INVESTMENT OUTLOOK

OCTOBER 2019

THE FOURTH QUARTER OF 2019 COULD BE A CHALLENGING ONE FOR MARKET PARTICIPANTS.

Markets may be volatile as investors search for clues about the health of the global economy, while most asset class valuations look fair to rich. However, it's not all doom and gloom. Despite the potential for choppy trade, we believe fixed income and equity markets could generate mid-single-digit returns over the next 12 months.

MACRO DRIVERS

Though economic growth continues to slow around the world, we see limited signs of an impending recession.

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CREDIT

We see excess return potential as long as financial conditions can hold steady.

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GOVERNMENTS & CURRENCIES

Central banks around the globe are cutting interest rates in response to weaker economic growth. Dollar strength seems likely to persist in this environment.

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EQUITIES

Forward valuations look a bit elevated at the index level, underscoring the importance of security selection.

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POTENTIAL RISKS

Tariffs and trade conflict between the US and China cast a cloud over an otherwise solid economic outlook. Outright recession risk appears low, but we need to see a cyclical pickup soon.

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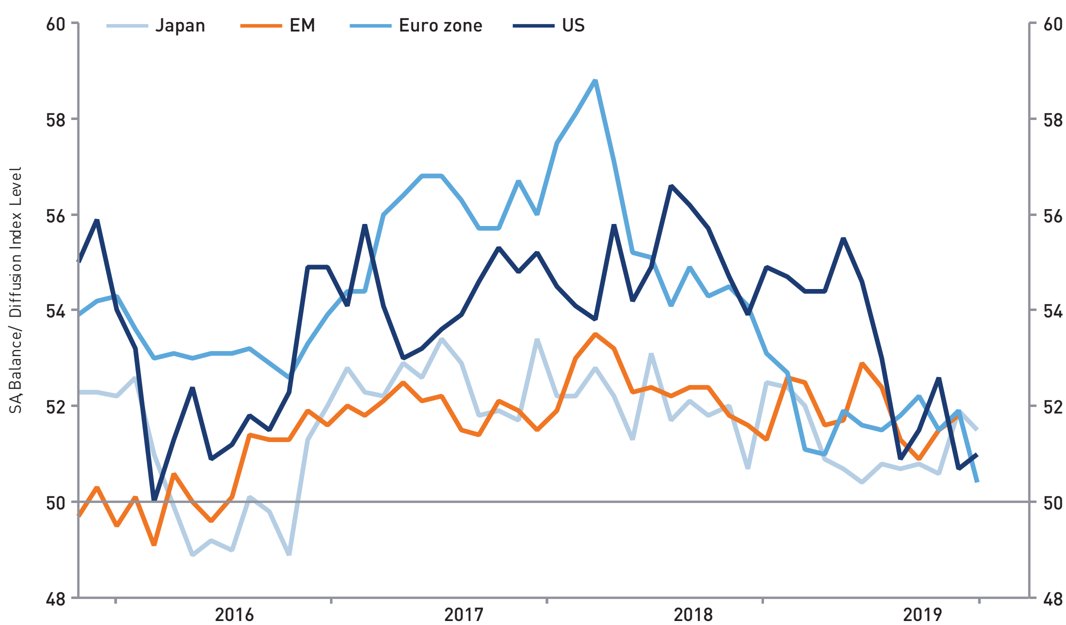
MACRO DRIVERS

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

- Global economic data may continue to indicate weakness near term. However, we expect the manufacturing-driven slowdown to reverse course later in the fourth quarter without a recession.
- The Federal Reserve (Fed) will likely cut its key policy rate in October and December of 2019. Elsewhere, the European Central Bank and Bank of Japan have indicated signs of continued easing until growth and inflation approach mandated targets.
- Global growth consensus forecasts have stabilized across developed and emerging market economies. Absolute levels of real GDP still look decent for this year and next.
- We still expect labor market strength and rising wages. However, these conditions may not result in substantially higher consumer price inflation as they have in past expansions.
- We fear manufacturing sector weakness could bleed through to service-oriented sectors, leading to increased job loss. For now, we see limited indications of such an outcome.

