

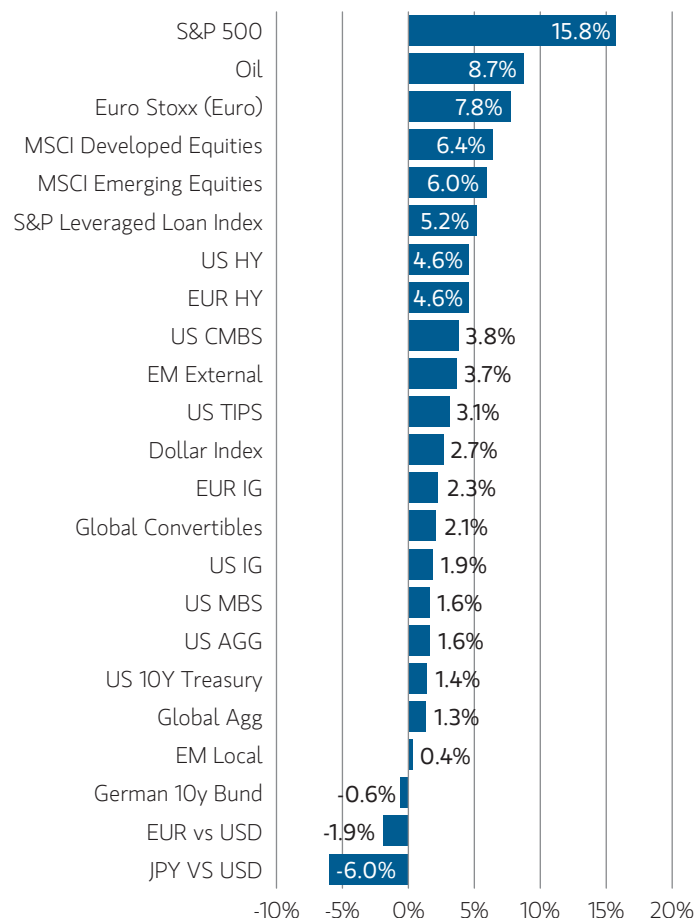
Can the Fed Take Home a Gold?



MACRO INSIGHT | BROAD MARKETS FIXED INCOME TEAM | August 2024

July was another consecutive month of strong returns for fixed income investors. Government bond yields fell as the inflation picture improved across most of the world, economic data continued to come in at or around expectations, and the rhetoric about central banks beginning their easing cycles picked up. The U.S. 10-year treasury fell 37 basis points (bps) over the month and the 2s10s curve steepened by 13bps. Similar themes were seen amongst much of the developed and emerging markets. Investment grade credit spreads continued to grind tighter with the Euro-area outperforming the U.S., while the high yield markets experienced marginal spread widening over the month. EM external and EM corporate spreads also widened. Within FX markets, the dollar fell 1.7% vs a basket of other currencies, most notably versus the yen as the currency appreciated 7.3% versus the dollar over the month as the Bank of Japan raised its policy rate to 0.25%.

