CAPITAL MARKET SUMMARY

After three years of returns ranging from 18.40% to 31.49%, the S&P 500 Index® dipped slightly in the first quarter and slumped 16.10% further as the second quarter concluded.[1] This brought the year-to-date decline to 19.96%.[1] Rising volatility also made itself evident in the VIX® Index which ended the quarter at 28.56.[2] As we have noted in recent communications, we believe this will signal higher levels of expected volatility over the coming months than experienced for most of the last three years and more similar to that encountered so far this year. As the market attempts to find a bottom, we will be looking for the VIX Index to provide a signal of capitulation by reaching a level in excess of 40 which may indicate the end of a volatile time period.[3] This and other economic indicators will be drawing our attention as the remainder of 2022 plays out.

Sector dispersion continued, though to a lesser extent than during the first quarter of 2022. Over the second quarter, the top performing sectors were of the defensive variety outside of Energy. Consumer Staples led by losing just 4.62% while Utilities, Energy, and Health Care declined between 5.09% and 5.91%[1]. The middle of the pack included Real Estate and Industrials with nearly the same decline of 14.72% and 14.78% while Materials and Financials were down 15.90% and 17.50% respectively[1]. The weakest sectors continued to be in the growth style with Technology, Communication Services, and Consumer Discretionary falling by 20.24%, 20.71%, and 26.16%. Now, on a year-to-date basis, the only sector with positive returns is Energy, though the decline in Utilities is just marginal. The weak performance of growth-oriented sectors caused the Russell 1000 Growth Index® to underperform the Russell 1000 Value Index® by a margin of 8.71%.[1] Smaller capitalization equities represented by the S&P 400 Mid Cap and S&P 600 Small Cap Indices® outperformed large cap peers but still fell by 15.42% and 14.11%.

Corporate earnings, per FactSet, are expected to grow 4.1% in the second quarter of 2022, lower than any quarter since the end of 2020.[4] First quarter earnings slightly outpaced the 4.8% estimate with a gain of 5.9%.[4] Corporate guidance over the course of the quarter was disappointing and over twice as many companies cut expectations versus ones who raised them. The market's decline, coupled with slowly increasing earnings caused the forward price-to-earnings ratio (Forward P/E) to decline to 15.8 from 19.5 at the end of March.[4] It is now below the five- and 10-year averages of 18.6 and 16.9.[4] Revenue growth is expected to be quite robust and in excess of 10% as corporate sales are directly impacted by inflation which has been clearly running at elevated levels.[4] FactSet believes that this will translate into 2022 profit growth of 10.2%.[4] If that comes to fruition, it should help to support market prices and will

STRATEGIC ALLOCATION POSITIONING

Asset Class	Underweight			Neutral	Overweight		
	Max	Mod.	Slight		Slight	Mod.	Max
Fixed Income							
Traditional				●			
Non-Traditional				●			
Overall Equity							
Domestic					●		
International			●				
Domestic Equity							
Large Cap		●					
Mid Cap				●			
Small Cap						●	
Growth			●				
Value					●		
International Equity							
Developed Markets					●		
Emerging Markets			●				

1 Morningstar.com (June 30,2022)
2 VixCentral.com (June 30, 2022)
3 Business Insider. Matthew Fox. A divergence between the VIX fear gauge and the stock market is sending mixed signals to investors as they search for a bottom amid the latest sell-off. (May 27, 2022)

4 FactSet. Earnings Insight. (July 1, 2022)

continued

lower P/E ratios further. Estimates for 2023 have declined slightly from one quarter ago and now show expectations for the S&P 500 to grow earnings by 7.4% in 2023.[4]

Financial markets located outside of the United States performed similarly. Developed international equity represented by the MSCI EAFE Index® dropped 14.51% while commodity-based regions of South America and the Middle East helped emerging markets outperform by "only" losing 11.45%.[1] The strength of the U.S. dollar has continued to limit foreign returns, so it warrants watching this recent outperformance of international equity in spite of a rising dollar.

