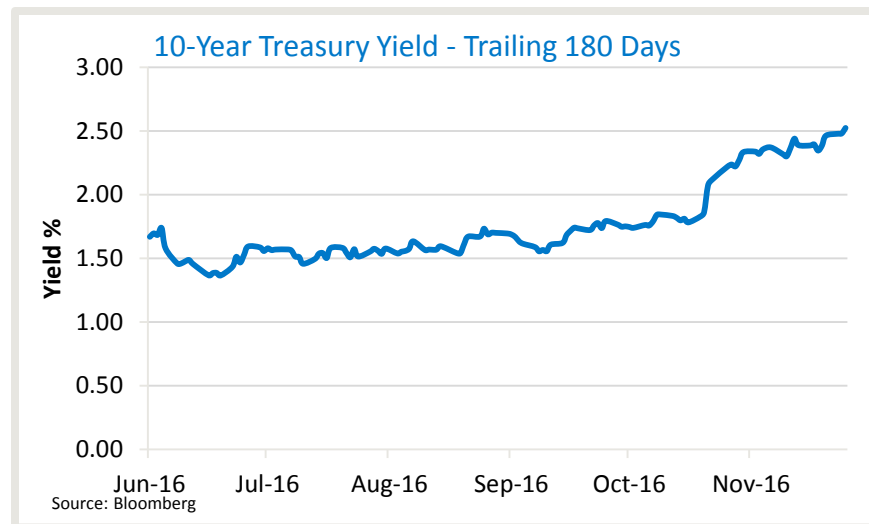


Weekly Market Review

December 16, 2016

Please note: The PMC Week in Review will not be published on Friday, December 23 due to the Christmas holiday.

Chart of the Week



Weekly Highlights

- **As expected, the Federal Reserve (Fed) raised short-term rates** to a 50-75 basis point (bps) range on Wednesday. What was unexpected was the expectation for three, rather than two, additional hikes in 2017. US equity markets sold off on the announcement, but rebounded on Thursday and Friday. Intermediate- and long-term rates also rose sharply, as did the dollar against virtually all currencies.
- **Inflation continues to trend higher.** Both the headline and core consumer price index rose 0.2% in November, driven primarily by higher energy costs (+1.2%) and higher rents (0.3%). The trailing 12-month consumer price index (CPI) was 1.7%, its highest level since mid-2014. Core producer prices were also up 0.2% in November, and 1.8% over the trailing 12 months.
- **Early holiday shopping disappoints.** Retail sales, ex-autos, rose just 0.2% in November, which includes the traditional start of the holiday shopping season. Restaurant sales stood out, rising 0.8%, whereas internet retailers saw just a 0.1% increase.
- **Japan overtakes China as the largest foreign holders of Treasuries.** Both countries continued to sell Treasuries overall, but Japan sold fewer in October, and ended the month with \$1.13 Trillion. China continues to sell its foreign reserves to support the yuan, which despite the intervention hit an eight-year low this week against the dollar.

Talking Points

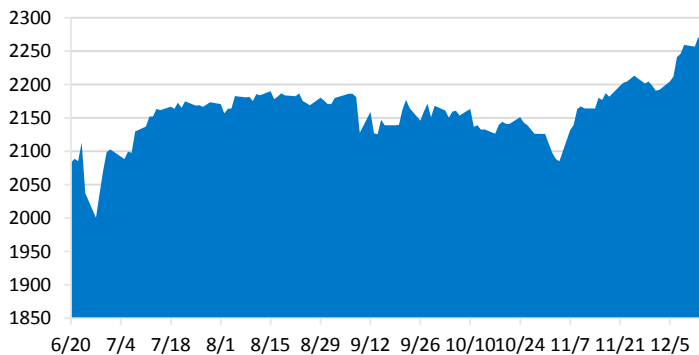
- **Among equities,** US markets took a bit of a breather in their post-election run, finishing roughly flat for the week. International markets were down slightly, though both Italy and Spain posted significant gains. Among EM countries, Russia posted a strong gain, whereas the broader EM Index was down more than 2%.
- **Treasury yields continue to climb.** 2-year Treasury yields jumped from 1.15% to 1.32% before settling back to roughly 1.25% at the end of the week. 10-year yields jumped to a 52-week high of 2.64% on Thursday before dipping back below 2.60% on Friday.
- **The US Dollar Index spiked** to an all-time high in the wake of the Fed's announcement, including an all-time high against the Euro.
- **Crude Oil fell steadily** through the week, ending a two week run higher. The rising strength of the dollar makes oil increasingly expensive for buyers with weaker currencies.
- **Among other economic data released this week:** Weekly jobless claims dropped by 4,000 to 254,000, while the four-week average rose by 5,250 to 257,750. Industrial production was down 0.4% in November, and capacity utilization fell to 75%, its lowest level since March.

Market Dashboard

	Last Price	Change	% Chg.	YTD %
S&P 500	2,258.07	-1.46	-0.06%	10.5%
Dow Industrials	19,843.41	86.56	0.44%	13.9%
Nasdaq	5,437.16	-7.34	-0.13%	8.6%
Russell 2000	1,364.40	-23.67	-1.71%	20.1%
Euro Stoxx Index	360.02	4.64	1.31%	-1.6%
Shanghai Composite	3,122.98	-109.90	-3.40%	-11.8%
Russell Global	1,763.40	-11.59	-0.65%	6.3%

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

S&P 500 Index: Trailing 180 Days



	Last Price	Change	% Chg.	YTD %
Russell Global EM	2,721.40	-56.48	-2.03%	7.2%
10-Year US Treas.	2.60	13 bps	NM	NM
DJ UBS Comm. Idx.	87.13	-1.01	-1.15%	10.9%
Gold	\$1,134.75	-\$25.91	-2.23%	6.9%
Crude Oil	\$52.04	\$0.53	1.03%	17.7%
Dollar Index	102.83	1.26	1.24%	4.3%
VIX Index	12.20	0.45	3.83%	-33.0%

One Week

YTD

	Value		Growth	Value		Growth
L	0.20%	0.23%	0.25%	13.94%	9.79%	6.03%
	-1.51%	-1.23%	-0.89%	17.95%	12.67%	7.15%
S	-1.91%	-1.71%	-1.48%	29.10%	20.12%	11.44%

Source: Bloomberg

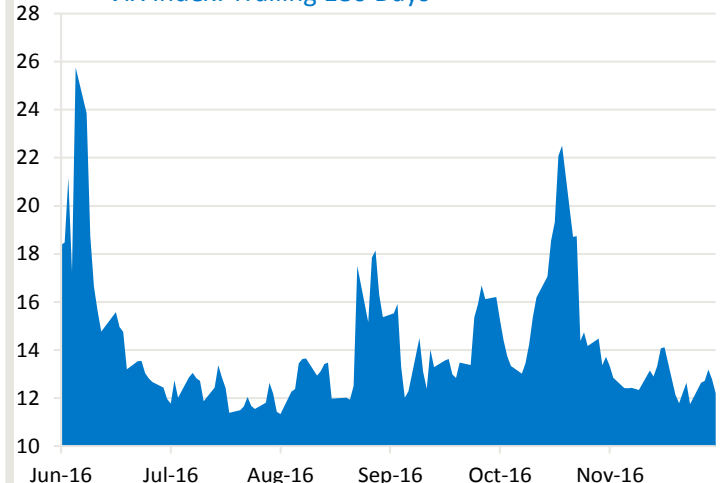
Sector Performance:

S&P/Global Industry Classification Sectors (GICS)

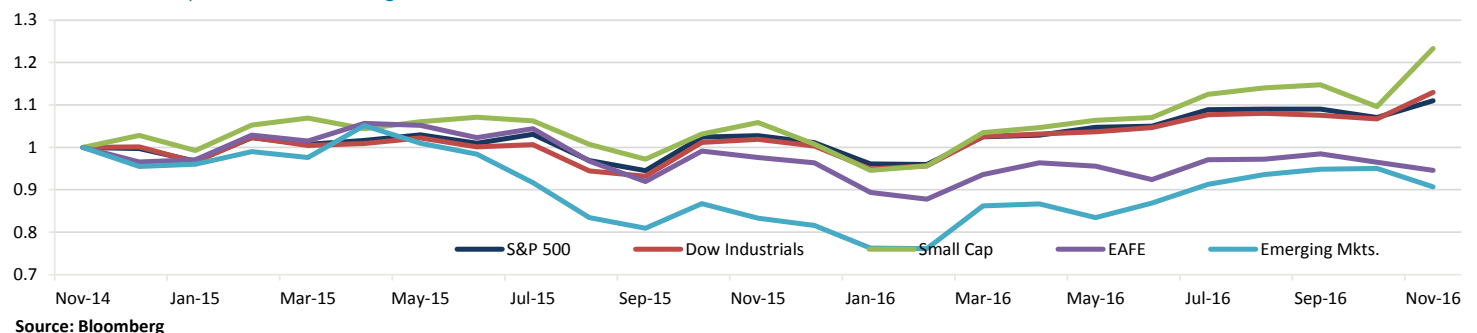
	% Wgt in S&P 500	Week % Chg.	YTD % Chg.
Consumer Discretionary	12.2	-1.33%	6.1%
Consumer Staples	9.3	0.87%	3.4%
Energy	7.6	0.80%	25.6%
Financials	14.9	-1.15%	20.8%
Health Care	13.6	1.49%	-3.3%
Industrials	10.3	-1.60%	16.8%
Information Technology	20.8	0.18%	13.0%
Materials	2.9	-1.52%	15.9%
Telecom Services	2.6	2.26%	15.7%
Utilities	3.1	1.85%	11.9%

Source: Bloomberg

VIX Index: Trailing 180 Days



Wealth Index|Growth of \$1: Trailing 24 Months



The Economy and Markets

A Macro View – Another December Fed Hike And Why 2017 Will Be Completely Different Than 2016

There was very little suspense going into this week's Federal Open Market Committee (FOMC) meeting, much the same as a year ago when the Fed made the first interest rate hike since the financial crisis. Global financial markets had priced in a 100% chance of a rate hike this week, and Chair Yellen did not disappoint. However, the announcement of the expectation for three further hikes in 2017, rather than two, *did* surprise most market observers, and global markets reacted sharply. U.S. Treasury rates jumped, the dollar strengthened (particularly against emerging market (EM) currencies), and oil prices fell (a stronger dollar makes oil more expensive). US equity markets had a temporary setback in their seven-week run since the election, but rebounded on Thursday to pre-announcement levels.

