



LOOMIS | SAYLES

Investment Outlook

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A potent combination of central bank easing and accelerating earnings growth is likely to propel global risk assets higher into 2026.

In our view, the initial jolt from significantly higher tariffs has already been largely reflected in the markets. Near term, we anticipate the tariffs will likely impede economic growth modestly.

Global central banks are attuned to the risk of overly restrictive policies, which opens the door to additional rate cuts and a possible economic acceleration into 2026. Inflation could be pressured higher as tariff price increases are passed through to consumers. However, we believe the Federal Reserve (Fed) will likely look past “one-time” price hikes that impact only certain imported goods.

There is potential for a significant rebound in global corporate profitability in 2026. US markets, like those measured by the S&P 500 Index, have shown fundamental leadership based on profitability in 2025. Bottom-up consensus earnings estimates for emerging markets, Europe and Japan imply year-on-year growth rates of 10% or higher for 2026. Given our pro-cyclical stance, it is encouraging to see global indices firmly in growth mode.

Investment Themes

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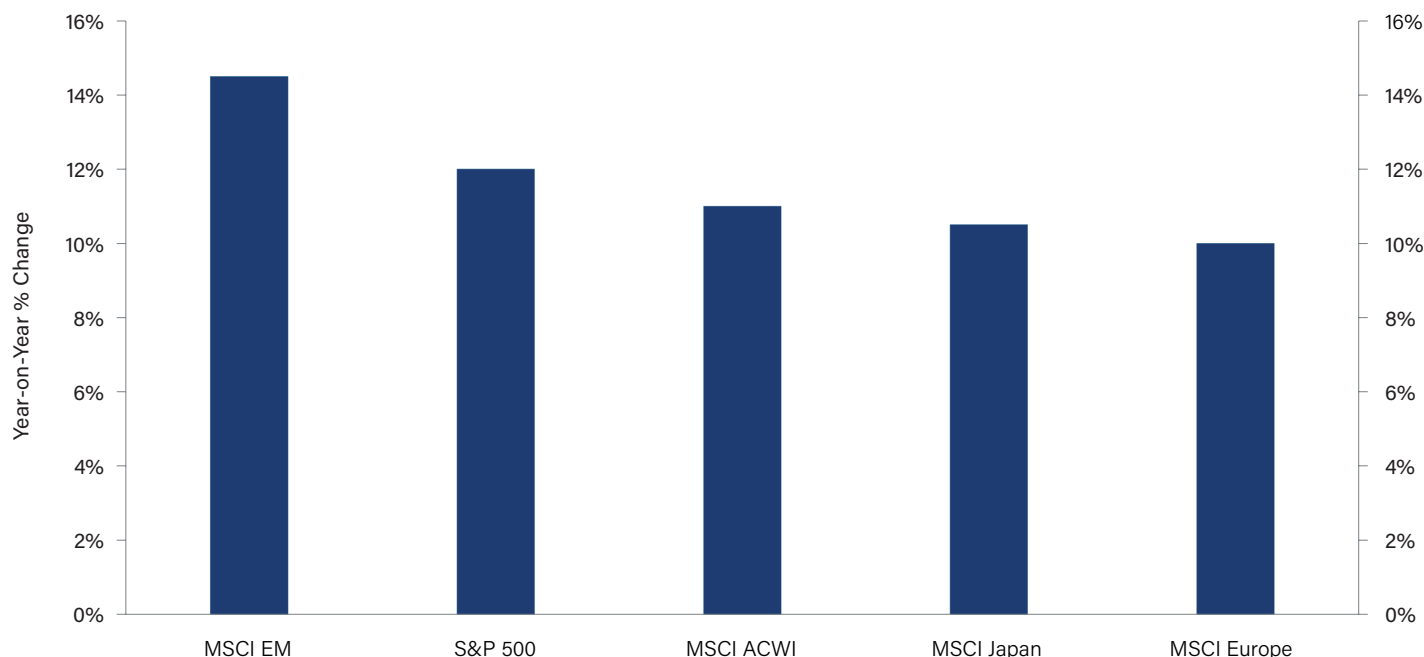
Macroeconomic Drivers

- Near term, US inflation is likely to remain above the Fed's objective of 2.0% growth in core PCE.
- US corporates delivered strong earnings growth with consumers still spending in a somewhat elevated inflation regime.
- Higher-income consumers—who account for the bulk of spending—continue to benefit from the wealth effect (rising equity markets and home values).
- Lower-income consumers are under some financial pressure. That said, commentaries from the largest US financial institutions suggest credit and debit card spending trends are intact.
- The Quarterly Census of Employment and Wages reported a substantial downward revision to payrolls, which painted a weaker picture of the US labor market. Notably, companies continued to grow earnings with fewer new employees.
- Slipping labor force participation, paired with less hiring, can keep the unemployment rate stable.
- Outside the US, we believe a pick up in global growth, and a slightly weaker US dollar, would support global credit and equity markets.

