

# Addressing the Future Era of Volatile Rates Through Active Duration Management

Presented by

Brian L. Giuliano, CFA

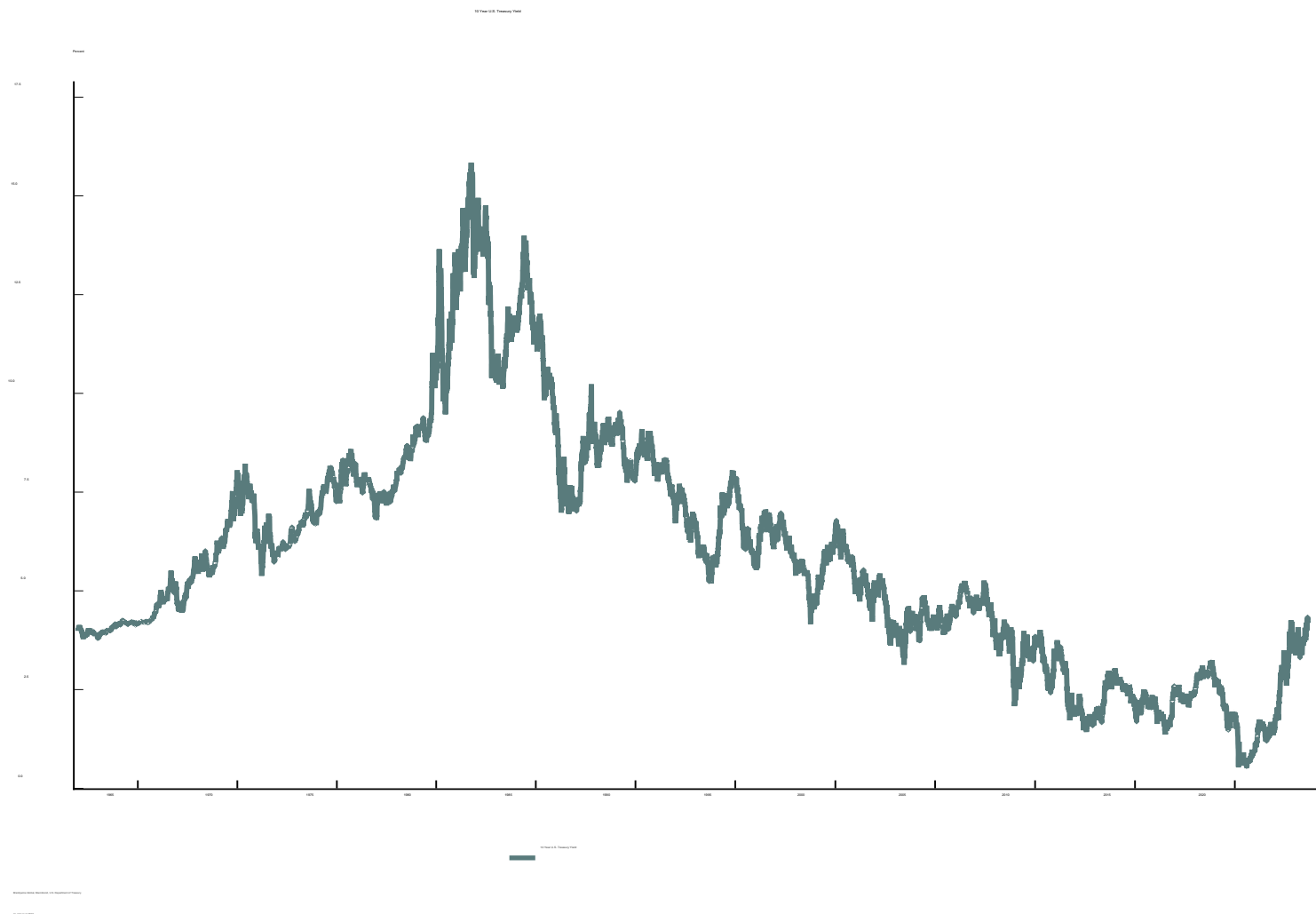
Senior Vice President – Client Portfolio Manager

Global Fixed Income

# What a Ride

## 10 Year U.S. Treasury Yield

As of August 2023



The above are the views of Brandywine Global and are not intended as a forecast or guarantee of future results. Brandywine Global's selection process may prove incorrect, which may have a negative impact on performance. Please refer to Appendix 1 for important disclosure information.

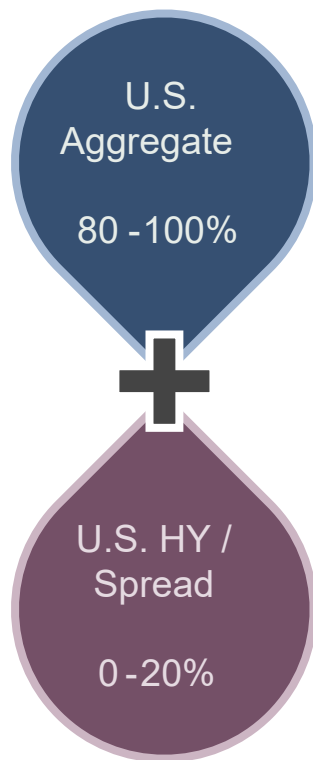
# Common Solution

As of 6/30/2023

“Make Your Bonds Work Harder”...A.K.A. Add Spread Exposure

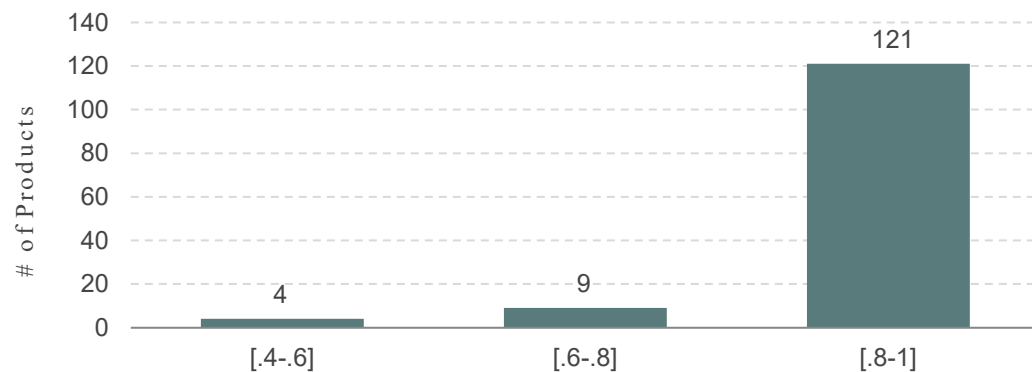
- Most core plus strategies “enhance” core fixed income returns through adding high yield/ spread exposure
- Returns for the top 20 managers by AUM in the eVestment U.S. Core Plus Universe are largely explained by a simple 80% U.S. Aggregate / 20% U.S. High Yield allocation

## Typical Core Plus Model



## eVestment US Core Plus Universe – Last 5 Years

R<sup>2</sup> vs. 80% U.S. Agg / 20% USHY



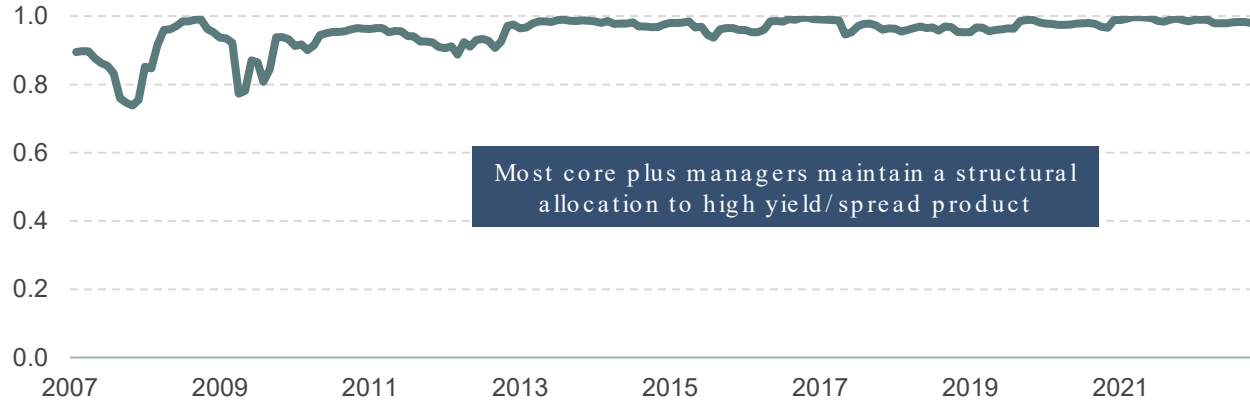
- 90% of products in the eVestment U.S. Core Plus Universe have an R<sup>2</sup> > 0.8
- 20 products comprise 70% of universe AUM with an average R<sup>2</sup> of 0.9

Active Management or Beta Packaging?

# Problem: Bonds Look Less Like Bonds

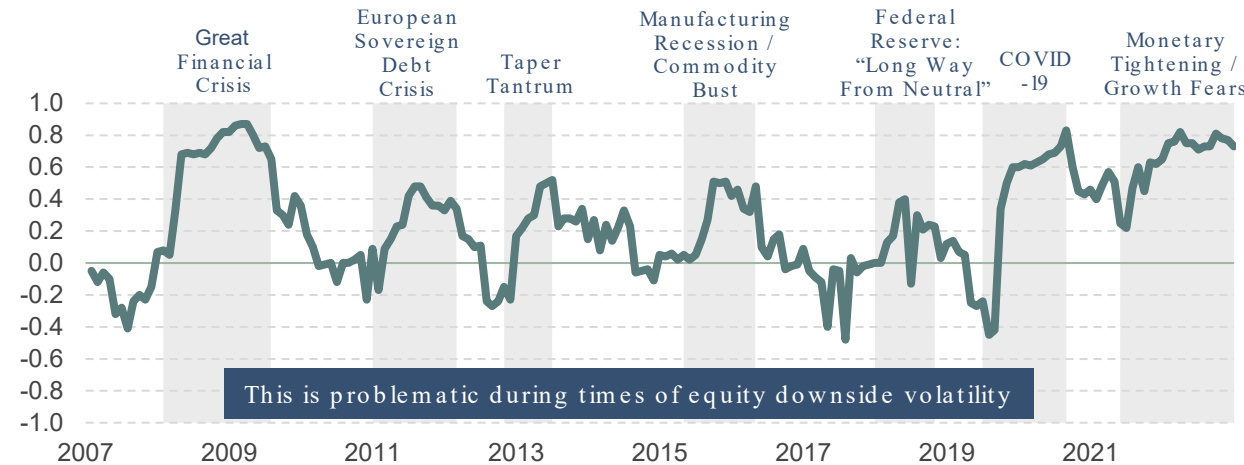
Structural Spread-Exposure Increases Equity-Sensitivity When Diversification Is Needed Most

## Rolling 1 -Year R<sup>2</sup> vs. 80% U.S. Aggregate 20% U.S. High Yield



## Rolling 1 -Year Correlation to S&P 500

eVest Top 20 AUM US Core Plus Composite



## eVest Top 20 AUM US Core Plus Composite (12/31/2022 AUM)

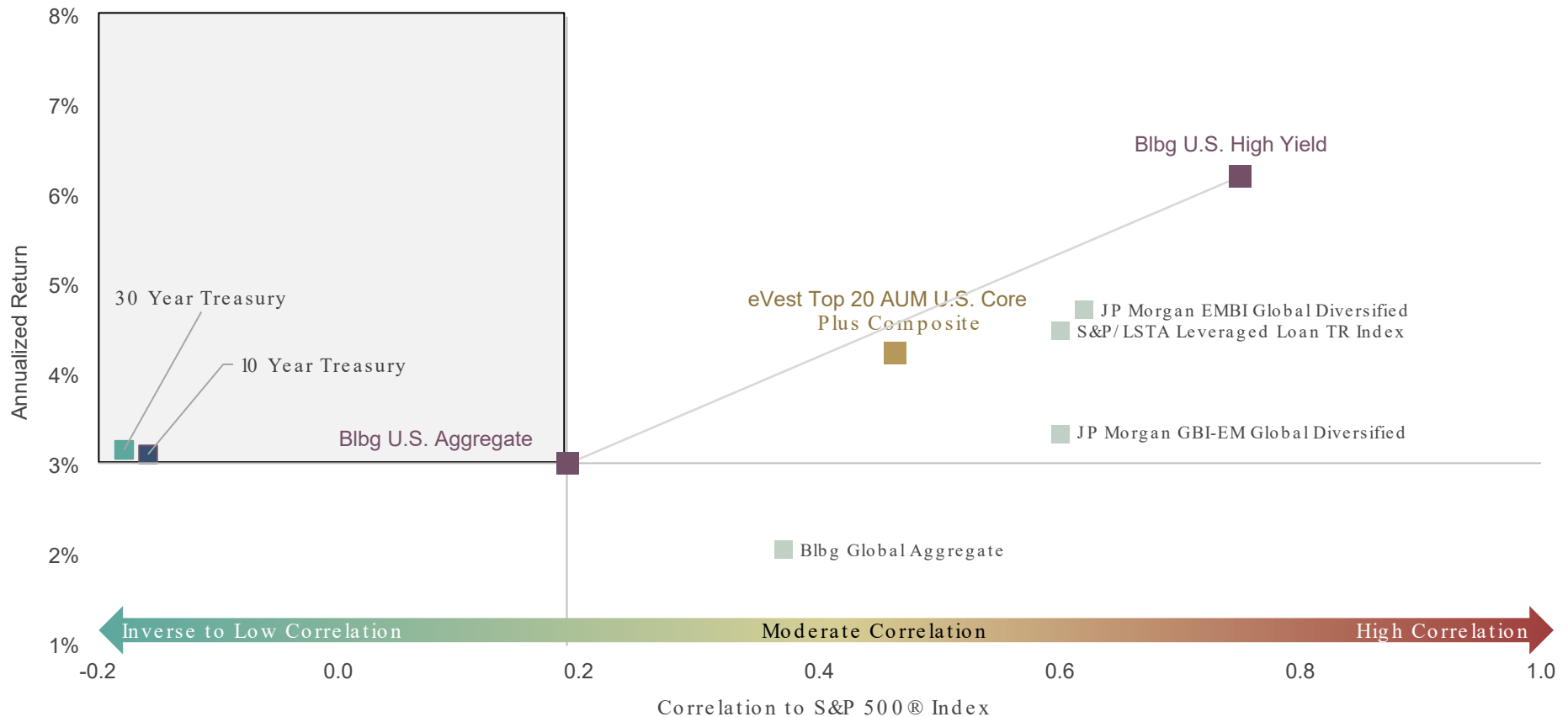
- PIMCO
- The TCW Group, Inc.
- Western Asset Management Company, LLC
- PGIM Fixed Income
- Fidelity Institutional Asset Management
- BlackRock
- Manulife Investment Management
- Baird Advisors
- Loomis, Sayles & Company, L.P.
- J.P. Morgan Investment Management Inc.
- Guggenheim Investments
- Goldman Sachs Asset Management
- Macquarie Asset Management
- Voya Investment Management Co. LLC
- Federated Hermes, Inc.
- Wellington Management Company LLP
- Brown Brothers Harriman & Co.
- MFS Investment Management
- Amundi Asset Management

