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MONTHLY MARKET COMMENTARY | JANUARY 2020

Rising Outbreak Worry Weakens Equities

Monthly Snapshot

- U.S. stocks climbed through mid-January before selling off to end the month essentially flat as volatility jumped on rising concerns about the coronavirus outbreak that began in China.
- The U.S. and China formalized a "phase one" trade deal that offered tariff relief to China in exchange for commitments to purchase $200 billion in U.S. products, reforms to its forced technology transfer practices, and the continued opening of its financial-services industry to foreign investors.
- We retain our emphasis on strategic (long-term) investing over tactical (short-term) decision making, as it is impossible to identify with complete accuracy how investors might react to macroeconomic shifts.

Equity markets around the globe were marked by accelerating volatility throughout the month on intensifying concerns about the coronavirus: A deadly strain originated in Wuhan, China, and began spreading at a faster pace as the month progressed. The number of confirmed cases in mainland China skyrocketed from 45 to well over 11,000 over the final two weeks of January, leading the Chinese government to quarantine millions of citizens in Wuhan. The outbreak spread to other countries, prompting Mongolia and Russia to close their borders with China and other countries to erect transportation and quarantine barriers to Chinese trade and travel. Beyond the threat to public health, the outbreak and resulting containment measures evoked concerns about the potential dampening of economic activity at the same time that China has struggled to navigate an economic soft patch.

In this environment, U.S. equities climbed through mid-January before selling off to end the month essentially flat on concerns about the coronavirus. U.K. and European stocks were restrained for much of January—barely advancing or declining—before weakening late in the period. Asian equities followed a similar path as their U.K. and European counterparts: Chinese stocks tumbled sharply given their proximity to the outbreak and potential for greater fallout; Hong Kong equities also sank, although by less; Japanese stocks generally resisted a severe impact.

Energy prices fell throughout most of January, with declines acclerating later in the month due to a likely clampdown on economic activity tied to quarantines, transportation disruptions and national border closures erected as part of outbreak containment efforts.

Government bond rates fell in the U.S., U.K. and eurozone across almost all maturities in January; the declining yields on these "safe-haven" assets quickened as the month came to a close (bond yields fall when their prices rise). The U.S. Treasury yield curve—which nearly normalized (that is, returned to a positive upward slope) at the end of 2019 after inverting to varying degrees since December 2018—re-inverted across most maturities by the end of January.

China and the U.S. formalized a "phase one" trade deal in mid-January that offered tariff relief to China (via the reduction of existing tariffs and

Key Measures: January 2020

EQUITY		
Dow Jones Industrial Average	-0.89%	↓
S&P 500 Index	-0.04%	↓
NASDAQ Composite Index	2.03%	↑
MSCI ACWI Index (Net)	-1.10%	↓
BOND		
Bloomberg Barclays Global Aggregate Index	1.28%	↑
VOLATILITY		
Chicago Board Options Exchange Volatility Index PRIOR MONTH: **13.78**	18.84	↑
OIL		
WTI Cushing crude oil prices PRIOR MONTH: **$61.06**	$51.56	↓
CURRENCIES		
Sterling vs. U.S. dollar	$1.32	↓
Euro vs. U.S. dollar	$1.11	↓
U.S. dollar vs. yen	¥108.39	↓

Sources: Bloomberg, FactSet, Lipper

the delay of additional scheduled tariffs). In exchange, China committed to purchasing $200 billion in U.S. products over a two-year period; addressing its long-standing practice of forcing the transfer of intellectual property and technology to Chinese counterparts in exchange for access to the Chinese market; and promising to continue opening its financial-services industry to foreign investors.

The United States-Mexico-Canada trade agreement (USMCA) was approved by the Congress and signed by President Donald Trump in late January, officially replacing the North American Free Trade Agreement (NAFTA). Earlier in the month, President Trump and France's President Emmanuel Macron successfully walked back threats of tariffs that originated with French plans for a digital tax that would have targeted U.S.-based multi-national technology companies. The prospect of a digital tax re-surfaced in other countries—including the U.K., Italy, Austria and Turkey—which prompted more threats of retailiatory tariffs by Treasury Secretary Steven Mnuchin. Sajid Javid, the U.K.'s Chancellor of the Exchequer, disappointed Secretary Mnuchin, his U.S. counterpart, by explaining during a joint interview in late January at the World Economic Forum that the U.K. would prioritize trade negotiations with the EU over a deal with the U.S.