The Bloomberg Commodity Index® took a breather from its brisk gain of 25.55% in the first quarter and declined 5.66% since March. Still, this was a far better performance than equity indices and put year-to-date returns at 18.44%.[1] Within commodities, gains were made only by oil, as even natural gas posted a small decline of 6.02%.[1] Precious metals, gold and silver declined 6.54% and 17.84% respectively.[1] Industrial metals such as copper struggled even more, dropping 22.17%.[1] Agricultural commodities were mostly in line with the broad index as they fell by 5.72%.[1] Finally, lumber added to its descent after a strong 2021 as it lost 11.97% during the quarter.[1]

At the culmination of the first quarter, we illuminated the possibility of seeing the lowest historical return for the Bloomberg Barclay's Aggregate Bond Index®. Now, six months into the year, the index remains on that pace as it lost 4.69% during the second quarter to finish the first half of the year down 10.35%.[1] Global bonds continue to fair even worse as they declined 8.26% for the quarter and 13.91% on the year.[1] Treasury Inflation Protected Securities (TIPS), perhaps surprisingly to many, lost 6.08% over the second quarter as economic concerns overwhelmed inflation expectations.[1] The non-traditional fixed income space struggled over the second quarter as credit spreads widened. Non-interest rate sensitive bank loans led this group with a loss of just 4.45%. High yield municipal and high yield corporate bonds dropped 5.61% and 9.83% respectively.[1] Finally, emerging market debt and convertible bonds slumped 11.43% and 16.72% and are now the only two fixed income asset classes to have declined 20% since the beginning of 2022.[1] While this is an unpleasant recounting of an uncomfortable beginning to the year, on a forward-looking basis we find fixed income markets looking much more attractive. For example, The Aggregate Bond Index's yield hit a low of 1.34% but now stands at 3.62%. With similar drama, high yield corporate bond yields bottomed at 3.72% and are currently 8.72%. These higher starting yields should significantly increase expected future fixed income returns when compared to expectations at the commencement of the year.

Capital Market Outlook

Returns for the S&P 500 Index® during the period from 2019 to 2021 were superior to typical years and came in at 31.49%, 18.40%, and 28.71%.[5] Given that the S&P 500 returned 10.7% annually between its inception in 1957 and the end of 2021, this year's first half performance certainly caught the majority of market participants off-guard as this most widely watched index declined close to 20%.[6,1] High valuations to start the year, an opening economy that brought inflation pressures with it, and a Russian invasion of Ukraine combined to perpetuate the tumultuous beginning of 2022. As we turn our attention toward the second half of the year, we will examine the continuing conflict in Europe, our expectations for inflation, actions taken and discussed by the Federal Reserve, and the broader market environment resulting from the recent sell-off.

The now four-month conflict between Russia and Ukraine persists unabated as Russian missiles continue to fall on Ukrainian towns and fighting in cities in east Ukraine remains intense. While this situation has a rapidly changing narrative, our most recent reports show that Russia is slowly gaining territory in a war of attrition as they deplete Ukrainian morale and materiel. Luhansk, a key portion of the Donbas region is now under Russian control after Ukrainians retreated.[7] This results in

5 Morningstar.com (December 31, 2021)
6 Businessinsider.com. Knueven, Liz & Houston, Rickie. The average stock market return over the past 10 years. (May 26, 2022)
7 Theguardian.com. Russia-Ukraine War: What we Know on Day 132 of the Invasion. (July 5, 2022)

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Russia sealing off the far-eastern side of Ukraine, and our expectations now are for Russia to attempt to complete their command of the south by taking more of the Donetsk Oblast. Russian success here will result in their control of nearly all of Ukraine's access to the Black Sea and will greatly enhance supply lines from Crimea (annexed by Russia in 2014) to traditionally Russian territory. This is relevant to global markets as energy and food commodities from this region are vital to global supply. Additionally, the conflict has negatively impacted shipping and other aspects of the global supply chain. Our current view is that Russia has given up on its attempt to completely dominate Ukraine and will be satisfied with a more modest outcome. For now, our belief is that the majority of the shock of the conflict has played out in financial markets, but we will continue to monitor the situation and take appropriate action in portfolios if circumstances warrant. While we do not expect the outcome to be favorable for the population of Ukraine, we hope that their suffering under the onslaught of a much larger nation comes to a rapid end.

