Investment Outlook

By Craig Burelle, VP, Macro Analyst

KEY TAKEAWAYS

- We expect the upward trend in rates to continue, but at a fairly slow pace that shouldn't disrupt risk assets.
- Credit spreads are at multi-year lows and are less likely to tighten further as the cycle advances; however, they can hold if financial conditions are stable.
- With a dollar bull market largely absent, local-currency EM debt looks particularly attractive.
- Positive earnings growth should help global equities find valuation support and a basis for potential gains.
- Geopolitics, including trade wars, and central bank policy surprises could disrupt our benign outlook.

At this point in the year, we believe developed and emerging economies should continue to drive solid global growth. Corporate earnings estimates for the remainder of 2018 look strong, particularly in the United States, where tax reform looks set to add to an already durable outlook. Potential risks we are monitoring include changes in Federal Reserve (Fed) policy as well as modifications to global trade rules.

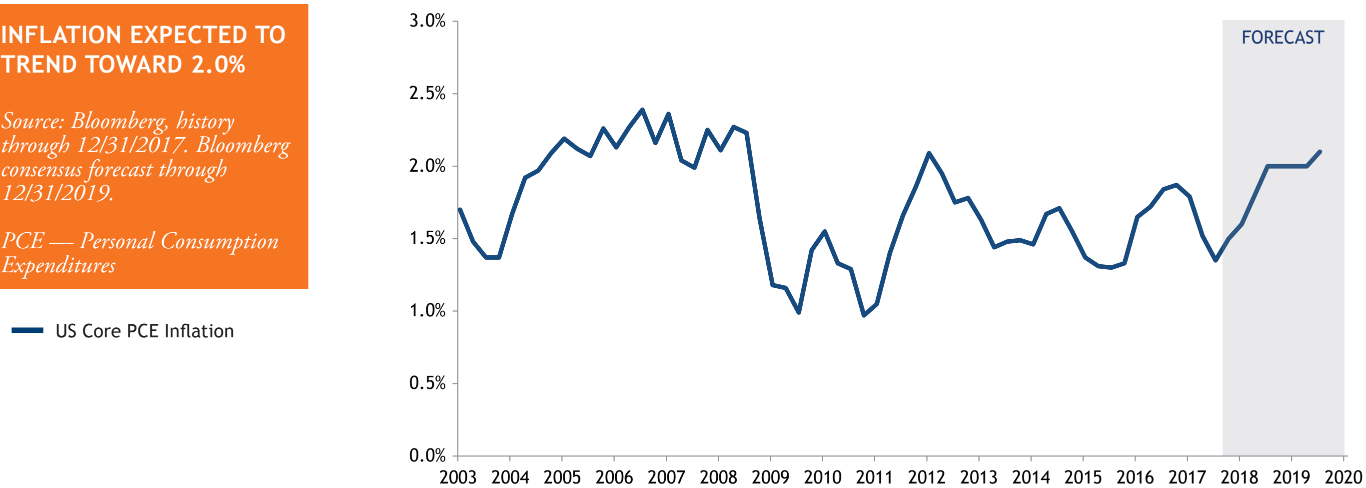
Economic Activity Has Been Improving for Years

Manufacturing activity has been recovering since 2016, when a low in oil prices coincided with the end of a corporate profit recession. Looking forward, economic indicators are expected to continue strengthening. GDP growth estimates are rising and consumer confidence has continued to improve across the world. In addition, US core PCE inflation is expected to trend up steadily toward the Fed's 2.0% target. So far, better domestic economic activity has been met with rate hikes. The US has some of the highest interest rates among developed economies and they are expected to rise further (along with those in other developed economies), albeit at a fairly slow pace that should not materially alter demand for risk assets.

INFLATION EXPECTED TO TREND TOWARD 2.0%

Source: Bloomberg, history through 12/31/2017. Bloomberg consensus forecast through 12/31/2019.

