

## Chart of the Week



## Weekly Highlights

- **Domestic stocks capped off a sixth consecutive year of gains.** While declining for the week, broad equity indices finished 2014 with their sixth consecutive year of gains. The S&P 500 established a record high 53 times during the year, and the Dow Jones Industrial Average breached the 18,000 level for the first time in history. An accelerating domestic economy, an accommodative Federal reserve and a steep decline in oil prices helped sustain the year's momentum.
- **Global markets also gained ground on the year, but advances were more muted.** World markets on balance were also higher for the year, but gains were more constrained than for domestic indices. The eurozone's struggles to generate economic momentum, and China's slowdown were factors serving to offset the positive news coming out of the U.S.
- **Treasury prices were higher for the week.** The yield on the benchmark 10-year U.S. Treasury declined on news of worse-than-expected manufacturing data in the U.S. and continued concerns over the eurozone.
- **Commodity indices suffered steep losses again this week.** Crude oil declined more than 3% this week, and was down 41% for 2014. Metals and grains were also lower.

## Talking Points

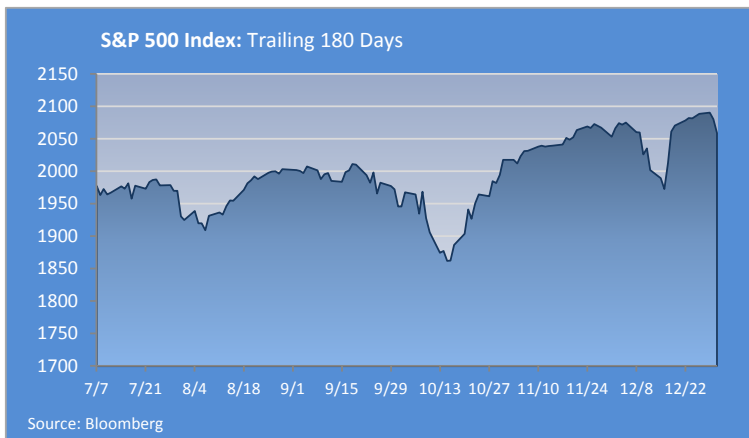
- **Among equities,** large-caps outperformed small-caps, and value stocks outperformed growth-oriented issues. Domestic stocks outperformed international equities. Developed markets outperformed emerging market stocks.
- **Treasury prices were modestly higher this week.** The yield on the 10-year T-note declined.
- **Commodity prices fell again on the week.** Energy, metals and grains all sank.
- **The dollar was higher** this week against a basket of currencies.
- **Among economic data released this week,** manufacturing services unexpectedly declined during December; pending home sales advanced; a measure of consumer confidence declined; and initial jobless claims rose in the latest week.

## MARKET DASHBOARD

|                           | Last Price | Change  | % Chg. | YTD % |
|---------------------------|------------|---------|--------|-------|
| <b>S&amp;P 500</b>        | 2,058.17   | -41.15  | -1.97% | -0.5% |
| <b>Dow Industrials</b>    | 17,832.99  | -286.16 | -1.59% | -0.3% |
| <b>Nasdaq</b>             | 4,726.81   | -97.17  | -2.02% | -0.6% |
| <b>Russell 2000</b>       | 1,198.81   | -25.53  | -2.10% | -1.2% |
| <b>Euro Stoxx Index</b>   | 341.33     | -2.56   | -0.74% | -0.4% |
| <b>Shanghai Composite</b> | 3,234.68   | 262.15  | 8.82%  | 0.0%  |
| <b>Russell Global</b>     | 1,723.11   | -25.68  | -1.47% | -0.6% |

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

|                          | Last Price | Change   | % Chg. | YTD % |
|--------------------------|------------|----------|--------|-------|
| <b>Russell Global EM</b> | 2,981.09   | 11.41    | 0.38%  | 0.0%  |
| <b>10-Year US Treas.</b> | 2.12       | -13 bps  | NM     | NM    |
| <b>DJ UBS Comm. Idx.</b> | 103.86     | -2.40    | -2.26% | -0.2% |
| <b>Gold</b>              | \$1,188.44 | -\$13.38 | -1.12% | -0.1% |
| <b>Crude Oil</b>         | \$52.65    | -\$2.01  | -3.67% | -1.0% |
| <b>Dollar Index</b>      | 91.12      | 0.99     | 1.10%  | 0.8%  |
| <b>VIX Index</b>         | 17.81      | 4.73     | 32.62% | 0.2%  |



|   | One Week |        |        | YTD    |        |        |
|---|----------|--------|--------|--------|--------|--------|
|   | Value    | Growth |        | Value  | Growth |        |
| L | -1.85%   | -1.99% | -2.14% | -0.48% | -0.53% | -0.57% |
|   | -1.70%   | -1.77% | -1.84% | -0.57% | -0.67% | -0.76% |
| S | -1.87%   | -2.10% | -2.32% | -1.12% | -1.25% | -1.37% |

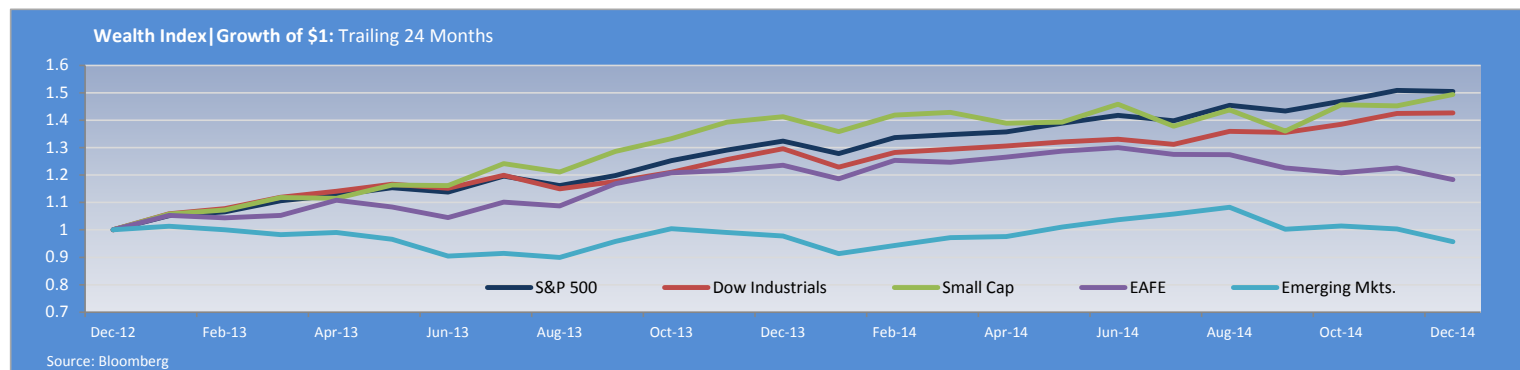
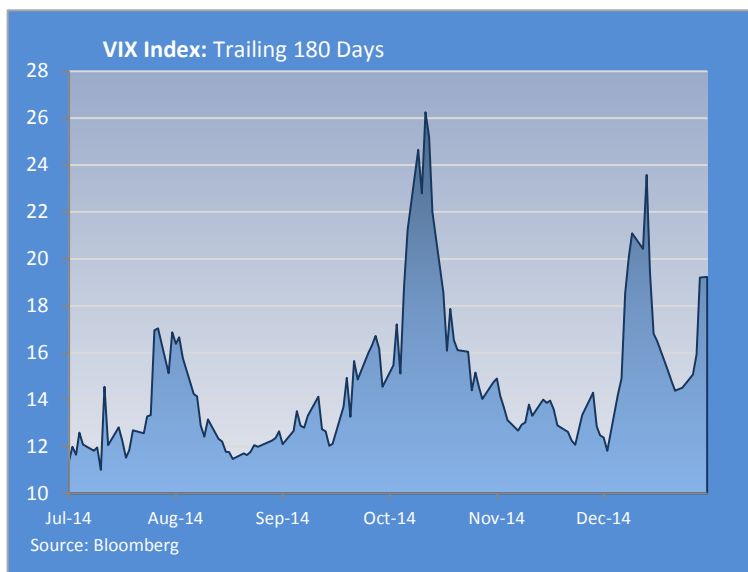
Source: Bloomberg

### Sector Performance:

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

|                               | % Wgt in S&P 500 | Week % Chg. | YTD % Chg. |
|-------------------------------|------------------|-------------|------------|
| <b>Consumer Discretionary</b> | 12.1             | -1.23%      | -1.2%      |
| <b>Consumer Staples</b>       | 9.8              | -2.61%      | -0.6%      |
| <b>Energy</b>                 | 8.5              | -1.24%      | -0.1%      |
| <b>Financials</b>             | 16.7             | -1.44%      | -0.5%      |
| <b>Health Care</b>            | 14.3             | -0.85%      | 0.3%       |
| <b>Industrials</b>            | 10.4             | -2.17%      | -0.7%      |
| <b>Information Technology</b> | 19.7             | -2.88%      | -0.5%      |
| <b>Materials</b>              | 3.2              | -1.79%      | -0.4%      |
| <b>Telecom Services</b>       | 2.3              | -1.49%      | 0.6%       |
| <b>Utilities</b>              | 3.2              | -3.02%      | -0.2%      |

Source: Bloomberg



## THE ECONOMY AND MARKETS

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### ***A Macro View – December Monthly Recap***

**Domestic equity markets** started off inauspiciously in December, with some indexes dropping about 5% early in the month as a result of fears of a slowing world economy outside of the U.S. However, robust economic data and favorable seasonal factors enabled major indexes to recover, though results were mixed. Economic data, including real Gross Domestic Product (GDP) and employment were the principal drivers of the market activity. As with the prior month, consumer spending was robust, and federal spending, led by defense, was also a significant factor. Crude oil continued in a freefall, with slackening demand and a pledge by OPEC countries to keep prices low to discourage fracking and exploration in the U.S. Domestic economic data continues to make gains, with the latest estimate of third quarter real gross domestic product (GDP) coming in at +5.0%, up from the previous estimate of +3.9%.

