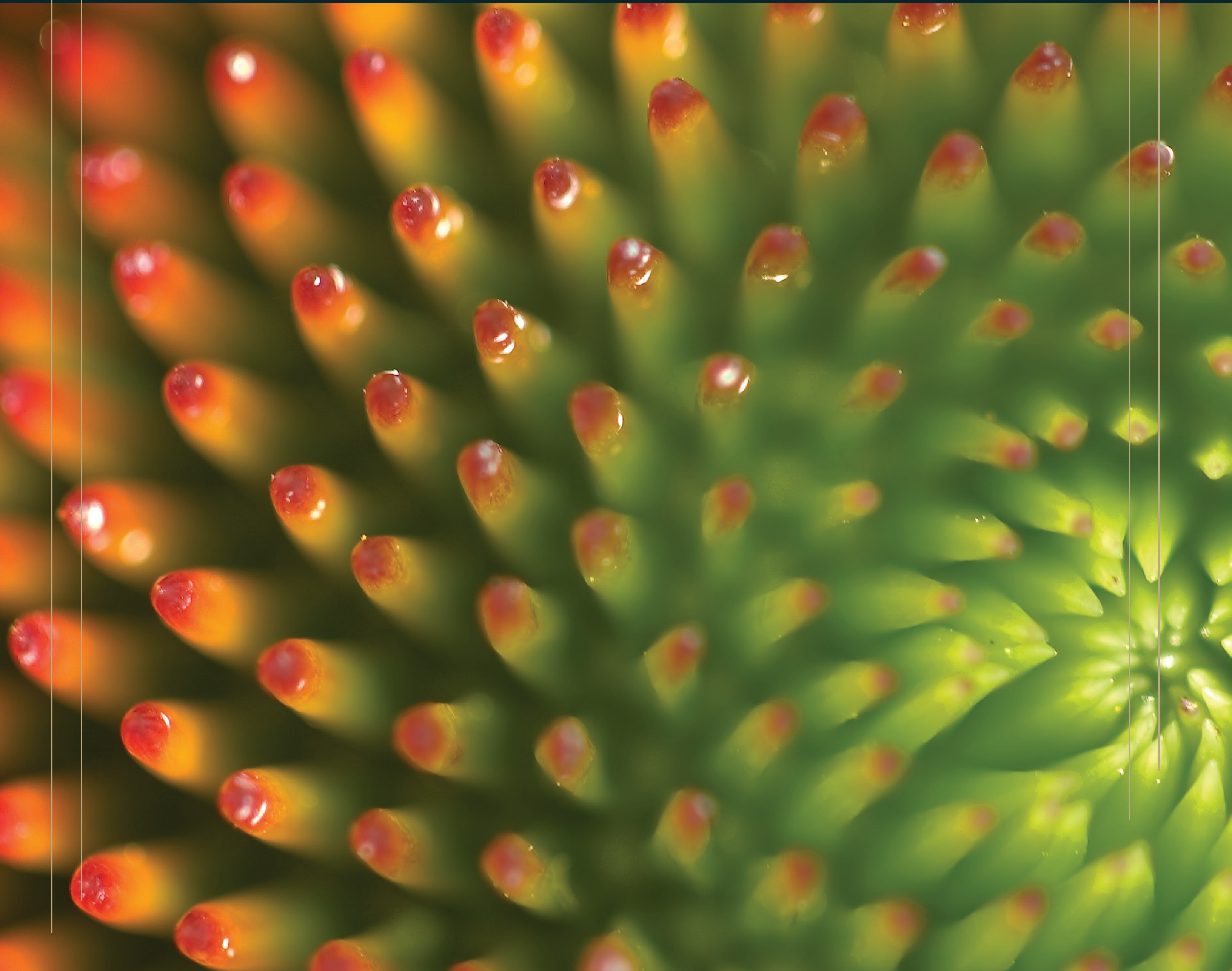
ROCKEFELLER
ASSET MANAGEMENT

Perspectives On The Year Ahead



2023 Year In Review

Throughout 2023 volatility persisted for equity and fixed-income markets. Investors faced above-average but declining inflation, stubbornly tight labor markets, rising interest rates, a banking crisis and an artificial intelligence (AI) boom. Given the concerns of rising government deficits, fear of a US government shutdown and rising geopolitical tensions, the volatility was warranted.