PCE — Personal Consumption Expenditures

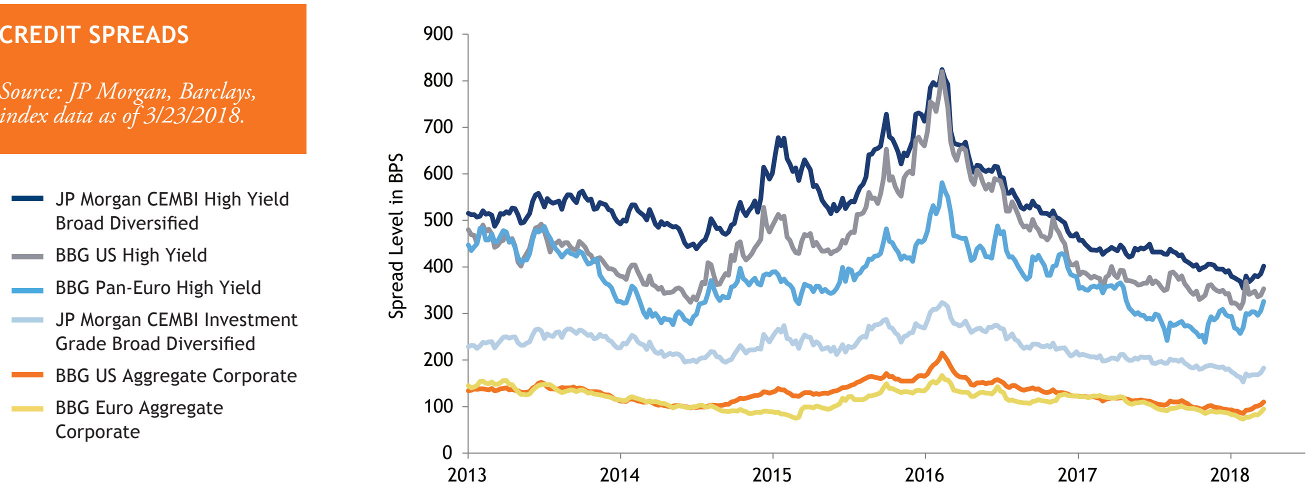


Narrow Credit Spreads Can Hold Steady With Stable Financial Conditions

Global growth and rising profits remain key to keeping credit spreads at multi-year lows. We recognize that as the cycle advances and interest rates move higher, spreads are less likely to tighten further. However, as long as financial conditions remain stable, credit should continue to perform favorably. In a rising rate environment, lower-duration sectors of the credit market, such as high yield and asset-backed securities (ABS), may perform better than their longer-duration counterparts. Bank loans, with rates that adjust as short-term rates change, should also continue to attract investor demand in anticipation of Fed rate hikes throughout the year.

CREDIT SPREADS

Source: JP Morgan, Barclays, index data as of 3/23/2018.

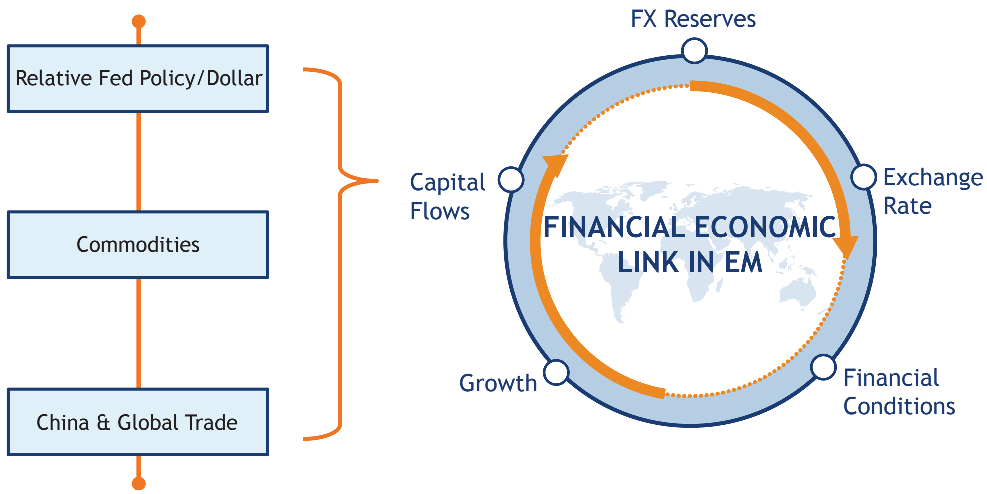


US Dollar Likely Range Bound to Weaker, Supporting EM

Investors have been moving capital into non-US assets as they seek opportunities in countries with higher economic growth than found in the US and investments with greater total return potential. This environment has fostered a weaker US dollar that generally benefits emerging markets (EM) particularly from a funding perspective. As the US dollar weakens and EM governments and companies have greater access to capital markets, they can issue debt more readily. Capital flows into emerging countries can advance fundamental improvement, which then reinforces the case for investment. With catalysts for a US dollar bull market largely absent, we find local-currency EM debt attractive given its yield advantage over other fixed income sectors. With fundamental improvement on tap in regions like Asia and Central and Eastern Europe, certain EM currencies are positioned to outperform the US dollar.

