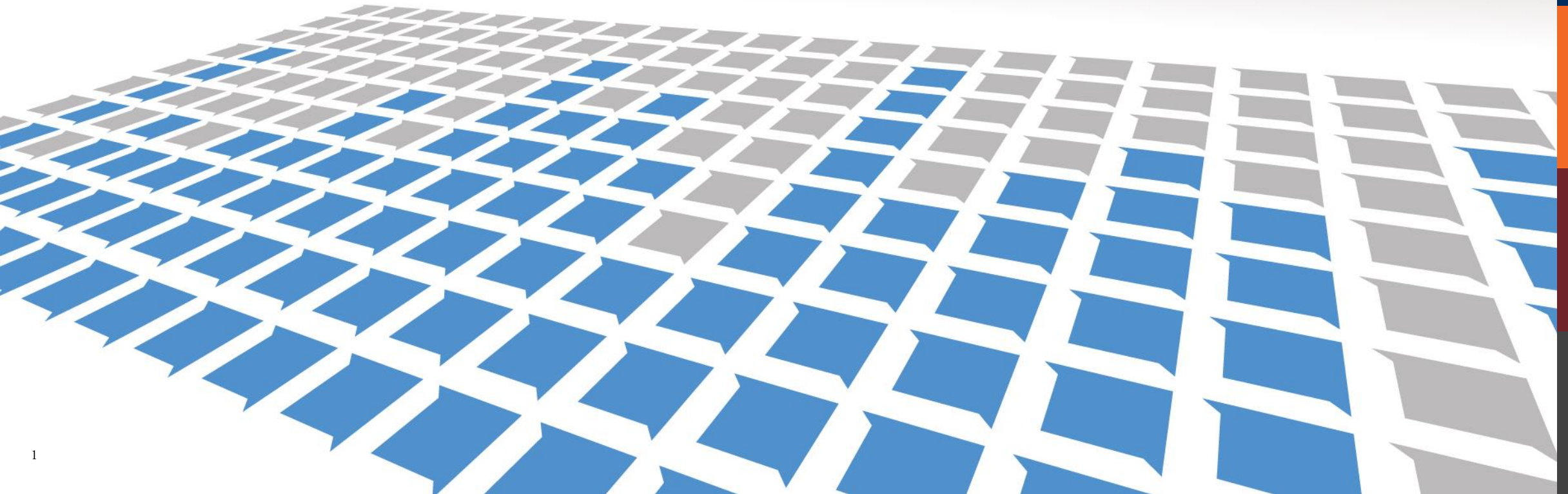


Product & Portfolio Strategy Group

# Eaton Vance Monthly Market Monitor

October 2017 (updated as of September 30, 2017)





# Table of Contents

Eaton Vance Monthly Market Monitor presents a concise review of economic and asset class data through clear and impactful charts. Providing timely information across a broad array of markets and investment topics, this guide serves as a helpful resource in providing connectivity between changing market events and implications for investor portfolios. Use Eaton Vance Monthly Market Monitor as a critical desk reference that enables more informed discussion and understanding of financial markets.

If you are viewing this book on your computer or tablet, click or tap on the bar to the right of every page to jump to the beginning of each section.



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## Viewpoints: Connecting timely insights to market data

Select Viewpoints from Eaton Vance Advisory Blog ([eatonvance.com/blog](http://eatonvance.com/blog))



### Edward Perkin, CFA, Chief Equity Investment Officer

Corporate managements and equity investors have forgotten about the dangers of debt. U.S. companies have steadily taken on debt, using it to repurchase shares and shrink the equity base. Before the credit crisis, many equity investors focused on the metric of debt versus market cap when trying to determine companies' leverage. However, this ratio had the perverse effect of making a stock with richly-priced equity ([see page 18](#)) appear to be less leveraged. Without much fanfare, financial leverage is beginning to have an impact on equity returns. This year, stocks with strong balance sheets have modestly outperformed those with weak balance sheets. My own preferred metric for tracking indebtedness is Gross Debt/Tangible Book Equity. My preferred metric for valuation is EV/NOPAT (Enterprise Value / Net Operating Profit After Taxes) or Normalized Unlevered Free Cash Flow Yield. These metrics adjust for the shortcomings mentioned above. For complete blog, visit the [Eaton Vance Advisory Blog](#).



### Craig Russ, Co-Director of Floating-Rate Loans

Every investment student should know that the principal role of the fixed-income allocation is to counterbalance the risks in the equity portion of the client's portfolio. Yet the low-yield environment and the lack of value in safer bond segments have increasingly pushed investors into credit-sensitive sectors. While this has helped in the yield-generation department, the clear tradeoff is just how "equity-like" clients' fixed-income positioning has become. The good news is that the absence of volatility - both in stocks and bonds - has limited any material impact for now. Stocks sit near all-time highs and volatility is near all-time lows ([see page 16](#)). With kids back in school and vacations over, the fall is a great time to set up portfolios for the home stretch of the year. Loans are indeed un- or under-represented in many client accounts. Yet the asset class has unique characteristics that distinguish it from bonds. For complete blog, visit the [Eaton Vance Advisory Blog](#).



### Jon Rocafort, CFA, Co-Director of SMA Strategies, Tax-Advantaged Bond Strategies

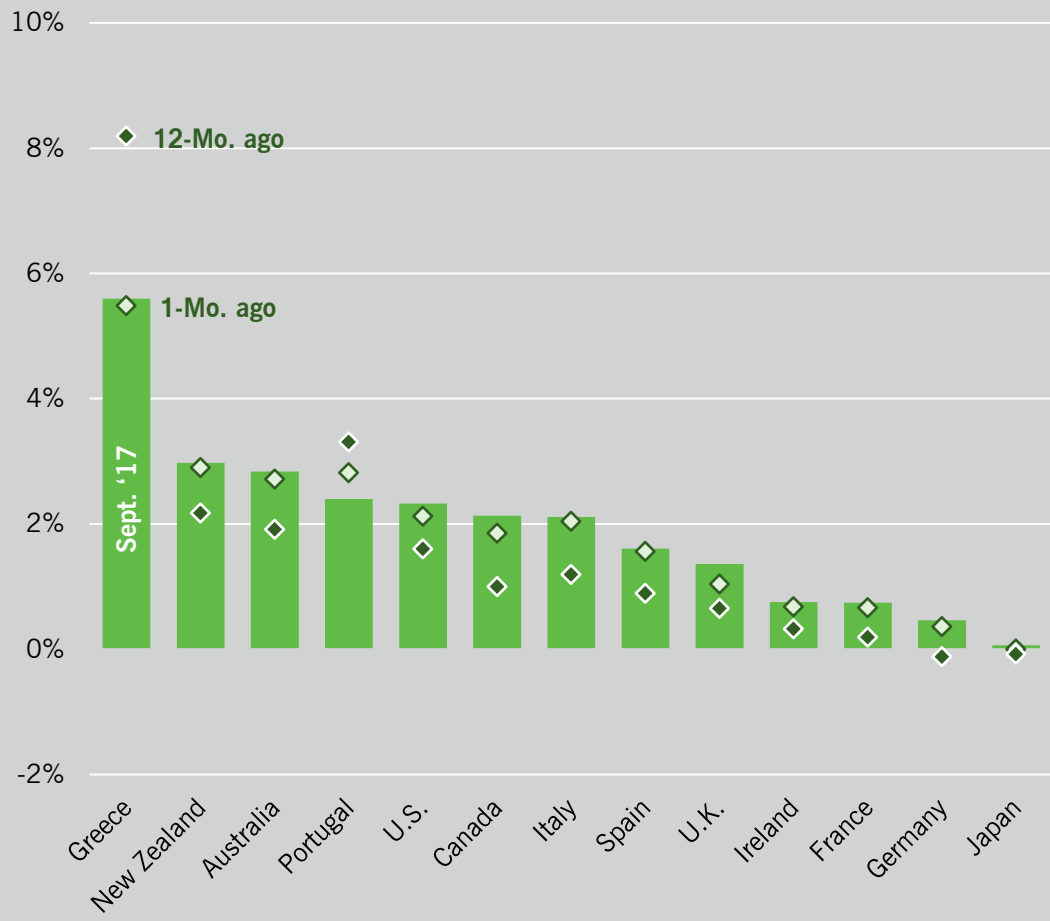
Municipal bond funds have seen robust inflows amid a continued slow-growth, low-inflation environment. As a result, muni bonds have posted solid absolute returns in 2017, and also strong performance relative to taxable alternatives such as Treasury bonds ([see page 7](#)). One of the primary drivers has been lighter-than-expected supply at about \$260 billion, down 15% compared to the same period last year. Meanwhile, we have seen strong reinvestment flows in the muni market from bonds maturing, calls and coupons. This has resulted in historically low muni-to-Treasury ratios when measured by their respective yields. This ratio, which is a common valuation measure, is near a five-year low, suggesting munis are rich relative to Treasuries. Active muni managers with the ability to cross over into Treasuries have the unique ability to exploit this imbalance to potentially add incremental return. For complete blog, visit the [Eaton Vance Advisory Blog](#).

The views expressed in this update are those of the authors and are current only through the date stated. These views are subject to change at any time based upon market or other conditions, and Eaton Vance disclaims any responsibility to update such views. These views may not be relied upon as investment advice and, because investment decisions for Eaton Vance are based on many factors, may not be relied upon as an indication of trading intent on behalf of any Eaton Vance fund. Eaton Vance does not provide legal or tax advice. The discussion herein is general in nature and is provided for informational purposes only. There is no guarantee as to its accuracy or completeness. Individuals should consult their own legal and tax counsel as to matters discussed.

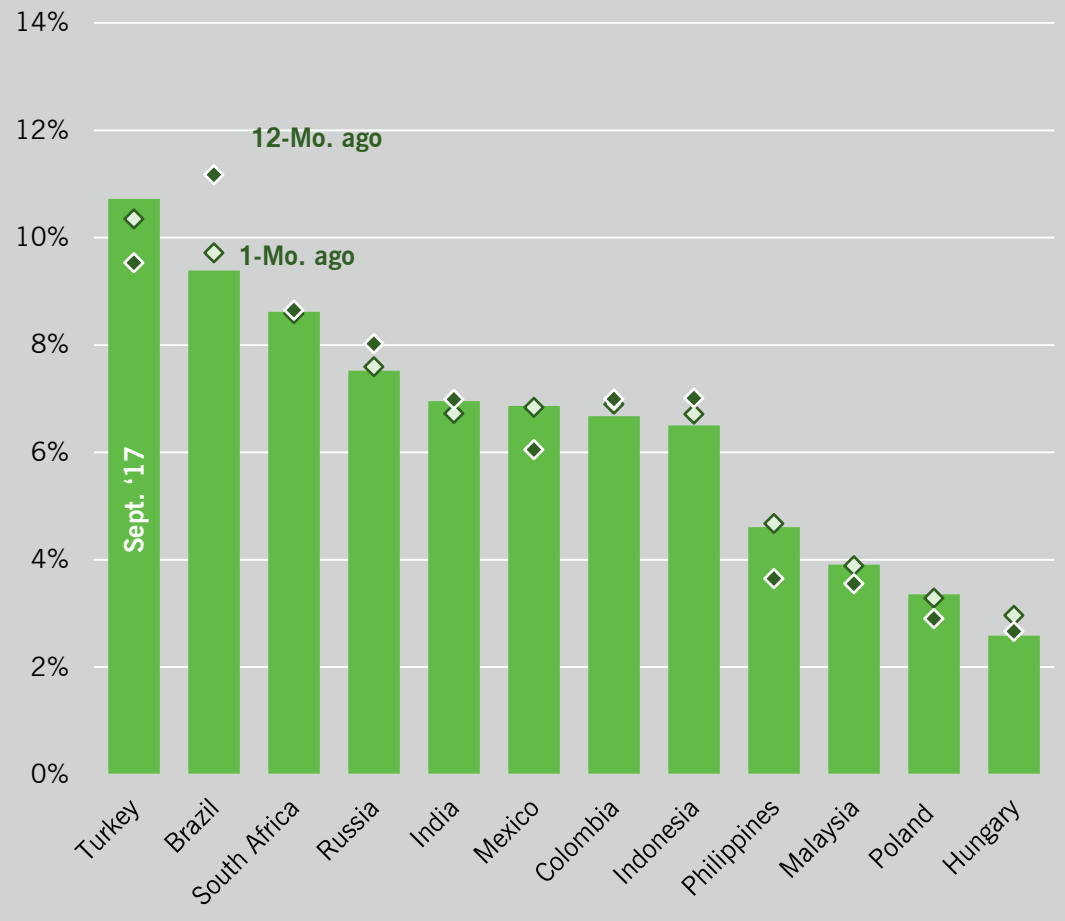


# Sovereign bond yields

## Developed Markets (10-Yr. Yield)



## Emerging Markets (10-Yr. Yield)



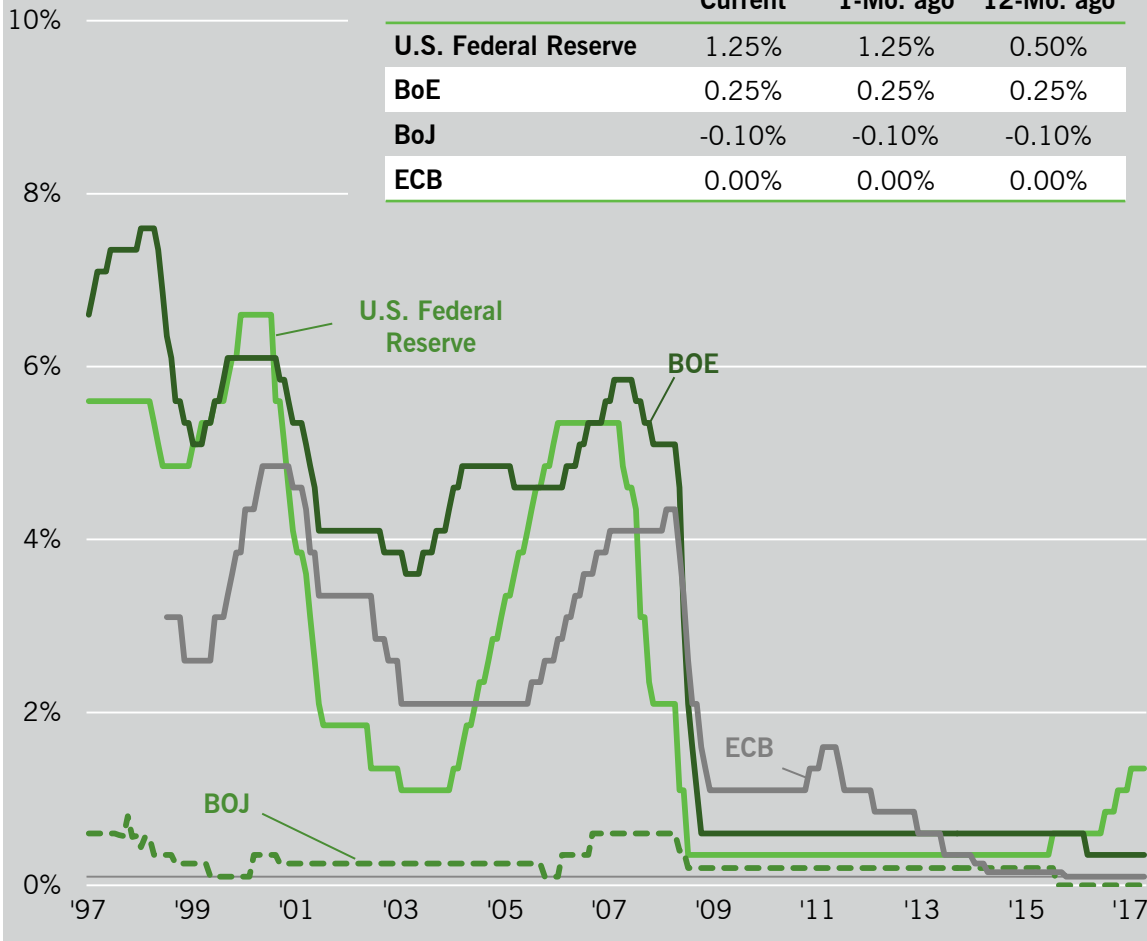
Source: Bloomberg and Factset as of 9/30/17. Data provided is for informational use only. Past performance is no guarantee of future results. See end of report for important additional information.



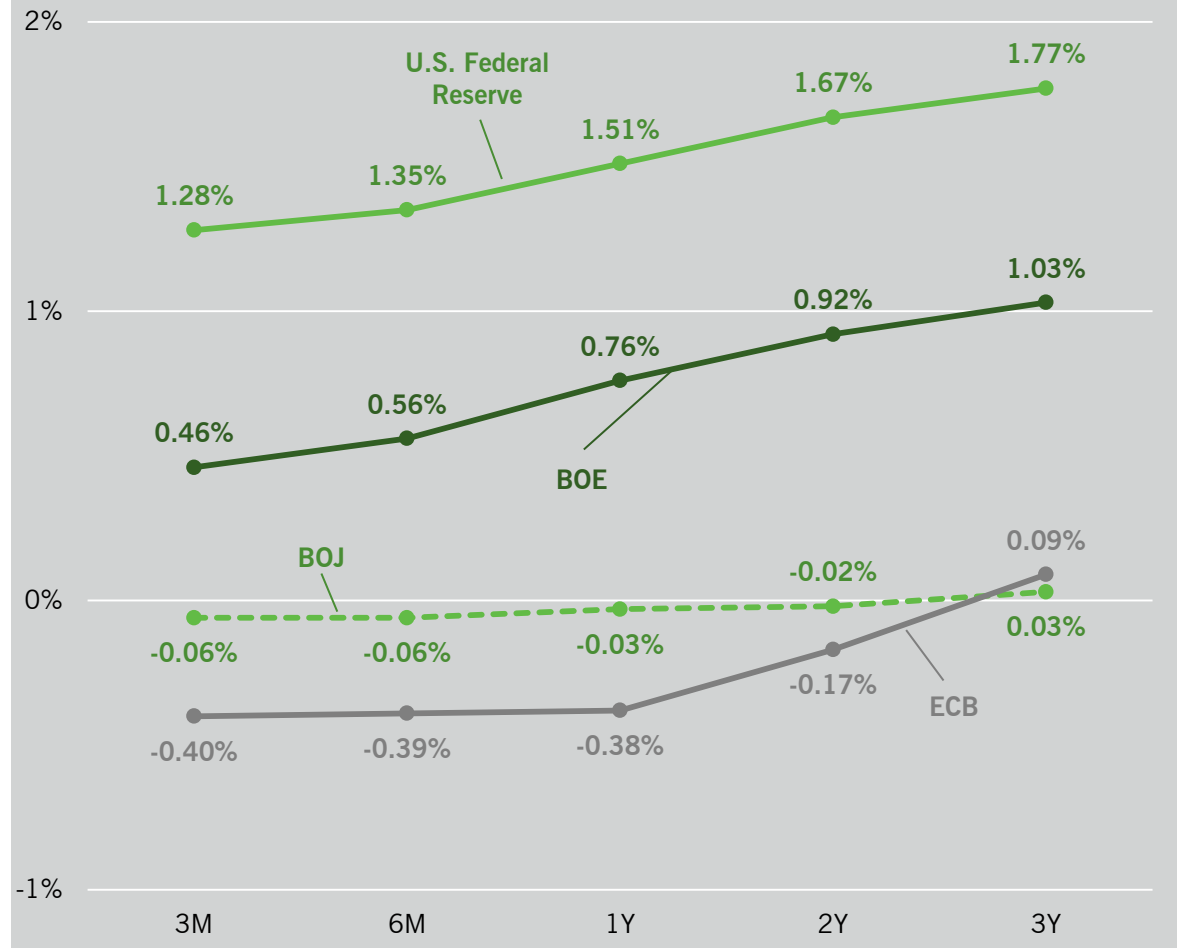
# Monetary policy

Central Bank Policy Rates

	Current	1-Mo. ago	12-Mo. ago
U.S. Federal Reserve	1.25%	1.25%	0.50%
BoE	0.25%	0.25%	0.25%
BoJ	-0.10%	-0.10%	-0.10%
ECB	0.00%	0.00%	0.00%



Market Expectations for Future Central Bank Rates

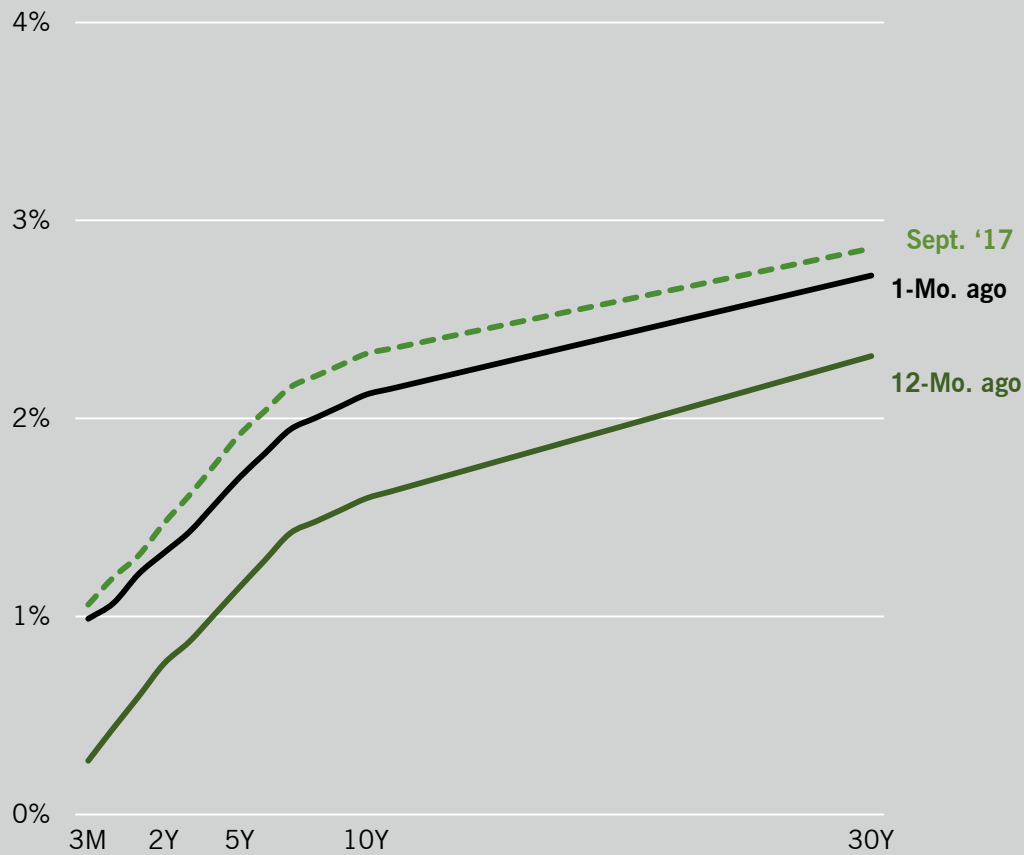


Source: Bloomberg, Factset as of 9/30/17. Data provided is for informational use only. Past performance is no guarantee of future results. See end of report for important additional information.



