LOOMIS | SAYLES

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Investment Outlook

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As inflation continues to trend lower, most central banks appear to be done hiking interest rates.

The European Central Bank (ECB) and Bank of England (BoE) seem content to hold policy rates near current levels, even with real growth near 0%. The Federal Reserve (Fed) has indicated rate cuts will likely be its next move. We believe 25 basis point cuts are likely in June, September and December 2024. Our view is less aggressive than what fed funds futures pricing suggests.

The interest rate outlook is a critical driver of our economic and investment views. Globally, monetary policies have been restrictive and growth rates have moved lower. We believe the United States can avoid recession, at least for the next few quarters, but continental Europe may not.

# Investment Themes:
KEY TAKEAWAYS

Macro Drivers

Our core belief is that corporate profits drive the credit cycle. A downturn is less likely now that the US earnings recession is over.

- At the start of 2024, domestic inflation is slowing broadly and the Fed appears willing to pivot toward fed funds rate cuts by mid-2024.

- If the fed funds rate remains stable while inflation is coming down, then monetary policy is technically becoming more restrictive – something the Fed wants to avoid this late in the cycle with economic growth below trend.

- While somewhat rare historically, we believe that a soft landing is occurring in the US, with US real economic growth positive, unemployment relatively stable and core inflation moving toward 2.5% by mid-2024.

- We believe this can be achieved so long as year-over-year corporate profit growth comes through in the mid-single-digit range, which is actually lower than current Bloomberg consensus.

- In our opinion, companies are likely to retain workers so long as profits are on the rise, making widespread layoffs unlikely.

THE EARNINGS RECESSION WAS NOT DEEP ENOUGH TO DRIVE THE CREDIT CYCLE INTO DOWNTURN

We believe earnings should grow 6.0% in 2024, below Bloomberg consensus of 11.0%.

Source: Bloomberg, as of 18 December 2023.
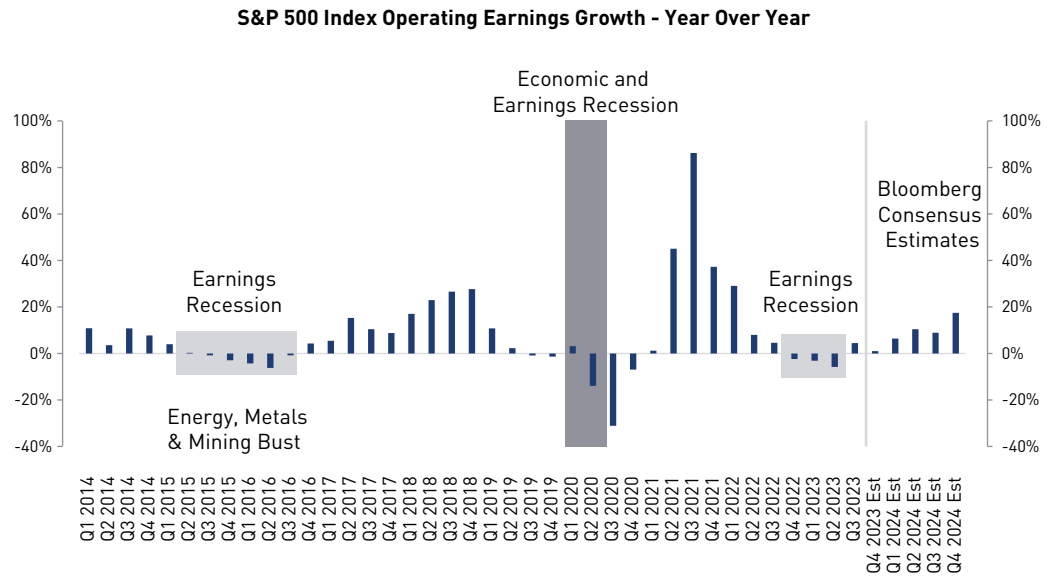
S&P 500 Index Operating Earnings Growth - Year Over Year

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Corporate Credit

With spread compression less likely, we believe that investors should be able to harvest a potential yield advantage that corporate bonds offer relative to Treasurys.

- Current valuations, in terms of spread in excess of US Treasury yields, may not look attractive, but we think yields on corporate credit do look compelling.

- We are not anticipating a default wave. Therefore, a nearly 8.0% yield on US high yield credit could be an opportunity for equity-like returns. Investors less willing to move lower in credit quality could turn to investment grade corporates yielding about 5.0%.[1]

- The proprietary quantitative and fundamental frameworks we utilize, such as our Credit Health Index (CHIN), recently turned higher and have been signaling the US economy is firmly in late cycle expansion—not downturn.

- The same quantitative-based framework estimates an annual high yield default rate of just 2.2%. While expected defaults have been low relative to history, we find that the estimate has been consistently rising.

