Morningstar Indexes Market Commentary

Q3 2016

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Fed Keeps Rates the Same; Investors Remain Hesitant

Q3 2016 Morningstar Market Barometer

	Value	Core	Growth
Large	2.24	5.02	4.13
Mid	6.54	3.93	4.08
Small	7.65	7.09	7.07

Q3 2016 Morningstar Index Returns

Stocks	
US Market Index	4.26
Global Ex-US Index	7.07
Developed Ex-US Index	8.47
Emerging Markets Index	6.50
Bonds	
Core Bond Index	0.52
Commodities	
Long-Only Commodity Index	-4.89

Source: Morningstar Inc. Data as of 10-5-2016

The third quarter of 2016 began with uncertainty from Brexit, but as investors' fears eased, attention quickly shifted to the Federal Reserve meeting in September. Some disagreement was noted in the headlines leading up to the meeting, but the Fed ultimately agreed not to raise rates. Buoyed by the agreement, the Morningstar US Market Index finished the quarter up 4.3%. The third-quarter returns account for more than half of total return in the year to date. Additionally, Morningstar Developed Markets ex-United States Index bounced back from Brexit, up 6.5% for the quarter.

With the September Fed meeting in the past, many have gauged the possibility of a rate hike before the end of the fiscal year. Favorable data may increase the odds immensely, but the data points the Fed are focusing on to make the decision are up for debate. Real inflation and GDP numbers have been scrutinized, and will continue to be closely monitored. The GDP growth estimate for the second quarter was raised to 1.4% from 1.1%. Inventories subtracted 1.2% from the GDP calculation, leading some to believe the lack of hurt from inventories will lead to a 3% GDP growth rate in the third quarter. While the data does not showcase a booming economy, many still anticipate at least one rate hike before the end of the year.

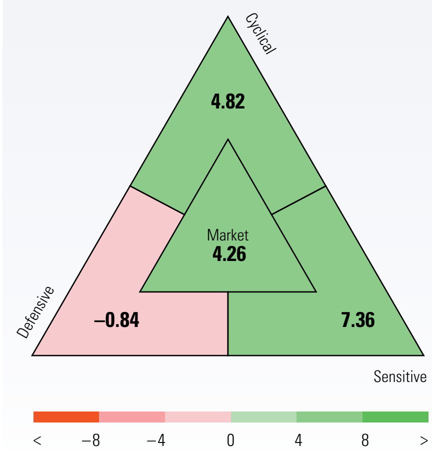
Energy prices could not continue the positive trend exhibited in the second quarter, and were down slightly over the past three months. It has been a challenging environment in the space for several years, and questions surrounding a reversal persist. OPEC agreed to the framework of a deal that will reduce oil production for the first time in years. Initially, oil rose on the day this was announced, but more questions were brought to the table regarding whether it would have a material impact on oil prices. The reduction would be 700 mb/d from current levels, but the members have not reached a formal agreement. Also, OPEC does not have an exemplary history of coordinating cuts with no violations or breaches from members.

The Morningstar Global ex-US Index and Emerging Markets ex-US Index were both positive for the third quarter, with returns of 7.1% and 8.5%, respectively. The Emerging Markets ex-US has outperformed the US and Developed ex-US for the year, causing concerns over whether corporate earnings or lack of alternatives are driving the gains.

Sector Indexes

Two out of three super sectors had positive returns, with the US Defensive Super Sector Index generating 0.8% negative returns. Investors concerned over the possible rate hike may have fled from the relatively higher-paying dividend names. Technology provided a large boost to the US Sensitive Super Sector, with most major players notching notable gains. While competition may be viewed as negative in the investing realm, it seems to have spurred new innovations and products among the prevalent technology firms.

