PIMCO

Ahead of the Curve

Bonds are offering investors attractive opportunities right now

Q4 2024

Explore today's investment landscape and opportunities.

Our View

As the Fed enters its next phase, we expect bonds to do well across a range of environments. Investors, especially those sitting in cash, should consider getting ahead of changes by moving into bonds.

Key Takeaways

1 The rate of inflation is near the Fed's target, setting the stage for lower rates

2 While still low relative to history, rising unemployment may support rate cuts from the Fed

3 Recession or not, bonds have historically performed well after rate hikes

4 Starting Point: Bond yields are high

5 Higher returns have historically followed higher yields

6 As cutting cycles begin, a reversal in fixed income returns has tended to follow

7 Rate cuts can be an attractive time to invest cash into bonds, as history shows

8 Many fixed income sectors historically outperform following Fed cuts

9 While yields have decreased modestly from their peak, there may still be room to rally

10 Why Yield Matters: Higher yields anchor return potential across a range of scenarios

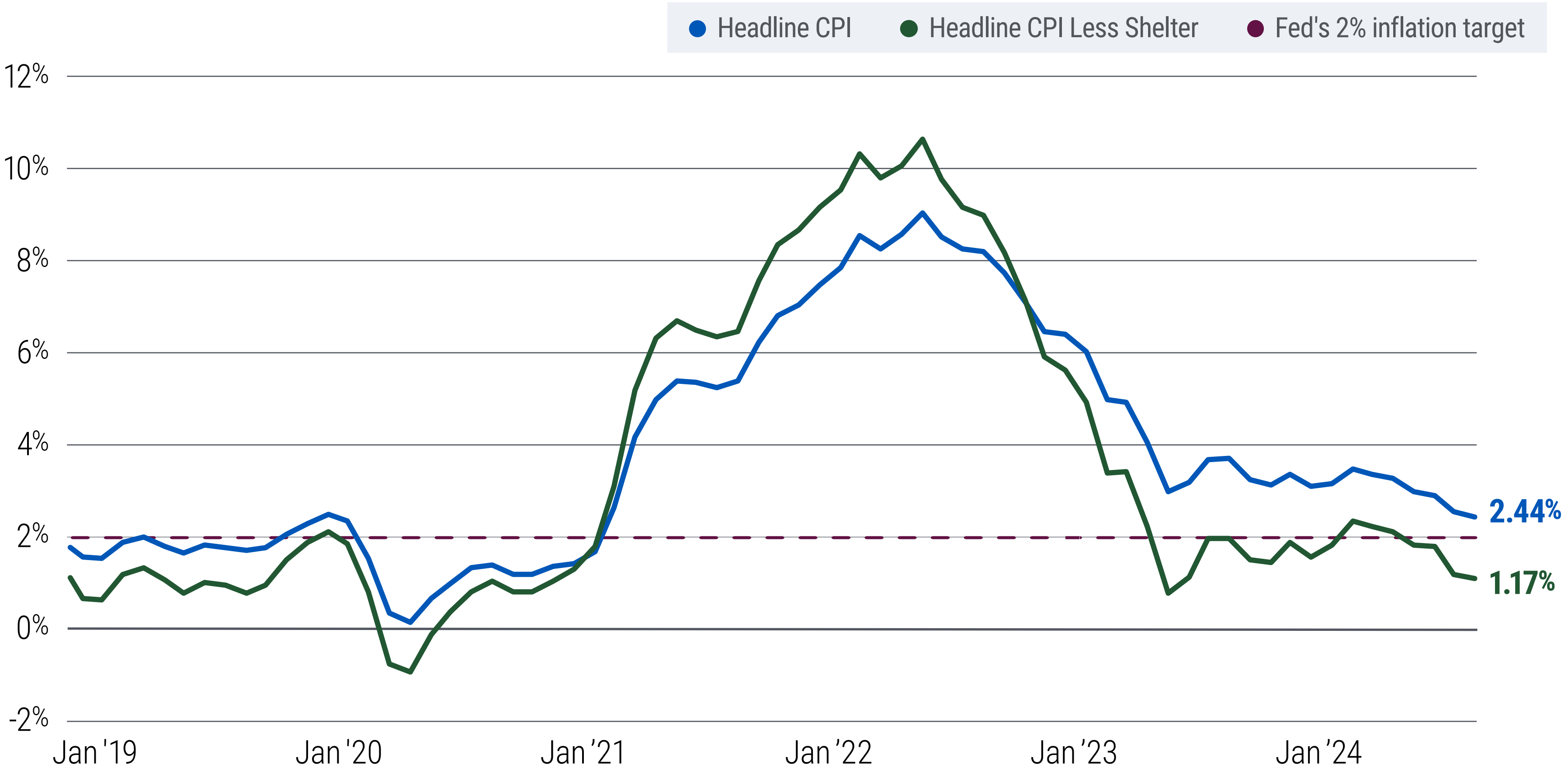
11 When stocks decline, bonds have provided attractive returns

12 The Active Advantage: Passive may make sense for equities, but bonds are different

As of 30 September 2024. Source: PIMCO
Refer to Appendix for additional outlook and risk information.

The rate of inflation is near the Fed's target, setting the stage for lower rates

Headline U.S. CPI inflation ex. shelter has been ~2% annualized since May 2023 and more recently, has fallen closer to pre-COVID levels

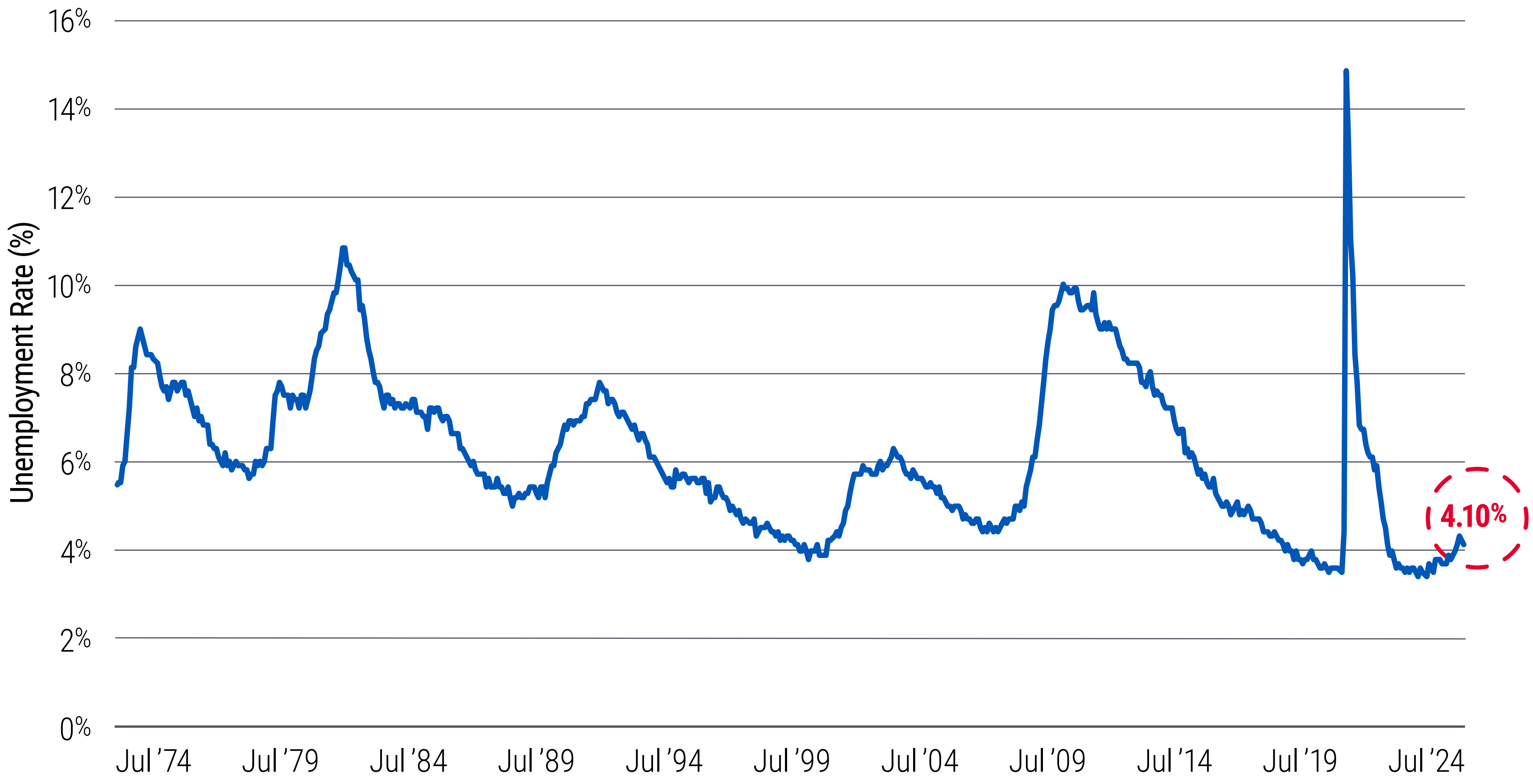


As of 30 September 2024. Source: Haver, PIMCO.
Refer to Appendix for additional forecast and outlook information.

