LOOMIS | SAYLES

INVESTMENT OUTLOOK

OCTOBER 2021

WE BELIEVE THE GLOBAL EXPANSION IS BROADLY UNDERWAY, THOUGH THE COVID-19 DELTA VARIANT HAS TAKEN SOME STEAM OUT OF THE GLOBAL GROWTH ENGINE. WE ANTICIPATE SOLID BUT LESS SYNCHRONISED GLOBAL GROWTH AHEAD.

It appears most central banks plan to remove accommodation slowly, which is the silver lining to our less-robust growth and labor market outlook. Markets tend to get a little bumpier at this stage of the cycle, but we believe risk assets should still perform well.

MACRO & MARKET COMMENTARY

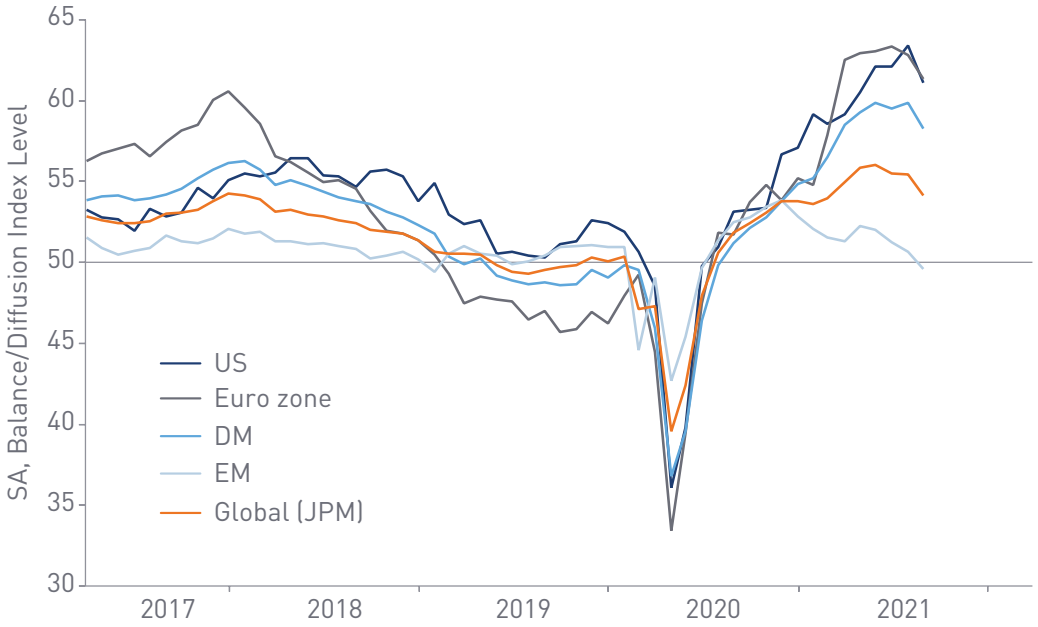
MACRO DRIVERS

Financial conditions likely to remain easy as the Fed tapers asset purchases.

- The delta-variant-fueled surge in COVID-19 cases is showing signs of peaking but may linger into early 2022. FDA approval of COVID-19 vaccines for children under 12 years old could be an important catalyst that helps stop the spread.
- We have lowered our growth expectations for the second half of 2021 as the uptick in COVID-19 cases has weighed on services, in-person business and consumer sentiment.
- In our view, the strong consumption and demand for goods and services we had anticipated in the second half of 2021 should resume in 2022.
- Higher inflation data has been stickier than we previously expected. However, we believe some current inflationary drivers, such as supply chain bottlenecks, will correct over time.
- As inflation moderates, central bankers will likely focus on labor market health. We believe the United States and euro zone are several quarters away from rate hikes.

IN OUR VIEW, US AND EURO ZONE MANUFACTURING PMIs SHOULD CONTINUE TO LEAD WHILE EM LIKELY FACES HEADWINDS

MARKIT MANUFACTURING PMI INDICATORS



Source: Refinitiv Datastream, datastream as of 30 September 2021. SA= Seasonally adjusted.