Q3 2016 Morningstar Sector Delta and Return %



Sector	Quarter	1-Year	3-Year
Cyclical	**4.82**	**10.34**	**8.98**
Basic Materials	3.77	24.50	5.92
Consumer Cyclical	4.35	8.85	9.53
Financial Services	7.28	6.80	8.21
Real Estate	–1.06	18.65	13.25
Sensitive	**7.36**	**20.58**	**10.13**
Communication Svs	0.42	19.23	11.79
Energy	3.55	18.01	–3.32
Industrials	4.45	18.37	10.01
Technology	13.14	22.34	16.08
Defensive	**–0.84**	**12.66**	**13.64**
Consumer Defensive	–2.47	15.91	13.27
Health Care	1.53	9.43	14.16
Utilities	–5.81	18.20	13.16

Morningstar Super Sectors

	P/E	P/B	Yield %	Earnings Growth	Sales Growth
Cyclical Super Sector	17.51	1.92	2.23	8.84	3.25
Sensitive Super Sector	20.81	3.30	2.22	0.66	–2.37
Defensive Super Sector	22.54	3.40	2.14	5.85	5.33

Source: Morningstar Inc. Data as of 10-5-2016

Cyclical Super Sector 4.82%

After a sluggish start to the year, the Cyclical Super Sector tracked pretty closely with the Morningstar US Market Index. However, its year-to-date return is well underperforming the market index, as the sector has been the worst performer out of Morningstar's three super sectors. The financial services subsector performed well, as some anticipate a rise in rates will help banks generate higher returns. However, it was not all roses for the space: Wells Fargo & Co lost over 5% during the quarter from reports of creating fake accounts and unethical practices. Another tough spot for the market was the real estate index, which generated a negative return, as its high yield did not look as attractive with the expected rate hike.

Defensive Super Sector –0.84%

The Defensive Super Sector reported the worst results and was the only Morningstar super sector to have a negative return. The sector's year-to-date return is underperforming the market, as many believe there are better opportunities to find yield. It has performed very well over the past three years, but with many companies in the space paying a healthy dividend, it may suffer from rate expectations and other yield options. The utilities subsector particularly struggled over the last quarter. This was a sharp contrast from its year-to-date performance, as it was up over 20% through the first six months. However, due to the small scale of the players in the utilities space, the biggest negative contributors were consumer defensive and healthcare companies. The biggest factors in the sector's negative return were Bristol-Myers dropping over 26%, Coca-Cola falling 6%, and Altria Group's 7% loss.

Sensitive Super Sector 7.36%

The Sensitive Super Sector had the best results over the past three months and is the only super sector to outperform the Morningstar US Market Index over the past year. All four subsectors made positive contributions in the third quarter. The sector's returns were lifted by the 13% return generated by the technology subsector. Not surprisingly, Apple's new product launch and strong performance over the third quarter were the biggest contributors. Not to be outdone, Microsoft, Facebook, Alphabet, and Intel also made material positive contributions. In the energy and industrials subsectors, the previously mentioned proposed OPEC production cut boosted oil prices and raised trading prices, and transports had solid earnings results, inducing increased investor confidence. Overall, a mix of company-specific and macroeconomic factors led to the sector outperforming the market.

Style & Cap Indexes

The Morningstar US Core Index and US Small Cap Index posted the best returns among the cap and style indexes. Small-cap returns have been among the top two performers for three straight quarters, which has led to very strong year-to-date performance. Also, the three subsectors within the US Small Cap Index (Value, Core, and Growth) were the top three performers out of all the subsectors. Investors found discounts in every small-cap style, and opportunities arose in a market where many larger players faced difficulties in generating organic growth.

Trailing Returns

1-Year

	Value	Core	Growth
Large	17.93	17.61	9.88
Mid	20.38	14.38	9.15
Small	18.60	16.50	12.67

3-Year

	Value	Core	Growth
Large	9.54	11.48	12.05
Mid	11.36	11.00	7.58
Small	8.64	8.27	5.87

5-Year

	Value	Core	Growth
Large	14.31	17.60	16.69
Mid	18.83	17.66	14.38
Small	16.87	16.41	15.29

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Morningstar Style & Cap Indexes

	P/E	P/B	Yield %	Earnings Growth	Sales Growth
Morningstar Value	15.84	1.76	3.39	–0.13	–4.04
Morningstar Core	19.32	2.97	2.20	5.58	4.93
Morningstar Growth	27.79	4.61	1.04	17.28	11.43
Morningstar Large Cap	19.47	2.83	2.30	6.76	1.69
Morningstar Mid Cap	21.59	2.51	1.91	–1.14	1.55
Morningstar Small Cap	20.93	2.05	2.02	1.48	0.38

