Morningstar Market Commentary

Q2 2016

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Rates Are Staying Lower for Longer, Brexit Result Shocks Markets

Q2 2016 Morningstar Market Barometer

Q2 2016 Morningstar Index Returns

Stocks	
US Market Index	2.60
Global Ex-US Index	1.23
Developed Ex-US Index	1.60
Emerging Markets Index	–0.76
Bonds	
Core Bond Index	2.20
Commodities	
Long-Only Commodity Index	15.72

The second quarter of 2016 was far less exciting than the first quarter until the very end, when the United Kingdom voted to leave to the European Union. The ensuing sell-off was short-lived in the United States, as the Morningstar US Market Index finished the quarter at 2.6% following a full recovery from Brexit. European markets did not fully recover before June's end, and the Morningstar Developed ex-US Index finished at negative 0.76% for the quarter.

The U.S. posted stable core CPI and core PCE numbers, with the former remaining above 2% and latter steady at 1.6%. Energy prices also rebounded somewhat in the second quarter, which should help boost the noncore inflation numbers further. While the change in nonfarm payrolls was much lower in May than in the previous several months, the job market saw unemployment dip to 4.7% from 5%. Retail sales were quite strong in April, growing at 1.3%, the biggest monthly increase in two years.

With inflation at or near its 2% target and a further improving U.S. economy, the Federal Reserve must again decide when the next rate hike will be. The market consensus is lower for longer, with most expecting at most one more hike for the rest of 2016. In the most recent minutes, the Fed stated it will remain cautious in the face of considerable uncertainty.

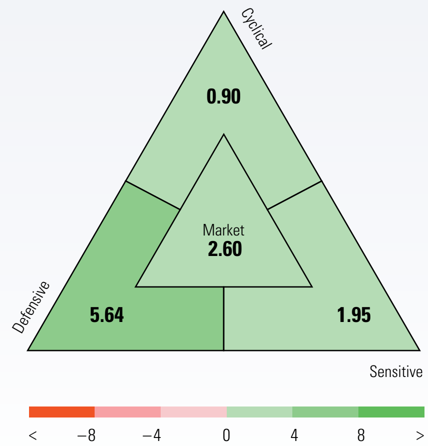
While the initial reaction in Europe and the U.K. was largely negative following the referendum vote, it would appear that there are many ways in which things could turn out just fine in the long run. Whatever does happen, it will probably take years before an exit, whatever form that takes, is completed.

The Morningstar Global ex-US Index and Emerging Markets ex-US Index both finished in positive territory for the quarter, with returns of 1.23% and 1.6%, respectively. While China's official GDP numbers are not usually taken at face value, alternative estimates suggest that growth was roughly stable during the quarter, albeit probably below the official estimates. Policymakers are still trying to figure out how to deal with the many structural issues facing the country. Other emerging markets have begun to feel a benefit from increasing energy and commodity prices, which have recovered somewhat from the lows seen in 2015.

Sector Indexes

All three super sector indexes recorded positive returns during the second quarter. The US Defensive Super Sector Index was the star performer with a return of 5.64%, as all three of its subsectors—utilities, healthcare, and consumer defensive—performed well. The US Sensitive Super Sector Index returned 1.95%, driven largely by the outsize gains in the energy sector as oil and natural gas prices increased. The US Cyclical Super Sector Index returned 0.9%; despite the strong returns of real estate, it was weighed down by the consumer cyclical sector.

Q2 2016 Morningstar Sector Delta and Return %



Sector	Quarter	1-Year	3-Year
Cyclical	**0.90**	**−1.32**	**9.31**
Basic Materials	4.24	−0.34	8.03
Consumer Cyclical	−1.57	0.06	11.12
Financial Services	0.63	−7.66	7.21
Real Estate	6.75	20.28	12.47
Sensitive	**1.95**	**3.08**	**10.14**
Communication Svs	5.31	12.28	11.88
Energy	11.16	−7.35	−2.32
Industrials	1.41	4.91	11.82
Technology	−2.03	2.50	14.44
Defensive	**5.64**	**6.59**	**15.61**
Consumer Defensive	5.14	17.94	14.83
Health Care	5.61	−4.32	16.62
Utilities	7.03	31.45	15.31

Morningstar Super Sectors

	P/E	P/B	Yield %	Earnings Growth	Sales Growth
Cyclical Super Sector	17.30	1.94	2.27	9.65	1.30
Sensitive Super Sector	20.06	3.10	2.37	−0.73	−2.35
Defensive Super Sector	22.77	3.46	2.17	5.00	5.42

Cyclical Super Sector 0.90%

The Cyclical Super Sector Index again performed the worst of the three super sector indexes, trailing the US Market Index. It is the only super sector index to have a negative return year to date (0.48%). The real estate index performed well, however, as investors have continued their flight to safety and search for consistent yield. This has been a pattern since 2008, and this demand has translated to healthy returns for real estate-related equities. Ironically, a price-insensitive search for yield and safety actually decreases the yield and safety of such investments as prices increase. The consumer cyclical sector struggled during the quarter, with firms such as Nike, L Brands, and Home Depot among the top individual detractors.

