TONKINSON FINANCIAL

QUARTERLY NEWSLETTER

4Q 2023

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MARKET HIGHLIGHTS:

- The economy was remarkably resilient in the second half of 2023, with Q3 GDP growth of 4.9% followed by estimated Q4 growth of around 2%.
- Despite Fed tightening, consumer spending found support from a firm labor market and healthy balance sheets, bolstered by ample savings over the past several years.
- In December, the Federal Open Market Committee (FOMC) left interest rates unchanged, but unexpectedly projected three quarter-point rate cuts for 2024, anticipating lower inflation.
- Fixed income markets experienced an extraordinary rally on elevated odds of an economic soft landing and dovish signals from the Fed.
- Market participation broadened as the quarter progressed. Small-cap stocks, as measured by the Russell 2000, advanced 15.9% and outpaced large-cap stocks (S&P 500, +11.7%).

INDEX PERFORMANCE 12/31/2023

	Q %	YTD %	1 Year %
Aggressive Allocation	11.14	19.64	19.64
Balanced Allocation	9.94	16.05	16.05
Conservative Allocation	8.80	12.59	12.59
S&P 500 TR	11.68	26.29	26.29
Russell 2000 TR	15.86	16.93	16.93
Barclays U.S. Agg Bond TR	7.56	5.53	5.53
MSCI EAFE NR USD	12.14	18.85	18.85

	As of 12/31/2023	As of 12/31/2022
10 Year Treasury %	3.88	3.88
Barclays 1-3m Treasury/Cash %	5.60	4.76
Price of oil	$71.65	$80.26
Real GDP YoY % charge	2.60	1.90
U.S. Unemployment Rate %	3.70	3.50

The aggressive allocation is made up of 50% S&P 500 TR, 8% Russell 2000 TR, 18% Barclays U.S. Agg Bond TR, 22% MSCI EAFE NR USD and 2% cash.
The balanced allocation is made up of 39% S&P 500 TR, 5% Russell 2000 TR, 35% Barclays U.S. Agg Bond TR, 16% MSCI EAFE NR USD and 5% cash.
The conservative allocation is made up of 29% S&P 500 TR, 2% Russell 2000 TR, 53% Barclays U.S. Agg Bond TR, 9% MSCI EAFE NR USD and 7% cash.

All indices are unmanaged, and investors cannot actually invest directly into an index. Unlike investments, indices do not incur management fees, charges, or expenses. Past performance does not guarantee future results.

NEWSLETTER HIGHLIGHTS:

Happy New Year!

Tonkinson Financial sends our best wishes for your 2024!

MARKET REVIEW

Happy Days are Here Again

— By Rick Tonkinson, MBA, MPA, CFP®, CLU, AIF®

There are a lot of reasons why the good times have suddenly returned in the fourth quarter to finish 2023 as a great year overall.

In November, the inflation rate was at a manageable 3.1%, and anticipations of the Federal Reserve lowering interest rates in 2024 promise stability and economic growth. Moreover, the unemployment rate in November was an impressive 3.7%, significantly below the 50-year average of 6.2%, indicating a robust job market and economic stability. Holiday shopping in November reached unprecedented heights, with consumption contributing to 67% of GDP.

The consumer discretionary sector outperformed, posting a remarkable 42.4% growth, compared to the S&P500's 26.3% increase. The Nasdaq's extraordinary gain of 43% marked one of its best performances in 20 years, largely driven by the technology sector's growth of 57.8%.

In the third quarter, the economy surged with a 4.9% growth rate, exceeding the long-term average of 2%. Additionally, all major asset classes delivered significant results, with large-cap growth at 42.7%, mid-cap growth at 25.9%, small-cap growth at 18.7%, and high-yield bonds up 14%. As a result, consumer confidence rose to 69.7, a significant recovery from the 50 recorded in June 2022.

The combination of low inflation, low unemployment, strong consumer spending, robust stock market performance, impressive economic growth, and rising consumer confidence has made the fourth quarter of 2023 a standout period and contributed to an overall great year for the economy.

It's remarkable how the recovery rally took off so swiftly, just within two months starting in November. What's even more impressive is that it wasn't limited to just the top 10 companies, which account for 32% of the total market capitalization. Instead, the positive momentum extended to the other 5,788 listed companies in the fourth quarter, signifying a broad-based improvement across the market.