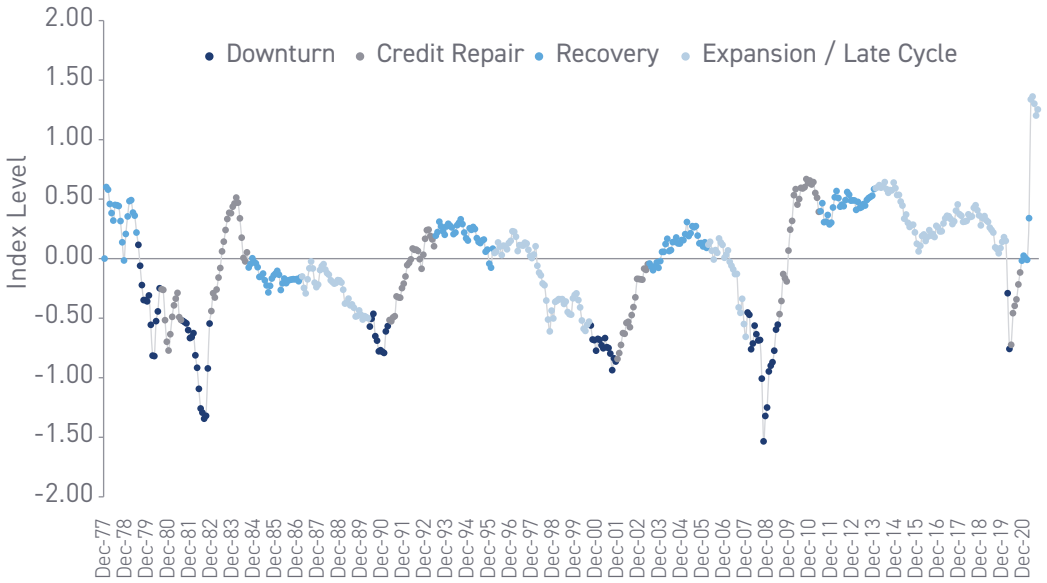
CREDIT

We believe global and US credit have the potential to deliver positive excess returns in the months ahead.

- Government bonds appear unlikely to deliver positive returns amid rising rates, particularly after adjusting for inflation.
- Higher coupon income and modest spread compression may help US and European high yield credit outperform investment grade credit. The high yield sector's low-duration profile relative to investment grade could also bolster performance when government rates begin to rise.
- We believe solid fundamentals could lead to credit rating upgrades.
- The US levered loan market is generally a high-yielding sector of the credit market. In our view, strong fundamentals and a supportive macroeconomic backdrop could provide potentially attractive opportunities to earn carry in the loan market.
- Emerging market investment grade and high yield corporate credit can be another source of excess return potential versus government bonds. However, we believe security selection will be critical as global growth becomes less synchronised. We will be looking for opportunities to invest when securities trade at a discount to perceived fair value.

CORPORATE HEALTH APPEARS STRONG RELATIVE TO HISTORY. THIS SUPPORTS OUR VIEW THAT THE CREDIT CYCLE IS FIRMLY IN EXPANSION.

LOOMIS SAYLES' CORPORATE HEALTH INDEX



Source: Loomis Sayles, Bloomberg, as of 31 August 2021. Loomis Sayles' Corporate Health Index "CHIN Index" is a proprietary framework that utilises a combination of macro, financial market and policy variables to project US corporate health relative to history. A higher reading indicates stronger corporate health.

GOVERNMENT DEBT & POLICY

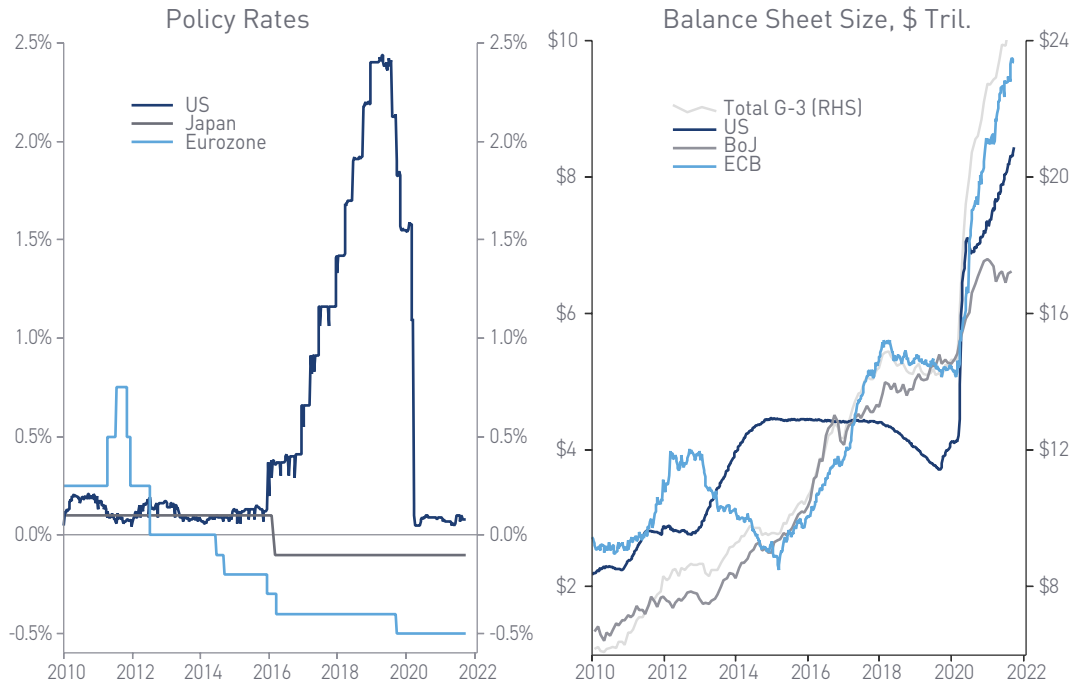
We expect developed market interest rates to gradually drift higher.

- The Fed has signaled that it will begin tapering asset purchases around year-end. The tapering period is likely to last six to eight months. We believe quantitative easing will conclude in the middle of 2022.
- Fed communications have thus far been effective in avoiding a "taper tantrum." Any deviations from the anticipated time frame could surprise financial markets and spark volatility.
- A Fed rate hike in 2022 would surprise us. We think the Fed is unlikely to start hiking rates until mid-2023 or later.
- We believe the European Central Bank and Bank of Japan will wait for the Fed to embark on a hiking cycle before initiating their own.
- We do not currently see any catalysts that would drive developed market interest rates significantly higher, but we do expect rates to generally trend upward during the global expansion.
- In our view, idiosyncratic country developments will likely help drive performance among emerging market US-dollar-denominated sovereign bonds. We believe some frontier markets can offer attractive valuations.