Defensive Super Sector 5.64%

The Defensive Super Sector Index reported the best returns during the quarter, beating the US Market Index, and is more or less tied with the Sensitive Super Sector for year-to-date returns. The Defensive Super Sector benefited from strong performances from all three of its subsectors, although the majority of top contributors were from the healthcare sector. Johnson & Johnson, Pfizer, Bristol-Myers Squibb, and Medtronic all posted double-digit returns, with Pfizer posting a 20% return. This was a nice rebound for many of these stocks and the sector in general, as healthcare experienced heavy sell-offs last quarter. Allergan has not recovered, however, and posted a negative 14% return for the quarter. The utilities sector is experiencing a trend similar to the real estate sector, as utilities are also considered to be safe havens for consistent yield. Utilities have been the top-performing index year to date, with a return of 23%. Again, as more investors crowd this theme, prices increase and yields decrease.

Sensitive Super Sector 1.95%

The Sensitive Super Sector Index reported modest gains for the quarter, just trailing the US Market Index. As can be expected from a more cyclically focused index, some of the subsectors can be quite volatile, with energy a prime example. After a tough energy pricing environment, some of the pressure has begun to abate, and the energy sector has posted positive returns for the year, especially so in this most recent quarter, at 11%. Prices increased during the quarter for oil and natural gas, helping to ease some of the worries surrounding the firms that depend on the pricing of such products. Exxon and Chevron were both top contributors during the quarter. The technology sector struggled during the quarter, largely because of the negative returns from Apple, Microsoft, and Google.

Style & Cap Indexes

The Morningstar US Small Cap Index and the US Value Index both posted the best returns among the cap and style indexes. However, it was the US Small Growth Index and the US Large Value Index that posted the best returns for the subindexes, as the US Small Value Index was below average with a 2.6% return. The worst performer for the quarter of all the style and cap indexes was the US Growth Index, with a return of 0.42%. Year to date, value has been the winning style and small cap has been the winning market cap size, reversing the previous three-year trend.

Trailing Returns

1-Year

	Value	Core	Growth
Large	6.95	4.56	-0.01
Mid	5.23	0.81	-4.37
Small	-0.76	-3.63	-6.75

3-Year

	Value	Core	Growth
Large	9.35	11.14	13.92
Mid	11.59	12.12	9.77
Small	8.34	8.72	8.13

5-Year

	Value	Core	Growth
Large	10.04	13.38	12.90
Mid	12.49	12.17	8.61
Small	10.12	8.81	8.61

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Morningstar Style & Cap Indexes

	P/E	P/B	Yield %	Earnings Growth	Sales Growth
Morningstar Value	16.91	1.83	3.41	–4.16	–3.89
Morningstar Core	18.91	2.71	2.30	7.93	1.75
Morningstar Growth	24.16	4.42	1.18	17.11	12.02
Morningstar Large Cap	19.13	2.79	2.38	6.42	1.69
Morningstar Mid Cap	21.78	2.45	1.97	–3.29	1.74
Morningstar Small Cap	20.25	1.95	2.17	2.32	–4.52

Morningstar US Growth 0.42%

The Morningstar US Growth Index inched into positive return territory for the quarter but remains negative year to date and was once again the worst performer of the three style indexes. Apple was the largest contributor to the index's performance; it was down nearly 12% during the quarter. The shares rallied through the end of March but have reverted downward, reaching prices seen at the beginning of the year. Apple is a consistent battleground stock of late as bulls and bears argue over whether it is in a phase of decline or will be able to maintain some pricing power and keep revenue and margins from declining materially over time. Right now, it appears the bears are winning as the shares have generally trade down since May 2015.
LinkedIn was another big mover during the quarter. After the shares were cut in half in February following disappointing results and outlook, Microsoft announced it would acquire the firm at a 50% premium. No doubt all the employees with major share-based compensation exposure were relieved.

