&Partners Prism

Investment Outlook and Recommendations

Optimal Diversification: Navigating 2024's Investment Risks and Opportunities

An investment commentary collaboration
&Partners Investment Team and Loop Capital

About &Partners

&Partners was founded by a team of experienced executives dedicated to building a wealth management firm where advisors and their clients can thrive. We acquired a broker-dealer and RIA and, in cooperation with that team, branded ourselves as &Partners. We are a member of FINRA and SIPC.

Our passion for putting advisors and their clients first defines &Partners. It fuels our commitment to exacting service standards, innovative technology and a robust, flexible investment platform.

The founders of &Partners are leveraging their knowledge and experience to create a firm that is aligned around a singular goal: to change lives for the better by empowering financial advisors to deliver effective advice and planning.

— &Partners Investment Team

Please review the Additional Important Disclosures on the last page(s) of this issue of Prism, which address the opinions, strategies, investments, indexes and other topics addressed herein.

Optimal Diversification: Navigating 2024's Investment Risks and Opportunities

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&Partners Prism: Our perspective, informed by collaboration

At &Partners, we take a distinctive approach to developing our views. That approach includes testing and refining our forecasts through conversations with market strategists and economists across the industry. These discussions, guided by our investment framework, help to ensure that our recommendations and market commentary offer unique, actionable insights.

Reflecting this collaborative spirit, &Partners Prism will regularly feature commentary from one or more of our expert partners. Spotlighting their perspectives will help provide a well-rounded view of the markets and transparency into the range of views within our network.

We'll revisit our market outlook regularly over the coming months and years, helping equip advisors and clients to adjust their portfolios intelligently over time. We welcome your feedback and ideas as we refine our approach to sharing insights, information and solutions.

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2024: The year of optimal diversification?

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Predictions are rarely 100% accurate. However, a well-rounded perspective on opportunities and risks can help investors thoughtfully prepare for a range of outcomes.[1]

Welcome to &Partners' inaugural market outlook. As a firm built by and for advisors, our overriding goal is for clients to receive advice done well — and that mission demands thoughtful, forward-looking analysis and perspective.

It's mid-February, and already 2024 has featured market volatility, mixed signals about inflation and disruptions from multiple geopolitical flashpoints. These kinds of crosscurrents — on a backdrop of fast-changing expectations for interest rates and evolving correlations between asset classes — inform our overarching investment theme for 2024: optimal diversification.

Optimally diversified portfolios provide resiliency. They are the key to preparing for unpredictable market conditions. For us, advice done well means building portfolios that can generate a reasonable range of potential returns in a variety of environments, keeping investors on the path to their financial objectives even when things don't go as expected.

This commentary includes our investment recommendations for early 2024, along with our broad macroeconomic and investment outlook. Also in this issue, Jim Reynolds of Loop Capital, one of our providers and collaborative partners, offers thoughts on tactical and strategic adjustments to make now, the problems with AI-based investment applications and more.

We hope our perspectives help you assess today's risks and opportunities and successfully navigate the months ahead.

2024 Theme: Optimal Diversification

Key recommendations:

1	2	3
Explore moving long-term assets out of cash and into a well-diversified, high-quality bond portfolio.	Reduce concentration in the Magnificent Seven by tilting equity portfolios toward higher-quality, more attractively valued dividend-paying stocks.	Look for diversifiers among international equities, adding non-U.S. exposure selectively.

Investment Recommendations

The economy and the markets beat rock-bottom expectations in 2023, supported by high post-pandemic savings and record low unemployment rates.[2] Entering 2024, investor expectations are higher, yet the vestiges of monetary and fiscal support have dissipated and consumer balance sheets have weakened.[3]

Although significant geopolitical risks could alter the economy's growth trajectory, we believe the economic expansion will continue in 2024. Our expectation is for growth to moderate and for inflation to continue to drop but remain higher than the Federal Reserve's 2% annual target. Three ongoing developments are at the forefront of our minds:

