Morningstar Indexes Market Commentary

Q12017

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U.S. Stocks Continue to Rise While Investors Ponder Potential Regulatory Changes

Q1 2017 Morningstar Market Barometer

	Value	Core	Growth
Large	2.51	7.46	9.16
Mid	3.26	6.30	7.51
Small	1.46	2.31	5.76

Q1 2017 Morningstar Index Returns

Stocks	
US Market Index	5.91
Global Ex-US Index	7.98
Developed Ex-US Index	6.93
Emerging Markets Index	11.68
Bonds	
Core Bond Index	0.85
Commodities	
Long-Only Commodity Index	–4.44

Source: Morningstar Inc. Data as of 3-31-2017

The transition in Washington, D.C., did not disrupt the rise in U.S. equities in the first quarter, as many sectors increased in value. Certain market indexes hovered around all-time highs, and many investors appeared bullish on potential changes to tax policies and other possible regulation reforms. The Morningstar US Market Index closed the quarter up 5.9%, continuing an impressive run as its one-year return sits at 17.8%. Some investors argue that valuations are stretched and the run since the financial crisis in 2008-09 has created conditions ripe for a correction, but others argue that valuations are relatively low, given where interest rates currently rest. Nations outside the United States had an exceptionally strong quarter, with the Morningstar Global ex-US Index and Morningstar Emerging Markets ex-US Index finishing up 8.0% and 11.7%, respectively. Discussions and headlines surrounding a potential border tax or other trade guidelines between the U.S. and other nations did not lead to negative returns.

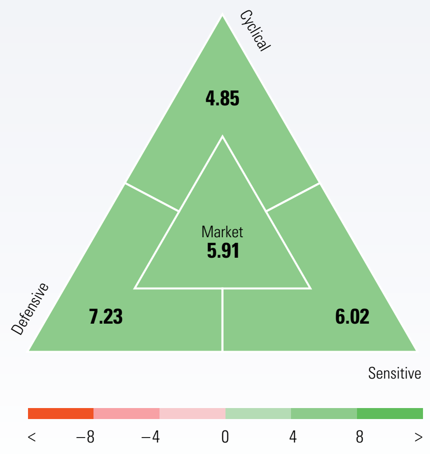
As expected, the U.S. Federal Reserve increased rates for the third time in less than 18 months. The current rate sits at 0.75%-1.00%, and many expect two more increases over the course of 2017. Markets remained relatively stable throughout the recent hike as the Fed bolstered its credibility and acted in a manner consistent with its message. GDP growth rates and inflation are expected to float around 2% for the next few years, and a lack of surprises in economic data points toward the Fed continuing its gradual hikes into 2018. Inflation surprisingly rose 0.6% in January but increased just 0.1% in February; averaging the two months together keeps the data in line with numbers reported over the past year. Sudden changes to inflation figures or economic data have the potential to throw a wrench in the Fed's plans over the next 6-12 months.

Commodities started the year on uneven footing as the Morningstar Long-Only Commodity Index decreased 4.4%. While some commodities could see a pickup in demand with increased U.S. infrastructure spending and economic growth, many continue to operate in markets that are oversupplied and lacking catalysts. Political talk centered on potential trade regulations has the capability to meaningfully affect commodity prices and will be a focal point moving forward.

Sector Indexes

All three super sector indexes reported positive returns for the first quarter as many sectors had an exceptional start to the year. The U.S. Defensive Super Sector increased 7.2% as all three subsectors (consumer defensive, healthcare, and utilities) posted strong returns. The U.S. Sensitive Super Sector notched a 6.0% gain as strong earnings and guidance from many technology leaders delighted investors. The U.S. Cyclical Super Sector posted a respectable 4.9% return as basic materials and consumer cyclical companies continued their positive momentum from the second half of 2016.

Q1 2017 Morningstar Sector Delta and Return %



Sector	Quarter	1-Year	3-Year
Cyclical	**4.85**	**20.97**	**10.11**
Basic Materials	7.43	22.83	6.14
Consumer Cyclical	8.11	13.27	10.46
Financial Services	2.72	31.95	10.93
Real Estate	1.92	4.74	9.54
Sensitive	**6.02**	**20.92**	**9.30**
Communication Svs	2.72	15.39	11.55
Energy	–6.52	15.41	–6.12
Industrials	4.70	18.71	9.60
Technology	12.48	26.20	15.53
Defensive	**7.23**	**9.39**	**10.69**
Consumer Defensive	5.47	6.83	11.48
Health Care	8.64	11.54	10.18
Utilities	6.24	7.70	11.17

Morningstar Super Sectors

	P/E	P/B	Yield %	Earnings Growth	Sales Growth
Cyclical Super Sector	19.48	2.16	1.98	2.11	3.39
Sensitive Super Sector	22.99	3.55	1.96	10.00	–5.13
Defensive Super Sector	22.12	3.44	2.30	8.32	5.03

Source: Morningstar Inc. Data as of 3-31-2017

Cyclical Super Sector 4.85%

Although the Cyclical Super Sector Index exhibited healthy returns for the first quarter, it still lagged the other two super sectors. Several factors influenced the index and led the charge, including the U.S. presidential election, where Republican control has many investors believing deregulation and tax reform could lead to exemplary gains for financial services companies. In addition, many basic materials companies could be benefactors of increased infrastructure spending and development programs hinted at by U.S. government authorities. One sector that lagged was real estate, as rate hikes from the Fed lessen the attractiveness of income typically offered from firms associated with real estate and property development.

Defensive Super Sector 6.02%

The Sensitive Super Sector Index reported strong results to start the year as some of the largest names in technology had inspiring returns. Narrow-moat Apple, wide-moat Facebook, and wide-moat Oracle all posted double-digit gains for the quarter and have many bullish on prospects for the remainder of the year. The trailing one-year return for the technology sector sits at a whopping 26.2%, and many investors believe the run will continue over the next several quarters. Unlike the technology sector, the energy sector was not able to carry over its momentum from 2016 and dropped 6.5% in the first quarter. Discussions and forecasts on OPEC production cuts provided a boost to oil prices in the later stages of 2016, but the optimism was not sustained, and prices decreased over the past three months. Furthermore, rapid U.S. shale growth over the next six to nine months seems likely, which should increase U.S. oil supply and negatively affect oil prices.

Sensitive Super Sector 7.23%

The Defensive Super Sector Index was the top performer in the first quarter but still lags the other two indexes on trailing one-year returns. The index benefited from the Fed maintaining consistency and not drastically raising rates. The utilities and consumer defensive companies had a rocky 2016 as interest rate and inflation speculation negatively affected companies that tend to distribute healthy dividends. A strong start to 2017, gradual increasesin interest rates, and favorable economic data may signal better times ahead for the defensive names. Healthcare companies received a boost in the first quarter as Republican control in Washington did not lead to dramatic changes to the industry. The health-care sector rose 8.6% as wide-moat firms Johnson & Johnson, Merck, and Pfizer posted solid results for the first quarter.

Style & Cap Indexes

Large-cap and growth companies generated the highest returns in the first quarter. The results represent a change from the previous quarter, when small-cap and value companies were the clear winners. The toggle between styles and caps is evident in today's market environment as statements from the newly elected U.S. president and his advisors are being digested and producing volatile movements in equities. Some well-known titans in the technology and consumer industries helped raise the Morningstar US Large Growth Index 9.2%, and the Morningstar US Large Core Index followed, rising 7.5%.

Trailing Returns

1-Year

	Value	Core	Growth
Large	17.84	21.73	12.65
Mid	22.79	17.07	15.20
Small	24.25	22.05	20.69

3-Year

	Value	Core	Growth
Large	8.78	11.19	11.06
Mid	10.61	9.21	7.00
Small	8.17	7.90	6.23

5-Year

	Value	Core	Growth
Large	12.03	14.74	12.73
Mid	15.96	13.50	11.34
Small	13.42	12.74	11.34

Morningstar Style & Cap Indexes

	P/E	P/B	Yield %	Earnings Growth	Sales Growth
Morningstar Value	16.80	1.80	2.92	3.91	–3.08
Morningstar Core	20.70	3.43	2.37	5.50	5.86
Morningstar Growth	27.61	4.17	1.08	9.63	7.11
Morningstar Large Cap	20.20	2.86	2.27	5.90	1.24
Morningstar Mid Cap	21.95	2.52	1.87	3.71	2.04
Morningstar Small Cap	22.53	2.19	1.81	2.21	0.56