Morningstar US Value 3.95%

The Morningstar US Value Index was the top-performing style index of the quarter and also the top performer year to date. Energy and healthcare firms made solid contributions, with ExxonMobil leading the way with a heavy weighting in the index and a 13% return. Exxon has been one of the better-positioned integrated energy players and should be able to reduce its break-even cash flow cutoff to roughly $40 per barrel next year.
With prices already over this point, investors are starting to feel better about the firm's profitability prospects. Pfizer was also a top contributor with a 20% return during the quarter. Pfizer's shares had sold off heading into 2016 but have regained all of their lost ground, rallying after the deal with Allergan fell apart. Allergan has not been so fortunate and continues to struggle to regain its lost ground after the deal break.

Morningstar US Core 3.52%

The Morningstar US Core Index recorded a gain of 3.5%. Johnson & Johnson was the top contributor with a gain of 13%; its shares have performed well for the majority of 2016. Strong first-quarter results were buoyed by strong immunology and oncology sales. In a sector that had been struggling, Johnson & Johnson has remained strong. Medtronic, another healthcare sector firm, returned almost 16% and was another positive contributor. Medtronic is a medical device manufacturer with an enviable competitive position in the market. Its results have continued to be strong as healthcare utilization has strengthened, and Medtronic has been a key beneficiary.

Morningstar Large Cap 2.41%

The Morningstar US Large Cap Index returned 2.41% for the second quarter. Amazon was a key contributor as shares increased just over 20%. Amazon had been unstoppable since 2015, until the sell-off in the first quarter of 2016.
But the weakness was temporary as the shares have climbed to new all-time highs. First-quarter earnings demonstrated an improvement in gross margins, continued gains for Amazon Prime membership, and growth internationally. The network Amazon continues to build through its supply chain and infrastructure as well as its Prime membership base seems to be unstoppable. Growth was also strong for Amazon Web Services, adding to the positives for the firm. While Amazon was reaching new highs, all of the airlines were struggling mightily. United Continental Holdings, American Airlines, and Delta Air Lines all sold off sharply, recording losses of between

25% and 31%. Airlines are notoriously difficult investments, and some things have not changed. With demand lagging additional capacity and airlines lowering prices on many of their seats, passenger revenue has lagged what was expected. With fuel costs rising again and some of the airlines having taken off or at least reduced their fuel hedges, profit outlooks have been reduced across the board.

Morningstar Mid Cap 3.05%

The Morningstar US Mid Cap Index has been the best-performing size index year to date and recorded a 3.05% increase for the most recent quarter. Digital Realty Trust and Equinix were two strong real estate performers, with gains of 24% and 18%, respectively. Both are involved in the data center real estate investment trust industry, and as investors keep piling money into what is perceived as consistent yield, these types of firms continue to outperform. Several mid-cap energy stocks and a mining firm, which are all prone to wild swings, were on the upswing this quarter. Newmont Mining gained 47% while Oneok and Marathon Oil gained 62% and 35%, respectively. The gains in gold, oil, and natural gas prices have helped propel the shares of these firms higher.

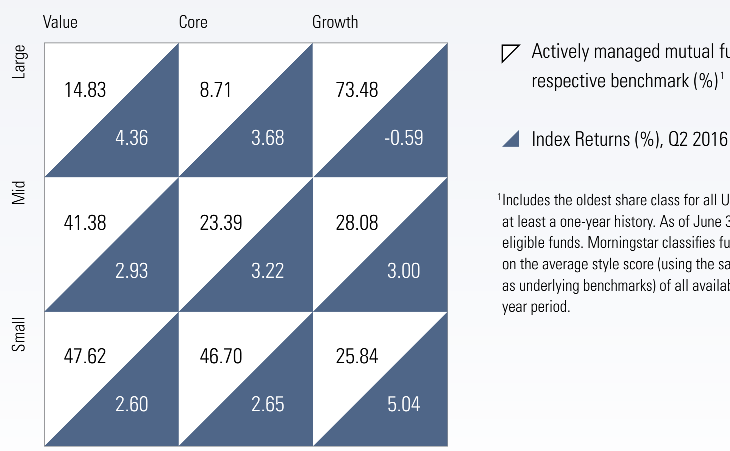
Morningstar Small Cap 3.39%

The Morningstar US Small Cap Index continued its run higher as it advanced 3.4% during the quarter. As small-cap companies tend to be more variable in many regards, this index lends itself to some of the larger individual swings in stock prices. This quarter, the 80% gain of Advanced Micro Devices and 90% gain of Tesaro were no exception. AMD's shares were up sharply after the firm's solid first-quarter results and guidance amid a weak PC environment. AMD's results have tended to be quite volatile, and the firm is in direct competition with Intel, the goliath in the space. Tesaro is a classic biotech stock whose future is binary and largely depends on the success of individual drug products as they go through clinical trials. Its key oncology drug, niraparib, achieved key performance levels in its recent phase 3 trial. The stock surged more than 100% after the results were announced.

