MONTHLY MARKET COMMENTARY | **MAY 2022**

Markets resurface after taking a dive.

Monthly Snapshot

- Global equities were practically unchanged in aggregate for May as a decline through the first half of the month was masked by a powerful recovery rally toward the end of the period.
- Shorter- and longer-term U.S. Treasury rates increased, while rates declined on Treasurys with maturities of 2 to 10 years.
- Volatile environments provide an opportunity for active managers to review exposures in an effort to weed out likely losers from winners.

Global equities were practically unchanged in aggregate for May as a decline through the first half of the month was masked by a powerful recovery rally toward the end of the period. Emerging-market shares performed in line with developed markets, but a top-down perspective fails to capture the wide range of regional performances.

Latin American equities generally had the greatest concentration of strong gains in May, with Chile, Colombia, Brazil, and Mexico delivering the top-four country-level performances. The broader Middle East was well-represented among May's poorest performers: the United Arab Emirates, Egypt, Saudi Arabia, Turkey, and Qatar earned five of the month's seven largest losses (Pakistan and Hungary had the first and second steepest drops, respectively).

Among major markets, Hong Kong shares led with a strong gain, and U.K. and Japanese equities also performed quite well. Mainland Chinese shares generated a healthy positive return, while European shares were modestly positive and U.S. shares were moderately negative.

Shorter- and longer-term U.S. Treasury rates increased, while rates declined on Treasurys with maturities of 2 to 10 years. U.K. and eurozone government-bond yields increased across the yield curve, with longer-term bond rates rising by more than those with shorter terms.

Local-currency emerging-market debt was the best-performing fixed-income segment in May as the U.S. dollar's nearly yearlong ascent (measured by the U.S. Dollar Index) appeared to crest in mid-May before retreating through the end of the month. Most other fixed-income asset classes were also positive besides inflation-indexed securities.

Commodity prices continued to climb in May. West-Texas Intermediate and Brent crude oil prices gained 9.5% and 7.9%, respectively, and natural gas prices increased by 10.7%. The EU prepared to impose additional sanctions on Russian oil imports as May concluded, and planned to ban insurance providers from covering tanker ships transporting Russian oil to anywhere in the world.

Russia's aggression against Ukraine has also resulted in sanctions on Russian wheat; this, along with Russia's blockade of Ukrainian ports pushed importers of the food staple further into crisis as the two nations accounted for nearly 30% of global wheat exports in recent years.

Key Measures: May 2022

EQUITY	
Dow Jones Industrial Average	0.33% ↑
S&P 500 Index	0.18% ↑
NASDAQ Composite Index	-1.93% ↓
MSCI ACWI Index (Net)	0.12% ↑
BOND	
Bloomberg Global Aggregate Index	0.27% ↑
VOLATILITY	
Chicago Board Options Exchange Volatility Index PRIOR Month: 33.4	26.19 ↓
OIL	
WTI Cushing crude oil prices PRIOR Month: $104.69	$114.67 ↑
CURRENCIES	
Sterling vs. U.S. dollar	$1.26 ↑
Euro vs. U.S. dollar	$1.07 ↑
U.S. dollar vs. yen	¥128.68 ↓

Sources: Bloomberg, FactSet, Lipper

Wheat prices advanced by 3% for the full month, but temporarily climbed by more than 20% in mid-May after India—the world's second largest wheat producer—compounded the supply shortage by imposing a wheat export ban as a heatwave threatened output.

United Nations efforts to broker a compromise between Russia and Western powers—which would allow critical Russian fertilizer exports if Russia gives way on Ukrainian ports—received a cool reception by Moscow in late May as it pushed for broader relief from sanctions.

The U.K. signed formal declarations of mutual defense with Finland and Sweden in early May. Shortly thereafter, both Scandinavian countries applied for NATO membership. Their applications—which require unanimous approval by current members—were met with resistance by Turkey; the NATO member demanded that Finland and Sweden both cease support for the Kurdistan Workers Party (PKK) and resume arms exports to Turkey.

In late May, the U.S. prepared a defense-assistance package for Ukraine valued at $700 million. The package included mobile long-range artillery rocket systems, the first time the U.S. has provided these weapons to Ukraine. This development invited Russia's ire, although President Joe Biden assured the Kremlin that the rockets would not be used to target Russian territory. Earlier in May, Biden signed a $40 billion bill passed by Congress for new assistance to Ukraine.

