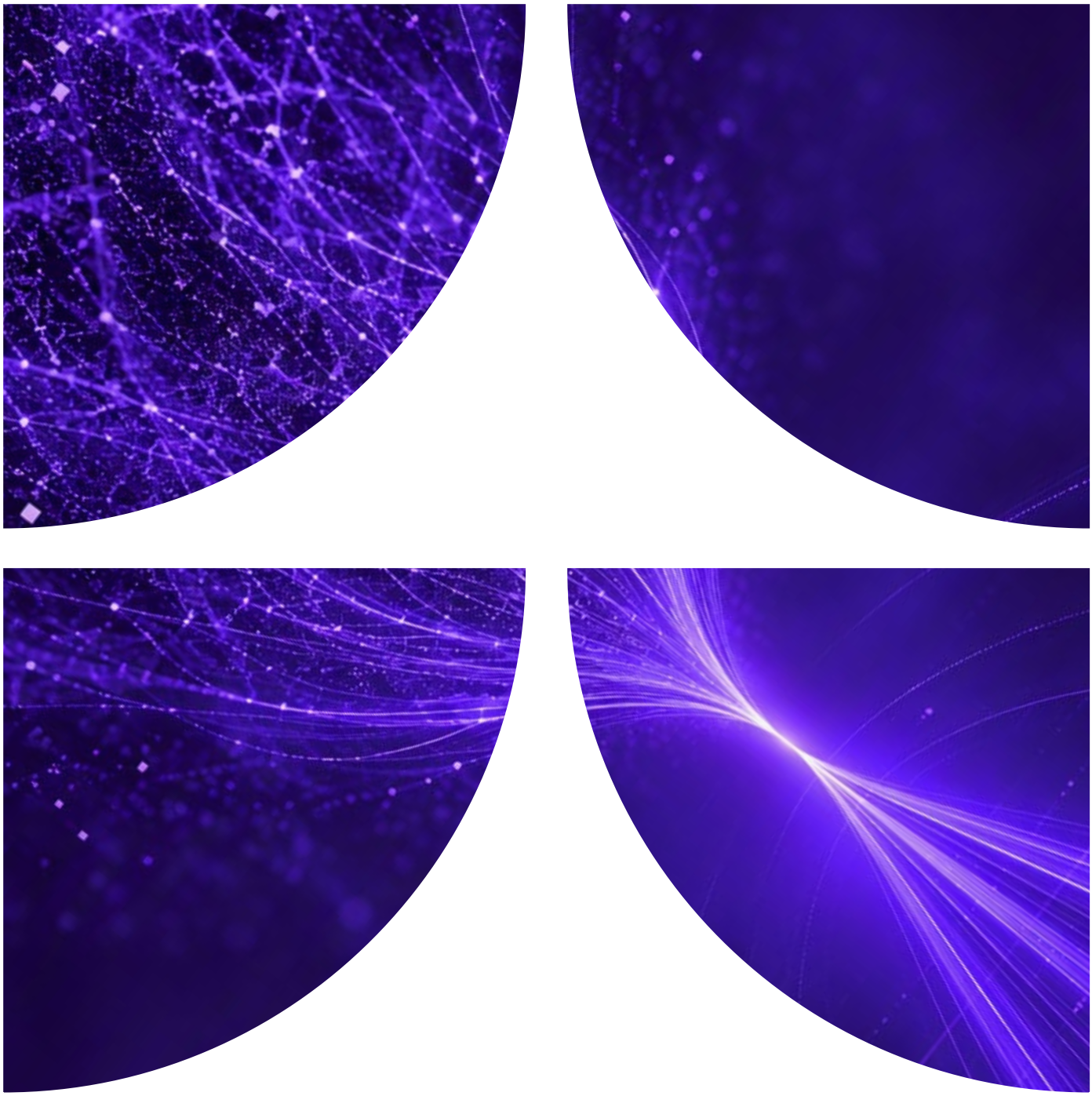
Allspring

2027 INVESTMENT OUTLOOK

Under Pressure:

Questions Shaping the Next Market Cycle



FOR RETAIL USE WITHIN THE U.S. AND PROFESSIONAL/QUALIFIED INVESTOR USE ONLY WHEN USED OUTSIDE OF THE U.S.

Foreword

Geopolitical shocks, changing interest rate expectations, and the scale of artificial intelligence (AI) investment could test markets in 2027. Investors are facing an unusually wide range of potential outcomes, and in this type of environment, we believe portfolio resilience may matter more than getting any single market forecast exactly right.

This year, we're partnering with renowned financial commentator **Ron Insana** to explore some of the biggest questions facing investors. Ron provides an independent market perspective, challenging viewpoints held by Allspring portfolio managers, to press further into how these questions could put investors to the test in the year ahead.

Market forces and a case for prudence



RON INSANA

+ Business Analyst, MS NOW
+ Author of "The Message of the Markets"

One thing I've learned in more than four decades of watching markets is that spotting risks is the easy part. Figuring out when they will matter is much harder.

We've had no shortage of things to worry about over the past year. Geopolitical shocks, higher interest rates, and mounting signs of market excess have each looked capable of knocking markets off course. So far, they haven't. In several cases, the potential disruption simply failed to follow through. The underlying risks are still there, even if the timing remains impossible to pin down.

That is the lens I'm bringing to 2027. I'm cautious, but trying to call the top or identify the catalyst in advance is a different exercise entirely. For investors, I believe the more useful question is whether a portfolio is prepared to absorb a shock whenever it arrives.

