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QUARTERLY MARKET COMMENTARY | Q3 2020

Recovery Rolls On as COVID Rate Climbs

Quarterly Snapshot

- Global equity markets delivered another quarter of outsized gains, moving further from the March 2020 lows as the economic recovery that took hold in the second quarter persisted throughout the summer.
- COVID-19 infections peaked among U.S. residents in late July and continued to fall through mid-September, before rising once again by quarter's end.
- We sense that the next few months of what has already been an eventful year could prove critical to the future course of the global economy and financial markets.

Global equity markets delivered another quarter of outsized gains, moving further from the March 2020 lows as the economic recovery that took hold in the second quarter continued throughout the summer.

U.S. stocks climbed steadily for the first two months of the quarter until peaking at the start of September and mostly declining for the remainder of the period. European equities moved higher over the full quarter with relative consistency, while U.K. stocks were flat in July, higher in August and flat again in September (finishing lower in sterling but higher in U.S. dollars). Japanese stocks advanced for the majority of the third quarter, while Chinese equities jumped in early July and finished the quarter with strong performance. Hong Kong stocks also started July in a rally, but finished the third quarter on a downbeat after selling off in September.

Short-to-intermediate-term U.S. Treasury rates declined and long-term rates increased, resulting in a steeper yield curve. U.K. government-bond rates increased across most maturities during the third quarter. Eurozone government-bond rates generally decreased, although shorter-term rates were mixed in both markets. The U.S. dollar continued to decline versus a broad trade-weighted basket of foreign currencies throughout most of the third quarter before beginning to recover in a mid-September reversal.

The number of people infected with COVID-19 in European countries continued to rise throughout the third quarter after having reached low points in June and July. Spain saw the earliest resurgence and ended the period with a greater percentage of its population infected than that of any other country in the region, followed first by France and then the U.K. Upticks in Italy and Germany have been much more subdued. Meanwhile, the percent of infected U.S. residents peaked in late July—nearly matching the high point Spain would reach two months later—and continued to fall through mid-September before rising once again by quarter's end.

U.S. companies announced a large wave of layoffs for workers that had been furloughed earlier in the year as the quarter concluded. Employers in the worst-affected industries—airlines, travel accommodation, sports, entertainment, retail and education—have generally run short of resources after depleting the Paycheck Protection Program loans that were helping to support workforce retention. Prospects for additional fiscal stimulus

Key Measures: Q3 2020

Equity		
Dow Jones Industrial Average	8.22%	↑
S&P 500 Index	8.93%	↑
NASDAQ Composite Index	11.24%	↑
MSCI ACWI Index (Net)	8.13%	↑
Bond		
Bloomberg Barclays Global Aggregate Index	2.66%	↑
Volatility		
Chicago Board Options Exchange Volatility Index PRIOR QUARTER: **30.43**	26.37	↓
Oil		
WTI Cushing crude oil prices PRIOR QUARTER: **$39.27**	$40.22	↑
Currencies		
Sterling vs. U.S. dollar	$1.29	↑
Euro vs. U.S. dollar	$1.17	↑
U.S. dollar vs. yen	¥105.44	↓

Sources: Bloomberg, FactSet, Lipper

dimmed amid election-season politics, with Democrats and Republicans holding firm on their respective funding demands. However, the Congress did pass a resolution on the last day of the third quarter to continue funding the federal government through mid-December, avoiding a government shutdown.

U.K. Prime Minister Boris Johnson announced in late September new restrictions in England on pubs and restaurants, transportation, and group gatherings as COVID-19 cases in the U.K. climbed to their highest levels since the spring. At the end of the same month, the U.K. House of Commons voted for passage of an internal market bill that contradicts the Brexit divorce agreement. Johnson argued that the powers granted by the bill would allow the U.K. to override EU attempts to shut down trade between Northern Ireland and other parts of the U.K. An amendment to the bill would require the government to gain parliamentary approval for any changes to commitments in the divorce agreement, representing a concession on the government's behalf. Nevertheless, the EU announced it would pursue legal remedy given the bill's contradictions with the Brexit agreement, even as trade negotiations continued.

