

# Market Commentary - 1st Quarter 2016

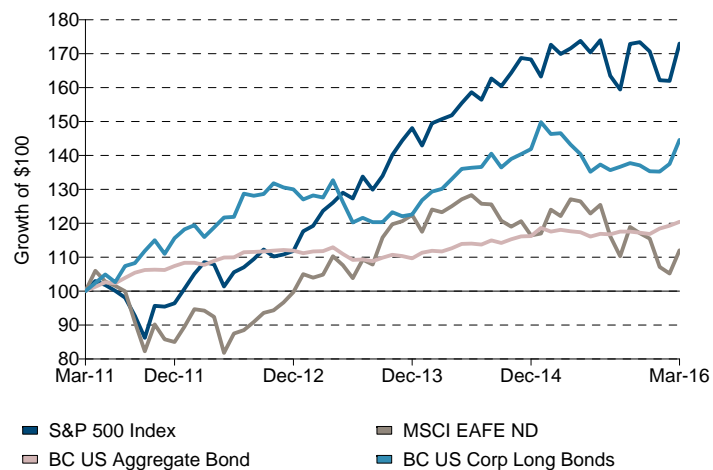
"The good news is that the system is resilient enough to handle the volatility. The bad news is that we don't completely understand why this is happening."

-Jamie Dimon, CEO of J.P. Morgan Chase

	3 Months	YTD	1 Year	3 Years	5 Years	10 Years
S&P 500 Index	1.35	1.35	1.78	11.82	11.58	7.01
Russell 1000 Index	1.17	1.17	0.50	11.52	11.35	7.06
Russell 1000 Value Index	1.64	1.64	-1.54	9.38	10.25	5.72
Russell 1000 Growth Index	0.74	0.74	2.52	13.61	12.38	8.28
Russell 2000 Index	-1.52	-1.52	-9.76	6.84	7.20	5.26
Russell 2000 Value Index	1.70	1.70	-7.72	5.73	6.67	4.42
Russell 2000 Growth Index	-4.68	-4.68	-11.84	7.91	7.70	6.00
MSCI EAFE ND	-3.01	-3.01	-8.27	2.23	2.29	1.80
MSCI EAFE LOC	-6.40	-6.40	-10.78	6.94	6.68	2.20
MSCI ACWI ex. US	-0.38	-0.38	-9.19	0.32	0.31	1.94
MSCI EAFE Small Cap ND	-0.60	-0.60	3.20	7.29	5.58	3.44
MSCI Europe ND	-2.51	-2.51	-8.44	2.71	2.07	2.05
MSCI Japan ND	-6.52	-6.52	-7.06	3.84	4.03	-0.42
MSCI EM ND	5.71	5.71	-12.03	-4.50	-4.13	3.02
MSCI EM LOC	2.78	2.78	-7.36	2.28	1.68	5.67
DJ World Real Estate	4.76	4.76	-0.06	4.35	7.18	3.79
DJ US Select REIT Index	5.12	5.12	4.88	11.09	11.99	6.17
DJ-UBS US Commodity Index	1.02	1.02	-19.56	-16.87	-14.15	-6.16
ML 3-month T-Bill	0.07	0.07	0.12	0.07	0.08	1.15
BC US Gov 1-3Y Bonds	0.89	0.89	0.93	0.79	0.90	2.56
BC US Gov/Corp Bonds	3.47	3.47	1.75	2.42	4.04	4.93
BC US Aggregate Bond	3.03	3.03	1.96	2.50	3.78	4.90
BC US Gov Long Bonds	8.06	8.06	2.80	6.04	9.52	7.88
BC US Corp Long Bonds	6.83	6.83	-1.34	4.26	7.65	7.23
BC US High Yield Bonds	3.35	3.35	-3.69	1.84	4.93	7.01
BC TIPS	4.46	4.46	1.51	-0.71	3.02	4.62

