

Institutional Wisdom, Earned Alpha, **Enduring Value.**[®]

Noteworthy Charts from Sub-Advisors of Our Multi-Managed Funds – Q4 2020



Executive Summary

- Around the globe, Value style versus Growth style investing is at extremes
- The largest stocks comprise an outsized portion of cap-weighted global indices
- Expensive stocks (Growth style) have outpaced inexpensive stocks (Value style)
- Currently at historically wide valuation spreads between Growth style and Value style
- Value style has typically outperformed Growth style following growth-led cycles

Year-End Summary

Equities finished the year on a high note as SMID Cap and Emerging Markets rallied the most. Fixed-income returns were mixed as credit sectors were up and Treasuries closed out a negative quarter but capped off an overall strong year.

As of 12/31/20	October	November	December	Q4	1 Year	3 Years*	5 Years*	10 Years*
US Equity								
S&P 500 TR USD	(2.66)	10.95	3.84	12.15	18.40	14.18	15.22	13.88
Russell 1000 Value TR USD	(1.31)	13.45	3.83	16.25	2.80	6.07	9.74	10.50
Russell 1000 Growth TR USD	(3.40)	10.24	4.60	11.39	38.49	22.99	21.00	17.21
Russell 2500 TR USD	1.81	16.29	7.61	27.41	19.99	11.33	13.64	11.97
International Equity								
MSCI EAFE NR USD	(3.99)	15.50	4.65	16.05	7.82	4.28	7.45	5.51
MSCI EAFE Value NR USD	(4.03)	18.94	4.43	19.20	(2.63)	(1.24)	4.20	3.37
MSCI EAFE Growth NR USD	(3.96)	12.28	4.87	13.09	18.29	9.67	10.50	7.51
MSCI EM NR USD	2.06	9.25	7.35	19.70	18.31	6.17	12.81	3.63
MSCI ACWI Ex USA NR USD	(2.15)	13.45	5.41	17.01	10.65	4.88	8.93	4.92
Fixed Income								
ICE BofA US Cash Pay HY Constnd TR USD	0.46	3.97	1.92	6.44	6.10	5.86	8.39	6.60
BBgBarc US Agg Bond TR USD	(0.45)	0.98	0.14	0.67	7.51	5.34	4.44	3.84
BBgBarc US Long Credit TR USD	(0.62)	5.11	0.44	4.92	13.32	9.23	10.02	8.24
BBgBarc US Treasury Long TR USD	(3.01)	1.20	(1.18)	(3.00)	17.70	9.88	7.85	7.80
BBgBarc US Strips 20+ Yr TR USD	(4.03)	1.80	(1.52)	(3.79)	24.05	12.88	10.64	11.66

*Periods over one year are annualized

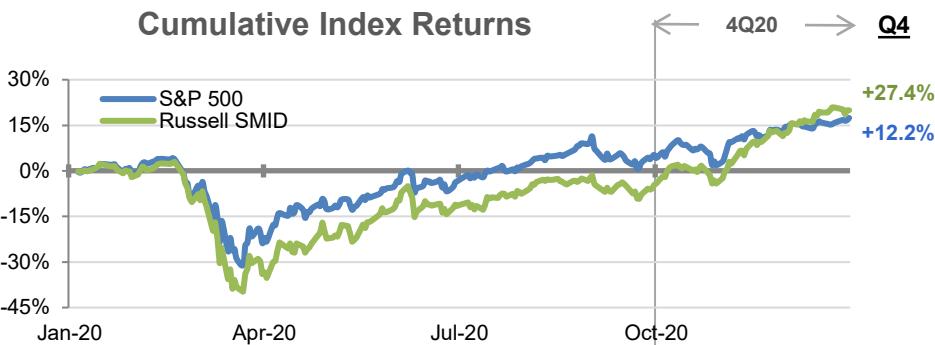
Source: Morningstar

Year-End Summary

Equity markets ended a tumultuous 2020 with a strong quarter as positive vaccine efficacy news provided optimism for investors. In the risk-on environment, credit spreads rallied.

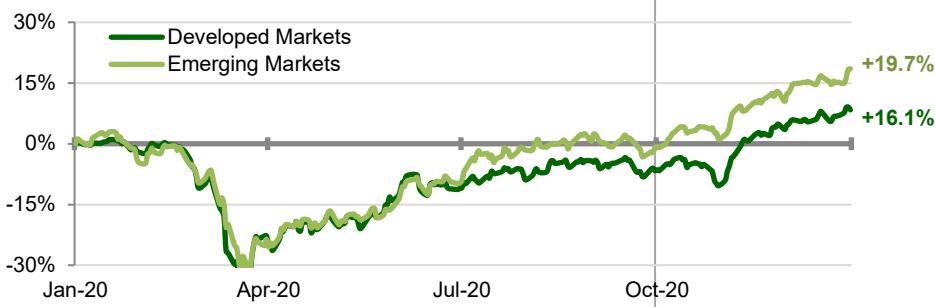
U.S. Equity

- Broad U.S. stocks rose as markets responded to multiple vaccines reaching key milestones and the FDA approval of early-stage inoculations.
- Beaten down value stocks reversed sharply particularly within energy, financials, and cyclicals leading to outperformance of value over growth and small cap over large cap stocks.
- Also driving the rally was Congress finally passing a new stimulus package and confidence that easy monetary policies will continue.



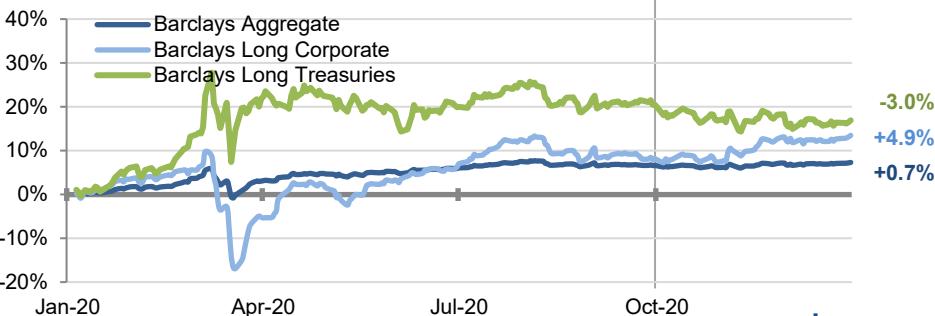
Int'l Equity

- International markets soared in the fourth quarter buoyed by the positive vaccine announcements and strengthening currencies versus the U.S. dollar.
- In Europe, the United Kingdom and European Union finally agreed to a Brexit deal on Christmas Eve that lifted a long-standing market overhang.
- International value stocks, which are now more cyclically oriented continued to recover during the fourth quarter.

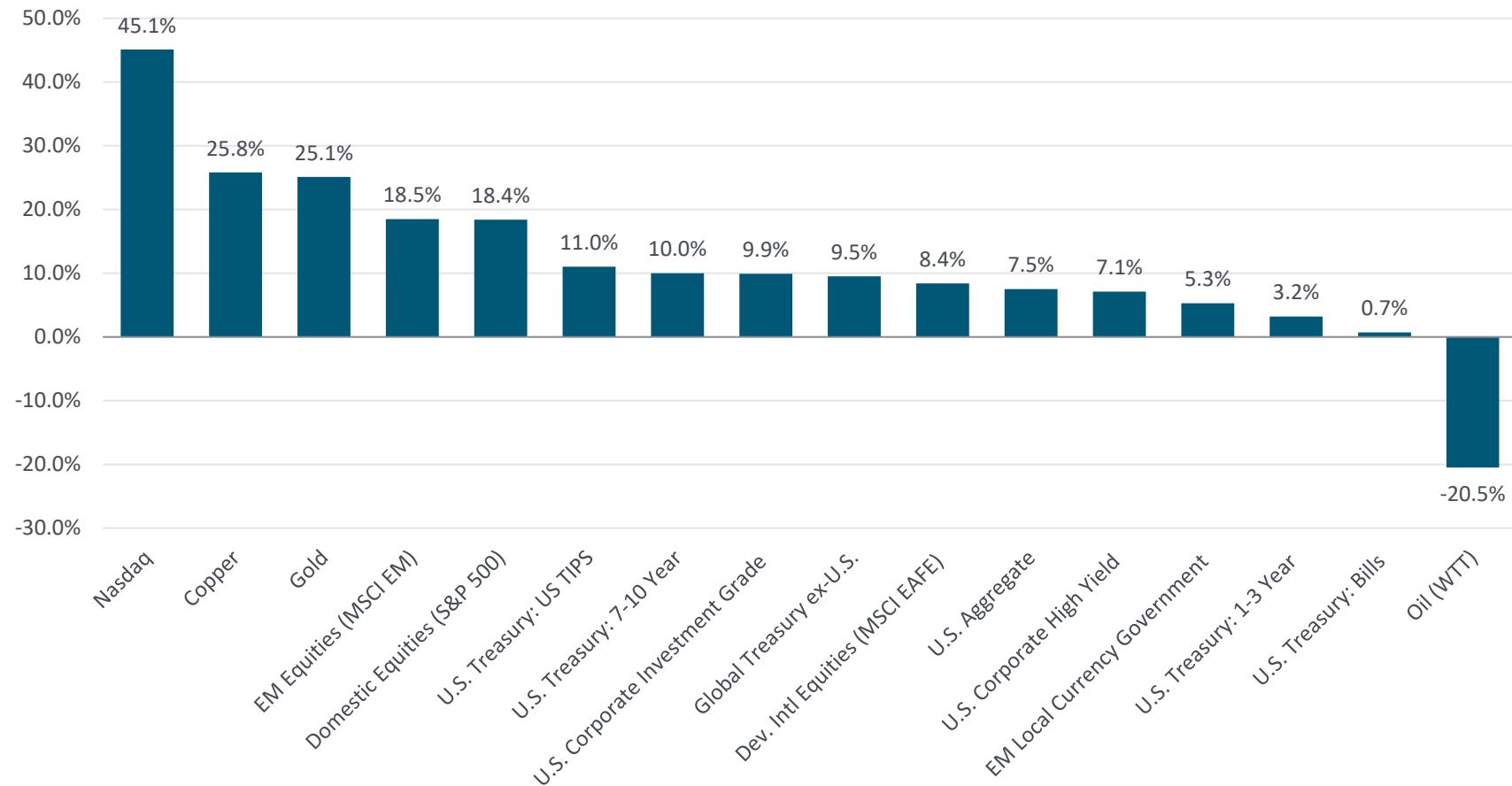


Fixed Income

- The U.S. Federal Reserve maintains their very dovish stance and shows no signs of a change in policy, keeping borrowing cost targets near zero through 2023.
- Long U.S. treasuries sold off in the risk on market and the yield curve steepened on optimism surrounding a return to a more normal functioning society.
- Corporate spreads tightened meaningfully in both Investment Grade and High Yield on the back of positive market news.



Year-to-Date 2020 Asset Class Performance



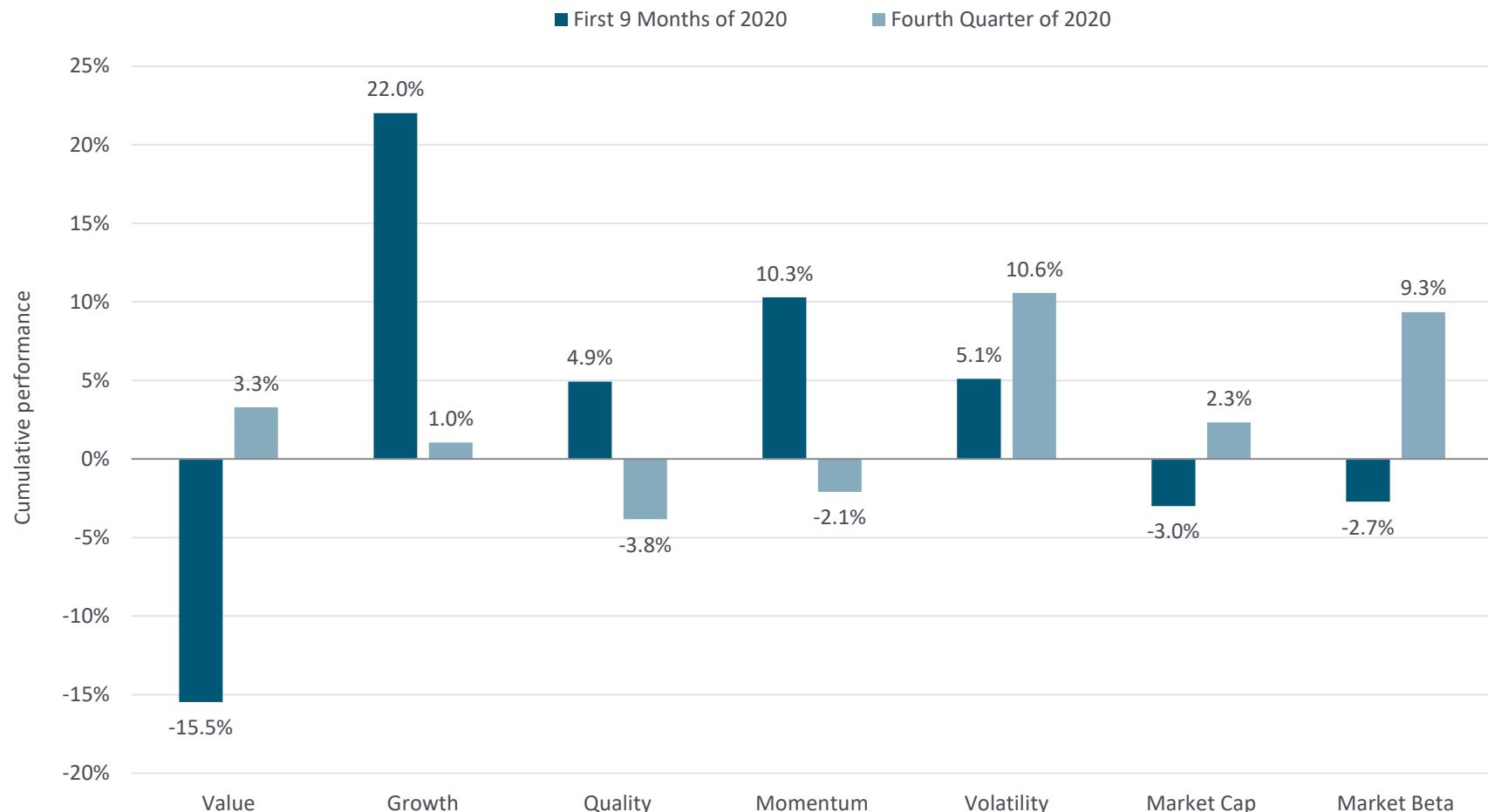
Source: Strategas

Domestic Equity



US Equity Factor Performance

Factor performance during 2020

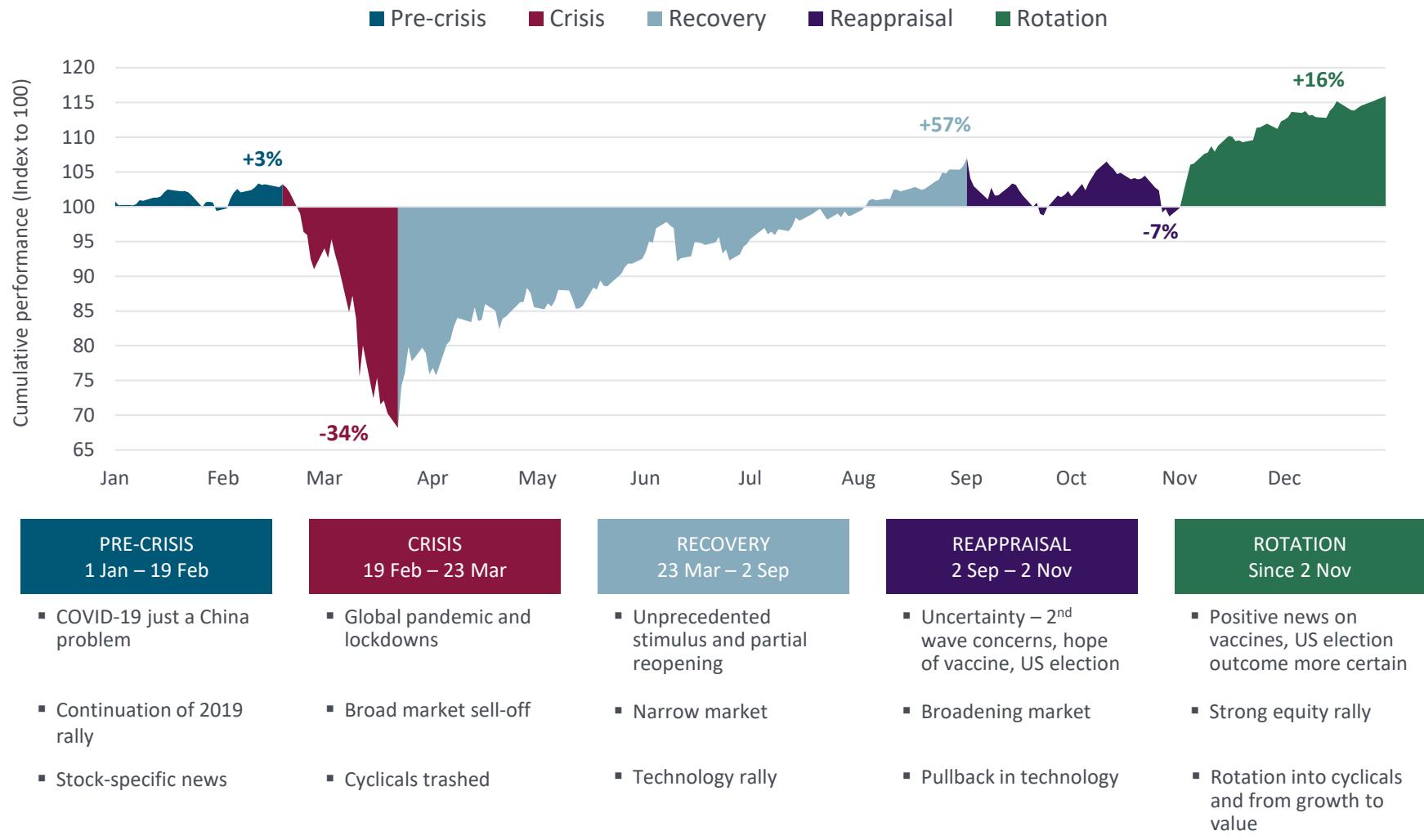


Source: Style Analytics. The US Universe includes approximately the 500 largest stocks in the United States. Returns of the hypothetical factor quintile portfolios is relative to the overall universe. Factor buckets are equal-weighted and sector adjusted.

Significant factor rotation occurred in Q4

Phases of the Crisis

Five phases of global equity performance during the pandemic

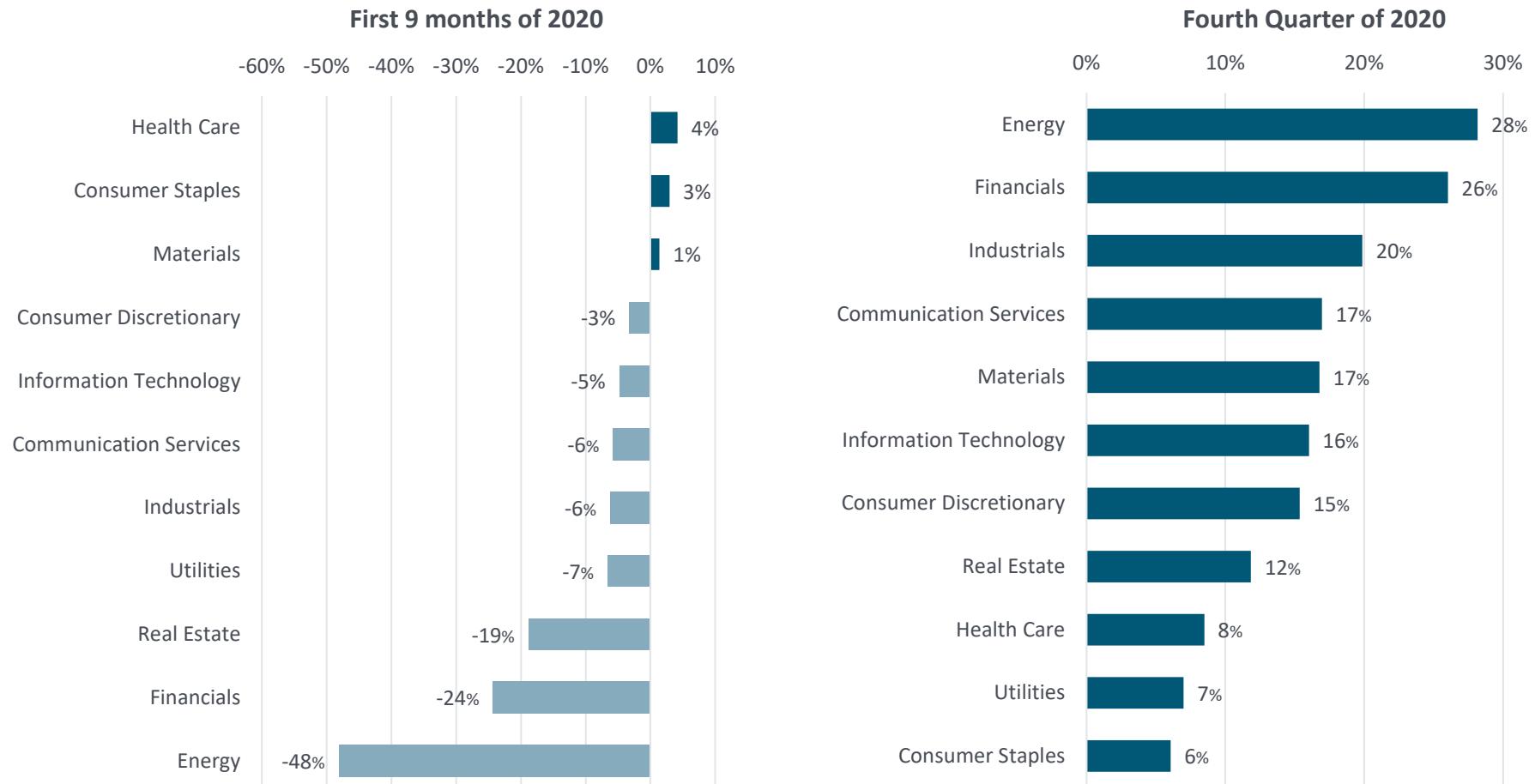


Source: FactSet, MSCI Global. Daily data as of 31 December 2019 to 31 December 2020. Total returns for the MSCI World index are net of foreign withholding taxes and in US dollars. Percentages show returns from start to end of each phase. Chart rebased to 100 at the start of the analysis.

Since vaccine news, rotation into cyclicals has been rapid

Russell 1000 Value Equity Sector Rotation

Russell 1000 Value sector performance for 2020



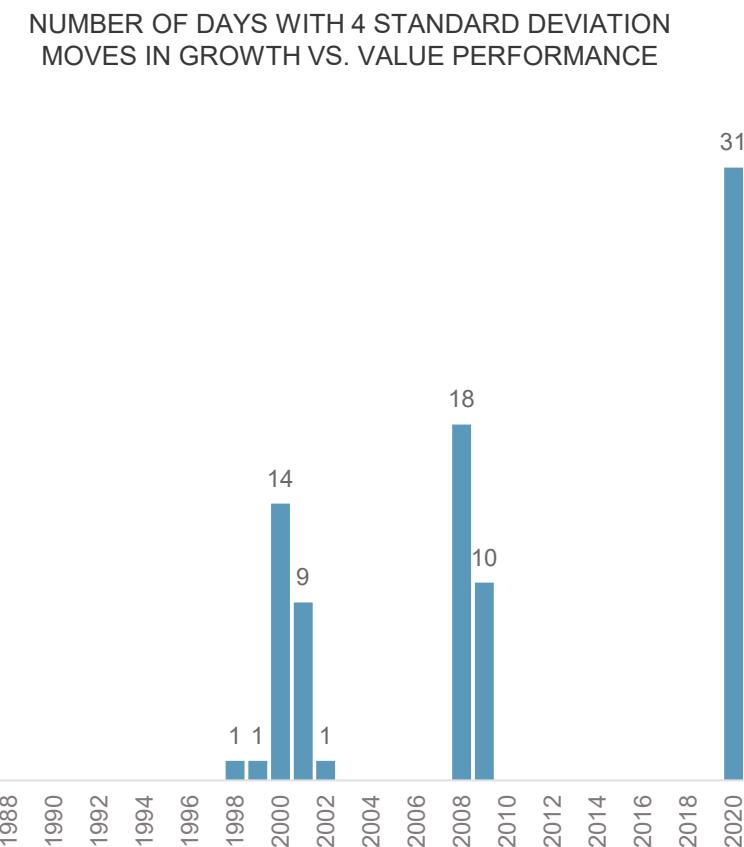
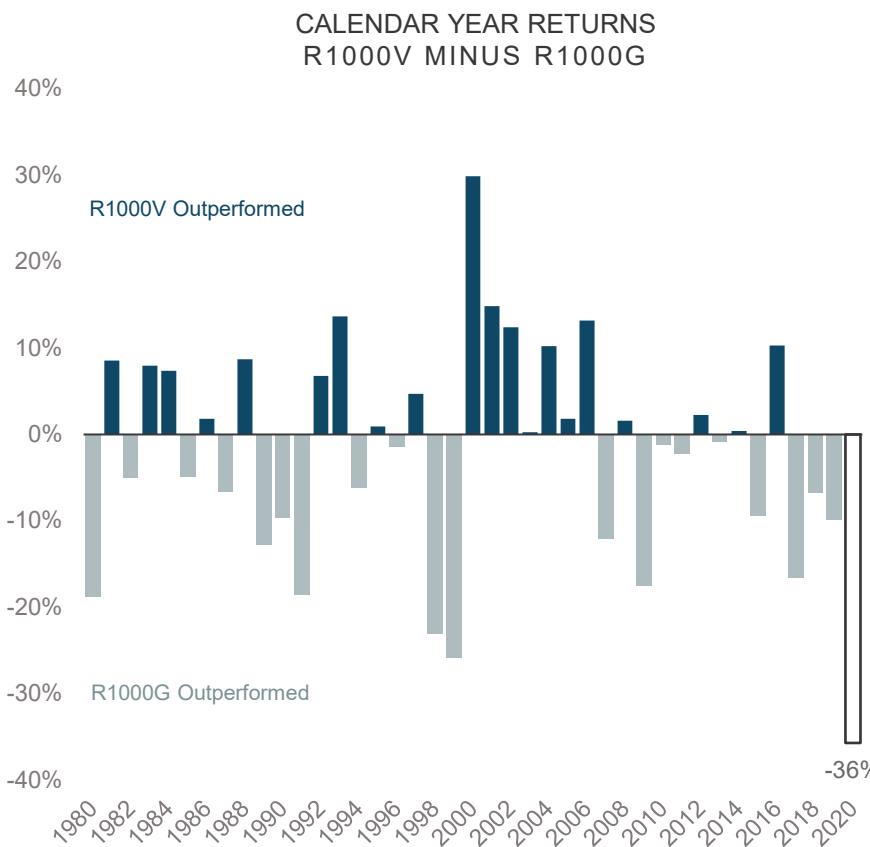
Source: FactSet, Russell Daily data as of 31 December 2019 to 31 December 2020 for the Russell 1000 Value Index and its sector indices. Total returns are net of foreign withholding taxes and are in US dollars. "First 9 Months of 2020" = 31 December 2019 to 30 September 2020. "Fourth Quarter of 2020" = 30 September 2020 to 31 December 2020.

