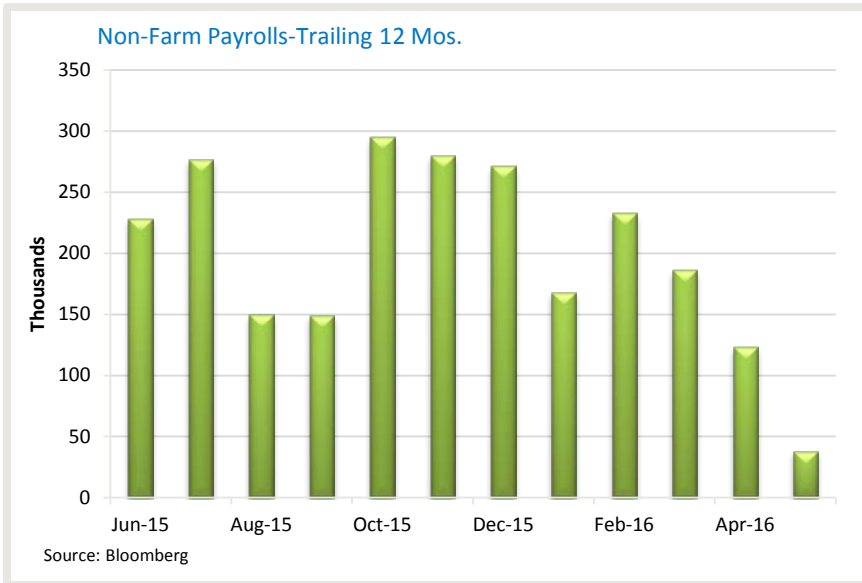


# Weekly Market Review

June 10, 2016

## Chart of the Week



## Weekly Highlights

- **Domestic stocks remained relatively unchanged** as investors digested economic data, including a slight increase in unit labor costs versus forecast, and a reduction in weekly jobless claims.
- **World markets declined more than domestic**, with emerging markets posting positive gains before declining sharply on Friday, and developed markets posting losses.
- **U.S. Treasury yields fell**, with a sharp drop on Friday as yields across the developed world fell.
- **Commodity indices were up**, and gold had a strong gain.

## Talking Points

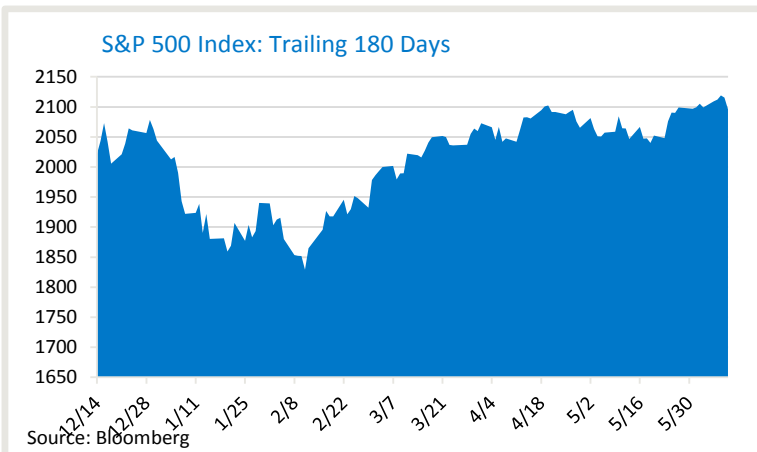
- **Among equities**, small caps slightly outperformed large caps, and growth stocks slightly underperformed value-oriented issues. Domestic stocks outperformed international equities. Developed markets underperformed emerging market stocks.
- **Treasury yields declined**, as investors continue to push down both domestic and global yields.
- **Commodity indices were up** as gold had a strong showing.
- **The dollar index rose slightly** against a basket of six major currencies.
- **Among economic data released this week**, labor costs beat the median forecast (4.5% vs 4.4%); productivity declined 60 bps, within expectations; and weekly jobless numbers came in at 264,000 vs the median forecast of 270,000.

## Market Dashboard

|                           | Last Price | Change | % Chg. | YTD %  |
|---------------------------|------------|--------|--------|--------|
| <b>S&amp;P 500</b>        | 2,096.07   | -3.06  | -0.15% | 2.6%   |
| <b>Dow Industrials</b>    | 17,865.34  | 58.28  | 0.33%  | 2.5%   |
| <b>Nasdaq</b>             | 4,894.55   | -47.97 | -0.97% | -2.3%  |
| <b>Russell 2000</b>       | 1,163.93   | -0.20  | -0.02% | 2.5%   |
| <b>Euro Stoxx Index</b>   | 332.92     | -8.37  | -2.45% | -9.0%  |
| <b>Shanghai Composite</b> | 2,927.16   | 13.65  | 0.47%  | -17.3% |
| <b>Russell Global</b>     | 1,698.05   | 14.83  | 0.88%  | 2.4%   |

Source: Bloomberg; Index % change is based on price.

|                          | Last Price | Change  | % Chg. | YTD % |
|--------------------------|------------|---------|--------|-------|
| <b>Russell Global EM</b> | 2,661.82   | 66.07   | 2.55%  | 4.9%  |
| <b>10-Year US Treas.</b> | 1.64       | -7 bps  | NM     | NM    |
| <b>DJ UBS Comm. Idx.</b> | 88.94      | 1.80    | 2.07%  | 13.2% |
| <b>Gold</b>              | \$1,274.90 | \$30.21 | 2.43%  | 20.1% |
| <b>Crude Oil</b>         | \$48.97    | \$0.33  | 0.68%  | 18.4% |
| <b>Dollar Index</b>      | 94.60      | 0.55    | 0.58%  | -4.1% |
| <b>VIX Index</b>         | 17.03      | 3.56    | 26.43% | -6.5% |



|          | One Week |        |        | YTD   |        |        |
|----------|----------|--------|--------|-------|--------|--------|
|          | Value    | Growth |        | Value | Growth |        |
| <b>L</b> | 0.04%    | -0.15% | -0.33% | 3.00% | 1.78%  | 0.67%  |
|          | -0.17%   | -0.35% | -0.54% | 7.14% | 4.32%  | 1.52%  |
| <b>S</b> | 0.40%    | -0.02% | -0.46% | 5.81% | 2.47%  | -0.81% |

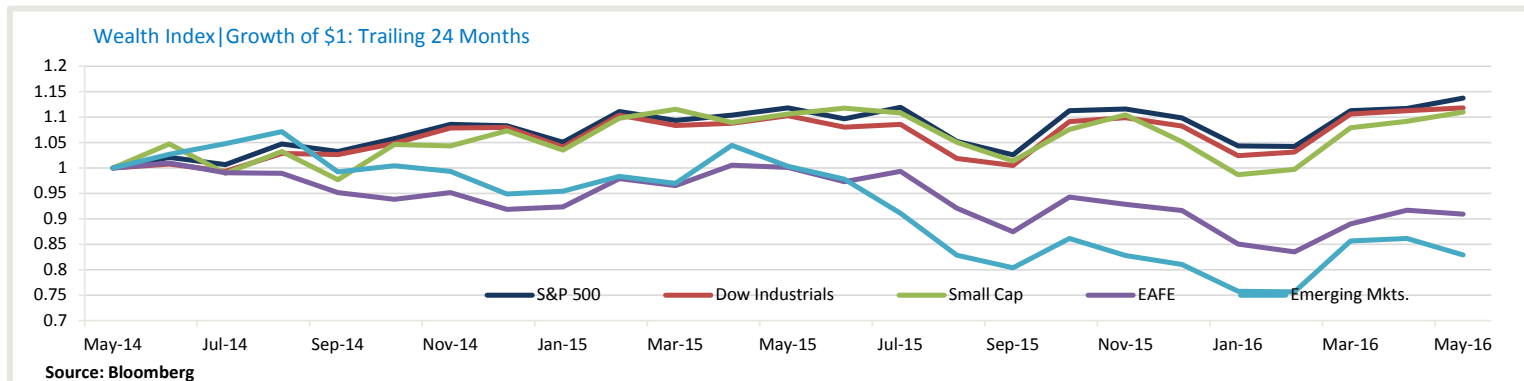
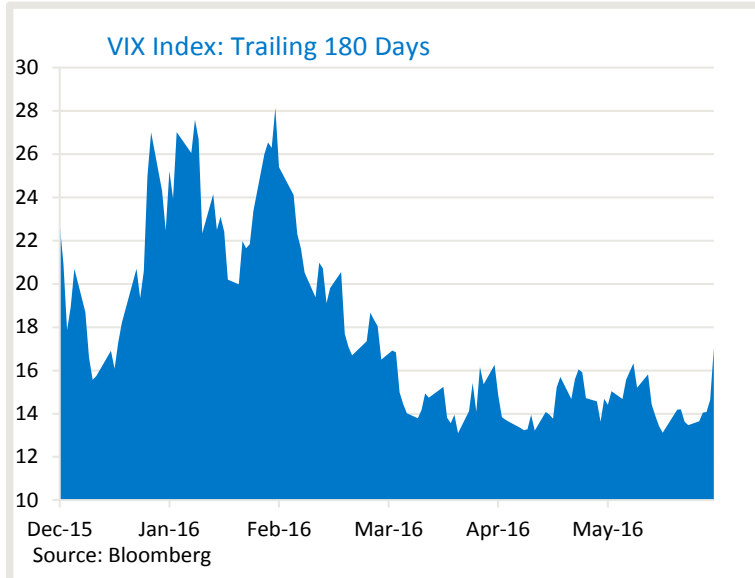
Source: Bloomberg

### Sector Performance:

#### S&P/Global Industry Classification Sectors (GICS)

|                               | % Wgt in S&P 500 | Week % Chg. | YTD % Chg. |
|-------------------------------|------------------|-------------|------------|
| <b>Consumer Discretionary</b> | 12.4             | -0.89%      | 0.2%       |
| <b>Consumer Staples</b>       | 10.3             | 1.01%       | 6.6%       |
| <b>Energy</b>                 | 7.2              | 1.38%       | 11.8%      |
| <b>Financials</b>             | 15.9             | -1.55%      | -3.2%      |
| <b>Health Care</b>            | 14.6             | -0.79%      | -0.7%      |
| <b>Industrials</b>            | 10.2             | 0.84%       | 5.4%       |
| <b>Information Technology</b> | 20.2             | -0.32%      | 0.5%       |
| <b>Materials</b>              | 2.9              | 0.22%       | 9.3%       |
| <b>Telecom Services</b>       | 2.7              | 2.78%       | 14.6%      |
| <b>Utilities</b>              | 3.4              | 0.86%       | 15.9%      |

Source: Bloomberg



## The Economy and Markets

### ***A Macro View – China Back in Focus***

Next week, MSCI will decide whether to add Chinese A-shares to the MSCI Emerging Market Index. That situation has reawakened investor attention to Chinese stocks and the country's economy as a whole. Goldman Sachs reported this week that the Chinese government is understating the economy's leverage growth this year by almost 25%. As investors digest Goldman's report and await MSCI's decision, it is useful to take a step back to understand why China is so important to both the global economy and US investors.

As the world's second-largest economy, China has its second-largest stock market. Its impact on global financial markets is real: Recall the sharp domestic equity sell-off in August 2015, when China allowed the yuan to drop against the US dollar. Because China's economy is second only to ours, investors must pay attention to what happens there, as it will have an impact on both their portfolios and the global economy. Even if they only invest in domestic equities, a portion of investors' portfolios is exposed to China via the revenues generated from US businesses that derive profits from outside the US. And potential financial contagion is yet another exposure risk.

That's why investors should pay heed to Goldman's report and MSCI's A-shares decision next week. As China's economy slows, its debt load could be an issue, as repaying it will be increasingly hard to do. Depending on whom you ask, China's national leverage, which includes public- and private-sector debt, is somewhere around 300% of the country's GDP. Some say it is 275%, and others say it is 325%, and therein lies the problem, as Goldman Sachs implied. No one knows what the real debt numbers are, and no matter who measures them, those numbers seem to be growing as China's economy is slowing. The dilemma combines a shadow banking system, a lack of understanding of where this debt resides (or even how to calculate it), and a lack of faith as to the quality of this debt. Sound familiar? Anybody who lived through 2008 can explain it.