DISPLAY 1
Asset Performance Year-to-Date

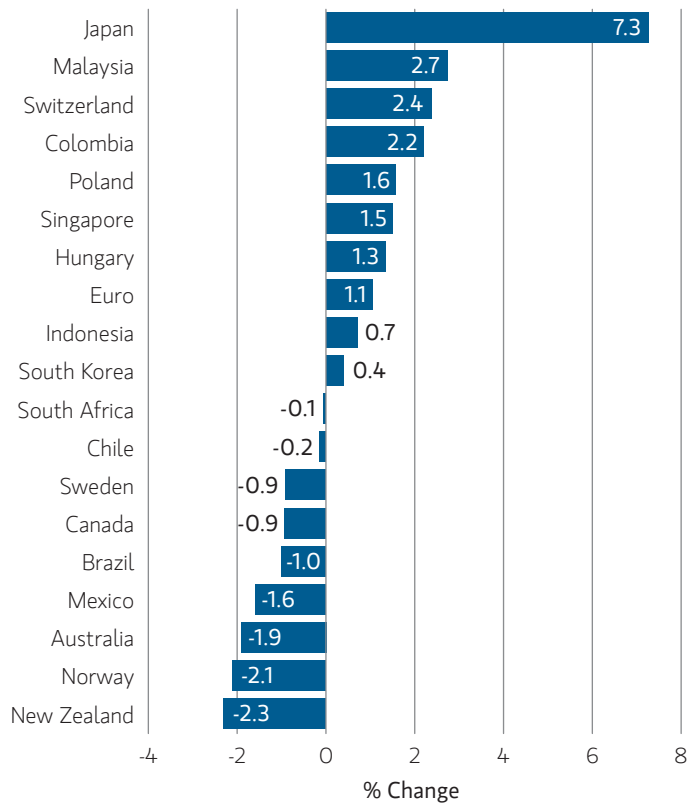


Note: USD-based performance. Source: Bloomberg. Data as of July 31, 2024. The indexes are provided for illustrative purposes only and are not meant to depict the performance of a specific investment. **Past performance is no guarantee of future results.** See pages 8-9 for index definitions.

DISPLAY 2

Currency Monthly Changes versus US Dollar

(+ = appreciation)



Note: Positive change means appreciation of the currency against the USD.
Source: Bloomberg. Data as July 31, 2024.

DISPLAY 3

Major Monthly Changes in 10-Year Yields and Spreads

COUNTRY	10-YR YIELD LEVEL (%)	MONTH CHANGE (BPS)	10-YR SPREAD (BPS)	MONTH CHANGE (BPS)
(SPREAD OVER USTS)				
United States	4.03	-37		
United Kingdom	3.97	-20	-6	16
Germany	2.30	-20	-173	17
Japan	1.06	0	-297	37
Australia	4.12	-20	-9	17
Canada	3.16	-34	-87	2
New Zealand	4.34	-33	31	4
EUROPE (SPREAD OVER BUNDS)				
France	3.01	-29	80	-9
Greece	3.32	-43	125	-24
Italy	3.65	-42	157	-23
Portugal	2.93	-32	75	-13
Spain	3.12	-30	92	-11
EM	10-YR LOCAL YIELD (%)	MTD CHANGE (BPS)	SPREAD (BPS)	MTD CHANGE (BPS)
EM External Spreads			343	17
EM Corporate Spreads			219	-4
EM Local Yields			6.57	-4
(SPREAD OVER USTS)				
Brazil	11.88	-45	785	-9
Colombia	10.73	-9	670	27
Hungary	6.40	-41	237	-5
Indonesia	6.89	-15	286	21
Malaysia	3.72	-15	-31	22
Mexico	9.77	-12	574	25
Peru	6.90	-17	287	20
Poland	5.41	-32	138	4
South Africa	10.90	-49	687	-12
CREDIT			SPREAD (BPS)	MTD CHANGE (BPS)
U.S. IG			93	-1
EUR IG			110	-10
U.S. HY			314	5
EUR HY			364	5
SECURITIZED				
Agency MBS			142	-7
U.S. BBB CMBS			688	-31

Positive Neutral Negative

Source: Bloomberg, JPMorgan. Data as of July 31, 2024.

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Fixed Income Outlook

July saw a continuation of the recent positive performance in fixed income. Government bonds continued to rally as both inflation and activity data affirmed the view that central banks would soon cut rates and do so more quickly than previously expected. Economic activity continued to slow gradually from a high base, thus giving central bankers room to dial back the level of policy restriction. Curves also steepened towards the end of the month; as investors not only expected more and quicker cuts by central banks, but also began to reconsider the outlook for fiscal policy and public deficits—particularly in the U.S.

On the back of recent data, U.S. Treasury yields have continued to move meaningfully lower. July's economic releases continued to paint a picture of cooling inflation, thus giving the Fed room to focus on the second of its two mandates—employment. To that end, markets have become sensitized to signs of weakness in the labor market, seeing softening there as a possible catalyst for more easing. Faster-moving indicators like the unemployment rate are modestly increasing, even though labor market data and business surveys are continuing to point to trend-like growth of about 2% in 2024. The economy is still creating well over 100,000 jobs per month, though one important caveat is that large-scale immigration into the U.S. over the past two years has complicated the task of interpreting data.

