Principal Global Investors

Morley Capital Management

Economic and market review

Principal Global Asset Allocation Viewpoints

As of June 30, 2022

Morley Capital Management (Morley), a n investment management team within Principal Global Fixed Income.

Key themes for Q3 2022

- **Global economic defenses are being tested; United States economy to face recession next year**
  The U.S. economy will likely surrender to recessionary pressures in 2023, slightly later than Europe, which appears to be more exposed to the energy price shock. By contrast, China could see stronger growth this year as policy stimulus rises.

- **Inflation will only decline at a painfully slow pace; food and energy inflation are wild cards**
  Although U.S. inflation could peak soon, the broadening and stickiness of price pressures implies headline Consumer Price Inflation (CPI) will likely only fall to 6.5% this year, before an anticipated recession accelerates the decline in 2023.

- **The Federal Reserve is focused on price stability; significant monetary tightening is anticipated to come**
  Markets are pricing policy rates to hit 3.5% by year-end, higher than the assumed neutral rate. Other developed market central banks are anticipated to also hike in response to higher inflation, but they'll likely stop short of the Fed's peak, keeping the U.S. dollar strong.

- **A more defensive positioning is warranted in fixed income, focusing on higher quality**
  Rising recession risk will put modest downward pressure on U.S. Treasury yields and spur further spread widening, thereby taking the shine off short duration, low quality assets. Investors may want to re-focus on core bonds.

Both bonds and equities delivered negative returns year to date

The S&P 500 Index delivered its worst quarter return since Q1 2020, underperforming the Aggregate Bond Index by 11.41%

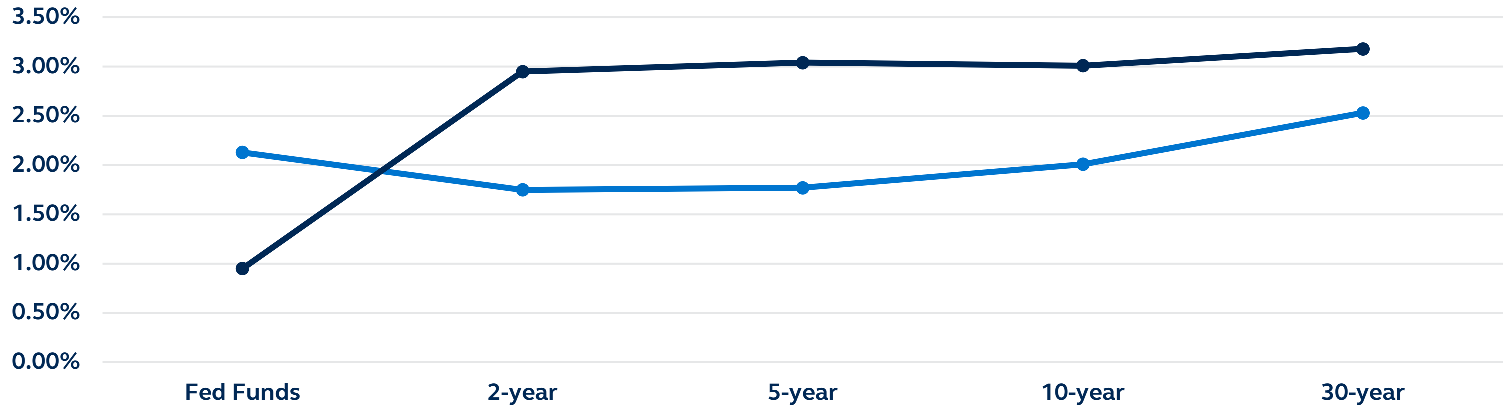
	3-months	YTD/1-year	3-year	5-year	10-year
Fixed Income					
ICE BofA U.S. Treasury Bill 3-month Index	0.10%	0.14%	0.17%	0.63%	1.11%
Bloomberg Aggregate Bond Index	-4.69%	-10.35%	-10.29%	-0.93%	0.88%
Bloomberg U.S. Corp High Yld 2% Issuer Capped Index	-9.84%	-14.19%	-12.82%	0.18%	2.09%
Bloomberg Long-Term Govt/Credit Index	-12.27%	-21.88%	-20.14%	-2.32%	1.03%
U.S. Equities					
Russell 1000 Value Index	-12.21%	-12.86%	-6.82%	6.87%	7.17%
S&P 500 Index	-16.10%	-19.96%	-10.62%	10.60%	11.31%
Russell 1000 Growth Index	-20.92%	-28.07%	-18.77%	12.58%	14.29%
Russell Midcap Index	-16.85%	-21.57%	-17.30%	6.59%	7.96%
Russell 2000 Index	-17.20%	-23.43%	-25.20%	4.21%	5.17%
Non-U.S. Equities					
MSCI EAFE NTR Index	-14.51%	-19.57%	-17.77%	1.07%	2.20%
MSCI ACWI ex-USA Index	-13.73%	-18.42%	-19.42%	1.35%	2.50%
MSCI Emerging Markets Index	-11.45%	-17.63%	-25.28%	0.57%	2.18%
Other					
MSCI U.S. REIT Index	-17.16%	-20.71%	-7.32%	2.90%	4.08%
S&P GSCI® Index	2.01%	35.80%	45.05%	14.69%	11.67%
U.S. Dollar Index	5.74%	7.39%	10.34%	2.01%	1.26%

As of 06/30/2022
Source: FactSet. Returns are annualized. **Past performance does not guarantee future results**. Index performance information reflects no deduction for fees, expenses, or taxes. Indices are unmanaged and individuals cannot invest directly in an index. See Important Information for index descriptions.

The history of interest rates

How have interest rates changed in recent years?

	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022
2-year	1.75	0.15	0.25	2.95
5-year	1.77	0.29	0.89	3.04
10-year	2.01	0.66	1.47	3.01
2- to 10-year spread	0.25	0.51	1.22	0.06
30-year	2.53	1.41	2.09	3.18



	Fed Funds	2-year	5-year	10-year	30-year
June 30, 2022	0.95%	2.95%	3.04%	3.01%	3.18%
June 30, 2019	2.13%	1.75%	1.77%	2.01%	2.53%

Source: FactSet. **Past performance does not guarantee future results.**

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ASSET CLASS RETURNS AS OF JUNE 30, 2022

