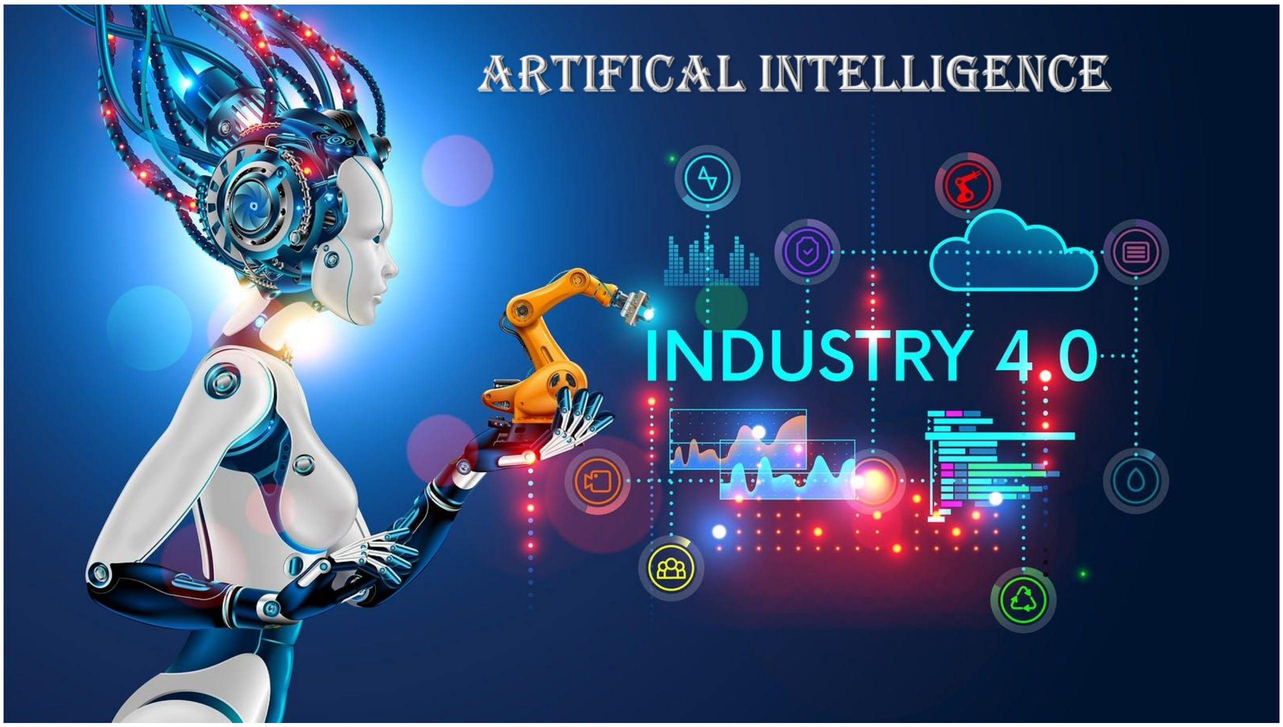
VIEW CAPITAL ADVISORS, LLC

Quarterly Review and Strategy Update

June 30, 2023



Source: TLNT

- **The equity market climbs a wall of worry after reprieve from debt ceiling crisis as AI enthusiasm drives investor FOMO**
- **The Federal Reserve "skips" rather than "pauses" as it continues to raise interest rates to crush inflation**
- **Artificial intelligence could lead to leaps in productivity – but is the current boom too reminiscent of the internet bubble?**

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THE ECONOMIC ENVIRONMENT

The first half of the year ended on an optimistic note with the US equity markets up 5% for the quarter and 10% for the year. The resolution of the Federal debt ceiling extension, the Federal Reserve's decision to leave interest rates unchanged at its mid-June meeting, and the excitement over artificial intelligence all helped propel the stock market forward. While it is always encouraging to see positive momentum in the financial markets, there are reasons to be cautious about all three of these developments.

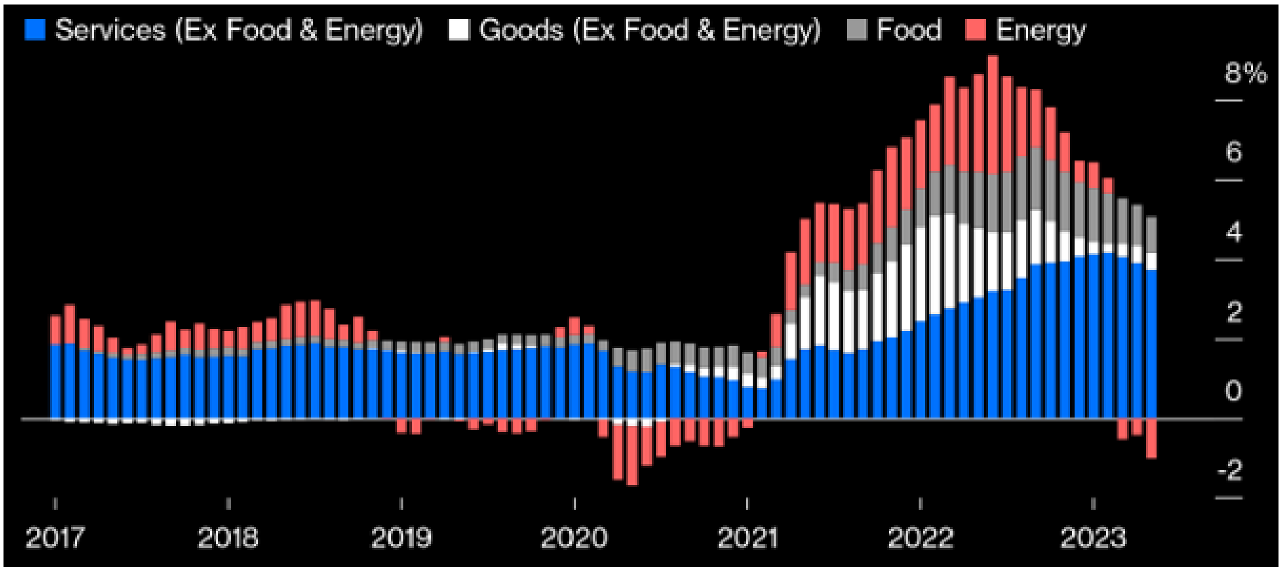
The agreement reached between the Biden administration and the Republican House leadership suspended the debt ceiling until January 2025 and capped the growth of federal discretionary spending over the next two years. The parties agreed to keep non-defense spending flat next year with a 1% rise in 2025 and no budget caps thereafter. Defense spending would increase to $886 billion, which amounts to a 3% increase from this year's appropriation. According to the Congressional Budget Office, the legislation is expected to save $1.5 trillion in savings over a decade. In wins for Republicans, about $30 billion of unspent Covid relief funds will be returned to the Treasury, and tougher work requirements were imposed on able-bodied recipients of welfare benefits. Democrats, however, did secure exceptions to the food stamp requirements for veterans and the homeless and obtained $80 billion to help the Internal Revenue Service enforce the tax code. In a unique concession to Senator Joe Manchin of West Virginia, a special provision was included to effectively expedite the approval of the Mountain Valley Pipeline, a $6.6 billion pipeline intended to carry natural gas about 304 miles from the Marcellus shale fields in West Virginia across nearly 1,000 streams and wetlands before ending in Virginia.

