



ALLIANCEBERNSTEIN®

First Quarter 2020

CAPITAL MARKETS OUTLOOK

THEMES FOR 2020

The information herein reflects prevailing market conditions and our judgments, which are subject to change, as of the date of this document. In preparing this document, we have relied upon and assumed, without independent verification, the accuracy and completeness of all information available from public sources. Opinions and estimates may be changed without notice and involve a number of assumptions that may not prove valid. There is no guarantee that any forecasts or opinions in this material will be realized. Information should not be construed as investment advice.

Investment Products Offered:

- Are Not FDIC Insured
- May Lose Value
- Are Not Bank Guaranteed

Global Economic Environment

2020 shapes up as market of two minds:
divergence between US labor market and
manufacturing sector

In equities, volatility and mixed valuations
require a focus on profitability,
quality and strong cash flows

Globally, secular trends point to
soft growth and less favorable
growth/inflation trade-off

In fixed income, look for
efficiency: high yield as equity
de-risk and a credit barbell for income
and downside protection



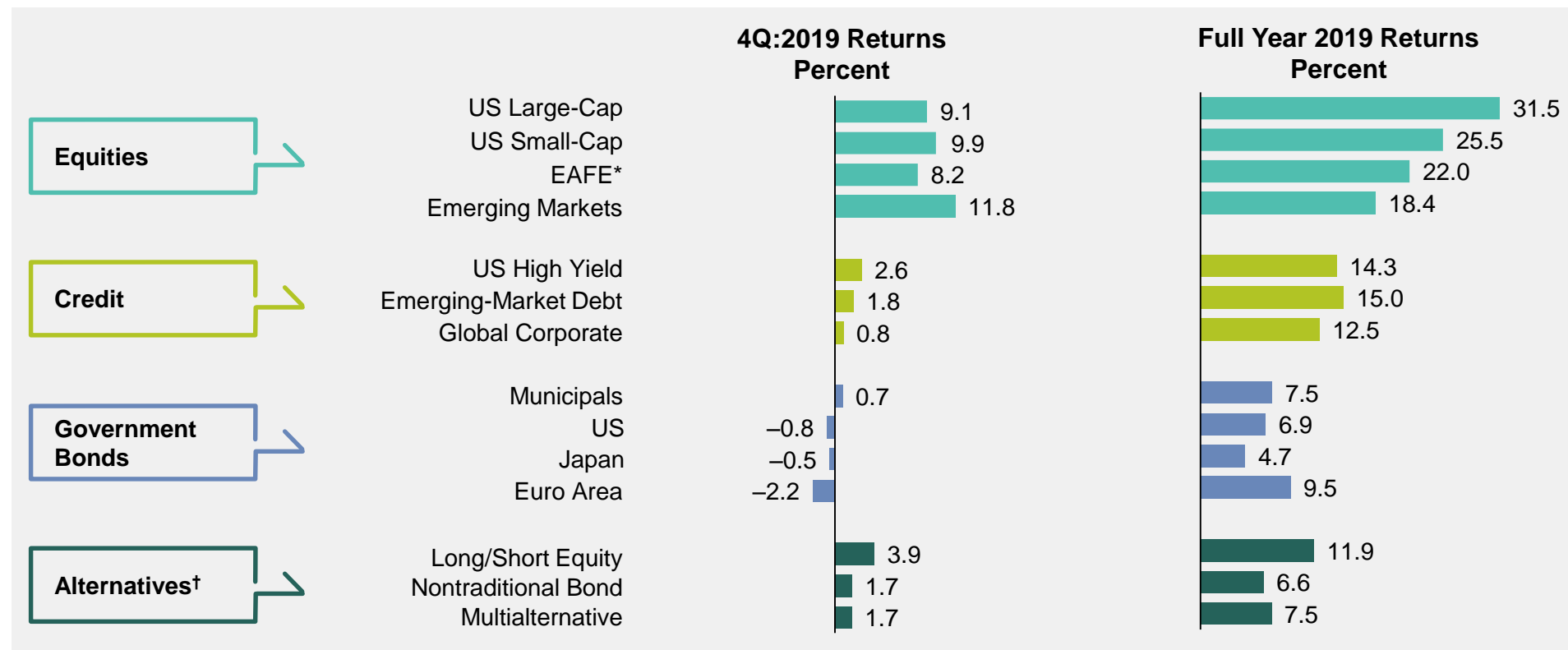
Historical analysis and current forecasts do not guarantee future results.

As of January 1, 2020

Source: AB

4Q 2019 Returns Recap: S&P 500 Posts Best Year Since 2013

Returns in US Dollars



Past performance does not guarantee future results.

Global corporates and Japan and euro-area government bonds in hedged USD terms. All other non-US returns in unhedged USD terms. An investor cannot invest directly in an index, and its performance does not reflect the performance of any AB portfolio. The unmanaged index does not reflect the fees and expenses associated with the active management of a portfolio.

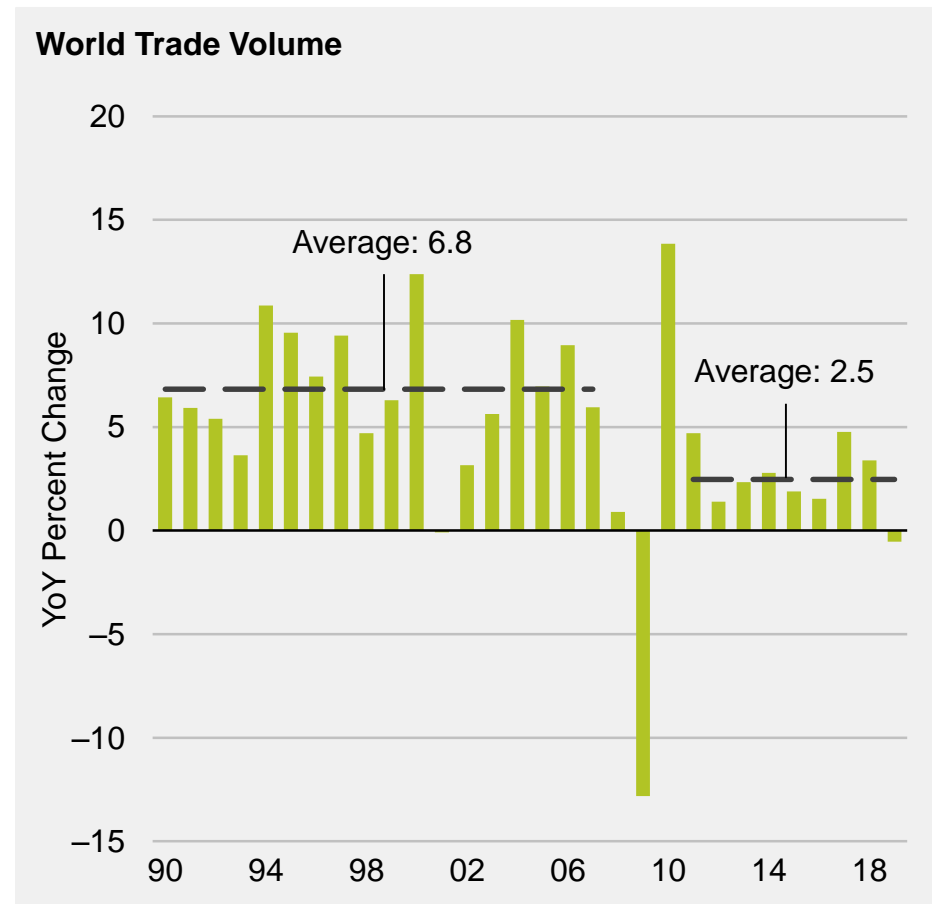
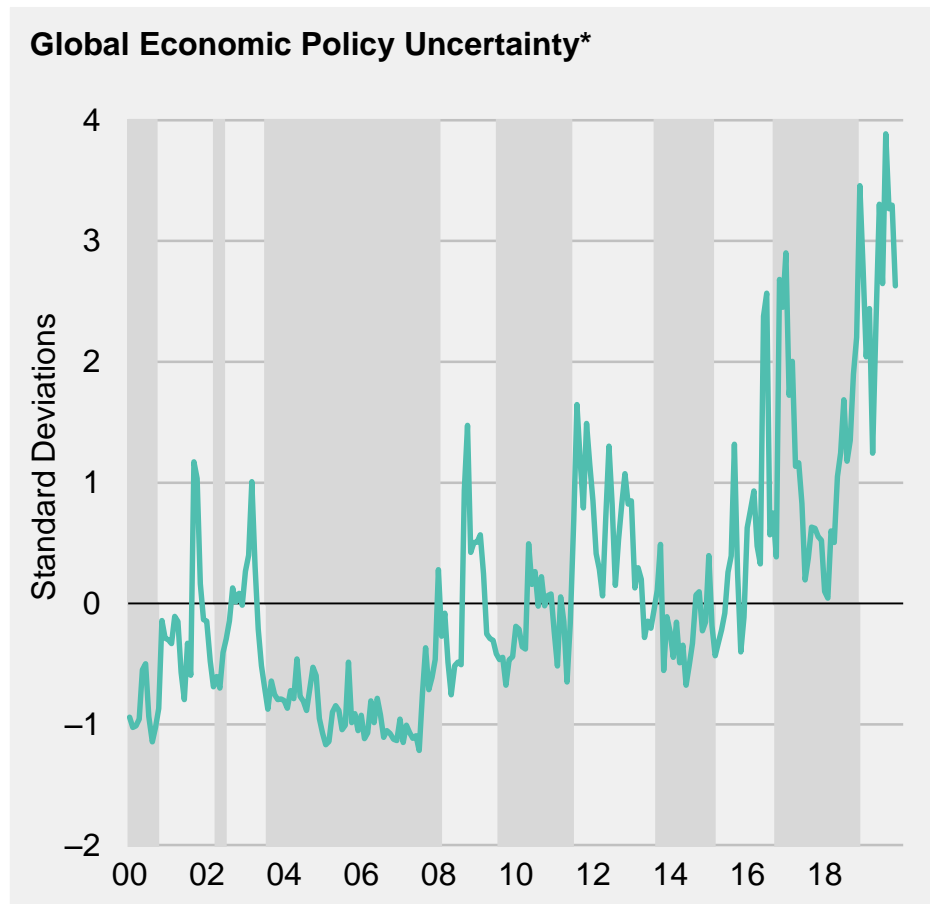
*Europe, Australasia and the Far East

†Returns reflect Morningstar US open-end fund category averages.

As of December 31, 2019

Source: Bloomberg Barclays, Morningstar Direct, S&P and AB

2019 Was All About Policy Uncertainty and Trade



Historical analysis and current forecasts do not guarantee future results.

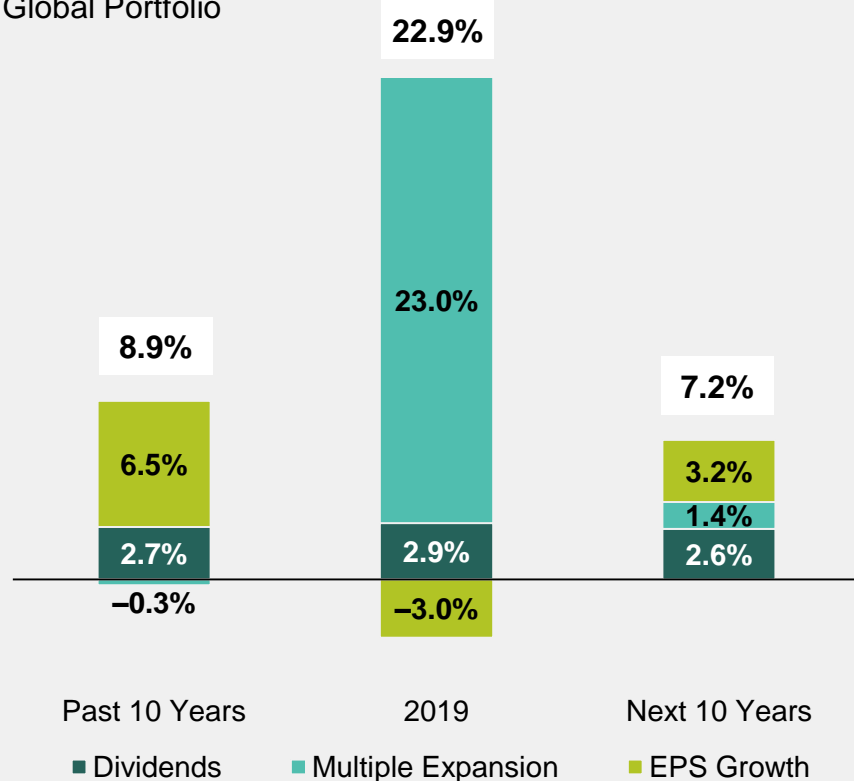
*Shaded areas show periods during which global economic growth was running at 3% or higher.

Left display as of November 30, 2019; right display as of December 31, 2019

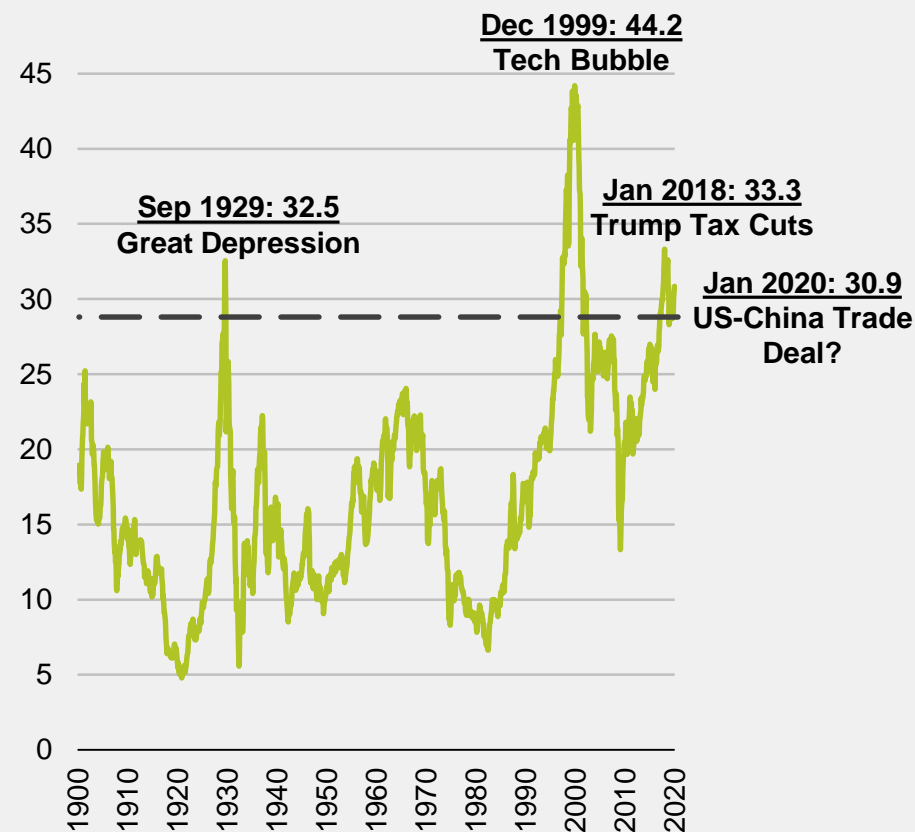
Source: Haver Analytics and AB

Valuations Drove the Markets in 2019

The Benefits of Low Rates on Stock Multiples Is Already in Today's Prices, Making Future Returns Lower
Global Portfolio



Shiller CAPE Valuations Remain High



Historical analysis does not guarantee future results. There is no guarantee that any estimate or forecasts will be realized.

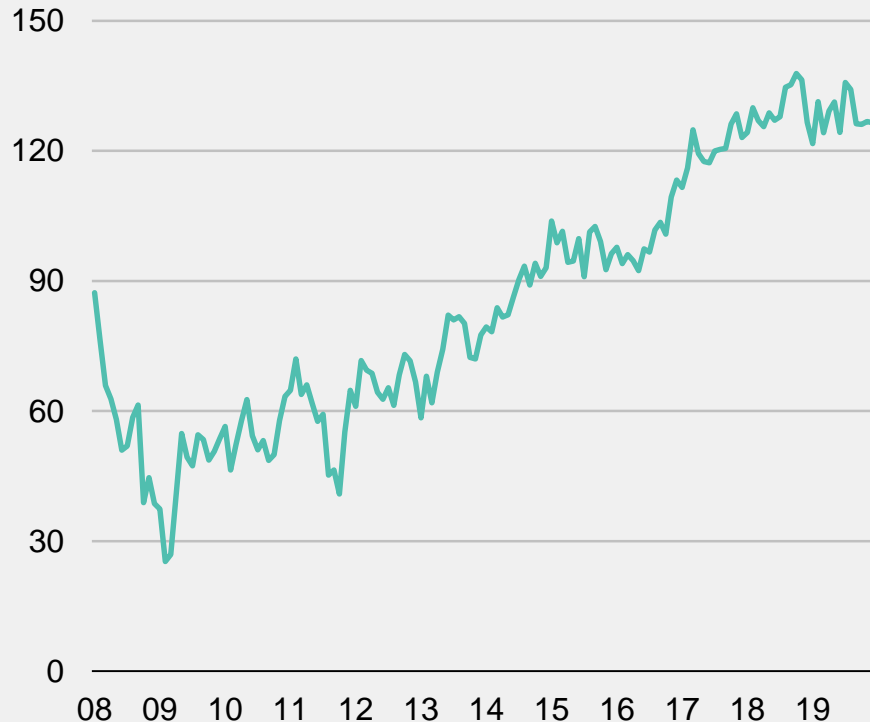
Left display historical data as of December 12, 2019. Projections based on CME data as of July 1, 2019. Historical performance represents MSCI ACWI. *Future performance based on a portfolio of 52.8% Diversified US Equities, 7.2% Diversified SMID US Equities, 25.5% Diversified International Equities (Unhedged), 6.0% Small Cap International Equities (Unhedged) and 8.5% Emerging Market Equities.