8/31/2006 is the common inception date for all eVest Core Plus Top 20 AUM Composite constituents. AUM data is as of previous quarter-end due to delayed reporting by managers in eVestment Charts created by Brandywine Global. Data is obtained from eVestment Alliance. eVestment universes are based on a set of criteria which includes qualitative and quantitative factors to create and maintain a competitive peer group. eVestment collects information directly from investment management firms and other sources believed to be reliable and accurate. Universe Returns are shown on a gross basis to maintain consistency and show comparable data; in most cases, risk metrics presented on a net basis will produce different outcomes. The metrics shown are only one component of performance and are not and should not be viewed as a statement of the future performance of the strategy. There is no guarantee that holding securities with any of the risk metrics shown will cause the portfolio to outperform its benchmark. Indices are unmanaged and are not available for direct investment. Please see "Glossary of Indexes" at the end of this presentation for more information. Gross performance returns include transaction costs but do not reflect the deduction of Brandywine Global's management fee. Gross performance returns over one year are annualized and assume the reinvestment of all dividends, interest, and capital gains. Please refer to Part 2A of Brandywine Global's Form ADV for a description of its advisory fees. As fees are deducted quarterly, the compounding effect will be to increase the impact of fees by an amount directed related to the gross account performance. Please refer to the attached GIPS® report, which include net performance, performance footnotes, fee schedules, detailed index descriptions, and disclosures. Brandywine Global risk metrics presented were derived using a representative account of the named strategy. In most cases, representative account and composite performance will vary slightly. Please see Appendix 1 for additional disclosure information. Past performance is no guarantee of future results.

# Not All Alpha is Created Equal

8/31/2006 - 6/30/2023

## Return vs. Correlation to S&P 500® Index



\*Supplemental information to the attached U.S. Fixed Income GIPS report. Data is obtained from eVestment Alliance. eVestment universes are based on a set of criteria which includes qualitative and quantitative factors to create and maintain a competitive peer group. eVestment collects information directly from investment management firms and other sources believed to be reliable and accurate. Risk metrics are shown on a gross basis to maintain consistency and show comparable data. Performance rankings presented are based on the US Core Plus Composite Universe. The metrics shown are only one component of performance and are not and should not be viewed as a statement of the future performance of the strategy. There is no guarantee that holding securities with any of the risk metrics shown will cause the portfolio to outperform its benchmark. Indices are unmanaged and are not available for direct investment. Please see "Glossary of Indexes" at the end of this presentation for more information. Performance results of the named strategy are presented net of management fees. Net performance returns of the named strategy reflect the deduction of all applicable management fees and expenses, before custody charges, withholding taxes and other indirect expenses. Net performance returns over one year are annualized and assume the reinvestment of all dividends, interest, and capital gains; net returns are reduced by all applicable management fees and expenses, but before custody charges, withholding taxes, and other indirect expenses and include the reinvestment of all income. Please refer to Part 2A of Brandywine Global's Form ADV for a description of its advisory fees. As fees are deducted quarterly, the compounding effect will be to increase the impact of fees by an amount directed related to the gross account performance. Please refer to the attached GIPS® report, which include net performance, performance footnotes, fee schedules, detailed index descriptions, and disclosures. Please see Appendix 1 for additional disclosure information. **Past performance is no guarantee of future results.**

# What is Active Duration Management?

Most Fixed Income managers are credit oriented and focus primarily on managing the risks/opportunities associated with the credit cycle.

- **Not All Duration is Created Equal**

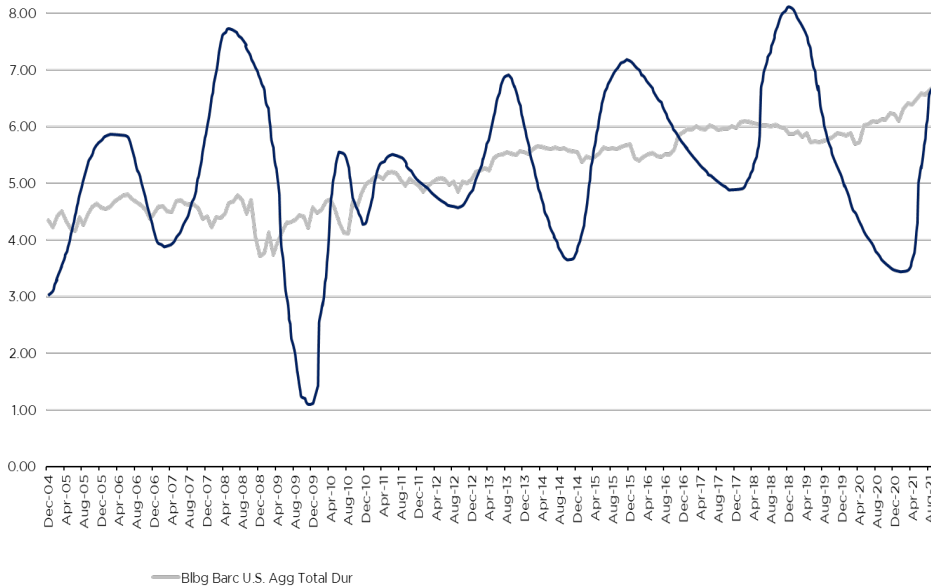
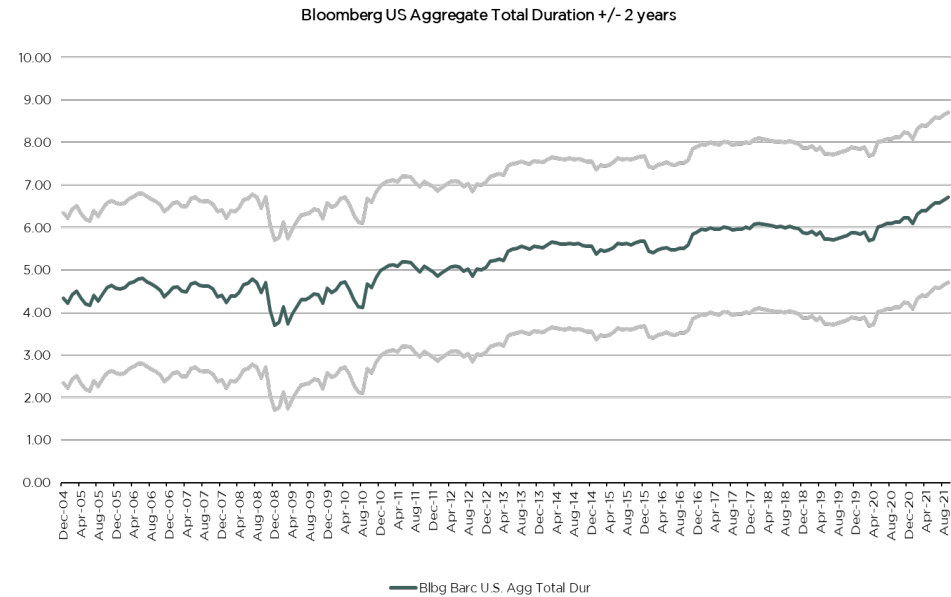
Some duration tends to benefit from recessionary periods (safe -haven sovereigns, as an example) while other forms of durations profit from periods of reflation or stability (various forms of credit/spread duration, as an example).

- **Aggregate Exposure vs. Sub -Sector Contribution**

By intentionally managing both the aggregate level and sub sector level duration exposures, it is possible to improve risk adjusted outcomes and increase utility within the context of the broader portfolio's asset allocation.

# Active Duration Management: Aggregate Exposure Levels

“Passive” Duration Management at the aggregate level is common, and either mirrors the benchmark duration, or trades in a very tight range of +/- 10-20 %

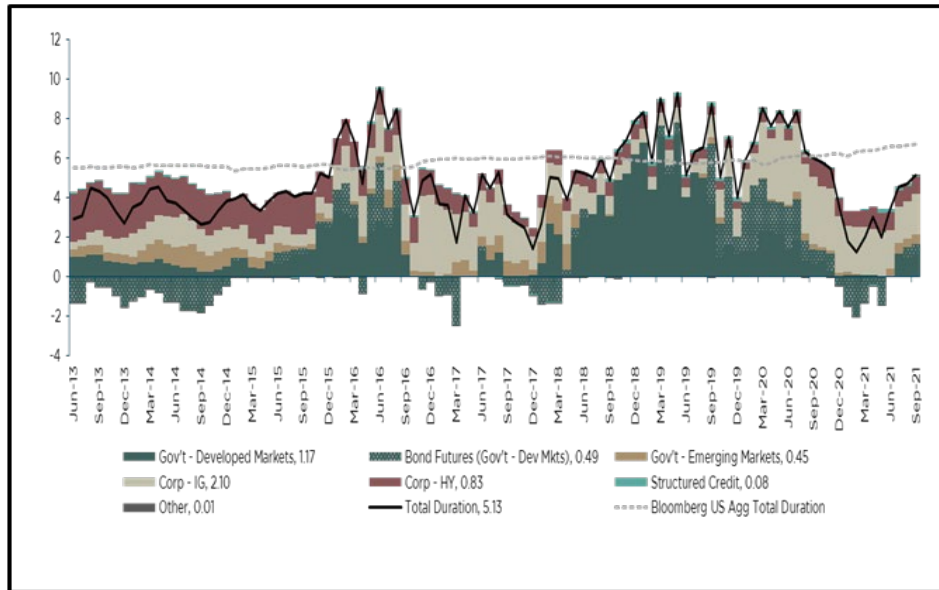
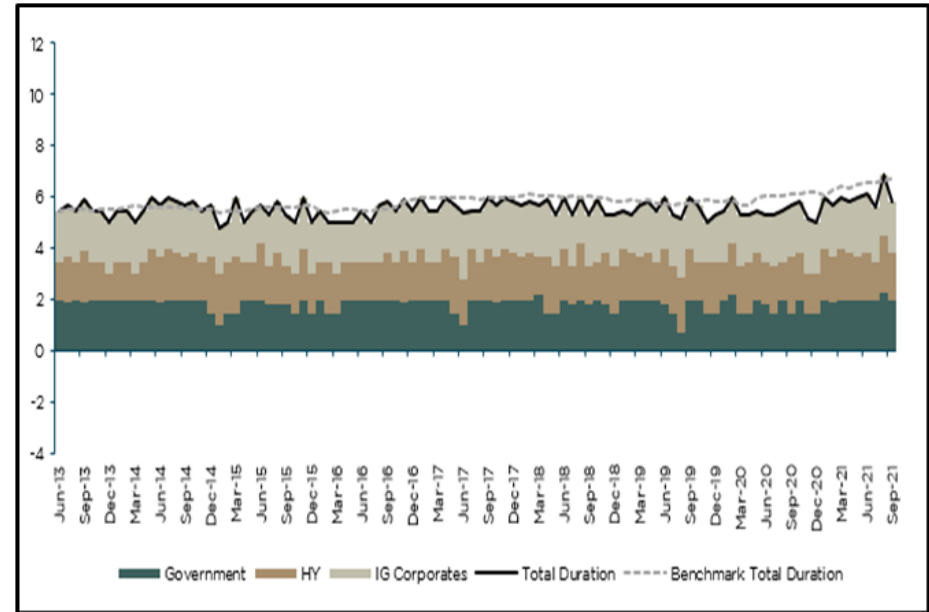


“Active” Duration Management allows managers a notably wider aggregate range, relative to the benchmark, and encourages managers to actually pull this lever, either offensively or defensively

The above charts are for illustrative purposes only. The above are the views of Brandywine Global and are not intended as a forecast or guarantee of future results. Brandywine Global's selection process may prove incorrect, which may have a negative impact on performance. Please refer to Appendix 1 for important disclosure information.