Source: Morningstar Inc. Data as of 10-5-2016

Morningstar US Growth 4.33%

The Morningstar US Growth Index tracked pretty closely with the Morningstar US Market Index, but is underperforming by approximately 5% for the year. The underperformance makes it the worst performer of the three style indexes. Amazon made the biggest positive contribution over the past quarter as it continued on its torrid pace. The company increased Prime memberships and third-party sales, driving margin expansion. Its e-commerce sales have not slowed down, and the company continues to invest in international markets. The other biggest contributors to the index were a mix of technology (Facebook and Alphabet), financial services (Visa and Mastercard), and healthcare (Biogen). With uncertainty surrounding the Fed's decisions and mixed trade data being reported, the market appears unable to find apparent catalysts to drive growth companies.

Morningstar US Value 3.47%

The Morningstar US Value Index was the worst performer for the third quarter at 3.5%. This was a different story from the prior quarter, when it was the top performer, and it remains the top year-to-date performer at almost 12%. Bank of America and JPMorgan have the biggest positive contributions for the index. The big banks will benefit from rate-hike expectations. An increase in borrowing by U.S. consumers and businesses, and possibly an influx of investors that want to steer away from Wells Fargo, are also reasons for optimism. On the flip side, Exxon Mobil had the biggest negative contribution to the index. The results are somewhat surprising considering the news from OPEC, but uninspiring operating results from its previous earnings call kept the company from continuing on its uptrend. Exxon had positive free cash flow over the first half of the year and appears to be sitting well among its peers, so investors will be watching closely to determine whether the past three months were a blip or greater cause for concern.

Morningstar US Core 4.93%

The Morningstar US Core Index was the top performer and logged a gain of roughly 5%. Apple was the biggest contributor to the returns. Many have argued, and will continue to argue, about whether the company is a growth or a value play. Whether it remains in Morningstar's Core Index remains to be seen, but CEO Tim Cook has instilled confidence in investors over the past five months. The next three biggest contributors to the index were also technology companies. This trend perhaps signals that investors are driven to the space where innovations and early adopters can drive growth in an indecisive market. Another positive contributor to the index was Union Pacific. The discoveries in the natural gas market over the past few years rocked the rails (due to rails' reliance on coal markets), but Union Pacific has been able to calm investors this year by keeping operating ratios relatively stable—an impressive feat, considering the large drop in volume.

Morningstar Large Cap 3.82%

The US Morningstar Large Cap Index reported positive returns of 3.8%. It underperformed the Morningstar US Market Index as well as the other cap indexes. Its year-to-date performance is also underperforming, as investors are seeking out smaller companies to generate returns. One debate amongst investors is whether valuations are stretched and bigger companies are too reliant on inorganic growth. The underperformance may be another sign to fuel the debate, but the skepticism did not rise to a level to generate negative returns. The majority of bigger players driving the growth were previously mentioned in this commentary, but two other players that weighed negatively on the index were Dollar

General and Kroger. Both companies reported double-digit losses for the quarter, and investors appear to be focusing on the weakening operating environment for companies with a large brick-and-mortar presence.

Morningstar Mid Cap 4.79%

The Morningstar US Mid Cap Index generated solid returns for the third quarter at around 4.8%. It continued its trend of slightly outperforming the Morningstar US Market Index and has been the most consistent cap index over the last three years. Two technology firms that positively drove the index were Twitter and Nvidia, which returned over 35% and 45%, respectively. Twitter has been a polarizing company since its IPO. The bumpy road took a turn for the better as speculation rose about possible buyout bids: Salesforce, Alphabet, and Walt Disney have all been rumored to be interested in the takeover target. Twitter's large number of worldwide users and endorsements from celebrities and public figures showcase many possibilities for companies looking to make a bid. The less well-known Nvidia produces chips to create images displayed on computing devices. It reported better-than-expected earnings for the fifth straight quarter, and investors do not appear to envision a halt in growth over the near future.