Source: Morningstar Inc. Data as of 3-31-2017

Morningstar US Growth 8.58%

The Morningstar US Growth Index started the year on the right path as various companies reached all-time highs and the bulls found reasons to justify expanding multiples. The index still lags its two peers (Value and Core) on one-year trailing returns by more than 5.0%, so the start to the year was a pleasant surprise to many searching for high-growth names. Facebook and Amazon, two wide-moat companies, were the two largest contributors to the index and continue to reward investors backing the household names. Facebook rose 23.5% during the quarter as monthly average users and average revenue per user continued to climb and other competitors struggle to keep pace. The leader in social networking and online ad markets did not lose momentum from Snap's initial public offering in early March. Amazon's success in disrupting the retail industry and dismantling competitors has the entire investor realm on notice. Competitors are attempting to increase their online presence, but the lead Amazon has will be tough to overcome. The company has more than 300 million global active users, and a growing number of Prime memberships and fee increases should boost margins in the coming years.

Morningstar US Value 2.58%

The worst-performing cap index in 2017 has been the Morningstar US Value Index. However, it was not all bad news as wide-moat Philip Morris increased 24.5%. The largest publicly traded tobacco company and top contributor to the index steadily rose on solid quarterly results paced by a healthy price/mix. Consumer and retail environments have been hit hard by recent changes and customer shopping preferences, but Philip Morris has been able to maintain its pricing power and justify its wide moat rating. One consumer defensive company that did not fare as well was Target, whose shares dropped 22.9% in the first quarter. The company has failed to develop an impactful online presence, and traffic numbers have been falling short of investor expectations. Many retail chains depend on grocery sales to help drive traffic to stores, but Target's grocery department constitutes a smaller percentage of total sales compared with the industry average. It will be a difficult turnaround for the retail chain as consumers are gravitating toward Amazon's brand and distribution power.

Morningstar US Core 6.80%

The Morningstar US Core Index posted solid results for the first quarter and has generated a 20.7% return over the past year. Leading the charge in 2017 were two technology giants, Apple and Microsoft. Apple CEO Tim Cook has turned many investors into believers, including Warren Buffett at Berkshire Hathaway. Buffett increased his stake in the company over the past six months and noted the sticky relationships Apple has created with its customers. People across the globe are attached to their iPhones, and upgrades have become habitual. Strong customer relationships also helped Microsoft's returns over the past three months as the firm has quickly become one of the most respected cloud computing firms in the world. Management has worked diligently to develop software and tools and retain developers as clients gravitate toward the advantages of the cloud.

Morningstar Large Cap 6.26%

Large-cap names outperformed small- and mid-cap names for the quarter. In particular, large-cap growth names had an exceptional start to the year by generating a 9.2% return. Notable winners in this space were Facebook, Amazon, and Apple. Another strong breadwinner for the quarter was Visa, which generated a 14.1% gain. Wide-moatrated Visa has a favorable position in the digital payment market, and consumers' move toward a cashless society provides a favorable tailwind for future earnings. Furthermore, a reduction in corporate tax rates and a favorable repatriation environment could provide a catalyst for the firm.

One company not faring so well was ExxonMobil, which decreased 8.3%. It recorded a rare impairment charge on its upstream assets in the quarter and has been increasingly investing in larger projects geared toward oil sands and liquefied natural gas. The long-life projects may dilute returns in the short term but have potential to generate strong cash flows for many years into the future.

Morningstar Mid Cap 5.69%

The Morningstar US Mid Cap Index posted healthy returns to start the year, and its trailing one-year return is 18.3%. Two technology names boosting the index were Micron Technology and Skyworks Solutions. No-moat Micron reported excellent quarterly results and is up approximately 150% over the past year as mobile and automotive end markets remain robust. Narrow-moat Skyworks is benefiting from ongoing radio frequency chip demand from Apple's latest iPhone and several leading Chinese smartphone manufacturers.

Everything was not rosy in the index as Rite Aid fell 48.4%. The chain of retail drugstores is set to be acquired by Walgreens Boots Alliance, but regulators' antitrust concerns have led to a sharp decline in the acquisition price. Merging the pharmacy chain giants has proved difficult, and more amendments to the deal may be on the horizon.

Morningstar Small Cap 3.15%

Small-cap names lagged larger companies in the first quarter, but there were still plenty of winners in the index. Chemours, a basic materials company providing performance chemicals, generated a return of 74.4% in the first quarter and has put together an impressive run over the past year. Major cost cuts and economies of scale led to increased profitability in its titanium technologies segment, but the no-moat company may face headwinds in the commoditylike refrigerant segment, and pricing pressures in the titanium dioxide segment may hinder future returns. The worst-performing company in the index was Vista Outdoor, which decreased 44.2%. It suffered a large impairment charge in the quarter, and weakened demand in the ammunition and outdoor sports markets has led to decreasing profitability. The transition in the U.S. government over the past six months shifted customer demand in gun-related industries, and many investors are not willing to wait for a turnaround.

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 index benchmarks. With the upper right corner of the Morningstar Style Box leading the market, it was unsurprising to see active managers struggling to keep up with corresponding Morningstar indexes in the hot growth space, as well as large and mid-cap core. Nor was it surprising to see such a large percentage of large-value and mid-value active managers outpace their sluggish bogies. The surprise was the failure of small-value active managers to best the quarter's worst-performing Morningstar Style Box index.

Active vs. Passive

	Value	Core	Growth
Large	81.49 2.51	8.74 7.46	38.06 9.16
Mid	56.73 3.26	10.66 6.30	36.84 7.51
Small	22.95 1.46	37.61 2.31	41.63 5.76

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

◢ Index Returns (%), Q1 2017

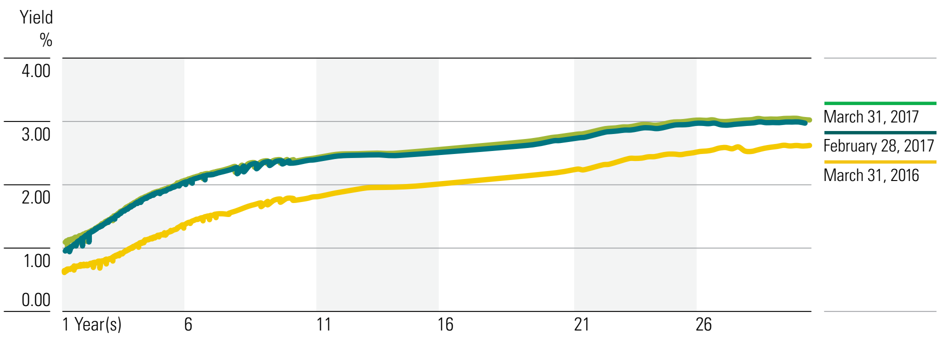
Source: Morningstar Inc. Data as of 3-31-2017

[1] Includes the oldest share class for all U.S. diversified mutual funds with at least a one-year history. As of December 30, 2016 there were 2,068 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

Fixed-income indexes performed well in the first quarter of 2017 as interest rates held relatively steady and corporate credit spreads tightened slightly. While the Federal Reserve raised the federal-funds rate in March by 25 basis points to 0.75%-1.00%, long-term interest rates were generally unchanged as the move had already been priced into the market. Corporate credit markets have been supported by generally improving credit metrics and the market's expectation that possible revisions to tax and regulatory policies enacted by the Trump administration will reinvigorate economic growth and earnings.

Treasury Yield Curve



Source: Morningstar Inc. Data as of 3-31-2017

Morningstar Bond Indexes

		Returns		Statistics			
		QTR	YTD	Market Value ($Mil)	Credit Quality	Yield to Maturity	Average Duration
Broad Market	Core Bond	0.85	0.85	17,208,376	AA	2.61	5.81
Sector	US Government	0.50	0.50	4,696,094	AA	1.64	2.29
	Corporate	0.68	0.68	8,231,964	AA+	2.7	4.70
	Mortgage	1.54	1.54	4,280,318	AA–	3.5	11.80
Maturity	Short–Term Core	0.73	0.73	7,135,120	AAA	1.91	5.96
	Intermediate Core	1.38	1.38	5,062,826	A–	3.29	6.75
	Long–Term Core	0.47	0.47	5,010,430	AAA	2.92	4.64
Inflation Prot. Secs.	TIPS	1.38	1.38	1,095,269	AAA	0.08	7.67
Global Sovereign	Global Govt USD	1.69	1.69	21,840	AA–	0.99	7.77
	Global Govt ex–US USD	2.15	2.15	14,640	A+	0.57	8.64
	Eurozone EUR	–1.43	–1.43	6,331	A+	0.71	7.22
	Swiss CHF	1.62	1.62	1,683	AA	1.06	11.69
	UK GBP	–0.16	–0.16	83	AAA	–0.18	11.74
	Australasian USD	0.61	0.61	329	AAA	1.32	6.58
	Canadian CAD	6.07	6.07	373	AAA	2.46	6.11
	Japanese JPY	–0.42	–0.42	5,840	A	0.11	9.52
Europe	Eurobond Corp EUR	0.09	0.09	1,592	A–	0.77	5.32
	European Bank Capital EUR	0.63	0.63	522	A–	1.08	4.17
	European Covered EUR	0.09	0.09	777	AA+	0.18	4.73
	UK Bank Capital GBP	2.15	2.15	60	A–	2.58	7.09
	UK Eurobond Corp GBP	1.61	1.61	315	A–	2.32	8.83
Emerging Market	Composite USD	3.45	3.45	131,785	BBB–	4.8	5.99
	Sovereign USD	3.98	3.98	53,662	BB+	5.28	7.34
	Corporate USD	3.21	3.21	77,539	BBB	4.67	5.01