When risks compound

Geopolitical risk remains my biggest concern heading into 2027. What concerns me most is the possibility that today's flashpoints could begin to compound, creating a multiplier effect that becomes harder for markets to absorb. Historically, markets have often been able to look through wars when their economic consequences are contained. But, there are also moments when conflict changes the market calculus much more abruptly. When World War I broke out in 1914, for example, the New York Stock Exchange closed for more than four months as investors struggled to assess the implications for a highly interconnected global economy. I am not suggesting we are headed for anything comparable. The point is that geopolitical events can move from background risk to a market-moving shock faster than investors expect.

> Geopolitical events can move from background risk to market-moving shock faster than investors expect.

A broader conflict could take pressures markets have so far absorbed and push them into a different category altogether. A sharp move in oil and other commodities, renewed disruption to trade and supply chains, and a sudden repricing of risk could hit at the same time. That would leave central banks confronting weaker growth alongside heightened inflationary pressures, the worst kind of trade-off.

Nobody knows which of today's flashpoints, if any, will become the one markets can no longer shrug off. Investors can, however, make sure they understand where their risks are and whether their portfolios have enough protection if events take a turn for the worse. We'll dive into some of those portfolio implications in the pages that follow.

Watch the rate of change

For investors, I think the cost of capital is the most visible thread connecting the most important questions for the year ahead.

Interest rates are not especially high by historical standards. What matters more is how quickly they move and why. If inflation remains stubborn, central banks may have less room to ease than investors expect. The bigger danger would be an abrupt repricing of interest rate expectations, whether because inflation reaccelerates or policymakers misjudge the balance between inflation and growth.

A sharp rise in rates could be especially disruptive given the amount of government and corporate debt that needs to be refinanced around the world. Heavy issuance could compound upward pressure on long-term yields, just as higher interest costs are eating into government budgets and corporate cash flows. That leaves less money for spending and investment, while higher yields could put additional pressure on stock valuations and corporate earnings. AI could be particularly vulnerable because of the enormous capital required to finance the infrastructure buildout. Markets can absorb higher rates when they rise gradually. If yields start to accelerate, we'll find out quickly who borrowed too much.

I remain convinced that AI is a transformational technology. Such technologies also have a long history of producing financial excess. We have seen this movie before. Canals, railroads, automobiles, electricity, computers, and the internet all fundamentally changed economic life. They shortened distances, raised productivity, created new industries, and altered how people worked and lived. They also attracted enormous amounts of capital and, at various points, produced painful financial market corrections.

AI appears to be following a familiar pattern on an unfamiliar scale. The infrastructure buildout has become an important contributor to economic growth and corporate profits. The sums being committed are enormous, and the financing behind that investment is becoming increasingly complex and dubious. Companies are borrowing heavily, committing capital years into the future and making highly optimistic assumptions about demand, productivity, and returns that will ultimately have to be validated.

None of this alters my view of AI's long-term potential. The technology can ultimately justify much of today's enthusiasm and still encounter a financial reckoning along the way. History suggests that transformative technologies can survive, prosper, and reshape the economy even after the excess capital surrounding their early development has been washed away.

For 2027, that makes the interaction between AI and interest rates particularly important. A disappointment in either financing conditions or expected profitability could have consequences well beyond the individual companies involved, given AI's growing importance to corporate investment, economic growth, and financial markets.

Prudence for an uncertain year

For long-term investors, recognizing risk does not necessarily mean allowing every macroeconomic (macro) headline to dictate portfolio decision-making. Portfolios have endured wars, recessions, bubbles, inflation shocks, and financial crises. Attempting to anticipate every turn can create its own problems.

I believe the more sensible response is also the less exciting one: rebalance. Revisit your concentrated positions after several years of strong equity returns. Maintain higher levels of liquidity. Be thoughtful about your risk factor exposures. Look for genuine ballast within a portfolio. When higher yields or changing valuations create better opportunities, be selective about where and how you take risk.

I cannot tell you which of today's risks, if any, will become the defining market event of 2027. Investors can still prepare for the possibility that one does.



> "The technology [of AI] can ultimately justify much of today's enthusiasm and still encounter a financial reckoning along the way.

Questions shaping the next market cycle

With Ron's case for prudence established, Allspring portfolio managers now tackle five challenging questions confronting investors in 2027.

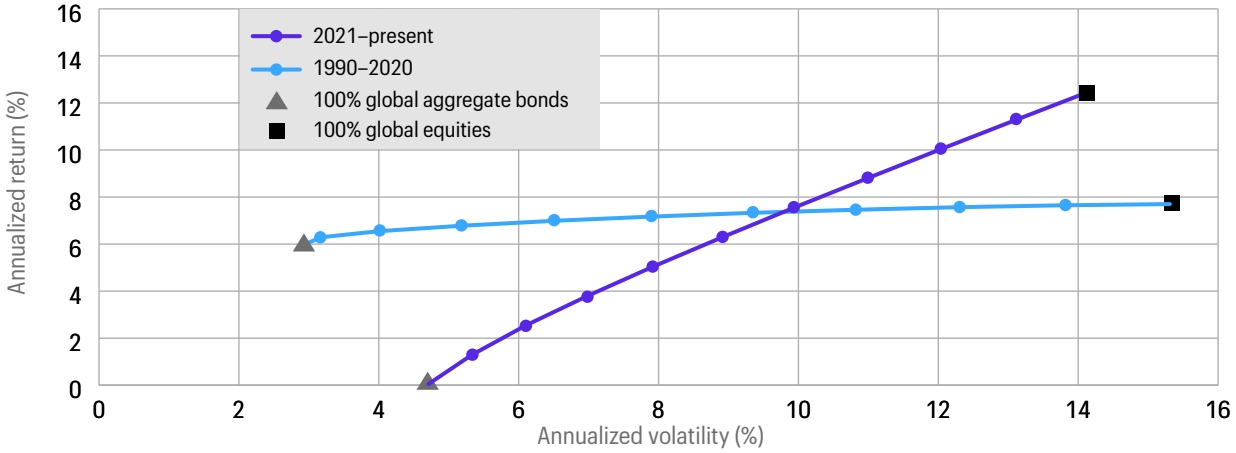
01 How can investors prepare for risks they can see but cannot time?