Sector leadership shifted significantly during fourth quarter

A CHALLENGING AND UNPRECEDENTED YEAR FOR VALUE

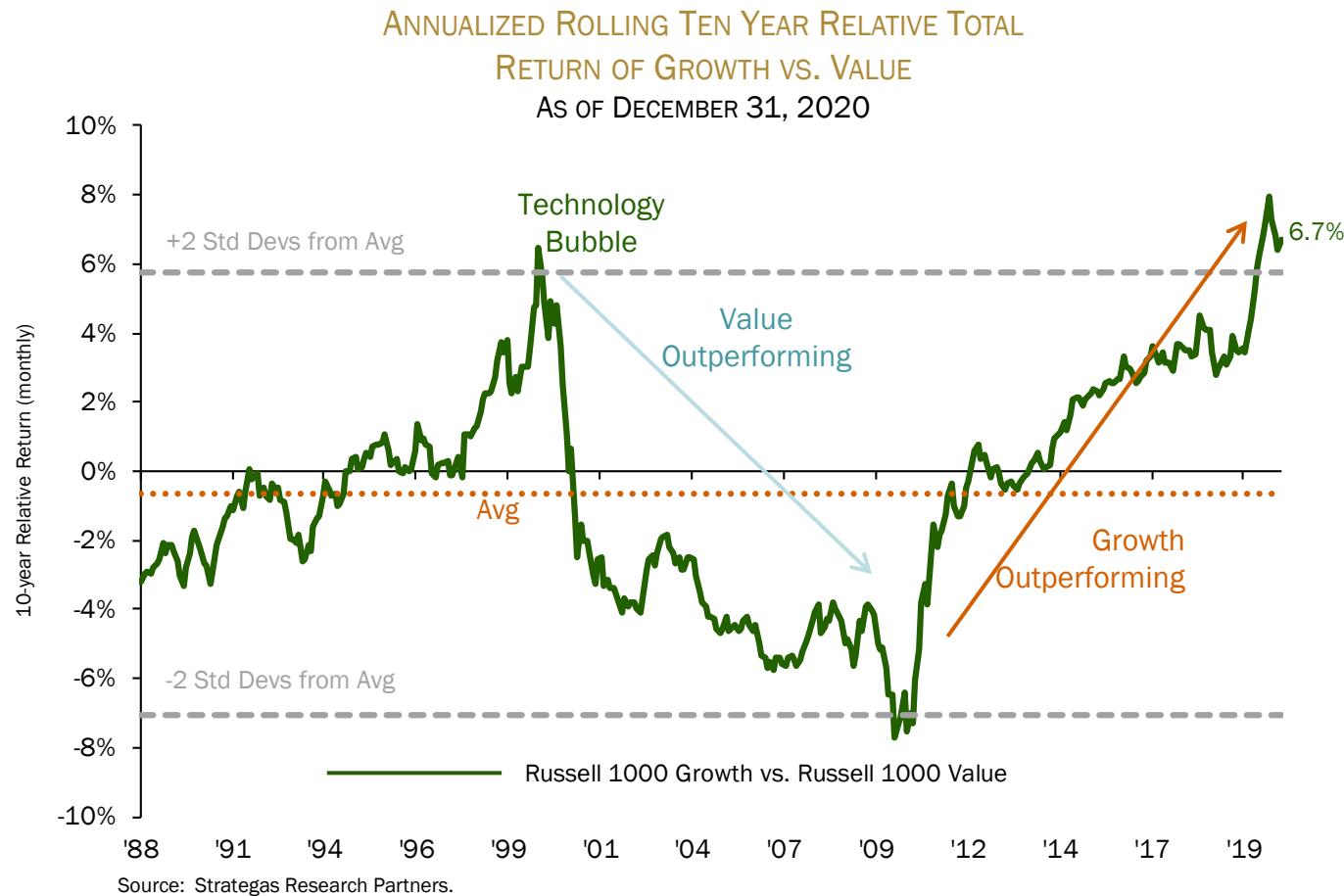
As of December 2020

- Large value underperformed large growth by the largest magnitude of any calendar year since the inception of Russell style indices in 1979
- Daily return differences between growth and value were often extreme



Sources: BofA US Equity & Quant Strategy, Russell, FactSet, Bloomberg. Value and growth investing styles will go in and out of favor during different economic environments. Past performance is no guarantee of future performance.

GROWTH VS. VALUE



- Historically, value has outperformed growth by a wide margin.
- The U.S Federal Reserve's zero-interest-rate policy favored lower quality growth stocks off the March 2009 market low.
- Growth's outperformance is now above that of the tech bubble.

MID CAP GROWTH VS. VALUE

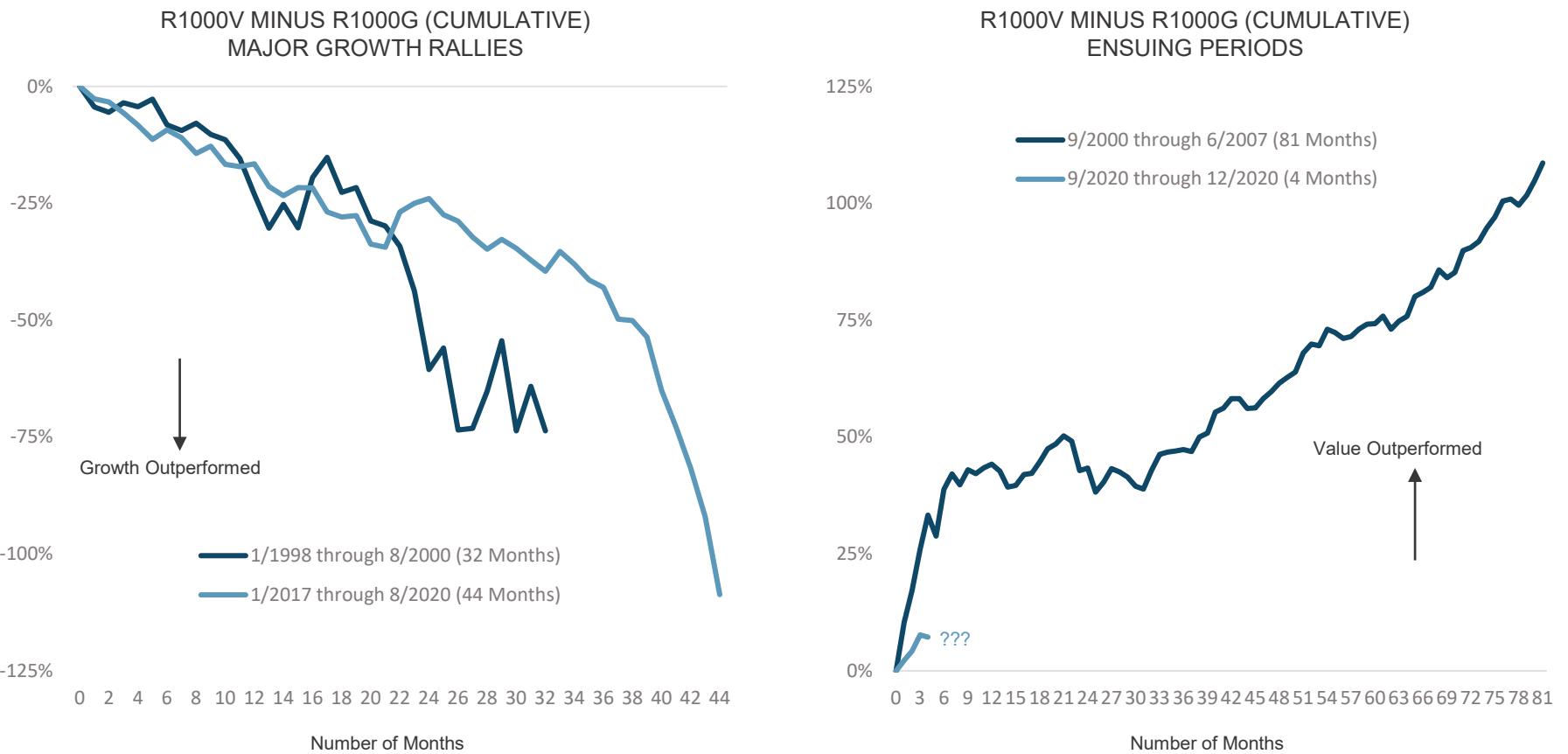


- ❑ Historically, value has outperformed growth by a wide margin.
- ❑ The U.S Federal Reserve's zero-interest-rate policy favored lower quality growth stocks off the March 2009 market low.
- ❑ Growth's outperformance is more than two standard deviations from the mean – a point not seen since the tech bubble. Value outperformed meaningfully for nearly a decade following the bursting of the tech bubble.

GROWTH AND VALUE CYCLES

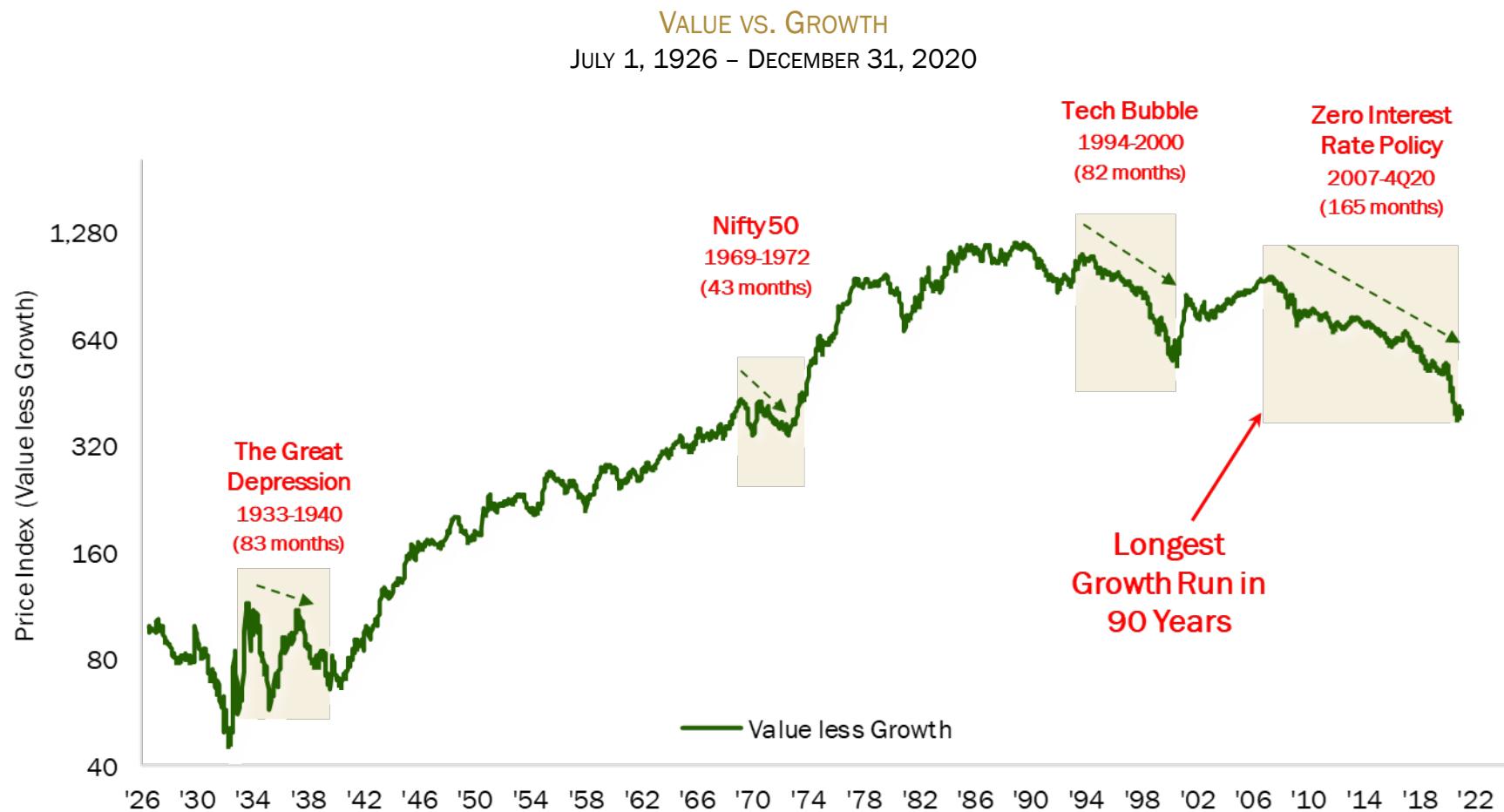
As of December 2020

- The recent growth cycle has been longer and more intense than the tech bubble period
- Following the tech bubble, value's outperformance was large in magnitude and duration



Sources: BofA US Equity & Quant Strategy, Russell, FactSet, Bloomberg, H&W. Value and growth investing styles will go in and out of favor during different economic environments. Growth investing tends to work well during speculative, momentum-driven markets, while value investing tends to work well following recessionary periods. Value stocks following a recession may start from a lower market value than growth stocks which can contribute to their outperformance. Past recessions and recoveries cannot predict future performance due to different factors and circumstances. Past performance is no guarantee of future performance.

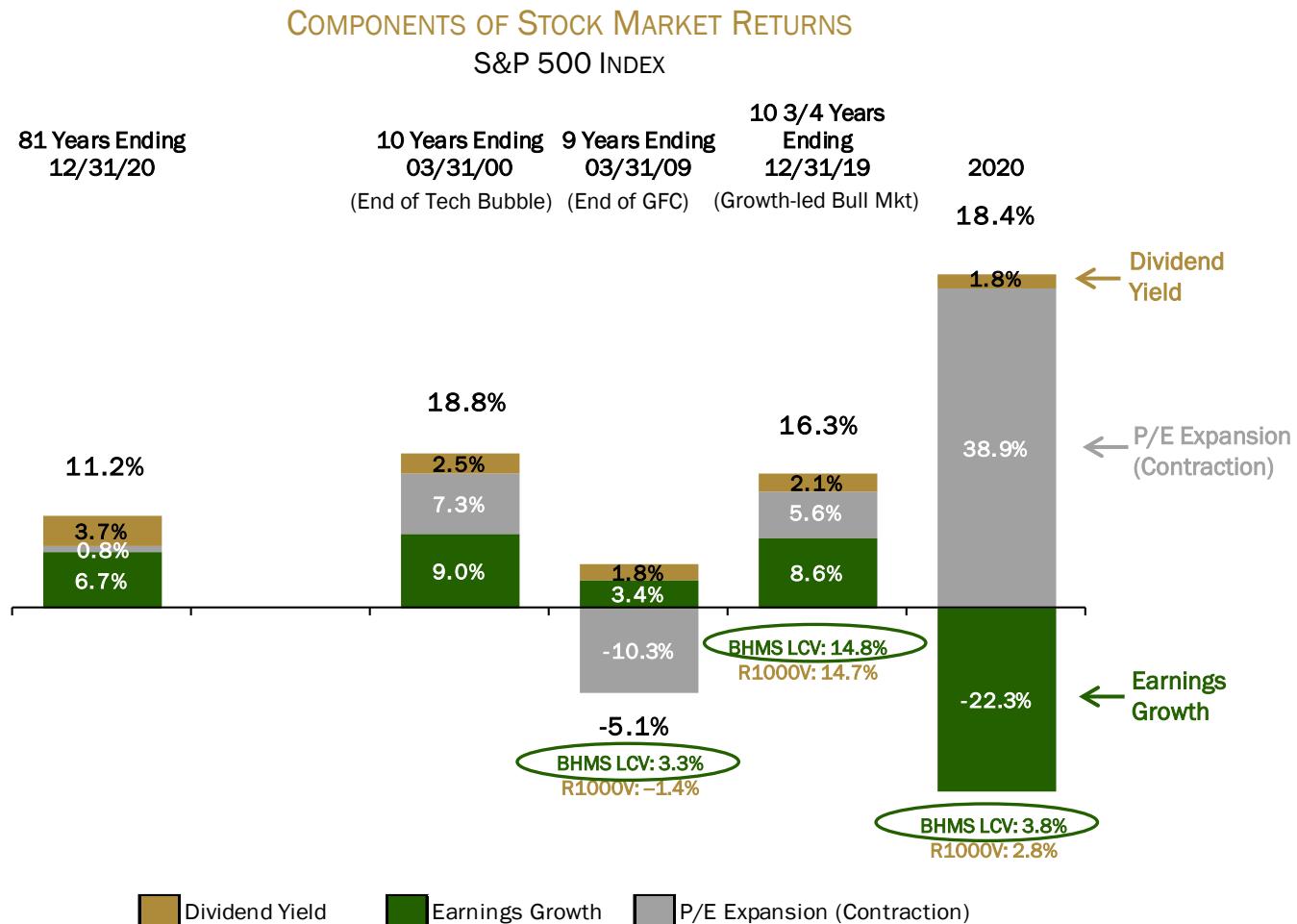
VALUE VS. GROWTH



Sources: Bloomberg; FactSet; FAMA Data 1926-1975; Fundstrat Global Advisors.

- While value has outperformed growth over the long term, the current duration of growth's outperformance exceeds that of the tech bubble, the Nifty 50, and the Great Depression.
- Since the market low on March 9, 2009, the Russell 1000 Growth has outperformed the Russell 1000 Value by 408% (as of 12/31/20).

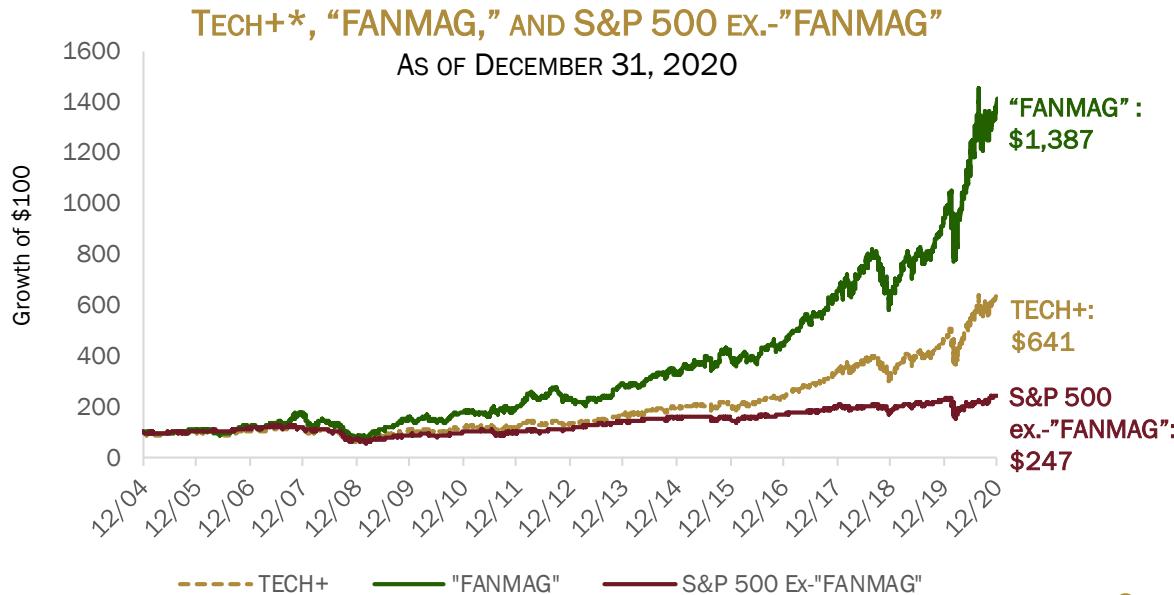
COMPONENTS OF STOCK MARKET RETURNS



Source: Bank of America Merrill Lynch.

- Historically, dividend yield and earnings make up the vast majority of returns for the broad market.
- P/E expansion, typically a very small portion of overall returns, contributed meaningfully to returns in the 1990s and during the recent bull market.

IT HAS BEEN A NARROW MARKET



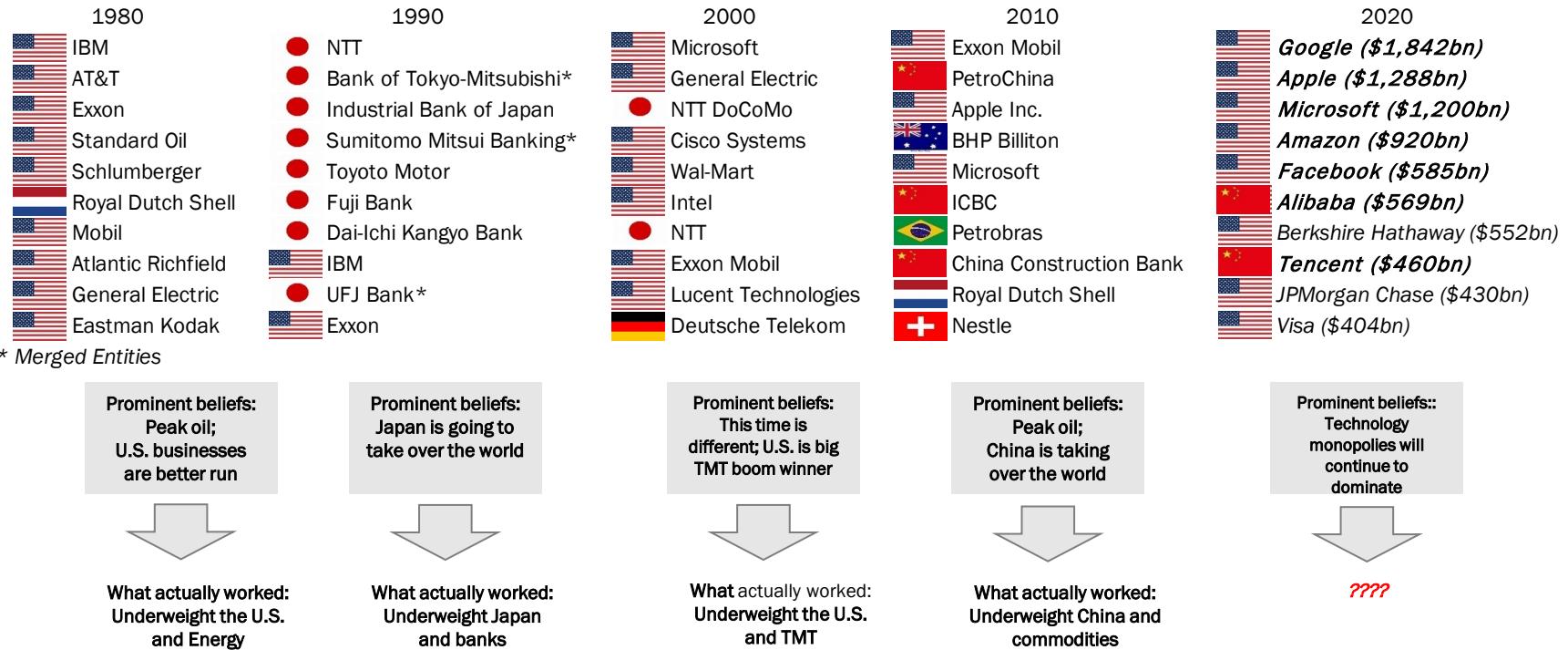
- ❑ Tech+ stocks, and “FANMAG” to an even greater degree, have meaningfully impacted returns for the broad market.
- ❑ The “FANMAG” stocks constituted a whopping 56% of the S&P 500 total return during 2020!

COMBINED WEIGHT OF THE FIVE LARGEST S&P 500 STOCKS*
DECEMBER 31, 1990 – DECEMBER 31, 2020



THE NEXT TEN YEARS RARELY LOOK LIKE THE LAST!

THE TOP TEN STOCKS BY MARKET CAP SELDOM REMAIN DOMINANT AT THE END OF THE NEXT DECADE



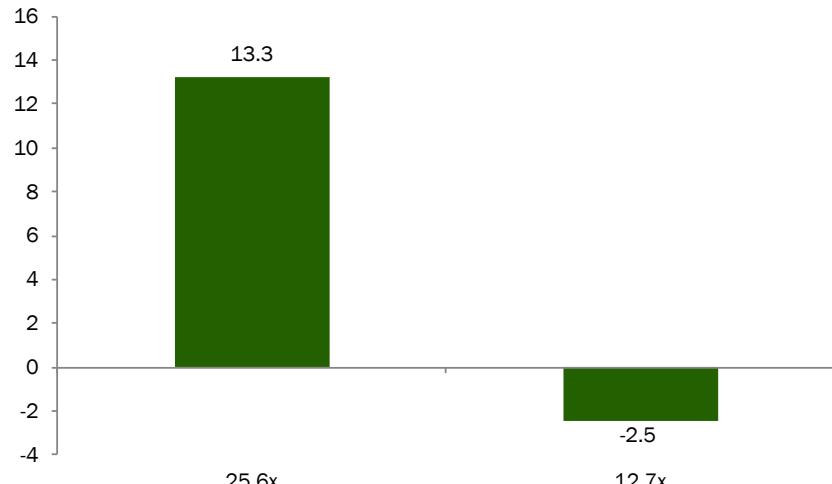
Source: Gavekal Research Ltd.

- ❑ Will this time be different?

PERFORMANCE BY P/E HALVES

RUSSELL 1000 VALUE PERFORMANCE BY P/E HALF

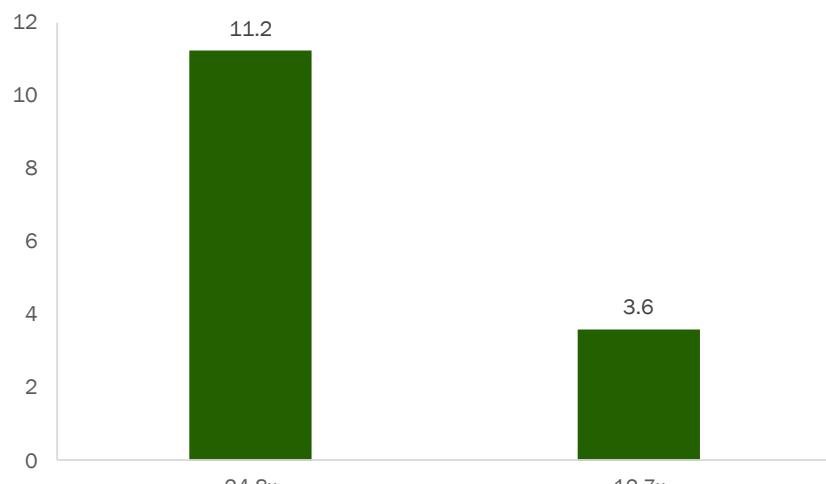
ONE YEAR ENDING DECEMBER 31, 2020



Source: FactSet.

RUSSELL 1000 VALUE PERFORMANCE BY P/E HALF

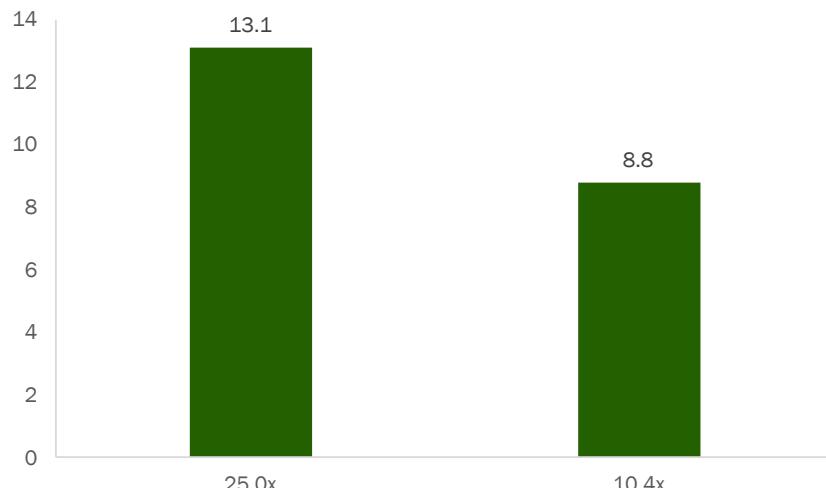
THREE YEARS ENDING DECEMBER 31, 2020



Source: FactSet.

