INVESTMENT OUTLOOK

JULY 2019

MOST ASSET CLASSES HAVE EARNED STRONG TOTAL RETURNS YEAR TO DATE. WE BELIEVE THE RALLY CAN CONTINUE THROUGH YEAR-END.

However, near-term credit and equity total return potential could be constrained unless global economic activity and corporate earnings growth beat consensus expectations. Over the long run, we believe the global manufacturing slowdown could reverse as monetary policy becomes more accommodative.

MACRO DRIVERS

The absence of inflation pressure paves the way for global central banks to ease.

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CREDIT

Credit spreads may not tighten much further, unless corporate profits and economic activity deliver upside surprise.

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GOVERNMENTS & CURRENCIES

Dovish forward guidance from central banks pushed global rates to multi-year lows. In our view, local-currency emerging market bonds remain a preferred source of yield.

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EQUITIES

The forward earnings outlook is not robust, but we still expect low-single-digit year-over-year growth across most regions.

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POTENTIAL RISKS

US-China trade tension is weighing on the global economy. Escalating political conflict may continue at the expense of economic and corporate profit growth.

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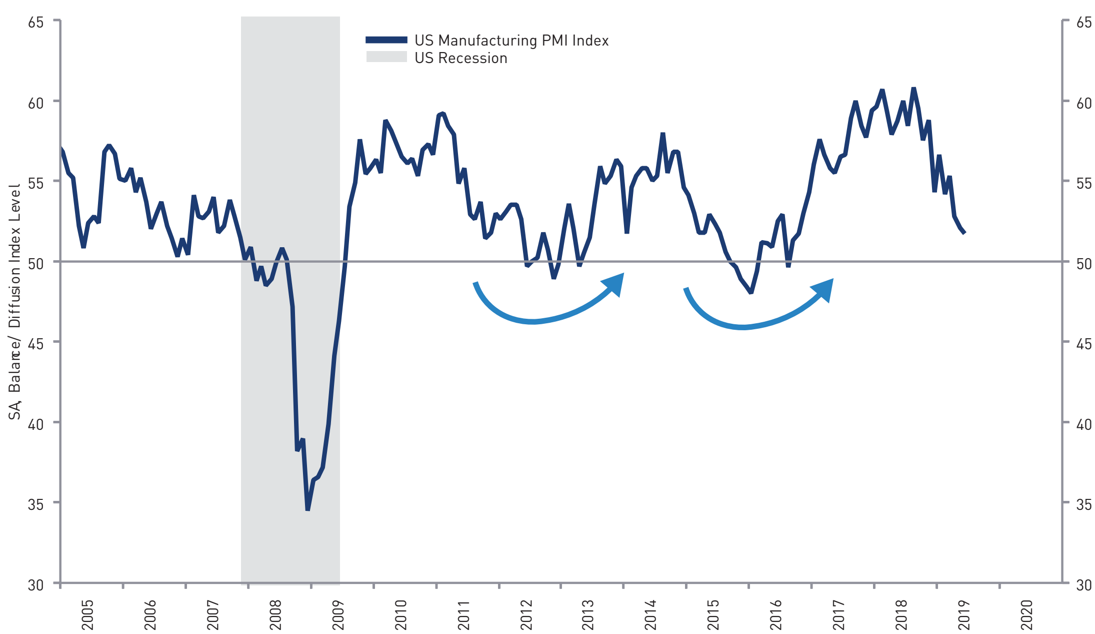
MACRO DRIVERS

Central banks show willingness to support the global economy, reducing one of many risks on the horizon.

- Weak economic data, particularly in manufacturing, may continue over the near term. However, we believe this manufacturing-driven slowdown will reverse course in the second half of the year without a recession.
- Consensus GDP growth forecasts have been downgraded across developed and emerging market economies, but the absolute levels of real GDP still look decent.
- Labor market strength should persist along with rising wages. We do not expect these conditions to result in higher consumer price inflation as they have in past expansions.
- We expect the Federal Reserve (Fed) to cut its key policy rate twice in 2019. Meanwhile, other central banks with negative policy rates, like the European Central Bank and Bank of Japan, may embark on new easing initiatives.
- Monetary policy easing should curb the current slowdown in economic activity. We believe a cyclical upturn will be underway by year-end, extending the runway for this expansion into 2020.

UNITED STATES ISM MANUFACTURING PMI INDEX

WE BELIEVE ECONOMIC ACTIVITY WILL TROUGH LATER THIS YEAR, ESTABLISHING THE THIRD MANUFACTURING CYCLE OF THIS EXPANSION.



Source: Institute for Supply Management, data as of 7/2/2019.

