PCS
ADVISORS

Let our independence ignite yours.™

The Next Chapter in the Active vs. Passive Debate

Active Management: A Framework for Success

THE FRAMEWORK — THREE QUESTIONS THAT DEFINE THE OPPORTUNITY

Where?

ASSET CLASS

Focus on areas of the market estimated to be less efficient, where active managers can realistically add value.

When?

MARKET ENVIRONMENT

Market regimes vary in their receptiveness to active skill. Timing and context shape the opportunity set.

How?

MANAGER SELECTION

Identifying the right managers is critical. Measured by how the peer group performs versus its benchmark over time.

IMPERATIVES FOR INCREASING THE ODDS OF SUCCESS

01 **BENCHMARK POSITIONING**

Prioritize asset classes where the benchmark regularly falls near or below the median active manager.

02 **MAGNITUDE OF ALPHA**

Favor areas where the potential magnitude of outperformance can be meaningful, not marginal.

03 **SELECTION PREMIUM**

Seek asset classes where effective manager selection can enhance results to an even greater degree.

04 **PATIENCE AS A VARIABLE**

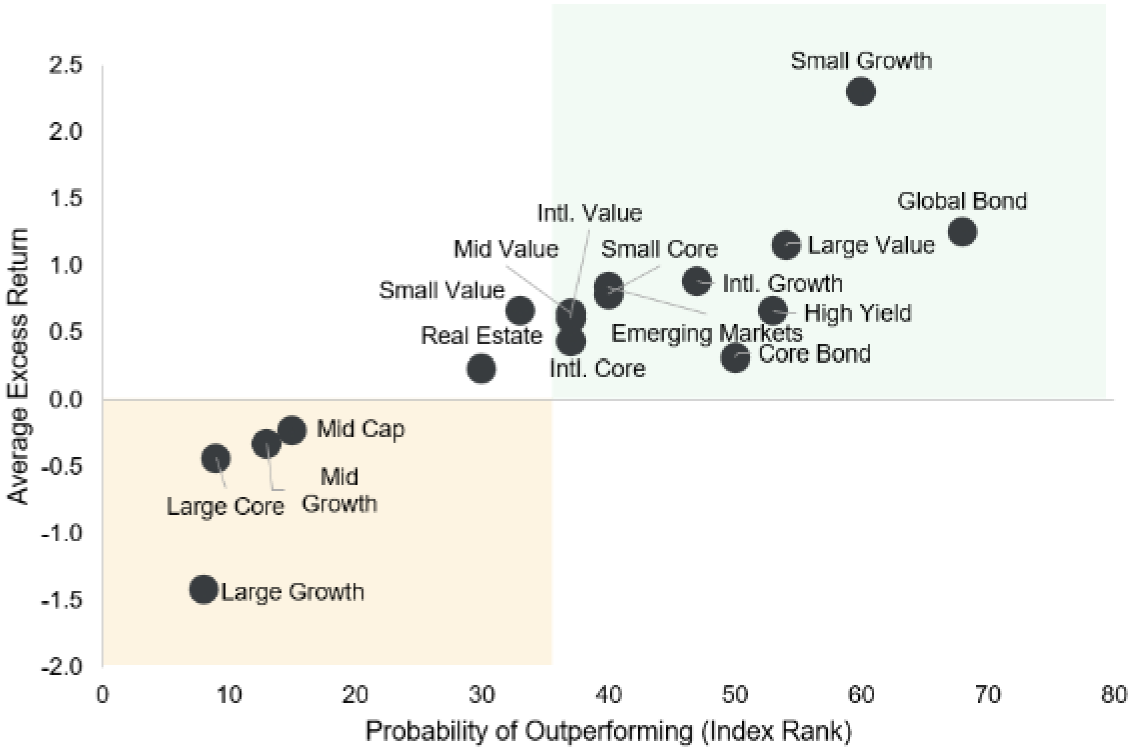
Even strong long-term performers will trail their benchmarks over shorter periods. Discipline is required.

Active management is not universally beneficial. Its value depends on asset class efficiency, market conditions, and rigorous manager selection.

Pragmatic, Not Programmatic

- There are far fewer managers that outperform their benchmark in efficient asset classes (US large or mid cap) while more active managers outperform in less efficient markets (international and small cap).
- Active managers that outperform in less efficient markets also achieved stronger relative returns compared to efficient markets.

Average Above-Median Manager
10-Years Trailing as of 12/31/2025



Please see our detailed White Paper: The Next Chapter in the Active vs. Passive Debate, May 30, 2026.

Source: Morningstar, Fiducient Advisors' analysis; as of December 31, 2025.

Use of Indices and Benchmark Return Indices cannot be invested in directly. Index performance is reported gross of fees and expenses and assumes the reinvest dividends and capital gains. Past performance does not indicate future performance and there is a possibility of a loss. See disclosure page for indices representing each asset class. "High Yield" used a passive ETF, $HYG, as an investible proxy for the index.

Patience Required

- 92% of ten-year top quartile mutual funds were unable to avoid at least one three-year stretch in the bottom half of their peer group.
- 62% of ten-year top quartile mutual funds were unable to avoid at least one five-year period in the bottom half of their peer group.
- Six consecutive quarters were spent in the bottom half of the peer group for trailing three-years.