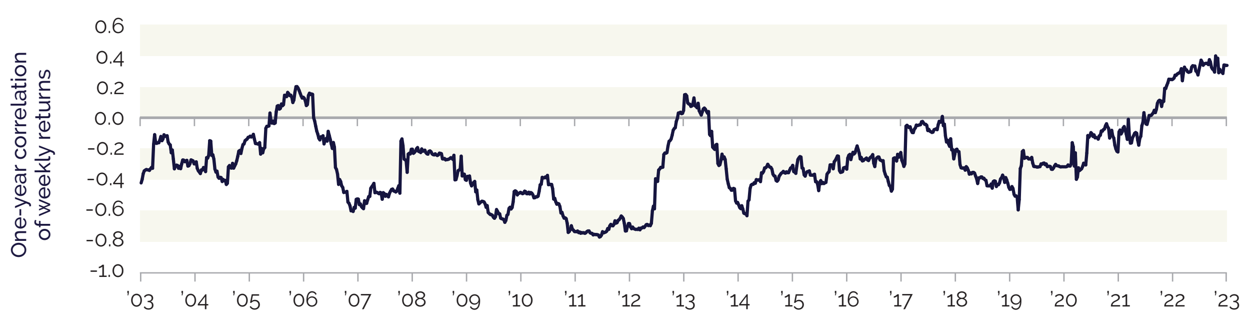
- **Market regime change.** The economy has fundamentally shifted since 2021: inflation and interest rates moved rapidly from low to high, while real (after-inflation) interest rates switched from negative to positive. These changes will continue to influence investment risks, opportunities and the range of potential investor outcomes.
- **Higher volatility.** We expect market volatility to increase in 2024, boosted by investor concerns about below-trend growth, uncertainty around monetary policy and heightened geopolitical tensions.
- **A potential decline in correlations between stocks and bonds.** Stock and bond returns have been positively correlated since January 2022 — a far cry from the asset classes' historical near- or below-zero correlations.[4] We expect the relationship between stocks and bonds to revert to more historically normal levels in 2024, which will enable bonds to provide greater ballast against equity volatility.

Remember that maintaining exposure to a full range of assets — which may include alternatives for qualified investors — can help protect against unforeseen risks. Within a diversified portfolio, investors may want to emphasize investments that they believe offer greater relative value while underweighting less-attractive assets.

In the following section, we highlight three portfolio moves for investors to consider in 2024. These recommendations are based on our full economic and macroeconomic outlook, which can be found on page 12.

Have Stock-Bond Correlations Peaked?

One-year correlation of weekly returns, S&P 500 and 10-year U.S. Treasuries



Source: Bloomberg

Recommendation 1

Rebalance long-term assets out of cash and into a diversified bond portfolio.

Why: The Federal Reserve's interest-rate hikes boosted yields on cash investments such as money market funds (MMFs) in 2023, attracting investors who sought stability and reliable income. MMF assets reached a record $6.14 trillion in September 2023.

How: We see value in intermediate-term Treasuries, which serve as a source of income and a hedge against economic and geopolitical concerns. Treasury Inflation-Protected Securities (TIPS) also are worth considering; TIPS recently offered real yields of around 2% across the curve, and they provide a hedge against higher-than-expected inflation.[5]

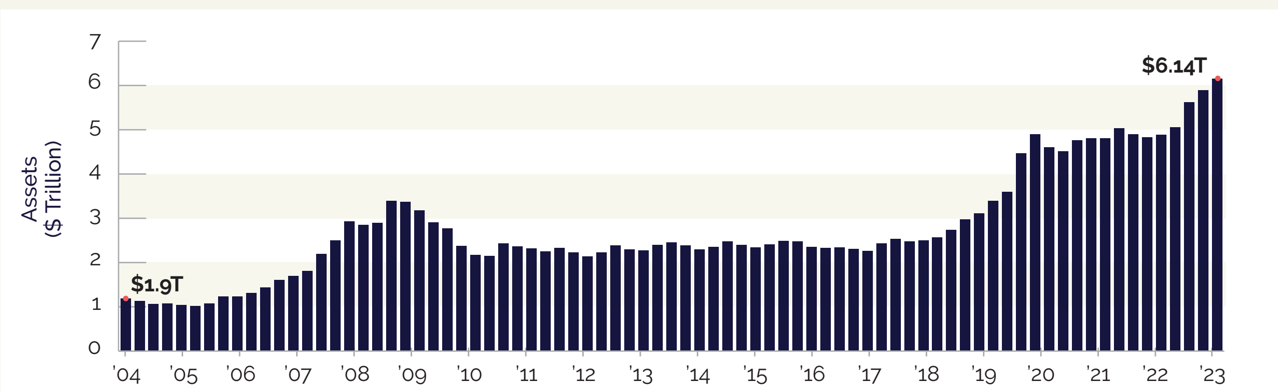
We also recommend reallocating a portion of excess cash to intermediate-term high-quality corporate bonds. We see these securities as offering a yield premium over Treasuries and representing relatively low risk given their issuers' balance-sheet strength. By contrast, we are cautious about high-yield bonds in light of the softening economic backdrop and tight credit conditions. In our view, investors are not currently being compensated fairly for the leverage risk inherent in lower-rated securities.

Parts of the municipal market also look attractive to us, with high tax-equivalent yields and valuable tax benefits for investors in top brackets. For example, certain AAA-rated 15-year municipal securities offer tax-equivalent yields over 5%.[6]

Investors who would like to remain more defensive or who have intermediate-term cash needs may want to consider brokered CDs. These securities can offer some of the defensive qualities of cash investments but pay higher yields.