Source: Loomis Sayles Macro Strategies.

For illustrative purposes only.



Global Equity Total Return Potential Remains Solid

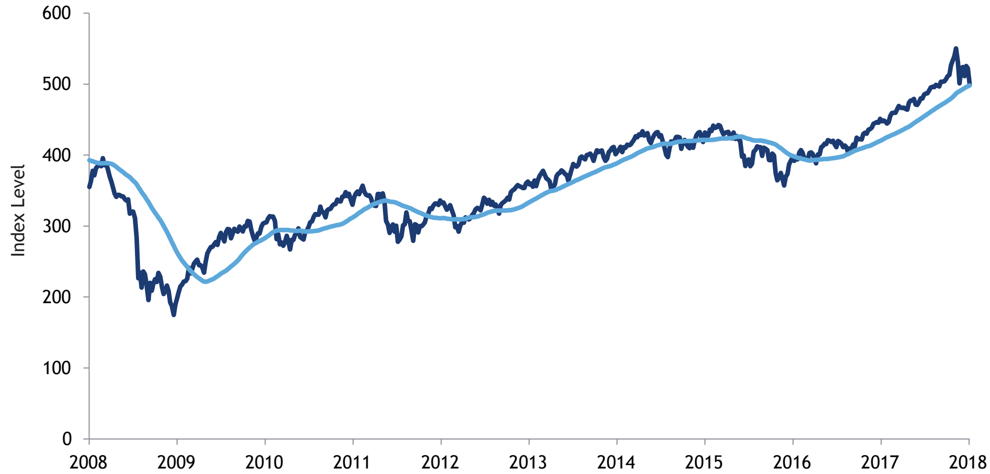
Equity markets may have gotten a little ahead of themselves in January as optimism about synchronized global growth and supportive financial conditions led to outsized gains to start the year. In January alone, the MSCI All Country World Index rallied 5.7% while the MSCI Emerging Markets Index posted an 8.3% total return. While volatility picked up recently, prospects for global equities in the quarters ahead also improved. From an earnings-per-share standpoint, we believe the S&P 500® Index is likely to show year-on-year growth of nearly 20% for 2018. Other US indices are also expected to show strong double-digit growth, boosted in part by corporate tax cuts. We expect EM earnings to grow approximately 16% this year, nearly on pace with the US. With the earnings story broadly positive, equities should find valuation support as well as a basis for potential gains. Advances fueled by price-to-earnings multiple expansion are less likely.

EARNINGS SHOULD SUPPORT EQUITY VALUATIONS

Source: Thomson Reuters Datastream, as of 3/16/2018.

MSCI All Country World Equity Index (USD)

200-Day Moving Average



Keeping an Eye on the Risks

Looking ahead, we anticipate a fairly benign environment where many asset classes could potentially achieve modest total returns. Naturally, there are risks. If US inflation and interest rates move higher and faster than we expect, aggressive Fed tightening could lead to a flat or inverted yield curve and a premature end to the cycle. Globally, financial tightening and regulatory clampdown in China could reverse the virtuous cycle in EM and spark disinflationary pressure. Global trade wars and tariffs could disrupt technology supply chains and other import/export relationships. A case could also be made for upside surprises. For example, fiscal stimulus and generous monetary policy could contribute to a growth boom and steady reflation. Another potential source of higher-than-expected growth could result from Chinese policymakers if they effectively manage the country's excess leverage and financial imbalances. While an environment supporting demand for risk assets should prevail, we remain vigilant in assessing the overall outlook.

	ASSET CLASS	OUR VIEW
FIXED INCOME	Government Bonds	Developed market bond yields should rise but at a slow pace that limits impact on risk asset valuations
	IG Corporates	Stable financial conditions and accelerated profit growth form a positive backdrop for credit
	HY Corporates	Lower-duration profile and relative yield advantage are favorable characteristics
	EM Debt	High yield sovereign and corporate debt remain key income generators
EQUITIES	US	Earnings acceleration set to drive markets higher, not further P/E multiple expansion
	Global	Major exporters face headwinds from a weak US dollar but earnings are still growing
	EM	Strong earnings growth and heavy technology sector exposure should drive EM

