Banking on volatile markets.

Quarterly snapshot

- Global equity markets garnered positive returns in the first quarter of 2023, amid numerous periods of volatility. Developed markets outperformed emerging markets.
- Fixed-income asset classes gained ground during the period as bond yields fell for all but the shortest segment of the U.S. Treasury curve.
- We believe that recent events in the financial markets have raised the odds of recession in the U.S. beginning later this year or in early 2024.

Global equity markets finished in positive territory for the first quarter of 2023, amid numerous periods of volatility in reaction to the latest monetary policy actions and public comments from central banks. Additionally, late in the period, turbulence in the banking sectors in the U.S. and Europe led to a selloff in equity markets globally before stocks rallied towards the end of the quarter.

In early March, California-based Silvergate Capital, a major lender to the highly speculative cryptocurrency industry, announced that it was entering a voluntary liquidation due to significant losses following massive withdrawals of funds by depositors. Soon thereafter, two U.S.-based regional banks–Silicon Valley Bank (SVB) and Signature Bank–failed after depositors withdrew funds on fears regarding the valuation of the institutions' bond portfolios. The Federal Deposit Insurance Corporation (FDIC), an independent agency that insures deposits, and examines and supervises financial institutions, was appointed as receiver to SVB on March 12 after the California Department of Financial Protection and Innovation closed the bank. Occurring on the heels of the collapse of Silvergate Capital, SVB's failure prompted investors to reconsider the safety of their positions across the banking industry. Signature Bank, which was shut down by New York state regulators on March 12, also was closely aligned with the cryptocurrency industry. In a separate matter, 11 of the largest U.S. banks deposited $30 billion with First Republic Bank, another troubled lender.

The bank troubles were not limited to the U.S. Swiss lender Credit Suisse also came under pressure after suffering significant investment losses in 2021 and 2022. Credit Suisse reported that clients had withdrawn 110 billion francs (US$119 billion) of funds in the fourth quarter of 2022. The Swiss National Bank, Switzerland's central bank, announced that it would provide the embattled bank with 50 billion francs (US$54 billion) in financial support. Soon thereafter, Swiss bank UBS took control of rival lender Credit Suisse in an emergency 3 billion franc (US$3.2 billion) deal negotiated by Swiss government regulators. While this development was not directly related to the failures of the U.S. regional banks, the timing resulted in significant declines in the share prices of other banks worldwide.

Developed markets garnered positive returns over the quarter and outperformed emerging markets. Europe was the top-performing region among developed markets for the quarter due primarily to strength in Ireland and the Netherlands. North America also performed well. The Far East region generated the largest gains in emerging markets, buoyed by robust performance in Taiwan and Korea.[1]

[1] All equity market performance statements are based on the MSCI All-Country World Index (ACWI).

Key measures: Q1 2023

Equity		
Dow Jones Industrial Average	**0.93%**	↑
S&P 500 Index	**7.50%**	↑
NASDAQ Composite Index	**17.05%**	↑
MSCI ACWI Index (Net)	**7.31%**	↑
Bond		
Bloomberg Global Aggregate Index	**3.01%**	↑
Volatility		
Chicago Board Options Exchange Volatility Index **PRIOR QUARTERLY: 21.67**	**18.70**	↓
Oil		
WTI Cushing crude oil prices **PRIOR QUARTERLY: $80.26**	**$75.67**	↓
Currencies		
Sterling vs. U.S. dollar	**$1.24**	↑
Euro vs. U.S. dollar	**$1.09**	↑
U.S. dollar vs. yen	**¥133.09**	↑

Sources: Bloomberg, FactSet, Lipper

U.S. fixed-income assets ended the quarter in positive territory as Treasury yields declined for all maturities of one year or greater (yields and prices have an inverse relationship). High-yield bonds (below-investment-grade fixed-income securities) were the top performers for the period, followed by corporate bonds and U.S. Treasurys.[2] Mortgage-backed securities (MBS) saw relatively more modest gains.[3] The yields on two-, three-, five-, and ten-year Treasury notes decreased 0.35%, 0.41%, 0.39%, and 0.40%, respectively, over the quarter. The spread between ten- and two-year notes widened 0.05% to -0.58% during the period, further inverting the yield curve.

Global commodities markets generally lost ground over the quarter. The West Texas Intermediate (WTI) crude-oil spot price decreased 5.9% in U.S. dollar terms, while Brent crude oil fell 7.1% amid concerns that additional interest-rate hikes from central banks may weigh on global economic growth and reduce demand. However, the prices for both commodities rallied sharply over the last two weeks of the quarter amid easing worries about the banking crisis and supply concerns after Turkey stopped pumping oil from a pipeline in Kurdistan following an arbitration decision that the oil could not be shipped without the consent of Iraq's government. The New York Mercantile Exchange (NYMEX), a commodities trading exchange, natural gas price tumbled nearly 47% during the quarter as an unusually mild winter in the U.S. continued to weigh on demand during the home-heating season. The gold spot price was volatile, but ended the quarter with an 8.1% gain. The gold price rallied sharply in January due to weakness in the U.S. dollar and declining U.S. Treasury yields before falling in February on investors' worries that the Fed's rate hikes may lead to a recession in the U.S., which would hamper demand for precious metals. The spot price then rose during the banking crisis in March, as investors generally view gold as a "safe-haven" asset during times of uncertainty. Wheat prices fell 12.6% during the quarter as Egypt made a large purchase tender for Russian wheat at a relatively low price. Additionally, in March, Russia renewed a deal with Ukraine that allows the shipment of Ukrainian grain through the Black Sea.[4]

