LOOMIS | SAYLES

# INVESTMENT OUTLOOK

## JULY 2021

THE GLOBAL REOPENING PROCESS AND STRONG RISK APPETITE APPEAR TO BE POWERING THE GLOBAL ECONOMY THROUGH THE EXPANSION PHASE OF THE CREDIT CYCLE.

Though valuations have already reached the high side of historical averages, we believe economic and corporate earnings growth can still beat consensus expectations. In this environment, we're not shying away from the risk-on trade. We think credit can offer solid excess return potential and we may see additional upside in equity markets.

MACRO & MARKET COMMENTARY

# MACRO DRIVERS

## The end of social distancing is approaching as economies reopen worldwide.

- The United States' economy has begun normalizing as widespread vaccine distribution has allowed for rollbacks of social distancing measures. Vaccine distribution has been progressing outside the US as well, leading to a more synchronized global expansion.
- We expect the economic rebound to push annual global GDP growth in 2021 and 2022 well above historical trends.
- A rapid snapback in demand is coinciding with strong inflation data in the US. However, we believe some inflation drivers, such as demand exceeding supply and logistics issues, will likely correct over time. When the economy normalizes, we expect core PCE inflation to trend in the 1.75% to 2.25% range.
- Labor market improvement and moderate inflation expectations will likely result in the tapering of asset purchases and withdrawal of other ultra-accommodative monetary policies. However, we believe the US and Europe are years away from rate hikes.
- In our view, the expansion is still in the early innings with room to run. The table below outlines our base case expectations for key macroeconomic indicators.

MACROECONOMIC INDICATORS: BASE CASE EXPECTATIONS

| | EXPANSION (Base Case) |
|---|---|
| GLOBAL GROWTH | US leads, rest of the world catches up |
| US INFLATION | Gradually reaches Fed's 2% target |
| REACH FULL EMPLOYMENT | Late 2022 |
| FED LIFT OFF FROM ZERO | Early 2023 |
| YIELDS | Rise gradually |
| RISK APPETITE | Remains healthy |
| US DOLLAR VIEW | Trend weaker |

*Source: Loomis Sayles, as of 30 June 2021.*

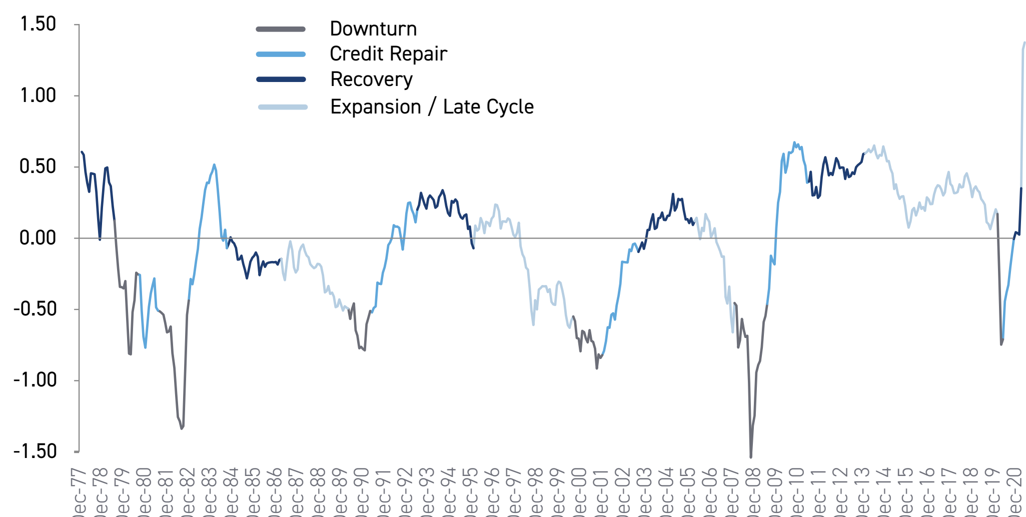
# CREDIT

## Tight spreads reflect a strong operating environment and fundamental outlook.

- Loomis Sayles' proprietary Corporate Health Index[1] currently indicates strong corporate health relative to history. This supports our view that the credit cycle is in expansion.
- Investment grade credit spreads in the US and Europe should remain well behaved. We anticipate positive excess return potential over US Treasurys in a favorable operating environment.
- We expect above-consensus economic and corporate earnings growth to help US and European high yield credit spreads compress a bit further. We believe the sector's low duration relative to investment grade credit and higher carry will help drive return potential.
- The overall US levered loan market has been highly cyclical in past cycles and should be positively correlated with the economic reopening. We remain positive on the sector but also believe security selection will be an important driver of potential outperformance.
- Emerging market investment grade and high yield corporate credit spreads are currently near pre-pandemic levels. However, we see scope for tighter spreads and moderate return potential, assuming the global expansion becomes even more inclusive.
- In our view, the underperformance of structured products relative to corporate bonds has positioned the sector attractively on a relative basis. We see opportunity in areas of the market that that have been slower to exit the downturn, such as transportation and commercial real estate.

