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QUARTERLY MARKET COMMENTARY | Q1 2020

Policies Provide Economic Life Support

Quarterly Snapshot

- The arc of global financial markets during the first quarter corresponded with the unfolding realization that outbreak-induced shutdowns would cripple large cross-sections of the world economy.
- Investors' dash for cash created chaotic market conditions around the globe—prompting major central banks to resume global financial crisis-era policies in March, which have appeared to help markets return toward orderly function.
- If your portfolio is aligned with your goals, time horizon and risk tolerance, then time and patience should be on your side. We think selling now could mean missing the rebound that will inevitably happen.

The modern world has almost never before seen the kind of sudden, dramatic global transformation as it did in early 2020. The New Year brought major developments that included the signing of a "phase-one" trade deal between the U.S. and China, the U.K.'s official divorce from the EU, and the emergence of COVID-19 in Wuhan, China. February was defined by the world's evolving realization that COVID-19 would not be contained to China despite quarantines, border closures and air-travel restrictions. Halfway into the same month, the U.S. and Europe began to contend with a possible widespread outbreak that would demand extreme containment measures—all of which became reality by the middle of March, as both regions committed to suppression.

The arc of global financial markets during the first quarter of 2020 corresponded with the unfolding realization that controlling the outbreak would require government-mandated shutdowns of "non-essential" activity—impacting large cross-sections of the world economy. Governments issued stay-at-home orders as public health leaders preached "social distancing" in order to "flatten the curve" (that is, slow the rate of transmission in order to provide health systems time to manage the viral outbreak).

A dash for cash by investors concerned about the economic fallout created disorderly conditions across capital markets. Major developed government-bond rates plummeted to multi-year and all-time lows as credit spreads exploded for fixed-income securities regardless of credit quality, maturity, or other risk characteristics. A subsequent shortage in U.S. dollar funding caused its value to spike against other currencies. Emerging-market currencies came under heavy pressure amid investment outflows and collapsing output, partially on U.S. dollar scarcity and withering demand for oil (much of which is produced in emerging-market countries).

The Federal Reserve (Fed) and other major central banks responded to the widespread disorder in March with a rapid return to global financial crisis-era playbooks. This appears to have helped reroute markets back toward orderly function.

Equities in developed and emerging markets around the globe tumbled in the first quarter of 2020—by between approximately 20% and 30% in

Key Measures: Q1 2020

Equity		
Dow Jones Industrial Average	-22.73%	↓
S&P 500 Index	-19.60%	↓
NASDAQ Composite Index	-13.95%	↓
MSCI ACWI Index (Net)	-21.37%	↓
Bond		
Bloomberg Barclays Global Aggregate Index	-0.33%	↓
Volatility		
Chicago Board Options Exchange Volatility Index PRIOR QUARTER: **13.78**	53.54	↑
Oil		
WTI Cushing crude oil prices PRIOR QUARTER: **$61.06**	$20.48	↓
Currencies		
Sterling vs. U.S. dollar	$1.24	↓
Euro vs. U.S. dollar	$1.10	↓
U.S. dollar vs. yen	¥107.54	↓

Sources: Bloomberg, FactSet, Lipper

most major equity indexes. Peak-to-trough declines were even sharper in many areas since most stocks outside of China either climbed or remained buoyant through mid-February, before selling off as daily volatility returned to levels last seen during the depths of the global financial crisis.

U.S. stocks climbed to all-time highs before registering one of the fastest descents in history, triggering multiple exchange-wide circuit breakers that forced market closures for short periods of time during March. The CBOE Volatility Index (VIX) set an all-time high in mid-March, surpassing its high from the fall of 2008. The volatility cut in both directions as U.S. stocks earned their best three-day winning streak in more than 80 years during late March amid growing support for Congressional action.

Dysfunction, unfortunately, was not limited to financial markets. Hospitals in U.S. and European population centers reported shortages of medical supplies and personal protective equipment. Overextended health systems buckled under the strains; a scarcity of hospital beds spurred the construction of temporary field hospitals, from Milan's fairgrounds to London's ExCel Centre and Central Park in New York City. As the Western world was scrambling to build these facilities, China was already dismantling its temporary hospitals as the country's infection rate slowed—closing its last just one day before the World Health Organization officially characterized COVID-19 a pandemic.

Economic fallout from widespread societal lockdown presented a separate severe challenge to governments around the globe. Trends that were many years in the making—including the explosion of online spending hurting brick-and-mortar retailers, the rise of video streaming entertainment at home, and the expanded business use of teleconferencing—accelerated due to the shift. Meanwhile, OPEC+ (that is, the Organization of the Petroleum Exporting Countries, led by Saudi Arabia—plus Russia) splintered in early March on plummeting demand. Russia would not agree to a proposed shared production cut intended to stabilize oil prices, which prompted Saudi Arabia to increase production in retaliation—triggering the largest one-day oil-price decline since 1991 on March 8, sending oil prices to their lowest levels in 18 years.

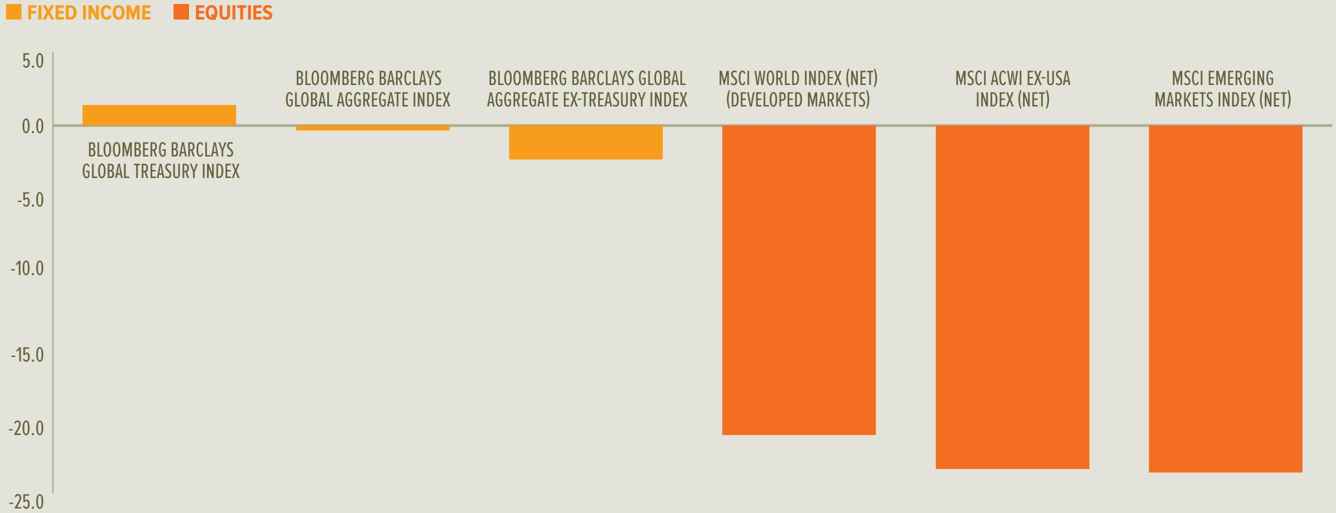
National government responses evolved sharply over time. In the U.S., the COVID-19 response differed at the state level, with governors of more than 30 states (who collectively represent over two-thirds of the national population) issuing stay-at-home orders by the end of the quarter, while others abstained from substantive lockdown measures. The number of Americans filing for unemployment benefits in the last full week of March hit a record-shattering high of 6.64 million, just one week after more than quadrupling the 1982 record of 695,000 jobless claims. President Donald Trump initially appeared to consider the outbreak a minor issue, but then shifted course, declaring a national emergency in mid-March, and eventually suspending import tariffs; enlisting the private sector to manufacture medical supplies; pausing evictions and foreclosures of government-sponsored mortgages; suspending government-sponsored student loan payments; and delaying most federal tax payments for three months. Congress passed three separate legislative acts appropriating more than $2 trillion in funding for large and small businesses, enhanced unemployment benefits, direct payments to Americans, state and local governments, and the health system.

The U.K. appeared intent on letting its population develop “herd immunity” through widespread infection in early March, acknowledging the likelihood of a high mortality rate. By mid-March, however, its government pivoted to suppression—closing most gathering places and recommending the postponement of local elections several months in advance. The country’s economic relief plans included replacing most of the income lost to suppression-related unemployment, additional health funding, faster paid sick leave and unemployment benefits, business relief via subsidized loans, and the refunding of sick pay to small firms.

The European Commission waived Maastricht limits (that is, requiring EU members to adhere to annual deficits of no greater than 3% of gross domestic product) in order to provide national governments fiscal budgetary flexibility. Italy passed one of the earliest government relief programs, although it will almost certainly need to do more given the severity of its outbreak. Germany and France, among other nations, have also been working to introduce major fiscal stimulus.

Against the backdrop of an unfolding global crisis, Russia’s legislature and highest court affirmed a constitutional amendment allowing Vladimir Putin to remain president until 2036, adding another potential 12 years to his term.

Major Index Performance in Q1 2020 (Percent Return)



Sources: FactSet, Lipper

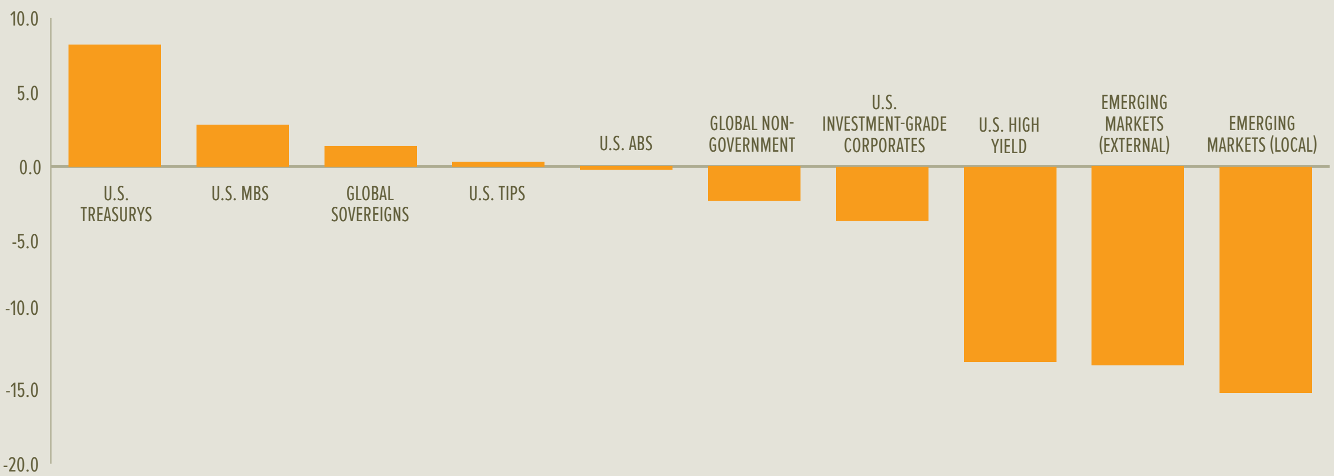
Central Banks

- The Federal Open Market Committee cut the federal-funds rate to near zero through two off-cycle cuts and committed to purchasing unlimited amounts of Treasurys and mortgage-backed securities (MBS). Additionally, the Fed established new, promoted existing, and revived retired facilities to support commercial-paper funding, primary dealer credit intermediation, money markets, investment-grade corporate bonds (in primary and secondary markets), asset-backed loans, and central bank foreign-exchange swaps, along with high levels of reverse repo funding.

- The Bank of England's (BoE) Monetary Policy Committee cut the Bank Rate to 0.1%, the lowest in the 325-year history of the lending rate. It also announced a £200 billion asset-purchase program, mostly of government bonds, to be conducted at a monthly pace that will eclipse previous rounds of quantitative easing (QE). Additionally, it launched a so-called funding-for-lending scheme to spur banks to lend to small- and medium-sized enterprises as well as a commercial paper facility with no cap limit, both to be financed by central-bank reserves.

