


Behavioral Finance

Client Engagement Strategies for Volatile Markets

Presented by First Eagle Investments

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1. Evolution of Client Conversations
 2. Market Behavior vs. Investor Behavior
 3. Timing the Market vs. Time in the Market
 4. Investing Strategies
 5. Impactful Client Engagement Strategies
 6. Disclosures



Evolution of Client Conversations

Managing Assets Takes a Lot of Different Skill Sets



Evolution of Client Conversations

Initial Meetings:

- “In the next 3 years, we’re looking to remodel our home so we’d like to keep some of our money in more conservative assets.”
- “We plan to retire in about 30 years. In retirement, we’d love to own two homes. We’re not risk averse and hope to be more aggressive with our investments.”
- “We’re two years into retirement and living off of fixed income. We enjoy traveling and spending time with our grandchildren. We hope to help contribute to their college fund as well.”

Reality Sets In



Lehman collapse sends shockwave round world

Shares and oil prices plunge, thousands lose jobs



BREAKING NEWS

STOCKS PLUNGE ON FEARS OF NEW INTEREST RATE HIKES

MARKET SELL-OFF

CRYPTO CRASH CONTINUES

MARKET CAP FALLS BELOW \$1 TRILLION

Evolution of Client Conversations

Initial Meetings:

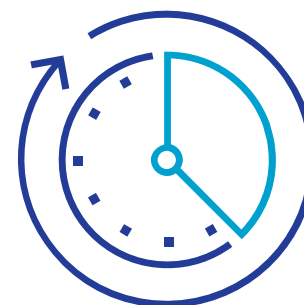
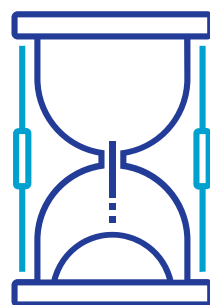
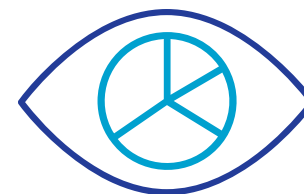
- “In the next 3 years, we’re looking to remodel our home so we’d like to keep some of our money in more conservative assets.”
- “We plan to retire in about 30 years. In retirement, we’d love to own two homes. We’re not risk averse and hope to be more aggressive with our investments.”
- “We’re two years into retirement and living off of fixed income. We enjoy traveling and spending time with our grandchildren. We hope to help contribute to their college fund as well.”

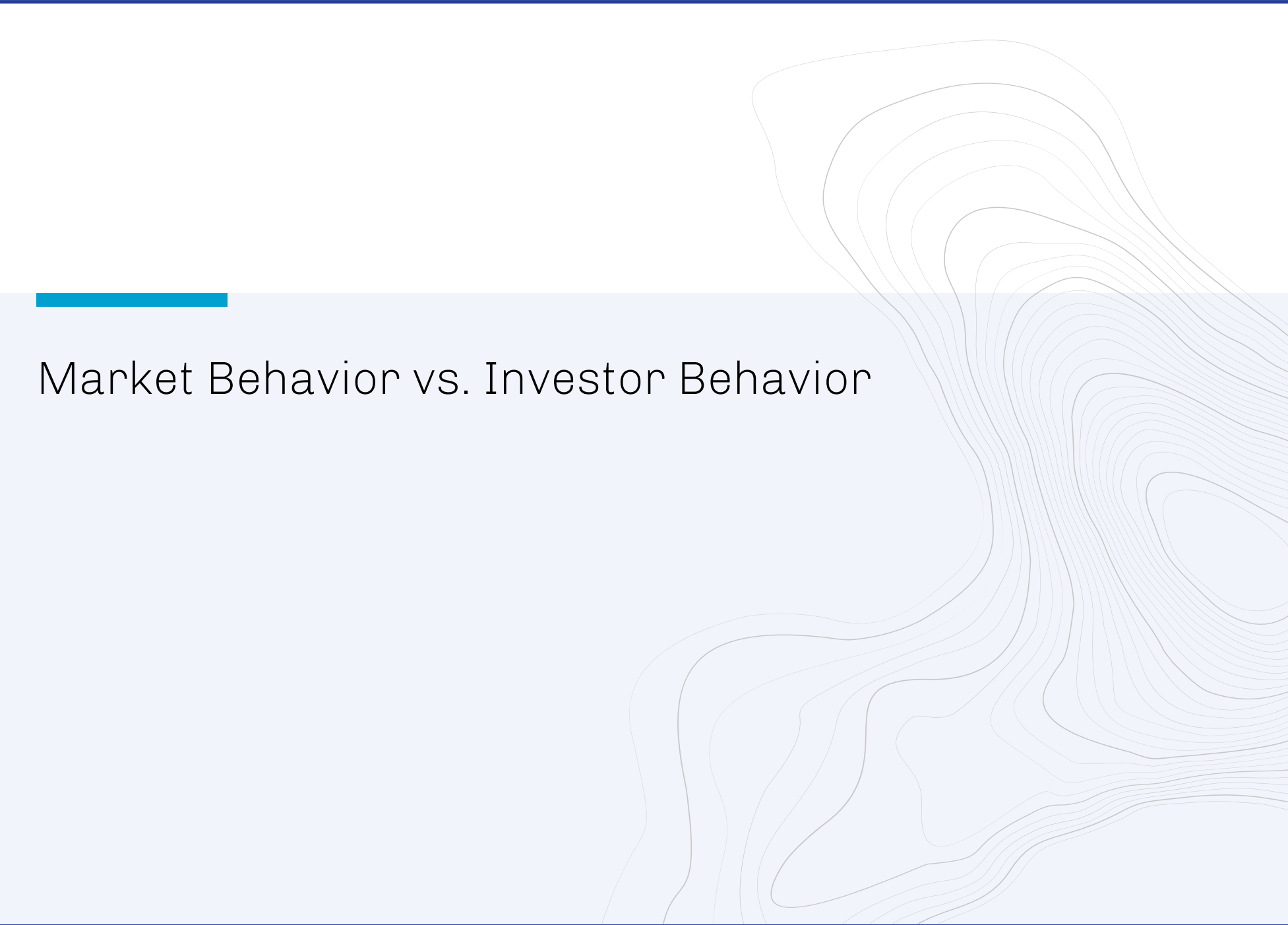
Subsequent Calls and Meetings:

- “What do you think about cryptocurrency? My friend was raving about the money he was making.”
- “Market is down 20% and we don’t want to lose any more money. Can we put our money in a Money Market Fund for now?”
- “What do you think of an all-bond portfolio? The stock market seems to be too volatile for us.”

Common Emotions and Behaviors that Impact Investment Decisions

- Fear
- Overconfidence
- Conformity
- Information Bias
- Confusion
- Persistence



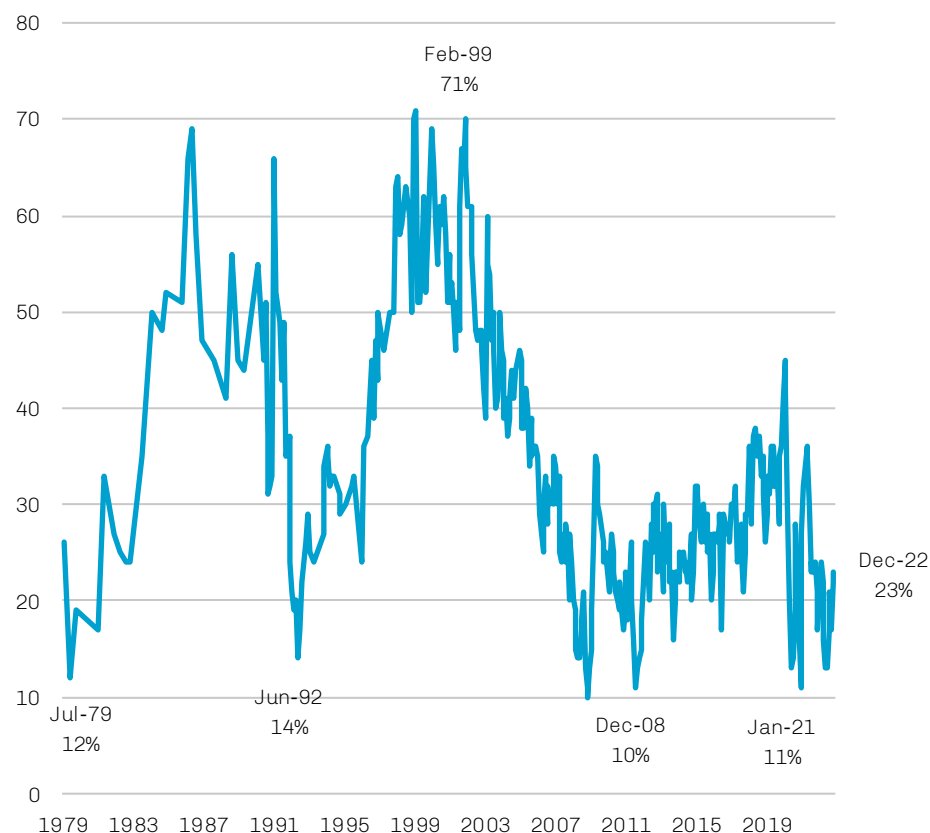


Market Behavior vs. Investor Behavior

Historically, Lower Satisfaction Levels Indicated Higher US Stock Market Returns for the Following 12 Months.

