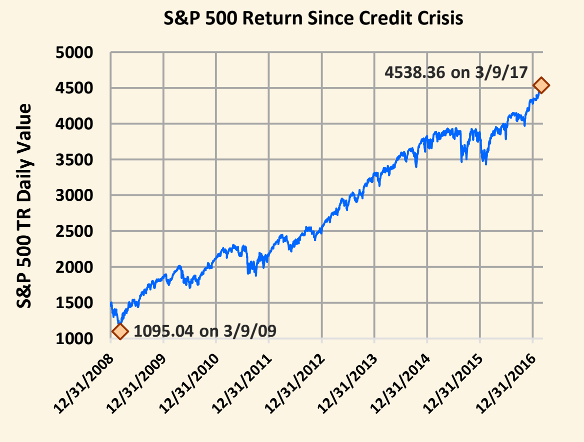
Market Facts and Figures from Q1 2017

In a reversal of Q4, large cap growth stocks led the way in the US, with small value down slightly.

2017 1Q US Returns (Russell Indices)

	Value	Core	Growth
Large	3.3%	6.0%	8.9%
Mid	3.8%	5.2%	6.9%
Small	-0.1%	2.5%	5.4%

March 9th marked the 8-year anniversary of the market bottom. The S&P has quadrupled since then.



Best and Worst Markets (Note: MSCI is promoting Pakistan from Frontier to Emerging in May 2017.)

Developed Markets

Top 3	2017 1Q	Bottom 3	2017 1Q
Korea	16.85%	Canada	2.51%
Spain	14.76%	New Zealand	1.95%
Singapore	13.46%	Norway	1.43%

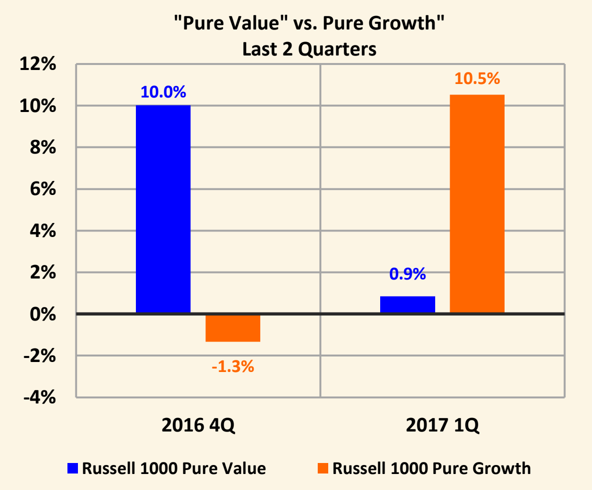
Emerging Markets

Top 3	2017 1Q	Bottom 3	2017 1Q
Poland	17.75%	Hungary	-0.06%
India	17.12%	Greece	-3.49%
Korea	16.85%	Russia	-4.61%

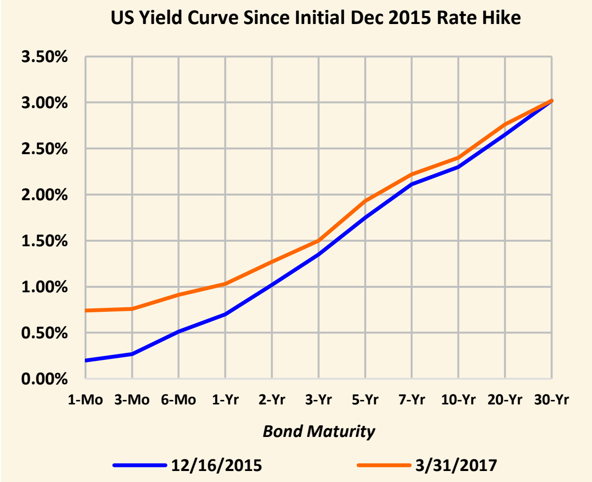
Frontier Markets

Top 3	2017 1Q	Bottom 3	2017 1Q
Argentina	34.79%	Morocco	-3.85%
Kazakhstan	27.85%	Sri Lanka	-5.65%
Bahrain	24.74%	Oman	-7.14%

