

2016 Second Quarter Performance Notes

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Page Reference

Market Data

3. Asset Class Heat Map
4. Global Broad Markets
5. Asset Class Scatter Plot for the quarter
6. Asset Class Scatter Plot for the year
7. Major US Indices
8. Intra-year Declines
9. US Equities by Style
10. US Equities by Sector
11. US Equities – Value vs. Growth Cycles
12. US Equities – Small Cap vs. Large Cap Cycles
13. US Equities by Factor
14. US Equities Earnings/Sales Growth
15. US Equities Multiple Expansion
16. US Valuations
17. US Valuations by Style/Sector
18. Developed Markets
19. Brexit Fallout
20. Brexit Fallout – Pound/Flight to Safety
21. Brexit Fallout – Prior Market Shocks
22. US vs Europe Cycles
23. Emerging Markets
24. Commodities

Fixed Income

25. Yield Curve
26. Fixed Income Sectors
27. Credit Spreads/High Yield
28. Investor Sentiments
29. Important Disclosures
30. Index Definitions



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Asset Class Heatmap



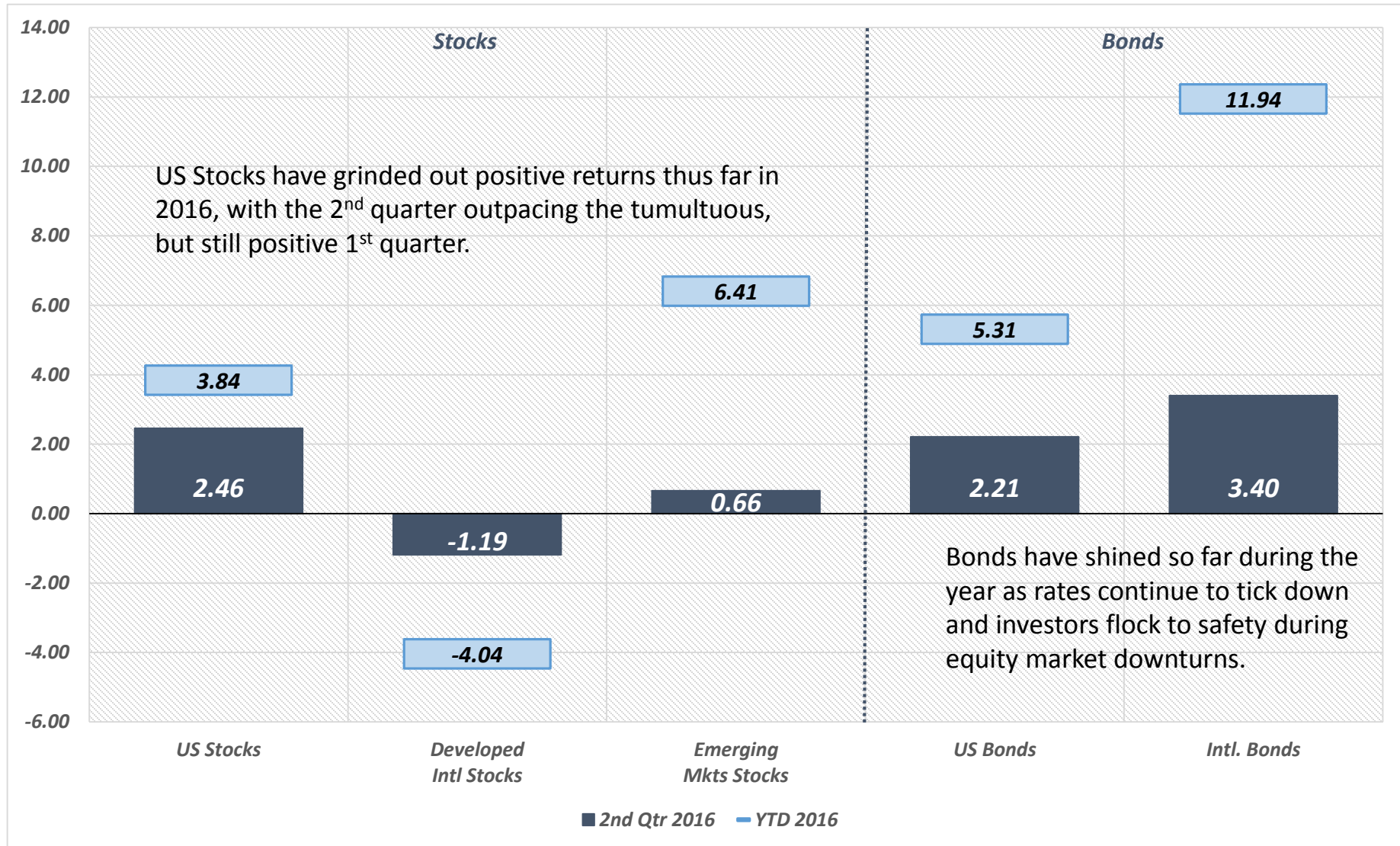
Source: Morningstar Direct as of 6/30/2016

Investors cannot invest directly into an index and advisors cannot mirror an index. Any performance quoted is past performance and is not a guarantee of future results. Diversification does not guarantee investment returns and does not eliminate the risk of loss. Individual results will differ based upon asset allocation, timing and fees.

See Disclosure and Index
Definitions, Pages 29-30

Global Broad Markets

Total Returns



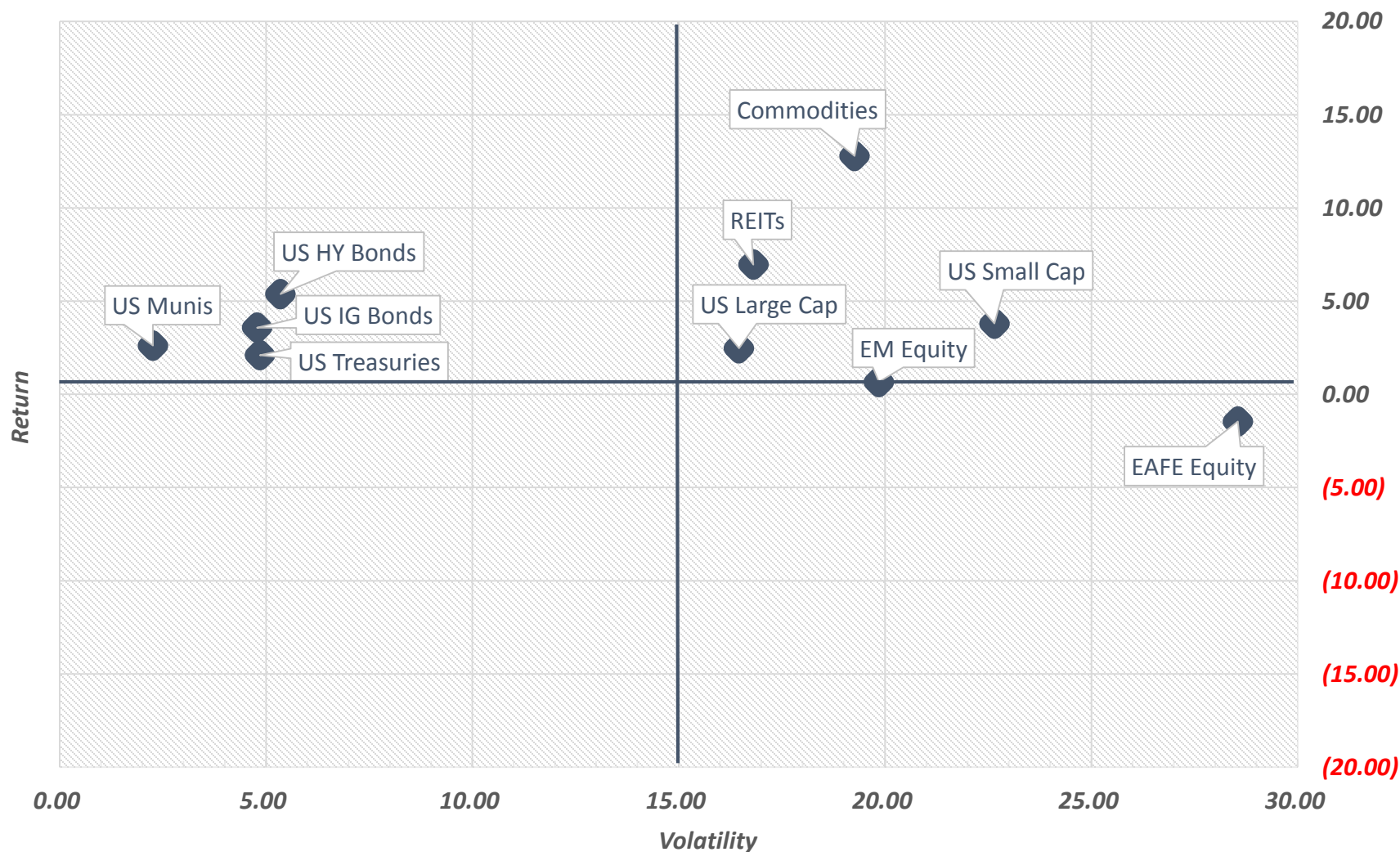
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See Disclosure and Index Definitions, Pages 29-30

Asset Class Scatter Plot

2nd Quarter 2016, Total Returns, Daily



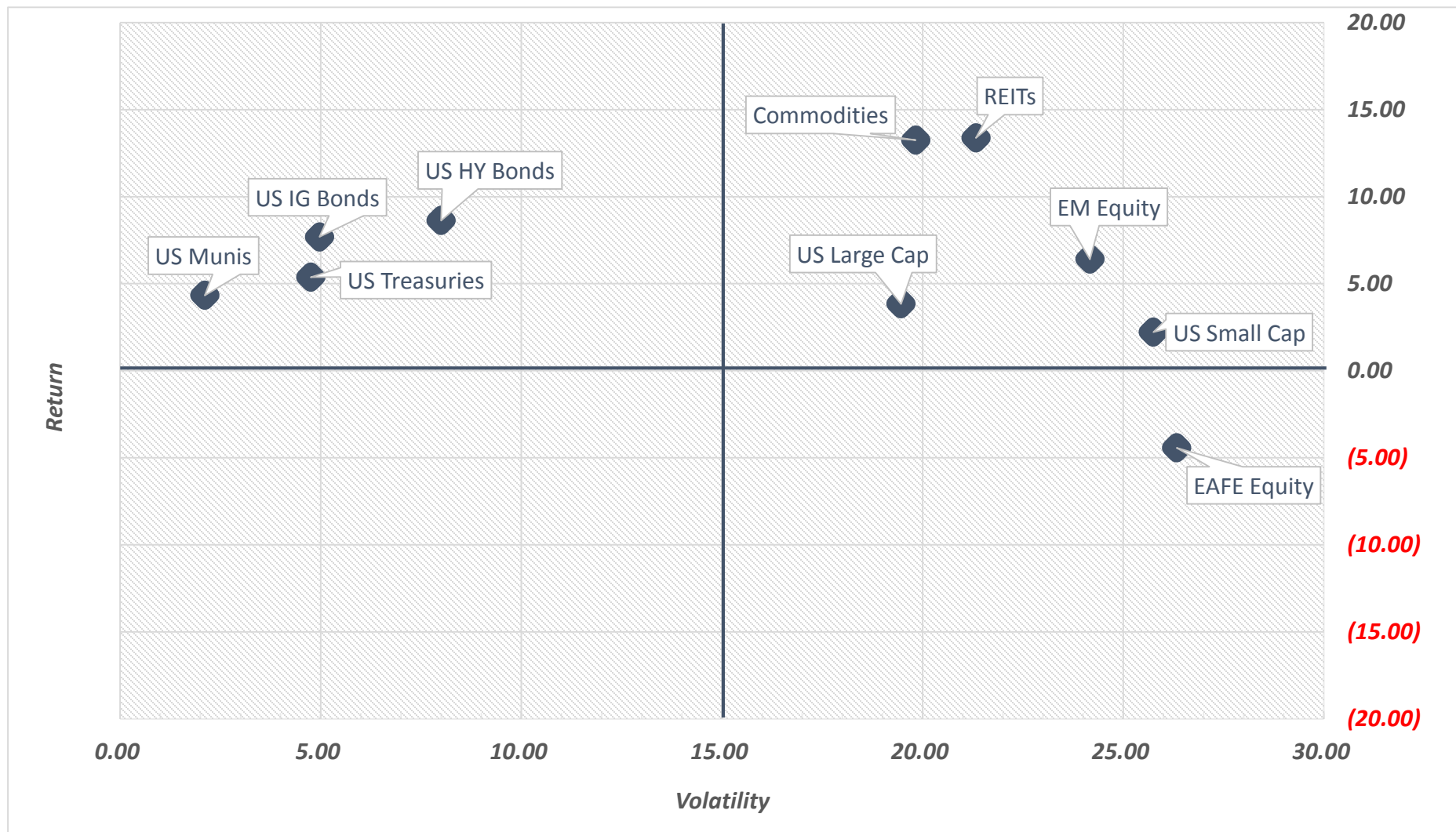
Source: Morningstar Direct as of 6/30/2016