WE BELIEVE THE FED WILL END ITS EXTRAORDINARY ASSET PURCHASE PROGRAM LONG BEFORE RAISING THE TARGET POLICY RATE.

G-3 CENTRAL BANK MONETARY POLICY

Source: Source: Refinitiv Datastream, data as of 30 Septmber 2021.



CURRENCIES

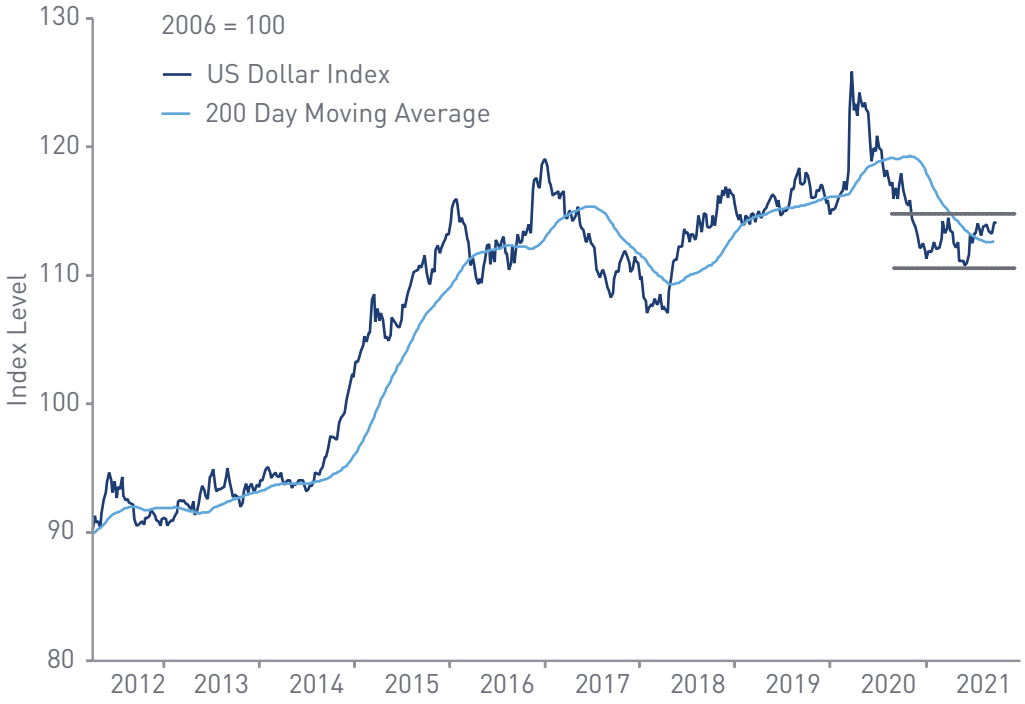
We are looking to selectively add non-US-dollar exposure in developed and emerging markets.

- The global economic expansion has been uneven, but we anticipate positive growth in most countries. We expect the broad dollar indices to trade in a tight range near term.
- We believe strong risk appetite and cyclical improvement in the global economy will eventually lead to a broadly weaker dollar, but for now we prefer a selective approach.
- We currently see opportunities to add non-dollar exposure in developed Europe and some emerging markets within Latin America and Asia.
- We believe country selection within emerging markets is critical. The fundamental backdrop for each country has been progressing at a different rate. Political risk remains a key consideration for some emerging markets, notably in China.
- Global growth forecasts may soften a bit further in the months ahead. We expect capital flow into non-dollar assets will pick up once expectations begin to firm.

THE TRADE-WEIGHTED US DOLLAR HAS TRADED IN A TIGHT RANGE FOR MOST OF 2021; WE DO NOT BELIEVE A BREAKOUT OR BREAKDOWN IS IMMINENT

US TRADE-WEIGHTED NOMINAL BROAD DOLLAR INDEX

Source: Bloomberg, Federal Reserve, JP Morgan, data as of 17 September 2021. Indices are unmanaged and do not incur fees. You cannot invest directly in an index.



EQUITIES

From a relative value standpoint, we currently prefer equities over government bonds.

- The expansion phase of the credit cycle is typically favorable for equity performance. Early expansion could be a good buying point for equity investors looking for multi-year upside potential.
- We believe the pace of earnings growth has peaked for this cycle. We believe equity returns will remain positive, but below the levels achieved during the post-pandemic recovery.
- In our view, equities are likely to outperform credit and government bond markets. We think earnings growth and dividend income will help drive equity performance rather than multiple expansion.
- Large-cap US equity valuations appear elevated relative to history. However, most major large-cap US equity indices are now heavily weighted in high-profitability sectors that typically command a valuation premium, such as information technology.
- We expect US equities to outperform global equities over the long term, likely driven by strong fundamentals and economic prospects that typically lead to a more solid and consistent operating environment.
- In our view, market corrections and bouts of risk-off trade are bound to happen. However, we would view such events as potential buying opportunities unless the expansion itself is at risk.