Profit growth drives the credit cycle, and profits could boom during 2026.

Companies are unlikely to lay off employees while profits are growing. This should continue to support consumer borrowing and spending across economies.

2026 Earnings Growth Estimates: Bottom-Up Consensus



Source: MSCI, Bloomberg, as of 23 September 2025.

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Past performance is no guarantee of future results.



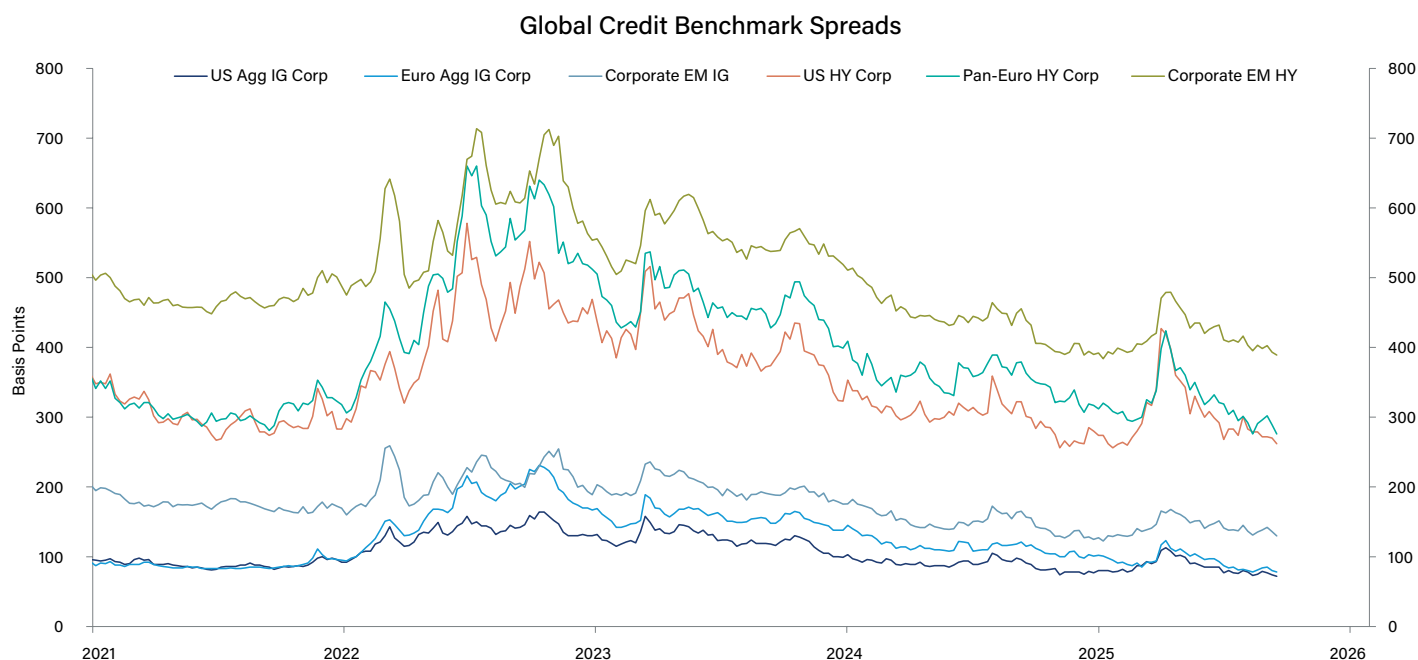
Corporate Credit

Credit market resilience looks likely to persist given strong fundamental expectations and minimal signs of excessive leverage across industries.

- Based on bottom-up fundamental analysis, our Credit Research Team suggests 85% of Bloomberg US Aggregate Index industries are in the expansion phase of the credit cycle.
- We believe economically-sensitive sectors, like large banks, retailers and building materials are all within the expansion phase— a positive forward-looking cyclical indicator.
- From a broad perspective during the quarter, our Credit Research Team's forward-looking views on credit have improved. Credit trends, profit margins and free cash flow are on firmer footing.
- Future tariff impacts are highly uncertain and developing over time at varying speeds for different industries. Overall, the outlook for the influence of tariffs is less negative than it was in June 2025.
- The expected US high yield default rate, an output of Loomis Sayles' risk premium framework, suggests a low 3.4% expected default rate for the 12 months ending August 2026.
- Credit risk premiums are slim. While corporate credits continue to offer carry relative to Treasuries, excess return from spread compression looks harder to capture.

Despite some alarmist headlines, corporate credit spreads are sending a bullish message.

Investor demand for corporate credit has been strong and we expect that to continue.



Source: Bloomberg, JP Morgan, as of 19 September 2025.