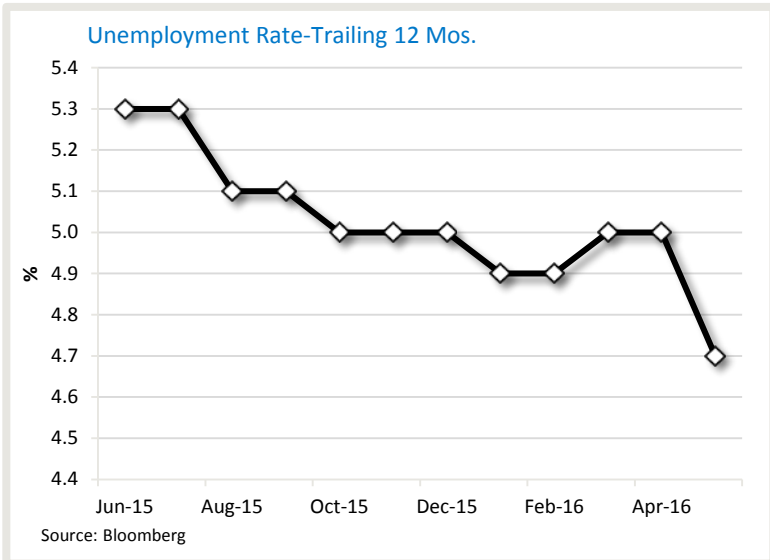
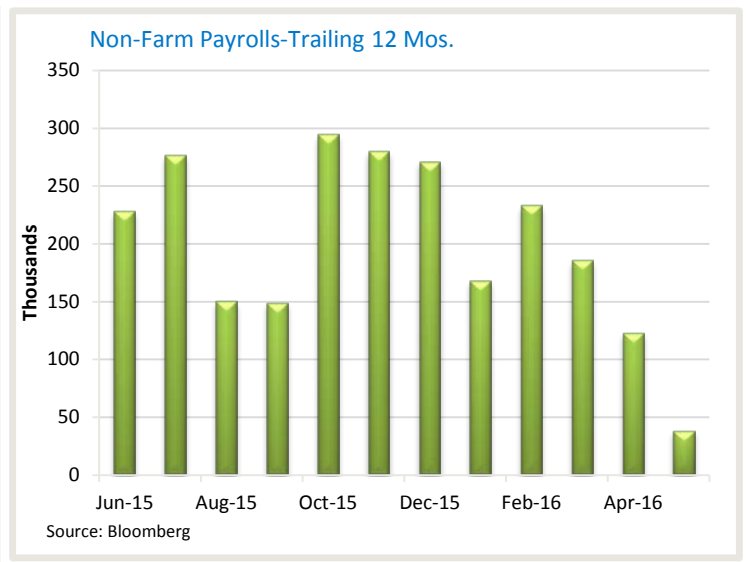
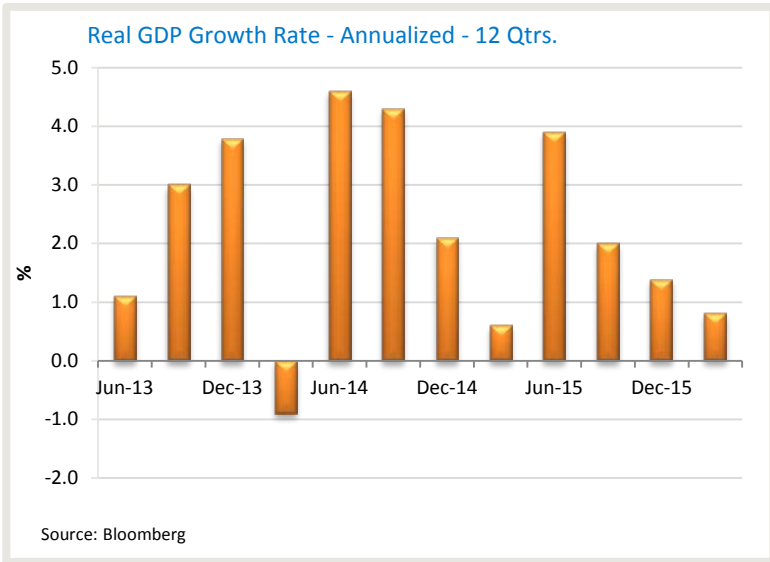
The US is not immune to high debt: Our total debt to GDP is around 335%, down from a peak of 365% in 2009. But the difference is in transparency—the market has a lot more faith in the accuracy and quality of our reported debt. Our reported numbers aren't perfect—they're just closer to being perfect. Investors have less confidence in China's official government numbers, as the Goldman Sachs report notes. The more uncertain investors are, the more reluctant they are to lend to China and Chinese companies. As witnessed during the credit crisis, as well as the numerous bank runs throughout history, confidence is everything when it comes to investing. Once investors lose confidence, they stop lending. And that is how financial crises begin.

MSCI's EM Index A-shares decision next week coincides with rising investor concern over China's escalating leverage. As a reminder, 27% of the EM index comprises H-shares (shares listed in Hong Kong) and shares listed abroad. Adding A-shares will increase that figure to 40%, although the most likely scenario is that they will be added slowly to the index over time—the current proposal is to add 5% in the first year (less than 1% of the index weight). Despite this gradual approach, investors may feel the impact, signaling a glimpse of the future roadmap. A-shares include a high percentage of state-run companies that are less efficient and potentially have more problems with bad debt. When banks are removed, A-shares valuations tend to be much higher, and are higher still when state-run companies are not included. We believe that adding A-shares to the index will increase exposure to both debt-heavy, state-run companies and over-valued private enterprises. With more than \$1.5 trillion in assets in various MSCI indices, the addition of A-shares will force investors' exposure to them through both passive vehicles and active managers with tight benchmark constraints.

In reality, investors' direct and indirect exposure to China will likely increase in the coming years as its economy slows, debt concerns rise, and valuations become stretched. It's something investors should focus on.

*Ken Shaw, CFA*  
*SVP, Senior Investment Analyst, Investment Research*

## Economic Data



## Eurozone

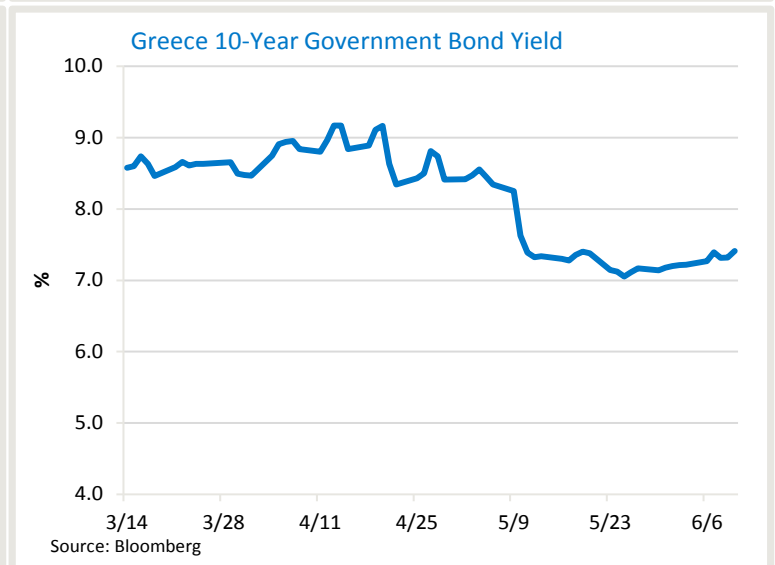
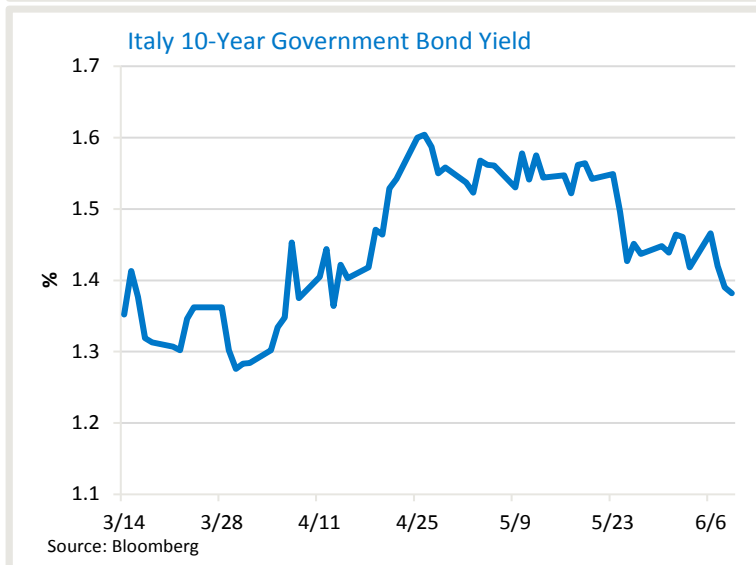
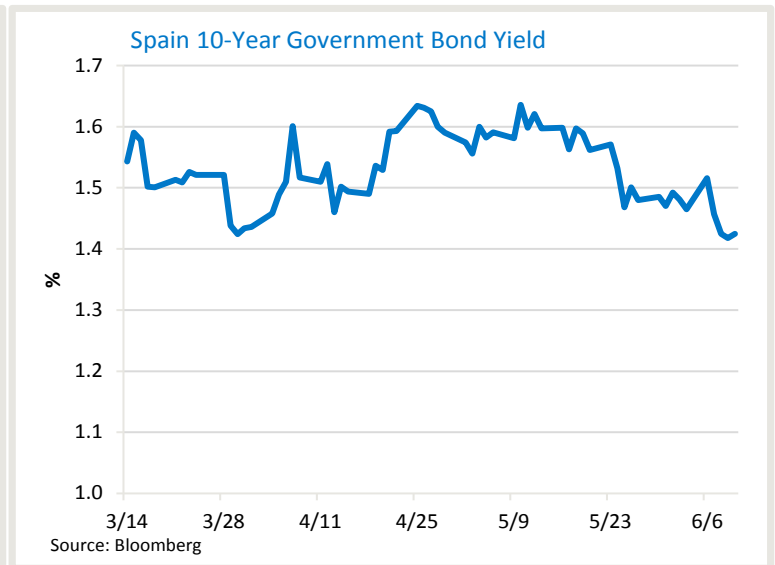
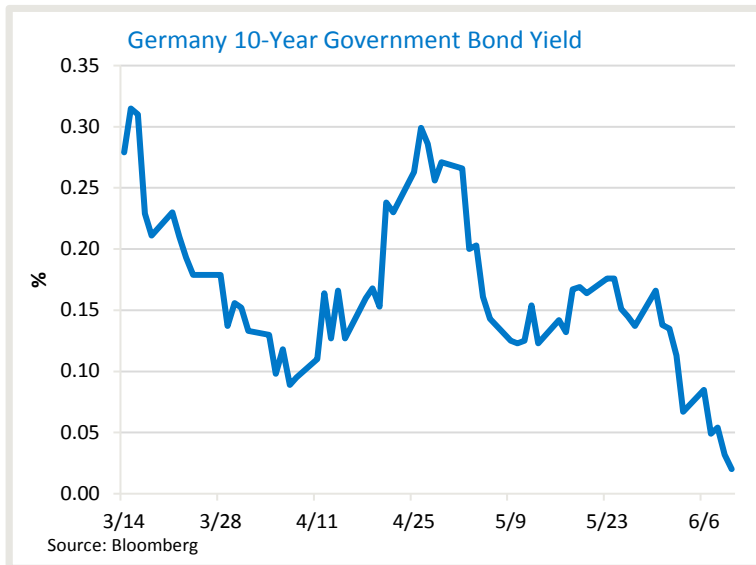
### SELECTED EUROPEAN SOVEREIGN YIELD PERFORMANCE

|                      | Last | Change  | % Chg. | YTD % |
|----------------------|------|---------|--------|-------|
| Germany 10-Yr. Govt. | 0.02 | 5 bps   | NM     | NM    |
| Greece 10-Yr. Govt.  | 7.41 | -11 bps | NM     | NM    |
| Italy 10-Yr. Govt.   | 1.38 | 3 bps   | NM     | NM    |
| Spain 10-Yr. Govt.   | 1.43 | 4 bps   | NM     | NM    |
| Belgium 10-Yr. Govt. | 0.43 | 2 bps   | NM     | NM    |

Source: Bloomberg

Basis points (bps)

|                          | Last | Change | % Chg. | YTD % |
|--------------------------|------|--------|--------|-------|
| France 10-Yr. Govt.      | 0.39 | 2 bps  | NM     | NM    |
| Ireland 10-Yr. Govt.     | 0.73 | 0 bps  | NM     | NM    |
| Portugal 10-Yr. Govt.    | 3.09 | 6 bps  | NM     | NM    |
| Netherlands 10-Yr. Govt. | 0.24 | 4 bps  | NM     | NM    |
| U.K. 10-Yr. Govt.        | 1.23 | 4 bps  | NM     | NM    |