Against this backdrop, US Treasury rates rallied in the first half of the year on fears of a recession and banking system turmoil that resulted in the downfall of multiple institutions and heightened scrutiny of bank balance sheets. The banking crises impacted both US and European banks, as fear of contagion spread. Intervention by the US Federal Reserve (Fed) and the Federal Deposit Insurance Corporation supported the banking system to help contain risks.

As banks stabilized, broader market sentiment shifted in the second half of the year to one of a soft landing, resilient economy and healthy consumer — which collectively pushed the 10-Year Treasury yield to a peak of 5.0%. Heading into the final weeks of the year, indications of rate cuts in 2024 and inflation moderation pushed the 10-Year Treasury yield below 4.0%. Growth is projected to slow for the fourth quarter of 2023, as the Atlanta Fed GDP Now tracker signals a 2.2% expansion, following robust 5.2% GDP growth in the third quarter.

Meanwhile, equity markets advanced broadly throughout the year, supported by expectations of a soft landing and rate cuts in 2024, disinflation and the expectation of earnings growth acceleration in the quarters ahead. The S&P 500® Index gained 26.3%. In contrast, the Russell 2000® Index returned 16.9% as Small Cap returns were less robust due to economic uncertainties, higher financing costs and sharper reductions in earnings estimates. Overall, US equity markets outperformed their global equity counterparts with the Russell 3000® Index up 26.0%, versus the MSCI ACWI Index return of 22.2%. In high-grade fixed income, performance was generally consistent, as rate volatility and duration remained the key contributor toward returns. The Bloomberg US Aggregate Index returned 5.5%, while the Bloomberg US Corporate Index gained 8.5%, and the Bloomberg Municipal Bond Index returned 6.4%.

While banks grabbed early headlines, AI drove equity market valuations. The hope for increased productivity and revenue streams pulled forward earnings expectations. This further drove narrow equity market returns, with AI ETFs up 10–14% over the second quarter, meaningfully outperforming the 8.7% gain for the S&P 500® Index. AI beneficiaries boosting tech valuations led to further US equity market capitalization concentration. The 10 largest companies made up nearly 32% of the S&P 500® Index in June, a high since 1985. Valuations of those technology companies that rallied with the AI surge reflected significant future growth expectations, which may limit further multiple expansion.

Shifting to global market factors, growth in Europe and other developed markets is likely to be more muted in 2024. Expected growth for the European Union (EU) in 2024 is 1%. China's slowdown and geopolitical risks impacted markets in 2023, a trend we anticipate will persist in 2024. Despite signs of expansionary activity early in the year, post-COVID-19 Chinese growth stalled as consumer prices fell, the property crisis deepened, the Chinese yuan fell to its lowest level in 16 years, local government debt soared, and unemployment rose significantly enough among youth that the data are no longer published. Given these mounting headwinds, the People's Bank of China intervened by cutting rates and implemented measures to support the property market and consumer businesses. Another key factor investors are closely monitoring is China's reduction of US Treasury holdings, which could pressure rates.

A few other developments are worth noting. For one, the approval of GLP-1 drugs to treat both obesity and diabetes had a widespread impact on various corners of the market in the middle of the year. Investors priced in increasingly negative expectations for snacks and beverage makers, diabetes treatments, and medical device companies with the view that widespread weight loss among consumers would lead to reductions in demand. A big change is also coming from the insurers, as evidence of broader applications of GLP-1s has led to expectations of increased adoption rates.

Higher interest rates and financing costs impacted large, complex projects throughout the market, including renewable energy, electric vehicle (EV) manufacturing and municipal project finance focused on renewable energy. Rising costs led to reassessments and scrapping of projects, particularly those wind related. Simultaneously, pullback in EV sentiment was notable. As a result, major auto original equipment manufacturers (OEMs) have indicated slowing investments in EV capacity expansion.

> The focus from our perspective is the pace and trajectory of earnings growth acceleration, which will go a long way in driving investor sentiment and ultimately the direction of markets.

