

Market Indices ¹	October	Year-to-Date
S&P 500	-1.82%	5.87%
Russell 3000	-2.16%	5.84%
MSCI EAFE	-2.05%	-0.35%
MSCI Emerging Markets	0.24%	16.30%
Barclays U.S. Aggregate Bond	-0.76%	4.99%
Barclays U.S. Municipal Bond	-1.05%	2.92%
Barclays U.S. Corporate High Yield	0.39%	15.56%

¹Morningstar Direct (all performance percentages are total return based, which include reinvested dividend, interest)

At-A-Glance

- The S&P 500 fell 1.82% in October, down the most since January, and posted its third straight monthly loss.
- M&A activity soared to reach a record \$489B in October, the largest global deal volume since April 2007.
- Oil futures slumped 4% in October, ending at a one-month low of \$46.86/barrel after OPEC has so far failed to reach an accord to reduce or freeze production as previously pledged.

The S&P 500 ended October sharply lower, registering declines in three of the four past weeks as investors remain transfixed by a confluence of major Wall Street worries. Paramount among concerns was the recent jump in uncertainty surrounding the 2016 elections, the direction of global central bank stimulus, and the timing of Federal Reserve interest rate hikes. A global bond selloff also weighed on sentiment, as speculation mounted that major central banks may gradually taper their stimulus measures. The current paralysis has led investors to largely ignore several favorable market developments. Consumer spending rose in September by the most in three months, while an advance reading of third quarter GDP growth surprised higher (2.9% vs. 2.6% expected). Also positive, with the third quarter corporate earnings season more than halfway complete, analysts now expect overall S&P 500 earnings to register a gain for the first time in six quarters (+1.6% vs. -0.8% initially expected). In summary, the S&P 500 has not posted gains for more than two consecutive days in over five weeks and has traded within a 65-point range since last reaching an all-time high of 2,190 on August 15th.

Nine of the eleven major sector groups posted October declines, with Healthcare (-6.53%), Telecom (-6.47%), and Real Estate (-5.49%) falling the most. Technology (-0.06%) declined the least, while Financials (+2.30%) and Utilities (+0.87%) outperformed. On a year-to-date (YTD) basis however, Healthcare (-5.25%) is the only sector to post a loss, while Utilities (+17.13%), Energy (+15.27%), and Technology (+12.44%) are this year's biggest winners.

Small cap domestic stocks, as measured by the Russell 2000 Index, fell 4.75% in October underperforming the most relative to its large and midcap counterparts. Mid cap stocks, as measured by the Russell Mid Cap Index, fell 3.17% last month. Mid caps have outperformed small caps on a YTD basis, gaining 6.76% and 6.16% respectively. Value stocks fell less than growth in October, with the Russell 1000 Value Index down 1.55%, while the Russell 1000 Growth Index fell 2.35%. Value stocks YTD continue to widely outperform growth, returning 8.29% and 3.51% respectively.

The MSCI EAFE Index, a broad performance measure of global developed markets outside of the U.S. and Canada, underperformed domestic equities, slumped 2.05% last month. This index is now down 0.35% YTD. The MSCI Emerging Markets Index climbed fractionally in October, up 0.24%. Emerging market stocks, up 16.30% YTD, continued to benefit from low U.S. interest rates.

Global bonds fell nearly 3% last month, according to the Bloomberg Barclays Global Aggregate Bond Index. Treasuries, as measured by the Barclays U.S. Government Bond Index, fell 1.06% in October, its worst monthly performance in 20 months. Benchmark 10-year U.S. Treasury notes fell in price, sending its yield up 23 basis points to finish October at 1.826%. The Barclays U.S. Municipal Bond Index fell 1.05% last month. U.S. investment grade corporate, government and agency-backed bonds, as measured by the Barclays U.S. Aggregate Bond Index, fell 0.76% in October. At the other end of the credit spectrum, the Barclays U.S. Corporate High Yield Index, a proxy for below-investment grade corporate bonds, gained 0.39% in August,

extending its YTD return to 15.56%.

This report is created by Tower Square Investment Management LLC

About Tower Square Investment Management®

Tower Square Investment Management LLC is an SEC registered investment adviser owned by Cetera Financial Group®. It provides investment research, portfolio and model management, and investment advice to its affiliated broker-dealers, dually registered broker-dealers and registered investment advisers.

Disclosures

The material contained in this document was authored by and is the property of Tower Square Investment Management LLC. Tower Square Investment Management provides investment management and advisory services to a number of programs sponsored by affiliated and non-affiliated registered investment advisers. Your registered representative or investment adviser representative is not registered with Tower Square Investment Management and did not take part in the creation of this material. He or she may not be able to offer Tower Square Investment Management portfolio management services.

