

## 2021 Value of an Advisor Study

A sharper focus on the value of your advice.



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## Executive summary

Russell Investments has always focused on the value of advisors. And never was an advisor's value so obvious as during 2020.

It was a year that tested both investors and advisors in so many ways. Financial markets fell sharply early in the year when the global spread of the COVID-19 virus forced a sudden shuttering of economic activity, only to recover strongly in the final months on positive vaccine news. Through it all, many of us found ourselves reassessing our lifestyles and our way of doing business. Many of us may have found our priorities and outlooks have changed—as those of your clients may have.

That's why we think it is the perfect time for you to place a sharper focus on the full value of your advice and ensure you are communicating that value to your clients.

Our simple and handy formula can help you show your clients the overall value you bring to them. To better reflect the changing role of a financial advisor, we've reassessed the formula we use in our annual report. After all, it's likely that you're not just a broker anymore. Given the holistic wealth management advice you may provide to investors and their loved ones, your role is now more likened to a family wealth advisor. Our new formula takes a closer look at that broadened role. It more closely reflects the tangible benefits for clients—such as receiving a customized client experience, or ensuring the products held in their portfolio align with their goals, circumstances, and preferences.

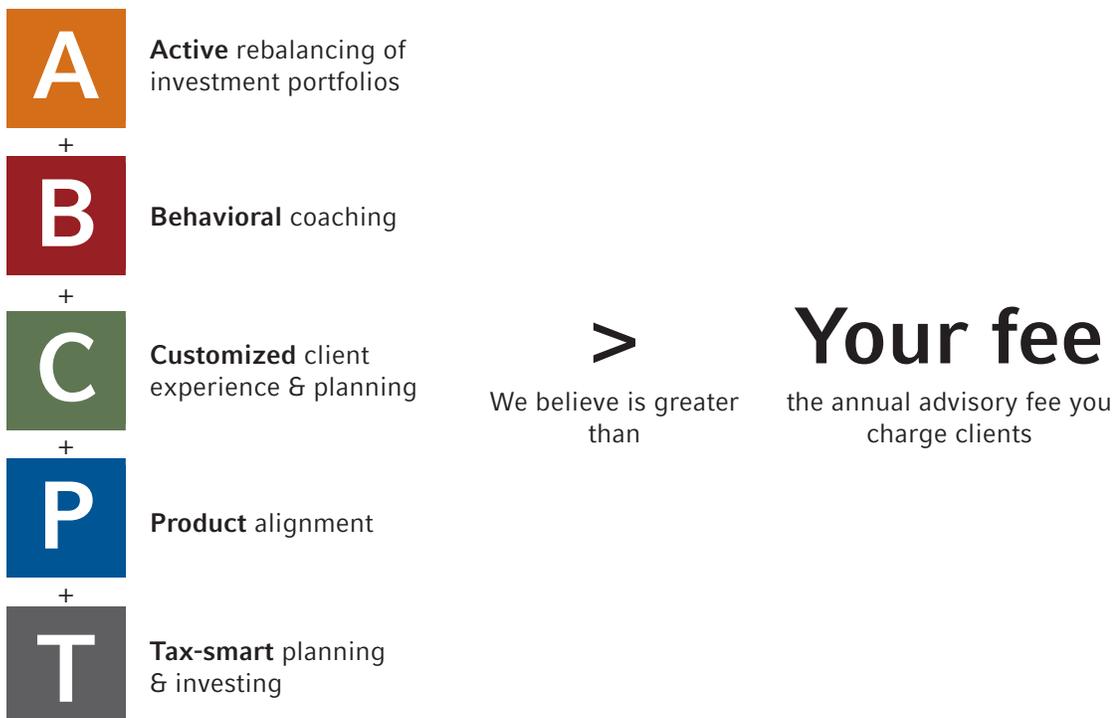
Given the volatility seen in 2020, it's no surprise that the biggest contributor to advisor value is your role as a behavioral coach. In fact, this category on its own more than offsets the 1% fee advisors typically charge for their services.

Let's take a look at the full value equation of an advisor's services. It's as easy as ABC and clearly shows that the estimated value is much greater than the typical advisory fee.

*In 2021, we believe the value of an advisor in the U.S. is 4.83%.*

## The ABCs of advisor value

The Value of an Advisor Study is meant to quantify the contribution that the technical and emotional guidance a trusted human advisor can offer. The formula we created is designed to categorize the areas of value creation in a repeatable, memorable way:



