THOUGHTS OF THE WEEK

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WEEKLY HEADINGS

The Pendulum Swings Back to the Micro (from Macro)! This week marks the official start to 2Q24 earnings season, with the big banks among the first to report. While much of the last six weeks has been dominated by the softening macro backdrop, the S&P 500 looked past the weakening data—notching 37 record closes already this year. The reason: improving earnings. And with earnings a fundamental driver of the equity market, the next six weeks will provide a glimpse into how companies and consumers are navigating the growth slowdown. The results will be key to whether stocks can hold onto and potentially build on their recent gains or suffer a near-term pullback. Below we provide an early look at some of the key trends that will drive the market in the weeks ahead and what to expect during the upcoming earnings season:

Key Takeaways

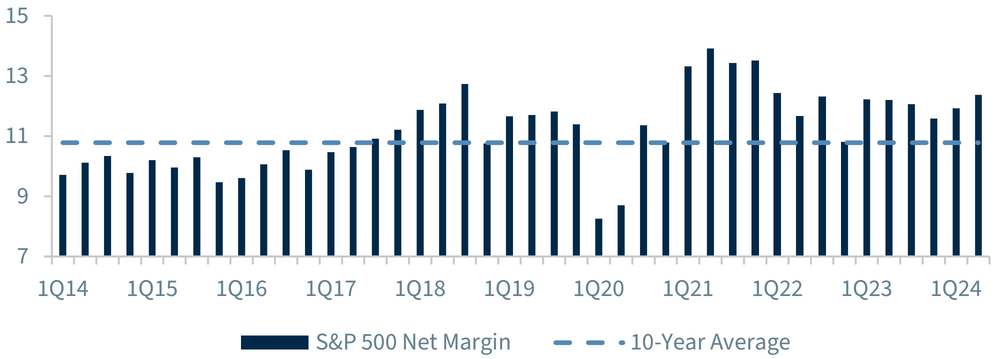
- S&P 500 ex-MAGMAN Earnings Are Improving
- Higher Bar For 2Q Earnings Could Lead To Volatility
- The Health Of The Consumer Will Be In Focus

- **Headline Figures Poised to Accelerate |** With valuations at the highest level since 2021, earnings will need to be the catalyst to drive the market higher as current valuations have already priced in much of the good news. Fortunately, given the resilience of the economy up until this point, earnings are on track to rise at a healthy pace. In fact, consensus expectations for S&P 500 earnings are for them to climb 9.5% on a year-over-year basis in 2Q24—the fourth consecutive increase and the fastest pace since 4Q21. More important, if earnings beat by even a touch, 2Q24 earnings growth could easily end up with a double-digit gain! Despite the slowdown in the economy, top-line sales growth should record its 15th consecutive positive quarter, with sales rising (+4.5%) at their fastest pace since 4Q22. In addition, margins—a major tailwind for S&P 500 earnings in recent quarters—should remain above their 10-year average (10.8%) for the 14th consecutive quarter and expand to the highest level (12.4%) since 4Q21.
- **Tech Remains a Standout/Rest of Index Improving |** In 2Q, seven out of the 11 sectors are expected to post positive EPS growth. Much like recent quarters, EPS growth will be led by tech-related sectors, with communication services (+22% YoY) and info tech (+16% YoY) expected to deliver the best earnings growth. While mega-cap earnings (MAGMAN*) should slow from the recent ascent, earnings growth should remain robust at a 30% YoY pace! The key difference this quarter: the rest of the Index outside MAGMAN will start to contribute to S&P 500 earnings growth. In fact, S&P 500 ex-MAGMAN earnings growth is expected to be ~6.5% YoY—thanks to a positive reversal in healthcare and energy earnings. This will be the highest earnings growth for S&P 500 ex-MAGMAN since 3Q22. More important, their earnings are expected to accelerate through year-end, closing the gap with MAGMAN's earnings growth—a key reason why we expect a broadening of performance beyond mega-cap tech going forward.
- **Higher Bar For Earnings Could Lead To Volatility |** In the 12 weeks leading up to the 2Q24 earnings season, S&P 500 earnings were revised down only 0.1%—marking the second smallest downward revision in 11 quarters and well below the previous 10-year average decline of 3.5%. This set up will make it more challenging for companies to solidly beat their earnings forecast. The higher earnings bar could drive up volatility, particularly with valuations at current levels. For companies who do not beat or guide higher, they are more likely to see their stock price punished given the market's lofty expectations. However, with the S&P 500 only experiencing one 5% pullback this year (typically 3-4 5% pullbacks occur in any given year) and the 2nd smallest intra-year drawdown (5%) over the last 25 years, any earnings misses could spark a near-term pullback.
- **Next Year's Earnings Are Too Optimistic |** The resilience of full-year estimates has been a driver of positive performance throughout the year. In fact, strength in the tech-related sectors has driven full-year earnings estimates for 2024 ($242) and 2025 ($278), to be revised up slightly and remain unchanged YTD respectively. This is relative to the typical downward revision of 3% and 4% at this juncture on average. While we expect earnings to move higher going forward, 2025's EPS estimate (15% growth over 2024) is likely too optimistic as we expect economic growth to moderate going forward.
- **Consumer in Focus |** Consumer spending has been a key driver of economic growth in the current expansion. However, recent data suggests that the consumers' resilience is fading—particularly among the lower-income earners. In fact, management calls from some of the early reporters (e.g., Nike, Walgreens, and General Mills) corroborate this theme as companies are reporting consumers are starting to pull back. With the consumer making up ~70% of GDP, it will be crucial to monitor how the consumer evolves heading into the third quarter as this will likely dictate the direction of economic growth. With consumer spending expected to moderate over the next 12 months, this will likely be a headwind for the consumer discretionary and staples sectors.

