



Russian invasion rattles the world.

Monthly Snapshot

- Global equities saw their 2022 losses deepen during February, although they fell by less than in January. Russia was unsurprisingly the worst-performing country.
- Government-bond rates increased across maturities for the month, rising sharply through mid-February before partially retreating during the second half of the period.
- There are always uncertainties to consider when it comes to investing; currently, we are focused on geopolitical risk and the economic fallout from Russia's invasion of Ukraine.

Global equities saw their 2022 losses deepen during February, although they fell by less than in January. Russia was unsurprisingly the worst-performing country, with the MSCI Russia Index plunging by 52.75% for the month; shares cratered as its invasion of Ukraine invited sanctions from around the world that crippled its financial markets.

Russia (which accounted for roughly 3% of the MSCI Emerging Markets Index as of January 31, 2022) weighed on emerging markets, which slightly lagged developed markets in February. A boost from commodity exporters in Latin America helped to minimize the gap between emerging- and developed-market performances.

Among major equity markets, the U.K. was the best performer with a small gain. Japan declined but fared better than both Europe and the U.S., while Hong Kong and China had steeper selloffs.

Value-oriented shares continued to fall by considerably less than their growth-oriented counterparts. Globally, the only equity sectors with positive performance were materials and energy.

Government bond rates increased across maturities in the U.S., U.K. and eurozone during February. Rates rose sharply through mid-month before partially retreating during the second half of the month. Long-term U.S. Treasury yields fell significantly in late February, flattening the Treasury yield curve.

Emerging-market debt plummeted during the month, most sharply within local-currency assets, and most other areas of fixed income were also down. Inflation-indexed securities were positive.

Commodity prices made a subdued advance for most of February before catapulting higher in the final days of the month (and into the beginning of March) as markets reacted to the unfolding attack on Ukraine. The Bloomberg Commodity Index increased by 6.2% in February, while Brent and West-Texas Intermediate crude oil prices gained 9.8% and 8.6%, respectively, before racing past the \$100 per barrel mark on March 1. Russian oil prices actually declined at the end of February as refiners and lenders began to limit financial commitments with Russian producers.

Ukraine's emergency service reported in early March that more than 2,000 civilians had been killed during Russia's invasion. The Russian Defense Ministry stated that 498 soldiers had been killed and more than 1,500 wounded, significantly below the

Key Measures: February 2022

| EQUITY | |
|---|-----------|
| Dow Jones Industrial Average | -3.29% ↓ |
| S&P 500 Index | -2.99% ↓ |
| NASDAQ Composite Index | -3.35% ↓ |
| MSCI ACWI Index (Net) | -2.58% ↓ |
| BOND | |
| Bloomberg Global Aggregate Index | -1.19% ↓ |
| VOLATILITY | |
| Chicago Board Options Exchange Volatility Index | 30.15 ↑ |
| <small>PRIOR Month: 24.83</small> | |
| OIL | |
| WTI Cushing crude oil prices | \$95.72 ↑ |
| <small>PRIOR Month: \$88.15</small> | |
| CURRENCIES | |
| Sterling vs. U.S. dollar | \$1.34 ↓ |
| Euro vs. U.S. dollar | \$1.12 ↓ |
| U.S. dollar vs. yen | ¥114.97 ↓ |

Sources: Bloomberg, FactSet, Lipper

5,800 Russian casualties reported by Ukrainian officials. Approximately one million Ukrainians had fled their country by early March.

Western nations responded to Russia's offenses with an array of sanctions, bans, and other coordinated actions—largely focused on disrupting the country's financial, energy, technology and transportation activities, as well as state-owned enterprises and high-profile individuals in public and business positions.

In addition to having mounted a fierce resistance to Russia's invasion, Ukraine submitted a formal application for admission to the EU. NATO activated its Response Force for the first time, calling up 40,000 troops to bolster the eastern part of the alliance in the face of intensifying aggression toward Ukraine.

The European Commission, France, Germany, Italy, the U.K., Canada, and the U.S. committed to removing Russian banks from the SWIFT (Society for Worldwide Interbank Financial Telecommunication) messaging system for financial payments; block the Russian Central Bank from deploying its international reserves; limit the sale of citizenship to wealthy Russians; and launch a transatlantic task force to freeze the assets of sanctioned entities.