RUSSELL 1000 VALUE PERFORMANCE BY P/E HALF

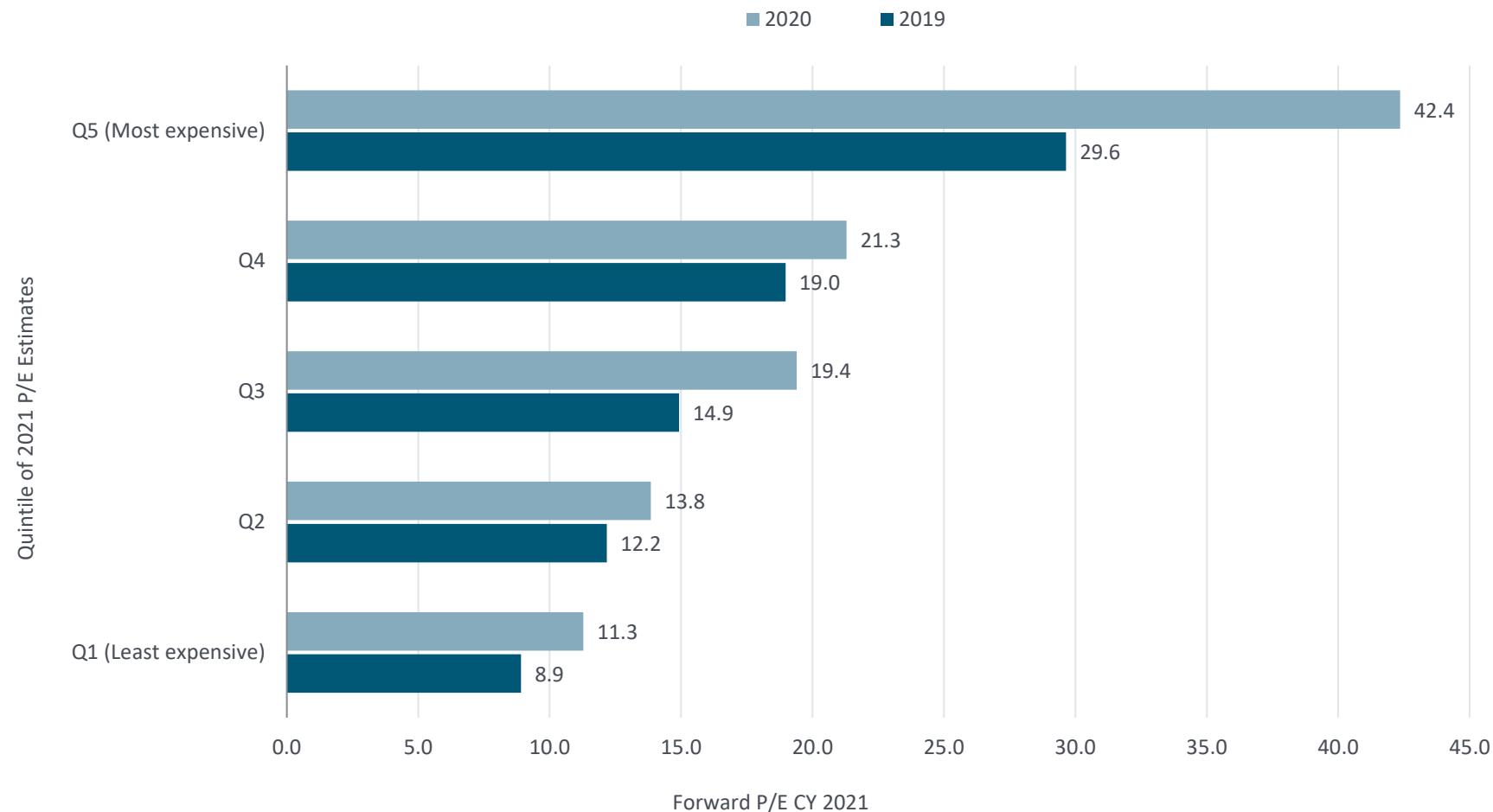
FIVE YEARS ENDING DECEMBER 31, 2020



Source: FactSet.

The Most Expensive US Value Stocks Have Rerated Significantly

Russell 1000 Value Index valuation change for 2021 P/E estimates

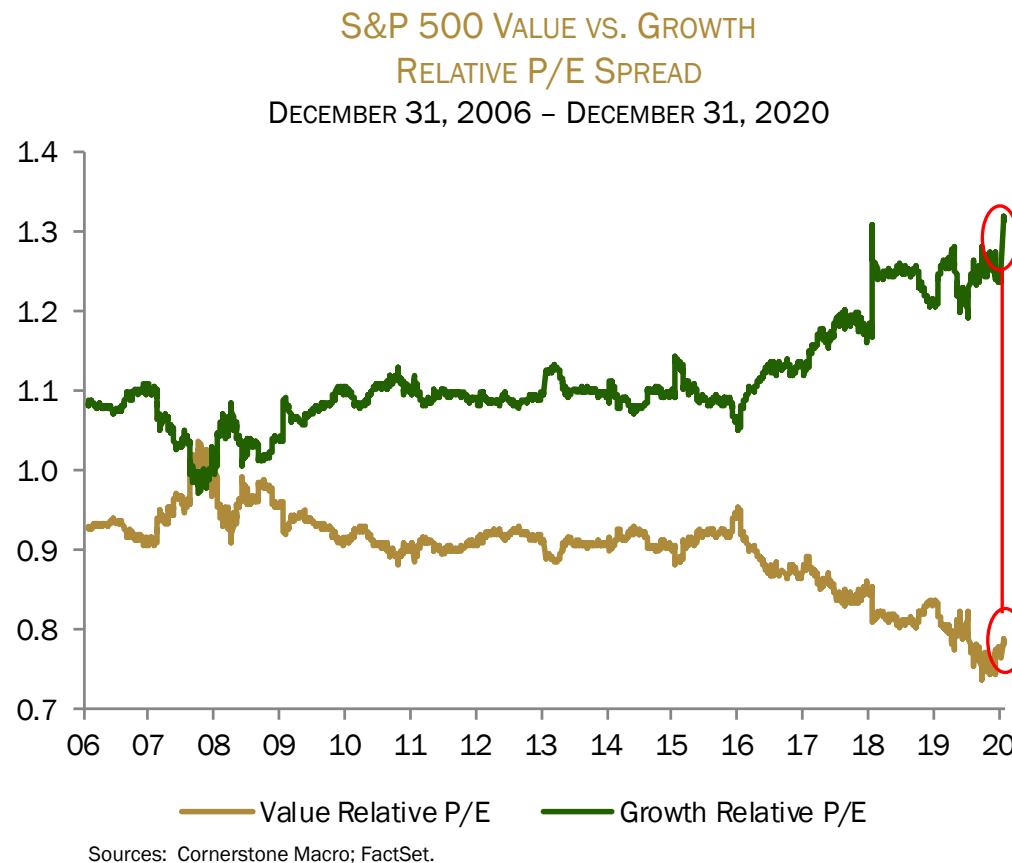


Source: FactSet Portfolio Analysis. Data as of 31 December 2019 to 31 December 2020. Data accessed on 6 January 2020 for the Russell 1000 Value Index. Quintiles are based on equal constituent weights in each bucket. Companies with negative earnings are included in the analysis.



Investors have been paying up for companies benefiting from the 'new normal'

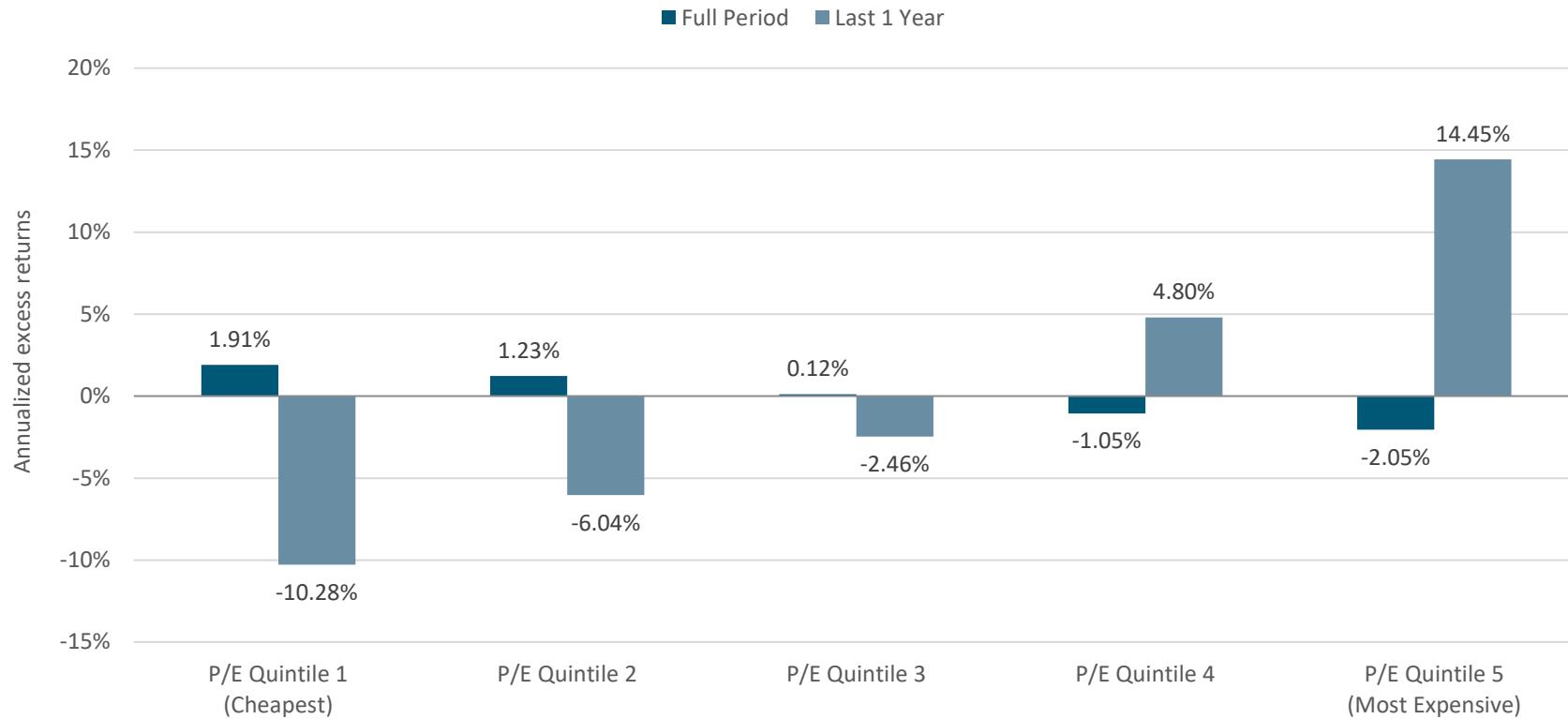
VALUE VS. GROWTH



- ❑ The last bull market produced dominant outperformance of growth stocks over value stocks, creating an historically wide valuation spread between growth and value.
- ❑ Rather than moderating as the market moved into this historic outperformance of growth, the past several years saw a dramatic widening of the valuation spread.
- ❑ We have experienced cycles similar to this in our 41-year history, and mean reversion toward value stocks is a matter of *when*, not *if*.

Valuations Matter in the Long-Run

Annualized excess returns of trailing global equity P/E quintiles: long-run vs. recent



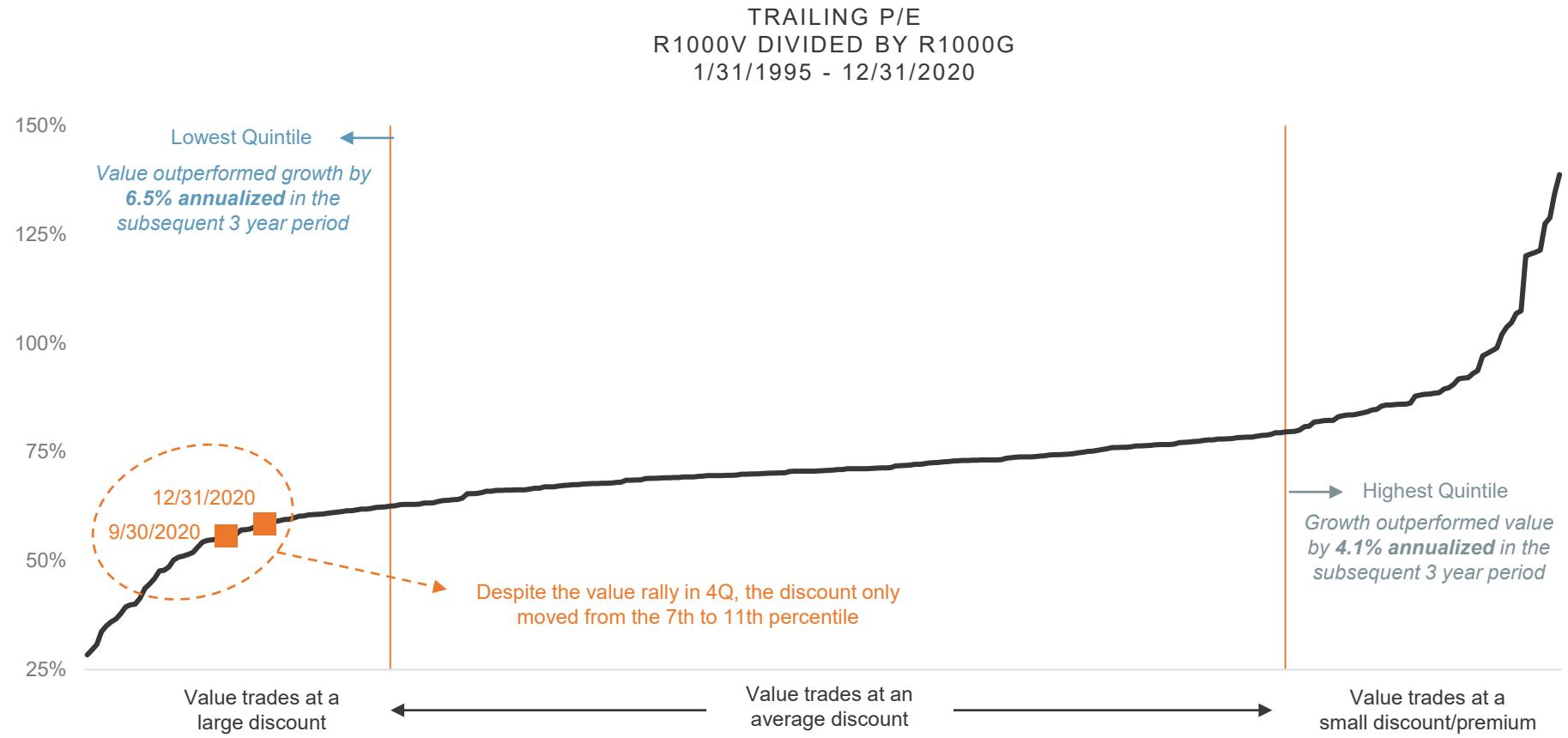
Source: Style Analytics. "Full Period" data from 28 February 1995 to 31 December 2020. "Last 1 Year" data from 31 December 2019 to 31 December 2020. The exhibit above is intended to illustrate factor performance trends in the market, and not intended to represent factor performance in MFS' quantitative models or investment portfolios. The style performance data are hypothetical returns calculated by Style Analytics based on stock returns within the Style Analytics global equity universe for MSCI All-Country World Index (ACWI). The universe consists of approximately 2,800 of the largest stocks globally, based on equal-weighting each stock at each month-end. For the factor, in this case earnings yield (E/P), stocks with available factor value data are sorted by their factor value within each country and GICS sector, and then grouped into equal-weighted quintiles at the end of each month. The earnings yield factor is defined as annual earnings (adjusted for amortizations of intangibles, extraordinary charges and credits) per share divided by the share price. This factor measures the worth of a company's shares according to the company's ability to support each share with after tax earnings. The universe is reconstructed and returns are calculated each month, and the monthly returns are linked geometrically into cumulative returns. The returns of the hypothetical factor quintile portfolios relative to the universe are displayed in the exhibit. While the data are based on sources believed to be reliable, MFS does not represent that it is accurate or complete and should not be relied on as such or be the basis for an investment decision. As discussed, the factor analyzed for the exhibit is earnings yield (E/P) – which is the simple inverse of price-to-earnings (P/E), which are more commonly used to discuss company valuations. Above, we label the quintiles as P/E for ease of recognition.

Long-term investors should be mindful of current extended valuations

VALUE VS. GROWTH – THE “TAILS” MATTER

As of December 2020

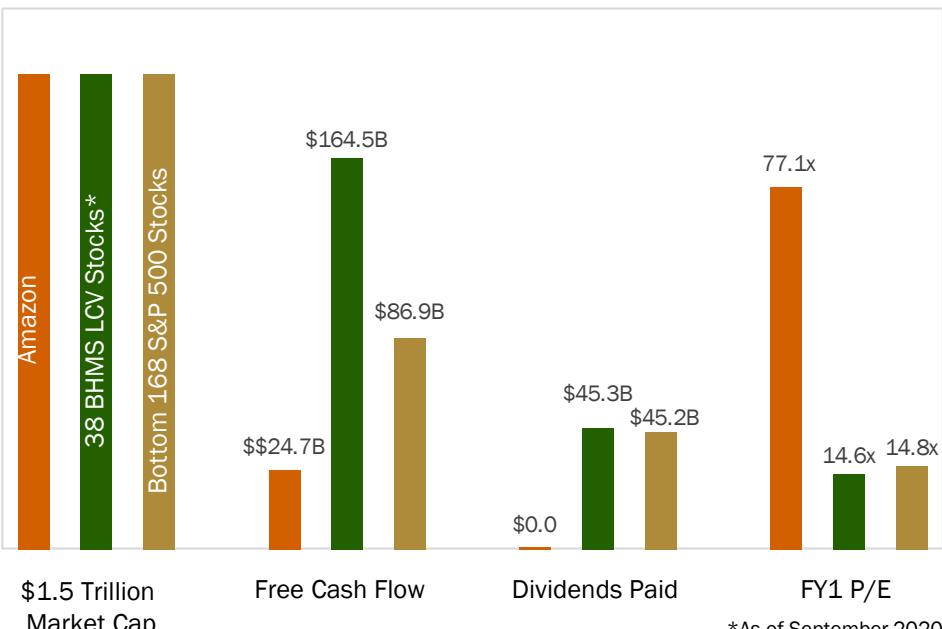
- Value has outperformed growth following wide valuation gaps, growth following narrow/negative valuation gaps
- Even after value's 4Q outperformance, its discount to growth remains wide (11th percentile)



Source: Bloomberg, H&W. Value and growth investing styles will go in and out of favor during different economic environments. Growth investing tends to work well during speculative, momentum-driven markets, while value investing tends to work well following recessionary periods. Value stocks following a recession may start from a lower market value than growth stocks which can contribute to their outperformance. Past recessions and recoveries cannot predict future performance due to different factors and circumstances. Past performance is no guarantee of future performance.

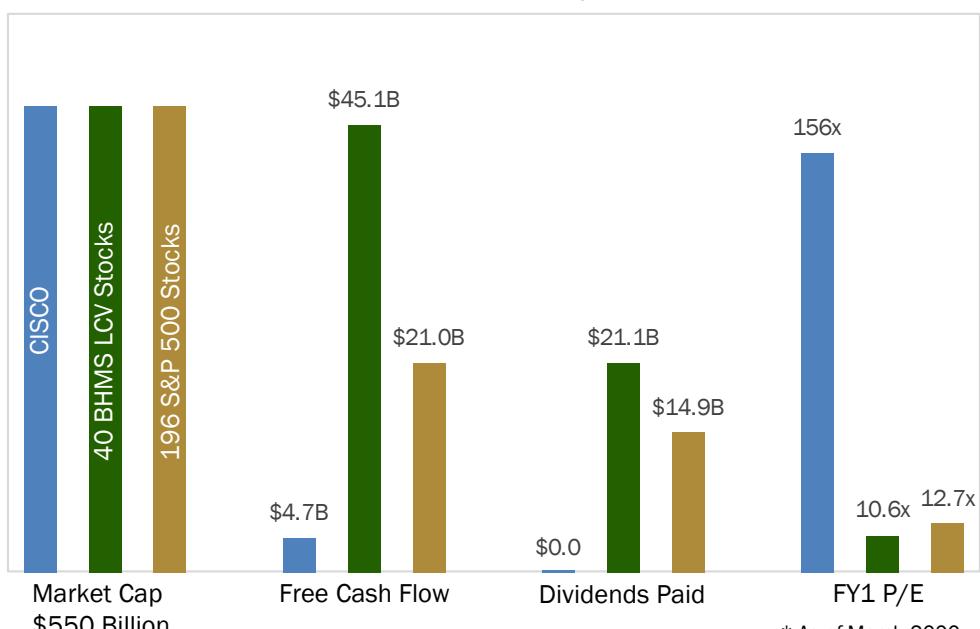
WHAT YOU CAN BUY FOR \$1.5 TRILLION

WHAT YOU CAN BUY FOR \$1.5 TRILLION IN 2020*



*Advance Auto Parts, American Express, Anthem, Chubb, Deere, General Dynamics, Lowe's, Oracle, Qualcomm, Raytheon Technologies, Stanley Black & Decker, and UnitedHealth Group, to name a few.

WHAT YOU COULD HAVE BOUGHT FOR \$550 BILLION IN 2000*



- ❑ A small number of highly valued, popular growth stocks have helped propel the market ever higher. At the end of 3Q20, for \$1.5 trillion, you could buy:
 - Amazon, with \$24.7 billion in free cash flow, trading at 77.1x EPS;
 - 38 profitable, dividend-paying BHMS Large Cap Value companies with almost 7x the cash flow of Amazon, trading at 14.6x EPS;
 - 168 companies within the S&P 500 with \$86.9 billion in free cash flow, trading at 14.8x EPS.
- ❑ Similar to today, the late 90s tech bubble was driven by a handful of highly valued growth stocks. In 2000, for \$550 billion, you could buy:
 - Cisco, with \$4.7 billion in free cash flow, trading at 156x EPS;
 - 40 profitable, dividend paying BHMS Large Cap Value companies with approximately 10x the cash flow of Cisco, trading at 10.6x EPS;
 - 196 companies within the S&P 500 with \$21 billion in free cash flow, trading at 12.7x EPS.
- ❑ In the three years following Cisco's peak, its shares fell more than 80%, the S&P 500 fell 34%, and the basket of BHMS LCV companies gained 30%.

Conclusions



The market has been driven by multiple expansion, and corporate earnings growth will be increasingly important driver of stock price performance.

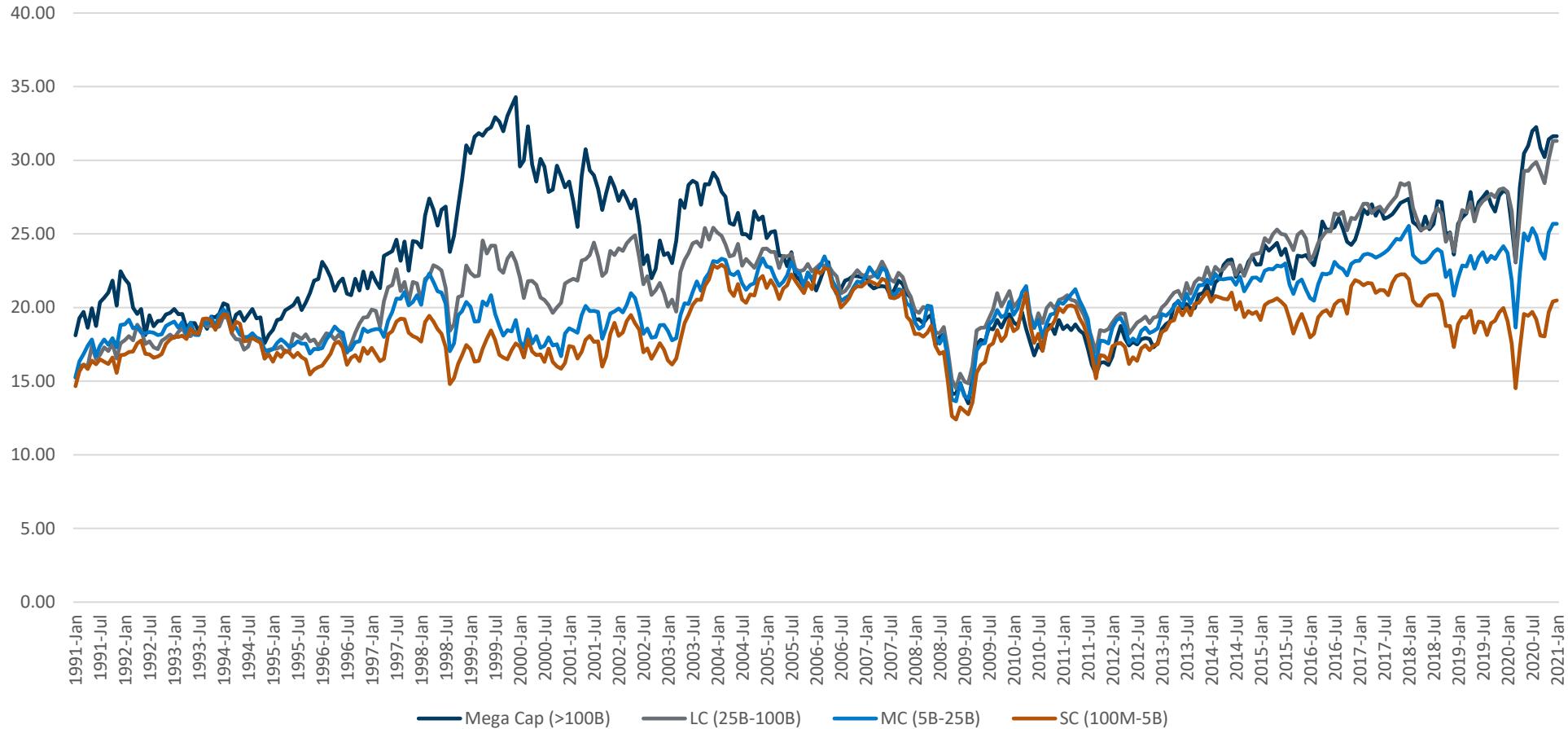
The combination of secular changes, many of which have been accelerated by the COVID-19 lockdowns, increased financial leverage and higher valuations makes the importance of long-term, bottom-up fundamental analysis as important as it's ever been.

The opportunity to add long term value with our disciplined active approach has never been greater.

The views expressed are those of MFS and are subject to change at any time. These views are for informational purposes only and should not be relied upon as a recommendation to purchase any security or as a solicitation or investment advice from the Advisor. No forecast can be guaranteed.