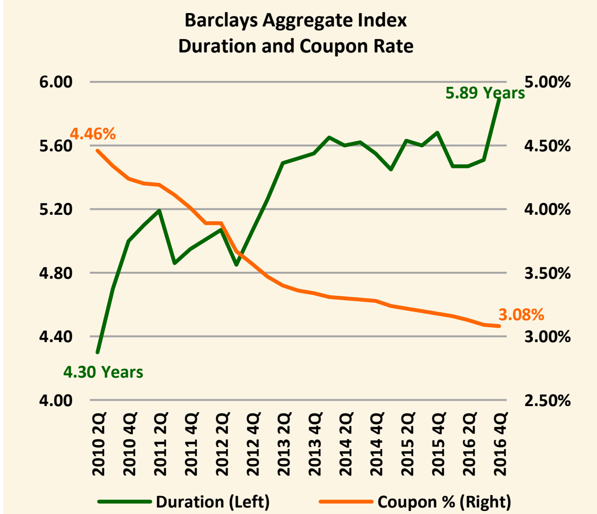
There was also a strong reversal in relative performance between value and growth stocks.



The long-term end of the yield curve is little changed since the Fed began raising rates.

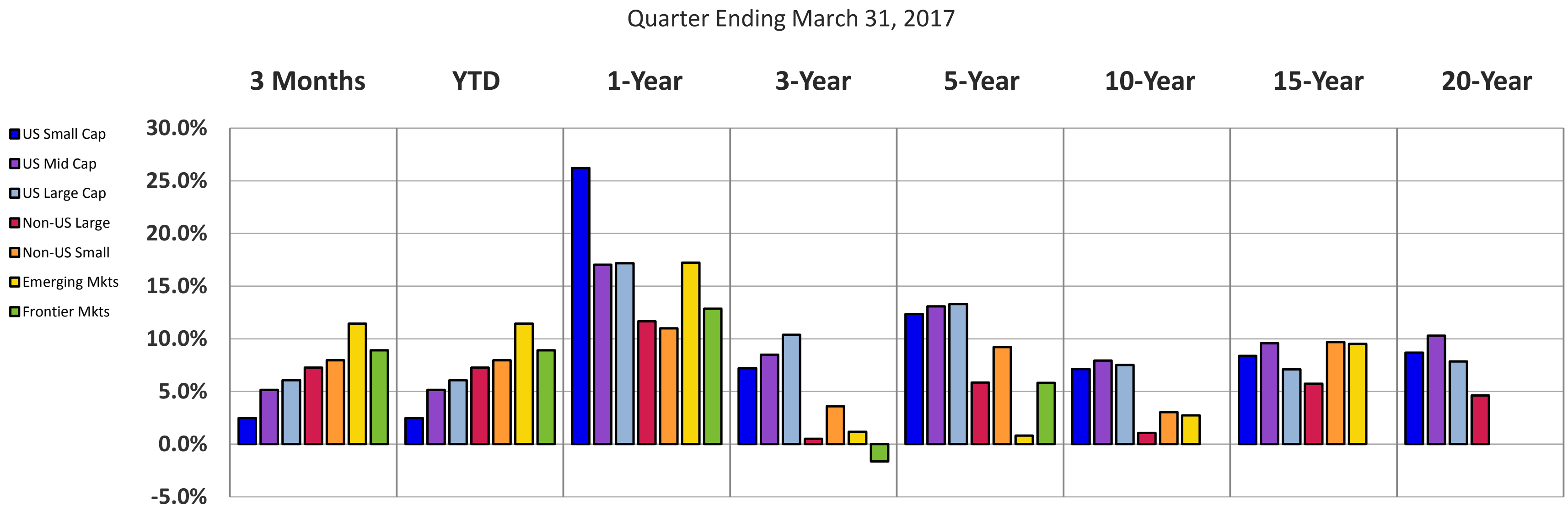


Bond index duration has been extending, while the cushion from bond income has been shrinking.