As we head into 2024, markets are more optimistic about a "soft landing" and less concerned about the impact from geopolitical risks. From our perspective the focus is on two key factors, the pace and trajectory of earnings growth acceleration, and the path of US interest rates, which together will go a long way in driving investor sentiment and ultimately the direction of markets. The portfolio managers at Rockefeller Asset Management highlight their perspective on their respective areas expertise in the markets in the sections to follow.

Views from Our Portfolio Managers

Small Cap

WHAT WAS THE MOST IMPORTANT MACRO TREND, OR BIGGEST SURPRISE IN 2023?

The biggest surprise has been the massive underperformance of small caps relative to large caps. In 2023, small caps lagged large caps by approximately 962 basis points (bps)[1]. This is even more shocking considering small caps outperformed large caps by over 400 bps through the first two months of 2023. While we were cognizant of the risks around inflation, higher interest rates and slowing growth heading into this year, we thought small caps would put up more of a fight. After all, the asset class underperformed large caps for two consecutive years heading into 2023, as well as five out of the last six calendar years. Most of the underperformance in 2023 can be attributed to the acute strength in "big tech." On an equal-weighted basis, small caps were down just 200 bps versus large caps for the year. To be sure, reduced earnings estimates at the lower end of the capitalization spectrum contributed to small caps' underperformance. That said, the magnitude was greater than we would have expected, as the valuation gap between small and large widened significantly.

WHAT DO YOU EXPECT FROM 2024 IN TERMS OF MACRO TRENDS?

First, we expect an acceleration in earnings growth for smaller companies. We believe that the third-quarter earnings season represented the "bottom" and growth should accelerate steadily from here and moving through 2024. We believe the market will begin to increasingly price in this acceleration in growth, which arguably has already begun, given the recent strength of the asset class.

Second, we believe the Fed has ended its rate tightening campaign. When the Fed will begin to lower rates is up for debate. Regardless, the end of the tightening cycle has historically provided an environment for small-cap outperformance versus mid-caps and large caps, as it is typically accompanied by an improving macro backdrop and comes on the heels of small-cap underperformance.

Third, we expect inflation to remain somewhat "sticky." History has shown that small caps have outperformed in high-but-declining inflationary environments, which we expect to be the case for some time. Finally, we anticipate an acceleration of M&A activity, which has historically served to buoy valuation multiples for smaller companies.

1 Small Caps represented by the Russell 3000 and large caps represented by the Russell 2000 in this section

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WHERE ARE THE BIGGEST OPPORTUNITIES IN 2024?

While we expect financial conditions to improve in 2024, we believe the macro environment, going forward, will remain much different than the one that characterized the post-Global Financial Crisis world (i.e., low inflation and low interest rates). Thus, the biggest opportunity for us as small-cap managers will be investing in quality companies that are able to withstand the impact of higher interest rates, with strong balance sheets and robust cash flow generation, and weather higher inflation with flexible cost structures and pricing power. In our view, inflation and interest-rate shocks of the past several years have shone a light on the potential for 'quality' investing to preserve client capital in challenging times, as well as compound returns through a full cycle. In our view, quality companies that made decisions in 2023 to gain market share or invest in their businesses will outperform their competitors who are struggling with leverage and remaining defensive. The decisions made today can benefit companies in the coming three to five years. As always, we will adhere to our tried-and-true philosophy of investing in high-quality businesses with company-specific drivers of outperformance that have not yet been priced in by the market.

WHAT SHOULD INVESTORS KEEP IN MIND AS 2024 UNFOLDS?

The market tends to move in long cycles, and changes in regime (i.e., large-cap versus small-cap performance) tend to occur around significant macro events or shocks to the system. Given the prolonged underperformance of small caps relative to large caps, investors tend to forget that the asset class was a strong outperformer over a long period post the Dot-com crash through the start of Great Financial Crisis. In addition to the natural boost small caps may enjoy coming out of a difficult macro environment (given their greater leverage to the domestic economy), we expect several structural drivers (re-shoring, IRA benefits, Jobs Act, etc.) to provide a multi-year tailwind to small-cap earnings growth. This, in turn, could help close the historical valuation gap that currently exists versus large caps and result in a prolonged period of outperformance. Importantly, investors should be aware that the early stages of regime change tend to be the most fruitful for small-cap investors.

