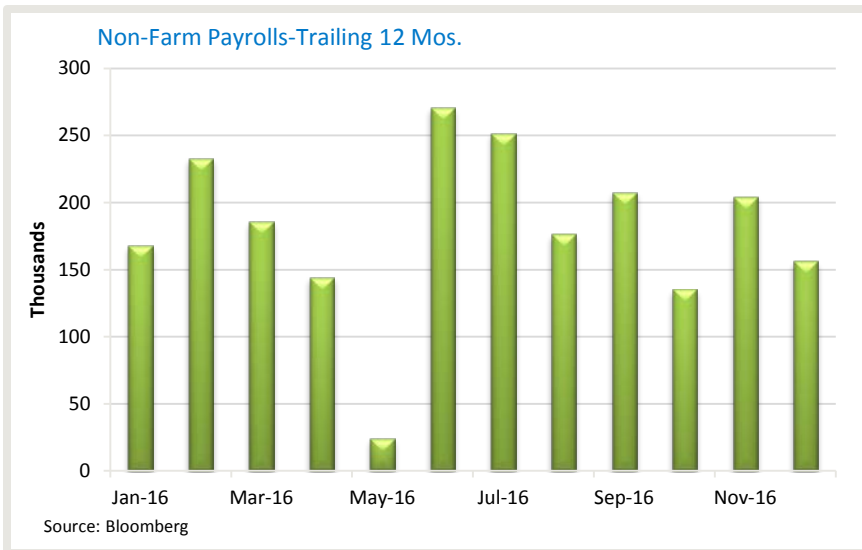


Weekly Market Review

January 13, 2017

Chart of the Week



Weekly Highlights

- **Job openings and hiring are strong, according to DOL’s JOLTS.** Job openings rose to 5.5 million in November, modestly increasing from October’s figure of 4.5 million. The number of hirings stood at 5.2 million for the November, continuing a trend of openings exceeding hiring that has persisted for two years. In the context of the current number of unemployed, this gap suggests employers are having trouble finding candidates with appropriate skills for their open positions.
- **Jobless claims remain low.** For the week of January 7, initial claims of 247,000 were below expectations. This is well below the rolling four-week average. Continuing claims for the week of December 31 fell to 2.087 million – in-line with the four-week average. Whereas readings from short holiday weeks can be somewhat misleading, the data are consistent with both the strength in the labor market and recent readings near historic lows.
- **University of Michigan Consumer Sentiment Index is high.** This measure of consumer confidence fell marginally since December, but remains near highs not seen since January 2015 and, prior to that, before the Financial Crisis. Current conditions rose modestly, expectations fell slightly, and inflation expectations rose sharply.

Talking Points

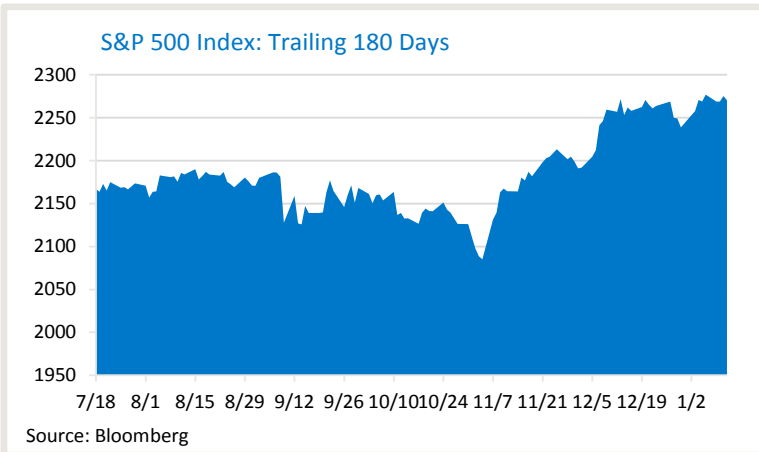
- **Global equity markets** were led by China, Greece, and Japan with low single-digit returns, while Italian and Spanish equities were down slightly for the week.
- **Treasuries were flat through Thursday.** US Treasury yields experienced only de minimis shifts during the week.
- **Commodities were mixed.** Oil and precious and industrial metals were up through mid-day Friday. Agricultural commodities were down slightly on average, while cattle was slightly up.
- **The US Dollar is modestly down** against a basket of major trade partners’ currencies. However, USD is still significantly stronger than it was three months ago.
- **In other economic news:** Export and import prices were up in December, though primarily as a result of higher energy prices. Mortgage applications rose during the week of January 6 relative to the prior week, but were down sharply year-over-year. The Fed’s Labor Market Conditions Index was down slightly, indicating some slack in the labor market despite being at full employment.

Market Dashboard

| | Last Price | Change | % Chg. | YTD % |
|---------------------------|------------|--------|--------|-------|
| S&P 500 | 2,274.64 | -2.34 | -0.10% | 1.6% |
| Dow Industrials | 19,885.73 | -78.07 | -0.39% | 0.6% |
| Nasdaq | 5,574.12 | 53.06 | 0.96% | 3.5% |
| Russell 2000 | 1,372.05 | 4.77 | 0.35% | 1.1% |
| Euro Stoxx Index | 365.94 | 0.49 | 0.13% | 1.3% |
| Shanghai Composite | 3,112.76 | -41.56 | -1.32% | 0.3% |
| Russell Global | 1,797.71 | 3.18 | 0.18% | 2.0% |

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

| | Last Price | Change | % Chg. | YTD % |
|--------------------------|------------|---------|--------|--------|
| Russell Global EM | 2,834.92 | 46.26 | 1.66% | 3.8% |
| 10-Year US Treas. | 2.38 | -4 bps | NM | NM |
| DJ UBS Comm. Idx. | 88.54 | 1.18 | 1.35% | 1.2% |
| Gold | \$1,197.66 | \$25.42 | 2.17% | 4.4% |
| Crude Oil | \$52.51 | -\$1.49 | -2.76% | -2.3% |
| Dollar Index | 101.19 | -1.01 | -0.99% | -1.0% |
| VIX Index | 11.25 | -0.07 | -0.62% | -19.9% |



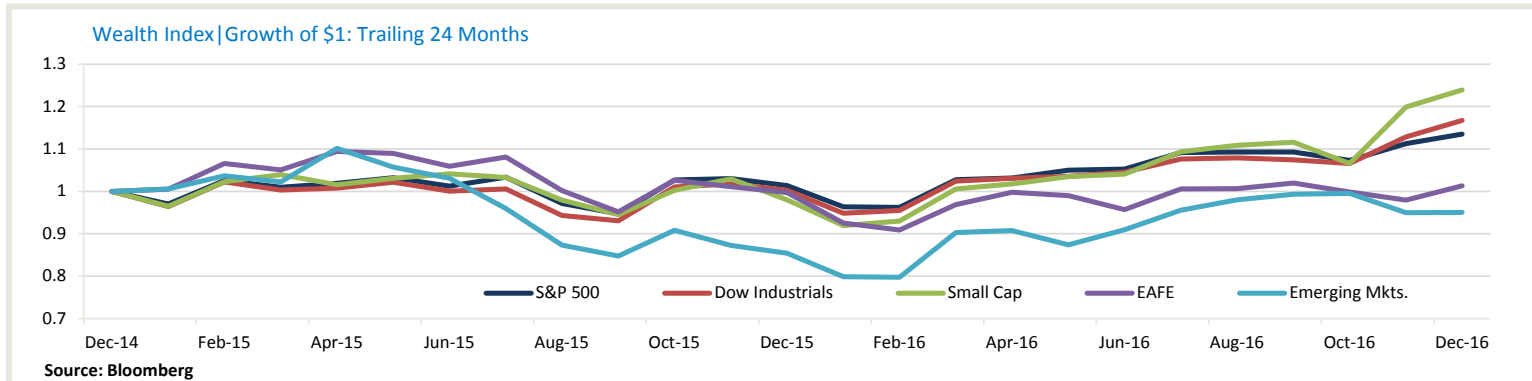
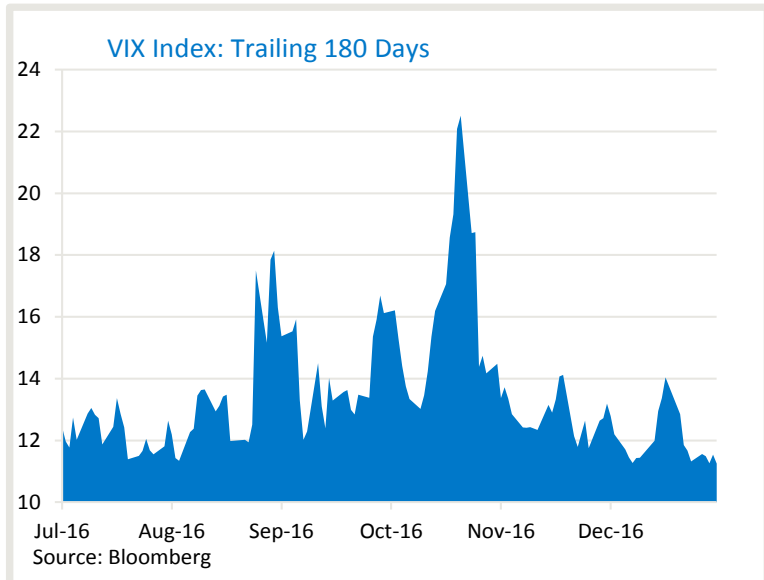
| | One Week | | | YTD | | |
|----------|----------|--------|-------|-------|--------|-------|
| | Value | Growth | | Value | Growth | |
| L | -0.31% | -0.08% | 0.14% | 0.57% | 1.63% | 2.67% |
| | -0.52% | 0.06% | 0.79% | 1.21% | 1.92% | 2.82% |
| S | -0.32% | 0.35% | 1.09% | 0.06% | 1.10% | 2.26% |

Source: Bloomberg

Sector Performance:
S&P/Global Industry Classification Sectors (GICS)

| | % Wgt in S&P 500 | Week % Chg. | YTD % Chg. |
|-------------------------------|------------------|-------------|------------|
| Consumer Discretionary | 12.2 | 0.83% | 3.2% |
| Consumer Staples | 9.2 | -1.14% | -0.5% |
| Energy | 7.4 | -1.90% | -1.4% |
| Financials | 14.7 | -0.13% | 1.1% |
| Health Care | 13.8 | -0.09% | 2.8% |
| Industrials | 10.3 | 0.15% | 1.5% |
| Information Technology | 21.1 | 0.78% | 3.2% |
| Materials | 2.9 | 0.49% | 2.3% |
| Telecom Services | 2.6 | -1.09% | -2.2% |
| Utilities | 3.1 | -0.66% | -0.2% |

Source: Bloomberg



The Economy and Markets

A Macro View – Junk Bonds: How Long Can the Party Last?

Despite a dismal start to the year, investors who owned high yield bonds throughout 2016 were rewarded with equity-like returns of over 17%, as measured by the Bloomberg Barclays U.S. High Yield Corporate Bond Index. Such strong performance, especially in the land of fixed income, is clearly a cause for celebration. Although we have no intention of discouraging Champagne popping, it is important to understand what drove 2016's returns, examine how durable those drivers are, and determine what sort of market we can expect in 2017. After taking these considerations into account, it is likely a mistake to expect similar returns in the coming year.