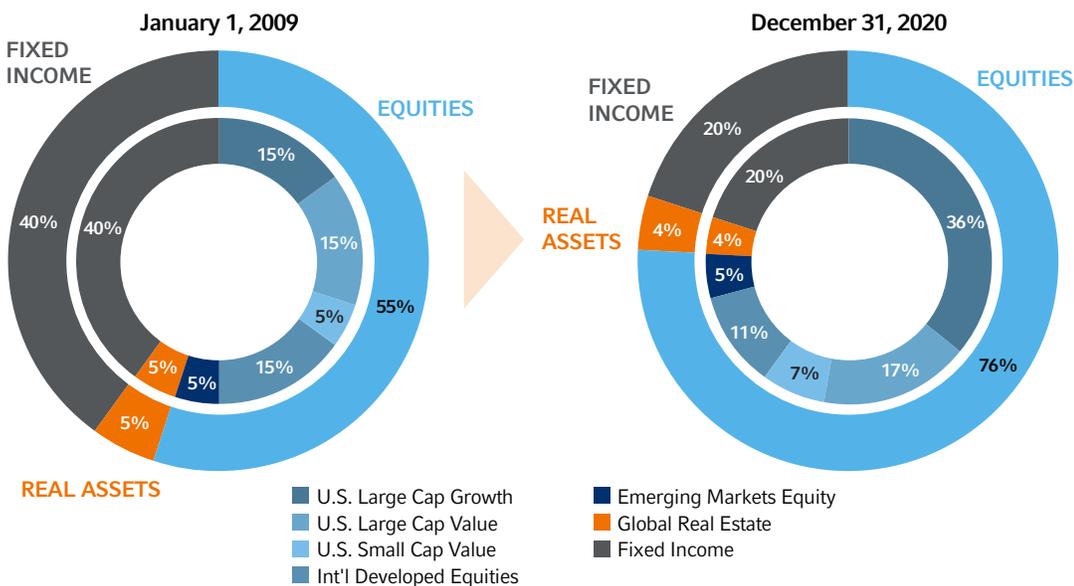


## A is for Active rebalancing of investment portfolios = 0.17%

When markets are rising calmly, it can be easy to underestimate the importance of regular rebalancing. But in a volatile year such as 2020, active rebalancing of a portfolio could have played a significant role in smoothing out investment performance. For instance, with most economic sectors shuttered and a widespread shift to a virtual work environment, we saw a few key technology companies dominate returns over the year and substantially increase their weighting in the S&P 500® Index. Without regular rebalancing, a client’s portfolio could have become overly heavy in large capitalization U.S. equities.

Over longer periods of time, this sort of shift can meaningfully change the risk and return potential of a portfolio. For example, if an investor had purchased a hypothetical balanced portfolio of 60% equities and 40% fixed income in January 2009 and it had not been actively rebalanced since then, by the end of 2020, the risk profile of the portfolio would look very different. That original balanced portfolio would have become a growth portfolio, with 80% invested in equities and only 20% in fixed income. That would expose the investor to risk they didn’t agree to and could be a concern if equity markets suddenly reversed, as we saw in early 2020.

**When balanced becomes the new growth**  
The potential result of an un-rebalanced portfolio



The drift was most pronounced:	Total U.S. Equity Allocation	Large Cap Growth Allocation	Large Cap Value Allocation	Fixed Income Allocation
	38%	140%	13%	-50%

Source: Hypothetical analysis provided in the chart & table above is for illustrative purposes only. Not intended to represent any actual investment. Source for both chart & table: U.S. Large Cap Growth: Russell 1000 Growth Index, U.S. Large Cap Value: Russell 1000 Value Index, U.S. Small Cap: Russell 2000® Index, International Developed Equities: MSCI World ex USA Index, Emerging Markets Equity: MSCI Emerging Markets Index; Global Real Estate: FTSE EPRA NAREIT Developed Index, and Fixed Income: Bloomberg Barclays U.S. Aggregate Bond Index.



Additionally, rebalancing can result in higher returns and lower volatility.<sup>1</sup>

*Additional returns.* Actively responding to changes in the markets has the potential to add approximately 0.17% in additional returns.

*Volatility reduction.* Actively rebalancing may also reduce portfolio volatility by an estimated amount of 0.58%.

**Hypothetical rebalancing comparison of \$500,000<sup>2</sup>**  
March 2005–December 2020

	BUY AND HOLD	ACTIVE REBALANCING
0.17% = Annualized return	7.16%	7.33%
Standard deviation	10.08%	9.50%
Ending value	\$1.4 million	\$1.5 million

Potential reduction in portfolio volatility **-5.6%**

Standard deviation is a statistical measure of the degree to which an individual value in a probability distribution tends to vary from the mean of the distribution. The greater the degree of dispersion, the greater the risk.

<sup>1</sup> Source Portfolio: Diversified portfolio consists of 30% U.S. large cap, 5% U.S. small cap, 15% non-U.S. developed, 5% emerging markets, 5% REITs, and 40% fixed income. Returns are based on the following indices: U.S. large cap = Russell 1000® Index; U.S. small cap = Russell 2000 Index; non-U.S. developed = MSCI EAFE Index; emerging markets = MSCI Emerging Markets Index; REITs = FTSE EPRA/NAREIT Developed Index; and fixed income = Bloomberg Barclays U.S. Aggregate Bond Index. Start date corresponds to index start dates (January 1988 is the inception of the MSCI Emerging Markets Index). The example compares the risk and return profiles of this portfolio if it was never rebalanced during that time period versus if it was actively rebalanced once annually.

<sup>2</sup> For illustrative purposes only. Not meant to represent any actual investment.

Those numbers may sound small. But over the years, even small increases in returns can add up. More importantly, the reduction in risk can help smooth out returns—which could help keep your clients invested during periods of market volatility.

**Take a sharper look at communicating the value of your advice**

**Do you share with your clients a written statement on:**

- The potential benefits of a systematic rebalancing policy
- What your strategic rebalancing policy is
- How frequently the portfolios are rebalanced
- Your approach to strategic rebalancing during periods of market volatility

**Your resource hub\*:**



[\*\*Six Good Reasons to Stay Invested\*\*](#)  
*(Brochure, client-ready)*



[\*\*Bull vs. Bear Market\*\*](#)  
*(1-pager, client-ready)*

\*Scan the code with your cell phone camera or click the link to access these resources or tools. These resources or tools may not be available at your firm. Please check with your home office for availability.



