Quarterly Review and Strategy Update

June 30, 2020

Source: Visual Capitalist, YCharts

- **The COVID pandemic that has infected over 12 million people and killed over half a million globally is far from being contained**
- **Economy shows signs of recovery as government and Federal Reserve rescue measures ignite sharp market rally**
- **Investors need to be cautious as uncertain 2nd quarter earnings and the resurgence of the virus challenge market euphoria**

View Capital Advisors, LLC

2727 N. Harwood, Suite 225
Dallas, TX 75201
Tel: 214.855.2550
www.view-cap.com

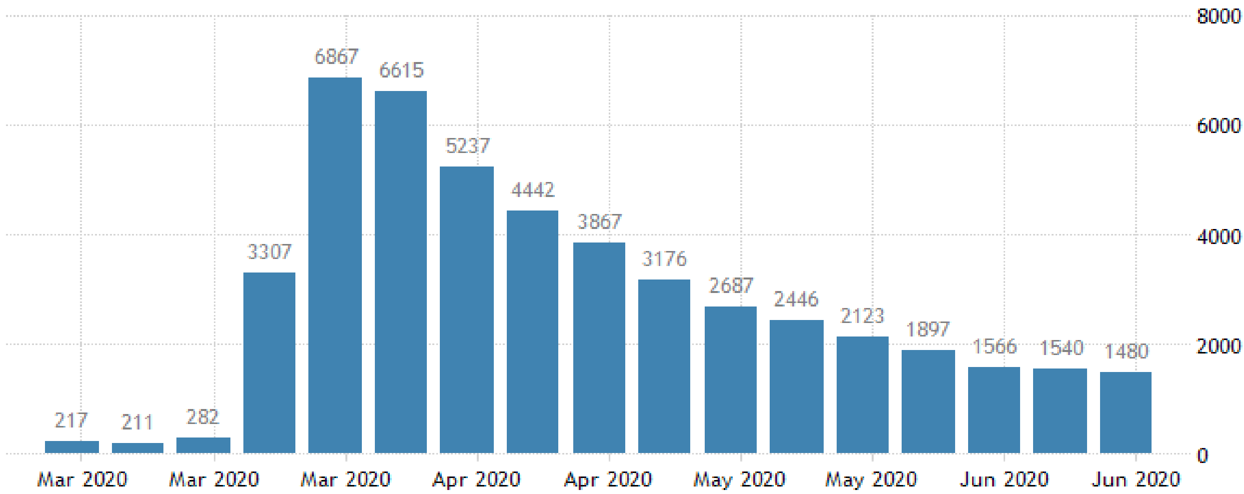
Ken Shoji, CFA
kshoji@view-cap.com

Austin Tatum, CFA
atatum@view-cap.com

Pallavi Srivastava
psrivastava@view-cap.com

THE ECONOMIC ENVIRONMENT

Initial Jobless Claims



Source: Trading Economics

On July 2nd, the Department of Labor announced that the U.S. unemployment rate had fallen to 11.1% in June following the record levels of 14.7% for April and 13.3% for May. Many economists had predicted that 8 million additional jobs would be lost in the month, increasing the unemployment rate to over 20% of the workforce. The dramatic improvement surprised the markets and contributed to the optimism that the economy was back on track. How could the forecasting models have missed by such a large margin? While initial claims for unemployment benefits had been falling steadily after peaking at 6.8 million claims in the last week of March, it was still averaging 2.5 million new claims a week in May. It then emerged that the data collectors for the Bureau of Labor Statistics had misclassified some workers as "employed not at work," when they should have been classified as "unemployed on temporary layoff." The Bureau confessed that this snafu resulted in almost 5 million people mistakenly counted as employed. Had the Bureau corrected this error (which it refused to do so from fear of “appearing to manipulate the data for political purposes”!) the unemployment rate would indeed have been significantly higher, perhaps even at the 20% level that economists had originally predicted.

Despite the re-opening of the economy following nationwide lock-ins, there are still an unprecedented 15 million people out of work, highlighting the enormous damage the COVID epidemic has wrought on the country. So, what is the true shape of the economic recovery? Recent data shows that the economy has bounced back sharply since bottoming out in April. Consumer spending rose 8.2% in May; retail sales jumped by 18%; car sales increased by 50% and mortgage applications climbed to multi-year highs, boosted by record low mortgage rates. The University of Michigan's consumer sentiment index has risen from a 9-year low of 72 in April to 78 in June.

On the business front, the IHS Markit Manufacturing Index increased to 53 in June from 42 in May as many factories re-opened. Companies rebuilding inventory have stabilized manufacturing output with new durable goods orders rising 16% percent month-over-month in May, the biggest gain since 2014. The Payroll Protection Plan may have helped many businesses retain workers, allowing them to resume operations faster than had they been forced to lay them off. Compared to the last financial crisis, the banking system is healthy, and the flow of credit seems to have overcome the initial congestion witnessed in March.