First Quarter Review

By Craig Burelle, VP, Macro Analyst

INDEX RETURNS BY SECTOR
as of March 31, 2018

INDEX				
US BROAD MARKET	1 MONTH	3 MONTH	6 MONTH	1 YEAR
BBG BARC US AGGREGATE BOND	0.64	-1.46	-1.08	1.20
BBG BARC US GOVERNMENT/CREDIT	0.65	-1.58	-1.10	1.38

Cyclical economic momentum and a brief inflation panic sent US Treasury yields spiking higher to start the year, which negatively impacted performance of fixed income indices with fairly long duration characteristics like the US Aggregate and US Government/Credit benchmarks. Performance recovered modestly later in the quarter as rate momentum cooled.

US GOVERNMENTS	1 MONTH	3 MONTH	6 MONTH	1 YEAR
BBG BARC US TREASURYS	0.94	-1.18	-1.13	0.43
3-MONTH T-BILLS	0.14	0.36	0.64	1.13
2-YEAR TREASURY	0.17	-0.17	-0.49	-0.17
5-YEAR TREASURY	0.65	-1.02	-1.72	-0.81
10-YEAR TREASURY	1.32	-2.39	-2.64	-1.09
30-YEAR TREASURY	3.37	-3.89	-1.01	3.54
BBG BARC US TIPS	1.05	-0.79	0.46	0.92
BBG BARC US AGENCY	0.56	-0.53	-0.55	0.75

Economic optimism was running hot at the start of the year, and investors were quick to price tighter Fed policy into the market. As expectations for Fed rate hikes moved higher, US Treasury yields also moved up. Longer-duration segments of the US yield curve bore the brunt of the rise, causing the 30-year Treasury bond to underperform. By late February, momentum had waned and Treasury yields moved a bit lower even as the Fed delivered a rate hike in March.

US MUNICIPALS	1 MONTH	3 MONTH	6 MONTH	1 YEAR
BBG BARC US MUNICIPALS	0.37	-1.11	-0.37	2.66

Municipal bonds were not immune to the move in yields and experienced a modest decline for the quarter. There was limited total return dispersion across states as each municipality declined by around 1.0%. The reversal in Treasury yields by quarter-end offered some support to the municipal bond market, limiting losses for the quarter.

US SECURITIZED	1 MONTH	3 MONTH	6 MONTH	1 YEAR
BBG BARC MBS	0.64	-1.19	-1.04	0.77
BBG BARC ABS	0.18	-0.39	-0.40	0.62
BBG BARC CMBS	0.39	-1.32	-0.97	1.12

Spread widening across all three securitized benchmarks, albeit limited, led to modest negative excess returns for the quarter. The asset-backed securities index endured modest losses for the quarter but bested the mortgage-backed and commercial mortgage-backed indices due to solid underlying credit quality and its shorter duration profile (less than half the other indices).

Data Sources: Bloomberg Barclays indices from Barclays Live; currency returns, JPMorgan and Citigroup indices from Bloomberg; bank loans from S&P Global Market Intelligence.

All returns in US dollars, unless noted. ***Past performance is no guarantee of future results.***

INDEX RETURNS BY SECTOR
as of March 31, 2018

INDEX CORPORATES	1 MONTH	3 MONTH	6 MONTH	1 YEAR
BBG BARC US INVESTMENT GRADE	0.25	-2.32	-1.17	2.70
AAA	0.91	-3.11	-1.31	3.80
AA	0.41	-1.83	-1.15	1.76
A	0.30	-2.57	-1.44	2.21
BBB	0.16	-2.15	-0.93	3.26
BBG BARC EUROPEAN INVESTMENT GRADE *-LOCAL CURRENCY RETURNS*	-0.10	-0.39	0.25	1.75
AAA	0.35	0.09	0.63	1.32
AA	-0.12	-0.30	-0.03	0.52
A	-0.05	-0.43	0.12	1.28
BBB	-0.14	-0.39	0.39	2.33
BBG BARC STERLING INVESTMENT GRADE *-LOCAL CURRENCY RETURNS*	0.48	-1.53	0.64	1.31
AAA	1.89	-2.03	0.43	-1.28
AA	0.82	-0.99	0.70	0.08
A	0.60	-1.77	0.44	0.65
BBB	0.31	-1.43	0.79	2.14

The move higher in government bond yields was not unique to the United States. Other developed markets like Germany and the United Kingdom experienced a similar spike in longer-term yields. The cyclical upturn in global economic activity is unequivocally positive. But when yields move rapidly higher, prices fall, which puts pressure on the total return of the long-duration credits principally found in the investment grade sector. The recovery in longer-term rates by quarter-end was a bit more pronounced in the UK and euro zone, but performance remained negative for the period. Moderate spread widening also led to negative excess returns for the period even though credit quality and financial conditions remained firm.

