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QUARTERLY MARKET COMMENTARY | Q2 2020

Stocks Splash Higher Despite Waves of Uncertainty

Quarterly Snapshot

- Equities around the world spent much of the second quarter embracing the sharp rebound that began at the end of March. Rates for U.S. Treasurys with the shortest and longest maturities increased during the full quarter, while the rates of those with maturities of 1-to-10 years declined.
- The Office of the U.S. Trade Representative issued a notice in late June that it was considering imposing tariffs on about $3 billion in imports from the U.K., Germany, France and Spain.
- We believe that an ebb and flow of assorted concerns in the coming months will continue to spark volatility across financial markets. Such periods of instability are to be expected in any long-term investing plan; as such, SEI is just as prepared as always to navigate the current wave of deep uncertainty.

Equities around the world spent much of the second quarter embracing the sharp rebound that began at the end of March. Shares were universally higher for the full quarter; although every major market besides China peaked in early June and failed to make new highs thereafter. Recoveries varied in size, and some markets had their best quarter in several years. U.S. shares had the highest quarterly performance since 1998 according to the S&P 500 Index.

Rates for U.S. Treasurys with the shortest and longest maturities increased during the full quarter, while the rates of those with maturities of 1-to-10 years declined. Across maturities, Treasury rates at the end of June were almost identical to those at the end of May, as the entire yield curve moved higher through early June before reversing. Gilt rates were lower across all maturities for the full three-month period. Short-to-intermediate-term rates ended near their lowest-ever rates, while long-term rates climbed throughout the quarter after bottoming in April (albeit returning only partway to their first-quarter finish). European government-bond rates nearly completed a round trip during the second quarter—falling in April, climbing in May, and falling back at the end of June to almost exactly where they concluded the first-quarter.

The West-Texas Intermediate (WTI) oil price plummeted below zero U.S. dollars per barrel in April for the first time in history as its futures contract for May delivery neared expiration. Subsequent contracts traded higher in light of a 23-nation agreement led by the U.S., Saudi Arabia and Russia to cut production by 10 million barrels per day—and the WTI oil price finished June at $39.27 per barrel. The gold spot price climbed throughout the second quarter to its highest level since 2012 amid unprecedented government spending and deep uncertainty about the economic outlook.

The Office of the U.S. Trade Representative issued a notice in late June that it was considering imposing tariffs on about $3 billion in imports from the U.K., Germany, France and Spain. The World Trade Organization approved $7.5 billion in U.S. tariffs on European products in late 2019, and may also approve retaliatory European tariffs on U.S. products.

U.S. borders were set to remain closed to Canada and Mexico until at least July 21 as part of the Trump administration's latest one-month extension,

Key Measures: Q2 2020

EQUITY		
Dow Jones Industrial Average	**18.51%**	↑
S&P 500 Index	**20.54%**	↑
NASDAQ Composite Index	**30.95%**	↑
MSCI ACWI Index (Net)	**19.22%**	↑
BOND		
Bloomberg Barclays Global Aggregate Index	**3.32%**	↑
VOLATILITY		
Chicago Board Options Exchange Volatility Index PRIOR QUARTER: **53.54**	**30.43**	↓
OIL		
WTI Cushing crude oil prices PRIOR QUARTER: **$20.48**	**$39.27**	↑
CURRENCIES		
Sterling vs. U.S. dollar	**$1.24**	↓
Euro vs. U.S. dollar	**$1.12**	↑
U.S. dollar vs. yen	**¥107.93**	↑

Sources: Bloomberg, FactSet, Lipper

which began on March 20. The United States–Mexico–Canada Agreement (USMCA) took effect on July 1, officially replacing the North American Free Trade Agreement (NAFTA).

The EU re-opened its internal borders in mid-June and prepared to open for external travelers on July 1, yet with restrictions still applied to citizens of some outside countries (including the U.S.). Several U.S. states reported an early-June surge in their respective COVID-19 infection rates after pushing to reverse their lockdowns earlier than other states. Texas also noted a string of record-high COVID-19-related hospitalizations at the time, prompting state officials to backpedal its re-opening plans; many other states saw a rising share of positive COVID-19 test results amid expanded overall testing. As a result, several Northeastern states that served as the country's original outbreak epicenter announced 14-day quarantines for visitors from U.S. states that were experiencing recent spikes. The first dedicated COVID-19 treatment—Remdesiver—came to market in late June.