WHAT IT MEANS FOR INVESTORS

Inflation is close to the Federal Reserve's target. While this doesn't mean prices are going down, they are rising less quickly and is why the Fed plans to lower rates.

While still low relative to history, rising unemployment may support rate cuts from the Fed



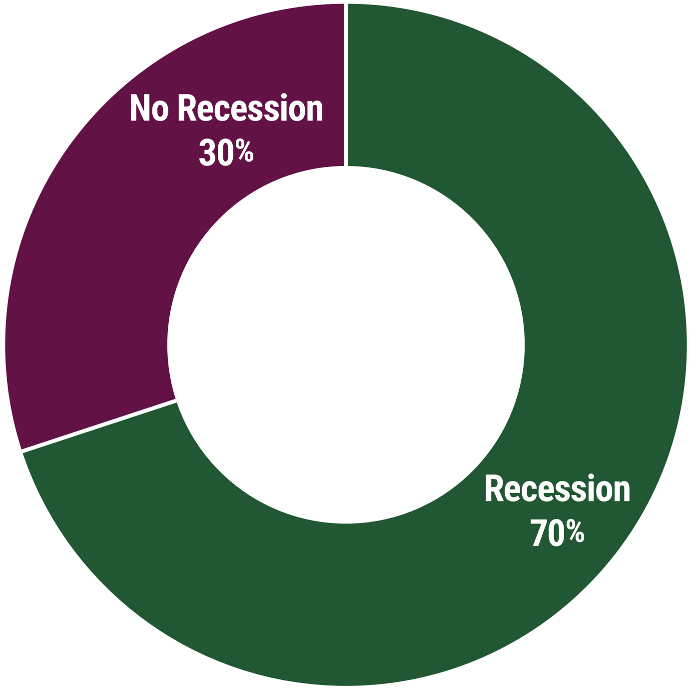
As of 30 September 2024. Source: FRED, PIMCO.

WHAT IT MEANS FOR INVESTORS

The Fed seeks to maintain stable prices and maximum employment. Rising unemployment is another indicator that may support the Fed's decision to lower interest rates.

Recession or not, bonds have historically performed well after rate hikes

Historically, across 120 global hiking cycles, how many have ended in a recession?



Post Peak Results[2] *3-years after peak (annualized)*	Recession*	No Recession*
3-yr. Estimated Equity Return	2.1%	11.0%
3-yr. Estimated Bond Return	7.3%	6.8%
3-yr. Estimated T-bill Return	1.1%	3.2%

WHAT IT MEANS FOR INVESTORS

After a central bank increases interest rates the economy often enters a recession in the years that follow. Historically bonds have performed well whether a recession occurs or not.

As of 30 September 2024. SOURCE: Haver, PIMCO Calculations. **For illustrative purposes only. Figure is not indicative of the past or future results of any PIMCO product or strategy. There is no assurance that the stated results will be achieved.**

* Recession (recession) is defined as having at least 2 quarters of sequential economic contraction, which occurs at some point within 4-years of the start of a rate hiking cycle. No recessions are everything else.

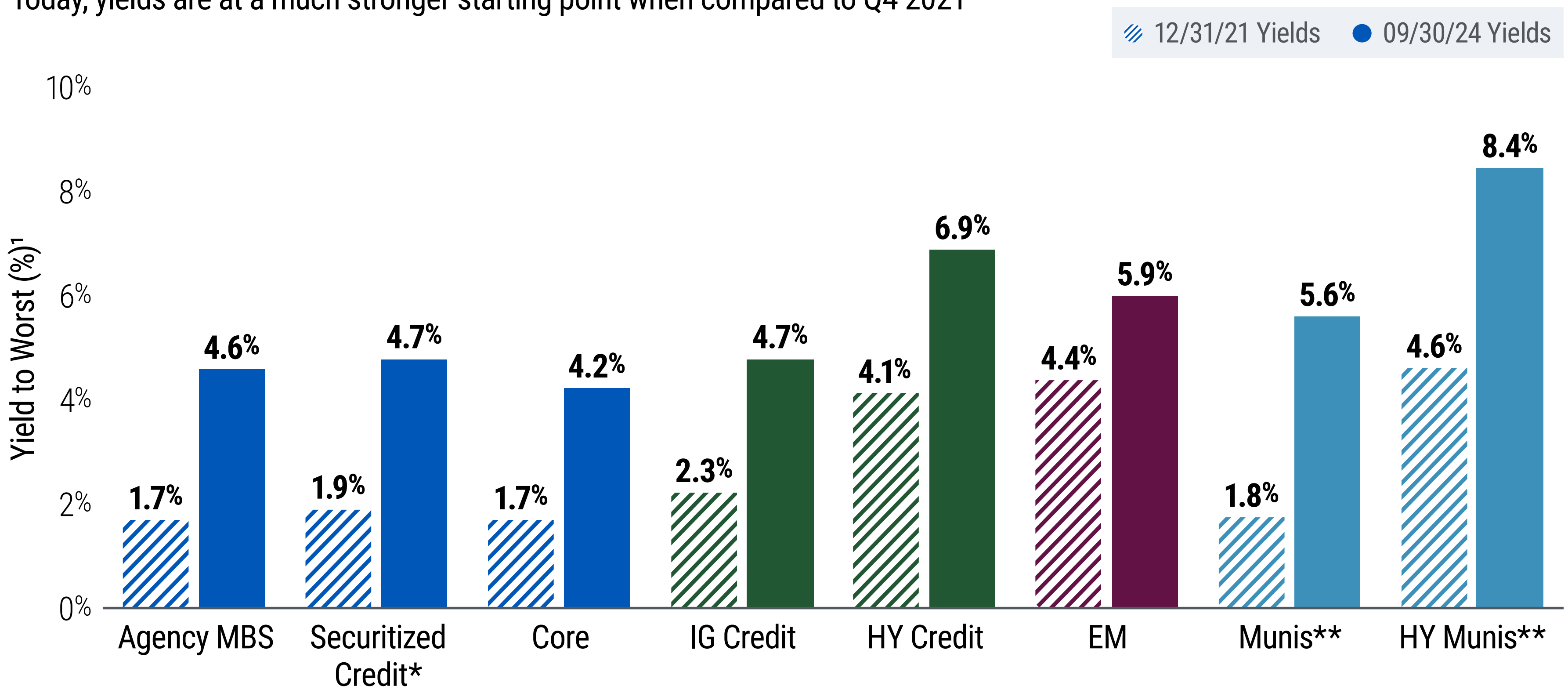
1 Countries used in the study for all DM landings since 1960 include: AU, BE, CA, FR, GE, IT, JP, NE, NZ, ES, SW, SE, UK, US. Before the EA was formed we use country specific policy rates. After the EA we use the ECB refi rate. Sample includes rate hiking cycles of at least 50bps cumulatively over 1-year, 14 developed market countries, from 1960 to today.

2 To produce estimated returns, we utilize the average shocks across the sample in Hard and No recessions measured over the 3-years following the peak CB rate. Equity returns are the average (local) price return annualized over 3-years. Bond and T-bill annualized returns are estimated by taking the average cumulative 3-year yield shocks (Cash: -1.6% No recession, -4.2% Recession; 10-Yr: -1.2% No recession, -1.4% Recession) and applying those to a current US T-bill and 10-year Treasury Bond. No representation is being made that these scenarios are likely to occur or that any portfolio is likely to achieve profits, losses, or results similar to those shown. The scenario does not represent all possible outcomes and the analysis does not take into account all aspects of risk. Total returns are estimated by re-pricing key rate duration replicating portfolios of par-coupon bonds. All scenarios hold OAS constant.