CORPORATES	1 MONTH	3 MONTH	6 MONTH	1 YEAR
BBG BARC US HIGH YIELD	-0.60	-0.86	-0.39	3.78
BB	-0.54	-1.60	-1.22	3.47
B	-0.54	-0.55	-0.19	3.29
CCC	-0.84	0.30	1.32	5.78
BBG BARC PAN-EURO HIGH YIELD *-LOCAL CURRENCY RETURNS*	-0.11	-0.26	0.37	4.05
BB	-0.13	-0.53	0.42	4.00
B	-0.01	0.20	0.04	3.23
CCC	-0.37	1.04	1.58	8.70

High yield outperformance relative to investment grade was largely due to the lower-duration nature of underlying securities. Fundamentals like improving global growth, stable financial conditions and a solid outlook for profit growth also helped prevent the high yield market from material losses. US high yield spreads finished the quarter nearly flat while the move higher in the Pan-Euro index was a bit more pronounced. Excess returns were slightly negative for the aggregate headline indices. However, the CCC segments of each index, which generally have the lowest duration and highest yield, provided a nearly 100 basis point excess return for the quarter.

Data Sources: Bloomberg Barclays indices from Barclays Live; currency returns, JPMorgan and Citigroup indices from Bloomberg; bank loans from S&P Global Market Intelligence.

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INDEX RETURNS BY SECTOR
as of March 31, 2018

INDEX				
BANK LOANS	1 MONTH	3 MONTH	6 MONTH	1 YEAR
S&P/LSTA LEVERAGED LOAN	0.28	1.45	2.58	4.43
BB	0.36	1.17	2.28	3.97
B	0.26	1.49	2.60	4.64
CCC	0.00	2.75	5.67	8.33

US high yield loans remained insulated from the rise in Treasury yields throughout the first quarter given the floating-rate characteristic of underlying securities. Solid economic growth and stable financial conditions also supported the bank loan market. As the Fed hikes short-term interest rates, net interest received by bank loan holders should continue to rise as well, helping to support total returns.

DEVELOPED COUNTRIES	1 MONTH	3 MONTH	6 MONTH	1 YEAR
CITIGROUP WGBI *-LOCAL CURRENCY RETURNS*	1.09	0.28	0.74	1.68
CITIGROUP NON-USD WGBI	1.17	1.03	1.72	2.32
UNITED STATES	0.93	-1.17	-1.12	0.43
CANADA	0.99	0.42	1.57	0.02
JAPAN	0.20	0.47	0.88	1.18
AUSTRALIA	1.24	1.06	2.69	3.39
UNITED KINGDOM	2.23	0.33	2.52	0.64
EUROPEAN GBI	1.59	1.42	1.99	3.13
FRANCE	1.37	0.79	1.46	3.62
GERMANY	1.13	0.22	0.26	-0.39
IRELAND	0.99	0.43	0.95	2.47
ITALY	1.80	2.52	3.46	5.38
SPAIN	2.66	3.67	4.16	5.62

Outside of the US, developed market government bonds earned positive total returns, led by the European periphery. Strong growth in the euro zone coincided with most rates moving higher early in the first quarter, but by early February, economic momentum began to moderate. As the pace of growth cooled, European yields moved lower, which supported total returns. With inflation stable and low, developed market central banks in the Asia Pacific region generally remained accommodative, which benefited Japan and Australia.

EMERGING MARKET BONDS	1 MONTH	3 MONTH	6 MONTH	1 YEAR
JP MORGAN EMBIG *-SOVEREIGN/QUASI-SOVEREIGN, USD*	0.38	-1.78	-1.25	3.34
JP MORGAN CEMBI BROAD DIVERSIFIED *-CORPORATES, USD*	-0.19	-1.12	-0.45	3.66
JP MORGAN GBI-EM GLOBAL DIVERSIFIED *-GOVERNMENTS, LOCAL CURRENCY*	0.96	2.32	3.16	7.94

US-dollar-denominated emerging market bond performance can be negatively correlated to the direction of US Treasury yields, and that was the case last quarter. Emerging market fundamentals have been improving with growth moving higher and inflation moving lower in certain areas, but the spike in US yields weighed on total returns. The economic improvement shined through to local-currency emerging market government bonds where performance was strong for the quarter. For US investors, the GBI-EM Global Diversified total return was even stronger on an unhedged basis given the US dollar's decline throughout the quarter.

