

## Chart of the Week



## Weekly Highlights

- **Domestic stock prices fell this week.** Equities posted declines this week, as escalating violence in Iraq sent oil prices higher, and certain economic data came in below estimates. Crude oil surged to an eight-month high as Islamic insurgents battled Iraqi forces. President Obama said that he is weighing all options. In addition, the World Bank yesterday cut its forecast for world growth, a move that dampened investor enthusiasm.
- **Global markets were lower on the week.** World markets were also impacted by the tensions in the Middle East. European stocks were adversely affected not only by the rise in oil prices but also a cut in profit forecasts for some large companies. Asian and emerging markets equities also turned lower as a result of the jump in crude. Some institutional investors, however, have stated they believe the greater risk lies not being invested.
- **Treasury prices were little changed for the week.** The yield on the benchmark 10-year U.S. Treasury was relatively flat, but the spread between five-year and 30-year Treasuries declined to the lowest level in almost five years.
- **Commodity indices were higher on the week.** Energy and metals were higher, but grains posted weekly losses.

## Talking Points

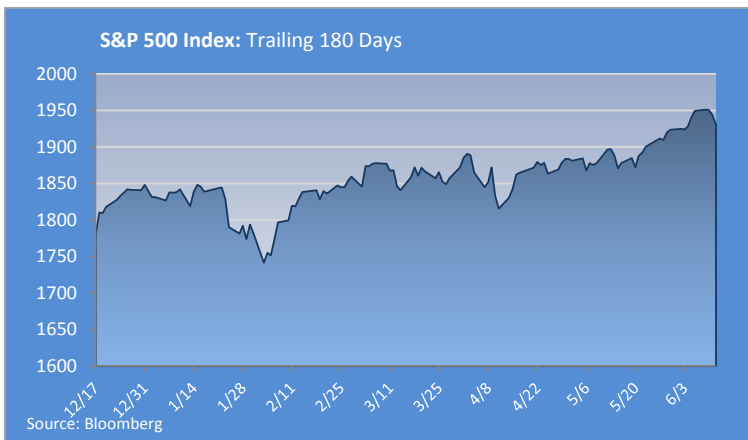
- **Among equities,** large-caps underperformed small-caps, and value stocks outperformed growth-oriented issues. Domestic stocks underperformed international equities. Developed markets underperformed emerging market stocks.
- **Treasury prices were little changed this week.** The yield on the 10-year T-note was modestly higher.
- **Commodity prices were higher on the week.** Crude oil and metals were higher, but grains eased.
- **The dollar was slightly higher** this week against a basket of six major currencies.
- **Among economic data released this week,** retail sales rose less than forecast in May after surging the prior three months; wholesale prices unexpectedly declined in May; the monthly budget deficit was in line with expectations; and initial jobless claims increased in the latest week.

### MARKET DASHBOARD

|                           | Last Price | Change  | % Chg. | YTD % |
|---------------------------|------------|---------|--------|-------|
| <b>S&amp;P 500</b>        | 1,936.13   | -16.87  | -0.87% | 4.6%  |
| <b>Dow Industrials</b>    | 16,775.74  | -148.60 | -0.88% | 1.2%  |
| <b>Nasdaq</b>             | 4,310.65   | -10.75  | -0.25% | 3.2%  |
| <b>Russell 2000</b>       | 1,162.63   | -4.08   | -0.35% | -0.2% |
| <b>Euro Stoxx Index</b>   | 347.07     | -0.23   | -0.07% | 5.7%  |
| <b>Shanghai Composite</b> | 2,070.72   | 40.76   | 2.01%  | -2.1% |
| <b>Russell Global</b>     | 1,764.09   | -7.49   | -0.42% | 4.0%  |

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

|                          | Last Price | Change  | % Chg. | YTD %  |
|--------------------------|------------|---------|--------|--------|
| <b>Russell Global EM</b> | 3,278.56   | 28.95   | 0.89%  | 5.5%   |
| <b>10-Year US Treas.</b> | 2.60       | 1 bps   | NM     | NM     |
| <b>DJ UBS Comm. Idx.</b> | 134.77     | 1.06    | 0.79%  | 7.2%   |
| <b>Gold</b>              | \$1,277.31 | \$23.58 | 1.88%  | 6.3%   |
| <b>Crude Oil</b>         | \$106.80   | \$4.20  | 4.09%  | 10.8%  |
| <b>Dollar Index</b>      | 80.62      | 0.20    | 0.25%  | 0.7%   |
| <b>VIX Index</b>         | 12.04      | 1.62    | 15.10% | -10.0% |



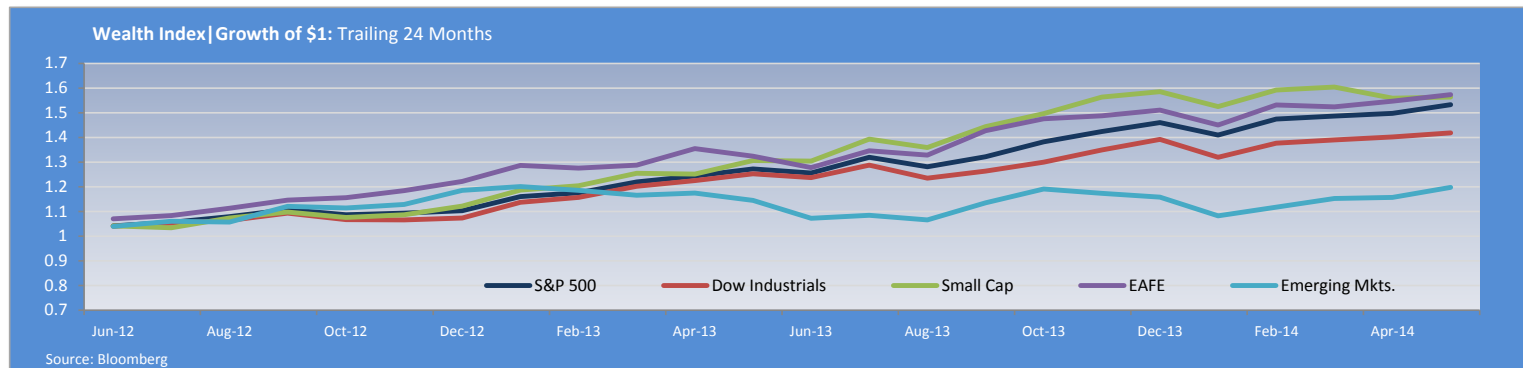
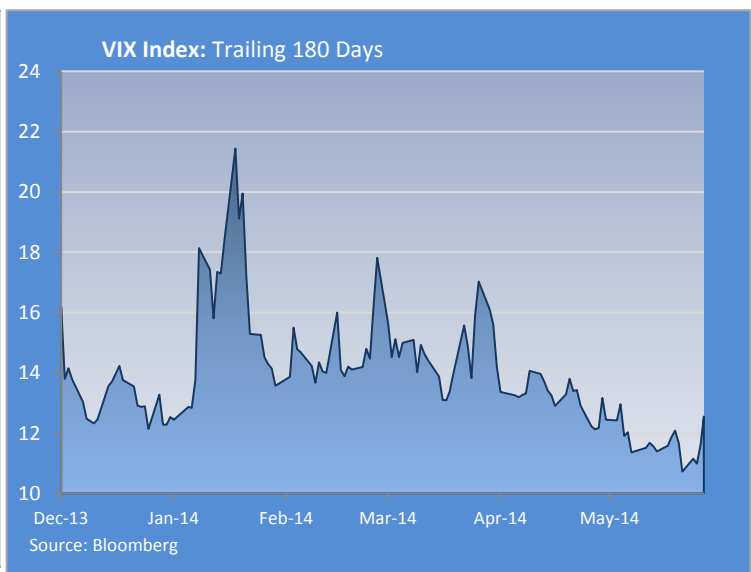
|   | One Week |        |        | YTD   |        |        |
|---|----------|--------|--------|-------|--------|--------|
|   | Value    | Growth |        | Value | Growth |        |
| L | -0.40%   | -0.83% | -1.26% | 4.67% | 4.15%  | 3.65%  |
|   | -0.92%   | -0.90% | -0.88% | 7.87% | 5.69%  | 3.76%  |
| S | -0.87%   | -0.35% | 0.16%  | 0.85% | -0.22% | -1.24% |

Source: Bloomberg

#### Sector Performance: S&P/GICS Sectors

|                               | % Wgt in S&P 500 | Week % Chg. | YTD % Chg. |
|-------------------------------|------------------|-------------|------------|
| <b>Consumer Discretionary</b> | 11.9             | -1.75%      | -1.9%      |
| <b>Consumer Staples</b>       | 9.6              | -1.24%      | 3.4%       |
| <b>Energy</b>                 | 10.7             | 1.66%       | 9.7%       |
| <b>Financials</b>             | 16.1             | -0.92%      | 3.1%       |
| <b>Health Care</b>            | 13.2             | -0.90%      | 7.2%       |
| <b>Industrials</b>            | 10.7             | -1.38%      | 3.6%       |
| <b>Information Technology</b> | 19.0             | -0.12%      | 6.8%       |
| <b>Materials</b>              | 3.5              | -1.22%      | 6.0%       |
| <b>Telecom Services</b>       | 2.4              | -0.21%      | 1.6%       |
| <b>Utilities</b>              | 3.0              | -1.33%      | 11.0%      |

Source: Bloomberg



## THE ECONOMY AND MARKETS

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### ***A Macro View – Simmering Geopolitical Risk***

This week we had another pungent reminder of geopolitical risk. The self-proclaimed Islamic State of Iraq and Syria took advantage of the divisive policies of current Iraqi leader Nouri al-Maliki and seized control of the northern city of Mosul, which is not only a large urban center of nearly 2 million people but is also near some of the country largest oil refineries.

