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## Where Our Tactical Calls on Real Assets Could Be Wrong

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Head of Real Asset Strategy

### Key Takeaways

- » *The main risk to our REIT overweight call for 2018 is a meaningful spike in long-term interest rates.*
- » *For our underweight commodities call, the main risk is an acceleration in China's gross domestic product (GDP) growth rate.*

### What it may mean for investors

- » *These risks are unlikely, in our view, and do not change our conviction calls for 2018—overweight REITs, and underweight commodities.*

“Do not allow yourselves to be deceived: Great minds are skeptical.”  
- Friedrich Wilhelm Nietzsche

Inside Real Assets, we focus on exposure to three broad areas: real estate investment trusts (REITs), commodities, and master limited partnerships (MLPs). Of these, we have two conviction recommendations for 2018: overweight REITs, and underweight commodities. Today, we'd like to discuss the greatest risks to our REIT overweight and commodity underweight conviction calls.

### REIT Overweight

We roll into 2018 overweight REITs, after a full year of being overweight in 2017. In our opinion, fundamentals remain quite good, led by decent rent growth, increasing occupancy rates, and rising commercial real estate prices overall. The top panel of Chart 1 shows three different commercial real estate indices still rising as we enter 2018. The bottom panel shows that year-over-year gains are still positive, which historically has been good for REITs. Year-over-year price gains have slowed in recent years, but that is typical at this point in the cycle. We're still expecting a few more years of solid commercial real estate price gains.

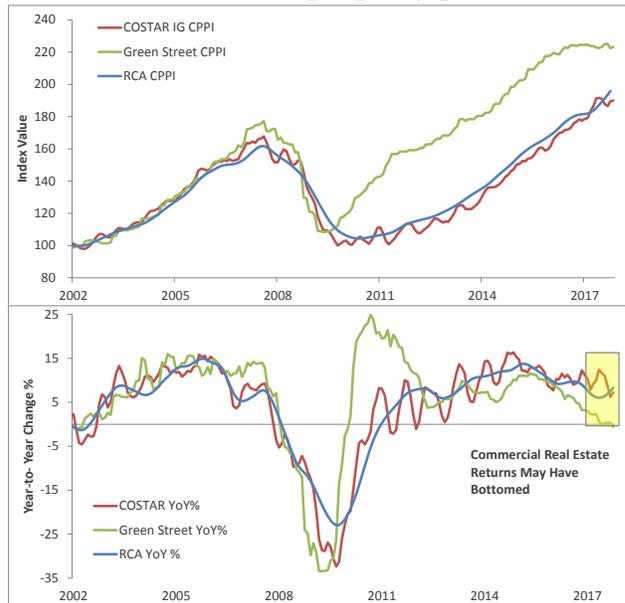
In our view, the greatest risk to our REIT overweight in 2018 is the potential for interest rates on the long end of the yield curve to spike meaningfully higher. REITs are generally thought of as interest-rate-sensitive investments. In other words, if long-term interest rates move higher, REIT market prices often decline, and vice versa. And since 2013, REITs have become increasingly sensitive to these interest-rates spikes.

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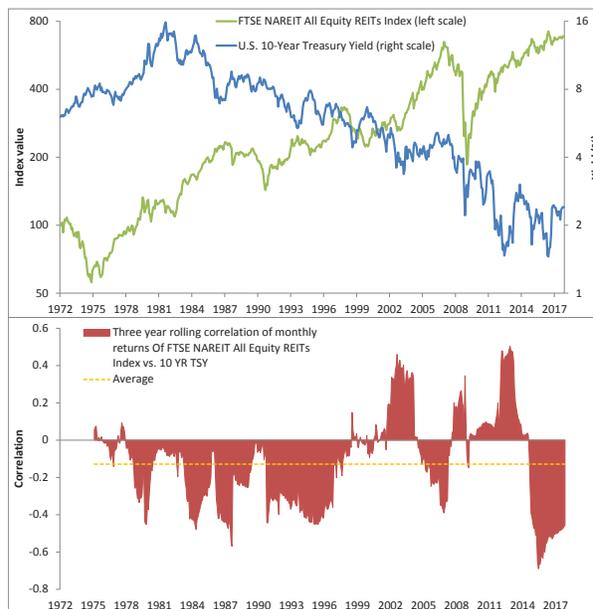
**Chart 1. Commercial property price indices (CPPI)**