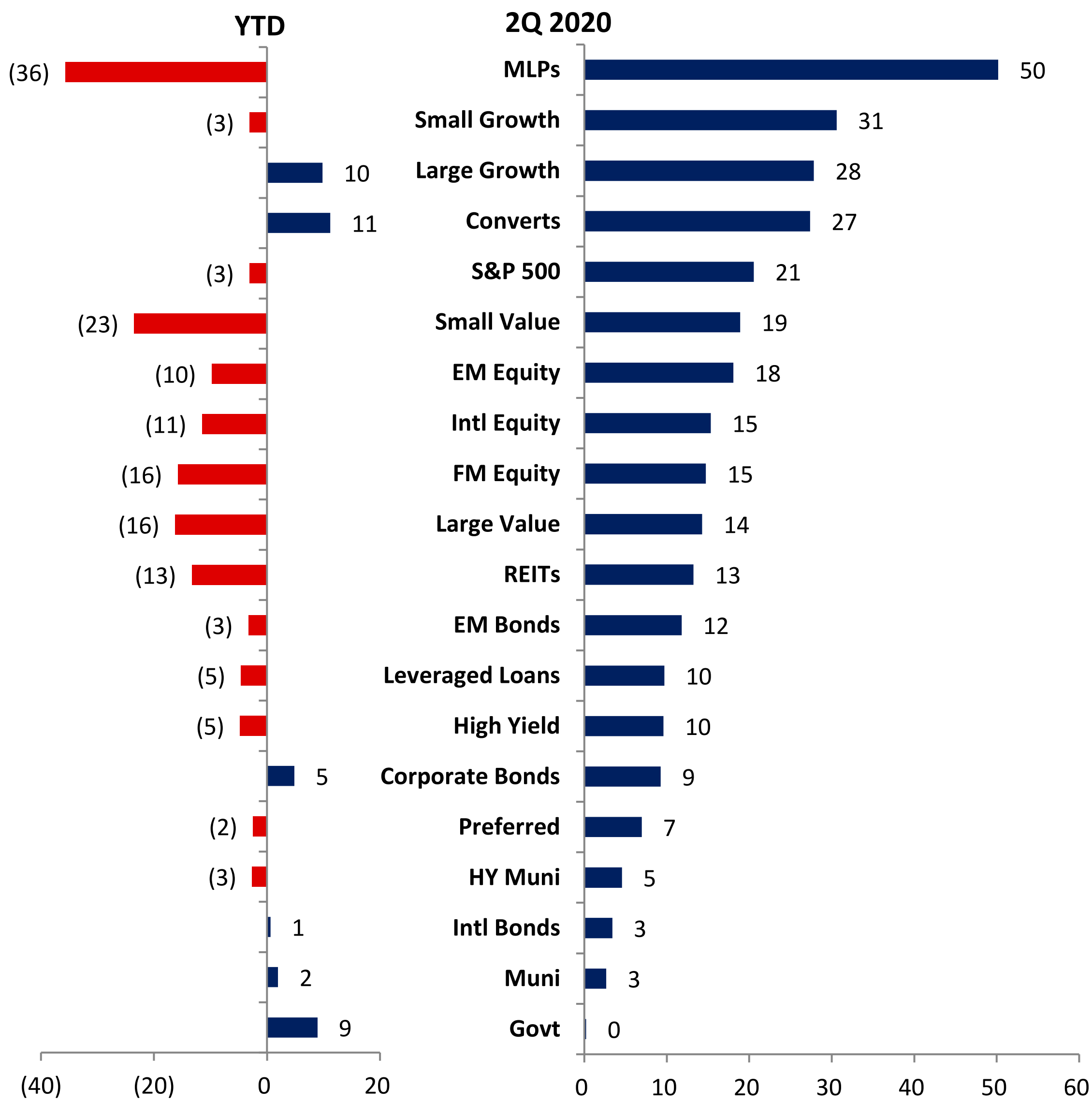
The question though is whether the recent uptick is sustainable and what level of overall GDP recovery can be attained? Much of the recovery in personal consumption has been driven by Federal stimulus checks, enhanced unemployment benefits, and rent deferrals, all of which ironically increased reported personal income by 11% in April. But this boost to incomes is clearly temporary; Federal aid will expire, and landlords will not forgive or defer rent forever. Most economists expect unemployment to remain at around 10% at the end of the year, the peak that was reached at the height of the last recession. Much will depend on the psychology of the consumer. Personal savings rates jumped to 33% in April compared to the 8% average over the past two decades. While this rate has declined the question remains as to whether the American consumer can bail out the economy. Has the psychological trauma of the virus cut too deep?

Many businesses will never recover from the virus. Chapter 11 business bankruptcy filings increased 26% in the first half of this year. U.S. courts recorded a total of 3,604 businesses filing for creditor protection in the first six months of 2020, up from 2,855 in the first half of 2019, and the current pace is set to exceed the levels recorded in 2009. Over half of restaurants, 35% of retail outlets, and a quarter of spas and gyms may have closed permanently. Real capital spending has dropped by 20%, and exports have fallen by 35%. Overall manufacturing capacity utilization has bounced back slightly to 65% in May from a record low of 64% in April, but this level is still 15% below the economy's long-run average of 80% and 2 percentage points below its trough during the Great Recession. Following the 5% decline in 1st quarter GDP, the U.S. economy is expected to report a 40% fall in the second quarter. While GDP, as well as other economic measures, are likely to show impressive percentage surges in the third quarter, these volatile quarter-to-quarter numbers are less important than the overall level to where the productive capacity of the country stabilizes. Economist David Rosenberg argues that a recovery to "90% of where we were in 2019 would still be a complete disaster."

The virus has infected 3 million people and killed 130,000 in the U.S. In many countries where the pandemic had been contained such as China and Korea, a second wave has re-emerged, and many states in the South and West (e.g., Texas, Florida, and Arizona) have seen an alarming spike in infections and hospitalizations straining hospital capacity, leading to a reversal of many re-opening policies. Nevertheless, the broad resumption of economic activity is unlikely to be halted, and while more restrained consumer and business behavior may prolong the slowdown into 2021, at least we are no longer staring into an economic abyss.