CORPORATE EARNINGS HAVE BEEN STRONG AND FORWARD ESTIMATES HAVE BEEN REVISED HIGHER.

CONSENSUS ESTIMATES FOR MSCI ALL COUNTRY WORLD EARNINGS PER SHARE BY CALENDAR YEAR

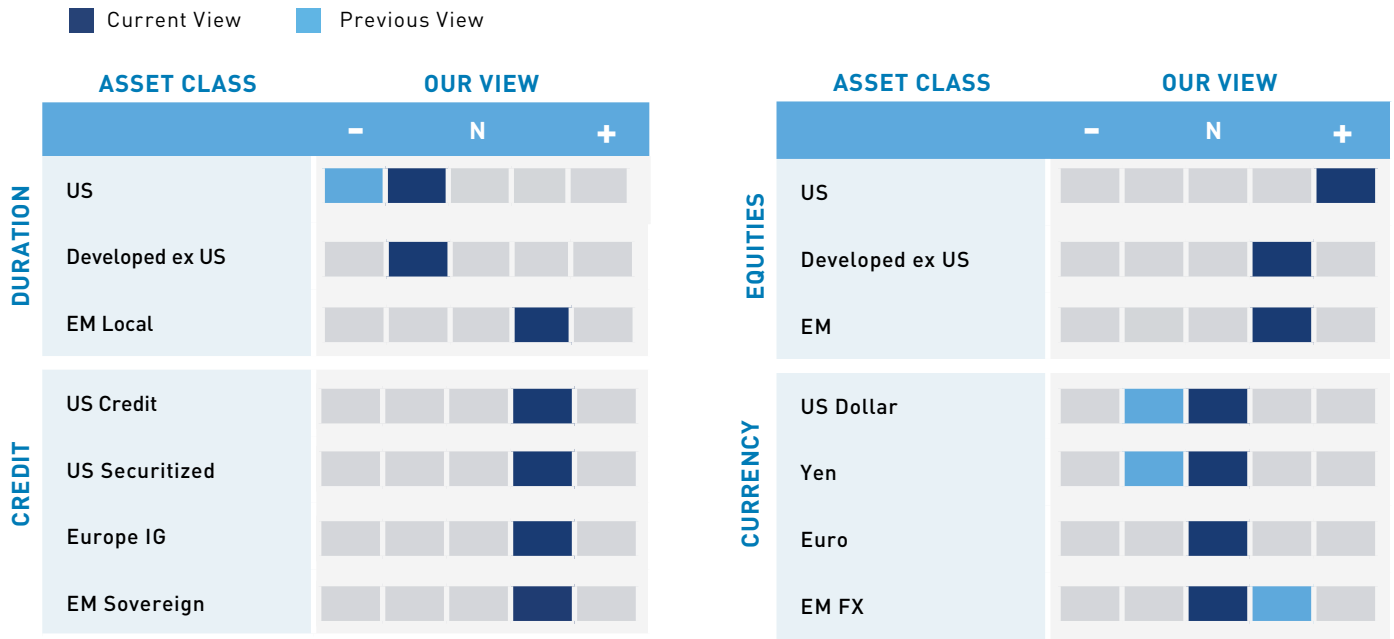
Source: Refinitiv Datastream, IBES, data as of 29 September 2021.

POTENTIAL RISKS

Supply chain bottlenecks could last longer than anticipated and may result in higher inflation.

- Inflation may stay higher than anticipated if supply chain bottlenecks become a long-term growth constraint. Remaining patient and accommodative may be the only tool policymakers have to effectively fight that battle.
- Disruptions from COVID-19 are likely to fade as worldwide vaccination continues. However, a return to synchronized global growth could still fail to materialize within the next year.
- A shift toward more severe policy crackdowns and ongoing deleveraging in China could negatively impact the growth outlook for emerging markets tied to China's growth.
- Developed market government bond yields have been shifting higher in line with expectations. If the move becomes a significant repricing of higher yields, risk asset valuations would likely take a hit.
- Negative shocks could spark downward revisions to our broadly positive outlook for corporate profits and risk asset performance.

ASSET CLASS OUTLOOK



Third Quarter Review

INDEX RETURNS BY SECTOR
as of 30 September 2021

INDEX				
US BROAD MARKET	1 MONTH	3 MONTH	6 MONTH	1 YEAR
BBG US AGGREGATE BOND	-0.87	0.05	1.88	-0.90
BBG US GOVERNMENT/CREDIT	-1.07	0.04	2.46	-1.13

The broad fixed income market trended sideways during the third quarter. In the midst of a strong US economic recovery, investors juggled a myriad of ongoing concerns, including the potential for sustained elevated inflation, the COVID-19 delta variant, and a potential slowdown in China's growth. These factors resulted in flat performance for the fixed income market.