In the U.S., all eyes (and ears) were on the Federal Reserve (Fed) over the quarter. During a speech in early February, soon after the Federal Open Market Committee (FOMC) had implemented a 25-basis-point (0.25%) increase in the federal-funds rate, Fed Chair Jerome Powell commented that the central bank's efforts to cool inflation are "likely to take quite a bit of time. It's not going to be smooth. So we think we're going to have to do further [rate] increases, and we think we'll have to hold policy at a restrictive level for some time." The subsequent banking crisis in March may have tempered the Fed's aggressive rate-hiking policy. At a news conference following the announcement of a 25-basis-point (0.25%) increase in the federal-funds rate to a range of 4.75%-5.00%, a reporter inquired about the possibility of interest-rate cuts later this year. Powell responded, "That's not our baseline expectation." He acknowledged that the FOMC members had considered a pause in the rate-hiking cycle, given the recent turmoil in the banking sector. He also noted that prior to the onset of the banking crisis, the Fed had discussed the possibility of a more hawkish 0.50% rate increase as U.S. economic data remained relatively strong.

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[2] According to the ICE BofA U.S. High Yield Constrained, ICE BofA Corporate, and ICE BofA U.S. Treasury indexes.

[3] According to the S&P U.S. Mortgage-Backed Securities Index.

[4] According to market data from The Wall Street Journal.

All references to performance are in US dollar terms unless otherwise noted. See Standardised Performance for more information.

On March 15, U.K. Chancellor Jeremy Hunt unveiled the government's new budget, which directly addresses the nation's tight employment situation. Among some of the proposals: increasing vocational training; providing tax incentives, enhancing access to capital and easing certain regulations to encourage the creation of new enterprises. Elsewhere, the labour tensions between U.K. public employees and the government appeared to be easing. The administration of Prime Minister Rishi Sunak had been plagued by public-sector employee strikes and other job actions since late 2022, as pay increases have not kept up with the U.K.'s inflation rate, which was up 10.4% year-over-year in February, according to the Office for National Statistics (ONS).[5] Several National Health Service (NHS) unions–including the Royal College of Nursing, GMB and Unison–supported the government's offer of a pay raise of 2% in 2022-2023, followed by a 5% increase in 2023-24, with larger raises for the lowest-paid employees.[6] While labour issues in the health care industry appeared to be resolved, a problem arose in another area. Leaders of the National Education Union, the U.K.'s largest teachers' union, urged their members to reject the government's offer of a 4.5% wage increase over the next academic year "in the strongest possible way," commenting that the proposal was an "insulting offer from a government which simply does not value teachers."[7]

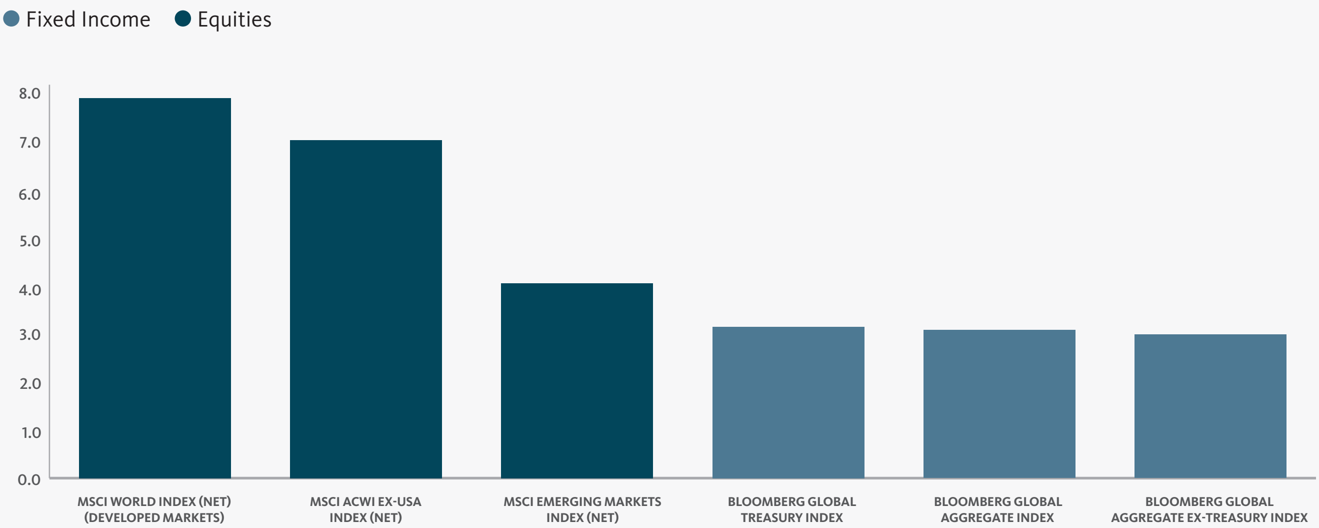
Within the eurozone, the proposal of President Emmanuel Macron to raise the minimum retirement age for the country's public pension program from 62 to 64 led to civil unrest in that country. There were many violent demonstrations and several large labour unions staged widespread job actions in opposition to the plan. The tensions were exacerbated as Macron did not put the measure up for a vote in the National Assembly, France's lower house, in which his

[5] According to the U.K. Office for National Statistics. March 2023.