While the agreement averted a potential financial catastrophe just as the Treasury was about to run out of money, it did not raise the limit above its current $31.4 trillion threshold, so the same debate will resume after the Presidential election in the fall of 2024. Moreover, Congress has to approve the 2024 fiscal year budget by the end of September, or the government will shut down. While most expect the deadline to be extended through a continuing resolution to the end of December, automatic across-the-board cuts known as sequestration would kick in if no deal is reached by year end. Since many Republican conservatives have already called for significant cuts in non-discretionary spending, which will be fiercely opposed by Democrats, the likelihood of a government shutdown is extremely high.

While it is difficult to assess the long-term impact of the debt ceiling being kicked down the proverbial road, short term interest rates rose to their highest point since 2007, with six-month T-bills rising to almost 5.5% at the beginning June. In order to rapidly replenish its coffers, the Treasury has embarked on a bond issuance program that may raise over $1.4 trillion between now and year end (seven times the average amount for the same period from 2015 to 2019), driving a surge in supply at a time when many investors may be shifting their allocations away from bonds back into equities. In the aftermath of the 2011 debt ceiling crisis, Standard & Poor's stripped the United States of its coveted AAA rating, citing heightened political polarization and insufficient steps to adjust the nation's fiscal outlook. As long as the debt ceiling rules remain in place, we face the erosion of confidence of global investors in U.S. Treasuries and the U.S. Dollar.

The wave of Treasury issuance will also have the effect of draining liquidity from the banking system, further tightening financing conditions. Perhaps the Federal Reserve felt that this was a sufficient substitute for raising interest rates, for it held its benchmark rate steady after 10 consecutive interest rate increases. However, it also signaled that it would raise rates much higher before year end in order to stamp out stubbornly high inflation. Fed board members are now projecting the federal funds rate will peak at a new target range of 5.5% to 5.75% by year end, a half a percentage point higher than comparable forecasts published in March. They do not expect to cut rates until the second quarter of next year. But the pause – or the "skip" as the press dubbed the move – baffled many economists who argued that recent data suggested that inflation has not yet been fully vanquished. "It seemed to us to make obvious sense to moderate our rate hikes as we got closer to our destination," Powell explained. Some attributed this bizarre strategy to a communications snafu: the Fed had repeatedly made comments about pausing its hiking cycle over the past few months, so it had no choice but to do so.

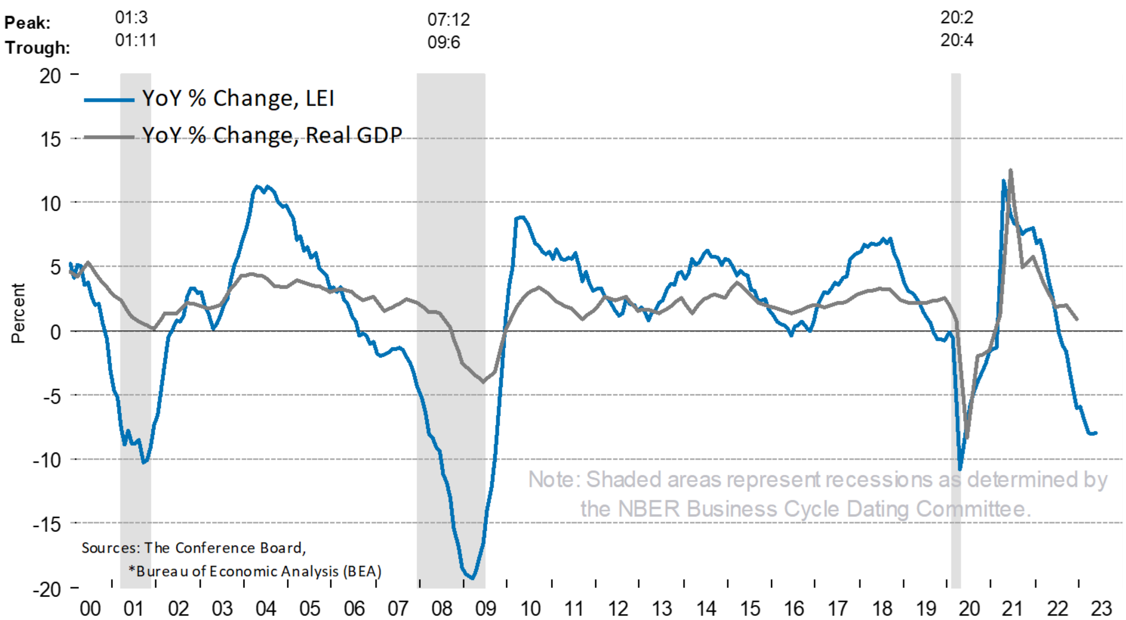
Inflation: Services continues to be high as goods decline



Source: Bloomberg

The debate about monetary policy shows how challenging it has become to finesse policy to control inflation while not inflicting too much pain on the economy. Inflation hawks highlight the continued strength of the job market – employers added 339,000 jobs in July and wages have increased 5.6% on a year-over-year basis – and the continued high level of services inflation (see chart above) to justify further rate increases. Others point to falling retail sales and a deterioration in housing and commercial real estate, indicating a need to halt further tightening. The yield curve has inverted to the widest margin in three months, with the gap fast approaching the 42-year record hit during the regional banking crisis in March of this year. Leading economic indicators also show dramatic declines in some metrics that may forecast a recession.

