4th Quarter 2018

Highlights

- Global equity markets collapsed in 4Q taking other risk assets down and government bonds higher. Credit markets underperformed affecting our portfolios and strategies.
- Despite the pessimistic outlook implied by financial markets, we believe economic momentum in the U.S. is robust enough for a strong, but more measured, pace of growth. The Fed's pause should help.
- Credit spreads widened meaningfully. We believe these valuations represent an attractive opportunity because creditworthiness remains strong.

Markets

		Returns (%)			
GIA*	Average Quality	4Q18 Gross	4Q18 Net	12 Months Gross	12 Months Net
Core Plus Composite	(A)	0.03	-0.06	-1.11	-1.46
Global Credit Plus Composite	(BBB+)	-1.38	-1.50	-2.27	-2.76
Emerging Market Debt Composite	(BB+)	-0.14	-0.32	-2.57	-3.30
Benchmark Bonds					
Bloomberg Barclay's U.S. Agg. Index	(AA+)	1.64		0.01	
Treasury	(AAA)	2.57		0.86	
Credit	(A)	0.01		-2.11	
Mortgage	(AAA)	2.08		0.99	
Government/Credit	(AA)	1.46		-0.42	
ICE BofAML U.S. Corporate & Yankees	(A-)	0.15		-1.82	
ICE BofAML U.S. Corporate	(A-)	-0.06		-2.25	
ICE BofAML U.S. High Yield Cash Pay	(B+)	-4.64		-2.26	
ICE BofAML EM Corporate Plus	(BBB)	0.27		-1.33	
ICE BofAML Global Gov't ex-US	(AA-)	2.06		-0.87	
JPM Emerging Markets EMBI+	(BB+)	-0.66		-5.33	
JPM CEMBI Broad	(BBB-)	0.44		-1.18	
JPM GBI-EM Global Diversified	(BBB)	2.11		-6.21	
Benchmark Equities					
S&P 500	NA	-13.97		-6.24	
Nasdaq Composite	NA	-17.54		-3.88	
Russell 2000	NA	-20.51		-12.18	
MSCI EAFE	NA	-12.86		-16.14	
Europe	NA	-13.04		-17.27	
Japan	NA	-14.40		-14.54	
MSCI Emerging Markets Equity	NA	-7.85		-16.64	

Markets

After hitting record highs in late September, U.S. equity markets experienced a startling reversal and spike in volatility during the fourth quarter. In what might be described as a shocking shift in sentiment, investors abandoned the strong economy narrative and inserted a possible recession into their 2019 expectations. Admittedly, U.S. economic data was more muted, and activity in China and Europe came in decidedly weaker. However, the U.S. consumer held up and GDP growth for the quarter was likely better than the market's pessimism suggests. This did not matter. A series of factors led investors to sell starting in October, leading the S&P 500 to decline (13.97%) for the quarter and post its first annual total return loss since 2008. Bond investors also turned skittish commencing in November, leading U.S. treasuries to rally and interest rates to decline meaningfully in the last two months of the year, despite a December interest rate hike from the Fed. Credit spreads widened, indicating bond investors adopted the pessimistic equity market narrative and related risk aversion. Oil prices started declining in October and accelerated in November even though the initial moves were attributed to excess supply, rather than weak demand. Other commodity prices fell and even the U.S. dollar, which had been strong all year, closed with a whimper. Remarkably, after what was likely the best economic performance in 13 years, U.S. equity markets delivered the worst performance in any of those years, other than 2008.

Investment grade spreads came under pressure during the quarter as some idiosyncratic situations raised concerns about the broader market. GE and PG&E suffered for different reasons, but they put the spotlight on corporate leverage, particularly in the event of an economic slowdown. The investment grade corporate bond index, the ICE Bank of America Merrill Lynch U.S. Corporate Index (C0A0), was down (0.06%) for the quarter, and down (2.25%) for the year. Credit spreads widened driven, in part, by concerns the credit cycle peaked and leverage remained high. Separately, equity market volatility led treasury prices higher (yields lower) as investors rushed to the safety of government bonds. The U.S. treasury index rose 2.60% for the quarter, taking full year performance to 0.80% after spending most of the year in negative territory. Corporate option adjusted spreads (OAS) widened by 48 b.p. to 159 b.p., while the yield to worst of the index rose from 4.09% to 4.24%. Issuance for the quarter was $202.4 billion, the lowest quarterly borrowing of the year. For all of 2018, investment grade borrowers raised $1.21 trillion, well below 2017's $1.47 trillion and the first drop in annual issuance since 2011.