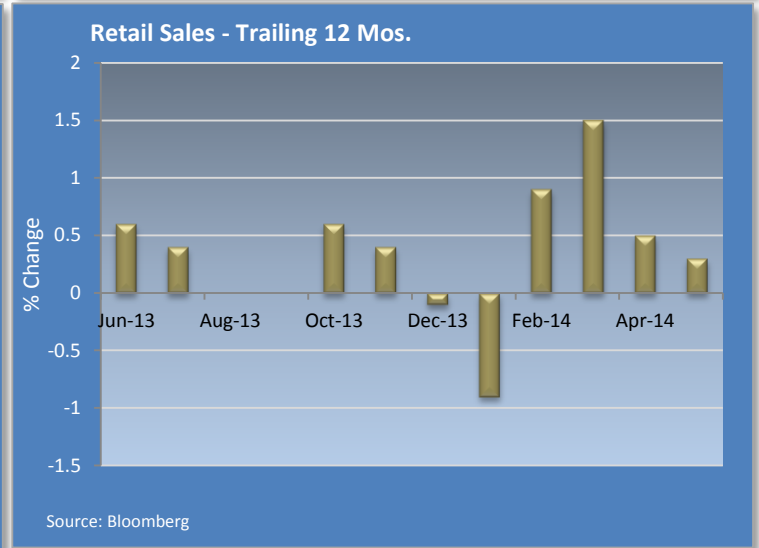
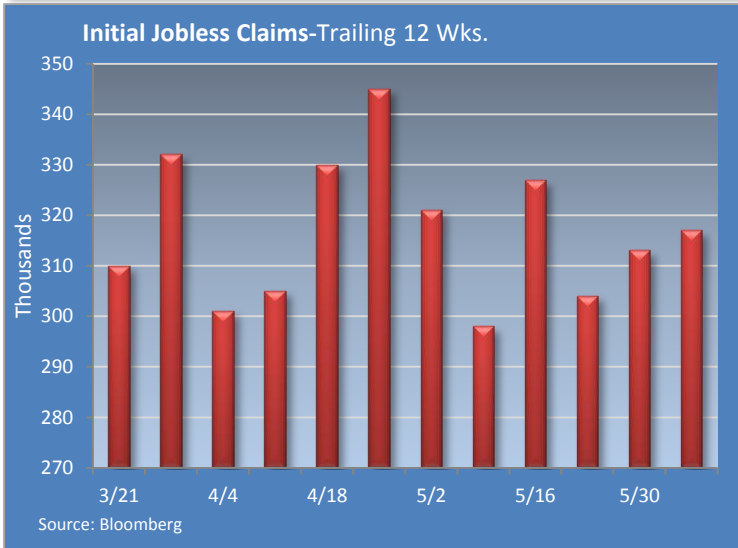
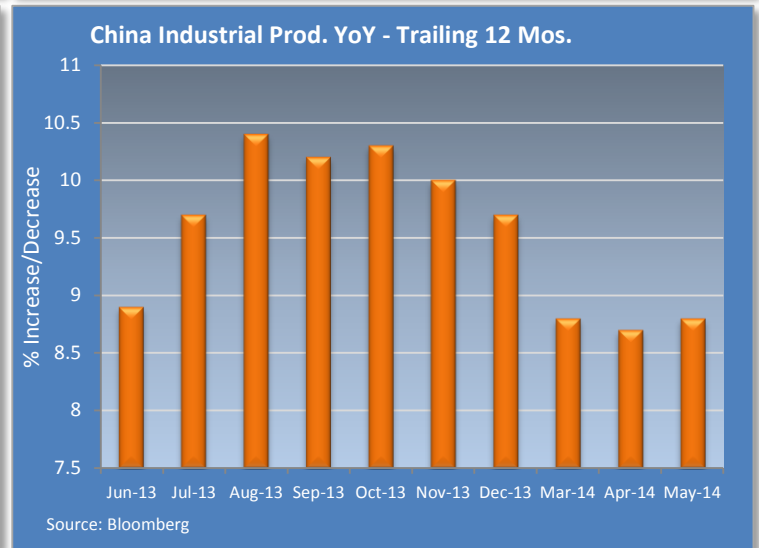
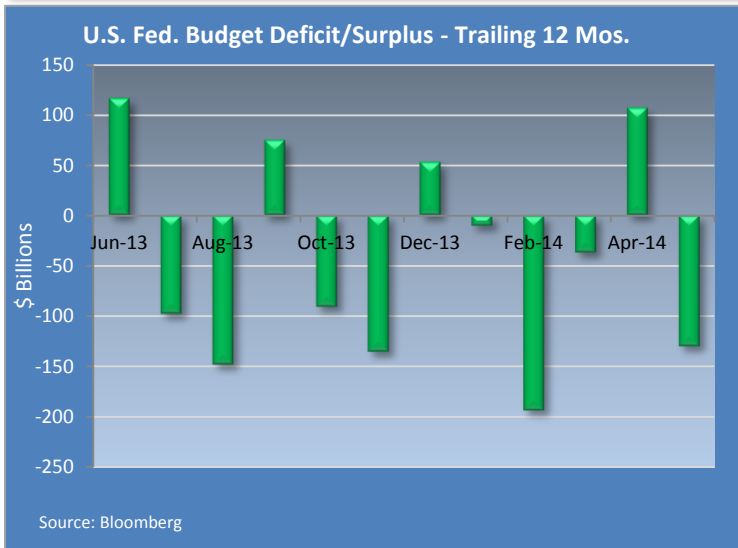
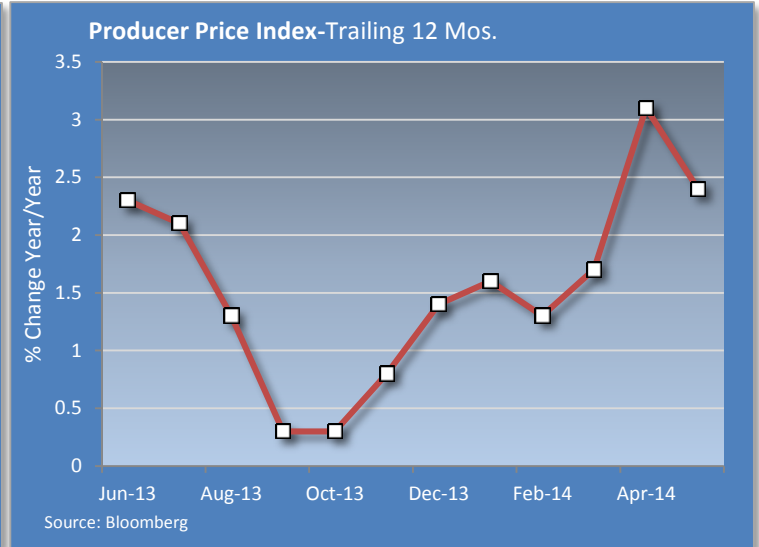
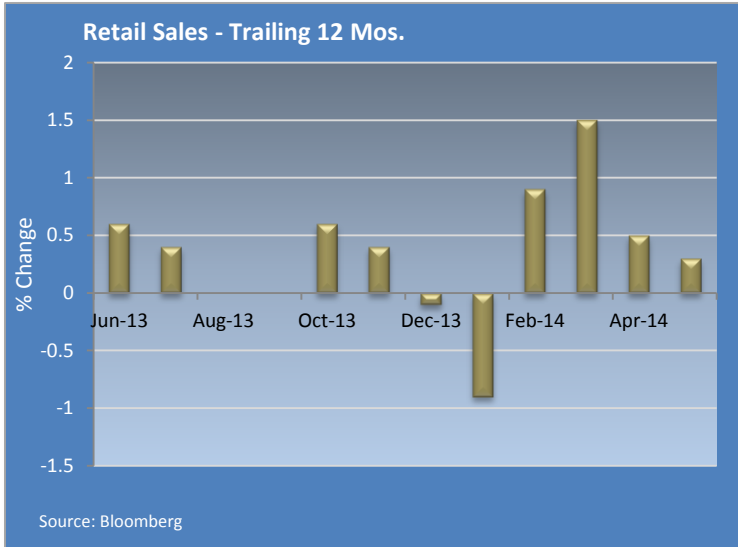
With equities markets up consistently over the past four weeks, it is hardly surprising that the news coincided with a modest dip in markets and a surge in energy prices. But while the instability in Iraq is surely troubling and a sign that the Syrian civil war and years of strife in the region – including two American wars – will be a chronic source of uncertainty and a potential trigger for geopolitical and financial turmoil.

That said, unless matters spiral into some sort of regional conflagration, the crisis in Iraq is rather on par with the crisis in the Ukraine. Both are simmering and unresolved and offer the possibilities for real global contagion, especially insofar as both involve vital oil or natural gas resources that many other countries depend on. But neither are as yet market events of the first order. Yes, if you have a portfolio with a considerable allocation to energy, either directly in the form of commodities or less directly through options, funds or bonds, how Iraq plays out will likely shape prices, though not necessarily beyond the short-term. And yes, these events matter greatly in terms of the ongoing rearrangement of the political balances in the regions. That, however, is distinct from the strictly financial and investing implications of these events.

Overall, equity markets have been enjoying a rather steady multi-week rally, though the major indices are still up modest single digits through nearly half of the year. Bonds yields, meanwhile, remain extremely low worldwide, perhaps in the face of new rounds of quantitative easing and liquidity measures announced by both China's central bank and the European Central Bank in early June. There is little to suggest any sharp break, though of course such sharp moves tend to come unexpectedly. The fact that markets have been relatively placid is not, in our view, a cause for concern, but nor should it be a recipe for complacency.