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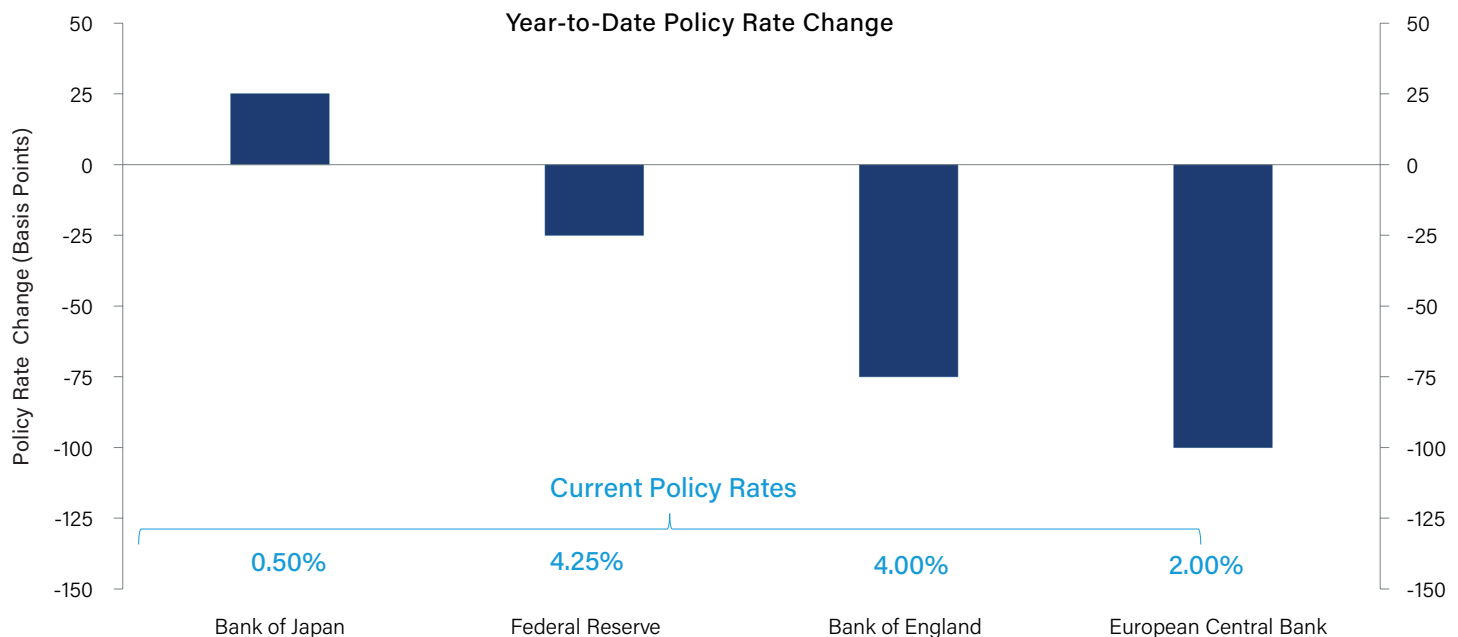
Government Debt & Policy

Central banks seek to ease policy rates toward neutral without disrupting the global economic expansion or reigniting inflation.

- Government debt burdens are large but manageable for most countries. Markets seem to understand fiscal policy risks, which should preclude long-term yields from spiking.
- Several developed market interest rates have been moving higher at the 10-year and 30-year points on respective yield curves year to date. Steeper curves typically coincide with economic expansion.
- Year over year, yields are lower across the US Treasury curve, even though it steepened.
- We foresee global yield curves retaining their steepness, and see potential for further steepening through 2026.
- We think the Fed will likely deliver two more 25-basis-point rate cuts (late October and early December 2025). We anticipate one more cut in March 2026, before another pause to examine rate proximity to the neutral rate.
- The European Central Bank has seemingly reached a near-neutral policy rate. Relative to the Fed, the Bank of England is closer to its neutral rate. However, it's likely to make further cuts by summer 2026.
- We prefer emerging market local-currency and sovereign bonds are preferred over developed market duration. Several countries have yield advantages relative to US Treasurys.

The Fed could cut twice more in 2025, while Japan and European central banks appear on hold.

The Bank of Japan may hike again by mid-2026, counter to its peers.



Source: Bloomberg, as of 24 September 2025.

