Quarterly Review and Strategy Update

March 31, 2020

“The Black Death at Tournai”, Gilles Le Muisit, 1349, Bibliotheque Royale de Belgique, Brussels.

- **The coronavirus pandemic has infected over 1.5 million people and killed over 80,000 globally, bringing a decade long bull market to an end**
- **Countries around the world have responded with unprecedented fiscal and monetary stimulus**
- **There has never been a more important time to build portfolio defenses, restrain counter-productive investment behavior and look forward to emerging opportunities**

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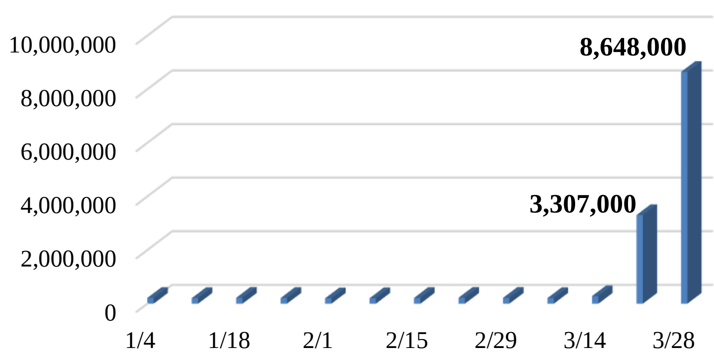
THE ECONOMIC ENVIRONMENT

Weekly Jobless Claims



Source: Department of Labor

- **U.S. economy certain to formally fall into a recession**
- **The Administration and the Federal Reserve launch largest rescue program in peacetime history**
- **Russia - Saudi Arabia price war exacerbates stress in the oil industry**

On March 27th, President Trump signed the Coronavirus Aid, Relief, and Economic Security Act, a $2 trillion stimulus package to combat the impact of the coronavirus pandemic. The legislation provides an unprecedented arsenal of support to a broad swath of American society. It authorizes direct payments of $1,200 to single Americans, $2,400 to couples and $500 to parents for each child under age 17. It expands unemployment benefits by providing jobless workers an additional $500 a week for 4 weeks and adds up to 13 weeks of extended benefits. Payments were approved for non-traditional employees, including gig workers and freelancers. It allocates $500 billion in loans, loan guarantees and investments to businesses, with restrictions on dividend payments and bans stock buybacks for any company receiving a government loan for a period lasting the term of the assistance plus 12 months. It includes $350 billion in aid for small businesses, $117 billion to hospitals and $150 billion to state and local governments saddled with costs related to the virus. Earlier in the month, Congress also passed a $8.3 billion bill funding vaccine development, emergency paid sick days and food assistance programs that were estimated to cost more than $100 billion. The tax filing and payment deadlines have also been pushed back to July 15th from April 15th.

The rescue package complements the steps taken by the Federal Reserve over the past few months to provide liquidity to the financial system. The Fed cut interest rates by half a percent on March 4th, followed by a full percentage point on March 15th, bringing its effective benchmark rate down to zero, a level last seen in December 2008 during the height of the Global Financial Crisis. It also lowered the discount window borrowing rate by 1.5% and "encouraged" banks to use this source of funding, removing the stigma that has historically been associated with this type of borrowing. It offered approximately $1.5 trillion in liquidity to the Treasury repo market and announced a $700 billion Quantitative Easing program to buy $500 billion of Treasuries and $200 billion of mortgage-backed securities. The reserve requirement ratio for banks was slashed to 0%. Recognizing the importance of providing Dollar liquidity to the international financial system, it made Dollars available to foreign central banks and lowered the borrowing rate charged to them.

The Fed also announced the revival of a number of programs devised during the Global Financial Crisis to support specific segments of the financial markets, as well as new programs, all designed to lubricate the credit markets.

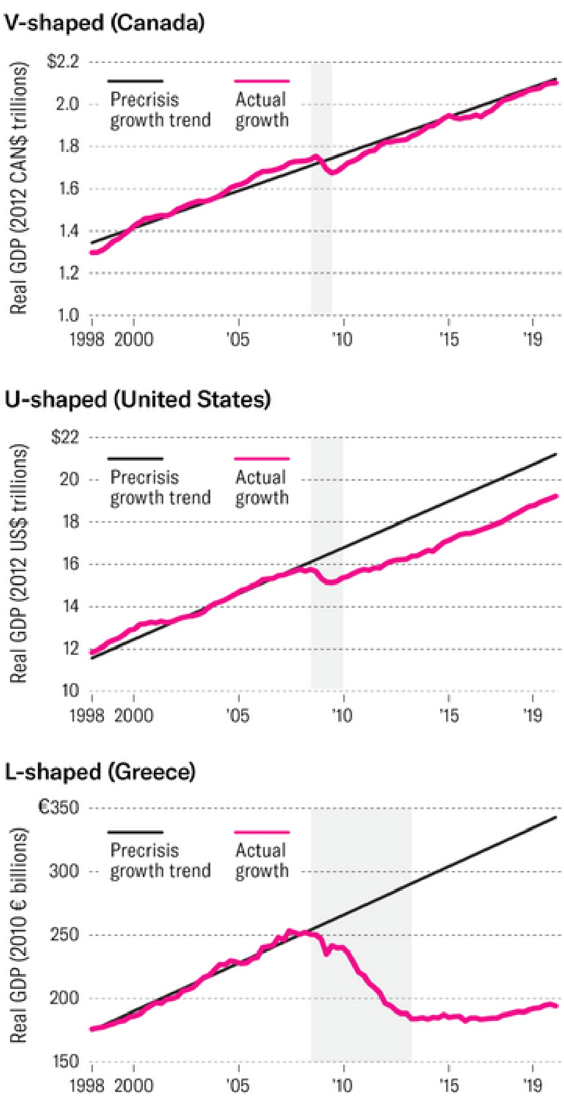
Federal Reserve Emergency Support Facilities

March 17	Commercial Paper Funding Facility	Lends money to large companies by buying their short-term debt
March 17	Primary Dealer Credit Facility	Provides overnight loans to Treasury primary dealers
March 18	Money Market Mutual Fund Liquidity Facility	Offers collateralized loans to large banks that buy assets from money market mutual funds
March 23	Primary Market Corporate Credit Facility	Offers 4-year bridge financing to large employers
March 23	Secondary Market Corporate Credit Facility	Purchase investment-grade bonds from U.S. listed companies and U.S. listed exchange-traded funds from the secondary market
March 23	Term Asset-Backed Securities Lending Facility	Provides financing to investors of securitizations backed by small businesses and consumers
TBA	Main Street Business Lending Program	Supports small- and medium-sized businesses through the Small Business Administration

The combination of fiscal and monetary policies could add up to a staggering $6 trillion of stimulus, which would represent about 30% of U.S. GDP. Despite these measures, the economy has undoubtedly slipped into a recession. U.S. GDP is forecast to be flat to slightly negative in the first quarter, but down significantly in the second – as much as 40%. The unprecedented surge in initial jobless claims to 8,648,000 in the final week of the quarter, following 3,307,000 the previous week, starkly illustrates the extent of the economic devastation that the coronavirus has unleashed. To put the number in perspective, claims have never exceeded 700,000 in a single week in the past. Goldman Sachs expects the unemployment rate to rise to 15% by mid-year.

Economies abroad are also headed into a recession, according to the International Monetary Fund, which had forecast 3% growth for the global economy this year as recently as January. It now estimates the world economy to contract by about 2%, a bigger decline than in 2009. Emerging market economies are expected to decline by at least 1.5%, the worst result and first contraction since reliable records began in 1951. While the collapse in oil prices will be a consolation to many energy importing countries, the demand destruction and the human toll caused by the virus in many developing countries with weak healthcare systems may be catastrophic. China, where the virus emerged late last year but now appears to be contained, has seen its economy begin to stabilize, though still expected to contract by 15% in the first quarter. The pandemic is forecast to reduce world trade by as much as 20% in 2020.

While the near-term economic consequences of the pandemic are dire, there are some reasons why the economy and the financial markets might recover relatively fast. First, unlike in the Global Financial Crisis, the banking system is reasonably healthy, with solid balance sheets and strong liquidity positions. Although there is clearly some congestion in the credit markets, the fact that banks are making markets at all in the face of an avalanche of selling is a testament to their comparatively robust position. Even if the banks' appetite to lend remains poor, the record amount of capital that had been raised in private equity and private lending funds will find its way to attractive businesses. Second, again in contrast to 2008, consumers and businesses are not faced with an insolvency problem, but a temporary cash flow challenge. While there is no doubt that many zombie companies that have endured/survived only because of cheap debt and low interest rates will finally bite the dust, most will recover.



Source: "Understanding the Economic Shock of Coronavirus", HBR

In an article published last week in the Harvard Business Review, Philipp Carlsson-Szlezak, Martin Reeves and Paul Swartz, three economists from the Boston Consulting Group, suggest that there are three potential outcomes — what they call "shock geometry" — that could arise. In studying the Global Financial Crisis, they concluded that an economy's ability to keep credit flowing, buttress capital formation and protect its workforce will shape the recovery. In Canada, whose banks were not as leveraged as American ones and mortgage lending was not excessive, GDP declined but layoffs were modest, resulting in a fast, V-shaped recovery. In the U.S., the severe banking crisis disrupted the flow of credit and led to massive unemployment, so that while growth eventually resumed, there was a one-time, permanent loss in output. Finally, in Greece, the country's systemic problems — endemic corruption, stifling bureaucracy, lack of labor mobility, hidden debts — blew apart the economy, leading to a widening gap between current output and trend potential. Capital formation, labor skills and productivity were structurally damaged, so that the economy's growth rate may have irreversibly atrophied.

The shape of the recovery from the coronavirus pandemic may therefore depend on the speed at which cash can resume flowing through the economy. If a homeowner out of work is unable to make mortgage payments and triggers a rating downgrade on mortgage bonds, which leads to a fall in their prices, a fund investor is forced to sell them and recognize a permanent loss of capital. New mortgage origination will halt, housing prices will fall and new capital formation in housing – in the form of new construction and improvements – will slow. If however the markets believe that the homeowner's skills and productive capacity have not been irrevocably impaired, the supply and demand for housing has not structurally shifted, and asset owners are able to withstand short-term mark-to-market volatility, then such a negative chain reaction may not be inevitable. The ability of the government and Federal Reserve rescue programs to unclog the cash flows of small and mid-sized businesses, which account for approximately 65% of U.S. employment and 70% of the American economy will be crucial in limiting the damage.

