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QUARTERLY MARKET COMMENTARY | Q3 2019

Global Stocks Come Full Circle as Rates Fall into Autumn

Quarterly Snapshot

- Equity markets, which plummeted in early August after climbing through July, largely recovered into mid-September around most of the globe. Government bond rates declined across all maturities in the U.S., U.K. and eurozone during the three-month period.
- U.S.-China trade negotiations came to a halt on August 1 with President Donald Trump's announcement of new tariffs. Both sides applied new and higher tariffs beginning on September 1, but as a new round of negotiations materialized for October, the U.S. delayed a tariff measure scheduled for October 1.
- Although maintaining exposure to equities and other risk-oriented assets can feel uncomfortable during such periods of uncertainty, we believe that investors with long time horizons should avoid timing the market or making outsized sector or regional bets.

Equity markets, which plummeted in early August after climbing through July, largely recovered into mid-September around most of the globe. U.S., European and Japanese stocks generally tracked the pattern of global equities. However, U.S. stocks were notable in that they drifted to all-time highs in late July, dropped as a consequence of President Donald Trump's escalating trade-war measures, and failed to break new highs despite recovering in September. U.K. stocks sold off especially sharply in August and didn't bounce as significantly as peers in other major developed markets, but continued to recover straight through September.

Mainland Chinese stocks rebounded faster and earlier in the quarter than the rest of the world's equity markets, and then slid back down toward the end of the period. The early September bounce in Hong Kong stocks was modest by comparison, and essentially reversed in late September.

Government bond rates declined across all maturities in the U.S., U.K. and eurozone during the third quarter. Long-term rates dropped by more than short-term rates in the U.K. and eurozone, leading to flatter overall yield curves. In the U.S., shorter- and longer-term rates both declined by more than medium-term rates, compressing the difference in rates across all maturities. After remaining negative since May, the 3-month-to-10-year Treasury spread—a widely-watched recession indicator—turned positive for a single day in late July, but tumbled deeply into negative territory by late August before recovering to less negative levels by the end of the quarter.

Oil prices followed the path of global equities for much of the three-month period. They jumped abruptly in mid-September on news of an attack that targeted energy-processing facilities in Saudi Arabia that account for about 5% of global oil production. However, the spike in prices was reversed by the end of the quarter as output quickly returned to sufficient levels.

U.S.-China trade negotiations came to a halt on August 1 with President Trump's announcement of new tariffs (10% on $300 billion of Chinese goods) and China's subsequent promise of retaliation—provoking a disconcerting depreciation in the yuan's exchange rate with the U.S. dollar. Both sides applied new and higher tariffs that began on the first of September: The U.S. imposed a 15% tariff on $112 billion worth of Chinese goods, while China resumed 25% tariffs on American cars and added 5%-

Key Measures: Q3 2019

Equity		
Dow Jones Industrial Average	1.83%	↑
S&P 500 Index	1.70%	↑
NASDAQ Composite Index	0.18%	↑
MSCI ACWI Index (Net)	-0.03%	↓
Bond		
Bloomberg Barclays Global Aggregate Index	0.71%	↑
Volatility		
Chicago Board Options Exchange Volatility Index PRIOR QUARTER: **15.08**	16.24	↑
Oil		
WTI Cushing crude oil prices PRIOR QUARTER: **$58.47**	$54.07	↓
Currencies		
Sterling vs. U.S. dollar	$1.23	↓
Euro vs. U.S. dollar	$1.09	↓
U.S. dollar vs. yen	¥108.08	↑

Sources: Bloomberg, FactSet, Lipper

to-10% tariffs on $75 billion worth of other American goods. As a new round of negotiations materialized for October, the U.S. delayed a tariff measure scheduled for October 1 (an increase from 25% to 30% on $250 billion worth of Chinese goods).

The U.S. and Japan struck a narrow trade agreement in late September, which reduced tariffs on U.S. agricultural exports and Japanese industrial exports, and set guidelines for digital trade between the two nations.

U.K. Prime Minister Boris Johnson faced sharp resistance from the outset of his tenure: Conservative members of Parliament defected to support a vote eliminating the prospect of a no-deal departure from the EU on October 31, and the U.K. Supreme Court reversed the Prime Minister's attempt to suspend Parliament. A general election remained out of reach for Johnson despite all of his setbacks, as opposition parties opted to wait until the no-deal threat was taken off the table.

Elsewhere, after months of demonstrations, protesters in Hong Kong saw some success when a proposed law that would have allowed for extradition to mainland China was withdrawn. Protests continued, however, amid a reported increase in China's police presence and undercover activity.