# U.S. Treasury yields

U.S. Treasury Yield Curves



U.S. Treasury Yields & Performance

Security	Yield (%)			Total Return (%)	
	Current	1-Mo. ago	12-Mo. ago	1-Mo.	12-Mo.
3-mo. Treasury	1.06	0.99	0.27	0.09	0.66
6-mo. Treasury	1.20	1.07	0.44	0.07	0.81
2Yr. Treasury	1.47	1.32	0.76	-0.17	-0.02
3Yr. Treasury	1.61	1.43	0.87	-0.37	-0.31
5Yr. Treasury	1.92	1.70	1.15	-0.87	-1.94
10Yr. Treasury	2.33	2.12	1.60	-1.61	-4.61
30Yr. Treasury	2.86	2.72	2.32	-2.42	-8.67

Source: Bloomberg, Factset, Morningstar as of 9/30/17. Data provided is for informational use only. Past performance is no guarantee of future results. See end of report for important additional information.



# Fixed income characteristics and performance analysis

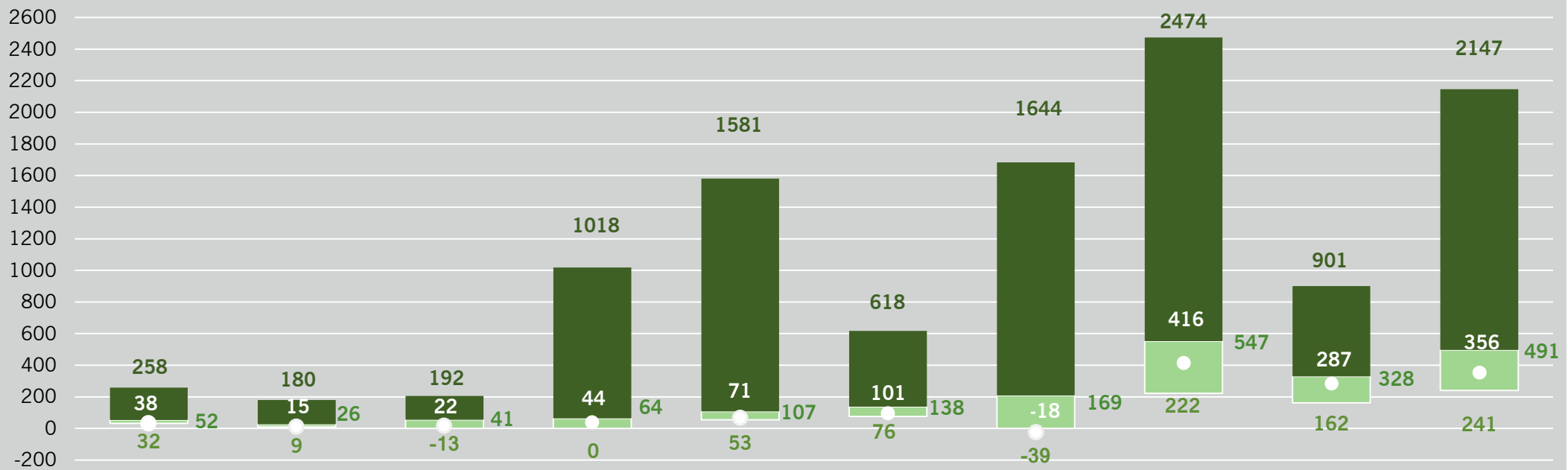
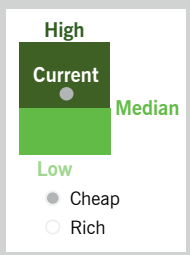
Index	Averages						Total Returns (%)						
	Coupon (%)	Price (\$)	Yield to Worst (%)	Spread (bps)	Maturity (yrs.)	Duration (yrs.)	1-Mo.	3-Mo.	YTD	1Y	3Y	5Y	10Y
Bloomberg Barclays U.S. Aggregate Index	3.06	103.5	2.55	38	8.2	6.0	-0.48	0.85	3.14	0.07	2.71	2.06	4.27
U.S. Treasury	2.11	101.6	1.95	-	7.6	6.2	-0.86	0.38	2.26	-1.67	2.03	1.24	3.71
U.S. Agency	2.27	103.9	1.89	15	4.9	3.9	-0.48	0.41	2.07	0.07	1.88	1.35	3.17
U.S. Mortgage Backed Securities	3.53	103.7	2.81	22	6.9	4.5	-0.22	0.96	2.32	0.30	2.44	1.96	4.13
U.S. Asset Backed Securities	2.00	100.3	1.97	44	2.3	2.2	-0.23	0.42	1.56	0.86	1.80	1.33	2.88
U.S. Commercial Mortgage Backed Securities	3.28	102.4	2.74	71	6.1	5.4	-0.95	0.79	2.99	-0.13	2.91	2.51	5.04
U.S. Corp. Investment Grade	3.99	105.8	3.16	101	11.0	7.6	-0.17	1.34	5.19	2.21	4.10	3.46	5.74
Bloomberg Barclays Municipal Bond Index	4.73	109.3	2.23	-	13.0	6.3	-0.51	1.06	4.66	0.87	3.19	3.01	4.52
Bloomberg Barclays Taxable Municipal Bond	5.36	115.2	3.46	-	17.6	9.3	-0.82	2.13	6.51	1.03	5.32	4.57	6.51
BofAML US Inflation-Linked Treasury Index	0.91	104.7	0.31	-	9.0	6.5	-0.69	0.93	1.86	-0.83	1.73	0.04	3.99
BofAML Preferred Index (Fixed Rate)	5.90	105.4	2.10	-18	-	4.0	0.29	1.27	10.11	5.91	7.57	6.30	3.98
BofAML US High Yield Index	6.44	101.8	5.47	356	6.3	3.9	0.90	2.04	7.05	9.06	5.87	6.38	7.72
S&P / LSTA Leveraged Loan Index	L+3.46	98.0	5.19	416	5.13	-	0.39	1.04	2.97	5.30	3.87	4.09	4.72
JPMorgan EM Bond Index (EMBI) Global Diversified	6.00	105.9	5.19	286	-	6.8	0.01	2.63	8.99	4.61	6.50	4.91	7.46
JPMorgan Corp. EM Bond Index (CEMBI) Broad Diversified	5.33	104.8	4.43	232	-	4.9	0.35	2.11	7.23	5.82	5.57	5.03	6.57
JPMorgan Govt. Bond Index-EM (GBI-EM) Global Diversified	6.54	-	5.99	-	-	5.1	-0.34	3.55	14.28	7.32	0.26	-0.91	3.80
Bloomberg Barclays Global Aggregate Ex-U.S. Index	2.32	110.5	0.82	34	9.3	7.8	-1.26	2.48	8.74	-2.42	0.20	-0.73	2.57
BofAML U.K. Gilts Index	3.53	124.2	1.31	-	16.4	11.7	1.31	2.88	8.43	-0.59	-0.69	0.18	1.93
BofAML European Union Government Bond Index	2.97	116.9	0.73	43	10.6	8.4	-0.59	3.99	10.97	1.21	0.02	2.14	2.90

Source: Bloomberg Barclays, JPMorgan, BofA Merrill Lynch, Factset, and Standard & Poor's as of 9/30/17. Data provided is for informational use only. Past performance is no guarantee of future results. See end of report for important additional information. Yield to maturity is shown for the S&P/LSTA Leveraged Loan Index. Loan Index coupon value includes LIBOR (shown as "L+"). Loan Index spread represents the three-year discounted spread over LIBOR.





# Fixed income spread analysis (bps)



	Aggregate	Agency	MBS	ABS	CMBS	Corporate	Preferred	Floating-Rate Loans	Emerging Markets (USD)	High Yield
Max Spread Date	12/3/2008	11/20/2008	12/3/2008	1/6/2009	11/21/2008	12/3/2008	3/9/2009	12/19/2008	10/24/2008	12/15/2008
Min Spread Date	2/23/2005	3/12/2013	7/27/2010	10/1/2009	12/8/2004	3/11/2005	6/28/2017	3/31/2006	6/1/2007	6/1/2007
Spread on 12/31/16	43	21	15	59	75	123	213	465	342	422
Spread on 12/31/15	56	21	24	72	121	165	158	714	415	695
Spread on 12/31/14	48	16	27	58	98	131	217	561	352	504

Source: Factset as of 9/30/17. Spread history measures past 15 years. Data provided is for informational use only. Past performance is no guarantee of future results. See end of report for important additional information. All fixed-income spreads are in basis points and measure option-adjusted yield spread relative to comparable maturity U.S. Treasuries using daily data. Loan Index spread represents the three-year discounted spread over LIBOR. Aggregate represented by Bloomberg Barclays US Aggregate Index. Agency represented by Bloomberg Barclays U.S. Agency Index. MBS represented by Bloomberg Barclays U.S. Mortgage Backed Securities (MBS) Index. ABS represented by Bloomberg Barclays U.S. Asset Backed Securities (ABS) Index. CMBS represented by Bloomberg Barclays U.S. CMBS Investment Grade Index. Corporate represented by Bloomberg Barclays U.S. Corporate Investment Grade Index. Preferred represented by BofA Merrill Lynch Fixed Rate Preferred Securities Index. Floating-Rate Loans represented by S&P/LSTA Leveraged Loan Index. Emerging Markets(USD) represented by JPMorgan Emerging Markets Bond Index (EMBI) Global Diversified. High Yield represented by BofA Merrill Lynch US High Yield Index.





# Corporate bond market update

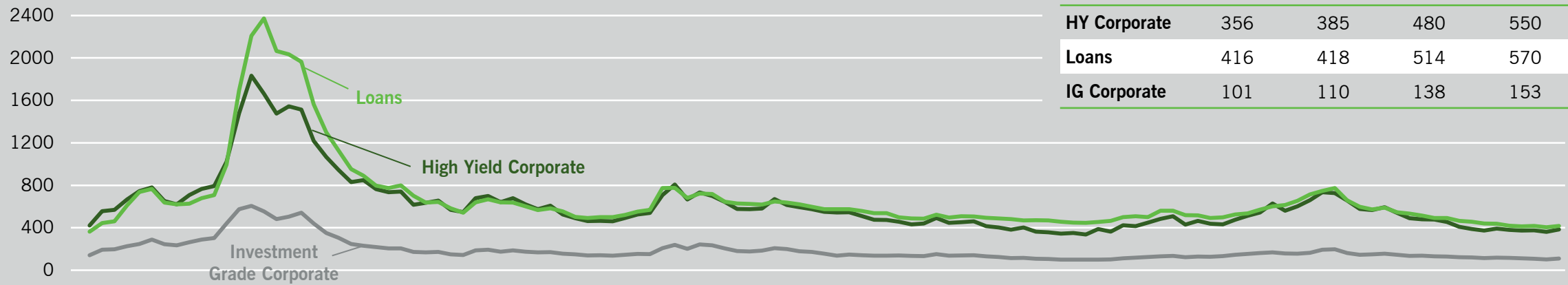
	Averages						Total Returns (%)						
	Coupon (%)	Price (\$)	Yield to Worst (%)	Spread (bps)	Maturity (yrs.)	Duration (yrs.)	1-Mo.	3-Mo.	YTD	1Y	3Y	5Y	10Y
<b>Bloomberg Barclays U.S. Corp. Investment Grade Index</b>	<b>3.99</b>	<b>105.8</b>	<b>3.16</b>	<b>101</b>	<b>11.0</b>	<b>7.6</b>	<b>-0.17</b>	<b>1.34</b>	<b>5.19</b>	<b>2.21</b>	<b>4.10</b>	<b>3.46</b>	<b>5.74</b>
AAA Index	3.28	104.7	2.91	57	17.3	10.7	-0.16	1.55	6.06	0.86	4.35	2.73	4.42
AA Index	3.13	104.4	2.61	59	9.5	6.7	-0.33	1.08	3.91	0.79	3.48	2.46	4.55
A Index	3.78	106.4	2.93	80	10.8	7.6	-0.33	1.24	4.74	1.48	4.06	3.17	5.18
BBB Index	4.35	105.8	3.45	128	11.1	7.5	-0.02	1.46	5.77	3.15	4.18	3.95	6.58
<b>BofAML US High Yield Index</b>	<b>6.44</b>	<b>101.8</b>	<b>5.47</b>	<b>356</b>	<b>6.3</b>	<b>3.9</b>	<b>0.90</b>	<b>2.04</b>	<b>7.05</b>	<b>9.06</b>	<b>5.87</b>	<b>6.38</b>	<b>7.72</b>
BB Index	5.66	105.3	4.09	210	7.0	4.5	0.77	2.05	6.79	7.52	6.43	6.37	8.00
B Index	6.78	102.5	5.45	357	6.0	3.5	0.80	1.80	6.36	8.60	5.12	5.89	6.41
CCC- Index	7.92	89.9	10.29	851	5.0	3.2	1.60	2.65	9.78	16.30	6.64	7.73	8.72
<b>S&amp;P/LSTA Leveraged Loan Index</b>	<b>L+3.46</b>	<b>98.0</b>	<b>5.19</b>	<b>416</b>	<b>5.13</b>	<b>-</b>	<b>0.39</b>	<b>1.04</b>	<b>2.97</b>	<b>5.30</b>	<b>3.87</b>	<b>4.09</b>	<b>4.72</b>
BBB Index	L+2.23	100.1	3.48	220	5.14	-	0.26	0.72	1.72	3.01	3.61	3.19	3.52
BB Index	L+2.89	99.8	4.21	296	5.46	-	0.34	0.98	2.32	3.70	4.05	3.71	3.77
B Index	L+3.81	98.8	5.39	427	5.06	-	0.41	1.03	3.14	5.40	4.01	4.22	4.76
CCC Index	L+5.65	83.7	12.72	1,322	4.36	-	0.83	1.81	7.68	17.17	7.97	8.67	7.31
D Index	-	88.1	-	-	-	-	2.19	4.31	7.19	16.33	-11.81	-1.33	-6.64

Source: Bloomberg Barclays, JPMorgan, BofA Merrill Lynch, Factset, and Standard & Poor's as of 9/30/17. Data provided is for informational use only. Past performance is no guarantee of future results. See end of report for important additional information. Yield to maturity is shown for the S&P/LSTA Leveraged Loan Index. Loan Index coupon value includes LIBOR (shown as "L+"). Loan Index spread represents the three-year discounted spread over LIBOR.

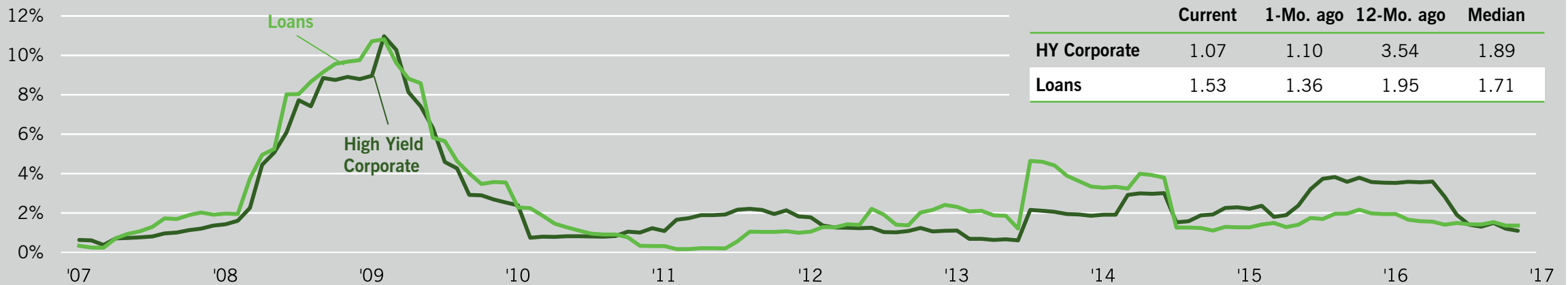


# Corporate bond market update

Average Spread (bps)



Annual Default Rate



Source: JPMorgan, LCD as of 9/30/17. Data provided is for informational use only. Past performance is no guarantee of future results. See end of report for important additional information. Corporate spreads are in basis points and measure option-adjusted yield spread relative to comparable maturity U.S. Treasuries. Loan Index spread represents the three-year discounted spread over LIBOR.



# Municipal bond market update

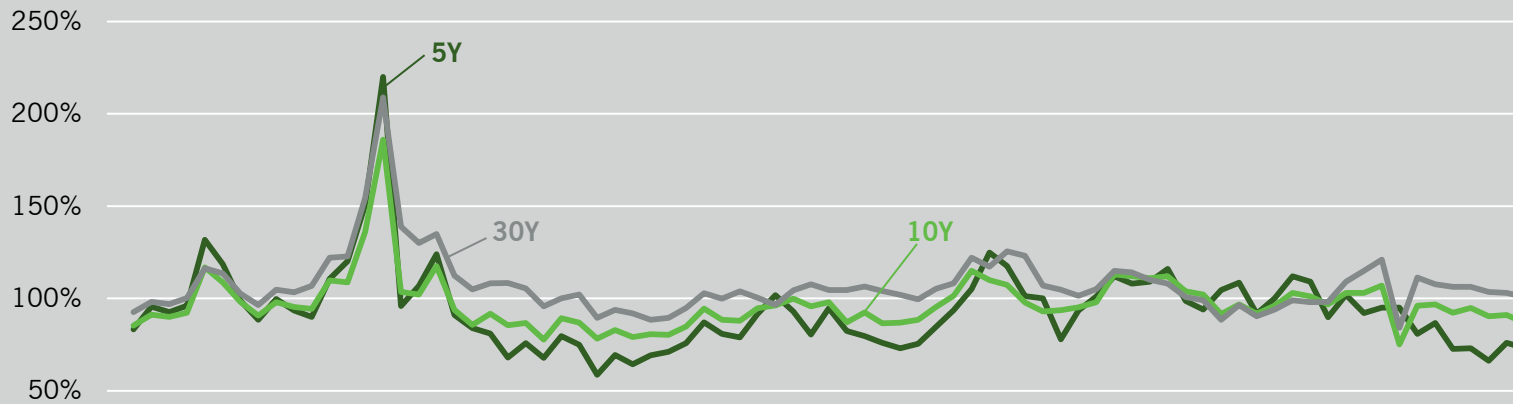
	Averages					Total Returns (%)						
	Coupon (%)	Price (\$)	Yield To Worst (%)	Maturity (yrs.)	Duration (yrs.)	1-Mo.	3-Mo.	YTD	1Y	3Y	5Y	10Y
<b>Bloomberg Barclays Municipal Bond Index</b>	<b>4.73</b>	<b>109.3</b>	<b>2.23</b>	<b>13.0</b>	<b>6.3</b>	<b>-0.51</b>	<b>1.06</b>	<b>4.66</b>	<b>0.87</b>	<b>3.19</b>	<b>3.01</b>	<b>4.52</b>
AAA Index	4.62	111.4	1.94	10.9	6.2	-0.62	0.71	3.92	0.47	2.46	2.29	3.83
AA Index	4.73	111.0	2.05	12.6	6.1	-0.56	0.84	4.28	0.69	2.89	2.78	4.38
A Index	4.72	106.0	2.50	14.0	6.5	-0.49	1.23	5.22	1.05	3.82	3.65	4.93
BBB Index	4.98	105.1	3.19	16.0	7.4	0.05	2.79	7.23	2.46	4.62	3.70	4.07
5-Year Index	4.82	113.4	1.60	5.0	4.0	-0.69	0.68	3.87	1.14	1.98	1.93	3.81
10-Year Index	4.71	113.8	2.15	9.9	6.0	-0.58	1.06	5.28	0.77	3.42	3.18	4.98
22+ Year Index	4.70	105.0	3.04	26.6	10.2	-0.70	1.23	5.83	0.59	4.53	4.13	5.16
<b>Bloomberg Barclays High Yield Municipal Bond Index</b>	<b>5.23</b>	<b>62.5</b>	<b>5.35</b>	<b>20.5</b>	<b>9.2</b>	<b>-0.54</b>	<b>1.50</b>	<b>7.72</b>	<b>1.43</b>	<b>4.56</b>	<b>4.73</b>	<b>4.74</b>
Hospital	5.70	104.4	4.60	21.7	8.8	-0.16	1.86	7.52	3.69	6.13	6.08	6.07
IDR/PCR	4.92	39.4	6.16	19.9	9.5	-0.58	0.53	13.30	3.88	9.34	7.99	6.45
Tobacco	4.54	27.9	5.89	23.9	11.8	-0.73	-0.34	18.10	8.82	13.83	10.38	2.90
Puerto Rico	4.83	23.9	7.82	22.0	11.9	-2.74	-5.41	-12.97	-16.19	-5.89	-8.28	-3.43

Source: Bloomberg Barclays, Morningstar as of 9/30/17. Data provided is for informational use only. Past performance is no guarantee of future results. See end of report for important additional information.



