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MONTHLY MARKET COMMENTARY | OCTOBER 2019

Equities Rise on Warming Trade Talks

Monthly Snapshot

- Global equity markets' early-autumn rebound accelerated in October with a boost from emerging markets. Short-term Treasury rates declined, while long-term rates increased.
- The U.S. cancelled a planned increase in tariffs on Chinese products, while China announced $20 billion in purchases of U.S. agricultural goods and declared willingness to soften policies on forced technology transfers and barriers to foreign investment.
- In view of uncertainties facing investors today, we believe it is especially important for those with long time horizons to avoid trying to time the market or making outsized sector or regional bets.

Global equity markets climbed at an accelerating pace in October with a boost from emerging markets. U.S. and Japanese stocks followed a relatively steady upward path, while U.K. and European stocks advanced sharply after a mediocre start to the month. Mainland Chinese equity markets ended higher for the full month despite multiple rallies and selloffs; Hong Kong stocks fared well after a soft start.

Short-term Treasury rates declined and long-term rates increased marginally. The opposing changes in U.S. rates—driven largely by the Federal Reserve's most recent 0.25% cut to the federal-funds rate—resulted in the yield curve partially reverting to its "normal" upward slope, as longer-term Treasurys began to yield more than shorter-term Treasurys. Government bond rates increased fairly evenly across all maturities in the U.K. and Europe during October, with long-term yields rising slightly more than short-term yields.

Trade relations appeared to thaw between the U.S. and China—the two countries with the world's largest economies, which together account for 40% of global gross domestic product (GDP) as of 2018. The U.S. cancelled a planned October 15 increase in tariffs on Chinese products; later in the month, China announced $20 billion in purchases of U.S. agricultural goods and declared willingness to soften policies on forced technology transfers and barriers to foreign investment.

Already-divisive U.S. domestic politics turned sharply contentious as Democrats in the House of Representatives continued their impeachment inquiry into President Donald Trump—punctuating the month with a full House vote to formalize the investigation. Democrats began the probe in response to allegations that the president urged Ukrainian President Volodymyr Zelensky to pursue investigations into Trump's political opponents in exchange for $400 million of congressionally-approved military aid meant to counter a five-year Russian-backed insurgence in Eastern Ukraine. (The aid was eventually released in September once the allegations came into public view.) Toward the end of October, Zelensky—armed with the belatedly-released U.S. military aid—succeeded in negotiating an artillery pullback from the front lines between Kremlin-backed separatist forces and the Ukrainian military.

Key Measures: October 2019

Equity	
Dow Jones Industrial Average	0.59% ↑
S&P 500 Index	2.17% ↑
NASDAQ Composite Index	3.71% ↑
MSCI ACWI Index (Net)	2.74% ↑
Bond	
Bloomberg Barclays Global Aggregate Index	0.67% ↑
Volatility	
Chicago Board Options Exchange Volatility Index PRIOR MONTH: **16.24**	13.22 ↓
Oil	
WTI Cushing crude oil prices PRIOR MONTH: **$54.07**	$54.18 ↑
Currencies	
Sterling vs. U.S. dollar	$1.29 ↑
Euro vs. U.S. dollar	$1.12 ↑
U.S. dollar vs. yen	¥108.11 ↑

Sources: Bloomberg, FactSet, Lipper

Elsewhere in Eastern Europe, Polish and Hungarian voters continued to back the governing right-populist parties, but with less enthusiasm than in recent years: Poland's Law and Justice party lost its majority in the Senate, while Hungary's dominant Fidesz party lost mayoral races in a lengthy slate of major cities that included its capital city of Budapest.

The U.K.'s unclear path out of the EU came into focus during October. Prime Minister Boris Johnson's re-negotiated Brexit deal was deemed acceptable in principle by a majority of the House of Commons on October 22—marking the furthest progress toward resolution up until that point—but was ultimately defeated in Parliament on concerns about executing the solution within its proposed three-day timetable. EU leaders agreed to extend the departure date again, this time from October 31 to the end of the calendar year. Jeremy Corbyn, the main opposition leader, consented to Johnson's call for a snap election on December 12, increasing the likelihood that a solid road to Brexit will be paved before the next departure date.