The Fed, which has stayed the course on data dependence this cycle, is finally starting to see data that should justify its change in stance. Outside the U.S., however, many central banks have already started to lower rates, including the Swiss National Bank, Riksbank, Bank of Canada and European Central Bank. Just as for the Fed, the most important question pertains to how quick and deep their cutting cycles will be. The information we have at hand suggests they will proceed cautiously, with services inflation and wage growth remaining elevated in regions like the UK and Eurozone. Recent upside surprises in realized inflation in Canada and the Eurozone also suggest inflationary risks remain.

Despite central bank's reluctance to pre-commit to policy paths, bond investors' optimism about future policy has increased. Cuts are now almost fully priced for each of the September, November, and December FOMC meetings, as well as one cut per quarter in 2025. The ECB, meanwhile, is priced for over two more cuts this year and almost six cuts to the end of 2025. While the aforementioned scenarios are certainly

not impossible, an aggressive easing cycle would be contingent on activity data slowing and pointing to a deep recession.

Going forward, much is still unclear about the depth and pace of the global easing cycle. While bonds can continue to perform well in the near term, we remain cognizant that a sustained rally would require a material slowing of activity data to suggest a recession, and central banks globally to move away from the conservative approach they have embraced so far. Longer term, the level that U.S. and Global 10-year yields will go depends on the extent of the easing cycle.

Just as was the case in June, markets were confronted with political surprises in July in the form of the assassination attempt on Republican Nominee, Donald Trump, and President Biden's subsequent withdrawal from the race. While the former event led markets to price in a much higher probability of a Republican-dominated Congress, Vice President Harris' candidacy has made the race closer. Although, there is some uncertainty as to her likely policy platform. As before, we believe the situation warrants monitoring, and we remain alert for new information that could change our outlook.

Regarding credit, we continue to view credit spreads as fairly priced, and although they may appear rich by historical standards, we do not believe they are expensive to fundamentals. There is no reason to believe spreads will materially widen when economic growth is decent (and coming in around expectations) and central banks are beginning to engage in a modest rate cutting cycle. Yield-oriented buying should contain spread widening, but one factor we are paying close attention to is the level of all-in yields and their impact on demand for corporate bonds. It is possible that if yields fall further, buyer demand could begin to wane, and spreads could widen, especially under a rising recession probability scenario. This risk is offset, however, by central banks' rate cutting bias which should serve to truncate spread widening risk. We remain modestly overweight credit in portfolios.

Emerging market (EM) local market returns were varied, with positive returns from duration but mixed currency returns. In Asia, Fed-sensitive central banks look more likely to be able to ease policy soon, given increased certainty about a Fed cut that has also lifted pressure on local exchange rates. In Latin America, government bond

yields also fell, but a few currencies—such as the Brazilian Real and Mexican Peso—were materially affected by the unwinding of carry trades in the second half of July. We remain focused on idiosyncratic opportunities that feature favorable risk/reward characteristics.

Given global economic and policy uncertainty, we continue to find the best fixed income opportunities in shorter maturity (0-5 years) securitized credit, such as residential mortgage-backed securities (RMBS), asset backed securities (ABS), and selective non-office commercial mortgage-backed securities (CMBS), given their higher yields and strong collateral. U.S. households with prime credit ratings have strong balance sheets, and this should continue to be supportive of consumer credit and ancillary structures, especially as house prices remain firm. U.S. agency mortgages still have value compared to investment grade credit, at least in higher coupons, and they should outperform U.S. Treasuries.

In currency markets, the outlook for the U.S. dollar remains uncertain. July saw the dollar weaken against peers as yield differentials narrowed. Convergence of the U.S. economy towards global averages, as well as imminent Fed cuts, should exert some downward pressure on the dollar, notwithstanding a resurgence in recessionary fears that would prompt a flight to safe assets. As of now, however, it remains unclear who will inherit the position of global growth leader. Europe and China are seeing lackluster cyclical data in addition to grappling with structural woes. Emerging markets continue to be confronted with idiosyncratic challenges (as well as opportunities). In the middle of the month, carry trades began to unwind owing to a variety of catalysts including equity market volatility, intervention by Japanese authorities in the yen, a hawkish shift by the BoJ, and political uncertainty in the U.S. We look mainly to capitalize on idiosyncratic mispricings where there are clear fundamental and value differences.