The high yield market's magical run ended in September with the sector suffering one of the most significant three-month spread widenings in its history. A combination of factors, including the sudden shift in investor sentiment, drove additional fund outflows and institutional selling. The ICE Bank of America Merrill Lynch High Yield Cash Pay Index (J0A0) returned (4.64%) pushing 2018 performance down to negative (2.26%). Spreads to worst widened by 202 b.p. from 331 b.p. to 533 b.p., while the yield to worst increased from 6.19% to 7.90%. Retail investors withdrew a staggering $20.2 billion in 4Q, for a year to date outflow of $45.1 billion. The default rate decreased to 1.81% in December from 2.02% in September. While the rate is higher than December 2017's 1.28%, it remains well below the historical average of 3.46%. For the first time since November 2008, there were no new issues in December 2018. For the quarter, new issuance totaled $19.1 billion and for the full year $187.4 billion, a 43% decline from 2017.

Emerging markets bonds experienced their sharp decline during the second quarter and performed comparatively well during the fourth quarter. Despite weakness in commodity prices, sources of concern for emerging markets ameliorated during the quarter. The dollar weakened and interest rates declined, improving financial conditions for the sector. Sentiment in countries like Mexico and China deteriorated on policy-related issues, while it improved in Brazil following the presidential election. Even Turkey and Argentina, targets of investor selling in May and June, recovered some of their earlier losses. For the quarter, the JPM Emerging Markets Bond Index Plus (EMBI+), a dollar denominated sovereign index, was down (0.66%), the JPM Corporate Emerging Markets Broad Index (CEMBI Broad) returned 0.44%, and the JPM Global Bond Index – Emerging Markets Global Diversified (GBI-EM Global Diversified), a local markets index gained 2.11%. For the full year, these markets declined (5.33%), (1.18%), and (6.21%) respectively.

Portfolios

Our *Core Plus Composite* consists of portfolios that can hold securities rated below investment grade, but are managed against a Core fixed income benchmark. The Composite underperformed the Bloomberg Barclays U.S. Aggregate Index, net of fees, by 170 b.p. for the quarter and was behind by 147 b.p. over the last twelve months. Credit markets underperformed meaningfully during the quarter as risk aversion pushed interest rates lower and spreads wider. The worst performing sector was high yield, which underperformed by 628 b.p., followed by investment grade and emerging market. With meaningful allocations to both high yield and emerging markets, and underweights to government bonds and mortgages, the Composite underperformed. The fourth quarter's credit sector performance overwhelmed the Composite's returns through September. For the full year, the Composite's underperformance can be explained largely by what happened in the final quarter.

Our *Global Credit Plus Composite* consists of portfolios holding investment and non-investment grade credit related securities. The Composite is measured against a benchmark consisting 85% of the ICE BofAML U.S. Corporate and Yankees and 15% of the ICE BofAML U.S. Cash Pay High Yield Index. The Composite underperformed the benchmark, net of fees, by 92 b.p. during the quarter, and was behind by 89 b.p. over the last twelve months. The portfolios had an allocation of approximately 75.1% U.S. investment grade, 12.5% high yield, and 9.6% emerging markets, of which 1.1% was below-investment grade rated. The Composite's investment grade holdings, including emerging markets, underperformed the investment grade credit index because it was overweight BBB rated securities, which underperformed. The fourth quarter's underperformance also affected returns over the last twelve months, as the portfolio's combination of emerging and developed market investment grade holdings underperformed in the last three months of the year.