Tensions rose in the Middle East after the U.S. announced and then partially reversed a military withdrawal from Syria: Turkey and Russia exerted greater control in the country's north, which put the U.S.-allied Kurdish population at risk. The prime ministers of Iraq and Lebanon each announced their resignations in late October after weeks of growing antigovernment protests rooted in economic dissatisfaction and concerns about corruption.

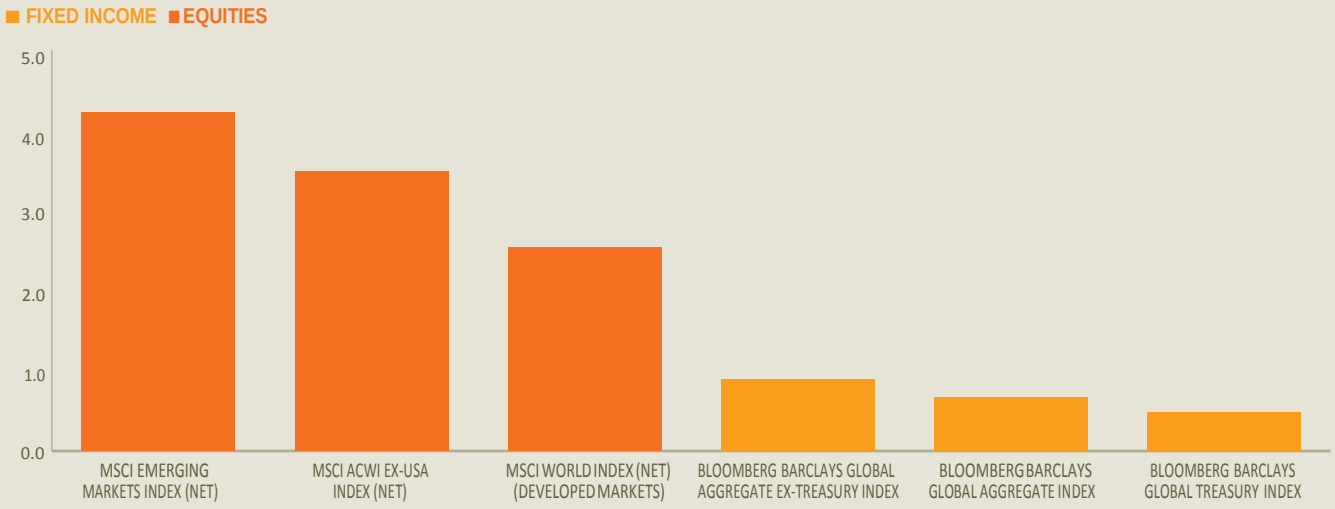
In South America, Chileans protesting higher subway fares remained in the streets despite producing concessions that included a pause on planned increases in electricity rates and a new slate of cabinet members. Brazil suffered one of the largest environmental disasters in its history during October when an oil spill off of its north-eastern shore (with no clear cause) spread to contaminate 1,400 miles of the country's coastline.

Alberto Fernandez unseated Argentinian President Mauricio Macri after only one term in the country's late-October election. While remarkable in that an Argentine incumbent lost for the first time, the result was unsurprising: Fernandez was expected to benefit from the popularity of his running mate, former President Cristina Fernandez de Kirchner. The prospect of a handover from conservatives to the center-left Peronist movement during a period of crippling pressure on Argentina's finances raised anxiety among investors, particularly given the movement's antagonistic relationship with foreign creditors. The International Monetary Fund (IMF) recently withheld $5 billion of loan aid in anticipation of the election results to determine whether Argentina's leadership would maintain a commitment to austerity, which appeared unlikely given the Peronist platform.

Central Banks

- The Federal Open Market Committee announced an expected 0.25% decrease in the federal-funds rate toward the end of October, representing its third cut in as many meetings. In mid-October, the U.S. central bank made its first monthly purchase of $60 billion in Treasury bills as part of a program to increase liquidity in the financial system.
- The European Central Bank (ECB) made no changes following October's final monetary-policy meeting with Mario Draghi at its helm. The outgoing ECB president offered a defense of the central bank's recent policy shift toward further accommodation, as Christine Lagarde, former managing director of the IMF, prepared to take the reins in November.
- The Bank of Japan announced no change in its monetary policy program following its late-October meeting.
- The Bank of England's Monetary Policy Committee had no meeting in October.

Major Index Performance in October 2019 (Percent Return)



Sources: FactSet, Lipper

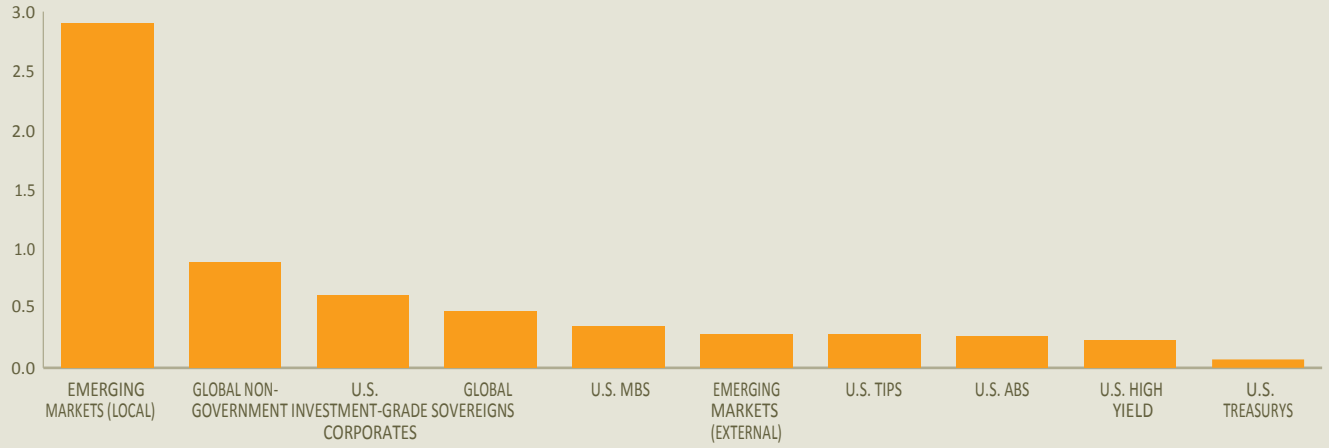
Economic Data

- U.S. manufacturing activity improved in October, contracting at a less significant pace, as export orders returned to growth territory. Services sector conditions continued to expand slowly. The U.S. unemployment rate increased to 3.6% during the month despite a higher-than-expected gain in payrolls, an improved labor-force participation rate, and greater average hourly earnings.

- Eurozone manufacturing continued to contract sharply in October, while modest services-sector growth eased slightly. Labor conditions in the eurozone were fair during September: The eurozone unemployment rate was unchanged at 7.5%—the lowest since July 2008—while the number of unemployed increased by 33,000 during the month. The eurozone economy continued to grow by 0.2% during the third quarter, while year-over-year growth slowed to 1.1% (from 1.2% in the second quarter).

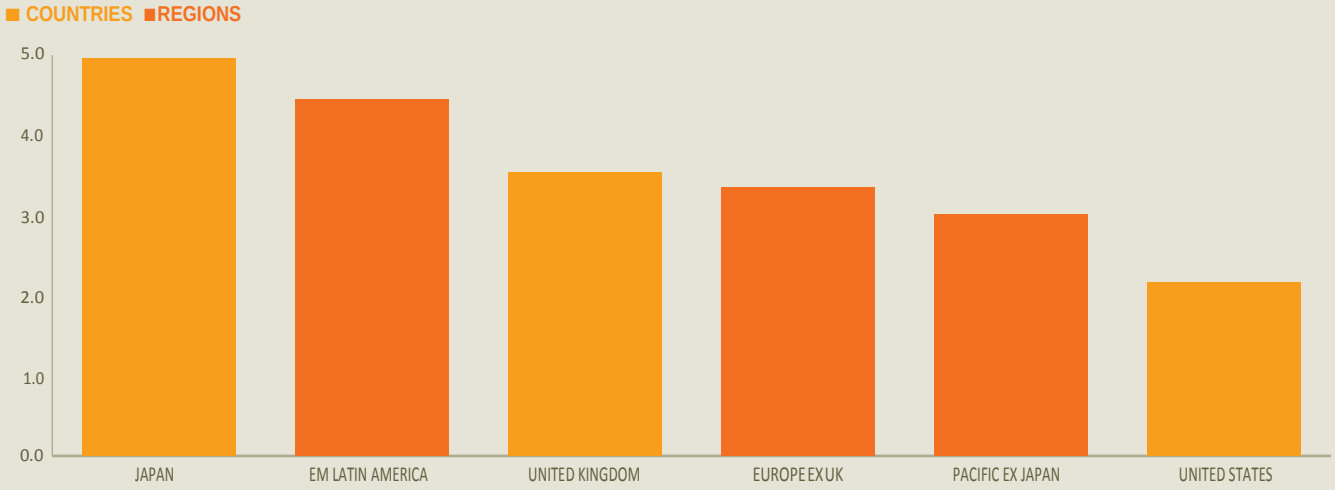
- The contraction in U.K. manufacturing activity mostly levelled off during October, although new orders continued to slide as falling domestic demand overtook rising exports. Inventory stocking ahead of the October 31 Brexit deadline also contributed to the relative improvement in activity. The U.K. claimant count unemployment rate held firm at 3.3% during September, while the blended June-to-August U.K. unemployment rate edged up to 3.9%; average year-over-year earnings growth fell from 4.0% to 3.8% for the June-to-August period.

Fixed-Income Performance in October 2019 (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 October 2019 (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 produced positive returns led by small-cap stocks in October, and growth generally outperformed value. Health care and information technology were the best-performing U.S. sectors, while energy and utilities lagged. In aggregate, our large-cap strategies[1] performed well as a result of overweights to health care and strong selection within consumer discretionary and financials. Our small-cap strategies were challenged mainly due to selection within information technology and industrials. Overseas, our international developed-market equity strategy lagged the benchmark by a small amount. Selection within energy, communication services, industrials and consumer discretionary detracted, but was almost entirely offset by an overweight to and selection in information technology, an underweight to and selection in consumer staples, and selection in financials. From a country standpoint, an underweight to and selection in Japan was the most significant detractor, followed by selection in France; selection in Germany contributed. Our emerging-market equity strategy performed in line with the benchmark's strong return during October. An overweight to and selection in information technology was the top contributor, while selection in consumer staples was the largest detractor. Geographically, an underweight to Saudi Arabia contributed most, while exposure to China and Russia were the heaviest detractors.

Our core fixed-income strategy matched its benchmark during October, with U.S. investment-grade non-government fixed-income sectors leading comparable U.S. Treasurys. An overweight to the long end of the yield curve detracted as the 30-year U.S. Treasury rate moved higher (yields and prices move inversely). A slight overweight to corporate credit was positive, as was an allocation to non-agency mortgage-backed securities (MBS) and an overweight to agency MBS; although an overweight to 30-year MBS held back performance as 15-year MBS outperformed. Asset-backed

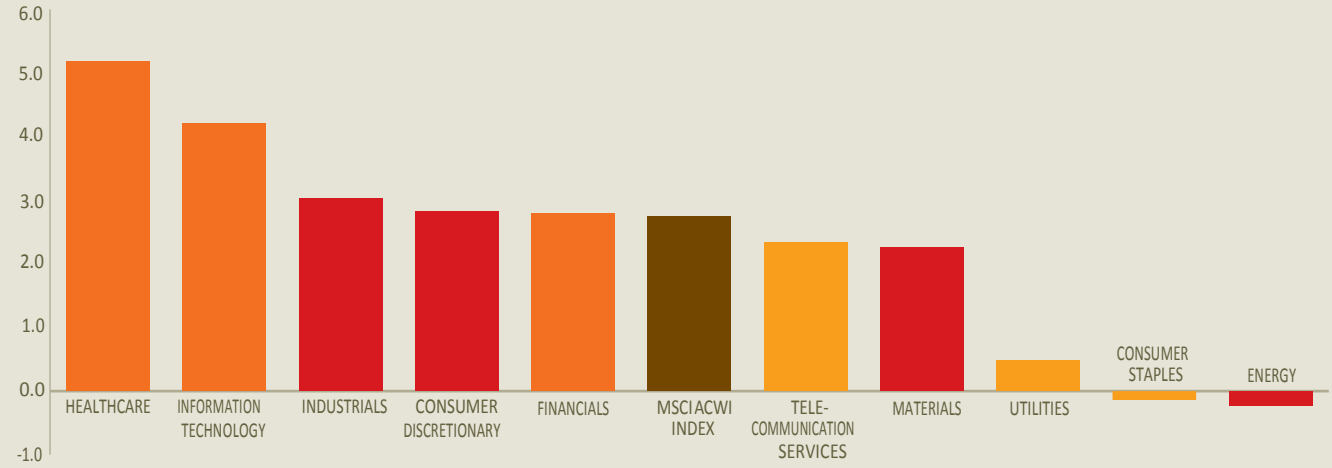
[1] Individual holdings will differ between strategies.

securities (ABS) lagged due to an increase in issuance, weighing on our exposure, while an overweight to commercial MBS (CMBS) with a higher-quality bias contributed. Underweighting taxable municipal bonds helped as well amid increased issuance. Our high-yield strategy also performed in line with the benchmark in October. An allocation to collateralized loan obligations (CLOs) was the greatest contributor, followed by selection in capital goods and leisure. An underweight to banking and selection in health care and media detracted. Our emerging-market debt strategy performed well primarily on an overweight to local-currency-denominated debt, which was the best-performing segment of the entire fixed-income universe during October. At a country level, an overweight to Mexico contributed, while modest exposure to Venezuela detracted.

Manager Positioning and Opportunities

U.S. economic activity remains positive but subdued, as manufacturing has contracted around the globe while U.S. consumer strength continued. We are cautious as valuations have been a bit elevated, earnings growth has been low and volatility has again become more common. Within U.S. large caps, we continued to underweight some of the largest-capitalization stocks in favor of more attractively valued opportunities further down the capitalization spectrum. Within small-cap stocks, we maintained a preference for value (given the historically wide gap in valuations) and stability securities (given our cautious stance). Our international developed-market equity strategy retained exposure to market themes with structural tailwinds, driving overweights to information technology and communications services. Other active positions included a small overweight to financials (specifically insurers) and health care. We remained underweight to defensive sectors given our low expectations for their growth potential. The most pronounced change during October was a rotation from energy into consumer staples, based on stock-

Global Equity Sector Performance in October 2019 (Percent Return)



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

specific reasons. Our emerging-market equity strategy was underweight financials, real estate and materials, driven by a cautious view on the Chinese economy. From a country perspective, we were overweight Latin America—mostly to Brazil, due to its increasingly stable outlook for growth opportunities given progress on pension reform.

Our core fixed-income strategy's duration has remained close to neutral to the benchmark, with an overweight to the 25-to-30-year segment of the yield curve, an underweight to the 15-to-20-year segment, and an overweight to the short-term segment. The strategy added to a corporate-credit overweight in the new-issue market, with an emphasis on banking. Overweights to ABS and CMBS remained given their competitive risk-adjusted yields; although we continued to reduce risk in student loans within ABS and stuck to higher-quality holdings within CMBS. We also maintained an allocation to non-agency MBS and added to an agency MBS overweight. Within high yield, our strategy retained an allocation to CLOs and overweights to insurance, consumer goods and leisure. Energy remained the biggest underweight, followed by banking, telecommunications, financial services and capital goods. Our emerging-market debt strategy continued to overweight local-currency assets. At a country level, our largest overweights were to Egypt, Mexico and Ukraine, while our most significant underweights were to Philippines, Hungary and Poland.