Morningstar Small Cap 7.28%

The Morningstar US Small Cap Index outperformed its counterparts at 7.3%. Additionally, its year-to-date return is outpacing the Morningstar US Market Index at more than 4%. The results may not surprise some, as many believe smaller-cap companies carry more risk and should achieve better returns in bull markets. However, the results for the year are material, and many stockholders have benefited from investing in companies that some might perceive as disadvantaged. The biggest positive contributors to the index were Cepheid and Chemours, with returns of 71% and 95%, respectively. Healthcare firm Cepheid develops systems for testing infections and other genetic-based diseases. Danaher announced in September that it would be acquiring the company, which led to the dramatic increase. Chemours provides performance chemicals and has performed very well in the year to date. Strong volumes for titanium dioxide and refrigerants increased investor confidence.

Fund Categories and Benchmarks

The Active vs. Passive chart shows the percentage of actively managed open-end US equity mutual funds that outperformed their corresponding Morningstar Index benchmark. The third quarter of 2016 was a fairly strong one for active managers. In five of nine US Style Box-based categories, a majority of active managers beat their Morningstar Index bogey. These tended to be the relatively weaker-performing areas of the market, such as Large Value, where managers could win by venturing outside their box. Meanwhile, in stronger-performing areas, such as Small Value and Small Core, active managers struggled to keep up with high-flying bogeys.

Active vs. Passive

	Value	Core	Growth
Large	78.34 / 2.24	26.25 / 5.02	75.00 / 4.13
Mid	18.42 / 6.54	65.32 / 3.93	63.68 / 4.08
Small	37.60 / 7.65	41.05 / 7.09	61.84 / 7.07

Actively managed mutual funds outperforming their respective benchmark (%)[1]

Index Returns (%), Q3 2016

[1] Includes the oldest share class for all U.S. diversified mutual funds with at least a one-year history. As of September 30, 2016 there were 2,122 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.

Source: Morningstar Inc. Data as of 10-5-2016

Fixed-Income Indexes

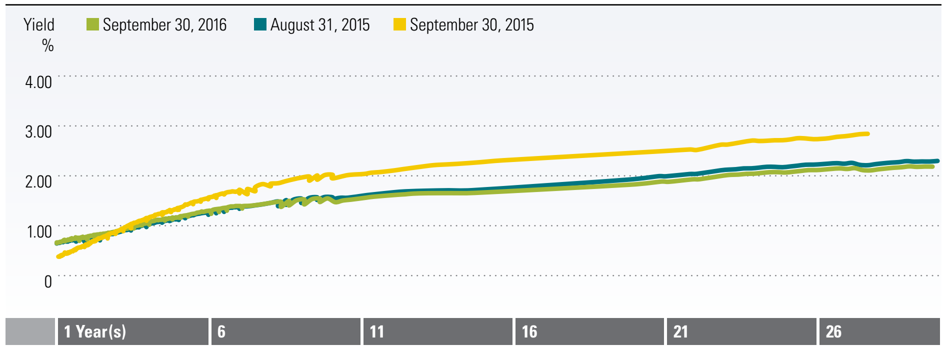
During the third quarter, the fixed-income markets quickly shook off uncertainty driven by the U.K. vote at the end of June to exit the EU. Returns in the third quarter, however, have been suppressed (and in some cases resulted in declines) as interest rates on U.S. Treasury bonds have risen off their lows with the diminishing of the flight-to-quality demand. Nevertheless, those fixed-income sectors that trade at a spread over the underlying Treasury bond market have over-come rising interest rates during the third quarter and have generated gains, as the amount that credit spreads tightened more than offset the rise in interest rates.

Shaking Off Brexit-Induced Volatility

Fixed-income returns in the third quarter have been partially suppressed as interest rates on U.S. Treasury bonds have risen off their lows with the diminishing of demand from the flight to quality after the Brexit vote. Over the course of the third quarter, the yield on the 2-year U.S. Treasury bond rose 18 basis points to 0.76%, the 5-year Treasury bond rose 15 basis points to 1.15%, the 10-year bond increased 12 basis points to 1.59%, and the 30-year bond rose by just 3 basis points to 2.31%. Rising interest rates drove the Morningstar US Government Bond Index to a loss of 0.26% for the third quarter. Yet even after registering this slight loss, that index remains up 5.07% for the year to date.