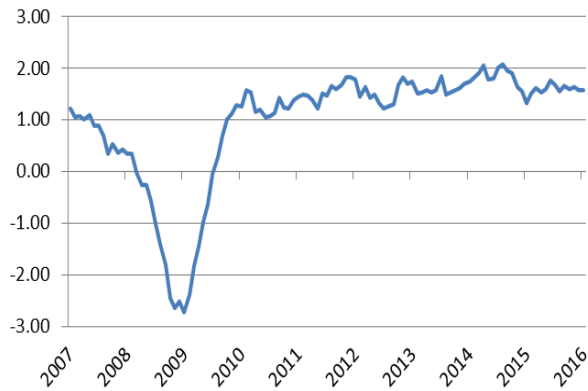
Broad Markets - Five Years

Mar-11 - Mar-16



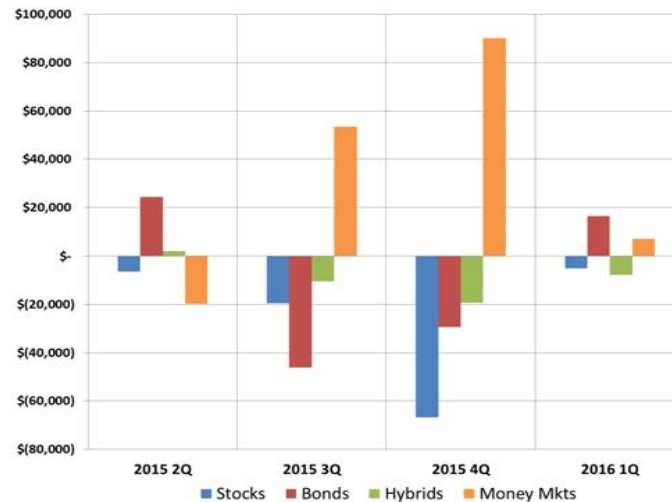
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Leading Index for the United States, Percent, Monthly, Seasonally Adjusted

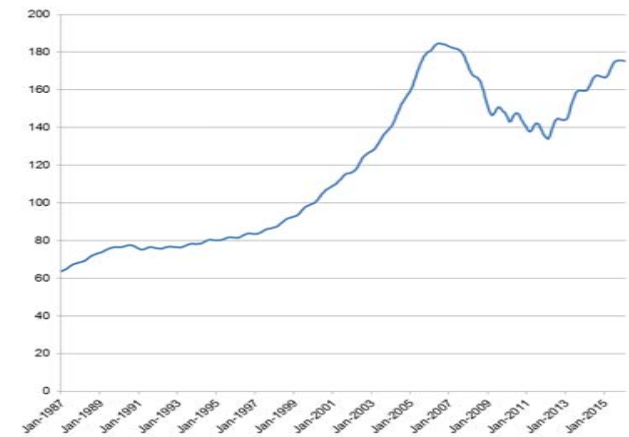


The Leading Index predicts the six-month growth rate of the United States' Coincident Economic Activity Index, which incorporates nonfarm payroll employment, the unemployment rate, average hours worked in manufacturing and wages and salaries in estimating economic activity.

Cash Flows in Mutual Fund Investing (\$MM)



S&P/Case-Shiller U.S. National Home Price Index



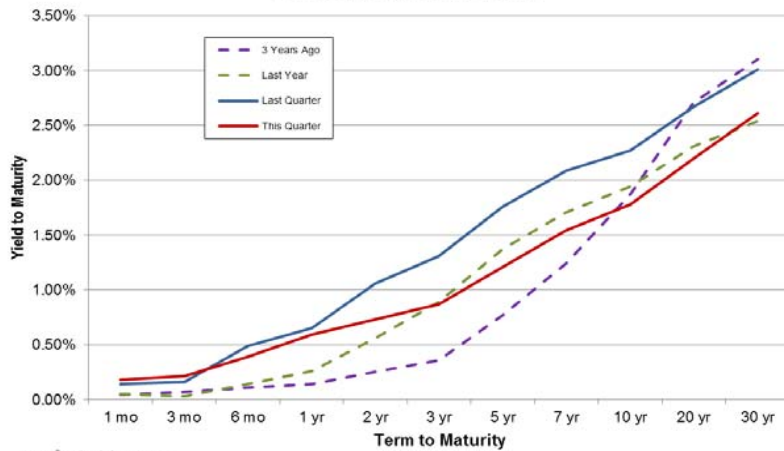
The S&P/Case-Shiller Home Price Indices are calculated monthly using a three-month moving average and published with a two month lag. Base Year 2000 = 100.