- Bottom-up, industry-specific fundamental analysis from our deep bench of senior credit analysts filters into our process through our proprietary Credit Analyst Diffusion Indices (CANDIs). This survey-based framework recently suggested that key fundamentals, such as profit margins and pricing power, are improving—albeit from the weak levels of the 2023 earnings recession.

- We welcome these indicators of corporate health improvement and believe much of this positive expectation has already been priced into credit markets.

THE CHIN REPRESENTS A WEIGHTED BASKET OF INDICATORS THAT HAVE STATISTICALLY HIGH CORRELATION TO MOVEMENTS IN THE CREDIT CYCLE

We are noticing positive change in corporate health across a number of our frameworks.

Source: Loomis Sayles, monthly data shown from of 1 December 1977 to 18 December 2023.
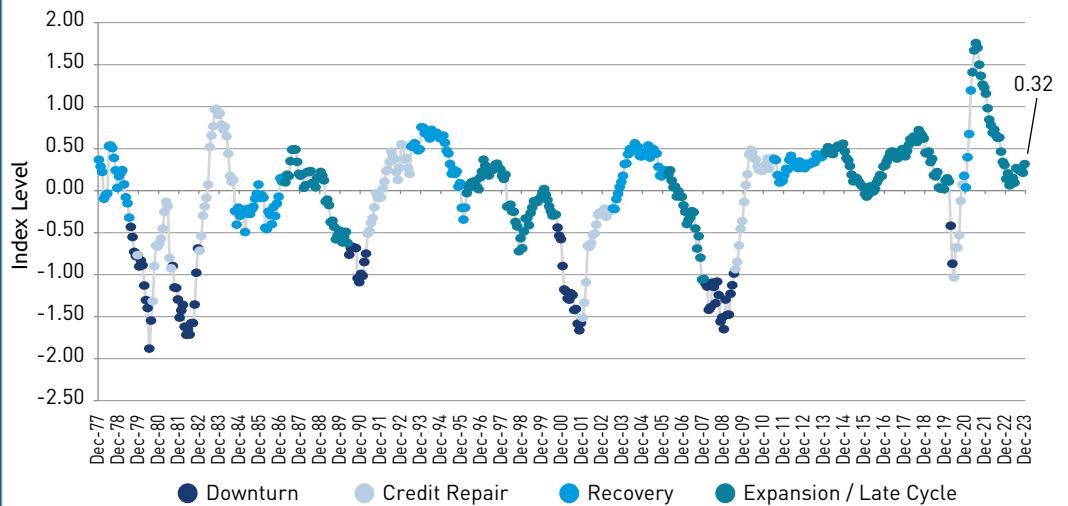
*Charts are illustrative for presentation purposes only as a sampling of risk management tool output. Some or all of this information on these charts may be dated, and, therefore, should not be used as a basis to purchase or sell any securities. The information is not intended to represent any actual portfolio managed by Loomis Sayles. Views and opinions expressed reflect the current opinions of the QRRA team, and views are subject to change at any time without notice. Other industry analysts and investment personnel may have different views and opinions. Markets may behave very differently than history suggests, it is not possible for any methodology to accurately identify and interpret all relevant market events. **See Endnotes for Credit Cycle Regime Periods and CHIN definition.***

[1] *Sources: Bloomberg Corporate High Yield Index yield to worst and Bloomberg US Aggregate Corporate Bond Index yield to worst as of 19 December 2023.*
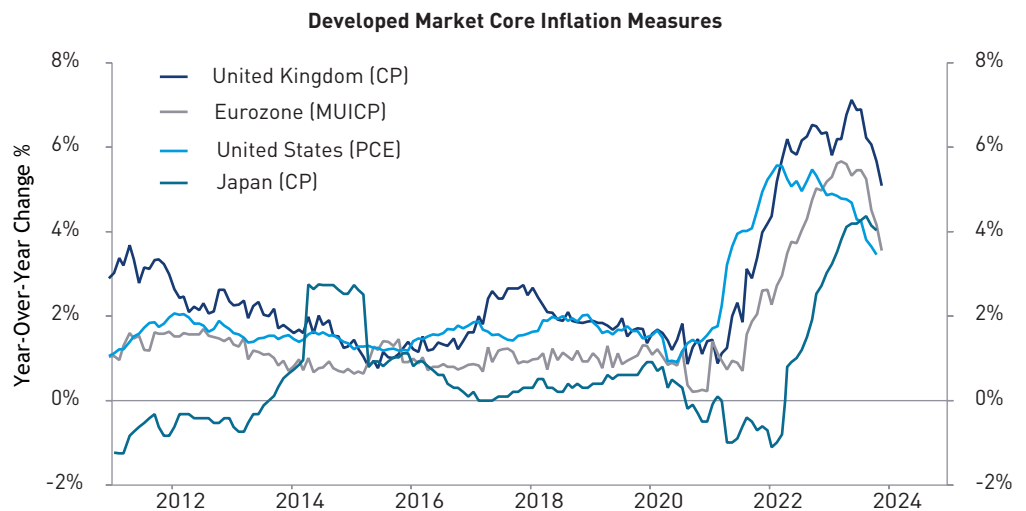
Government Debt & Policy

Central banks around the world have their own timelines, but we believe rate hiking cycles are broadly in the rearview.

