

Financial Terms

Active Share: Active share is a measure of how much an investment portfolio differs from its primary benchmark index, based on a scale of 0% (complete overlap with the index) to 100% (no overlap). Overlap for each security in the Fund is the lower of either its percentage weight in the Fund or its percentage weight in the relevant index. Active share is calculated as 100% minus the sum of the overlapping security weights.

Additional Tier 1 Bonds: Additional Tier 1 bonds, also called AT1 bonds, are capital instruments banks issue to raise their core equity base.

Alpha: Alpha is a measure of performance and indicates whether an investment has outperformed the market return or other benchmark over some period. Positive alpha means that the investment's return was above that of the benchmark.

Basis Point: One basis point is equal to 1/100th of 1%.

Beta: Beta is a measure of the volatility—or systematic risk—of a portfolio compared to the benchmark measured over a specified time period.

Breakevens: Breakevens estimate the implied inflation rate for the stated term by subtracting the real yield of an inflation-linked bond from a nominal bond of comparable maturity.

ChatGPT: ChatGPT is a form of generative artificial intelligence that uses natural language processing to create humanlike conversational dialogue. This language model can respond to questions and comprise written content.

Convexity: Convexity is a measure of how the duration of a bond changes when interest rates change and is important when considering securities with embedded call options (where prepayments or extensions can be made).

Credit: Credit refers to corporate bonds and government-related securities, as classified by Bloomberg.

Disinflation: Disinflation is a temporary slowing of the pace of price inflation. The term is used to describe occasions when the inflation rate has reduced marginally over the short term.

Duration: Duration is a measure of a bond's (or a bond portfolio's) price sensitivity to changes in interest rates.

Earnings Growth: Earnings growth is the percentage change in a firm's earnings per share (EPS) in a period, as compared with the same period from the previous year.

Earnings Before Interest and Taxes (EBIT): Earnings before interest and taxes (EBIT) measures a company's net income before income tax and interest expenses are deducted. Also known as operating income, EBIT is used to analyze the performance of a company's core operations.

Effective Duration: Effective duration is a measure of a portfolio's price sensitivity to interest rate changes.

Fallen Angel: A fallen angel is a bond that was initially given an investment-grade rating but has since been reduced to junk bond status. The downgrade is caused by a deterioration in the financial condition of the issuer.

FFELP: FFELP is the Federal Family Education Loan Program.

Foreign Direct Investment: Foreign direct investment (FDI) is the direct investment by companies or governments into foreign firms or projects.

Free Cash Flow: Free cash flow is the cash a company generates after paying all expenses and loans.

Free Cash Flow Yield: Free cash flow is the cash a company generates after paying all expenses and loans. The free cash flow yield compares a company's free cash flow per share with its market price per share. A high free cash flow yield means a company is generating enough cash to satisfy its debt and other obligations.

GLP-1 Inhibitors: GLP-1 inhibitors are a class of drugs used in patients with type-2 diabetes as glucose-lowering therapies. They also have additional benefits of weight loss and blood pressure reduction.

Gross Domestic Product (GDP): Gross domestic product (GDP) measures the monetary value of final goods and services—those that are bought by the final user—produced in a country in a given period of time. It counts all the output generated within the borders of a country. GDP is composed of goods and services produced for sale in the market and includes some non-market production, such as defense or education services provided by the government.

Growth Stocks: Generally, stocks that have lower valuations are considered “value” stocks, while those with higher valuations are considered “growth” stocks.

Key Rate Duration: Key rate duration measures how the value of a bond changes at a specific maturity point along the entirety of the yield curve for a 1% change in that yield holding other maturities constant.

LIBOR: The London Inter-Bank Offered Rate (LIBOR) is an interest rate average calculated from estimates submitted by the leading banks in London.

LIMRA: LIMRA is the Life Insurance Marketing and Research Association.

“Magnificent Seven” Stocks: The “Magnificent Seven” stocks are Alphabet, Amazon, Apple, Meta Platforms, Microsoft, NVIDIA, and Tesla.