CHART OF THE WEEK

Net Margins Poised to Expand Further

Net margins, which have been a key tailwind for earnings over recent quarters, are set to expand to the highest level since 4Q21 in 2Q24.



*MAGMAN represents mega-cap tech consisting of MSFT, APPL, GOOGL, META, AMZN, and NVDA.

RAYMOND JAMES

ECONOMY

- Headline CPI recorded a deflationary month in June (-0.1% MoM), the first such month since July of 2022, helping the year-over-year rate come down to 3.0%, the lowest year-over-year rate since March of 2021.* Core CPI increased by 0.1% MoM (also below expectations), bringing the year-over-year rate to 3.3%, the lowest year-over-year reading since March of 2021.
- PPI increased more than expected in June, up 0.2% MoM, bringing the YoY rate to 2.6%—the fastest YoY rate since March 2023.* Meanwhile, Core PPI increased even more (+0.4% MoM). Most of the increase in PPI was due to the 'Trade Services' component.
- **Focus of the Week:** Of most importance next week will be the Retail Sales Index, which is expected to grow for the second consecutive month at +0.1% MoM—below the 10-year average of 0.44% MoM. We expect to see more weakness in consumer spending in the months ahead. In addition, the Leading Economic Index release on Thursday is expected to decline -0.2%, which would mark the fourth consecutive month of declines albeit at the slowest pace.

July 15 – July 19

MON

TUE: Export/Import Price Indices; Retail Sales; NAHB Housing Market Index

WED: Housing Starts; Building Permits; Fed Beige Book

THU: ECB Meeting; Leading Economic Index

FRI

FUTURE EVENTS: 7/24 New Home Sales; 7/25 GDP; 7/26 PCE

EQUITY

- This week's deflationary surprise and a material decline in interest rates in response sparked a broadening in performance with small-cap equities posting their best daily performance relative to the S&P 500 since March 2020. This aligns with historical precedent as small caps rally into and in the 12 months following the first rate cut on average dating back to 1980.* Lower interest rates should ease pressure on small-cap fundamentals which are more sensitive to interest rates due to a higher proportion of floating rate debt on small cap balance sheets relative to large caps. This supports our favorable view on small-cap equities over the next 12 months as the Fed begins to cut rates and small-cap earnings estimates find a trough and improve.
- S&P 500 earnings growth is expected to accelerate 9.5% Y/Y during the 2Q24 earnings season, the strongest Y/Y growth rate since 4Q21, supported by net margin estimates reaching the highest level since the same period.* From a sector perspective, earnings growth will be driven by the Technology and Communication Services sectors, combined with a significantly positive contribution from the Health Care sector, which is expected to grow earnings by 18% after posting negative earnings growth for 7 straight quarters. An upcoming trough in Health Care earnings growth leads to our overweight stance on the sector.
- **Focus of the Week:** As mentioned above, the inflection of Health Care earnings in 2Q24 will likely be the swing factor of earnings season. Markets will be focused on UnitedHealth and Abbott Labs on Tuesday and Thursday respectively to gauge the earnings recovery of the Managed Care and Medical Device industries.

