerging markets.

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