The three sectors with the worst performance for 2023 were Utilities down 7.1%, Energy down 1.3%, and Healthcare up just 2.1%. Notably, NextEra Energy Inc (NEE), the largest stock in the Utility sector, had a challenging year, falling by 25.3% in 2023. Beginning the year at $83.60, it reached a low point of $47.15 on October 6th, 2023, but managed to recover some of its losses, closing the year at $60.74. It's worth mentioning that NEE also paid $1.87 in dividends per share throughout the year. Looking ahead to 2024, with projected lower interest rates, stocks like NextEra and other dividend-paying options are expected to see continued improvement.

Looking ahead to 2024, it's likely that the long-term pattern of winners becoming losers and vice versa will persist. Lower interest rates, acting like a rising tide that lifts all boats, are expected to benefit all 11 sectors of the S&P500 average and various asset classes. While the technology and communication sectors are anticipated to perform well, it's unlikely they will match the exceptional results of 2023.

In retrospect, the recession predicted for 2023 did not happen and the year actually turned into a recovery year after an ugly 2022. However, the shift did not come until November. For most of the year, there was no place to invest new money except for money markets and short-term treasuries. It was a long hard year that suddenly turned around to finish on a happy note. We are glad it is over and that 2024 looks like it will be positive.

Potential Headwinds and Tailwinds for the U.S. Economy in 2024

— By Steven Tonkinson, CFP®, AIF®, CFS®

We had a great rally the last two months of 2023, and we feel that this rally has room to run in the beginning of this new year. As always there are things that can impact the economy and financial markets, that can either slow it down or derail it or give it some steam to move forward. It is a presidential election year, with the primaries starting in January but besides that, there are a few things to keep an eye on for this year.

Economic growth is likely to decelerate in 2024 as the effects of monetary policy take a broader toll and post-pandemic tailwinds fade. We expect real GDP growth to walk the line between a slight expansion and contraction for much of next year, this is also known as a soft landing. After tracking to a better-than-expected 2.8% real GDP growth in 2023, we forecast a below-trend pace of expansion in 2024. Among the major components of GDP, consumer spending is likely to rise at a more muted pace this year, while fiscal spending could swing from a positive contributor in 2023 to a modest drag. Notable drops in business investments and housing activity in 2023 set a foundation for improved performance in 2024.

We feel the hiking cycle is over, leaving the Fed Funds on hold at 5.25%-5.5% until the middle of this year. If inflation continues its moderating trajectory over the coming quarters, we think it is likely the Fed will start to slowly normalize policy rates near the midpoint of next year. We can see a 25-bps cut beginning in June and continued consistent cuts through the rest of 2024. This would be a good tailwind for the second half of the year.

The U.S. consumer could begin to bend, but not break. There are numerous reasons to expect consumer spending growth to slow next year from its firm pace in 2023: diminished excess savings, plateauing wage gains, low savings rates and less pent-up demand. Additionally, headwinds like the restart of student loan payments and uptick in subprime auto and millennial credit card delinquencies are emerging signs of stress for some consumers. On the flipside, household balance sheets and debt servicing levels remain healthy. Tight labor markets continue to support employment and therefore income levels. We think consumer spending growth can stay positive overall in 2024, but at a lower rate than 2023.

The larger-than-expected fiscal boost to the U.S. economy in 2023 could flip to a slight headwind in 2024. The fiscal deficit roughly doubled to $1.84 trillion—7.4% of GDP—in fiscal 2023 from $950 billion in 2022. While the full extent of this year's deficit expansion would not be considered stimulus in a classic sense, it is clear the federal government took in a lot less cash than it sent out. Looking to 2024, we expect the federal deficit to narrow to a still very large 5.9% of GDP, reflecting a bit of belt-tightening on the spending side partly offset by higher interest outlays on government debt.

Labor markets are showing signs of normalization to end 2023; unemployment could drift higher in 2024 while remaining low in historical context. Momentum in the job market is starting to wane with slowing payroll growth and modestly rising unemployment, as well as declining quit rates and temporary help. Increased labor force participation and elevated immigration patterns over the past year have added labor supply, while a shortening work week indicates moderating demand for labor. Considering the challenges to add and retain workers coming out of the pandemic, businesses could be more reluctant than normal to shed workers in a slowing economic environment. Even so, less hiring activity could be enough to cause the unemployment rate to tick up to the mid-4% area by the end of 2024 due to worker churn. Already slowing wage gains should slow further in the context of a softer labor market.