Category	Number of Funds with 10-Year Track Records[1,2]	Number of 10-Year Top Quartile Active Managers	Number of 10-Year Top Quartile Active Managers Below Median For a 3-Year Period	Percent of 10-Year Top Quartile Active Managers Below Median For a 3-Year Period	Average Number of Consecutive Quarters Spent In Bottom Half of Peer Group	Number of 10-Year Top Quartile Funds Below Median For a 5-Year Period	Percent of 10-Year Top Quartile Active Managers Below Median For a 5-Year Period
Intermediate Bond	72	21	16	76%	5.5	11	52%
High Yield Bond	128	33	28	85%	5.0	19	58%
International/Global Bond	33	9	7	78%	5.0	4	44%
Large Cap Value	224	57	54	95%	5.7	35	61%
Large Cap Core	233	42	38	90%	5.7	22	52%
Large Cap Growth	216	45	39	87%	7.3	25	56%
Mid Cap Value	84	21	21	100%	5.5	11	52%
Mid Cap Core	68	15	14	93%	6.5	12	80%
Mid Cap Growth	102	25	24	96%	5.8	17	68%
Small Cap Value	104	26	24	92%	6.0	16	62%
Small Cap Core	138	38	37	97%	7.2	24	63%
Small Cap Growth	119	31	30	97%	6.9	22	71%
International Value	72	18	18	100%	6.3	14	78%
International Core	114	33	31	94%	7.4	22	67%
International Growth	63	16	15	94%	6.1	9	56%
Emerging Markets	130	34	34	100%	8.0	27	79%
Real Estate	38	11	8	73%	6.1	5	45%
Total	**1938**	**475**	**438**				
Weighted Average				**92%**	**6.3**	**295**	**62%**

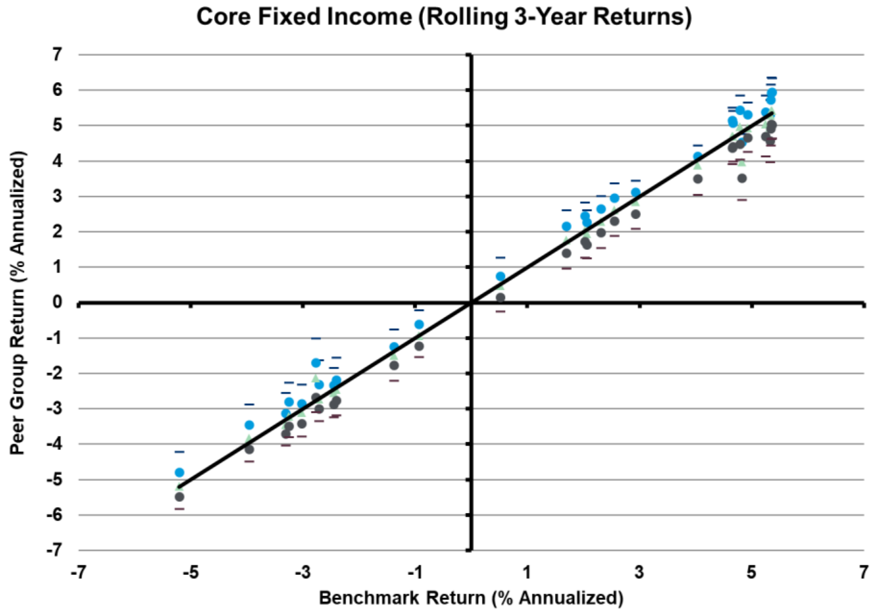
Source: Morningstar, Fiducient Advisors' analysis; as of December 31, 2025.

Many fund families offer multiple versions of the same fund, but with variations of the fees that are charged and investor qualifications. Morningstar's "distinct portfolio only" feature removes all duplicate options. Morningstar normally designates the oldest share class as the distinct portfolio. Morningstar data is not immune to survivorship bias. Each mutual fund that survived the ten-year stretch was captured regardless of performance. In addition, the Morningstar data generates returns net of expenses.
All ten-year calculations across the paper reflect the period from December 31 2014 – December 31 2025.

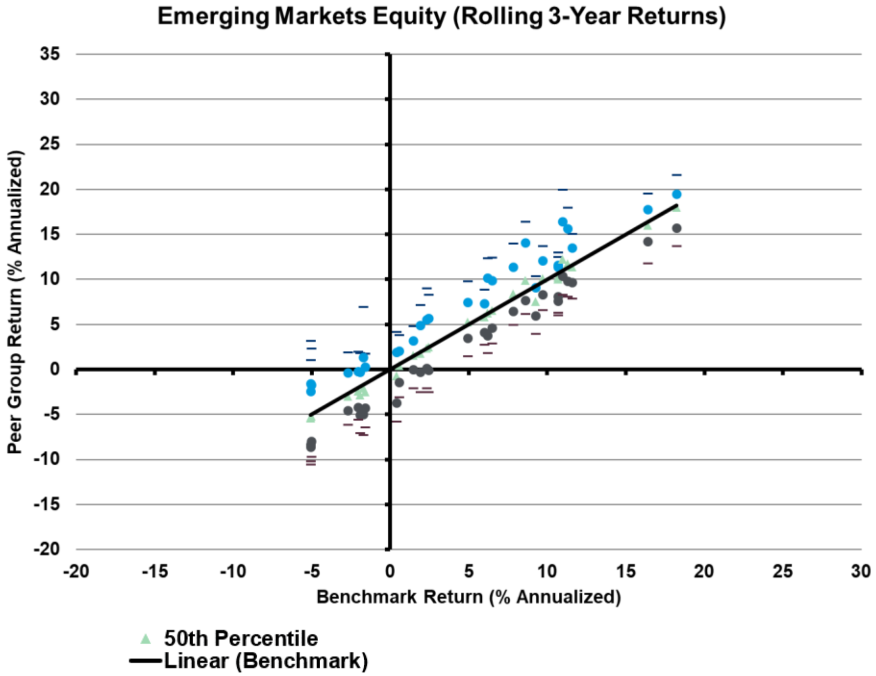
Manager Selection Impact

- Top quartile managers in both Core Fixed Income and Emerging Markets Equity outperformed in virtually all benchmark return environments. The dispersion of active manager results further supports the need for strong manager selection.

Rolling three-year peer group returns vs. Bloomberg US Aggregate



Rolling three-year peer group returns vs. MSCI EM



Source: Morningstar, Fiducient Advisors' analysis; as of December 31, 2025.

Use of Indices and Benchmark Return Indices cannot be invested in directly. Index performance is reported gross of fees and expenses and assumes the reinvest dividends and capital gains. Past performance does not indicate future performance and there is a possibility of a loss. See disclosure page for indices representing each asset class.

Maximizing Odds of Success

- Intermediate Bond managers that ranked below the top quartile consistently underperformed while Large Cap Core almost always trailed the index.
- The median manager in Small Cap Value underperformed 41% of the time while top quartile performers show the ability to add significant value.
- Selecting top quartile managers in Emerging Markets was crucial to success, with the median manager only adding value 34% of the time.
- Before investing, investors need to make a concerted effort to understand a manager's investment process, sub-style, and whether they possess competitive advantages over their peers that improve the odds of ranking in the top quartile.

	% of Rolling 3-year periods:					
	Below -4% excess return	Between -2% and -4% excess return	Between 0% and -2% excess return	Between 0% and +2% excess return	Between +2% and +4% excess return	Above +4% excess return
Intermediate Bond						
25% percentile			7%	**93%**		
50% percentile			52%	48%		
75% percentile			**97%**	3%		
Large Cap Core						
25% percentile			**76%**	24%		
50% percentile			**100%**			
75% percentile	3%	59%	38%			
Small Cap Value						
25% percentile			7%	45%	24%	24%
50% percentile			41%	38%	21%	
75% percentile		28%	38%	34%		
Emerging Markets						
25% percentile			3%	41%	48%	7%
50% percentile			66%	34%		
75% percentile	3%	52%	45%			

Source: Morningstar, Fiducient Advisors' analysis; as of December 31, 2025.

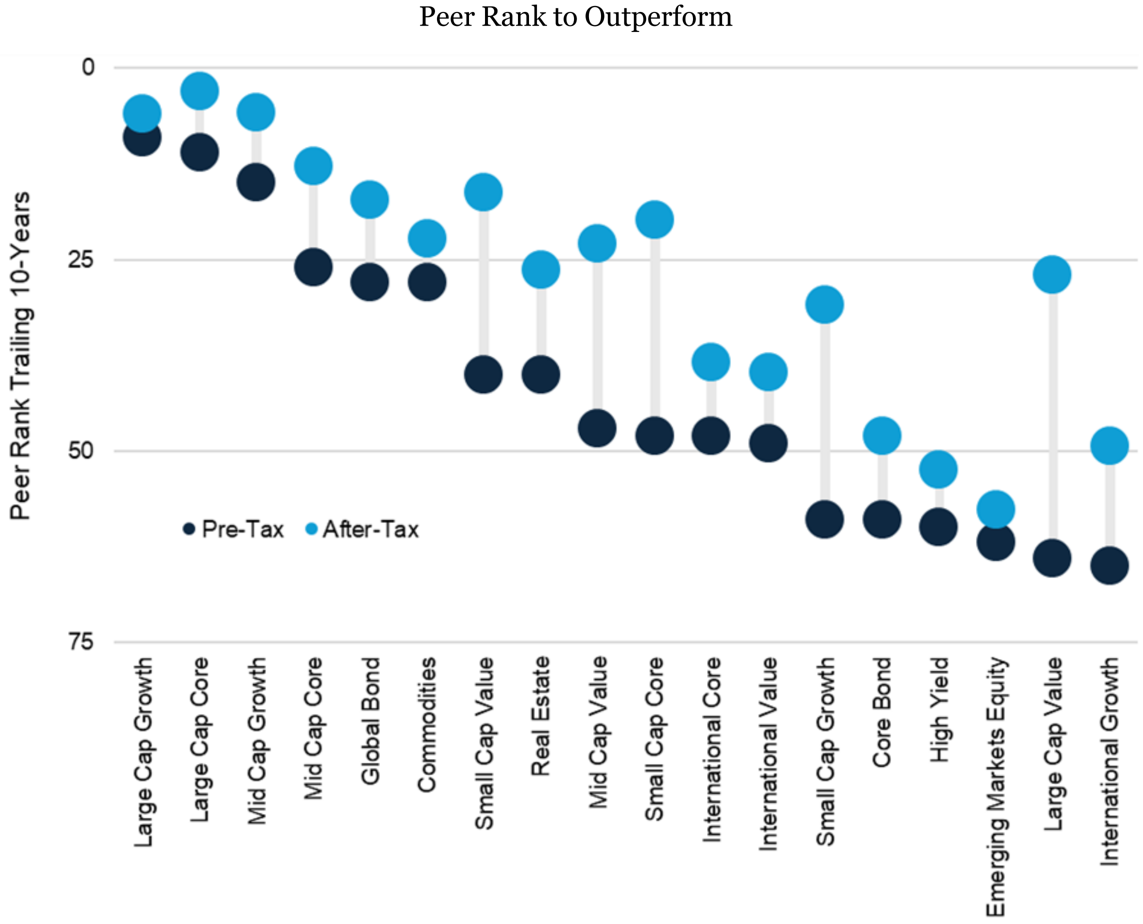
Use of Indices and Benchmark Return Indices cannot be invested in directly. Index performance is reported gross of fees and expenses and assumes the reinvest dividends and capital gains. Past performance does not indicate future performance and there is a possibility of a loss. See disclosure page for indices representing each asset class.

Incorporating Taxes

- Active mutual funds distribute realized capital gains regardless of investor behavior, while passive ETFs use in-kind redemptions to defer gains at the fund level, creating a structural and compounding tax advantage for passive vehicles.

- In US large and mid cap equity, active management fails on a pre-tax basis alone; the tax discussion is moot. In US small cap, however, the passive ETF's tax efficiency is material enough to push the required active manager ranking from roughly median to top quartile.