Central Banks

- The Federal Open Market Committee (FOMC) reduced the federal-funds rate by 0.25% in mid-September—only the second decrease in 11 years, two months after a July cut of the same size—bringing the rate to a target range of 1.75% to 2.00%. The FOMC's late-July announcement also included an accelerated end to quantitative tightening by letting U.S. Treasurys and mortgage-backed securities (MBS) mature without reinvesting proceeds. With the end of the program, the central bank has resumed reinvestment activities—focusing on moving its securities portfolio toward Treasurys and away from MBS. On a separate note, in an effort to stabilize short-term borrowing rates, the Federal Reserve Bank of New York undertook temporary repurchase agreements (known as repo operations) in September for the first time since the global financial crisis, and maintained them through the end of the quarter; a shortage of bank reserves caused by increased Treasury issuance, corporate tax payments, and a range of other factors led to a sharp spike in secured short-term rates, forcing the need for intervention.

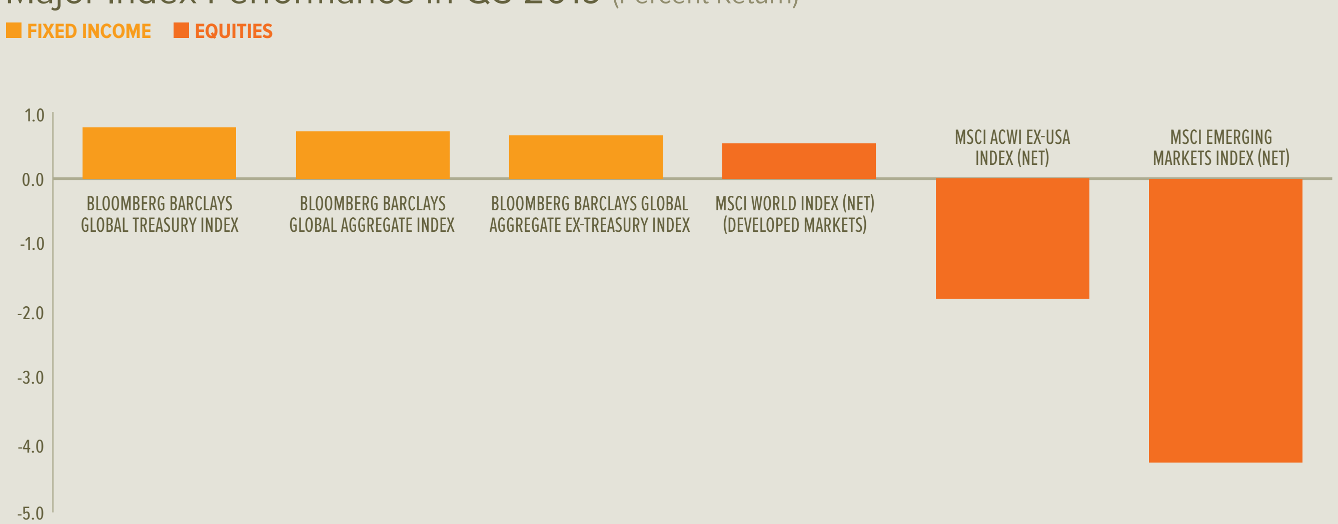
- The Bank of England's Monetary Policy Committee took no new actions at either its August 1 or September 19 meeting, retaining a bias toward less accommodative monetary policy. However, its statement now notes that Brexit must occur smoothly and global economic conditions must improve before taking new tightening action.

- The European Central Bank (ECB) sought to provide fresh stimulus following its mid-September meeting by reducing its deposit rate from -0.40% to a record low of -0.50%—and adopting a new system to offset possible consequent bank-reserve losses. The ECB also reintroduced its asset-purchase program at €20 billion per month, to start in November and continue indefinitely. Finally, it modified its latest round of targeted longer-term refinancing operations to allow for lower bank-borrowing rates and a maturity extension from two to three years.

- The Bank of Japan left its monetary-policy orientation unchanged following its September meeting. Minutes revealed discussion about communicating the central bank's willingness to use more stimulus if needed, in light of concerns about slowing economic growth.

- The People's Bank of China (PBOC) allowed the yuan to depreciate past the psychologically significant 7-to-1 ratio with the U.S. dollar in early August following a statement by President Trump that the U.S. would impose far-ranging new tariffs on September 1. The PBOC revealed in August that it made an adjustment to the calculation of China's loan prime rate, which is expected to result in a gradual reduction in Chinese borrowing costs. The central bank also provided Chinese banks with additional relief in September by cutting its reserve requirement ratio by 0.50%, with a potential additional 1% reduction for qualifying banks in October and November, freeing about $125 billion of banking-system liquidity.

