

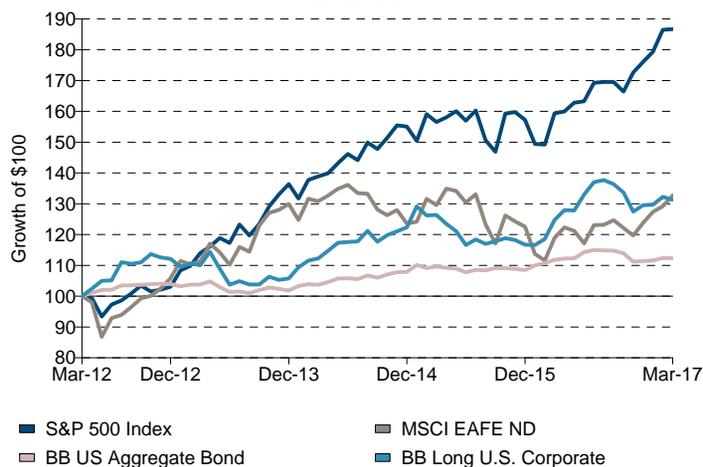
# Market Commentary - 1st Quarter 2017

“...before we had our foot pressed down on the gas pedal trying to give the economy all the oomph we possibly could, now [we're] allowing the economy to kind of coast and remain on an even keel.”