Refer to Appendix for additional hypothetical example, outlook, return assumptions and risk information.

Starting Point: Bond yields are high

Today, yields are at a much stronger starting point when compared to Q4 2021



As of 30 September 2024. SOURCE: Bloomberg, PIMCO.Index proxies for asset classes displayed are as follows: Agency MBS: Bloomberg MBS Fixed Rate Index, Munis: Bloomberg Municipal Bond Index, HY Munis: Bloomberg HY Muni Bond Index, Core: Bloomberg U.S. Aggregate, HY Credit: Bloomberg U.S. Corporate High Yield Index, EM: JPMorgan EMBI Global, IG Credit: Bloomberg US Credit Index

* Securitized Credit computed as average of CLOs, CMBS, and ABS from JPMorgan and Bloomberg.

** Municipal yields are the taxable equivalent yield, adjusted by the highest marginal tax rate (40.8%). Unadjusted IG Muni index yield is 3.4% with a change of 238bps compared to 12/31/2021 levels, the unadjusted HY Muni Index yield is 5.1% with a change of 243bps compared to 12/31/2021 levels.

1 The yield to worst is the yield resulting from the most adverse set of circumstances from the investor's point of view; the lowest of all possible yields.

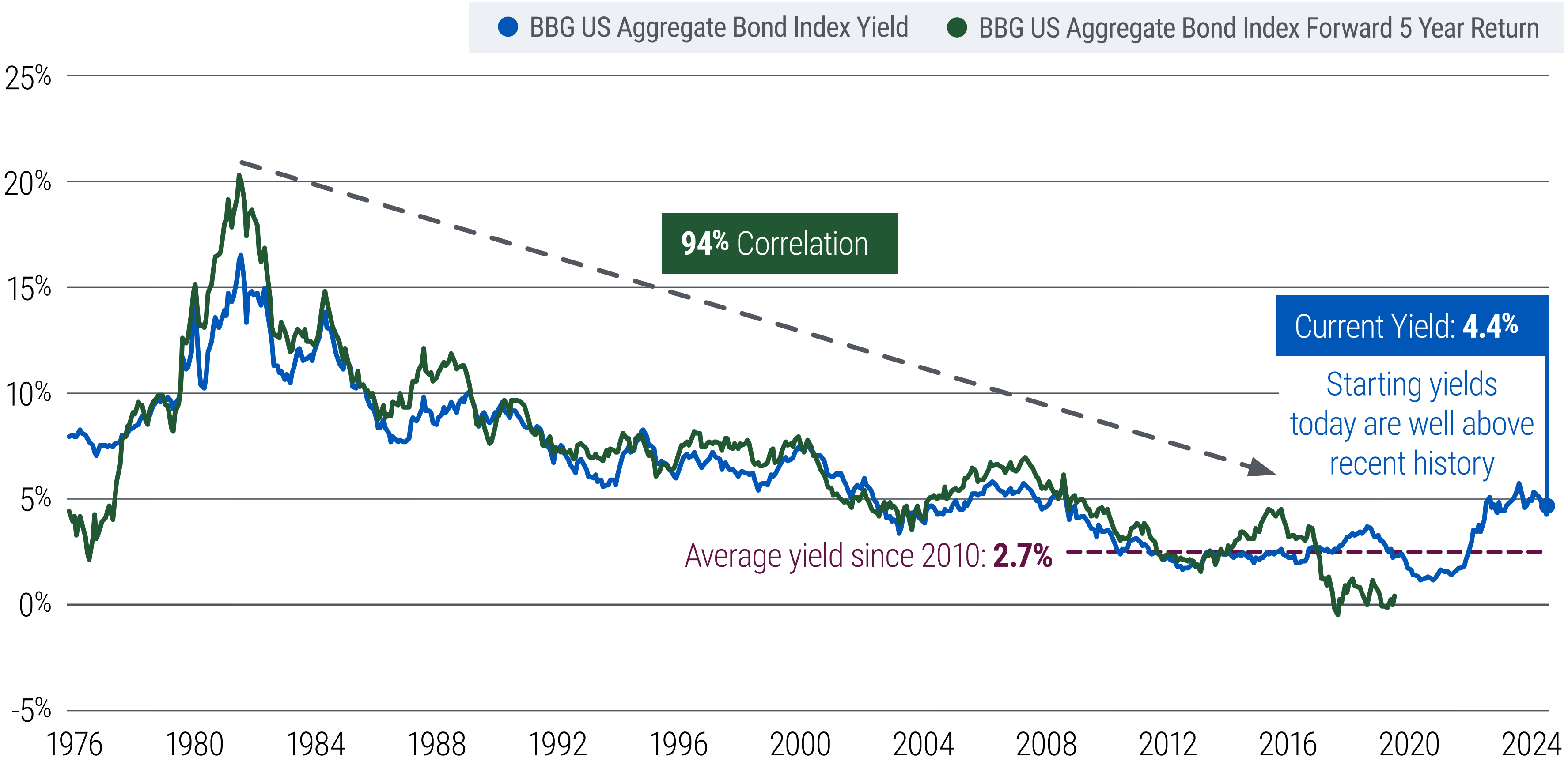
Refer to Appendix for additional index, outlook, and risk information.

WHAT IT MEANS FOR INVESTORS

Yields are still near decade highs across most fixed income sectors. The combination of high starting yields and expectations for rates to fall create an attractive outlook for a wide variety of bonds.

Higher returns have historically followed higher yields

Yield vs. 5-year forward return



WHAT IT MEANS FOR INVESTORS

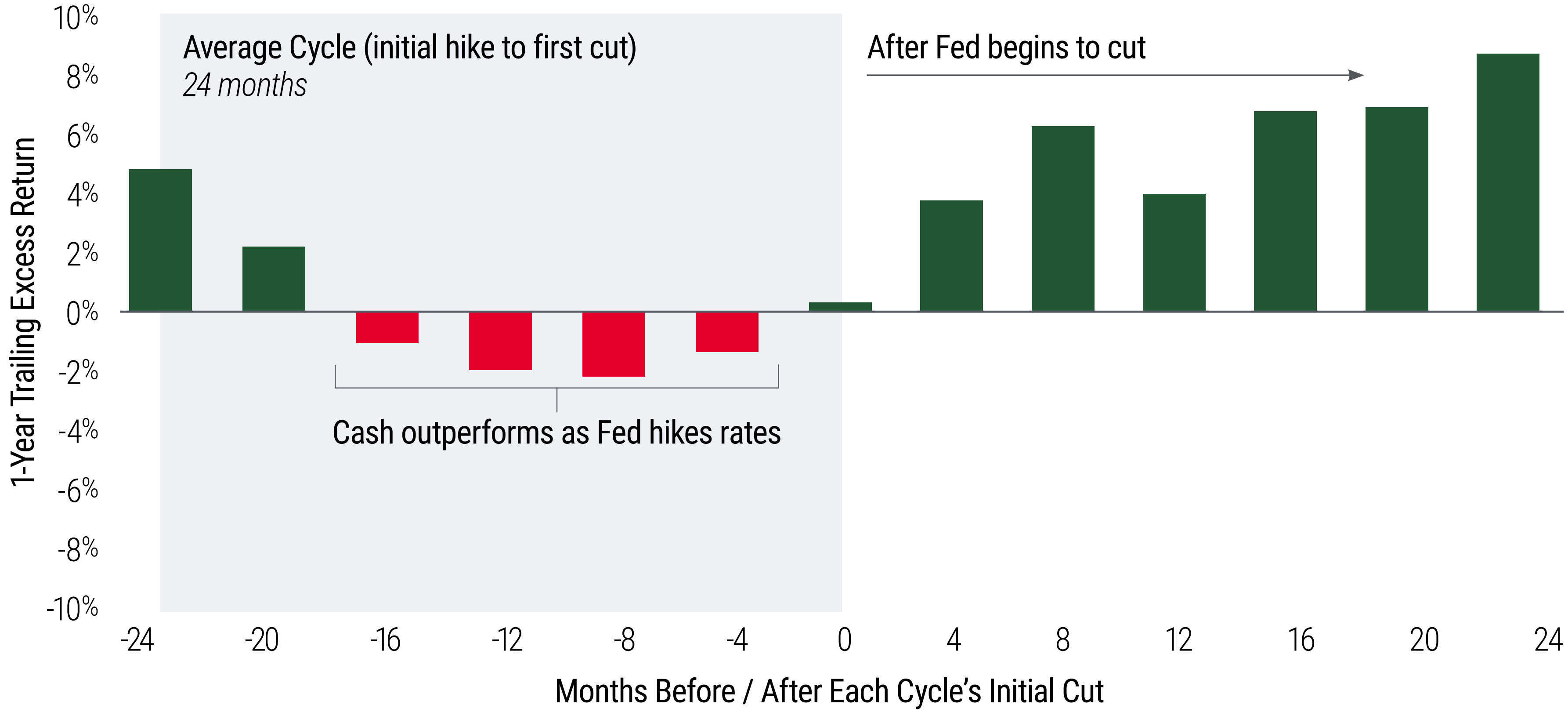
With starting yields nearly two times higher than the average yield since 2010, investors could stand to benefit from attractive return potential in fixed income investments going forward.