Shanghai's residents counted down to midnight on the last night of May as the city of 25 million people prepared to emerge from a zero-COVID-19 lockdown that lasted roughly two months. Restaurant dining will remain closed beyond June 1, and residents are required to take a PCR test every 72 hours. Beijing's shorter and less-restrictive lockdown measures also eased as May concluded. The lockdowns, while an apparent success in drastically reducing new COVID-19 cases, took a steep economic toll and aggravated existing supply-chain weaknesses.

Economic Data

U.S.

- The U.S. labor market added 390,000 jobs in May, while average hourly earnings increased by 0.3% for the month and 5.2% over the prior year. The unemployment rate held at 3.6%, just above a 50-year low.
- The U.S. consumer-price index increased by 8.3% in the year through April, just below the multi-decade high of 8.5% recorded in March.
- Manufacturing activity in the U.S. was mixed in May, with healthy new-order growth, stagnant employment conditions, and high price pressures.
- U.S. services growth continued to slow in May after accelerating sharply from the beginning of the year.
- The overall U.S. economy contracted during the first quarter by an annualized 1.5%, the first decline since the second quarter of 2020.

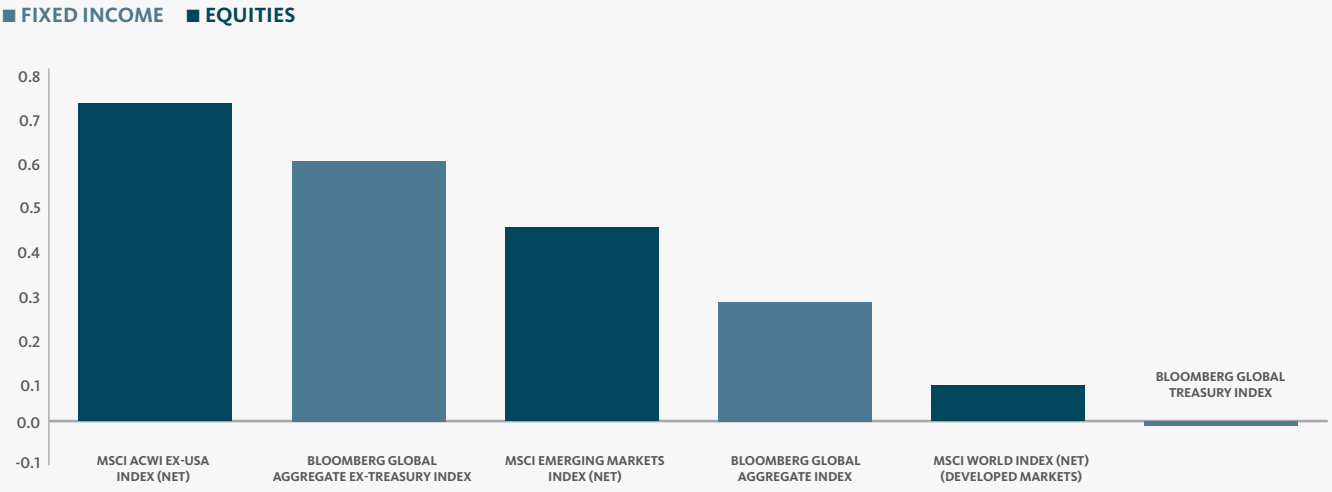
U.K.

- Consumer prices in the U.K. jumped by 9.0% in the 12 months to April compared to a 7.0% 12-month climb in March, and the highest level since 1989.
- U.K.'s claimant count (which calculates the number of people claiming Jobseeker's Allowance) declined in May for the fifteenth consecutive month—by about 57,000, with total claimants representing 4.1% of the population in April compared to 4.2% in March.
- U.K. manufacturing growth continued to cool slightly in May from a January peak, but remained at healthy levels.
- Growth in the U.K. services sector dropped sharply during May from elevated April levels and red-hot growth in March.
- The U.K. economy expanded by 0.8% during the first quarter and 8.7% year over year, slowing from rates of 1.3% and 9.5%, respectively, in the fourth quarter of 2021.

