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MONTHLY MARKET COMMENTARY | FEBRUARY 2021

Rising Rates Restrain the Rally

Monthly Snapshot

- Stocks were higher around the world until an upward spike in government-bond yields sent chills through markets during the second half of February. Even still, most equity markets finished positive for the month.
- The Centers for Disease Control and Prevention released updated school reopening guidelines in mid-February that spurred state health departments and local school districts to coordinate plans for more in-person learning and fewer virtual classes.
- We anticipate ongoing signs of a global economic recovery as COVID-19 abates and activity normalizes. In the meantime, fiscal spending and accommodative central-bank policy should sustain gross domestic product (GDP) growth and eventually cause inflation to rise.

Risk assets continued their advance through the first half of February without any real setbacks. Stocks were higher around the world until the middle of the month, when government-bond yields (which had been rising slowly since the fall) began to spike further. The specter of a sharp increase in borrowing costs sent chills through markets during the second half of February, leading to selloffs of varying intensity. Full-month equity performance, however, was still positive around most of the world.

Developed-market equities outperformed emerging markets during the month, with mainland Chinese equities negative and Brazil among the worst performers. U.K. stocks led among major developed markets, followed by the U.S., Hong Kong, eurozone and Japan. Energy and financials delivered the best sector-level performance in February. Value-oriented stocks beat their growth-oriented peers, and small-cap stocks outpaced large caps.

Short-term Treasury rates fell by a small amount, while long-term rates pushed higher. The 10-year Treasury yield—a reference rate for everything from corporate debt to mortgages—briefly rose to its highest level in more than a year near the end of February. U.K. and eurozone government-bond rates increased across all maturities during the month, although long-term rates rose by considerably more than short-term rates.

The U.S. dollar stayed near its January low (relative to a trade-weighted basket of foreign currencies) and remained confined to the range it has established since early December. The West Texas Intermediate crude-oil price climbed from $52.20 to $61.50 per barrel, or 17.8%, during the month.

Estimated daily U.S. COVID-19 case counts had fallen by the end of February toward the low point of September last year. The Centers for Disease Control and Prevention (CDC) released updated school reopening guidelines in mid-February that spurred state health departments and local school districts to coordinate plans for more in-person learning and fewer virtual classes.

The House of Representatives passed a $1.9 trillion economic relief bill at the end of February. The bill will likely be modified by the Senate to exclude a minimum-wage increase that is not allowed in packages passed under the Senate's reconciliation rules (under which bills may be passed with a simple majority rather than the Senate's typical 60% majority requirement—as long

Key Measures: February 2021

EQUITY		
Dow Jones Industrial Average	3.43%	↑
S&P 500 Index	2.76%	↑
NASDAQ Composite Index	1.01%	↑
MSCI ACWI Index (Net)	2.32%	↑
BOND		
Bloomberg Barclays Global Aggregate Index	-1.72%	↓
VOLATILITY		
Chicago Board Options Exchange Volatility Index PRIOR MONTH: **33.09**	27.95	↓
OIL		
WTI Cushing crude oil prices PRIOR MONTH: **$52.20**	$61.50	↑
CURRENCIES		
Sterling vs. U.S. dollar	$1.39	↑
Euro vs. U.S. dollar	$1.21	↓
U.S. dollar vs. yen	¥106.56	↑

Sources: Bloomberg, FactSet, Lipper

as the whole bill directly addresses taxes, spending or the level of the U.S. debt).

Johnson & Johnson's (J&J) COVID-19 vaccine received emergency-use authorization from the U.S. Food and Drug Administration at the end of February. While less effective than the Pfizer-BioNTech and Moderna vaccines that received the first two emergency approvals, the J&J vaccine only requires one dose (as opposed to the others' two-dose regimen) and can be stored at the temperature of a regular refrigerator (as opposed to the sub-zero temperatures required to sustain the others). J&J announced an immediate shipment of four million doses, and plans to ship 100 million doses by June and potentially one billion doses by the end of the year.

In late February, with COVID-19 cases expected to continue declining with the aid of vaccines, U.K. Prime Minister Boris Johnson unveiled a four-stage plan to reopen England:

1. Reopen schools on March 8 and larger outdoor gatherings and sports on March 29.
2. Reopen non-essential retail businesses and cease curfews for restaurants and pubs (still limited to outdoor seating) as early as April 12, depending on the progression of the infection rate.
3. Conclude most social-contact rules (two households will be allowed to meet indoors), and reopen hospitality businesses to indoor service as soon as May 17.
4. Retire any remaining social-contact limits and reopen all still-closed businesses as early as June 21.