[6] "Pay deal for NHS workers in England paves way to end strikes." Financial Times. 16 March 2023.

[7] "Teaching union urges members to reject UK government's new pay offer." Financial Times. 27 March 2023.

Major Index Performance in Q1 2023 (Percent Return)



Sources: FactSet, Lipper

political party does not have a majority.[8] Fears of recession in Germany arose as the nation's economy contracted by a greater-than-expected annual rate of 0.4% in the fourth quarter of 2022. High inflation weighed on consumer spending and investments in buildings and machinery during the period.[9]

The Russia-Ukraine conflict raged on. In March, President Xi Jinping of China met with Russian President Vladimir Putin in Moscow to discuss China's proposal to end the conflict with Ukraine. The Biden administration criticised the plan as "the ratification of Russian conquest," as it proposed a ceasefire that would recognise Russia's right to occupy territory in Ukraine and provide Putin with time to bolster the nation's military forces.[10]

Economic data

U.S.

- The U.S. consumer-price index (CPI) rose 0.4% in February, down 0.1% from January, according to the Department of Labor, and was up 6.0% year-over-year. Higher housing and services costs contributed significantly to the rise in inflation in February. The government attributed the year-over-year upturn in the CPI to sharp increases in prices for energy services and food. Core inflation, as measured by the CPI for all items less food and energy, was up 0.5% in February and 5.5% over the previous 12 months.

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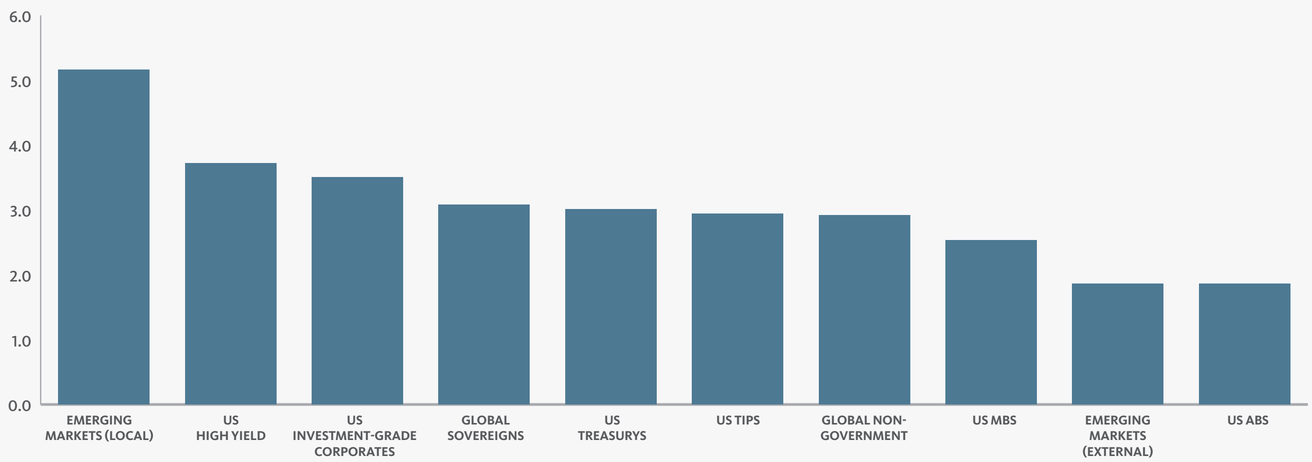
[8] "French protest against Macron's 'provocation' on pensions." Financial Times. 23 March 2023.

[9] According to the Federal Statistical Office of Germany. February 2023.

[10] "Xi Jinping praises Vladimir Putin's 'strong leadership' in Kremlin talks." Financial Times. 20 March 2023.