- Inflation rates are well off their highs in developed and emerging economies now that supply chain issues have normalized.

- As an ongoing critical policy driver, we believe inflation will likely dictate just how much central banks can reduce rates.

- We think developed market longer-term yields could slide lower in 2024. We are constructive on US duration and expect the 10-year yield to find fair value around 3.5% by fall 2024.

- We do not think the US Treasury's anticipated large debt issuance will meaningfully influence the direction of interest rates.

- We think market focus will likely gravitate toward potential US presidential election outcomes in the second quarter as potential policy shifts become a bit clearer.

- We believe in the Fed's independence and do not think politics will enter its calculus with respect to interest rate policy. The Fed's dual mandate will continue to be its most important objective regardless.

INFLATION SHOULD CONTINUE TO COOL AS ECONOMIC GROWTH SLOWS

We believe inflation will continue to decline in 2024, allowing central banks to cut rates.

Source: LSEG Datastream, as of 18 December 2023.

Developed Market Core Inflation Measures

Legend:
— United Kingdom (CP)
— Eurozone (MUICP)
— United States (PCE)
— Japan (CP)

Y-axis: Year-Over-Year Change %, from -2% to 8%
X-axis: 2012, 2014, 2016, 2018, 2020, 2022, 2024

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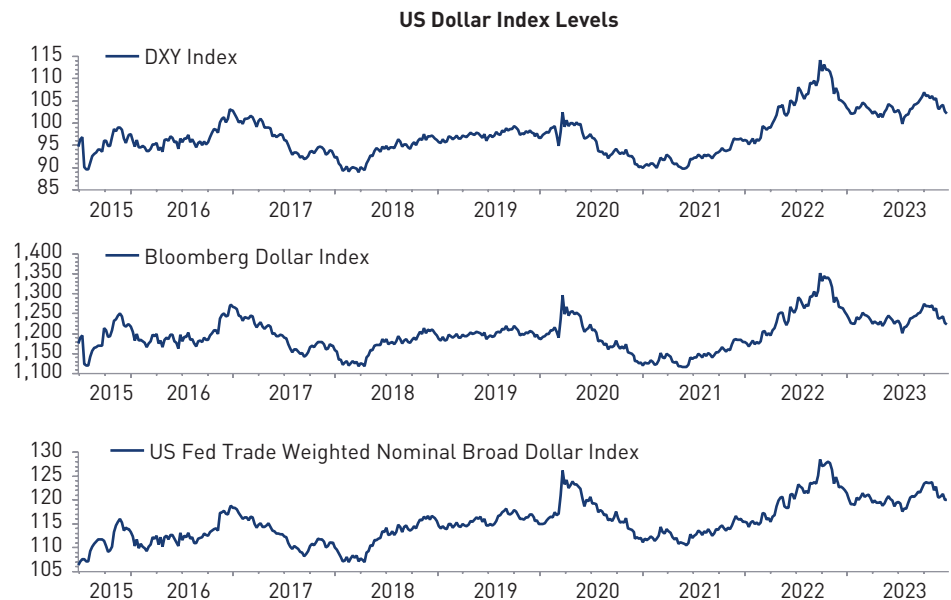
Currencies

We anticipate easier financial conditions in the US, especially when the Fed starts to ease interest rates. Typically, such an environment fosters US dollar weakness.

- The ECB and the BoE may hold policy rates steady, while the Fed begins to cut the fed funds rate. The resulting short-term rate differentials could lead to euro and pound sterling strength in early 2024.

- We believe that developed market currencies could outperform the US dollar in early 2024, but perhaps not for the entire year. At some point in the second half of 2024, the ECB and BoE are likely to cut policy rates too, recognizing that inflation has come down and economic growth is slowing.

- Our outlook on EM currencies has shifted. We think a weaker US dollar regime could bolster EM currency returns, particularly those with relatively higher interest rates than that of the US.

- Most foreign currencies should outperform the US dollar given our view that the current phase of the credit cycle is not coming to an end. The downturn phase is likely next, but we do not expect it to occur over the next six months—perhaps not even in 2024.

- EM local-currency bonds have the potential for carry above that of high-grade US fixed income as well as favorable currency performance. We think local currency 10-year bonds in Brazil, South Africa and Mexico could be attractive.

- We think US dollar indices should continue to trade with a weak tone now that the Fed hiking cycle appears to be over.

THE US DOLLAR COULD CONTINUE TO TRADE LOWER, ESPECIALLY IF THE ECB AND BOE HOLD STEADY WHILE THE FED CUTS

After being very selective in 2023, we are considering EM currencies more broadly.

Source: Bloomberg, Federal Reserve, data as of 18 December 2023.

US Dollar Index Levels

DXY Index

Bloomberg Dollar Index

US Fed Trade Weighted Nominal Broad Dollar Index

Equities

We believe that a strong recovery in EM earnings could occur after the weak stretch of the past several quarters of 2023.

- There is a very high probability that second-quarter 2023 results marked the trough in S&P 500 Index year-over-year earnings per share (EPS). Overall, we expect S&P EPS growth to be flat for 2023.

- A stable-to-lower interest rate environment and less upward wage pressure should help corporate bottom lines, in our view. The Loomis Sayles equity sector team currently forecasts 2024 EPS growth of 6.0%.

- Trailing 12-month profit margins showed improvement with a definitive move higher. But with slowing economic growth and less inflation, we believe the average top-line growth will likely be harder to generate. We do not see an obvious catalyst to drive meaningful profit margin expansion, but in our opinion, stabilization is fine.

- Going into December, the Russell 1000 Growth Index reported a wide margin of year-to-date outperformance relative to the Russell 2000 Index and the S&P Small Cap 600 Index. However, market breadth has been improving recently and we believe that this may continue in early 2024.

- From a sector perspective within the S&P 500 Index, mega-cap technology companies and technology-like businesses accounted for the significant outperformance. Communication services and consumer discretionary sectors have also performed well, which offers a positive forward-looking signal with respect to the credit cycle. For equity market performance to broaden, we think small-cap companies, and those in less-defensive sectors, will need to advance.

BOTTOM-UP CONSENSUS EARNINGS ESTIMATES SUGGEST 11% GROWTH IN 2024, WHICH WE FIND TOO OPTIMISTIC

We expect GDP growth to be below trend and earnings to grow in the mid-single-digits range.

Source: I/B/E/S – The Institutional Broker's Estimate System, as of 18 December 2023.
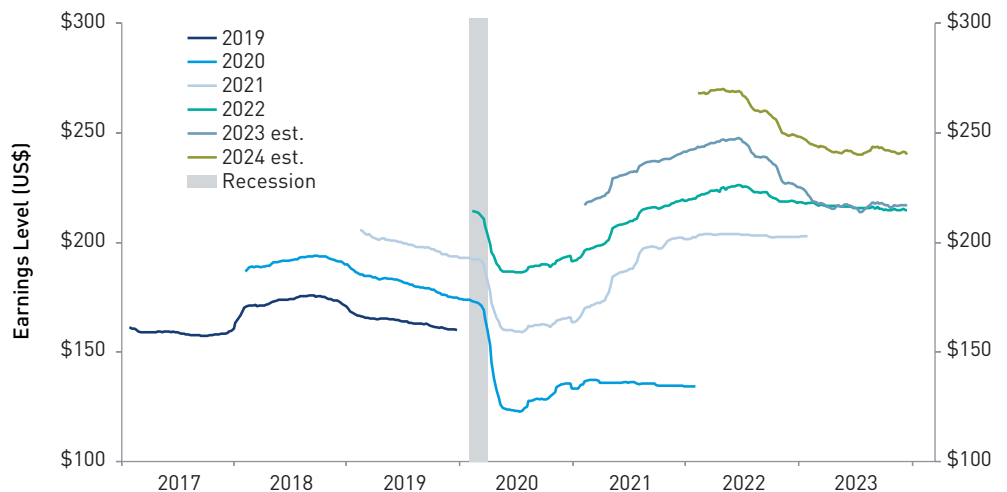
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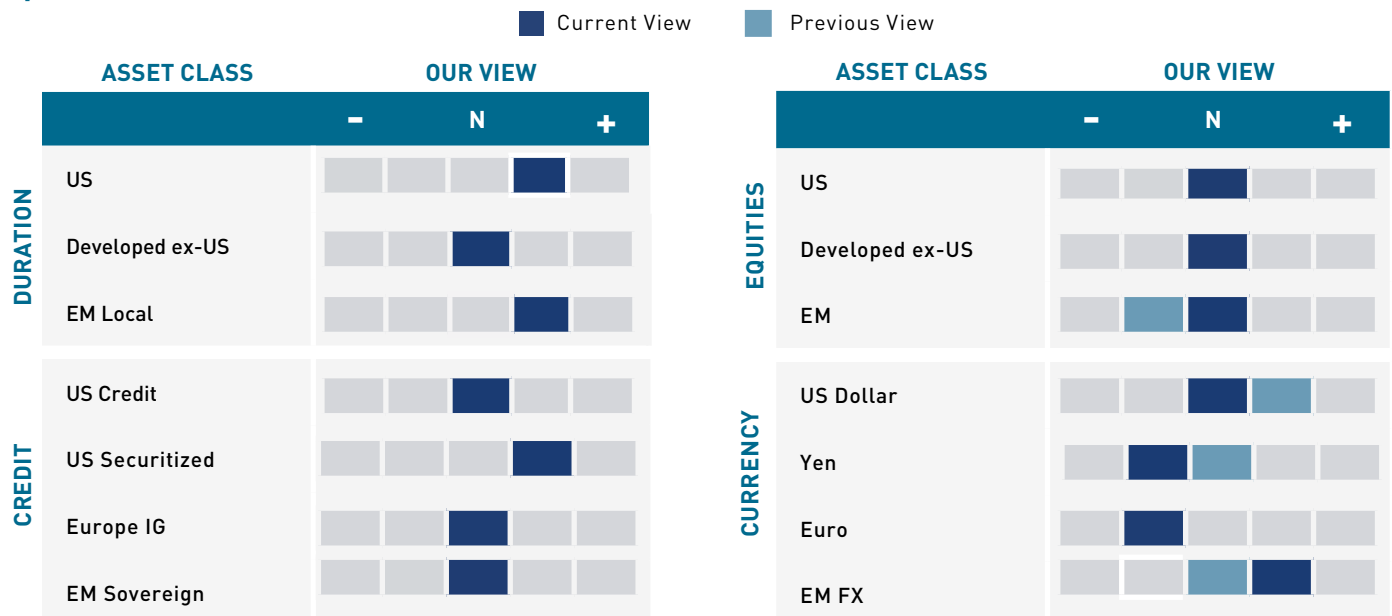
Potential Risks