The U.K. and EU struggled to establish their regulatory equivalence in a combined effort to grant mutual access to their financial markets after the Brexit transition period concludes at the end of 2020. The two sides failed to reach an agreement by the proposed June 30 deadline; while the U.K. said it is prepared to grant the EU access to U.K. financial markets, the EU stated that the U.K. has not provided sufficient information to complete its evaluation.

China passed a new national security law for Hong Kong in June, categorizing an array of subversive activities as criminal behavior and carrying sentences as steep as life imprisonment. The ruling also enables Beijing to supervise and intervene in the policing of these activities, as well as the final word on interpreting the law.

Several governments around the world condemned this development. U.K. Prime Minister Boris Johnson said Britain was considering a path to citizenship and relocation for British Nationals (Overseas) (a class of British nationality extended to Hong Kong residents prior to the 1997 handover). The U.S. imposed visa bans on several Chinese central government officials, to which Beijing responded with visa restrictions on Americans "who behave badly in Hong Kong affairs."

On a positive note, the head of China's Securities Regulatory Commission expressed willingness to cooperate on joint company inspections after the U.S. raised the prospect of barring Chinese companies from its financial market if they continued to block transparent audits. China also announced plans to accelerate purchases of U.S. agricultural goods to uphold its commitments to the phase-one trade deal.

In mid-June, Chinese and Indian soldiers skirmished (without firearms) along a disputed border ridge in the Himalayas. India reported at least 20 of its soldiers were killed in the fight, while China did not release information about casualties. At the end of the month, India retaliated by banning scores of mobile apps originating in China (several of which have been widely downloaded around the world).

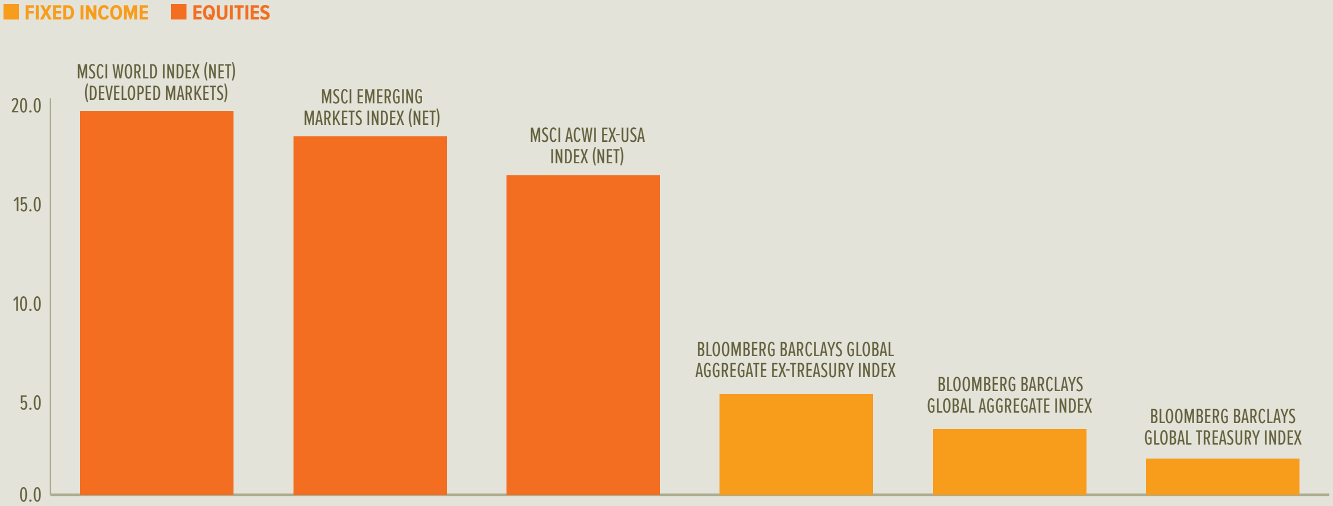
Economic Data

U.S. manufacturing activity nearly returned to growth in June after contracting sharply in April (albeit not as deeply as in the U.K. or eurozone) and improving in May. Activity in the U.S. services sector plummeted more dramatically in April compared to the U.S. manufacturing sector, and did not rebound to as great a degree as U.S. manufacturing through June. American workers submitted more than one million unemployment claims for 14 consecutive weeks through late June (a level of joblessness previously never breached in the data series' 50-plus years), peaking in late March and early April above 6 million claims, but drastically slowing its rate of improvement in June. The overall U.S. economy contracted by a 5.0% annualized rate during the first quarter, and the National Bureau of Economic Research confirmed the country entered recession in February.