Leading Economic Indicators



Source: The Conference Board

A Wall Street Journal survey of economists put the probability of a recession at some point in the next 12 months at 61%, by no means an overwhelming consensus. They see a contraction likely to begin in the third quarter of this year but expect any recession to be relatively shallow and short-lived. Traders and investors, on the other hand, seem to assign a higher probability of a recession, but are optimistic that this will lead to cuts in interest rates that will be supportive of financial assets.

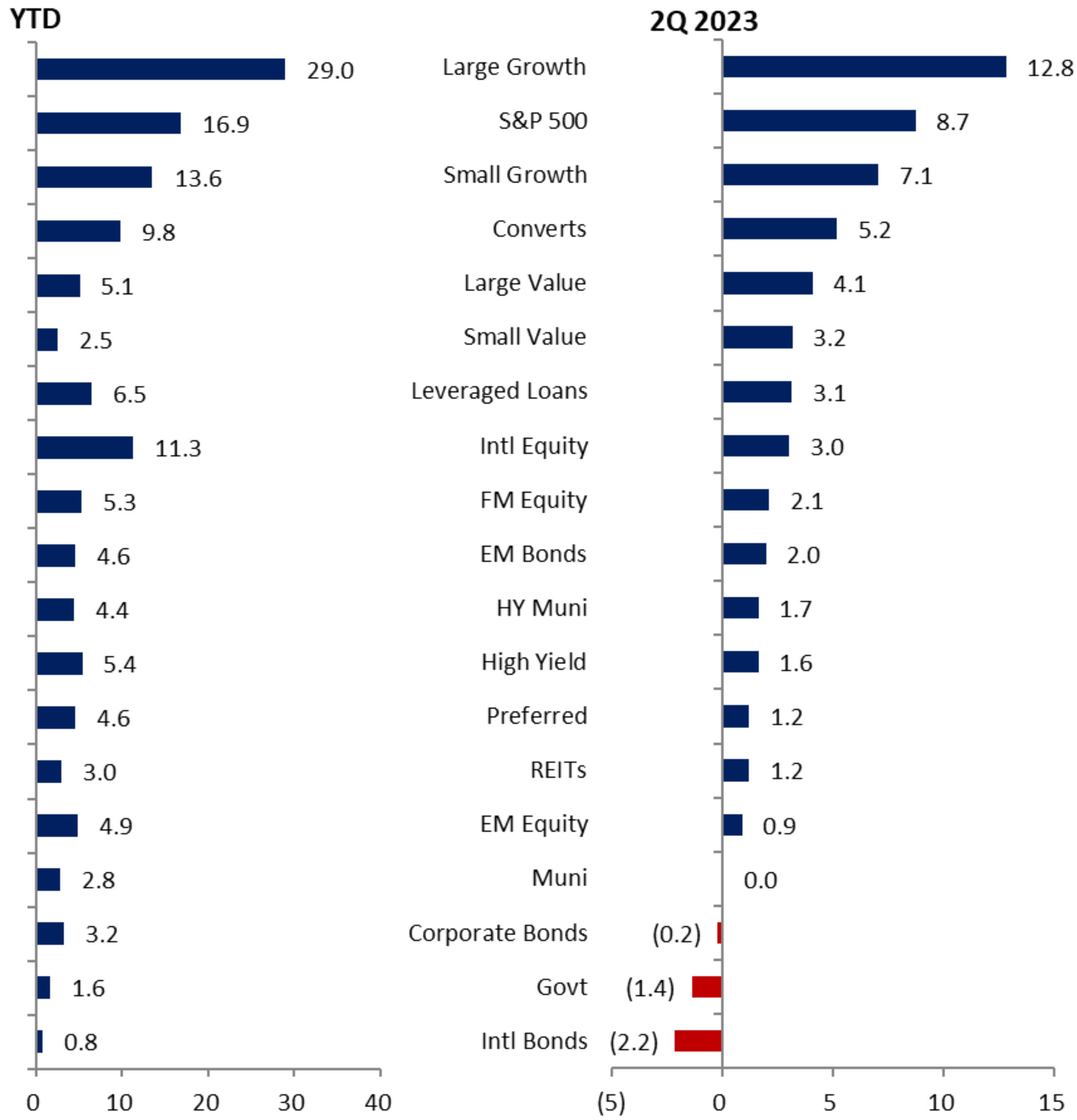
Stock Market Returns During Recession Years

Recession	6 Months Prior	During the Recession	One Year	Three Years	Five Years	Ten Years
Nov 1948 - Oct 1949	9.83%	4.12%	31.48%	87.98%	171.33%	497.04%
Jul 1953 - May 1954	-6.46%	27.57%	35.92%	83.74%	144.81%	294.38%
Aug 1957 - Apr 1958	9.28%	-6.51%	37.31%	66.35%	89.72%	211.33%
Apr 1960 - Feb 1961	-1.04%	18.40%	13.61%	35.06%	68.41%	111.33%
Dec 1969 - Nov 1970	-7.78%	-3.45%	11.24%	20.63%	25.16%	145.87%
Nov 1973 - Mar 1975	2.86%	-17.90%	28.32%	21.99%	55.33%	252.40%
Jan 1980 - Jul 1980	7.67%	16.14%	12.92%	55.89%	100.89%	345.64%
Jul 1981 - Nov 1982	-1.02%	14.66%	25.40%	67.24%	103.23%	350.51%
Jul 1990 - Mar 1991	3.09%	7.64%	11.04%	29.84%	98.21%	284.66%
Mar 2001 - Nov 2001	-17.84%	-7.18%	-16.51%	8.44%	34.33%	33.16%
Dec 2007 - Jun 2009	-2.33%	-35.46%	14.43%	57.70%	136.98%	294.17%
Mar 2020 - Apr 2020	1.92%	-1.12%	45.98%	43.20%	???	???

Source: NBER, AWealth of Common Sense

So, how might the equity markets fare in a recession? As the chart above shows, the economy and the equity markets are not always in sync. There have even been some recessions that did not result in a decline in the S&P 500 index. There is always a temptation for investors to take money off the table when talk of a recession becomes louder, but the past shows it might be wiser to sit tight until more compelling evidence emerges.