MARKIT COMPOSITE PMI INDICATORS

Manufacturing PMI[1] readings are near or below 50 in several economies, but composite PMI indicators, which include services, are still indicating expansion.



Source: Refinitiv Datastream, data as of 9/26/2019.

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

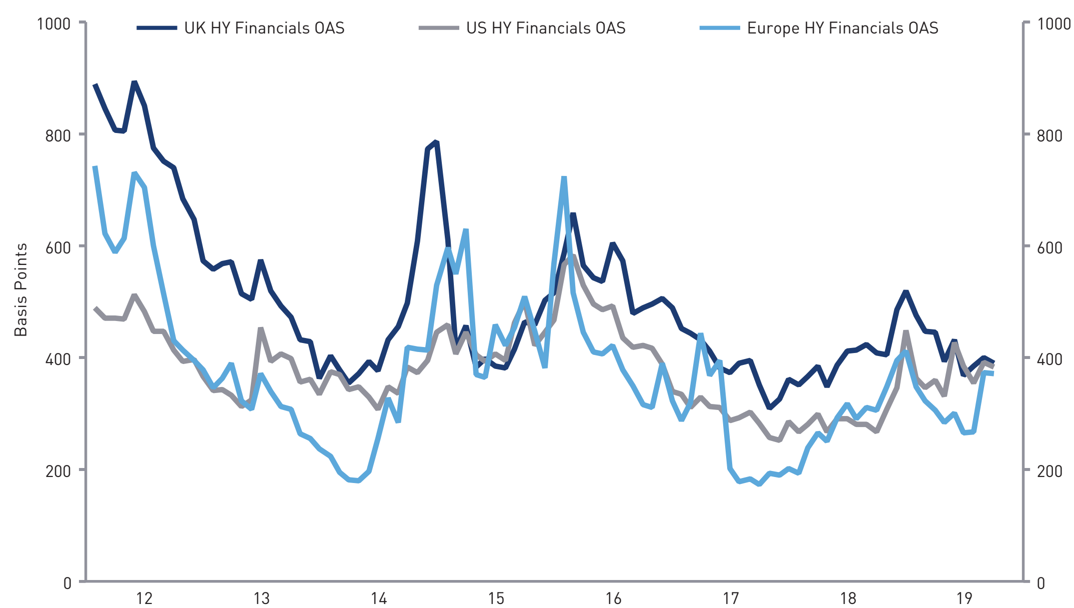
CREDIT

Strong demand for credit should help credit spreads remain stable.

- Global growth remains moderate and 2019 corporate earnings are still likely to rise in the low-single-digit range.
- Changes in the economic outlook will likely determine the trading range for credit spreads. Deterioration could push spreads wider, while improvement could move spreads tighter. The global thirst for yield is supporting a strong bid for credit, which should keep spreads relatively stable.
- We believe consensus estimates for 2020 corporate earnings may be too high, especially if the manufacturing recovery develops slower than we anticipate, or does not materialize at all.
- The credit sector's yield and excess return potential hinge on corporate profit and global economic growth. As long as these metrics continue to expand, credit investors should be able to harvest some yield and modest excess returns.
- US high-grade corporate credit quality continues to trend positive across most industries. We think downgrade concerns about BBB-rated credits in the next economic downturn are valid, but perhaps a bit overblown.

GLOBAL HIGH YIELD FINANCIAL SECTOR SPREADS

A healthy financial sector supports the economy through the lending channel, allowing corporates and individuals to borrow and spend. Spreads have been contained and financial sector fundamentals still look decent.



Source: Refinitiv Datastream, data as of 9/26/2019.