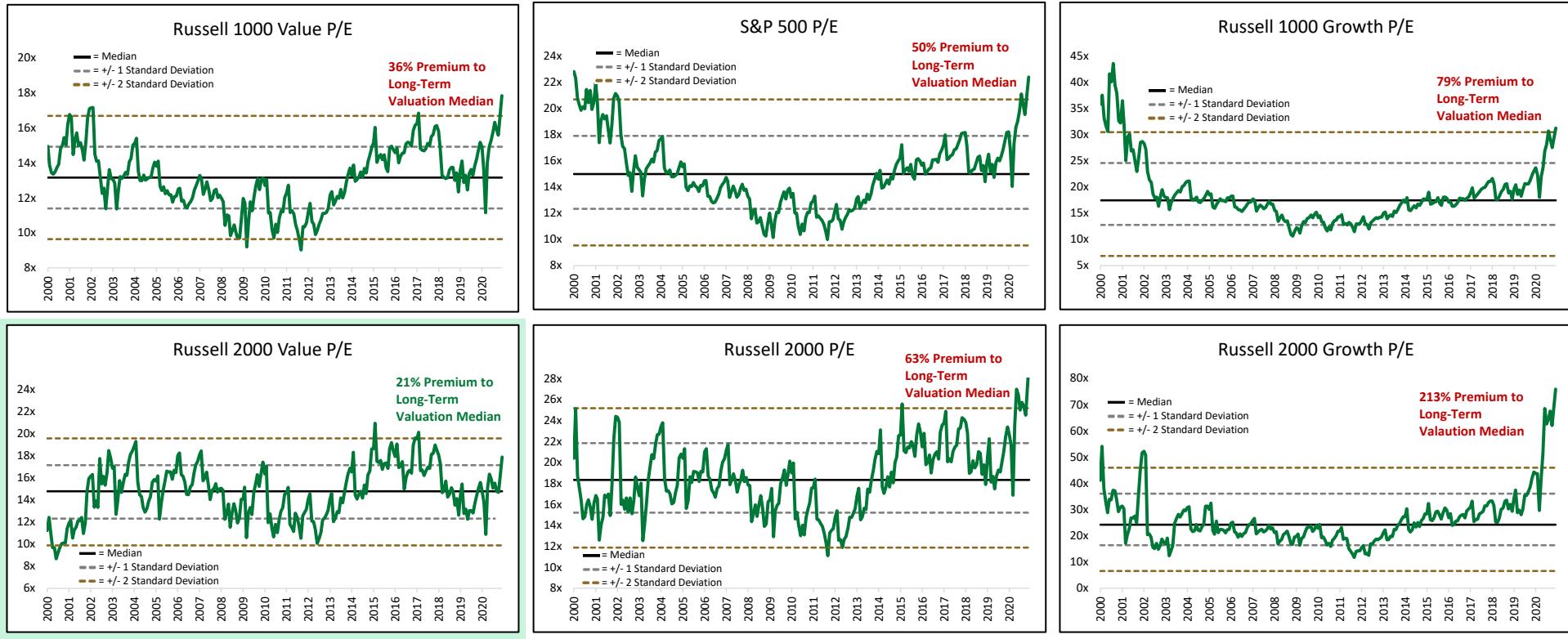
Economic PE by Market Cap

F u n d a m e n t a l
S m a l l C a p V a l u e



Source: Credit Suisse HOLT and Foundry Partners LLC

Is Any Segment of the Market Attractive?

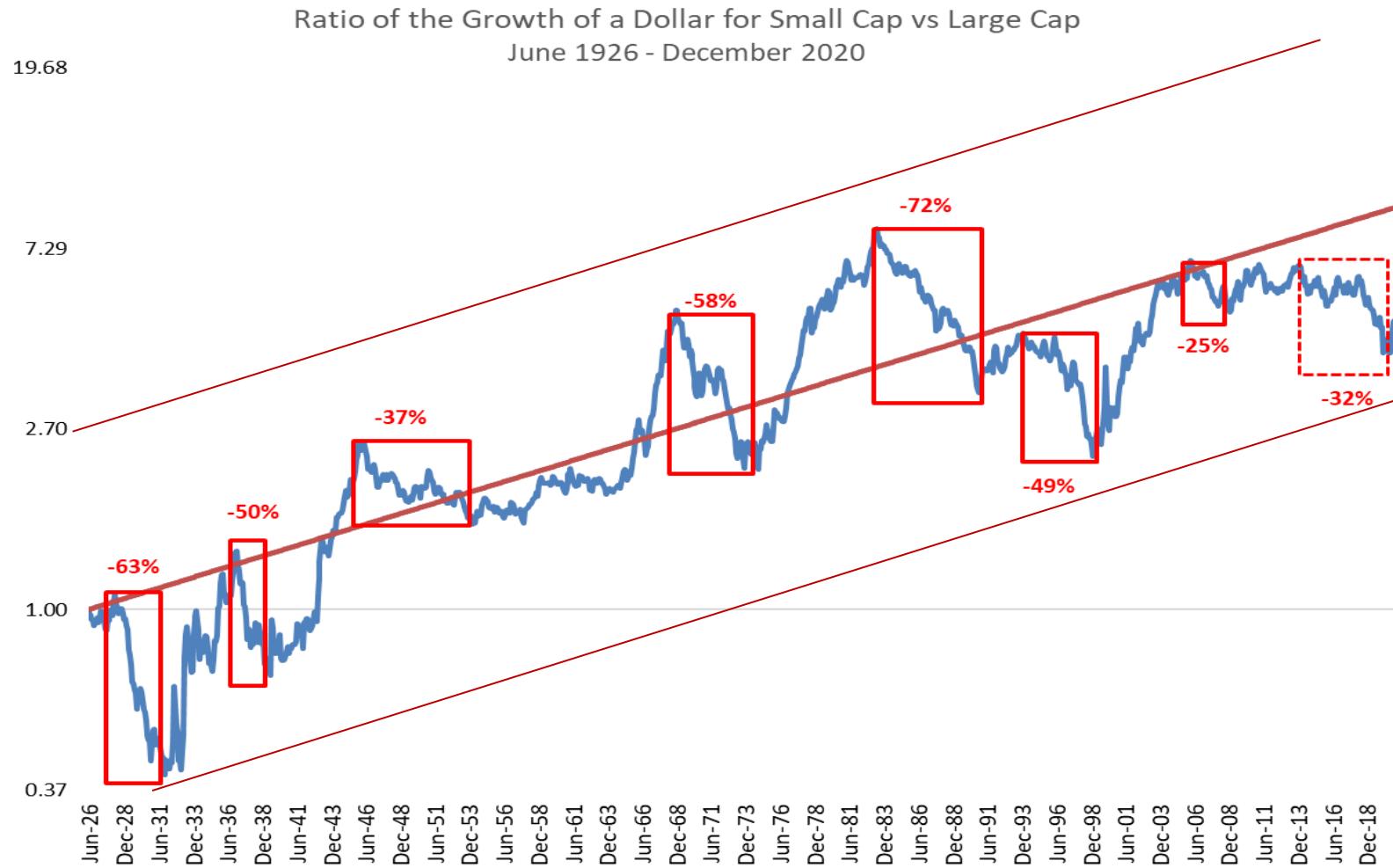


The Opportunity in Small Cap Value Equities

- While large and small capitalization equities are both broadly trading at elevated valuations, biased investor behavior has led frothy valuations to become pervasive across most of the different equity style sub-groups within these capitalization ranges.
- However, one allocation opportunity stands out in an environment awash in all-time high valuations: Small Cap Value Equities. This equity style is critically differentiated given it is the sole group of equities that trades near its long-term valuations.



Performance Cycles: Small Cap vs Large Cap

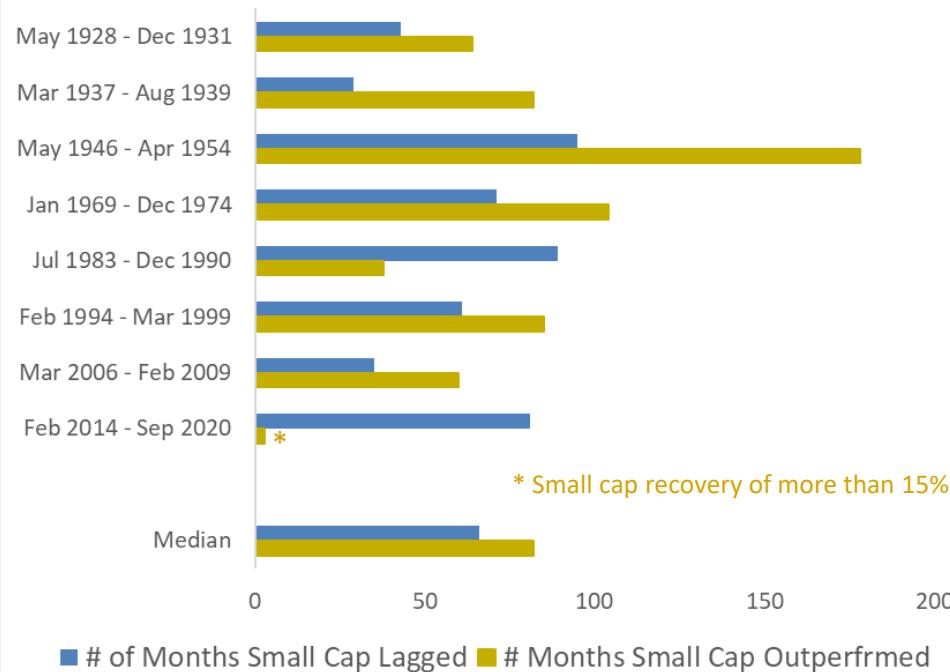


- From 1926, small caps outperformed large cap stocks over the long run. However, small stocks often under-performed larger stocks for shorter periods. The small caps bounced back most times, outperforming by more and by longer than in their prior underperformance. The exception is that after lagging from 1983-1990, small caps rallied but did not erase all of their prior drawdown relative to large caps. Small caps recent lag is not unusual within the historical context.

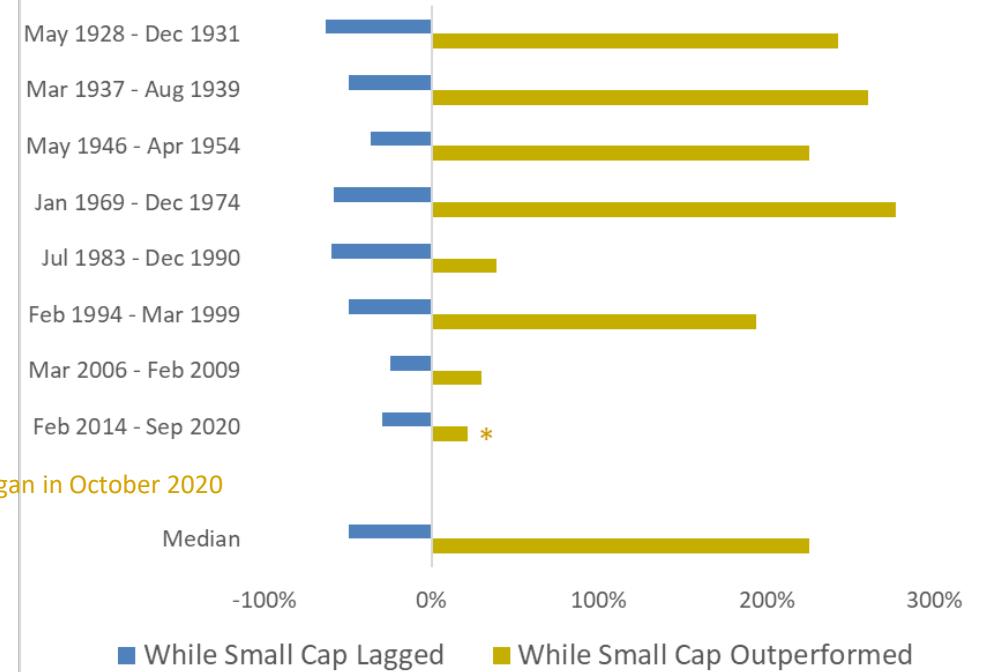
The views expressed herein represent the opinions of Brandywine Global Investment Management, LLC and are not intended as a forecast or guarantee of future results. This information is not to be used as the basis for any investment decision. Data is obtained from the Ken French Data Library. http://mba.tuck.dartmouth.edu/pages/faculty/ken.french/data_library.html. Ken French data library provides returns for small and large cap US stocks. All calculations are by Brandywine Global. This data is provided for informational purposes only. There is no guarantee that holding securities with relatively high (or low) price-to-book or other investment factors will cause the portfolio to outperform its benchmark. **Past performance is no guarantee of future results.**

June 1926 – December 2020

Length of Cycle in Months



Size of Performance Cycle



Ratio of the Growth of a Dollar invested in
Small Cap vs Large Cap

- These charts show the length (left) and extent (right) of each relative drawdown period (of at least 15%) for small caps relative to large caps since 1926. In most periods, recovery was greater than the drawdown, and lasted longer.

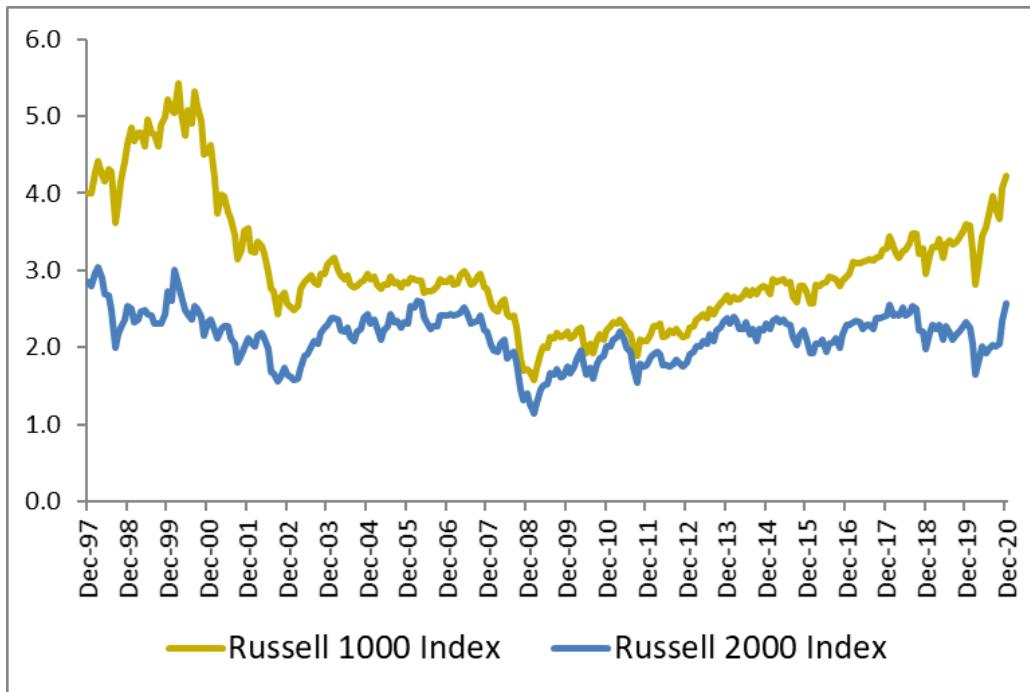
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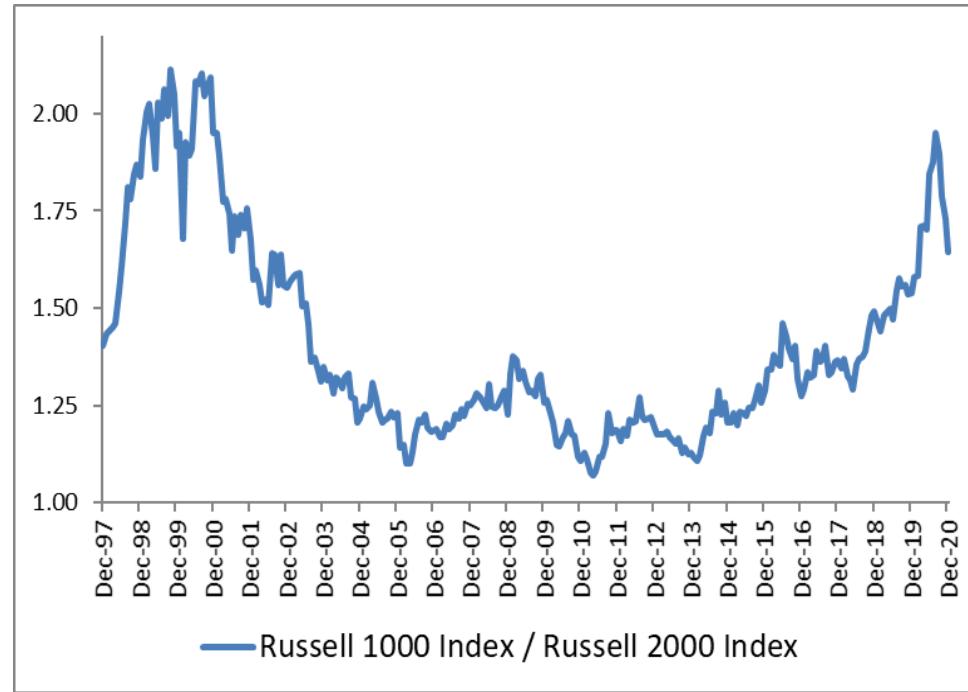
Valuations

December 31, 1997 – December 31, 2020

Weighted Average Price-to-Book



Ratio of Avg Price-to-Book: Russell 1000 vs Russell 2000

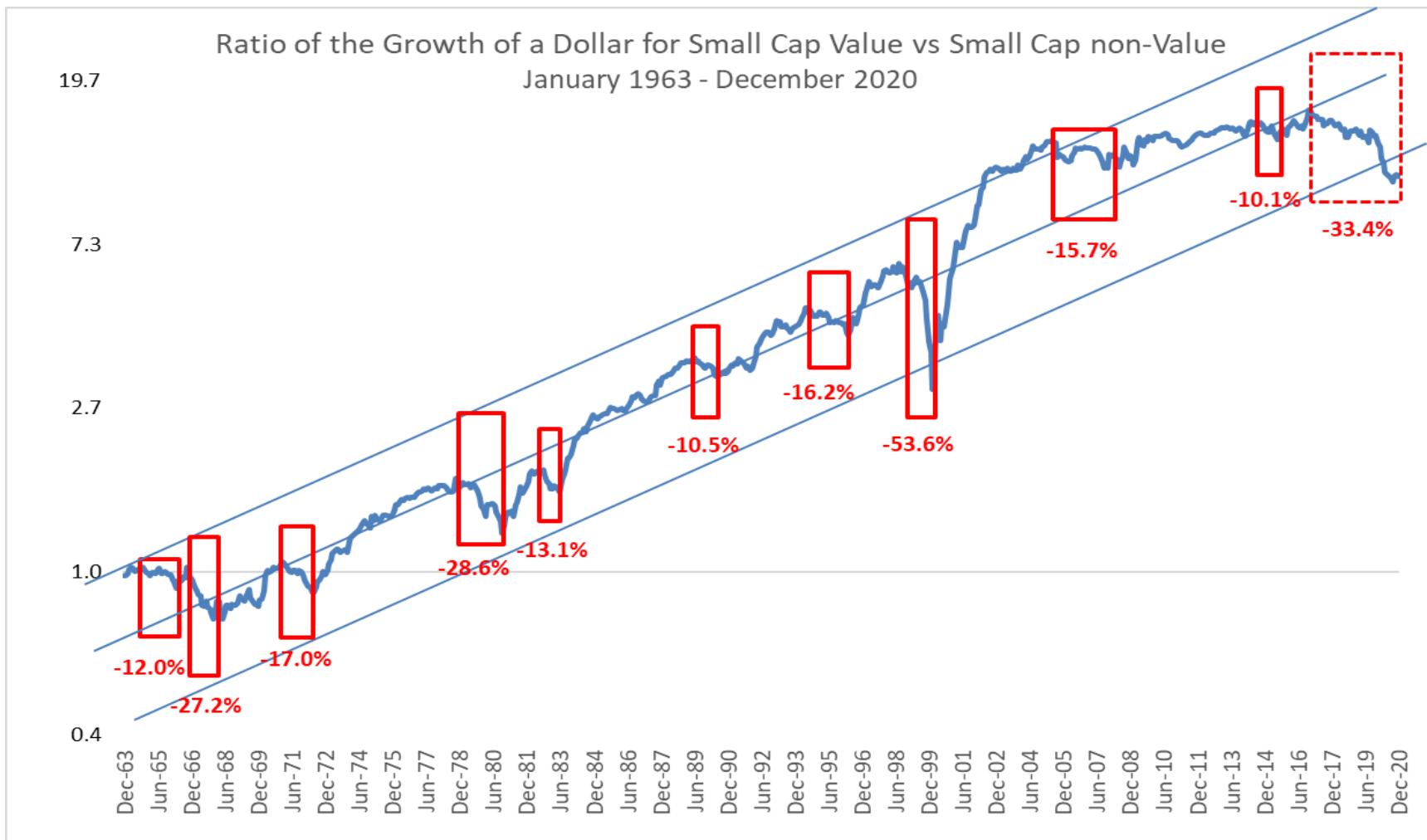


- During the Tech Bubble, the average Price-to-Book for the Russell 1000 Index was significantly higher than the average for the Russell 2000 Index. The two indices reached near equal valuation in 2011, but the large cap index is again becoming extended.

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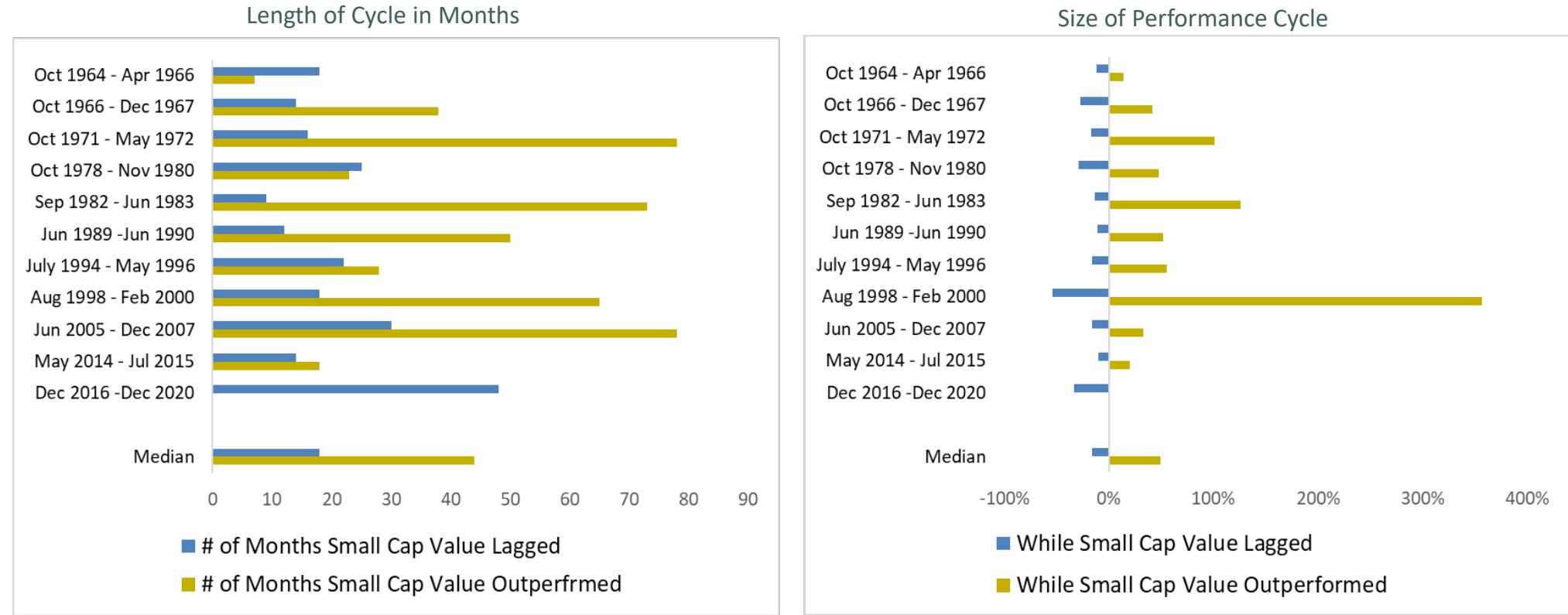
Performance Cycles: Small Cap Value vs All Other Small Cap



- Since 1963, small cap value, defined as stocks with either a low Price-to-Earnings or low Price-to-Book, outperformed over the long run. However, these value stocks often under-performed growthier stocks for shorter periods. The value stocks bounced back each time, in most cases outperforming by more and by longer than in their prior underperformance. Small cap value's recent poor returns are not unusual within this history.

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January 1963 – December 2020



Ratio of the Growth of a Dollar invested in Small Cap Value
vs All Other Small Cap

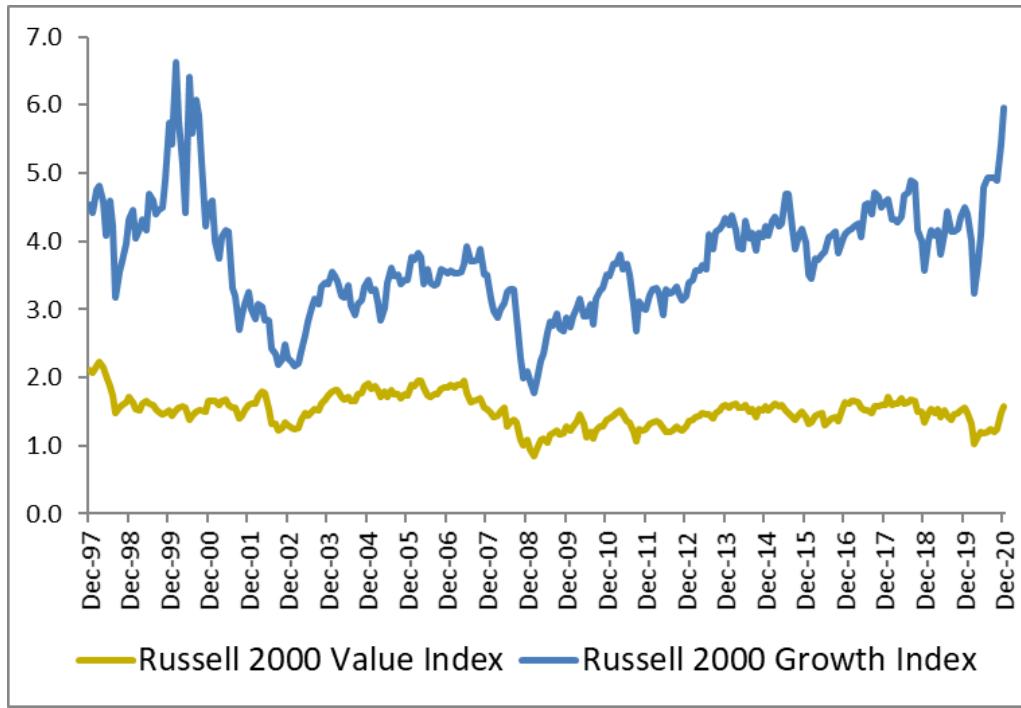
- These charts show the length (left chart) and extent (right) of each relative drawdown period (of at least 10%) for small cap value since 1963. In each case the recovery was greater than the drawdown, and in most instances, lasted longer.

The views expressed herein represent the opinions of Brandywine Global Investment Management, LLC and are not intended as a forecast or guarantee of future results. This information is not to be used as the basis for any investment decision. Data is obtained through FactSet Research Systems Inc. and S&P/Capital IQ/Compustat which is believed to be reliable and accurate. Russell Index returns are obtained from FTSE Russell ©2021. The Russell indices measure the performance of various market capitalization and value/growth segments of the U.S. equity universe. FactSet provides fundamental stock information and return calculations. Compustat provides fundamental stock information and price history. All calculations are by Brandywine Global. This data is provided for informational purposes only. There is no guarantee that holding securities with relatively high (or low) price-to-book or other investment factors will cause the portfolio to outperform its benchmark. Past performance is no guarantee of future results.