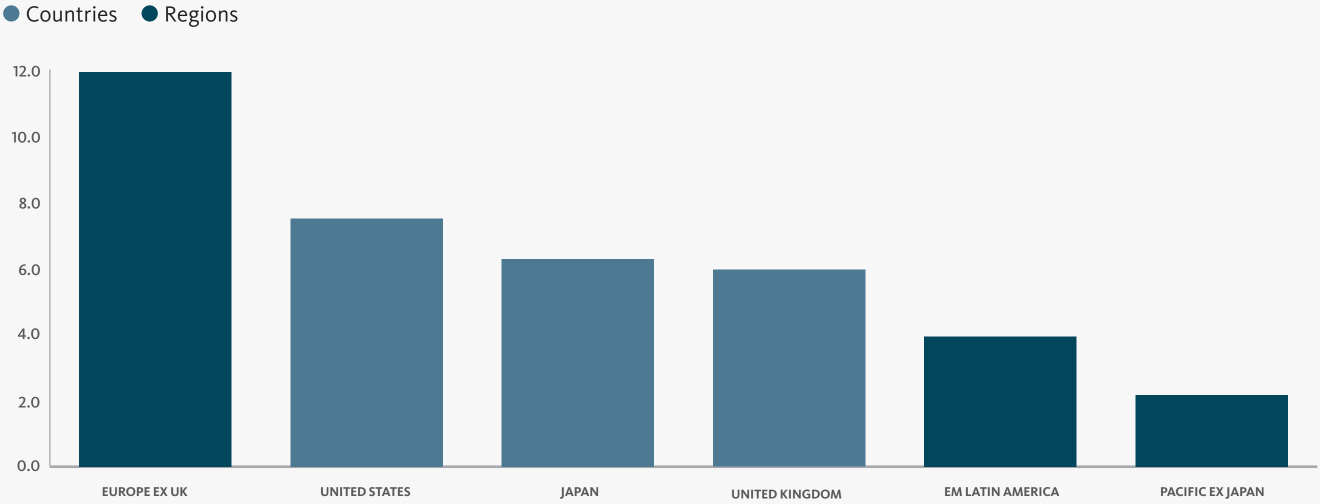
Fixed-Income Performance in Q1 2023 (Percent Return)



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

All references to performance are in US dollar terms unless otherwise noted. See Standardised Performance for more information.

Regional Equity Performance in Q1 2023 (Percent Return)



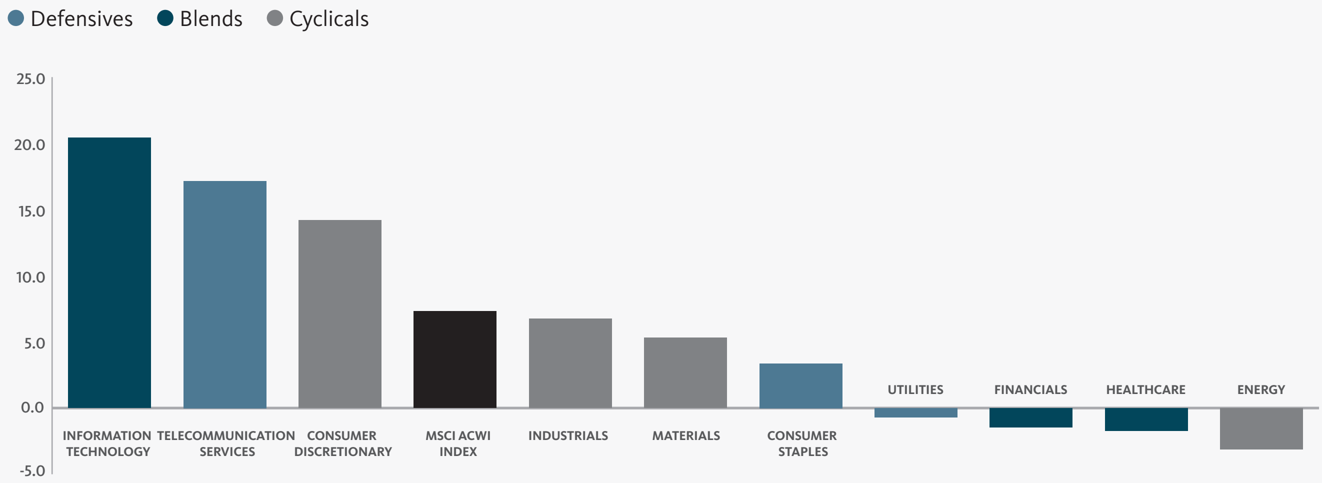
Sources: FactSet, Lipper. See "Corresponding Indexes for Regional Equity Performance Exhibit" in the Index descriptions section for more information.

- The Department of Labor reported that U.S. payrolls expanded by 311,000 in February, down sharply from 517,000 for the previous month. The unemployment rate, which had dipped to a 54-year low in January, rose 0.2% to 3.6%. The leisure and hospitality, retail trade, and government sectors saw the largest employment gains for the month. Average hourly earnings rose 0.2% in February and 4.4% year-over-year. The slowdown in wage growth over the past several months suggests that employers may be having less difficulty finding new workers.
- According to the Census Bureau, U.S. retail sales–a gauge of consumer spending that comprises more than two-thirds of gross domestic product (GDP) dipped 0.2% in February but rose 5.4% year over year. Non-store retailers and general merchandise stores posted the largest gains in February and over the previous 12-month period, respectively. Conversely, the Census Bureau reported that sales for furniture and home furnishings stores saw the most significant downturn for the month, while electronics and appliance stores recorded the greatest year-over-year decline in sales.
- The Department of Commerce reported that U.S. GDP grew at an annual rate of 2.6% in the fourth quarter of 2022, marking a slowdown from the third quarter's increase of 3.2%. The U.S. economy expanded by 2.1% for the 2022 calendar year. The reading was also modestly lower than the government's initial fourth-quarter estimate of 2.9%. The revised estimate resulted from downward revisions to exports and consumer spending. This was partially offset by a downward revision to imports (which are subtracted from the calculation of GDP). The upturn in GDP for the quarter was attributable to increases in private inventory investment (a measure of the changes in values of inventories from one time period to the next), consumer spending, nonresidential fixed investment (purchases of both nonresidential structures and equipment and software), federal government spending, and state and local government spending.