Sources: Green Street Advisors, COSTAR, Real Capital Analytics (RCA), Bloomberg, Wells Fargo Investment Institute. Monthly Data: December 31, 2001 through November 30, 2017. Top clip indexed to 100 as of December 31, 2001. Please see Chart 1 - Index Definitions at the end of the report. **Past performance is not a guarantee of future results.**

This can be seen in the bottom panel of Chart 2. The steep drop in the red bars signals that REITs have become more sensitive to moves in the 10-year Treasury note yield. Since 2013, the 10-year Treasury note yield has spiked by 100 basis points (100 basis points equals 1%) or more on two occasions. The returns on the FTSE NAREIT All Equity REITs Index, during these two interest-rate spikes, were -12.9%, and -9.6%, respectively. A quick and meaningful move higher in long-term interest rates is our main concern for our REIT overweight in 2018.

**Chart 2. REITs versus U.S. 10-Year Treasury Yield**



Sources: Bloomberg, Wells Fargo Investment Institute. Monthly Data: February 29, 1972 through December 31, 2017. Yields, returns and correlations represent past performance. **Past performance is no guarantee of future results.** The FTSE NAREIT All Equity REITs index contains all tax-qualified REITs with more than 50 percent of total assets in qualifying real estate assets other than mortgages secured by real property that also meet minimum size and liquidity criteria. An index is unmanaged and not available for direct investment.

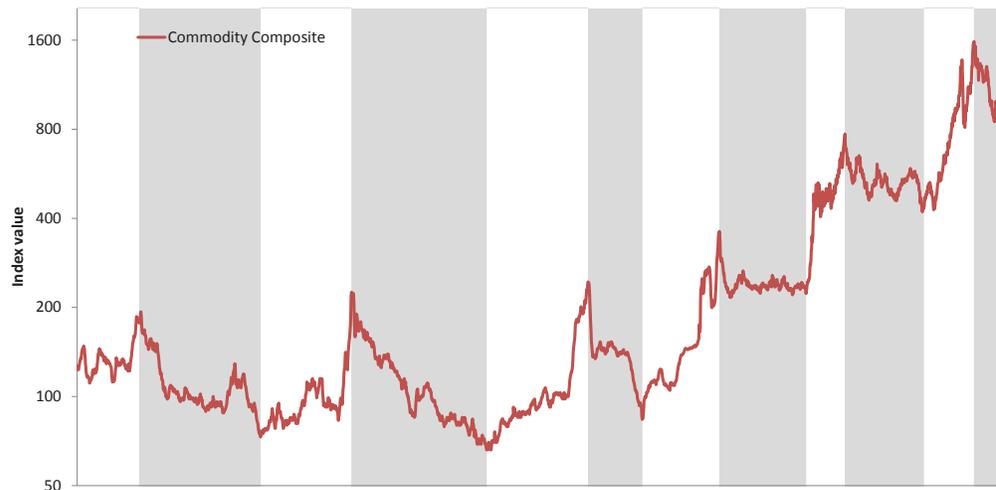
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## Commodity Underweight

Our other conviction call for 2018 is to underweight commodities. This was one of our major 2017 calls, which has rolled into 2018. For 2017, the call was pretty spot on. We expected roughly flat performance, and we got it from the Bloomberg Commodity Index (BCOM), which gained a paltry 1.7 percent last year.

We're expecting much of the same in 2018, primarily because of the commodity bear super-cycle, which continues to ramble on. Commodity bear super-cycles are shown in the grey shaded areas highlighted in Chart 3. 2018 will be year seven, since commodity prices peaked in 2011. Seven years may sound like a long time, but the average commodity bear super-cycle has lasted nearly 20 years, using data back to the year 1800. The shortest bear super-cycle on record was 12 years. These numbers can be found in the statistics box attached to Chart 3. At this point in the bear super-cycle, most commodities continue to struggle with oversupply. Each commodity can have brief respites during which prices rise for a year or so. But history says that these rallies do not last long—as elevated prices typically attract more production.

**Chart 3. Commodity market super-cycle**



Commodity Bull Super-Cycles			Commodity Bear Super-Cycles		
	Percentage Gain	Length (Years)		Percentage Gain	Length (Years)
1802-1814	73.9%	12.1	1814-1843	-62.2%	28.3
1843-1864	208.2%	21.6	1864-1896	-70.7%	31.8
1896-1920	269.7%	24.0	1920-1933	-65.7%	12.8
1933-1951	331.5%	18.3	1951-1971	-38.6%	20.4
1971-1980	249.5%	9.1	1980-1999	-45.7%	18.6
1999-2011	277.2%	12.2	Current Bear	-38.3%	6.7
<b>Average Bull</b>	<b>235.0%</b>	<b>15.9</b>	<b>Average Bear</b>	<b>-53.5%</b>	<b>19.8</b>

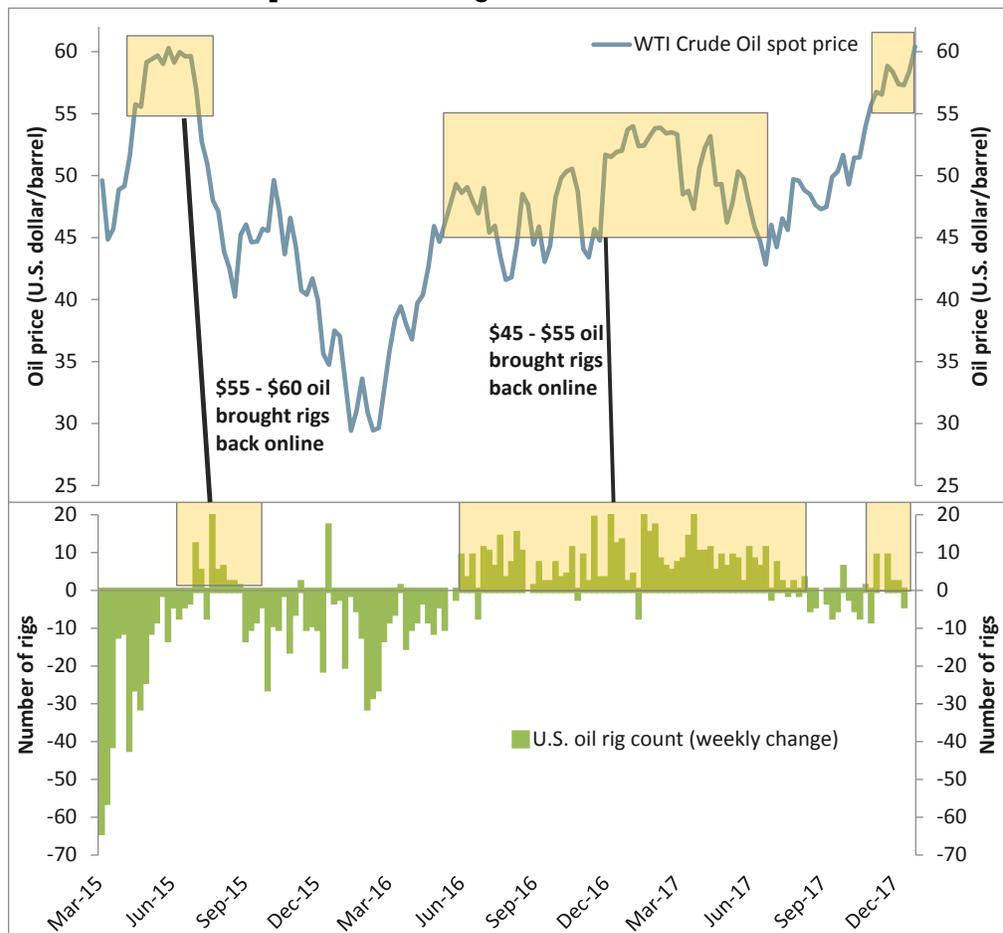
Source: Bloomberg, Prices by G.F. Warren and F.A. Pearson, Bureau of Labor Statistics (BLS), Bureau of Economic Research (NBER), Wells Fargo Investment Institute. Monthly Data: January 31, 1800 through December 31, 2017. The Commodity Composite measures a basket of commodity prices as well as inflation. It blends the historical commodity index from George F. Warren and Frank A. Pearson; the U.S. Bureau of Labor Statistics Producer Price Index for Commodities; the National Bureau of Economic Research Index of Wholesale Prices of 15 Commodities; and the Thomson Reuters Equal Weight Commodity Index. **Past performance is no guarantee of future results.** An index is unmanaged and not available for direct investment.

# Where Our Tactical Calls on Real Assets Could Be Wrong

Oil may very well be the “poster child” for this phenomenon in 2018. West Texas Intermediate (WTI) crude-oil prices crossed \$60 per barrel in recent days; the highest WTI closing price level since 2014. If history is any guide, market participants can expect to see rig counts rise during the first quarter of 2018, which should eventually lead to increased oil supply, and lower prices. The yellow boxes in Chart 4 highlight the effect of rising oil prices on rig counts, since 2015. We’re expecting the same to happen again as we start 2018, with the final impact being more oil production and lower oil prices.