Market Capitalization: Market capitalization is a measure of the security’s size. It is the market price of a security multiplied by the number of shares outstanding.

MENA: MENA is the Middle East and North Africa.

Median Market Capitalization: Median market capitalization represents the midpoint of market capitalization for all the equity securities in the portfolio. Half of the securities will have a higher market capitalization and half will have a lower market capitalization. Market capitalization is a measure of the security’s size. It is the market price of a security multiplied by the number of shares outstanding.

Multiple Compression: Multiple compression means that investors were willing to pay less for the same amount of earnings.

Multiple Expansion: Multiple expansion means that investors were willing to pay more for the same amount of earnings.

Nearshoring: Nearshoring in the supply chain refers to the practice of outsourcing business processes or services to companies located in neighboring countries.

Net Interest Margin: Net interest margin (NIM) is a measurement comparing the net interest income a financial firm generates from credit products like loans and mortgages, with the outgoing interest it pays holders of savings accounts and certificates of deposits (CDs).

Option-Adjusted Spread: Option-adjusted spread (OAS) is the option-adjusted yield differential between stated index and comparable U.S. Treasuries. OAS does not translate into a return. One basis point is equal to 1/100th of 1%.

Over-the-Counter: Over-the-counter (OTC) is trading securities via a broker-dealer network as opposed to on a centralized exchange like the New York Stock Exchange.

PCE: Personal consumption expenditures (PCE) measure how much consumers spend on durable and non-durable goods and services. PCE is the Federal Reserve’s preferred measure for inflation. Core PCE prices exclude food and energy prices.

Portfolio Turnover: Portfolio turnover is calculated as the lesser of the portfolio purchases or sales divided by the average portfolio value for the period.

Price-to-Earnings (Forward): Price-to-earnings (forward) ratios are calculated using 12-month forward earnings estimates from third-party sources as of the reporting period. Estimates reflect a consensus of sell-side analyst estimates, which may lag as market conditions change.

SEC Yield: SEC yield is an annualization of the Fund’s net investment income for the trailing 30-day period. Dividends paid by the Fund may be higher or lower than implied by the SEC Yield.

Sharpe Ratio: Sharpe ratio is a risk-adjusted measure that calculates excess performance with respect to the risk-free rate per unit of volatility over the time frame.

SMID-Cap: "SMID-Cap" comprise small- and mid-capitalization companies. Market capitalization is a measure of the security's size. It is the market price of a security multiplied by the number of shares outstanding.

SOFR: The Secured Overnight Financing Rate (SOFR) is a broad measure of the cost of borrowing cash overnight collateralized by Treasury securities.

Spread Duration: Spread duration is a measure of a bond's (or a bond portfolio's) price sensitivity to changes in credit spreads.

Stagflation: Stagflation occurs when the inflation rate is high, economic growth rate slows, and unemployment remains high.

Standard Deviation: Standard deviation measures the level of risk or volatility associated with an investment. Higher standard deviation represents higher volatility.

Sum-of-the-Parts Valuation: Sum-of-the-parts valuation is a process of determining what the individual divisions of a company would be worth if they were spun off or acquired by a different company. The values of these different business units are then aggregated to estimate the company's overall value.

Tracking Error: Tracking error is a measure of risk. It is defined as the standard deviation of the portfolio's excess return versus the benchmark and is expressed as a percentage. Standard deviation helps to measure the level of risk or volatility associated with an investment. Higher standard deviation represents higher volatility.

Value Stocks: Generally, stocks that have lower valuations are considered "value" stocks, while those with higher valuations are considered "growth" stocks.

Weighted Average Market Capitalization: Weighted average market capitalization sums the product of each holding's company market capitalization (market price multiplied by the number of shares outstanding) and weighting in the portfolio.

Yield Curve: A yield curve is a graphical representation of the interest rates on debt for a range of maturities. It shows the yield an investor expects to earn for lending money for a given period.