Nothing in this presentation should be construed as offering or disseminating specific investment, tax, or legal advice to any individual without the benefit of direct and specific consultation with an investment adviser representative authorized to offer Tower Square Investment Management services. Information contained herein shall not constitute an offer or a solicitation of any services. Past performance is not a guarantee of future results.

For more information about Tower Square Investment Management strategies and available advisory programs, please reference the Tower Square Investment Management LLC Form ADV disclosure brochure and the disclosure brochure for the registered investment adviser your adviser is registered with. Please consult with your adviser for his or her specific firm registrations and programs available.

No independent analysis has been performed and the material should not be construed as investment advice. Investment decisions should not be based on this material since the information contained here is a singular update, and prudent investment decisions require the analysis of a much broader collection of facts and context. All information is believed to be from reliable sources; however, we make no representation as to its completeness or accuracy. The opinions expressed are as of the date published and may change without notice. Any forward-looking statements are based on assumptions, may not materialize, and are subject to revision.

All economic and performance information is historical and not indicative of future results. The market indices discussed are not actively managed. Investors cannot directly invest in unmanaged indices. Please consult your financial advisor for more information.

Additional risks are associated with international investing, such as currency fluctuations, political and economic instability, and differences in accounting standards.

The **Barclays U.S. Aggregate Bond Index**, which used to be called the Lehman Aggregate Bond Index, is a broad base index, maintained by Barclays Capital, and it often used to represent investment grade bonds being traded in the U.S. Barclays Capital (BarCap) U.S. Aggregate Bond Index is made up of the Barclays Capital U.S. Government/Corporate Bond Index, Mortgage-Backed Securities Index, and Asset-Based Securities Index, including securities that are of investment grade quality or better, have at least one year to maturity, and have an outstanding par value of at least \$100 million.

The **Barclays U.S. Municipal Bond Index** is an unmanaged, market-value-weighted index of investment-grade municipal bonds with maturities of one year or more.

The **Barclays U.S. Corporate High Yield Index** measures the market of USD-denominated, non-investment grade, fixed-rate, taxable corporate bonds. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below, excluding emerging market debt.

The **Barclays U.S. Government Bond Index** is comprised of the U.S. Treasury and U.S. Agency Indices. The index includes U.S. dollar-denominated, fixed-rate, nominal US Treasuries and US agency debentures (securities issued by US government owned or government sponsored entities, and debt explicitly guaranteed by the US government). The US Government Index is a component of the U.S. Government/Credit and U.S. Aggregate Indices, and eligible securities also contribute to the multi-currency Global Aggregate Index. The U.S. Government Index has an inception date of January 1, 1973.

The **Bloomberg Commodity Index** is a broadly diversified index that allows investors to track commodity futures through a single, simple measure. It is composed of futures contracts on physical commodities and is designed to minimize concentration in any one commodity or sector. It currently includes 19 commodity futures in five groups. No one commodity can comprise less than 2% or more than 15% of the index, and no group can represent more than 33% of the index (as of the annual re-weightings of the components).

The **Bloomberg Barclays Global Aggregate Bond Index** is a flagship measure of global investment grade debt from 24 local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.

The **CBOE Volatility Index[®] (VIX[®])** is a key measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices.

The **MSCI EAFE** is designed to measure the equity market performance of developed markets (Europe, Australasia, Far East) excluding the U.S. and Canada. The Index is market-capitalization weighted.

MSCI Emerging Markets is designed to measure equity market performance in global emerging markets. It is a float-adjusted market capitalization index.

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

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

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

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

The **Russell Midcap Index** measures the performance of the mid-cap segment of the U.S. equity universe and is a subset of the Russell 1000 Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The Russell Midcap represents approximately 31% of the total market capitalization of the Russell 1000 companies.

The **S&P 500** is a capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The **Dow Jones Industrial Average** is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ.

The **NASDAQ Composite Index** includes all domestic and international based common type stocks listed on The NASDAQ Stock Market. The NASDAQ Composite Index is a broad-based capitalization-weighted index.

The **Shanghai Composite Index** is a stock market index of all stocks (A shares and B shares) that are traded at the Shanghai Stock Exchange.

The **STOXX Europe 600 Index** is derived from the STOXX Europe Total Market Index (TMI) and is a subset of the STOXX Global 1800 Index. With a fixed number of 600 components, the STOXX Europe 600 Index represents large, mid and small capitalization companies across 18 countries of the European region: Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom.