Morningstar Indexes Market Commentary

Q4 2016

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U.S. Presidential Election Boosts Equities; Fed Raises Rates

Q4 2016 Morningstar Market Barometer

	Value	Core	Growth
Large	7.74	4.04	–0.32
Mid	8.43	2.66	–0.05
Small	10.88	8.52	1.46

Q4 2016 Morningstar Index Returns

Stocks	
US Market Index	3.99
Global Ex-US Index	–1.36
Developed Ex-US Index	–0.62
Emerging Markets Index	–3.90
Bonds	
Core Bond Index	–3.06
Commodities	
Long-Only Commodity Index	3.13

Source: Morningstar Inc. Data as of 12-30-2016

Investor focus in the fourth quarter centered on the U.S. presidential election and did not shift once Donald Trump claimed victory. Markets had priced in a Hillary Clinton win, but closed the year with a rally as many investors sense that Republican control and deregulation will increase corporate earnings. The Morningstar US Market Index closed the quarter up 4.0%, increasing its yearly gain to 12.4%. Rising consumer confidence levels mixed with forecast tax cuts led many stocks to trade higher and boosted various sectors over the past three months.

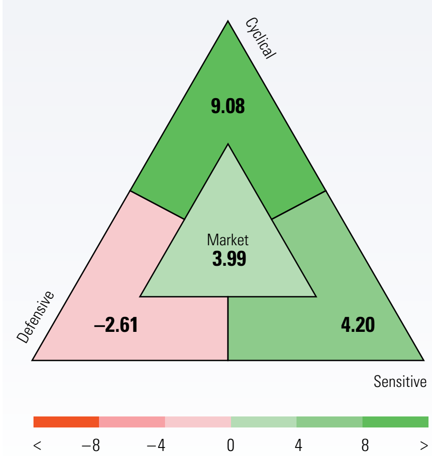
The U.S. Federal Reserve made the highly anticipated move and raised interest rates a quarter point in mid-December. Markets reacted with relatively little movement to the news, but individual Fed governor forecasts suggested the possibility of three rate increases in 2017. Previous forecasts hinted at two increases, so the change slightly shifted sentiment and reduced momentum in the markets. However, downward movement was only gradual, and investors are searching for catalysts as the positive impacts of potential stimulative polices from Trump's team have largely been priced into securities. Furthermore, economic data continue to sputter and show few signs of a flourishing environment in the near future.

While optimism tends to rise at the end of year and forecasters see signs that point to improved economic situations, GDP growth for the United States in 2016 is expected to be approximately 1.6%. Consensus forecast for 2017 has the growth rate rising to 2.4%, but our forecast remains under 2.0%; we believe many are too optimistic regarding the obstacles that lie ahead. Declining population growth mixed with an aging population should hinder growth and leave output numbers in a less-than-desirable range. Over the past few years, consumer spending has been the driving force behind the GDP calculation. In 2016, energy prices did not continue the downward trend and consumer spending was negatively affected. Lower disposable income due to higher inflation could further reduce spending and require other areas of investment to increase for GDP numbers to reach consensus expectations. Corporate tax reductions may increase business investment, but few signs point to an immediate shift, as many believe new proposals will take time to implement.

Sector Indexes

Two out of three super sectors outperformed the market in the fourth quarter. The Cyclical Super Sector led the charge with a 9.1% return. Financial services closed the year on a run as future interest rate hikes become more likely. Furthermore, the sector is expected to gain from deregulation and policies geared toward increased lending. The Sensitive Super Sector also had a strong quarter, with increased spending plans and improving conditions expected to aid industrials and energy companies. The energy sector was the top-performing sector of the year with returns calculated at 27.9%.

Q4 2016 Morningstar Sector Delta and Return %



Sector	Quarter	1-Year	3-Year
Cyclical	**9.08**	**13.80**	**8.68**
Basic Materials	5.69	19.95	4.54
Consumer Cyclical	2.00	5.75	6.86
Financial Services	19.00	20.63	10.34
Real Estate	–2.70	8.02	12.18
Sensitive	**4.20**	**18.31**	**7.77**
Communication Svs	6.22	20.77	10.40
Energy	7.26	27.89	–3.40
Industrials	7.05	18.71	8.04
Technology	1.22	14.06	12.18
Defensive	**–2.61**	**2.35**	**9.68**
Consumer Defensive	–1.23	7.02	9.68
Health Care	–4.24	–3.44	9.20
Utilities	0.57	16.68	12.31

Morningstar Super Sectors

	P/E	P/B	Yield %	Earnings Growth	Sales Growth
Cyclical Super Sector	18.85	2.03	2.05	8.23	3.04
Sensitive Super Sector	21.75	3.38	2.14	2.54	–2.72
Defensive Super Sector	22.02	3.24	2.32	6.10	5.40

Source: Morningstar Inc. Data as of 12-30-2016

Cyclical Super Sector 9.08%

One of the most prominent stories of the past three months has been the rise of the financial services sector. After remaining relatively flat over the first three quarters, the sector popped 19.0% as many firms benefited from the election. Interest rate hikes and the possibility of relaxed regulations on the financial system have many investors bullish on financial stocks. In addition, increased leverage and a government focused on improving conditions for business spending could be highly beneficial. Another solid performer for the quarter was the basic materials sector. It rose 5.7% over the previous three months and outperformed the market by more than 7% in 2016. U.S. Steel was viewed as a big winner from the election, as indications from Trump point to heavier investments in infrastructure. Investments in bridges, roads, and airports would increase demand for steel and other metals.

Defensive Super Sector –2.61%

The Defensive Super Sector reported lackluster returns and was the only Morningstar super sector to underperform the market. The rise in interest rates and expectations of future hikes do not fit well with companies paying healthy dividends. Healthier yields found in other avenues can make defensive names less attractive. Healthcare returned negative 3.4% for the year and led many to believe that attractive opportunities remain in the space. In an environment where equities are hovering around all-time highs and investors are struggling to find explanations to support equity levels, downtrodden healthcare names may offer value. Medtronic fell 17.1% during the quarter and was the largest contributor to the super sector's returns. Weakness in cardiovascular therapies and revenue associated with diabetes products resulted in slow top-line growth for the wide-moat firm and increased uncertainty surrounding management's guidance.

Sensitive Super Sector 4.20%

The Sensitive Super Sector continued its pace for the year and outperformed the market in the fourth quarter. All four subsectors had positive returns for the quarter and outperformed the market for the year. Healthy returns in the energy and industrials sectors have raised confidence and rewarded investors predicting turnarounds in certain commodity prices. Much of the attention has focused on whether President Trump will create a more favorable environment for players in the energy space, but we highlight Microsoft as the largest contributor for the quarter. The wide-moat firm returned 8.6% for the quarter and has investors confident in its cloud computing capabilities.

Style & Cap Indexes

Small-cap and value plays were the clear winners of the fourth quarter as low interest rates and healthy levels of consumer spending persist. The bullish run in 2016 was marked with optimism surrounding companies able to provide consistent earnings and return cash to shareholders. Furthermore, investors backing companies in the small-value space were rewarded with a 28.0% annual return. Growth companies did not fare as well, and investors struggled to find the drivers supporting recent prices. The change in the U.S. government was a benefit to large banks but did not serve certain technology names well.

Trailing Returns

1-Year

	Value	Core	Growth
Large	18.91	13.75	1.79
Mid	25.21	12.40	6.46
Small	27.96	23.63	9.61

3-Year

	Value	Core	Growth
Large	8.59	9.69	7.84
Mid	10.78	8.72	5.08
Small	8.75	8.15	3.88

5-Year

	Value	Core	Growth
Large	13.26	15.85	14.40
Mid	17.85	15.02	12.73
Small	15.61	15.01	12.73

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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 12-30-2016

Morningstar US Growth –0.14%

The Morningstar US Growth Index underperformed the market and was the only Morningstar style index to have a negative return. Investors have been hesitant to flock to growth companies with markets close to record highs, and possible stimulative policies have not been enough to dramatically shift sentiment. Two big players in the space had negative returns and contributed to the uninspiring results: Amazon and Facebook. Both experienced losses of more than 10% for the quarter and struggled to match investors' growing expectations. The past two years have been an incredible ride for Amazon investors, and some are wondering whether it is possible to continue the torrid pace. However, new Alexa devices dominated headlines over the past holiday season and have many bulls believing Amazon can improve operating margins for many years into the future. Facebook also performed well over the past year, but increased competition and management hinting at higher operating expenses to further differentiate its platform created a rocky finish to the year. However, advertising revenue and monthly average users continue to grow and provide opportunities for the wide-moat company.