# Active Duration Management: Sub-Sector Contribution

“Passive” Duration Management at the subsector level typically means trading subsector exposures in a fairly tight range, relative to either benchmark weights or to predetermined exposure buckets



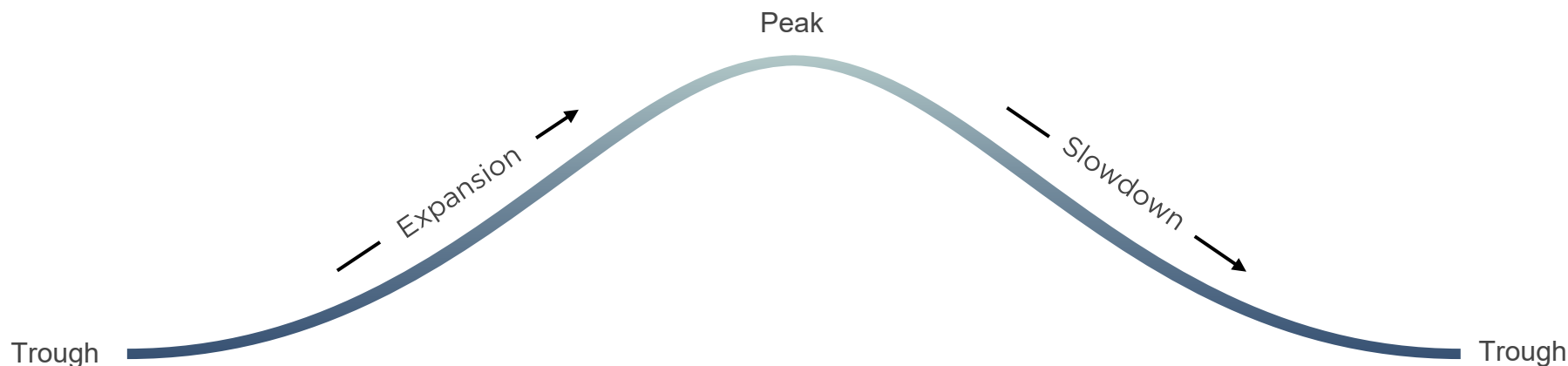
“Active” Duration Management at the subsector level allows for more dynamic movement with the various subsector durations to capitalize on variances in the macro backdrop, valuation anomalies, and/or level of equity correlations

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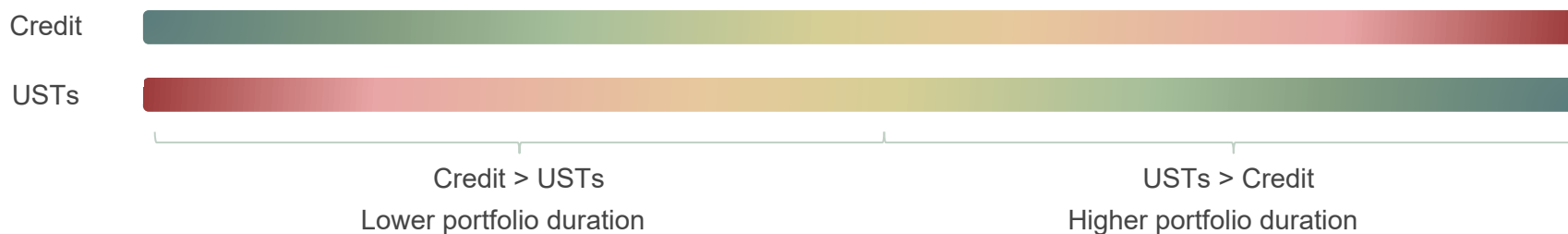


# Managing Duration at Aggregate and Sub-Sector Levels

## Typical Business Cycle



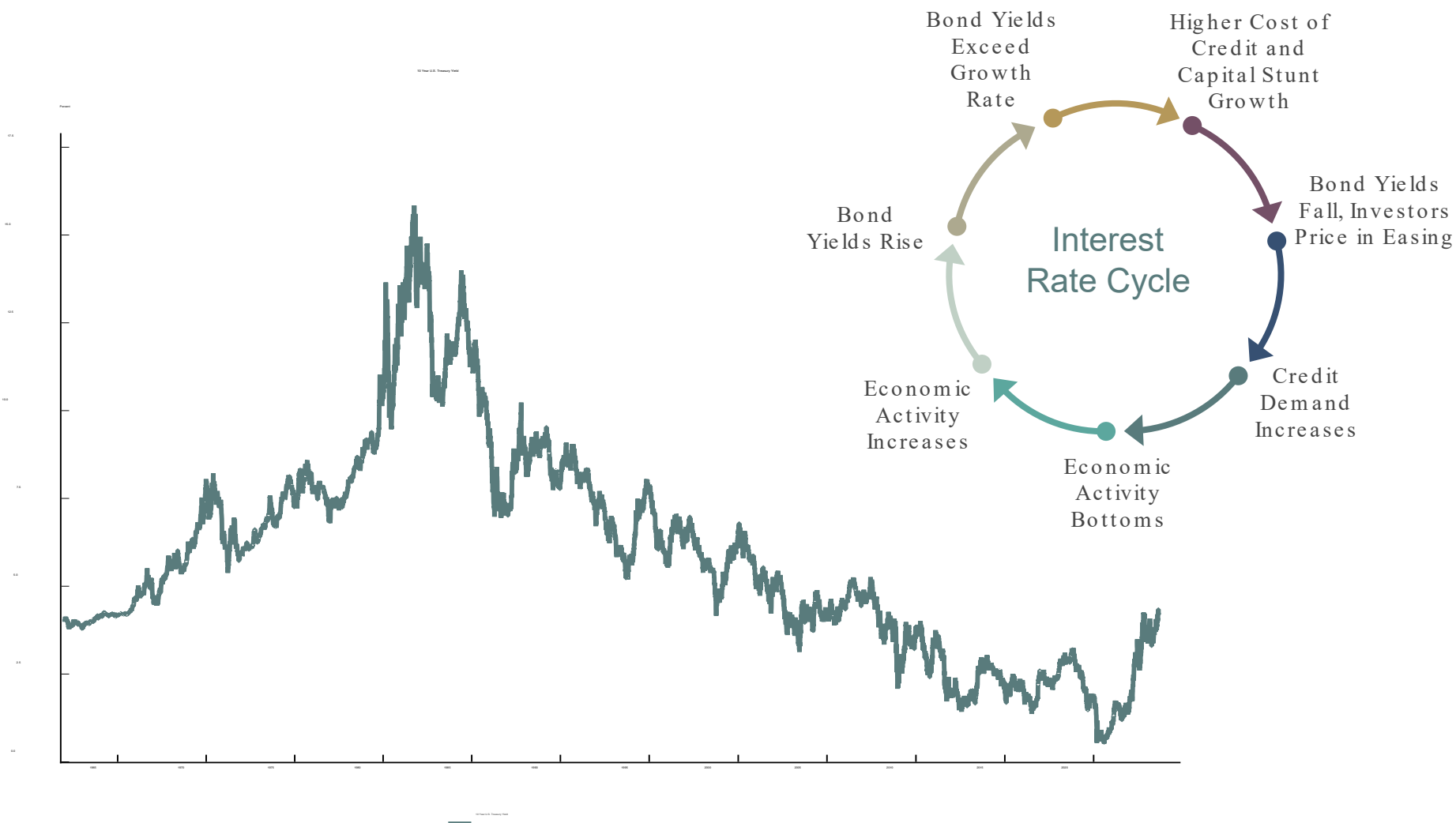
## Typical Sector Performance Across the Cycle



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# Interest Rates Are Regulators of Economic Activity

As of August 2023



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3<sup>RD</sup> QUARTER 2023

GLOBAL MACRO OUTLOOK

# Buying Time

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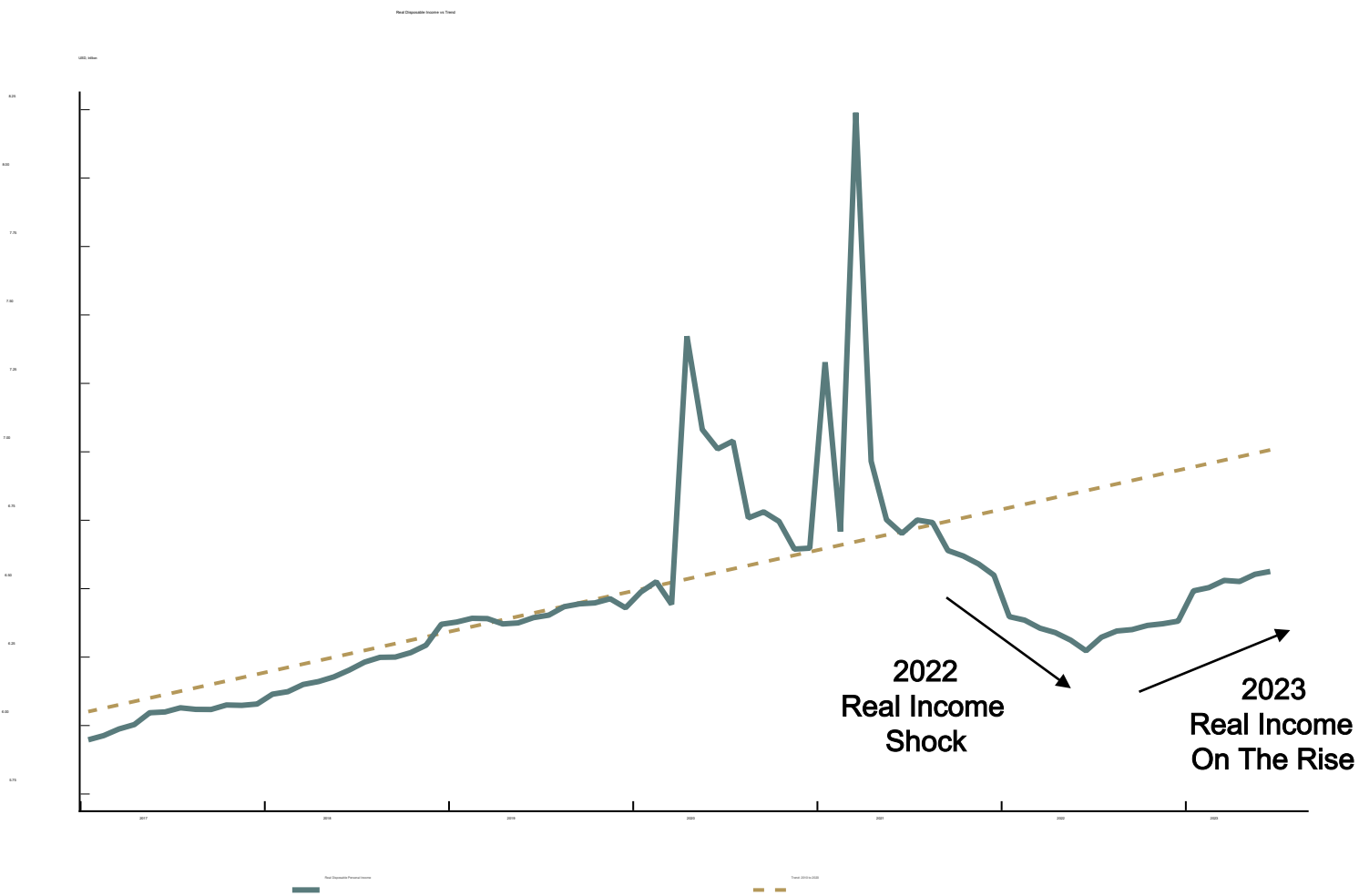
SVP, Client Portfolio Manager

Global Fixed Income



# U.S. – Real Disposable Income Trending Upward

Still below pre-COVID trend, but on the upswing thanks to melting inflation.

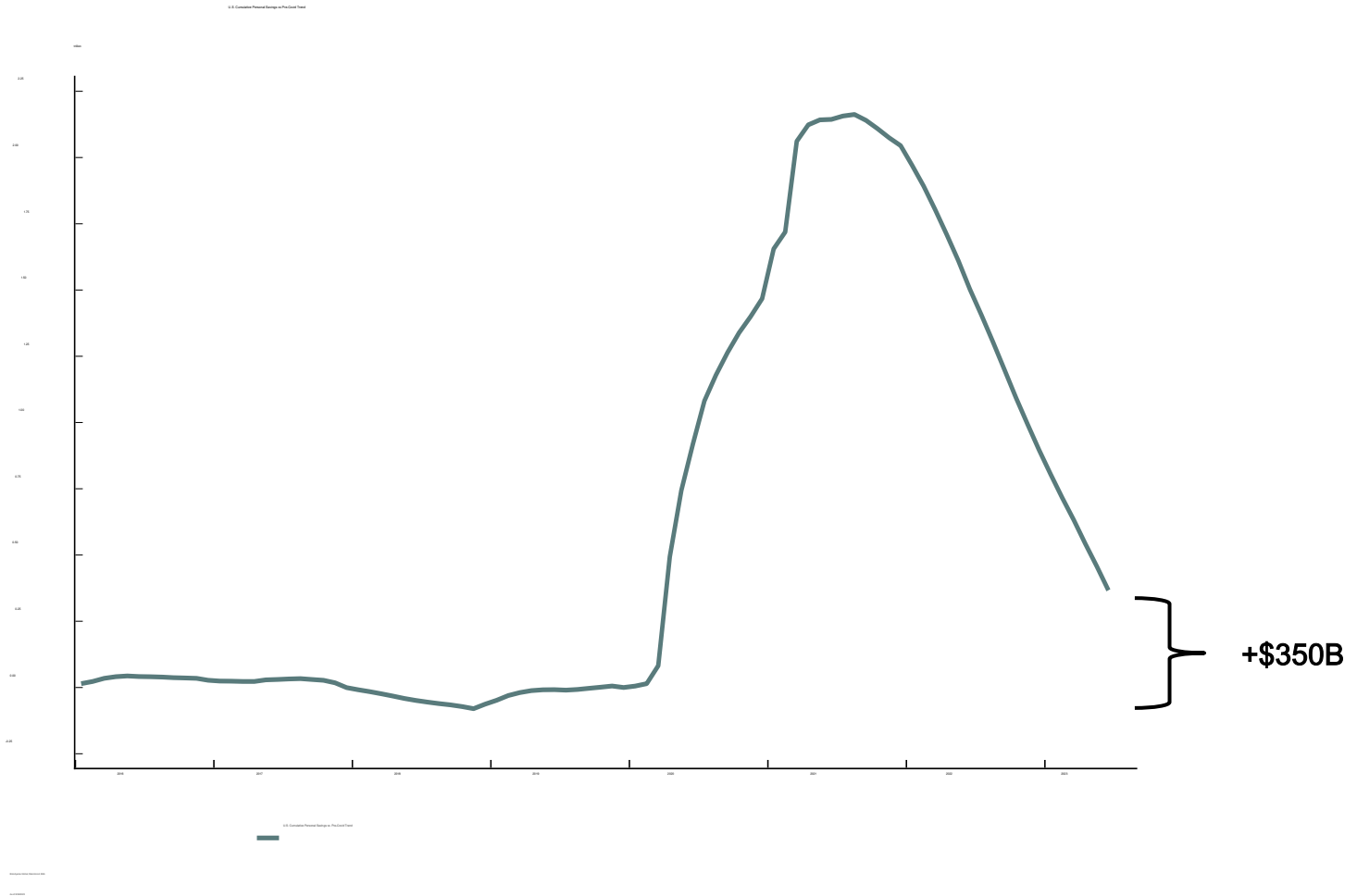


Data has been obtained by Macrobond (© 2023, Macrobond), which Brandywine Global believes to be accurate and reliable. Charts created by Brandywine Global. Please refer to Appendix 1 for important disclosure information.