Japan's ruling Liberal Democratic Party selected Yoshihide Suga to succeed Prime Minister Shinzo Abe, who resigned during the quarter due to health issues. Elsewhere in Asia, China-Taiwan tensions flared around a high-level U.S. government official's visit to Taiwan; China was angered by what it saw as one of its territories assuming sovereignty by inappropriately conducting international diplomacy. Chinese planes made a show of force to coincide with the visit, prompting Taiwan to quickly mobilize its military jets. The island's government had previously condemned nearby Chinese military drills as provocations. In Beijing, a military spokesman accused Taiwan's ruling Democratic Progressive Party of "collusion" with the U.S., and said the U.S. is trying to "use Taiwan to control China."

The foreign ministries of China and India issued a joint statement in September declaring their intent to deescalate a territorial conflict that began in the spring along their Himalayan border.

U.S. technology company Oracle and retailer Walmart won a joint bid in September to serve as trusted technology partners of TikTok's U.S. operations and, in order to appease U.S. national security concerns, gain full access to TikTok's source code. However, under the current proposal, Chinese parent company ByteDance will retain an 80% stake despite the Trump administration having sought majority ownership for the U.S. companies. A U.S. judge temporarily blocked an executive order signed by Trump to ban downloads and updates for TikTok and other popular Chinese apps beginning in September.

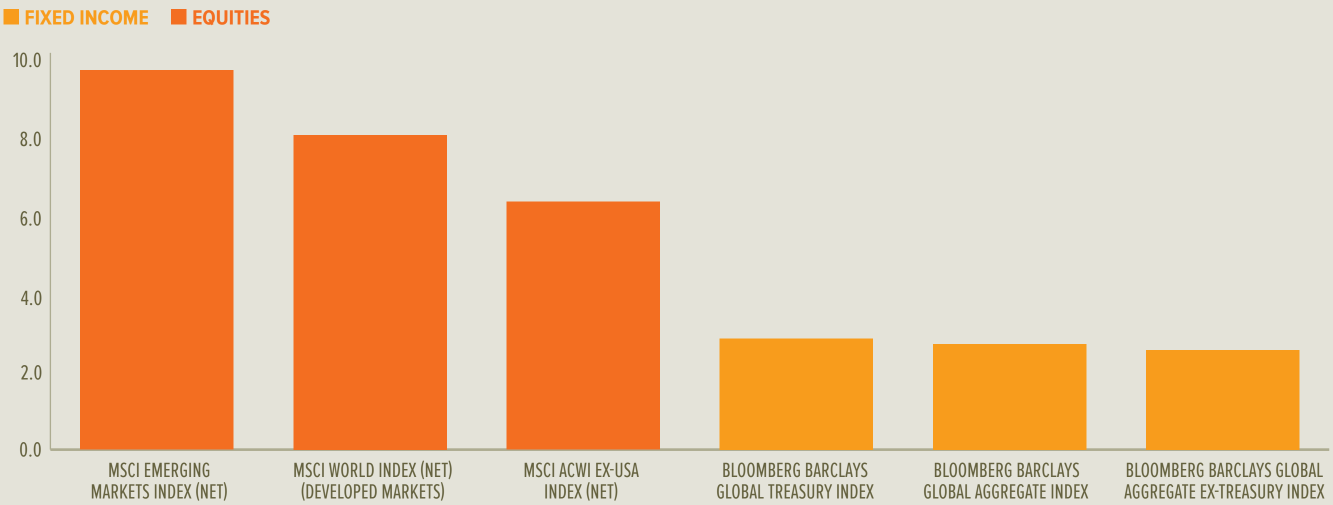
The Trump administration announced in September that it would not pursue a 10% tariff on U.S. imports of Canadian aluminum previously announced in August, as trade is now expected to normalize in the coming months following high import levels earlier in 2020.

Israel normalized relations with the United Arab Emirates and Bahrain in early September in a US-brokered agreement that is expected to result in the mutual establishment of embassies and increased regional trade between the U.S. allies.