Zachary Karabell  
*Head of Global Strategy*

**THIS WEEK IN THE ECONOMY AND MARKETS**



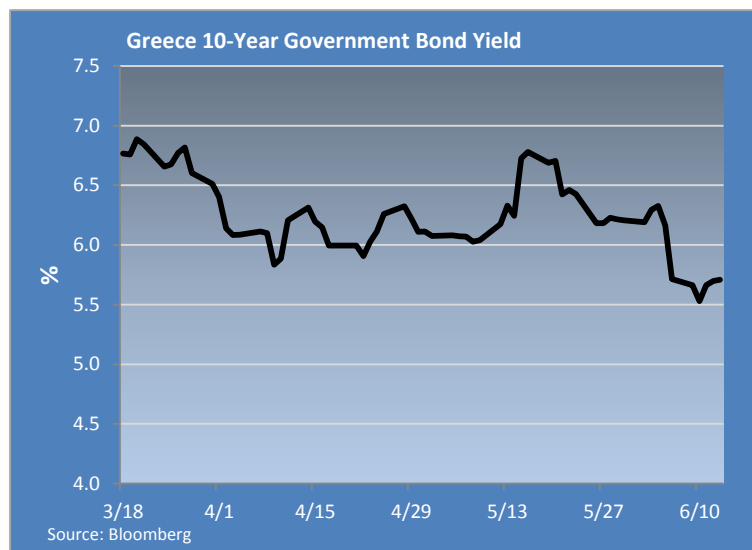
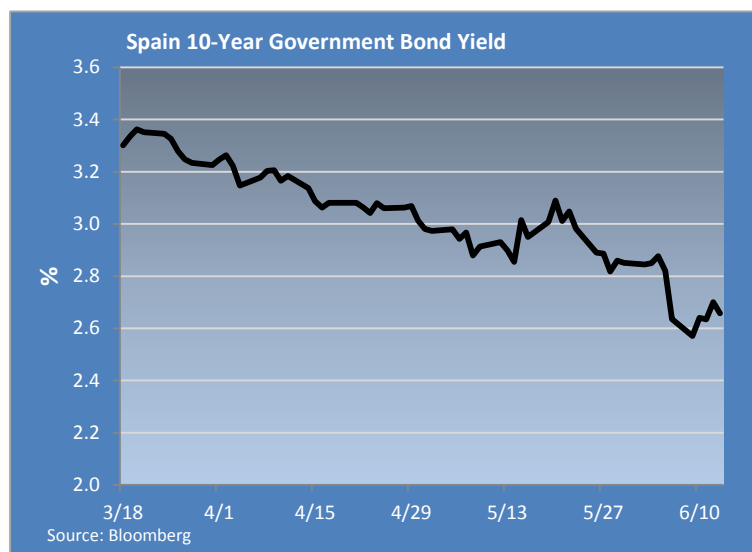
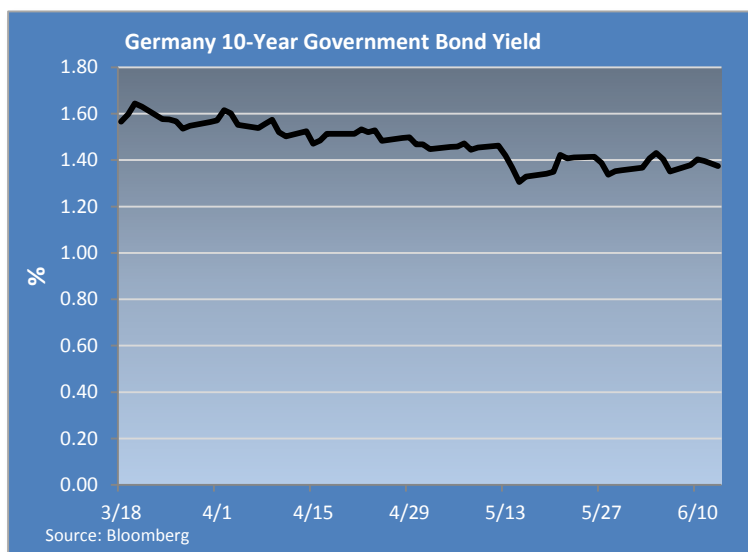
## EUROZONE

### SELECTED EUROPEAN SOVEREIGN YIELD PERFORMANCE

|                      | Last | Change | % Chg. | YTD % |
|----------------------|------|--------|--------|-------|
| Germany 10-Yr. Govt. | 1.36 | -1 bps | NM     | NM    |
| Greece 10-Yr. Govt.  | 5.73 | -1 bps | NM     | NM    |
| Italy 10-Yr. Govt.   | 2.77 | -2 bps | NM     | NM    |
| Spain 10-Yr. Govt.   | 2.65 | -2 bps | NM     | NM    |
| Belgium 10-Yr. Govt. | 1.85 | -4 bps | NM     | NM    |

|                          | Last | Change | % Chg. | YTD % |
|--------------------------|------|--------|--------|-------|
| France 10-Yr. Govt.      | 1.73 | -3 bps | NM     | NM    |
| Ireland 10-Yr. Govt.     | 2.39 | 3 bps  | NM     | NM    |
| Portugal 10-Yr. Govt.    | 3.37 | 12 bps | NM     | NM    |
| Netherlands 10-Yr. Govt. | 1.62 | -3 bps | NM     | NM    |
| U.K. 10-Yr. Govt.        | 2.74 | -7 bps | NM     | NM    |

Source: Bloomberg



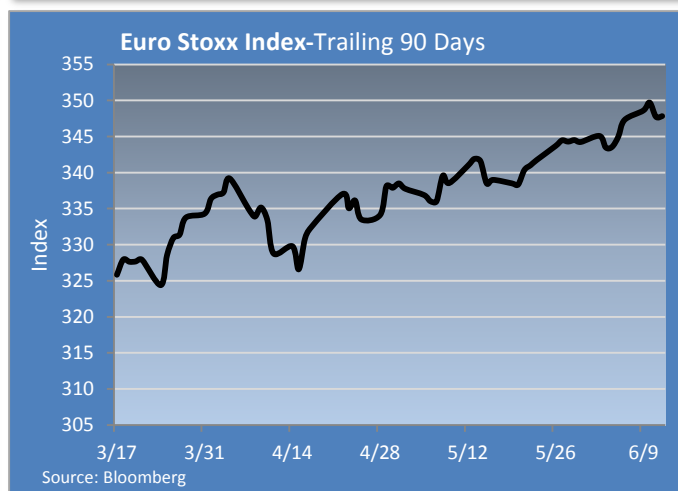
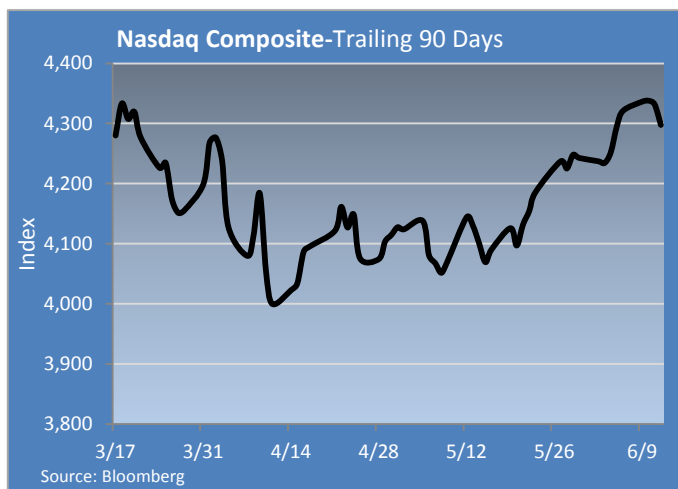
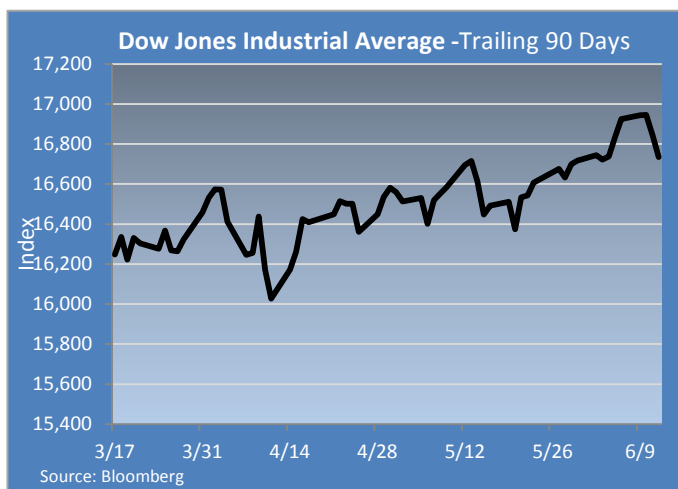
## EQUITIES

### WORLD MARKET PERFORMANCE

|                             | Last             | Change         | % Chg.        | YTD %         |
|-----------------------------|------------------|----------------|---------------|---------------|
| <b>S&amp;P 500</b>          | <b>1,936.13</b>  | <b>-16.87</b>  | <b>-0.87%</b> | <b>4.56%</b>  |
| <b>Dow Industrials</b>      | <b>16,775.74</b> | <b>-148.60</b> | <b>-0.88%</b> | <b>1.20%</b>  |
| <b>Nasdaq Composite</b>     | <b>4,310.65</b>  | <b>-10.75</b>  | <b>-0.25%</b> | <b>3.21%</b>  |
| <b>Russell Global</b>       | <b>1,764.09</b>  | <b>-7.49</b>   | <b>-0.42%</b> | <b>4.0%</b>   |
| <b>Russell Global EM</b>    | <b>3,278.56</b>  | <b>28.95</b>   | <b>0.89%</b>  | <b>5.5%</b>   |
| <b>S&amp;P/TSX (Canada)</b> | <b>15,000.09</b> | <b>158.51</b>  | <b>1.07%</b>  | <b>10.10%</b> |
| <b>Mexico IPC</b>           | <b>42,490.76</b> | <b>-178.88</b> | <b>-0.42%</b> | <b>-0.30%</b> |
| <b>Brazil Bovespa</b>       | <b>54,806.64</b> | <b>1647.16</b> | <b>3.10%</b>  | <b>6.35%</b>  |
| <b>Euro Stoxx 600</b>       | <b>347.07</b>    | <b>-0.23</b>   | <b>-0.07%</b> | <b>5.73%</b>  |
| <b>FTSE 100</b>             | <b>6,777.85</b>  | <b>-80.36</b>  | <b>-1.17%</b> | <b>0.43%</b>  |
| <b>IBEX 35 (Spain)</b>      | <b>11,113.70</b> | <b>49.40</b>   | <b>0.45%</b>  | <b>12.07%</b> |

|                               | Last             | Change         | % Chg.        | YTD %         |
|-------------------------------|------------------|----------------|---------------|---------------|
| <b>Swiss Market Index</b>     | <b>8,653.76</b>  | <b>-5.93</b>   | <b>-0.07%</b> | <b>5.50%</b>  |
| <b>CAC 40 Index (France)</b>  | <b>4,543.28</b>  | <b>-37.84</b>  | <b>-0.83%</b> | <b>5.76%</b>  |
| <b>DAX Index (Germany)</b>    | <b>9,912.87</b>  | <b>-74.32</b>  | <b>-0.74%</b> | <b>3.78%</b>  |
| <b>Irish Overall Index</b>    | <b>4,897.14</b>  | <b>-115.26</b> | <b>-2.30%</b> | <b>7.88%</b>  |
| <b>Nikkei 225</b>             | <b>15,097.84</b> | <b>20.60</b>   | <b>0.14%</b>  | <b>-7.33%</b> |
| <b>Hang Seng Index</b>        | <b>23,319.17</b> | <b>368.17</b>  | <b>1.60%</b>  | <b>0.05%</b>  |
| <b>Shanghai Composite</b>     | <b>2,070.72</b>  | <b>40.76</b>   | <b>2.01%</b>  | <b>-2.14%</b> |
| <b>Kospi Index (S. Korea)</b> | <b>1,990.85</b>  | <b>-4.63</b>   | <b>-0.23%</b> | <b>-1.02%</b> |
| <b>Taiwan Taiex Index</b>     | <b>9,196.39</b>  | <b>61.93</b>   | <b>0.68%</b>  | <b>6.79%</b>  |
| <b>Tel Aviv 25 Index</b>      | <b>1,397.39</b>  | <b>-3.03</b>   | <b>-0.22%</b> | <b>5.12%</b>  |
| <b>MICEX Index (Russia)</b>   | <b>1,501.18</b>  | <b>16.24</b>   | <b>1.09%</b>  | <b>-0.19%</b> |

