Quarterly Review and Strategy Update

December 31, 2020

Source: Beaumont Enterprise

- **The U.S. economy continues to recover, but job growth may be slowing from a soaring wave of new infections and renewed lockdowns in many states**
- **The financial markets are flying on optimism from vaccine distribution and a second stimulus package, hitting just below all-time highs**
- **Volatile rotations in industry sectors and market factors presage risks and opportunities to come in 2021**

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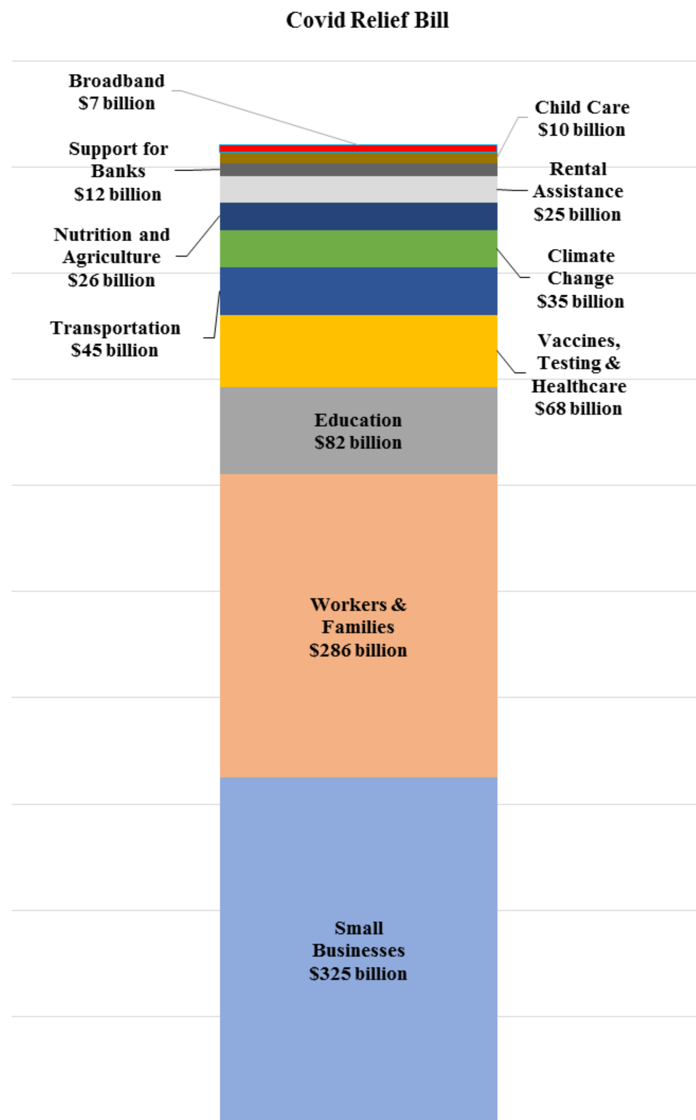
THE ECONOMIC ENVIRONMENT



Source: U.S. Congress

The Norton edition of the complete works of William Shakespeare runs 3,536 pages, so that even a reader fluent in Early Modern English might take an entire month to read all his plays, poems and sonnets, with scant time to contemplate their meaning or the beauty of his language. Members of Congress, on the other hand, were given just a few hours to wrestle with 5,593 pages of legislation before voting on the second COVID-19 rescue package on December 21st. Since no representative or senator had read the entire document, we assume that they did so in the belief that the bill would deliver what had been promised by their leaders. Such faith seems to be driving the relentless forward march of the markets, as they closed out the year at levels that would have been hard to imagine in the terrifying depths of the pandemic in March.

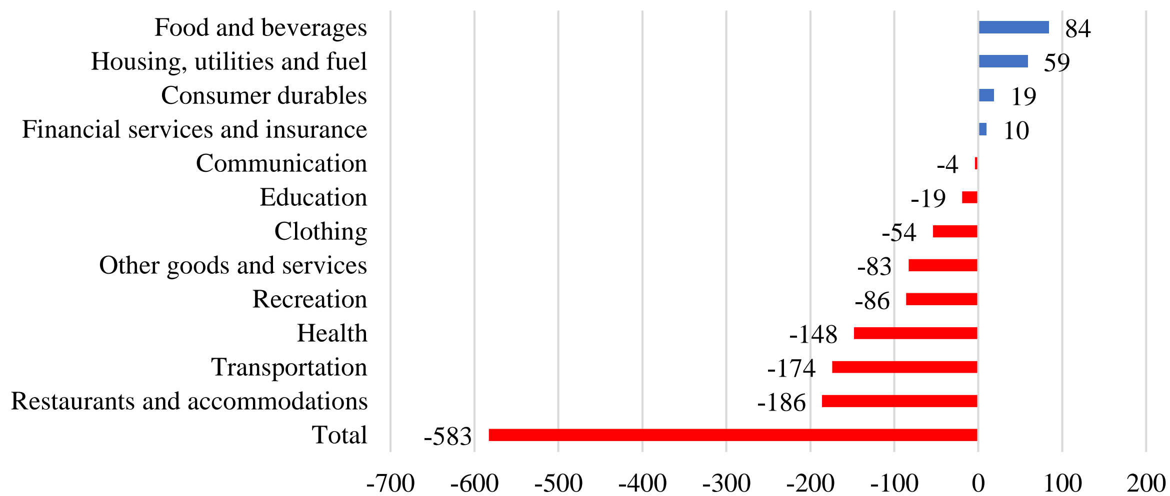
Financial markets are forward looking, so it might be fair to argue that they reflect the optimism for a post-COVID economy, where a vaccinated populace emerges from quarantine to embark on a spending binge. After all, the end of the 1919 influenza pandemic ushered in a period of exuberance when the economy grew by 42% between 1920 and the crash of 1929.