However, those fixed-income sectors that trade at a spread over the underlying Treasury bond market have overcome rising interest rates during the third quarter. The Morningstar Core Bond Index, our broadest measure of the fixed-income universe, which includes fixed-income securities that trade with a spread over underlying Treasuries, rose by 0.52% in the third quarter and a total of 5.88% in the year to date. Gains were mainly driven by tightening credit spreads and secondarily aided by the amount of yield carry. Our Short-Term Core, Intermediate Core, and Long-Term Core indexes rose 0.06%, 0.51%, and 1.02%,

Treasury Yield Curve



Source: Morningstar Inc. Data as of 10-5-2016

Morningstar Bond Indexes

		Returns		Statistics			
		QTR	YTD	Market Value ($Mil)	Credit Quality	Yield to Maturity	Average Duration
Broad Market	Core Bond	0.52	5.88	17380392	AA	1.84	5.14
Sector	US Government	0.06	2.17	4605623	AA	1.13	2.26
	Corporate	0.51	4.65	8352171	AA+	1.69	2.97
	Mortgage	1.02	12.87	4422598	AA–	2.87	12.21
Maturity	Short–Term Core	–0.26	5.07	7235322	AAA	1.26	6.21
	Intermediate Core	1.47	9.01	5122440	A–	2.79	6.93
	Long–Term Core	0.68	4.14	5022630	AAA	1.72	1.76
Inflation Prot. Secs.	TIPS	1.01	7.39	996	AAA	–0.13	7.95
Global Sovereign	Global Govt USD	0.35	11.32	23022	AA–	0.54	8.13
	Global Govt ex–US USD	0.59	14.24	15804	A+	0.23	8.96
	Eurozone EUR	0.73	6.27	6925	A+	0.23	7.55
	Swiss CHF	2.38	14.64	1779	AA+	0.87	12.02
	UK GBP	–0.27	6.39	93	AAA	–0.56	10.95
	Australasian USD	0.56	3.66	334	AAA	0.89	7.18
	Canadian CAD	3.59	12.69	378	AAA	1.81	5.92
	Japanese JPY	–1.86	5.01	6295	A	–0.06	9.89
Europe	Eurobond Corp EUR	3.28	13.46	129960	BBB–	4.57	6.16
	European Bank Capital EUR	3.54	14.86	52213	BB+	4.82	7.60
	European Covered EUR	3.29	13.17	77404	BBB	4.61	5.11
	UK Eurobond Corp GBP	1.65	3.41	465	BBB+	0.9	4.11
	UK Bank Capital GBP	1.05	4.04	786	AA+	–0.12	4.76
Emerging Market	Composite USD	5.85	8.03	57	BBB+	2.59	7.71
	Sovereign USD	6.85	16.13	323	A–	2.09	9.10
	Corporate USD	1.80	6.22	1560	A–	0.45	5.34

Source: Morningstar Inc. Data as of 10-5-2016

respectively, in the third quarter. in the year to date, these indexes have risen 2.17%, 4.65%, and 12.87%, respectively.

Within the corporate credit markets, the average credit spread of the Morningstar Corporate Bond Index has tightened 16 basis points in the third quarter to +139. The tightening of credit spreads pushed up bond prices and led to a 1.47% increase in our corporate bond index. Similarly, in the Morningstar Eurobond Corporate Index, the average credit spread tightened 21 basis points to +97, and generated a 1.80% return in the third quarter. As part of its asset-purchase program, the ECB began buying corporate bonds earlier this year. These purchases 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 reinvested, this action bolsters the prices on the bonds of those issuers whose bonds the ECB purchases and thus pushes corporate credit spreads tighter.

During the second quarter, inflation expectations, as measured by the 5-year, 5-year forward inflation expectation rate, had fallen to their lowest levels since the 2008-09 credit crisis; however, as commodity prices stabilized in the third quarter, inflation expectations began to rise off of their lows. As inflation expectations recovered, the Morningstar's TIPS Index rose 1.01% last quarter and 7.39% thus far this year. Among the other U.S.-dollar-denominated fixed-income indexes, the Morningstar Mortgage Index rose 0.68% in the third quarter, lagging the corporate bond indexes, owing to its shorter duration and lower sensitivity to credit spreads.

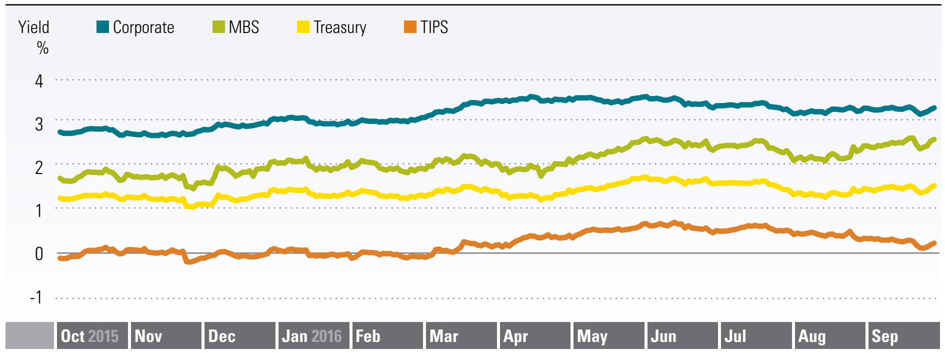
Emerging Markets Surge

The emerging markets have been some of the best-performing sectors in the fixed-income space, both in the past quarter and in the year to date. The Morningstar Emerging Market Composite Bond Index rose 3.28% last quarter and has risen a total 13.46% this year. Among the underlying components, the Morningstar Emerging Market Sovereign Bond Index rose 3.54% in the third quarter and 14.86% in the year to date. Over the same time periods, the Morningstar Emerging Market Corporate Bond Index rose 3.29% and 13.17%, respectively.

Negative Interest Rates Take Their Toll

Among those countries whose central banks have adopted a negative-interest-rate policy to stoke inflation and spur economic growth, a slight increase in interest rates to a less negative yield has led to losses in the third quarter. For example, the Morningstar Japanese Bond Index sank 1.86%. The loss was generated by an increase in interest rates and the negative carry generated by the underlying bonds. For example, Japan's 10-year bond rose 13 basis points to a negative 0.09% yield at the end of the third quarter. In Switzerland, the Morningstar Swiss Bond Index declined 0.27% as the underlying negative yield across its yield curve rose. In addition, returns were negatively affected by rising rates as the Swiss 10-year bond rose 3 basis points to a negative 0.55% yield.

US Bond Indexes: Average Yields



Source: Morningstar Inc. Data as of 10-5-2016

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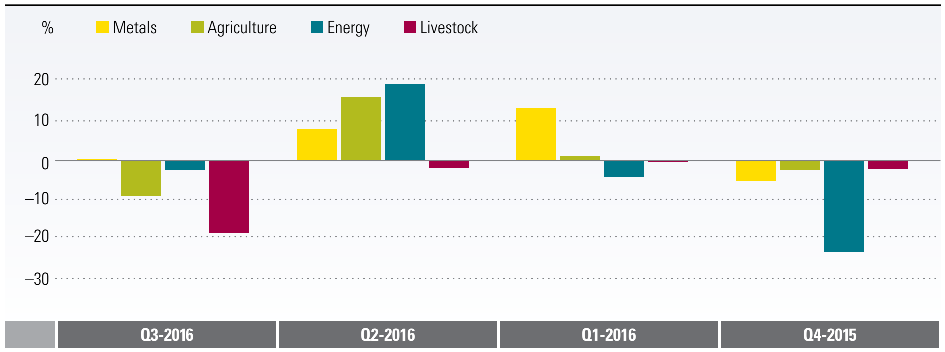
Commodities Indexes

The Morningstar Energy Commodity Index was down over 2.5% in the most recent quarter. Headlines and rumors are starting to circulate around the globe about players possibly coordinating an oil production cut. However, questions remain, and few are willing to state that a healthy bounceback in the space is more than probable. The Morningstar Metals Commodity Index posted a 0.2% gain and was one of the few commodity areas not to post negative returns. The Morningstar Agriculture Commodity Index registered negative 9.2% returns, and the Morningstar Livestock Commodity Index had the worst performance at negative 18.9%.