Yield to Maturity: Yield to maturity is the total rate of return anticipated for a bond if it is held to maturity, assuming all interest payments are made on schedule and the original principal amount is repaid.

Yield to Worst: Yield to worst is a measure of the lowest possible yield that can be received on a bond that fully operates within the terms of its contract without defaulting. The distribution of this information must be preceded or accompanied by the prospectus.

Indexes

Bloomberg Emerging Markets USD Aggregate Bond Index: The Bloomberg Emerging Markets Hard Currency Aggregate Index is a flagship hard currency Emerging Markets debt benchmark that includes USD-denominated debt from sovereign, quasi-sovereign, and corporate EM issuers.

Bloomberg Emerging Markets Local Currency Government Index: The Bloomberg Emerging Markets Local Currency Government Index is a flagship index that measures the performance of local currency Emerging Markets (EM) debt. Classification as an EM is rules-based and reviewed annually.

Bloomberg Global Aggregate Bond Index: The Bloomberg Global Aggregate Bond Index is a widely recognized, unmanaged index of multi-currency, investment-grade fixed income securities.

Bloomberg Global Aggregate Credit Index: The Bloomberg Global Aggregate Credit Index measures the Credit sector of the global investment-grade, fixed-rate bond market, including corporate, government, and agency securities.

Bloomberg U.S. Aggregate Bond Index: The Bloomberg U.S. Aggregate Bond Index is a widely recognized, unmanaged index of U.S. dollar-denominated investment-grade, taxable fixed income securities.

Bloomberg U.S. Corporate Bond Index: The Bloomberg U.S. Corporate Bond Index measures the investment grade, fixed-rate, taxable corporate bond market. It includes USD denominated securities publicly issued by U.S. and non-U.S. industrial, utility, and financial issuers.

Bloomberg U.S. Corporate High Yield Index: The Bloomberg U.S. Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on Bloomberg EM country definition, are excluded.

Bloomberg U.S. Credit Index: The Bloomberg U.S. Credit Index measures the investment-grade, U.S. dollar-denominated, fixed-rate, taxable corporate, and government-related bond markets. It is composed of the U.S. Corporate Index and a non-corporate component that includes non-U.S. agencies, sovereigns, supranationals, and local authorities.

Bloomberg U.S. Long Credit Index: The Bloomberg U.S. Long Credit Index includes investment-grade, U.S. dollar-denominated, fixed-rate, taxable corporate, and government-related bond markets. It is composed of the Bloomberg U.S. Corporate Index and a non-corporate component that includes non-U.S. agencies, sovereigns, supranationals, and local authorities. Securities must have a maturity equal or greater than 10 years.

Bloomberg U.S. Mortgage-Backed Securities (MBS) Index: The Bloomberg U.S. Mortgage-Backed Securities Index tracks fixed-rate agency mortgage-backed pass-through securities guaranteed by Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC). The Index is constructed by grouping individual TBA-deliverable MBS pools into aggregates or generics based on program, coupon and vintage.

Bloomberg U.S. Treasury 1-3 Year Index: The Bloomberg U.S. Treasury: 1-3 Year Index measures US dollar-denominated, fixed-rate, nominal debt issued by the U.S. Treasury with 1-2.999 years to maturity. Treasury bills are excluded by the maturity constraint, but are part of a separate Short Treasury Index. STRIPS are excluded from the Index because their inclusion would result in double-counting.

Combined Index: The Combined Index reflects an unmanaged portfolio (rebalanced monthly) of 60% of the S&P 500 Index, which is market capitalization-weighted index of 500 large-capitalization stocks commonly used to represent the U.S. equity market, and 40% of the Bloomberg U.S. Aggregate Bond Index, which is a widely recognized, unmanaged index of U.S. dollar-denominated, investment-grade, taxable fixed income securities.

Consumer Price Index: The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services.