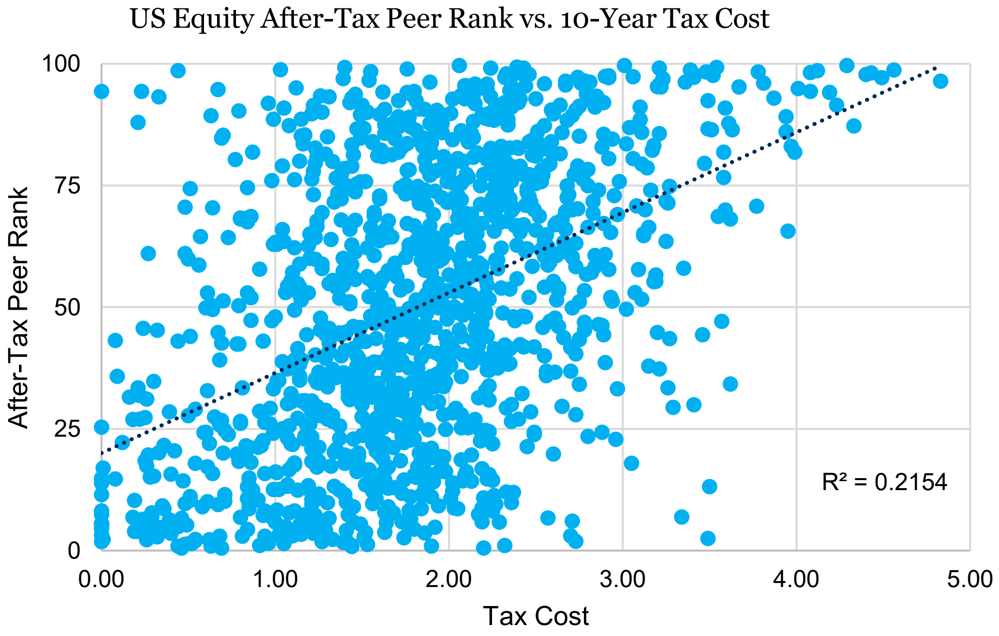
- In less liquid or income-driven segments (high yield, international equity, real estate), the in-kind mechanism is less effective, narrowing the tax cost differential between passive ETFs and active funds.

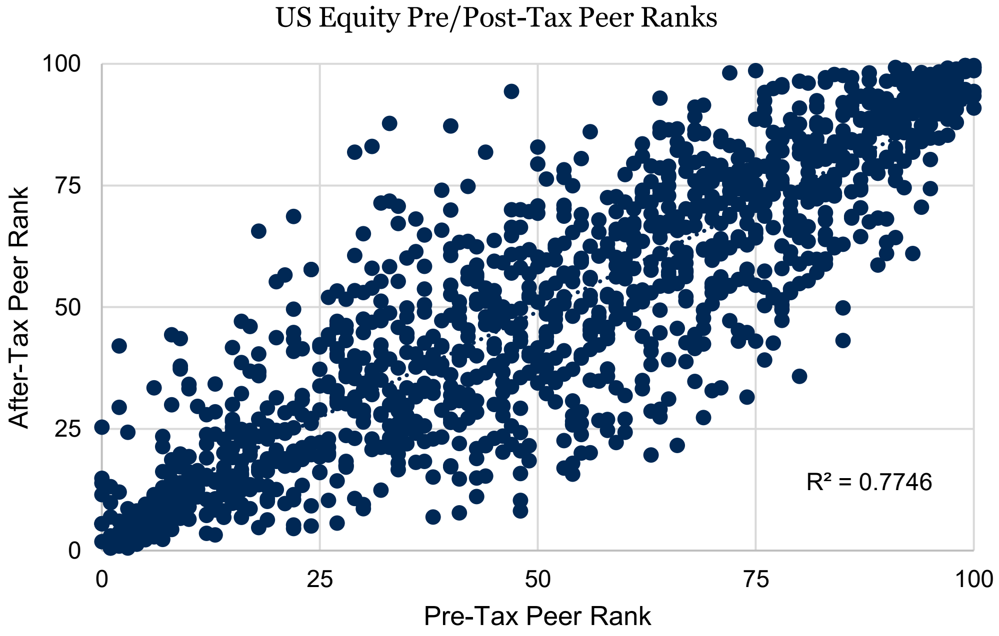


Source: Morningstar, Fiducient Advisors' analysis; as of December 31, 2025.
After-Tax peer ranks are calculated using the 10-year tax cost ratio in Morningstar. Passive ETFs in appendix slides are used as investible index pre- and post-tax cost.

Investment Merit for Decisions, Not Taxes

- The relationship between tax cost ratios and after-tax peer rank is effectively flat – tax cost is not an adequate screening metric on its own.
- Strong managers stay strong and weak managers stay weak after taxes. The primary challenge is identifying top-quartile talent ex ante, which requires experienced investment teams and rigorous due diligence.