Global and International Equity

WHAT WAS THE MOST IMPORTANT MACRO TREND, OR BIGGEST SURPRISE IN 2023?

The most significant macro driver of equity market performance has been interest-rate volatility. The Fed's hawkish position resulted in 11 rate increases since early 2022 to 5.5%, and marks one of the sharpest hiking cycles in recent memory. Equity markets performed poorly in the February–March and August–October timeframes, which coincided with notable increases in the US 10-year Treasury yield.

Additionally, the concentration of returns have been largely driven by the technology-focused "Magnificent Seven." These stocks constitute a significant weight in the S&P 500® Index and contributed to a 26.3% YTD return in 2023, versus the equal weighted S&P 500 Index's 13.8% return.

The 10 largest companies based on market capitalization represent nearly 32% of the S&P 500 Index, the largest concentration since 1985. By comparison, during the Dot-com era, the top 10 represented 24% of the total. We are by no means calling for these stocks to imminently crash, but we are highlighting this data to relay our views that perhaps the valuations of these highly profitable technology companies have already embedded significant growth, which makes further multiple expansion challenging.

WHAT DO YOU EXPECT FROM 2024 IN TERMS OF MACRO TRENDS?

2023 GDP growth expectations had risen from 0.3% to 2.4% over the course of the year, despite the steady rise in the federal funds Rate. We anticipate the effects of elevated interest rates to impact global economies in 2024. The US 10-year Treasury yield approached 5.0% in October, a level last seen in 2007, but has since retraced toward 3.9%. In the near term, higher rates will disadvantage indebted companies, acting to reduce the multiples of long-duration equities and potentially thwart excessive capital decisions, which effectively dampens the outlook for equities.

Real GDP growth is slowing globally, with the 2024 US GDP expected to decelerate to 1.2%, with tepid growth forecast in the eurozone (0.6%), and a precarious situation lingering in China (4.5%). Given the extraordinary stimulus measures implemented by western economies over the past three years, there may not be sufficient resources to stimulate growth in the near term.

The current US unemployment rate remains below 4% but has been gradually moving higher in recent months, as companies begin to implement hiring freezes and staff reductions. Despite full employment rates, the University of Michigan Consumer Sentiment Index remains sluggish. In addition, credit card net charge-off rates suggest deteriorating financial conditions ahead for middle class to sub-prime households, as they have largely depleted their savings accumulated during the pandemic.

WHERE ARE THE BIGGEST OPPORTUNITIES IN 2024?

As companies constantly strive to increase productivity, we believe that there are opportunities for businesses that can help unlock operating efficiencies. In particular, companies that facilitate automation, energy reduction and flexible manufacturing may benefit, as these trends continue to be prioritized areas of corporate spending. As we approach potentially softer economic growth in 2024, we believe companies that exhibit flexible cost structures and those with a quality bias will likely outperform.

WHAT SHOULD INVESTORS KEEP IN MIND AS 2024 UNFOLDS?

Global economies, as well as corporate profits, have remained resilient despite enduring the regional banking crisis, the debt ceiling debate, insolvent Chinese property companies, two major geopolitical conflicts and high interest rates, among other things. The effects of these may take time to manifest and could result in a slowdown for the global economy in the quarters ahead.

> Investors should be mindful of China's economic policies given the challenges in the property market and its effect on household wealth

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Utilizing the S&P 500® Index as a proxy for the equity markets, it is currently trading at 19x forward earnings reflecting 2024 earnings growth expectations of 11%[1]. We believe this estimate appears ambitious, given a decelerating growth outlook, and is likely to be revised lower, making current valuations modestly unattractive depending on the market.

Finally, investors should be mindful of China's economic policies, given the challenges in the property market and its effect on household wealth. In recent months, the government has implemented modest stimulus programs, including a $137 billion sovereign debt package for targeted construction projects, as well as minor rate cuts on short-term loans. All in all, China has been measured in its approach to revitalizing growth and has yet to restore confidence in the market. If China can manage to contain the risks to the property sector and restore investor confidence, we can potentially see economic activity increase globally.

WHAT WAS THE MOST IMPORTANT MACRO TREND, OR BIGGEST SURPRISE IN 2023?