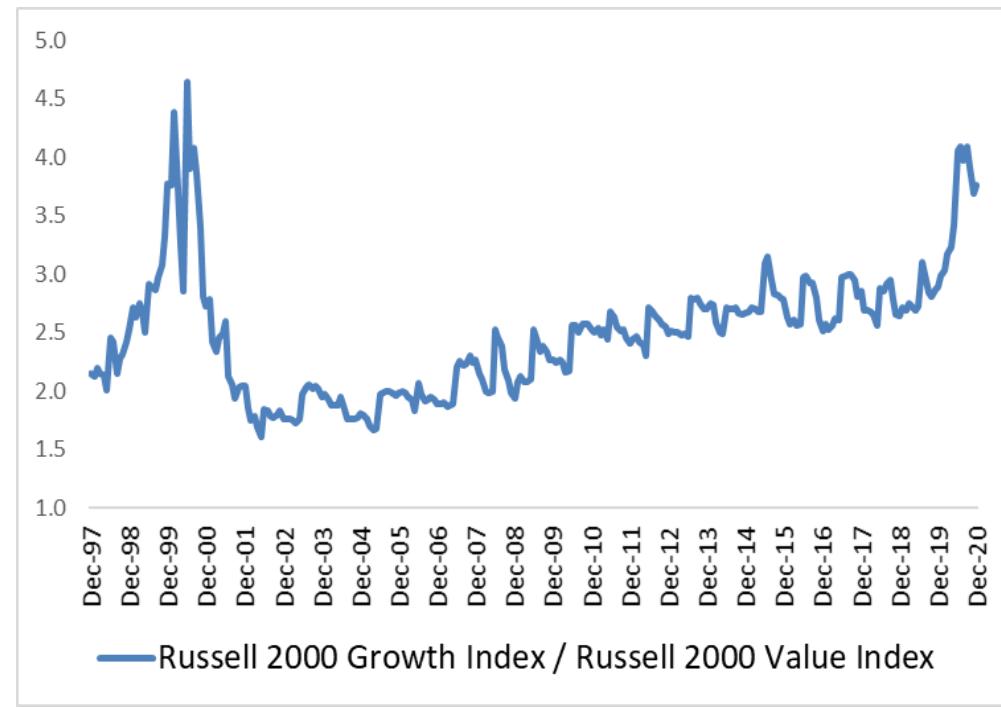
Valuations

December 31, 1997 – December 31, 2020

Weighted Average Price-to-Book



Ratio of Avg Price-to-Book:
Russell 2000 Growth vs Russell 2000 Value



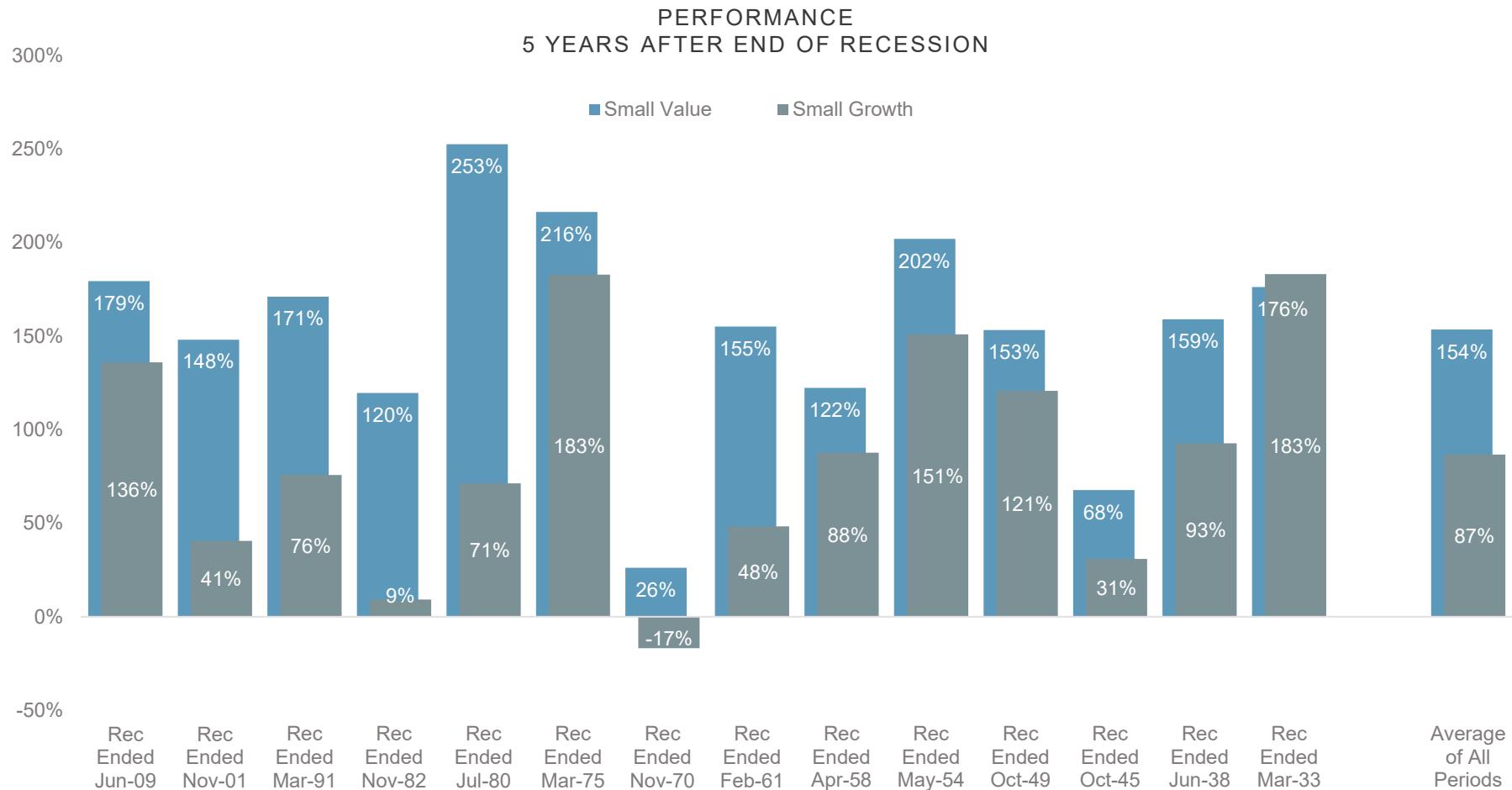
- The average Price-to-Book for the Russell 2000 Value Index remained fairly constant over the last 20 years, while the average valuation for the Russell 2000 Growth Index has begun to look extended again after collapsing following the tech bubble.

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A POTENTIAL CATALYST FOR VALUE

As of December 2020

- Small value has historically outperformed small growth following 13 of the last 14 recessions



Source: BofA, Dartmouth/Ken French Data Library, NBER. Value is the highest 3 deciles of book to market; Growth is the lowest 3 deciles of book to market.

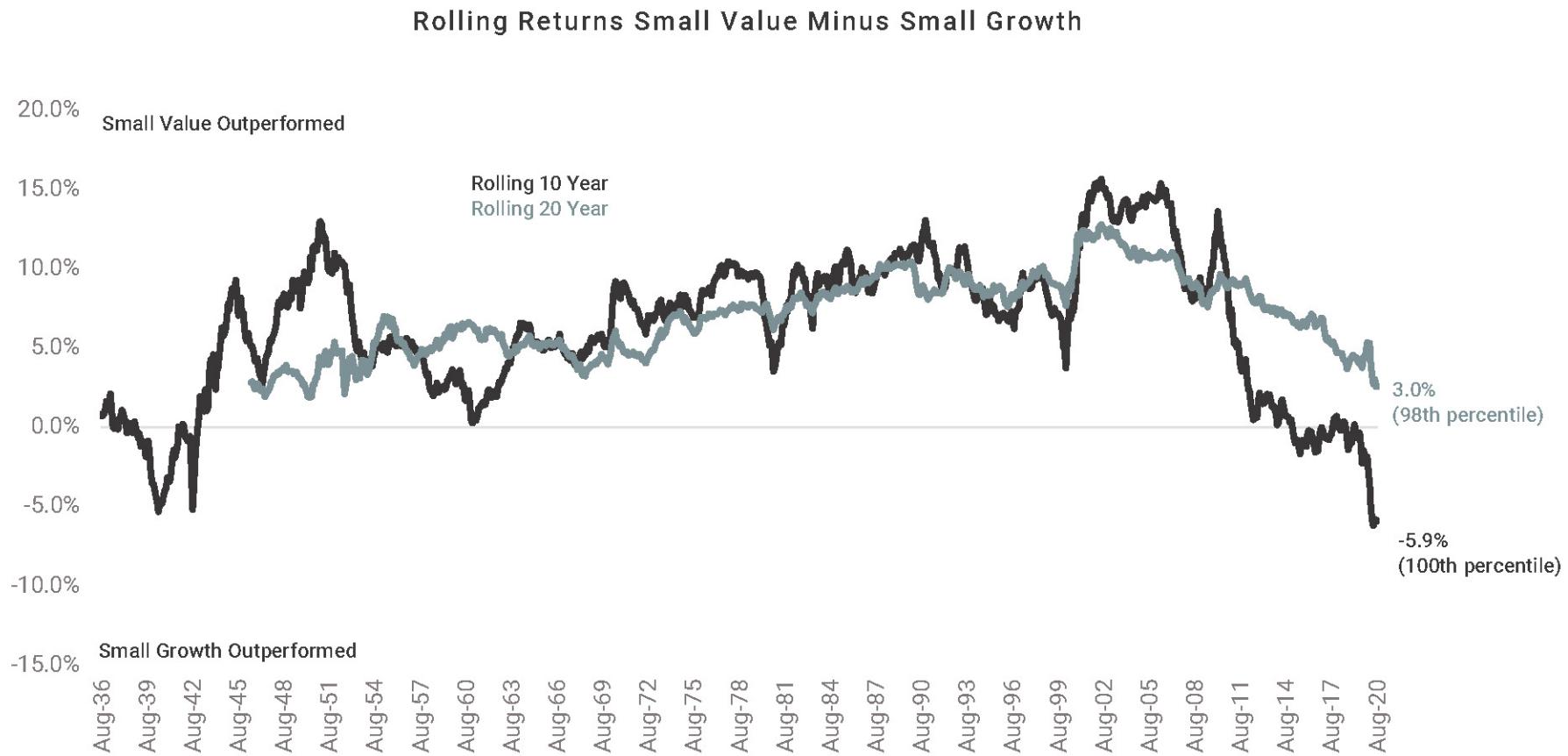
H&W Performance: H&W Large Cap Fundamental Value composite, gross of fees. Net of fee performance as well as returns for different time periods and/or market environments can result in significantly different results. Performance returns for other time periods are provided on page 12. Value and growth investing styles will go in and out of favor during different economic environments. Growth investing tends to work well during speculative, momentum-driven markets, while value investing tends to work well following recessionary periods. Value stocks following a recession may start from a lower market value than growth stocks which can contribute to their outperformance. Past recessions and recoveries cannot predict future performance due to different factors and circumstances. Client portfolio holdings and performance may vary due to different restrictions, cash flows and other relevant considerations. Value investing risks and other disclosures are provided in the Endnotes. Past performance is no guarantee of future performance.

VALUE AND GROWTH ROLLING RETURNS

As of August 2020

(latest available)

- Small Value has outperformed Small Growth over most rolling periods, particularly over longer durations
- The current 10- and 20-year trailing period has been among value's worst on record



Kenneth French Dartmouth data library. Data goes back to July 1926 through August 2020. Value and growth investing styles will go in and out of favor during different economic environments. Past recessions and recoveries cannot predict future performance due to different factors and circumstances. Value investing risks and other disclosures are provided in the Endnotes. Past performance is no guarantee of future performance.

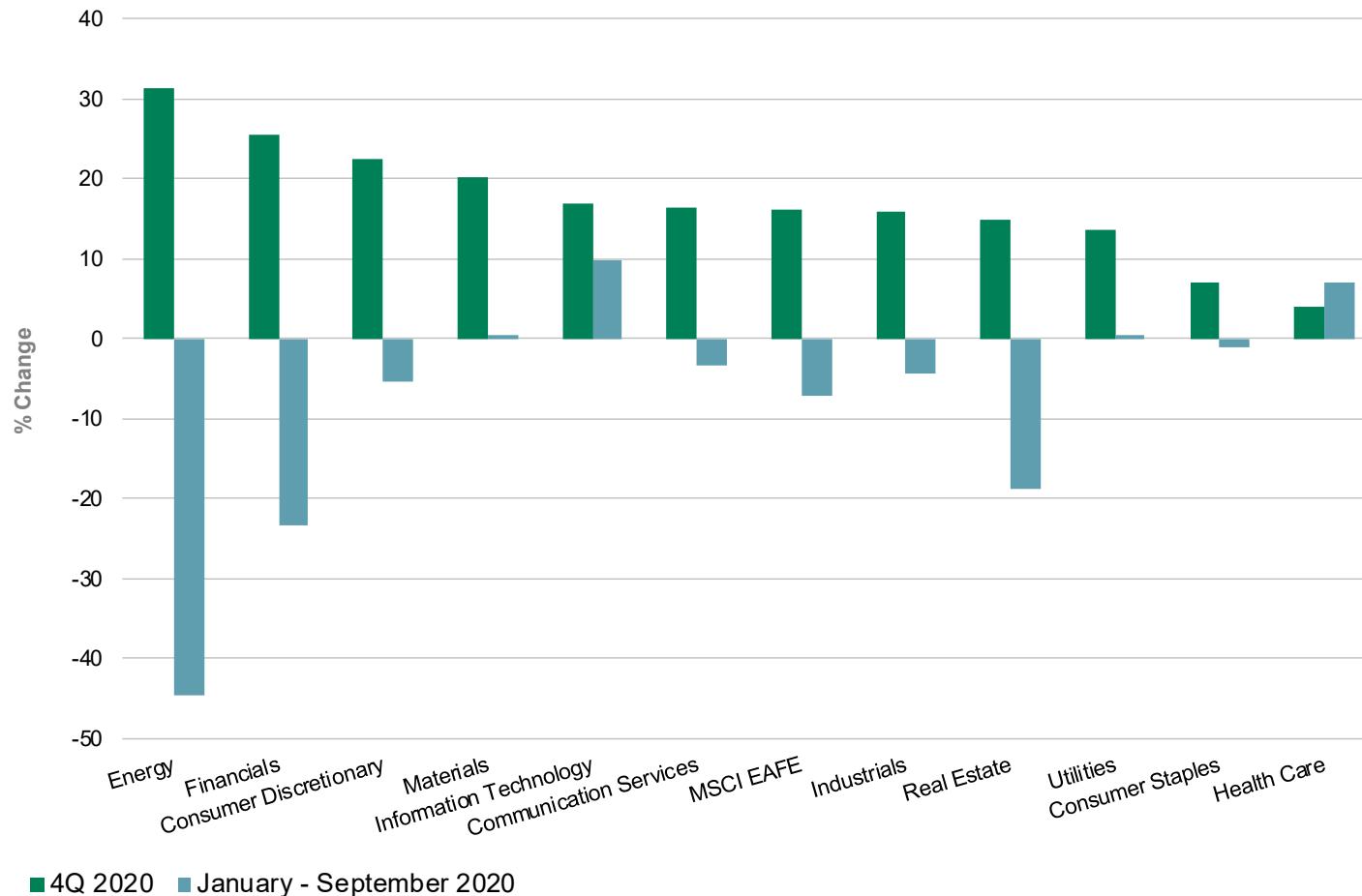
International Equity



MSCI EAFE Sector Performance – 4Q and First Nine Months of 2020

MSCI EAFE Index Sector Performance

Total Returns (Net) U.S. Dollar



Notes

Data as of 12/31/2020

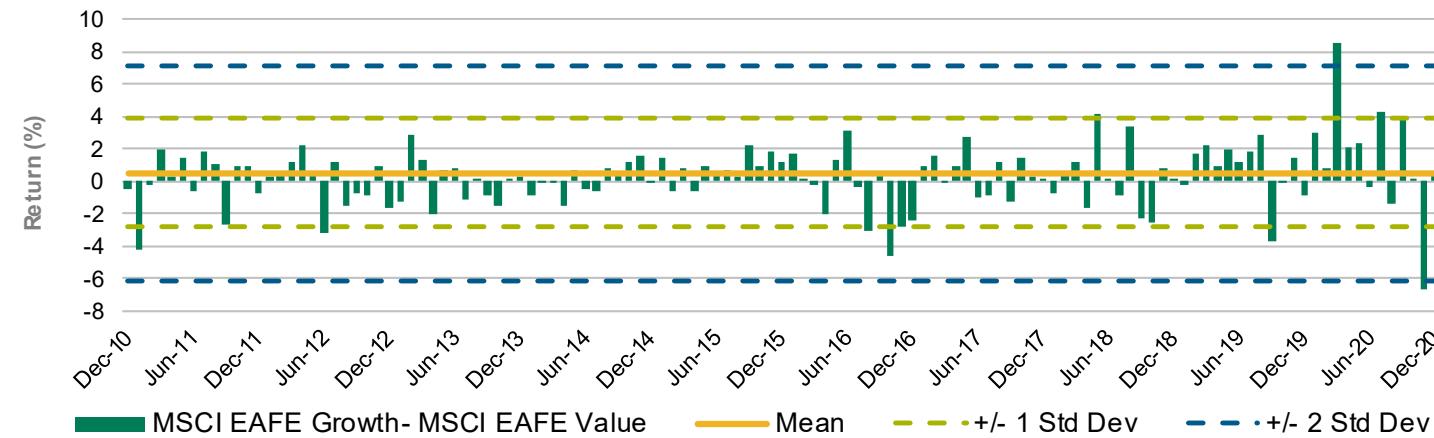
Source: FactSet



Value/Growth Historical Trends

One-Month Returns

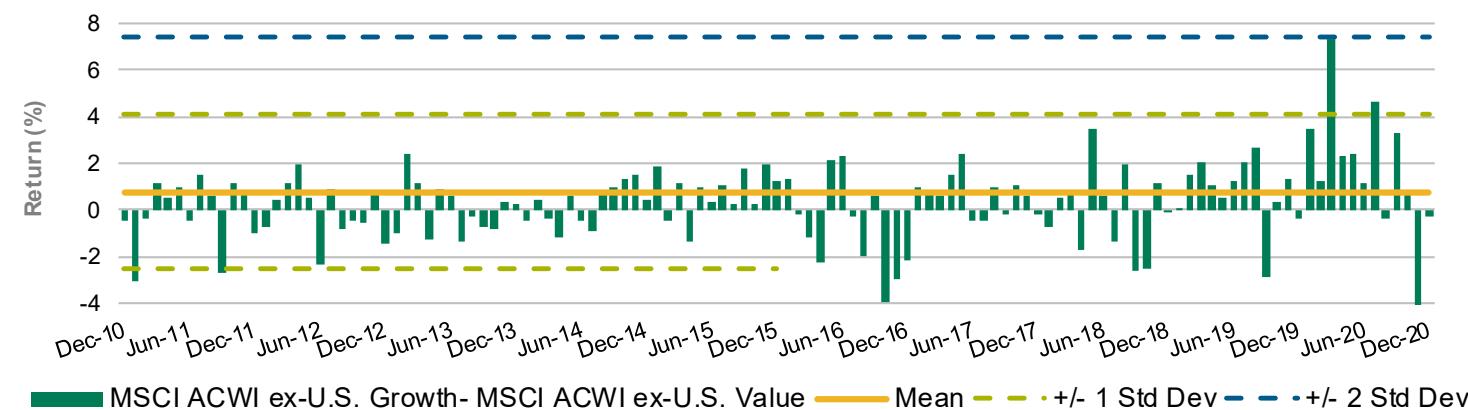
MSCI EAFE Growth Less MSCI EAFE Value



Notes

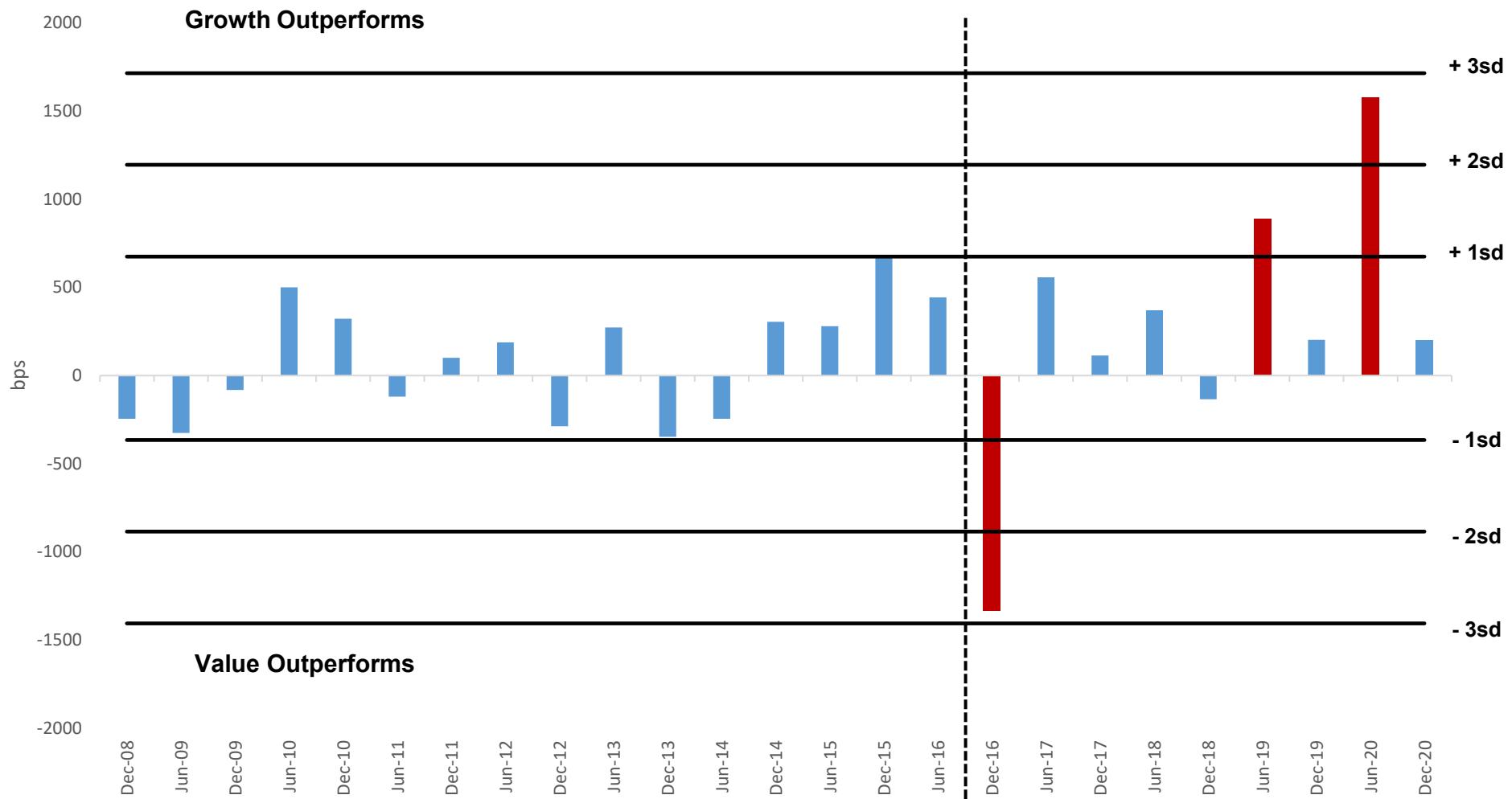
One-Month Returns

MSCI ACWI ex-U.S. Growth Less MSCI ACWI ex-U.S. Value



EAFE Growth – EAFE Value

6-Month Performance Differential



EAFE market leadership broadened considerably in 2H2020

As of 31 December 2020.

6-month total returns.

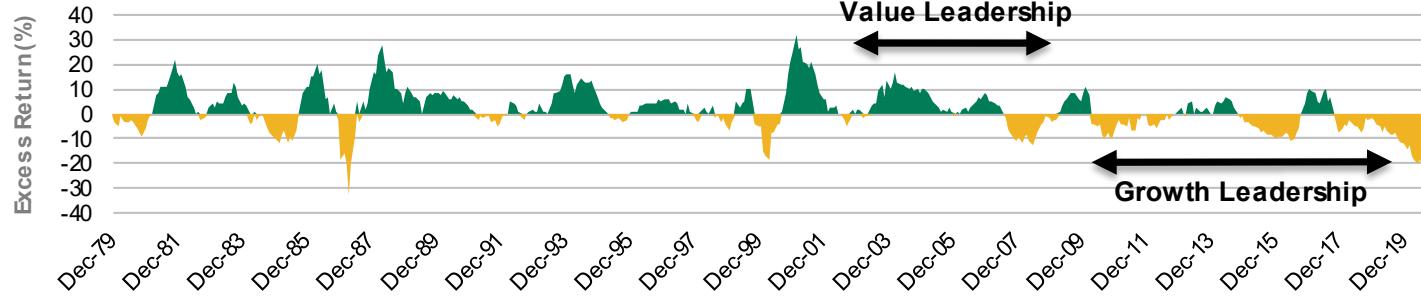
Source: Lazard, Factset, MSCI

The performance quoted represents past performance. Past performance is not a reliable indicator of future results. The indices mentioned are unmanaged and has no fees. One cannot invest directly in an index. All data is in USD.

Information and opinions presented have been obtained or derived from sources believed by Lazard to be reliable. Lazard makes no representation as to their accuracy or completeness. All opinions expressed herein are as of the published date and are subject to change.

MSCI EAFE: Growth vs. Value

Trailing 1-Year Relative Returns

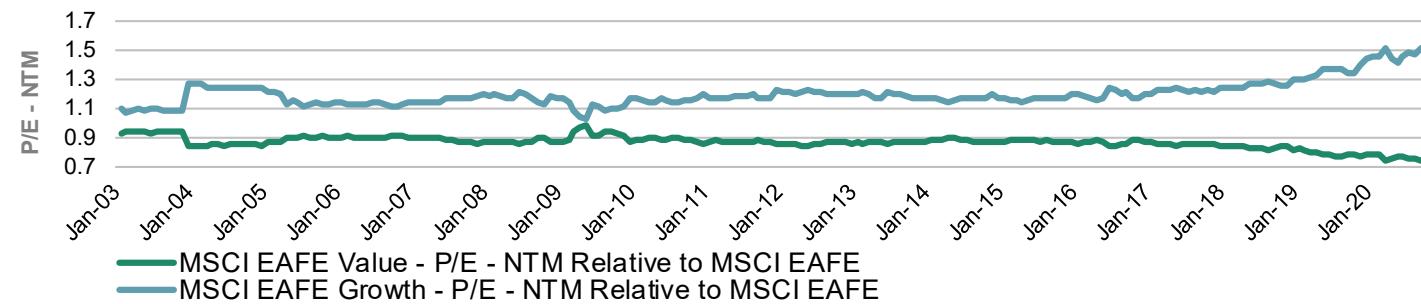


Data from 12/31/1979 to 12/31/2020. Returns represent the MSCI EAFE Value vs. MSCI EAFE Growth index.