President Trump's impeachment trial unfolded in the U.S. Senate during the second half of January. His eventual acquittal with no expected formal consequences seemed almost universally anticipated—even as the U.S. media surfaced corroborating first-hand accounts of President Trump directing underlying events central to the articles of impeachment. These witnesses—one of which was former National Security Advisor John Bolton, whose depictions were made public by leaks of his as-yet unreleased book manuscript—were blocked by a slim majority from testifying under oath before the Senate.

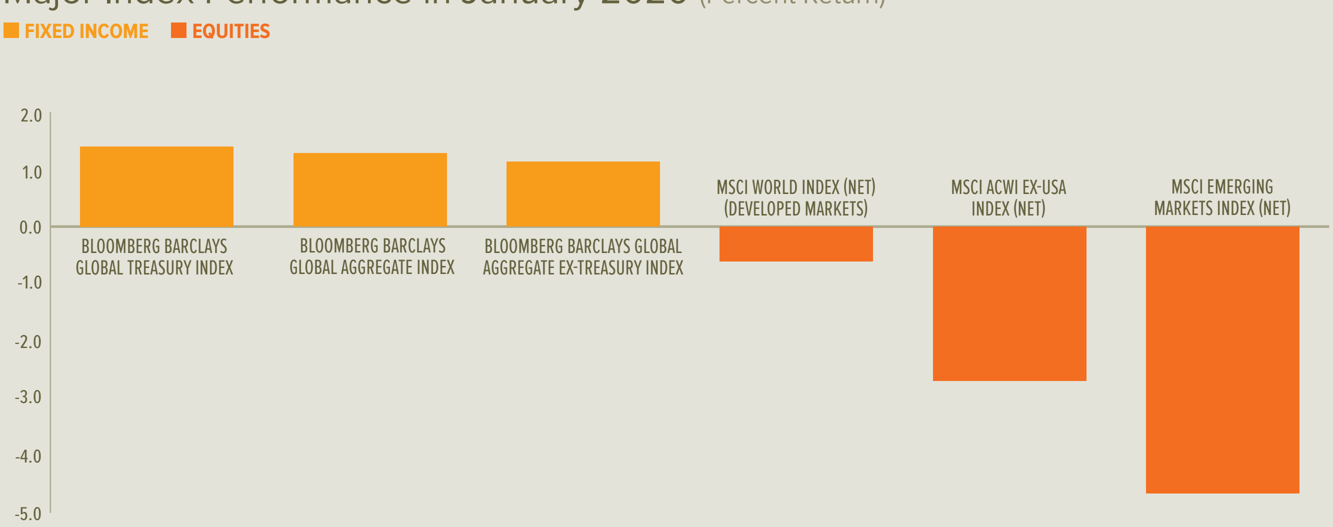
The U.K. formally resigned its membership in the EU at the end of the month after the Conservative Party's Brexit deal became law on January 23. European Parliament ratified the agreement on January 29, paving the way for the split. The two sides will continue to negotiate the terms of their future relationship throughout a transition period that lasts until the end of 2020. Most of the rules that govern trading and travel between the U.K. and EU will remain in the interim, but the U.K. forfeited its participation in the EU decision-making process during the transition. If a deal isn't struck by the end of the year, their trade terms will revert to the rules-based trading system dictated by the World Trade Organization (WTO)—thereby raising tariffs on both sides and slowing the pace of cross-border commerce.

Geopolitical risks ratcheted higher at the start of the New Year when the Trump administration assassinated Qasem Soleimani, a top Iranian general, in Baghdad on January 3. The Iranian military retailiated on January 8 by launching missiles at two U.S. military bases in Iraq, reportedly causing more than 50 traumatic brain injuries of U.S. service members—and then accidentally downing a Ukrainian International Airlines commercial jet mistaken for U.S. military aircraft, killing all 176 passengers.