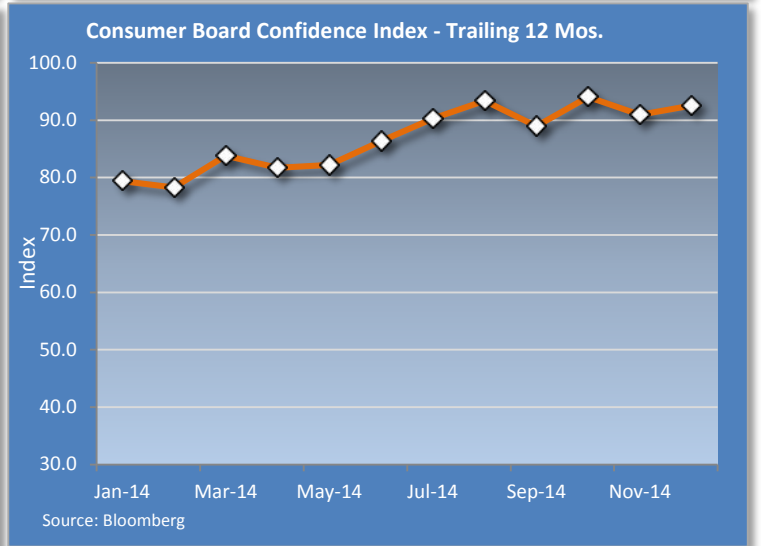
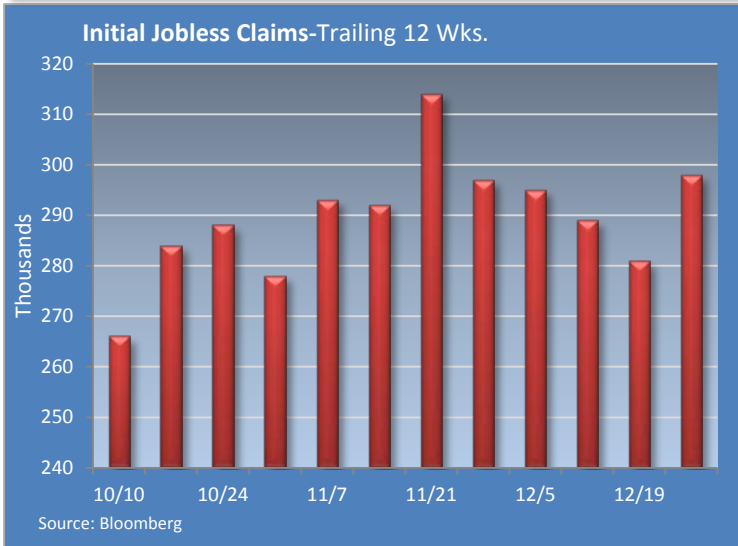
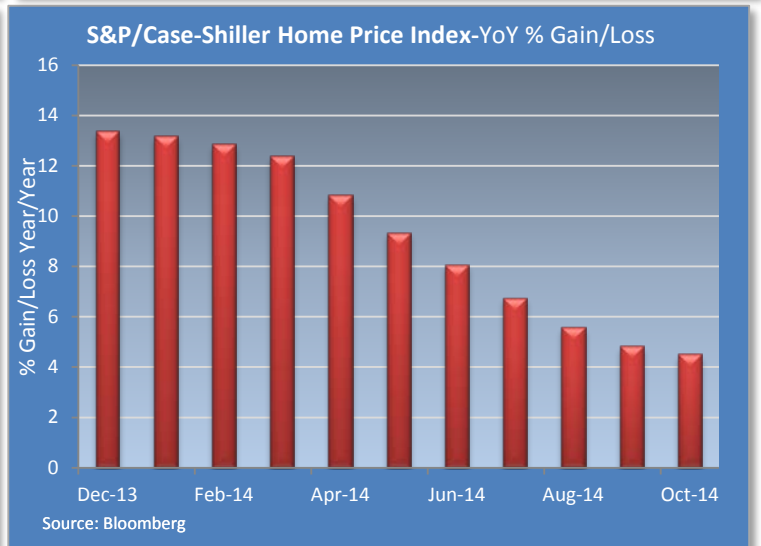
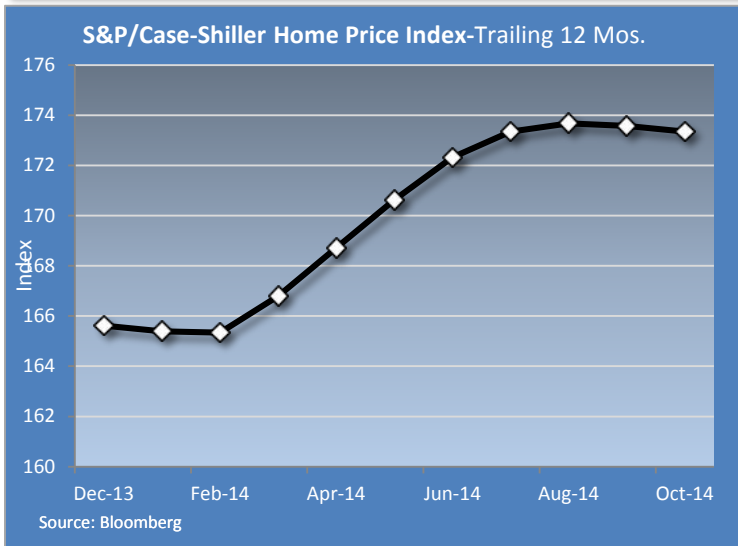
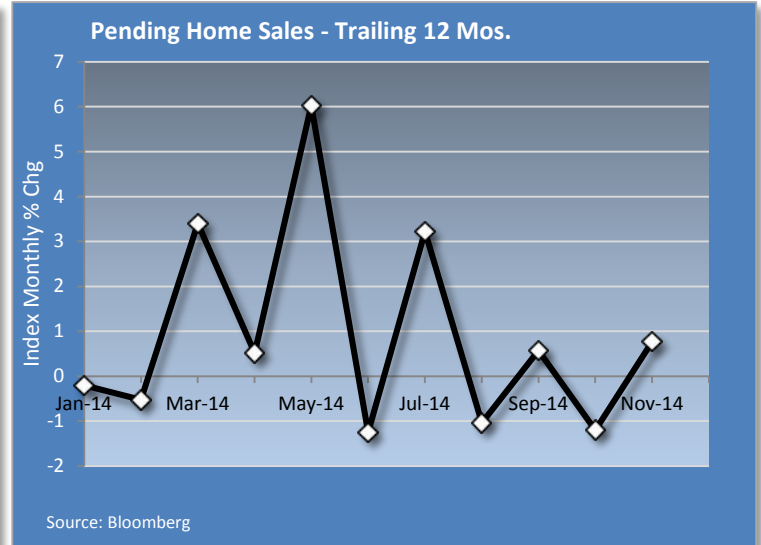
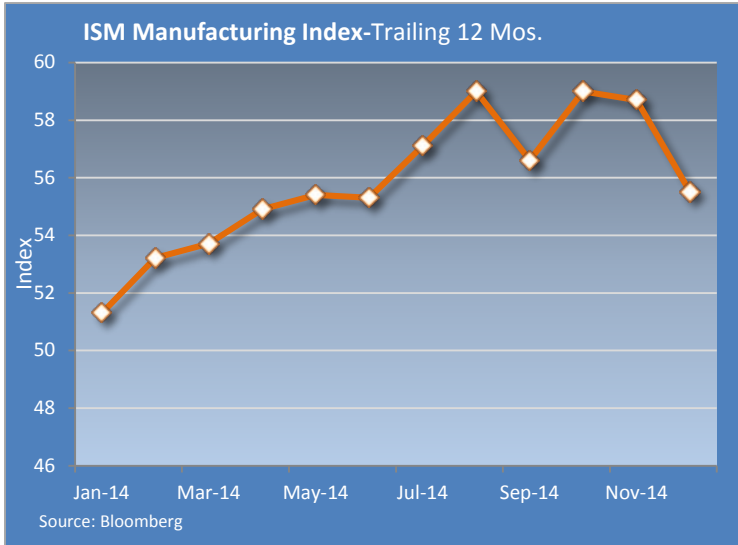
With this environment as a backdrop, stocks posted mixed results in December. The S&P 500 declined -0.3% for the month, and closed out the year with a +13.7% gain. It was the sixth consecutive year of positive returns for the index. The Dow Jones Industrials eked out a modest +0.1% gain for the month, and a +10.0% advance for the full year. The tech-heavy Nasdaq Composite Index declined -1.1% in December, but gained +14.8% for the year. The Russell 2000 Index of small cap stocks was strong on a relative basis during the month, outperforming the Russell 1000 Index of large cap stocks, with returns of +2.9% and -0.2%, respectively. Growth stocks underperformed value stocks during the month. In terms of sector performance, the top performers in the month were utilities, financials and consumer discretionary with gains of +3.5%, +1.8% and +1.0%, respectively. Telecommunications services and information technology were the laggards, with returns of -6.1% and -1.7%, respectively.

**International equity markets** were mostly lower in December. The reasons for the decline primarily centered on the continued struggles of the eurozone to get its economy on track, and China's slowing growth. The MSCI World ex-U.S. Index declined -3.3% for the month, and ended the year down -3.9%. Emerging markets also headed lower on concerns over China. The MSCI Emerging Markets Index declined -1.1% for the month (-1.8% for the full year), and the MSCI EAFE Index, which measures developed markets performance, was down -3.4% (-4.5% for the year). Regionally, China was the best performer on a relative basis, advancing +1.2%. Eastern Europe and Latin America were among the poorest performers, with results of -18.3% and -9.1%, respectively.

**Fixed-income markets** were also mostly lower in December, as investors turned their attention to the prospect that the Federal Reserve is likely to begin raising interest rates in the latter half of 2015. Within this context, the yield curve continued to flatten during the month. Against this backdrop, the 10-year U.S. Treasury yield ended the month at 2.17%, down two basis points from the 2.19% level of November 30th. Broad-based fixed-income indices were mixed in December, with the Barclays U.S. Aggregate Bond Index gaining 0.1% for the month. The index was up +6.0% for the year. As has been the custom in recent months, global fixed-income markets performed relatively poorly, with the Barclays Global Aggregate ex-U.S. Index declining -1.2% for the month. Intermediate-term corporate bonds declined, as the Barclays U.S. Corporate 5-10 Year Index lost -0.3%. The Barclays U.S. Corporate High Yield Index ended the month with a loss of -1.5%. Municipals once again generated positive performance, returning +0.5% for the month. Municipals advanced +9.0% for the year, making it fixed-income's best-performing segment.