FIXED INCOME

- Chairman Powell steered clear of providing any signals on the timing of future rate cuts during his semi-annual testimony to Congress this week. However, he did note that the balance of risks to the Fed's dual mandate (i.e. maximum employment and stable inflation) has become more two-sided. While Powell said policymakers will need more good data to be convinced that inflation was moving sustainably towards the Fed's 2.0% target, the better-than-expected inflation news and softening labor conditions should inch the Fed closer to cutting rates. Not surprisingly, the odds of a September rate cut climbed above 95%, up from 56% on June 30.*
- Treasury yields moved sharply lower across the curve after the inflation report, with the 2-year Treasury declining 12 bps to 4.52%—tied for the biggest one-day move this year. The 10-year Treasury yield broke through key resistance, falling below 4.2% for the first time since March. With the latest move, the US Aggregate Bond Index moved back into positive territory on a YTD basis.*
- **Focus of the Week:** The bond market's attention will focus on Powell's interview at the Economic Club of Washington DC on Monday to see if he provides any clues on when the Fed may cut rates. Retail sales, the release of the latest Fed Beige Book (Wednesday), the ECB meeting (Thursday) and a heavy week of Fed speakers will also draw attention.

POLITICS

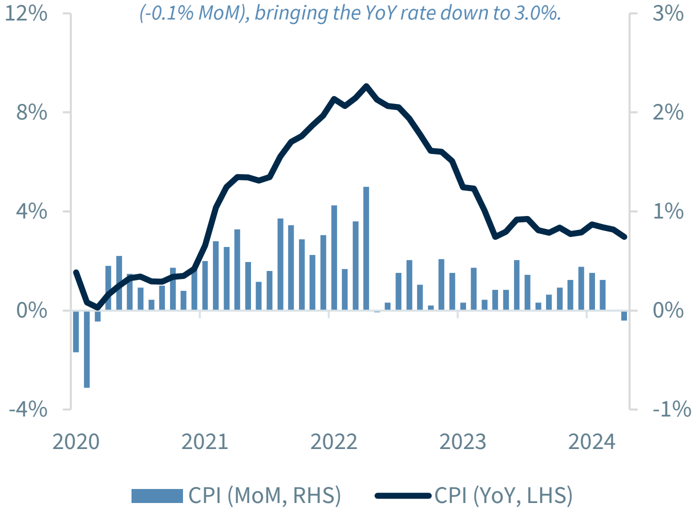
- President Biden held an hour-long press conference to end the NATO summit on Thursday evening and his performance appears to have cleared the bar to allow him to stay in the race for President, at least for now. Supporters will claim that he performed well in the unscripted event, especially on questions related to national security. Detractors will point to his gaffes and halting delivery. In the coming days we expect additional Democratic lawmakers to call for his withdrawal from the race and/or to step down from the Presidency. However, the press conference appearance was better than his debate performance and Biden continues to push forward with his candidacy.
- In the event that he does drop out, we view Vice President Kamala Harris as his most likely replacement given that she could quickly inherit much of Biden's existing campaign funds and infrastructure. A vice-presidential pick would likely be targeted at winning key states—specifically, Wisconsin, Michigan, or Pennsylvania. Any decision would have to be settled by the end of the month, given the pending deadline for the Democratic National Convention to hold a virtual convention in order to gain ballot access in Ohio.
- The Republican National Convention is July 15-18 and the focus will be on the nomination of Trump and his selection for VP. The Democratic National Convention is August 19-22, but a virtual convention is expected before the August 7 deadline for Ohio. We will be watching to see if Democrats seek to speed up the timing of the virtual convention and nomination of Biden. At this point, Biden has the delegates to win the nomination.
- Overall, the continued doubts around President Biden's candidacy have further supported the likelihood of former President Trump regaining control of the White House in November, in our view; a potential positive from a tax cut and de-regulatory perspective, but also raising risks around his tariff agenda, inflationary concerns, and broader volatility.