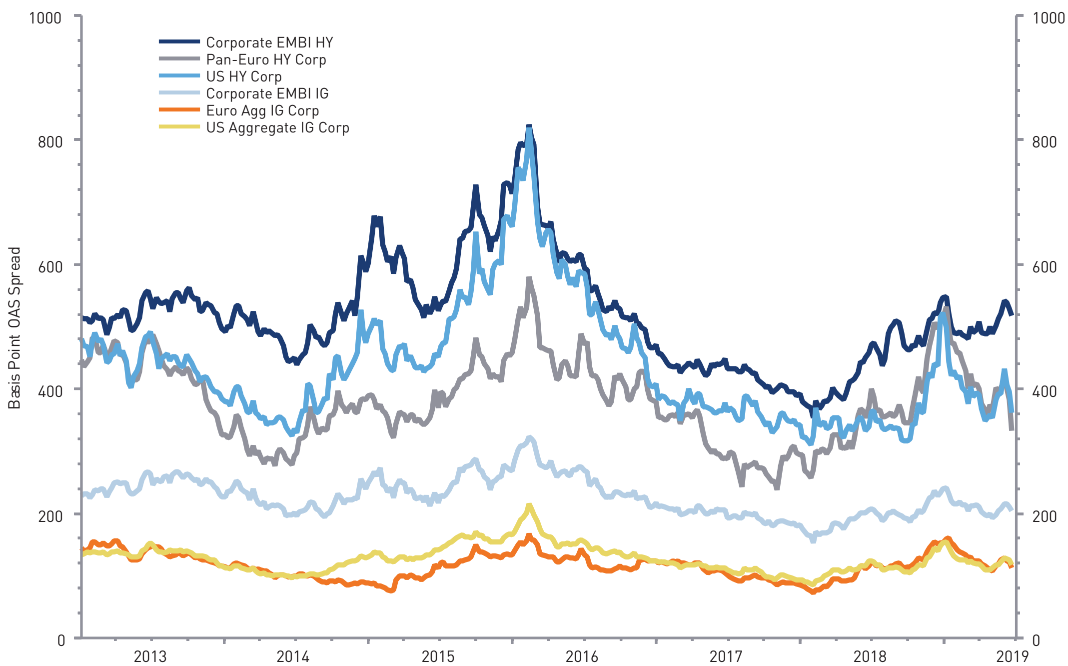
CREDIT

Financial conditions should improve as global central banks ease policy.

- Expected default rates remain low, global growth is decent and 2019 corporate earnings are likely to rise in the low-single-digit range. However, we don't expect credit spreads to revisit the lows seen earlier in the expansion.
- Consensus estimates for 2019 corporate earnings could still be too high, especially if the second-half rebound in global growth develops slower than we expect.
- We believe credit spreads are currently near fair value, given the amount of economic and political risk embedded in the forward outlook. Any changes in the outlook, positive or negative, could impact the trading range for credit spreads.
- The global credit cycle is progressing toward a later stage of expansion. However, the Fed may have extended the runway before this cycle begins to enter a downturn.
- Credit investors should be able to harvest some yield and modest excess returns, as long as corporate profits and the global economy continue to expand.
- US high-grade corporate credit quality has been trending positive across most industries. While downgrade concerns about BBB-rated credits in the next economic downturn are warranted, fears may be a bit overblown.

GLOBAL CREDIT SPREADS

CREDIT SPREADS ARE UNLIKELY TO TIGHTEN MUCH FURTHER UNLESS THE GLOBAL OUTLOOK IMPROVES.



Source: Bloomberg Barclays, JP Morgan, data as of 7/1/2019.

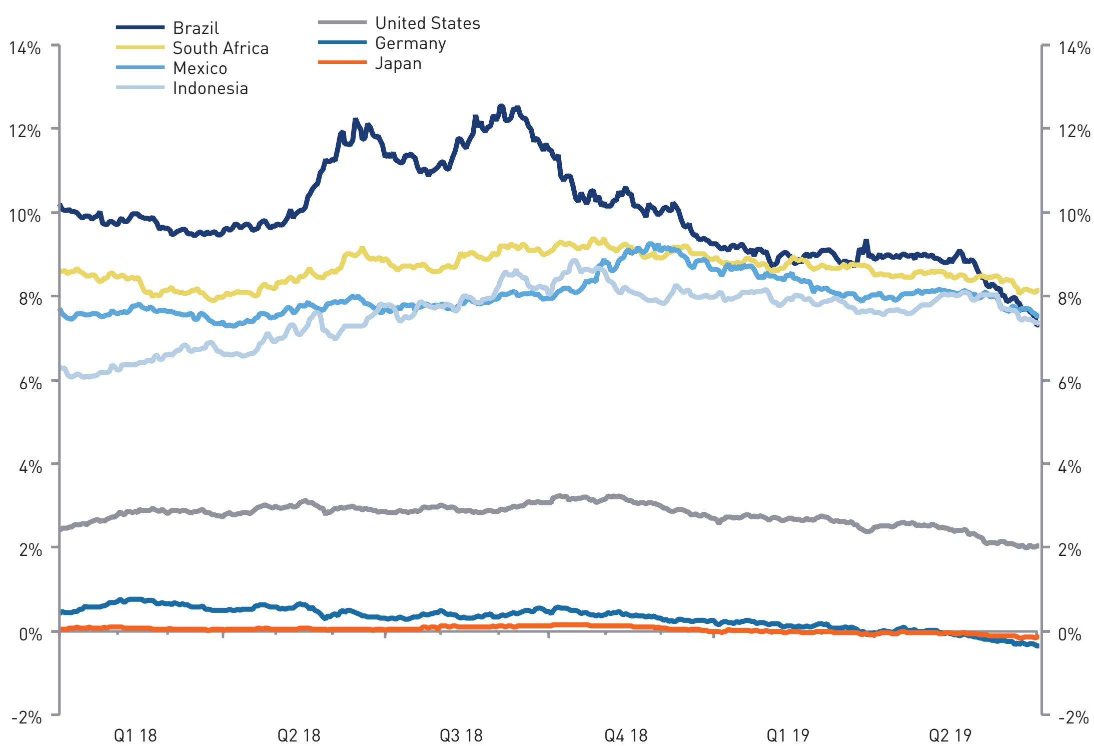
GOVERNMENTS & CURRENCIES

Long-term government bond yields are unlikely to inflect higher.

