



**PERSPECTIVES  
THAT DRIVE  
ENTERPRISE  
SUCCESS**

JUNE 2017  
Capital Markets Update



# Market commentary

## ECONOMIC CLIMATE

- On June 14<sup>th</sup>, the Federal Reserve raised the fed funds rate by 25 bps to a target range of 1.00% - 1.25%. FOMC minutes revealed the committee could start unwinding the \$4.5 trillion balance sheet by the end of the year.
- Headline CPI increased by 1.9% YoY in May, down 0.3% from April, mainly affected by lower energy prices. Core CPI increased 1.7% YoY, down 0.2% from the prior month, negatively affected by lower prices in apparel, communications and medical services.
- The ISM Manufacturing index increased in June from 54.9 to 57.8, above the consensus estimate of 55.1. The reading was the highest since August 2014, with 15 out of 18 industries reporting growth during the month.
- The U.S. added 222,000 nonfarm jobs in June, above the consensus estimate of 170,000, and the highest monthly increase since February. Wage growth continued to disappoint in June despite the relatively tight labor market.
- As of July 14<sup>th</sup>, the Atlanta Fed GDPNow forecast for real U.S. GDP growth in Q2 was 2.4% (quarterly annualized). The forecast was adjusted down from a May 31<sup>st</sup> estimate of 4.0% after a series of economic data misses.

## DOMESTIC EQUITIES

- Domestic equities rose gradually in June - the S&P 500 returned 0.6% during the month. June's performance marked the eighth consecutive month of positive growth.
- According to FactSet, the estimated Q2 earnings and revenue growth rates of the S&P 500 were 6.6% and 4.9% YoY, respectively.

## DOMESTIC FIXED INCOME

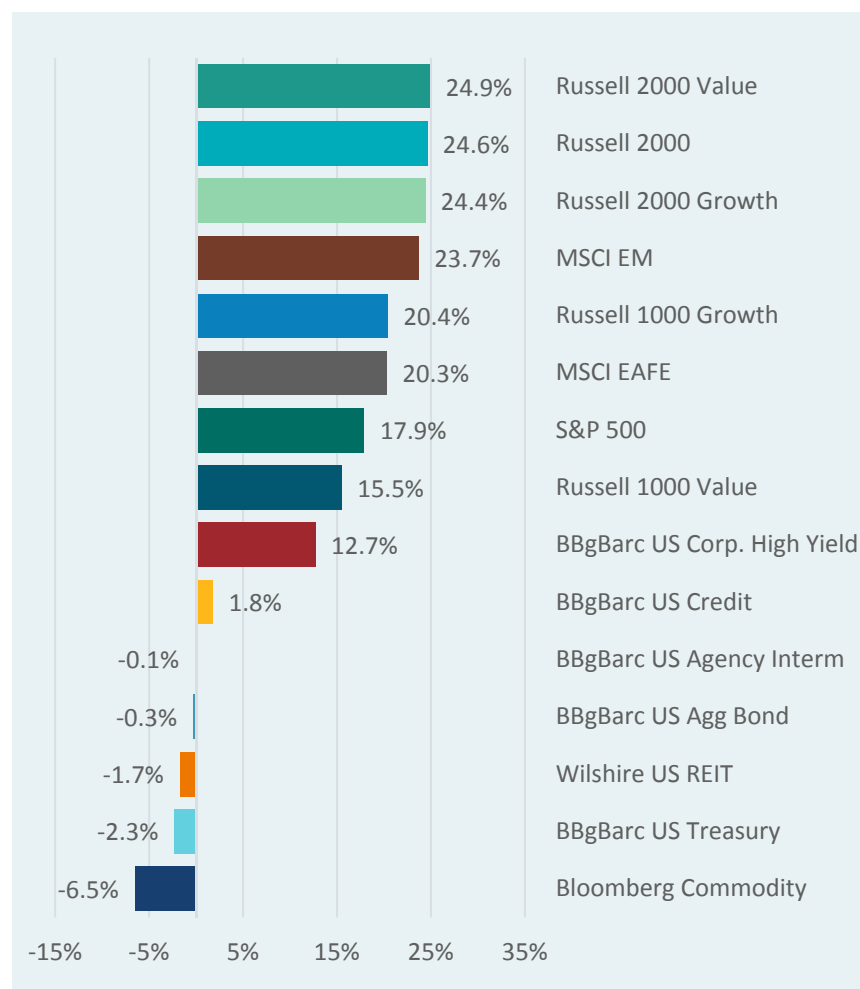
- Domestic fixed income returns were flat in June as the Bloomberg Barclays U.S. Aggregate Index returned -0.1%.
- U.S. Treasury rates in the middle of the curve moved upward while rates at the longer end of the curve remained materially unchanged. The 5-year and 10-year yields each increased more than 10 bps in the month and ended at 1.89% and 2.31%, respectively.
- U.S. high yield option-adjusted spreads were generally flat in June (up 3 bps to 3.8%), however the dispersion between sectors increased as high yield energy spreads rose 60 bps in the month to 5.7% over concerns of falling oil prices.