There were many macroeconomic cross currents and surprises impacting fixed-income markets in 2023. These included persistently high, albeit moderating, global inflation, tight US labor markets, a resilient consumer, sudden and extreme instability in the banking sector, an ongoing battle over raising the debt ceiling, rising US deficits, multiple geopolitical events and concerns the US may default on debt and face additional downgrades. Amid all these divergent macro factors, bond market volatility, not surprisingly, remained elevated, with dramatic shifts in Treasury rates driving returns across fixed-income markets quarter-by-quarter.

As we pen this piece, inflation data continued to show signs of modest cooling, as measured by the most recent Personal Consumption Expenditures Index (PCE) and Consumer Price Index (CPI). The US labor market continues to perplex the Fed and investors, as there were signs of cooling through much of the second half of the year that were thwarted in the November Bureau of Labor Statistics Non-Farm Payroll report. The report reflected unexpected strength, as the unemployment rate fell to 3.7%, and monthly wage gains increased by 0.4%, to 4.0% year-over-year, which, although below the 4.8% in the end of 2022, is above a level that suggests persistent cooling in inflation.

On the flip side, other signals point to slowing growth, including the Atlanta Federal Reserve GDP Now Tracker predicting 2.2% growth for the fourth quarter of 2023, down materially from 5.2% in the prior quarter. Further, the Fed's November Beige book provided a lukewarm account of the economy, with six regions noting declines in activity, two noting flat to slightly down activity, and only four regions reporting modest growth. In addition, the Philadelphia Federal Reserve Coincident Index released in November reported 16 states signaling contraction. Despite this slowing trend and macro challenges throughout the year, credit spreads in liquid investment-grade and high-yield fixed income remained reasonably well contained and closed the year tight to historic norms, with expectations of resiliency.

WHAT DO YOU EXPECT FROM 2024 IN TERMS OF MACRO TRENDS?

Our base case points to continued moderating inflation toward central bank targets globally. That said, we expect to see some hiccups, as moderating wage inflation has not followed a straight-line trend lower, due to shifting demographics and labor market dynamics. Growth is expected to moderate in 2024, as households and companies continue to feel the lagged effects of monetary policy. Investor focus is likely to shift from fears of duration, or interest-rate sensitivity, toward concerns around credit risks.

At the December Federal Open Market Committee Meeting, the Federal Reserve signaled a more dovish policy shift towards easing in 2024 which was relayed

the updated Summary of Economic Projections that signaled a median of three cuts in 2024, an increase from two cuts in the prior SEP. Further, Fed Chair Jerome Powell's comments leaned dovish with an emphasis on potential easing in 2024. Following this, the market began pricing in significant easing with as many as six cuts as early as March 2024. While we believe the Federal Reserve may ease in 2024 if inflation continues to cool towards the Fed's 2% target, we do anticipate any easing will come in the back half of the year. The Fed is likely to continue to use forward guidance as a key tool to maintain appropriate policy in the near-term.

We anticipate bank balance sheets may remain under some pressure, due to the combination of lower-yielding assets on balance sheet and risks stemming from commercial real estate (CRE) exposure, we believe a bottom-up approach to credit research will mitigate the risks for investors. Residential real estate is broadly expected to remain well supported in both single and multi-family housing. National home prices bottomed out in early 2023 and have begun to rebound, despite high mortgage rates and fewer transactions in the secondary market. The technical backdrop remains supportive, as demand eclipses supply in many geographies. Given this backdrop, rents may be pressured in pockets of the country, further emphasizing the need for the Fed to proceed with caution on rates. A bottom-up approach is critical to monitoring risks and opportunities in real estate, as not all geographies will be resilient, evidenced by some slowdown in a few major cities.

WHERE ARE THE BIGGEST OPPORTUNITIES IN 2024?

High-quality, liquid fixed income remains compelling at current rates and spreads, given the trajectory for the economy in 2024, as we believe we are post-peak growth and peak inflation. This last mile toward 2% inflation is likely to prove the most challenging. To bring inflation back to the long-term target, labor slack will need to continue to build. As such, our view is the Fed will be patient before shifting towards easing, which may pressure household and company balance sheets over the cyclical time frame. Some of those pressures have been forming, as noted above. Our base case is that inflation continues to moderate toward central bank targets, wage pressures continue to cool (albeit with some volatility given demographics), and the economy slows. We think investors with a long-term time horizon would benefit from adding high-quality duration at this point in the cycle.