- Weakness in the domestic and global economy prompted downward adjustments to the Fed's 2019 outlook and summary of economic projections.
- Inflation pressure in the US remains nonthreatening and the global growth outlook has softened, which gives the Fed some clearance to cut interest rates.
- The market expects the Fed to cut over 75 basis points from the federal funds rate over the next 12 months. We think market pricing is too aggressive, but we do expect two 25-basis-point cuts to take place in July and December of this year.
- In our view, the global economy is approaching the tail end of a soft patch within a long expansion. We expect a pickup in economic activity in the months ahead. However, we do not see a boom or inflationary impulse pushing US Treasurys or other benchmark interest rates meaningfully higher.
- Income and yield-bearing securities are currently in high demand. Emerging market debt may be a more attractive asset class as it offers higher yield potential than debt in the US, Europe and Japan. We expect a range-bound US dollar, which would also support local-currency emerging market fixed income performance.

LOCAL-CURRENCY GOVERNMENT BOND YIELDS

LOCAL-CURRENCY EMERGING MARKET BONDS CAN PROVIDE A YIELD ADVANTAGE AND ATTRACTIVE RETURN POTENTIAL.



Source: Thompson Reuters Datastream, data as of 7/1/2019.

EQUITIES

We currently hold a favorable view of global equity markets. US equities appear most likely to outperform.

- Price-to-earnings multiples expanded from very low levels this year. They may rise a bit further now that Fed policy looks more accommodative and long-term yields across the globe have fallen to multi-year lows.
- Consensus earnings estimates reflect year-over-year growth in the low-single-digit range for most regions of the world. This earnings growth should keep the expansion intact, even if the pace is slower than that of 2018.
- Equity market performance will likely hinge on the outlook for corporate earnings and global growth. The market has priced in a rebound in economic growth in the second half of the year. A positive surprise could drive markets higher, while a disappointment could do the reverse.
- US fiscal policy remains a source of uncertainty for corporate decision-makers looking to make capital investments. Clarity on trade negotiations with China and an extended ceasefire on additional tariffs represent potential upside risks to global equity markets.

EQUITY RELATIVE PERFORMANCE INDEX: US VERSUS GLOBAL

MSCI US AND ACWI EX-US INDICES

US EQUITIES HAVE OUTPERFORMED GLOBAL PEER INDICES FOR MOST OF THIS EXPANSION. WE ARE RELUCTANT TO FADE THAT TREND.

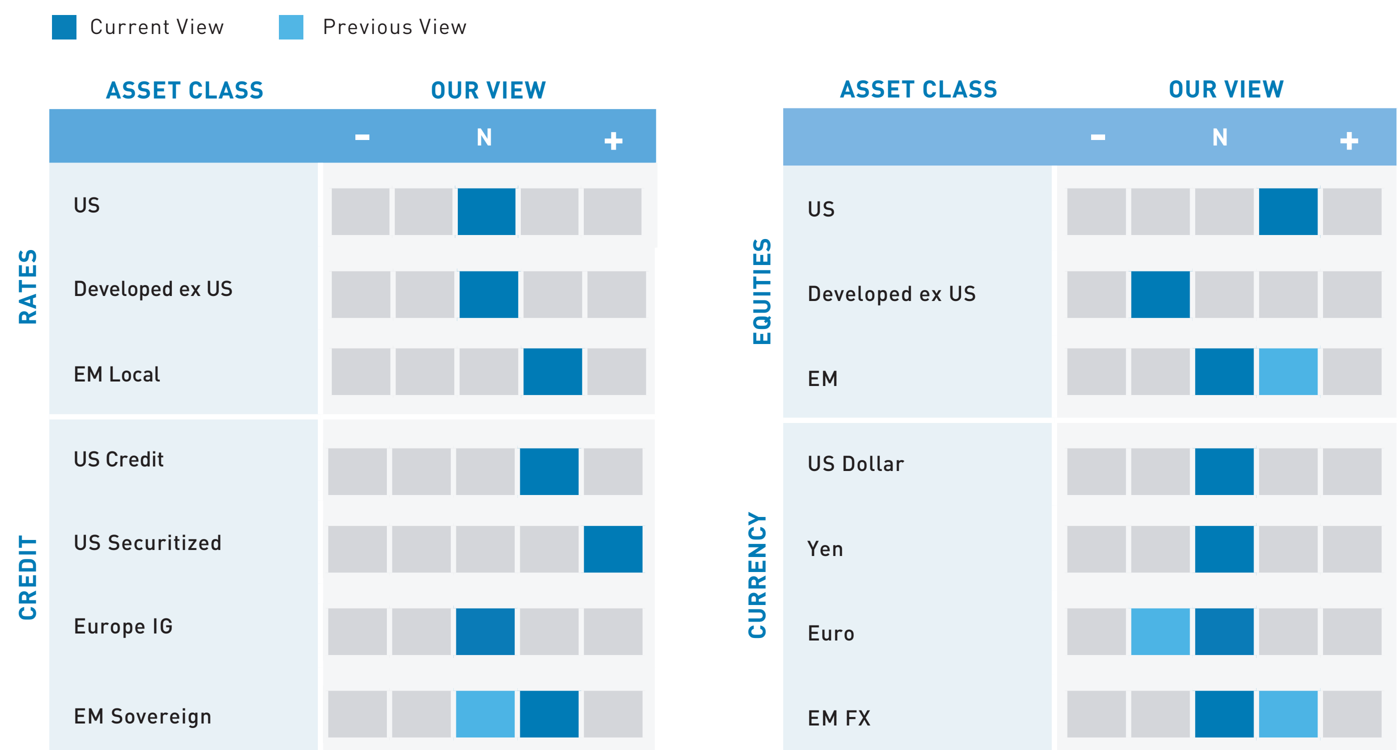
Source: MSCI, Bloomberg, data as of 6/30/2019.