Brandon Thomas  
Chief Investment Officer

**THIS WEEK IN THE ECONOMY AND MARKETS**



## EUROZONE

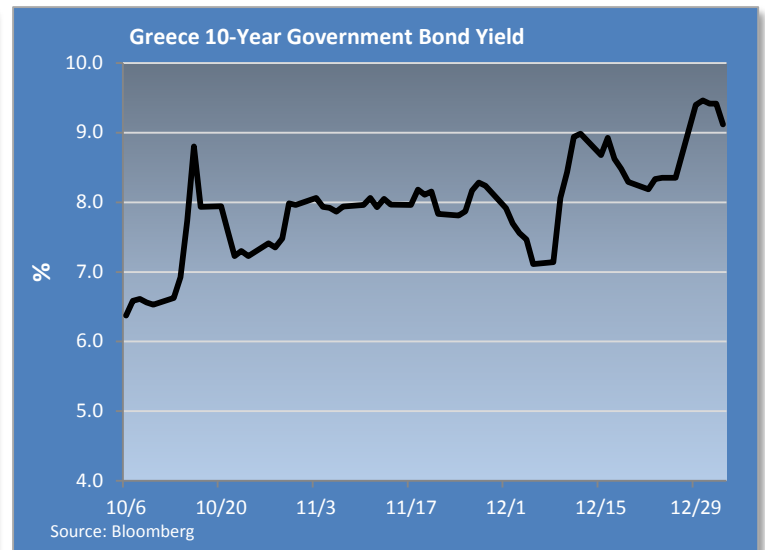
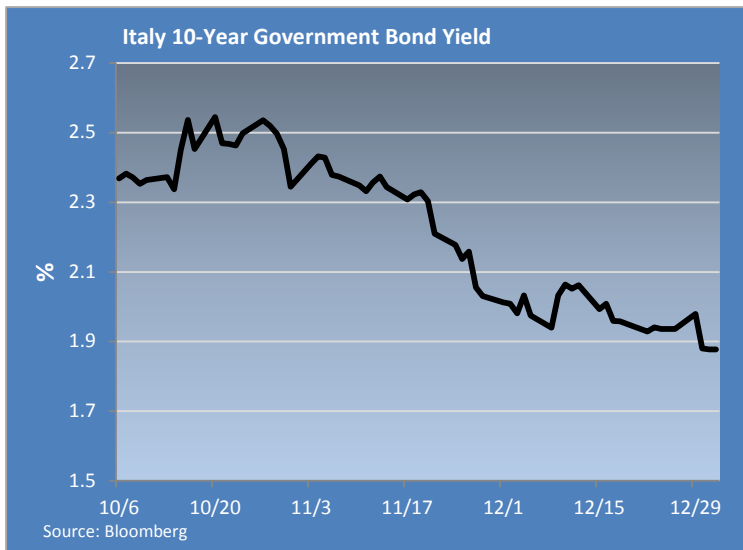
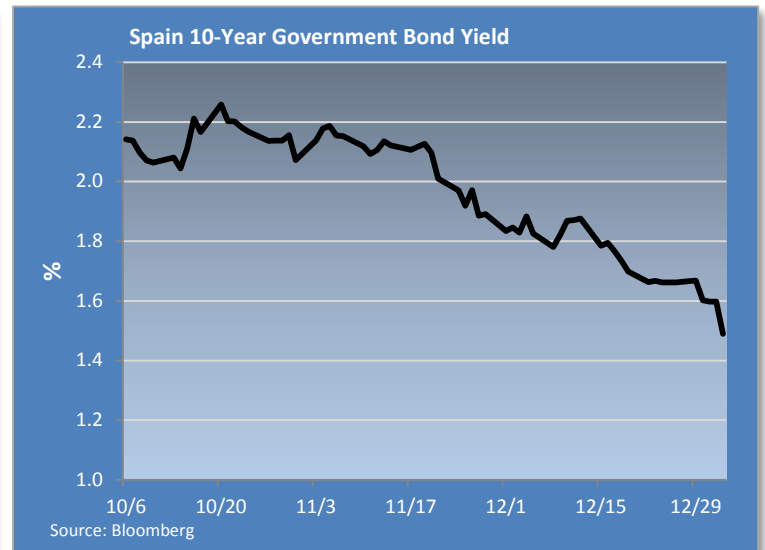
### SELECTED EUROPEAN SOVEREIGN YIELD PERFORMANCE

|                      | Last | Change  | % Chg. | YTD % |
|----------------------|------|---------|--------|-------|
| Germany 10-Yr. Govt. | 0.50 | 9 bps   | NM     | NM    |
| Greece 10-Yr. Govt.  | 9.12 | -36 bps | NM     | NM    |
| Italy 10-Yr. Govt.   | 1.74 | 18 bps  | NM     | NM    |
| Spain 10-Yr. Govt.   | 1.49 | 16 bps  | NM     | NM    |
| Belgium 10-Yr. Govt. | 0.76 | 10 bps  | NM     | NM    |

|                          | Last | Change | % Chg. | YTD % |
|--------------------------|------|--------|--------|-------|
| France 10-Yr. Govt.      | 0.78 | 8 bps  | NM     | NM    |
| Ireland 10-Yr. Govt.     | 1.15 | 11 bps | NM     | NM    |
| Portugal 10-Yr. Govt.    | 2.40 | 27 bps | NM     | NM    |
| Netherlands 10-Yr. Govt. | 0.62 | 10 bps | NM     | NM    |
| U.K. 10-Yr. Govt.        | 1.72 | 15 bps | NM     | NM    |

Source: Bloomberg

Basis points (bps)



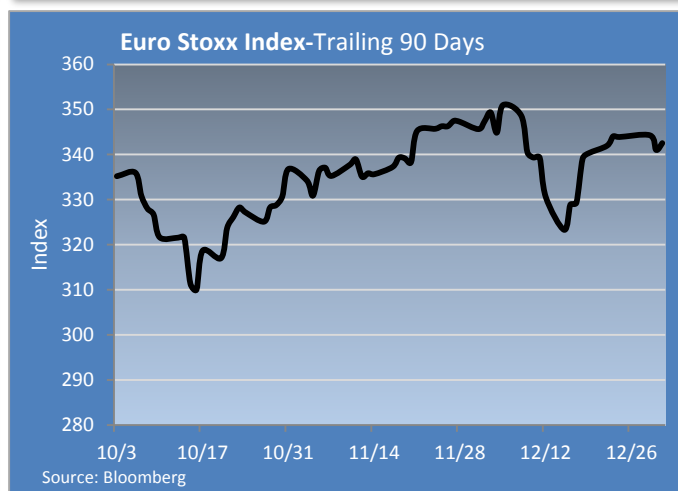
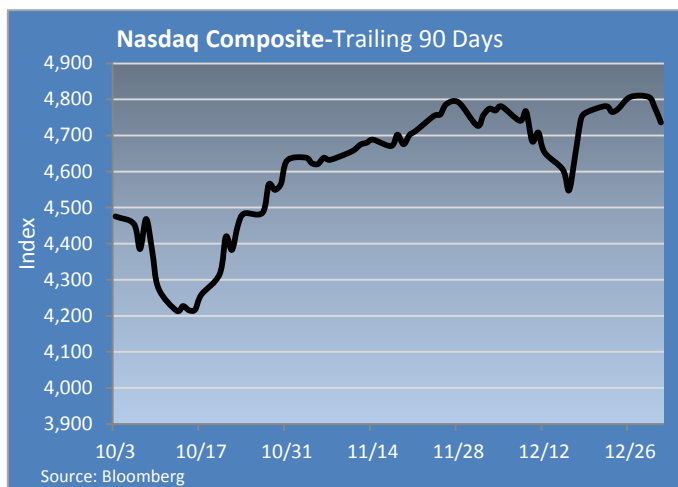
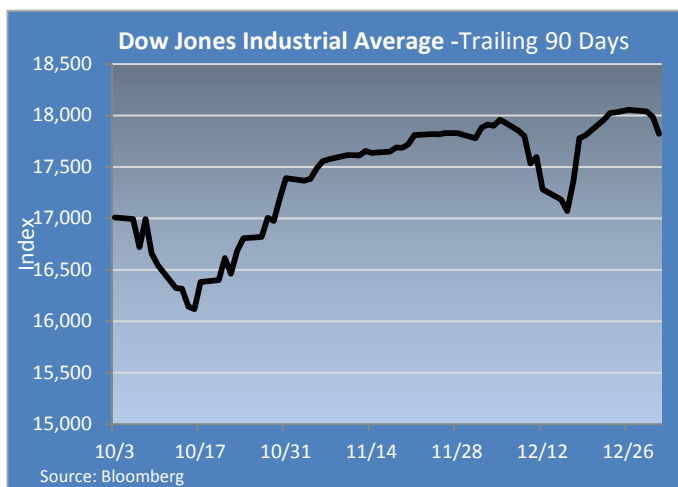
## EQUITIES

### WORLD MARKET PERFORMANCE

|                             | Last             | Change          | % Chg.        | YTD %         |
|-----------------------------|------------------|-----------------|---------------|---------------|
| <b>S&amp;P 500</b>          | <b>2,058.17</b>  | <b>-41.15</b>   | <b>-1.97%</b> | <b>-0.55%</b> |
| <b>Dow Industrials</b>      | <b>17,832.99</b> | <b>-286.16</b>  | <b>-1.59%</b> | <b>-0.31%</b> |
| <b>Nasdaq Composite</b>     | <b>4,726.81</b>  | <b>-97.17</b>   | <b>-2.02%</b> | <b>-0.56%</b> |
| <b>Russell Global</b>       | <b>1,723.11</b>  | <b>-25.68</b>   | <b>-1.47%</b> | <b>-0.6%</b>  |
| <b>Russell Global EM</b>    | <b>2,981.09</b>  | <b>11.41</b>    | <b>0.38%</b>  | <b>0.0%</b>   |
| <b>S&amp;P/TSX (Canada)</b> | <b>14,750.07</b> | <b>58.95</b>    | <b>0.40%</b>  | <b>0.24%</b>  |
| <b>Mexico IPC</b>           | <b>42,112.48</b> | <b>-887.54</b>  | <b>-2.06%</b> | <b>-2.39%</b> |
| <b>Brazil Bovespa</b>       | <b>48,512.22</b> | <b>-1693.86</b> | <b>-3.38%</b> | <b>-3.11%</b> |
| <b>Euro Stoxx 600</b>       | <b>341.33</b>    | <b>-2.56</b>    | <b>-0.74%</b> | <b>-0.35%</b> |
| <b>FTSE 100</b>             | <b>6,547.80</b>  | <b>-62.13</b>   | <b>-0.94%</b> | <b>-0.28%</b> |
| <b>IBEX 35 (Spain)</b>      | <b>10,350.80</b> | <b>-131.00</b>  | <b>-1.25%</b> | <b>0.69%</b>  |

|                               | Last             | Change         | % Chg.        | YTD %         |
|-------------------------------|------------------|----------------|---------------|---------------|
| <b>Swiss Market Index</b>     | <b>8,983.37</b>  | <b>-38.30</b>  | <b>-0.42%</b> | <b>0.00%</b>  |
| <b>CAC 40 Index (France)</b>  | <b>4,252.29</b>  | <b>-43.56</b>  | <b>-1.01%</b> | <b>-0.48%</b> |
| <b>DAX Index (Germany)</b>    | <b>9,764.73</b>  | <b>-157.38</b> | <b>-1.59%</b> | <b>-0.42%</b> |
| <b>Irish Overall Index</b>    | <b>5,228.69</b>  | <b>28.56</b>   | <b>0.55%</b>  | <b>0.08%</b>  |
| <b>Nikkei 225</b>             | <b>17,450.77</b> | <b>-184.37</b> | <b>-1.05%</b> | <b>0.00%</b>  |
| <b>Hang Seng Index</b>        | <b>23,857.82</b> | <b>524.13</b>  | <b>2.25%</b>  | <b>1.07%</b>  |
| <b>Shanghai Composite</b>     | <b>3,234.68</b>  | <b>262.15</b>  | <b>8.82%</b>  | <b>0.00%</b>  |
| <b>Kospi Index (S. Korea)</b> | <b>1,926.44</b>  | <b>-12.58</b>  | <b>-0.65%</b> | <b>0.57%</b>  |
| <b>Taiwan Taiex Index</b>     | <b>9,307.26</b>  | <b>88.76</b>   | <b>0.96%</b>  | <b>0.00%</b>  |
| <b>Tel Aviv 25 Index</b>      | <b>1,461.97</b>  | <b>-2.62</b>   | <b>-0.18%</b> | <b>-0.21%</b> |
| <b>MICEX Index (Russia)</b>   | <b>1,396.61</b>  | <b>-21.19</b>  | <b>-1.49%</b> | <b>0.00%</b>  |