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See Disclosure and Index Definitions, Pages 29-30

Asset Class Scatter Plot

YTD 2016, Total Returns, Daily



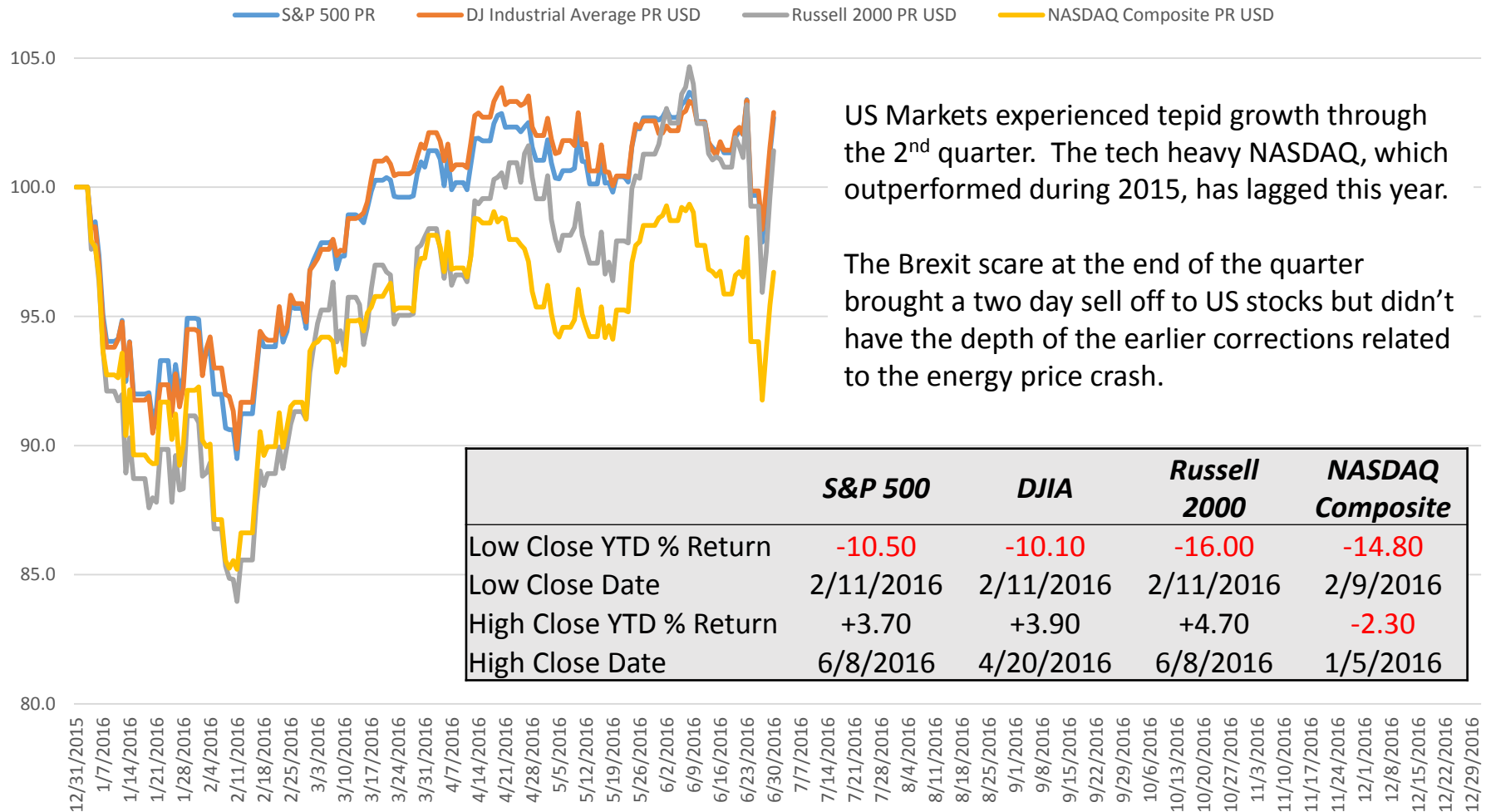
Source: Morningstar Direct as of 6/30/2016

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See Disclosure and Index Definitions, Pages 29-30

Major US Indices in 2016

US Indices YTD



Source: Morningstar Direct as of 6/30/2016

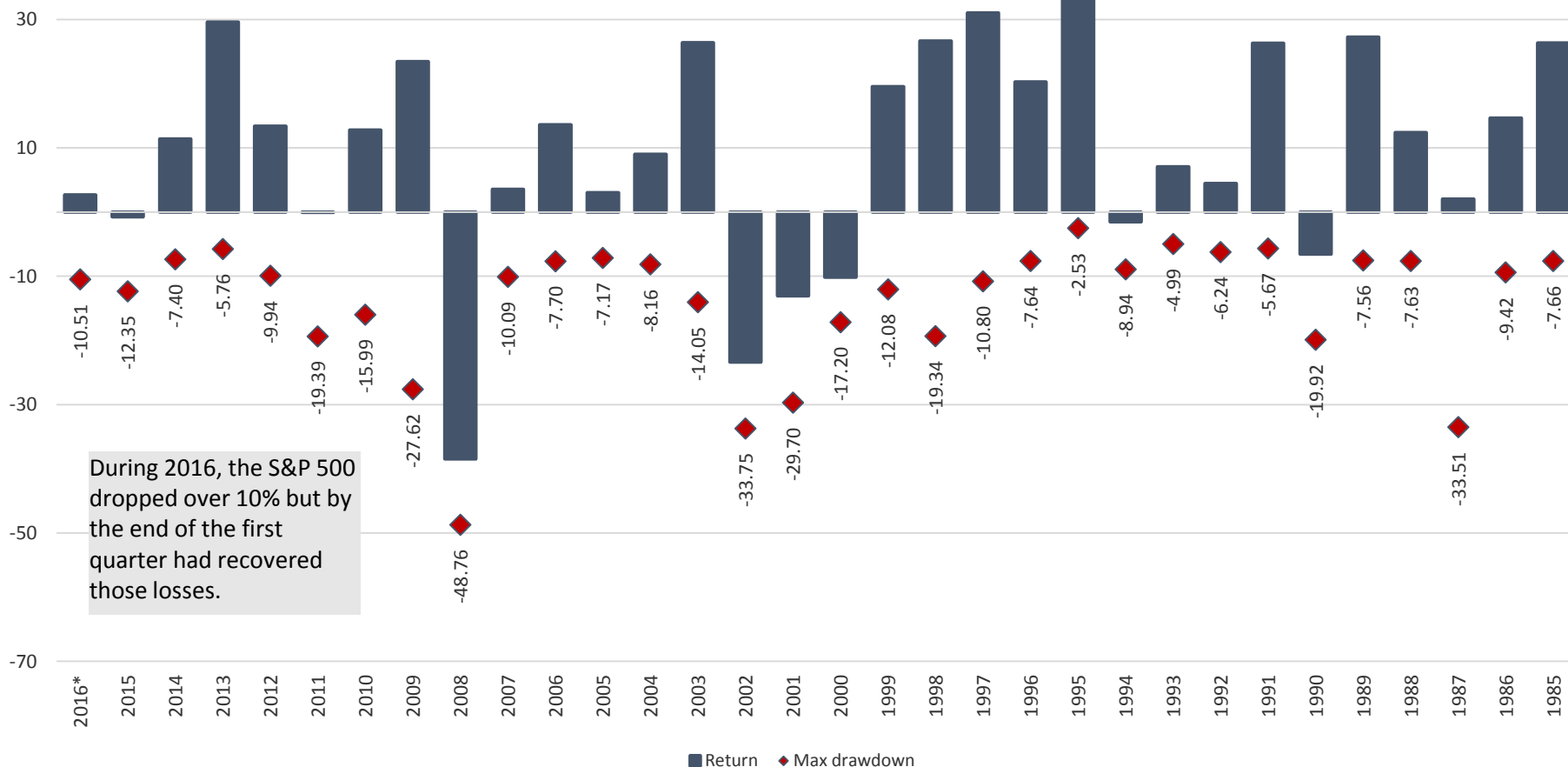
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Intra-year Declines and Calendar Year Returns: S&P 500

S&P 500 Yearly Returns and Max drawdowns (Price only)

Drawdowns are typical during any calendar year for equity markets. Last year, the S&P 500 saw a drawdown of over 12% but still finished the year flat. There are several years where the markets saw large drawdowns but still ended the year with large gains. The average drawdown within a calendar year for this period is over 14% but the average return for the year is a positive 10%.



Source: Morningstar Direct as of 6/30/2016

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See Disclosure and Index Definitions, Pages 29-30

US Equities – Style Analysis

2nd Qtr. 2016

0.24	2.26	4.51	Large Mid Small
1.56	3.18	4.77	
3.24	3.79	4.31	
Growth	Core	Value	

Trailing Twelve Months

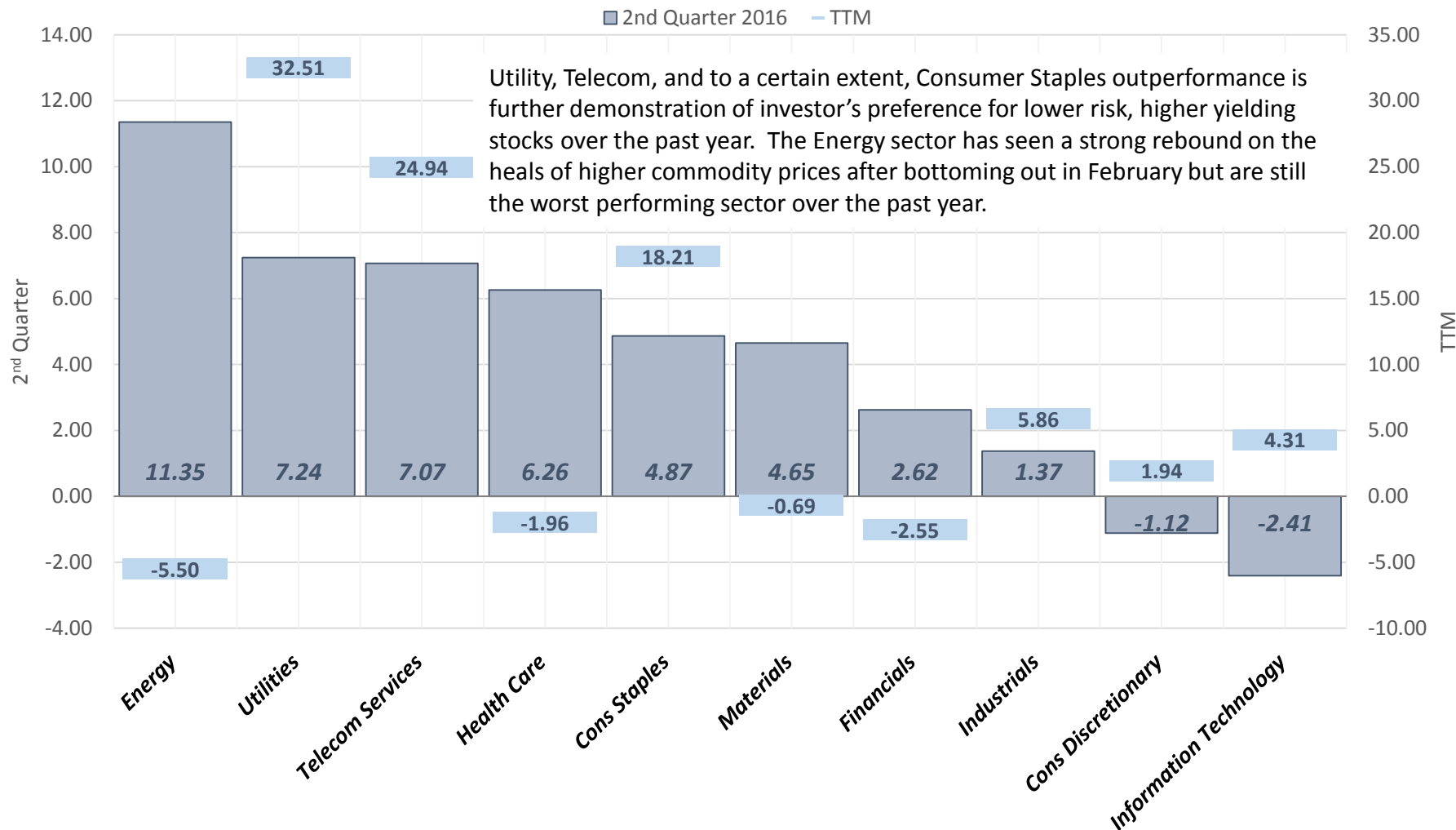
5.24	3.97	2.69	Large Mid Small
-2.14	0.56	3.25	
-10.75	-6.73	-2.58	
Growth	Core	Value	

All nine main US investment styles were in the green for the 2nd quarter with the Value orientation continuing to best Growth stocks. Investors are favoring dividend paying, stable and mature companies over cloudy future earnings prospects. Utilities and Energy stocks, the two best performing sectors this year, are barely represented in Growth indices. Small Caps continue to trail Large Caps over the past year, this is especially pronounced on the Growth side where Small Cap Growth companies are still in correction territory over the past twelve months. During the 2nd quarter, however, Small Caps outperformed Large Caps for the first time since the 2nd quarter of last year (see Slide 12).