POTENTIAL RISKS

We expect modest total returns, but are watching a number of risk factors.

- We believe the probability of a US recession is low. However, consensus estimates for domestic growth could still head lower. We expect US and global economic data to start improving, but progress is not quite underway.
- We believe markets are pricing in the risk of modest US-China trade escalation. However, most assets would not respond well if the US backs away from progressive talks at June's G-20 meeting and imposes 25% tariffs on the remaining ~$300B of US imports from China.
- Geopolitical conflict with Iran and other nations increases the risk profile of investing. This, in turn, leads to higher risk premiums as investors demand compensation for the added risk. Credit spreads and equity markets would likely stumble if geopolitical developments worsen.
- Corporate earnings drive the credit cycle. Markets have already lowered year-over-year earnings estimates to the low-single-digit range. This leaves little room for further downward revisions before estimates become flat or negative.
- Manufacturing PMIs[1] are in focus. An uptick in these and other high-frequency economic indicators could go a long way to support investor sentiment and risk assets. For now, US recession and end-of-cycle fears appear overstated. We believe the expansion should continue into next year.

ASSET CLASS OUTLOOK



[1]The purchasing managers' index (PMI) is a measure of the prevailing direction of economic trends in manufacturing.

Second Quarter Review

By Craig Burelle, VP, Macro Analyst

INDEX RETURNS BY SECTOR
as of June 30, 2019

INDEX				
US BROAD MARKET	1 MONTH	3 MONTH	6 MONTH	1 YEAR
BBG BARC US AGGREGATE BOND	1.26	3.08	6.11	7.87
BBG BARC US GOVERNMENT/CREDIT	1.48	3.53	6.90	8.52

The US aggregate and US government/credit indices finished the quarter with strong total returns. Excess returns over like-duration US Treasurys were also positive for the quarter. The operating environment for companies remained decent, but corporate profit growth was under pressure. US trade negotiations with China appear to have kept investors from becoming exuberant.

US GOVERNMENTS	1 MONTH	3 MONTH	6 MONTH	1 YEAR
BBG BARC US TREASURYS	0.92	3.01	5.18	7.24
3-MONTH T-BILLS	0.23	0.64	1.25	2.33
2-YEAR TREASURY	0.50	1.37	2.36	3.82
5-YEAR TREASURY	1.00	2.80	4.71	7.35
10-YEAR TREASURY	1.44	4.22	7.44	10.38
30-YEAR TREASURY	1.37	6.76	12.08	12.87
BBG BARC US TIPS	0.86	2.86	6.15	4.84
BBG BARC US AGENCY	0.70	2.32	4.17	6.13

The front end of the US yield curve rallied substantially as a number of economic activity indicators signaled modest weakness amid limited core inflation pressure. Declining interest rates signaled a rapid shift in consensus expectations toward a more accommodative monetary policy environment. The mid-to-long end of the yield curve also fell, with the 5-, 7- and 10-year maturities declining over forty basis points each. Long-duration securities benefited most from the shift lower in yield, but quarterly total returns were very strong across the US Treasury market.

US MUNICIPALS	1 MONTH	3 MONTH	6 MONTH	1 YEAR
BBG BARC US MUNICIPALS	0.37	2.14	5.09	6.71

Municipal bonds delivered positive returns for the quarter, but performance at the sector level was mostly balanced with no stand-out leaders or laggards. Duration is quite similar across each credit quality segment of the index, which again led to a lack of total return differentiation for the quarter.

US SECURITIZED	1 MONTH	3 MONTH	6 MONTH	1 YEAR
BBG BARC MBS	0.72	1.96	4.17	6.22
BBG BARC ABS	0.42	1.67	3.17	4.98
BBG BARC CMBS	1.00	3.28	6.62	8.95

US securitized indices delivered solid total returns in the quarter, assisted by a strong rally across the US Treasury curve. The CMBS index led total returns, helped by the index's relatively longer-duration profile. During the quarter, the US MBS index printed a modestly negative excess return over like-duration US Treasurys, while the ABS and CMBS indices delivered positive excess returns.

Data Sources: Bloomberg Barclays indices from Barclays Live; currency returns, JPMorgan and Citigroup indices from Bloomberg; bank loans from S&P Global Market Intelligence.