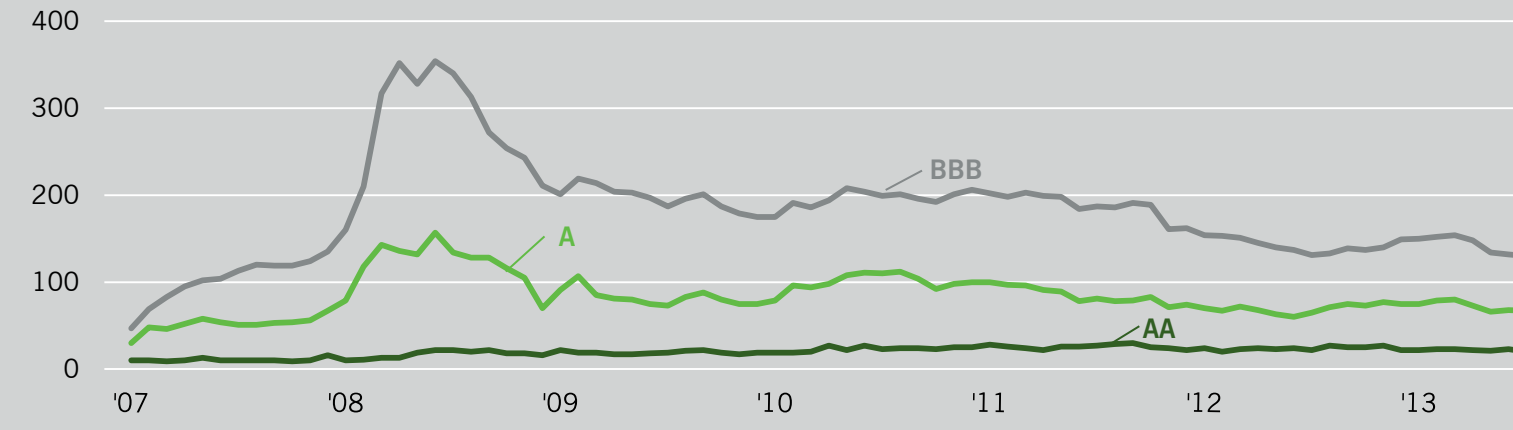
# Municipal bond market update

**AAA Muni-to-Treasury Yield Ratios**



	Current	1-Mo. ago	12-Mo. ago	Median
<b>5Y</b>	70	66	89	86
<b>10Y</b>	86	88	94	95
<b>30Y</b>	99	99	99	103

**Credit Quality Spreads vs. AAA (bps)**



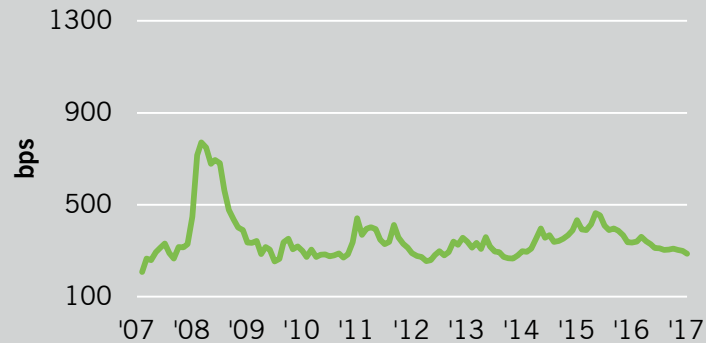
	Current	1-Mo. ago	12-Mo. ago	Median
<b>AA</b>	20	19	23	21
<b>A</b>	53	52	53	68
<b>BBB</b>	88	87	81	138

Source: Bloomberg Barclays as of 9/30/17. Data provided is for informational use only. Past performance is no guarantee of future results. See end of report for important additional information. All spreads are in basis points and measure option-adjusted yield spread relative to comparable maturity U.S. Treasuries.



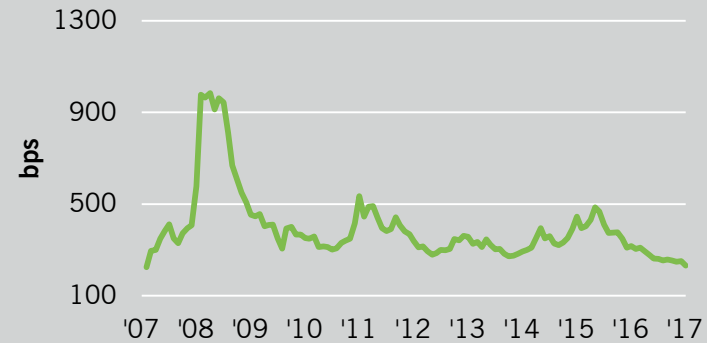
# Emerging markets bond market update

**Sovereign EMD Spreads (USD)**



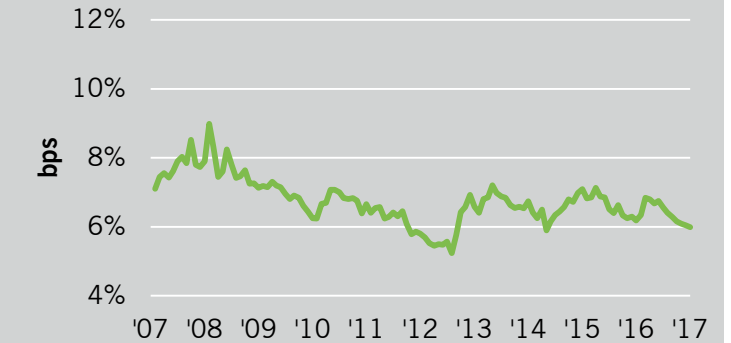
	Avg. Spread (bps)
<b>Current</b>	286
<b>1-Mo. ago</b>	299
<b>12-Mo. ago</b>	336
<b>Median</b>	328

**Corporate EMD Spreads (USD)**



	Avg. Spread (bps)
<b>Current</b>	231
<b>1-Mo. ago</b>	251
<b>12-Mo. ago</b>	316
<b>Median</b>	351

**Local EMD Yields (%)**



	Avg. Yield (%)
<b>Current</b>	5.99
<b>1-Mo. ago</b>	6.04
<b>12-Mo. ago</b>	6.18
<b>Median</b>	6.71

	Averages				Total Returns (%)						
	Coupon (%)	Price (\$)	Yield (%)	Duration (yrs.)	1-Mo.	3-Mo.	YTD	1Y	3Y	5Y	10Y
JPMorgan Emerging Markets Bond Index (EMBI) Global Diversified	6.00	105.9	5.19	6.8	0.01	2.63	8.99	4.61	6.50	4.91	7.46
JPMorgan Corporate Emerging Markets Bond Index (CEMBI) Broad Diversified	5.33	104.8	4.43	4.9	0.35	2.11	7.23	5.82	5.57	5.03	6.57
JPMorgan Government Bond Index-Emerging Markets (GBI-EM) Global Diversified	6.54	-	5.99	5.1	-0.34	3.55	14.28	7.32	0.26	-0.91	3.80

Source: JPMorgan, Morningstar as of 9/30/17. Data provided is for informational use only. Past performance is no guarantee of future results. See end of report for important additional information. All spreads are in basis points and measure option-adjusted yield spread relative to comparable maturity U.S. Treasuries.



# Fixed income asset class return analysis (%)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	YTD 9/17
Higher ↑	EM (Local Currency) 18.11	Treasury 13.74	High Yield 57.51	EM (Local Currency) 15.68	Municipal 10.70	EM (Local Currency) 16.76	High Yield 7.42	Municipal 9.05	Municipal 3.30	High Yield 17.49	EM (Local Currency) 14.28
	Global Agg Ex-U.S. 11.03	MBS 8.34	Bank Loan 51.62	High Yield 15.19	Treasury 9.81	High Yield 15.58	Bank Loan 5.29	Investment Grade 7.46	MBS 1.51	Bank Loan 10.16	Global Agg Ex-U.S. 8.74
	Treasury 9.01	Global Agg Ex-U.S. 4.40	EM (Local Currency) 21.98	Bank Loan 10.13	Investment Grade 8.15	Investment Grade 9.82	MBS -1.41	MBS 6.08	Treasury 0.84	EM (Local Currency) 9.94	High Yield 7.05
	MBS 6.90	Municipal -2.47	Investment Grade 18.68	Investment Grade 9.00	MBS 6.23	Bank Loan 9.66	Investment Grade -1.53	Treasury 5.05	Investment Grade -0.68	Investment Grade 6.11	Investment Grade 5.19
	Investment Grade 4.56	Investment Grade -4.94	Municipal 12.91	Treasury 5.87	High Yield 4.38	Municipal 6.78	Municipal -2.55	High Yield 2.50	Bank Loan -0.69	MBS 1.67	Municipal 4.66
	Municipal 3.36	EM (Local Currency) -5.22	Global Agg Ex-U.S. 7.53	MBS 5.37	Global Agg Ex-U.S. 4.36	Global Agg Ex-U.S. 4.09	Treasury -2.75	Bank Loan 1.60	High Yield -4.64	Global Agg Ex-U.S. 1.49	Bank Loan 2.97
	High Yield 2.19	High Yield -26.39	MBS 5.89	Global Agg Ex-U.S. 4.95	Bank Loan 1.52	MBS 2.59	Global Agg Ex-U.S. -3.08	Global Agg Ex-U.S. -3.08	Global Agg Ex-U.S. -6.02	Treasury 1.04	MBS 2.32
Lower ↓	Bank Loan 1.87	Bank Loan -29.10	Treasury -3.57	Municipal 2.38	EM (Local Currency) -1.75	Treasury 1.99	EM (Local Currency) -8.98	EM (Local Currency) -5.72	EM (Local Currency) -14.92	Municipal 0.25	Treasury 2.26

Source: Morningstar as of 9/30/17. Data provided is for informational use only. Past performance is no guarantee of future results. See end of report for important additional information. Investment Grade represented by Bloomberg Barclays U.S. Corporate Index. MBS represented by Bloomberg Barclays U.S. Mortgage Backed Securities (MBS) Index. Treasury represented by Bloomberg Barclays U.S. Treasury Index. High Yield represented by BofAML US High Yield Index. Municipal represented by Bloomberg Barclays Municipal Bond Index. Bank Loan represented by S&P/LSTA Leveraged Loan Index. Global Agg Ex-U.S. represented by Bloomberg Barclays Global Aggregate Ex-USD Index. EM(Local Currency) represented by JPMorgan Government Bond Index-Emerging Markets (GBI-EM) Global Diversified.

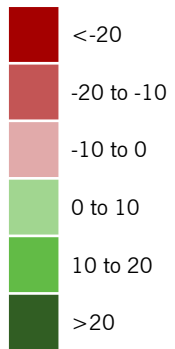


# Equity performance – market barometer (%)

1-Month Returns			
	Value	Core	Growth
Large Cap	2.96	2.13	1.30
Mid Cap	2.73	2.77	2.83
Small Cap	7.08	6.24	5.45

1-Year Returns			
	Value	Core	Growth
Large Cap	15.12	18.54	21.94
Mid Cap	13.37	15.32	17.82
Small Cap	20.55	20.74	20.98

3-Year Returns			
	Value	Core	Growth
Large Cap	8.53	10.63	12.69
Mid Cap	9.19	9.54	9.96
Small Cap	12.12	12.18	12.17



<b>Global</b> 1.93	<b>US</b> 2.06
<b>International</b> 2.49	<b>Emerging Markets</b> -0.40

<b>Global</b> 18.65	<b>US</b> 18.61
<b>International</b> 19.10	<b>Emerging Markets</b> 22.46

<b>Global</b> 7.43	<b>US</b> 10.81
<b>International</b> 5.04	<b>Emerging Markets</b> 4.90

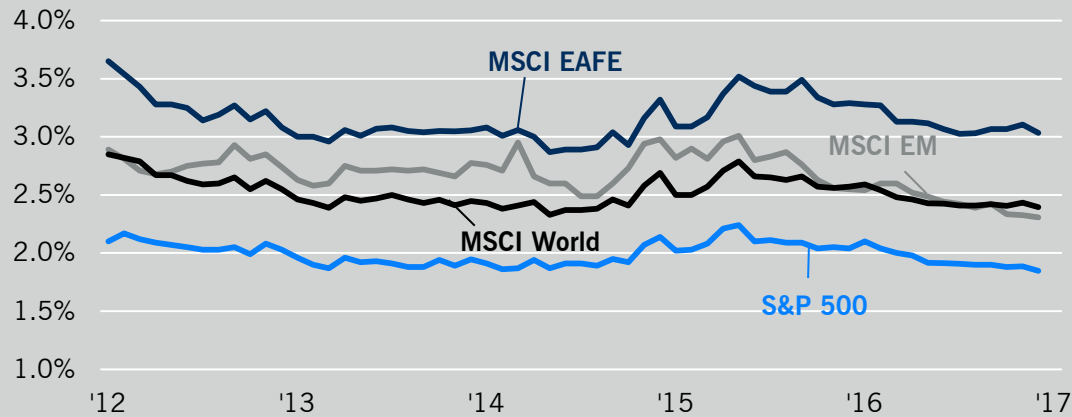
Source: Morningstar as of 9/30/17. Data provided is for informational use only. Past performance is no guarantee of future results. See end of report for important additional information. Returns over 1 year are annualized. Large Cap Value represented by Russell 1000 Value Index. Large Cap Core represented by Russell 1000 Index. Large Cap Growth represented by Russell 1000 Growth Index. Mid Cap Value represented by Russell Mid Cap Value Index. Mid Cap Core represented by Russell Mid Cap Index. Mid Cap Growth represented by Russell Mid Cap Growth Index. Small Cap Value represented by Russell 2000 Value Index. Small Cap Core represented by Russell 2000 Index. Small Cap Growth represented by Russell 2000 Growth Index. Global represented by MSCI ACWI Index. US represented by S&P 500 Index. International represented by MSCI EAFE Index. Emerging Markets represented by MSCI Emerging Markets Index.



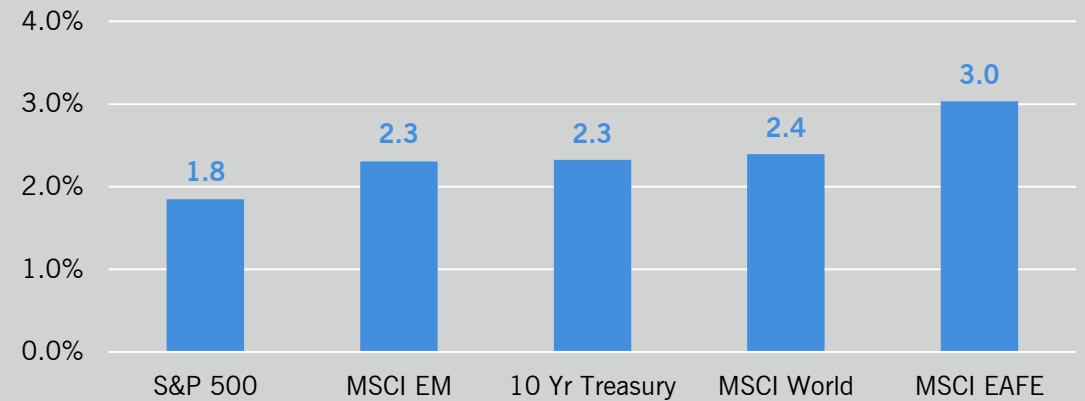


# Dividend yields and volatility analysis

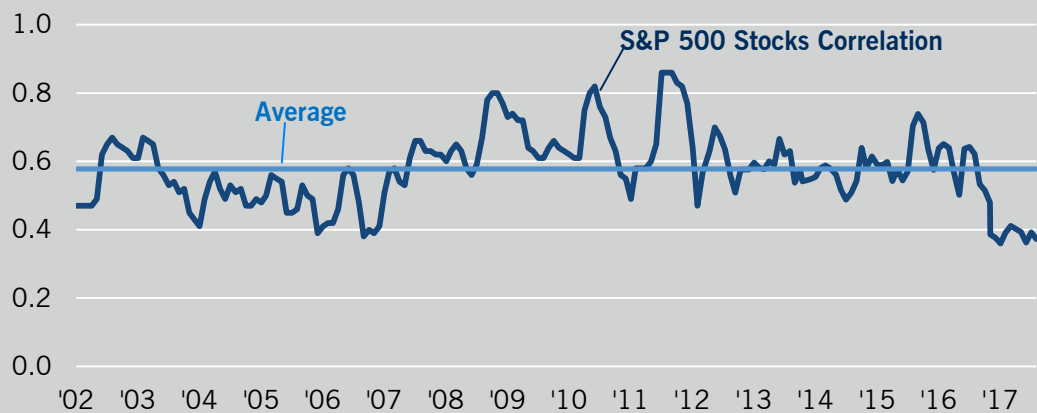
**Historical Yields**



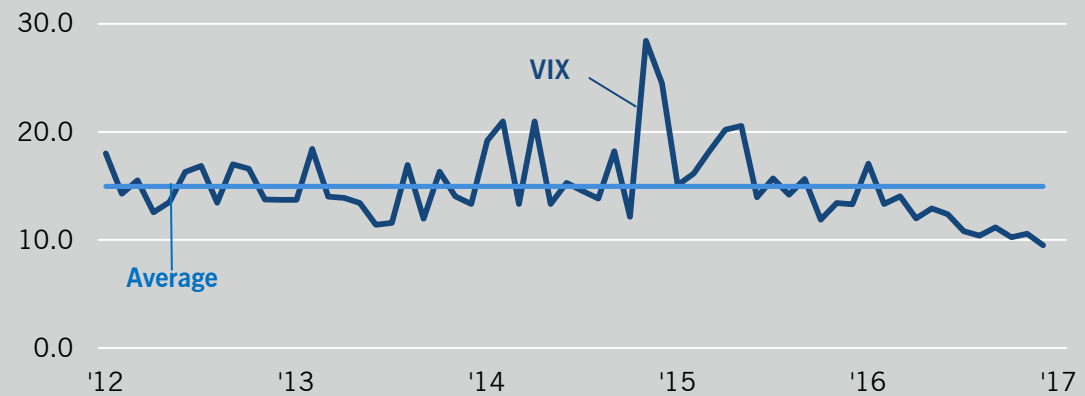
**Current Yields**



**Correlation of S&P 500 Stocks**



**CBOE Market Volatility Index (VIX)**

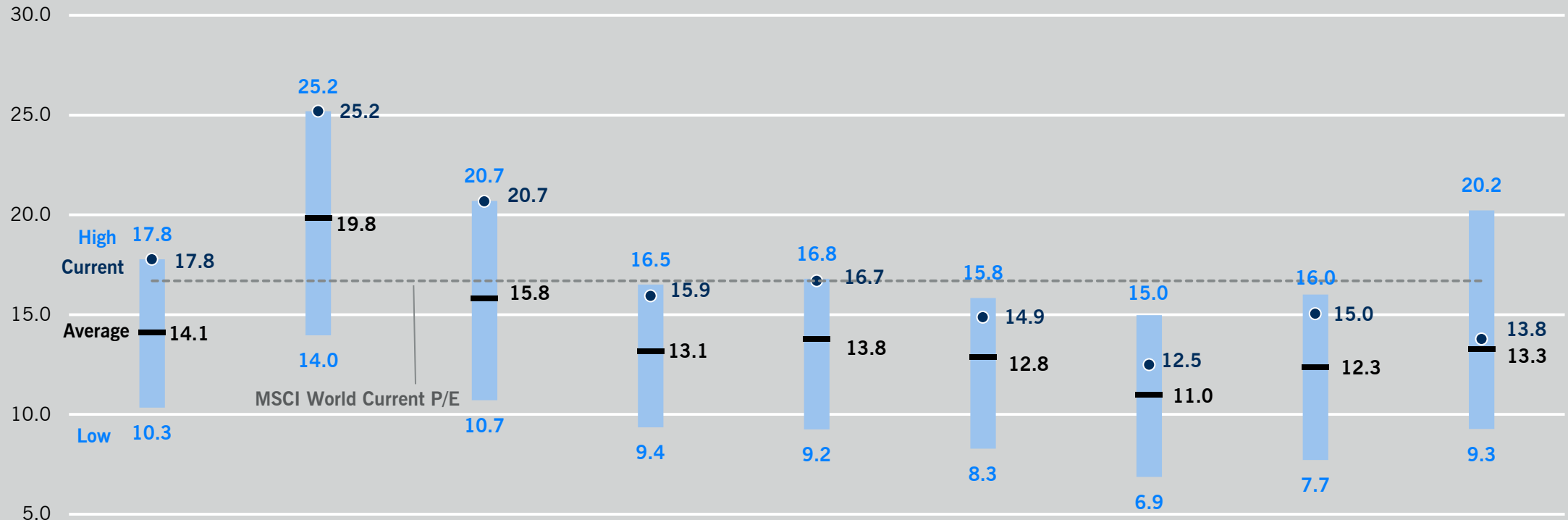


Source: FactSet and Ned Davis Research as of 9/30/17. Correlation of S&P 500 Stocks is measured by the median 63-day rolling correlation of one day returns  
 Data provided is for informational use only. Past performance is no guarantee of future results. See end of report for important additional information.