Morningstar US Value 8.12%

The Morningstar US Value Index was the top performer and had an excellent run for investors by returning 20.8% for the year. Investors flocked to the value plays and found discounted areas in multiple sectors. Large banks had the largest positive contributions, with JPMorgan Chase, Bank of America, and Wells Fargo returning 30.5%, 41.7%, and 25.5%, respectively. The banking sector rocketed upward immediately following the presidential election as many believe industry deregulation is imminent. Increased interest rates and lending have the potential to expand revenue and profitability, and underperformance from the sector over the past 10 years leads many to believe there is still plenty of room to run. Another strong performer in the group was Chevron, jumping 15.5% in the fourth quarter. OPEC's announced production cuts provided a catalyst for world oil markets, and many believe a supply deficit will occur in 2017.

Morningstar US Core 4.07%

The Morningstar US Core Index fell in line with the market and delivered solid returns for the quarter. Investors unsure whether current conditions are favorable for growth or value plays found comfort in names that do not fit squarely into either category. The largest contributors to the index were a healthy mix of financial, technology, and industrial companies. Berkshire Hathaway continues to offer stability and reward investors in an environment dominated by uncertainty. The headlines and unpredictable nature of the election could not deter Warren Buffett's company from returning 12.8% over the last three months. A corporate tax cut would provide immediate benefits to the diversified holding company, and Berkshire's record provides solace as many believe the market is overheated and lacking the drivers to push higher.

Morningstar Large Cap 3.80%

The Morningstar US Large Cap Index had a strong finish to the year and provided healthy returns for investors believing opportunity presented itself in larger corporations. Perhaps no other company in the group needed a turnaround more than Wells Fargo. The company returned 25.5% as bulls believed recent sales troubles were exaggerated. Current customers appear to be sticking with the bank, and Wells' reputational hit from providing lofty sales goals and unethical practices may not be as detrimental as once perceived. The company has experienced growth in primary accounts and will resume normal marketing efforts and new sales incentive programs to help bolster its image. Its recent stock performance suggests investors believe in messages sent from management, or that newly elected and appointed officials will create a banking environment that will quickly evaporate worries surrounding the firm.

Morningstar Mid Cap 3.63%

The Morningstar US Mid Cap Index produced solid returns for the quarter and outperformed the market for the year. The top contributor to the index was Nvidia, where quarterly results mixed with exceptional guidance buoyed stock performance. The company's price more than doubled over the second half of 2016, and investors are beaming with confidence in the graphics leader. Its computer chips and ability to create images on multiple devices have flourished in the gaming, data center, and automotive industries. An increasing dividend and strong top-line growth have bulls winning the battle in a highly competitive environment. Another strong mid-cap performer was United Continental Holdings. The airline posted a 38.9% gain and was supported by Buffett's vote of confidence. U.S. airlines have experienced quite the ride over the past few years, but consolidation efforts have people believing a revamped industry can earn excess profits and not be subject to pricing pressures. Furthermore, lower fuel costs help airlines provide transportation at cheaper rates and raise demand as customers look for the cheapest route to reach destinations.

Morningstar Small Cap 6.95%

The top performer for the quarter and year in the cap indexes was the Morningstar US Small Cap Index. Investors willing to put money behind the more volatile and perhaps lesser known companies were rewarded with a 20.3% trailing 12-month return. The favorable interest rate environment and increased consumer spending aided the small-cap space. The top contributor to the index was Advanced Micro Devices, returning 64.1% in the fourth quarter and nearly 300% over the course of the year. The company continues to develop innovative solutions for computing and gaming markets. Before 2016, many believed the firm would struggle to keep up with competitors, as some argued it lacked the resources for necessary research and development. Advanced Micro Devices has its backers smiling as its differentiated products led to remarkable returns, and many see the opportunity to take noteworthy market share from competitors.