Even if hopes for such a boom are too optimistic, the second COVID rescue package will certainly assist in an economic recovery that had begun to stall. The final quarter saw a slowdown in the growth of the U.S. economy after the sharp rebound of the third quarter. The workforce added only 245,000 jobs in November, declining from 610,000 in October and continuing the trend of slowing job growth since June. 10 million jobs have been lost since the spring, and the overall unemployment rate still stands at 6.7%. The 4-week rolling average of initial jobless claims that had been declining steadily since April has now been rising again, with 787,000 reported for the last week of 2020. Continuing jobless claims also rose by

230,000, the first increase since August and only the third weekly increase since the May 2020 high in claims. This data increases the probability that when the December data is released in early January, it will include the first negative payroll number since the spring. Other measures, such as the manufacturing and service Purchasing Managers Indices, industrial production, durable goods orders and car sales, have all been flat or declined since the late summer. Overall, the Federal Reserve now expects real gross domestic product to be about 2.4% lower at the end of 2020 compared to 2019.

After embarking on a mini spending burst over the summer, consumers have slowed down their purchases, with retail sales sinking by 1.1% in November compared to the previous month, following a 0.1% fall in October. Consumers appear to have pulled back holiday shopping amid a surge in coronavirus cases and the expiration of unemployment benefits.

Changes in sector spending in 2020 compared to 2019 ($ Billions)



Source: Brookings Institution

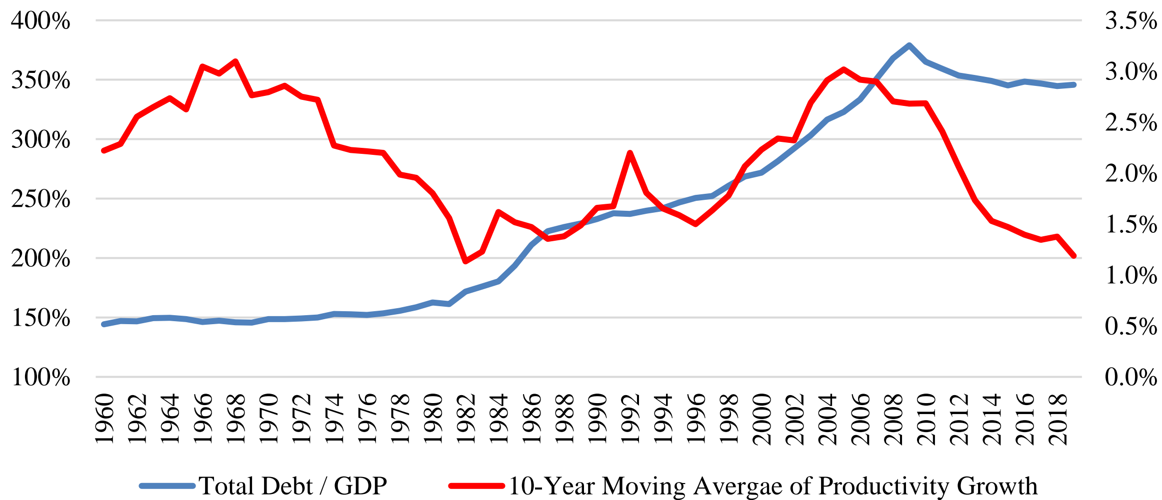
Much of the trajectory of economic recovery this year will depend on consumer behavior. Overall, spending on durable goods rose 6.7% in 2020 while spending on services fell by 7.4%. There appears to be near unanimous consensus that this trend will reverse this year. Sectors such as food and consumer durables that enjoyed unexpected growth last year may see much more modest growth, while those that suffered the most – restaurants, hospitality, travel and non-essential healthcare – are expected to see the steepest recovery. Some sectors, such as education and social services, have been structurally damaged and may take considerably longer to recover to pre-COVID levels. Housing is a forward-looking indicator that continues to show strength. Building permits increased by 6% in November from a month earlier, leading to the highest number of applications since December 2006. Existing home sales were up 26% year-over-year, driving the median home price to rise 14.6% from a year ago, to $310,800.

If there is cause for optimism in the near term, what about the longer picture? While the conflict between the United States and China dominates the news, it is Japan we should look to for lessons of where the United States might be heading. Since the real estate bubble burst in Japan at the end of the 1980's, the country has slid into an anemic slumber from which it has never fully recovered. Despite interest rates

falling sharply from its pre-bubble peak of 6% to zero, and to negative rates over the past 5 years, Japan's economy has grown at less than 1% a year over the past 30 years. Both the government and the central bank have used every imaginable tool to stimulate the economy. The government has injected close to $1.4 trillion into spending programs since 1991. The Bank of Japan has taken quantitative easing to extremes, buying up over 60% of all government debt, 7% of corporate debt, 20% of commercial paper, 71% of ETFs and 53% of REITs. It consequently owns 8% of the entire Japanese equity market – making it the largest equity investor in the country. Despite these measures the nation has been unable to dig its way out of the deflationary trap, as inflation has averaged less than 0.50% for the past decade, and just 0.15% over the past twelve months. Along the way the country's debt-to-GDP ratio has shot up above 250% of GDP – the highest of any nation, above even Greece (177%) and Lebanon (151%). This debt burden has led to economic stupor, as household and corporate savings have been siphoned away to service a never depleting pool of debt and interest, diverting capital away from potential consumption and investment that might lead to economic growth.

Could the U.S. fall into a similar debt trap? As long as the economy can grow faster than interest costs and nudge inflation up sufficiently to erode its real burden, the exploding federal and corporate indebtedness may be manageable. To generate sustainable growth, however, all sectors of the U.S. economy must pull their weight. While American consumers have historically been reliable contributors, they cannot act as the sole engine of growth. Household debt-to-GDP levels have already shot up to 85%, up from pre-pandemic lows in the 70%s. Given the deficit, the federal government has limited firepower, while state and local governments will be forced to accelerate budget-balancing layoffs and program shutdowns. This leaves the business sector.