In practice, the moves have essentially blocked Russian entities from trade in major foreign currencies. Upon imposition of these coordinated sanctions, the Russian Central Bank was forced to hike its benchmark rate from 9.5% to 20%; offer unlimited liquidity support to banks as they faced runs; raise capital controls on exporters and residents; and shutter its financial markets.

Corporations across industries began to disentangle their relationships with Russia and Belarus at the end of February and in early March. Major energy companies announced withdrawals from Russian partnerships, including BP's large stake in Rosneft and joint ventures involving Exxon Mobil, Shell, Total and others.

Russian airlines were banned from Western airspace, largely crippling Russia's ability to maintain an international flight industry. Boeing and Airbus announced they would stop providing parts and services to Russian companies, which is expected to disrupt Russian domestic flight as well.

Economic Data

U.S.

- After cooling slightly in December and January, the still-robust pace of U.S. manufacturing growth accelerated in February as new orders growth jumped and employment growth slowed.
- Growth in the U.S. services sector accelerated sharply in February after nearly pausing altogether in January.
- New U.S. jobless claims moderated in February, ranging between 200,000 and 250,000 per week during the month.
- U.S. economic growth outpaced expectations in the fourth quarter of 2021, accelerating to an annualized pace of 7.0% from an annualized pace of 2.3% in the prior quarter.

U.K.

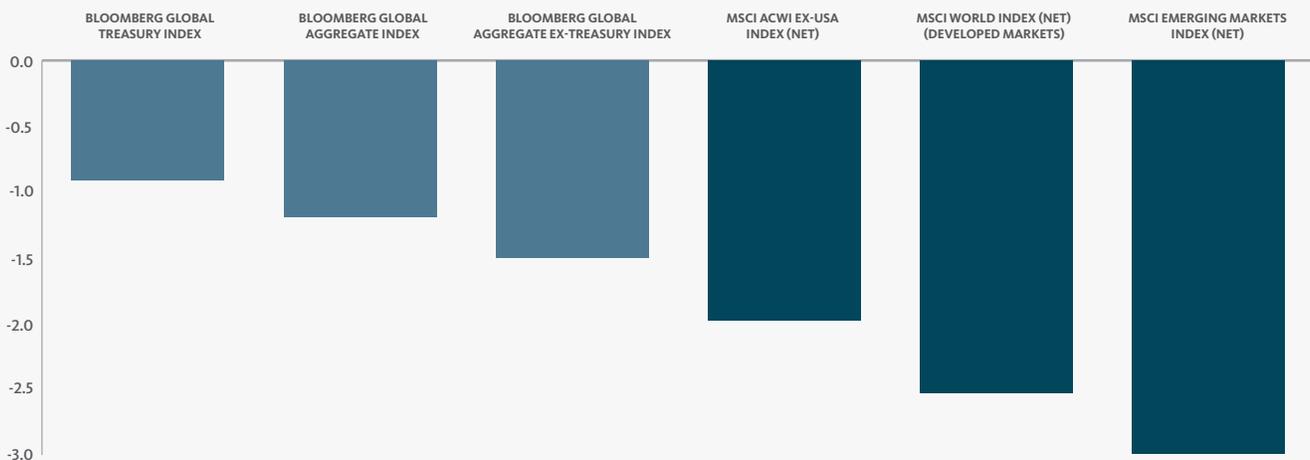
- U.K. manufacturing growth edged upward in February, returning to the high side of the generally strong expansion that has prevailed over the last six months.
- U.K. services activity exploded in February after cooling to a more modest expansion in December and January.
- The U.K. claimant count (which calculates the number of people claiming Jobseeker's Allowance) declined in December for the eleventh straight month, by roughly 32,000.

Eurozone

- Manufacturing growth in the eurozone remained strong in February, expanding at roughly the same pace as it has since September.
- The eurozone services sector leapt to healthier growth levels in February after slowing to a relatively anemic expansion in December and January.
- An early estimate of eurozone consumer price inflation measured 0.9% in February and 5.8% year over year, up from 0.3% and 5.1%, respectively, in January.