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	YTD
Best	Government Treasury 29.93%	Emerging Markets 18.23%	Small Cap 38.82%	Real Estate 31.78%	Real Estate 4.23%	Small Cap 21.31%	Emerging Markets 37.28%	Cash 1.86%	Large Cap 31.49%	Small Cap 19.96%	Real Estate 46.18%	Commodities 18.44%
	Real Estate 9.24%	Mid Cap 17.88%	Mid Cap 33.50%	Government Treasury 25.07%	Large Cap 1.38%	Mid Cap 20.74%	Intl Stocks 25.03%	Intermediate Bond 0.01%	Mid Cap 26.20%	Large Cap 18.40%	Large Cap 28.71%	Cash 0.17%
	Intermediate Bond 7.84%	Real Estate 17.59%	Large Cap 32.39%	Large Cap 13.69%	Asset Allocation 1.28%	High Yield 17.34%	Large Cap 21.83%	Intl Bonds -1.66%	Real Estate 25.76%	Emerging Markets 18.31 %	Commodities 27.11%	Real Estate -3.87%
	Intl Bonds 5.93%	Intl Stocks 17.32%	Intl Stocks 22.78%	Asset Allocation 10.62%	Intermediate Bond 0.55%	Large Cap 11.96%	Mid Cap 16.24%	Government Treasury -1.84%	Small Cap 25.53%	Government Treasury 17.70%	Mid Cap 24.76%	Intermediate Bond -10.35%
	Asset Allocation 4.69%	Small Cap 16.35%	Asset Allocation 17.56%	Mid Cap 9.77%	Cash 0.03%	Commodities 11.77%	Small Cap 14.65%	High Yield -2.26%	Asset Allocation 22.18%	Asset Allocation 14.73%	Asset Allocation 15.86%	High Yield -13.99%
	High Yield 4.50%	Large Cap 16.00%	High Yield 7.38%	Intermediate Bond 5.97%	Intl Stocks -0.81%	Emerging Markets 11.19%	Asset Allocation 14.21%	Asset Allocation -2.35%	Intl Stocks 22.01%	Mid Cap 13.66%	Small Cap 14.82%	Asset Allocation -16.11%
	Large Cap 2.11%	High Yield 15.44%	Real Estate 1.86%	Small Cap 4.89%	Government Treasury -1.21%	Asset Allocation 8.31%	Intl Bonds 9.92%	Large Cap -4.38%	Emerging Markets 18.44 %	Intl Bonds 10.52%	Intl Stocks 11.26%	Emerging Markets -17.63%
	Cash 0.06%	Asset Allocation 11.31%	Cash 0.06%	High Yield 2.44%	Mid Cap -2.18%	Real Estate 7.24%	Government Treasury 8.53%	Real Estate -4.84%	Government Treasury 14.83%	Intl Stocks 7.82%	High Yield 5.29%	Intl Bonds -18.76%
	Mid Cap -1.73%	Intermediate Bond 4.21%	Intermediate Bond -2.02%	Cash 0.02%	Small Cap -4.41%	Intermediate Bond 2.65%	High Yield 7.48%	Small Cap -11.01%	High Yield 14.40%	Intermediate Bond 7.51%	Cash 0.05%	Mid Cap -19.54%
	Small Cap -4.18%	Government Treasury 3.56%	Emerging Markets -2.60%	Emerging Markets -2.19%	High Yield -4.55%	Intl Bonds 1.86%	Real Estate 4.18%	Mid Cap -11.08%	Intermediate Bond 8.72%	High Yield 6.20%	Intermediate Bond -1.54%	Intl Stocks -19.57%
	Intl Stocks -12.14%	Intl Bonds 0.85%	Intl Bonds -5.06%	Intl Bonds -2.53%	Intl Bonds -4.84%	Government Treasury 1.33%	Intermediate Bond 3.54%	Commodities -11.25%	Commodities 7.69%	Cash 0.58%	Emerging Markets -2.54%	Large Cap -19.96%
	Commodities -13.32%	Cash 0.09%	Commodities -9.52%	Intl Stocks -4.90%	Emerging Markets -14.92%	Intl Stocks 1.00%	Commodities 1.70%	Intl Stocks -13.79%	Intl Bonds 5.23%	Commodities -3.12%	Government Treasury -4.65%	Government Treasury -21.25%
Worst	Emerging Markets -18.42%	Commodities -1.06%	Government Treasury -12.66%	Commodities -17.01%	Commodities -24.66%	Cash 0.27%	Cash 0.84%	Emerging Markets -14.58%	Cash 2.25%	Real Estate -7.90%	Intl Bonds -9.51%	Small Cap -23.43%

The returns above reflect performance of certain indexes as defined above. This information is general in nature and is not intended to be reflective of any specific plan. Cash- FTSE 3 month T-bill ,Government Treasury-Bloomberg Long Treasury, Commodities-Bloomberg Commodity Idx, Intermediate Bond-Bloomberg US Agg Bond Idx, High Yield Bond-ICE BofAML High Yield Idx, Intl Bonds-JPMorgan GBI Global ex U.S., Asset Allocation-portfolio assumes the following weights: 60% S&P 500 and 40% Bloomberg US Agg, Large Cap-S&P 500, Mid Cap - S&P Midcap 400, Small Cap-Russell 2000, Intl Stocks-MSCI EAFE (net), Emerging Markets-MSCI EM (net), Real Estate-Wilshire U.S. REIT.

Past performance does not guarantee future results

Global economic defenses are being tested

The global economy has been exceptionally resilient in the face of considerable turbulence and multiple headwinds. However, the defences are beginning to crumble.

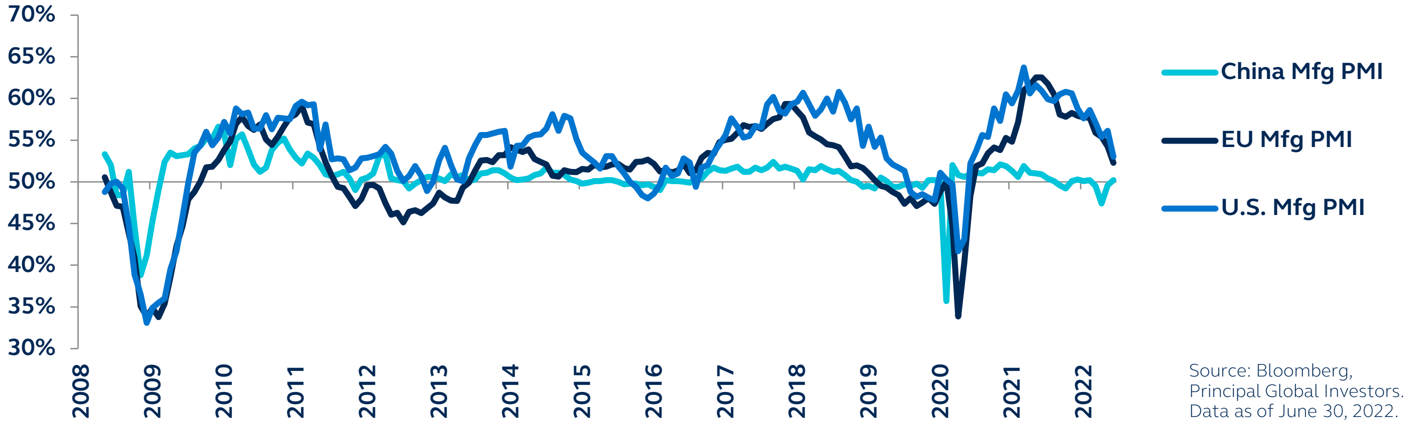
The COVID pandemic has reduced its stranglehold on much of the global economy, yet China's strict adherence to its zero-COVID policy has meant that their latest surge in infections has severely hampered mobility and discouraged consumer spending. Although China's economic activity is likely to be more robust in the second half of 2022 as infection rates drop and mobility picks up, it likely won't be sufficiently strong to meaningfully lift global growth.

The Ukraine crisis has inflicted an additional blow to the global economy. Russia and Ukraine are key commodity exporters, so not only has broad sentiment plunged in response to the conflict, but energy and food prices have soared. In the face of such significant price pressures, global economic growth is starting to slow with PMI activity indicators moving sharply lower. The downside pressures are greatest for Europe and parts of emerging markets, but the U.S. economy also faces considerable challenges.

The global economy has been hit with several shocks since 2020. The most recent resulting in sharply higher commodity prices, driving a severely deteriorating outlook.

Global manufacturing PMIs

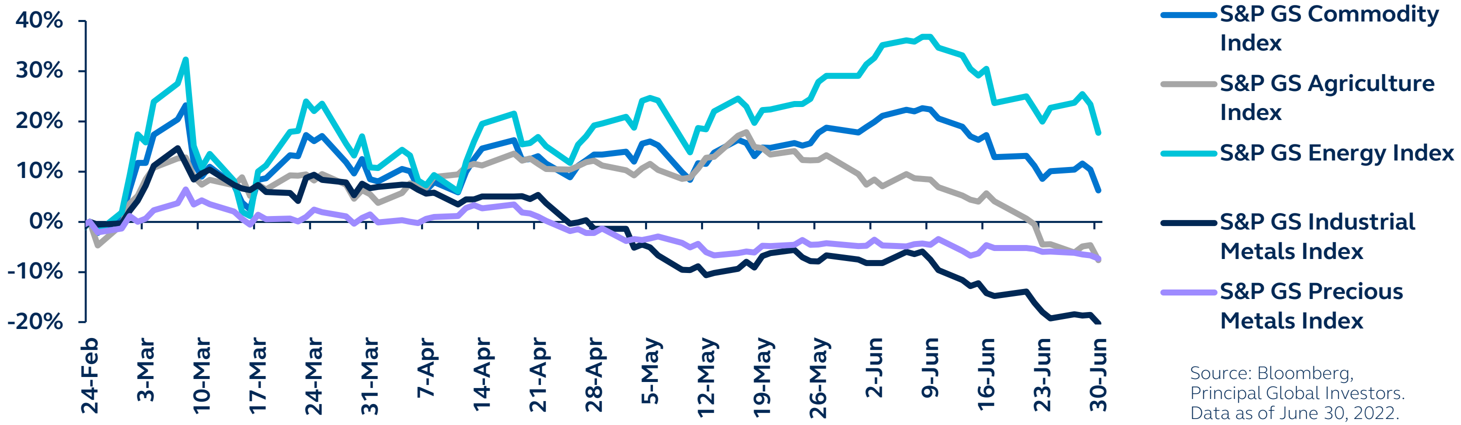
May 2008 – present



Source: Bloomberg, Principal Global Investors. Data as of June 30, 2022.

Commodity price movement

Rebased to 1 at invasion of Ukraine on February 24, 2022



Source: Bloomberg, Principal Global Investors. Data as of June 30, 2022.

U.S. economy: A brittle outlook

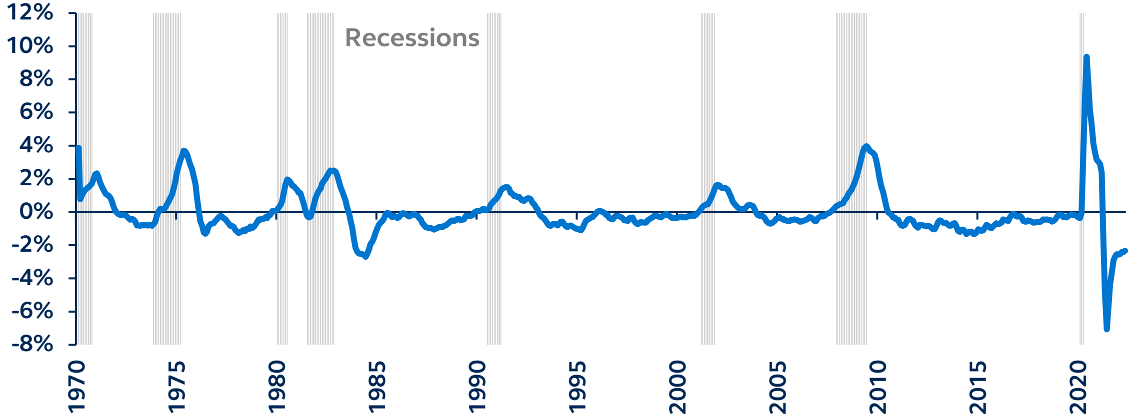
Supported by tight labor markets and consumers who themselves are still sustained by excess savings, the U.S. economy is unlikely to enter recession this year. However, cracks are rapidly growing.

1. Time and inflation have eroded real cash holdings for the poorest cohort of U.S. households back to pre-COVID levels. The next quintile of poorest households will likely face the same fate within the next few quarters, exacerbated by high food and energy prices. As a result, household spending will likely become increasingly strained.
2. In downturns, firms typically first cut worker hours and temporary help, or removing job postings. Worker hours have been falling throughout 2022 and growth in temporary employment is slowing—a precursor to a slowdown in payrolls. The Fed's own forecast sees unemployment rising from 3.6% to 4.1%. Historically, there has never been a 0.5% increase in the U.S. unemployment rate without it resulting in recession.
3. Companies are struggling to pass higher input costs to newly price-sensitive consumers, pressuring profit margins.

There is already noticeable deterioration in the U.S. economy as households and companies struggle under the weight of inflation. Fed hikes will likely only exacerbate economic weakness.

Sahm rule: Unemployment and recession

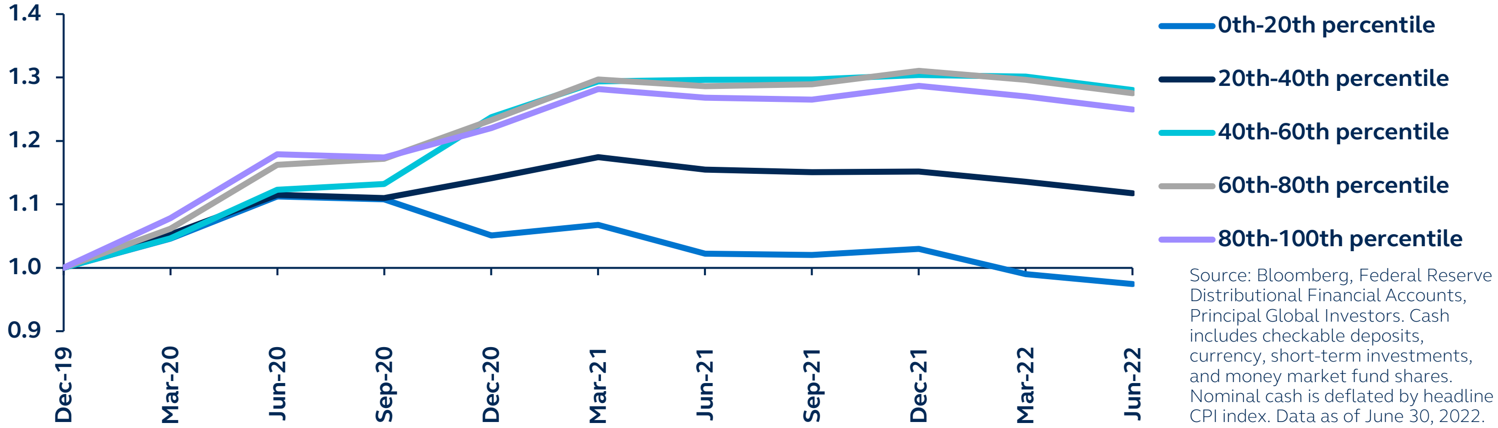
12-month change in 3-month rolling avg. of U.S. unemployment rate, recessions are shaded, 1970 – present



Source: Bureau of Labor Statistics, National Bureau of Economic Research, Principal Global Investors. The Sahm Rule (created by former Fed economist Claudia Sahm) stipulates that recession occurs when the unemployment rate rises by at least 0.5%. Data as of June 30, 2022.

Real cash holdings by household net worth

Level, rebased to 1 at December 31, 2019



Source: Bloomberg, Federal Reserve Distributional Financial Accounts, Principal Global Investors. Cash includes checkable deposits, currency, short-term investments, and money market fund shares. Nominal cash is deflated by headline CPI index. Data as of June 30, 2022.

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Relentless inflation, a monetary quandary

Global price pressures have continued to intensify, weighing heavily on households and companies. Europe's dependence on Russian gas means that it is facing very significant energy price increases, and peak inflation is still several months away. Emerging market inflation pressures have also continued to build, while U.S. annual headline inflation has hit 9.1%—a fresh 40-year high.

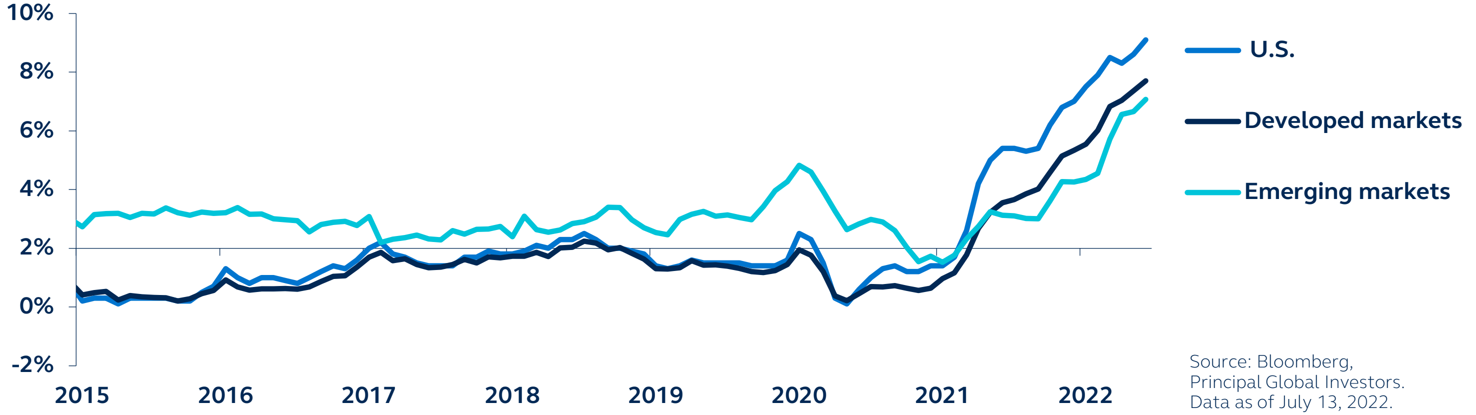
U.S. inflation is likely close to peaking. Whereas last year the prices for core commodities, such as cars and durable goods, benefitted from strong excess demand, this year, consumer patterns are reversing. Consumers are shifting from goods to services, whilst overall demand is also slowing, so core goods price pressures are becoming more deflationary. However, because inflation pressures have spread to the stickier parts of the market, such as shelter which responds to a fall in house prices with an 18-month lag, the decline in inflation will likely be frustratingly slow.

Even then, energy and food prices are the wild cards that could drive inflation (and inflation expectations) higher, even as softer demand exerts downward pressure. This commodity component of inflation is severely complicating monetary policy decisions.

U.S. inflation is likely near its peak but is anticipated to remain uncomfortably high. Headline CPI will only fall to around 6.5% by end-2022 before slowing more rapidly in 2023.

PGAA GDP-weighted inflation

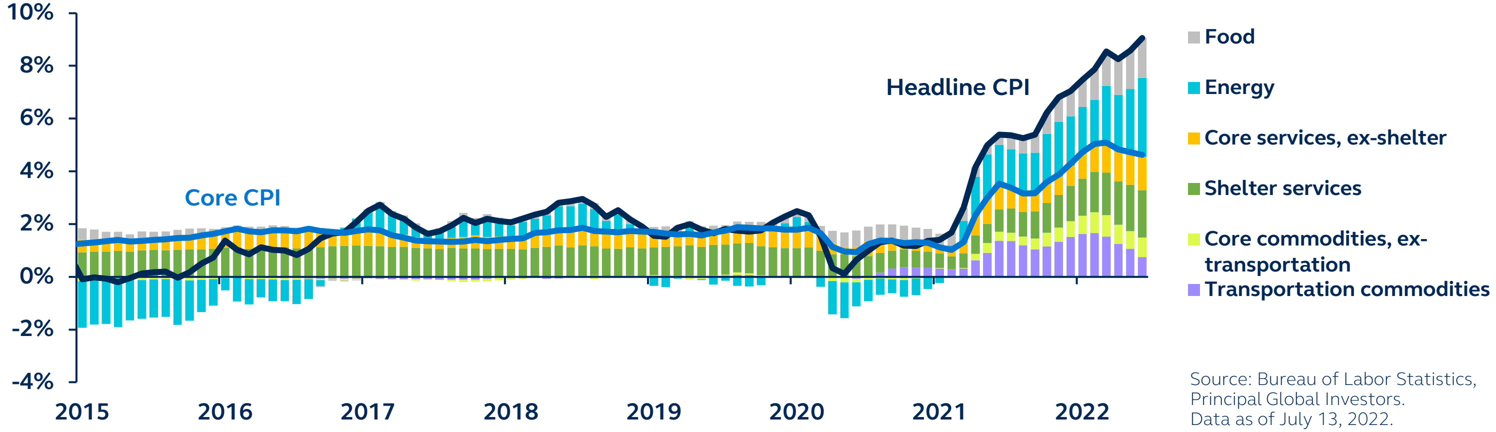
2015 – present



Source: Bloomberg, Principal Global Investors. Data as of July 13, 2022.