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



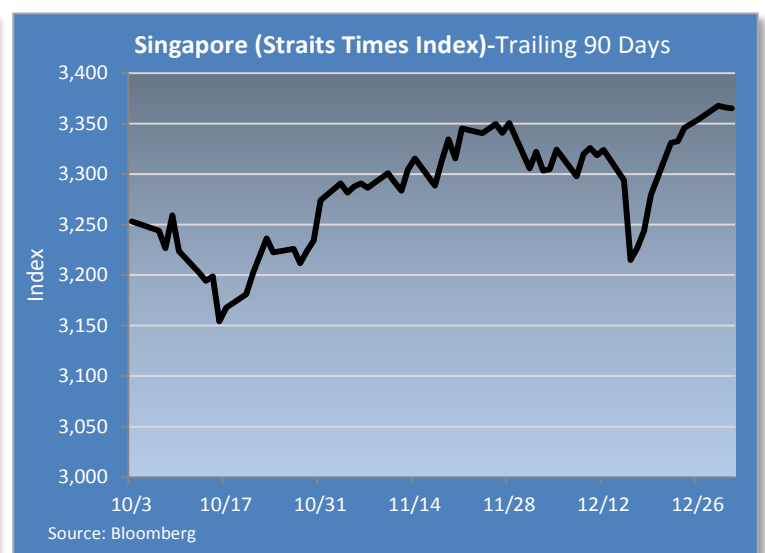
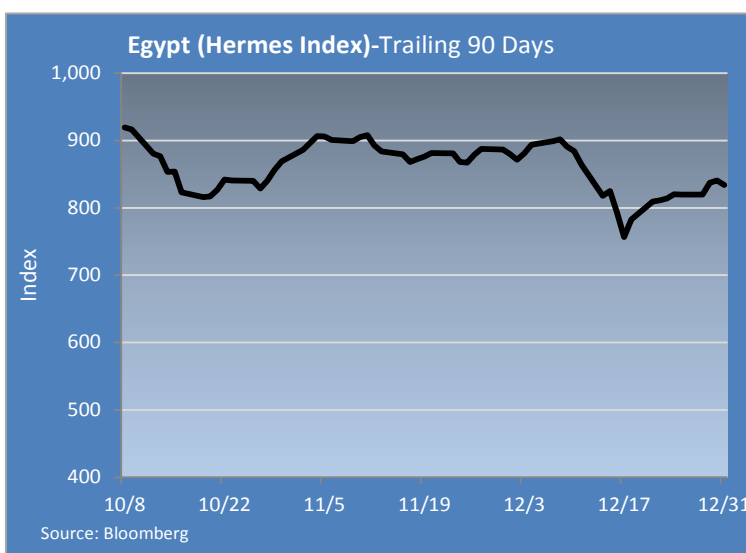
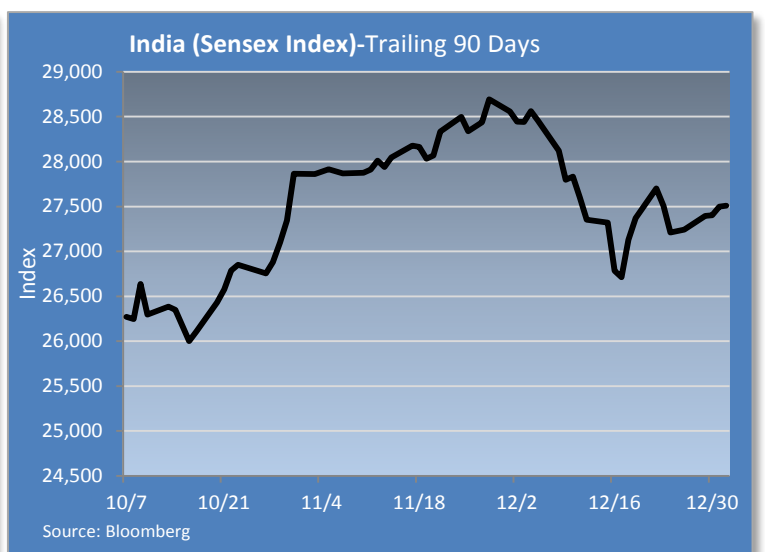
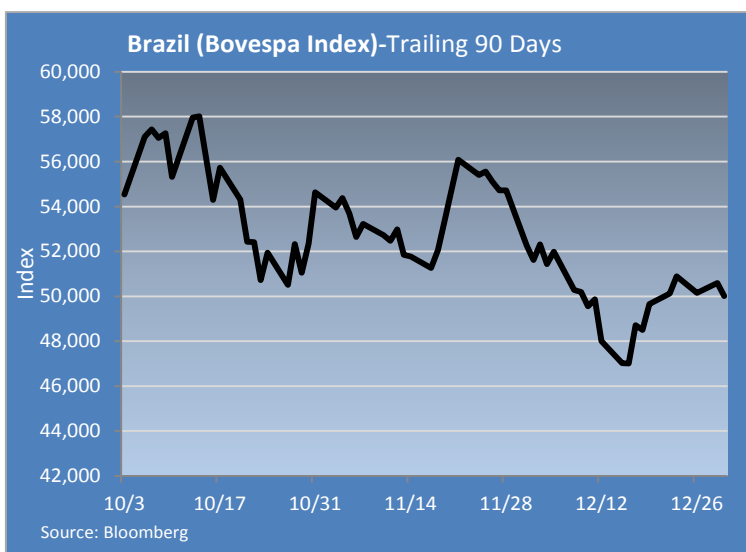
## EQUITIES – EMERGING AND FRONTIER MARKETS

### EMERGING AND FRONTIER MARKET PERFORMANCE

|                             | Last      | Change   | % Chg. | YTD % |
|-----------------------------|-----------|----------|--------|-------|
| Mexico IPC                  | 42,115.19 | -887.54  | -2.1%  | -2.4% |
| Brazil (Bovespa Index)      | 48,512.22 | -1693.86 | -3.4%  | -3.1% |
| MICEX Index (Russia)        | 1,396.61  | -21.19   | -1.5%  | 0.0%  |
| Czech Republic (Prague)     | 962.13    | 10.54    | 1.1%   | 1.6%  |
| Turkey (Istanbul)           | 85,458.92 | 511.61   | 0.6%   | -0.3% |
| Egypt (Hermes Index)        | 833.85    | 14.13    | 1.7%   | 0.0%  |
| Kenya (Nairobi 20 Index)    | 5,117.43  | 145.67   | 2.9%   | 0.1%  |
| Saudi Arabia (TASI Index)   | 8,409.54  | -339.80  | -3.9%  | 0.9%  |
| Lebanon (Beirut BLOM Index) | 1,180.60  | 10.08    | 0.9%   | 0.9%  |
| Palestine                   | 502.79    | 4.42     | 0.9%   | -7.1% |

|                                 | Last      | Change | % Chg. | YTD % |
|---------------------------------|-----------|--------|--------|-------|
| Hang Seng Index                 | 23,857.82 | 524.13 | 2.2%   | 1.1%  |
| India (Sensex 30)               | 27,887.90 | 646.12 | 2.4%   | 1.4%  |
| Malaysia (KLCI Index)           | 1,752.77  | 3.03   | 0.2%   | -0.5% |
| Singapore (Straits Times Index) | 3,370.59  | 24.68  | 0.7%   | 0.2%  |
| Thailand (SET Index)            | 1,497.67  | -33.50 | -2.2%  | 0.0%  |
| Indonesia (Jakarta)             | 5,242.77  | 117.00 | 2.3%   | 0.3%  |
| Pakistan (Karachi KSE 100)      | 32,731.61 | 738.60 | 2.3%   | 1.9%  |
| Vietnam (Ho Chi Minh)           | 545.63    | 13.62  | 2.6%   | 0.0%  |
| Sri Lanka (Colombo)             | 7,348.39  | 39.36  | 0.5%   | 0.7%  |
| Cambodia (Laos)                 | 1,414.19  | 24.28  | 1.7%   | 0.0%  |