Inflation trends are cooling, but likely to remain above the Fed's 2% target through 2024. After reaching a four-decade high in 2022, inflation on both a headline and core basis has moderated significantly in 2023. Some categories have seen more improvement than others. For example, core goods inflation dropped from a peak of 12.4% in February 2022 to 0% in October 2023. Progress on core services inflation, which includes the sticky shelter category, has been slower. After peaking at 7.3% in February 2023, core services inflation was still running an elevated 5.5% in October 2023. We expect moderating shelter inflation in 2024 as the lag in market rents pricing should catch up in the inflation readings.

Housing sector activity dropped 30%-40% over the past 18 months amid the surge in mortgage rates. With housing affordability metrics at a 40-year low, combined with 75% of mortgages locked in at 4% or below, the U.S. housing market is effectively frozen. Residential investment when adjusted for inflation and seasonality fell at a 12% annualized rate over the past six quarters. Meanwhile, home values rose 6% in 2023—to near all-time highs—amid tight supply and historically low vacancies. Given the already large drop in recent years, we think the housing market is one area of the economy that could perform better in 2024 than in 2023, even if trends remain soft in the near term.

The headwind of supply chain bottlenecks is mostly in the rearview, while global supply chain restructuring will take time. Over the past year, as inventory constraints and shipping costs have fallen, supply chain considerations have shifted from short-term tactics to longer-term strategies of minimizing costs while ensuring resiliency. Legislation passed in 2022 including the CHIPS and Science Act and Inflation Reduction Act provides incentive for certain strategic industries—including semiconductors and renewables—to onshore production. This has resulted in rising business investment in high-tech manufacturing structures over the past year. Bigger picture, we expect global supply chain adjustments to continue at a conservative pace, as even the simplest changes are both costly and complex.

Pressures on the commercial real estate sector are likely to intensify. The higher-for-longer interest rate environment and challenges among small and regional banks are resulting in tightening of lending standards and slowing slow growth. This is occurring across all loan types, but most acutely for the commercial real estate sector, where small and regional banks have meaningful exposure. With nearly $550 billion of maturing commercial real estate debt over the next year, losses are expected to mount for lenders and investors. While we do not expect this to be a systemic issue, reduced lending activity and potential investor losses could be an economic headwind.

Geopolitical risks will remain top of mind and an unpredictable headwind. Elevated trade tensions with China, the ongoing Russia-Ukraine war and conflict in the Middle East all point to continued uncertainties and risks heading into 2024. While direct U.S. economic impact has been limited thus far, the larger risk is for a supply shock of a critical commodity or good—energy, food, semiconductors—that triggers significant market disruption. The U.S. presidential election could be more impactful than recent cycles on geopolitics given the backdrop of already elevated tensions.

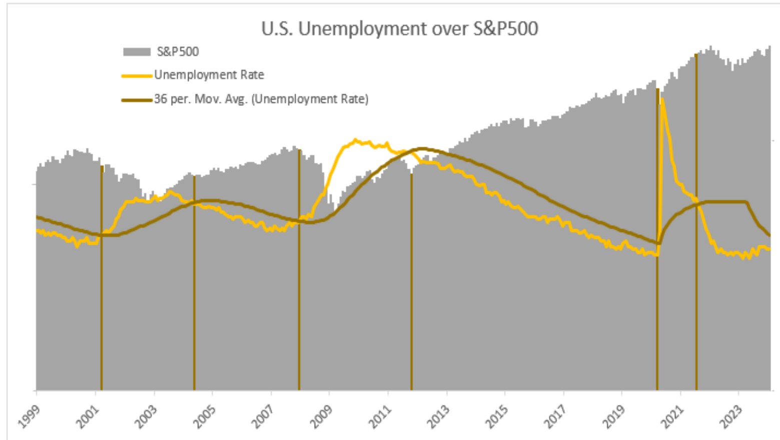
Graphing the Markets — By Tom Saul, Analyst and Co-Portfolio Manager

As we start a new year, let's look at the long-term macro trends and review what happened over the last 12 months through the following four graphs.