US Equities – Sector Analysis



US Sector Returns (%)



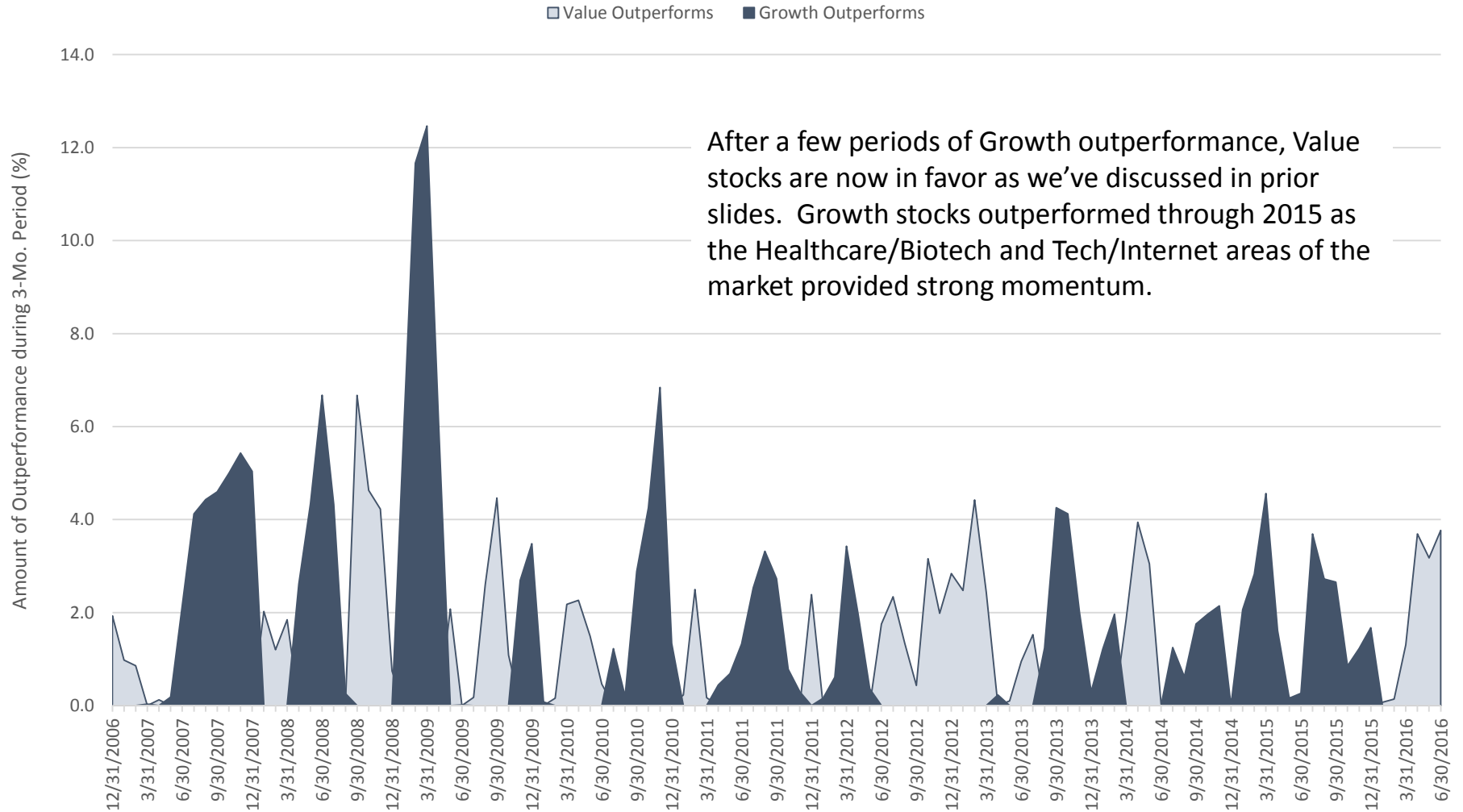
Source: Morningstar Direct as of 6/30/2016

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See Disclosure and Index Definitions, Pages 29-30

US Equities - Value vs. Growth Cycles

US Growth vs US Value Rolling Quarterly Returns Difference



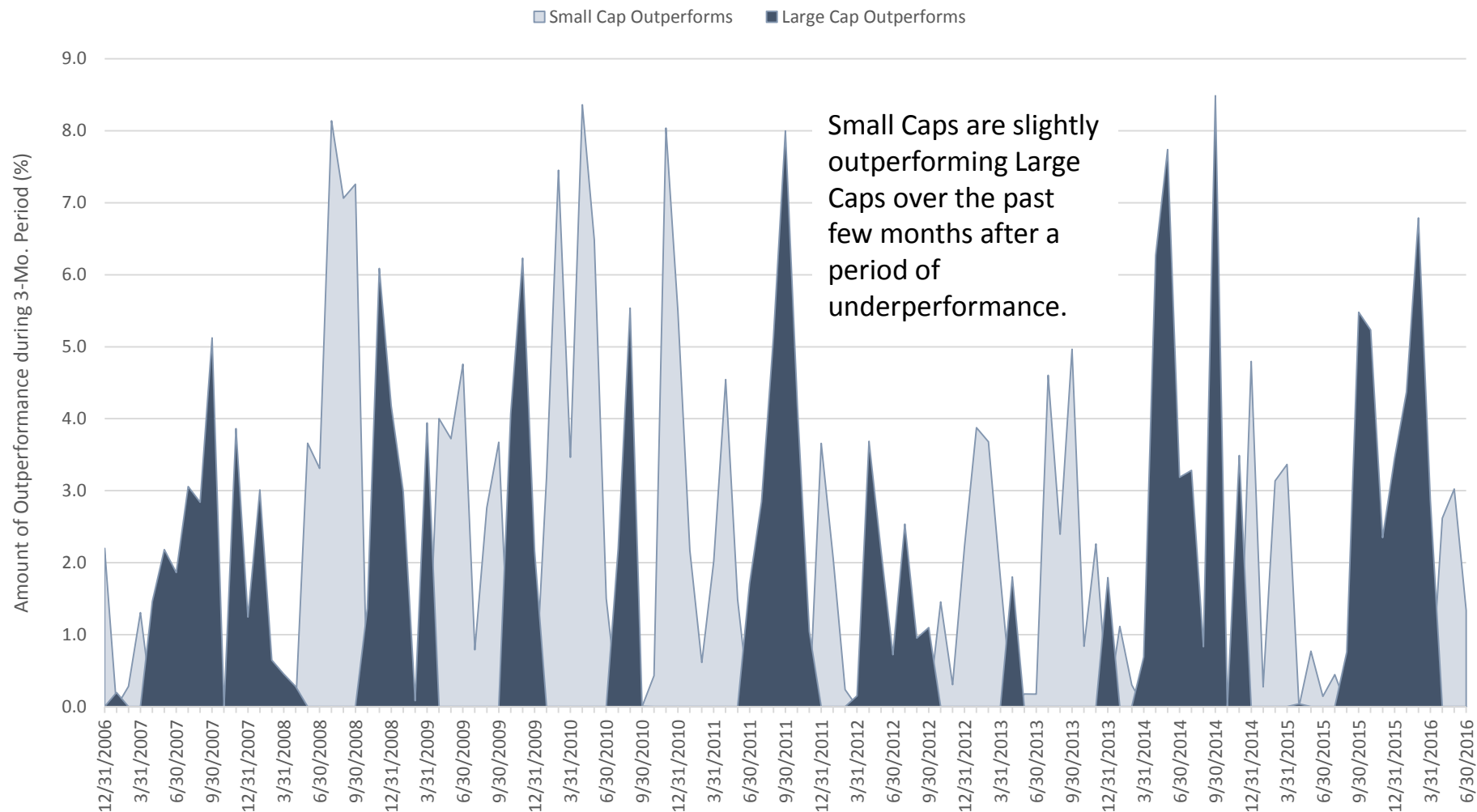
Source: Morningstar Direct as of 6/30/2016

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US Equities – Large Cap vs. Small/Mid Cap Cycles

US Small Cap vs US Large Cap Rolling Quarterly Returns Difference



Source: Morningstar Direct as of 6/30/2016

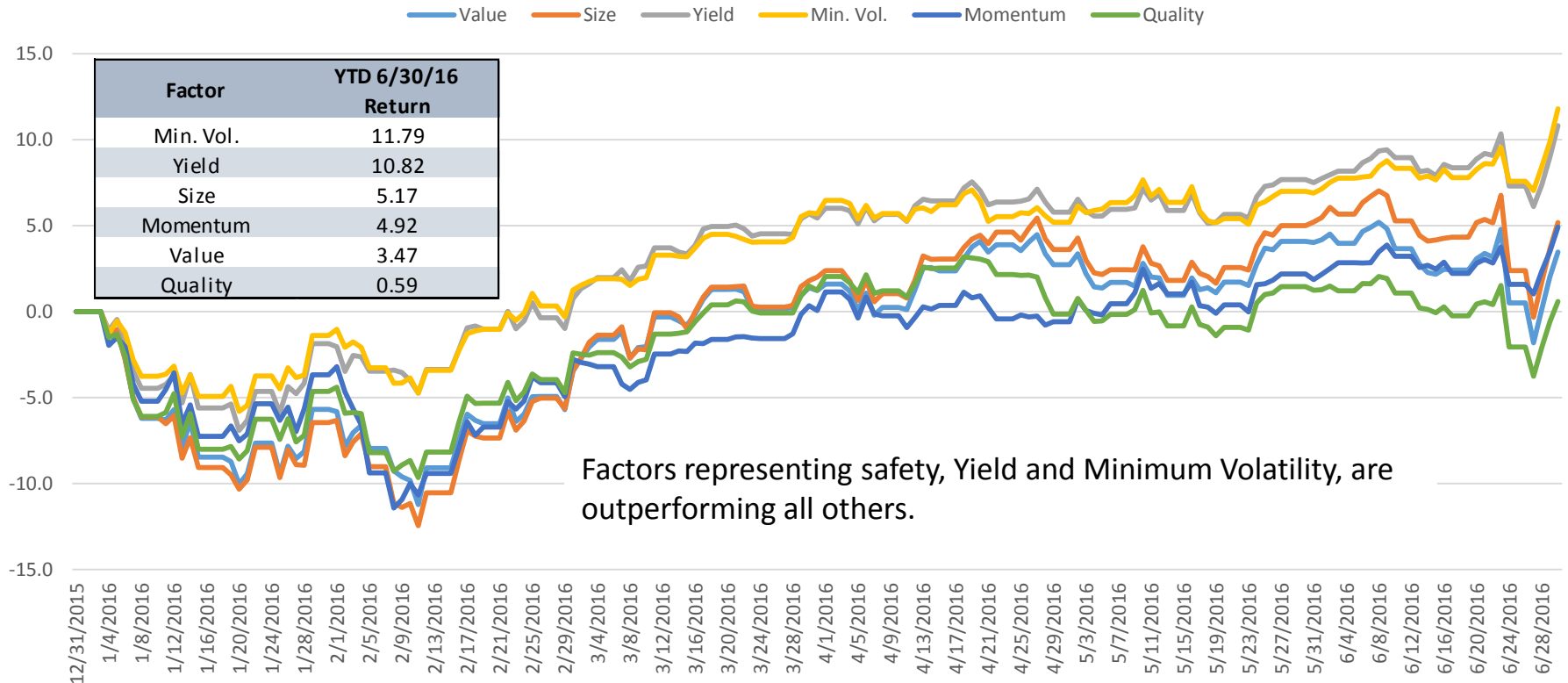
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US Equities - Factor Analysis



US Factor Indices YTD Performance



Factor Indexes are systematic rules-based indexes that represent the return of factors which have earned a persistent premium over long periods of time.