We have grown more optimistic about the economy. Risk assets largely reflect expected economic progress and valuations across most markets have risen.

- Our core view is that the global economy is slowly weakening as a result of fierce monetary tightening. We suspect the downturn phase of the credit cycle is further out on the horizon. That said, we are wary of discounting potential downturn signals, such as curve inversions and significant declines in leading economic indicators.

- Traditional recession signals are flashing and have been for several months. There is the possibility that a downturn and broader recession could occur in 2024.

- In such a case there would be meaningful corrections across credit and equity markets which have already largely discounted a soft landing scenario.

- We believe the probability of a soft landing is quite high, and therefore see markets as fairly priced—offering carry in credit markets but not much potential for spread compression.

- Our big-picture view includes lower global interest rates, which could favor long-duration positioning relative to benchmarks. In such a scenario, the risks would be higher and stickier inflation, which would likely keep central bank policies tighter for longer.

- A profit growth recovery is also key to the soft landing. If the recovery to date proves to be a blip, then there is the potential for layoffs, which could hit consumption and potentially drive an economic contraction.

Asset Class Outlook

We are constructive on duration and neutral on credit. We would look to add growth equity exposure on weakness.

Legend: ■ Current View   ▨ Previous View

DURATION

ASSET CLASS	–		N		+
US				■	
Developed ex-US		■			
EM Local				■	

CREDIT

ASSET CLASS	–		N		+
US Credit			■		
US Securitized				■	
Europe IG			■		
EM Sovereign			■		

EQUITIES

ASSET CLASS	–		N		+
US			■		
Developed ex-US			■		
EM		▨	■		

CURRENCY

ASSET CLASS	–		N		+
US Dollar			■	▨	
Yen		■	▨		
Euro		■			
EM FX			▨	■	

Fourth Quarter Review

**INDEX RETURNS
BY SECTOR**
as of 31 December 2023

INDEX				
US BROAD MARKET	1 MONTH	3 MONTH	6 MONTH	1 YEAR
BBG US AGGREGATE BOND	3.83	6.82	3.37	5.53
BBG US GOVERNMENT/CREDIT	3.68	6.63	3.44	5.72

The broad fixed income market rebounded in the final quarter of the year after a painful third quarter. Inflation expectations remained benign while the term premium fell just as fast as it had risen in the prior quarter. The 2023 total year return ended in positive territory.

US GOVERNMENTS	1 MONTH	3 MONTH	6 MONTH	1 YEAR
BBG US TREASURYS	3.36	5.66	2.43	4.05
3-MONTH T-BILLS	0.47	1.39	2.74	5.15
2-YEAR TREASURY	1.13	2.49	3.08	3.65
5-YEAR TREASURY	2.38	4.51	3.25	3.93
10-YEAR TREASURY	4.23	6.87	1.40	3.21
30-YEAR TREASURY	8.71	12.85	-1.50	1.93
BBG US TIPS	2.69	4.71	1.99	3.90
BBG US AGENCY	1.90	3.68	3.43	5.13

The US Treasury market rebounded in the fourth quarter. Yields with a maturity greater than one year fell significantly (between 65 to 80 basis points). The decline in yields across the board led to positive returns in all maturities, with longer durations outperforming.