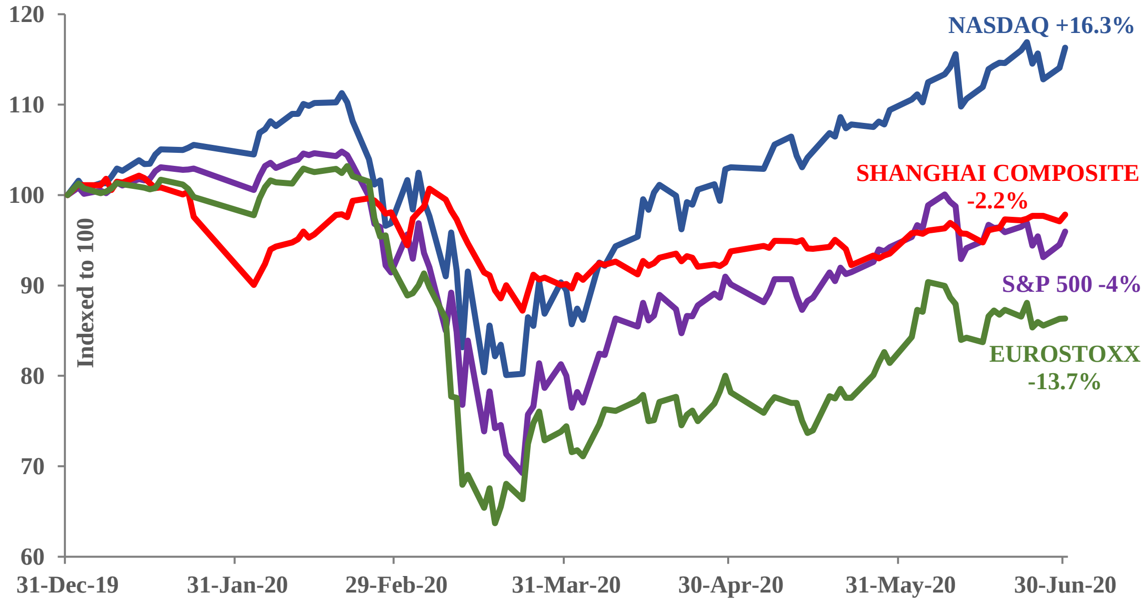
2nd QUARTER AND YEAR-TO-DATE PERFORMANCE OF MAJOR ASSET CLASSES

Numbers represent percentage change



EQUITIES

Equity Market Performance Year-to-Date

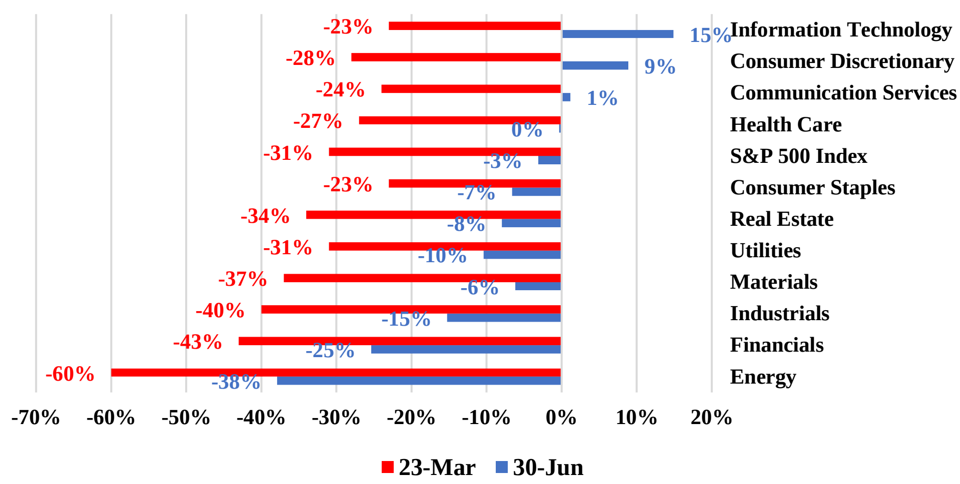


Source: Bloomberg

Equities

Following the 34% drop from the market's pre-COVID peak on February 19th to the March 23rd trough, the S&P 500 Index embarked on a 39% rally that economist Ed Yardeni has labelled "the mother of all melt-ups", taking the index back up to 3,100 by the end of June, just 8% below its high of the year. The Dow Jones Index also climbed 39% from its March lows, and the NASDAQ Index staged an even more impressive 47% recovery to reach all-time highs.

Year-to-Date Industry Sector Performance



Source: Fidelity

The rally was led by the major technology and media stocks as Facebook, Apple, Amazon, Google, and Microsoft all hit new all-time highs over the past few weeks. The market value of these five companies combined is now close to $6 trillion, 16% of the entire U.S. equity market. While we will need to wait for second quarter earnings results for confirmation, the market is assuming that newly remote workers have come to rely more than ever on online services. Though the mega-cap names have driven the performance of the major indices, many sectors hit hardest by the pandemic, such as airlines, cruise operators, and hotel chains, have seen the most impressive reversals. Retail traders have opened record numbers of online brokerage accounts to speculate on the most beaten-down stocks. According to website Robintrack, turnover in day-trader stocks has spiked, with average daily trading volume across the 10 companies in the list below jumping to roughly 20 times higher than in 2019. American Airlines, for example, has seen an average of 101 million shares change hands each day over the last month— 23x what was normal last year.

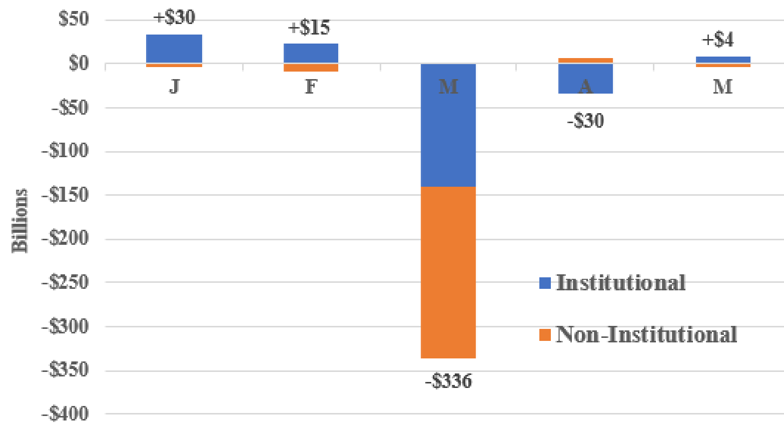
Russell 3000 stocks with the largest Robinhood volume increases over the last month

Company	Performance Since 5/8	Performance Between 2/19-3/23
American Airlines	+100% ▲	-64% ▼
Hertz	+69 ▲	-66 ▼
Delta	+63 ▲	-62 ▼
Spirit Airlines	+142 ▲	-76 ▼
MGM Resorts International	+52 ▲	-71 ▼
Invesco Mortgage Capital	+151 ▲	-71 ▼
United Airlines	+92 ▲	-67 ▼
Boeing	+73 ▲	-69 ▼
Carnival	+75 ▲	-72 ▼
Norwegian Cruise Line Holdings	+116 ▲	-81 ▼
Average	+93 ▲	-70 ▼

Source: Robintrack, Bloomberg

While Wall Street market strategists and hedge fund managers have scoffed at this tsunami of “dumb money,” “retail investors for the last few months have been a little bit ahead of the curve,” according to Joe Kinahan, the chief market strategist at TD Ameritrade. “There’s been a lot more optimism among retail traders around the turnaround than there has been from professionals.” While day traders may have impacted the price action at the margin in some stocks, both institutional and retail investors dumped $335 billion of financial assets in March, and investment activity over the past quarter has been muted, with flows in line with averages over the past 12 months. If the wave of capital that receded from the markets in March flows back in, the “melt-up” could be even more mind boggling.

2020 Asset Flows



Source: Morningstar

Only when 2nd quarter corporate results are released in July will we have clearer insight into how companies have fared through the economic shutdown. However, with over 40% of companies unwilling to provide guidance, there has never been a quarter where analyst projections have diverged so much. For example, earnings estimates for United Airlines range from a loss of $2.35 to a loss of $16.77, a difference of $14.42. The average difference between high and low estimates for United's earnings in all four quarters of 2019 was just 46 cents.

Moreover, there are significant anomalies in the markets that may change the source of returns going forward. Value investing has struggled since the Global Financial Crisis. The chart below shows that the spread between the most expensive and cheapest stocks, based on price-to-book ratio, has become the largest it has been for over 50 years. According to AQR, a hedge fund, other value measures such as price-to-sales and price-to-earnings all confirm this gap: "In our view, the extreme current valuation gap between the most expensive and least expensive stocks will most likely be closed when an improving economic environment causes the low valuation stocks to 'catch up' to the current market leaders."

Price-to-Book Spread (12/31/1967 to 3/31/2020)

Source: AQR

This premise seems counter-intuitive, and most market analysts have taken the opposite view: that investors were more likely to prefer Value stocks (companies with strong balance sheets and predictable earnings, even if their growth is modest) during periods of economic contraction. Moreover, the industries that now dominate value funds, such as financials, utilities, and energy, face particularly challenging environments today. Mean reversion is not an assured phenomenon in the financial markets, and our caution also extends to other areas of the equity markets where valuation disparities suggest an opportunity.