Quality: High ROE, stable earnings growth, low leverage

Value: Low P/S, P/E, P/CF, P/B

Size: Equal weighted index exploits small cap premium

Low volatility: low beta and volatility

Yield: High dividend yield

Momentum: high price momentum

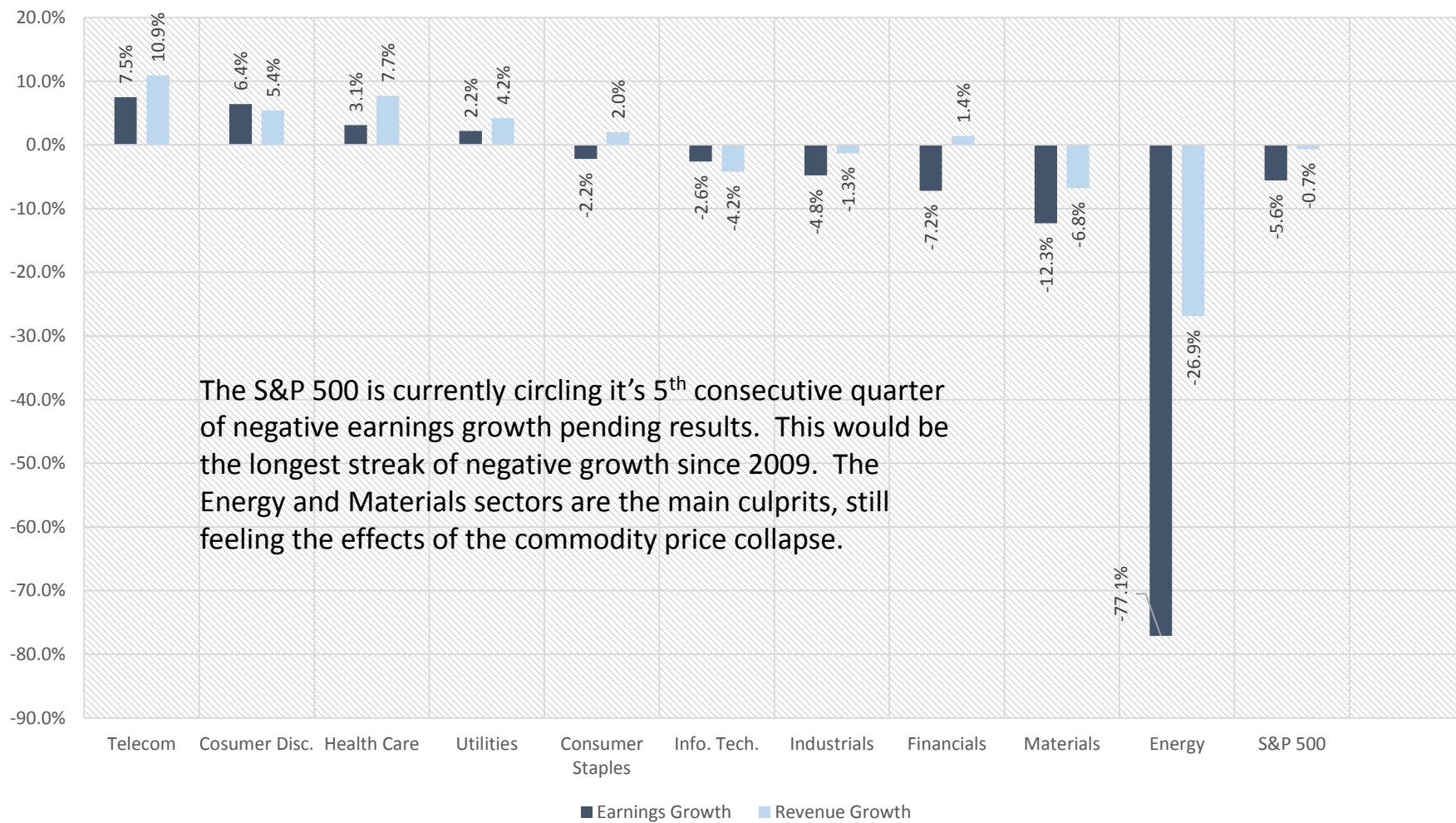
Source: Morningstar Direct as of 6/30/2016,

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US Equities – Earnings

S&P 500 Sectors Earnings and Revenue Growth Estimates: Q2 2016

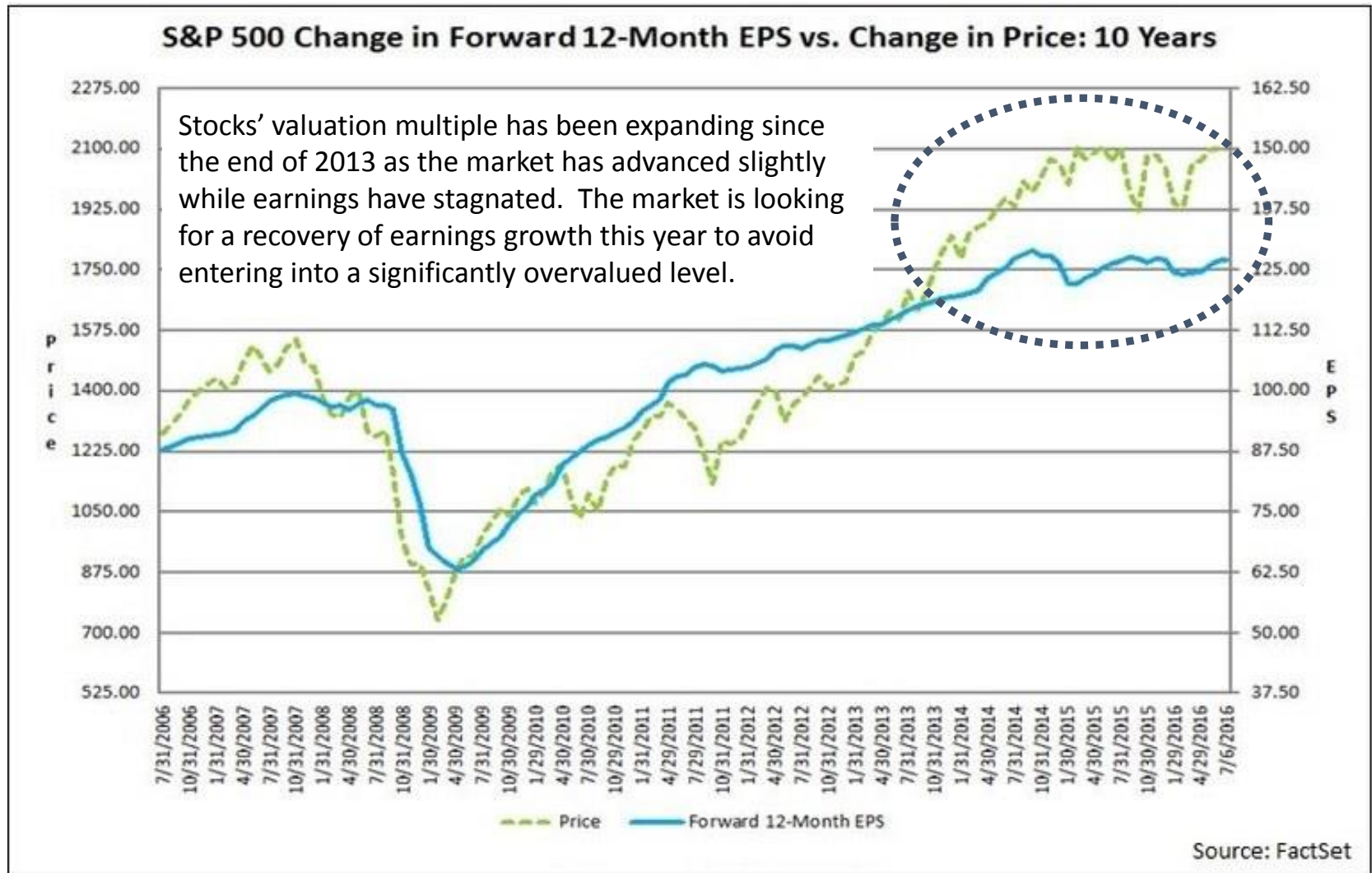


Source: FactSet¹

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See Disclosure and Index Definitions, Pages 29-30

US Equities – Earnings and Multiple Expansion



Source: FactSet¹

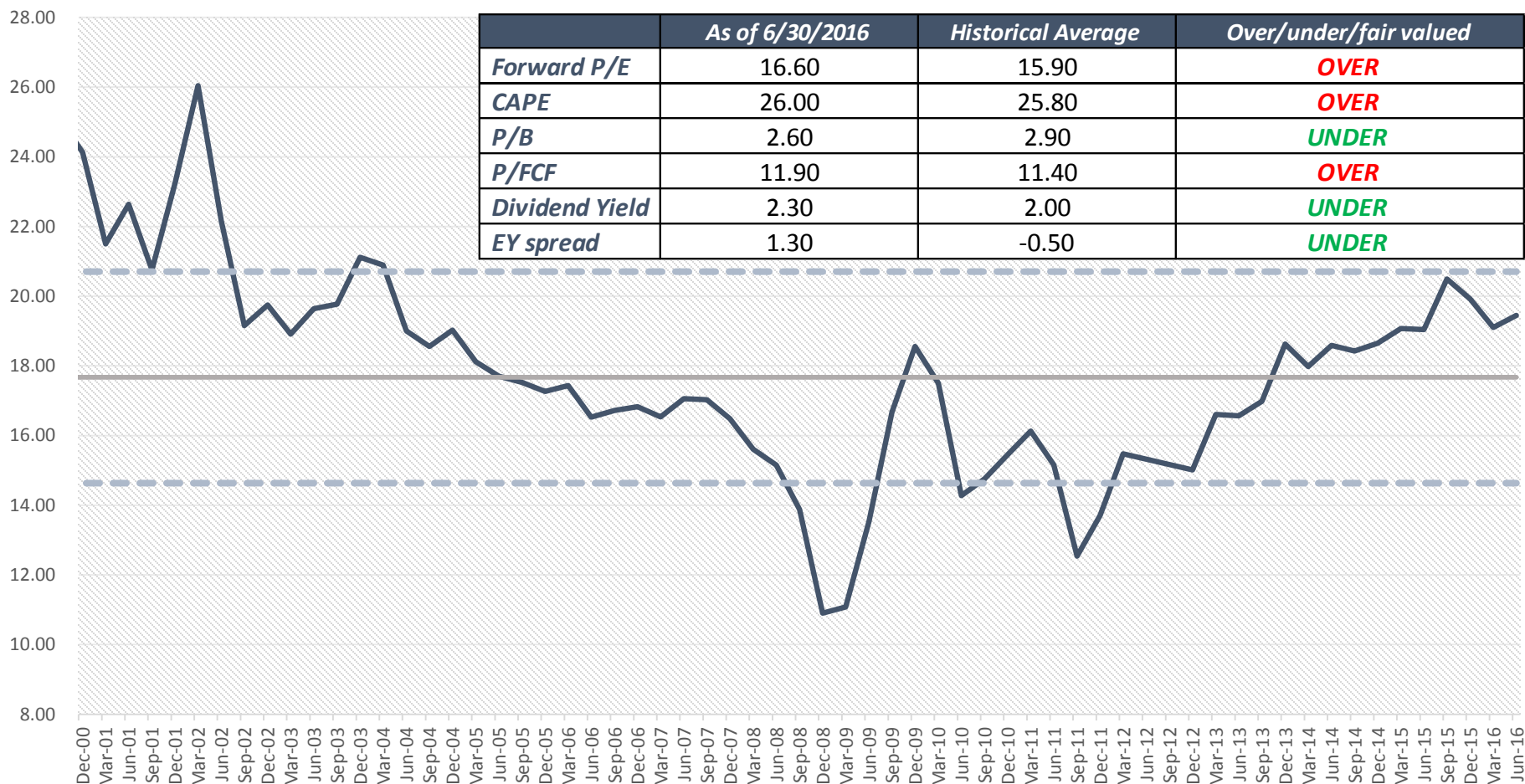
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US Equity Valuations