Past performance is not a guarantee nor a reliable indicator of future performance. Chart is provided for illustrative purposes and is not indicative of the past or future performance of any PIMCO product. As of 30 September 2024. SOURCE: Bloomberg, PIMCO. Yield and return are for the Bloomberg U.S. Aggregate Bond Index. It is not possible to invest directly in an unmanaged index. Refer to Appendix for additional correlation, index, investment strategy, outlook and risk information.

As cutting cycles begin, a reversal in fixed income returns has tended to follow

Fixed income performance across cutting cycles

12-month trailing return: BBG US Aggregate vs. T-bills[1]



WHAT IT MEANS FOR INVESTORS

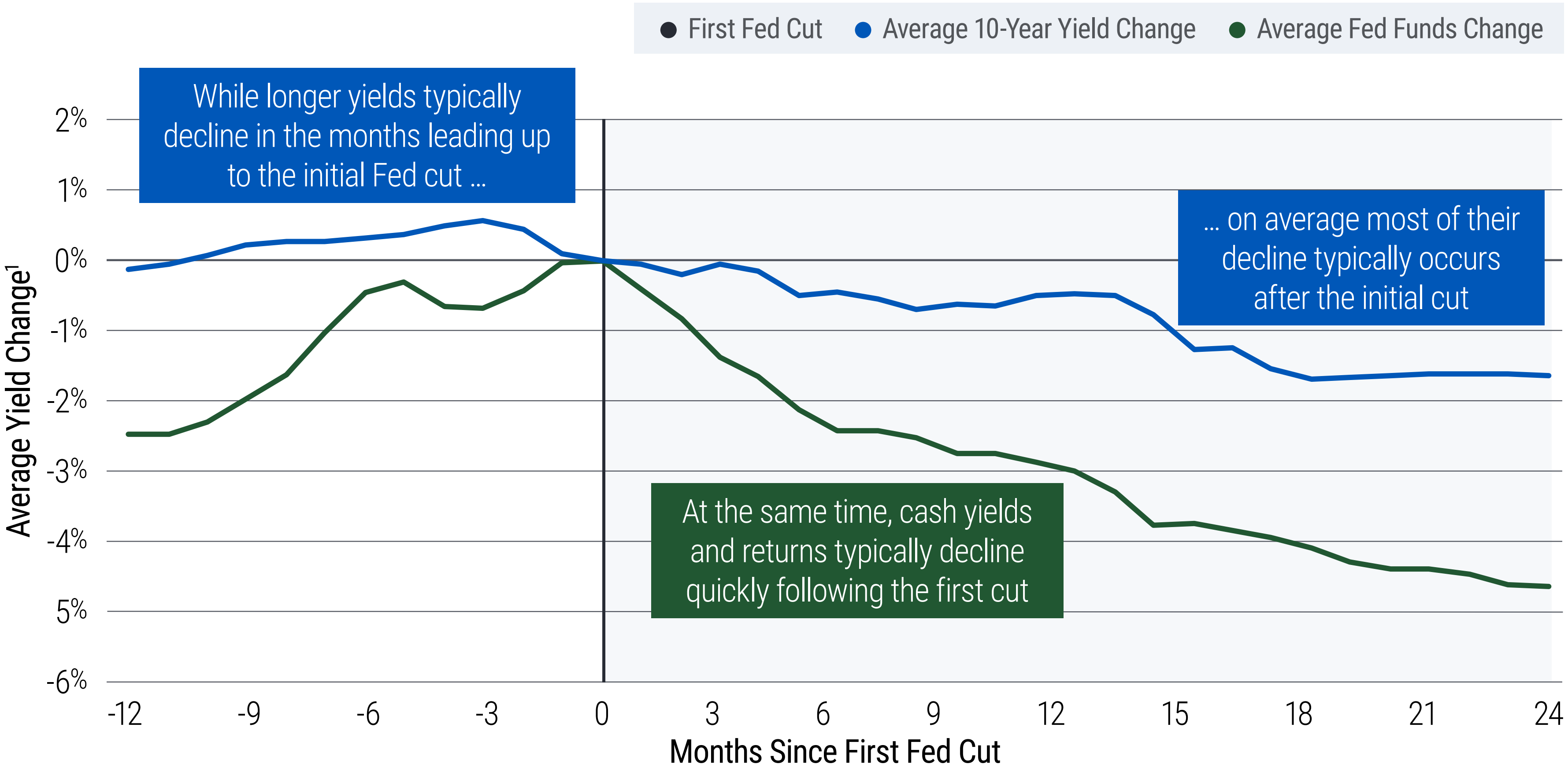
At this point in interest rate cycles, bonds have tended to outperform cash. Fed rate cuts have historically supported fixed income performance while also eroding cash returns.

As of 30 September 2024. SOURCE: Bloomberg, PIMCO.

1 Cutting cycles are defined as periods where the Federal Reserve embarks on a sustained path of reducing the target Fed Funds rate and/or target range. We define the end of a cutting cycle as the month where the Fed begins reducing its peak policy rate for that cycle. Cutting cycles start: 30 June 1981, 30 September 1984, 31 May 1989, 30 June 1995, 31 December 2000, 30 September 2007, and 31 July 2019.

Refer to Appendix for additional forecast, index, Morningstar category, outlook, and risk information.

Rate cuts can be an attractive time to invest cash into bonds, as history shows



WHAT IT MEANS FOR INVESTORS

Following the first Fed cut, cash yields have tended to decline dramatically. However, bond yields also have tended to fall meaningfully, providing an opportunity for investors willing to step out of cash allocations sooner.