U.S. Unemployment over S&P500

What is it?

The US Unemployment rate with its 36-month moving average, laid over the S&P 500 equity index.



Why look at it?

The relationship between the unemployment rate and the stock market is a valuable indicator for predicting economic recessions. There is an inverse relationship between the level of unemployment and future stock market returns, providing us with predictive insights. Changes in the unemployment rate can serve as indicators of shifts in economic sentiment, influencing investor behavior and market trends.

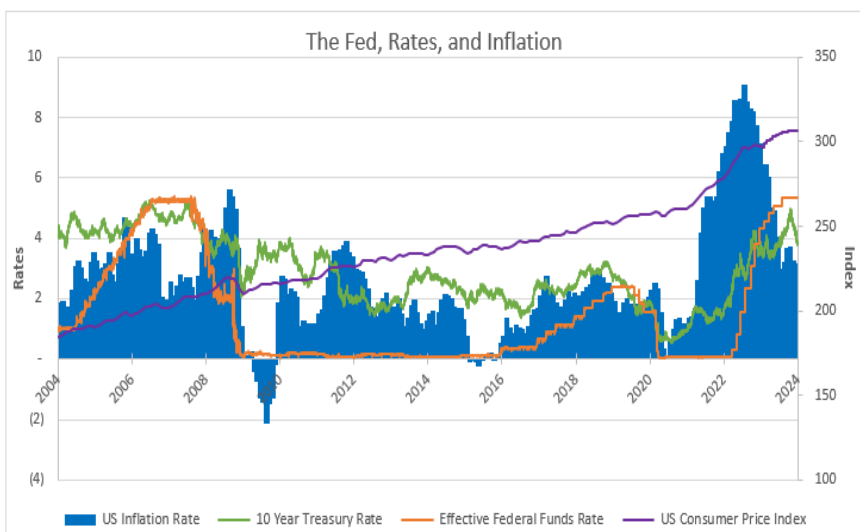
Historically, the best stock market returns have often occurred after periods of high unemployment. Conversely, when the unemployment rate falls below its 36-month moving average, it tends to coincide with more stable economic conditions.

What happened over the last 12 months?

The current US unemployment rate stands at 3.7%, down from 3.9% last month and slightly higher than the 3.5% rate a year ago. This figure remains below the long-term average of 5.7% and the 36-month moving average of 4.3%.

Throughout 2023, the unemployment rate displayed remarkable stability. Economists anticipated a recession during the year, but the markets defied expectations. Despite experiencing one of the most challenging hiring cycles in history following Covid-19 lockdowns, mass layoffs did not materialize. In fact, in 2023, we witnessed a significant drop in the 36-month moving average, as the impact of the high unemployment rates resulting from the Covid-19 lockdowns faded.

While the gap between the current unemployment rate and the moving average has narrowed, we still remain below the historical average, indicating stable economic conditions. This is a relationship we will closely monitor in 2024.



The Fed, Rates, and Inflation

What is it?

This is a graph of the Fed's funds rate, the 10-year treasury rate, the US inflation rate, and the long-term US Consumer Price Index, or CPI.

Why look at it?

The Fed funds rate affects short-term interest rates, while long-term rates are influenced by inflation expectations. Unemployment and inflation have an inverse relationship. The Treasury yield curve shows interest rates at different maturities. When the Fed funds rate rises, short-term rates go up, flattening the yield curve as the shorter end increases more than the longer end.

Low-interest rates stimulate economic growth but raise inflation risk. High-interest rates slow the economy and lower inflation. Changes in interest rates directly impact returns on fixed-income investments.

What happened over the last 12 months?

Interest rates increased four times by the Federal Reserve, with a starting point of 4.50% and ending at 5.50%. The rate hikes occurred in February, March, and May, with a pause in June, followed by one more rate increase in July. The Fed then maintained rates at this level for the remainder of the year.