U.K. manufacturing activity continued apace in June—neither contracting nor expanding—representing an improvement on the prior month's slowing contraction following an extraordinary drop in April. U.K. services activity nearly stopped contracting in June after a similarly dramatic dive in April and a modest improvement in May. The U.K. claimant count unemployment rate spiked from 3.5% in March to 6.3% in April, and then to 7.8% in May. The overall U.K. economy contracted by 2.2% in the first quarter and 1.7% year over year.

The eurozone's contraction in manufacturing activity continued to ease through May and June after an unprecedented slowdown in April. Eurozone services activity also plummeted in April, but improved somewhat in May before nearly coming out of contraction in June. Loans to non-financial European corporations accelerated for the fourth consecutive month, increasing by 7.3% in May after gaining 3.0% in February, 5.4% in

Major Index Performance in Q2 2020 (Percent Return)



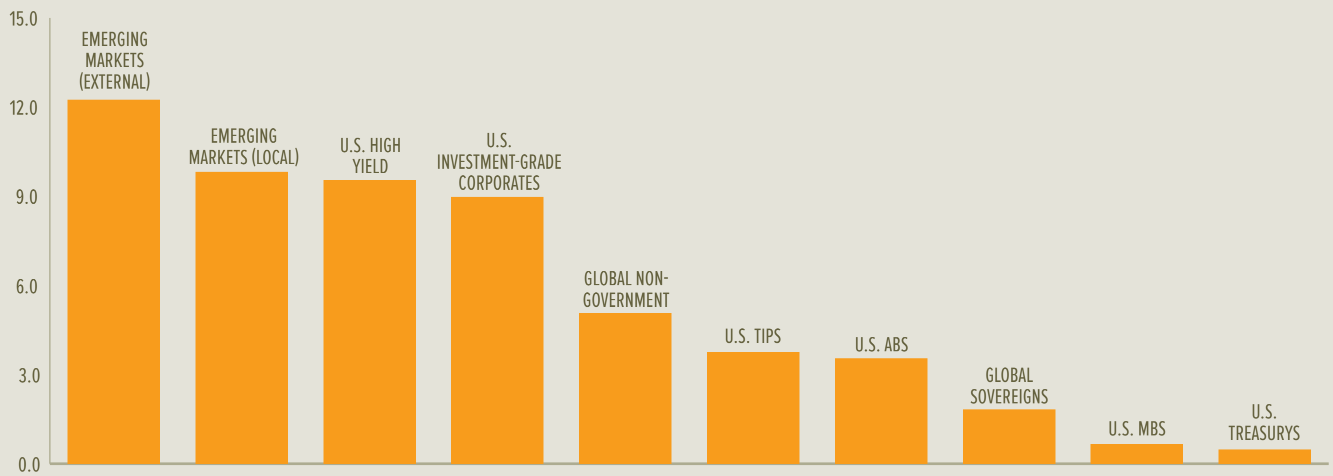
Sources: FactSet, Lipper

March, and 6.6% April. The overall eurozone economy contracted by 3.6% during the first quarter and 3.1% year over year.