S&P 500 Trailing P/E Ratio

Trailing P/E Historical Average +1 Std Dev -1 Std Dev

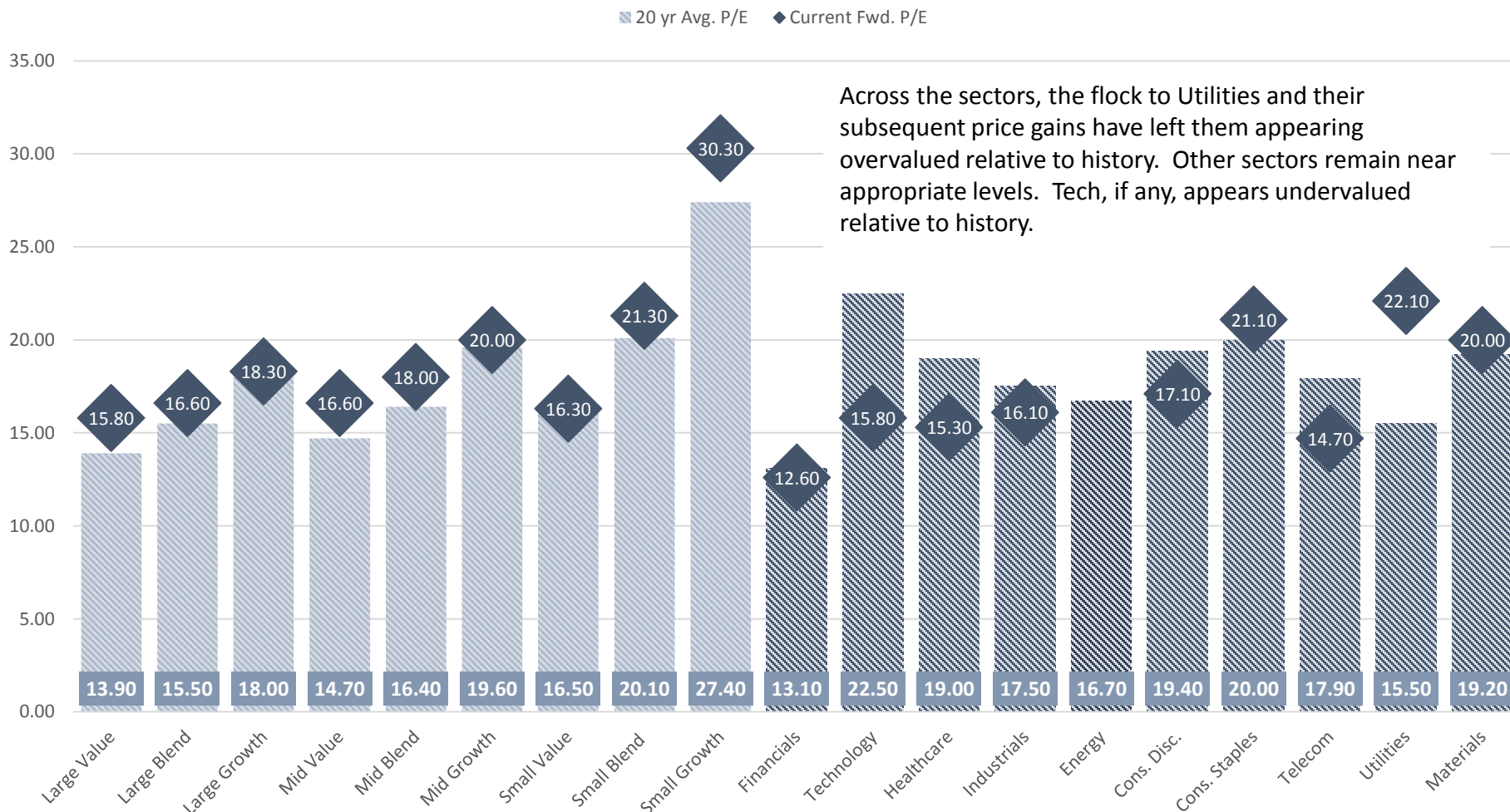


Source: JP Morgan Guide to the Markets (table) ², Morningstar Direct as of 6/30/2016 (graph)

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US Equity Valuations



In this graph, if the diamond is outside of the bar the valuation is above the historical average and the style or sector would be consider “overvalued” and vice versa.

Energy Sector Fwd. P/E is 65.8x and not visible on this graph.

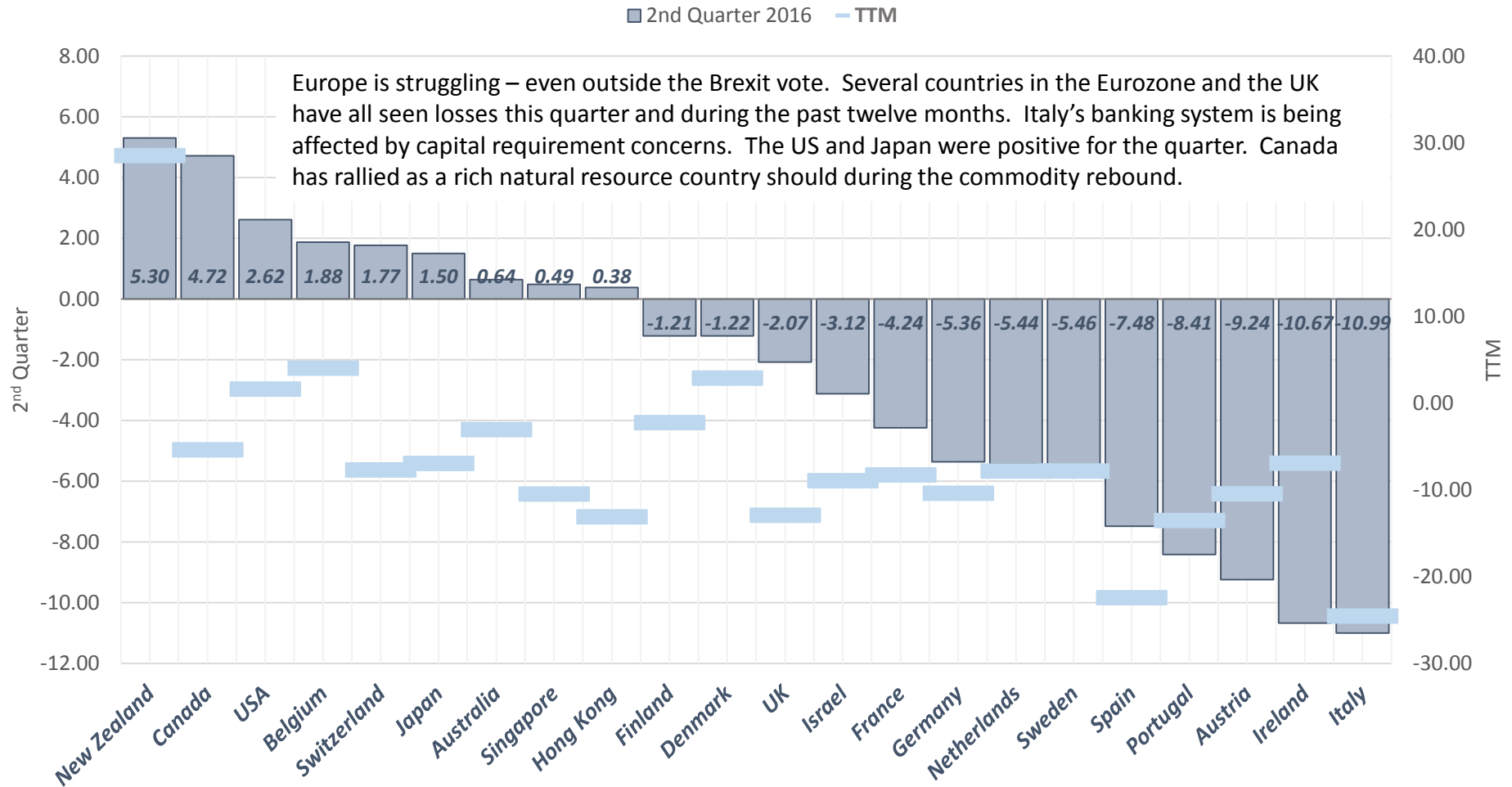
Source: JP Morgan Guide to the Markets as of 6/30/2016²

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See Disclosure and Index Definitions, Pages 29-30

Developed Markets

Developed Markets Country Returns (%)



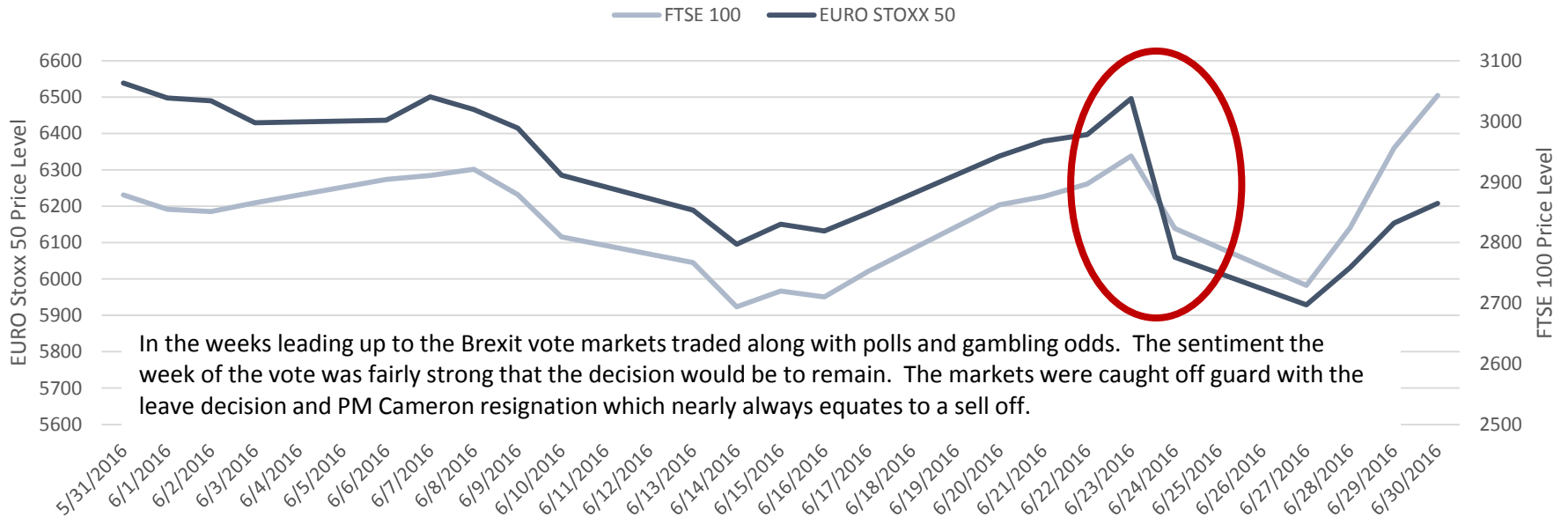
Source: Morningstar Direct as of 6/30/2016

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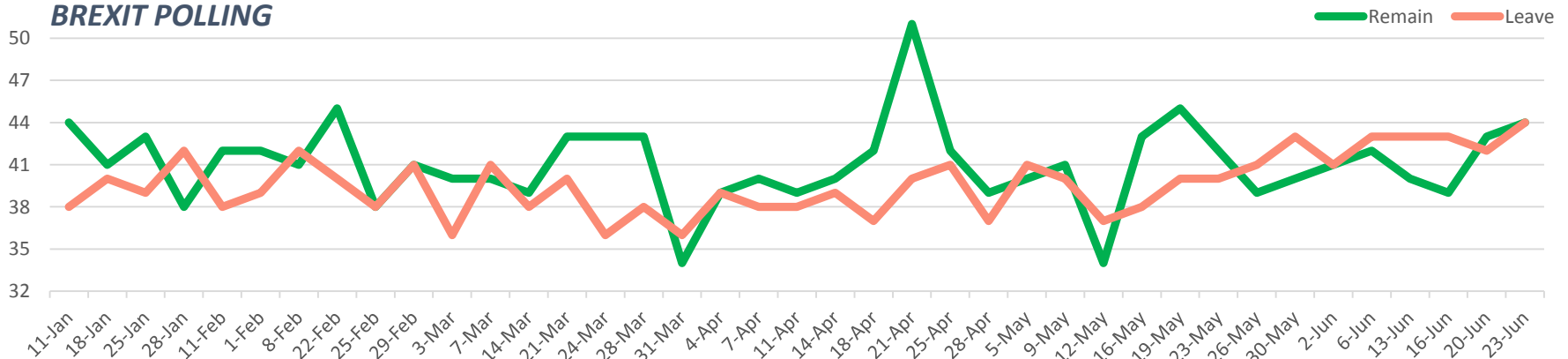
See Disclosure and Index
Definitions, Pages 29-30