The EU imposed sanctions on a “substantial number” of Belarusian officials in response to fraud and violence associated with the August 9 election victory that awarded President Alexander Lukashenko his sixth term after 26 years in power. EU leaders declared that the election—which Lukashenko was said to have won with 80% of the vote despite large, ongoing protests—would need to be rerun as it was “neither free nor fair.”

Armenia and Azerbaijan renewed a long-simmering conflict centered on control of the Nagorno-Karabakh region. Beginning in July, Armenia announced joint defense programs with Russia—which Azerbaijan countered via military exercises with Turkey. Both sides accused the other of employing fighters from other regional conflict zones. By the end of September, skirmishes yielded to outright battles during which Armenia claimed Turkey shot down an Armenian fighter jet in Armenian airspace.

Major Index Performance in Q3 2020 (Percent Return)



Sources: FactSet, Lipper

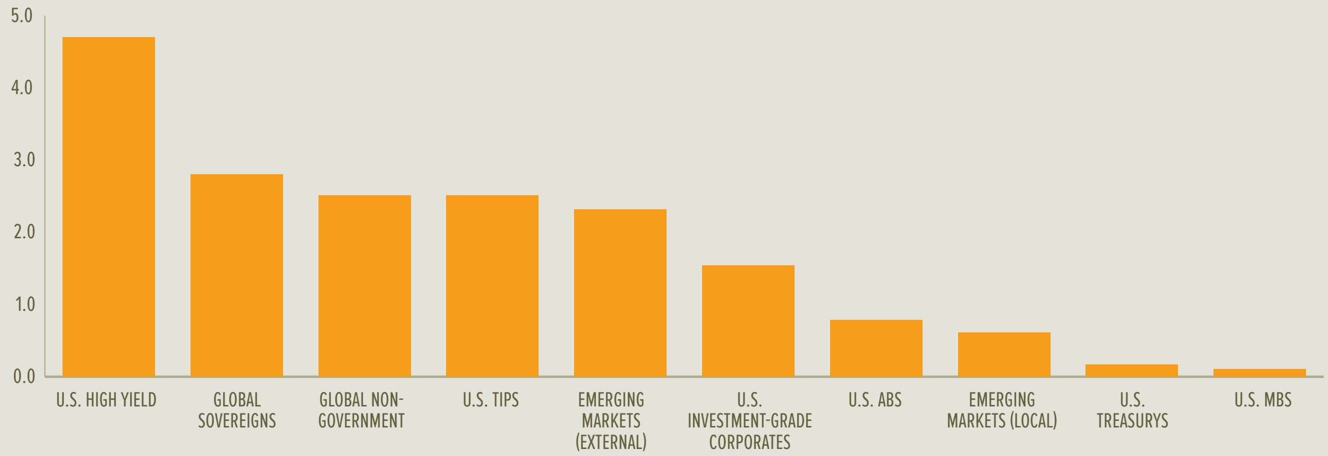
Economic Data

- The recovery in U.S. manufacturing steadily progressed during the third quarter, ending in a solid overall expansion punctuated by strong new orders and steady employment. Services sector activity climbed out of contraction in July and returned to a healthy expansion by August, where it levelled off through September. New weekly claims for unemployment benefits declined modestly throughout the quarter, but remained above levels that were unprecedented before COVID-19-induced lockdowns. The overall U.S. economy contracted at a 31.4% annualized rate during the second quarter, improving a bit on preliminary readings.

- U.K. manufacturing activity cooled a bit in September after returning firmly to growth territory in July and peaking in August. The U.K. services sector started the third quarter with solid growth, which heated up in August before settling back to a slower, but still-healthy expansion in September. The number of people claiming U.K. unemployment benefits drifted higher by 2.8% between July and August, reaching 2.7 million. The overall U.K. economy contracted by 19.8% during the second quarter and 21.5% year over year, slightly less than recorded by earlier estimates.