U.K.

- According to the Office for National Statistics (ONS), consumer prices in the U.K. rose 1.1% month-over-month in February—a notable reversal of the 0.4% decrease in January. The year-over-year inflation rate increased 10.4% over the previous 12-month period, up from the 10.1% annual rise in the previous month. Housing and household services (mainly from electricity, gas, and other fuels), as well as food and non-alcoholic beverages, were the primary contributors to the year-over-year increase in prices. Core inflation, which excludes volatile food and energy prices, came in at an annual rate of 6.2% in February, up from a 12-month increase of 5.8% in January.
- The ONS also reported that U.K. GDP increased 0.3% in January 2023, following a decline of 0.5% in December 2022, and was flat for the three-month period ending in January. The services sector grew 0.5% in January, led by education, transportation and storage, and arts, entertainment and recreation. Conversely, production output fell 0.3% for the month due mainly to downturns in manufacturing of basic pharmaceutical products and pharmaceutical preparations, and machinery and equipment.
- The S&P Global/CIPS Flash UK Manufacturing Output Index declined 1.9 to a two-month low of 49.0 in March due to a decrease in demand. A reading below 50 indicates contraction in the manufacturing sector.
- The S&P Global/CIPS Flash UK Services PMI Business Activity Index was down 0.7 to 52.8 in March, but indicated expansion for the second consecutive month. There was particular strength in the services sector.

Global Equity Sector Performance in Q1 2023 (Percent Return)



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

All references to performance are in US dollar terms unless otherwise noted. See Standardised Performance for more information.

Eurozone

- Inflation in the eurozone slowed by 1.6% to 6.9% in the 12-month period ending in March. Natural gas prices decreased 0.9% year-over-year, while food, alcohol and tobacco costs climbed 15.4% for the same period.[11]
- Eurozone manufacturing activity declined in March, with the S&P Global Flash Eurozone Manufacturing Output Index falling 1.2 points to 49.9.
- Services activity in the eurozone reached a 10-month high in March, with the S&P Global Flash Eurozone Services PMI Activity Index increasing 2.9 points to 55.6.
- According to Eurostat's third estimate issued in March, eurozone GDP was stable in the fourth quarter of 2022. The eurozone economy grew 1.8% year over year in the fourth quarter and expanded 3.5% for the 2022 calendar year.

Central banks

- The Fed raised the federal-funds rate to a range of 4.75%-5.00% in two increments of 0.25% on February 1 and March 22. In a statement announcing the rate increase in March, the Federal Open Market Committee (FOMC) noted that, despite the current financial difficulties, "The banking system is sound and resilient. Recent developments are likely to result in tighter credit conditions for households and businesses and to weigh on economic activity, hiring, and inflation. The extent of these effects is uncertain." The FOMC also commented that it "anticipates that some additional policy firming may be appropriate in order to attain a stance of monetary policy that is sufficiently restrictive to return inflation to 2 percent over time." The statement omitted the Fed's longstanding reference to "ongoing increases in the (federal-funds) target range," suggesting that the central bank may be nearing the end of its rate-hiking cycle.
- The Bank of England (BOE) increased its benchmark rate by an aggregate of 0.75% to 4.25% over the quarter. The central bank noted its ongoing concerns about inflation, as the government's consumer-price index rose 10.4% year-over-year in February (the most recent available data). Even in the midst of a banking maelstrom, BOE Governor Andrew Bailey warned that further policy-rate hikes may be needed.
- The European Central Bank (ECB) boosted its benchmark interest rate from 2.0% to 3.0% in two increments of 0.50% in February and March. In its rate-hike announcement in March, the ECB commented that "Inflation is projected to remain too high for too long" that the increase was "in line with [the ECB's] determination to ensure the timely return of inflation to the 2% medium-term target."
- The Bank of Japan (BOJ) left its benchmark interest rate unchanged at -0.1% following its meetings in January and March. At a news conference after the announcement of the interest-rate decision in March, outgoing BOJ Governor Haruhiko Kuroda said that the central bank "has been taking various steps to mitigate the side effects of its monetary easing. I can say that the benefits of our monetary easing have far exceeded the demerits." Kazuo Ueda will succeed Kuroda as BOJ governor in April.

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[11] According to Eurostat. March 2023.

Economists have been struggling for the past several months to find the right analogy to describe the future trajectory of growth and inflation in the U.S.

SEI's view

Economists have been struggling for the past several months to find the right analogy to describe the future trajectory of growth and inflation in the U.S. The optimists favour the term "soft landing," whereby growth in business activity slows just enough to reduce inflation pressures without causing a recession. Pessimists see a "hard landing" ahead as the global economy stumbles into recession due to overly tight central-bank monetary policies. Still others see "no landing" whatsoever—economic growth actually accelerates, along with inflation. SEI suggests a fourth possibility: a "holding pattern" in which the economy moves in circles with no estimated time of arrival. Economic growth slows, but not enough to push inflation back to the 2% target rate that the Fed and other major central banks have set as their goal.

