

FNBC BANK & TRUST

WEALTH MANAGEMENT

Market Recap: January 2023

WEALTH MANAGEMENT

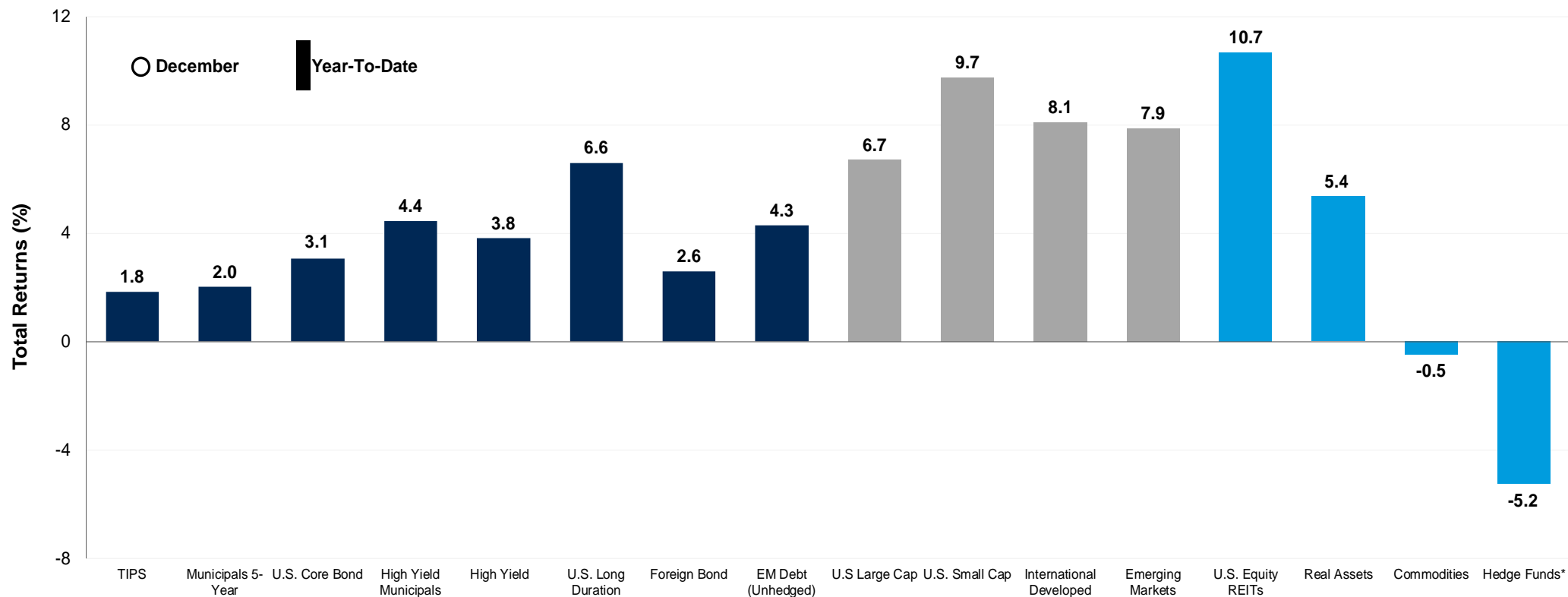


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Not FDIC Insured | May Go Down In Value | Not Guaranteed By Bank | Subject To Investment Risk

Asset Class Performance



Source: Morningstar Direct. As of January 31, 2023. *Hedge fund returns are as of December 31, 2022.

Fixed Income (January)

- + Fixed income investors benefited from declining intermediate and long-dated yields as inflation continued to ease off recent highs and market expectations grew for a Fed rate pause later in the year.
- + Appetite for riskier segments of the market helped propel high yield bonds despite concerns of an economic slowdown and falling corporate earnings.
- + Foreign bonds benefited from a falling U.S. dollar.

Equity (January)

- + Equity markets posted favorable returns in the month. A resilient labor market has helped support a “soft-landing” scenario but lagged effects of monetary policy remain to be seen.
- + International markets, both developed and emerging, outperformed the U.S. Commodity price relief and positive economic growth in Europe, along with optimism around China reopening, helped propel the regions. A declining U.S. dollar further helped non-U.S. markets.