Major Index Performance in February 2022 (Percent Return)

■ FIXED INCOME ■ EQUITIES

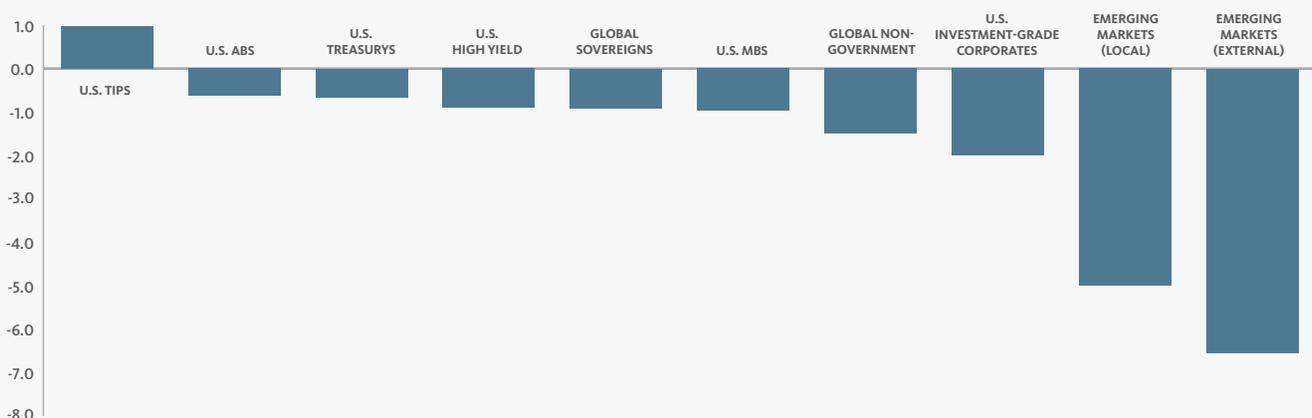


Sources: FactSet, Lipper

Central Banks

- The Federal Open Market Committee (FOMC) did not hold a meeting in February. Federal Reserve (Fed) Chair Jerome Powell stated at the beginning of March that he thinks a 0.25% increase in the fed-funds rate would be appropriate; if enacted at the FOMC’s mid-March meeting, this would be the central bank’s first rate hike since December 2018. The FOMC made a final \$30 billion round of new asset purchases in February after releasing a statement in January outlining principles for reducing the size of its balance sheet.
- The Bank of England’s (BOE) Monetary Policy Committee (MPC) reconvened at the beginning of February for its first meeting since raising its bank rate in December 2021—and issued its first back-to-back rate hike in 18 years with an increase of 25 basis points (bps) to 0.50%. (A large minority of MPC members voted for a more aggressive 50 bps increase to counteract high inflation.) Additionally, the central bank said it intends to reduce the size of its balance sheet by ceasing to re-invest proceeds from its asset-purchase program.
- The European Central Bank (ECB) also held its inaugural meeting of 2022 at the beginning of February, after which ECB President Christine Lagarde acknowledged that the widespread stress inflation has caused will likely continue over the short term. Following Russia’s invasion of Ukraine, Lagarde pledged that the ECB “will ensure smooth liquidity conditions and access of citizens to cash,” and that it “stands ready to take whatever action is needed to fulfil its responsibilities to ensure price stability and financial stability in the euro area.”
- The Bank of Japan (BOJ) also held no meetings on monetary policy in February. The central bank’s policy orientation remained fixed following its mid-January meeting, with its short-term interest rate at -0.1% and the 10-year government bond yield target near 0%—but its expectations increased for higher inflation. Previously, the BOJ announced that it would revert purchases of corporate bonds and commercial paper to pre-pandemic levels beginning in April.