Right display as of January 1, 2020. Cyclically adjusted PE ratio (Shiller CAPE): Price-to-earnings ratio based on average inflation-adjusted earnings from previous 10 years.

Source: Bloomberg, FactSet, Robert Shiller and Bernstein analysis

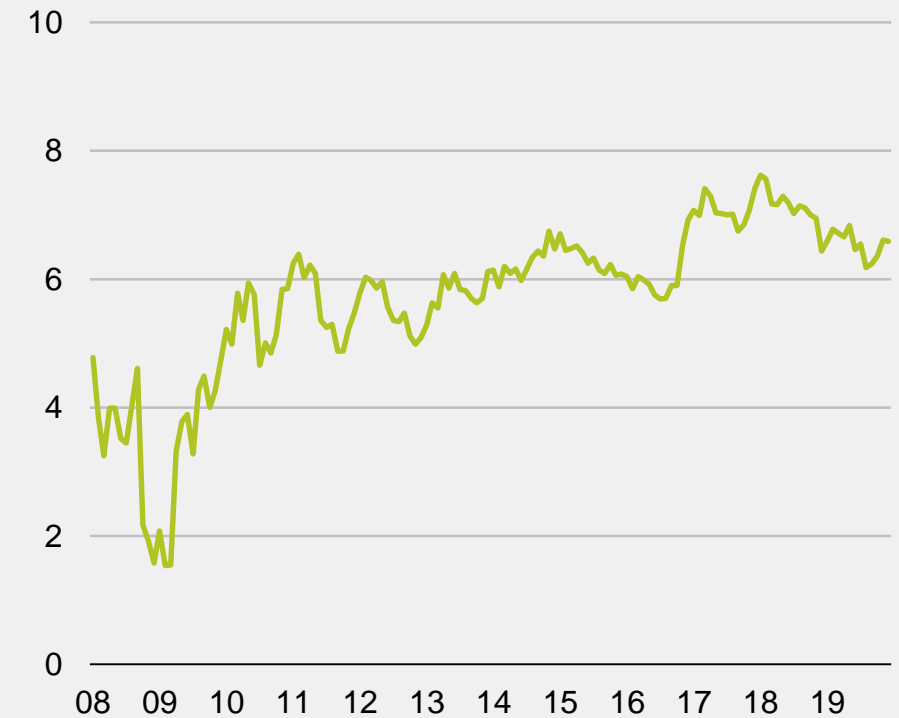
Consumer Confidence Remains High, While CEO Confidence Waivers

Consumer Confidence*



CEO Confidence†

(10 = Excellent, 8 = Very Good, 6 = Good, 4 = Weak, 2 = Poor)



Historical analysis does not guarantee future results. There is no guarantee that any estimate or forecasts will be realized.

*Conference Board uses a sample of approximately 3,000 US households.

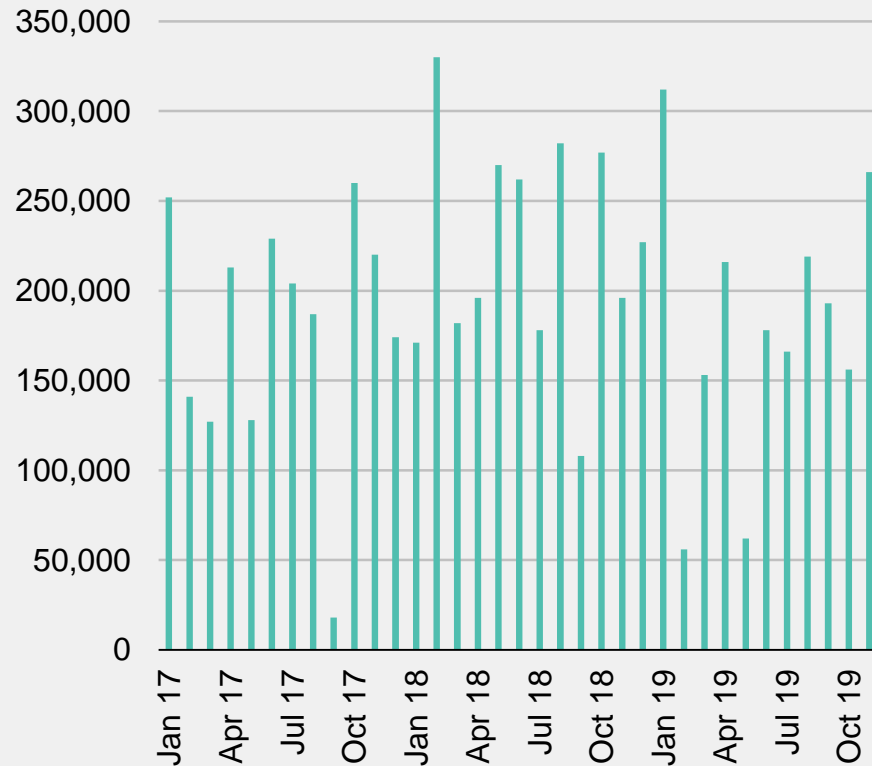
†The CEO Confidence Index value is a rating of 1 to 10 of US CEO's expectations for overall business conditions. As such, it captures an accurate assessment of how confident CEO's are in the economy and prospects for business over the coming year.

As of December 31, 2019

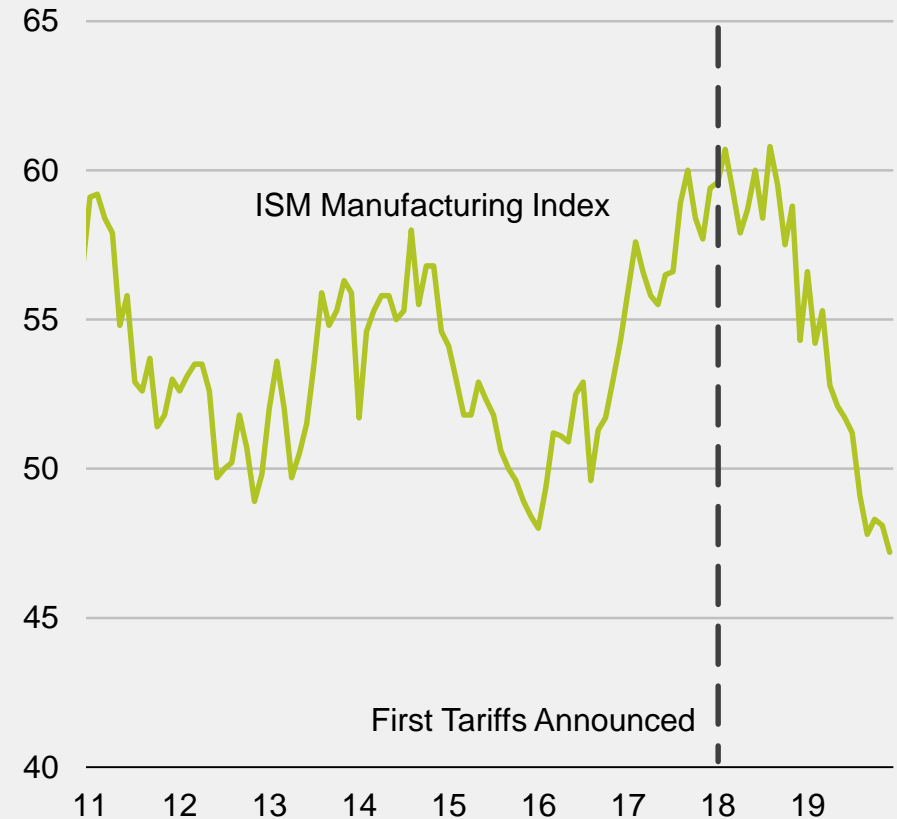
Source: Bloomberg, Conference Board, Chief Executive Magazine and AB

US Labor Market vs. Manufacturing Sector: Continued Divergence

While the Labor Market Remains Strong...
Monthly Change in Nonfarm Payrolls



...US Manufacturing Continues to Decelerate



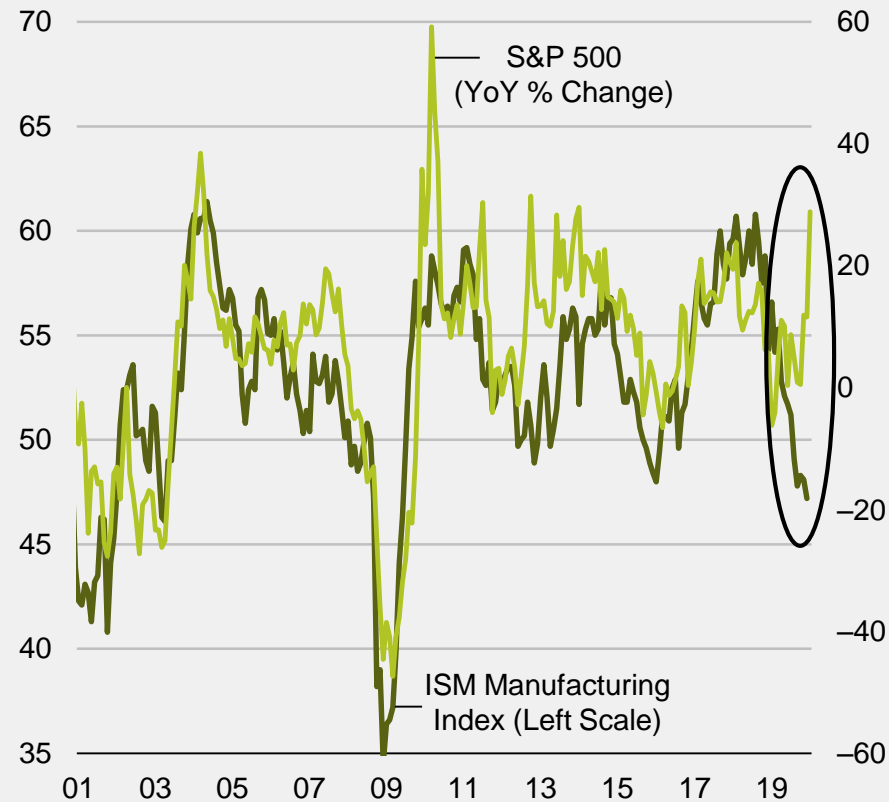
Historical analysis and current forecasts do not guarantee future results.

Left display as of November 30, 2019; right display as of December 31, 2019

Source: Bloomberg, Institute for Supply Management, Thomson Reuters Datastream and AB

The Equity Market Believes the Labor Market, While the Bond Market Believes ISM...but Both Benefited from Falling Rates in 2019

Equity Market Is Materially Higher than Its Historical Relationship with ISM...



...While the Bond Markets Are More Closely Tracking the Manufacturing Sector



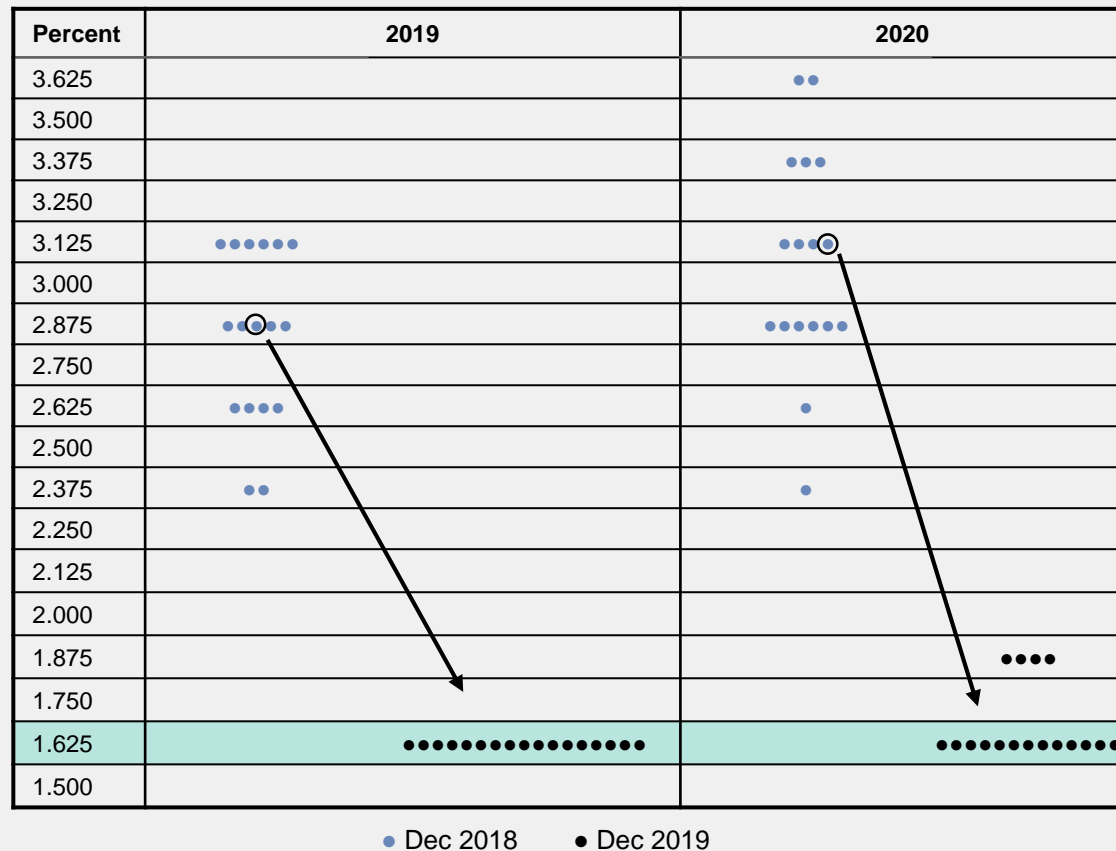
Historical analysis and current forecasts do not guarantee future results.

Through December 31, 2019

Source: Bloomberg Barclays, Institute for Supply Management, S&P, Refinitiv Datastream and AB

The Fed: Dot Plot Signals Rates to Remain Unchanged Through 2020

Fed Dot Plot*



- + The Fed uses the Dot Plot to signal its' interest rate expectations. Each dot represents one Fed official's forecast for the Fed Funds Rate at the end of a specific calendar year (votes are kept anonymous)
- + Interest Rate projections for 2019 and 2020 came down dramatically over the course of the past 12 months
- + In December of 2018, the median dot plot projection for 2019 and 2020 was 2.875% and 3.125% respectively. This effectively signaled the Fed expected to raise rates in both years
- + However the Fed ultimately reversed course and cut rates three times during 2019. Based on the December 2019 Dot Plot, the Fed is now projecting rates to remain unchanged through 2020

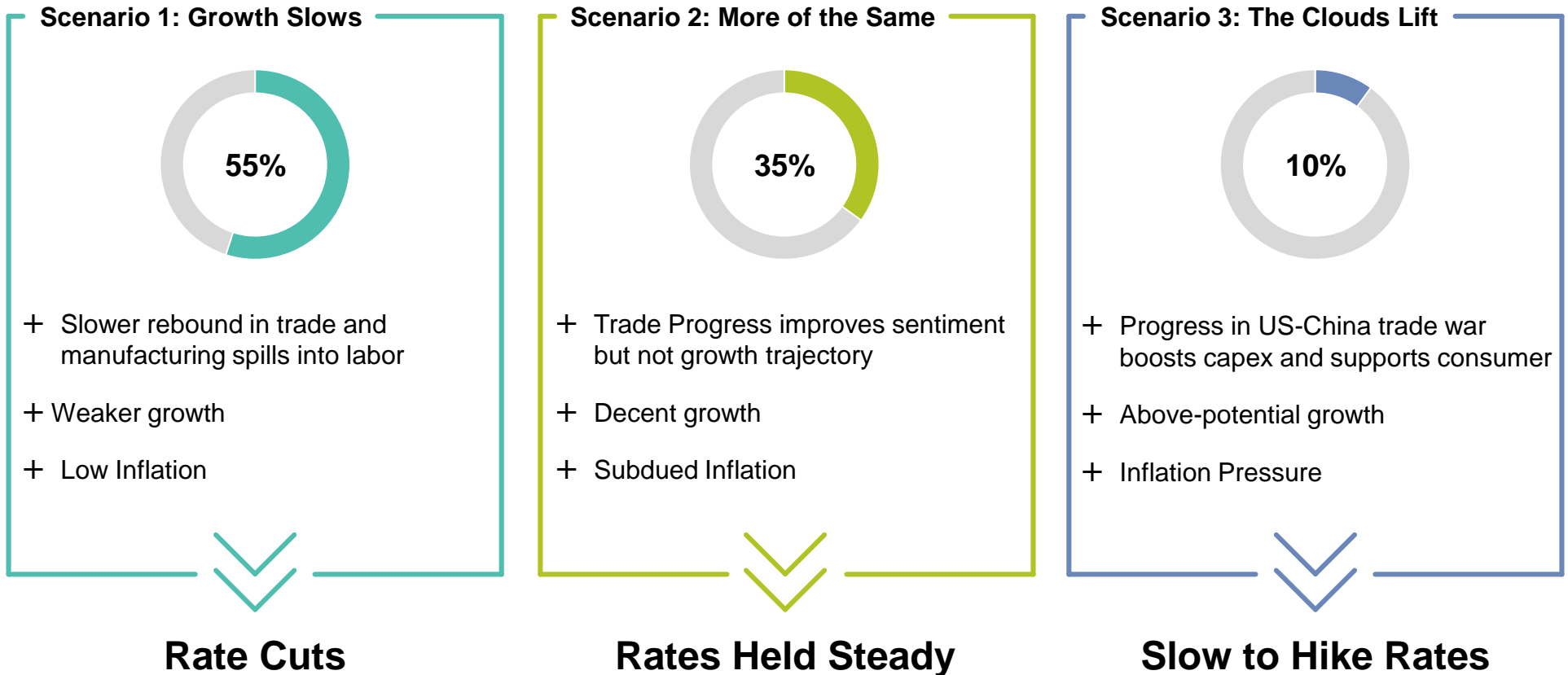
Current analysis does not guarantee future results.