2nd QUARTER PERFORMANCE OF MAJOR ASSET CLASSES

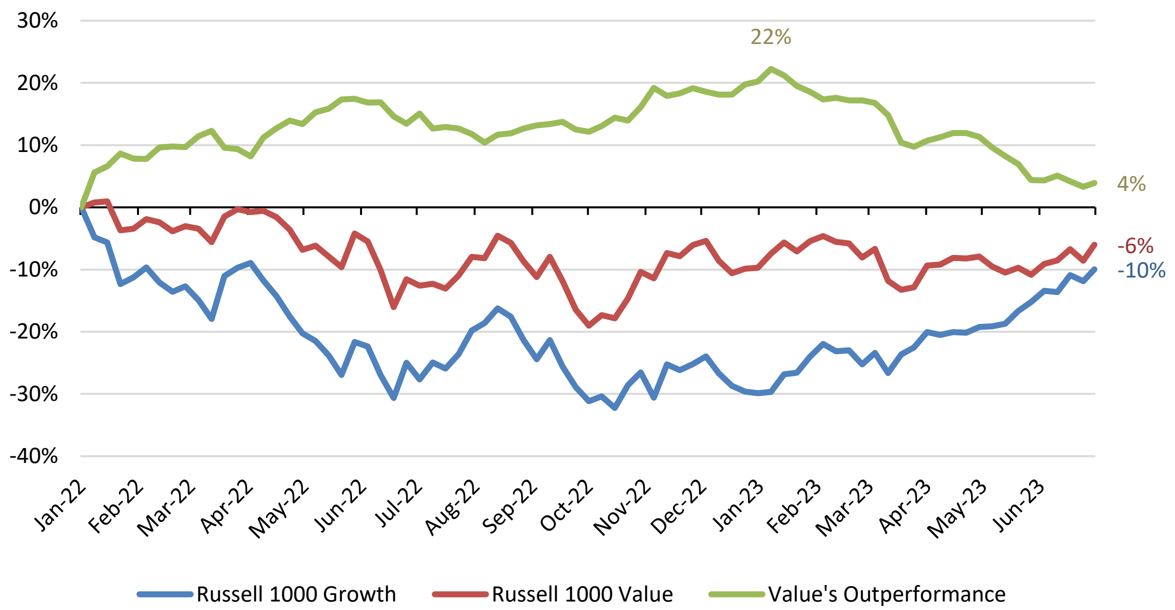


Source: Morningstar

EQUITIES

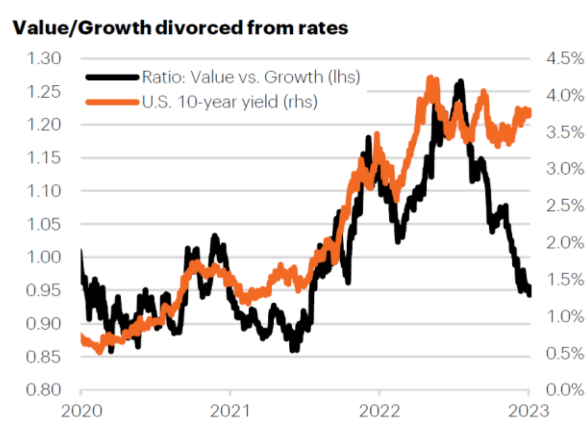
Equities performed well in the second quarter, shrugging off fears of contagion from regional banks as well as the drama of the debt ceiling showdown. Most major equity indexes globally posted positive results. The Russell 1000 Growth led in the US with a 12.8% gain, bringing its year-to-date return up to more than 29%. On the other side of the large cap spectrum, the Russell 1000 Value had a +4.1% return, resulting in a year-to-date return of just over 5%. This remarkable shift in fortunes has largely reversed the return differential between the two styles we saw in 2022.

Large Cap Value's Outperformance Is Shrinking



Source: Morningstar

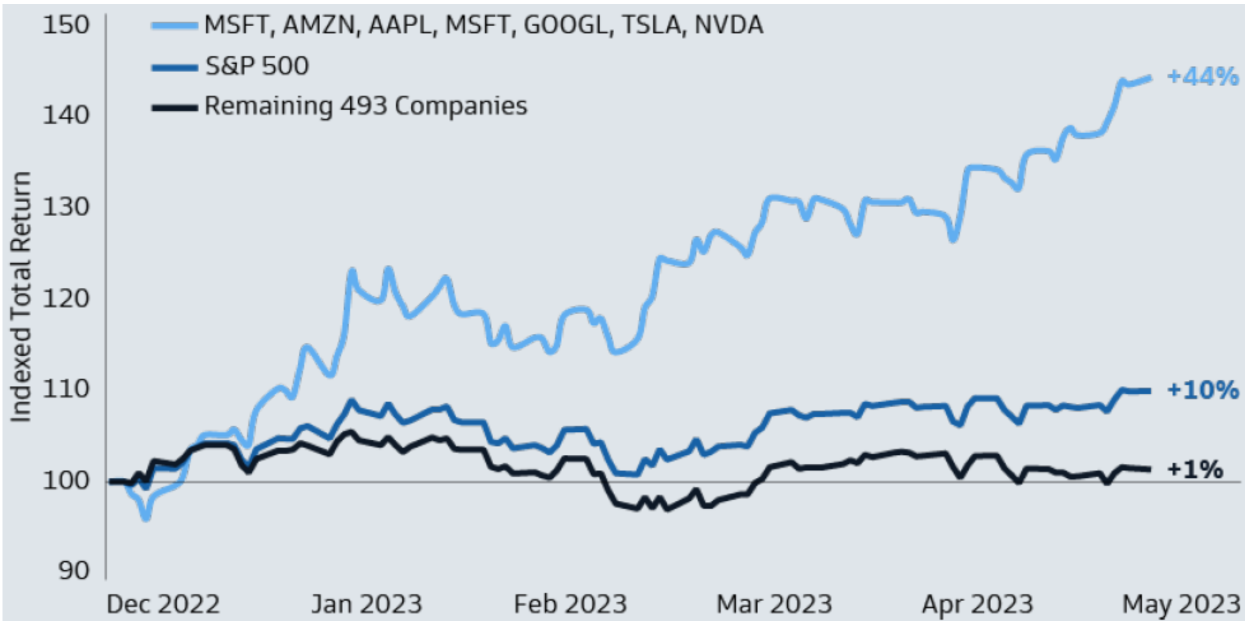
Interestingly, growth equities have continued their rise despite continued increases in interest rates. We typically see the value/growth relationship have a high correlation with interest rates, but that relationship has broken down since the beginning of the year and has continued its decoupling this quarter. Whether this phenomenon persists remains to be seen, but it may be largely attributable to the lack of breadth in the performance of the index.



