

Q2

Quarterly Market Review
Second Quarter 2017

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This report features world capital market performance and a timeline of events for the past quarter. It begins with a global overview, then features the returns of stock and bond asset classes in the US and international markets.

The report also illustrates the impact of globally diversified portfolios and features a quarterly topic.

Overview:

Market Summary

World Stock Market Performance

World Asset Classes

US Stocks

International Developed Stocks







Emerging Markets Stocks

Commodities

Fixed Income

Market Summary

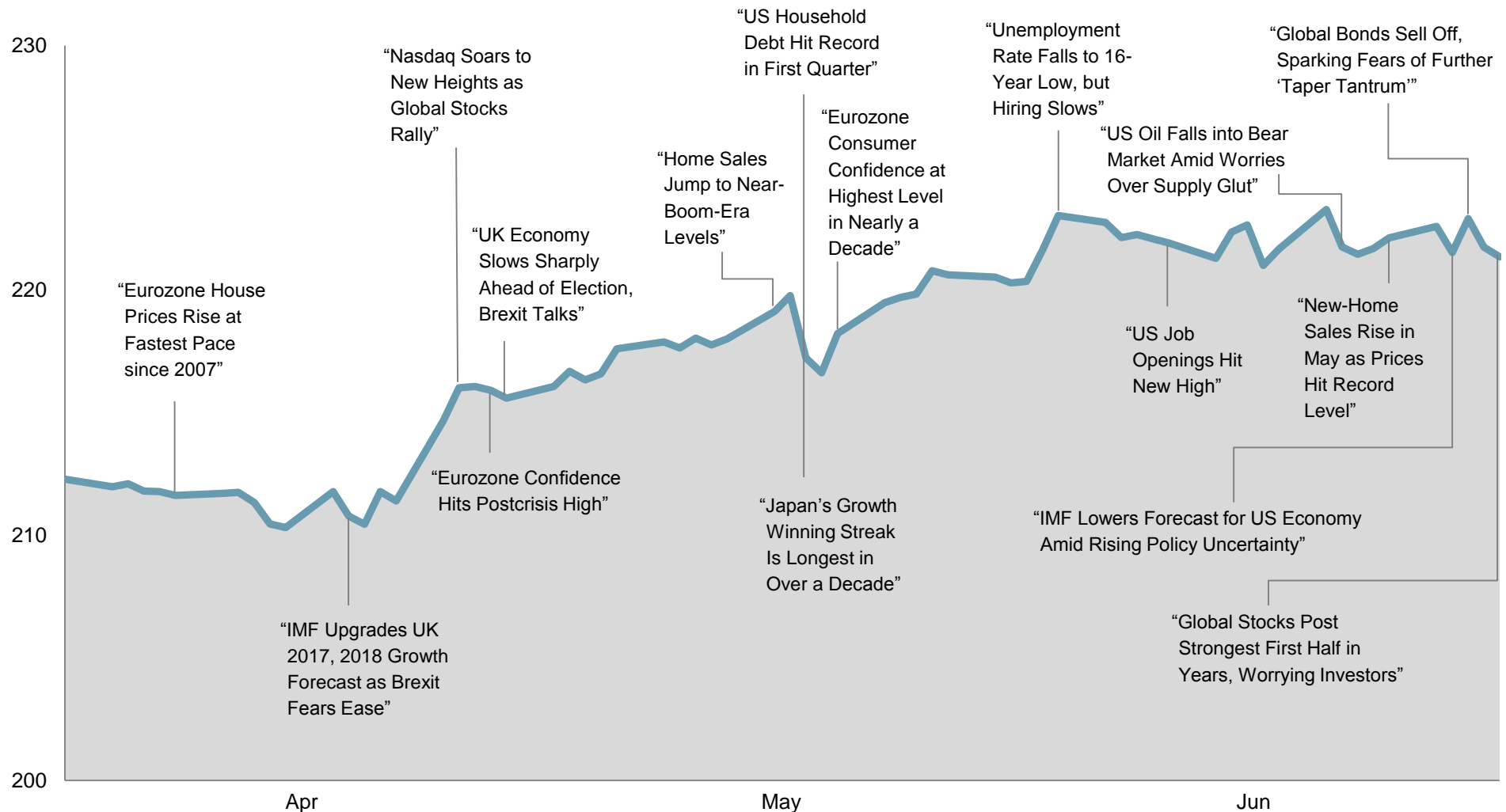
Index Returns

	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate	US Bond Market	Global Bond Market ex US
Q2 2017	STOCKS				BONDS	
	3.02% 	5.63% 	6.27% 	1.67% 	1.45% 	0.60% 
Since Jan. 2001						
Avg. Quarterly Return	1.9%	1.5%	3.1%	2.7%	1.2%	1.1%
Best Quarter	16.8% Q2 2009	25.9% Q2 2009	34.7% Q2 2009	32.3% Q3 2009	4.6% Q3 2001	5.5% Q4 2008
Worst Quarter	-22.8% Q4 2008	-21.2% Q4 2008	-27.6% Q4 2008	-36.1% Q4 2008	-3.0% Q4 2016	-3.2% Q2 2015

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: US Stock Market (Russell 3000 Index), International Developed Stocks (MSCI World ex USA Index [net div.]), Emerging Markets (MSCI Emerging Markets Index [net div.]), Global Real Estate (S&P Global REIT Index [net div.]), US Bond Market (Bloomberg Barclays US Aggregate Bond Index), and Global Bond ex US Market (Citi WGBI ex USA 1-30 Years [Hedged to USD]). The S&P data are provided by Standard & Poor's Index Services Group. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. MSCI data © MSCI 2017, all rights reserved. Bloomberg Barclays data provided by Bloomberg. Citi fixed income indices copyright 2017 by Citigroup.

World Stock Market Performance

MSCI All Country World Index with selected headlines from Q2 2017



These headlines are not offered to explain market returns. Instead, they serve as a reminder that investors should view daily events from a long-term perspective and avoid making investment decisions based solely on the news.