## INTERNATIONAL MARKETS

- International equities underperformed domestic equities (S&P 500 0.6%) as the unhedged MSCI ACWI ex U.S. index returned 0.3% (-0.2% hedged).
- On June 8<sup>th</sup>, the U.K. held a snap election in which the Conservative party unexpectedly gave up their majority in Parliament, potentially weakening its position in the upcoming Brexit negotiations.
- On June 27<sup>th</sup>, ECB President Mario Draghi surprised markets with comments perceived as relatively hawkish. In the following two days the Euro appreciated 2.3% against the U.S. dollar and developed global rates moved upward - German bunds in particular.
- Italy bailed out two failing banks in June in an attempt to improve the country's financial stability. The deal, which incorporated public and private funds, was worth around €17 billion.

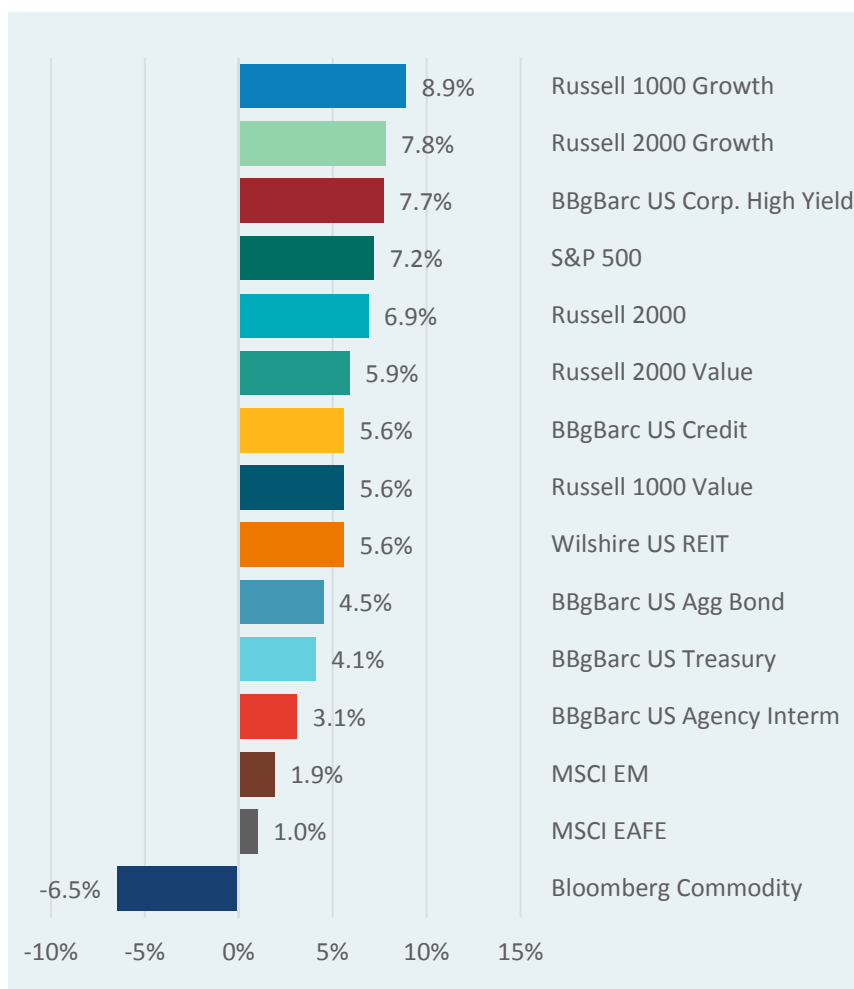
# Major asset class returns

ONE YEAR ENDING JUNE



Source: Morningstar, as of 6/30/17

TEN YEARS ENDING JUNE

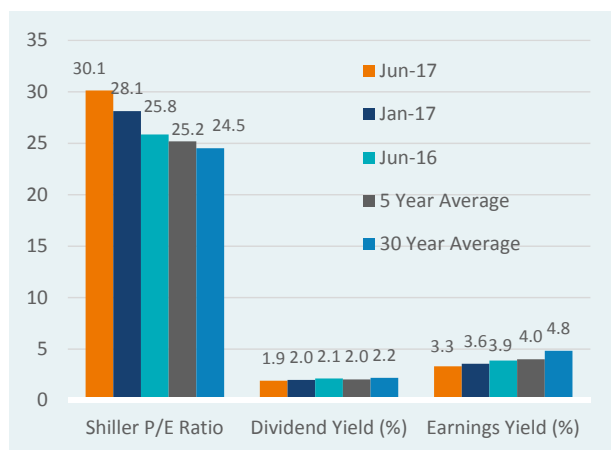


Source: Morningstar, as of 6/30/17

# U.S. large cap equities

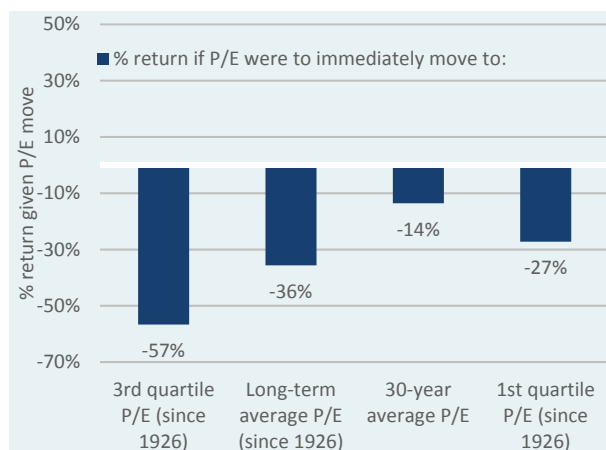
- Large cap equities edged moderately higher in June, as the S&P 500 returned 0.6%.
- The Shiller P/E ratio of the S&P 500 increased above 30 for the first time since 2001, ending the month at 30.1. The Shiller P/E, a cyclically adjusted valuation metric, was above its 30-year average of 24.5, which may be due in part to the low interest rate environment.
- Low implied volatility persisted in June despite a brief intraday spike on June 29<sup>th</sup> when the VIX hit 15.2. The index ended the month at 11.2.
- U.S. equities experienced a divergence between tech companies (-2.9%) and financials (+6.4%). The tech sector had driven equity gains over the first five months of the year. Year-to-date returns remained positive, and the recent underperformance may be due to profit taking rather than a shift in fundamentals.
- All major U.S. banks passed the Fed's stress test in June, citing strong capital levels and ability to lend during a recession. The news drove financials upward as the positive results implied banks could increase their future dividends and buybacks.