Productivity Growth and Total Debt-To-GDP



Source: Federal Reserve Bank of St. Louis

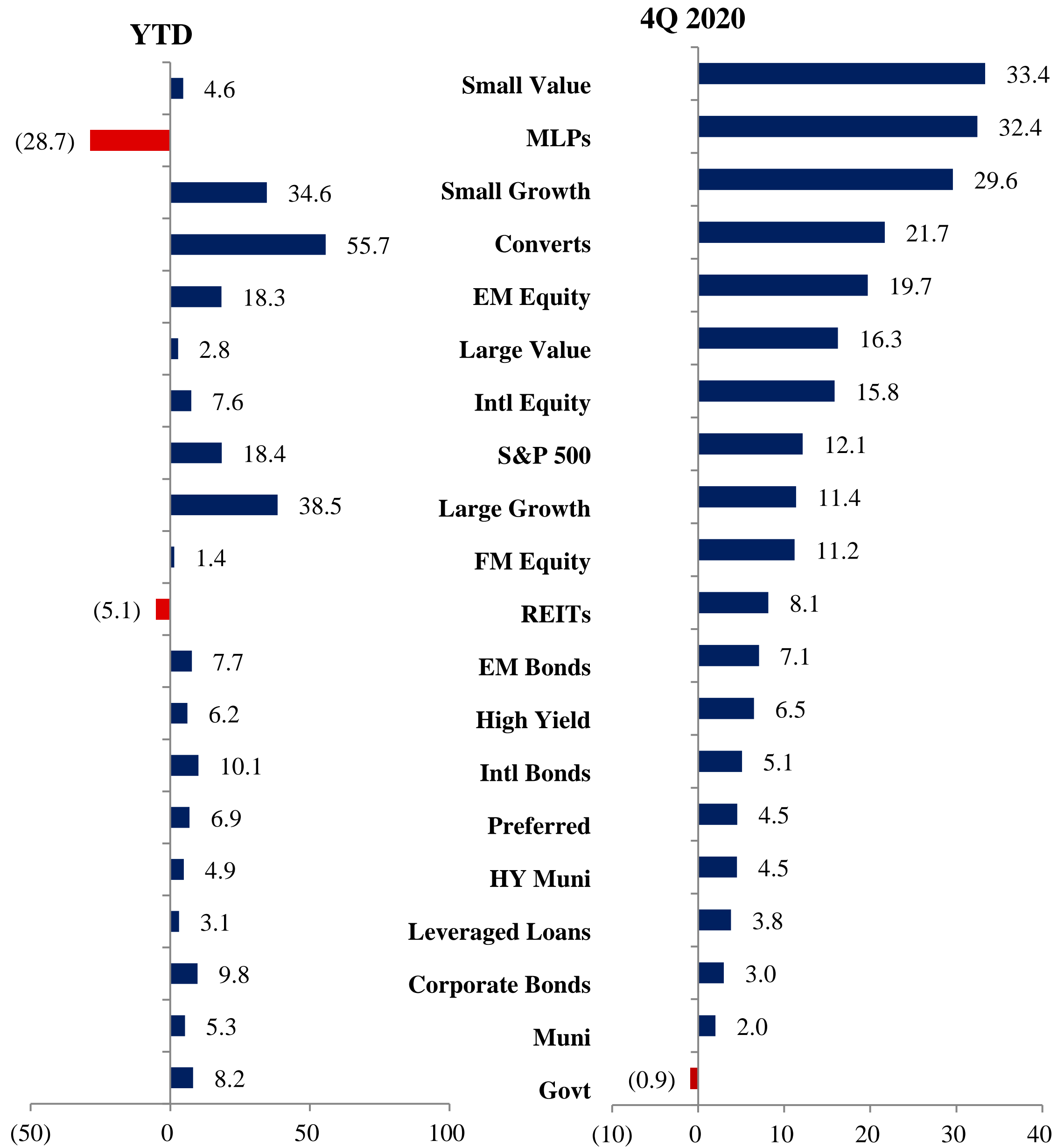
For American companies to drive growth they will need to invest in productivity. Productivity is the chief long-term driver of economic growth, corporate profitability and investment returns. Yet it has been declining steadily over the past 15 years, despite the enormous amount of capital (mainly debt capital)

that has been injected into the economy. In the 1960's $1.50 of debt generated a dollar of economic growth; Today it takes $4.50. If all of the borrowed capital had been invested in productive activities, economic growth would have risen faster than debt outstanding. Instead, it has been used for real estate speculation, bailouts of financial institutions, propping up zombie businesses, stock buybacks and unproductive consumption.

Companies can boost productivity by adopting many of the lessons from the pandemic, such as speeding up digitization, implementing communication and collaborative software, reconfiguring supply chains and experimenting with flexible work practices. Manufacturers can perhaps invest in training laid-off restaurant, retail and hospitality workers for new jobs as they bring back supply chains stateside. In retail, where online sales are twice as profitable as physical store sales yet remain below 10 percent of total sales volume, a renewed emphasis on online distribution will accommodate changes in consumer behavior. Unless American corporations use the cash they are hoarding to enhance productivity, the tsunami of debt bearing down on us may consign the U.S. economy to decades of stagnation.