-Janet Yellen, Chair of the Federal Reserve System

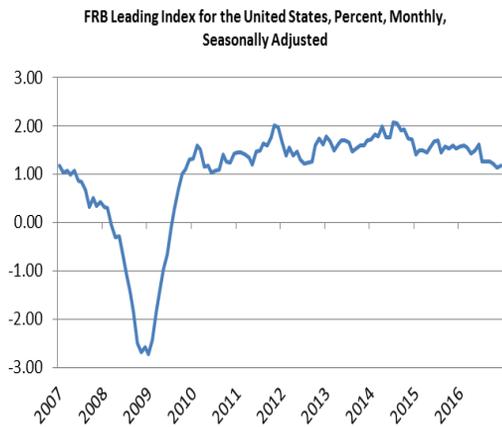
Broad Markets - Five Years

Mar-12 - Mar-17

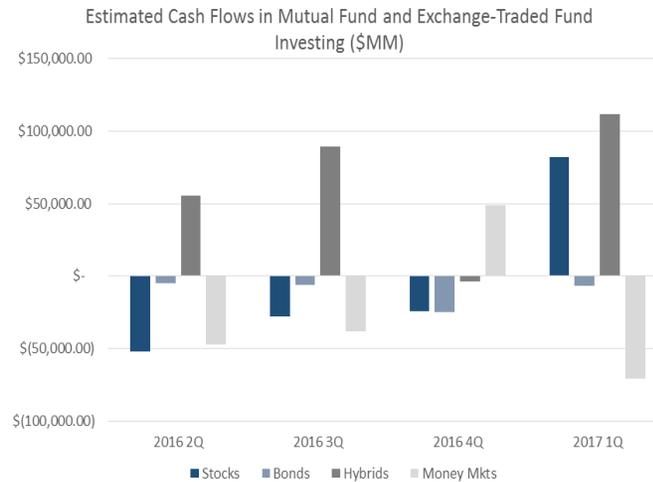


	3 Months	YTD	1 Year	3 Years	5 Years	10 Years
S&P 500 Index	6.07	6.07	17.17	10.37	13.30	7.51
Russell 1000 Index	6.03	6.03	17.43	9.99	13.26	7.58
Russell 1000 Value Index	3.27	3.27	19.22	8.67	13.13	5.93
Russell 1000 Growth Index	8.91	8.91	15.76	11.27	13.32	9.13
Russell 2000 Index	2.47	2.47	26.22	7.22	12.35	7.12
Russell 2000 Value Index	-0.13	-0.13	29.37	7.62	12.54	6.09
Russell 2000 Growth Index	5.35	5.35	23.03	6.72	12.10	8.06
MSCI EAFE ND	7.25	7.25	11.67	0.50	5.83	1.05
MSCI EAFE LOC	4.85	4.85	18.61	7.76	11.21	2.82
MSCI ACWI ex. US	7.86	7.86	13.13	0.56	4.36	1.35
MSCI EAFE Small Cap ND	7.97	7.97	10.99	3.60	9.20	3.03
MSCI Europe ND	7.44	7.44	9.76	-1.51	5.63	0.70
MSCI Japan ND	4.49	4.49	14.44	6.02	6.82	0.63
MSCI EM ND	11.45	11.45	17.22	1.18	0.80	2.72
MSCI EM LOC	7.80	7.80	15.49	6.00	5.45	5.24
DJ World Real Estate	4.78	4.78	4.81	6.23	7.97	1.40
DJ US Select REIT Index	-0.27	-0.27	1.21	9.96	9.45	4.22
DJ-UBS US Commodity Index	-2.33	-2.33	8.71	-13.91	-9.54	-6.22
BofA ML 3-month T-Bill	0.10	0.10	0.36	0.17	0.14	0.68
BB Government 1-3 Yr	0.28	0.28	0.25	0.74	0.65	2.07
BB Government/Credit Bond	0.96	0.96	0.54	2.69	2.46	4.34
BB US Aggregate Bond	0.82	0.82	0.44	2.69	2.34	4.28
BB Long Government	1.45	1.45	-4.78	5.81	4.05	6.65
BB Long U.S. Corporate	1.36	1.36	5.29	5.36	5.60	6.98
BB High Yield Corporate Bond	2.70	2.70	16.39	4.56	6.82	7.46
BB TIPS	1.26	1.26	1.48	2.03	0.97	4.24

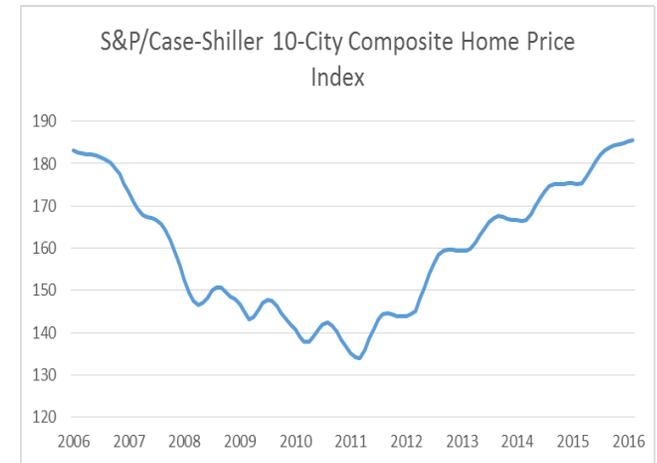
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The Leading Index predicts the six-month growth rate of the United States' Coincident Economic Activity Index, which incorporates nonfarm payroll employment, the unemployment rate, average hours worked in manufacturing and wages and salaries in estimating economic activity.



Source: Investment Company Institute



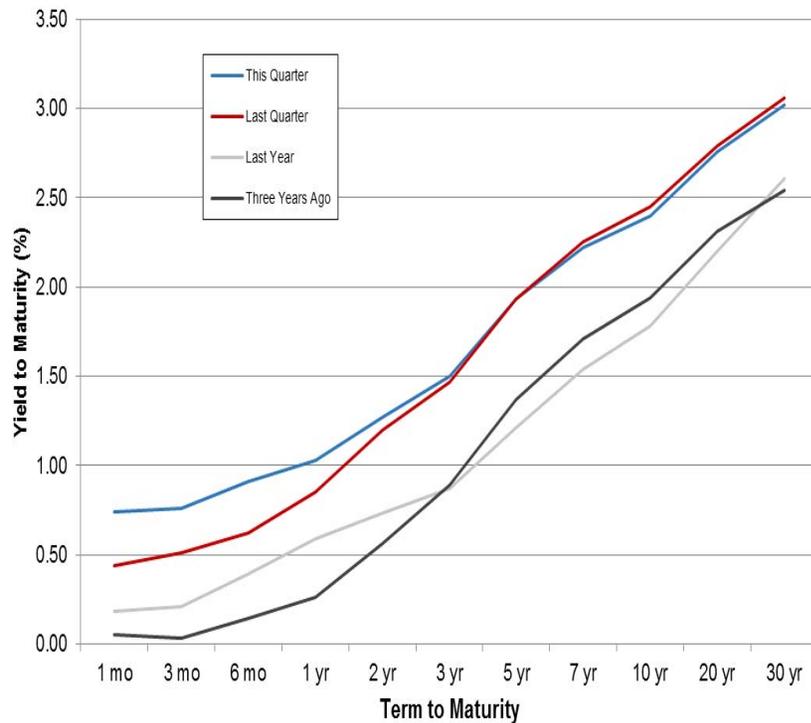
The S&P/Case-Shiller Home Price Indices are calculated monthly using a three-month moving average and published with a two month lag. Base Year 2000 = 100.