Our *Emerging Market Debt Composite* consists of portfolios investing in dollar denominated emerging market credit securities, primarily from corporate issuers. The Composite is measured against the ICE BofAML U.S. Emerging Markets Corporate Plus Index (EMUB). During the quarter the portfolio underperformed the benchmark by 59 b.p., net of fees, and was behind by 197 b.p. over the last twelve months. Despite performing relatively well during the fourth quarter sell-off, emerging markets still underperformed government bonds. Within emerging markets, investment grade outperformed high yield. The portfolios were overweight high yield leading to the underperformance. Over the last twelve months, the portfolio suffered from a combination of higher weight to high yield countries and credits and concentration in Latin America, which underperformed.

Economy

Even with the collapse in U.S. equity markets in 4Q, economists forecast 2018 annual GDP growth will likely be the best in at least thirteen years. As the year closed, retail sales, employment and confidence measures remained robust, although manufacturing and investment indicators softened. Prior to December, the generally accepted economic narrative had the economy moving into 2019 with enough momentum to accommodate higher interest rates and a gradual moderation in activity. Extreme equity volatility during the last month of the year shattered that serene outlook and introduced concerns a more severe retracement is upon us. According to analysts at J.P. Morgan, year-end valuation levels associated with various markets priced in between 55% and 65% probability of recession.[1] Most banks and economic firms that run predictive models, cite increases in their models' forecasts of recession over the next twelve months. Are these concerns justified?

Part of the economic deterioration came from abroad. China and Europe delivered unexpected disappointments in the second half of 2018. In China, it appears the trade war with the U.S. may have taken a larger toll than initially thought. We believe other factors played a prominent role in that country's economic malaise. The government's efforts to corral the shadow banking system constrained lending to many small and medium sized enterprises which depressed activity. In addition, the government tightened the reins on some of the country's businesses, particularly technology companies and global conglomerates. After years of aggressive expansion, these industries were forced to temper their activities and even divest recently acquired companies. The depressing effect on investment of governmental interference can affect broad swaths of the economy.

In Europe, 2017's economic momentum was derailed by the debilitating effects of Italy's budget struggle, the unsolvable Brexit puzzle, France's demonstrations and strikes and other destabilizing regional events. In addition, an emissions-related rule went into effect in September, which led companies to front-load sales, alter production schedules and retool. Data disappointments across the Community affected confidence measures, and there was no visible improvement during the final quarter.

With negativism piling up, limited attention was paid to more favorable indicators. Service sector Purchasing Manager Indexes (PMIs) continued to perform well and labor data in the U.S. remained strong. In addition, expectations for fourth quarter earnings remained elevated. With a few exceptions, companies retained favorable earnings guidance. Lower taxes provided an extra bump in 2018, and investment data appears to be confirming the longer term benefit of that fiscal action. As we begin 2019, lower oil prices and interest rates add stimulus that was unexpected and even considered an impediment prior to 4Q. Interest rate sensitive industries, like housing and autos, may get a boost nobody was forecasting.

Scenarios

We propose three scenarios for the U.S. economy over the next 6 months:

1. Our most likely case has the economy growing about 2.5% 1Q and 2Q 2019. While the U.S. economy has shifted to a slower pace of growth, we believe momentum will carry into 2019. Driven by strong employment and wage gains, consumer confidence remains elevated and retail sales continue to perform well. With indications the Fed intends to slow its rate increases and a boost from lower oil prices, domestic activity should offset external drags. We believe both China and the U.S. are incented to minimize the deleterious effect of the trade wars on their economies. A favorable resolution should restore optimism in the business community. Finally, Europe's economic disappointment may receive a boost from a more complacent central bank and the resolution of some of the Union's recent challenges. PROBABILITY 60%

[1] J.P. Morgan, Global Markets Strategy, Flows & Liquidity January 4, 2019.