Major Index Performance in Q3 2019 (Percent Return)



Sources: FactSet, Lipper

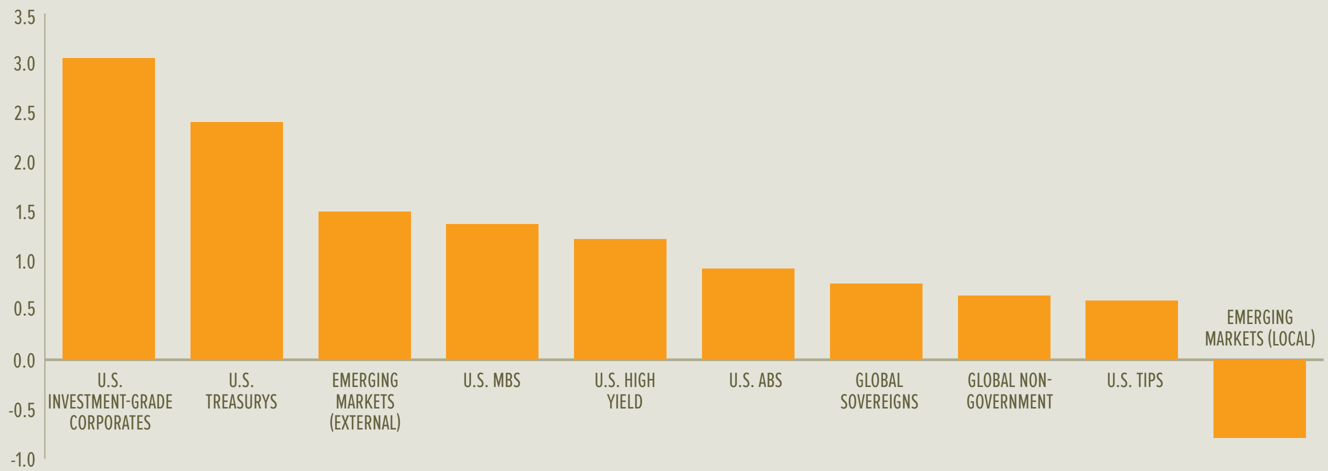
Economic Data

- Multiple reports of U.S. manufacturing indicated that activity slowed throughout the third quarter, showing signs of contraction in September and falling to the lowest level in more than a decade, according to one measure. Activity in the U.S. services sector bounced to healthy expansion levels in July, decelerated sharply to near-breakeven levels in August, and grew slightly in September. The U.S. unemployment rate remained at 3.7% in September for the fourth straight month, although the labor-force participation rate continued to increase in the same period. The final second-quarter reading of overall U.S. economic growth eased by 0.1% to an annualized 2.0%.

- The contraction of U.K. manufacturing activity entered its fifth consecutive month in September. Growth in the U.K. services sector essentially ground to a halt in the same month after a mild rebound in July and August. The broad U.K. economy shrank by 0.2% in the three-month period ending June, but expanded by 1.3% year over year, according to the final reading of second-quarter gross domestic product growth. The U.K. claimant-count unemployment rate held at 3.2% in July before edging upward to 3.3% in August. Average year-over-year earnings growth jumped to 4.0% for the May-to-July period (from 3.7% and 3.4% in the three-month periods ending June and May, respectively).

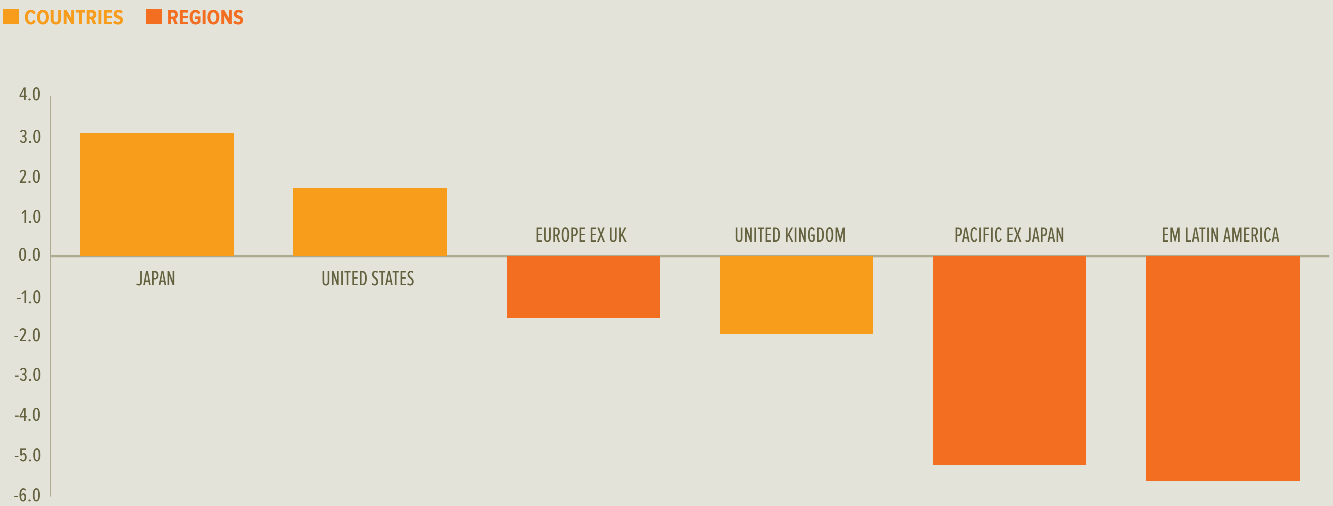
- Conditions in eurozone manufacturing continued to deteriorate in September, the eighth straight month of contracting activity. Services sector activity also slowed in the month, falling below the healthy pace it had maintained for the prior few months, but remaining in expansion territory. The eurozone unemployment rate edged down to 7.4% in August from 7.5%, where it was stuck for the three months prior. The eurozone economy slowed to a pace of 0.2% in the second quarter—half that of the prior quarter—and to 1.2% year over year (a modest 0.1% decline).