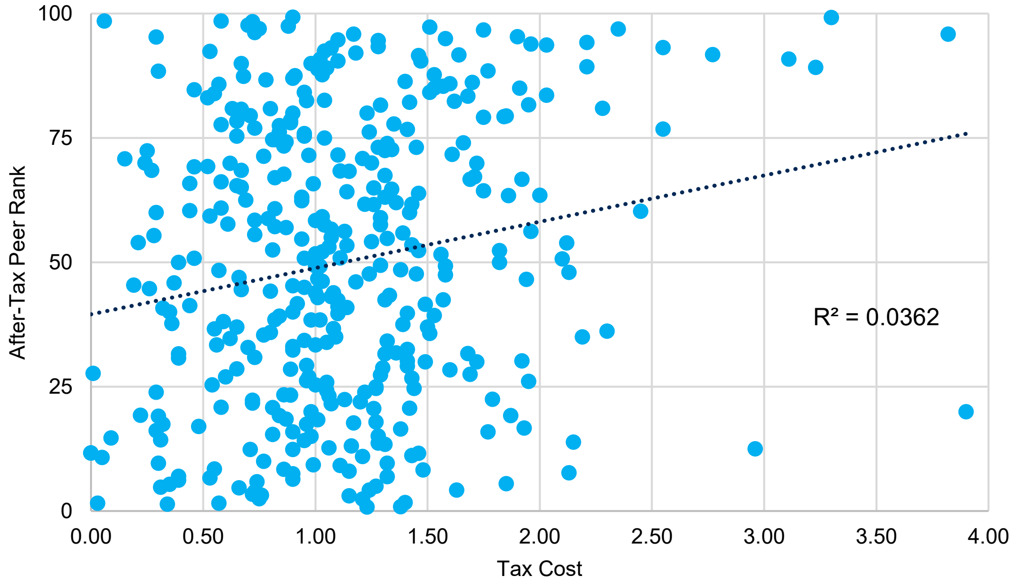


Source: Morningstar, Fiducient Advisors' analysis; as of December 31, 2025
US Equity consists of US Large Value, US Large Core, US Large Growth, US Mid-Cap Value, US Mid-Cap Core, US Mid-Cap Growth, US Small Value, US Small Core, US Small Growth peer groups from Morningstar. After-Tax peer ranks are calculated using the 10-year tax cost ratio in Morningstar. Passive ETFs in Exhibit 14 are used as investible index pre- and post-tax cost. Active managers with a 10-year history shown. After-Tax Rank is calculated by subtracting the 10-year tax cost associated with each manager and re-ranking the individual peer groups.

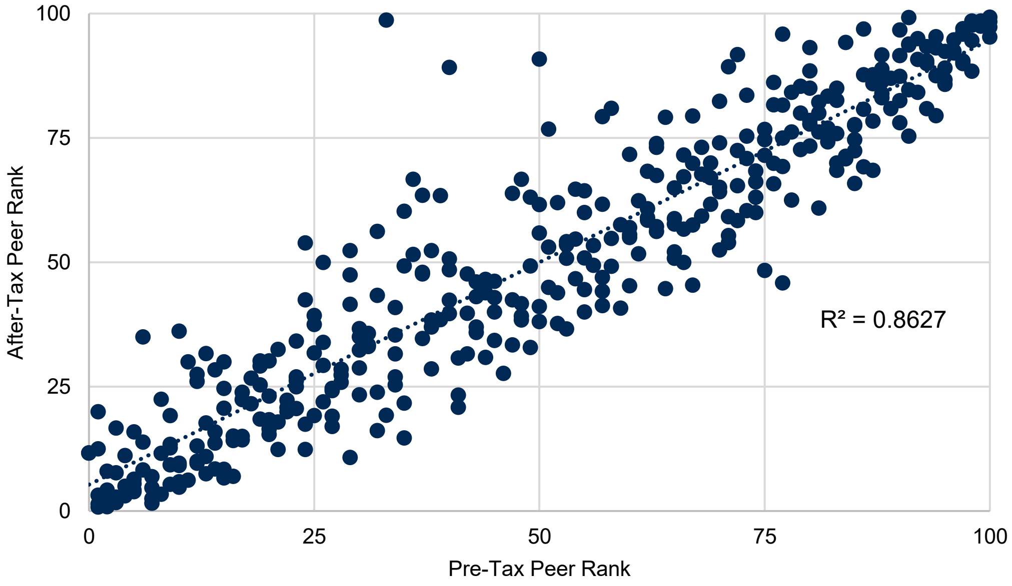
Investment Merit for Decisions, Not Taxes

- The relationship between tax cost ratios and after-tax peer rank is effectively flat – tax cost is not an adequate screening metric on its own.
- Strong managers stay strong and weak managers stay weak after taxes. The primary challenge is identifying top-quartile talent ex ante, which requires experienced investment teams and rigorous due diligence.

International Equity After-Tax Peer Rank vs. 10-Year Tax Cost



International Equity Pre/Post-Tax Peer Ranks



Source: Morningstar, Fiducient Advisors' analysis; as of December 31, 2025
International Equity consists of Foreign Large Value, Foreign Large Core, Foreign Large Growth, and Diversified Emerging Markets peer groups from Morningstar. After-Tax peer ranks are calculated using the 10-year tax cost ratio in Morningstar. Passive ETFs in Exhibit 14 are used as investible index pre- and post-tax cost. Active managers with a 10-year history shown. After-Tax Rank is calculated by subtracting the 10-year tax cost associated with each manager and re-ranking the individual peer groups.

Active Management and Financial Planning

TWO DIMENSIONS THAT SHAPE THE CLIENT DECISION

Asset Location

TAX-DEFFERED VS. TAXABLE

The structural tax advantage of passive ETFs applies only in taxable accounts. In tax-deferred vehicles such as 401(k)s and IRAs, capital gains distributions are irrelevant because taxes are deferred until withdrawal. The bogey for active management is therefore lower, and the case for active is commensurately stronger in asset classes where it has demonstrated a pre-tax edge.

Life Stage

ACCUMULATION VS. DISTRIBUTION

For clients in or near distribution, sequence-of-returns risk means prolonged drawdowns can cause permanent capital impairment that no subsequent recovery can fully offset. This is particularly relevant given concentrated index exposures and significant allocations to low-quality companies in certain asset classes. The relevant metric shifts from excess returns to drawdown behavior and volatility.

IMPLEMENTATION

01 **DIRECT INDEXING**

Replicates an index through individual security ownership, enabling systematic tax-loss harvesting.

02 **LONG-SHORT MANAGED ACCOUNTS**

Active management to replicate market exposures while harvesting meaningful tax-losses on both long and short positions.