### LOOMIS SAYLES' CORPORATE HEALTH INDEX

*Source: Loomis Sayles, Bloomberg, Barclays, as of 31 May 2021. Loomis Sayles' Corporate Health Index "CHIN Index" is a proprietary framework that utilizes a combination of macro, financial market and policy variables to project US corporate health relative to history. A higher reading indicates stronger corporate health.*




[1] *Loomis Sayles' Corporate Health Index "CHIN" is a proprietary framework that utilizes a combination of macro, financial market and policy variables to project US corporate health relative to history.*

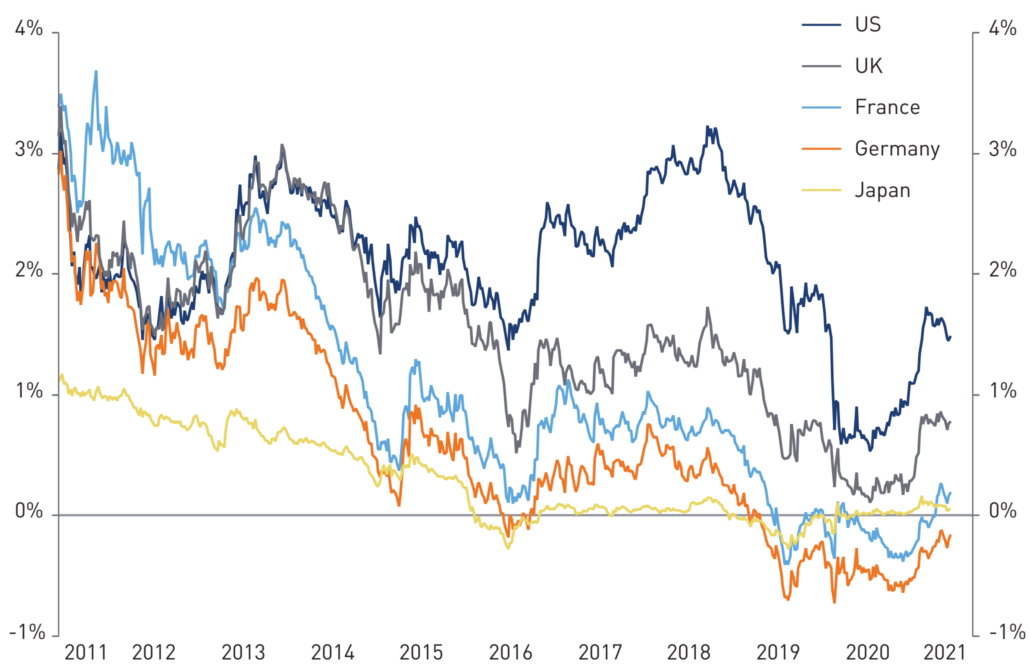
# GOVERNMENT DEBT & POLICY

## Developed market yields appear set to move higher in expansion.

- Monetary policy normalization will likely take several years to achieve in the US. Federal Reserve Chair Powell may indicate tapering plans at the Jackson Hole Symposium in late August.
- We believe the Fed will begin tapering asset purchases in early 2022. We expect it will deliver the first rate hike of this cycle during the first half of 2023.
- We expect the consolidation in US Treasurys during the second quarter to result in a renewed uptrend in yields. The 10-year yield could reach a new year-to-date high around 1.9% by year end.
- In our view, the US yield curve is likely to resume a steepening trend, with long-end yields rising modestly while the front end of the curve remains anchored.
- We think the global expansion and rising inflation expectations should drive higher yields in developed markets outside the US. We view vaccination progress and subsequent economic reopening as key catalysts.
- In the past, rising US Treasury yields represented a headwind for sovereign and local-currency emerging market bonds. However, idiosyncratic country developments currently appear more likely to drive performance as the expansion broadens around the globe.