Source: Morningstar

Notes

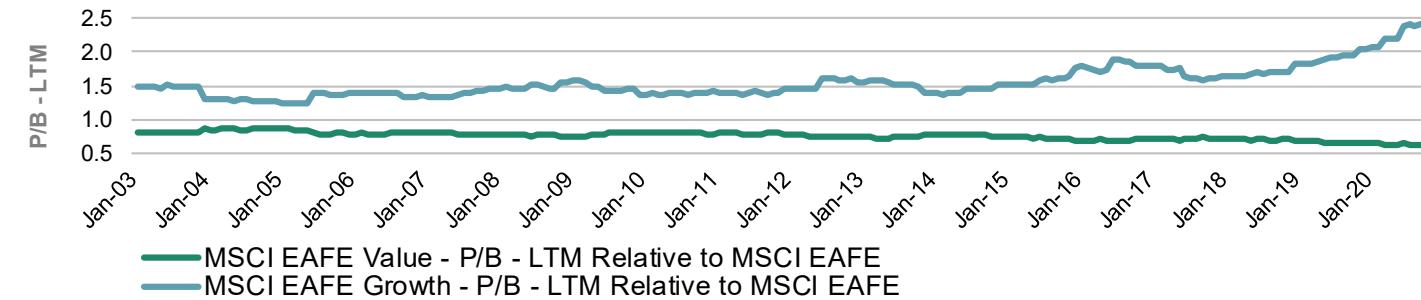
Relative Valuation of Growth & Value



Data from 1/31/2003 to 12/31/2020

Source: FactSet

Relative Valuation of Growth & Value



Data from 1/31/2003 to 12/31/2020

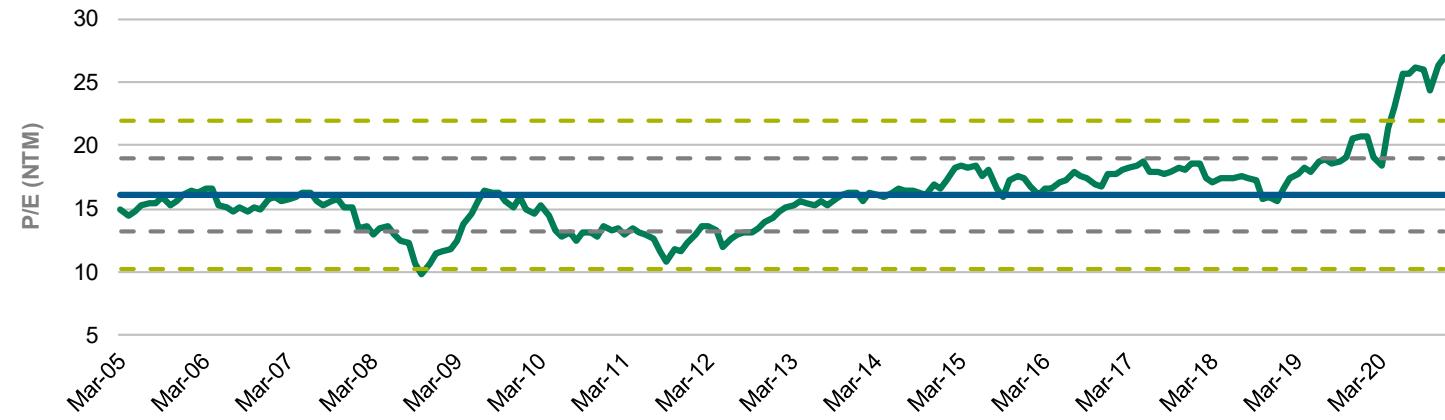
Source: FactSet



MSCI EAFE Value and Growth – Valuation Perspective

MSCI EAFE Growth

Next-Twelve-Month P/E Ratio (USD)



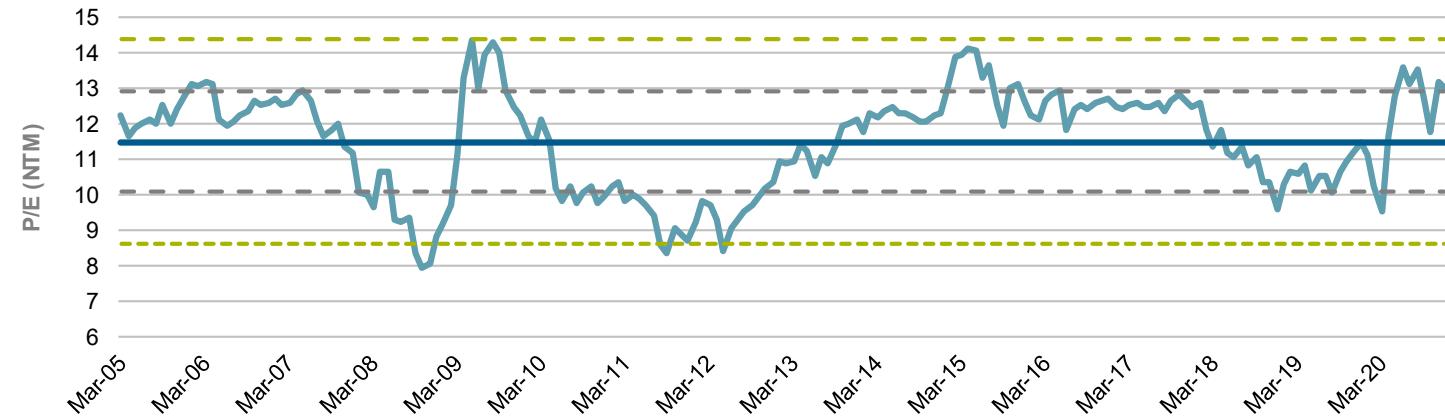
Data from 3/31/2005 to 12/31/2020

Source: FactSet

Notes

MSCI EAFE Value

Next-Twelve-Month P/E Ratio (USD)



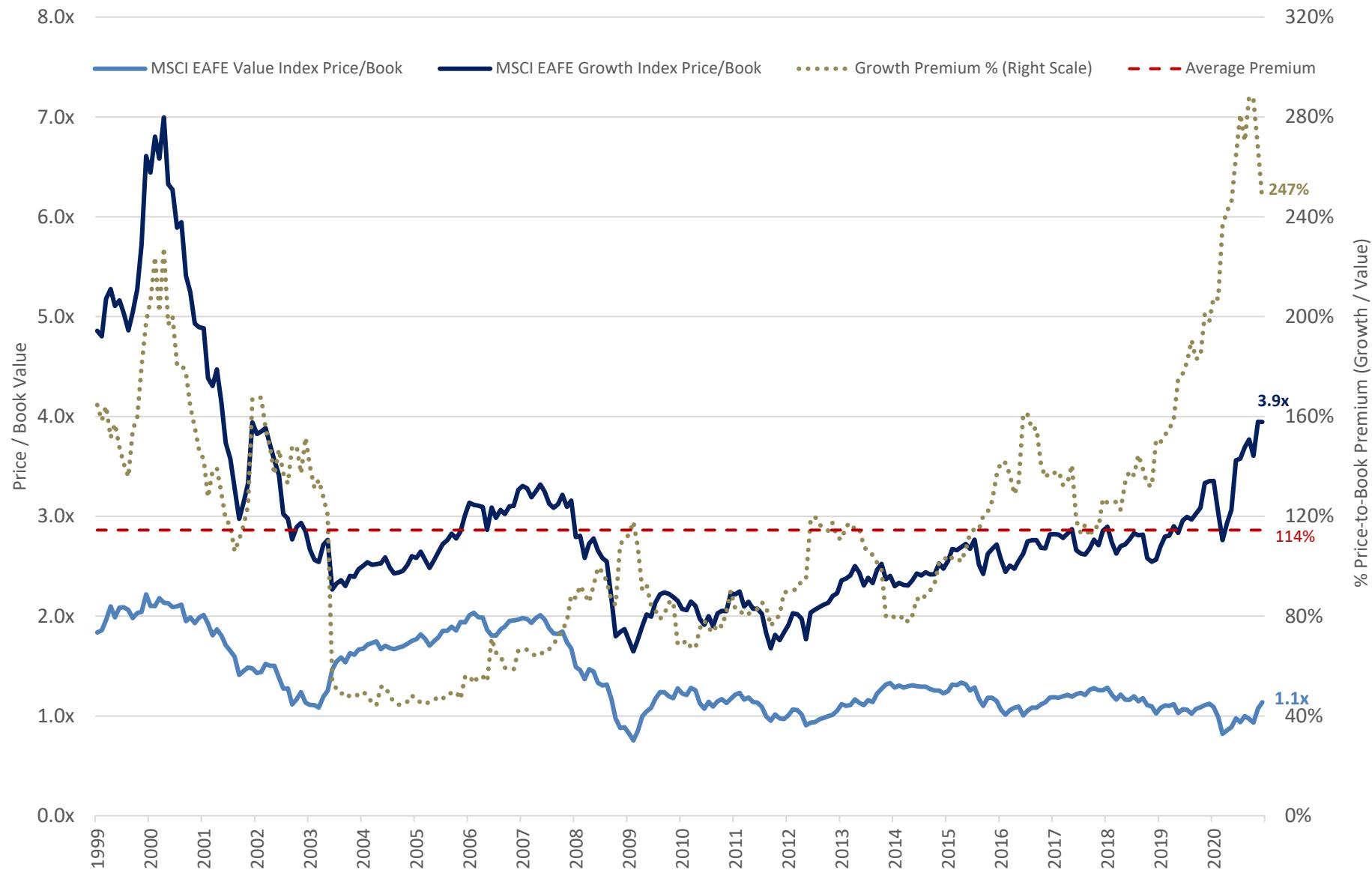
Data from 3/31/2005 to 12/31/2020

Source: FactSet



American Century
Investments

Growth Is Still Trading At More Than 2x Its Average Premium To Value

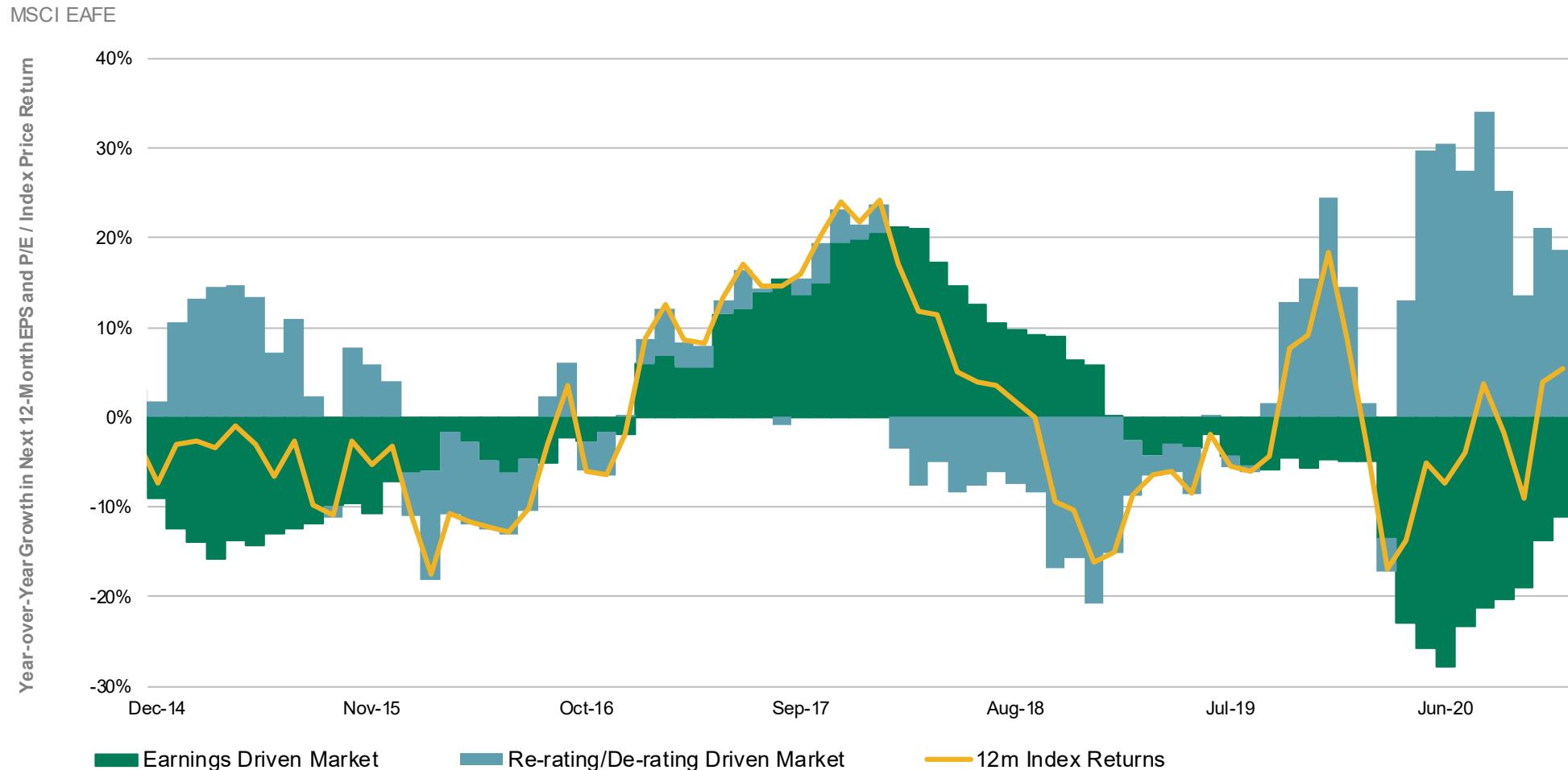


Sources: FactSet, Causeway Analytics



Market Performance – MSCI EAFE Earnings vs. PE Multiple

Earnings vs. Multiple Expansion



Earnings Driven Market = Year-over-year growth in next 12-month EPS, Re-rating/De-rating Driven Market = Year-over-year growth in next 12-month P/E ratio
Data from 12/31/2014 to 12/31/2020

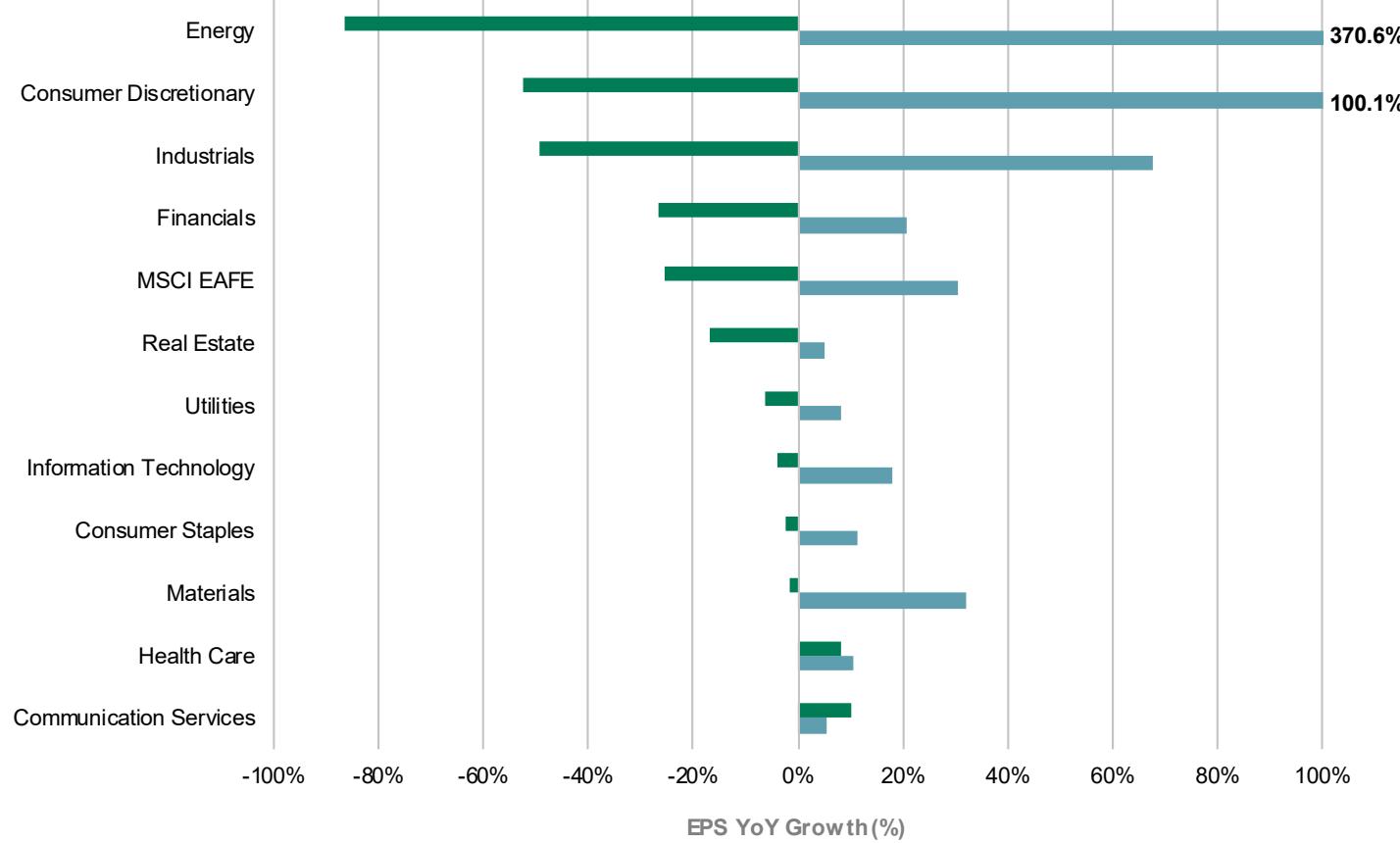
Source: FactSet



2021 – Transition in Earnings Leadership – MSCI EAFE

MSCI EAFE

EPS Growth



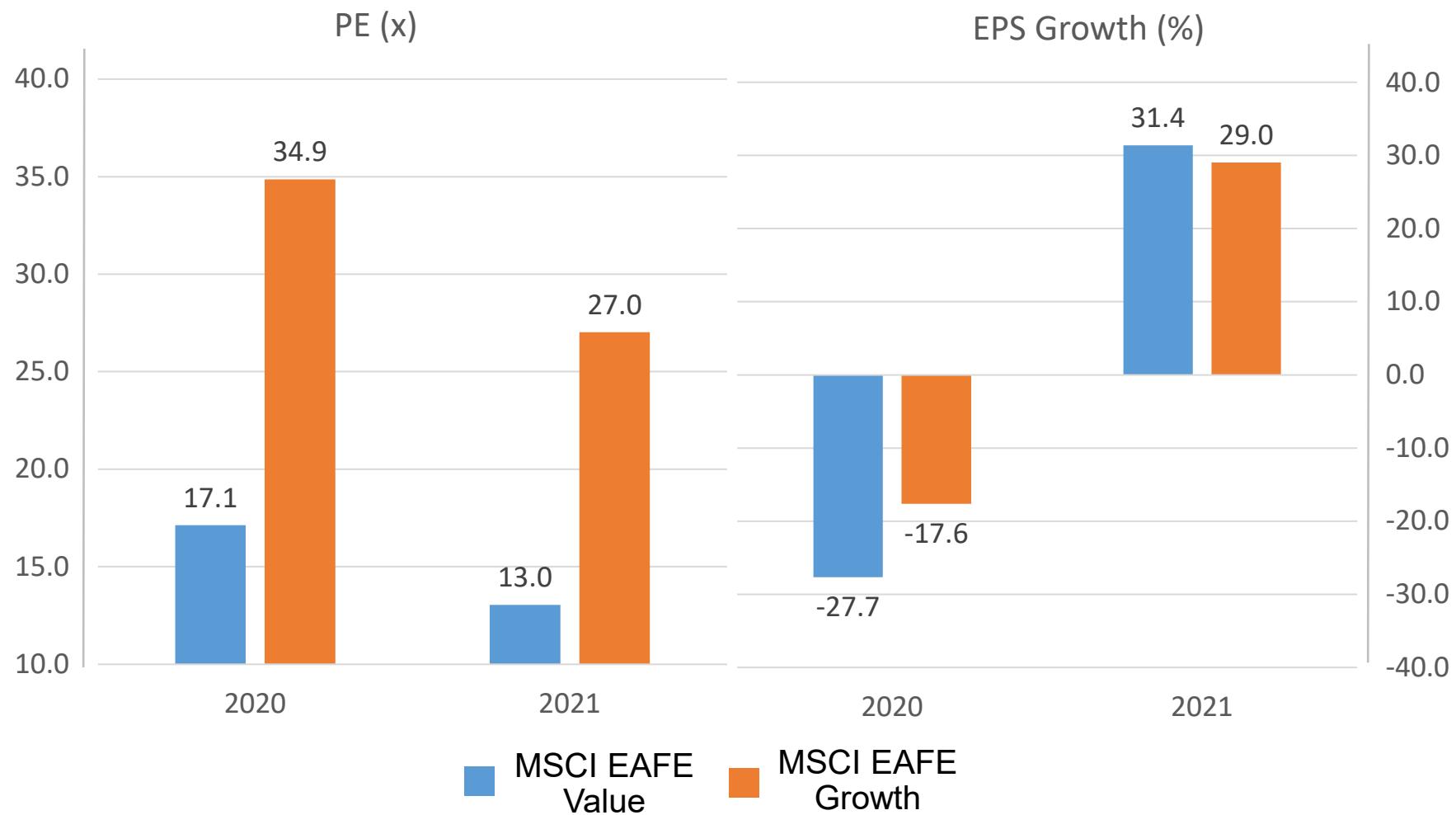
Notes

■ 2020 ■ 2021

Data as of 12/31/2020. 2021 forward is estimated.
Source: FactSet
Forecasts are not a reliable indicator of future performance.

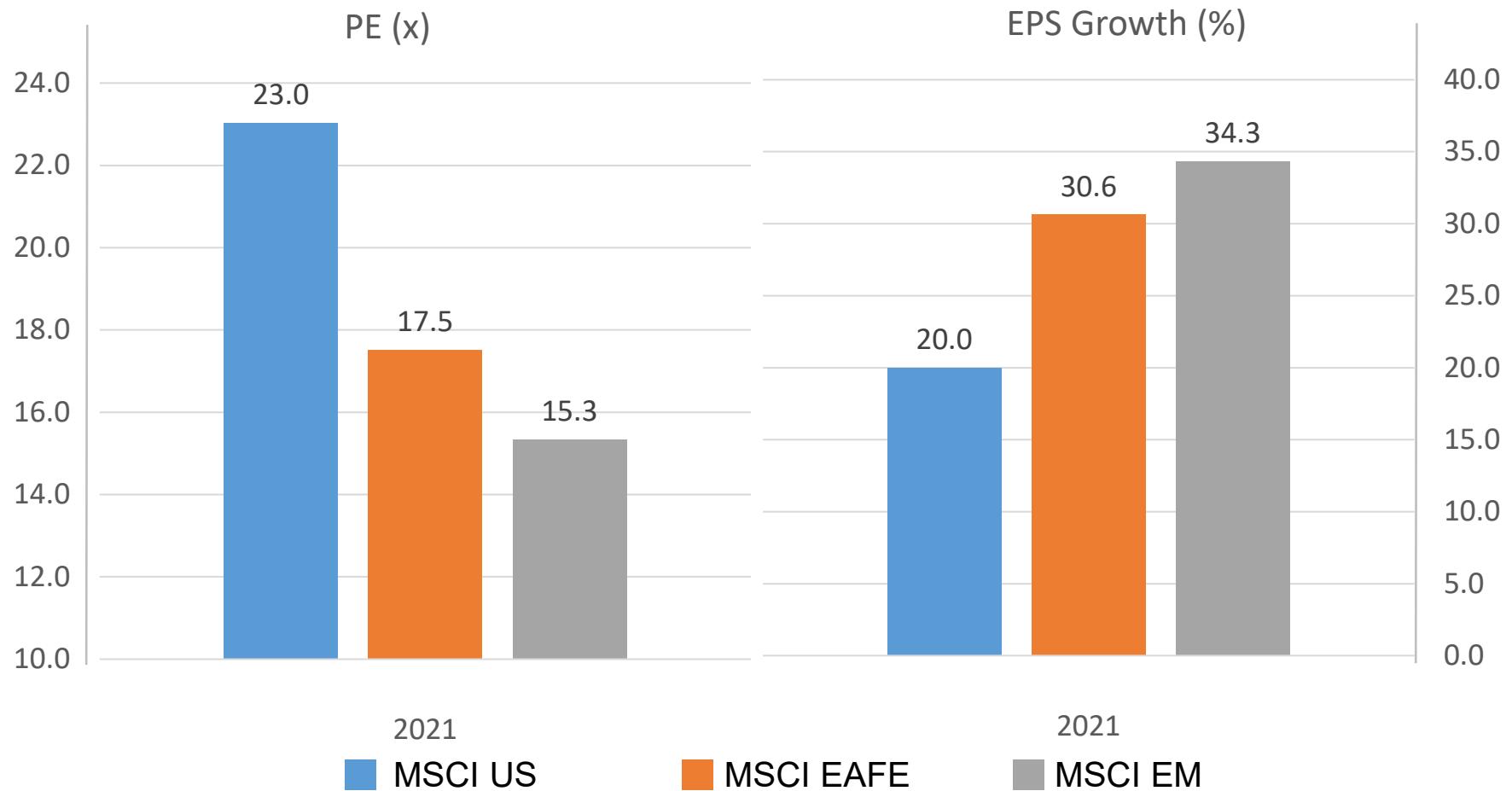


EAFFE Style Valuations and Earnings Growth



Similar EPS expectations could reduce style influence

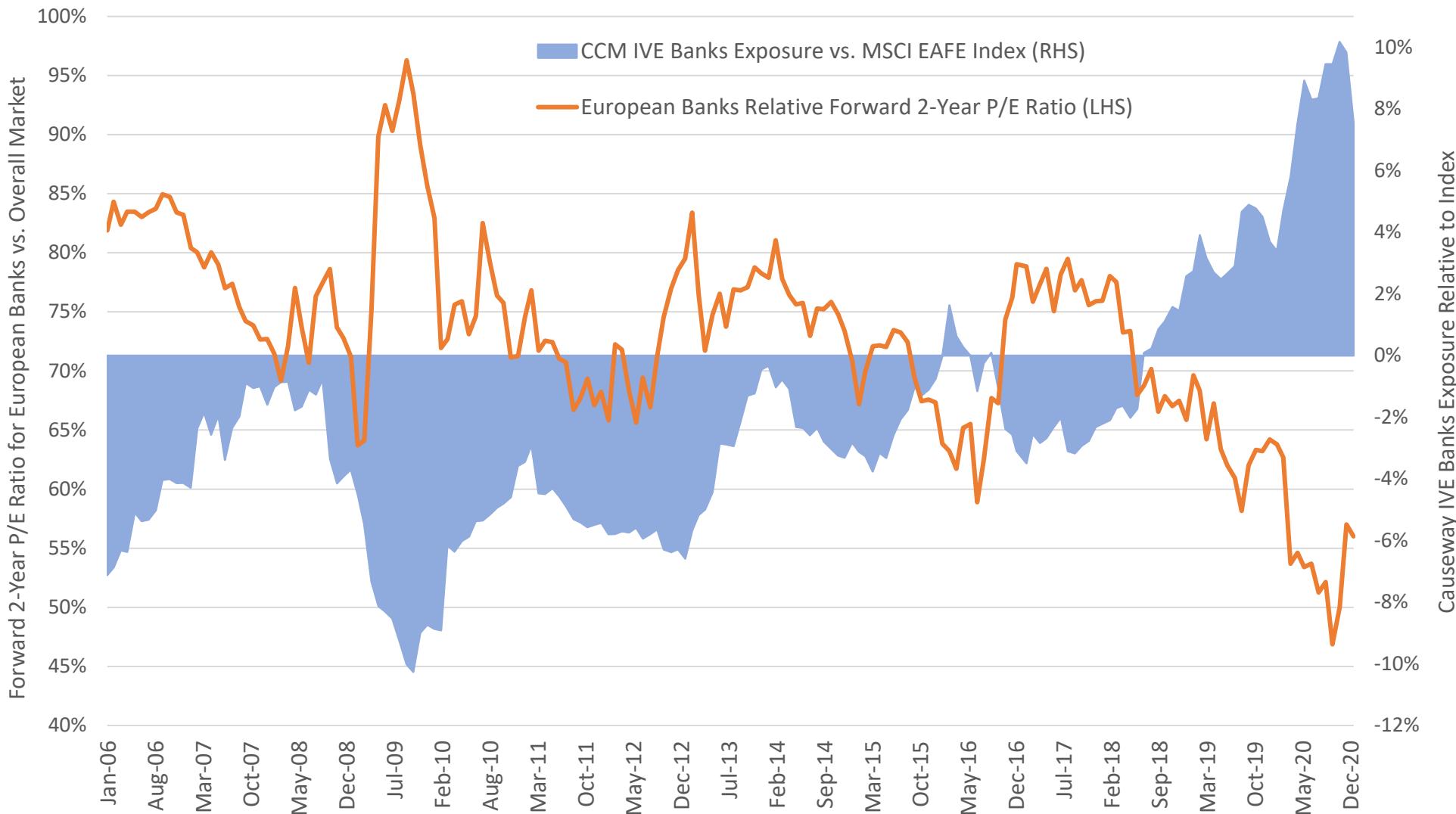
Regional Valuations and Earnings Growth



International equities offers stronger earnings growth at much cheaper valuations