All returns in US dollars, unless noted. ***Past performance is no guarantee of future results.***

INDEX RETURNS BY SECTOR
as of June 30, 2019

INDEX				
CORPORATES	1 MONTH	3 MONTH	6 MONTH	1 YEAR
BBG BARC US INVESTMENT GRADE	2.45	4.48	9.85	10.72
AAA	2.72	5.04	10.31	11.86
AA	1.84	3.43	7.24	9.03
A	2.23	4.18	9.08	10.15
BBB	2.71	4.86	10.87	11.38
BBG BARC EUROPEAN INVESTMENT GRADE *-LOCAL CURRENCY RETURNS*	1.58	2.16	5.42	4.77
AAA	1.35	2.19	6.04	5.66
AA	0.90	1.15	3.44	3.41
A	1.41	1.87	4.86	4.31
BBB	1.85	2.56	6.21	5.36
BBG BARC STERLING INVESTMENT GRADE *-LOCAL CURRENCY RETURNS*	1.49	2.29	6.96	6.56
AAA	1.37	2.81	10.23	7.76
AA	0.66	1.49	4.96	5.51
A	1.41	2.19	6.76	6.36
BBB	1.70	2.47	7.33	6.82

Credit market performance was solid throughout the quarter given the longer-duration profile of investment grade corporate bond indices. Global government bond yields rallied lower throughout the period, and corporate bond markets were a primary beneficiary. US indices outpaced global peers, assisted by a solid yield advantage. Nevertheless, global corporate indices also delivered solid quarterly returns. Excess returns for the period were also firmly in positive territory across each credit quality segment in the US, Europe and the UK.

CORPORATES	1 MONTH	3 MONTH	6 MONTH	1 YEAR
BBG BARC US HIGH YIELD	2.28	2.50	9.94	7.48
BB	2.65	3.08	10.51	9.79
B	2.30	2.66	10.06	7.69
CCC	1.06	0.29	7.46	0.16
BBG BARC PAN-EURO HIGH YIELD *-LOCAL CURRENCY RETURNS*	2.21	1.97	7.81	5.43
BB	2.35	2.41	7.83	6.70
B	1.87	1.11	7.49	3.70
CCC	2.50	1.27	9.36	-0.80

High yield indices have a lower-duration profile than their investment grade peers, which kept high yield performance in check during the quarter. Broad risk appetite was fairly strong in the latter half of the second quarter, boosting total returns more firmly into positive territory. US high yield corporates delivered positive excess returns, except for the relatively lower-credit-quality CCC segment. In aggregate, the US high yield index has been delivering strong returns over the past 12 months. Performance in Europe was also positive, but just a bit less than the US, with especially strong excess returns.

Data Sources: Bloomberg Barclays indices from Barclays Live; currency returns, JPMorgan and Citigroup indices from Bloomberg; bank loans from S&P Global Market Intelligence.

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INDEX RETURNS BY SECTOR
as of June 30, 2019

INDEX				
BANK LOANS	1 MONTH	3 MONTH	6 MONTH	1 YEAR
S&P/LSTA LEVERAGED LOAN	0.24	1.68	5.74	3.97
BB	0.44	1.82	6.23	4.08
B	0.16	1.72	5.70	4.22
CCC	-0.18	1.12	4.75	2.39

The performance of the high yield bank loan market is often highly correlated with that of the US high yield bond market. That dynamic came through during the quarter as returns were broadly positive. Investors showed some concern about the amount of highly levered bank loans that have been issued, but the calendar of maturities still looks nonthreatening over the near term.

DEVELOPED COUNTRIES	1 MONTH	3 MONTH	6 MONTH	1 YEAR
CITIGROUP WGBI *-LOCAL CURRENCY RETURNS*	1.29	2.66	5.06	6.11
CITIGROUP NON-USD WGBI	1.52	2.46	4.98	5.48
UNITED STATES	0.92	2.99	5.17	7.18
CANADA	0.36	1.61	4.20	5.98
JAPAN	0.71	1.18	2.98	3.34
AUSTRALIA	1.18	3.59	7.85	11.41
UNITED KINGDOM	0.26	1.62	5.51	5.44
EUROPEAN GBI	2.30	3.36	5.96	6.31
FRANCE	2.04	2.94	6.07	5.59
GERMANY	1.03	2.03	4.20	5.00
IRELAND	2.25	3.16	6.27	5.63
ITALY	3.69	3.83	5.45	6.95
SPAIN	2.70	5.50	8.52	8.70

Slowing global growth, limited inflation pressure and a rising likelihood of monetary policy stimulus defined the economic backdrop throughout the quarter. As a result, developed economy government bond yields shifted meaningfully lower and delivered very strong quarterly total returns. At the start of the period, yields on several European and Japanese government bonds were already negative. However, yields fell deeper into negative territory, driving positive total returns as bond prices rose.

EMERGING MARKET BONDS	1 MONTH	3 MONTH	6 MONTH	1 YEAR
JP MORGAN EMBIG *-SOVEREIGN/QUASI-SOVEREIGN, USD*	3.04	3.76	10.60	11.32
JP MORGAN CEMBI BROAD DIVERSIFIED *-CORPORATES, USD*	2.20	3.50	8.83	10.21
JP MORGAN GBI-EM GLOBAL DIVERSIFIED *-GOVERNMENTS, LOCAL CURRENCY*	2.78	4.12	6.88	10.28

The second-quarter rally across fixed income markets carried emerging market government and corporate indices to solid returns. As developed market government bond yields sunk, relatively higher-yielding emerging market debt continued to look attractive. The fundamental backdrop differs from country to country, but in aggregate, the emerging market indices delivered strong gains for the quarter and over the past 12 months.