### 10-YEAR DEVELOPED MARKET GOVERNMENT YIELDS

*Source: Refinitiv Datastream, data as of 25 June 2021.*



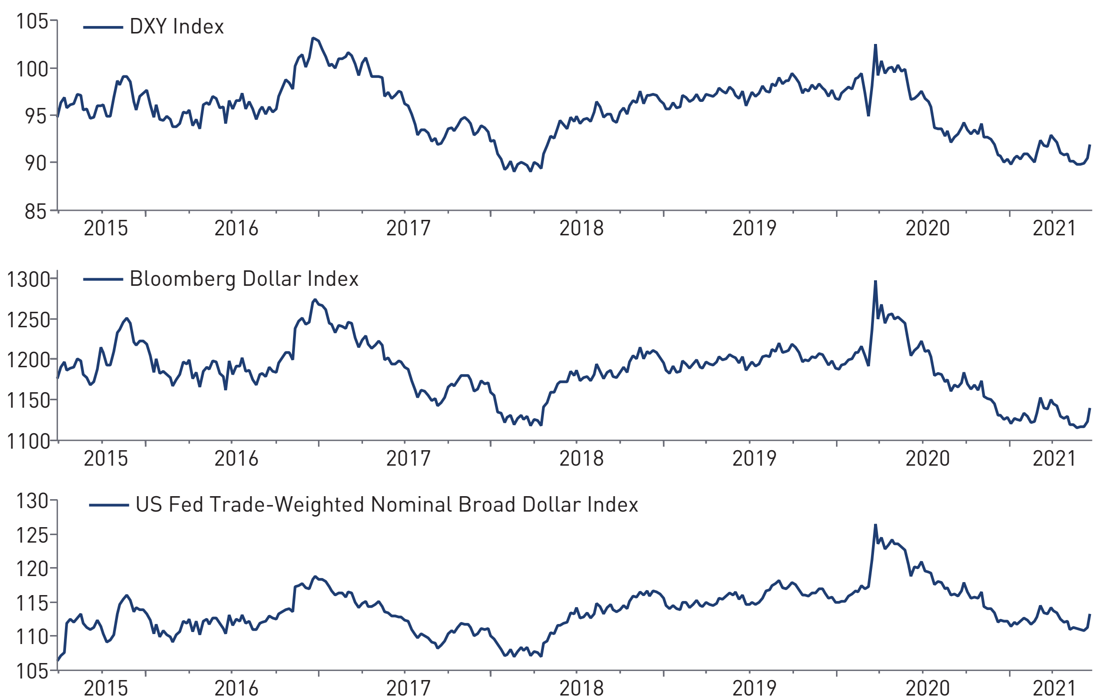
# CURRENCIES

## The US dollar should trend lower as the global reopening accelerates.

- The global reopening has been uneven, but we believe the rest of the world will catch up to the US heading into 2022. Our outlook for improving global economic conditions and a broad expansion are consistent with a weaker trend for the US dollar.
- Improving global growth expectations should support risk appetite for non-US assets and encourage a pro-risk environment.
- Loomis Sayles' foreign exchange valuation model suggests that the Australian dollar and Norwegian krone currently offer value relative to the US dollar. Within emerging markets, our model indicates Latin American currencies are currently inexpensive relative to history.
- We believe country selection within emerging markets will be critical because the fundamental backdrop for each country has been progressing at a different rate. Political risk remains a key consideration and appears elevated in some emerging markets.