Central Banks

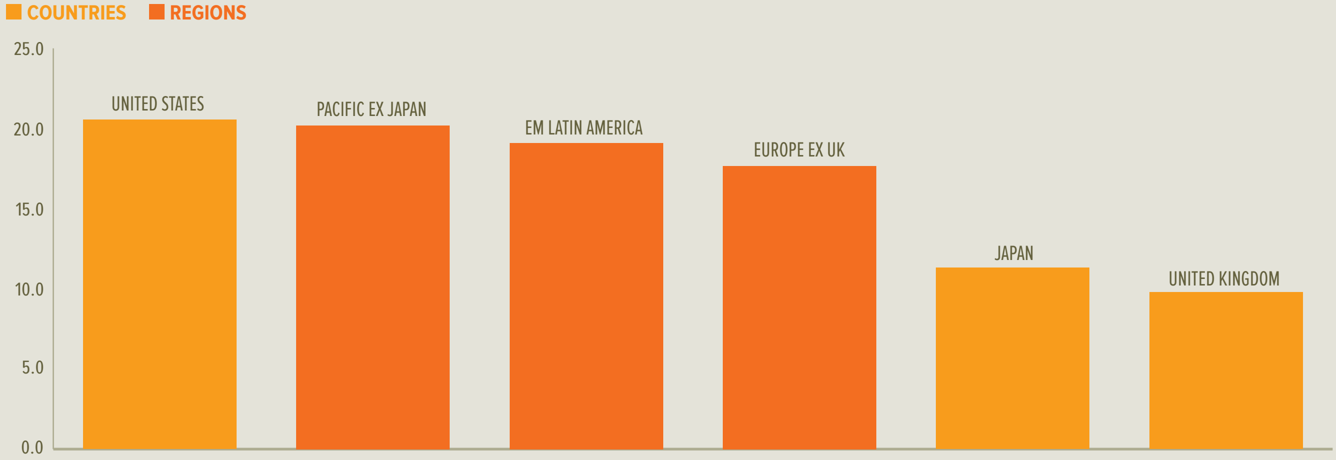
- The U.S. Federal Open Market Committee (FOMC) maintained its monetary-policy path throughout the second quarter—providing assurances in early June that it would not raise the federal funds rate for the foreseeable future and that it would maintain quantitative easing via purchases of Treasurys and mortgage-backed securities (MBS). The FOMC began purchasing corporate bonds during the second quarter via programs that it established as part of its pandemic response. The Federal Reserve (Fed) ordered banks to cut dividends and halt stock buybacks following stress tests on the prospect of an extended economic downturn resulting in a higher rate of loan defaults.
- The Bank of England's (BoE) Monetary Policy Committee held the Bank Rate at 0.1%, during the second quarter; following its mid-June meeting, the central bank announced that it would expand its stock of asset purchases (from an initial £200 billion increase announced in March) by another £100 billion to £745 billion.
- The European Central Bank (ECB) held its benchmark rates unchanged during the second quarter. It unveiled the pandemic emergency longer-term refinancing operations (PELTROs) in April to help facilitate proper functioning of money markets; in early June, it also announced the expansion of its Pandemic Emergency Purchase Programme (PEPP), which is designed to facilitate asset purchases, by €600 billion to a total of €1.35 trillion.

Fixed-Income Performance in Q2 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 Q2 2020 (Percent Return)



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

- The Bank of Japan (BOJ) held course following its mid-June meeting, maintaining its short-term rate and its target rate for the 10-year Japanese government bond. However, it did share an expectation to inject ¥110 trillion into the Japanese economy to offset the COVID-19 health crisis.