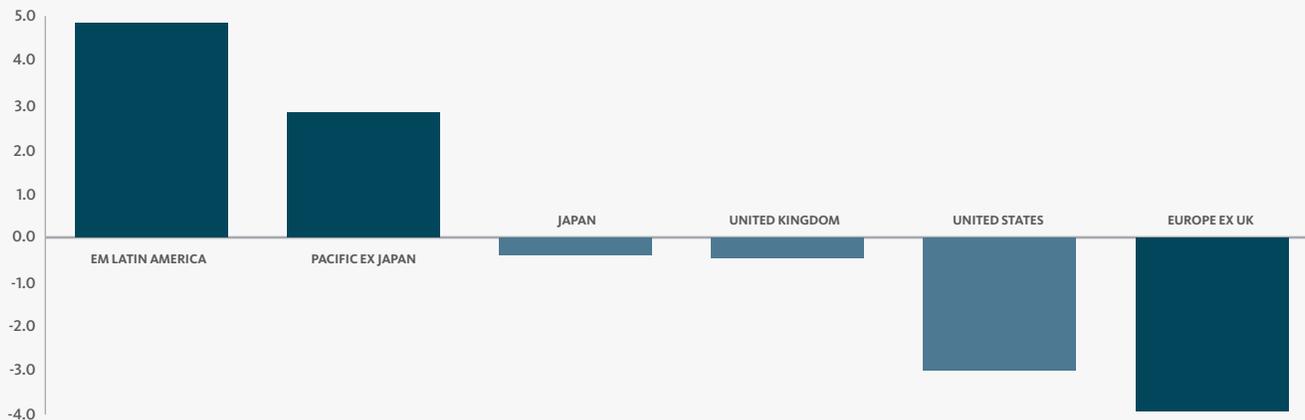
Fixed-Income Performance in February 2022 (Percent Return)



Sources: FactSet, Lipper. See “Corresponding Indexes for Fixed-Income Performance Exhibit” in the Index Descriptions section for more information.

Regional Equity Performance in February 2022 (Percent Return)

■ COUNTRIES ■ REGIONS



Sources: FactSet, Lipper. See “Corresponding Indexes for Regional Equity Performance Exhibit” in the Index Descriptions section for more information.

SEI’s View

We have been watching Russia’s escalating aggression toward Ukraine with the same dread that’s undoubtedly shared by much of the rest of the world.

As investment managers, we take a high degree of comfort from the fact that direct exposure to Russian assets was already quite low across capital markets before the invasion-induced selloff. Still, it’s important to consider second- and third-order consequences, including those resulting from sanctions and other associated actions, which could reverberate through markets for the foreseeable future.

We believe the primary impact on economic growth will be transmitted via commodity markets, with Europe sustaining the greatest impact. Economic growth will likely be hit in the near term, although it’s possible that the extent of any slowdown could be modest as disruptions associated with the COVID-19 Omicron variant rapidly fade and offset some of these headwinds. Households and businesses are in good financial shape heading into this crisis; while the monetary and fiscal response will likely be limited, the odds of an aggressive tightening of monetary policy this year are now considerably lower.

From an asset-allocation perspective, we are humble enough to know that skilled forecasting—even where it exists—does not warrant wholesale changes to portfolio allocations based on tactical views. This is particularly important to understand in the context of fast-moving geopolitical events. Efficient strategic portfolio construction through broad-based diversification helps to prepare our portfolios for adverse events before they happen. It’s much cheaper to buy insurance before the flood.

By acknowledging both risk and uncertainty, we seek to construct resilient portfolios designed to achieve success across a wide range of economic and market outcomes, not just benign environments where we can rely on strong growth and well-behaved inflation.

We are skeptical that the Fed will be sufficiently proactive as it struggles to balance full and inclusive employment against inflation pressures that are starting to look more entrenched.

Thinking about domestic issues, the year ahead still looks like it will be another one of tight labor markets, particularly in the U.S. We think more people will return to the workforce as COVID-19 fears ease, but there likely will remain a tremendous mismatch of demand and supply. U.S. wage gains have climbed at their fastest pace in decades over the past year. The U.K. also is experiencing a pronounced upswing in its labor-compensation trend. We think Brexit and the departure of foreign workers back to the Continent have aggravated the country's labor shortage.

Predicting a bad inflation outcome for 2022 isn't exactly much of a risk. Where we depart from the crowd on inflation is in the years beyond 2022. We are skeptical that the Fed will be sufficiently proactive as it struggles to balance full and inclusive employment against inflation pressures that are starting to look more entrenched. In our view, this will be the central bank's biggest challenge in 2022 and beyond.