Brexit Fallout

June 2016 European Indices



BREXIT POLLING

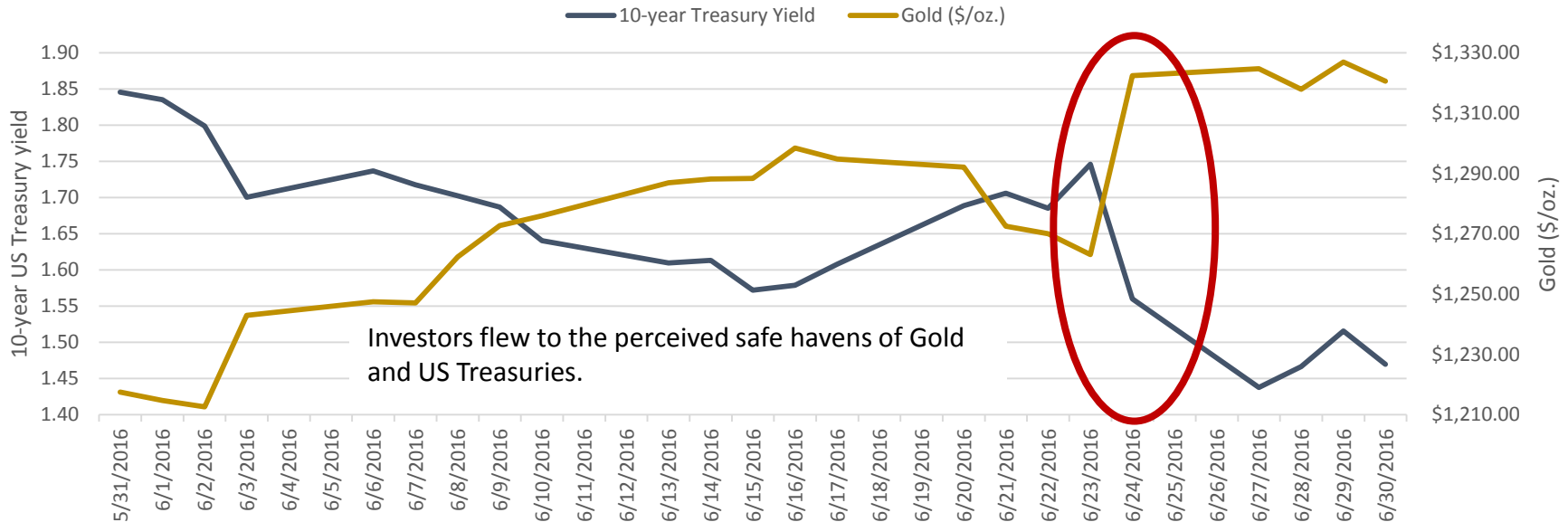
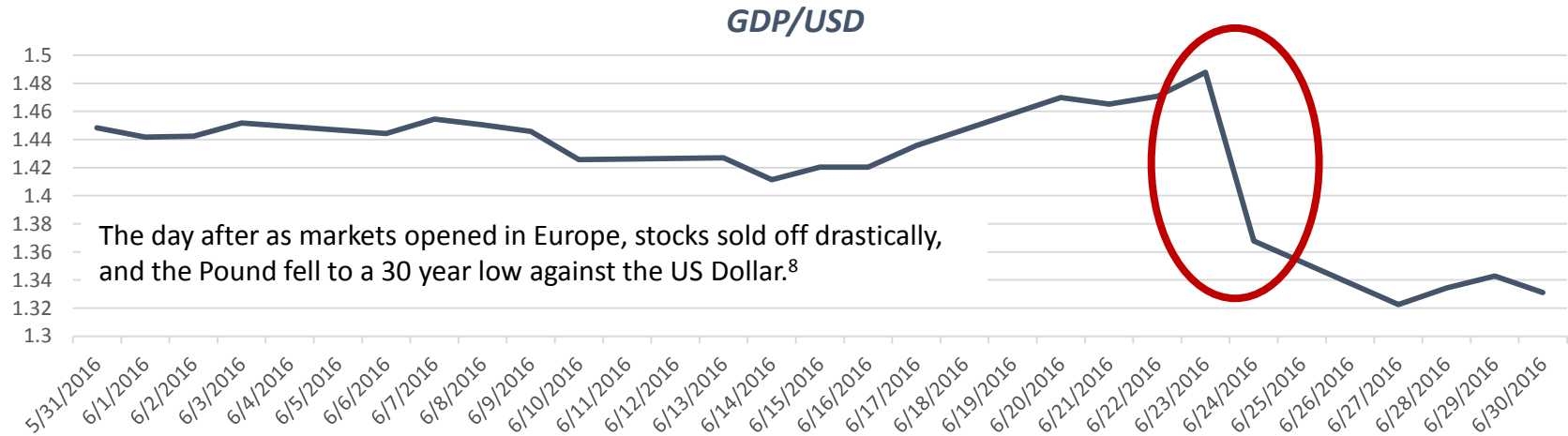


Source: Bloomberg (Top), The Economist (bottom)³

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Brexit Fallout – Currency and Risk-off



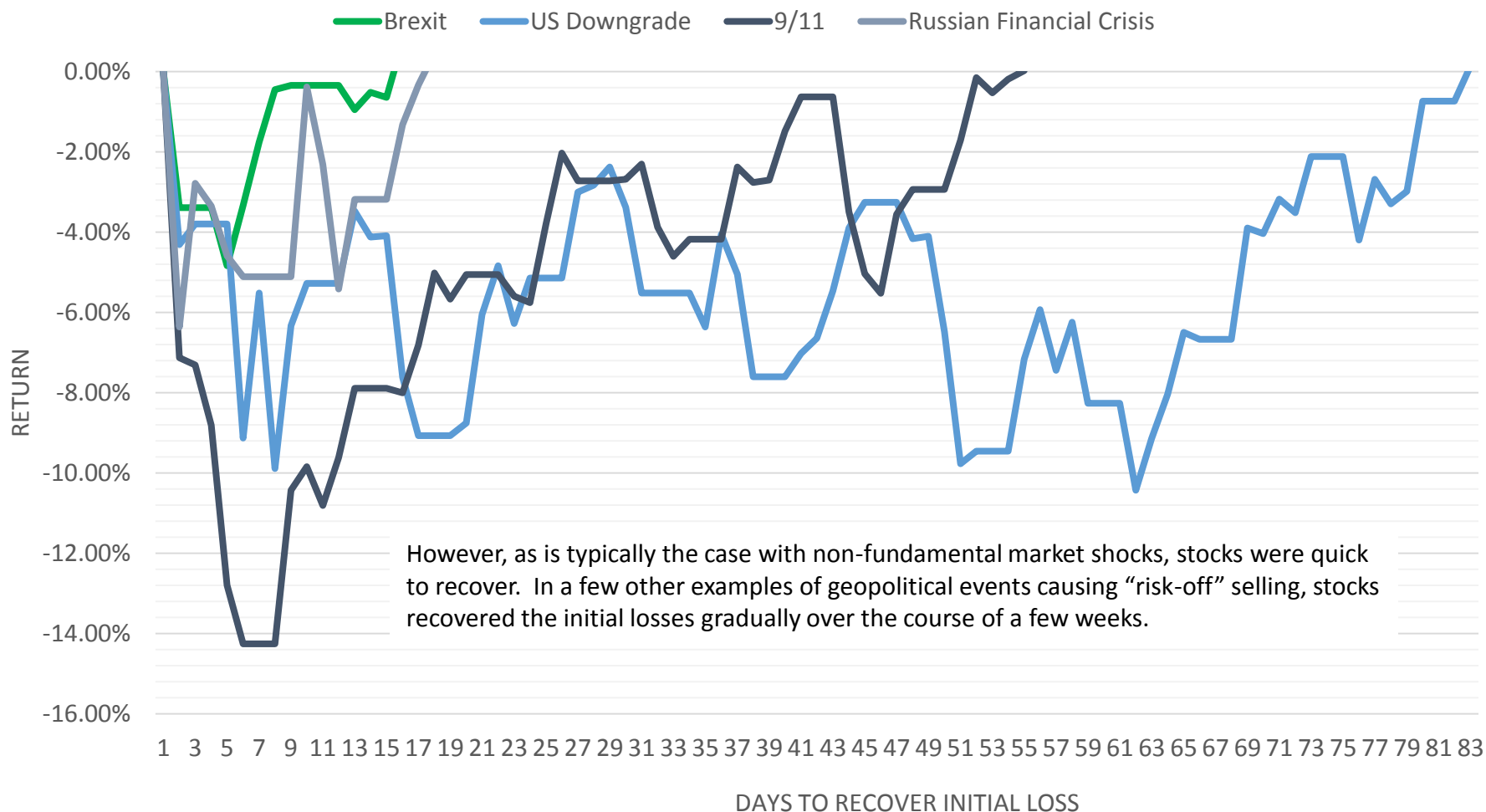
Source: Bloomberg

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Prior one day shocks

Market Shocks and Time to Recover (Dow Jones Industrial Avg. Price Return)



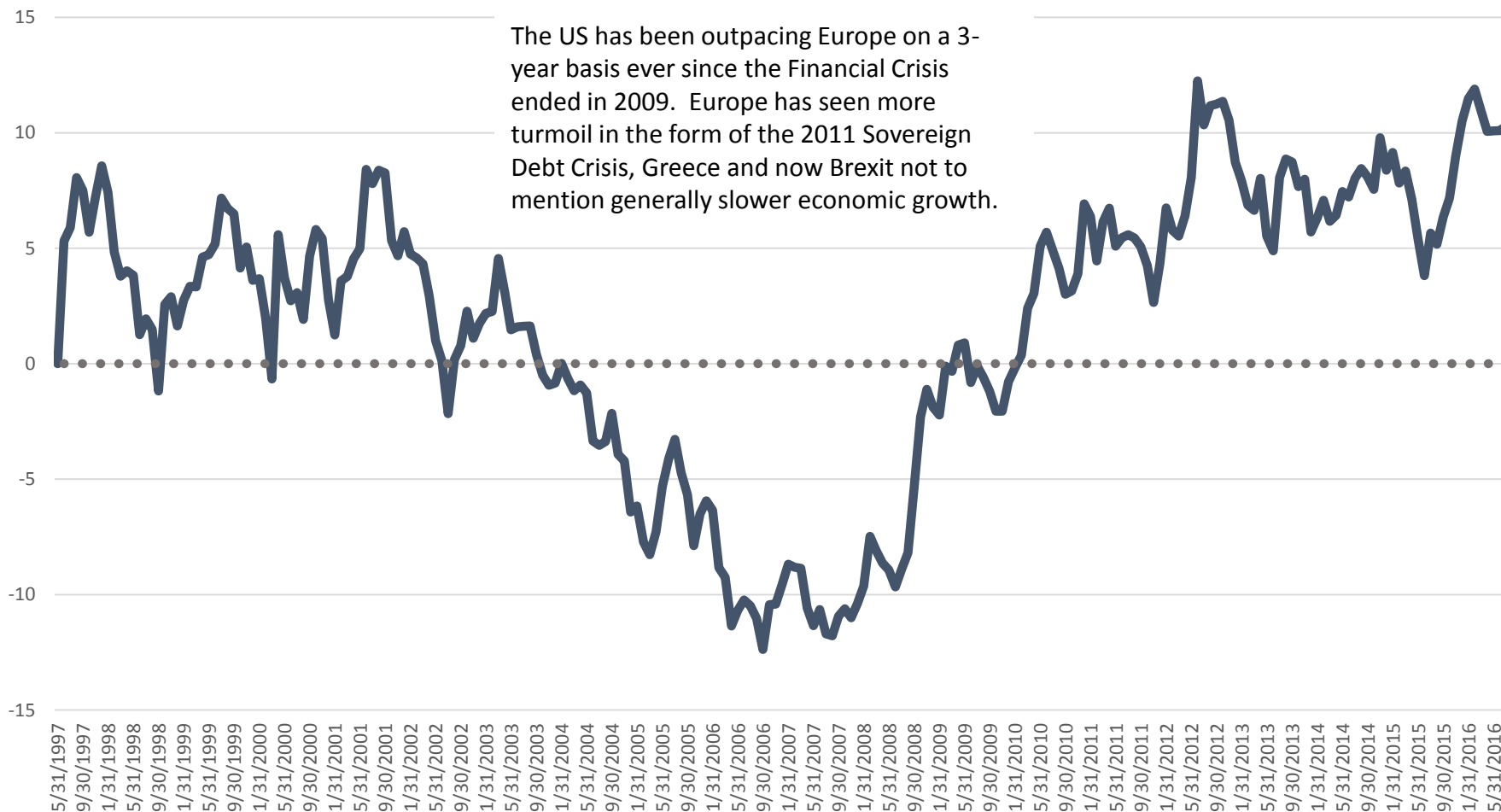
Source: Morningstar Direct as of 6/30/2016

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See Disclosure and Index Definitions, Pages 29-30

US vs Europe Cycles

US vs. Europe Difference in Returns Rolling 3-year window



Source: Morningstar Direct as of 6/30/2016

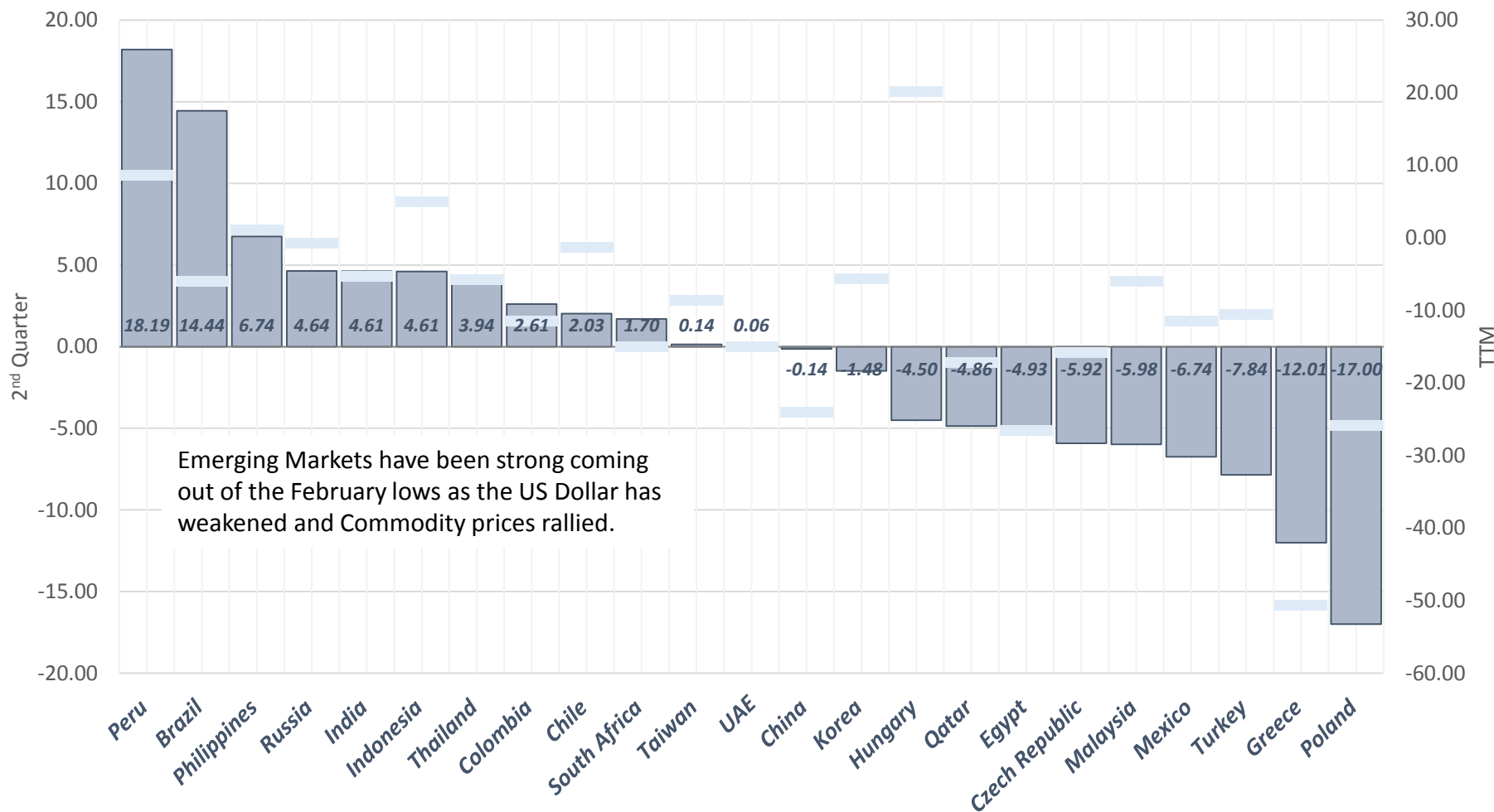
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Definitions, Pages 29-30