03 **INSTITUTIONAL VEHICLES**

Commingled Investment Trusts can carry lower fees which expands the universe of asset classes where active management clears the hurdle.

04 **ALTERNATIVES**

Passive alternatives are largely unavailable, access and selection can drive meaningful returns.

Disclosures and Definitions

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Please visit www.pcsbd.net/disclosures for other important disclosures. Private Client Services is an SEC Registered Investment Advisor doing business as PCS Advisors.

When referencing asset class returns or statistics, the following indices are used to represent those asset classes, unless otherwise noted. Each index is unmanaged, and investors can not actually invest directly into an index:

TIPS: Bloomberg Global Inflation-Linked: U.S. TIPS Total Return Index Unhedged
Municipals 5-Year: Bloomberg Municipal Bond 5 Year (4-6) Total Return Index Unhedged USD
Core Bond: Bloomberg US Aggregate Total Return Index USD
High Yield Municipals: Bloomberg Muni High Yield Total Return Index Value Unhedged USD
High Yield: Bloomberg US Corporate High Yield Total Return Index USD
U.S. Long Duration: Bloomberg US Aggregate Government & Credit - Long
Foreign Bond: Bloomberg Global Aggregate ex-USD Total Return Index Value USD (50/50 blend of hedged and unhedged)
Real Assets: S&P Real Assets
U.S. Large Cap: Russell 1000 Total Return Index
U.S. Small Cap : Russell 2000 Total Return Index
International Developed: MSCI EAFE Net Total Return USD Index
Emerging Markets: MSCI Emerging Markets Net Total Return USD Index
U.S Equity REITs: FTSE Nareit All Equity REITs Total Return Index USD
Commodities: Bloomberg Commodity Total Return Index
Hedge Funds: Hedge Fund Research HFRI Fund of Funds Composite Index
Foreign Bond: Bloomberg Global Aggregate x USD Total Return Unhedged
U.S. Core Bond: Bloomberg U.S. Aggregate Total Return Index USD
U.S. High Yield: Bloomberg US Corporate High Yield Total Return Index USD
U.S. MBS: Bloomberg U.S. MBS (30Y) Total Return Index
U.S. All Cap: Russell 3000 Total Return Index
U.S. Large Cap: Russell 1000 Total Return Index
U.S. Small Cap: Russell 2000 Total Return Index
US Value: Russell 3000 Value Total Return Index
US Growth: Russell 3000 Growth Total Return Index
International Developed All Cap: MSCI EAFE IMI Net Total Return USD Index
International Developed Large Cap: MSCI EAFE Large Cap Net Total Return USD Index
International Developed Small Cap: MSCI EAFE Small Cap Net Total Return USD Index
International Developed Value: MSCI EAFE Value Net Total Return USD Index
International Developed Growth: MSCI EAFE Growth Net Total Return USD Index
Emerging Markets All Cap: MSCI Emerging Markets IMI Net Total Return USD Index
Emerging Markets Large Cap: MSCI Emerging Markets Large Cap Net Total Return USD Index
Emerging Markets Small Cap: MSCI Emerging Markets Small Cap Net Total Return USD Index
Emerging Markets Value: MSCI Emerging Markets Value Net Total Return USD Index
Emerging Markets Growth: MSCI Emerging Markets Growth Net Total Return USD Index

Disclosures and Definitions

On the slide titled “Incorporating Taxes”, when referencing asset class returns or statistics, the following indices are used to represent those asset classes, unless otherwise noted.

Core Bond: iShares Core US Aggregate Bond ETF
High Yield: iShares iBoxx $ High Yield Corp Bd ETF
Foreign Bond: iShares Core International Aggt Bd ETF
U.S. Large Cap Blend: Vanguard S&P 500 ETF
U.S. Large Value: iShares Russell 1000 Value ETF
U.S. Large Growth: iShares Russell 1000 Growth ETF
U.S. Mid Cap Blend: iShares Russell Mid Cap ETF
U.S. Mid Value: iShares Russell Mid Cap Value ETF
U.S. Mid Growth: iShares Russell Mid Cap Growth ETF
U.S. Small Cap: iShares Russell 2000 ETF
U.S. Small Value: iShares Russell 2000 Value ETF
U.S. Small Growth: iShares Russell 2000 Growth ETF
International Developed: iShares MSCI ACWI ex US ETF
International Developed Value: iShares MSCI EAFE Value ETF
International Developed Growth: iShares MSCI EAFE Growth ETF
Emerging Markets: iShares MSCI Emerging Markets ETF
Real Estate: iShares Core US REIT ETF
Commodities: Invesco DB Commodity Tracking ETF

Material Risks & Limitations

Fixed Income securities are subject to interest rate risks, the risk of default and liquidity risk. U.S. investors exposed to non-U.S. fixed income may also be subject to currency risk and fluctuations.

Cash may be subject to the loss of principal and over longer period of time may lose purchasing power due to inflation.

Domestic Equity can be volatile. The rise or fall in prices take place for a number of reasons including, but not limited to changes to underlying company conditions, sector or industry factors, or other macro events. These may happen quickly and unpredictably.

International Equity can be volatile. The rise or fall in prices take place for a number of reasons including, but not limited to changes to underlying company conditions, sector or industry impacts, or other macro events. These may happen quickly and unpredictably. International equity allocations may also be impacted by currency and/or country specific risks which may result in lower liquidity in some markets.

Real Assets can be volatile and may include asset segments that may have greater volatility than investment in traditional equity securities. Such volatility could be influenced by a myriad of factors including, but not limited to overall market volatility, changes in interest rates, political and regulatory developments, or other exogenous events like weather or natural disaster.

Private Equity involves higher risk and is suitable only for sophisticated investors. Along with traditional equity market risks, private equity investments are also subject to higher fees, lower liquidity and the potential for leverage that may amplify volatility and/or the potential loss of capital.