The tumult in the banking system isn't over yet; even after this crisis stage passes, smaller banks will face ongoing pressure to raise deposit rates to more competitive levels, while borrowing from the Fed and U.S. government agencies to improve their liquidity. A recession becomes likelier due to the important role that community and regional banks play in the U.S. financial system. According to the Fed, smaller banks (below the 25 largest banking institutions ranked by domestic assets), account for roughly two-thirds of commercial bank loans. They also comprise a very large proportion of credit extended to small businesses.

SEI is assuming that the current banking crisis will be quelled by the government's "whatever-it-takes" attitude. If that belief proves wrong, the Fed could indeed blink and cut rates as the futures curve applies; however, the surge of funds being injected into the banking system may well make the job of reducing inflation that much more difficult. The FOMC has underestimated the extent and persistence of core PCE inflation for nine consecutive quarters. And, in every quarter since March 2021, the FOMC members have forecast a return to a 2.0% to 2.5% within the next two years. The latest forecast follows the same trajectory, with core PCE inflation falling to 3.6% by December 2023, 2.6% by December 2024, and 2.1% by December 2025. By contrast, PCE core inflation ended 2021 at 4.8% and 2022 at 4.7%.[12]

The current crisis in the banking sector doesn't seem to be dissuading other central banks from pursuing their inflation-fighting goals. In particular, the ECB surprised the markets by raising its three key policy rates by 0.5% in March, as members of the Governing Council strongly hinted they would prior to onset of the recent market turbulence. The ECB's rationale was clear—the mandate is to bring inflation back to its 2% target rate, and the central bank will use its monetary toolset (interest rates and security sales from its balance sheet) in an effort to achieve this goal.

The ECB is not ignoring the financial stability and the underlying health of the banking system, however. Rather, ECB President Christine Lagarde insists there is another set of tools that can be used for that purpose, including liquidity support via its various asset purchase and lending programs, such as the Transmission Protection Instrument (TPI). The TPI was introduced in July 2022, and can be used to counter disorderly market conditions that pose a serious threat to the transmission of monetary policy across the euro area. It gives the central bank the ability to buy the public-sector securities of sovereign and regional governments and agencies with remaining maturities between one and 10 years. There is no preordained limit to the purchases that can be made, and the ECB will have wide discretion regarding which securities to purchase from which member countries.

[12] Sources: U.S. Federal Reserve, SEI

We believe that recent events in the financial markets have raised the odds of recession in the U.S. beginning later this year or in early 2024. As has been the case following previous recessions, wage pressures most likely will ease and inflation should fall as well. However, global financial markets are probably getting ahead of themselves, pricing in near-term cuts in policy rates and a rapid decline in inflation back below 2% within a year. Both cyclical factors (tight labour markets and consumer resiliency especially) and secular factors (a persistently tight labour market, an emphasis on supply chain resiliency over efficiency, higher capital costs, and higher future tax burdens) suggest to us that inflation will remain higher than what central banks and market participants expect. The Fed and other central banks are facing a severe challenge in their attempt to fight inflation while simultaneously ensuring financial stability. If push comes to shove, we expect the central banks to choose financial stability, leaving the inflation fight for another day.