Record Levels of Cash on the Sidelines

Total money market fund assets, in trillions



Source: Federal Reserve of St. Louis

Because we see the Fed cutting interest rates in 2024, we believe that maintaining large cash positions may make it harder for investors to meet their long-term financial objectives. We recommend putting some of that cash to work in a well-diversified fixed-income portfolio, which has the potential to increase longer-term expected returns, enhance diversification and, in the case of municipals, capture tax benefits.

Recommendation 2

In U.S. equities, reduce concentrations in the Magnificent Seven.

Why: The seven largest U.S. stocks, known collectively as the Magnificent Seven, are all high-tech, high-growth companies. Their prices have surged in recent years, to the point that together they now represent almost 30% of the market capitalization of the S&P 500 (see "The Cost of Magnificent Returns: Less Diversification" below).

The Magnificent Seven's outsized weights can distort the investment characteristics of an index. For example, the S&P 500's price-to-earnings (P/E) ratio recently reached 23 based on earnings estimates for the coming year — high by historical standards. Remove the Magnificent Seven, and the index's other 493 stocks trade at a forward P/E ratio of 16, in line with historical norms. The result: strategies that mirror market cap-weighted indices are likely to be less diversified and more sensitive to certain risks.

How: Consider holding a portion of core U.S. equity allocations in diversified, low-cost dividend-focused strategies. We favor strategies that emphasize companies with higher-than-average dividends and the financial strength to protect and grow these payments over time. This approach can help reduce the sector, style, factor and company concentrations that result from the Magnificent Seven's dominance in market cap-weighted indexes.

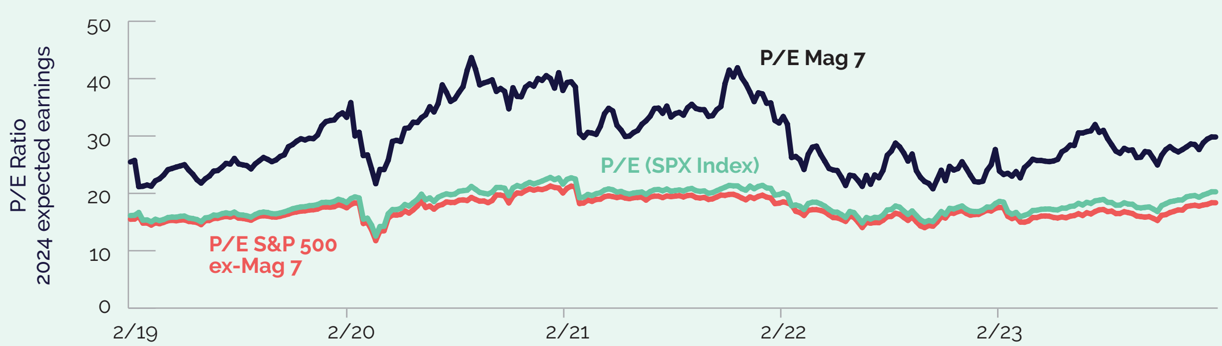
Additionally, investors whose small-cap allocations have fallen below their strategic targets should consider rebalancing. We believe small stocks' valuations are attractive. At the end of January, the forward P/E ratio for the small-cap S&P 600 index was about 20% cheaper than its 10-year average and more than 25% cheaper than the S&P 500.[7]

The Cost of Magnificent Returns: Less Diversification

The Magnificent Seven have benefited disproportionately from the market environment of recent years, as negative real interest rates pushed investors to prioritize growth. These stocks' enormous market values, about 29% of the total market capitalization of the S&P 500, give them disproportionate influence on the performance of market-weighted stock indices and the investment strategies that track them.[8]

The Magnificently Expensive Seven

Average price-to-earnings ratio of the Magnificent Seven and the S&P 500



Source: Bloomberg

Recommendation 3

Seek international diversifiers selectively.

Why: U.S. investors tend to have relatively small weights in international equities,[9] and some may be skeptical of these positions' value after a decade of U.S. outperformance.[10] We strongly recommend maintaining exposure to international markets as we believe that holding securities outside of the U.S. provides valuable portfolio diversification benefits. Historically, international equities tend to alternate periods of outperformance with stocks in the U.S.[11] In general, international indices are more biased toward cyclical, value-oriented sectors such as financials, natural resources and industrials,[12] which can help counterbalance the U.S. large-cap market's bias toward growth.[13]

International positions can also help investors capitalize on major trends in the global economy. Recent market disruptions, such as those resulting from the pandemic and Russia's invasion of Ukraine, have led economies and companies around the world to bring manufacturing closer to home, a phenomenon called near-shoring.[14] From an investment perspective, we believe that the near-shoring trend may increase diversification opportunities among international investments, because companies and countries may become less connected to the global business cycle and supply chains.

