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Capital Market Outlook

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IN THIS ISSUE

Macro Strategy—*11 Years of Xi:* China equity indexes have significantly underperformed global benchmarks under Xi Jinping's tenure, with near-zero annualized returns, while the Renminbi (RMB) has depreciated and failed to gain a meaningful share of global currency reserves. Why? In our view, slowing headline economic growth is compounded by an elevated level of geopolitical risk, economic policy uncertainty driven by governance risk, an inefficient financial system inundated with bad real estate debt, demographic challenges (both an aging population and a lack of diversity of thought), and trust and transparency issues. All of this makes country-level strategic and tactical asset allocation less attractive.

While valuations are relatively attractive, the recipe for a more constructive assessment within our tactical time frame likely needs to include a diplomatic thaw on U.S./China/Taiwan relations. But that is based on hope and not fundamental analysis. It also would not change the ongoing deleveraging cycle or the demographic challenges. Alternatives are also abundant. For investors who do not want to invest on hope, emerging markets ex-China, the U.S. materials sector, or U.S. multinationals with exposure to the Chinese consumer are just a few alternatives. Generally, the opportunity set of attractive public and private investments with more transparent, fundamental risk makes investors think twice about allocating strategic or tactical capital to a geopolitical hotspot.

Market View—*What's Top of Mind Today?:* As we approach the end of Q1, there have been notable changes within the macroeconomic landscape. We highlight a few questions related to commodities, the election, the labor market, and the consumer that may be top of mind as investors look for ways to best position their portfolios for the remainder of the year.

Thought of the Week—*The Trouble with Powering AI:* The era of flat power demand ended with the advent of Artificial Intelligence (AI), which requires data center infrastructure that can run enormous amounts of computing power—and much more than traditional data centers. Just as a growing share of U.S. electricity will be devoted to powering AI data centers, the power grid is aged and vulnerable to outages (70% of the energy grid is more than 25 years old).

Given the necessary upgrades to the grid and AI infrastructure suggests non-technology AI investment opportunities may exist. Market segments and industries such as power providers and data center infrastructure could stand to benefit.

MACRO STRATEGY ▶

Jonathan W. Kozy
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MARKET VIEW ▶

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THOUGHT OF THE WEEK ▶

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MARKETS IN REVIEW ▶

Data as of 3/18/2024, and subject to change

Portfolio Considerations

We expect global stocks to remain in an uptrend led by the U.S. as profits outperform, inflation rates continue to head slowly lower, and productivity helps corporations maintain high margins. We see the potential for tailwinds in Equities that may provide additional upside. These include a durable earnings recovery, equity fund inflows, broadening market leadership, easier monetary policy, and early indicators turning positive. Bonds remain attractive and provide good diversification for multi-asset class portfolios.

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MACRO STRATEGY

11 Years of Xi

Jonathan W. Kozy, Managing Director and Senior Macro Strategy Analyst

Xi Jinping assumed the office of General Secretary of the Chinese Communist Party on November 15, 2012, and the office of the President of the People's Republic of China on March 14, 2013. As we hit the 11-year mark for both, below is a macroeconomic and markets-based assessment of his relative performance. By traditional economic growth metrics, China performed well early in his tenure, growing its share of the global economic pie, but the combination of pandemic restrictions, regulatory crackdowns, real estate-induced deleveraging and geopolitical risk overhangs have contributed to a significant deterioration in economic and earnings/equities prospects (Exhibit 1). Neither Equity nor Foreign Exchange (FX) investors seem impressed with Xi's agenda.