Real Asset / Alternatives (January)

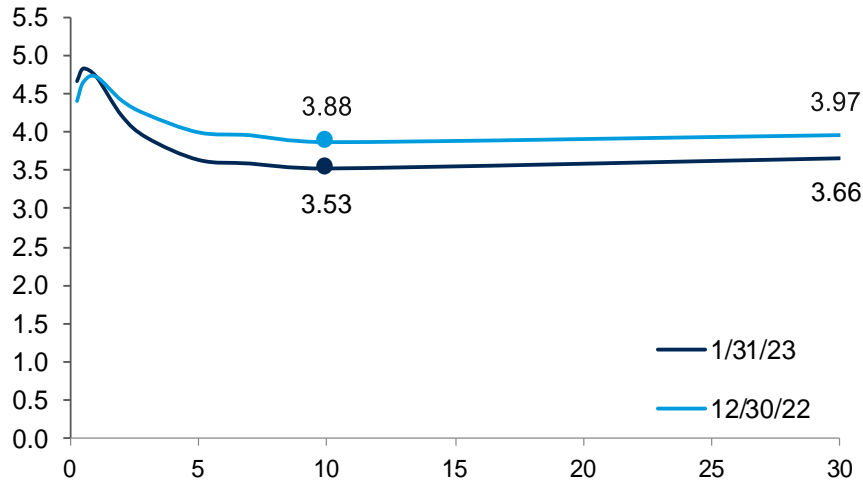
- + REITs had a strong month on the back of falling interest rates and general equity strength.
- Commodities posted a modest decline in January, driven by energy related segments of the market, while industrial and precious metals were positive.
- +/- Hedge funds were essentially flat for the month (December) and ultimately ended 2022 down mid single digits.

See disclosures for list of indices representing each asset class. Past performance does not indicate future performance and there is a possibility of a loss.

Fixed Income Market Update

U.S. Treasury Yield Curve

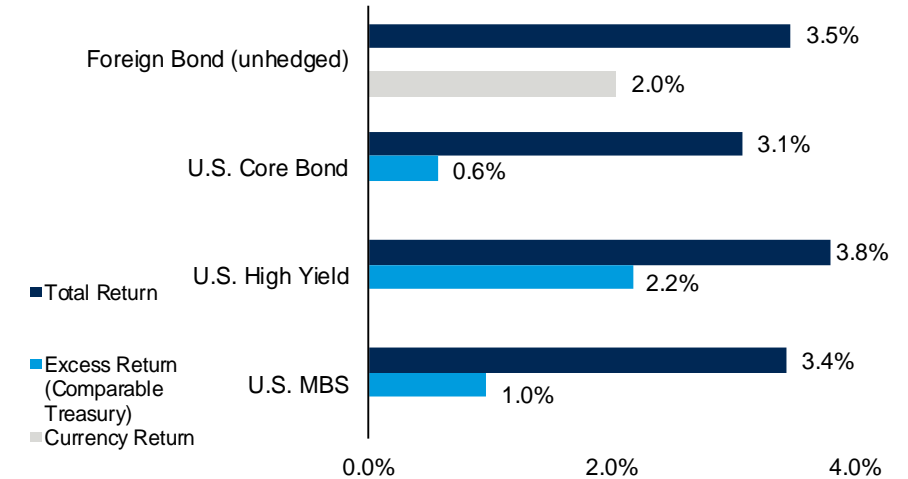
Prospects of a 25 basis point rate hike by the Fed in February pushed yields higher on the front-end of the curve while lower inflation and concerns about a slowing economy led to lower rates on the back-end. The 10-year yield ended 35 bps lower.



Source: FactSet. As of January 31, 2023.

