



KATHMERE
CAPITAL MANAGEMENT

2020 Market & Economic Update

What We've Learned and Where to Go From Here

Kevin McDermott, CFP
Director of Advanced Markets

Nick Ryder, CFA
Chief Investment Officer



About Kathmere Capital Management

- Kathmere Capital Management is an SEC-Registered Investment Adviser.
- Founded in 2016, registered with the SEC in 2019.
- Principals and key employees all have 10+ years of investment experience
- 100% owned by employees of the firm.
- As of December 31, 2019, Kathmere Capital managed approximately \$1.2 billion in assets.
- Diverse set of clients across individuals, high net worth individuals, charitable organizations, corporations and pension and profit-sharing plans.

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Market Update

Market summary



Index returns as of July 31, 2020

	3 Months	YTD	1 Year	3 Years	5 Years	10 Years
U.S. Stocks	12.9% ↑	2.4% ↑	12.0% ↑	12.0% ↑	11.5% ↑	13.8% ↑
International Stocks	10.7% ↑	-9.1% ↓	-1.7% ↓	0.7% —	2.2% ↑	4.8% ↑
Emerging Markets Stocks	17.8% ↑	-1.7% ↓	6.5% ↑	2.8% ↑	6.1% ↑	3.3% ↑
High Yield Bonds	10.4% ↑	0.7% —	4.1% ↑	4.5% ↑	5.9% ↑	6.8% ↑
U.S. Bonds	2.6% ↑	7.7% ↑	10.1% ↑	5.7% ↑	4.5% ↑	3.9% ↑
U.S. Short-Term Bonds	0.8% —	4.0% ↑	5.6% ↑	3.4% ↑	2.7% ↑	2.2% ↑
T-Bills	0.0% —	0.7% —	1.5% ↑	1.8% ↑	1.2% ↑	0.7% —

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: U.S. Stocks (S&P 500 Index), International Developed Stocks (MSCI World ex. USA Index), Emerging Markets Stocks (MSCI Emerging Markets Index), High Yield Bonds (Bloomberg Barclays U.S. Corporate High Yield Bond Index), U.S. Bonds (Bloomberg Barclays US Aggregate Bond Index), U.S. Short-Term Bonds (Bloomberg Barclays US Aggregate 1-5 Year Bond Index). Treasury Bills (Bloomberg Barclays U.S. Treasury Bills Index). Returns greater than one year are annualized.

Source: Morningstar Direct



A tale of two quarters in 2020

Best and worst quarterly returns for the S&P 500 Index since 1936

10 Best Quarters

Quarter	Return
2Q 1938	38.6
1Q 1975	22.9
1Q 1987	21.3
4Q 1998	21.3
3Q 1939	21.0
2Q 2020	20.5
1Q 1943	19.1
4Q 1982	18.2
2Q 1997	17.5
4Q 1985	17.1

10 Worst Quarters

Quarter	Return
3Q 1974	-25.0
4Q 1987	-22.5
4Q 2008	-21.9
4Q 1937	-21.1
2Q 1962	-20.6
1Q 2020	-19.6
1Q 1938	-19.0
3Q 1946	-18.0
2Q 1970	-18.0
3Q 2002	-17.3

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Source: Morningstar Direct

2020 Sub-period market performance summary



Index performance over various sub-periods (%)



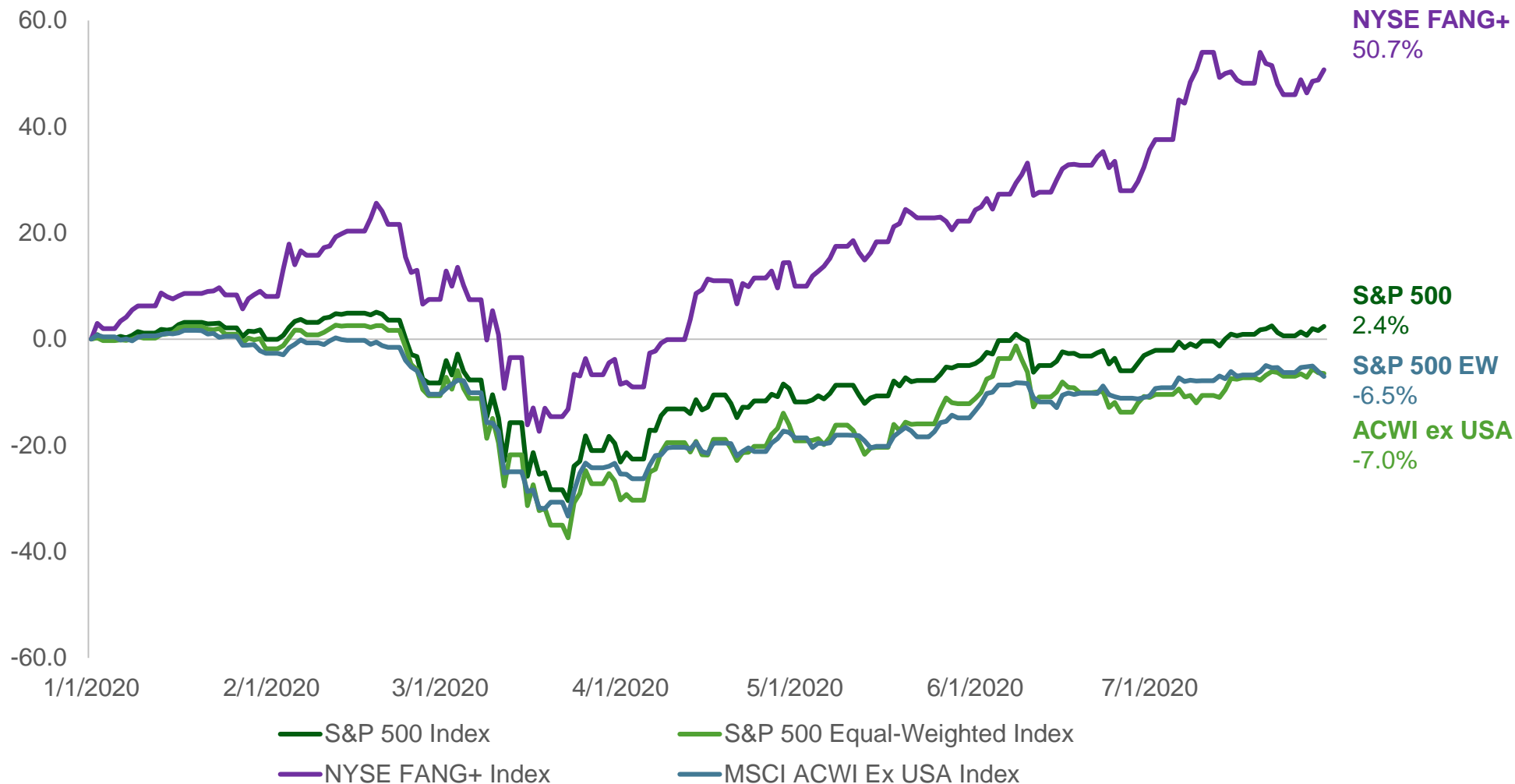
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Source: Morningstar Direct



A select few large-cap growth stocks have significantly outperformed the broader market this year

2020 Year-to-date returns (%)



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The average stock has underperformed the market cap weighted average recently as large-cap growth stocks have led

S&P 500 Index: Equal weighted index minus market cap weighted rolling 12-month return spread since 1990 (%)



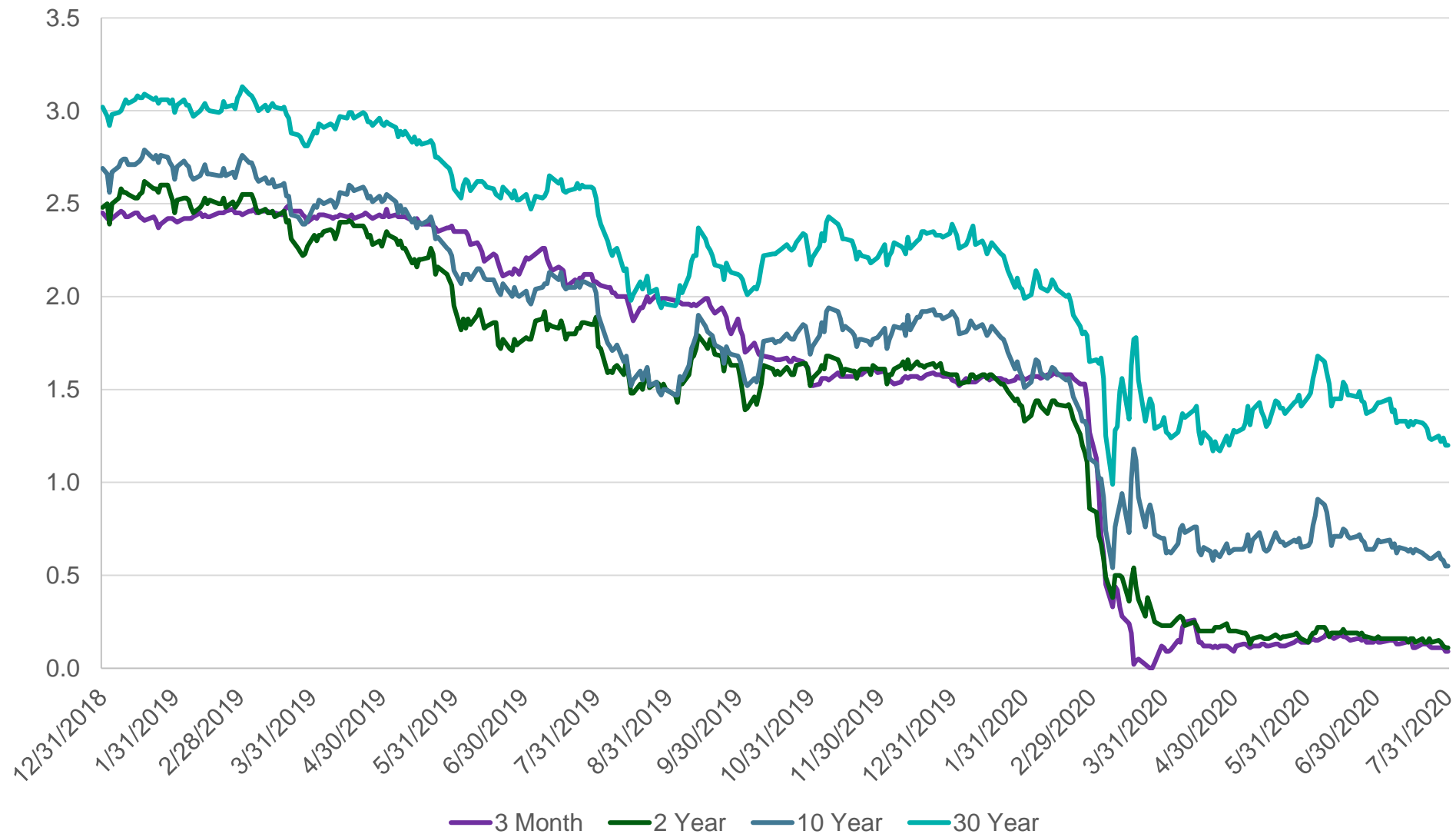
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Source: Morningstar Direct

Interest rates declined sharply amid the economic contraction and the Federal Reserve's policy response



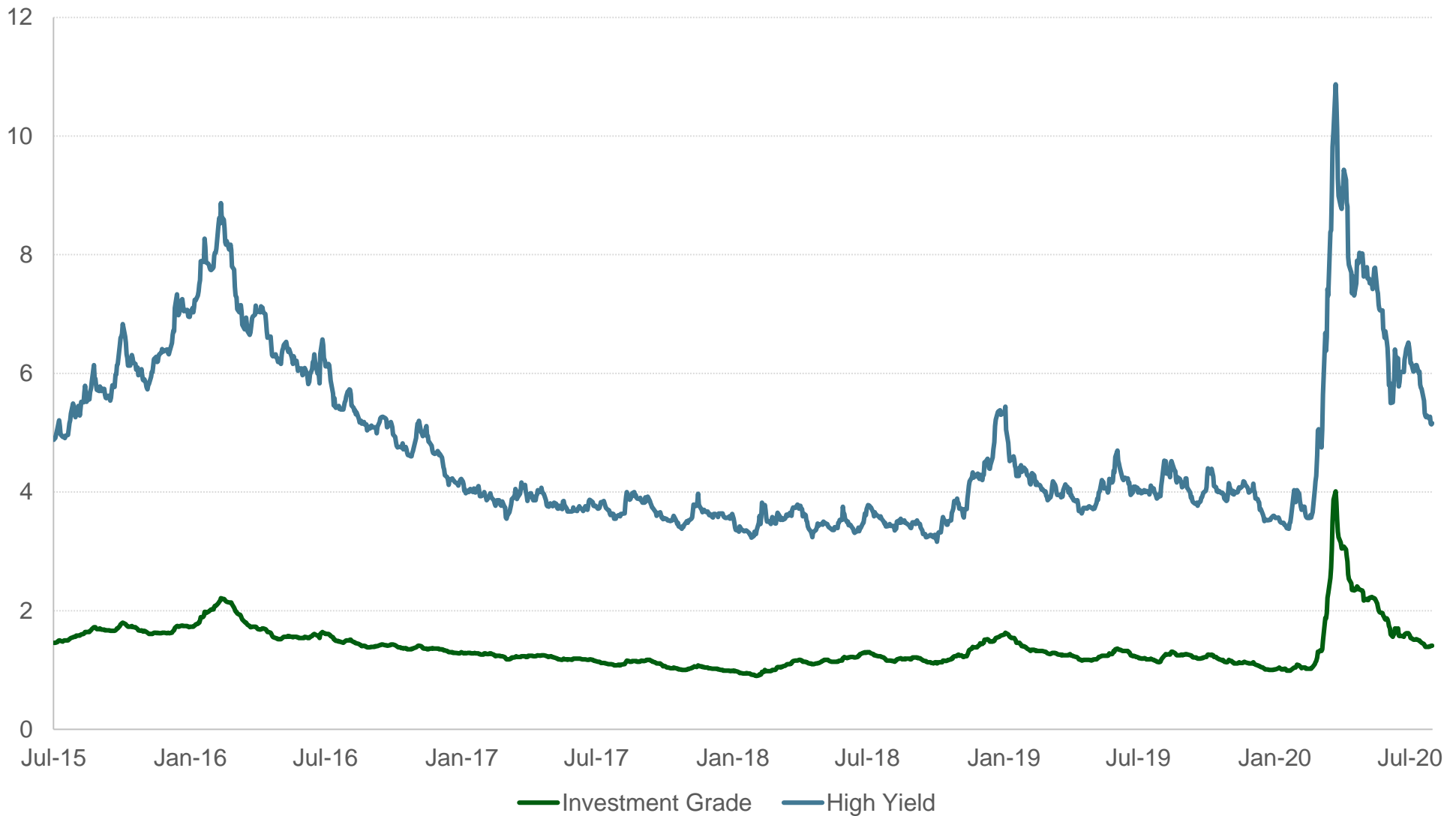
U.S. Treasury yields (%)





Credit spreads widened considerably before recovering some reflecting the ebbing of fears about widespread defaults

Corporate credit indexes: option-adjusted spreads



Note: Investment Grade represented by BofA Merrill Lynch US Corporate Master Option-Adjusted Spread; High Yield represented by BofA Merrill Lynch US High Yield Option-Adjusted Spread.
Source: Federal Reserve Bank of St. Louis FRED