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INDEX RETURNS BY SECTOR
as of March 31, 2018

INDEX				
CURRENCY MARKETS	1 MONTH	3 MONTH	6 MONTH	1 YEAR
DOLLAR BLOC				
CANADIAN DOLLAR	-0.53	-2.55	-3.32	3.24
AUSTRALIAN DOLLAR	-1.07	-1.66	-1.98	0.66
NEW ZEALAND DOLLAR	0.35	1.96	0.39	3.30
WESTERN EUROPE				
EURO	1.07	2.66	4.32	15.70
NORWEGIAN KRONE	0.76	4.63	1.55	9.66
SWEDISH KRONA	-0.61	-1.90	-2.32	7.54
SWISS FRANC	-0.99	2.13	1.50	5.09
BRITISH POUND	1.85	3.71	4.61	11.67
EMERGING EUROPE & AFRICA				
CZECH KORUNA	1.34	3.54	6.99	23.44
HUNGARIAN FORINT	1.50	2.11	4.02	14.31
POLISH ZLOTY	0.23	1.98	6.85	16.29
RUSSIAN RUBLE	-1.38	0.87	0.64	-1.52
SOUTH AFRICAN RAND	-0.38	4.58	14.51	13.28
TURKISH NEW LIRA	-3.95	-3.97	-9.91	-8.07
ASIA				
JAPANESE YEN	0.38	6.03	5.86	4.81
CHINESE RENMINBI	0.89	3.69	6.02	9.75
INDONESIAN RUPIAH	-0.17	-1.45	-2.15	-3.21
MALAYSIAN RINGGIT	1.38	4.74	9.24	14.55
PHILIPPINE PESO	-0.12	-4.31	-2.62	-3.78
SINGAPORE DOLLAR	1.01	1.87	3.52	6.53
SOUTH KOREAN WON	1.84	0.67	7.7	5.16
LATIN AMERICA				
ARGENTINE PESO	-0.12	-7.53	-14.02	-23.60
BRAZILIAN REAL	-1.78	0.07	-4.35	-5.57
CHILEAN PESO	-1.59	1.77	5.67	9.18
COLOMBIAN PESO	2.46	6.86	5.14	2.83
MEXICAN PESO	3.61	8.09	0.37	2.96
PERUVIAN NEW SOL	1.13	0.24	1.11	0.58

Broadly speaking, the US dollar traded softly over the first quarter, depreciating relative to several developed and emerging market currencies. Interest rate differentials have done little to support the dollar in recent months, despite the sizeable spread between high-quality government bond yields. Expectations for future rate hikes are also widely expected by investors, and consequently the US dollar traded with a weakening bias throughout the quarter. The Mexican peso was a leading performer as NAFTA renegotiation tensions eased. Eastern European currencies also performed well as the region continued to show strong economic progress.

Data Sources: Bloomberg Barclays indices from Barclays Live; currency returns, JPMorgan and Citigroup indices from Bloomberg; bank loans from S&P Global Market Intelligence.

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GLOBAL EQUITY MARKETS
as of March 31, 2018

INDEX TOTAL RETURNS (%)				
INDEX	3 MONTH	1 YEAR	3 YEAR	5 YEAR
S&P 500®	-0.76	13.99	10.78	13.31
MSCI ALL COUNTRY WORLD	-0.84	15.44	8.71	9.79
MSCI EUROPE	-1.86	15.13	5.39	6.97
MSCI JAPAN	0.98	20.04	8.72	9.25
MSCI EMERGING MARKETS	1.47	25.37	9.21	5.37

Global equity performance has been well above historical averages over the past 12 months as earnings growth reaccelerated. But the first quarter was marked by a resurgence of volatility, despite strong performance in January. President Trump's shift toward protectionist trade policy seems to have unnerved investors across the world, causing them to discount a firm fundamental backdrop and strong earnings and focus on disruptive risks.