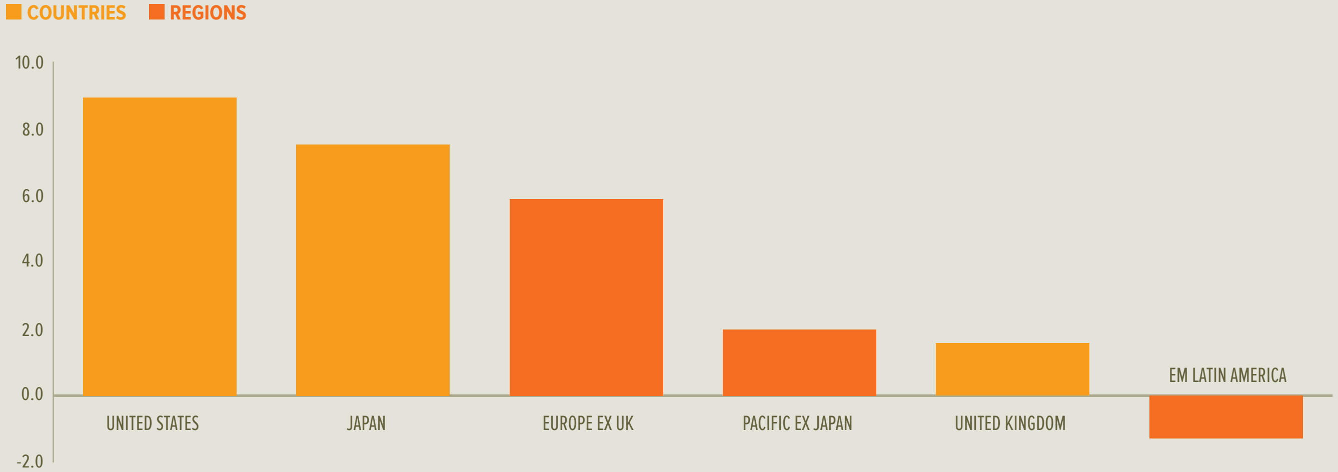
- A sluggish recovery in eurozone manufacturing activity through July and August warmed to healthier levels in September. Activity in the services sector plunged from a solid expansion at the start of the quarter to an outright contraction by September. Loans to non-financial European corporations grew steadily through July and August, at 7.0% and 7.1%, respectively, continuing a trend that began in April. The eurozone unemployment rate increased through August, jumping to 8.1% from 7.9% in July.

Fixed-Income Performance in Q3 2020 (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 2020 (Percent Return)



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

Central Banks

- The Federal Open Market Committee (FOMC) kept the federal-funds rate near zero during the third quarter. During July, the Federal Reserve (Fed) Board of Governors announced extensions of temporary U.S. dollar-liquidity-swap and repurchase-agreement facilities with other central banks through March 2021. In August, the FOMC introduced a new average inflation target that would allow above-target inflation following periods of below-target inflation. This change indicates that the FOMC will likely let the U.S. economy run hotter than in the past before taking policy action to temper growth. At the end of September, the Fed announced it would extend an order through the fourth quarter of 2020 for large banks to cut dividends and halt stock buybacks given expectations for a higher rate of loan defaults.

- The Bank of England's (BoE) Monetary Policy Committee held the Bank Rate at 0.1% throughout the third quarter after announcing at the end of the second quarter that it would expand its stock of asset purchases to £745 billion. Committee members have debated the implications of employing a negative interest rate at recent meetings.

- The European Central Bank (ECB) held its benchmark rates unchanged during the third quarter. ECB President Christine Lagarde expressed an expectation that the central bank's Pandemic Emergency Purchase Programme (PEPP)—which was granted a higher ceiling for asset purchases in June that totaled €1.35 trillion—would need to be fully employed given the current outlook.

- The Bank of Japan (BOJ) held course throughout the third quarter. Notably, newly elected Prime Minister Suga has expressed a desire to see more Japanese bank mergers on the belief that it is a crowded marketplace.