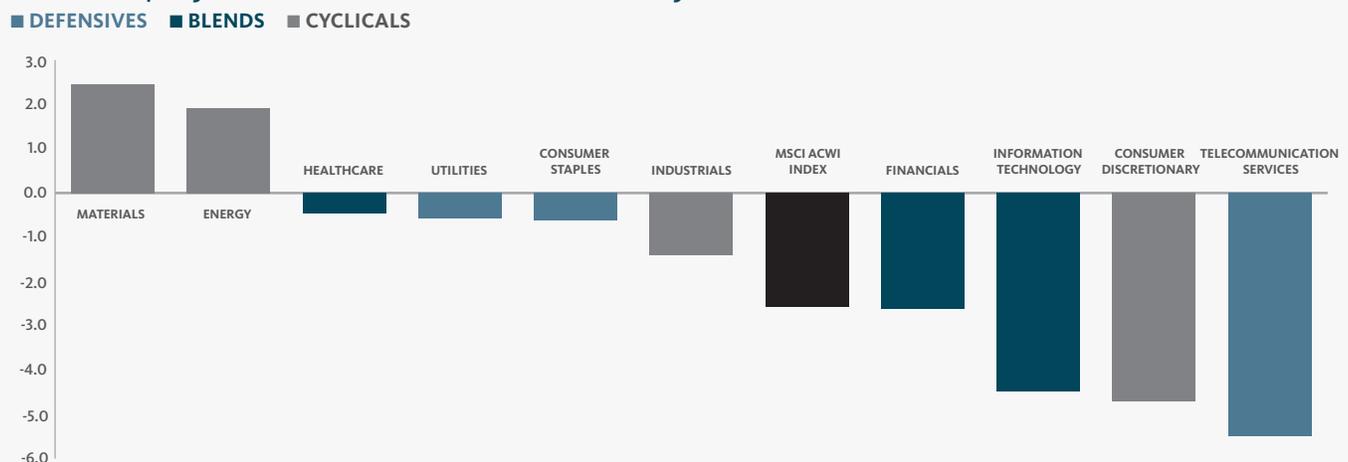
We also don't think the Fed's inflation and economic projections are internally consistent. Given its expectation that the economy will be even closer to full employment later into 2022 and beyond, we find it hard to understand why price pressures should ease so dramatically.

Even the central banks that are most likely to taper their asset purchases and raise policy rates in the months ahead will probably do so cautiously. By contrast, policy rates in emerging economies have already jumped.

It remains to be seen whether this pre-emptive tightening of monetary policy will forestall a 2013-style taper tantrum as the Fed embarks on its own rate-tightening cycle.

The People's Bank of China (PBOC) cut a key interest rate in December and then again in January, both by modest amounts. These cuts followed a reduction in reserve-requirement ratios aimed at increasing the liquidity available to the economy; it will take a while for any beneficial impact to be felt on China's domestic economy, and even longer for the world at large.

Global Equity Sector Performance in February 2022 (Percent Return)



Sources: FactSet, Lipper. MSCI ACWI Index Components (as defined by SEI).

In addition to the start of a new monetary tightening cycle, some economists have expressed concern about the next “fiscal cliff” facing various countries, the U.S. in particular. While there will be a negative fiscal impulse in the sense that the extraordinary stimulus of the past two years will not be repeated, we argue that the impact should be less contractionary than feared.

Perhaps economists should be more concerned about the negative fiscal impulse in the U.K., Canada, Germany, and Japan. They are each facing a potential fiscal tightening equivalent to 4% of GDP this year. By comparison, the International Monetary Fund predicts that the cyclically adjusted deficit in the U.S. will contract by less than 0.5% of GDP.

There are always uncertainties to consider when it comes to investing; currently, we are focused on three main areas of geopolitical risk. First, as we have stressed since the beginning of the year, Russian aggression toward Ukraine has been the most important flashpoint in terms of near-term probability and economic impact—especially now that it has escalated into a full-scale attack.

Next is the ongoing tug-of-war between China and the U.S. for influence and military advantage. Here, the most worrisome flashpoint would be over Taiwan given its dominant position in advanced semiconductor manufacturing.