US GOVERNMENTS	1 MONTH	3 MONTH	6 MONTH	1 YEAR
BBG US TREASURYS	-1.08	0.09	1.83	-3.30
3-MONTH T-BILLS	0.00	0.01	0.01	0.07
2-YEAR TREASURY	-0.09	0.10	0.01	0.00
5-YEAR TREASURY	-0.88	-0.15	0.55	-2.14
10-YEAR TREASURY	-1.81	-0.07	2.99	-6.07
30-YEAR TREASURY	-3.31	0.39	8.25	-12.71
BBG US TIPS	-0.71	1.75	5.06	5.19
BBG US AGENCY	-0.54	0.06	0.87	-0.70

The US Treasury market posted flat returns for the quarter. The belly of the curve (5- to 10-year maturities) slightly underperformed short and longer maturities. After a sharp drop in yields during July, the yield curve slowly shifted upward, ending the quarter essentially unchanged in nominal terms. Treasury inflation-protected securities (TIPS) led performance during the quarter as breakeven inflation rates traded in a tight range.

US MUNICIPALS	1 MONTH	3 MONTH	6 MONTH	1 YEAR
BBG US MUNICIPALS	-0.72	-0.27	1.15	2.63

Municipal bonds underperformed the broad fixed income market. The state governments and utilities sectors sold off to a smaller degree compared to housing-related sectors.

US SECURITIZED	1 MONTH	3 MONTH	6 MONTH	1 YEAR
BBG MBS	-0.36	0.10	0.43	-0.43
BBG ABS	-0.15	0.05	0.39	0.59
BBG CMBS	-0.77	-0.03	1.84	0.52

Securitised assets traded flat for the quarter. The mortgage-backed securities (MBS) sector barely edged out its peers, supported by the Fed's quantitative easing (QE) program. However, if the Fed begins tapering its QE purchases soon, it would likely reduce support for the sector.

Data Sources: Bloomberg indices from Bloomberg Live; currency returns, JPMorgan and Citigroup indices from Bloomberg; bank loans from S&P Global Market Intelligence.

All returns in US dollars, unless noted. ***Past performance is not a reliable indicator of future performance.***

INDEX RETURNS BY SECTOR

as of 30 September 2021

INDEX				
CORPORATES	1 MONTH	3 MONTH	6 MONTH	1 YEAR
BBG US INVESTMENT GRADE	-1.05	0.00	3.54	1.74
AAA	-1.80	-0.34	4.39	-1.91
AA	-1.15	-0.09	3.50	-0.34
A	-1.09	-0.12	3.11	0.11
BBB	-0.99	0.11	3.87	3.52
BBG EUROPEAN INVESTMENT GRADE *-LOCAL CURRENCY RETURNS*	-0.64	0.08	0.37	1.66
AAA	-0.93	0.06	-0.21	-1.90
AA	-0.62	-0.12	-0.13	-0.20
A	-0.69	0.00	0.15	0.70
BBB	-0.62	0.16	0.58	2.62
BBG STERLING INVESTMENT GRADE *-LOCAL CURRENCY RETURNS*	-2.35	-1.04	0.90	0.07
AAA	-4.87	-3.46	-1.80	-8.77
AA	-3.04	-1.38	0.30	-3.33
A	-2.60	-1.11	0.73	-1.53
BBB	-2.02	-0.89	1.18	1.99

US investment grade debt performed in line with its euro-area counterparts, while Sterling corporate credit underperformed. Lower-quality investment grade bonds tended to outperform corporate credits with higher-quality ratings.

CORPORATES	1 MONTH	3 MONTH	6 MONTH	1 YEAR
BBG US HIGH YIELD	-0.01	0.89	3.65	11.28
BB	-0.21	1.09	3.98	9.74
B	0.11	0.61	2.78	10.04
CCC	0.52	0.75	4.27	18.71
BBG PAN-EURO HIGH YIELD *-LOCAL CURRENCY RETURNS*	-0.11	0.63	2.02	9.77
BB	-0.26	0.44	1.61	7.81
B	0.17	0.83	2.36	11.21
CCC	-0.03	1.31	3.77	18.19

High yield corporate credit posted another quarter of positive returns. Spreads traded within a tight range during the quarter, which led to relatively little price appreciation. High yield debt outperformed investment grade debt largely due to its higher carry. Within the high yield sector, higher-rated US debt outperformed, while the reverse was true within the pan-euro high yield debt market.

Data Sources: Bloomberg indices from Bloomberg Live; currency returns, JPMorgan and Citigroup indices from Bloomberg; bank loans from S&P Global Market Intelligence.

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INDEX RETURNS BY SECTOR

as of 30 September 2021

INDEX				
BANK LOANS	1 MONTH	3 MONTH	6 MONTH	1 YEAR
S&P/LSTA LEVERAGED LOAN	0.64	1.11	2.60	8.40
BB	0.52	0.83	1.66	5.24
B	0.64	1.14	2.68	8.27
CCC	1.39	2.09	5.58	22.65

As is typical, the performance of the high yield bank loan market was highly correlated with that of the US high yield bond market this quarter. Bank loans produced another quarter of positive returns and generally outperformed junk-rated bonds.