A number of similarities exist between the Fed hikes last year and this year. The market had widely anticipated the Fed to move earlier in both years, only to be told the data didn't support an increase until the final meeting of the year. In 2015, the rate-sensitive 2-year note hovered between 50 and 75 basis points (bps) in yield until November, when it began a steady climb to a high of 109 just before year-end.¹ This year, the 2-year bounced back and forth between 50 and 90 basis points until early November, when it began a steady climb from 80 basis points to 1.27% by mid-December. In both years, gross domestic product (GDP) growth was miserable in the first six months before rebounding in the second half of the year, leading to the Fed's comfort with raising rates. However, valuations and the underlying credit conditions are substantially different today than a year ago, which likely will lead to a dramatically different investor experience in 2017 compared to this year.

In the fourth quarter of 2015, the price of oil was in the process of falling from just over \$50 a barrel to an eventual low of \$36.70. Other commodity prices, such as coal and copper, also were falling on lower estimates of global demand. This created a "risk-off" environment in the credit markets, and single-A corporate spreads widened from less than 100bps in early 2015 to 121 at the end of the year,² while high yield spreads ended the year at 660 basis points, more than 200 basis points higher than the tightest levels of the year. Not surprisingly, both the investment grade credit and the high yield credit indices turned in sharply negative returns for the year.³ The Fed hike was just icing on the cake for 2015. However, this set the credit markets up for what would turn out to be a well-above-average year in 2016. After some initial weakness in the first quarter, both indices rebounded nicely. As of December 14, the high yield index is up 16.9% for the year, as spreads have fallen to just 401 basis points, a level not seen since September of 2014. The A-rated corporate index is up 3.5%, as spreads have settled back to just 101 basis points. Although these returns were welcomed by investors after a difficult 2015, they set the market up for a bleak outlook for 2017. Even though spreads could tighten over the course of 2017 from these levels, any tightening is likely to be modest, and widening is more likely.

The new Administration, bolstered by control of both houses of Congress, aims to deliver significant personal and corporate tax reform (including a tax holiday on the repatriation of corporate profits held overseas), an infrastructure spending bill, loosening of the regulatory environment, and changes in US trade policy. All of these could help stimulate growth or inflation (or both) in the short term. Investors are already pricing in higher inflation expectations into the market in both Treasury Inflation-Protected Securities (TIPS) and the five-year/five-year forward market. GDP growth expectations for 2017 have been raised, but so has the forecasted range for 10-year Treasury yields. How much or how little of its agenda the Administration can actually get passed through Congress, and when, will of course change these expectations. Higher GDP growth and inflation would give the Fed the ammunition to continue to raise short-term rates, and higher inflation expectations would typically drive long-term rates higher as well. With even modestly higher rates across the yield curve and little room for spreads to tighten, investor expectations across the fixed income spectrum should be modest at best.

Nathan Behan, CFA, CAIA
Senior Vice President, Investment Research

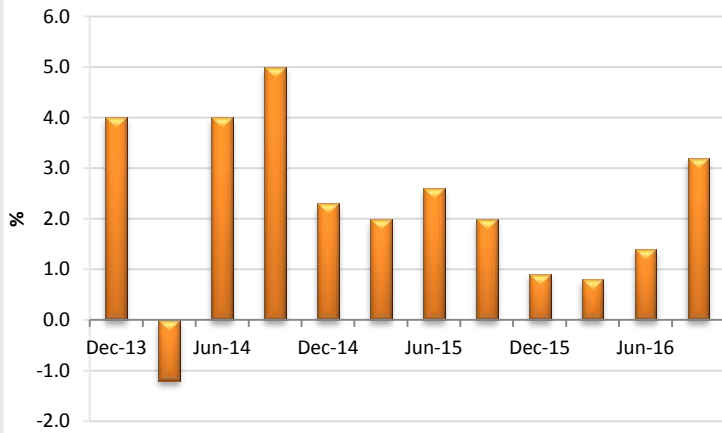
¹ U.S. Department of the Treasury, Daily Yield Curve Rates

² Per Barclays Live: Option Adjusted Spread (OAS) of Bloomberg Barclays A-rated Corporate Bond Index

³ Per Barclays Live: OAS of the Bloomberg Barclays U.S. Corporate High Yield Index

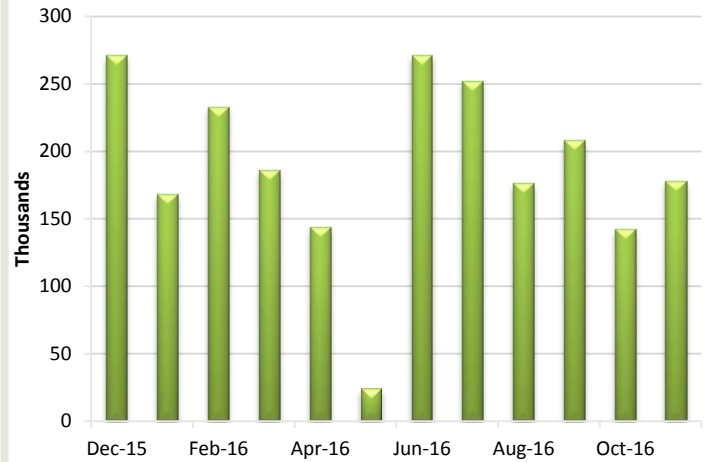
Economic Data

Real GDP Growth Rate - Annualized - 12 Qtrs.



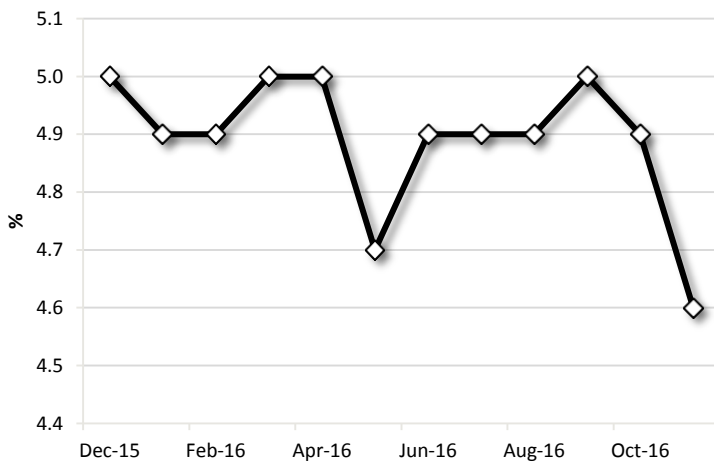
Source: Bloomberg

Non-Farm Payrolls-Trailing 12 Mos.



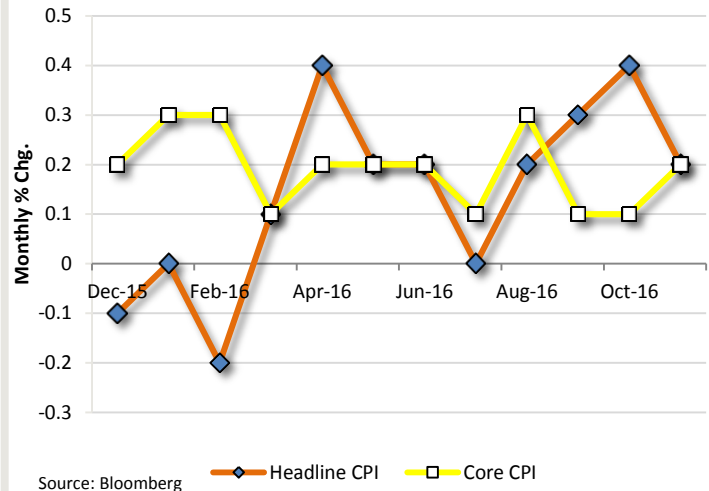
Source: Bloomberg

Unemployment Rate-Trailing 12 Mos.



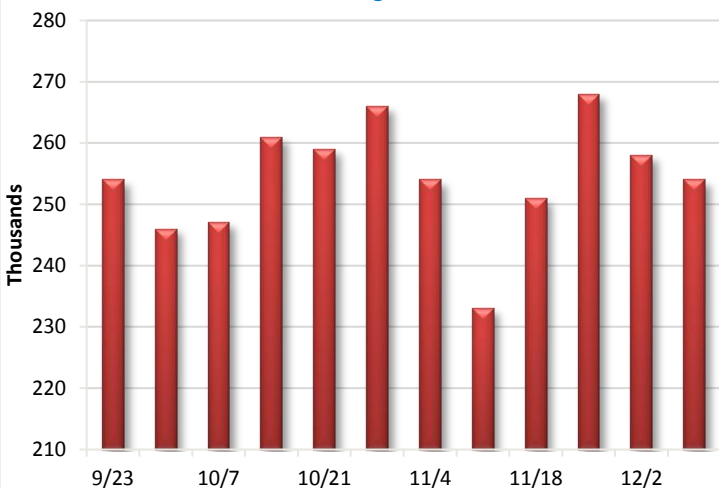
Source: Bloomberg

Consumer Price Index-Trailing 12 Mos.



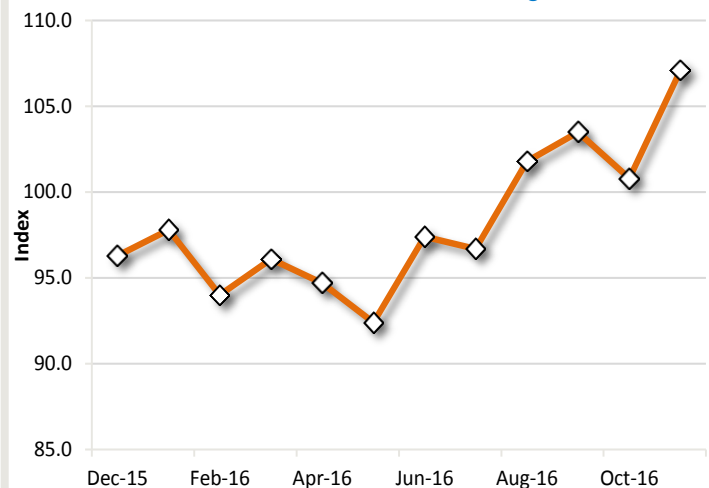
Source: Bloomberg

Initial Jobless Claims-Trailing 12 Wks.