## Market Commentary

- Markets were generally up across the board as improving prospects for global growth encouraged investors to take more risks.
- U.S. stocks were up 6.07% on continued market enthusiasm for proposed lower taxes and regulatory rollback.
- A weaker dollar and higher corporate earnings contributed to emerging market stocks rising by 11.45%.
- The Federal Reserve increased the benchmark short term interest rate by 25 basis points after inflation continued to rise and employment data continued to improve. The Federal Reserve has raised the benchmark rate by 50 basis points over the last six months, bringing the benchmark rate to 0.75% in the first quarter.
- Mutual fund and exchange-traded fund investors increased their holdings of stocks and decreased their holdings of bonds. For the quarter, stocks had a net inflow of \$82.3 billion while bonds had a net outflow of \$6.5 billion. Total money market mutual fund assets decreased by \$70 billion to \$2.7 trillion.
- Total employment increased by 533,000 jobs this quarter, and the unemployment fell from 4.9% to 4.5%.
- The price of oil fell from \$54 to \$51 a barrel through the quarter.

# Market Commentary - 1st Quarter 2017

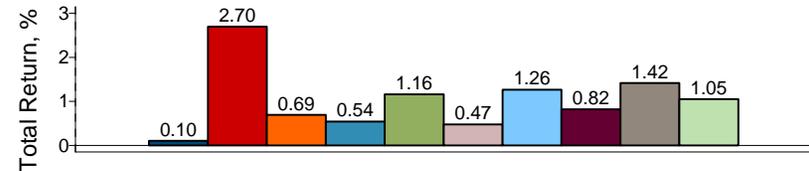
### U.S. Treasury Yield Curve



Source: Department of US Treasury

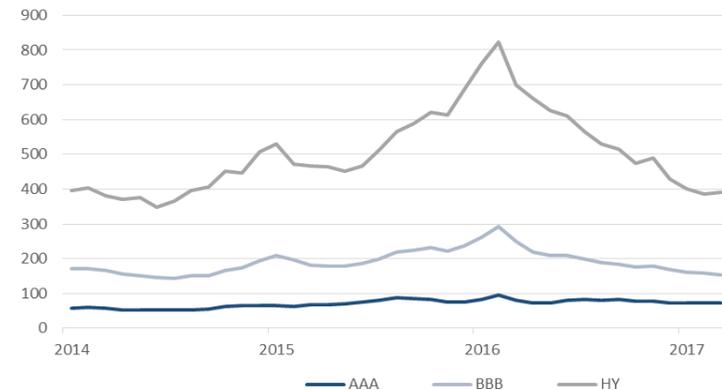
### US Fixed Income - Quarter

Jan-17 - Mar-17



■ BofA ML 3-month T-Bill  
■ BBgBarc US Corp 1-3 Yr  
■ BBgBarc Interm Corp  
■ BBgBarc Infl Linked US TIPS  
■ BBgBarc US Treasury 20+ Yr  
■ BB High Yield Corporate Bond  
■ BBgBarc Interm US Treasury  
■ BBgBarc US MBS  
■ BBgBarc US Aggregate Bond  
■ BBgBarc US Long Corp A or Higher

### Spread to Treasuries (bps)



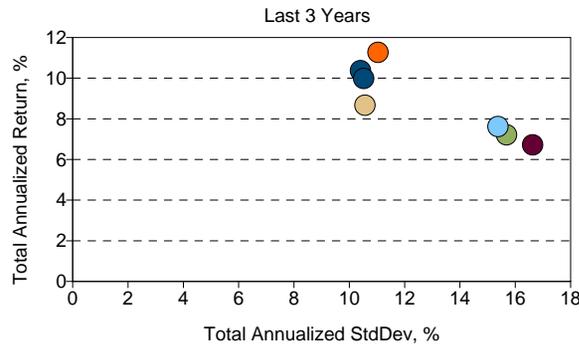
Source: Bank of America Merrill Lynch Option Adjusted Spread Index