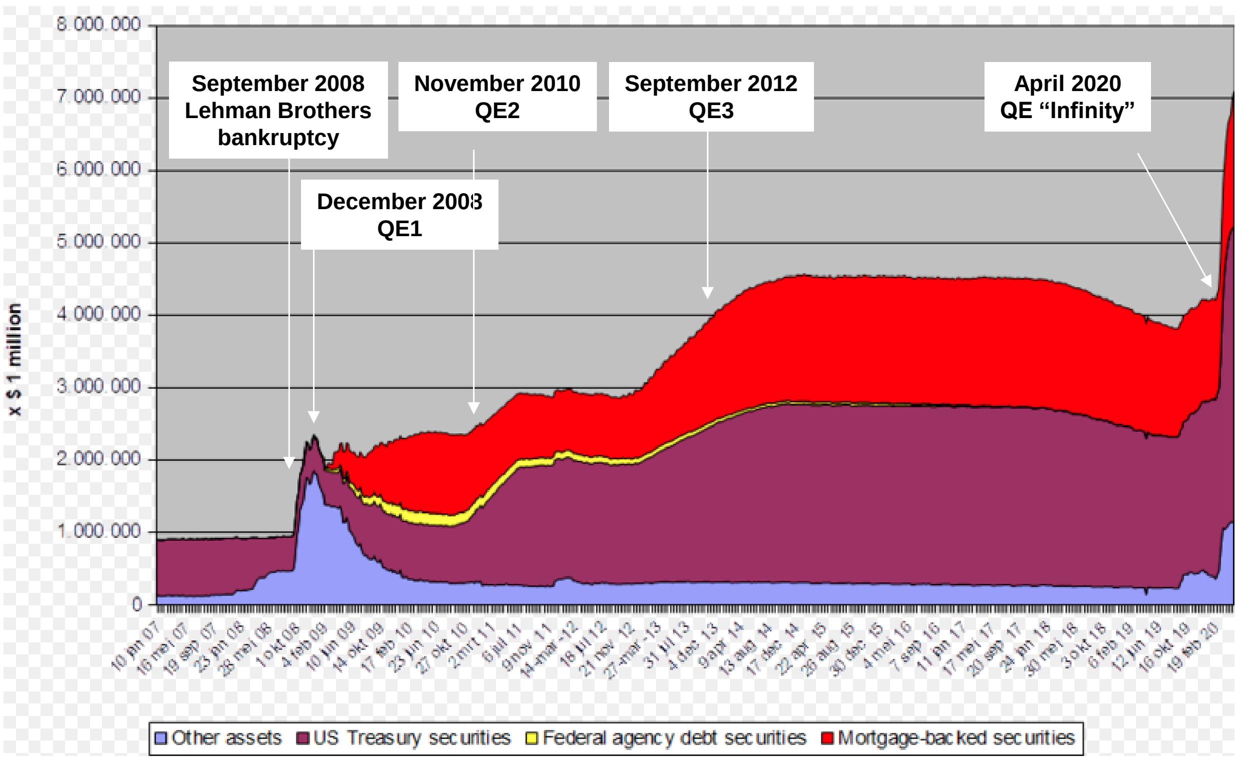
Price Earnings Ratios in the U.S. and International Markets

Source: Financial Times, Bloomberg

The valuation gap between U.S. and international markets have continued to widen this year. After a tardy response Europe agreed to a €750 billion rescue package that would be financed by bonds mutually backed by all 27 members of the European Union, a first for the bloc. The extensive social security and healthcare safety net available in many countries have cushioned the blow to consumers and led to less turmoil for businesses. Despite these factors, valuations have lagged the U.S. The continent is still burdened by structural problems, including a persistently troubled banking sector, a budget crisis in Italy, and a problem that has faded from the news but remains potentially very disruptive: Brexit. The emerging markets may offer more potential. Many markets in high growth economies are trading at single digit PE multiples. China in particular appears to have made a robust V-shaped recovery and has avoided, at least for now, the debt implosion predicted by many. As the gap between U.S. and global interest rates compress, the Dollar may drift lower relative to other currencies, supporting international countries, borrowers, and financial markets. However, as we have discovered from investing in Value stocks, we may need considerable patience for the promise of cheap valuations to be realized.

BONDS

Federal Reserve Balance Sheet and Quantitative Easing



Source: Wikimedia Commons

Interest Rates and Treasuries

Short term interest rates are going to stay close to zero through 2022. That was the message delivered by Federal Reserve Chairman Jerome Powell at the end of April. "Last month, we quickly lowered our policy interest rate to near zero," Powell told reporters. "We stated then, and again today, that we expect to maintain interest rates at this level until we're confident that the economy has weathered recent events and is on track to achieve our maximum employment and price stability goals." The central bank has been following up on its words by accumulating U.S. Treasury securities and agency residential- and commercial-backed mortgage securities in volumes more than justified to back "smooth market functioning." As a result, short term rates have indeed sunk to nothing. Treasury yields up to 4 years of maturity have dipped below 0.20%. 10-year Treasuries have traded within a range of 0.60% to 0.90% and 30-year mortgages have dipped to about 3.3%. The Federal Reserve's balance sheet has ballooned to over $7 trillion — 7 times its size before the last Global Financial Crisis.

And there seems to be no end in sight to the stimulus. Congress is contemplating another $3 trillion rescue package, and the Administration is exploring a $1 trillion infrastructure bill. The combination of record emergency fiscal support and reduced tax revenue from the collapse in the economy could leave a $3.7 trillion hole in the budget and a deficit, according to the Congressional Budget Office, reaching 18% of GDP this year. To put this in context, the bailouts during the Global Financial Crisis led to a 10% deficit in 2009, and the Second World War led to a 27% shortfall in 1943.

Most of this spending will be financed by the Federal Reserve. If private investors, increasingly concerned about potential inflation, balk at financing the deficit and push rates higher, the Fed could whip out another policy tool: Yield Curve Control. This is a strategy that has been implemented by other central banks, notably those of Japan and Australia. Unlike Quantitative Easing where the central bank influences interest rates by setting the *quantity* of bonds that the Fed would buy, under Yield Curve Control the Fed would set explicit interest rates along the yield curve and buy as many bonds necessary to achieve its target. If the Fed wants 10-year yields at 1%, it can coerce the market to move to that level because its buying power is unlimited.

What are the implications for investors? The Federal Reserve Bank will have abandoned any pretense of acting as an independent agent providing a check and balance on government financial management; it would have become a servile instrument of the government, assisting its efforts to finance the growing deficit. When similar policies were implemented in the 1940s, escalating post-war inflation rose well above suppressed nominal rates, resulting in deeply negative real interest rates. While this cut the national debt to GDP ratio from 120% to 60% by the end of the 1950s, it wiped out the purchasing power of traditional savers. Perhaps this is the only way the Federal debt and deficit will become manageable. In the meantime, the Fed’s policies will continue to distort market price discovery, and Treasury bonds will not offer real returns for the foreseeable future.

Performance of Yield Securities

Source: Charles Schwab

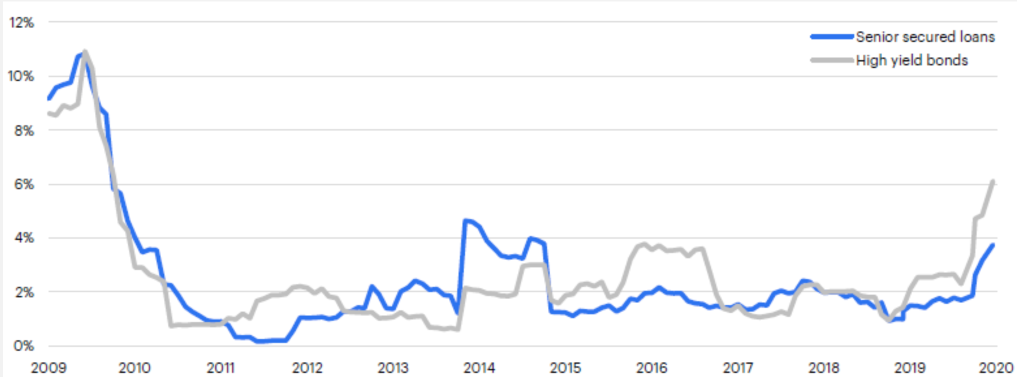
Corporate Credit

The credit markets embarked on a furious rally in the second quarter, assured by the Federal Reserve's promise of support. The Bank of America's Index of US Corporate Spreads, a measure of investment-grade corporate credit risk which had jumped from 100 to 400 basis points in March, marched back down to 157 at the end of June, a level not far off from the 150 basis point average that had prevailed over the 10 years before the COVID era. The spread tightening encouraged over a trillion dollars of new issuance so far this year, surpassing the entire volume of corporate bonds issued last year, with an average par weighted coupon of just 3.4% compared with 4.1% in 2019 and 5.9% during the 2008 financial crisis.

This bond boom raises the question of whether the Federal Reserve even needs to execute its bond buying program. Under its Primary Market Corporate Credit Facility and the Secondary Market Corporate Credit Facility, the Fed could buy up to $750 billion of corporate bonds and corporate bond ETFs. So far, the Fed has bought only $6.8 billion of corporate debt ETFs and $429 million in corporate bonds from 86 out 750 eligible issuers, including AT&T, Walgreen's, Microsoft, Pfizer and Marathon Petroleum. But when even Marriott International, a company whose revenues have been devastated by the plunge in travel, can easily sell $1.6 billion of bonds, does the market need the Fed's subsidy? At a time when revenues and cash flows are declining, do companies really need more leverage?

Admittedly, if all is right in the investment grade space, the picture is not as rosy for sub-investment grade issuers. High yield spreads have come down to 465 basis points, well below the 533 basis points average over the past 10 years. Nevertheless, without explicit Fed support, high yield bonds and loans are unlikely to bounce back as fast as investment grade issues.

12 Month Trailing Default Rates



Source: J.P. Morgan

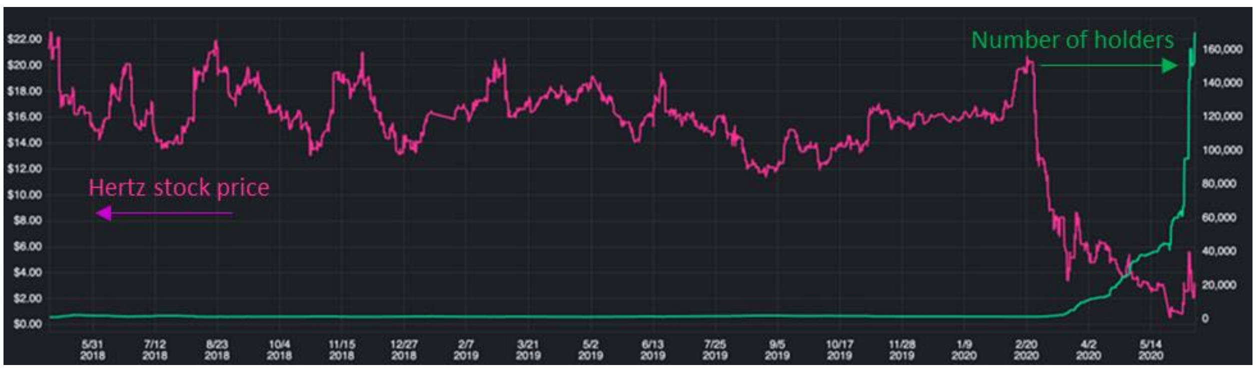
So far this year, $88 billion of formerly investment grade bonds have become “fallen angels,” downgraded to junk status, the highest level since 2009 and 2016. Moreover, Standard & Poor’s forecasts that default rates for high yield issuers will jump to 10% by the end of the year, up from 3% in December 2019. The credit markets are generally signaling a more cautious view about the recovery than the equity markets. The dichotomy between the performance of investment and non-investment grade bonds is occurring in other areas of the credit markets. Investment grade municipal bonds are trading at tighter spreads than before the crisis, helped by a flight to safety. AAA-rated munis have returned 3.4% year-to-date, whereas high yield municipals have been hit particularly hard by recent outflows, with the broad index down 6.4% year-to-date through May. If downgrades and defaults accelerate in the second half of the year, stress in lower rated credits will create opportunities for nimble investors.

"BUY AT THE VERY BOTTOM, STUPID!"