# Valuation analysis

Regions/Styles: Current NTM P/E vs. 10-Year High, Low, Average



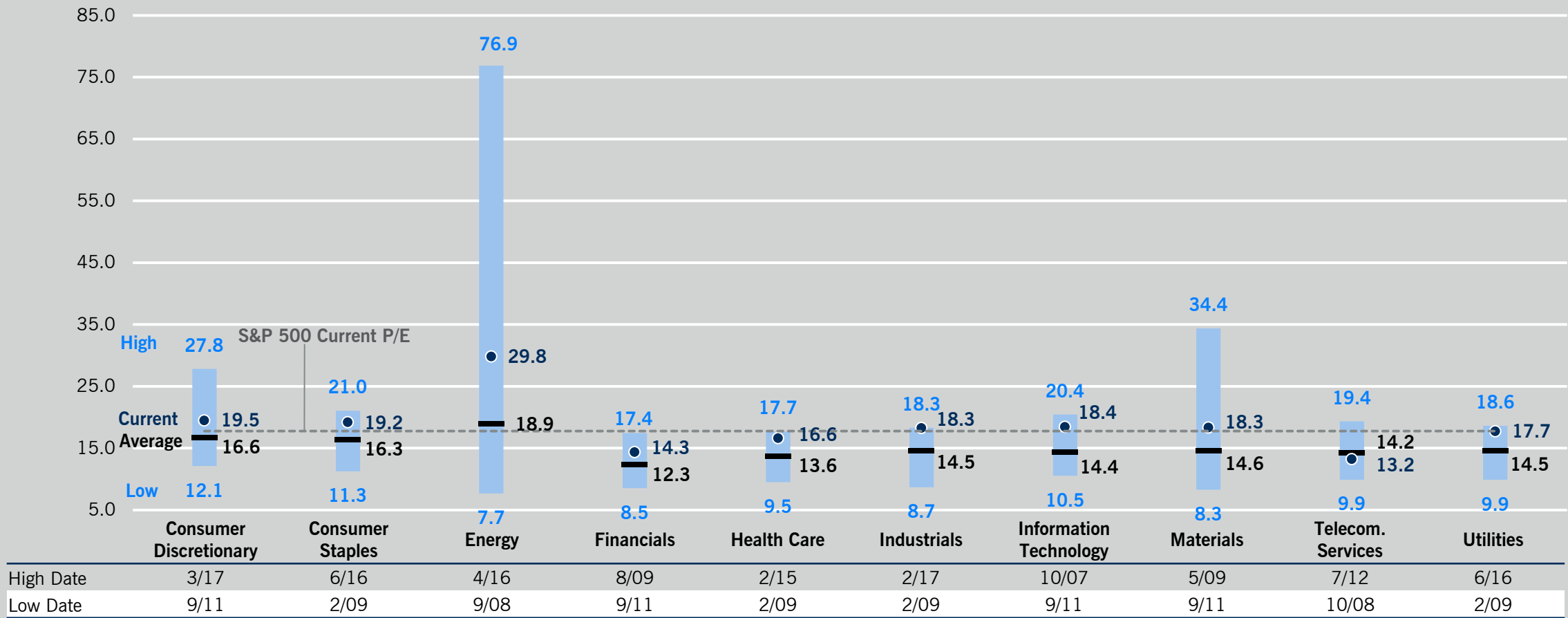
	S&P 500	Russell 2000	Russell 1000 Growth	Russell 1000 Value	MSCI World	MSCI EAFE	MSCI EM	MSCI Europe	MSCI AC Asia Pac
High Date	9/17	9/17	8/17	2/17	2/15	5/15	10/07	3/15	7/09
Low Date	9/11	9/11	11/08	9/11	10/08	10/08	10/08	10/08	10/08

Source: FactSet as of 9/30/17. NTM P/E is market price per share divided by expected earnings per share over the next twelve months. Data provided is for informational use only. Past performance is no guarantee of future results. See end of report for important additional information.



# Valuation analysis

S&P 500 Sectors: Current NTM P/E vs. 10-Year High, Low, Average

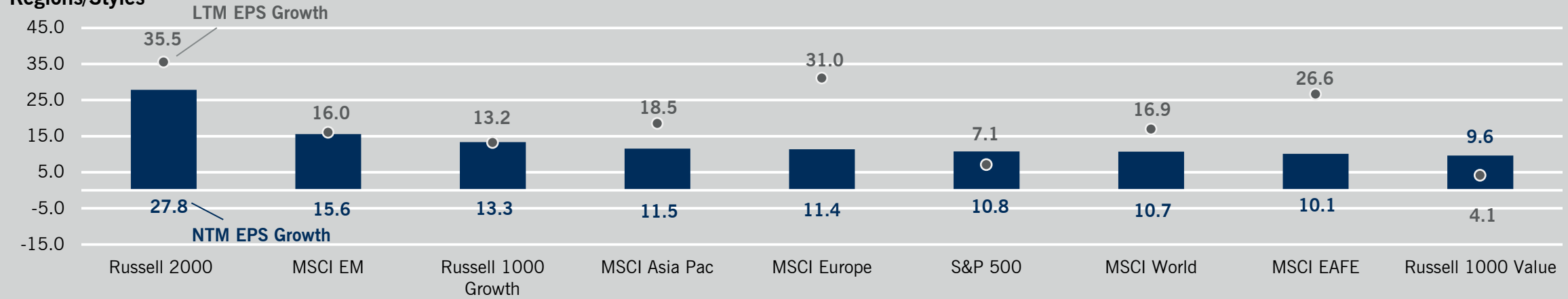


Source: FactSet as of 9/30/17. NTM P/E is market price per share divided by expected earnings per share over the next twelve months. Data provided is for informational use only. Past performance is no guarantee of future results. See end of report for important additional information.

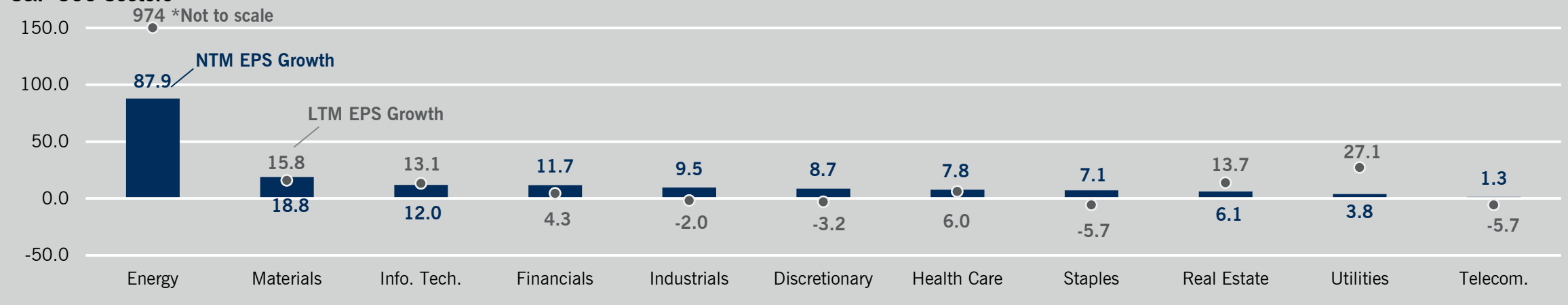


# Corporate earnings growth

## Regions/Styles



## S&P 500 Sectors

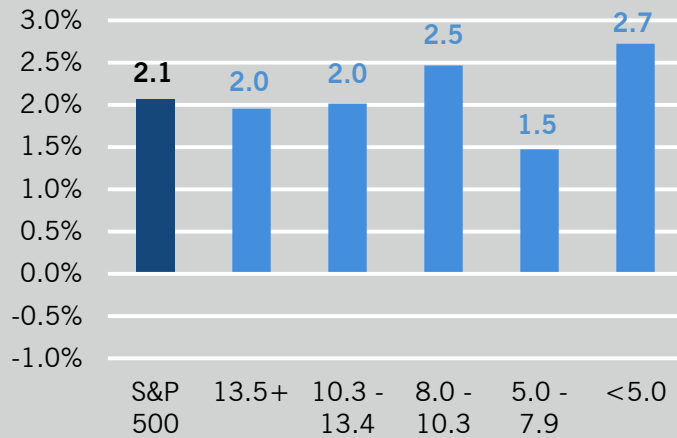


Source: FactSet as of 9/30/17. NTM EPS Growth is the % change in YOY EPS for the next 12 months. LTM EPS Growth the % change in YOY EPS for last 12 months. Data provided is for informational use only. Past performance is no guarantee of future results. See end of report for important additional information.

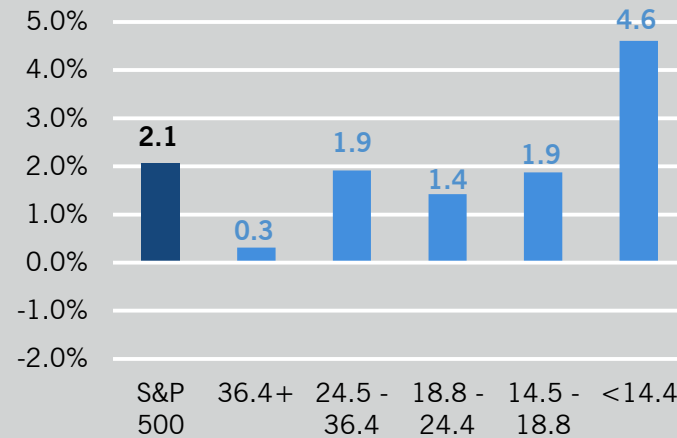


# S&P 500 index – 1-month return analysis

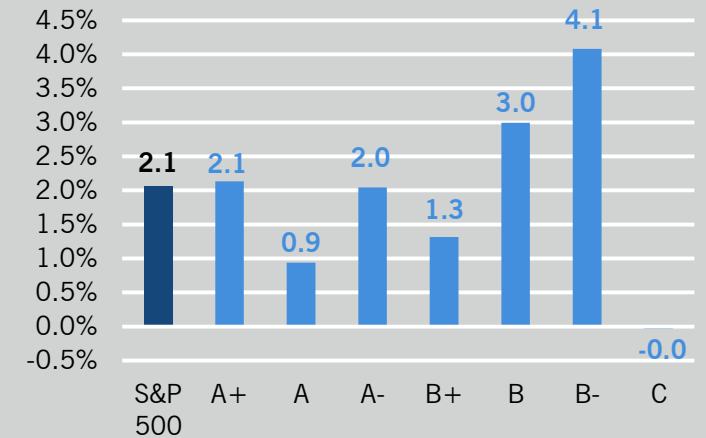
**3-5 Year Earnings Growth**



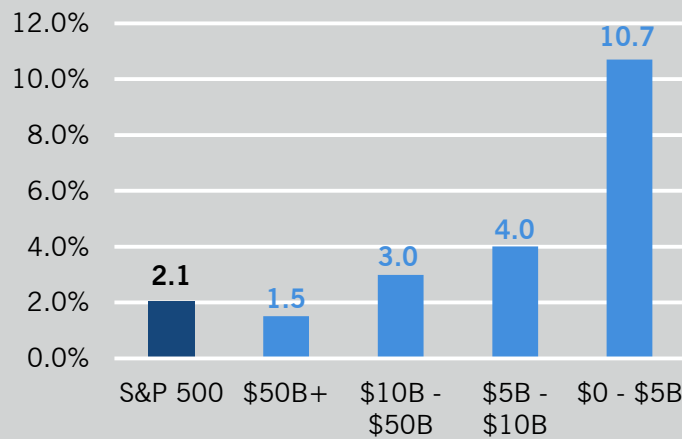
**Trailing 12 Month P/E**



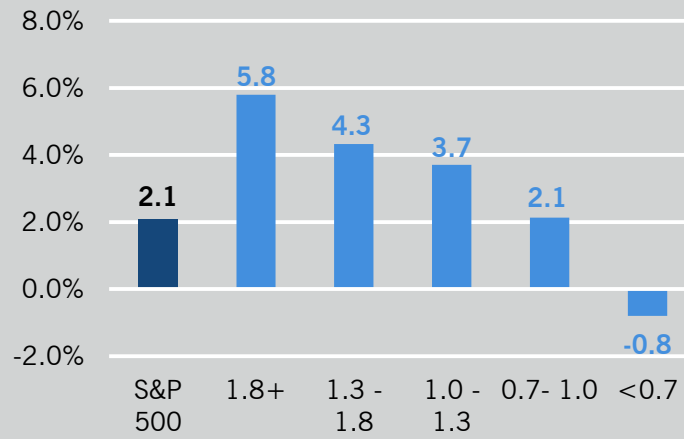
**S&P 500 Quality Ranking**



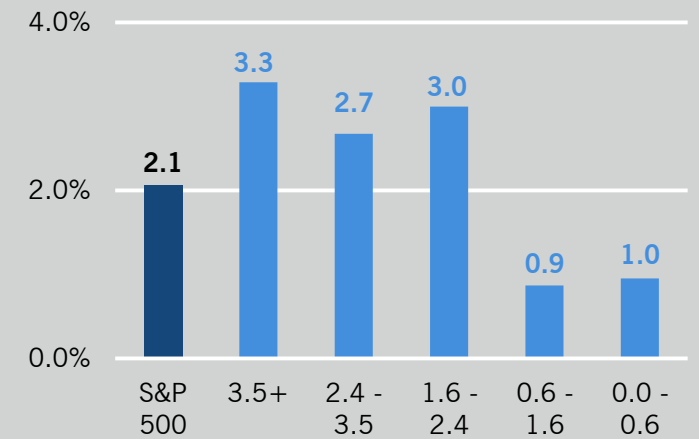
**Market Cap**



**Beta**



**Dividend Yield**



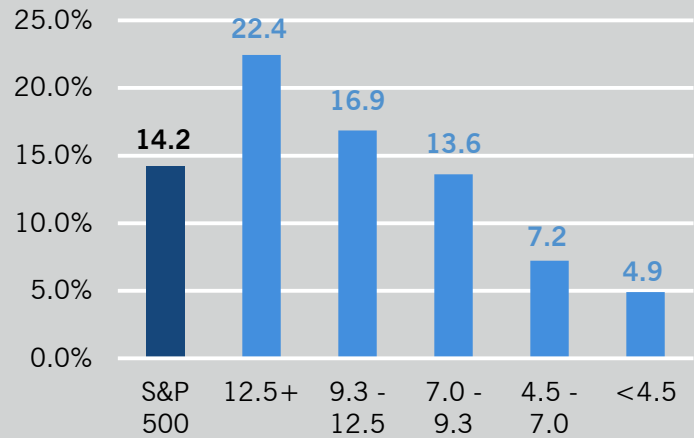
Source: FactSet, Zephyr and Morningstar as of 9/30/17.

Data provided is for informational use only. Past performance is no guarantee of future results. See end of report for important additional information.