Central Banks

- The Federal Open Market Committee (FOMC) made no changes to the funds rate following its late-month meeting. However, it detailed multiple steps to maintain ample reserves and keep benchmark rates in line with their targets, including the continued purchase of Treasury bills at least into the second quarter of 2020; the continued offering of repurchase agreements (repos) at least through April 2020; and the continued reinvestment of principal proceeds from the Federal Reserve's (Fed) balance sheet holdings.
- The Bank of England's Monetary Policy Committee kept the Bank Rate unchanged at 0.75% following its meeting at the end of January. This was the last Monetary Policy Committee meeting for Governor Mark Carney, who will turn his role over to Andrew Bailey before the next meeting in March.
- The European Central Bank (ECB) maintained its existing monetary-policy path following its January meeting. As expected, the central bank's governing council also approved a proposed policy review that will consider, among other issues, how the ECB measures inflation targets and whether it can help counteract climate change.
- The Bank of Japan (BOJ) maintained its accommodative monetary-policy orientation following its January meeting, while upgrading its forecast for economic growth and slightly reducing inflation expectations.
- At the beginning of February, the People's Bank of China (PBOC) reduced short-term reverse repo rates and introduced more than $170 billion in new liquidity to money markets through reverse repos to help offset the increased financial pressures created by the coronavirus outbreak.

Major Index Performance in January 2020 (Percent Return)