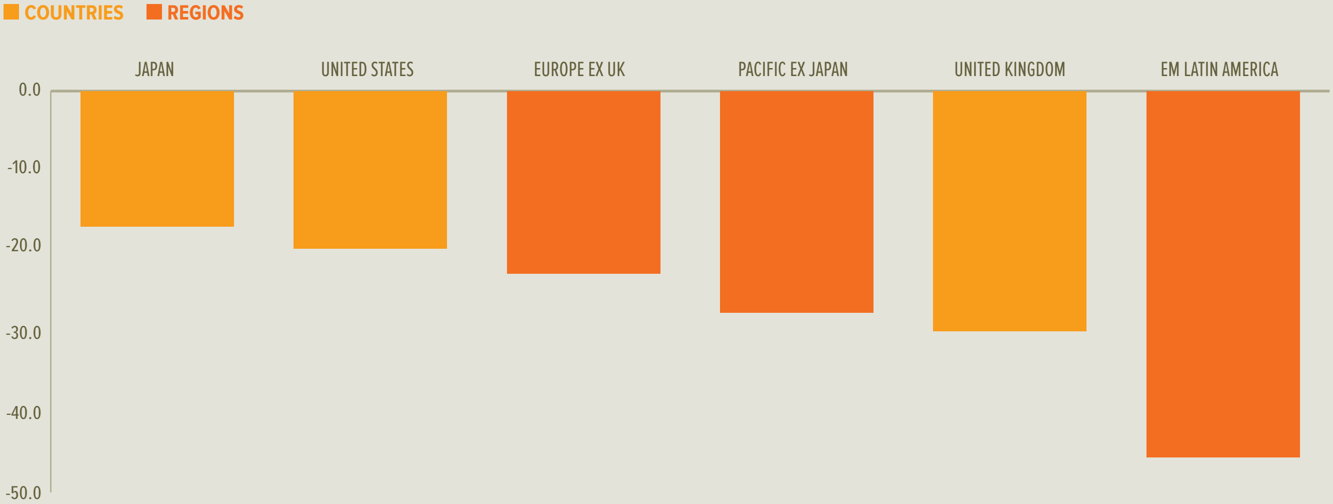
- The European Central Bank (ECB) announced a new QE package—the Pandemic Emergency Purchase Programme—amounting to €750 billion, which should bring total QE-related asset purchases to more than €1.1 trillion in 2020. The central bank also altered issuer limits on the amounts and types of securities it can buy. If needed, the ECB can also use its Outright Monetary Transactions program to purchase an unlimited amount of short-term government bonds.

Fixed-Income Performance in Q1 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 Q1 2020 (Percent Return)



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

Portfolio Review

Our U.S. large-cap strategies[1] lagged their benchmarks during the first quarter, primarily held back by a value orientation. A beneficial overweight to healthcare, which was one of the more stable areas of the market, could not overcome unfavorable positioning in financials (overweight) and information technology (underweight). Security selection within consumer discretionary detracted as well. Our small-cap strategies were also challenged in what was among the worst quarters ever for the asset class. Selection within industrials and financials detracted, as did overall positioning within healthcare. Overseas, our international developed-market equity strategy underperformed primarily on exposures to value and higher beta stocks (those that are more sensitive to movements in the broad market). An underweight to the Pacific ex-Japan region, which limited exposure to the poorly performing financials and energy sectors, was the top contributor. An underweight to Europe, however, was the most significant detractor. Our emerging-market equity strategy lagged its benchmark; a large underweight to China was the greatest country-level detractor, followed by an overweight to Brazil. An underweight to materials, primarily due to positioning in South Africa, was the top contributor from a sector standpoint. The biggest sector detractor was an underweight to consumer discretionary, driven by positioning in internet retail.

Non-government fixed-income sectors underperformed comparable U.S. Treasurys during the first quarter. Our core fixed-income strategy was challenged, but still generated positive absolute returns. A slightly short duration posture at the beginning of March (when long-term Treasury yields were setting record lows) detracted from returns. However, an overweight to the short and long ends of the yield curve added to performance. Corporate spreads widened dramatically during the quarter; an overweight concentrated in financials underperformed the benchmark as investors