Sources: Morningstar Advisor Workstation, research.stlouisfed.org, Barrow Hanley Mewhinney & Strauss LLC, finance.yahoo.com

World Equity Performance

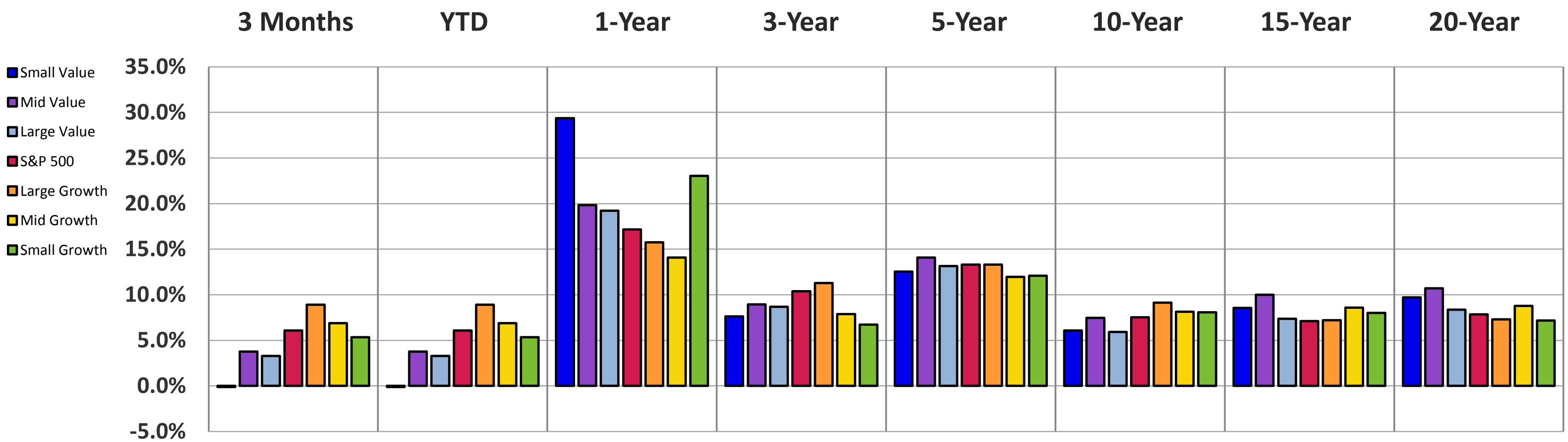


	3 Months	YTD	1-Year	3-Year	5-Year	10-Year	15-Year	20-Year
US Small Cap	2.5%	2.5%	26.2%	7.2%	12.4%	7.1%	8.4%	8.7%
US Mid Cap	5.2%	5.2%	17.0%	8.5%	13.1%	7.9%	9.6%	10.3%
US Large Cap	6.1%	6.1%	17.2%	10.4%	13.3%	7.5%	7.1%	7.9%
Non-US Large	7.3%	7.3%	11.7%	0.5%	5.8%	1.1%	5.7%	4.6%
Non-US Small	8.0%	8.0%	11.0%	3.6%	9.2%	3.0%	9.7%	
Emerging Mkts	11.5%	11.5%	17.2%	1.2%	0.8%	2.7%	9.5%	
Frontier Mkts	8.9%	8.9%	12.9%	**-1.7%**	5.8%	**-0.6%**		

Emerging Markets and Frontier Markets got out to a hot start in 2017, returning 11.5% and 8.9% respectively. Non-US stocks in general outperformed to start the year, however US stocks maintain their strong return advantage over the trailing 5-year and 10-year time periods. Small Caps in the US had a relatively weak quarter after their strong performance in Q4.