On June 12th, the U.S. Bankruptcy Court for the District of Delaware gave Hertz permission to sell up to 247 million of unissued shares to the public, with the goal of raising a billion dollars through Jefferies, its investment bank. What made this event extraordinary was that the rental car company, battered by the disintegration of its business and suffocated by its mammoth debt load, had filed for Chapter 11 bankruptcy protection three weeks earlier. Why did the company believe that they could find any investors interested in the offering?

Hertz, a company that had been renting cars since 1918 when it set up shop with a dozen Ford Model Ts and had survived the Great Depression, World War II, and numerous oil price shocks, had seen its stock peak at $20.29 in late February, the highest closing price since January 2018. As the pandemic sent the economy into a tailspin, Hertz stock dropped 97%, hitting bottom on May 26 at $0.56. The New York Stock Exchange announced the same day that it was delisting the stock. "There can be no assurance that there will be equity value in the Company's common stock," Hertz said in a filing. But then the stock mysteriously started a ballistic climb, increasing tenfold, to $5.58 by June 8.

Hertz Stock Price and Number of Robinhood Account Holders

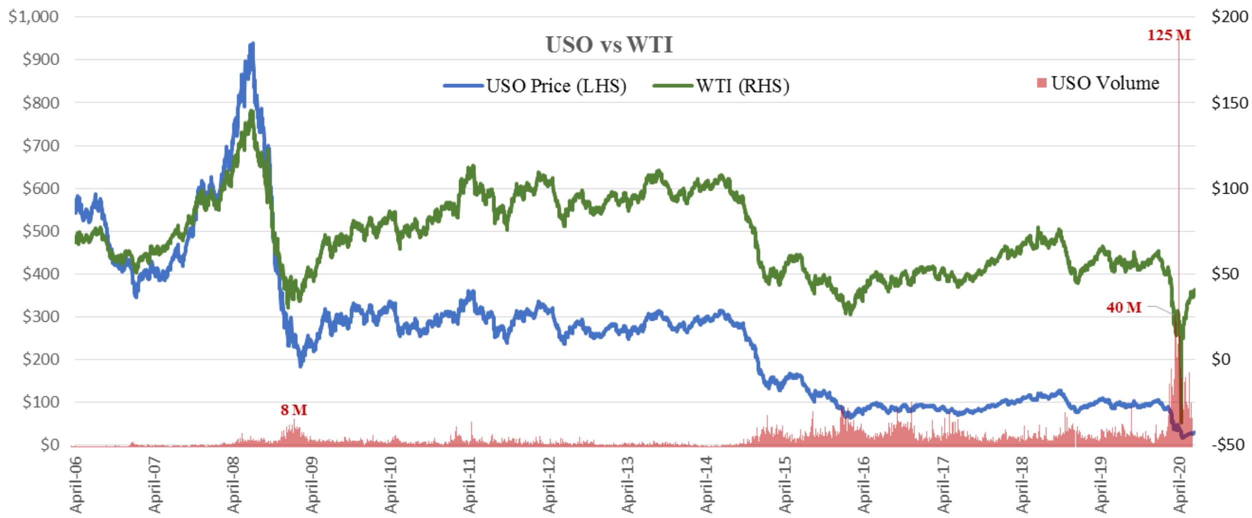


Source: Robintrack

There was speculation that an army of day traders on Robinhood, a commission-free online brokerage, was responsible for this speculative frenzy. In February, only 1,064 Robinhood users held Hertz stock, according to Robintrack, a website that analyzes Robinhood's trading data. By March 18th, the number of holders had increased modestly to 3,500, but a month later the number had jumped to 18,000 and then more than doubled to surpass 45,000 users by the end of May. Why would retail traders believe that there could be upside in the stock when seasoned vulture hedge funds were betting that unsecured bondholders would only recover 30 cents on the dollar in a liquidation, wiping out any equity shareholders? Were these amateur investors so confident in the outlook for Hertz's business and the value of its fleet of cars that the bankruptcy reorganization process would satisfy all of Hertz's debts and leave plenty of value for shareholders? Perhaps the stock offering would provide Hertz with capital that was cheaper than traditional debtor-in-possession bankruptcy financing, allowing the company to emerge from bankruptcy in better financial shape?

Is it unfair to mock the stereotypical Robinhood trader as the bored Millennial or Gen-Zer deprived of sports, turning to day trading with the extra cash from the stimulus package, brainwashed by the rantings of Dave Portnoy, a sports blogger tuned stock market guru? Perhaps, and they may have the last laugh. Jefferies analyst Hamzah Mazari suggested last week that CarMax or AutoNation could be interested in acquiring Hertz.

USO Stock Price and WTI



If the Hertz story is an example of irrational speculative fervor, the saga of the United States Oil Fund (ticker symbol USO) illustrates the risks posed to unsuspecting investors by fund sponsors who peddle dangerous risks under the guise of offering convenient access to non-traditional assets and strategies. The United States Oil Fund was launched in 2006 with the aim of offering retail investors exposure to the spot price of American, light sweet, crude oil. To deliver returns the fund does not buy and store barrels of crude oil but takes long positions in the near-term futures contract for West Texas Intermediate grade oil traded on the Chicago Mercantile Exchange. The challenge with this strategy is that if the futures curve (the plot of prices for successive monthly contracts stretching into the future) is upward sloping (in "contango," in futures-lingo), the fund may be buying the August contract, for example, at $50 while the price of oil is $40 today. By the time the contact expires on July 22nd, the spot oil price may have risen 10% to $44, but the futures contract would have lost $6, resulting in a greater than 10% *loss* to the baffled investor. The return on USO is driven more by the shape of the WTI futures curve than by changes in the spot price of oil, so that far from being an effective proxy, USO's historical correlation to the price of oil has only been 50% during its existence.