Source: Morningstar Inc. Data as of 3 31-2017

Rising Federal-Funds Rate Did Not Prevent Fixed-Income Indexes From Rising in the First Quarter

Fixed-income indexes performed well in the first quarter of 2017 as interest rates held relatively steady and credit spreads tightened slightly. Corporate credit markets have been supported by generally improving credit metrics and the market's expectation that possible revisions to tax and regulatory policies enacted by the Trump administration will reinvigorate economic growth and earnings.

The Morningstar Core Bond Index, our broadest measure of the fixed-income universe, rose 0.85% in the first quarter. The return was generated by a combination of the yield carry on the underlying securities, as interest rates have generally been flat thus far this year, and a slight tightening in corporate credit spreads. Representative of the Treasury market, the Morningstar US Government Bond Index rose 0.73% and the Morningstar US Agency Bond Index rose 0.78%. Inflation expectations also held relatively steady, and the Morningstar TIPS Index rose 1.38%.

In the corporate bond market, the Morningstar Corporate Bond Index (our proxy for the investment-grade bond market) rose 1.38%. Since the end of last year, the average corporate credit spread of the Morningstar Corporate Bond Index tightened 5 basis points to +123. However, while corporate bonds performed well in the United States, the Morningstar Eurobond Corporate Index rose only 0.09%. The average corporate credit spread in the Morningstar Eurobond Corporate Index tightened only 2 basis points this past quarter. While U.S. long-term interest rates were generally steady, in the eurozone underlying sovereign interest rates rose as the European Central Bank hinted it is nearing the time it will begin to wind down its easy monetary policy. For example, the yield on Germany's 10-year bond almost doubled, rising 18 basis points to 0.39%.

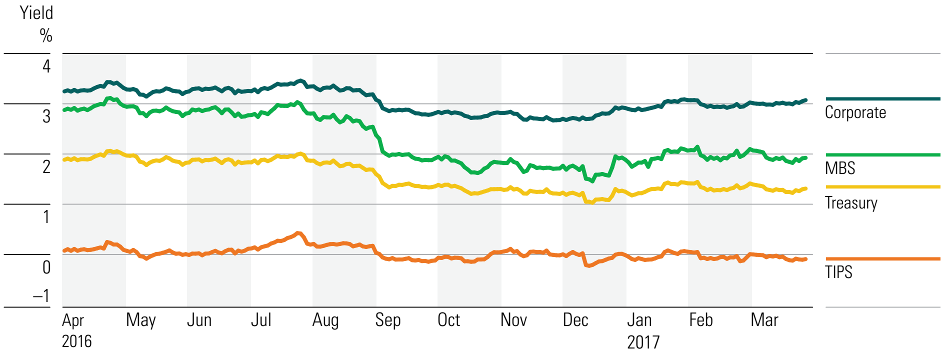
The emerging-markets fixed-income indexes posted the strongest returns of the fixed-income universe in the first quarter, as the Morningstar Emerging Market Composite Bond Index rose 3.45%. Underlying the composite index, the Morningstar Emerging Market Sovereign Bond Index rose 3.98%, and the Morningstar Emerging Market Corporate Bond Index rose 3.21%.