US MUNICIPALS	1 MONTH	3 MONTH	6 MONTH	1 YEAR
BBG US MUNICIPALS	2.32	7.89	3.63	6.40

Municipal bonds performed even better than the aggregate US Treasury market in last few months of 2023. Fundamentals have remained strong, even if mildly lower from their post-pandemic highs.

Data Sources: Bloomberg indices from Bloomberg Live; currency returns, JPMorgan and Citigroup indices from Bloomberg; bank loans from S&P Global Market Intelligence.

All returns in US dollars, unless noted.

Past performance is no guarantee of future results.

US SECURITIZED	1 MONTH	3 MONTH	6 MONTH	1 YEAR
BBG MBS	4.31	7.48	3.12	5.05
BBG ABS	1.91	3.48	3.73	5.54
BBG CMBS	3.03	5.25	4.17	5.42

Lower duration markets like ABS underperformed higher duration markets such as MBS given the substantial moves in US rates.

INDEX RETURNS BY SECTOR
as of 31 December 2023

INDEX				
CORPORATES	**1 MONTH**	**3 MONTH**	**6 MONTH**	**1 YEAR**
BBG US INVESTMENT GRADE	4.34	8.50	5.15	8.52
AAA	5.00	9.76	2.84	6.95
AA	4.23	8.29	3.68	7.02
A	4.22	8.21	4.70	7.74
BBB	4.44	8.78	5.83	9.51
BBG EUROPEAN INVESTMENT GRADE *-LOCAL CURRENCY RETURNS*	2.73	5.52	5.87	8.19
AAA	2.82	6.96	5.79	6.69
AA	2.40	4.87	4.93	6.21
A	2.69	5.56	5.71	7.62
BBB	2.82	5.58	6.16	8.95
BBG STERLING INVESTMENT GRADE *-LOCAL CURRENCY RETURNS*	4.97	8.53	10.93	9.79
AAA	6.55	10.33	11.02	7.62
AA	4.90	8.40	10.26	7.63
A	4.98	8.40	10.41	9.08
BBB	4.94	8.64	11.51	10.78

US corporates performed well. While it was a risk-on environment, US IG spreads only narrowed 21 basis points in the fourth quarter since they were already at quite compressed levels. Most of the return was explained by the move in US rates rather than spreads. Sterling markets performed effectively in line with the US, while the European IG credit market lagged, albeit with significantly positive returns.

CORPORATES	**1 MONTH**	**3 MONTH**	**6 MONTH**	**1 YEAR**
BBG US HIGH YIELD	3.73	7.16	7.66	13.44
BB	3.24	7.36	6.94	11.60
B	3.59	7.01	7.91	13.78
CCC	5.90	6.91	9.60	19.84
BBG PAN-EURO HIGH YIELD *-LOCAL CURRENCY RETURNS*	2.85	5.63	7.62	12.78
BB	2.67	5.45	6.85	11.38
B	3.07	6.55	9.42	16.49
CCC	3.62	2.62	6.50	10.67

Data Sources: Bloomberg indices from Bloomberg Live; currency returns, JPMorgan and Citigroup indices from Bloomberg; bank loans from S&P Global Market Intelligence.

All returns in US dollars, unless noted.

Past performance is no guarantee of future results.

High yield bonds performed well with spreads compressing 114 bps in this market. However, they underperformed the longer duration IG markets when US rates shifted lower.

**INDEX RETURNS
BY SECTOR**
as of 31 December 2023

INDEX				
BANK LOANS	1 MONTH	3 MONTH	6 MONTH	1 YEAR
S&P/LSTA LEVERAGED LOAN	1.65	2.87	6.43	13.32
BB	1.23	2.71	4.98	10.18
B	1.79	3.16	7.12	14.82
CCC	2.70	2.18	8.36	17.54

Bank loans significantly underperformed high yield bonds, though they still had positive returns. The underperformance is attributed to the fact that bank loans generally have floating coupons, and thus have much lower duration compared to the HY bond market as a result.

DEVELOPED COUNTRIES	1 MONTH	3 MONTH	6 MONTH	1 YEAR
CITIGROUP WGBI *-LOCAL CURRENCY RETURNS*	3.02	5.37	2.52	4.74
CITIGROUP NON-USD WGBI	2.77	5.20	2.61	5.07
UNITED STATES	3.35	5.62	2.40	4.28
CANADA	3.10	7.27	3.46	4.88
JAPAN	0.55	1.04	-3.29	0.48
AUSTRALIA	3.40	4.76	3.36	4.74
UNITED KINGDOM	6.13	9.12	7.96	3.83
EUROPEAN GBI	3.58	7.14	4.43	7.16
FRANCE	3.83	7.16	4.53	6.64
GERMANY	3.33	6.38	3.86	5.61
IRELAND	4.04	7.58	4.90	7.63
ITALY	3.30	7.41	4.50	9.39
SPAIN	3.47	6.98	4.62	6.92

All countries within the Citigroup World Government Bond Index (WGBI) performed positively to end the year. The beneficial impact on bonds from yields moving lower was a phenomenon that extended beyond the US.