US LARGE CAP (S&P 500) VALUATION SNAPSHOT



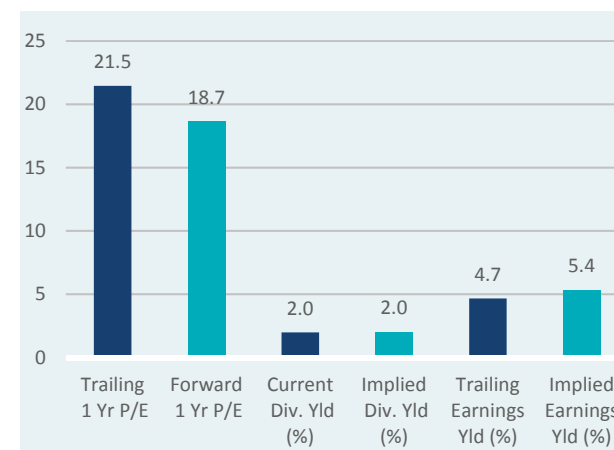
Source: Yale/Shiller, as of 6/30/17

RETURNS IF P/E MOVED TO HISTORIC LEVEL



Source: Yale/Shiller, Verus, as of 6/30/17

S&P 500 VALUATION SNAPSHOT

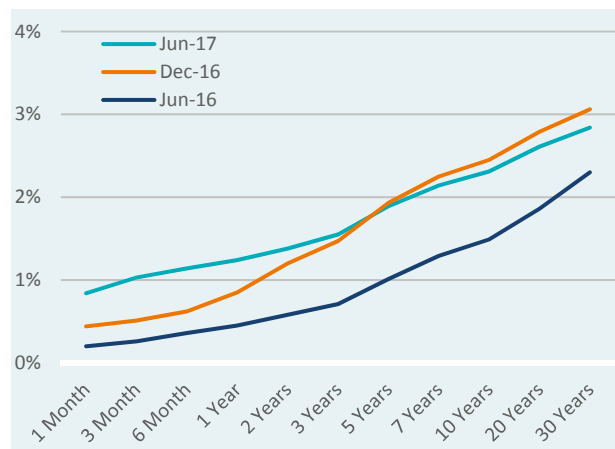


Source: Bloomberg, as of 6/30/17

# Fixed income

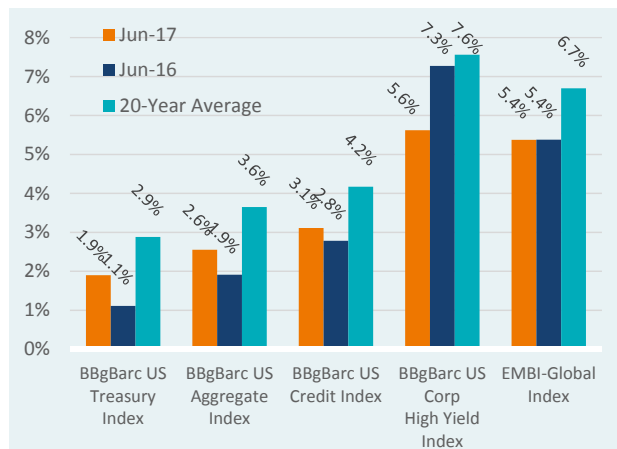
- The U.S. Treasury curve experienced a twist in late June that moved the middle of the curve upward. The U.S. 10-year yield increased by 16 bps between June 26<sup>th</sup> and the 30<sup>th</sup>, ending the month at 2.31%.
- The increase in U.S. 10-year real yields (+18 bps) more than offset the decrease in inflation expectations (-8 bps) and resulted in a modest uptick in nominal yields during the month.
- In June, the FOMC presented a plan to begin normalizing the balance sheet. The initial plan was to run off \$6 billion of Treasuries and \$4 billion of MBS per month. This will be scaled up commensurately every three months to \$50 billion per month.
- Bank loans posted a negative monthly return for the first time since February of 2016, as the Credit Suisse Leveraged Loans index returned -0.6% during the month.