*Each dot indicates the value of an individual participant's judgment of the midpoint of the appropriate target range for the fed funds rate or the appropriate target level for the fed funds rate at the end of the specified calendar year. Projections are from the December 19, 2018, and December 11, 2019, meetings.

As of December 31, 2019

Source: US Federal Reserve and AB

AB Forecast: Three Possible Scenarios for Interest Rate Policy in 2020

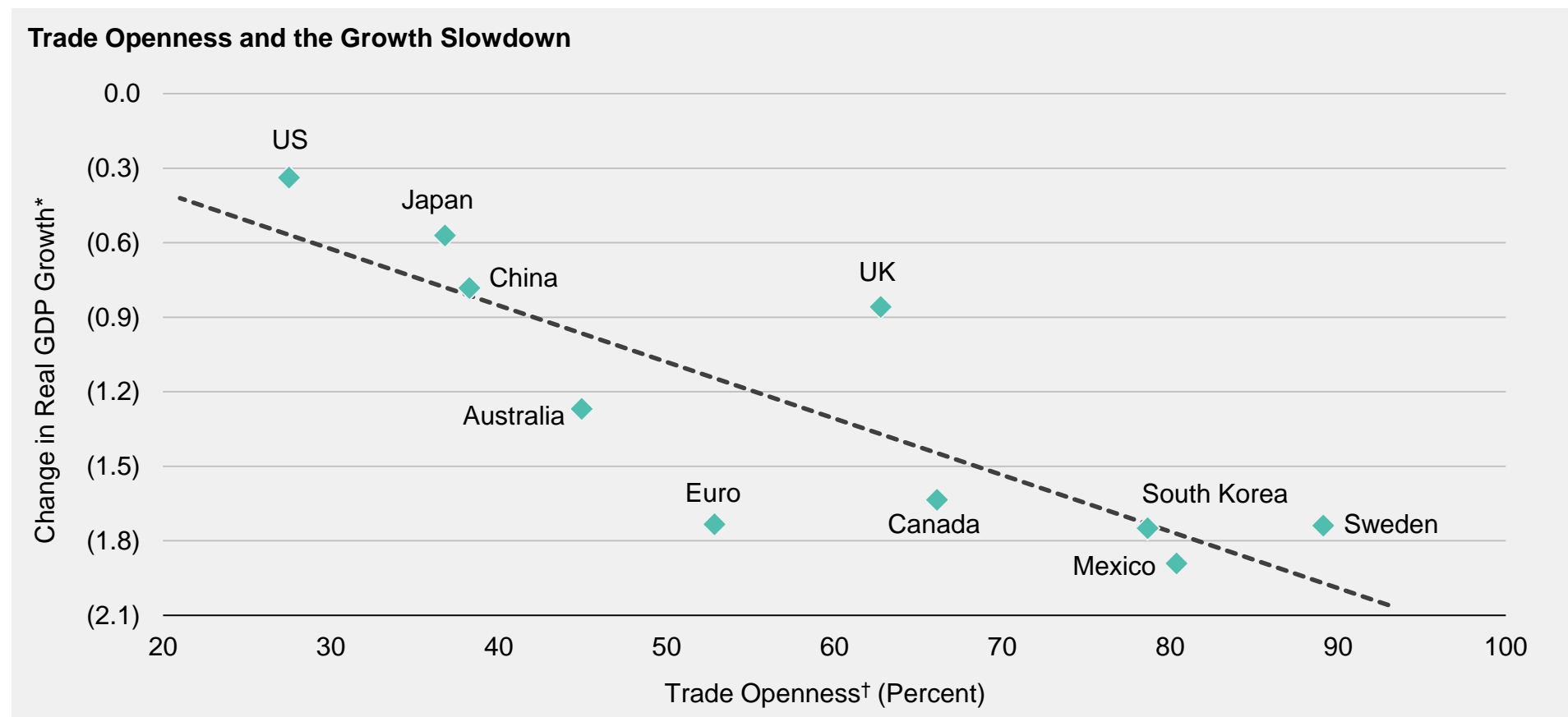


Current analysis does not guarantee future results.

As of December 31, 2019

Source: AB

Trade-Sensitive Economies Were Hurt the Most 2019



Historical analysis and current forecasts do not guarantee future results.

*Change in real GDP growth between Q3 2017 and Q3 2019, percentage points

†Exports plus imports of goods & services as a share of 2018 GDP (AB estimate)

As of December 31, 2019

Source: Haver Analytics and AB

Macro Summary: Reduced Growth Expectations

AB Global Economic Forecast: January 2020

	Real Growth (%)		Inflation (%)		Official Rates (%)		Long Rates (%)	
	19F*	20F	19F*	20F	19*	20F	19*	20F
Global	2.5	2.4	2.8	2.8	2.6	2.3	2.2	2.3
Industrial Countries	1.6	1.2	1.6	1.7	0.8	0.6	0.9	1.1
Emerging Countries	3.9	4.4	4.9	4.6	6.1	5.3	4.8	4.6
US	2.0	1.7	2.3	2.3	1.6	1.4	1.8	2.3
Euro Area	1.2	0.8	1.2	1.3	-0.5	-0.5	-0.4	-0.3
UK	1.3	1.0	1.9	1.8	0.8	0.8	0.7	0.8
Japan	1.1	0.0	0.5	0.7	-0.1	-0.1	0.0	0.0
China	6.2	6.0	2.8	3.0	4.4	4.1	3.2	3.0

Historical analysis and current forecasts do not guarantee future results.

Growth and Inflation forecasts are calendar year averages. Interest rates are year-end forecasts. Real growth aggregates represent 48 country forecasts, not all of which are shown. Long rates are 10-year yields.

*2019 Real Growth and Inflation are still forecasts. 2019 Official Rates and Long Rates are finalized numbers.

As of January 1, 2020

Source: AB

2020 Election: Historically Politics Don't Matter to Markets...

Democratic President

9.2%



Divided Government

10.0%



Republican President

9.1%



Unified Government

8.2%



Past performance does not guarantee future results.

Left display: Returns reflect annualized returns for each Presidential Term dating back to 1937, based on the Dow Jones Industrial Average.

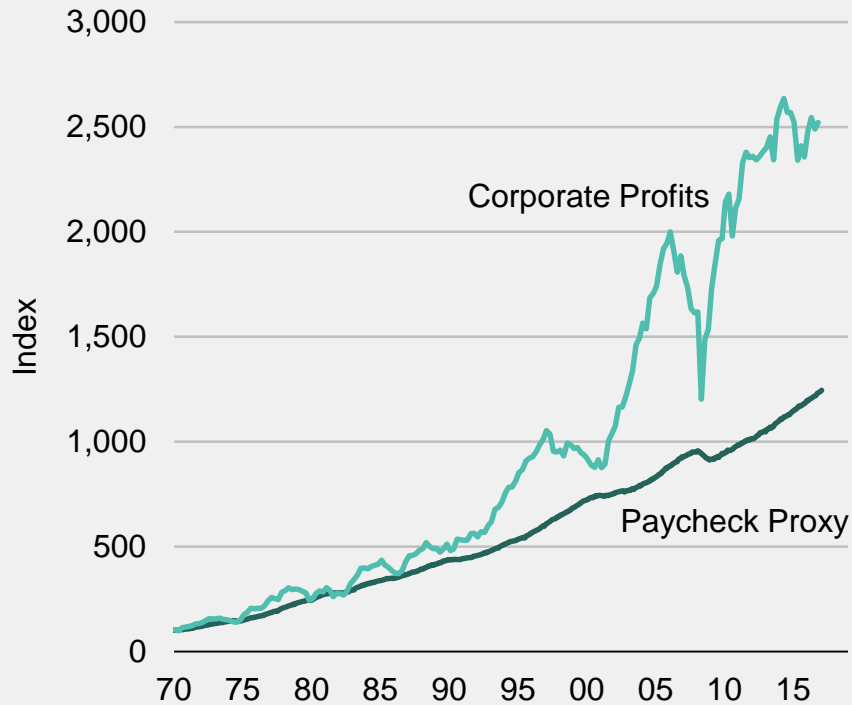
Right display: Returns reflect annualized returns for each Congressional Term dating back to 1937, based on the Dow Jones Industrial Average.

As of December 31, 2019

Source: Bloomberg and AB

...but We Believe it Does Today

Corporate Profits and Household Paycheck



Growth in National Income in the US (Post-War Period)

Income Group	Real Income Growth	
	1946–1980	1980–2014
Bottom 50%	102%	1%
Middle 40%	105%	42%
Top 10%	79%	121%
Top 1%	47%	205%
Top 0.1%	54%	321%

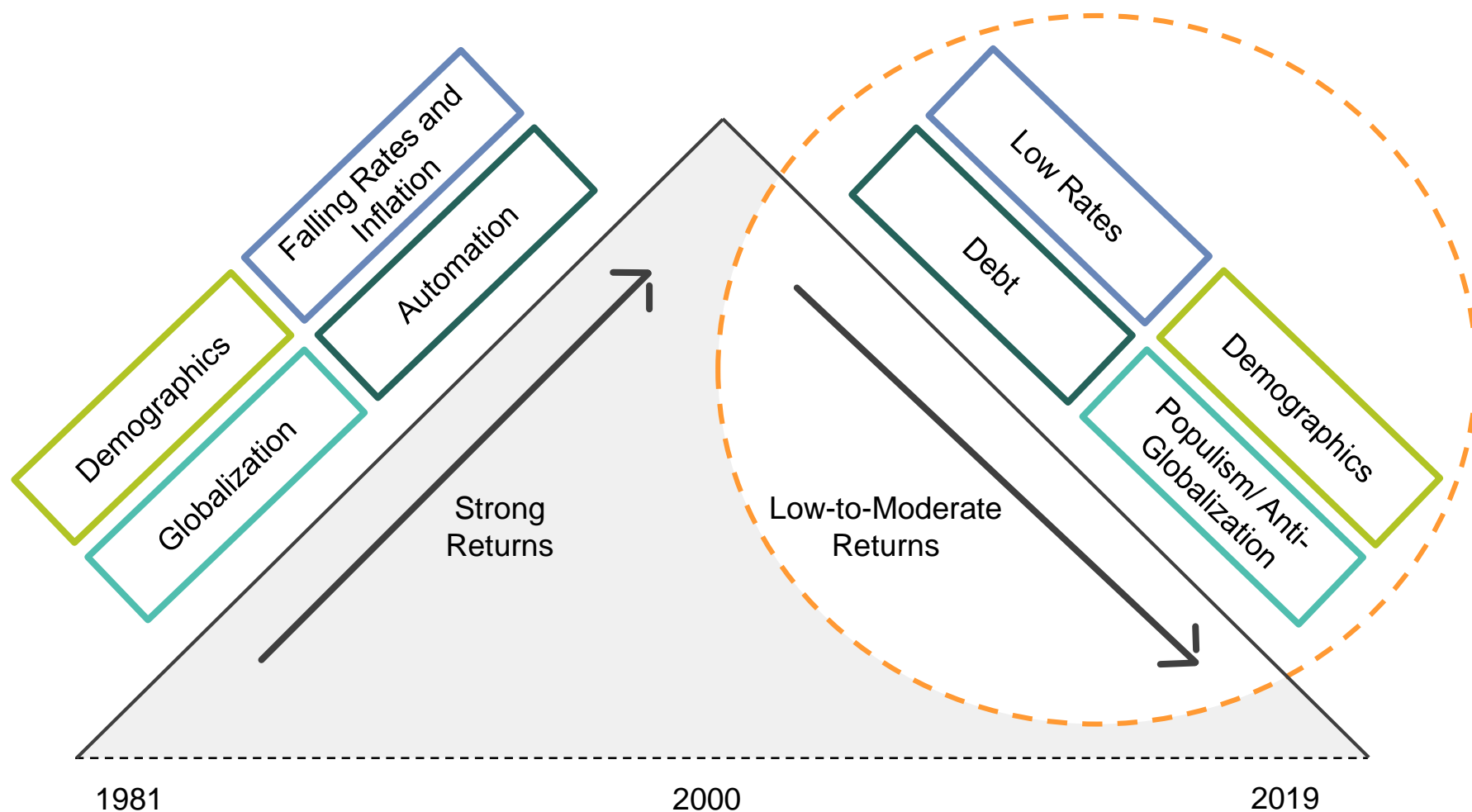
Past performance does not guarantee future results.

Notes: The right table displays the cumulative real growth rates of pre-tax national income per adult over two 34 years period: 1980 to 2014 and 1946 to 1980. The unit is the adult individual (aged 20 or above). Fractiles are defined relative to the total number of adults in the population. Income is split equally among spouses. Pre-tax national income fractiles are ranked by pre-tax national income while post-tax national income fractiles are ranked by post-tax national income.

As of June 30, 2019

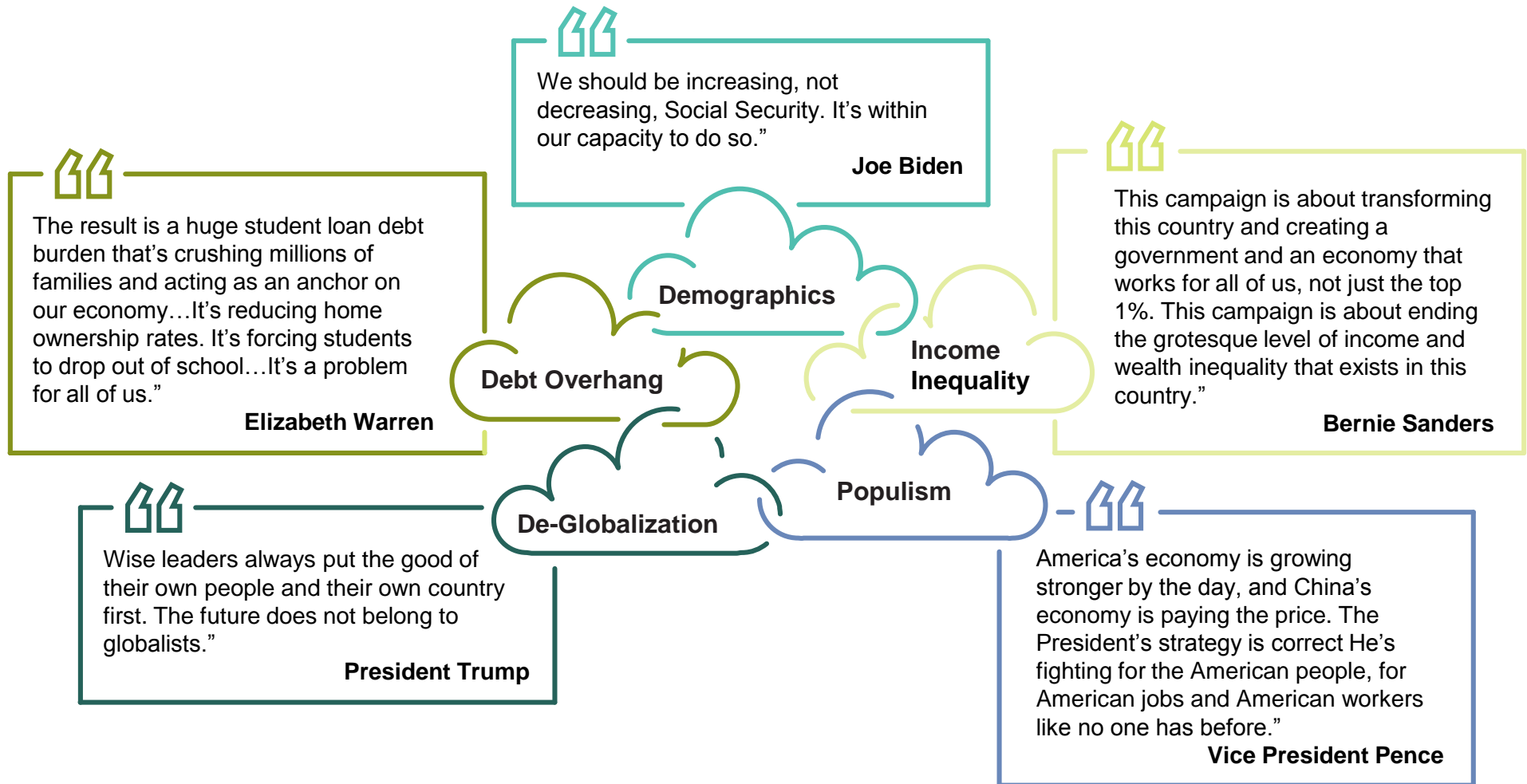
Source: Piketty, Refinitiv Datastream, Saez and Zucman, “*Distributional National Accounts: Methods and Estimates For the United States*”, NBER WP22945