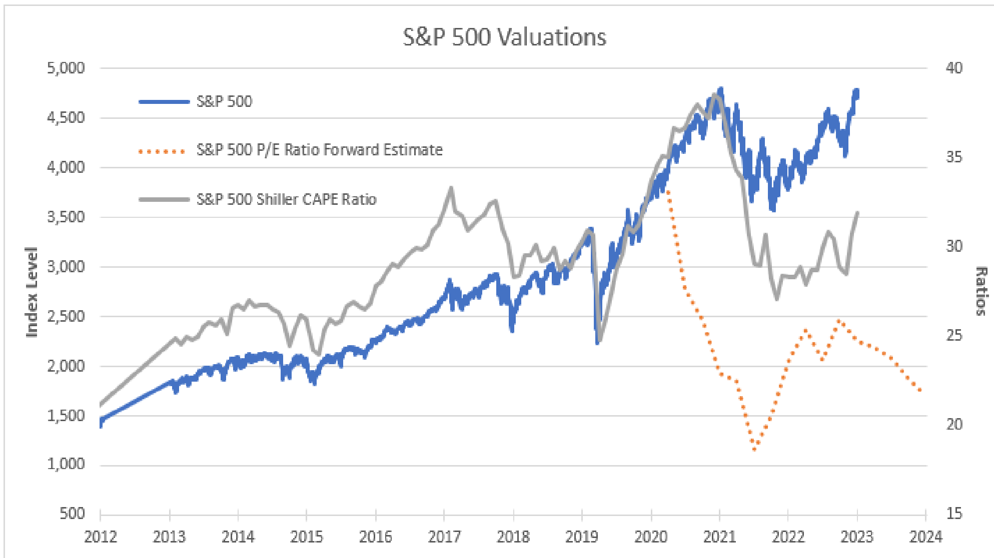
The Fed's messaging shifted during the year, moving from a hawkish stance in October to a more neutral tone, and then dovish in December. This shift was prompted by a decrease in inflation as the year progressed. The year-over-year US Core PCE inflation rate dropped to 3.2%, with last month's annualized rate at 1.2% and the last six months averaging 1.8%, falling below the 2% target. Additionally, the 10-year Treasury yield decreased from a peak of 5% in October to 4% by the end of the year.

Both the stock and bond markets benefited from the relief in interest rates. In the latest Fed statement, they indicated their intention to implement three rate cuts in 2024. If this materializes, it will be welcomed by market participants.

S&P 500 Valuations

What is it?

A look at the S&P 500 and its P/E Ratios: the CAPE ratio and the P/E ratio. The CAPE ratio is a Cyclically Adjusted Price-Earnings ratio. The P/E Ratio Forward Estimate uses estimated net earnings over the next 12 months.



Why look at it?

The CAPE Ratio smooths out and shows a more accurate representation of the ratio between current prices and earnings. Whenever the CAPE ratio of the market is high, it means stocks are overvalued, and in contrast, whenever the ratio is low, it means the stocks are undervalued. The P/E Ratio forward estimate tells what the market expects will happen to valuations.

What happened over the last 12 months?

The Forward P/E Ratio increased from 23.8 to 24.7 in 2023, marking a 3.9% rise in the multiple. Meanwhile, the CAPE ratio also saw an increase, going from 28.3 to 31.9, representing a 12.7% increase. Throughout 2024, earnings consistently improved each quarter, albeit at a slightly slower pace than prices, resulting in a moderate multiple increase for 2023.

Looking ahead to 2024, there is an expectation of continued earnings growth in every quarter, with a projected year-end growth rate of 14.1%. However, the current multiple is higher than the long-run average of 18x, which may indicate the possibility of multiple contractions in the upcoming year. Nonetheless, with robust earnings growth and a healthy economy, it is anticipated to be another promising year for stocks.

U.S. GDP and U.S. Equity Markets

What is it?

This graph looks at the relationship between earnings, U.S. GDP, and prices.