MATTHIAS SCHEIBER | MULTI-ASSET

Investors may not be able to predict where the next geopolitical shock will come from or how far it will escalate, but what they can do is assess the transmission mechanisms and what they could mean for asset prices. Different geopolitical flashpoints can affect markets through similar channels: commodity prices, fiscal and defense spending, inflation expectations, and interest rates.

For decades, the traditional stock/bond portfolio benefited from a macro environment in which bonds tended to provide support when equities came under pressure. That relationship has become less dependable as inflation has become more persistent and volatile.

HOW PORTFOLIO ASSET ALLOCATION HAS BEEN AFFECTED OVER THE PAST FIVE YEARS



For illustrative purposes only.

Source: Allspring, as of September 2026. The chart presents expected annualized return and risk assumptions for hypothetical combinations of the MSCI ACWI 100% Hedged to USD Index (USD) (global equities) and the Bloomberg Global Aggregate Bond Index (USD Hedged) (global aggregate bonds) from January 1990 to December 2020 and from January 2021 to September 2026.

We believe investors still need exposure to long-term growth, but achieving genuine diversification may require looking beyond traditional stocks and bonds. That can include commodities, real return strategies, active currency strategies, and other sources of return that respond differently to economic and market shocks.

NOAH WISE | GLOBAL FIXED INCOME

One lesson from 2026 is how adaptable markets and economies can be. In some ways, we are already living through what would have looked like the bearish geopolitical scenario at the start of the year, yet the outcome has been better than many would've expected under these conditions. Energy demand adjusted, flows shifted, and markets absorbed shocks that could have been far more disruptive.

That reinforces our preference for being flexible and opportunistic rather than building a portfolio around one large macro call. We have been adding to agency mortgages after recent weakness, finding opportunities in commercial mortgage-backed securities and reducing exposure in parts of asset-backed securities. These relatively small windows of dislocation are the types of opportunities investors should be prepared for in 2027.

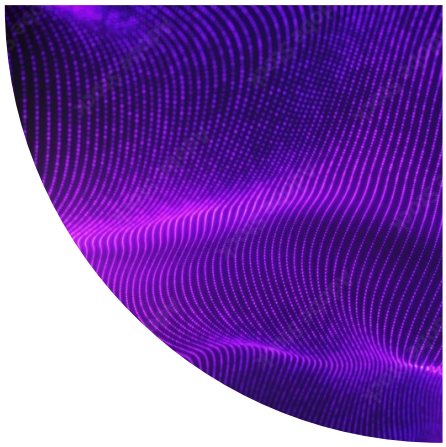
JOHN CAMPBELL | SYSTEMATIC CORE EQUITY

You can very easily get whipsawed trying to predict every macro turn. We think about macro primarily as a risk management problem where we model companies' sensitivities to economic growth, inflation shocks, interest rates, credit spreads, commodities, and other factors. We can't predict where the next geopolitical flare-up is going to happen, but we can seek to manage exposures to energy prices or supply chain disruption in order to help limit unintended portfolio exposures.

Then we go back to the company level. Which businesses have stronger balance sheets and better coverage? Where are fundamentals actually improving? In 2027, we think diversification and risk management will matter even more as the market potentially becomes less forgiving of concentrated bets.

Ron's take

Many of the shocks investors feared never fully ran their course. Tariffs were imposed and then pulled back. The Iran conflict settled into an uneasy stalemate. China sharply reduced oil imports just as supply was disrupted. Markets have been able to live with that stop-and-go environment. My concern is what happens when one of those risks actually follows through. Protection is still relatively cheap. I believe this is a great time to rebalance.



02 Can AI transform the economy without becoming a financial market problem first?

MATTHIAS SCHEIBER | MULTI-ASSET

AI can simultaneously be a productivity revolution and an investment bubble. Railroads and the internet transformed productivity, but not every company that financed the infrastructure earned an attractive return or even survived.

Investors should aim to distinguish revenue growth from economic profit. Where is the pricing power and free cash flow? Is the financing structure sustainable? Which companies have a platform that lets them monetize the investment?

We want broad exposure to AI's positive effects through areas such as semiconductors, electricity demand, power infrastructure, industrial production, and commodities. We believe diversifying between enablers and adopters is important, as is understanding who is ultimately bearing the infrastructure risk.