**B** is for Behavioral coaching = 2.02%

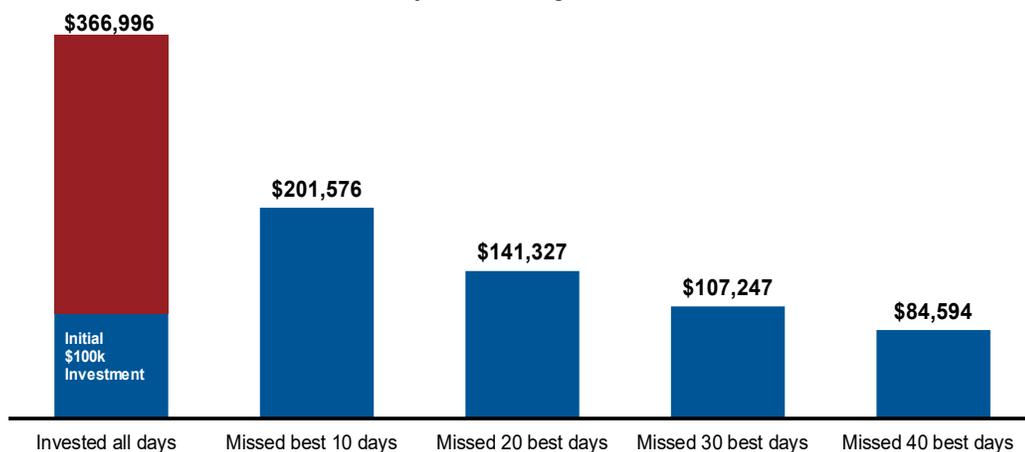
There is no question that 2020 was a wild ride. Many investors were tempted to flee for the exit in mid-March when the S&P 500 Index registered its largest weekly decline since 2008. In fact, between February 19, when the index closed at a record high and March 23, the S&P 500 Index fell by 33.8%.

This is where the value from your behavioral guidance really comes into focus. Investors who remained invested would have seen the index rebound 17.6% in the following three days, and then not only fully recover, but actually return 18% by the end of the year.

Without an advisor’s guidance, many investors would have sold low in March—in fact, \$335.6 billion was pulled out of U.S. equities in that month<sup>3</sup>—and perhaps have had to buy high as the markets steadily recovered throughout the end of the year. Or they would have been forced to remain in cash until a better entry point appeared—a risky and unpredictable strategy.

As the following graph shows, missing out on even a few days of good performance can have a detrimental effect on a portfolio. And how do you know which days those will be? That’s the catch—you don’t. Markets can be unpredictable. But their long-term trend has been up. In fact, the S&P 500 Index has finished the year in positive territory 74% of the time since its inception in 1926<sup>4</sup>. Investors who are guided by advisors—and stick to their plans—are likely to benefit. Doing nothing can often be the better choice.

**The investment impact of missing best market days**  
10 years ending December 31, 2020



Source: Morningstar. In USD. Returns based on S&P 500 Index, for 10-year period ending December 31, 2020. For illustrative purposes only. Index returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment. Indexes are unmanaged and cannot be invested in directly.

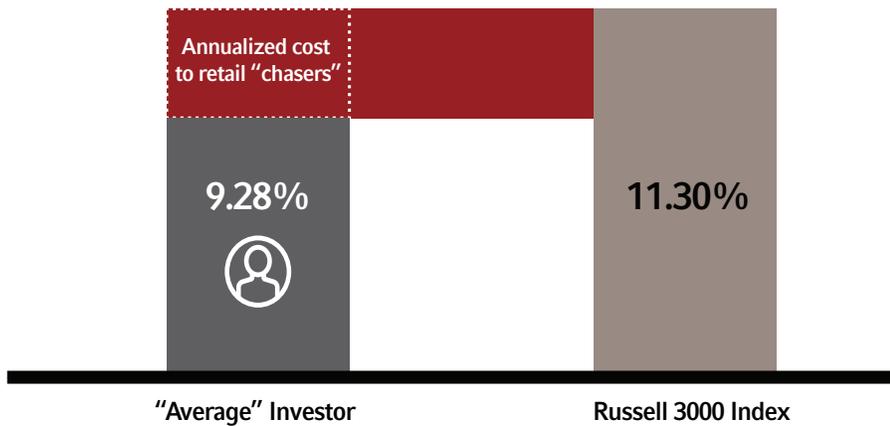
<sup>3</sup> Source: Russell Investments, Morningstar Direct. Based on monthly mutual fund, passive ETF flows, Russell 3000® Index

<sup>4</sup> Source: Russell Investments, represented by the S&P 500 Index from 1926-2020



Statistically, the average equity investor’s inclination to buy high and sell low cost them 2.02% annually in the 36-year period from 1984–2020. We believe there is good value in an advisor’s ability to help clients stick to their long-term financial plan and avoid the behavioral mistakes that may have them miss out on the market’s best days.

**The high cost of investor behavior**  
1984 - 2020



Source: "Average" Investor – Russell Investment Group, Refinitiv DataStream. Return was calculated by deriving the internal rate of return (IRR) based on ICI monthly fund flow data which was compared to the rate of return if invested in the Russell 3000 Index and held without alteration from January 1, 1984 to December 31, 2020. This seeks to illustrate how regularly increasing or decreasing equity exposure based on the current market trends can sacrifice even market-like returns. Indexes and/or benchmarks are unmanaged and cannot be invested in directly. Returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment.



**Take a sharper look at communicating the value of your advice**

How do you proactively incorporate coaching into every client meeting?

- Do you have a framework for handling challenging client conversations?
- Do you have a repeatable process for client reviews?
- Have you developed a plan regarding client engagement when things go wrong?
- How consistent is your message and is it simple and concise?



**Your resource hub\*:**



[Effective Client Reviews](#) (Web page)



[Challenging Conversations Guide](#) (Brochure)



[Cycle of Investor Emotions](#) (Interactive web page, client-ready)

\* Scan the code with your cell phone camera or click the link to access these resources or tools. These resources or tools may not be available at your firm. Please check with your home office for availability.