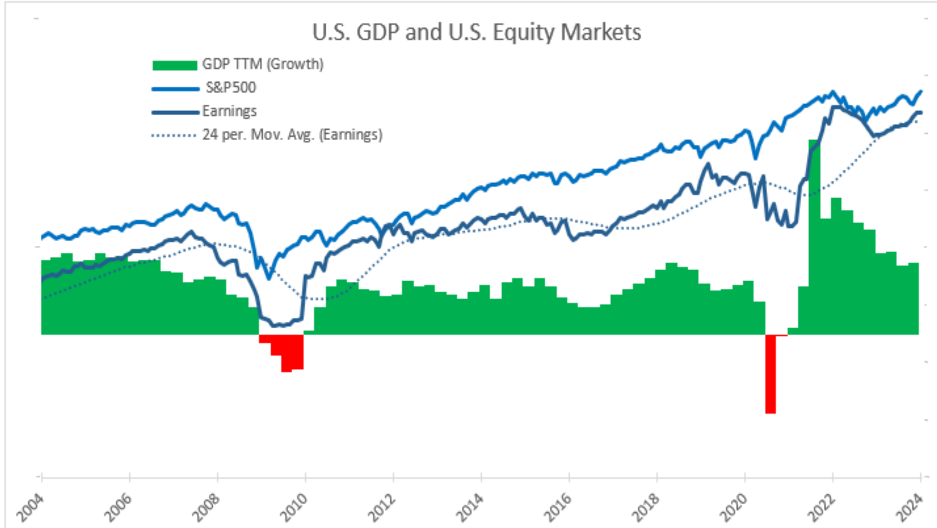
Why look at it?

Stock portfolios tend to perform better during periods of increasing prosperity in the country. The connection between GDP, corporate earnings, and equity prices can offer a long-term perspective on valuations and serve as a basis for adjusting in equity allocations. It is advisable to consider heavier equity exposure when GDP, profitability, and sentiment indicators appear to be at historically low levels.

What happened over the last 12 months?

GDP Growth: In 2023, the GDP of the country increased from $25.99 trillion to $27.61 trillion, marking a 6.2% growth in the overall economic output. This is generally viewed as a positive sign, indicating economic expansion and growth.

S&P 500 Earnings Growth: Corporate earnings within the S&P 500 rose from $173.56 to $193.45 during the same period, representing an 11.4% increase in corporate profits. Increasing corporate earnings are typically viewed positively by stock market investors, as they indicate improved profitability for companies.



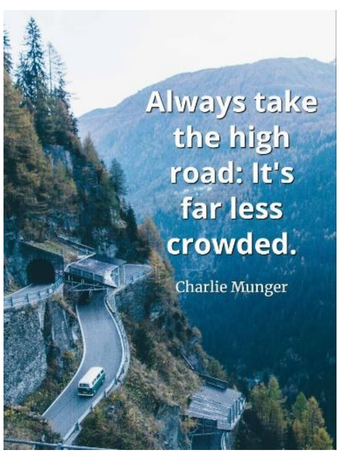
S&P 500 Stock Market Performance: The S&P 500 index, which includes a diverse selection of large-cap U.S. stocks, climbed from 3,839.50 to 4,783.35 points in 2023, resulting in a substantial gain of 24.6%. A rising stock market is often interpreted as a reflection of positive investor sentiment and economic optimism.

This data from 2023 suggests that the economy experienced growth, with an increase in GDP, higher corporate earnings within the S&P 500 index, and a strong performance in the stock market. Collectively, these factors suggest a period of economic expansion and a bullish sentiment in the financial markets.

***All graphs in this article are sourced from YCharts.com. We make no representation as to the completeness or accuracy of information provided by third-party data sources.*

Charlie Munger – Rick's Role Model

— By Rick Tonkinson, MBA, MPA, CFP®, CLU, AIF®



Most people know and admire Warren Buffett, the chairperson of Berkshire Hathway.

A lot less people knew Charlie Munger who created Berkshire Hathway with Warren. For 45 years, they managed Berkshire Hathaway and earned billions of dollars for investors as well as themselves.

Charlie died this year at age 99 and Warren is 93 years old. No one wanted them to retire because of their age.

Personally, I have benefited from having Charlie as one of my role models.

Charlie had a code of conduct that I abide by which is the following:

1) Do not sell anything that you would not buy yourself.
2) Do not work for anyone that you do not respect and admire.
3) Work only with people you enjoy.

Make Better Plans to Save More and Waste Less

— By Lucy Foerster, FPQP®
Client Relations Coordinator

Are you feeling the squeeze of rising costs at the grocery store? Do you see unused groceries in your icebox at the end of the week? Don't despair. Let's take a look at how to avoid throwing money away, along with spoiled food in a fast-paced world.

There are so many times that I get excited at the store and end up buying delicious, beautiful produce and fresh proteins with the best intentions of making lunch & dinner for the week. There is a term for this: aspirational shopping, which is when you go to the store thinking you're either going to cook a lot more often than you really do or eat healthier than you really do. To help curb this habit we should all 'make a plan'.