The answer to the first question essentially boils down to oil prices, as a substantial portion of the high yield market comprises the debt of energy and commodity-related firms, and the shifting demand dynamic for junk bonds. This time last year was pretty dismal for the asset class, which ultimately booked its worst January performance in at least 20 years. Brent and WTI crude had reached their nadir, with prices below \$30 per barrel mid-month, and investors feared a wave of defaults from the beleaguered Energy sector and the metals & mining industry. US high yield mutual funds had net outflows of over \$8.5 billion in Q4 2015, and lost another \$3 billion in January. The disheartening atmosphere was reflected in yields and spreads that were the highest and widest that they had been since the European sovereign debt crisis.

However, February suddenly brought a sunnier picture, when oil prices began to rebound and continued to appreciate through the end of the year. The trend was boosted when December brought a welcome surprise for energy firms, as an unprecedented agreement between OPEC and Russia helped to push oil prices over \$50 per barrel. Although the majority of defaults in 2016 came from commodity-related sectors, climbing oil prices helped keep broad market defaults to approximately 4% for the trailing twelve months. Consequently, the average yield on junk bonds began a precipitous decline, followed by only brief halts when Brexit and the surprise election of Donald Trump occurred. The positive fundamental backdrop was bolstered by the largest calendar year of net inflows since 2012 and a 5% decline in issuance relative to 2015, according to J.P. Morgan data.

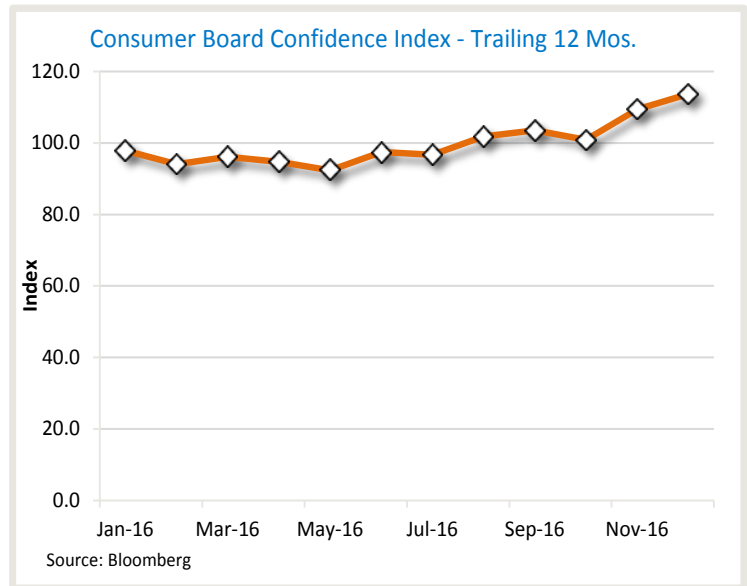
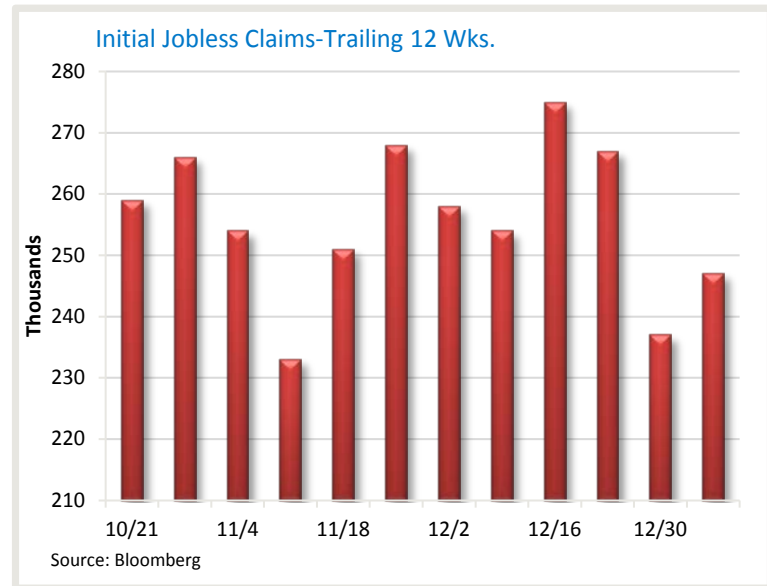
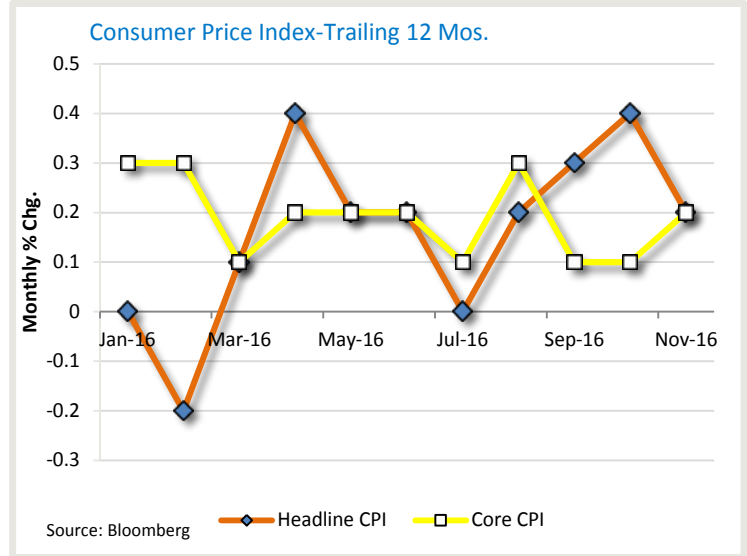
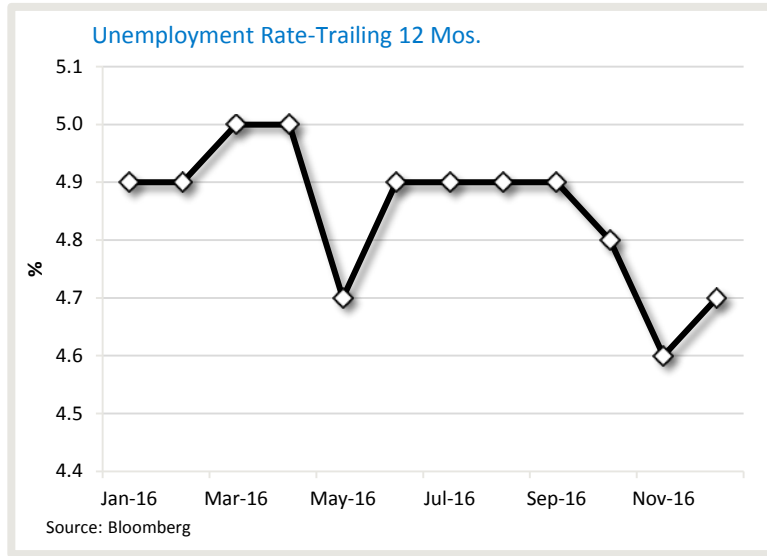
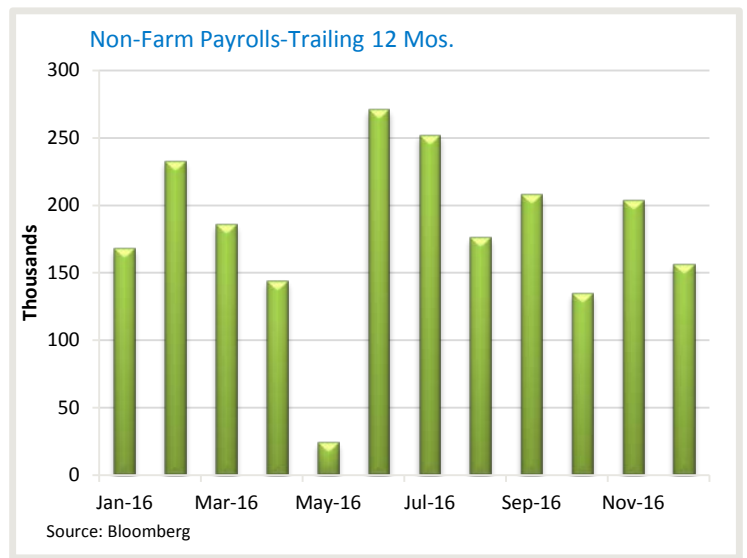
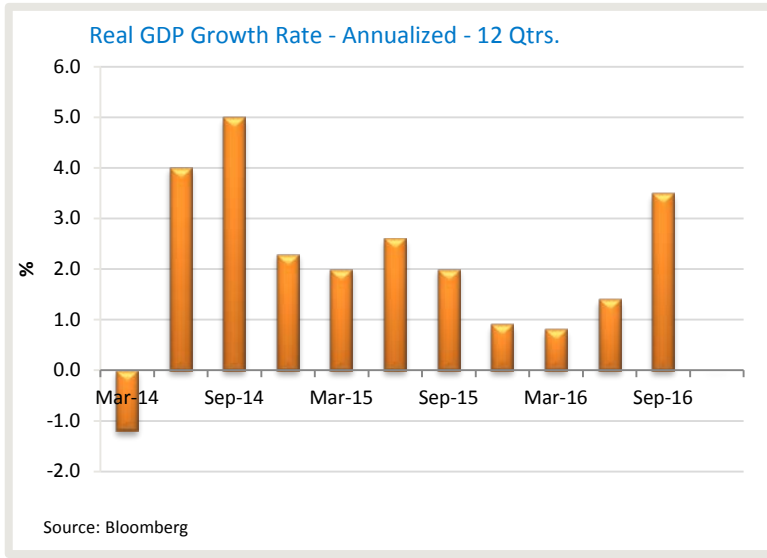
Whereas 2016 ended on a rosy note, there are justifiable concerns that the favorable backdrop for sub-investment grade credit may not last. Most importantly, oil prices may not continue to trade in their current range, which they reached in no small part due to the positive sentiment associated with the headline-making OPEC-Russia production cuts. Although the deal grabbed the world's attention, the agreement amounts to just a 2% cut in global oil production, and to what extent participants will respect the production cut agreement is unclear. In addition, if the cuts are successful and prices rise further, US shale producers stand to be the new global swing producers when higher-cost domestic basins once again become profitable. This matters for high yield, where energy sector spreads are again trading in-line with the broad market, implying crude prices of \$90 per barrel. Beyond the likely quota-busting within and without OPEC, the prospect of infrastructure spending, lower taxes, and, consequently, more government debt (and higher benchmark yields) in the US all point to a stronger US dollar. A stronger dollar would prove bearish for oil prices, and higher Treasury yields would make it more expensive for energy firms to refinance existing debt.

Although oil and defaults at energy-related companies have dominated the discussion of fundamentals in the high yield space in 2016, and are not likely to shift far from center stage in 2017, this year will likely bring about a refreshingly broader discussion of what constitutes the fundamental underpinnings of the asset class. Healthcare and pharmaceutical issuers are facing headwinds, from either proposed changes to or the outright repeal of the Affordable Care Act (ACA), coupled with potential policy responses to soaring drug prices. Retailers are hurting from declining traffic, as shopping continues to shift to online competitors. Even though trouble in Healthcare and the Consumer Discretionary sectors could lead to localized increases in defaults, J.P. Morgan forecasts that the drop in energy-related defaults will keep broad-market defaults below their historical average of approximately 3.9% in 2017.

For now, most managers we cover have a positive view of the domestic high yield asset class, noting that most of the market has stable or improving leverage and debt service coverage ratios and some of the highest yields in the developed world. This last fact alone is likely to keep investors' pocket books open to high yield firms that want to borrow, and most asset managers believe the junk bond still has room to run, although some are circumspect in their approach to commodity-related issuers and other troubled portions of the market. Junk bond returns so far this year have validated this view and may continue to do so well into 2017. However, it's worth remembering that 2016 began with high yield spreads well wide of the historical median. This year started with option-adjusted spreads below the median, meaning the upside for investors is substantially diminished. There's no need to put away the Champagne, but it might not make sense to restock your supply just yet.

Michael Wedekind
Investment Analyst

Economic Data



Eurozone

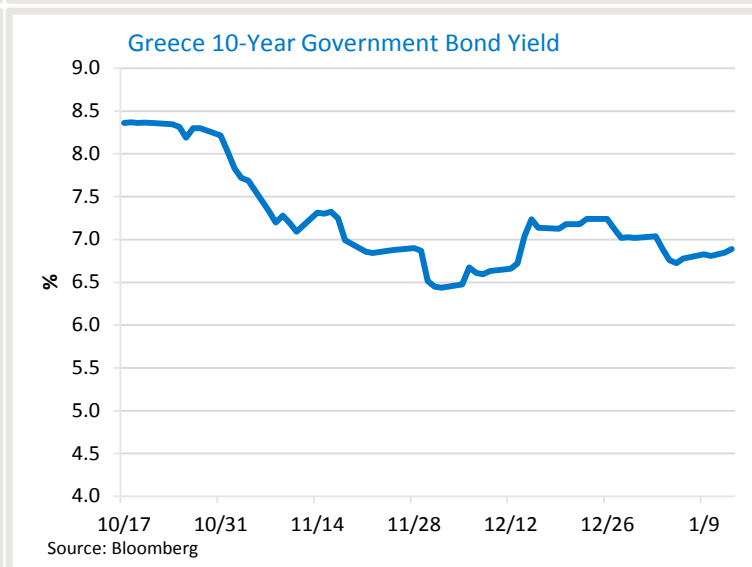
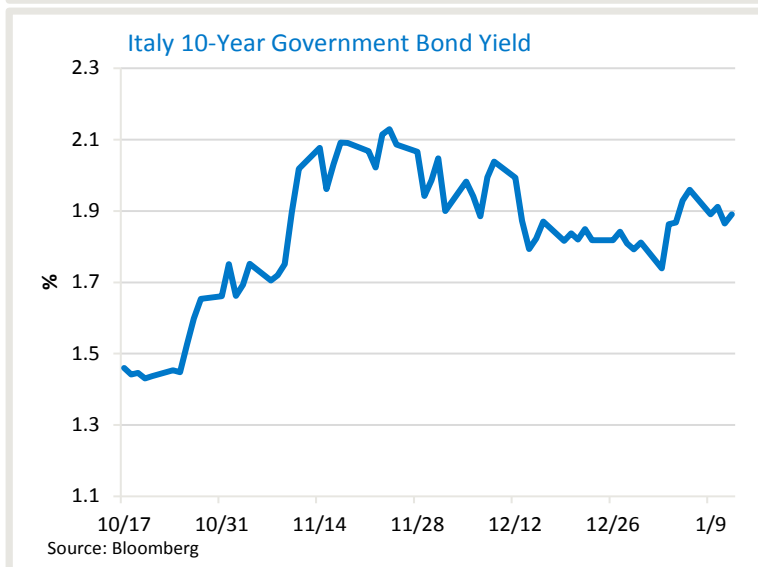
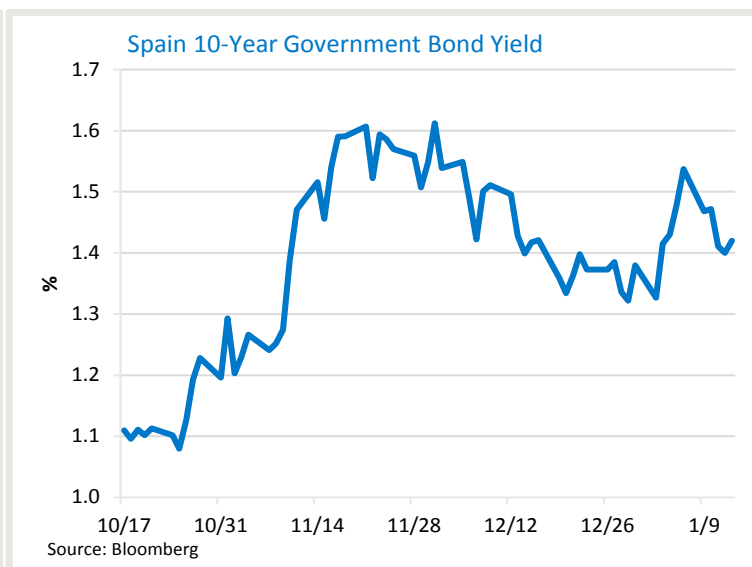
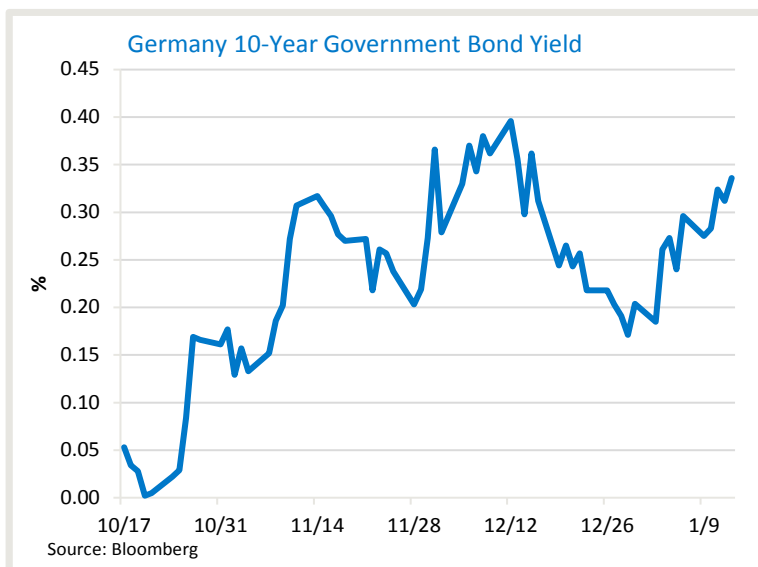
SELECTED EUROPEAN SOVEREIGN YIELD PERFORMANCE

| | Last | Change | % Chg. | YTD % |
|----------------------|------|--------|--------|-------|
| Germany 10-Yr. Govt. | 0.34 | 0 bps | NM | NM |
| Greece 10-Yr. Govt. | 6.89 | -8 bps | NM | NM |
| Italy 10-Yr. Govt. | 1.89 | 6 bps | NM | NM |
| Spain 10-Yr. Govt. | 1.42 | 11 bps | NM | NM |
| Belgium 10-Yr. Govt. | 0.68 | 1 bps | NM | NM |

| | Last | Change | % Chg. | YTD % |
|--------------------------|------|--------|--------|-------|
| France 10-Yr. Govt. | 0.80 | 2 bps | NM | NM |
| Ireland 10-Yr. Govt. | 0.90 | 5 bps | NM | NM |
| Portugal 10-Yr. Govt. | 3.88 | 11 bps | NM | NM |
| Netherlands 10-Yr. Govt. | 0.44 | 3 bps | NM | NM |
| U.K. 10-Yr. Govt. | 1.36 | 2 bps | NM | NM |

Source: Bloomberg

Basis points (bps)

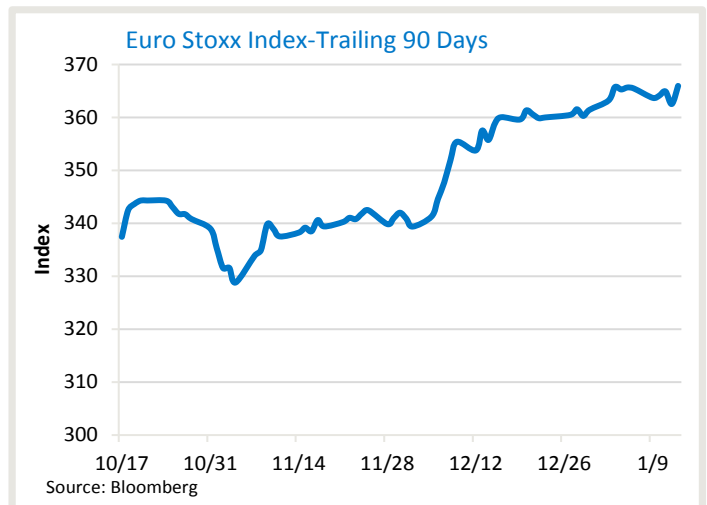
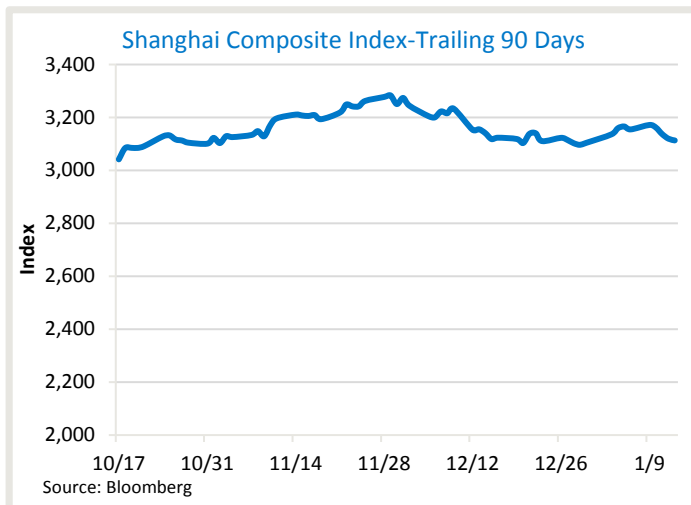
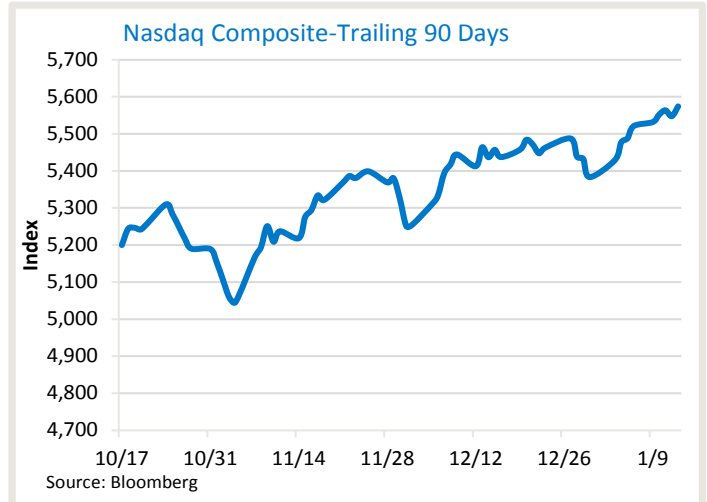
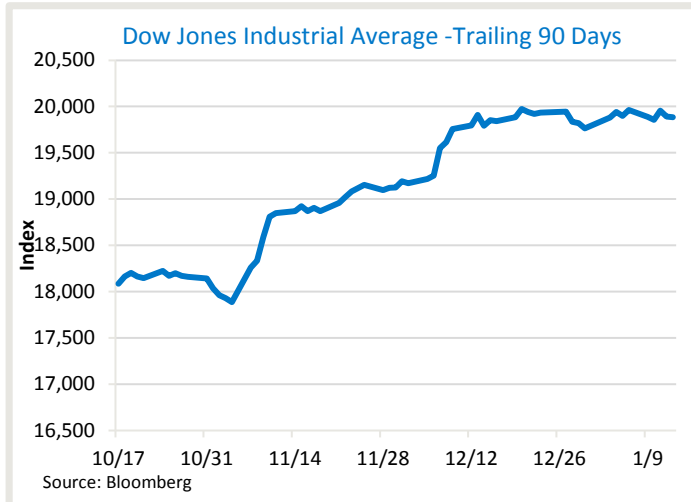


Equities

WORLD MARKET PERFORMANCE

| | Last | Change | % Chg. | YTD % | | Last | Change | % Chg. | YTD % |
|-----------------------------|------------------|----------------|---------------|--------------|-------------------------------|------------------|----------------|---------------|---------------|
| S&P 500 | 2,274.64 | -2.34 | -0.10% | 1.60% | Swiss Market Index | 8,452.19 | 34.73 | 0.41% | 2.83% |
| Dow Industrials | 19,885.73 | -78.07 | -0.39% | 0.62% | CAC 40 Index (France) | 4,922.49 | 12.65 | 0.26% | 1.24% |
| Nasdaq Composite | 5,574.12 | 53.06 | 0.96% | 3.55% | DAX Index (Germany) | 11,629.18 | 30.17 | 0.26% | 1.29% |
| Russell Global | 1,797.71 | 3.18 | 0.18% | 2.0% | Irish Overall Index | 6,658.95 | 64.63 | 0.98% | 2.17% |
| Russell Global EM | 2,834.92 | 46.26 | 1.66% | 3.8% | Nikkei 225 | 19,287.28 | -233.41 | -1.20% | 0.90% |
| S&P/TSX (Canada) | 15,497.28 | 1.23 | 0.01% | 1.37% | Hang Seng Index | 22,937.38 | 434.37 | 1.93% | 4.26% |
| Mexico IPC | 46,182.43 | 110.86 | 0.24% | 1.18% | Shanghai Composite | 3,112.76 | -41.56 | -1.32% | 0.29% |
| Brazil Bovespa | 63,651.52 | 1986.15 | 3.22% | 5.69% | Kospi Index (S. Korea) | 2,076.79 | 27.67 | 1.35% | 2.48% |
| Euro Stoxx 600 | 365.94 | 0.49 | 0.13% | 1.25% | Taiwan Taiex Index | 9,378.83 | 6.61 | 0.07% | 1.35% |
| FTSE 100 | 7,337.81 | 127.76 | 1.77% | 2.73% | Tel Aviv 25 Index | 1,450.06 | -17.77 | -1.21% | -1.41% |
| IBEX 35 (Spain) | 9,511.60 | -4.30 | -0.05% | 1.71% | MICEX Index (Russia) | 2,195.19 | -18.74 | -0.85% | -1.68% |

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



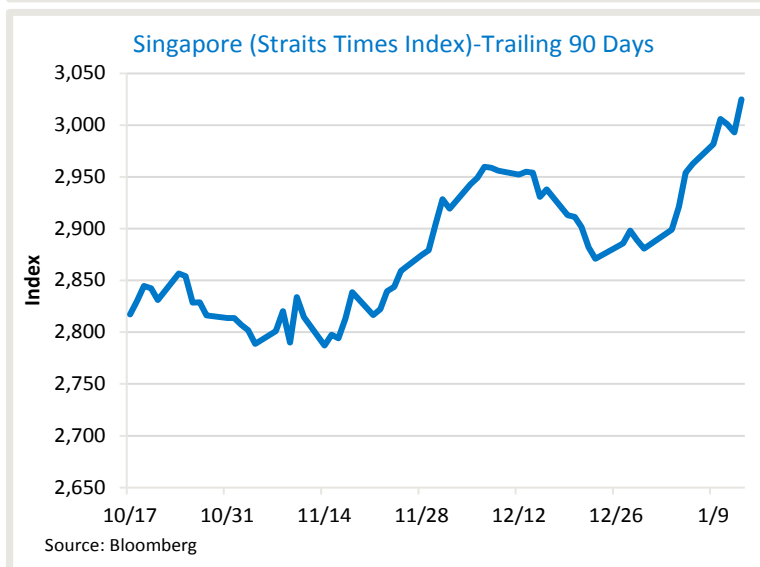
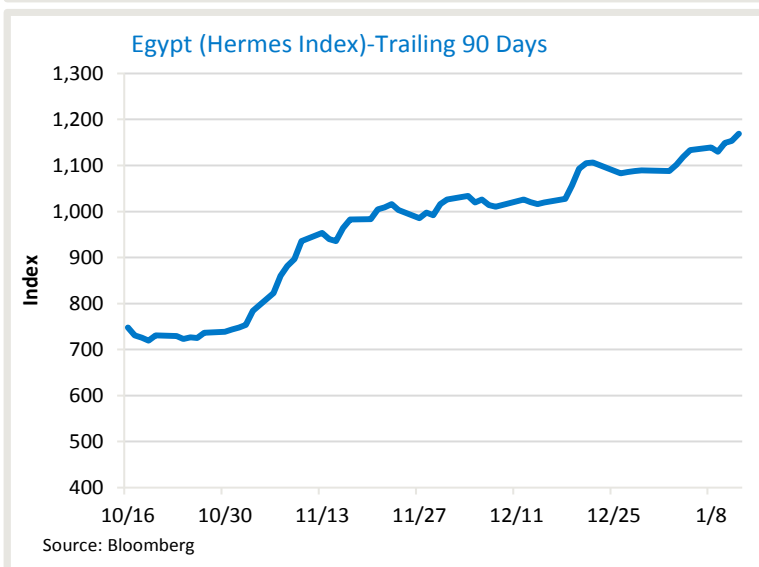
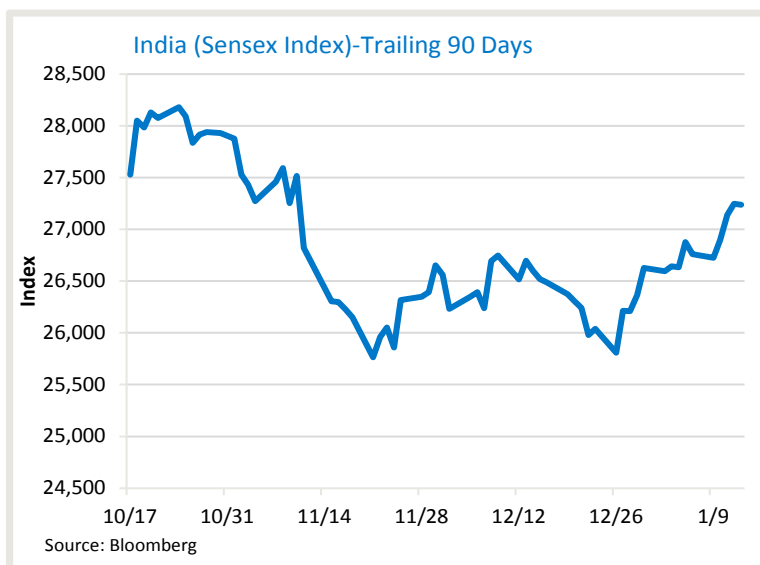
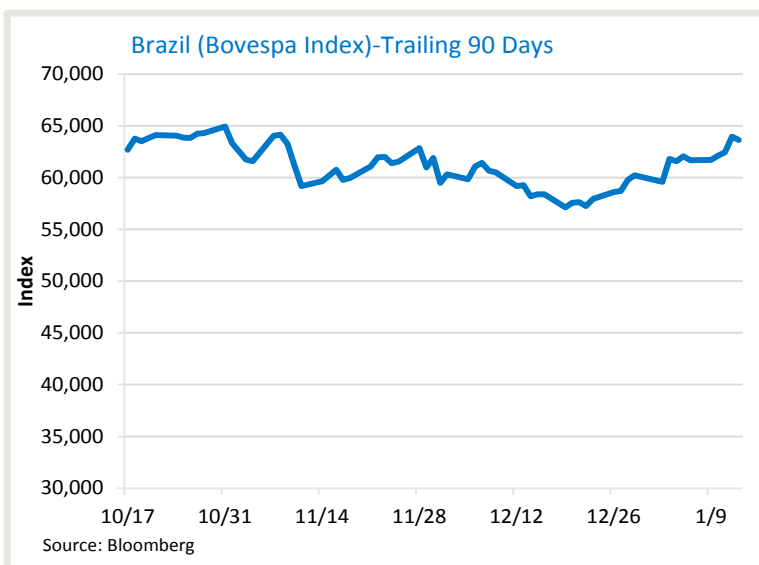
Equities – Emerging and Frontier Markets

EMERGING AND FRONTIER MARKET PERFORMANCE

| | Last | Change | % Chg. | YTD % |
|-----------------------------|-----------|---------|--------|-------|
| Mexico IPC | 46,182.43 | 110.86 | 0.2% | 1.2% |
| Brazil (Bovespa Index) | 63,651.52 | 1986.15 | 3.2% | 5.7% |
| MICEX Index (Russia) | 2,195.19 | -18.74 | -0.8% | -1.7% |
| Czech Republic (Prague) | 930.42 | -7.10 | -0.8% | 1.0% |
| Turkey (Istanbul) | 81,524.31 | 4417.75 | 5.7% | 4.3% |
| Egypt (Hermes Index) | 1,168.71 | 35.18 | 3.1% | 7.3% |
| Kenya (Nairobi 20 Index) | 2,971.10 | -168.11 | -5.4% | -6.8% |
| Saudi Arabia (TASI Index) | 6,921.77 | -276.96 | -3.8% | -4.0% |
| Lebanon (Beirut BLOM Index) | 1,211.76 | 1.26 | 0.1% | 0.0% |
| Palestine | 537.00 | 1.88 | 0.4% | 1.3% |

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

| | Last | Change | % Chg. | YTD % |
|---------------------------------|-----------|---------|--------|-------|
| Hang Seng Index | 22,937.38 | 434.37 | 1.9% | 4.3% |
| India (Sensex 30) | 27,238.06 | 478.83 | 1.8% | 2.3% |
| Malaysia (KLCI Index) | 1,672.50 | -2.99 | -0.2% | 1.9% |
| Singapore (Straits Times Index) | 3,025.07 | 62.44 | 2.1% | 5.0% |
| Thailand (SET Index) | 1,575.24 | 3.76 | 0.2% | 2.1% |
| Indonesia (Jakarta) | 5,272.98 | -74.04 | -1.4% | -0.4% |
| Pakistan (Karachi KSE 100) | 49,210.50 | 172.27 | 0.4% | 2.9% |
| Vietnam (Ho Chi Minh) | 685.06 | 5.26 | 0.8% | 3.0% |
| Sri Lanka (Colombo) | 6,217.72 | 70.20 | 1.1% | -0.2% |
| Cambodia (Laos) | 1,104.22 | -116.27 | -9.5% | 8.8% |