Emerging Markets

Emerging Markets Country Returns (%)

■ 1st Quarter 2016 — TTM



Source: Morningstar Direct as of 6/30/2016

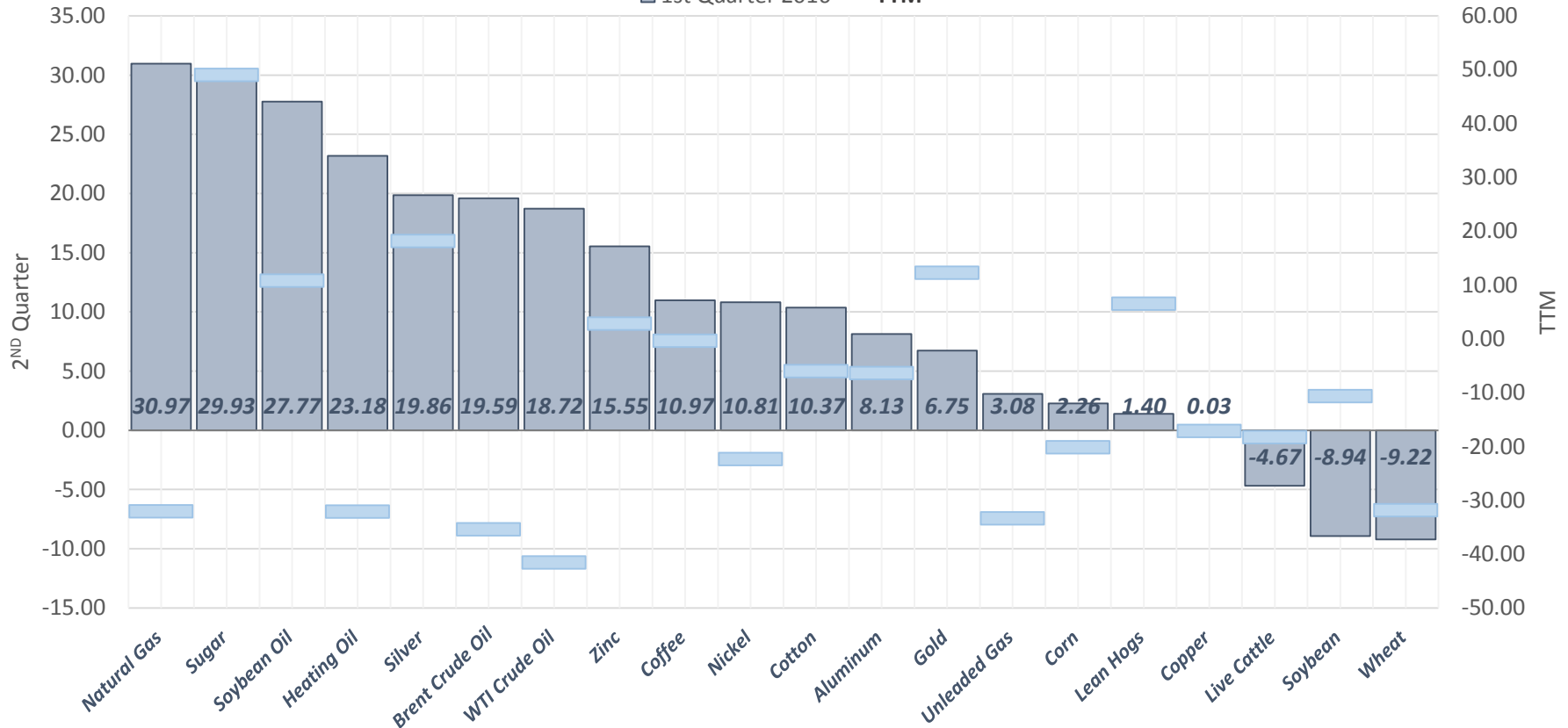
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See Disclosure and Index Definitions, Pages 29-30

Commodities

Commodities Returns (%)

■ 1st Quarter 2016 ■ TTM



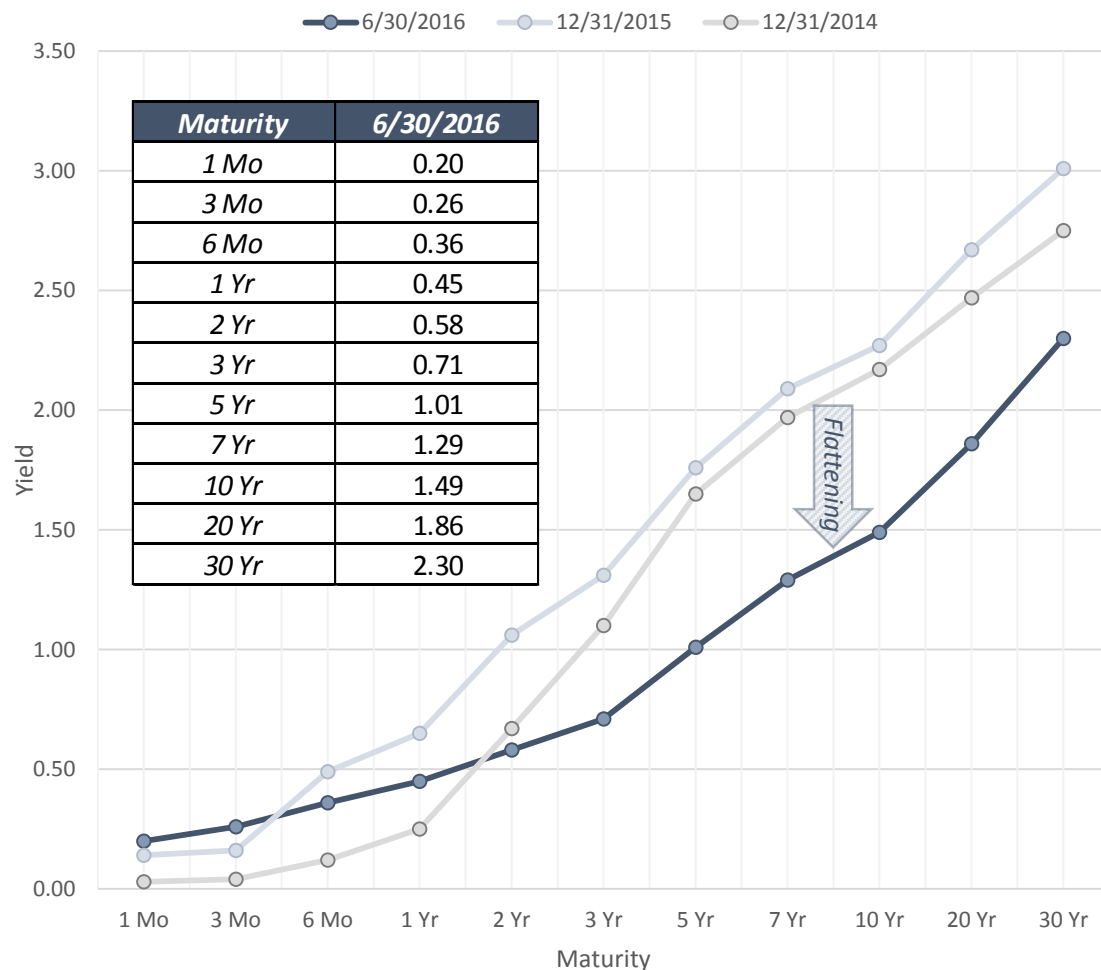
Source: Morningstar Direct as of 6/30/2016

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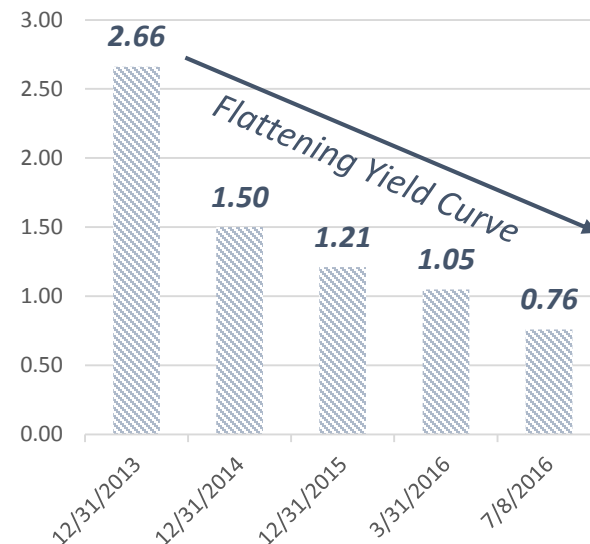
See Disclosure and Index Definitions, Pages 29-30

Yield Curve

US Treasury Yield Curve



10-Year Treasury Minus 2-Year Treasury Yield



Bonds' tremendous strength this year has mainly been a product of crashing yields both in the US and abroad. The Treasury yield curve has flattened significantly. This has historically been a negative indicator for the economy but due to central bank intervention and negative yielding debt around the world acting somewhat as an anchor, it's reliability is debatable.

Source: US Treasury as of 6/30/2016 (left graph and table)⁴

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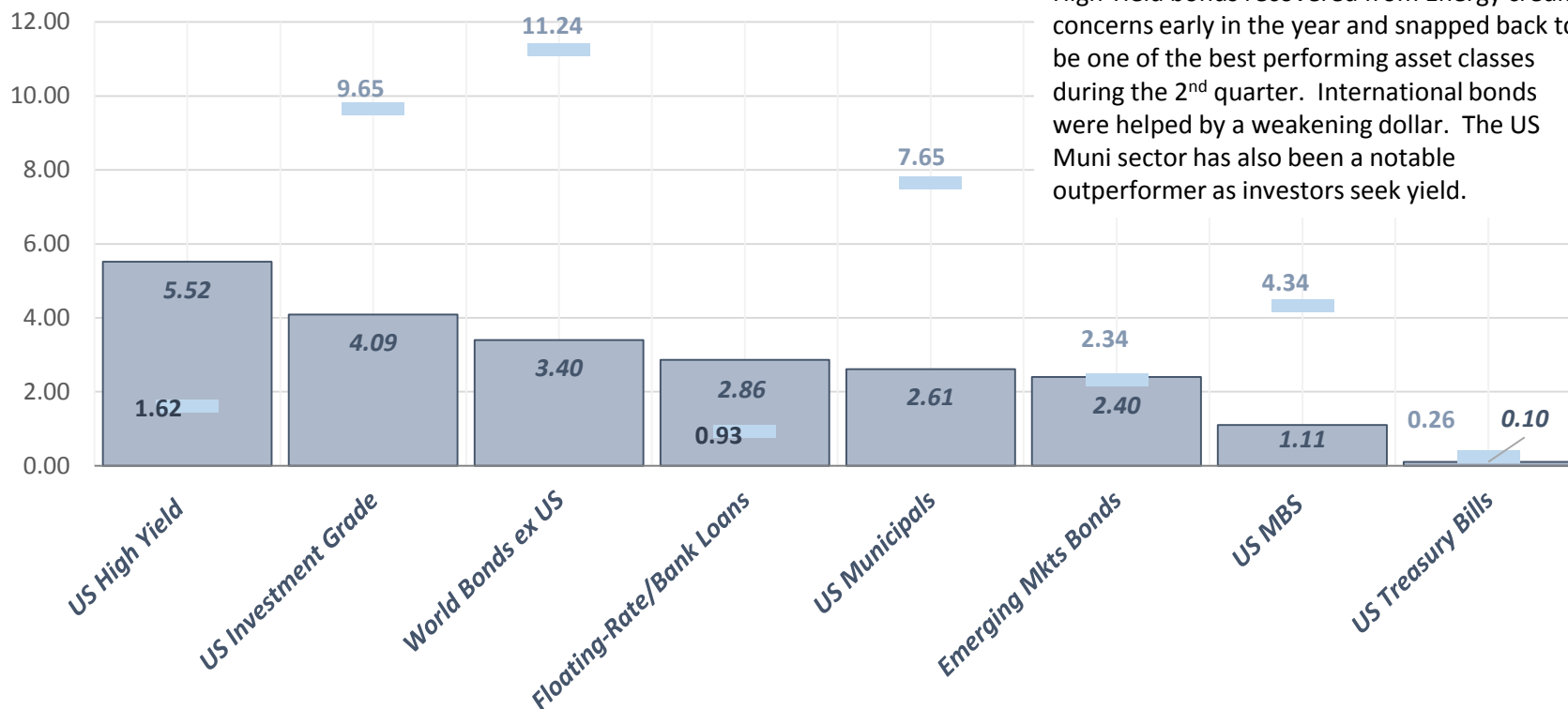
See Disclosure and Index Definitions, Pages 29-30