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 benchmark. Against the backdrop of postelection equity market strength, especially for small-cap and value stocks, active managers acquitted themselves surprisingly well in some areas. More than two thirds of active managers outperformed across small-cap categories. But in large value and mid-value, active managers struggled to keep up with their soaring bogies. Conversely, most active managers outperformed in the sluggish large-growth and mid-growth categories.

Active vs. Passive

	Value	Core	Growth
Large	25.60 / 7.74	43.72 / 4.04	53.20 / –0.32
Mid	26.67 / 8.43	82.64 / 2.66	60.62 / –0.05
Small	72.13 / 10.88	67.11 / 8.52	72.30 / 1.46

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

Index Returns (%), Q4 2016

[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 2,083 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 12-30-2016

Fixed-Income Indexes

Interest rates continued to climb as investors priced in expectations that the global economy is entering a reflationary environment based on renewed economic activity. Rising rates pushed bond prices down, leading to losses in most fixed-income classes. Indexes that are directly tied to interest rates and long-duration indexes performed the worst. Tightening credit spreads in the United States and the extra yield generated in corporate bond indexes helped offset some of the losses caused by rising interest rates. The rising value of the dollar further impaired indexes that track foreign securities valued in U.S. dollars.

Global Rates on the Rise

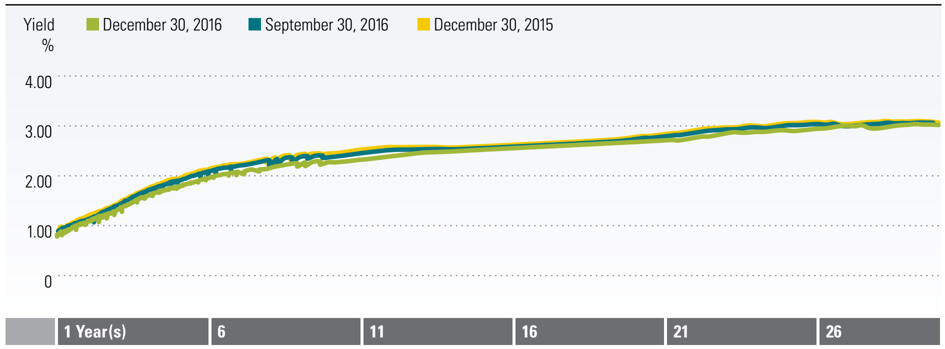
Long-term global interest rates bottomed out in July 2016 and continued on an upward trend throughout the fourth quarter. After plummeting to historical lows, the rate of increase of U.S. interest rates picked up following the presidential election, and rates ended the year higher than where they began. The impetus for rising rates has been the market's expectation that the economy is entering a reflationary environment based on renewed economic activity (to be spurred by fiscal stimulus and tax reductions) and the upward trend in prices of oil and industrial commodities.

As investors ratcheted up their expectations for economic activity and inflation to rebound, the desire for safe-haven assets such as U.S. Treasury bonds dwindled. Since the election, Treasury yields have increased across the yield curve anywhere from 35 to 60 basis points depending on the maturity date. Further pressuring interest rates, the Federal Reserve increased the federal funds rate by 25 bps early in December. The rate hike itself was not a surprise; what did surprise the markets was the Fed's summary of economic projections, which showed that the Fed is forecasting three more rate hikes by the end of 2017.

With interest rates surging, fixed-income sectors highly correlated to U.S. Treasuries gave back much of their earlier gains during the fourth quarter. For example, the Morningstar US Government Bond Index fell 3.90% in the quarter and ended the year up only 0.97%.