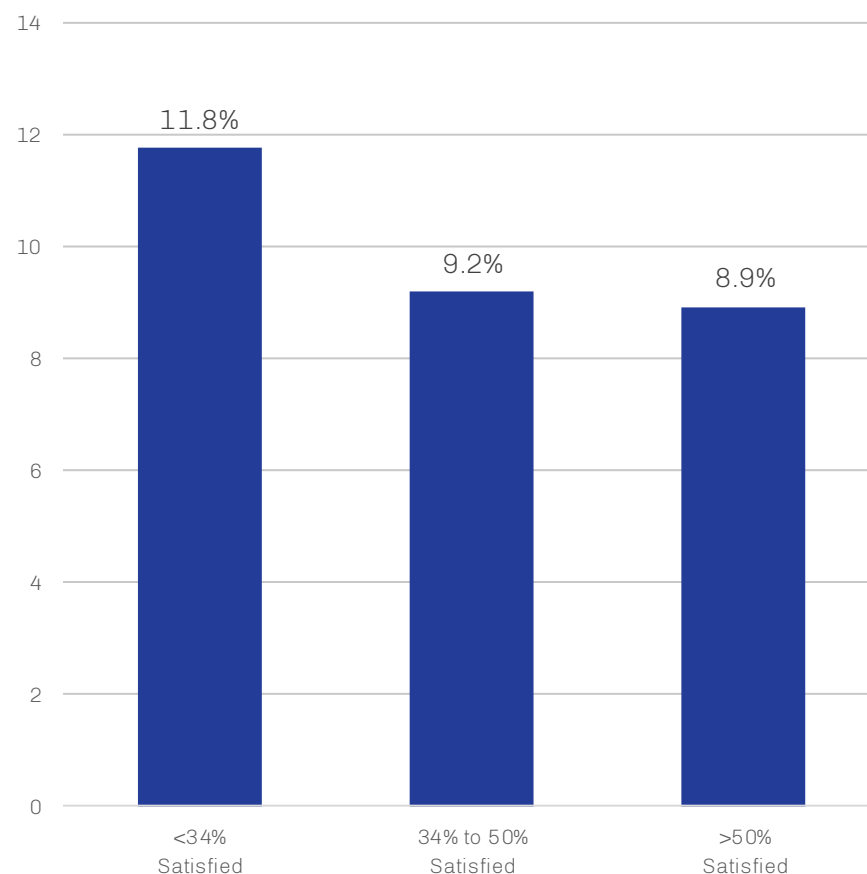
Low Levels of Satisfaction Right Now

Percent of Americans satisfied with the way things are going in the US



US Stock Market Returns Next 12 Months

Median Return following Each Cohort

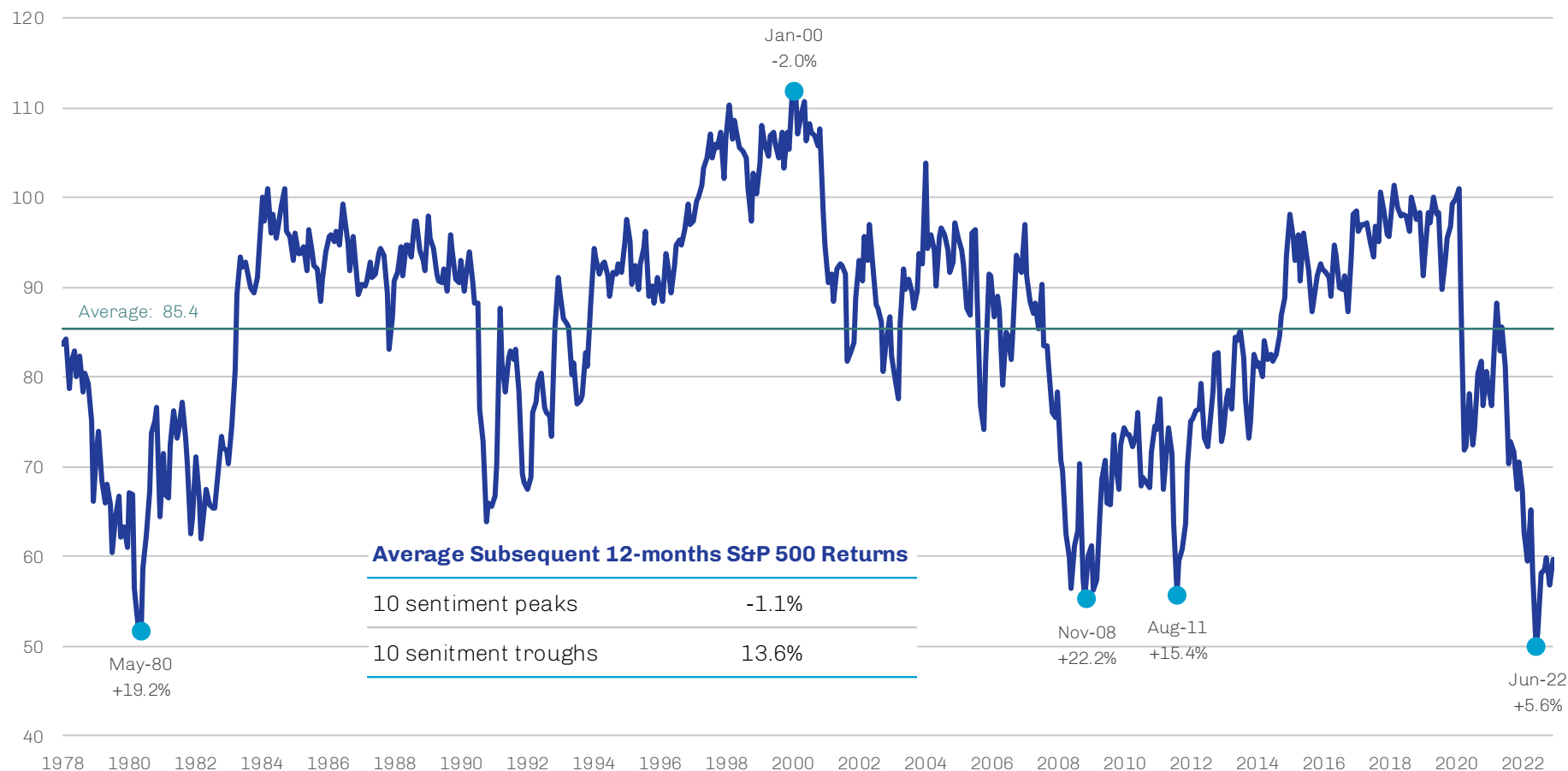


Sources: Gallup, Morningstar; data as of December 31, 2022. US stock market is represented by S&P 500.

Past performance does not guarantee future results.

Consumer Confidence and the Stock Market Is a Contrarian Story

Consumer Sentiment Index and Subsequent 12-Month S&P 500 Returns

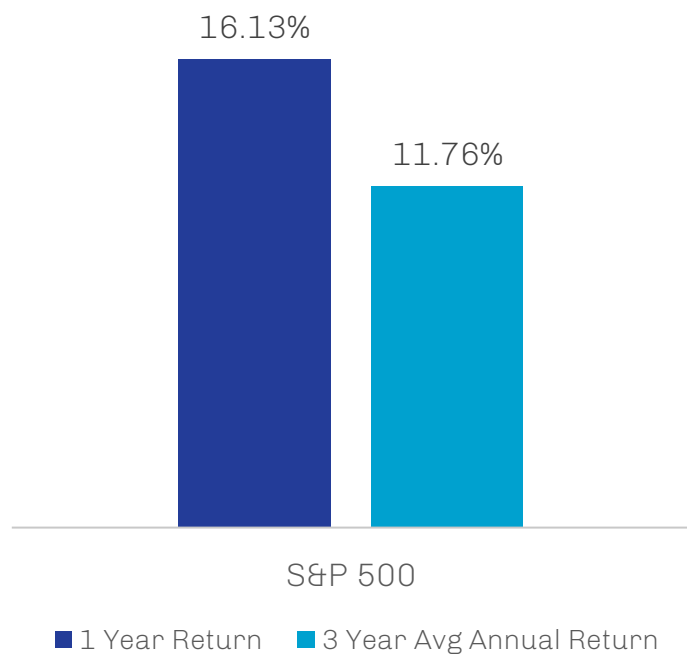


Sources: University of Michigan, FactSet; data as of December 31, 2022. Peak is defined as the highest index value before a series of lower values. Trough is defined as the lowest index value before higher values.

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Buy High, Sell Low? — Financial Crisis

Index Returns Pre-July 2007

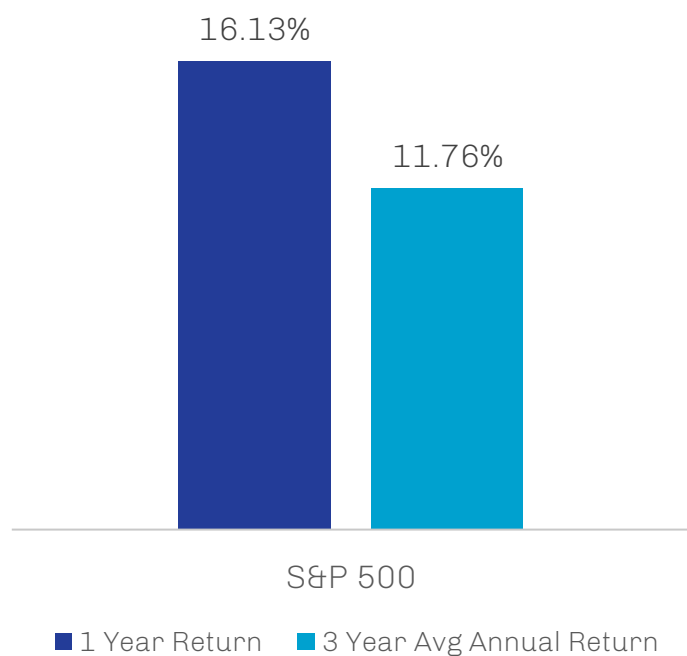


Sources: FactSet, Morningstar; data as of December 31, 2020. Flows are measured by the Morningstar Large Blend Asset Category flows.

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Buy High, Sell Low? — Financial Crisis

Index Returns Pre-July 2007



Buying High July 2007

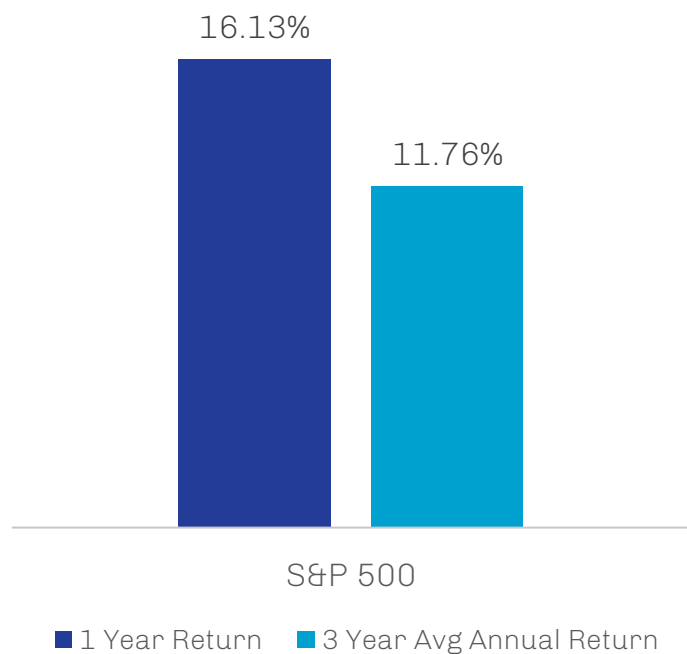


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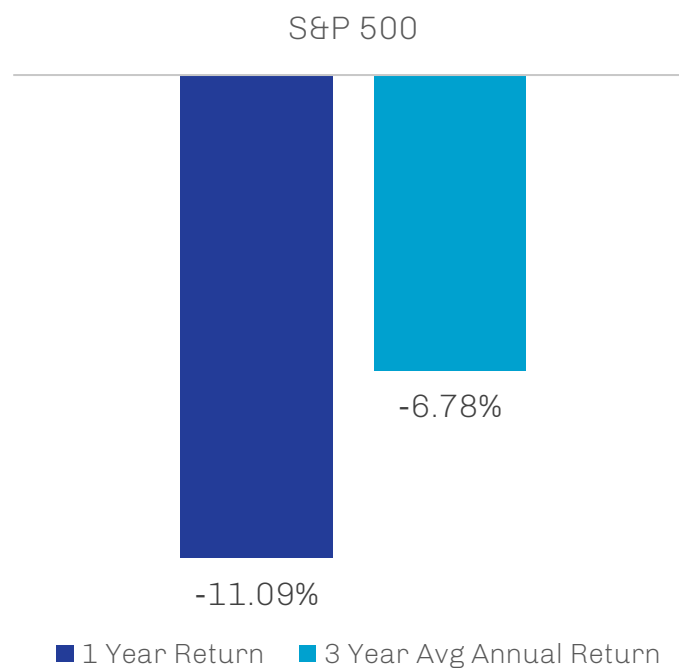
Index Returns Pre-July 2007



Buying High July 2007



Index Returns After July 2007



Sources: FactSet, Morningstar; data as of December 31, 2020. Flows are measured by the Morningstar Large Blend Asset Category flows.
Past performance does not guarantee future results.

Buy High, Sell Low? — Financial Crisis

Index Returns Pre-March 2009



Sources: FactSet, Morningstar; data as of December 31, 2020. Flows are measured by the Morningstar Large Blend Asset Category flows.