2. A second scenario has the economy remaining at an above-trend growth rate of 3.0% to 3.5% over the next six months. If the U.S. and China announce a comprehensive trade agreement that restores the free flow of goods and services, the confidence effect could be meaningful for both economies. In addition, with improving growth expectations for many emerging economies, there could be a shift in confidence that renders fourth quarter market performance an anomaly. PROBABILITY 20%

3. A third scenario has the economy declining to a 1.50% growth rate. Financial markets sent cautionary signals during 4Q, including the possibility that growth forecasts were wrong. We do not believe the partial government shutdown will have a lasting effect, but it could become prolonged or be a precursor of costly government inertia for the next two years. In addition, many believe the Chinese economy is becoming more difficult to manage and Europe's problems are inherent to the Union's structure. Should trade talks fail, Brexit occur contentiously and France be forced to reverse some of its regulatory gains, global economic activity could suffer. PROBABILITY 20%

Market Outlook

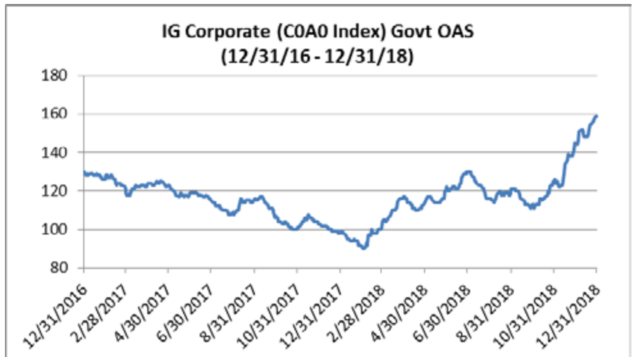
Financial markets experienced a remarkable shift in sentiment during the quarter. The equity market correction and the decline in government bond yields suggest a meaningful economic slowdown is upon us. While we agree the pace of growth will slow in 2019, we do not believe the drop will be as dramatic as the bond market currently expects. Despite some discouraging year-end data, especially from abroad, we believe China and the U.S. are highly incented to strike a trade deal, the Fed has been scared into a pause, and lower interest rates may stimulate dormant industries like housing. Fears over the end of the credit cycle seem premature. We believe spread widening in high yield and investment grade credit represent attractive opportunities in early 2019, and the 2018 year-end level of interest rates may prove to be a low for the coming year. While oil prices may help on the inflation front, we believe wage pressures and ongoing consumption will help nudge that indicator higher.

Commentary – Peak Credit?

Financial market performance during 4Q surprised many in large part because it occurred in a benign economic environment. In fixed income, credit markets experienced fierce and relatively sudden spread widening commensurate with event-driven panics in the past such as Worldcom's default in 2002, the U.S. sovereign debt downgrade in 2011 and the oil market crisis in early 2016. The anomaly in 4Q 2018 is the absence of a triggering crisis. With the severe spread widening, observers predicted the end of the credit cycle, citing the abundance of corporate leverage and the damaging implications of the looming recession. Always respectful of information contained in market prices, we do not believe the market has it right. On the contrary, we believe the credit cycle has not peaked and the widening presents an excellent opportunity.

Investment Grade Credit

Investment grade credit prospects started 2018 on an optimistic note after the passage of the corporate tax reduction in December 2017. Spreads were tight relative to historical levels, but were likely justified by prospects for earnings and cash flow. Spreads narrowed further in January, but adjusted after February's equity jolt and moved higher when the Fed raised rates in March and June. Overall, they oscillated in a relatively narrow range until September.