We have a cautious outlook for international equities as a whole. That said, to us, Japan and emerging markets present enticing prospects, with positive real yields, a trend toward lower and more stable inflation, and valuations much lower than in the United States. Earnings expectations are improving in Japan;[15] China is planning further stimulus measures;[16] and India is the only market with double-digit projected earnings growth over the next three to five years.[17]

How: We believe international equities generally should represent at least 25% of an equity portfolio. Adding selectively to holdings in Japan and emerging markets is a prudent way to diversify portfolios that invest primarily in U.S. equities. Investors can execute this move with a range of exchange-traded funds (ETFs) and passive funds, but they may want to consider actively managed strategies for international positions. Research indicates that active management has historically added more value among international equities than in U.S. stocks.[18]

> **Take advantage of interest-rate volatility to revisit fixed income. Bond yields are near multi-decade highs, so investors are getting paid much more to diversify than they were a few years ago.**
>
> **LOOP CAPITAL**

A Partner's Perspective

A conversation with **Jim Reynolds**, founder and CEO, Loop Capital

Loop Capital founder and CEO Jim Reynolds offers his firm's perspective on portfolio positioning, news his team is watching especially closely, AI investment apps and the outlook for asset class performance.

Loop Capital's market outlook is similar to ours at &Partners. Like us, the firm recommends capitalizing on today's market landscape to enhance diversification in equities and to explore opportunities across fixed income. Loop Capital is more optimistic about U.S. corporate earnings, however, leading to a more bullish outlook on U.S. equities.

Loop Capital's Recommendation

Strategic recommendations

Allocate to uncorrelated investments that have the potential to add to portfolio returns while helping protect against increased volatility in the stock and bond markets.

Tactical recommendations

Take advantage of interest-rate volatility to revisit fixed income. Bond yields are near multi-decade highs, so investors are getting paid much more to diversify than they were a few years ago.

What's on your radar?

1. **Economic conditions:** The U.S. economy has been surprisingly resilient. Significant weakening or recession (which we do not expect) could cause markets to fall more steeply than most investors expect or are prepared for.
2. **Fed cuts:** The timing and magnitude of the Fed's interest-rate cuts is an unknown that could help or hurt market returns.
3. **Geopolitics:** Global tensions and U.S. elections could increase market volatility.

What are your thoughts on AI-based investment apps?

AI applications for financial markets carry risks for inexperienced investors. Our view is that without human guidance, investors relying on financial apps tend to make rash, emotional decisions that can be very detrimental to portfolio performance, especially during periods of high volatility.

2024 Asset Class Outlook

Asset Class	Rank
U.S. Equities	1
High-Yield Bonds	2
U.S. Fixed Income (Agg)	3
Private Equity	4
International Equities	5
Cash	6
Real Estate	7

Why are U.S. equities at the top of the list? The U.S. consumer remains resilient, likely leading to continued net consumption as long as the labor market remains strong. We expect U.S. equities to post solid earnings growth as a result, and in our estimation, valuations remain reasonable.

Why is real estate at the bottom of the list? Borrowers face high hurdle rates, and the commercial real estate market is confronting strained liquidity and rising delinquency rates. In residential real estate, we question how much further cash buyers can push up prices.

About Loop Capital

Loop Capital is a leader in global investment services and capital markets, offering a full-service investment bank, brokerage and advisory firm. Loop Capital provides client-focused capital solutions to corporate, government and institutional investors around the world.

James "Jim" Reynolds, Jr. is founder, chairman and CEO of Loop Capital. He founded Loop Capital in 1997 with a simple motto: "To provide client service beyond expectations."

$6 tn in debt and equity underwriting mandates*

$1 bn in fixed income securities traded daily

$750 mln average daily trading volume in equities in over 80 countries

*Stat since inception.

JAMES REYNOLDS, JR.,
Chairman and Chief Executive Officer,
Loop Capital

2024
Investment Outlook

Investors need to contend with a range of potential headwinds entering 2024. If the economy fails to live up to high expectations for a soft landing, risk assets may struggle. Investors also will have to navigate a geopolitical landscape marked by a raft of conflicts, tense trade relations and elections that will send two billion people to the polls.

We believe maintaining well-diversified portfolios will be essential amid all this uncertainty. The backdrop doesn't make us bearish, but on balance it leads us to a cautious view on U.S. and international equities. We have a favorable view of fixed income: bonds provide higher yields than they have for many years, potentially offering ballast in the event of an equity downturn.

Below is our investment outlook across major asset classes.