The great risk here, though, is that commodities do not follow the history of commodity bear super-cycles. As the saying goes, history does not repeat exactly, but it does rhyme. Maybe today’s bear super-cycle has lasted long enough to work off excess supplies, and seven years could become the shortest bear market on record, in the past 217 years.

**Chart 4. Crude oil price versus rig count**

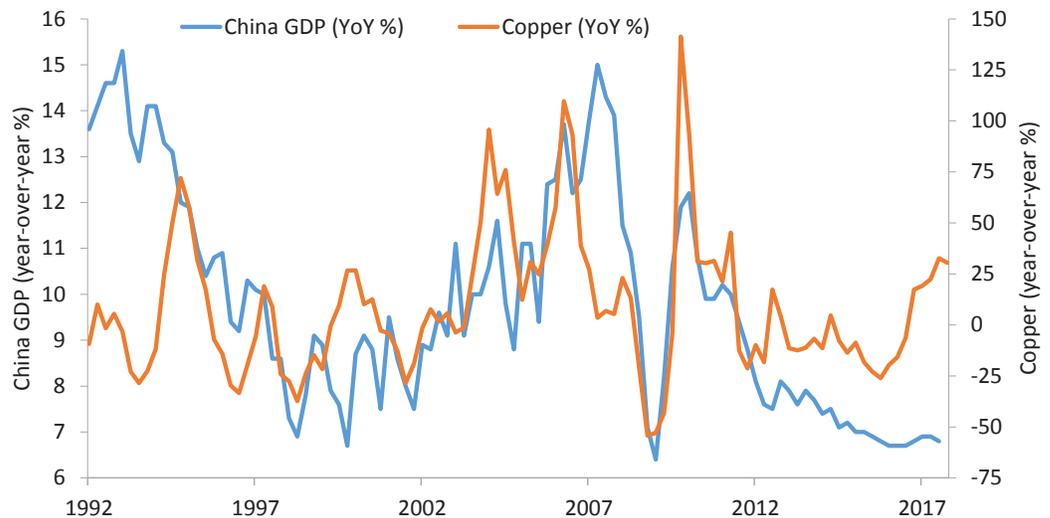


Sources: Bloomberg, Baker Hughes, Wells Fargo Investment Institute. Data Sample; Weekly: March 6, 2015 through December 29, 2017. West Texas Intermediate (WTI) is a grade of crude oil used as a benchmark in oil pricing.

## Where Our Tactical Calls on Real Assets Could Be Wrong

As for the trigger to a new bull market in commodity prices, we suspect that it could be China. Should Chinese growth reaccelerate, like it did from 2000-2010, a new bull market in commodity prices could very well be triggered. Chart 5 plots China's GDP growth versus copper prices, year-over-year. Notice that they do typically track one another. Last year, however, copper prices had a great year, while China's GDP growth rate fell once again. It is possible that rising copper prices are signaling a reacceleration in China's GDP growth soon. We're a bit skeptical on this, but should it happen, it could very well reignite a sleepy commodity complex. A reawakening of Chinese GDP growth, akin to the 2000-2010 period, is the greatest risk to our underweight commodity call in 2018.

**Chart 5. Copper versus China GDP**



Sources: Bloomberg, National Bureau of Statistics of China, Wells Fargo Investment Institute. Quarterly data: March 31, 1992 through December 31, 2017.

**Sean Lynch, CFA**

Co-Head of Global Equity Strategy



Evenweight

**U.S. Small Cap Equities**

Evenweight

**U.S. Large Cap Equities**

Evenweight

**U.S. Mid Cap Equities**

Evenweight

**Developed Market  
Ex-U.S. Equities**

Evenweight

**Emerging Market Equities**

## Changing our order of preference for equities

Wells Fargo Investment Institute (WFII) recently adjusted some of its equity targets and tactical views. These adjustments mainly reflect the impact of the new U.S. tax law and accelerating economic growth. The largest changes were in U.S. equity markets (although WFII did raise its international equity targets last November as market fundamentals improved). While we are now evenweight all major equity classes, our stack ranking of the equity groups has changed (see table below).

Last week, WFII raised its outlook on U.S. Small Cap Equities to evenweight from underweight. It is important to note that we have not reduced exposure to international equities and would not advocate that investors do so (unless they are overweight versus their strategic targets). The movement of capital toward equities is being funded from U.S. Intermediate-Term Fixed Income.