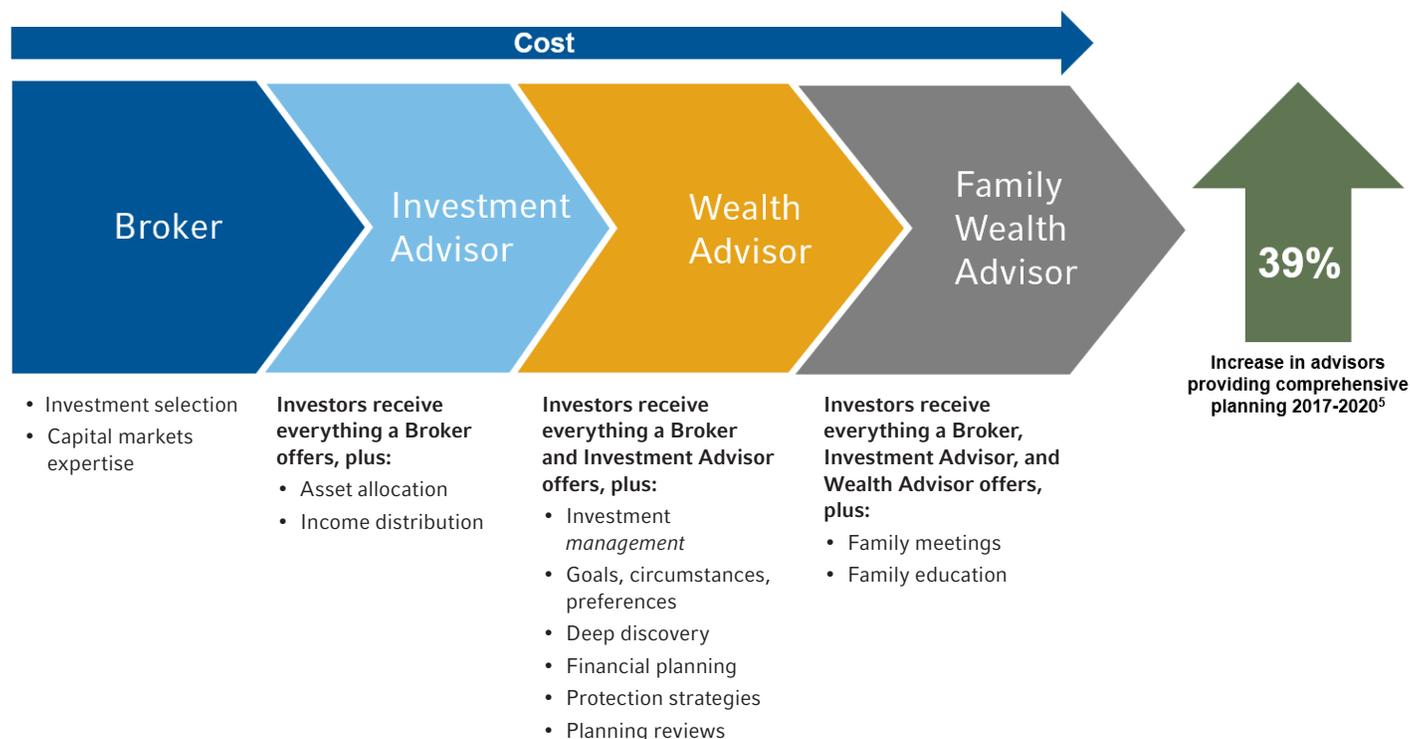
**C** is for Customized client experience & planning = 0.82%

If someone wanted a cookie-cutter, one-size-fits-all investing experience—at very little cost—they could use a robo-advisor.

Robo-advisors generally don't provide a financial plan, ongoing service, or guidance. In most cases, they just give the investor the option of choosing from a pre-selected list of funds, provide annual statements and a phone number to call in case of questions. Moreover, the person answering the investor's call would typically have a standard set of responses to common questions. That would be fine if all investors were alike.

But each investor has their own set of goals, circumstances, and preferences. And that is why we believe the customized client experience that you can offer has significant value.

We also recognize that your role has changed in recent years. At one time, an advisor was essentially a broker—selecting investments for clients. Now, most advisors are expected to provide holistic wealth advice for entire families. Indeed, between 2017 and the end of 2020, there has been a 39% increase in advisors providing comprehensive planning services<sup>5</sup>.



<sup>5</sup> Data source: <https://www.envestnet.com/press/envestnet-moneyguides-latest-advisor-survey-finds-financial-planning-services-fees-rise>



We have found that the value that advisors deliver through the customized experience is much higher than the cost of an automated service and cookie-cutter plan from a robo-advisor.

Recent research<sup>6</sup> has shown that investors are more willing to work with advisors who have a deep understanding of their individual circumstances and financial goals. This is where human advisors have the edge over robo-advisors. Investors may start a business, get married, buy a home, raise children, save for their children’s educations, care for elderly parents, sell a business, receive an inheritance, and prepare for or manage their retirement. Having a wise, human advisor by their side in navigating these life-defining moments can bring tremendous value to investors.

It’s no surprise then that the majority of investors surveyed said that more frequent and more personalized service would play a large role in whether they would continue to work with an advisor<sup>7</sup>.

Here’s where a trusted human can compete. The average fee charged by a robo-advisor is about 0.22%<sup>8</sup>. The average planning fee is 1.04% of assets under management. In that 0.82% difference is a wide range of quantitative and qualitative services.