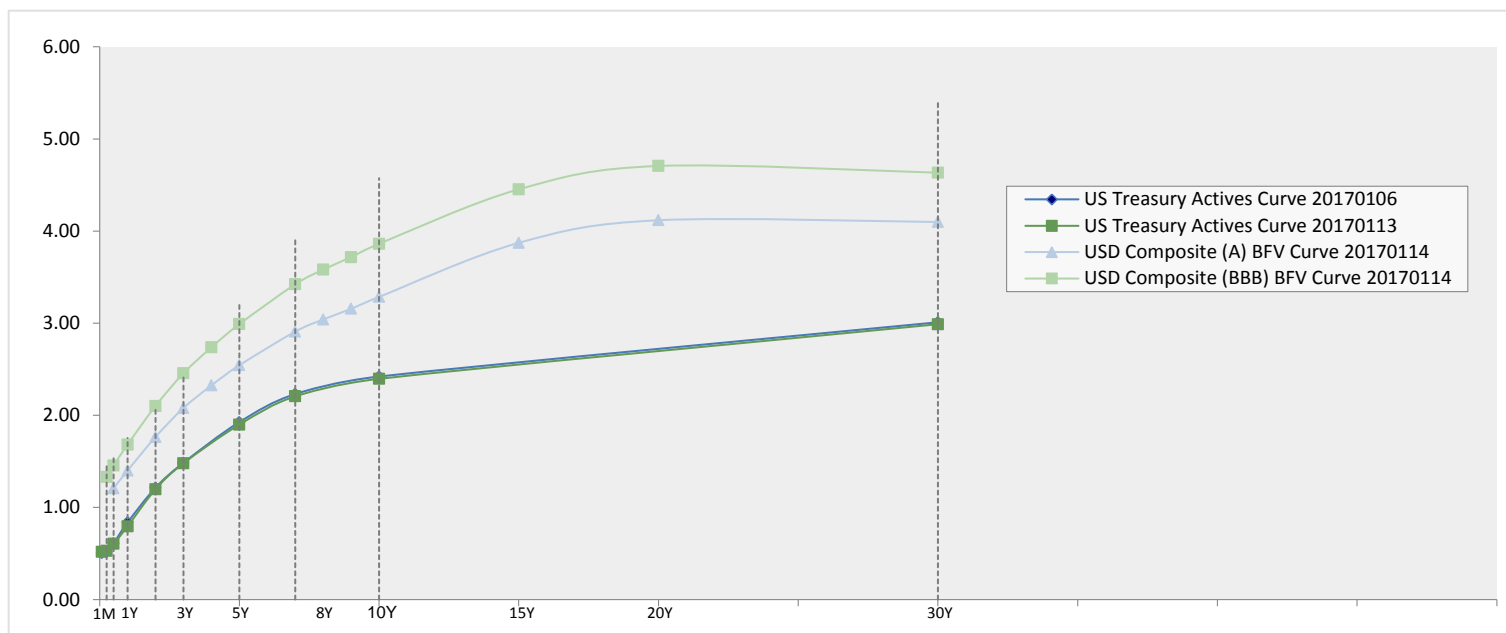


Interest Rates

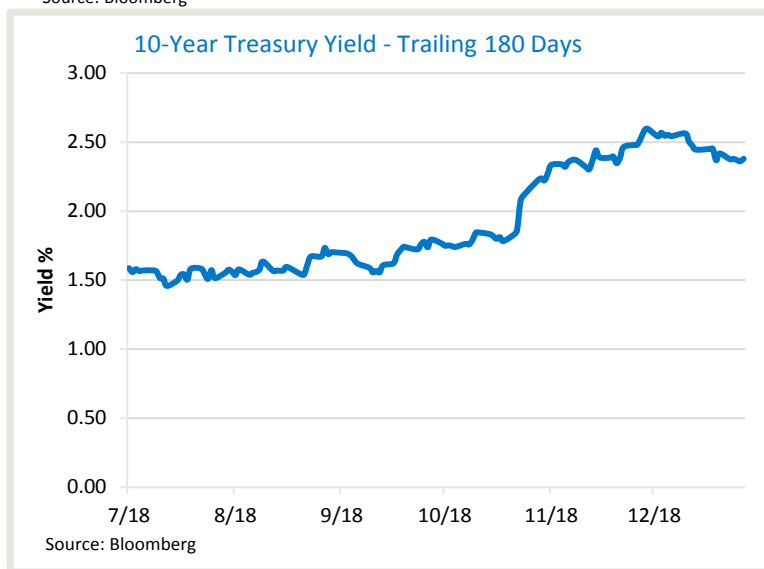
SELECTED INTEREST RATES

| | Last | Change | % Chg. | YTD % | | Last | Change | % Chg. | YTD % |
|----------------------|-------|--------|--------|-------|--------------------|-------|---------|--------|-------|
| 2-Yr. U.S. Treasury | 1.20% | 0 bps | NM | NM | Prime Rate | 3.75% | 0.00 | NM | NM |
| 5-Yr. U.S. Treasury | 1.88% | -4 bps | NM | NM | Fed Funds Rate | 0.75% | 0.00 | NM | NM |
| 10-Yr. U.S. Treasury | 2.38% | -4 bps | NM | NM | Discount Rate | 1.25% | 0.00 | NM | NM |
| 30-Yr. U.S. Treasury | 2.98% | -3 bps | NM | NM | LIBOR (3 Mo.) | 1.02% | 1 bps | NM | NM |
| German 10-Yr. Govt. | 0.34% | 0 bps | NM | NM | Bond Buyer 40 Muni | 3.88% | -16 bps | NM | NM |
| France 10-Yr. | 0.80% | 2 bps | NM | NM | Bond Buyer 40 G.O. | 3.72% | NA | NM | NM |
| Italy 10-Yr. | 1.89% | 6 bps | NM | NM | Bond Buyer 40 Rev. | 3.83% | NA | NM | NM |
| Fed 5-Yr Fwd BE Inf. | 1.91% | 0 bps | NM | NM | | | | | |

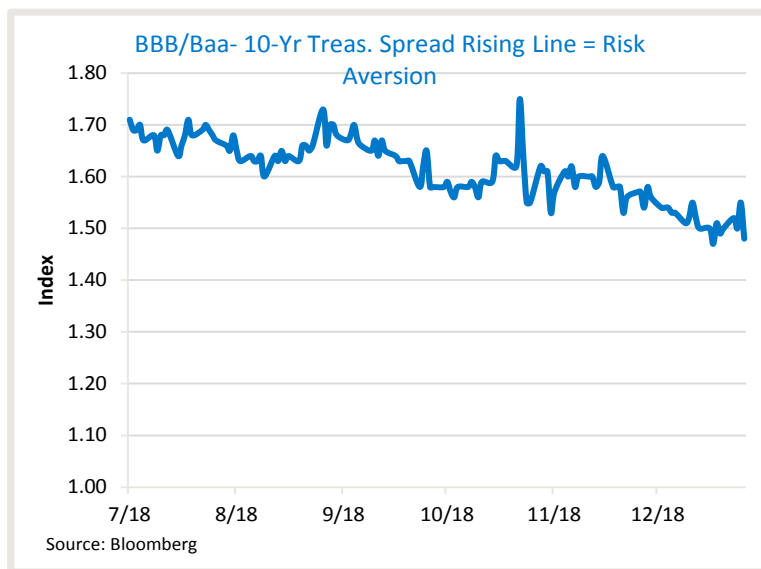
Source: Bloomberg



Source: Bloomberg



Source: Bloomberg



Source: Bloomberg

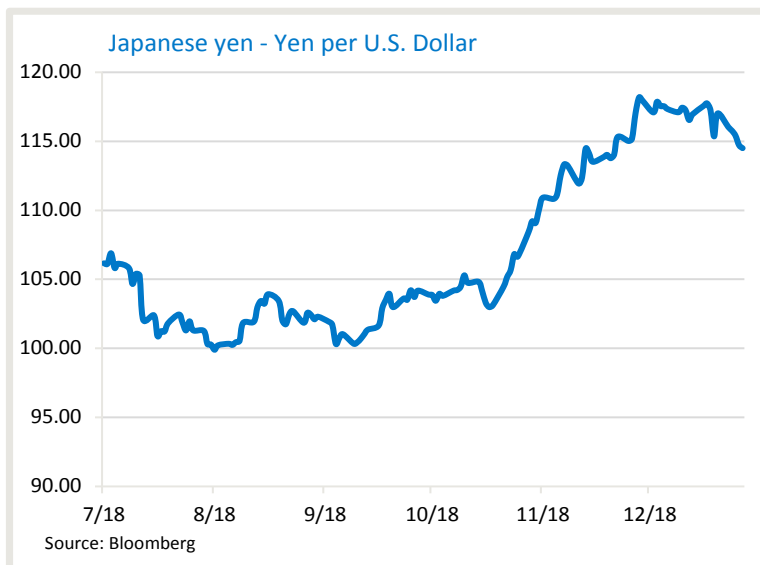
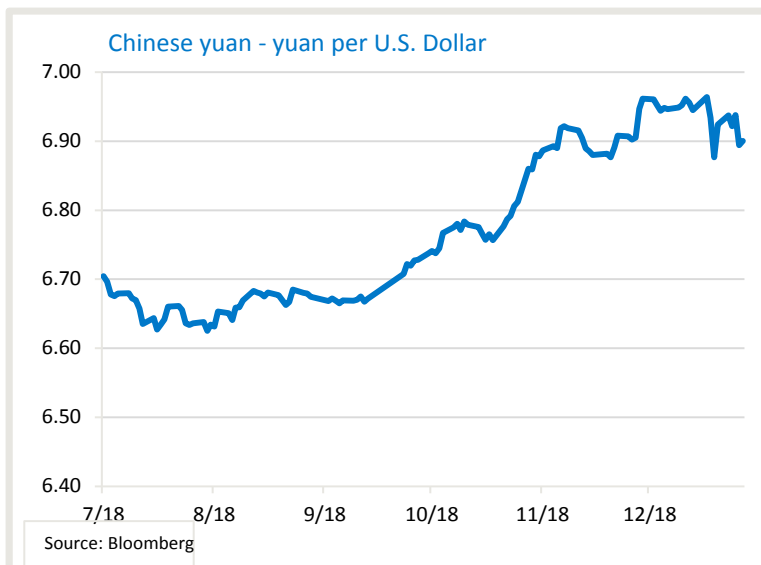
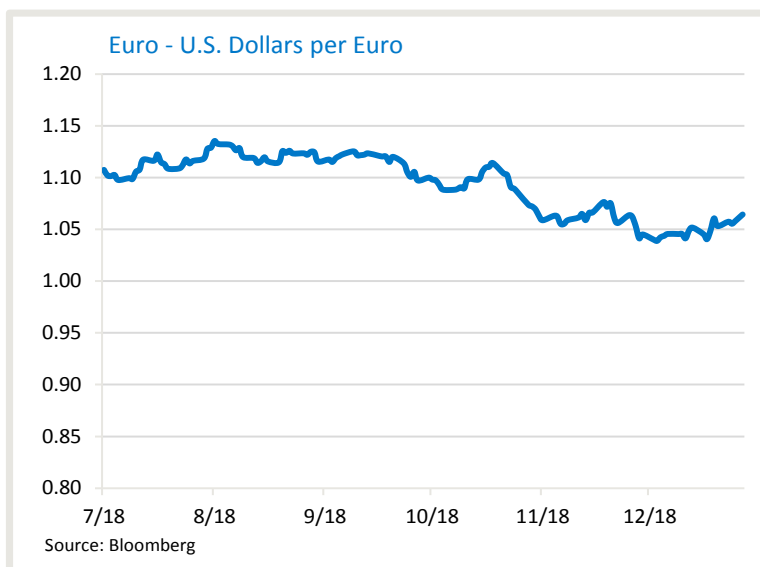
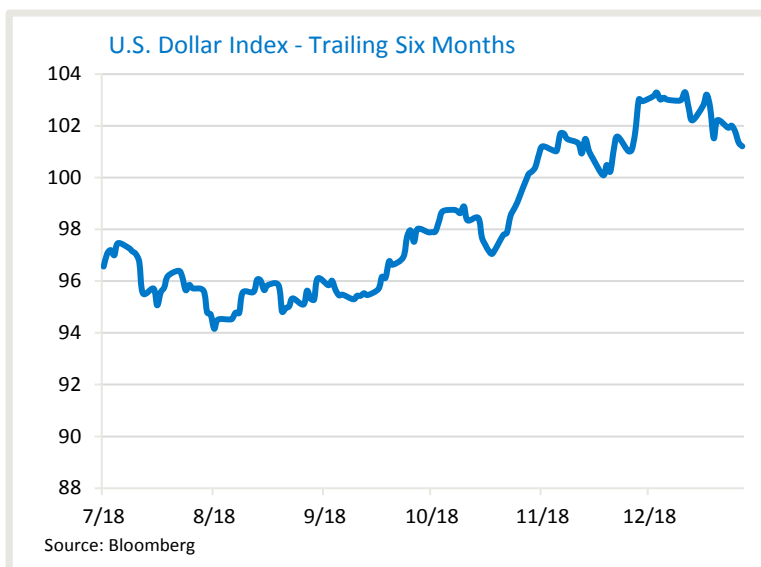
Currencies

SELECTED CURRENCY PERFORMANCE

| | Last | Change | % Chg. | YTD % |
|------------------------|---------------|---------------|---------------|---------------|
| Dollar Index | 101.18 | -1.010 | -0.99% | -0.98% |
| Euro | 1.06 | 0.011 | 1.06% | 1.21% |
| Japanese Yen | 114.54 | -2.520 | 2.20% | 2.15% |
| British Pound | 1.22 | -0.010 | -0.79% | -1.22% |
| Canadian Dollar | 1.31 | -0.011 | 0.85% | 2.41% |

| | Last | Change | % Chg. | YTD % |
|---------------------------|--------------|---------------|---------------|---------------|
| Chinese Yuan | 6.90 | -0.024 | 0.34% | 0.64% |
| Swiss Franc | 1.01 | -0.009 | 0.91% | 1.01% |
| New Zealand Dollar | 0.71 | 0.017 | 2.40% | 2.78% |
| Brazilian Real | 3.22 | -0.005 | 0.16% | 1.17% |
| Mexican Peso | 21.50 | 0.285 | -1.32% | -3.62% |

Source: Bloomberg

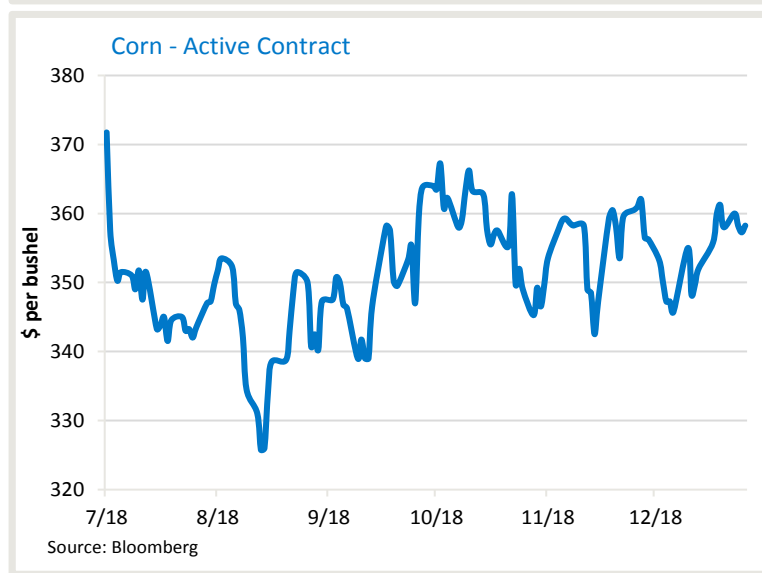
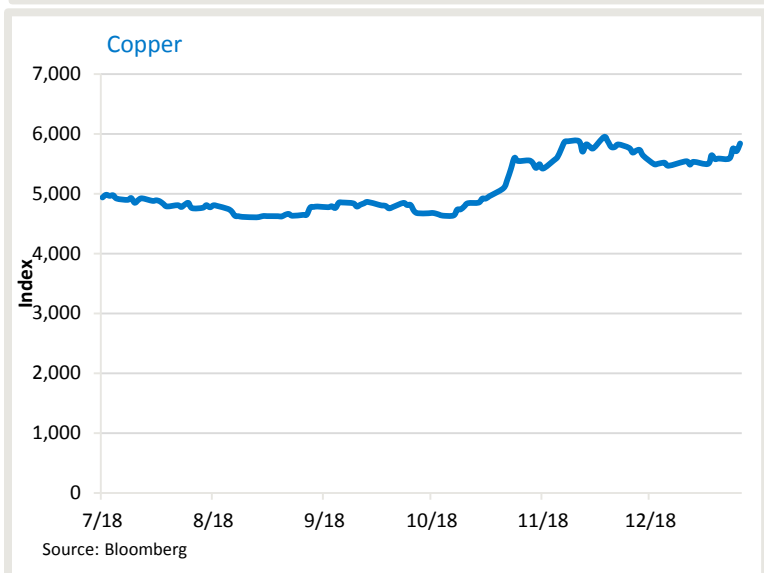
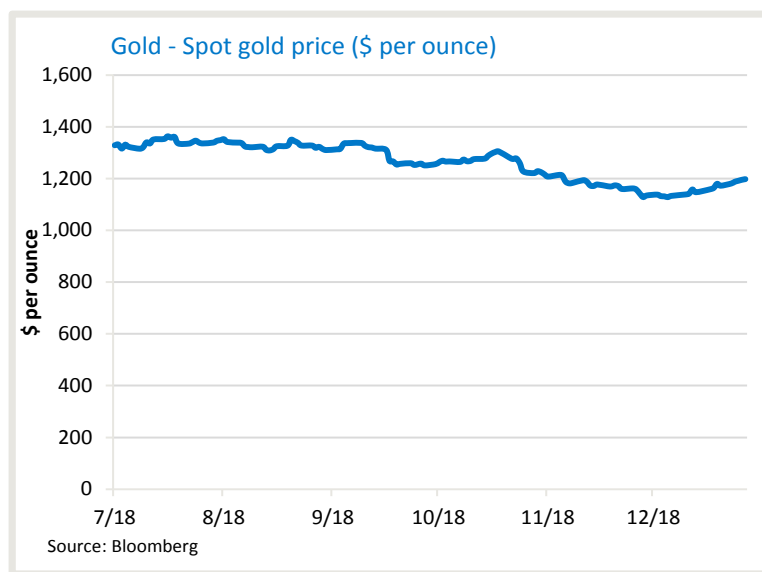
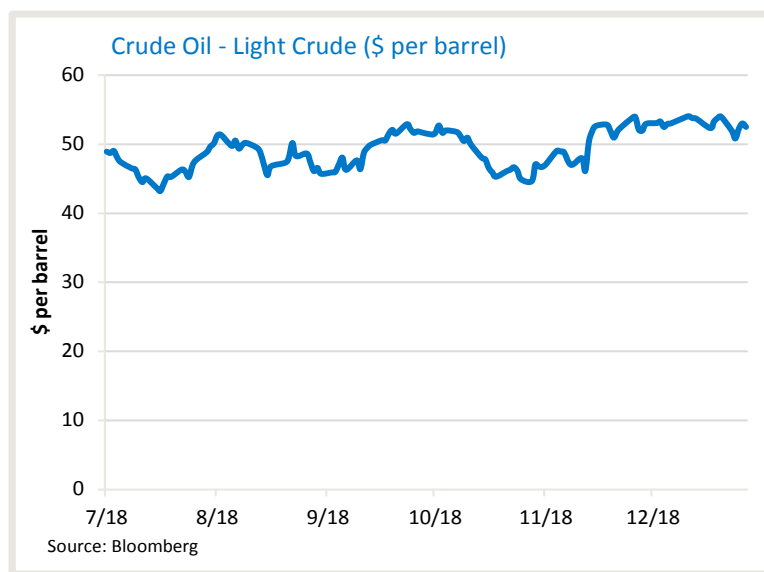


Commodities

SELECTED COMMODITY MARKET PERFORMANCE

| | Last | Change | % Chg. | YTD % | | Last | Change | % Chg. | YTD % |
|-----------------------------|-------------------|----------------|---------------|---------------|----------------------|-----------------|----------------|---------------|---------------|
| Bloomberg Comm. Idx. | 88.54 | 1.18 | 1.35% | 1.18% | Platinum Spot | \$985.45 | \$17.14 | 1.77% | 9.11% |
| Crude Oil | \$52.51 | -\$1.49 | -2.76% | -2.27% | Corn | 358.50 | 0.50 | 0.14% | 1.85% |
| Natural Gas | \$3.42 | \$0.13 | 3.96% | -8.30% | Wheat | 426.00 | 2.75 | 0.65% | 4.41% |
| Gasoline (\$/Gal.) | \$2.35 | -\$0.02 | -0.68% | 0.64% | Soybeans | 1,046.25 | 51.50 | 5.18% | 4.21% |
| Heating Oil | 165.50 | -4.74 | -2.78% | -4.19% | Sugar | 20.52 | -0.23 | -1.11% | 5.18% |
| Gold Spot | \$1,198.07 | \$25.42 | 2.17% | 4.41% | Orange Juice | 183.15 | 0.35 | 0.19% | -5.52% |
| Silver Spot | \$16.81 | \$0.31 | 1.89% | 5.50% | Aluminum | 1,790.00 | 77.00 | 4.50% | 5.73% |
| | | | | | Copper | 5,842.00 | 252.00 | 4.51% | 5.54% |

Source: Bloomberg; % change is based on price.