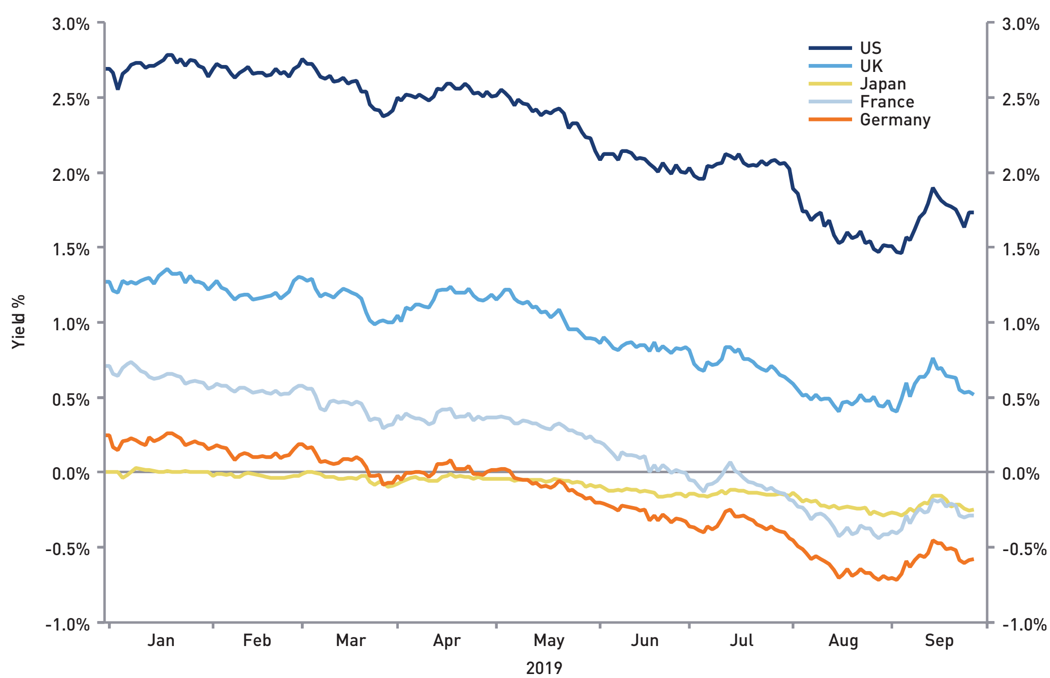
GOVERNMENTS & CURRENCIES

A global economic slowdown and accommodative central bank action supported a global bond rally.

- After facing pressure all year, global interest rates spiked in September as global PMI data stabilized. We see a pickup in economic activity in the months ahead, but not quite yet. When it does materialize, more positive economic data should help the global economy out of this soft patch of growth. That said, we do not anticipate a boom or inflationary impulse.
- Inflation pressure in the US remains nonthreatening and the global growth outlook still appears soft, supporting our view that the Fed will cut interest rates twice more by year-end.
- Market-based expectations for the federal funds rate suggest only one more twenty-five basis-point cut in 2019 and two additional cuts in 2020. If economic data picks up like we expect, the economy might not need that much support from the Fed in 2020.
- Emerging market debt may prove to be an attractive opportunity for investors looking for higher yield potential. However, the US dollar is likely to stay strong.

10-YEAR DEVELOPED MARKET GOVERNMENT YIELDS

We believe global rates need a material improvement in the economic outlook to avoid revisiting the lows of early September.



Source: Refinitiv Datastream, data as of 9/26/2019.