## US Bond Market

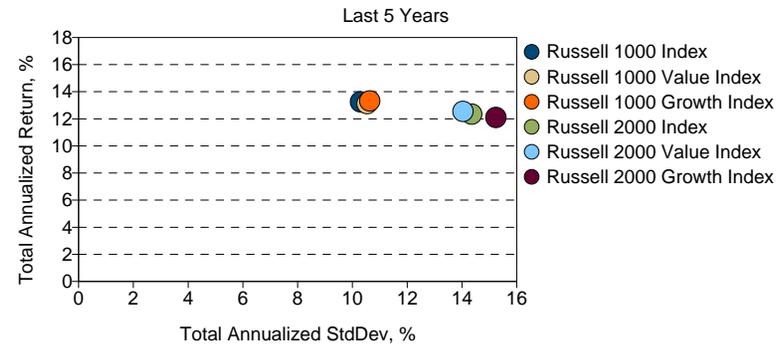
- The broad fixed income market was up slightly through the quarter.
- The Federal Reserve increased the Federal Funds Rate, which serves as the benchmark for short-term rates, by 25 basis points after raising it by the same amount last quarter.
- Yields on 10-Year Treasuries dropped by 5 basis points while yields on 30-Year Treasuries dropped by 4 basis points.
- High yield corporate bonds were the best-performing sector, up 2.70%, as the sector exhibited a strong correlation with rising equity markets.
- Short-term government bonds were the worst performing sector, up only 28 basis points, as the Federal Reserve raised the short-term benchmark rate.
- Most spreads continued to narrow in the quarter as investors became less sensitive to risk.

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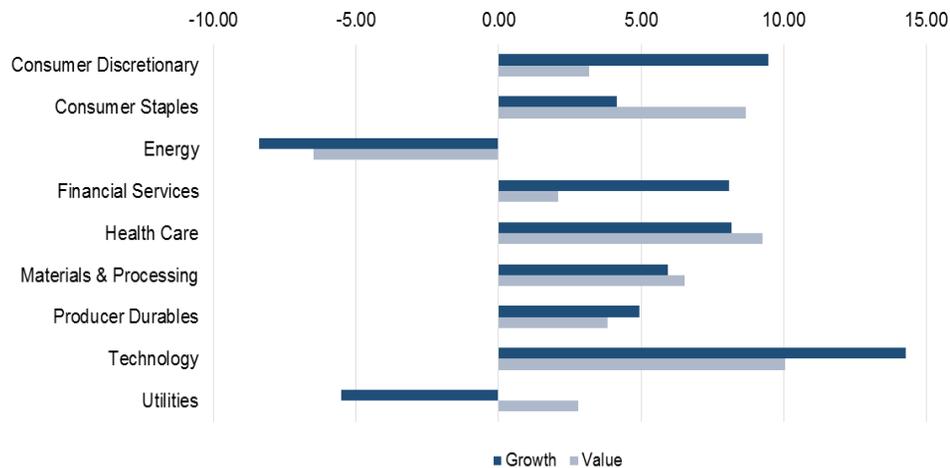
Performance vs. Risk