# U.S. - Excess Savings Supporting Growth

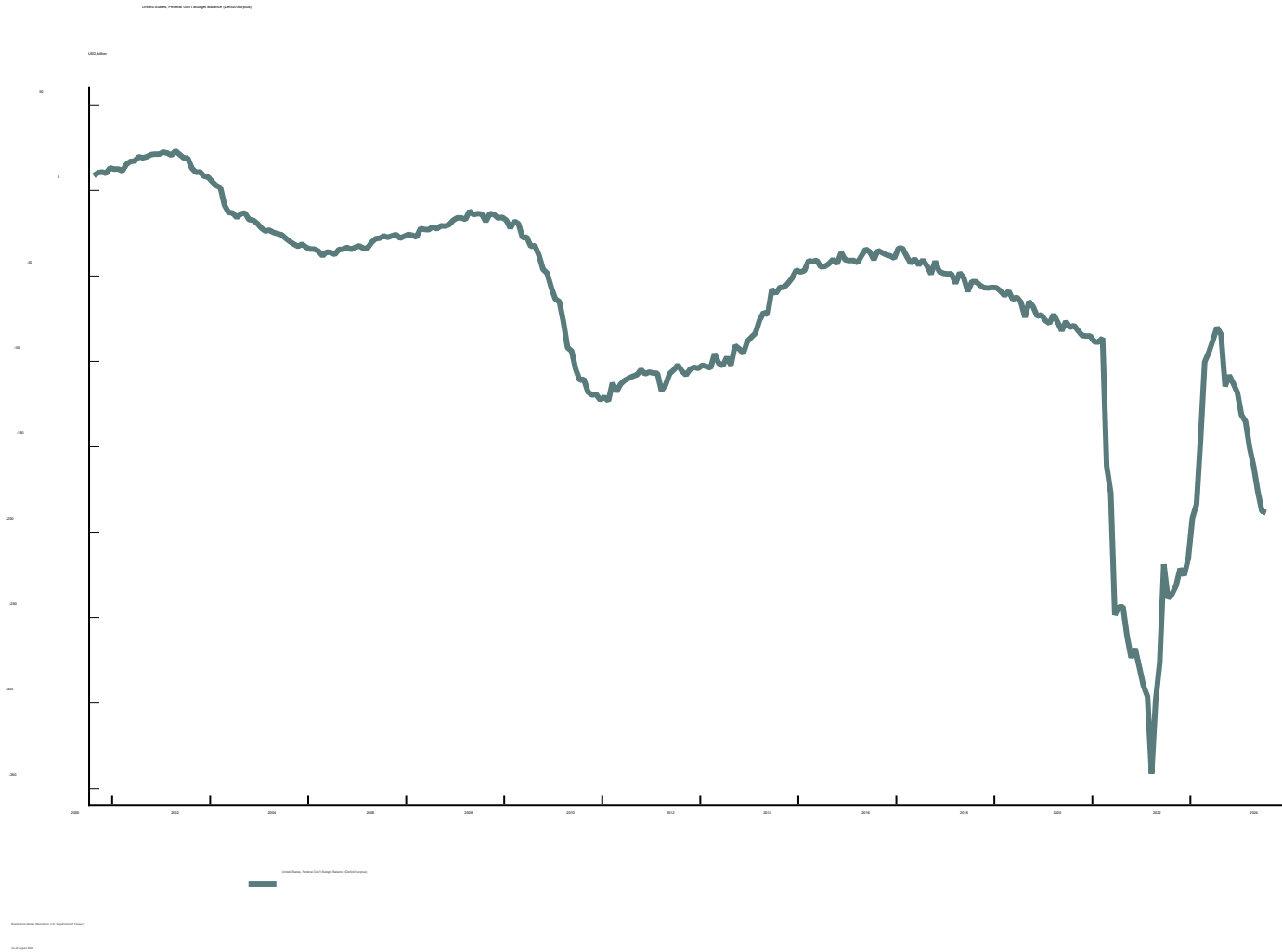
3<sup>rd</sup> Quarter 2023

But consumers are drawing down excess savings at a fast pace (\$75 - 100 B/month).



# U.S. - More Fiscal Stimulus

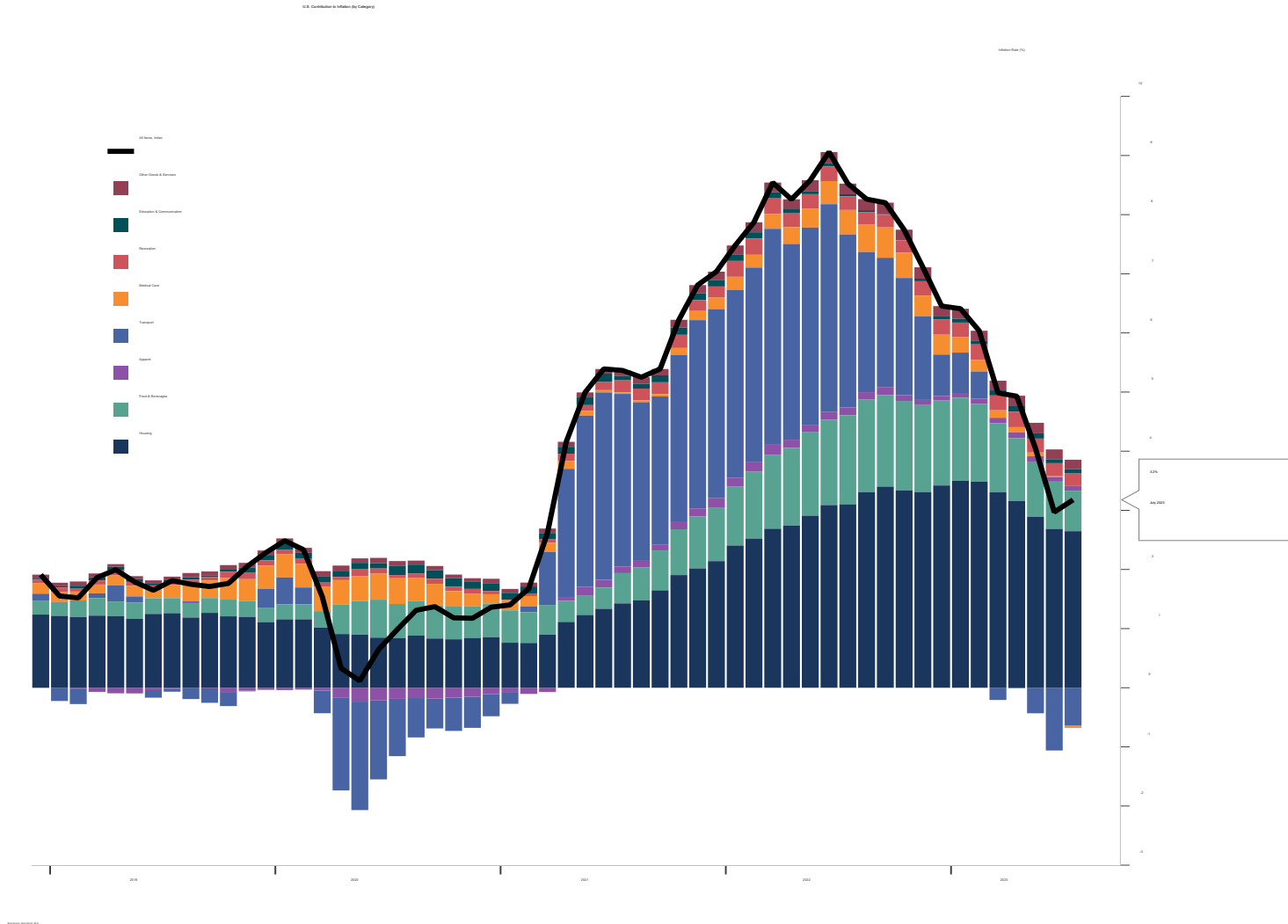
Federal outlays are still \$1 trillion above pre-Covid trend, and nearly 24% of GDP.



# U.S. – Inflation Has Declined Considerably

3<sup>rd</sup> Quarter 2023

Keeping Fed policy tight until inflation has receded to target is a recipe for overshooting the objective.

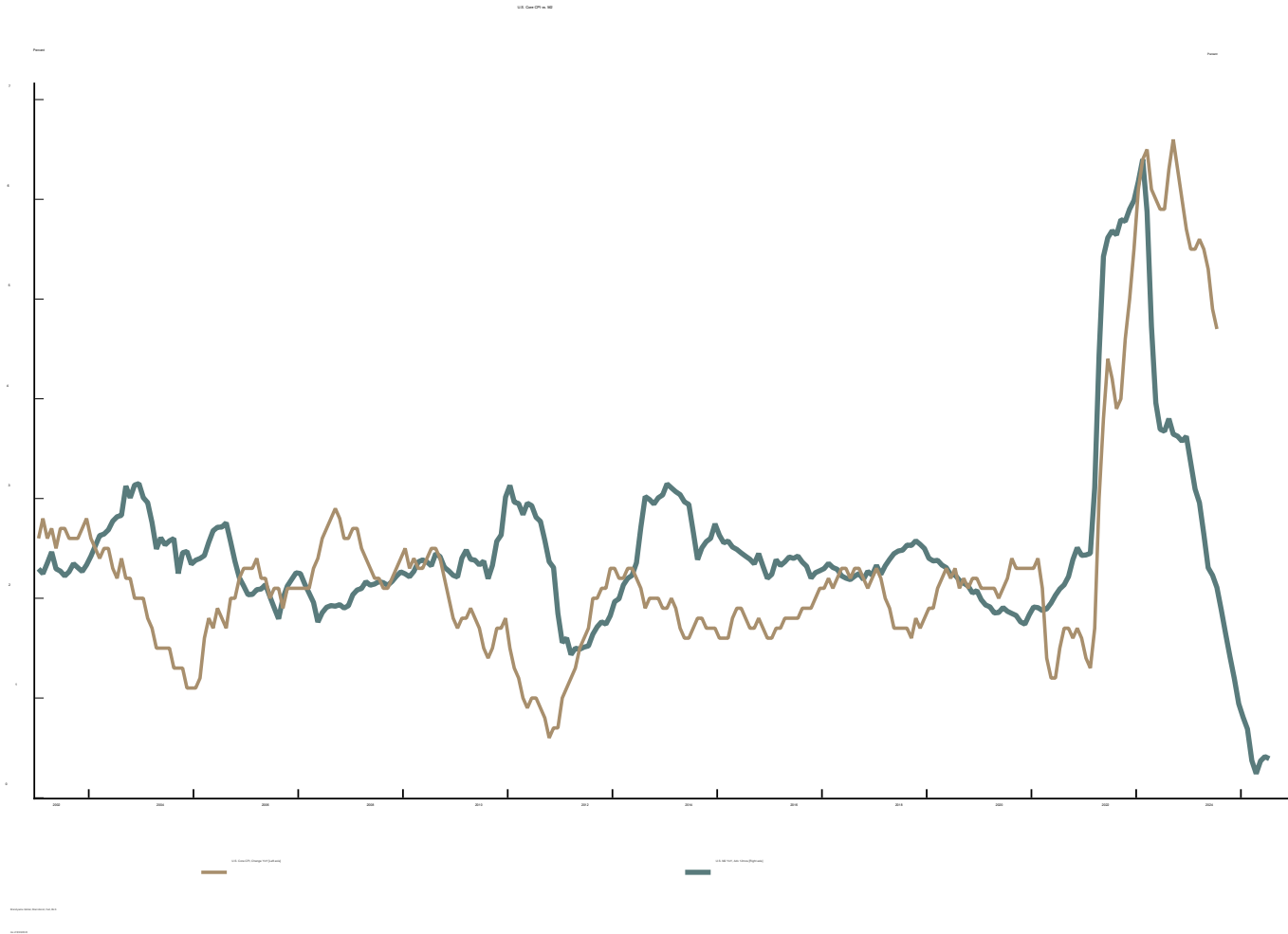


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# U.S. - The Pendulum Has Swung the Other Way

3<sup>rd</sup> Quarter 2023

Money supply is contracting at a pace not seen since the 1930s.