Index Performance Attribution (January 2023)

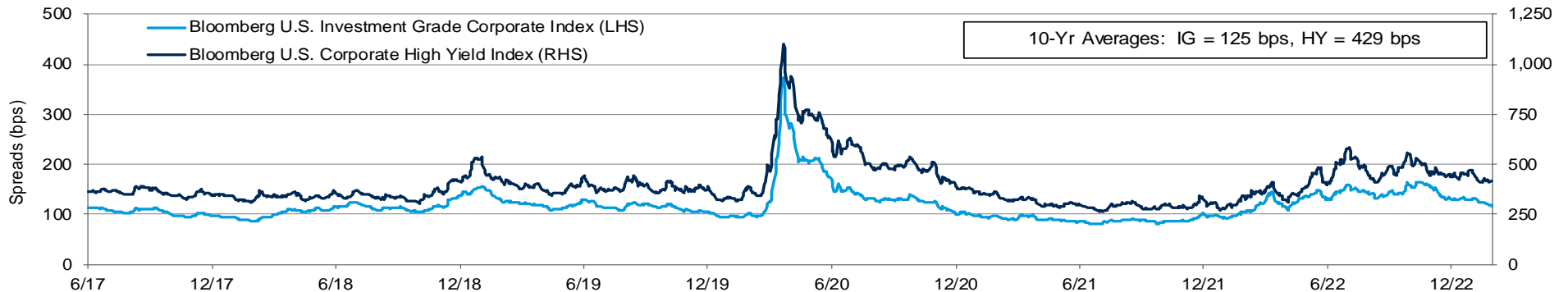
Tighter spreads and lower rates fueled fixed income returns, with foreign bonds also benefiting from a declining dollar. Corporate fundamentals remain strong, but there are signs of corporate earnings growth slowing.



Source: FactSet. As of January 31, 2023.

Credit Market Spreads – Trailing 5 Years

Corporate earnings appear to be slowing but fundamentals otherwise remain resilient as many companies have reduced leverage and debt service costs. Favorable yield profiles attracted investors to both investment grade and high yield corporates and spreads compressed by 13 and 49 basis points, respectively.



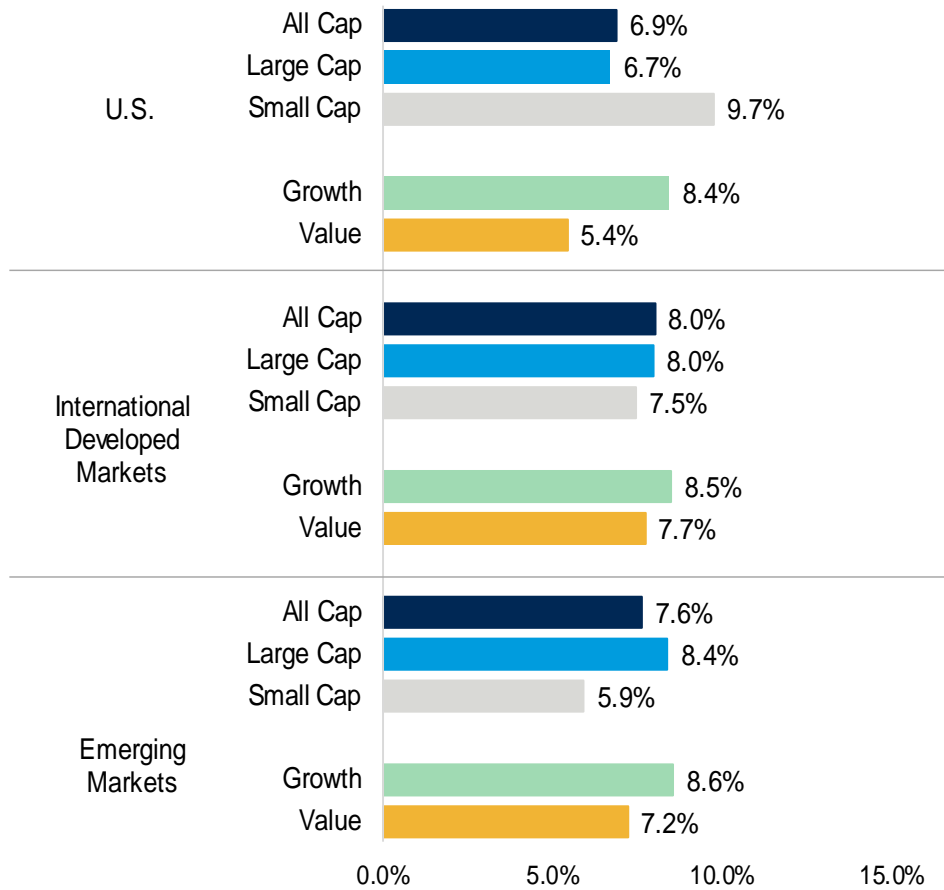
Source: FactSet. As of January 31, 2023.