JOHN CAMPBELL | SYSTEMATIC CORE EQUITY

For me, 2027 is going to be about seeing more evidence of the return on investment on all this AI capital expenditure. There's a lot of embedded optimism around the returns it will generate. As the buildout progresses, we think the opportunity can broaden beyond the mega-cap companies that are spending heavily and some of the industrial winners that have already benefited. We're increasingly looking for companies that can solve emerging bottlenecks in areas such as power, cooling, and connectivity as data center capacity expands.

I'll be keeping a close eye on the capital markets. One classic bubble indicator is net equity issuance turning positive, which is relatively rare. High-profile AI-related initial public offerings, investor demand for them, and what insiders do after lockups expire can also tell us a lot about where we are in the cycle.

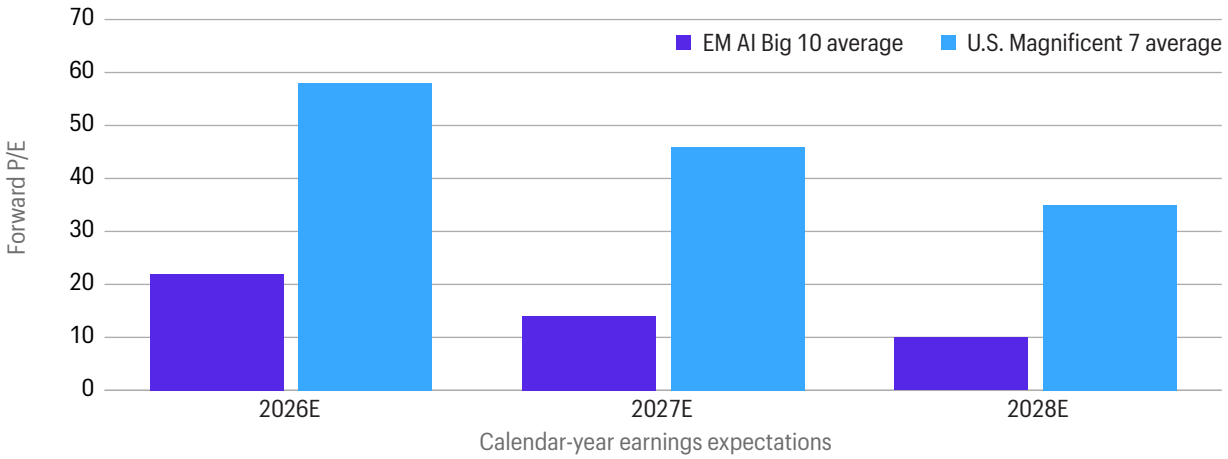
ALISON SHIMADA | TOTAL EMERGING MARKETS EQUITY

We are focused on early AI adopters in emerging markets who continue to improve productivity through faster product innovation, better customer segmentation, and more efficient operations. China is one of the leading markets in terms of AI adoption, while Taiwan and Korea remain central to the technology and semiconductor ecosystem supporting the buildout. So far, those productivity benefits have not come with large increases in unemployment, although broader adoption may mean more jobs and tasks being taken over by machines.

Whether we like it or not, investment bubbles normally accompany rapid adoption of new technologies. High expectations and excitement attract the enormous investment required to build the infrastructure, even though many projects may not generate adequate profits for years, if at all.

We believe that more supportive valuations, along with other attractive structural factors such as geographical diversification and local market cycle conditions, make the AI investment theme more attractive at this stage and less risky in emerging markets than in developed markets.

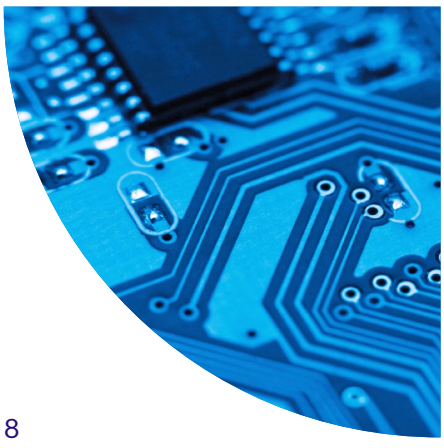
THE "EM AI BIG 10 STOCKS" TRADE AT A 60% OR BETTER DISCOUNT RELATIVE TO THE "MAG 7" WHEN LOOKING AT FORWARD EARNINGS THROUGH 2028



Sources: Allspring and Bloomberg Finance L.P. Stock data is as of 05-Oct-26. Estimated data is not a promise or guarantee of future results. The U.S. "Magnificent 7" comprises the seven largest tech companies by market capitalization in the S&P 500 as of 08-Jul-26. Apple (AAPL), Microsoft (MSFT), Amazon (AMZN), Alphabet (GOOGL), Meta Platforms (META), NVIDIA (NVDA), and Tesla (TSLA). The EM AI Big 10 is an Allspring-generated list of 10 of the largest companies tied to AI by market capitalization in the MSCI Emerging Markets Index (Net) as of 30-Sep-26. The list consists of Taiwan Semiconductor Manufacturing Co., Samsung Electronics, SK Hynix, Tencent Holdings, Alibaba Group, MediaTek, Hon Hai Precision Industry, Meituan, BYD, and Xiaomi. The securities listed should not be considered a recommendation to purchase or sell any particular security. The securities may or may not be in the portfolio.

Ron's take

The sequencing is what concerns me. The financing bills may come due before the evidence arrives that AI spending is producing real returns. Revenues can explode, and the technology can ultimately succeed while companies financing the buildout still get into trouble. We saw that during the internet boom, when infrastructure spending and revenues surged before the financial excess was ultimately washed out.