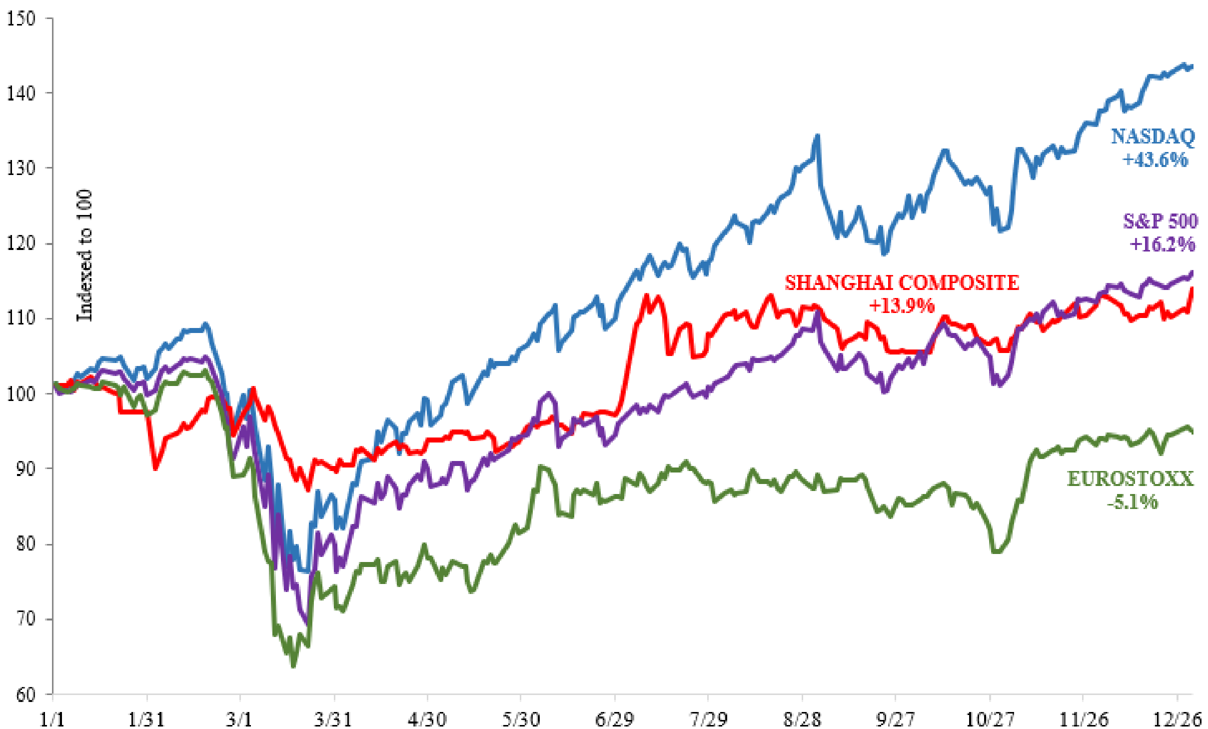
4th QUARTER AND YEAR-TO-DATE PERFORMANCE OF MAJOR ASSET CLASSES

Numbers represent percentage change



EQUITIES

Equity Market Performance Year-to-Date (Price Index Not Including Dividends)



Source: Bloomberg

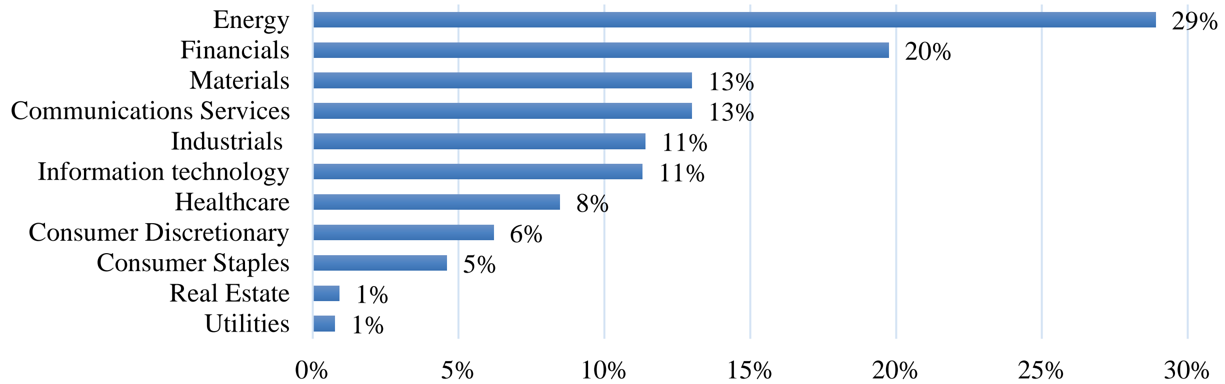
After a historically volatile ride in 2020, when equities experienced the fastest bear market and a record-breaking rebound all within a couple of quarters, the major indices ended the year near all-time highs. On a year-to-date basis, the S&P 500 Index returned 18.4% (including dividends), the NASDAQ-100 Index etched a gain of 44.9%, and the Dow Jones Industrial Average Index gained 9.7%. The rally which began after the first quarter of the year continued into the final quarter, with a broadening of market leadership well beyond big information technology stocks. Driven by positive vaccine news, other economically sensitive cyclical businesses joined the rally. Reflecting a bullish pattern, 467 stocks in the S&P 500 traded higher in November, the largest share for any month since the April resurgence. In contrast, only 212 and 152 stocks in the benchmark index rose higher in October and September, respectively.

This broad participation boded well for traditional value sectors, such as Energy and Financials. The Energy sector, which was up 29% for the quarter, led gains among the 11 S&P industry sectors, followed by the 20% gain in Financials. Despite these gains Energy was the year's worst-performing sector at -34%, compared to the 44% return of Information Technology, the biggest benefactor of COVID linked shutdowns and work-from-home milieu.

Amongst the major market indices, the strongest performance for the quarter was logged by the Russell 2000 Index, representative of small cap companies. Following November and December's strength, the

index was up over 31% for the quarter, leading all major indexes and sectors. For the year, the index returned 20%.

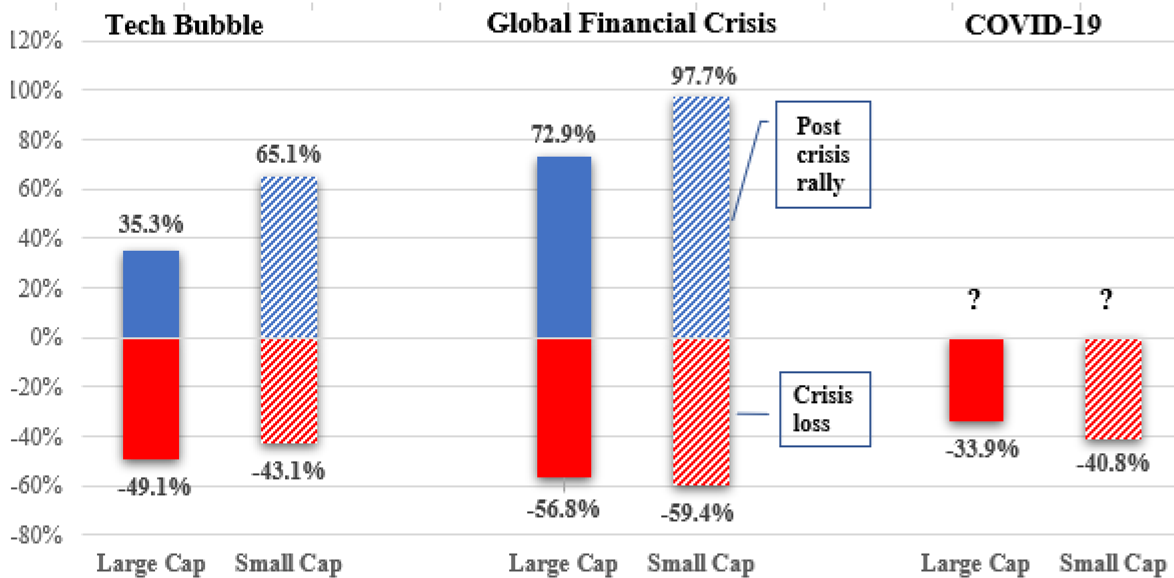
4th Quarter Equity Market Sector Performance



Source: Fidelity

In comparison, large cap stocks were up 12% for the quarter and 18% for the year. Historically, small caps have outperformed coming out of a bear market, as shown in the chart below, and therefore, may be well positioned for 2021.