Source: Bloomberg

Consumer Board Confidence Index - Trailing 12 Mos.



Source: Bloomberg

Eurozone

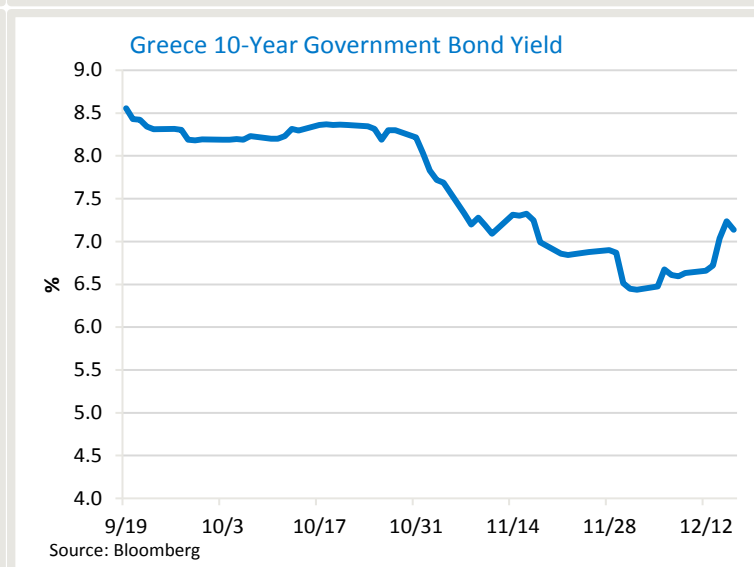
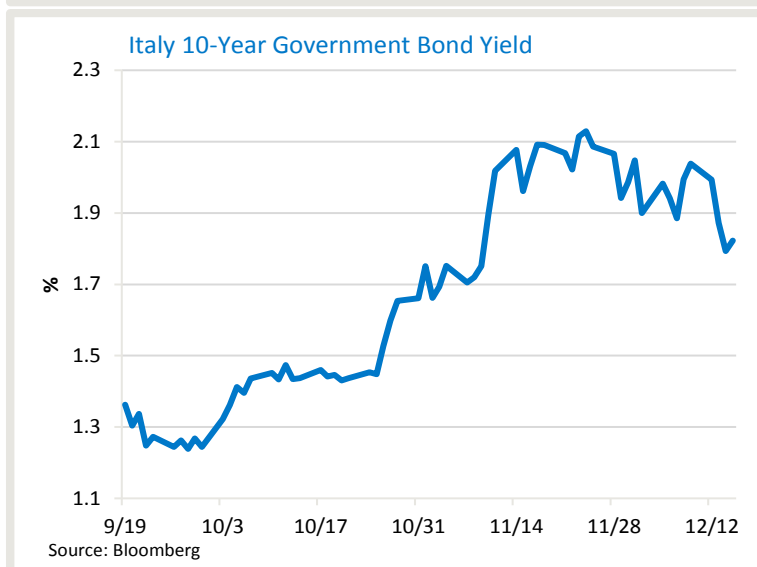
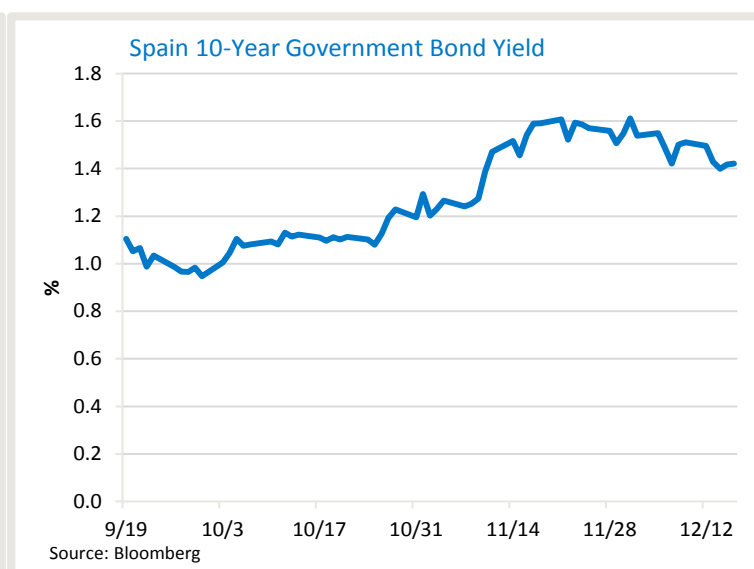
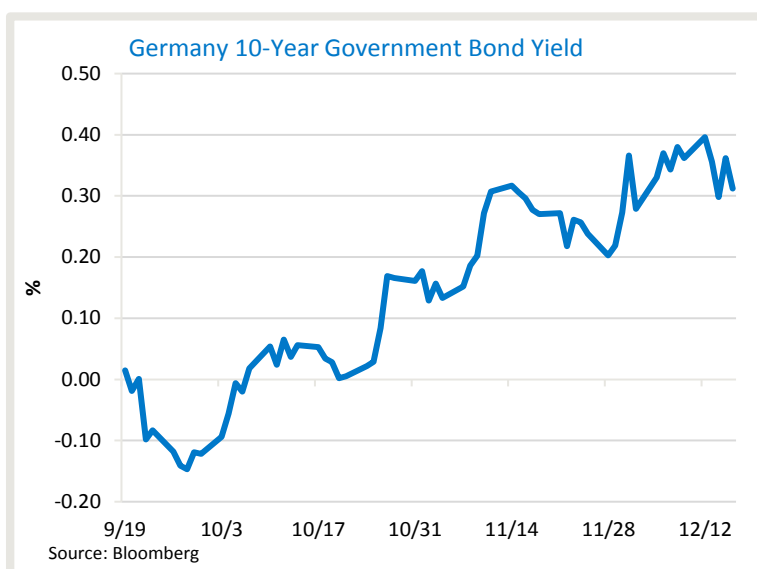
SELECTED EUROPEAN SOVEREIGN YIELD PERFORMANCE

	Last	Change	% Chg.	YTD %
Germany 10-Yr. Govt.	0.31	5 bps	NM	NM
Greece 10-Yr. Govt.	7.14	-29 bps	NM	NM
Italy 10-Yr. Govt.	1.87	15 bps	NM	NM
Spain 10-Yr. Govt.	1.42	8 bps	NM	NM
Belgium 10-Yr. Govt.	0.61	8 bps	NM	NM

Source: Bloomberg

Basis points (bps)

	Last	Change	% Chg.	YTD %
France 10-Yr. Govt.	0.76	4 bps	NM	NM
Ireland 10-Yr. Govt.	0.85	11 bps	NM	NM
Portugal 10-Yr. Govt.	3.78	3 bps	NM	NM
Netherlands 10-Yr. Govt.	0.45	5 bps	NM	NM
U.K. 10-Yr. Govt.	1.44	1 bps	NM	NM



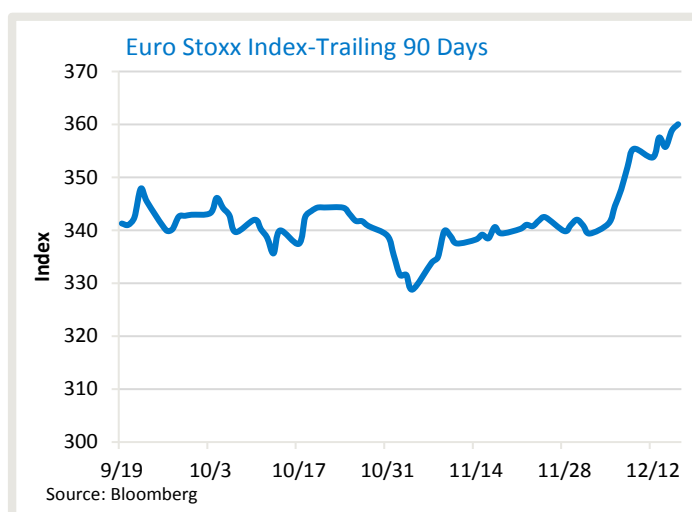
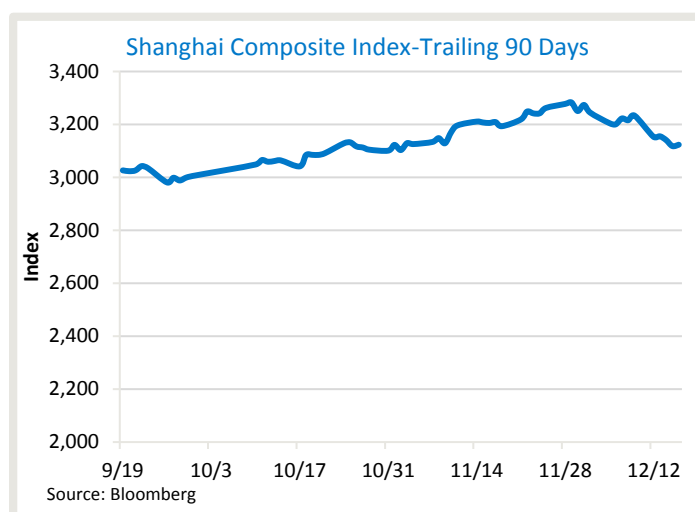
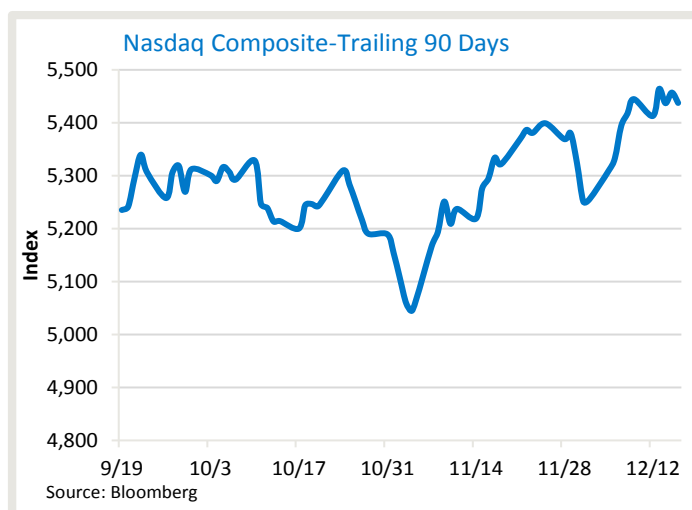
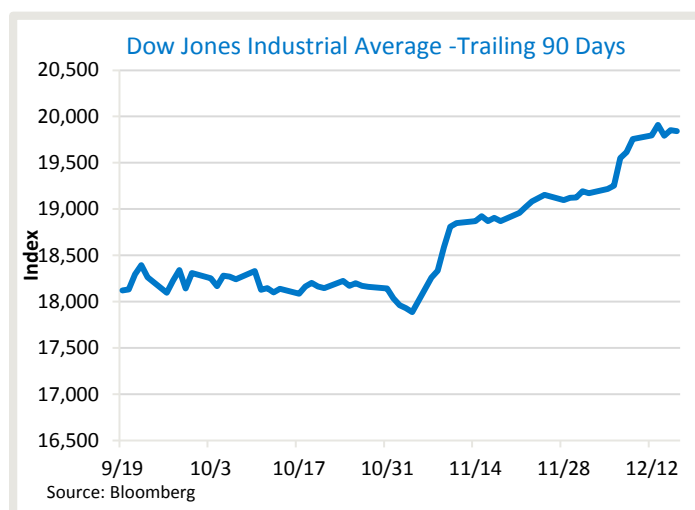
Equities