Eurozone

- The eurozone unemployment rate held at 6.8% in April—the lowest level since Eurostat began tracking the dataset in 1998.
- Consumer prices in the eurozone increased during May by 0.8% for the month and 8.1% for the 12-month period, compared to relatively slower respective rates of 0.6% and 7.5% in April.
- Eurozone manufacturing activity remained healthy but eased in May compared to the uptick that held through March and April.
- Expansion in eurozone services maintained a solid pace in May, but below April's peak.
- The eurozone economy grew by 0.3% during the first quarter and 5.1% year over year, compared to 0.3% and 4.7%, respectively, in the fourth quarter of 2021.

Major Index Performance in May 2022 (Percent Return)

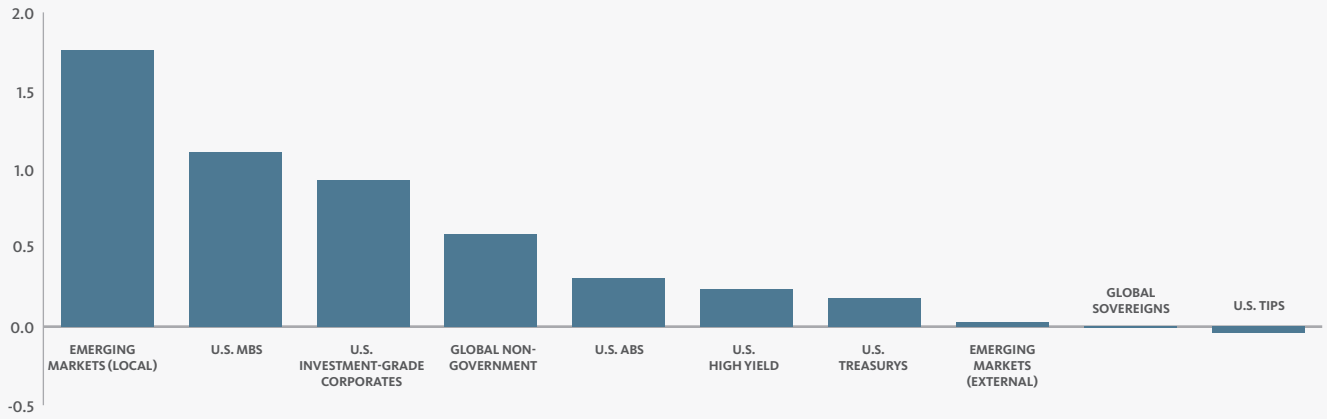


Sources: FactSet, Lipper

Central banks

- At its early May meeting, the Federal Open Market Committee (FOMC) increased the federal-funds rate by 0.50%—the first hike of its size since 2000—to a 0.75%-to-1% range. The FOMC also announced plans to reduce its balance sheet in June, allowing Treasurys and mortgages to run off (that is, mature without being replaced) at maximum respective paces of $60 billion and $35 billion per month.
- The Bank of England's (BoE) Monetary Policy Committee (MPC) voted to increase the bank rate by 0.25% for the fourth consecutive time at its May meeting, pushing the benchmark rate to 1.0%, its highest level in 13 years. It also began to reduce its balance sheet by ceasing to reinvest proceeds from its asset-purchase program and commencing corporate bond sales.
- The European Central Bank (ECB) did not hold a monetary policy meeting in May. Following its mid-April meeting, the central bank restated its commitment to winding down its Asset Purchase Programme—set to conclude in the third quarter following monthly net purchases of €40 billion (euro) in April, €30 billion in May, and €20 billion in June.
- The Bank of Japan (BOJ) did not hold a monetary policy meeting in May after redoubling its commitment to loose policy at its late-April meeting. Its short-term interest rate remained at -0.1%, and the 10-year Japanese government-bond (JGB) yield target held near 0%. The central bank offered unlimited purchases of 10-year JGBs at 0.25% in order to keep its yield within the BOJ's acceptable range.