Outperformance of small cap stocks



Source: J.P.Morgan

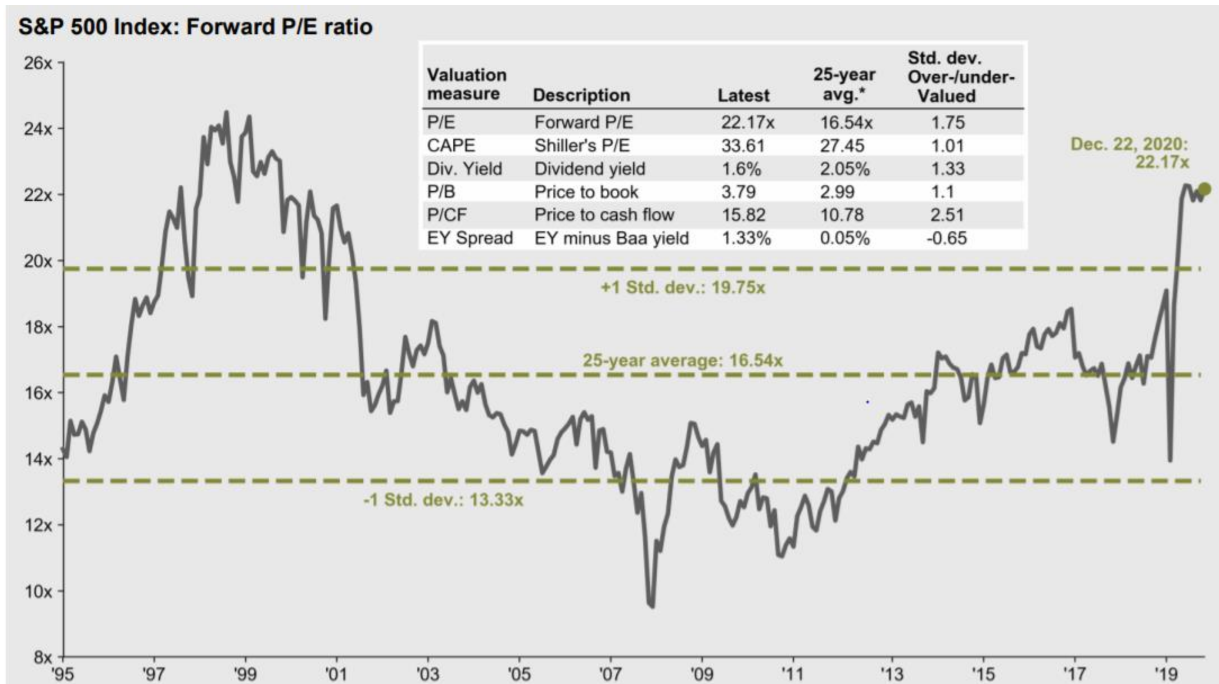
In international markets, the MSCI EAFE and MSCI EM indices of developed foreign and emerging markets were up over 16% and 20% respectively for the quarter, and 8% and 18% for the year, signaling increased optimism in the longer-term global rebound.

Looking at the fund of flows for the quarter, the strong sector rotation seems to have been funded partly by the cash which was on the sidelines. During the month of November alone, investors plowed $112 billion into long-term mutual funds and exchange-traded funds. That was the second-largest monthly tally behind January 2013's $117 billion. In contrast, money market funds had their sixth consecutive month of outflows.

November fund flows

U.S. Category Group	**Nov. 2020** ($Mil)
U.S. Equity	35,558
Sector Equity	19,661
International Equity	6,295
Allocation	(2,005)
Taxable Bond	52,096
Municipal Bond	8,178
Alternative	(2,620)
Commodities	(5,170)
All Long Term	111,992
Money Market	(9,641)

The fourth quarter stock market performance was also propelled by stronger than expected profit growth and a subsequent improvement in consensus earnings per share for companies. The current S&P 500 estimate for 2021 earnings per share is $166 per share, indicating a 23% growth over 2020 estimates, which was also revised upwards in the last couple of months. Optimism around earnings growth is particularly strong in sectors which were most depressed in 2020, such as Energy, Industrials and Consumer Discretionary. While this optimism may be bullish for equities, valuations continue to be a concern. At an earnings multiple of 22 times, the S&P 500 trades at levels last seen during the dot-com bubble.