Private Credit involves higher risk and is suitable only for sophisticated investors. These assets are subject to interest rate risks, the risk of default and limited liquidity. U.S. investors exposed to non-U.S. private credit may also be subject to currency risk and fluctuations.

Private Real Estate involves higher risk and is suitable only for sophisticated investors. Real estate assets can be volatile and may include unique risks to the asset class like leverage and/or industry, sector or geographical concentration. Declines in real estate value may take place for a number of reasons including, but are not limited to economic conditions, change in condition of the underlying property or defaults by the borrower.

Marketable Alternatives involves higher risk and is suitable only for sophisticated investors. Along with traditional market risks, marketable alternatives are also subject to higher fees, lower liquidity and the potential for leverage that may amplify volatility or the potential for loss of capital. Additionally, short selling involved certain risks including, but not limited to additional costs, and the potential for unlimited loss on certain short sale positions.

All investing involves risk including the potential loss of principal. Market volatility may significantly impact the value of your investments. Recent tariff announcements may add to this volatility, creating additional economic uncertainty and potentially affecting the value of certain investments. Tariffs can impact various sectors differently, leading to changes in market dynamics and investment performance. You should consider these factors when making investment decisions. We recommend consulting with a qualified financial adviser to understand how these risks may affect your portfolio and to develop a strategy that aligns with your financial goals and risk tolerance.

Disclosures – Index & Benchmark Definitions

Index & Benchmark Definitions

Fixed Income

- **Bloomberg 1-3 Month U.S. Treasury Bill Index** is designed to measure the performance of public obligations of the U.S. Treasury that have a remaining maturity of greater than or equal to 1 month and less than 3 months.
- **Bloomberg U.S. Aggregate 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 Global Aggregate ex. USD Indices** represent a broad-based measure of the global investment-grade fixed income markets. The two major components of this index are the Pan-European Aggregate and the Asian-Pacific Aggregate Indices. The index also includes Eurodollar and Euro-Yen corporate bonds and Canadian government, agency and corporate securities.
- **Bloomberg U.S. Corporate High Yield Index** covers the universe of fixed rate, non-investment grade debt. Eurobonds and debt issues from countries designated as emerging markets (sovereign rating of Baa1/BBB+/BBB+ and below using the middle of Moody's, S&P, and Fitch) are excluded, but Canadian and global bonds (SEC registered) of issuers in non-EMG countries are included.
- **Bloomberg US Government/Credit 1-3 Year Index** is the 1-3 year component of the U.S. Government/Credit Index, which includes securities in the Government and Credit Indices. The Government Index includes treasuries and agencies, while the credit index includes publicly issued U.S. corporate and foreign debentures and secured notes that meet specified maturity, liquidity, and quality requirements.
- **Bloomberg US Government/Credit Long Index** is the Long component of the U.S. Government/Credit Index, which includes securities in the Government and Credit Indices. The Government Index includes treasuries and agencies, while the credit index includes publicly issued U.S. corporate and foreign debentures and secured notes that meet specified maturity, liquidity and quality requirements.
- **Bloomberg US Treasury Inflation Protected Securities Index** consists of Inflation-Protection securities issued by the U.S. Treasury.
- **Bloomberg Muni Index** is a rules-based, market-value-weighted index engineered for the long-term tax-exempt bond market. Bonds must be rated investment-grade by at least two ratings agencies.
- **Bloomberg High Yield Municipal Bond Index** covers the universe of fixed rate, non-investment grade debt.
- **Bloomberg Intermediate U.S. Gov't/Credit** is the Intermediate component of the U.S. Government/Credit index, which includes securities in the Government and Credit Indices. The Government Index includes treasuries and agencies, while the credit index includes publicly issued U.S. corporate and foreign debentures and secured notes that meet specified maturity, liquidity, and quality requirements.
- **JPMorgan GBI-EM Global Diversified t**racks the performance of local currency debt issued by emerging market governments, whose debt is accessible by most of the international investor base.

Equity

- **The S&P 500 Index** is a capitalization-weighted index designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.**Russell 3000 Value Index** measures the performance of those Russell 3000 companies with lower P/B ratios and lower forecasted growth values.
- **Russell 3000 Index** is a market-cap-weighted index which consists of roughly 3,000 of the largest companies in the U.S. as determined by market capitalization. It represents nearly 98% of the investable U.S. equity market.
- **Russell 3000 Growth Index** measures the performance of those Russell 3000 companies with higher P/B ratios and higher forecasted growth values.
- **Russell 1000 Value Index** measures the performance of those Russell 1000 companies with lower P/B ratios and lower forecasted growth values.
- **Russell 1000 Index** consists of the largest 1000 companies in the Russell 3000 Index.
- **Russell 1000 Growth Index** measures the performance of those Russell 1000 companies with higher P/B ratios and higher forecasted growth values.
- **Russell Mid Cap Value Index** measures the performance of those Russell Mid Cap companies with lower P/B ratios and lower forecasted growth values.
- **Russell Mid Cap Index** measures the performance of the 800 smallest companies in the Russell 1000 Index.
- **Russell Mid Cap Growth Index** measures the performance of those Russell Mid Cap companies with higher P/B ratios and higher forecasted growth values.
- **Russell 2000 Value Index** measures the performance of those Russell 2000 companies with lower P/B ratios and lower forecasted growth values.
- **Russell 2000** consists of the 2,000 smallest U.S. companies in the Russell 3000 index.
- **Russell 2000 Growth Index** measures the performance of the Russell 2000 companies with higher P/B ratios and higher forecasted growth values.
- **MSCI ACWI (All Country World Index) ex. U.S. Index** captures large and mid-cap representation across Developed Markets countries (excluding the United States) and Emerging Markets countries. The index covers approximately 85% of the global equity opportunity set outside the U.S.
- **MSCI ACWI Index** captures large and mid cap representation across Developed Markets and Emerging Markets countries. The index covers approximately 85% of the global investable opportunity set.
- **MSCI EAFE IMI Index** is an equity index which captures large, mid and small cap representation across Developed Markets countries around the world, excluding the U.S. and Canada. The index covers approximately 99% of the free float-adjusted market capitalization in each country.
- **MSCI EAFE Value Index** captures large and mid cap securities exhibiting overall value style characteristics across Developed Markets countries around the world, excluding the US and Canada. The value investment style characteristics for index construction are defined using three variables: book value to price, 12-month forward earnings to price and dividend yield.
- **MSCI EAFE Index** is an equity index which captures large and mid-cap representation across Developed Markets countries around the world, excluding the U.S. and Canada. The index covers approximately 85% of the free float-adjusted market capitalization in each country.