## Market Commentary

- Overcoming initial volatility, the U.S. stock market (S&P 500) finished the quarter up 1.35% after a strong March offset negative returns in January and February.
- In contrast, developed international equity markets were down on concerns about slowing economic growth and the effects of prolonged negative rates in Europe and Japan.
- Emerging markets were up as falling commodity prices, particularly oil, staged a nice turnaround.
- The Fed, noting the weakness of economic growth abroad, deferred further rate increases to later in the year.
- Mutual fund investors decreased their holdings in stocks and increased them in bonds. For the quarter, stock funds had a net outflow of \$5.1 billion while bond funds had a net inflow of \$16.4 billion. Total money market mutual fund assets increased by \$7.0 billion to \$2.739 trillion.
- The unemployment rate held steady at 5.0%, as total employment increased by 628,000 jobs this quarter.
- The price of oil rose slightly from \$37 per barrel to \$38, while gold rose from \$1,061 an ounce to \$1,232 an ounce, a 16% increase in the quarter.

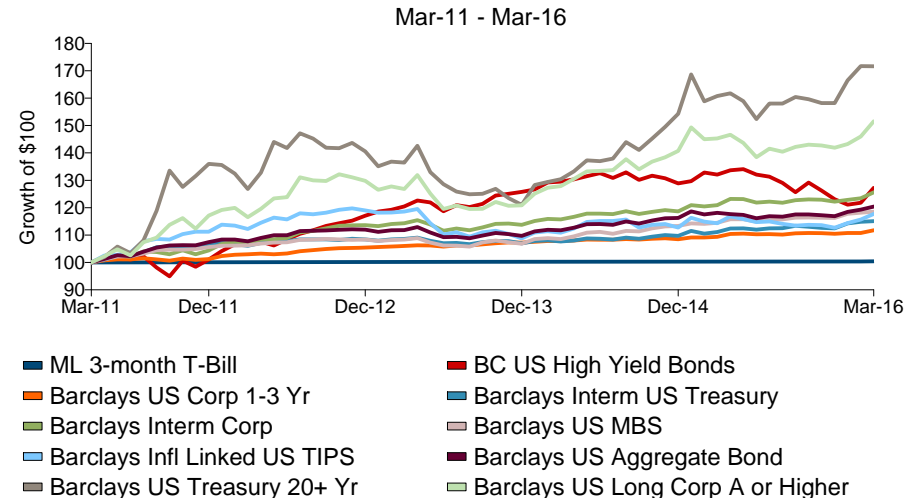
# Market Commentary - 1st Quarter 2016

U.S. Treasury Yield Curve

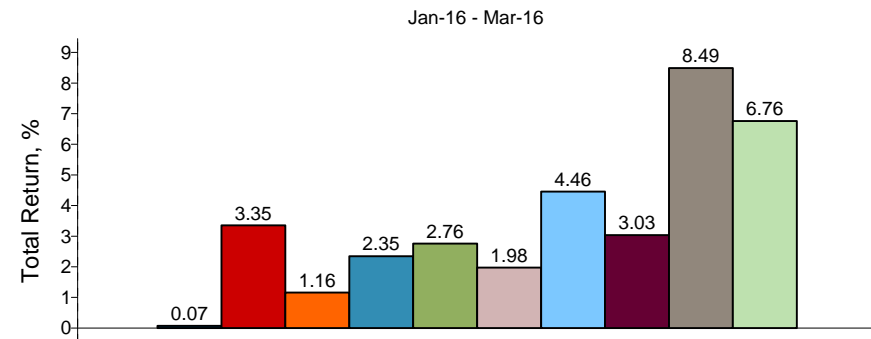


Source: Department of US Treasury

US Fixed Income - Five Years