*See Charts of the week on page 3.

Charts of the Week

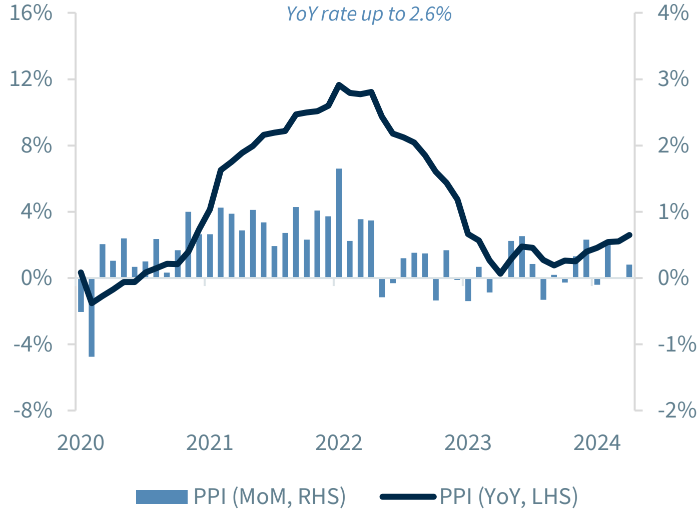
Inflation: Consumer Prices

Headline CPI declined for the first time since July 2022 (-0.1% MoM), bringing the YoY rate down to 3.0%.



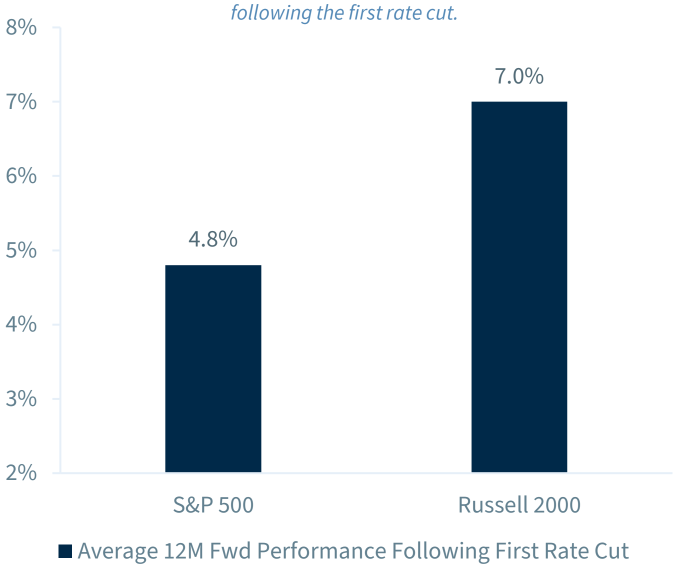
Inflation: Producer Prices

June PPI was up 0.2% MoM, bringing the YoY rate up to 2.6%



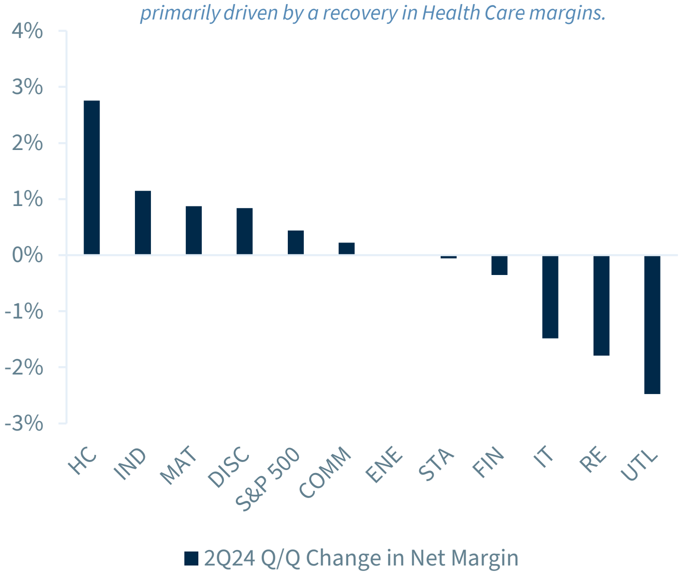
Small Caps Benefit from Rate Cuts

Dating back to 1980, small caps have outperformed large caps following the first rate cut.