Despite Recent Rebound, European Bank Valuations Remain Attractive

WE INCREASED BANK HOLDINGS AS VALUATIONS BECAME MORE COMPELLING



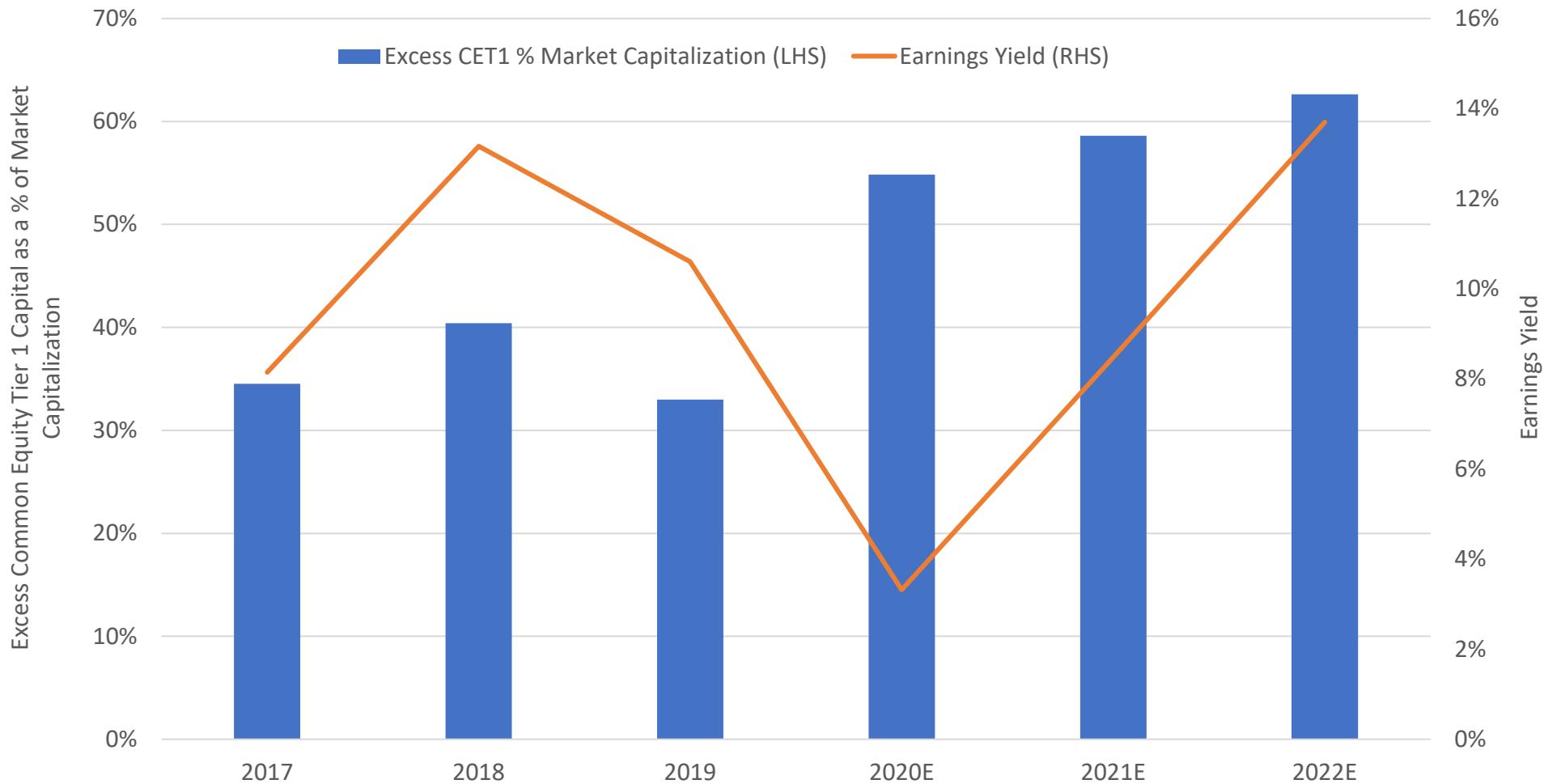
European Banks represented by the STOXX Europe 600 Banks Index and the overall European market represented by the STOXX Europe 600 Index.

Sources: Exane BNPP, FactSet



Causeway's Bank Holdings Are Well-Capitalized And Poised To Return Capital To Shareholders

BANKS ARE POSITIONED TO DISTRIBUTE THE MAJORITY OF THEIR NET INCOME ONCE REGULATORY RESTRICTIONS ARE LIFTED



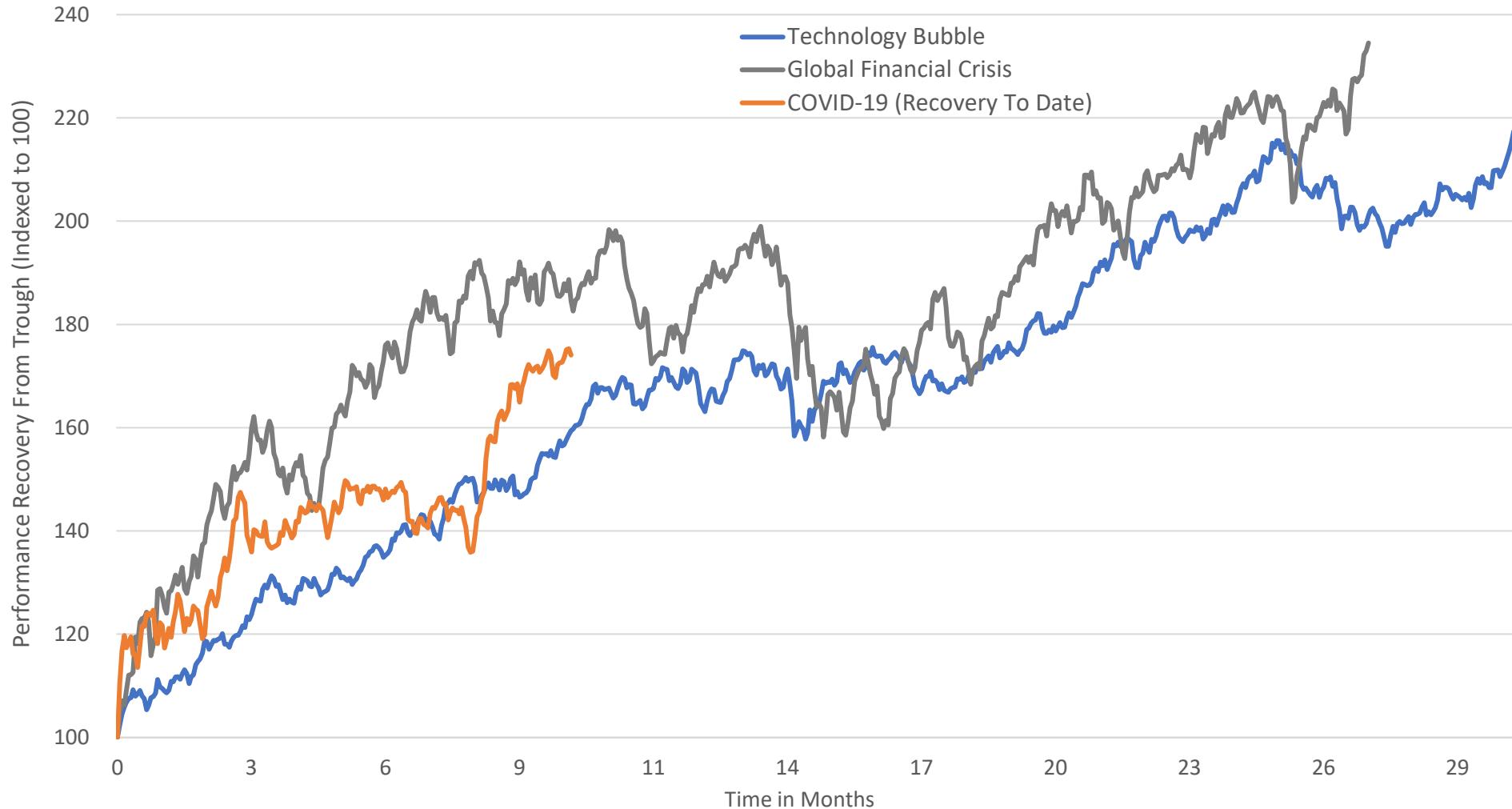
Data represents the weighted average of all banks held in Causeway International Value Equity strategy as of 12/31/2020. Excess Common Equity Tier 1 Capital (CET1) reflects capital in excess of regulatory requirements expressed as a percent of the bank's market capitalization. Earnings Yield reflects net income to common shareholders divided by the bank's market capitalization. For 2021 and 2022, the market capitalizations as of 12/31/2020 were used.

Sources: Causeway estimates, company filings, FactSet



Cyclical Stocks Offer Compelling Recovery Potential

POST-DRAWDOWN PERFORMANCE OF CYCLICAL SECTORS WITHIN THE MSCI EAFE INDEX



Cyclical sectors include materials, financials, industrials, consumer discretionary, and energy. Data represents a simple average (eg. equal weight across sectors).

Note: Sector performance represents USD percentage return for MSCI EAFE sector indices over the following periods: 10/9/2002-12/12/2005 for Technology Bubble, 3/9/2009-5/2/2011 for Global Financial Crisis, and 3/23/2020 – 12/31/2020 for COVID-19 (recovery to date). Source: MSCI, FactSet

Outlook

- Vaccine vs. Virus battle likely to dominate 1Q market direction
- World markets adjust to new US administration and Brexit deal
- Europe is particularly attractive, in our view, given valuations, potential profit recovery, government stimulus and political calm
- Value and International have started to rebound as expensive growth and US markets are at extremes
- Stock opportunities may be more balanced with the best of “stay at home” AND recovery stocks
- With the new geopolitical climate and emergence from the virus, we could move to an environment more like 2011-2015 where relative value stocks led

Stock selection will be critical as style extremes diminish

Composition of the Value vs. Growth Indices

MSCI EAFE Value and MSCI EAFE Growth Sector and Select Industries Weights

	MSCI EAFE Value %	MSCI EAFE Growth %	Difference %
Financials	25.35	7.06	18.29
Banks	14.55	0.66	13.89
Insurance	7.88	2.18	5.70
Utilities	6.98	0.71	6.27
Energy	5.23	0.98	4.25
Communication Services	7.00	3.32	3.68
Real Estate	4.87	1.30	3.57
Materials	9.48	6.24	3.24
Metals & Mining	5.10	1.13	3.98
Consumer Staples	9.20	12.73	-3.53
Industrials	13.00	17.49	-4.49
Industrial Conglomerates	2.12	0.21	1.91
Aerospace & Defense	1.10	1.16	-0.06
Building Products	0.57	1.68	-1.11
Professional Services	0.31	2.90	-2.59
Machinery	1.19	5.07	-3.88
Consumer Discretionary	8.88	16.31	-7.44
Automobiles	5.29	0.78	4.52
Auto Components	1.20	0.52	0.68
Specialty Retail	0.23	1.69	-1.46
Internet & Catalog Retail	0.09	1.76	-1.67
Hotels, Restaurants & Leisure	0.62	2.29	-1.67
Textiles Apparel & Luxury Goods	0.13	5.98	-5.85
Health Care	7.53	18.30	-10.77
Pharmaceuticals	6.85	9.70	-2.85
Health Care Equipment & Supplies	0.04	4.63	-4.59
Information Technology	2.49	15.56	-13.08

Data as of 12/31/2020

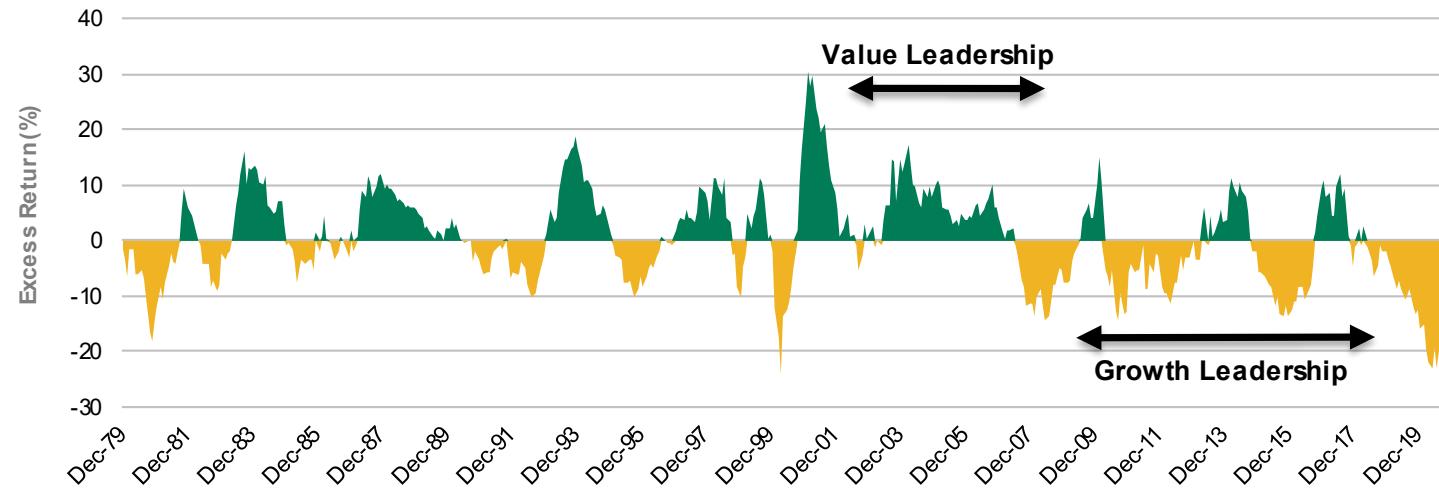
Source: FactSet

- The Value index outperformance will be dependent on:
 - Financials
 - Utilities
 - Energy
 - Metals and Mining
 - Automobiles



Europe: Growth vs. Value

Trailing 1-Year Relative Returns

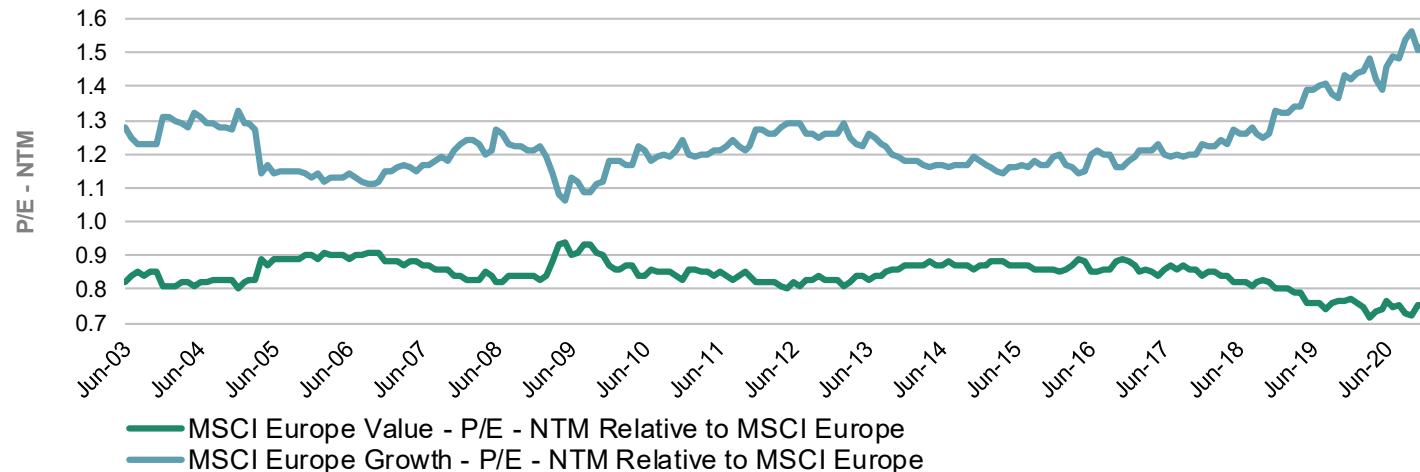


Data from 12/31/1979 to 12/31/2020. Returns represent the MSCI Europe Value vs. MSCI Europe Growth index.

Source: Morningstar

Notes

Valuation Spread Between Growth and Value



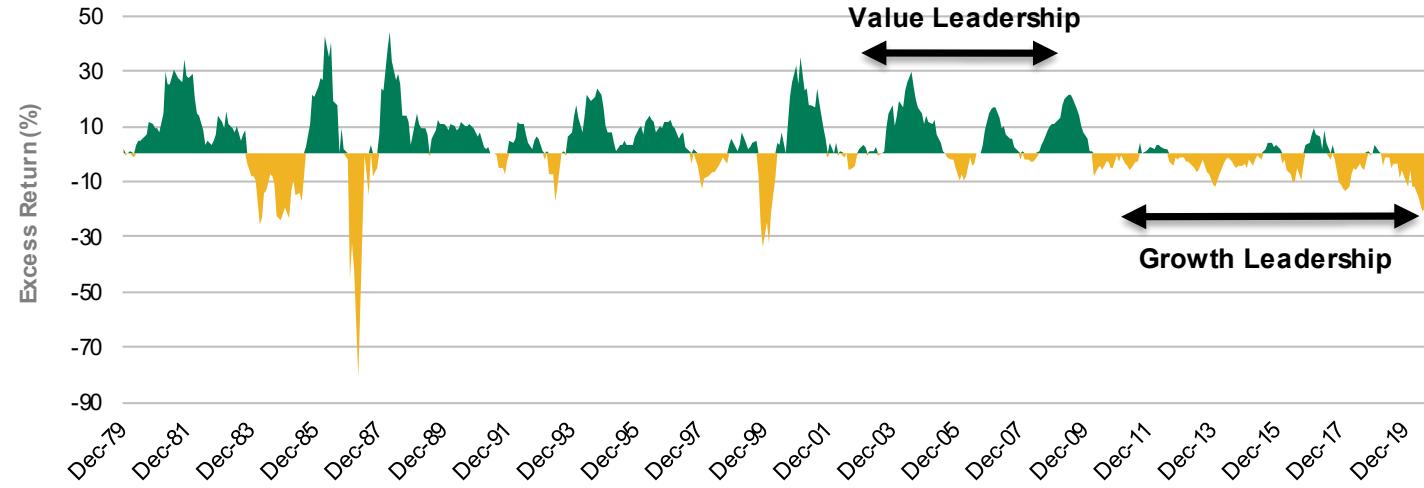
Data from 6/30/2003 to 12/31/2020

Source: FactSet



Japan: Growth vs. Value

Trailing 1-Year Relative Returns

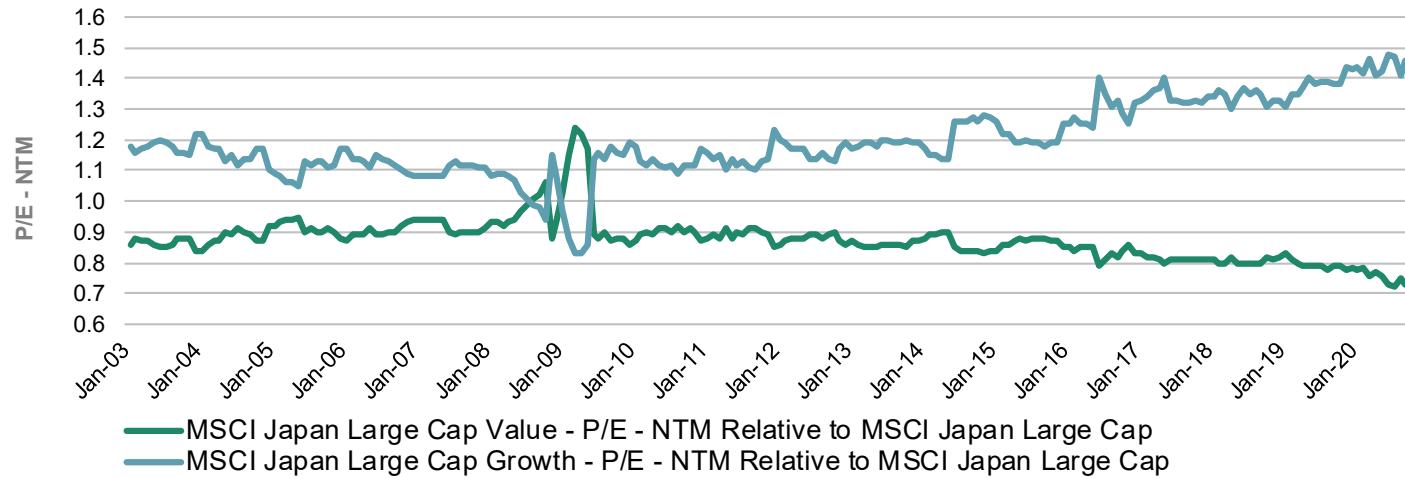


Data from 12/31/1979 to 12/31/2020. Returns represent the MSCI Japan Large Cap Value vs. MSCI Japan Large Cap Growth index.

Source: Morningstar

Notes

Valuation Spread Between Growth and Value



Data from 1/31/2003 to 12/31/2020

Source: FactSet



Appendix



2018 – Style Headwinds

No place to hide for style-pure disciplined value investors

Difference in Performance Between Quartile 1 and Quartile 4

Factor	Outcome	R2000V	R2500V	RMCV	R1000V
Valuation (P/E)	Most expensive P/E outperformed cheapest P/E	11.73%	13.53%	15.20%	10.66%
Valuation (P/B)	Most expensive P/B outperformed cheapest P/B	0.53%	n/a – cheapest outperformed by 1.3%	4.69%	16.84%
Quality (ROE)	High quality outperformed low quality	10.86%	1.26%	n/a – low quality outperformed high quality by 9.7%	3.01%
Volatility (Std Dev)	Low volatility outperformed high volatility	15.91%	16.77%	6.20%	11.01%
Volatility (Beta)	Low-beta stocks outperformed high-beta stocks	20.70%	22.89%	29.70%	20.51%
Momentum (9 Month)	High momentum outperformed low momentum	1.10%	4.42%	2.07%	4.23%
Market Cap	Large market cap outperformed small market cap	4.61%	0.69%	n/a – small market cap outperformed large market cap by 1.2%	2.67%

Source: Brandywine Global Investment Management, LLC. Data provided from December 31, 2017 through December 31, 2018.

2019 – Style Headwinds Continue

With the exception of Q3, headwinds continued throughout 2019

Difference in Performance Between Quartile 1 and Quartile 4

Factor	Outcome	R2000V	R2500V	RMCV	R1000V
Valuation (P/E)	Most expensive P/E outperformed cheapest P/E	2.64%	5.11%	0.54%	n/a – cheapest P/E outperformed most expensive by 9.74%
Valuation (P/B)	Most expensive P/B outperformed cheapest P/B	5.93%	5.54%	9.48%	n/a – cheapest P/B outperformed most expensive P/B by 6.65%
Quality (ROE)	High quality outperformed low quality	11.54%	4.30%	2.79%	5.41%
Volatility (Std Dev)	Low volatility outperformed high volatility	4.76%	4.85%	4.17%	n/a – high volatility outperformed low volatility by 13.52%
Volatility (Beta)	Low-beta stocks outperformed high-beta stocks	5.15%	4.57%	3.20%	n/a – high beta outperformed low beta by 2.69%
Momentum (9 Month)	High momentum outperformed low momentum	7.79%	10.02%	2.86%	n/a – low momentum outperformed high momentum by 8.77%
Market Cap	Large market cap outperformed small market cap	7.87%	6.83%	9.61%	3.44%
Dividend Yield	Low-dividend stocks outperformed high-dividend stocks	6.71%	4.95%	0.20%	0.20%

Source: Brandywine Global Investment Management, LLC. Data provided from December 31, 2018 through December 31, 2019.

1Q20 – COVID-Induced Bear Market

Extreme headwind for disciplined value investors ...

Difference in Performance Between Quartile 1 and Quartile 4

Factor	Outcome	R2000V	R2500V	RMCV	R1000V
Valuation (P/E)	Most expensive P/E outperformed cheapest P/E	14.75%	15.78%	18.28%	17.06%
Valuation (P/B)	Most expensive P/B outperformed cheapest P/B	21.01%	20.20%	18.48%	21.31%
Quality (ROE)	High quality outperformed low quality	5.84%	4.12%	0.84%	10.37%
Volatility (Std Dev)	Low volatility outperformed high volatility	14.50%	15.12%	19.71%	4.48%
Volatility (Beta)	Low-beta stocks outperformed high-beta stocks	18.88%	18.22%	22.22%	22.97%
Momentum (9 Month)	High momentum outperformed low momentum	15.26%	18.70%	21.14%	19.67%
Market Cap	Large market cap outperformed small market cap	5.93%	6.05%	12.88%	15.44%
Dividend Yield	Low-dividend stocks outperformed high-dividend stocks	6.26%	12.51%	11.20%	6.84%

Source: Brandywine Global Investment Management, LLC. Data provided from December 31, 2019 through March 31, 2020.

2Q20 – Rapid Recovery

... followed by swift reversal ...