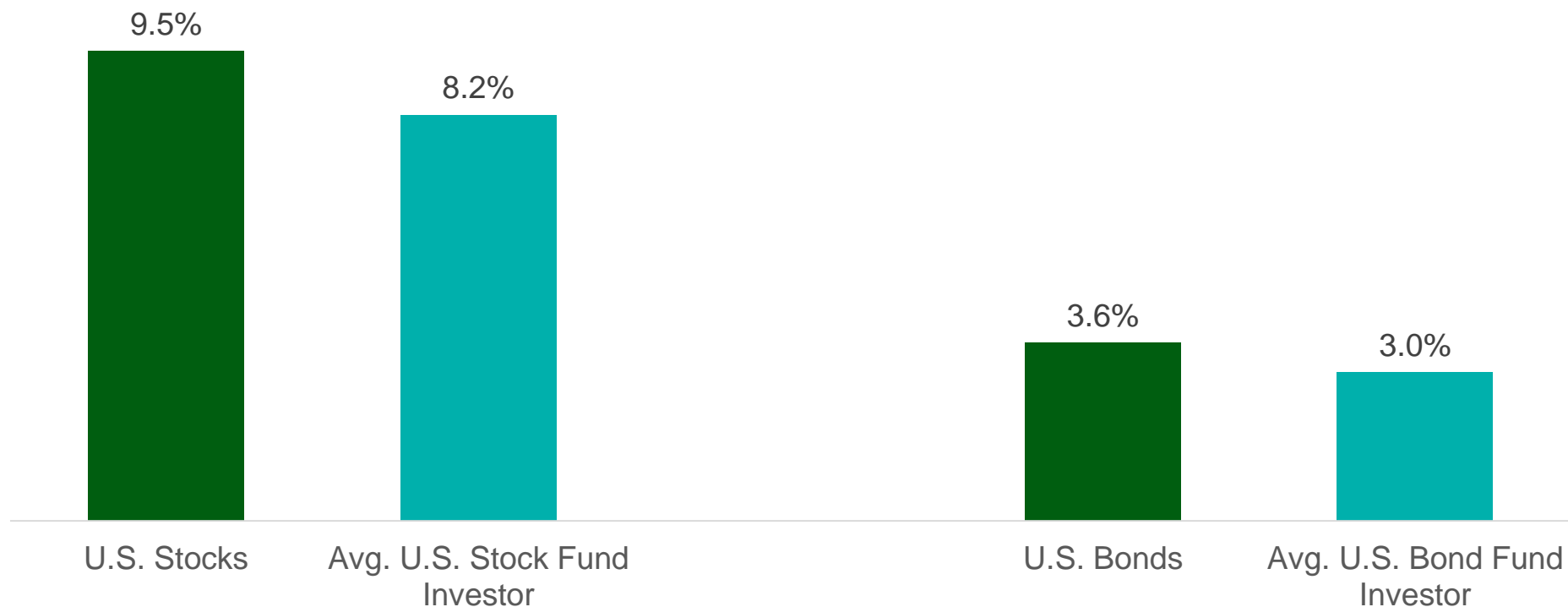


Appendix

Investors have collectively lagged the markets in which they've invested



Morningstar's "Mind the Gap" Study 10-Year Annualized Returns
April 1, 2008 – March 31, 2018



“The investor’s chief problem—and his worst enemy—is likely to be himself. In the end, how your investments behave is much less important than how you behave.”

– Benjamin Graham

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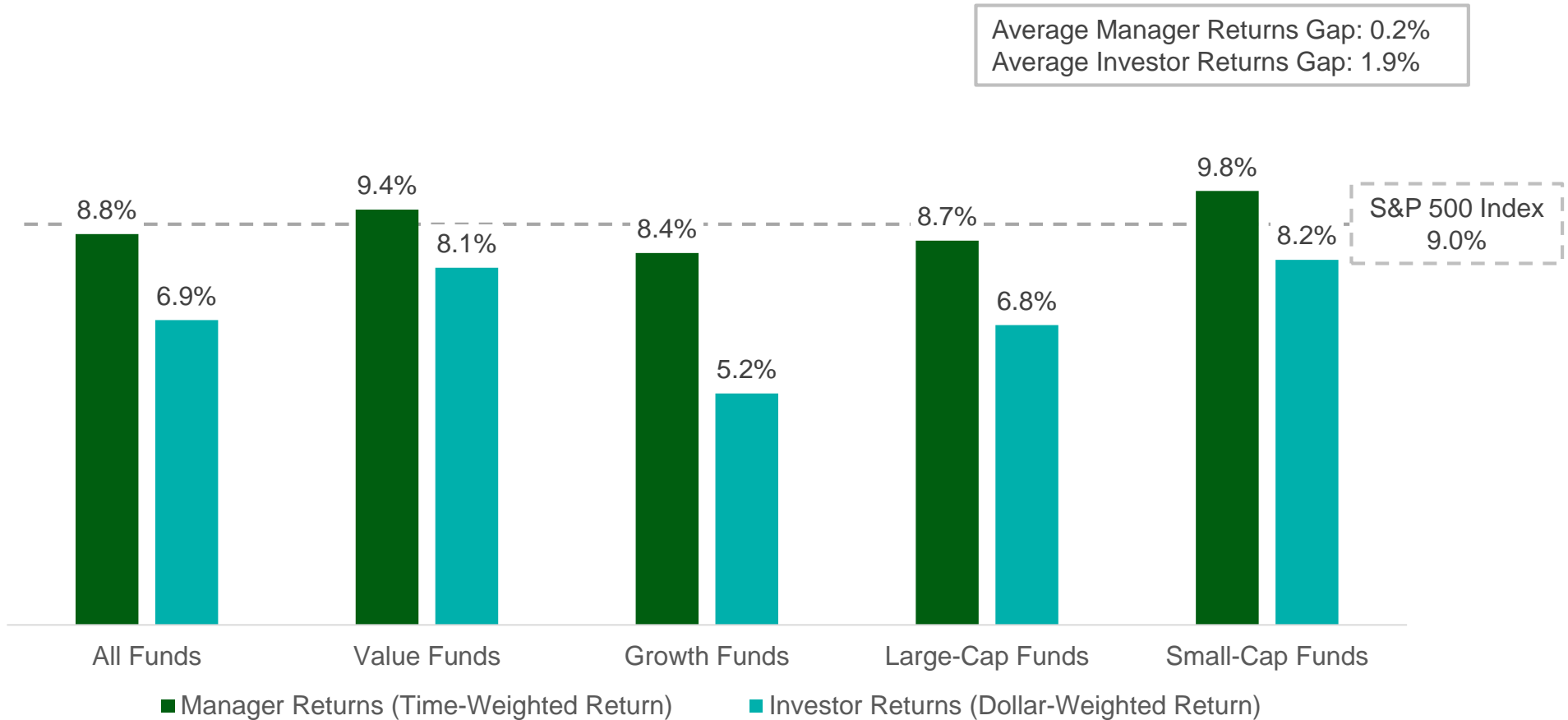
Notes: Morningstar returns based on performance between 4/1/2008 to 3/31/2018. Asset classes represented by the following indexes: U.S. stocks by the S&P 500 Index, Average U.S. Stock Fund Investor by the Morningstar "Mind the Gap" Study U.S. Stocks & Sector Fund Average, U.S. Bonds by the U.S. Aggregate Bond Index and Average U.S. Bond Fund Investor by the Morningstar "Mind the Gap" Study U.S. Taxable Bond Fund Average. Manager/investor returns are net of management fees.

Sources: Average investor returns from Morningstar "Mind the Gap 2018" and U.S. stocks and bonds from Dimensional Fund Advisors

Poor investor behavior worsens the negative impact of poor investment performance



Average Annualized Time-Weighted and Dollar-Weighted U.S. Mutual Fund Returns
January 1991 – June 2013



“We don’t have to be smarter than the rest. We have to be more disciplined than the rest”
– Warren Buffett

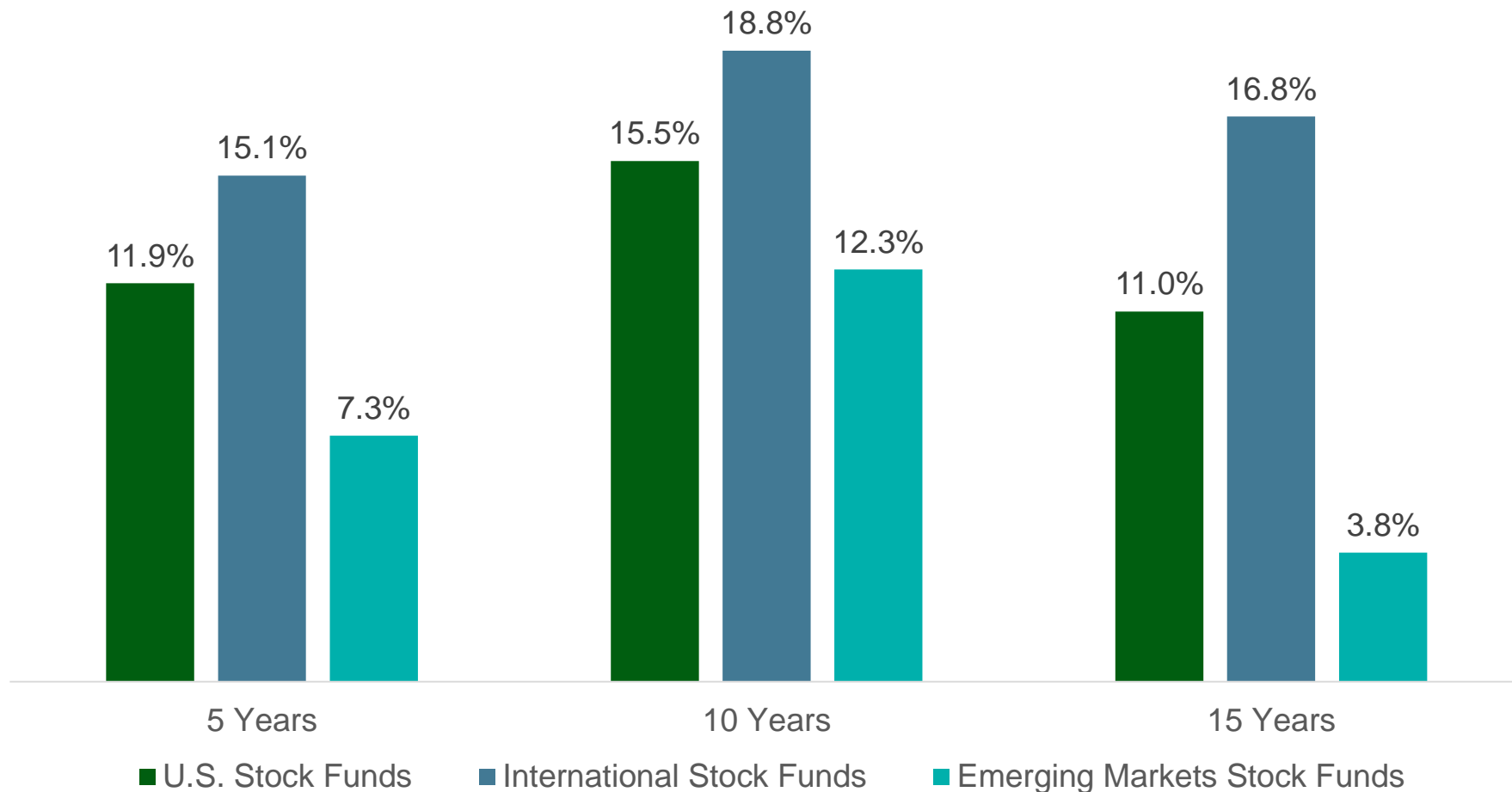
Past performance is no guarantee of future results. Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio. Manager/investor returns are net of management fees.

Source: Jason Hsu, Brett Myers, and Ryan Whitby. "Timing Poorly: A Guide to Generating Poor Returns while Investing in Successful Strategies," Journal of Portfolio Management (Winter 2016)



Relatively few stock mutual funds deliver long-term outperformance vs. traditional market benchmarks

Percentage of Mutual Funds That Survived and Outperformed Their Benchmark
As of December 31, 2018



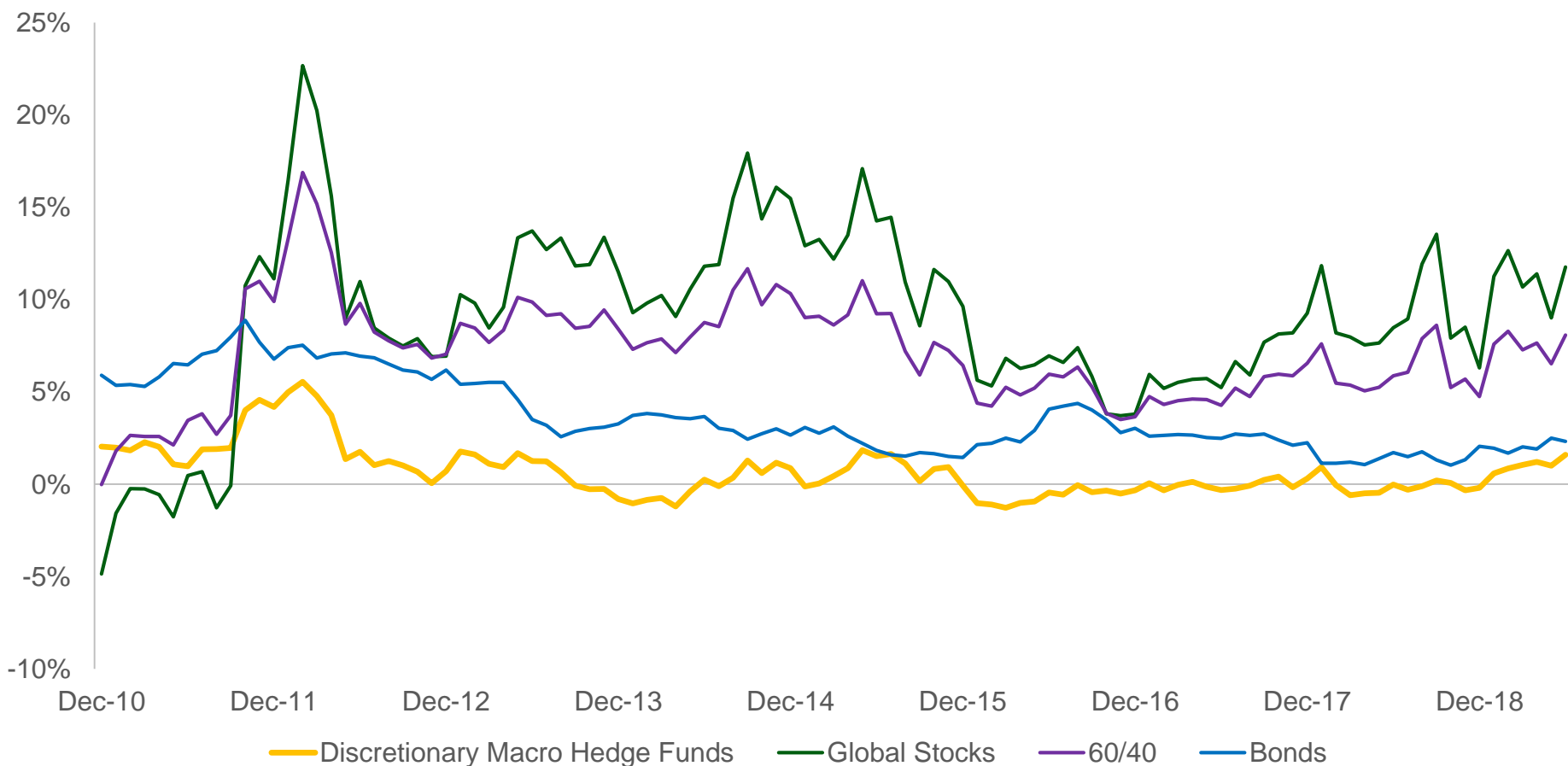
Past performance is no guarantee of future results. Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio. Notes: U.S. stock funds represents "All Domestic Funds," International Stock Funds represents "International Funds," Emerging Markets Stock Funds represents "Emerging Markets Funds."
Source: "SPIVA US Scorecard: Year-End 2018." S&P Dow Jones Indexes



Market timing is a challenging proposition

The performance of hedge funds focused on tactical asset allocation trading demonstrates the difficulty of consistently profiting from predicting broad market movements

Rolling Three-Year Annualized Performance
January 2008 – June 2019



Past performance is no guarantee of future results. Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio. Notes: Market segment (index representation) as follows: Discretionary Macro Hedge Funds (HFRI Macro: Discretionary Thematic Index), Global Stocks (MSCI World Index); Bonds (Bloomberg Barclays U.S. Aggregate Bond Index); 60/40 (60% MSCI World Index + 40% Bloomberg Barclays U.S. Aggregate Bond Index).