### US DOLLAR INDEX LEVELS

*Source: Bloomberg, Federal Reserve, JP Morgan, data as of 24 June 2021.*



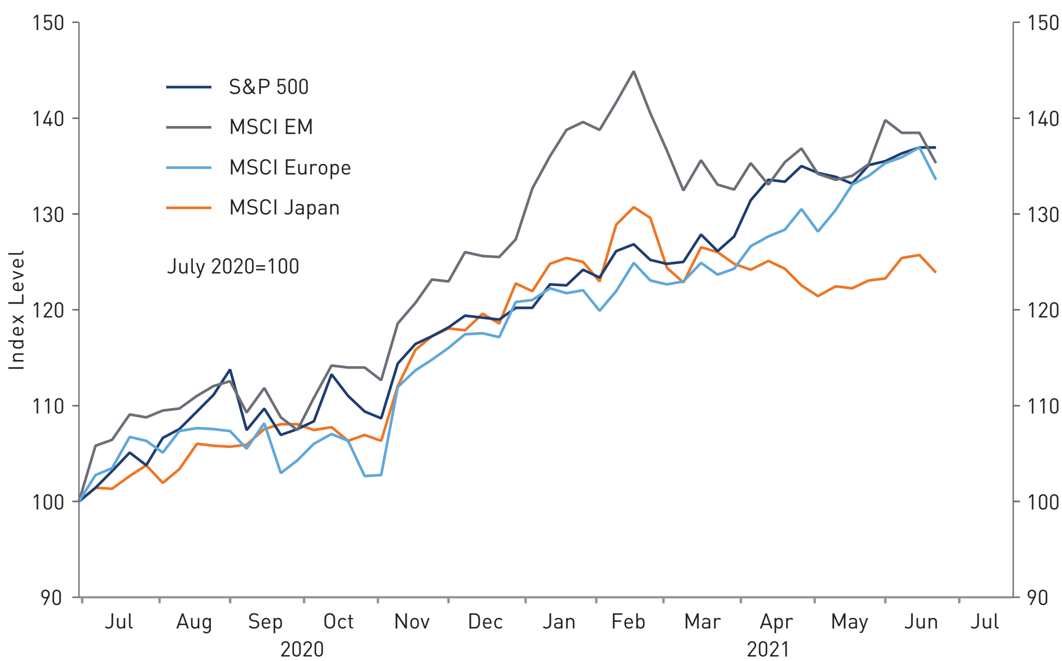
## EQUITIES

### Price-to-earnings multiples are likely to contract, but we still expect upside potential in prices.

- Like many other asset classes, equity valuations currently indicate a high degree of optimism about the economic rebound and corporate earnings trajectory. Nevertheless, we believe equity indices can continue their broad advance even if driven exclusively by earnings growth.
- We expect multiples to contract as underlying fundamentals catch up to the positive expectations that have been priced into equity indices.
- In our view, the global equity rally is not likely to get derailed by a gradually rising interest rate environment. Underlying economic strength could drive earnings and equity markets higher even if long rates trend up.
- While uneven in magnitude, the cyclical upturn across global economies has been supporting most sectors of the equity market. Traditional value-oriented sectors such as financials, materials and industrials may continue to perform well on the back of solid earnings growth.
- After lagging in the first half of 2021, we believe growth-oriented sectors are likely to keep pace with value in the near term. Over the long term, we expect growth to outperform. We believe the technology sector's secular growth story remains intact.