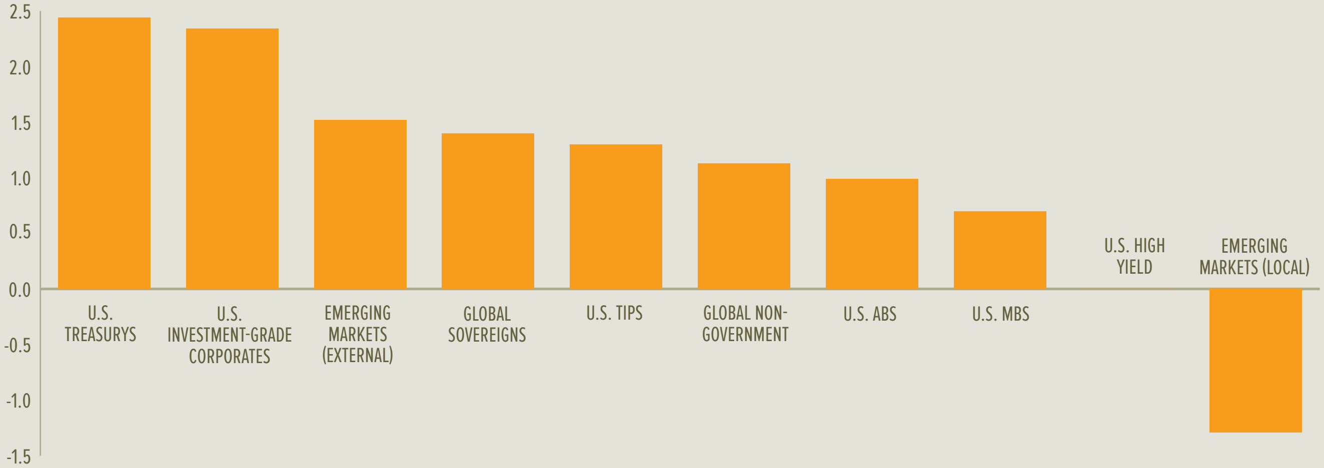


Sources: FactSet, Lipper

Economic Data

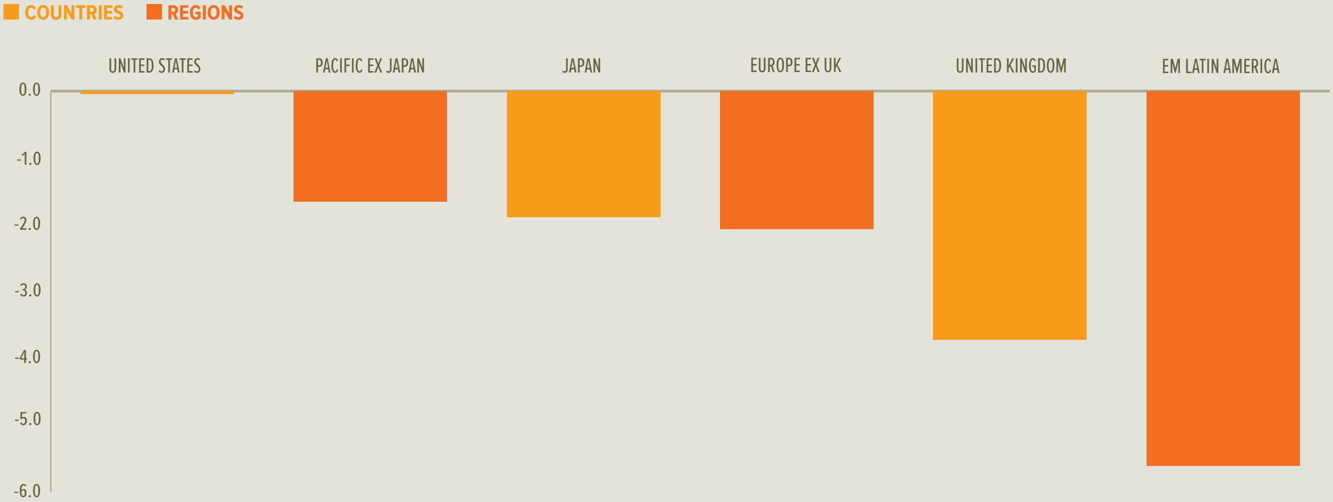
- Multiple reports showed U.S. manufacturing conditions in growth territory during January after indications that activity contracted through the end of 2019. Services sector growth also increased, according to a preliminary report. The U.S. economy grew by a 2.1% annualized rate during the fourth quarter of 2019 and 2.3% for the full year, its slowest calendar-year growth rate in three years.
- The contraction in U.K. manufacturing appeared to pause during January, while a preliminary report showed services-sector activity accelerated to healthier levels from an essential standstill. The U.K. claimant-count unemployment rate increased to 3.5% in December from 3.4% during the prior month. The average U.K. unemployment rate for the September-to-November period held at 3.8% from the prior period, while average year-over-year wage growth slid from 3.5% to 3.4%.
- Eurozone manufacturing activity shrank by less in January than during the prior month. Growth in the services sector cooled, however. The EU unemployment rate declined to 7.4% in December from 7.5% during November. An early report of overall economic activity showed the eurozone grew by only 0.1% during the fourth quarter of 2019 and 1.0% year over year, down from 0.3% and 1.2%, respectively, in the third quarter.

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



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

Portfolio Review

U.S. large-cap stocks ended January with approximately flat performance, masking broad negativity as most stocks declined and a relatively narrow set of mega-cap stocks advanced. The Russell 1000 Growth Index was up 2.24% while the Russell 1000 Value Index returned -2.15% (both in total returns)—the largest monthly-return spread between growth and value stocks since the trough of the global financial crisis in February 2009. Our large-cap strategies[1] lagged their benchmarks due to a value tilt, an orientation toward mid-cap stocks, and underweights to the outperforming utilities and information technology sectors. Our small-cap strategies modestly outperformed their benchmarks’ sharp January decline; stability and growth managers performed well, while value managers lagged. Outperformance was primarily a result of selection in technology, communication, and an underweight to energy. Outside of the U.S., our international developed-market equity strategy underperformed in the downturn. Selection within industrials detracted most from relative performance, followed by an underweight to utilities and selection in financials and healthcare; an underweight to materials was the greatest contributor. In country terms, the most beneficial positioning was in Japan, France and Hong Kong, while allocations to South Korea, Germany and Luxembourg were the biggest detractors. Our emerging-market equity strategy lagged the benchmark’s sharp decline, with selection in information technology having an outsized negative impact; positioning was favorable in financials, real estate and communication services. Exposure to North America and India were the most significant regional detractors, while positioning in China, South Africa and Russia were the top contributors.