Margin Improvement

Net margin for the S&P 500 is expected to improve in 2Q24 primarily driven by a recovery in Health Care margins.

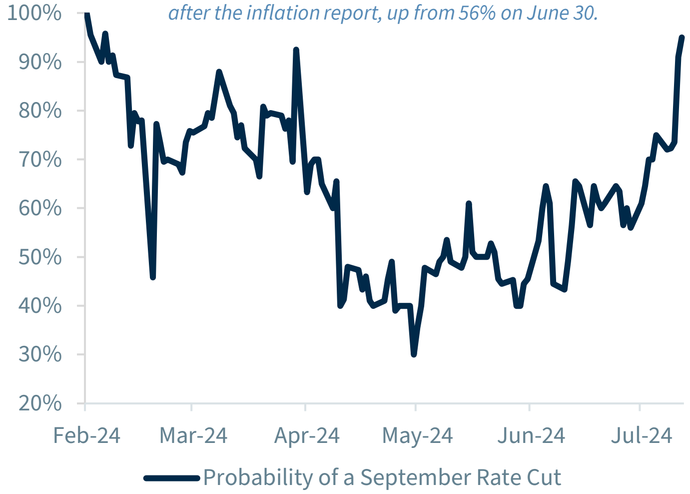


YTD Returns On The US Agg Turn Positive Again

A weekly decline in Treasury yields, driven by better-than-expected inflation data supported fixed income returns

Odds Of A September Rate Cut Soar

The odds of a September rate cut climbed above 95% after the inflation report, up from 56% on June 30.



* Index definitions can be found on the disclosure pages

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

Weekly Returns (as of July 11)

US Equities (Russell indices)

	Value	Blend	Growth
Large Cap	1.9%	1.9%	2.0%
Mid Cap	2.3%	2.0%	1.1%
Small Cap	5.2%	4.3%	3.5%

International Equities (MSCI indices)

	Dev. Mkt	World	Emerg. Mkt
Large Cap	2.4%	2.3%	4.2%
Mid Cap	2.5%	2.3%	2.9%
Small Cap	2.5%	3.1%	3.1%

Fixed Income (Bloomberg indices)

	1-3 YR	Medium	Long
Treasury	0.2%	0.9%	0.9%
Invest. Grade	0.7%	1.0%	1.2%
High Yield	0.8%	1.0%	1.5%

Year-to-Date Returns (as of July 11)

US Equities (Russell indices)

	Value	Blend	Growth
Large Cap	8.5%	16.8%	24.0%
Mid Cap	6.6%	6.9%	7.3%
Small Cap	3.1%	5.6%	8.2%