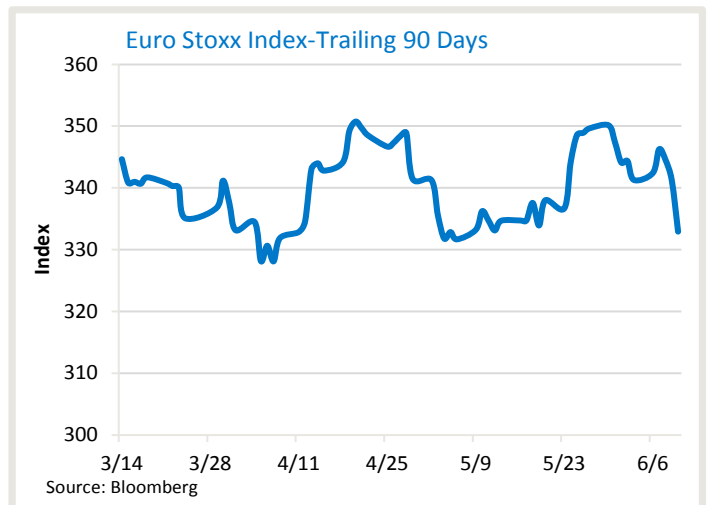
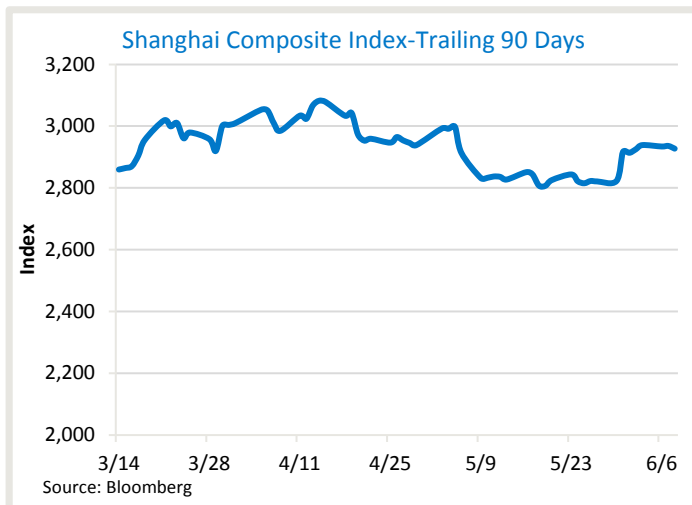
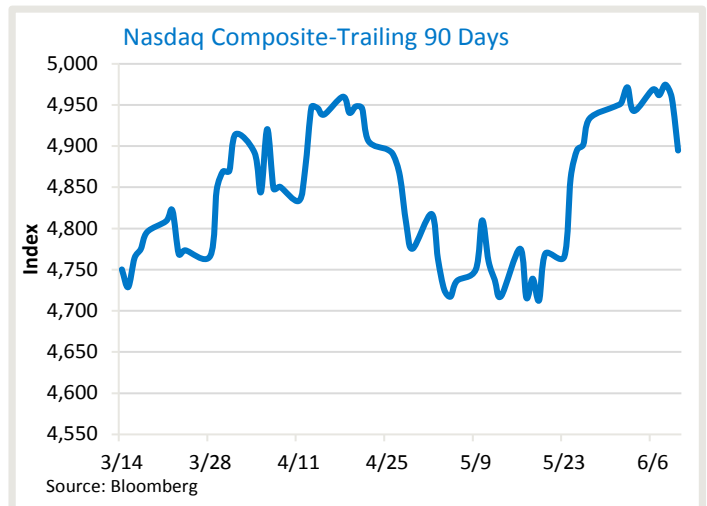
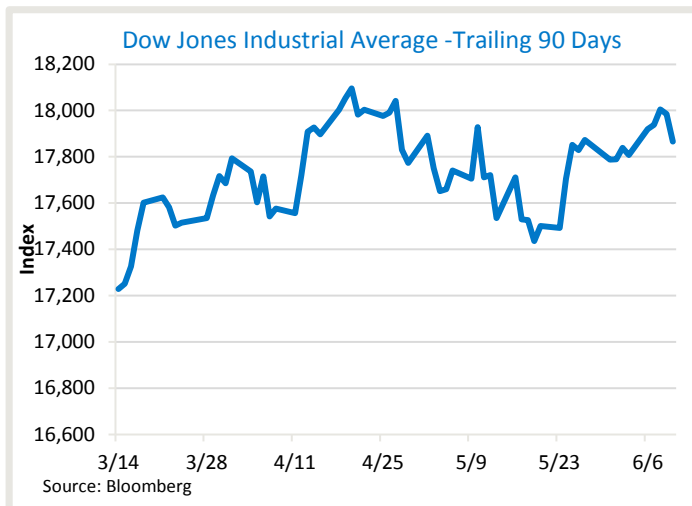


## Equities

### WORLD MARKET PERFORMANCE

|                             | Last             | Change          | % Chg.        | YTD %          |                               | Last             | Change         | % Chg.        | YTD %          |
|-----------------------------|------------------|-----------------|---------------|----------------|-------------------------------|------------------|----------------|---------------|----------------|
| <b>S&amp;P 500</b>          | <b>2,096.07</b>  | <b>-3.06</b>    | <b>-0.15%</b> | <b>2.55%</b>   | <b>Swiss Market Index</b>     | <b>7,922.71</b>  | <b>-225.69</b> | <b>-2.77%</b> | <b>-10.15%</b> |
| <b>Dow Industrials</b>      | <b>17,865.34</b> | <b>58.28</b>    | <b>0.33%</b>  | <b>2.53%</b>   | <b>CAC 40 Index (France)</b>  | <b>4,306.72</b>  | <b>-115.06</b> | <b>-2.60%</b> | <b>-7.12%</b>  |
| <b>Nasdaq Composite</b>     | <b>4,894.55</b>  | <b>-47.97</b>   | <b>-0.97%</b> | <b>-2.25%</b>  | <b>DAX Index (Germany)</b>    | <b>9,834.62</b>  | <b>-268.64</b> | <b>-2.66%</b> | <b>-8.46%</b>  |
| <b>Russell Global</b>       | <b>1,698.05</b>  | <b>14.83</b>    | <b>0.88%</b>  | <b>2.4%</b>    | <b>Irish Overall Index</b>    | <b>6,228.24</b>  | <b>-174.31</b> | <b>-2.72%</b> | <b>-8.30%</b>  |
| <b>Russell Global EM</b>    | <b>2,661.82</b>  | <b>66.07</b>    | <b>2.55%</b>  | <b>4.9%</b>    | <b>Nikkei 225</b>             | <b>16,601.36</b> | <b>-40.87</b>  | <b>-0.25%</b> | <b>-12.78%</b> |
| <b>S&amp;P/TSX (Canada)</b> | <b>14,037.54</b> | <b>-189.24</b>  | <b>-1.33%</b> | <b>7.90%</b>   | <b>Hang Seng Index</b>        | <b>21,042.64</b> | <b>183.42</b>  | <b>0.88%</b>  | <b>-3.98%</b>  |
| <b>Mexico IPC</b>           | <b>45,177.50</b> | <b>-750.73</b>  | <b>-1.63%</b> | <b>5.12%</b>   | <b>Shanghai Composite</b>     | <b>2,927.16</b>  | <b>13.65</b>   | <b>0.47%</b>  | <b>-17.29%</b> |
| <b>Brazil Bovespa</b>       | <b>49,422.16</b> | <b>-1197.34</b> | <b>-2.37%</b> | <b>14.01%</b>  | <b>Kospi Index (S. Korea)</b> | <b>2,017.63</b>  | <b>32.52</b>   | <b>1.64%</b>  | <b>2.87%</b>   |
| <b>Euro Stoxx 600</b>       | <b>332.92</b>    | <b>-8.37</b>    | <b>-2.45%</b> | <b>-8.99%</b>  | <b>Taiwan Taiex Index</b>     | <b>8,715.48</b>  | <b>123.91</b>  | <b>1.44%</b>  | <b>4.53%</b>   |
| <b>FTSE 100</b>             | <b>6,115.76</b>  | <b>-93.87</b>   | <b>-1.51%</b> | <b>-2.03%</b>  | <b>Tel Aviv 25 Index</b>      | <b>1,430.44</b>  | <b>-14.42</b>  | <b>-1.00%</b> | <b>-6.43%</b>  |
| <b>IBEX 35 (Spain)</b>      | <b>8,490.50</b>  | <b>-311.10</b>  | <b>-3.53%</b> | <b>-11.04%</b> | <b>MICEX Index (Russia)</b>   | <b>1,903.61</b>  | <b>16.77</b>   | <b>0.89%</b>  | <b>8.08%</b>   |

Source: Bloomberg; Index % change is based on price.



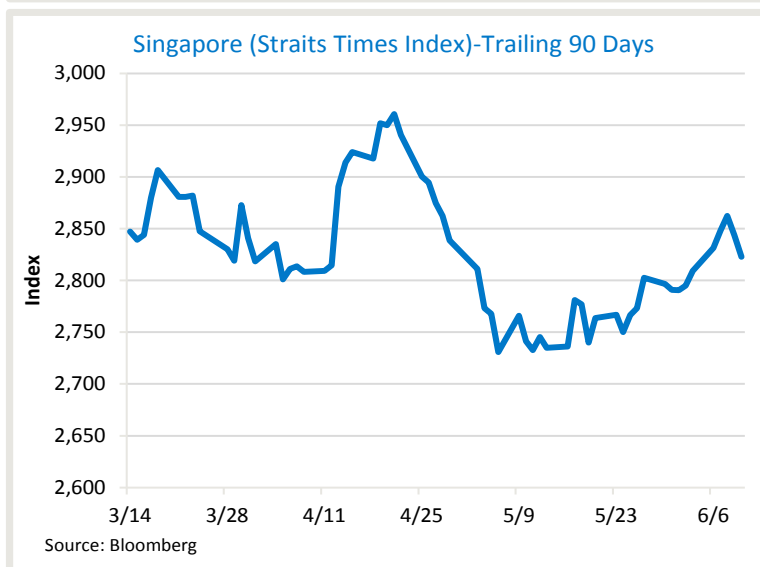
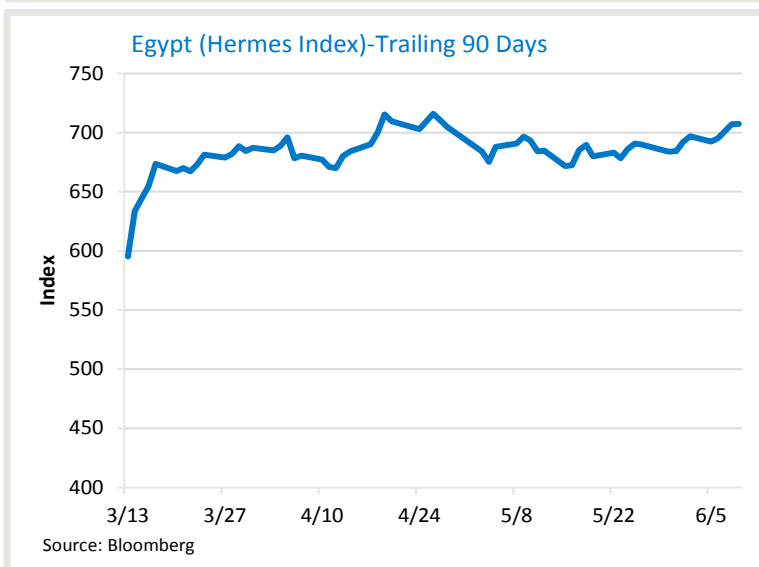
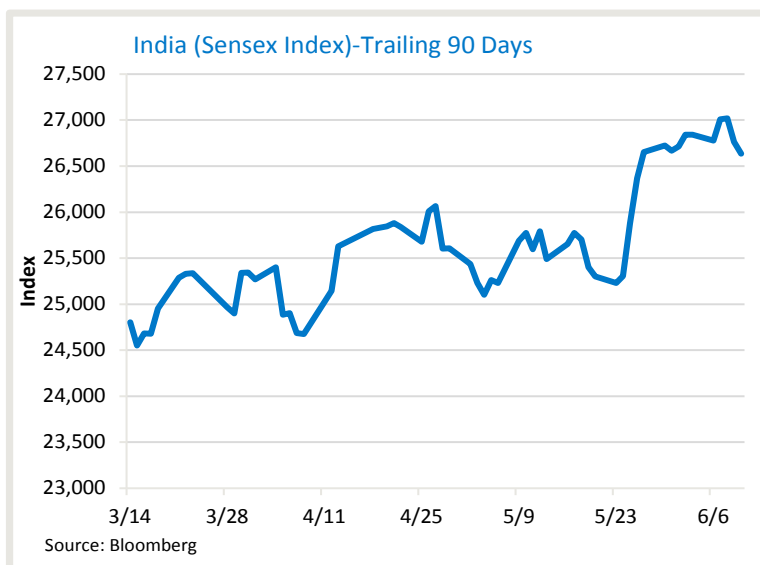
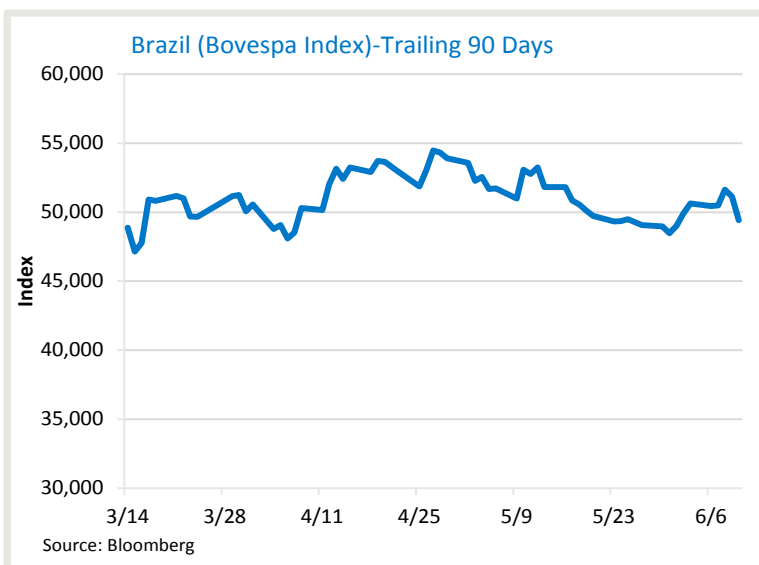
## Equities – Emerging and Frontier Markets