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Developed Market Rate/Foreign Currency

MONTHLY REVIEW

Developed market interest rates fell in July as economic data continued to weaken and central banks suggested that they would soon see it appropriate to ease policy. In the U.S., consumer price inflation continued to decelerate, with year-on-year core inflation coming in below expectations once again. Various activity data—including the Institute for Supply Management (ISM) surveys—also pointed to a cooling in economic activity and, in particular, the labour market. In the Eurozone, while inflation prints were roughly in line with expectations, PMIs pointed to a continued worsening in economic conditions. Expectations of more aggressive near-term easing also led yield curves to steepen—a dynamic that was accentuated as markets considered the outlook for future fiscal policy, particularly in the U.S. On foreign exchange, the U.S. dollar ended the month lower against G10 peers, as rate differentials narrowed between the U.S. and the rest of the world. The Japanese yen gained 7% against the dollar as several catalysts—including the Bank of Japan’s policy normalization, equity market volatility and political uncertainty—led to an unwinding of carry trades which also benefited the Swiss Franc. The Antipodean and Scandinavian currencies underperformed.

OUTLOOK

We are short duration in portfolios, mainly through an underweight in Japan, where the central bank turned more hawkish in July and surprised economists with a second rate hike. The Bank of Japan will also likely reduce bond purchases in the coming quarters and has primed markets to expect more hikes if its economic projections materialize, giving it more confidence in sustainable domestic inflation. Outside of Japan, we are long duration in Australia, New Zealand and Canada versus the U.S., as well as in such emerging markets as South Korea.

Emerging Market Rate/Foreign Currency

MONTHLY REVIEW

Performance was positive for the major segments of Emerging Markets Debt (EMD). The Fed held rates at the July Fed meeting, which was expected, but expectations for a cut at the September meeting are split. The U.S. dollar weakened in reaction to disappointing jobs data, which was a macro boost for EM currencies. Spreads widened for both sovereign and corporate credit spreads, but performance was supported by the fall in U.S. Treasury rates. The year of global elections continued with Venezuela’s Presidential election at the end of the month. President Maduro claimed to be the winner, but there is concern surrounding the legitimacy of the results, and protests erupted across the country. The Ethiopian Central Bank allowed the birr to float after three decades of managing its currency, the IMF backed the devaluation and funding was released from the World Bank and the IMF. Despite strong performance for the month, flows turned to outflows for both hard currency and local currency funds.

OUTLOOK

We continue to find valuable opportunities in the asset class as valuations remain attractive and assets are relatively cheap. Credit spreads are near long term averages but have marginally widened since the end of the first quarter. The value in the hard currency space is found outside of the benchmark as spreads are wider and several countries continue with reforms and restructurings. EM currencies strengthened during the period, and we continue to find pockets of opportunity in the local segment of the market. Local rates remain attractive as many EM central banks continue to cut rates as inflation steadily decreases. Countries matter most when investing in emerging markets and our team of country pickers continues to find opportunities across the full investment universe.

Corporate Credit

MONTHLY REVIEW

July saw risk assets stabilize following a volatile start to the summer as tail-risk political headlines abated and economic data continued to point to a soft-landing narrative. European investment grade (IG) spreads tightened, outperforming U.S. IG and swap spreads, while government bonds rallied. Sentiment was dominated by several factors: Firstly, French elections resulted in a hung parliament which was well received by investors as tail-risk scenarios of large fiscal programmes faded and risk premia was priced out. While in the U.S., President Biden stepped down and endorsed Vice President Kamala Harris. Secondly, the latest U.S. CPI print confirmed the slowing trend in inflation and data in releases (both inflation and growth) in June continue to support the “soft landing” narrative. The data was in line with central bank actions, the Bank of England joined the ECB, the SNB and the Riksbank in starting their policy rates easing cycle. Thirdly, the earnings calendar kicked off with a positive set of results from financials while corporate earnings were more mixed (weaker pricing with flat volumes). Finally, primary issuance came in higher than expected and with tail-risk political scenarios off the table, investor demand for risk was strong with large new issue order books and limited new issue premiums.