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

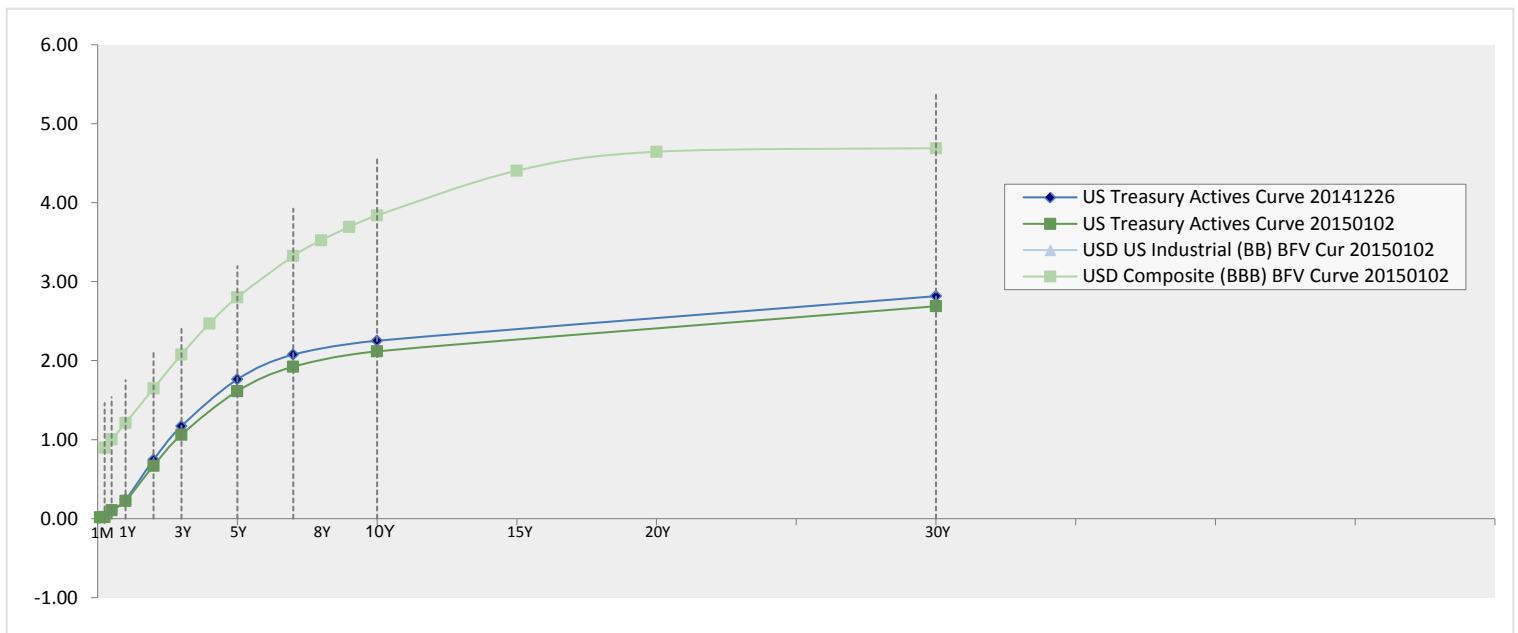


# INTEREST RATES

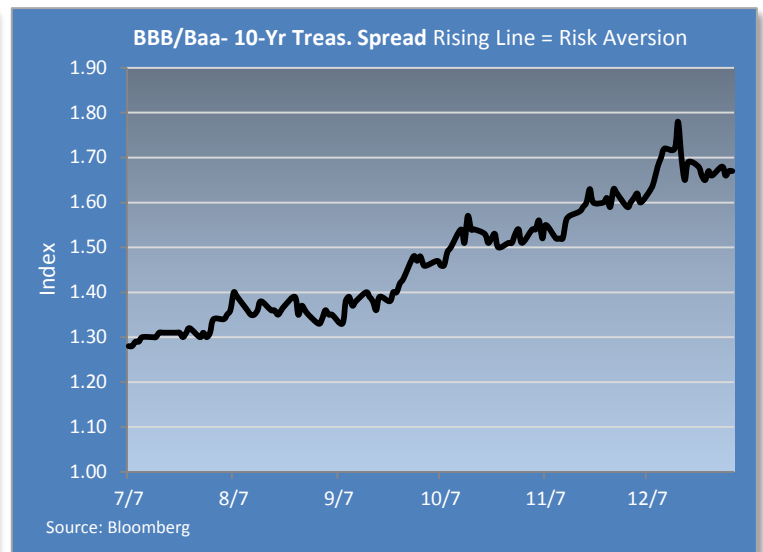
## SELECTED INTEREST RATES

|                      | Last  | Change  | % Chg. | YTD % |                    | Last  | Change | % Chg. | YTD % |
|----------------------|-------|---------|--------|-------|--------------------|-------|--------|--------|-------|
| 2-Yr. U.S. Treasury  | 0.67% | 1 bps   | NM     | NM    | Prime Rate         | 3.25% | 0.00   | NM     | NM    |
| 5-Yr. U.S. Treasury  | 1.62% | -14 bps | NM     | NM    | Fed Funds Rate     | 0.25% | 0.00   | NM     | NM    |
| 10-Yr. U.S. Treasury | 2.12% | -13 bps | NM     | NM    | Discount Rate      | 0.75% | 0.00   | NM     | NM    |
| 30-Yr. U.S. Treasury | 2.70% | -12 bps | NM     | NM    | LIBOR (3 Mo.)      | 0.26% | 0 bps  | NM     | NM    |
| German 10-Yr. Govt.  | 0.50% | 9 bps   | NM     | NM    | Bond Buyer 40 Muni | 3.68% | -9 bps | NM     | NM    |
| France 10-Yr.        | 0.78% | 8 bps   | NM     | NM    | Bond Buyer 40 G.O. | 3.65% | NA     | NM     | NM    |
| Italy 10-Yr.         | 1.74% | 18 bps  | NM     | NM    | Bond Buyer 40 Rev. | 4.43% | NA     | NM     | NM    |
| Fed 5-Yr Fwd BE Inf. | 1.98% | -1 bps  | NM     | NM    |                    |       |        |        |       |

Source: Bloomberg



Source: Bloomberg





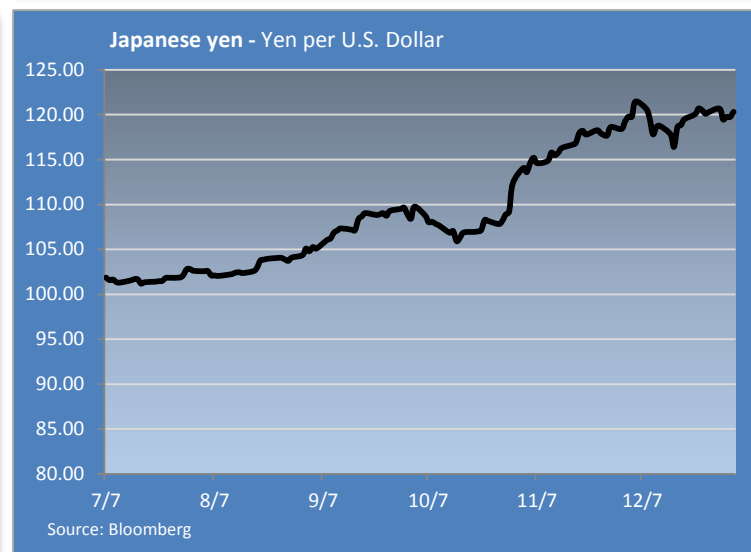
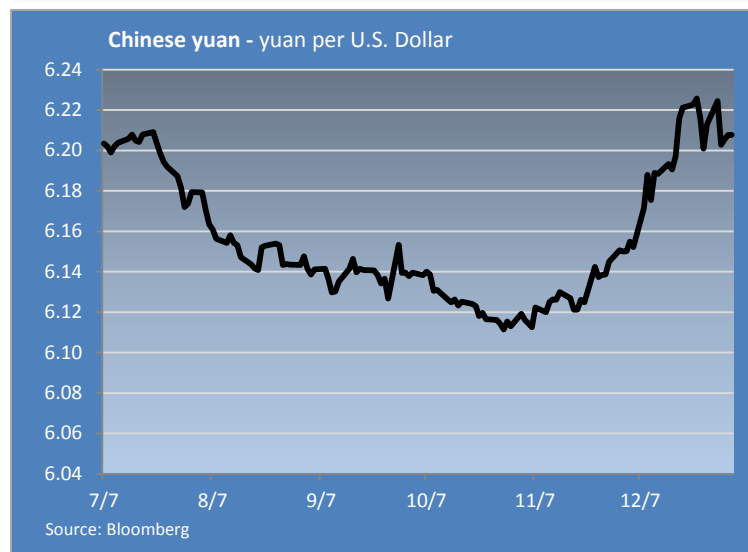
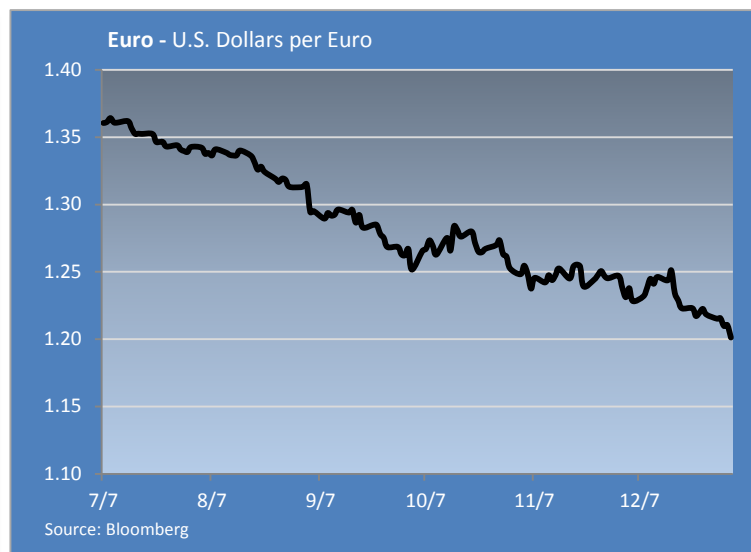
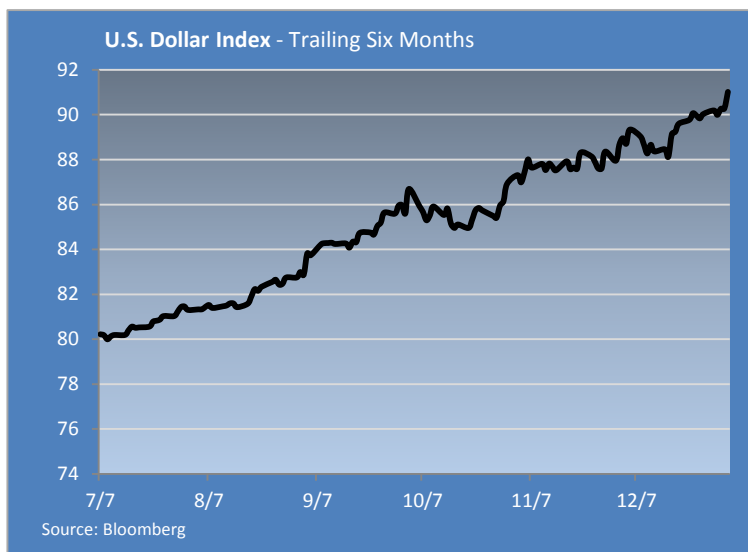
## CURRENCIES