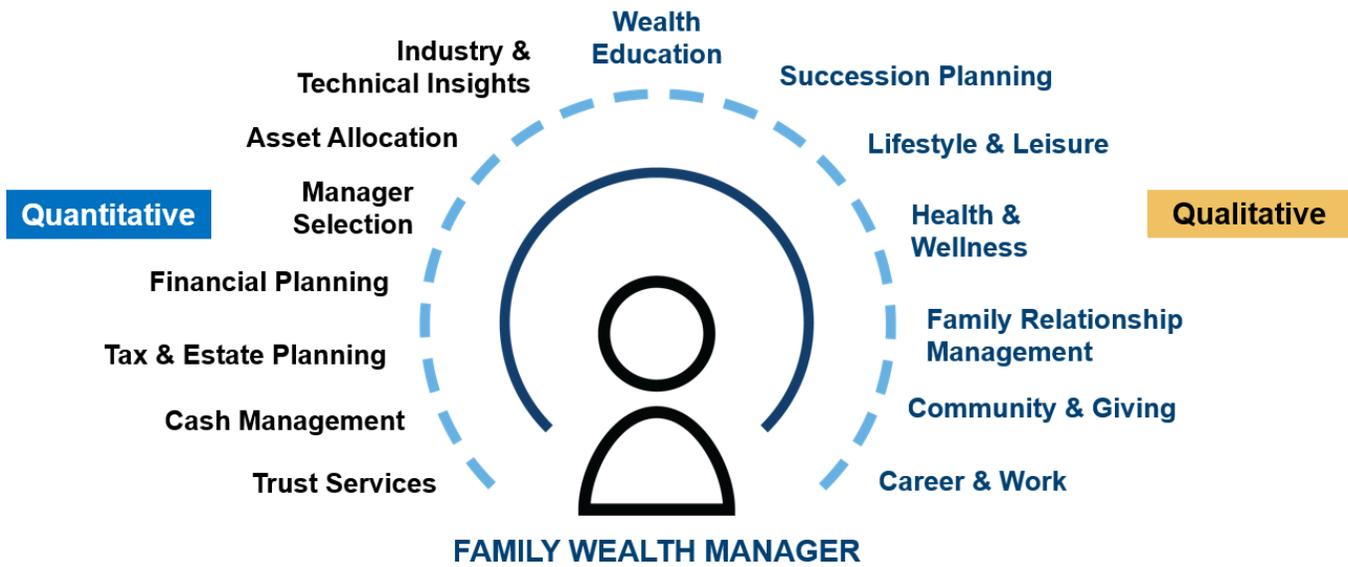
$$\begin{array}{rcccl}
 \mathbf{1.04\%} & & \mathbf{0.22\%} & & \\
 \text{Average planning fee} & - & \text{Average} & = & \mathbf{0.82\%} \\
 \text{charged in 2020}^9 & & \text{robo-advisor fee}^8 & & \text{Value of C}
 \end{array}$$

<sup>6</sup> Survey “How can advisors better communicate with their clients”, December 2019 by YCharts. Total sample size represented 650 individuals across the U.S. [https://go.ycharts.com/hubfs/YCharts\\_Client\\_Communications\\_Survey.pdf](https://go.ycharts.com/hubfs/YCharts_Client_Communications_Survey.pdf), Accessed Feb 3, 2021.

<sup>7</sup> Source: [https://go.ycharts.com/hubfs/YCharts\\_Client\\_Communications\\_Survey.pdf](https://go.ycharts.com/hubfs/YCharts_Client_Communications_Survey.pdf), Accessed Feb 3, 2021.

<sup>8</sup> Based on average of the fees charged for a \$500,000 account by the 18 roboadvisors referenced in <https://www.roboadvisorpros.com/robo-advisor-fees-lowest-to-highest/>. Published on Jan 19, 2021. Accessed on Feb 3, 2021.

<sup>9</sup> Data source: <https://www.envestnet.com/press/envestnet-moneyguides-latest-advisor-survey-finds-financial-planning-services-fees-rise>. Accessed on Feb 3, 2021.



**Take a sharper look at communicating the value of your advice**

**How do you customize the client experience you deliver?**

- Do you have a repeatable discovery process?
- Do you have a written defined service model that you share with clients, based on your segmentation strategy?
- Can you articulate your Unique Value Proposition and the services you provide?
- Are you providing comprehensive Family Wealth Planning to your best clients?
- Do you provide clients with a roadmap of how you will work with them to address their specific needs?

**Your resource hub\*:**



[Client Discovery Process](#) (1-pager)



[Client Engagement Roadmap](#) (Template)

\*Scan the code with your cell phone camera or click the link to access these resources or tools. These resources or tools may not be available at your firm. Please check with your home office for availability.



**P** is for Product alignment = 0.62%

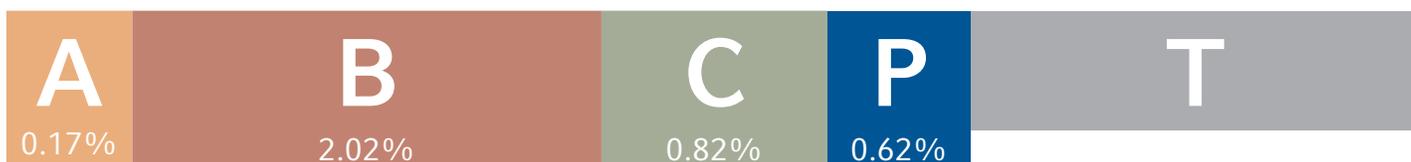
If every investor has their own goals, circumstances, and preferences, then it stands to reason that each will require a different mix of products. But how can you provide that customized client experience when there is only an average of 2,000 work hours in a year? That’s based on 40 hours a week over 50 weeks. And that’s not accounting for illnesses, additional vacation, conferences, meetings and other events that can take a bite out of the time you have available. Impossible, right?

GOALS	CIRCUMSTANCES			PREFERENCES	
GROWTH	Taxable	Tax-exempt	Married	Conservative	Moderate
	Single	Divorced	Widowed	Aggressive	Fee sensitive
INCOME	Young	Not Young	Working	Return driven	Preservation
	Retired	Short Horizon	Long Horizon	Yield oriented	ESG

Hypothetical scenario for illustrative purposes only.

Besides, we’ve already discovered that investors value advisors for their personalized service and want more frequent communication. So it makes sense for you to provide the wealth management services and outsource the stock picking. This is where the use of models can really help you free up time while still ensuring each of your clients gets the customized client experience they value.

For example, you could choose a core investment strategy for all of your clients—the strategy in which you have the deepest conviction and the broadest knowledge. You could then outsource more specific strategies—such as small cap investments, or international investments, or high yield fixed income—and include a selection of those strategies in your client portfolios depending on their goals, circumstances and preferences. Or, you can outsource the tax management of the strategies to a firm that dedicates time and expertise to creating products that provide clients with the best possible tax profile. These are strategies that can enhance the client experience, potentially improve outcomes and offer comprehensive investment solutions to your clients.