**U.S. TREASURY YIELD CURVE**



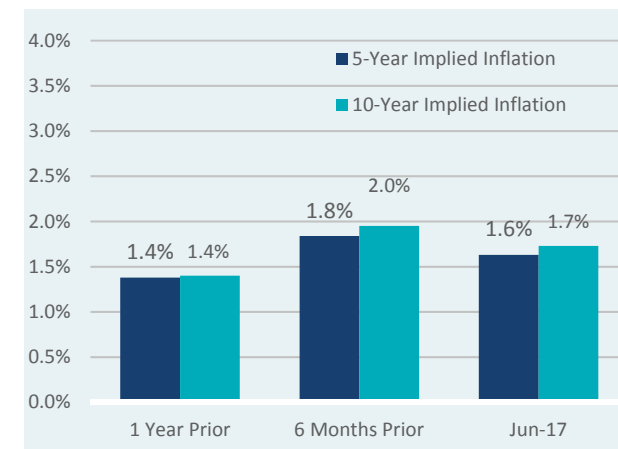
Source: Federal Reserve, as of 6/30/17

**NOMINAL FIXED INCOME YIELDS**



Source: Morningstar, as of 6/30/17

**IMPLIED INFLATION (TIPS BREAK-EVEN)**

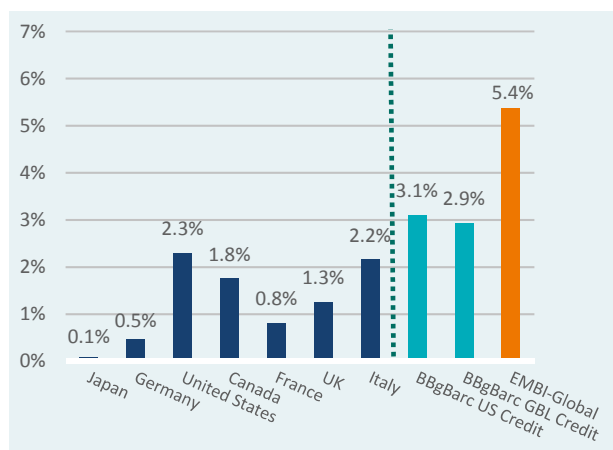


Source: Federal Reserve, as of 6/30/17

# Global markets

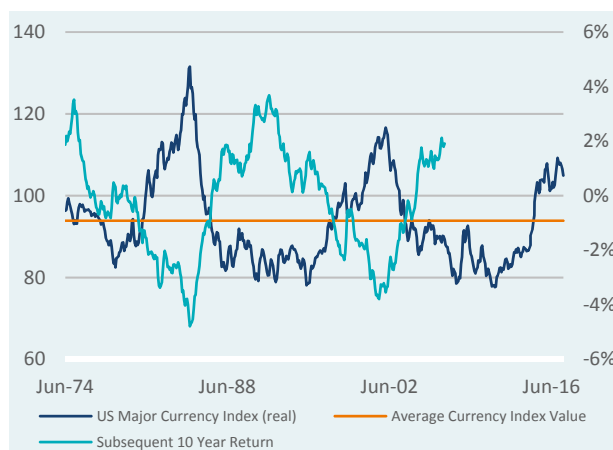
- Global sovereign bond yields were broadly up in June after hawkish comments were released by the ECB and BOE. Canada, the U.K. and Germany experienced the largest change in 10-year yields, increasing by 35 bps, 21 bps and 16 bps, respectively.
- In June, MSCI approved the inclusion of 222 Chinese large cap companies into the MSCI emerging markets index. Starting in 2018, the new domestic shares will represent approximately 0.7% of the index.
- After seven years of investigation the European Union's antitrust regulator fined Alphabet's Google €2.4 billion. The ruling could potentially affect future business models across the Technology sector.
- The U.S. major currency index decreased by -1.4% to 104.9 in June against a trade weighted basket of currencies. The index has fallen for three consecutive months (-3.9% year-to-date), but remains above its long-term average of 93.9.