US Fixed Income - Quarter



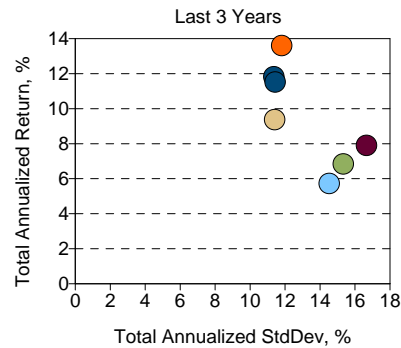
	Qtr	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs
ML 3-month T-Bill	0.07	0.07	0.12	0.07	0.08	1.15
BC US High Yield Bonds	3.35	3.35	-3.69	1.84	4.93	7.01
Barclays US Corp 1-3 Yr	1.16	1.16	2.19	1.79	2.24	3.86
Barclays Interm US Treasury	2.35	2.35	3.56	1.96	2.84	4.17
Barclays Interm Corp	2.76	2.76	3.86	3.19	4.66	5.53
Barclays US MBS	1.98	1.98	3.52	3.05	3.46	4.95
Barclays Infn Linked US TIPS	4.46	4.46	2.96	-0.24	3.32	4.77
Barclays US Aggregate Bond	3.03	3.03	1.96	2.50	3.78	4.90
Barclays US Treasury 20+ Yr	8.49	8.49	6.77	7.94	11.41	8.52
Barclays US Long Corp A or Higher	6.76	6.76	4.27	6.11	8.67	7.29

## US Bond Market

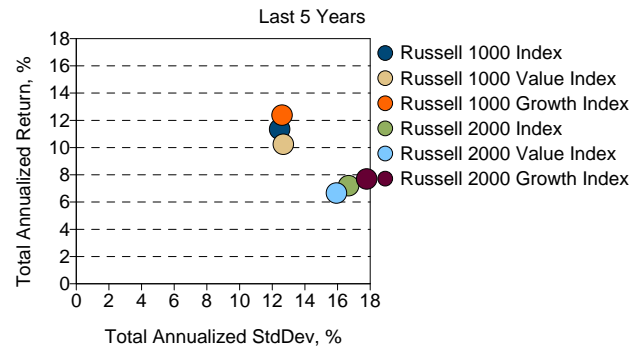
- The broad fixed income market rose 3.03% as the yield on the Barclays U.S. Aggregate Bond Index fell by 43 basis points in the first quarter.
- The Federal Reserve opted to defer raising its benchmark target rate, causing mid- and long-term yields to decline.
- Long-term Treasuries were the best performing sector, up 8.49% as rates remained low.
- Treasury inflation protected securities (TIPS) were up 4.46% as inflation expectations rose from very low levels in the quarter.
- High Yield bonds were up 3.35% as the low-rate outlook caused investors to seek riskier assets.