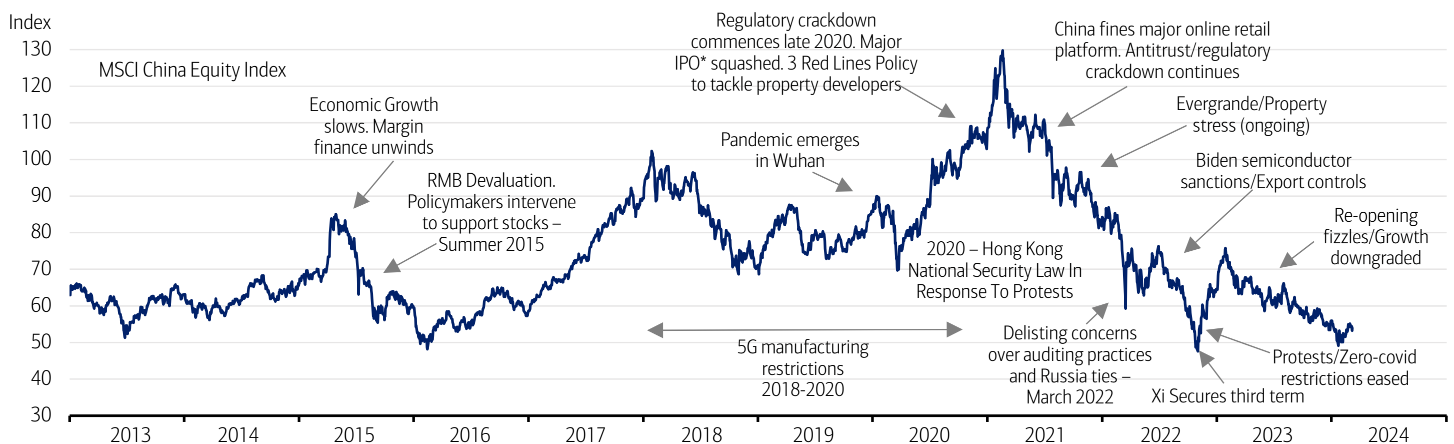
Equity markets: Chinese equity markets have significantly underperformed global Equities in U.S. dollar terms during Xi's term. The MSCI China Index has annualized returns of near 1%, the Hang Seng less than 1%, and the Shanghai Shenzhen CSI 300 Index around 4%. This compares to 13.5% for the MSCI U.S. Index, 9.7% for the MSCI All Country World Index and 6.2% for the MSCI EAFE Index.[1] Since the peak in 2021, the market value of China's and Hong Kong's Equities is down by around $7 trillion, according to *The Economist.*

Currency: Currencies are proxies for geoeconomic power, something Xi has aggressively pursued. By this metric, he has underperformed. For example, the offshore RMB is down more than 10% since the start of his tenure, and the currency hit a 17-year low late last year. From a more strategic perspective, gaining global reserve currency share has been a main goal for Xi and the Communist party in recognition of its vulnerability to the U.S. dollar's reserve currency status. But China's reserve currency progress has been minimal, with a setback in 2023. According to data from the International Monetary Fund (IMF), during Xi's tenure, the RMB's share of allocated currency reserves grew from zero to 3% in 2022 but dropped back to 2% in 2023. Economic size, existing networks/alliances, deep and liquid capital markets, technological supremacy, military might, fiscal responsibility, and sound governance—all are tangible, measurable properties that are viewed favorably by the FX market participants, according to various empirical studies.[2] Transparency, predictability, trust, credibility and forward guidance are also key metrics for central banks, multinational corporations, and individuals to gauge confidence in equity markets or a sovereign currency. While China is improving in some parts (economic size and military might, for example), equity and currency markets view a number of tangible and intangible investment attributes as inadequate, including the inefficiency of the financial system, a lack of alliances, transparency, predictability, trust and credibility.

Investment Implications

While valuations for China Equities are relatively attractive, the recipe for a more constructive assessment within our tactical time frame likely needs to include a diplomatic thaw on U.S./China/Taiwan relations. For investors who do not want to invest on hope, emerging markets ex-China, the U.S. materials sector, or U.S. multinationals with exposure to the Chinese consumer are just a few alternatives. Generally, the opportunity set of attractive public and private investments with more transparent, fundamental risk makes investors think twice about allocating strategic or tactical capital to a geopolitical hotspot.

Exhibit 1: 11 Years of Xi. Equities Return Near Zero. Earnings Revisions Momentum Yet to Turn.



*IPO=initial public offering. Source: Bloomberg. Data as of March 7, 2024. **Past performance is no guarantee of future results. It is not possible to invest directly in an index.**

[1] Bloomberg data from March 14, 2013 through March 6, 2024.

[2] Eichengreen, Barry, et al. *How Global Currencies Work Past, Present, and Future.* Princeton University Press, 2019.

Economic Growth: Equity and currency markets are tracking deteriorating but still firm economic growth. According to the IMF, real economic growth in China has slowed from over 7% at the start of Xi's term to below 5% more recently. The IMF expects growth to slow to below 4% by 2027, which would leave China well short of hitting its 2035 development goals. Investors are skeptical of the growth numbers posted by China and are also skittish about the state of the property crisis and related deleveraging. Growth prospects seem dependent on consumer spending/confidence picking up, but the booming auto industry is also a tailwind.

Based on purchasing power parity (PPP), China's share of the global economic pie has risen from 15.4% in 2013 to 18.8% in 2023, but forward prognostications have it plateauing. By this metric, China surpassed the U.S. in size in 2016, though it remains smaller in market-based terms and well behind in per capita gross domestic product (GDP). Perhaps the biggest headwind to growth over a strategic investing time frame is the demographic inputs to innovation. It is increasingly hard to find young workers to train in advanced manufacturing and technology, while over two-thirds of Chinese people do not finish high school.[3] Immigration restrictions also limit diversity of thought.

Geopolitics and Governance: Governance/policymaking remains a key risk exacerbated by significant geopolitical risk associated with Taiwan. For one, wonky regulatory policy governing technology companies raised investor concerns over the treatment of private companies, as seen in Exhibit 1. Efforts to tackle property developers since 2020 have also stymied growth.

China's Rule of Law ranking, according to World Justice Project's rankings, fell from 76th in 2013 to 97th in 2023. While other measures like the World Bank/Natural Resource Governance Institute/Brookings Index scoring of Rule of Law improved over Xi's tenure, it remains below zero, indicating weak governance. Similar trends can be seen in regulatory quality and control of corruption.[4] More recently China expanded its national security law to include a wider range of information that could be deemed a threat to national security law. With foreign direct investment already at a 30-year low, additional regulations are making it more difficult for foreign firms to operate.

The one area where China has excelled under Xi has been growing defense spending, including building the world's largest navy (including both traditional naval forces and maritime militia), but that just highlights the reality of the geopolitical risk associated with investing in China. History suggests that the combination of a deteriorating economy and stronger military is a red flag, and investors know this. This is the crux of the "China is uninvestable" thesis.

Bottom line: Equity and FX markets appear to be unimpressed with Xi's leadership tenure as geopolitical risk and regulatory/governance issues seem to be swamping still firm headline growth prints. Investors are also well aware of the risk of an ongoing real estate deleveraging cycle. Policy exercises to arrest declining economic sentiment have thus far come up short.

Does the decade-plus-long underperformance leave the MSCI China Equity Index relatively attractive from a valuation perspective? Sure. Bargain hunters are circling—especially as state-run institutions step in to support Equities. Broadly speaking, though, investors recognize a unique, strategic geopolitical risk and seem to be taking an operating risk management approach to China Equities: "Accept no unnecessary risk." The risk is unnecessary because the opportunity set of attractive public and private investments with more transparent, fundamental risk makes you think twice about allocating strategic or tactical capital to the world's most toxic geopolitical hotspot highly exposed to increasingly protectionist tendencies. While some try to catch a falling knife, others are wondering why take the risk when the S&P 500 is continuing its bull run.

Investors interested in a fundamental rebound can consider getting exposure to an upswing in China economic growth via the U.S. materials sector or emerging markets excluding China. While the S&P 500 materials sector is a serial underperformer relative to the overall index, it is the sector most tightly tied to strong relative global growth versus the U.S., a weaker dollar, and an upswing in the Asian manufacturing cycle.

[3] Center for Strategic and International Studies (CSIS) ChinaPower Podcast June 10, 2022.

[4] Data sourced from Haver Analytics as of March 12, 2024.

MARKET VIEW

What's Top of Mind Today?

Theadora Lamprecht, Assistant Vice President and Investment Strategist

Marci McGregor, Managing Director and Head of CIO Portfolio Strategy

As we approach the end of Q1, there have been notable changes within the macroeconomic landscape. Below, we highlight a few questions related to commodities, the election, the labor market and the consumer that may be top of mind as investors look for ways to best position their portfolios for the remainder of the year.

What does the rally in gold prices mean? In recent weeks, gold has rallied to a new all-time high of over $2,100/oz, causing many investors to wonder what is driving the move. Historically, gold has been viewed as a somewhat defensive asset amid volatility in the economy, whether that be central bank-related policies or geopolitical uncertainty. More recently, following a recent drop in consumer sentiment and moderating inflation data, the likelihood that the Federal Reserve (Fed) will cut interest rates later this year has increased. Lower-interest-rate environments can increase the relative attractiveness of gold because even though it doesn't produce income, many other investments may also lack additional income during this phase, and gold may be viewed as less risky. In addition to the effect of Fed policy, overseas central banks have become major purchasers of gold during moments of global uncertainty, affecting asset prices. For example, many banks started to buy gold in the wake of the 2008 financial crisis and increased their purchases following the start of both the Russia/Ukraine and Israel/Hamas wars.[5] This renewed investor interest has contributed to gold's position as the second-best-performing asset class of 2024 (+4.6%), following only the S&P 500 Index.[6] Furthermore, while the U.S. is seeing inflation trend lower, other countries in different phases of their economic cycles may be looking for a hedge. Many central banks have purchased gold for a variety of reasons; the United Kingdom is now in a recession, the China property market is facing distress, and other countries such as India and Turkey are facing high inflation levels.

While uncertainty remains about the timing and communication of the much-anticipated Fed pivot, BofA Global Research points out that the policy pivot has the potential to bring more investors to the market and notes the potential for a rally in the second half of 2024. Risks to this view include higher real rates and a strong U.S. dollar. In addition to interest rate uncertainty, geopolitical risk and geoeconomic maneuvering affect the asset price. Ultimately, we continue to believe gold is most effectively implemented as a strategic diversifier for an investor's portfolio.

Exhibit 2: S&P 500 Index Total Returns During Various Government Configurations.

Post-World War II (WWII) Government Configurations		S&P 500 total return		
President/House/Senate	Number of years	Average	Max	Min
D/D/D	22	14.8%	36.3%	-10.0%
R/R/R	8	16.1%	52.3%	-4.4%
D/D/R	0	NA	NA	NA
D/R/R	10	15.9%	37.6%	-9.1%
D/R/D	4	16.1%	32.4%	2.1%
R/R/D	2	-17.0%	-11.9%	-22.1%
R/D/D	22	8.6%	43.1%	-37.0%
R/D/R	8	18.2%	31.7%	-4.9%
D/split	4	16.1%	32.4%	2.1%
R/split	10	11.2%	31.7%	-22.1%

Note: D=Democrat; R=Republican; Split=between D and R aggregate. Post WWII starts from 1945. Source: Bloomberg; House.gov; Senate.gov; Chief Investment Office. Data as of March 14, 2024. **Past performance is no guarantee of future results. It is not possible to invest directly in an index.**

How should investors think about their portfolios and the upcoming election? While a general election year may bring about feelings of uncertainty, we stick to our belief

Portfolio Considerations

We continue to emphasize a fully invested and diversified portfolio. We maintain a slight overweight for U.S. Equities, as we are optimistic peak rates and inflation are behind us, and, combined with a resilient economy and consumer, we see further upside for the remainder of the year.

[5] "What You Need to Know About Gold's Curious Rally," *Wall Street Journal*, March 11, 2024.

[6] "The Flow Show: 'We're Not Far From It…'," BofA Global Research, March 7, 2024.

that investors should remain fully invested and diversified in their portfolios to have the best possible long-term outcome. Market volatility is often a hallmark of election years; according to BofA Global Research, there is typically a 25% increase in volatility from July through November during election years. However, going back to 1928, U.S. equity returns during these years have averaged 7.5%, which is not that different from nonelection- year returns of around 8%, according to data from Bloomberg. Furthermore, looking at Exhibit 2, in most post-WWII government configurations, the average total return of the S&P 500 Index reaches double digits. Once the noise from the election passes, markets tend to focus on fundamentals. Looking at the U.S. economy, a number of factors including positive growth, moderating inflation levels and potential Fed interest rate cuts all highlight our reasoning for a slight overweight in U.S. Equities. By staying the course, we believe investors will be better positioned for any election outcome in the long run.

What do the latest employment figures suggest? Taking a closer look at the labor market, recent data suggests it may be showing signs of softening but remains strong overall. Household survey data came in soft, with the U.S. unemployment rate reaching a two-year high after rising 0.2% to 3.9% in February. Among the unemployed, the number of permanent job losers increased by 174,000 to 1.7 million, the highest point since November 2021. Furthermore, the U-6 unemployment rate, the total number of employees in the U.S. who are part of the labor force but without a job, bottomed at 6.5% in December 2022 and is now up to 7.3%, indicating a sharp jump in the unemployment rate for both professional and business services. While the household survey was soft, the six-month gain in government employment is 3X normal, which may be picking up some of the potential slack in unemployment.

Looking at the establishment survey data, the U.S. Bureau of Labor Statistics reported that nonfarm payroll employment came in stronger than consensus expected at 275,000 (compared to 200,000), which is also above the average monthly gain of 230,000 over the last 12 months. Additionally, January and December employment gains were notably revised down to 229,000 and 290,000, respectively. Previously, they were 353,000 and 333,000, hinting that the labor market last month was not as tight as expected. The payroll proxy is tracking at around 5%, suggesting that the path here is either firm or decelerating but doesn't seem to be accelerating. Lastly, temporary help services, a leading indicator, declined for the twenty-third consecutive month. This has never occurred outside a recession. The BofA Indicator of U.S. Labor Market Momentum[7] rose 0.24 points to -0.40 for February. With momentum having been negative for 22 consecutive months, this may hint that, despite February's improvement, further cooling in labor market conditions may be ahead. While labor market data continues to point to subtle signs of softening, recent Fed-speak has suggested that policymakers need clearer signs that employment is slowing before they can implement any form of interest rate easing.

Can the consumer keep powering the U.S. economy? Over the past year, the U.S. consumer has remained resilient, despite headwinds from inflation and economic uncertainty, largely because of the strength of the labor market which has acted as a tailwind. A look at the most recent internal data from the BofA Global Research shows consumer spending momentum appears to be soft but stable, with spending rising 0.4% in February, reaccelerating from the decrease of 0.3% in January. While card spending per household increased 2.9% last month, much of this strength could be attributed to the extra day due to the leap year. Additionally, household net worth jumped by $4.8 trillion in Q4 2023, reversing its Q3 decline and is up an astounding $39.3 trillion (140% of GDP) since the pandemic.[8] Although households have drawn down on excess saving, there is still room to run. Despite the resiliency, consumer confidence measures remain below long-term averages, as the consumer continues to face inflationary pressures. The Conference Board's Consumer Confidence Index fell in February to 106.7, down from a revised 110.9 in January. This decline happened after three consecutive months of gains. This emphasizes the uncertainty consumers have about the U.S. economy, especially as the drop in confidence was highlighted by all income groups except those earning less than $15,000 and those earning more than $125,000. Ultimately, if the labor market were to moderate further in the coming months, the state of the consumer may change.

[7] Interpreted as the marginal rate of change in U.S. labor market conditions.
[8] "U.S. Economic Weekly: Household Net Worth Surges," BofA Global Research, March 8, 2024.

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The Trouble with Powering AI

Lauren J. Sanfilippo, Director and Senior Investment Strategist

It's not just the AI trade at risk of fatigue, but also the power grid supporting the AI infrastructure. Demanding workloads for large language models require data center infrastructure that can run enormous amounts of computing power and much more than traditional data centers. As a result, annual peak demand forecasts for the power grid are set to double or even triple in some cases. Additionally, rampant power-intensity from AI applications and data center demands are unfortunately coupled with aging grid infrastructure and resource-intensity concerns.

Data centers will claim a larger share of electricity as demand from AI continues to increase. Specific to U.S. data center energy demand, power consumption is expected to reach 35 gigawatts (GW) by 2030, up from 17 GW in 2022, according to McKinsey estimates (Exhibit 3A). For size, each gigawatt produces the amount of power generated by a large nuclear plant, or as a household example, 100 million LED lightbulbs. While AI models require vast amounts of computing power and electricity to operate, they are also resource-intensive in other ways. Powerful graphics processing units (GPUs) used for AI and machine learning models accelerate computational processes while also generating a lot of heat, requiring water to cool down the equipment.

In the U.S. it takes 16.9 milliliters of water to run a single ChatGPT-3 inference, amounting to one bottle of water used for every 30 responses. Apply that to an outdated estimate of 100 million monthly active users. Still, that's more efficient than some countries, such as Sweden at 17 responses, but less efficient than Ireland, a standout example of water efficiency (Exhibit 3B). That's on top of the water used to train a model—here in the U.S., 5.4 million liters is used training one AI model, with significant variation by city and state. Take Data Center Alley in Virginia as an example, one of the fastest-growing AI data center hubs. Virginia ranks as efficient for water and power usage, making it home to 35% of the world's hyperscale data centers.

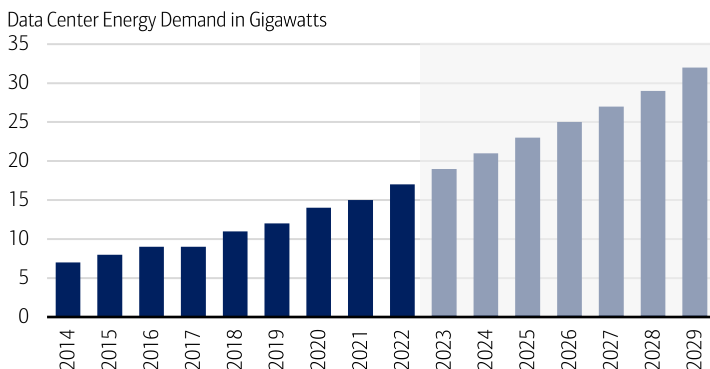
While investors are focused on the more obvious AI beneficiaries like chipmakers, broader-than-technology opportunities exist—like power providers and data center infrastructure that could stand to benefit from AI's halo effect. Additive to the story and in need of an upgrade, 70% of the energy grid (lines, transformers, etc.) is more than 25 years old and left vulnerable to outage events.

Investment Implications

Coincident with the growth in generative AI, data center demand exhibits strong, long-term growth trends. AI data centers are power guzzlers, heavily dependent on an aging power grid already facing capacity constraints and delays in permitting for new projects. The Fed outlook and eventual interest rate cuts as the cost of capital comes down would be supportive of future (incentivized, in some cases) investment and projects.

Exhibit 3: AI's Thirst for Power and Water.

A) Data Centers Tax the Power Grid



B) Water Consumption of AI Around the World.