WORLD MARKET PERFORMANCE

	Last	Change	% Chg.	YTD %
S&P 500	2,258.07	-1.46	-0.06%	10.48%
Dow Industrials	19,843.41	86.56	0.44%	13.88%
Nasdaq Composite	5,437.16	-7.34	-0.13%	8.58%
Russell Global	1,763.40	-11.59	-0.65%	6.3%
Russell Global EM	2,721.40	-56.48	-2.03%	7.2%
S&P/TSX (Canada)	15,252.20	-60.00	-0.39%	17.23%
Mexico IPC	45,121.39	-1792.08	-3.82%	4.99%
Brazil Bovespa	58,389.04	-2111.58	-3.49%	34.69%
Euro Stoxx 600	360.02	4.64	1.31%	-1.58%
FTSE 100	7,011.64	57.43	0.83%	12.32%
IBEX 35 (Spain)	9,412.80	243.20	2.65%	-1.38%

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

	Last	Change	% Chg.	YTD %
Swiss Market Index	8,227.72	128.09	1.58%	-6.69%
CAC 40 Index (France)	4,833.27	69.20	1.45%	4.23%
DAX Index (Germany)	11,404.01	200.38	1.79%	6.15%
Irish Overall Index	6,495.46	55.41	0.86%	-4.36%
Nikkei 225	19,401.15	404.78	2.13%	1.93%
Hang Seng Index	22,020.75	-740.23	-3.25%	0.49%
Shanghai Composite	3,122.98	-109.90	-3.40%	-11.76%
Kospi Index (S. Korea)	2,042.24	17.55	0.87%	4.13%
Taiwan Taiex Index	9,326.78	-65.90	-0.70%	11.86%
Tel Aviv 25 Index	1,455.92	10.38	0.72%	-4.76%
MICEX Index (Russia)	2,231.41	22.88	1.04%	26.69%



Equities – Emerging and Frontier Markets

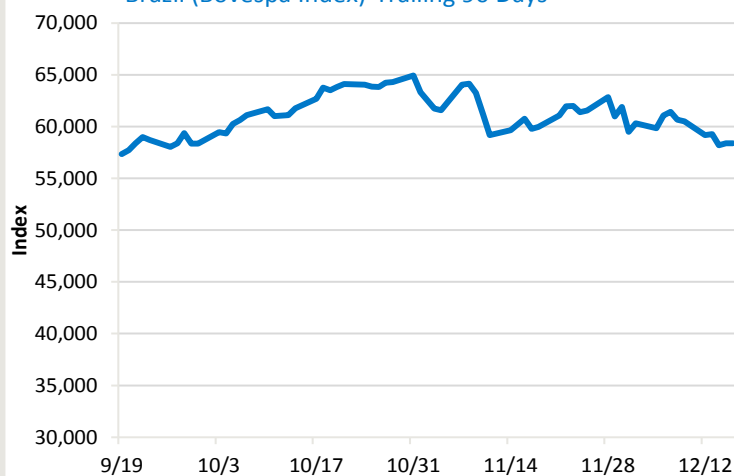
EMERGING AND FRONTIER MARKET PERFORMANCE

	Last	Change	% Chg.	YTD %
Mexico IPC	45,121.39	-1792.08	-3.8%	5.0%
Brazil (Bovespa Index)	58,389.04	-2111.58	-3.5%	34.7%
MICEX Index (Russia)	2,231.41	22.88	1.0%	26.7%
Czech Republic (Prague)	917.59	16.88	1.9%	-4.1%
Turkey (Istanbul)	77,589.65	1862.37	2.5%	8.2%
Egypt (Hermes Index)	1,019.52	9.13	0.9%	61.7%
Kenya (Nairobi 20 Index)	3,104.95	-53.94	-1.7%	-23.2%
Saudi Arabia (TASI Index)	7,090.91	-27.09	-0.4%	2.6%
Lebanon (Beirut BLOM Index)	1,224.93	0.31	0.0%	4.7%
Palestine	528.54	-0.58	-0.1%	-0.8%

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

	Last	Change	% Chg.	YTD %
Hang Seng Index	22,020.75	-740.23	-3.3%	0.5%
India (Sensex 30)	26,489.56	-257.62	-1.0%	1.4%
Malaysia (KLCI Index)	1,637.79	-5.96	-0.4%	-3.2%
Singapore (Straits Times Index)	2,937.86	-18.27	-0.6%	1.9%
Thailand (SET Index)	1,522.51	-2.90	-0.2%	18.2%
Indonesia (Jakarta)	5,231.65	-72.08	-1.4%	13.9%
Pakistan (Karachi KSE 100)	46,584.53	1197.30	2.6%	42.0%
Vietnam (Ho Chi Minh)	675.16	12.09	1.8%	16.6%
Sri Lanka (Colombo)	6,268.61	-58.69	-0.9%	-9.1%
Cambodia (Laos)	1,029.74	15.69	1.5%	-12.3%