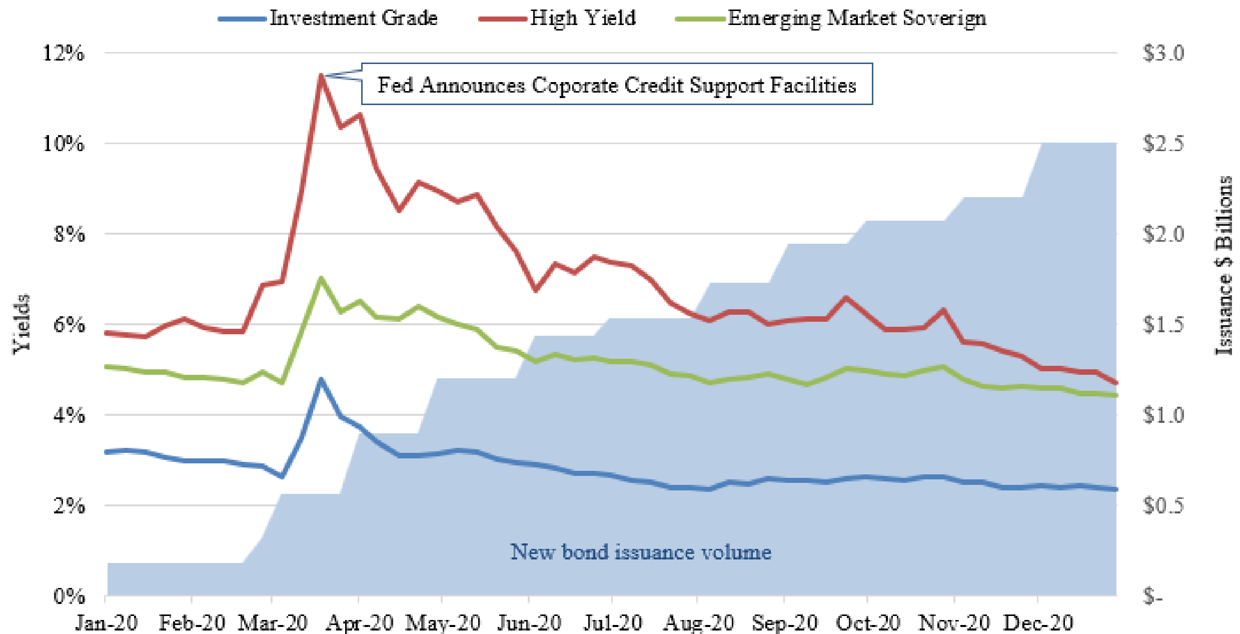


Valuation measure	Description	Latest	25-year avg.*	Std. dev. Over-/under-Valued
P/E	Forward P/E	22.17x	16.54x	1.75
CAPE	Shiller's P/E	33.61	27.45	1.01
Div. Yield	Dividend yield	1.6%	2.05%	1.33
P/B	Price to book	3.79	2.99	1.1
P/CF	Price to cash flow	15.82	10.78	2.51
EY Spread	EY minus Baa yield	1.33%	0.05%	-0.65

Source: FactSet, FRB, Robert Shiller, Standard & Poor's, Thomson Reuters, J.P. Morgan Asset Management.

BONDS

Bond Yields and New Issuance 2020



Source: Bloomberg, Morningstar, Sifma

The fourth quarter was characterized by the continued recovery as most credit assets retraced back to their pre-COVID levels. Yields and spreads have ground tighter to historical or near-historical low levels, even though defaults are expected to rise. S&P Global Ratings forecasts the default rate for U.S. speculative-grade corporate debt to increase to 9% by September 2021 from 6.3% in September 2020. Credit has performed impressively as central banks globally continue supporting their economies. This central bank assistance has assured investors even if many of the announced liquidity backstop and bond purchase programs have only required minimal use to ease fears. In fact, the Fed has only bought $14 billion of corporate debt despite being able to buy up to $750 billion – just 1.9% of its capacity. U.S. corporates have taken advantage of these low rates to issue record amounts of debt to boost cash reserves and to refinance existing higher-cost liabilities.

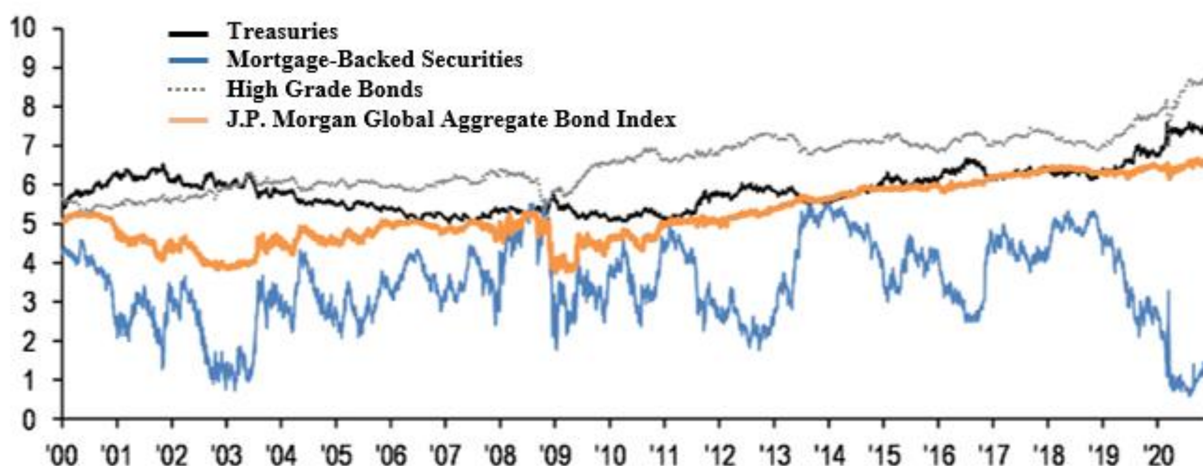
One potentially overlooked result of this environment is the change in the composition and characteristics of many benchmark indices. For one, aggregate indices – those including both government and corporate debt – are becoming more heavily weighted towards corporate debt, by as much as 3%–4%, reflecting higher volumes of corporate debt outstanding. While this percentage may not seem like a large move, it increases the credit risk of an index (whereas an increase in government debt would decrease credit risk).

Market Cumulative Issuance – Corporate & Financial Institutions

Source: Moody's / Dialogic

Moreover, the duration of these indices has become longer. Duration is a function of both the maturity of a bond as well as its coupon rate. Corporate issuers have extended the maturity profile of their borrowing, selling twice the amount of 20 and 30-year maturity bonds than last year, and more than five times the volume of bonds 40 years or longer. Coupon rates have also declined reflecting the general fall in rates. Both these factors have extended the duration of these indices. This can be seen in the graph below depicting the J.P. Morgan Global Aggregate Bond USD Index ("JPM GABI US").