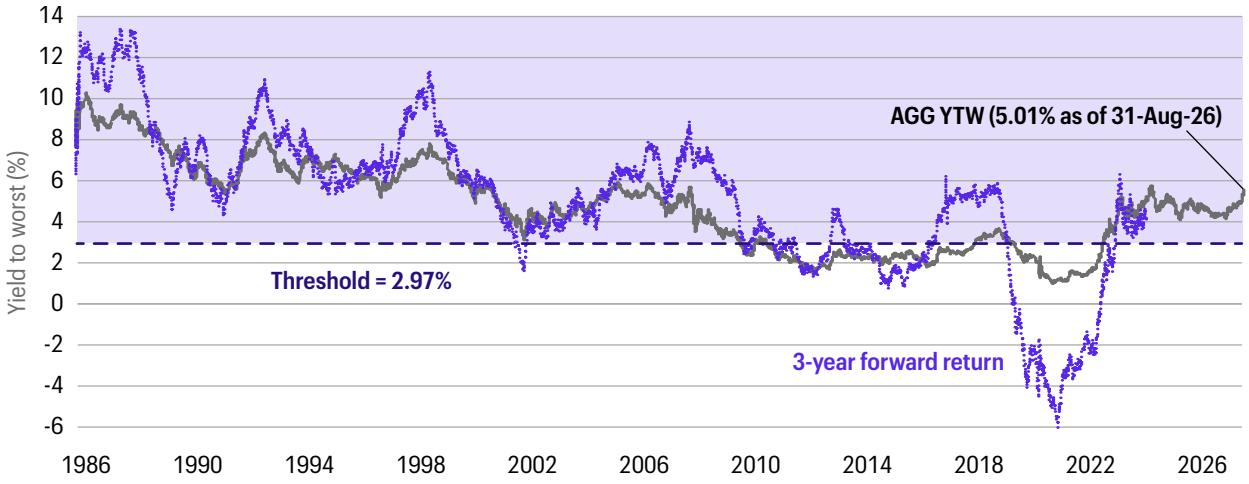
03 What if interest rates stay higher, or rise faster, than markets expect?

NOAH WISE | GLOBAL FIXED INCOME

Our base case is a midcycle adjustment, with economic growth remaining resilient enough to accommodate a few additional Federal Reserve (Fed) hikes without triggering a recession. In that scenario, the larger risk may sit at the long end. The alternative is stickier inflation and a protracted hiking cycle, which will put more pressure on the front end. The belly of the curve is the sweet spot across both scenarios.

We think investors can lean into today's higher yields without reaching as aggressively for spread. It also makes sense to add a little more duration here, particularly in the middle of the curve. Higher starting yields also improve the return outlook for fixed income. Over the past 40 years, when the Bloomberg U.S. Aggregate Bond Index yielded more than 3%, its 3-year forward return was positive 100% of the time.

HIGHER YIELDS MAY LEVEL UP BONDS' RETURN POTENTIAL



Sources: Allspring and Bloomberg Finance L.P. AGG = Bloomberg U.S. Aggregate Bond Index. Yield to worst (YTW) and 3-year forward total returns for the Bloomberg U.S. Aggregate Bond Index. Data as of 30-Sep-26. **Past performance does not guarantee future results.**

We believe uncertainty also favors an active approach. In the current environment, the ability to adjust duration and sector exposure matters more than making a single directional call on rates.

MATTHIAS SCHEIBER | MULTI-ASSET

Persistent inflation has made the traditional stock/bond relationship less dependable because central banks may have less room to cut rates when growth weakens. At the same time, today's higher starting yields have improved the return potential from fixed income.

If tighter policy, fading fiscal support, or a geopolitical shock produces a more pronounced slowdown, bonds could deliver attractive total returns given today's starting yields. The key variable is inflation. If growth weakens and inflation falls with it, that can be a much more positive environment for bond investors. If growth weakens while inflation remains stubbornly high, the outcome is less favorable.

NICK VENDITTI | MUNICIPAL FIXED INCOME

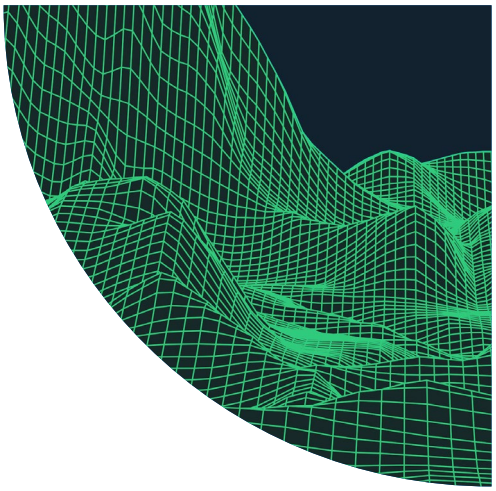
A year ago, we really liked municipal bonds around the 20-year part of the curve. Today, we prefer bonds around 15 years, where we believe investors can capture comparable yields with less duration and maturity risk.

With so much uncertainty around inflation, monetary policy, and geopolitics, we see less reason to stretch far out the curve when the compensation for that additional volatility appears limited. In our view, the intermediate part of the municipal yield curve currently offers a more attractive balance of yield and duration risk.



Ron's take

I'd be cautious on extending duration here. If nominal growth holds up and inflation remains sticky, the Fed could still be behind the curve. Then the rate of change becomes important. Long yields could shoot higher before tighter policy slows the economy enough to bring them back down.