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



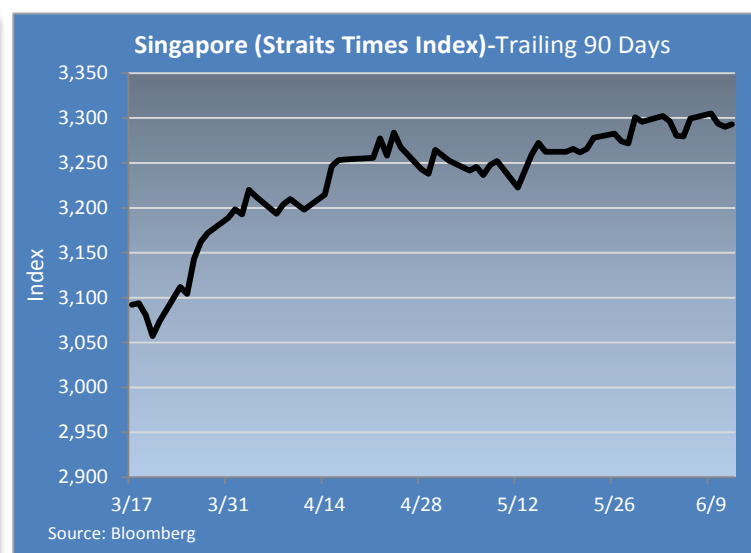
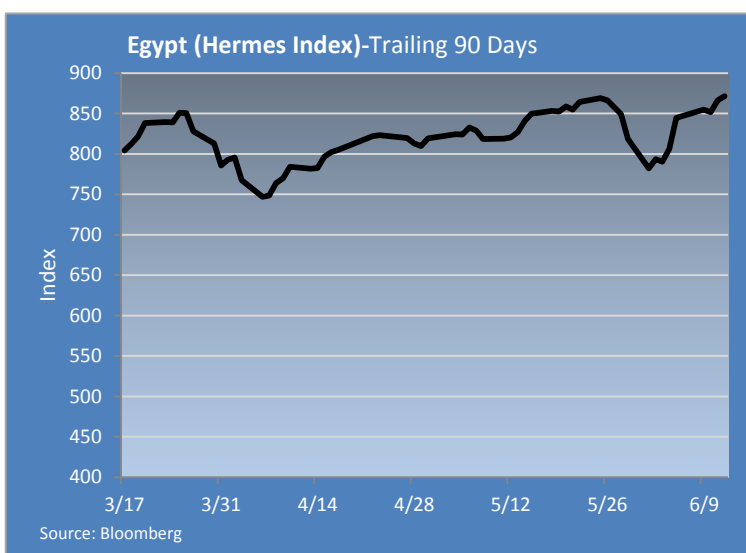
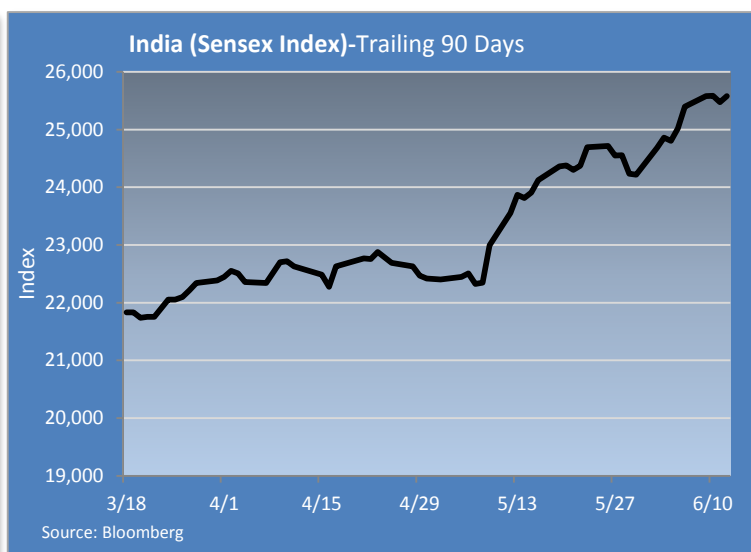
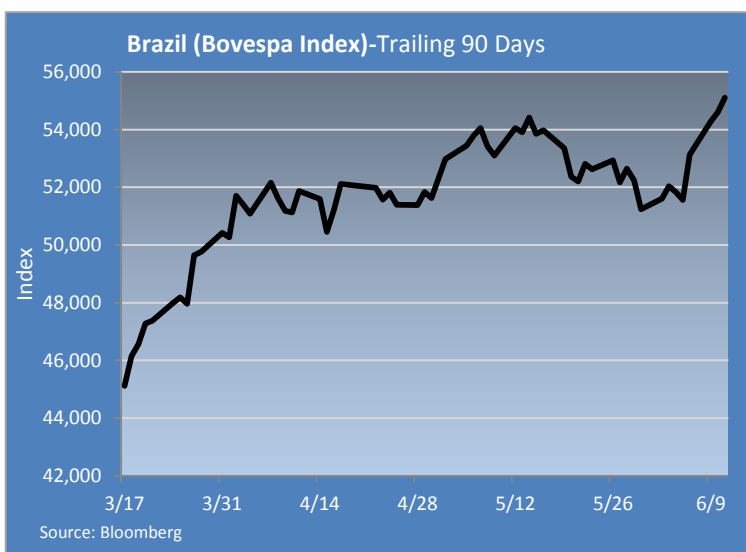
## EQUITIES – EMERGING AND FRONTIER MARKETS

### EMERGING AND FRONTIER MARKET PERFORMANCE

|                             | Last      | Change   | % Chg. | YTD % |
|-----------------------------|-----------|----------|--------|-------|
| Mexico IPC                  | 42,490.76 | -178.88  | -0.4%  | -0.3% |
| Brazil (Bovespa Index)      | 54,806.64 | 1647.16  | 3.1%   | 6.3%  |
| MICEX Index (Russia)        | 1,501.18  | 16.24    | 1.1%   | -0.2% |
| Czech Republic (Prague)     | 1,032.75  | -3.70    | -0.4%  | 4.4%  |
| Turkey (Istanbul)           | 79,011.62 | -1385.93 | -1.7%  | 16.5% |
| Egypt (Hermes Index)        | 871.66    | 26.89    | 3.2%   | 29.1% |
| Kenya (Nairobi 20 Index)    | 4,836.71  | -11.12   | -0.2%  | -1.8% |
| Saudi Arabia (TASI Index)   | 9,826.67  | -33.73   | -0.3%  | 15.1% |
| Lebanon (Beirut BLOM Index) | 1,224.06  | 14.43    | 1.2%   | 6.4%  |
| Palestine                   | 523.34    | -3.90    | -0.7%  | -3.3% |

|                                 | Last      | Change  | % Chg. | YTD % |
|---------------------------------|-----------|---------|--------|-------|
| Hang Seng Index                 | 23,319.17 | 368.17  | 1.6%   | 0.1%  |
| India (Sensex 30)               | 25,228.17 | -168.29 | -0.7%  | 19.2% |
| Malaysia (KLCI Index)           | 1,876.74  | 14.04   | 0.8%   | 0.5%  |
| Singapore (Straits Times Index) | 3,293.25  | -6.18   | -0.2%  | 4.0%  |
| Thailand (SET Index)            | 1,456.02  | -2.00   | -0.1%  | 12.1% |
| Indonesia (Jakarta)             | 4,926.66  | -10.51  | -0.2%  | 15.3% |
| Pakistan (Karachi KSE 100)      | 29,730.86 | 221.75  | 0.8%   | 17.7% |
| Vietnam (Ho Chi Minh)           | 574.48    | 15.44   | 2.8%   | 13.8% |
| Sri Lanka (Colombo)             | 6,337.22  | 57.06   | 0.9%   | 7.2%  |
| Cambodia (Laos)                 | 1,288.36  | 0.36    | 0.0%   | 2.8%  |