Source: Bloomberg, FS Investments

In fact, just seven companies are driving the returns of the market this year. Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia, and Tesla. These "Magnificent Seven" stocks have accounted for nearly all of the return of the S&P 500's +16.9% performance so far this year, which is especially remarkable given this is the best performance of the index in the first half of a year since 2000. This narrow leadership has caused equity managers who do not own these companies to underperform the index, sometimes significantly, which has perhaps even further bloated valuations as the FOMO factor has forced some managers to begrudgingly buy to not fall even further behind.

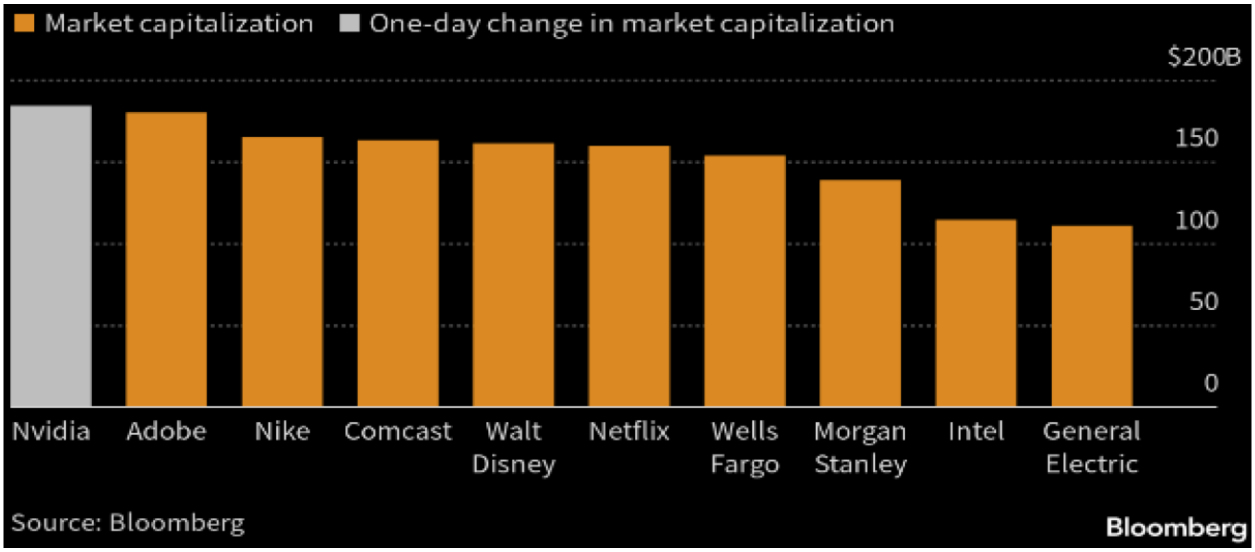
Mega-Cap Stocks Driving Performance of the S&P 500



Source: Goldman Sachs

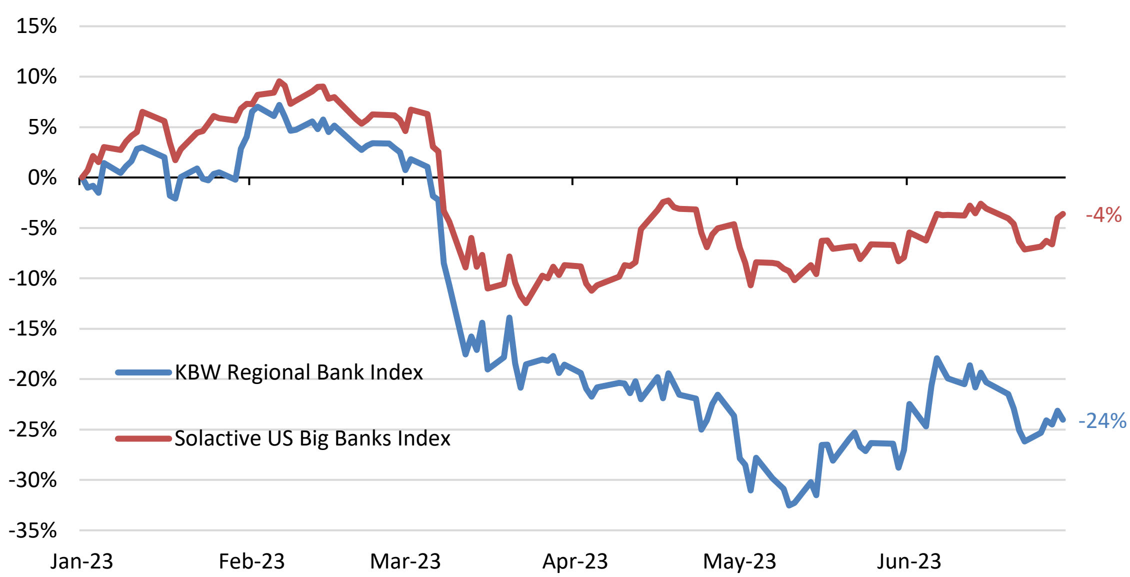
Some of the price appreciation is company-specific performance, and some is related to the recent AI euphoria. This is particularly evident in Nvidia's extraordinary year so far. Following a horrid 2022 which saw a -50.3% drop in value and even before its first quarter earnings were released in late May, Nvidia was already up 109%. Then the company absolutely blew expectations out of the water, gaining another 24% in one trading session. To put the size of this gain into context, Nvidia's value grew — in a single day — by more than the entire market cap of household names such as Adobe, Nike, Comcast, Disney, Netflix, and Wells Fargo.

Nvidia's Historic One-Day Change in Market Capitalization



Coming back to the issues we have recently seen in the banking sector, regional banks have yet to see their equity values recover after the Silicon Valley Bank and First Republic failures. While bigger banks have largely rebounded from their lows in March and April, their smaller, regional counterparts have yet to see any such momentum. To be fair, some of these smaller banks are suffering from similar problems that led to the demise of the aforementioned banks, but others will not suffer the same fate. Once the market obtains a better understanding of the issues at each of these banks and the likelihood and severity of potential new regulations, one can reasonably expect this performance divergence to result in a boon in performance for those who are able to suss out the winners from the losers.