DEVELOPED COUNTRIES	1 MONTH	3 MONTH	6 MONTH	1 YEAR
CITIGROUP WGBI *-LOCAL CURRENCY RETURNS*	-1.22	-0.10	0.59	-2.44
CITIGROUP NON-USD WGBI	-1.27	-0.13	-0.14	-1.95
UNITED STATES	-1.15	-0.04	1.85	-3.36
CANADA	-1.49	-0.61	0.35	-4.63
JAPAN	-0.43	0.14	0.47	-0.09
AUSTRALIA	-2.14	0.26	2.55	-2.24
UNITED KINGDOM	-4.08	-2.02	-0.21	-7.43
EUROPEAN GBI	-1.20	0.03	-0.65	-1.82
FRANCE	-1.37	-0.09	-0.89	-3.31
GERMANY	-1.45	-0.11	-0.48	-2.57
IRELAND	-1.33	-0.07	-0.91	-2.40
ITALY	-0.81	0.12	-0.67	1.13
SPAIN	-0.79	0.47	-0.20	-0.87

Global government bonds had mixed performance for the quarter. Developed market Asia Pacific and peripheral European countries outperformed over the past three months. However, the Citigroup World Government Bond Index produced a flat return overall.

EMERGING MARKET BONDS	1 MONTH	3 MONTH	6 MONTH	1 YEAR
JP MORGAN EMBIG *-SOVEREIGN/QUASI-SOVEREIGN, USD*	-1.96	-0.53	3.38	3.88
JP MORGAN CEMBI BROAD DIVERSIFIED *-CORPORATES, USD*	-0.67	0.25	2.35	6.03
JP MORGAN GBI-EM GLOBAL DIVERSIFIED *-GOVERNMENTS, LOCAL CURRENCY*	-1.11	-0.24	1.16	0.64

Emerging market government bonds fared no better than developed market countries, whether it was US-dollar-denominated debt or local-currency bonds. Corporate credit modestly outperformed the government sector.

Data Sources: Bloomberg indices from Bloomberg Live; currency returns, JPMorgan and Citigroup indices from Bloomberg; bank loans from S&P Global Market Intelligence.

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INDEX RETURNS BY SECTOR

as of 30 September 2021

INDEX				
CURRENCY MARKETS	1 MONTH	3 MONTH	6 MONTH	1 YEAR
DOLLAR BLOC				
CANADIAN DOLLAR	-0.50	-2.22	-0.93	5.04
AUSTRALIAN DOLLAR	-1.22	-3.61	-4.88	0.91
NEW ZEALAND DOLLAR	-2.07	-1.20	-1.23	4.26
WESTERN EUROPE				
EURO	-1.94	-2.34	-1.28	-1.20
NORWEGIAN KRONE	-0.59	-1.65	-2.26	6.67
SWEDISH KRONA	-1.58	-2.41	-0.36	2.23
SWISS FRANC	-1.78	-0.72	1.28	-1.16
BRITISH POUND	-2.04	-2.58	-2.24	4.29
EMERGING EUROPE & AFRICA				
CZECH KORUNA	-1.67	-1.72	1.76	5.54
HUNGARIAN FORINT	-4.80	-4.55	-0.58	-0.08
POLISH ZLOTY	-3.79	-4.24	-0.80	-2.91
RUSSIAN RUBLE	0.67	0.54	4.03	6.71
SOUTH AFRICAN RAND	-3.61	-5.20	-1.94	11.15
TURKISH NEW LIRA	-6.47	-2.09	-7.21	-13.24
ASIA				
JAPANESE YEN	-1.14	-0.16	-0.51	-5.22
CHINESE RENMINBI	0.25	0.19	1.68	5.37
INDONESIAN RUPIAH	-0.31	1.31	1.48	3.96
MALAYSIAN RINGGIT	-0.74	-0.89	-0.98	-0.71
PHILIPPINE PESO	-2.43	-4.27	-4.81	-4.90
SINGAPORE DOLLAR	-0.94	-0.91	-0.95	0.57
SOUTH KOREAN WON	-2.07	-4.88	-4.39	-1.21
LATIN AMERICA				
ARGENTINE PESO	-1.01	-3.05	-6.84	-22.85
BRAZILIAN REAL	-5.33	-8.70	3.51	3.06
CHILEAN PESO	-4.43	-9.34	-11.24	-3.18
COLOMBIAN PESO	-0.94	-1.46	-2.72	0.56
MEXICAN PESO	-2.75	-3.41	-1.01	7.14
PERUVIAN NEW SOL	-1.12	-6.50	-9.46	-12.87

Very few currencies were able to post positive returns against the US dollar in the third quarter. Currencies in Emerging Europe and Latin America lost significant ground due to a mix of idiosyncratic factors, while general market forces led to the dollar's rally against most major developed market currencies.

Data Sources: Bloomberg indices from Bloomberg Live; currency returns, JPMorgan and Citigroup indices from Bloomberg; bank loans from S&P Global Market Intelligence.

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GLOBAL EQUITY MARKETS
as of 30 September 2021

INDEX TOTAL RETURNS (%)				
INDEX	3 MONTH	1 YEAR	3 YEAR	5 YEAR
S&P 500®	0.58	29.87	15.91	16.84
MSCI ALL COUNTRY WORLD	-0.95	27.86	13.07	13.73
MSCI EUROPE	-1.46	27.84	8.39	9.46
MSCI JAPAN	4.70	22.37	7.89	9.71
MSCI EMERGING MARKETS	-7.97	18.51	8.92	9.59

The S&P 500 Index was essentially flat for the quarter, though it still outperformed as equity indices in many other major regions produced negative returns. The exception was the MSCI Japan Index, which uncharacteristically was a top-performer in the third quarter.