Fund Categories and Benchmarks

The Active Versus Passive chart shows the percentage of actively managed open-end U.S. equity mutual funds that outperformed their corresponding Morningstar Indexes benchmark. In the most recent quarter, Large Growth was the only US Style Box category in which the majority of active managers outperformed. An impressive 73% avoided losses in the most challenged corner of the market. In stronger-performing areas, such as Large Core, Large Value, and Small Growth, most active managers struggled mightily to keep up with their index bogeys.

Active vs. Passive



[1] Includes the oldest share class for all U.S. diversified mutual funds with at least a one-year history. As of June 30, 2016 there were 2,139 eligible funds. Morningstar classifies funds into style categories based on the average style score (using the same 10-factor methodology as underlying benchmarks) of all available portfolio holdings over a three-year period.

Fixed-Income Indexes

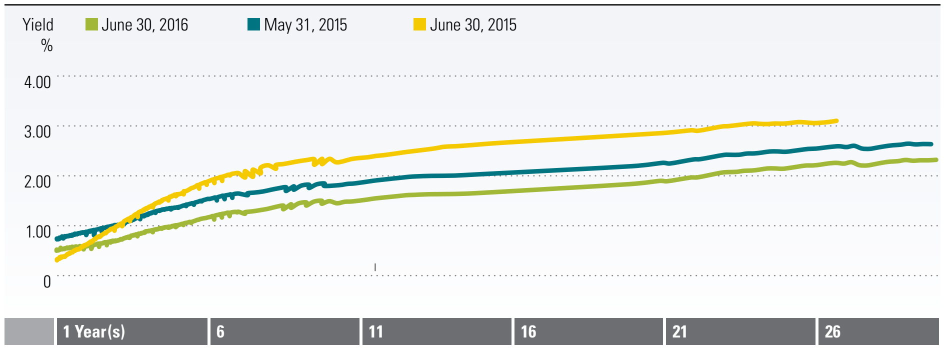
Central bank actions and regulatory policies in Europe and Japan, in conjunction with investors' flight to safety driven by global macroeconomic concerns, have pushed global interest rates to unprecedented new lows. In the near term, the heightened uncertainty caused by the U.K.'s decision to exit the EU may pressure corporate bonds; however, at least partially offsetting this volatility, the European Central Bank's expanded asset purchase program will spur new demand and corporate bonds will benefit. The yield on U.S. fixed-income securities remains attractive to global investors, with over $11 trillion of sovereign debt trading at a negative yield.

Declining Interest Rates Send Fixed-Income Markets Higher

The Morningstar Core Bond Index, our broadest measure of the fixed-income universe, rose by 2.20% in the second quarter and a total of 5.33% year to date. The gain was driven by a combination of falling interest rates and tightening credit spreads. Over the course of the second quarter, the yield on the 2-year U.S. Treasury bond declined 14 basis points to 0.58%, the 5-year Treasury bond fell 22 basis points to 1.00%, the 10-year bond decreased 32 basis points to 1.47%, and the 30-year bond was cut 34 basis points to 2.28%. Each of our Short-Term Core, Intermediate Core, and Long-Term Core indexes rose 0.82%, 1.48%, and 5.21%, respectively, in the second quarter. Year to date, these indexes have risen 2.12%, 4.12%, and 11.73%, respectively.

Corporate credit spreads continued to tighten early in the second quarter before leveling off. At the end of the second quarter, the average spread of the Morningstar Corporate Bond Index was +155 basis points, approximately 11 basis points tighter than last quarter. Bond prices were pushed up from a combination of declining interest rates and tighter credit spreads, which led to a 3.40% increase in our Corporate Bond Index.