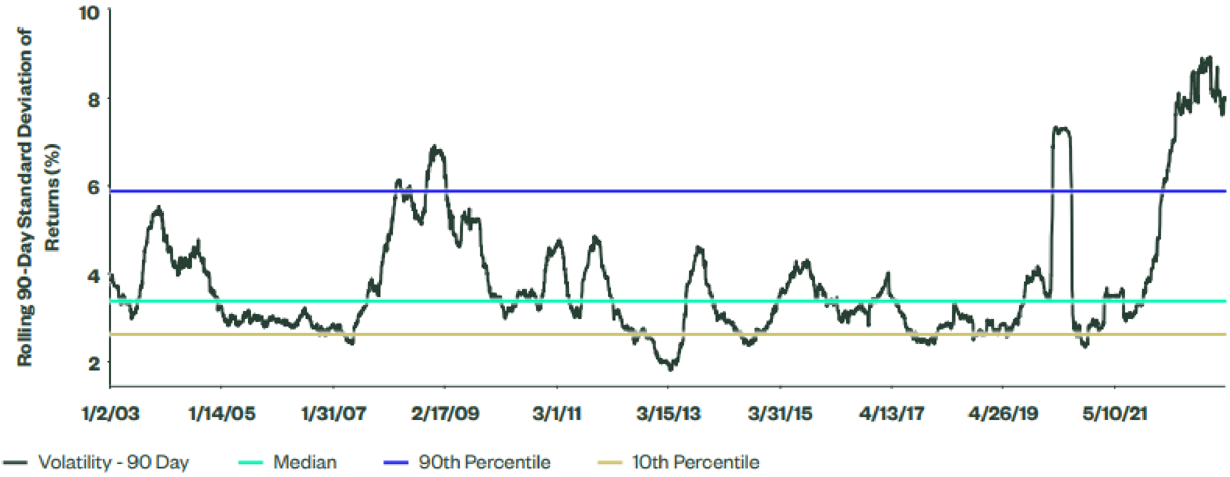
Bank Performance YTD, by size



Source: Bloomberg

BONDS

Bond Volatility



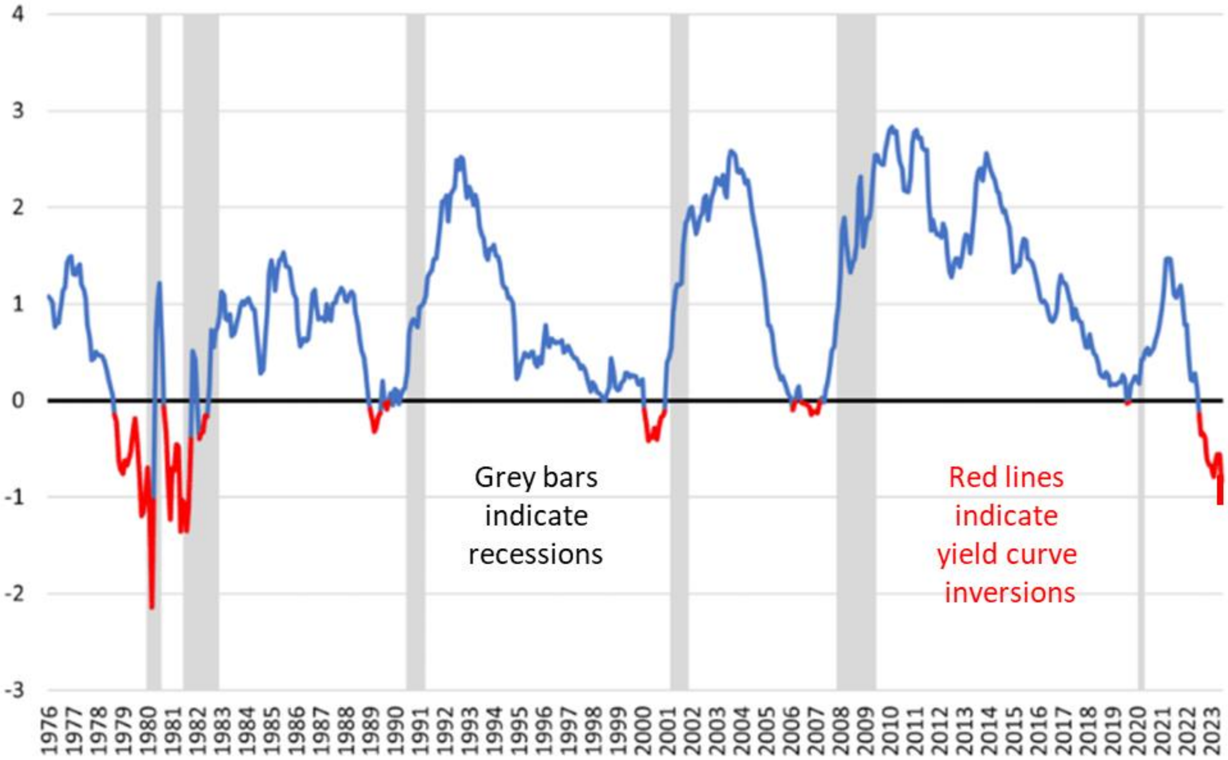
Source: State Street Global Advisors

Following the rollercoaster moves of the first quarter, the bond markets settled down during the second quarter. Interest rates continued to climb steadily across the yield curve, with the 3-month Treasury bill rising by 50 basis points to 4.3%, the 2-year note by 90 basis points to 4.9%, and the 10-year note by 30 basis points to 3.8%. Nevertheless, the ongoing debate between the Federal Reserve and many bond market investors on the direction of interest rates has led to bond volatility rising to 35-year highs. Liquidity in the Treasury market has fallen to the lowest levels since the March 2020 pandemic market crash. “You can’t have a conversation with Treasury traders without them going on a rant about Treasury liquidity,” said Hani Redha, a portfolio manager at PineBridge Investments. “That just means that moves get amplified. You’re going to get overshoots in both directions.”

Lack of liquidity does not bode well as the Treasury market faces the prospect of absorbing over a trillion dollars of new issuance. The inverted yield curve does not help either, as bond traders need to finance their inventory positions with increasingly higher short-term repo costs. The difference between 2- and 10-year yields has dropped below 100 basis points – the curve has not been inverted this deeply, or for as long, since the early 1980s when Paul Volcker drove the economy into a recession.