WHAT SHOULD INVESTORS KEEP IN MIND AS 2024 UNFOLDS?

While our base case is further moderation in inflation toward global central bank targets, we consider tail risks of a hard landing with faster declines in growth and inflation, as well as a "no-landing" scenario, in which growth is resilient and inflation re-accelerates. This macro-economic uncertainty may persist during the early part of the year. We think it is prudent to consider the relative risks and continue to structure portfolios that take these potential scenarios into account.

Investors should consider adding duration here to benefit if a slowdown is underway, continuing to keep some powder dry. Longer-term secular shifts have resulted in tighter labor market conditions with fewer available workers than pre-pandemic, resulting from baby boomers retiring and shifting preferences. Should the economy stabilize, labor may again gain the upper hand.

Thematics

WHAT WAS THE MOST IMPORTANT MACRO TREND, OR BIGGEST SURPRISE IN 2023?

The biggest surprise going into 2023 was negative sentiment around decarbonization, concurrent with rates spiking and the market having a delayed reaction to higher rate policy implementation. "Clean energy" stocks underperformed across the board, with the S&P Global Clean Energy Index returning -21.4% in 2023. Especially surprising was the fact that the underperformance occurred against an extremely supportive backdrop for growth in renewable energy development and decarbonization, supported by funding coming in from the Infrastructure Investment and Jobs Act (IIJA) and Inflation Reduction Act (IRA). It is important to note that our thematic portfolios, Climate Solutions and Ocean Engagement, are more focused on small- to mid-cap companies. As mentioned previously, small caps lagged large caps by approximately 962 basis points (bps) during the year. The divergence between small- and large-cap valuations was significant, as earnings for smaller-cap companies struggled, and the asset class largely missed out on the technology rally and AI enthusiasm. We did not anticipate the extent to which the small- to mid-cap size companies would underperform throughout the year. Lately, there has been a more "risk-on" flavor in the markets, which could ultimately benefit shares of smaller companies as we move into 2024. Long-tailed structural drivers like re-shoring may aid smaller, domestically focused businesses for an extended time period as well.

WHAT DO YOU EXPECT FROM 2024 IN TERMS OF MACRO TRENDS?

During the last few years, supply chain fears prompted companies to maintain a conservative approach to inventory across several areas, including industrial and consumer products. This has been particularly impactful to companies in the blue economy (promoting the sustainable use of ocean resources). Now that these fears have subsided and inventory levels have been worked down, our view is that 2024 promises a more normalized environment, creating opportunities for proper planning and the ability to reap the benefits of greater economic growth. Second, we are seeing a more visible implementation of some of the economic stimulus packages in the US, particularly green spending. Despite delays in rolling out the IRA, CHIPS Act and IIJA, we believe that this government spending will have a solid presence in demand profiles in 2024.

Finally, we are expecting negative headlines surrounding the climate transition. Roughly two-thirds of the world is set to hold elections in the coming year, and an easy campaign target is green spending. Despite acknowledgment that green spending is a necessary step in fighting climate change, it can be perceived as inflationary and, therefore, is likely to shape some political platforms. 2023 was the hottest year on record, which drastically increased the number of costly weather events. Our view is that the world will have no choice but to address energy and food security issues, and these issues will be necessary to resolve regardless of politics.

WHERE ARE THE BIGGEST OPPORTUNITIES IN 2024?

We continue to believe that we are in the beginning stages of a long-term capital investment ramp-up in climate change solutions that encompasses decarbonization, energy security, food security and various sustainable solutions. Water scarcity and security is increasingly exacerbated by climate change and is an area of investment that we have maintained and added exposure, given structural growth dynamics that are less cyclical. Ultimately, we believe that companies with positive pricing dynamics and the ability to pass along interest rates stand to outperform in a higher-rate environment. We focus on companies that exhibit strong balance sheets and can sustain their operating prowess in a challenging environment. Further, companies will demonstrate their business quality through their ability to meet normalized demand patterns, whether that be in the materials sector, or in residential or non-residential construction products. Finally, we are optimistic about the potential impacts of the Inflation Reduction Act, believing renewable energy and efficiency industries will rebound and stabilize. We take somewhat of a contrarian stance on renewable energy, given the fact that the sector got de-rated, and investor sentiment is quite negative going into 2024. Our view is that we are just beginning to see this landmark legislation's impact, which should last into the 2030s and transform not only the US economy across various industries, but also trigger a global competition for green energy spending.