**GLOBAL EQUITY PERFORMANCE IN US DOLLARS**

*Source: Refinitiv Datastream, data as of 25 June 2021.*

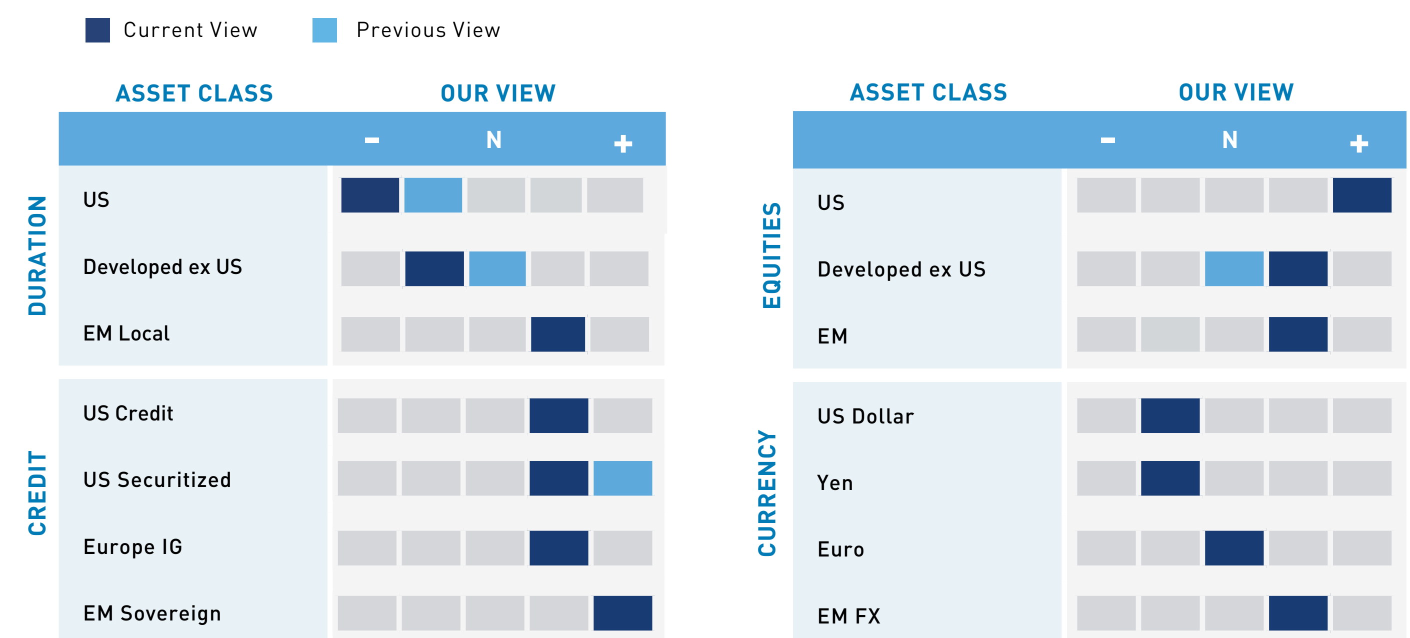


## POTENTIAL RISKS

### We think it would take an external shock or policy error to derail this expansion.

- COVID-19 variants remain concerning, but the race toward vaccination should help keep new cases low and hospitalizations even lower.
- We believe a return to early-pandemic-style lockdowns is unlikely for the majority of the world, which should reduce the odds of further pandemic-induced economic damage and hardship.
- The world has become increasingly reliant on the internet to function. Cybersecurity attacks threaten consumers, businesses and governments. We consider large-scale hacks on national infrastructure to be a tail risk, but they have the potential to derail the broad economic expansion.
- Geopolitical conflict generally represents a threat to commerce because the world is linked through global trade. A long-term supply chain disruption could erode businesses' profit margins.
- We think the tapering of asset purchases will likely be gradual and tolerated. A principal risk to our view of the cycle is if monetary policy shifts toward rate hikes too early, when inflation remains nonthreatening.
- We believe the expansion and risk-on trade will continue, but remain cognizant of the risks of an external shock or policy error.

## ASSET CLASS OUTLOOK



## Second Quarter Review

**INDEX RETURNS BY SECTOR**
as of 30 June 2021

| INDEX | | | | |
|---|---|---|---|---|
| US BROAD MARKET | 1 MONTH | 3 MONTH | 6 MONTH | 1 YEAR |
| BBG BARC US AGGREGATE BOND | 0.70 | 1.83 | -1.60 | -0.33 |
| BBG BARC US GOVERNMENT/CREDIT | 1.01 | 2.42 | -1.96 | -0.39 |

The broad fixed income market rebounded in the second quarter after a sluggish start to 2021. US inflation expectations began to abate during the period, which contributed to the quarter's solid gains.

| US GOVERNMENTS | 1 MONTH | 3 MONTH | 6 MONTH | 1 YEAR |
|---|---|---|---|---|
| BBG BARC US TREASURYS | 0.64 | 1.75 | -2.58 | -3.22 |
| 3-MONTH T-BILLS | -0.01 | 0.00 | 0.03 | 0.09 |
| 2-YEAR TREASURY | -0.17 | -0.09 | -0.13 | -0.03 |
| 5-YEAR TREASURY | -0.30 | 0.69 | -1.78 | -1.82 |
| 10-YEAR TREASURY | 1.27 | 3.06 | -4.17 | -5.94 |
| 30-YEAR TREASURY | 4.33 | 7.83 | -9.25 | -13.74 |
| BBG BARC US TIPS | 0.61 | 3.25 | 1.73 | 6.51 |
| BBG BARC US AGENCY | 0.12 | 0.81 | -0.80 | -0.40 |

The US Treasury market rebounded in the quarter. The Federal Open Market Committee's latest "dot plot" revealed that some of its members had pulled forward rate hike expectations to 2023. Despite the Fed's assurances that it expects elevated inflation to be transitory, we believe the market saw the dot plot as a signal that the Fed might act if inflation remains elevated, which led to a fall in longer-term nominal rates and outperformance in longer-dated maturities.

| US MUNICIPALS | 1 MONTH | 3 MONTH | 6 MONTH | 1 YEAR |
|---|---|---|---|---|
| BBG BARC US MUNICIPALS | 0.27 | 1.42 | 1.06 | 4.17 |

Municipal bonds performed below average compared to other fixed income asset classes in the second quarter. However, the asset class maintained one of the highest year-to-date returns in the US fixed income market.

| US SECURITIZED | 1 MONTH | 3 MONTH | 6 MONTH | 1 YEAR |
|---|---|---|---|---|
| BBG BARC MBS | -0.04 | 0.33 | -0.77 | -0.42 |
| BBG BARC ABS | -0.02 | 0.34 | 0.18 | 1.34 |
| BBG BARC CMBS | 0.20 | 1.87 | -0.50 | 2.26 |

Securitized assets underperformed other US bond markets. Within the sector, the CMBS index led performance, benefiting from its higher average duration as longer-dated US Treasurys recovered. The Fed has maintained its goal of purchasing $40 billion of MBS securities per month, which should buoy the sector despite lackluster returns year to date.