Following the January collapse of Italy's governing coalition and subsequent resignation of Prime Minister Giuseppe Conte, Italian President Sergio Mattarella asked former European Central Bank President Mario Draghi to form a technocratic government. Draghi answered his call, and his national unity platform—which includes cabinet ministers from across and outside of the political spectrum—received support from parties in the center, left, and right. He was sworn in as prime minister on February 13.

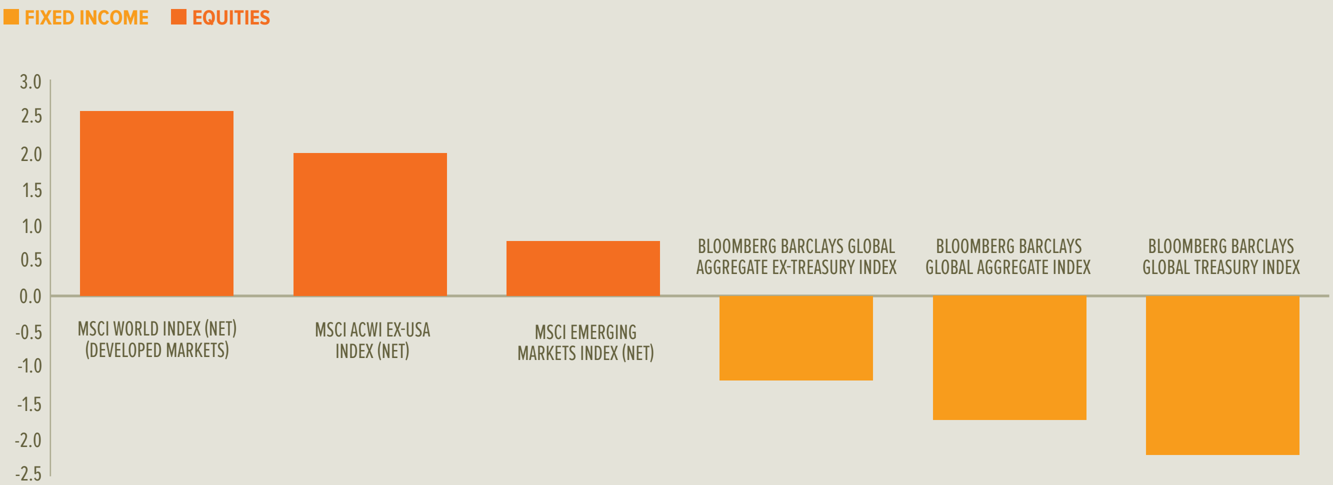
Economic Data

- U.S. manufacturing growth remained strong in February. Services sector growth continued to heat up during the month, nearing November's highs. New weekly U.S. claims for unemployment benefits broke below 800,000 to start February, but climbed to 861,000 by mid-month before recovering to 745,000 by the end of the period. The overall U.S. economy expanded at an annualized 4.1% rate during the fourth quarter (after annualized changes of -5.0%, -31.4% and +33.4% during the first, second and third quarters, respectively).

- U.K. manufacturing growth improved to healthier levels in February after slowing in January from a relatively brisk fourth quarter. The country's services sector activity was in a holding pattern during February, neither expanding nor contracting, after plummeting in the prior month. The U.K. claimant count (which calculates the number of people claiming Jobseeker's Allowance) decreased by 0.1% to 7.2% in January, representing roughly 2.6 million total claimants. The broad U.K. economy grew by 1.2% in December after breaking a six-month recovery trend in November with a 2.6% contraction.

- Eurozone manufacturing growth jumped in February to strong levels, interrupting a fairly slow and steady recovery that began last spring. Like the rest of the world, the eurozone manufacturing sector was temporarily crippled by the early spread of COVID-19; but it had already been suffering from varying degrees of contraction since early 2019. Eurozone services activity continued to shrink during February, having last experienced growth during a fleeting two-month period that ended in August 2020. The eurozone economy contracted by 0.6% during the fourth quarter of 2020 (after changes of -3.6%, -11.8% and +12.5% during the first, second and third quarters, respectively) and shrank by 5.0% during the 2020 calendar year.