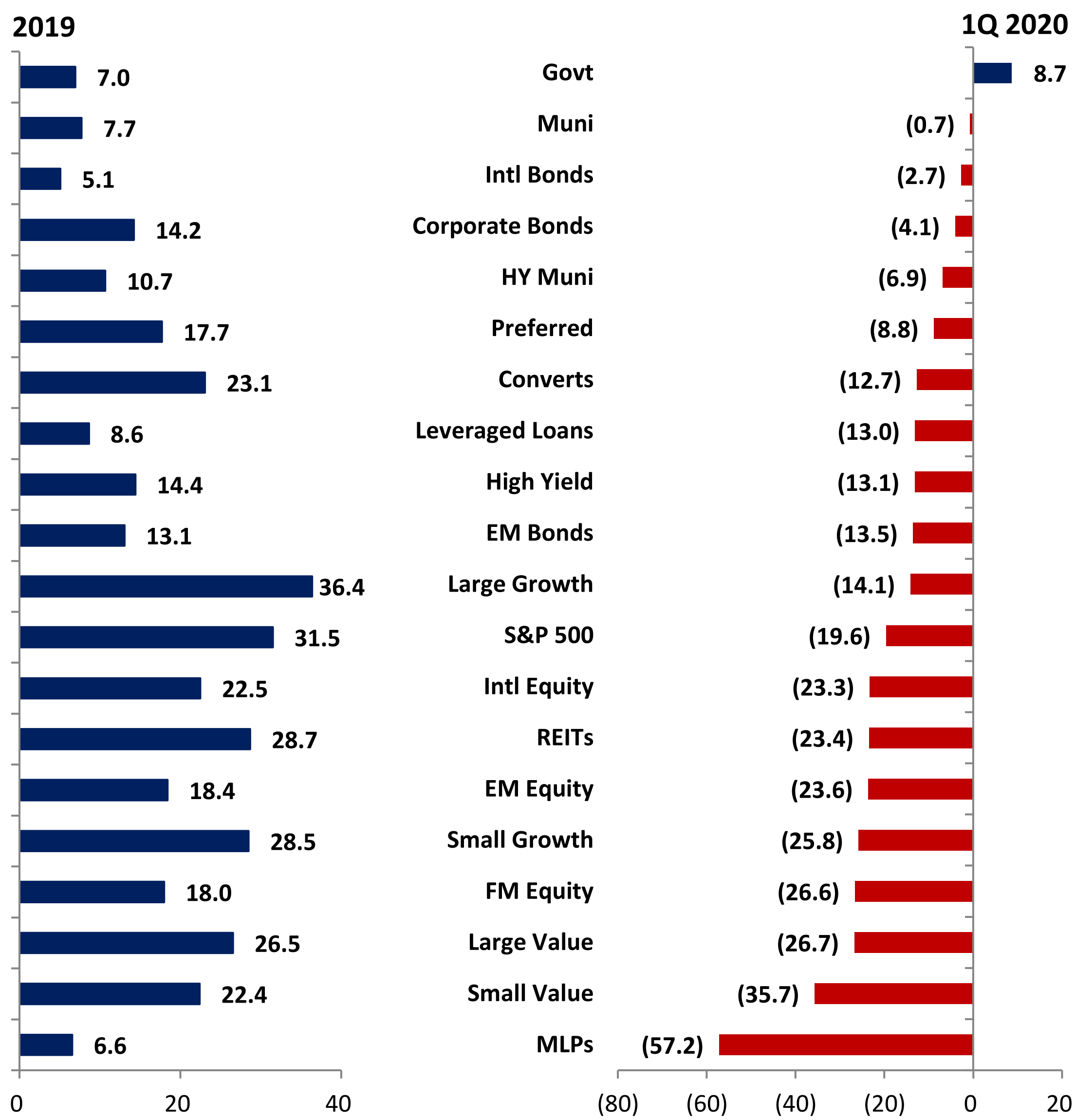
Whether the financial markets experience a V, U or L shaped recovery is another matter. While the speed of the drawdown in financial markets has certainly been unprecedented, many aspects of trading activity echo past crises. All risk assets were sold indiscriminately, with many investors selling the highest rated and most liquid securities first to minimize capital losses. Investors redeemed $117 billion from equity funds and ETFs and $112 billion from bond funds since the start of the year and moved cash out of "Prime" money market funds (those that can buy short-term corporate paper) into safer Treasury money market funds. Even gold, traditionally a safe haven asset, fell 12% from its peak at the beginning of March. Foreign investors sought the security of U.S. Treasuries, pushing the Dollar higher.

As if the coronavirus pandemic was not enough, pandemonium broke out in the oil market at the beginning of March when Saudi Arabia, unable to strike a production cut agreement with Russia, launched a price war by threatening to cut its official selling price and to increase production to above ten million barrels per day. The following week saw the Brent benchmark fall 24%, the biggest weekly decline since December 2008, when it fell 26%. Oil has fallen from $68 a barrel at the start of the year to $26 at quarter end.