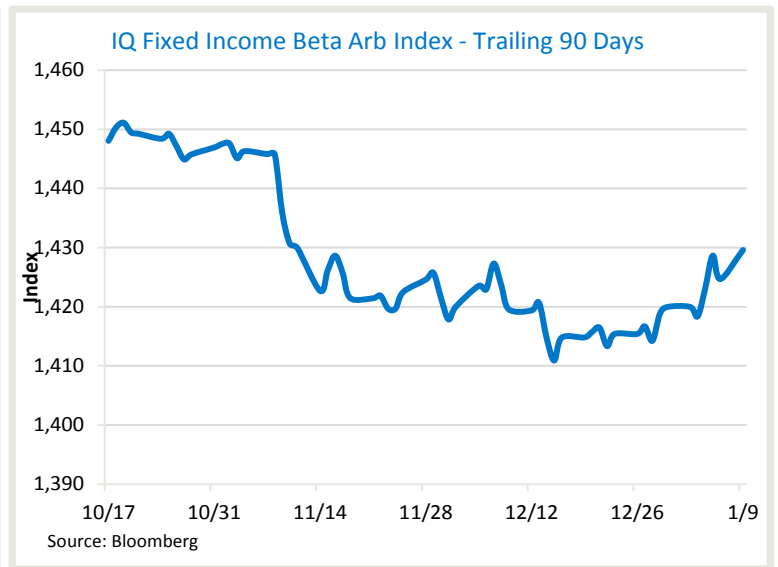
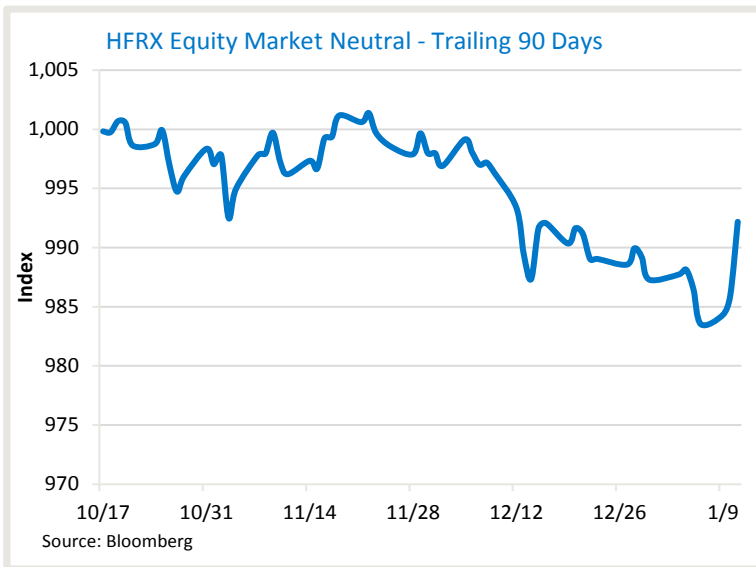
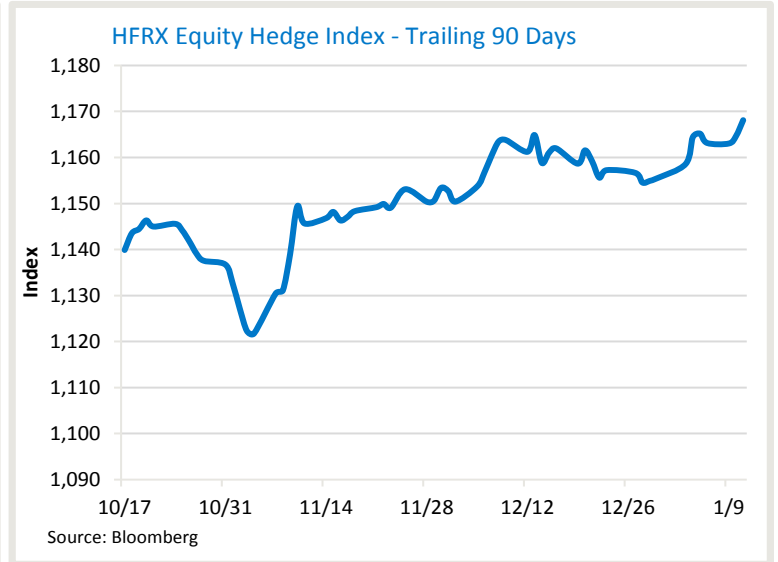
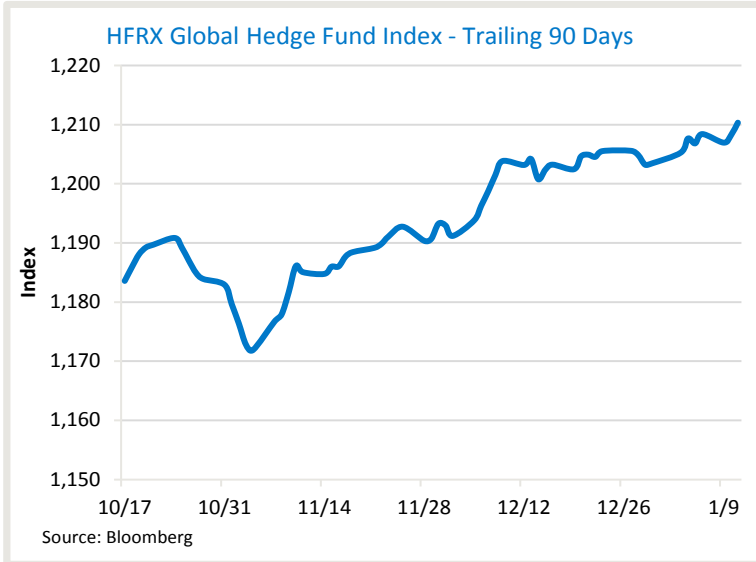


Alternative Investments

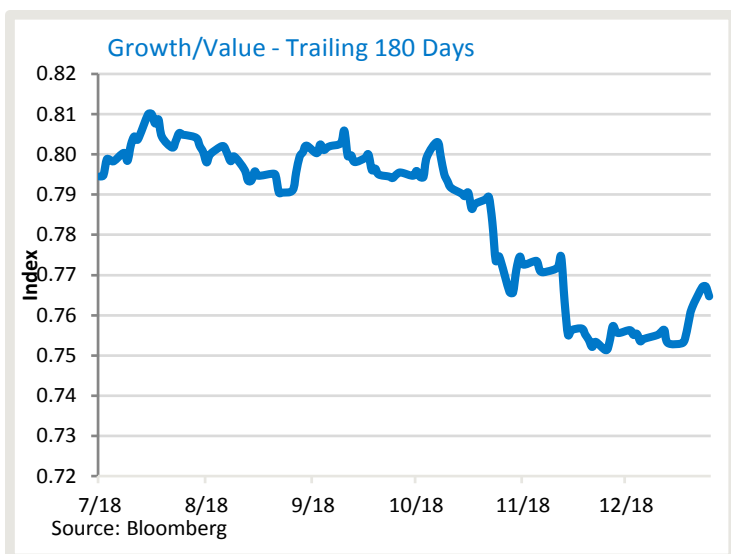
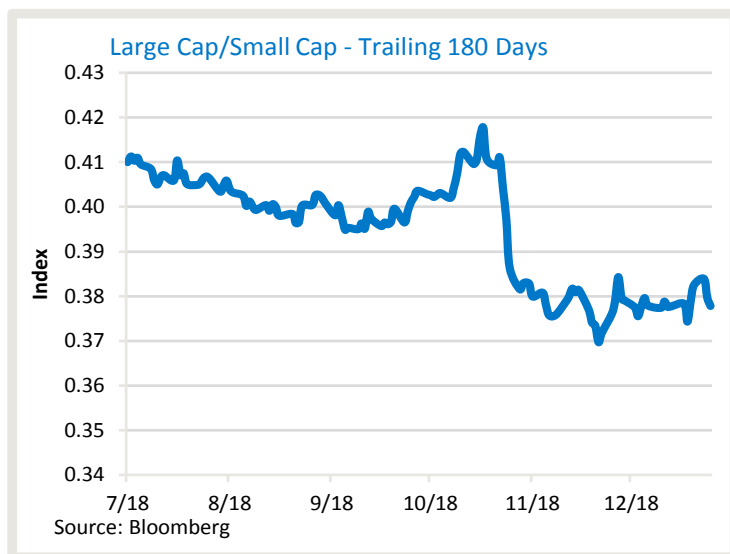
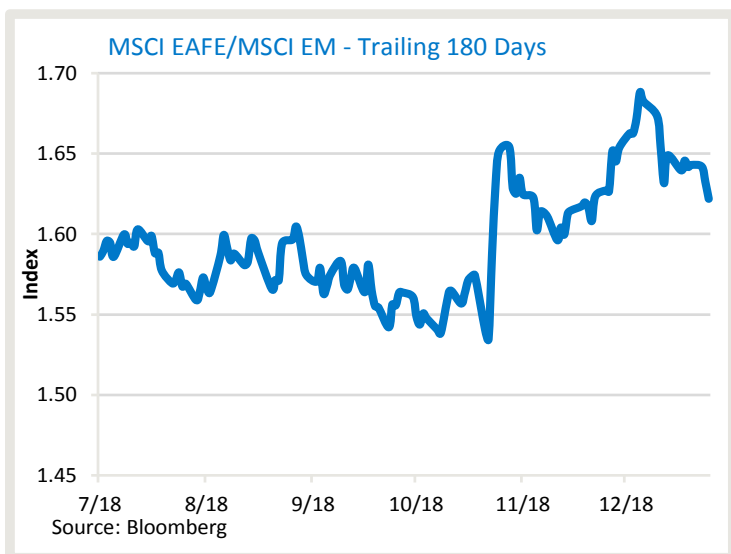
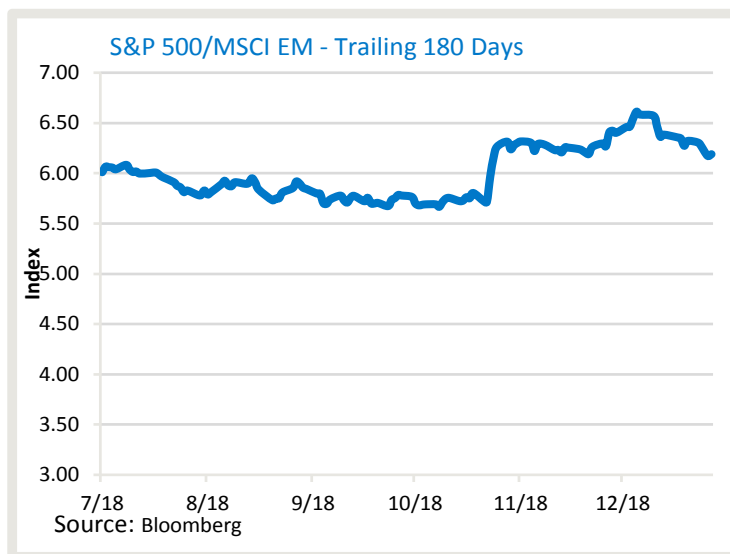
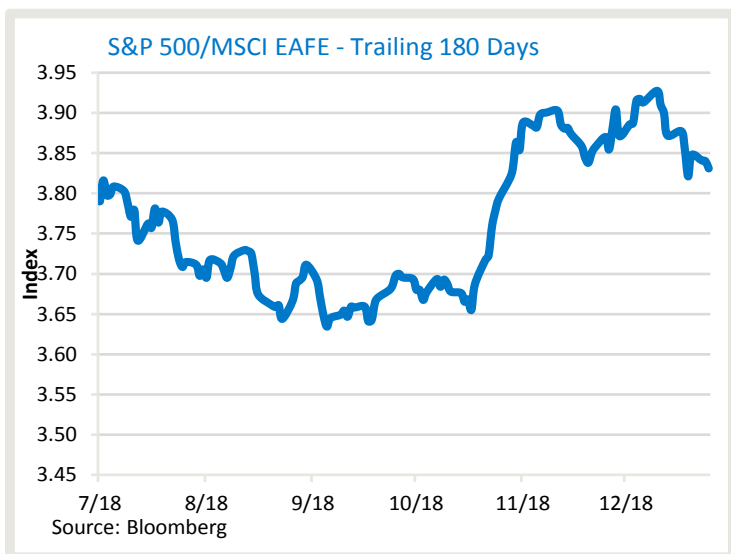
SELECTED ALTERNATIVE INVESTMENT INDEX PERFORMANCE

| | Last | Change | % Chg. | YTD % | | Last | Change | % Chg. | YTD % |
|------------------------------|---------|--------|--------|-------|----------------------------------|---------|--------|--------|--------|
| HFRX Global Hedge Fund Index | 1210.33 | 1.93 | 0.16% | 0.57% | HFRX Distressed Index | 1082.66 | 4.43 | 0.41% | 0.90% |
| HFRX Equity Market Neutral | 992.18 | 8.66 | 0.88% | 0.50% | HFRX Merger Arbitrage Index | 1812.06 | 2.80 | 0.15% | -0.03% |
| HFRX Equity Hedge Index | 1168.11 | 4.97 | 0.43% | 1.09% | HFRX Convertible Arbitrage Index | 746.45 | 3.22 | 0.43% | 0.52% |
| HFRX Event-Driven Index | 1578.94 | 3.09 | 0.20% | 0.93% | HFRX Macro CTA Index | 1130.41 | -2.54 | -0.22% | -0.44% |
| HFRX Absolute Return Index | 1031.68 | 3.41 | 0.33% | 0.31% | IQ Fixed Income Beta Arb Index | 1430.65 | 5.99 | 0.42% | 0.75% |