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

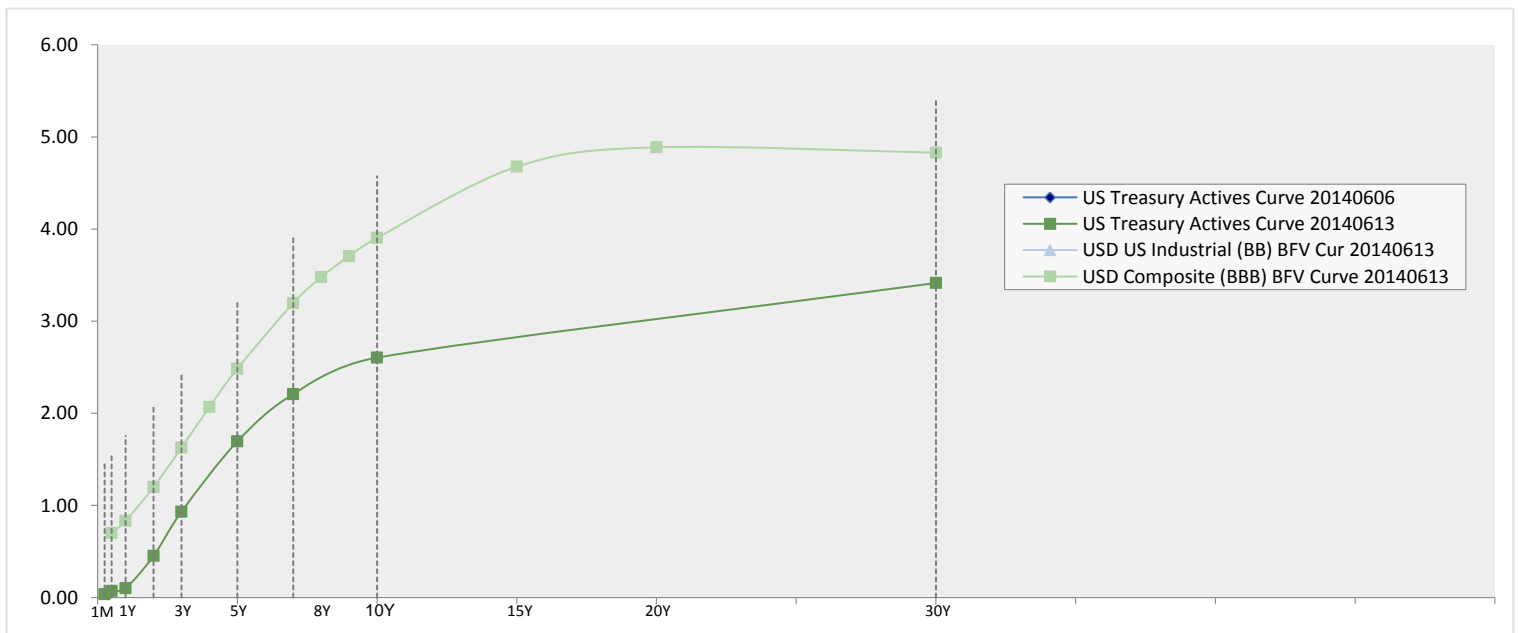


# INTEREST RATES

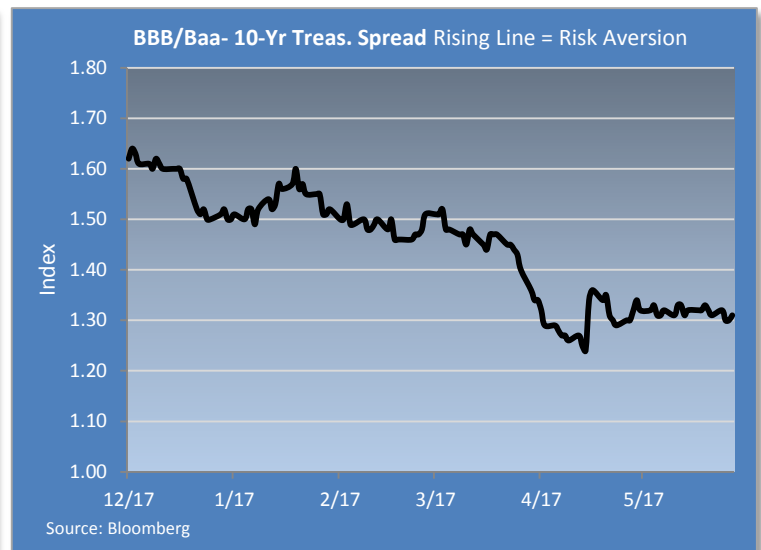
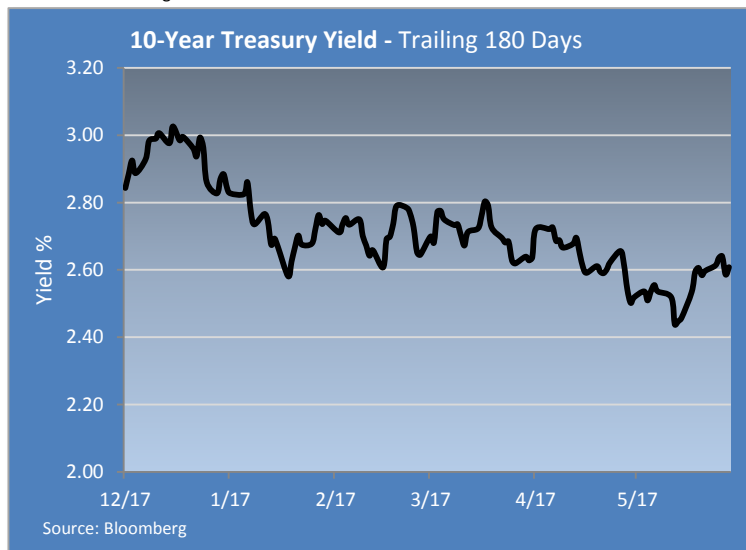
## SELECTED INTEREST RATES

|                      | Last  | Change | % Chg. | YTD % |                    | Last  | Change | % Chg. | YTD % |
|----------------------|-------|--------|--------|-------|--------------------|-------|--------|--------|-------|
| 2-Yr. U.S. Treasury  | 0.45% | -1 bps | NM     | NM    | Prime Rate         | 3.25% | 0.00   | NM     | NM    |
| 5-Yr. U.S. Treasury  | 1.70% | 4 bps  | NM     | NM    | Fed Funds Rate     | 0.25% | 0.00   | NM     | NM    |
| 10-Yr. U.S. Treasury | 2.60% | 1 bps  | NM     | NM    | Discount Rate      | 0.75% | 0.00   | NM     | NM    |
| 30-Yr. U.S. Treasury | 3.41% | -3 bps | NM     | NM    | LIBOR (3 Mo.)      | 0.23% | 0 bps  | NM     | NM    |
| German 10-Yr. Govt.  | 1.36% | -1 bps | NM     | NM    | Bond Buyer 40 Muni | 4.16% | 3 bps  | NM     | NM    |
| France 10-Yr.        | 1.73% | -3 bps | NM     | NM    | Bond Buyer 40 G.O. | 4.37% | NA     | NM     | NM    |
| Italy 10-Yr.         | 2.77% | -2 bps | NM     | NM    | Bond Buyer 40 Rev. | 4.82% | NA     | NM     | NM    |
| Fed 5-Yr Fwd BE Inf. | 2.44% | 0 bps  | NM     | NM    |                    |       |        |        |       |

Source: Bloomberg



Source: Bloomberg





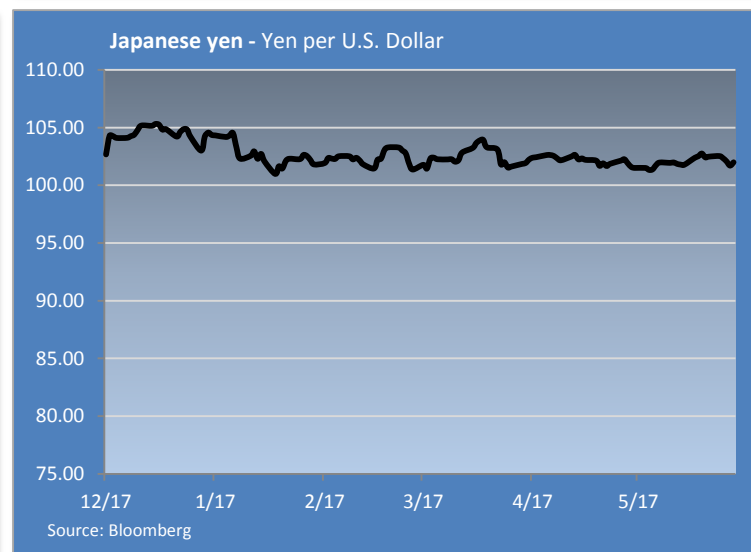
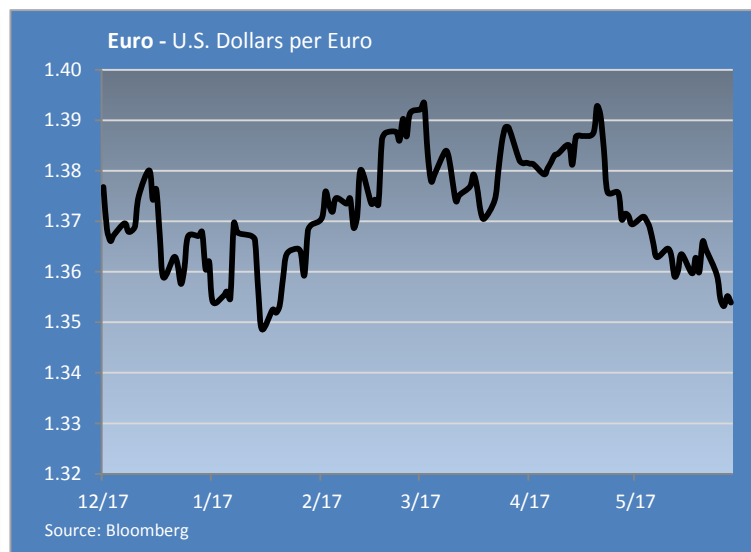
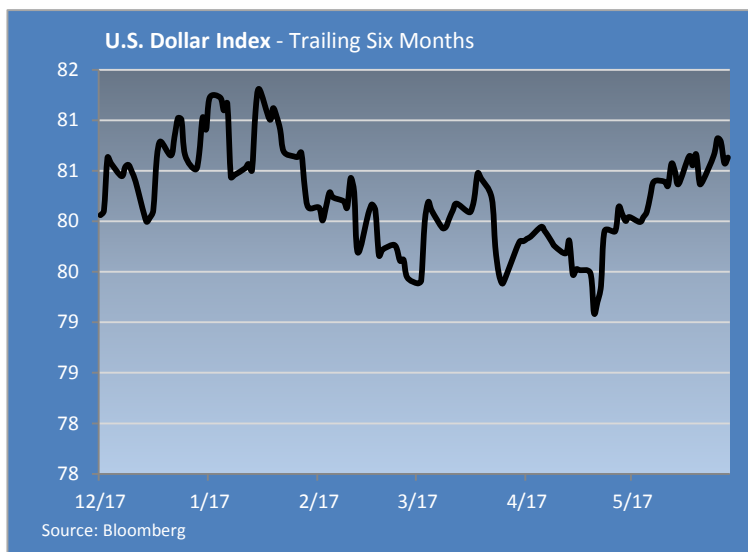
## CURRENCIES

### SELECTED CURRENCY PERFORMANCE

|                 | Last   | Change | % Chg. | YTD %  |
|-----------------|--------|--------|--------|--------|
| Dollar Index    | 80.62  | 0.201  | 0.25%  | 0.72%  |
| Euro            | 1.35   | -0.011 | -0.78% | -1.50% |
| Japanese Yen    | 101.98 | -0.470 | 0.46%  | 3.24%  |
| British Pound   | 1.70   | 0.017  | 0.99%  | 2.49%  |
| Canadian Dollar | 1.09   | -0.007 | 0.67%  | -2.16% |

|                    | Last  | Change | % Chg. | YTD %  |
|--------------------|-------|--------|--------|--------|
| Chinese Yuan       | 6.21  | -0.040 | 0.64%  | -2.52% |
| Swiss Franc        | 0.90  | 0.007  | -0.74% | -0.82% |
| New Zealand Dollar | 0.87  | 0.017  | 1.98%  | 5.54%  |
| Brazilian Real     | 2.23  | -0.018 | 0.79%  | 5.94%  |
| Mexican Peso       | 13.01 | 0.080  | -0.61% | 0.22%  |