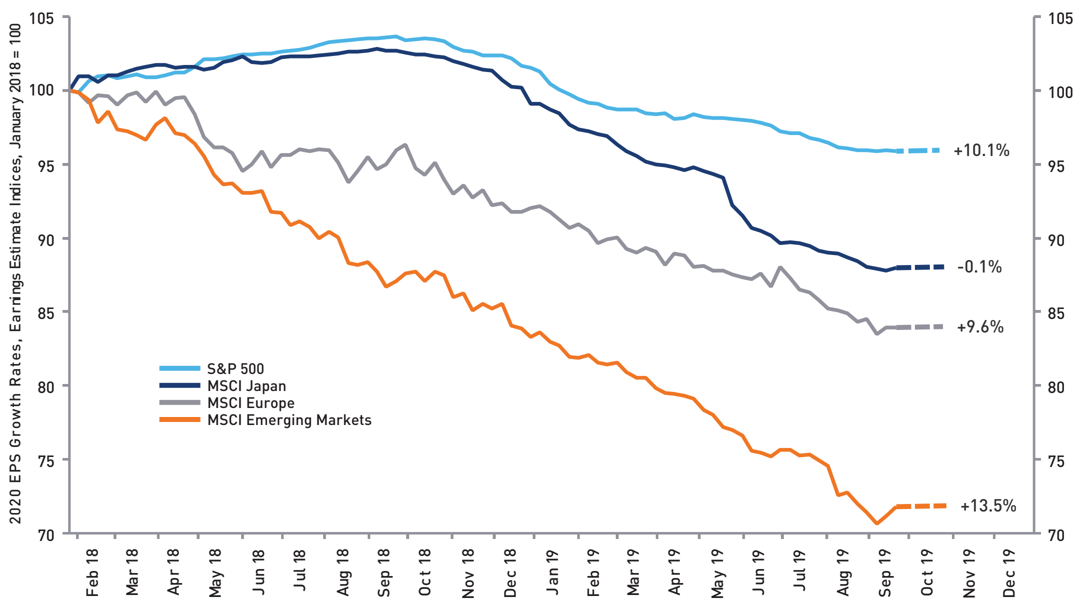
EQUITIES

Earnings may have to do the heavy lifting.

- Price-to-earnings multiples expanded from very low levels this year. We see little opportunity for further expansion, even with a more accommodating Fed and long-term yields near multi-year lows across the globe.
- The outlook for corporate earnings and global growth remain critical factors helping to drive equity market performance. Downside risks include uncontrolled trade escalation between the US and China and a slower-than-anticipated uptick in economic activity. Both could impact earnings and equity markets negatively.
- US trade policy remains a source of uncertainty for corporate decision-makers and investors. Clarity on trade negotiations with China and some sort of deal, even if small, would introduce potential upside risk to global equity markets.
- We have seen a weak trend in 2020 earnings estimates all year. The US has held up relatively better than global peers, which is one reason we prefer US equities over global equities.
- We expect 2020 earnings growth in the mid-single-digit range worldwide, based on our fairly sanguine economic outlook. Japan and emerging Asia may continue to show relative weakness.

GLOBAL 2020 EARNINGS PER SHARE ESTIMATE TRENDS

Earnings per share estimates for the US, Europe and emerging markets may be too high, despite negative revisions year to date.



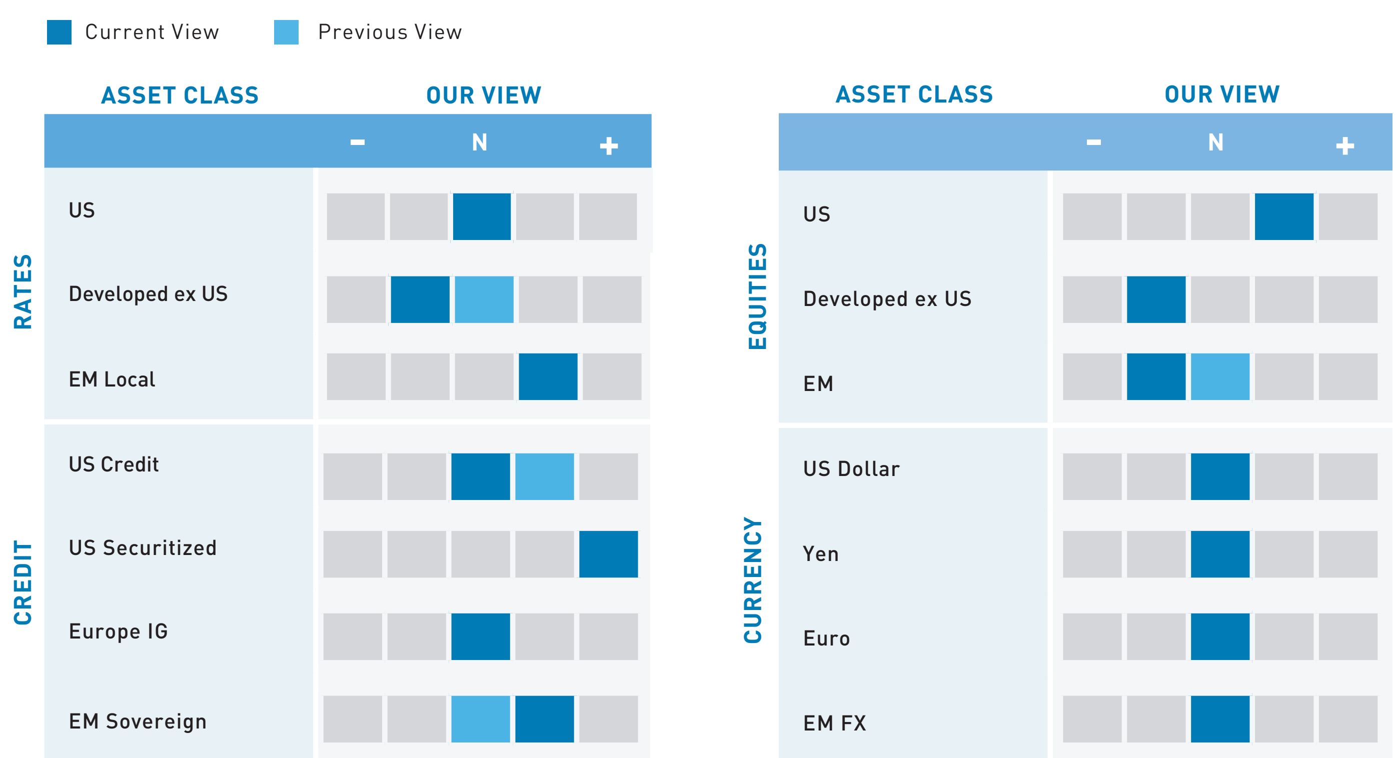
Source: Refinitiv Datastream, IBES consensus estimate data, data as of 9/20/2019.