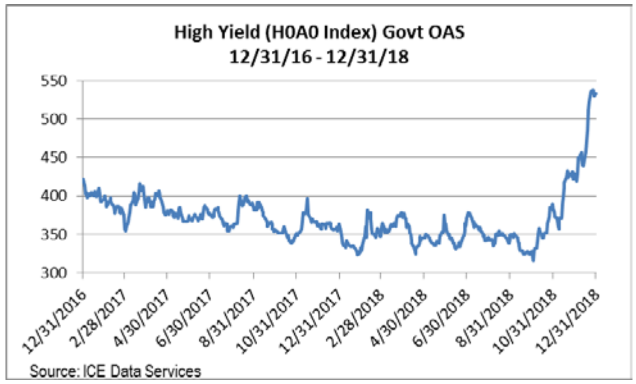
Source: ICE Data Services

In its third quarter earnings release GE made various announcements, including a dividend cut and further restructuring, that put a spotlight on the company, with both equity and credit analysts questioning the strategy and illuminating its credit risk. As a highly indebted company, investors worried about a downgrade to junk and its ability to finance an ambitious plan. Predictably, the market began to focus on other highly indebted investment grade companies, especially those with recent sizeable M&A transactions, like AT&T, Bayer, CVS, AB Inbev and others. All of these companies promised quick deleveraging after their deals that a weaker economy might stall, leaving them exposed to significant ratings risk. That conversation grew louder during the quarter despite the companies insisting their plans were on track. The focus on some of these companies affected sentiment and led to outflows from credit funds that, combined with poor year-end liquidity, propelled the sector's underperformance. But reviewing investment grade credit fundamentals suggests a different picture:

- Investment grade non-financial leverage peaked in 2017 after three elevated years of issuance to take advantage of low interest rates. In 2018, leverage started declining as earnings improved and borrowing subsided. Most of the companies that took on transaction related leverage are on track in their debt reduction plans;
- After six record years of issuance, investment grade borrowers issued fewer bonds in 2018. According to Barclays, investment grade issuance in 2018 totaled $1.2 trillion, about $230 billion less than 2017. Most credit strategists expect borrowers to reduce their issuance again in 2019, in part because they expect higher interest rates;
- An important support for investment credit came from foreign investors. As rates rose in 2018, the cost of hedging increased making the investment proposition less compelling. The pause in rate increases and the higher spreads restores some of the attractiveness of the sector to foreign investors;
- Opinions amongst economists and strategists became more divergent on the pace of global economic growth and the likely direction of interest rates. Even the most hawkish observers, trimmed their expectations for Fed rate hikes and levels of U.S. interest rates in 2019. Assuming the lower rate assumptions prove correct, more favorable financial market conditions support a benign outlook for investment grade credit.

High Yield

In our September 2018 quarterly letter we wrote, "High yield bonds seemed to defy gravity with another impressive quarter despite noticeable worries in emerging markets, continuing withdrawals of funds and higher interest rates in the U.S." The sector's high wire act ended forcefully during the quarter with spreads widening the most in a single quarter since 2011. Fund withdrawals accelerated during the quarter, nearly doubling the sector's outflows during the first nine months of the year. The negative performance was led by lower rated credits, specifically CCC and low B rated names. Pressure in these rating categories started with energy and the decline in oil prices, but expanded to other weakly rated industries like telecom and retail.



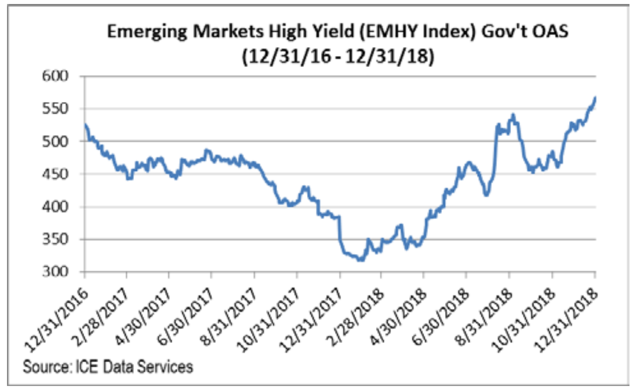
The high yield market always has companies facing financial peril. However, aside from a few well-known names in challenged industries, we believe the financial outlook continues to look good for the sector. With reasonable credit fundamentals, the quarter's performance seems particularly surprising.