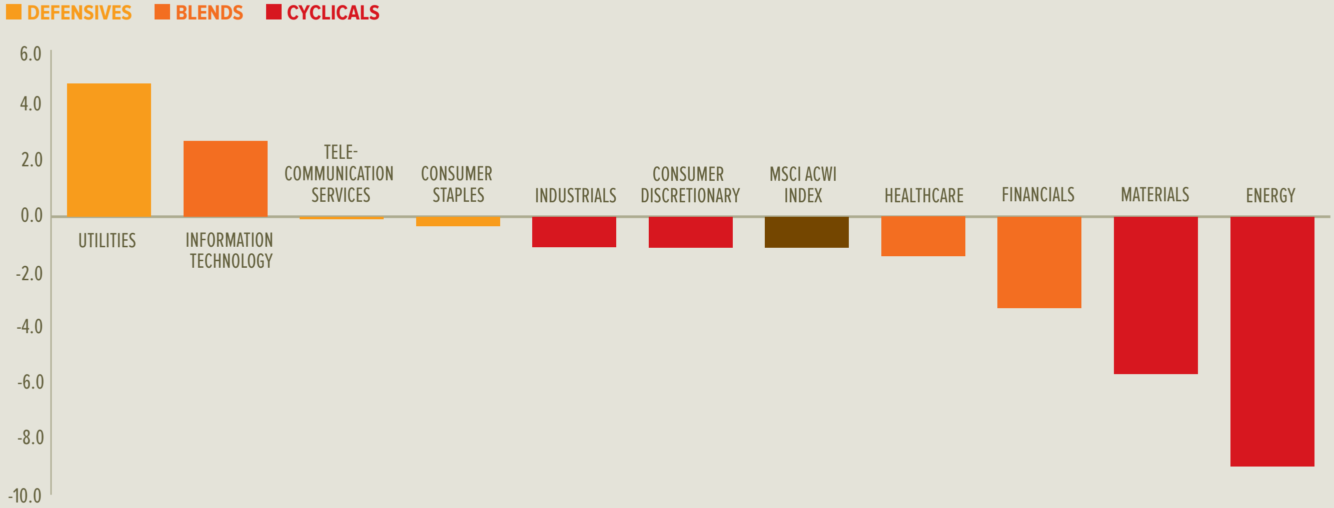
[1] Individual holdings will differ between strategies. Not representative of our passive strategies.

Our core fixed-income strategy performed in line with its benchmark during January as U.S. investment-grade non-government fixed-income sectors underperformed comparable U.S. Treasurys. Neutral-to-long duration was helpful as yields declined; however, a modest overweight to corporate bonds hurt as coronavirus fears weighed on non-government sectors. An allocation to non-agency mortgage-backed securities (MBS) contributed, while an overweight to agency MBS detracted. Overweights to asset-backed securities (ABS) and commercial MBS (CMBS) added to relative performance, especially given our emphasis on higher-quality holdings in these segments amid the "risk-off" environment. An underweight to taxable municipals and an overweight to U.S. dollar-denominated foreign government bonds detracted. The U.S. high-yield bond market was flat for the full month, but our high-yield strategy outperformed the benchmark. An allocation to collateralized loan obligations (CLOs) was the largest contributor, followed by selection within automotives; selection within energy was the biggest detractor. Our emerging-market debt strategy modestly underperformed the benchmark's near-flat January performance. Strongly-performing foreign-currency-denominated debt outpaced local-currency debt, which declined. At the country level, positioning in local Indonesian bonds contributed, while an underweight to Turkey detracted.

Manager Positioning and Opportunities

Trade tensions have subsided following the "phase one" agreement between the U.S. and China, while global growth appears to be picking up and earnings have come in ahead of expectations. However, we are cautious as valuations have been a bit elevated, earnings growth has been low, and volatility has become more common with the coronavirus outbreak and other geopolitical events. 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

Global Equity Sector Performance in January 2020 (Percent Return)



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

capitalization spectrum. Within small caps, we favored value (due to large valuation dispersions) and more stable companies (due to our cautious stance). Overseas, our developed- and emerging-market equity strategies continued to emphasize long-term market themes such as the rising use of the internet and digital services. This drove overweights to information technology in both strategies, as well as an overweight to communication services in developed markets and an overweight to semiconductors in emerging markets. Both strategies remained overweight industrials. Within developed markets, the strategy was overweight healthcare and underweight real estate, utilities and mining stocks. Within emerging markets, energy was one of the strategy's largest overweights, while financials was the largest underweight; materials and real estate were also underweight.