SEI's View

We have leaned toward an optimistic view on equities and other risk-oriented assets for the past 10 years. When markets corrected sharply in price—as several U.S. equity indexes did in 2011, 2015 and late last year—we viewed the pullbacks as buying opportunities. We believe that staying invested has been a sound overall strategy. Today, while we still doubt that a true bear market is on the immediate horizon, we are surprised by the resilience of the stock-market averages during the third quarter in the face of numerous economic and political uncertainties, both in the U.S. and globally.

The U.S. economy remains in reasonably good shape and appears to be in little danger of contracting any time soon. Granted, the manufacturing and agricultural sectors are being stressed by the trade war with China. But we think there is a limit to how far this deterioration in economic activity will go. Few economists would dispute that the U.S. consumer sector is in great shape.

Looking at the U.S. stock market, the forward-earnings trend has flattened in recent quarters. Periods of flat-to-down earnings over several quarters occurred in the 2014-to-2015 period, and in 2011, 2007 and 1998, each coinciding with flat-to-declining stock prices, increased volatility and moderate-to-severe market corrections.

A trade truce between China and the U.S. would be a relief, but it would be only one piece of a larger mosaic that must first come together.

Our expectation of an economic revival in China rests on the assumption that all the fiscal and monetary-policy measures put in place over the past year will overcome the major challenge posed by the trade war.

Getting the world back on a faster growth track will depend on an economic rebound in the domestic economies of China and Europe.

Our expectation of an economic revival in China rests on the assumption that all the fiscal and monetary-policy measures put in place over the past year will overcome the major challenge posed by the trade war. The latest tranches of import duties are aimed at Chinese goods like apparel and toys, which usually have thin profit margins, are labor-intensive, and can be more easily produced in other low-wage nations than higher-tech products. We therefore believe that Chinese President Xi Jinping has an incentive to get a deal done with President Trump. The last thing Xi needs is a sharp rise in unemployment and corporate bankruptcies as profit margins get eviscerated.

China's currency has weakened further in recent months, remaining close to an 11-year low against the U.S. dollar hit in September 2019 that amounted to a cumulative decline of 12% since April 2018—thereby offsetting a little more than half of the imposed or announced tariff increases. The Chinese government is reluctant to encourage additional currency depreciation, fearing that capital could flee the country. Rather, there is evidence that it is getting more aggressive when it comes to pulling the monetary and fiscal levers.

Slowing growth in China, the U.S. and the eurozone does not bode well for other economies. On a positive note, many developing countries have been able to cut interest rates in recent months. Meanwhile, capital-market conditions in emerging countries still appear benign. Spreads on U.S. dollar-denominated debt remain in the middle of their range for the past eight years.

Despite all its economic and political problems, European-wide equity markets have done rather well this year. How does one explain the rather robust performance of European equities? It can largely be attributed to the lack of an alternative option. For example, with Germany's sovereign yield curve well into negative territory, its investors have no hope of building wealth in less risky fixed-income assets and are therefore forced into equities and other risk-oriented investments. Investors globally face similar challenges, even if not quite to the same extent.

While Germany's overall economy is not clearly in a recession, its manufacturing sector almost certainly is—the 6.4% decline in industrial production from the peak in November 2017 through July 2019 was worse than Italy's 2.5% contraction over the same period. Considering that manufacturing represents almost 23% of the country's GDP as of 2018 (much higher than the average for developed countries), it is easy to understand why the country is in a funk.

As we speculated last month, the U.K. was granted a new Brexit deadline. A general election scheduled for December 12 will hopefully produce a new mandate from the electorate. But the political landscape in Great Britain is in flux. The outcome of the next election could be an unstable coalition.

Despite the rather solid financial position of U.K. households, both consumer and business confidence are nearing levels consistent with recession. Confidence measures in the eurozone, while off the highs of 2017, have not fallen to the same degree.

Japan is also focused on home-grown uncertainty: The consumption tax hike effective October 1. And despite a tight labor market with an almost record high number of available jobs per applicant, the decline in earnings growth from last year is surprisingly steep. Regardless of all their efforts, Prime Minister Shinzo Abe's government and the Bank of Japan have been unable to spur a lasting reflation of the economy.

Like Germany, Japan has been hurt by the slowing growth of China and the general malaise affecting Asia as a whole. To make matters worse, Japan's political relationship with South Korea has frayed badly in recent months. Both countries have expanded economic sanctions, including tit-for-tat tariff duties and consumer boycotts. Even more worrisome is the breakdown in direct military intelligence sharing at a time when China is pushing its weight around in the East and South China Seas.

In all, Japan's outlook appears to be one of stasis. In the meantime, investors will likely continue to view the country as a safe haven owing to its low volatility. We believe the yen will remain well-bid under this scenario.

In view of the uncertainties facing investors presently, the prediction game is arguably even more challenging than usual. Accordingly, as always, we believe in a diversified approach to investing. Although maintaining exposure to equities and other risk-oriented assets can at times feel uncomfortable, it is our view that investors with long time horizons should avoid timing the market or making outsized sector or regional bets. We think it is best not to assume, for example, that the S&P 500 Index and growth stocks will always be the only games in town. The recent volatility and sharp style rotations in the past quarter should serve as reminders that trends do not last forever.

Regardless of all their efforts, Prime Minister Shinzo Abe's government and the Bank of Japan have been unable to spur a lasting reflation of the economy.

Glossary of Financial Terms

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

Stability: Stability securities exhibit lower risk and higher quality, and can benefit from the power of long-term compounding as a result of investors' tendency to misprice lower risk.

Value: Value stocks are those that are considered to be cheap and are trading for less than they are worth.

Yield curve: The yield curve represents differences in yields across a range of maturities of bonds of the same issuer or credit rating (likelihood of default). A steeper yield curve represents a greater difference between the yields. A flatter yield curve indicates the yields are closer together.

Index and Benchmark Descriptions

All indexes are quoted in gross performance unless otherwise indicated.

The Bloomberg Barclays 1-10 Year U.S. 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 U.S. 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 Bond Index (formerly Lehman Brothers Global Aggregate Index), 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 Bond Index is composed of those securities included in the Bloomberg Barclays Global Aggregate Bond Index that are Treasury securities.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The MSCI Europe ex-UK Index is a free float-adjusted market-capitalization-weighted index that captures large- and mid-cap representation across 14 developed markets countries in Europe (Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden and Switzerland). The Index covers approximately 85% of the free float-adjusted market capitalization across European developed markets, excluding the U.K.

The MSCI Pacific ex Japan Index captures large- and mid-cap representation across four of five developed-market countries in the Pacific region (excluding Japan).

The MSCI Japan Index is designed to measure the performance of the large- and mid-capitalization stocks in Japan.

MSCI United Kingdom Index: The MSCI United Kingdom Index is designed to measure the performance of the large and mid-cap segments of the UK market.

MSCI USA Index: The 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.

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	BofA Merrill Lynch U.S. High Yield Master II Constrained Index
Global Sovereigns	Bloomberg Barclays Global Treasury Bond 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 U.S. Mortgage Backed Securities Index
U.S. Asset-Backed Securities (ABS)	Bloomberg Barclays U.S. Asset-Backed Securities Index
U.S. Treasurys	Bloomberg Barclays U.S. Treasury Index
U.S. Treasury Inflation-Protected Securities (TIPS)	Bloomberg Barclays 1-10 Year U.S. TIPS Index
U.S. Investment-Grade Corporates	Bloomberg Barclays U.S. Corporate Investment Grade 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 UK	MSCI Europe ex UK Index (Net)
EM Latin America	MSCI Emerging Markets Latin America Index (Net)

Disclosures1

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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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