Energy commodities did not continue the positive trend from the second quarter. The OPEC tentative agreement to cut production may be a line drawn in the road, and catalyze a bounceback in the sector. However, the news was not enough to generate positive returns for the past three months, as the Morningstar Energy Commodity Index lost 2.6%. Also, many more steps must be completed for a planned production cut to take place. Political tensions between Iran and Saudi Arabia could add problematic layers to the situation. Some believe Libya or Nigeria will be left out of the agreement, and volume increases in these areas would offset the proposed cuts. Time is another variable: A production cut lasting only one or two years may allow members to increase volumes immediately after, and decrease any chances of sustainable higher oil prices. Morningstar Metals Commodity Index posted flat returns for the third quarter and ultimately proved to be one of the bright spots over the bevy of commodity indexes. Gold was relatively stable as issues from Brexit began to calm. The lack of surprising decisions and market news hindered an influx of investors willing to buy gold. The commodity can be used to hedge against risk and a weaker U.S. dollar, but investors were willing to turn to other areas in the third quarter. Morningstar's Agriculture, Energy, and Livestock indexes all posted negative returns for the past three months. Livestock had the biggest drop at approximately 19%. The farming community has been going through tough times in various regions of the world. Low crop prices have stalled demand and forced many farmers to search for alternatives to raise yield.

Quarterly Commodity Sector Returns



Source: Morningstar Inc. Data as of 10-5-2016

Morningstar Commodity Index Returns %

	Quarter	1–Year	3–Year	5–Year	10–Year	YTD
Long-Only	–4.89	–4.46	–15.23	–9.09	–2.57	9.51
Long/Flat	–0.69	1.71	–2.44	–2.32	3.05	1.69
Long/Short	1.26	–1.50	–1.42	–2.06	2.50	–2.89
Short/Flat	1.80	–2.87	1.09	0.22	0.28	–4.30
Short-Only	4.28	0.01	13.22	5.82	0.10	–13.93
Agriculture	–9.23	3.94	–6.96	–2.84	3.59	6.54
Energy	–2.57	–15.15	–27.29	–15.48	–12.53	11.26
Livestock	–18.91	–22.81	–8.89	–7.15	–5.97	–20.96
Metals	0.20	16.05	–3.63	–6.09	5.29	22.65

Source: Morningstar Inc. Data as of 10-5-2016

Conclusion

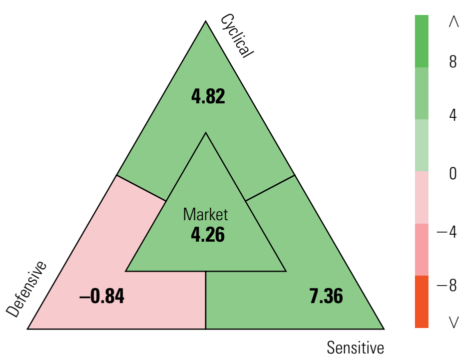
The Federal Reserve decided not to raise rates at the September meeting. The market generated slight returns after the announcement, but too much uncertainty remains for an expedited jolt. Comments from the minutes show more hawkish statements than past meetings, and many believe a rate hike will happen in December. With inflation close to its 2% target and mixed trade data reported on a weekly basis, investors will anxiously await any statements from Fed officials.

Fears from Brexit have cooled, but there is concern pertaining to a lack of favorable areas in the global space. Companies have increased share buybacks and looked for maneuvers to cut capital expenditures. Some fear the capital-allocation method may dampen GDP numbers in the future. The next quarter will be very interesting as another Fed meeting takes place. Positives and negatives of lower rates will produce headlines as speculation increases and investors try to better position themselves for the future.