Contribution to headline U.S. inflation

Year-over year, 2015 – present



Source: Bureau of Labor Statistics, Principal Global Investors. Data as of July 13, 2022.

Central banks adopt tunnel vision

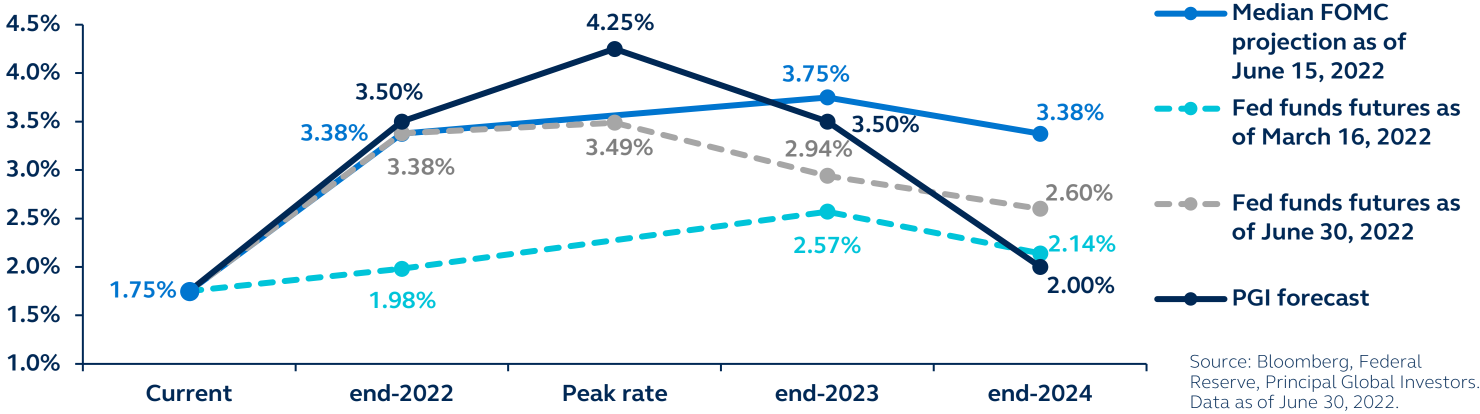
The U.S. Federal Reserve has raised policy rates by 75 bps for the first time since 1994. Further sharp tightening is still to come, with the Fed compelled to respond forcefully to stubbornly high headline inflation and climbing inflation expectations, if energy prices rise further.

In the last 11 tightening cycles, the Fed has only skirted recession three times (1965, 1984 and 1994). In each of those cycles, inflation was lower and the Fed funds rate was meaningfully higher at the point of liftoff, so Fed tightening didn't need to be as dramatic as it does today. A soft landing feels like a long shot from here.

The European Central Bank (ECB) is also facing record high inflation and will likely soon start raising policy rates—yet the weakness of the Euro area economy suggests they will not tighten anywhere close to the Fed. By contrast, the Bank of Japan continues to hold on to their yield curve control policy, while the People's Bank of China is stepping up its policy stimulus actions. The Fed's relatively hawkish policy is putting upward pressure on the U.S. dollar, pushing emerging markets central banks to hike further even if their economies are not strong enough, thereby adding to economic weakness around the world.

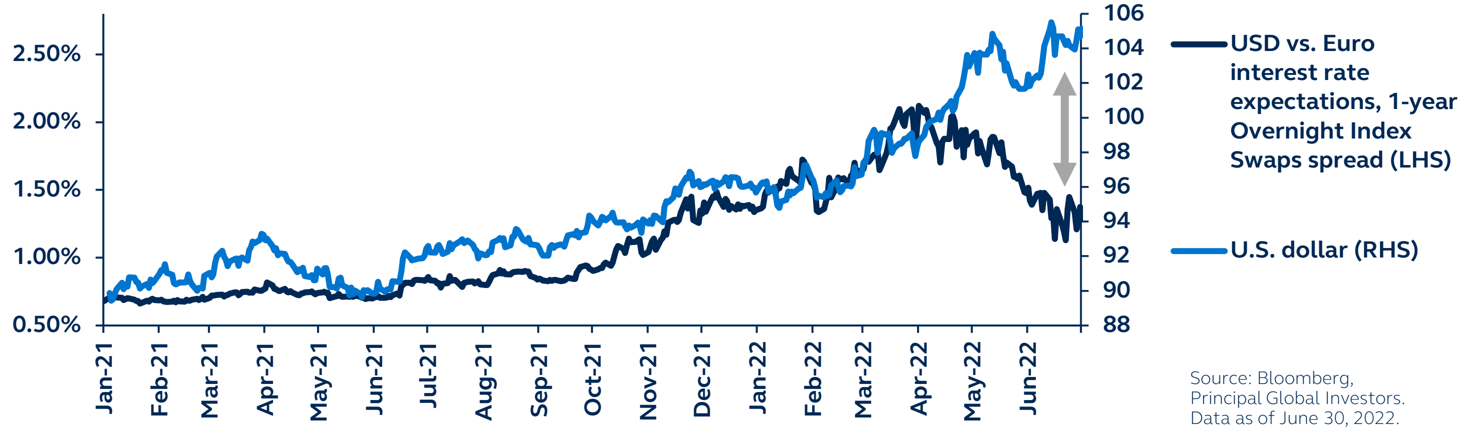
The Fed has asserted that price stability is their number one priority. Bringing inflation down toward target via sharp rate hikes will likely result in recession in 2023.

Implied fed funds target rate and market expectations
FOMC member projections & fed funds futures



Source: Bloomberg, Federal Reserve, Principal Global Investors. Data as of June 30, 2022.

Interest rate expectations and dollar strength
January 2021 – present



Source: Bloomberg, Principal Global Investors. Data as of June 30, 2022.

Tightening financial conditions: Gauging the pain

Global central banks have, for the most part, clearly asserted that price stability sits above economic growth in their priority list, triggering major market upheaval. Global equities have suffered significant losses, with the U.S. S&P 500 index recording its worst first half in 60 years, while low quality credit is too feeling severe strains. This has led to a significant tightening of financial conditions, but not enough to convince the Fed to take its foot off the brake.