Major Index Performance in February 2021 (Percent Return)



Sources: FactSet, Lipper

Central Banks

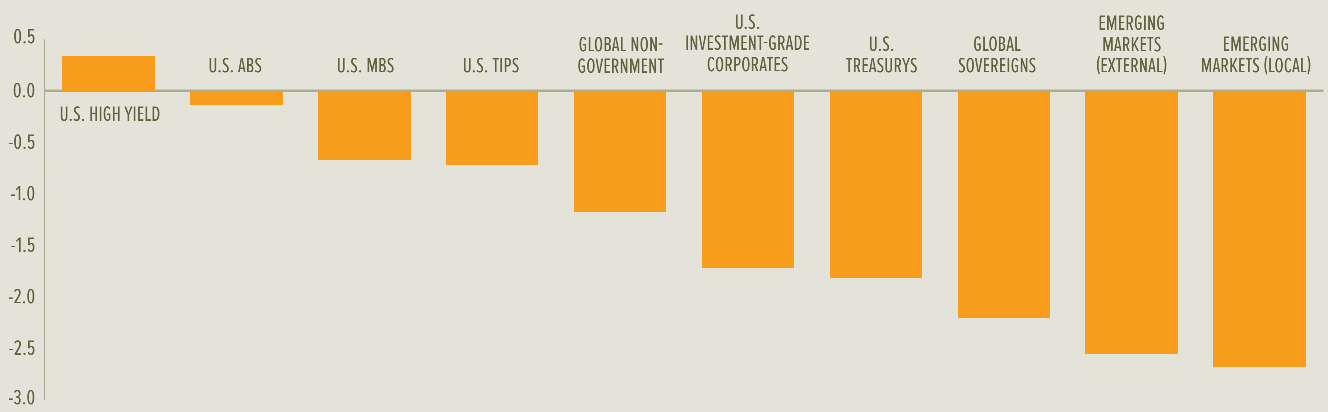
- The Federal Open Market Committee did not hold a meeting during February. Federal Reserve (Fed) Chair Jerome Powell pledged to continue supporting the economy via monetary policy during his semi-annual congressional testimony on February 23 and 24. He also weighed in on recent concerns about rising price pressures, stating, "I really do not expect we'll be in a situation where inflation rises to troublesome levels."

- The Bank of England's (BOE) Monetary Policy Committee (MPC) held course at its early-February meeting, keeping the bank rate at 0.1% and retaining a maximum allowance for asset purchases of £895 billion. In response to a banking-system review by the BOE's Prudential Regulatory Authority that found banks would need six months to prepare for negative benchmark rates, the MPC communicated that it has no intention of introducing a negative rate within the next six months.

- The European Central Bank (ECB) held no monetary-policy meeting during February. In testimony to the European Parliament about the inflation landscape, ECB President Christine Lagarde said, "Underlying price pressures are likely to remain subdued owing to weak demand, low wage pressures and the appreciation of the euro exchange rate."

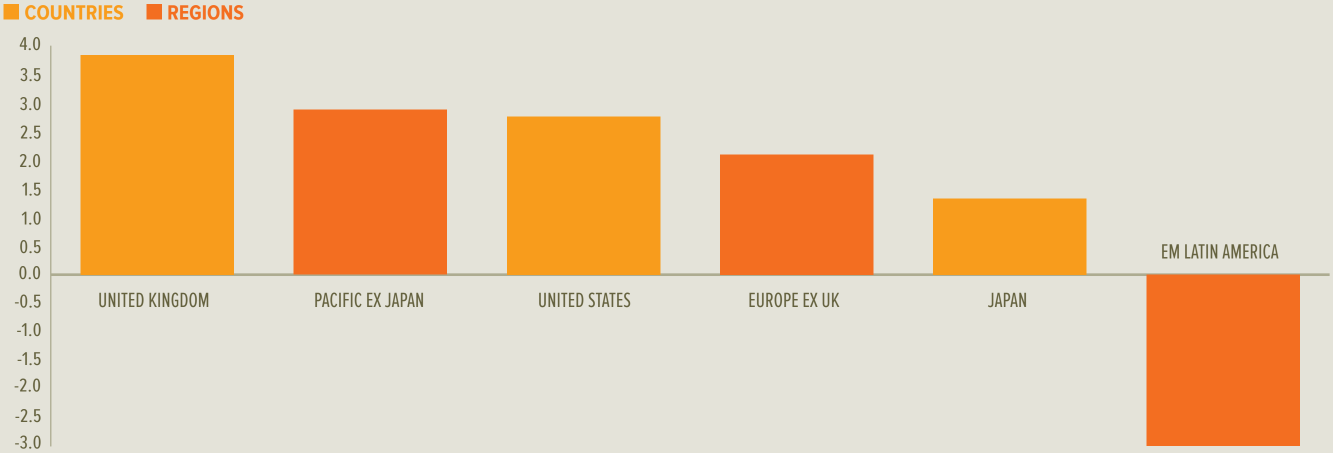
- The Bank of Japan (BOJ) did not hold a meeting on monetary policy during February. The next meeting, scheduled for March 18 and 19, is expected to coincide with a review of the BOJ's tools—with an to eye to the eventual prospect of unwinding its deep market interventions that date back as far as the global financial crisis.

