

Market Indices <sup>1</sup>	June	2Q 2017	Year-to-Date
S&P 500	0.62%	3.09%	9.34%
Russell 3000	0.90%	3.02%	8.93%
MSCI EAFE	-0.18%	6.12%	13.81%
MSCI Emerging Markets	1.01%	6.27%	18.43%
Barclays U.S. Aggregate Bond	-0.10%	1.45%	2.27%
Barclays U.S. Municipal Bond	-0.36%	1.96%	3.57%
Barclays U.S. Corporate High Yield	0.14%	2.17%	4.93%

<sup>1</sup>Morningstar Direct (all performance percentages are total return based, which include reinvested dividend, interest). All figures USD.

### At-A-Glance

- The S&P 500 posted its sixth straight monthly gain and had its best first-half performance since 2013.
- U.S. oil prices sank into a bear market in June, down as much as 23% from its January peak, but recently ended five weeks of declines by advancing 8.3% over the last seven sessions in June.
- Foreign equity markets widely outperformed the U.S. in the 2Q and during the first-half of 2017.

**Best First-Half Since 2013** – The S&P 500 and Dow Industrials both extended their quarterly gains to post their strongest first-half performances in four years. Technology (+17.23%) and Healthcare (+16.07%) led the six-month broad market advance, but both sectors have recently given back gains. The NASDAQ Composite, with a 21% weighting in technology stocks, had its best first-half of a year since 2009 with a 14.71% return. Despite the rally, the Composite finished June with a 0.87% loss. Equity markets have remained largely resilient even as investors faced valuation concerns, a June 14 Federal Reserve rate hike to 1%-1.25% (its second one quarter point hike this year), and a mixed bag of economic data. Beyond an overhang of geopolitical risks, Wall Street has also been disappointed by a lack of legislative success to enact tax and healthcare reform and infrastructure stimulus measures. On a brighter note, in the closing days of the quarter, investors learned that all 34 of the largest U.S. banks passed their Federal Reserve financial stress tests and consequently approved their respective quarterly dividend increase requests and stock buyback plans. Moreover, the final of three readings of GDP growth for the first quarter was revised higher to 1.4% from 1.2%, and double the 0.7% initial estimate.

By market capitalization, U.S. small cap companies outperformed large and mid caps last month; but trail them on a quarterly and year-to-date (YTD) basis. The Russell 2000 Index, a broad measure of small cap equity performance, rose 3.46% in June, whereas the Russell Mid Cap Index gained just under 1%. Mid cap stocks gained 2.7% in the second quarter, while the Russell 2000 Index rose 2.46%. On a YTD basis, small cap stocks rose 5%, mid caps gained 8%, while large cap S&P 500 stocks advanced 9.34%. Value-oriented stocks likewise outperformed growth stocks in June, while Growth outperformed in the second quarter and during the first-half. The Russell 1000 Value Index rose 1.63% last month versus a 0.26% loss on the Russell 1000 Growth Index. In contrast, the Russell 1000 Growth Index rose 4.67% in the second quarter and 14% YTD, whereas the Russell 1000 Value Index gained 1.34% and 4.66% respectively.

Within the S&P 500 Index, 5 of the 11 major sector groups advanced in June, with Financials (+6.43), Healthcare (+4.62%) and Real Estate (+1.92%) gaining the most. Telecom (-2.92%) and Technology (-2.70%) led among June decliners. For the quarter, Healthcare (+7.10%) and Industrials (+4.73%) led all sectors, while Telecom (-7.05%) and Energy (-6.36%) fell the most.

The MSCI EAFE Index, which measures returns on developed markets outside the U.S. and Canada, underperformed domestic equities in June with a 0.18% loss, but outperformed during the second quarter and YTD. The MSCI EAFE advanced 6.12% in the quarter and jumped 13.81% during the first-half of the year.

The Stoxx Europe 600 Index fell nearly 1% in June and gained 7.96% and 16.39% respectively in the second quarter and YTD. The U.K.-based FTSE 100 Index fell 1.56% last month, trimming a second quarter gain to 4.73% and a 10.31% first-half rally. Meanwhile, Japan's Nikkei 225 posted gains of 0.53% in June and 5.07% and 9.82% respectively for the second quarter and YTD.