### EMERGING AND FRONTIER MARKET PERFORMANCE

|                             | Last      | Change   | % Chg. | YTD %  |
|-----------------------------|-----------|----------|--------|--------|
| Mexico IPC                  | 45,177.50 | -750.73  | -1.6%  | 5.1%   |
| Brazil (Bovespa Index)      | 49,422.16 | -1197.34 | -2.4%  | 14.0%  |
| MICEX Index (Russia)        | 1,903.61  | 16.77    | 0.9%   | 8.1%   |
| Czech Republic (Prague)     | 840.05    | -39.46   | -4.5%  | -12.2% |
| Turkey (Istanbul)           | 76,887.31 | -1252.20 | -1.6%  | 7.2%   |
| Egypt (Hermes Index)        | 707.23    | 10.50    | 1.5%   | 12.2%  |
| Kenya (Nairobi 20 Index)    | 3,833.42  | 32.11    | 0.8%   | -5.1%  |
| Saudi Arabia (TASI Index)   | 6,606.92  | 118.13   | 1.8%   | -4.4%  |
| Lebanon (Beirut BLOM Index) | 1,148.28  | -7.35    | -0.6%  | -1.8%  |
| Palestine                   | 496.79    | 2.66     | 0.5%   | -6.7%  |

Source: Bloomberg; Index % change is based on price.

|                                 | Last      | Change  | % Chg. | YTD % |
|---------------------------------|-----------|---------|--------|-------|
| Hang Seng Index                 | 21,042.64 | 183.42  | 0.9%   | -4.0% |
| India (Sensex 30)               | 26,635.75 | -207.28 | -0.8%  | 2.0%  |
| Malaysia (KLCI Index)           | 1,641.22  | 4.76    | 0.3%   | -3.0% |
| Singapore (Straits Times Index) | 2,822.97  | 13.74   | 0.5%   | -2.1% |
| Thailand (SET Index)            | 1,429.21  | -7.22   | -0.5%  | 11.0% |
| Indonesia (Jakarta)             | 4,848.06  | -5.87   | -0.1%  | 5.6%  |
| Pakistan (Karachi KSE 100)      | 36,940.88 | -282.12 | -0.8%  | 12.6% |
| Vietnam (Ho Chi Minh)           | 629.84    | 7.96    | 1.3%   | 8.8%  |
| Sri Lanka (Colombo)             | 6,530.50  | 11.27   | 0.2%   | -5.3% |
| Cambodia (Laos)                 | 1,130.16  | -6.82   | -0.6%  | -3.7% |

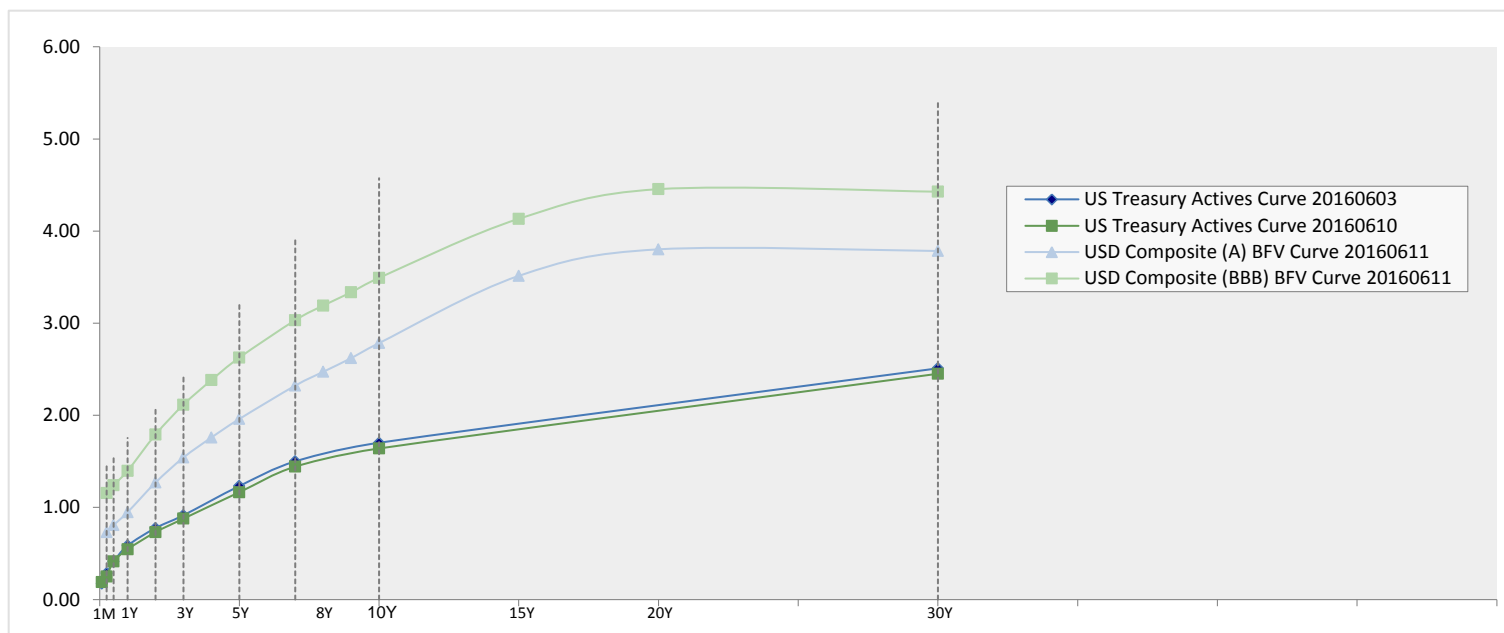


## Interest Rates

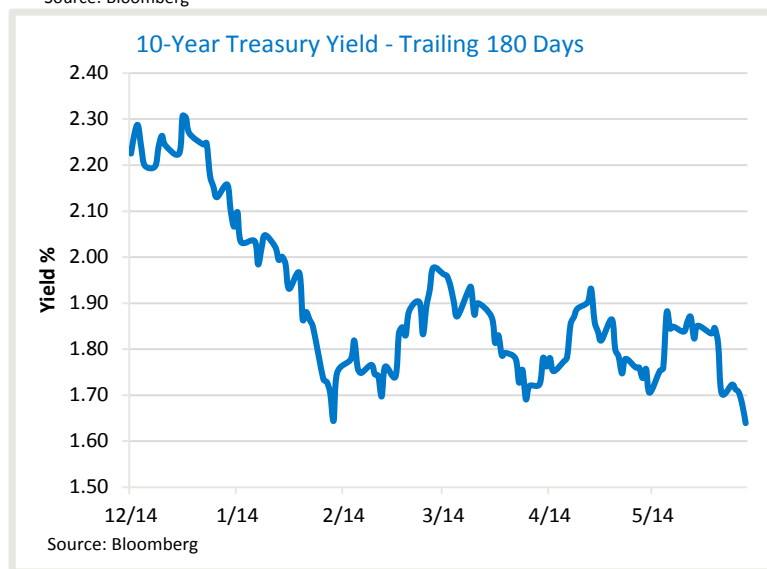
### SELECTED INTEREST RATES

|                      | Last  | Change | % Chg. | YTD % |                    | Last  | Change  | % Chg. | YTD % |
|----------------------|-------|--------|--------|-------|--------------------|-------|---------|--------|-------|
| 2-Yr. U.S. Treasury  | 0.73% | 1 bps  | NM     | NM    | Prime Rate         | 3.50% | 0.00    | NM     | NM    |
| 5-Yr. U.S. Treasury  | 1.17% | -7 bps | NM     | NM    | Fed Funds Rate     | 0.50% | 0.00    | NM     | NM    |
| 10-Yr. U.S. Treasury | 1.64% | -7 bps | NM     | NM    | Discount Rate      | 1.00% | 0.00    | NM     | NM    |
| 30-Yr. U.S. Treasury | 2.45% | -7 bps | NM     | NM    | LIBOR (3 Mo.)      | 0.66% | -3 bps  | NM     | NM    |
| German 10-Yr. Govt.  | 0.02% | 5 bps  | NM     | NM    | Bond Buyer 40 Muni | 2.83% | -11 bps | NM     | NM    |
| France 10-Yr.        | 0.39% | 2 bps  | NM     | NM    | Bond Buyer 40 G.O. | 3.18% | NA      | NM     | NM    |
| Italy 10-Yr.         | 1.38% | 3 bps  | NM     | NM    | Bond Buyer 40 Rev. | 3.38% | NA      | NM     | NM    |
| Fed 5-Yr Fwd BE Inf. | 1.48% | 2 bps  | NM     | NM    |                    |       |         |        |       |

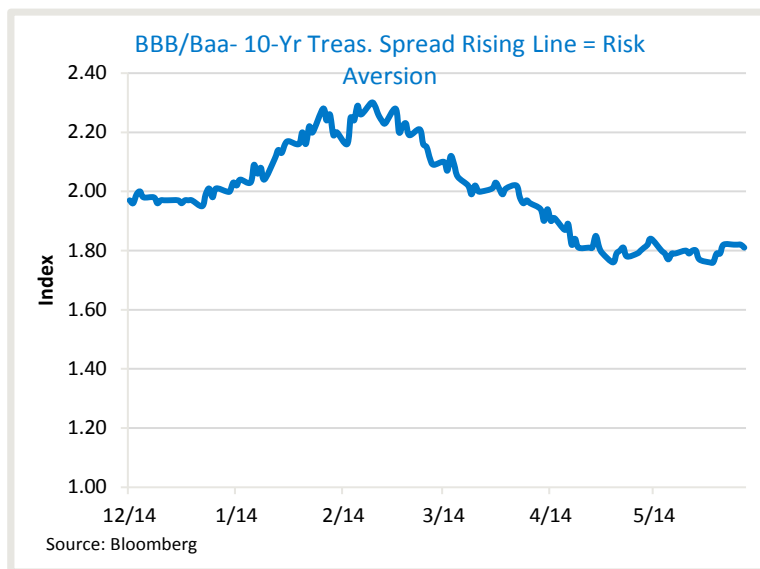
Source: Bloomberg



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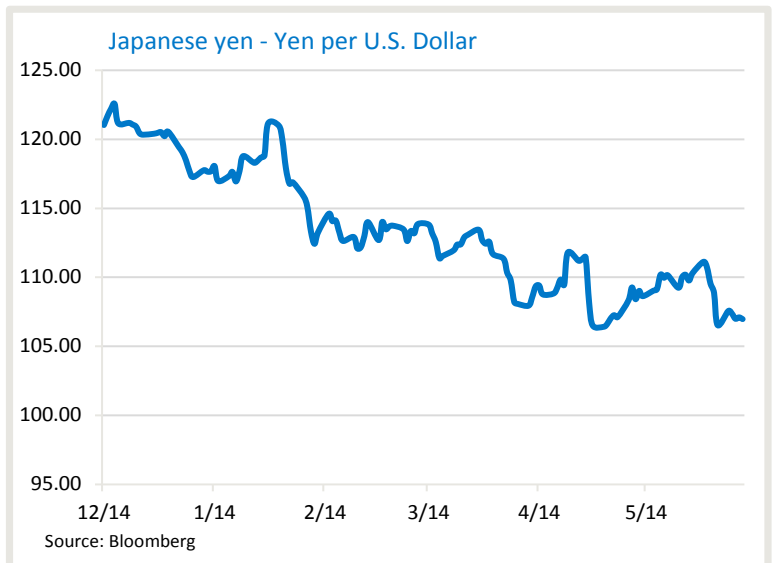
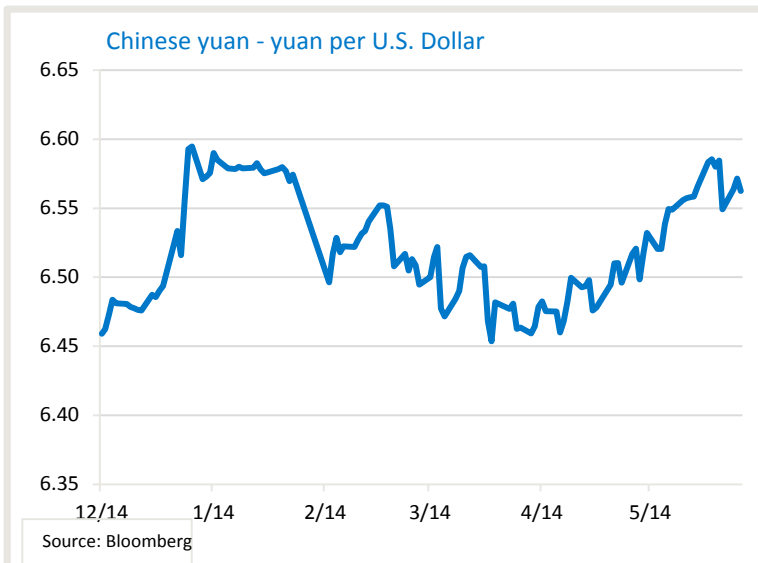
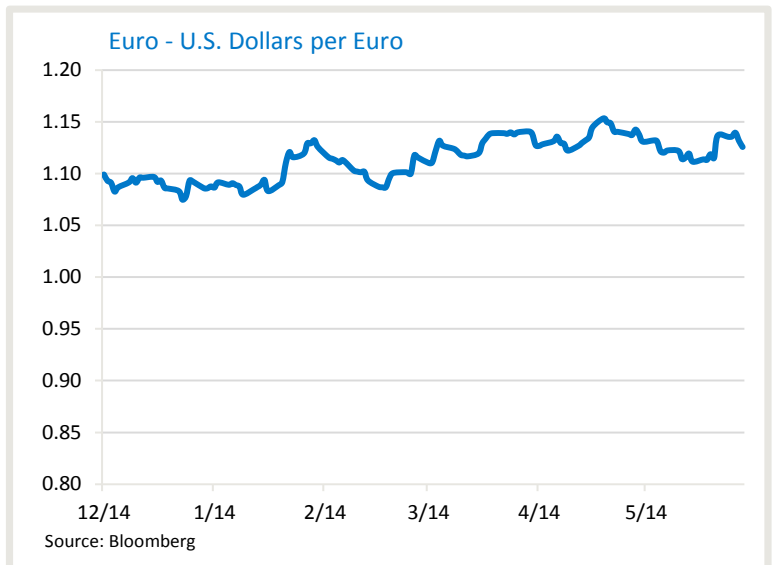
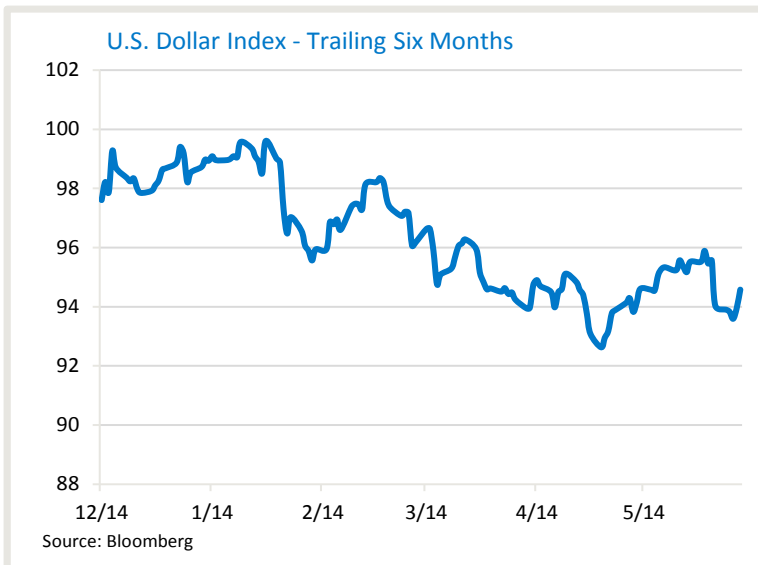
## Currencies

### SELECTED CURRENCY PERFORMANCE

|                        | Last          | Change        | % Chg.        | YTD %         |
|------------------------|---------------|---------------|---------------|---------------|
| <b>Dollar Index</b>    | <b>94.60</b>  | <b>0.550</b>  | <b>0.58%</b>  | <b>-4.11%</b> |
| <b>Euro</b>            | <b>1.13</b>   | <b>-0.011</b> | <b>-0.97%</b> | <b>3.64%</b>  |
| <b>Japanese Yen</b>    | <b>106.94</b> | <b>0.440</b>  | <b>-0.41%</b> | <b>12.39%</b> |
| <b>British Pound</b>   | <b>1.43</b>   | <b>-0.024</b> | <b>-1.67%</b> | <b>-3.13%</b> |
| <b>Canadian Dollar</b> | <b>1.28</b>   | <b>-0.018</b> | <b>1.40%</b>  | <b>8.46%</b>  |

|                           | Last         | Change        | % Chg.        | YTD %         |
|---------------------------|--------------|---------------|---------------|---------------|
| <b>Chinese Yuan</b>       | <b>6.56</b>  | <b>0.013</b>  | <b>-0.20%</b> | <b>-1.05%</b> |
| <b>Swiss Franc</b>        | <b>0.96</b>  | <b>-0.012</b> | <b>1.21%</b>  | <b>3.93%</b>  |
| <b>New Zealand Dollar</b> | <b>0.71</b>  | <b>0.010</b>  | <b>1.49%</b>  | <b>3.38%</b>  |
| <b>Brazilian Real</b>     | <b>3.43</b>  | <b>-0.104</b> | <b>3.03%</b>  | <b>15.69%</b> |
| <b>Mexican Peso</b>       | <b>18.63</b> | <b>0.039</b>  | <b>-0.21%</b> | <b>-7.64%</b> |

Source: Bloomberg

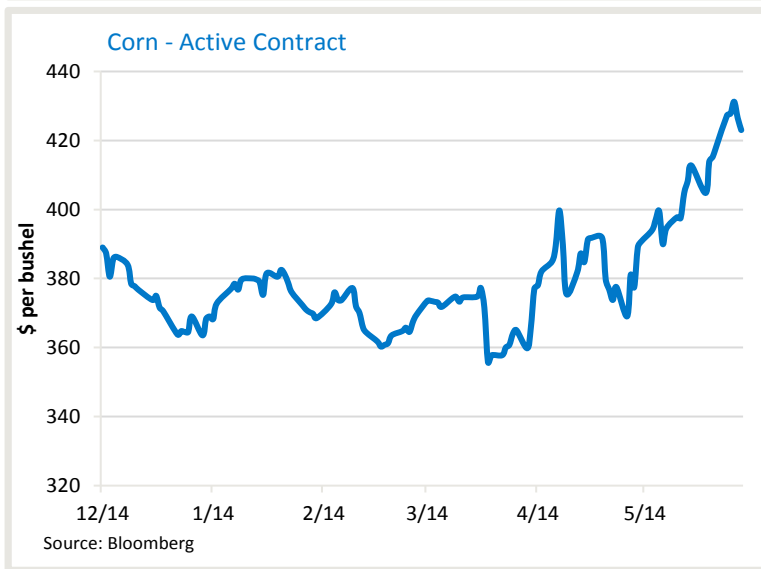
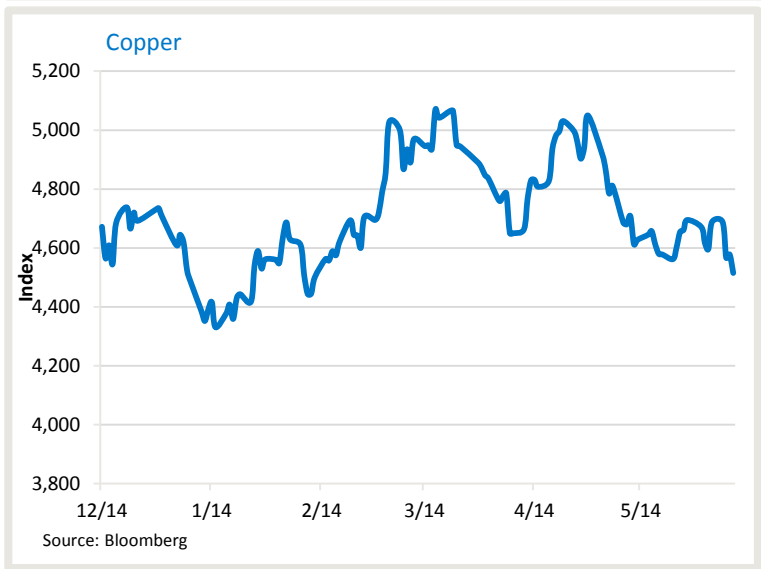
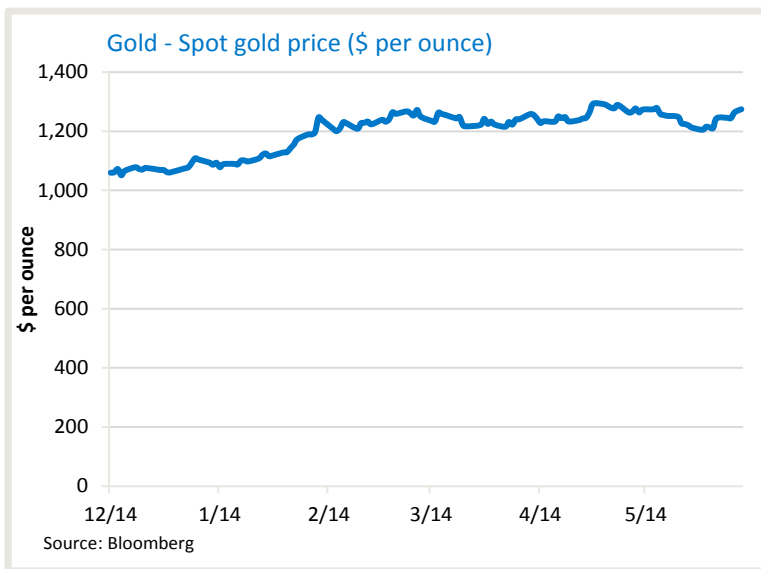
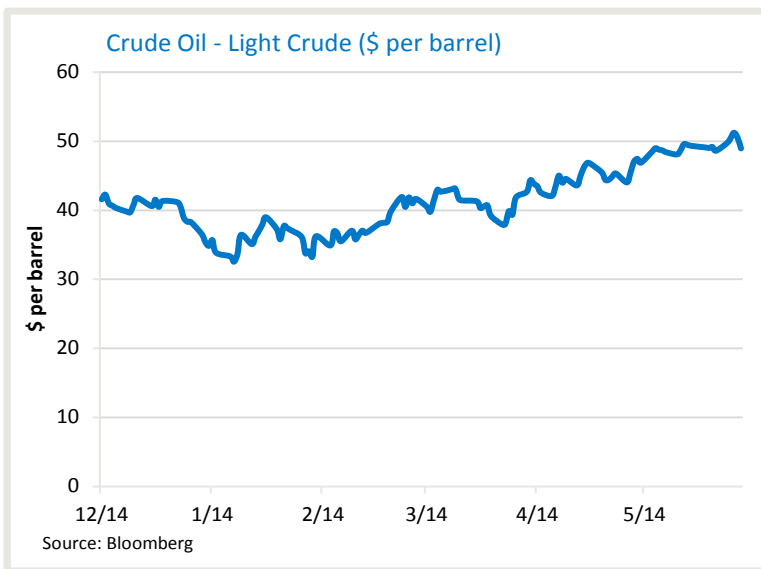


## Commodities

### SELECTED COMMODITY MARKET PERFORMANCE

|                        | Last       | Change  | % Chg. | YTD %  |               | Last     | Change  | % Chg. | YTD %  |
|------------------------|------------|---------|--------|--------|---------------|----------|---------|--------|--------|
| Bloomberg Comm. Idx.   | 88.94      | 1.80    | 2.07%  | 13.22% | Platinum Spot | \$992.50 | \$4.32  | 0.44%  | 11.19% |
| Rogers Int. Comm. Idx. | 2304.39    | 83.39   | 3.75%  | 14.16% | Corn          | 423.00   | 4.75    | 1.14%  | 14.17% |
| Crude Oil              | \$48.98    | \$0.33  | 0.68%  | 18.44% | Wheat         | 495.00   | -2.25   | -0.45% | 2.43%  |
| Natural Gas            | \$2.58     | \$0.17  | 7.26%  | 2.51%  | Soybeans      | 1,162.75 | 77.50   | 7.14%  | 31.72% |
| Gasoline (\$/Gal.)     | \$2.38     | \$0.02  | 0.89%  | 18.99% | Sugar         | 19.73    | 0.95    | 5.06%  | 34.40% |
| Heating Oil            | 151.70     | 2.82    | 1.90%  | 22.11% | Orange Juice  | 167.55   | 9.05    | 5.71%  | 15.95% |
| Gold Spot              | \$1,274.84 | \$30.21 | 2.43%  | 20.10% | Aluminum      | 1,577.00 | 33.00   | 2.14%  | 4.64%  |
| Silver Spot            | \$17.34    | \$0.92  | 5.60%  | 25.16% | Copper        | 4,515.00 | -173.00 | -3.69% | -4.04% |

Source: Bloomberg; % change is based on price.

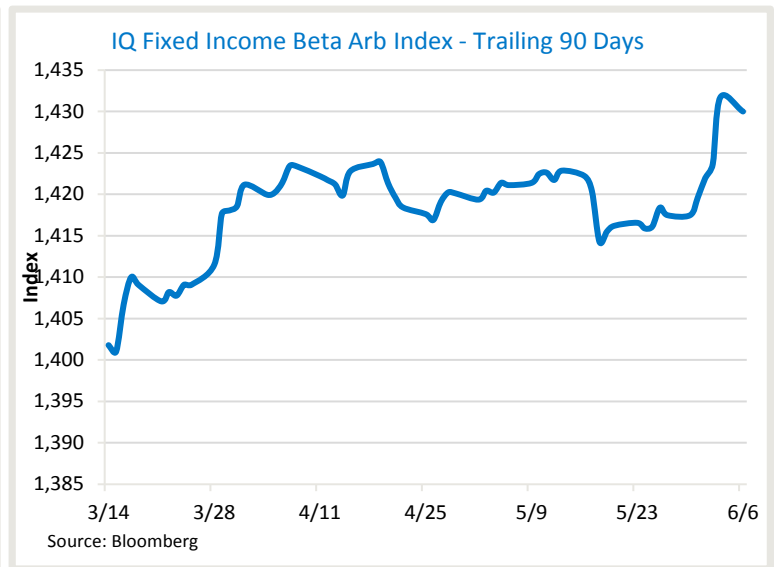
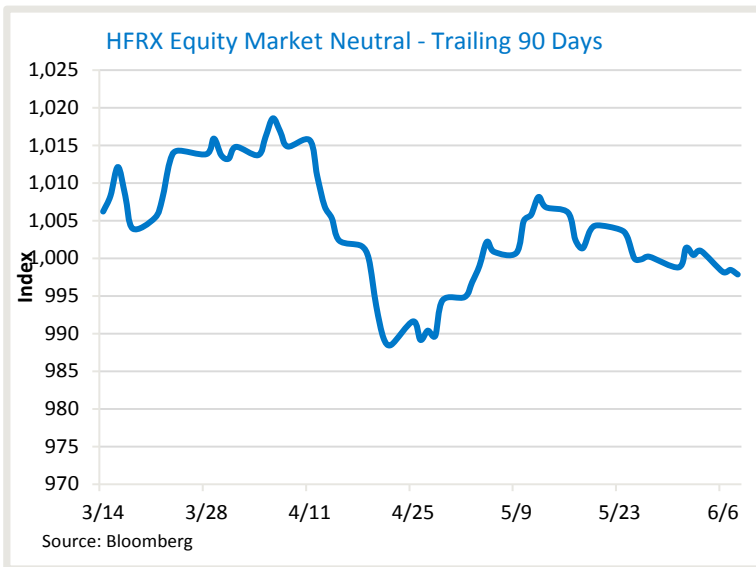
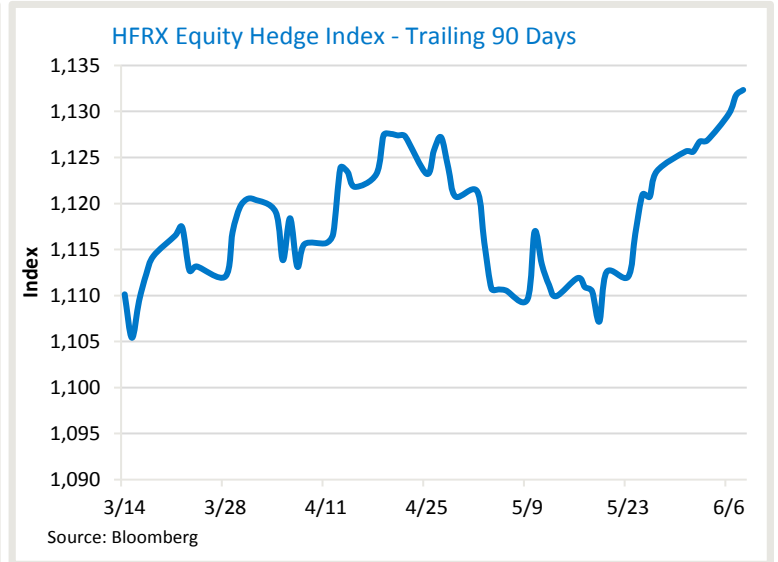
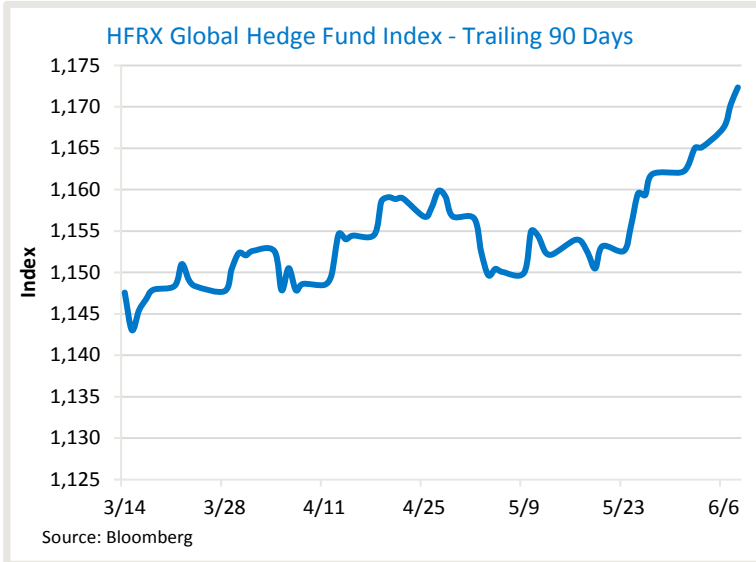


## Alternative Investments

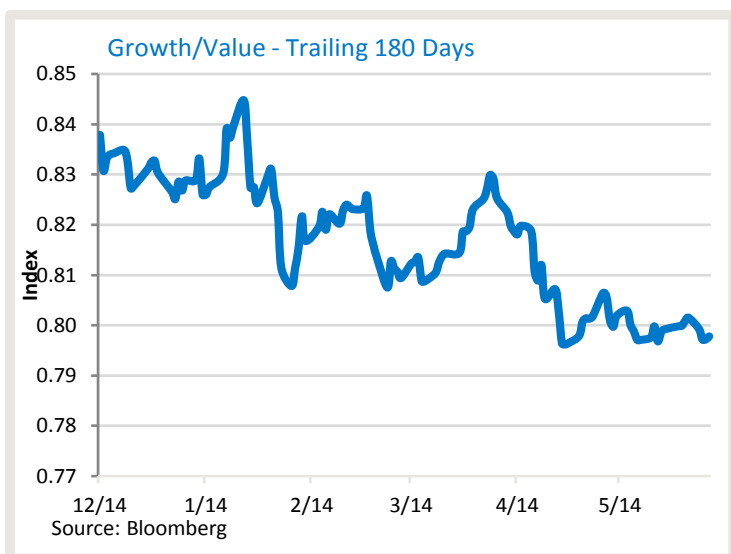
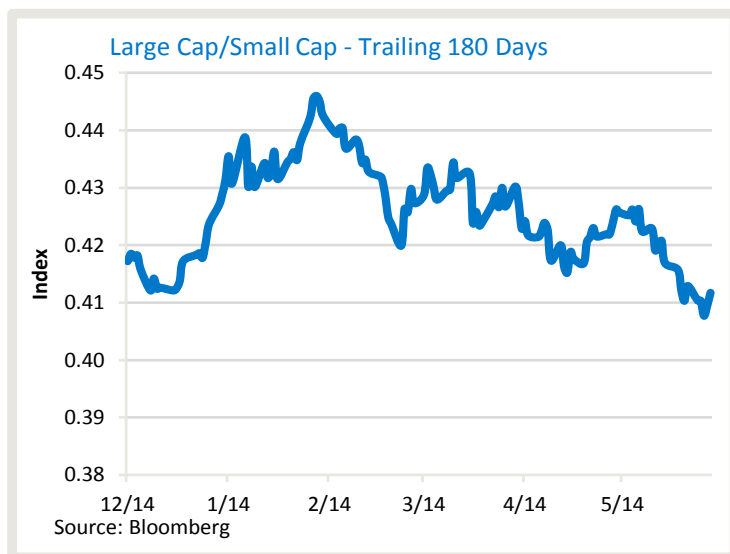
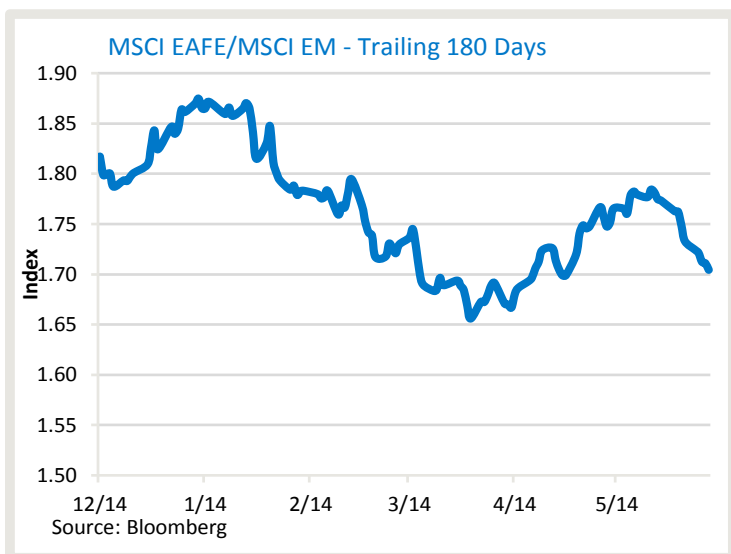
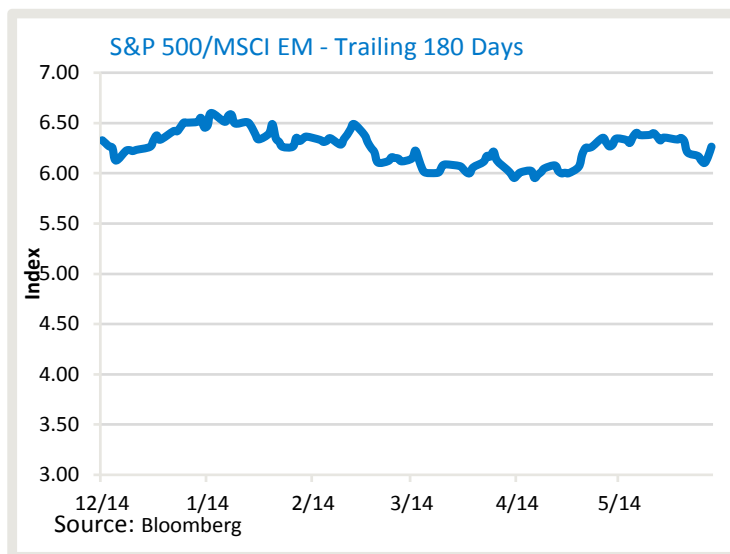
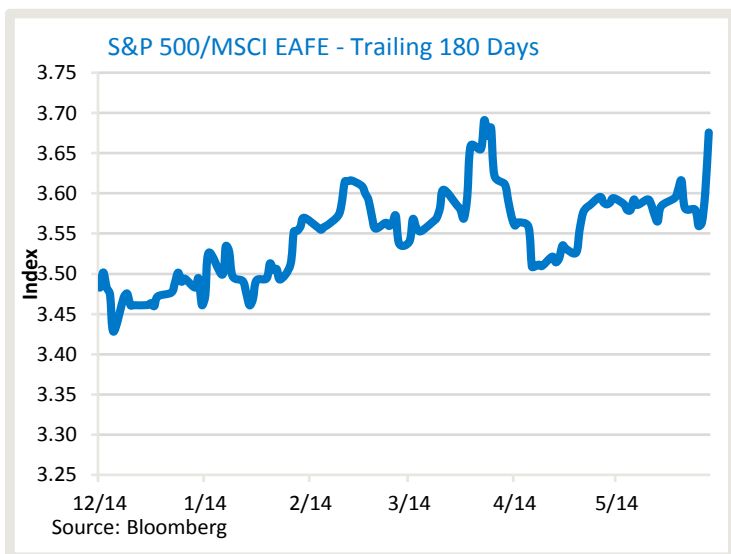
### SELECTED ALTERNATIVE INVESTMENT INDEX PERFORMANCE