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Equity Market Update

Market Capitalization & Style Performance (January 2023)

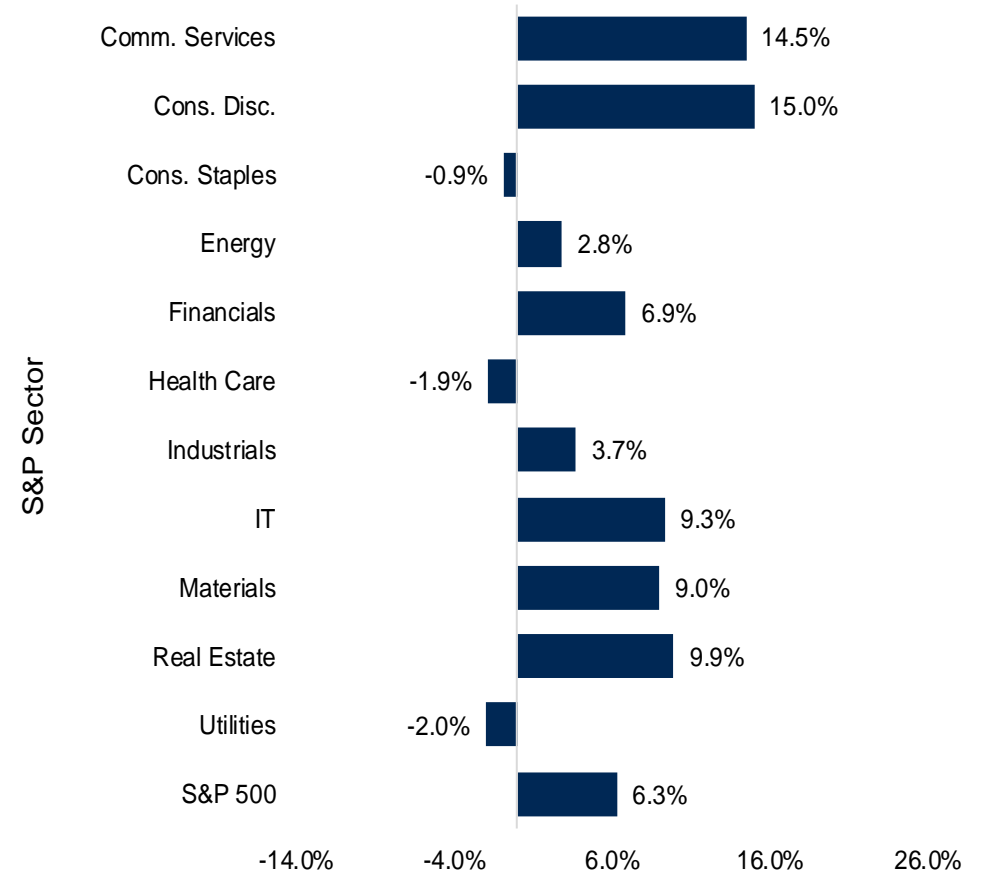
Growth stocks outperformed value stocks across regions, a reversal from 2022. Falling rates, softening inflation and the prospect of shifting monetary policy this year fueled the style reversal.



Source: Morningstar Direct. As of January 31, 2023.

U.S. Equities – Returns by Sector (January 2023)

A sharp reversal in sector leadership had consumer discretionary and communication services posting strong double-digit gains in the month. Amazon, Netflix and Meta were key drivers of performance, returning over 20 percent each in January.