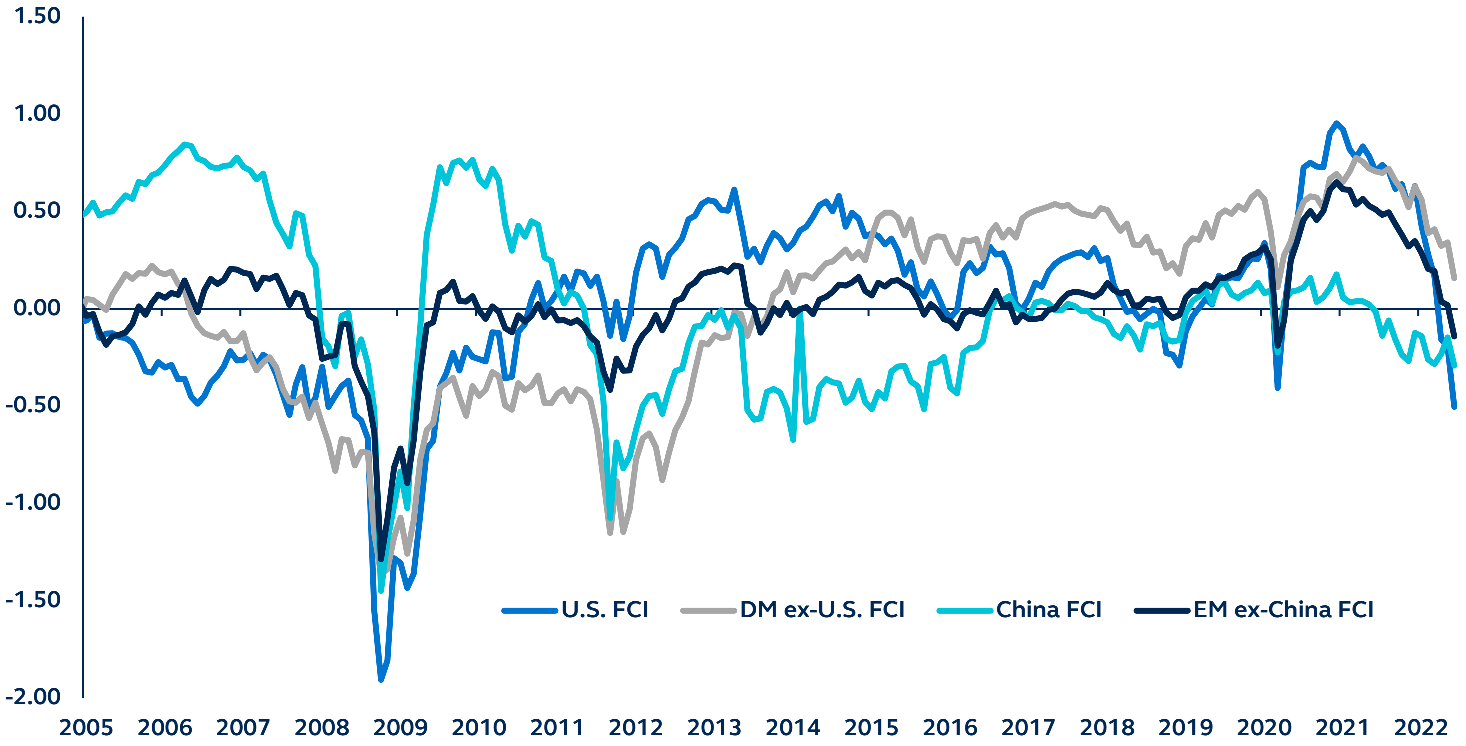
Financial conditions likely need to tighten meaningfully below historic averages—perhaps driven by further equity market declines or additional severe credit market stress—before the Fed backs off. Above anything else though, it is a convincing decline in inflation and inflation expectations that the Fed needs to see before it changes course.

With global central banks raising rates, the tightening in financial conditions is a global phenomenon and will weigh sharply on global growth. China is the one exception. Although China's equity market sell-off and weak loan demand due to COVID have both led to tightening financial conditions, stimulative monetary policy over coming quarters should at least partially reverse the tightening.

Financial conditions have tightened but still could have further to go before central bank hiking cycles peak. As a result, equity and credit markets likely face considerable further strains.

Developed market and emerging market financial conditions

PGAA Financial Conditions Index (FCI), Z-score, January 2005 – present



Source: Bloomberg, Principal Global Investors. Data as of June 30, 2022.

U.S. Treasurys suffer worst first half since 1788

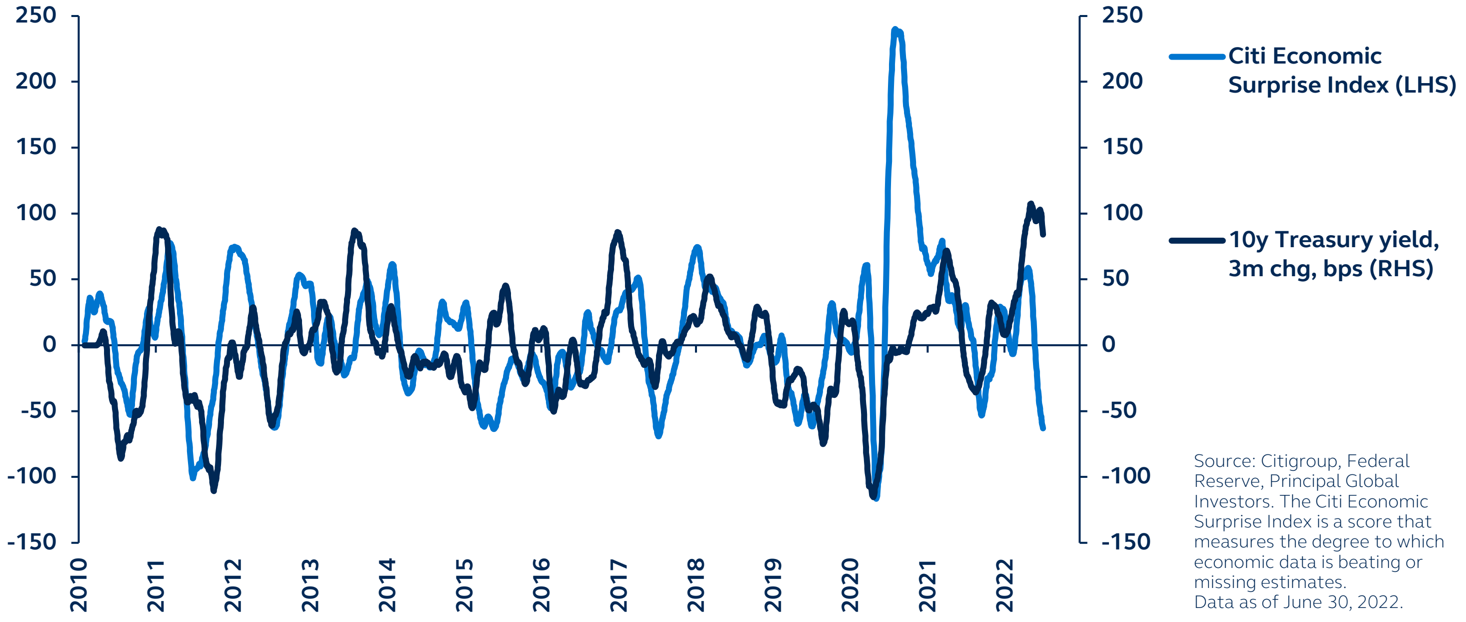
Spooked by elevated inflation and expectations for an aggressive, front-loaded Fed hiking path, U.S. 10-year Treasurys have suffered their worst first half of any year since 1788, rising sharply from around 1.50% at the start of 2022 to 3.48% by early June, before dipping back towards 3% by the end of the second quarter.