Fixed-Income Performance in Q3 2019 (Percent Return)



Sources: FactSet, Lipper. See “Corresponding Indexes for Fixed-Income Performance Exhibit” in the Index Descriptions section for more information.

Regional Equity Performance in Q3 2019 (Percent Return)



Sources: FactSet, Lipper. See "Corresponding Indexes for Regional Equity Performance Exhibit" in the Index Descriptions section for more information.

Portfolio Review

Large-cap U.S. equites delivered positive returns for the third quarter, while small caps suffered losses. Looking across our active U.S. large-cap strategies in aggregate[1], we were challenged during the period by underweights to the information technology and utilities sectors, but bolstered by stock selection in consumer discretionary. Our U.S. small-cap strategies were generally held back during the quarter by the negative impact of selection in materials and financials and an underweight to real estate; an underweight to energy was favorable, as was an overweight to information technology. Overseas, our international developed-market equity strategy was hurt by selection within Europe, particularly within consumer staples and financials, while a selection-driven underweight to Japan also detracted. An underweight to and selection in the Pacific Basin region contributed, especially within health care, real estate, and industrials. Selection in North America also helped, particularly within financials and information technology. Our emerging-market equity strategy was down in absolute terms during the third quarter, but outperformed the benchmark. From a sector standpoint, selection in and an overweight to information technology contributed the most. Selection in and an underweight to financials also added value, as did selection in health care and an underweight to materials; selection within industrials detracted. Regionally, selection in Brazil, Taiwan and South Korea had the most positive impact, while selection in Russia and an overweight to Kazakhstan detracted.

Our core fixed-income strategy matched its benchmark during the third quarter, as U.S. investment-grade non-government fixed-income sectors slightly trailed comparable U.S. Treasurys. Modest duration changes added to performance: Duration was slightly long to begin the quarter, then migrated to slightly short during August as rates plummeted, and ended

An overweight to the long end of the Treasury yield curve in our core fixed-income strategy contributed as the 30-year Treasury bond hit a record low of 1.90% in August.

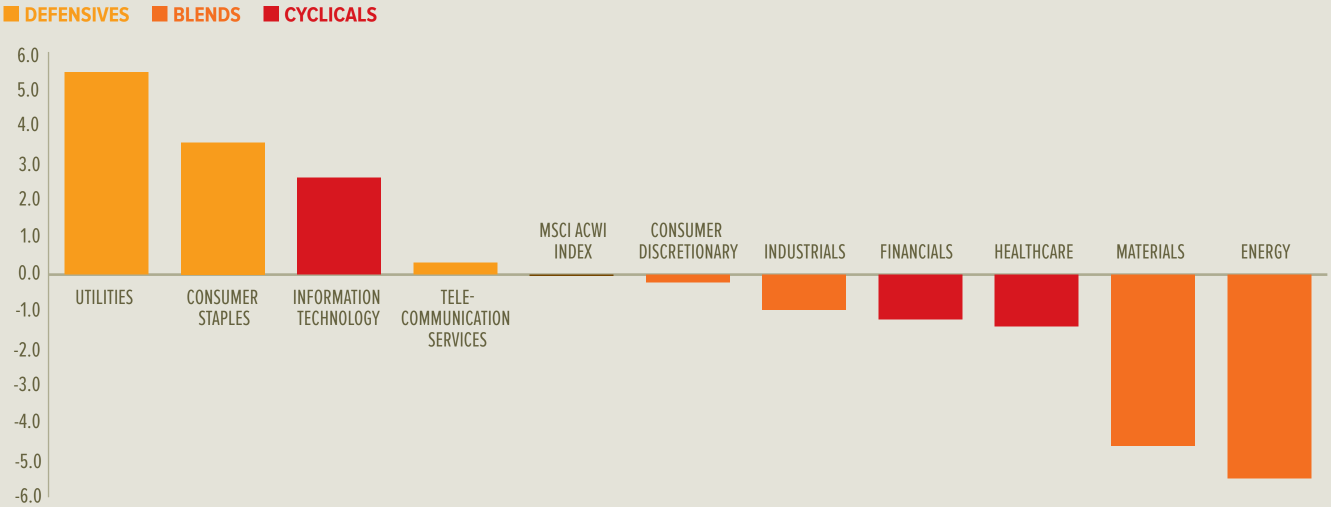
[1]Individual holdings will differ between strategies.