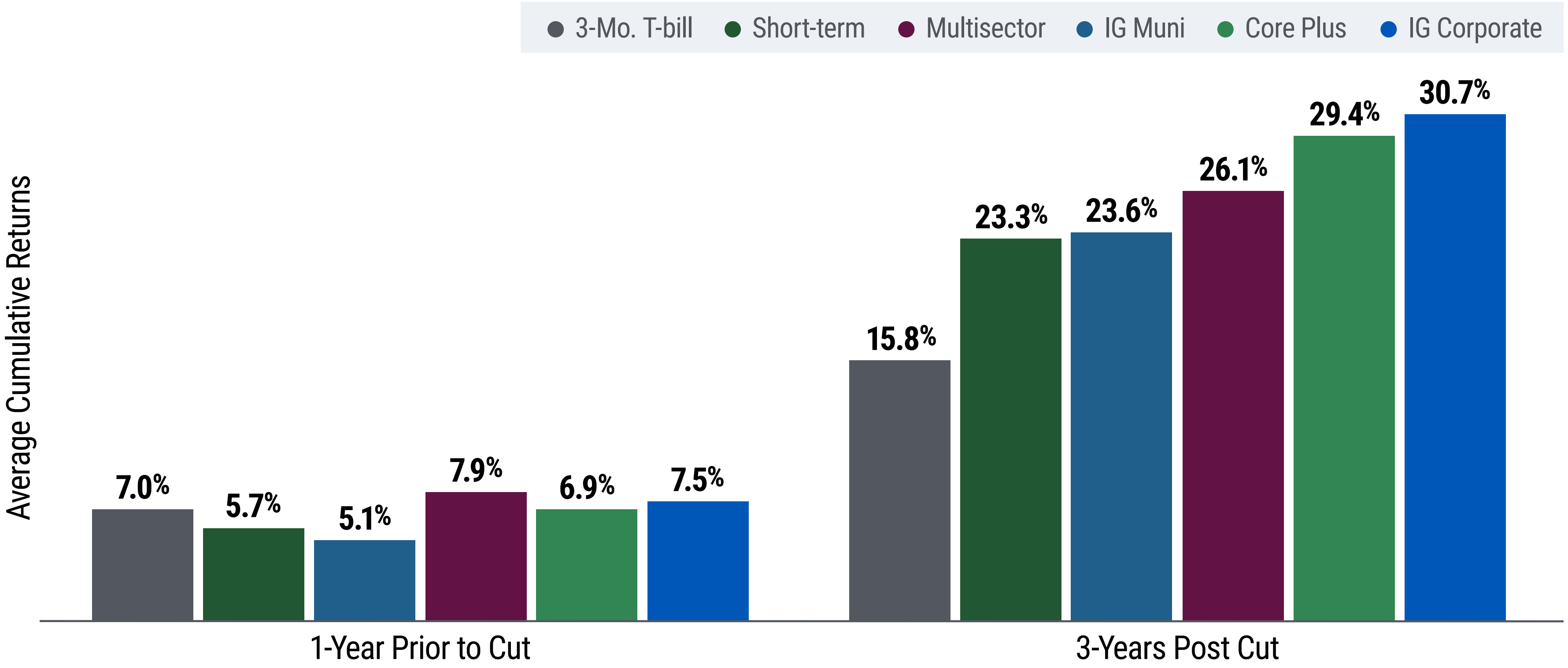
As of 30 September 2024. SOURCE: PIMCO, Bloomberg.

1 Average yield change shows the Federal Funds Rate and 10 Year US Treasury yield relative to their respective levels at the first Fed cut over the last seven cutting cycles. Cutting cycles start: 30 June 1981, 30 September 1984, 31 May 1989, 30 June 1995, 31 December 2000, 30 September 2007, and 31 July 2019.

Refer to Appendix for additional outlook and risk information.

Many fixed income sectors historically outperform following Fed cuts

Cumulative total returns of Morningstar Categories and T-bills



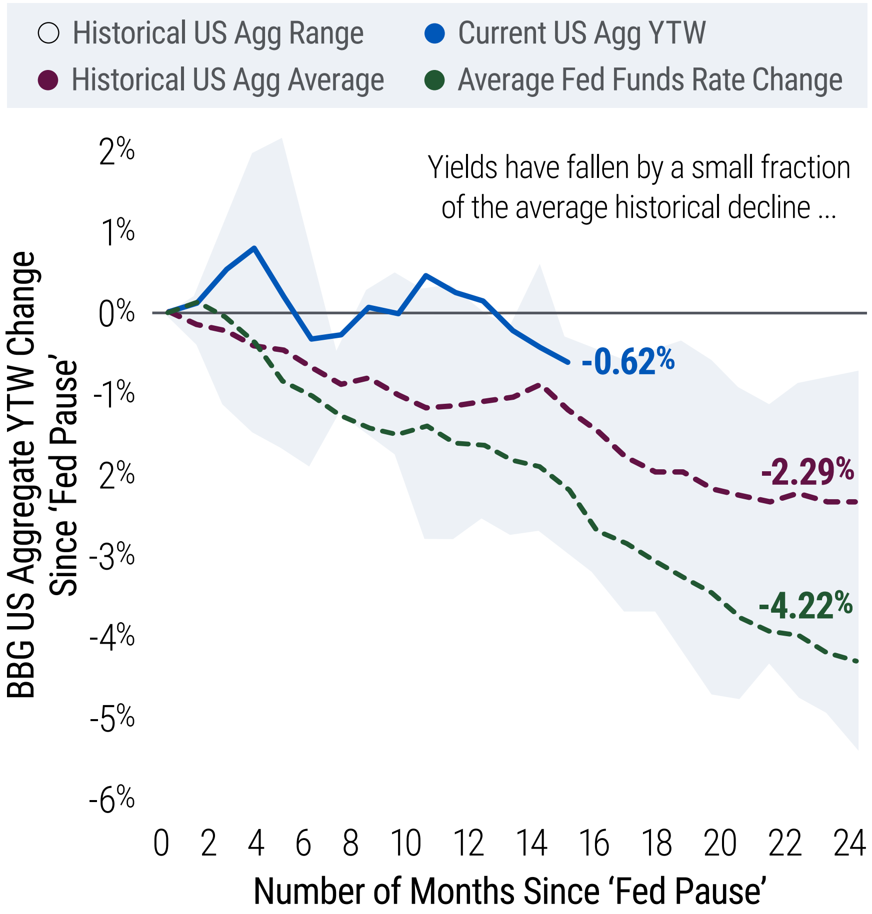
As of 30 September 2024. SOURCE: PIMCO, Morningstar, Bloomberg. **Past performance is not a guarantee nor a reliable indicator of future performance.**
T-Bills: FTSE 3-Month Treasury Bill Index; Short-Term: Morningstar Short-Term Bond Category; IG Muni: Morningstar Municipal National Long Category; Core Plus: Morningstar Intermediate Core-Plus Category; Multisector: Morningstar Multisector Bond Category; Corporate: Morningstar Corporate Bond Category. Cutting cycles are defined as periods where the Federal Reserve embarks on a sustained path of reducing the target Fed Funds rate and/or target range. We define the end of a cutting cycle as the month where the Fed begins reducing its peak policy rate for that cycle. Cutting cycles start: 30 June 1981, 30 September 1984, 31 May 1989, 30 June 1995, 31 December 2000, 30 September 2007, and 31 July 2019.
Refer to Appendix for additional index, Morningstar category, outlook, and risk information.

WHAT IT MEANS FOR INVESTORS

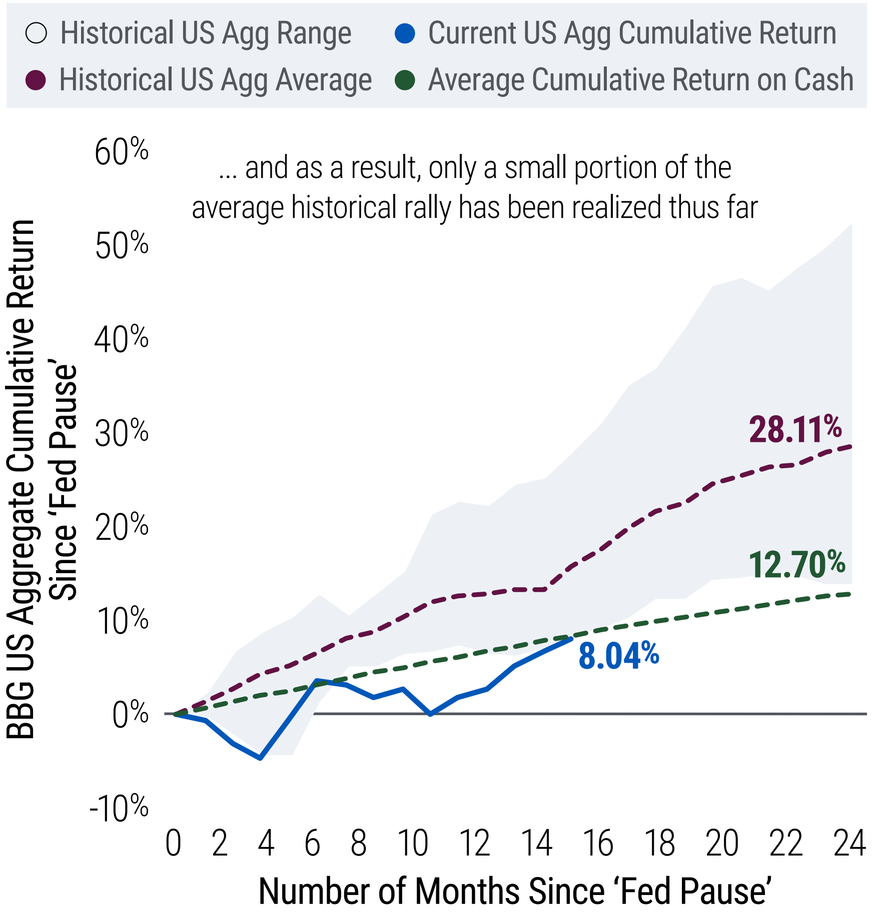
Investors sitting in cash seeking higher yields today may want to consider the return potential versus risk of other fixed income sectors going forward.