Source: Bloomberg

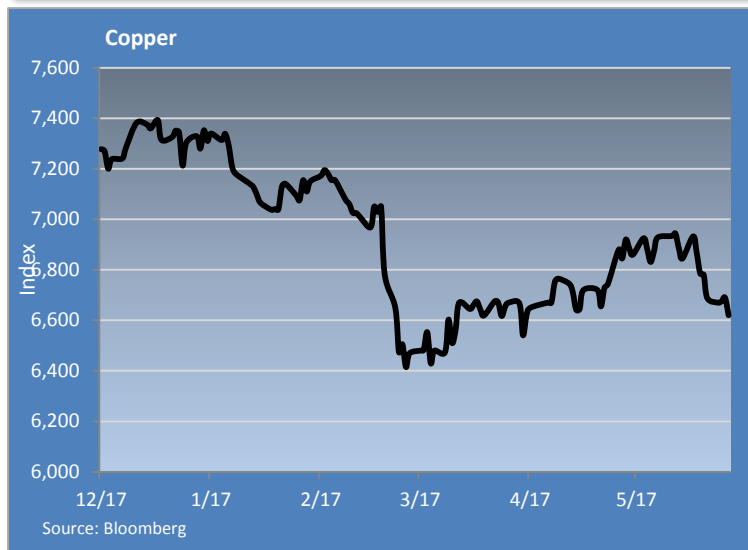
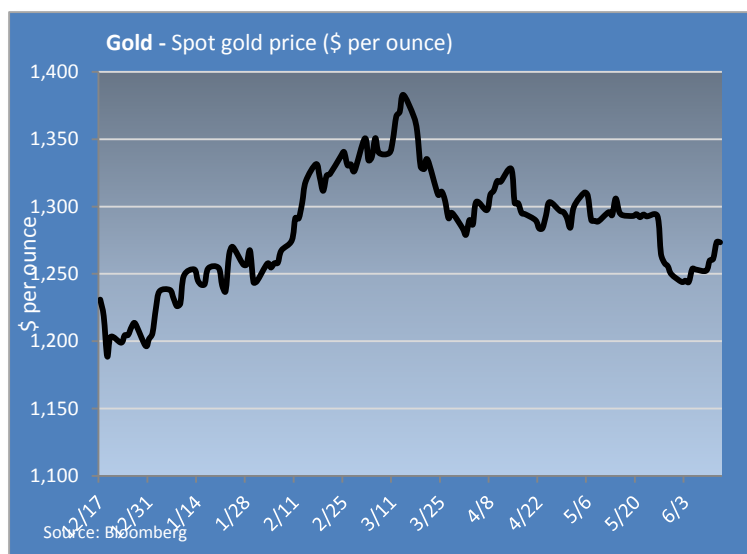
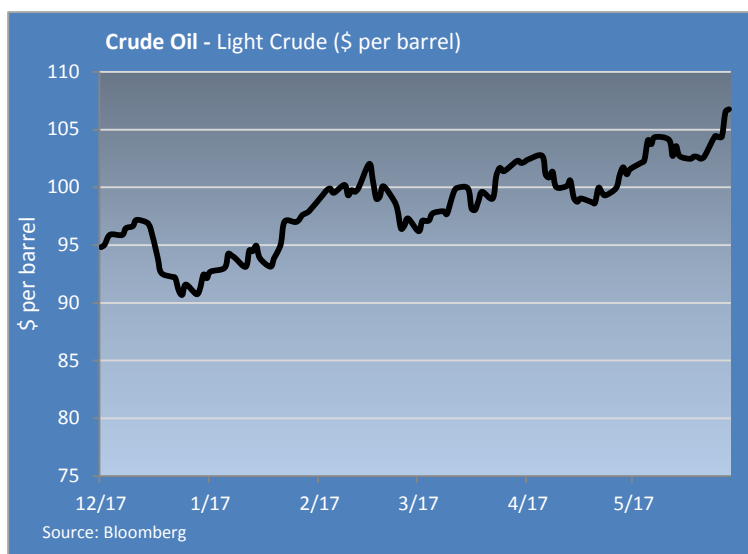


## COMMODITIES

### SELECTED COMMODITY MARKET PERFORMANCE

|                        | Last       | Change  | % Chg. | YTD %  |               | Last       | Change   | % Chg. | YTD %   |
|------------------------|------------|---------|--------|--------|---------------|------------|----------|--------|---------|
| DJ UBS Comm. Idx.      | 134.77     | 1.06    | 0.79%  | 7.17%  | Platinum Spot | \$1,434.25 | -\$19.93 | -1.37% | 4.46%   |
| Rogers Int. Comm. Idx. | 3720.81    | 48.01   | 1.31%  | 4.63%  | Corn          | 447.50     | -10.25   | -2.24% | -0.61%  |
| Crude Oil              | \$106.80   | \$4.20  | 4.09%  | 10.79% | Wheat         | 586.00     | -32.25   | -5.22% | -4.99%  |
| Natural Gas            | \$4.75     | \$0.04  | 0.81%  | 14.55% | Soybeans      | 1,221.25   | 2.50     | 0.21%  | 7.60%   |
| Gasoline (\$/Gal.)     | \$3.65     | -\$0.01 | -0.19% | 9.81%  | Sugar         | 17.85      | 0.00     | 0.00%  | 4.69%   |
| Heating Oil            | 298.40     | 11.37   | 3.96%  | -1.10% | Orange Juice  | 164.55     | 0.00     | 0.00%  | 15.76%  |
| Gold Spot              | \$1,277.31 | \$23.58 | 1.88%  | 6.26%  | Aluminum      | 1,844.00   | -35.00   | -1.86% | 2.43%   |
| Silver Spot            | \$19.70    | \$0.67  | 3.50%  | 1.14%  | Copper        | 6,620.00   | -68.00   | -1.02% | -10.05% |

Source: Bloomberg; % change is based on price.



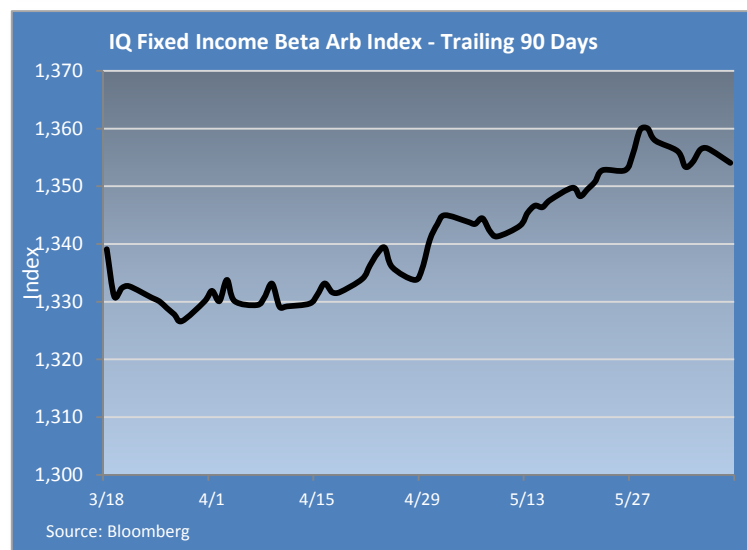
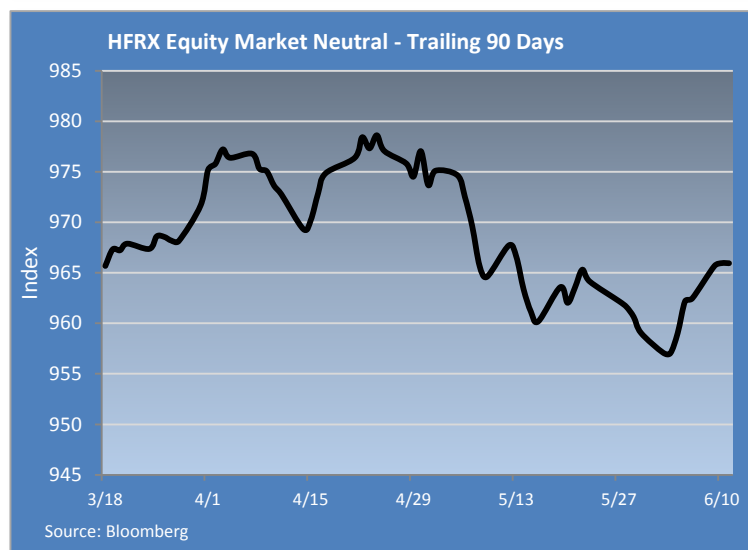
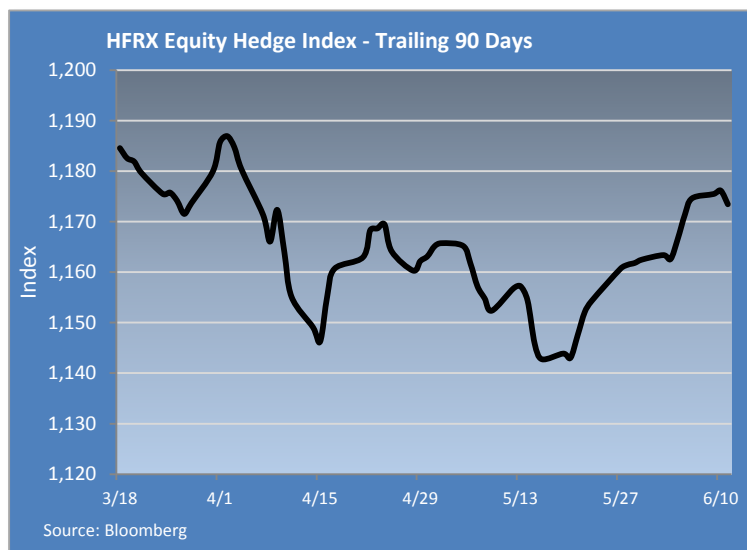
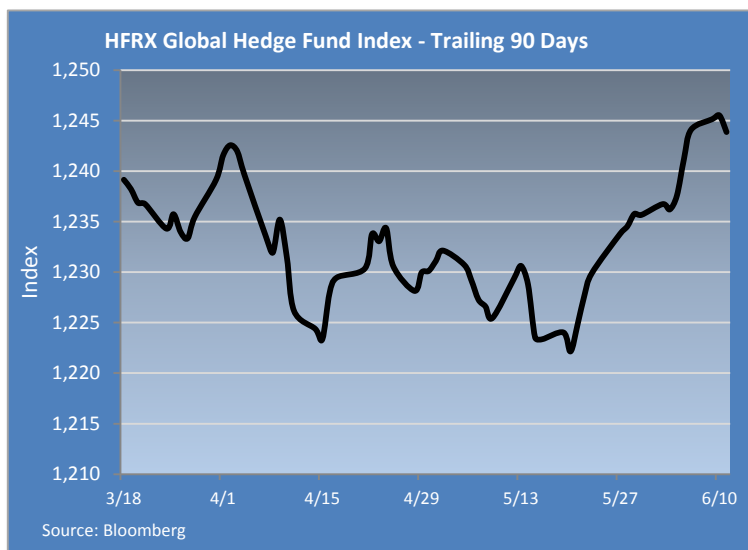
## ALTERNATIVE INVESTMENTS