Data Sources: Bloomberg Barclays indices from Barclays Live; currency returns, JPMorgan and Citigroup indices from Bloomberg; bank loans from S&P Global Market Intelligence.

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INDEX RETURNS BY SECTOR
as of June 30, 2019

INDEX				
CURRENCY MARKETS	1 MONTH	3 MONTH	6 MONTH	1 YEAR
DOLLAR BLOC				
CANADIAN DOLLAR	3.21	1.94	4.14	0.29
AUSTRALIAN DOLLAR	1.18	-1.07	-0.41	-5.20
NEW ZEALAND DOLLAR	2.86	-1.26	-0.01	-0.74
WESTERN EUROPE				
EURO	1.83	1.38	-0.82	-2.66
NORWEGIAN KRONE	2.63	1.10	1.27	-4.51
SWEDISH KRONA	2.28	0.08	-4.64	-3.68
SWISS FRANC	2.49	1.94	0.59	1.46
BRITISH POUND	0.53	-2.60	-0.45	-3.87
EMERGING EUROPE & AFRICA				
CZECH KORUNA	3.51	2.94	0.33	-0.55
HUNGARIAN FORINT	2.41	0.76	-1.46	-0.81
POLISH ZLOTY	2.74	2.81	0.13	0.27
RUSSIAN RUBLE	3.51	3.83	10.29	-0.74
SOUTH AFRICAN RAND	3.50	2.94	1.84	-2.57
TURKISH NEW LIRA	0.78	-3.85	-8.70	-20.73
ASIA				
JAPANESE YEN	0.41	2.79	1.71	2.70
CHINESE RENMINBI	0.56	-2.11	0.17	-3.58
INDONESIAN RUPIAH	1.03	0.80	1.85	1.43
MALAYSIAN RINGGIT	1.40	-1.21	0.04	-2.26
PHILIPPINE PESO	1.82	2.49	2.63	4.08
SINGAPORE DOLLAR	1.61	0.20	0.73	0.69
SOUTH KOREAN WON	3.14	-1.69	-3.36	-3.47
LATIN AMERICA				
ARGENTINE PESO	5.44	1.98	-11.32	-31.90
BRAZILIAN REAL	1.90	1.83	0.64	0.69
CHILEAN PESO	4.66	0.14	2.19	-3.59
COLOMBIAN PESO	5.21	-0.80	1.19	-8.75
MEXICAN PESO	2.05	1.07	2.22	3.56
PERUVIAN NEW SOL	2.66	0.74	2.26	-0.53

The foreign exchange market was one asset class where performance was broadly mixed. Idiosyncratic developments related to economics and politics were mostly responsible for the volatility seen across countries. The Fed's dovish pivot and eventual shift toward an easing bias was offset by other major central banks expressing a similar willingness to ease policy. The US dollar weakened during June as consensus expectations for Fed rate cuts increased, but on balance, foreign exchange markets finished the quarter mostly mixed.

Data Sources: Bloomberg Barclays indices from Barclays Live; currency returns, JPMorgan and Citigroup indices from Bloomberg; bank loans from S&P Global Market Intelligence.

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GLOBAL EQUITY MARKETS
as of June 30, 2019

INDEX TOTAL RETURNS (%)

INDEX	3 MONTH	1 YEAR	3 YEAR	5 YEAR
S&P 500®	4.30	10.42	14.19	10.71
MSCI ALL COUNTRY WORLD	3.80	6.32	12.22	6.74
MSCI EUROPE	4.91	2.55	9.79	1.88
MSCI JAPAN	1.05	-3.83	8.44	4.82
MSCI EMERGING MARKETS	0.74	1.61	11.06	2.87

Most equity markets posted decent total returns for the quarter, embracing the Fed's tone change and dovish shift. Less-than-robust earnings growth expectations and still-slowing economic growth did not stop equity markets from rallying. The S&P 500 was able to reach new all-time highs during the quarter. Global equity market technical trends have improved, but the long-term performance record for the S&P 500 remained superior. The downward shift in global interest rates has also strengthened the relative valuation case for owning equities over bonds. In many instances, the dividend yield of a given equity index is now greater than the comparative country's 10-year government bond yield.

US EQUITY MARKETS
as of June 30, 2019

INDEX TOTAL RETURNS (%)

INDEX	3 MONTH	1 YEAR	3 YEAR	5 YEAR
RUSSELL 1000®	4.25	10.02	14.15	10.45
GROWTH	4.64	11.56	18.07	13.39
VALUE	3.84	8.46	10.19	7.46
RUSSELL MIDCAP®	4.13	7.83	12.16	8.63
GROWTH	5.40	13.94	16.49	11.10
VALUE	3.19	3.68	8.95	6.72
RUSSELL 2000®	2.10	-3.31	12.30	7.06
GROWTH	2.75	-0.49	14.69	8.63
VALUE	1.38	-6.24	9.81	5.39

Small-, mid- and large-capitalization indices finished the quarter in positive territory. Returns were skewed in favor of large growth-style companies. Mid-cap growth delivered a nearly 5.5% return followed by large-cap growth at just over 4.5%. Small-cap growth outperformed the value style and the aggregate Russell 2000 Index, but still lagged the larger indices by a notable amount. The large-cap Russell 1000 Index reached a double-digit one-year total return, besting the mid-cap and small-cap indices. US equity market performance has been generally positive, but the rally could have been more inclusive. Small caps are still down on a one-year basis, even with a decent gain over the second quarter. Value styles have also lagged during much of the equity market recovery of this expansion.