*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 30 June 2021

| INDEX<br>CORPORATES | 1 MONTH | 3 MONTH | 6 MONTH | 1 YEAR |
|---|---|---|---|---|
| BBG BARC US INVESTMENT GRADE | 1.63 | 3.55 | -1.27 | 3.30 |
| AAA | 2.59 | 4.74 | -3.01 | -0.52 |
| AA | 1.66 | 3.60 | -1.96 | 0.56 |
| A | 1.44 | 3.23 | -1.94 | 1.37 |
| BBB | 1.75 | 3.75 | -0.56 | 5.48 |
| BBG BARC EUROPEAN INVESTMENT GRADE *-LOCAL CURRENCY RETURNS* | 0.41 | 0.29 | -0.39 | 3.61 |
| AAA | 0.38 | -0.26 | -2.64 | -0.48 |
| AA | 0.24 | -0.01 | -0.84 | 0.83 |
| A | 0.38 | 0.16 | -0.79 | 2.49 |
| BBB | 0.46 | 0.42 | -0.06 | 4.87 |
| BBG BARC STERLING INVESTMENT GRADE *-LOCAL CURRENCY RETURNS* | 0.90 | 1.97 | -2.81 | 2.67 |
| AAA | 0.91 | 1.72 | -8.01 | -6.68 |
| AA | 0.77 | 1.71 | -4.32 | -1.55 |
| A | 0.83 | 1.86 | -3.73 | 0.91 |
| BBB | 0.96 | 2.09 | -1.81 | 4.88 |

US investment grade debt rebounded in the second quarter, though not enough to offset first-quarter losses. US debt outperformed euro-area and Sterling debt on the back of strong US economic growth. AAA-rated debt outperformed lower-quality debt in the US corporate credit market, while lower-quality debt prevailed in the euro and Sterling markets.

| CORPORATES | 1 MONTH | 3 MONTH | 6 MONTH | 1 YEAR |
|---|---|---|---|---|
| BBG BARC US HIGH YIELD | 1.34 | 2.74 | 3.62 | 15.37 |
| BB | 1.49 | 2.86 | 2.71 | 12.92 |
| B | 0.98 | 2.16 | 3.35 | 14.33 |
| CCC | 1.51 | 3.49 | 7.20 | 26.48 |
| BBG BARC PAN-EURO HIGH YIELD *-LOCAL CURRENCY RETURNS* | 0.61 | 1.38 | 3.56 | 11.90 |
| BB | 0.63 | 1.17 | 2.69 | 10.01 |
| B | 0.59 | 1.52 | 4.12 | 13.28 |
| CCC | 0.39 | 2.43 | 6.90 | 20.17 |

High yield corporate credit posted another quarter of positive returns. These securities benefited from rising risk appetite as investors continued to search for higher yield. Similar to investment grade debt, US high yield debt outperformed euro-area high yield debt.

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**INDEX RETURNS BY SECTOR**
as of 30 June 2021

| INDEX | | | | |
|---|---|---|---|---|
| BANK LOANS | 1 MONTH | 3 MONTH | 6 MONTH | 1 YEAR |
| S&P/LSTA LEVERAGED LOAN | 0.37 | 1.47 | 3.28 | 11.65 |
| BB | 0.12 | 0.83 | 1.58 | 7.17 |
| B | 0.40 | 1.52 | 3.15 | 11.68 |
| CCC | 1.00 | 3.42 | 10.02 | 30.37 |

The performance of the high yield bank loan market is often highly correlated with that of the US high yield bond market, and this quarter was no exception. Bank loans added another quarter of positive returns and are one of the few fixed income sectors with strong year-to-date returns.

| DEVELOPED COUNTRIES | 1 MONTH | 3 MONTH | 6 MONTH | 1 YEAR |
|---|---|---|---|---|
| CITIGROUP WGBI *-LOCAL CURRENCY RETURNS* | 0.53 | 0.69 | -2.49 | -1.73 |
| CITIGROUP NON-USD WGBI | 0.40 | -0.01 | -2.52 | -0.96 |
| UNITED STATES | 0.76 | 1.88 | -2.52 | -3.16 |
| CANADA | 0.82 | 0.96 | -3.62 | -4.16 |
| JAPAN | 0.07 | 0.33 | -0.21 | -0.07 |
| AUSTRALIA | 1.23 | 2.28 | -1.95 | -1.64 |
| UNITED KINGDOM | 0.79 | 1.85 | -6.10 | -6.81 |
| EUROPEAN GBI | 0.46 | -0.68 | -3.01 | -0.21 |
| FRANCE | 0.38 | -0.80 | -3.80 | -2.05 |
| GERMANY | 0.48 | -0.37 | -2.77 | -2.07 |
| IRELAND | 0.41 | -0.84 | -3.46 | -1.04 |
| ITALY | 0.57 | -0.79 | -1.72 | 4.54 |
| SPAIN | 0.38 | -0.67 | -2.85 | 0.39 |