### SELECTED ALTERNATIVE INVESTMENT INDEX PERFORMANCE

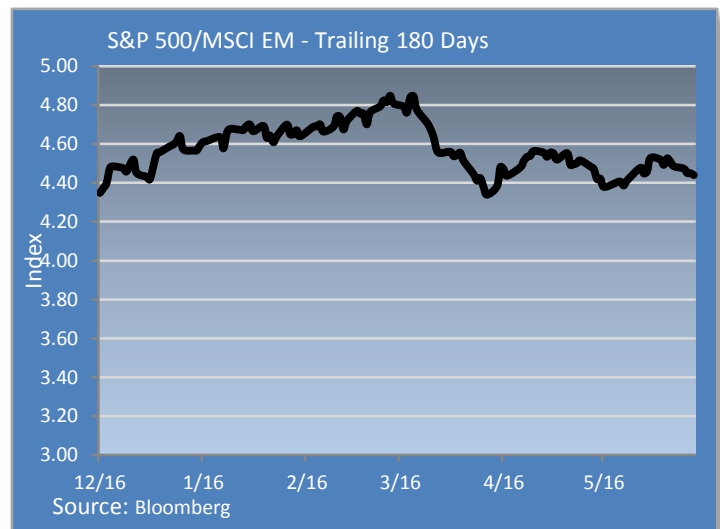
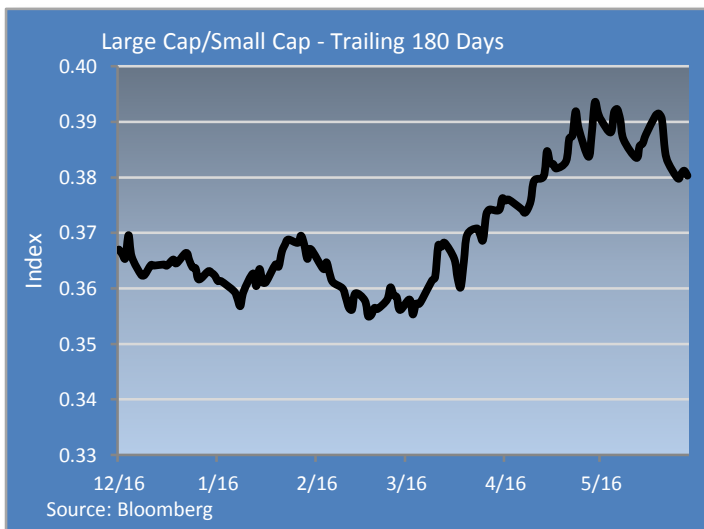
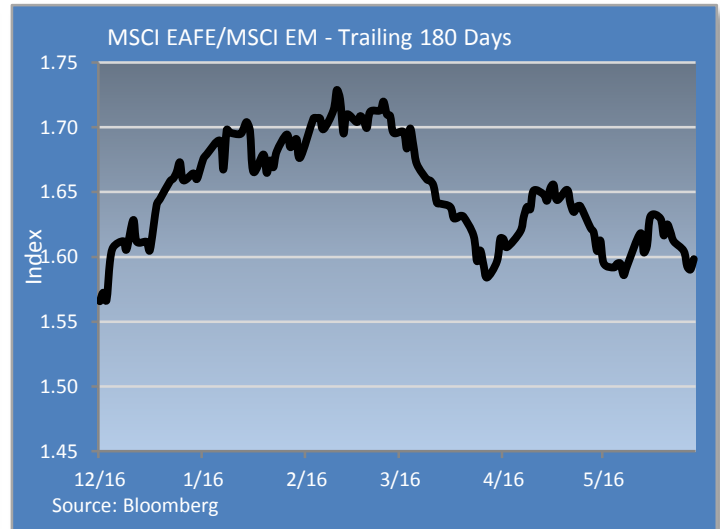
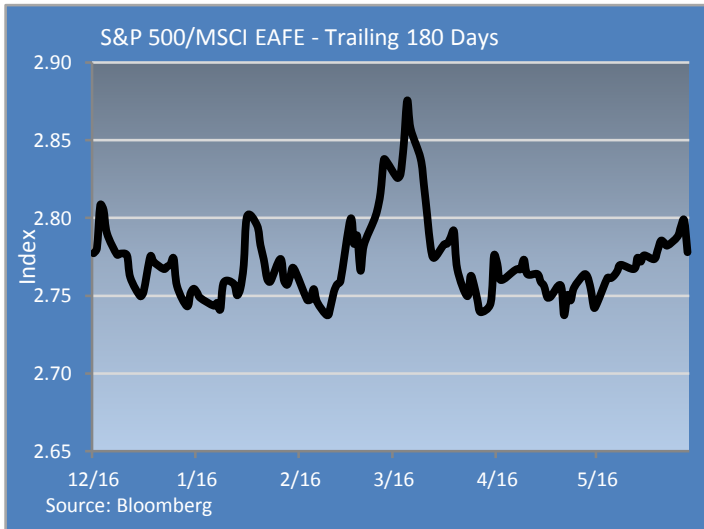
|                              | Last    | Change | % Chg. | YTD % |
|------------------------------|---------|--------|--------|-------|
| HFRX Global Hedge Fund Index | 1241.21 | -1.10  | -0.09% | 1.43% |
| HFRX Equity Market Neutral   | 962.18  | 1.56   | 0.16%  | 1.29% |
| HFRX Equity Hedge Index      | 1171.39 | -2.95  | -0.25% | 0.54% |
| HFRX Event-Driven Index      | 1632.46 | -1.58  | -0.10% | 3.55% |
| HFRX Absolute Return Index   | 1002.57 | 1.87   | 0.19%  | 1.51% |

|                                  | Last    | Change | % Chg. | YTD %  |
|----------------------------------|---------|--------|--------|--------|
| HFRX Distressed Index            | 1052.77 | 2.68   | 0.25%  | 5.46%  |
| HFRX Merger Arbitrage Index      | 1580.36 | 0.62   | 0.04%  | 0.74%  |
| HFRX Convertible Arbitrage Index | 777.84  | -0.87  | -0.11% | 0.07%  |
| HFRX Macro CTA Index             | 1126.22 | -1.78  | -0.16% | -0.24% |
| IQ Fixed Income Beta Arb Index   | 1354.73 | -2.14  | -0.16% | 4.29%  |

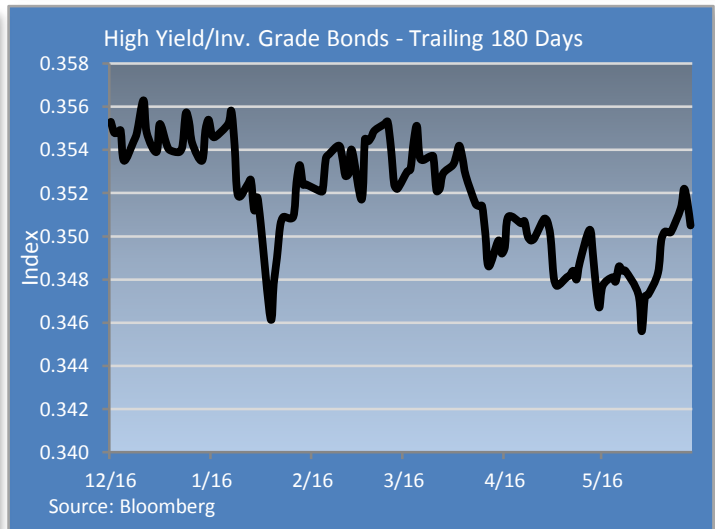
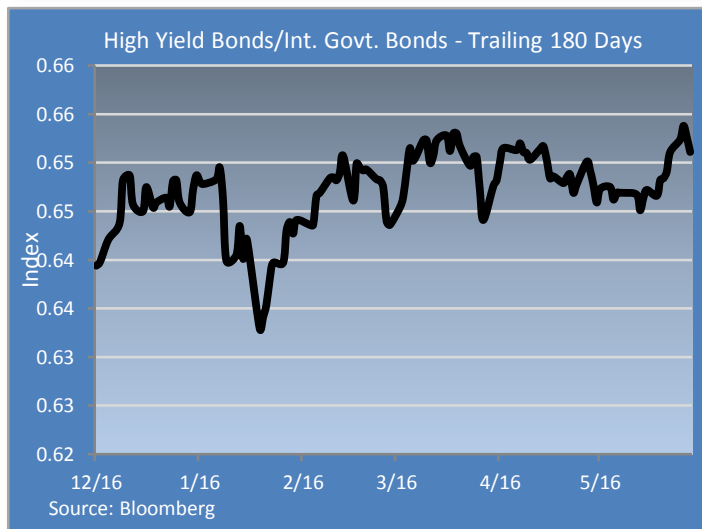
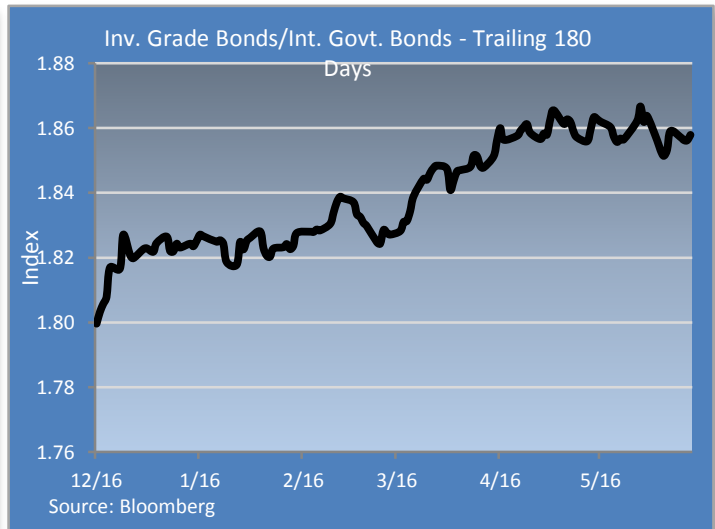
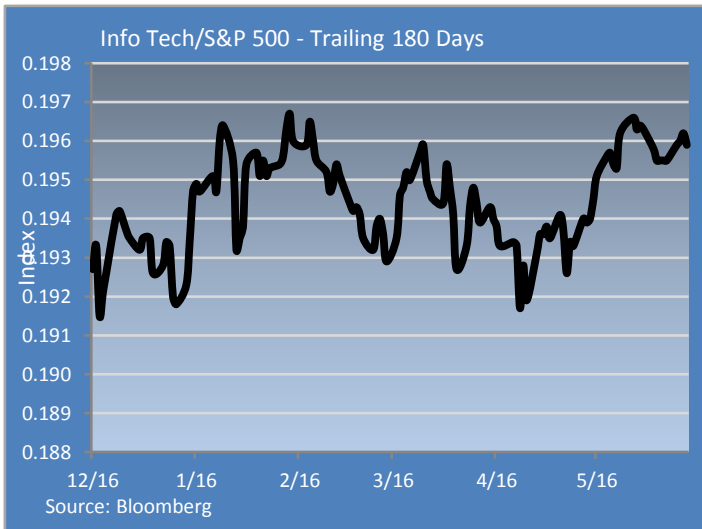
Source: Bloomberg; Index % change is based on price.



## PORTFOLIO CONSTRUCTION



## PORTFOLIO CONSTRUCTION



WEEKLY ASSET CLASS PERFORMANCE (Prior 12 weeks ending Thursday)

|                  |                           |                   | 3/27   | 4/3    | 4/10   | 4/17   | 4/24   | 5/1    | 5/8    | 5/15   | 5/22   | 5/29   | 6/5    | 6/12   |
|------------------|---------------------------|-------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Equity           | Domestic Equity           | Large Cap (R200)  | -1.04% | 2.02%  | -2.82% | 1.77%  | 0.59%  | 0.38%  | -0.41% | -0.24% | 1.19%  | 1.37%  | 0.96%  | -0.52% |
|                  |                           | Small Cap (R2000) | -3.96% | 2.58%  | -4.53% | 0.91%  | 0.57%  | -1.61% | -2.54% | -0.13% | 1.63%  | 2.35%  | 1.22%  | 0.47%  |
|                  | Int'l. Equity             | MSCI EAFE         | 1.55%  | 1.66%  | -0.23% | -0.30% | 0.69%  | 0.84%  | 0.06%  | -0.36% | -0.16% | 1.09%  | 0.30%  | 0.52%  |
|                  |                           | MSCI Em. Mkts.    | 3.68%  | 2.55%  | 2.16%  | -1.23% | -0.47% | -0.84% | 1.29%  | 2.01%  | 1.17%  | -0.24% | -0.35% | 1.91%  |
| Fixed Income     | BarCap Agg. (AGG)         | 0.58%             | -0.57% | 0.83%  | -0.13% | 0.17%  | 0.17%  | 0.22%  | 0.49%  | -0.18% | 0.41%  | -0.57% | -0.03% |        |
|                  | High Yield (JNK)          | 0.15%             | -0.17% | 0.12%  | 0.05%  | 0.10%  | -0.19% | 0.15%  | 0.32%  | 0.05%  | 0.29%  | -0.24% | 0.29%  |        |
| Commodities      | DJ UBS Index              | 1.00%             | -0.24% | 2.01%  | 0.51%  | 0.34%  | -1.36% | 0.00%  | -0.36% | -0.14% | -0.63% | -1.08% | 0.74%  |        |
| Alternatives     | Hedge Funds (HFRX Global) | -0.28%            | 0.70%  | -0.85% | -0.16% | 0.40%  | -0.26% | -0.37% | 0.25%  | 0.35%  | 0.65%  | 0.44%  | 0.21%  |        |
| Asset Allocation | 60/40*                    | -0.08%            | 1.03%  | -0.93% | 0.47%  | 0.41%  | 0.09%  | -0.22% | 0.15%  | 0.49%  | 0.96%  | 0.22%  | 0.07%  |        |
|                  | 48/32/20 (w/Alts.)**      | -0.12%            | 0.96%  | -0.91% | 0.35%  | 0.41%  | 0.02%  | -0.25% | 0.07%  | 0.46%  | 0.90%  | 0.27%  | 0.10%  |        |

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

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

RELATIVE STRENGTH MATRIX (BASED ON 30-DAY RSI)

|                  | Large Cap Core | Large Cap Growth | Large Cap Value | Mid Cap Core | Mid Cap Growth | Mid Cap Value | Small Cap Core | Small Cap Growth | Small Cap Value | Int'l. Developed | Emerging Markets | REITs | Comm. | Int. Bond | High Yield |
|------------------|----------------|------------------|-----------------|--------------|----------------|---------------|----------------|------------------|-----------------|------------------|------------------|-------|-------|-----------|------------|
| Large Cap Core   | 1.00           | 1.02             | 0.99            | 1.03         | 1.06           | 1.01          | 1.12           | 1.14             | 1.11            | 1.04             | 0.97             | 1.08  | 1.44  | 1.21      | 1.08       |
| Large Cap Growth | 0.98           | 1.00             | 0.97            | 1.02         | 1.04           | 1.00          | 1.10           | 1.12             | 1.09            | 1.02             | 0.95             | 1.06  | 1.41  | 1.18      | 1.06       |
| Large Cap Value  | 1.01           | 1.03             | 1.00            | 1.05         | 1.07           | 1.03          | 1.14           | 1.15             | 1.12            | 1.05             | 0.98             | 1.09  | 1.46  | 1.22      | 1.09       |
| Mid Cap Core     | 0.97           | 0.98             | 0.96            | 1.00         | 1.02           | 0.98          | 1.09           | 1.10             | 1.07            | 1.01             | 0.94             | 1.04  | 1.39  | 1.17      | 1.04       |
| Mid Cap Growth   | 0.95           | 0.97             | 0.94            | 0.98         | 1.00           | 0.96          | 1.07           | 1.08             | 1.05            | 0.99             | 0.92             | 1.02  | 1.36  | 1.14      | 1.02       |
| Mid Cap Value    | 0.99           | 1.00             | 0.97            | 1.02         | 1.04           | 1.00          | 1.11           | 1.12             | 1.10            | 1.03             | 0.95             | 1.06  | 1.42  | 1.19      | 1.06       |
| Small Cap Core   | 0.89           | 0.91             | 0.88            | 0.92         | 0.94           | 0.90          | 1.00           | 1.01             | 0.99            | 0.93             | 0.86             | 0.96  | 1.28  | 1.07      | 0.96       |
| Small Cap Growth | 0.88           | 0.90             | 0.87            | 0.91         | 0.93           | 0.89          | 0.99           | 1.00             | 0.98            | 0.92             | 0.85             | 0.95  | 1.27  | 1.06      | 0.95       |
| Small Cap Value  | 0.90           | 0.92             | 0.89            | 0.93         | 0.95           | 0.91          | 1.01           | 1.02             | 1.00            | 0.94             | 0.87             | 0.97  | 1.29  | 1.09      | 0.97       |
| Int'l. Developed | 0.96           | 0.98             | 0.95            | 0.99         | 1.01           | 0.97          | 1.08           | 1.09             | 1.07            | 1.00             | 0.93             | 1.03  | 1.38  | 1.16      | 1.04       |
| Emerging Markets | 1.03           | 1.05             | 1.02            | 1.07         | 1.09           | 1.05          | 1.16           | 1.17             | 1.15            | 1.07             | 1.00             | 1.11  | 1.49  | 1.25      | 1.11       |
| REITs            | 0.93           | 0.95             | 0.92            | 0.96         | 0.98           | 0.94          | 1.04           | 1.06             | 1.03            | 0.97             | 0.90             | 1.00  | 1.34  | 1.12      | 1.00       |
| Commodities      | 0.69           | 0.71             | 0.69            | 0.72         | 0.73           | 0.70          | 0.78           | 0.79             | 0.77            | 0.72             | 0.67             | 0.75  | 1.00  | 0.84      | 0.75       |
| Int. Bond        | 0.83           | 0.84             | 0.82            | 0.86         | 0.87           | 0.84          | 0.93           | 0.94             | 0.92            | 0.86             | 0.80             | 0.89  | 1.19  | 1.00      | 0.89       |
| High Yield       | 0.93           | 0.94             | 0.92            | 0.96         | 0.98           | 0.94          | 1.04           | 1.05             | 1.03            | 0.96             | 0.90             | 1.00  | 1.33  | 1.12      | 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. Investment Grade or Investment Grade Bond – The broad credit designation given to corporate and municipal bonds which have a high probability of being paid and minor, if any, speculative features. Bonds rated Baa and higher by Moody's Investor Services or BBB and higher by Standard & Poor's are deemed by those agencies to be "investment grade". Non-Investment Grade - By definition, junk bonds are non-investment grade. A bond rated lower than Baa/BBB, also called a "high-yield" bond. Junk bonds are speculative compared with investment grade bonds. Risk-On Risk-Off - An investment setting in which price behavior responds to, and is driven by, changes in investor risk tolerance. Risk-on risk-off refers to changes in investment activity in response to global economic patterns. During periods when risk is perceived as low, risk-on risk-off theory states that investors tend to engage in higher-risk investments. When risk is perceived as high, investors have the tendency to gravitate toward lower-risk investments. The S&P 500 Consumer Staples Index comprises those companies included in the S&P 500 that are classified as members of the GICS® consumer staples sector. The S&P 500® Consumer Discretionary Index comprises those companies included in the S&P 500 that are classified as members of the GICS® consumer discretionary sector.

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