### SELECTED CURRENCY PERFORMANCE

|                 | Last   | Change | % Chg. | YTD %  |
|-----------------|--------|--------|--------|--------|
| Dollar Index    | 91.12  | 0.988  | 1.10%  | 0.83%  |
| Euro            | 1.20   | -0.017 | -1.40% | -0.71% |
| Japanese Yen    | 120.46 | 0.000  | 0.00%  | -0.44% |
| British Pound   | 1.53   | -0.021 | -1.32% | -1.44% |
| Canadian Dollar | 1.18   | 0.012  | -1.00% | -1.06% |

|                    | Last  | Change | % Chg. | YTD %  |
|--------------------|-------|--------|--------|--------|
| Chinese Yuan       | 6.21  | -0.005 | 0.09%  | -0.04% |
| Swiss Franc        | 1.00  | 0.013  | -1.33% | -0.65% |
| New Zealand Dollar | 0.77  | -0.006 | -0.76% | -1.23% |
| Brazilian Real     | 2.69  | 0.023  | -0.84% | -1.27% |
| Mexican Peso       | 14.85 | 0.099  | -0.67% | -0.43% |

Source: Bloomberg



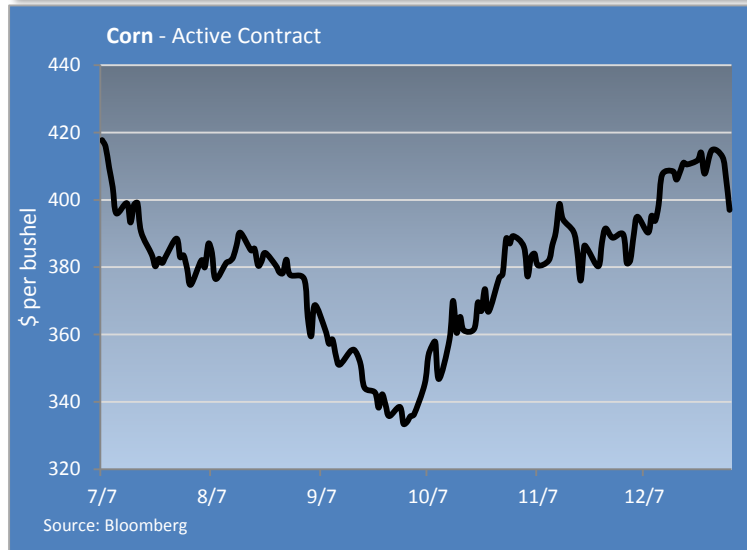
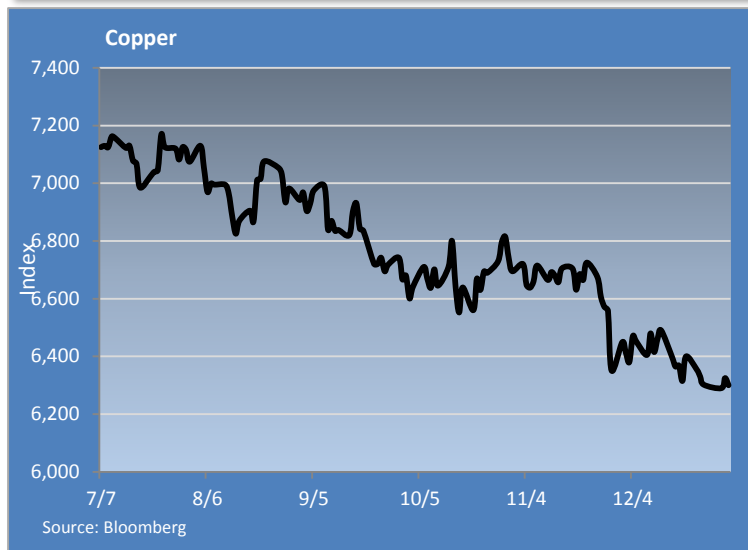
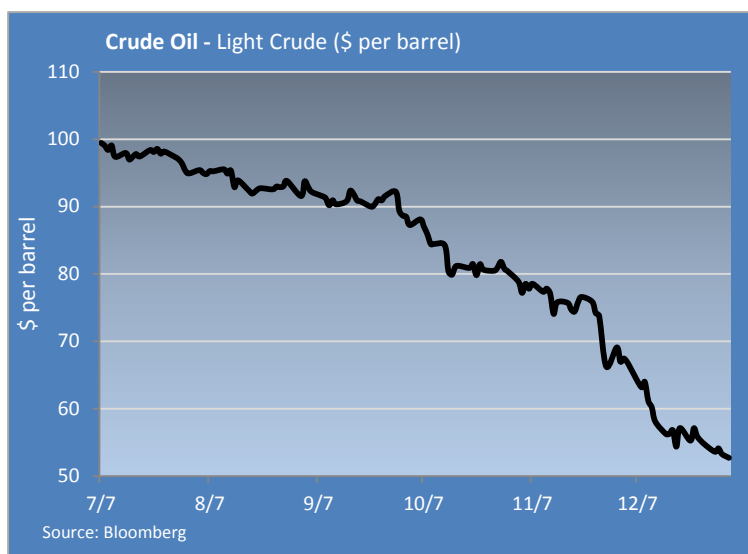
## COMMODITIES

### SELECTED COMMODITY MARKET PERFORMANCE

|                        | Last       | Change   | % Chg. | YTD %  |
|------------------------|------------|----------|--------|--------|
| DJ UBS Comm. Idx.      | 103.86     | -2.40    | -2.26% | -0.24% |
| Rogers Int. Comm. Idx. | 2749.00    | -99.51   | -3.49% | -1.56% |
| Crude Oil              | \$52.61    | -\$2.01  | -3.67% | -1.03% |
| Natural Gas            | \$2.96     | \$0.05   | 1.65%  | 6.72%  |
| Gasoline (\$/Gal.)     | \$2.23     | -\$0.08  | -3.29% | -0.40% |
| Heating Oil            | 180.05     | -7.74    | -4.11% | -1.46% |
| Gold Spot              | \$1,188.44 | -\$13.38 | -1.12% | -0.15% |
| Silver Spot            | \$15.81    | -\$0.37  | -2.27% | -0.05% |

|               | Last       | Change   | % Chg. | YTD %  |
|---------------|------------|----------|--------|--------|
| Platinum Spot | \$1,202.13 | -\$22.75 | -1.87% | -1.12% |
| Corn          | 395.75     | -13.00   | -3.19% | -0.57% |
| Wheat         | 581.25     | -33.50   | -5.48% | -1.99% |
| Soybeans      | 1,007.50   | -27.00   | -2.61% | -1.49% |
| Sugar         | 14.17      | 0.00     | 0.00%  | -2.41% |
| Orange Juice  | 143.90     | 3.15     | 2.24%  | 2.93%  |
| Aluminum      | 1,852.50   | -8.50    | -0.46% | 0.00%  |
| Copper        | 6,300.00   | -2.00    | -0.03% | 0.00%  |

Source: Bloomberg; % change is based on price.



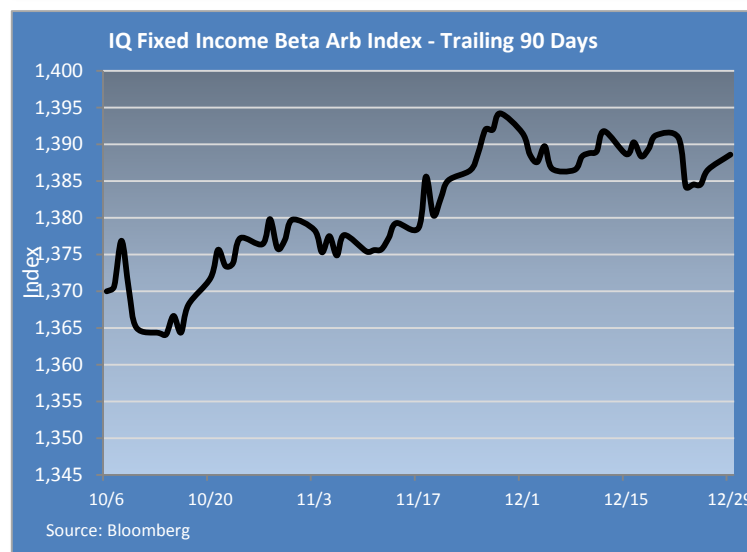
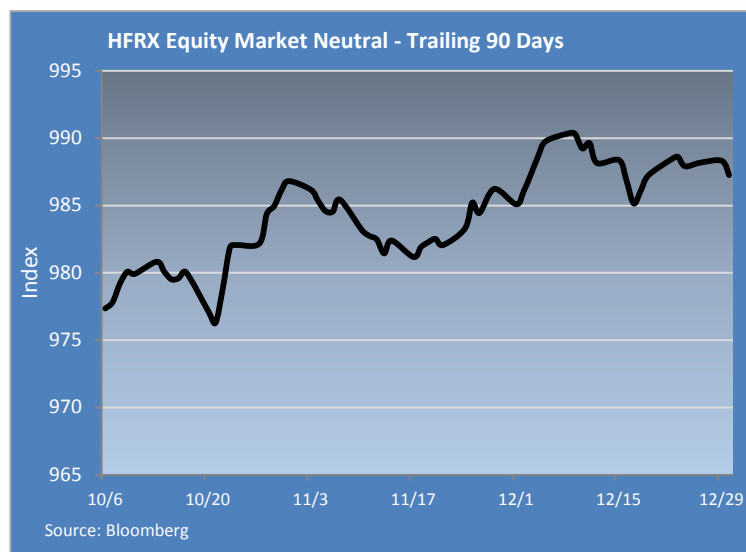
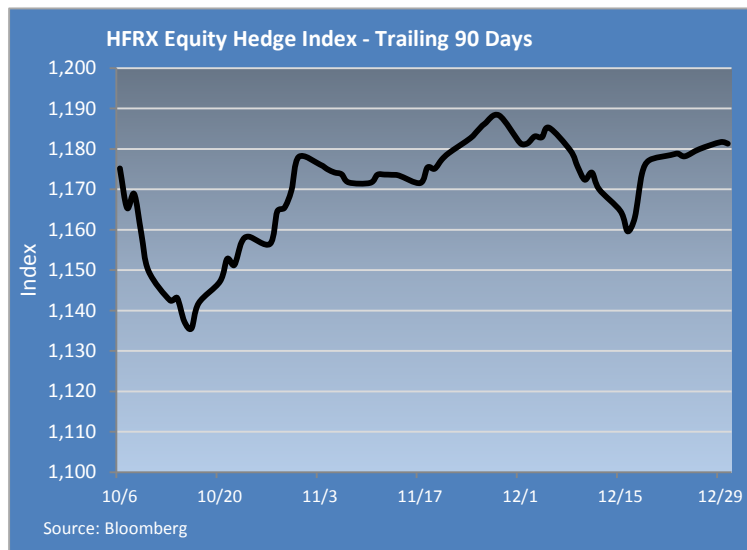
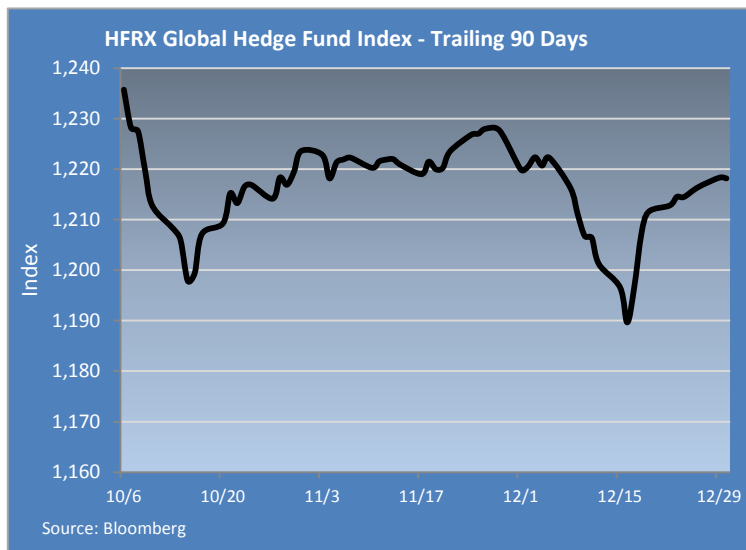
## ALTERNATIVE INVESTMENTS