Portfolio Review

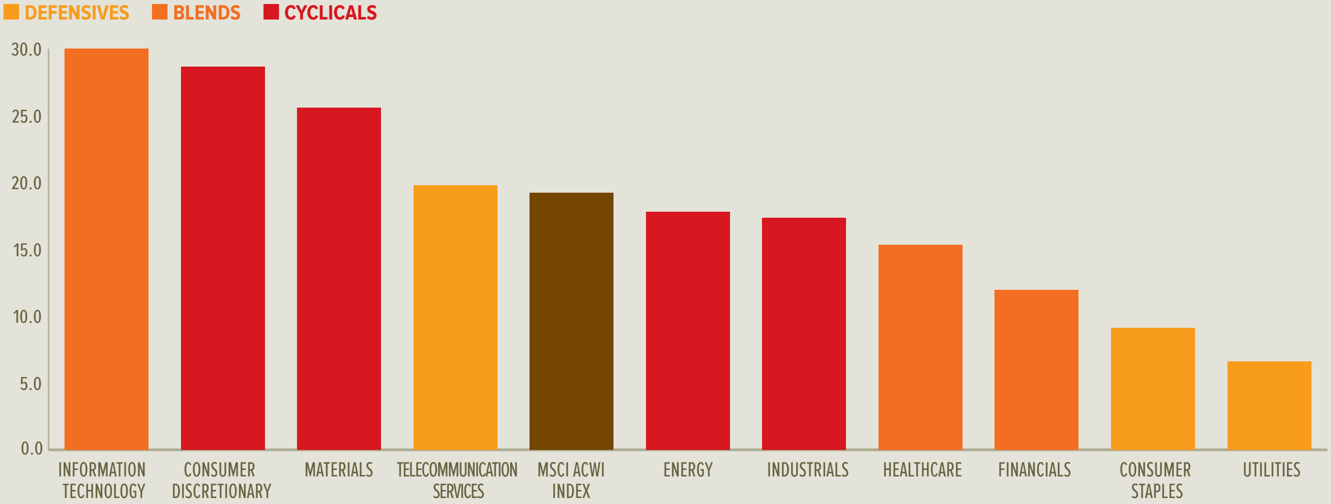
The sharp rebound in U.S. stocks during the second quarter was led by the consumer discretionary, information technology and energy sectors, while utilities, consumer staples and financials lagged. Our U.S. large-cap strategies[1] generated substantial absolute returns, but lagged their benchmarks during the quarter. An overweight to financials and underweight to information technology detracted, while a tilt toward stocks with low price-to-earnings ratios also hurt. Our U.S. small-cap strategies also trailed their benchmarks despite generating large absolute returns during the second quarter. Selection in consumer discretionary was the largest sector-level detractor, while an underweight and selection in health care hurt as well. Our international-developed market equity strategy outperformed its benchmark during the second quarter. A significant overweight to information technology and positive company-specific performance within the sector delivered the greatest contribution, while a smaller underweight and selection in consumer staples and overall positioning in consumer discretionary also contributed. An overweight to communication services was the only sector-level detractor. Our emerging-market equity strategy also outperformed its benchmark during the second quarter. Positioning in consumer discretionary was the top contributor, particularly due to strong performance in Chinese and Brazilian online retailing. A large overweight to information technology also contributed, along with an underweight to financials centered primarily on avoiding

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

Chinese banks. Positioning in health care and utilities were the top detractors.

Our cored fixed-income strategy outperformed its benchmark during the second quarter as all non-government fixed-income sectors led comparable U.S. Treasurys. An overweight to the short end of the yield curve contributed, but was offset by an overweight to the long end. Overweights to corporate bonds—concentrated within industrials and financials—benefited in a cascade of investment-grade issuance totaling $699 billion for the quarter (the third largest quarterly issuance on record). An overweight to asset-backed securities (ABS) was positive, and a higher-quality bias within commercial mortgage-backed securities (CMBS) contributed amid persistent concerns about commercial real estate. An overweight to agency mortgage-backed securities (MBS) was modestly positive, primarily due to selection in specified mortgage pools, as generic exposures underperformed. Our high-yield strategy trailed its benchmark despite producing a significant absolute return during the second quarter. Underweights and selection in healthcare and financials were the top contributors, followed by selection within information technology. An allocation to collateralized loan obligations (CLOs) was the top detractor, followed by an underweight and selection within energy, and selection in retail. Our emerging-market debt strategy outperformed its blended benchmark amid a sharp recovery. Overweights to lower-quality assets and currencies that saw solid recoveries were the greatest contributors during the second quarter. Within foreign-currency denominated debt, overweights to recovering higher-yielding countries (such as Angola, Argentina, Ecuador and Ukraine) and a large overweight to Mexico contributed. Within local-currency debt, overweights to Indonesia, Russia and Mexico also contributed. Foreign-currency corporate exposure performed well, but underperformed foreign-currency sovereign debt.