POTENTIAL RISKS

Skating on thinner ice as the global economy slows.

- Consensus estimates for domestic growth could still head lower, but we believe the probability of a US recession is low. We expect US and global economic data to begin improving.
- US-China trade negotiations remain a major downside risk to our growth outlook. Trade talks are scheduled for early October. Despite economic weakness in both the US and China, neither side appears ready to give in.
- We are watching geopolitical conflicts with Iran and other nations. If geopolitical developments worsen, investors may demand compensation for the added risk, driving risk premiums higher. Credit spreads and equity markets would likely stumble.
- Consensus earnings growth estimates for 2019 have been revised down into the low-single-digit range for the US, Europe and emerging markets. Japan could see outright declines in corporate profitability this year. We believe earnings growth needs to improve to support equity performance through 2020.
- An uptick in high-frequency economic indicators could go a long way to support investor sentiment and risk assets. For now, investor sentiment still reflects end-of-cycle fears, which may be overstated. We believe the expansion should continue through 2020.

ASSET CLASS OUTLOOK



Third Quarter Review

By Craig Burelle, VP, Macro Analyst

INDEX RETURNS BY SECTOR
as of September 30, 2019

INDEX				
US BROAD MARKET	1 MONTH	3 MONTH	6 MONTH	1 YEAR
BBG BARC US AGGREGATE BOND	-0.53	2.27	5.42	10.30
BBG BARC US GOVERNMENT/CREDIT	-0.76	2.64	6.26	11.32

The US aggregate and US government/credit indices finished the quarter with strong total returns. The indices provided just a few basis points of excess return over like-duration US Treasurys. 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	-0.85	2.40	5.48	10.48
3-MONTH T-BILLS	0.19	0.57	1.21	2.41
2-YEAR TREASURY	-0.15	0.52	1.90	4.21
5-YEAR TREASURY	-0.62	1.33	4.17	9.09
10-YEAR TREASURY	-1.40	3.19	7.55	15.15
30-YEAR TREASURY	-3.00	9.21	16.59	27.43
BBG BARC US TIPS	-1.36	1.35	4.25	7.13
BBG BARC US AGENCY	-0.46	1.74	4.10	7.99

US Treasurys were well supported by the combination of slowing economic growth, low inflation worldwide, and the accommodative policies of the Fed and other major central banks. Longer-duration Treasurys provided the highest total returns as interest rates came down. The global duration grab supported Treasurys, but the trend reversed course in the final weeks of the quarter. The 10-year/2-year yield spread continued to flatten over the quarter, which led to increasing concerns about a downturn in the US economy.