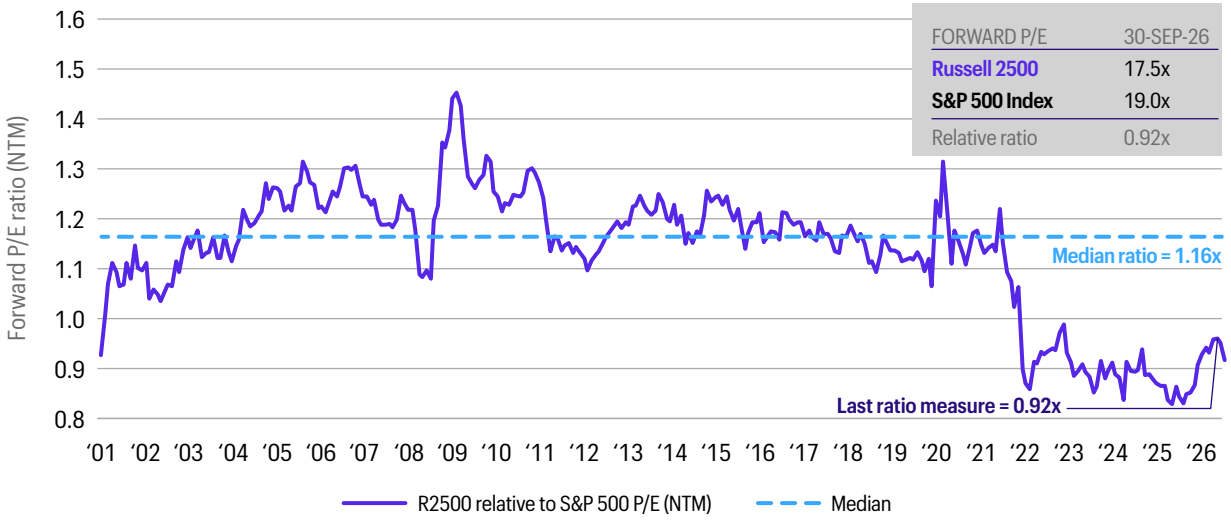
04 Can today's concentrated markets broaden without first breaking?

JOHN CAMPBELL | SYSTEMATIC CORE EQUITY

The conditions are there for leadership to broaden. U.S. large-cap companies are at historically high levels of concentration, and today's mega-cap group is heavily tied to a single theme. Previous periods of high concentration have tended to be followed by better relative returns from smaller caps and equal-weighted approaches.

For a long time, large caps were the only place investors could find strong earnings growth. In 2026, we began seeing earnings accelerate down the cap spectrum and outside the U.S., where valuations are also less demanding. Stock-level dispersion has also been very high, which is a great environment for stock selection.

FORWARD-LOOKING VALUATIONS FOR RUSSELL 2500 RELATIVE TO S&P 500



Source: FactSet, as of 30-Sep-26. Forward P/E (NTM) represents a forward-looking period over the next 12 months. **Past performance does not guarantee future results.**

As noted, despite accelerating earnings, small- and mid-cap (SMID) equities continue to largely trade at a discount to their large-cap counterparts. The Russell 2500 Index also has recently traded significantly below its 25-year median based on forward earnings.



ALISON SHIMADA | TOTAL EMERGING MARKETS EQUITY

Emerging market performance has been concentrated, too, and there has been a fundamental reason for it. Technology, particularly in semiconductors, data centers, power, and AI components, has accounted for most of the earnings growth, with Taiwanese and Korean companies seeing earnings estimates rise roughly 40% from the beginning of 2026.

We expect the picture will broaden in 2027. Taiwan and Korea may still deliver 20%-plus earnings growth, but China and India could accelerate into the mid-to-high teens and should not be ignored. With valuations still below historical averages in those markets, investors could benefit from both stronger fundamentals and rerating without requiring technology to break down.

We also see potential leadership from metals and mining. Supply constraints and secular demand are very supportive of copper. Commodity cycles can deliver very high returns, just as technology has in recent years. Dynamic random-access memory (DRAM), after all, is also a commodity. Beyond these cyclical opportunities, we also see durable structural growth themes across emerging markets, including the financialization of household savings, the rise of local consumer brands, and growing demand for health care services and pharmaceuticals. These trends should support earnings growth across a much wider set of companies and sectors.

NOAH WISE | GLOBAL FIXED INCOME

In fixed income, concentration can actually increase as the largest borrowers issue more debt and become bigger weights in benchmark indexes. The surge in debt financing for the AI buildout is the current example of how that dynamic can play out.

Broadening doesn't require those heavily represented issuers to stumble first. It can happen as investors find better compensation for risk elsewhere in the bond market and gradually shift capital toward other sectors, countries, and securities. For active managers, that creates an opportunity to diversify away from the benchmark's largest borrowers before a concentrated exposure becomes a problem.

Ron's take

We saw concentration become a meaningful issue ahead of major bear markets in 1929, 1968, and 1999. I'm not suggesting a 20- or 30-year investor should abandon equities. But for everyone with a shorter horizon, I believe it is a reason to rebalance, protect some of the gains, and make sure recent winners have not become too large a share of the portfolio.



