

Market Indices ¹	JUNE	2Q 2016	Year-to-Date
S&P 500	0.26%	2.46%	3.84%
Russell 3000	0.21%	2.63%	3.62%
MSCI EAFE	-3.36%	-1.46%	-4.42%
MSCI Emerging Markets	4.00%	0.66%	6.41%
Barclays U.S. Aggregate Bond	1.80%	2.21%	5.31%
Barclays U.S. Municipal Bond	1.59%	2.61%	4.33%
Barclays U.S. Corporate High Yield	0.92%	5.52%	9.06%

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

At-A-Glance

- The S&P 500 Index rebounded to finish the second quarter within 1.5% of its all-time high.
- Energy producers led the quarterly advance, rising over 11%, as crude oil had its best quarter since 2009. From its early April low of \$38.59/bbl., U.S. oil futures surged nearly 26% during the quarter.
- Commodities were the best performing asset class during the quarter, with the Bloomberg Commodity Index surging 12.78%.

Despite a global selloff sparked by Britain's unprecedented "Brexit" vote to leave the European Union, U.S. equity markets rebounded to end the second quarter in positive territory. The American advance echoed a strong three-day U.K. rally that sent the FTSE 100 Index higher than it was before the referendum. For the U.S., Britain's June 23rd decision to unwind its EU membership ignited a 5.3% S&P 500 selloff, its largest two-day retreat in 10 months. Yet backed by timely central bank posturing for continued low rates and pledges to increase stimulus, the S&P 500 finished the quarter with its biggest three-day rally since February and capped its third consecutive quarterly advance. On the last day of the quarter, European Central Bank officials said they are mulling a decision to relax rules for its monthly bond purchase program and Bank of England Governor Mark Carney said the central bank is poised to cut its key lending rate this summer and hinted at boosting stimulus, if needed. After the Brexit vote, a Federal Reserve rate hike appears unlikely this year and doubtful for much of 2017.

Although small-cap U.S. companies outperformed both large- and mid-cap stocks in the second quarter, they trailed in June and for the year. The Russell 2000 Index, a broad measure of small-cap equity performance, rose 3.79% last quarter, while falling 0.06% last month and up 2.22% on a year-to-date (YTD) basis. Mid-cap stocks performed best this year, with the Russell Mid Cap Index up 5.50% YTD and gained 0.46% in June.

Value-oriented stocks outperformed growth stocks during the month, quarter and YTD. The Russell 1000 Value Index rose 0.86% in June, gained 4.58% during the quarter and has returned 6.30% YTD. The Russell 1000 Growth Index declined 0.39% last month, gained 0.61% in the second quarter and is up just 1.36% YTD.

Within the S&P 500, eight of the ten major sector groups posted second quarter gains, led by Energy (+11.62%), Telecom (+7.06%), and Utilities (+6.79%). Technology (-2.84%) and Consumer Discretionary (-0.91%) lagged. On a YTD basis, eight of the ten sectors advanced, with Telecom (+24.85%) and Utilities (+23.41%) the best performers, while Financials (-3.05%) and Technology (-0.32%) have declined.

The MSCI EAFE Index, measuring returns on developed markets outside the U.S. and Canada, underperformed domestic equities in all three time periods. The MSCI EAFE fell 3.36% last month, lost 1.46% in the second quarter and is down 4.42% YTD. Helped by continued low U.S. interest rates, the MSCI Emerging Markets Index rebounded 4% in June, leading to a quarterly gain of 0.66% and extending its YTD gain to 6.41%.

With negative government debt yields in Germany, Switzerland and Japan, global investor appetites for U.S. credit have risen sharply. U.S. Treasuries, as measured by the Barclays U.S. Government Bond Index, gained 2.14% last month and returned 5.22% in the first half of 2016 for its best two consecutive quarters since 2011. Benchmark 10-year Treasury notes have rallied in price over the past six months, pulling its yield down 31 basis points in the second quarter and 50 basis points during the first quarter, ending the first half of this year at 1.471%. Investment grade bonds, of all types, as measured by the Barclays U.S. Aggregate Bond Index, gained 1.80% in June, widening its second quarter gain to 2.21%.

Higher rated corporate bonds outperformed Treasuries, with the Barclays U.S. Corporate Investment Grade Bond Index gaining 3.57% in the second quarter and returned 7.68% on a year-to-date basis. 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 0.92% in June, capping the second quarter with a 5.52% return. High yield bonds have surged 9.06% YTD, the best two quarter performance in seven years. The Barclays Municipal Bond Index rose 1.59% last month, extending its second quarter and YTD returns to 2.61% and 4.33%, respectively.

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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 (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 **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 **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 **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 was developed with a base level of 1000 as of December 30, 1983.

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.