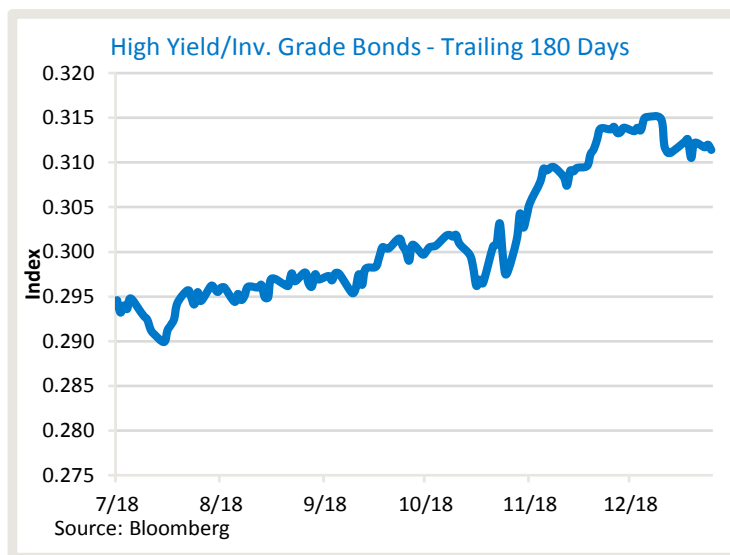
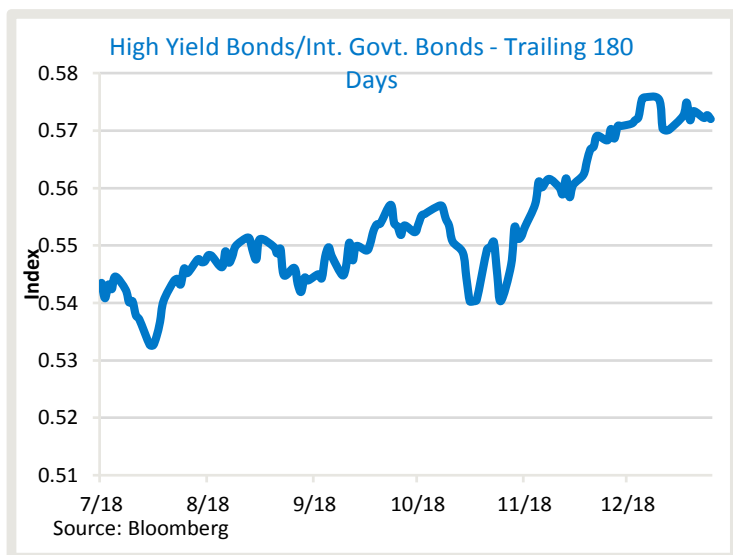
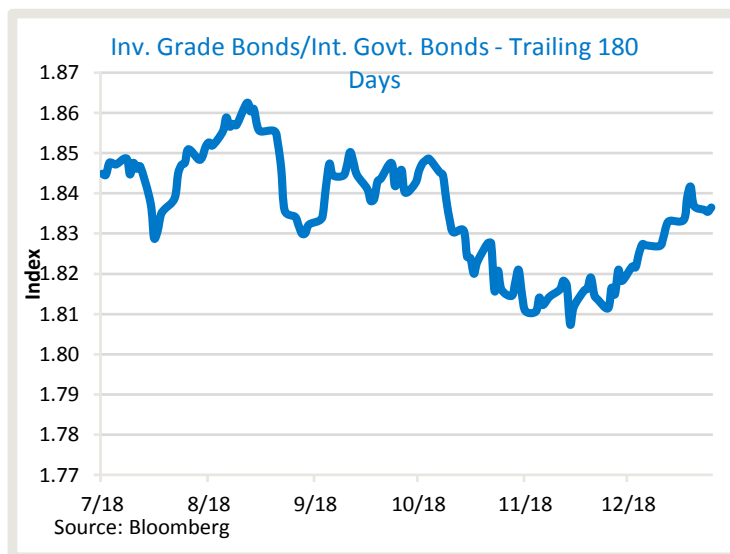
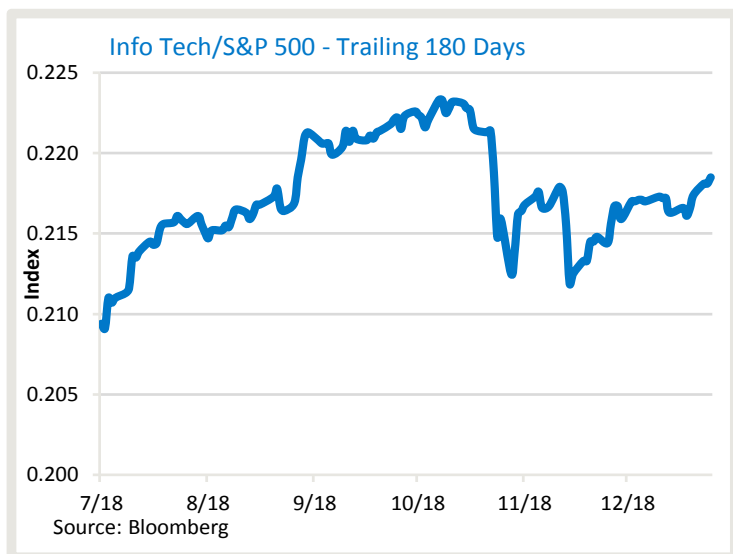
Source: Bloomberg; Index % change is based on price.



Portfolio Construction



Portfolio Construction (continued)



WEEKLY ASSET CLASS PERFORMANCE (Prior 12 weeks ending Thursday)

| | | | 10/27 | 11/3 | 11/10 | 11/17 | 11/24 | 12/1 | 12/8 | 12/15 | 12/22 | 12/29 | 1/5 | 1/12 |
|------------------|---------------------------|-------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Equity | Domestic Equity | Large Cap (R200) | -0.04% | -2.22% | 3.78% | 0.59% | 0.66% | -0.51% | 2.24% | 1.11% | 0.00% | -0.54% | 0.85% | 0.10% |
| | | Small Cap (R2000) | -2.45% | -2.78% | 8.19% | 4.62% | 2.49% | -2.11% | 5.52% | -1.44% | -0.27% | 0.04% | 0.64% | -0.79% |
| | Int'l. Equity | MSCI EAFE | -0.75% | -0.87% | 0.42% | -0.79% | -0.46% | 0.35% | 2.71% | -0.65% | 0.60% | 0.06% | 2.77% | 0.03% |
| | | MSCI Em. Mkts. | -0.88% | -2.25% | 1.05% | -3.25% | 0.57% | 0.75% | 2.44% | -2.35% | -1.88% | 1.89% | 2.71% | 1.69% |
| Fixed Income | BarCap Agg. (AGG) | -0.54% | -0.13% | 1.41% | -0.57% | -0.50% | -0.46% | 0.46% | -0.93% | 0.21% | 0.42% | 0.75% | -0.04% | |
| | High Yield (JNK) | -0.73% | -2.11% | 0.78% | 0.45% | 1.09% | -0.64% | 1.84% | -0.55% | 0.85% | -0.46% | 0.91% | 0.11% | |
| Commodities | Bloomberg Commodity Index | 0.23% | -3.03% | 0.28% | -1.33% | 3.18% | 1.83% | 0.74% | -0.83% | -0.58% | 1.55% | -0.16% | 1.09% | |
| Alternatives | Hedge Funds (HFRX Global) | -0.36% | -1.02% | 1.13% | 0.14% | 0.28% | 0.15% | 0.72% | 0.07% | 0.18% | -0.11% | 0.30% | 0.29% | |
| Asset Allocation | 60/40* | -0.64% | -1.34% | 1.31% | 0.15% | 0.29% | -0.47% | 2.00% | -0.38% | 0.09% | 0.07% | 1.18% | 0.03% | |
| | 48/32/20 (w/Alts.)** | -0.58% | -1.28% | 1.27% | 0.15% | 0.29% | -0.34% | 1.75% | -0.29% | 0.10% | 0.03% | 1.00% | 0.08% | |

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 | 1.02 | 1.05 | 1.06 | 1.05 | 1.08 | 1.09 | 1.07 | 1.02 | 1.04 | 1.15 | 1.07 | 1.28 | 1.08 |
| Large Cap Growth | 0.98 | 1.00 | 1.00 | 1.03 | 1.04 | 1.03 | 1.06 | 1.07 | 1.05 | 1.00 | 1.02 | 1.13 | 1.05 | 1.26 | 1.06 |
| Large Cap Value | 0.98 | 1.00 | 1.00 | 1.03 | 1.04 | 1.03 | 1.05 | 1.07 | 1.04 | 1.00 | 1.02 | 1.12 | 1.05 | 1.26 | 1.06 |
| Mid Cap Core | 0.95 | 0.97 | 0.97 | 1.00 | 1.01 | 1.00 | 1.02 | 1.04 | 1.01 | 0.97 | 0.99 | 1.09 | 1.02 | 1.22 | 1.03 |
| Mid Cap Growth | 0.94 | 0.96 | 0.96 | 0.99 | 1.00 | 0.99 | 1.02 | 1.03 | 1.01 | 0.96 | 0.98 | 1.08 | 1.01 | 1.21 | 1.02 |
| Mid Cap Value | 0.95 | 0.97 | 0.97 | 1.00 | 1.01 | 1.00 | 1.03 | 1.04 | 1.02 | 0.97 | 0.99 | 1.09 | 1.02 | 1.22 | 1.03 |
| Small Cap Core | 0.93 | 0.95 | 0.95 | 0.98 | 0.98 | 0.98 | 1.00 | 1.01 | 0.99 | 0.95 | 0.97 | 1.06 | 0.99 | 1.19 | 1.01 |
| Small Cap Growth | 0.92 | 0.93 | 0.93 | 0.96 | 0.97 | 0.96 | 0.99 | 1.00 | 0.98 | 0.93 | 0.95 | 1.05 | 0.98 | 1.18 | 0.99 |
| Small Cap Value | 0.94 | 0.96 | 0.96 | 0.99 | 0.99 | 0.99 | 1.01 | 1.02 | 1.00 | 0.95 | 0.98 | 1.08 | 1.00 | 1.21 | 1.02 |
| Int'l. Developed | 0.98 | 1.00 | 1.00 | 1.03 | 1.04 | 1.03 | 1.06 | 1.07 | 1.05 | 1.00 | 1.02 | 1.13 | 1.05 | 1.26 | 1.07 |
| Emerging Markets | 0.96 | 0.98 | 0.98 | 1.01 | 1.02 | 1.01 | 1.03 | 1.05 | 1.02 | 0.98 | 1.00 | 1.10 | 1.03 | 1.23 | 1.04 |
| REITs | 0.87 | 0.89 | 0.89 | 0.92 | 0.92 | 0.92 | 0.94 | 0.95 | 0.93 | 0.89 | 0.91 | 1.00 | 0.93 | 1.12 | 0.95 |
| Commodities | 0.93 | 0.95 | 0.95 | 0.98 | 0.99 | 0.98 | 1.01 | 1.02 | 1.00 | 0.95 | 0.97 | 1.07 | 1.00 | 1.20 | 1.01 |
| Int. Bond | 0.78 | 0.79 | 0.79 | 0.82 | 0.82 | 0.82 | 0.84 | 0.85 | 0.83 | 0.79 | 0.81 | 0.89 | 0.83 | 1.00 | 0.84 |
| High Yield | 0.92 | 0.94 | 0.94 | 0.97 | 0.98 | 0.97 | 0.99 | 1.01 | 0.98 | 0.94 | 0.96 | 1.06 | 0.99 | 1.18 | 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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