A lot of people do go into the grocery store with a list, but few people stick to the list on a regular basis. This looks like buying items not on the list or changing a plan because they see something that's on sale. On average, impulse buying amounts to $2,000 annually per household. Imagine having an extra $2,000 in your pocket! Successful lists have a plan behind them, what do you plan to eat for the week? Look at your calendar - how many times do you plan to eat out? Do you have a lot of business lunches or

plan to meet up with friends? If you have a super busy week, you should probably buy less at the grocery store.

As simple as this tip might sound, it can sometimes be a challenge: use all the groceries you buy. Bulk buying seems like a good idea because we have been told it is value shopping. We must be honest with ourselves and ask if all the food is being eaten? Consumers should try to buy food in accordance with their meal plan so that they don't end up wasting edible food. Food may be cheaper when purchased in bulk, but in reality, we are not really saving money when all we're doing is chucking it in the bin at the end of the week.

Using leftovers is a great way to utilize food that gets purchased. Dinner leftovers sound great for tomorrow's lunches; however, they can be enjoyed *any* time of the day. Why not heat up last night's steak or stir fry with eggs for breakfast? There's no right or wrong way to enjoy leftovers. Another helpful tool with leftovers is to rely on the freezer. A lot more foods are freezable than people realize. I often freeze leftover cheese and bread products. If you can't freeze what you have left over, look up additional recipes with those ingredients as keywords. For example, search for "recipes with cheese" online for any leftover cheese.

Time is the biggest constraint that a lot of people can relate to these days. Life just happens. It's important to build flexibility into your plan so that when life does happen, you don't feel like a failure for switching things around. A backup plan can take the form of "if then" statements. For example, if I don't use this spinach by Wednesday night, then I'll put it in a smoothie Thursday morning before work. You still have a plan for that spinach and the $5 that you spent on it doesn't go in the trash.

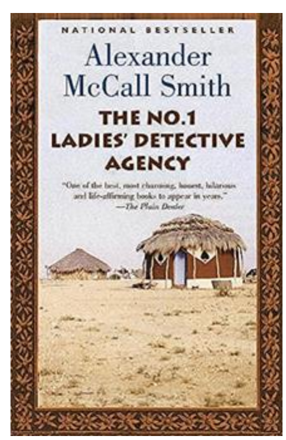
As I have mentioned before, take-out food can get expensive but there are some hacks to help. You can try planning takeout so it's not just a last resort, "What am I in the mood for tonight" kind of decision. That could mean buying from a restaurant in bulk. Plan an "Italian week," a bulk order of spaghetti is going to cost you a lot less over the long run than ordering pasta one night, pizza the next, meatballs on Thursday. And that's another reason to keep track of what you have in your kitchen. When you order a whole bunch of sides, maybe you could put that ground beef in the freezer to work to mix it up later in the week. Try to understand how much time you actually have to cook. And if cooking a fresh meal every night isn't realistic for you, then maybe plan for leftovers.

Book Review: *The No. 1 Ladies' Detective Agency – by Alexander McCall Smith*

— Margarita Tonkinson, Associate

Alexander (Sandy) McCall Smith is a professor emeritus of medical law at the University of Edinburgh in Scotland and serves on many national and international bodies concerned with bioethics. He was born in what is now known as Zimbabwe and he helped to establish the Law School at the University of Botswana where he also taught Law for several years. He is a prolific writer of more than 100 publications including science, poetry, children's stories and more. His first novel *The No. 1 Ladies' Detective Agency* (1998) published in Great Britain became and international best seller selling more than 20 million copies worldwide.

The No. 1 Ladies' Detective Agency is the first novel of 24 in the series. The main character is Mma (aka Precious) Ramotswe (using the Boswana traditional greeting), a wise, compassionate, observant, resolute, determined, charming and good person all around. She is a strong woman operating in a man's world. She gets results for her clients - not through strong-arm tactics, but using what she sees as a woman's gifts: keen observations, patience, understanding of people, and most importantly, insights into what people ask for and they really want.



After Mma Ramotswe, Botswana's first and only detective, opens her Agency, she hires her secretary and assistant, Mma Makutsi, who is another fascinating character that supports and complements Mma Ramotswe.