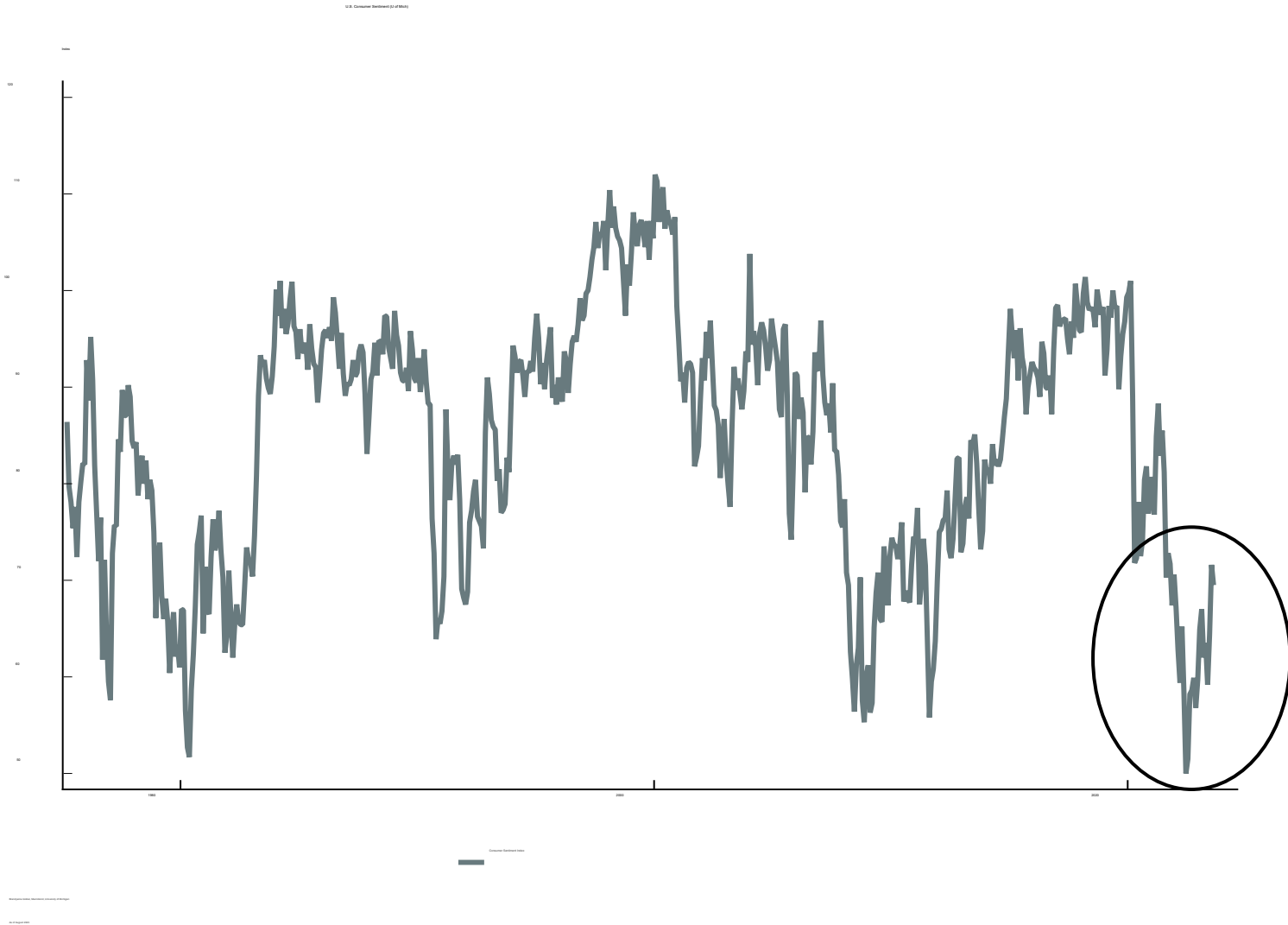




# U.S. – Consumers Hanging On...But Not Happy

3<sup>rd</sup> Quarter 2023

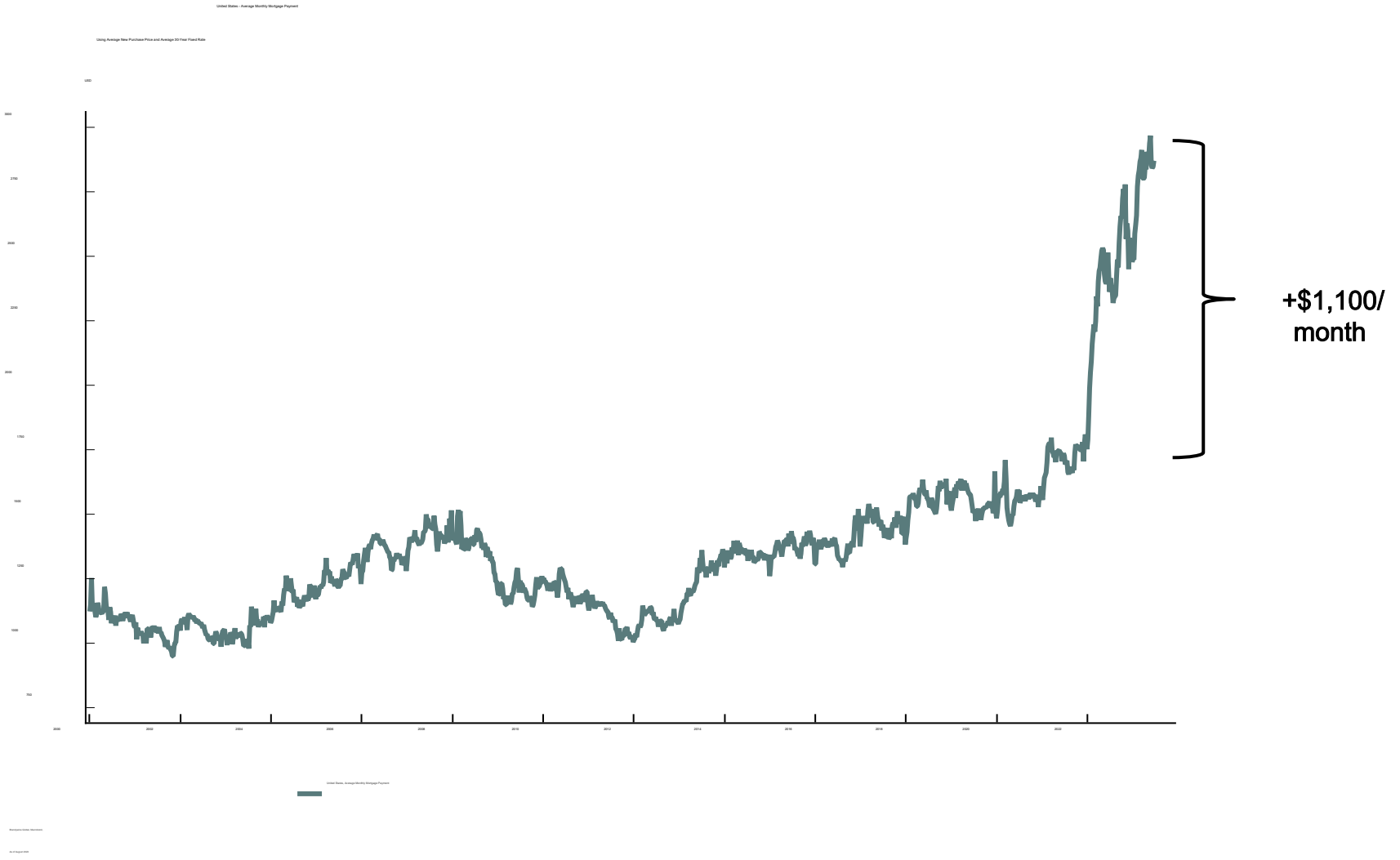
High price levels squeezing consumers.



# U.S. – Housing Affordability Depressed

3<sup>rd</sup> Quarter 2023

High mortgage rates coupled with lofty home prices has created stiff headwinds for housing.

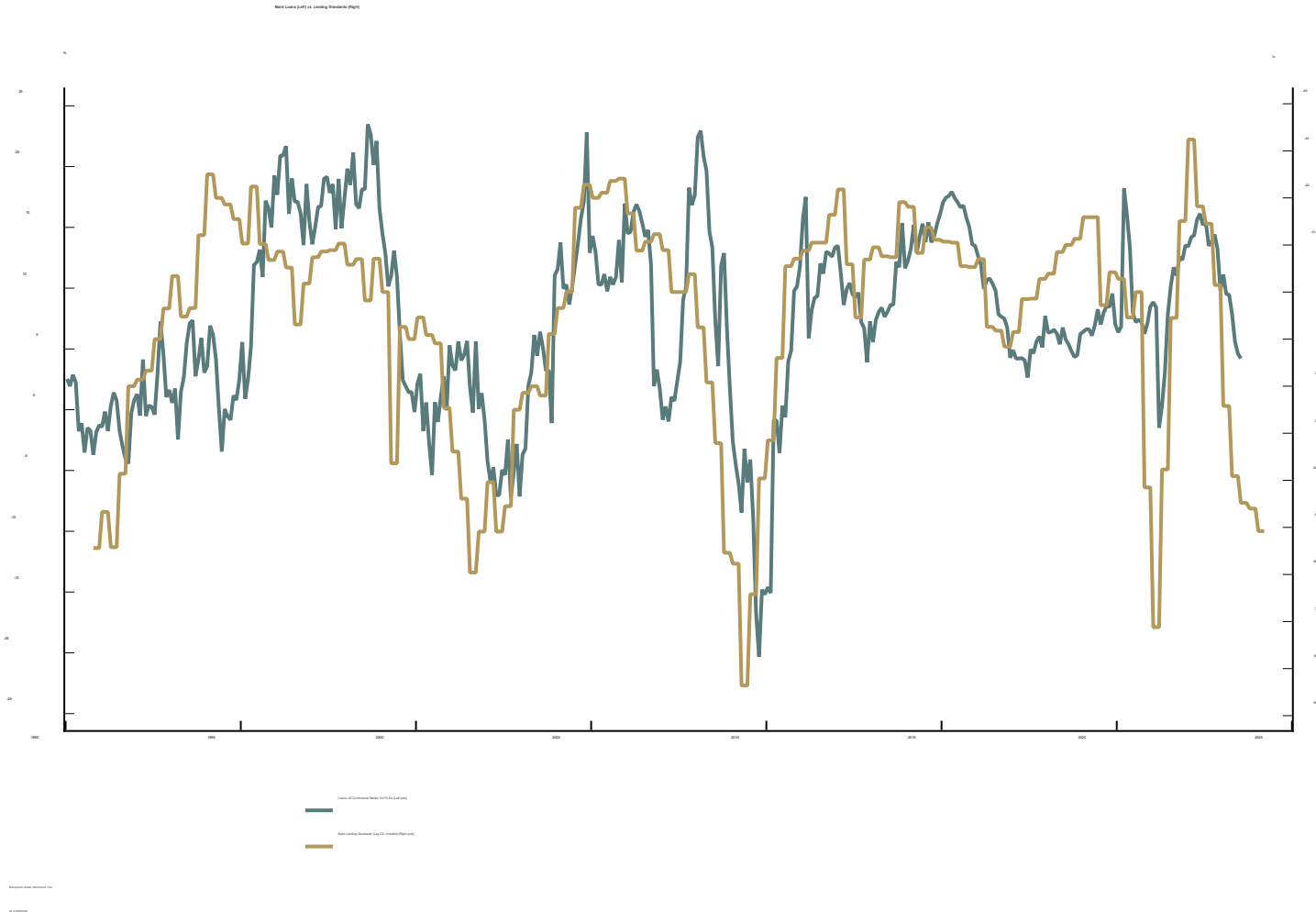


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# U.S. – Banking Stress Weighing On Lending

3<sup>rd</sup> Quarter 2023

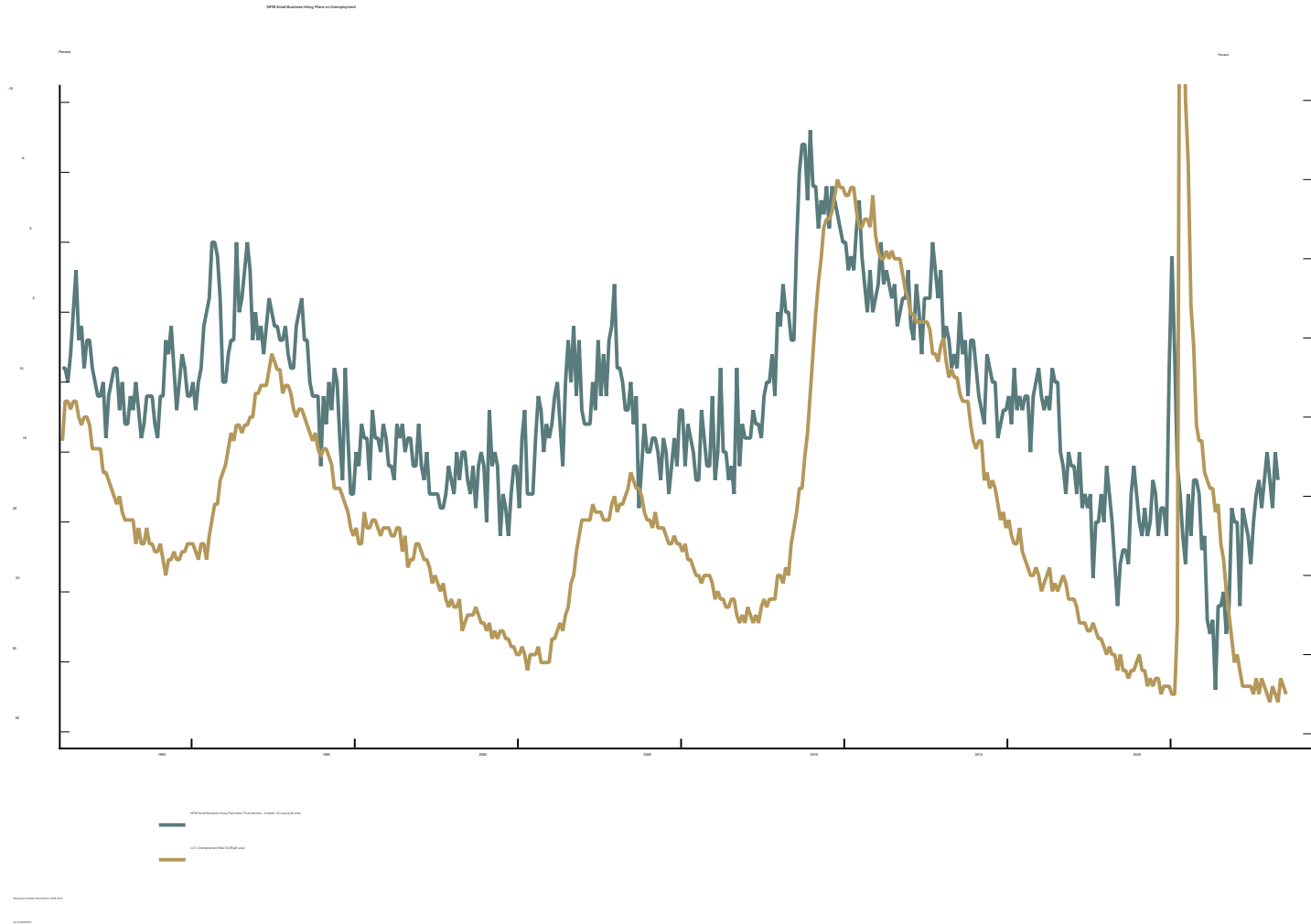
Tighter lending standards tend to have big, long-lasting impacts.



# U.S. – Hiring Plans Point to Slower Job Growth

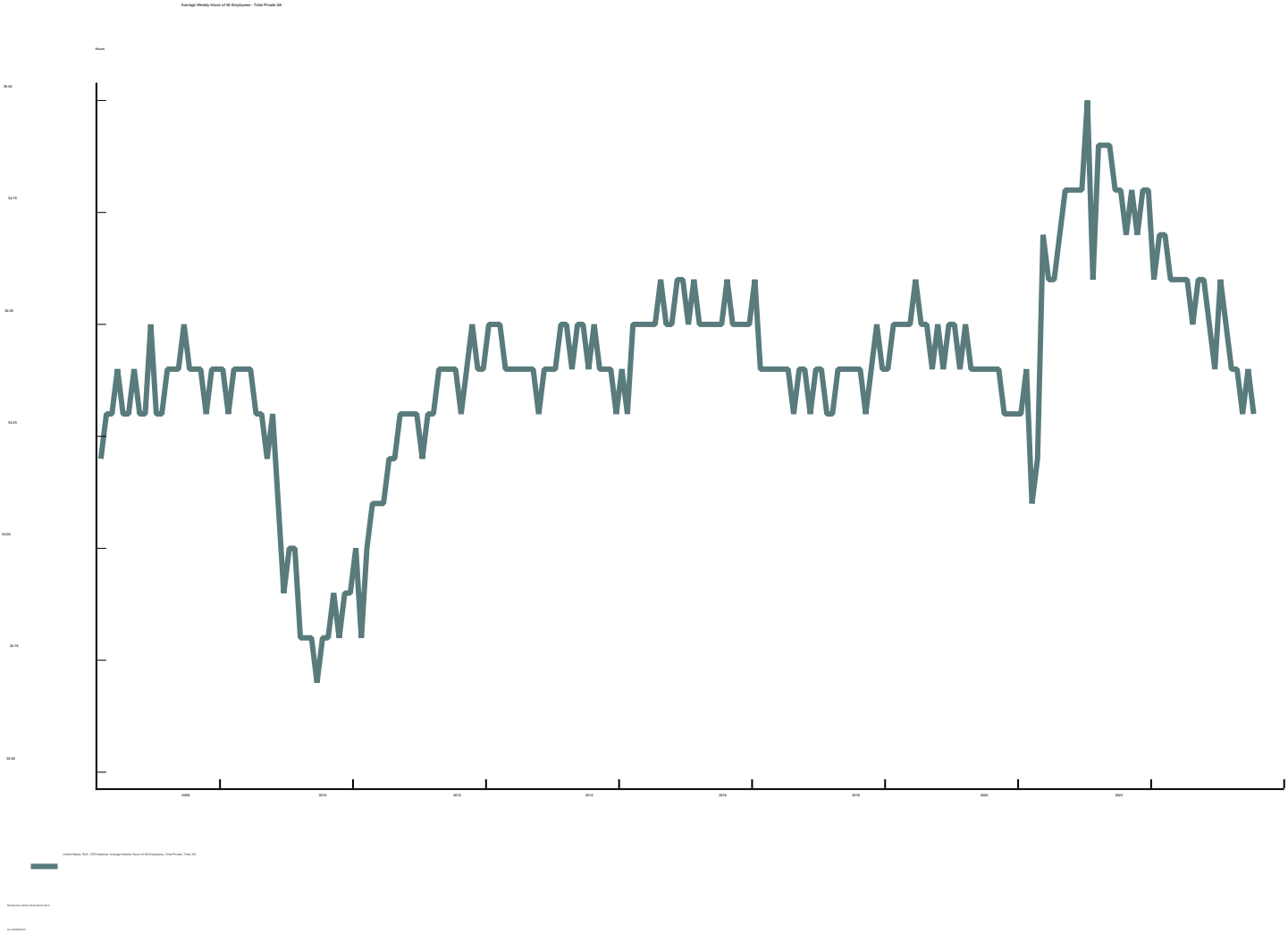
3<sup>rd</sup> Quarter 2023

Initial unemployment claims are key.



# U.S. – Labor: Hours Worked Continues to Decline

Employers cut back on hours before they cut back on employees.

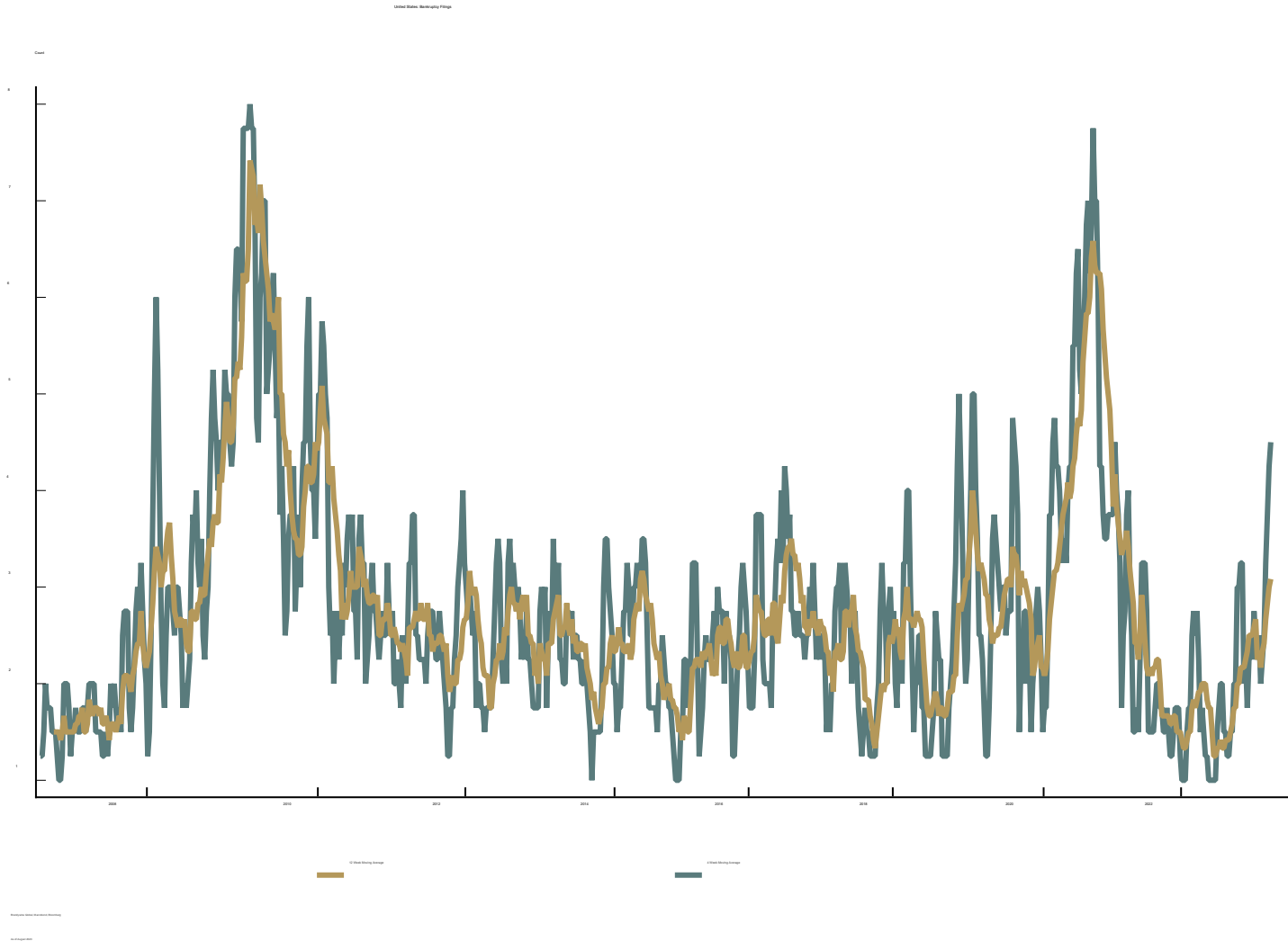


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# U.S. – Bankruptcy Filings Increasing

3<sup>rd</sup> Quarter 2023

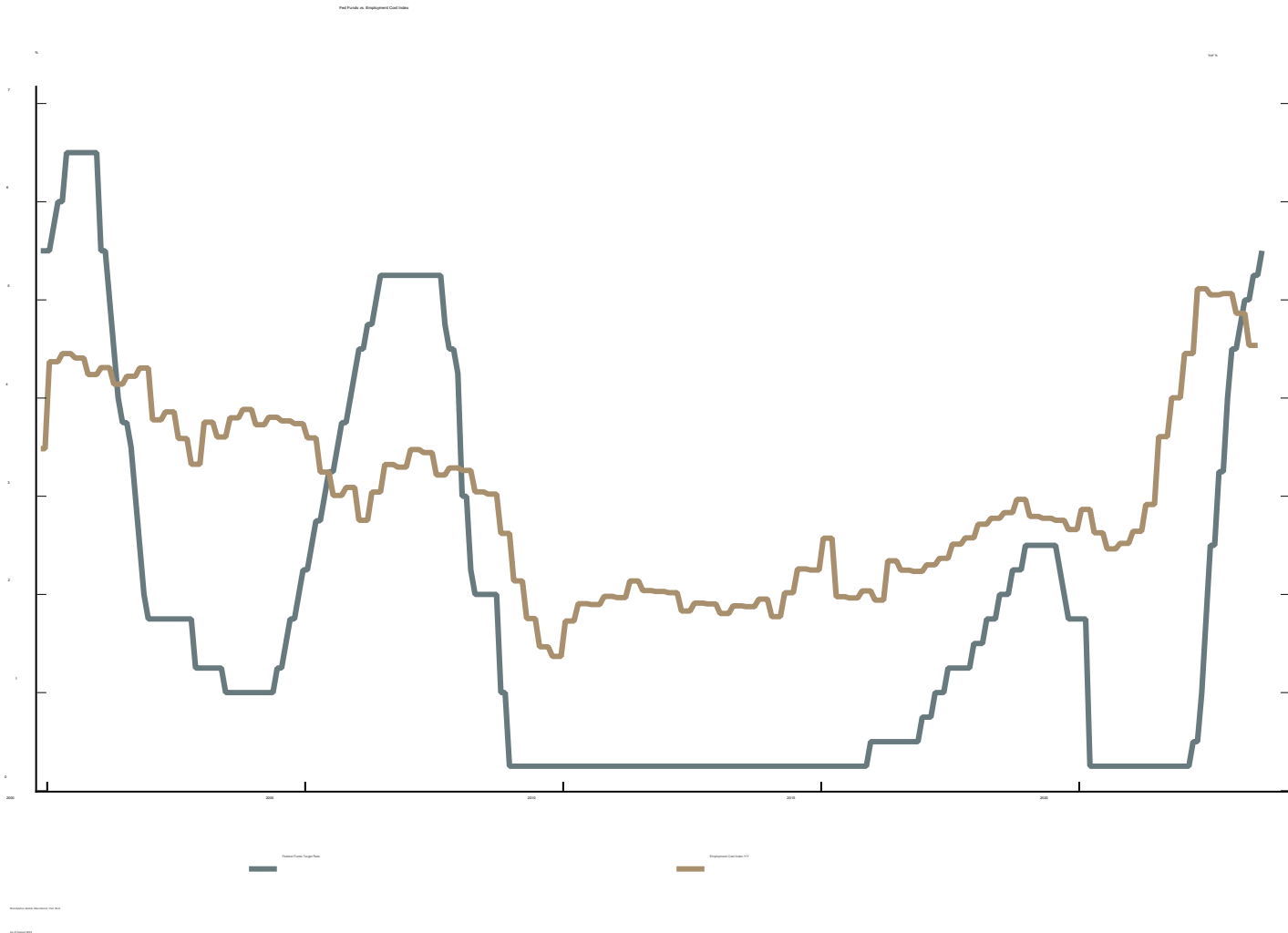
Surge in interest rates weighing on corporate sector.



# U.S. – It's All About Labor & Wage Inflation

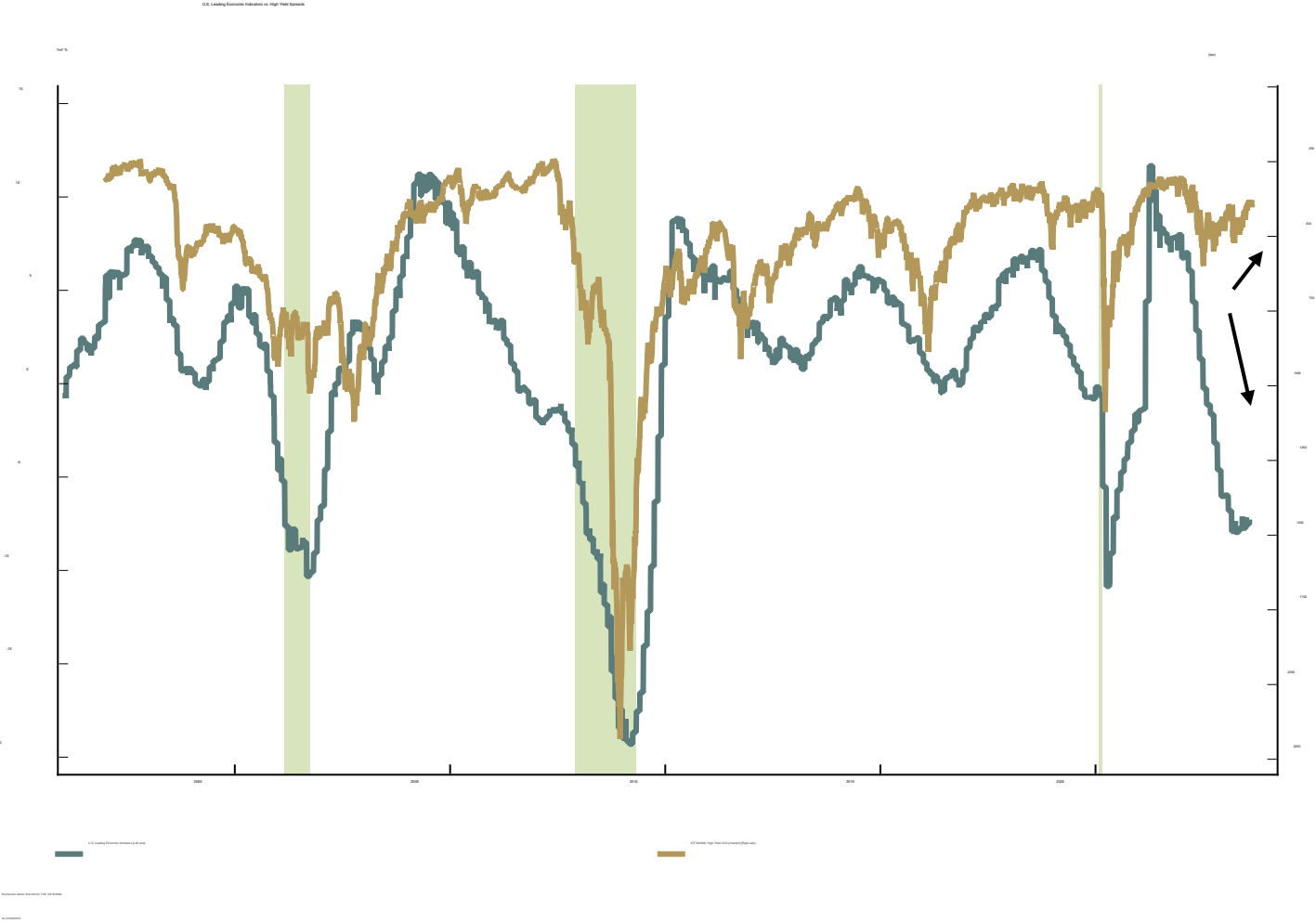
3<sup>rd</sup> Quarter 2023

Labor costs need to fall more forcefully to put Fed at ease.