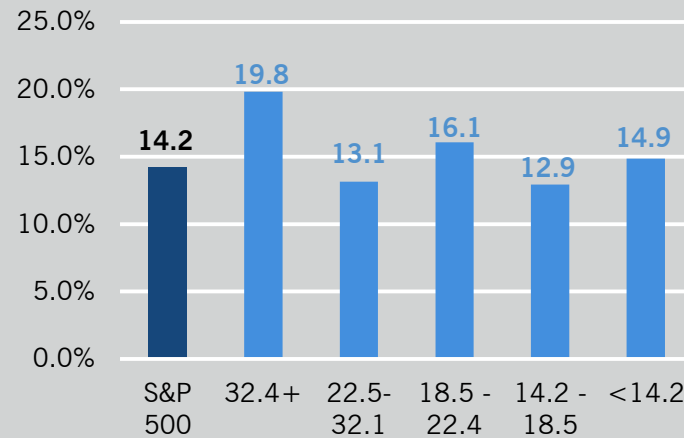


# S&P 500 index – YTD analysis

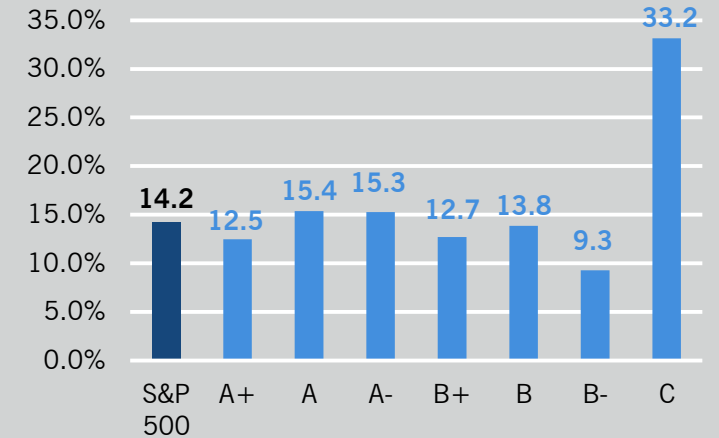
**3-5 Year Earnings Growth**



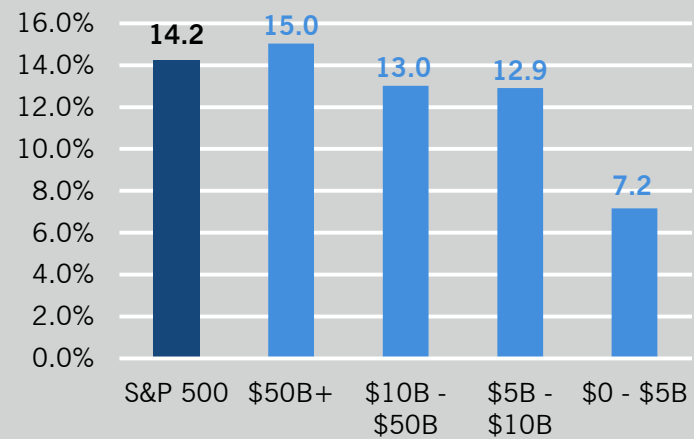
**Trailing 12 Month P/E**



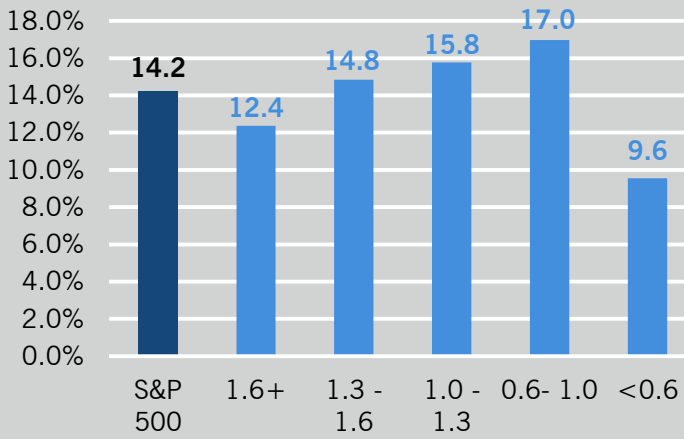
**S&P 500 Quality Ranking**



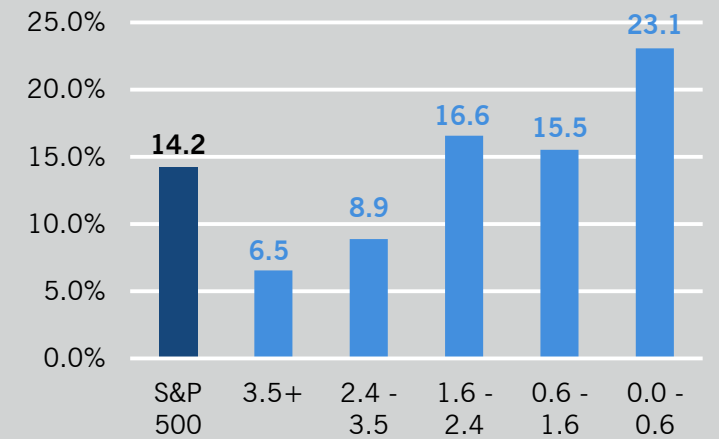
**Market Cap**



**Beta**



**Dividend Yield**

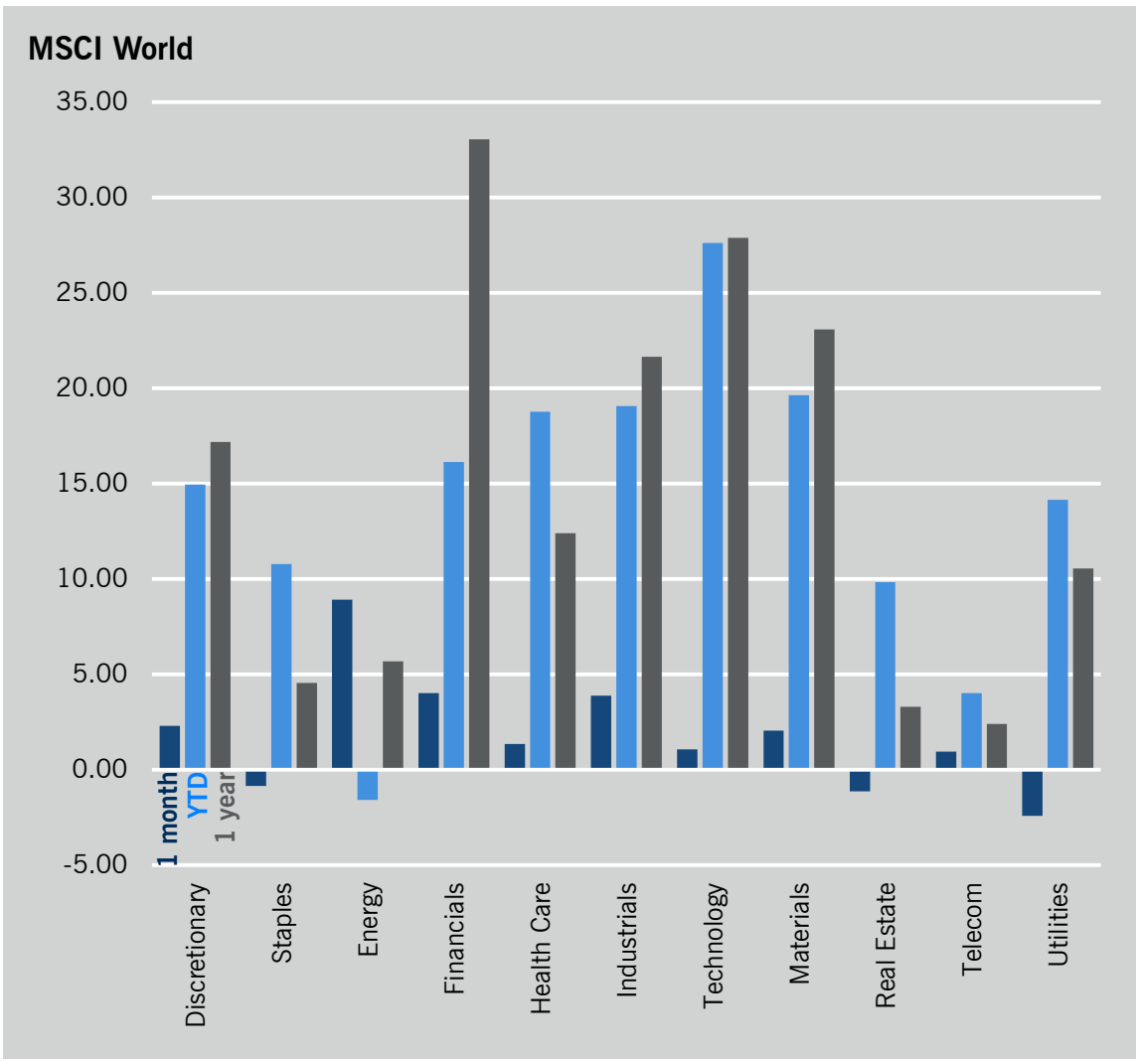
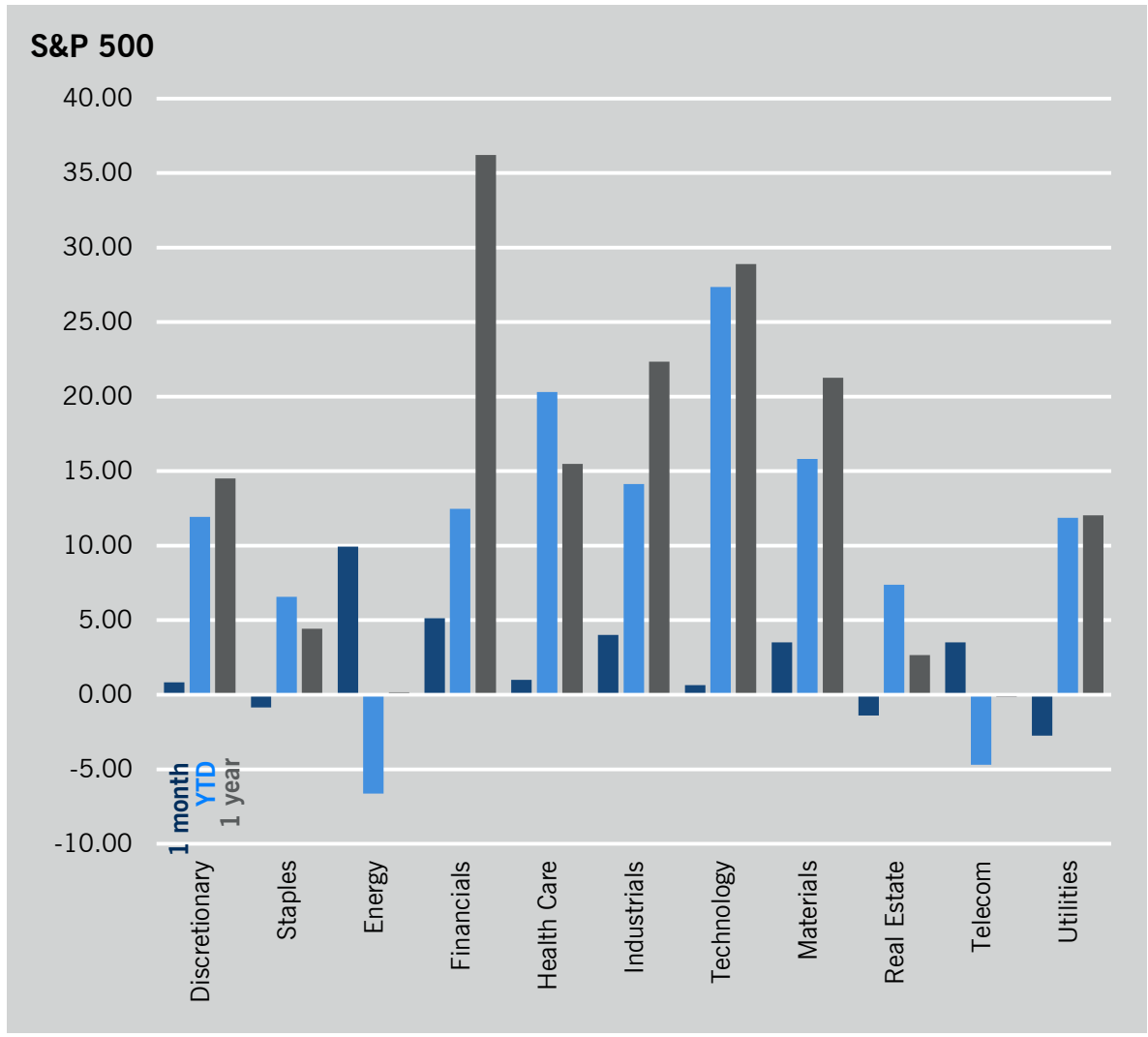


Source: FactSet, Zephyr and Morningstar as of 9/30/17.

Data provided is for informational use only. Past performance is no guarantee of future results. See end of report for important additional information.



# Index sectors: return analysis



Source: FactSet, Zephyr and Morningstar as of 9/30/17.

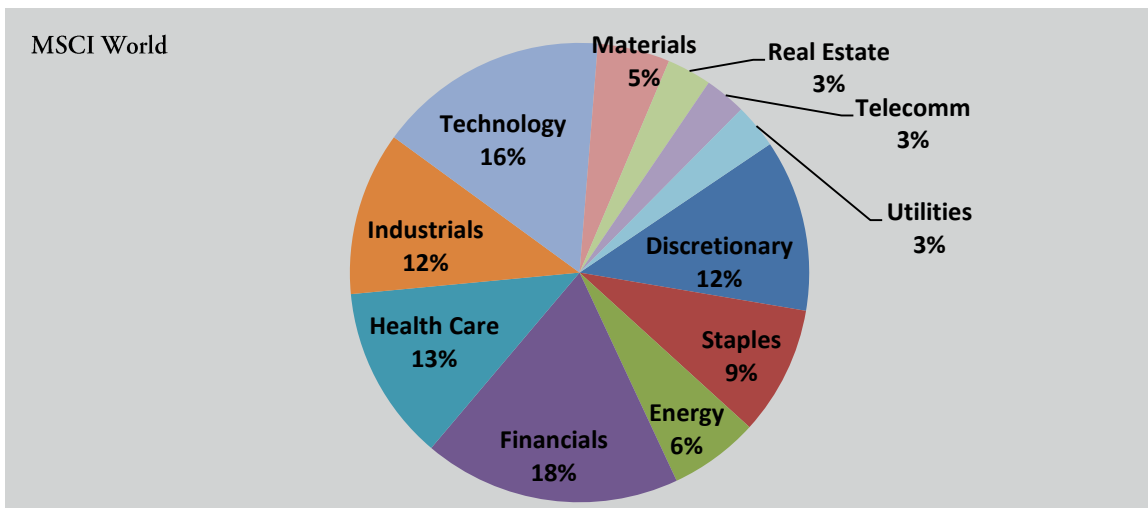
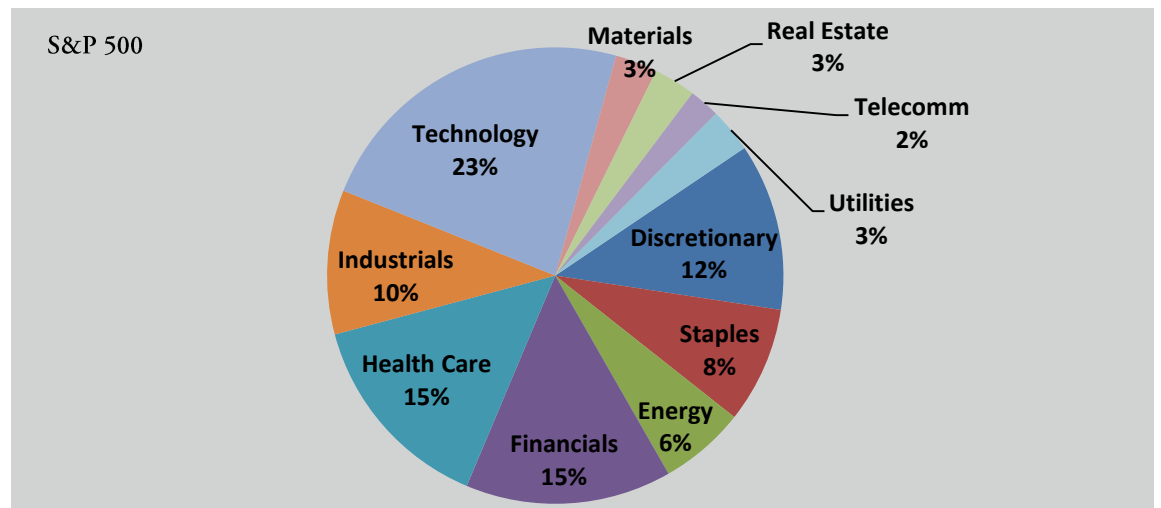
Data provided is for informational use only. Past performance is no guarantee of future results. See end of report for important additional information.





# Global equity: current characteristics and sector weights

	S&P 500	R2000	R1000G	R1000V	MSCI World	MSCI EAFE	MSCI EM	MSCI Europe	MSCI Asia Pac
<b>Number of Holdings</b>	505	1988	644	691	1652	926	839	444	1032
<b>Market Capitalization</b>									
<b>Maximum</b>	\$796.06B	\$23.48B	\$796.06B	\$451.94B	\$796.06B	\$260.85B	\$442.34B	\$260.85B	\$442.34B
<b>Minimum</b>	\$3.70M	\$0.03M	\$0.35M	\$0.35M	\$1.56M	\$1.65M	\$0.77M	\$1.65M	\$0.98M
<b>Dividend Yield</b>	1.85	1.51	1.60	2.65	2.40	3.03	2.31	3.24	2.40
<b>NTM PE</b>	17.77	25.19	20.67	15.94	16.69	14.86	12.48	15.03	13.77
<b>Price to Book</b>	3.12	2.34	6.64	2.00	2.37	1.76	1.81	1.96	1.63
<b>Price to Cash Flow</b>	13.97	14.66	16.92	11.78	12.38	10.89	8.69	10.81	10.26
<b>Price to Sales</b>	2.13	1.33	2.80	1.65	1.67	1.24	1.39	1.27	1.26
<b>Est 3-5 Yr EPS Growth</b>	11.78	11.75	14.72	9.16	11.82	11.75	18.81	12.62	14.72
<b>5Yr. Div Growth Rate</b>	13.47	3.15	13.52	13.51	5.58	-0.02	-6.49	0.05	-0.12



Source: FactSet, Zephyr and Morningstar as of 9/30/17.

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# Equity asset class return analysis (%)

U.S. Equities	1-Mo.	3-Mo.	YTD	1Y	3Y	5Y	10Y	2016	2015	2014	2013	2012
S&P 500	2.06	4.48	14.24	18.61	10.81	14.22	7.44	11.96	1.38	13.69	32.39	16.00
Russell 1000 Defensive	1.46	3.90	12.61	15.04	10.22	13.28	7.64	10.04	2.54	13.80	30.90	12.75
Russell 1000 Dynamic	2.81	5.07	15.74	22.04	10.90	15.15	7.14	13.71	-0.71	12.64	35.29	20.21
Russell 2500	4.54	4.74	11.00	17.79	10.60	13.86	8.19	17.59	-2.90	7.07	36.80	17.88
Russell 1000 Growth	1.30	5.90	20.72	21.94	12.69	15.26	9.08	7.08	5.67	13.05	33.48	15.26
Russell 1000 Value	2.96	3.11	7.92	15.12	8.53	13.20	5.92	17.34	-3.83	13.45	32.53	17.51
Russell Mid Cap	2.77	3.47	11.74	15.32	9.54	14.26	8.08	13.80	-2.44	13.22	34.76	17.28
Russell 2000	6.24	5.67	10.94	20.74	12.18	13.79	7.85	21.31	-4.41	4.89	38.82	16.35
CBOE S&P 500 Buywrite BXM	0.92	2.54	9.93	12.84	7.10	7.64	4.84	7.07	5.24	5.64	13.26	5.20
<b>Global Equities</b>												
MSCI World	2.24	4.84	16.01	18.17	7.69	10.99	4.22	7.51	-0.87	4.94	26.68	15.83
MSCI EAFE	2.49	5.40	19.96	19.10	5.04	8.38	1.34	1.00	-0.81	-4.90	22.78	17.32
MSCI EM	-0.40	7.89	27.78	22.46	4.90	3.99	1.32	11.19	-14.92	-2.19	-2.60	18.22
MSCI AC Asia Pac	0.56	5.17	21.75	18.07	7.27	8.23	2.34	4.89	-1.96	0.00	11.97	16.78
MSCI ACWI	1.93	5.18	17.25	18.65	7.43	10.20	3.88	7.86	-2.36	4.16	22.80	16.13
MSCI Europe	3.30	6.45	22.79	22.30	4.36	8.36	1.08	-0.40	-2.84	-6.18	25.23	19.12
FTSE 100	3.42	5.17	15.74	14.85	1.12	5.16	0.91	-0.17	-6.72	-5.16	20.91	15.03
FTSE All Small	4.34	6.46	23.51	22.38	5.76	11.35	3.23	-4.02	3.46	-4.58	35.70	33.05
STOXX Europe 600	3.31	6.46	23.23	22.32	4.75	8.80	1.37	-1.22	-1.61	-5.86	26.24	20.02
Nikkei 225 Average	1.83	2.01	11.83	12.96	8.62	11.26	3.79	5.18	10.24	-4.82	30.85	11.56
<b>Sectors</b>												
S&P 500 Cons Disc	0.84	0.84	11.93	14.52	12.43	15.93	11.28	6.03	10.11	9.68	43.08	23.92
S&P 500 Cons Staples	-0.86	-1.35	6.57	4.42	8.99	11.46	9.79	5.38	6.60	15.98	26.14	10.76
S&P 500 Energy	9.94	6.84	-6.63	0.16	-5.73	1.02	1.00	27.36	-21.12	-7.78	25.07	4.61
S&P 500 Financials	5.14	5.24	12.48	36.21	13.41	17.62	1.34	22.80	-1.53	15.20	35.63	28.82
S&P 500 Health Care	0.99	3.65	20.31	15.49	10.38	17.30	10.86	-2.69	6.89	25.34	41.46	17.89
S&P 500 Industrials	4.00	4.22	14.13	22.35	12.18	16.20	7.48	18.86	-2.53	9.83	40.68	15.35
S&P 500 Info Tech	0.64	8.65	27.36	28.88	17.36	17.44	10.94	13.85	5.92	20.12	28.43	14.82
S&P 500 Materials	3.52	6.05	15.82	21.26	6.73	11.29	5.47	16.69	-8.38	6.91	25.60	14.97
S&P 500 Real Estate	-1.39	0.93	7.39	2.66	9.76	9.76	5.48	3.39	4.68	30.19	1.60	19.74
S&P 500 Telecom Services	3.52	6.78	-4.69	-0.14	5.26	5.60	4.15	23.49	3.40	2.99	11.47	18.31
S&P 500 Utilities	-2.74	2.87	11.87	12.03	11.90	11.92	7.07	16.29	-4.85	28.98	13.21	1.29

Source: Morningstar as of 9/30/17. Data provided is for informational use only. Past performance is no guarantee of future results. See end of report for important additional information.



# Equity asset class return analysis (%)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	YTD 9/17
Higher ↑	Emerging Markets 39.42	Small-Cap -33.79	Emerging Markets 78.51	Small-Cap 26.85	Growth 2.64	Emerging Markets 18.22	Small-Cap 38.82	S&P 500 13.69	Growth 5.67	Small-Cap 21.31	Emerging Markets 27.78
	Growth 11.81	Value -36.85	Mid-Cap 40.48	Mid-Cap 25.48	S&P 500 2.11	Value 17.51	Mid-Cap 34.76	Value 13.45	S&P 500 1.38	Value 17.34	Growth 20.72
	Global 11.66	S&P 500 -37.00	Growth 37.21	Emerging Markets 18.88	Value 0.39	International 17.32	Growth 33.48	Mid-Cap 13.22	International -0.81	Mid-Cap 13.80	International 19.96
	International 11.17	Growth -38.44	Global 34.63	Growth 16.71	Mid-Cap -1.55	Mid-Cap 17.28	Value 32.53	Growth 13.05	Global -2.36	S&P 500 11.96	Global 17.25
	Mid-Cap 5.60	Mid-Cap -41.46	International 31.78	Value 15.51	Small-Cap -4.18	Small-Cap 16.35	S&P 500 32.39	Small-Cap 4.89	Mid-Cap -2.44	Emerging Markets 11.19	S&P 500 14.24
	S&P 500 5.49	Global -42.19	Small-Cap 27.17	S&P 500 15.06	Global -7.35	Global 16.13	Global 22.80	Global 4.16	Value -3.83	Global 7.86	Mid-Cap 11.74
	Value -0.17	International -43.38	S&P 500 26.46	Global 12.67	International -12.14	S&P 500 16.00	International 22.78	Emerging Markets -2.19	Small-Cap -4.41	Growth 7.08	Small-Cap 10.94
Lower ↓	Small-Cap -1.57	Emerging Markets -53.33	Value 19.69	International 7.75	Emerging Markets -18.42	Growth 15.26	Emerging Markets -2.60	International -4.90	Emerging Markets -14.92	International 1.00	Value 7.92

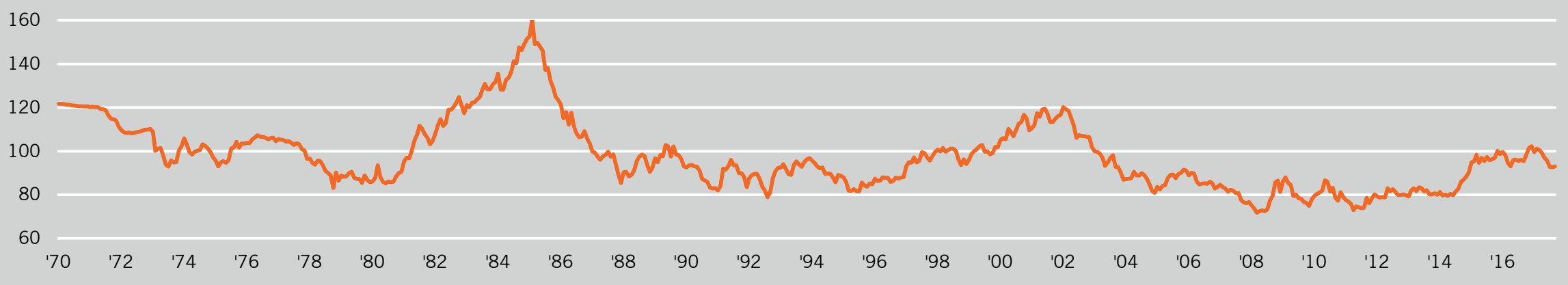
Source: FactSet, Zephyr and Morningstar as of 9/30/17. Data provided is for informational use only. Past performance is no guarantee of future results. See end of report for important additional information. Small-Cap represented by Russell 2000 Index. Emerging Markets represented by MSCI Emerging Markets Index. Value represented by Russell 1000 Value Index. Mid-Cap represented by Russell Midcap Index. Global represented by MSCI ACWI Index. Growth represented by Russell 1000 Growth Index. International represented by MSCI EAFE Index.



# Developed market currency performance and yields

Currency	Spot Returns vs. USD (%)					Spot Returns vs. EUR (%)					Local Interest Rates (%)
	1-Mo.	YTD	1Y	3Y	5Y	1-Mo.	YTD	1Y	3Y	5Y	1Y
U.S. Dollar (USD)	-	-	-	-	-	0.57	-10.78	-4.94	2.23	1.71	1.29
Euro (EUR) *	-0.56	12.08	5.20	-2.19	-1.68	-	-	-	-	-	-0.74
British Pound (GBP)	4.12	8.58	3.28	-6.11	-3.64	4.71	-3.13	-1.82	-4.01	-2.00	0.39
Japanese Yen (JPY)	-2.23	3.62	-10.04	-0.86	-7.12	-1.67	-7.55	-14.48	1.36	-5.54	-0.16
Australian Dollar (AUD)	-1.07	8.36	2.54	-3.57	-5.48	-0.51	-3.32	-2.53	-1.41	-3.87	1.78
Canadian Dollar (CAD)	0.25	7.23	5.09	-3.68	-4.68	0.82	-4.33	-0.11	-1.53	-3.06	1.39
New Zealand Dollar (NZD)	0.94	3.67	-0.59	-2.48	-2.74	1.51	-7.51	-5.50	-0.30	-1.08	1.92
Norwegian Krone (NOK)	-2.27	8.13	0.40	-6.90	-6.38	-1.71	-3.52	-4.56	-4.82	-4.78	0.37
Swedish Krona (SEK)	-2.51	11.30	4.96	-4.06	-4.29	-1.96	-0.70	-0.22	-1.91	-2.65	-0.93
Danish Krone (DKK)	-0.62	11.99	5.26	-2.18	-1.64	-0.05	-0.08	0.06	0.01	0.04	-0.67
Swiss Franc (CHF)	-0.68	5.04	0.19	-0.42	-0.58	-0.12	-6.29	-4.76	1.81	1.11	-0.99

## U.S. Dollar Index



\* German Rate. Source: Factset, Bloomberg as of 9/30/17. Dollar is represented by the US Trade Weighted Dollar Index (DXY). Data provided is for informational use only. Past performance is no guarantee of future results. See end of report for important additional information.