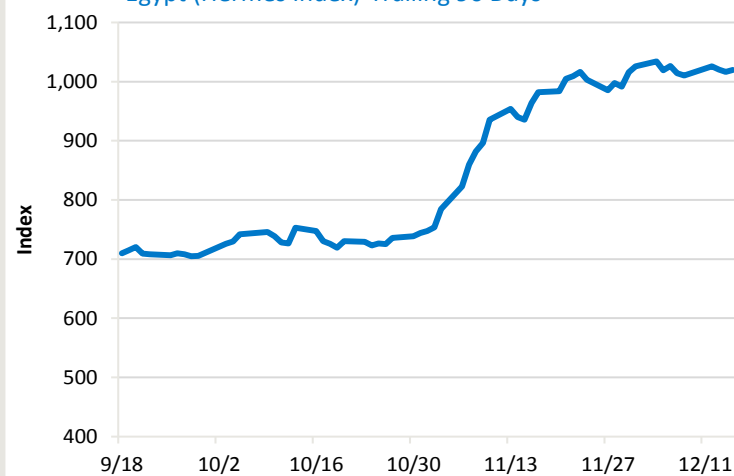
Brazil (Bovespa Index)-Trailing 90 Days



India (Sensex Index)-Trailing 90 Days



Egypt (Hermes Index)-Trailing 90 Days



Singapore (Straits Times Index)-Trailing 90 Days

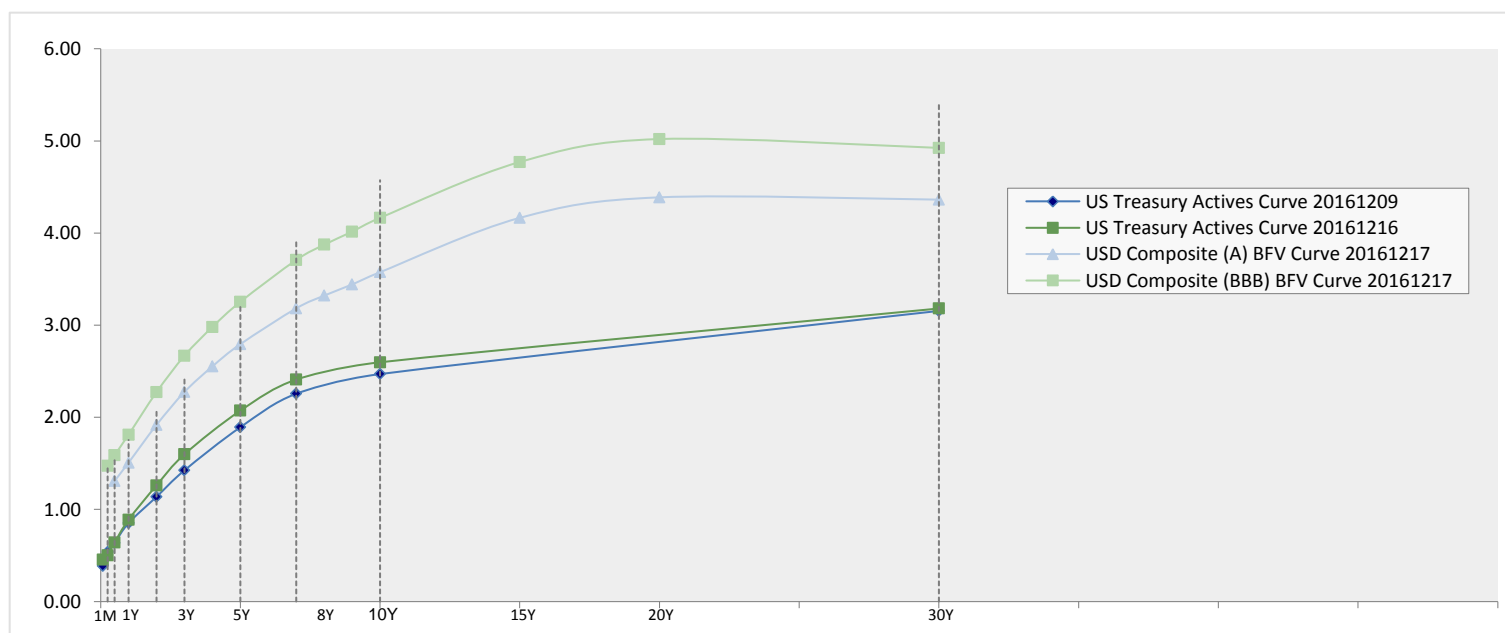


Interest Rates

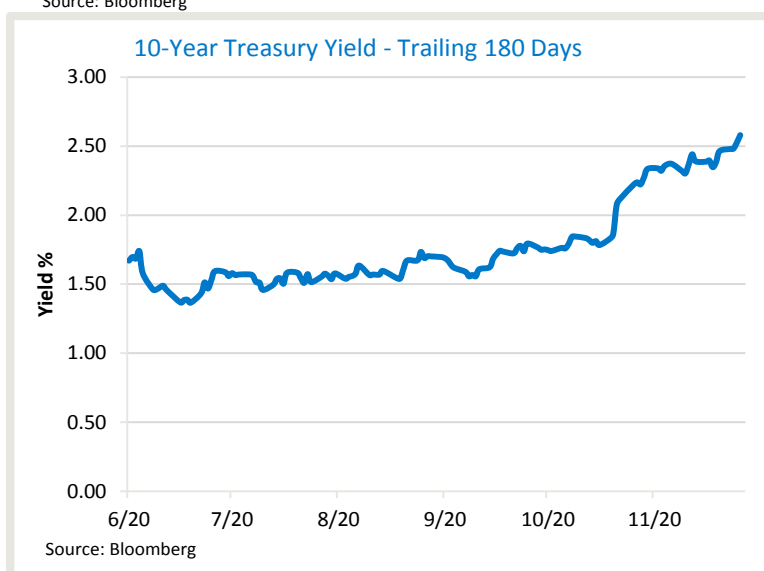
SELECTED INTEREST RATES

	Last	Change	% Chg.	YTD %		Last	Change	% Chg.	YTD %
2-Yr. U.S. Treasury	1.25%	-2 bps	NM	NM	Prime Rate	3.75%	0.25	NM	NM
5-Yr. U.S. Treasury	2.07%	19 bps	NM	NM	Fed Funds Rate	0.75%	0.25	NM	NM
10-Yr. U.S. Treasury	2.60%	13 bps	NM	NM	Discount Rate	1.25%	0.25	NM	NM
30-Yr. U.S. Treasury	3.18%	3 bps	NM	NM	LIBOR (3 Mo.)	0.99%	4 bps	NM	NM
German 10-Yr. Govt.	0.31%	5 bps	NM	NM	Bond Buyer 40 Muni	4.41%	22 bps	NM	NM
France 10-Yr.	0.76%	4 bps	NM	NM	Bond Buyer 40 G.O.	3.88%	NA	NM	NM
Italy 10-Yr.	1.87%	15 bps	NM	NM	Bond Buyer 40 Rev.	3.99%	NA	NM	NM
Fed 5-Yr Fwd BE Inf.	1.95%	-5 bps	NM	NM					

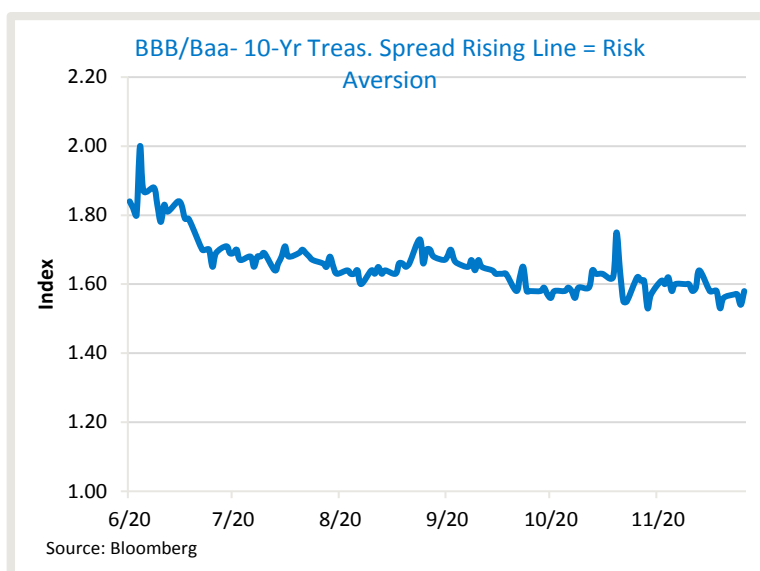
Source: Bloomberg



Source: Bloomberg



Source: Bloomberg



Source: Bloomberg

Currencies

SELECTED CURRENCY PERFORMANCE

	Last	Change	% Chg.	YTD %
Dollar Index	102.85	1.260	1.24%	4.28%
Euro	1.05	-0.012	-1.10%	-3.84%
Japanese Yen	117.98	2.620	-2.22%	1.93%
British Pound	1.25	-0.009	-0.73%	-15.31%
Canadian Dollar	1.33	0.015	-1.14%	3.81%

Source: Bloomberg

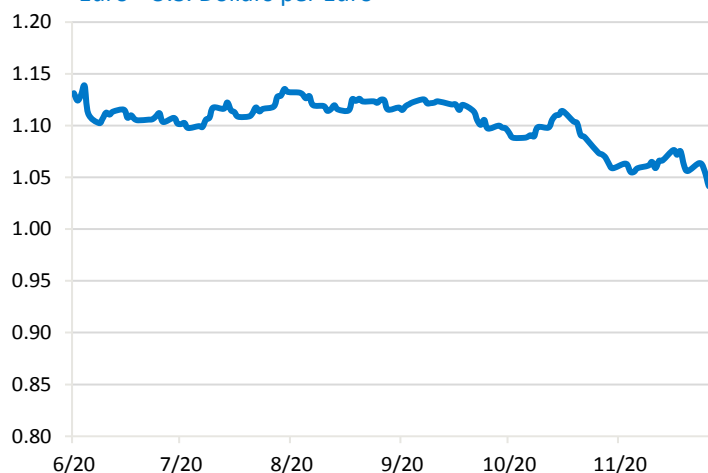
	Last	Change	% Chg.	YTD %
Chinese Yuan	6.96	0.054	-0.77%	-6.72%
Swiss Franc	1.03	0.010	-0.96%	-2.42%
New Zealand Dollar	0.70	-0.018	-2.52%	1.83%
Brazilian Real	3.39	0.008	-0.23%	16.91%
Mexican Peso	20.45	0.077	-0.38%	-15.92%

U.S. Dollar Index - Trailing Six Months



Source: Bloomberg

Euro - U.S. Dollars per Euro



Source: Bloomberg

Chinese yuan - yuan per U.S. Dollar



Source: Bloomberg

Japanese yen - Yen per U.S. Dollar



Source: Bloomberg

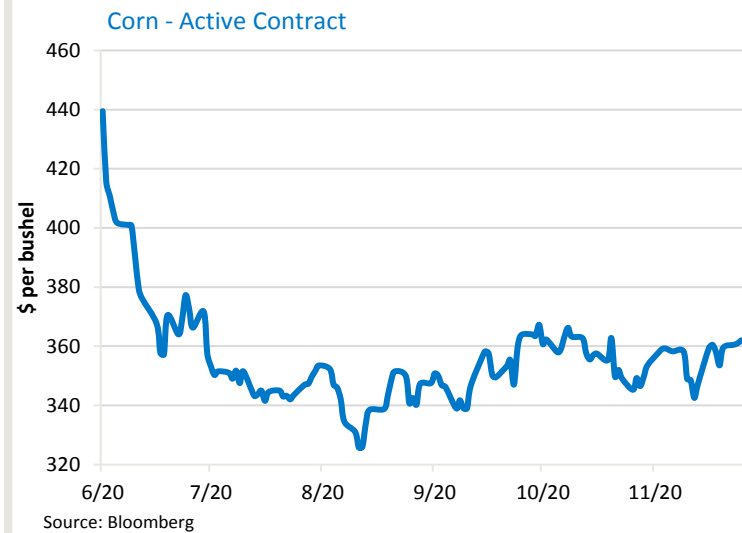
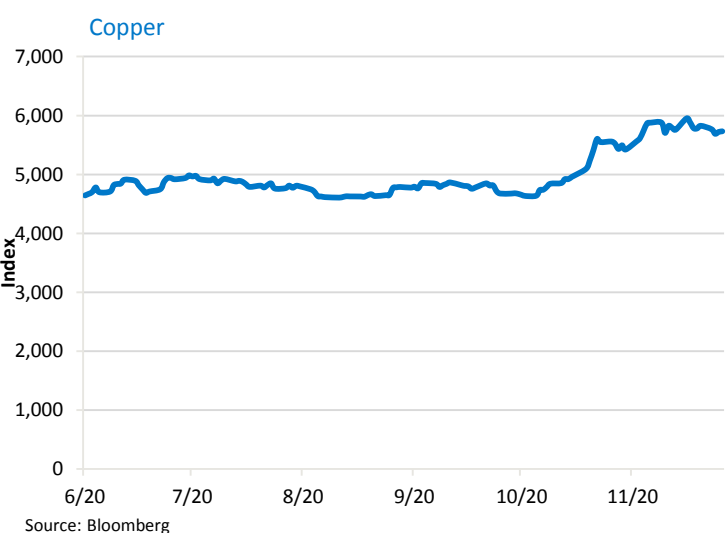
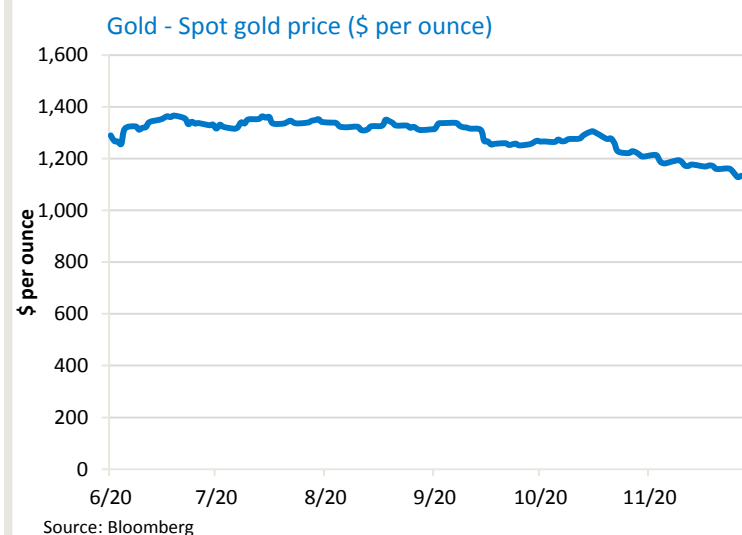
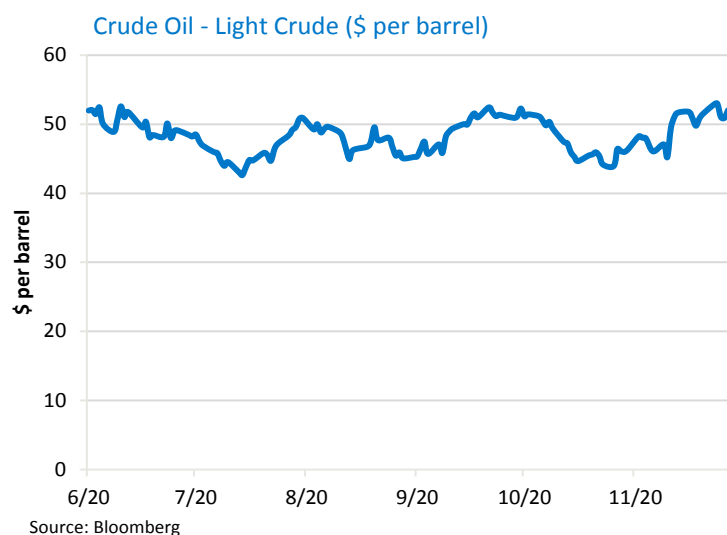
Commodities

SELECTED COMMODITY MARKET PERFORMANCE

	Last	Change	% Chg.	YTD %
Bloomberg Comm. Idx.	87.13	-1.01	-1.15%	10.91%
Crude Oil	\$52.05	\$0.53	1.03%	17.69%
Natural Gas	\$3.39	-\$0.36	-9.53%	18.00%
Gasoline (\$/Gal.)	\$2.23	\$0.02	1.09%	11.67%
Heating Oil	167.54	3.68	2.25%	22.19%
Gold Spot	\$1,134.17	-\$25.91	-2.23%	6.87%
Silver Spot	\$16.10	-\$0.77	-4.56%	16.22%

Source: Bloomberg; % change is based on price.

	Last	Change	% Chg.	YTD %
Platinum Spot	\$928.54	\$12.60	1.38%	4.14%
Corn	356.25	-3.25	-0.90%	-9.35%
Wheat	409.25	-7.00	-1.68%	-21.18%
Soybeans	1,036.75	-0.75	-0.07%	16.69%
Sugar	18.22	-1.02	-5.30%	20.66%
Orange Juice	195.05	-17.95	-8.43%	34.15%
Aluminum	1,735.50	-14.50	-0.83%	15.16%
Copper	5,732.00	-94.00	-1.61%	21.83%



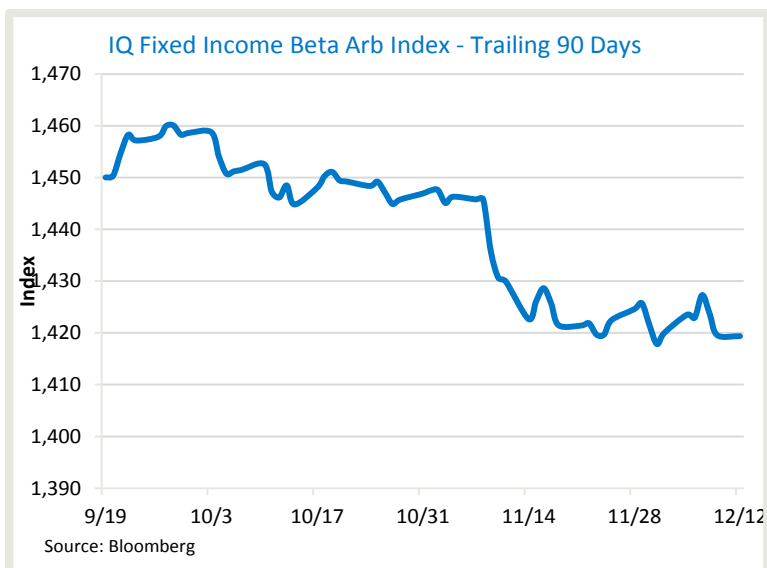
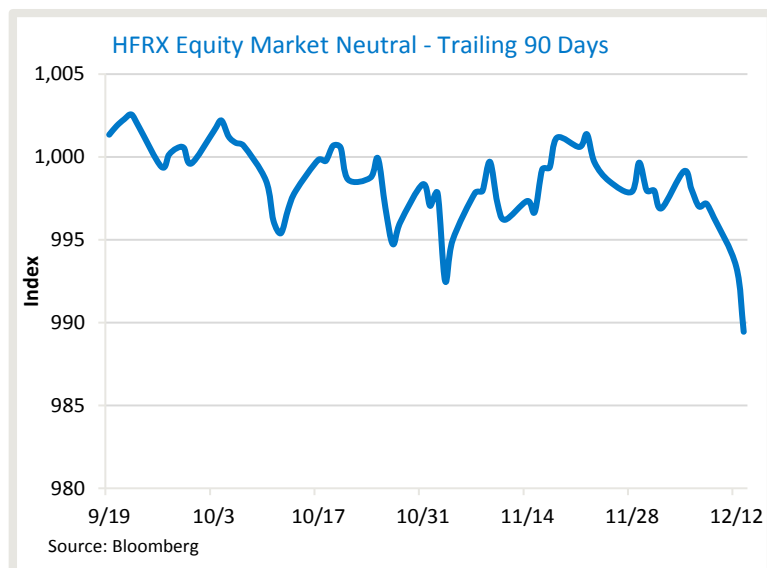
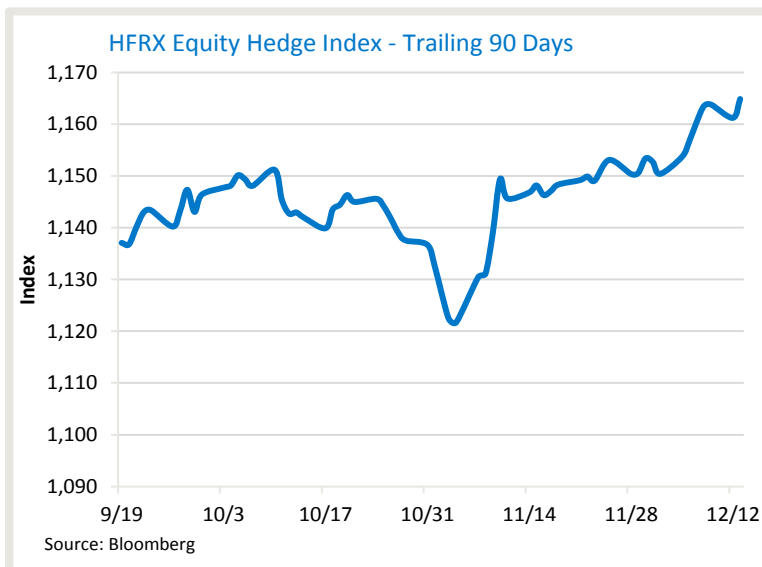
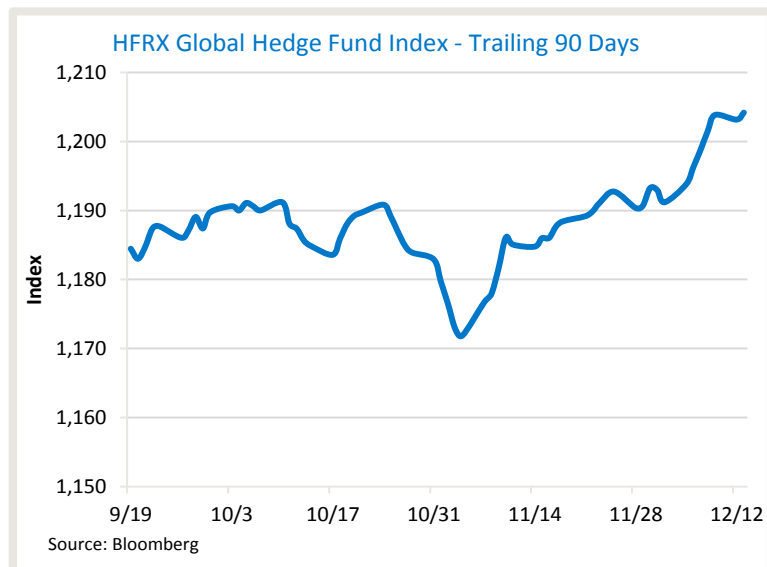
Alternative Investments