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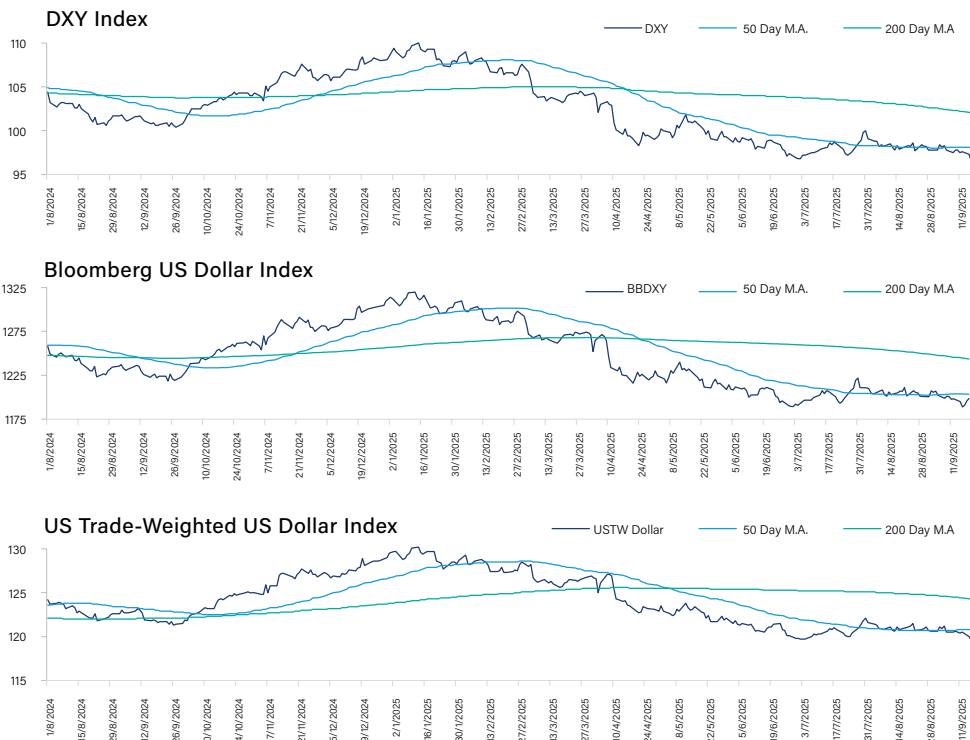
Currencies

Strong foreign currency performance may continue at a less robust pace than realized year to date.

- In this global risk-on environment, we think diversifying portfolios and holding non-dollar exposure is a worthwhile strategy.
- Globally, the probability of recession has been decreasing for several months. We believe rightfully so. A “flight-to-safety” bid is no longer buoying the US dollar.
- The US administration’s willingness to negotiate trade deals with the US’s largest trading partners introduces upside risk to our already favorable view of non-dollar assets.
- In Europe—particularly in Germany—the shift toward more expansionary fiscal policies should raise its long-term-trend growth rates. The euro/US dollar exchange rate likely has upside over the long run.
- A stable-to-improving global growth backdrop should attract US-dollar-based investor capital. This trend could last for several quarters or longer in developed and emerging markets.
- We recommend non-dollar exposure via local-currency fixed income. Our preferred markets include Brazil, South Africa, Euro governments, Sweden, Norway and Mexico.

The broad dollar indices should continue to trend lower as the Fed cuts rates.

Dollar indices could break to new 52-week lows as we head into 2026.



Source: Bloomberg, as of 24 September 2025.

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Global Equities

We foresee a global bull market powered by high-growth artificial intelligence (AI) themes with help from interest-rate-sensitive areas of the market.

- We believe the Russell 2000 Index is likely to join other global indices at new 52-week highs in the months ahead as profitability within the index finally broadens out.
- AI-driven capital expenditure is a lasting theme that should help propel equity markets and domestic investments for years to come.
- We see opportunities outside of large-cap tech and the AI theme. Despite lower relative fundamentals, the Russell 2000 Index has been outperforming the capitalization-weighted S&P 500 Index since the April 2025 lows.
- The financial sector is also rallying and showing very steady uptrends across small-through-large cap indices. A healthy financial sector is a positive indicator for the credit cycle's direction.
- We believe the global bull market has staying power. Of the global equity indices we monitor, 80% are within 2% of their 52-week or all-time high levels.ⁱ
- We are optimistic about global equity markets. We believe strong performance can be delivered even if robust earnings estimates prove a little too optimistic.

Global equities are in an uptrend across the board with the bulk of indices above respective 200-day and 50-day moving averages.

The Dow Jones Transportation Average underperformance is notable but not disastrous. The US economy is more closely linked to technology than shipping and hauling.