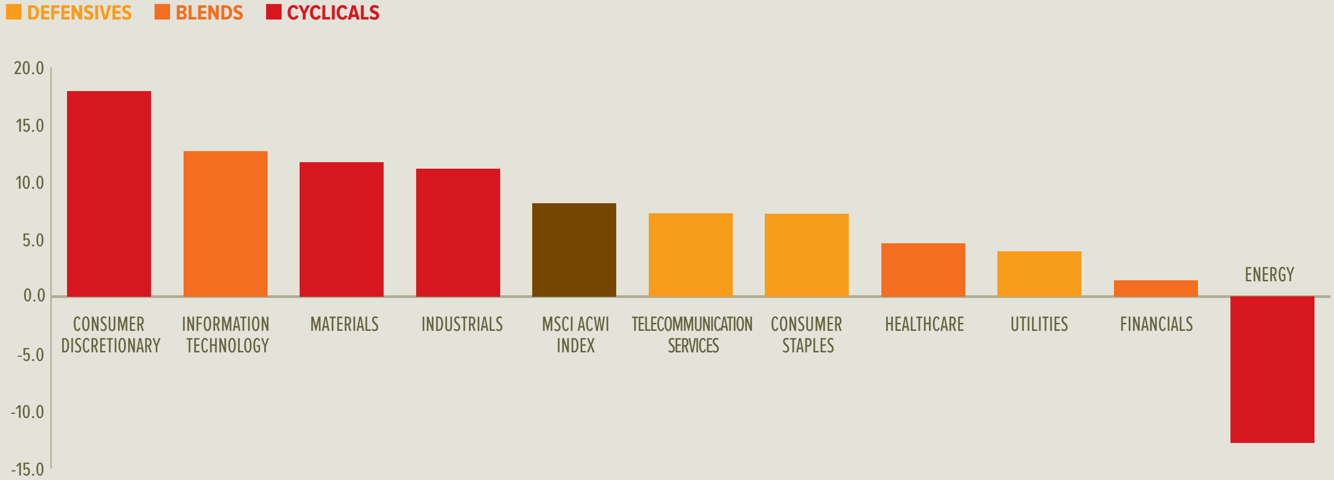
Portfolio Review

U.S. equities climbed significantly during the third quarter, led by growth stocks for most of the period. The large full-quarter return masked September's decline, during which value stocks held up better. Our U.S. large-cap strategies[1] produced substantial absolute returns during the third quarter, but lagged their benchmarks. Overweighting the financial sector and underweighting the information technology sector detracted. A value tilt contributed during September, but detracted for the full quarter. U.S. small-cap stocks lagged large caps, but still generated elevated returns for the three-month period. Our small-cap strategies outperformed their benchmarks during the third quarter primarily due to stock selection in financials, an overweight to consumer discretionary and an underweight to real estate; value and low-volatility orientations detracted. Overseas, our international developed-market equity strategy outperformed its benchmark. Stability and momentum exposures were the greatest contributors for the full quarter, while selection within value exposures was also generally beneficial. Emerging-market equities outpaced their developed-market counterparts during the third quarter. Our emerging-market equity strategy lagged its benchmark for the period due to unfavorable selection as well as value and dividend-yield exposures that did not keep up with faster-growing stocks in online retail and information technology.

Our cored fixed-income strategy outperformed its benchmark during the third quarter as most non-government fixed-income sectors led comparable U.S. Treasurys. The Treasury yield curve steepened, putting pressure on our overweight to the long end of the curve as long-term yields increased. An overweight to corporate bonds contributed as longer-term maturities outperformed short-term maturities. Mortgages modestly underperformed the benchmark during the third quarter, dragging down an overweight

[1] Individual holdings will differ between strategies. Not representative of our passive strategies.

Global Equity Sector Performance in Q3 2020 (Percent Return)



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

to agency mortgage-backed securities (MBS); however, selection was generally positive as more generic MBS types underperformed. An overweight to asset-backed securities (ABS) was beneficial, particularly as our largest ABS allocation was to strongly performing student loans. A higher-quality bias within commercial MBS (CMBS) detracted as lower-quality tranches outperformed for most of the third quarter. An overweight to U.S. dollar-denominated foreign agencies and sovereign bonds contributed, while an underweight to taxable municipals detracted. Our high-yield bond strategy outperformed its benchmark during the third quarter primarily on the strength of its allocation to collateralized loan obligations (CLOs). An overweight to and selection within retail contributed, as did an underweight to and selection in telecommunications. Selection in leisure was the top detractor, followed by an underweight to and selection in capital goods as well as selection in transportation. Our emerging-market debt strategy outperformed its blended benchmark during the third quarter, driven by an underweight to foreign-currency debt and an allocation to foreign-currency emerging-market corporate bonds; the strategy was partially held back by an overweight to local-currency debt. Key developments in Latin America (that is, Mexico's continued recovery, in addition to Argentina and Ecuador reaching restructuring deals with bondholders) helped propel the strategy during the quarter, as did an underweight to Turkey.