Despite this challenging background most bond asset classes generated positive returns for the quarter, as credit spreads tightened. Investment grade spreads fell by 15 basis points and high yield by 45 basis points. As credit spreads sit slightly below their 20-year averages, the market believes that the recession an inverted yield curve usually predicts is still far away. Both Fitch and Moody’s, however, expect defaults for below-investment-grade borrowers to rise as the Federal Reserve holds interest rates near peak levels, and tighter lending conditions and elevated input costs weigh on corporate borrowers. The rating agencies expect high yield bond defaults to climb to 4.5% to 5% by the end of the year, up from 1.9% today, higher than the 4.1% long-term average. They expect defaults for leveraged loans to be higher, at 4.0%-4.5% this year.

Yield Curve Inversion, 10-Year Minus 2-Year Treasury Yields

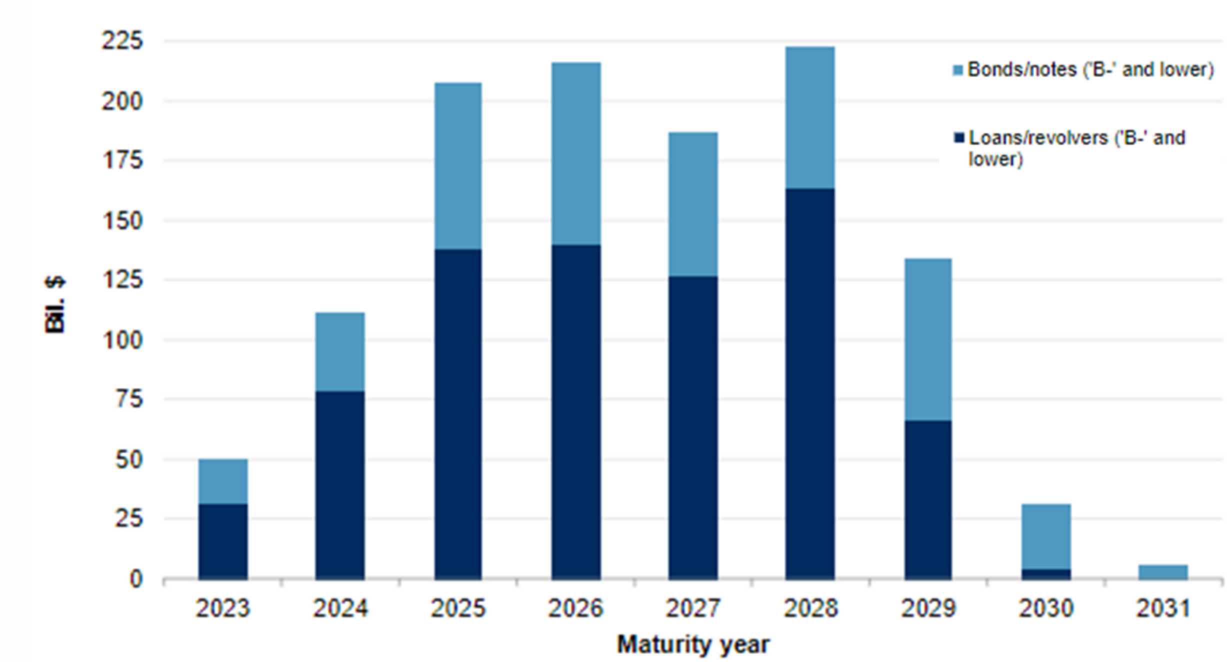


Source: RIA

However, many institutional investors are less pessimistic about non-investment grade credit. Covid-related shutdowns led to a spike in high yield defaults in 2020 and 2021 of nearly 9%. This period brought forward a wave of defaults that have already removed many weaker issuers from the market. As the new issuance market reopened, many issuers refinanced at lower rates, extending maturities for four or five years. This has stretched out the "maturity wall" to even volumes from 2025 through 2028. Since many economists expect the recession later this year to be brief and shallow, it is possible that economic and market conditions might recover before a significant wave of maturities begin. In the aftermath of the Global Financial Crisis, delinquency rates on commercial bank loans secured by commercial real estate were 3.5% in the first quarter of 2008 and did not peak, at 10.2%, until the first quarter of 2010, a full two years after the collapse of Bear Stearns.

Finally, issuer fundamentals may be better than many fear. High-yield issuers' operating earnings surprised to the upside in the first quarter. Net leverage (net debt divided by profits) for high-yield issuers has come down sharply, to levels in line with the historical averages, and robust cash flow growth has driven the market's debt service coverage ratio close to decade-high levels. Rating upgrades have outpaced ratings downgrades so far this year, and light new issue volumes have bolstered the market's supply/demand dynamic. Yields above 8% for BB-rated bonds and 12% for C-rated bonds may create an attractive entry point for high-yield investors.

Refinancing Maturities for Below-Investment Grade Issuers



Source: S&P Global

While we wait for these opportunities to unfold, we recommend that investors focus on cash (short term Treasuries, money market funds) that offer high yields relative to their durations, as well as on high quality investment grade corporate, municipal and mortgage bonds. Municipal issuers in general have strong balance sheets due to government pandemic support, and like the Treasury market, the yield curve is inverted, with maturities shorter than 3 years offering higher yields than maturities in the "belly" of the curve (5 to 10 years). In mortgages, the housing markets continue to remain robust, with over 98% of mortgage borrowers paying on loans below the current 30-year mortgage rate of just under 7%. For the time being, bonds may offer better relative value than equities.

WILL ARTIFICIAL INTELLIGENCE BE THE NEW INTERNET BUBBLE?

Source: Artificial Investing Network News

So, what is AI?

Artificial intelligence is the application of software code to teach computers how to understand, synthesize, and generate knowledge and carry out tasks that would typically require human intelligence. Advances in natural language processing – which allows computers to understand normal human language, as opposed to specialist software code – and Large Language Models – which allow computers to analyze trillions of pieces of text, images and sounds – have led to tools like ChatGPT that can answer questions in a more nuanced way than a traditional internet search engine. AI tools can observe their environment (for example in autonomous driving), learn from experience, and make logical decisions. AI is designed to mimic certain aspects of human thinking, such as problem-solving, pattern recognition, decision-making, and language interpretation.