US EQUITY MARKETS
as of 30 September 2021

INDEX TOTAL RETURNS (%)				
INDEX	3 MONTH	1 YEAR	3 YEAR	5 YEAR
RUSSELL 1000®	0.21	30.83	16.34	17.06
GROWTH	1.16	27.20	21.88	22.76
VALUE	-0.78	34.86	10.02	10.90
RUSSELL MIDCAP®	-0.93	37.94	14.14	14.34
GROWTH	-0.76	30.32	19.04	19.20
VALUE	-1.01	42.21	10.22	10.56
RUSSELL 2000®	-4.36	47.46	10.48	13.41
GROWTH	-5.65	33.12	11.63	15.29
VALUE	-2.98	63.61	8.54	10.99

Within US equities, large-cap stocks outperformed small-cap stocks for the second quarter in a row. In addition, growth stocks generally outperformed value stocks, except within small caps. Growth stocks continued to benefit from historically low yields.

Data Source: FactSet. All returns quoted in US dollars. Performance for one and multi-year periods is annualized. Sorted by index quarterly returns. Due to rounding, sector totals may not equal 100%. ***Past performance is not a reliable indicator of future performance.***

S&P 500 SECTORS
as of 30 September 2021

SECTOR PERFORMANCE ATTRIBUTION (%)				
INDEX	3 MONTH	1 YEAR	3 YEAR	5 YEAR
FINANCIALS	2.74	59.13	13.36	16.64
UTILITIES	1.75	10.98	10.25	9.10
COMMUNICATION SERVICES	1.60	38.39	20.10	11.99
HEALTHCARE	1.43	22.56	12.37	14.17
INFORMATION TECHNOLOGY	1.34	28.92	27.23	28.49
REAL ESTATE	0.88	30.54	14.70	10.22
CONSUMER DISCRETIONARY	0.01	19.15	16.25	19.07
CONSUMER STAPLES	-0.31	11.35	11.92	8.55
ENERGY	-1.64	83.00	-6.80	-6.42
MATERIALS	-3.51	26.16	13.26	12.86
INDUSTRIALS	-4.23	28.85	9.79	12.47

Dispersion among the S&P sectors was relatively low this quarter. While the overall index had a positive return, a few sectors posted losses for the quarter. Financials and utilities outperformed, while industrials and materials lagged the overall index.

Data Source: FactSet. All returns quoted in US dollars. Performance for one and multi-year periods is annualized. Sorted by index quarterly returns. Due to rounding, sector totals may not equal 100%. ***Past performance is not an indicator of future performance.***

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Disclosure

All data as of 30 September 2021, unless otherwise noted.

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Index Definitions

Bloomberg US Aggregate Bond Index *represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the US investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. These major sectors are subdivided into more specific indices that are calculated and reported on a regular basis.*

Bloomberg US Government/Credit Index *includes securities in the government and credit indices. The government index includes treasuries -i.e., public obligations of the US Treasury that have remaining maturities of more than one year and agencies -i.e., publicly issued debt of US Government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the US Government. The credit index includes publicly issued US corporate and foreign debentures and secured notes that meet specified maturity, liquidity, and quality requirements.*

Bloomberg US Treasury Index *includes public obligations of the US Treasury with at least one year until final maturity, excluding certain special issues such as state and local government series bonds -SLGs, US Treasury TIPS and STRIPS.*

Bloomberg US Treasury Inflation Protected Securities Index *consists of inflation-protection securities issued by the US Treasury that have at least one year to maturity and at least $250 million par amount outstanding.*

Bloomberg US Agency Index *includes agency securities that are publicly issued by US Government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the US Government -such as USAID securities.*

Bloomberg US Municipal Index *is a rules-based, market-value-weighted index engineered for the long-term tax-exempt bond market. The index has four main sectors: general obligation bonds, revenue bonds, insured bonds -including all insured bonds with a Aaa/AAA rating, and prerefunded bonds.*

Bloomberg Mortgage-Backed Securities -MBS Index *is a component of the Bloomberg Aggregate Index covering mortgage-backed pass-through securities of Ginnie Mae -GNMA, Fannie Mae -FNMA and Freddie Mac -FHLMC. The MBS Index is formed by grouping the universe of over 600,000 individual fixed rate MBS pools into approximately 3,500 generic aggregates.*

Bloomberg Asset-Backed Securities -ABS Index *is a component of the Bloomberg US Aggregate Index including pass-through, bullet and controlled amortization structures. The ABS Index includes only the senior class of each ABS issue and the ERISA-eligible B and C tranche. Constituents must have an average life of at least one year and a deal size of at least 500 million.*

Bloomberg Commercial Mortgage-Backed Securities -CMBS ERISA-Eligible Index *is a component of the Bloomberg US Aggregate Index and the ERISA-eligible component of the Bloomberg CMBS Index. This index, which includes investment grade securities that are ERISA eligible under the underwriter's exemption, is the only CMBS sector that is included in the US Aggregate Index.*