Equity volatility remained elevated and valuations appeared stretched as the recovery continued through the third quarter.

Manager Positioning and Opportunities

Equity volatility remained elevated and valuations appeared stretched as the recovery continued through the third quarter. Within our U.S. large-cap strategies, we continued to underweight some of the largest-capitalization stocks in favor of more attractively valued opportunities further down the capitalization spectrum. Within our small-cap strategies, we maintained exposure to value- and stability-oriented stocks to provide insulation from further volatility. We expect a rotation in value as the market normalizes, but this may depend on getting through a second wave of COVID-19 cases. Within our international developed-market equity strategy, we tilted away from momentum and toward value, resulting in a mostly neutral orientation compared to the strategy's benchmark. We remained overweight strong growth opportunities in the information technology and industrials sectors, and underweight defensive sectors like utilities, consumer staples and real estate with low growth prospects. Our emerging-market equity strategy's momentum and stability tilts were slightly reduced in favor of value. We decreased overweights to information technology and industrials in favor of materials and consumer discretionary, while financials remained underweight.

With long-term yields remaining near historically low levels, our core fixed-income strategy continued to reduce its overweight to the 25-to-30-year segment of the yield curve and increase its position in the 7-to-10-year segment. An overweight to the corporate sector was modestly decreased as valuations grew rich after a springtime rush of discounted

According to the World Health Organization, researchers were testing 38 vaccines in clinical trials at the end of September, while 93 more were in pre-clinical testing.

new issuance. We maintained overweights to ABS and CMBS with a higher-quality bias due to their attractive risk-adjusted yields. We also retained an allocation to non-agency MBS and an overweight to agency MBS. Our high-yield strategy's largest position remained an allocation CLOs, which was increased gradually throughout the quarter. An underweight to the energy sector—the strategy's second-largest active position after its CLO allocation—was reduced during the period. Our emerging-market debt strategy increased an underweight to foreign-currency debt and an overweight to local-currency debt over the course of the three-month period. In terms of country exposure, an overweight to Mexico was the largest position, followed by an underweight to Philippines and an overweight to Egypt. Exposure to Egypt was increased during the period, while overweights to Chile and Ukraine were decreased.

Our View

It has already been an eventful and exhausting year, but we have a sense that the next few months could prove critical to the future course of the global economy and financial markets. Most countries were in V-shaped recovery mode during the third quarter, moving sharply off their low points in May and June. We assume that future lockdowns to contain COVID-19 outbreaks will be far more limited in scope. For developed countries, treatments have improved, vulnerable populations appear to be better-protected, and younger, generally healthier people are accounting for a much larger share of confirmed new cases.

But we doubt there will be a full return to normal economic behavior until safe and effective vaccines are introduced and distributed globally. The news on this score has been positive, and probably is a key reason for the continued buoyancy of equities and other risk assets. According to the World Health Organization, researchers were testing 38 vaccines in clinical trials at the end of September, while 93 more were in pre-clinical testing. Ten vaccines have been approved for large-scale efficacy and safety trials. We think it is realistic to assume that a few different vaccines will be generally available by this time next year, which means that social-distancing measures must still be followed well into 2021 and, most likely, into 2022.

There's no disputing that U.S. economic activity remains far below normal. Although incomes are now recovering as more people get back to work, the lack of additional income support may drag down consumer spending as we head into the end of the year. Business sentiment appears to have bottomed, but the outlook remains sufficiently uncertain to keep us in a watch-and-wait mode. We would not be surprised to see the official U.S. unemployment rate move up in the months ahead as hard-hit industries eliminate jobs now that government support has run out.