The Morningstar Core Bond Index, our broadest measure of the fixed-income universe, performed slightly better, declining 3.06% in the fourth quarter and generating a 2.64% increase for the year. Long-duration assets fared the worst as indicated by the Morningstar Long Term Core Bond Index, which dropped 6.89% in the quarter, lowering the total return for the year to 5.10%. The Short Term Core Bond Index and Intermediate Core Bond Index declined 0.69% and 2.32%, respectively, in the fourth quarter,

Treasury Yield Curve



Source: Morningstar Inc. Data as of 12-30-2016

Morningstar Bond Indexes

		Returns		Statistics			
		QTR	YTD	Market Value ($Mil)	Credit Quality	Yield to Maturity	Average Duration
Broad Market	Core Bond	–3.06	2.64	16944247	AA	2.59	5.67
Sector	US Government	–0.69	1.46	4642550	AA	1.6	2.27
	Corporate	–2.32	2.22	8130172	AA+	2.66	4.47
	Mortgage	–6.89	5.10	4171525	AA–	3.56	11.78
Maturity	Short–Term Core	–3.90	0.97	7012520	AAA	1.89	5.90
	Intermediate Core	–2.93	5.81	5013907	A–	3.34	6.72
	Long–Term Core	–1.97	2.08	4917821	AAA	2.83	4.26
Inflation Prot. Secs.	TIPS	–2.53	4.68	1071147	AAA	0.19	7.65
Global Sovereign	Global Govt USD	–8.92	1.39	21356	AA–	0.93	7.89
	Global Govt ex–US USD	–11.10	1.56	14377	A+	0.48	8.81
	Eurozone EUR	–2.98	3.10	6360	A+	0.5	7.36
	Swiss CHF	–3.60	10.51	1659	AA	1.14	11.54
	UK GBP	–4.41	1.69	88	AAA	–0.27	10.91
	Australasian USD	–3.86	–0.35	325	AAA	1.34	6.63
	Canadian CAD	–9.01	2.53	351	AAA	2.56	6.14
	Japanese JPY	–1.67	3.26	5594	A+	0.09	9.91
Europe	Eurobond Corp EUR	–3.10	9.94	126020	BBB–	5.11	5.85
	European Bank Capital EUR	–4.88	9.25	49899	BB+	5.64	7.07
	European Covered EUR	–1.66	11.30	75894	BBB	4.94	5.02
	UK Eurobond Corp GBP	–0.17	3.23	463	A–	1.01	4.13
	UK Bank Capital GBP	–1.67	2.30	775	AA+	0.18	4.69
Emerging Market	Composite USD	–0.69	7.28	55	BBB+	2.79	7.09
	Sovereign USD	–2.73	12.96	306	A–	2.42	8.92
	Corporate USD	–1.46	4.66	1583	A–	0.7	5.31

Source: Morningstar Inc. Data as of 12-30-2016 but registered gains of 1.46% and 2.22% for the year.

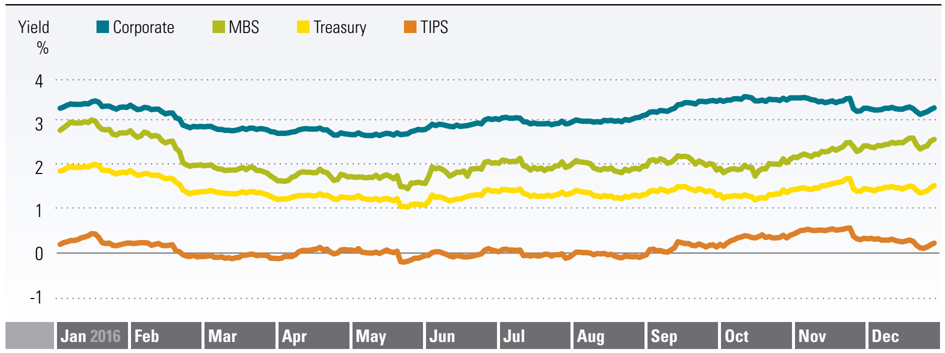
As investors price in expectations for enhanced economic growth, investors have flocked to economically sensitive assets, with those assets that have the greatest sensitivity to economic growth performing the best. For example, over the course of the quarter, the average spread of lthe Morningstar Corporate Bond Index tightened 11 bps to +128. While the tightening credit spread helped to offset some of the impact, it wasn't enough to completely overcome the downward pressure from rising interest rates. As such, the Morningstar Corporate Bond Index lost 2.93% last quarter and ended the year with a 5.81% gain.