In July, performance in the high yield market was generally strong. The primary driver of performance was sharply lower U.S. Treasury yields, with the yield on the 5-year decreasing approximately 50bps during the month. Modest spread widening offset a portion of this contraction; however, the average yield in the high yield market ultimately tightened by more than 30bps on the month. The lowest quality segment of the high yield market generally outperformed in July as several large, distressed capital structures experienced transitory technical strength amid supportive idiosyncratic headlines, while commentary from management teams, manufacturing PMI, an increase in jobless claims and indicators on low-end consumer health foretold potentially challenging economic conditions ahead.

Global convertible bonds had a strong July, but underperformed both global bonds and equities. The first half of the month saw risk assets rally on the back of weak economic data and a positive inflation print that caused investors to dial up expectations of a September rate cut from the Federal Reserve. Equities of small cap companies generally outperformed amid the expectation of an imminent rate cut, boosting returns for the convertible bond asset class. However, the momentum of large cap companies weakened mid-month as earnings reports from several large companies missed expectations. The result was a bifurcation between the large technology companies, which have driven year-to-date returns, and small cap companies. The global convertible bond primary market continued its impressive pace as \$8.6 billion of new deals priced during July. This brought total year-to-date issuance to \$69 billion, a 60% increase over the comparable period in 2023.

OUTLOOK

Looking forward our base case remains constructive for credit supported by expectations of a “soft landing”, fiscal policy that remains supportive of growth/employment/consumption and strong corporate fundamentals. Lighter gross issuance in 2H24 coupled with strong demand for the “all-in” yield offered by IG credit is expected to create a supportive technical dynamic. When looking at credit spreads, we view the market close to fairly priced and therefore see carry as the main driver of return, with the potential for a reversal in some of the widening seen in June if we see a positive election outcome in France. Given the uncertain medium term fundamental backdrop we have less confidence in material spread tightening.

Our outlook for the high yield market remains somewhat cautious as we progress through the third quarter. The high yield market is contending with increasing uncertainty and several likely sources of volatility over the intermediate term, with the ultimate question centering on the magnitude of the anticipated volatility. The key issues are central banks’ evolving monetary policy, economic conditions, the labor market and consumer health, and ultimately, the health of the corporate fundamentals of high yield issuers. High yield faces this uncertainty with historically attractive all-in yields and an average spread that, when excluding the distressed segment of the market, is approaching all-time lows. Further inspection of valuations reveals a market that has become increasingly bifurcated by both sector and credit quality.

We continue to remain constructive on the global convertible bond market as we progress through the third quarter of 2024. We believe global convertible bonds currently offer their traditional balanced profile of upside equity participation and downside risk mitigation. New issuance in the first half of the year was strong and we expect issuance to continue to increase in the second half of the year as corporations continue to look to refinance existing convertible bonds as well as traditional debt in the convertible bond market given the relatively high interest rate environment. A more traditional asymmetric return profile coupled with an expectation of an increase in new supply continues to give us optimism for global convertible bonds as we progress through the year.

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Securitized Products

MONTHLY REVIEW

U.S. agency MBS spreads tightened 7bps in July to 142bps above comparable duration U.S. Treasuries. Agency MBS spreads are now 4 bps wider in 2024. Current coupon agency MBS spreads are slightly wider in 2024, while nearly all credit spreads have tightened materially. Lower coupon U.S. agency MBS passthroughs outperformed higher coupon MBS in July as interest rates fell, and lower coupons have longer rate and spread durations. The Fed's MBS holdings shrank by \$38 billion in July to \$2.324 trillion and are now down \$405 billion from their peak in 2022. U.S. banks' MBS holdings rose by \$15 billion to \$2.59 trillion in July, resuming the trend of bank increases after a small decrease in March; however bank MBS holdings are still down roughly \$396 billion since early 2022. Securitized credit spreads were slightly wider to unchanged in July as new issuance remained strong but demand did manage to keep up. Relative to other fixed income sectors, securitized credit sectors underperformed longer duration fixed income sectors given the sharp drop in rates, but securitized credit did perform in line with U.S. and Euro HY given the strong cash flow carry.