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Buy High, Sell Low? — Financial Crisis

Index Returns Pre-March 2009



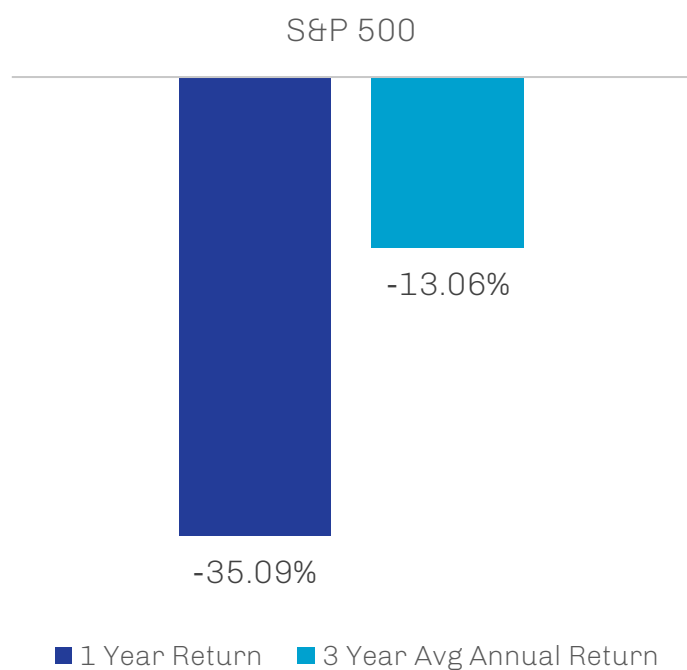
Selling Low March 2009



Sources: FactSet, Morningstar; data as of December 31, 2020. Flows are measured by the Morningstar Large Blend Asset Category flows.
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Buy High, Sell Low? — Financial Crisis

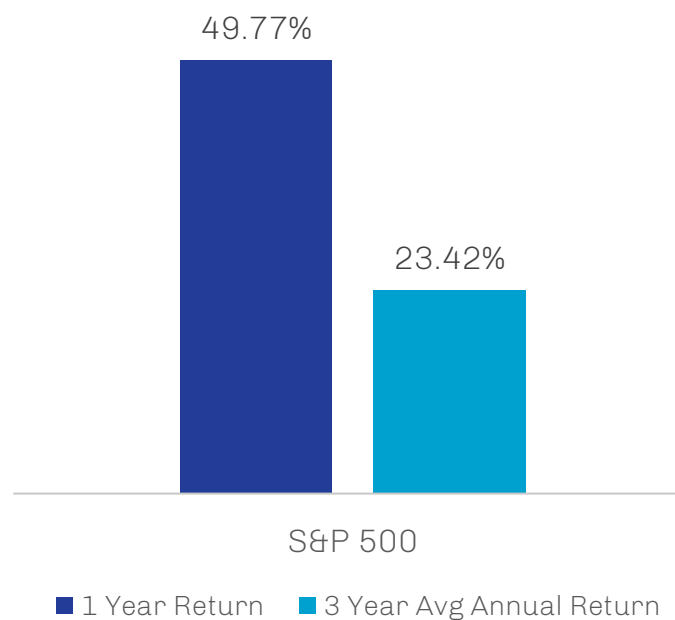
Index Returns Pre-March 2009



Selling Low March 2009



Index Returns After March 2009

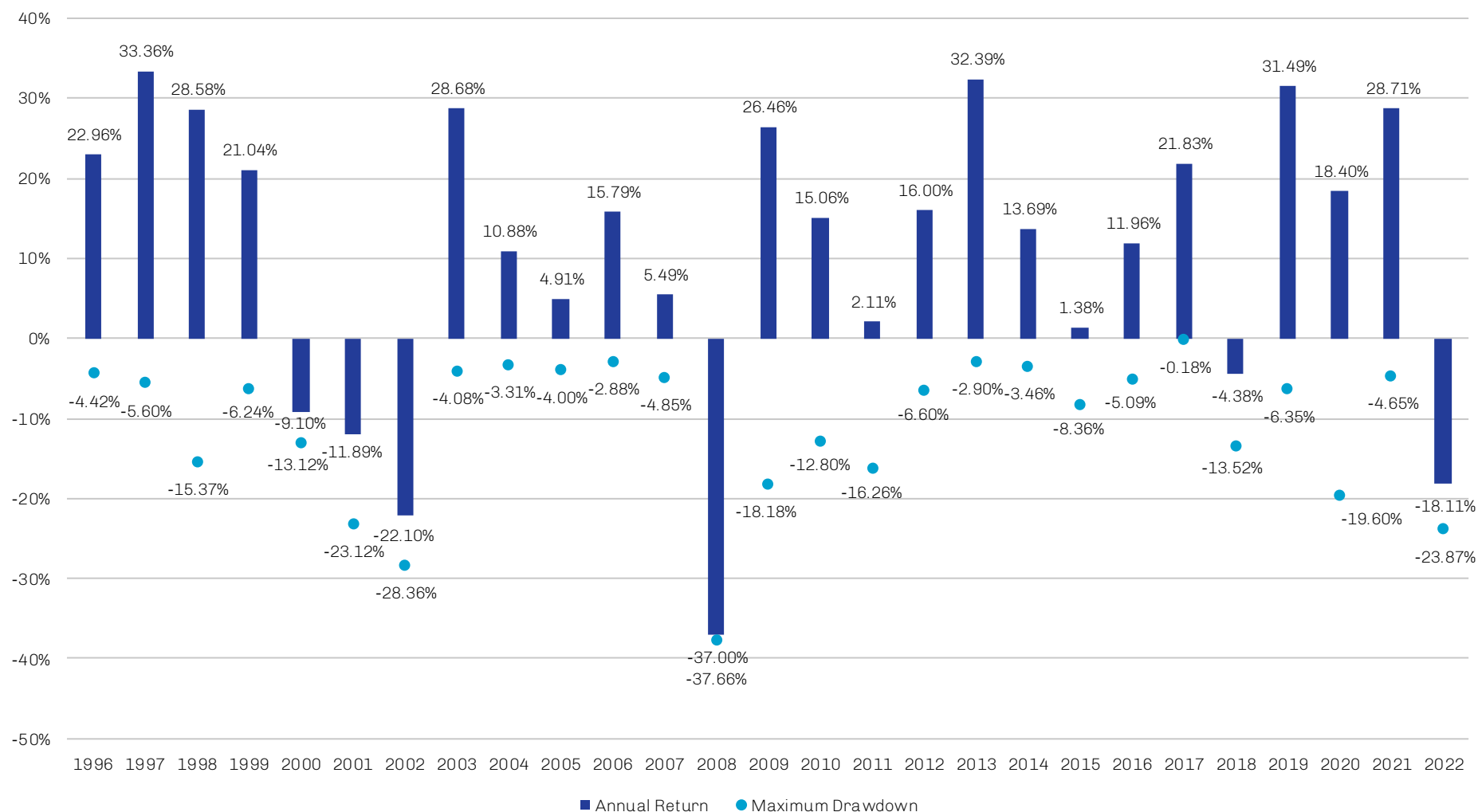


Sources: FactSet, Morningstar; data as of December 31, 2020. Flows are measured by the Morningstar Large Blend Asset Category flows.
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Time in the Market vs. Timing the Market

Calendar Year Return and Intra-Year Drawdown for the S&P 500 Index



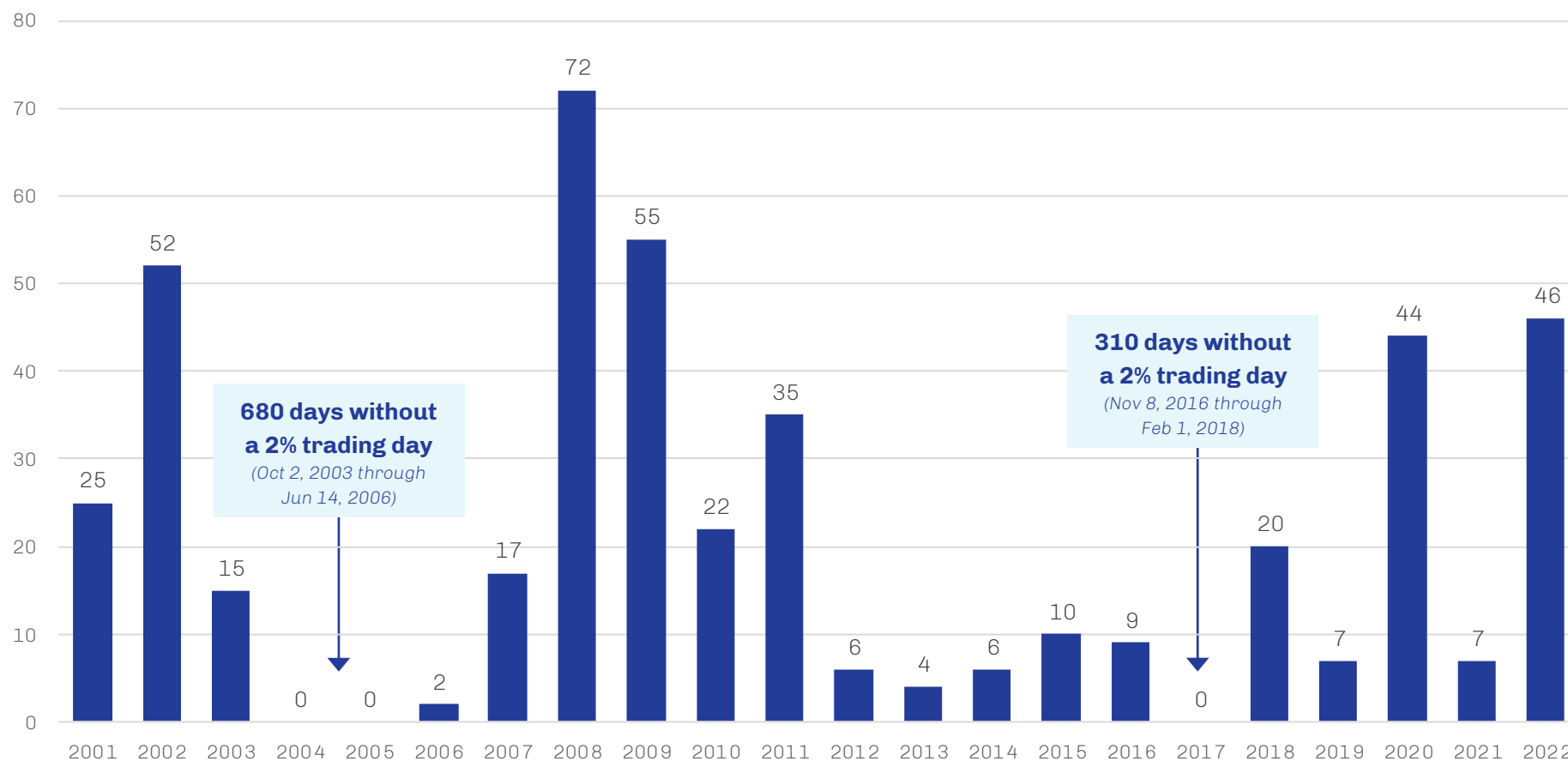
Sources: FactSet; data as of December 31, 2022.

Past Performance does not guarantee future results.

Number of Single Day Stock Market Returns of +/- 2% or More

S&P 500, Past 20+ Years by Calendar Year

January 1, 2001 through December 31, 2022



Source: Morningstar; data as of December 31, 2022.

Past performance does not guarantee future results.

When Were the Top 20 Best Days in the Market?