Since 2016, OPEC and Russia had been coordinating their production to keep prices elevated at around $50-$60 a barrel. Yet this pact had helped the U.S. shale industry boost its own production and sales, capturing most of the world's incremental demand. Whether or not the current price war reflects a conscious strategy to incapacitate U.S. shale, sub-$30 oil is unsustainable for both Russia and Saudi Arabia in the long run. Russia may be in a marginally stronger position. Although Russian production breakeven cost is probably around $40 a barrel, its cost base is largely in rubles, a currency that has depreciated to offset a lower oil price. Its budget breakeven is probably also around $40. Putin has also consolidated power, whereas Mohammed bin Salman is vulnerable to opposition within the royal family if generous subsidies for its princes are cut. While Saudi Arabia has a similar production cost it needs a much higher price to fund its budget without a deficit. The war for market share could not have come at a worse time, as the coronavirus pandemic has cut global demand by as much as 15% to 20%. One thing is certain – the U.S. shale industry, already abandoned by investors, will be incapacitated. The recent Chapter 11 bankruptcy filing for Whiting Petroleum will just be the beginning of much greater pain to come.

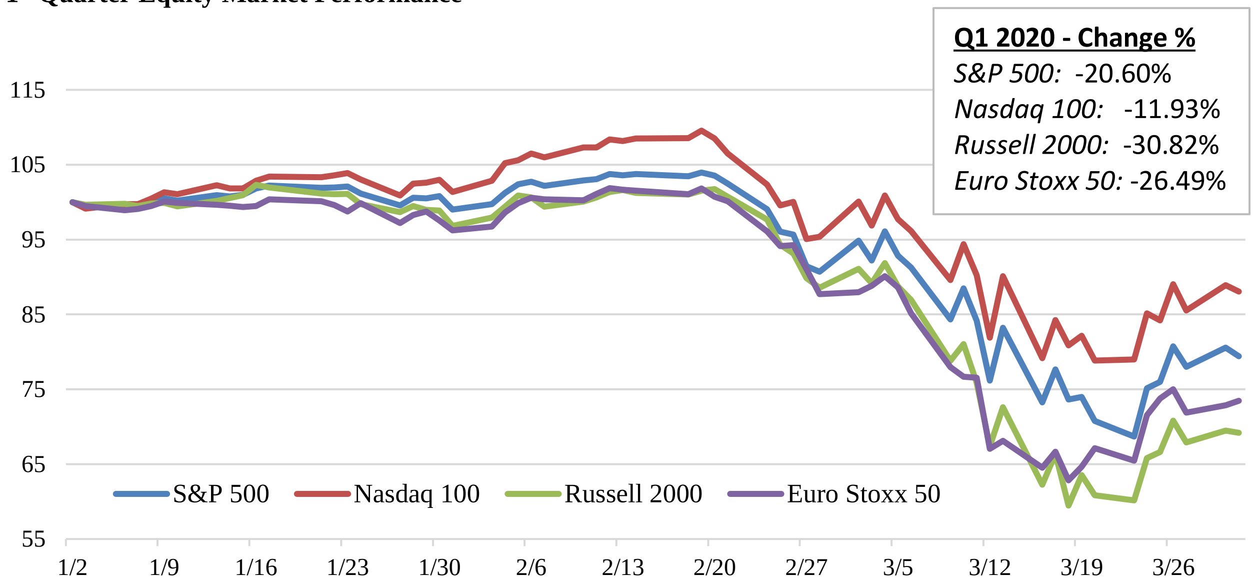
1st QUARTER 2020 PERFORMANCE OF MAJOR ASSET CLASSES

Numbers represent percentage change



EQUITIES

1st Quarter Equity Market Performance

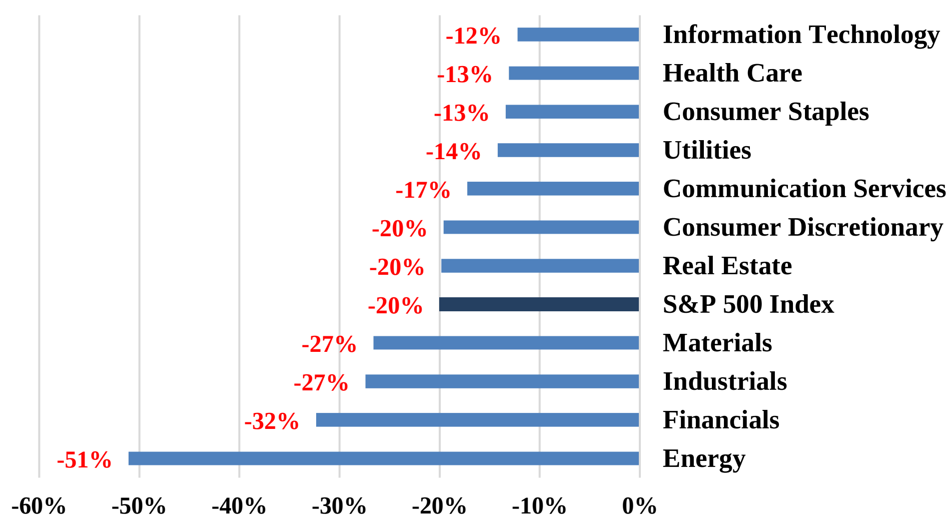


Source: Bloomberg

U.S. Equities

The U.S. equity market saw the sharpest and fastest drop from the market's peak on February 19th to the lowest point this year on March 23rd (-33% over just 33 days). The S&P 500 Index was down 20% for the quarter, the NASDAQ down 12% and the Russell 2000 down 31%. No industry sector was spared.