OUTLOOK

After several months of spread tightening across securitized products through May, we saw spreads largely stabilize in July and we expect spreads to stabilize at current levels in August as securitized credit spreads are approaching agency MBS spread levels given the differentiated performance over the past several months. Overall demand levels remain strong, but we believe it will be challenging to push spreads much tighter from current levels. Securitized credit sectors have been among the best performing sectors in 2024, and we have seen performance to begin to normalize and believe that this will continue in the coming months. We also believe that rates will likely remain rangebound for much of 2024, and that returns will result primarily from cashflow carry in the coming months. We still believe that current rate levels remain stressful for many borrowers and will continue to erode household balance sheets, causing stress for some consumer ABS, particularly involving lower income borrowers. Commercial real estate also remains challenged by current financing rates, and some sectors may see declines in operating revenue in 2024. Residential mortgage credit opportunities remain our favorite sector currently and is the one sector where we remain comfortable going down the credit spectrum, as we remain more cautious regarding lower rated ABS and CMBS. We have moved from a neutral to a positive view on agency MBS valuations, which are one of the very few sectors that have cheapened up thus far YTD. They continue to remain attractive versus investment-grade corporate spreads and versus historical agency MBS spreads, but we believe that agency MBS spreads have stabilized.

Risk Considerations

Diversification neither assures a profit nor guarantees against loss in a declining market.

There is no assurance that a portfolio will achieve its investment objective. Portfolios are subject to **market risk**, which is the possibility that the market values of securities owned by the portfolio will decline and that the value of portfolio shares may therefore be less than what you paid for them. Market values can change daily due to economic and other events (e.g., natural disasters, health crises, terrorism, conflicts, and social unrest) that affect markets, countries, companies, or governments. It is difficult to predict the timing, duration, and potential adverse effects (e.g., portfolio liquidity) of events. Accordingly, you can lose money investing in a portfolio.

Fixed-income securities are subject to the ability of an issuer to make timely principal and interest payments (credit risk), changes in interest rates (interest rate risk), the creditworthiness of the issuer and general market liquidity (market risk). In a rising interest-rate environment, bond prices may fall and may result in periods of volatility and increased portfolio redemptions. In a declining interest-rate environment, the portfolio may generate less income. **Longer-term securities** may be more sensitive to interest rate changes. Certain **U.S. government securities** purchased by the strategy, such as those issued by Fannie Mae and Freddie Mac, are not backed by the full faith and credit of the U.S. It is possible that these issuers will not have the funds to meet their payment obligations in the future. **Public bank loans** are subject to liquidity risk and the credit risks of lower-rated securities. **High-yield securities (junk bonds)** are lower-rated securities that may have a higher degree of credit and liquidity risk. **Sovereign debt securities** are subject to default risk. **Mortgage- and asset-backed securities** are sensitive to early prepayment risk and a higher risk of default and may be hard to value and difficult to sell (**liquidity risk**). They are also subject to credit, market, and interest rate risks. The **currency market** is highly volatile. Prices in these markets are influenced by, among other things, changing supply and demand for a particular currency; trade; fiscal, money and domestic or foreign exchange control programs and policies; and changes in domestic and foreign interest rates. Investments in **foreign markets** entail special risks such as currency, political, economic and market risks. The risks of investing in **emerging market** countries are greater than the risks generally associated with foreign investments. **Derivative instruments** may disproportionately increase losses and have a significant impact on performance. They also may be subject to counterparty, liquidity, valuation, and correlation and market risks. **Restricted and illiquid securities** may be more difficult to sell and value than publicly traded securities (liquidity risk). Due to the possibility that prepayments will alter the cash flows on **collateralized mortgage obligations (CMOs)**, it is not possible to determine in advance their final maturity date or average life. In addition, if the collateral securing the CMOs or any third-party guarantees are insufficient to make payments, the portfolio could sustain a loss.

DEFINITIONS

Basis point (bp): One basis point = 0.01%.

INDEX DEFINITIONS

The indexes shown in this report are not meant to depict the performance of any specific investment, and the indexes shown do not include any expenses, fees, or sales charges, which would lower performance. The indexes shown are unmanaged and should not be considered an investment. It is not possible to invest directly in an index.