# Credit: Mind the Gap

High Yield offers attractive income, but LEIs suggest credit spreads should be wider.

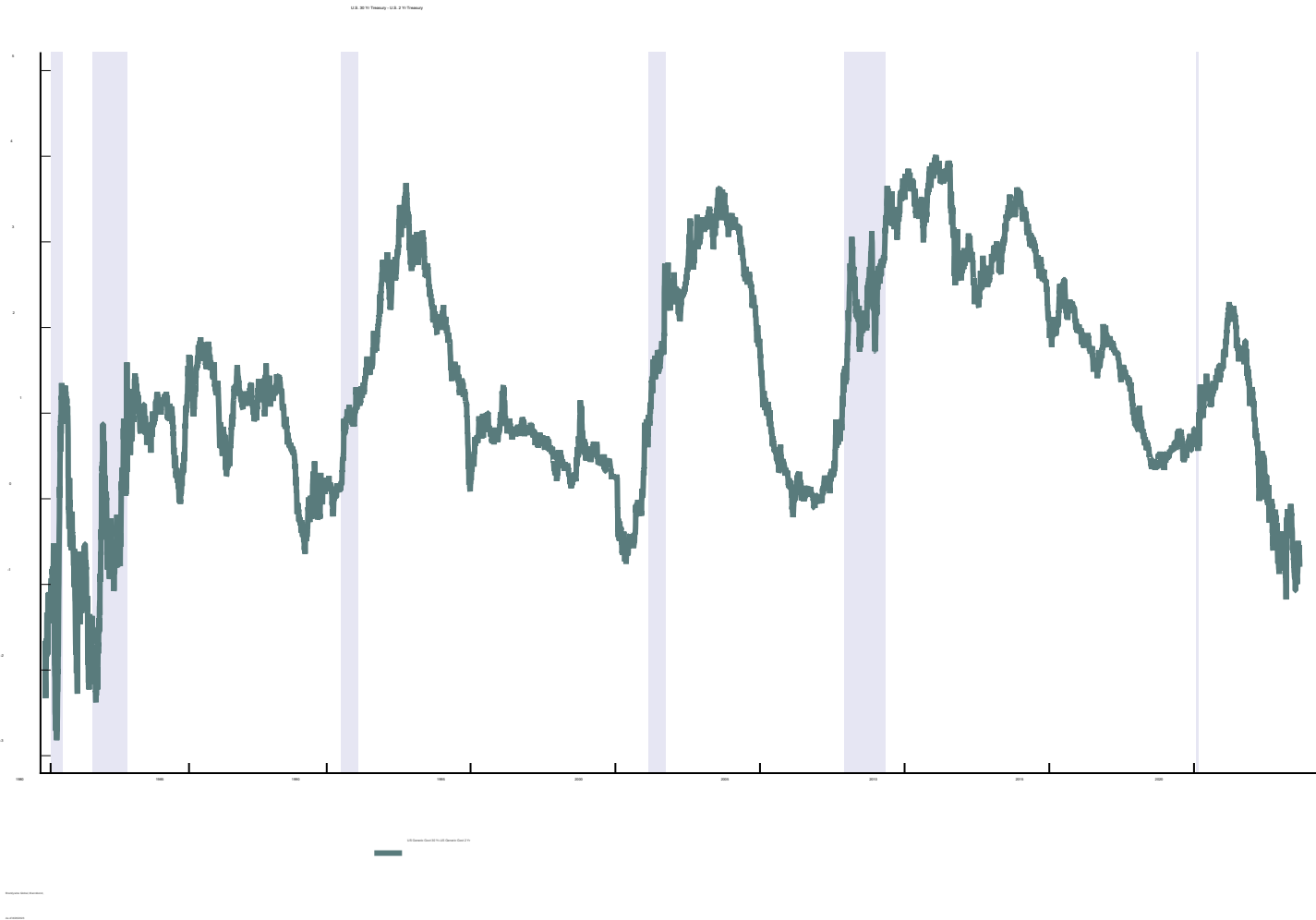


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# U.S. – Fear The Steepener

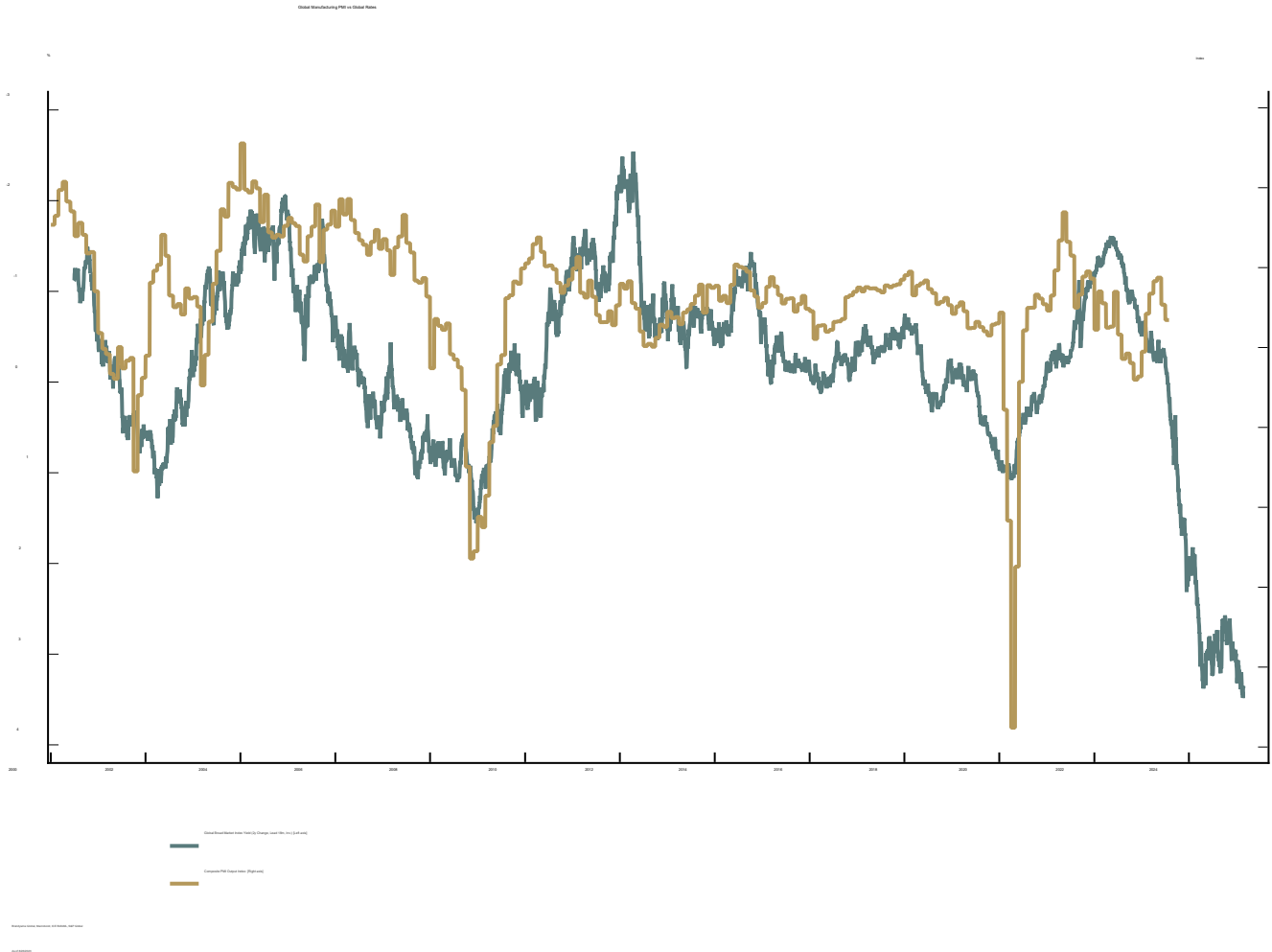
Yield curve inversion at bone chilling lows not seen in 40yrs.



# Global Policy Tightening Is Massive

3<sup>rd</sup> Quarter 2023

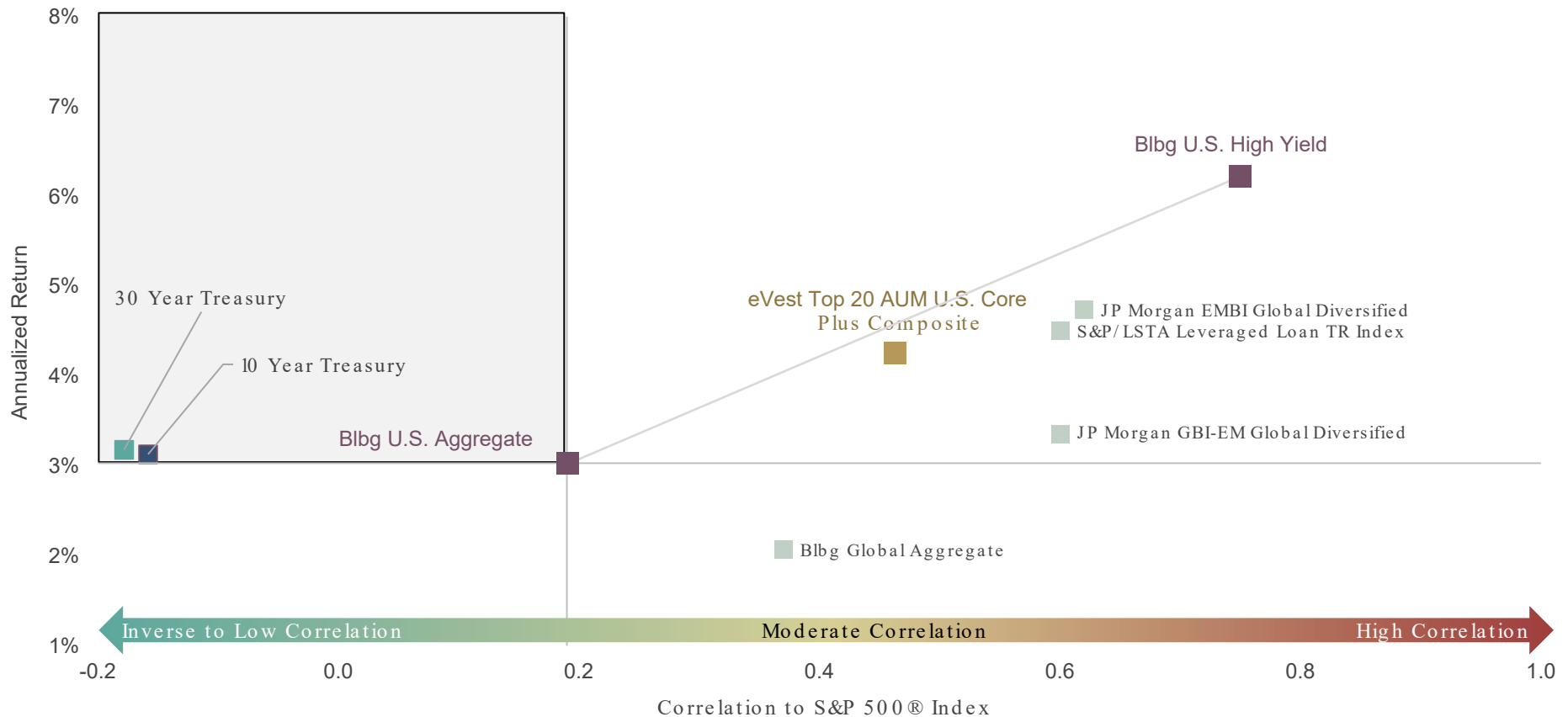
Growth set to slow further as monetary policy works with long and variable lags.