Inflation remains a significant concern to market participants not only in the United States, but around the world. From 2010-2020, global inflation remained between 1.43% and 4.82%.[8] Developed nations witnessed even lower levels of 0.49% to 3.34%, and in both circumstances, the average rate was closer to the low than the high.[4] Because of this, the reading on the Consumer Price Index (CPI) for May 2022 at 8.6% on a year-over-year basis engendered discomfort across market participants, politicians, and consumers.[9] Here, we shall decompose the sources of inflation to help us anticipate its future path in our economy. Food and energy are typically the most volatile components of the index, and over the prior 12 months, have risen 10.1% and 34.6% respectively. While alarming, we do not think that a continuation of these increases is inevitable. There are legitimate concerns about food inflation stemming from a lack of both grain and fertilizer exports from eastern Europe, but on the energy side of the equation, there is better news. For example, because oil prices ended the second quarter of 2021 at $75.23 per barrel and moved to $108.43 at the end of the same quarter this year, we have already seen a 44% increase.[10] For oil to contribute as much to inflation over the next year as it is currently, it would have to trade at over $156 per barrel. Given that energy inflation works its way into most other goods and services that require transportation, any reduction here should provide a fraction of relief to other parts of the economy.

Another key inflationary concern revolves around sales of new and used vehicles where, over the last year, prices are up by 12.6% and 16.1% respectively.[5] This has been a concerning trend that really took off during the intense COVID-19 period of 2020. New car sales were stifled by supply chain issues that largely, but not exclusively, stemmed from the semiconductor market. Many firms in the automotive industry are now reporting fewer delays in receiving chips for new vehicles.[11] As for used vehicles, the Manheim Used Vehicle Index shows that valuations peaked in January 2022 and currently lie almost 5% off their high.[12] This may be starting to roll over and we are continuing to maintain a watchful eye on this indicator. On the other hand, home prices and their official inflation component, "owners' equivalent rent," have been on the rise. This is the side of inflation not as popularly covered in the media but since it accounts for more than 30% of the total CPI calculation, we believe it will be the most relevant factor on a forward-looking basis. Finally, and perhaps the most crucial factor in reducing inflation, will be the Federal Reserve (Fed) and their policy actions which we will examine next.

In the past, we discussed actions the Fed used to stabilize markets during the heights of the pandemic. Now we will explore what they are doing to combat inflation without upsetting levels of employment. In this effort, the Fed is implementing two policies. First, they are raising the federal funds rate which is the rate at which banks borrow in overnight lending markets and second, they are reducing the size of their balance sheet which will remove liquidity from financial markets.

The federal funds rate is the sole interest rate the Fed directly controls, and they make alterations

8 Macrotrends.com. World Inflation Rate 1981-2022. (July 6, 2022)

9 Bureau of Labor Statistics. Consumer Price Index – May 2022 (June 10, 2022)

10 Markets.businessinsider.com. Crude Oil Price Today (July 6, 2022)

11 Europe.autonews.com. After Almost Two Years of Chip Shortages, Automakers are Getting Enough Semiconductors to Produce at Full Capacity. (June 6, 2022)

12 Manheim.com. Used Vehicle Value Index (July 1, 2022)

continued

to it at their policy meetings. This rate is typically expressed as a target range and, at the start of 2022, this level was between 0 and 25 basis points (0-0.25%). After rate hikes in March, May, and June, the target range is now 1.50%-1.75%.[13] Rising interest rates act to reduce activity in the economy as the value of saving cash rises versus the value of spending it immediately. A larger reason, however, is that they change the calculations for the required return on businesses' investments. When a firm can borrow money at near-zero rates, a variety of projects become profitable that would not otherwise be if the cost to borrow was more expensive. Unsurprisingly, this effect operates in reverse as interest rates rise reducing economic activity

The Fed maintains a balance sheet of treasury bonds and mortgage-backed securities that it uses to impact aspects of the economy and control interest rates with longer maturities than the federal funds rate. After increasing the size of their balance sheet from under $1 trillion in 2008 to nearly $9 trillion in the aftermath of the COVID-19 pandemic, they have now announced a policy to begin to allow their assets to wane.[14] For now, they are not reinvesting interest and principal payments when received. This will cause their asset base to decline slowly. We are on the watch for any change to this policy that could impact financial markets such as the outright selling of balance sheet assets. Further, we are monitoring the same gauges the Fed observes as we attempt to decipher future policy before it is announced. One such indicator is the market expectation of five-year inflation, five years from today. This metric is currently reading 2.08%, a number not just below current inflation but also below the central bank's target range of 2.3-2.5%.[15]

Large declines in equity markets never make for comfortable environments. Even rarer are declines in bond indices. Seeing a decline in both in the same year is truly an uncommon event witnessed only twice previously, in 1931 and 1969.[16] Lower prices for both stocks and bonds historically correlate to higher future returns over time periods five years and greater.[10] Over shorter periods, this relationship is weaker, but still exists. Still, we can say that lower starting prices as identified by price-to-earnings ratios (P/E ratios) have a tendency to benefit investors for years to come.

Over the past 25 years, the S&P 500 traded at an average P/E ratio of 15.9 while mid and small cap stocks traded at slightly higher multiples.[10] Due to the market decline, the S&P 500 is now right in line with its long-term average at 16.0 while mid and small cap are trading at significant discounts with P/E ratios of 11.5 and 11.1, respectively.[17] We believe that these lower, less demanding starting points for equity valuation will allow for an easier path forward than what we predicted at the end of the fourth quarter in 2021. History also shows that after a market decline in excess of 20%, prices were higher five years after each instance, and in all but one occurrence, gains were at least 75%.[18]

Lower valuations resulting in higher expected future returns should make sense as it is an application of the principle "buy low and sell high." This intuitive concept also applies within the realm of fixed income. Falling bond prices equate to rising yields. Owning bonds at higher starting yields not only increases the expected future return from fixed income, but it also provides a larger cushion of ballast should equity markets decline further. A tertiary benefit is to reduce the decline in price for any future increase in bond yields. Therefore, the effects of the decline in fixed income prices are higher expected returns, more robust protection against equity declines, and lower sensitivity to further moves in rates.

To sum up the first half of 2022, we have seen three shocks to the market: The invasion of Ukraine (unexpected), elevated inflation (partially expected), and a "hawkish" or aggressive Fed (fully expected). These three shocks acted in combination to cause a significant sell-off in both bond and equity markets. In 2021, we took action in our portfolios expecting that the Fed would begin a period of rate increases due to our belief that inflation would be above the central bank's 2% target. Given that rising rates are most detrimental to bonds with a greater time period to redemption, we tilted portfolios toward shorter-

13 Federal Reserve. FOMC Statement (June 15, 2022)
14 JPMorgan. Guide to the Markets (June 30, 2022)

15 BCA Research. Global Investment Strategy. 2022 Third Quarter Strategy Outlook – Soft or Hard Landing? (July 1, 2022)
16 Callan. Kloepfer, Jay. Unprecedented Territory – and the Inherent Limits of Diversification (May 13, 2022)
17 Yardeni.com. Selected P/E Ratios (July 6, 2022)

18 MFS Investments. Market Declines: A History of Recoveries (December 31, 2021)

continued

maturity securities. Within equity, we overweighted smaller capitalization equity and firms that we believed would be less sensitive to interest rates. These portfolio shifts mitigated declines in client portfolios, and we believe will position clients to take advantage of the eventual recovery in market valuations. As we enter the second half of 2022, Vicus Capital will continue to seek out opportunities that the market provides and, as always, maintain a careful watch to avoid potential risks.

ECONOMIC PERSPECTIVES

Economic Growth & Profits

- Real gross domestic product (GDP) for the first quarter of 2022, according to the Bureau of Economic Analysis (BEA), came in at an annualized rate of -1.5% versus +6.9% in the fourth quarter of 2021. This decrease in GDP reflects lower private inventory investment, exports, and government spending. Personal spending and fixed investment increased but were not able to offset the decline noted above.[19]
- Nominal GDP (not inclusive of inflation) rose 6.5% on an annualized basis to $24.38 trillion.[19]

19 U.S. Department of Commerce: Bureau of Economic Analysis - Gross Domestic Product: 1st Quarter 2022 (May 26, 2022)

Interest Rates

- On June 15, the Federal Reserve adjusted their interest rate policy by raising the Federal Funds Rate to a range of 1.50 % to 1.75%. The Open Market Committee anticipates that "ongoing increases in the target range will be appropriate." Additionally, the Committee expressed that it would continue reducing holdings of U.S. Treasury Bonds and mortgage-backed securities in line with their stated plan to do so which was presented in May of this year. They further noted their commitment to returning inflation to their target of 2%.[20]
- The Federal Reserve, keeping an eye on a wide swath of issues also notes that, "The Committee's assessments will take into account a wide range of information, including readings on public health, labor market conditions, inflation pressures and expectations, and financial and international developments."[20]

Employment

- Total non-farm payroll employment rose by 390,000 in May which was sufficient for the official unemployment rate to hold steady at 3.6% for the third consecutive month and just above its lowest level prior to the pandemic of 3.5%. The labor force participation rate also remained stable at 62.3% but lingers 1.1% below its pre-pandemic level.[21]
- In February, job gains were led by leisure and hospitality, professional and business services, and transportation and warehousing which added 84,000, 75,000, and 47,000 jobs respectively. Retail trade, the only industry with a significant decline, lost 61,000 positions[21]
- The average workweek for all employees on private non-farm payrolls remained at 34.6 hours for the third straight month. At the same time, average hourly earnings reached $31.95, 5.2% higher than one-year ago.[21]
- The broader U-6 measurement of unemployment continued its descent and now stands at 7.1% on a seasonally-adjusted basis, far lower than the 10.1% reading observed in a one-year prior.[21]

20 U.S. Federal Reserve - Federal Reserve Issues FOMC Statement (June 15, 2022)

Inflation

- According to the Bureau of Labor Statistics, the Consumer Price Index for All Urban Consumers (CPI-U) rose 1.0% in May on a seasonally-adjusted basis after increasing 0.3% in April. This resulted in a total 12-month increase of 8.6%. The largest contributors on a year-over-year basis were energy (+34.6%), used vehicles (+16.1%), new vehicles (+12.6%), and food (+10.1%).[22]

21 U.S. Department of Labor: Bureau of Labor Statistics - The Employment Situation, May 2022 (June 3, 2022)
22 U.S. Department of Labor: Bureau of Labor Statistics - Consumer

continued

- The Core-CPI, a popular indicator that looks at all items except food and energy, rose 6.0%, showing us that not all of the inflationary spike was caused by movement in the more volatile categories and that traditionally stable goods are also seeing elevated levels of inflation relative to what was experienced in recent years.[22]

Risks and Observations

- The market's decline in 2022 has driven equity valuations down, much closer to historical averages. Over the long-term, we expect this to drive higher returns than anticipated at the start of the year. Still, we caution that until economic circumstances stabilize, markets could overshoot fair value on the downside.
- Inflation concerns now dominate headlines as CPI, noted above, is nearly quadruple the Federal Reserve's target. While our base case is for inflation to start to recede by year's end, it remains a risk to the economy at large and specifically to the fixed income asset class as rising inflation typically leads to rising bond yields and thus, falling bond prices.
- The coronavirus pandemic could always rear its head again. While all signs are pointing to the circulating coronavirus variants as being mild relative to prior strains, Vicus Capital will continue to monitor the situation for potential changes.
- The war in Ukraine continues to impact economies around the world in addition to the daily lives of those who live in and even near Ukraine. Russia is beginning to dominate the eastern 20 percent of Ukraine (Donbass Region) and it is consolidating its gains more quickly than Ukraine is able to counterpunch. Western arms are inflicting damage on Russia's regiments but as of yet, seem unable to deter Russia's advance. We expect Putin to eventually offer a peace settlement but not until Ukraine capitulates on territorial control or their will and ability to fight is broken. Outright victory for Ukraine would likely require a large increase in the amount of support that they are receiving if not direct military intervention by western nations. We believe that markets are pricing in the current conflict, but any significant escalation may cause us to revisit this thesis
- Chinese economic and "zero-Covid" policies continue to be a source of potential risk to markets. Real estate remains richly valued and potential liquidations in this very large market can function as an overhang on all financial assets. Further, the zero-COVID policy of lockdowns stifled economic activity and has been detrimental to their economy. It should be noted that this works both ways and that a lack of further lockdowns could be an unexpected global boon to economic growth. Finally, the Chinese government is maintaining their belligerent stance with regard to Taiwan. While we do not expect the worst outcome from any of these listed risks, Chinese growth in recent years has made them an important player on the world stage worthy of our attention.
- Lastly, we continue to monitor the actions of the Federal Reserve. As they ratchet interest rates higher with every meeting, economic conditions in the United States and around the world become ever more restrictive. At some point, rising interest rates are likely to dampen economic output as they simultaneously serve to lessen inflation. As we noted last quarter, our lower duration fixed income positioning enacted in 2021 reduced our portfolio's sensitivity to these movements. Additionally, our portfolios' elevated positioning in smaller capitalization equity, specifically targeting areas of the market that trade at lower valuations, has benefited portfolios due to higher valuation companies declining to a greater extent than the broader market. We expect these portfolio tilts, in addition to our flexibility to make additional adjustments as warranted, will help us successfully navigate the remainder of 2022.

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Disclosure

Opinions and/or statements regarding market trends and estimates provided are subject to change without notice and are based upon current market conditions. Portions of the information and historical data provided in this document have been gathered from reliable sources and provided to Vicus Capital and is believed to be accurate and credible. Vicus Capital makes no guarantee as to the complete accuracy of this information. Please remember that past performance may not be indicative of future results. Different types of investments involve varying degrees of risk, and there can be no assurance that the future performance of any specific investment, investment strategy, or product (including the investments and/or investment strategies recommended or undertaken by Vicus Capital), or any non-investment related content, made reference to directly or indirectly in this document will be profitable, equal any corresponding indicated historical performance level(s), be suitable for your portfolio or individual situation, or prove successful. Due to various factors, including changing market conditions and/or applicable laws, the content may no longer be reflective of current opinions or positions. Moreover, you should not assume that any discussion or information contained in this document serves as the receipt of, or as a substitute for, personalized investment advice from Vicus Capital. To the extent that a reader has any questions regarding the applicability of any specific issue discussed above to his/her individual situation, he/she is encouraged to consult with the professional advisor of his/her choosing. Vicus Capital is neither a law firm nor a certified public accounting firm and no portion of the newsletter content should be construed as legal or accounting advice. If you are a Vicus Capital client, please remember to contact Vicus Capital, in writing, if there are any changes in your personal/financial situation or investment objectives for the purpose of reviewing/evaluating/revising our previous recommendations and/or services. A copy of Vicus Capital's current written disclosure statement discussing our advisory services and fees is available upon request. Various investments and securities are mentioned in this document. The inclusion of these investments and securities in the presentation should NOT be considered a recommendation to purchase or sell any securities or investments mentioned. Consult your investment professional on how the purchase or sale of securities and investments meets your investment objectives and risk tolerances.

Financial Planning and Investment Advisory Services offered through Vicus Capital, Inc., a federally Registered Investment Advisor.

Index Returns Table

Index	Total Return (%) 3 Mo (Mo-End) USD	Total Return (%) 1 Yr (Mo-End) USD	Total Return (%) Annualized 3 Yr (Mo-End) USD	Total Return (%) Annualized 5 Yr (Mo-End) USD
DJ Industrial Average TR USD	-10.78	-9.05	7.24	9.98
S&P 500 TR USD	-16.10	-10.62	10.60	11.31
S&P 400 Mid Cap TR USD	-15.42	-14.64	6.87	7.02
S&P 600 Small Cap TR USD	-14.11	-16.81	7.30	7.20
MSCI KLD 400 Social GR USD	-16.67	-12.03	11.25	11.87
MSCI EAFE NR USD	-14.51	-17.77	1.07	2.20
MSCI EM NR USD	-11.45	-25.28	0.57	2.18
Bloomberg U.S. Agg Bond TR USD	-4.69	-10.29	-0.93	0.88
Bloomberg Global Agg Bond TR USD	-8.26	-15.25	-3.22	-0.55
S&P GSCI Spot	-2.07	32.33	18.58	13.75
S&P Target Risk Cons. TR USD	-7.99	-11.63	1.46	2.93
S&P Target Risk Mod. TR USD	-8.98	-12.02	2.25	3.57
S&P Target Risk Aggr. TR USD	-12.88	-13.67	5.11	5.93

Source: Morningstar® as of June 30, 2022

The Dow Jones Industrial Average is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange (NYSE) and the NASDAQ. The MSCI U.S. Broad Market Index is comprised of nearly 100% of the total market capitalization of U.S. stocks traded on the NYSE and the NASDAQ. The S&P 500 Index is a market capitalization free-float adjusted index of the prices of 500 large capitalization common stocks traded in the United States. The S&P 400 Mid Cap Index serves as a barometer for the U.S. mid-cap equities sector and includes stocks with total market capitalization that ranges from roughly $750 million to $3 billion. The S&P 600 Small Cap Index covers a broad range of U.S. small cap stocks and is weighted according to market capitalization covering about 3-4% of the total market for U.S. equities. The MSCI KLD 400 Social Index is a free float-adjusted market capitalization index designed to target U.S. companies that have positive environmental, social, and governance (ESG) characteristics. The MSCI EAFE Index is a market capitalization weighted index and is designed to measure the equity market performance of developed markets (Europe, Australasia, and Far East) excluding the U.S. and Canada. The MSCI EM NR USD Index is a free-float adjusted market capitalization index that is designed to measure the equity market performance in the global emerging markets. The Bloomberg Aggregate Bond Index is a market-capitalization weighted index that is considered to be representative of U.S. traded investment grade bonds. The Bloomberg Global Aggregate Bond Index includes government securities, mortgage-backed securities, asset-based securities and corporate securities to simulate the universe of bonds in the market. The S&P GSCI Spot is a composite index of commodity sector returns which represents a broadly diversified, unleveraged, long-only position in commodity futures. The S&P Target Risk series of indices comprise multi asset class indices that correspond to a particular risk tolerance with varying levels of exposure to equities and fixed income intended to represent stock and bond allocations across a risk spectrum. The market indices referenced are unmanaged. You cannot invest directly in an index.