In August, Fed Chairman Jerome Powell officially unveiled a new framework for conducting the central bank's monetary policy. The Fed has decided to see how low the U.S. unemployment rate can get before it causes the inflation rate to exceed the 2% mark by a meaningful extent.

The FOMC's own inflation projection does not envision a return to 2% inflation until the end of its forecast window in 2023, so it may be a long time before the federal-funds rate rises.

In our view, all that's really left in the Fed's monetary toolbox is quantitative easing, along with the provision of lifeline support to corporations as well as state and local governments through its various credit facilities. Monetization of debt will likely continue until the pandemic crisis is well past and the U.S. unemployment rate approaches its previous lows.

The U.S. presidential election will have a major impact on the economy and financial markets in the months and years ahead. Still, we firmly believe that it would be a mistake to pursue even a short-term investment strategy that necessitates accurately predicting: (1) the election winner; (2) the policies proposed by the newly inaugurated president; (3) the ways in which Congress will modify those proposals throughout the legislative process; or (4) the impact those new laws would have on the economy and financial markets.

Regardless of the election's outcome, we assume that both candidates would see their platforms tempered before they're put into practice. There is a high degree of institutional inertia, which is partly deliberate (constitutional checks and balances) and partly happenstance (increasing polarization of opinion in the country tends to favor a draw). While there could be some market volatility plausibly attributed to the election, it is usually best to pay strict attention to the fundamentals and to ignore the politics.

The U.K. is undergoing its own unique political melodrama, with Prime Minister Boris Johnson facing a rebellion among his own backbenchers and intense criticism from senior Conservatives over his proposal to renege on the withdrawal treaty that would allow Northern Ireland to trade without border restrictions with Ireland and the rest of the EU. The move to abrogate the treaty, if successful, would almost certainly lead to a hard Brexit—a reversion to the World Trade Organization's most-favored-nation trading rules with the EU. It also could breathe new life into the separatist movement in Northern Ireland itself, not to mention Scotland.

Prime Minister Johnson's decision reflects his government's frustration with EU negotiators. There are two main sticking points, one small (EU fishing industry demanding full access to U.K. waters) and one large (EU demanding the UK's continued adherence to EU strictures on government financial assistance to private-sector businesses).

Obviously, a hard Brexit will not help matters. But the worst impact potentially will be sustained by financial companies and other service-producing entities, since World Trade Organization rules deal mostly with tradable goods. The increase in tariffs, for the most part, will be bearable once border-related issues are worked out. In the meantime, the U.K. and the rest of Europe are facing a second wave of COVID-19 that could turn what's been a V-shaped recovery into something looking more like a W.

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This year's pandemic and postponement of the summer Olympics proved to be a bitter ending to Japanese Prime Minister Shinzo Abe's record-breaking term in office. His push to lift Japan out of its deflationary spiral was somewhat successful. Prices mostly stopped declining in the aggregate, but there were few occasions when overall consumer-price inflation rose above 1%. Pandemic pressures have caused a return to outright deflation in recent months.

In our view, it is unlikely that radical changes will be made to the direction of policy under Japan's new Prime Minister Yoshihide Suga. In the near-term, the priority will be on the response to the coronavirus; fiscal policy will remain quite expansionary. The Bank of Japan will continue to buy most of the government-issued bonds, along with other types of corporate debt and equity, as it has been doing as part of its Quantitative and Qualitative Easing program over the past four years.

The contrast of the big Asian stock markets versus other large emerging-market equities is dramatic. China's strong gains can be chalked up to its rebound in economic activity. Although travel and other services are still constrained due to lingering concerns about the virus, infrastructure-related spending and manufacturing have experienced an almost-complete recovery to pre-pandemic levels. Investors seem to be unfazed by the deterioration in the US-China economic relationship or by the increasingly fraught diplomatic relations between China and other countries.

Emerging markets are already showing some good news. The price of raw industrials bottomed in early May, and have since enjoyed a sharp move higher. If industrial commodity prices advance in a sustained, multi-year fashion as they have in previous cycles, it's a good bet that emerging-market corporate profits will also rise sharply.