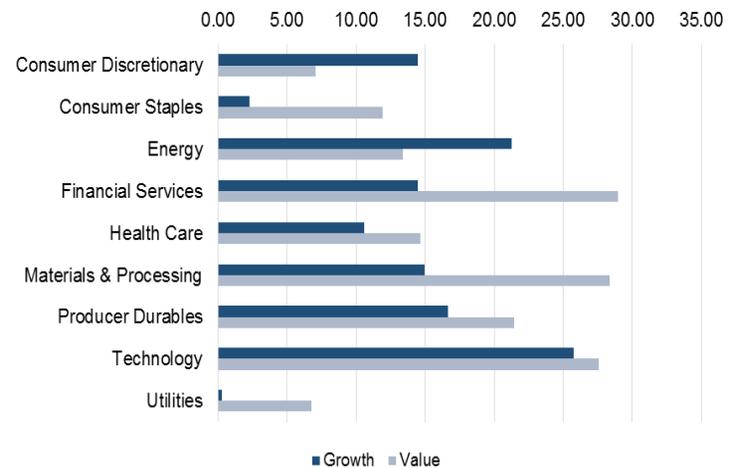
Performance vs. Risk



Russell 1000 Index Sector Quarterly Returns



Russell 1000 Index Sector Annual Returns



## US Stock Market

- Most major domestic equity indices posted a gain for the quarter. The Russell 1000 Growth Index was the best performing sector, up 8.91%.
- In the quarter, larger capitalization stocks outperformed smaller capitalization stocks, while growth stocks outperformed value stocks.
- REITs were down 27 basis points due to marginally higher short-term rates.
- Energy was the worst performing sector, down 6.59%, as commodity prices dropped through the quarter.
- Technology was the best performing sector, up 13.13%, as investors expect the sector to benefit from proposed tax reform.

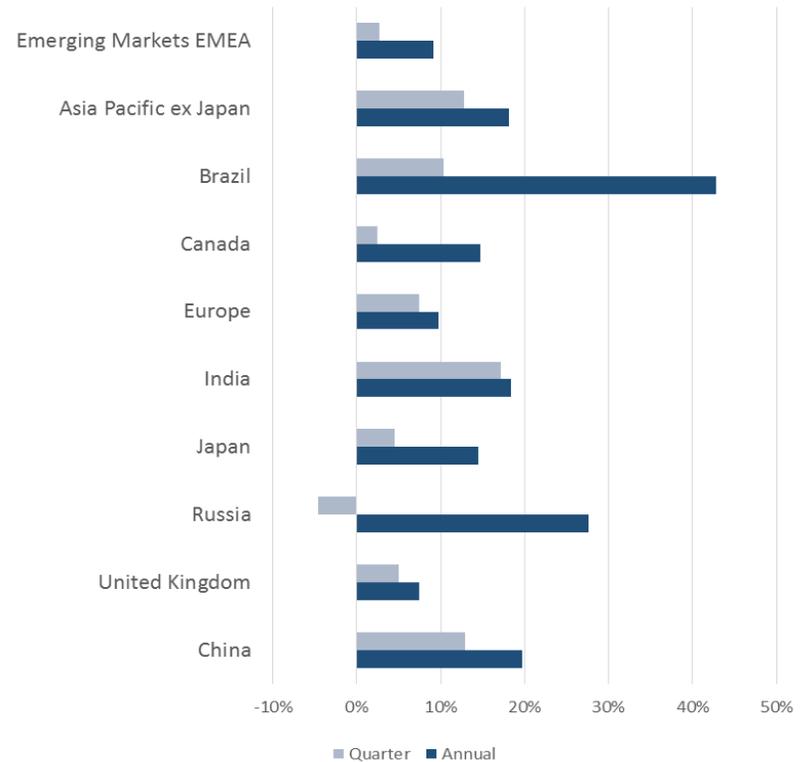
# Market Commentary - 1st Quarter 2017

	Units per US Dollar		
	This Quarter	Last Quarter	% Change
Euro	0.944	0.945	-0.12%
United Kingdom Pound	0.806	0.822	-1.96%
Japanese Yen	110.992	115.854	-4.20%
Chinese Yuan Renminbi	6.905	6.938	-0.47%
Mexican Peso	18.693	21.377	-12.55%
Canadian Dollar	1.333	1.322	0.83%
Indian Rupee	64.572	68.100	-5.18%
Russian Ruble	57.192	60.156	-4.93%
Brazilian Reais	3.136	3.197	-1.89%

Source: www.xe.com



## Regional Performance



Source: MSCI

## International Markets

- Despite the increase of short-term interest rates, the dollar was down against most major currencies.
- For the quarter, the EAFE and Emerging Market Indices were up 7.25% and 11.45%, respectively. Local currency returns for developed markets were up 4.85%, while local returns in emerging markets were up 7.80%.
- Among the major international regions, Brazilian stocks posted the best annual return as equity markets continue to stabilize after the political turmoil of last year.
- Indian stocks had the best return in the quarter, overcoming a major currency recall late last year, and focusing instead on forecasts for strong economic growth over the next 12 months.
- Small-cap international stocks outperformed large cap international stocks.