Emerging markets equities, as measured by the MSCI Emerging Markets Index, rose 1.01% in June, extending its second quarter gain to 6.27%. With a YTD return of 18.43%, emerging markets outperformed the U.S. and also posted its strongest first-half return since 2009. Gains were led by China, South Korea and Taiwan, while Qatar and Russia lagged.

Turning to bonds, U.S. Treasuries, as measured by the Bloomberg Barclays U.S. Government Bond Index, were down in June (-0.16%), slightly paring a second quarterly gain to 1.17% and a first-half return of 1.86%. The yield on the benchmark 10-year Treasury notes ended the second quarter at 2.31%, down 9 basis points during the quarter, while recovering from a June 14 low of 2.13%. Investment grade bonds, as measured by the Bloomberg Barclays U.S. Aggregate Bond Index, fell 0.1% in June, slightly trimming its second quarter gain to 1.45% and its YTD return to 2.27%. Higher-rated corporate bonds delivered strong gains last quarter and YTD, as the Bloomberg Barclays U.S. Corporate Investment Grade Bond Index returned 2.54% and 3.8% respectively

Municipal bonds underperformed government and other investment grade bonds, as the Bloomberg Barclays Municipal Bond Index fell 0.36% last month, trimming its second quarter gain to 1.96% and first-half performance to 3.57%. At the other end of the credit spectrum, the Barclays U.S. Corporate High Yield Index, which measures returns of below-investment grade corporate bonds, trailed its investment grade counterparts with a 2.17% return, but outperformed most all other bond types in the first half of the year, up 4.93%.

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## Glossary

The **Bloomberg Barclays Capital U.S. Aggregate Bond Index**, which was originally called the Lehman Aggregate Bond Index, is a broad based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate debt securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency) debt securities that are rated at least Baa3 by Moody's and BBB- by S&P. Taxable municipals, including Build America bonds and a small amount of foreign bonds traded in U.S. markets are also included. Eligible bonds must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 8.25 years. This total return index, created in 1986 with history backfilled to January 1, 1976, is unhedged and rebalances monthly.

The **Bloomberg Barclays US Municipal Bond Index** covers the USD-denominated long-term tax exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and prerefunded bonds. Many of the subindices of the Municipal Index have historical data to January 1980. In addition, several subindices based on maturity and revenue source have been created, some with inception dates after January 1980, but no later than July 1, 1993. Eligible securities must be rated investment grade (Baa3/BBB- or higher) by Moody's and S&P and have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 12.8 years. This total return index is unhedged and rebalances monthly.

The **Bloomberg Barclays US Corporate (Investment Grade) Bond Index** measures the investment grade, fixed-rate, taxable corporate bond market. It includes USD-denominated securities publicly issued by U.S. and non-US private-sector industrial, utility and financial issuers. Certificates of deposit are also included. Launched in July 1973, securities included must be rated investment grade (Baa3/BBB-/BBB- or higher). Eligible senior and subordinated corporate securities must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 10.75 years. This total return index is unhedged and rebalances monthly.

The **Bloomberg Barclays US Corporate High Yield Index** measures the USD-denominated, non-investment grade, fixed-rate, taxable corporate bond market. 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. Payment-in-kind and bonds with predetermined step-up coupon provisions are also included. Eligible securities must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 6.3 years. This total return unhedged index was created in 1986, with history backfilled to July 1, 1983 and rebalances monthly..

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 reweightings of the components).

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 **FTSE 100 Index** is a capitalization-weighted index of the 100 most highly capitalized companies traded on the London Stock Exchange. The equities use an investibility weighing in the index calculation and were developed with a base level of 1000 as of December 30, 1983.

The **Nikkei 225 Stock Average** is a price-weighted average of 225 top-rated Japanese companies listed in the First Section of the Tokyo Stock Exchange. The constituents are changed at the beginning of October every year based on an annual review by Nikkei, Inc. The Nikkei average was first published on May 16, 1949, where the average price was ¥176.21 with a divisor of 225.

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.

The **U.S. Dollar Index** is a weighted geometric mean that provides a value measure of the United States dollar relative to a basket of major foreign currencies. The index, often carrying a USDX or DXY moniker, started in March 1973, beginning with a value of the U.S. Dollar Index at 100.000. It has since reached a February 1985 high of 164.720, and has been as low as 70.698 in March 2008.