

Market Indices ¹	September	3Q 2016	Year-to-Date
S&P 500	0.02%	3.85%	7.84%
Russell 3000	0.16%	4.40%	8.18%
MSCI EAFE	1.23%	6.43%	1.73%
MSCI Emerging Markets	1.29%	9.03%	16.02%
Barclays U.S. Aggregate Bond	-0.06%	0.46%	5.80%
Barclays U.S. Municipal Bond	-0.50%	-0.30%	4.01%
Barclays U.S. Corporate High Yield	0.67%	5.55%	15.11%

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

At-A-Glance

- The S&P 500 recorded its best one-quarter performance of 2016.
- The MSCI Emerging Markets Index posted its biggest quarterly return since 2012.
- Oil posted its biggest monthly gain since April, after OPEC agreed to cut oil production for the first time in eight years. WTI crude oil futures rose 6.47% last month, extending its YTD gain to 30.24%.

The S&P 500 posted its seventh consecutive monthly gain, its longest winning streak since June 2014, while a surge in technology shares drove the index to its fourth straight quarterly gain. Technology sector companies rallied nearly 13% during the quarter, beating the S&P 500 by the widest margin since the bull market began in March 2009. As risk appetites increased during the quarter, shifting away from traditional safer havens such as utilities, market strategists said the rotation into sectors more dependent on growth suggests an overall improved outlook on the U.S. economy. The rebound in riskier sectors stands in contrast to quiet market conditions during much of the early summer. After reaching a new all-time high in early July, S&P 500 equities traded 43-days without out a move of 1% or greater, the longest period since July 2014. Nevertheless, weaker-than-forecast economic data on manufacturing and services activity, together with softening home sales, have raised concerns that the pace of fourth quarter growth could slow. Even so, the Federal Reserve's decisions to hold rates steady in July and September helped lift investor sentiment during the quarter.

Small-cap U.S. companies outperformed both large- and mid-cap stocks during the month, quarter and year-to-date (YTD). The Russell 2000 Index, a broad measure of small-cap equity performance, rallied 1.11% last month, and gained 9.05% and 11.46% respectively during the quarter and YTD. Mid-cap stocks rose 0.20% in September, while advancing 4.52% in the third quarter and 10.26% so far this year. Growth-oriented stocks outperformed value stocks during the month and quarter, while value stocks continued to outperform YTD. The Russell 1000 Growth Index rose 0.37% in September, gained 4.58% during the quarter and returned 6.00% YTD. The Russell 1000 Value Index declined 0.21% last month, gained 3.48% in the third quarter and advanced 10.00% YTD.

Within the S&P 500, seven of the 11 major sector groups posted third quarter gains, led by Technology (+12.86%), Financials (+4.59%), and Industrials (+4.14%). Utilities (-5.91%), Telecom (-5.60%), and Consumer Staples (-2.63%) fell the most during the quarter. Real Estate (-2.09%), which became its own sector within the S&P 500 on September 17th, also lagged last quarter. All 11 sectors advanced on a YTD basis, with Energy (+18.72%), Telecom (+17.86%), and Utilities (+16.13%) the best performers, followed by Technology (+12.51%). Healthcare (+1.37%) and Financials (+1.40%) are up the least this year.

The MSCI EAFE Index, which measures returns on developed markets outside the U.S. and Canada, outperformed domestic equities in September and during the quarter, while trailing YTD. The MSCI EAFE rose 1.23% last month, rose 6.43% in the third quarter and gained just 1.73% YTD. Continuing to benefit from low U.S. interest rates, the MSCI Emerging Markets Index outperformed domestic markets in all three time periods, gaining 1.29%, 9.03%, and 16.02% respectively. Emerging markets posted their best quarter since 2012.

Turning to bonds, after two positive quarters, U.S. Treasuries, as measured by the Barclays U.S. Government Bond Index, declined 0.25% in the third quarter, trimming its YTD gain to 4.96%. Treasury note prices were quiet in September, and eased during the quarter. The yield on 10-year Treasury notes gained 12.4 basis points in the third quarter, ending at 1.595%.

Investment grade bonds of all types, as measured by the Barclays U.S. Aggregate Bond Index, fell 0.06% last month, modestly reducing third quarter and YTD gains to 0.46% and 5.80% respectively. Higher-rated corporate bonds outperformed Treasuries last quarter, with the Barclays U.S. Corporate Investment Grade Bond Index gaining 1.41% and returning 9.20% YTD. 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, gained 0.67% in September, capping the third quarter with a 5.55% return. High yield bonds have surged 15.11% YTD. The Barclays Municipal Bond Index lost 0.50% in September and 0.30% last quarter, reducing its YTD gain to 4.01%.

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Glossary

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 (Investment Grade) Bond Index** measures the investment grade, fixed-rate, taxable corporate bond market. It includes USD-denominated securities publicly issued by US and non-US industrial, utility and financial issuers. Launched in July 1973, securities included must be rated investment grade (Baa3/BBB-/BBB- or higher) using the middle rating of Moody's, S&P and Fitch; when a rating from only two agencies is available, the lower is used; when only one agency rates a bond, that rating is used.

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 **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 **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.