CHIEF INVESTMENT OFFICE

Capital Market Outlook

August 26, 2024

All data, projections and opinions are as of the date of this report and subject to change.

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Macro Strategy—*Taking Stock of the Four Horsemen of U.S. Public Sector Finances:* The Four Horsemen of U.S. public sector financing are Demographics, Defense, Decarbonization and Debt. Each horse is riding high, triggering concerns among some investors of a looming financial apocalypse. We are not as gloomy. We foresee the maintenance of the status quo over the next few years—i.e., deficits remain large and debt levels concerning, overlaid with associated risks.

That said, America, in our opinion, enjoys more financial space than most other nations because 1) Uncle Sam's finances are backstopped by the most dynamic, innovation-led private sector in the world, which entails greater fiscal sustainability over the long run; 2) America's finances are supported by the world's reserve currency, the U.S. dollar, which makes U.S. government securities still among the safest and most desirable in the world; and 3) the U.S. enjoys the benefit of issuing debt in its own currency, allowing for a higher debt-carrying capacity relative to other nations. These structural advantages should help negate/neuter the Horsemen.

Market View—*The July-August Market Selloff and the Economic Cycle:* Global Equity Indexes have rebounded from the steep declines of late July and early August. We have previously pointed to several catalysts for the July-August drawdown, primarily the unwinding of yen carry trades but also a Federal Reserve (Fed) perceived to be behind the curve in cutting interest rates, weak consumer spending in the U.S. and China, less optimism on artificial intelligence (AI) investment, global geopolitics, and uncertainty about the U.S. presidential election.

But historically, the business cycle has also played a major role in determining the magnitude and duration of equity market pullbacks. In particular, whether or not the economy enters a recession has often been the main determinant of whether a period of market weakness is short-lived and relatively mild or becomes deeper and more extended.

Thought of the Week—*Two Years in: An Update on the Inflation Reduction Act and CHIPS Act:* Believe it or not, the U.S. has officially hit the two-year mark on the historic 2022 Inflation Reduction Act (IRA) and the CHIPS and Science Act. Revitalize America's manufacturing base, strengthen energy and technology security, create jobs—these were just some of the objectives of the two massive pieces of legislation. The question now becomes, what does the U.S. have to show for the last 24 months?

By some measures, a lot. Manufacturing construction spending reached $235 billion in June—up more than 80% since August 2022. Clean investment has soared, as have manufacturing jobs. Yet the rollout of projects has been far from smooth sailing. In fact, around 40% of major manufacturing projects announced in the first year of the IRA/CHIPS Act have since been delayed or paused. Our key takeaway for investors: This made-in-America buildout remains a work in progress and will evolve over years rather than quarters. With both parties in Washington committed to the revival of the U.S.' manufacturing base, we continue to believe that federal stimulus will be a tailwind for corporate earnings.

MACRO STRATEGY ▶

Joseph P. Quinlan
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MARKET VIEW ▶

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THOUGHT OF THE WEEK ▶

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MARKETS IN REVIEW ▶

Data as of 8/26/2024, and subject to change

Portfolio Considerations

We maintain an overweight to Equities, with a preference for higher quality U.S. Large- and Small-caps, and still favor a significant allocation to bonds in a diversified portfolio.

We reaffirm our guidance within Fixed Income of slightly long duration and a preference for quality across the segments and curve.

Through these periods of episodic volatility, asset class diversification is working again when it is needed most.

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MACRO STRATEGY

Taking Stock of the Four Horsemen of U.S. Public Sector Finances

Joseph P. Quinlan, Managing Director and Head of CIO Market Strategy

Ariana Chiu, Wealth Management Analyst

The Four Horsemen of U.S. public sector financing are Demographics, Defense, Decarbonization and Debt. Each horse is mounted and riding high, triggering concerns among some investors of a looming financial apocalypse.

We are not as gloomy—the end is not near. However, against a backdrop of unfavorable U.S. demographics, rising geopolitical tensions that necessitates more U.S. defense spending, a hotter planet requiring more capital to decarbonize the world; and mounting debt levels—given the above, we thought it a good time to saddle up and briefly review each horse.

Horse Number One: Demographics. America's demographics are relatively favorable versus other developed nations. But the financial costs associated with America's aging population—more than 11,200 Americans turn 65 every day in the U.S.—alongside mandatory entitlement programs like Social Security, Medicare and Medicaid are hardly inconsequential. Indeed, outlays for mandatory spending are expected to reach roughly $4.1 trillion in fiscal year (FY) 2024, or 14.5% of U.S. gross domestic product (GDP) (Exhibit 1A). That is up from $951 billion in FY 2000 (9.4% of GDP).

Looking forward, the math does not get any better. Because of higher life expectancy rates and lower birth rates, America's population is growing older. An aging population, in turn, means the number of beneficiaries of social programs is growing faster than the overall population and faster than GDP per person. Some numbers: According to the Social Security Administration, the population of those 65 or older will constitute 22% of the U.S. total by 2035, versus 17% in 2020. Owing to America's dwindling worker-to-beneficiary ratio, the Social Security Trust Fund, which provides at least half the income for nearly two-thirds of beneficiaries 65 and older, could run dry in about a decade.[1] Will it? No one knows for certain but suffice it to say that Horse Number One represents a colossal set of social, political and economic challenges in the years ahead.

Horse Number Two: Defense. Stating it bluntly, the world remains messy and disorderly, with no end in sight due to percolating geopolitical hotspots in Europe, the Middle East and Asia, in addition to 24/7 cybersecurity threats. To this point, as a recent report from the Rand Corporation noted, *"the United States confronts the most serious and the most challenging threats since the end of World War II."*[2] The upshot: U.S. defense spending is headed in one direction: up.

The Cold War of the 2020s means a ramping up of global military outlays, with annual global defense spending topping $2 trillion for the first time in 2021. Leading the charge is the U.S., whose defense budget totaled a record high of $858 billion in fiscal year 2023; that's a large figure, for sure, but it only equates to 3% of GDP, which is considered woefully inadequate by many given the number of geopolitical hotspots around the world. We don't expect U.S. defense spending as a percentage of GDP to revert back to the elevated levels of the first Cold War (6%+) but a more muscular national security apparatus is supported by both political parties. How much future defense spending crowds out other public sector programs remains to be seen.

Horse Number Three: Decarbonization. 2023 was the warmest year on record, according to the U.S. government, and based on estimates from Copernicus, 2024 may be even hotter. Meanwhile, June 2024 was the 15th straight month that global sea temperatures were at record highs. Around the world, droughts, fires, floods and other climate hazards are building in frequency and ferocity, piling pressure on governments to mitigate the destructive effects of climate change.

But cooling a hotter planet—decarbonizing, in other words—is not going to be cheap. Indeed, according to latest estimates from the International Energy Agency (IEA), the world will need to spend up to $2 trillion annually to reach the target of net zero emissions by 2050. Since the IRA was enacted, the federal government has invested nearly $80 billion in clean technologies,

Portfolio Considerations

America's financial health remains high on our watch list—and top of mind when constructing portfolios. We continue to favor broad diversification across multi-assets and having long-term Equity exposure in such areas as healthcare, defense/cybersecurity, energy/grid and commodities, as well as exposure quality Fixed Income.

[1] According to the Social Security's Trustees project, the Old-Age and Survivors Insurance Trust Fund could be depleted in 2033.

[2] "Commission on the National Defense Strategy," Rand Corporation, July 2024.

a figure accompanied by another roughly $415 billion in private investment. More public sector funds, however, will be needed to ensure a future of decarbonization. That means that at precisely the moment when U.S. finances are acutely stretched, and the U.S. is on the cusp of running a near $2 trillion deficit for FY 2024, federal outlays to curb greenhouse gas emissions will have to stay "higher-for-longer" well into the next decade.

Horse Number Four: Debt. Running fiscal deficits in Washington is as American as apple pie. Indeed, thanks to the costs of wars, a global financial crisis, a pandemic, unfunded tax cuts and stimulus programs, the last time the U.S. ran a federal budget surplus was roughly a quarter century ago (2001). As Uncle Sam's deficit-related borrowing needs have soared this century, so has accumulated debt. Gross public sector debt currently stands at around $27 trillion, or 97%, of GDP. In 2000, the comparable figures were $3.4 trillion and 34%, respectively.

What's more, whereas near-zero interest rates once made large debts relatively affordable, that's no longer the case. As the cost of borrowing has gone up over the past few years, so have net interest payments. Thanks to higher interest rates, net interest outlays on the U.S.' public debt rose by 38% in the first 10 months of this fiscal year. For FY 2024, net interest payments are expected to reach a record $892 billion, on par with—if not more than—U.S. defense spending (Exhibit 1B). According to the latest projections from the Congressional Budget Office (CBO), beginning in 2025, interest costs are expected to be greater in relation to GDP than at any point since 1940, when the CBO started collecting the data.

Exhibit 1: The Structural Growth in Mandatory Spending, Defense Outlays, and Debt Servicing.

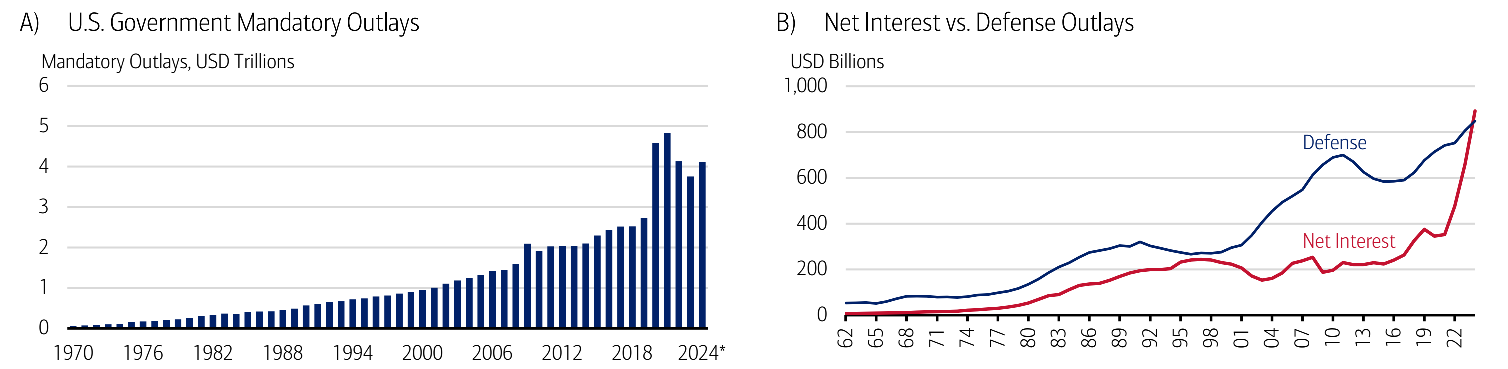


Exhibit 1A) X-axis refers to fiscal years. *Projection as of June 2024. Source: Congressional Budget Office. Data as of August 2024. Exhibit 1B) X-axis refers to fiscal years. 2024 data estimated as of June 2024. Source: Congressional Budget Office. Data as of August 2024.

How does it all end? No, the end is not near—the Four Horsemen are not about to apocalyptically lay waste to America's finances. But like it or not, investors are going to have to live with U.S. public sector finances that are less than optimal over the medium term. The Horsemen will remain perennial economic, financial, and political challenges to the U.S. because there is neither the political will to cut spending on politically sensitive programs, nor the appetite to run primary budget surpluses via higher taxes. Skimping on defense spending, decarbonization and debt servicing is not in the cards either.

We foresee a "muddling through" or status quo scenario over the next few years—i.e., deficits remain large and debt levels concerning, overlaid with associated risks. America, in our opinion, enjoys more financial space than most other nations because 1) Uncle Sam's finances are backstopped by the most dynamic, innovation-led private sector in the world, which entails greater fiscal sustainability over the long run; 2) America's finances are supported by the world's reserve currency, the U.S. dollar, which makes U.S. government securities still among the safest and most desirable in the world; and 3) the U.S. enjoys the benefit of issuing debt in its own currency, allowing for a higher debt-carrying capacity relative to other nations. These structural advantages should help negate/neuter the Horsemen.

For investors, constructing portfolios against this backdrop augers for broad diversification across multi-assets and having long-term equity exposure in such areas as healthcare, defense/cybersecurity, energy/grid, commodities, as well as exposure to high-quality Fixed Income. Tax efficiencies are also key, as are opportunities in non-U.S. assets.

The July-August Market Selloff and the Economic Cycle

Ehiwario Efeyini, Director and Senior Investment Strategist

Global Equity Indexes have rebounded from the steep declines of late July and early August. However, the speed of the recent selloff has reduced investor complacency in markets, particularly as it came on the back of an extended period of relatively low volatility. We have previously pointed to several catalysts for the July-August drawdown, primarily the unwinding of yen carry trades but also a Fed perceived to be behind the curve in cutting interest rates, weak consumer spending in the U.S. and China, less optimism on AI investment, global geopolitics and uncertainty about the U.S. presidential election.

But historically, the business cycle has also played a major role in determining the magnitude and duration of equity market pullbacks. The most severe instances of market weakness have typically occurred around contractions in the real economy. And by contrast, periods of economic expansion have usually been associated with a trend rise in Equity index levels and more limited market downdrafts. That is to say, whether selloffs such as that witnessed in July-August have developed into anything more persistent has largely depended on the state of economic growth and corporate earnings. In particular, whether or not the economy enters a recession has often been the main determinant of whether a period of market weakness is short-lived and relatively mild or becomes deeper and more extended.

We remain of the view that current conditions point away from an imminent recession for the U.S. economy. And our internal recession indicator also suggests a low current probability of recession at just 10.7% in the latest reading.[3] As a result, we would not expect the recent bout of market volatility to develop into a more protracted decline. Examining significant market pullbacks in past cycles, we find that they have occurred in all phases of the cycle. But we nonetheless also find a clear contrast between recessionary and non-recessionary pullbacks in terms of their magnitude, duration and time taken to recover.

The individual episodes of material market weakness highlight the consistency with which recessions have produced the deepest and most persistent market downturns of the post-war era, in contrast with the shallower and more brief downdrafts generally seen outside of recessions (Exhibit 2). And the aggregated profile of each recessionary and non-recessionary episode illustrates the large divergence between these two economic outcomes in terms of their implications for the direction of equity markets (Exhibit 3). This suggests that investors with longer time horizons might be less inclined to reposition for non-recessionary outcomes than for recessionary ones.

Investment Implications

We remain of the view that current conditions point away from an imminent recession for the U.S. economy. As a result, we would not expect the recent bout of market volatility to develop into a more protracted decline. Examining significant market pullbacks in past cycles, we find a clear contrast between recessionary and non-recessionary periods, with the latter typically associated with shallower, more brief periods of market weakness and faster recoveries. This suggests that investors with longer time horizons might be less inclined to reposition for non-recessionary outcomes than for recessionary ones.

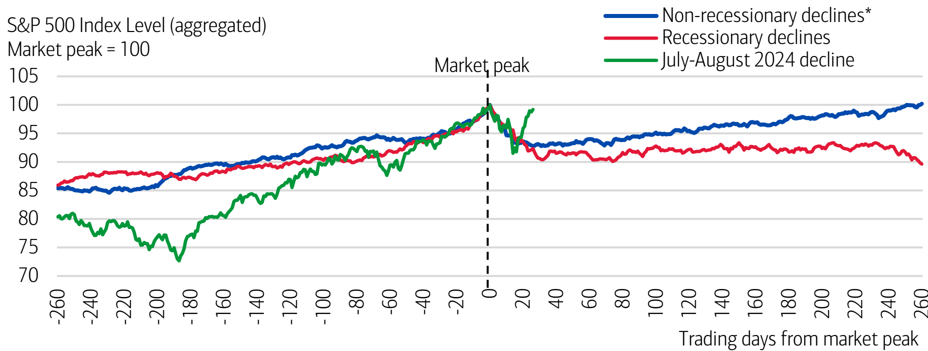
Exhibit 2: Equity Market Selloffs In Recessionary and Non-Recessionary Periods.

Recession start	S&P 500 peak-to-trough	Duration of market selloff (trading days)	(months)	Time to regain prior peak (trading days)	(months)
1948	-20.6%	259	12	409	19
1953	-14.8%	180	8	308	14
1957	-20.7%	71	3	306	14
1960	-13.9%	321	15	389	18
1969	-36.1%	388	18	851	40
1973	-48.2%	450	21	1960	92
1980	-17.1%	31	1	108	5
1981	-27.1%	444	21	503	24
1990	-19.9%	62	3	152	7
2001	-49.1%	663	31	1873	88
2007	-56.8%	369	17	1427	67
2020	-33.9%	23	1	129	6
Recessionary average	-29.9%	272	13	701	33
Non-recessionary average*	-16.0%	88	4	130	6

* For equity market selloffs of 10% or more. Sources: Chief Investment Office; Bloomberg. Data as of August 22, 2024. It is not possible to invest directly in an index. Please refer to index definitions at the end of this report. **Past performance is no guarantee of future results.**

[3] The Recession Indicator is a logistic regression of four macroeconomic variables (initial claims, housing starts, industrial production, vehicle sales) against recessionary and non-recessionary periods since January 1970.

Exhibit 3: Recessionary vs. Non-recessionary Market Declines: A significant Divergence.



Aggregated S&P 500 index levels for post WWII period. *For equity market selloffs of 10% or more. Sources: Chief Investment Office; Bloomberg. Data as of August 21, 2024. It is not possible to invest directly in an index. Please refer to index definitions at the end of this report. **Past performance is no guarantee of future results.**

Looking across the major market selloffs of the post-war period, we would take away at least five main conclusions.

1. Major market pullbacks have historically occurred both during periods of economic expansion and periods of economic contraction. Since 1945, we count 40 episodes in which the S&P 500 registered a peak-to-trough decline of 10% or more. Of these 40 cases, 12 were associated with recessions for the U.S. economy, and the remaining 28 took place outside of recessions while the economy was growing. Investors can therefore expect periods of heightened volatility at any point in the cycle. But given that the economy has been in recession only 13% of the time during the entire post-war period, these major pullbacks have been far more likely to occur in a contracting economy than at a time of economic growth.
2. The deepest historical market declines have taken place in recessions. A total of eight of the 12 post-war recessionary market declines reached the 20% threshold generally accepted as constituting a bear market. By contrast, only five of the 28 post-war declines of 10%-plus that happened outside of recessions were of this magnitude. The single deepest recessionary peak-to-trough drawdown for the S&P 500 was 56.8% during the 2007/2008 financial crisis, well in excess of the deepest non-recessionary decline of 31.7%, registered in the crash of 1987. The most severe periods of retrenchment for the broad market have therefore not occurred when the economy has been in expansion.
3. Market declines associated with periods of recession have also been much larger on average than those associated with non-recessionary periods. The mean recessionary decline for the S&P 500 since 1945 has been 29.9% (median 23.9%), whereas the mean non-recessionary 10%-plus decline has been a much lower 16.0% (median 14.0%).
4. The market pullbacks that happen during periods of economic expansion tend to be relatively short in duration, while the periods of market weakness associated with recessions tend to be much more persistent. The average length of the 12 post-war recessionary market declines has been 272 trading days (13 months), versus an average across the 28 non-recessionary declines of 88 trading days (4 months). Investors have therefore had to be very nimble to capture major market drawdowns during expansions, but typically have had more time to reposition for market weakness during times of recession.
5. By the same token, recoveries from market drawdowns have usually been much quicker when the economy has remained in expansion. On average, following 10%-plus pullbacks for the S&P 500 outside of recessions, the broad market has regained its prior peak in 6 months. But for recessionary market declines, the average time taken to climb back to prior peaks has been close to 3 years (33 months). Indeed, even for the five most severe non-recessionary declines (which have an average peak-to-trough magnitude close to that of a typical recession), the average time taken to recover has been close to half of that seen in recessions at 18 months. And when the same five declines are excluded, the average recovery time for non-recessionary drawdowns falls to just over 3 months.

Therefore, while the July-August volatility in global equity markets has been extreme, ongoing economic expansion would tend to suggest that it would be less likely to develop into a longer-lasting period of market weakness for which we might be inclined to adopt a more cautious stance.

THOUGHT OF THE WEEK

Two Years in: An Update on the Inflation Reduction Act and CHIPS Act

Ariana Chiu, Wealth Management Analyst

It's been two years since the IRA and the CHIPS and Science Act were passed, so we thought it a good time to take stock of what has transpired over the past 24 months.

The IRA and CHIPS Act were designed to kill many birds with one stone: Revitalize America's manufacturing base, strengthen energy and technology security, power U.S. economic competitiveness vis-à-vis China, and create good ol' American jobs. And by some measures, the massive spending programs have had their desired effect: Manufacturing construction spending reached $235 billion in June—up more than 80% since August 2022 (Exhibit 4A).[4] Clean investment accounted for more than half of the rise in total U.S. private investment between Q2 2022 and Q2 2024.[5] Meanwhile, since the IRA's passage, some 80,000 jobs have been added in Republican states alone.[6]

But the rollout of projects, whether in renewable energy or semiconductor production, has been far from smooth sailing. In fact, a recent report by the *Financial Times* revealed that around 40% of the major manufacturing projects announced in the first year of the IRA and CHIPS Act have been delayed or paused. Exhibit 4B breaks it down: While the first year saw more than $220 billion in project announcements, around $85 billion have since been delayed, paused or cancelled. Headwinds range from permit delays to financing challenges to lower electric vehicle (EV) demand to election uncertainty. In many cases, production timelines originally scheduled to begin this year or next have been pushed out to begin in 2026-2027 and beyond.

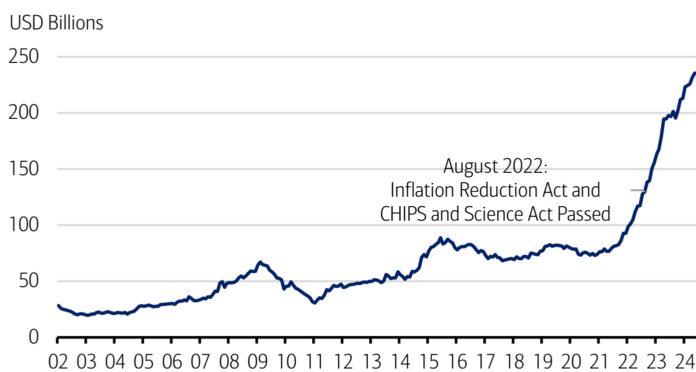
The bottom line: It's becoming increasingly clear that transitioning toward made-in-America chips, solar panels, critical minerals and more will take longer than originally thought, and that reducing dependence on China for various strategic commodities needed to power the green transition (think graphite and lithium) remains a work in progress. However, with both parties committed to building out the U.S.' manufacturing base, we continue to believe that, no matter who wins come November, the U.S. manufacturing buildout is here to stay—boding well for hard assets and infrastructure beneficiaries long-term.

Portfolio Considerations

A large buildout in U.S. clean technology and semiconductor manufacturing is underway. While election uncertainty is expected to persist leading into November, bipartisan support for infrastructure and energy transition spending should benefit key commodities long-term. We remain constructive on industrials as federal stimulus targeted at reshoring stands to support the construction, transportation, machinery, and logistics industries in the coming years.

Exhibit 4: Taking Stock of U.S. Industrial Policy.

A) Manufacturing Construction Spend Reaches $235 Billion



B) Major IRA/CHIPS Manufacturing Projects Have Been Delayed, Paused, or Cancelled.

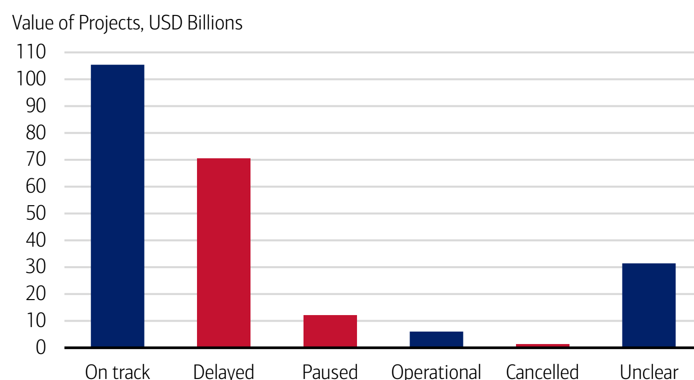


Exhibit 4A) Source: Census Bureau. Data as of August 1, 2024. Exhibit 4B) Projects include those announced in the first year of the IRA/CHIPS Act of at least $100 million. Source: *Financial Times*. Data as of August 11, 2024.

[4] Census Bureau. Data as of August 1, 2024.

[5] "Clean Investment Monitor: Tallying the Two-Year Impact of the Inflation Reduction Act," Rhodium Group, August 7, 2024.

[6] BofA Global Research. Data as of August 12, 2024.

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MARKETS IN REVIEW

Equities

	Total Return in USD (%)			
	Current	WTD	MTD	YTD
DJIA	41,175.08	1.3	1.0	10.6
NASDAQ	17,877.79	1.4	1.7	19.7
S&P 500	5,634.61	1.5	2.1	19.2
S&P 400 Mid Cap	3,096.25	2.9	0.1	12.4
Russell 2000	2,218.70	3.6	-1.5	10.4
MSCI World	3,649.56	1.8	2.3	16.3
MSCI EAFE	2,439.48	2.8	2.6	11.3
MSCI Emerging Markets	1,100.68	0.7	1.7	9.6

Fixed Income†

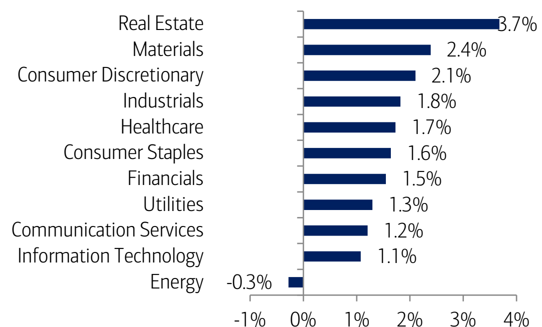
	Total Return in USD (%)			
	Current	WTD	MTD	YTD
Corporate & Government	4.25	0.64	1.92	3.50
Agencies	4.28	0.39	1.11	3.47
Municipals	3.44	0.09	0.78	1.28
U.S. Investment Grade Credit	4.34	0.67	1.96	3.60
International	4.86	0.75	2.18	4.11
High Yield	7.31	0.71	1.42	6.07
90 Day Yield	5.13	5.21	5.28	5.33
2 Year Yield	3.92	4.05	4.26	4.25
10 Year Yield	3.80	3.88	4.03	3.88
30 Year Yield	4.09	4.14	4.30	4.03

Commodities & Currencies

	Total Return in USD (%)			
Commodities	Current	WTD	MTD	YTD
Bloomberg Commodity	229.24	0.9	0.3	1.2
WTI Crude $/Barrel††	74.83	-2.4	-4.0	4.4
Gold Spot $/Ounce††	2512.59	0.2	2.7	21.8

	Total Return in USD (%)			
Currencies	Current	Prior Week End	Prior Month End	2022 Year End
EUR/USD	1.12	1.10	1.08	1.10
USD/JPY	144.37	147.63	149.98	141.04
USD/CNH	7.12	7.16	7.23	7.13

S&P Sector Returns



Sources: Bloomberg; Factset. Total Returns from the period of 8/19/2024 to 8/23/2024. †Bloomberg Barclays Indices. ††Spot price returns. All data as of the 8/23/2024 close. Data would differ if a different time period was displayed. Short-term performance shown to illustrate more recent trend. **Past performance is no guarantee of future results.**

Economic Forecasts (as of 8/16/2024)

	2024E	Q1 2024A	Q2 2024A	Q3 2024E	Q4 2024E	2025E
Real global GDP (% y/y annualized)	3.2	-	-	-	-	3.3
Real U.S. GDP (% q/q annualized)	2.7	1.4	2.8	2.5	2.0	2.2
CPI inflation (% y/y)	3.1	3.2	3.2	3.0	2.9	2.3
Core CPI inflation (% y/y)	3.4	3.8	3.4	3.3	3.2	2.7
Unemployment rate (%)	4.0	3.8	4.0	4.1	4.1	4.1
Fed funds rate, end period (%)	4.88	5.33	5.33	5.13	4.88	3.88

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

A = Actual. E/* = Estimate.

Sources: BofA Global Research; GWIM ISC as of August 16, 2024.

Asset Class Weightings (as of 8/6/2024)

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

CIO Equity Sector Views

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

CIO asset class views are relative to the CIO Strategic Asset Allocation (SAA) of a multi-asset portfolio. Source: Chief Investment Office as of August 6, 2024. All sector and asset allocation recommendations must be considered in the context of an individual investor's goals, time horizon, liquidity needs and risk tolerance. Not all recommendations will be in the best interest of all investors.

Index Definitions

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

S&P 500 Index is a market-capitalization-weighted index that is widely regarded as the best single gauge of large-cap U.S. equities. The index includes 500 leading companies and covers approximately 80% of available market capitalization.

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Investing involves risk, including the possible loss of principal. Past performance is no guarantee of future results.

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