- The default rate in 2018 was 1.81%, which included a long anticipated default of I-Heart Radio. Without that, the default rate would have been 1.08% compared to a historical average of 3.46%. The default rate is the lowest since 2013, and is forecast to remain well below the historical average for the next two years;
- High yield borrowers reduced their public debt borrowing by a staggering 43% compared to 2017. For the first time since November 2008, there were no new issues in the high yield market in December. The annual borrowing of $287.4 billion was the lowest since 2009 ($180.7 billion) and well below the annual average of $307 billion since the crisis. While some borrowers shifted their financing needs to the leveraged loan market, issuance in that market declined by 28% in 2018;
- Fears attributing the increase in spreads and the reduction in annual issuance to a cycle turn or recession indicator appear premature. Most companies in the high yield market were not challenged finding financing options. In fact, indicators like pricing, size of issuance, covenant constraints all point to the opposite. We believe two other factors are playing a more significant role: 1) earnings and cash flow are robust enough to reduce financing needs, and 2) the new corporate tax law is shifting the balance of leveraged capital structures in favor of equity;
- Year-end spread levels discount default rates near 5%, which would exceed every annual rate since 2009. Given the trajectory of corporate earnings, financing availability and direction of leverage, we think this outcome would be surprising. The upgrade/downgrade ratio was 1.3 for 2018, including a 2.1 reading in the fourth quarter, and 1.4 in 2017. These succeeded two years of more downgrades than upgrades, suggesting the favorable markets (or interest rates) have not been fueling a steady increase in gross leverage.

Emerging Markets Corporate Credit

During the second quarter of 2018, markets adopted a narrative regarding the deleterious impact tightening financial conditions would have on emerging markets. The narrative focused on financing challenges for highly indebted countries. The strengthening U.S. dollar featured prominently and led to immediate devaluations in countries running large current account deficits. Chief among these were Argentina and Turkey, although other indebted countries were not spared. Corporate spreads widened dramatically because, although not directly targeted, they cannot fully escape the fate of their sovereign domicile. While that narrative softened during the summer, credit spreads did not return to their earlier levels.

During the fourth quarter, spreads widened again, but relative to investment grade and high yield, they were well-behaved. In fact, value indicators turned against emerging markets credit because both investment grade and high yield began to look cheap. Like other credit sectors, however, we believe emerging markets look attractive when considering fundamental characteristics of the sector.



- The emerging market high yield default rate declined in 2018 to about 1.6%. Measured by names included in J.P. Morgan's CEMBI Index, the rate was only 1.2%, below the level for U.S. high yield. Regionally, defaults were concentrated in Asia and Latin America, with no defaults reported in Emerging Europe, Middle East or Africa. Forecasts for 2019 are for a modest increase in defaults, although given recovery rates, market prices discount substantially higher defaults;
- While relative spreads compressed between emerging market credit and high yield credit, spreads for BBB rated securities widened to the highest levels in two years. The absolute level of investment grade spreads also suggests a high risk of downgrade, which appears premature considering the more favorable direction of corporate ratings in 2018;
- Leverage amongst emerging market corporate borrowers declined in 2018. Driven by higher revenue and cash flow, leverage metrics improved for both investment grade and high yield rated borrowers. Both high yield and investment grade borrowers in emerging markets boast better leverage metrics than their U.S. counterparts.
- Despite meaningful increases in new external borrowing during the last seven years, new issuance declined in 2018 by about 23% compared to 2017. Gross external debt increased marginally in 2018 for all emerging markets, but it declined in Latin America and Emerging Europe.
- While investors remain legitimately concerned about China's growth rate and its ongoing impact on commodity prices, forecasts improved for significant economies like Brazil, India and South Africa. Many economies will benefit from improvements in domestic consumption aided, to some extent, by lower oil prices and more competitive currency levels.

Historically, credit cycles began to get stressed when leverage was increasing, financial conditions tightened, credit availability lessened and events challenged a few industries. Financial conditions tightened during 2018 and energy related entities confronted lower oil prices, but credit availability remained ample and leverage was not stretched across most industries. When considered from a macro perspective, the evolution of leverage metrics is consistent with the economy's trajectory and changes in monetary policy. Unlike prior credit cycle peaks, conditions do not seem to support the pessimistic interpretation of the spread widening. More likely, in a December punctuated by poor liquidity, market deterioration exceeded levels that would be justified by underlying creditworthiness, generating attractive opportunities for credit investors.