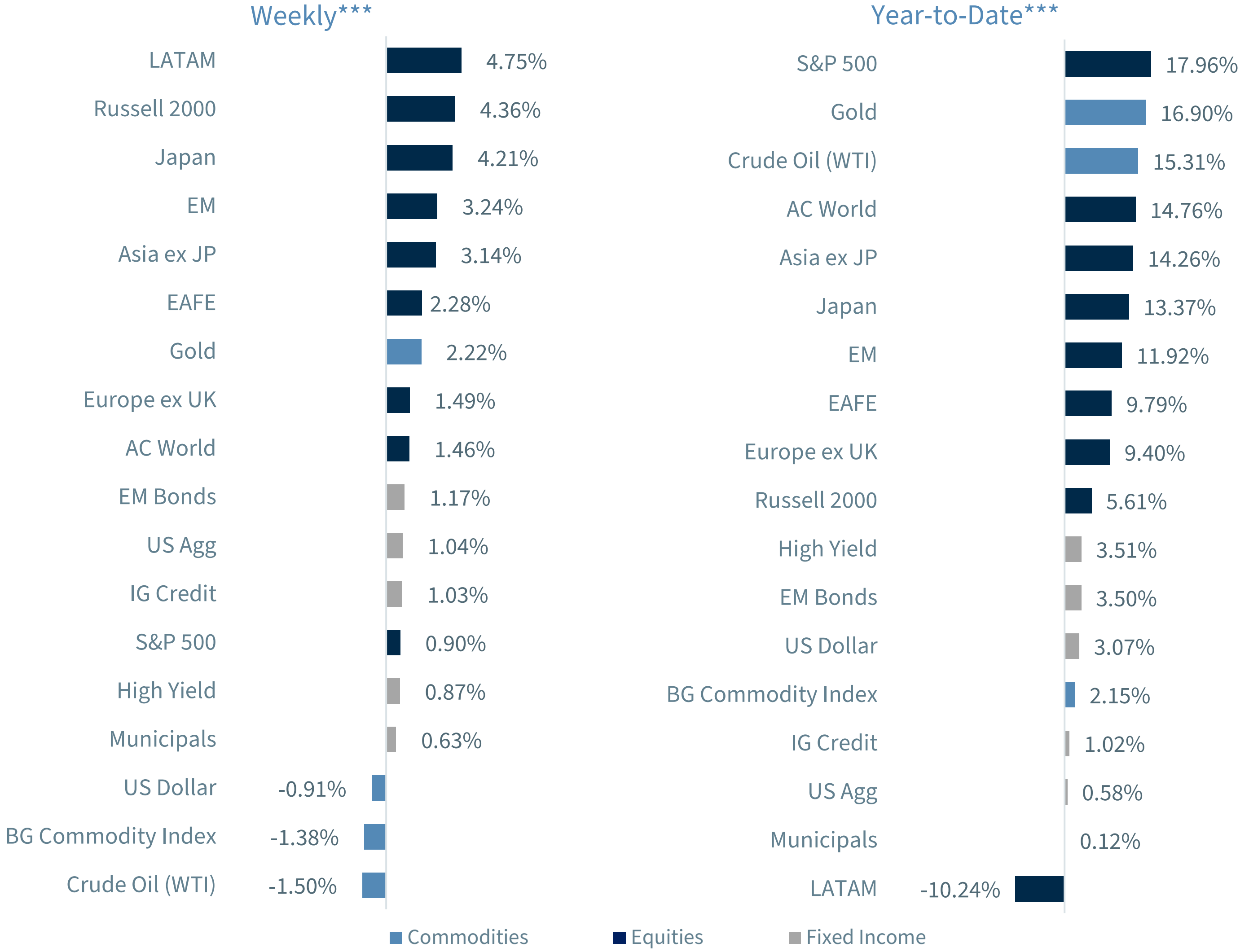
International Equities (MSCI indices)

	Dev. Mkt	World	Emerg. Mkt
Large Cap	15.1%	17.8%	16.9%
Mid Cap	10.2%	8.4%	9.2%
Small Cap	10.3%	8.1%	14.2%

Fixed Income (Bloomberg indices)

	1-3 YR	Medium	Long
Treasury	2.8%	0.6%	-0.6%
Invest. Grade	2.4%	2.1%	1.6%
High Yield	4.2%	3.6%	0.6%

Asset Class Performance | Weekly and Year-to-Date (as of July 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 July 11

US Equities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
S&P 500	5584.5	0.9	2.3	18.0	27.7	10.2	15.1	13.1
DJ Industrial Average	39753.8	1.1	1.6	5.5	16.0	4.5	8.0	8.9
NASDAQ Composite Index	18283.4	0.5	3.1	21.8	32.9	7.5	17.4	15.3
Russell 1000	5845.7	1.0	2.3	16.8	23.9	8.7	14.6	12.5
Russell 2000	5281.3	4.4	3.8	5.6	10.1	(2.6)	6.9	7.0
Russell Midcap	8467.1	2.1	1.8	6.9	12.9	2.4	9.5	9.0