Global Equity Sector Performance in Q2 2020 (Percent Return)



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

Manager Positioning and Opportunities

The magnitude of stock-market volatility in the first half of 2020 has been unprecedented. We expect a recovery in the U.S. economy during the remainder of the year, but this relies almost entirely on states' successful handling of the public health crisis. Within our U.S. large- and small-cap strategies, exposure to value remains a top position for both strategic (stocks with attractive valuation ratios have historically outperformed over the long term) and cyclical reasons (stocks with attractive valuation ratios have historically performed well when an economic recovery takes hold). Our large-cap strategies are also underweight several of the largest companies in their benchmarks in favor of opportunities further down the capitalization spectrum, while our small-cap strategies are also emphasizing the stability alpha source. Our international developed-market strategy remains overweight information technology and industrials given the growth opportunities that they present. Defensive sectors like utilities, consumer staples and real estate remain underweight given their limited growth opportunities and elevated valuations. The most significant changes during the quarter were slight additions to cyclical sectors (materials, industrials and energy) at the expense of information technology and health care. Our emerging-market equity strategy also remained overweight information technology and industrials on their growth prospects, while financials remained underweight as we continued to avoid Chinese banks.

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With long-term yields remaining near historically low yields, our core fixed-income strategy has been gradually reducing its overweight to the 25-to-30 year segment of the yield curve, while positioning within the 7-to-10 year segment has been increased. Our core fixed-income strategy increased its overweight to corporates during the second quarter as spreads widened, favoring industrials and financials. Overweights to ABS and CMBS remained given their competitive risk-adjusted yields, with an emphasis on higher-quality holdings. We've maintained an allocation to non-agency MBS with an eye on the impact of how the housing market reacts to the economic lockdown. Our increased corporate bond exposure has come at the expense of an overweight to agency MBS, which has been reduced. Our high-yield strategy's top position remained an allocation to CLOs, which was decreased during the second quarter, followed by a significant underweight to energy (exploration and production, gas distribution), which was increased. Our emerging-market debt strategy decreased both its overweight to local-currency debt and underweight to foreign-currency debt. An overweight to Mexico (which was increased during the quarter), underweight to Philippines, and overweight to Ukraine were the largest positions.

Our View

Despite mounting infections, hospitalizations and deaths from the pandemic—as well as the unprecedented stoppage of global economic activity—stock markets around the world managed to mount a resounding comeback over the quarter.

Our working assumption is that there will likely be another significant wave of infections going into the fall-to-winter flu season. The question is, how disruptive will it be to the global economy?

Investors seem to be ignoring the possibility that, even if a sustainable recovery gets under way, it may be a long time before most companies achieve previous levels of profitability. The after-tax profit margins of U.S. domestic businesses were already on a declining trend before the onset of the virus and shelter-in-place orders.

Margins will likely remain well below their previous peaks around the globe as long as COVID-19 is a severe health threat. Most businesses, to one degree or another, are expected to endure lower sales, higher costs and a decline in productivity. There also will probably be a deadweight loss for industries needing extra inventory on hand in order to guard against future shortages and supply-chain disruptions caused by periodic flare-ups of the virus. “Just-in-time” inventory management will turn into “just-in-case” inventory management, tying up cash. Supply chains will likely be diversified over time, a process that was already under way as a result of the trade war between China and the US.

The extraordinary March-to-April lockdown in the U.S. necessitated fiscal measures unparalleled in scope and speed of implementation. The result has been a tsunami of red ink. The Congressional Budget Office projected the deficit will reach nearly 18% of U.S. gross domestic product (GDP) in 2020 and improve to only 10% of GDP in 2021. U.S. debt relative to GDP is forecast to rise to 108% by the end of fiscal year 2021 versus 79% at the end of fiscal year 2019.

These are unsettling numbers. Many investors wonder whether such a surge in government debt will provoke an economic crisis even after the pandemic runs its course. We don’t think that it will. The U.S. has a large, dynamic economy and deep capital markets. If investors were truly concerned about the long-run fiscal viability of the U.S., the value of its currency would have been falling more convincingly and long-term U.S. interest rates would have been going up (not down).

The policies pursued by the Fed have also served to keep interest rates low. Its balance sheet has ballooned this year, far exceeding the increases logged by the ECB or the BOJ.

The U.S. certainly is not alone in engaging in a huge fiscal response that is then monetized by the central bank. In our opinion, governments are treating the fight against COVID-19 like they would a war. As many resources as possible are being thrown into the fight, supported by debt issuance that is absorbed primarily by the central banks.

Those who remember the 1970s are understandably worried by the inflationary potential of such extraordinary debt monetization. If it does lead to inflation, it probably won’t be any time soon, in our opinion. Given our view that the economy will remain below full utilization of labor or productive capacity for the next few years, we believe inflation is unlikely to break out of the 0%-to-3% range it has been in for much of the past decade.