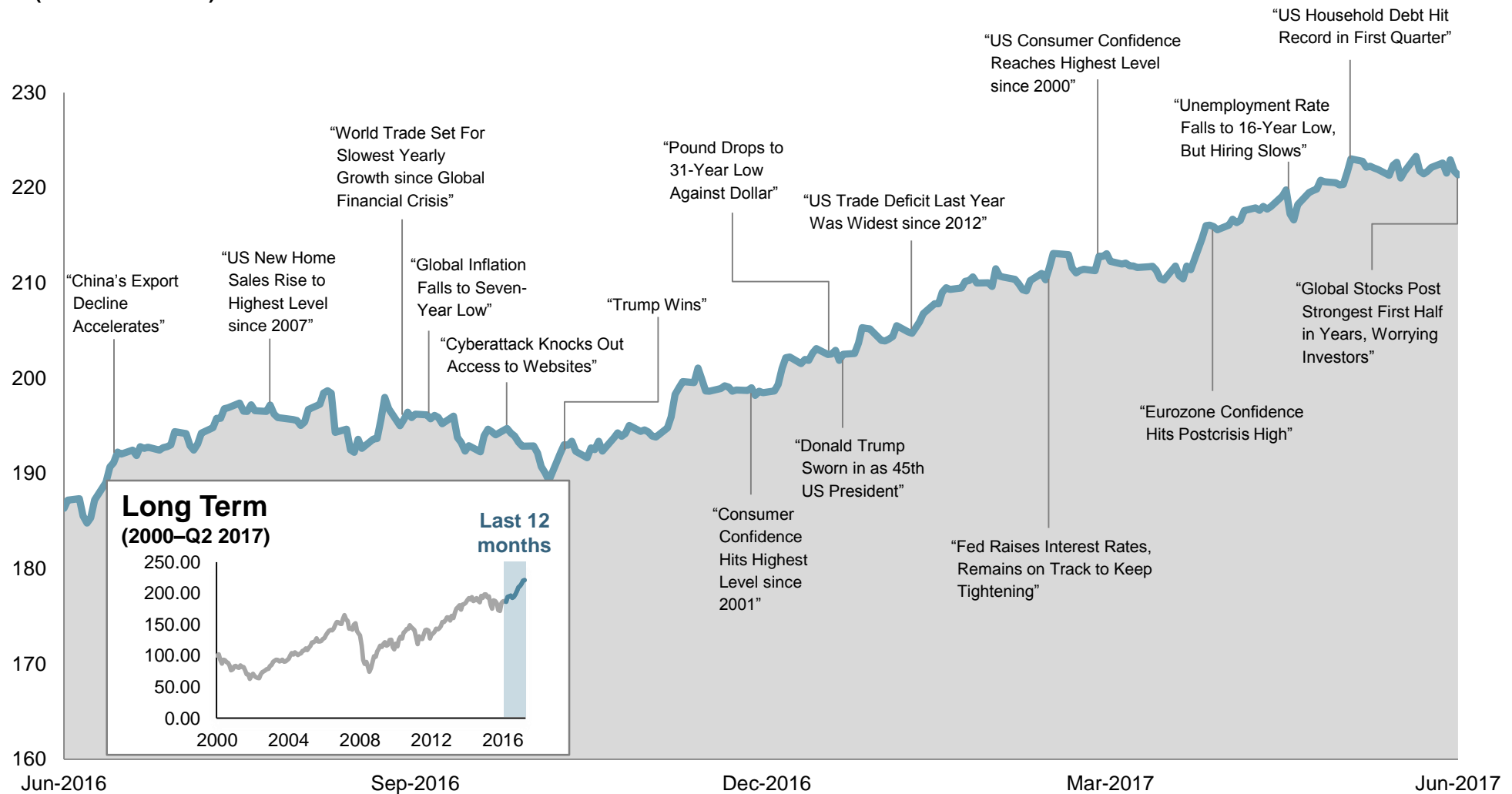
Graph Source: MSCI ACWI Index [net div.]. MSCI data © MSCI 2017, all rights reserved.

It is not possible to invest directly in an index. Performance does not reflect the expenses associated with management of an actual portfolio. Past performance is not a guarantee of future results.

World Stock Market Performance

MSCI All Country World Index with selected headlines from past 12 months

Short Term (Q3 2016–Q2 2017)



These headlines are not offered to explain market returns. Instead, they serve as a reminder that investors should view daily events from a long-term perspective and avoid making investment decisions based solely on the news.

Graph Source: MSCI ACWI Index [net div.]. MSCI data © MSCI 2017, all rights reserved.