Year-To-Date Industry Sector Performance



Source: Fidelity

Small market capitalization stocks have fallen faster than larger cap stocks, with the Russell 2000 Index declining by 31% compared to the Russell 1000 Index falling by 20%). The Alerian MLP Index was down 60% for the year and now carries a 20% nominal dividend yield. The REIT Index was down 25%. Many ETFs and closed end-funds reported large discounts to Net Asset Value, as market makers were unable to trade underlying stocks sufficiently to close out the valuation gaps.

Many analysts are now forecasting 2020 S&P earnings to be down 30% to 40% compared to 2019. However, they are also expecting earnings to rebound in the second half of the year. So, should investors buy stocks?

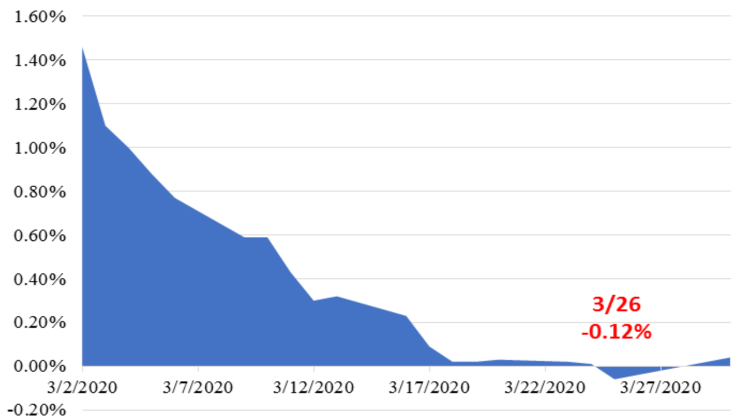
For the past decade investors have made money by "buying on the dip". Valuations based on forward Price/Earnings ratios, at 16 (about the long-term historical average) look attractive. During past bear markets, however, it has been very difficult to precisely time the bottom. During the Global Financial Crisis, the S&P 500 index saw 5 rallies as it fell 56% from peak to trough.

Date	S&P500	Change	
10/7/2007	1556		
11/18/2007	1441	**-7.40%**	
12/2/2007	1505	**4.40%**	
1/13/2008	1325	**-12.00%**	
1/27/2008	1395	**5.30%**	
3/9/2008	1288	**-7.70%**	
5/11/2008	1425	**10.60%**	
7/6/2008	1239	**-13.10%**	
8/10/2008	1298	**4.80%**	
11/16/2008	800	**-38.40%**	
12/28/2008	932	**16.50%**	**Peak-to-trough:**
3/1/2009	683	**-26.70%**	**-56.11%**

We believe that the equity markets will remain volatile until the rate of virus infections has peaked and certain indicators – such as flattening jobless claims, declining bond spreads and equity market volatility, and rotation from defensive back into cyclical sectors – signal that risk has come down. Over the next few years, companies with defined benefit plans will be required to divert cash flow to restore pensions to regulatory levels. We suggest investors wait to deploy capital in equities until the market stabilizes and then make allocations in stages. Waiting may cost investors a few percentage points of return, but it will reduce the chances of metaphorically catching a falling knife.

BONDS

1-Month Treasury Bill Yield



Source: Bloomberg

- **Interest rates fall to lowest levels in history, driven by global flight to safety**
- **Credit markets see a brief bout of panic selling but begin to stabilize after stimulus package**
- **Opportunities emerge to capitalize on market dislocation**

Treasury Bonds	On March 26th, the 1-month Treasury bill traded at -0.12%, ushering in a new era of negative interest rates in the United States. The Federal Reserve's actions and investors fleeing risk into the safety of U.S. Treasuries have pushed interest rates down to the lowest levels since the Global Financial Crisis. The yield of the benchmark 10-year note fell from 1.92% at the start of the year to 0.54% on March 9th but has recovered to 0.67% as of month end. As we have discussed in the past, conventional wisdom suggests that stock and bonds should trade in opposite directions. At times during this crisis, however, both bonds and stocks have traded down at the same time, as investors have sold all liquid assets to generate cash. Volatility in the bond market has been extremely high, with liquidity in what should be the most liquid bond market in the world becoming congested at times. One asset manager reported that he could not obtain option quotes on Treasuries at all from any dealer last week.
Corporate Credit	The credit markets responded to the pandemic by selling off sharply during March, although much of the spread widening has reversed, at least in higher rated credits. Yields of solid investment grade corporate issuers widened by as much as 4%. The yield on Disney's bond maturing in September 2022 rose from 0.70% to 3% before falling back down to 0.85% at the end of the month, despite the obvious challenges to its theme park and cruise businesses. Nevertheless, as expected, the rating agencies have begun downgrading BBB-rated bonds into junk status, starting with Ford and Occidental Petroleum ($52 billion and $40 billion of debt respectively). As much as $250 billion of BBB issues could be downgraded this year, which would increase the amount of existing debt outstanding in the high yield market by about 25%. While a significant amount of capital has been raised by hedge funds and private equity funds

to invest in such “fallen angels,” it remains to be seen how prices would need to adjust for investors to digest this volume of stressed bonds. The yield on the Bank of America High Yield Index High blew out to 11.4% last week, resulting in losses of 15% to 20% on high yield bonds. Leveraged loans and Collateralized Loan Obligation securities also saw dramatic losses. However, in every correction in the past where high yield spreads have risen to current levels, returns in subsequent years have been exceptional. Hedge funds and other private vehicles have begun calling capital to take advantage of tumbling prices.