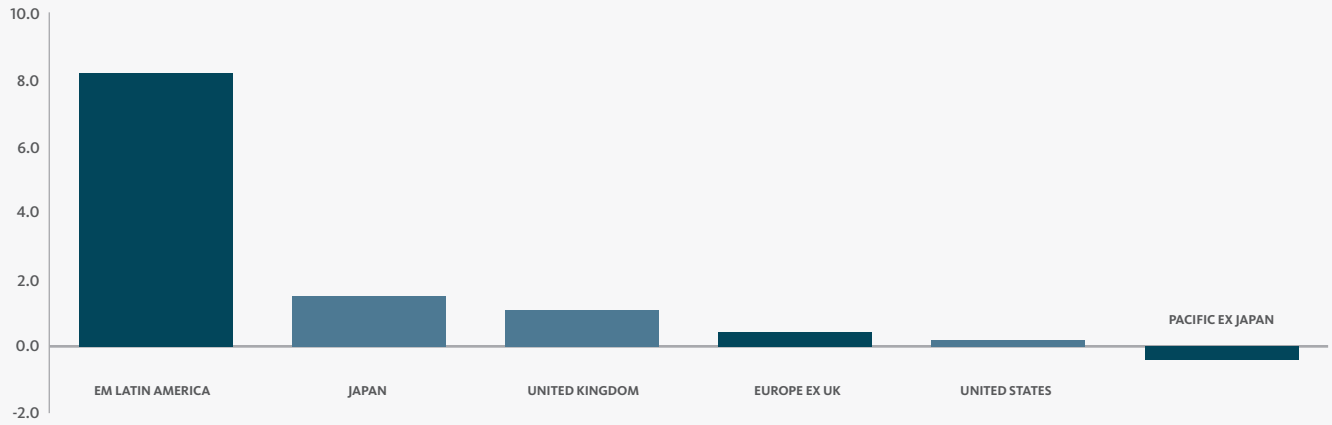
Fixed-Income Performance in May 2022 (Percent Return)



Sources: FactSet, Lipper. See "Corresponding Indexes for Fixed-Income Performance Exhibit" in the Index Descriptions section for more information.

Regional Equity Performance in May 2022 (Percent Return)

■ COUNTRIES ■ REGIONS



Sources: FactSet, Lipper. See "Corresponding Indexes for Regional Equity Performance Exhibit" in the Index Descriptions section for more information.

SEI's View

As was the case with the pandemic that hit with full force this time two years ago, no one knows how long the Ukraine-Russia conflict will last or how extensive its impact will be on the global economy. However, our experience with COVID-19 and the economic and financial response to prior geopolitical events serve as a guide.

Pre-invasion, we were optimistic that global economic growth would remain solid as countries eased their COVID-19-related restrictions. Europe was expected to improve at least as fast as the U.S., if not faster. This is now a questionable assumption. We cannot emphasize enough how uncertain the economic environment has become. Instead of seeing a normalization of activity with fewer supply-chain delays and easing COVID-19 restrictions, we are witnessing a war that is expected to extend and exacerbate the "everything shortage." COVID-19-related disruptions in Asia also remain an ever-present threat.

It is fortunate for the advanced economies that households and businesses were in mostly good financial shape coming into the crisis.

Year-over-year growth in employment was continuing to accelerate heading into 2022 despite the Omicron outbreak. Despite this labor-market vibrancy, workers' wages have begun to fall behind the high inflation rates recorded in the U.S. and elsewhere. One would think that a contraction in real compensation is a sure sign that an economic recession is already underway. Yet that is not the case. Median wage growth in the U.S. for the lowest-income quartile is up 6.4% over the 12 months ended April, in line with the 6.3% rise in the Federal Reserve's (Fed) PCE Price index for overall personal-consumption expenditures. By comparison, the overall median wage gain for this period amounted to only 4.7%.

While wage gains are lagging inflation at the upper quartiles, higher-income groups have benefited from the boom in home prices and the long bull market in financial assets; they also hold the bulk of excess saving that built up during the pandemic.

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The economy will eventually tip into recession if the Fed and other central banks are forced to raise rates well above the inflation rate.

Although incomes in the aggregate are not keeping up with inflation, we anticipate that households will draw down savings and increase debt in an effort to maintain living standards. In the U.S., the household saving rate has fallen sharply to 4.4% of disposable income from an average of 7.5% over the 2014-to-2019 period. Between 2005 and 2007, by contrast, the saving rate averaged less than 4%. Today, each percentage-point drop in the saving rate would translate into a 4% gain in nominal GDP.