Tech Bubble Burst

2-Feb-2000–30-Oct-2002



13. 5.7%	24-Jul-2002
16. 5.4%	29-Jul-2002
19. 5.0%	3-Jan-2001

Financial Crisis

30-Oct-2007–31-Mar-2009



1. 11.6%	13-Oct-2008
2. 10.8%	28-Oct-2008
5. 7.1%	23-Mar-2009
7. 6.9%	13-Nov-2008
8. 6.5%	24-Nov-2008
9. 6.4%	10-Mar-2009
10. 6.3%	21-Nov-2008
15. 5.4%	30-Sep-2008
17. 5.1%	16-Dec-2008

Coronavirus

1-Jan-2020–31-Mar-2020



3. 9.4%	24-Mar-2020
4. 9.3%	13-Mar-2020
11. 6.3%	26-Mar-2020
12. 6.0%	17-Mar-2020

Other

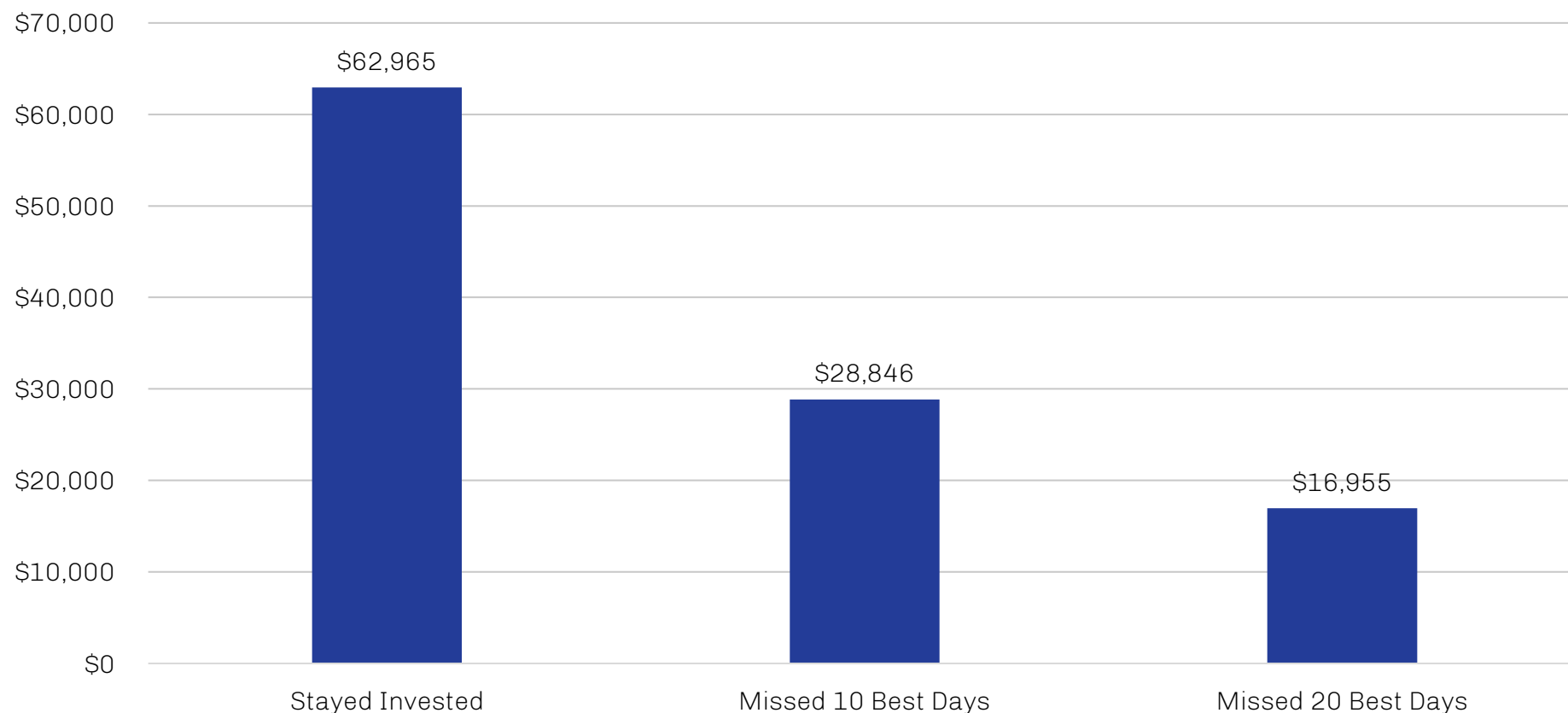


6. 7.0%	6-Apr-2020
14. 5.6%	10-Nov-2022
18. 5.1%	8-Sep-1998
20. 5.0%	26-Dec-2018

Source: FactSet; data as of December 31, 2022.
Past performance does not guarantee future results.

What Happens If You Missed Some of the Best Days of S&P 500 Performance over the Last 25 Years?

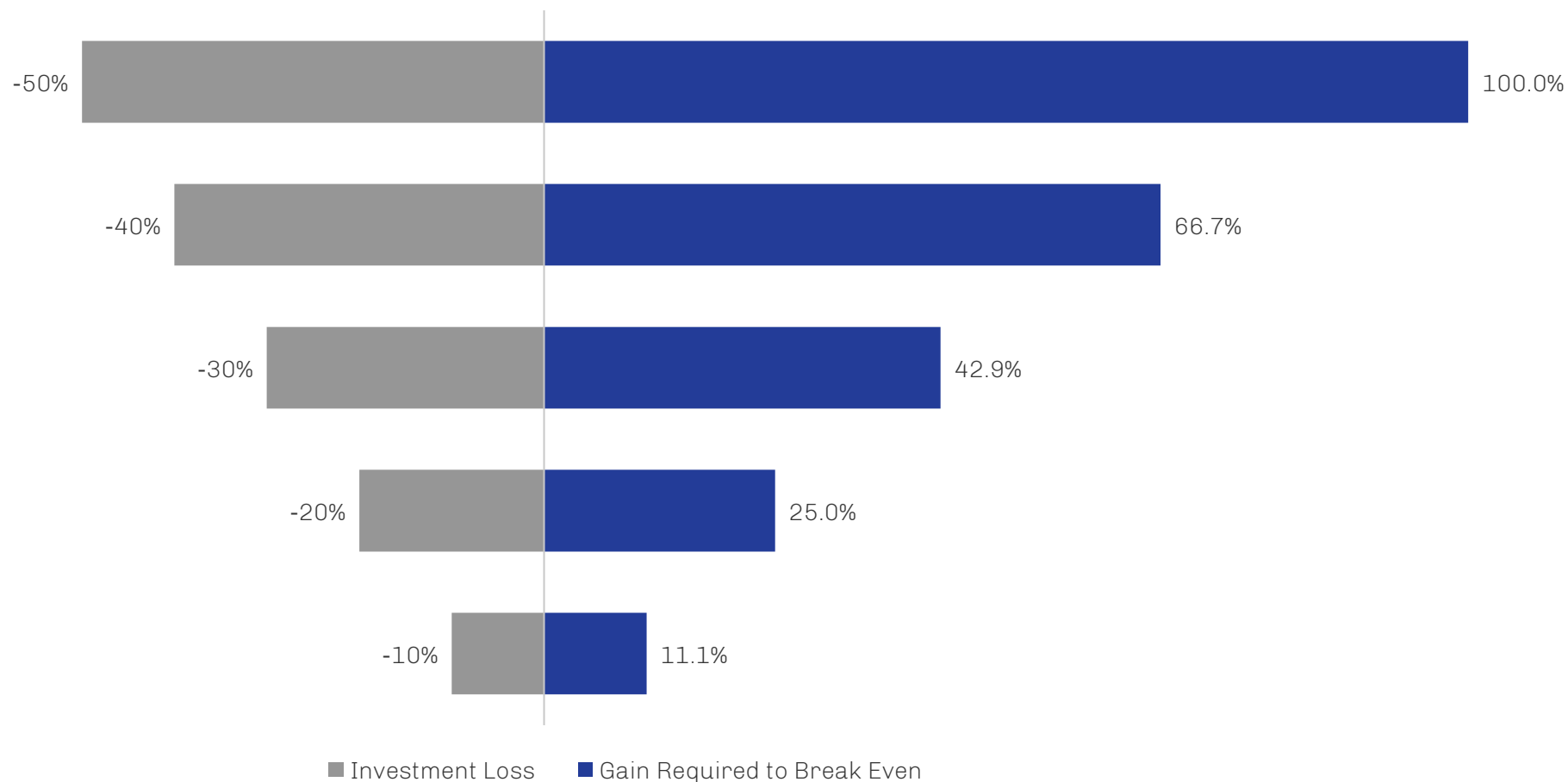
\$10,000 Investment



Source: FactSet; data as of December 31, 2022.

Past performance does not guarantee future results.

Losses of Capital Can Take Disproportionate Gains to Overcome



Top 15 Worst Days of S&P 500 Since 1950 and the Returns 1 Year Later

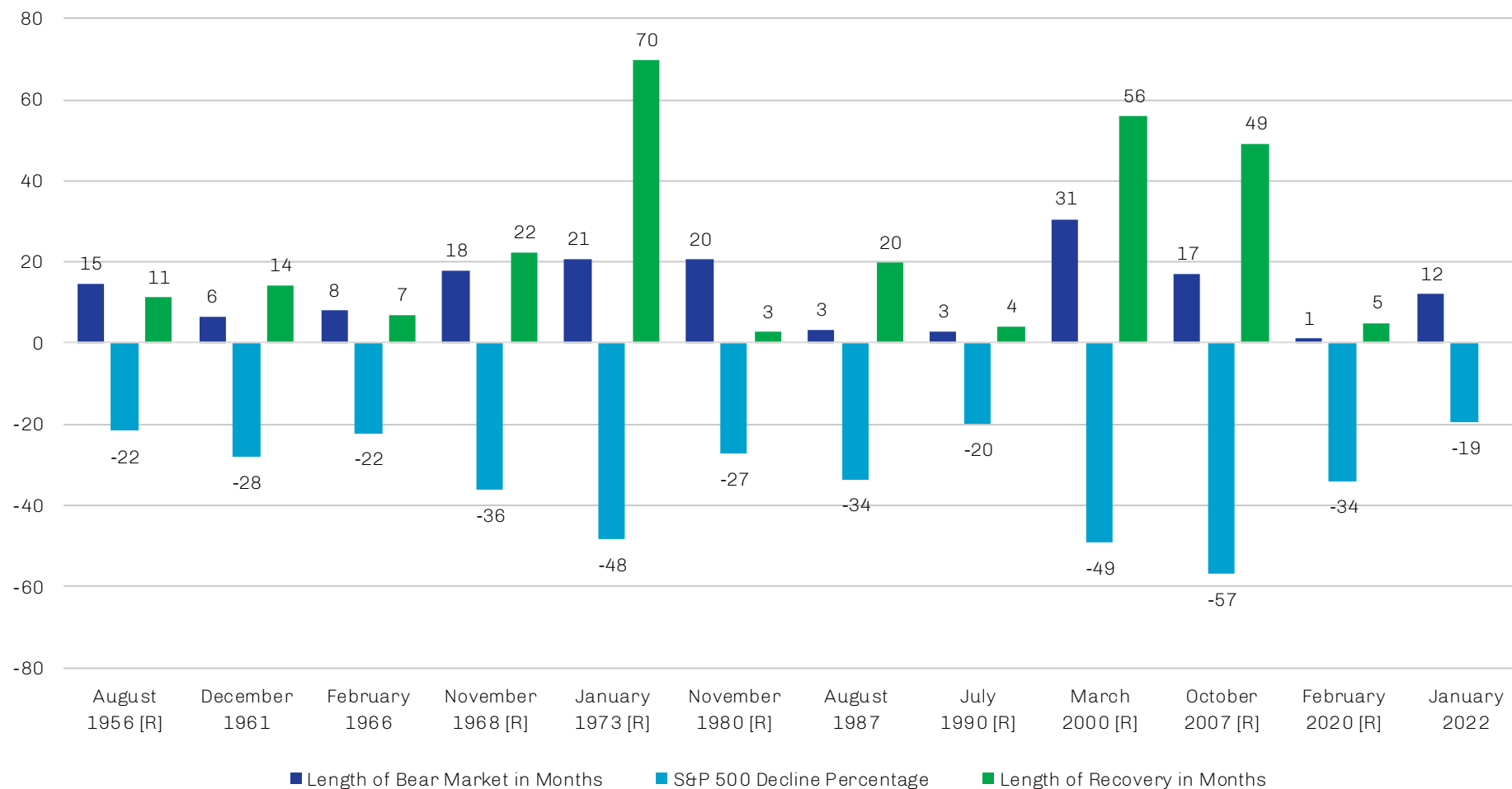
Date	S&P 500 Decline	Return 1 Year Later
October 19, 1987	-20.47	20.93
March 16, 2020	-11.98	59.72
March 12, 2020	-9.51	53.64
October 15, 2008	-9.04	16.44
December 1, 2008	-8.93	34.23
September 29, 2008	-8.79	-7.75
October 26, 1987	-8.28	19.43
October 9, 2008	-7.62	16.17
March 9, 2020	-7.60	38.76
October 27, 1997	-6.87	15.97
August 31, 1998	-6.80	37.93
January 8, 1988	-6.77	14.10
November 20, 2008	-6.71	37.71
May 28, 1962	-6.68	25.77
August 8, 2011	-6.66	23.21
Average	-8.85	27.08

Source: FactSet; data as of December 31, 2022.

Past performance does not guarantee future results.

S&P 500 Bear Markets and Length of Time to Recover

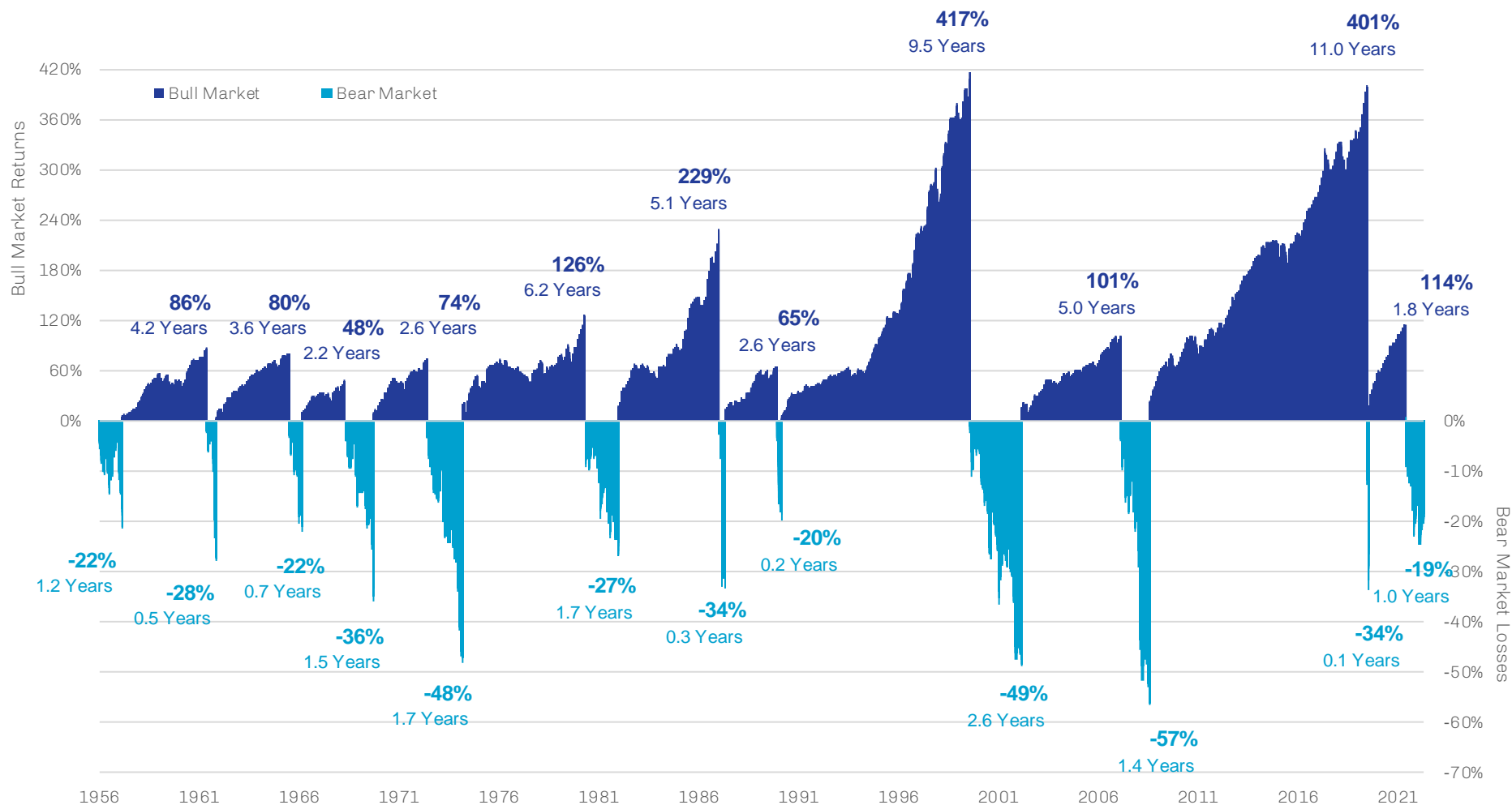
S&P 500 Bear Markets and Recoveries



Source: FactSet; data as of December 31, 2022. [R] represents when the bear market coincides with a recession.

Past performance does not guarantee future results.

Putting US Bull & Bear Markets in Perspective



Source: FactSet; data as of December 31, 2022.

Past performance does not guarantee future results.

15% Quarterly Declines in the S&P 500 Historically Indicates More Positive Returns in the Quarters Ahead

Date	Quarterly Return	+ One Quarter	+ Two Quarters	+ Three Quarters
June 30, 1962	-21.28%	2.78%	15.25%	21.59%
June 30, 1970	-18.87%	15.80%	26.51%	37.94%
September 30, 1974	-26.12%	7.90%	31.19%	49.81%
December 31, 1987	-23.23%	4.78%	10.69%	10.05%
September 30, 2002	-17.63%	7.92%	4.03%	19.53%
December 31, 2008	-22.56%	-11.67%	1.78%	17.03%
March 31, 2020	-20.00%	19.95%	30.12%	45.33%
June 30, 2022	-16.45%	-5.28	1.43	?
Average		5.27%	15.13%	28.75%

Source: FactSet; data as of December 31, 2022.

Past performance does not guarantee future results.

Not All Recessions Indicate Bear Markets Are Ahead

Recession Year	Year Returns (S&P 500)	Following Year Returns (S&P 500)
1945	30.72	-11.87
1949	10.26	21.78
1953	-6.62	45.02
1954	45.02	26.40
1960	-2.97	23.13
1970	-0.07	10.82
1974	-29.72	31.55
1980	25.77	-9.73
1981	-9.73	14.76
1982	14.76	17.27
1990	-6.56	26.31
2001	-13.04	-23.37
2008	-38.49	23.45
2009	23.45	12.78
2020	16.26	26.89

Source: FactSet; data as of December 31, 2022.

Past performance does not guarantee future results.

Market Performance and Recessions Aren't Always Connected

Recession Start	Recession End	6 Months Prior	During Recession	'+1yr	'+3yr	'+5yr	+10yr
March 31, 1945	September 30, 1945	6.16	17.93	-6.79	-3.49	21.18	172.09
December 31, 1948	September 30, 1949	-8.93	2.50	24.84	57.51	107.38	265.08
June 30, 1953	June 30, 1954	-5.92	21.00	40.47	62.17	100.17	179.66
September 30, 1957	March 31, 1958	-1.94	-0.75	31.69	54.54	58.12	114.25
March 31, 1960	March 31, 1961	-7.15	17.56	6.90	21.40	37.15	54.18
December 31, 1969	December 31, 1970	-11.02	-0.07	10.82	6.03	-1.97	47.57
December 31, 1973	March 31, 1975	-7.05	-14.55	23.28	7.02	22.47	116.72
December 31, 1979	June 30, 1980	8.94	5.84	14.85	47.16	67.94	213.39
June 30, 1981	December 31, 1982	-6.63	7.19	17.27	50.23	75.68	209.81
September 30, 1990	March 31, 1991	-7.79	22.60	7.59	18.80	72.03	209.24
March 31, 2001	December 31, 2001	-23.55	-1.06	-23.37	5.56	23.54	9.54
December 31, 2007	June 30, 2009	-4.07	-37.39	12.12	48.17	113.23	219.99
December 31, 2019	June 30, 2020	17.39	-4.04	38.62			

Source: FactSet; data as of December 31, 2022.

Past performance does not guarantee future results.

Despite Headlines, Human Progress Continues to Be Made

“On what principle is it, that when we see nothing but improvement behind us, we are expecting nothing but deterioration before us?” — Thomas Babington Macaulay

Growth of \$10,000 in the S&P 500 over the Last 25 Years



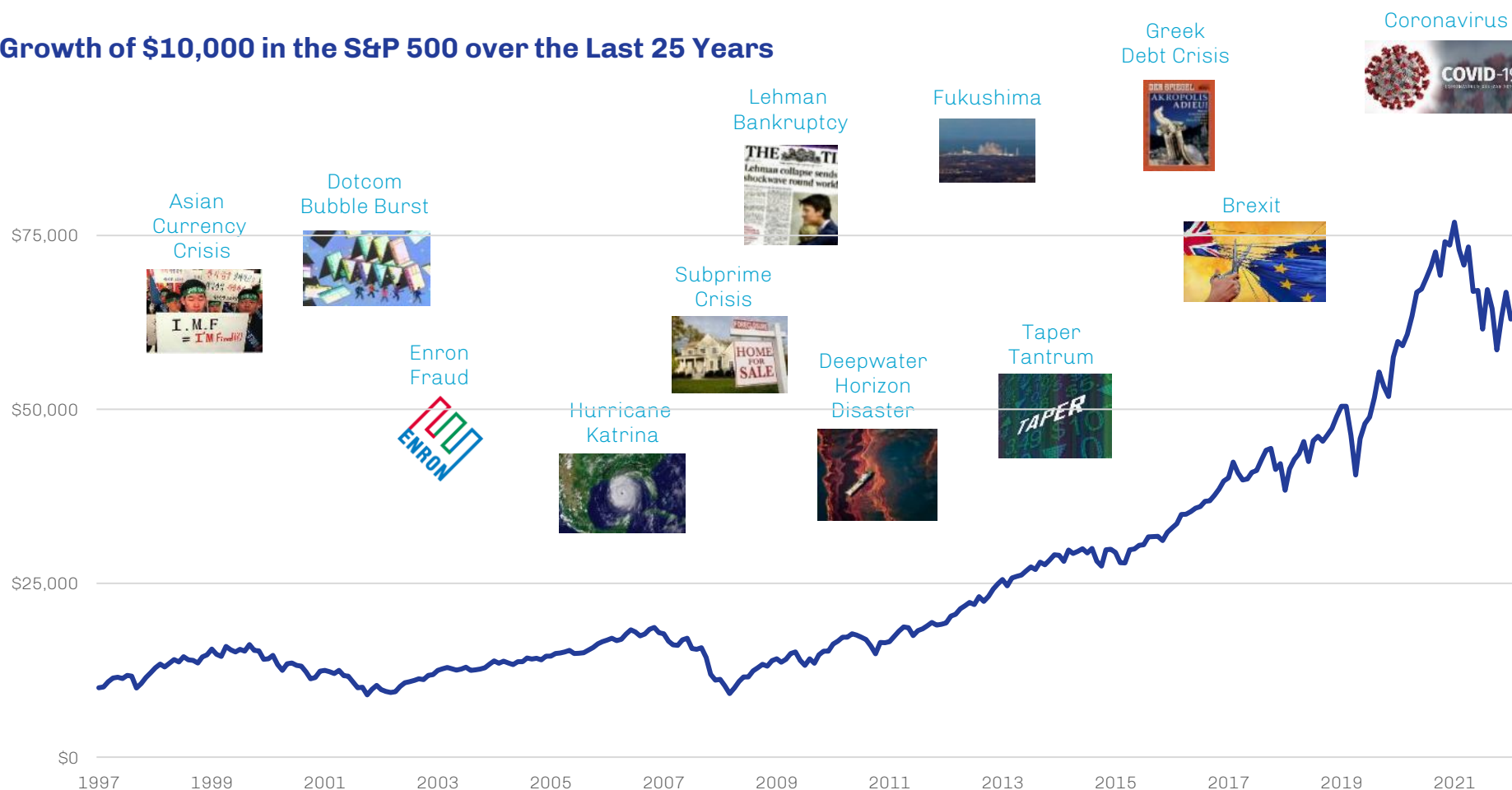
Source: FactSet; data as of December 31, 2022.

Past performance does not guarantee future results.

The Future Is Uncertain

“Our crystal ball is foggy at best.” — Matthew McLennan

Growth of \$10,000 in the S&P 500 over the Last 25 Years



Source: FactSet; data as of December 31, 2022.

Past performance does not guarantee future results.



Investing Strategies

How Many Different Coffee Combinations Are There?



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Investment Options Are Also Numerous

How many financial investment options are out there? A few examples to provide perspective

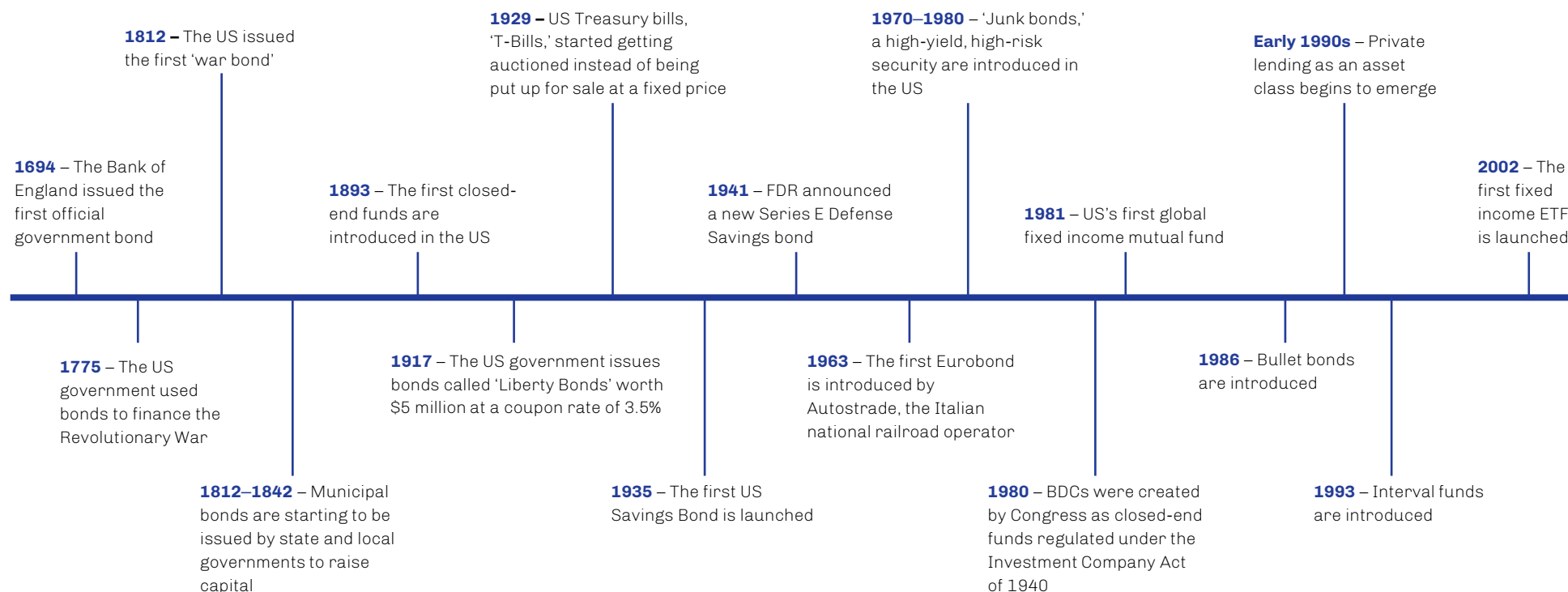
- 8,500 ETFs
- 7,400 Mutual Funds
- 2,500 Stocks currently traded on NYSE
- 3,700 Stocks trading on the NASDAQ
- 19,000 Cryptocurrencies
- 500,000 Corporate Bonds



How may you access them?

What features are important to you?

Evolution of Fixed Income Investing



Sources: SEC.gov, Investopedia, Build Asset Management.

Even within the Fixed Income Markets There Are a Myriad of Investment Options

Government and Government Sponsored Entities	Corporate Credit	Residential Credit	Commercial Real Estate (CRE) Credit	Specialty Finance	Emerging Markets
US Treasury Securities	Investment grade	Non-agency residential mortgage-backed securities (RMBS)	US commercial mortgage-backed securities (CMBS)	Corporate bonds issued by nonbank specialty finance companies	Corporate debt
US Savings Bonds	High yield bonds	European RMBS	European CMBS	Consumer asset-backed securities (ABS)	Quasi-sovereign debt
Corporate Bonds	Leveraged loans	Credit risk transfer (CRT) securities	Mezzanine CMBS	Commercial ABS	Special situations
Agency Securities	Mezzanine collateralized loan obligation (CLO) debt	Mortgage derivatives	Senior CRE loans	Consumer loans	
Municipal Bonds	Direct lending	Residential mortgage loans	Mezzanine CRE loans	Commercial finance (trade finance, aircraft finance, etc.)	
Int'l and Emerging Markets Debt	Special situations				
Currencies	CLO equity				









































For illustrative purposes only.

Top 10 Largest Market Cap Companies within S&P 500 Index

1990	2000	2010	2022
IBM	General Electric	Exxon Mobil	Alphabet
Exxon Mobil	Exxon Mobil	Apple	Apple
AT&T	Pfizer	Microsoft	Microsoft
General Electric	Cisco Systems	General Electric	Amazon
Philip Morris	Citigroup	Chevron	Berkshire Hathaway
Royal Dutch Petroleum	Walmart	IBM	UnitedHealth Group
Bristol-Myers Squibb	Microsoft	Procter & Gamble	Johnson & Johnson
Merck	AIG	AT&T	Exxon Mobil
Walmart	Merck	Johnson & Johnson	Visa
Seagram	Intel	JPMorgan Chase	JPMorgan Chase

Source: FactSet; data as of December 31, 2022.

Top 10 Largest Market Cap Companies within MSCI World Index

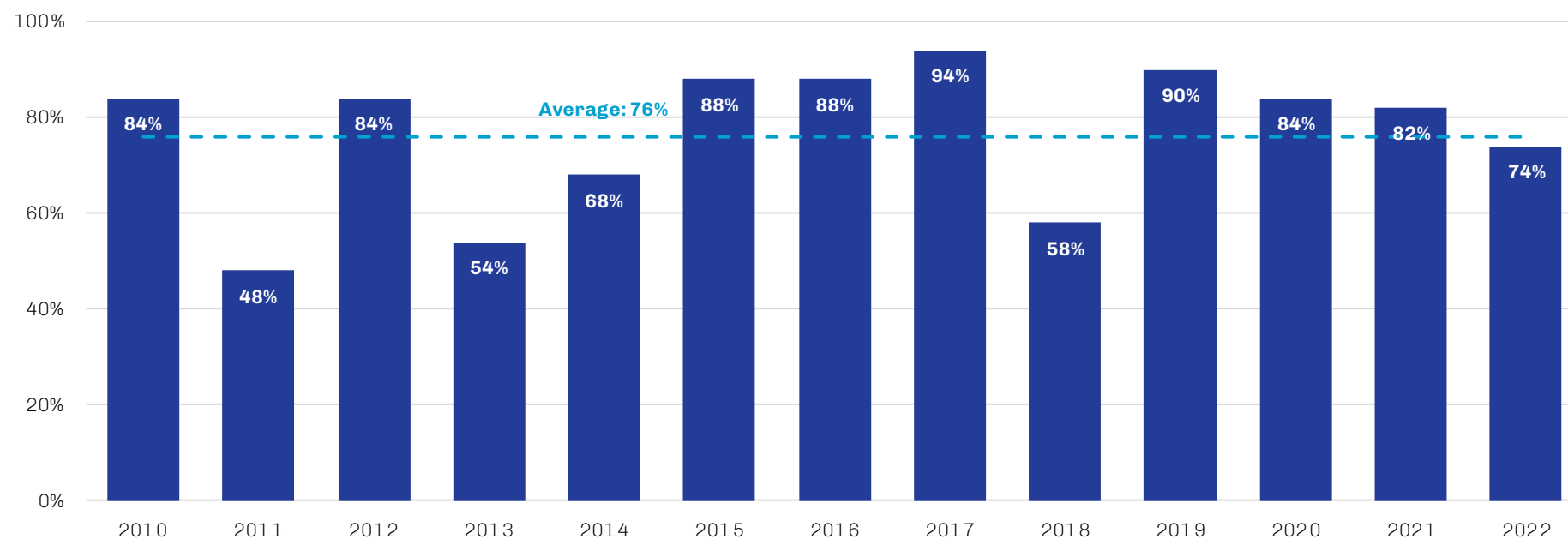
1990		2000		2010		2022	
Nippon Telegraph and Telephone		General Electric		Exxon Mobil		Alphabet	
Imperial Oil Limited		Exxon Mobil		Apple		Apple	
ABN AMRO		Pfizer		Microsoft		Microsoft	
IBM		Cisco Systems		Nestle		Amazon	
Exxon Mobil		Citigroup		General Electric		Berkshire Hathaway	
AT&T		Walmart		IBM		Roche	
General Electric		Microsoft		Chevron		UnitedHealth Group	
Philip Morris		AIG		Procter & Gamble		Johnson & Johnson	
Societa Assicuratrice Industriale		Merck		HSBC		Exxon Mobil	
Sumitomo Mitsui Banking		Nokia		AT&T		Visa	

Source: FactSet; data as of December 31, 2022.

The US Does Not Have a Monopoly on Good Businesses

- Over the last 12 years, **76% of the MSCI ACWI Index's top 50 gainers were non-US stocks**
- In 2022, **74% of the top 50 performers in the MSCI ACWI Index were non-US stocks**

Percentage of Non-US Stocks Among Top 50 Performers in MSCI ACWI



Index Returns

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
US	15.1%	2.1%	16.0%	32.4%	13.7%	1.4%	12.0%	21.8%	-4.4%	31.5%	18.4%	28.7%	-18.1%
Non-US	11.2%	-13.7%	16.8%	15.3%	-3.9%	-5.7%	4.5%	27.2%	-14.2%	21.5%	10.7%	7.8%	-16.0%

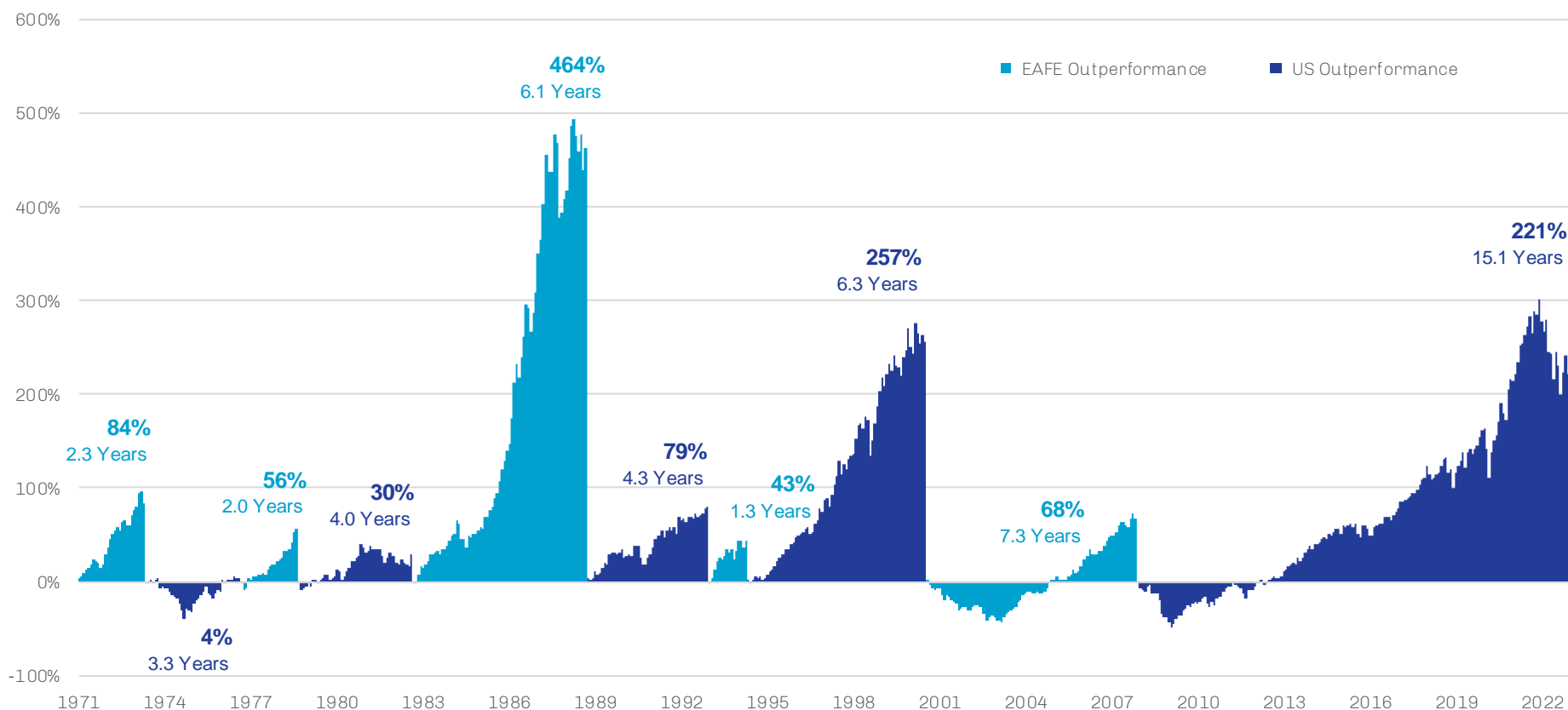
Note: For Index Returns table, US = S&P 500 Index and Non-US = MSCI AC World ex-USA.
Source: FactSet; data as of December 31, 2022.

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Cycles of US and International Outperformance

MSCI EAFE and MSCI USA Relative Performance

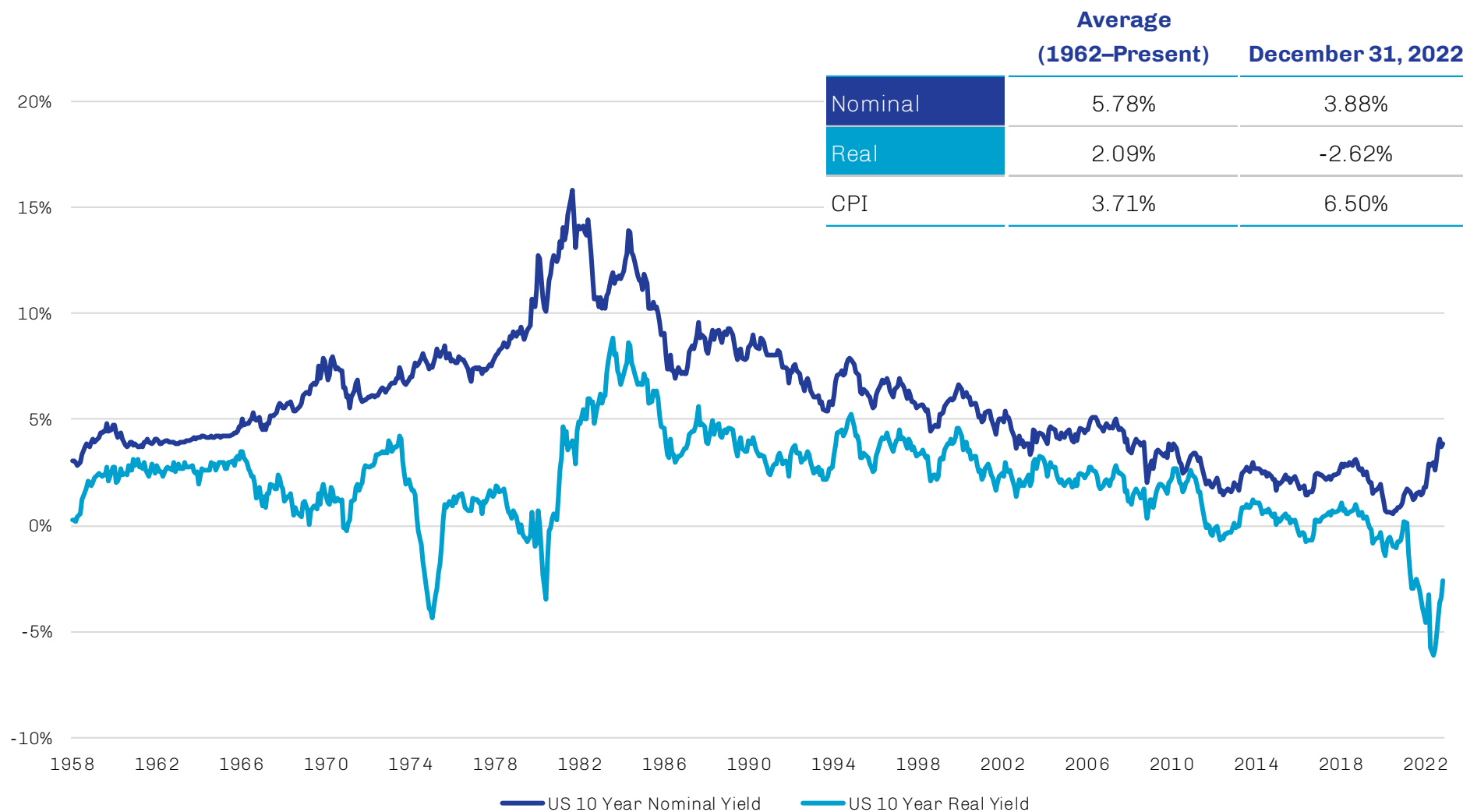
US Dollar, Total Return, Cumulative Outperformance*



Source: FactSet; data as of December 31, 2022.

* Cumulative outperformance measures the total return during the times while each index outperformed the other index. **Past performance does not guarantee future results.**

Historical Interest Rates and Inflation



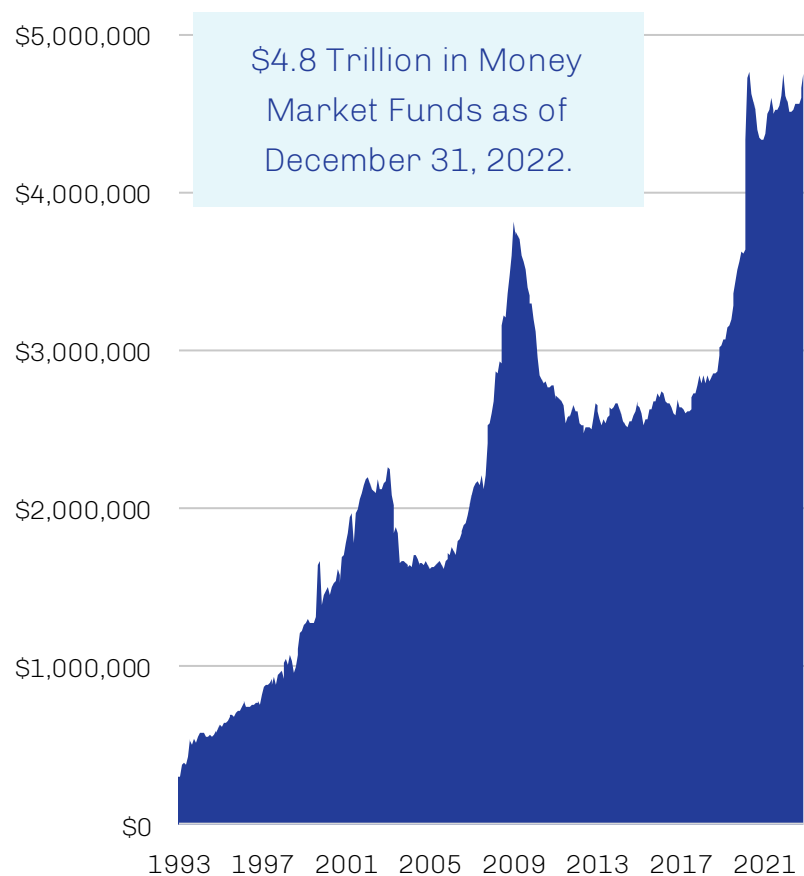
Sources: FactSet, Bureau of Labor Statistics; data as of December 31, 2022.

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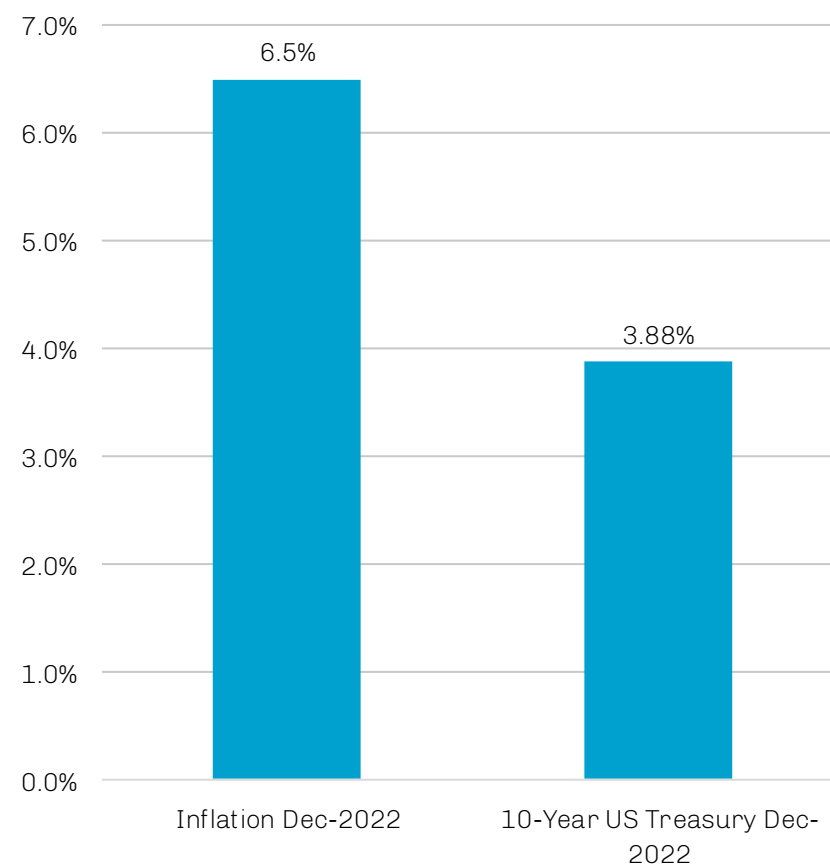
Money Market Fund Assets are Trending High, Investors Impacted by Negative Real Yields

Money Market Fund Assets

15 years (Feb 1, 1996 through Dec 31, 2022)



Negative Real Yields



Sources: Morningstar, Bureau of Labor Statistics; data as of December 31, 2022.

Investment Options Focused on Inflation

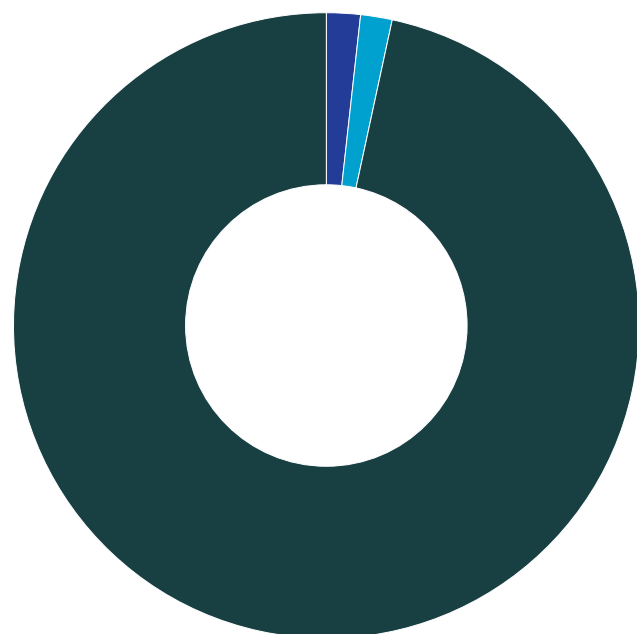
Offensive Inflation Fund Categories

- Real Estate
- Commodities Focused
- Equity Precious Metal
- Equity Energy
- Energy Limited Partnerships
- Natural Resources

Defensive Inflation Fund Categories

- Inflation-Protected Bond
- Bank Loan
- Non-traditional Bond

These Investment Categories Have Lower Presence in Portfolios



- Offensive Inflation Assets
- Defensive Inflation Assets
- All Other MFs & ETFs

% of All Mutual Fund & ETF Assets

Offensive Inflation Fund Categories	1.8%
Real Estate	0.7%
Commodities Focused	0.5%
Equity Precious Metal	0.1%
Equity Energy	0.3%
Energy Limited Partnerships	0.1%
Natural Resources	0.2%
Defensive Inflation Fund Categories	1.9%
Inflation-Protected Bond	1.0%
Bank Loan	0.5%
Nontraditional Bond	0.5%

Source: Morningstar; data as of December 31, 2022.

Rising Interest Rates Usually Bullish for Stocks

Rising Rates Start Date	Rising Rates End Date	Duration	Change in 10 Year Treasury Yield	S&P 500 Gain/Loss
December 26, 1962	August 29, 1966	44.7	1.7	18.3
March 16, 1967	December 29, 1969	34.0	3.6	1.3
March 23, 1971	September 16, 1975	54.6	3.2	-18.1
December 30, 1976	September 30, 1981	57.8	9.0	8.7
May 4, 1983	May 30, 1984	13.1	3.9	-7.9
August 29, 1986	October 16, 1987	13.8	3.3	11.8
October 15, 1993	November 7, 1994	12.9	2.9	-1.4
January 19, 1996	July 8, 1996	5.7	1.5	6.7
October 5, 1998	January 21, 2000	15.8	2.6	45.8
June 13, 2003	June 28, 2006	37.0	2.1	26.0
December 30, 2008	April 5, 2010	15.4	1.9	33.3
July 24, 2012	December 31, 2013	17.5	1.6	38.1
July 8, 2016	October 5, 2018	27.3	1.9	35.5
March 9, 2020	October 21, 2022	31.9	3.7	36.6
	Average	27.2	3.1	16.8
	% Positive			78.57%

Source: FactSet; data as of December 31, 2022.

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Impactful Client Engagement Strategies

Consistency through SOPs

Standard Operating Procedures (SOPs) help you:

- Provide a predictable client experience
- Make the “good ideas of the day” a part of your process
- Make your practice more scalable
- Clearly delineate roles and responsibilities

Consistency through SOPs

- 1. Client Onboarding:** How can you make the first 90 days spectacular?
- 2. Client Review Meetings:** How do you create an experience that is productive and enjoyable?
- 3. Client Events:** How should your events run, from conception to follow-up?
- 4. Market Volatility:** How do we proactively reach out to clients during times of volatility?
- 5. Small Gifts:** When and how should you send small gifts to clients?

Predictable Communication Plan

Proactive: Demonstrates you are thinking about the client

Predictable: Clients know when they can expect to hear from you

Accessible: Provide clients with the comfort of knowing they can reach you when needed

Suggestions for a recurring communication strategy:

Communication Type	Platinum Clients (Top 10%)	Gold Clients (Top 11–25%)	Silver Clients (Top 26–50% Clients)
Proactive Touch Base	Monthly	Quarterly	Annually
Personal Consultation and Portfolio Review	Quarterly	Semiannually	Annual Virtual/ Phone Conversation
Relationship Building Offsite Event	Semiannually	Annually	Annual Large Group Event

Engaging Events For Clients and Prospects During Tumultuous Times

- Behavioral finance educational seminar
- Yoga and meditation class
- Calm app subscription
- Axe-throwing event
- Escape the Room
- Obstacle course
- Private spa event
- Whiskey, wine, or beer tasting
- Mixology class

Client Engagement Event Execution Checklist

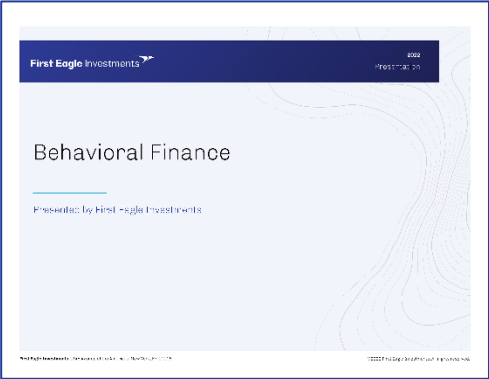
- Choose an event
- Identify the target client and prospect list
- Decide on the best time and date
- Pick a venue
- Invite clients and prospects (encourage bringing a guest)
- Identify day-of execution needs
- Enjoy the event with clients and prospects
- Extra touches
- Follow up
- Additional event specific considerations (e.g. arranging transportation for whiskey tasting events, planning a rain date for outdoor activities, etc.)

Key Takeaways

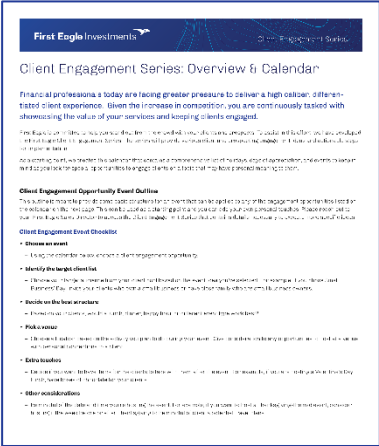
- Emotions and Behaviors impact our clients, advisors can help ensure they don't derail their long-term plans
- Providing historical perspective can help keep emotions in check
- Engaging clients consistently can help build rapport and expand your influence

Additional Practice Management Resources

Behavioral Finance Client Seminar



Client Engagement Series



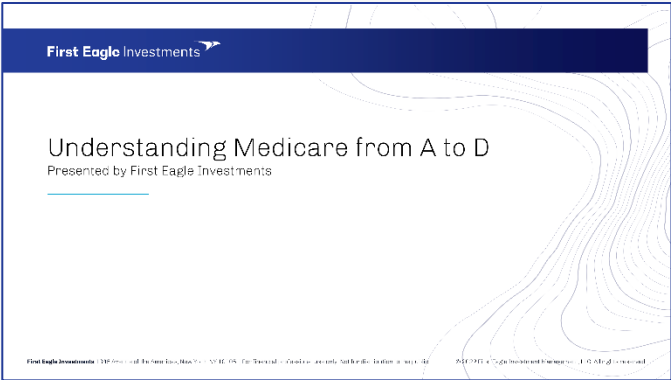
Elite Teams Program



Succession Planning Program



Understanding Medicare Client Seminar





Disclosures

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All investments involve the risk of loss of principal.

The **Morningstar Large Cap Blend Asset Category** consists of large-blend portfolios. These portfolios are fairly representative of the overall US stock market in size, growth rates, and price. Stocks in the top 70% of the capitalization of the US equity market are defined as large cap. The blend style is assigned to portfolios where neither growth nor value characteristics predominate. These portfolios tend to invest across the spectrum of US industries, and owing to their broad exposure, the portfolios' returns are often similar to those of the S&P 500 Index.

The **Morningstar Foreign Large Cap Blend Asset Category** consists of foreign large-blend portfolios. These portfolios invest in a variety of big international stocks. Most of these portfolios divide their assets among a dozen or more developed markets, including Japan, Britain, France, and Germany. These portfolios primarily invest in stocks that have market caps in the top 70% of each economically integrated market (such as Europe or Asia ex-Japan). The blend style is assigned to portfolios where neither growth nor value characteristics predominate. These portfolios typically will have less than 20% of assets invested in US stocks.

Beta is the measure of volatility in comparison to the overall market.

Diversification is an investing strategy that involves including a variety of investments with the intention to help manage risk.

Diversification does not guarantee investment returns and does not eliminate the risk of loss.

Downside ratio capture is defined as the amount of the investment decline versus the benchmark decline.

US Satisfaction Levels are measured by polls conducted by Gallup gauging Americans' opinions and perceptions of political and economic issues and current events.

Consumer Sentiment Index is a monthly survey conducted by the University of Michigan of how consumers feel about the economy, personal finances, business conditions, and buying conditions.

Recession is a period of economic decline during which trade and industrial activity are reduced, generally identified by a fall in GDP in two successive quarters.

Bear market is generally defined as a market condition in which securities prices fall 20% or more.

Bull market is generally defined as a market condition in which securities prices are rising relatively consistently.

Exchange Traded Funds (ETFs) are tradable funds of securities that track an underlying index.

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Note: Indices are unmanaged and do not incur management fees or other operating expenses. One cannot invest directly in an index.

Bloomberg Barclays 1-3m Treasury Index is designed to measure the performance of public obligations of the US Treasury that have a remaining maturity of greater than or equal to 1 month and less than 3 months.

Bloomberg Global High Yield Index is a multi-currency flagship measure of the global high yield debt market. The index represents the union of the US High Yield, the Pan-European High Yield, and Emerging Markets (EM) Hard Currency High Yield Indices.

Bloomberg US Aggregate Index is a broad base, market capitalization-weighted bond market index representing intermediate term investment grade bonds traded in the United States. Investors frequently use the index as a stand-in for measuring the performance of the US bond market.

Bloomberg Commodity Index is a broadly diversified commodity price index distributed by Bloomberg Indexes. The BCOM tracks prices of futures contracts on physical commodities on the commodity markets. The index is designed to minimize concentration in any one commodity or sector. It currently has 22 commodity futures in seven sectors. No one commodity can compose less than 2% or more than 15% of the index, and no sector can represent more than 33% of the index (as of the annual weightings of the components). Annual rebalancing and reweighting ensure that diversity is maintained over time.

MSCI EAFE Index is an unmanaged total return index, reported in US dollars, based on share prices and reinvested net dividends of approximately 1,100 companies from 22 countries and is not available for purchase.

MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. The MSCI Emerging Markets Index consists of the following 23 emerging market country indexes: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey* and United Arab Emirates.

MSCI World Index is a widely followed, unmanaged group of stocks from 23 developed markets and is not available for purchase. The index provides total returns in US dollars with net dividends reinvested.

MSCI USA Index is designed to measure the performance of the large and mid cap segments of the US market. With 626 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in the US.

NAREIT Equity REIT Index is a free-float adjusted, market capitalization-weighted index of US equity REITs. Constituents of the index include all tax-qualified REITs with more than 50 percent of total assets in qualifying real estate assets other than mortgages secured by real property.

Russell 2000 Index measures the performance of the small-cap segment of the US equity universe. The Russell 2000 Index is a subset of the Russell 3000® Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership. The Russell 2000 is constructed to provide a comprehensive and unbiased small-cap barometer and is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set.

S&P 500 Index is a widely recognized unmanaged index including a representative sample of 500 leading companies in leading sectors of the US economy. Although the S&P 500 Index focuses on the large-cap segment of the market, with approximately 80% coverage of US equities, it is also considered a proxy for the total market.

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