The panic selling has led to several market anomalies and dislocations. On March 16th, the VanEck Vectors High-Yield Municipal Index ETF fell 38% from a price of 66.34 to 41.36, and two days later traded at a 28% discount to its Net Asset Value. That a municipal bond fund with a historical volatility of under 3% could fall by such magnitude was shocking enough; that the fund could trade so far from the value of its underlying securities pointed to something very wrong in the markets. It was such a violent sell-off that it triggered the Securities and Exchange Commission’s “alternative uptick rule,” which restricts short selling from further driving down the price of a stock that has dropped more than 10% from the previous day’s close.

High-yield municipal bonds by and large rely on cash from specific sources of revenue (such as hospitals, stadia and educational institutions) rather than the general tax base of a state or municipal issuer. The sector remains a small slice, about 9%, of the $4 trillion muni-bond market. The chaos in the VanEck ETF was triggered partly because retail investors panicked into thinking that many issuers would default, but mainly because liquidity in the bonds – thin at the best of times – evaporated. The bank market makers who would have typically exchanged the underlying bonds from VanEck in return for the fund shares and captured the huge spread in values declined to do so, knowing that they would in turn be unable to sell the bonds to anyone else, and because their risk limits were already at full capacity.

In many credit sectors, bond prices declined to levels that implied massive default levels with low asset recovery values. In the structured credit markets, bond prices have also fallen, but borrower behavior and the impact of the fiscal and monetary policies that have been announced are harder to gauge. In the residential mortgage area, both Fannie Mae and Freddie Mac have suspended foreclosures for 60-days. All payments on federally held student loans have been suspended for 60-days without penalty and interest has been waived until further notice. Data on how many consumers are unable to make rent, mortgage, car loan and credit card payments in April will no doubt be sobering. Yet, this uncertainty will also create opportunities for nimble managers to capture outsized returns.

	Have alternative investments, particularly those that are designed to provide returns uncorrelated to the public markets, protected capital during the crisis? The hedge fund industry began this year with $3.3 trillion in assets, a record level, according to HFR, a hedge fund research firm. The average hedge fund lost 7% in the first quarter, with far deeper losses at some well-known funds. David Einhorn's Greenlight Capital, for example, lost 22%. While long/short equity hedge funds were down 8% on average, other strategies, including global macro, relative value fixed-income and commodity trading, generated positive returns for the quarter, and market-neutral and multi-strategy funds were able to protect capital. Seeking to capitalize on dislocated markets, D.E. Shaw, one of the most prominent multi-strategy funds, raised $2 billion for its flagship Composite Fund in less than 30 minutes from institutions willing to write $100 million checks. Many credit funds have launched opportunistic funds to capitalize on market disruptions. As we saw during the Global Financial Crisis, some credit funds have suspended redemptions to avoid forced selling of illiquid assets. Open-ended funds are susceptible to redemptions regardless of performance as investors seek liquidity. The crisis will put many smaller funds out of business and speed up the consolidation of larger, established firms.
Hedge Funds	
Private Equity	While it is still too early to assess the performance of private equity buyout funds, many General Partners are focused on defending existing portfolio companies by drawing down bank revolver lines, postponing discretionary spending, and if necessary, injecting additional capital. The impact on valuations will take time to emerge, given the lag in reporting. Since private equity firms are sitting on a record amount of dry powder, they are well positioned to acquire companies at stressed valuations. Funds may therefore be calling capital rapidly over the next few years. The imperative to implement operational improvements to create value in portfolio companies rather than manipulate balance sheets will become more urgent. Fund vintages in the aftermath of the Global Financial Crisis performed above historical averages. There will also be attractive opportunities in the secondary market as institutions need to sell funds to rebalance their portfolios. Infrastructure may be an attractive area if the administration or Congress pushes for significant infrastructure spending and promotes private/public partnerships to execute projects.

Private Credit	Private credit is another area where existing portfolios will suffer impairment and losses, while opportunities going forward look attractive as lenders will be able to command better pricing and terms. The newly announced government support programs contain restrictions that will prevent many small businesses – such as companies with a high portion of their employees earning over $100,000, those that rely on independent contractors, or those with private equity investors that can push them above the 500 employee limit when combined with other portfolio companies – from securing funding. Many borrowers will therefore need to turn to private lenders. Private credit firms, like Golub Capital and Ares, manage publicly traded Business Development Companies ("BDCs") that own loans made to middle market businesses that are often identical to the loans that they manage through private vehicles. Many BDCs have fallen by 20% to 50%. We believe that it is highly unlikely that the underlying loans have been impaired to that extent.
Real Estate	The sectors of the commercial real estate hit hardest by the pandemic are hotels, restaurants and other entertainment retail (particularly in tourist-driven areas), followed closely by general retail. 85% of real estate investment managers with retail properties have reported rent relief requests, according to The National Association of Real Estate Investment Managers. Residential home sales in most parts of the country have been frozen as they cannot be shown, although low mortgage rates may entice buyers back once the health crisis is over. It is probably too early to tell whether the crisis will result in migration away from dense urban areas to the suburbs. The multi-family apartment sector has traditionally been regarded as the most economically resilient sector in the industry, but the rent forbearance and eviction protection provisions of the CARES Act will undoubtedly impact operating income. Office space could see reduced demand as many businesses shut down or reduce their workforce. Employers who become used to tele-commuting may choose not to renew leases or reduce their occupancy needs. While losses in private real estate values will not be apparent for some time, the FTSE NAREIT Equity REIT Index was down 31% for the quarter, compared to -39% in 2008.