**GLOBAL SOVEREIGN 10 YEAR INDEX YIELDS**



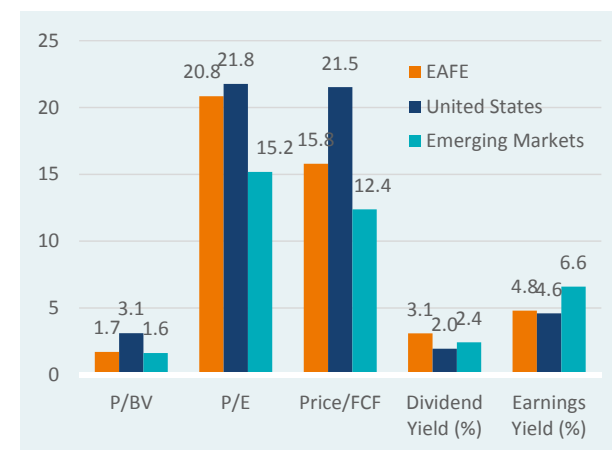
Source: Morningstar, as of 6/30/17

**U.S. DOLLAR MAJOR CURRENCY INDEX**



Source: Federal Reserve, as of 6/30/17

**MSCI VALUATION METRICS (3 MONTH AVERAGE)**

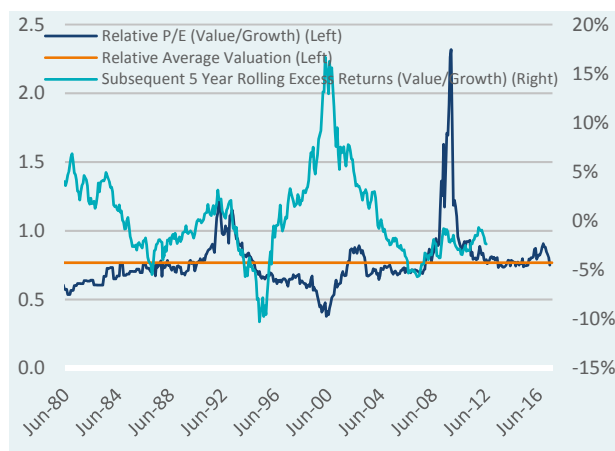


Source: Bloomberg, as of 6/30/17

# Style tilts: U.S. large value vs. growth

- In June, value equities outperformed growth equities for the first time year-to-date. The Russell 1000 Value Index and Russell 1000 Growth Index returned 1.6% and -0.3% in the month, respectively.
- Value equities benefited from their higher relative concentration to Financial Services and lower concentration to Information Technology. The Russell 1000 Financial Services and Technology sub-indices returned 4.6% and -3.1% in the month, respectively.
- The relative trailing P/E ratio of value to growth equities decreased to 0.75 in June. The ratio was below the long term average of 0.77 for the first time since November of 2015.

**RELATIVE TRAILING PE RATIO OF U.S. VALUE VS. GROWTH**



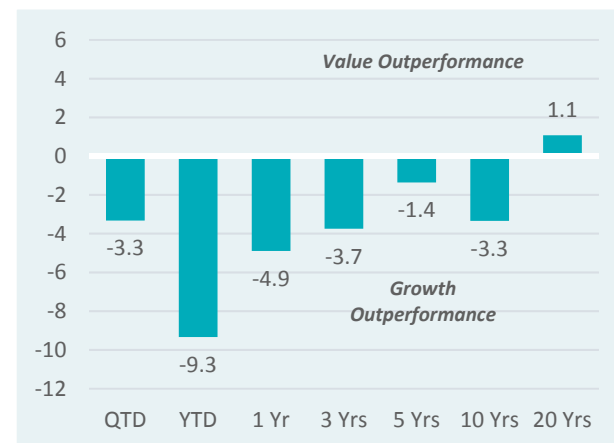
Source: Russell, Bloomberg, as of 6/30/17

**U.S. VALUE VS. GROWTH ABSOLUTE PERFORMANCE**

|          | RUSSELL 1000 VALUE<br>ANNUALIZED RETURN TO DATE % | RUSSELL 1000 GROWTH<br>ANNUALIZED RETURN TO DATE % |
|----------|---|--|
| QTD      | 1.3   | 4.7  |
| YTD      | 4.7   | 14.0   |
| 1 YEAR   | 15.5  | 20.4   |
| 3 YEARS  | 7.4   | 11.1   |
| 5 YEARS  | 13.9  | 15.3   |
| 10 YEARS | 5.6   | 8.9  |
| 20 YEARS | 7.7   | 6.6  |
|          | SHARPE RATIO                                      | SHARPE RATIO                                       |
| 3 YEARS  | 0.70  | 0.99   |
| 5 YEARS  | 1.36  | 1.45   |
| 10 YEARS | 0.39  | 0.60   |
| 20 YEARS | 0.43  | 0.34   |