US EQUITY MARKETS
as of March 31, 2018

INDEX TOTAL RETURNS (%)				
INDEX	3 MONTH	1 YEAR	3 YEAR	5 YEAR
RUSSELL 1000®	-0.69	13.98	10.39	13.17
GROWTH	1.42	21.25	12.90	15.53
VALUE	-2.83	6.95	7.88	10.78
RUSSELL MIDCAP®	-0.46	12.20	8.01	12.09
GROWTH	2.17	19.74	9.17	13.31
VALUE	-2.50	6.50	7.23	11.11
RUSSELL 2000®	-0.08	11.79	8.39	11.47
GROWTH	2.30	18.63	8.77	12.90
VALUE	-2.64	5.13	7.87	9.96

Growth continued to outperform value and delivered positive total returns for the first quarter across the market capitalization structure. The growth style was driven by gains in the technology sector, which has consistently delivered superior earnings growth in recent years. Greater focus on tariffs and the risk of a trade war with China or other countries has brought increased focus on companies' revenue sources. US small-cap equities, which typically generate more revenues from the US, outperformed mid and large caps for the quarter based on the increased risk of US trade policy and foreign retaliation.

S&P 500 SECTORS
as of March 31, 2018

SECTOR PERFORMANCE ATTRIBUTION (%)				
INDEX	3 MONTH	1 YEAR	3 YEAR	5 YEAR
INFORMATION TECHNOLOGY	3.53	27.68	19.92	20.52
CONSUMER DISCRETIONARY	3.09	16.86	12.22	15.67
FINANCIALS	-0.95	18.04	14.39	15.49
HEALTHCARE	-1.22	11.27	5.63	13.96
INDUSTRIALS	-1.56	13.98	11.59	13.96
UTILITIES	-3.30	1.89	8.16	9.12
REAL ESTATE	-5.02	1.69	-0.23	-0.14
MATERIALS	-5.52	10.54	7.01	9.78
ENERGY	-5.88	-0.15	-1.23	-0.85
CONSUMER STAPLES	-7.12	-0.92	5.45	8.61
TELECOMMUNICATIONS	-7.48	-4.86	4.74	4.12

Defensive sectors like telecom, consumer staples and utilities performed poorly despite the higher-volatility environment that began in early February. Instead, growth-oriented sectors continued to outperform while financials, a key value sector, were closer to flat for the quarter. With investor risk appetite seemingly well intact, the recent volatility appears to have been a correction rather than a more ominous sign for the economy. Over the past year, several sectors have earned double-digit returns as an accelerating economy and positive earnings revisions supported the US equity market.

Data Source: FactSet. All returns quoted in US dollars. Performance for one and multi-year periods is annualized. Sorted by index quarterly returns. Due to rounding, sector totals may not equal 100%. ***Past performance is no guarantee of future results.***

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Disclosure

All data as of March 31, 2018, unless otherwise noted.

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Index Definitions

Bloomberg Barclays US Aggregate Bond Index *represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the US investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. These major sectors are subdivided into more specific indices that are calculated and reported on a regular basis.*

Bloomberg Barclays US Government/Credit Index *includes securities in the government and credit indices. The government index includes treasuries -i.e., public obligations of the US Treasury that have remaining maturities of more than one year and agencies -i.e., publicly issued debt of US Government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the US Government. The credit index includes publicly issued US corporate and foreign debentures and secured notes that meet specified maturity, liquidity, and quality requirements.*

Bloomberg Barclays US Treasury Index *includes public obligations of the US Treasury with at least one year until final maturity, excluding certain special issues such as state and local government series bonds -SLGs, US Treasury TIPS and STRIPS.*

Bloomberg Barclays US Treasury Inflation Protected Securities Index *consists of inflation-protection securities issued by the US Treasury that have at least one year to maturity and at least $250 million par amount outstanding.*

Bloomberg Barclays US Agency Index *includes agency securities that are publicly issued by US Government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the US Government -such as USAID securities.*

Bloomberg Barclays US Municipal Index *is a rules-based, market-value-weighted index engineered for the long-term tax-exempt bond market. The index has four main sectors: general obligation bonds, revenue bonds, insured bonds -including all insured bonds with a Aaa/AAA rating, and prerefunded bonds.*

***Bloomberg Barclays Mortgage-Backed Securities -MBS Index** is a component of the Bloomberg Barclays Aggregate Index covering mortgage-backed pass-through securities of Ginnie Mae -GNMA, Fannie Mae -FNMA and Freddie Mac -FHLMC. The MBS Index is formed by grouping the universe of over 600,000 individual fixed rate MBS pools into approximately 3,500 generic aggregates.*