Global government bonds were a mixed bag during the quarter. Developed countries with larger index weights generally performed well, which led to a modestly positive return for the Citigroup World Government Bond Index. However, many European countries posted negative returns and underperformed the index.

| EMERGING MARKET BONDS | 1 MONTH | 3 MONTH | 6 MONTH | 1 YEAR |
|---|---|---|---|---|
| JP MORGAN EMBIG *-SOVEREIGN/QUASI-SOVEREIGN, USD* | 0.89 | 3.93 | -1.00 | 6.81 |
| JP MORGAN CEMBI BROAD DIVERSIFIED *-CORPORATES, USD* | 0.84 | 2.10 | 1.28 | 8.67 |
| JP MORGAN GBI-EM GLOBAL DIVERSIFIED *-GOVERNMENTS, LOCAL CURRENCY* | 0.09 | 1.40 | -1.83 | 1.75 |

After selling off in the first quarter, emerging markets rebounded in the second quarter. US rates fell as inflation fears abated, which helped emerging markets recover lost ground.

*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 30 June 2021

| INDEX | | | | |
|---|---|---|---|---|
| CURRENCY MARKETS | 1 MONTH | 3 MONTH | 6 MONTH | 1 YEAR |
| DOLLAR BLOC | | | | |
| CANADIAN DOLLAR | -2.69 | 1.32 | 2.64 | 9.50 |
| AUSTRALIAN DOLLAR | -3.05 | -1.32 | -2.55 | 8.62 |
| NEW ZEALAND DOLLAR | -3.95 | -0.03 | -2.80 | 8.20 |
| WESTERN EUROPE | | | | |
| EURO | -3.02 | 1.09 | -2.93 | 5.55 |
| NORWEGIAN KRONE | -3.23 | -0.62 | -0.29 | 11.87 |
| SWEDISH KRONA | -2.96 | 2.10 | -3.78 | 9.01 |
| SWISS FRANC | -2.82 | 2.01 | -4.30 | 2.41 |
| BRITISH POUND | -2.68 | 0.35 | 1.18 | 11.53 |
| EMERGING EUROPE & AFRICA | | | | |
| CZECH KORUNA | -3.29 | 3.54 | -0.16 | 10.36 |
| HUNGARIAN FORINT | -4.15 | 4.15 | 0.21 | 6.48 |
| POLISH ZLOTY | -3.94 | 3.59 | -2.08 | 3.78 |
| RUSSIAN RUBLE | 0.39 | 3.47 | 1.73 | -2.68 |
| SOUTH AFRICAN RAND | -3.84 | 3.43 | 2.87 | 21.46 |
| TURKISH NEW LIRA | -2.48 | -5.23 | -14.55 | -21.30 |
| ASIA | | | | |
| JAPANESE YEN | -1.38 | -0.35 | -7.07 | -2.86 |
| CHINESE RENMINBI | -1.35 | 1.48 | 1.09 | 9.40 |
| INDONESIAN RUPIAH | -1.52 | 0.17 | -3.10 | -1.62 |
| MALAYSIAN RINGGIT | -0.57 | -0.10 | -3.10 | 3.31 |
| PHILIPPINE PESO | -2.27 | -0.57 | -1.60 | 2.07 |
| SINGAPORE DOLLAR | -1.76 | -0.04 | -1.73 | 3.58 |
| SOUTH KOREAN WON | -1.38 | 0.51 | -3.53 | 6.82 |
| LATIN AMERICA | | | | |
| ARGENTINE PESO | -1.08 | -3.90 | -12.09 | -26.40 |
| BRAZILIAN REAL | 5.01 | 13.36 | 4.61 | 10.02 |
| CHILEAN PESO | -1.66 | -2.09 | -3.08 | 11.82 |
| COLOMBIAN PESO | -1.08 | -1.28 | -8.60 | 0.14 |
| MEXICAN PESO | 0.08 | 2.49 | -0.11 | 15.33 |
| PERUVIAN NEW SOL | -0.73 | -3.17 | -6.41 | -8.39 |

Currency market performance was mixed this quarter. Western and eastern European currencies gained ground against the US dollar, while many other emerging market currencies depreciated against the dollar. The Brazilian real was the best-performing currency during the quarter primarily due to diminishing political risks and less uncertainty around fiscal policy.