Looking forward, the deteriorating economic backdrop has set the stage for a further decline in 10-year Treasury yields over the coming quarters. Indeed, rising recession risk, coupled with expectations for eventual Fed policy rate cuts once the economy is contracting and inflation pressures have weakened sufficiently, limit upside potential for the long end of the yield curve.

The front-loaded Fed tightening path which will likely see the Fed funds rate above 3% within just a few meetings, will initially support the front-end of the Treasury curve, causing the 3m10yr yield curve—an important recession indicator—to invert. However, by end-2023, with the Fed embarking on rate cuts to support the economy through recession, the front-end should dip back.

While Fed hikes will keep the front end of the Treasury yield curve supported, rising recession fears will weigh on the long end, which could push 10-year U.S. Treasury yields below 3%.

U.S. economic backdrop and Treasury yields
1-month moving average, January 2010 – present



Source: Citigroup, Federal Reserve, Principal Global Investors. The Citi Economic Surprise Index is a score that measures the degree to which economic data is beating or missing estimates.
Data as of June 30, 2022.

IG outlook remains challenged

Q1 and Q2 of 2022 delivered the third and fourth worst quarterly core bond performances since 1976. The Bloomberg U.S. Aggregate Bond index has now erased all its gains since March 2019.

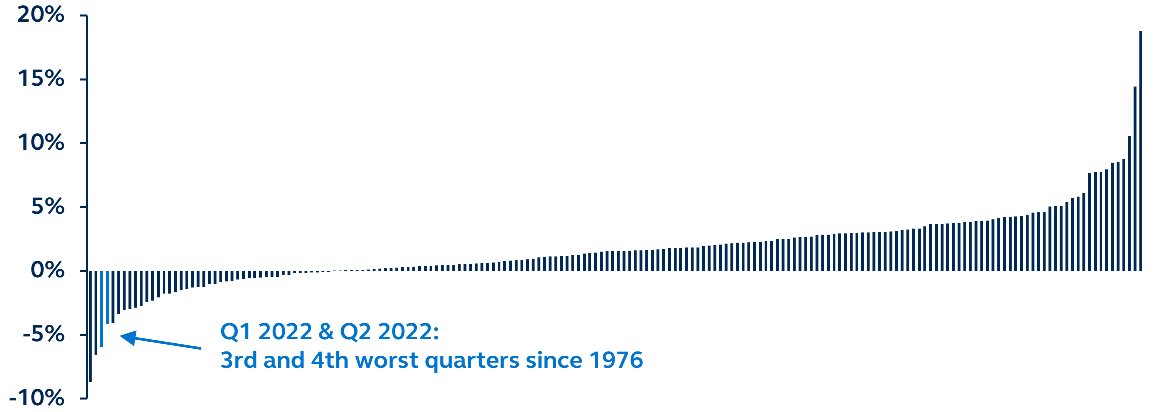
Investment grade (IG) spreads widened more than high yield (HY) spreads earlier in the year, with HY supported by still abundant liquidity, robust economic activity, as well as its shorter duration characteristics. However, the relative outlook for IG credit has improved.

- Valuations have become considerably more attractive. Now, with U.S. IG yields at 12-year highs, demand from yield-based buyers should accelerate. In addition, a repeat of the recent bond market rout is unlikely.
- Whereas short duration positioning was important in recent months, with recession risks rising, the long-end Treasury yields will be under downward pressure.
- Recession risks are mounting. The higher quality of IG credit, alongside U.S. Treasurys, can add an element of defensive positioning in portfolios, providing downside mitigation.

IG valuations have become more attractive and higher quality exposure will be increasingly important as recession approaches. Even so, further IG spread widening is still likely.

Bloomberg U.S. Aggregate annual total return

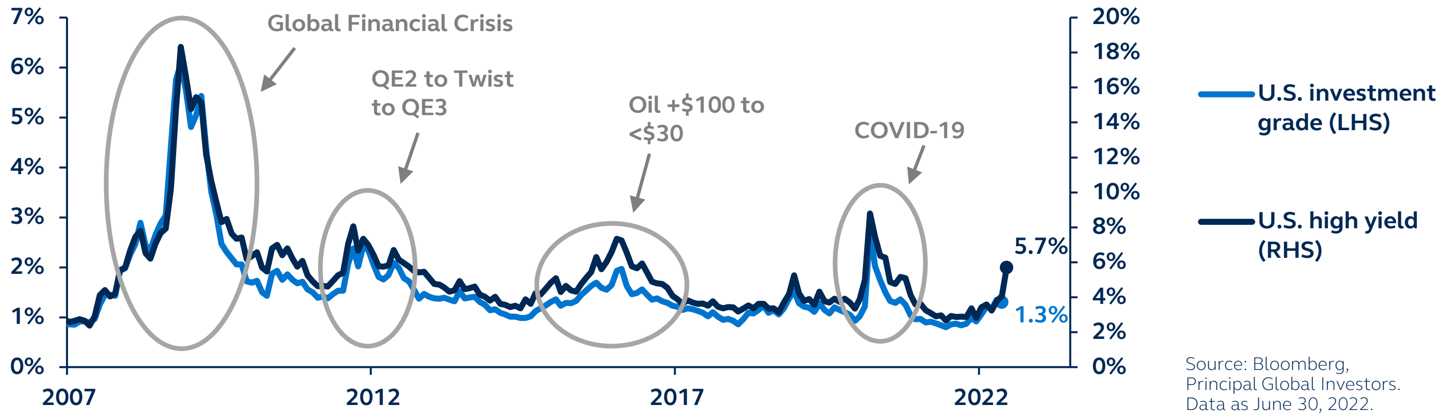
1976 – present



Source: Bloomberg, Principal Global Investors. Data as June 30, 2022.

Investment grade and high yield spreads

Option-adjusted-spread, January 2007 – present



Source: Bloomberg, Principal Global Investors. Data as June 30, 2022.