The Great Moderation's Drivers Have Become Today's Secular Battlefield



For illustrative purposes only
Source: AB

The Secular Battlefield: a.k.a., 2020 US Presidential Election—in Quotes



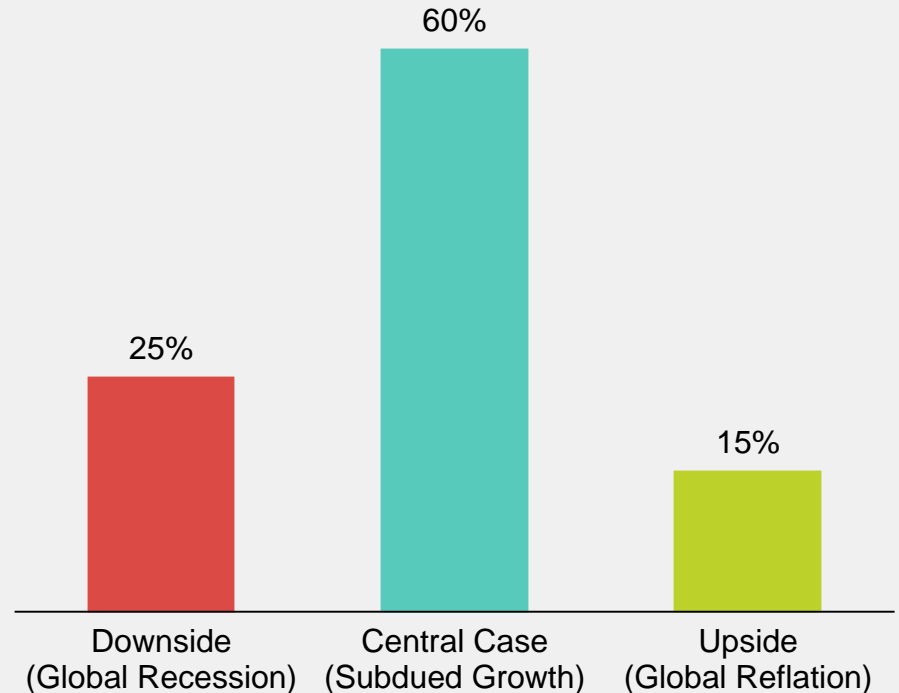
Source: Bloomberg, CNBC, The White House and AB

Global Macro Outlook: The Secular Backdrop Remains Challenging

Secular Trends Point to Soft Growth and Less Favourable Growth/Inflation Trade-Off

- + Negative supply shock from demographics
- + Debt overhang
- + Weak productivity growth
- + Rising populism
- + Geopolitical competition/conflict

AB Scenario Probabilities New Scenarios



Current analysis does not guarantee future results.

As of January 1, 2020

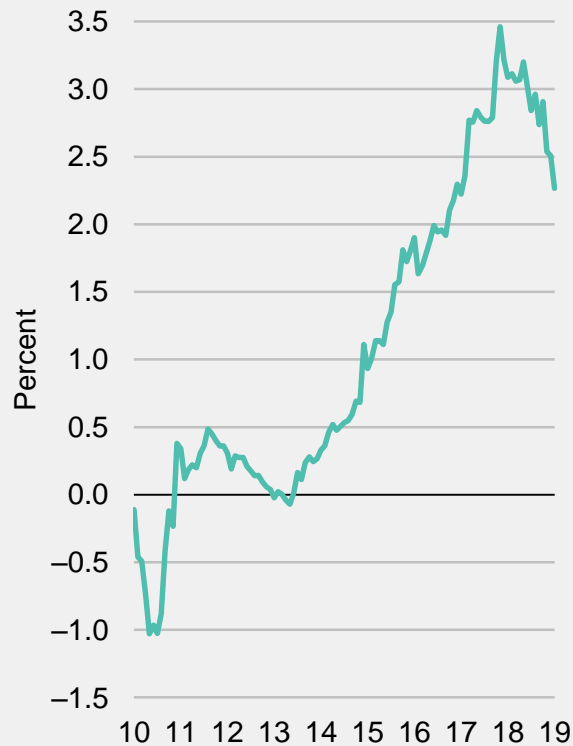
Source: AB



Currency Hedging Boosts Returns for USD-Based Strategies

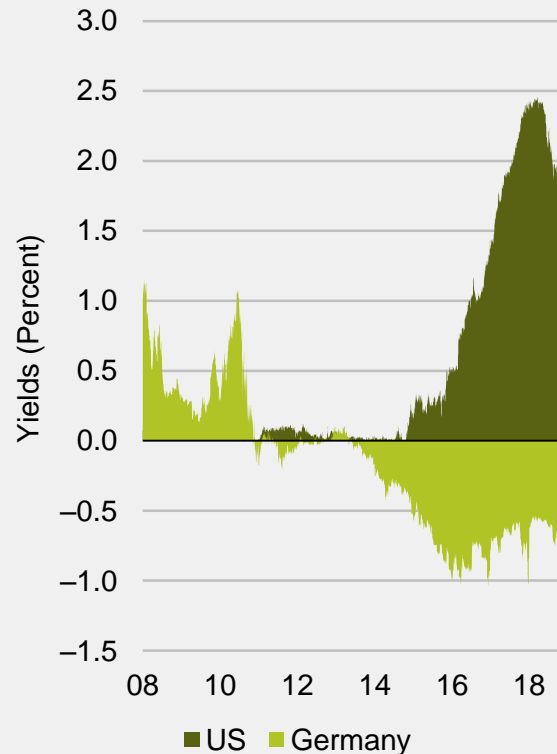
The Benefit from Hedging Has Increased in Recent Years...

USD/EUR Cost of Hedging



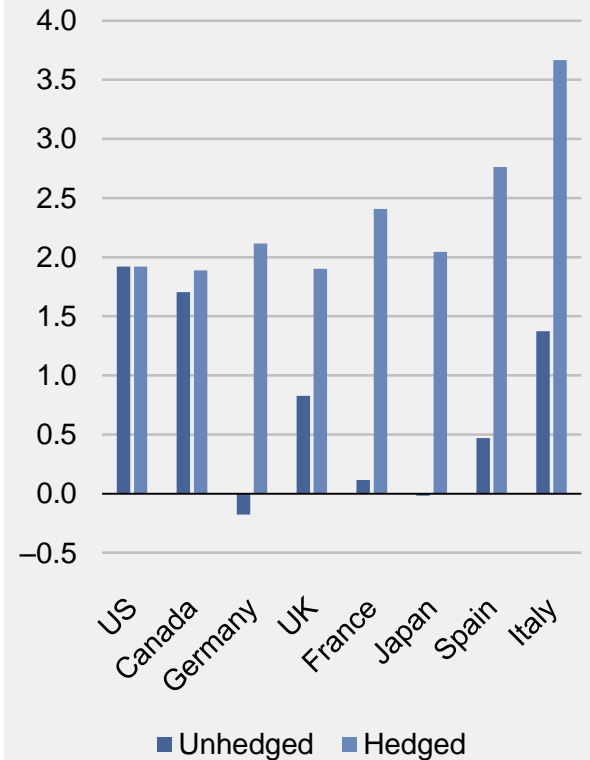
...on the Back of Divergent Monetary Policy

Three Month Bills: US and Germany



Currency Hedging Can Make Low-Yielding Bonds More Attractive

10-Year Bond Yield



Past performance and historical and current analysis do not guarantee future results.

Hedge: A hedge is an investment to reduce the risk of adverse price movements in an asset, such as taking an offsetting position in a related security.

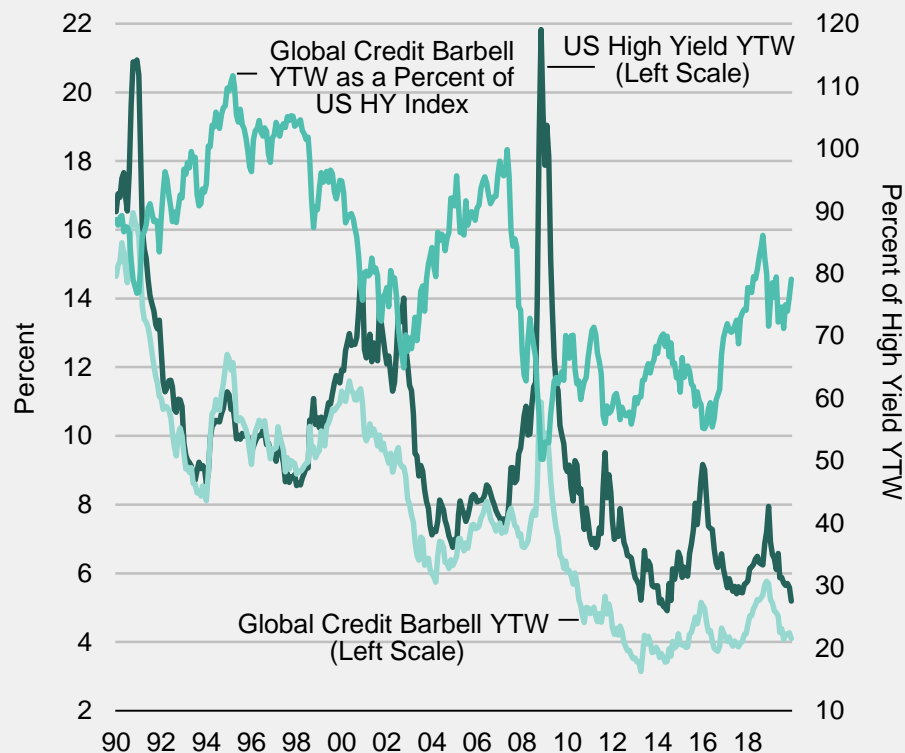
As of December 31, 2019

Source: Bloomberg Barclays and AB

Late-Cycle Income with the Downside Mitigation of Treasuries

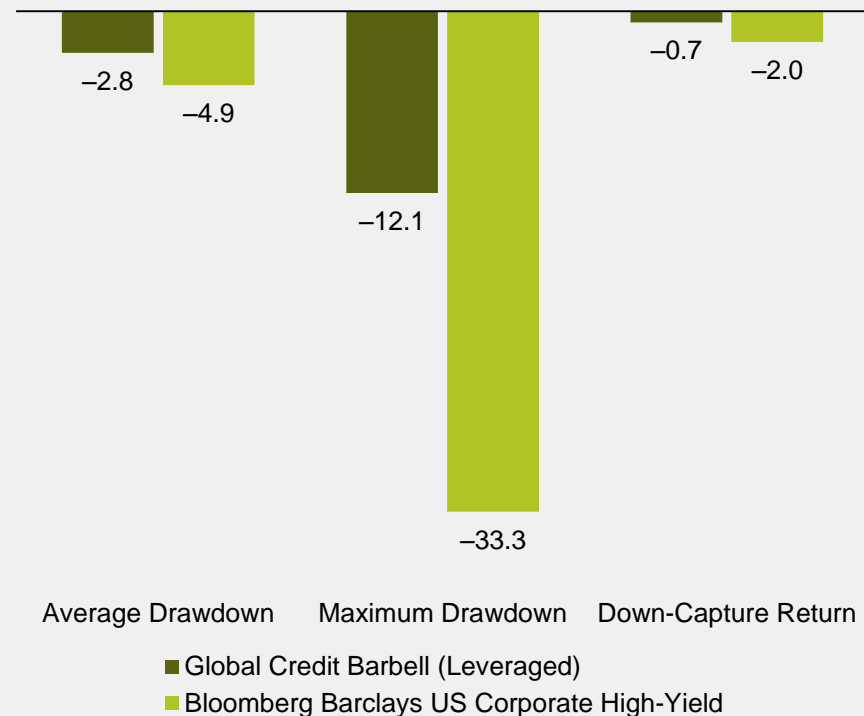
Currently, a Global Credit Barbell Generates ~79% of the Income of the High-Yield Index

Yield to Worst of Global Credit Barbell and Bloomberg Barclays US Corporate High-Yield



Downside Risk Statistics

Feb 1990–Dec 2019 (Percent)



Past performance and current analysis do not guarantee future results.

Global credit barbell is a hypothetical risk-weighted portfolio made up of 65% Bloomberg Barclays US Treasury and 35% Bloomberg Barclays Global High-Yield and leveraged 30%. Any benchmark or index cited herein is used for comparison purposes only. An investor cannot invest directly in an index. The unmanaged index performance does not reflect any fees and expenses associated with the active management of an AB portfolio.

As of December 31, 2019

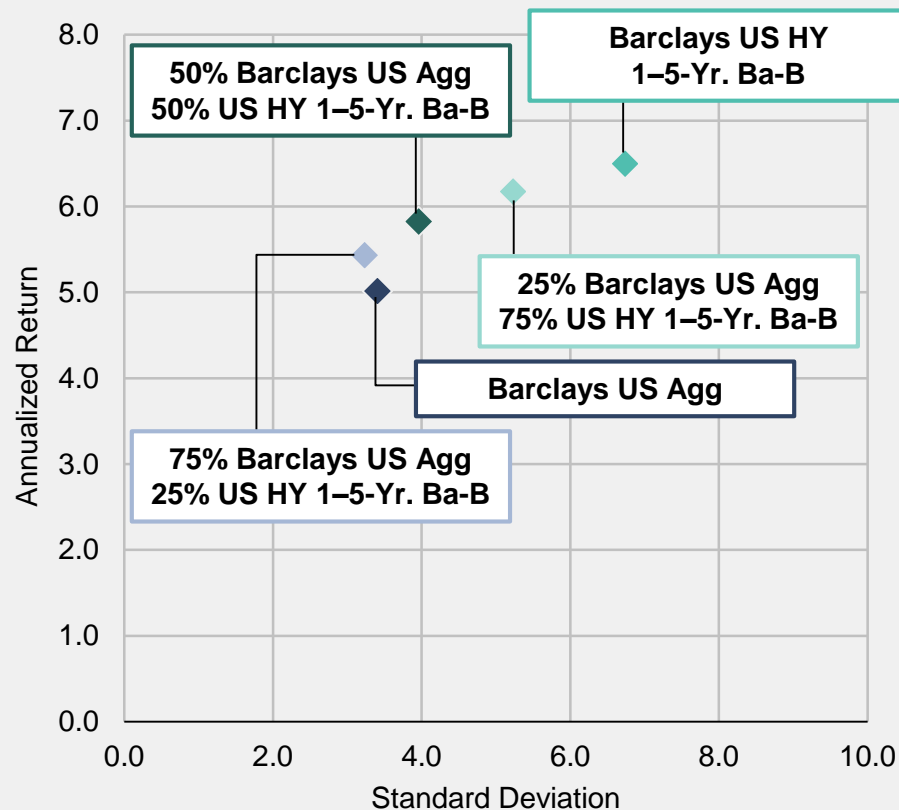
Source: Bloomberg Barclays, Morningstar and AB

Pairing Core Credit & Traditional Core Bonds Improves Portfolio Efficiency

High Quality High Yield Enhances Core Bond Allocation with Less Downside than Pure High Yield

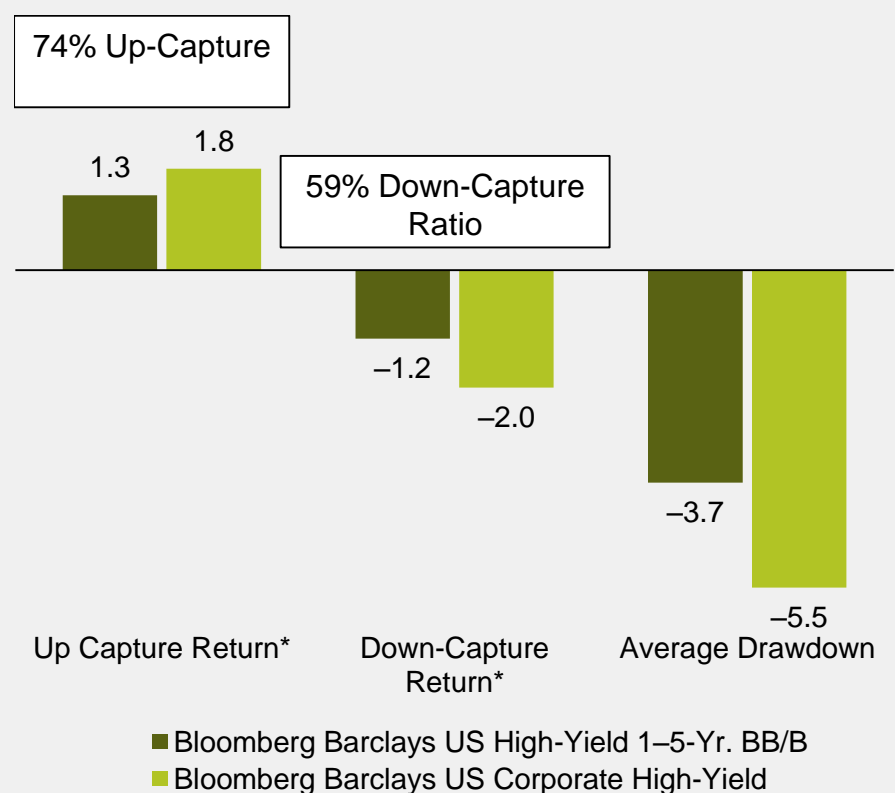
Hypothetical Portfolio Return & Std Deviation

Jan 2000–Dec 2019 (Percent)



Capture and Drawdown Statistics

Jan 2000–Dec 2019 (Percent)



The performance shown represents past performance and does not guarantee future results.