Disclosures – Index & Benchmark Definitions

- **MSCI EAFE Growth Index** captures large and mid cap securities exhibiting overall growth style characteristics across Developed Markets countries around the world, excluding the US and Canada. The growth investment style characteristics for index construction are defined using five variables: long-term forward EPS growth rate, short-term forward EPS growth rate, current internal growth rate and long-term historical EPS growth trend and long-term historical sales per share growth trend.
- **MSCI EAFE Large Cap Index** is an equity index which captures large cap representation across Developed Markets countries around the world, excluding the US and Canada. The index covers approximately 70% of the free-float adjusted market capitalization in each country.
- **MSCI EAFE Small Cap Index** is an equity index which captures small cap representation across Developed Markets countries around the world, excluding the US and Canada. The index covers approximately 14% of the free float adjusted market in each country.
- **MSCI ACWI (All Country World Index) ex. U.S. Index** captures large and mid-cap representation across Developed Markets countries (excluding the United States) and Emerging Markets countries. The index covers approximately 85% of the global equity opportunity set outside the U.S.
- **MSCI Emerging Market**s **IMI Index** captures large, mid and small cap representation across 24 Emerging Markets countries. The index covers approximately 99% of the free-float adjusted market capitalization in each country.
- **MSCI Emerging Market**s **Value Index** captures large and mid-cap securities exhibiting overall value style characteristics across Emerging Markets countries. The value investment style characteristics for index construction are defined using three variables: book value to price, 12-month forward earnings to price and dividend yield.
- **MSCI Emerging Market**s **Index** captures large and mid-cap representation across Emerging Markets countries. The index covers approximately 85% of the free-float adjusted market capitalization in each country.
- **MSCI Emerging Market**s **Growth Index** captures large and mid-cap representation across Emerging Markets countries. The growth investment style characteristics for index construction are defined using five variables: long-term forward EPS growth rate, short-term forward EPS growth rate, current internal growth rate and long-term historical EPS growth trend and long-term historical sales per share growth trend.
- **MSCI Emerging Market**s Index captures large and mid-cap representation across Emerging Markets countries. The index covers approximately 85% of the free-float adjusted market capitalization in each country.
- **MSCI Emerging Markets (EM) Small Cap Index** includes small cap representation across Emerging Markets countries. The index covers approximately 14% of the free float-adjusted market capitalization in each country. The small cap segment tends to capture more local economic and sector characteristics relative to larger Emerging Markets capitalization segments.

Alternatives & Miscellaneous

- **S&P Real Asset Index** is designed to measure global property, infrastructure, commodities, and inflation-linked bonds using liquid and investable component indices that track public equities, fixed income, and futures. In the index, equity holds 50% weight, commodities 10%, and fixed income 40%.
- **FTSE Nareit All Equity REITs Index** is a free-float adjusted, market capitalization-weighted index of U.S. equity REITs. Constituents of the index include all tax-qualified REITs with more than 50 percent of total assets in qualifying real estate assets other than mortgages secured by real property.
- **FTSE EPRA Nareit Developed Index** is designed to track the performance of listed real estate companies and REITS worldwide.
- **FTSE EPRA Nareit Developed ex US Index** is a subset of the FTSE EPRA Nareit Developed Index and is designed to track the performance of listed real estate companies and REITS in developed markets excluding the US.
- **Bloomberg Commodity Index** is calculated on an excess return basis and reflects commodity futures price movements. The index rebalances annually weighted 2/3 by trading volume and 1/3 by world production and weight-caps are applied at the commodity, sector and group level for diversification.
- **HFRI Asset Weighted Composite Index** is a global, asset-weighted index comprised of single-manager funds that report to HFR Database. Constituent funds report monthly net of all fees performance in US Dollar and have a minimum of $50 Million under management or $10 Million under management and a twelve (12) month track record of active performance. The HFRI Asset Weighted Composite Index does not include Funds of Hedge Funds. The constituent funds of the HFRI Asset Weighted Composite Index are weighted according to the AUM reported by each fund for the prior month.
- **HFRI Fund of Funds Composite Index** is a global, equal-weighted index of all fund of hedge funds that report to the HFR Database. Constituent funds report monthly net of all fees performance in U.S. Dollars and have a minimum of $50 million under management or a twelve (12) month track record of active performance.
- **The Alerian MLP Index** is a float adjusted, capitalization-weighted index, whose constituents represent approximately 85% of total float-adjusted market capitalization, is disseminated real-time on a price-return basis (AMZ) and on a total-return basis.

Additional Information

- Equity sector returns are calculated by S&P, Russell, and MSCI for domestic and international markets, respectively. S&P and MSCI sector definitions correspond to the GICS® classification (Global Industry Classification System); Russell uses its own sector and industry classifications.
- MSCI country indices are free float-adjusted market capitalization indices that are designed to measure equity market performance of approximately 85% of the market capitalization in each specific country.
- Currency returns are calculated using FactSet's historical spot rates and are calculated using the U.S. dollar as the base currency.