*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.***

## GLOBAL EQUITY MARKETS
as of 30 June 2021

| INDEX TOTAL RETURNS (%) | | | | |
|---|---|---|---|---|
| INDEX | 3 MONTH | 1 YEAR | 3 YEAR | 5 YEAR |
| S&P 500® | 8.55 | 40.61 | 18.59 | 17.59 |
| MSCI ALL COUNTRY WORLD | 7.53 | 39.69 | 15.08 | 15.15 |
| MSCI EUROPE | 7.74 | 35.65 | 9.24 | 10.95 |
| MSCI JAPAN | -0.25 | 25.14 | 7.60 | 10.54 |
| MSCI EMERGING MARKETS | 5.12 | 41.17 | 11.62 | 13.38 |

One year ago, global equity markets were just beginning their recovery from the lows of spring 2020. They have made a notable recovery since then, resulting in outsized one-year return metrics. Looking at the second quarter, the S&P 500 Index outperformed the global MSCI indices. Positive second-quarter returns reflected strong risk appetite.

## US EQUITY MARKETS
as of 30 June 2021

| INDEX TOTAL RETURNS (%) | | | | |
|---|---|---|---|---|
| INDEX | 3 MONTH | 1 YEAR | 3 YEAR | 5 YEAR |
| RUSSELL 1000® | 8.54 | 42.88 | 19.08 | 17.93 |
| GROWTH | 11.93 | 42.30 | 25.03 | 23.58 |
| VALUE | 5.21 | 43.48 | 12.37 | 11.84 |
| RUSSELL MIDCAP® | 7.50 | 49.57 | 16.38 | 15.57 |
| GROWTH | 11.07 | 43.57 | 22.29 | 20.46 |
| VALUE | 5.66 | 52.81 | 11.81 | 11.75 |
| RUSSELL 2000® | 4.29 | 61.73 | 13.46 | 16.41 |
| GROWTH | 3.92 | 51.12 | 15.88 | 18.70 |
| VALUE | 4.56 | 72.92 | 10.23 | 13.57 |

Within US equities, large-cap stocks outperformed small-cap stocks, a reversal of the first-quarter trend. In addition, growth stocks generally outperformed value stocks by a wide margin, except among small-cap stocks. Growth stocks benefited from diminishing fears of a continued rise in yields.

*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.***

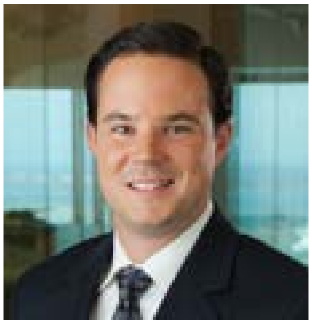
## S&P 500 SECTORS
as of 30 June 2021

| SECTOR PERFORMANCE ATTRIBUTION (%) | | | | |
|---|---|---|---|---|
| INDEX | 3 MONTH | 1 YEAR | 3 YEAR | 5 YEAR |
| REAL ESTATE | 13.09 | 31.89 | 14.71 | 9.73 |
| INFORMATION TECHNOLOGY | 11.56 | 42.42 | 30.42 | 31.28 |
| ENERGY | 11.30 | 49.35 | -6.10 | -3.67 |
| COMMUNICATION SERVICES | 10.72 | 48.38 | 22.28 | 10.35 |
| HEALTHCARE | 8.41 | 27.92 | 17.03 | 14.09 |
| FINANCIALS | 8.36 | 61.77 | 13.97 | 17.08 |
| CONSUMER DISCRETIONARY | 6.95 | 37.08 | 19.34 | 19.75 |
| MATERIALS | 4.70 | 48.14 | 14.77 | 14.56 |
| INDUSTRIALS | 4.48 | 51.31 | 14.99 | 14.33 |
| CONSUMER STAPLES | 3.83 | 23.29 | 14.14 | 8.04 |
| UTILITIES | -0.41 | 15.77 | 10.49 | 7.41 |

While dispersion among S&P sectors was relatively high this quarter, it is notable that nearly all sectors posted positive returns in the period. The utility sector was the one exception, with a mildly negative return. The energy sector posted another quarter of strong performance as renewed demand for oil helped push energy prices higher. Communication services and information technology also posted double-digit returns during the quarter.

*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.***

AUTHORS



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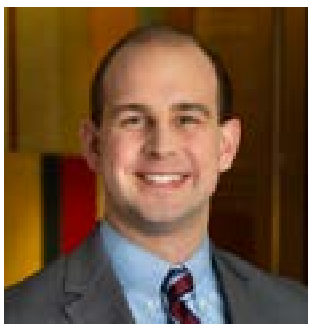

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## Disclosure

*All data as of 30 June 2021, unless otherwise noted.*

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***Past performance is no guarantee of future results.***

*Indices are unmanaged and do not incur fees. It is not possible to invest directly in an index.*

***Investing involves risk including possible loss of principal.***

*Commodity, interest and derivative trading involves substantial risk of loss.*

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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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