EMERGING MARKET BONDS	1 MONTH	3 MONTH	6 MONTH	1 YEAR
JP MORGAN EMBIG *-SOVEREIGN/QUASI-SOVEREIGN, USD*	4.81	9.26	6.40	10.45
JP MORGAN CEMBI BROAD DIVERSIFIED *-CORPORATES, USD*	3.07	5.52	5.25	9.08
JP MORGAN GBI-EM GLOBAL DIVERSIFIED *-GOVERNMENTS, LOCAL CURRENCY*	2.01	4.77	4.07	10.03

Data Sources: Bloomberg indices from Bloomberg Live; currency returns, JPMorgan and Citigroup indices from Bloomberg; bank loans from S&P Global Market Intelligence.

All returns in US dollars, unless noted.

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EM bonds, no matter their currency denomination nor whether they were corporate or government, performed well to end the year. However, US-dollar-denominated bonds outperformed local currency, again due largely to the impact from the very aggressive move lower in US rates.

INDEX				
CURRENCY MARKETS	1 MONTH	3 MONTH	6 MONTH	1 YEAR
DOLLAR BLOC				
CANADIAN DOLLAR	2.40	2.52	-0.01	2.35
AUSTRALIAN DOLLAR	3.13	5.86	2.22	-0.01
NEW ZEALAND DOLLAR	2.66	5.35	3.17	-0.49
WESTERN EUROPE				
EURO	1.39	4.41	1.19	3.12
NORWEGIAN KRONE	6.29	5.15	5.55	-3.62
SWEDISH KRONA	4.23	8.32	7.19	3.52
SWISS FRANC	4.02	8.78	6.44	9.88
BRITISH POUND	0.85	4.36	0.22	5.36
EMERGING EUROPE & AFRICA				
CZECH KORUNA	-0.16	3.32	-2.61	0.90
HUNGARIAN FORINT	0.56	6.11	-1.61	7.52
POLISH ZLOTY	1.63	11.13	3.25	11.16
RUSSIAN RUBLE	0.49	9.03	-0.18	-17.08
SOUTH AFRICAN RAND	2.68	3.05	2.65	-7.21
TURKISH NEW LIRA	-2.24	-7.13	-11.90	-36.64
ASIA				
JAPANESE YEN	5.08	5.91	2.32	-7.03
CHINESE RENMINBI	0.49	2.79	2.16	-2.84
INDONESIAN RUPIAH	0.73	0.38	-2.62	1.11
MALAYSIAN RINGGIT	1.49	2.21	1.58	-4.14
PHILIPPINE PESO	0.19	2.18	-0.33	0.62
SINGAPORE DOLLAR	1.29	3.48	2.43	1.45
SOUTH KOREAN WON	0.16	4.76	2.30	-1.75
LATIN AMERICA				
ARGENTINE PESO	-55.41	-56.71	-68.24	-78.09
BRAZILIAN REAL	1.28	3.64	-1.48	8.71
CHILEAN PESO	-1.06	1.43	-8.73	-3.17
COLOMBIAN PESO	4.68	5.52	8.22	25.88
MEXICAN PESO	2.43	2.66	0.90	14.89
PERUVIAN NEW SOL	0.92	2.18	-2.14	2.75

Nearly every currency listed above performed well. This is due largely to the US dollar selling off as market expectations for Fed rate cuts grew. Notably, the Argentine peso's negative return was due largely to a devaluation by the new presidency and the Turkish lira continued to experience steady depreciation.

GLOBAL EQUITY MARKETS
as of 31 December 2023

INDEX TOTAL RETURNS (%)

INDEX	3 MONTH	1 YEAR	3 YEAR	5 YEAR
S&P 500®	11.69	26.29	9.99	15.63
MSCI ALL COUNTRY WORLD	11.15	22.81	6.24	12.23
MSCI EUROPE	11.10	20.66	6.44	9.71
MSCI JAPAN	8.22	20.77	1.03	7.29
MSCI EMERGING MARKETS	7.93	10.27	-4.70	4.06

The S&P 500 Index rallied more than 11% in the final three months of 2023; the resulting 26.29% annual return was close to its historic record. The S&P 500 Index led global equity markets, which performed well but lagged the US return. Emerging markets were the clear laggard, albeit with a 10.27% return.