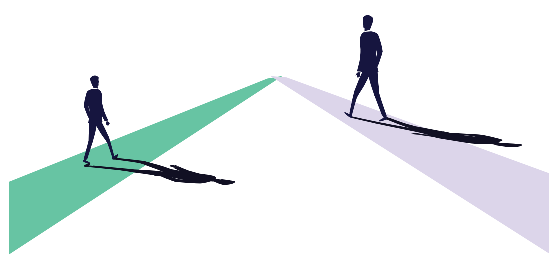
&Partners 2024 Investment Outlook Spanning Major Asset Classes

Cautious to somewhat favorable

	Unfavorable	Cautious	Neutral	Somewhat Favorable	Favorable
U.S. Equities		●			
International Equities		●			
Fixed Income				●	
Alternatives				●	

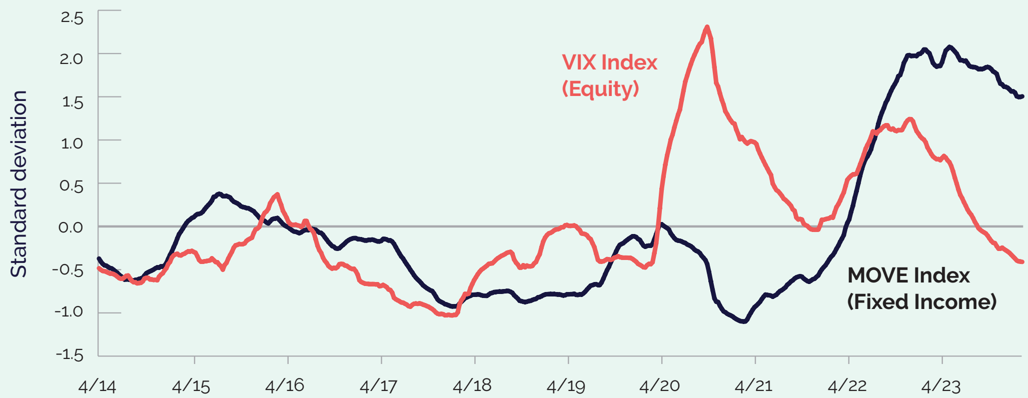
U.S. Equities: **Cautious**

Analyst projections for S&P 500 companies' 2024 earnings growth have started to drop but remain around 10%.[19] We think this forecast may be too optimistic given modest economic expansion and still-tight monetary policy, and we worry that profit forecasts do not fully reflect the risks to corporate earnings. Expected stock market volatility remains unusually low, possibly indicating that the markets aren't pricing in these risks. And broad-market index valuations look expensive to us after the late-2023 rally, with the forward P/E ratio of the S&P 500 near the high end of its 10-year range.



Stocks' Volatility Has Fallen. Are investors Overly Optimistic?

Expected risk volatility of stocks and bonds based on 30-working day moving average of MOVE and VIX, respectively



Source: Bloomberg

The MOVE Index calculates the implied volatility of U.S. Treasury options using a weighted average of option prices on Treasury futures across multiple maturities (2, 5, 10 and 30 years).

The CBOE Volatility Index, or VIX, is a real-time market index representing the market's expectations for volatility over the coming 30 days. Investors use the VIX to measure the level of risk, fear or stress in the market when making investment decisions.

International Equities: Cautious
We have a cautious stance on international equity markets. On the whole, stocks out-side the U.S. are expected to post relatively low earnings[20] amid flagging economic growth and high inflation. That said, we see reasons to be positive about Japan and certain emerging markets. (See Investment Recommendation 3.)

Fixed Income: Somewhat favorable
Yields across many sectors of the fixed-income markets are still quite high compared to historical averages over the last 15 years.[21] We believe the inverted yield curve offers opportunities to capture attractive yields across various sectors, particularly in high-quality intermediate term securities. (See Investment Recommendation 1.)

Alternatives: Somewhat favorable
Valuations have fallen amid a drop-off in venture capital and private equity financing: iCapital reports that median pre-money early-stage venture valuations have declined 13% from 2022 highs, while late-stage venture capital valuations are 21% off their peaks. Meanwhile, fundamentals in private equity appear to be improving, as revenue and earnings growth for sponsor-backed middle-market companies picked up in the second half of 2023.[22] Value in alternatives often emerges during times of stress: a seize-up in the markets could present attractive opportunities in less-liquid investments, including private-market secondaries.

&Partners 2023 Market Summary: 2023 Change

In 2023 many predicted the economy would slump and financial markets would struggle. In reality, stocks and bonds posted strong gains, inflation cooled and earnings turned positive in the 3rd quarter.