Fixed-Income Performance in February 2021 (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 February 2021 (Percent Return)



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

Portfolio Review

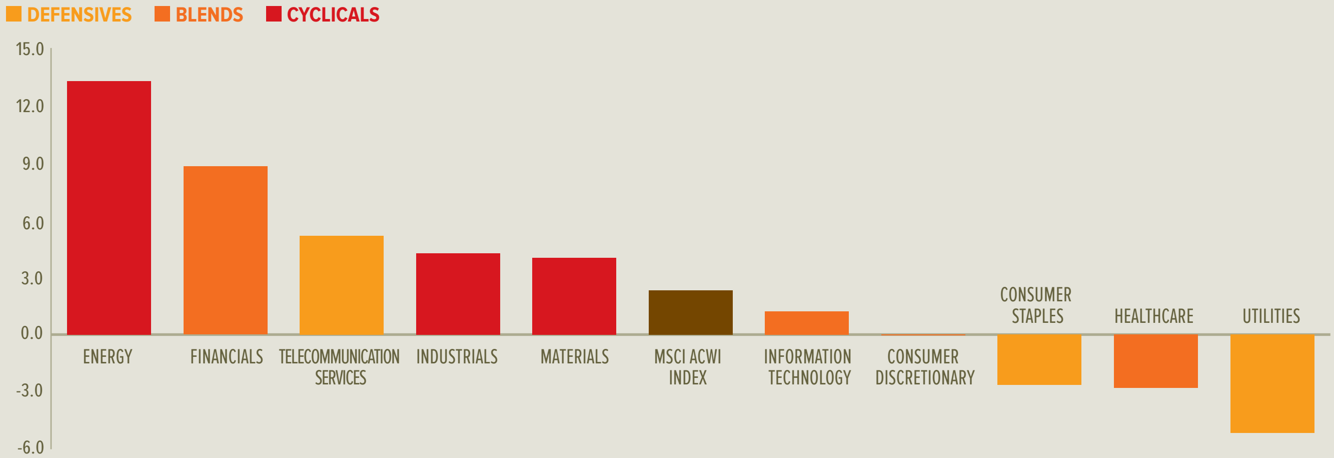
U.S. equities were broadly positive for the full month, with small-cap stocks more than doubling the gains produced by large caps. Value stocks outpaced their more expensive counterparts (value beat growth in both large- and small-cap Russell indexes by more than 6%) and cyclical sectors led less economically sensitive sectors. Our U.S. large-cap strategies outperformed their benchmarks in February due to their value orientation and overweight to the financial sector, although healthcare and consumer staples exposures detracted. Our U.S. small-cap strategies performed well in benchmark-relative returns, outpacing the sharp advance in small caps. From a sector perspective, our small-cap strategies benefitted from selection in consumer discretionary as well as an underweight to and selection in healthcare. Overseas, our international developed-market equity strategy improved on its benchmark's positive performance in February. A contribution from the strong rally in value-oriented stocks more than offset the headwinds to other alpha sources. Emerging-market stocks were positive in February but trailed the developed world. Our emerging-market equity strategy outperformed its benchmark as most alpha-source exposures fared relatively well given a lack of major headwinds. Strong results in consumer discretionary and financials contributed from a sector perspective.