The time you would have spent researching stocks, meeting portfolio managers and analysts, tracking those stocks, documenting trades and conducting ongoing research is now available for you to spend time with your top clients—giving them the personalized experience they crave.

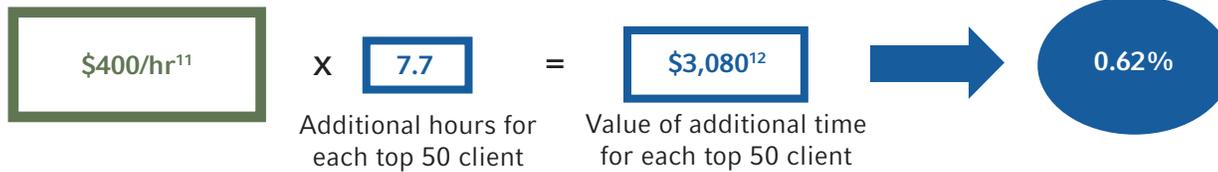
And with that personalized service, you will gain deeper insight into your clients' goals, circumstances and preferences—making it more likely that the model strategies you choose will more closely align with the outcomes they desire.

So, let's say you outsource investment management to a firm that provides a selection of model strategies. A recent study<sup>10</sup> has found that by doing so, a financial advisor could save 7.7 hours a week. Multiply that by the number of weeks worked in a year and you end up with an extra 385 hours—time you could spend with your family, or growing your business, or with your top clients.

$$\frac{7.7 \text{ hours}}{\text{week}} \times \frac{52 \text{ weeks}}{\text{year}} = \frac{385 \text{ hours}}{\text{year}}$$

Now imagine having an additional 7.7 hours to work with your top clients on their specific needs and deepening the relationship they have with you. How would that impact your business? The value to you is significant, but so is the value to them. If we estimate an advisor's average hourly rate is \$400 (based on annual revenue of \$800,000 a year and a 40-hour work week), then the value of that additional time for each of your top 50 clients is \$3,080. Based on a \$500,000 account, that's an additional 0.62% of value you can offer them just by outsourcing.

<sup>10</sup> Source: <https://static.twentyoverten.com/5e0f642709752828dbb0c6e0/-mJyNOiwG/Outsourcing-Money-Management-article4.pdf>, AssetMark, 2019. Accessed on Feb 3, 2021



Assumptions:

- \$3,080 per \$500,000 account value.

<sup>11</sup> Based on \$800,000 GDC divided by 2,000 working hours per year (12 months). Advisor’s hourly rate based on the formula: Annual Gross Revenue ÷ by number of hours worked in the year. In this hypothetical scenario: \$800,000 annual gross revenue ÷ 2,000 work hours for the year [40 hours per week for 50 weeks] = \$400/hour rate.

<sup>12</sup> Based on a \$500,000 account

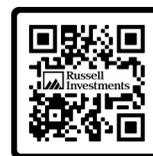
### Take a sharper look at communicating the value of your advice



#### How do you describe your product strategy to your clients?

- Have you documented your investment selection and review process in writing—and can you articulate it clearly and concisely for clients?
- Do you regularly review and manage all the investments held in client accounts, no matter how many clients hold that investment?
- Do you use distinct investment strategies to address clients’ qualified and non-qualified assets?
- Have you considered the potential benefits of advisory business to clients and your practice?

#### Your resource hub\*:



[The Case for Models](#) (1-pager)



[Transition Services](#) (Web page)

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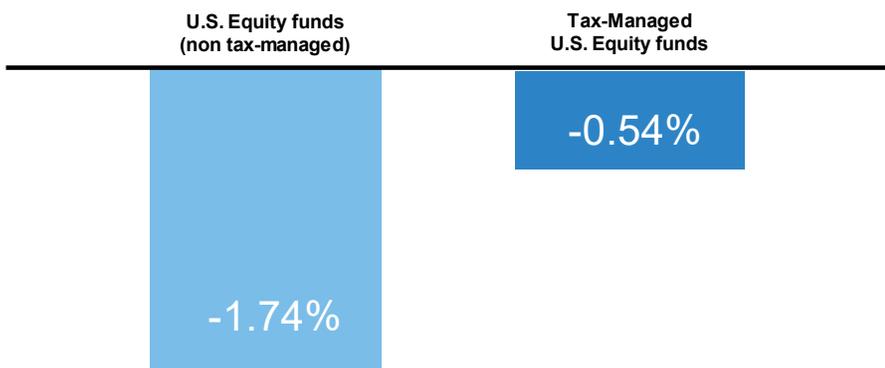


**T** is for Tax-smart planning & investing = 1.20%

Why should we be concerned about tax management? Because taxes can have a significant impact on returns. Our research has shown that investors lost an average of 1.74% of their return from U.S. equity products in each of the five years ending December 31, 2020. That's larger than the total fee most advisors charge.

**Dialing down the tax drag**

Average annual tax drag (return lost to the tax-payer) for 5 years ending December 2020



Tax-managed: funds identified by Morningstar to be tax-managed.

Universe averages: Created table of all U.S. equity mutual funds and ETF's as reported by Morningstar. Calculated arithmetic average for pre-tax, post-tax return for all shares classes as listed by Morningstar.

Morningstar Categories included: U.S. ETF Large Blend, U.S. ETF Large Growth, U.S. ETF Large Value, U.S. ETF Mid-Cap Blend, U.S. ETF Mid-Cap Growth, U.S. ETF Mid-Cap Value, U.S. ETF Small Blend, U.S. ETF Small Growth, U.S. ETF Small Value, U.S. OE Large Blend, U.S. OE Large Growth, U.S. OE Large Value, U.S. OE Mid-Cap Blend, U.S. OE Mid-Cap Growth, U.S. OE Mid-Cap Value, U.S. OE Small Blend, U.S. OE Small Growth, U.S. OE Small Value.