*Up-capture return and Down-Capture Return are shown using the Barclays US Corporate High Yield Index as the calculation benchmark

As of December 31, 2019

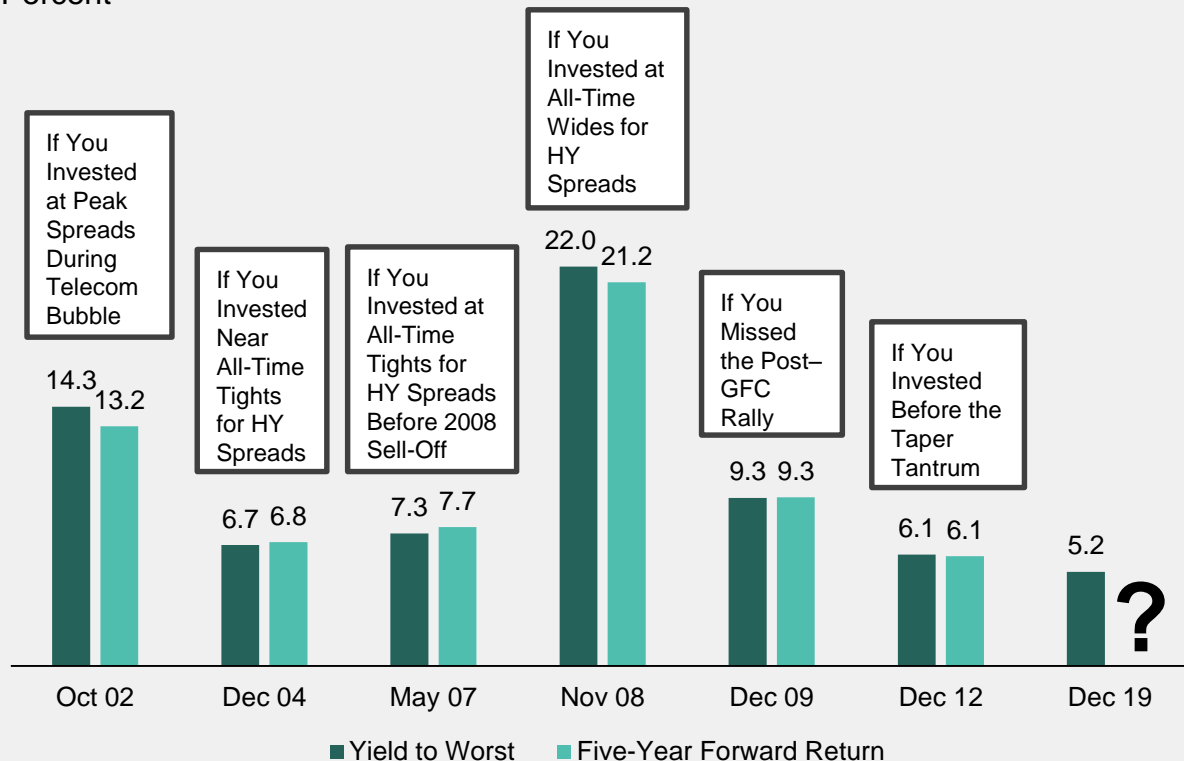
Source: Morningstar Direct and AB



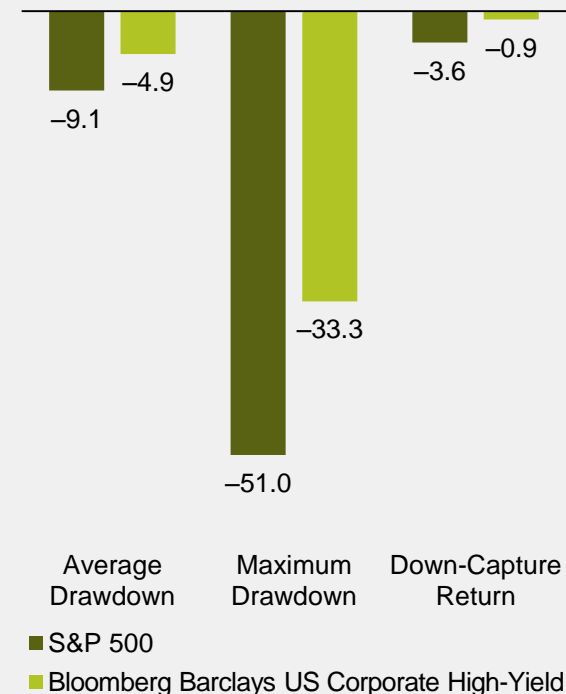
Better Beta: Using High Yield to De-Risk Equities

Yield to Worst, Historically a Strong Predictor of Future Returns, Is Near Current Equity Expectations

Starting Yield to Worst and Five-Year Forward Annualized Return
Percent



Downside Risk Statistics
Feb 1990–Dec 2019 (Percent)



Historical and current analyses and current forecasts do not guarantee future results.

US corporate high yield is represented by Bloomberg Barclays US Corporate High-Yield (USD Hedged). Any benchmark or index cited herein is used for comparison purposes only. An investor cannot invest directly in an index. The unmanaged index performance does not reflect any fees and expenses associated with the active management of an AB portfolio. Down-Capture Return is shown using the S&P 500 Index as the calculation benchmark.

As of December 31, 2019

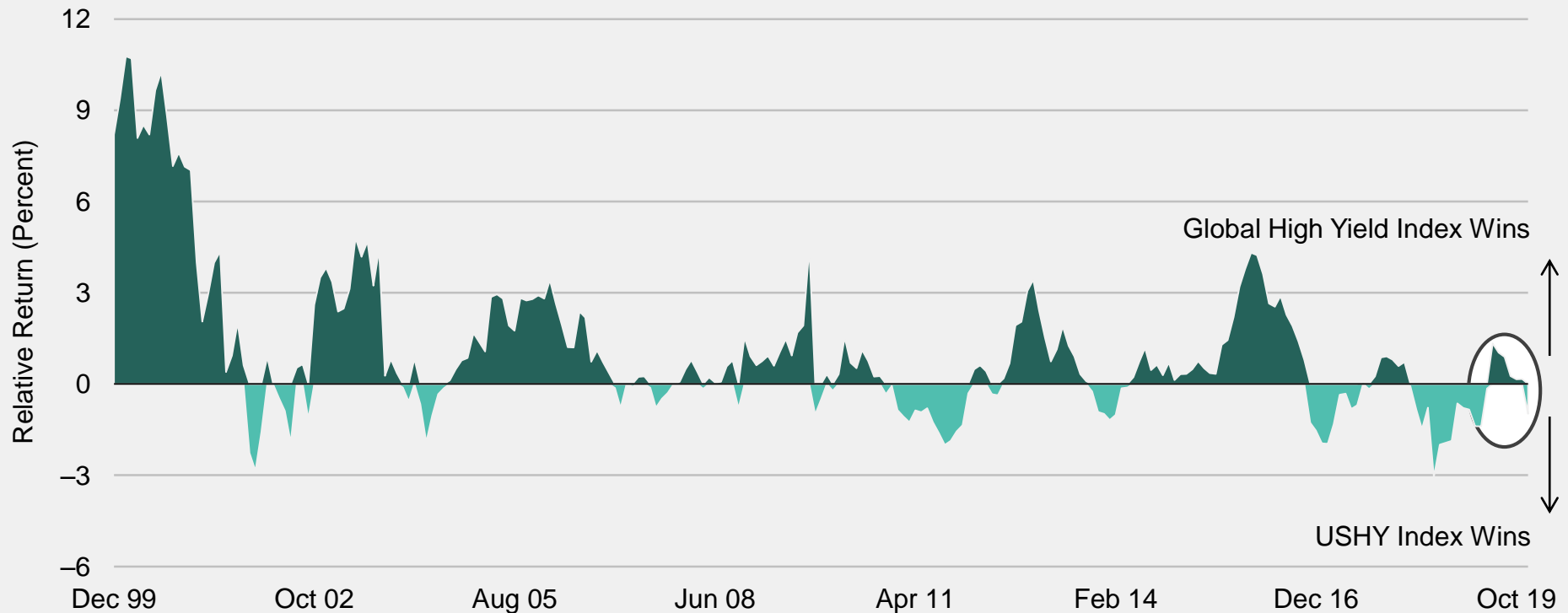
Source: Bloomberg Barclays, Morningstar and AB

Globalizing Your Exposure Can Generate Additional Alpha

Global High Yield (Hedged) Beats US High Yield ~69% of the Time (Using Trailing 12-Mth. Periods)

Global High Yield Beats US High Yield Most of the Time

12-Month Trailing Relative Return (Global HY USD Hedged Minus US HY Index)



Past performance and current analysis do not guarantee future results.

From December 1999, through December 2019. Global High Yield Index USD Hedged is represented by the Bloomberg Barclays Global High Yield Index USD Hedged; US High Yield is represented by the Bloomberg Barclays US Corporate High Yield Index.

Alpha, often considered the active return on an investment, gauges the performance of an investment against the market and is used as a measure of manager skill.

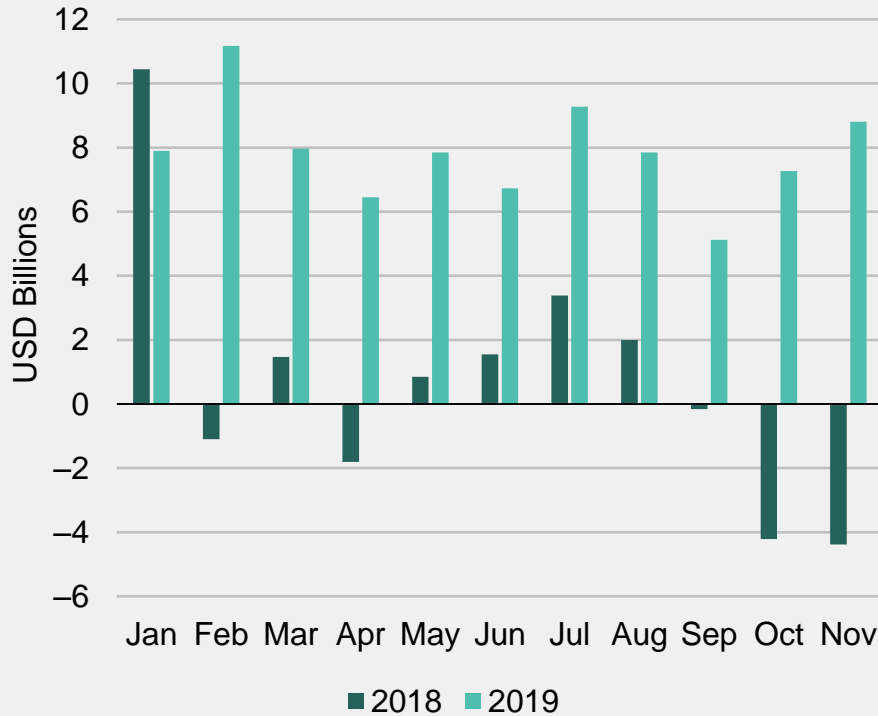
Source: Morningstar Direct and AB

Municipals Should Continue to Benefit from Technical Support

Increased Demand Coupled with a Shrinking Market

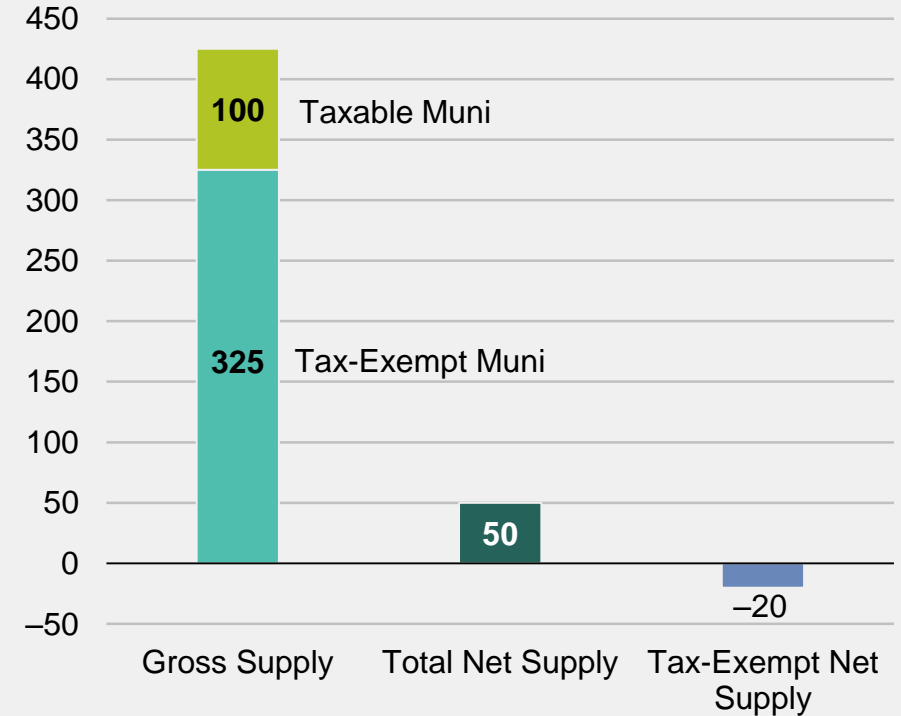
Tax Reform Has Driven Demand for Tax Havens

Morningstar Municipal Fund Flows



Net Tax-Exempt Supply to Remain Muted

Projected 2020 Supply Forecasts



Current analysis does not guarantee future results.