Standardised Performance

		1 year to 31-Mar-23	1 year to 31-Mar-22	1 year to 31-Mar-21	1 year to 31-Mar-20	1 year to 31-Mar-19
Key Measures						
Dow Jones Industrial Average		-1.98%	7.11%	53.78%	-13.38%	10.08%
S&P 500 Index		-7.73%	15.65%	56.35%	-6.98%	9.50%
NASDAQ Composite Index		-13.28%	8.06%	73.40%	0.70%	10.63%
MSCI ACWI Index (Net)		-7.44%	7.28%	54.60%	-11.26%	2.60%
Bloomberg Barclays Global Aggregate Index		-6.70%	-5.35%	7.70%	2.83%	1.12%
Major Index Performance						
Bloomberg Barclays Global Aggregate ex-Treasury Index		-6.70%	-5.35%	7.70%	2.83%	1.12%
Bloomberg Barclays Global Aggregate Index		-8.07%	-6.40%	4.67%	4.20%	-0.38%
Bloomberg Barclays Global Treasury Index		-9.29%	-7.33%	2.08%	5.36%	-1.62%
MSCI ACWI ex-USA (Net)		-5.07%	-1.48%	49.41%	-15.57%	-4.22%
MSCI Emerging Markets Index (Net)		-10.70%	-11.37%	58.39%	-17.69%	-7.41%
MSCI World Index (Net)		-7.02%	10.12%	54.03%	-10.39%	4.01%
Fixed-Income Performance						
US Treasury Inflation-Protected Securities (TIPS)	Bloomberg Barclays 1-10 Year U.S. TIPS Index	-2.92%	3.78%	8.12%	4.50%	2.72%
Global Non-Government	Bloomberg Barclays Global Aggregate ex-Treasury Index	-6.70%	-5.35%	7.70%	2.83%	1.12%
Global Sovereigns	Bloomberg Barclays Global Treasury Index	-9.29%	-7.33%	2.08%	5.36%	-1.62%
US Investment-Grade Corporates	Bloomberg Barclays U.S. Corporate Investment Grade Index	-5.55%	-4.20%	8.73%	4.98%	4.94%
US Asset-Backed Securities (ABS)	Bloomberg Barclays U.S. Asset-Backed Securities Index	0.37%	-3.06%	4.57%	2.79%	3.68%
US Mortgage-Backed Securities (MBS)	Bloomberg Barclays U.S. Mortgage-Backed Securities Index	-4.85%	-4.92%	-0.09%	7.03%	4.42%
US Treasurys	Bloomberg Barclays U.S. Treasury Index	-4.51%	-3.67%	-4.43%	13.23%	4.22%
US High Yield	ICE BofAML US High Yield Constrained Index	-3.58%	-0.30%	23.22%	-7.46%	5.93%
Emerging Markets (External)	JPMorgan EMBI Global Diversified Index	-6.92%	-7.44%	16.00%	-6.84%	4.21%
Emerging Markets (Local)	JPMorgan GBI-EM Global Diversified Index	-0.72%	-8.53%	13.03%	-6.52%	-7.56%
Regional Equity Performance						
United Kingdom	FTSE All-Share Index	-3.35%	7.87%	40.99%	-22.40%	-1.21%
EM Latin America	MSCI Emerging Markets Latin America Index (Net)	-11.05%	23.54%	50.08%	-40.77%	-6.72%
Europe ex UK	MSCI Europe ex UK Index (Net)	2.01%	0.63%	48.56%	-12.72%	-5.09%
Pacific ex Japan	MSCI Pacific ex Japan Index (Net)	-7.40%	3.83%	53.96%	-23.65%	4.59%
United States	S&P 500 Index	-7.73%	15.65%	56.35%	-6.98%	9.50%
Japan	TOPIX, also known as the Tokyo Stock Price Index	-3.50%	-7.15%	38.86%	-7.21%	-8.76%
Global Equity Sector Performance						
MSCI ACWI Index		-7.44%	19.27%	15.01%	13.68%	-0.98%
MSCI ACWI Consumer Discretionary Index		-12.12%	14.15%	35.30%	14.77%	0.72%
MSCI ACWI Consumer Staples Index		0.62%	6.20%	7.09%	11.69%	-2.43%
MSCI ACWI Energy Index		6.45%	36.53%	-27.90%	-2.54%	-0.24%
MSCI ACWI Financials Index		-10.79%	25.84%	-5.24%	9.45%	-6.16%
MSCI ACWI Healthcare Index		-4.12%	13.91%	14.89%	8.97%	10.79%
MSCI ACWI Industrials Index		-1.29%	13.26%	9.75%	14.89%	-5.41%
MSCI ACWI Information Technology Index		-7.49%	32.23%	42.81%	29.42%	2.01%
MSCI ACWI Materials Index		-9.40%	15.45%	18.82%	10.29%	-9.43%
MSCI ACWI Telecommunication Services Index		-15.50%	12.83%	22.73%	13.86%	-3.61%
MSCI ACWI Utilities Index		-6.40%	4.18%	5.48%	14.13%	-0.87%

All references to performance are in US dollar terms unless otherwise noted. See Standardised Performance for more information.

Glossary of Financial Terms

Yield is the income returned on an investment, such as the interest received from holding a security. The yield is usually expressed as an annual percentage rate based on the investment's cost, current market value, or face value.

A recession is a significant and prolonged downturn in economic activity.

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

Treasury Inflation-Protected Securities (TIPS) are U.S. Treasury bonds that are indexed to an inflationary gauge to protect investors from a decline in the purchasing power of their money.

Mortgage-backed securities (MBS) are pools of mortgage loans packaged together and sold to the public. They are usually structured in tranches (a slice or portion of a structured security) that vary by risk and expected return.

Asset-backed securities (ABS) are created from pools of income-generating assets such as credit cards, and auto, mortgage and student loans.

Yield curve represents differences in yields across a range of maturities of bonds of the same issuer or credit rating (are (which is used to assess the risk of default of companies or countries). A steeper yield curve represents a greater difference between the yields. A flatter curve indicates the short- and long-term yields are closer together.

An inverted yield curve occurs when short-term yields exceed long-term yields. While an inverted yield curve historically has predicted economic recessions, it is an indicator—not a forecast.

The federal-funds rate is the interest rate charged to lending institutions on unsecured overnight loans. It is set by the U.S. Federal Reserve's Federal Open Market Committee. The rate is increased when the Federal Reserve wants to discourage borrowing and slow the economy and decreased when the Federal Reserve wants to spur economic growth.

Inflation is the rate of increase in prices over a given period of time.

Gross domestic product (GDP) is the total monetary or market value of all the goods and services produced in a country during a certain period.

A soft landing refers to a moderate economic slowdown following a period of growth.

A hard landing refers to a notable economic slowdown or downturn following a period of rapid growth, usually resulting from a government's attempts to slow inflation.

Quantitative tightening refers to efforts by central banks to decrease the supply of money in the economy.

Index Descriptions

The MSCI All Country World Index (ACWI) is a market capitalization-weighted index that tracks the performance of over 2,000 companies, and is representative of the market structure of 48 developed and emerging-market countries in North and South America, Europe, Africa, and the Pacific Rim. The index is calculated with net dividends reinvested in U.S. dollars.