Most non-government fixed-income sectors led comparable U.S. Treasurys by a narrow margin in February as the precipitous rise in Treasury yields resulted in the worst monthly Treasury performance in over four years. An overweight to the long end of the yield curve in our core fixed-income strategy detracted on the increase in long-term yields. Corporate credit spreads tightened during the month amid above-average issuance; a modestly beneficial overweight to corporate bonds was offset by unfavorable selection within industrials. The strategy gained on an overweight to asset-backed securities (ABS), which continued their solid recovery, particularly within student loans (our largest ABS allocation) and higher-quality credit card and automobile loan securitizations. An overweight to agency mortgage-backed securities (MBS) detracted, as did a higher-quality bias in commercial MBS (CMBS); selection within higher-quality tranches was strong. High-yield bonds were the top-performing segment of the fixed-income universe during February as most other fixed-income segments were negative. Our high-yield strategy outperformed the benchmark primarily on our allocation to collateralized loan obligations (CLOs) and selection in the energy sector and (to a lesser degree) the basic industry sector. Underweights to automotive and consumer goods detracted slightly, as did selection in banking. Emerging-market debt had the poorest fixed-income performance in February, with local-currency debt registering slightly steeper losses than foreign-currency debt. Our emerging-market debt strategy outpaced its blended benchmark; given the broad selloff, it benefited from significant underweights to investment-grade sovereigns such as Thailand, Philippines, Indonesia, Uruguay and Chile. Overweights such as Egypt, as well as off-benchmark positions in Israel and Argentina, were the largest detractors.

Manager Positioning and Opportunities

U.S. economic growth in the near term will be dependent on fiscal stimulus and improvement in the COVID-19 state of affairs, which hinges on the success of the vaccine rollout. High-growth stocks are still expensive relative to the broader market, and our U.S. large-cap strategies continued to underweight some of the largest-capitalization stocks in favor of more attractively valued opportunities further down the capitalization spectrum. We remained overweight the healthcare, consumer staples, and financial sectors due to a combination of profitability expectations and reasonable valuations. Our small-cap strategies continued to favor value (as valuations remained near historic extremes) and stability (given the ongoing likelihood of elevated volatility); quality stocks also appeared reasonably priced. Our international

Global Equity Sector Performance in February 2021 (Percent Return)



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

developed-market strategy was overweight information technology and consumer discretionary given their strong growth opportunities; it was underweight defensive sectors like utilities and real estate, which appeared to have limited growth potential and elevated valuations. From a regional perspective, the strategy was slightly overweight Europe and North America; it was underweight Japan and the U.K. as well as the broader Pacific region. Our emerging-market equity strategy remained overweight information technology on the prospects of underappreciated growth opportunities in semiconductor and 5G companies. We also continued to overweight materials given renewed commodity demand. The strategy was underweight communication services and consumer discretionary due to elevated valuations. From a regional perspective, the strategy was overweight Eastern Europe and Korea, and underweight China and Saudi Arabia.

Despite the sharp move higher in long-term Treasury yields during February, yields were still relatively close to historically low levels. Our core fixed-income strategy continued to gradually reduce its overweight to the 25-to-30-year segment of the yield curve, while positioning within the 7-to-10-year segment increased. We have been consistently reducing an overweight to corporates—in both financials and industrials—as spreads have narrowed over the last 11 months. Overweights to ABS and CMBS remained given their competitive risk-adjusted yields, and we retained an emphasis on higher-quality holdings. An allocation to non-agency MBS was maintained, and we view agency MBS as a high-quality alternative to Treasurys. Overall, issuance has remained strong and sentiment continued to improve, which has assisted risk assets, but we expect nominal returns to be more limited going forward. Our high-yield strategy's top active position remained an allocation to CLOs, followed by an overweight to basic industry; its most significant underweight was telecommunications, followed by capital goods, utilities and consumer goods. Our emerging-market debt strategy retained an overweight to local-currency assets; its largest country overweights were to Mexico, Egypt and Russia, while it biggest underweights were to Philippines, Thailand and Indonesia.

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SEI's View

We all continue to look forward to better times ahead. From the looks of it, investors have already begun to set their sights beyond the valley.

Recent market chatter has hinted at the notion of a "Great Rotation" in capital markets, suggesting that investors may have begun to favor value and cyclical sectors over growth names. While there has been some evidence of this, we believe it is still too early to tell if this is the beginning of a major secular shift in equity investment themes.