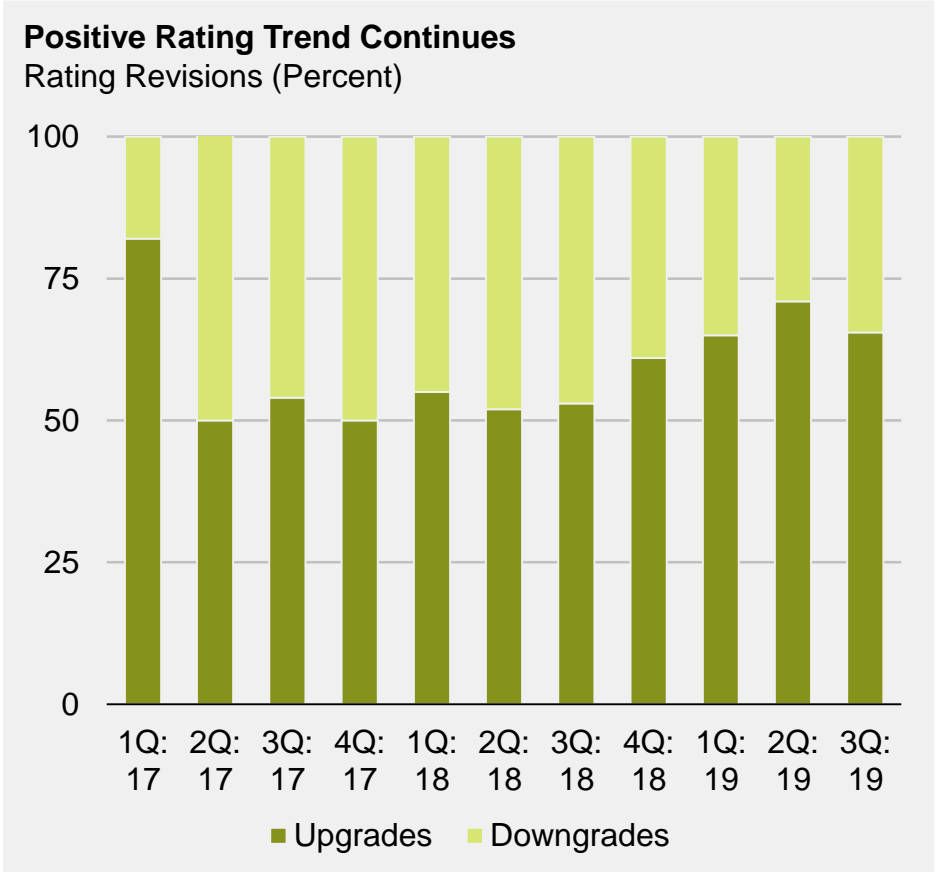
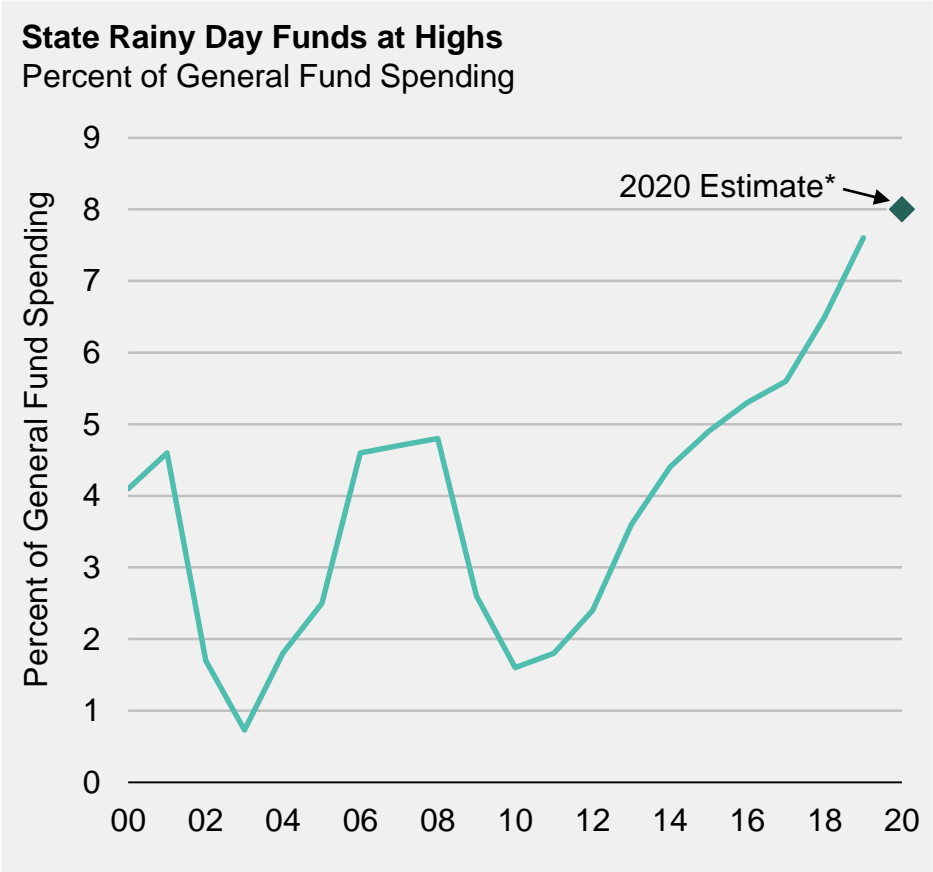
Supply numbers are an average of sell-side firm estimates

Flow data as of November 3, 2019; supply data projected as of December 31, 2019

Source: Bloomberg Barclays, Citi, J.P. Morgan, Merrill Lynch, Morningstar and AB

Issuers Dedicated Excess Revenues to Reserve Funds

Upgrades Outpace Downgrades for 9th Consecutive Quarter



Historical analysis and current forecasts do not guarantee future results.

*Figures for fiscal 2020 are projected based on states' enacted budgets

As of December 31, 2019

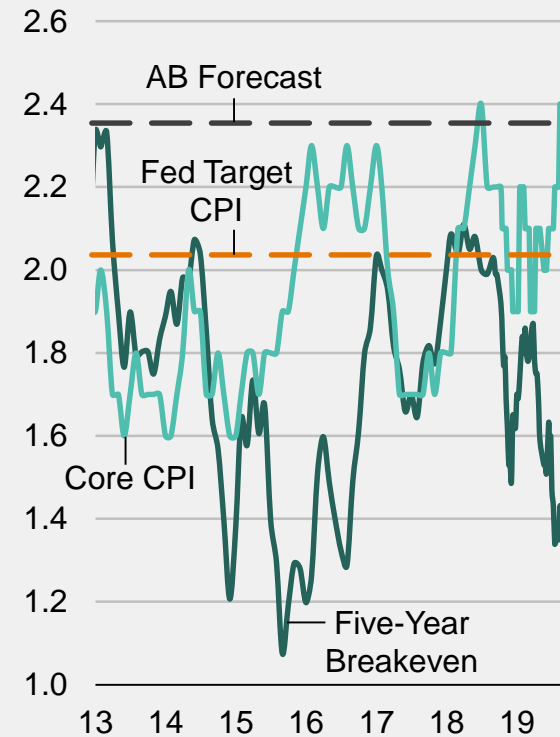
Source: Moody's Investors Service, NASBO and AB



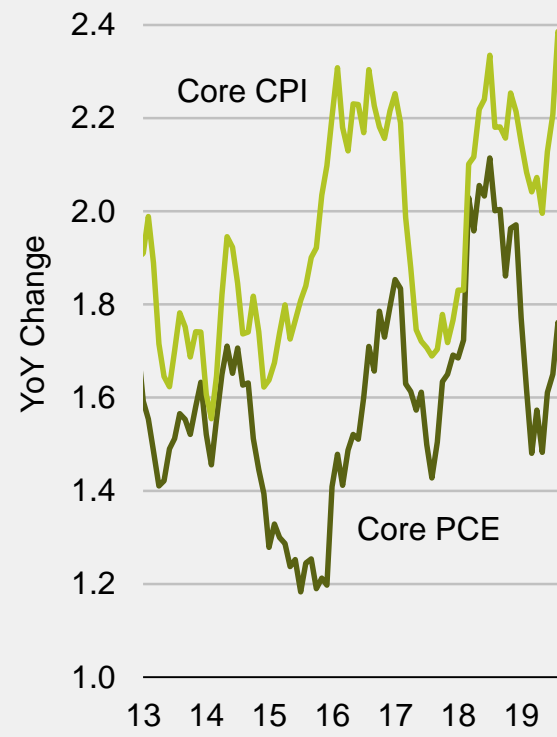
The Case for Tax-Efficient Inflation Protection

Inflation Protection Is Cheap and Conditions Are Right

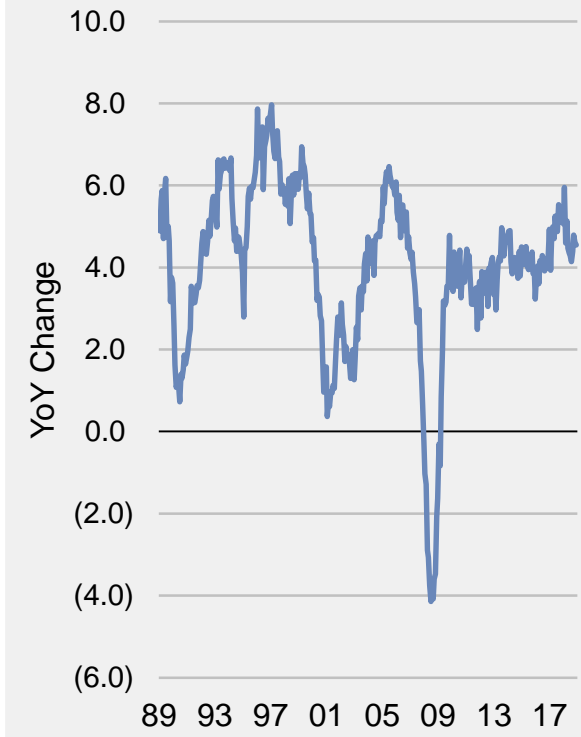
**Inflation High vs. Expectations
Creates Opportunity**
Percent



Core PCE vs. Core CPI
Percent



Aggregate Household Paycheck
Percent



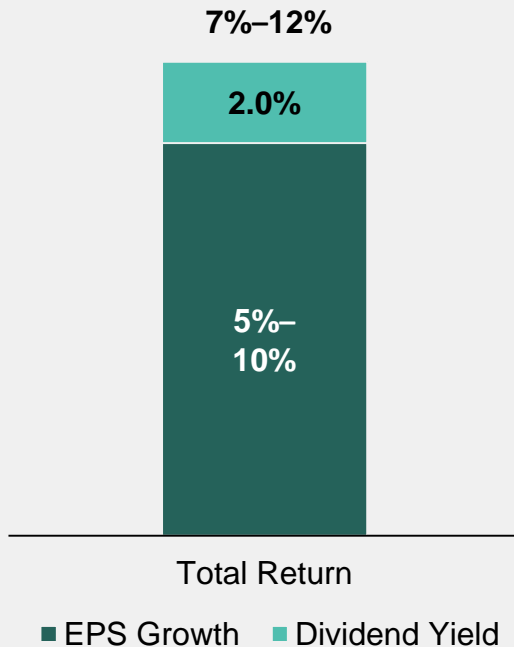
As of December 31, 2019

Source: Bloomberg, Refinitiv Datastream, FRED Economic Data and AB

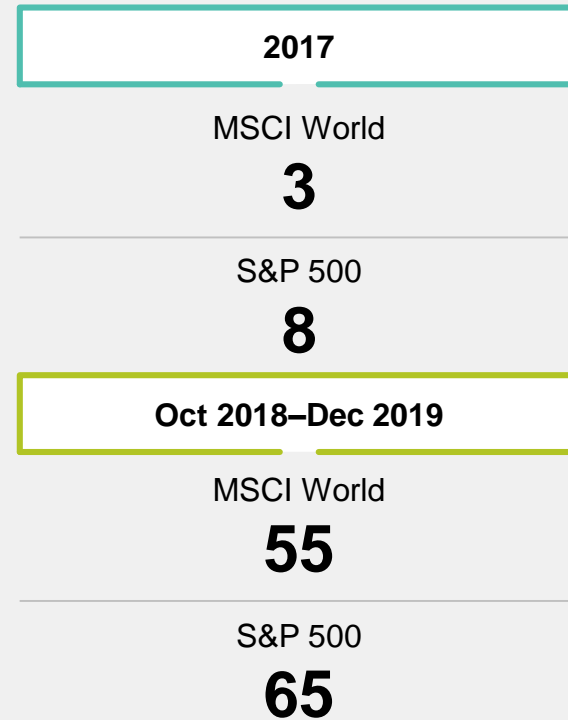


Equity Market Outlook 2020: Act One for the Next Decade

2020 Forecast for US Stocks Range of Modest Potential Upside



Recent Volatility Likely to Persist Number of Days Market Up/Down $\pm 1\%$



2020 Roadmap

Key Elements:

- + Trade, US election
- + Monetary Policy Effectiveness
- + Modest Earnings Growth



- + Ongoing Volatility
- + Elevated Valuations



Moderate Returns

Historical analysis and current forecasts do not guarantee future results.

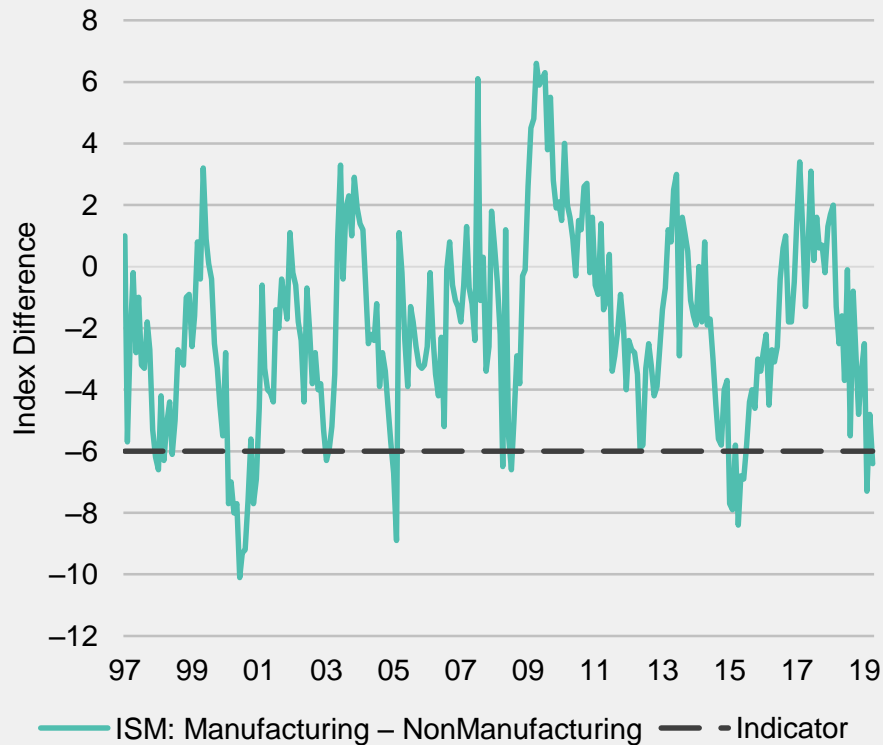
Volatility is annualized using daily data.

Left display as of December 31, 2019; middle display as of December 31, 2019

Source: Bloomberg, CBOE, FactSet, J.P. Morgan, Morningstar, MSCI, S&P and AB

PMI Variance Has Frequently Not Led to Negative Equity Returns

Manufacturing – Services PMI Gap



**S&P Performance if Difference in PMIs >6 Index Points
Forward Returns**

Date	Three Month	Six Month	Nine Month	12 Month
6/30/1998	-9.95	9.23	14.67	22.76
8/31/2000	-13.12	-17.84	-16.51	-24.39
7/31/2003	6.57	15.23	13.26	13.17
7/31/2005	-1.78	4.68	7.69	5.38
10/31/2008	-14.09	-8.53	4.10	9.80
7/31/2015	-0.63	-6.77	-0.20	5.61
Average	-5.50	-0.67	3.84	5.39

Historical analysis and current forecasts do not guarantee future results

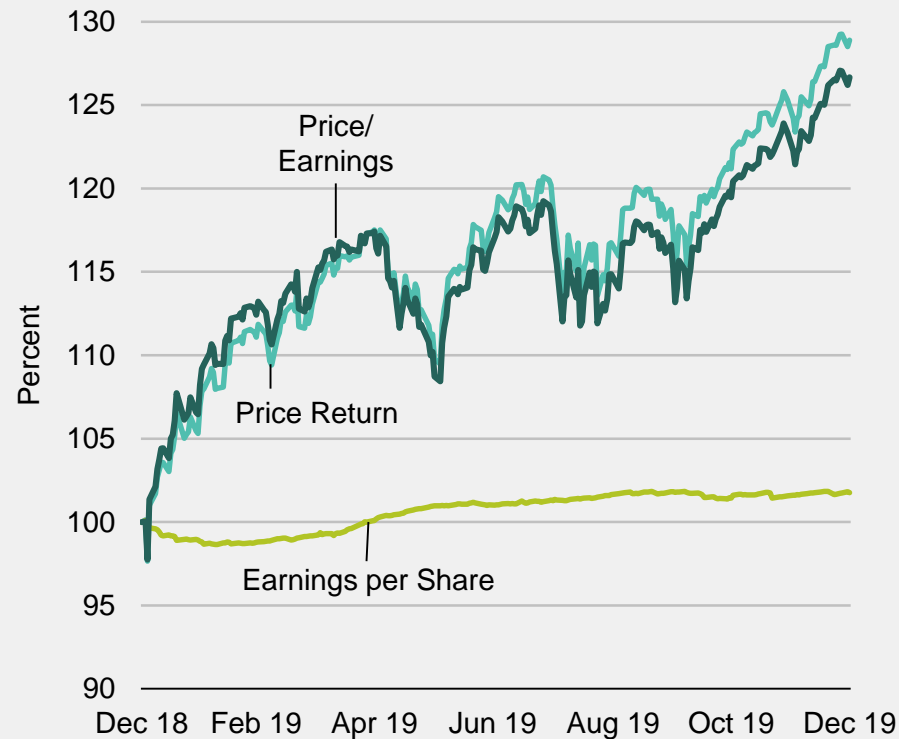
As of December 4, 2019

Source: Thomson Reuters Datastream and Bernstein research

Returns Still Not Driven by Earnings Growth and P/Es Have Limited Upside

S&P 500 2019 Return Profile*

Driven by Multiple Expansion



Multiples Have Risen as Financial Conditions Have Eased

P/Es Constrained: Financial Conditions Are Near Record Highs



Historical analysis and current forecasts do not guarantee future results.