The ICE BofA U.S. High Yield Constrained Index is a market capitalization-weighted index which tracks the performance of U.S. dollar-denominated below-investment-grade (rated BB+ or lower by S&P Global Ratings and Fitch Ratings or Ba1 or lower by Moody's Investors Service) corporate debt publicly issued in the U.S. domestic market.

The ICE BofA U.S. Corporate Index includes publicly issued, fixed-rate, nonconvertible investment-grade (rated BBB- or higher by S&P Global Ratings and Fitch Ratings or Baa3 or higher by Moody's Investors Service) dollar-denominated, U.S. Securities and Exchange (SEC)-registered corporate debt having at least one year to maturity.

The ICE BofA U.S. Treasury Index tracks the performance of fixed-rate, nominal debt issued by the U.S. Treasury.

The S&P U.S. Mortgage-Backed Securities Index tracks the performance of U.S. dollar-denominated, fixed-rate and adjustable-rate/hybrid mortgage pass-through securities issued by Ginnie Mae (GNMA), Fannie Mae (FNMA) and Freddie Mac (FHLMC).

The S&P 500 Index is a market-weighted index that tracks the performance of the 500 largest publicly traded U.S. companies and is considered representative of the broad U.S. stock market.

Consumer-price indexes measure changes in the price level of a weighted-average market basket of consumer goods and services purchased by households. A consumer price index is a statistical estimate constructed using the prices of a sample of representative items whose prices are collected periodically.

A purchasing managers' index (PMI) tracks the prevailing direction of economic trends in the manufacturing and service sectors.

The S&P Global/CIPS Flash UK Manufacturing Output Index measures the activity level of purchasing managers in the manufacturing sector of the U.K. A reading above 50 indicates expansion in the sector; below 50 indicates contraction.

The S&P Global Flash UK Services PMI Business Activity Index measures the activity level of purchasing managers in the services sector. A reading above 50 indicates expansion in the sector; a reading below 50 indicates contraction.

The S&P Global Flash Eurozone Manufacturing Output Index measures the activity level of purchasing managers in the manufacturing sector of the eurozone. A reading above 50 indicates expansion in the sector; below 50 indicates contraction.

The S&P Global Flash Eurozone Services PMI Activity Index measures the activity level of purchasing managers in the services sector of the eurozone. A reading above 50 indicates expansion in the sector; below 50 indicates contraction.

Corresponding Indexes for Key Measures Exhibit

Dow Jones Industrial Average	The Dow Jones Industrial Average is a widely followed market indicator based on a price-weighted average of 30 blue-chip New York Stock Exchange stocks that are selected by editors of The Wall Street Journal.
NASDAQ Composite Index	The NASDAQ Composite Index is a market-value-weighted index of all common stocks listed on the National Association of Securities Dealers Automated Quotations (NASDAQ) system, representing a subset of the US equity market.
MSCI ACWI Index	The MSCI ACWI Index is a market-capitalisation-weighted index composed of over 2,000 companies, and is representative of the market structure of 46 developed- and emerging-market countries in North and South America, Europe, Africa and the Pacific Rim. The Index is calculated with net dividends reinvested in US dollars.
Bloomberg Global Aggregate Index	The Bloomberg Global Aggregate Index is an unmanaged market-capitalisation-weighted benchmark that tracks the performance of investment-grade fixed-income securities denominated in 13 currencies. The Index reflects reinvestment of all distributions and changes in market prices.
Chicago Board Options Exchange Volatility Index (VIX)	The Chicago Board Options Exchange Volatility Index (VIX) tracks the expected volatility in the S&P 500 Index over the next 30 days. A higher number indicates greater volatility.

Corresponding Indexes for Major Index Performance Exhibit

MSCI ACWI ex-USA Index	The MSCI ACWI ex-USA Index includes both developed- and emerging-market countries, excluding the US.
MSCI Emerging Markets Index	The MSCI Emerging Markets Index is a free float-adjusted market-capitalisation-weighted index designed to measure the performance of global emerging-market equities.
MSCI World Index	The MSCI World Index is a free float-adjusted market-capitalisation-weighted index that is designed to measure the equity market performance of developed markets.
Bloomberg Global Aggregate Index	The Bloomberg Global Aggregate Index is an unmanaged market-capitalisation-weighted benchmark that tracks the performance of investment-grade fixed-income securities denominated in 13 currencies. The Index reflects reinvestment of all distributions and changes in market prices.
Bloomberg Global Aggregate ex-Treasury Index	The Bloomberg Global Aggregate ex-Treasury Index is an unmanaged market index representative of the total return performance of ex-Treasury major world bond markets.
Bloomberg Global Treasury Index	The Bloomberg Global Treasury Index is composed of those securities included in the Bloomberg Global Aggregate Index that are Treasury securities.

All references to performance are in US dollar terms unless otherwise noted. See Standardised Performance for more information.

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

Corresponding Indexes for Regional Equity Performance Exhibit	
United States	S&P 500 Index
United Kingdom	FTSE All-Share Index
Pacific ex Japan	MSCI Pacific ex Japan Index (Net)
Japan	TOPIX, also known as the Tokyo Stock Price Index
Europe ex UK	MSCI Europe ex UK Index (Net)
EM Latin America	MSCI Emerging Markets Latin America Index (Net)

All references to performance are in US dollar terms unless otherwise noted. See Standardised Performance for more information.

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