Fixed Income Sectors



US Fixed Income Sector Returns (%)

■ 2nd Quarter 2016 — TTM

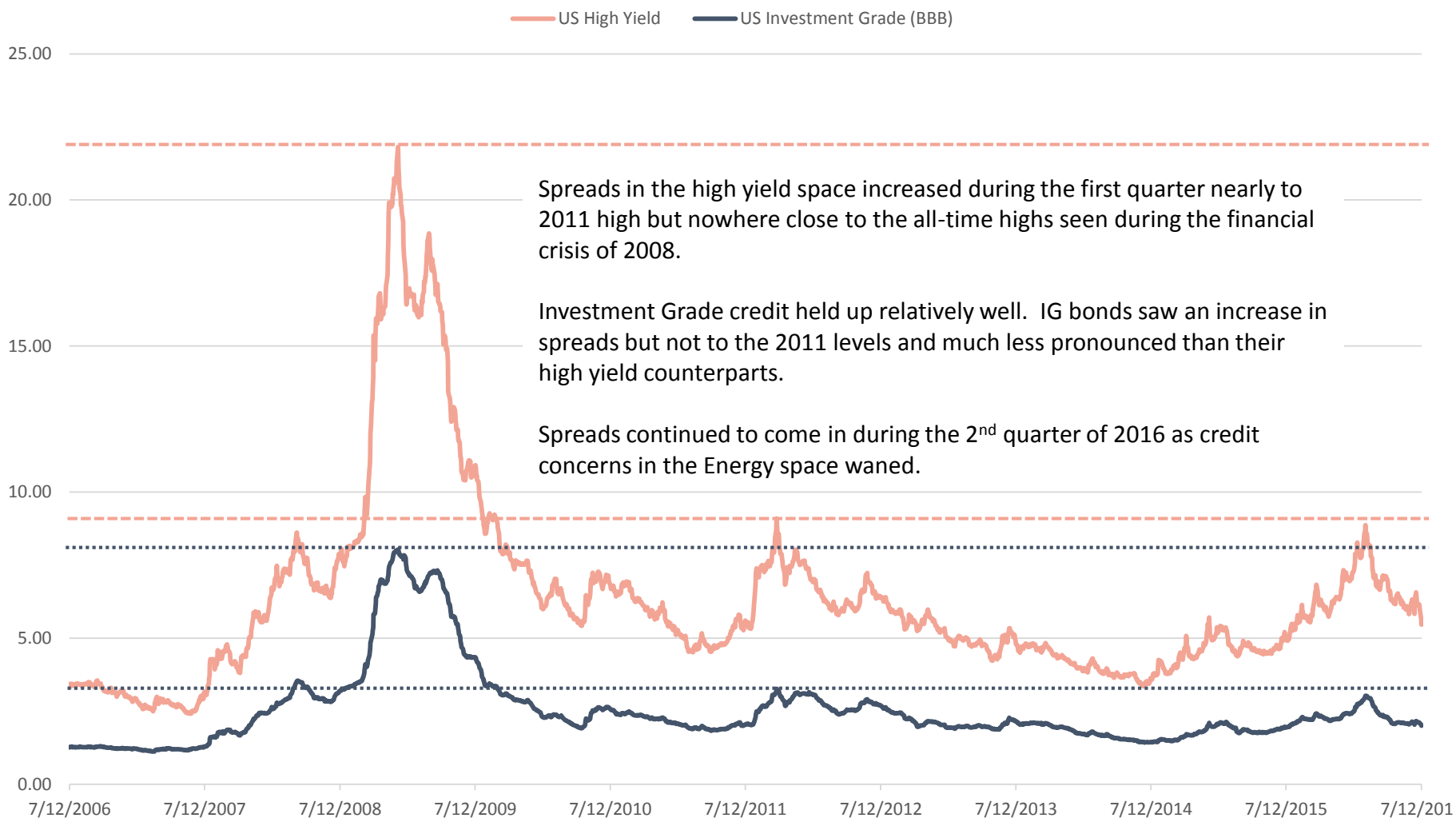


Source: Morningstar Direct as of 6/30/2016

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Credit Spreads/High Yield



Source: St. Louis Fed Economic Research (Graph) ^{5,6}

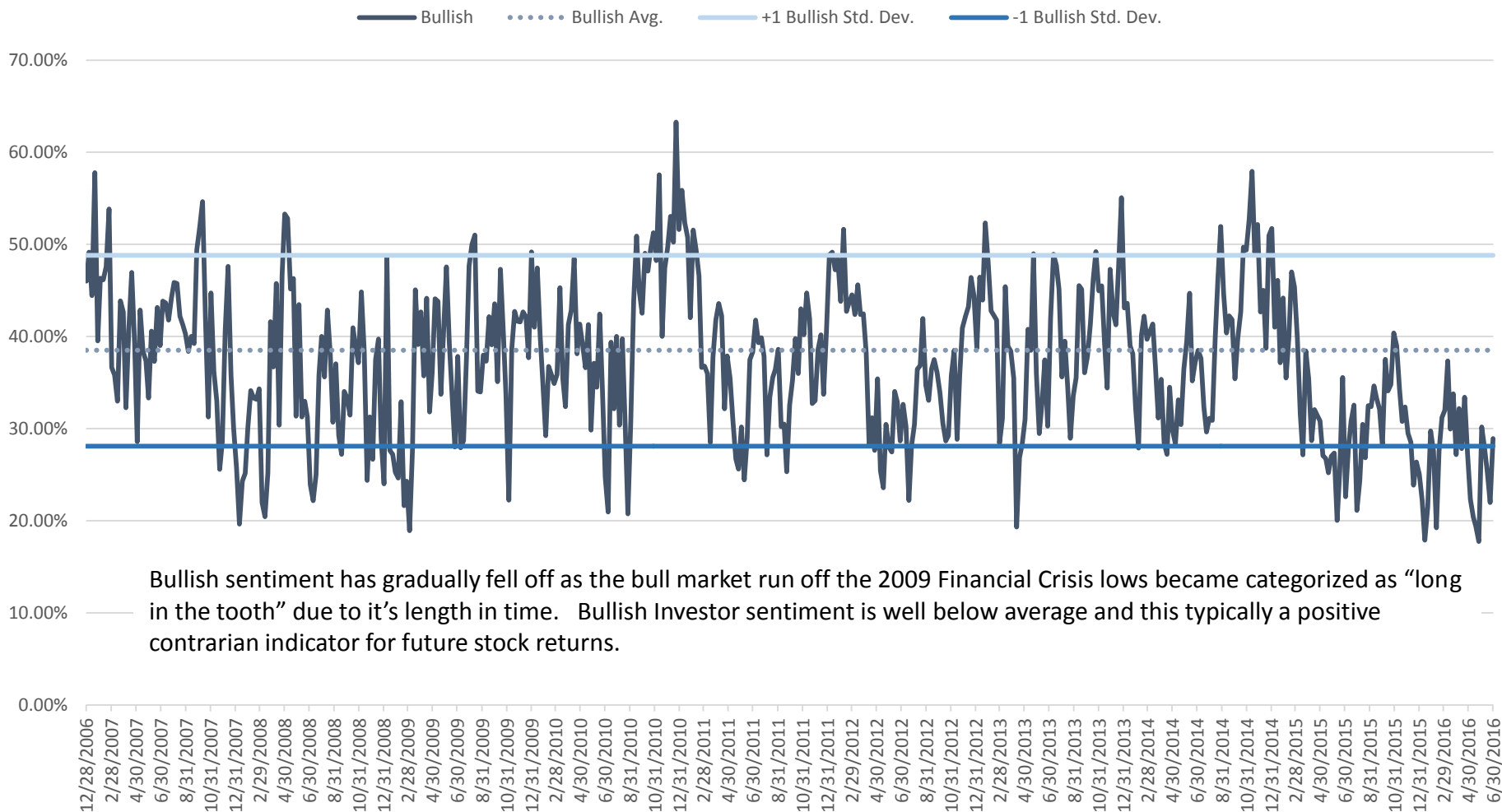
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US Equities Sentiment



Percentage of Individual Investors who are Bullish on the stock market short term



Bullish sentiment has gradually fell off as the bull market run off the 2009 Financial Crisis lows became categorized as “long in the tooth” due to it’s length in time. Bullish Investor sentiment is well below average and this typically a positive contrarian indicator for future stock returns.

Source: American Association of Individual Investors⁷

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Important Disclosures



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Footnotes

1. https://www.factset.com/websitefiles/PDFs/earningsinsight/earningsinsight_7.8.16
2. <https://am.jpmorgan.com/blob-gim/1383280028969/83456/jp-littlebook.pdf>
3. <http://www.economist.com/blogs/graphicdetail/2016/06/britain-s-eu-referendum>
4. <https://www.treasury.gov/resource-center/data-chart-center/interest-rates/Pages/TextView.aspx?data=yield>
5. <https://fred.stlouisfed.org/series/BAMLH0A0HYM2>
6. <https://fred.stlouisfed.org/series/BAMLC0A4CBBB>
7. http://www.aaii.com/sentimentsurvey/sent_results
8. <http://www.bloomberg.com/news/articles/2016-06-23/pound-surge-builds-as-polls-show-u-k-to-remain-in-eu-yen-slips>

Index Definitions

Page	Data point	Index Used	Page	Data point	Index Used
3	US Bonds	Barclays US Agg Bond TR USD	9	Style Returns	Russell 3000 TR USD by Style
3	Cash	Morningstar Cash C	10	Sector Returns	S&P 1500 TR USD by Sector
3	US High Yld	Barclays High Yield Corporate	11	Growth Index	Russell 3000 Growth TR USD
3	REITs	FTSE NAREIT All Equity REITs TR USD	11	Value Index	Russell 3000 Value TR USD
3	DM Equity	MSCI EAFE GR USD	12	Large Caps	S&P 500 TR USD
3	US Lg Cap	S&P 500 TR USD	12	Small Caps	Russell 2000 TR USD
3	US Sm Cap	Russell 2000 TR USD	13	Factor Returns	MSCI USA GR USD Factor Indices
3	EM Equity	MSCI EM NR USD	18	Developed Markets	MSCI IMI NR USD Country Indices
3	Comdty	Bloomberg Commodity TR USD	22	US Return	S&P 500 TR USD
4	US Stocks	S&P 500 TR USD	22	Europe Return	MSCI Europe Large NR USD
4	Developed Intl Stocks	MSCI EAFE GR USD	23	Emerging Markets	MSCI IMI NR USD Country Indices
4	Emerging Mkts Stocks	MSCI EM NR USD	24	Commodities	Bloomberg Commodity Indices
4	US Bonds	Barclays US Agg Bond TR USD	26	World Bonds ex US	Barclays Gbl Agg Ex US TR USD
4	Intl. Bonds	Barclays Gbl Agg Ex US TR USD	26	Emerging Mkts Bonds	JPM GBI-EM Diversified Composite TR USD
5/6	US IG Bonds	Barclays US Corp IG TR USD	26	US Municipals	Barclays Municipals TR USD
5/6	US Treasuries	Barclays US Treasury Bonds	26	US High Yield	Barclays US HY Interim TR USD
5/6	US Large Cap	S&P 500 TR USD	26	US Investment Grade	Barclays US Corp IG TR USD
5/6	REITs	FTSE NAREIT All Equity REITs TR USD	26	US MBS	Barclays US MBS TR USD
5/6	EAFE Equity	MSCI EAFE GR USD	26	US Treasuries	Barclays US Treasury Bills TR USD
5/6	US Small Cap	Russell 2000 TR USD	26	Floating Rate/Bank Loans	Credit Suisse Leveraged Loan TR USD
5/6	EM Equity	MSCI EM NR USD			
5/6	Commodities	Bloomberg Commodity TR USD			
5/6	US Munis	Barclays Municipal TR USD			
5/6	US HY Bonds	Barclays US HY Interim TR USD			



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