While U.S. equity markets are expected to be strengthened by tax reform, we would not recommend that investors sell international equities today. Their outlook hasn't diminished; yet better prospects are apparent in U.S. markets. We also would emphasize that our rankings take more into account than pure price appreciation to the targets. If that were the case, small caps would be our most preferred group. Yet, small caps are not ranked higher because they carry more risk later in a cycle (and if capital spending does not rise materially, they would be more negatively impacted). Our equity rankings reflect analysis of both qualitative and quantitative factors.

For much of 2017, international developed and emerging markets were at the top of our global equity rankings. We continue to believe that international economies are in sustainable recoveries, and we expect solid returns from international equities in 2018. Yet, given the material tax-reform impacts, we believe that U.S. markets now offer more compelling total-return potential than equity markets abroad, albeit with higher expected volatility than was experienced in 2017.

### Key takeaways

- » We believe that passage of the U.S. tax law (and accelerating growth) mean that U.S. markets now offer more compelling total returns than international equity markets.
- » It is important to note that we have not moved money out of international equities and would not advocate that investors do so; unless they are overweight versus their strategic targets.

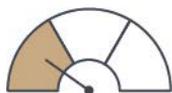
### WFII's order of preference in allocating capital to equities

Equity Asset Class	Current Index Level	WFII Target Range
1. U.S. Large Cap	2713	2800-2900
2. U.S. Small Cap	1553	1650-1750
3. U.S. Mid Cap	2104	2200-2300
4. Emerging Market	1184	1160-1240
5. Developed Market ex-U.S.	2059	2050-2150

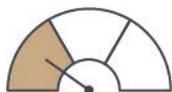
Source: Wells Fargo Investment Institute, January 3, 2018. See page 10 for asset class index definitions.

**Brian Rehling, CFA**

Co-Head of Global Fixed Income Strategy



Underweight  
**High Yield Taxable  
Fixed Income**



Underweight  
**Developed Market  
Ex.-U.S. Fixed Income**



Evenweight  
**U.S. Short Term Taxable  
Fixed Income**



Evenweight  
**U.S. Long Term Taxable  
Fixed Income**



Evenweight  
**Emerging Market  
Fixed Income**



Evenweight  
**U.S. Taxable Investment  
Grade Fixed Income**



Evenweight  
**U.S. Intermediate Term  
Taxable Fixed Income**

**When buying bonds—there is value in paying up**

While many professional asset managers favor premium bonds in an environment like we face today, some individual investors dislike the thought of buying bonds at prices above par, because the security matures at a price that is less than the investor paid for it. This may seem like a losing proposition. Yet, this negative perception often has provided an opportunity for investors. Further, premium bonds also tend to outperform similar bonds priced at a discount in a rising-rate environment.<sup>1</sup>

Given many investors’ lack of interest in premium bonds, those securities that are offered at substantial premiums to par can generally be purchased at higher current yields than comparable bonds priced at par or at a discount. As a result, the yield-to-maturity frequently is higher on premium bonds than on a similar bond purchased at a discount.<sup>2</sup> So, while it is true that premium bond buyers will receive less at maturity than they paid for the bond (the bond will be redeemed at its \$1,000 par value), they typically will receive a higher coupon payment over the life of the bond that should more than make up for the premium paid.

Premium bonds may be more susceptible to being called away from the investor than bonds priced at par or at a discount. For this reason, we encourage investors to work with their investment professional to review the yield-to-worst calculation (to determine what the lowest possible rate of return would be if a security is called before its maturity date).<sup>3</sup> Before purchasing any fixed-income investment, we recommend that investors discuss their situation with an investment professional to help build a portfolio that best meets their financial needs.

**Key takeaways**

- » Premium bonds can offer investors added yield opportunities. They also have historically outperformed similar yielding par or discount bonds in a rising-rate environment.
- » We recommend that investors distribute their fixed-income allocations across the maturity spectrum (rather than selecting any particular spot on the interest-rate curve).

**Example of interest-rate impact on discount and premium bonds**

Coupon	Maturity	YTM	Price today	Price assuming 100 basis point parallel interest rate shock	Loss in value after interest rate shock
0.00%	1/8/2028	5.00%	\$61.03	\$55.37	-9.27%
3.00%	1/8/2028	5.00%	\$84.41	\$77.68	-7.97%
5.00%	1/8/2028	5.00%	\$100.00	\$92.56	-7.44%
7.00%	1/8/2028	5.00%	\$115.59	\$107.44	-7.05%
10.00%	1/8/2028	5.00%	\$138.97	\$129.75	-6.63%

Source: Wells Fargo Investment Institute, January 4, 2018. Information is hypothetical and for illustrative purposes only. It does not represent the performance of any investment. A parallel shift in the yield curve would occur if the yield on all fixed income maturities increased or decreased by the same number of basis points at the same time. Table assumes that the yield curve shifts in a parallel fashion over a 12-month time horizon.

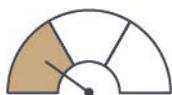
<sup>1</sup> Premium bonds tend to underperform discount bonds in a declining rate environment.

<sup>2</sup> The yield to maturity is the total annualized return on a bond if the bond is held until it matures and the issuer makes all expected payments.

<sup>3</sup> The yield-to-worst does not reflect the return in the event of default on a bond.

**John LaForge**  
Head of Real Asset Strategy

“He who is afraid of a thing, gives it power over him.”  
--Moorish Proverb



Underweight  
**Commodities**



Evenweight  
**Private Real Estate**



Overweight  
**Public Real Estate**

### Real Assets recap

Now that 2018 is here, 2017 will likely soon be forgotten. Before that happens, though, we’d like to briefly recap our 2017 calls. Although some of our targets were far off target, we like to recap each year because we believe that there is much to be learned from history, and past calls. Our investment philosophy is to stay flexible, nimble and disciplined, and to keep learning. You never know what may change your mind, and the past is sometimes a good place to start.

Inside Real Assets, we look at three broad areas: real estate investment trusts (REITs), commodities, and MLPs. Of these, we had only two conviction recommendations: overweight REITs, and underweight commodities.

Our REIT overweight was a pretty good call. Global REITs gained 11.4% last year, which was very close to our expected 9.5% gain. For U.S. REITs we targeted 8.4%; and their return was 8.7%. International REITs gained 20.8%, which was about triple our expectations.

Our underweight commodities call was spot on, too. At a 1.7% gain, the commodity complex underperformed nearly every major asset class, and was quite close to our expected flat performance. Our individual commodity calls, however, did not go so well. Both oil and gold had strong finishes to the year, with gold finishing 4% above \$1,250, which was the high end of our target. And oil prices finished the year 20% above the high end of our target ranges.

For the start of 2018, our major calls remain the same. We are overweight REITs, and underweight commodities. For oil and gold, we’re expecting lower prices.

### Key takeaways

- » Our 2017 asset group recommendations were spot on, while gold and oil both closed the year higher than our targets.
- » We remain overweight REITs and underweight commodities. We expect oil and gold to end 2018 lower.

### Recap of 2017 targets and calls

Recap of 2017 Targets and Calls					
		2017 Target	Expected 2017 Return (%)	Actual 2017 Return %	Recommendation (as of date)
Global REITs		4900	9.5%	11.4%	Overweight (1/3/2017)
	Domestic REITs	17250	8.4%	8.7%	Overweight (1/3/2017)
	International REITs	3850	6.9%	20.8%	Overweight (1/3/2017)
Commodities		176	-0.5%	1.7%	Underweight (1/3/2017)
	Gold	\$1,150 - \$1,250	4.6%	13.5%	n/a
	WTI Oil	\$40 - \$50	-16.2%	12.5%	n/a
	Brent Oil	\$45 - \$55	-11.9%	17.3%	n/a
MLPs		1300	-0.4%	-6.5%	n/a

Sources: Bloomberg, Wells Fargo Investment Institute. Global REITs represented by the FTSE EPRA/NAREIT Developed Index, domestic REITs by the FTSE NAREIT All Equity REITs Index, international REITs by the FTSE EPRA/NAREIT Developed ex-U.S. Index, Commodities by the Bloomberg Commodity Index, and MLPs by the Alerian MLP Index. Expected returns are based upon 2017 year-end targets or midpoint of a target range. The ability to achieve a return target depends upon a variety of factors including market and economic conditions. They are not intended and should not be considered a prediction of future rates of returns. The chart is for illustrative purposes only and does not constitute a recommendation to invest in any particular asset class or strategy and is not a promise of future performance or an estimate of actual returns an investor may achieve. There is no guarantee any asset class will perform in a similar manner in the future.

**Justin Lenarcic**

Global Alternative Investment Strategist



Evenweight  
**Private Equity**



Evenweight  
**Hedge Funds-Macro**



Evenweight  
**Hedge Funds-Event Driven**



Overweight  
**Hedge Funds-Relative Value**



Overweight  
**Hedge Funds-Equity Hedge**

*Alternative investments, such as hedge funds, private equity, private debt and private real estate funds are not suitable for all investors and are only open to “accredited” or “qualified” investors within the meaning of U.S. securities laws.*

**2018 could be a credit-picker’s market**

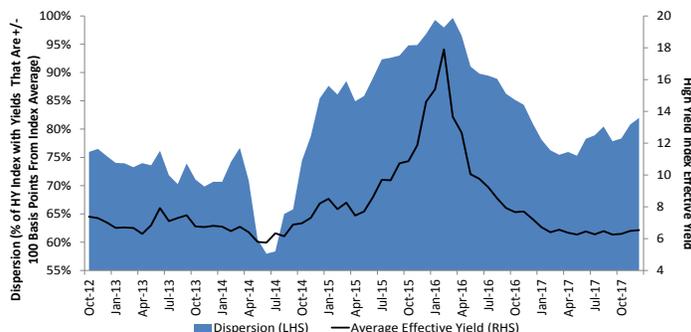
We expect credit selection to be more important in 2018 than it was last year—as both the credit and economic cycles mature. For much of the post-crisis period, the “search for yield” fueled by quantitative easing and low interest rates has reduced dispersion in the high-yield-credit sector, hindering the opportunity set for hedge fund strategies such as Long/Short Credit. But we are beginning to see signs that credit dispersion is increasing, which we believe will be a key driver of hedge fund returns in 2018.

The effective yield (includes compounding) on U.S. corporate high-yield bonds was 6.5% at the end of December 2017, roughly in line with yield levels in the summer of 2014.<sup>4</sup> At that time, less than 60% of the index constituents had yields that were 100 basis points above or below the index average.<sup>5</sup> Now, that percentage is more than 80%. In other words, despite historically tight “top-line” yields, under the surface, high-yield credit quality is beginning to show signs of dispersion. This plays right into our outlook for Long/Short Credit in 2018, which we think will be driven by managers’ ability to sift through the winners and losers. Moreover, in the past, yields have increased (with a lag) as dispersion increases. With dispersion increasing slightly this year, it stands to reason that spreads may begin to widen as well. This also would be good for Long/Short Credit managers that often short credit indices as a hedge.

**Key takeaways**

- » Credit dispersion is beginning to increase, likely driven by the gradual rise in borrowing costs, coupled with late-cycle dynamics and structural challenges in several sectors.
- » Long/Short Credit strategies could be well positioned to capitalize on weakness in high-yield corporate credit, by either being short market indices, or avoiding unhealthy borrowers.

**Credit dispersion is increasing despite low corporate high-yield debt yields**



Sources: Bank of America Merrill Lynch, Bloomberg, Wells Fargo Investment Institute, January 3, 2018. Chart shows yields and dispersion of yields for the Bank of America Merrill Lynch High Yield Master II Index. BofA Merrill Lynch High Yield Master II Index is considered representative of high yield markets as a whole. Yields represent past performance. Past performance is no guarantee of future results. An index is unmanaged and not available for direct investment.

<sup>4,5</sup> Source: Bank of America Merrill Lynch. Index referenced is the Bank of America Merrill Lynch U.S. High Yield Master II Index.

## Risks Considerations

Each asset class has its own risk and return characteristics. The level of risk associated with a particular investment or asset class generally correlates with the level of return the investment or asset class might achieve. **Stock markets**, especially foreign markets, are volatile. Stock values may fluctuate in response to general economic and market conditions, the prospects of individual companies, and industry sectors. **Foreign investing** has additional risks including those associated with currency fluctuation, political and economic instability, and different accounting standards. These risks are heightened in emerging markets. **Small- and mid-cap stocks** are generally more volatile, subject to greater risks and are less liquid than large company stocks. **Bonds** are subject to market, interest rate, price, credit/default, liquidity, inflation and other risks. Prices tend to be inversely affected by changes in interest rates. **High yield (junk) bonds** have lower credit ratings and are subject to greater risk of default and greater principal risk. The **commodities** markets are considered speculative, carry substantial risks, and have experienced periods of extreme volatility. Investing in a volatile and uncertain commodities market may cause a portfolio to rapidly increase or decrease in value which may result in greater share price volatility. **Real estate** has special risks including the possible illiquidity of underlying properties, credit risk, interest rate fluctuations and the impact of varied economic conditions.