While yields have decreased modestly from their peak, there may still be room to rally

Historically, yields have fallen significantly following the end of a hiking cycle …



… which has driven attractive returns over the coming months and years



WHAT IT MEANS FOR INVESTORS

We are likely at the stage of the hiking cycle where investors in traditional fixed income historically outperform cash. Investors sitting in cash may want to consider the return potential versus risk of other fixed income sectors.

As of 30 September 2024. Source: Barclays, PIMCO. **Past performance is not a guarantee nor a reliable indicator of future performance.**

Hiking cycles are defined as periods where the Federal Reserve embarks on a sustained path of increasing the target Fed Funds rate and/or target range. We define the end of a hiking cycle as the month where the Fed reaches its peak policy rate for that cycle (i.e., it either pauses rate hikes or cuts). Hiking cycles include (start to peak), 1980 (Jul '80 to May '81), 1983 (Feb '83 to Aug '84), 1988 (Feb '88 to Mar '89), 1994 (Jan '94 to Feb '95), 1999 (May '99 to May '00), 2004 (May '04 to Jun '06) and 2015 (Nov '15 to Dec '18).

Refer to Appendix for additional forecast, index, outlook, and risk information.

Why Yield Matters: Higher yields anchor return potential across a range of scenarios

Scenario analysis by fixed income asset[1]
Estimated 12-month total returns based on parallel yield shifts

Yield change	T-bills	Ultrashort	Short-term	Multisector	Core Plus	IG Muni	Long Treasury
-3.0%	2%	3%	8%	14%	23%	23%	66%
-2.0%	3%	3%	6%	11%	16%	15%	41%
-1.0%	4%	4%	5%	9%	10%	9%	21%
-0.5%	4%	5%	5%	7%	7%	6%	12%
Unchanged	5%	5%	4%	6%	5%	3%	4%
0.5%	5%	5%	4%	5%	2%	0%	-3%
1.0%	5%	6%	3%	4%	0%	-2%	-10%
2.0%	6%	7%	3%	1%	-4%	-7%	-21%
3.0%	7%	7%	2%	-1%	-8%	-11%	-30%

WHAT IT MEANS FOR INVESTORS

High quality and diversified portfolios, like Core Plus, investment grade municipals, and multisector, offer higher return potential across most rate outcomes. If rates do fall as forecasted, these sectors are poised to meaningfully outperform cash and T-bills.

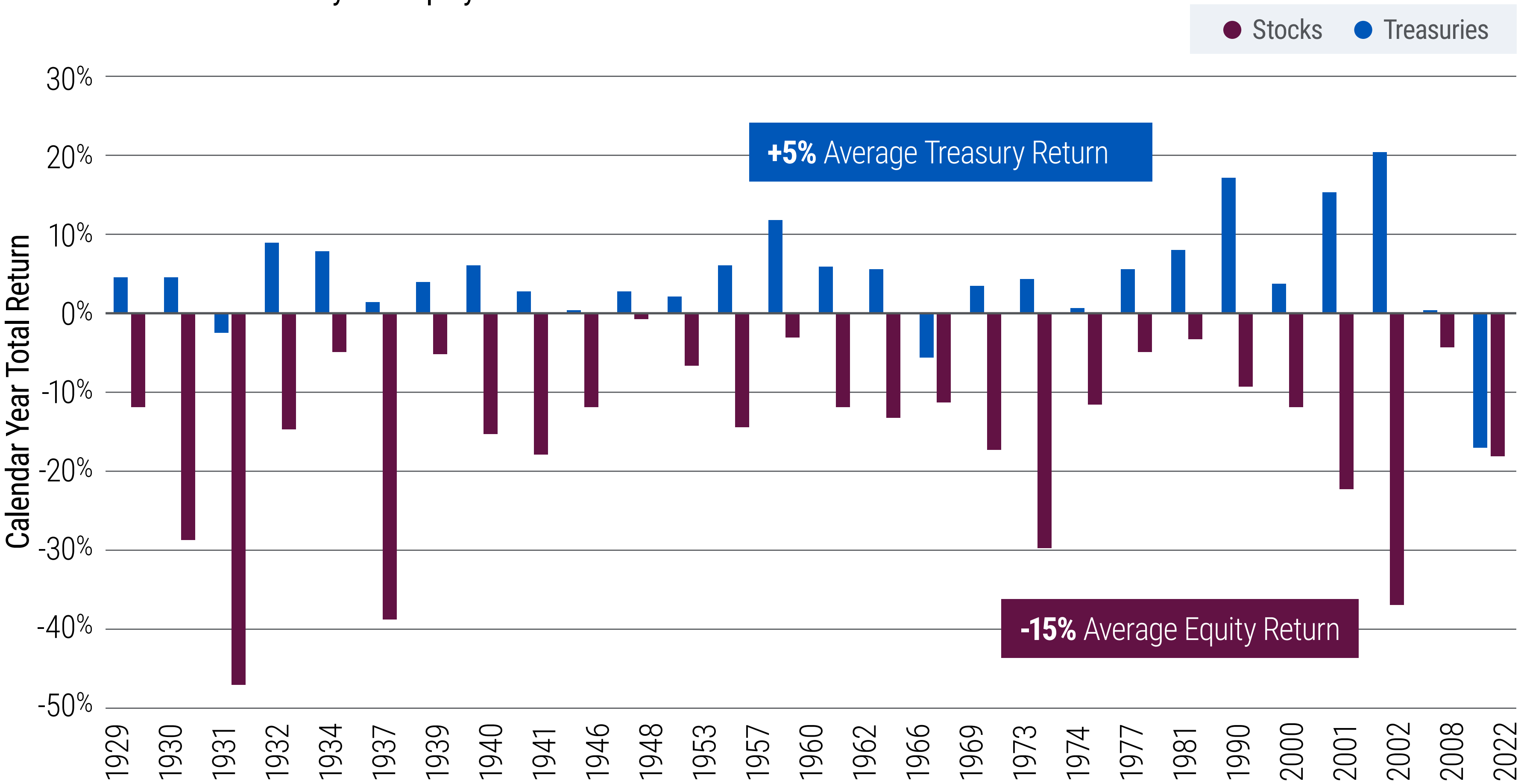
As of 30 September 2024. SOURCE: Bloomberg, PIMCO. **For illustrative purposes only. Figure is not indicative of the past or future results of any PIMCO product or strategy. There is no assurance that the stated results will be achieved.**
T-bills: BofA 3Mo. T-bill Index, Ultrashort: Morningstar Ultrashort Bond Category, Short-term: Morningstar Short-term Category, Multisector: Morningstar Multisector Bond Category, Core Plus: Morningstar Intermediate Core Plus Category, IG Muni: Bloomberg Municipal Index, Long Treasury: BBG US Long Treasury Index.

1 All yield curve shocks above are specified in a parallel fashion and adjust each tenor in the same magnitude. In the analysis contained herein, PIMCO has outlined hypothetical event scenarios which, in theory, would impact the yield curves as illustrated in this analysis. No representation is being made that these scenarios are likely to occur or that any portfolio is likely to achieve profits, losses, or results similar to those shown. The scenario does not represent all possible outcomes and the analysis does not take into account all aspects of risk. Total returns are estimated by re-pricing key rate duration replicating portfolios of par-coupon bonds. All scenarios hold OAS constant.

Refer to Appendix for additional forecast, hypothetical example, index, Morningstar category, return assumption, stress testing and risk information.

When stocks decline, bonds have provided attractive returns

Stock and bonds returns in years equity markets decline



WHAT IT MEANS FOR INVESTORS

Bonds have historically provided positive returns in years when stocks are negative. While a historic inflation surprise drove both stocks and bonds lower in 2022, we expect bonds to continue to diversify during equity down markets as they have for nearly a century.

As of 30 September 2024. SOURCE: PIMCO, Bloomberg, Sydney Homer, A History of Interest Rates, Princeton: Rutgers, 1963 from Joseph G. Martin, The Financial Review (1910-1918), Federal Reserve Bank, National Monetary Statistics, New York: FRB, 1941, 1970 (annually thereafter); and Salomon Brothers, Analytical Record of Yields and Yield Spreads, New York: Saloman Brothers, 1995.