Data Source: FactSet. All returns quoted in US dollars. Performance for one and multi-year periods is annualized. Sorted by index quarterly returns. Due to rounding, sector totals may not equal 100%. ***Past performance is no guarantee of future results.***

S&P 500 SECTORS
as of June 30, 2019

SECTOR PERFORMANCE ATTRIBUTION (%)				
INDEX	3 MONTH	1 YEAR	3 YEAR	5 YEAR
FINANCIALS	8.00	6.31	16.52	10.61
MATERIALS	6.21	3.11	10.46	5.03
INFORMATION TECHNOLOGY	6.06	14.61	26.38	18.61
CONSUMER DISCRETIONARY	5.28	10.13	16.85	13.89
TELECOMMUNICATION SERVICES	4.49	10.95	-0.23	4.67
CONSUMER STAPLES	3.72	16.39	4.85	8.40
INDUSTRIALS	3.57	10.50	12.41	9.27
UTILITIES	3.48	19.03	8.07	10.00
REAL ESTATE	2.46	16.81	7.19	4.25
HEALTHCARE	1.38	13.01	10.89	10.64
ENERGY	-2.83	-13.25	0.21	-5.62

US sector performance was broadly positive over the quarter with the exception of energy, which has been a challenging sector for years. Traditionally defensive sectors like utilities, real estate and consumer staples have shown leading returns over the past year, but did not top the list this quarter. Strong performance from the financials and materials sectors was a welcome development over the quarter, since those sectors had been lagging. Information technology and consumer discretionary continued to show strong performance and remained key pillars supporting the outperformance of growth-style equities.

Data Source: FactSet. All returns quoted in US dollars. Performance for one and multi-year periods is annualized. Sorted by index quarterly returns. Due to rounding, sector totals may not equal 100%. ***Past performance is no guarantee of future results.***

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VP, Macro Analyst

Disclosure

All data as of June 30, 2019, unless otherwise noted.

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Past performance is no guarantee of future results.

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Index Definitions

***Bloomberg Barclays US Aggregate Bond Index** represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the US investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. These major sectors are subdivided into more specific indices that are calculated and reported on a regular basis.*

***Bloomberg Barclays US Government/Credit Index** includes securities in the government and credit indices. The government index includes treasuries -i.e., public obligations of the US Treasury that have remaining maturities of more than one year and agencies -i.e., publicly issued debt of US Government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the US Government. The credit index includes publicly issued US corporate and foreign debentures and secured notes that meet specified maturity, liquidity, and quality requirements.*

***Bloomberg Barclays US Treasury Index** includes public obligations of the US Treasury with at least one year until final maturity, excluding certain special issues such as state and local government series bonds -SLGs, US Treasury TIPS and STRIPS.*

***Bloomberg Barclays US Treasury Inflation Protected Securities Index** consists of inflation-protection securities issued by the US Treasury that have at least one year to maturity and at least $250 million par amount outstanding.*

***Bloomberg Barclays US Agency Index** includes agency securities that are publicly issued by US Government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the US Government -such as USAID securities.*

***Bloomberg Barclays US Municipal Index** is a rules-based, market-value-weighted index engineered for the long-term tax-exempt bond market. The index has four main sectors: general obligation bonds, revenue bonds, insured bonds -including all insured bonds with a Aaa/AAA rating, and prerefunded bonds.*

***Bloomberg Barclays Mortgage-Backed Securities -MBS Index** is a component of the Bloomberg Barclays Aggregate Index covering mortgage-backed pass-through securities of Ginnie Mae -GNMA, Fannie Mae -FNMA and Freddie Mac -FHLMC. The MBS Index is formed by grouping the universe of over 600,000 individual fixed rate MBS pools into approximately 3,500 generic aggregates.*

Bloomberg Barclays Asset-Backed Securities -ABS Index *is a component of the Bloomberg Barclays US Aggregate Index including pass-through, bullet and controlled amortization structures. The ABS Index includes only the senior class of each ABS issue and the ERISA-eligible B and C tranche. Constituents must have an average life of at least one year and a deal size of at least 500 million.*

Bloomberg Barclays Commercial Mortgage-Backed Securities -CMBS ERISA-Eligible Index *is a component of the Bloomberg Barclays US Aggregate Index and the ERISA-eligible component of the Bloomberg Barclays CMBS Index. This index, which includes investment grade securities that are ERISA eligible under the underwriter's exemption, is the only CMBS sector that is included in the US Aggregate Index.*