Investment in Master Limited Partnerships (MLPs) involves certain risks which differ from an investment in the securities of a corporation. MLPs may be sensitive to price changes in oil, natural gas, etc., regulatory risk, and rising interest rates. Other risks include the volatility associated with the use of leverage; volatility of the commodities markets; market risks; supply and demand; natural and man-made catastrophes; competition; liquidity; market price discount from Net Asset Value and other material risks.

Alternative investments, such as hedge funds, private equity/private debt and private real estate funds, are speculative and involve a high degree of risk that is suitable only for those investors who have the financial sophistication and expertise to evaluate the merits and risks of an investment in a fund and for which the fund does not represent a complete investment program. They entail significant risks that can include losses due to leveraging or other speculative investment practices, lack of liquidity, volatility of returns, restrictions on transferring interests in a fund, potential lack of diversification, absence and/or delay of information regarding valuations and pricing, complex tax structures and delays in tax reporting, less regulation and higher fees than mutual funds. Hedge fund, private equity, private debt and private real estate fund investing involves other material risks including capital loss and the loss of the entire amount invested. A fund's offering documents should be carefully reviewed prior to investing.

Hedge fund strategies, such as Equity Hedge, Event Driven, Macro and Relative Value, may expose investors to the risks associated with the use of short selling, leverage, derivatives and arbitrage methodologies. Short sales involve leverage and theoretically unlimited loss potential since the market price of securities sold short may continuously increase. The use of leverage in a portfolio varies by strategy. Leverage can significantly increase return potential but create greater risk of loss. Derivatives generally have implied leverage which can magnify volatility and may entail other risks such as market, interest rate, credit, counterparty and management risks. Arbitrage strategies expose a fund to the risk that the anticipated arbitrage opportunities will not develop as anticipated, resulting in potentially reduced returns or losses to the fund.

### Chart 1 Index Definitions:

**COSTAR Investment Grade CPPI.** COSTAR Commercial Repeat-Sale Investment Grade Index is based on observed changes in individual property prices. Price data are gathered and confirmed by CoStar researchers for commercial property sale transactions across the country. For each transaction, the most recent sales price is compared with the price from the previous sale of the same property. Investment Grade properties as a group consist of larger-sized, reasonable-quality properties that match the type most often purchased by institutional investors.

**Green Street CPPI.** Green Street's publicly available index that estimates monthly changes in U.S. property values. The index provides a time series of unleveraged U.S. commercial property values that captures the prices at which commercial real estate transactions are being negotiated and contracted.

**RCA CPPI.** The RCA Commercial Property Price Index is a transaction based index that measures property prices at a national level. The RCA CPPI is based on repeat-sales (RS) transactions that occurred at any time up through the month prior to the current report. Because CPPI allows for backward revisions and incorporates any new data we receive subsequent to publishing, full history (from inception to current month) of future indices will reflect adjustments due to additional transaction data.

### Other Definitions

**Alerian MLP Index** is a float-adjusted, capitalization-weighted index, whose constituents represent approximately 85% of total float-adjusted market capitalization, and is disseminated real-time on a price-return basis (AMZ) and on a total-return basis (AMZX).

**Bloomberg Commodity Index** is calculated on an excess return basis and reflects commodity futures price movements.

**FTSE EPRA/NAREIT Developed Index** is designed to track the performance of listed real-estate companies and REITs in developed countries worldwide.

**FTSE EPRA/NAREIT Developed Index ex US Index** is designed to track the performance of listed real estate companies in developed countries worldwide other than the United States.

**Developed Market ex. U.S.: MSCI EAFE Index** is a free-float-adjusted market-capitalization-weighted index that is designed to measure the equity-market performance of developed markets, excluding the U.S. and Canada.

**Emerging Markets: MSCI Emerging Markets Index** is a free-float-adjusted market-capitalization-weighted index that is designed to measure equity-market performance of emerging markets.

**U.S. Mid cap: Russell Midcap® Index** measures the performance of the 800 smallest companies in the Russell 1000® Index.

**U.S. Small cap: Russell 2000® Index** measures the performance of the 2,000 smallest companies in the Russell 3000® Index, which represents approximately 8% of the total market capitalization of the Russell 3000 Index.

**U.S. Large Cap: S&P 500 Index** is a market capitalization-weighted index composed of 500 widely held common stocks that is generally considered representative of the US stock market.

An index is unmanaged and not available for direct investment.

## General Disclosures

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