|                              | Last    | Change | % Chg. | YTD %  |                                  | Last    | Change | % Chg. | YTD %  |
|------------------------------|---------|--------|--------|--------|----------------------------------|---------|--------|--------|--------|
| HFRX Global Hedge Fund Index | 1170.41 | 5.27   | 0.45%  | -0.31% | HFRX Distressed Index            | 955.19  | 9.86   | 1.04%  | 6.58%  |
| HFRX Equity Market Neutral   | 998.86  | -2.13  | -0.21% | -3.97% | HFRX Merger Arbitrage Index      | 1779.90 | -0.92  | -0.05% | 2.42%  |
| HFRX Equity Hedge Index      | 1128.86 | 2.01   | 0.18%  | -2.20% | HFRX Convertible Arbitrage Index | 713.15  | 0.37   | 0.05%  | 1.57%  |
| HFRX Event-Driven Index      | 1452.09 | 9.06   | 0.63%  | 3.11%  | HFRX Macro CTA Index             | 1167.02 | 10.13  | 0.88%  | -0.22% |
| HFRX Absolute Return Index   | 1026.88 | 0.60   | 0.06%  | 0.15%  | IQ Fixed Income Beta Arb Index   | 1432.62 | 0.91   | 0.06%  | 3.28%  |

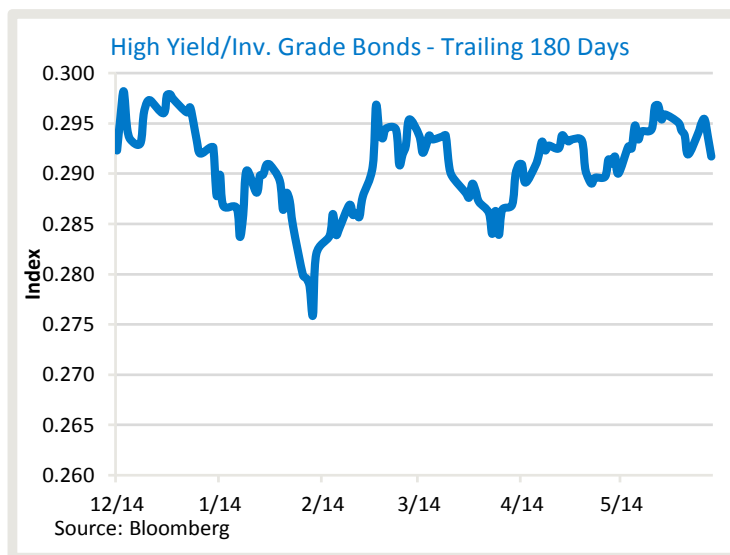
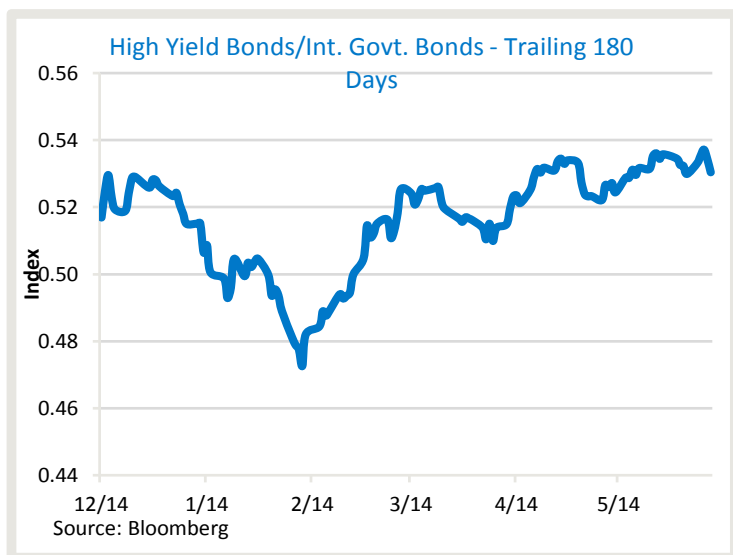
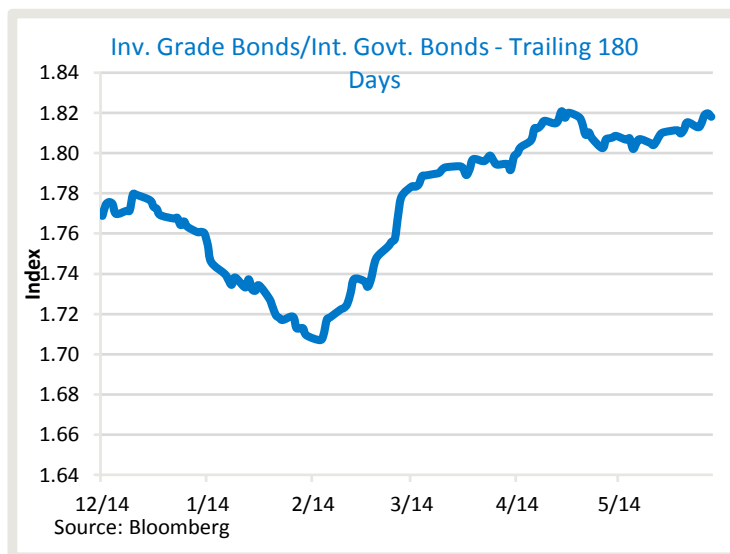
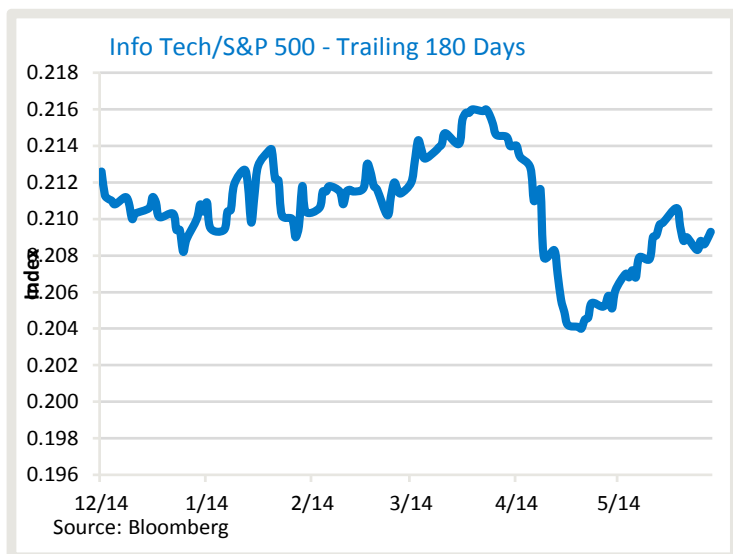
Source: Bloomberg; Index % change is based on price.



## Portfolio Construction



## Portfolio Construction (continued)



WEEKLY ASSET CLASS PERFORMANCE (Prior 12 weeks ending Thursday)

|                  |                           |                   | 3/24   | 3/31   | 4/7    | 4/14   | 4/21   | 4/28   | 5/5    | 5/12   | 5/19   | 5/26   | 6/2    | 6/9   |
|------------------|---------------------------|-------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-------|
| Equity           | Domestic Equity           | Large Cap (R200)  | -0.12% | 1.02%  | -0.64% | 2.03%  | 0.48%  | -1.11% | -1.24% | 0.67%  | -1.09% | 2.44%  | 0.60%  | 0.39% |
|                  |                           | Small Cap (R2000) | -1.07% | 3.19%  | -1.91% | 3.28%  | 0.64%  | 0.41%  | -2.85% | 0.06%  | -1.25% | 4.11%  | 2.70%  | 0.91% |
|                  | Int'l. Equity             | MSCI EAFE         | -2.67% | 2.01%  | -2.68% | 4.67%  | 2.00%  | -1.06% | -3.34% | 0.24%  | -1.58% | 3.11%  | -1.01% | 1.35% |
|                  |                           | MSCI Em. Mkts.    | -0.40% | 2.85%  | -3.29% | 4.47%  | 0.97%  | -1.13% | -4.10% | -0.34% | -3.08% | 2.70%  | 0.80%  | 3.42% |
| Fixed Income     | BarCap Agg. (AGG)         | 0.03%             | 0.65%  | 0.15%  | -0.32% | -0.12% | 0.35%  | 0.22%  | -0.13% | -0.47% | 0.16%  | 0.05%  | 0.61%  |       |
|                  | High Yield (JNK)          | -1.01%            | 0.29%  | -0.96% | 2.09%  | 0.90%  | 0.86%  | -1.50% | 0.66%  | -0.20% | 1.03%  | -0.45% | 1.14%  |       |
| Commodities      | Bloomberg Commodity Index | -2.51%            | 0.54%  | -1.74% | 4.12%  | 3.65%  | 1.50%  | -2.51% | 2.47%  | -0.08% | 0.79%  | 1.58%  | 3.66%  |       |
| Alternatives     | Hedge Funds (HFRX Global) | 0.13%             | 0.33%  | -0.37% | 0.53%  | 0.42%  | 0.02%  | -0.75% | 0.17%  | -0.17% | 0.77%  | 0.49%  | 0.46%  |       |
| Asset Allocation | 60/40*                    | -0.60%            | 1.31%  | -0.95% | 1.86%  | 0.56%  | -0.34% | -1.36% | 0.21%  | -1.02% | 1.85%  | 0.33%  | 0.85%  |       |
|                  | 48/32/20 (w/Alts.)**      | -0.46%            | 1.11%  | -0.83% | 1.59%  | 0.53%  | -0.27% | -1.24% | 0.20%  | -0.85% | 1.64%  | 0.36%  | 0.77%  |       |

Source: Bloomberg; \*60/40 portfolio = 30% Large Cap/10% Small Cap/15% EAFE/5% Emerging Markets/35% BarCap Agg./5% High Yield.

\*\*48/32/20 portfolio = 24% Large Cap/8% Small Cap/12% EAFE/4% Emerging Markets/28% BarCap Agg./4% High Yield/20% HFRX Global Index.