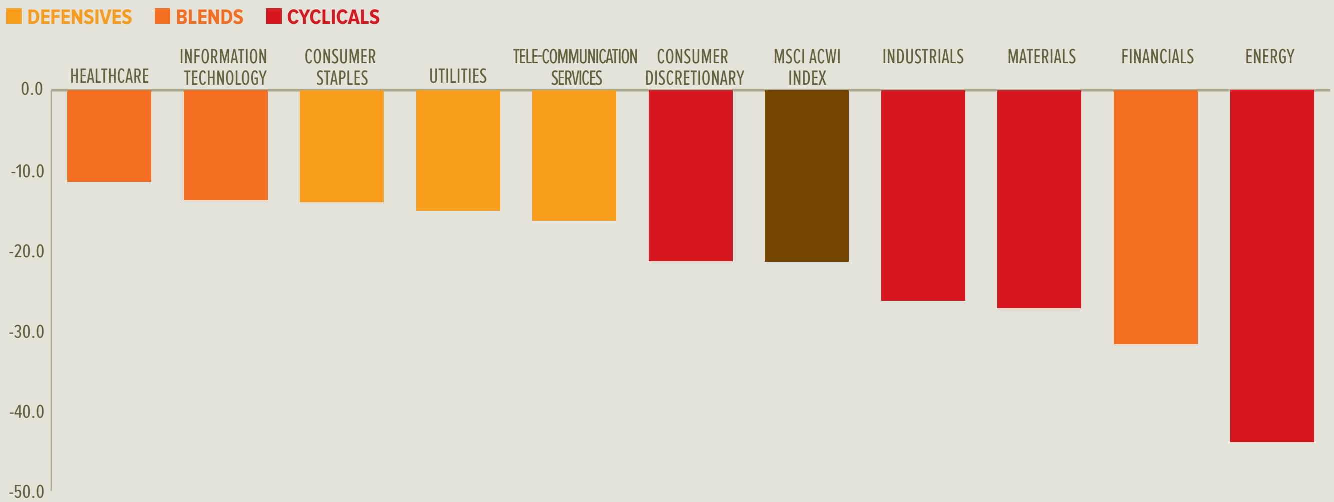
[1] Individual holdings will differ between strategies. Not representative of our passive strategies.

sold more liquid assets. An overweight to non-agency mortgage-backed securities (MBS) also detracted amid growing economic concerns. Our overweight to asset-backed securities (ABS) detracted, even high-quality ABS was hurt by the dash for cash. Commercial MBS (CMBS) struggled as investors grew concerned with forbearance or potential delinquent payments; an overweight did not benefit returns. An overweight to agency MBS modestly contributed as the Fed announced unlimited asset purchases in support of the sector. An overweight to U.S. dollar-denominated foreign-government bonds held back returns as sovereign issuers underperformed. Our high yield bond strategy was challenged during the first quarter, but benefitted from a long-running underweight to the energy sector. An overweight to insurance also helped, while an allocation to collateralized-loan obligations (CLOs) was the most significant detractor. Our emerging-market debt strategy lagged as foreign currency-denominated debt (to which we were underweight) outperformed local-currency debt (to which we were overweight). At a country level, underweights to Bahrain and Turkey were the greatest contributors; overweights to Mexico, Ukraine and Argentina were the most significant detractors.

Manager Positioning and Opportunities

Our large-cap strategies reduced overweights to industrials and increased overweights to consumer staples as the economy began to contract. Financials remained overweight due to the sector's attractive prices and stronger balance sheets; an underweight to information technology remained as the sector grew more expensive, and on concerns about the sustainability of margins due to the sector's cyclical nature. Within small caps, we slightly reduced an overweight to value and increased an overweight to stability. At a sector level, we increased an underweight to healthcare and retained a significant underweight to real estate.

Global Equity Sector Performance in Q1 2020 (Percent Return)



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

Within our international developed-market equity strategy, we slightly reduced exposure to stability in favor of value. Information technology remained the largest overweight due to its long-term growth prospects, while defensive sectors like utilities and consumer staples remained the largest underweights. Our emerging-market equity strategy maintained an underweight to value and overweights to fundamental stability and momentum-oriented stocks. From a sector standpoint, our emerging-market equity strategy retained overweights to information technology and industrials given their growth opportunities in developing countries. We also remained underweight financials in countries like China and Taiwan. Regionally, we maintained an overweight to Latin America, particularly Brazil.