Treasury Yield Curve



Morningstar Bond Indexes

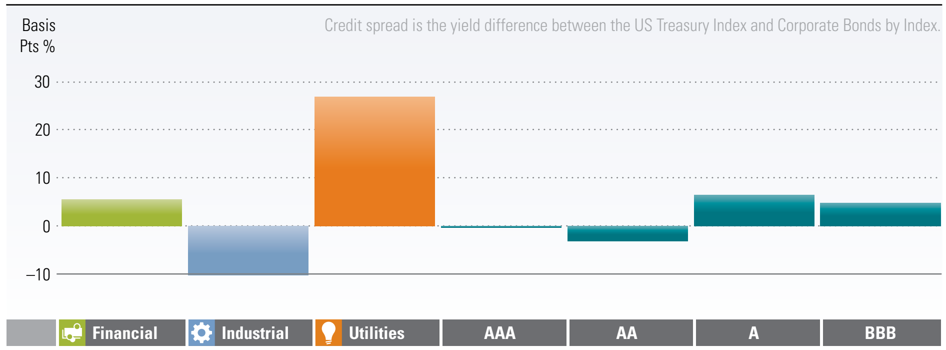
		Returns		Statistics			
		QTR	YTD	Market Value ($Mil)	Credit Quality	Yield to Maturity	Average Duration
Broad Market	Core Bond	2.20	5.33	16494	AA	1.99	5.15
Sector	US Government	0.82	2.12	4438	AA	1.12	2.23
	Corporate	1.48	4.12	8142	AA+	1.91	3.42
	Mortgage	5.21	11.73	3917	AA–	3.14	12.03
Maturity	Short–Term Core	2.10	5.31	7297	AAA	1.11	6.11
	Intermediate Core	3.40	7.41	4471	A–	2.81	6.89
	Long–Term Core	1.19	3.43	5068	AAA	1.97	2.58
Inflation Prot. Secs.	TIPS	1.72	6.31	976	AAA	–0.13	7.94
Global Sovereign	Global Govt USD	3.65	10.94	22759	AA–	0.51	8.18
	Global Govt ex–US USD	4.38	13.57	15635	A+	0.25	9.04
	Eurozone EUR	2.14	5.50	6777	A+	0.3	7.62
	Swiss CHF	6.38	11.98	1815	AA+	1.09	12.53
	UK GBP	2.77	6.68	93	AAA	–0.63	11.06
	Australasian USD	1.95	3.08	332	AAA	0.9	7.14
	Canadian CAD	0.85	8.78	359	AAA	1.83	5.70
	Japanese JPY	2.63	7.01	6260	A	–0.16	9.84
Europe	Eurobond Corp EUR	4.75	9.85	122315	BBB–	4.9	6.12
	European Bank Capital EUR	5.38	10.94	48309	BB+	5.04	7.56
	European Covered EUR	4.57	9.57	73502	BBB	5.05	5.09
	UK Eurobond Corp GBP	0.77	1.72	473	BBB+	1.19	4.10
	UK Bank Capital GBP	1.13	2.95	780	AA+	0.06	4.84
Emerging Market	Composite USD	1.40	2.06	52	BBB+	3.46	7.72
	Sovereign USD	4.99	8.68	292	A–	2.72	8.74
	Corporate USD	1.64	4.34	1528	A–	0.7	5.32

Data as of 9-30-2015

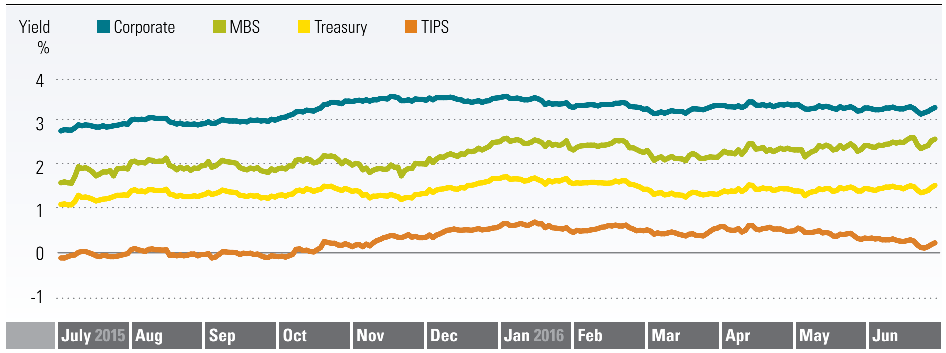
Although oil prices rebounded during the second quarter, inflation expectations, as measured by the 5-year forward inflation expectation rate, dropped to their lowest level since the financial crisis; however, the decline in interest rates, which allowed Treasury Inflation Protected Securities to post positive returns in the second quarter, overshadowed the decline in inflation expectations. The Morningstar TIPS Index rose 1.72% last quarter and 6.31% thus far this year.

The mortgage bond sector was the laggard this past quarter as investors are expecting that historically low interest rates will result in a new wave of mortgage refinancing, which limits price

Credit Spread Change by Sector and Quality



US Bond Indexes: Average Yields



appreciation. The Morningstar Mortgage Index rose 1.19% in the second quarter and has risen 3.43% this year.

European Sovereign Bonds Driven to Even Greater Negative Yields

In Europe, Morningstar's Eurozone Bond Index rose 2.14% in the second quarter as interest rates continued to decline across the board, and in many cases to even greater negative yields. According to industry reports, there is now over $11 trillion worth of sovereign bonds that are priced so high, that an investor that purchases these bonds and holds them to maturity will lock in a guaranteed loss. For example, the yield on 5-year German bonds decreased 24 basis points to an even greater negative yield of 0.57% and even the 10-year entered negative territory falling to 0.13%. Effectively, the bonds are priced so high that investors that purchase the bonds and hold them to maturity are locking in a loss. Even the bonds of lower-rated Italy and Spain have rallied to new historical lows. Italy's 10-year bond currently yields 1.26% and Spain's 10-year bond yields 1.16%.

Among other developed markets, the Morningstar Swiss Bond Index rose 2.77% as investors sought the safety of the Swiss Franc. Currently, Swiss 10-year bonds yield a negative 0.58% (the greatest negative rate among sovereign bonds). Comparatively, the Japanese 10-year bond currently yields a negative 0.22%. As the yield on Japanese bonds dropped 19 basis points over the first quarter, the Morningstar Japanese Bond Index rose 2.63%.

Corporate credit spreads in Europe widened slightly during the second quarter, giving up some of the gains made in the first quarter, after the ECB announced its intention to begin purchasing corporate bonds. The average spread of the Morningstar Eurobond Corporate Index widened 5 basis points to +118, yet the index posted a gain in the quarter as the widening was more than offset by declining sovereign rates. The ECB began buying corporate bonds in June, and based on the amount of purchases the ECB has made thus far, the program is running at a pace that would result in acquiring between EUR 8 billion and EUR 10 billion per month. According to industry reports, there is an estimated EUR 600 billion–EUR 700 billion outstanding that are eligible to be bought by the ECB. If the ECB were to purchase EUR 10 billion per month, over the course of a year, and assuming the amount of eligible bonds held steady, that would represent approximately 18% of eligible securities at the midpoint of the range. These purchases will effectively remove supply of corporate fixed-income securities from the public markets and create new cash that must then be reinvested. As this cash is then reinvested, bond traders may have to push prices up on European corporate bonds, thus lowering credit spreads, in order to buy bonds to reinvest the proceeds.

Emerging Markets Surge

The emerging markets have been some of the best-performing sectors in the fixed-income space both this past quarter and year to date. The Morningstar Emerging Market Composite Bond Index rose 4.75% last quarter and has risen a total of 9.85% over the first half of the year. Among the underlying components, the Morningstar Emerging Market Sovereign Bond Index rose 5.38% in the second quarter and 10.94% year to date. Over the same time periods, the Morningstar Emerging Market Corporate Bond Index rose 4.57% and 9.57%, respectively.

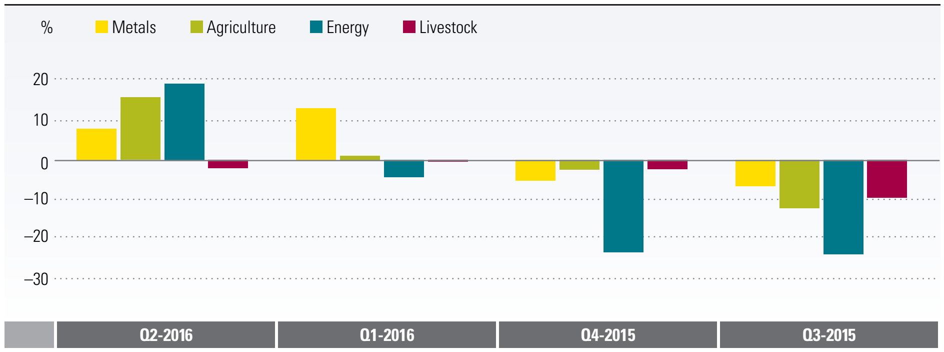
Commodities Indexes

Energy has finally begun its comeback, with the Morningstar Energy Commodity Index recording a return of almost 20% after three quarters of negative returns. Oil prices have recovered somewhat, and natural gas has also appreciated. The Morningstar Metals Commodity Index posted a return of 8% as gold, silver, and palladium prices all increased during the quarter. The Morningstar Agriculture Commodity Index increased 16% largely because of the appreciation in soybean prices. The Morningstar Livestock Commodity Index declined 2% as live cattle and feeder cattle prices both declined during the quarter.