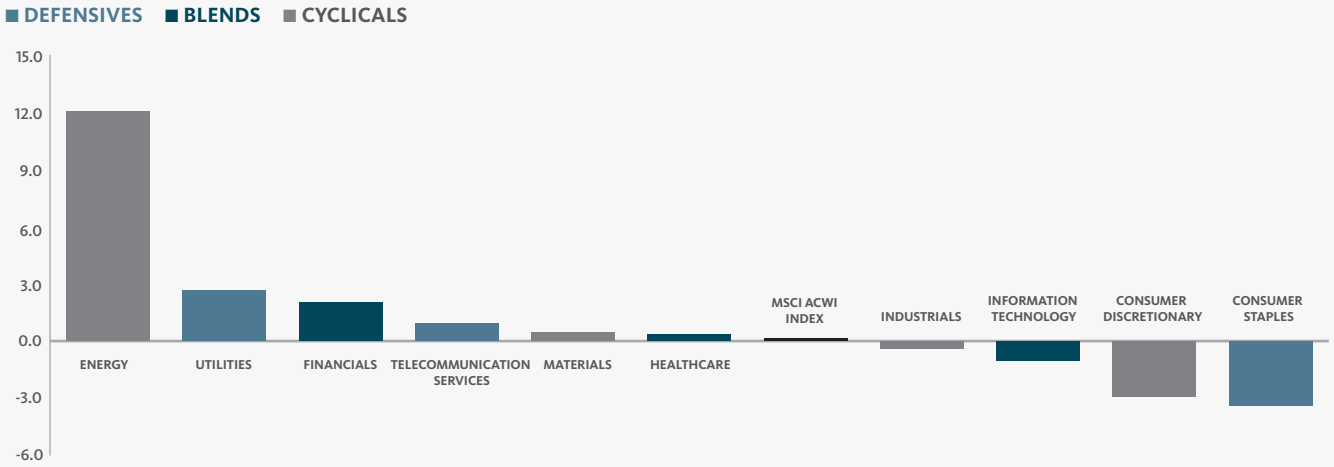
Businesses face a similar scenario. The long period of ultra-low interest rates has allowed companies to engage in a refinancing boom. Earnings before interest and taxes in the U.S. non-financial corporate sector cover interest expense 7.9 times, the highest ratio in more than 50 years.

Meanwhile, Russia's aggression toward Ukraine has placed government leaders in the U.S., Europe and other advanced countries in a quandary. They have been tasked with responding urgently to the crisis by providing support while simultaneously pulling back on monetary and fiscal excesses that are partially to blame for the worst inflation in decades. European governments will seek to mitigate the influx of Ukrainian refugees and the invasion-induced impact of spiking fuel and electricity costs and make a significant upward adjustment in defense spending.

By contrast, the U.S. fiscal response to inflation is likely to be far less robust as it remains bedeviled by political gridlock. Not only has the U.S. registered one of the largest increases in emergency spending among the major economies over the last two years, it also has one of the worst inflation problems at a time when the domestic political environment is in an extremely fractious state.

Turning to monetary policy, the move toward higher interest rates and the end of quantitative easing appear to be a global trend (with the main exception of Japan). Households and businesses were in strong financial shape coming into this rate-hiking cycle at a time when there is a great deal of pent-up demand. It may well take some time to put a big dent in this economic momentum. Of course,

Global Equity Sector Performance in May 2022 (Percent Return)



Sources: FactSet, Lipper. MSCI ACWI Index Components (as defined by SEI).

the economy will eventually tip into recession if the Fed and other central banks are forced to raise rates well above the inflation rate. That may happen during the current cycle if inflation proves harder to tamp down than currently anticipated.

There is no denying that these conditions present major challenges for financial assets beyond the uncertainties caused by war. This is especially so for long-duration assets such as growth-oriented equities that trade at higher price-to-earnings ratios and longer-maturity bonds.

Commodity markets have been surging due to the shortages caused by COVID-19 disruptions, and now by the war in Ukraine. U.S. value stocks have held up relatively well in the year to date, led by a large absolute price gain in the energy sector and better-than-benchmark performances in financials, utilities, industrials, materials and health care (as measured by the S&P 500 Index). Meanwhile, technology companies and equities with high valuations have suffered as earnings multiples contracted amid the climb in bond yields, while the decline in the bond market itself is especially notable.