Sources: J.P. Morgan, Bank of America Merrill Lynch, Barclays, Wells Fargo

January 15, 2019

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Index Definitions

Bloomberg Barclays U.S. Aggregate Index

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

Bloomberg Barclays U.S. Treasury Index

This index is the U.S. Treasury component of the U.S. Government index. Public obligations of the U.S. Treasury with a remaining maturity of one year or more.

Bloomberg Barclays U.S .Government/Credit Index

The Government/Credit Index includes securities in the Government and Credit Indices. The Government Index includes treasuries and agencies. The Credit Index includes publicly issued U.S. corporate and foreign debentures and secured notes that meet specified maturity, liquidity, and quality requirements.

Bloomberg Barclays U.S. Credit Index

This index is the U.S. Credit component of the U.S. Government/Credit index. Publicly issued U.S. corporate and specified foreign debentures and secured notes that meet the specified maturity, liquidity, and quality requirements. To qualify, bonds must be SEC-registered.

Bloomberg Barclays U.S. Mortgage Backed Securities Index

This index is the U.S. MBS component of the U.S. Aggregate index. The MBS Index covers the mortgage-backed pass-through securities of Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC).

ICE BofAML U.S. Corporate & Yankees Index

The ICE BofAML U.S. Corporate & Yankees Index tracks the performance of US dollar denominated investment grade debt publicly issued in the US domestic market by US and non-US corporations and non-US quasi-governments.

ICE BofAML U.S. Corporate Index

The ICE BofAML U.S. Corporate Index tracks the performance of US dollar denominated investment grade corporate debt publicly issued in the US domestic market. Qualifying securities must have an investment grade rating (based on an average of Moody's, S&P and Fitch) and an investment grade rated country of risk (based on an average of Moody's, S&P and Fitch foreign currency long term sovereign debt ratings).

ICE BofAML U.S. Cash Pay High Yield Index

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

ICE BofAML Global Government Excluding the U.S. Index (N0G1)

The ICE BofAML Global Government Excluding the U.S. Index tracks the performance of publicly issued investment grade sovereign debt denominated in the issuer's own domestic currency. N0G1 excludes U.S. government bonds.

JP Morgan Corporate Emerging Markets Bond Index Broad (CEMBI Broad)

The CEMBI tracks total returns of US dollar-denominated debt instruments issued by corporate entities in Emerging Markets countries. Two variations are available: CEMBI Broad and CEMBI. The CEMBI Broad is the most comprehensive corporate benchmark followed by the CEMBI, which consists of an investable universe of corporate bonds. Both indices are also available in Diversified versions.

JP Morgan EMBI+ Index

The EMBI+ tracks total returns for U.S-dollar-denominated debt instruments of the emerging markets: Brady bonds, loans, Eurobonds. The EMBI+ currently covers 104 instruments across 15 countries.

JP Morgan Government Bond Index-Emerging Markets (GBI-EM)

The GBI-EM is the first comprehensive, global local Emerging Markets index, and consists of regularly traded, liquid fixed-rate, domestic currency government bonds to which international investors can gain exposure. Variations of the index are available to allow investors to select the most appropriate benchmark for their objectives.

S&P 500 Index

An index of 500 stocks chosen for market size, liquidity and industry grouping, among other factors. The S&P 500 is designed to be a leading indicator of U.S. equities and is meant to reflect the risk/return characteristics of the large cap universe.

Nasdaq Composite Index

An index that tracks the change in the total market value of all companies listed on the Nasdaq Stock Market.

Russell 2000 Index

An index measuring the performance of the 2,000 smallest companies in the Russell 3000 Index, which is made up of 3,000 of the biggest U.S. stocks. The Russell 2000 serves as a benchmark for small cap stocks in the United States.

MSCI EAFE Index

The index is a capitalization weighted index that monitors the performance of stocks from Europe, Australasia and the Far East.

MSCI EAFE- Europe Index

The index is a capitalization weighted index that monitors the performance of stocks from Europe.

MSCI EAFE- Japan Index

The index is a capitalization weighted index that monitors the performance of stocks from Japan.

MSCI Emerging Markets Equity

The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets.