



CAPITAL PLANNING

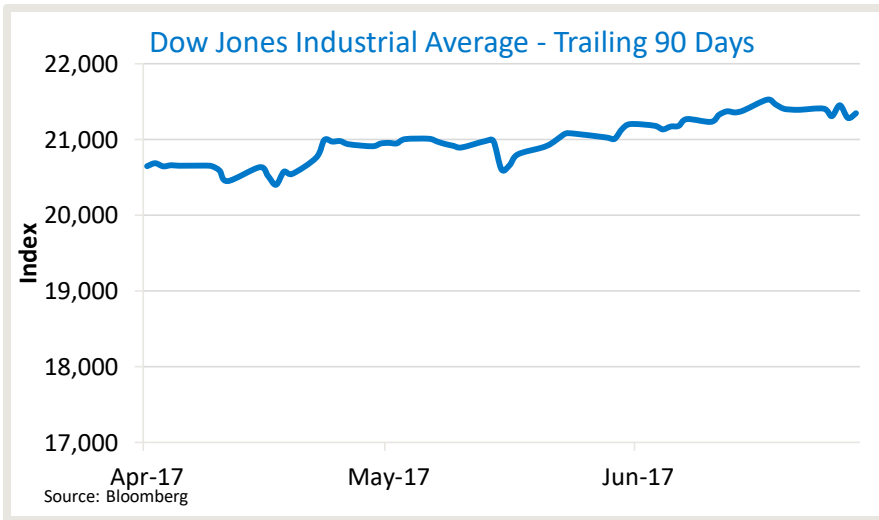
Wealth Management
SINCE 1983

Weekly Market Review

June 30, 2017

Capital Planning provides this e-newsletter in cooperation with ENVESTNET. For more information please call Michael Miller, CEO at (425) 643-1800 or visit www.capplanllc.com.

Chart of the Week



Weekly Highlights

- **Senate Republicans delay health care vote.** Senate Majority Leader Mitch McConnell tabled a vote this week for the Better Care Reconciliation Act of 2017. He was hoping to hold a vote before the holiday weekend on the bill that would replace the Affordable Care Act. Voting was delayed until the Senate reconvenes because there was not enough support. Republicans have a slim majority in the Senate, and already at least three senators publicly voiced opposition to the bill, dashing any hopes to pass the bill in its current form.
- **Employment data remains relatively strong.** Although there was a slight uptick in the number of jobless claims this week, the four-week average declined modestly to 242,250. The declining trend has persisted for the last two months and is good news for American workers. Labor demand remains high and is shown in the historic low number of jobless claims. The unemployment rate for insured workers did not change and remains at 1.4%.
- **Housing numbers decline.** Pending home sales continued to decline for the third consecutive month. Pending sales were down 0.8%, missing expectations of a gain. The decline persisted across most of the nation and was largest in the Western region at -1.3%. Final and pending sales don't always move in tandem, but the drop in pending sales combined with slowing housing permits could be troublesome for the housing sector.



Talking Points

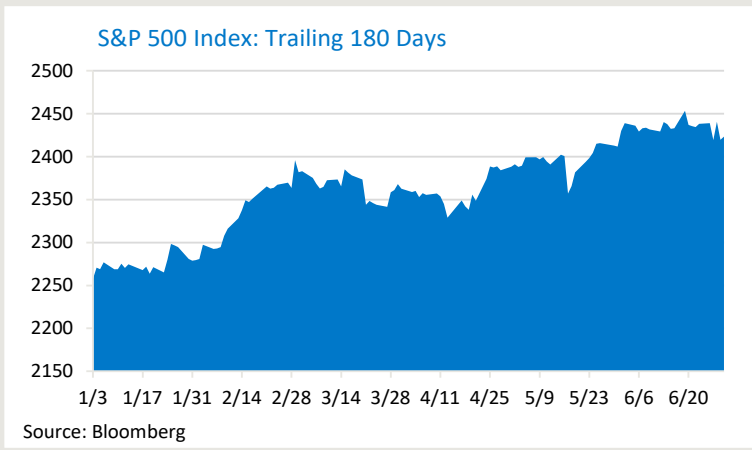
- **Emerging markets outperformed global developed markets.** Emerging markets generally posted a positive gain for the week, as developed markets declined slightly for the week. Domestic equities were down when trading began on Thursday and were able to rally, but still fell short of where they closed on Wednesday.
- **Value rallied and outperformed growth for the week.** Value stocks posted positive returns for the week, while their growth peers were negative.
- **Treasury yields spiked.** After a speech by the Federal Open Market Committee (FOMC) Chief Janet Yellen, the yield on the 10-Year Treasury Note at almost 2.3% is the highest it has been in a month.
- **Commodities rallied** and were by and large the best performers during the week. The rally was due in large part to oil. Crude oil returned almost 4.5% during the week.

Market Dashboard

	Last Price	Change	% Chg.	YTD %
S&P 500	2,423.41	-14.89	-0.61%	8.2%
Dow Industrials	21,349.63	-45.13	-0.21%	8.0%
Nasdaq	6,140.42	-124.83	-1.99%	14.1%
Russell 2000	1,415.36	0.58	0.04%	4.3%
Euro Stoxx Index	379.37	-8.25	-2.13%	5.0%
Shanghai Composite	3,192.43	34.55	1.09%	2.9%
Russell Global	1,942.40	-3.51	-0.18%	10.3%

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

	Last Price	Change	% Chg.	YTD %
Russell Global EM	3,195.64	6.27	0.20%	17.0%
10-Year US Treas.	2.30	16 bps	NM	NM
DJ UBS Comm. Idx.	82.60	2.96	3.72%	-5.6%
Gold	\$1,241.51	-\$15.10	-1.20%	8.2%
Crude Oil	\$46.27	\$3.20	7.44%	-18.8%
Dollar Index	95.65	-1.62	-1.66%	-6.4%
VIX Index	11.18	1.16	11.58%	-20.4%



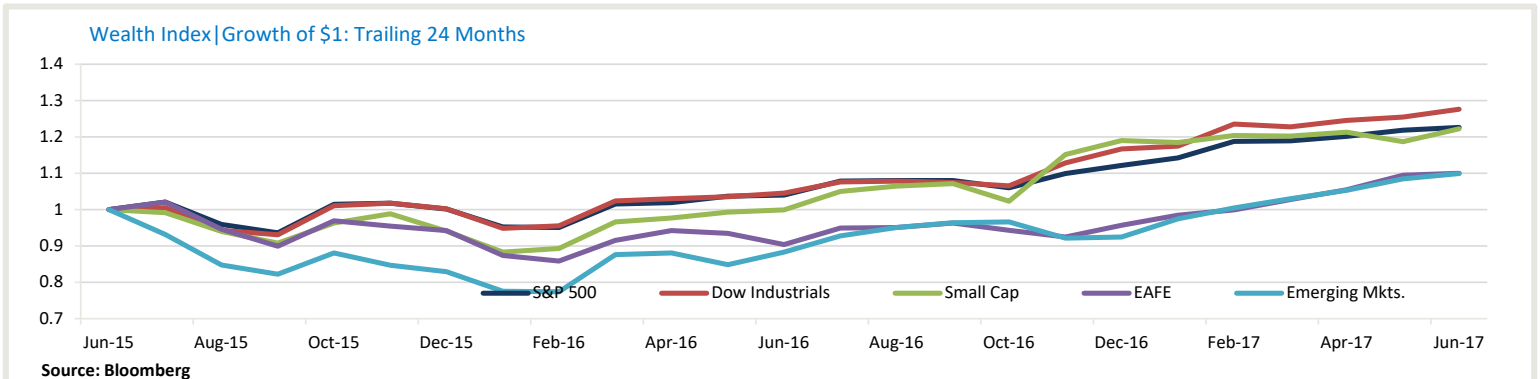
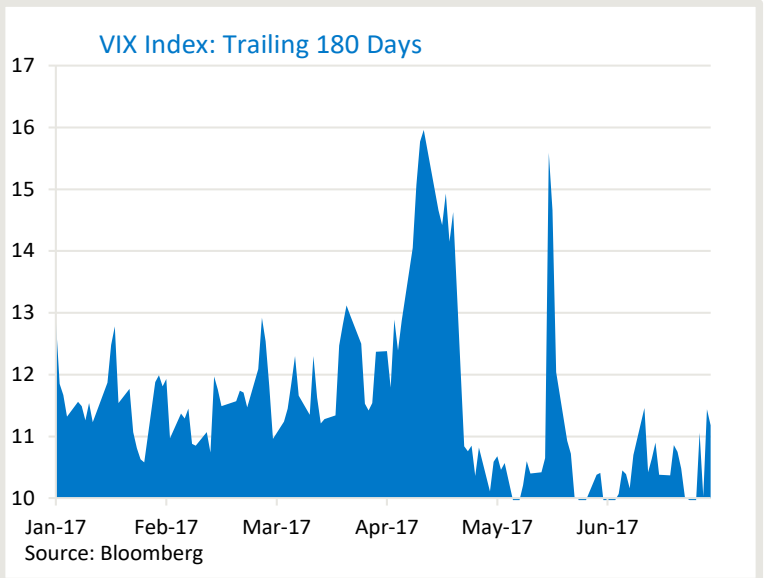
	One Week			YTD		
	Value	Growth		Value	Growth	
L	0.27%	-0.72%	-1.63%	3.09%	8.65%	13.98%
	0.39%	-0.23%	-1.07%	4.04%	7.07%	10.78%
S	0.88%	0.04%	-0.77%	-0.40%	4.29%	9.54%

Source: Bloomberg

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

	% Wgt in S&P 500	Week % Chg.	YTD % Chg.
Consumer Discretionary	12.3	0.10%	10.2%
Consumer Staples	9.0	1.07%	6.6%
Energy	6.0	0.65%	13.8%
Financials	14.5	3.25%	6.0%
Health Care	14.5	1.55%	15.1%
Industrials	10.3	0.02%	8.3%
Information Technology	22.3	2.88%	16.4%
Materials	2.8	0.21%	8.1%
Real Estate	2.9	1.01%	4.6%
Telecom Services	2.1	1.08%	12.8%
Utilities	3.2	2.36%	6.9%

Source: Bloomberg



The Economy and Markets

A Macro View – The Crude Reality: Do Oil Prices Predict Market Returns?

When the Organization of the Petroleum Exporting Countries (OPEC) meeting concluded on May 25 this year, oil prices finished down nearly 5% from their previous close. The sharp drop was due in large part to disappointment that production cuts did not go further. OPEC agreed to continue its previously pledged cuts of 1.8 million barrels per day for another nine months. However, the following day crude oil rebounded from the fall, and US West Texas Intermediate (WTI) crude futures finished up almost 2%, but still closed under \$50 a barrel. Although the price of oil is up from its low of under \$27 a barrel in 2016, it is still a far cry from its high point of around \$160 a barrel in 2008. Yet, simultaneously, the S&P 500 continues to reach all-time highs. So what can be inferred from the relationship between the price of oil and stock market returns?

Since 1990, the correlation between the WTI and the S&P 500 has been around 0.56, indicating that as one increases, the other generally does as well. However, since 2014, when the price of oil fell significantly, the correlation has become negative, and the stock market continues to set new high records, while oil continues to fall from its high water mark. This is not the only instance where oil prices and stock market returns have decoupled. Low oil prices helped to precipitate the dotcom boom in the late 1990s, and oil remained high for a short period as stocks plunged after the financial crisis in 2008.

Generally, when oil prices dip, investors worry that there is less demand, ultimately indicating a slowdown in overall economic growth. Another concern they have is that domestic producers will default on their loan payments, hurting banks that have provided loans to oil-related companies and further dragging down the economy. However, in the current environment, the consensus remains that low prices have more to do with the supply side, as global demand for oil continues to increase around 1.3% annually. After an uptick in American shale oil production, OPEC responded by increasing production to retain market share. OPEC also has issues with its ability to enforce production cuts on its member nations: Its current pledged agreement to cut production doesn't even include Libya or Nigeria, who account for 7.1% of OPEC's production. After American production slowed in 2015, the industry as a whole reorganized by improving technology and becoming more efficient. Ultimately, much of the US oil industry became profitable, with oil prices under \$50 a barrel, and continued to add to the world's supply, which in turn has kept prices low.

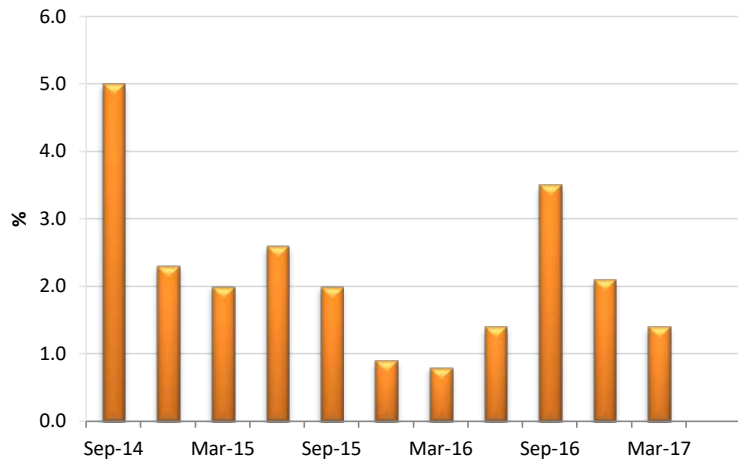
Concurrently, the stock market has continued to make gains alongside low oil prices, due in part to the weight that energy companies carry within our economy. After oil prices dropped precipitously in 2008, the Energy sector consolidated and currently constitutes 6% of the S&P 500, much less than the 15% weight it had before the decline. Energy is a main cost of almost any production, and although low oil prices have been harmful to energy companies, low oil prices have benefited the main driver of the American economy, consumers. Low oil prices have essentially served as a tax cut for much of America, allowing more dollars to flow to other economic sectors.

So what does all this mean for using oil prices as a proxy for the US economy? It's hard to point to any single indicator to predict where the market will go; not only are sectors intricately intertwined, but a multitude of factors coalesce to determine market performance. As we have seen, despite a positive historical correlation between oil prices and market performance since 1990, market performance depends heavily on the time period being reviewed. Technological advances, increased efficiency, smaller market representation, and an increase in global production and supply all seem to have the energy sector in a transitional period. Regardless, it appears low oil prices have become the new norm, which should continue to benefit many areas of the economy while harming others, further complicating the relationship between oil prices and stock market returns.

Brandon Rick
Associate Investment Analyst

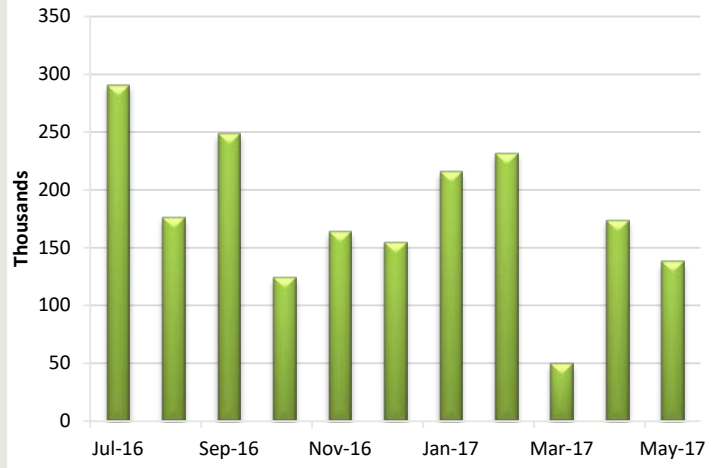
Economic Data

Real GDP Growth Rate - Annualized - 12 Qtrs.



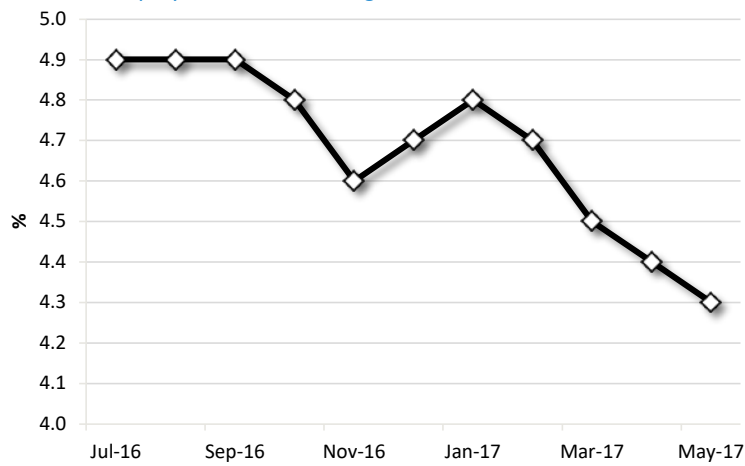
Source: Bloomberg

Non-Farm Payrolls-Trailing 12 Mos.



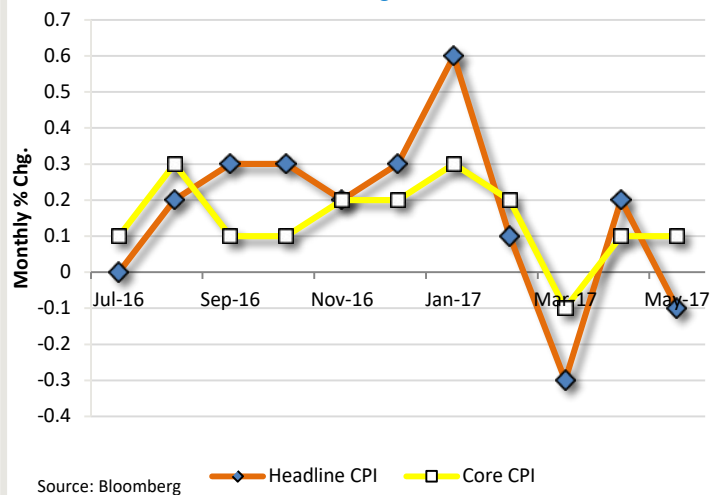
Source: Bloomberg

Unemployment Rate-Trailing 12 Mos.



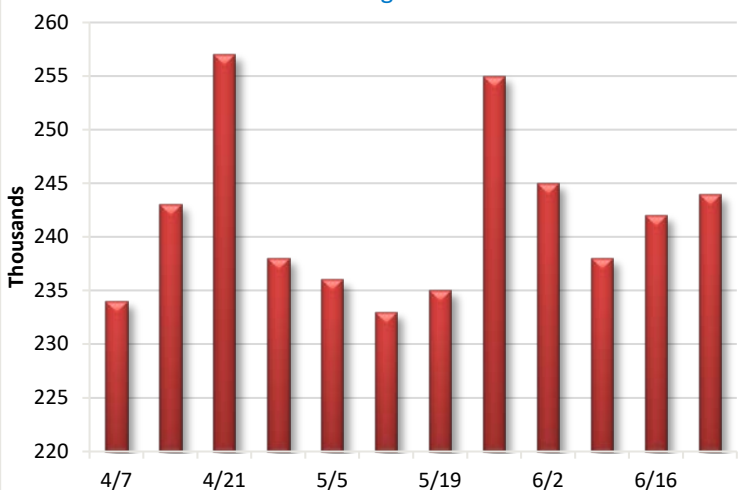
Source: Bloomberg

Consumer Price Index-Trailing 12 Mos.



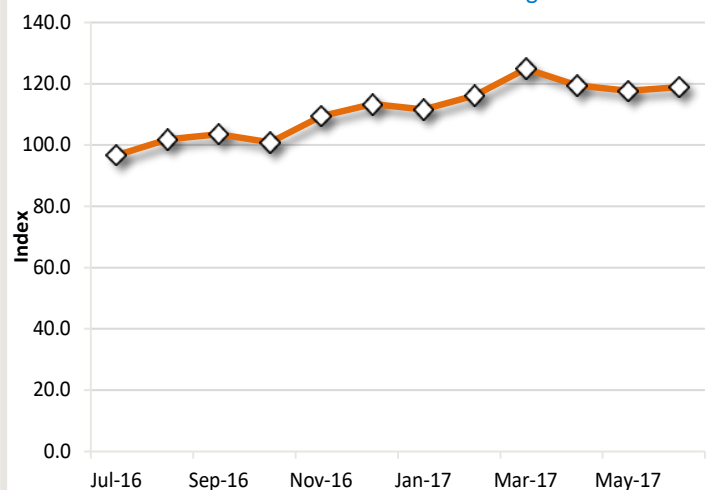
Source: Bloomberg

Initial Jobless Claims-Trailing 12 Wks.



Source: Bloomberg

Consumer Board Confidence Index - Trailing 12 Mos.



Source: Bloomberg

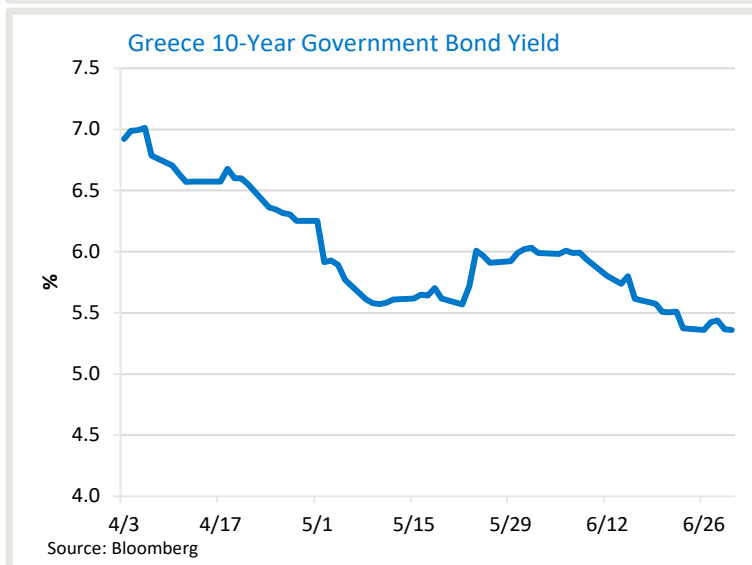
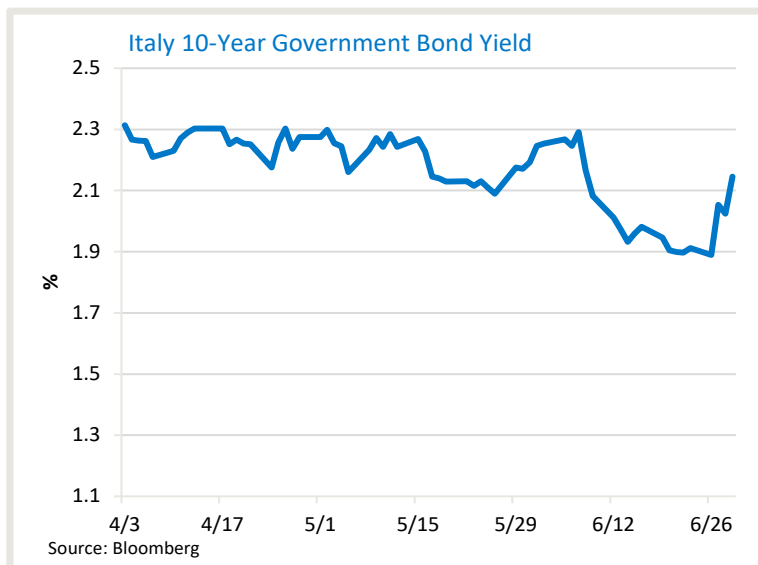
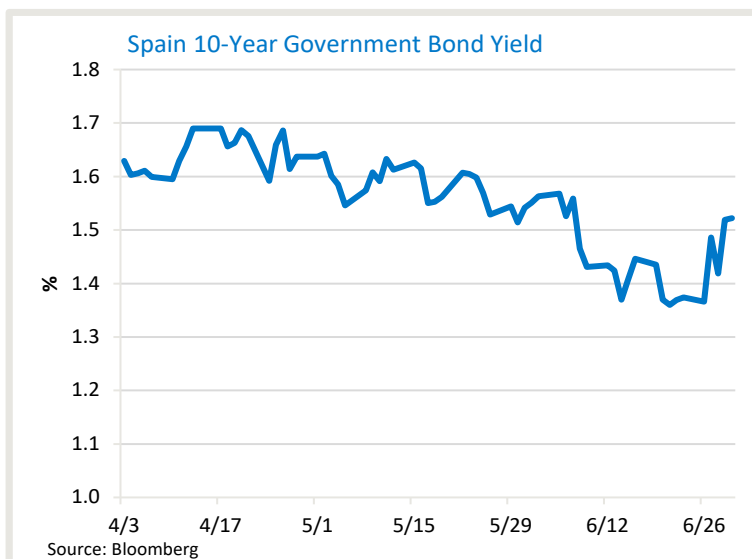
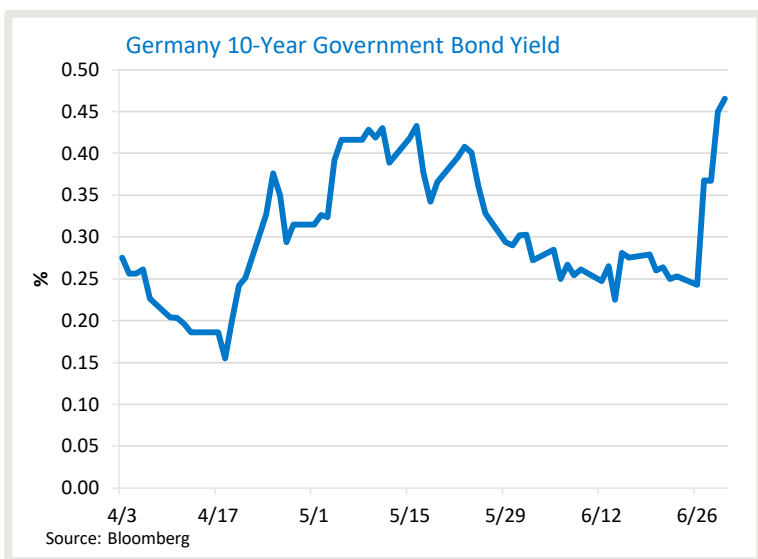
Eurozone

SELECTED EUROPEAN SOVEREIGN YIELD PERFORMANCE

	Last	Change	% Chg.	YTD %
Germany 10-Yr. Govt.	0.46	-20 bps	NM	NM
Greece 10-Yr. Govt.	5.36	1 bps	NM	NM
Italy 10-Yr. Govt.	2.15	-21 bps	NM	NM
Spain 10-Yr. Govt.	1.52	-14 bps	NM	NM
Belgium 10-Yr. Govt.	0.80	-19 bps	NM	NM

	Last	Change	% Chg.	YTD %
France 10-Yr. Govt.	0.81	-20 bps	NM	NM
Ireland 10-Yr. Govt.	0.86	-20 bps	NM	NM
Portugal 10-Yr. Govt.	3.01	-11 bps	NM	NM
Netherlands 10-Yr. Govt.	0.65	-20 bps	NM	NM
U.K. 10-Yr. Govt.	1.26	-26 bps	NM	NM

Source: Bloomberg
Basis points (bps)



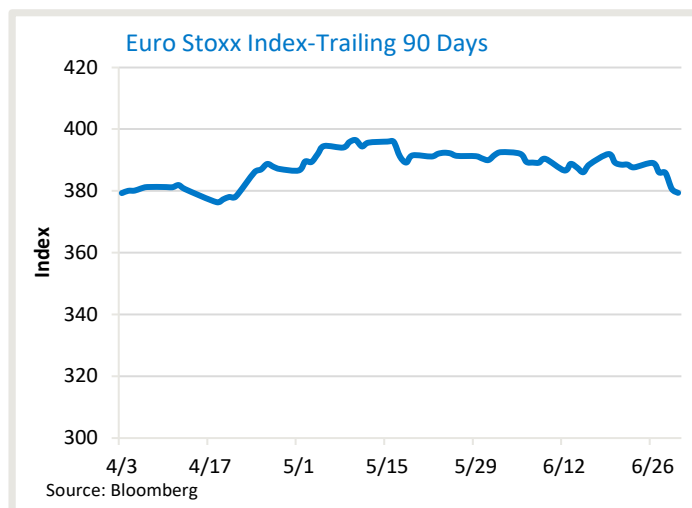
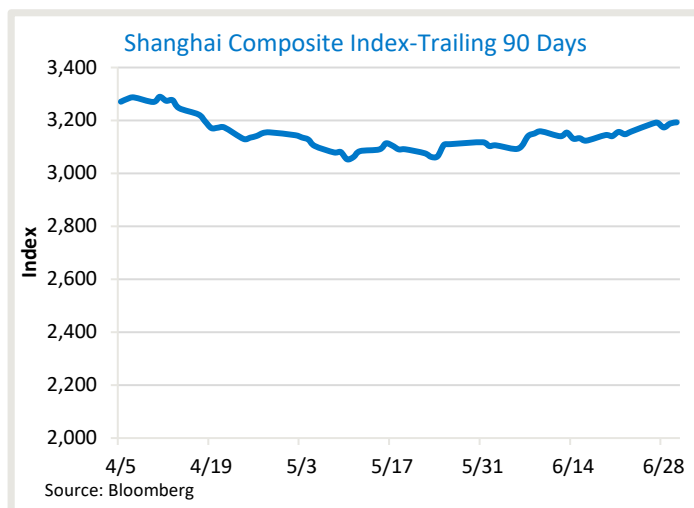
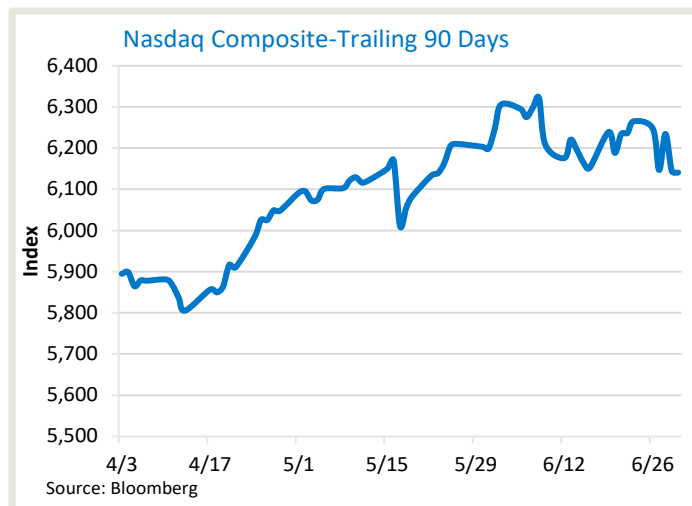
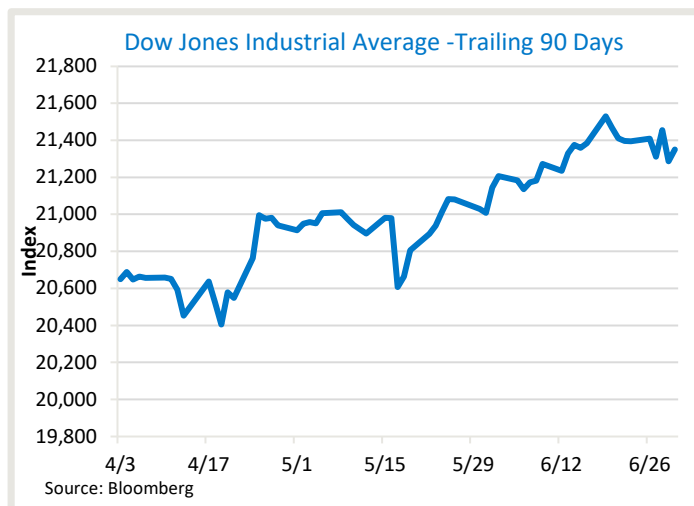
Equities

WORLD MARKET PERFORMANCE

	Last	Change	% Chg.	YTD %
S&P 500	2,423.41	-14.89	-0.61%	8.24%
Dow Industrials	21,349.63	-45.13	-0.21%	8.03%
Nasdaq Composite	6,140.42	-124.83	-1.99%	14.07%
Russell Global	1,942.40	-3.51	-0.18%	10.3%
Russell Global EM	3,195.64	6.27	0.20%	17.0%
S&P/TSX (Canada)	15,182.19	-137.37	-0.90%	-0.69%
Mexico IPC	49,857.49	876.71	1.79%	9.23%
Brazil Bovespa	62,899.97	1812.83	2.97%	4.44%
Euro Stoxx 600	379.37	-8.25	-2.13%	4.97%
FTSE 100	7,312.72	-111.41	-1.50%	2.38%
IBEX 35 (Spain)	10,444.50	-186.30	-1.75%	11.68%

	Last	Change	% Chg.	YTD %
Swiss Market Index	8,906.89	-126.00	-1.39%	8.36%
CAC 40 Index (France)	5,120.68	-145.44	-2.76%	5.31%
DAX Index (Germany)	12,325.12	-408.29	-3.21%	7.35%
Irish Overall Index	6,827.62	-167.95	-2.40%	4.76%
Nikkei 225	20,033.43	-99.24	-0.49%	4.81%
Hang Seng Index	25,764.58	94.53	0.37%	17.11%
Shanghai Composite	3,192.43	34.55	1.09%	2.86%
Kospi Index (S. Korea)	2,391.79	13.19	0.55%	18.03%
Taiwan Taiex Index	10,395.07	17.37	0.17%	12.34%
Tel Aviv 25 Index	1,433.63	-4.59	-0.32%	-2.53%
MICEX Index (Russia)	1,879.50	12.04	0.64%	-15.82%

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



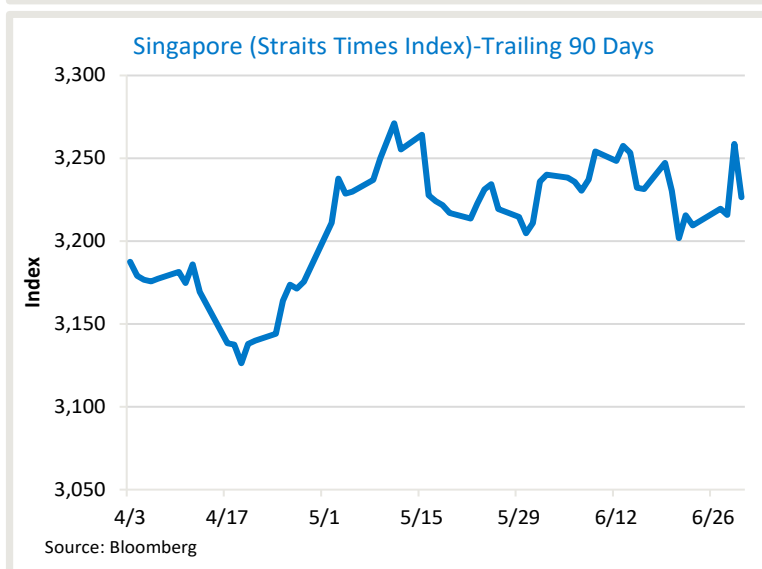
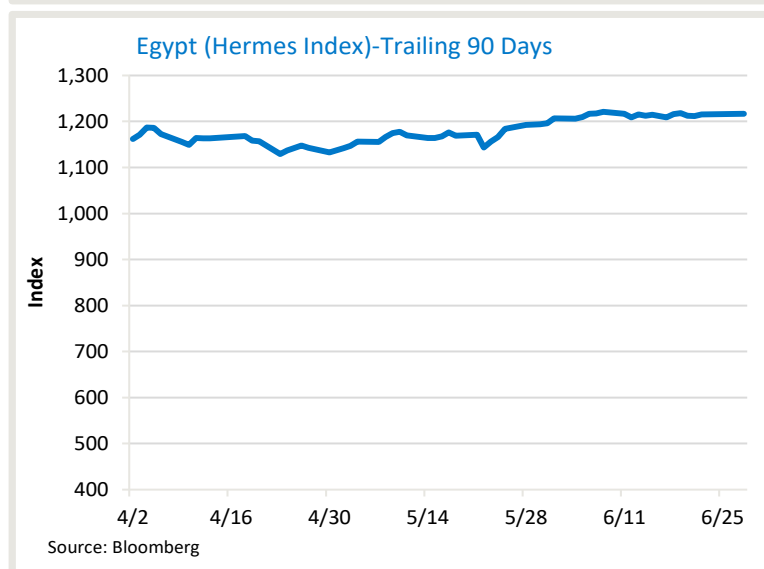
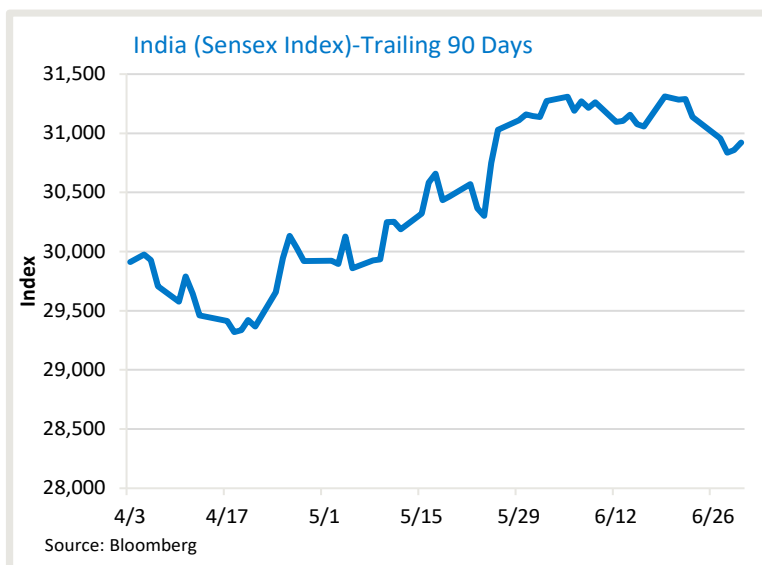
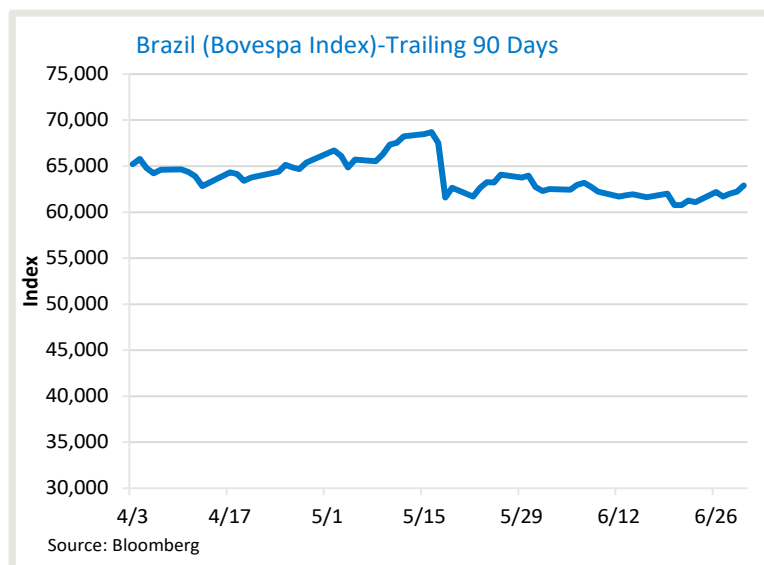
Equities – Emerging and Frontier Markets

EMERGING AND FRONTIER MARKET PERFORMANCE

	Last	Change	% Chg.	YTD %
Mexico IPC	49,857.49	876.71	1.8%	9.2%
Brazil (Bovespa Index)	62,899.97	1812.83	3.0%	4.4%
MICEX Index (Russia)	1,879.50	12.04	0.6%	-15.8%
Czech Republic (Prague)	980.41	-0.27	0.0%	6.4%
Turkey (Istanbul)	100,440.39	801.75	0.8%	28.5%
Egypt (Hermes Index)	1,216.91	1.56	0.1%	11.7%
Kenya (Nairobi 20 Index)	3,607.18	-16.65	-0.5%	13.2%
Saudi Arabia (TASI Index)	7,425.72	544.33	7.9%	3.0%
Lebanon (Beirut BLOM Index)	1,150.35	-5.57	-0.5%	-5.1%
Palestine	544.36	0.81	0.1%	2.7%

	Last	Change	% Chg.	YTD %
Hang Seng Index	25,764.58	94.53	0.4%	17.1%
India (Sensex 30)	30,921.61	-216.60	-0.7%	16.1%
Malaysia (KLCI Index)	1,763.67	-11.90	-0.7%	7.4%
Singapore (Straits Times Index)	3,226.48	10.93	0.3%	12.0%
Thailand (SET Index)	1,574.74	-7.62	-0.5%	2.1%
Indonesia (Jakarta)	5,829.71	53.42	0.9%	10.1%
Pakistan (Karachi KSE 100)	46,565.29	232.98	0.5%	-2.6%
Vietnam (Ho Chi Minh)	776.47	7.46	1.0%	16.8%
Sri Lanka (Colombo)	6,747.07	32.34	0.5%	8.3%
Cambodia (Laos)	1,012.67	-8.18	-0.8%	-0.2%

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

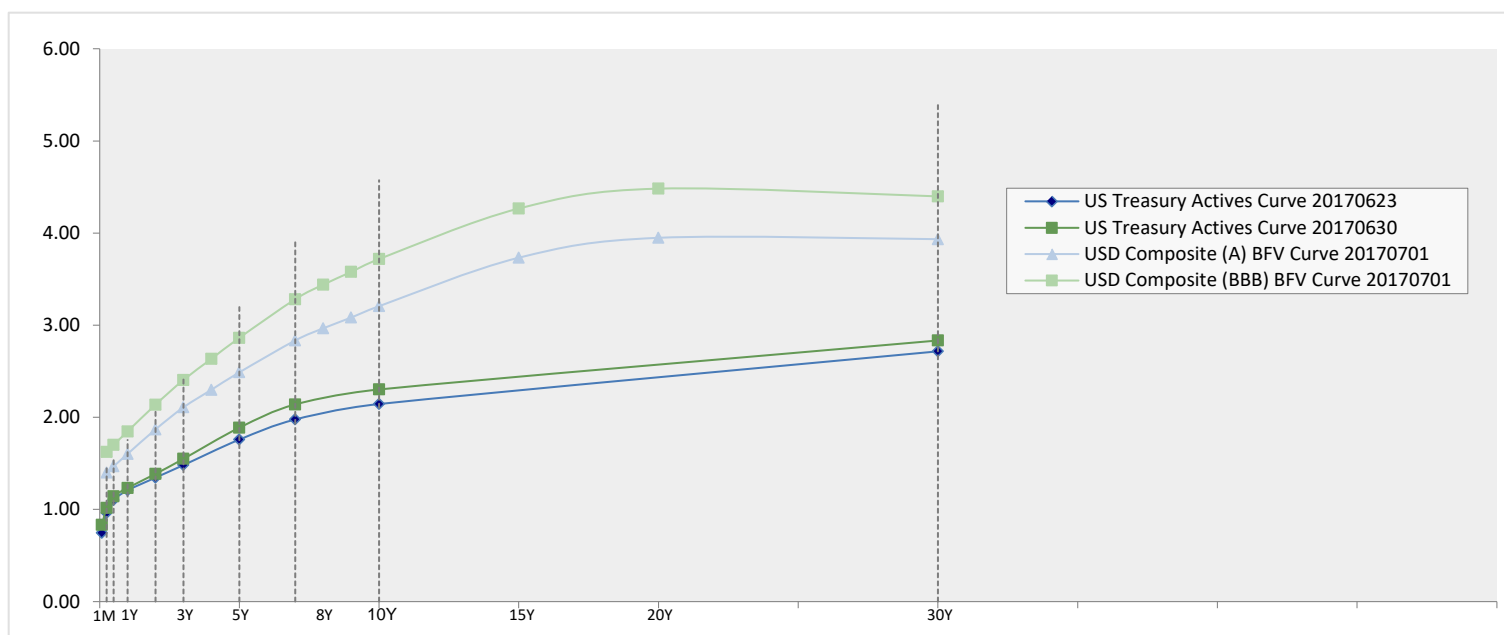


Interest Rates

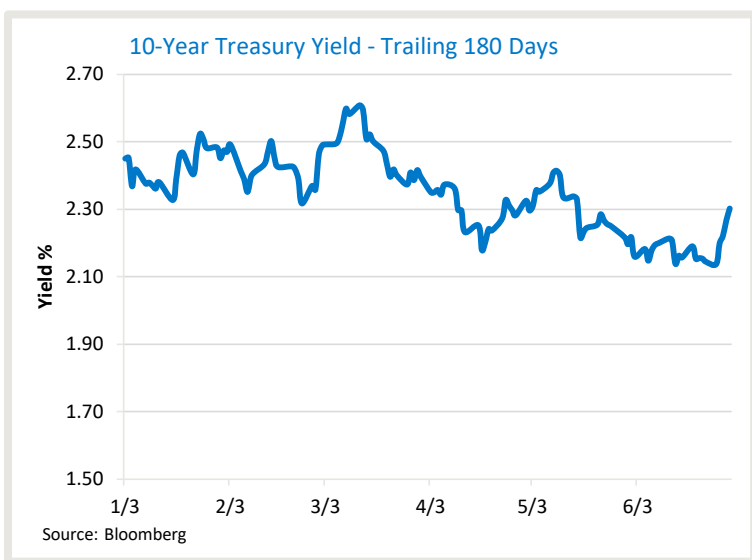
SELECTED INTEREST RATES

	Last	Change	% Chg.	YTD %		Last	Change	% Chg.	YTD %
2-Yr. U.S. Treasury	1.38%	0 bps	NM	NM	Prime Rate	4.25%	0.00	NM	NM
5-Yr. U.S. Treasury	1.89%	13 bps	NM	NM	Fed Funds Rate	1.25%	0.00	NM	NM
10-Yr. U.S. Treasury	2.30%	16 bps	NM	NM	Discount Rate	1.75%	0.00	NM	NM
30-Yr. U.S. Treasury	2.84%	13 bps	NM	NM	LIBOR (3 Mo.)	1.30%	1 bps	NM	NM
German 10-Yr. Govt.	0.46%	-20 bps	NM	NM	Bond Buyer 40 Muni	3.67%	12 bps	NM	NM
France 10-Yr.	0.81%	-20 bps	NM	NM	Bond Buyer 40 G.O.	3.58%	NA	NM	NM
Italy 10-Yr.	2.15%	-21 bps	NM	NM	Bond Buyer 40 Rev.	3.75%	NA	NM	NM
Fed 5-Yr Fwd BE Inf.	1.73%	2 bps	NM	NM					

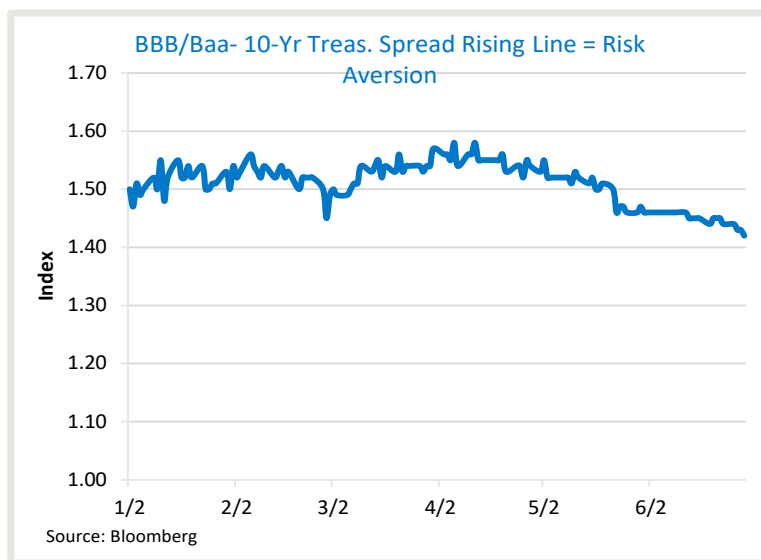
Source: Bloomberg



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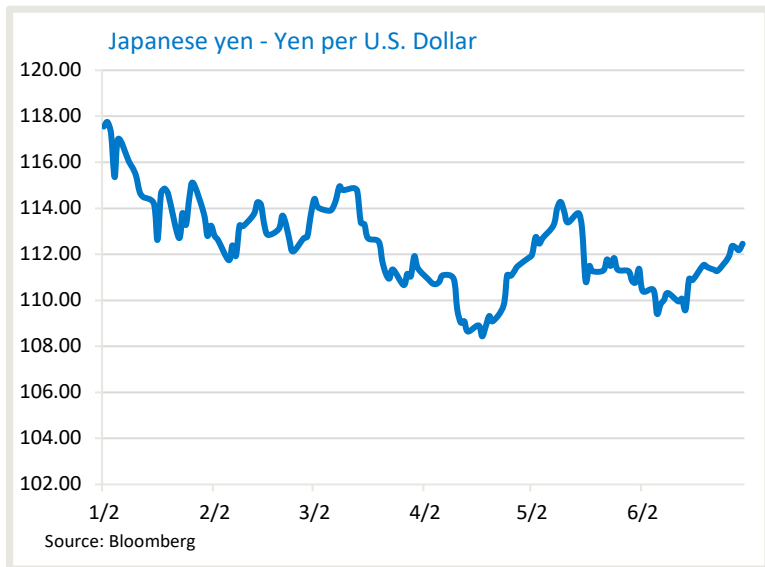
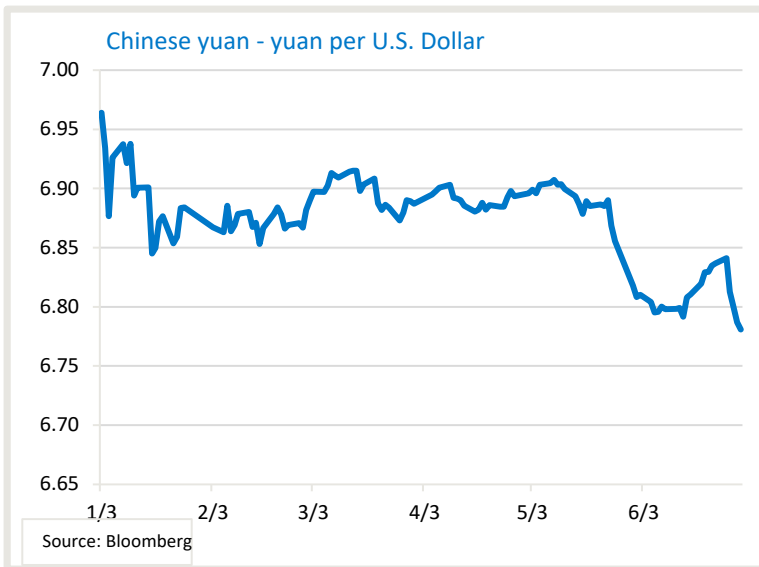
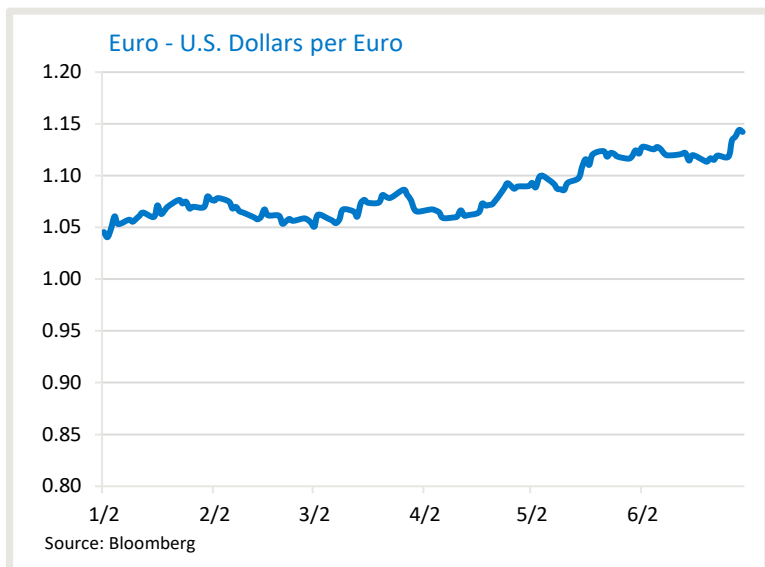
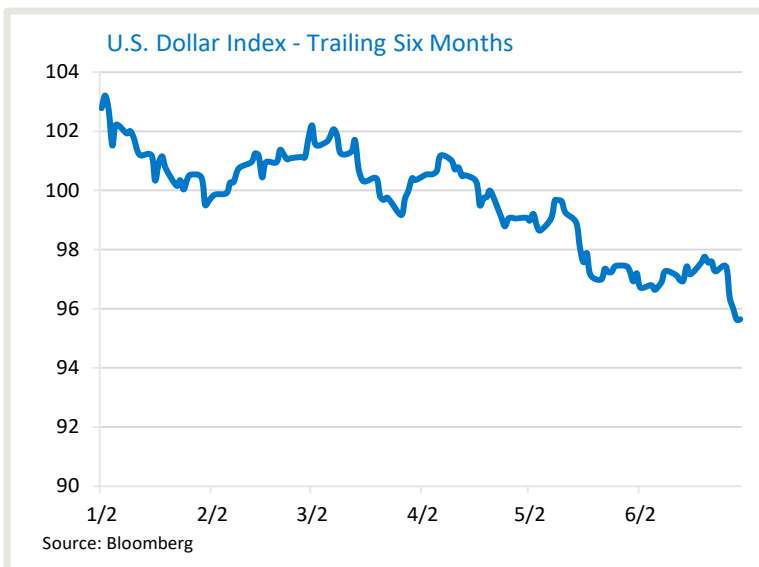
Currencies

SELECTED CURRENCY PERFORMANCE

	Last	Change	% Chg.	YTD %
Dollar Index	95.65	-1.618	-1.66%	-6.42%
Euro	1.14	0.023	2.04%	8.61%
Japanese Yen	112.48	1.180	-1.05%	4.00%
British Pound	1.30	0.031	2.44%	5.58%
Canadian Dollar	1.30	-0.030	2.31%	3.66%

	Last	Change	% Chg.	YTD %
Chinese Yuan	6.78	-0.056	0.82%	2.42%
Swiss Franc	0.96	-0.011	1.11%	6.29%
New Zealand Dollar	0.73	0.004	0.56%	5.65%
Brazilian Real	3.31	-0.034	1.03%	-1.78%
Mexican Peso	18.14	0.134	-0.74%	14.25%

Source: Bloomberg



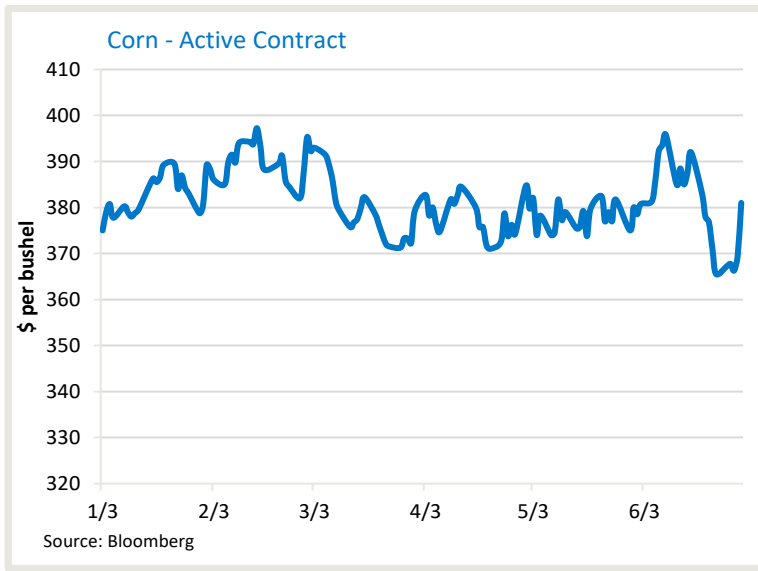
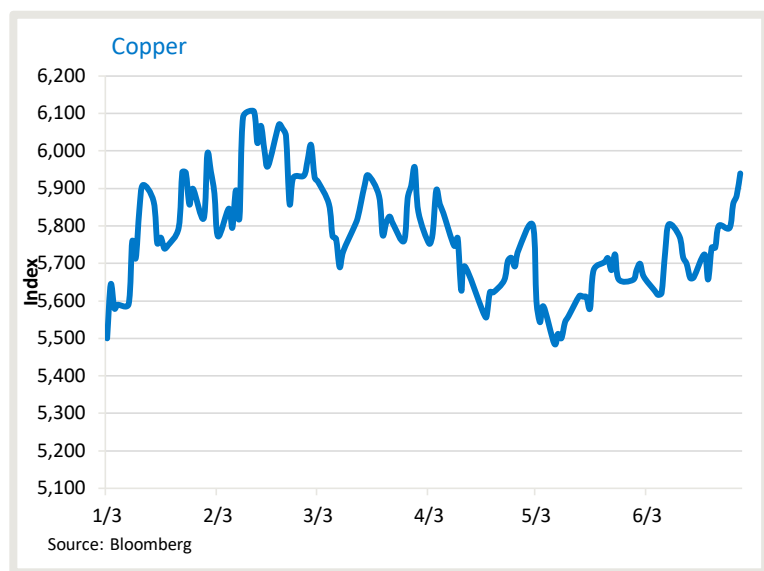
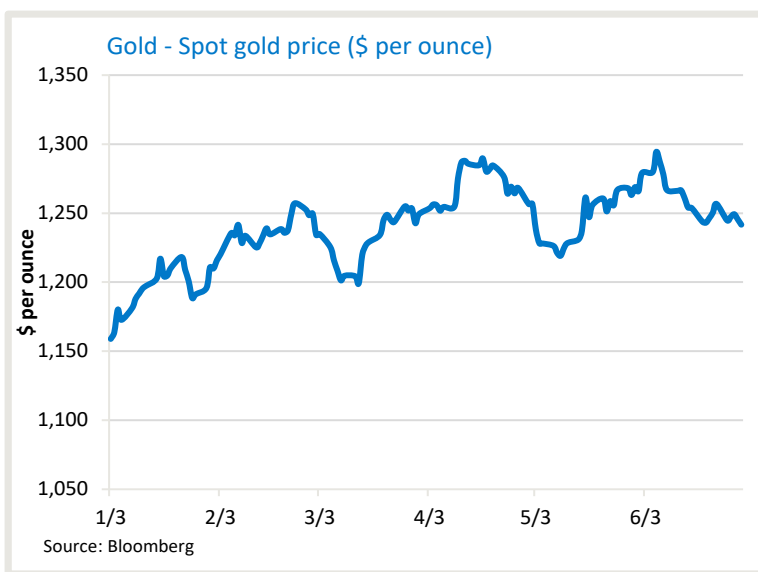
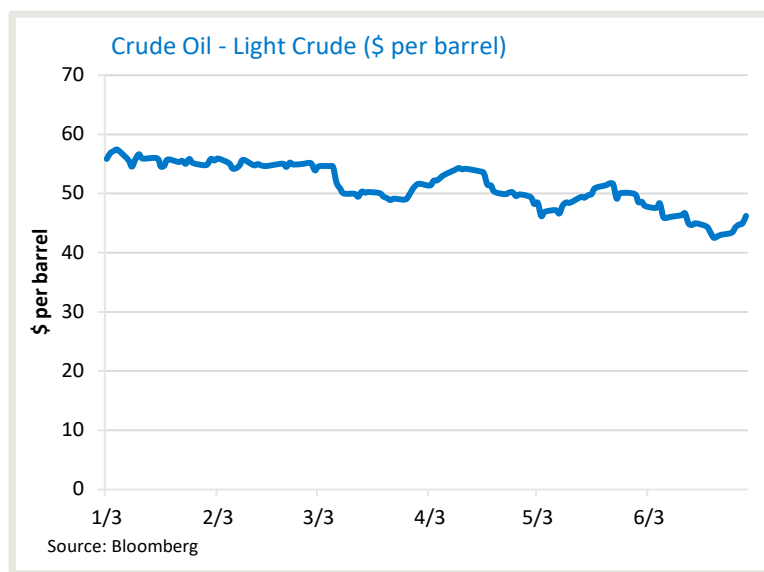
Commodities

SELECTED COMMODITY MARKET PERFORMANCE

	Last	Change	% Chg.	YTD %
Bloomberg Comm. Idx.	82.60	2.96	3.72%	-5.61%
Crude Oil	\$46.26	\$3.20	7.44%	-18.79%
Natural Gas	\$3.03	\$0.08	2.71%	-15.22%
Gasoline (\$/Gal.)	\$2.24	-\$0.03	-1.37%	-4.15%
Heating Oil	148.66	10.68	7.75%	-15.91%
Gold Spot	\$1,241.60	-\$15.10	-1.20%	8.20%
Silver Spot	\$16.63	-\$0.08	-0.46%	4.45%

	Last	Change	% Chg.	YTD %
Platinum Spot	\$924.86	-\$5.19	-0.56%	2.42%
Corn	381.00	15.50	4.24%	2.63%
Wheat	526.00	52.50	11.09%	17.48%
Soybeans	954.75	43.75	4.80%	-3.49%
Sugar	13.81	0.64	4.86%	-25.95%
Orange Juice	132.55	0.30	0.23%	-29.61%
Aluminum	1,915.00	50.00	2.68%	13.11%
Copper	5,940.00	139.50	2.40%	7.31%

Source: Bloomberg; % change is based on price.

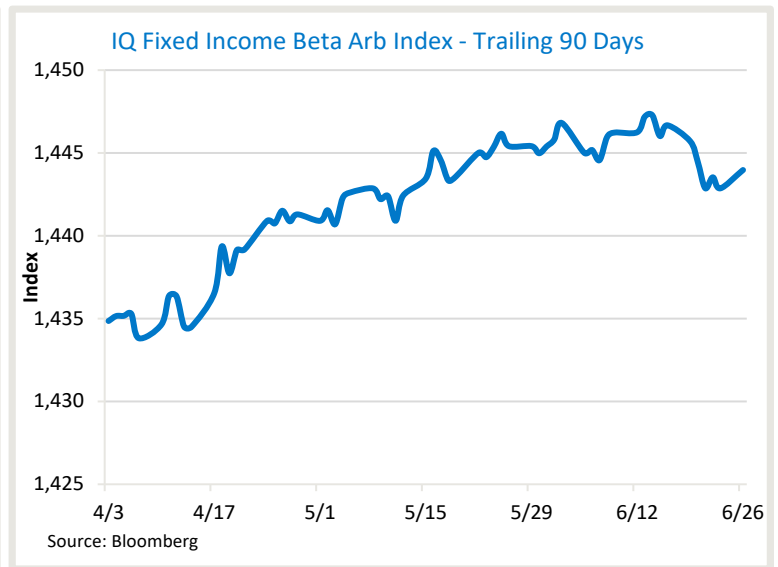
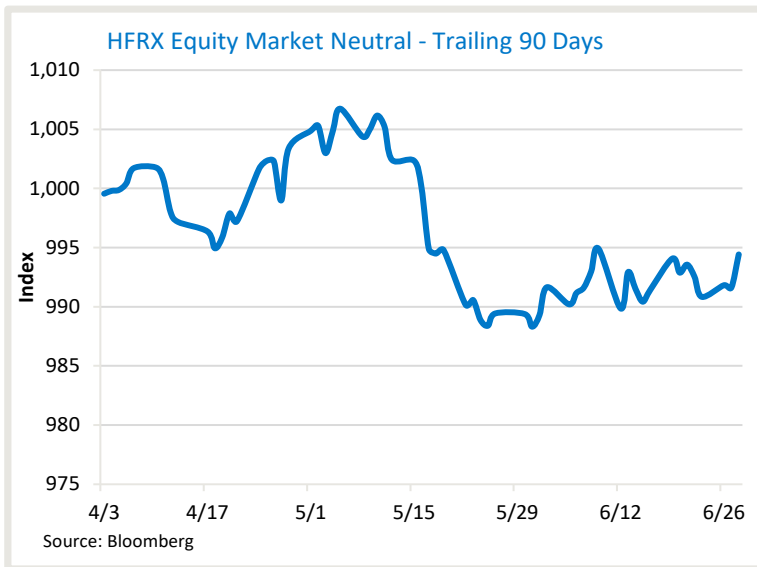
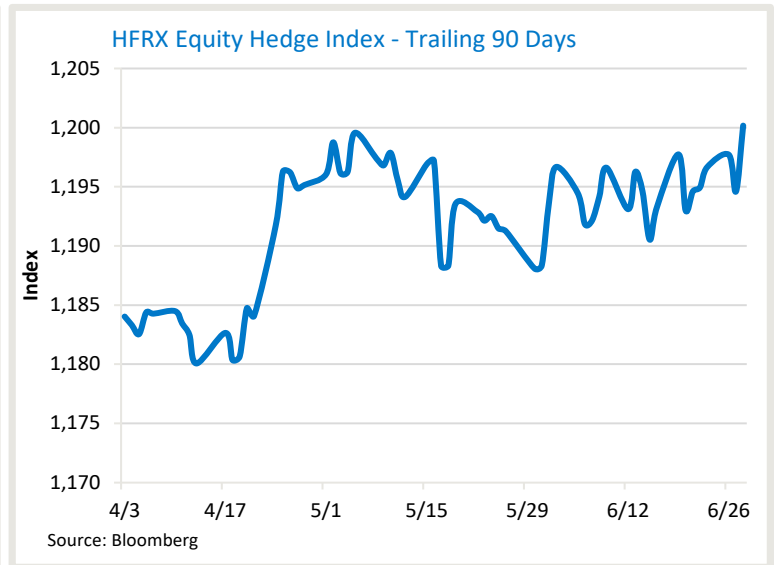
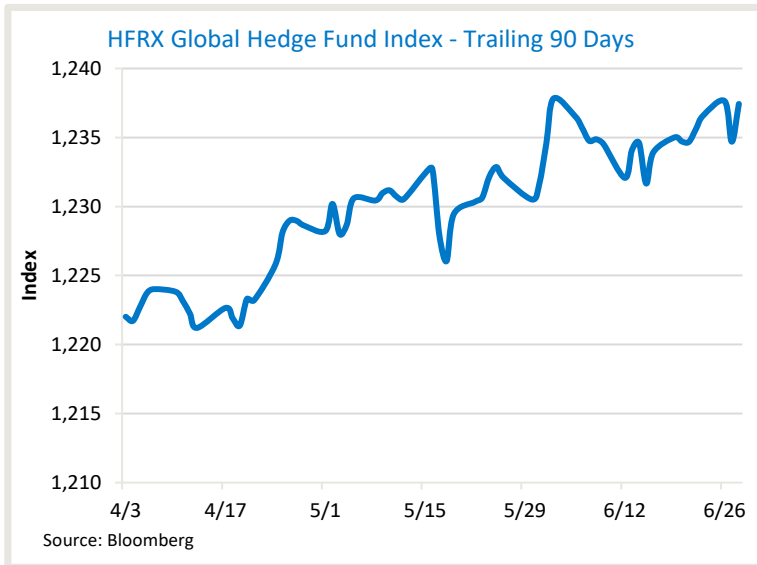


Alternative Investments

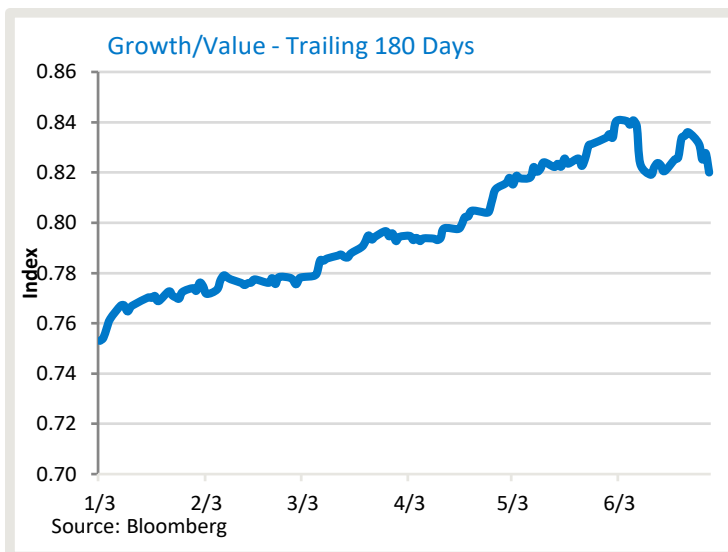
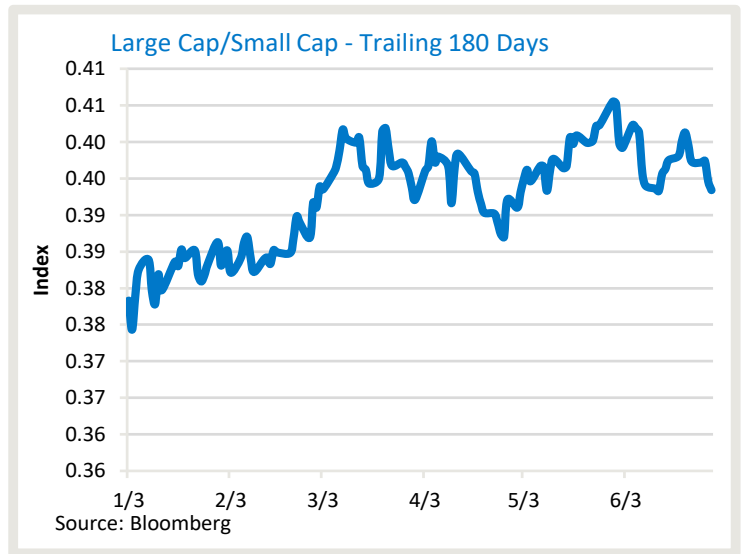
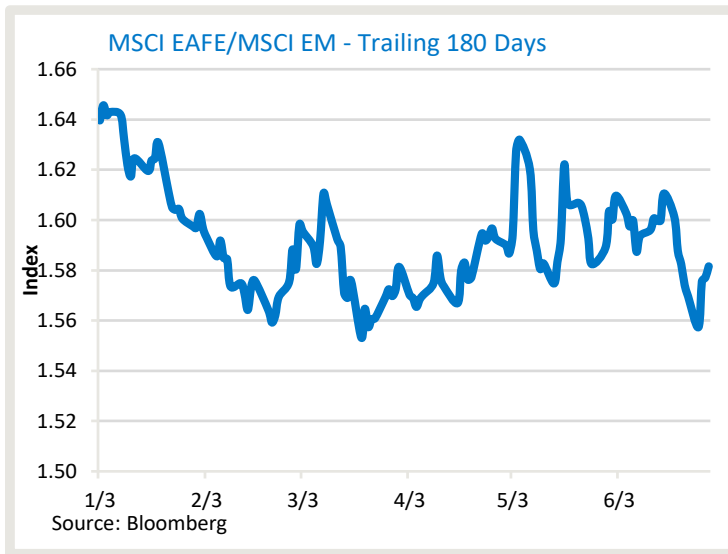
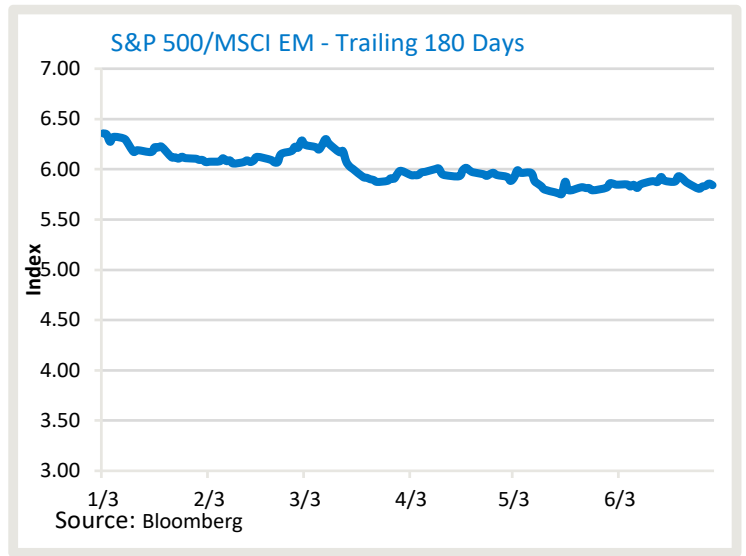
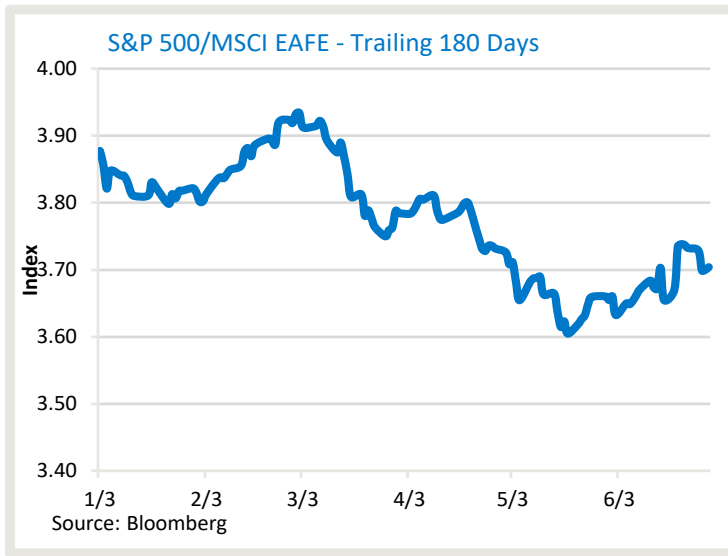
SELECTED ALTERNATIVE INVESTMENT INDEX PERFORMANCE

	Last	Change	% Chg.	YTD %		Last	Change	% Chg.	YTD %
HFRX Global Hedge Fund Index	1235.88	-0.71	-0.06%	2.69%	HFRX Distressed Index	1100.75	7.57	0.69%	2.58%
HFRX Equity Market Neutral	994.42	3.59	0.36%	0.72%	HFRX Merger Arbitrage Index	1835.68	-1.32	-0.07%	1.27%
HFRX Equity Hedge Index	1197.51	0.85	0.07%	3.64%	HFRX Convertible Arbitrage Index	775.26	2.68	0.35%	4.40%
HFRX Event-Driven Index	1636.87	0.17	0.01%	4.63%	HFRX Macro CTA Index	1137.31	-6.99	-0.61%	0.17%
HFRX Absolute Return Index	1043.20	1.95	0.19%	1.43%	IQ Fixed Income Beta Arb Index	1447.43	4.57	0.32%	1.93%

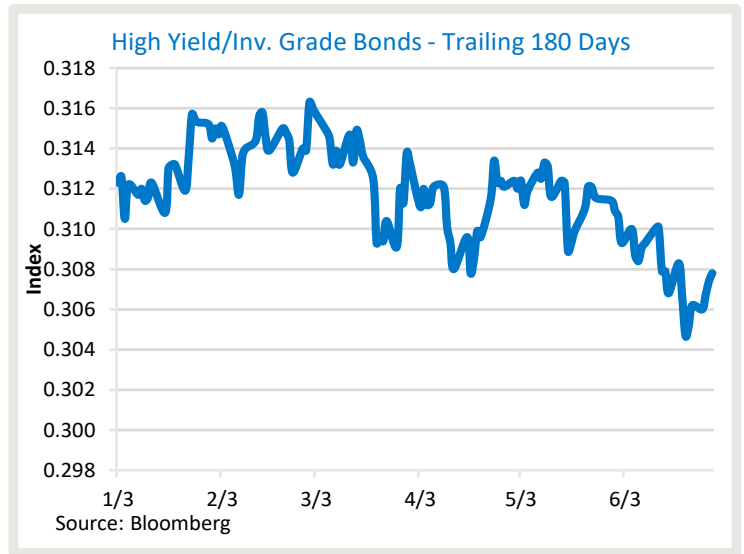
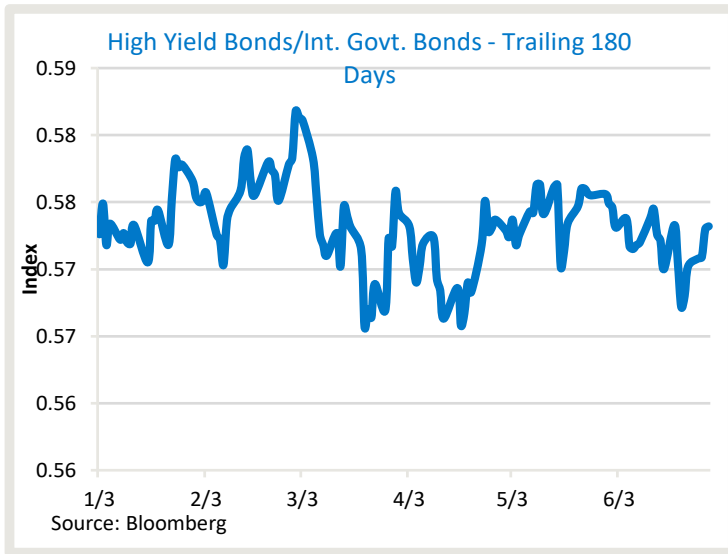
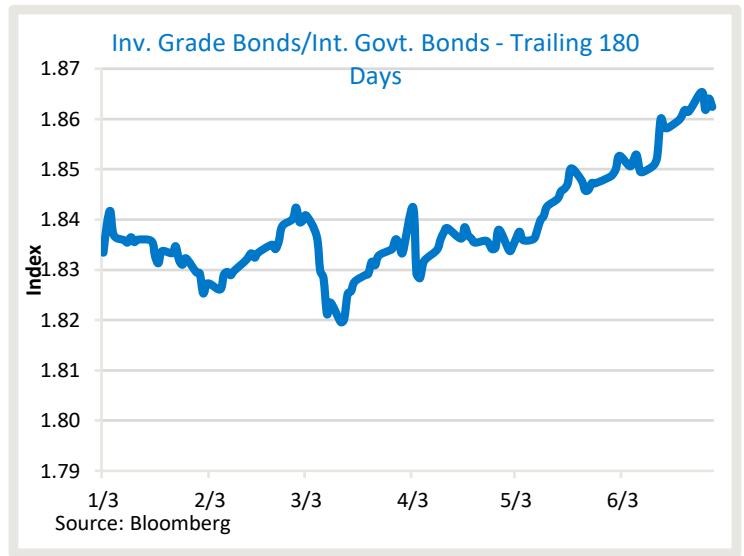
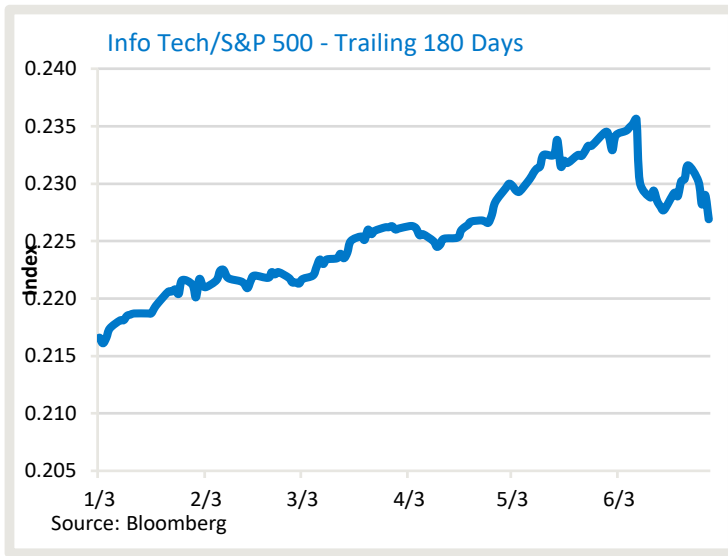
Source: Bloomberg; Index % change is based on price.



Portfolio Construction



Portfolio Construction (continued)



WEEKLY ASSET CLASS PERFORMANCE (Prior 12 weeks ending Thursday)

			4/13	4/20	4/27	5/4	5/11	5/18	5/25	6/1	6/8	6/15	6/22	6/29
Equity	Domestic Equity	Large Cap (R200)	-1.20%	1.01%	1.47%	0.24%	0.08%	-1.17%	2.09%	0.56%	0.29%	-0.17%	0.23%	-0.69%
		Small Cap (R2000)	-1.41%	2.89%	2.38%	-2.00%	0.10%	-2.09%	1.64%	0.92%	1.40%	-0.39%	-0.39%	0.83%
	Int'l. Equity	MSCI EAFE	-0.03%	0.21%	2.93%	0.94%	0.28%	0.55%	1.27%	0.12%	-0.01%	-0.92%	0.48%	0.52%
		MSCI Em. Mkts.	-0.05%	-0.45%	2.21%	0.04%	2.07%	-1.20%	2.65%	-0.60%	1.05%	-1.51%	0.52%	0.52%
Fixed Income	BarCap Agg. (AGG)	29.55%	-4.73%	-2.04%	-3.28%	-1.23%	-1.56%	-7.92%	2.41%	-1.34%	14.14%	-5.67%	-3.48%	
	High Yield (JNK)	-0.16%	0.54%	0.62%	-0.81%	0.68%	0.03%	0.59%	-0.13%	-0.30%	0.05%	-0.56%	0.43%	
Commodities	Bloomberg Commodity Index	0.64%	-2.15%	-0.98%	-1.68%	1.11%	0.36%	0.34%	-1.48%	-0.35%	-1.53%	-1.93%	2.49%	
Alternatives	Hedge Funds (HFRX Global)	-0.21%	0.17%	0.46%	-0.02%	0.17%	-0.38%	0.56%	0.14%	0.02%	-0.26%	0.32%	0.02%	
Asset Allocation	60/40*	9.83%	-1.03%	0.54%	-1.17%	-0.22%	-1.08%	-1.63%	1.08%	-0.21%	4.65%	-1.89%	-1.22%	
	48/32/20 (w/Alts.)**	7.82%	-0.79%	0.53%	-0.94%	-0.14%	-0.94%	-1.19%	0.89%	-0.16%	3.67%	-1.45%	-0.97%	

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	1.01	1.02	1.02	1.03	0.99	0.97	1.01	0.93	0.94	1.00	1.22	1.07	1.05
Large Cap Growth	0.98	1.00	0.99	1.00	1.01	1.02	0.97	0.95	1.00	0.92	0.92	0.99	1.20	1.05	1.03
Large Cap Value	0.99	1.01	1.00	1.01	1.01	1.02	0.98	0.96	1.00	0.92	0.93	0.99	1.20	1.06	1.04
Mid Cap Core	0.98	1.00	0.99	1.00	1.00	1.01	0.97	0.95	0.99	0.91	0.92	0.98	1.19	1.05	1.03
Mid Cap Growth	0.98	0.99	0.99	1.00	1.00	1.01	0.97	0.95	0.99	0.91	0.92	0.98	1.19	1.05	1.03
Mid Cap Value	0.97	0.98	0.98	0.99	0.99	1.00	0.96	0.94	0.98	0.90	0.91	0.97	1.18	1.04	1.01
Small Cap Core	1.01	1.03	1.02	1.03	1.03	1.05	1.00	0.98	1.03	0.94	0.95	1.02	1.23	1.08	1.06
Small Cap Growth	1.03	1.05	1.04	1.05	1.05	1.07	1.02	1.00	1.05	0.96	0.97	1.03	1.25	1.10	1.08
Small Cap Value	0.99	1.00	1.00	1.01	1.01	1.02	0.97	0.96	1.00	0.92	0.92	0.99	1.20	1.06	1.03
Int'l. Developed	1.07	1.09	1.08	1.09	1.10	1.11	1.06	1.04	1.09	1.00	1.01	1.08	1.31	1.15	1.13
Emerging Markets	1.07	1.08	1.08	1.09	1.09	1.10	1.05	1.04	1.08	0.99	1.00	1.07	1.30	1.14	1.12
REITs	1.00	1.01	1.01	1.02	1.02	1.03	0.98	0.97	1.01	0.93	0.93	1.00	1.21	1.07	1.05
Commodities	0.82	0.83	0.83	0.84	0.84	0.85	0.81	0.80	0.83	0.77	0.77	0.82	1.00	0.88	0.86
Int. Bond	0.93	0.95	0.94	0.95	0.95	0.97	0.92	0.91	0.95	0.87	0.88	0.94	1.14	1.00	0.98
High Yield	0.95	0.97	0.96	0.97	0.97	0.99	0.94	0.93	0.97	0.89	0.89	0.96	1.16	1.02	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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