In emerging markets, Latin America has bucked the trend seen in other geographies as the region generally benefits from the rise in commodity prices. The jump in interest rates in countries like Brazil and Mexico has also stabilized their currencies against the U.S. dollar despite currently high domestic rates of inflation.

Emerging Asia, a major consumer of commodities, has lost ground as COVID-19 has continued to exert an impact on economic activity. The technology sector in China remains under pressure, although strong government verbal support resulted in a big rally in the middle of March.

Amid all this variability in performance, emerging markets appear to be fertile ground for active management. Volatile environments provide an opportunity for active managers to review exposures in an effort to weed out likely losers from winners.

Periods of crisis and instability are worrying for all investors, particularly as the turn of events in the short term can be difficult to predict. We saw this in the first weeks following Russia's invasion of Ukraine, as impacts from the crisis overwhelmed more traditional market drivers.

During times like these, one of the greatest mistakes an investor can commit is to panic and indiscriminately make changes for fear of losing money. In periods of unusual stress, a clear philosophy and process can guide calm, rational, long-term decision making.

Glossary of Financial Terms

Commercial paper: Commercial paper is a type of short-term loan that is not backed by collateral and does not tend to pay interest.

Cyclical stocks: Cyclical stocks or sectors are those whose performance is closely tied to the economic environment and business cycle. Managers with a pro-cyclical market view tend to favor stocks that are more sensitive to movements in the broad market and therefore tend to have more volatile performance.

Fiscal cliff: A fiscal cliff refers to the reduction or withdrawal of government spending, an increase in taxation, or both.

Fiscal policy: Fiscal policy relates to decisions about government revenues and outlays, like taxation and economic stimulus.

Fiscal stimulus: Fiscal stimulus refers to government spending intended to provide economic support.

Inflation-Protected Securities: Inflation-protected securities are typically indexed to an inflationary gauge to protect investors from the decline in the purchasing power of their money. The principal value of an inflation-protected security typically rises as inflation rises, while the interest payment varies with the adjusted principal value of the bond. The principal amount is typically protected so that investors do not risk receiving less than the originally invested principal.

International Monetary Fund: The International Monetary Fund (IMF) is an international organization of 189 member countries that promotes global economic growth and financial stability, encourages international trade, and reduces poverty.

Monetary policy: Monetary policy relates to decisions by central banks to influence the amount of money and credit in the economy by managing the level of benchmark interest rates and the purchase or sale of securities. Central banks typically make policy decisions based on their mandates to target specific levels or ranges for inflation and employment.

Mortgage-Backed Securities: Mortgage-Backed Securities (MBS) are pools of mortgage loans packaged together and sold to the public. They are usually structured in tranches that vary by risk and expected return.

Quantitative easing: Quantitative easing refers to expansionary efforts by central banks to help increase the supply of money in the economy.

Taper tantrum: Taper tantrum describes the 2013 surge in U.S. Treasury yields, resulting from the U.S. Federal Reserve's announcement of future tapering of its policy of quantitative easing.

Yield: Yield is a general term for the expected return, in percentage or basis points (one basis point is 0.01%), of a fixed-income investment.

Yield curve: The yield curve represents differences in yields across a range of maturities of bonds of the same issuer or credit rating (likelihood of default). A steeper yield curve represents a greater difference between the yields. A flatter curve indicates the yields are closer together.

Index and Benchmark Descriptions

All indexes are quoted in gross performance unless otherwise indicated.

The Bloomberg 1-10 Year US TIPS Index measures the performance of inflation-protected public obligations of the U.S. Treasury that have a remaining maturity of 1 to 10 years.

The Bloomberg Commodity Index is composed of futures contracts and reflects the returns on a fully collateralized investment in the Index. This combines the returns of the Index with the returns on cash collateral invested in 13-week (3-month) U.S. Treasury bills.

The Bloomberg US Asset Backed Securities (ABS) Index measures the performance of ABS with the following collateral types: credit and charge card, auto and utility loans. All securities have an average life of at least one year.

The Bloomberg Global Aggregate Index is an unmanaged market-capitalization-weighted benchmark, tracks the performance of investment-grade fixed-income securities denominated in 13 currencies. The Index reflects reinvestment of all distributions and changes in market prices.