The third major area of concern remains the Middle East and the negotiations with Iran over its nuclear development program. Two things are clear: Iran is now much closer to having a nuclear bomb, and Israel still will not tolerate such a major change in the region’s balance of power. The risk of such a war may still be low, but developments continue to head in a direction that could someday have catastrophic consequences.

In our view, the real anomaly in the financial markets is the ultra-low levels of interest rates in the face of higher inflation and above-average growth in much of the world. This may force central banks to adopt more aggressive interest-rate policies than they and market participants currently envision.

Glossary of Financial Terms

Commercial paper: Commercial paper is a type of short-term loan that is not backed by collateral and does not tend to pay interest.

Cyclical stocks: Cyclical stocks or sectors are those whose performance is closely tied to the economic environment and business cycle. Managers with a pro-cyclical market view tend to favor stocks that are more sensitive to movements in the broad market and therefore tend to have more volatile performance.

Fiscal cliff: A fiscal cliff refers to the reduction or withdrawal of government spending, an increase in taxation, or both.

Fiscal policy: Fiscal policy relates to decisions about government revenues and outlays, like taxation and economic stimulus.

Fiscal stimulus: Fiscal stimulus refers to government spending intended to provide economic support.

Inflation-Protected Securities: Inflation-protected securities are typically indexed to an inflationary gauge to protect investors from the decline in the purchasing power of their money. The principal value of an inflation-protected security typically rises as inflation rises, while the interest payment varies with the adjusted principal value of the bond. The principal amount is typically protected so that investors do not risk receiving less than the originally invested principal.

International Monetary Fund: The International Monetary Fund (IMF) is an international organization of 189 member countries that promotes global economic growth and financial stability, encourages international trade, and reduces poverty.

Monetary policy: Monetary policy relates to decisions by central banks to influence the amount of money and credit in the economy by managing the level of benchmark interest rates and the purchase or sale of securities. Central banks typically make policy decisions based on their mandates to target specific levels or ranges for inflation and employment.

Mortgage-Backed Securities: Mortgage-Backed Securities (MBS) are pools of mortgage loans packaged together and sold to the public. They are usually structured in tranches that vary by risk and expected return.

Quantitative easing: Quantitative easing refers to expansionary efforts by central banks to help increase the supply of money in the economy.

Taper tantrum: Taper tantrum describes the 2013 surge in U.S. Treasury yields, resulting from the U.S. Federal Reserve's announcement of future tapering of its policy of quantitative easing.

Yield: Yield is a general term for the expected return, in percentage or basis points (one basis point is 0.01%), of a fixed-income investment.

Yield curve: The yield curve represents differences in yields across a range of maturities of bonds of the same issuer or credit rating (likelihood of default). A steeper yield curve represents a greater difference between the yields. A flatter curve indicates the yields are closer together.

Index and Benchmark Descriptions

All indexes are quoted in gross performance unless otherwise indicated.

The Bloomberg 1-10 Year US TIPS Index measures the performance of inflation-protected public obligations of the U.S. Treasury that have a remaining maturity of 1 to 10 years.

The Bloomberg Commodity Index is composed of futures contracts and reflects the returns on a fully collateralized investment in the Index. This combines the returns of the Index with the returns on cash collateral invested in 13-week (3-month) U.S. Treasury bills.

The Bloomberg US Asset Backed Securities (ABS) Index measures the performance of ABS with the following collateral types: credit and charge card, auto and utility loans. All securities have an average life of at least one year.

The Bloomberg Global Aggregate Index is an unmanaged market-capitalization-weighted benchmark, tracks the performance of investment-grade fixed-income securities denominated in 13 currencies. The Index reflects reinvestment of all distributions and changes in market prices.

The Bloomberg Global Aggregate ex-Treasury Index is an unmanaged market index representative of the total-return performance of ex-Treasury major world bond markets.

The Bloomberg Global Treasury Index is composed of those securities included in the Bloomberg Global Aggregate Bond Index that are Treasury securities.

The Bloomberg US Corporate Bond Index is a broad-based benchmark that measures the investment-grade, fixed-rate, taxable corporate bond market.

The Bloomberg US Mortgage Backed Securities (MBS) Index measures the performance of investment-grade, fixed-rate, mortgage-backed, pass-through securities of Government National Mortgage Association (GNMA), Federal National Mortgage Association (FNMA) and Freddie Mac (FHLMC).