SELECTED ALTERNATIVE INVESTMENT INDEX PERFORMANCE

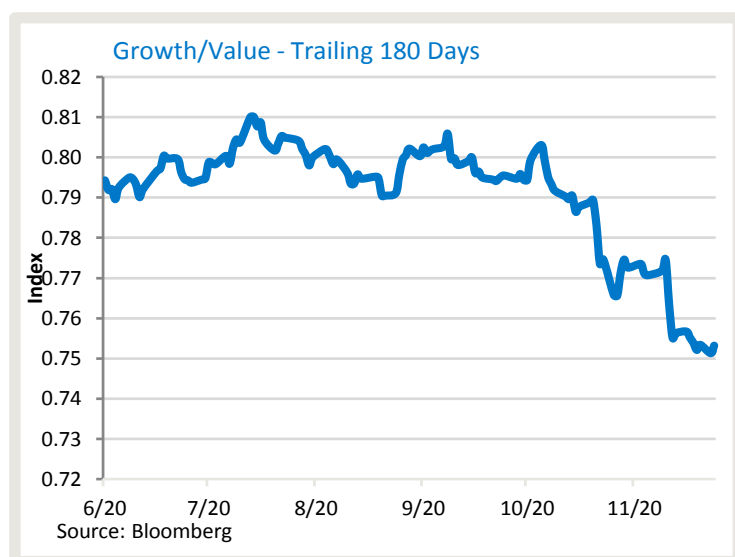
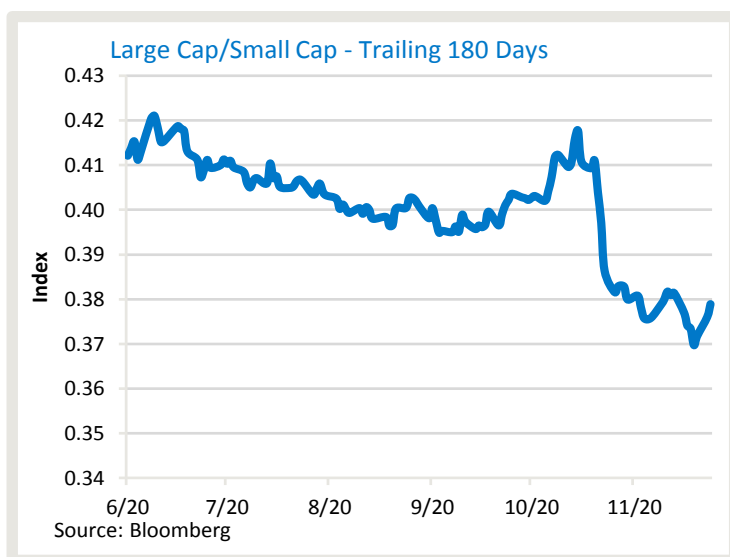
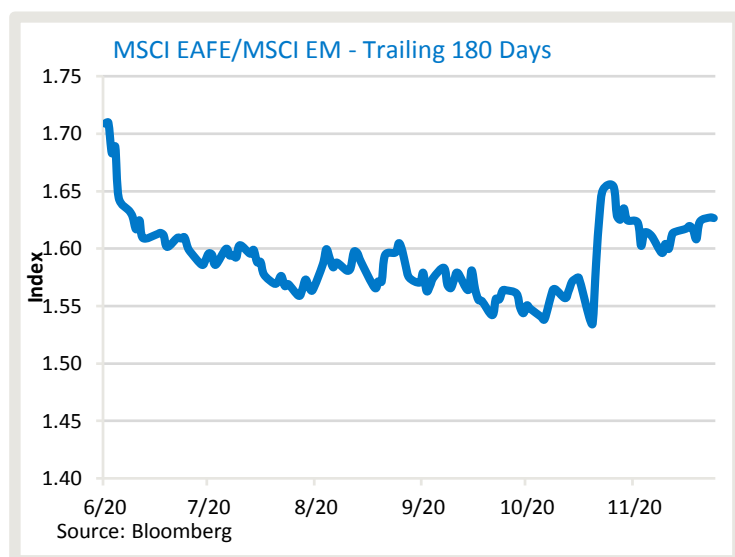
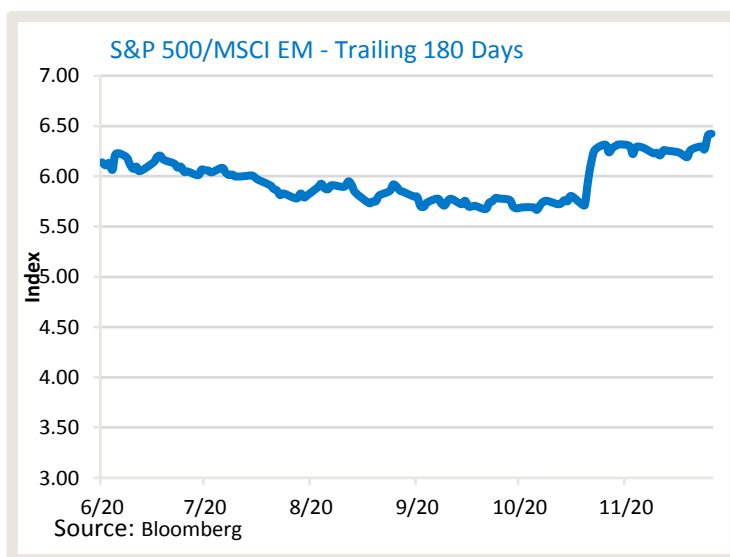
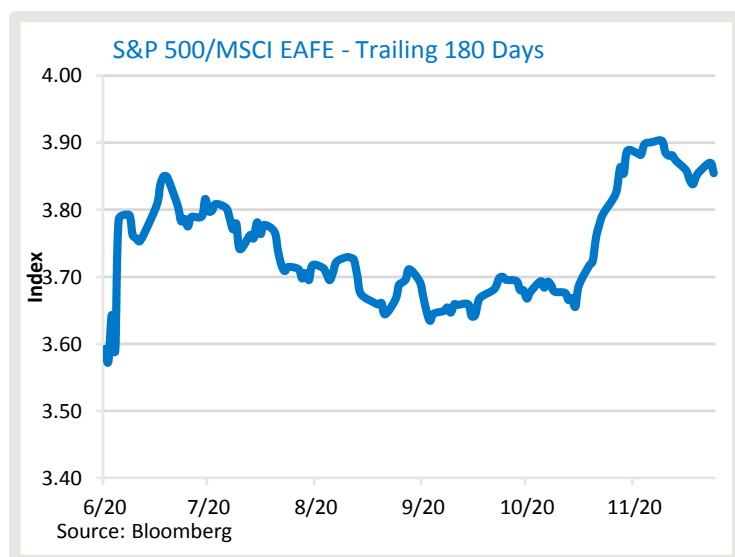
	Last	Change	% Chg.	YTD %
HFRX Global Hedge Fund Index	1202.38	-1.46	-0.12%	2.41%
HFRX Equity Market Neutral	991.63	-4.71	-0.47%	-4.66%
HFRX Equity Hedge Index	1161.02	-2.77	-0.24%	0.58%
HFRX Event-Driven Index	1549.70	-5.96	-0.38%	10.04%
HFRX Absolute Return Index	1026.31	-0.73	-0.07%	0.10%

	Last	Change	% Chg.	YTD %
HFRX Distressed Index	1072.60	0.73	0.07%	19.68%
HFRX Merger Arbitrage Index	1807.39	0.36	0.02%	4.01%
HFRX Convertible Arbitrage Index	740.64	1.18	0.16%	5.48%
HFRX Macro CTA Index	1140.40	4.24	0.37%	-2.50%
IQ Fixed Income Beta Arb Index	1414.78	-4.77	-0.34%	1.99%

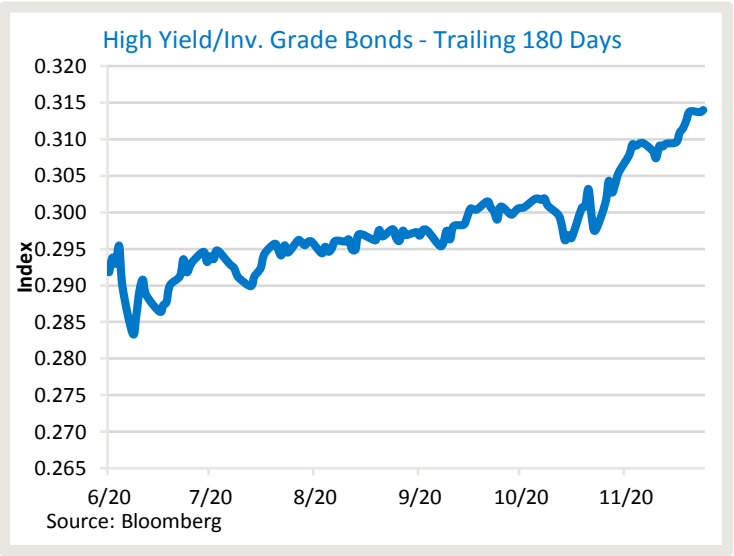
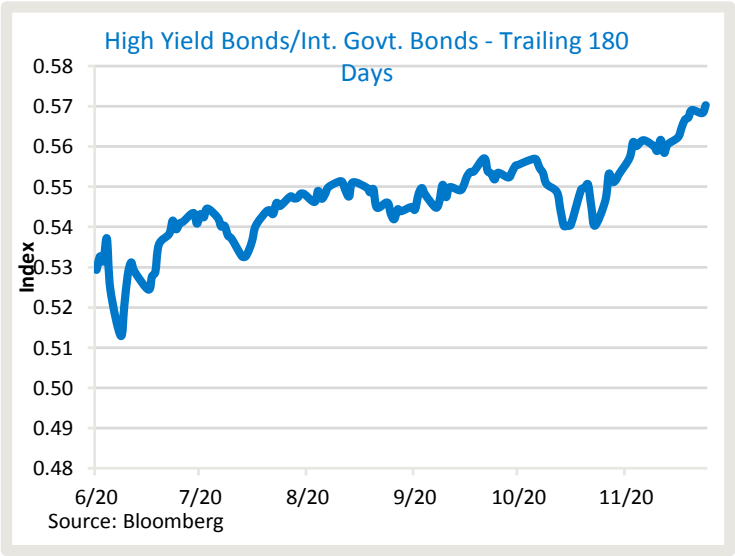
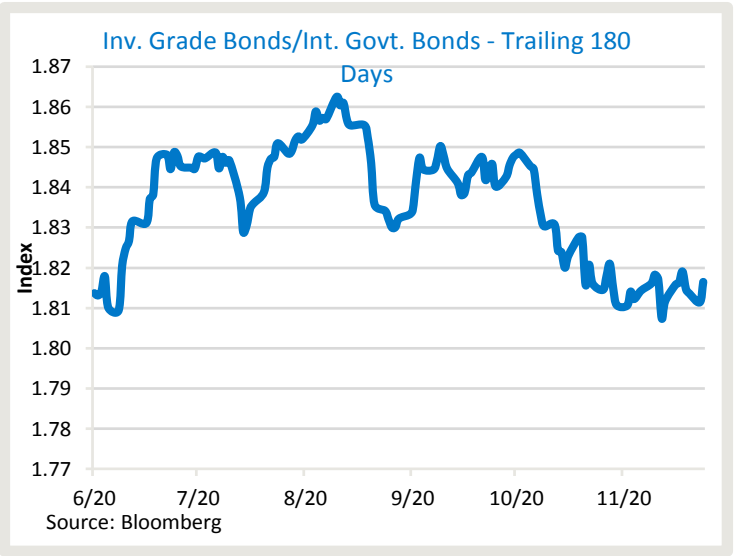
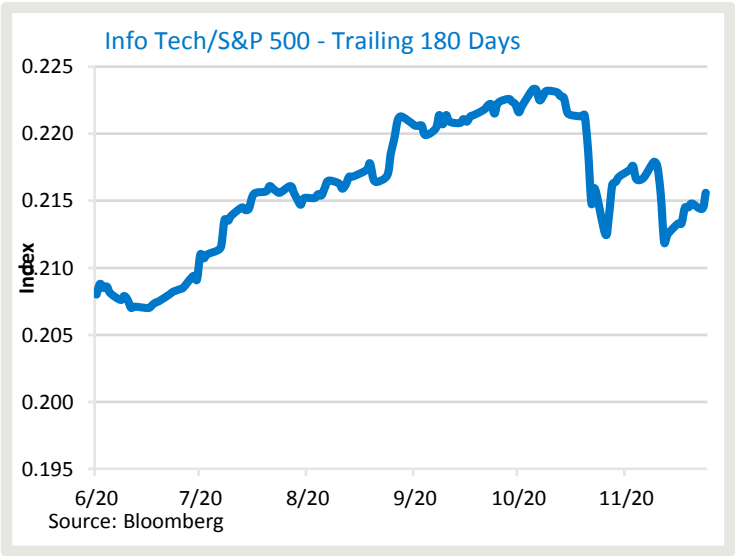
Source: Bloomberg; Index % change is based on price.