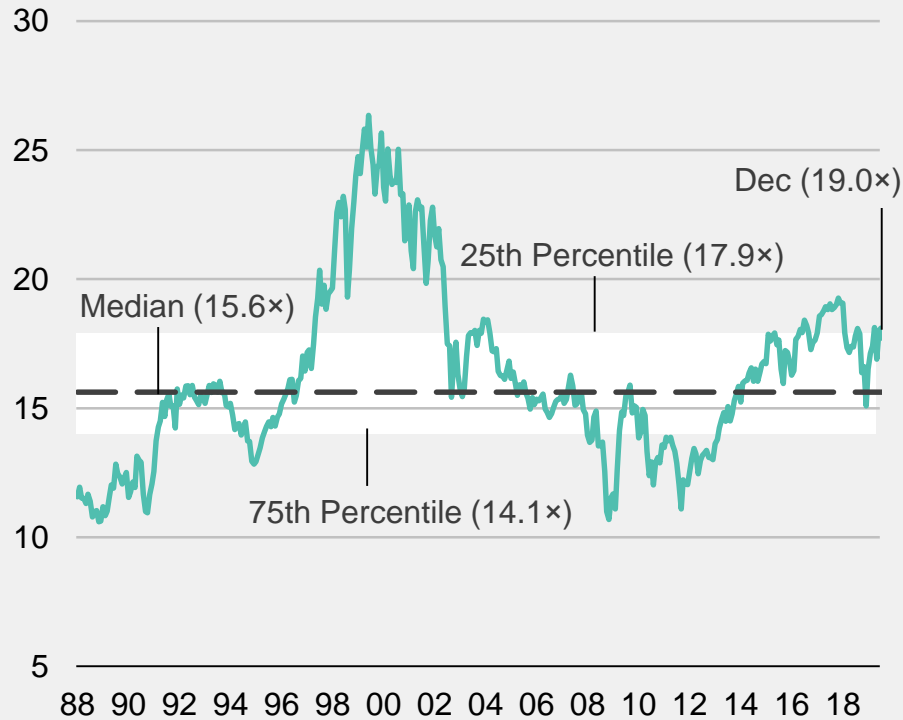
*All data for the S&P 500. Earnings estimates are represented by Bloomberg consensus blended forward 12-month estimates.

As of December 31, 2019

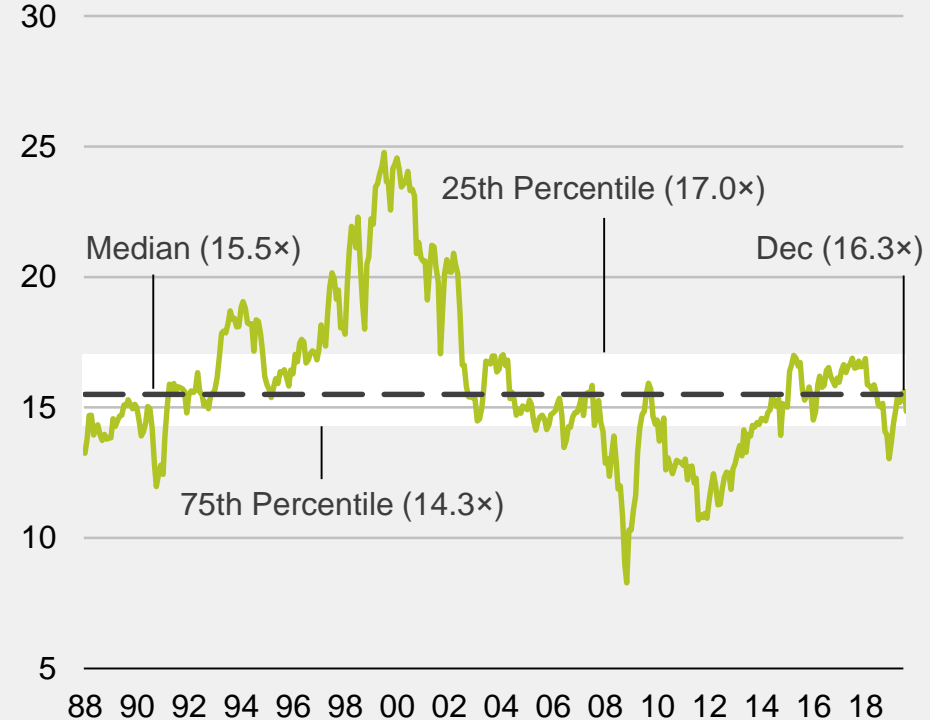
Source: Bloomberg, Cornerstone Macro, FactSet, MSCI, S&P and AB

Valuations Remain a Mixed Picture

US Valuations at the Upper End of Historical Returns
S&P 500 Forward P/E Ratio



Global Stock Valuations Remain Reasonable
MSCI ACWI Forward P/E Ratio



Historical analysis and current forecasts do not guarantee future results.

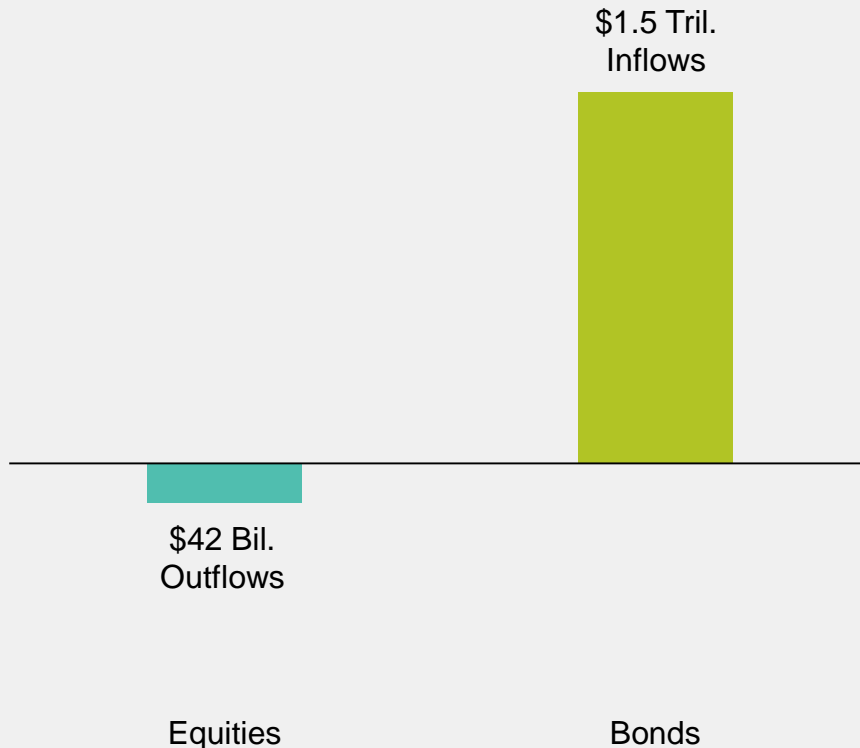
P/E ratios represent earnings estimates for the next 12 months.

As of December 31, 2019

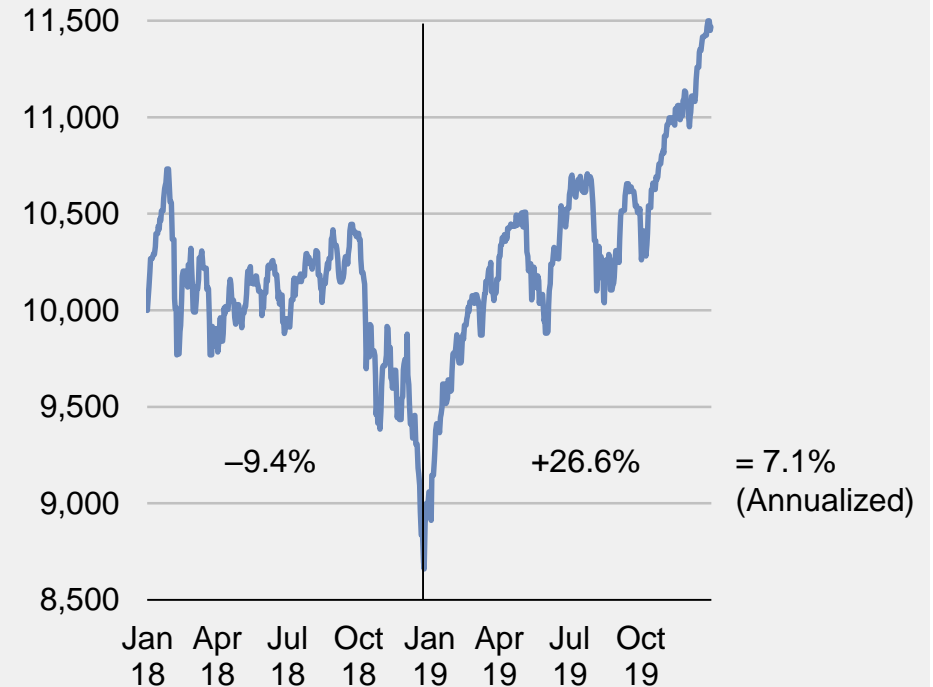
Source: MSCI, S&P, Thomson Reuters I/B/E/S and AB

Recent Money Flows and Market Action Do Not Imply Euphoria

Global Asset Class Flows: Jan–Nov 2019*



Despite Double Digit Returns in 2019, Global Stocks Are Only Up Mid Single Digits Since the Trade War
MSCI ACWI NR US Dollars



Historical analysis and current forecasts do not guarantee future results.

*Based on Morningstar estimated net flows for worldwide open end funds, money market funds, and ETFs. Bonds includes fixed income and money market funds.

Left display as of November 30, 2019; right display as of December 31, 2019

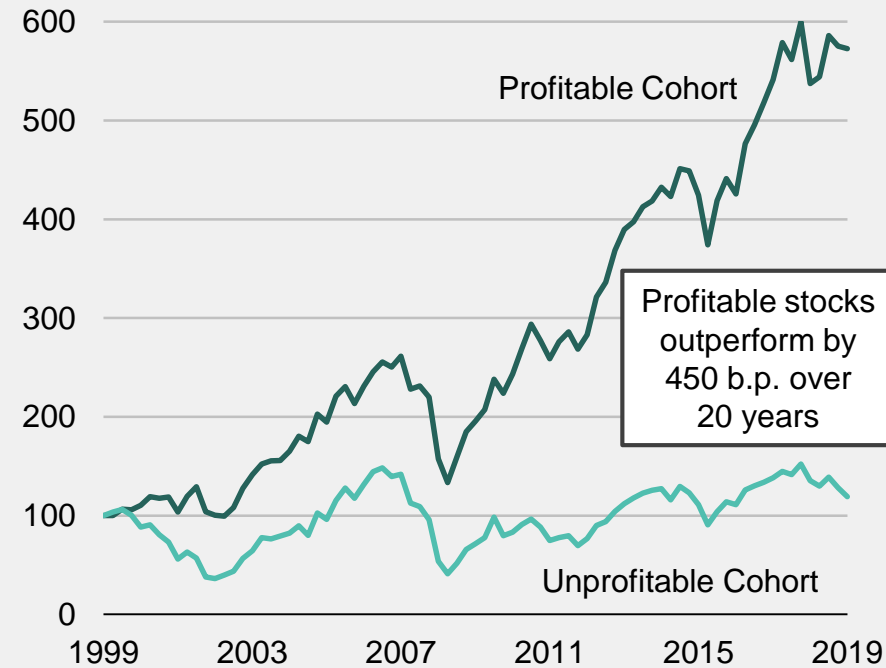
Source: Morningstar, MSCI and AB

Profitable Growth Drives Strong Stock Returns Over Time

Focus on Firms with Sustainable Profits in This Late-Cycle Environment

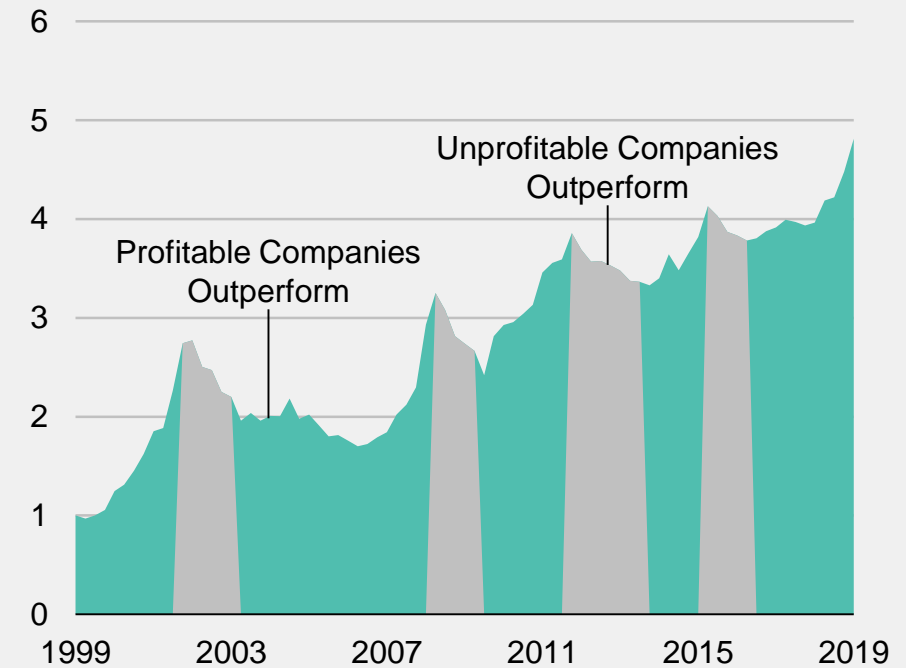
US Stock Performance

Rebalanced Quarterly



US Stocks Performance Ratio

Positive Earnings Growth vs. Negative Earnings Growth



Historical and current analyses do not guarantee future results.

Performance data based on Russell 3000, indexed to October 31, 1999. Companies included in the analysis are defined as those with at least US\$500 million of annual revenue, growing 10% annually. Data rebalanced quarterly to include companies fitting the size and growth criteria.

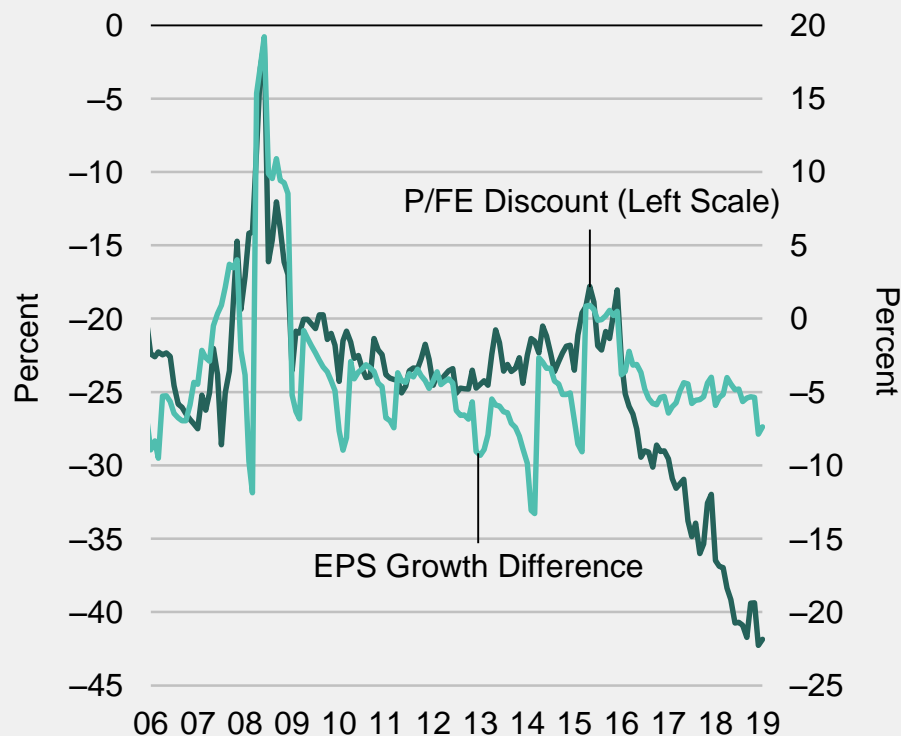
Through October 31, 2019

Source: Bloomberg, Russell Investments and AB

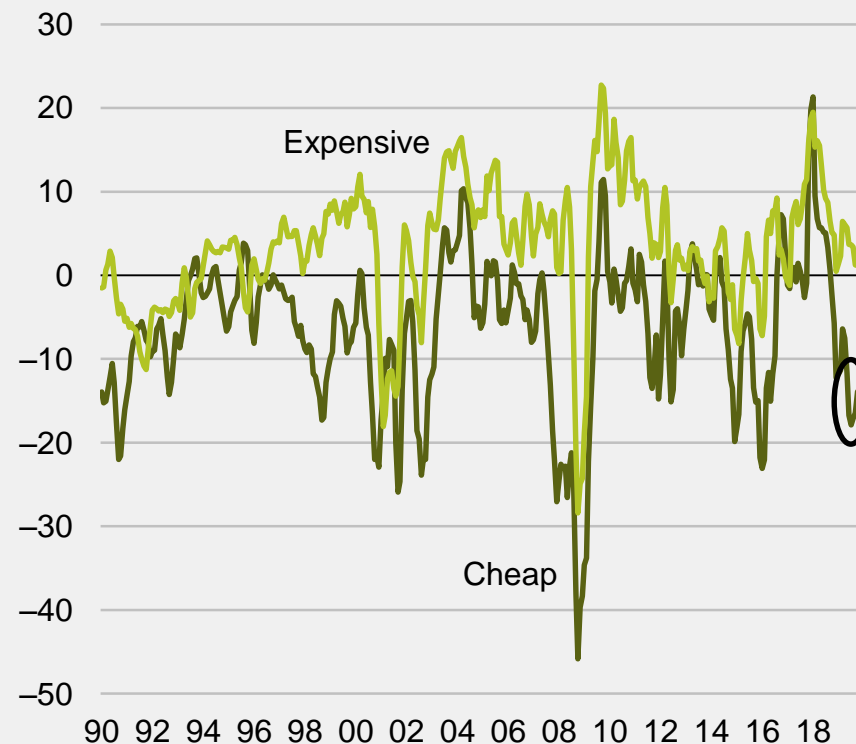
Value Stocks' Discount Wide vs. Growth Stocks

The Earnings Growth Trajectory Tells a Different Story, Especially for the Cheapest Stocks

MSCI World Value vs. Growth: Modern-Day Low Discount
P/FE Discount vs. EPS Growth Forecast (Next 12 Months)



US Earnings Revisions
Fortunes Improving for the Most Attractively Valued Stocks



Historical analysis and current forecasts do not guarantee future results.