The duration of J.P. Morgan's Global Aggregate Bond USD Index and its components



Source: J.P. Morgan

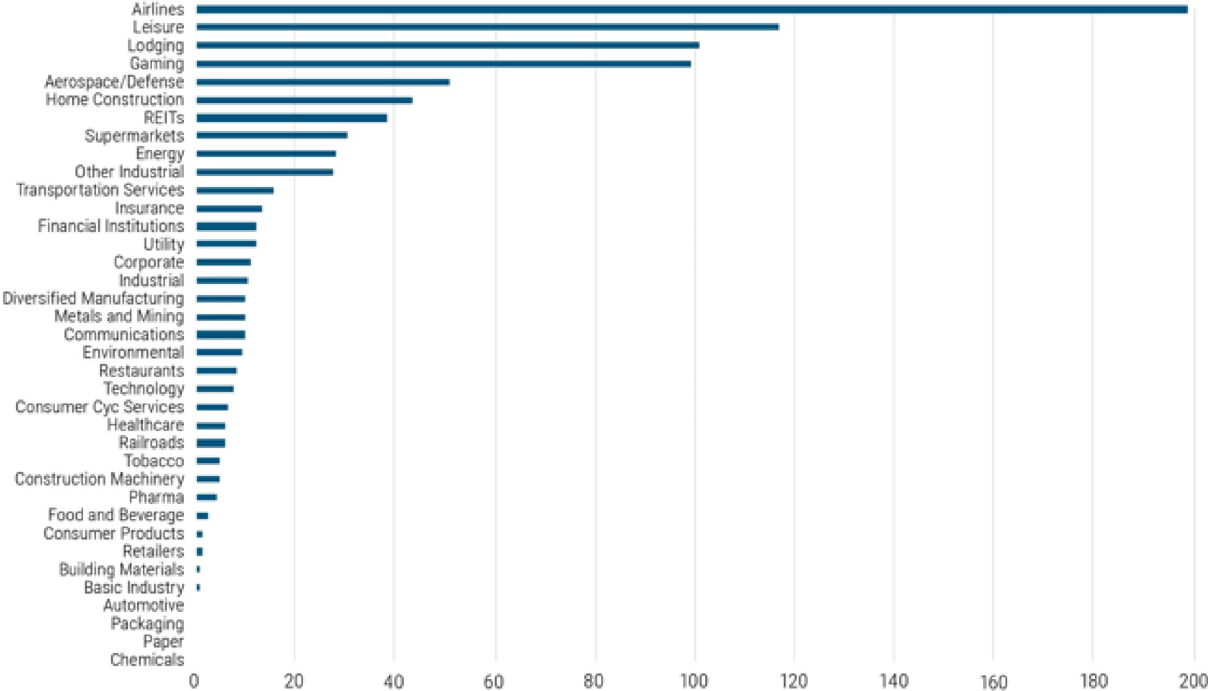
The chart also points to an important nuance in the composition of this index. This year has seen record-low mortgage rates. Falling mortgage rates trigger homeowners to refinance, resulting in a prepayment of mortgages underlying mortgage-backed securities. So even as the overall duration of the J.P. Morgan Index has extended to 6.6 years – its highest level in 20 years – driven by longer-dated U.S. Treasuries

and corporate debt, mortgage duration has shortened to 1 year. Without digging deeper, the apparent duration extension of the index as a whole masks the divergence of its underlying components.

So, why do we care about duration? In a nutshell, higher duration means fixed income prices are more sensitive to changes in interest rates. Since many investors hold bond mutual funds and ETFs that are managed to mimic these benchmark indices, their risk has increased. If we encounter a significant spread-widening event like the 2013's Taper Tantrum, then we may experience much greater than expected volatility.

Returning to divergence, despite the dramatic recovery of many market sectors this year, there are several areas that may still offer enhanced return potential. Many industry sectors directly impacted by COVID remain at elevated spread levels relative to their pre-correction levels. As in the equity market, bonds in these sectors may see appreciation as the economy normalizes. Divergences such as these strengthen our conviction that now is the time to favor active investment management over passive approaches to enhance both returns and dampen volatility.

Investment grade spreads by sector versus 2020 tightest levels (basis points)



Source: Bloomberg Barclays. Data shows credit spreads for sectors within the Bloomberg Barclays Global Aggregate Credit Index relative to their 2020 tights, as of 30 November 2020.

Price of Austria's 2.1% September 2117 bonds

Source: Bloomberg

On November 23, the Republic of Peru sold $4 billion worth of U.S. dollar-denominated bonds, including $1 billion of bonds maturing in 2120. The bonds were sold at a yield of 3.23%, representing a spread of just 1.7% over 10-year U.S. Treasuries, making them the lowest-yielding 100-year bonds ever issued by an emerging-market country.

Peru issued the bonds in the midst of a tragicomical constitutional crisis after the country's congress impeached President Martin Vizcarra for "moral incapacity". Vizcarra had become Peru's sixth president in a row to be investigated for corruption. He was judged by a congress in which 68 of its 130 members are under investigation for crimes including homicide, fraud and drug smuggling. President Vizcarra' s replacement, Manuel Merino, a little-known rice farmer, resigned just 6 days into the job in response to violent protests against the impeachment proceedings. These protests have not abated following the legislature's decision to appoint Francisco Sagasti, a first-term congressman with no government experience, as Peru's third president in just seven days.

One might overlook Peru's current political chaos to focus on the country's ability to repay its debt over the next 100 years. Perhaps investors in other "century bonds" issued by Austria, Ireland, Walt Disney and Coca-Cola might have some confidence in getting their money back. Moody's rated Oxford University's 100-year bonds "AAA", citing its 850-year history without a default. But Peru? Peru has defaulted 8 times since its declaration of independence in 1826. Moreover, it is still in default on its Land Reform Bonds, which were issued in the 1970's to landowners as compensation for seizing more than 22 million acres of farmland (one-third of Peru's total agricultural acreage, or the land area of Maine). Even though these bonds were issued at a tenth of the value of the seized land, and despite the country's Constitutional Tribunal and Supreme Courts repeatedly ruling that the government must pay, it has refused to do so. The country has also absurdly claimed in an October 2015 SEC prospectus that it "is not involved in any disputes with its internal or external creditors". Peru's default on its Land Bonds strains

its credibility as a creditworthy issuer that respects the rule of law. Despite this, Standard & Poor's, Fitch and Moody's have all rated Peru's century bonds investment grade. Only Egan Jones, an independent rating agency, has rated the bonds below investment grade, citing its policy: "A longstanding principle in an investment-grade rating is that no other obligation by the issuer should be in default," said Sean Egan, founding principal of Egan-Jones. "Peru fails to meet this basic test, and we are surprised that the Land Reform Bonds default has not been noted in ratings of Peruvian sovereign debt by other major rating agencies".