This is a colorful story that brings Southern Africa to life and particularly Botswana. The descriptions are vivid and the characters easy to engage with. It is bursting with humor and written in a simple easy style making it an addictive, enjoyable read.

This book had been recommended to me several times by different friends over the years, but on our second trip to Botswana in 2023, one of our travel companions handed me the book and I started to read it. It was like a wave of fresh air to appreciate how using basic knowledge of human behavior, simple logic and intuition can solve cases, and furthermore, the creativity and positive ways to find solutions that are for the best of the people involved. In addition, it provided me the opportunity to learn about the Botswana's culture and ways of life. By the way, I have enjoyed so much these detective cases and the lives of the characters that I'm currently in the fifth book in the series!

CLIENTS IN THE COMMUNITY

We want to take an opportunity to highlight the great work some of you are doing in the community. We would like to share the story of Robert Onsguard and his involvement with Blue Water Surrender.

Blue Water Surrender's mission is to provide a safe house for abandoned and abused children in Guatemala through Casa Agua Azul on Lake Izabal in the Rio Dulce area. The House provides a stable, long-term home where children are loved, cared for, and educated to become well adjusted and productive members of society. Their mission is Christ-centered for the purpose of rescuing vulnerable children with the love of God and your help. They believe that together they are changing the future one heart at a time.

TF: What drew you to this organization?
RO: Friends of mine, Ted and Gail Gordon, got me involved. They are sailors from the Keys who were visiting Lake Izabal in Guatemala 20 years ago when an orphanage burned down. They stayed to help with the clean-up and learned of the huge need for Children Homes in Guatemala. God called them years later to purchase property and create Casa Agua Azul, the name of their children's home.

TF: How are you involved?
RO: I am on the Board of Directors and help with accounting.

TF: What has been your most rewarding experience with this organization?
RO: I went to the House and helped build a playground for the children. Amazing experience as the kids watched each day as the playground was built and then the joy of getting to play on it.

To learn more, please visit: www.bluewatersurrender.org

IMPORTANT TAX DATES FOR NFS	
Jan 19	Form 1099-R & form 5498 available online
Jan 20 – Feb 24	Mailing of Form 1099
Forms can be accessed via Investor360 accounts online	

DJ Industrial Average (DJIA): Computed by summing the prices of the stocks of 30 companies and then dividing that total by an adjusted value—one that has been adjusted over the years to account for the effects of stock splits on the prices of the 30 companies. Dividends are invested to reflect the actual performance of the underlying securities. NASDAQ Composite Index: Measures the performance of all issues listed on the NASDAQ Stock Market, except for the rights, warrants, units and convertible debentures. Barclays Capital Global Aggregate Bond: This index provides a broad-based measure of the global investment-grade, fixed-rate debt markets. Citigroup 3-month T-Bill: Measures monthly return equivalents of yield averages that are not marked to market. The 3-month Treasury Bill Indexes consist of the last three 3-month T-Bill issues. MSCI China: This free-float adjusted capitalization-weighted index is designed to measure the performance of China-based equities. MSCI EAFE (Morgan Stanley Capital International Europe, Australia, Far East): This index is a capitalization-weighted index that tracks the total return of common stocks in 21 developed-market countries within Europe, Australia and the Far East. MSCI Emerging Markets EMEA: This index captures large and mid-cap representation across 8 Emerging Markets (EM) countries in Europe, the Middle East and Africa (EMEA). With 139 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country. Russell 2000: This index measures the performance of the 2,000 smallest companies in the Russell 3000 Index. Standard and Poor's (S&P) 500: This index tracks the performance of 500 widely held, large-capitalization U.S. stocks. S&P Consumer Discretionary: A market capitalization weighted index that tracks the performance of consumer discretionary companies. S&P Consumer Staples: A market capitalization weighted index that tracks the performance of consumer staples companies. S&P Energy: A market capitalization weighted index that tracks the performance of energy companies. S&P Health Care: A market capitalization weighted index that tracks the performance of health care companies. S&P Materials: A market capitalization weighted index that tracks the performance of materials companies. S&P Technology: A market capitalization weighted index that tracks the performance of technology companies. S&P Utilities: A market capitalization weighted index that tracks the performance of utility companies.