***Bloomberg Barclays Asset-Backed Securities -ABS Index** is a component of the Bloomberg Barclays US Aggregate Index including pass-through, bullet and controlled amortization structures. The ABS Index includes only the senior class of each ABS issue and the ERISA-eligible B and C tranche. Constituents must have an average life of at least one year and a deal size of at least 500 million.*

***Bloomberg Barclays Commercial Mortgage-Backed Securities -CMBS ERISA-Eligible Index** is a component of the Bloomberg Barclays US Aggregate Index and the ERISA-eligible component of the Bloomberg Barclays CMBS Index. This index, which includes investment grade securities that are ERISA eligible under the underwriter's exemption, is the only CMBS sector that is included in the US Aggregate Index.*

***Bloomberg Barclays US Corporate Index** contains publicly issued US corporate and specified foreign debentures and secured notes that meet the specified maturity, liquidity and quality requirements. To qualify, bonds must be SEC-registered. The index includes both corporate and non-corporate sectors. The corporate sectors are Industrial, Utility, and Finance, which include both US and non-US corporations. The non-corporate sectors are Sovereign, Supranational, Foreign Agency, and Foreign Local Government.*

***Bloomberg Barclays Euro-Aggregate Corporate Index** consists of bonds issued in the euro or the legacy currencies of the 16 sovereign countries participating in the European Monetary Union -EMU. All issues must be investment grade-rated, fixed-rate securities with at least one year remaining to maturity. The Euro-Aggregate Index excludes convertible securities, floating rate notes, perpetual notes, warrants, linked bonds, and structured products.*

***Bloomberg Barclays Sterling Aggregate Corporate Index** is a broad-based benchmark that measures the investment grade, fixed-rate, taxable, corporate sterling-denominated bond market. Inclusion is based on the currency of the issue, not the domicile of the issuer. The index includes publically issued securities from industrial, utility, and financial companies that meet specified maturity, liquidity and quality requirements.*

***Bloomberg Barclays US Corporate High-Yield Index** covers the universe of fixed rate, non-investment grade debt. Eurobonds and debt issues from countries designated as emerging markets -sovereign rating of Baa1/BBB+/BBB+ and below using the middle of Moody's, S&P, and Fitch are excluded, but Canadian and global bonds -SEC registered of issuers in non-EMG countries are included. Original issue zeroes, step-up coupon structures, 144-As and pay-in-kind bonds -PIKs, as of October 1, 2009 are also included.*

***Bloomberg Barclays Pan-European High-Yield Index** covers the universe of fixed-rate, sub-investment grade debt denominated in euros or other European currencies -except Swiss francs. Securities must be rated high-yield -Ba1/BB+ or lower by at least two of the following rating agencies: Moody's, S&P, Fitch. Excludes emerging markets.*

***S&P/LSTA Leveraged Loan Index**, is a market value-weighted index designed to measure the performance of the US leveraged loan market based upon market weightings, spreads and interest payments.*

***Citigroup World Government Bond Index -WGBI** measures the performance of fixed-rate, local currency, investment grade sovereign bonds. The WGBI is a widely used benchmark that currently comprises sovereign debt from over 20 countries, denominated in a variety of currencies. The WGBI provides a broad benchmark for the global sovereign fixed income market.*

JPMorgan Emerging Markets Bond Index Global -EMBIG *tracks total returns for US dollar-denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities: Brady bonds, loans, Eurobonds.*

JPMorgan Corporate Emerging Markets Bond Index -CEMBI Broad Diversified *tracks total returns of US dollar-denominated debt instruments issued by corporate entities in emerging markets countries. The CEMBI Broad is the most comprehensive corporate benchmark followed by the CEMBI, which consists of an investable universe of corporate bonds.*

JPMorgan Government Bond Index—Emerging Markets -GBI-EM Global Diversified *provides a comprehensive measure of local currency denominated, fixed rate, government debt issued in emerging markets.*

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MSCI Emerging Markets Index *is a free float-adjusted market cap index measuring equity market performance of emerging markets.*

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Russell 2000® Growth Index *measures the performance of the small cap growth segment of the US equity universe. It includes those Russell 2000 Index companies with higher price-to-value ratios and higher forecasted growth values.*

Russell 2000® Value Index *measures the performance of small cap value segment of the US equity universe. It includes those Russell 2000 Index companies with lower price-to-book ratios and lower forecasted growth values.*

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