THE BLACK DEATH AND THE CONSEQUENCES OF THE CORONAVIRUS PANDEMIC

The pandemic of bubonic plague that swept across the globe from 1347 to 1351 killed an estimated 75 to 150 million people worldwide, including about 40% of the population of the European continent. Florence, then one of Europe's largest cities with 120,000 inhabitants, lost half its citizens. In many European countries the population did not recover to pre-plague levels for 150 years. While the COVID-19 pandemic will not result in similar number of fatalities, it could lead to structural changes in the political, economic, and market environment that we may live with for generations.

While the Black Death spared no segment of society, the plague decimated the rural peasantry, resulting in a severe shortage of farm labor, at a time when agriculture comprised three-quarters of GDP. The feudal system of servitude had traditionally bound peasants without land to their local lords, who granted them the right to farm the land in return for subsistence wages. As the plague took its course, landowners were forced to increase wages and compete with each other for labor, as peasants moved away from their home regions or migrated to the cities for better compensation. In England, the monarchy and the landed aristocracy responded by passing legislation to control wages. The Ordinance of Labourers issued in 1349 and the Statute of Labourers enacted in 1351 capped farm wages at their pre-plague levels. However, as crops rotted in the fields and what little was harvested could not be delivered to the towns, many landlords ignored the legislation and found creative ways to offer higher pay. Peasants who survived often earned five times more that they had before the plague.

The Black Death weakened the foundations of medieval society, where inherited land ownership was the primary source of wealth and capital. Small towns and cities grew while country estates and manors began to collapse, and land transfers to stronger hands became more common. Many landowners shifted from grain production to specialty cash crops like hops and sugarcane or sheep farming, which required less labor. A new generation of entrepreneurs with liquid wealth and skills emerged. In the cities, fear of imminent death led to rampant consumerism and ostentatious displays of wealth. The pandemic severely damaged the credibility of the church, which was seen as completely powerless.

So, what potential consequences of the coronavirus pandemic should we worry about? Some speculations:

- Governments will take a much more active role in the economy. In the UK, large tracts of the railways have been temporarily nationalized, and banks were ordered to stop paying dividends. Support will grow for authoritarian rule. Viktor Orbán, Prime Minister of Hungary (a member of the European Community) received parliamentary approval last week to rule by decree.

- The relief of receiving bailout capital will turn to disquiet as existing creditors are subordinated and equity investors get wiped out. The European Bank Recovery and Resolution Directive now mandates that state rescue capital supersede depositors (beyond a nominal amount) and equity investors. In 2013, depositors of Cypriot banks with balances exceeding €100,000 had their money confiscated as a condition of their bailouts.

- Stagflation will return. The rescue package will increase the U.S. federal budget deficit to over $1.7 trillion this year and perhaps even more if the economy does not recover in the second half of 2020. Government debt, already at 110% of GDP, will explode as the Treasury massively boosts its debt issuance program. Investors will revolt by pushing yields higher. The only way the country will be able to tackle the debt burden will be through financial repression, artificially suppressing nominal interest rates and stoking inflation. Savers (as in Japan) will have their incomes eroded. Only those with hard assets will be able to protect capital.

- The market downturn has caused the funded status of corporate pension plans to drop to the lowest level since 2012, from 87% to 79% according to pension consultant Willis Towers Watson. Over the next few years companies with defined benefit plans will have to divert free cash flow to them to close the gap. State pension funds, already saddled with a $1.4 trillion funding gap, will not be able to meet retiree obligations. They will increase retirement ages, as in the Czech Republic and Poland, or cut benefits outright, as in Greece.

- Mexico, with a weak public health care system and a President unwilling to recognize the severity of the pandemic and take containment measures, will face a healthcare catastrophe. As Pemex's oil hedges run out, its debt is downgraded, tourism fails to recover, remittances from workers in the U.S. slows to a trickle and the Peso depreciates, the country will stagger into a balance of payments crisis. Many emerging market countries, confronted with collapsing domestic economies and export demand and unable to roll over Dollar liabilities, will implement capital controls and expropriate foreign assets.

- Businesses have started invoking force majeure provisions to stop meeting contractual obligations. The sanctity of private property ownership and contractual agreements will be challenged. The moral hazard encouraged by repeated rescue packages will embolden speculative investment behavior. Emergency stimulus packages will become routine.

While these developments paint a bleak picture, the pandemic may also lead to some positive outcomes. The shortcomings exposed in the costly and inefficient healthcare system in this country could propel radical reforms. Many zombie companies that had survived only because of cheap financing will finally be killed off, eliminating value destroying productive capacity. Businesses will develop more robust supply chains. Perhaps, like the survivors of the Black Death, we will emerge from the darkness of house arrest and unleash a period of creativity, innovation and euphoric consumption.

Past Performance is No Guarantee of Future Results.

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Glossary and Index Definition

•Alerian MLP Index (MLP) - The Alerian MLP Index is a composite of the 50 most prominent energy master limited partnerships calculated by Standard & Poor's using a float-adjusted market capitalization methodology. The index is disseminated by the New York Stock Exchange real-time on a price return basis (NYSE: AMZ). The corresponding total return index is calculated and disseminated daily through ticker AMZX.