Equity Sectors

Sector	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
Materials	565.1	2.2	1.6	5.7	11.6	4.8	11.5	8.3
Industrials	1045.1	1.5	1.3	9.2	15.2	7.9	11.9	10.5
Comm Services	313.2	(0.0)	1.1	28.1	46.5	6.3	14.1	9.7
Utilities	359.3	3.4	3.8	13.6	11.1	6.4	6.4	8.8
Consumer Discretionary	1539.2	0.3	3.2	9.0	15.9	2.3	10.5	12.5
Consumer Staples	825.5	0.9	0.7	9.8	9.9	7.2	9.0	8.8
Health Care	1718.4	2.8	1.1	9.0	15.3	6.3	11.6	11.0
Information Technology	4489.8	0.1	3.5	32.7	48.5	20.1	27.3	23.0
Energy	691.0	(1.3)	(1.0)	9.8	12.1	24.7	12.5	3.3
Financials	702.8	1.6	2.8	13.3	26.1	6.9	10.8	10.9
Real Estate	249.7	4.0	3.4	1.5	8.1	(1.2)	4.7	7.3

Fixed Income

Index	Yield	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
3-Months Treasury Bill (%)	5.3	0.1	0.2	2.8	5.5	3.2	2.2	1.5
2-Year Treasury (%)	4.5	0.4	0.5	1.6	4.7	0.2	0.9	1.0
10-Year Treasury (%)	4.2	1.2	1.5	(0.6)	2.1	(5.1)	(1.3)	0.7
Bloomberg US Corporate HY	7.9	0.9	0.9	3.5	11.5	1.8	4.1	4.4
Bloomberg US Aggregate	4.8	1.0	1.3	0.6	4.8	(2.7)	0.1	1.5
Bloomberg Municipals	--	0.6	0.5	0.1	4.1	(0.9)	1.2	2.5
Bloomberg IG Credit	5.3	1.0	1.5	1.0	7.1	(2.7)	1.0	2.5
Bloomberg EM Bonds	7.0	1.2	1.2	3.5	9.9	(1.9)	0.7	2.6

Commodities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
WTI Crude ($/bl)	82.6	(1.5)	1.3	15.3	10.4	3.5	6.5	(2.0)
Gold ($/Troy Oz)	2421.9	2.2	3.5	16.9	25.0	10.2	11.5	6.1
Bloomberg Commodity Index	100.8	(1.4)	(0.2)	2.1	(2.3)	2.5	4.6	(2.5)

Currencies

Currency	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
US Dollar Index	104.4	(0.9)	(1.3)	3.1	2.7	4.3	1.5	2.7
Euro	1.1	0.7	1.5	(1.5)	(1.0)	(2.8)	(0.7)	(2.2)
British Pound	1.3	1.3	2.2	1.4	0.2	(2.2)	0.6	(2.8)
Japanese Yen	158.6	1.6	1.5	(11.1)	(11.3)	(11.4)	(7.3)	(4.4)

International Equities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
MSCI AC World	824.3	1.5	2.9	14.8	23.7	6.7	11.6	9.3
MSCI EAFE	2402.6	2.3	3.8	9.8	17.7	4.6	7.8	5.4
MSCI Europe ex UK	2681.9	1.5	3.0	9.4	17.3	4.5	9.3	6.1
MSCI Japan	4146.4	4.2	6.5	13.4	20.7	5.1	8.1	6.6
MSCI EM	1124.9	3.2	3.9	11.9	16.4	(2.1)	4.2	3.5
MSCI Asia ex JP	721.2	3.1	4.0	14.3	16.9	(2.9)	4.7	4.8
MSCI LATAM	2312.9	4.8	6.2	(10.2)	1.4	5.0	1.0	0.5
Canada S&P/TSX Composite	16561.3	1.3	3.1	7.6	13.4	3.6	6.4	4.1

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

DISCLOSURES

All expressions of opinion reflect the judgment of the author(s) and the Investment Strategy Committee and are subject to change. This information should not be construed as a recommendation. The foregoing content is subject to change at any time without notice. Content provided herein is for informational purposes only. There is no guarantee that these statements, opinions or forecasts provided herein will prove to be correct. Past performance is not a guarantee of future results. Indices and peer groups are not available for direct investment. Any investor who attempts to mimic the performance of an index or peer group would incur fees and expenses that would reduce returns. No investment strategy can guarantee success. Economic and market conditions are subject to change. Investing involves risks including the possible loss of capital.