Difference in Performance Between Quartile 1 and Quartile 4

Factor	Outcome	R2000V	R2500V	RMCV	R1000V
Valuation (P/E)	Most expensive P/E outperformed cheapest P/E	n/a – low P/E outperformed high P/E by 25.89%	n/a – low P/E outperformed high P/E by 14.55%	n/a – low P/E outperformed high P/E by 10.72%	n/a – low P/E outperformed high P/E by 1.34%
Valuation (P/B)	Most expensive P/B outperformed cheapest P/B	n/a – low P/B outperformed high P/B by 19.51%	n/a – low P/B outperformed high P/B by 11.46%	n/a – low P/B outperformed high P/B by 9.85%	n/a – low P/B outperformed high P/B by 11.17%
Quality (ROE)	High quality outperformed low quality	n/a – low ROE outperformed high ROE by 14.26%	n/a – low ROE outperformed high ROE by 19.13%	n/a – low ROE outperformed high ROE by 1.75%	n/a – low ROE outperformed high ROE by 9.41%
Volatility (Std Dev)	Low volatility outperformed high volatility	n/a – high volatility outperformed low volatility by 49.94%	n/a – high volatility outperformed low volatility by 47.84%	n/a – high volatility outperformed low volatility by 32.98%	n/a – high volatility outperformed low volatility by 29.93%
Volatility (Beta)	Low-beta stocks outperformed high-beta stocks	n/a – high beta outperformed low beta by 33.75%	n/a – high beta outperformed low beta by 24.56%	n/a – high beta outperformed low beta by 23.91%	n/a – high beta outperformed low beta by 18.62%
Momentum (9 Month)	High momentum outperformed low momentum	n/a – low momentum outperformed high momentum by 25.04%	n/a – low momentum outperformed high momentum by 27.57%	n/a – low momentum outperformed high momentum by 24.01%	n/a – low momentum outperformed high momentum by 20.61%
Market Cap	Large market cap outperformed small market cap	n/a – small market cap outperformed large market cap by 16.06%	n/a – small market cap outperformed large market cap by 12.78%	n/a – small market cap outperformed large market cap by 19.08%	n/a – small market cap outperformed large market cap by 22.50%
Dividend Yield	Low-dividend stocks outperformed high-dividend stocks	n/a – high-dividend stocks outperformed low-dividend stocks by 10.04%	n/a – high-dividend stocks outperformed low-dividend stocks by 8.74%	n/a – high-dividend stocks outperformed low-dividend stocks by 6.59%	n/a – high-dividend stocks outperformed low-dividend stocks by 2.56%

Source: Brandywine Global Investment Management, LLC. Data provided from March 31, 2020 through June 30, 2020.

3Q20 – Continued Recovery

With a few exceptions, disciplined value continued to work

Difference in Performance Between Quartile 1 and Quartile 4

Factor	Outcome	R2000V	R2500V	RMCV	R1000V
Valuation (P/E)	Most expensive P/E outperformed cheapest P/E	0.09%	0.14%	1.44%	9.68%
Valuation (P/B)	Most expensive P/B outperformed cheapest P/B	11.03%	7.36%	8.12%	10.14%
Quality (ROE)	High quality outperformed low quality	n/a – low quality outperformed high quality by 1.04%	n/a – low quality outperformed high quality by 0.13%	5.92%	2.15%
Volatility (Std Dev)	Low volatility outperformed high volatility	n/a – high volatility outperformed low volatility by 13.9%	n/a – high volatility outperformed low volatility by 6.67%	n/a – high volatility outperformed low volatility by 0.74%	5.99%
Volatility (Beta)	Low-beta stocks outperformed high-beta stocks	n/a – high beta outperformed low beta by 9.32%	n/a – high beta outperformed low beta by 6.74%	n/a – high beta outperformed low beta by 0.47%	4.72%
Momentum (9 Month)	High momentum outperformed low momentum	14.30%	10.38%	8.75%	11.65%
Market Cap	Large market cap outperformed small market cap	4.15%	2.79%	7.01%	4.01%
Dividend Yield	Low-dividend stocks outperformed high-dividend stocks	8.45%	5.72%	7.27%	10.30%

Source: Brandywine Global Investment Management, LLC. Data provided from June 30, 2020 through September 30, 2020.

4Q20 – Markets Respond to Vaccine Approval

The style headwind facing disciplined value may have dissipated

Difference in Performance Between Quartile 1 and Quartile 4

Factor	Outcome	R2000V	R2500V	RMCV	R1000V
Valuation (P/E)	Most expensive P/E outperformed cheapest P/E	n/a – cheapest P/E outperformed most expensive P/E by 5.52%	n/a – cheapest P/E outperformed most expensive P/E by 14.38%	n/a – cheapest P/E outperformed most expensive P/E by 9.98%	n/a – cheapest P/E outperformed most expensive P/E by 5.37%
Valuation (P/B)	Most expensive P/B outperformed cheapest P/B	n/a – cheapest P/B outperformed most expensive P/B by 17.30%	n/a – cheapest P/B outperformed most expensive P/B by 22.07%	n/a – cheapest P/B outperformed most expensive P/B by 16.49%	n/a – cheapest P/B outperformed most expensive P/B by 17.46%
Quality (ROE)	High quality outperformed low quality	n/a – low quality outperformed high quality by 17.45%	n/a – low quality outperformed high quality by 18.75%	n/a – low quality outperformed high quality by 14.61%	n/a – low quality outperformed high quality by 16.76%
Volatility (Std Dev)	Low volatility outperformed high volatility	n/a – high volatility outperformed low volatility by 14.30%	n/a – high volatility outperformed low volatility by 17.69%	n/a – high volatility outperformed low volatility by 21.46%	n/a – high volatility outperformed low volatility by 24.29%
Volatility (Beta)	Low-beta stocks outperformed high-beta stocks	n/a – high beta outperformed low beta by 24.08%	n/a – high beta outperformed low beta by 23.56%	n/a – high beta outperformed low beta by 25.01%	n/a – high beta outperformed low beta by 26.66%
Momentum (9 Month)	High momentum outperformed low momentum	n/a – low momentum outperformed high momentum by 29.21%	n/a – low momentum outperformed high momentum by 30.73%	n/a – low momentum outperformed high momentum by 21.03%	n/a – low momentum outperformed high momentum by 19.34%
Market Cap	Large market cap outperformed small market cap	n/a – small market cap outperformed large market cap by 7.87%	n/a – small market cap outperformed large market cap by 13.01%	n/a – small market cap outperformed large market cap by 22.34%	n/a – small market cap outperformed large market cap by 23.58%
Dividend Yield	Low-dividend stocks outperformed high-dividend stocks	n/a – high-dividend stocks outperformed low-dividend stocks by 3.09%	n/a – high-dividend stocks outperformed low-dividend stocks by 7.54%	n/a – high-dividend stocks outperformed low-dividend stocks by 10.38%	n/a – high-dividend stocks outperformed low-dividend stocks by 6.79%

Source: Brandywine Global Investment Management, LLC. Data provided from September 30, 2020 through December 31, 2020.

2020 Full Year

The favorable environment of Q2, Q3 and especially Q4 combined to offset the extreme Q1 COVID correction

Difference in Performance Between Quartile 1 and Quartile 4

Factor	Outcome	R2000V	R2500V	RMCV	R1000V
Valuation (P/E)	Most expensive P/E outperformed cheapest P/E	n/a – high P/E outperformed low P/E by 2.76%	2.70%	11.43%	26.05%
Valuation (P/B)	Most expensive P/B outperformed cheapest P/B	17.60%	15.16%	15.25%	15.75%
Quality (ROE)	High quality outperformed low quality	n/a – low quality outperformed high quality by 18.83%	n/a – low quality outperformed high quality by 24.62%	n/a – low quality outperformed high quality by 8.64%	n/a – low quality outperformed high quality by 6.03%
Volatility (Std Dev)	Low volatility outperformed high volatility	n/a – high volatility outperformed low volatility by 44.38%	n/a – high volatility outperformed low volatility by 41.33%	n/a – high volatility outperformed low volatility by 15.94%	n/a – high volatility outperformed low volatility by 12.46%
Volatility (Beta)	Low-beta stocks outperformed high-beta stocks	n/a – high beta outperformed low beta by 26.33%	n/a – high beta outperformed low beta by 16.41%	n/a – high beta outperformed low beta by 6.69%	n/a – high beta outperformed low beta by 1.19%
Momentum (9 Month)	High momentum outperformed low momentum	n/a – low momentum outperformed high momentum by 2.24%	n/a – low momentum outperformed high momentum by 4.16%	6.54%	7.21%
Market Cap	Large market cap outperformed small market cap	n/a – small market cap outperformed large market cap by 4.54%	n/a – small market cap outperformed large market cap by 7.95%	n/a – small market cap outperformed large market cap by 8.06%	n/a – small market cap outperformed large market cap by 11.40%
Dividend Yield	Low-dividend stocks outperformed high-dividend stocks	7.47%	11.99%	9.60%	11.43%

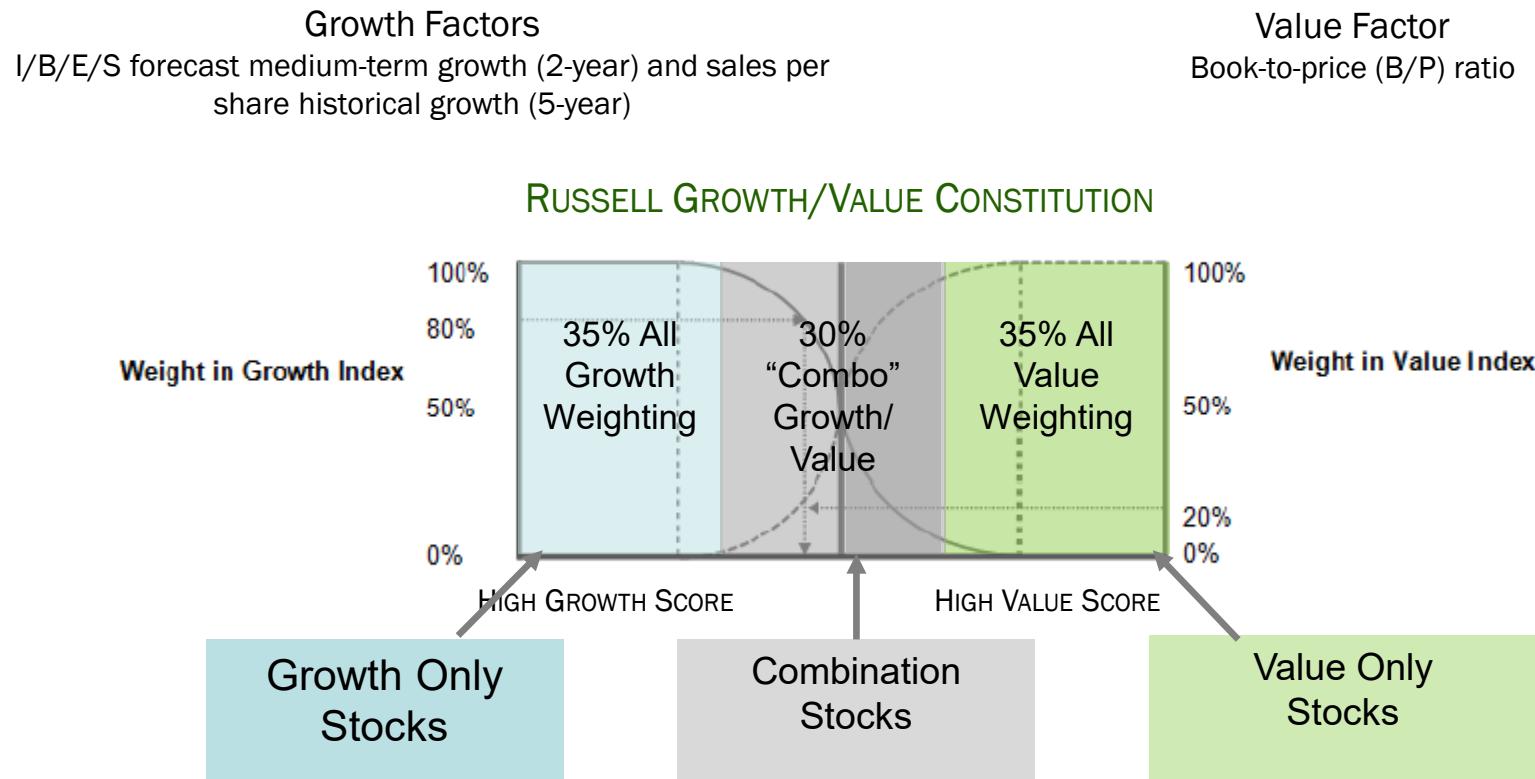
Source: Brandywine Global Investment Management, LLC. Data provided from December 31, 2019 through December 31, 2020.

Russell Index Methodology

Russell methodology is leading to growthier names in the value indexes

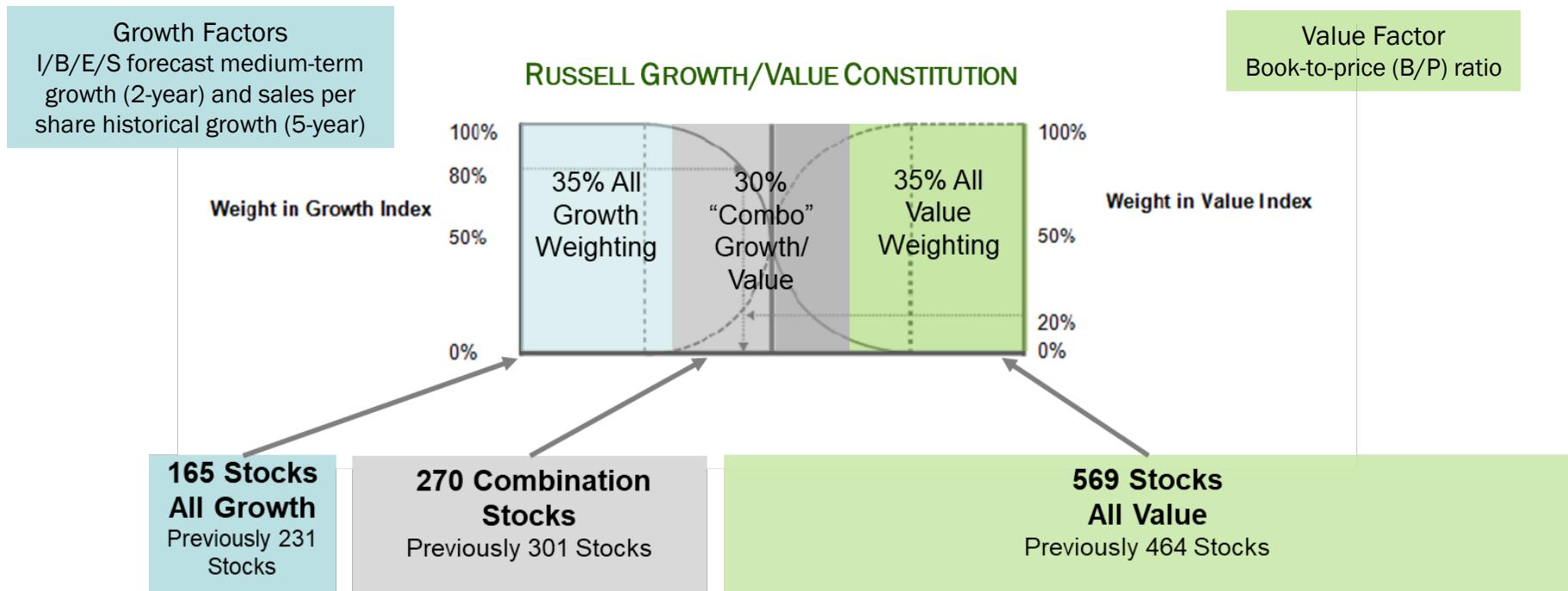
- ▶ Russell divides each market-cap index into value and growth style indexes based on a Composite Score for each constituent security.
- ▶ The only metric used to measure a stock's value characteristics is its rank based on P/B. Value characteristics are 50% of its Composite Score.
- ▶ Growth characteristics are 50% of the Composite Score and are measured by two metrics that are equally weighted:
 - I/B/E/S forecast medium-term (two years) EPS growth, and
 - Sales/share growth (historical five years).
- ▶ Within a market cap range, all stocks are ranked according to their Composite Score:
 - 35% of the total market cap with the “growthiest” Composite Scores are categorized as solely Growth.
 - 35% of the total market cap with the “valuest” Composite Scores are categorized as solely Value.
 - For the remaining 30% of the total market cap, each stock is assigned to both the Value and Growth index in proportion to their value characteristics and their growth characteristics, but the combined weight must equal 100%. There is considerable overlap between the names in the value and growth indexes.
- ▶ Market-cap boundaries are based on number of names (i.e., Russell 1000, Russell 2000, etc.). But within each market-cap range style boundaries are based on a percentage of the total market cap within that market cap range.
- ▶ As growth stocks have outperformed value and their market caps have expanded, there are fewer stocks in the growth indexes and many ‘growthier’ stocks are being pushed into the value indexes.

RUSSELL 1000 GROWTH/VALUE RECONSTITUTION



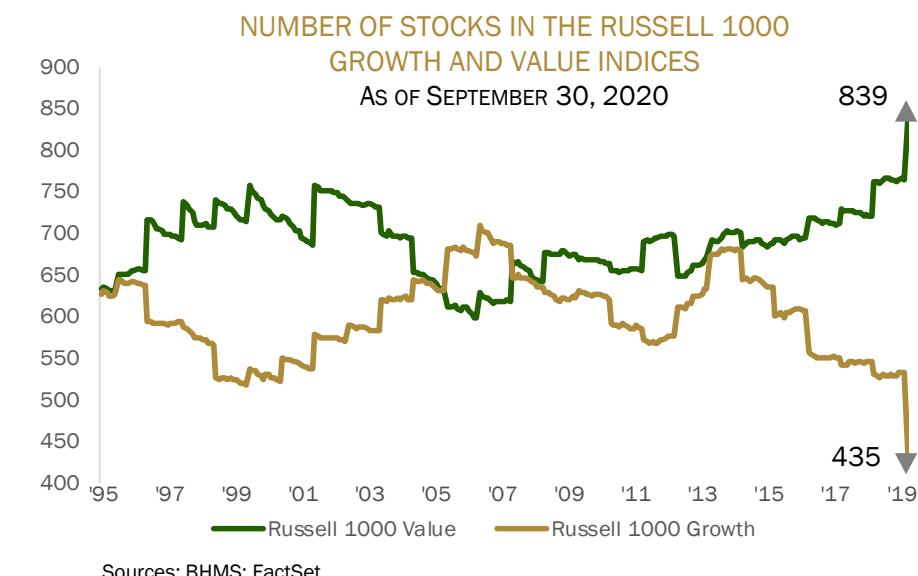
- ❑ Russell Indices do not use dividend yield or price-to-earnings measures to determine growth or value.
- ❑ Stocks with artificially low Price/Book ratios are often mis-categorized as value.

RUSSELL 1000 GROWTH/VALUE RECONSTITUTION – JUNE 2020

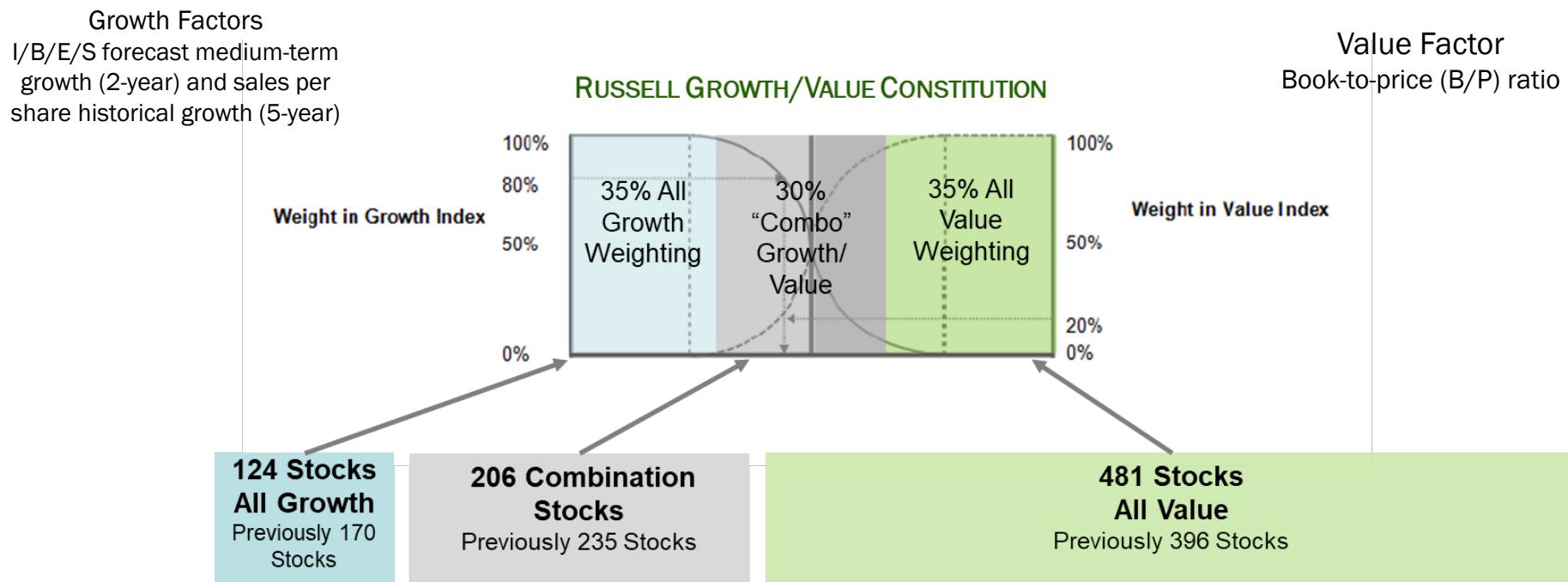


CHARACTERISTICS OF STOCKS ADDED TO THE RUSSELL 1000 VALUE	
June 2020 Reconstitution	
#	159
P/E NTM	38.1x
P/Bk	6.62x
Dividend Yield	0.54%

Source: FactSet.

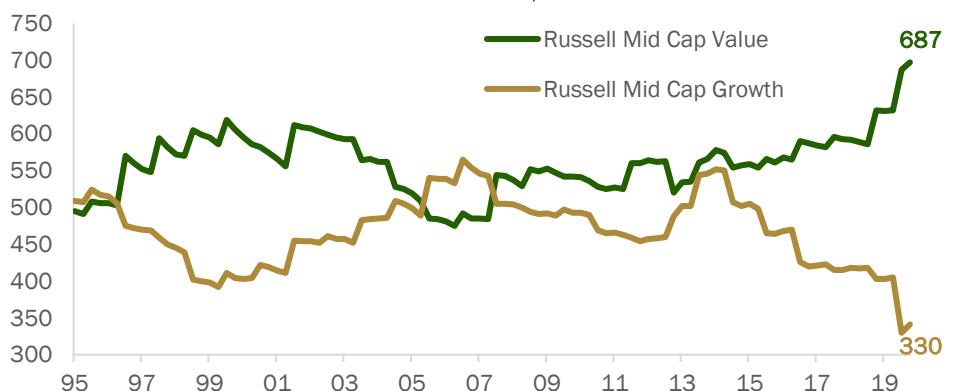


RUSSELL MID CAP GROWTH/VALUE RECONSTITUTION – JUNE 2020

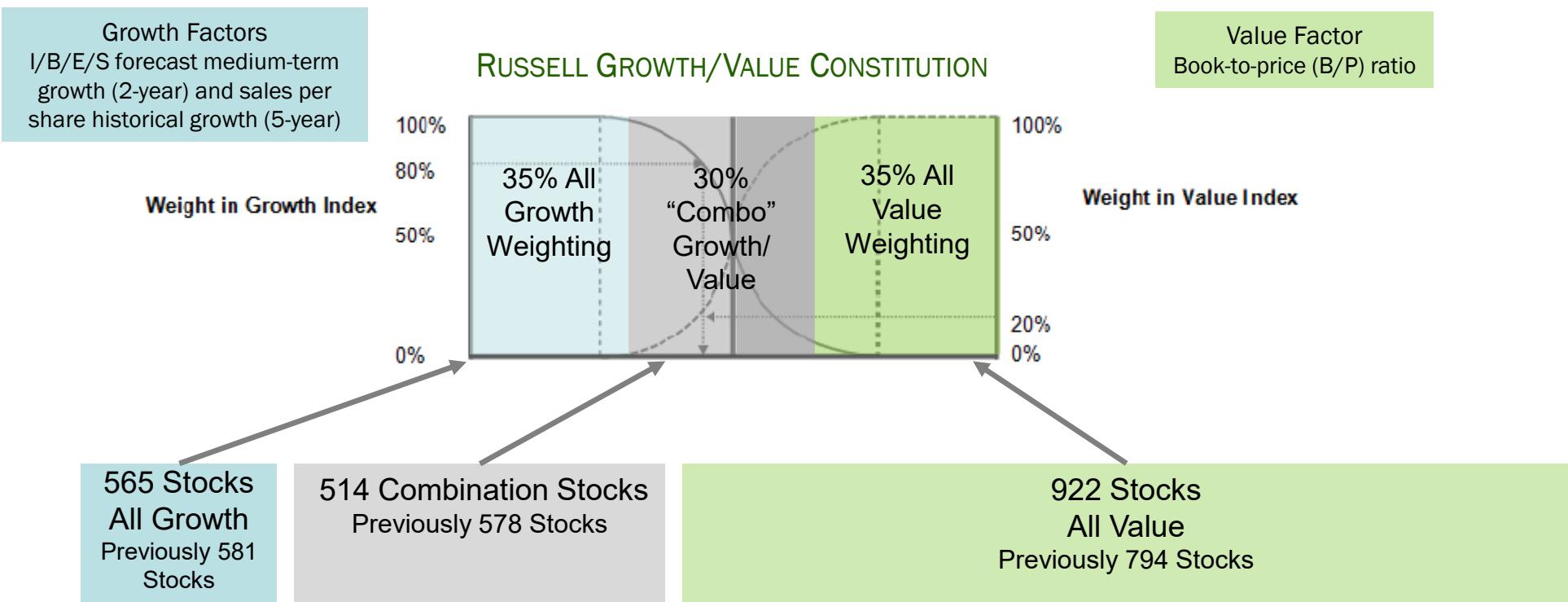


STOCK ADDITIONS TO RUSSELL MID CAP VALUE	
# of Stocks Added to RMCV	257
P/E LTM	38.0x
P/E NTM	48.1x
Price to Book	5.3x
Dividend Yield	1.68%

NUMBER OF STOCKS IN THE RUSSELL MID CAP GROWTH AND VALUE INDICES
As of June 30, 2020

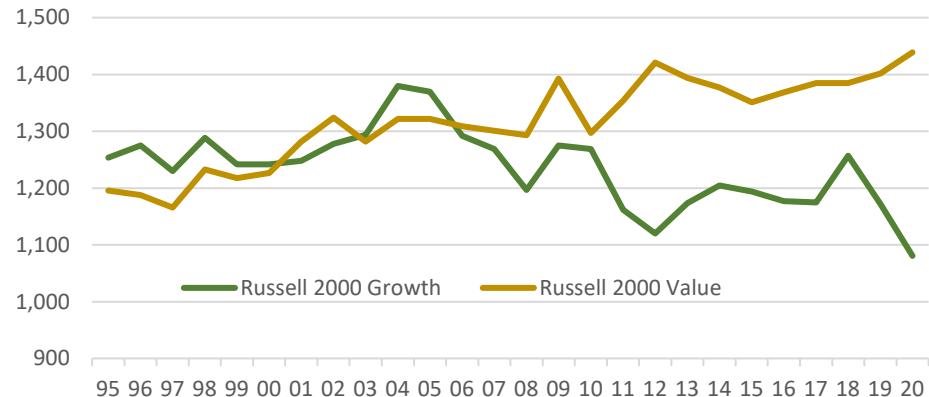


RUSSELL 2000 GROWTH/VALUE RECONSTITUTION – JUNE 2020



STOCK ADDITIONS TO RUSSELL 2000 VALUE	
# of Stocks Added to R2000 Value	309
P/E NTM	44.6x
# Stocks w/ Neg.. EPS	151
Price to Book	6.3x
Dividend Yield	2.10%
# of Stocks w/ 0% Div. Yield	194

NUMBER OF STOCKS IN THE RUSSELL 2000 GROWTH AND VALUE INDICES
As of June 30, 2020



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