05 Where are investors being paid to take risk, and where might they be under-allocated?

JOHN CAMPBELL | SYSTEMATIC CORE EQUITY

I believe investors should increasingly look down the cap spectrum and outside the U.S. Overall, equity valuations are elevated, but SMID-cap stocks remain significantly cheaper on a relative basis, and their earnings growth is accelerating. We are seeing stronger earnings growth outside the U.S. as well.

For years, investors could irrefutably say U.S. large caps were where the earnings growth was, but that trend is beginning to fade. If small caps and international equities sustain their improvement in 2027, they have plenty of room for multiple expansion. U.S. large caps may get much less help from valuation. For us, it all comes back to company fundamentals and stock selection. Less expensive does not automatically mean better.

ALISON SHIMADA | TOTAL EMERGING MARKETS EQUITY

Some of the most exciting opportunities are in places investors have stopped looking.

China is one example. Growth in China is pacing near 5%, and the multiyear property downturn has significantly damaged consumer confidence. The good news is that property prices have finally bottomed and the government is introducing more aggressive stimulus measures. Consumer and real estate equities are trading in deep-value territory, while high household savings leave meaningful spending power on the sidelines if confidence improves.

We are also looking beyond Taiwan and Korea. Many smaller Andean and Association of Southeast Asian Nations (ASEAN) markets have been largely ignored while investor attention centered on AI. Market-friendly policy shifts are creating opportunities in some of those countries, while agricultural and aquaculture exporters and Latin American soft-commodity producers could benefit if food prices rise.

MATTHIAS SCHEIBER | MULTI-ASSET

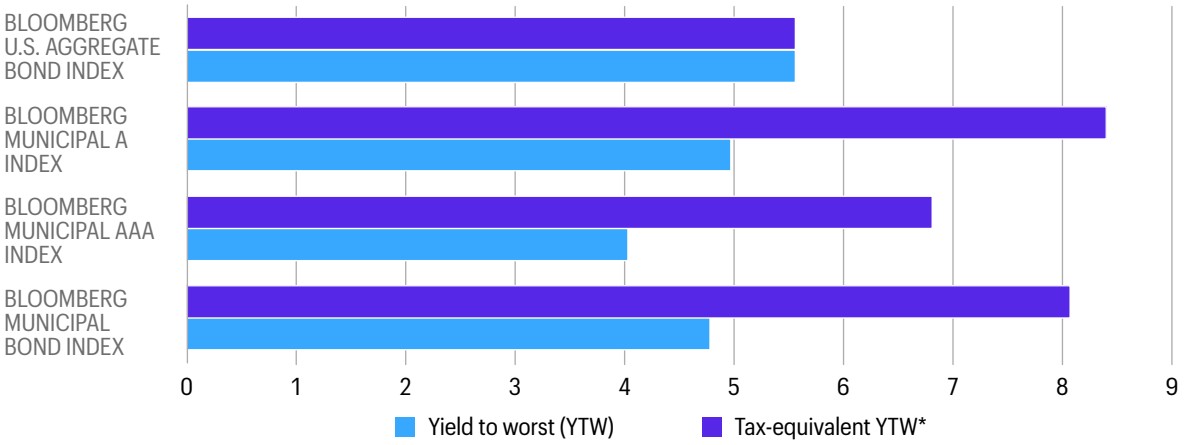
Emerging markets are a much more diversified opportunity set than they were 20 or 25 years ago, when emerging markets were largely a China and commodities story. Countries such as India and parts of Southeast Asia are poised to benefit from the rebuilding of global supply chains. Mexico can function as what I call a “connector country” between major trading blocs.

Some emerging markets also have fiscal and monetary characteristics that compare favorably with developed economies. Brazil, for example, combines very high real rates with government debt that is lower than in some developed markets. Over time, differences like these can give global investors more credible alternatives.

NICK VENDITTI | MUNICIPAL FIXED INCOME

In municipals, the boring thing is the prudent thing right now. Credit risk is currently expensive, and we are finding more value in A+ and higher-rated bonds. We have been leaning toward vanilla general obligation and essential-service revenue bonds.

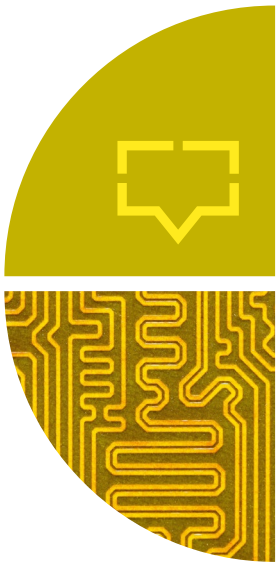
MUNICIPAL A-RATED AND HIGHER BONDS OFFER AN ATTRACTIVE RISK/RETURN PROFILE



Sources: Allspring and Bloomberg Finance L.P. *Tax-equivalent yield is calculated using the tax-exempt municipal yield and adjusting the yield to be comparable with an after-tax result. Calculations based on the highest federal (37%) and state tax bracket and assuming the investor is also subject to the additional 3.8% Medicare surtax on net investment income (40.8%). Assumes non-deductibility of state income tax at the federal level. Data as of 30-Sep-26. **Past performance does not guarantee future results.**

Municipal bonds may also insulate investors from geopolitical risk in a way that even investment-grade corporate credit cannot. A water and sewer system in Milwaukee has essentially nothing to do with what happens in Iran. Municipals also compare favorably with other income opportunities. For investors in higher tax brackets, their after-tax yields can be especially compelling, even relative to private credit, without the same liquidity constraints.