### SELECTED ALTERNATIVE INVESTMENT INDEX PERFORMANCE

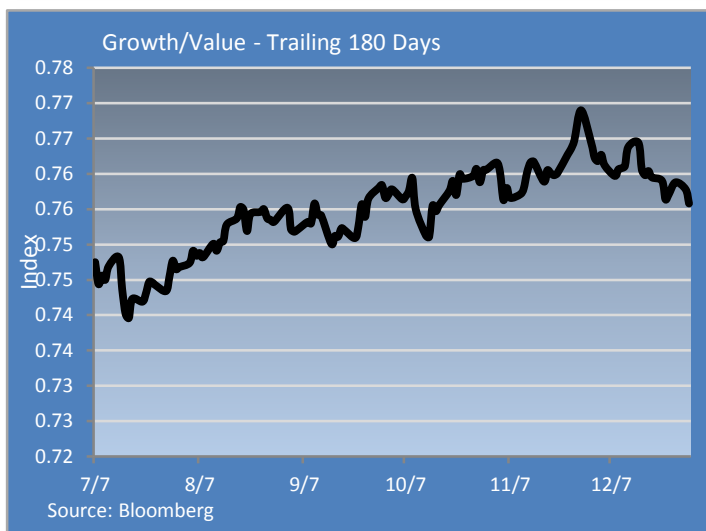
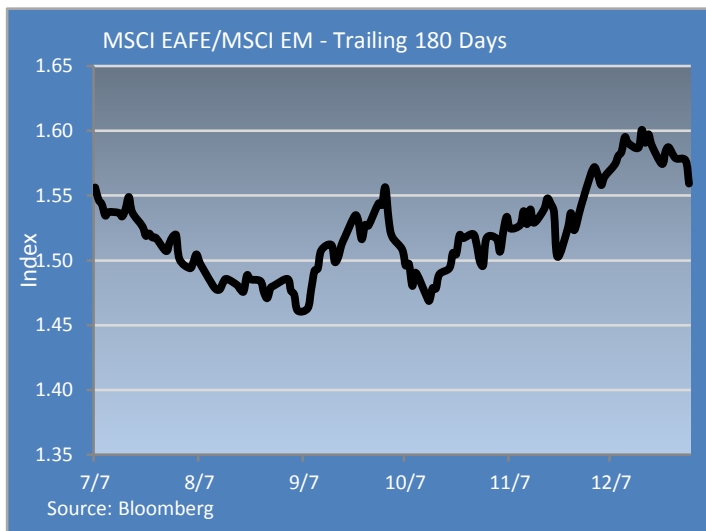
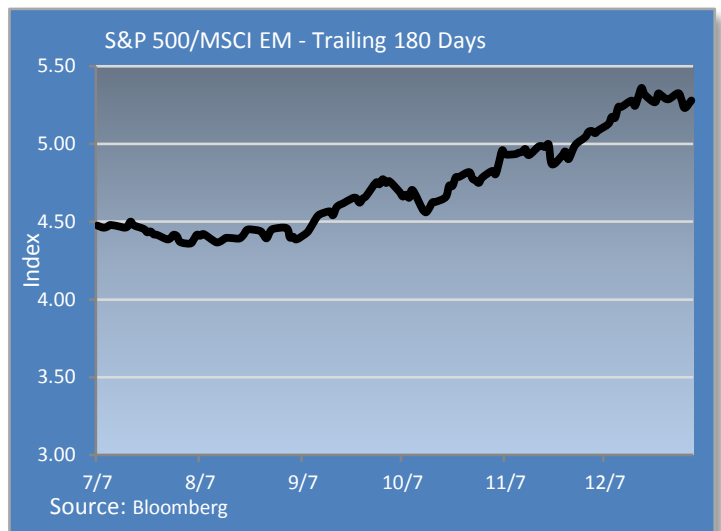
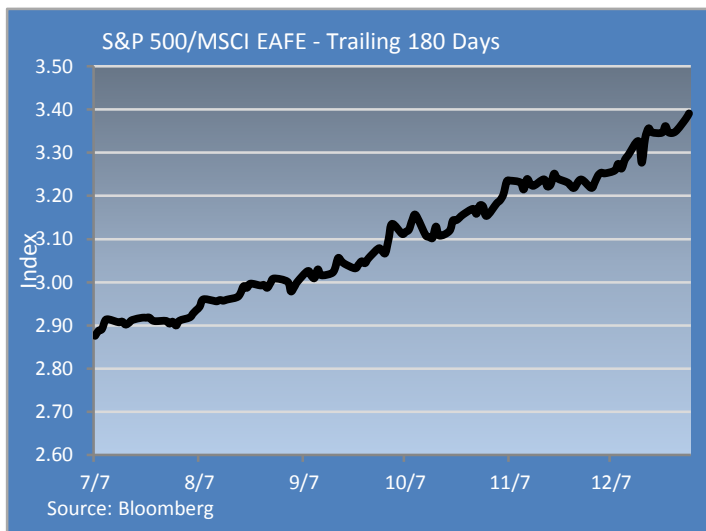
|                              | Last    | Change | % Chg. | YTD %  |
|------------------------------|---------|--------|--------|--------|
| HFRX Global Hedge Fund Index | 1214.49 | 1.74   | 0.14%  | -0.60% |
| HFRX Equity Market Neutral   | 987.91  | -0.91  | -0.09% | 3.73%  |
| HFRX Equity Hedge Index      | 1178.18 | 1.37   | 0.12%  | 1.37%  |
| HFRX Event-Driven Index      | 1502.96 | 6.63   | 0.44%  | -4.06% |
| HFRX Absolute Return Index   | 996.15  | -1.11  | -0.11% | 0.67%  |

|                                  | Last    | Change | % Chg. | YTD %  |
|----------------------------------|---------|--------|--------|--------|
| HFRX Distressed Index            | 1004.61 | -1.33  | -0.13% | 0.09%  |
| HFRX Merger Arbitrage Index      | 1598.37 | 2.15   | 0.13%  | 2.09%  |
| HFRX Convertible Arbitrage Index | 701.23  | -0.46  | -0.07% | -9.59% |
| HFRX Macro CTA Index             | 1190.55 | -1.27  | -0.11% | 5.09%  |
| IQ Fixed Income Beta Arb Index   | 1389.44 | 2.49   | 0.18%  | 0.10%  |

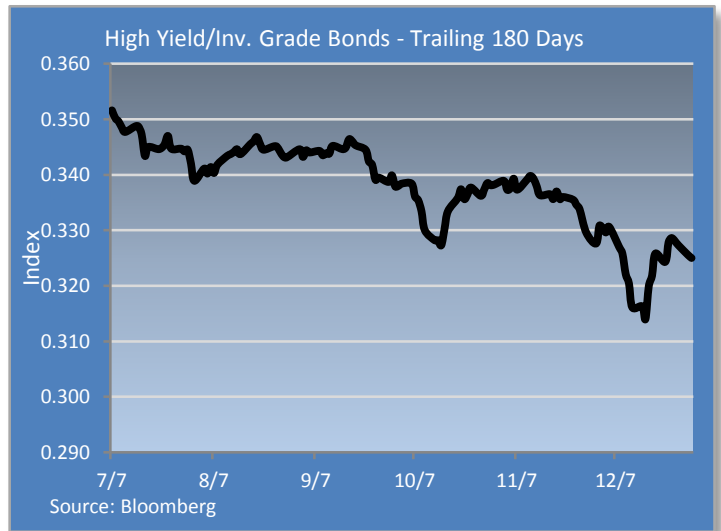
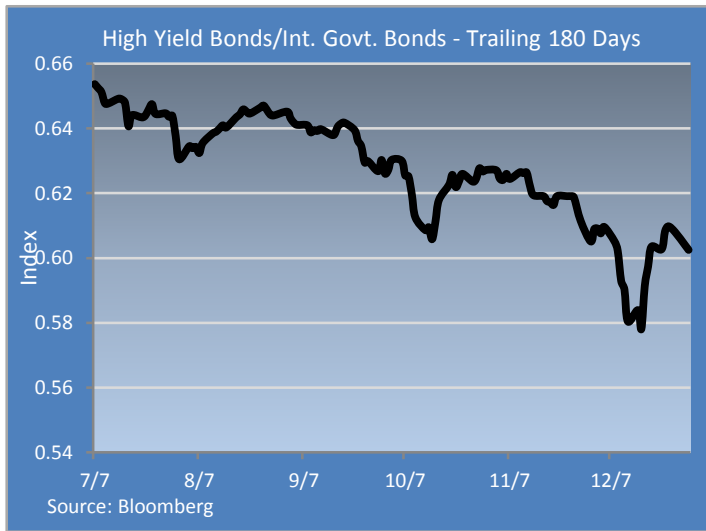
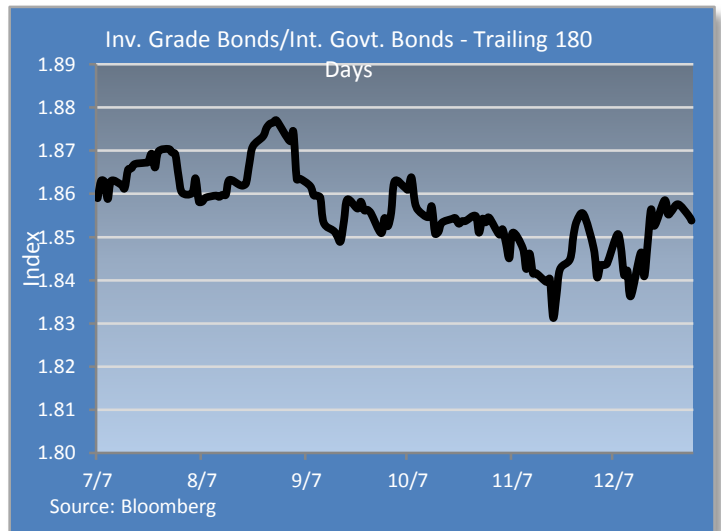
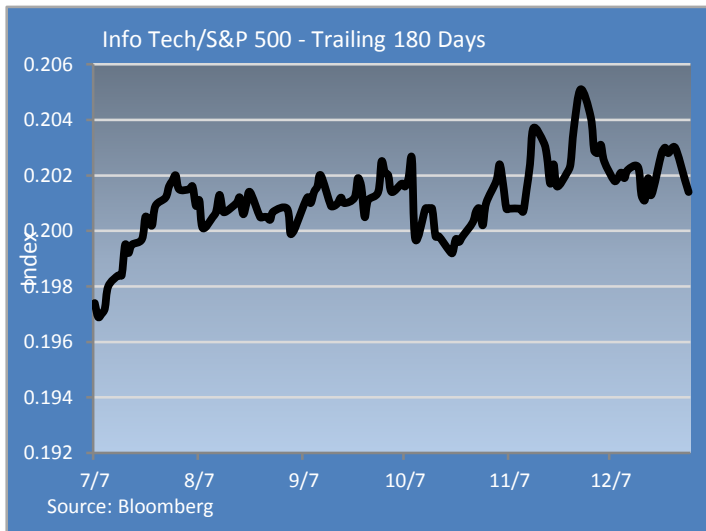
Source: Bloomberg; Index % change is based on price.