	12/31/22	12/31/23	2023 Change
Equity Market Indices			
MSCI All Country World	318.09	388.11	22.0%
S&P 500	3839.50	4769.83	24.2%
Russell 2000	1761.24	2027.07	15.1%
MSCI EAFE	1943.93	2236.16	15.0%
Nasdaq	10466.48	15011.35	43.4%
TOPIX	1891.71	2366.39	25.1%
KOSPI 200	291.10	357.99	23.0%
Emerging Markets	956.38	1023.74	7.0%
Fixed-Income Yields			
2-Year U.S. Treasury Note	4.43	4.25	-0.18
10-Year U.S. Treasury Note	3.87	3.88	0.00
BBG U.S. Agg Corp Spread	1.30	0.99	-0.31
BBG U.S. High-Yield Corp Spread	4.69	3.23	-1.46
Currency Exchange Rates			
Chinese Renminbi (CNY/$)	6.90	7.10	-2.9%
Brazilian Real (Real/$)	5.28	4.86	8.0%
British Pound ($/GBP)	1.21	1.27	-5.4%
Euro ($/Euro)	1.07	1.10	-3.1%
Japanese Yen (Yen/$)	131.12	141.04	-7.6%
Korean Won (KRW/$)	1265.50	1288.10	-1.8%
U.S. Dollar Index (DXY)	103.52	101.33	-2.1%
Commodities Indices			
Gold	1824.02	2062.98	13.1%
Oil	85.91	77.04	-10.3%
Natural Gas	4.94	2.51	-49.1%

Source: Bloomberg

2024
Macroeconomic Outlook

We build our investment outlook on our expectations for economic growth and inflation. From there we estimate central banks' short-term rates and real (after-inflation) interest rates and use them to develop return expectations for risk assets such as equities and corporate bonds. (For more information about our philosophy and framework, please see the Appendix.)

The following analysis informs our outlook:

Economic growth
We expect the U.S. economy to slow. Delayed repercussions from the Fed's 2023 interest-rate hikes could lead to a gradual slowdown in consumer spending, sapping one of the economy's sources of strength in 2023. That said, we think the Fed will be able to engineer a soft landing and avoid a recession. We project U.S. GDP will expand 1.4% in 2024 and then return to trend levels in 2025, when the Fed estimates growth of 1.8%.

Economies outside the U.S. may struggle due to China's economic slowdown and the conflicts in Ukraine and the Middle East. The outlook for Japan is more positive, as we expect greater economic stability, more-benign monetary policy and growing corporate earnings.

While our economic outlook forms the basis for our investment outlook, it is important to remember that the economy is not the market, and equities historically tend to look past transitory challenges.

Inflation
Our base-case expectation is for inflation to ease through 2024, approaching the Fed's 2% target by the end of the year but staying above it. To our eyes, corporate leaders appear far less concerned about rising prices: the word "inflation" was mentioned in analyst earnings calls less than half as frequently in 2023 as in 2022.[23]

Overall declines in inflation should allow the Fed and other central banks to respond to below-trend economic growth in the first half of 2024 by cutting rates in the second half, most likely in the third quarter. That said, there are considerable risks to our inflation forecast, particularly the possibility that geopolitical events could disrupt supply chains.

Real rates
Real interest rates — central banks' short-term target rates minus inflation — are poised to remain near 2% as both inflation and policy rates come down. That level would be slightly higher than the post-financial crisis average[24] and would mark a departure from the past decade when real rates typically were 0% or lower.

Risk assets
Shares of high-growth companies have benefited in recent years from negative real interest rates,[25] and they stand to lose that tailwind, which makes a case for tilting the investment portfolio away from growth stocks toward more value-oriented companies. Meanwhile, positive real rates mean a wide variety of fixed-income investments offer yields higher than the rate of inflation.

Appendix

Investment framework
The Investment Team at &Partners takes a distinctive approach to developing our views. Our approach includes testing and refining our forecasts through conversations with market strategists and economists across the industry. These discussions, guided by our investment framework, help to ensure that our recommendations and market commentary offer unique, actionable insights.

As illustrated below, we build our investment outlook by:

- Setting our expectations for economic growth and inflation
- Estimating central banks' short-term rates and real interest rates (after-inflation)
- Using those insights to develop return expectations for risk assets such as equities and corporate bonds

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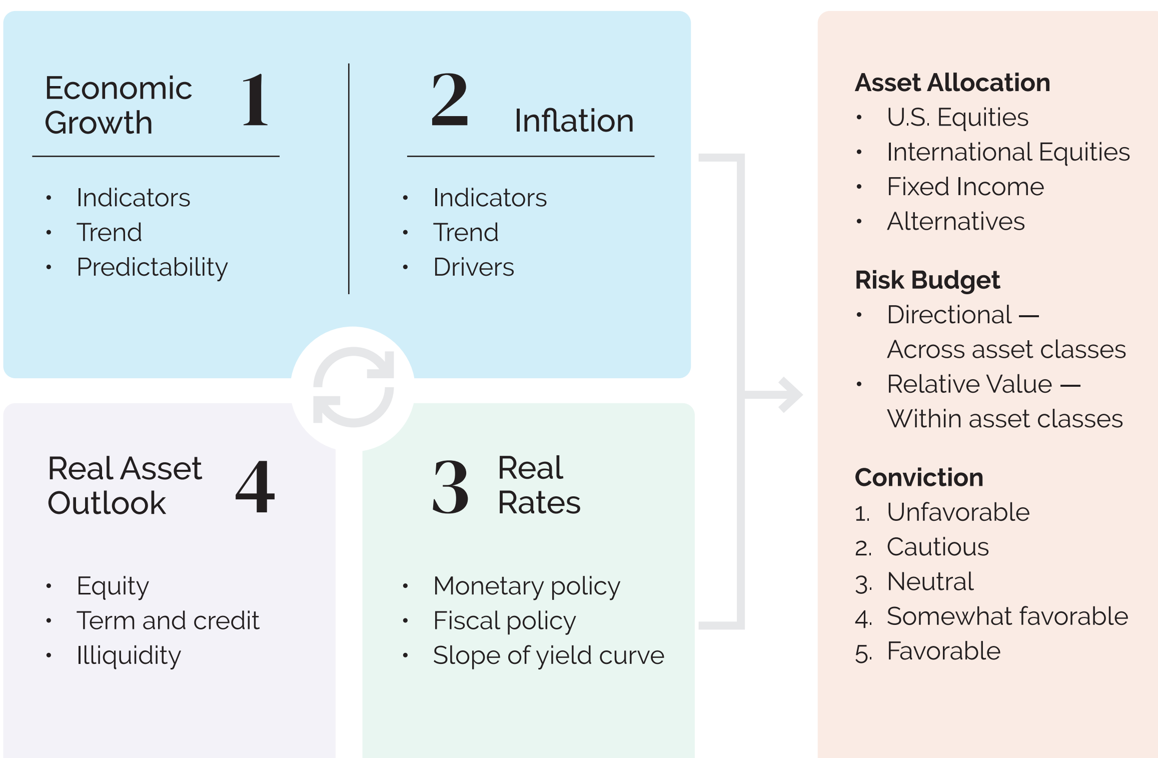
&Partners Investment Philosophy Framework



Additional Important Disclosures

Within Prism, we discuss a number of considerations and different types of investments, strategies and programs that are neither suitable for nor available to all investors. Consequently, this material does not intend to address the financial objectives, situation or specific needs of any individual investor. You should consult with your financial professional before investing and with your accounting and tax advisors to understand the tax implications of any investment or investment transaction(s) in connection with your specific situation.

Different types of investments and investment strategies inherently carry different or greater risks than others. With all investments, past performance may not be indicative of future results and it is possible that you may lose some or all of your investment. Additionally, certain investments may have limited liquidity, or may become illiquid, so you should consider your potential capital and liquidity needs before investing.

The information and opinions herein are point-in-time, as of the date of publication, and are based on certain current assumptions and views that are all subject to change. Before acting on any information in Prism, please consult with your financial professional(s) to assure any changes to your portfolio are appropriate for your goals and circumstances at that time.

Investment and portfolio diversification is generally recommended to reduce the overall volatility of a portfolio, but diversification will not assure a gain or prevent a loss (especially in declining markets). Diversification is generally more effective to reduce volatility when a portfolio includes investments that are uncorrelated or negatively correlated with one another from a performance and investment risk standpoint. Historical correlation of investment performance correlation (or lack thereof) is, by its nature, backwards looking and does not guarantee the correlation (or lack thereof) will continue or remain constant.

This material has been prepared on the basis of publicly available information, internally developed data and other third-party sources believed to be reliable but &Partners, nor any of its affiliates, does not guarantee its accuracy. &Partners has not sought to independently verify information taken from public and third-party sources. Charts and graphs provided herein are for illustrative purposes only.

Small-cap, mid-cap, high-yield fixed income, international, currencies, commodities and commodities-based securities (including, but not limited to, commodity-related and/or real estate-related securities) investments will typically have greater volatility and carry other unique risks that may make them more susceptible to loss.

All bonds have risk of default that historically has varied based on the creditworthiness of the issuer. Please consider the historic default risk for any bonds you may be considering for your portfolio before you invest. For municipal securities, you should consult the Municipal Securities Rulemaking Board's Electronic Municipal Market Access (EMMA) website for material event disclosures concerning municipal security investments and issuers you are considering or holding.