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The **Bloomberg Euro Aggregate Corporate Index (Bloomberg Euro IG Corporate)** is an index designed to reflect the performance of the euro-denominated investment-grade corporate bond market.

The **Bloomberg Global Aggregate Corporate Index** is the corporate component of the Bloomberg Global Aggregate index, which provides a broad-based measure of the global investment-grade fixed income markets.

The **Bloomberg US Corporate High Yield Index** measures the market of USD-denominated, non-investment grade, fixed-rate, taxable corporate bonds. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below. The index excludes emerging market debt.

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

The **Bloomberg US Mortgage-Backed Securities (MBS) Index** tracks agency mortgage-backed pass-through securities (both fixed-rate and hybrid ARM) guaranteed by Ginnie Mae (GNMA), Fannie Mae (FNMA) and Freddie Mac (FHLMC). The index is constructed by grouping individual TBA-deliverable MBS pools into aggregates or generics based on program, coupon, and vintage. Introduced in 1985, the GNMA, FHLMC and FNMA fixed-rate indexes for 30- and 15-year securities were backdated to January 1976, May 1977, and November 1982, respectively. In April 2007, agency hybrid adjustable-rate mortgage (ARM) pass-through securities were added to the index.

Consumer Price Index (CPI) is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food, and medical care.

Euro vs. USD—Euro total return versus U.S. dollar.

German 10YR bonds—Germany Benchmark 10-Year Datastream Government Index; **Japan 10YR government bonds**—Japan Benchmark 10-Year Datastream Government Index; and **10YR US Treasury**—US Benchmark 10-Year Datastream Government Index.

The **ICE BofAML European Currency High-Yield Constrained Index (ICE BofAML Euro HY constrained)** is designed to track the performance of euro- and British pound sterling-denominated below investment-grade corporate debt publicly issued in the Eurobond, sterling.

The **ICE BofAML US Mortgage-Backed Securities (ICE BofAML US Mortgage Master) Index** tracks the performance of US dollar-denominated, fixed-rate and hybrid residential mortgage pass-through securities publicly issued by US agencies in the US domestic market.

The **ICE BofAML US High Yield Master II Constrained Index (ICE BofAML US High Yield)** is a market value-weighted index of all domestic and Yankee high-yield bonds, including deferred-interest bonds and payment-in-kind securities. Its securities have maturities of one year or more and a credit rating lower than BBB-/Baa3 but are not in default.

The **ISM Manufacturing Index** is based on surveys of more than 300 manufacturing firms by the Institute of Supply Management. The ISM Manufacturing Index monitors employment, production inventories, new orders, and supplier deliveries. A composite diffusion index is created that monitors conditions in national manufacturing based on the data from these surveys.

Italy 10-Year Government Bonds—Italy Benchmark 10-Year Datastream Government Index.

The **JP Morgan CEMBI Broad Diversified Index** is a global, liquid corporate emerging markets benchmark that tracks US-denominated corporate bonds issued by emerging markets entities.

The **JPMorgan Government Bond Index**—emerging markets (**JPM local EM debt**) tracks local currency bonds issued by emerging market governments. The index is positioned as the investable benchmark that includes only those

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countries that are accessible by most of the international investor base (excludes China and India as of September 2013).

The **JPMorgan Government Bond Index Emerging Markets (JPM External EM Debt)** tracks local currency bonds issued by emerging market governments. The index is positioned as the investable benchmark that includes only those countries that are accessible by most of the international investor base (excludes China and India as of September 2013).

The **JP Morgan Emerging Markets Bond Index Global (EMBI Global)** tracks total returns for traded external debt instruments in the emerging markets and is an expanded version of the EMBI+. As with the EMBI+, the EMBI Global includes US dollar-denominated Brady bonds, loans, and Eurobonds with an outstanding face value of at least \$500 million.

The **JP Morgan GBI-EM Global Diversified Index** is a market-capitalization weighted, liquid global benchmark for US-dollar corporate emerging market bonds representing Asia, Latin America, Europe, and the Middle East/Africa.