Source: Morningstar, as of 6/30/17

**U.S. VALUE VS. GROWTH RELATIVE PERFORMANCE**

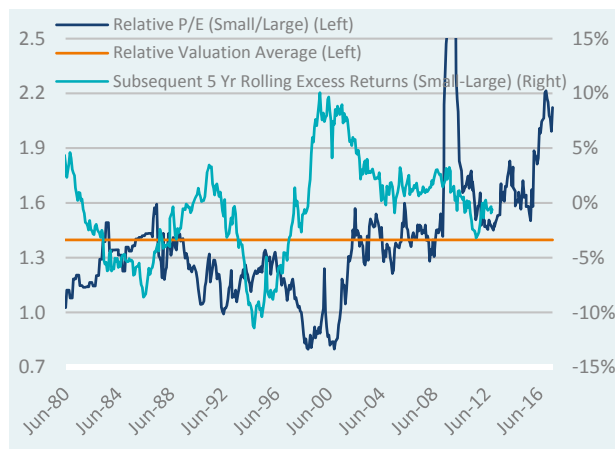


Source: Morningstar, as of 6/30/17

# Style tilts: U.S. large vs. small

- U.S. small cap equities reversed course from May, outperforming large cap equities. In June, the Russell 2000 index and Russell 1000 index returned 3.5% and 0.7%, respectively.
- The relative trailing P/E ratio of small to large equities increased from 1.99 to 2.12 in June. The ratio remains well above its long-term average of 1.40.
- Large cap equities have provided superior risk-adjusted returns (Sharpe ratio) relative to small cap equities over all time periods examined below. The largest difference was over the trailing 5-year period when the Russell 1000 outperformed the Russell 2000 by 1.0% with 4.2% lower realized volatility.

**RELATIVE TRAILING PE RATIO OF U.S. SMALL VS. LARGE**



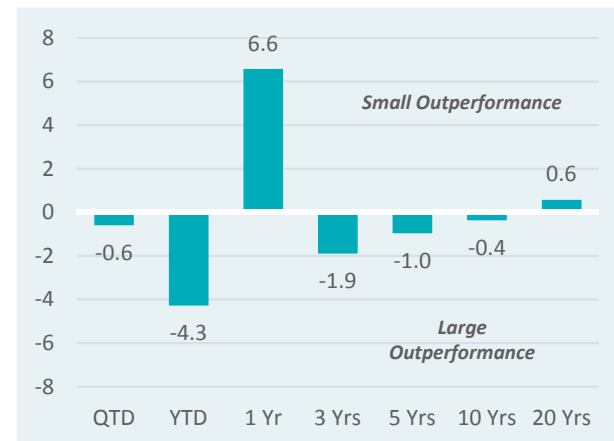
Source: Russell, Bloomberg, as of 6/30/17

**U.S. LARGE VS. SMALL ABSOLUTE PERFORMANCE**

|          | RUSSELL 1000 INDEX          | RUSSELL 2000 INDEX          |
|----------|-----------------------------|-----------------------------|
|          | ANNUALIZED RETURN TO DATE % | ANNUALIZED RETURN TO DATE % |
| QTD      | 3.1                         | 2.5                         |
| YTD      | 9.3                         | 5.0                         |
| 1 YEAR   | 18.0                        | 24.6                        |
| 3 YEARS  | 9.3                         | 7.4                         |
| 5 YEARS  | 14.7                        | 13.7                        |
| 10 YEARS | 7.3                         | 6.9                         |
| 20 YEARS | 7.4                         | 8.0                         |
|          | SHARPE RATIO                | SHARPE RATIO                |
| 3 YEARS  | 0.88                        | 0.52                        |
| 5 YEARS  | 1.45                        | 0.99                        |
| 10 YEARS | 0.50                        | 0.41                        |
| 20 YEARS | 0.41                        | 0.38                        |