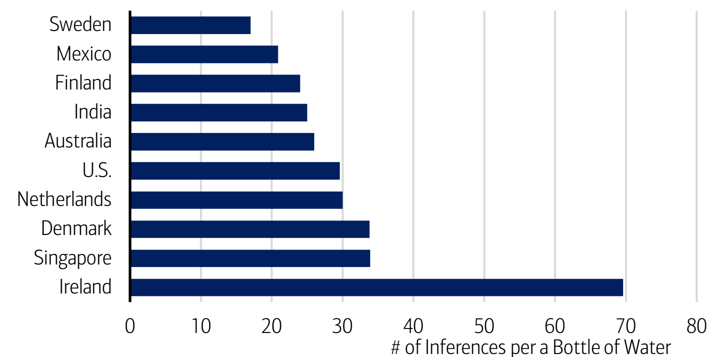


Exhibit 3A) Shaded area indicates estimated/projected figures. Sources: McKinsey and Company, the Washington Post. Data as of January 2023. Exhibit. 3B) Estimate of GPT-3's average operational water consumption footprint, more current models may demand varying amounts. Source: University of California, Riverside. Data as of October 2023.

Equities

	Total Return in USD (%)			
	Current	WTD	MTD	YTD
DJIA	38,714.77	0.0	-0.6	3.2
NASDAQ	15,973.17	-0.7	-0.7	6.6
S&P 500	5,117.09	-0.1	0.5	7.6
S&P 400 Mid Cap	2,923.76	-0.9	1.3	5.5
Russell 2000	2,039.32	-2.0	-0.6	0.9
MSCI World	3,363.03	-0.5	0.9	6.4
MSCI EAFE	2,325.12	-1.3	1.9	4.4
MSCI Emerging Markets	1,034.74	-0.1	1.5	1.4

Fixed Income†

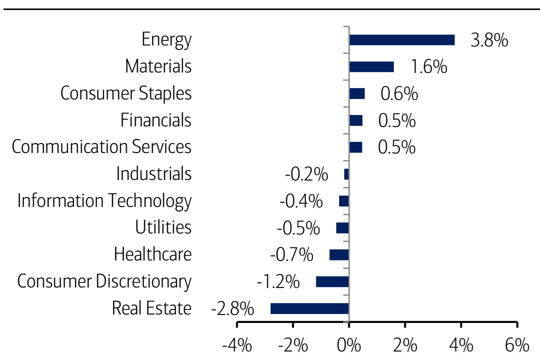
	Total Return in USD (%)			
	Current	WTD	MTD	YTD
Corporate & Government	4.88	-1.14	-0.06	-1.64
Agencies	4.88	-0.67	-0.10	-0.48
Municipals	3.39	-0.07	0.34	-0.04
U.S. Investment Grade Credit	4.96	-1.23	-0.04	-1.72
International	5.42	-1.00	0.26	-1.42
High Yield	7.82	-0.24	0.48	0.77
90 Day Yield	5.37	5.38	5.38	5.33
2 Year Yield	4.73	4.47	4.62	4.25
10 Year Yield	4.31	4.07	4.25	3.88
30 Year Yield	4.43	4.25	4.38	4.03

Commodities & Currencies

	Total Return in USD (%)			
Commodities	Current	WTD	MTD	YTD
Bloomberg Commodity	230.26	1.3	2.8	1.7
WTI Crude $/Barrel††	81.04	3.9	3.6	13.1
Gold Spot $/Ounce††	2155.9	-1.1	5.5	4.5

	Total Return in USD (%)			
Currencies	Current	Prior Week End	Prior Month End	2022 Year End
EUR/USD	1.09	1.09	1.08	1.10
USD/JPY	149.04	147.06	149.98	141.04
USD/CNH	7.21	7.20	7.21	7.13

S&P Sector Returns



Sources: Bloomberg; Factset. Total Returns from the period of 3/11/2024 to 3/15/2024. †Bloomberg Barclays Indices. ††Spot price returns. All data as of the 3/15/2024 close. Data would differ if a different time period was displayed. Short-term performance shown to illustrate more recent trend. **Past performance is no guarantee of future results.**

Economic Forecasts (as of 3/15/2024)

	Q4 2023A	2023A	Q1 2024E	Q2 2024E	Q3 2024E	Q4 2024E	2024E
Real global GDP (% y/y annualized)	-	3.0*	-	-	-	-	2.9
Real U.S. GDP (% q/q annualized)	3.2	2.5	2.5	2.0	2.0	2.0	2.7
CPI inflation (% y/y)	3.2	4.1	3.2	3.4	3.2	3.0	3.2
Core CPI inflation (% y/y)	4.0	4.8	3.8	3.5	3.5	3.3	3.5
Unemployment rate (%)	3.8	3.6	3.8	3.8	3.9	3.9	3.9
Fed funds rate, end period (%)	5.33	5.33	5.38	5.13	4.88	4.63	4.63

The forecasts in the table above are the base line view from BofA Global Research. The Global Wealth & Investment Management (GWIM) Investment Strategy Committee (ISC) may make adjustments to this view over the course of the year and can express upside/downside to these forecasts. Historical data is sourced from Bloomberg, FactSet, and Haver Analytics. **There can be no assurance that the forecasts will be achieved. Economic or financial forecasts are inherently limited and should not be relied on as indicators of future investment performance.**

A = Actual. E/* = Estimate.

Sources: BofA Global Research; GWIM ISC as of March 15, 2024.

Asset Class Weightings (as of 3/5/2024)

	CIO View				
Asset Class	Underweight		Neutral	Overweight	
Global Equities				●	
U.S. Large Cap Growth			●		
U.S. Large Cap Value				●	
U.S. Small Cap Growth				●	
U.S. Small Cap Value				●	
International Developed		●			
Emerging Markets			●		
Global Fixed Income		●			
U.S. Governments				●	
U.S. Mortgages				●	
U.S. Corporates		●			
International Fixed Income			●		
High Yield		●			
U.S. Investment-grade Tax Exempt		●			
U.S. High Yield Tax Exempt		●			
Cash					

CIO Equity Sector Views

	CIO View				
Sector	Underweight		Neutral	Overweight	
Energy				●	
Healthcare				●	
Consumer Discretionary				●	
Industrials				●	
Information Technology			●		
Communication Services			●		
Financials			●		
Real Estate			●		
Utilities		●			
Materials		●			
Consumer Staples	●				

CIO asset class views are relative to the CIO Strategic Asset Allocation (SAA) of a multi-asset portfolio.
Source: Chief Investment Office as of March 5, 2024. All sector and asset allocation recommendations must be considered in the context of an individual investor's goals, time horizon, liquidity needs and risk tolerance. Not all recommendations will be in the best interest of all investors.

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Index Definitions

Securities indexes assume reinvestment of all distributions and interest payments. Indexes are unmanaged and do not take into account fees or expenses. It is not possible to invest directly in an index. Indexes are all based in U.S. dollars.

U.S. Equities/S&P 500 Index is a stock market index tracking the stock performance of 500 of the largest companies listed on stock exchanges in the United States.

S&P 500 Total Return Index is a type of equity index that tracks both the capital gains as well as any cash distributions, such as dividends or interest, attributed to the components of the index.

MSCI China Index consist of a range of market capitalization weighted and alternative weighted indexes for the Chinese markets, intended for both domestic and international investors, including Qualified Foreign Institutional Investors (QFII) licensees.

Hang Seng Index is a free float-adjusted market-capitalization-weighted stock-market index in Hong Kong.

Shanghai Shenzhen CSI 300 Index is a capitalization-weighted stock market index designed to replicate the performance of the top 300 stocks traded on the Shanghai Stock Exchange and the Shenzhen Stock Exchange.

MSCI U.S. Index is designed to measure the performance of the large and mid cap segments of the US market.

MSCI All Country World Index is a stock index designed to track broad global equity-market performance.

MSCI EAFE Index is a stock market index that measures the performance of large- and mid-cap companies across 21 developed markets countries around the world.

MSCI China Equity Index captures large and mid cap representation across China A shares, H shares, B shares, Red chips, P chips and foreign listings (e.g. ADRs).

Conference Board's Consumer Confidence Index is a barometer of the health of the U.S. economy from the perspective of the consumer.

World Bank/Natural Resource Governance Institute/Brookings Index is a research dataset that summarizes the quality of governance in various countries worldwide.

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