# Not All Alpha is Created Equal

8/31/2006 - 6/30/2023

## Return vs. Correlation to S&P 500® Index



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# Performance\*

## U.S. Fixed Income Composite

As of 6/30/2023  
Results shown in USD

### Annualized Performance (%)



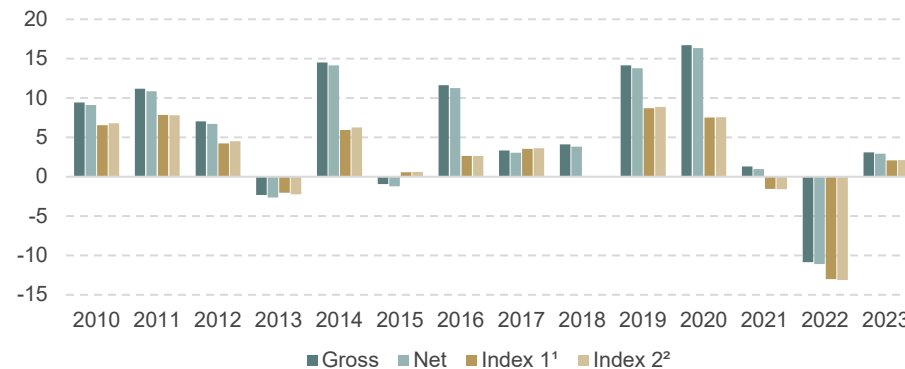
Period	Returns (%)				Excess Gross Return (%)	
	Gross	Net	Index 1 <sup>1</sup>	Index 2 <sup>2</sup>	vs. Index 1 <sup>1</sup>	vs. Index 2 <sup>2</sup>
QTD	-1.78	-1.86	-0.84	-0.82	-0.94	-0.96
YTD	3.08	2.92	2.09	2.13	0.99	0.95
1 Year	-2.17	-2.47	-0.94	-1.10	-1.23	-1.07
3 Year	-0.05	-0.35	-3.96	-4.02	3.91	3.97
5 Year	5.05	4.73	0.77	0.77	4.28	4.28
7 Year	4.28	3.96	0.44	0.44	3.84	3.84
10 Year	5.11	4.80	1.51	1.55	3.60	3.56
Since Inception	6.58	6.27	4.28	4.30	2.30	2.28

<sup>1</sup>Bloomberg U.S. Aggregate

<sup>2</sup>ICE BofAML U.S. Broad Market Index

Inception Date: 10/1/1995

### Calendar Year Performance (%)



Year or YTD	Returns (%)				Excess Gross Return (%)	
	Gross	Net	Index 1 <sup>1</sup>	Index 2 <sup>2</sup>	vs. Index 1 <sup>1</sup>	vs. Index 2 <sup>2</sup>
2023	3.08	2.92	2.09	2.13	0.99	0.95
2022	-10.85	-11.12	-13.01	-13.16	2.16	2.31
2021	1.29	0.99	-1.54	-1.58	2.83	2.87
2020	16.70	16.35	7.51	7.56	9.19	9.14
2019	14.13	13.79	8.72	8.88	5.41	5.25
2018	4.11	3.80	0.01	0.04	4.10	4.07
2017	3.34	3.04	3.54	3.61	-0.20	-0.27
2016	11.61	11.27	2.65	2.62	8.96	8.99
2015	-0.93	-1.23	0.55	0.60	-1.48	-1.53
2014	14.51	14.17	5.95	6.27	8.56	8.24
2013	-2.34	-2.63	-2.02	-2.25	-0.32	-0.09
2012	7.04	6.72	4.22	4.53	2.82	2.51
2011	11.18	10.85	7.85	7.80	3.33	3.38
2010	9.42	9.10	6.56	6.80	2.86	2.62

\*Supplemental information to the attached U.S. Fixed Income GIPS report. The above represents the performance returns of the U.S. Fixed Income Composite. Gross performance returns include transaction costs but do not reflect the deduction of Brandywine Global's management fee. Net performance returns reflect the deduction of all applicable management fees and expenses, before custody charges, withholding taxes and other indirect expenses. Performance returns over one year are annualized and assume the reinvestment of all dividends, interest, and capital gains. Please refer to the attached GIPS reports, which include performance footnotes, index descriptions and disclosures. Indices are unmanaged and are not available for direct investment. Please see Appendix 1 for important disclosure information. **Past performance is no guarantee of future results.**

# GIPS Disclosure

## U.S. Fixed Income Composite

As of 6/30/2023  
Results shown in USD

Year or YTD	Returns (%)				# of Accts	Market Value (MM)	Firm Assets (MM)	Composite Dispersion (%)	St. Dev. (% 3-Year Rolling)			Returns (%)				
	Composite Gross of Fees	Composite Net of Fees	BUSA <sup>1</sup>	BAUSBM <sup>2</sup>					Composite	BUSA <sup>1</sup>	BAUSBM <sup>2</sup>	Period	Composite Gross of Fees	Composite Net of Fees	BUSA <sup>1</sup>	BAUSBM <sup>2</sup>
2023	3.08	2.92	2.09	2.13	6	1,239	54,241	0.15	6.97	6.09	6.04	QTD	-1.78	-1.86	-0.84	-0.82
2022	-10.85	-11.12	-13.01	-13.16	6	1,118	52,601	-	6.40	5.77	5.77	YTD	3.08	2.92	2.09	2.13
2021	1.29	0.99	-1.54	-1.58	4	765	67,356	-	5.22	3.35	3.50	1 Year	-2.17	-2.47	-0.94	-1.10
2020	16.70	16.35	7.51	7.56	4	604	63,872	-	5.25	3.36	3.44	3 Year	-0.05	-0.35	-3.96	-4.02
2019	14.13	13.79	8.72	8.88	5	429	74,024	-	4.31	2.87	2.93	5 Year	5.05	4.73	0.77	0.77
2018	4.11	3.80	0.01	0.04	2	104	70,070	-	3.35	2.84	2.88	7 Year	4.28	3.96	0.44	0.44
2017	3.34	3.04	3.54	3.61	2	112	74,382	-	5.95	2.78	2.86	10 Year	5.11	4.80	1.51	1.55
2016	11.61	11.27	2.65	2.62	1	80	65,498	-	6.62	2.98	3.08	Since Inception	6.58	6.27	4.28	4.30
2015	-0.93	-1.23	0.55	0.60	1	69	68,819	-	6.26	2.88	3.01					
2014	14.51	14.17	5.95	6.27	1	109	63,375	-	4.01	2.63	2.73					
2013	-2.34	-2.63	-2.02	-2.25	1	89	50,050	-	3.93	2.71	2.78					

Year	Composite Return Gross of Fees (%)				Composite Return Net of Fees (%)				BUSA <sup>1</sup> Return (%)				BAUSBM <sup>2</sup> Return (%)			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
2023	4.95	-1.78	-	-	4.88	-1.86	-	-	2.96	-0.84	-	-	2.97	-0.82	-	-
2022	-2.63	-3.53	-5.41	0.33	-2.70	-3.60	-5.48	0.26	-5.93	-4.69	-4.75	1.87	-6.05	-4.56	-4.86	1.78
2021	-0.02	1.13	0.24	-0.06	-0.09	1.05	0.16	-0.13	-3.37	1.83	0.05	0.01	-3.58	2.02	-0.03	0.09
2020	1.27	7.44	2.49	4.65	1.20	7.36	2.41	4.58	3.15	2.90	0.62	0.67	3.15	2.95	0.69	0.59
2019	3.95	4.70	4.11	0.72	3.88	4.62	4.03	0.65	2.94	3.08	2.27	0.18	2.99	3.15	2.38	0.11
2018	0.55	0.33	0.73	2.45	0.47	0.26	0.66	2.37	-1.46	-0.16	0.02	1.64	-1.45	-0.15	0.02	1.64
2017	0.69	1.72	0.38	0.51	0.62	1.65	0.30	0.44	0.82	1.45	0.85	0.39	0.87	1.46	0.83	0.40
2016	7.54	3.24	1.57	-1.03	7.47	3.16	1.49	-1.11	3.03	2.21	0.46	-2.98	3.07	2.28	0.43	-3.08
2015	3.96	-5.90	2.54	-1.24	3.88	-5.97	2.46	-1.31	1.61	-1.68	1.23	-0.57	1.67	-1.69	1.24	-0.58
2014	6.00	3.95	0.77	3.12	5.93	3.88	0.69	3.05	1.84	2.04	0.17	1.78	1.94	2.12	0.23	1.84
2013	0.45	-0.32	-0.02	-2.44	0.38	-0.40	-0.09	-2.52	-0.12	-2.32	0.57	-0.14	-0.11	-2.45	0.53	-0.22

<sup>1</sup>BUSA = Bloomberg U.S. Aggregate <sup>2</sup>BAUSBM = ICE BofAML U.S. Broad Market Index Inception Date: 10/1/1995 Organization: Brandywine Global Investment Management, LLC (the "Firm") is a wholly owned, independently operated, subsidiary of Franklin Resources, Inc. Brandywine Global Investment Management, LLC claims compliance with the Global Investment Performance Standards (GIPSA®) and has prepared and presented this report in compliance with the GIPS standards. Brandywine Global Investment Management, LLC has been independently verified for the periods January 1, 1993 through June 30, 2021. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. The U.S. Fixed Income Composite has had a performance examination for the periods July 1, 2020 through June 30, 2021. The verification and performance examination reports are available upon request. Policies for valuing investments, calculating performance, and preparing GIPSA® Reports are available upon request. Disclosed total firm assets represent the total market value of all discretionary and nondiscretionary, fee-paying and non-fee-paying assets under the Firm's management. GIPSA® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein. <sup>1</sup> Composite Description: The U.S. Fixed Income Composite (the "Composite") Inception date: October 1, 1995. Creation date: January 1, 2010. The Composite includes all fully discretionary, fee-paying portfolios with no minimum market requirement and no investment restrictions invested in the U.S. Fixed Income Strategy. The strategy invests primarily in debt securities, such as U.S. Government and corporate obligations, bonds, notes, debentures, mortgage-backed securities, asset-backed securities. The strategy seeks to provide maximum current income and achieve above average total return consistent with prudent investment management over a full market cycle. Primary Benchmark Description: The 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. <sup>2</sup> Secondary Benchmark Description: The ICE BofAML US Broad Market Index tracks the performance of US dollar denominated investment grade debt publicly issued in the US domestic market, including US Treasury, quasi-government, corporate, securitized and collateralized securities. <sup>3</sup> Performance Calculation: Preliminary data, if so noted, reflects unreconciled data for the most recent reporting period. Portfolios are valued daily on a trade date basis and include dividends and interest as well as all realized and unrealized capital gains and losses. Return calculations at the portfolio level are time-weighted to account for periodic contributions and withdrawals. Performance results are calculated on a before tax, total return basis. Prior to July 1, 2007, portfolios were included in the Composite beginning with the first full quarter of performance through the last full quarter of performance. After July 1, 2007, portfolios are included in the Composite beginning with the first full month of performance through the last full month of performance. Composite returns are reported on quarterly basis. The Composite returns consist of size-weighted portfolio returns using beginning of period values to weight the portfolio returns. Monthly linking of interim performance results is used to calculate quarterly and annual returns. Composite's valuations and returns are computed in U.S. Dollars ("USD"). The results are presented in USD or in other currencies (to accommodate overseas investors), the latter by converting monthly USD returns into other currency returns using the appropriate currency exchange rate returns. Gross returns reflect the deduction of trading expenses. Net-of-fees returns is calculated using a model approach whereby we use the current highest tier of the appropriate strategy's fee schedule as disclosed in the Form ADV. Composite dispersion is calculated using the asset-weighted standard deviation method for all portfolios that were in the Composite for the entire year. Composite dispersion is not presented for periods with five or fewer portfolios. The number of accounts and market values are as of the end of the period. The three-year annualized standard deviation, calculated using gross-of-fee returns, measures the variability of the composite and the benchmark returns over the preceding 36-month period. Gross-of-fees returns are used to calculate the presented risk measures. Past performance is no guarantee of future results. A complete list of composites, and limited distribution pooled funds descriptions as well as a list of broad distribution pooled funds is available upon request. <sup>4</sup> Fee Schedule: Institutional Client Separate Account Management Fee Schedule (Minimum initial investment: \$10 million): 0.350% on the first \$50 million; 0.300% on the next \$50 million, and 0.250% on any portion of assets in excess of \$100 million. Institutional Client Commingled Account Management Fee Schedule (Minimum investment \$1 million): 0.350% on the first \$50 million; 0.300% on the next \$50 million; and 0.250% on the next \$100 million. Additional information on the Firm's fee schedule can be found in Form ADV Part 2A which is available upon request. The management fee schedule and total expense ratio for Brandywine US Fixed Income Fund - BGIMT, which is included in the composite, are 0.35% on all assets and 0.475%, respectively. <sup>5</sup>

# Glossary of Indexes

## Bloomberg U.S. Aggregate Index

The 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.

## Bloomberg U.S. High Yield Index

The Bloomberg U.S. Corporate High -Yield Index measures the market of USD -denominated, non -investment grade, fixed -rate, taxable corporate bonds. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below. The index excludes emerging market debt. It was created in 1986, with history backfilled to July 1, 1983.

## S&P/LSTA U.S. Leveraged Loan 100 Index

The S&P/LSTA U.S. Leveraged Loan 100 Index is designed to reflect the performance of the largest facilities in the leveraged loan market.

## Bloomberg Global Aggregate Bond Index

The Bloomberg Global Aggregate Bond Index provides a broad -based measure of the global investment -grade fixed income markets by including agencies, corporates and asset backed issues.

## J.P. Morgan GBI Emerging Market Global Diversified Index

The JP Morgan GBI – EM Emerging Market Global Diversified Index – A is a comprehensive global local emerging market index, consisting of liquid, investable, domestic currency government bonds.

## J.P. Morgan Emerging Markets Bond Index Global

The J.P.Morgan Emerging Markets Bond Index Global ("EMBI Global") tracks total returns for traded external debt instruments in the emerging markets, and is an expanded version of the JPMorgan EMBI+. As with the EMBI+, the EMBI Global includes U.S.dollar-denominated Brady bonds, loans, and Eurobonds with an outstanding face value of at least \$500 million. It covers more of the eligible instruments than the EMBI+ by relaxing somewhat the strict EMBI+ limits on secondary market trading liquidity.

## S&P 500® Index

The S&P 500® is a broad measure of U.S. domestic large cap stocks. The 500 stocks in this capitalization -weighted index are chosen based on industry representation, liquidity, and stability.

## FTSE 3 Month T -Bill Index

The FTSE 3-Month U.S. Treasury Bill Index (C3MTB) represents monthly return equivalent of yield averages of the last 3 month Treasury Bills issues.

# Appendix 1

## Important Disclosure Information

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Please see attached appendix containing description of indices used in connection with this product, if any. All indices are unmanaged and are not available for direct investment. The indices do not incur costs including the payment of transaction costs, fees and other expenses.

**Past performance is no guarantee of future results.**

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