MSCI ACWI ex USA Growth Index: The MSCI ACWI ex USA Growth Index captures large- and mid-cap securities exhibiting overall value style characteristics across developed and emerging markets country indices, excluding the United States. 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, long-term historical EPS growth trend, and long-term historical sales per share growth trend.

MSCI ACWI ex USA Index: The MSCI ACWI (All Country World Index) ex USA Index is a broad-based, unmanaged equity market index aggregated from developed and emerging market country indices, excluding the United States.

MSCI ACWI ex USA Value Index: The MSCI ACWI ex USA Value Index captures large- and mid-cap securities exhibiting overall value style characteristics across developed and emerging markets country indices, excluding the United States. 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 ACWI Growth Index: The MSCI ACWI Growth Index captures large- and mid-cap securities exhibiting overall growth style characteristics across developed market and emerging market 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, long-term historical EPS growth trend, and long-term historical sales per share growth trend.

MSCI ACWI Index: The MSCI ACWI (All Country World Index) Index is a broad-based, unmanaged equity market index aggregated from developed market and emerging market country indices. MSCI ACWI is a service mark of MSCI Barra.

MSCI ACWI Value Index: The MSCI ACWI Value Index captures large- and mid-cap securities exhibiting overall value style characteristics across developed market and emerging market 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 China Index: The MSCI China Index captures large- and mid-cap representation across China A shares, H shares, B shared, Red chips, and P chips.

MSCI EAFE Growth Index: The MSCI EAFE Growth Index captures large- and mid-cap securities exhibiting overall growth style characteristics across developed market countries around the world, excluding the United States 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, long-term historical EPS growth trend, and long-term historical sales per share growth trend.

MSCI EAFE Index: The MSCI EAFE (Europe, Australasia, Far East) Index is a broad-based, unmanaged equity market index aggregated from developed market country indices, excluding the United States and Canada. It covers approximately 85% of the free float-adjusted market capitalization in each country. MSCI EAFE is a service mark of MSCI Barra.

MSCI EAFE Value Index: The MSCI EAFE Value Index is a broad-based, unmanaged equity market index of large- and mid-cap securities exhibiting overall value style characteristics across developed market countries around the world, excluding the United States 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 Emerging Markets ex China Index: The MSCI Emerging Markets ex China Index captures large- and mid-cap representation across emerging market countries excluding China.

MSCI Emerging Markets Index: The MSCI Emerging Markets Index captures large- and mid-cap representation across emerging market countries. MSCI Emerging Markets is a service mark of MSCI Barra.

MSCI USA Index: The MSCI USA Index measures the performance of large- and mid-cap companies in the United States and covers approximately 85% of the market capitalization in the United States.

MSCI World Growth Index: The MSCI World Growth Index captures large- and mid-cap securities exhibiting overall growth style characteristics across developed market countries, including the United States. 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, long-term historical EPS growth trend, and long-term historical sales per share growth trend.

MSCI World Index: The MSCI World Index is a broad-based, unmanaged equity market index aggregated from developed market country indices, including the United States. It covers approximately 85% of the free float-adjusted market capitalization in each country. MSCI World is a service mark of MSCI Barra.

MSCI World Value Index: The MSCI World Value Index captures large- and mid-cap securities exhibiting overall value style characteristics across developed market countries, including the United States. 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.

NY Fed's Global Supply Chain Pressures Index: The NY Fed's Global Supply Chain Pressures Index tracks the state of global supply chains using data from the transportation and manufacturing sectors.

Russell 1000 Growth Index: The Russell 1000 Growth Index is a broad-based, unmanaged equity market index composed of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

Russell 1000 Value Index: The Russell 1000 Value Index is a broad-based, unmanaged equity market index composed of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.

S&P 500 Index: The S&P 500 Index is a market capitalization-weighted index of 500 large-capitalization stocks commonly used to represent the U.S. equity market.

Trade-Weighted U.S. Dollar Index: The Trade-Weighted U.S. Dollar Index measures the value of the United States dollar relative to other world currencies.

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Other

It is not possible to invest directly in an index.

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