Investors do not seem too concerned about the speed of Europe's economic recovery or the impact of the health crisis on countries' fiscal positions. The bond yields of the most economically-fragile European countries remain close to those of German bund yields, although spreads have widened from pre-pandemic levels. The ECB has been quite successful in short-circuiting the liquidity crisis and flight-to-safety that threatened the euro area's financial structure.

This laid-back view would be severely challenged if the 27 members of the EU fail to approve a €750 billion emergency fund when the EU's leaders meet again in July. Although Germany has joined forces with France to push the package forward, there is still resistance from the likes of the Netherlands, Sweden, Denmark and Austria. There is disagreement, for example, over the split between grants and loans. Italy and Spain would be the biggest beneficiaries of grants to help offset their current fiscal dilemmas, while the remainder of the package would be distributed as conditional loans. Paying for the grants is an even greater source of contention. The European Commission (EC) would be empowered to issue long-term bonds, which would be paid down by giving the EC taxation authority (a power it currently does not have). The only alternative would be to increase contributions from member states (a bigger problem now that the U.K. is leaving the EU) or enact spending cuts in other parts of the EU budget.

Speaking of the U.K., the COVID-19 crisis has pushed Brexit concerns off the front pages. As the December 31 transition deadline nears, it could become an economic factor nearly as important as a second wave of the virus. If a deal on the UK-EU trading relationship is to be delivered before year-end, it probably should be concluded by the end of October so that countries have time to approve the treaty into law. Any free-trade agreement would require the U.K. to agree to permanently align its rules and regulations to those of the EU on an array of matters. The U.K. would essentially bear much of the EU membership cost without having a voice at the table that sets the rules. It is becoming increasingly likely that there either will be a modest agreement that includes tariffs or, in the worst-case scenario, a no-deal result that falls back on the World Trade Organization's most-favored-nation rules.

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While many factors determine equity performance, in the emerging-market space it has correlated with the extent of economic disruption caused by the virus. Asian and central European countries have pulled back the most on their mandates to restrict movement and social interaction. Latin America and India have eased some of those constraints, but not nearly as much as the other two regions. We continue to keep close tabs on China, as it was the first to lock down and first to unlock activity. We expect recovery patterns elsewhere in the world to follow that of China.

Central banks in the emerging world are also doing their part to help restore their economies. Interest rates have come down in almost every country in recent months to record-low levels in many cases. In addition, a dozen emerging-country central banks—including those with shakier reputations, such as South Africa and Turkey—are either buying or planning to purchase their government's debt. We think this debt-monetization may lead to an inflation problem in the future.

It's been said many times that bull markets climb a wall of worry. Maybe now they must learn to swim through waves of worry that include:

- The possibility of a second wave of COVID-19 infections forcing another round of extensive lockdowns and shelter-in-place orders that could lead to a double-dip recession
- A possible break down of political consensus regarding the way forward as economies struggle to regain strength.
- The likelihood that economic recovery will take at least a year, and likely longer—and that few economies are likely to rebound fully to pre-pandemic levels, even if most countries manage to avoid a disruptive second wave of the virus
- Expectations that companies will face higher costs and increased inefficiencies; that taxes will almost certainly rise across many economies in the years ahead; and that bankruptcies and defaults will climb as government aid programs end

We believe that an ebb and flow of assorted concerns in the coming months will continue to spark volatility across financial markets. Such periods of instability are expected in any long-term investing plan; as such, SEI is just as prepared as always to navigate the current wave of deep uncertainty.

Glossary of Financial Terms

Alpha source: Our strategies are designed to capitalize on long-term drivers of market performance through exposure to persistent sources of returns such as mean reversion, trend-following and stability. We have refined our approach to identifying these alpha sources and the factor groups we employ as proxies to measure and capture their performance.

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.

Bear market: A bear market refers to a market environment in which prices are generally falling (or are expected to fall) and investor confidence is low.

Bull market: A bull market refers to a market environment in which prices are generally rising (or are expected to rise) and investor confidence is high.

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

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.

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 an unmanaged market-capitalization-weighted index comprising 500 of the largest publicly-traded U.S. companies and is 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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