Bloomberg Barclays US Corporate Index *contains publicly issued US corporate and specified foreign debentures and secured notes that meet the specified maturity, liquidity and quality requirements. To qualify, bonds must be SEC-registered. The index includes both corporate and non-corporate sectors. The corporate sectors are Industrial, Utility, and Finance, which include both US and non-US corporations. The non-corporate sectors are Sovereign, Supranational, Foreign Agency, and Foreign Local Government.*

Bloomberg Barclays Euro-Aggregate Corporate Index *consists of bonds issued in the euro or the legacy currencies of the 16 sovereign countries participating in the European Monetary Union -EMU. All issues must be investment grade-rated, fixed-rate securities with at least one year remaining to maturity. The Euro-Aggregate Index excludes convertible securities, floating rate notes, perpetual notes, warrants, linked bonds, and structured products.*

Bloomberg Barclays Sterling Aggregate Corporate Index *is a broad-based benchmark that measures the investment grade, fixed-rate, taxable, corporate sterling-denominated bond market. Inclusion is based on the currency of the issue, not the domicile of the issuer. The index includes publically issued securities from industrial, utility, and financial companies that meet specified maturity, liquidity and quality requirements.*

Bloomberg Barclays US Corporate High-Yield Index *covers the universe of fixed rate, non-investment grade debt. Eurobonds and debt issues from countries designated as emerging markets -sovereign rating of Baa1/BBB+/BBB+ and below using the middle of Moody's, S&P, and Fitch are excluded, but Canadian and global bonds -SEC registered of issuers in non-EMG countries are included. Original issue zeroes, step-up coupon structures, 144-As and pay-in-kind bonds -PIKs, as of October 1, 2009 are also included.*

Bloomberg Barclays Pan-European High-Yield Index *covers the universe of fixed-rate, sub-investment grade debt denominated in euros or other European currencies -except Swiss francs. Securities must be rated high-yield -Ba1/BB+ or lower by at least two of the following rating agencies: Moody's, S&P, Fitch. Excludes emerging markets.*

S&P/LSTA Leveraged Loan Index*, is a market value-weighted index designed to measure the performance of the US leveraged loan market based upon market weightings, spreads and interest payments.*

Citigroup World Government Bond Index -WGBI *measures the performance of fixed-rate, local currency, investment grade sovereign bonds. The WGBI is a widely used benchmark that currently comprises sovereign debt from over 20 countries, denominated in a variety of currencies. The WGBI provides a broad benchmark for the global sovereign fixed income market.*

JPMorgan Emerging Markets Bond Index Global -EMBIG *tracks total returns for US dollar-denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities: Brady bonds, loans, Eurobonds.*

JPMorgan Corporate Emerging Markets Bond Index -CEMBI Broad Diversified *tracks total returns of US dollar-denominated debt instruments issued by corporate entities in emerging markets countries. The CEMBI Broad is the most comprehensive corporate benchmark followed by the CEMBI, which consists of an investable universe of corporate bonds.*

JPMorgan Government Bond Index—Emerging Markets -GBI-EM Global Diversified *provides a comprehensive measure of local currency denominated, fixed rate, government debt issued in emerging markets.*

Standard & Poor's 500 -S&P 500® Index *is a market capitalization-weighted Index of approximately 500 common stocks chosen for market size, liquidity, and industry group representation to measure broad US equity performance. S&P 500® is a registered service mark of McGraw-Hill Companies, Inc.*

MSCI All Country World *is a market cap weighted index of stocks from developed and emerging markets providing a broad measure of global equity-market performance.*

MSCI Europe *is a free float-adjusted market cap index measuring equity market performance of the large and mid cap segments across European developed markets.*

MSCI Japan *is a free float-adjusted market cap index measuring equity market performance of the large and mid cap segments of the Japanese market.*

MSCI Emerging Markets Index *is a free float-adjusted market cap index measuring equity market performance of emerging markets.*

Russell 1000® Index *measures the performance of the large cap segment of the US equity universe. It is a subset of the Russell 3000 Index and includes approximately 1000 of the largest securities based on a combination of their market cap and current index membership.*

Russell 1000® Growth Index *measures the performance of the large cap growth segment of the US equity universe. It includes those Russell 1000 Index companies with higher price-to-book ratios and higher forecasted growth values.*

Russell 1000® Value Index *measures the performance of the large cap value segment of the US equity universe. It includes those Russell 1000 Index companies with lower price-to-book ratios and lower expected growth values.*

Russell Midcap® Index *measures the performance of the mid cap segment of the US equity universe. The Russell Midcap is a subset of the Russell 1000 Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership.*

Russell Midcap® Growth Index *measures the performance of the mid cap growth segment of the US equity universe. It includes those Russell Midcap Index companies with higher price-to-book ratios and higher forecasted growth values.*

Russell Midcap® Value Index *measures the performance of the mid cap value segment of the US equity universe. It includes those Russell Midcap Index companies with lower price-to-book ratios and lower forecasted growth values.*

Russell 2000® Index *measures the performance of the small cap segment of the US equity universe. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership.*

Russell 2000® Growth Index *measures the performance of the small cap growth segment of the US equity universe. It includes those Russell 2000 Index companies with higher price-to-value ratios and higher forecasted growth values.*

Russell 2000® Value Index *measures the performance of small cap value segment of the US equity universe. It includes those Russell 2000 Index companies with lower price-to-book ratios and lower forecasted growth values.*

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