		10 wk vs 40 wk			SORTED	
		% above or below 50-day Mvg Avg	% above or below 200-day Mvg Avg	% above or below 50-day vs 200-day	% Chg from 52 high	RSI 14-day
1	MSCI EM	5.6%	15.7%	9.5%	-0.4%	76.1
2	MSCI ACWI XUSA	3.5%	12.0%	8.2%	-0.4%	72.3
3	MSCI ACWI	3.4%	11.4%	7.7%	-0.5%	73.5
4	NIKKEI 225	7.9%	16.9%	8.4%	-0.5%	72.6
5	TOPIX INDEX (TOKYO)	4.7%	13.3%	8.2%	-0.5%	65.0
6	BRAZIL IBOVESPA INDEX	5.9%	10.7%	4.5%	-0.6%	70.5
7	RUSSELL 1000 VALUE INDEX	2.0%	6.1%	4.0%	-0.7%	61.2
8	KOSPI INDEX	7.0%	24.8%	16.6%	-0.7%	71.7
9	S&P/TSX COMPOSITE INDEX	5.8%	14.5%	8.2%	-0.8%	75.8
10	SHENZHEN SE COMPOSITE IX	7.4%	20.3%	12.0%	-1.0%	63.6
11	CHINEXT COMPOSITE INDEX	11.4%	29.4%	16.2%	-1.0%	65.6
12	S&P 500 INDEX	3.0%	10.4%	7.2%	-1.0%	67.5
13	FTSE 100 INDEX	1.0%	6.2%	5.2%	-1.1%	52.6
14	DOW JONES INDUS. AVG	2.5%	6.8%	4.2%	-1.2%	64.0
15	SHANGHAI SE COMPOSITE	3.5%	11.9%	8.2%	-1.2%	53.7
16	NASDAQ 100	3.8%	13.4%	9.3%	-1.3%	68.4
17	PHILA SEMICONDUCTOR INDX	8.3%	23.2%	13.8%	-1.6%	72.3
18	RUSSELL 2000	5.8%	12.0%	5.9%	-1.7%	66.9
19	RUSSELL 1000 GROWTH INDX	4.0%	14.2%	9.8%	-1.8%	66.2
20	EURO STOXX 50 PR	1.7%	3.6%	1.8%	-1.9%	59.6
21	ESTX BANKS (EUR) PR	3.7%	21.4%	17.0%	-2.0%	55.6
22	HANG SENG INDEX	4.2%	15.2%	10.5%	-2.0%	55.3
23	STXE 600 (EUR) PR	0.6%	2.8%	2.2%	-2.0%	54.5
24	HANG SENG CHINA ENT INDX	3.6%	12.9%	9.0%	-2.3%	58.9
25	FTSE MIB INDEX	1.7%	9.5%	7.7%	-2.6%	54.6
26	DAX INDEX	-1.3%	4.0%	5.3%	-3.9%	45.7
27	NIFTY 50	0.7%	3.7%	3.0%	-4.6%	52.2
28	CAC 40 INDEX	0.5%	1.0%	0.5%	-5.2%	56.4
29	DOW JONES TRANS. AVG	-0.4%	1.8%	2.1%	-12.2%	51.1

Source: Bloomberg, as of 23 September 2025.

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ⁱ Source: Bloomberg, as of 23 September 2025.

Potential Risks

The starting point for risk asset valuations is the most glaring risk investors face, in our view. Credit spreads are near multi-year tight levels. US equity price-to-earnings multiples are a few turns above their five-year averages. Forward-looking total return prospects are positive, but not overwhelmingly so. We believe market corrections could provide opportunity as long as the fundamental backdrop is not disrupted.

- The Loomis Sayles Macro Strategies Team is projecting a near-20% probability of a US recession. The estimate is far from the team's base case, but not trivial.
- US payroll growth proved much less robust than projected earlier this year. The current economic expansion and market rally hinges on a stable labor market and consumer spending.
- Risk premiums are slim across US credit and equity markets, which leaves them vulnerable to exogenous shocks and earnings disappointments, in our view.
- An unexpected inflation surge could disrupt markets and put central bankers in a difficult position. Markets would likely suffer a deep correction in that event and fundamentals could also deteriorate.
- Geopolitical risk is present but not driving markets. Spiking crude oil prices on the back of growing geopolitical risk would hit consumer wallets.