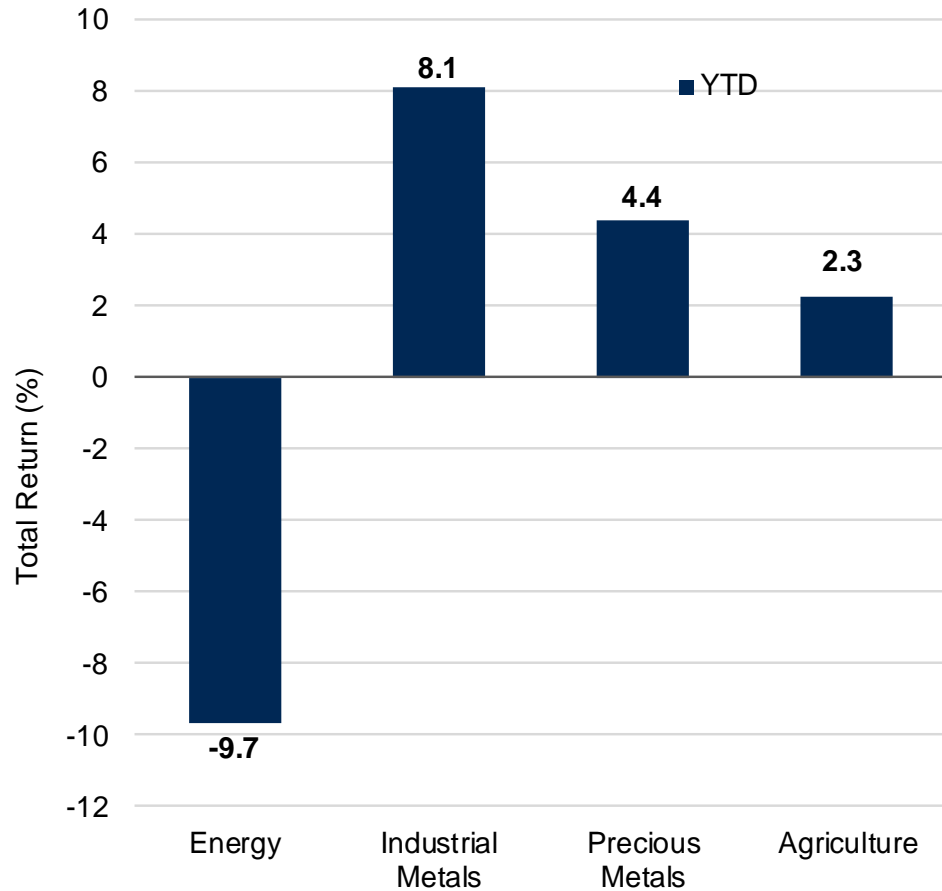
Source: Morningstar Direct. As of January 31, 2023.

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Real Asset Market Update

Real Assets Performance (January 2023)