the period slightly long. An overweight to the long end of the Treasury yield curve contributed as the 30-year Treasury bond hit a record low of 1.90% in August. A slight overweight to credit (concentrated within financials) was moderately beneficial. It also gained on an overweight to agency MBS, which served as an attractive, high-quality substitute for U.S. Treasurys after their spreads widened on the FOMC's move to reduce the central bank's holdings of non-Treasury securities. Our high-yield strategy was held back during the third quarter as a result of an allocation to collateralized loan obligations (CLOs) and underweights to banking and telecommunications. An overweight to retail and underweights to consumer goods and energy contributed. Our emerging-market debt strategy lagged on a sizeable underweight to foreign-currency debt, which performed well, and an overweight to local-currency debt, which registered losses during the third quarter.

Manager Positioning and Opportunities

Our active U.S. large-cap overweights to industrials increased during the third quarter due to ample opportunities within the sector. We also remained overweight to financials (which we continued to view as inexpensive) and underweight to information technology (due to high valuations and concerns about the sustainability of profit margins.) Within our small-cap strategy, however, an overweight to information technology was increased given the sector's resilience against recent volatility in the broader U.S. equity market. Our small-cap strategies were underweight real estate due to low growth expectations and unattractive valuations. An overweight to consumer discretionary was accomplished via exposure to hotels, restaurants and leisure. Overseas, our international developed-market equity strategy reduced underweights to consumer staples and Hong Kong. It remained overweight information technology (attractive structural growth opportunities) and underweight utilities and real estate (interest-rate

Global Equity Sector Performance in Q3 2019 (Percent Return)



Sources: FactSet, Lipper. MSCI ACWI Index Components (as defined by SEI).

sensitivity and concerns about growth opportunities and valuations) Our emerging-market equity strategy increased an underweight to financials, as we sold out of positions in banking and insurance to take profits. In China, we reduced our exposure to financials and information technology. Overall, the strategy was overweight information technology and underweight financials.

Our core fixed-income strategy selectively added exposure in the short end of the yield curve as the growth and inflationary outlook has turned more cautious and the Federal Reserve (Fed) made a dovish pivot on interest rates. An overweight to the long end of the curve also remained as inflationary pressures will likely advance gradually. We maintained a modest overweight to the corporate sector, and selectively added in the new-issue market amid a high volume of recent issuance. Banking was still the largest corporate overweight, but was reduced as banking spreads narrowed. We continued to overweight securitized debt—asset-backed and commercial mortgage-backed securities—due to their competitive risk-adjusted yields, with an emphasis on higher-quality segments. Within our high-yield strategy, underweights to health care and technology were decreased during the third quarter, while an overweight to leisure was reduced. We retained an allocation to CLOs, while banking remained underweight. Our emerging-market debt strategy decreased its underweight to hard-currency debt and its overweight to local-currency debt during the quarter. We remained overweight emerging-market corporate positions, which are meant to work in conjunction with hard-currency (typically denominated in a major developed-market currency) debt exposure. We also remained overweight local-currency debt as we believe the Fed's shift in orientation has increased the chances of further interest-rate cuts this year, which, in our view, improves the outlook for the valuations of emerging-market currencies.

Our View

We have leaned toward an optimistic view on equities and other risk-oriented assets for the past 10 years. When markets corrected sharply in price—as several U.S. equity indexes did in 2011, 2015 and late last year—we viewed the pullbacks as buying opportunities. We believe that staying invested has been a sound overall strategy. Today, while we still doubt that a true bear market is on the immediate horizon, we are surprised by the resilience of the stock-market averages during the third quarter in the face of numerous economic and political uncertainties, both in the U.S. and globally.

The U.S. economy remains in reasonably good shape and appears to be in little danger of contracting any time soon. Granted, the manufacturing and agricultural sectors are being stressed by the trade war with China. But we think there is a limit to how far this deterioration in economic activity will go. Few economists would dispute that the U.S. consumer sector is in great shape.

