Morgan Stanley

INVESTMENT MANAGEMENT

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Morgan Stanley Investment Funds

Global Multi-Asset Income Fund

GLOBAL MULTI-ASSET TEAM | MONTHLY COMMENTARY | 28 FEBRUARY 2021

Performance Review

In the one month period ending 28 February 2021, the Fund's Z shares returned 0.26% (net of fees)[1], while the benchmark returned -0.06%.

Global bonds returned -1.63% in February (Barclays Global Aggregate Bond Index, EUR), while global equities returned 2.41% (MSCI All Country World Index, EUR).[2] High yielding assets returned 0.21% (equal weighted in EUR: Dow Jones Brookfield Global Infrastructure Index, FTSE EPRA/Nareit Developed Total Return Index, Barclays Global High Yield Index, JP Morgan EMBI Global Total Return Index).

The Fund returned 0.26%, outperforming its custom benchmark, the Global Multi-Asset Income Benchmark, which returned -0.06%. The Fund's asset allocation of overweights to global equities and global fixed income, and a neutral allocation to high yielding assets had a negative effect on performance. Among the GMA Team's thematic exposures, the main contributors to performance during the month were positions in our Value Recovery theme, including overweights in U.S. value vs. low volatility and in U.S. banks vs. U.S. equities. Overweight positions in hotel stocks vs. global equities and in U.S. oil exploration & production stocks vs. U.S. equities also contributed. Detractors included overweights in Mexican and Brazilian bonds, and an overweight in gold mining stocks vs. U.S. equities.

The strategy's underlying options exposures generated income during the month in line with targeted income levels, and options positions held as part of the Fund's income enhancement strategy were a detractor from performance during the month.

Market Review

Global equities rose +2.4% during February but followed a similar pattern as they did in January—rising initially before faltering in the latter part of the month. Stocks began February on a strong note, up +6.4% in the first two weeks of the month, fueled by strong fourth quarter earnings reports, vaccine progress, and optimism around a significant COVID-19 fiscal relief package in the U.S. Then rising rate concerns sparked a sharp, nearly -4% selloff in the second half of the month. (Global equity performance represented by the MSCI ACWI in local FX.)

Cyclicals and reopening plays led, as the market continued to price in an economic recovery. Value stocks outperformed growth stocks by over 600 basis points, with the Russell 1000 Value Index returning +4.2% and the Russell 1000 Growth Index down -2%. Cyclical sectors were the strongest performing (energy +12%, financials +9%), while defensive sectors were the weakest (utilities -5%, health care -3%, MSCI ACWI sectors in local FX).

Global bond markets sold off across the board, with the exception of high yield where spreads compressed -36 basis points (Barclays U.S. High Yield Index). The U.S. yield curve steepened, with U.S. 10-year Treasury yields up +34 basis points to 1.4%, while 2-year yields were close to flat (+2 basis points to 0.13%). Outside the U.S., 10-year yields in Japan, Germany, and the U.K. also rose (by +11, +26, and +49 basis points, respectively).

Commodities rose by more than +10%, led by Brent oil (+18%) and copper (+15%). Oil ended the month at $66 per barrel, the highest level in over a year, amid prospects for stronger demand and inventory drawdowns, while copper prices ended the month near 10-year highs. Gold prices, by contrast, fell -6% amid a rise in real yields.

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1 Source: Morgan Stanley Investment Management Limited. Data as of 28 February 2021.
2 Currency (FX) abbreviations used in this report are: EUR = euro, USD = U.S. dollar

Portfolio Activity

We initiated overweight positions in global iron ore mining stocks vs. global equities and in eurozone transportation infrastructure stocks vs. developed market equities. Iron ore stocks are cheap, and near-term demand fundamentals for iron ore remain favorable as the market remains undersupplied, which should keep upward pressure on iron ore prices, counter to consensus expectations for a 40% decline over the next 12 months. Eurozone transportation stocks have been negatively impacted by the COVID-19 recession. However, we expect them to recover as the economy normalizes with COVID-19 vaccine distribution.

We further increased our overweights in U.S. banks vs. U.S. equities, in oil exploration & production stocks vs. U.S. equities, and in Brazil 3-year bonds. We also modified our overweight position in global auto stocks, changing the hedge from an underweight in global equities to an underweight in electric vehicle (EV) manufacturers. We believe global auto manufacturers will potentially outperform EV manufacturers, given extreme valuations and fundamentals which have begun to shift in favor of the legacy auto manufacturers.

We closed our overweight position in U.K. vs. German 5-year bonds as an unexpectedly hawkish tone from the Bank of England ran counter to our expectation for negative rates. We closed our overweight positions in gold miner stocks vs. U.S. equities and in the Brazilian real vs. emerging markets ex-China currencies in accordance with our stop loss policy. We also closed our overweight in U.S. housing stocks vs. U.S. equities and a directional overweight position in crude oil, booking profits.

Strategy and Outlook

Will the Bond Bear Kill the Equity Bull?

2021 already looks very different from 2020. U.S. GDP is on track for 8% growth in the first quarter with consumer spending powered by enormous fiscal stimulus (and more coming), free money from the Federal Reserve (Fed), and the beginning of economic reopening. Even corporates are getting in on the action, with capital spending indicators very positive in recent months. With a greater number of vaccines approved, produced, distributed, and into people's arms, the reopening of the economy is likely to proceed further, helping to bring back most of the 10 million jobs lost to the pandemic. Pent-up demand will likely drive even more consumer spending. As it usually does in a recovery, the bond market began to sell off, with 10-year Treasury yields rising more than 100 basis points above the spring 2020 lows of 0.51%.[3] This bond sell-off caused stocks, which started the year at a decent pace, to wobble. Global equities have corrected only -4% from the mid-February peak, but the key question in markets has quickly turned to: will the bond bear kill the equity bull?[4]

In this letter, we identify and evaluate the key factors needed to answer this question. As usual, market prices reflect a multitude of fundamental and technical drivers, many of which operate at cross purposes. We see some very supportive factors continuing for the stock market but also some threats, particularly as the second half approaches. We analyze each in turn here:

Threats to the equity bull market:

- One of the most worrisome threats to global equities is the excessive speculation visible in many parts of the market, including in the very high level of enthusiasm for stocks amongst retail investors (though we note that hedge fund enthusiasm has grown as well). Speculative fever is evident in $160 billion of initial public offerings (IPOs) in 2020 (twice the 1999 total), nearly more SPAC issuance in the first two months of 2021 than in all of 2020 (itself a record by a mile),[5] very high trading volumes by retail investors in short-dated call options and penny stocks, near record levels of merger and acquisition activity (indicating high levels of enthusiasm by corporates and CEOs), and net equity exposure of U.S., European, and Asian hedge funds at 11-year highs. Not to mention localized bubbles in electric vehicles, hydrogen plays, and crypto currencies. Historically, this level of speculative enthusiasm has only been present around major market tops, but "around" can often mean months, quarters, or even years—recalling Alan Greenspan's Irrational Exuberance speech of December 1996, which was more than three years before the eventual top in the market in March 2000.[6]
- High valuations for the equity market are also a clear vulnerability, though it is well known that valuation does not predict returns over short horizons but rather gives an indication of potential returns in the event that fundamentals revert to the mean. S&P 500 Index valuations reached 23.0x in late 2020, higher than they have been for 99% of the time since 1900. U.S. equity multiples were higher for only a year in 1999-2000, when they reached a peak at 24.5x.

Some may argue that these high valuations are justified given that long-term market yields, which serve as both the discount rate for company cash flows and as an investor's opportunity cost, are still near record lows. As a result, the equity risk premium (ERP) offered on U.S. stocks over 30-year U.S. Treasuries today, though down from more than 600 basis points last March, is still elevated at 300 basis points (compared with 1999-2000 when the ERP was below 100 basis points). This means

3 Source: MSIM Global Multi-Asset Team; Bloomberg; as of March 8, 2021.
4 Source: MSIM Global Multi-Asset Team; Bloomberg; MSCI ACWI in USD, as of March 8, 2021.
5 Source: MSIM Global Multi-Asset Team; SPAC stands for Special Purpose Acquisition Company, which is a company with no existing business operations which is formed solely to raise capital through an initial public offering (IPO) in order to acquire an existing company.
6 Greenspan, Alan. "The Challenge of Central Banking in a Democratic Society". Annual Dinner and Francis Boyer Lecture of The American Enterprise Institute for Public Policy Research, 5 December 1996, Washington, D.C.

that stocks, while expensive in absolute terms, are still more attractive today relative to bonds than they were in the dot-com bubble.[7] Net-net, equity valuations are nearly the most overvalued they've ever been in absolute terms but only overvalued (as opposed to extremely overvalued) relative to bonds.

- Equities have been beneficiaries of low interest rates for a couple of decades, but negative real interest rates have significantly boosted the "TINA" (There Is No Alternative) case for equities. Low rates are the reason why equities still offer a 300 basis point risk premium over bonds. But a reset in bond yield levels appears to be occurring as the market prices in the strength of the likely recovery, overheating, as well as the possibility of an inflationary regime change. Of the 110 basis points increase in 10-year U.S. Treasuries since August, 64 basis points came from inflation expectations rising to 2.21% and 44 basis points from real yields (Treasury Inflation Protected Securities, or TIPS) rising to a still very low level of -0.62%.[3] Over the next two to three quarters, when the reopening, fiscal stimulus, free money, and pent-up demand all combine to create the potentially most inflationary environment in 40 or 50 years, we expect that inflation expectations (which reference the consumer price index, not the personal consumption expenditures) will rise above 2.5%. This will force the Fed to acknowledge the changed environment, taper its quantitative easing purchases, and begin to discuss hiking rates. The market will likely move ahead of the Fed and re-price real yields (TIPS) to a positive +0.50% at least (though if inflation expectations become unanchored, they could go much higher).

At this point, it is unclear how quickly this scenario could unfold, but the next +50 basis point increase in real yields would push the equity risk premium down to 250 basis points, and the next, to 200 basis points. Even though this level of equity risk premium still indicates that equities offer some compensation over bonds, we expect that such a low level of compensation for the risks associated with holding stocks will force a significant equity multiple de-rating. According to our models, in order to fully offset a move in real yields to +0.50% (from the January low of -1.11%), equity valuations would have to correct from the late 2020 peak of 23x to approximately 16x.

The above scenario is very likely a deep bear case for two reasons: first, if growth is indeed as strong as we expect, valuations can stay higher than normal for longer so that only part of the real bond yield increase would need to be offset (investors tend to pay higher price-earnings ratios, or P/Es, when economic growth is strong and low P/Es when growth is weak); and second, the "P/E" may need to correct but the "E" will rise strongly (see below under Supports). Net-net, stronger growth and above-target inflation will likely lead to higher bond yields, which could put pressure on very elevated equity multiples.

- For now, fiscal policy is highly supportive of the economy and markets with $2.8 trillion of stimulus hitting the economy in 2021 (13% of GDP!). However, by the second half of 2021, the market will be forced to contemplate the second part of Biden's agenda, a very large 10-year infrastructure plan funded partially by tax increases. We expect the Biden administration to raise the corporate tax rate to at least 25% (from 21%), to increase taxes on foreign earnings, and to impose a minimum corporate tax. The sum of these tax increases will likely hit S&P profits by approximately -5%, undoing about half of the Trump tax cuts.

Supports for the equity bull market:

- We forecast that the best economic growth since World War II to lead to very strong earnings growth in 2021 and 2022: the consensus expects +25% and +15% earnings per share (EPS) growth for the U.S., but our models indicate that these estimates will prove too low by at least 5%. As a result, over the course of this year, consensus 12-month forward EPS estimates, which already bake in +25% for 2021, will likely climb by +20% or more (+5% because of surprises to 2021 earnings and +15% as the 12-month forward window rolls to 2022 earnings). This strong earnings growth should be a partial—though significant—offset to yield-driven multiple compression.
- It is important to note that, even though yields are likely to rise further from here, putting pressure on equity valuations, historically bear markets in bonds have NOT led to bear markets in stocks. In the past 30 years, bonds have sold off an average of 200 basis points in a variety of early, mid and late stages of the economic cycle, but stocks have never fallen into a bear market. As discussed above, rising bond yields do sometimes cause equity multiple compression but, in most cases, earnings growth completely offsets it for a simple reason: in the past 30 years, bond bear markets have tended to occur in economic recoveries or expansions. What has killed equity bull markets is the Fed hiking rates, which eventually causes a recession and falling earnings.

An extremely important caveat to this analysis is that most of the past 30 years has seen muted inflation: either stable around or below 2%, or declining quickly towards it. And because of low inflation, the correlation between stocks and bonds has been negative. In other words, when bond prices fell (and yields rose), equities have tended to go up—because rising yields implied better growth and a lower chance of deflation. Things were radically different in the higher inflation environment from 1965 to the 1990s, when the correlation between stocks and bonds was positive. Inflation first broke out above 2% in 1966 and remained there for three decades until the late 1990s. During that whole period, rising bond yields actually caused most of the bear markets. This occurred because bond yields rose as a result of the Fed's struggles to contain inflation, which progressively spiked higher (to 6% in 1970, 10% in 1974 and 14% in 1980). And each behind-the-curve Fed tightening cycle caused deep recessions (oil shocks did not help either). Thus, higher yields meant economic recession, profit declines and high cash rates competing with equities: stocks fell when bond prices fell (yields rose).

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3 Source: MSIM Global Multi-Asset Team; Bloomberg; as of March 8, 2021.

7 We estimate that the current ERP is 100 basis points below its "fair" value (of 400 basis points), that suggests equities are too expensive to relative fundamentals, but not as expensive as in the dot-com bubble, when the ERP was 150 basis points below its "fair" value.

The key in the current environment, therefore, is how fast and how far inflation rises: if it rises sustainably and significantly above 2% due to an overstimulated and overheated economy, the stock-bond correlation is likely to reverse (from negative to positive) and higher bond yields will cause deep multiple compression that earnings will not be able to offset, especially as Fed tightening eventually will cause a recession and double-digit earnings declines. Our expectation is that the initial inflation increases will be seen as temporary and thus benign, but that by the second half of 2021, inflation sustained above 2-2.5% will cause a disproportionate reaction from the bond market that equities will have difficulty withstanding.

- The Fed's new dovish Flexible Average Inflation Targeting framework is a potential support for equities as they wrestle with rising inflation expectations and rising bond yields. The Fed has made clear that it does not intend to raise rates until inflation is sustainably above 2% and the economy has reached full employment. This is likely to cause the Fed to lag in tapering quantitative easing and raising interest rates. It may even cause the Fed to consider measures to prevent market yields from rising excessively. These inflationary policy actions would be positive for equities in the near term as they would suppress a rise in the price of money, a boon for all assets. In the longer term, these policies do run the risk of unanchoring inflation expectations, ultimately requiring more tightening in response.

On balance, given the cross currents between threats and supports to equities, we conclude that stock market multiples are likely to compress, potentially significantly, from 22x forward EPS to 16-18x, but that the majority of this multiple compression will be offset by forward earnings climbing at a 20% annual pace. We do worry that, as the second half of the year approaches, the yield-reset-driven multiple compression may occur more rapidly than the steady monthly increase in forward earnings, making stocks vulnerable to a (potentially deep) correction, particularly given the very high level of speculative activity in markets. This would be the case particularly if inflation were to show signs of rising above 2% on a more permanent basis (i.e. not driven by base effects or one-time reopening effects).

Because the bond market (and eventually the Fed) and economic and earnings growth are in a tug-of-war and the outcome for equities is not decisive, we believe it is more important to continue to focus on where the asymmetries and investment opportunities are—"underneath the hood", or below the asset class level. While stronger growth, higher inflation and higher bond yields may be a mixed bag for an expensive and frothy stock market, they are an unequivocal boon to cheap and cyclical Value stocks. Value stocks have been victims of low "nominals" for the past few years: low nominal growth has hurt the earnings growth of lower margin, more indebted Value companies and low nominal rates have boosted the valuation of long duration Anti-Value (i.e. expensive) and Growth stocks. But 2021 is seeing a clear shift to higher "nominals", with nominal economic growth likely to rise 10% or more (8%+ real GDP growth and around 2% inflation) and nominal rates rising (the magnitude is uncertain but a return to sub-1% 30-year yields seems very unlikely). As a result, we have reduced our modest equity overweight to neutral and continue to concentrate our risk budget on cheap reopening plays and still-extremely-cheap Value stocks (relative to very expensive Anti-Value stocks).

For further information, please contact your Morgan Stanley Investment Management representative.

FUND FACTS

Launch date	Base currency	Index	Morningstar Category
01 October 2015	Euro	Blended Index	EAA Fund EUR Moderate Allocation - Global

Performance (%)

As of date 28 February 2021 (Class Z Share at NAV)

	MTD	YTD	1 YR	3 YR	5 YR	SINCE INCEPTION
Global Multi-Asset Income Fund - Z Shares	0.26	1.30	3.52	5.03	4.18	3.61
Blended Index	-0.06	-0.13	1.46	6.33	5.92	5.50
Morningstar Category Average	0.57	0.88	6.78	2.86	3.92	--

12 Month Performance Periods to Latest Month End (%)

	FEBRUARY '20 - FEBRUARY '21	FEBRUARY '19 - FEBRUARY '20	FEBRUARY '18 - FEBRUARY '19	FEBRUARY '17 - FEBRUARY '18	FEBRUARY '16 - FEBRUARY '17
MS INVF Global Multi-Asset Income Fund - Z Shares	3.52	4.35	7.27	-5.26	11.79
Blended Index	1.46	10.11	7.62	-4.29	15.88

Past performance is not a reliable indicator of future results. Returns may increase or decrease as a result of currency fluctuations. All performance data is calculated NAV to NAV, net of fees, and does not take account of commissions and costs incurred on the issue and redemption of units. The sources for all performance and Index data is Morgan Stanley Investment Management. **Please visit our website www.morganstanley.com/im to see the latest performance returns for the fund's other share classes.**

From 22 June 2016 the Custom Blended Index is comprised of 50% Bloomberg Barclays Global Aggregate Index (EUR), 30% MSCI All Country World Index (EUR), 5% Dow Jones Brookfield Global Infrastructure Index (EUR), 5% FTSE Nareit Developed Index (EUR), 5% Bloomberg Barclays Global High Yield Index (EUR), and 5% JP Morgan EMBI Global Index (hedged EUR). Prior to 22 June 2016 the Custom Blended Index was comprised of 50% Bloomberg Barclays Global Aggregate Index (USD), 30% MSCI All Country World Index (USD), 5% Dow Jones Brookfield Global Infrastructure Index (USD), 5% FTSE Nareit Developed Index (USD), 5% Bloomberg Barclays Global High Yield Index (USD), and 5% JP Morgan EMBI Global Index (USD). Benchmark performance shown is a blended combination of Custom Blended Indices above. The Benchmark is rebalanced monthly.

Asset Allocation (% of NAV)

	FUND	ACTIVE WT
Global Equities	31.72	1.72
Global Fixed Income	49.79	-0.21
Global High Yielding Investments	19.30	-0.70
Commodities	0.00	0.00
Volatility	0.00	0.00
Cash	-0.81	-0.81

Regional Currency Exposure (% of NAV)

	FUND
Developed Markets	**93.27**
North America	18.93
Europe	66.72
Asia ex-Japan	2.14
Japan	5.47
Emerging Markets	**6.73**

Regional Allocation (% Net of Cash)

	EQUITIES	FIXED INCOME
North America	17.19	22.21
Europe	6.61	11.16
Asia ex-Japan	1.16	1.98
Japan	2.12	5.64
Emerging Markets	4.65	8.81

Characteristics

	FUND
Target Yield (%)	5.00
Trailing Quarterly Yield (Annualised, %) [8,9]	5.12

[8] **Generated income for "Z" share class is not distributed to the shareholders but is retained in the value of the share class.** Othershares classes that distribute income may be available to investors. Refer to the Fund's prospectus and the relevant KIID for moreinformation on "Z" share class and income distributing share classes.

[9] Yield figure for "Z" share class is being provided to indicate the status of target yield realisation on the "Z" share class to date,but not indicative of future results. It is based on the Z share class investment income for the quarter, gross of fees and net ofany dividend withholding tax, which is annualised and expressed as a percentage of the NAV per share as of the end of the quarter.

Share Class Z Risk and Reward Profile

Lower Risk **Higher Risk**

1 2 3 **4** 5 6 7

Potentially Lower Rewards **Potentially Higher Rewards**

The risk and reward category shown is based on historic data.

- Historic figures are only a guide and may not be a reliable indicator of what may happen in the future.
- As such this category may change in the future.
- The higher the category, the greater the potential reward, but also the greater the risk of losing the investment. Category 1 does not indicate a risk free investment.
- The fund is in this category because it invests in a range of assets with different levels of risk and the fund's simulated and/or realised return has experienced medium rises and falls historically.
- The fund may be impacted by movements in the exchange rates between the fund's currency and the currencies of the fund's investments.

This rating does not take into account other risk factors which should be considered before investing, these include:

- The value of bonds are likely to decrease if interest rates rise and vice versa.
- The value of financial derivative instruments are highly sensitive and may result in losses in excess of the amount invested by the Sub-Fund.
- Issuers may not be able to repay their debts, if this happens the value of your investment will decrease. This risk is higher where the fund invests in a bond with a lower credit rating.
- The fund relies on other parties to fulfill certain services, investments or transactions. If these parties become insolvent, it may expose the fund to financial loss.
- Investment in China A-Shares via Shanghai-Hong Kong Stock Connect program may also entail additional risks, such as risks linked to the ownership of shares.
- There may be an insufficient number of buyers or sellers which may affect the funds ability to buy or sell securities.
- Commodity investments can change significantly and quickly in value as a large variety of factors affect them.
- There are increased risks of investing in emerging markets as political, legal and operational systems may be less developed than in developed markets.
- The derivative strategy aims to increase the income paid to investors, but there is potential for the fund to suffer losses.
- Past performance is not a reliable indicator of future results. Returns may increase or decrease as a result of currency fluctuations. The value of investments and the income from them can go down as well as up and investors may lose all or a substantial portion of his or her investment.
- The value of the investments and the income from them will vary and there can be no assurance that the Fund will achieve its investment objectives.
- Investments may be in a variety of currencies and therefore changes in rates of exchange between currencies may cause the value of investments to decrease or increase. Furthermore, the value of investments may be adversely affected by fluctuations in exchange rates between the investor's reference currency and the base currency of the investments.

Please refer to the Prospectus for full risk disclosures. All data as of 28 February 2021 and subject to change daily.

INDEX INFORMATION

From 22 June 2016 the **Custom Blended Index** is comprised of **50% Bloomberg Barclays Global Aggregate Index (EUR), 30% MSCI All Country World Index (EUR), 5% Dow Jones Brookfield Global Infrastructure Index (EUR), 5% FTSE Nareit Developed Index (EUR), 5% Bloomberg Barclays Global High Yield Index (EUR), and 5% JP Morgan EMBI Global Index (hedged EUR)**. Prior to 22 June 2016 the **Custom Blended Index** was comprised of **50% Bloomberg Barclays Global Aggregate Index (USD), 30% MSCI All Country World Index (USD), 5% Dow Jones Brookfield Global Infrastructure Index (USD), 5% FTSE Nareit Developed Index (USD), 5% Bloomberg Barclays Global High Yield Index (USD), and 5% JP Morgan EMBI Global Index (USD).** Benchmark performance shown is a blended combination of Custom Blended Indices above. The Benchmark is rebalanced monthly.

Bloomberg Barclays Global Aggregate Index (EUR) provides a broadbased measure of the global investment grade fixed-rate debt markets. Total Returns shown in unhedged USD.

The **MSCI All Country World Index (ACWI)** is a free float-adjusted market capitalization weighted index designed to measure the equity market performance of developed and emerging markets. The term "free float" represents the portion of shares outstanding that are deemed to be available for purchase in the public equity markets by investors. The performance of the Index is listed in U.S. dollars and assumes reinvestment of net dividends.

Dow Jones Brookfield Global Infrastructure Index (ACWI) is a float-adjusted market capitalization weighted index that measures the stock performance of companies that exhibit strong infrastructure characteristics. The Index intends to measure all sectors of the infrastructure market.

FTSE EPRA Nareit Developed Index is a free float-adjusted market capitalization weighted index designed to reflect the stock performance of companies engaged in specific aspects of the major real estate markets/regions of the developed world.

Barclays Global High Yield Index provides a broad-based measure of the global high-yield fixed income markets. It is comprised of the Barclays U.S. High Yield,Pan-European High Yield, U.S. Emerging Markets High Yield and Pan-European Emerging Markets High Yield indices.

JPMorgan EMBI Global Index tracks total returns for U.S. dollardenominated debt instruments issued by emerging markets sovereign and quasi-sovereign entities: Brady Bonds, loans, Eurobonds and local market instruments for over 30 emerging market countries.

The **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 1000® Index is an index of approximately 1,000 of the largest U.S. companies based on a combination of market capitalization and current index membership.

The **Russell 1000® Value Index** is an index that measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.

The **Bloomberg Barclays U.S. High Yield Index** measures the market of USD-denominated, non-investment grade, fixed-rate, taxable corporate bonds. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below. The Index excludes emerging market debt.

The **Standard & Poor's 500® Index (S&P 500®)** measures the performance of the large cap segment of the U.S. equities market, covering approximately 80% of the U.S. equities market. The Index includes 500 leading companies in leading industries of the U.S. economy.

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