Recent returns have been robust across much of the U.S. investment-grade fixed-income universe, and we believe further appreciation will likely be more incremental. Our core fixed-income strategy remained overweight the front and long ends of the yield curve. We maintained a slight overweight to corporates by identifying buying opportunities in the new-issue market. Overweights to ABS, CMBS and agency MBS remained, as did an allocation to non-agency MBS, given our emphasis on pursuing high-quality risk-adjusted returns. Within our high-yield strategy, we retained a large allocation to CLOs and an overweight to retail. Energy was still our largest underweight, followed by capital goods, financial services, telecommunications and healthcare. Our emerging-market debt strategy kept an overweight to local-currency assets. The strategy's largest overweights were Mexico, Ukraine and Egypt, while the biggest underweights were Philippines, Poland and South Africa.

SEI's View

At the beginning of 2019, many investors were licking their wounds following a sharp global stock-market correction. Today we are confronted with a notably different market backdrop as stock prices generally ended 2019 near their highs of the year. With regard to the U.S. economy, our expectations turned out to be mildly optimistic. But we think it's worth pointing out that quarter-to-quarter fluctuations in the country's seasonally-adjusted gross domestic product (GDP) growth have remained on a relatively narrow path compared to their far more volatile historical range. One reason for the lower volatility was steady growth in U.S. household spending. By contrast, the contribution to real U.S. GDP growth from investment, both residential and non-residential, has been in a slowing trend; the pace of business spending in the country has eased dramatically since early 2018. On the positive side, the absence of an investment boom means there should be little to no side effect; even if a recession were to develop in the next year or so, we believe it almost certainly will not be especially painful.

On the other side of the pond, Prime Minister Boris Johnson's decision to hold a snap election in the fourth quarter paid off. He now enjoys the

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largest Tory majority in Parliament since 1987, when Margaret Thatcher was re-elected Prime Minister for a third term. The victory eliminated the possibility of a dramatic remaking of the British economy as envisioned by the Labour party—and decreased the likelihood of a hung Parliament, which could have prolonged the uncertainty surrounding Brexit.

Of course, uncertainty still remains. While the U.K. formally left the EU in January, the two parties still must negotiate their future trading relationship by the end of 2020. A no-deal Brexit would provide a substantial negative shock to merchandise trade because dealings with the EU would revert to the most-favored-nation rules of the World Trade Organization. Trade in financial services, a category critical to the UK's economic well-being, would be saddled with increased regulations, paperwork and costs.

It continues to be our working assumption that a no-deal Brexit will be avoided, although it may take an extension of the transition period to effect a deal that minimizes the disruption. With that said, Boris Johnson already announced his intention to exit the transition period at the December 31, 2020 deadline.

For Europe, we accurately anticipated a further slowdown in economic growth over 2019. We think it may now make sense to look past the current gloom when it comes to Europe. The lessening of trade tensions should provide export-dependent Europe with a moderate boost in 2020.

Government policy also is geared toward encouraging growth. There are signs that ECB policy is having some positive impact. The banking system is slowly recuperating. Lending to households and businesses has been in a modestly accelerating trend over the past few years. There also is more serious discussion nowadays about easing fiscal policy. Even Jens Weidman, President of the Deutsche Bundesbank, member of the Governing Council of the ECB, and a long-time hawk, has recently felt comfortable backing calls for government spending. Perhaps there's hope that fiscal policy will turn into a tailwind for eurozone growth instead of a steady headwind.

Our expectation that emerging-market economies would enjoy a decent 2019 didn't pan out. First, we thought an economic turnaround in China was just around the corner. The country had been pushing through various monetary, fiscal and structural reform measures aimed at jumpstarting economic growth, and we assumed that the Chinese government would go back to the debt well if needed. This happened only to a limited extent.

We have frequently made the argument that an all-encompassing trade war between China and the U.S. would be in neither countries' interest. The economic and political reverberations would simply be too painful. And so, the agreement on a "phase-one" deal at least helps lower the temperature and halts the tit-for-tat tariff escalations. We expect the truce will hold through the 2020 U.S. presidential election.