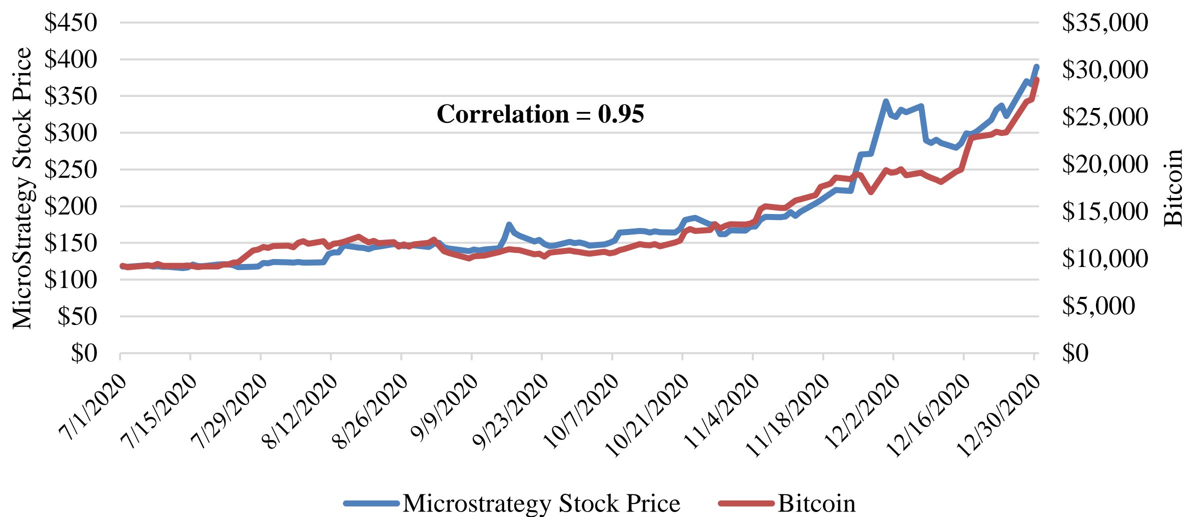
Peru's economy has been hit hard by the COVID pandemic; Peru ranks third worldwide for coronavirus deaths per 100,000 citizens, and its GDP is expected to drop by 14% this year. Its economy is highly dependent on volatile mining and agricultural exports. While Peru currently maintains one of the lowest debt-to-GDP levels in Latin America at 33%, half of its obligations are denominated in foreign currencies, making the country vulnerable to exchange rate risk.

So why would Fidelity, T. Rowe Price, BlackRock and other reputable asset managers buy these bonds? "Don't worry, we don't expect to hold these bonds long term," one manager chuckled, "They provide a cheap hedge against a black-swan catastrophe, and the yield is pretty attractive." The bonds have a very long duration and extremely high convexity, making them very sensitive to changes in interest rates. If interest rates decline by 1%, they could be expected to appreciate by over 30%. The performance of Austria's century bond shows why bond managers may be tempted to speculate on such long duration instruments. However, there is no free lunch. If interest rates moved higher, the bonds would lose a correspondingly large percentage, so even the 3.23% coupon would hardly dent the loss.

If the bond managers' justification for buying Peru's bonds highlights one aspect of disturbing risk taking, a recent convertible bond issue points to another. MicroStrategy, the largest independent publicly traded business intelligence firm, sold $650 million worth of convertible bonds on November 11th to finance the purchase of Bitcoin. Michael Saylor, MicroStrategy's CEO, argued that "this investment reflects our belief that Bitcoin, as the world's most widely used cryptocurrency, is a reliable means of saving and an attractive investment asset with a longer-term value growth potential than storing cash." The company had been accumulating Bitcoin with own cash flow since August, and its pile of 70,470 coins has shot up in value to over $2 billion as of year-end – resulting in a 1,950% return on investment. 60% of the company's enterprise value now derives from its bitcoin position. The company has effectively become a Bitcoin Exchange Traded Fund, with a small software business attached to it.

MicroStrategy, a company with a controversial history including a settlement with the SEC for fraud, did not issue debt because it was planning on expanding its operations or to make accretive acquisitions; it did so purely to speculate on Bitcoin. Convertible bonds are purchased almost exclusively by professional asset managers, not directly by unsophisticated retail investors. But what kind of fiduciary institutional investor abets such gambling? If the price of Bitcoin fell 82%, as it did from December 2017 to December 2018, the value of MicroStrategy's Bitcoin position would fall to $360 million – half the value of its debt liability. Since bonds no longer offer attractive yields and their unruly volatility at the start of the pandemic have undermined confidence in their ability to protect capital, are bond managers taking desperately risky actions to demonstrate they are adding value?

MicroStrategy stock price versus Bitcoin



In 2005, Howard Marks, the founder of Oaktree Capital, pondered about the options that investors might have in times of low prospective returns and risk premia:

- "Go to cash – not a real alternative for most investors
- Ignore the lowness of absolute returns and pursue the best relative returns
- Forget that elevated prices might imply a correction, and buy for the long run
- Reach for return, going out further on the risk curve in pursuit of returns that used to be available with greater safety
- Concentrate investments in "special niches and special people", emphasizing strategies offering exceptional bargains and managers with enough skill to wring value-added returns from assets of moderate riskiness"

While Marks considered none of his options to be enticing, he argued that reaching for return to be the most flawed strategy. He believed that investors often make riskier investments just when the prospective returns on those investments are the lowest; rationalize the slimmest incremental returns for stepping up in risk; and sign up today for things they turned down in the past, when the prospective returns were much higher. 15 years later, his advice still seems sound. Unlike many who have written obituaries on bonds, we believe they will continue to have a role in investor portfolios. However, as proponents of active management, we believe his last recommendation – searching for highly skilled managers and uncrowded market niches – is the most prudent strategy at a time when valuations are stretched to historically high levels. We will also try to remain professionally distant from managers who traffic in bonds that stretch the limits of credulity.

VIEW CAPITAL RIA, LP

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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 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.