•Barclays Capital U.S. Municipal Index – The U.S. Municipal Index covers the USD-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligations, revenue bonds, insured bonds, and prerefunded bonds. Many of the subindices of the Municipal Index have historical data to January 1980. In addition, several subindices based on maturity and revenue source have been created, some with inception dates after January 1980 but no later than July 1, 1993. In January 1996, Barclays Capital also began publishing a non-investment grade municipal bond index and "enhanced" state specific indices for Arizona, Connecticut, Maryland, Massachusetts, Minnesota, and Ohio. These indices are published separately from the Barclays Capital Municipal Bond Index.

•BofA Merrill Lynch Convertible Bond Index (Convertibles) - The BofA Merrill Lynch Convertible Bond Index tracks the performance of US dollar denominated convertible bonds issued in the US domestic market. In addition, qualifying securities must have at least one-year remaining term to final maturity, a fixed coupon schedule and a minimum amount outstanding of $100 million.

•BofA Merrill Lynch Perpetual Preferred Securities Index (Preferred) - The BofA Merrill Lynch Fixed Rate Preferred Securities Index tracks the performance of US dollar denominated preferred securities issued in the US domestic market. Qualifying securities must be rated investment grade (based on an average of Moody's, S&P and Fitch) and must have 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).

•BofA Merrill Lynch US High Yield Master II Index – This index tracks the performance of below investment grade US dollar-denominated corporate bonds publicly issued in the US domestic market.

•BofA Merrill Lynch EM External Debt Sovereign Index – This index tracks the performance of US dollar-denominated debt issued by sovereign issuers in countries belonging to emerging markets.

•BofA Merrill Lynch Mortgage Master Index – This index tracks the performance of US dollar-denominated mortgage securities.

•BofA Merrill Lynch Municipal Bond Index – This index tracks the performance of US dollar-denominated investment grade tax-exempt bonds.

•Credit Suisse Leveraged Loan Index – This index tracks the investable market of the U.S. dollar denominated leveraged loan market. It consists of issues rated "5B" or lower, meaning that the highest rated issues included in this index are Moody's/S&P ratings of Baa1/BB+ or Ba1/BBB+. All loans are funded term loans with a tenor of at least one year and are made by issuers domiciled in developed countries.

•JP Morgan Emerging Market Bond Index (EMBI+) - The Emerging Markets Bond Index Plus tracks total returns for traded external debt instruments in the emerging markets. The instruments include external-currency-denominated Brady bonds, loans and Eurobonds, as well as U.S. dollar local markets instruments. The EMBI+ is concentrated in instruments from the three major Latin American countries (Argentina, Brazil, and Mexico), reflecting the size and liquidity of these external debt markets. The non-Latin countries are represented in the index by Bulgaria, Morocco, Nigeria, the Philippines, Poland, Russia, and South Africa.

•MSCI Emerging Market Index (Emerging Market Equities) - The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. As of March 2015, the MSCI Emerging Markets Index consisted of the following 23 emerging market country indices: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey, and United Arab Emirates.

•MSCI Frontier Market Index – The MSCI Frontier Market Index is a free float-adjusted market capitalization index designed to measure equity market performance of the frontier markets. As of March 2015, the MSCI Frontier Markets Index consists of the following 24 frontier market country indices: Argentina, Bahrain, Bangladesh, Bulgaria, Croatia, Estonia, Jordan, Kenya, Kuwait, Lebanon, Lithuania, Kazakhstan, Mauritius, Morocco, Nigeria, Oman, Pakistan, Romania, Serbia, Slovenia, Sri Lanka, Tunisia, Ukraine, and Vietnam.

•Russell 2000 Index (TR) - The best-known of a series of market-value weighted indices published by the Frank Russell Company. The index measures the performance of the smallest 2,000 companies in the Russell 3000 Index of the 3,000 largest U.S. companies in terms of market capitalization.

•Russell 1000 Index (TR) –A market-value weighted indices published by the Frank Russell Company. The index measures the performance of the largest 1,000 companies in the Russell 3000 Index of the 3,000 largest U.S. companies in terms of market capitalization.

•S&P 500 Index (TR) -Widely regarded as the best single gauge of the U.S. equities market, this world-renowned index includes 500 leading companies in leading industries of the U.S. economy. S&P 500 is a core component of the U.S. indices that could be used as building blocks for portfolio construction. It is also the U.S. component of S&P Global 1200. Total return (TR) provides investors with a price-plus-gross cash dividend return. Gross cash dividends are applied on the ex-date of the dividend.

•FTSE NAREIT US Real Estate Index Series – The FTSE NAREIT US Real Estate Index Series is designed to present investors with a comprehensive family of REIT performance indexes that span the commercial real estate space across the US economy, offering exposure to all investment and property sectors. In addition, the more narrowly focused property sector and sub-sector indexes provide the facility to concentrate commercial real estate exposure in more selected markets.

Data Sources: Bloomberg, L.P., JPMorgan, BofA Merrill Lynch, Standard and Poors, Barclays Capital, Alerian, Morningstar Direct, MSCI, HFR, Goldman Sachs, Trading Economics, HIS Markit, Eurostat, Eaton Vance.