When discussing "high-yield" bonds, we are referring to securities where the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below.

When we refer to "high-quality" bonds, we are referring to securities rated investment grade (Baa3/BBB-/BBB- or higher) using the middle rating of Moody's, S&P and Fitch.

Interest income from most, but not all, municipal securities is exempt from state and/or federal taxation, but in certain situations tax-exempt income may be subject to the alternative minimum tax (AMT). Before investing in municipal securities consult your tax professional. Similarly, many municipal securities offer lower pre-tax yields than federal taxable equivalents. As such, we recommend them for investors only where investors are in high tax brackets where the post-tax return is as good or better than the taxable equivalent.

Investments in fixed-income securities, including bonds and municipal securities, are subject to issuer, credit rate, interest rate, liquidity, inflation, prepayment, extension and other similar risks that will effect the market price of those investments. Bond pricing will generally fluctuate inversely with changes to interest rates, but not all bonds follow the same patterns depending on specific bond terms and other risk considerations.

It is important that you review any prospectus or other offering materials for applicable investments, prior to investing.

Indexes are unmanaged and cannot be invested in directly. Index performance does not include fees and expenses an investor would normally incur when investing in a mutual fund. Diversification and strategic asset allocation do not assure profit or protect against loss in declining markets. Returns represent past performance are not a guarantee of future performance, and are not indicative of any specific investment.

MSCI AC (All Country) Index: Captures large and mid cap representation across 23 developed markets and 24 Emerging Markets countries. With 2,791 constituents, the index covers approximately 85% of the global investable equity opportunity set.

MSCI EAFE (Europe, Australasia, Far East) Index: A free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the U.S. and Canada.

Russell 2000® Index: The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000 Index is a subset of the Russell 3000® Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership.

S&P 500® Index: A free-float capitalization-weighted index published since 1957 of the prices of 500 large-cap common stocks actively traded in the United States. The stocks included in the S&P 500® are those large publicly held companies that trade on either of the two largest American stock market exchanges: the New York Stock Exchange and the Nasdaq.

Nasdaq Composite: A stock market index that includes almost all stocks listed on the Nasdaq stock exchange. Along with the Dow Jones Industrial Average and S&P 500, it is one of the three most followed stock market indexes in the United States. The composition of the Nasdaq Composite is heavily weighted towards companies in the information technology sector.

Tokyo Stock Price Index (TOPIX): A free-float adjusted market capitalization-weighted index of all the companies listed on the First Section of the Tokyo Stock Exchange. The First Section contains the larger companies in the index, while the Second Section is comprised of smaller companies. TOPIX, because of its nearly 2000 constituents, is widely regarded as a broad benchmark for Japanese stock prices.

KOSPI 200: A capitalization-weighted stock market index that is comprised of the 200 largest publicly-traded common stocks traded in Korea that tracks roughly 70% of the market value of the overall Korean Stock Exchange.

MSCI Emerging Markets Index: Captures large and mid-cap representation across 24 emerging markets countries. With 1,440 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

S&P SmallCap 600® Index: A float-adjusted market-cap weighted index measures the performance of the small-cap segment of the U.S. market. The index is composed of 600 constituent companies considered small-cap based on their total market capitalization. The 600 constituent companies cover approximately 2.5% of the U.S. equities market and fall within 11 sectors.

Bloomberg U.S. Corporate Index: A fixed-income index that measures the investment grade, fixed-rate, taxable corporate bond market. It includes USD-denominated securities publicly issued by U.S. and non-U.S. industrial, utility and financial issuers that have a remaining maturity of at least one year.

Bloomberg U.S. Corporate High Yield Index: A fixed-income index that measures the performance of USD-denominated, non-investment grade, fixed-rate, taxable corporate bonds, including corporate bonds, fixed-rate putable, and callable bonds, SEC Rule 144A securities, original issue zeros, pay-in-kind bonds, fixed-rate and fixed-to-floating capital securities.

CBOE Volatility Index (VIX): An options index that estimates expected stock market volatility by aggregating the weighted prices of S&P 500 Index (SPX℠) puts and calls over a wide range of strike prices. The VIX is intended to serve as a barometer for market uncertainty, providing a 30-day measure of the expected volatility of the broad U.S. stock market.

Merrill Lynch Option Volatility Estimate (MOVE) Index: An options index that measures the implied volatility of U.S. Treasury options across 2, 5, 10 and 30-year maturities. The MOVE Index is intended to gauge of interest rate volatility in the U.S. Treasury market.

U.S. Dollar Index (DYX): A currency index that measures the value of the U.S. dollar relative to a basket of six foreign currencies (Euro, Swiss Franc, Japanese Yen, Canadian Dollar, British Pound and Swedish Krona).

Footnotes

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