International Fixed-Income Performance

After reaching unprecedented negative yields in Europe and Asia, long-term interest rates have at least risen into positive, albeit still abysmally low, territory. For example, the yield on the 10-year German bund bottomed out at negative 0.19% in July and has since risen to positive 0.27%. As rates rose, the Morningstar Global Government Bond Index fell 8.92% during the fourth quarter, and after excluding U.S. government bonds, the Morningstar Global ex-US Government Bond Index dropped 11.10%. The annual returns for these two indexes remained positive at 1.39% and 1.56%, respectively.

After performing very well earlier in the year, the credit spread of corporate euro-denominated bonds widened out in the fourth quarter in response to the European Central Bank's announcement that it would lower the amount of its monthly asset-purchase program, as well as the heightened uncertainty brought about after Italy voted against a referendum on a constitutional reform bill. The average credit spread of the Morningstar Eurobond Corporate Index widened 13 bps to end the year at +110. Between rising rates and widening credit spreads, the Morningstar Eurobond Corporate Index fell 1.46% last quarter, reducing the full-year gain to 4.66%.

US Bond Indexes: Average Yields



Source: Morningstar Inc. Data as of 12-30-2016

Although emerging markets typically perform well in a "risk on" environment, they were not able to escape the negative impacts from rising rates and were further pressured by the rapidly escalating value of the U.S. dollar. During the fourth quarter, the Morningstar Emerging Market Composite Bond Index declined 3.10%, bringing the annual return down to 9.94%. Underlying the composite, the Morningstar Emerging Market Sovereign Bond Index fell 4.88% last quarter and ended the year with a 9.25% gain. The Morningstar Emerging Market Corporate Bond Index fared better in the fourth quarter, declining only 1.66%, and posted an 11.30% return for the year.

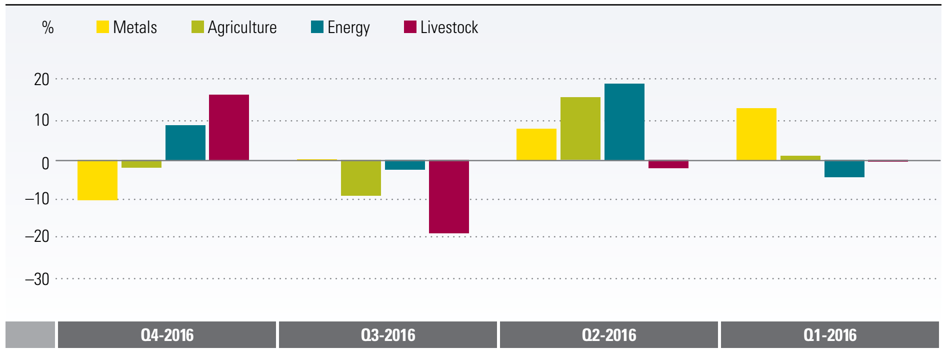
Commodities Indexes

The volatile nature of commodities was showcased in the fourth quarter, and while some segments experienced a similar run to equities, the majority of indexes had negative returns and a bumpy 2016. Energy prices are trending upward, and the Livestock Commodity Index had an exceptional quarter, but the trading-directional indexes underperformed and would benefit from a reversal of historical results. While commodity exposure can offer many benefits such as increase portfolio diversification, it can lead to underperformance during bull markets and result in large price swings in a relatively short period.

Energy prices reacted positively to proposed OPEC production cuts and finished the year up 21.2%. The past three years have been difficult for the Energy Commodity Index, and many speculate whether it has bottomed or if a new norm is present and the higher prices will not last long. Increased infrastructure spending plans by the government may offer support and increase demand for several commodities, but to this point, information has been gathered from headlines and not actual policies. The Agriculture Commodity Index underperformed the market, and bulls are still waiting for a turnaround. Depressed commodity prices, unfavorable weather conditions, and the volatile nature of the industry has the farming community searching for answers. Trade policies and regulatory proposals will be a key focal point for the upcoming year.

Four out of the five trading-directional indexes experienced negative returns, with the Long-Only Commodity Index the sole positive contributor. The Short-Only Commodity Index experienced the largest loss for the quarter, as the surprising Trump victory and subsequent run in equity prices did not serve it well. The market trading at levels higher than historical norms may present opportunities for short sellers to have a strong year in 2017.

Quarterly Commodity Sector Returns



Source: Morningstar Inc. Data as of 12-30-2016

Morningstar Commodity Index Returns %

	Quarter	1–Year	3–Year	5–Year	10–Year	YTD
Long-Only	3.13	12.94	–14.30	–8.88	–2.51	12.94
Long/Flat	–4.72	–3.11	–3.81	–3.63	2.33	–3.11
Long/Short	–5.14	–7.88	–3.73	–3.61	2.20	–7.88
Short/Flat	–0.38	–4.66	0.11	–0.05	0.53	–4.66
Short-Only	–5.44	–18.61	10.73	4.88	–0.42	–18.61
Agriculture	–2.05	4.36	–6.53	–3.31	1.52	4.36
Energy	8.95	21.21	–25.53	–15.47	–10.78	21.21
Livestock	16.86	–7.63	–3.88	–3.54	–4.33	–7.63
Metals	–10.37	9.94	–4.53	–7.56	4.06	9.94

Source: Morningstar Inc. Data as of 12-30-2016

Conclusion

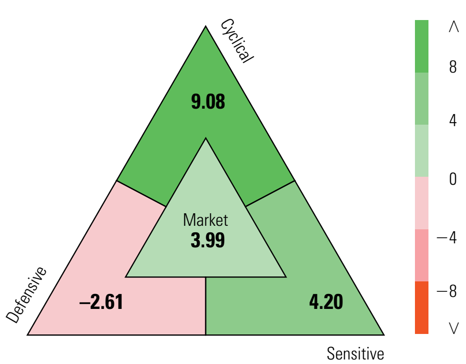
The final quarter of 2016 will be remembered for several important outcomes, from the surprising presidential election to the anticipated interest rate hike. The U.S. equity market returned 4.0% and 12.4% for the fourth quarter and year, respectively, but has inspired debates on whether it is overheated. Only time will tell, but certain future developments appear to be priced into the market. The Fed has hinted at multiple rate hikes for 2017, and deviations from the expected frequency or rates would cause a stir among investors. Additionally, many believe a corporate tax cut is on the horizon, and polices and regulations from Washington will be heavily scrutinized. Corporate tax cuts can be implemented into models and bring immediate valuation benefits, but the opposite is also true, and a change from expectations may lessen the attraction to equities.

International equities did not respond as favorably to the election and underperformed the U.S. equity market. All three Morningstar international indexes (Global ex-US Index, Developed ex-US Index, and Emerging Markets ex-US Index) had negative returns, and heightened speculation surrounding future trade policies has decreased the appetite for international plays. However, the recent pullback in international markets may offer opportunities to those behind the long-term effects of globalization. In a world where the focus is on noisy headlines and social media platforms, long-term investors concentrating on fundamentals can gain an advantage with proper due diligence.