# Emerging market currency performance and yields

Currency	Spot Returns vs. USD (%)					Spot Returns vs. EUR (%)					Local Interest Rates (%)
	1-Mo.	YTD	1Y	3Y	5Y	1-Mo.	YTD	1Y	3Y	5Y	1Y
<b>ASIA, EX. JAPAN</b>											
Chinese Renminbi (CNY)	-0.69	4.62	0.41	-2.59	-1.10	-0.13	-6.66	-4.55	-0.42	0.58	3.64
Malaysian Ringgit (MYR)	1.14	6.24	-2.06	-8.07	-6.26	1.71	-5.21	-6.90	-6.02	-4.66	3.00
Indian Rupee (INR)	-2.13	3.90	1.93	-1.85	-4.19	-1.58	-7.30	-3.11	0.34	-2.55	6.26
Indonesian Rupiah (IDR)	-0.94	0.03	-3.10	-3.28	-6.61	-0.38	-10.76	-7.89	-1.12	-5.01	5.59
Philippine Peso (PHP)	0.73	-2.14	-4.54	-4.05	-3.86	1.30	-12.69	-9.25	-1.90	-2.22	2.97
Singapore Dollar (SGD)	0.00	6.39	0.41	-2.07	-2.01	0.57	-5.08	-4.55	0.12	-0.34	1.18
South Korean Won (KRW)	-1.55	5.45	-3.84	-2.69	-0.60	-0.99	-5.92	-8.59	-0.52	1.10	1.53
Taiwanese Dollar (TWD)	-0.48	6.28	3.37	0.10	-0.68	0.09	-5.18	-1.74	2.34	1.02	0.40
Thai Baht (THB)	-0.43	7.38	3.90	-0.93	-1.59	0.13	-4.20	-1.23	1.28	0.09	1.42
<b>LATIN AMERICA</b>											
Brazilian Real (BRL)	-0.53	2.89	2.71	-8.17	-8.50	0.04	-8.20	-2.36	-6.12	-6.94	7.12
Chilean Peso (CLP)	-1.67	4.80	3.09	-2.23	-5.78	-1.12	-6.50	-2.00	-0.04	-4.17	2.60
Colombian Peso (COP)	0.27	2.22	-1.93	-11.75	-9.32	0.84	-8.80	-6.78	-9.77	-7.77	5.02
Mexican Peso (MXN)	-1.85	13.45	6.58	-9.57	-6.67	-1.30	1.22	1.31	-7.55	-5.08	6.95
Peruvian New Sol (PEN)	-0.77	2.64	4.27	-3.97	-4.49	-0.20	-8.42	-0.88	-1.82	-2.86	3.14

Source: Factset, Bloomberg as of 9/30/17. Data provided is for informational use only. Past performance is no guarantee of future results. See end of report for important additional information.



# Emerging market currency performance and yields

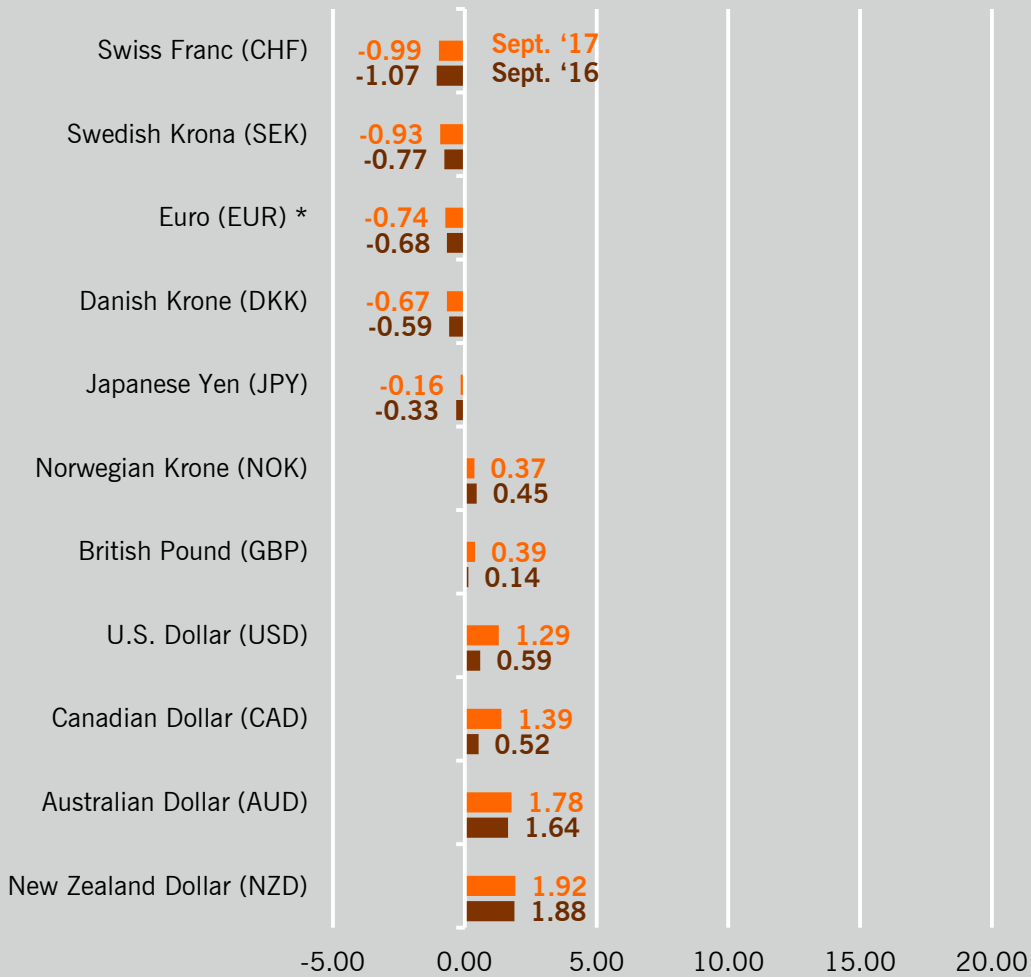
Currency	Spot Returns vs. USD (%)					Spot Returns vs. EUR (%)					Local Interest Rates (%)
	1-Mo.	YTD	1Y	3Y	5Y	1-Mo.	YTD	1Y	3Y	5Y	1Y
<b>EUROPE</b>											
Czech Koruna (CZK)	-0.08	16.52	9.37	-0.32	-2.28	0.49	3.96	3.96	1.91	-0.62	-0.72
Hungarian Forint (HUF)	-2.20	11.44	4.66	-2.19	-3.35	-1.64	-0.58	-0.51	0.00	-1.70	0.02
Polish Zloty (PLN)	-1.94	14.55	5.03	-3.19	-2.54	-1.38	2.20	-0.16	-1.03	-0.88	1.45
Romanian Leu (RON)	-0.69	10.76	1.86	-3.51	-1.93	-0.13	-1.18	-3.17	-1.36	-0.26	1.12
Russian Ruble (RUB)	0.90	6.06	9.49	-11.75	-11.53	1.47	-5.38	4.08	-9.78	-10.02	8.48
Turkish New Lira (TRY)	-2.91	-1.08	-15.62	-13.76	-12.77	-2.36	-11.75	-19.79	-11.83	-11.29	12.02
<b>MIDDLE EAST AND AFRICA</b>											
Ghanaian Cedi (GHS)	0.74	-3.17	-9.75	-9.44	-15.53	1.31	-13.61	-14.21	-7.42	-14.09	15.00
Israeli Shekel (ILS)	1.53	8.95	6.21	1.41	2.12	2.11	-2.80	0.97	3.68	3.86	0.09
Kenyan Shilling (KES)	-0.44	-0.76	-1.94	-4.71	-3.75	0.13	-11.45	-6.78	-2.58	-2.11	11.08
Moroccan Dirham (MAD)	-0.35	7.24	2.92	-2.47	-1.80	0.22	-4.32	-2.16	-0.29	-0.12	2.37
Nigerian Naira (NGN)	-0.14	-12.26	-12.26	-23.04	-15.22	0.43	-21.72	-16.59	-21.32	-13.77	19.64
South African Rand (ZAR)	-3.74	1.28	1.84	-5.77	-9.38	-3.19	-9.64	-3.19	-3.66	-7.84	7.04
Ugandan Shilling (UGX)	-0.14	0.14	-5.99	-9.75	-6.65	0.43	-10.66	-10.64	-7.73	-5.06	9.91
Zambian Kwacha (ZMK)	-6.10	2.58	3.62	-13.42	-12.02	-5.57	-8.48	-1.50	-11.48	-10.52	15.95

Source: Factset, Bloomberg as of 9/30/17. Data provided is for informational use only. Past performance is no guarantee of future results. See end of report for important additional information.

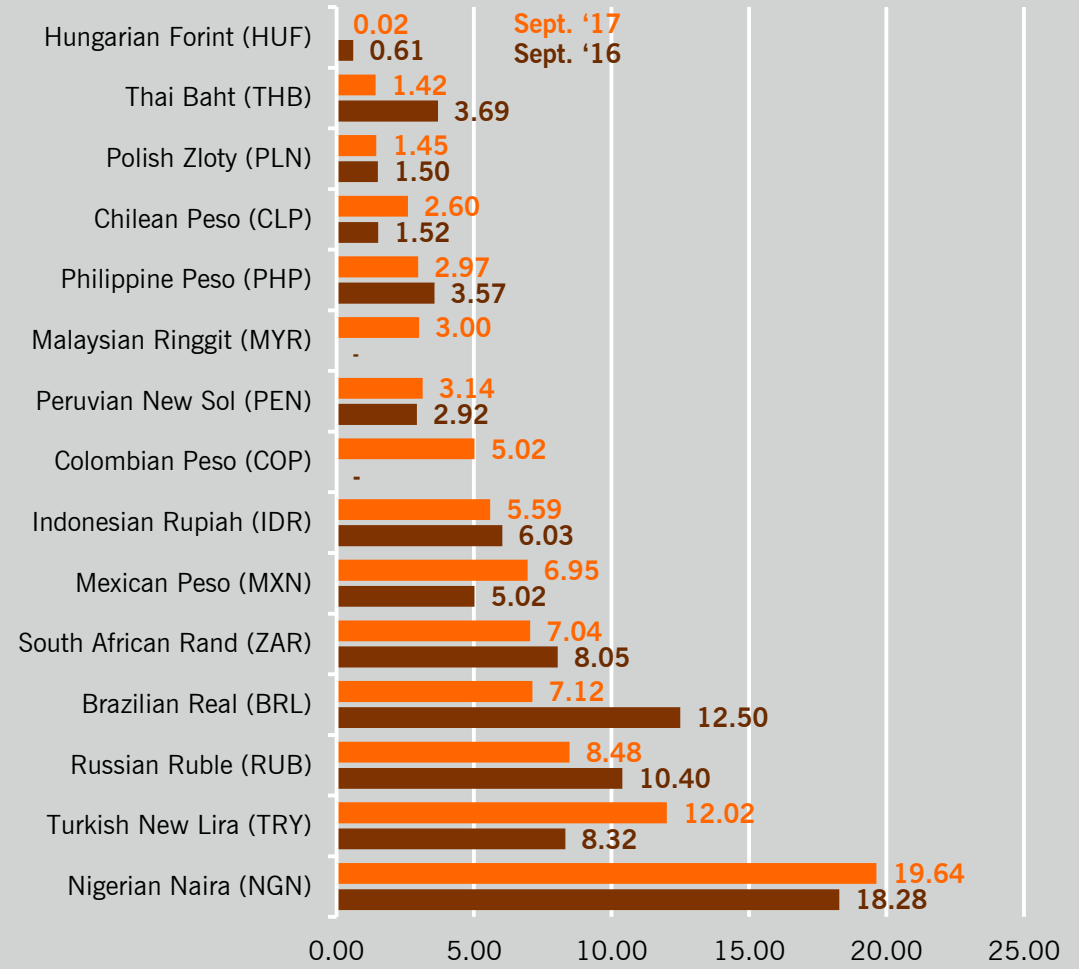


# Local sovereign currency yields

**Developed Market Local Interest Rates % (1 Year)**



**Emerging Market Local Interest Rates % (1 Year)**



\* German Rate. Source: Bloomberg as of 9/30/17. Data provided is for informational use only. Past performance is no guarantee of future results. See end of report for important additional information.





## Commodities return analysis (%)

Index	1-Mo.	3-Mo.	YTD	1Y	3Y	5Y
<b>Bloomberg Commodity Index</b>	<b>-0.15</b>	<b>2.52</b>	<b>-2.87</b>	<b>-0.29</b>	<b>-10.41</b>	<b>-10.47</b>
Bloomberg Sub Agriculture	0.00	-6.07	-9.23	-11.13	-6.17	-11.39
Coffee	-0.92	-0.34	-12.78	-22.75	-20.84	-14.69
Corn	-0.62	-9.96	-7.85	-5.96	-7.01	-17.88
Cotton	-3.42	0.06	-2.04	0.88	3.84	0.20
Soybean	2.52	1.68	-5.69	-2.45	0.70	-3.15
Soybean Oil	-6.31	-1.30	-7.57	-5.56	-3.62	-12.14
Sugar	-5.55	-1.34	-30.81	-41.24	-10.58	-15.61
Wheat	3.25	-19.45	-4.73	-7.24	-11.82	-20.64
Bloomberg Sub Energy	3.51	9.79	-12.16	-2.87	-26.57	-17.71
Brent Crude	7.79	15.62	-4.18	3.05	-26.87	-18.14
Heating Oil	5.30	21.29	0.96	10.03	-18.68	-14.43
Natural Gas	-2.98	-4.07	-27.88	-15.65	-31.41	-20.93
Unleaded Gas	-0.84	14.79	-9.59	1.81	-19.77	-13.64
WTI Crude Oil	7.82	11.19	-9.39	-2.90	-31.57	-19.93

Index	1-Mo.	3-Mo.	YTD	1Y	3Y	5Y
Bloomberg Sub Industrial Metals	-3.75	9.87	16.83	24.00	-1.32	-4.51
Aluminum	-1.19	8.61	21.92	23.13	-1.18	-5.18
Copper	-4.55	8.50	16.05	31.11	-1.82	-5.80
Nickel	-11.23	11.32	3.51	-2.31	-15.01	-12.14
Zinc	0.82	14.88	22.40	31.74	9.52	5.45
Bloomberg Sub Precious Metals	-3.34	2.30	8.72	-6.56	0.44	-8.81
Gold	-2.75	3.09	10.71	-3.35	1.26	-6.80
Platinum	-8.57	-1.28	0.65	-12.10	-11.52	-11.86
Silver	-5.04	0.04	3.16	-14.61	-2.19	-14.71
Bloomberg Sub Livestock	3.57	-7.54	2.96	24.41	-9.28	-2.34
Lean Hogs	2.40	-10.71	-4.69	24.32	-16.20	-7.05
Live Cattle	4.25	-5.53	8.13	24.14	-5.24	0.47

Source: Bloomberg, Morningstar as of 9/30/17. Data provided is for informational use only. Past performance is no guarantee of future results. See end of report for important additional information. Commodity represented by Bloomberg Commodity Index. Agriculture represented by Bloomberg Agriculture Subindex. Energy represented by Bloomberg Energy Subindex. Grains represented by Bloomberg Grains Subindex. Industrial Metals represented by Bloomberg Industrial Metals Subindex. Livestock represented by Bloomberg Livestock Subindex. Precious Metals represented by Bloomberg Precious Metals Subindex.



# Alternatives asset class return analysis (%)

Higher  
↑  
↓  
Lower

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	YTD 8/31*
Private Equity	18.85	Managed Futures 18.33	MLP 76.41	MLP 35.85	MLP 13.88	Private Equity 14.19	MLP 27.58	Managed Futures 18.37	Private Equity 5.66	MLP 18.31	Currency 10.04
Global Macro	17.36	Currency -3.85	Convertible Arbitrage 47.35	Private Equity 20.73	Private Equity 11.34	Multi-Strategy 11.19	Private Equity 21.32	Private Equity 11.13	Multi-Strategy 3.84	Private Equity 13.00	Long/Short Equity 9.55
Commodity	16.23	Global Macro -4.62	Fixed Income Arbitrage 27.41	Commodity 16.83	Global Macro 6.44	Fixed Income Arbitrage 11.04	Long/Short Equity 17.74	Multi-Strategy 6.09	Long/Short Equity 3.55	Commodity 11.77	Equity Market Neutral 7.09
Currency	16.04	Event Driven -17.74	Multi-Strategy 24.62	Global Macro 13.47	Fixed Income Arbitrage 4.69	Event Driven 10.63	Event Driven 15.47	Long/Short Equity 5.55	Equity Market Neutral 1.69	Convertible Arbitrage 6.60	Multi-Strategy 6.71
Long/Short Equity	13.66	Long/Short Equity -19.76	Event Driven 20.38	Event Driven 12.63	Equity Market Neutral 4.49	Long/Short Equity 8.21	Multi-Strategy 11.23	MLP 4.80	Convertible Arbitrage 0.81	Multi-Strategy 4.41	Fixed Income Arbitrage 5.45
Event Driven	13.20	Private Equity -22.61	Long/Short Equity 19.47	Fixed Income Arbitrage 12.51	Multi-Strategy 1.83	Convertible Arbitrage 7.82	Equity Market Neutral 9.27	Fixed Income Arbitrage 4.37	Fixed Income Arbitrage 0.59	Fixed Income Arbitrage 4.29	Event Driven 4.32
MLP	12.72	Multi-Strategy -23.63	Commodity 18.91	Managed Futures 12.22	Convertible Arbitrage 1.13	Currency 7.45	Convertible Arbitrage 6.03	Global Macro 3.11	Global Macro 0.18	Global Macro 3.58	Convertible Arbitrage 3.42
Multi-Strategy	10.10	Fixed Income Arbitrage -28.82	Private Equity 13.30	Convertible Arbitrage 10.95	Managed Futures -4.19	MLP 4.80	Global Macro 4.32	Event Driven 1.57	Managed Futures -0.93	Currency 3.54	Global Macro 0.14
Equity Market Neutral	9.27	Convertible Arbitrage -31.59	Currency 11.69	Multi-Strategy 9.29	Currency -5.19	Global Macro 4.58	Fixed Income Arbitrage 3.80	Equity Market Neutral -1.19	Event Driven -6.29	Event Driven 2.68	Managed Futures -0.47
Managed Futures	6.01	Commodity -35.65	Global Macro 11.55	Long/Short Equity 9.28	Long/Short Equity -7.31	Equity Market Neutral 0.85	Currency -2.04	Convertible Arbitrage -1.68	Currency -7.61	Long/Short Equity -3.43	Commodity -2.72
Convertible Arbitrage	5.17	MLP -36.91	Equity Market Neutral 4.05	Currency 5.68	Event Driven -9.09	Commodity -1.06	Managed Futures -2.56	Currency -7.03	Commodity -24.66	Equity Market Neutral -4.58	MLP -6.27
Fixed Income Arbitrage	3.83	Equity Market Neutral -40.32	Managed Futures -6.57	Equity Market Neutral -0.85	Commodity -13.32	Managed Futures -2.93	Commodity -9.52	Commodity -17.01	MLP -32.59	Managed Futures -6.84	Private Equity --

Source: Morningstar as of 8/31/17. \*Data is on a 1-month lag. Data provided is for informational use only. Past performance is no guarantee of future results. See end of report for important additional information. Global Macro represented by Credit Suisse Global Macro Index. Private equity represented by Cambridge Associates US Private Equity Index. MLP represented by Alerian MLP Index. Event Driven represented by Credit Suisse Event Driven Index. Multi-Strategy represented by Credit Suisse Multi-Strategy Index. Long/Short Equity represented by Credit Suisse Long/Short Equity Index. Convertible Arbitrage represented by Credit Suisse Convertible Arbitrage Index. Currency represented by JP Morgan EMLI+ Index. Equity Market Neutral represented by Credit Suisse Equity Market Neutral Index. Fixed Income Arbitrage represented by Credit Suisse Fixed Income Arbitrage Index. Managed Futures represented by Credit Suisse Managed Futures Index. Commodity represented by Bloomberg Commodity Index

Trends & Takeaways  
Fixed Income  
Equities  
Alternatives  
Asset Allocation Ideas  
Additional Information