# Market Commentary - 1st Quarter 2016

Performance vs. Risk

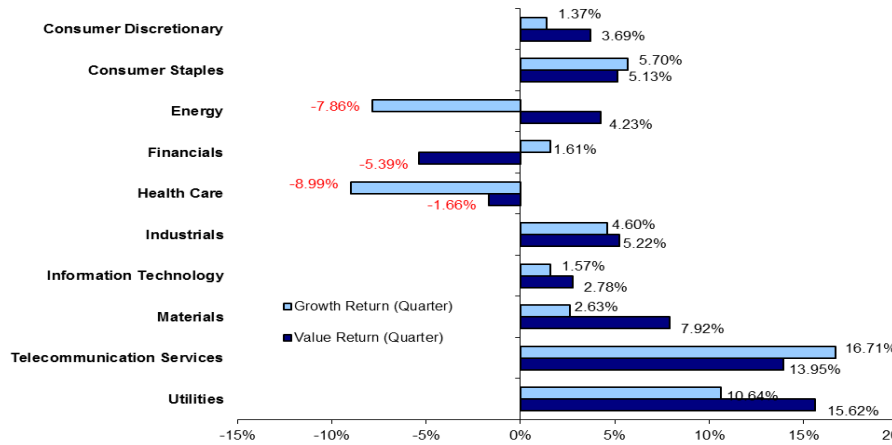


Performance vs. Risk

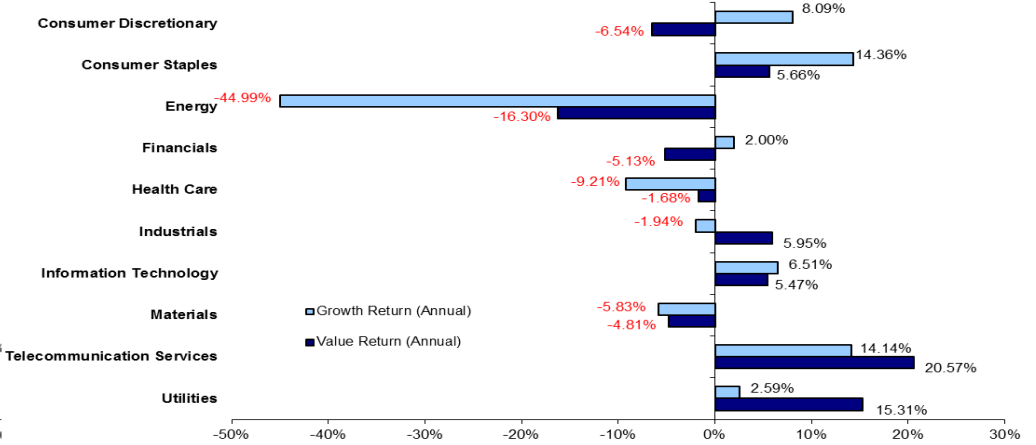


	Value Weight	Growth Weight
Consumer Discretionary	5.2%	21.2%
Consumer Staples	7.4%	11.9%
Energy	12.5%	0.5%
Financials	28.9%	5.5%
Health Care	12.0%	16.3%
Industrials	10.3%	10.9%
Information Technology	11.3%	27.8%
Materials	2.6%	3.4%
Telecommunication Serv	2.8%	2.3%
Utilities	6.9%	0.1%

Russell 1000 Index Sector Quarterly Returns



Russell 1000 Index Sector Annual Returns



Sector weighing and return data based on iShares Russell 1000 Growth & Value Indices as of 3/31/2016

## US Stock Market

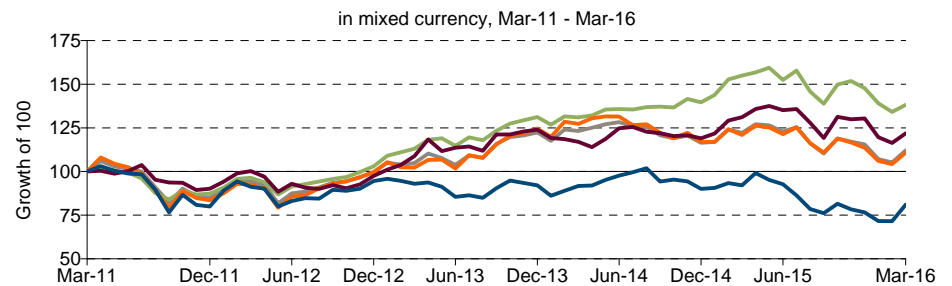
- Major domestic equity indices posted mixed results for the quarter. The small-cap Russell 2000 Value Index had the best return, up 1.70%.
- In terms of capitalization, large-cap stocks were more insulated from volatility and outperformed small-cap stocks.
- In comparing styles, value outperformed growth in both the large-cap and small-cap areas of the market for the first time in two years.
- REITs were up 5.12% as the Fed opted to not raise rates.
- Utilities, offering a steady return in a low rate environment, were the best performing sector, up 15.72%.
- Healthcare was the worst performing sector, down 6.14% as merger and acquisition activity slowed in the first quarter.