The Bloomberg Global Aggregate ex-Treasury Index is an unmanaged market index representative of the total-return performance of ex-Treasury major world bond markets.

The Bloomberg Global Treasury Index is composed of those securities included in the Bloomberg Global Aggregate Bond Index that are Treasury securities.

The Bloomberg US Corporate Bond Index is a broad-based benchmark that measures the investment-grade, fixed-rate, taxable corporate bond market.

The Bloomberg US Mortgage Backed Securities (MBS) Index measures the performance of investment-grade, fixed-rate, mortgage-backed, pass-through securities of Government National Mortgage Association (GNMA), Federal National Mortgage Association (FNMA) and Freddie Mac (FHLMC).

The Bloomberg US Treasury Index is an unmanaged index composed of U.S. Treasurys.

The Bloomberg Commodity Index is composed of futures contracts and reflects the returns on a fully collateralized investment in the Index. This combines the returns of the Index with the returns on cash collateral invested in 13-week (3-month) U.S. Treasury bills.

The Employment Cost Index is a quarterly economic series published by the U.S. Bureau of Labor Statistics that details the growth of total employee compensation. The index tracks movement in the cost of labor, as measured by wages and benefits, at all levels of a company.

The Chicago Board Options Exchange Volatility Index (VIX) tracks the expected volatility in the S&P 500 Index over the next 30 days. A higher number indicates greater volatility.

CBOE Volatility Index (VIX Index): The VIX Index tracks the expected volatility in the S&P 500 Index over the next 30 days. A higher number indicates greater volatility.

The Dow Jones Industrial Average is a widely followed market indicator based on a price-weighted average of 30 blue-chip New York Stock Exchange stocks that are selected by editors of *The Wall Street Journal*.

The Employment Cost Index is a quarterly economic series published by the U.S. Bureau of Labor Statistics that details the growth of total employee compensation. The index tracks movement in the cost of labor, as measured by wages and benefits, at all levels of a company.

The FTSE All-Share Index represents 98% to 99% of U.K. equity market capitalization. The Index aggregates the FTSE 100, FTSE 250 and FTSE Small Cap Indexes.

The ICE BofA U.S. High Yield Constrained Index contains all securities in The ICE BofA U.S. High Yield Index but caps exposure to individual issuers at 2%.

The ICE BofA U.S. High Yield Index tracks the performance of below-investment-grade, U.S. dollar-denominated corporate bonds publicly issued in the U.S. domestic market.

The JPMorgan EMBI Global Diversified Index tracks the performance of external debt instruments (including U.S. dollar-denominated and other external-currency-denominated Brady bonds, loans, eurobonds and local-market instruments) in the emerging markets.

JPMorgan GBI-EM Global Diversified Index tracks the performance of debt instruments issued in domestic currencies by emerging-market governments.

The MSCI ACWI Index is a market-capitalization-weighted index composed of over 2,000 companies, representing the market structure of 48 developed- and emerging-market countries in North and South America, Europe, Africa and the Pacific Rim. The Index is calculated with net dividends reinvested in U.S. dollars.

The MSCI ACWI ex-USA Index includes both developed- and emerging-market countries, excluding the U.S.

The MSCI Emerging Markets Index is a free float-adjusted market-capitalization-weighted index designed to measure the performance of global emerging-market equities.

The MSCI Emerging Markets Latin America Index captures large- and mid-cap representation across five emerging-market countries in Latin America.

The MSCI EMU (European Economic and Monetary Union) Index is a free float-adjusted market-capitalization-weighted index that is designed to measure the equity market performance of countries within EMU. The Index consists of the following 10 developed-market country indexes: Austria, Belgium, Finland, France, Germany, Ireland, Italy, Netherlands, Portugal and Spain.

The MSCI Europe ex-UK Index is a free float-adjusted market-capitalization-weighted index that captures large- and mid-cap representation across developed-market countries in Europe excluding the UK.

The MSCI Frontier Emerging Markets Index is a free float-adjusted market capitalization index designed to serve as a benchmark covering all countries from the MSCI Frontier Markets Index and the lower size spectrum of the MSCI Emerging Markets Index.

The MSCI Japan Index is designed to measure the performance of the large- and mid-capitalization stocks in Japan.