AI can be classified into two categories: narrow AI and general AI. Narrow AI refers to systems designed to perform specific tasks or solve particular problems. Examples include virtual assistants like Siri or Alexa, or shopping recommendation algorithms used by Amazon. General AI, or Artificial General Intelligence (AGI), aims to build machines that possess human-like intelligence and can perform any intellectual task like a human. Achieving true general AI may be a few years away. Humans need to program and train AI systems to perform. To respond to questions about literature, for example, it is insufficient to throw every book ever written into a database; English literature experts must teach the system to understand the difference between a novel and a poem, the rules of grammar, or why plots should progress logically. Hence the “training” in Chat “Generative Pre-trained Transformer” (aka ChatGPT).

What are the opportunities created by AI?

AI has potential applications across virtually every field of human activity. It can lead to more accurate diagnoses of diseases, help prevent fraud in our banking system, and assist journalists’ fact-check their reporting more accurately. It is likely to augment every type of knowledge work, and even manual workers will benefit from AI-operated machine tools. Interacting with customers, marketing and sales, and developing software are the areas where AI tools may help workers improve their productivity the most. McKinsey estimates that AI could add $2.6 trillion to $4.4 trillion annually to the global economy, about equivalent to the entire GDP of the United Kingdom.

To illustrate their power in one industry, AI systems recently passed the National Council Licensure Examination, the national examination required to become a registered nurse, by 89% compared to 73% for candidates with bachelor's degrees. Since one in three nurses are leaving the workforce, such tools could significantly augment the productivity of healthcare professionals and address severe staffing shortages. As Munjal Shah, an entrepreneur developing such tools explained, "Today, we're only able to give chronic care nurses to 1 or 2 percent of patients, because at $90 an hour the math doesn't work. Imagine if every single person with a chronic disease had their own nurse looking after them every day, every minute of the day, who remembered everything about their past conversations and who could speak to them in any language – like a personalized guide helping them with their healthcare at all times. With AI, that's what we can finally do."

Ok, so how can investors make money from AI?

Investors can potentially invest in several areas. Since AI requires enormous computer processing power and data storage, semiconductors are the key raw materials of the AI revolution. Nvidia has clearly established itself as the dominant supplier due to its faster chips, advanced software and data storage systems. Analysts regard the company as being four or five years ahead of its competition. However, its stock has already shot up from $147 to $423 so far this year and is trading at a PE of 215 based on it past 12 months of earnings. Large technology companies such as Microsoft and Google that can offer AI tools and business solutions should also benefit. Microsoft entered into a joint venture with OpenAI, one of the leaders in developing AI, back in 2019, and has access to an enormous customer base through its business software franchise. Google acquired AI pioneer DeepMind as far back as 2014 and can exploit its dominance in search to capture eyeballs. IBM has been developing its Watson platform (the system that owns quiz show Jeopardy) for over a decade. Cloud platform operators, which includes Microsoft and Google but also market leader Amazon, should benefit as more AI processing is performed on the cloud.

Software companies should also be able to exploit an exponential increase in coding productivity. AI can generate new code based on patterns from existing code, test its output and even fix its own bugs by itself, freeing up developers' time for more creative work. In media and entertainment, AI can generate new content, images, and music, although we are likely to see significant pushback from workers whose livelihoods would be challenged (as we have already seen with the actors and screenwriters' strikes) and from consumers, who may be put-off by obviously AI-generated content. Conventional wisdom also suggests that suppliers of "picks and shovels" should benefit in any boom. In the case of AI, this may include consulting, software development, cloud-based AI services, or AI-as-a-Service (AIaaS),

It is also important to remember that with any emerging technology, much of the activity is taking place in private companies at very early stages of business development. Allocations to venture capital may provide some exposure to AI. According to Pitchbook, venture firms have increased investment in Generative AI by 425% since 2020 to $2.1 billion.

What are the *investment* risks involved with AI?
Many analysts are comparing the current AI boom to the internet boom of the late 1990's, which was followed by a bust resulting in the Nasdaq Composite Index falling 78% from the March 2000 peak to October 2002 trough. It subsequently took many years for scalable and commercial internet businesses to become a reality. So, picking winners and losers today may be challenging. Investors need to be cautious about ignoring irrational valuations and jumping on the momentum, hoping that they will be smart enough to time any correction. Second, investors should not confuse technological innovation with value creation. Betamax, Napster and MySapce were all pioneering technologies that failed to create sustainable profits. If the history of cryptocurrencies offers a guide, then exaggerated claims, flawed business models and outright scams are likely to be widespread.

Businesses applying AI thoughtlessly may also face litigation and regulation. Much of the data that goes into AI systems has been scraped from the internet. Content creators have already challenged the incorporation of their work into AI datasets. The Supreme Court ruled in May that Andy Warhol's estate could not benefit financially from Warhol's painting of the musician Prince, since it had been clearly based on a print made by photographer Lynn Goldsmith. Such litigation around intellectual property will become more prevalent as AI tools generate output based on internet data.

The European Union is also working on regulations governing AI. It proposes to ban services that use "subliminal techniques" to manipulate people and limit facial recognition and credit scoring. Penalties for violations are stiff: up to €30m ($36m) or 6% of global revenues, whichever is higher. Since there is precedent in Europe's General Data Protection Regulation governing data privacy becoming the de facto global standard, regulatory risk is significant.

What are some other risks?
In May, the Center for AI Safety published an open letter warning that uncontrolled development of AI could lead to "risk of human extinction." High-profile signatories of the statement included Geoffery Hinton, considered to be the "godfather of AI," OpenAI CEO Sam Altman, DeepMind CEO Demis Hassabis, Anthropic CEO Dario Amodei, and professors from UC Berkeley, Stanford, and MIT. AI raises important questions around data security, state control, job losses and income inequality. These issues will impact the application of AI tools and impact the growth and profitability of AI companies.

How should investors prepare themselves for the age of AI?
The advent of the internet led to a stock market bubble, but out of its collapse emerged companies and business models that changed the way we live and work that were unimaginable at the turn of the 21st century. AI is a step in a technological revolution that began with the creation of Intel's micro-processor in 1971; it will impact every business and investment going forward. A few years ago, we asked our asset management partners what they were doing with respect to ESG. The responses ranged from well-thought out and genuine integration to blatant greenwashing to outright cluelessness about its implications. While the jury may still be deliberating on the relevance of ESG, there should be no questions about the critical importance of AI to every investment strategy. Even ChatGPT says so.

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.