Right display shows the earnings revisions balance for stocks in the US cheap composite Value quintile and the US expensive composite Value quintile of the MSCI US Index. Composite value is an equal weighted blended rank on Price to Book, 12 month forward PE and Dividend Yield. The Earnings revisions are defined as the number of fy1,fy2 upgrades - number of fy1,fy2 downgrades shown as a percentage of total number of fy1,fy2 eps estimates. The series is smoothed with a three-month moving average.

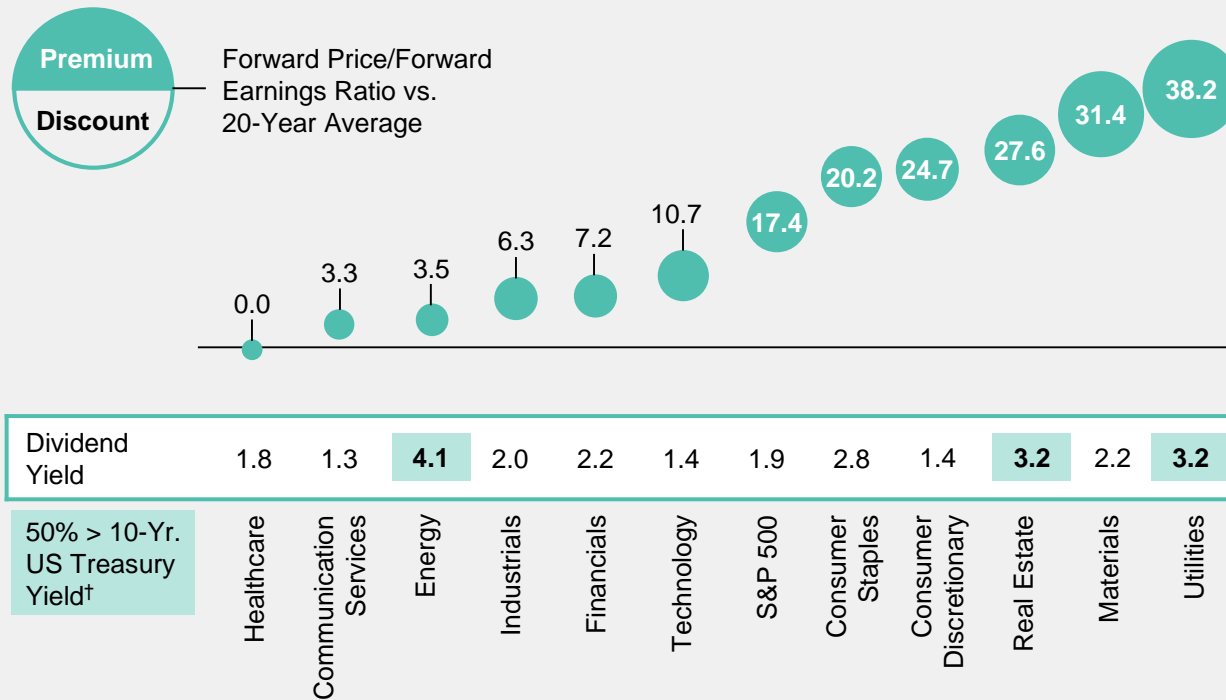
Left display as of December 31, 2019; right display as December 11, 2019

Source: CRSP, FactSet, Moody's Investors Service, MSCI, S&P Compustat, Thomson Reuters Datastream, Thomson Reuters I/B/E/S, Bernstein Research and AB

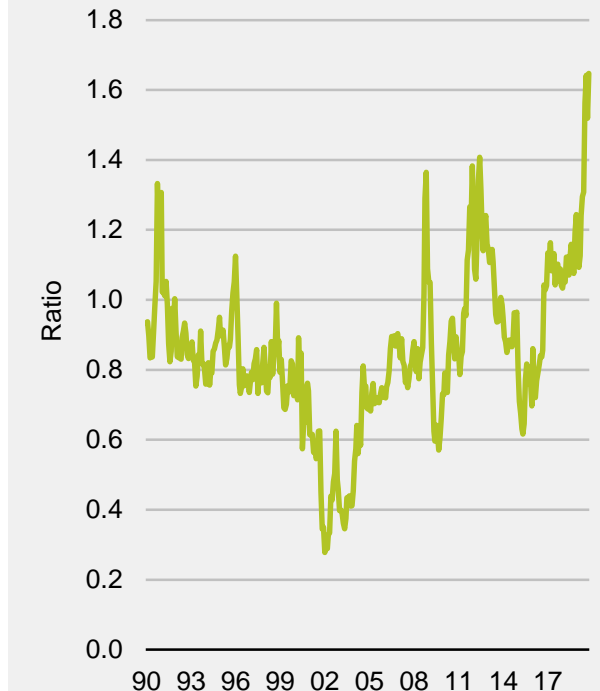
Many High Dividend Yield and Low Volatility Stocks Are Expensive

US Equities: Does High Dividend Yield Justify High Valuations?

S&P 500 Sectors: Current Forward Price/Forward Earnings Ratio vs. 20-Year Average and Dividend Yield (Percent)*



Relative Valuation of Low Vol vs. High Vol US Stocks 12-Month Forward PE



Historical analysis and current forecasts do not guarantee future results.

*Forward price/forward earnings ratio is a bottom-up calculation based on the most recent S&P 500 price, divided by consensus estimates for earnings in the next 12 months, and is provided by FactSet aggregates.

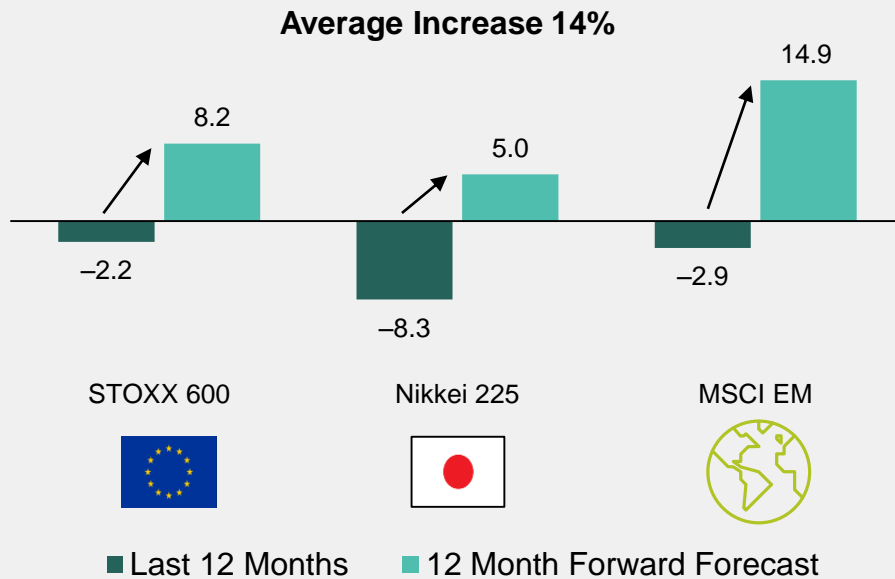
†Based on 10-year US Treasury yield of 1.92%

Left display as of December 31, 2019; right display as of December 11, 2019

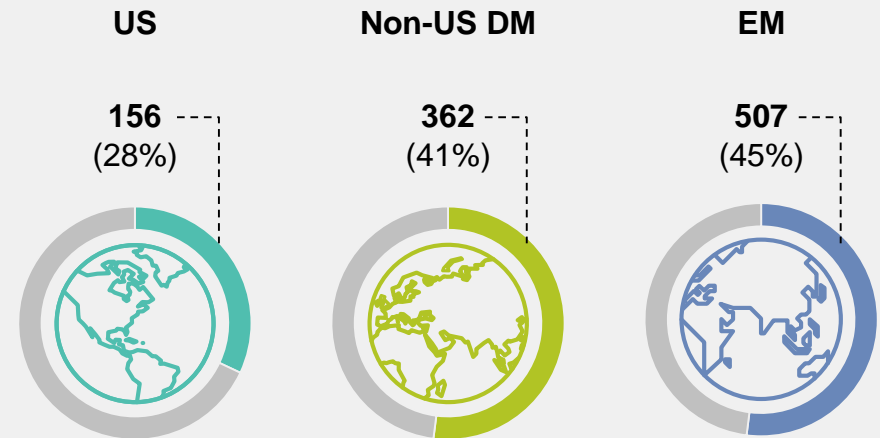
Source: FactSet, IBES, JPMorgan Chase, MSCI, Russell Investments, S&P, Bernstein Research and AB

International Stocks: A Broader View Opens Higher Earning Opportunities

Outside the US, Global Earnings on the Rise 12-Month YoY Earnings Growth (Percent)



Stocks with Earnings Yield Greater than 7% Number and Percentage of Index



Historical analysis and current forecasts do not guarantee future results

STOXX 600 in Euros, Nikkei 225 in Japanese Yen, MSCI EM in USD.

Earnings yield calculated using reciprocal of P/FE (2020). Data are for S&P 500, MSCI EAFE and MSCI Emerging Markets. Individual stocks for which price/forward earnings (2020E) data were not available are excluded from these figures.

Left display as of December 31, 2019; right display as of December 31, 2019

Source: FactSet, MSCI, Nikkei, S&P, STOXX and AB

A Word About Risk

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Important Risk Information Related to Investing in Equity and Short Strategies

All investments involve risk. Equity securities may rise and decline in value due to both real and perceived market and economic factors as well as general industry conditions.

A short strategy may not always be able to close out a short position on favorable terms. Short sales involve the risk of loss by subsequently buying a security at a higher price than the price at which it sold the security short. The amount of such loss is theoretically unlimited (since it is limited only by the increase in value of the security sold short). In contrast, the risk of loss from a long position is limited to the investment in the long position, since its value cannot fall below zero. Short selling is a form of leverage. To mitigate leverage risk, a strategy will always hold liquid assets (including its long positions) at least equal to its short position exposure, marked to market daily.

Important Risk Information Related to Investing in Emerging Markets and Foreign Currencies

Investing in emerging-market debt poses risks, including those generally associated with fixed-income investments. Fixed-income securities may lose value due to market fluctuations or changes in interest rates. Longer-maturity bonds are more vulnerable to rising interest rates. A bond issuer's credit rating may be lowered due to deteriorating financial condition; this may result in losses and potentially default, or failure to meet payment obligations. The default probability is higher in bonds with lower, noninvestment-grade ratings (commonly known as "junk bonds").

There are other potential risks when investing in emerging-market debt. Non-US securities may be more volatile because of the associated political, regulatory, market and economic uncertainties; these risks can be magnified in emerging-market securities. Emerging-market bonds may also be exposed to fluctuating currency values. If a bond's currency weakens against the US dollar, this can negatively affect its value when translated back into US-dollar terms.

Bond Ratings Definition

A measure of the quality and safety of a bond or portfolio, based on the issuer's financial condition, and not based on the financial condition of the fund itself. AAA is highest (best) and D is lowest (worst). Ratings are subject to change. Investment-grade securities are those rated BBB and above. If applicable, the Pre-Refunded category includes bonds which are secured by US government securities and therefore are deemed high-quality investment grade by the advisor.

Index Definitions

Following are definitions of the indices referred to in this presentation. It is important to recognize that all indices are unmanaged and do not reflect fees and expenses associated with the active management of a mutual fund portfolio. Investors cannot invest directly in an index, and its performance does not reflect the performance of any AB mutual fund.

- + **Bloomberg Barclays Global Aggregate Corporate Bond Index:** Tracks the performance of investment-grade corporate bonds publicly issued in the global market and found in the Global Aggregate. (Represents global corporate on slide 2.)
- + **Bloomberg Barclays Global High-Yield Bond Index:** Provides a broad-based measure of the global high-yield fixed-income markets. It represents the union of the US High-Yield, Pan-European High Yield, US Emerging Markets High-Yield, CMBS High Yield and Pan-European Emerging Markets High-Yield indices.
- + **Bloomberg Barclays Global Treasury Index:** Tracks fixed-rate local currency government debt of investment-grade countries. The index represents the Treasury sector of the Global Aggregate Bond Index.
- + **Bloomberg Barclays Global Treasury: Euro Bond Index:** Includes fixed-rate, local-currency sovereign debt that makes up the Euro Area Treasury sector of the Global Aggregate Bond Index. (Represents euro-area government bonds on slide 2.)
- + **Bloomberg Barclays Global Treasury: Japan Bond Index:** Includes fixed-rate, local-currency sovereign debt that makes up the Japanese Treasury sector of the Global Aggregate Bond Index. (Represents Japan government bonds on slide 2.)
- + **Bloomberg Barclays Municipal Bond Index:** A rules-based, market value-weighted index engineered for the long-term tax-exempt bond market. (Represents municipals on slide 2.)
- + **Bloomberg Barclays US Aggregate Bond Index:** A broad-based benchmark that measures the investment-grade, US dollar-denominated, fixed-rate, taxable bond market, including US Treasuries, government-related and corporate securities, mortgage-backed securities (MBS [agency fixed-rate and hybrid ARM pass-throughs]), asset-backed securities (ABS), and commercial mortgage-backed securities (CMBS).
- + **Bloomberg Barclays US Corporate High-Yield Bond Index:** Represents the corporate component of the Bloomberg Barclays US High-Yield Index. (Represents US high yield on slide 2.)
- + **Bloomberg Barclays US Treasury Index:** Includes fixed-rate, local-currency sovereign debt that makes up the US Treasury sector of the Global Aggregate Index. (Represents US government bonds on slide 2.)
- + **Credit Suisse Leveraged Loan Index:** Tracks the investable market of the US 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.

Index Definitions (cont.)

- + **HFRI Equity Hedge Index:** Investment managers who maintain positions both long and short in primarily equity and equity derivative securities. A wide variety of investment processes can be employed to arrive at an investment decision, including both quantitative and fundamental techniques; strategies can be broadly diversified or narrowly focused on specific sectors and can range broadly in terms of levels of net exposure, leverage employed, holding period, concentrations of market capitalizations and valuation ranges of typical portfolios. Equity Hedge managers would typically maintain at least 50% exposure to, and may in some cases be entirely invested in, equities, both long and short.
- + **J.P. Morgan Emerging Market Bond Index Global:** A benchmark index for measuring the total return performance of government bonds issued by emerging-market countries that are considered sovereign (issued in something other than local currency) and that meet specific liquidity and structural requirements. In order to qualify for index membership, the debt must be more than one year to maturity, have more than \$500 million outstanding, and meet stringent trading guidelines to ensure that pricing inefficiencies don't affect the index. (Represents emerging-market debt on slide 2.)
- + **MSCI EAFE Index:** A free float–adjusted, market capitalization–weighted index designed to measure developed-market equity performance, excluding the US and Canada. It consists of 22 developed-market country indices. (Represents EAFE on slide 2.)
- + **MSCI Emerging Markets Index:** A free float–adjusted, market capitalization–weighted index designed to measure equity market performance in the global emerging markets. It consists of 21 emerging-market country indices. (Represents emerging markets on slide 2.)
- + **MSCI Europe ex UK Index:** Captures large- and mid-cap representation across 14 developed markets countries in Europe. With 345 constituents, the index covers approximately 85% of the free float–adjusted market capitalization across European developed markets, excluding the UK.
- + **MSCI Japan Index:** Designed to measure the performance of the large- and mid-cap segments of the Japanese market. With 321 constituents, the index covers approximately 85% of the free float–adjusted market capitalization in Japan.
- + **MSCI United Kingdom Index:** Designed to measure the performance of the large- and mid-cap segments of the UK market. With 97 constituents, the index covers approximately 85% of the free float–adjusted market capitalization in the UK.
- + **MSCI World Index:** A market capitalization–weighted index that measures the performance of stock markets in 24 countries.
- + **Russell 1000 Index:** A stock market index that represents the highest-ranking 1,000 stocks in the Russell 3000 Index, representing about 90% of the total market capitalization of that index.
- + **Russell 2000 Index:** Measures the performance of the small-cap segment of the US equity universe. It is a subset of the Russell 3000 Index, representing approximately 8% of the total market capitalization of that index. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership. (Represents US small-cap on slide 2.)

Index Definitions (cont.)

+ **S&P 500 Index:** Includes a representative sample of 500 leading companies in leading industries of the US economy. (Represents US large-cap on slide 2.)

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