Traders in the federal-funds futures market expect more rate cuts on the heels of the FOMC's July and September cuts. The central bank is also no

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longer letting its securities portfolio contract now that it halted quantitative easing. If the economy were to weaken in a serious way, it could ramp up its purchases of Treasurys again.

Looking at the U.S. stock market, the forward-earnings trend has flattened in recent quarters. Periods of flat-to-down earnings over several quarters occurred in the 2014-to-2015 period, and in 2011, 2007 and 1998, each coinciding with flat-to-declining stock prices, increased volatility and moderate-to-severe market corrections.

Growth and momentum styles continued to outperform quality and value for much of the third quarter. However, September saw a sharp reversal in this trend for the first time since the beginning of 2018 as value outperformed. It's hard to say whether this reversal will be sustained, although SEI's equity managers have been positioned for such an eventuality.

A trade truce between China and the U.S. would be a relief, but it would be only one piece of a larger mosaic that must first come together. Getting the world back on a faster growth track will depend on an economic rebound in the domestic economies of China and Europe.

Our expectation of an economic revival in China rests on the assumption that all the fiscal and monetary-policy measures put in place over the past year will overcome the major challenge posed by the trade war. The latest tranches of import duties are aimed at Chinese goods like apparel and toys, which usually have thin profit margins, are labor-intensive, and can be more easily produced in other low-wage nations than higher-tech products. We therefore believe that Chinese President Xi Jinping has an incentive to get a deal done with President Trump. The last thing Xi needs is a sharp rise in unemployment and corporate bankruptcies as profit margins get eviscerated.

China's currency has weakened further in recent months, reaching an 11-year low against the U.S. dollar in September 2019 that amounted to a cumulative decline of 12% since April 2018—thereby offsetting a little more than half of the imposed or announced tariff increases. The Chinese government is reluctant to encourage additional currency depreciation, fearing that capital could flee the country. Rather, there is evidence that it is getting more aggressive when it comes to pulling the monetary and fiscal levers.

Slowing growth in China, the U.S. and the eurozone does not bode well for other economies. On a positive note, many developing countries have been able to cut interest rates in recent months. Meanwhile, capital-market conditions in emerging countries still appear benign. Spreads on U.S. dollar-denominated debt remain in the middle of their range for the past eight years.

Despite all its economic and political problems, European-wide equity markets have done rather well this year in local-currency terms. The MSCI Europe ex UK Index (net, total returns) climbed 21.1% year to date, actually matching that of the MSCI USA Index. The MSCI United Kingdom Index (net, total returns) was the laggard, gaining only 13.8%—still something of an achievement considering the messy political situation in the U.K.

How does one explain the rather robust performance of European equities? It can largely be attributed to the lack of an alternative option. For example, now that Germany's sovereign yield curve is negative all the way up to 30 years (just one year after yields were positive beyond six years), its investors have no hope of building wealth in less risky fixed-income assets and are therefore forced into equities and other risk-oriented investments. Investors globally face similar challenges, even if not quite to the same extent.

While Germany's overall economy is not clearly in a recession, its manufacturing sector almost certainly is—the 6.4% decline in industrial production from the peak in November 2017 through July 2019 was worse than Italy's 2.5% contraction over the same period. Considering that manufacturing represents almost 23% of the country's GDP (much higher than the average for developed countries), it is easy to understand why the country is in a funk.

We will find out soon whether a no-deal exit from the EU actually takes place or is delayed (for a third time) beyond the October 31 deadline. The political carnage caused by Brexit is already breathtaking. The U.K. Conservatives lost their working majority in the Parliament following the expulsion of 21 members of Parliament from the party in the aftermath of a vote to wrest away Brexit negotiations from the government.

The battle between the Prime Minister and the Parliament already led to a constitutional crisis when the U.K. Supreme Court declared Johnson's move to suspend Parliament as invalid. If he defies the will of Parliament and takes the U.K. out of the EU without a trade agreement, that crisis will deepen. More likely, there will be an additional delay, with a new Brexit deadline. That would allow for a general election and, hopefully, a new mandate from the electorate. But the political landscape in Great Britain is in flux. The outcome of the next election could be an unstable coalition.

Despite the rather solid financial position of U.K. households, both consumer and business confidence are nearing levels consistent with recession. Confidence measures in the eurozone, while off the highs of 2017, have not fallen to the same degree.

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Japan is also focused on home-grown uncertainty: The consumption tax hike effective October 1. And despite a tight labor market with an almost record-high number of available jobs per applicant, the decline in earnings growth from last year is surprisingly steep. Regardless of all their efforts, Prime Minister Shinzo Abe's government and the Bank of Japan have been unable to spur a lasting reflation of the economy.