The MSCI Pacific ex Japan Index captures large- and mid-cap representation across four of five developed-market countries in the Pacific region (excluding Japan).

The MSCI Russia Index is designed to measure the performance of the large- and mid-cap segments of the Russian market. With 26 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in Russia.

MSCI United Kingdom Index is designed to measure the performance of the large- and mid-cap segments of the U.K. market.

MSCI USA Index measures the performance of the large- and mid-cap segments of the U.S. market.

The MSCI World Index is a free float-adjusted market-capitalization-weighted index designed to measure the equity market performance of developed markets. The Index consists of the following 23 developed-market country indexes: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the U.K. and the U.S.

The MSCI World ex-USA 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.

The NASDAQ Composite Index is a market-value-weighted index of all common stocks listed on the National Association of Securities Dealers Automated Quotations (NASDAQ) system.

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

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

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

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

The Shenzhen Stock Exchange Composite Index tracks performance of A share stocks (which are denominated in renminbi, the local currency) and B share stocks (which are denominated in Hong Kong dollars, an offshore currency) on China's Shenzhen Stock Exchange.

The S&P 500 Index is a market-capitalization-weighted index that consists of 500 publicly-traded large U.S. companies that are considered representative of the broad U.S. stock market.

The TOPIX, also known as the Tokyo Stock Price Index, is a capitalization-weighted index of all companies listed on the First Section of the Tokyo Stock Exchange. The Index is supplemented by the subindexes of the 33 industry sectors. The Index calculation excludes temporary issues and preferred stocks, and has a base value of 100 as of January 4, 1968.

The U.S. Consumer Price Index (CPI) measures changes in the price level of a weighted-average market basket of consumer goods and services purchased by households. A consumer price index is a statistical estimate constructed using the prices of a sample of representative items whose prices are collected periodically.

The U.S. Dollar Index (DXY Index) measures the value of the U.S. dollar relative to a basket of other currencies, including the currencies of some of the US's major trading partners: the euro, Swiss franc, Japanese yen, Canadian dollar, British pound, and Swedish krona.

The U.S. Personal Consumption Expenditures (PCE) Price Index is the primary inflation index used by the Federal Reserve when making monetary-policy decisions.

Corresponding Indexes for Fixed-Income Performance Exhibit

U.S. High Yield	ICE BofA U.S. High Yield Constrained Index
Global Sovereigns	Bloomberg Global Treasury Index
Global Non-Government	Bloomberg Global Aggregate ex-Treasury Index
Emerging Markets (Local)	JPMorgan GBI-EM Global Diversified Index
Emerging Markets (External)	JPMorgan EMBI Global Diversified Index
U.S. Mortgage-Backed Securities (MBS)	Bloomberg US Mortgage Backed Securities Index
U.S. Asset-Backed Securities (ABS)	Bloomberg US Asset Backed Securities Index
U.S. Treasurys	Bloomberg US Treasury Index
U.S. Treasury Inflation-Protected Securities (TIPS)	Bloomberg 1-10 Year US TIPS Index
U.S. Investment-Grade Corporates	Bloomberg US Corporate Bond Index

Corresponding Indexes for Regional Equity Performance Exhibit

United States	S&P 500 Index
United Kingdom	FTSE All-Share Index
Pacific ex Japan	MSCI Pacific ex Japan Index (Net)
Japan	TOPIX, also known as the Tokyo Stock Price Index
Europe ex U.K.	MSCI Europe ex UK Index (Net)
EM Latin America	MSCI Emerging Markets Latin America Index (Net)

Disclosures

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There are risks involved with investing, including loss of principal. International investments may involve risk of capital loss from unfavorable fluctuation in currency values, from differences in generally accepted accounting principles or from economic or political instability in other nations. Emerging markets involve heightened risks related to the same factors as well as increased volatility and lower trading volume. Narrowly focused investments and smaller companies typically exhibit higher volatility. Bonds and bond funds will decrease in value as interest rates rise. High-yield bonds involve greater risks of default or downgrade and are more volatile than investment-grade securities, due to the speculative nature of their investments.

Diversification may not protect against market risk. Past performance does not guarantee future results. Index returns are for illustrative purposes only and do not represent actual portfolio performance. Index returns do not reflect any management fees, transaction costs or expenses. One cannot invest directly in an index.

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