Bloomberg US Corporate Index *contains publicly issued US corporate and specified foreign debentures and secured notes that meet the specified maturity, liquidity and quality requirements. To qualify, bonds must be SEC-registered. The index includes both corporate and non-corporate sectors. The corporate sectors are Industrial, Utility, and Finance, which include both US and non-US corporations. The non-corporate sectors are Sovereign, Supranational, Foreign Agency, and Foreign Local Government.*

Bloomberg Euro-Aggregate Corporate Index *consists of bonds issued in the euro or the legacy currencies of the 16 sovereign countries participating in the European Monetary Union -EMU. All issues must be investment grade-rated, fixed-rate securities with at least one year remaining to maturity. The Euro-Aggregate Index excludes convertible securities, floating rate notes, perpetual notes, warrants, linked bonds, and structured products.*

Bloomberg Sterling Aggregate Corporate Index *is a broad-based benchmark that measures the investment grade, fixed-rate, taxable, corporate sterling-denominated bond market. Inclusion is based on the currency of the issue, not the domicile of the issuer. The index includes publically issued securities from industrial, utility, and financial companies that meet specified maturity, liquidity and quality requirements.*

Bloomberg US Corporate High-Yield Index *covers the universe of fixed rate, non-investment grade debt. Eurobonds and debt issues from countries designated as emerging markets -sovereign rating of Baa1/BBB+/BBB+ and below using the middle of Moody's, S&P, and Fitch are excluded, but Canadian and global bonds -SEC registered of issuers in non-EMG countries are included. Original issue zeroes, step-up coupon structures, 144-As and pay-in-kind bonds -PIKs, as of October 1, 2009 are also included.*

Bloomberg Pan-European High-Yield Index *covers the universe of fixed-rate, sub-investment grade debt denominated in euros or other European currencies -except Swiss francs. Securities must be rated high-yield -Ba1/BB+ or lower by at least two of the following rating agencies: Moody's, S&P, Fitch. Excludes emerging markets.*

S&P/LSTA Leveraged Loan Index*, is a market value-weighted index designed to measure the performance of the US leveraged loan market based upon market weightings, spreads and interest payments.*

Citigroup World Government Bond Index -WGBI *measures the performance of fixed-rate, local currency, investment grade sovereign bonds. The WGBI is a widely used benchmark that currently comprises sovereign debt from over 20 countries, denominated in a variety of currencies. The WGBI provides a broad benchmark for the global sovereign fixed income market.*

JPMorgan Emerging Markets Bond Index Global -EMBIG *tracks total returns for US dollar-denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities: Brady bonds, loans, Eurobonds.*

JPMorgan Corporate Emerging Markets Bond Index -CEMBI Broad Diversified *tracks total returns of US dollar-denominated debt instruments issued by corporate entities in emerging markets countries. The CEMBI Broad is the most comprehensive corporate benchmark followed by the CEMBI, which consists of an investable universe of corporate bonds.*

JPMorgan Government Bond Index—Emerging Markets -GBI-EM Global Diversified *provides a comprehensive measure of local currency denominated, fixed rate, government debt issued in emerging markets.*

Standard & Poor's 500 -S&P 500® Index *is a market capitalization-weighted Index of approximately 500 common stocks chosen for market size, liquidity, and industry group representation to measure broad US equity performance. S&P 500® is a registered service mark of McGraw-Hill Companies, Inc.*

MSCI All Country World *is a market cap weighted index of stocks from developed and emerging markets providing a broad measure of global equity-market performance.*

MSCI Europe *is a free float-adjusted market cap index measuring equity market performance of the large and mid cap segments across European developed markets.*

MSCI Japan *is a free float-adjusted market cap index measuring equity market performance of the large and mid cap segments of the Japanese market.*

MSCI Emerging Markets Index *is a free float-adjusted market cap index measuring equity market performance of emerging markets.*

Russell 1000® Index *measures the performance of the large cap segment of the US equity universe. It is a subset of the Russell 3000 Index and includes approximately 1000 of the largest securities based on a combination of their market cap and current index membership.*

Russell 1000® Growth Index *measures the performance of the large cap growth segment of the US equity universe. It includes those Russell 1000 Index companies with higher price-to-book ratios and higher forecasted growth values.*

Russell 1000® Value Index *measures the performance of the large cap value segment of the US equity universe. It includes those Russell 1000 Index companies with lower price-to-book ratios and lower expected growth values.*

Russell Midcap® Index *measures the performance of the mid cap segment of the US equity universe. The Russell Midcap is a subset of the Russell 1000 Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership.*

Russell Midcap® Growth Index *measures the performance of the mid cap growth segment of the US equity universe. It includes those Russell Midcap Index companies with higher price-to-book ratios and higher forecasted growth values.*

Russell Midcap® Value Index *measures the performance of the mid cap value segment of the US equity universe. It includes those Russell Midcap Index companies with lower price-to-book ratios and lower forecasted growth values.*

Russell 2000® Index *measures the performance of the small cap segment of the US equity universe. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership.*

Russell 2000® Growth Index *measures the performance of the small cap growth segment of the US equity universe. It includes those Russell 2000 Index companies with higher price-to-value ratios and higher forecasted growth values.*

Russell 2000® Value Index *measures the performance of small cap value segment of the US equity universe. It includes those Russell 2000 Index companies with lower price-to-book ratios and lower forecasted growth values.*