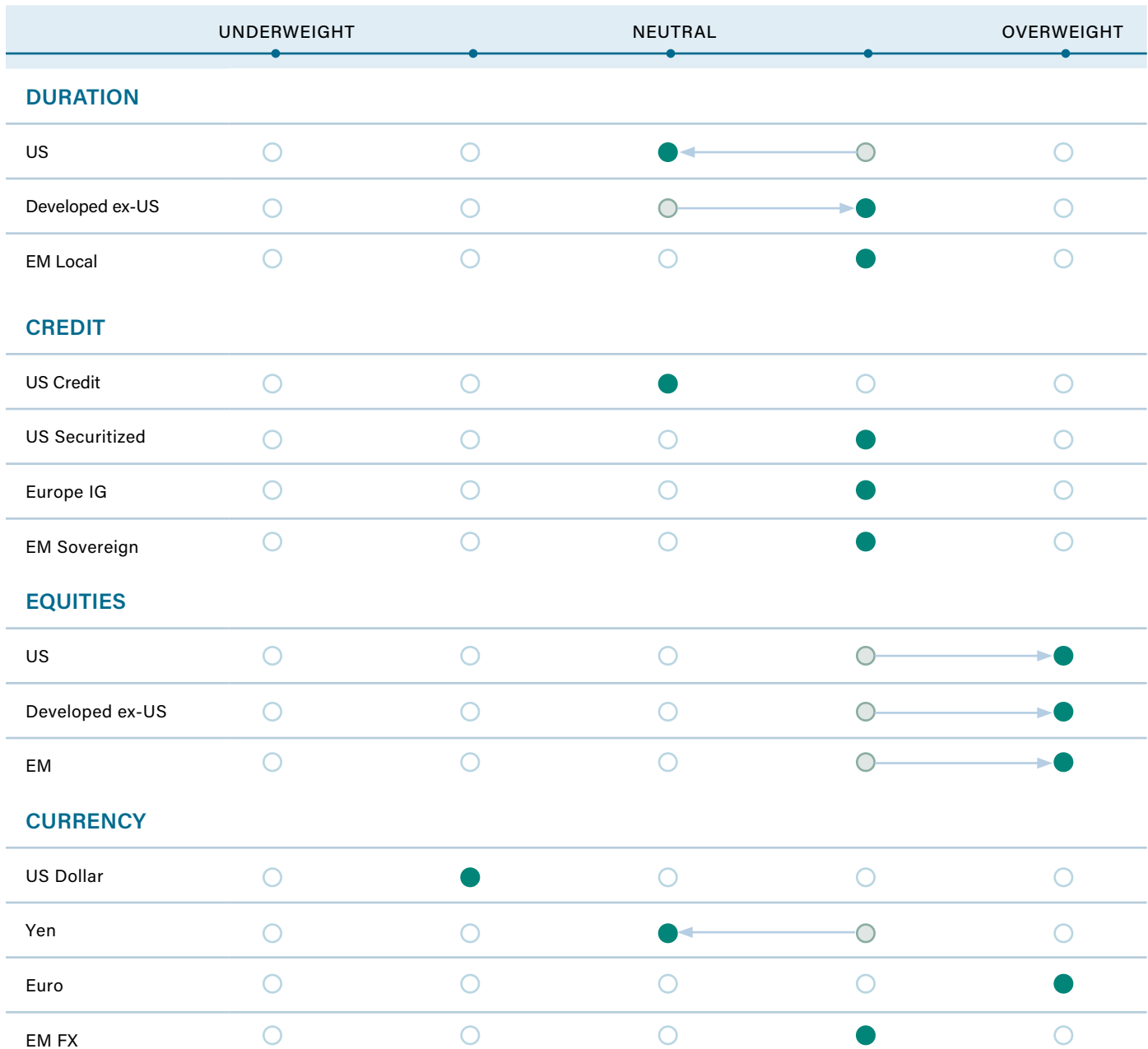
Risk premiums are slim across US credit and equity markets.



Asset Class Outlook

Our outlook for most markets is bright and backed by solid fundamental expectations.

● Current View ● Previous View





Third Quarter Review

INDEX RETURNS BY SECTOR (%) as of 30 September 2025

INDEX					
US BROAD MARKET		1 MONTH	3 MONTH	6 MONTH	1 YEAR
BBG US AGGREGATE BOND		1.09	2.03	3.26	2.88
BBG US GOVERNMENT/CREDIT		1.07	1.91	3.15	2.67

The US market posted exceptional performance in the quarter. The US Aggregate produced positive returns as tariff fears faded, the Fed resumed its cutting cycle and geopolitical noise declined.

US GOVERNMENTS		1 MONTH	3 MONTH	6 MONTH	1 YEAR
BBG US TREASURYS		0.85	1.51	2.37	2.06
3-MONTH T-BILLS		0.34	1.08	2.15	4.43
2-YEAR TREASURY		0.27	1.03	2.17	3.60
5-YEAR TREASURY		0.08	1.18	2.92	3.16
10-YEAR TREASURY		0.95	1.84	2.91	1.46
30-YEAR TREASURY		3.50	2.10	-0.02	-5.53
BBG US TIPS		0.43	2.10	2.59	3.79
BBG US AGENCY		0.49	1.39	2.72	3.77

Rates across the entire US yield curve fell in the third quarter, with the six-month yield falling the most (44 basis points). The decline in yields led to positive price action for all tenors, with long duration outperforming the short end of the yield curve.

US MUNICIPALS		1 MONTH	3 MONTH	6 MONTH	1 YEAR
BBG US MUNICIPALS		2.32	3.00	2.87	1.39

The municipal bond market rebounded this quarter, nearly doubling the return of the broader US Treasury market.

US SECURITIZED		1 MONTH	3 MONTH	6 MONTH	1 YEAR
BBG MBS		1.22	2.43	3.59	3.39
BBG ABS		0.55	1.64	3.05	4.57
BBG CMBS		0.40	1.75	3.66	4.75

The securitized fixed income market also outperformed the broader US Treasury market. The mortgage-backed securities index outperformed other categories owing to its comparatively higher duration.