Treasury yields started to tick up last fall and we've seen a sustained increase in intermediate-to-long-term interest rates in the year to date.

In our view, several signs of potential normalization seem to support the prospect of a style regime change.

- Treasury yields started to tick up last fall and we've seen a sustained increase in intermediate-to-long-term interest rates in the year to date.
- The development and improved distribution of highly effective COVID-19 vaccines has helped investors shake worries about the pandemic lasting indefinitely.
- Regulatory changes across multiple jurisdictions have hinted that the dominance of large technology companies may no longer be as straightforward, long-lasting or profitable as some investors have grown accustomed.

No one knows whether these changes truly signal a Great Rotation from growth leadership to cyclical and value-oriented areas of the market. Still, we expect investors will be willing to shrug off the likely prospect of more bad news in the difficult months that lay ahead—including, for example, slowdowns or pauses in the manufacturing, distribution, administration or uptake of COVID-19 vaccines.

Politics will also come into play, with potential to act as either a tailwind or a headwind. The Congress struggled for months to provide additional income support to the people and businesses most seriously affected by the economic disruptions caused by the virus. The lawmakers finally came up with a $900 billion compromise that is limited in scope and falls far short of what is needed. Most of the benefits are set to expire in March and April, and it does not address revenue shortfalls facing state and local governments. There's a high likelihood that the Biden administration's American Rescue Plan (or a variation thereof, pending congressional negotiations) will succeed in getting additional fiscal support to those who need it.

Policy depends on personnel, and the priorities of the Biden administration have already proven to be quite different from those of the Trump era. One of the most important nominations put forth by Biden is that of former Fed Chair Janet Yellen as Treasury Secretary. A close working relationship between the Treasury and the Fed will probably be reassuring for investors in the near term since there is little doubt that the central bank will continue its extraordinary efforts to support the economic recovery in 2021.

Casting our focus across the Atlantic, the last-minute Brexit deal in December provided a Christmas gift of sorts, at least in terms of removing a degree of uncertainty. While a skinny deal is better than none, the UK's long period of intense uncertainty has continued to a degree as the deal addressed the transfer of goods but not commerce in services.

Such barriers to trade tend to introduce economic inefficiencies. Post-Brexit, therefore, U.K. prices will likely move a bit higher, GDP a bit lower and supply chains a bit more unreliable.

Looking at the forward price-to-earnings ratio of the MSCI United Kingdom, MSCI Europe ex-U.K. and the MSCI USA Indexes, we can see that the U.S. market has consistently traded at a premium valuation over the past 15 years.

That premium has widened since 2017 and expanded significantly further in 2020. The other two markets have mostly traded at similar valuations to each other over time—but a major divergence began to develop in 2019 and became more pronounced in 2020.

U.K. equity valuations, in our opinion, reflect much of the bad news. Maybe it is time for investors to think about the things that could go right:

- First, of course, is the development and distribution of vaccines, which are expected to drive the global economy to higher ground in 2021. This should benefit the large energy, materials and industrial multinationals that make up about one-third of the market capitalization of the MSCI United Kingdom Index.
- The U.K. also appears competitive versus other advanced countries when measured by various benchmarks, such as relative unit labor costs.
- The government's trade negotiators have already fanned out across the world to make sure that the U.K. retains the same trade agreements that it enjoyed as a member of the EU.

Like so many other relationships in the equity market, the underperformance of the eurozone benchmark has been going on for a long time. Europe is more cyclical, value-oriented and less dynamic than the U.S.—but that does not prohibit a rebound in performance against the U.S. stock market at a time when the U.S. appears to be excessively tilted toward technology stocks, the U.S. dollar is weakening, and a global economic recovery is at hand.

The pandemic has had one good economic outcome for Europe. It finally forced Germany and other fiscal "hawks" to allow an expansion in fiscal policy. This move away from budgetary austerity should be viewed in context. Most countries have experienced a sharp rise in red ink during 2020, with the biggest deficits outside the eurozone. European economies probably can afford to run higher deficits than the International Monetary Fund appears to have penciled in for 2021. The memory of the European periphery debt crisis is still fresh in the minds of many policymakers who realize that pushing for fiscal austerity measures prematurely would probably be a mistake.

On the other hand, we think there is a greater need for other countries outside the eurozone to regain control of their finances. If those countries fail to do so, Europe could be the beneficiary of investment flows that would further prop up the euro and equity valuations.