The information has been obtained from sources considered to be reliable, but we do not guarantee that the foregoing material is accurate or complete. Diversification and asset allocation do not ensure a profit or protect against a loss.

SMALL CAP STOCKS | Investing in small cap stocks generally involves greater risks, and therefore, may not be appropriate for every investor. The prices of small company stocks may be subject to more volatility than those of large company stocks.

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 | Currency investing is generally considered speculative because of the significant potential for investment loss. These 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 TREASURYS | 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.

PRODUCER PRICE INDEX | The Producer Price Index (PPI) is a measure of wholesale inflation, while the Consumer Price Index measures the prices paid by consumers.

CONSUMER PRICE INDEX | The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services.

PERSONAL CONSUMPTION EXPENDITURES PRICE INDEX | The PCE price index, released each month in the Personal Income and Outlays report, reflects changes in the prices of goods and services purchased by us consumers.

CASE-SHILLER HOME PRICE INDEX | The S&P CoreLogic Case-Shiller U.S. National Home Price NSA Index measures the change in the value of the U.S. residential housing market by tracking the purchase prices of single-family homes. The index is compiled and published monthly.

UNIVERSITY OF MICHIGAN CONSUMER SENTIMENT INDEX | The Michigan Consumer Sentiment Index (MCSI) is a monthly telephone survey of how consumers feel about the economy, personal finances, business conditions, and buying conditions.

NAHB HOUSING MARKET INDEX | The National Association of Home Builders (NAHB) Housing Market Index (HMI) rates the relative level of current and future single-family home sales. The data is compiled from a survey of around 900 home builders. A reading above 50 indicates a favorable outlook on home sales; below indicates a negative outlook.

IMPORT/EXPORT PRICE INDEX | The US Import and Export Price Indexes measure average changes in prices of goods and services that are imported to or exported from the United States.

LEADING ECONOMIC INDEX | The Composite Index of Leading Indicators, otherwise known as the Leading Economic Index (LEI), is an index published monthly by The Conference Board. It is used to predict the direction of global economic movements in future months. The index is composed of 10 economic components whose changes tend to precede changes in the overall economy.

DATA SOURCE | FactSet, Bloomberg as of 7/11/2024

DOMESTIC EQUITY 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.

S&P 500 EQUAL WEIGHT INDEX | The **S&P 500 Equal Weight Index:** The index includes the same constituents as the capitalization weighted S&P 500, but each company in the S&P 500 EWI is allocated a fixed weight - or 0.2% of the index total at each quarterly rebalance.

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.

COMMODITY INDEX DEFINITION

BLOOMBERG COMMODITY INDEX (BCOM) | The Bloomberg Commodity Index is a broadly diversified commodity price index distributed by Bloomberg Index Services Limited.

DUTCH TTF | The Dutch Title Transfer Facility is a virtual trading hub for gas in the Netherlands and is the primary gas pricing hub for the European gas market.

FIXED INCOME DEFINITION

AGGREGATE BOND | **Bloomberg 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 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 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 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.

BLOOMBERG 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).

BLOOMBERG EMERGING MARKET BOND INDEX | The Bloomberg USD Emerging Market Composite Bond Index is a rules-based, market-value-weighted index engineered to measure USD fixed-rate sovereign and corporate securities issued from emerging markets. The index includes both investment- grade and below-investment-grade securities.

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.

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.

CANADA S&P/TSX COMPOSITE | The S&P/TSX Composite Index is a capitalization-weighted equity index that tracks the performance of the largest companies listed on Canada's primary stock exchange, the Toronto Stock Exchange (TSX). It is the equivalent of the S&P 500 index in the United States, and as such is closely monitored by Canadian investors.

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GERMAN BUND | The German bund is a sovereign debt instrument issued by Germany's federal government to finance outgoing expenditures.

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