US EQUITY MARKETS
as of 31 December 2023

INDEX TOTAL RETURNS (%)

INDEX	3 MONTH	1 YEAR	3 YEAR	5 YEAR
RUSSELL 1000®	11.96	26.53	8.96	15.47
GROWTH	14.16	42.68	8.85	19.43
VALUE	9.50	11.46	8.84	10.87
RUSSELL MIDCAP®	12.82	17.23	5.91	12.64
GROWTH	14.55	25.87	1.31	13.77
VALUE	12.11	12.71	8.35	11.12
RUSSELL 2000®	14.03	16.93	2.22	9.94
GROWTH	12.75	18.66	-3.50	9.19
VALUE	15.26	14.65	7.93	9.97

In the fourth quarter, small caps (Russell 2000 Index) outperformed large caps (Russell 1000 Index). Performance for growth versus value depended on market size — generally a rare occurrence. Growth outperformed in large caps, though underperformed in small caps.

Data Source: FactSet. All returns quoted in US dollars. Performance for one and multi-year periods is annualized. Sorted by index quarterly returns. Due to rounding, sector totals may not equal 100%.

Past performance is no guarantee of future results.

S&P 500 SECTORS
as of 31 December 2023

SECTOR PERFORMANCE ATTRIBUTION (%)				
INDEX	3 MONTH	1 YEAR	3 YEAR	5 YEAR
REAL ESTATE	18.83	12.41	6.70	8.92
INFORMATION TECHNOLOGY	17.17	59.44	15.56	27.25
FINANCIALS	14.03	14.68	11.51	12.48
INDUSTRIALS	13.06	18.26	10.57	14.20
CONSUMER DISCRETIONARY	12.42	42.55	3.76	13.77
COMMUNICATION SERVICES	10.96	55.82	4.42	13.31
MATERIALS	9.69	12.54	7.85	13.53
UTILITIES	8.56	-7.08	3.57	7.12
HEALTHCARE	6.40	2.08	8.10	11.59
CONSUMER STAPLES	5.54	0.19	5.72	10.80
ENERGY	-6.94	-1.33	36.35	13.41

Lastly, nearly all sectors performed well to close out the year. The exception was energy, likely attributable to the fall in oil and, to a lesser extent, natural gas.

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Credit Cycle Regime Periods

	START	END
EXPANSION/LATE CYCLE	1 Apr 1997 1 Mar 2006 1 Jan 2014 1 Apr 2021	31 Aug 2000 31 Dec 2007 28 Feb 2020 Present
DOWNTURN	1 Sep 2000 1 Jan 2008 1 Mar 2020	30 Nov 2001 30 Jun 2009 30 Apr 2020
CREDIT REPAIR	1 Dec 2001 1 Jul 2009 1 May 2020	30 May 2003 31 May 2011 31 Oct 2020
RECOVERY	1 Jun 2003 1 Jun 2011 1 Nov 2020	28 Feb 2006 31 Dec 2013 31 Mar 2021

Disclosure

The Credit Health Index (CHIN) is a macro tool created by Loomis Sayles. The CHIN is currently managed by the Loomis Sayles QRRA team. It is proprietary framework that utilizes a combination of macro, financial market and policy variables to project US corporate health. A higher reading indicates stronger corporate health whereas a lower reading indicates weaker corporate health.

All data and views are as of 31 December 2023, unless otherwise noted.

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Past performance is no guarantee of future results.

Any investment that has the possibility for profits also has the possibility of losses, including the loss of principal.

Diversification does not ensure a profit or guarantee against a loss.

Market conditions are extremely fluid and change frequently.

Commodity, interest and derivative trading involves substantial risk of loss.

Indices are unmanaged and do not incur fees. It is not possible to invest directly in an index.

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Index Definitions

Bloomberg US Aggregate Bond Index *represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the US 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.*

Bloomberg US Government/Credit Index *includes securities in the government and credit indices. The government index includes treasuries -i.e., public obligations of the US Treasury that have remaining maturities of more than one year and agencies -i.e., publicly issued debt of US Government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the US Government. The credit index includes publicly issued US corporate and foreign debentures and secured notes that meet specified maturity, liquidity, and quality requirements.*

Bloomberg US Treasury Index *includes public obligations of the US Treasury with at least one year until final maturity, excluding certain special issues such as state and local government series bonds -SLGs, US Treasury TIPS and STRIPS.*

Bloomberg US Treasury Inflation Protected Securities Index *consists of inflation-protection securities issued by the US Treasury that have at least one year to maturity and at least $250 million par amount outstanding.*

Bloomberg US Agency Index *includes agency securities that are publicly issued by US Government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the US Government -such as USAID securities.*

Bloomberg US Municipal Index *is a rules-based, market-value-weighted index engineered for the long-term tax-exempt bond market. The index has four main sectors: general obligation bonds, revenue bonds, insured bonds -including all insured bonds with a Aaa/AAA rating, and prerefunded bonds.*

Bloomberg Mortgage-Backed Securities -MBS Index *is a component of the Bloomberg Aggregate Index covering mortgage-backed pass-through securities of Ginnie Mae -GNMA, Fannie Mae -FNMA and Freddie Mac -FHLMC. The MBS Index is formed by grouping the universe of over 600,000 individual fixed rate MBS pools into approximately 3,500 generic aggregates.*