While the corporate bond market has been pricing in the expectation that revisions to tax and regulatory policies that might be enacted by the Trump administration will reinvigorate economic growth, economic activity appears to have slowed in the first quarter. Robert Johnson, Morningstar, Inc.'s director of economic analysis, expects that GDP growth in the first quarter will only be about 1.0%. He expects economic growth will rebound in the second quarter to 2.1% and will be 1.75%-2.0% for the full year. While his first-quarter estimate is below the average expectations of Wall Street economists, it is in line with the GDPNow estimate produced by the Federal Reserve Bank of Atlanta. Data over the past few weeks led the Atlanta Federal Reserve to lower its GDPNow estimate for economic growth in the first quarter to 0.9% from as high as 2.5% as recently as Feb. 27. Factors leading to the lower estimate include weakening construction spending, light-vehicle sales, and manufacturing reports. However, even at this slower pace, our corporate credit analysts expect economic growth should be enough to generally support the credit quality of corporate issuers and financial institutions. Johnson also forecasts that at the end of this year, the yield on the 10-year U.S. Treasury will be 3.00%-3.50% and the run rate of inflation will be 2.00% on a fourth-quarter over fourth-quarter basis.

Futures Market Pricing In Additional Fed Rate Hikes

The Federal Reserve raised the federal-funds rate in March by 25 basis points to 0.75%-1.00%. At the beginning of the year, the market-implied probability of a rate hike so early in the year was very low, but it rose quickly a few weeks before the March meeting of the Federal Open Market Committee, as Federal Reserve officials suggested in several public speeches that a rate hike was in the offing. Both the Fed and the market expect a couple of more rate hikes this year.

US Bond Indexes: Average Yields



Source: Morningstar Inc. Data as of 3-31-2017

According to data from the CME, the market-implied probability priced into the federal-funds futures market that the Fed will hike the federal-funds rate after the June meeting is 53%. The probability that it will be over 100 basis points after the December meeting is 89%. The market-implied probability that there will be two more rate hikes this year is 55%. If the Fed were to raise interest rates two more times this year, the federal-funds rate would be 1.25%-1.50%, in line with the Fed's median forecast, which is 1.4% at the end of 2017. If the federal funds rate rises above 1%, that would be the first time since 2008 that it will be above what had been its previous historical low before the credit crisis. The prior historical low was reached in 2003, when the U.S. was recovering from the bursting of the tech bubble.

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Commodities Indexes

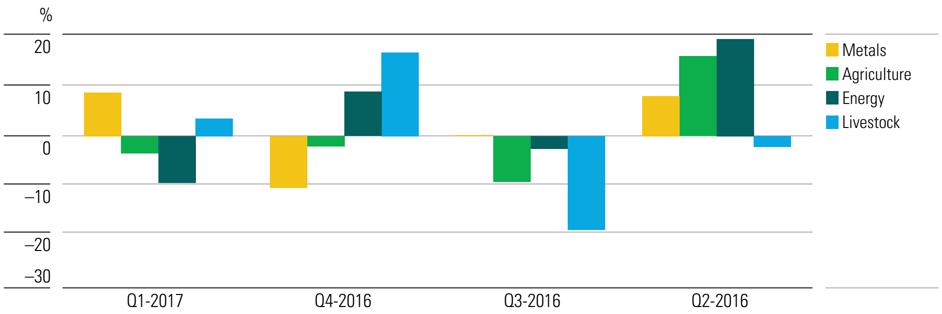
Energy prices lagged other commodities in the first quarter. Several developments have weighed on the sector as OPEC proposals remain a global concern. The U.S. presidential election provided a short-term boost to some commodities, but long-term concerns linger. Agriculture and livestock indexes underperformed the market as weakened crop prices persist and profitability for suppliers slumps. All four Morningstar commodity groups have negative five-year annual returns, and investors exposed to the areas are left searching for inflection points or falling back on the diversification benefits of the alternative investments.

The Morningstar Energy Commodity Index had a bumpy start to 2017, and its three-year annual return is negative 28.4%. Discussions surrounding OPEC production cuts provided a catalyst to close out 2016, and short-term oil market fundamentals are at much better levels than recent years, but shale growth will provide a material increase in U.S. oil supply and weigh on prices.

A bright spot in commodities was the Morningstar Metals Commodity Index, which improved 8.8% over the past three months. However, prices for commodities such as metallurgical coal and copper are meaningfully above the cost of production, and overcapacity in the market has the potential to erase the recent gains. Vigorous demand from China, the largest consumer of commodities, has buoyed prices for the past 12 months, but slowing demand and the country shifting to a consumer- and service-led economy will make it difficult for many commodity prices to continue the upward trend.