Like Germany, Japan has been hurt by the slowing growth of China and the general malaise affecting Asia as a whole. To make matters worse, Japan's political relationship with South Korea has frayed badly in recent months. Both countries have expanded economic sanctions, including tit-for-tat tariff duties and consumer boycotts. Even more worrisome is the breakdown in direct military intelligence sharing at a time when China is pushing its weight around in the East and South China Seas.

In all, Japan's outlook appears to be one of stasis. In the meantime, investors will likely continue to view the country as a safe haven owing to its low volatility. We believe the yen will remain well-bid under this scenario.

In view of the uncertainties facing investors presently, the prediction game is arguably even more challenging than usual. Accordingly, as always, we believe in a diversified approach to investing. Although maintaining exposure to equities and other risk-oriented assets can at times feel uncomfortable, it is our view that investors with long time horizons should avoid timing the market or making outsized sector or regional bets. We think it is best not to assume, for example, that the S&P 500 Index and growth stocks will always be the only games in town. The recent volatility and sharp style rotations in the past quarter should serve as reminders that trends do not last forever.

Glossary of Financial Terms

Dovish: Dovish refers to the views of a policy advisor (for example at the Bank of England) who has a positive view of inflation and its economic impact and thus tends to favor lower interest rates.

Duration: Duration is a measure of a security's price sensitivity to changes in interest rates. Specifically, duration measures the potential change in value of a bond that would result from a 1% change in interest rates. The shorter the duration of a bond, the less its price will potentially change as interest rates go up or down; conversely, the longer the duration of a bond, the more its price will potentially change.

Momentum: Momentum stocks are those whose prices are expected to keep moving in the same direction (either up or down) and are not likely to change direction in the short-term.

Stability: Stability securities exhibit lower risk and higher quality, and can benefit from the power of long-term compounding as a result of investors' tendency to misprice lower risk.

Value: Value stocks are those that are considered to be cheap and are trading for less than they are worth.

Yield curve: The yield curve represents differences in yields across a range of maturities of bonds of the same issuer or credit rating (likelihood of default). A steeper yield curve represents a greater difference between the yields. A flatter yield curve indicates the yields are closer together.

Index and Benchmark Descriptions

All indexes are quoted in gross performance unless otherwise indicated.

The Bloomberg Barclays 1-10 Year U.S. TIPS Index measures the performance of inflation-protected public obligations of the U.S. Treasury that have a remaining maturity of 1 to 10 years.

The Bloomberg Barclays U.S. Asset Backed Securities (ABS) Index measures the performance of ABS with the following collateral types: credit and charge card, auto and utility loans. All securities have an average life of at least one year.

The Bloomberg Barclays Global Aggregate Bond Index (formerly Lehman Brothers Global Aggregate Index), an unmanaged market-capitalization-weighted benchmark, tracks the performance of investment-grade fixed-income securities denominated in 13 currencies. The Index reflects reinvestment of all distributions and changes in market prices.

The Bloomberg Barclays Global Aggregate ex-Treasury Index is an unmanaged market index representative of the total-return performance of ex-Treasury major world bond markets.

The Bloomberg Barclays Global Treasury Bond Index is composed of those securities included in the Bloomberg Barclays Global Aggregate Bond Index that are Treasury securities.

The Bloomberg Barclays U.S. Corporate Investment Grade Index is a broad-based benchmark that measures the investment-grade, fixed-rate, taxable corporate bond market.

The Bloomberg Barclays U.S. Mortgage Backed Securities (MBS) Index measures the performance of investment-grade, fixed-rate, mortgage-backed, pass-through securities of Government National Mortgage Association (GNMA), Federal National Mortgage Association (FNMA) and Freddie Mac (FHLMC).

The Bloomberg Barclays U.S. Treasury Index is an unmanaged index composed of U.S. Treasurys.

The BofA Merrill Lynch U.S. High Yield Constrained Index contains all securities in The BofA Merrill Lynch U.S. High Yield Index but caps exposure to individual issuers at 2%.

The BofA Merrill Lynch U.S. High Yield Index tracks the performance of below-investment-grade, U.S. dollar-denominated corporate bonds publicly issued in the U.S. domestic market.

The Chicago Board Options Exchange Volatility Index (VIX) tracks the expected volatility in the S&P 500 Index over the next 30 days. A higher number indicates greater volatility.

The Dow Jones Industrial Average is a widely followed market indicator based on a price-weighted average of 30 blue-chip New York Stock Exchange stocks that are selected by editors of *The Wall Street Journal*.

The FTSE All-Share Index represents 98% to 99% of U.K. equity market capitalization. The Index aggregates the FTSE 100, FTSE 250 and FTSE Small Cap Indexes.