U.S. Equity Style Performance

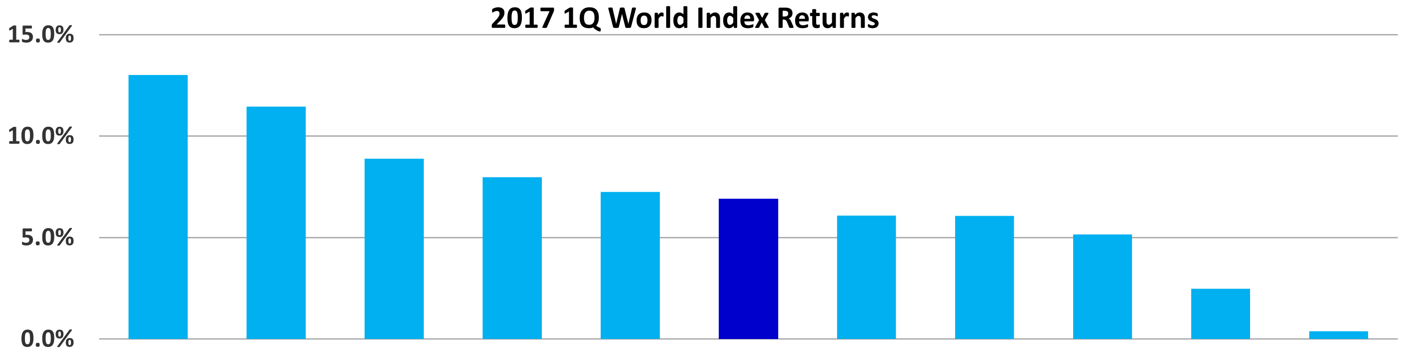
Quarter Ending March 31, 2017



	3 Months	YTD	1-Year	3-Year	5-Year	10-Year	15-Year	20-Year
Small Value	-0.1%	-0.1%	29.4%	7.6%	12.5%	6.1%	8.5%	9.7%
Mid Value	3.8%	3.8%	19.8%	8.9%	14.1%	7.5%	10.0%	10.7%
Large Value	3.3%	3.3%	19.2%	8.7%	13.1%	5.9%	7.4%	8.4%
S&P 500	6.1%	6.1%	17.2%	10.4%	13.3%	7.5%	7.1%	7.9%
Large Growth	8.9%	8.9%	15.8%	11.3%	13.3%	9.1%	7.2%	7.3%
Mid Growth	6.9%	6.9%	14.1%	7.9%	12.0%	8.1%	8.6%	8.8%
Small Growth	5.4%	5.4%	23.0%	6.7%	12.1%	8.1%	8.0%	7.2%

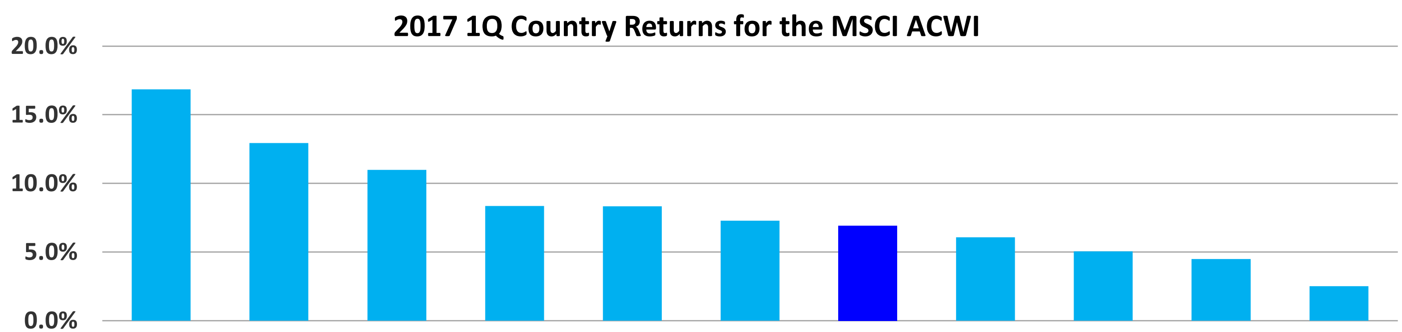
After leading the pack in Q4, Small Value was the lone segment of the US market to experience a negative return in Q1. Bank stocks represent a large portion of the Small Value index, and that sector had relatively weak performance last quarter after surging in November and December. Large Growth stocks had the best performance in the first quarter, led by strength in the Technology sector.

Equity Performance Breakdown



	MSCI Emrg Small Cap	MSCI Emerging Markets	MSCI Frontier Markets	MSCI EAFE Small Cap	MSCI EAFE	MSCI ACWI	S&P 100	S&P 500	Russell Mid Cap	Russell 2000	Russell Micro Cap
2017 1Q Return	13.0%	11.5%	8.9%	8.0%	7.3%	6.9%	6.1%	6.1%	5.2%	2.5%	0.4%

The first quarter of 2017 was in some ways a reversal of the post-election market investors experienced in Q4 2016. U.S. Small Cap and Micro Cap stocks led by a wide margin to end 2016, but in Q1 they were easily the weakest segments of the market. Likewise, while Emerging Markets and EM Small Cap stocks lagged in the fourth quarter (losing -4.2% and -6.2%, respectively) they rebounded with strong performance to start 2017.

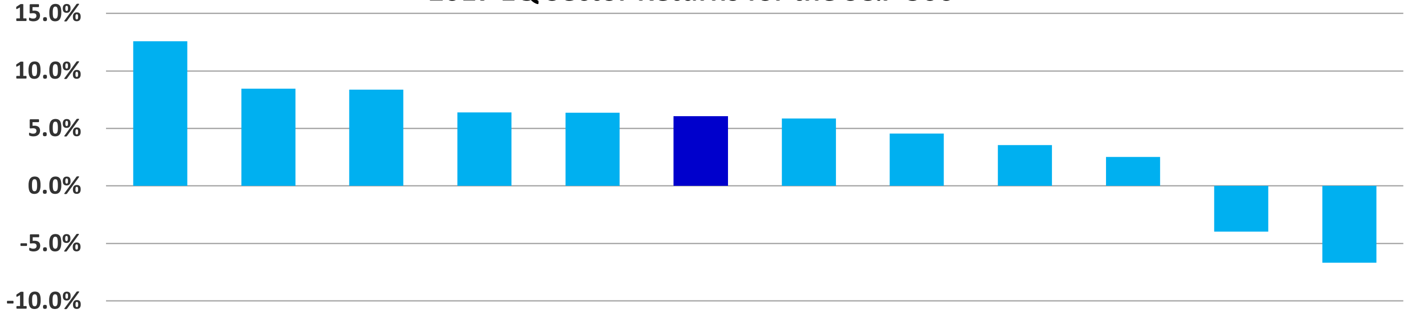


	South Korea	China	Australia	Germany	Switzerland	France	MSCI ACWI Index	U.S.	United Kingdom	Japan	Canada
2017 1Q Return	16.9%	12.9%	11.0%	8.4%	8.3%	7.3%	6.9%	6.1%	5.0%	4.5%	2.5%
Weight in ACWI	*1.7%*	*3.0%*	*2.5%*	*3.1%*	*2.8%*	*3.3%*	-	*53.2%*	*5.8%*	*7.6%*	*3.2%*

All ten of the largest countries in the MSCI ACWI index posted a positive return to start the year. South Korea and China, which are both part of the MSCI Emerging Markets universe, led the way with returns of 16.9% and 12.9%. In March, the US Federal Reserve decided the market was healthy enough to raise interest rates for the second time in three months, though the US market slightly underperformed the global index in Q1. At the very end of the quarter, U.K. Prime Minister Theresa May officially invoked Article 50 to enter negotiations with the European Union and begin the "Brexit" process.

Equity Performance Breakdown

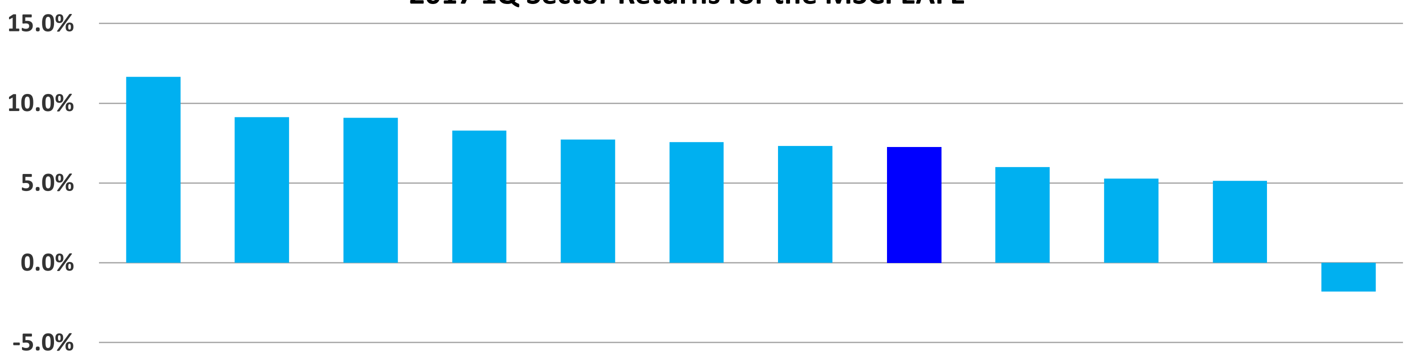
2017 1Q Sector Returns for the S&P 500



	Technology	Consumer Discretionary	Health Care	Utilities	Consumer Staples	S&P 500 Index	Materials	Industrials	Real Estate	Financials	Telecomm	Energy
2017 1Q Return	12.6%	8.5%	8.4%	6.4%	6.4%	6.1%	5.9%	4.6%	3.5%	2.5%	**-4.0%**	**-6.7%**
Weight in S&P	*22.1%*	*12.3%*	*13.9%*	*3.2%*	*9.3%*	-	*2.8%*	*10.1%*	*2.9%*	*14.4%*	*2.4%*	*6.6%*

The Technology sector led the way in the US, with Software and Semiconductor companies performing very well in the first quarter. Health Care stocks also performed well, as fears of a full repeal of the Affordable Care Act subsided. The Energy sector was the worst performer in the first quarter, as oil prices declined in March. Bank stocks, which surged in the immediate aftermath of the November election, were also relative laggards to start the new year.

2017 1Q Sector Returns for the MSCI EAFE



	Technology	Industrials	Consumer Staples	Health Care	Utilities	Materials	Financials	MSCI EAFE Index	Real Estate	Consumer Discretionary	Telecomm	Energy
2017 1Q Return	11.7%	9.1%	9.1%	8.3%	7.7%	7.6%	7.3%	7.3%	6.0%	5.3%	5.1%	**-1.8%**
Weight in EAFE	*5.7%*	*14.3%*	*11.4%*	*10.7%*	*3.4%*	*7.9%*	*21.3%*	-	*3.7%*	*12.2%*	*4.4%*	*5.0%*

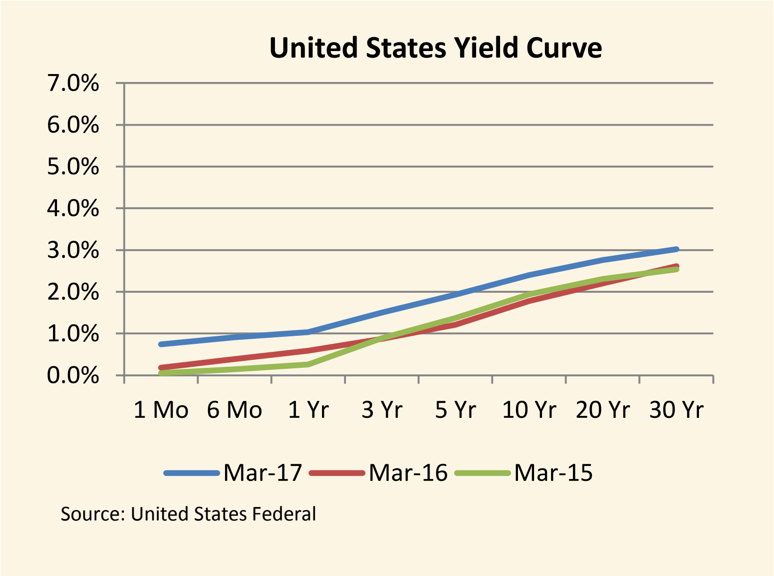
As in the US, Technology was the top-performing sector to start the year in the International markets. Ten out of 11 sectors had a positive return in Q1, with Energy being the lone negative sector.

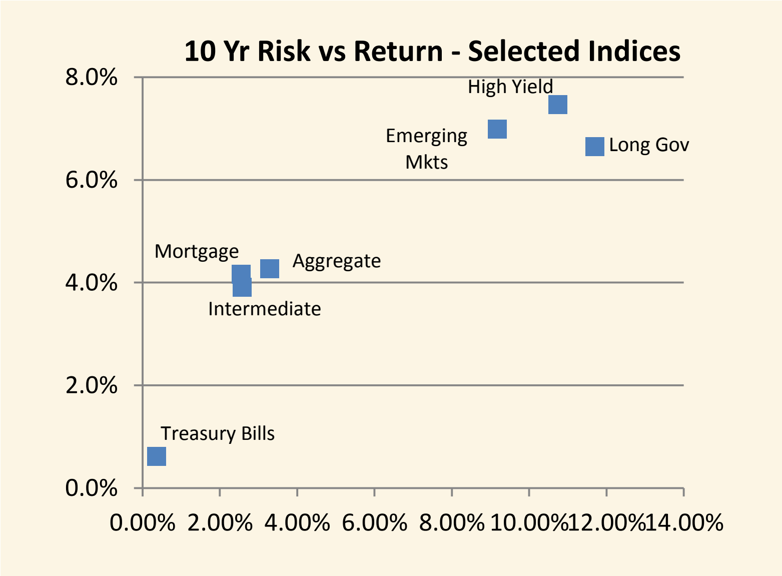
Unlike in the US, the International Industrials sector also had a strong return last quarter. According to JP Morgan, stocks in Europe and Japan are trading at a P/E ratio of 14.5-15x, which is still relatively attractive when compared to the US (17.9x).

Fixed Income Performance

Fixed Income Rates of Return		2017 1Q	YTD	1 Year	3 Year	5 Year	10 Year
Broad Market Indices	BBgBarc US Aggregate TR	0.82%	0.82%	0.44%	2.68%	2.34%	4.27%
	BBgBarc US Govt/Credit TR	0.96%	0.96%	0.54%	2.69%	2.46%	4.34%
Intermediate Indices	BBgBarc US Int TR	0.68%	0.68%	0.35%	2.25%	1.95%	3.91%
	BBgBarc US Govt/Credit Int TR	0.78%	0.78%	0.42%	2.01%	1.88%	3.76%
Government Only Indices	Citi 3 Month Treasury	0.12%	0.12%	0.34%	0.15%	0.11%	0.61%
	BBgBarc US Govt 1-3 Yr TR	0.28%	0.28%	0.25%	0.74%	0.65%	2.07%
	BBgBarc US Govt Int TR	0.54%	0.54%	-0.67%	1.55%	1.23%	3.32%
	BBgBarc US TIPS TR	1.26%	1.26%	1.48%	2.03%	0.97%	4.24%
	BBgBarc US Govt Long TR	1.45%	1.45%	-4.78%	5.81%	4.05%	6.65%
Municipal Indices	BBgBarc US Municipal TR	1.58%	1.58%	0.15%	3.55%	3.24%	4.33%
	BBgBarc US Municipal 1 Yr TR	0.69%	0.69%	0.67%	0.65%	0.70%	1.80%
	BBgBarc US Municipal 10 Yr TR	1.78%	1.78%	-0.24%	3.60%	3.35%	4.81%
	BBgBarc US Municipal 20 Yr TR	1.50%	1.50%	0.04%	4.58%	4.12%	4.93%
Mortgage Backed Indices	BBgBarc US MBS TR	0.47%	0.47%	0.17%	2.69%	2.04%	4.16%
Corporate Bond Indices	BBgBarc US Credit TR	1.30%	1.30%	2.96%	3.52%	3.70%	5.29%
	BBgBarc US High Yield TR	2.70%	2.70%	16.39%	4.56%	6.82%	7.46%
World Bond Indices	Citi World Government Bond	1.55%	1.55%	-3.65%	-1.20%	-0.58%	3.03%
	BBgBarc EM USD Sovereign TR	3.77%	3.77%	7.92%	5.90%	5.46%	6.99%

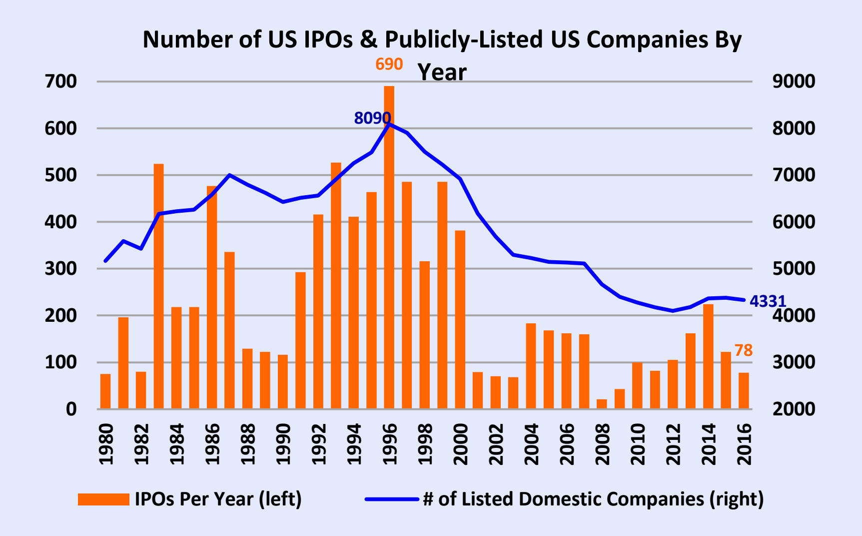
Source: Morningstar Advisor Workstation

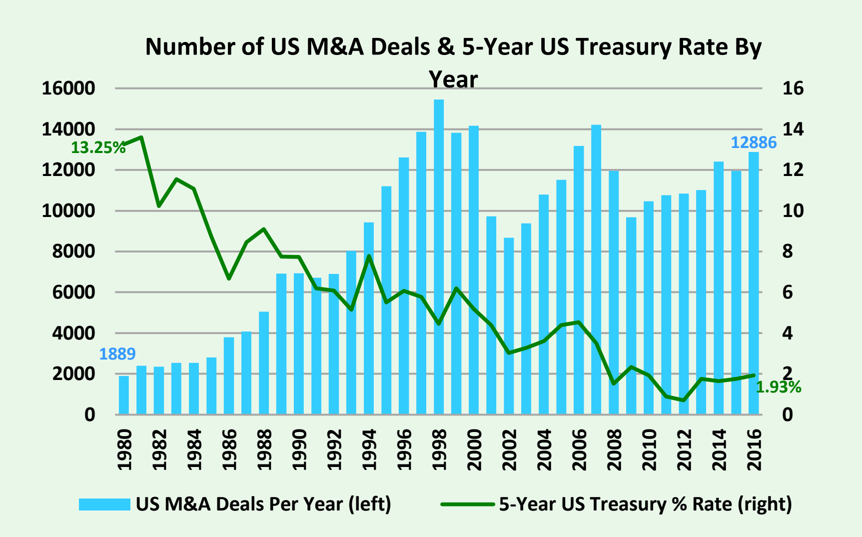




MARKET MICROSCOPE: The Shrinking US Stock Market

Measured by total market capitalization, the US stock market has grown since 1980, moving from $1.36T to $27.35T at the end of 2016. However, over that same period the US market has shrunk by another measure - the number of companies that are publicly-traded.





According to the World Federation of Exchanges database, the number of listed domestic companies in the US has fallen from a peak of 8,090 in 1996 to just 4,331 in 2016, a decline of over 46%.

A number of factors have contributed to the reduction in publicly-traded stocks, including:

- **Low interest rates** – The availability of cheap debt has made it easier for companies to raise large sums of money without going public. Low interest rates also make it easier for private equity investors to access the needed capital to buy private firms and keep them private.

- **Increased merger & acquisition activity** – Also tied to low interest rates. Many larger companies have kept increasing amounts of cash on their balance sheets, allowing them to access new technologies and new markets by buying up private companies before they go public.

- **Increased cost of going public with an IPO** – JPMorgan cites a University of Florida study that estimated the cost of going public amounted to 14% of the total funds raised. At least some portion of the increase in IPO costs in recent years is due to an increasing regulatory burden on financial institutions.

- **More pressure and perverse incentives –** Publicly-traded companies face constant pressure to focus only on shareholder value maximization, sometimes with the negative effect of putting more emphasis on meeting the next quarter's earnings estimate over increasing the long-term value of the business. This effect has been magnified by the increasing portion of executive pay that is tied to company stock performance at publicly-traded firms.

Sources: data.worldbank.org, World Federation of Exchanges, fred.stlouisfed.org, Institute for Mergers, Acquisitions & Alliances (IMAA), site.warrington.ufl.edu, JPMorgan.com, finance.yahoo.com