RELATIVE STRENGTH MATRIX (BASED ON 30-DAY RSI)

|                  | Large Cap Core | Large Cap Growth | Large Cap Value | Mid Cap Core | Mid Cap Growth | Mid Cap Value | Small Cap Core | Small Cap Growth | Small Cap Value | Int'l. Developed | Emerging Markets | REITs | Comm. | Int. Bond | High Yield |
|------------------|----------------|------------------|-----------------|--------------|----------------|---------------|----------------|------------------|-----------------|------------------|------------------|-------|-------|-----------|------------|
| Large Cap Core   | 1.00           | 1.02             | 0.99            | 0.95         | 0.98           | 0.93          | 0.96           | 0.97             | 0.95            | 1.09             | 0.99             | 1.00  | 0.86  | 0.99      | 0.97       |
| Large Cap Growth | 0.98           | 1.00             | 0.97            | 0.93         | 0.96           | 0.91          | 0.93           | 0.95             | 0.93            | 1.06             | 0.97             | 0.98  | 0.84  | 0.96      | 0.95       |
| Large Cap Value  | 1.01           | 1.03             | 1.00            | 0.96         | 0.99           | 0.93          | 0.96           | 0.97             | 0.95            | 1.09             | 1.00             | 1.00  | 0.87  | 0.99      | 0.97       |
| Mid Cap Core     | 1.05           | 1.07             | 1.04            | 1.00         | 1.03           | 0.97          | 1.00           | 1.02             | 1.00            | 1.14             | 1.04             | 1.05  | 0.90  | 1.04      | 1.02       |
| Mid Cap Growth   | 1.02           | 1.04             | 1.01            | 0.97         | 1.00           | 0.94          | 0.97           | 0.98             | 0.96            | 1.10             | 1.01             | 1.01  | 0.87  | 1.00      | 0.98       |
| Mid Cap Value    | 1.08           | 1.10             | 1.07            | 1.03         | 1.06           | 1.00          | 1.03           | 1.04             | 1.02            | 1.17             | 1.07             | 1.08  | 0.93  | 1.06      | 1.04       |
| Small Cap Core   | 1.04           | 1.07             | 1.04            | 1.00         | 1.03           | 0.97          | 1.00           | 1.01             | 0.99            | 1.13             | 1.04             | 1.04  | 0.90  | 1.03      | 1.01       |
| Small Cap Growth | 1.03           | 1.06             | 1.03            | 0.98         | 1.02           | 0.96          | 0.99           | 1.00             | 0.98            | 1.12             | 1.03             | 1.03  | 0.89  | 1.02      | 1.00       |
| Small Cap Value  | 1.05           | 1.08             | 1.05            | 1.00         | 1.04           | 0.98          | 1.01           | 1.02             | 1.00            | 1.14             | 1.05             | 1.05  | 0.91  | 1.04      | 1.02       |
| Int'l. Developed | 0.92           | 0.94             | 0.92            | 0.88         | 0.91           | 0.86          | 0.88           | 0.89             | 0.87            | 1.00             | 0.91             | 0.92  | 0.79  | 0.91      | 0.89       |
| Emerging Markets | 1.01           | 1.03             | 1.00            | 0.96         | 0.99           | 0.93          | 0.96           | 0.98             | 0.96            | 1.09             | 1.00             | 1.01  | 0.87  | 0.99      | 0.98       |
| REITs            | 1.00           | 1.03             | 1.00            | 0.95         | 0.99           | 0.93          | 0.96           | 0.97             | 0.95            | 1.09             | 0.99             | 1.00  | 0.86  | 0.99      | 0.97       |
| Commodities      | 1.16           | 1.19             | 1.16            | 1.11         | 1.14           | 1.08          | 1.11           | 1.13             | 1.10            | 1.26             | 1.15             | 1.16  | 1.00  | 1.15      | 1.13       |
| Int. Bond        | 1.01           | 1.04             | 1.01            | 0.97         | 1.00           | 0.94          | 0.97           | 0.98             | 0.96            | 1.10             | 1.01             | 1.01  | 0.87  | 1.00      | 0.98       |
| High Yield       | 1.03           | 1.06             | 1.03            | 0.98         | 1.02           | 0.96          | 0.99           | 1.00             | 0.98            | 1.12             | 1.02             | 1.03  | 0.89  | 1.02      | 1.00       |

Source: Bloomberg

The Relative Strength Matrix provides an indication of how the various asset classes have performed relative to one another over the past 30 days. A number greater than 1.0 indicates that the asset class in the far left column has outperformed the corresponding asset class in the top row over the past 30 days. A number below 1.0 means the asset class on the left has underperformed the asset class at the top. The green shading indicates outperformance, and the red shading indicates underperformance.

**Index Overview & Key Definitions**

**Fed, The Fed or FED** refers to the Federal Reserve System, the central bank of the United States. The **Federal Open Market Committee (FOMC)** is the monetary policymaking body of the Federal Reserve System. **Fed Funds Rate**, the interest rate at which a depository institution lends funds maintained at the Federal Reserve to another depository institution overnight. The **European Central Bank (ECB)** is the central bank for Europe's single currency, the euro. The ECB's main task is to maintain the euro's purchasing power and thus price stability in the euro area. The euro area comprises the 19 European Union countries that have introduced the euro since 1999. The **Gross Domestic Product (GDP)** rate is a measurement of the output of goods and services produced by labor and property located in the United States. **Basis Point(s)** is a unit that is equal to 1/100th of 1%, and is used to denote the change in a financial instrument. The basis point is commonly used for calculating changes in interest rates, equity indexes and the yield of a fixed-income security. A **separately managed account (SMA)** is an individual managed investment account offered typically by a brokerage firm through one of their brokers or financial consultants and managed by independent investment management firms (often called money managers for short) and have varying fee structures. The **Consumer Price Index (CPI)** measures the change in the cost of a fixed basket of products and services. The **Producer Price Index (PPI)** program measures the average change over time in the selling prices received by domestic producers for their output. The prices included in the PPI are from the first commercial transaction for many products and some services. **Core CPI** is an additional CPI Index, excludes energy and food item price changes, and measures the "core" or "underlying" rate of inflation. The **PCE (Personal Consumption Expenditure) Index of Prices** is a US-wide indicator of the average increase in prices for all domestic personal consumption. Using a variety of data including U.S. Consumer Price Index and Producer Price Index prices, it is derived from personal consumption expenditures; essentially a measure of goods and services targeted towards individuals and consumed by individuals.

The **Dow Jones Industrial Average (DOW or DJIA)** is an unmanaged index of 30 common stocks comprised of 30 actively traded blue chip stocks, primarily industrials and assumes reinvestment of dividends. The **S&P 500 Index** is an unmanaged index comprised of 500 widely held securities considered to be representative of the stock market in general. The **S&P/Case-Shiller Home Price Indices** measure the residential housing market, tracking changes in the value of the residential real estate market in 20 metropolitan regions across the United States. The **Nasdaq Composite Index** is a stock market index of the common stocks and similar securities listed on the NASDAQ stock market. The **US Dollar Index** is a measure of the value of the United States dollar relative to a basket of foreign currencies. It is a weighted geometric mean of the dollar's value relative to other select currencies (Euro, Japanese yen, Pound sterling, Canadian dollar, Swedish krona (SEK) & Swiss franc). The **Nikkei Index (Nikkei 225 or Nikkei)** is a stock market index for the Tokyo Stock Exchange calculated daily by the Nihon Keizai Shimbun (Nikkei) newspaper since 1950. It is a price-weighted index (the unit is yen), and the components are reviewed once a year. The **FTSE 100 Index (FTSE 100)** is a share index of the 100 companies listed on the London Stock Exchange (LSE) with the highest market capitalization. The **Bloomberg Commodity Index (formerly the Dow Jones-UBS Commodity Index)** tracks prices of futures contracts on physical commodities on the commodity markets and is designed to minimize concentration in any one commodity or sector (currently 22 commodity futures in seven sectors). The **Barclays Capital US Credit Index** is an unmanaged index considered representative of publicly issued, SEC-registered US corporate and specified foreign debentures and secured notes. The **Barclays Capital US Aggregate Bond Index** is a market capitalization-weighted index of investment-grade, fixed-rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities, with maturities of at least one year. The **Barclays Capital US Corporate High Yield Index** covers 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. The index may include emerging market debt. The **Barclays Capital Municipal Bond Index** is an unmanaged index comprised of investment-grade, fixed-rate municipal securities representative of the tax-exempt bond market in general. The **Barclays Capital US Treasury Total Return Index** is an unmanaged index of public obligations of the US Treasury with a remaining maturity of one year or more. The **Barclays Capital Global Aggregate ex-U.S. Index** is a market capitalization-weighted index, meaning the securities in the index are weighted according to the market size of each bond type. Most U.S. traded investment grade bonds are represented. Municipal bonds, and Treasury Inflation-Protected Securities are excluded, due to tax treatment issues. The index includes Treasury securities, Government agency bonds, Mortgage-backed bonds, Corporate bonds, and a small amount of foreign bonds traded in U.S. The **Barclays Capital U.S. 5-10 Year Corporate Bond Index** measures the investment return of U.S. dollar denominated, investment-grade, fixed rate, taxable securities issued by industrial, utility, and financial companies with maturities between 5 and 10 years. Treasury securities, mortgage-backed securities (MBS) foreign bonds, government agency bonds and corporate bonds are some of the categories included in the index. The **Barclays Capital U.S. Corporate High-Yield Index** is composed of fixed-rate, publicly issued, non-investment grade debt. The **Barclays Capital U.S. Corporate 5-10 Year Index** includes U.S. dollar-denominated, investment-grade, fixed-rate, taxable securities issued by industrial, utility, & financial companies, with maturities between 5 & 10 years. The **DJ-UBS Commodity Index Total Return SM** measures the collateralized returns from a basket of 19 commodity futures contracts representing the energy, precious metals, industrial metals, grains, softs and livestock sectors. The **Russell 1000 Index** is a market capitalization-weighted benchmark index made up of the 1000 largest U.S. companies in the Russell 3000 Index. The **Russell 1000 Growth Index** is an unmanaged index considered representative of large-cap growth stocks. The **Russell 1000 Value Index** is an unmanaged index considered representative of large-cap value stocks. The **Russell 2000 Index** is an unmanaged index considered representative of small-cap stocks. The **Russell 2000 Growth Index** is an unmanaged index considered representative of small-cap growth stocks. The **Russell 2000 Value Index** is an unmanaged index considered representative of small-cap value stocks. The **Russell 3000 Index** is an unmanaged index considered representative of the US stock market. The **Russell Midcap Index** 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 Growth Index** is an unmanaged index considered representative of mid-cap growth stocks. The **Russell Midcap Value Index** is an unmanaged index considered representative of mid-cap value stocks. The **HFRX Indices** are a series of benchmarks of hedge fund industry performance which are engineered to achieve representative performance of a larger universe of hedge fund strategies. Hedge Fund Research, Inc. employs the HFRX Methodology (UCITS compliant), a proprietary and highly quantitative process by which hedge funds are selected as constituents for the HFRX Indices. The **University of Michigan Consumer Sentiment Index (MCSI)** is a survey of consumer confidence conducted by the University of Michigan using telephone surveys to gather information on consumer expectations regarding the overall economy. The **CBOE Volatility Index (VIX)** is an up-to-the-minute market estimate of expected volatility that is calculated by using real-time S&P 500 Index option bid/ask quotes. The Index uses nearby and second nearby options with at least 8 days left to expiration and then weights them to yield a constant, 30-day measure of the expected volatility of the S&P 500 Index. The **MSCI EAFE Index** is designed to measure the equity market performance of developed markets outside of the U.S. & Canada. The **MSCI EAFE Growth Index** is an unmanaged index considered representative of growth stocks of Europe, Australasia and the Far East. The **MSCI EAFE Value Index** is an unmanaged index considered representative of value stocks of Europe, Australasia and the Far East. The **MSCI EM (Emerging Markets) Latin America Index** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of emerging markets in Latin America. The **MSCI World ex-U.S. Index** captures large and mid-cap representation across 22 of 23 Developed Markets (DM) countries - excluding the US. With 1,002 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country. The **MSCI Japan Index** is designed to measure the performance of the large and mid-cap segments of the Japanese market. With 320 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in Japan. The **MSCI Emerging Markets Index** is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. The **MSCI Europe Index** is an unmanaged index considered representative of stocks of developed European countries. The **MSCI Pacific Index** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the developed markets in the Pacific region. The **Barclays Intermediate US Government/Credit Bond Index** is a market capitalization-weighted index of investment-grade, fixed-rate debt issues, including Treasuries, government-related and U.S. corporate securities, with maturities of at least one year and less than 10 years. The **Philadelphia Fed Manufacturing Index** is a regional Federal Reserve Bank index measuring changes in business growth and is constructed from a survey of participants who voluntarily answer questions regarding the direction of change in their overall business activities. The **ISM Non-Manufacturing Index** is an index based on surveys of more than 400 non-manufacturing firms' purchasing and supply executives, within 60 sectors across the nation, by the Institute of Supply Management (ISM) and also tracks economic data, like the ISM Non-Manufacturing Business Activity Index. A composite diffusion index is created based on the data from these surveys that monitors economic conditions of the nation. The **Housing Market Index (HMI)** is based on a monthly survey of NAHB members designed to take the pulse of the single-family housing market. In May 2007, **Markit's U.S. PMI** research was extended out to cover producers of metal goods. In October 2009, Markit's U.S. Manufacturing PMI survey panel was extended further to cover all areas of U.S. manufacturing activity. The **NY Empire State Index** is an index based on the monthly survey of manufacturers in New York State - known as the Empire State Manufacturing Survey - conducted by the Federal Reserve Bank of New York. The headline number for the NY Empire State Index refers to the survey's main index, which summarizes general business conditions in New York State.

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