US MUNICIPALS	1 MONTH	3 MONTH	6 MONTH	1 YEAR
BBG BARC US MUNICIPALS	-0.80	1.58	3.74	8.55

Municipal bonds rode along with the US Treasury rally and produced a moderate total return for the quarter. While each credit quality segment of the index is similar in duration, the lowest-rated BBB segment has the longest duration and provided the highest total return.

US SECURITIZED	1 MONTH	3 MONTH	6 MONTH	1 YEAR
BBG BARC MBS	0.07	1.37	3.36	7.80
BBG BARC ABS	-0.15	0.92	2.61	5.42
BBG BARC CMBS	-0.68	1.89	5.23	10.51

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 modest positive excess return over like-duration US Treasurys. The ABS and CMBS indices delivered positive excess returns close to twenty basis points each.

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 September 30, 2019

INDEX CORPORATES	1 MONTH	3 MONTH	6 MONTH	1 YEAR
BBG BARC US INVESTMENT GRADE	-0.65	3.05	7.66	13.00
AAA	-1.37	4.21	9.47	16.60
AA	-0.64	2.85	6.38	11.50
A	-0.82	2.93	7.23	12.58
BBB	-0.49	3.13	8.14	13.40
BBG BARC EUROPEAN INVESTMENT GRADE *-LOCAL CURRENCY RETURNS*	-0.76	1.29	3.48	6.13
AAA	-1.39	1.58	3.81	7.81
AA	-0.83	0.67	1.83	4.30
A	-0.87	1.14	3.04	5.58
BBB	-0.67	1.52	4.12	6.85
BBG BARC STERLING INVESTMENT GRADE *-LOCAL CURRENCY RETURNS*	0.11	3.98	6.36	11.15
AAA	0.70	9.95	13.05	21.76
AA	0.03	3.74	5.29	9.89
A	0.13	4.46	6.75	11.58
BBB	0.08	3.51	6.06	10.73

Global government bond yields rallied lower throughout the period, and investment grade corporate bond markets were a primary beneficiary. Credit market performance was solid for much of the quarter, benefiting from the relatively longer-duration profile of investment grade corporate bond indices. UK corporate indices, which have the longest duration, outpaced global peers on a total-return basis despite escalating Brexit risk. The US and Europe corporate indices also delivered solid quarterly total returns. Excess returns for the period were very modest in the US and UK. However, the European corporate index delivered a strong excess return of 50 basis points.

CORPORATES	1 MONTH	3 MONTH	6 MONTH	1 YEAR
BBG BARC US HIGH YIELD	0.36	1.33	3.87	6.36
BB	0.30	2.03	5.17	9.48
B	0.59	1.65	4.35	7.01
CCC	-0.15	-1.76	-1.47	-4.22
BBG BARC PAN-EURO HIGH YIELD *-LOCAL CURRENCY RETURNS*	0.24	1.67	3.67	5.54
BB	0.11	1.87	4.32	6.93
B	0.20	0.85	1.97	2.78
CCC	2.35	4.53	5.86	4.21

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 decent for most of the period and corporate profits showed modest growth, buoying total returns. 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 despite the drag from CCCs. Performance in Europe was also positive. The European Central Bank initiated quantitative easing, supporting overall financial conditions in the region.

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 September 30, 2019

BANK LOANS	1 MONTH	3 MONTH	6 MONTH	1 YEAR
S&P/LSTA LEVERAGED LOAN	0.47	0.99	2.69	3.10
BB	0.62	1.50	3.35	4.05
B	0.55	0.98	2.71	3.22
CCC	-1.36	-2.63	-1.54	-3.64

The performance of the high yield bank loan market is often highly correlated with that of the US high yield bond market. That dynamic was apparent during the quarter as high yield bank loan 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*	-0.73	2.70	5.44	9.99
CITIGROUP NON-USD WGBI	-0.65	2.88	5.41	9.72
UNITED STATES	-0.85	2.39	5.45	10.40
CANADA	-1.04	0.93	2.55	8.08
JAPAN	-1.46	0.51	1.70	5.15
AUSTRALIA	-0.71	2.36	6.04	13.51
UNITED KINGDOM	0.53	7.00	8.73	15.11
EUROPEAN GBI	-0.39	3.84	7.32	11.64
FRANCE	-1.10	2.54	5.55	9.43
GERMANY	-1.10	2.11	4.18	8.05
IRELAND	-0.40	2.12	5.35	9.14
ITALY	1.34	8.38	12.54	18.19
SPAIN	-0.44	2.14	7.76	11.57

Global government bond markets delivered positive returns in the quarter, building on their gains from the first half of the year. Bonds were well supported by the combination of slowing global growth, low inflation worldwide, and the accommodative policies of several central banks. Yields began to spike higher in September as signs of a cyclical uptick emerged; however, the rise in yields began to slow and even reverse course as investors became aware that an upturn, while probable, is likely further out on the horizon.

EMERGING MARKET BONDS	1 MONTH	3 MONTH	6 MONTH	1 YEAR
JP MORGAN EMBIG *-SOVEREIGN/QUASI-SOVEREIGN, USD*	-0.36	1.34	5.15	10.74
JP MORGAN CEMBI BROAD DIVERSIFIED *-CORPORATES, USD*	0.63	1.66	5.22	10.59
JP MORGAN GBI-EM GLOBAL DIVERSIFIED *-GOVERNMENTS, LOCAL CURRENCY*	0.86	3.49	7.75	13.86

Emerging market US-dollar-pay bonds finished in positive territory, but trailed domestic investment grade credit. The asset class continued to benefit from investor demand for yield, but concerns about slowing global growth and the ongoing trade dispute between the US and China limited return. Local-currency emerging market government bonds rallied and delivered a strong total return despite weakness across most emerging market currencies.

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 September 30, 2019

INDEX CURRENCY MARKETS	1 MONTH	3 MONTH	6 MONTH	1 YEAR
DOLLAR BLOC				
CANADIAN DOLLAR	0.53	-1.10	0.82	-2.51
AUSTRALIAN DOLLAR	0.25	-3.85	-4.88	-6.56
NEW ZEALAND DOLLAR	-1.03	-6.77	-7.95	-5.38
WESTERN EUROPE				
EURO	-0.76	-4.17	-2.84	-6.08
NORWEGIAN KRONE	0.31	-6.20	-5.17	-10.36
SWEDISH KRONA	0.00	-5.65	-5.58	-9.66
SWISS FRANC	-0.73	-2.14	-0.25	-1.60
BRITISH POUND	1.09	-3.21	-5.72	-5.69
EMERGING EUROPE & AFRICA				
CZECH KORUNA	-0.18	-5.54	-2.76	-6.19
HUNGARIAN FORINT	-1.88	-7.54	-6.83	-9.26
POLISH ZLOTY	-0.62	-6.93	-4.31	-8.02
RUSSIAN RUBLE	2.95	-2.54	1.19	1.07
SOUTH AFRICAN RAND	0.39	-6.93	-4.20	-6.57
TURKISH NEW LIRA	3.22	2.54	-1.41	7.18
ASIA				
JAPANESE YEN	-1.67	-0.21	2.57	5.20
CHINESE RENMINBI	0.11	-3.94	-6.10	-3.91
INDONESIAN RUPIAH	-0.03	-0.47	0.32	4.99
MALAYSIAN RINGGIT	0.43	-1.33	-2.52	-1.18
PHILIPPINE PESO	0.42	-1.15	1.31	4.23
SINGAPORE DOLLAR	0.38	-2.09	-1.90	-1.08
SOUTH KOREAN WON	1.26	-3.47	-5.10	-7.27
LATIN AMERICA				
ARGENTINE PESO	3.31	-26.24	-24.78	-28.28
BRAZILIAN REAL	-0.26	-7.37	-5.67	-2.57
CHILEAN PESO	-0.92	-6.82	-6.69	-9.82
COLOMBIAN PESO	-1.00	-7.63	-8.37	-14.52
MEXICAN PESO	1.67	-2.59	-1.55	-5.15
PERUVIAN NEW SOL	0.95	-2.24	-1.51	-1.94

A strong US dollar prevailed for the majority of the quarter as US economic growth prospects continued to look brighter than the rest of the world. We expect the Fed to continue cutting rates, but easier monetary policy from other global central banks may negate some of the impact of a more accommodative Fed. The dollar has been steadily trending upward for the past year, and it looks likely to continue unless global growth inflects higher while the US lags.

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 September 30, 2019

INDEX TOTAL RETURNS (%)				
INDEX	3 MONTH	1 YEAR	3 YEAR	5 YEAR
S&P 500®	1.70	4.25	13.39	10.84
MSCI ALL COUNTRY WORLD	0.10	1.95	10.30	7.23
MSCI EUROPE	-1.75	-0.09	7.23	3.00
MSCI JAPAN	3.29	-4.32	6.59	5.97
MSCI EMERGING MARKETS	-4.11	-1.63	6.37	2.71

Solid year-to-date returns mask the fact that global equity markets have not performed very well over the past 12 months. Corporate profit growth has been mediocre at best and the macroeconomic environment has been clouded by US-China trade war concerns and a global growth slowdown. Valuations have become somewhat rich over the past year, which has limited gains. Longer-term performance, based on three- and five-year annualized returns, still looks strong across the board, but future gains likely depend on the resumption of corporate profit growth rather than price-to-earnings multiple expansion.

US EQUITY MARKETS
as of September 30, 2019

INDEX TOTAL RETURNS (%)				
INDEX	3 MONTH	1 YEAR	3 YEAR	5 YEAR
RUSSELL 1000®	1.42	3.87	13.19	10.62
GROWTH	1.49	3.71	16.89	13.39
VALUE	1.36	4.00	9.43	7.79
RUSSELL MIDCAP®	0.48	3.19	10.69	9.10
GROWTH	-0.67	5.20	14.50	11.12
VALUE	1.22	1.60	7.82	7.55
RUSSELL 2000®	-2.40	-8.89	8.23	8.19
GROWTH	-4.17	-9.63	9.79	9.08
VALUE	-0.57	-8.24	6.54	7.17

At the large-cap level, the performance gap between growth and value has been marginal over the past year, with value outperforming just slightly. The outperformance of growth over the longer term remains striking. Performance trends weaken as we move down in market capitalization, with mid caps underperforming large caps, and small caps underperforming mid caps across the periods shown. Growth has outperformed value over the past three- and five-year periods for both mid and small caps, although that dynamic has been challenged more recently.

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 September 30, 2019

SECTOR PERFORMANCE ATTRIBUTION (%)				
INDEX	3 MONTH	1 YEAR	3 YEAR	5 YEAR
UTILITIES	9.33	27.10	13.59	12.89
REAL ESTATE	7.71	24.74	10.36	5.81
CONSUMER STAPLES	6.11	16.85	7.89	9.26
INFORMATION TECHNOLOGY	3.36	8.62	22.66	18.27
COMMUNICATION SERVICES	2.22	5.84	2.45	4.41
FINANCIALS	2.01	3.92	15.46	10.54
INDUSTRIALS	0.99	1.45	11.30	9.71
CONSUMER DISCRETIONARY	0.51	2.36	15.89	13.94
MATERIALS	-0.12	2.61	8.96	4.90
HEALTHCARE	-2.25	-3.55	9.65	8.97
ENERGY	-6.30	-19.22	-2.66	-5.06

Defensive sectors like utilities, real estate and consumer staples trounced the S&P 500 Index over the past 12 months. Information technology and communication services also outperformed the broad market, albeit much less so. Dispersion among leading and lagging sectors has been very wide over the past 12 months and also in the third quarter. Healthcare has been struggling as perceived political risk has continued to rise with the approaching US presidential election. The energy sector has been a habitual underperformer in both absolute and relative terms. Prospects for the sector look dim, due largely to a well-balanced crude oil market and the increasing prominence of ESG investing.

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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Disclosure

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

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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.*