The JPMorgan EMBI Global Diversified Index tracks the performance of external debt instruments (including U.S. dollar-denominated and other external-currency-denominated Brady bonds, loans, eurobonds and local-market instruments) in the emerging markets.

JPMorgan GBI-EM Global Diversified Index tracks the performance of debt instruments issued in domestic currencies by emerging-market governments.

The MSCI ACWI Index is a market-capitalization-weighted index composed of over 2,000 companies, representing the market structure of 48 developed- and emerging-market countries in North and South America, Europe, Africa and the Pacific Rim. The Index is calculated with net dividends reinvested in U.S. dollars.

The MSCI ACWI ex-USA Index includes both developed- and emerging-market countries, excluding the U.S.

The MSCI Emerging Markets Index is a free float-adjusted market-capitalization-weighted index designed to measure the performance of global emerging-market equities.

The MSCI Emerging Markets Latin America Index captures large- and mid-cap representation across five emerging-market countries in Latin America.

The MSCI EMU (European Economic and Monetary Union) Index: is a free float-adjusted market-capitalization-weighted index that is designed to measure the equity market performance of countries within EMU. The Index consists of the following 10 developed-market country indexes: Austria, Belgium, Finland, France, Germany, Ireland, Italy, Netherlands, Portugal and Spain.

The MSCI Europe ex-UK Index is a free float-adjusted market-capitalization-weighted index that captures large- and mid-cap representation across 14 developed markets countries in Europe (Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden and Switzerland). The Index covers approximately 85% of the free float-adjusted market capitalization across European developed markets, excluding the U.K.

The MSCI Pacific ex Japan Index captures large- and mid-cap representation across four of five developed-market countries in the Pacific region (excluding Japan).

The MSCI Japan Index is designed to measure the performance of the large- and mid-capitalization stocks in Japan.

MSCI United Kingdom Index: The MSCI United Kingdom Index is designed to measure the performance of the large and mid-cap segments of the UK market.

MSCI USA Index: The MSCI USA Index is designed to measure the performance of the large- and mid-cap segments of the U.S. market.

The MSCI World Index is a free float-adjusted market-capitalization-weighted index designed to measure the equity market performance of developed markets. The Index consists of the following 23 developed-market country indexes: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the U.K. and the U.S.

The MSCI World ex-USA Index is a free float-adjusted market-capitalization-weighted index that is designed to measure the equity market performance of developed markets, excluding the U.S.

The NASDAQ Composite Index is a market-value-weighted index of all common stocks listed on the National Association of Securities Dealers Automated Quotations (NASDAQ) system.

The Shenzhen Stock Exchange Composite Index tracks performance of A share stocks (which are denominated in renminbi, the local currency) and B share stocks (which are denominated in Hong Kong dollars, an offshore currency) on China’s Shenzhen Stock Exchange.

The S&P 500 Index is a market-capitalization-weighted index that consists of 500 publicly-traded large U.S. companies that are considered representative of the broad U.S. stock market.

The TOPIX, also known as the Tokyo Stock Price Index, is a capitalization-weighted index of all companies listed on the First Section of the Tokyo Stock Exchange. The Index is supplemented by the subindexes of the 33 industry sectors. The Index calculation excludes temporary issues and preferred stocks, and has a base value of 100 as of January 4, 1968.

Corresponding Indexes for Fixed-Income Performance Exhibit

U.S. High Yield	BofA Merrill Lynch U.S. High Yield Master II Constrained Index
Global Sovereigns	Bloomberg Barclays Global Treasury Bond Index
Global Non-Government	Bloomberg Barclays Global Aggregate ex-Treasury Index
Emerging Markets (Local)	JPMorgan GBI-EM Global Diversified Index
Emerging Markets (External)	JPMorgan EMBI Global Diversified Index
U.S. Mortgage-Backed Securities (MBS)	Bloomberg Barclays U.S. Mortgage Backed Securities Index
U.S. Asset-Backed Securities (ABS)	Bloomberg Barclays U.S. Asset-Backed Securities Index
U.S. Treasurys	Bloomberg Barclays U.S. Treasury Index
U.S. Treasury Inflation-Protected Securities (TIPS)	Bloomberg Barclays 1-10 Year U.S. TIPS Index
U.S. Investment-Grade Corporates	Bloomberg Barclays U.S. Corporate Investment Grade Index

Corresponding Indexes for Regional Equity Performance Exhibit

United States	S&P 500 Index
United Kingdom	FTSE All-Share Index
Pacific ex Japan	MSCI Pacific ex Japan Index (Net)
Japan	TOPIX, also known as the Tokyo Stock Price Index
Europe ex UK	MSCI Europe ex UK Index (Net)
EM Latin America	MSCI Emerging Markets Latin America Index (Net)

Disclosures

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