Our optimism is somewhat tempered by the rising debt burden facing many emerging countries. Much of the increase in emerging-market debt has been tied to the corporate sector—especially in China, where private domestic, non-financial debt has reached an eye-watering 216% of GDP. Of more concern are the mostly small-to-medium-sized countries that are running current-account deficits and are too dependent on external hard-currency debt, or do not have the reserves to easily cover their debt service.

The actions of the world's major central banks back in March, especially the Fed's provision of U.S. dollar liquidity, have helped to ease the strain on the market for emerging-country debt. Governments and other official lenders, meanwhile, have granted loan forbearance to nearly 80 countries; it's a tougher job to get private creditors to agree to do the same. Nonetheless, emerging-market sovereign yields on dollar-denominated debt have fallen back toward their previous record lows, more than reversing the spike endured in March, prior to the Fed's rescue operations.

Glossary of Financial Terms

Alpha source: Alpha source is a term used by SEI as part of our internal classification system to categorize and evaluate investment managers in order to build diversified fund portfolios. An alpha source is the investment approach taken by an active investment manager in an effort to generate excess returns. Another way to define an alpha source is that it is the inefficiency that an active investment manager seeks to exploit in an effort to generate excess returns.

- **Stability Alpha Source:** The investment manager seeks to benefit from investor tendency to undervalue lower-risk, higher-stability businesses—resulting from a focus on short time horizons and overconfidence in forecasts for momentum-driven stocks. Stability-oriented stocks have the power to exceed market expectations by consistently outperforming (rather than reverting to average market returns) and through the power of stable, long-term compounding.

Fiscal policy: Fiscal policy relates to decisions about government revenues and outlays, like taxation and economic stimulus.

Fiscal stimulus: Fiscal stimulus refers to government spending intended to provide economic support.

Monetary policy: Monetary policy relates to decisions by central banks to influence the amount of money and credit in the economy by managing the level of benchmark interest rates and the purchase or sale of securities. Central banks typically make policy decisions based on their mandates to target specific levels or ranges for inflation and employment.

Pandemic Emergency Longer-Term Refinancing Operations (PELTROs): PELTROs are a series of longer-term refinancing operations intended by the ECB to ensure sufficient liquidity and smooth money market conditions during the COVID-19 pandemic period. PELTRO operations are planned to be allotted on a near-monthly basis maturing in the third quarter of 2021.

Pandemic Emergency Purchase Programme (PEPP): PEPP is a temporary asset purchase programme of private and public sector securities established by the ECB to counter the risks to monetary policy transmission and the outlook for the euro area posed by the COVID-19 outbreak.

Paycheck Protection Program: The Paycheck Protection Program is a loan offer by the U.S. government's Small Business Administration (SBA) designed to provide a direct incentive for small businesses to keep their workers on the payroll. SBA will forgive loans if all employees are kept on the payroll for eight weeks and the money is used for payroll, rent, mortgage interest, or utilities.

Quantitative easing: Quantitative easing refers to expansionary efforts by central banks to help increase the supply of money in the economy.

Index and Benchmark Descriptions

All indexes are quoted in gross performance unless otherwise indicated.

The Bloomberg Barclays 1-10 Year US 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 US 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 Index is 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 Index is composed of those securities included in the Bloomberg Barclays Global Aggregate Bond Index that are Treasury securities.

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

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

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

The ICE BofA 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.

CBOE Volatility Index (VIX Index): The VIX Index 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-market 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 is designed to measure the performance of the large- and mid-cap segments of the U.K. market.

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.

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

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

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	ICE BofA U.S. High Yield Constrained Index
Global Sovereigns	Bloomberg Barclays Global Treasury 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 US Mortgage Backed Securities Index
U.S. Asset-Backed Securities (ABS)	Bloomberg Barclays US Asset Backed Securities Index
U.S. Treasurys	Bloomberg Barclays US Treasury Index
U.S. Treasury Inflation-Protected Securities (TIPS)	Bloomberg Barclays 1-10 Year US TIPS Index
U.S. Investment-Grade Corporates	Bloomberg Barclays US Corporate Bond 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 U.K.	MSCI Europe ex UK Index (Net)
EM Latin America	MSCI Emerging Markets Latin America Index (Net)

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