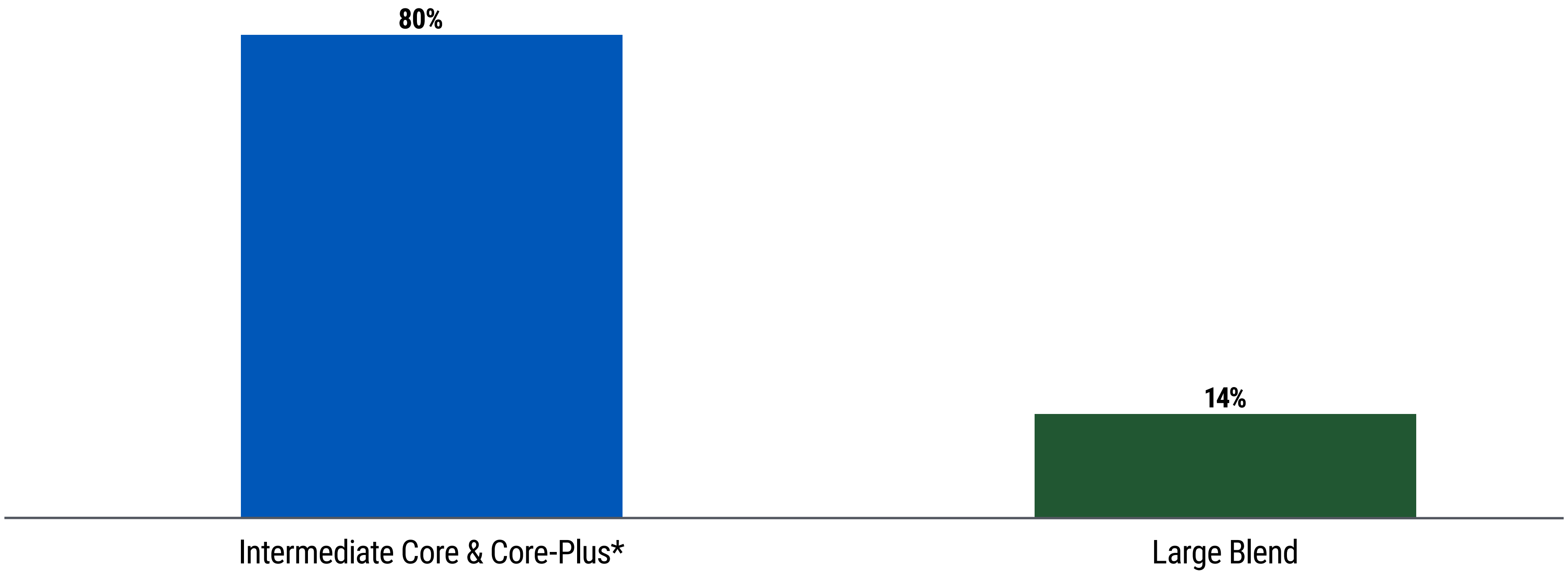
Past performance is not a guarantee nor a reliable indicator of future performance. Bonds are represented by the GFD Indices USA 10-year Government Bond Total Return Index (Jan 1910 – Jan 1976) and the BBG U.S. Aggregate Index (Jan 1976 – Present). The 4% U.S. Government Bonds of 1925 are used from January 1910 until September 1917. The source for this data is William B. Dana Co., The Financial Review, New York: William B. Dana Co. (1910-1921) which reprinted data published by The Commercial and Financial Chronicle. The 4% Liberty Bonds are used from October 1917 through December 1918, and beginning in 1919, the Federal Reserve Board's 10-15 year Treasury Bond index is used until 1941. 10 year bonds are used from 1941 through 1975. Cash is represented by the GFD Indices USA Total Return T-Bill Index (Jan 1910 – Jan 1978) and FTSE 3-Month Treasury Bill Index (Jan 1978 – Present). The GFD index uses commercial bills from 1910 to 1918. The coupon for US Governments was set at 3% from 1910 to 1918. The yield on 90-day treasury bills is used from 1919 to 1978.

Includes calendar years since the availability of total return data for the S&P 500 Index (December 1928).

Refer to Appendix for additional index and risk information.

The Active Advantage: Passive may make sense for equities, but bonds are different

Percentage of active funds within each category that outperform the median passive fund (10-year return)



WHAT IT MEANS FOR INVESTORS

Bonds are different because of the complexity of the fixed income market and the structural opportunities that skilled active managers can take advantage of, which has led them to outperform their passive peers.

* Combines the Morningstar U.S. Fund Intermediate Core and Intermediate Core-Plus categories.

As of 30 September 2024. Source: Morningstar Direct and PIMCO. **Past performance is not a guarantee or a reliable indicator of future results.** Based on Morningstar U.S. ETF and U.S. Open-End Fund categories (institutional shares only). To avoid potential survivorship bias, we included funds and ETFs that were live at the beginning of each sample period but were liquidated or merged before the end of the period. Chart is provided for illustrative purposes and is not indicative of the past or future performance of any PIMCO product.

Refer to Appendix for additional investment strategy, Morningstar category and risk information.

Definitions

FED FUNDS RATE

The interest rate the government charges banks to borrow money overnight. Raising and lowering this rate is a powerful tool the government uses to stimulate or dampen economic activity.

CONSUMER PRICE INDEX (CPI)

A weighted average price of a basket of goods and services, CPI is considered a measure of inflation.

FIXED INCOME SECTORS

The bond market is made up of numerous sectors, which are distinct parts of the market defined by their investment characteristics. These sectors include agency mortgage-backed securities (agency MBS), securitized credit, core, investment grade credit (IG credit), high yield credit (HY credit), emerging markets (EM), municipals (munis), high yield municipals (HY munis).

10-YEAR U.S. TREASURY BONDS

The 10-year Treasury is often used as a proxy for bond market in general.

RATE HIKING CYCLE

Periods where the Federal Reserve embarks on a sustained path of increasing the target fed funds rate. Hiking cycles include (start to peak): July '80 – May '81, Feb '88 – Aug '84, Feb '88 – March '89, Jan '94 – Feb '95, May '99 – May '00, May '04 – June '06 and Nov '15 – Dec '18.

BLOOMBERG AGGREGATE BOND INDEX

A broad-based fixed-income index used as a proxy for the bond market in general.

APPENDIX

Past performance is not a guarantee or a reliable indicator of future results.

CHART
Performance results for certain charts and graphs may be limited by date ranges specified on those charts and graphs; different time periods may produce different results. Charts are provided for illustrative purposes and are not indicative of the past or future performance of any PIMCO product.

CORRELATION
The correlation of various indexes or securities against one another or against inflation is based upon data over a certain time period. These correlations may vary substantially in the future or over different time periods that can result in greater volatility.

FORECAST
Forecasts, estimates and certain information contained herein are based upon proprietary research and should not be interpreted as investment advice, as an offer or solicitation, nor as the purchase or sale of any financial instrument. Forecasts and estimates have certain inherent limitations, and unlike an actual performance record, do not reflect actual trading, liquidity constraints, fees, and/or other costs. In addition, references to future results should not be construed as an estimate or promise of results that a client portfolio may achieve.

HYPOTHETICAL EXAMPLE
Hypothetical illustrations have many inherent limitations, some of which are described below. No representation is being made that any account will or is likely to achieve results similar to those shown. In fact there are frequently sharp differences between hypothetical results and actual results subsequently achieved by any particular trading program.

One of the limitations of hypothetical results is that they are generally prepared with the benefit of hindsight. In additional, hypothetical scenarios do not involve financial risk, and no hypothetical illustration can completely account for the impact of financial risk in actual trading. For example, the ability to withstand losses or to adhere to a particular trading program in spite of trading losses are material points which can also adversely affect actual trading results. There are numerous other factors related to the markets in general or to the implementation if any specific trading program which cannot be fully accounted for in the preparation of a hypothetical illustration and all of which can adversely affect actual results.

INDEX
It is not possible to invest directly in an unmanaged index.

INVESTMENT STRATEGY
There is no guarantee that these investment strategies will work under all market conditions or are appropriate for all investors and each investor should evaluate their ability to invest long-term, especially during periods of downturn in the market. No representation is being made that any account, product, or strategy will or is likely to achieve profits, losses, or results similar to those shown.