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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**INDEX RETURNS
BY SECTOR (%)**

as of 30 September 2025

INDEX					
CORPORATES		1 MONTH	3 MONTH	6 MONTH	1 YEAR
BBG US INVESTMENT GRADE		1.50	2.60	4.47	3.63
	AAA	2.09	2.64	3.50	0.04
	AA	1.61	2.37	3.73	2.06
	A	1.46	2.52	4.37	3.31
	BBB	1.52	2.71	4.71	4.26
BBG EUROPEAN INVESTMENT GRADE					
-LOCAL-CURRENCY RETURNS		0.39	0.94	2.77	3.65
	AAA	0.64	0.43	2.43	1.10
	AA	0.33	0.69	2.20	2.57
	A	0.38	0.83	2.71	3.34
	BBB	0.39	1.06	2.90	4.09
BBG STERLING INVESTMENT GRADE					
-LOCAL-CURRENCY RETURNS		0.89	0.75	3.91	3.91
	AAA	1.73	-1.52	1.78	0.48
	AA	0.77	0.19	3.10	1.94
	A	0.84	0.60	3.55	3.02
	BBB	0.94	0.97	4.35	5.09

US corporate investment grade (IG) bonds posted positive returns for the quarter and outperformed Treasuries. The US outperformance was mostly due to US Treasury rates outperforming euro government bond markets, with spread compression playing just a secondary role.

	CORPORATES	1 MONTH	3 MONTH	6 MONTH	1 YEAR
BBG US HIGH YIELD		0.82	2.54	6.15	7.41
	BB	0.82	2.31	5.83	6.88
	B	0.83	2.28	5.98	7.10
	CCC	0.98	4.37	8.55	10.52
BBG PAN-EURO HIGH YIELD -LOCAL-CURRENCY RETURNS		0.42	1.83	3.61	6.26
	BB	0.47	1.84	3.99	6.31
	B	0.31	1.85	4.15	7.23
	CCC	1.03	1.80	-2.44	3.55

High yield bonds performed in line with US IG debt. While spread compression in high yield bonds was more pronounced than in that of the IG market, the IG market benefited from its relatively longer duration.

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**INDEX RETURNS
BY SECTOR (%)**

as of 30 September 2025

INDEX					
BANK LOANS		1 MONTH	3 MONTH	6 MONTH	1 YEAR
S&P/LSTA LEVERAGED LOAN		0.44	1.77	4.13	7.00
BB		0.49	1.59	3.75	7.04
B		0.35	1.85	4.35	7.35
CCC		0.97	1.70	4.05	3.64

Bank loans also did well in this quarter, however, not as well as the high yield bond market. This was likely due to bank loans' much lower duration, as they generally have floating rather than fixed coupons. Since the very short end of the yield curve rose, bank loan prices were likely negatively impacted relative to high yield bonds.

DEVELOPED COUNTRIES	1 MONTH	3 MONTH	6 MONTH	1 YEAR
CITIGROUP WGBI -LOCAL-CURRENCY RETURNS	0.55	0.38	1.47	0.68
CITIGROUP NON-USD WGBI	0.34	-0.42	0.86	-0.36
UNITED STATES	0.85	1.52	2.36	2.07
CANADA	1.51	1.05	-0.05	1.52
JAPAN	0.12	-1.89	-2.77	-7.27
AUSTRALIA	0.09	-0.03	2.79	2.79
UNITED KINGDOM	0.68	-0.75	1.23	-2.05
EUROPEAN GBI	0.46	-0.22	1.62	0.16
FRANCE	0.44	-0.84	0.78	-0.74
GERMANY	0.16	-0.34	0.91	-1.55
IRELAND	0.36	0.02	1.19	-1.24
ITALY	0.53	0.14	3.06	2.82
SPAIN	0.64	0.35	2.20	1.35

The US and Canada stood out as outperformers in the WGBI this quarter. Europe posted negative returns, outside of the "periphery" countries of Ireland, Italy and Spain.

EMERGING MARKET BONDS	1 MONTH	3 MONTH	6 MONTH	1 YEAR
JP MORGAN EMBIG -SOVEREIGN/QUASI-SOVEREIGN, USD	1.62	4.39	7.59	7.78
JP MORGAN CEMBI BROAD DIVERSIFIED -CORPORATES, USD	0.95	3.18	4.80	6.48
JP MORGAN GBI-EM GLOBAL DIVERSIFIED -GOVERNMENTS, LOCAL-CURRENCY	0.79	2.43	5.71	7.58

Emerging market (EM) bonds were one of the best sectors of the fixed income market this quarter. US-dollar-denominated government and corporate EM debt performed well and outpaced the GBI-EM, which slightly lagged as the US dollar did not depreciate to the same degree as it did in the first half of 2025.