The Morningstar Agriculture Commodity Index dropped 3.5% in the first quarter, and its three-year annual return is negative 12.0%. Farmers have been suffering as crop prices continue a downward trend, and many on the value chain look to increase yield with differing techniques and products. Weaker U.S. farm income over the past three years and the U.S. Department of Agriculture projecting 2017 to be similar will probably lead to farmers cutting costs in an attempt to enhance profitability. Nevertheless, growing emerging-market calorie intake and dietary patterns should help the agricultural sector and provide a long-term catalyst.

Quarterly Commodity Sector Returns



Source: Morningstar Inc. Data as of 3-31-2017

Morningstar Commodity Index Returns %

	Quarter	1–Year	3–Year	5–Year	10–Year	YTD
Long-Only	–4.44	8.47	–17.29	–10.48	–3.27	–4.44
Long/Flat	–6.70	–9.06	–5.96	–5.68	1.55	–6.70
Long/Short	–7.70	–11.82	–5.16	–5.57	1.23	–7.70
Short/Flat	–2.38	–4.03	0.42	–0.18	0.10	–2.38
Short–Only	4.47	–11.92	15.03	6.62	0.28	4.47
Agriculture	–3.46	–0.35	–12.00	–4.73	1.56	–3.46
Energy	–9.40	14.99	–28.39	–18.00	–12.48	–9.40
Livestock	3.59	–3.92	–7.17	–1.87	–4.53	3.59
Metals	8.79	5.60	–2.78	–7.56	4.37	8.79

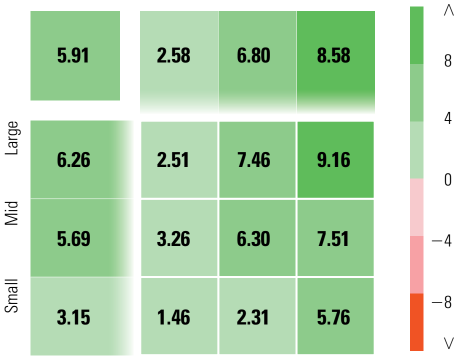
Source: Morningstar Inc. Data as of 3-31-2017

Conclusion

Equities continued to climb in the first quarter as investors debated whether markets are over-bought or corporate-friendly policies will continue the bullish run in the U.S. As multiples expand and forecasts revolving around tax, trade, and banking policies fluctuate, the polarizing effect of government and corporate leaders will make for a fascinating 2017. Various data gathering and news providers create many ways for people to seize information and act quickly. Whether that's a net positive or negative for investors can be debated, but it has enhanced the potential for volatile movements in the market. Scrutiny and criticism from the masses are prevalent, and many market participants anxiously await more clarity from government officials.

Economic data appear to be improving, albeit gradually, and the Fed's increasing rates above the controversial zero level has alleviated some concerns in the market about having limited options if a series of negative events were to occur. The first quarter presented pockets of opportunities for investors and kicked off a year that will not be short of interesting corporate developments.

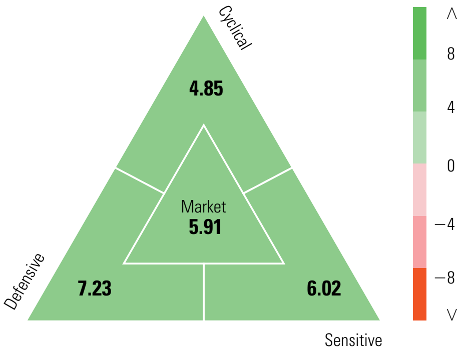
Q1 2017 Style Indexes



	US Market	Value	Core	Growth
	5.91	2.58	6.80	8.58
Large	6.26	2.51	7.46	9.16
Mid	5.69	3.26	6.30	7.51
Small	3.15	1.46	2.31	5.76