JPY vs. USD—Japanese yen total return versus US dollar.

The **Markit iTraxx Europe Index** comprises 125 equally weighted credit default swaps on investment grade European corporate entities, distributed among 4 sub-indices: Financials (Senior & Subordinated), Non-Financials and HiVol.

The **Nikkei 225 Index (Japan Nikkei 225)** is a price-weighted index of Japan's top 225 blue-chip companies on the Tokyo Stock Exchange.

The **MSCI AC Asia ex-Japan Index (MSCI Asia ex-Japan)** captures large- and mid-cap representation across two of three developed markets countries (excluding Japan) and eight emerging markets countries in Asia.

The **MSCI All Country World Index (ACWI, MSCI global equities)** is a free float-adjusted market capitalization weighted index designed to measure the equity market performance of developed and emerging markets. The term "free float" represents the portion of shares outstanding that are deemed to be available for purchase in the public equity markets by investors. The performance of the Index is listed in US dollars and assumes reinvestment of net dividends.

The **MSCI Emerging Markets Index (MSCI emerging equities)** captures large- and mid-cap representation across 23 emerging markets (EM) countries.

The **MSCI World Index (MSCI developed equities)** captures large and mid-cap representation across 23 developed market (DM) countries.

The **Purchasing Managers Index (PMI)** is an indicator of the economic health of the manufacturing sector.

The **Refinitiv Convertible Global Focus USD Hedged Index** is a market weighted index with a minimum size for inclusion of \$500 million (US), 200 million (Europe), 22 billion Yen, and \$275 million (Other) of Convertible Bonds with an Equity Link.

The **Russell 2000® Index** is an index that measures the performance of the 2,000 smallest companies in the Russell 3000 Index.

The **S&P 500® Index (US S&P 500)** measures the performance of the large-cap segment of the US equities market, covering approximately 75 percent of the US equities market. The index includes 500 leading companies in leading industries of the U.S. economy.

The **S&P CoreLogic Case-Shiller US National Home Price NSA Index** seeks to measure the value of residential real estate in 20 major US metropolitan areas: Atlanta, Boston, Charlotte, Chicago, Cleveland, Dallas, Denver, Detroit, Las Vegas, Los Angeles, Miami, Minneapolis, New York, Phoenix, Portland, San Diego, San Francisco, Seattle, Tampa and Washington, D.C.

The **S&P/LSTA US Leveraged Loan 100 Index (S&P/LSTA Leveraged Loan Index)** is designed to reflect the performance of the largest facilities in the leveraged loan market.

The **S&P GSCI Copper Index (Copper)**, a sub-index of the S&P GSCI, provides investors with a reliable and publicly available benchmark for investment performance in the copper commodity market.

The **S&P GSCI Softs (GSCI soft commodities) Index** is a sub-index of the S&P GSCI that measures the performance of only the soft commodities, weighted on a world production basis. In 2012, the S&P GSCI Softs Index included the following commodities: coffee, sugar, cocoa, and cotton.

Spain 10-Year Government Bonds—Spain Benchmark 10-Year Datastream Government Index.

The **Thomson Reuters Convertible Global Focus USD Hedged Index** is a market weighted index with a minimum size for inclusion of \$500 million (US), 200 million euro (Europe), 22 billion yen, and \$275 million (Other) of convertible bonds with an equity link.

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U.K. 10YR government bonds—U.K. Benchmark 10-Year Datastream Government Index. For the following Datastream government bond indexes, benchmark indexes are based on single bonds. The bond chosen for each series is the most representative bond available for the given maturity band at each point in time. Benchmarks are selected according to the accepted conventions within each market. Generally, the benchmark bond is the latest issue within the given maturity band; consideration is also given to yield, liquidity, issue size and coupon.

The **US Dollar Index (DXY)** is an index of the value of the United States dollar relative to a basket of foreign currencies, often referred to as a basket of US trade partners' currencies.

The **Chicago Board Options Exchange (CBOE) Market Volatility (VIX) Index** shows the market's expectation of 30-day volatility.

There is no guarantee that any investment strategy will work under all market conditions, and each investor should evaluate their ability to invest for the long-term, especially during periods of downturn in the market.

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