Emerging-market equities have been on a tear since they bottomed out last March. However, the MSCI Emerging Markets Index (total return) is still just above its previous high-water mark recorded in January 2018. Frontier markets have fared even worse. The MSCI Frontier Emerging Markets Index

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(total return) has yet to surpass its most recent pre-pandemic high level recorded in January 2020.

Fortunately, not only has the combined fire power of global central banks prevented a liquidity crisis, it has also driven borrowing costs down to near-record lows—even as total emerging-market debt exceeds 200% of GDP. Only two problem debtors—Argentina and Turkey—had to increase their interest rates in recent months to stem investment outflows. As the world returns to normal, other nations may need to raise interest rates in order to attract sufficient investment inflows to sustain their fiscal and current-account positions.

A weak U.S. dollar is an important catalyst for emerging-markets performance. Although the currency weakened meaningfully in 2020 and pushed emerging-market equities higher, the performance of emerging markets relative to developed markets has been in a narrow range. We anticipate the coming year will see emerging equities' relative performance improve, partly because the U.S. dollar is expected to continue to weaken.

If the world economy enjoys a durable cyclical recovery in 2021, the U.S. dollar should indeed sink further. A recovery would also bolster the rebound in commodity prices. Commodities of all sorts have been moving sharply higher since the spring, with metals, raw industrials and foodstuffs rallying together for the first time since the 2009-to-2011 period.

As COVID-19 abates and economic activity normalizes, signs of a recovery should continue to reveal themselves. In the meantime, fiscal spending and accommodative central-bank policy should sustain GDP growth and eventually cause inflation to rise. As the market prices in these developments, "long-duration" growth and expensive high-profitability stocks will likely be pressured—while momentum investors are expected to rotate into new themes, potentially adding more fuel to this nascent cyclical rally.

Glossary of Financial Terms

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

> **Stability Alpha Source:** The investment manager seeks to benefit from investor tendency to undervalue lower-risk, higher-stability businesses—resulting from a focus on short time horizons and overconfidence in forecasts for momentum-driven stocks. Stability-oriented stocks have the power to exceed market expectations by consistently outperforming (rather than reverting to average market returns) and through the power of stable, long-term compounding.
>
> **Value Alpha Source:** The investment manager seeks to benefit from investor tendency to undervalue businesses due to company or economic stress with a possibility of extreme loss or bankruptcy (in the case of cyclical value) or due to skepticism about long-term sustainability of earnings (in the case of stable value).

American Rescue Plan: The American Rescue Plan is a package of payments, tax credits, benefit increases and extensions, grants, loans and other types of funding support proposed by the Biden Administration to keep the U.S. economy afloat by limiting the economic fallout from the COVID-19 pandemic.

Asset-Backed Securities: Asset-Backed Securities (ABS) are securities created from pools of loans or accounts receivable such as credit cards, auto loans and mortgage loans.

Austerity: Austerity refers to measures taken by a country's government in an effort to reduce expenditures and a budget deficit.

Collateralized Loan Obligations: Collateralized Loan Obligations (CLOs) are a type of structured ABS collateralized by a pool of underlying loan obligations which typically include bonds and loans. CLOs consist of multiple tranches, each with different degrees of risk and return.

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

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

Forward price-to-earnings ratio: The forward price-to-earnings ratio is the ratio of a company's share price to its forecasted earnings over the next 12 months, which can be used to help determine whether a stock is undervalued or overvalued.

Hawk: Hawk refers to a policy advisor, for example at the Bank of England, who has a negative view of inflation and its economic impact and thus tends to favor higher interest rates.

International Monetary Fund: The International Monetary Fund is an international financial institution, whose work focuses on global monetary cooperation, securing financial stability, facilitating international trade, promoting high employment and sustainable economic growth, and reducing poverty around the world.

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

Inflation-Protected Securities: Inflation-protected securities are typically indexed to an inflationary gauge to protect investors from the decline in the purchasing power of their money. The principal value of an inflation-protected security typically rises as inflation rises, while the interest payment varies with the adjusted principal value of the bond. The principal amount is typically protected so that investors do not risk receiving less than the originally invested principal.

Mortgage-Backed Securities: Mortgage-backed securities are made up of multiple mortgages packaged together into single securities. These can be comprised of commercial or residential mortgages. Agency means that the debt is guaranteed by a government-sponsored entity, while non-agency means that it is not.