# Market Commentary - 1st Quarter 2016

	Units per US Dollar		
	This Quarter	Last Quarter	% Change
Brazil Reais	3.555	3.961	-10.26%
Canadian Dollar	1.297	1.385	-6.36%
China Yuan Renminbi	6.445	6.495	-0.78%
Euro	0.878	0.920	-4.59%
India Rupees	66.175	66.201	-0.04%
Japan Yen	112.424	120.305	-6.55%
Mexico Pesos	17.221	17.250	-0.16%
Russia Rubles	67.238	73.479	-8.49%
United Kingdom Pounds	0.695	0.677	2.66%

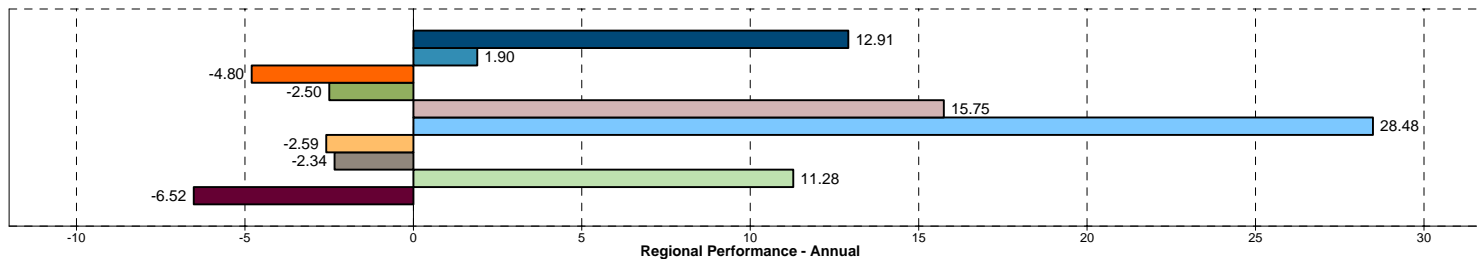
Source: www.xe.com

## International - Five Years

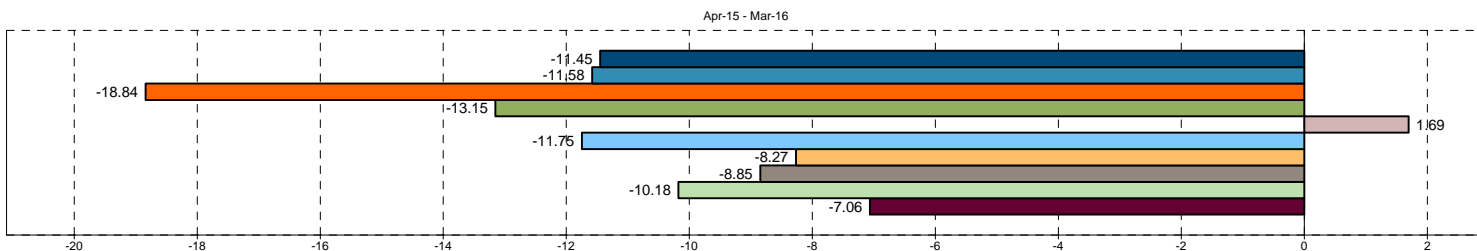


Regional Performance - Quarter  
Jan-16 - Mar-16

Legend: MSCI EAFE ND (light green), MSCI EAFE LOC (dark green), MSCI Europe ND (orange), MSCI Japan ND (dark red), MSCI EM ND (dark blue)



- MSCI Emerging Markets Europe, Middle East & Africa ND USD
- MSCI AC Asia Pacific ex Japan ND USD
- MSCI China ND USD
- MSCI India ND USD
- MSCI Russia ND USD
- MSCI Brazil ND USD
- MSCI Europe ex UK ND USD
- MSCI United Kingdom ND USD
- MSCI Canada ND USD
- MSCI Japan ND



## International Markets

- The dollar was down against most major currencies as the Fed projected fewer interest-rate hikes this year, and oil rebounded slightly.
- For the quarter, the EAFE Index was down 3.01% while Emerging Markets were up 5.71%. Local currency returns for the EAFE Index and Emerging Markets were down 6.40% and up 2.78%, respectively, for the year.
- Among the major international regions, Japanese stocks had the worst return, down 6.52%, on a strengthening yen and the Bank of Japan's dismal outlook.
- Brazilian stocks staged a dramatic turnaround from the previous quarters' decline as commodity prices stabilized.
- Chinese stocks had the worst annual performance, down 18.84%, as the rapid pace of recent economic expansion in China appeared to be unsustainable.
- Russian stocks, the only major equity region to post a positive annual return, rebounded as energy prices levelled off and geopolitical tension seemed to ease.