We believe starting yields are attractive, and investors do not necessarily need rates to fall. If the bond side can do more of the work toward an investor's return objective, the rest of the portfolio does not have to pull as much weight.



Ron's take

A year ago, I would have made the global diversification case myself. Today I would be much more selective, especially where currency movements could erode overseas returns. I see more appeal in high-quality municipals and short Treasuries. I am particularly cautious about private credit, where investors may not fully appreciate the liquidity terms and financing risks they have accepted. In a rising-rate environment, those vulnerabilities could become increasingly apparent.

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For further information

We're committed to thoughtful investing, purposeful planning, and the desire to deliver outcomes that expand above and beyond financial gains.

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Alpha measures the excess return of an investment vehicle, such as a mutual fund, relative to the return of its benchmark given its level of risk (as measured by beta). Alpha is based on historical performance and does not represent future results.

ASEAN stands for the Association of Southeast Asian Nations, a regional organization of Southeast Asian countries that promotes economic, political, and regional cooperation.

Basis points (bps): 100 bps equal 1.00%.

Credit spreads can be defined as the difference in yield between bonds with credit risk and comparable government bonds or other benchmark securities. Credit spreads generally reflect the additional compensation investors demand for assuming credit risk.

DRAM stands for dynamic random-access memory, a type of semiconductor memory commonly used in computers, servers, and other electronic devices to temporarily store data for quick access.

Duration is a measurement of the sensitivity of a bond's price to changes in Treasury yields. A fund's duration is the weighted average of duration of the bonds in the portfolio. Duration should be interpreted as the approximate change in a bond's (or fund's) price for a 100-basis-point change in Treasury yields. Duration is based on historical performance and does not represent future results.

Forward P/E ratio is a forward-looking perspective on a stock's valuation. A lower ratio suggests the stock is undervalued relative to its projected earnings while a higher ratio suggests it is overvalued based on projected growth.

Free cash flow is a profitability metric that shows how well a company converts sales into cash and how efficiently it turns revenue into cash flow.

Real yield can be defined as the nominal yield that is received from an investment after accounting for the negative effect of inflation.

A **yield curve** is a graphical representation of fixed income security yields (usually U.S. Treasuries) at their respective maturities, starting with the shortest time to maturity and sequentially plotting in a line chart to the longest maturity. A yield curve is based on historical performance and does not represent future results.

Yield to worst is the lowest potential yield an investor would receive assuming any security with early retirement provisions exercised them.

Diversification does not ensure or guarantee better performance and cannot eliminate the risk of investment losses.

Source: MSCI. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indexes or any securities or financial products. This report is not approved, reviewed, or produced by MSCI.

Bloomberg Global Aggregate Bond Index: The Bloomberg Global Aggregate Bond Index is a measure of global investment-grade debt performance. This multicurrency benchmark includes Treasury, government-related, corporate, and securitized fixed-rate bonds from both developed and emerging market issuers. You cannot invest directly in an index.

Bloomberg Municipal Bond Index: The Bloomberg Municipal Bond Index is an unmanaged index composed of long-term tax-exempt bonds with a minimum credit rating of Baa. You cannot invest directly in an index.

Bloomberg Municipal AAA Index: The Bloomberg Municipal AAA Index measures the U.S. municipal tax-exempt AAA rated bond market. It includes general obligation and revenue bonds, which both can be pre-refunded years later and get reclassified as such. You cannot invest directly in an index.

Bloomberg Municipal A Index: The Bloomberg Municipal A Index measures the U.S. municipal tax-exempt A rated bond market. It includes general obligation and revenue bonds, which both can be pre-refunded years later and get reclassified as such. You cannot invest directly in an index.

Bloomberg U.S. Aggregate Bond Index: The Bloomberg U.S. Aggregate Bond Index is a broad-based benchmark that measures the investment-grade, U.S.-dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, mortgage-backed securities (agency fixed-rate and hybrid adjustable-rate mortgage pass-throughs), asset-backed securities, and commercial mortgage-backed securities. You cannot invest directly in an index.

MSCI All Country World Index (ACWI): The Morgan Stanley Capital International (MSCI) All Country World Index (ACWI) is a free-float-adjusted market-capitalization-weighted index that is designed to measure the equity market performance of developed and emerging markets. The MSCI ACWI consists of 47 country indexes comprising 23 developed and 24 emerging markets country indexes. The developed markets country indexes included are Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom, and the United States. The emerging markets country indexes included are Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Kuwait, Malaysia, Mexico, Peru, the Philippines, Poland, Qatar, Saudi Arabia, South Africa, Taiwan, Thailand, Turkey, and United Arab Emirates. You cannot invest directly in an index.

MSCI Emerging Markets Index (Net): The Morgan Stanley Capital International (MSCI) Emerging Markets (EM) Index (Net) is a free-float-adjusted market-capitalization-weighted index that is designed to measure equity market performance of emerging markets. You cannot invest directly in an index.

Russell 2500™ Index: The Russell 2500™ Index measures the performance of the 2,500 smallest companies in the Russell 3000® Index, which represents approximately 16% of the total market capitalization of the Russell 3000 Index. You cannot invest directly in an index.

Standard & Poor's 500 Index (S&P 500 Index): The S&P 500 Index consists of 500 stocks chosen for market size, liquidity, and industry group representation. It is a market-value-weighted index with each stock's weight in the index proportionate to its market value. You cannot invest directly in an index.

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