# Equity Yields Around the Globe

Trends & Takeaways

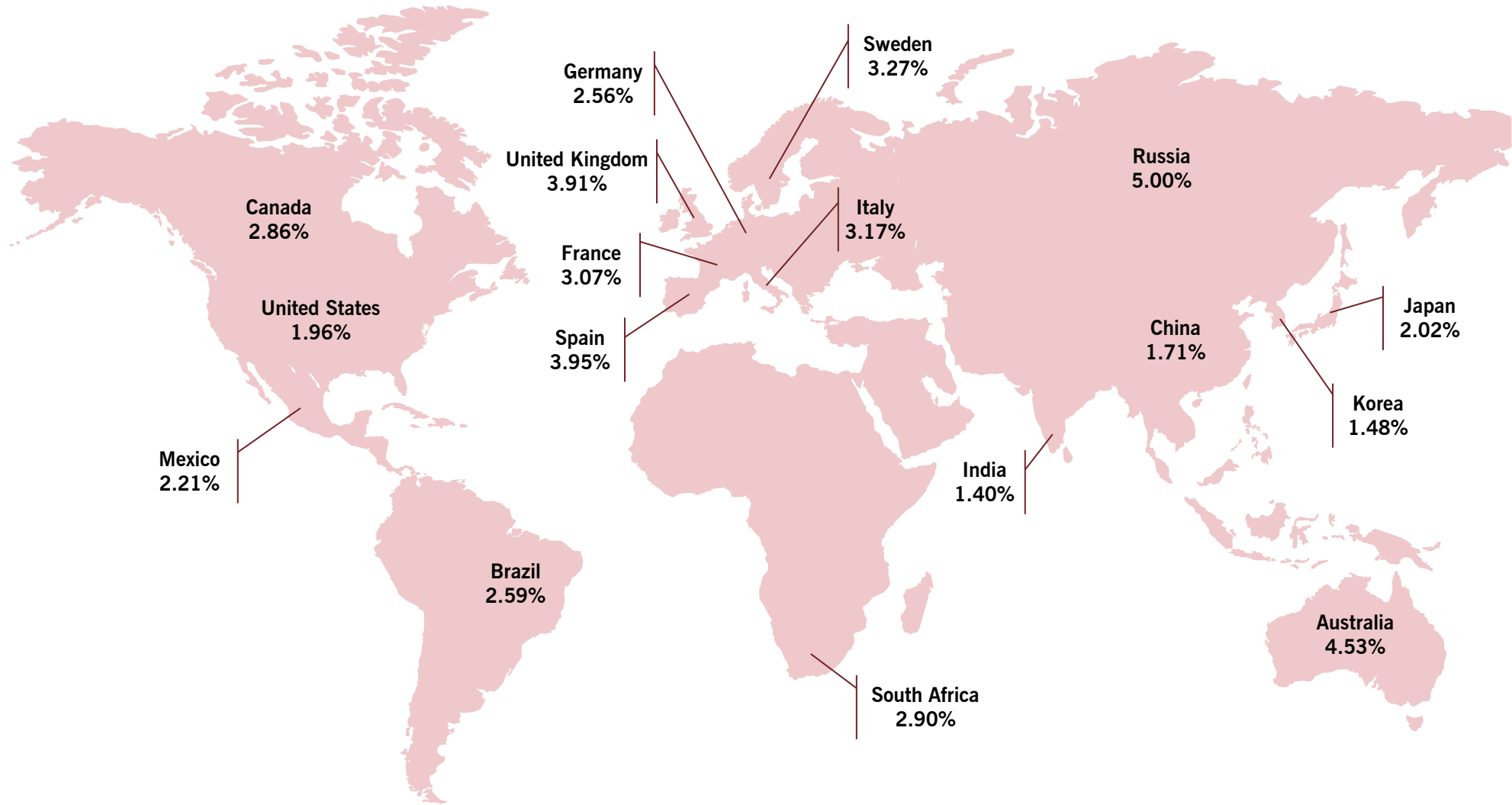
Fixed Income

Equities

Alternatives

Asset Allocation Ideas

Additional Information

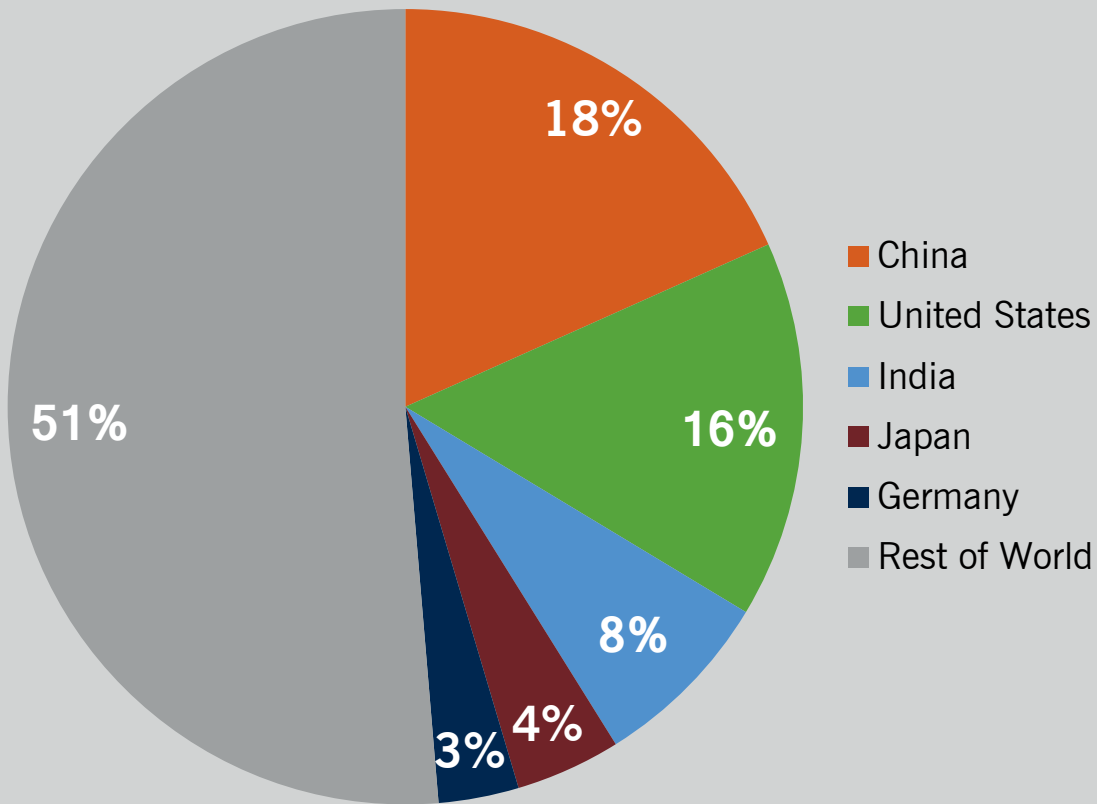


Source: Factset as of 9/30/17. Data provided is for informational use only. Past performance is no guarantee of future results. See end of report for important additional information.

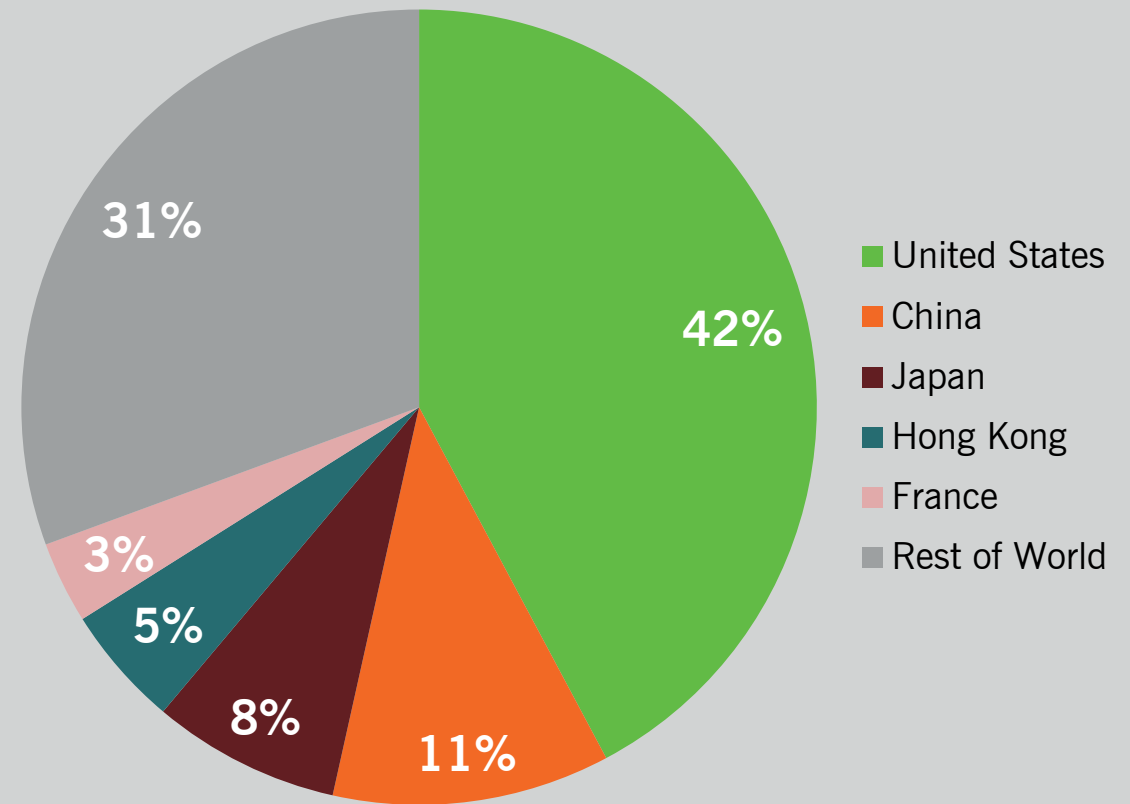


# U.S. Dominates Global Equity Allocations

**GDP % of World Total**



**Market Capitalization % of World Total**



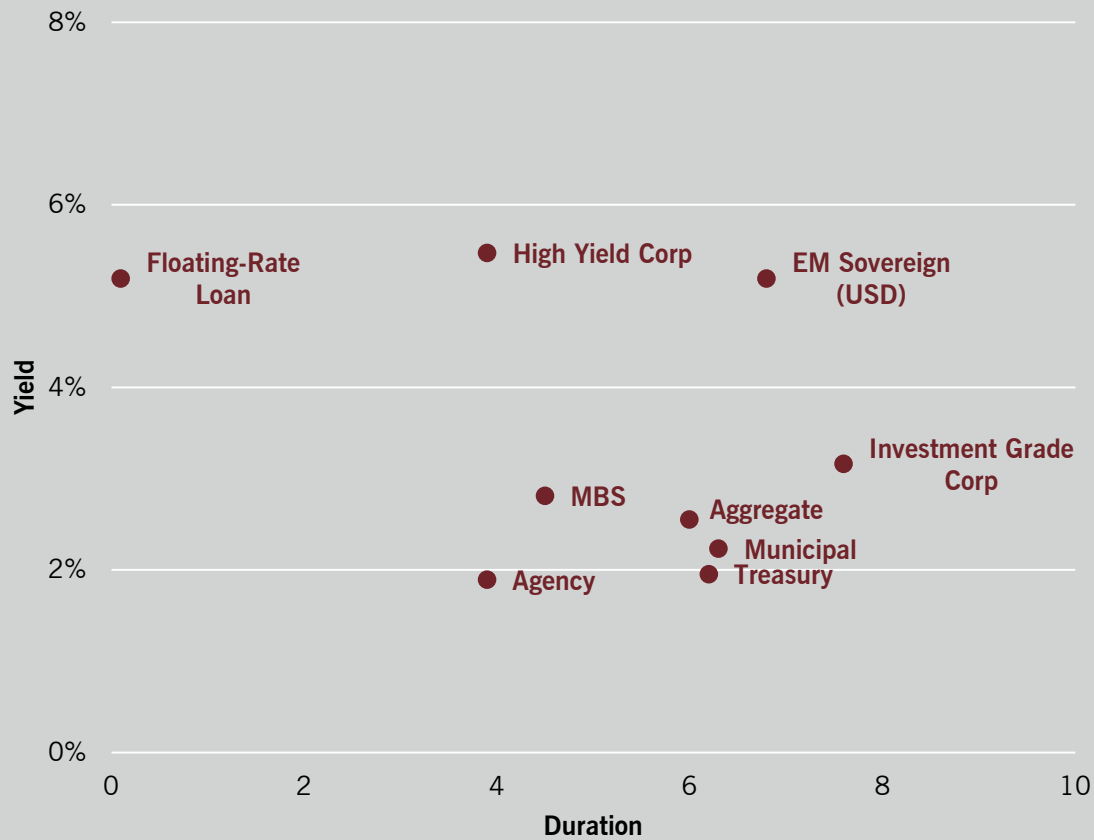
Source: World Economic Outlook Database, April 2017; World Bank.

Data provided is for informational use only. Past performance is no guarantee of future results. See end of report for important additional information.

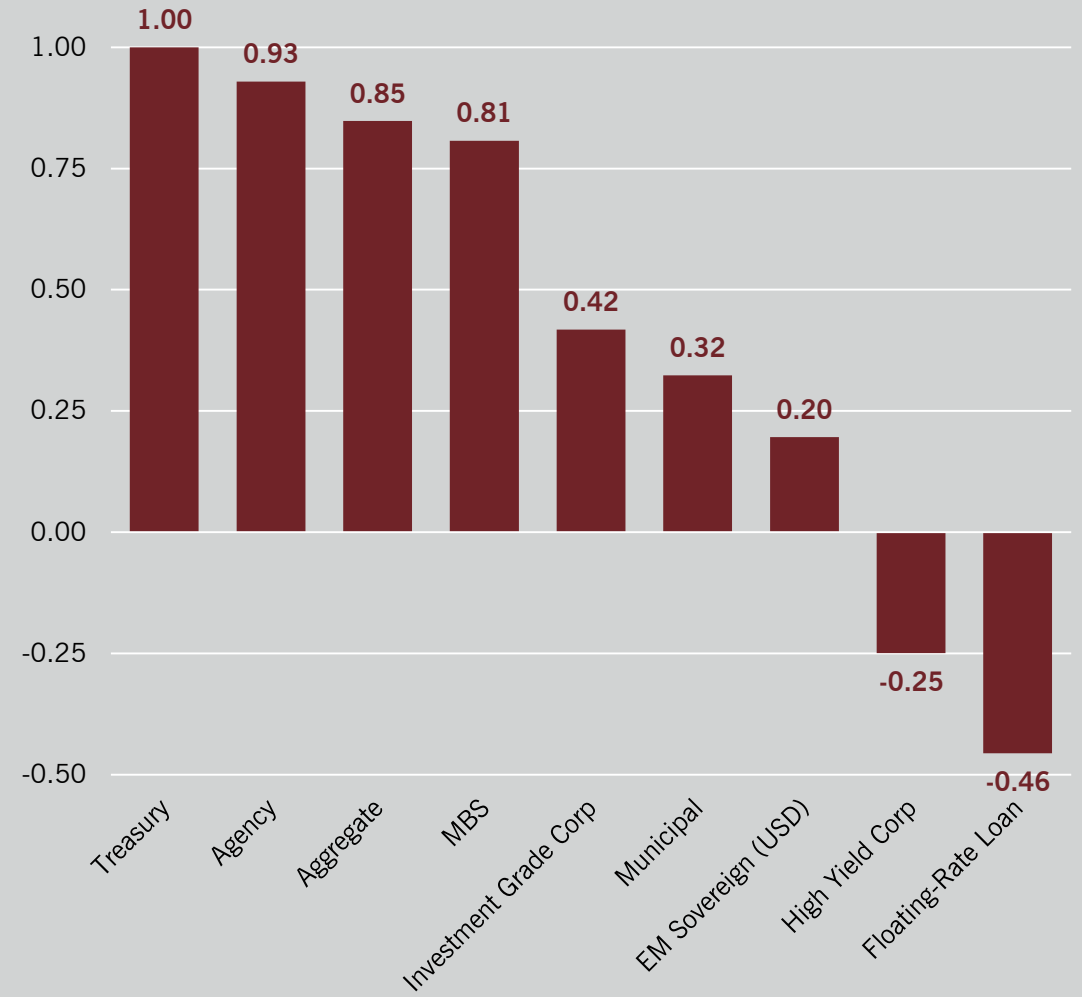


# Loans & High Yield: Swapping Rate Risk for Credit Exposure

Yield/Duration



10 Year Correlation with US Treasuries

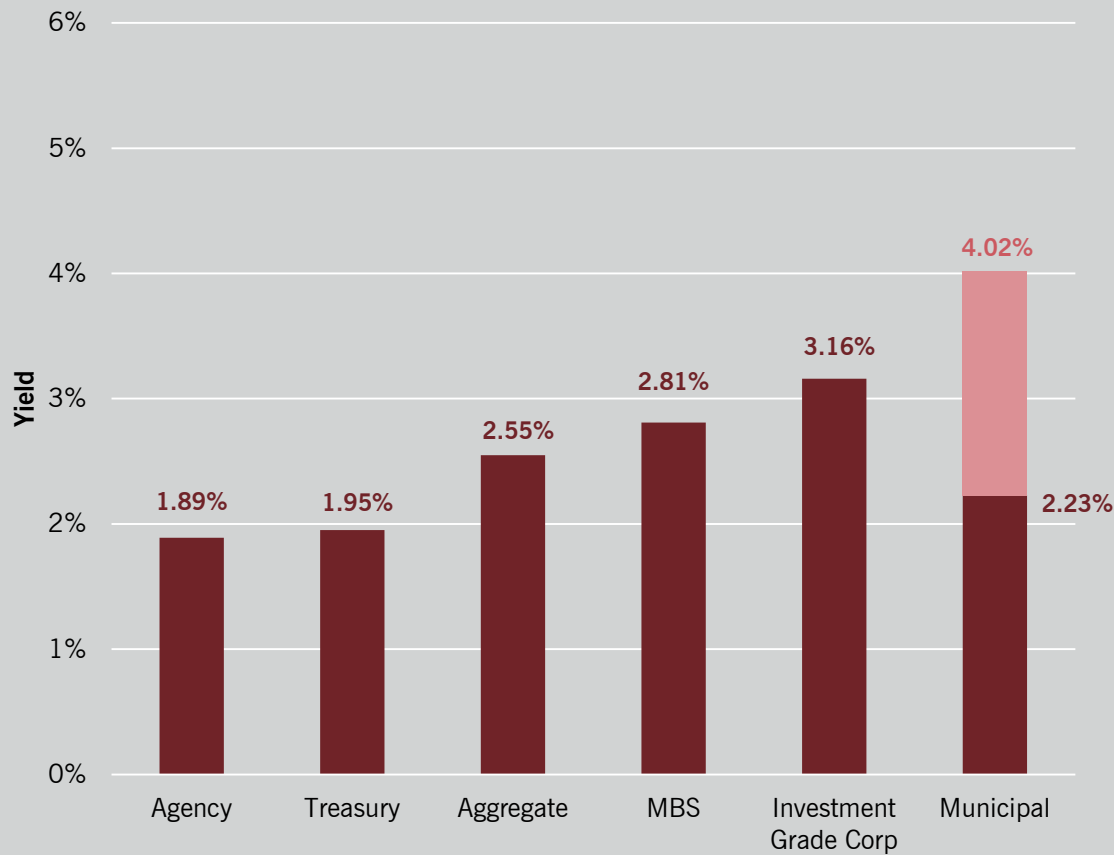


Source: Factset, Morningstar as of 9/30/17. Data provided is for informational use only. Past performance is no guarantee of future results. See end of report for important additional information.

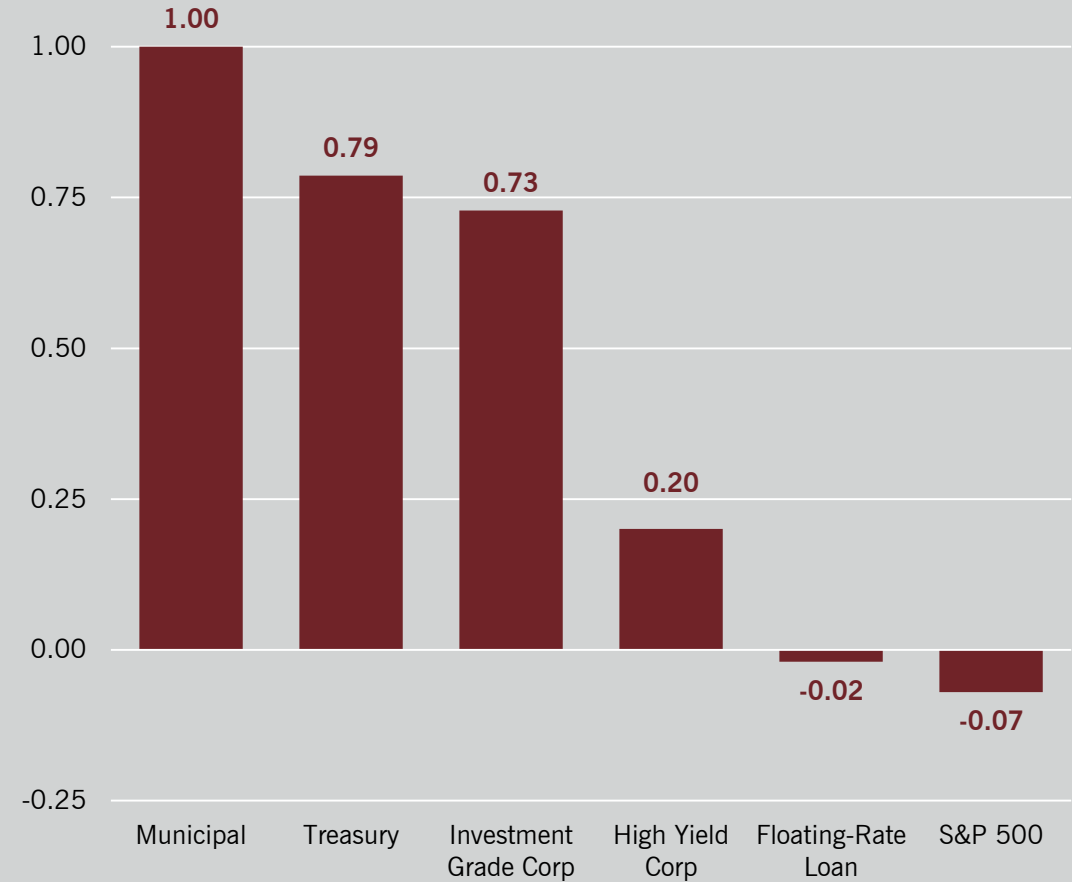


# Municipal Bonds Tax-Equivalent Yield and 5 Year Correlation

**Tax-Equivalent Yield**



**5 Year Correlation with Municipals**

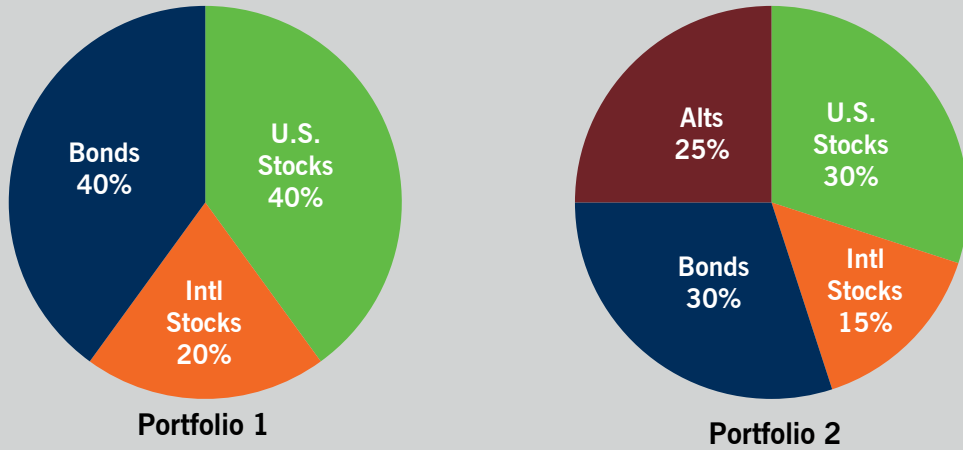


Source: Factset, Morningstar as of 9/30/17. Tax equivalent yield assumes a maximum rate of 44.59%, which includes the tax from the Affordable Care Act and itemized deduction limitations. Data provided is for informational use only. Past performance is no guarantee of future results. See end of report for important additional information.