Our core fixed-income strategy's duration posture moved to neutral on the likelihood of an economic contraction. We expect duration will remain around neutral until volatility subsides and there is better visibility on economic conditions; we also maintained an emphasis on liquidity. From a yield-curve perspective, we continued to overweight the front and long ends. We remained modestly overweight to the corporate sector, centered in banking, although this position was reduced. We retained overweights to ABS and CMBS given their competitive risk-adjusted yields, although there was selective risk reduction within student loans. Within CMBS, our holdings remained in higher-quality tranches, which should help alleviate concerns about slowing growth, lower occupancy rates, payment delays, and forbearance. We maintained an allocation to non-agency MBS and increased an overweight to agency MBS, particularly in light of the Fed's reinstatement of mortgage purchases. Our high-yield strategy retained a large allocation to collateralized-loan obligations along with overweights to insurance and basic industry. These came at the expense of underweights to telecommunications, consumer goods, healthcare and energy. Our emerging-market debt strategy's weighting between local- and foreign-currency-denominated assets moved closer to neutral. The strategy's top country overweights were to Ukraine and Mexico, while Philippines remained the largest underweight; its biggest changes for the quarter were decreased exposures to Malaysia, Indonesia and Colombia.

From a sector standpoint, our emerging-market equity strategy retained overweights to information technology and industrials given their growth opportunities in developing countries.

Our View

Black swans, once largely presumed a myth because only the white variety was ever observed in nature, have become symbols of events that are exceptionally rare in occurrence and severe in impact. Today we are confronted with a black swan in the form of a pandemic, as COVID-19 continues its rapid spread and causes financial markets to plunge across much of the world.

The sudden and widespread stop in economic activity by government fiat is something that has never before been experienced on such a scale. The ultimate impact on gross domestic impact (GDP) is truly anybody's guess. The first quarter of 2020 could see a decline at an annual rate of between 3% and 5%. The second quarter will likely be one for the record books.

Congress passed into law a fiscal response that should top 10% of GDP—meaning the overall deficit this year in the U.S. could approach 15% of GDP.

Wall Street economists forecasted a quarter-to-quarter annualized decline ranging from 12% to 30% as of late March.

National governments have been quick to respond. All central banks are in crisis-fighting mode, having learned valuable lessons during the 2008-to-2009 global financial crisis, re-establishing unconventional bond-buying programs and creating some new facilities to expand the types of accepted collateral in order to extend cash to companies that need it.

The Fed and other leading central banks have moved with an alacrity and forcefulness that we find commendable. But central banks cannot single-handedly support this economic shutdown. In our view, fiscal policy—in the form of direct income support, tax deferrals, loan guarantees and outright bailouts of industries badly damaged by the halt of economic activity—must be the prime tool used to conduct the response to this crisis.

The fiscal response is occurring with a speed and decisiveness that has seldom been seen. Congress passed into law a fiscal response that should top 10% of GDP—meaning the overall deficit this year in the U.S. could approach 15% of GDP. Even before the ink dried on the latest package, talk began of the need for another funding package for states and local governments.

Other developed countries are looking to pursue a similar strategy of massive income support and liquidity injections. Germany, a country that typically keeps its wallet closed, is setting the example for Europe. The government has proposed a package equivalent to a whopping 30% of the country's GDP, counting contingencies. Since Germany has built up large reserves in its existing income-support program, the supplementary budget is expected to push the country's on-budget deficit only toward 5% of GDP in 2020, following several years of surplus.

Few other countries in Europe have the fiscal strength of Germany. Italy, the European epicenter of the virus, will be particularly hard-pressed to do all that will be needed to stabilize its economy. Italy's government debt-to-GDP ratio is already well above other major European countries.

The only way an Italian financial crisis can be averted is through the ECB backing up the debt. This is now-or-never time for the EU and eurozone. The stronger countries must come to the aid of the weaker, or face an intensified popular backlash that could threaten the unity of the economic zone. Unfortunately, Germany and the Netherlands are not yet ready to come to the rescue and are standing in the way of the EU issuing "corona bonds." We anticipate this opposition will melt in front of the unfolding disaster.

The onslaught of developments presented by the spread of COVID-19 and a simultaneous collapse in oil prices has forced financial markets to recalibrate prices sharply as expectations about different industries and the overall economy shift at a breakneck pace. Investors should gain some reassurance, however, from the fact that a virus-containment-induced earnings recession is generally only expected to last a couple quarters or so. If market prices are based on a long-term, multi-year expectation, then this fallout should represent a relatively small part of the market's forward-looking focus.