The Bloomberg US Treasury Index is an unmanaged index composed of U.S. Treasuries.

The Bloomberg Commodity Index is composed of futures contracts and reflects the returns on a fully collateralized investment in the Index. This combines the returns of the Index with the returns on cash collateral invested in 13-week (3-month) U.S. Treasury bills.

The Employment Cost Index is a quarterly economic series published by the U.S. Bureau of Labor Statistics that details the growth of total employee compensation. The index tracks movement in the cost of labor, as measured by wages and benefits, at all levels of a company.

The Chicago Board Options Exchange Volatility Index (VIX) tracks the expected volatility in the S&P 500 Index over the next 30 days. A higher number indicates greater volatility.

CBOE Volatility Index (VIX Index): The VIX Index tracks the expected volatility in the S&P 500 Index over the next 30 days. A higher number indicates greater volatility.

The Dow Jones Industrial Average is a widely followed market indicator based on a price-weighted average of 30 blue-chip New York Stock Exchange stocks that are selected by editors of *The Wall Street Journal*.

The Employment Cost Index is a quarterly economic series published by the U.S. Bureau of Labor Statistics that details the growth of total employee compensation. The index tracks movement in the cost of labor, as measured by wages and benefits, at all levels of a company.

The FTSE All-Share Index represents 98% to 99% of U.K. equity market capitalization. The Index aggregates the FTSE 100, FTSE 250 and FTSE Small Cap Indexes.

The ICE BofA U.S. High Yield Constrained Index contains all securities in The ICE BofA U.S. High Yield Index but caps exposure to individual issuers at 2%.

The ICE BofA U.S. High Yield Index tracks the performance of below-investment-grade, U.S. dollar-denominated corporate bonds publicly issued in the U.S. domestic market.

The JPMorgan EMBI Global Diversified Index tracks the performance of external debt instruments (including U.S. dollar-denominated and other external-currency-denominated Brady bonds, loans, eurobonds and local-market instruments) in the emerging markets.

JPMorgan GBI-EM Global Diversified Index tracks the performance of debt instruments issued in domestic currencies by emerging-market governments.

The MSCI ACWI Index is a market-capitalization-weighted index composed of over 2,000 companies, representing the market structure of 48 developed- and emerging-market countries in North and South America, Europe, Africa and the Pacific Rim. The Index is calculated with net dividends reinvested in U.S. dollars.

The MSCI ACWI ex-USA Index includes both developed- and emerging-market countries, excluding the U.S.

The MSCI Emerging Markets Index is a free float-adjusted market-capitalization-weighted index designed to measure the performance of global emerging-market equities.

The MSCI Emerging Markets Latin America Index captures large- and mid-cap representation across five emerging-market countries in Latin America.

The MSCI EMU (European Economic and Monetary Union) Index is a free float-adjusted market-capitalization-weighted index that is designed to measure the equity market performance of countries within EMU. The Index consists of the following 10 developed-market country indexes: Austria, Belgium, Finland, France, Germany, Ireland, Italy, Netherlands, Portugal and Spain.

The MSCI Europe ex-UK Index is a free float-adjusted market-capitalization-weighted index that captures large- and mid-cap representation across developed-market countries in Europe excluding the UK.

The MSCI Frontier Emerging Markets Index is a free float-adjusted market capitalization index designed to serve as a benchmark covering all countries from the MSCI Frontier Markets Index and the lower size spectrum of the MSCI Emerging Markets Index.

The MSCI Japan Index is designed to measure the performance of the large- and mid-capitalization stocks in Japan.

The MSCI Pacific ex Japan Index captures large- and mid-cap representation across four of five developed-market countries in the Pacific region (excluding Japan).

The MSCI Russia Index is designed to measure the performance of the large- and mid-cap segments of the Russian market. With 26 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in Russia.

MSCI United Kingdom Index is designed to measure the performance of the large- and mid-cap segments of the U.K. market.

MSCI USA Index measures the performance of the large- and mid-cap segments of the U.S. market.

The MSCI World Index is a free float-adjusted market-capitalization-weighted index designed to measure the equity market performance of developed markets. The Index consists of the following 23 developed-market country indexes: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the U.K. and the U.S.

The MSCI World ex-USA Index is a free float-adjusted market-capitalization-weighted index that is designed to measure the equity market performance of developed markets, excluding the U.S.

The NASDAQ Composite Index is a market-value-weighted index of all common stocks listed on the National Association of Securities Dealers Automated Quotations (NASDAQ) system.

Russell 1000 Growth Index measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 Index companies with higher price-to-book ratios and higher forecasted growth values.

The Russell 2000 Growth Index measures the performance of the small-cap growth segment of the U.S. equity universe. It includes those Russell 2000 Index companies with higher price-to-value ratios and higher forecasted growth values.

The Russell 1000 Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 Index companies with lower price-to-book ratios and lower expected growth values.

The Russell 2000 Value Index measures the performance of small-cap value segment of the U.S. equity universe. It includes those Russell 2000 Index companies with lower price-to-book ratios and lower forecasted growth values.

The Shenzhen Stock Exchange Composite Index tracks performance of A share stocks (which are denominated in renminbi, the local currency) and B share stocks (which are denominated in Hong Kong dollars, an offshore currency) on China's Shenzhen Stock Exchange.

The S&P 500 Index is a market-capitalization-weighted index that consists of 500 publicly-traded large U.S. companies that are considered representative of the broad U.S. stock market.

The TOPIX, also known as the Tokyo Stock Price Index, is a capitalization-weighted index of all companies listed on the First Section of the Tokyo Stock Exchange. The Index is supplemented by the subindexes of the 33 industry sectors. The Index calculation excludes temporary issues and preferred stocks, and has a base value of 100 as of January 4, 1968.

The U.S. Dollar Index (DXY Index) measures the value of the U.S. dollar relative to a basket of other currencies, including the currencies of some of the US's major trading partners: the euro, Swiss franc, Japanese yen, Canadian dollar, British pound, and Swedish krona.

Corresponding Indexes for Fixed-Income Performance Exhibit

| | |
|---|---|
| U.S. High Yield | ICE BofA U.S. High Yield Constrained Index |
| Global Sovereigns | Bloomberg Global Treasury Index |
| Global Non-Government | Bloomberg Global Aggregate ex-Treasury Index |
| Emerging Markets (Local) | JPMorgan GBI-EM Global Diversified Index |
| Emerging Markets (External) | JPMorgan EMBI Global Diversified Index |
| U.S. Mortgage-Backed Securities (MBS) | Bloomberg US Mortgage Backed Securities Index |
| U.S. Asset-Backed Securities (ABS) | Bloomberg US Asset Backed Securities Index |
| U.S. Treasurys | Bloomberg US Treasury Index |
| U.S. Treasury Inflation-Protected Securities (TIPS) | Bloomberg 1-10 Year US TIPS Index |
| U.S. Investment-Grade Corporates | Bloomberg US Corporate Bond Index |

Corresponding Indexes for Regional Equity Performance Exhibit

| | |
|------------------|--|
| United States | S&P 500 Index |
| United Kingdom | FTSE All-Share Index |
| Pacific ex Japan | MSCI Pacific ex Japan Index (Net) |
| Japan | TOPIX, also known as the Tokyo Stock Price Index |
| Europe ex U.K. | MSCI Europe ex UK Index (Net) |
| EM Latin America | MSCI Emerging Markets Latin America Index (Net) |

Disclosures

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There are risks involved with investing, including loss of principal. International investments may involve risk of capital loss from unfavorable fluctuation in currency values, from differences in generally accepted accounting principles or from economic or political instability in other nations. Emerging markets involve heightened risks related to the same factors as well as increased volatility and lower trading volume. Narrowly focused investments and smaller companies typically exhibit higher volatility. Bonds and bond funds will decrease in value as interest rates rise. High-yield bonds involve greater risks of default or downgrade and are more volatile than investment-grade securities, due to the speculative nature of their investments.

Diversification may not protect against market risk. Past performance does not guarantee future results. Index returns are for illustrative purposes only and do not represent actual portfolio performance. Index returns do not reflect any management fees, transaction costs or expenses. One cannot invest directly in an index.

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