Oil prices may have finally found their bottom, as there have been fairly consistent increases since mid-February as well as a gain of 29% during the quarter. These increases have not been without some consternation, though, as OPEC members failed to agree to new output caps in April and in June. Iran has come back on line and has been raising production, while Saudi Arabia promised to be "very gentle" and not shock the market even though it plans to increase production as well. Outages in Nigeria, Libya, Venezuela, and Canada helped to balance out some of these production increases, and overall supply and demand have become more balanced, helping crude to break the $50 per barrel mark during the quarter after being closer to $30 at the beginning of the year.

Gold posted strong gains during the quarter, with spot prices increasing roughly 23% during the quarter. Silver enjoyed a similarly strong quarter, recording gains of roughly 32%. These nice gains were probably influenced by the Fed's decision to not raise rates during the quarter. This encourages increased weightings in gold and also a weaker dollar, driving some investors to look to gold. The result of the Brexit vote helped push these metals higher, as gold is often seen as a hedge against risk in general. With the surprising result of the vote, investors looked to gold for protection.

Quarterly Commodity Sector Returns



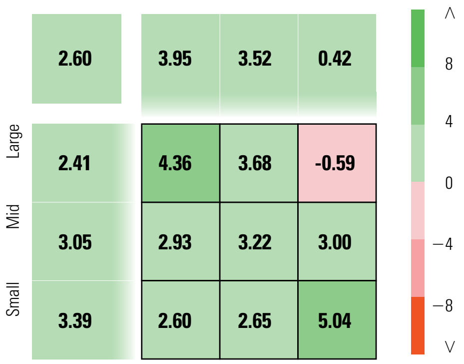
Morningstar Commodity Index Returns %

	Quarter	1–Year	3–Year	5–Year	10–Year	YTD
Long-Only	15.72	–15.73	–12.82	–9.80	–3.02	15.14
Long/Flat	3.02	0.05	–1.56	–3.44	2.52	2.40
Long/Short	–0.53	–2.32	–1.67	–3.33	1.93	–4.10
Short/Flat	–3.06	–2.05	0.06	0.09	0.39	–5.99
Short-Only	–14.50	11.45	10.12	6.42	1.08	–17.46
Agriculture	16.09	0.26	–4.26	–2.64	3.84	17.38
Energy	19.58	–34.00	–25.01	–17.30	–14.11	14.19
Livestock	–2.13	–14.01	–0.96	–2.44	–3.79	–2.53
Metals	8.08	7.93	–1.02	–6.07	5.51	22.41

Conclusion

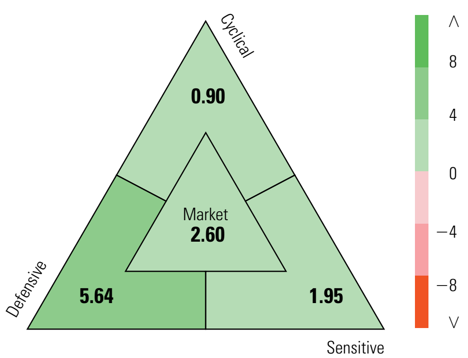
The second quarter of 2016 was not quite as dramatic as the first, but the result of the Brexit vote and the unsurprising initial reaction of the markets did provide some volatility. There have been some compelling arguments made as to why the referendum result is not really as bad economically as many initially made it out to be. Even if Article 50 is invoked soon, that only starts a two-year countdown for negotiations, so there will be still be some time before what was started actually plays out. It also seems there is much room for negotiation between the U.K. and the EU; one would hope that cooler heads will prevail and perhaps even improvements can be made to a system that is obviously not satisfactory to many. With the Fed delaying rate hikes further, the Bank of England implying that it will cut rates, and unwavering support from the European Central Bank, monetary policies have remained very loose during the quarter. Despite the initial sell-off after the referendum, many markets continue to trade near all-time highs. Worries of an imminent disaster in China have worn off, and much of the negative sentiment seen in the first quarter has faded somewhat; however, it would be naïve to think much has fundamentally changed. Such is the varied whim of investor sentiment, especially over the short term.