WHAT SHOULD INVESTORS KEEP IN MIND AS 2024 UNFOLDS?

We believe it is important not to lose sight of the longer-term structural drivers and to be cognizant of valuations. The crowding impact of large-cap tech versus other parts of the market has created an opportunity for "left-behind" companies that are trading at attractive valuations. The recent reset in valuations comes at a pivotal time when we continue to expect policy support for climate spending that remains well below the level required to meet the world's net-zero ambitions. We maintain the view that investments in decarbonization and climate solutions will continue to remain a structural growth opportunity. Renewable energy is now often the cheapest form of power generation across the world. Its application has the potential to further decarbonize industrial processes and transportation, while higher power prices and declining input costs mitigate the higher cost of financing in today's environment. Although higher interest rates present a short-term headwind to some companies in the portfolio, especially those tied to capital-intensive infrastructure like renewable energy, we believe the roll-out of green capital programs to drive decarbonization is on a secular long-term growth trajectory. This is underpinned by changes in consumer preferences, technological innovation and especially favorable policy tailwinds.

Conclusion

We believe several important macro trends will shape the year ahead, including the potential of a "higher-for-longer" interest-rate environment, AI's growing influence on the economy, a volatile political and geopolitical environment and the impact of extreme weather, to name a few. In our view, it will be increasingly important to focus on high-quality companies that can thrive over the long term. As such, the coming year should provide active managers with an opportunity to differentiate themselves.

All data as of December 31, 2023 unless otherwise noted

Investing involves risk, including risk of loss. Past performance is no guarantee of future results. Some of the risks involved with equities include the possibility that the value of the stocks may fluctuate in response to events specific to the companies or markets, as well as economic, political or social events in the U.S. or abroad. Investments in fixed income securities are subject to credit, liquidity, prepayment, and interest rate risks, any of which may adversely impact the price of the security and result in a loss. Small capitalization stocks generally involve higher risks in some respects than do investments in stocks of larger companies and may be more volatile. Investments in foreign securities are subject to foreign currency risk and the possibility of substantial volatility due to adverse political, economic or other developments. These risks are magnified for investments made in emerging markets.

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A basis point is a common unit of measure for interest rates and other percentages in finance. Basis points are typically expressed with the abbreviations bp, bps, or bips. One basis point is equal to 1/100th of 1%, or 0.01%. In decimal form, one basis point appears as 0.0001 (0.01/100).

The S&P 500® is widely regarded as the best single gauge of large-cap U.S. equities. The index includes 500 leading companies and covers approximately 80% of available market capitalization.

The Russell 2000® Index measures the performance of the small-cap segment of the US equity universe. The Russell 2000 Index is a subset of the Russell 3000® Index representing approximately 7% of the total market capitalization of that index, as of the most recent reconsitution. 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 US companies representing approximately 96% of the investable US equity market, as of the most recent reconstitution.

The S&P Global Clean Energy Index is designed to measure the performance of companies in global clean energy-related businesses from both developed and emerging markets, with a target constituent count of 100.

The MSCI ACWI captures large and mid cap representation across 23 Developed Markets (DM) and 24 Emerging Markets (EM) countries. With 2,921 constituents, the index covers approximately 85% of the global investable equity opportunity set.

The Bloomberg Aggregate Bond Index or "the Agg" is a broad-based fixed-income index used by bond traders and the managers of mutual funds and exchange-traded funds (ETFs) as a benchmark to measure their relative performance. The Agg is to the bond market what the Wilshire 5000 Total Stock Index is to the equity market.

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

The Bloomberg U.S. Municipal Index covers the USD-denominated long-term tax exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and prerefunded bonds.

Indexes are unmanaged, and one cannot invest directly in an index.

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