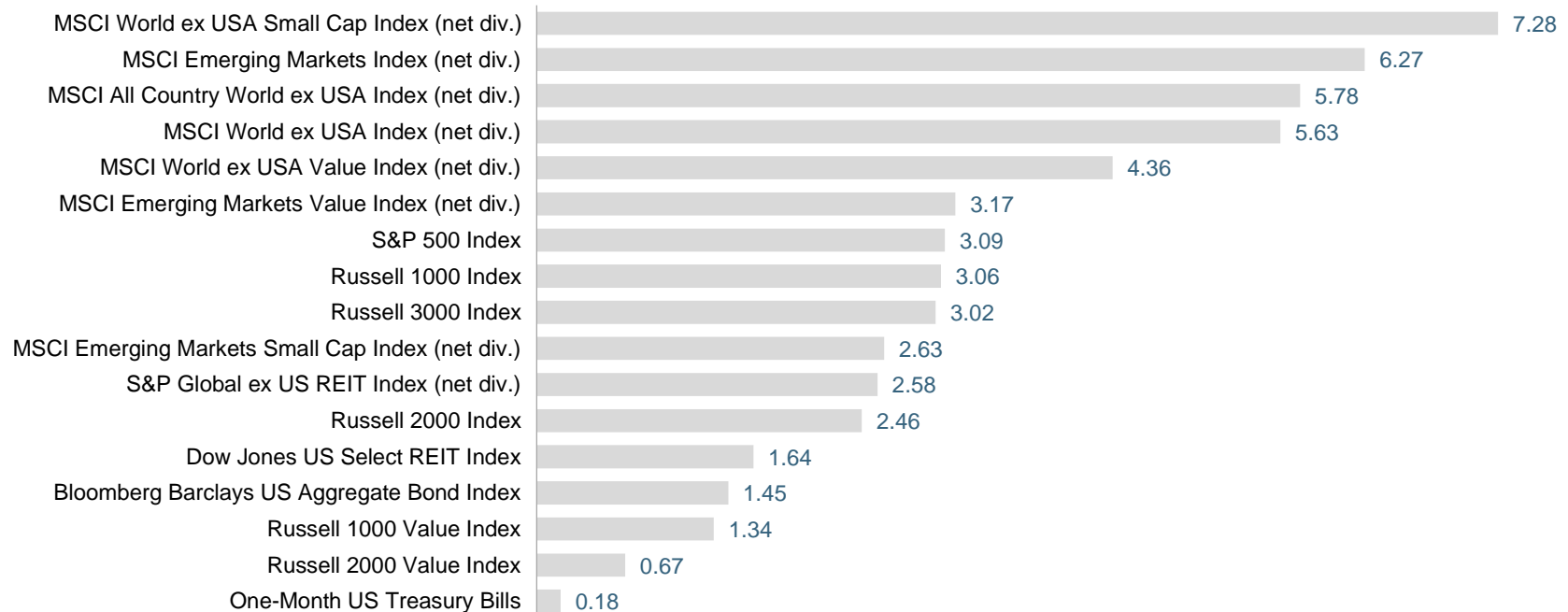
It is not possible to invest directly in an index. Performance does not reflect the expenses associated with management of an actual portfolio. **Past performance is not a guarantee of future results.**

World Asset Classes

Second Quarter 2017 Index Returns (%)

Looking at broad market indices, non-US developed markets and emerging markets recorded similar returns, outperforming the US during the quarter.

The value effect was negative in the US, non-US, and emerging markets. Small caps outperformed large caps in non-US developed markets but underperformed in the US and emerging markets.



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US Stocks

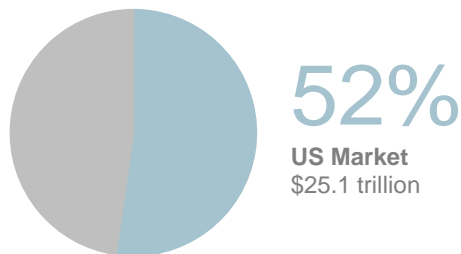
Second Quarter 2017 Index Returns

The broad US equity market posted positive returns for the quarter but underperformed both non-US developed and emerging markets.

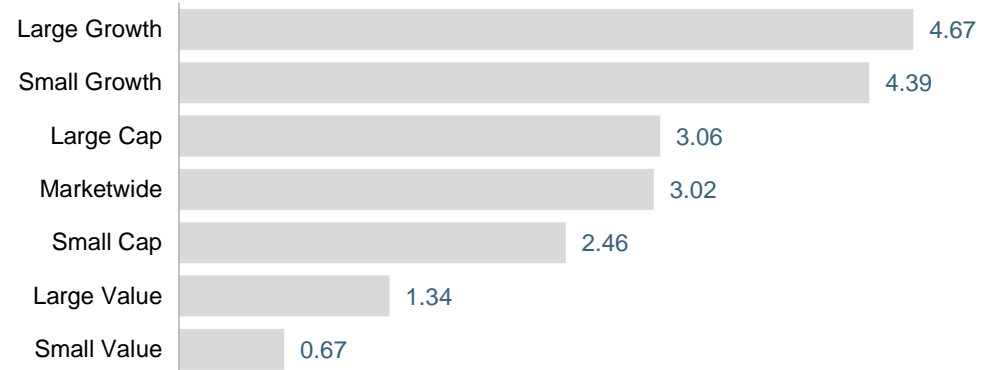
Value underperformed growth indices in the US across all size ranges.

Small caps in the US underperformed large caps.

World Market Capitalization—US



Ranked Returns for the Quarter (%)



Period Returns (%)

Asset Class	YTD	1 Year	* Annualized		
			3 Years*	5 Years*	10 Years*
Marketwide	8.93	18.51	9.10	14.58	7.26
Large Cap	9.27	18.03	9.26	14.67	7.29
Large Value	4.66	15.53	7.36	13.94	5.57
Large Growth	13.99	20.42	11.11	15.30	8.91
Small Cap	4.99	24.60	7.36	13.70	6.92
Small Value	0.54	24.86	7.02	13.39	5.92
Small Growth	9.97	24.40	7.64	13.98	7.82

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: Marketwide (Russell 3000 Index), Large Cap (Russell 1000 Index), Large Cap Value (Russell 1000 Value Index), Large Cap Growth (Russell 1000 Growth Index), Small Cap (Russell 2000 Index), Small Cap Value (Russell 2000 Value Index), and Small Cap Growth (Russell 2000 Growth Index). World Market Cap represented by Russell 3000 Index, MSCI World ex USA IMI Index, and MSCI Emerging Markets IMI Index. Russell 3000 Index is used as the proxy for the US market. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. MSCI data © MSCI 2017, all rights reserved.

International Developed Stocks

Second Quarter 2017 Index Returns

In US dollar terms, developed markets outperformed the US equity market and had similar performance to emerging markets indices during the quarter.

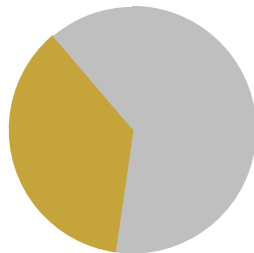
Looking at broad market indices, the value effect was negative across all size ranges in non-US developed markets.

Small caps outperformed large caps in non-US developed markets.

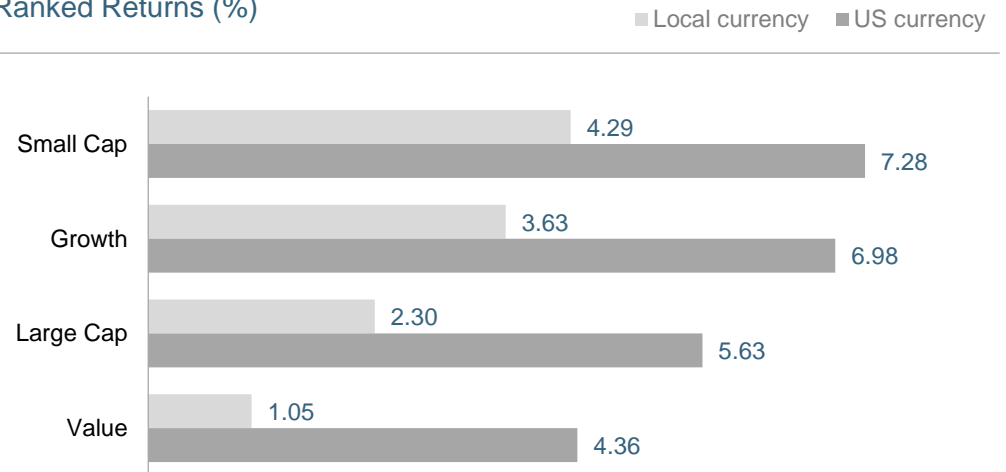
World Market Capitalization—International Developed

36%

International
Developed
Market
\$17.5 trillion



Ranked Returns (%)



Period Returns (%)

Asset Class	YTD	1 Year	3 Years*	5 Years*	10 Years*
Large Cap	12.82	19.49	0.67	8.15	1.00
Small Cap	15.45	21.26	4.02	11.43	2.92
Value	10.27	24.24	-0.94	7.69	0.09
Growth	15.57	14.90	2.22	8.54	1.84

* Annualized

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Market segment (index representation) as follows: Large Cap (MSCI World ex USA Index), Small Cap (MSCI World ex USA Small Cap Index), Value (MSCI World ex USA Value Index), and Growth (MSCI World ex USA Growth). All index returns are net of withholding tax on dividends. World Market Cap represented by Russell 3000 Index, MSCI World ex USA IMI Index, and MSCI Emerging Markets IMI Index. MSCI World ex USA IMI Index is used as the proxy for the International Developed market. MSCI data © MSCI 2017, all rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes.

Emerging Markets Stocks

Second Quarter 2017 Index Returns

In US dollar terms, emerging markets indices outperformed the US and recorded similar performance to developed markets outside the US.

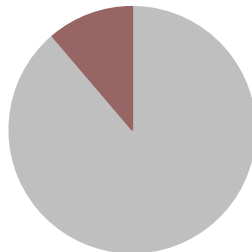
Looking at broad market indices, the value effect was negative across all size ranges in emerging markets.

Small caps underperformed large caps in emerging markets.

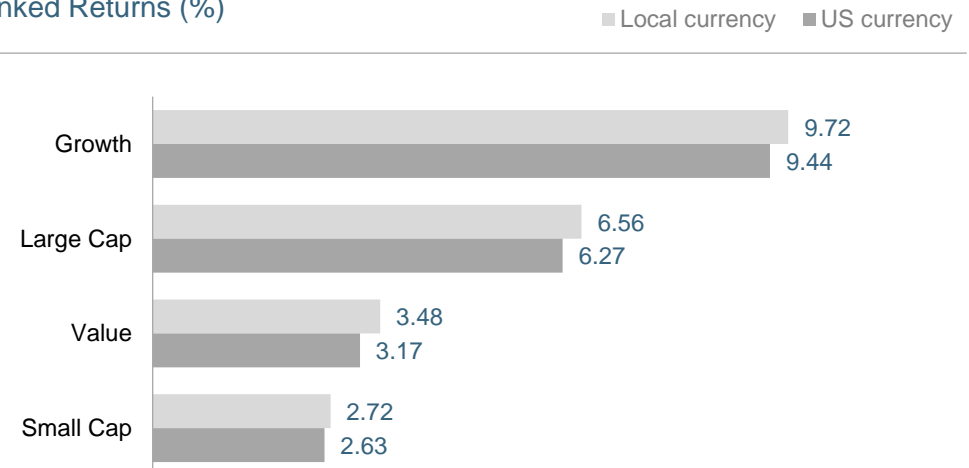
World Market Capitalization—Emerging Markets

11%

Emerging Markets
\$5.4 trillion



Ranked Returns (%)



Period Returns (%)

* Annualized

Asset Class	YTD	1 Year	3 Years*	5 Years*	10 Years*
Large Cap	18.43	23.75	1.07	3.96	1.91
Small Cap	15.99	17.03	0.81	5.15	2.17
Value	13.65	21.57	-1.33	1.67	1.53
Growth	23.45	25.99	3.42	6.18	2.22

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Commodities

Second Quarter 2017 Index Returns

The Bloomberg Commodity Index Total Return declined 3.00% during the second quarter.

The livestock and grains complexes led quarterly performance, with lean hogs returning 14.44%, live cattle 8.59%, wheat (Chicago) 15.95%, and wheat (Kansas) 17.82%.

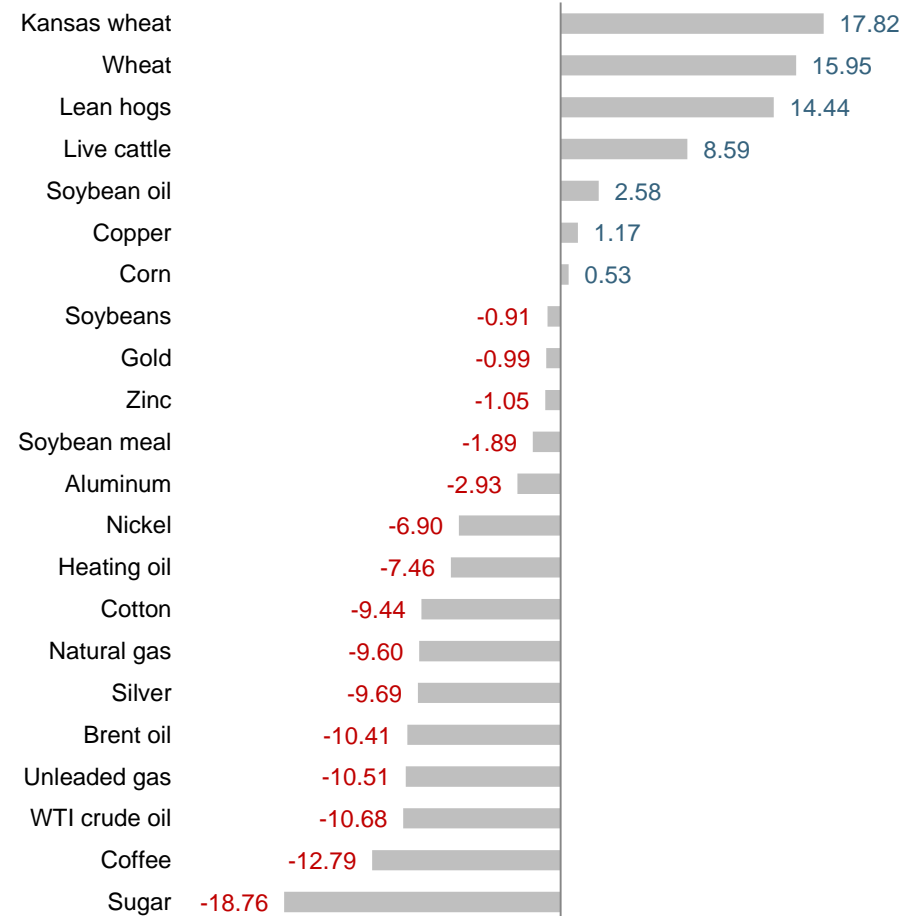
Softs was the worst-performing complex, with sugar and coffee declining 18.76% and 12.79%, respectively. Cotton also experienced a decline, decreasing 9.44%.

Period Returns (%)

* Annualized

Asset Class	YTD	1 Year	3 Years*	5 Years*	10 Years*
Commodities	-5.26	-6.50	-14.81	-9.25	-6.49

Ranked Returns for Individual Commodities (%)



Fixed Income

Second Quarter 2017 Index Returns

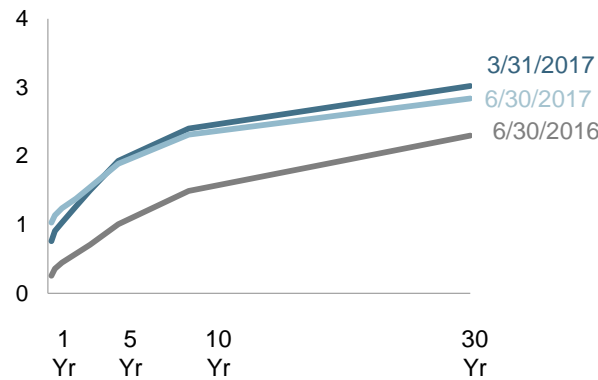
Interest rates were mixed across the US fixed income market during the second quarter. The yield on the 5-year Treasury note decreased 4 basis points (bps) to 1.89%. The yield on the 10-year Treasury note decreased 9 bps to 2.31%. The 30-year Treasury bond yield decreased 18 bps to finish at 2.84%.

The yield on the 1-year Treasury bill rose 21 bps to 1.24%, and the 2-year Treasury note yield rose 11 bps to 1.38%. The yield on the 3-month Treasury bill climbed 27 bps to 1.03%, while the 6-month Treasury bill yield increased 23 bps to 1.14%.

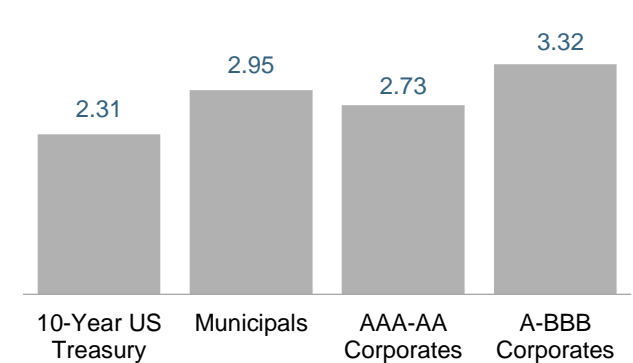
In terms of total returns, short-term corporate bonds gained 0.59% and intermediate corporates gained 1.49%.

Short-term municipal bonds gained 0.56%, while intermediate-term municipal bonds returned 1.97%. Revenue bonds gained 2.19%, outperforming general obligation bonds by 39 bps.

US Treasury Yield Curve (%)



Bond Yields across Issuers (%)



Period Returns (%)

* Annualized

Asset Class	YTD	1 Year	3 Years*	5 Years*	10 Years*
Bloomberg Barclays Long US Government Bond Index	5.44	-6.96	5.54	2.82	7.27
Bloomberg Barclays Municipal Bond Index	3.57	-0.49	3.33	3.26	4.60
Bloomberg Barclays US Aggregate Bond Index	2.27	-0.31	2.48	2.21	4.48
Bloomberg Barclays US Corporate High Yield Index	4.93	12.70	4.48	6.89	7.67
Bloomberg Barclays US TIPS Index	0.85	-0.63	0.63	0.27	4.27
BofA Merrill Lynch 1-Year US Treasury Note Index	0.30	0.40	0.41	0.37	1.21
BofA Merrill Lynch Three-Month US Treasury Bill Index	0.31	0.49	0.23	0.17	0.58
Citi World Government Bond Index 1-5 Years (hedged to USD)	0.65	0.28	1.30	1.37	2.52

One basis point equals 0.01%. Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Yield curve data from Federal Reserve. State and local bonds are from the S&P National AMT-Free Municipal Bond Index. AAA-AA Corporates represent the Bank of America Merrill Lynch US Corporates, AA-AAA rated. A-BBB Corporates represent the Bank of America Merrill Lynch US Corporates, BBB-A rated. Bloomberg Barclays data provided by Bloomberg. US long-term bonds, bills, inflation, and fixed income factor data © Stocks, Bonds, Bills, and Inflation (SBBBI) Yearbook™, Ibbotson Associates, Chicago (annually updated work by Roger G. Ibbotson and Rex A. Sinquefeld). Citi fixed income indices copyright 2017 by Citigroup. The BofA Merrill Lynch Indices are used with permission; © 2017 Merrill Lynch, Pierce, Fenner & Smith Incorporated; all rights reserved. Merrill Lynch, Pierce, Fenner & Smith Incorporated is a wholly owned subsidiary of Bank of America Corporation. The S&P data are provided by Standard & Poor's Index Services Group.