### PORTFOLIO CONSTRUCTION



### PORTFOLIO CONSTRUCTION (cont'd.)



WEEKLY ASSET CLASS PERFORMANCE (Prior 12 weeks ending Thursday)

|                  |                           |                   | 10/16  | 10/23  | 10/30  | 11/6   | 11/13  | 11/20  | 11/27  | 12/4   | 12/11  | 12/18  | 12/25  | 1/1    |
|------------------|---------------------------|-------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Equity           | Domestic Equity           | Large Cap (R200)  | -3.63% | 4.70%  | 2.23%  | 1.74%  | 0.49%  | 0.61%  | 0.99%  | -0.04% | -1.84% | 1.21%  | 0.94%  | -1.11% |
|                  |                           | Small Cap (R2000) | 1.67%  | 2.82%  | 3.52%  | 1.39%  | 0.30%  | -0.40% | 1.70%  | -1.48% | -0.52% | 2.16%  | 1.23%  | -0.17% |
|                  | Int'l. Equity             | MSCI EAFE         | -4.01% | 3.61%  | 1.24%  | 0.31%  | 0.47%  | 0.14%  | 1.51%  | -0.67% | -2.34% | -1.12% | 1.25%  | -0.81% |
|                  |                           | MSCI Em. Mkts.    | -3.74% | 1.14%  | 2.63%  | -1.61% | 0.14%  | -0.26% | 2.27%  | -2.54% | -4.14% | -1.15% | 1.66%  | 0.60%  |
| Fixed Income     | BarCap Agg. (AGG)         | 0.69%             | -0.40% | -0.14% | -0.49% | 0.20%  | 0.01%  | 0.46%  | -0.16% | 0.11%  | -0.10% | -0.37% | 0.39%  |        |
|                  | High Yield (JNK)          | -0.53%            | 1.61%  | 0.20%  | -0.30% | -0.42% | -0.85% | 0.83%  | -2.03% | -2.78% | 0.95%  | 1.64%  | -1.18% |        |
| Commodities      | DJ UBS Index              | -1.08%            | -0.26% | 0.60%  | -0.81% | -0.90% | 1.70%  | -0.36% | -4.50% | -1.35% | -1.95% | -2.17% | -1.73% |        |
| Alternatives     | Hedge Funds (HFRX Global) | -1.66%            | 1.42%  | 0.25%  | 0.20%  | 0.00%  | -0.14% | 0.63%  | -0.59% | -1.17% | 0.07%  | 0.60%  | 0.30%  |        |
| Asset Allocation | 60/40*                    | -1.49%            | 2.23%  | 1.30%  | 0.43%  | 0.30%  | 0.11%  | 1.01%  | -0.55% | -1.26% | 0.36%  | 0.63%  | -0.36% |        |
|                  | 48/32/20 (w/Alts.)**      | -1.53%            | 2.07%  | 1.09%  | 0.38%  | 0.24%  | 0.06%  | 0.93%  | -0.56% | -1.25% | 0.31%  | 0.62%  | -0.23% |        |

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           | 1.01             | 0.99            | 0.97         | 0.97           | 0.98          | 0.95           | 0.95             | 0.97            | 1.22             | 1.24             | 0.92  | 1.83  | 1.03      | 1.29       |
| Large Cap Growth | 0.99           | 1.00             | 0.98            | 0.96         | 0.96           | 0.97          | 0.94           | 0.94             | 0.96            | 1.21             | 1.22             | 0.91  | 1.81  | 1.02      | 1.28       |
| Large Cap Value  | 1.01           | 1.02             | 1.00            | 0.98         | 0.98           | 0.99          | 0.96           | 0.96             | 0.97            | 1.23             | 1.25             | 0.92  | 1.84  | 1.04      | 1.30       |
| Mid Cap Core     | 1.03           | 1.04             | 1.02            | 1.00         | 1.00           | 1.00          | 0.98           | 0.97             | 0.99            | 1.25             | 1.27             | 0.94  | 1.88  | 1.06      | 1.32       |
| Mid Cap Growth   | 1.03           | 1.04             | 1.02            | 1.00         | 1.00           | 1.01          | 0.98           | 0.98             | 0.99            | 1.26             | 1.27             | 0.94  | 1.88  | 1.06      | 1.32       |
| Mid Cap Value    | 1.02           | 1.03             | 1.01            | 1.00         | 0.99           | 1.00          | 0.98           | 0.97             | 0.99            | 1.25             | 1.26             | 0.94  | 1.87  | 1.06      | 1.32       |
| Small Cap Core   | 1.05           | 1.06             | 1.04            | 1.02         | 1.02           | 1.02          | 1.00           | 0.99             | 1.01            | 1.28             | 1.30             | 0.96  | 1.91  | 1.08      | 1.35       |
| Small Cap Growth | 1.05           | 1.07             | 1.05            | 1.03         | 1.03           | 1.03          | 1.01           | 1.00             | 1.02            | 1.29             | 1.30             | 0.96  | 1.93  | 1.09      | 1.36       |
| Small Cap Value  | 1.04           | 1.05             | 1.03            | 1.01         | 1.01           | 1.01          | 0.99           | 0.98             | 1.00            | 1.27             | 1.28             | 0.95  | 1.89  | 1.07      | 1.33       |
| Int'l. Developed | 0.82           | 0.83             | 0.81            | 0.80         | 0.80           | 0.80          | 0.78           | 0.78             | 0.79            | 1.00             | 1.01             | 0.75  | 1.49  | 0.85      | 1.05       |
| Emerging Markets | 0.81           | 0.82             | 0.80            | 0.79         | 0.79           | 0.79          | 0.77           | 0.77             | 0.78            | 0.99             | 1.00             | 0.74  | 1.48  | 0.84      | 1.04       |
| REITs            | 1.09           | 1.10             | 1.08            | 1.06         | 1.06           | 1.07          | 1.04           | 1.04             | 1.06            | 1.34             | 1.35             | 1.00  | 2.00  | 1.13      | 1.41       |
| Commodities      | 0.55           | 0.55             | 0.54            | 0.53         | 0.53           | 0.54          | 0.52           | 0.52             | 0.53            | 0.67             | 0.68             | 0.50  | 1.00  | 0.57      | 0.71       |
| Int. Bond        | 0.97           | 0.98             | 0.96            | 0.94         | 0.94           | 0.95          | 0.92           | 0.92             | 0.93            | 1.18             | 1.19             | 0.88  | 1.77  | 1.00      | 1.24       |
| High Yield       | 0.78           | 0.78             | 0.77            | 0.76         | 0.75           | 0.76          | 0.74           | 0.74             | 0.75            | 0.95             | 0.96             | 0.71  | 1.42  | 0.80      | 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**

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 is a stock market index of the common stocks and similar securities listed on the NASDAQ stock market. The MSCI EAFE Index represents 21 developed markets outside of North America. 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 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 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 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 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 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 Citigroup World Government Bond Index is a market capitalization weighted bond index consisting of the government bond markets of Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Malaysia, Mexico, the Netherlands, Norway, Poland, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom and the United States. The DJ-UBS Commodity Index Total Return<sup>SM</sup> 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 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). The ISM Non-Manufacturing Index 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 ISM Manufacturing Index is an index based on surveys of more than 300 manufacturing firms by the Institute of Supply Management. The ISM Manufacturing Index monitors employment, production inventories, new orders and supplier deliveries. A composite diffusion index is created that monitors conditions in national manufacturing based on the data from these surveys. The Consumer Price Index (CPI) measures the change in the cost of a fixed basket of products and services. 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. 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 World ex-U.S. Index - captures large and mid-cap representation across 22 of 23 Developed Markets DM countries\*--excluding the United States. With 1,002 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country. (\* DM countries include: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the UK.) 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 Barclays 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 University of Michigan Consumer Sentiment Index (MCSI) is a survey of consumer confidence conducted by the University of Michigan. The Michigan Consumer Sentiment Index (MCSI) uses telephone surveys to gather information on consumer expectations regarding the overall economy. 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. An open-end index fund continuously issues and redeems shares based on investor demand. As an index fund, its investment objective is to duplicate the performance of the index it uses as a benchmark. 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 Barclays 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. Barclays U.S. Aggregate Bond Index is weighted according to market capitalization, which means the securities represented in the index are weighted according to the market size of the bond category. Treasury securities, mortgage-backed securities (MBS) foreign bonds, government agency bonds and corporate bonds are some of the categories included in the index. Barclays U.S. Corporate High-Yield Index is composed of fixed-rate, publicly issued, non-investment grade debt. Barclays U.S. Corporate 5-10 Year Index includes U.S. dollar-denominated, investment-grade, fixed-rate, taxable securities issued by industrial, utility, and financial companies, with maturities between 5 and 10 years.

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