Q3 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	**4.26**	**14.96**	**10.59**	**16.34**	**7.54**	**19.93**	**2.69**	**2.20**	**8.61**
Large Cap	3.82	14.98	11.05	16.18	16.18	19.47	2.83	2.30	8.19
Mid Cap	4.79	14.51	9.94	16.94	8.55	21.59	2.51	1.91	10.05
Small Cap	7.28	15.92	7.58	16.20	8.09	20.93	2.05	2.02	10.07
US Value	3.47	18.48	9.85	15.41	5.52	15.84	1.76	3.39	6.56
US Core	4.93	16.88	11.14	17.50	8.59	19.32	2.97	2.20	7.94
US Growth	4.33	9.94	10.74	16.14	8.41	27.79	4.61	1.04	13.39
Large Value	2.24	17.93	9.54	14.31	4.49	15.63	1.84	3.51	6.37
Large Core	5.02	17.61	11.48	17.60	8.46	18.56	3.18	2.28	7.24
Large Growth	4.13	9.88	12.05	16.69	8.42	27.41	4.82	1.15	13.14
Mid Value	6.54	20.38	11.36	18.83	8.24	16.59	1.69	3.07	7.24
Mid Core	3.93	14.38	11.00	17.66	9.07	21.92	2.70	1.92	10.07
Mid Growth	4.08	9.15	7.58	14.38	8.18	29.04	4.43	0.74	14.15
Small Value	7.65	18.60	8.64	16.87	8.25	16.44	1.40	3.03	7.45
Small Core	7.09	16.50	8.27	16.41	7.55	20.97	2.16	2.24	10.52
Small Growth	7.07	12.67	5.87	15.29	8.29	28.86	3.49	0.80	14.37

Q3 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	**4.82**	**10.34**	**8.98**	**17.55**	**3.08**	**17.51**	**1.92**	**2.23**	**8.71**
Basic Materials	3.77	24.50	5.92	11.76	6.21	19.74	3.21	2.24	7.65
Consumer Cyclical	4.35	8.85	9.53	19.16	9.86	19.53	4.32	1.72	11.84
Financial Services	7.28	6.80	8.21	18.33	–0.54	14.63	1.23	2.04	7.56
Real Estate	–1.06	18.65	13.25	14.80	5.24	27.19	2.37	4.41	6.02
Sensitive	**7.36**	**20.58**	**10.13**	**15.02**	**7.70**	**20.81**	**3.30**	**2.22**	**8.27**
Communication Svs	0.42	19.23	11.79	17.82	9.23	18.78	2.51	2.88	6.28
Energy	3.55	18.01	–3.32	5.74	5.76	—	1.89	3.48	7.40
Industrials	4.45	18.37	10.01	17.56	7.96	20.19	3.85	2.17	9.53
Technology	13.14	22.34	16.08	17.15	10.30	21.33	4.13	1.57	8.49
Defensive	**–0.84**	**12.66**	**13.64**	**17.35**	**9.23**	**22.54**	**3.40**	**2.14**	**8.98**
Consumer Defensive	–2.47	15.91	13.27	15.58	10.77	22.99	4.27	2.62	8.47
Health Care	1.53	9.43	14.16	20.58	10.74	22.31	3.67	1.59	10.54
Utilities	–5.81	18.20	13.16	12.29	7.99	22.18	1.89	3.16	5.41

Bond Indexes

	3–Month	1–Year	3–Year	5–Year
Core	0.52	5.40	4.20	3.28
US Government	–0.26	4.14	3.39	2.20
Corporate	1.47	8.60	5.55	5.24
Mortgage	0.68	4.18	4.04	3.24
Short-Term	0.06	1.77	1.39	1.33
Intermediate Term	0.51	4.31	3.90	3.27
Long-Term	1.02	11.92	8.37	5.67
Global Government ex. US	0.59	12.71	1.63	0.67
Emerging Markets Composite	3.28	14.46	6.63	6.87

Commodity Indexes

	3–Month	1–Year	3–Year	5–Year	10–Year	15–Year
Long-Only	–4.89	–4.46	–15.23	–9.09	–2.57	3.58
Long/Flat	–0.69	1.71	–2.44	–2.32	3.05	5.77
Long/Short	1.26	–1.50	–1.42	–2.06	2.50	4.46
Short/Flat	1.80	–2.87	1.09	0.22	0.28	–0.16
Short-Only	4.28	0.01	13.22	5.82	0.10	–4.78
Agriculture	–9.23	3.94	–6.96	–2.84	3.59	4.15
Energy	–2.57	–15.15	–27.29	–15.48	–12.53	–2.77
Livestock	–18.91	–22.81	–8.89	–7.15	–5.97	–0.62
Metals	0.20	16.05	–3.63	–6.09	5.29	11.48

All data in this issue as of October 5, 2016