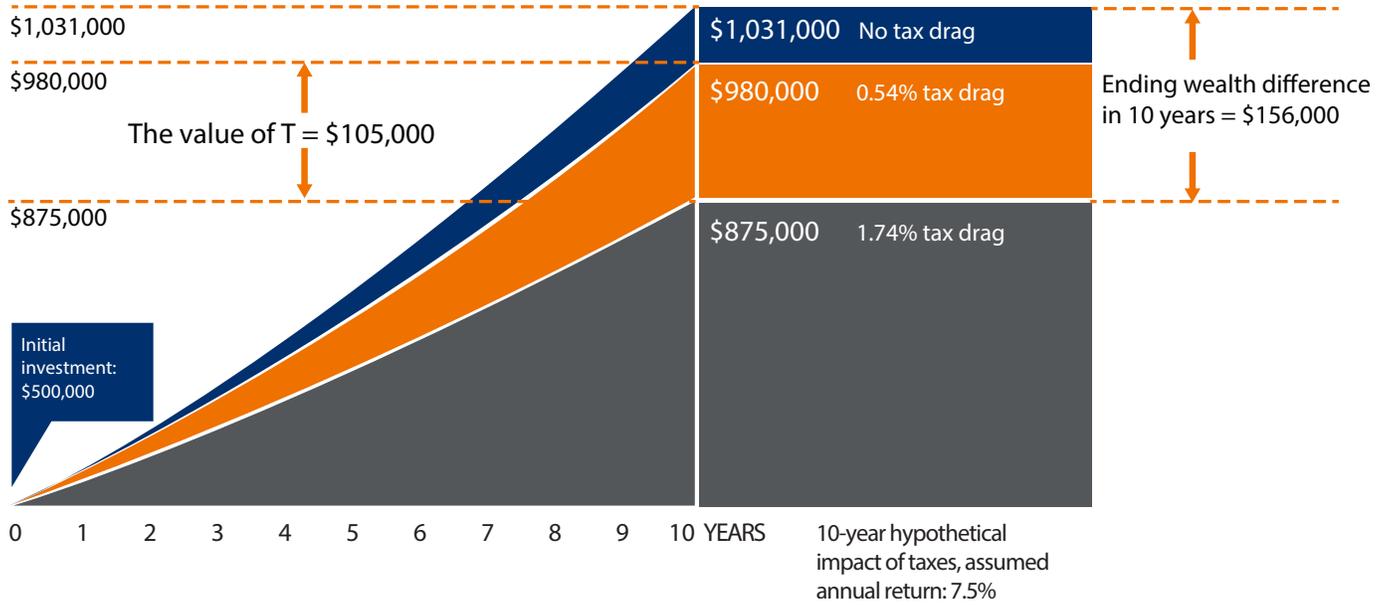
Methodology for Universe Construction on Tax Drag chart: From Morningstar, extract U.S. equity and fixed income mutual fund and ETF's for reported period. Averages calculated on a given category. For example, average after-tax return for the large cap category reflects a simple arithmetic average of the returns for all funds that were assigned to the large cap category as of the end date run. For funds with multiple share classes, each share class is counted as a separate "fund" for the purpose of creating category averages. Morningstar category averages include every type of share class available in Morningstar's database. Large Cap/Small Cap/Municipal Bond determines based upon Morningstar Category. If fund is indicated by Morningstar as passive or an ETF, the fund is considered to be passively managed. Otherwise, the fund is considered to be actively managed. Tax Drag: Pre-tax return less after-tax return (pre-liquidation).

More importantly, over time, that kind of tax drag can add up. For example, a \$500,000 investment that lost 1.74% annually to taxes from non-tax managed U.S. equity products would only be worth \$875,000 in 10 years, assuming a 7.5% average annual return. But that same investment with no tax drag would be worth \$1.03 million.

With taxable investors holding \$9.8 trillion of the \$21.3 trillion invested in open-end mutual funds, this is a massive concern—and a massive opportunity for added value. Investing in tax managed funds can reduce the tax drag to an average of 0.54% annually, which could add another \$105,000 over 10 years to the investor's return. How would your clients react if you helped them save \$105,000 they would otherwise pay in taxes?



**Helping your clients keep more of what they earn**  
 Hypothetical growth of \$500,000 over **10 years** at 7.5% per year



This example does not reflect the deduction of state or federal income taxes. If it had, returns would have been lower.

This is a hypothetical illustration and not meant to represent an actual investment strategy. Taxes may be due at some point in the future and tax rates may be different when they are. Investing involves risk and you may incur a profit or loss regardless of strategy selected.

The difference between the average tax drag of 1.74% and the tax-managed drag of 0.54% is 1.20%. That's the value you can provide as a tax-smart advisor.

A tax-managed approach to investing can not only give your clients more money to work with and further invest, it can help differentiate your practice.



As we emerge from the global pandemic, the next issue we may have to face is how to pay for the historic government stimulus packages that kept the economy afloat in 2020. That stimulus added more than \$3 trillion to our country's total debt. With that in mind, it seems likely that taxes are only going to go up over time.

So don't wait to get tax-smart. Now more than ever, using a tax-managed approach can provide significant value to your clients and help you stand out from your peers.

**Take a sharper look at communicating the value of your advice**



**Understanding your client's tax-sensitivity level**

Do you...

- ...**KNOW** each client's marginal tax rate?
- ...**PROVIDE** intentionally different investment solutions for taxable and non-taxable assets?
- ...**EXPLAIN** to clients the potential benefits of managing taxes?
- ...**HAVE** a process for partnering with local CPAs?
- ...**REVIEW** your client's 1099?

**Your resource hub\*:**



[Value of Tax Management Tool](#)

*(Client-friendly)*



[4 Tax Hazards to Avoid in 2021](#)

*(Brochure, client-friendly)*

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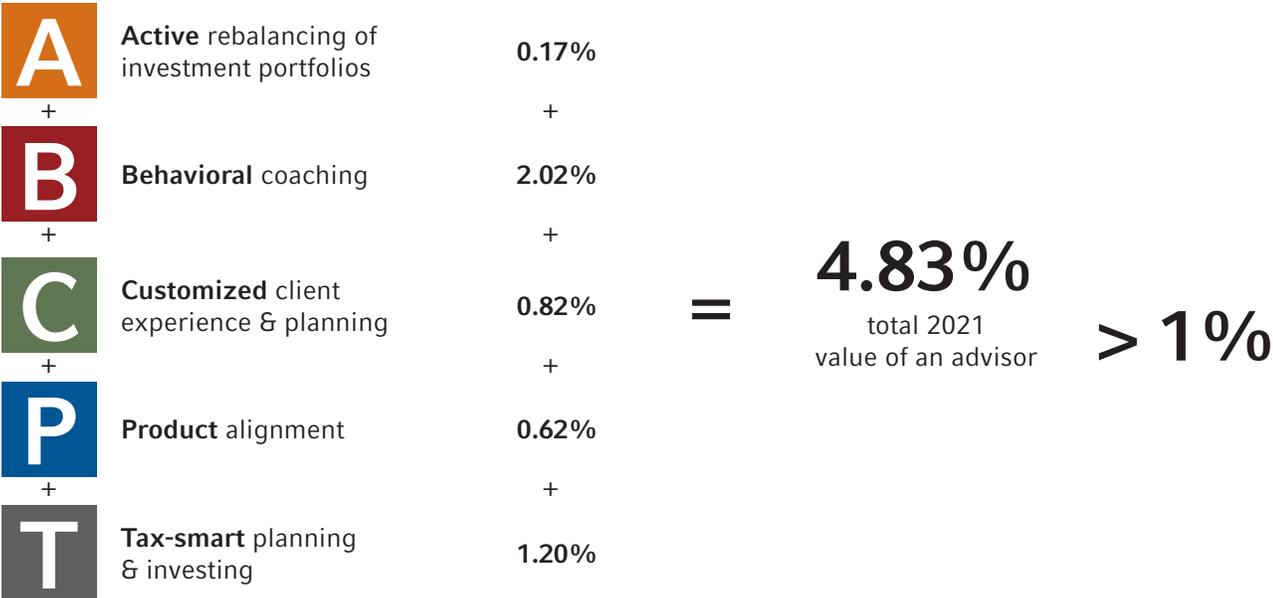
### Communicate your value

This post-pandemic world could be the perfect time for you to reassess the full value you deliver and how you communicate that value to your clients.

We know that many advisors worked hard through 2020’s challenges to keep in touch with clients and keep them invested. Our formula shows that even if you were only able to help your clients avoid the behavioral mistakes that many investors make in the face of the significant volatility we saw, you’ve already provided value above and beyond your fee. Add to that your other services, the active rebalancing, customized client experience you give them, ensuring their portfolios align with their specific goals, and the savings from a tax-managed approach, and it seems clear that the value advisors can deliver is significant.

Our simple, easy-to-follow formula can help you articulate and demonstrate that value to your clients.

In 2021, we believe advisors delivering services and value have an estimated contributory value of 4.83%. Compare that to the 1% advisors typically charge in fees.



### Focus on the value you provide.

At Russell Investments, we believe in the value of advisors. And the numbers back up our belief. We see the potential advantages you create for your clients. We know the commitment you bring to your relationships. This annual Value of an Advisor Study quantifies that dedication and the resulting benefit.

### Reach out to learn more.

Russell Investments provides investment solutions, business solutions, and can help you create your unique value proposition and provide accountability coaching.

Contact your Russell Investments team or visit [russellinvestments.com](https://russellinvestments.com).









## For more information:

Call Russell Investments at **800-787-7354** or visit [russellinvestments.com](https://russellinvestments.com).

***Fund objectives, risks, charges and expenses should be carefully considered before investing. A summary prospectus, if available, or a prospectus containing this and other important information can be obtained by calling (800) 787-7354 or visiting <https://russellinvestments.com>. Please read a prospectus carefully before investing.***

### IMPORTANT INFORMATION AND DISCLOSURES

Please remember that all investments carry some level of risk, including the potential loss of principal invested. They do not typically grow at an even rate of return and may experience negative growth. As with any type of portfolio structuring, attempting to reduce risk and increase return could, at certain times, unintentionally reduce returns.

Diversification and strategic asset allocation do not assure profit or protect against loss in declining markets.

The Investment Company Institute is the national trade association of U.S. investment companies, which includes mutual funds, closed-end funds, exchange-traded funds and unit investment trusts.

**Bloomberg Barclays U.S. Aggregate Bond Index:** An index, with income reinvested, generally representative of intermediate-term government bonds, investment grade corporate debt securities, and mortgage-backed securities (specifically: Barclays Government/Corporate Bond Index, the Asset-Backed Securities Index, and the Mortgage-Backed Securities Index).

**FTSE EPRA/NAREIT Developed Index:** A global market capitalization weighted index composed of listed real estate securities in the North American, European and Asian real estate markets.

**MSCI Emerging Markets Index:** A float-adjusted market capitalization index that consists of indices in 21 emerging economies: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey.

**The MSCI EAFE Index** is an equity index which captures large- and mid-cap representation across 21 developed markets countries around the world, excluding the U.S. and Canada. With 918 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each

country. Countries include: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the U.K.

**The MSCI World ex U.S. Index** tracks global stock market performance that includes developed and emerging markets but excludes the U.S.

**The Russell 1000® Growth Index** measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

**The Russell 1000® Value Index** measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 companies with lower price-to-book ratios and lower expected growth values.

**The Russell 2000® Index** measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000 Index is a subset of the Russell 3000® Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership.

**The Russell 3000® Index** measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market.

**The S&P 500® Index** is an index, with dividends reinvested, of 500 issues representative of leading companies in the U.S. large cap securities market.

Indexes are unmanaged and cannot be invested in directly. Returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment.

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