Q2 2016 Style Indexes



	Total Returns %								
	3–Month	1–Year	3–Year	5–Year	10–Year	Price/ Earnings	Price/ Book	Yield %	5–Yr Earn Growth
Morningstar US Market	**2.60**	**2.53**	**11.22**	**11.70**	**7.58**	**19.63**	**2.64**	**2.28**	**9.00**
Large Cap	2.41	3.71	11.49	12.10	12.10	19.13	2.79	2.38	8.66
Mid Cap	3.05	0.48	11.15	11.08	8.16	21.78	2.45	1.97	10.26
Small Cap	3.39	–3.77	8.40	9.16	7.41	20.25	1.95	2.17	10.28
US Value	3.95	6.05	9.76	10.55	5.81	16.91	1.83	3.41	6.59
US Core	3.52	3.17	11.16	12.83	8.63	18.91	2.71	2.30	8.62
US Growth	0.42	–1.31	12.70	11.74	8.15	24.16	4.42	1.18	12.66
Large Value	4.36	6.95	9.35	10.04	5.01	16.86	1.97	3.54	6.35
Large Core	3.68	4.56	11.14	13.38	8.61	18.02	2.76	2.35	8.17
Large Growth	–0.59	–0.01	13.92	12.90	8.33	23.28	4.62	1.30	12.17
Mid Value	2.93	5.23	11.59	12.49	7.84	17.46	1.60	3.00	7.64
Mid Core	3.22	0.81	12.12	12.17	8.90	22.19	2.78	2.10	9.94
Mid Growth	3.00	–4.37	9.77	8.60	7.56	27.92	4.20	0.73	14.53
Small Value	2.60	–0.76	8.34	10.12	7.78	15.89	1.32	3.14	7.01
Small Core	2.65	–3.63	8.72	8.81	6.94	20.42	2.09	2.42	10.29
Small Growth	5.04	–6.75	8.13	8.61	7.34	27.52	3.23	0.97	15.47

Q2 2016 Sector Indexes



	Total Returns %								
Index	3–Month	1–Year	3–Year	5–Year	10–Year	Price/ Earnings	Price/ Book	Yield %	5–Yr Earn Growth
Cyclical	**0.90**	**–1.32**	**9.31**	**11.41**	**3.02**	**17.30**	**1.94**	**2.27**	**9.45**
Basic Materials	4.24	–0.34	8.03	3.78	5.31	20.25	3.21	2.34	8.25
Consumer Cyclical	–1.57	0.06	11.12	14.43	9.70	19.92	4.43	1.78	12.35
Financial Services	0.63	–7.66	7.21	10.87	–0.56	14.03	1.24	2.06	8.30
Real Estate	6.75	20.28	12.47	11.34	6.30	27.98	2.29	4.59	6.94
Sensitive	**1.95**	**3.08**	**10.14**	**9.48**	**7.21**	**20.06**	**3.10**	**2.37**	**8.94**
Communication Svs	5.31	12.28	11.88	14.00	10.26	17.68	2.64	2.78	6.40
Energy	11.16	–7.35	–2.32	0.13	4.91	27.34	1.75	3.69	8.73
Industrials	1.41	4.91	11.82	11.14	7.42	19.29	3.78	2.21	9.76
Technology	–2.03	2.50	14.44	11.83	9.83	20.31	3.80	1.71	9.43
Defensive	**5.64**	**6.59**	**15.61**	**15.95**	**10.04**	**22.77**	**3.46**	**2.17**	**8.35**
Consumer Defensive	5.14	17.94	14.83	15.13	11.70	23.32	4.37	2.67	7.98
Health Care	5.61	–4.32	16.62	17.50	11.50	22.84	3.75	1.60	9.45
Utilities	7.03	31.45	15.31	13.70	9.23	21.11	1.92	3.18	5.25

Bond Indexes

	3–Month	1–Year	3–Year	5–Year
Core	2.20	6.28	4.24	3.99
US Government	2.10	6.23	3.51	3.46
Corporate	3.40	7.53	5.41	5.36
Mortgage	1.19	5.02	4.21	3.60
Short-Term	0.82	2.10	1.55	1.42
Intermediate Term	1.48	5.30	4.10	3.72
Long-Term	5.21	13.40	7.92	7.85
Global Government ex. US	4.38	14.43	2.89	0.71
Emerging Markets Composite	4.75	7.92	5.87	5.73

Commodity Indexes

	3–Month	1–Year	3–Year	5–Year	10–Year	15–Year
Long-Only	15.72	–15.73	–12.82	–9.80	–3.02	3.39
Long/Flat	3.02	0.05	–1.56	–3.44	2.52	5.62
Long/Short	–0.53	–2.32	–1.67	–3.33	1.93	4.41
Short/Flat	–3.06	–2.05	0.06	0.09	0.39	–0.02
Short-Only	–14.50	11.45	10.12	6.42	1.08	–4.31
Agriculture	16.09	0.26	–4.26	–2.64	3.84	4.54
Energy	19.58	–34.00	–25.01	–17.30	–14.11	–3.49
Livestock	–2.13	–14.01	–0.96	–2.44	–3.79	0.37
Metals	8.08	7.93	–1.02	–6.07	5.51	11.74

All data in this issue as of June 30, 2016