Nevertheless USO had attracted inflows as retail speculators had assumed that the ETF was an easy way to speculate on the price of oil, so that by April, the fund had grown to $3.2 billion in assets, holding as much as a quarter of all outstanding May WTI futures contracts. Retail investors may not have understood a critical feature of the WTI contract – that it is physically settled, meaning that a holder takes physical delivery of oil at expiry. As the oil market scrambled desperately to deal with a glut of unwanted oil, the May futures contact nosedived, closing at *minus* $37.63 on April 20th, the largest one-day plunge in the contract price. Speculators long May futures without the storage capacity necessary to accept delivery were forced to sell the contracts at any price, and even pay buyers to take them off their hands. As USO's stock price collapsed its trading volume exploded to 125 million shares on April 21st, over 60 times its historical average, and the losses on the fund's futures contracts and its own share price became mutually reinforcing.

Fortunately for investors in USO, the fund was miraculously able to "roll" its positions (effectively exchanging its May contracts for the June), avoiding taking physical delivery of oil or collapsing under the weight of margin calls. While the value of the fund could have fallen to zero, at least the Chicago Mercantile Exchange could not have demanded cash from fund shareholders to meet margin liabilities. However, as a result of its near-death experience, USO was forced to implement a number of changes. First, the fund issued all of its remaining registered shares, effectively turning USO into a closed-end fund. In a traditional ETF, authorized trading counterparties can ask an ETF sponsor to issue new shares in exchange for a basket of its underlying assets and vice versa, reducing any significant gap between the value of its underlying assets and the fund's traded price. As a closed-end fund, this mechanism will no longer be available, potentially leading to further deviations between USO and oil prices. The fund's manager also announced that it would execute a one-for-eight reverse share split, cosmetically boosting the share price and disguising the extent of the fund's loss. Finally, the futures exchanges forced the fund to diversify its exposure away from just the front month contract to contracts spread out to as far as twelve months in the future. This will mean that USO's price will have even less of a direct relationship with the current spot price of crude oil but rather reflect the market's expectation of prices into the distant future.

WTI has fallen 35% this year, but USO's stock price has fallen 73%. While the fine print of the fund's prospectus may describe the mechanics and risks involved, most retail investors in USO no doubt believed that it was a vehicle to capture changes in the spot price of crude oil. At least half a dozen class action lawsuits have now been filed against United States Commodity Funds, the fund's manager, and the Commodity Futures Trading Commission has launched an investigation.

When the financial history of the COVID pandemic is written, there will no doubt be more tales of investments upended by extreme market volatility and dislocation. Before some aspiring masters of the universe click on the "trade" button on their brokerage portals, though, they might occasionally try calling the number to speak to a professional advisor, to perform a sanity check on the toxic product they are intent on buying. While "caveat emptor" is always a prudent motto in any environment, investors today need to don even greater protection and exercise distancing from such harmful financial pestilence.

Past Performance is No Guarantee of Future Results.

This report does not provide individually tailored investment advice. It has been prepared without regard to the individual financial circumstances and objectives of persons who receive it. The securities discussed in this report may not be suitable for all investors. View Capital RIA, LP recommends that investors independently evaluate investments and strategies and encourages investors to seek the advice of a financial adviser. The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives. Neither the information nor any opinion expressed constitutes an offer, or an invitation to make an offer, to buy or sell any securities or any options, futures or other derivatives related to such securities ("related investments"). This publication was furnished on the condition that it will not form a primary basis for any investment decision. Each investor must make its own determination of the appropriateness of an investment in any securities referred to herein based on the legal, tax, and accounting considerations applicable to such investor and its own investment strategy

View Capital RIA, LP and its affiliate companies might do business that relates to companies covered in its market updates or reports, which may include but is not limited to specialized trading, risk arbitrage and other fund management, investment services and investment banking. View Capital RIA, LP makes every effort to use reliable, comprehensive information, but we make no representation that it is accurate or complete. We have no obligation to tell you when opinions or information in this report change. With the exception of information regarding View Capital RIA, LP, reports prepared by View Capital RIA, LP research personnel are based on public information.

Alternative investments (like the ones described within) may have greater risks than traditional investment. The above performance results have been provided by the investment manager and represent a composite of their actual investment performance for this style, actual individual account results may vary. Past performance is not indicative of future results. The above performance results have been provided by the investment manager and represent a composite of their actual investment performance for this style, actual individual account results may vary. We do not guarantee its accuracy or completeness, and such data may change without notice. Further information may be obtained directly from the investment manager. Other portfolio metrics are calculated by View Capital RIA, LP based on information we deem reliable and accurate. Results reflect realized and unrealized appreciation and the reinvestment of dividends and interest income. Taxes have not been deducted. Performance results represented are gross of fees. Fees, compounded over a period of years, will have an adverse effect on the value of the client's portfolio. The investment advisory fees are described in Part II of the Manager's effect on the value of the client's portfolio. Investment advisory solutions are provided by View Capital RIA, LP, a registered investment advisor. View Capital Advisors, LLC provides asset allocation and investment advisory services through its affiliated registered investment advisor, View Capital RIA, LP.

Disclosures for Proposed Investment Manager.

The descriptions included in this report are not meant to be a complete description of the managers' style and methodology and performance. The included descriptions do include alternative investments that may or may not be suitable for the clients' investment profile. Please read the prospectus carefully before investing.

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 prefunded bonds. Many of the sub-indices 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.