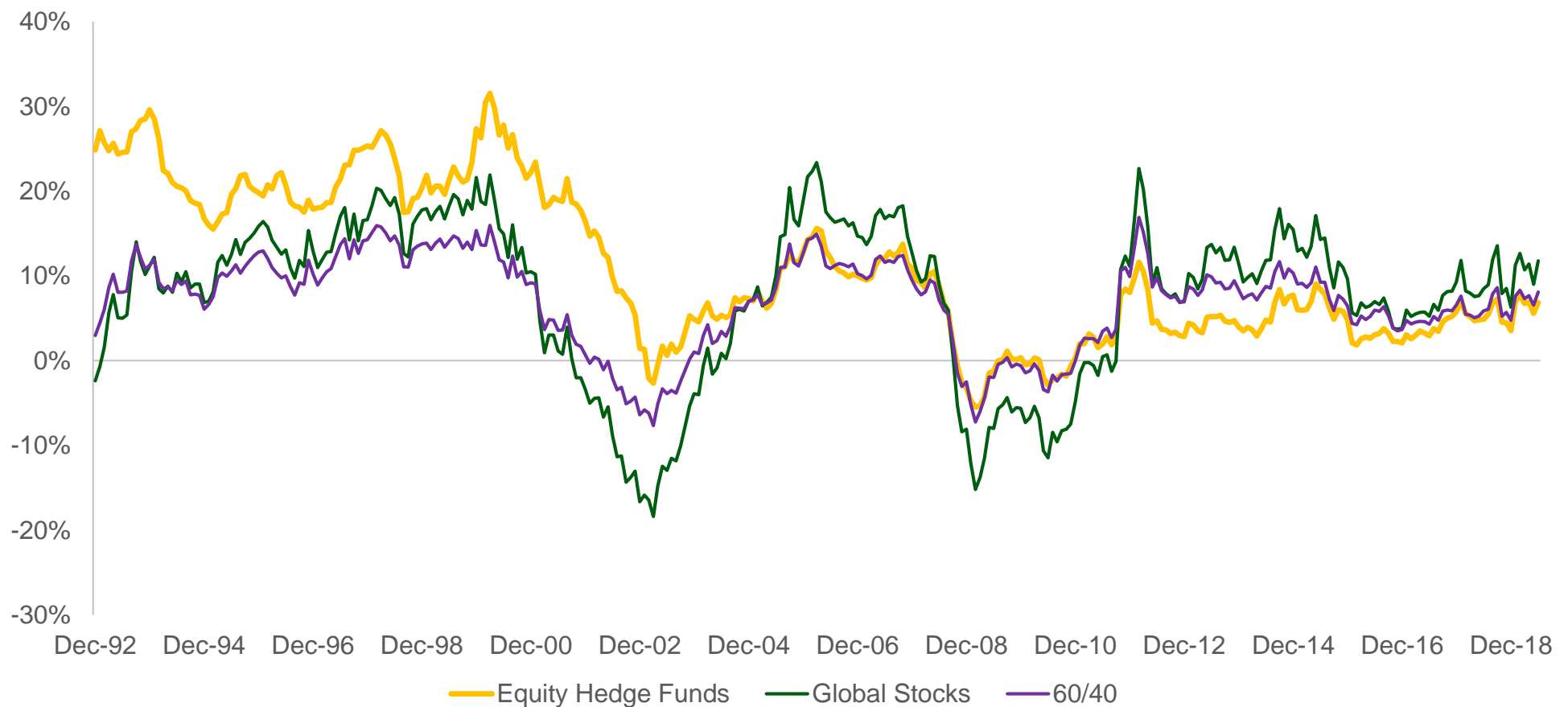
Source: Kathmere calculations using data from Dimensional Fund Advisors Returns Web and HFRI

Equity-focused hedge funds have not consistently delivered stock-market beating results



Equity hedge funds in aggregate have delivered disappointing performance since the turn of the century

Rolling Three-Year Annualized Performance
January 2008 – June 2019



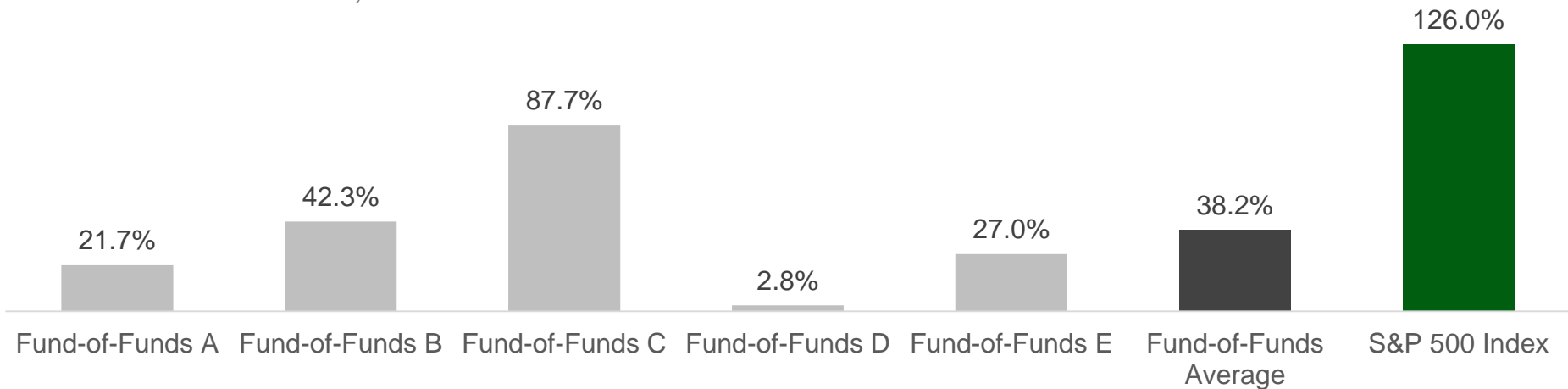
Past performance is no guarantee of future results. Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: Equity Hedge Funds (HFRI Equity Hedge Total Index), Global Stocks (MSCI All Country World Index); 60/40 (60% MSCI All Country World Index + 40% Bloomberg Barclays U.S. Aggregate Bond Index)

Source: Kathmere calculations using data from Dimensional Fund Advisors Returns Web and HFRI



Warren Buffett's "The Bet" publicly exposed the disappointing results of hedge funds relative to stocks

"The Bet" Final Scorecard: Total Cumulative Gains
10 Years Ended December 31, 2017



"The Bet" Details

- In 2005 Warren Buffett "publicly offered to wager \$500,000 that no investment pro could select a set of at least five hedge funds – widely-popular and high-fee investing vehicles – that would over an extended period match the performance of [the S&P 500 Index]."
- Ted Seides, co-manager of Protege Partners, a hedge fund-of-funds (i.e., a hedge fund that invests in other hedge funds) manager, eventually took the other side of the bet and selected five funds-of-funds whose results would be averaged and compared to the performance of the index.
- The bet ran over the 10-year period from January 2008 through the end of December 2017.

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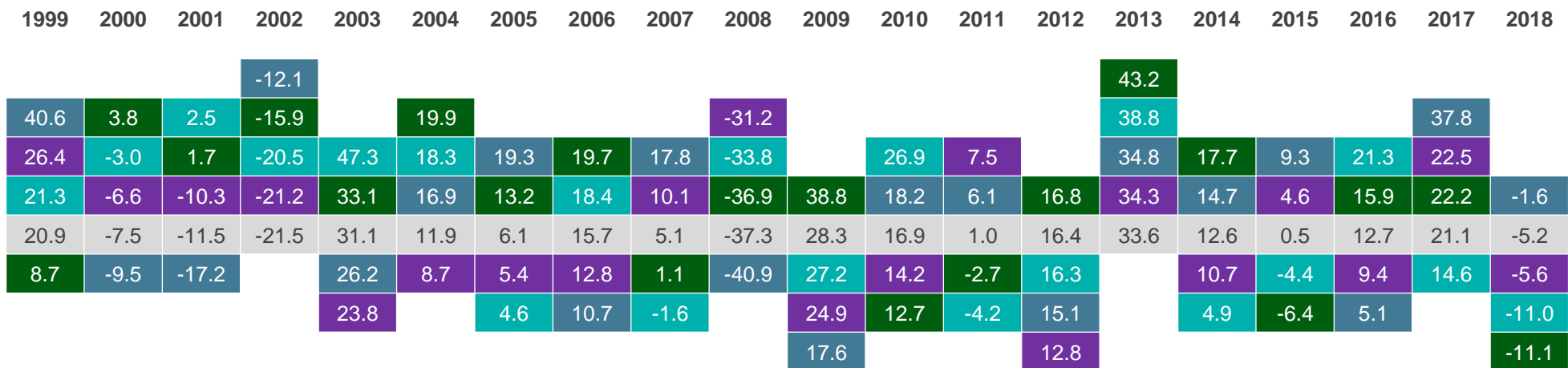
Sources: Hedge fund-of-funds returns and "The Bet" details from Berkshire Hathaway 2017 Annual Report. S&P 500 Index return from DFA Returns Web



Over the long-term, active indexes have delivered excess returns relative to traditional market indexes

Long-term outperformance has been accompanied by periodic short-term underperformance

Calendar Year Returns
1999 – 2018



	Stocks	Value	Momentum	Quality	Size
Index Representation	Russell 3000 Index	MSCI USA Enhanced Value Index	MSCI USA Momentum Index	MSCI USA Sector Neutral Quality Index	Russell 2000 Index
1999-2018 Annualized Return	6.0%	8.0%	8.5%	6.4%	7.4%

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Sources: Morningstar and Dimensional Fund Advisors Returns Web



Diversification across return-generating asset classes helps to ensure the portfolio is positioned to capture returns wherever they occur

Calendar Year Returns

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	
		25.9																		
		3.6																		
31.8	12.3	-1.4	55.8	33.2	34.0				78.5	28.1										
31.0	5.3	-1.5	47.3	25.6	21.4	36.0	39.4	-19.0	58.2	26.9		18.2								
5.0	4.6	-6.2	39.4	20.4	14.5	32.1	16.2	-26.2	33.7	18.9		17.1								
-3.0	2.5	-15.8	36.2	18.3	13.8	25.7	12.4	-33.8	28.5	16.8	9.4	16.4				21.3	37.3	-2.1		
-5.9	-2.6	-20.5	29.0	11.1	9.3	18.4	10.0	-35.6	27.2	15.1	5.0	16.3	38.8	32.0	4.5	17.1	24.2	-4.2		
-9.1	-11.9	-22.1	28.7	10.9	4.9	15.8	5.5	-37.0	26.5	15.1	2.1	16.0	32.4	13.7	1.4	12.0	21.8	-4.4	31.5	
-13.4	-19.5		23.9	9.1	4.6	12.9	1.9	-39.2	20.0	10.3	-4.2	15.8	21.0	4.9	-1.1	11.8	14.6	-4.8	25.5	
-30.8	-21.4		19.6	9.0	2.7	11.8	-1.6	-43.6	18.9	8.9	-5.3	6.4	9.1	3.0	-3.0	11.2	8.6	-11.0	23.1	
						2.1	-17.6	-53.3				-12.2	-1.1	7.4	2.5	-4.4	6.7	7.5	-11.2	22.5
												-13.3		1.2	-2.2	-4.5	5.4	3.8	-14.1	18.4
											-18.4			-2.6	-4.3	-14.9	2.7	1.7	-14.6	14.3
														-9.5	-17.0	-24.7				10.5
																				7.7

Annualized Returns

	US Large Cap	US Small Cap	Developed Markets	Emerging Markets	Real Estate	Commodities	High Yield Bonds	Hedge Funds
Full Period	6.1%	7.6%	3.5%	6.7%	11.1%	1.0%	7.1%	5.2%
2000-2009	-0.9%	3.5%	1.6%	9.8%	10.7%	7.1%	6.7%	6.4%
2010-2019	13.6%	11.8%	5.3%	3.7%	11.6%	-4.7%	7.6%	4.0%







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Source: Kathmere calculations using data from DFA Returns Web and HFRI

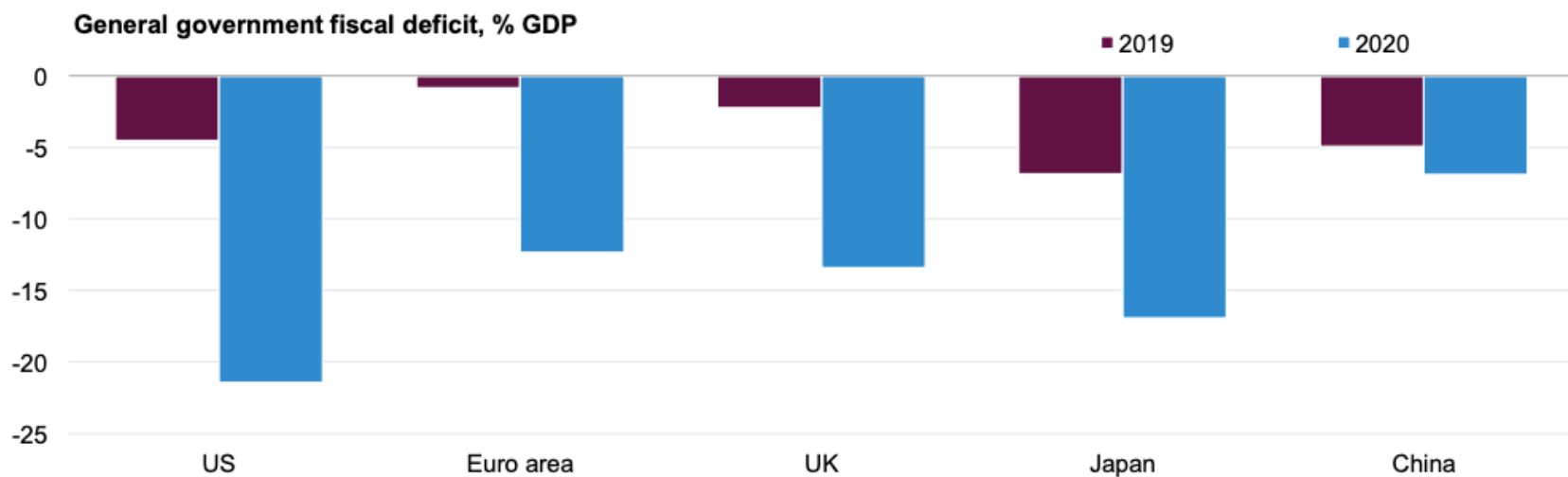
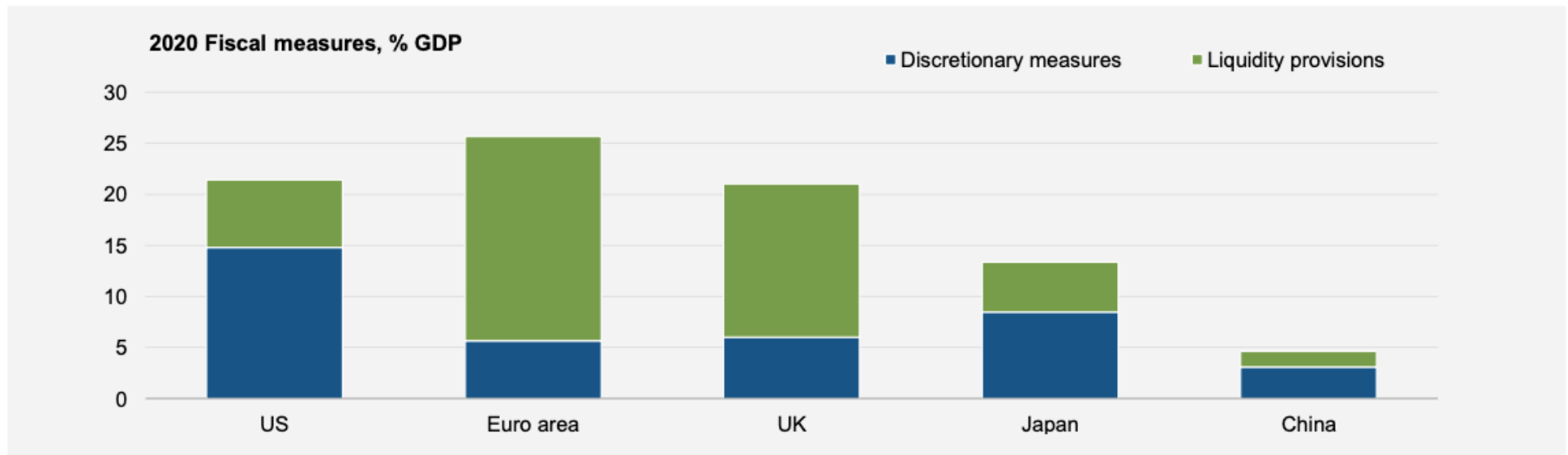
Policy makers globally responded with significant amounts of monetary and fiscal support

Monetary and fiscal responses in major countries/regions



	 United States	 European Union	 United Kingdom	 Australia	 China	 Japan	
Monetary	Rates at effective lower bound	✓	✓	✓	✓	—	✓
	Quantitative easing	USD2,800bn	EUR1,350bn	GBP300bn	Yield curve control (AUD40bn)	—	JPY70trn
	Lender of last resort	✓	✓	✓	✓	✓	✓
Fiscal	Transfers and grants	✓	✓	✓	✓	✓	✓
	Loans and guarantees	✓	✓	✓	✓	✓	✓
	Tax incentives	✓	✓	✓	✓	✓	✓

Governments globally responded to the crisis with massive amounts of fiscal support



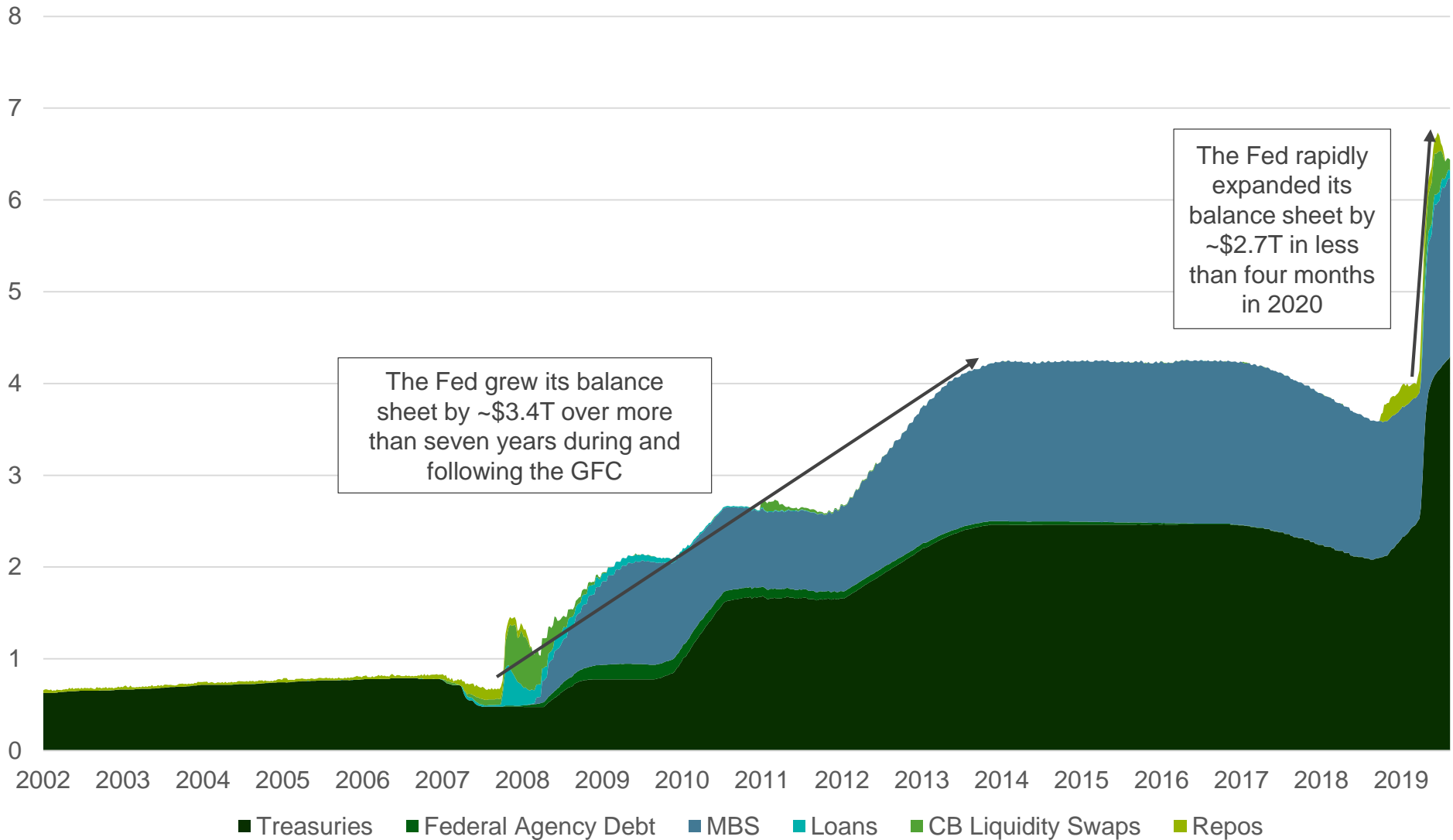
Note: As of June 2020. Figures are forecasts for 2020 and include both announced and expected policies. Discretionary measures include direct payments to individuals and businesses, loan forgiveness, increased healthcare spending, and tax cuts. Liquidity provisions include loan guarantees, forbearance, tax delays, and new loans.

Source: PIMCO

The Fed's monetary response has been significant and swiftly implemented



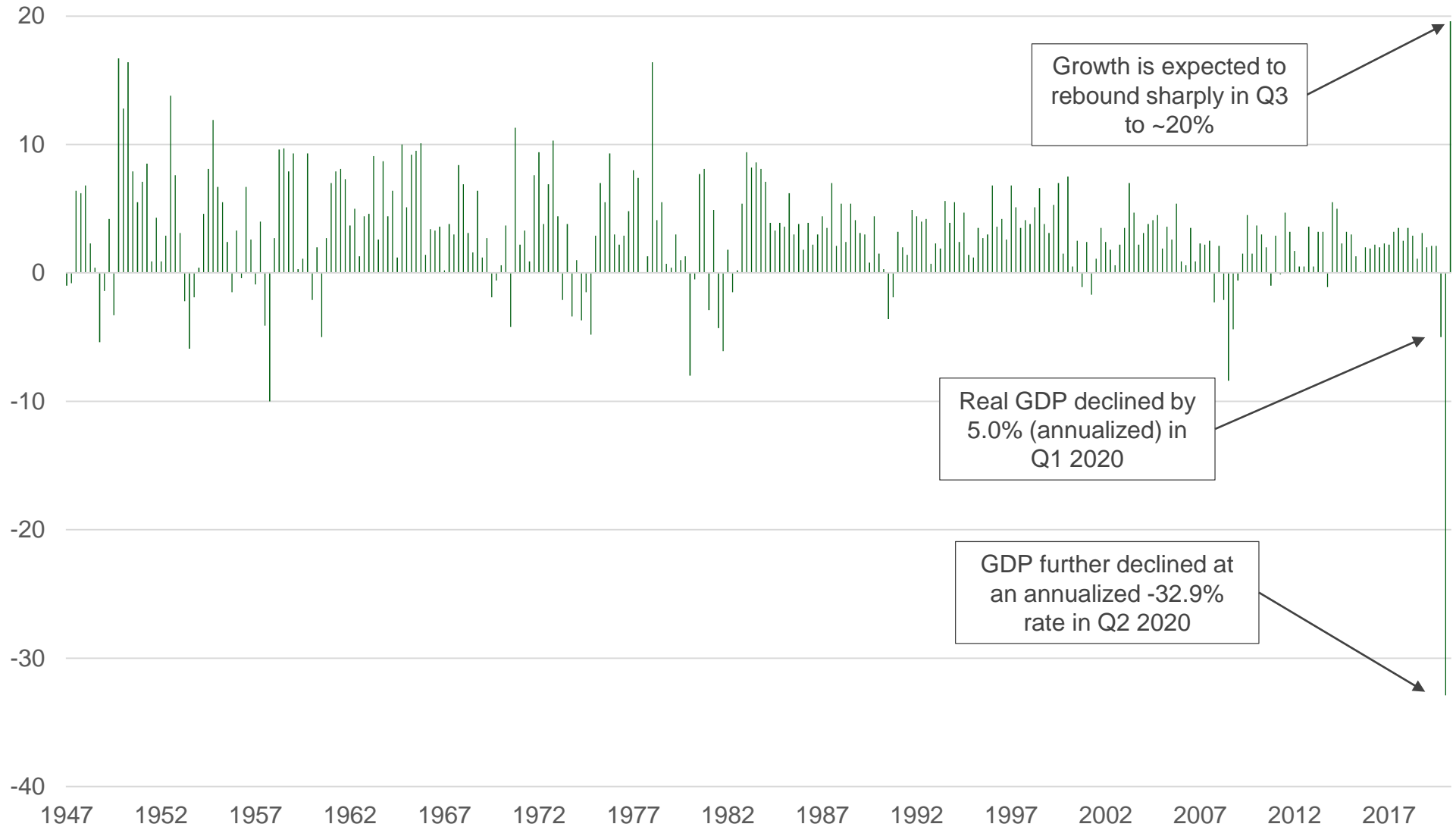
The Federal Reserve balance sheet (USD trillions)



The scale of the economic contraction has no historical precedent



Quarterly change in real GDP (SAAR %)

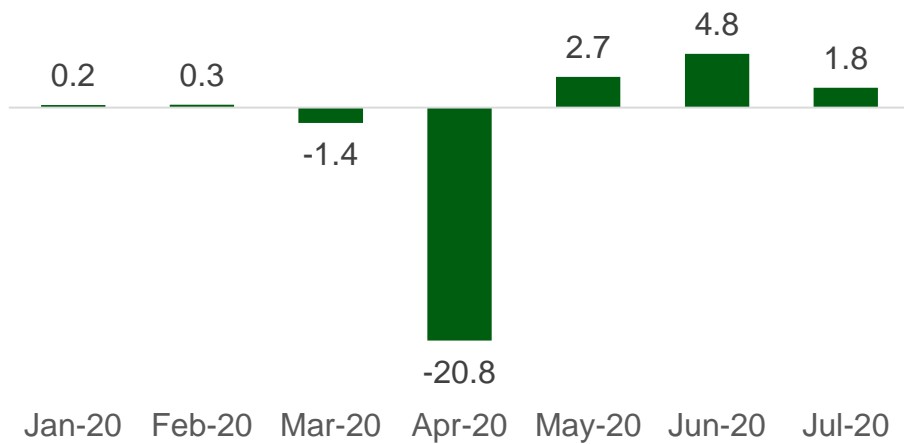


Note: Actual data from 2Q 1947 to 2Q 2020. 3Q 2020 reflects Atlanta Fed GDPNow Estimate as of 8/3/2020.
Source: Federal Reserve Bank of St. Louis FRED & Atlanta Federal Reserve GDPNow

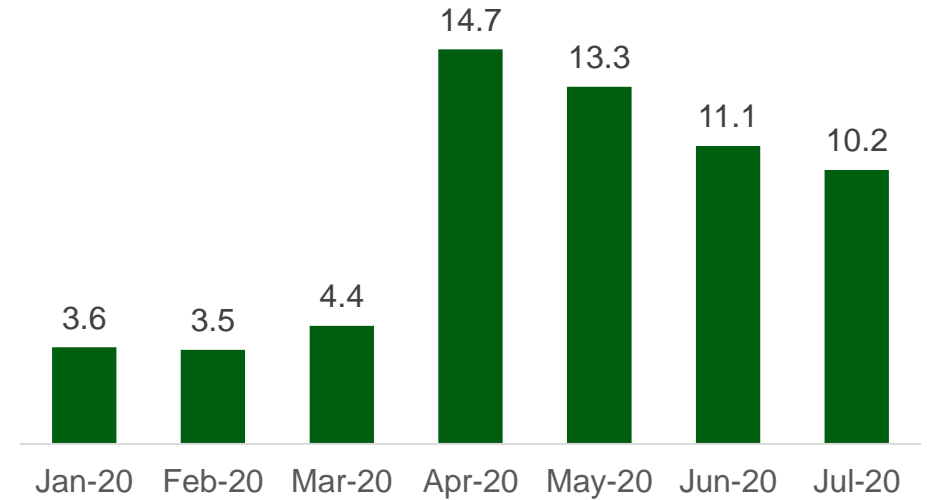
Labor markets have demonstrated signs of recovery



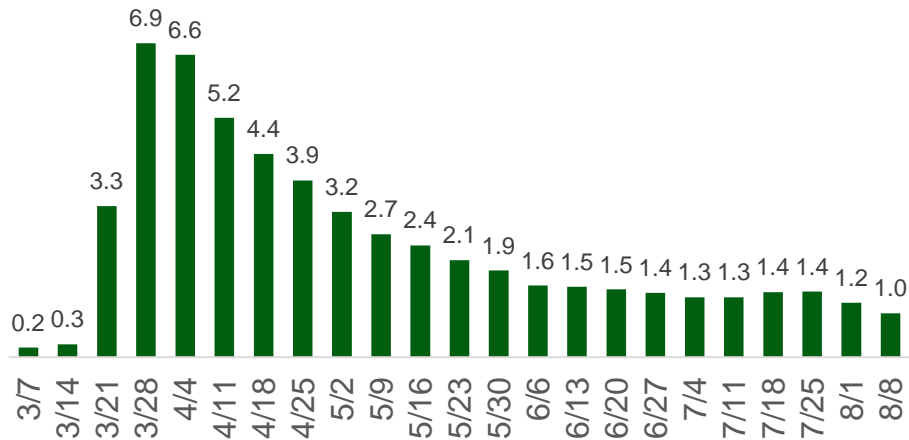
Monthly Change in Payroll Employment (Millions)



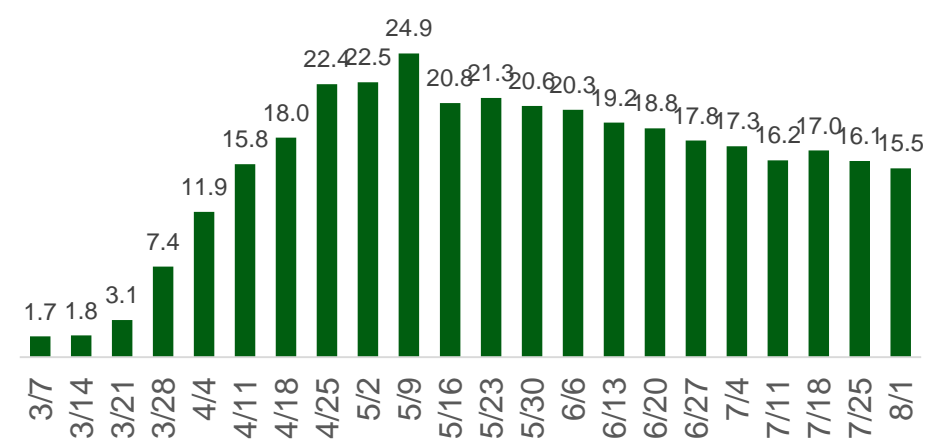
Unemployment Rate (%)



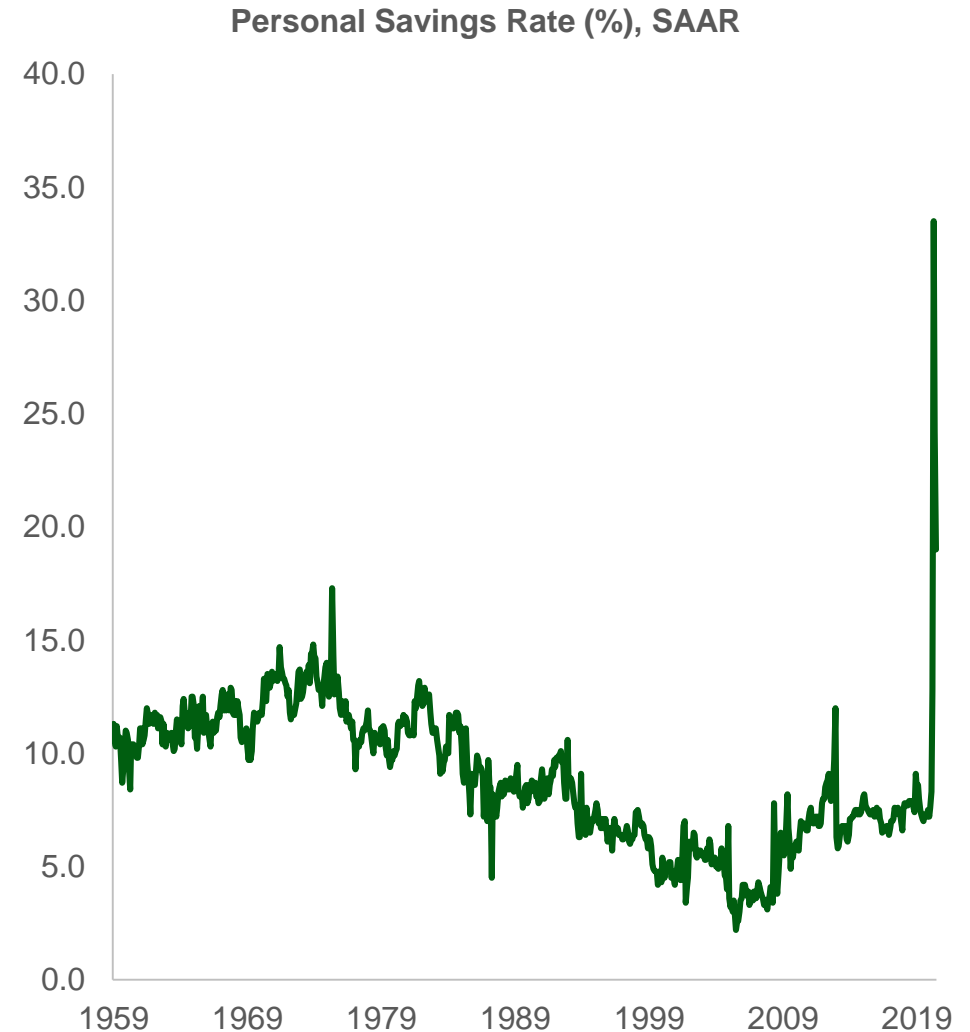
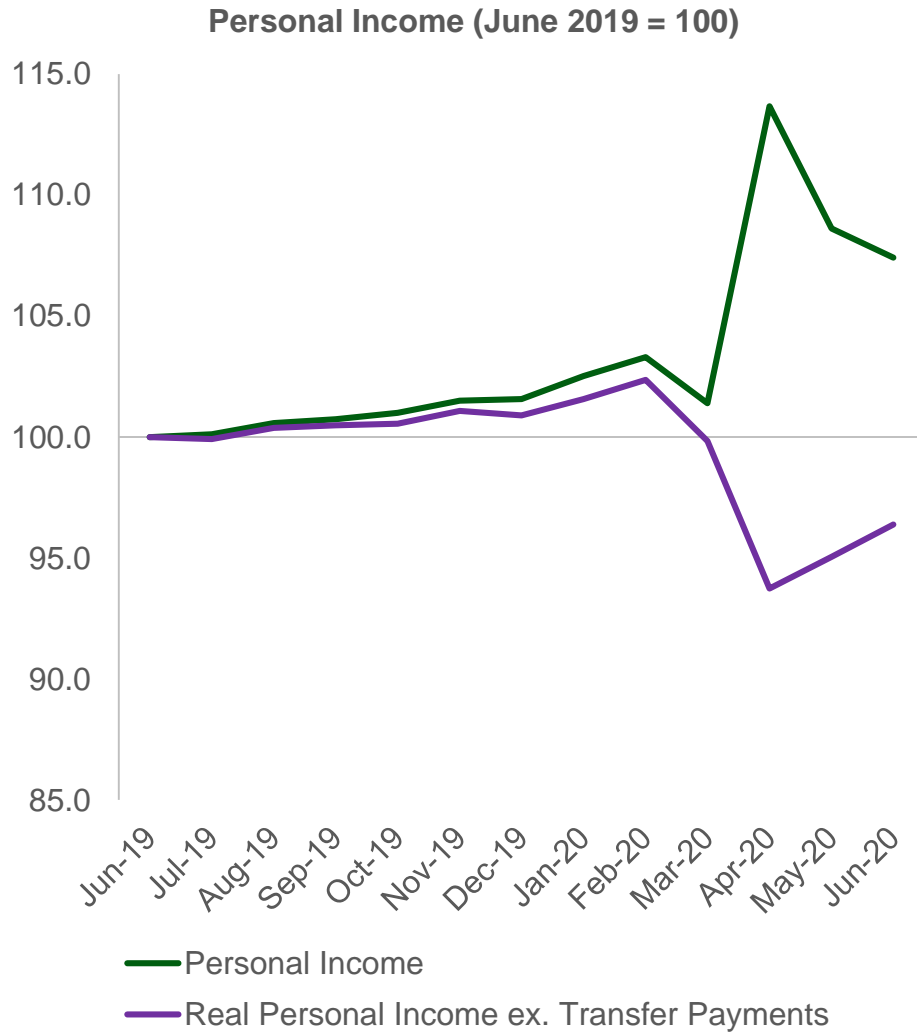
Initial Claims for Unemployment Insurance, SA (Millions)



Continued Claims for Unemployment Insurance, SA (Millions)



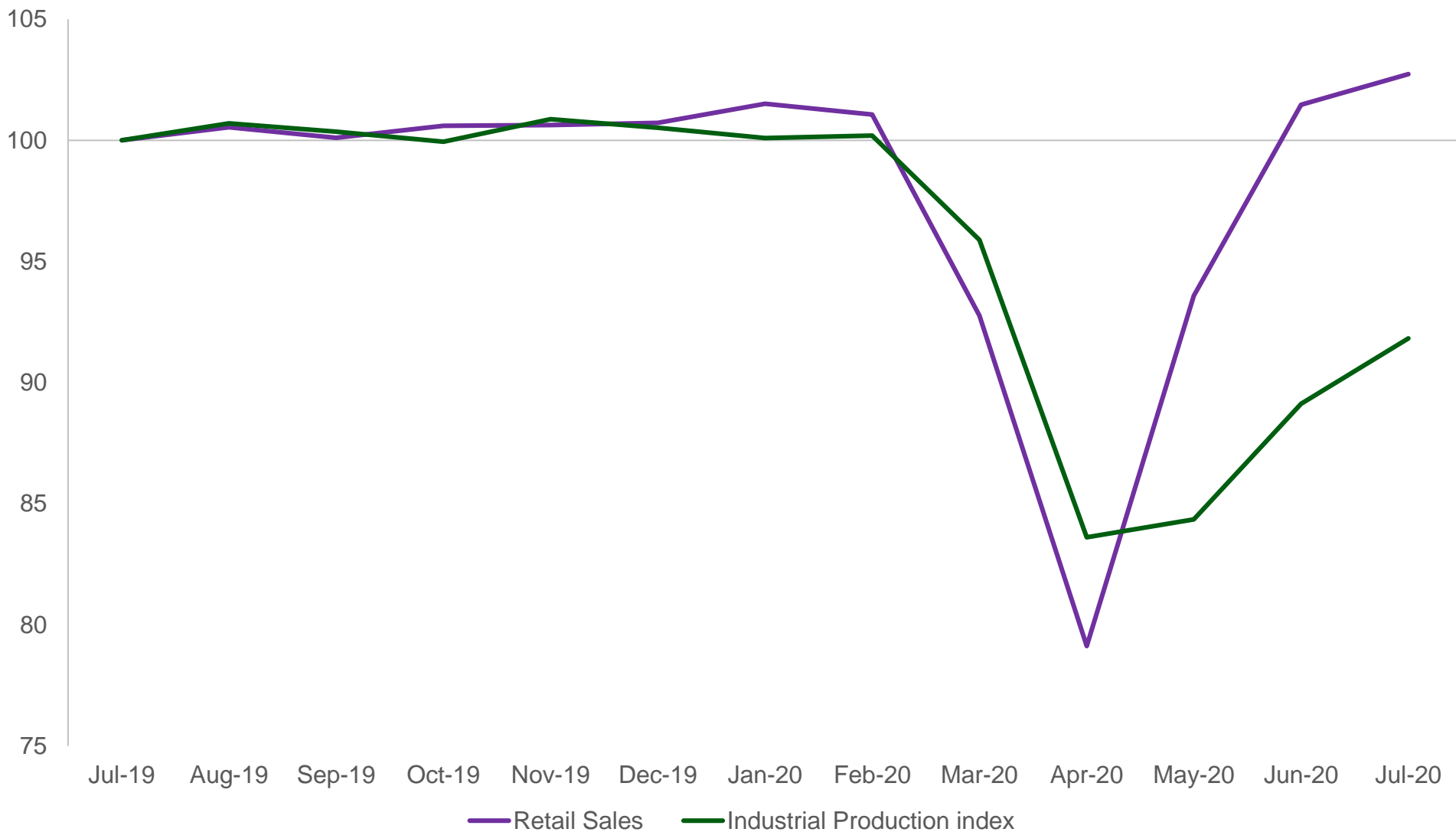
Personal income received a substantial boost from the federal government's stimulus efforts





Retail sales have recovered to their year ago level while industrial production remains depressed

Total retail sales and industrial production index, July 2019 = 100

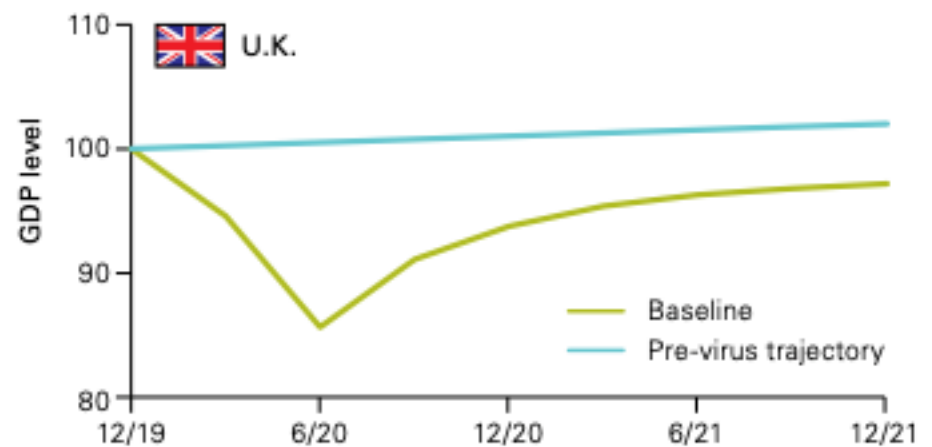
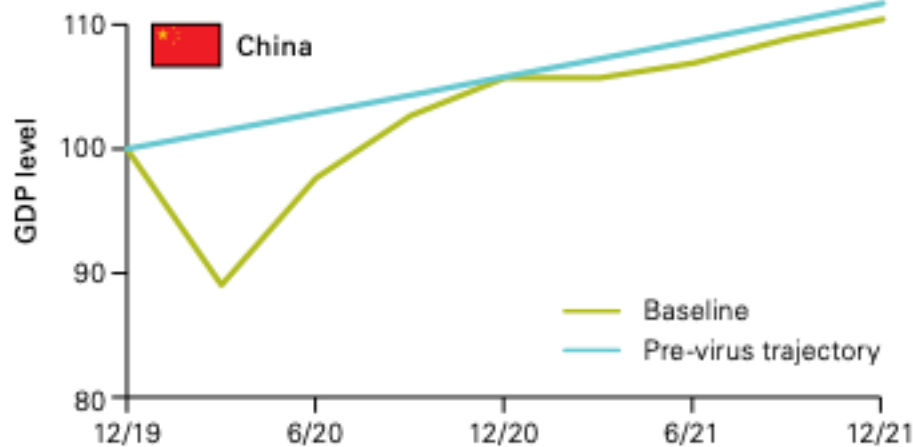
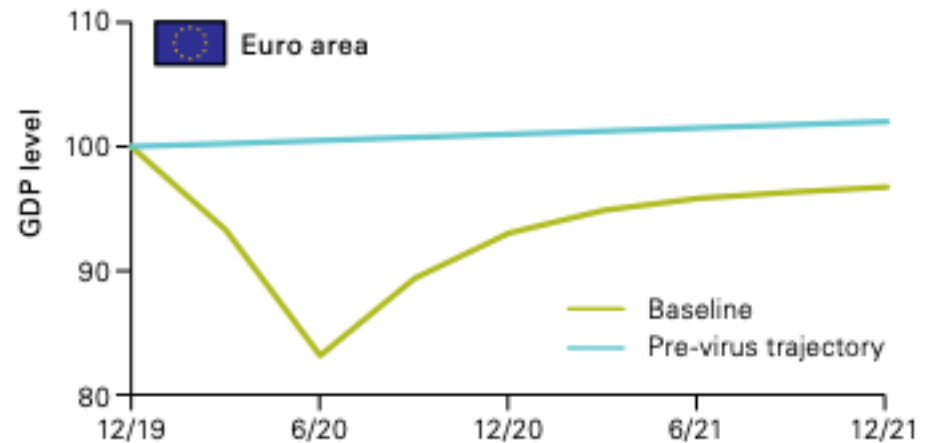
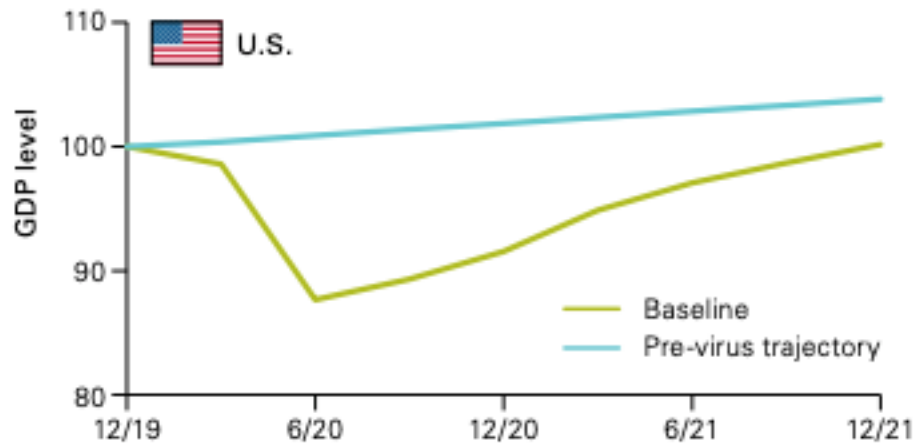




The economic recovery is likely to be a gradual one

Expected path of GDP across the U.S., the euro area, China, and the U.K.

Baseline forecast



Note: The charts show our expectation for the level of real GDP in each country in its local currency, which has been rebased to December 2019 = 100.

Source: Vanguard



The stock market and the economy are not the same thing

Quarterly stock market performance and GDP growth have historically demonstrated no statistical relationship

Three reasons why the link between economic growth and stock market returns is weak:

1. Stocks derive their value from earnings, not economic growth nor any other macroeconomic variable.
2. The domestic economy in which stocks operate or domiciled is not the only one from which they derive their revenue, expenses and ultimately earnings.
3. The stock market is a forward-looking information processing mechanism that works to embed predictions about the future into securities prices.

Quarterly GDP Growth and S&P 500 Index Returns
(2Q 1946 to 2Q 2020)



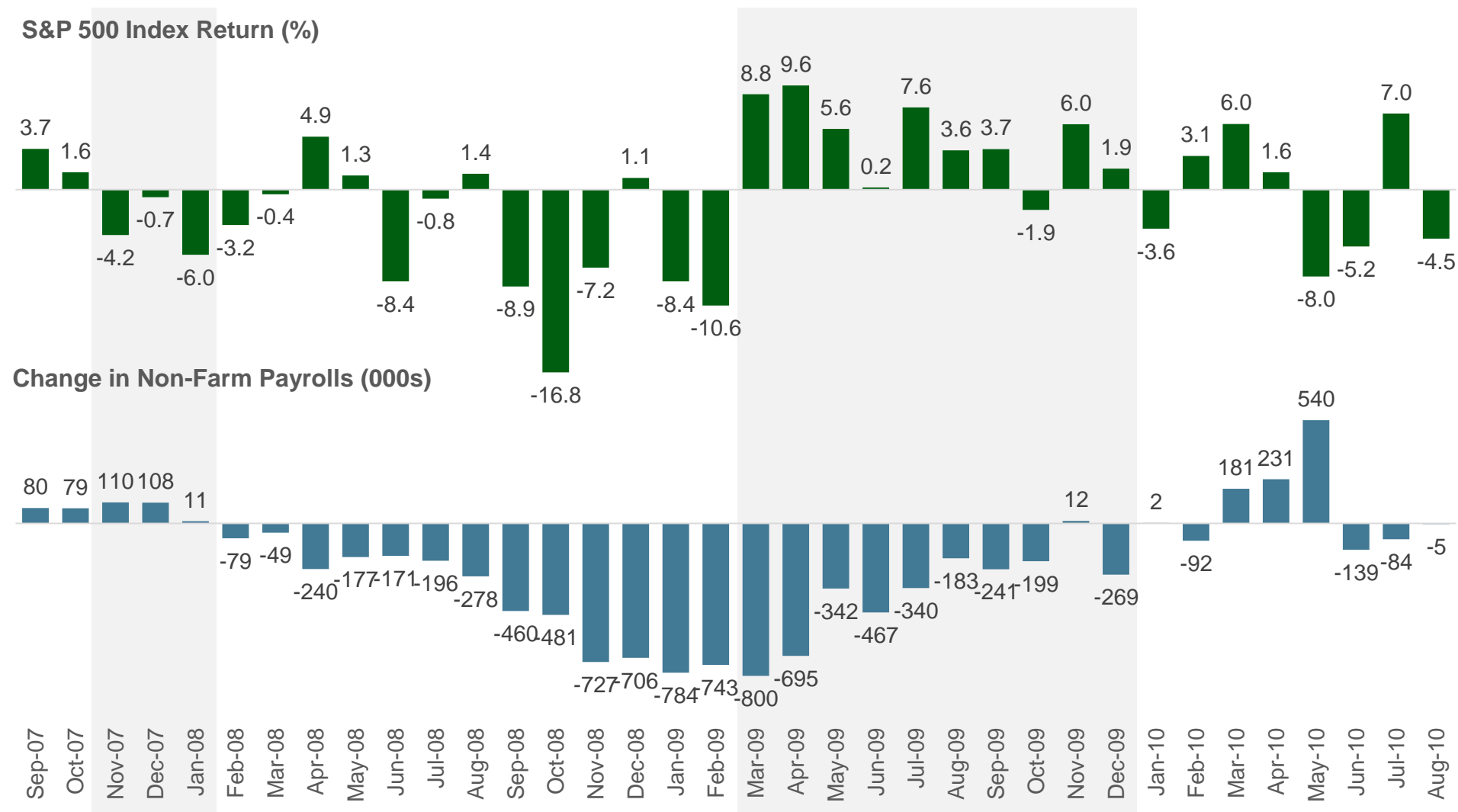
Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio.

Sources: S&P 500 Index Returns from Morningstar Direct. Quarterly Real GDP Growth from St. Louis Federal Reserve Bank, FRED



The stock market and the economy are not the same thing

Stock market and labor market performance have often diverged sharply in the past



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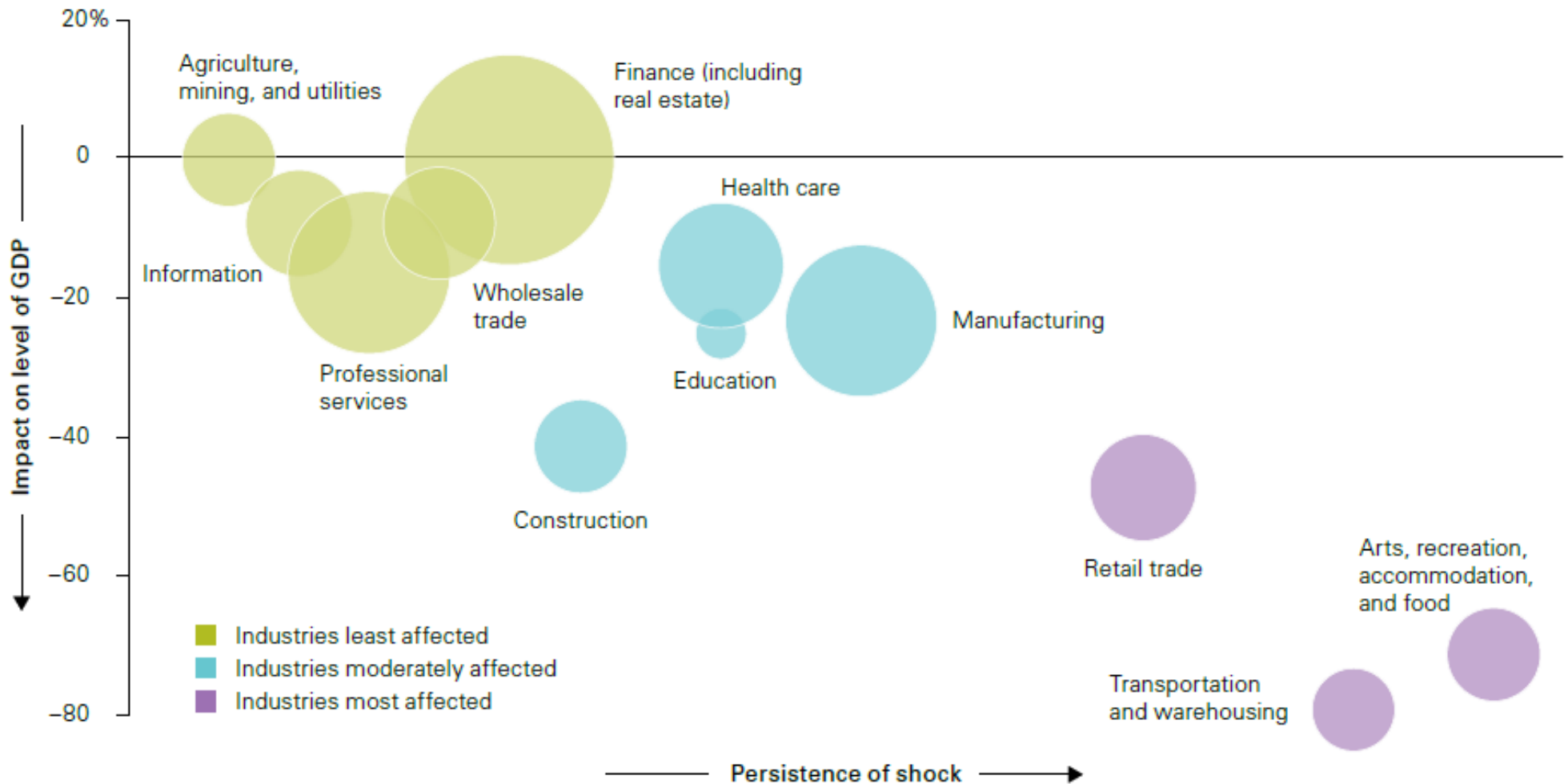
S&P 500 Index performance reflects total returns. Please see appendix for index description.

Source: Dimensional Fund Advisors (S&P 500 Index performance), Bureau of Labor Statistics (Non-farm payrolls) and Kathmere Capital Management.

The projected hit to U.S. economic activity varies considerably by sector



Estimated impact to GDP by sector



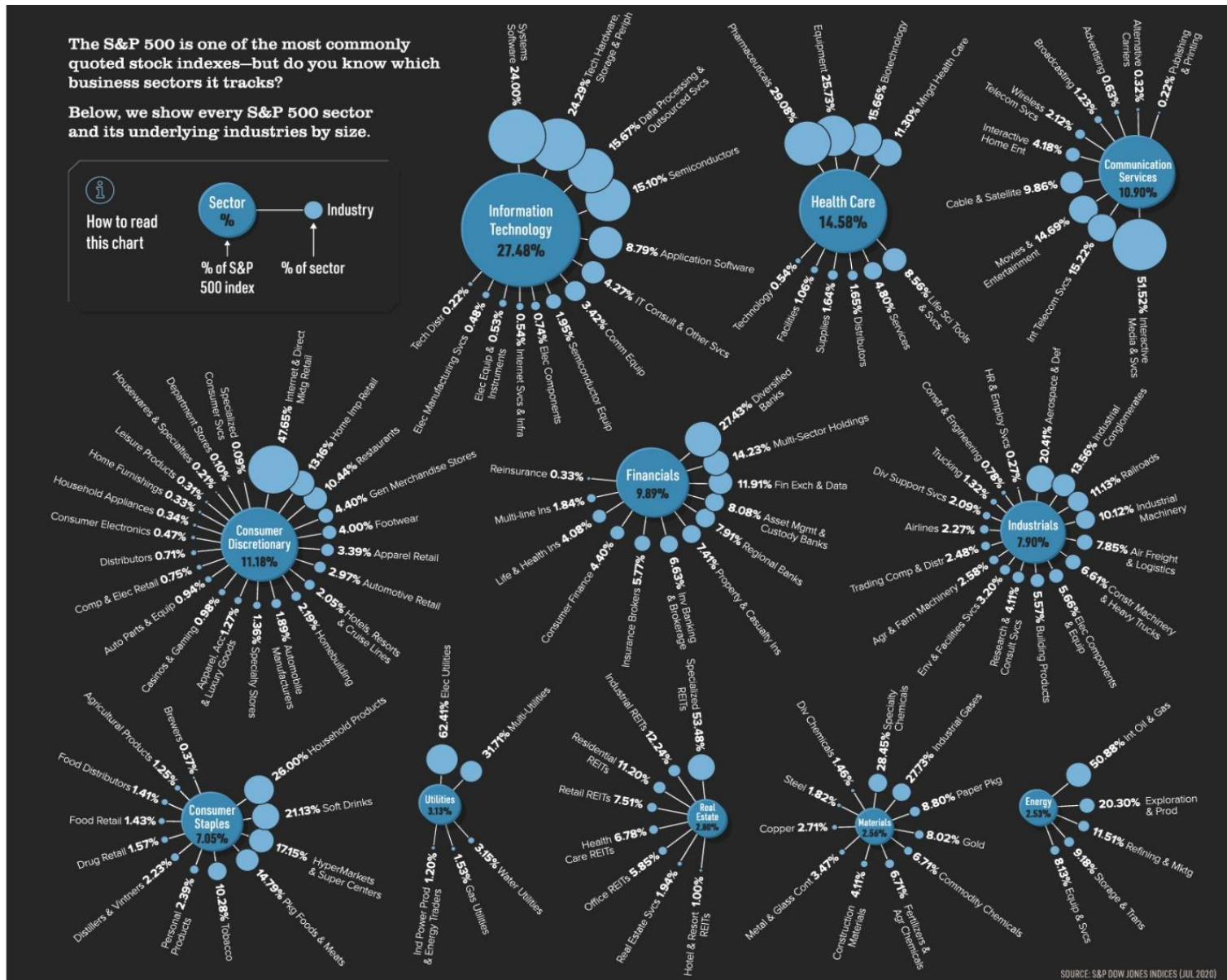
Notes: The figure shows the estimated maximum impact on U.S. GDP in April 2020. Size of bubbles indicates the relative weight of each sector in U.S. GDP. Initial impact on the level of GDP and the persistence of shock estimated are based on a range of high-frequency indicators (such as mobility indexes, fuel consumption, retail foot traffic, and restaurant and hotel occupancy) and traditional economic indicators.

Source: Vanguard

The S&P 500 is a capitalization-weighted index



Sector and industry breakdown of the S&P 500 Index



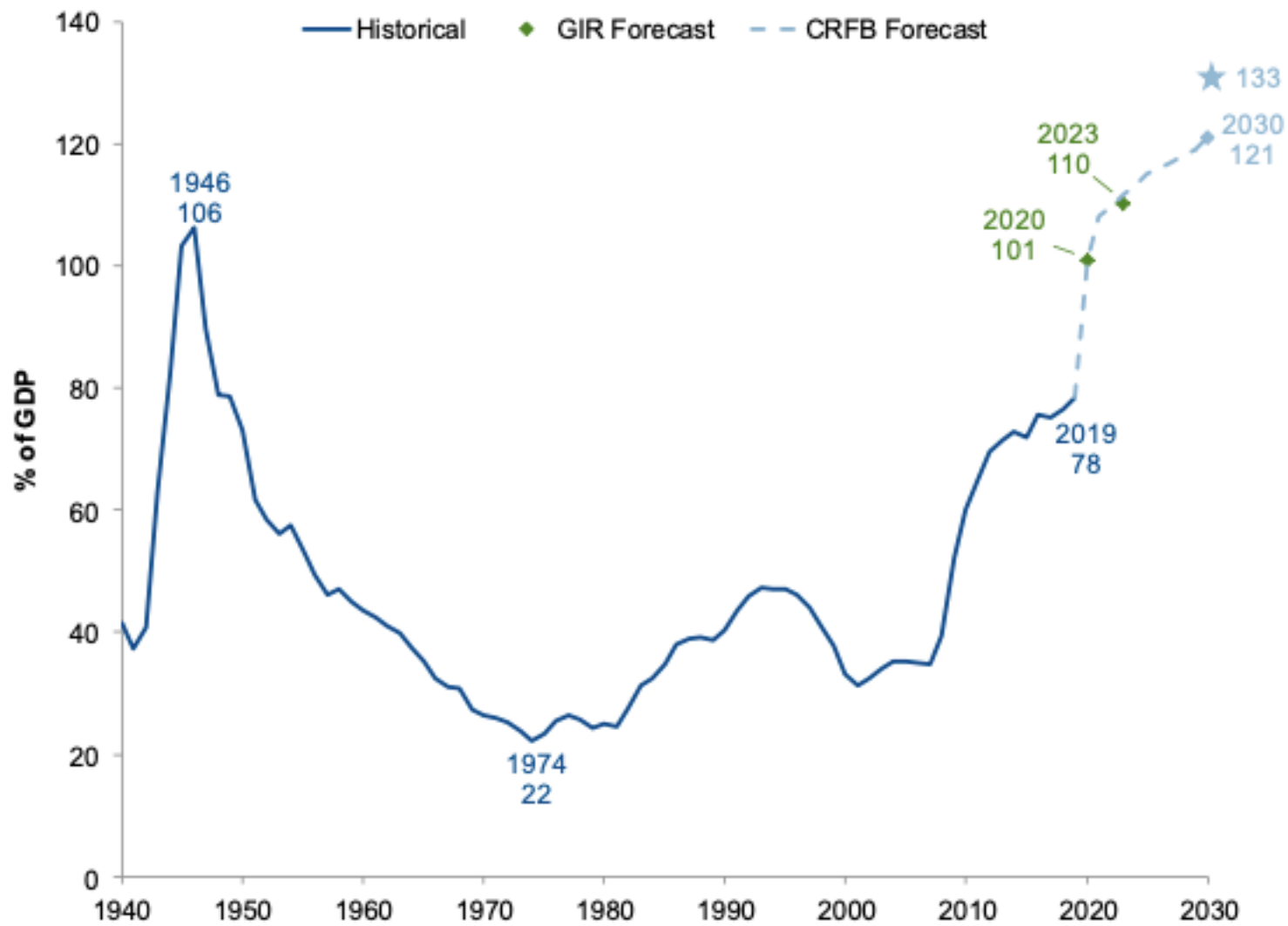
Note: Data as of 7/31/2020.

Source: Visual Capitalist and New York Life Investments.



U.S. Government debt is projected to surpass levels last seen during WWII

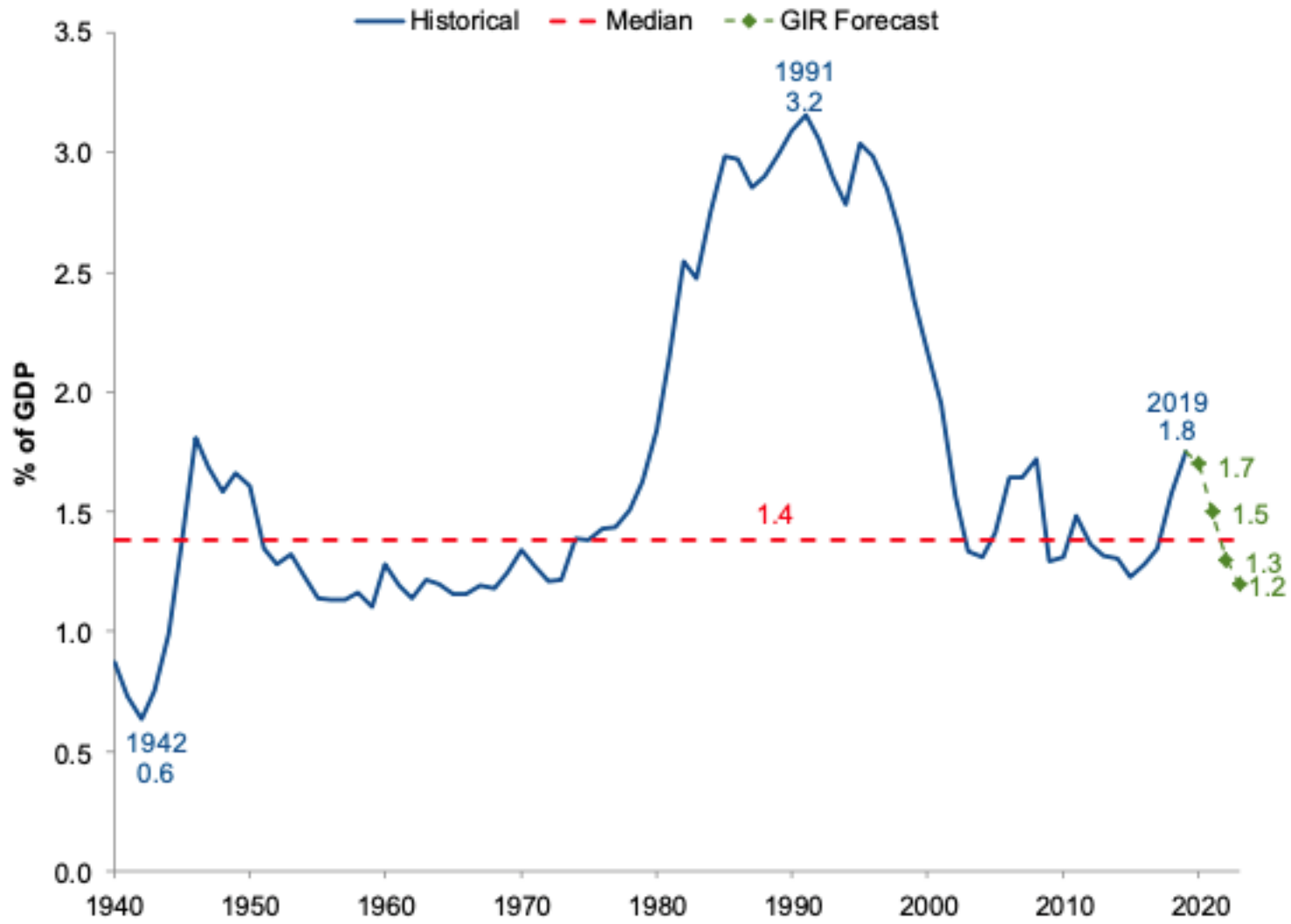
U.S. debt as percent of GDP: realized + Goldman Sachs (GIR) and Committee for a Responsible Federal Budget (CRFB) forecasts through 2030





The cost of servicing the debt may fall to historically low levels due to exceptionally low interest rates

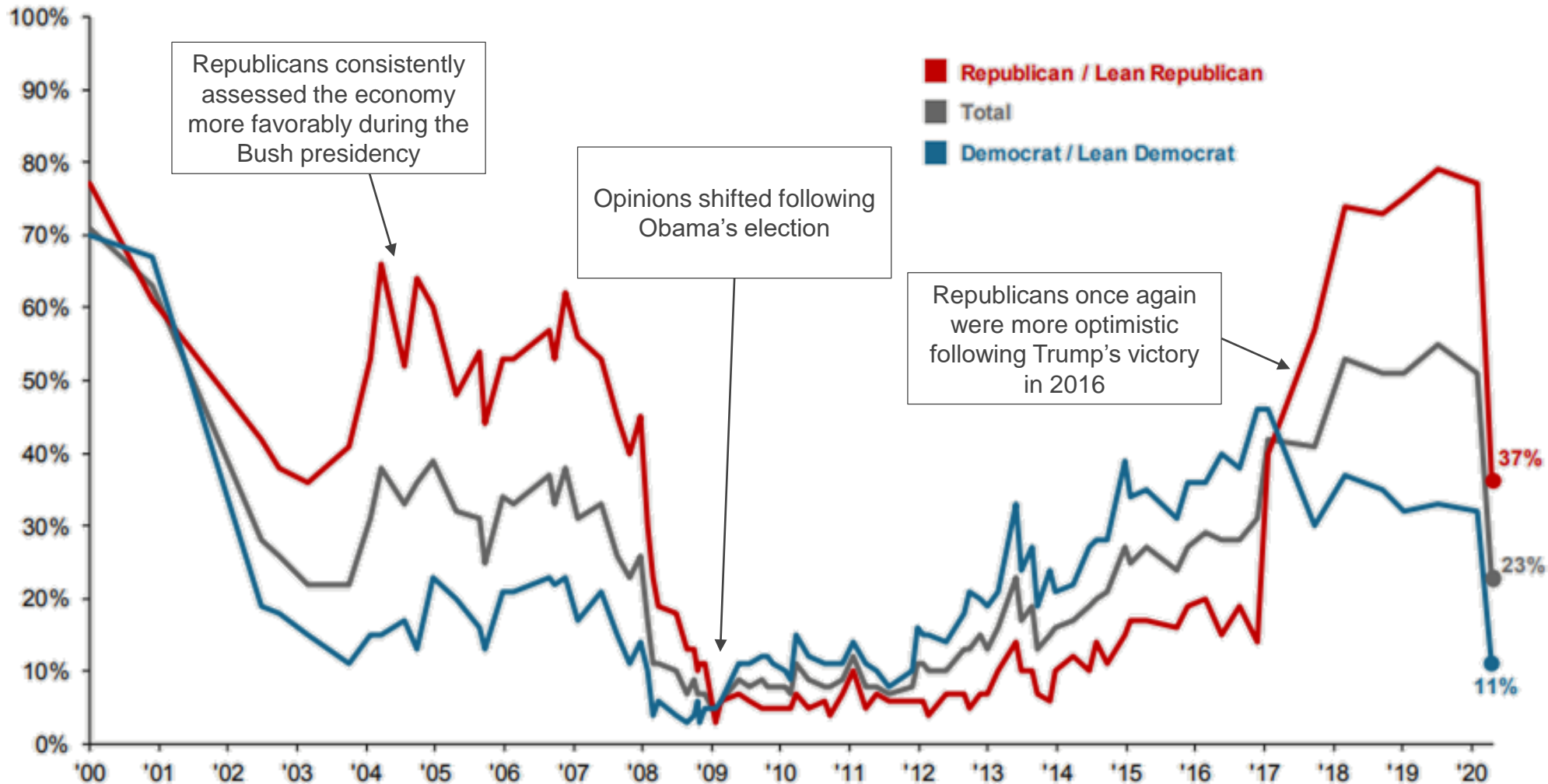
U.S. interest expense as percent of GDP: realized + Goldman Sachs (GIR) forecasts through 2023





Party affiliation appears to have a strong impact on our assessment of economic conditions

Percentage of Republicans and Democrats who rate national economic conditions as excellent or good

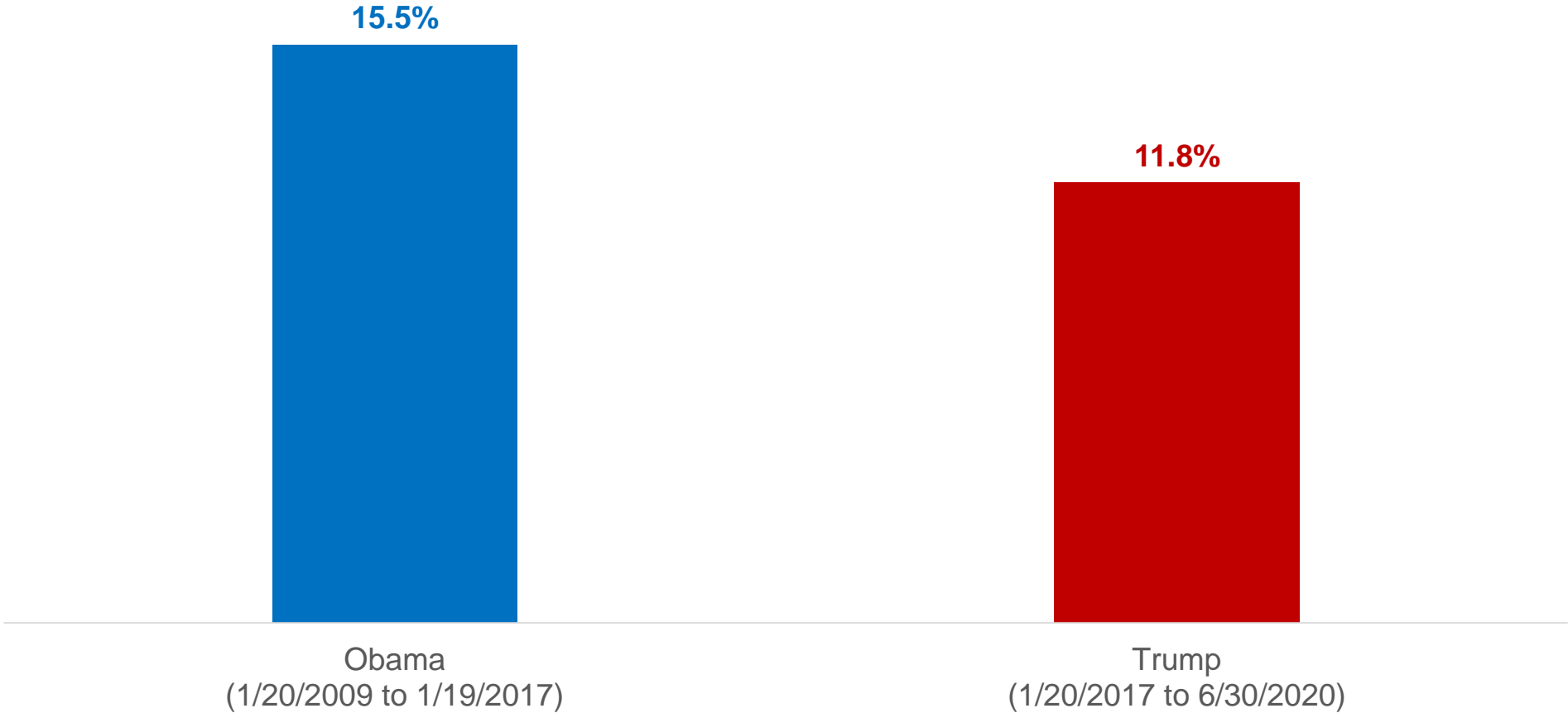


Source: J. P. Morgan Asset Management via Pew Research Center, April 2020, "Positive Economic Views Plummet; Support for Government Aid Crosses Party Lines" Question: Thinking about the nation's economy, How would you rate economic conditions in this country today... as excellent, good, only fair, or poor?



Investors should be cautious about allowing their political views to significantly influence their investment decisions

S&P 500 Index annualized returns during presidential terms



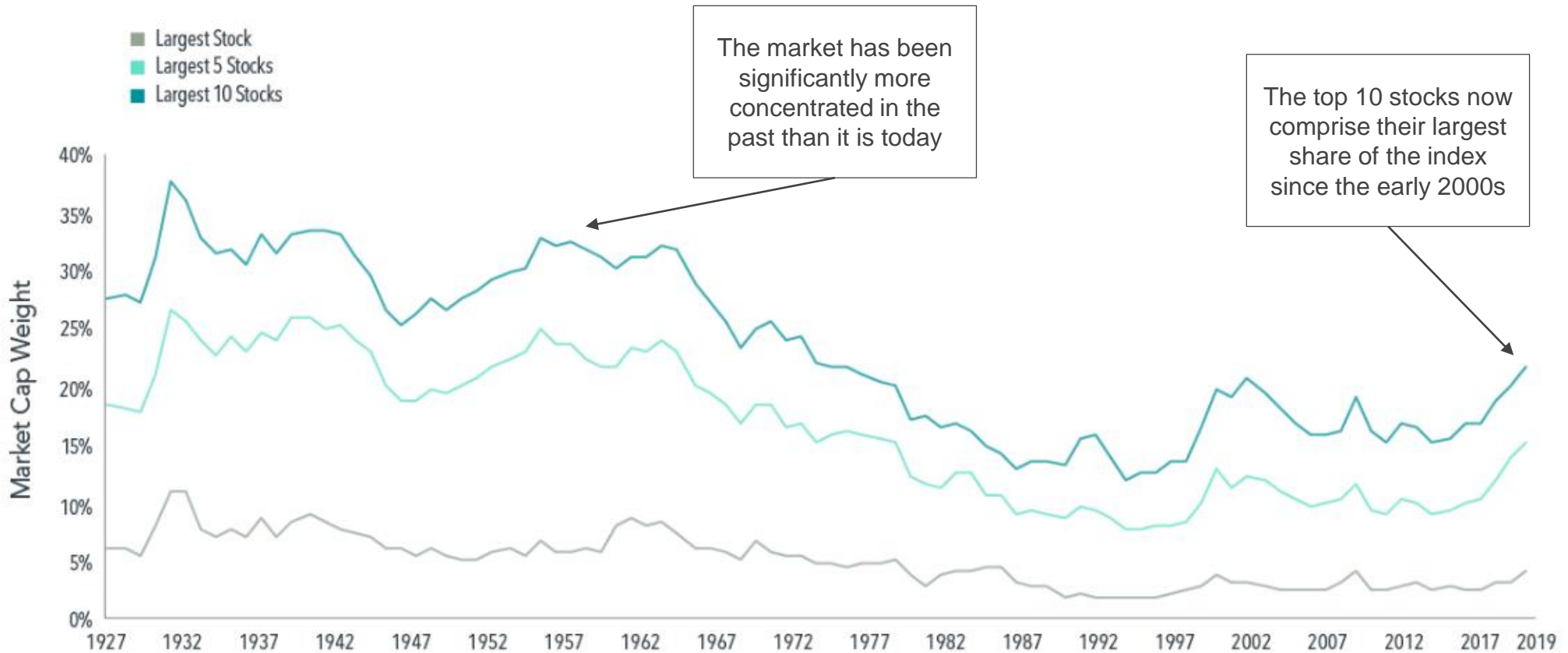
Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio.

Source: Morningstar Direct

The cap-weighted market is becoming increasingly concentrated



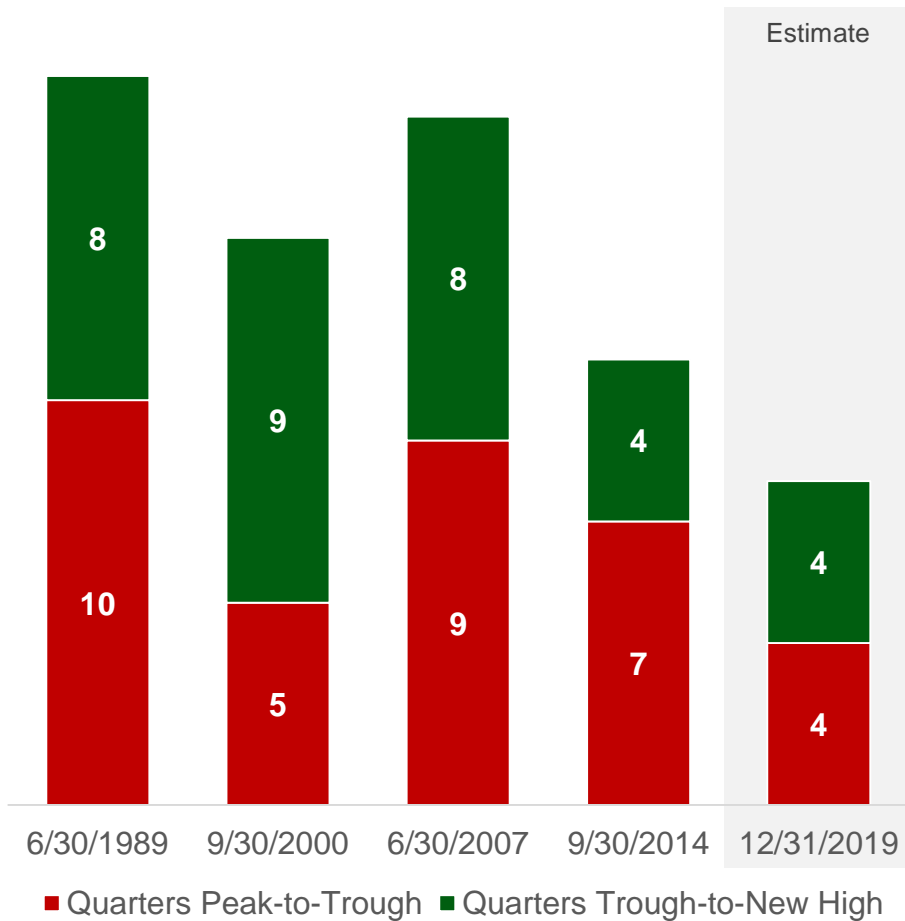
Weight of largest stocks by market capitalization in the U.S. stock market, 1927 – 2020



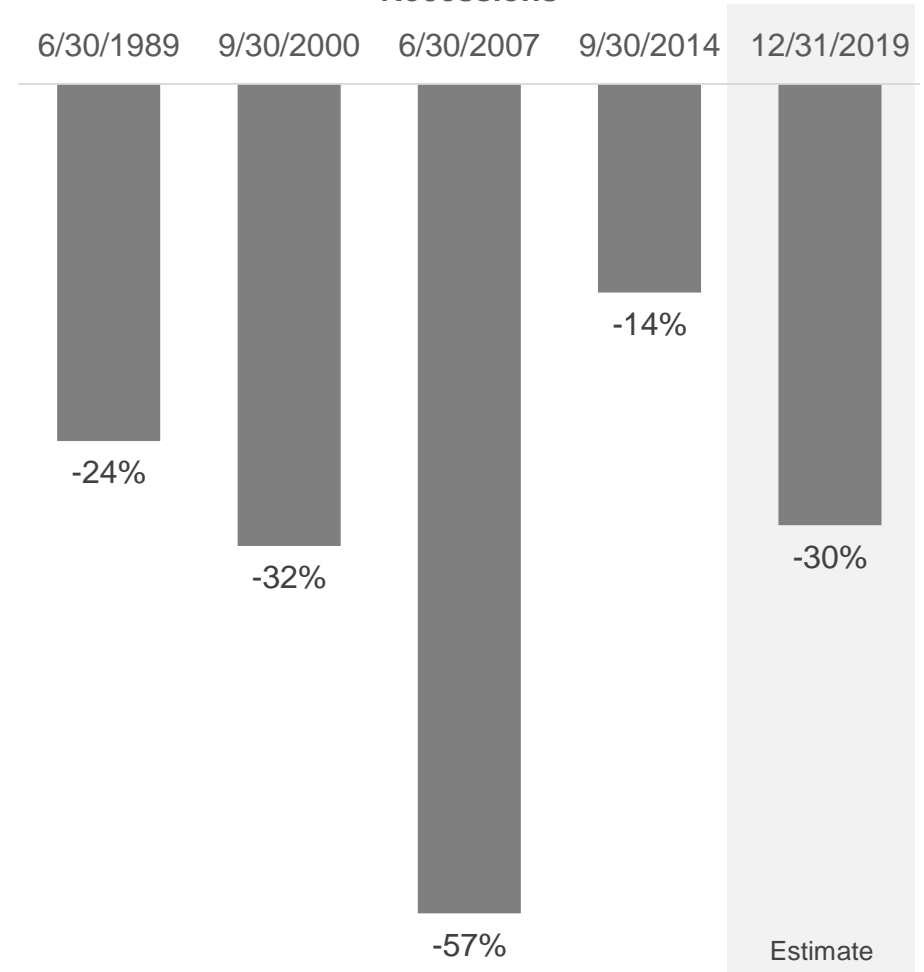
Analysts' forecasts for S&P 500 earnings might be a bit too optimistic



**S&P 500 Index Operating Earnings Per Share
Time from Peak-to-Trough-to New High During
Earnings Recessions (Quarters)**



**Total Peak-to-Trough Decline in S&P 500 Index
Operating Earnings Per Share During Earnings
Recessions**



Note: Based on quarterly trailing twelve-month S&P 500 earnings per share. "Earnings recession" is defined as two consecutive quarters of negative year-over-year EPS growth. Peak in earnings is defined as the high in absolute EPS levels attained prior to an earnings recession, while trough in earnings is defined as the low in absolute EPS levels attained subsequent to the onset of an earnings recession.

Source: Kathmere calculations based on data from S&P Dow Jones Indexes

Important disclosures



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The performance of the hypothetical asset allocation portfolios was derived from the retroactive application of a model based on investments made during the first month following a bear markets bottom in global stocks and equity hedge funds. The graphs are intended to show how diversification and different asset mixes perform over time and is not intended to represent actual portfolio returns or any strategy currently or previously offered by Kathmere. The graphs are for illustrative and educational purposes only. The returns are shown gross of fees.

Important risk disclosures



The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. To determine which investment(s) may be appropriate for you, consult your financial advisor prior to investing.

Economic forecasts set forth may not develop as predicted and there can be no guarantee that strategies promoted will be successful.

There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not ensure against market risk.

Tactical allocation may involve more frequent buying and selling of assets and will tend to generate higher transaction cost. Investors should consider the tax consequences of moving positions more frequently.

Stock Investment Risk

Stock investing involves risk including loss of principal.

Investing in stock includes numerous specific risks including: the fluctuation of dividend, loss of principal and potential illiquidity of the investment in a falling market.

Investing in foreign and emerging markets securities involves special additional risks. These risks include, but are not limited to, currency risk, geopolitical risk, and risk associated with varying accounting standards. Investing in emerging markets may accentuate these risks.

Currency risk is a form of risk that arises from the change in price of one currency against another. Whenever investors or companies have assets or business operations across national borders, they face currency risk if their positions are not hedged.

Bond Investment Risk

Bonds are subject to market and interest rate risk if sold prior to maturity. Bond and bond mutual fund values and yields will decline as interest rates rise and bonds are subject to availability and change in price.

Government bonds and Treasury bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. However, the value of fund shares is not guaranteed and will fluctuate.

High-yield/junk bonds are not investment-grade securities, involve substantial risks, and generally should be part of the diversified portfolio of sophisticated investors.

Municipal bonds are subject to availability, price, and to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rate rise. Interest income may be subject to the alternative minimum tax. Federally tax-free but other state and local taxes may apply.

Investing in foreign and emerging markets debt securities involves special additional risks. These risks include, but are not limited to, currency risk, geopolitical and regulatory risk, and risk associated with varying settlement standards.

Important risk disclosures



Alternative Investments Risk

Alternative strategies may not be suitable for all investors and should be considered as an investment for the risk capital portion of the investor's portfolio. The strategies employed in the management of alternative investments may accelerate the velocity of potential losses.

Investing in real estate/REITs involves special risks such as potential illiquidity and may not be suitable for all investors. There is no assurance that the investment objectives of this program will be attained.

Commodity-linked investments may be more volatile and less liquid than the underlying instruments or measures, and their value may be affected by the performance of the overall commodities baskets as well as weather, geopolitical events, and regulatory developments.

The fast price swings of commodities may result in significant volatility in an investor's holdings.

There is a risk of substantial loss associated with trading commodities, futures, options, derivatives and other financial instruments. Before trading, investors should carefully consider their financial position and risk tolerance to determine if the proposed trading style is appropriate. Investors should realize that when trading futures, commodities, options, derivatives and other financial instruments one could lose the full balance of their account. It is also possible to lose more than the initial deposit when trading derivatives or using leverage. All funds committed to such a trading strategy should be purely risk capital.

Index descriptions



Bloomberg Barclays US Aggregate Index is a broad-based benchmark that measures the investment-grade, U.S. dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS, and CMBS (agency and non-agency).

Bloomberg Barclays US Aggregate 1-5 Years Index is a broad-based benchmark that measures the investment-grade, U.S. dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS, and CMBS (agency and non-agency) that have maturities of between 1 and 5 years and are publicly issued..

Bloomberg Barclays US Corporate High Yield Index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below.

MSCI Emerging Markets Index is a free-float-adjusted market-capitalization-weighted index that is designed to measure the equity market performance of emerging markets. The MSCI Emerging Markets Index consists of 23 emerging markets country indexes.

MSCI USA Enhanced Value Index captures large and mid-cap representation across the US equity markets exhibiting overall value style characteristics. The index is designed to represent the performance of securities that exhibit higher value characteristics relative to their peers within the corresponding GICS® sector. The value investment style characteristics for index construction are defined using three variables: Price-to-Book Value, Price-to-Forward Earnings and Enterprise Value-to-Cash flow from Operations.

MSCI USA Minimum Volatility (USD) Index aims to reflect the performance characteristics of a minimum variance strategy applied to the large and mid cap USA equity universe. The index is calculated by optimizing the MSCI USA Index, its parent index, in USD for the lowest absolute risk (within a given set of constraints). Historically, the index has shown lower beta and volatility characteristics relative to the MSCI USA Index.

MSCI USA Momentum Index is based on MSCI USA Index, its parent index, which captures large and mid cap stocks of the US market. It is designed to reflect the performance of an equity momentum strategy by emphasizing stocks with high price momentum, while maintaining reasonably high trading liquidity, investment capacity and moderate index turnover.

MSCI USA Sector Neutral Quality Index captures large and mid-cap representation across the US equity markets. The index aims to capture the performance of securities that exhibit stronger quality characteristics relative to their peers within the same GICS® sector by identifying stocks with high quality scores based on three main fundamental variables: high Return-on-Equity (ROE), low leverage and low earnings variability.

Index descriptions



MSCI World ex USA Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of 22 of the 23 developed markets included the MSCI World Index (excluding the US).

MSCI World ex USA Enhanced Value Index captures large and mid-cap representation across 22 Developed Markets (DM) countries exhibiting overall value style characteristics. The index is designed to represent the performance of securities that exhibit higher value characteristics relative to their peers within the corresponding GICS® sector. The value investment style characteristics for index construction are defined using three variables: Price-to-Book Value, Price-to-Forward Earnings and Enterprise Value-to-Cash flow from Operations.

MSCI World ex USA Momentum Index is based on MSCI World ex USA, its parent index, which includes large and mid cap stocks across 22 Developed Markets (DM) countries excluding the US. It is designed to reflect the performance of an equity momentum strategy by emphasizing stocks with high price momentum, while maintaining reasonably high trading liquidity, investment capacity and moderate index turnover.

MSCI World ex USA Sector Neutral Quality Index captures large and mid-cap representation across 22 Developed Markets (DM) countries. The index aims to capture the performance of securities that exhibit stronger quality characteristics relative to their peers within the same GICS® sector by identifying stocks with high quality scores based on three main fundamental variables: high Return-on-Equity (ROE), low leverage and low earnings variability.

MSCI World ex USA Minimum Volatility Index aims to reflect the performance characteristics of a minimum variance strategy applied to the MSCI large and mid cap equity universe across 22 Developed Markets (DM) countries. The index is calculated by optimizing the MSCI World ex USA Index, its parent index, for the lowest absolute risk (within a given set of constraints). Historically, the index has shown lower beta and volatility characteristics relative to the MSCI World ex USA Index.

MSCI World ex USA Small Cap Index captures small cap representation across 22 of 23 Developed Markets (DM) countries (excluding the United States).

S&P 500 Index is a market-capitalization-weighted index of the 500 largest U.S. publicly traded companies.

Russell 2000 Index is a small-cap stock market index of the smallest 2,000 stocks in the Russell 3000 Index.