In any event, there is no question that markets have entered deeply oversold territory in technical terms; although it is too soon to say that the market bottom has been established. Nonetheless, we are grateful that the chaotic trading seen in recent weeks has eased considerably thanks to the liquidity provided by central banks and the fiscal package passed by Congress.

Only time will tell whether markets have sufficiently discounted the pain that lies immediately ahead. We have to be cognizant of the fact that earnings estimates will be coming down hard—maybe by 40% to 50% on a year-over-year basis—over the next two quarters. These waterfall declines in earnings could drag equities down with them, but likely not to the same extent. It all depends on how willing investors are to look beyond the valley. If there is a belief that the fiscal and monetary measures taken in the past two weeks will successfully prop up the global economy, then markets should prove resilient. We think a great deal of volatility is still ahead of us, but another big decline along the lines of the past month could be avoided. Indeed, if there are signs that the infection rate is beginning to peak in the U.S. and Europe, it might not matter at all where earnings go in the near term. Investors will likely begin to bid stock prices higher in anticipation of an economic recovery, as they almost always do.

During periods of chaos in financial markets, investors often picture professional portfolio managers frantically trading in an effort to avoid the worst of the carnage while seeking opportunities to profit. At SEI, that reality couldn't be further from the truth.

With a pandemic crippling the global economy and an oil glut exacerbated by suspended activity around the globe, we find ourselves in an environment almost completely void of reliable information—which, to us, makes frantic trading an especially unwise approach to financial stewardship. So, what are we doing?

We are sticking to our investment philosophy and process, maintaining our view that diversification is a sound approach over full market cycles, which include bull markets (some of which last for more than a decade) and bear markets (which can vary in terms of length and severity).

Right now, as always, we are exploring how to deliver portfolios that are as diversified as possible to all of our investors. We're considering the known risks inherent to the capital markets, as well as the uncertainty that comes with any long-term investing plan such as the black swan we've encountered in 2020.

At SEI, we build and maintain long-term-oriented portfolios by being attuned to the evolving correlations, or relationships, between asset classes. We believe our strategies are robust and built to handle environments just like this.

If you are a goals-based investor—and your portfolio is aligned with your goals, time horizon and risk tolerance—be patient. Time should be on your side.

With this in mind, what now?

For one thing, we think checking your portfolio's balance every day is about as helpful as watching the news these days. It won't do anything to ease your nerves. At a portfolio level, we encourage investors to stay diversified and avoid short-term trading in these volatile markets.

If you are a goals-based investor—and your portfolio is aligned with your goals, time horizon and risk tolerance—be patient. Time should be on your side.

If your portfolio was not aligned with your goals as the selloff began, we think it's too late to sell now. Doing so may mean you'll risk missing the rebound that will inevitably happen. No one—including those of us in the financial-services industry—knows exactly when that will take place. But we are confident that the markets will eventually have their comebacks. It may take months—but order will be restored.

Until then, read, watch, listen and learn. You're seeing a real-life, albeit metaphorical, black swan. Use this experience to become a better, more informed investor. We will continue to monitor economic and financial-market developments and provide our insight to help you achieve your goals.

Glossary of Financial Terms

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

Beta: Beta is a measure of sensitivity to movements in the market. High beta stocks are more sensitive to movements in the broad market. Low-beta stocks are less sensitive.

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

Duration: Duration is a measure of risk in bond investing and indicates how price-sensitive a bond is to changes in interest rates. A long (overweight) duration stance indicates the portfolio duration is higher than that of the benchmark whereas a short (underweight) duration stance indicates a lower duration. Duration is measured in years and securities with longer durations are more sensitive to interest-rate changes.

Federal-funds rate: The federal-funds rate is the interest rate at which a depository institution lends immediately-available funds (balances at the U.S. Federal Reserve) to another depository institution overnight in the U.S.

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

Repo funding: Repo (also known as a repurchase agreement) refers to a type of short-term borrowing for dealers in government securities. Central banks can increase the cash available to commercial banks by repurchasing the government securities that they own.

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 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.

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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