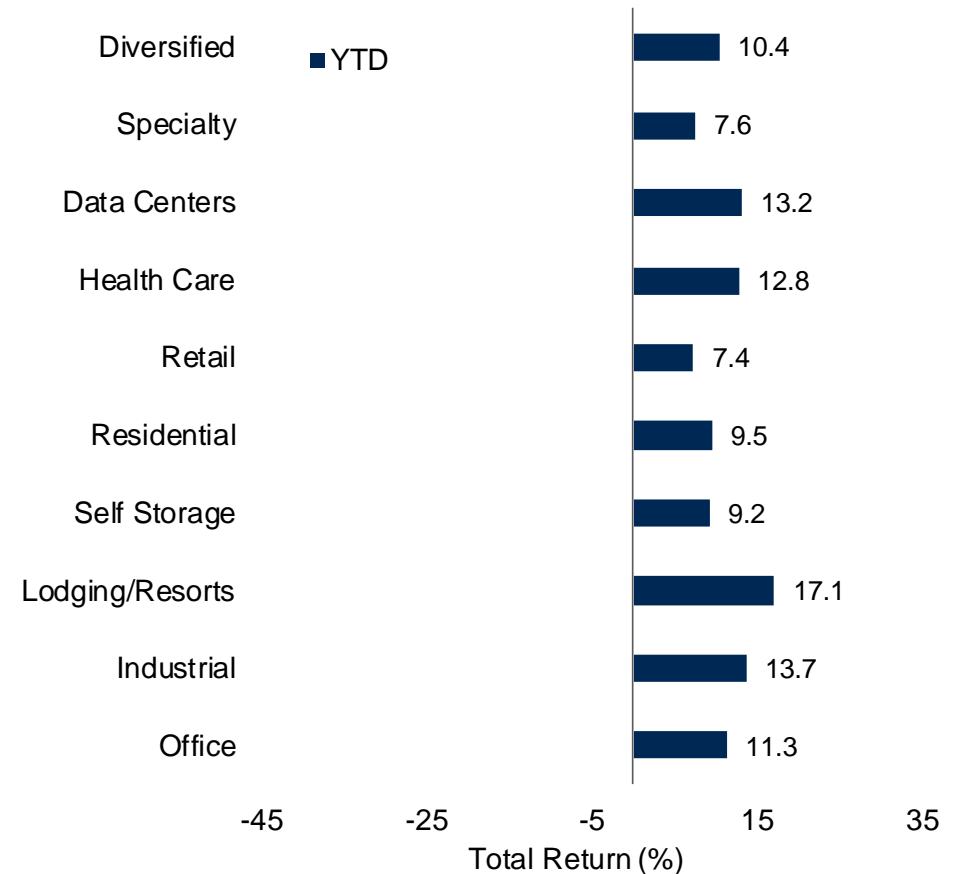
Commodities overall were negative in the month, fueled by the energy subsector. Falling natural gas prices weighed on the energy segment. Positive sentiment on China coming out of zero-covid policy fueled industrial metals on the prospect of stronger economic activity.



Source: FactSet. As of January 31, 2023.

REIT Sector Performance (January 2023)

Lower interest rates helped support the REIT market, which experienced a solid recovery after a difficult 2022. Falling mortgage rates this year helped support the residential market.



Source: FactSet. As of January 31, 2023.

See disclosures for list of indices representing each asset class. Past performance does not indicate future performance and there is a possibility of a loss