Portfolio Construction



Portfolio Construction (continued)



WEEKLY ASSET CLASS PERFORMANCE (Prior 12 weeks ending Thursday)

			9/29	10/6	10/13	10/20	10/27	11/3	11/10	11/17	11/24	12/1	12/8	12/15
Equity	Domestic Equity	Large Cap (R200)	-1.27%	0.56%	-1.14%	0.36%	-0.04%	-2.22%	3.78%	0.59%	0.66%	-0.51%	2.24%	1.11%
		Small Cap (R2000)	-2.03%	0.69%	-2.45%	0.33%	-2.45%	-2.78%	8.19%	4.62%	2.49%	-2.11%	5.52%	-1.44%
	Int'l. Equity	MSCI EAFE	-1.24%	-0.69%	-2.39%	1.54%	-0.75%	-0.87%	-0.42%	-0.79%	-0.46%	0.35%	2.71%	-0.65%
		MSCI Em. Mkts.	-0.82%	0.40%	-2.88%	2.55%	-0.88%	-2.25%	1.05%	-3.25%	0.57%	0.75%	2.44%	-2.35%
Fixed Income	BarCap Agg. (AGG)		0.25%	-0.87%	0.00%	0.18%	-0.54%	-0.13%	1.41%	-0.67%	-0.50%	-0.46%	0.46%	-0.93%
	High Yield (JNK)		-0.08%	0.11%	-0.19%	0.74%	-0.73%	-2.11%	-0.78%	0.45%	1.09%	-0.64%	1.84%	-0.55%
Commodities	Bloomberg Commodity Index		-0.33%	0.34%	0.90%	-0.30%	0.23%	-3.03%	0.28%	-1.33%	3.18%	1.83%	0.74%	-0.83%
Alternatives	Hedge Funds (HFRX Global)		0.00%	0.27%	-0.42%	0.30%	-0.36%	-1.02%	1.13%	0.14%	0.28%	0.16%	0.72%	0.07%
Asset Allocation	60/40*		-0.73%	-0.15%	-1.10%	0.60%	-0.64%	-1.34%	1.31%	0.15%	0.29%	-0.47%	2.00%	-0.38%
	48/32/20 (w/Alts.)**		-0.58%	-0.06%	-0.96%	0.54%	-0.58%	-1.28%	1.27%	0.15%	0.29%	-0.34%	1.75%	-0.29%

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	1.12	0.95	1.07	1.14	1.03	1.01	1.10	0.95	1.26	1.42	1.34	1.20	2.11	1.27
Large Cap Growth	0.90	1.00	0.85	0.96	1.02	0.93	0.91	0.98	0.85	1.13	1.28	1.20	1.07	1.89	1.14
Large Cap Value	1.05	1.17	1.00	1.13	1.20	1.09	1.07	1.16	1.00	1.33	1.50	1.41	1.26	2.22	1.33
Mid Cap Core	0.93	1.04	0.89	1.00	1.06	0.96	0.95	1.02	0.88	1.18	1.33	1.25	1.12	1.97	1.18
Mid Cap Growth	0.88	0.98	0.84	0.94	1.00	0.91	0.89	0.97	0.83	1.11	1.25	1.18	1.05	1.86	1.12
Mid Cap Value	0.97	1.08	0.92	1.04	1.10	1.00	0.98	1.06	0.92	1.22	1.38	1.30	1.16	2.04	1.23
Small Cap Core	0.99	1.10	0.94	1.06	1.12	1.02	1.00	1.08	0.93	1.25	1.41	1.33	1.18	2.08	1.25
Small Cap Growth	0.91	1.02	0.87	0.98	1.04	0.94	0.92	1.00	0.86	1.15	1.30	1.22	1.09	1.92	1.15
Small Cap Value	1.06	1.18	1.00	1.13	1.20	1.09	1.07	1.16	1.00	1.33	1.51	1.42	1.26	2.23	1.34
Int'l. Developed	0.79	0.88	0.75	0.85	0.90	0.82	0.80	0.87	0.75	1.00	1.13	1.06	0.95	1.67	1.00
Emerging Markets	0.70	0.78	0.67	0.75	0.80	0.72	0.71	0.77	0.66	0.88	1.00	0.94	0.84	1.48	0.89
REITs	0.75	0.83	0.71	0.80	0.85	0.77	0.75	0.82	0.70	0.94	1.06	1.00	0.89	1.57	0.94
Commodities	0.84	0.93	0.79	0.90	0.95	0.86	0.85	0.92	0.79	1.05	1.19	1.12	1.00	1.76	1.06
Int. Bond	0.47	0.53	0.45	0.51	0.54	0.49	0.48	0.52	0.45	0.60	0.68	0.64	0.57	1.00	0.60
High Yield	0.79	0.88	0.75	0.85	0.90	0.82	0.80	0.87	0.75	1.00	1.12	1.06	0.94	1.66	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.

The information, analysis, and opinions expressed herein are for general and educational purposes only. Nothing contained in this weekly review is intended to constitute legal, tax, accounting, securities, or investment advice, nor an opinion regarding the appropriateness of any investment, nor a solicitation of any type. All investments carry a certain risk, and there is no assurance that an investment will provide positive performance over any period of time. An investor may experience loss of principal. Investment decisions should always be made based on the investor's specific financial needs and objectives, goals, time horizon, and risk tolerance. The asset classes and/or investment strategies described may not be suitable for all investors and investors should consult with an investment advisor to determine the appropriate investment strategy. Past performance is not indicative of future results.

Information obtained from third party sources are believed to be reliable but not guaranteed. Envestnet|PMC™ makes no representation regarding the accuracy or completeness of information provided herein. All opinions and views constitute our judgments as of the date of writing and are subject to change at any time without notice.

Investments in smaller companies carry greater risk than is customarily associated with larger companies for various reasons such as volatility of earnings and prospects, higher failure rates, and limited markets, product lines or financial resources. Investing overseas involves special risks, including the volatility of currency exchange rates and, in some cases, limited geographic focus, political and economic instability, and relatively illiquid markets. Income (bond) securities are subject to interest rate risk, which is the risk that debt securities in a portfolio will decline in value because of increases in market interest rates.

Exchange Traded Funds (ETFs) are subject to risks similar to those of stocks, such as market risk. Investing in ETFs may bear indirect fees and expenses charged by ETFs in addition to its direct fees and expenses, as well as indirectly bearing the principal risks of those ETFs. ETFs may trade at a discount to their net asset value and are subject to the market fluctuations of their underlying investments. Investing in commodities can be volatile and can suffer from periods of prolonged decline in value and may not be suitable for all investors.

Index Performance is presented for illustrative purposes only and does not represent the performance of any specific investment product or portfolio. An investment cannot be made directly into an index.

Alternative Investments may have complex terms and features that are not easily understood and are not suitable for all investors. You should conduct your own due diligence to ensure you understand the features of the product before investing. Alternative investment strategies may employ a variety of hedging techniques and non-traditional instruments such as inverse and leveraged products. Certain hedging techniques include matched combinations that neutralize or offset individual risks such as merger arbitrage, long/short equity, convertible bond arbitrage and fixed-income arbitrage. Leveraged products are those that employ financial derivatives and debt to try to achieve a multiple (for example two or three times) of the return or inverse return of a stated index or benchmark over the course of a single day. Inverse products utilize short selling, derivatives trading, and other leveraged investment techniques, such as futures trading to achieve their objectives, mainly to track the inverse of their benchmarks. As with all investments, there is no assurance that any investment strategies will achieve their objectives or protect against losses.

Neither Envestnet, Envestnet|PMC™ nor its representatives render tax, accounting or legal advice. Any tax statements contained herein are not intended or written to be used, and cannot be used, for the purpose of avoiding U.S. federal, state, or local tax penalties. Taxpayers should always seek advice based on their own particular circumstances from an independent tax advisor.

© 2016 Envestnet Asset Management, Inc. All rights reserved.

ABOUT ENVESTNET®

Envestnet, Inc. (NYSE: ENV) is a leading provider of unified wealth management technology and services to investment advisors. Our open-architecture platforms unify and fortify the wealth management process, delivering unparalleled flexibility, accuracy, performance and value. Envestnet solutions enable the transformation of wealth management into a transparent, objective, independent and fully-aligned standard of care, and empower advisors to deliver better results.

Envestnet's Advisor Suite® software empowers financial advisors to better manage client outcomes and strengthen their practice. Envestnet provides institutional-quality research and advanced portfolio solutions through our Portfolio Management Consultants group, Envestnet | PMC®. Envestnet | Tamarac provides leading rebalancing, reporting and practice management software.

For more information on Envestnet, please visit www.envestnet.com.