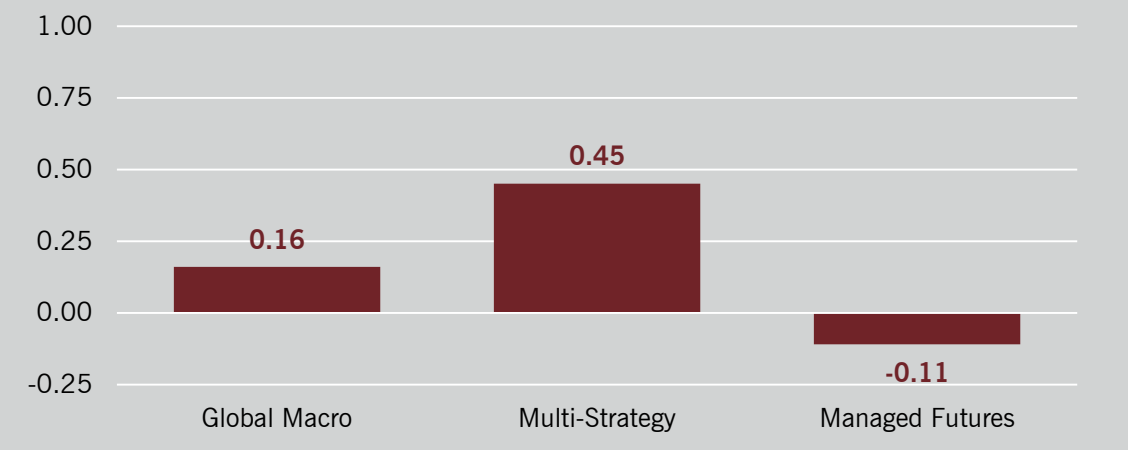
# Meaningful Allocation to Alts Has Improved Performance and Reduced Risk

## Asset Allocation



20 Years ending 8/31/17	Return (%)	Standard Deviation (%)	Maximum Drawdown (%)
Portfolio 1	6.28	9.03	-34.06
Portfolio 2	6.64	7.26	-27.88

## 20 Year Correlation with U.S. Stocks



## 20 Year Correlation with Bonds



Source: Morningstar as of 8/31/17. \*Data is on a one month lag. Data provided is for informational use only. Past performance is no guarantee of future results. See end of report for important additional information. U.S Stocks represented by S&P 500 Index. International Stocks represented by MSCI EAFE Index. Bonds represented by Bloomberg Barclays US Aggregate Bond Index. Alternatives represented by 10% Credit Suisse Global Macro Index, 10% Credit Suisse Multi-Strategy Index, 5% Credit Suisse Managed Futures Index.



# Major asset class return analysis (%)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	YTD 9/17
Higher ↑	Emerging Markets 39.42	US Agg 5.24	Emerging Markets 78.51	Small-Cap 26.85	Municipal 10.70	Emerging Markets 18.22	Small-Cap 38.82	S&P 500 13.69	Municipal 3.30	Small-Cap 21.31	Emerging Markets 27.78
	Commodities 16.23	Municipal -2.47	High Yield 57.51	Emerging Markets 18.88	US Agg 7.84	International 17.32	S&P 500 32.39	Municipal 9.05	S&P 500 1.38	High Yield 17.49	International 19.96
	International 11.17	High Yield -26.39	Bank Loan 51.62	Commodities 16.83	High Yield 4.38	Small-Cap 16.35	International 22.78	US Agg 5.97	US Agg 0.55	S&P 500 11.96	S&P 500 14.24
	Asset Allocation 7.75	Asset Allocation -26.69	International 31.78	High Yield 15.19	S&P 500 2.11	S&P 500 16.00	Asset Allocation 13.83	Small-Cap 4.89	Bank Loan -0.69	Commodities 11.77	Small-Cap 10.94
	US Agg 6.97	Bank Loan -29.10	Small-Cap 27.17	S&P 500 15.06	Bank Loan 1.52	High Yield 15.58	High Yield 7.42	Asset Allocation 4.28	International -0.81	Emerging Markets 11.19	Asset Allocation 10.23
	S&P 500 5.49	Small-Cap -33.79	S&P 500 26.46	Asset Allocation 12.91	Asset Allocation -0.35	Asset Allocation 11.91	Bank Loan 5.29	High Yield 2.50	Asset Allocation -2.03	Bank Loan 10.16	High Yield 7.05
	Municipal 3.36	Commodities -35.65	Asset Allocation 26.35	Bank Loan 10.13	Small-Cap -4.18	Bank Loan 9.66	US Agg -2.02	Bank Loan 1.60	Small-Cap -4.41	Asset Allocation 8.61	Municipal 4.66
	High Yield 2.19	S&P 500 -37.00	Commodities 18.91	International 7.75	International -12.14	Municipal 6.78	Municipal -2.55	Emerging Markets -2.19	High Yield -4.64	US Agg 2.65	US Agg 3.14
	Bank Loan 2.08	International -43.38	Municipal 12.91	US Agg 6.54	Commodities -13.32	US Agg 4.21	Emerging Markets -2.60	International -4.90	Emerging Markets -14.92	International 1.00	Bank Loan 2.97
Lower ↓	Small-Cap -1.57	Emerging Markets -53.33	US Agg 5.93	Municipal 2.38	Emerging Markets -18.42	Commodities -1.06	Commodities -9.52	Commodities -17.01	Commodities -24.66	Municipal 0.25	Commodities -2.87

Source: FactSet, Zephyr and Morningstar as of 9/30/17. Data provided is for informational use only. Past performance is no guarantee of future results. See end of report for important additional information. S&P 500 represented by the S&P 500 Index. International represented by MSCI EAFE Index. Emerging Markets represented by MSCI Emerging Markets Index. Small-Cap represented by Russell 2000 Index. US Aggregate represented by the Bloomberg Barclays Capital US Aggregate Bond Index. Municipal represented by Bloomberg Barclays Municipal Bond Index. High Yield represented by BofA ML US High Yield Index. Bank Loan represented by S&P/LSTA Leveraged Loan Index. Commodity represented by Bloomberg Commodity Index. The Asset Allocation portfolio assumes the following weights: 25% in the S&P 500 Index, 15% in the MSCI EAFE Index, 5% in the MSCI Emerging Markets Index, 10% in the Russell 2000 Index, 25% in the Bloomberg Barclays Capital US Aggregate Bond Index, 5% in the Bloomberg Barclays Municipal Bond Index, 5% in the Bloomberg Barclays US Corporate High Yield Index, and 5% in the Bloomberg Commodity Index.





# Major asset classes correlation table

	S&P 500	International	Emerging Markets	Small-Cap	US Aggregate	Municipal	High Yield	Bank Loan	Commodities
S&P 500	1.00	0.89	0.80	0.91	0.03	0.08	0.73	0.59	0.51
International	0.77	1.00	0.88	0.79	0.14	0.14	0.78	0.60	0.58
Emerging Markets	0.58	0.74	1.00	0.72	0.19	0.15	0.80	0.63	0.65
Small-Cap	0.79	0.54	0.38	1.00	-0.07	0.00	0.70	0.55	0.45
US Aggregate	-0.06	0.11	0.27	-0.21	1.00	0.56	0.25	0.00	0.06
Municipal	-0.07	0.14	0.21	-0.27	0.82	1.00	0.33	0.28	-0.07
High Yield	0.65	0.75	0.72	0.53	0.30	0.20	1.00	0.86	0.55
Bank Loan	0.51	0.62	0.58	0.44	0.10	-0.02	0.83	1.00	0.45
Commodities	0.23	0.29	0.41	0.21	-0.04	-0.04	0.53	0.50	1.00

■ 5 Years ended September 30, 2017

■ 10 Years ended September 30, 2017

Source: FactSet, Zephyr and Morningstar as of 9/30/17. The table above shows the return correlation between various asset classes (represented by market indices as defined in this disclosure) over the past five and ten years. Data provided is for informational use only. Past performance is no guarantee of future results. See end of report for important additional information. S&P 500 is represented by the S&P 500 Index. International is represented by MSCI EAFE Index. Emerging Markets is represented by MSCI Emerging Markets Index. Small-Cap is represented by Russell 2000 Index. US Aggregate is represented by the Bloomberg Barclays Capital US Aggregate Bond Index. Municipal is represented by Bloomberg Barclays Municipal Bond Index. High Yield is represented BofAML US High Yield Index. Bank Loan is represented by S&P/LSTA Leveraged Loan Index. Commodity is represented by Bloomberg Commodity Index.



## Fund and ETF flows by category

### Top 10 Open-End Mutual Fund Categories by Monthly Flows (\$MM)

08/17	1 Mo.	3 Mo.	12 Mo.
Intermediate-Term Bond	10,459	28,982	93,823
Foreign Large Blend	5,311	18,936	56,451
Multisector Bond	3,719	9,637	23,561
Short-Term Bond	2,011	6,084	10,905
Ultrashort Bond	1,766	5,905	28,344
Muni National Interm	1,652	4,249	4,929
Diversified Emerging Mkts	1,646	5,382	11,636
World Bond	1,371	5,555	21,421
Nontraditional Bond	1,068	2,876	6,034
Muni National Short	976	2,014	1,936

### Bottom 10 Open-End Mutual Fund Categories by Monthly Flows (\$MM)

08/17	1 Mo.	3 Mo.	12 Mo.
Mid-Cap Blend	(794)	(3,843)	5,220
Health	(985)	(1,039)	(14,089)
World Allocation	(1,011)	(2,695)	(20,745)
Mid-Cap Growth	(1,094)	(1,352)	(12,473)
Allocation--50% to 70% Equity	(1,357)	(2,077)	(2,747)
Mid-Cap Value	(1,428)	(2,144)	(10,926)
Small Blend	(1,466)	(3,943)	(1,610)
High Yield Bond	(3,240)	(6,959)	(18,093)
Large Value	(5,826)	(15,728)	(37,358)
Large Growth	(7,928)	(15,976)	(78,999)

### Top 10 Exchange-Traded Fund Categories by Monthly Flows (\$MM)

08/17	1 Mo.	3 Mo.	12 Mo.
Large Blend	4,730	12,097	89,553
Foreign Large Blend	4,009	18,185	58,277
Intermediate-Term Bond	2,720	7,284	21,594
Diversified Emerging Mkts	2,246	8,200	30,636
Small Blend	1,920	1,986	18,729
Corporate Bond	1,918	8,000	17,568
Large Growth	1,736	496	15,243
Volatility	1,489	1,732	2,706
Large Value	1,461	2,935	26,605
Industrials	1,183	751	8,080

### Bottom 10 Exchange-Traded Fund Categories by Monthly Flows (\$MM)

08/17	1 Mo.	3 Mo.	12 Mo.
Long-Term Bond	(209)	(22)	506
Small Growth	(314)	116	2,307
Equity Energy	(347)	(49)	2,081
Miscellaneous Region	(505)	1	1,219
Financial	(579)	2,976	15,940
Mid-Cap Blend	(887)	(1,856)	9,873
Japan Stock	(901)	(860)	624
Health	(1,154)	1,954	4,442
Consumer Cyclical	(1,390)	(1,359)	(1,890)
Consumer Defensive	(1,472)	(207)	(3,014)

Source: Morningstar as of 9/30/17. Data provided is for informational use only. Past performance is no guarantee of future results. See end of report for important additional information.



# Glossary of terms

## Index definitions

**Bloomberg Barclays Global Aggregate Ex-USD Index** is a broad-based measure of global Investment Grade fixed-rate debt investments, excluding USD-denominated debt

**Bloomberg Barclays High Yield Municipal Bond Index** is an unmanaged index of non-Investment Grade Municipal bonds traded in the U.S.

**Bloomberg Barclays Municipal Bond Index** is an unmanaged index of Municipal bonds traded in the U.S.

**Bloomberg Barclays Taxable Municipal Bond Index** is an unmanaged index of Taxable Municipal bonds traded in the U.S.

**Bloomberg Barclays U.S. Agency Index** measures agency securities issued by U.S government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the U.S. government

**Bloomberg Barclays U.S. Aggregate Index** is an unmanaged index of domestic investment-grade bonds, including corporate, government and mortgage-backed securities

**Bloomberg Barclays U.S. Asset Backed Securities (ABS) Index** measures ABS with the following collateral type: credit and charge card, auto, and utility loans

**Bloomberg Barclays U.S. CMBS Index** measures the market of conduit and fusion CMBS deals with a minimum current deal size of \$300mn

**Bloomberg Barclays U.S. Corporate Investment Grade Index** is an unmanaged index that measures the performance of investment-grade corporate securities within the Barclays U.S. Aggregate Index

**Bloomberg Barclays U.S. Mortgage Backed Securities (MBS) Index** measures agency mortgage-backed pass-through securities issued by GNMA, FNMA, and FHLMC

**Bloomberg Barclays U.S. Treasury Index** measures public debt

instruments issued by the U.S. Treasury

**BofA Merrill Lynch US Inflation-Linked Treasury Index** tracks the performance of USD denominated inflation linked sovereign debt publicly issued by the US government

**BofA Merrill Lynch Fixed Rate Preferred Securities Index** is an unmanaged index of fixed-rate, preferred securities issued in the U.S.

**BofA Merrill Lynch UK Gilts Index** tracks the performance of GBP denominated sovereign debt publicly issued by the UK government in its domestic market.

**BofA Merrill Lynch European Union Government Bond Index** tracks the performance of sovereign debt publicly issued by countries that are members of the European Union

**BofA Merrill Lynch U.S. High Yield Index** is an unmanaged index of below-investment grade U.S. corporate bonds.

**Bloomberg Commodity Index** is a broadly diversified index tracking futures contracts on physical commodities

**CBOE Volatility Index (VIX)** tracks the implied volatilities of a wide range of S&P 500 Index options

**CBOE S&P 500 BuyWrite Index** measures the performance of a hypothetical buy-write strategy on the S&P 500 Index

**FTSE 100 Index** is an unmanaged market-capitalization weighted index representing the performance of the 100 largest UK listed blue chip companies, which pass screening for size and liquidity

**FTSE All Small Index** consists of all the companies in the FTSE SmallCap and FTSE Fledgling indices

**JPMorgan Corporate Emerging Markets Bond Index (CEMBI) Broad Diversified** is an unmanaged index of USD-denominated emerging market corporate bonds.

**JPMorgan Emerging Markets Bond Index (EMBI) Global Diversified** is an unmanaged index of USD-denominated bonds

with maturities of more than one year issued by emerging markets governments.

**JPMorgan Government Bond Index-Emerging Markets (GBI-EM) Global Diversified** is an unmanaged index of local-currency bonds with maturities of more than one year issued by emerging market governments

**Morgan Stanley Capital International (MSCI) Emerging Markets Index** is an unmanaged index of emerging markets common stocks

**Morgan Stanley Capital International All Country Asia Pacific Index (MSCI AC Asia Pac)** is an unmanaged total return, capitalization-weighted index that measures the performance of stock markets in 15 Pacific region countries, including Australia, China, Hong Kong, India, Indonesia, Japan, Korea, Malaysia, New Zealand, Pakistan, the Philippines, Singapore, Sri Lanka, Taiwan and Thailand

**Morgan Stanley Capital International (MSCI) Japan Index** is an unmanaged index designed to measure the performance of the large and mid cap segments of the Japan market

**Morgan Stanley Capital International (MSCI) World Index** is an unmanaged index of equity securities in the developed markets

**Morgan Stanley Capital International All Country World (MSCI AC World) Index** is an unmanaged free float-adjusted market-capitalization-weighted index designed to measure the equity market performance of developed and emerging markets

**Morgan Stanley Capital International Europe (MSCI Europe) Index** is an unmanaged free float-adjusted market-capitalization-weighted index designed to measure the equity market performance of the developed markets in Europe

Unless otherwise stated, index returns do not reflect the effect of any applicable sales charges, commissions, expenses, taxes or leverage, as applicable. It is not possible to invest directly in an index. Data provided is for informational use only. Past performance is no guarantee of future results. See end of report for important additional information.



# Glossary of terms and about risk

## Index definitions (cont.)

**Morgan Stanley Capital International Europe, Australasia, Far East (MSCI EAFE) Index** is an unmanaged index of equities in the developed markets, excluding the U.S. and Canada

**Nikkei 225 Stock Average Index** is unmanaged price-weighted index of 225 top-rated Japanese companies listed in the First Section of the Tokyo Stock Exchange

**Russell 1000 Index** is an unmanaged index of 1,000 U.S. large-cap stocks

**Russell 1000 Growth Index** is an unmanaged index of 1,000 U.S. large-cap growth stocks

**Russell 1000 Value Index** is an unmanaged index of 1,000 U.S. large-cap value stocks

**Russell 2000 Index** is an unmanaged index of 2,000 U.S. small-cap stocks

**Russell 2500 Index** is an unmanaged index of approximately 2,500 U.S. small- and mid-cap U.S. stocks

**Russell Midcap Index** is an unmanaged index of U.S. mid-cap stocks

**Standard & Poor's 500 Index** is an unmanaged

index of large-cap stocks commonly used as a measure of U.S. stock market performance

**S&P/LSTA Leveraged Loan Index** is an unmanaged index of the institutional leveraged loan market

**STOXX Europe 600 Index** is a fixed component number index designed to provide a broad yet liquid representation of large, mid and small capitalization companies in Europe

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## Terms

**Municipal-to-Treasury Yield Ratios** are relative value indicators that measure the richness or cheapness of Municipal bond yields to comparable maturity Treasury bond yields.

**Yield to Worst** is a measure which reflects the lowest potential yield earned on a bond without the issuer defaulting. The yield to worst is

calculated by making worst-case scenario assumptions by calculating the returns that would be received if provisions, including prepayment, call or sinking fund, are used by the issuer.

## About risk

**Bank Loans** – There can be no assurance that the liquidation of collateral securing an investment will satisfy the issuer's obligation in the event of non-payment or that collateral can be readily liquidated. The ability to realize the benefits of any collateral may be delayed or limited.

**Commodities** – The value of commodities investments will generally be affected by overall market movements and factors specific to a particular industry or commodity including weather, embargoes, tariffs, or health, political, international and regulatory developments.

**Credit** – Investments in income securities may be affected by changes in the creditworthiness of the issuer and are subject to the risk of non-payment of principal and interest. The value of income securities also may decline because of real or perceived concerns about the issuer's ability to make principal and interest payments.

**Duration** – Securities with longer durations tend to be more sensitive to interest rate changes than securities with shorter durations.

**Equity** – Equity investment values are sensitive to stock market volatility.

**Foreign** – Investments in foreign instruments or currencies can involve greater risk and volatility than U.S. investments because of adverse market, economic, political, regulatory, geopolitical, or other conditions. In emerging countries, these risks may be more significant.

**Gov't Agency** – While certain U.S. Government-sponsored agencies may be chartered or sponsored by acts of Congress, their securities are neither issued nor guaranteed by the U.S. Treasury.

**Income Market** – An imbalance in supply and demand in the income market may result in valuation uncertainties and greater volatility, less liquidity, widening credit spreads and a lack of price transparency in the market. There generally is limited public information about Municipal issuers.

**Inflation-Linked** – Interest payments on inflation-linked securities may vary widely and will fluctuate as principal and interest are adjusted for inflation. Investments in inflation-linked securities may lose value in the event that the actual rate of inflation is different than the rate of the inflation index.

**Interest Rate** – As interest rates rise, the value of certain income investments is likely to decline.

**Lower-Rated** – Investments rated below Investment Grade (typically referred to as "junk") are generally subject to greater price volatility and illiquidity than higher rated investments.

**Maturity** – Longer-term bonds typically are more sensitive to interest rate changes than shorter-term bonds.

**Preferred Stocks** – When interest rates rise, the value of preferred stocks will generally decline.

**Prepayment - MBS** – Mortgage-backed securities are subject to prepayment risk.

**Prepayment - Bank Loan** – Bank Loans are subject to prepayment risk.

**Real Estate** – Changes in real estate values or economic downturns can have a significant negative effect on issuers in the real estate industry, including REITs.

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## For more information

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