Financials Markets Performance

Financial Markets Performance

Total Return as of January 31, 2023

Periods greater than one year are annualized

All returns are in U.S. dollar terms

Global Fixed Income Markets	MTD	YTD	1YR	3YR	5YR	7YR	10YR	15YR
Bloomberg 1-3-Month T-Bill	0.3%	0.3%	1.9%	0.8%	1.3%	1.1%	0.8%	0.6%
Bloomberg U.S. TIPS	1.8%	1.8%	-8.4%	1.1%	2.7%	2.6%	1.4%	2.9%
Bloomberg Municipal Bond (5 Year)	2.0%	2.0%	-0.9%	0.0%	1.7%	1.4%	1.7%	2.7%
Bloomberg High Yield Municipal Bond	4.4%	4.4%	-6.6%	0.0%	3.7%	4.2%	3.8%	4.6%
Bloomberg U.S. Aggregate	3.1%	3.1%	-8.4%	-2.3%	0.9%	1.1%	1.4%	2.8%
Bloomberg U.S. Corporate High Yield	3.8%	3.8%	-5.2%	1.3%	3.0%	5.9%	4.3%	6.5%
Bloomberg Global Aggregate ex-U.S. Hedged	1.7%	1.7%	-7.2%	-2.6%	0.9%	1.4%	2.3%	3.0%
Bloomberg Global Aggregate ex-U.S. Unhedged	3.5%	3.5%	-14.2%	-5.1%	-3.0%	-0.2%	-1.2%	0.5%
Bloomberg U.S. Long Gov / Credit	6.6%	6.6%	-18.3%	-5.8%	0.5%	2.1%	2.5%	4.7%
JPMorgan GBI-EM Global Diversified	4.3%	4.3%	-7.9%	-4.4%	-2.5%	2.1%	-1.7%	1.7%
Global Equity Markets	MTD	YTD	1YR	3YR	5YR	7YR	10YR	15YR
S&P 500	6.3%	6.3%	-8.2%	9.9%	9.5%	13.3%	12.7%	9.7%
Dow Jones Industrial Average	2.9%	2.9%	-0.9%	8.7%	7.8%	13.5%	12.0%	9.5%
NASDAQ Composite	10.7%	10.7%	-17.9%	9.0%	10.3%	15.2%	15.1%	12.3%
Russell 3000	6.9%	6.9%	-8.2%	9.5%	9.1%	13.0%	12.3%	9.6%
Russell 1000	6.7%	6.7%	-8.5%	9.7%	9.4%	13.2%	12.5%	9.7%
Russell 1000 Growth	8.3%	8.3%	-16.0%	9.9%	11.2%	15.2%	14.5%	11.5%
Russell 1000 Value	5.2%	5.2%	-0.4%	8.5%	6.9%	10.7%	10.2%	7.6%
Russell Mid Cap	8.3%	8.3%	-3.3%	9.0%	8.0%	11.9%	11.1%	9.5%
Russell Mid Cap Growth	8.7%	8.7%	-8.5%	6.5%	8.3%	12.5%	11.7%	9.8%
Russell Mid Cap Value	8.1%	8.1%	-0.7%	9.3%	6.9%	10.8%	10.2%	8.9%
Russell 2000	9.7%	9.7%	-3.4%	7.5%	5.5%	10.8%	9.4%	8.3%
Russell 2000 Growth	9.9%	9.9%	-6.5%	4.3%	4.7%	10.3%	9.5%	8.6%
Russell 2000 Value	9.5%	9.5%	-0.5%	9.9%	5.8%	10.7%	8.8%	7.8%
MSCI ACWI	7.2%	7.2%	-8.0%	6.8%	5.5%	10.1%	8.2%	5.9%
MSCI ACWI ex. U.S.	8.1%	8.1%	-5.7%	3.6%	1.4%	7.0%	4.2%	2.7%
MSCI EAFE	8.1%	8.1%	-2.8%	4.2%	2.1%	6.8%	5.0%	3.0%
MSCI EAFE Growth	8.5%	8.5%	-6.6%	3.4%	3.2%	7.3%	6.0%	3.8%
MSCI EAFE Value	7.7%	7.7%	0.7%	4.4%	0.6%	6.0%	3.7%	2.0%
MSCI EAFE Small Cap	7.5%	7.5%	-8.9%	2.5%	0.4%	6.8%	6.4%	5.0%
MSCI Emerging Markets	7.9%	7.9%	-12.1%	1.4%	-1.5%	7.3%	2.1%	2.1%
Alternatives	MTD	YTD	1YR	3YR	5YR	7YR	10YR	15YR
Consumer Price Index*	-0.1%	6.4%	6.4%	4.9%	3.8%	3.3%	2.6%	2.3%
FTSE NAREIT Equity REITs	10.7%	10.7%	-10.1%	2.9%	6.7%	6.6%	7.2%	7.0%
S&P Real Assets	5.4%	5.4%	-3.6%	3.7%	3.8%	6.4%	3.8%	4.5%
FTSE EPRA NAREIT Developed	9.0%	9.0%	-12.6%	-1.5%	2.4%	4.7%	4.5%	3.8%
FTSE EPRA NAREIT Developed ex U.S.	6.5%	6.5%	-15.5%	-6.4%	-2.0%	3.0%	1.9%	1.5%
Bloomberg Commodity Total Return	-0.5%	-0.5%	6.2%	15.4%	5.9%	6.7%	-1.6%	-2.9%
HFRI Fund of Funds Composite*	0.3%	-5.2%	-5.2%	3.7%	3.0%	3.3%	3.5%	1.7%
HFRI Asset Weighted Composite*	0.2%	0.7%	0.7%	3.4%	3.4%	3.8%	4.0%	3.4%
Alerian MLP	6.6%	6.6%	25.7%	13.9%	4.2%	7.1%	1.4%	5.9%

Sources: Morningstar, FactSet. As of January 31, 2023. *Consumer Price Index and HFRI indexes as of December 31, 2022.

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Disclosures and Definitions

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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 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

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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 impact 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 borrow.

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.

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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** tracks 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.

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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 Markets 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 Markets 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 Markets 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 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 Markets 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 Equity REITs Index** contains all Equity REITs not designed as Timber REITs or Infrastructure REITs.
- **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.

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