	Total Returns %								
	3–Month	1–Year	3–Year	5–Year	10–Year	Price/ Earnings	Price/ Book	Yield %	5–Yr Earn Growth
Morningstar US Market	**5.91**	**17.81**	**9.88**	**13.16**	**7.70**	**21.46**	**2.90**	**2.05**	**2.25**
Large Cap	6.26	17.26	10.36	13.14	13.14	21.11	3.05	2.17	2.19
Mid Cap	5.69	18.28	8.94	13.43	8.21	22.70	2.68	1.75	10.19
Small Cap	3.15	22.36	7.45	12.51	8.02	22.18	2.26	1.65	10.26
US Value	2.58	19.29	9.12	12.93	5.63	17.40	1.87	2.82	2.07
US Core	6.80	20.73	10.53	14.33	8.99	21.07	3.64	2.21	9.06
US Growth	8.58	13.61	9.93	12.28	8.39	28.74	4.47	1.09	13.71
Large Value	2.51	17.84	8.78	12.03	4.64	17.17	1.89	2.91	2.06
Large Core	7.46	21.73	11.19	14.74	9.11	20.64	4.30	2.39	8.61
Large Growth	9.16	12.65	11.06	12.73	8.57	28.26	4.60	1.19	13.83
Mid Value	3.26	22.79	10.61	15.96	8.10	18.33	1.91	2.59	8.07
Mid Core	6.30	17.07	9.21	13.50	8.69	22.47	2.79	1.86	10.40
Mid Growth	7.51	15.20	7.00	10.91	7.69	29.78	4.29	0.78	12.84
Small Value	1.46	24.25	8.17	13.42	8.45	17.68	1.56	2.42	7.99
Small Core	2.31	22.05	7.90	12.74	7.52	21.72	2.36	1.63	10.17
Small Growth	5.76	20.69	6.23	11.34	7.89	31.76	3.77	0.91	15.15

Q1 2017 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	**4.85**	**20.97**	**10.11**	**14.13**	**3.81**	**19.33**	**2.16**	**2.03**	**2.11**
Basic Materials	7.43	22.83	6.14	9.17	5.58	23.77	3.64	1.93	9.23
Consumer Cyclical	8.11	13.27	10.46	14.99	9.77	20.68	4.36	1.61	12.12
Financial Services	2.72	31.95	10.93	15.77	1.16	16.96	1.49	1.81	2.05
Real Estate	1.92	4.74	9.54	9.34	3.82	24.13	2.31	4.36	6.61
Sensitive	**6.02**	**20.92**	**9.30**	**11.63**	**7.81**	**23.30**	**3.59**	**1.94**	**10.00**
Communication Svs	2.72	15.39	11.55	15.79	8.76	23.33	2.59	2.80	7.64
Energy	−6.52	15.41	−6.12	1.29	4.33	—	1.93	2.65	17.75
Industrials	4.70	18.71	9.60	14.19	8.14	22.64	4.29	1.98	9.73
Technology	12.48	26.20	15.53	13.68	11.15	23.33	4.50	1.44	10.20
Defensive	**7.23**	**9.39**	**10.69**	**14.72**	**9.06**	**22.15**	**3.43**	**2.25**	**8.32**
Consumer Defensive	5.47	6.83	11.48	13.09	10.43	21.51	4.16	2.65	8.48
Health Care	8.64	11.54	10.18	16.94	10.83	22.63	3.73	1.69	8.96
Utilities	6.24	7.70	11.17	12.31	6.77	22.12	1.98	3.49	5.21

Bond Indexes

	3–Month	1–Year	3–Year	5–Year
Core	0.85	0.43	2.87	2.52
US Government	0.73	–1.40	2.08	1.59
Corporate	1.38	3.27	3.61	3.96
Mortgage	0.47	0.34	3.13	2.57
Short–Term	0.50	0.68	1.16	1.12
Intermediate Term	0.68	0.31	2.95	2.54
Long–Term	1.54	0.48	4.85	4.29
Global Government ex. US	2.15	–4.65	–2.33	–0.99
Emerging Markets Composite	3.45	8.46	5.29	4.97

Commodity Indexes

	3–Month	1–Year	3–Year	5–Year	10–Year	15–Year
Long–Only	–4.44	8.47	–17.29	–10.48	–3.27	3.28
Long/Flat	–6.70	–9.06	–5.96	–5.68	1.55	4.95
Long/Short	–7.70	–11.82	–5.16	–5.57	1.23	3.60
Short/Flat	–2.38	–4.03	0.42	–0.18	0.10	–0.34
Short–Only	4.47	–11.92	15.03	6.62	0.28	–4.42
Agriculture	–3.46	–0.35	–12.00	–4.73	1.56	3.65
Energy	–9.40	14.99	–28.39	–18.00	–12.48	–3.00
Livestock	3.59	–3.92	–7.17	–1.87	–4.53	1.05
Metals	8.79	5.60	–2.78	–7.56	4.37	10.91

All data in this issue as of December 30, 2016