Looking at the big picture for the year ahead, we anticipate continued growth for the U.S. and global economies, but at a sluggish pace. This should keep inflation under control and encourage central banks to remain accommodative. Quantitative easing also should help keep fixed-income yields relatively steady even as government deficit spending picks up. Altogether, this scenario should be positive for risk assets.

We've summarized the major themes and outstanding questions that could cause markets to behave in ways that run counter to our positioning in 2020:

- The U.S. is converging with the rest of the world as U.S. economic and profits growth decline. Given the disparity in stock-market valuations, international markets are expected to outperform U.S. equities.

- The partial US/China trade-war truce and a steady progression of fiscal and monetary stimulus measures over the past two years should pay off in 2020. Early signs of improvement are already apparent, which should boost the prospects of trade-dependent economies, notwithstanding the pressures created by efforts to contain the coronavirus outbreak.

- The U.S. dollar should reverse convincingly by losing value relative to other currencies. The Fed's pivot toward an aggressive approach to supporting the overnight lending market has the potential to significantly increase the global supply of dollars. Since we believe the dollar is overvalued on a fundamental basis, its depreciation is a high-conviction call. This would be a tailwind for non-U.S. economies and financial markets.

- The value style should prevail. Modest improvement in global economic growth, a tendency for inflation and interest rates to move higher, and the record disparity in valuation between the most- and least-expensive stocks should lead to a stronger result for value-oriented active managers.

- We foresee less Brexit uncertainty, assuming a trade deal can be reached between the EU and U.K. We expect rationality to prevail, but a no-deal Brexit remains a residual risk. As the year-end 2020 transition deadline nears, U.K. and European markets could experience renewed volatility if the negotiations appear to be foundering on irreconcilable differences.

- Presidential politics could roil equity markets in the U.S. and elsewhere. A sense of which Democratic nominee will face Donald Trump in the coming U.S. presidential election should get clearer in March, when 25 states and Puerto Rico go to the polls; California and Texas, plus 12 other states, will hold their primary elections on Super Tuesday, March 3.

- The impact of Fed policy is a potential wildcard. While we don't see it as a likely outcome, the central bank's dovish stance at a time of full employment could cause a "melt-up" in stock prices.

As seen in the past two years, changes in investor expectations can sometimes completely negate the change in the fundamentals.

In our view, another stellar year for U.S. equities in 2020 would be a source of concern rather than celebration. Equities and other risky assets are not well-correlated with the fundamentals in the short run. Investor expectations can change much more quickly and far more dramatically than the fundamentals. Indeed, as seen in the past two years, changes in investor expectations can sometimes completely negate the change in the fundamentals.

With that in mind, we will retain our emphasis on strategic investing over tactical moves. We will also continue to take stock of the economic and financial developments around the globe and provide our thoughts on where global growth and interest rates are headed. That's actually the easy part, as the experience of the last few years illustrates. Figuring out how investors might react to the shifts in macroeconomic conditions is almost always the much harder exercise.

Glossary of Financial Terms

Dovish: Dovish refers to the views of a policy advisor (for example, at the Bank of England) that are positive on inflation and its economic impact, and thus tends to favor lower interest rates. Federal-funds rate: The federal-funds rate is the interest rate at which a depository institution lends immediately-available funds (balances at the Federal Reserve) to another depository institution overnight in the U.S.

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

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)

Disclosures

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There are risks involved with investing, including loss of principal. International investments may involve risk of capital loss from unfavorable fluctuation in currency values, from differences in generally accepted accounting principles or from economic or political instability in other nations. Emerging markets involve heightened risks related to the same factors as well as increased volatility and lower trading volume. Narrowly focused investments and smaller companies typically exhibit higher volatility. Bonds and bond funds will decrease in value as interest rates rise. High-yield bonds involve greater risks of default or downgrade and are more volatile than investment-grade securities, due to the speculative nature of their investments.

Diversification may not protect against market risk. Past performance does not guarantee future results. Index returns are for illustrative purposes only and do not represent actual portfolio performance. Index returns do not reflect any management fees, transaction costs or expenses. One cannot invest directly in an index.

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