Yield: Yield is a general term for the expected return, in percentage or basis points (one basis point is 0.01%), of a fixed-income investment.

Index and Benchmark Descriptions

All indexes are quoted in gross performance unless otherwise indicated.

The Bloomberg Barclays 1-10 Year US TIPS Index measures the performance of inflation-protected public obligations of the U.S. Treasury that have a remaining maturity of 1 to 10 years.

The Bloomberg Barclays US Asset Backed Securities (ABS) Index measures the performance of ABS with the following collateral types: credit and charge card, auto and utility loans. All securities have an average life of at least one year.

The Bloomberg Barclays Global Aggregate Index is an unmanaged market-capitalization-weighted benchmark, tracks the performance of investment-grade fixed-income securities denominated in 13 currencies. The Index reflects reinvestment of all distributions and changes in market prices.

The Bloomberg Barclays Global Aggregate ex-Treasury Index is an unmanaged market index representative of the total-return performance of ex-Treasury major world bond markets.

The Bloomberg Barclays Global Treasury Index is composed of those securities included in the Bloomberg Barclays Global Aggregate Bond Index that are Treasury securities.

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

The Bloomberg Barclays US Mortgage Backed Securities (MBS) Index measures the performance of investment-grade, fixed-rate, mortgage-backed, pass-through securities of Government National Mortgage Association (GNMA), Federal National Mortgage Association (FNMA) and Freddie Mac (FHLMC).

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

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

The ICE BofA U.S. High Yield Index tracks the performance of below-investment-grade, U.S. dollar-denominated corporate bonds publicly issued in the U.S. domestic market.

The Chicago Board Options Exchange Volatility Index (VIX) tracks the expected volatility in the S&P 500 Index over the next 30 days. A higher number indicates greater volatility.

CBOE Volatility Index (VIX Index): The VIX Index tracks the expected volatility in the S&P 500 Index over the next 30 days. A higher number indicates greater volatility.

The Dow Jones Industrial Average is a widely followed market indicator based on a price-weighted average of 30 blue-chip New York Stock Exchange stocks that are selected by editors of *The Wall Street Journal*.

The FTSE All-Share Index represents 98% to 99% of U.K. equity market capitalization. The Index aggregates the FTSE 100, FTSE 250 and FTSE Small Cap Indexes.

The JPMorgan EMBI Global Diversified Index tracks the performance of external debt instruments (including U.S. dollar-denominated and other external-currency-denominated Brady bonds, loans, eurobonds and local-market instruments) in the emerging markets.

JPMorgan GBI-EM Global Diversified Index tracks the performance of debt instruments issued in domestic currencies by emerging-market governments.

The MSCI ACWI Index is a market-capitalization-weighted index composed of over 2,000 companies, representing the market structure of 48 developed- and emerging-market countries in North and South America, Europe, Africa and the Pacific Rim. The Index is calculated with net dividends reinvested in U.S. dollars.

The MSCI ACWI ex-USA Index includes both developed- and emerging-market countries, excluding the U.S.

The MSCI Emerging Markets Index is a free float-adjusted market-capitalization-weighted index designed to measure the performance of global emerging-market equities.

The MSCI Emerging Markets Latin America Index captures large- and mid-cap representation across five emerging-market countries in Latin America.

The MSCI EMU (European Economic and Monetary Union) Index is a free float-adjusted market-capitalization-weighted index that is designed to measure the equity market performance of countries within EMU. The Index consists of the following 10 developed-market country indexes: Austria, Belgium, Finland, France, Germany, Ireland, Italy, Netherlands, Portugal and Spain.

The MSCI Europe ex-UK Index is a free float-adjusted market-capitalization-weighted index that captures large- and mid-cap representation across developed-market countries in Europe excluding the UK.

The MSCI Frontier Emerging Markets Index is a free float-adjusted market capitalization index designed to serve as a benchmark covering all countries from the MSCI Frontier Markets Index and the lower size spectrum of the MSCI Emerging Markets Index.

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 2000 Growth Index measures the performance of the small-cap growth segment of the U.S. equity universe. It includes those Russell 2000 Index companies with higher price-to-value 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 Russell 2000 Value Index measures the performance of small-cap value segment of the U.S. equity universe. It includes those Russell 2000 Index companies with lower price-to-book ratios and lower forecasted 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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