Q4 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	**3.99**	**12.44**	**8.51**	**14.61**	**7.23**	**20.66**	**2.73**	**2.15**	**8.99**
Large Cap	3.80	11.18	8.74	14.48	14.48	20.20	2.86	2.27	8.70
Mid Cap	3.63	14.39	8.15	15.08	8.10	21.95	2.52	1.87	9.79
Small Cap	6.95	20.25	6.94	14.46	7.95	22.53	2.19	1.81	10.28
US Value	8.12	20.79	9.06	14.36	5.51	16.80	1.80	2.92	6.20
US Core	4.07	14.20	9.38	15.62	8.31	20.70	3.43	2.37	9.47
US Growth	–0.14	3.16	7.05	13.91	7.77	27.61	4.17	1.08	13.70
Large Value	7.74	18.91	8.59	13.26	4.47	16.44	1.84	2.97	6.04
Large Core	4.04	13.75	9.69	15.85	8.23	20.43	4.03	2.54	8.97
Large Growth	–0.32	1.79	7.84	14.40	7.80	26.95	4.22	1.20	13.78
Mid Value	8.43	25.21	10.78	17.85	8.20	18.02	1.78	2.74	6.72
Mid Core	2.66	12.40	8.72	15.02	8.49	21.32	2.63	2.02	10.61
Mid Growth	–0.05	6.46	5.08	12.50	7.46	28.94	4.17	0.80	13.15
Small Value	10.88	27.96	8.75	15.61	8.44	18.40	1.49	2.82	7.08
Small Core	8.52	23.63	8.15	15.01	7.53	21.51	2.37	1.86	11.68
Small Growth	1.46	9.61	3.88	12.73	7.70	32.57	3.75	0.68	14.69

Q4 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	**9.08**	**13.80**	**8.68**	**16.80**	**3.23**	**18.85**	**2.03**	**2.05**	**8.83**
Basic Materials	5.69	19.95	4.54	9.88	5.72	21.32	3.31	2.14	7.71
Consumer Cyclical	2.00	5.75	6.86	16.77	9.04	19.49	3.98	1.65	12.10
Financial Services	19.00	20.63	10.34	19.88	0.56	17.11	1.43	1.72	7.71
Real Estate	–2.70	8.02	12.18	11.25	3.96	25.73	2.27	4.70	6.10
Sensitive	**4.20**	**18.31**	**7.77**	**13.15**	**7.34**	**21.75**	**3.38**	**2.14**	**9.41**
Communication Svs	6.22	20.77	10.40	17.62	8.89	20.55	2.67	2.90	5.30
Energy	7.26	27.89	–3.40	3.67	5.46	—	2.05	3.22	11.71
Industrials	7.05	18.71	8.04	15.61	7.92	21.55	4.03	2.01	9.96
Technology	1.22	14.06	12.18	15.49	9.77	21.47	4.08	1.58	9.94
Defensive	**–2.61**	**2.35**	**9.68**	**14.60**	**8.59**	**22.02**	**3.24**	**2.32**	**8.60**
Consumer Defensive	–1.23	7.02	9.68	13.20	10.17	23.46	4.21	2.68	7.95
Health Care	–4.24	–3.44	9.20	17.26	10.08	21.20	3.41	1.66	10.12
Utilities	0.57	16.68	12.31	10.62	7.08	21.55	1.85	4.03	5.46

Bond Indexes

	3–Month	1–Year	3–Year	5–Year
Core	–3.06	2.64	3.21	2.40
US Government	–3.90	0.97	2.30	1.21
Corporate	–2.93	5.81	4.13	4.22
Mortgage	–1.97	2.08	3.54	2.62
Short-Term	–0.69	1.46	1.10	1.12
Intermediate Term	–2.32	2.22	3.24	2.56
Long-Term	–6.89	5.10	6.00	3.73
Global Government ex. US	–11.10	1.56	–1.94	–1.50
Emerging Markets Composite	–3.10	9.94	5.14	5.25

Commodity Indexes

	3–Month	1–Year	3–Year	5–Year	10–Year	15–Year
Long-Only	3.13	12.94	–14.30	–8.88	–2.51	4.41
Long/Flat	–4.72	–3.11	–3.81	–3.63	2.33	5.57
Long/Short	–5.14	–7.88	–3.73	–3.61	2.20	4.17
Short/Flat	–0.38	–4.66	0.11	–0.05	0.53	–0.26
Short-Only	–5.44	–18.61	10.73	4.88	–0.42	–5.52
Agriculture	–2.05	4.36	–6.53	–3.31	1.52	4.17
Energy	8.95	21.21	–25.53	–15.47	–10.78	–0.89
Livestock	16.86	–7.63	–3.88	–3.54	–4.33	0.40
Metals	–10.37	9.94	–4.53	–7.56	4.06	10.90

All data in this issue as of December 30, 2016