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**INDEX RETURNS
BY SECTOR (%)**

as of 30 September 2025

INDEX				
CURRENCY MARKETS	1 MONTH	3 MONTH	6 MONTH	1 YEAR
DOLLAR BLOC				
CANADIAN DOLLAR	-1.29	-2.24	3.35	-2.84
AUSTRALIAN DOLLAR	1.12	0.49	5.86	-4.34
NEW ZEALAND DOLLAR	-1.68	-4.95	2.04	-8.74
WESTERN EUROPE				
EURO	0.41	-0.45	8.49	5.38
NORWEGIAN KRONE	0.64	0.78	5.15	5.53
SWEDISH KRONA	0.43	0.44	6.61	7.90
SWISS FRANC	0.51	-0.41	11.04	6.18
BRITISH POUND	-0.43	-2.08	4.09	0.53
EMERGING EUROPE & AFRICA				
CZECH KORUNA	0.96	1.20	11.28	9.23
HUNGARIAN FORINT	2.11	1.94	12.03	7.30
POLISH ZLOTY	0.31	-0.95	6.51	5.80
RUSSIAN RUBLE	-2.17	-5.48	0.37	12.25
SOUTH AFRICAN RAND	2.24	2.56	6.09	-0.01
TURKISH NEW LIRA	-1.07	-4.27	-8.76	-17.77
ASIA				
JAPANESE YEN	-0.57	-2.62	1.39	-2.89
CHINESE RENMINBI	0.12	0.58	1.89	-1.46
INDONESIAN RUPIAH	-1.05	-2.56	-0.63	-9.15
MALAYSIAN RINGGIT	0.42	0.07	5.49	-1.99
PHILIPPINE PESO	-1.82	-3.24	-1.68	-3.71
SINGAPORE DOLLAR	-0.47	-1.43	4.08	-0.40
SOUTH KOREAN WON	-0.99	-3.57	4.92	-6.35
LATIN AMERICA				
ARGENTINE PESO	-2.55	-12.76	-22.22	-29.79
BRAZILIAN REAL	2.03	2.07	7.21	2.40
CHILEAN PESO	0.46	-3.21	-1.19	-6.63
COLOMBIAN PESO	2.46	4.57	6.69	7.31
MEXICAN PESO	1.88	2.38	11.79	7.53
PERUVIAN NEW SOL	1.73	2.03	5.91	6.69

The US dollar posted one of its worst starts as 2025 began. However, it was able to tread water on average during the third quarter. There were varying results for any given currency pair. Perhaps the most interesting return was the very poor performance of the Argentine peso, which the US government has indicated it may try to support by purchasing Argentine government debt.

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**GLOBAL EQUITY
MARKETS**

as of 30 September 2025

INDEX TOTAL RETURNS (%)					
	INDEX	3 MONTH	1 YEAR	3 YEAR	5 YEAR
	S&P 500*	8.12	17.52	24.86	16.41
	MSCI ALL COUNTRY WORLD	7.74	17.73	23.64	14.02
	MSCI EUROPE	3.66	15.75	23.62	12.84
	MSCI JAPAN	8.18	16.71	21.59	9.34
	MSCI EMERGING MARKETS	10.95	18.10	18.76	7.48

The S&P 500 posted another impressive gain in the third quarter. However, it was not alone on the global stage. The emerging markets region had the best performance, followed by Japan.

**US EQUITY
MARKETS**

as of 30 September 2025

INDEX TOTAL RETURNS (%)					
	INDEX	3 MONTH	1 YEAR	3 YEAR	5 YEAR
	RUSSELL 1000*	7.99	17.67	24.57	15.93
	GROWTH	10.51	25.42	31.52	17.52
	VALUE	5.33	9.40	16.92	13.83
	RUSSELL MIDCAP*	5.33	11.06	17.64	12.62
	GROWTH	2.78	21.93	22.78	11.22
	VALUE	6.18	7.55	15.47	13.62
	RUSSELL 2000*	12.39	10.71	15.17	11.52
	GROWTH	12.19	13.50	16.64	8.38
	VALUE	12.60	7.85	13.53	14.55

The typical performance script was flipped this quarter. Small-cap stocks (Russell 2000) outperformed large-cap stocks (Russell 1000). However, as is typical, growth stocks continued to outperform value stocks.

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 30 September 2025

SECTOR PERFORMANCE (%)					
	INDEX	3 MONTH	1 YEAR	3 YEAR	5 YEAR
INFORMATION TECHNOLOGY		13.19	28.22	40.78	23.55
COMMUNICATION SERVICES		12.03	35.55	38.96	17.73
CONSUMER DISCRETIONARY		9.54	20.34	20.62	10.59
UTILITIES		7.57	11.20	13.61	11.44
ENERGY		6.21	4.43	11.10	29.60
INDUSTRIALS		5.02	15.70	25.17	16.80
HEALTHCARE		3.76	-7.95	6.62	7.50
FINANCIALS		3.22	20.75	24.24	20.24
MATERIALS		3.10	-4.27	12.27	9.42
REAL ESTATE		2.59	-2.34	9.22	7.30
CONSUMER STAPLES		-2.36	0.51	10.46	8.44

While performance dispersion among sectors was quite large, only one posted a negative return. Information Technology and Communication Services were the top performers, and Consumer Staples was the lone negative performer.

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%.

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Disclosure

All data and views are as of 30 September 2025, unless otherwise noted.

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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.