INDEX DESCRIPTIONS

Bloomberg Commodity Spot Index measures the price movements of commodities included in the Bloomberg CI and select subindexes. It does not account for the effects of rolling futures contracts or the costs associated with holding physical commodities and is quoted in USD.

Bloomberg EM Hard Currency Aggregate Index is a hard currency Emerging Markets debt benchmark that includes USD denominated debt from sovereign, quasi-sovereign, and corporate EM issuers.

Bloomberg Global Aggregate Bond Index comprises global investment grade debt including treasuries, government-related, corporate, and securitized fixed-rate bonds from developed and emerging market issuers. There are four regional aggregate benchmarks that largely comprise the Global Aggregate Index: the US Aggregate, the Pan-European Aggregate, the Asian-Pacific Aggregate, and the Canadian Aggregate Indices. The Index also includes Eurodollar, Euro-Yen, and 144A Index-eligible securities and debt from other local currency markets not tracked by regional aggregate benchmarks

Bloomberg U.S. Aggregate Bond Index is the most widely followed broad market U.S. bond index. It measures the investment grade, US dollar-denominated, fixed-rate taxable bond market.

Bloomberg U.S. Corp High Yield 2% Issuer Capped Index is an unmanaged index comprised of fixed rate, non-investment grade debt securities that are dollar denominated. The index limits the maximum exposure to any one issuer to 2%.

Bloomberg U.S. Corporate Investment Grade Index includes 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. The corporate sectors are industrial, utility and finance, which include both U.S. and non-U.S. corporations.

Bloomberg U.S. Floating Rate Note < 5 Years Index consists of debt instruments that pay a variable coupon rate, a majority of which are based on the 3-month SOFR, with a fixed spread.

Bloomberg U.S. Mortgage Backed Securities (MBS) Index tracks fixed-rate agency mortgage backed pass- through securities guaranteed by Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC).

Bloomberg U.S. Municipal Index covers the USD-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and prerefunded bonds.

Bloomberg Barclays U.S. Treasury Index measures U.S. dollar-denominated, fixed-rate, nominal debt issued by the U.S. Treasury. Treasury bills are excluded by the maturity constraint. STRIPS are excluded from the index because their inclusion would result in double-counting.

FTSE Global Core Infrastructure 50/50 Total Return Index comprises securities in developed countries which provide exposure to core infrastructure businesses, namely transportation, energy and telecommunications, as defined by FTSE's International Benchmark Classification.

ICE BofA Contingent Capital Index tracks the performance of all contingent capital debt publicly issued in the major domestic and eurobond markets, including investment grade and sub investment grade issues.

ICE BofA Emerging Markets Corporate Plus Index, which tracks the performance of US dollar (USD) and Euro denominated emerging markets non-sovereign debt publicly issued within the major domestic and Eurobond markets.

ICE BofA U.S. All Capital Securities (i0cs) index of preferred securities represents investment grade and below investment grade instruments in both the retail $25par market and the institutional $1,000par market.

JP Morgan EMBI Global Diversified Index is an unmanaged, market-capitalization weighted, total-return index tracking the traded market for U.S.-dollar-denominated Brady bonds, Eurobonds, traded loans, and local market debt instruments issued by sovereign and quasi-sovereign entities.

MSCI AC Asia ex Japan Index captures large and mid cap representation across 2 of 3 Developed Markets (DM) countries (excluding Japan) and 9 Emerging Markets (EM) countries in Asia.

MSCI AC Asia Pacific Index captures large and mid cap representation across 5 Developed Markets countries and 9 Emerging Markets countries in the Asia Pacific region.

MSCI ACWI Index includes large and mid cap stocks across developed and emerging market countries.

MSCI Brazil Index is designed to measure the performance of the large and mid cap segments of the Brazilian market.

MSCI China Index captures large and mid cap representation across China A shares, H shares, B shares, Red chips, P chips and foreign listings (e.g. ADRs).

MSCI EAFE Index is listed for foreign stock funds (EAFE refers to Europe, Australasia, and Far East). Widely accepted as a benchmark for international stock performance, the EAFE Index is an aggregate of 21 individual country indexes.

MSCI Emerging Markets Index consists of large and mid cap companies across 24 countries and represents 10% of the world market capitalization. The index covers approximately 85% of the free float-adjusted market capitalization in each country in each of the 24 countries.

MSCI Europe Index captures large and mid cap representation across 15 Developed Markets (DM) countries in Europe.

MSCI Germany Index is designed to measure the performance of the large and mid cap segments of the German market.

MSCI India Index is designed to measure the performance of the large and mid cap segments of the Indian market.

MSCI Japan Index is designed to measure the performance of the large and mid cap segments of the Japanese market.

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

MSCI USA Growth Index captures large and mid cap securities exhibiting overall growth style characteristics in the U.S. The growth investment style characteristics for index construction are defined using five variables: long-term forward EPS growth rate, short-term forward EPS growth rate, current internal growth rate and long-term historical EPS growth trend and long-term historical sales per share growth trend.

MSCI USA Index is a market capitalization weighted index designed to measure the performance of equity securities in the top 85% by market capitalization of equity securities listed on stock exchanges in the United States.

MSCI USA Large Cap Index is designed to measure the performance of the large cap segments of the U.S. market.

MSCI USA Mid Cap Index is designed to measure the performance of the mid cap segments of the U.S. market.

MSCI USA Quality Index aims to capture the performance of quality growth stocks by identifying stocks with high quality scores based on three main fundamental variables: high return on equity (ROE), stable year-over-year earnings growth and low financial leverage. The MSCI Quality Indexes complement existing MSCI Factor Indexes and can provide an effective diversification role in a portfolio of factor strategies.

MSCI USA Small Cap Index is designed to measure the performance of the small cap segment of the U.S. equity market.

MSCI USA Value Index captures large and mid cap U.S. securities exhibiting overall value style characteristics. The value investment style characteristics for index construction are defined using three variables: book value to price, 12-month forward earnings to price and dividend yield.

Standard & Poor's 500 Index is a market capitalization-weighted index of 500 widely held stocks often used as a proxy for the stock market.

Indices are unmanaged and do not take into account fees, expenses, and transaction costs and it is not possible to invest in an index.

IMPORTANT INFORMATION

Risk considerations

Investing involves risk, including possible loss of principal. Past performance is no guarantee of future results. Asset allocation and diversification do not ensure a profit or protect against a loss. Equity investments involve greater risk, including higher volatility, than fixed-income investments. Fixed-income investments are subject to interest rate risk; as interest rates rise their value will decline. International and global investing involves greater risks such as currency fluctuations, political/social instability and differing accounting standards. Potential investors should be aware of the risks inherent to owning and investing in real estate, including value fluctuations, capital market pricing volatility, liquidity risks, leverage, credit risk, occupancy risk and legal risk.

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