MORNINGSTAR CATEGORIES
CORPORATE BOND
Corporate Bond portfolios concentrate on bonds issued by corporations. These tend to have more credit risk than government or agency-backed bonds. These portfolios hold more than 65% of their assets in corporate bonds, hold less than 40% of their assets in foreign bonds, less than 35% in high yield bonds, and have an effective duration of more than 75% of the Morningstar Core Bond Index.

INTERMEDIATE-TERM CORE BOND
Intermediate-term core bond portfolios invest primarily in investment-grade U.S. fixed-income issues including government, corporate, and securitized debt, and hold less than 5% in below-investment-grade exposures

INTERMEDIATE-TERM CORE-PLUS BOND
Intermediate-term core-plus bond portfolios invest primarily in investment-grade U.S. fixed-income issues including government, corporate, and securitized debt, but generally have greater flexibility than core offerings to hold non-core sectors such as corporate high yield, bank loan, emerging-markets debt, and non-U.S. currency exposures. Their durations (a measure of interest-rate sensitivity) typically range between 75% and 125% of the three-year average of the effective duration of the Morningstar Core Bond Index.

LARGE BLEND
Large Blend portfolios are fairly representative of the overall U.S. stock market in size, growth rates, and price. Stocks in the top 70% of the capitalization of the U.S. equity market are defined as large cap. The blend style is assigned to portfolios where neither growth nor value characteristics predominate. These portfolios tend to invest across the spectrum of U.S. industries, and owing to their broad exposure, the portfolios' returns are often similar to those of the S&P 500 Index.

MORNINGSTAR CATEGORIES (CONT'D)
MULTISECTOR BOND
Multisector bond portfolios seek income by diversifying their assets among several fixed-income sectors, usually U.S. government obligations, U.S. corporate bonds, foreign bonds, and high-yield U.S. debt securities. These portfolios typically hold 35% to 65% of bond assets in securities that are not rated or are rated by a major agency such as Standard & Poor's or Moody's at the level of BB (considered speculative for taxable bonds) and below.

MUNI NATIONAL LONG BOND
Muni national long portfolios invest in bonds issued by various state and local governments to fund public projects. The income from these bonds is generally free from federal taxes. To lower risk, these portfolios spread their assets across many states and sectors. These portfolios have durations of more than 6.0 years (or average maturities of more than 12 years).

SHORT-TERM BOND
Short-term bond portfolios invest primarily in corporate and other investment-grade U.S. fixed-income issues and typically have durations of 1.0 to 3.5 years. These portfolios are attractive to fairly conservative investors, because they are less sensitive to interest rates than portfolios with longer durations. Morningstar calculates monthly breakpoints using the effective duration of the Morningstar Core Bond Index in determining duration assignment. Short-term is defined as 25% to 75% of the three-year average effective duration of the MCBI.

ULTRASHORT BOND
Ultrashort-bond portfolios invest primarily in investment-grade U.S. fixed-income issues and have durations typically of less than one year. This category can include corporate or government ultrashort bond portfolios, but it excludes international, convertible, multisector, and high-yield bond portfolios. Because of their focus on bonds with very short durations, these portfolios offer minimal interest-rate sensitivity and therefore low risk and total return potential. Morningstar calculates monthly breakpoints using the effective duration of the Morningstar Core Bond Index in determining duration assignment. Ultrashort is defined as 25% of the three-year average effective duration of the MCBI.

OAS
The option adjusted spread (OAS) measures the spread over a variety of possible interest rate paths. A security's OAS is the average earned over Treasury returns, taking multiple future interest rate scenarios into account.

OUTLOOK
Statements concerning financial market trends or portfolio strategies are based on current market conditions, which will fluctuate. There is no guarantee that these investment strategies will work under all market conditions or are appropriate for all investors and each investor should evaluate their ability to invest long-term, especially during periods of downturn in the market. Outlook and strategies are subject to change without notice.

RISK
All investments contain risk and may lose value. Investing in the **bond market** is subject to risks, including market, interest rate, issuer, credit, inflation risk, and liquidity risk. The value of most bonds and bond strategies are impacted by changes in interest rates. Bonds and bond strategies with longer durations tend to be more sensitive and volatile than those with shorter durations; bond prices generally fall as interest rates rise, and low interest rate environments increase this risk. Reductions in bond counterparty capacity may contribute to decreased market liquidity and increased price volatility. Bond investments may be worth more or less than the original cost when redeemed. Income from **municipal bonds** is exempt from federal income tax and may be subject to state and local taxes and at times the alternative minimum tax. Investing in **foreign-denominated and/or -domiciled securities** may involve heightened risk due to currency fluctuations, and economic and political risks, which may be enhanced in emerging markets. **Mortgage- and asset-backed securities** may be sensitive to changes in interest rates, subject to early repayment risk, and while generally supported by a government, government-agency or private guarantor, there is no assurance that the guarantor will meet its obligations. **High yield, lower-rated securities** involve greater risk than higher-rated securities; portfolios that invest in them may be subject to greater levels of credit and liquidity risk than portfolios that do not. **Equities** may decline in value due to both real and perceived general market, economic and industry conditions. **Diversification** does not ensure against loss.

RETURN ASSUMPTIONS
Return assumptions are for illustrative purposes only and are not a prediction or a projection of return. Return assumption is an estimate of what investments may earn on average over the long term. Actual returns may be higher or lower than those shown and may vary substantially over shorter time periods.

STRESS TESTING
Stress testing involves asset or portfolio modeling techniques that attempt to simulate possible performance outcomes using historical data and/or hypothetical performance modeling events. These methodologies can include among other things, use of historical data modeling, various factor or market change assumptions, different valuation models and subjective judgments.

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Pacific Investment Management Company LLC, 650 Newport Center Drive, Newport Beach, CA 92660, 800-387-4626.

INDEX DESCRIPTIONS
Bloomberg U.S. Aggregate Index represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. These major sectors are subdivided into more specific indices that are calculated and reported on a regular basis. It is not possible to invest directly in an unmanaged index.

Bloomberg U.S. MBS Fixed-Rate Index covers the mortgage-backed pass-through securities and hybrid ARM pools of Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC). The MBS Index is formed by grouping individual fixed rate MBS pools into generic aggregates. It is not possible to invest directly in an unmanaged index.

Bloomberg Municipal Bond Index consists of a broad selection of investment-grade general obligation and revenue bonds of maturities ranging from one year to 30 years. It is an unmanaged index representative of the tax-exempt bond market. The index is made up of all investment grade municipal bonds issued after 12/31/90 having a remaining maturity of at least one year.

The **Bloomberg High Yield Municipal Bond Index** measures the non-investment grade and non-rated U.S. tax-exempt bond market. It is an unmanaged index made up of dollar-denominated, fixed-rate municipal securities that are rated Ba1/BB+/BB+ or below or non-rated and that meet specified maturity, liquidity, and quality requirements.

The **Bloomberg US Corporate High Yield Bond 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.

FTSE 3-Month Treasury Bill Index is an unmanaged index representing monthly return equivalents of yield averages of the last 3 month Treasury Bill issues.

The **ICE BofA 3 Month U.S. Treasury Index** measures the performance of a single issue of outstanding treasury bill which matures closest to, but not beyond, three months from the rebalancing date.

Bloomberg U.S. Credit Index is an unmanaged index comprised of publicly issued U.S. corporate and specified non-U.S. debentures and secured notes that meet the specified maturity, liquidity, and quality requirements. To qualify, bonds must be SEC-registered. This index was formerly known as the Bloomberg Credit Investment Grade Index. It is not possible to invest directly in an unmanaged index.

The **Bloomberg U.S. Treasury Long Index** measures the performance of public obligations of the U.S. Treasury with maturities of 10 years and greater, including securities that roll up to the U.S. Aggregate, U.S. Universal, and Global Aggregate Indices.

J.P. Morgan Emerging Markets Bond Index (EMBI) Global tracks total returns for United States Dollar denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities: Brady bonds, loans, and Eurobonds. It is not possible to invest directly in an unmanaged index.

S&P 500 Index is an unmanaged market index generally considered representative of the stock market as a whole. The Index focuses on the large-cap segment of the U.S. equities market.

It is not possible to invest directly in an unmanaged index.

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