Source: Morningstar, as of 6/30/17

**U.S. LARGE VS. SMALL RELATIVE PERFORMANCE**



Source: Morningstar, as of 6/30/17



# Commodities

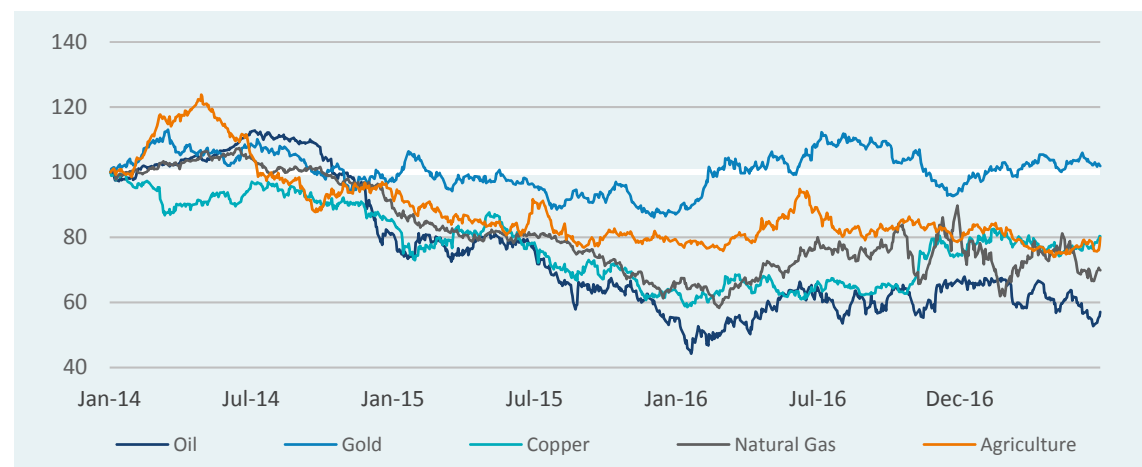
- In June, the Bloomberg Commodity index posted its fourth consecutive month of negative performance and returned -0.2%.
- WTI crude oil fell by -4.7% in June to \$46.04 per barrel. U.S. crude inventory continued a slight downward trend and decreased by seven million barrels in June. Inventories ended the month at 503 million barrels, well below the recent high on March 31<sup>st</sup> (536 million barrels).
- The Bloomberg Grains sub-index outperformed in June and returned 6.2%. The increase was driven by a 22.5% spike in corn futures, primarily caused by the prospects of a drought in the U.S. northern plains.
- Precious metals underperformed the broad commodity index in June (-0.2%) as the sub-index returned -3.1%. Gold prices fell -2.6% to \$1,242 per ounce and silver -4.5% to \$16.63 per ounce, influenced by a rise in real yields.

## INDEX AND SECTOR PERFORMANCE

|                             | Month | QTD    | YTD    | 1 Year | 3 Year | 5 Year | 10 Year |
|-----------------------------|-------|--------|--------|--------|--------|--------|---------|
| Bloomberg Commodity         | (0.2) | (3.0)  | (5.3)  | (6.5)  | (14.8) | (9.2)  | (6.5)   |
| Bloomberg Agriculture       | 3.1   | (0.4)  | (3.4)  | (13.0) | (10.3) | (8.6)  | (1.7)   |
| Bloomberg Energy            | (3.7) | (9.7)  | (20.0) | (14.8) | (31.8) | (17.4) | (17.9)  |
| Bloomberg Grains            | 6.2   | 4.5    | 3.0    | (9.7)  | (11.1) | (9.6)  | (2.7)   |
| Bloomberg Industrial Metals | 3.4   | (1.2)  | 6.3    | 17.5   | (5.7)  | (4.7)  | (6.4)   |
| Bloomberg Livestock         | (1.9) | 11.2   | 11.4   | 5.9    | (7.6)  | (2.0)  | (6.4)   |
| Bloomberg Petroleum         | (4.5) | (9.8)  | (18.2) | (13.1) | (32.3) | (17.3) | (12.1)  |
| Bloomberg Precious Metals   | (3.1) | (3.2)  | 6.3    | (8.4)  | (4.2)  | (6.9)  | 5.1     |
| Bloomberg Softs             | (6.6) | (14.3) | (18.4) | (22.6) | (12.8) | (10.9) | (2.9)   |

Source: Morningstar, as of 6/30/17

## COMMODITY PERFORMANCE



Source: Bloomberg, as of 6/30/17

# Appendix

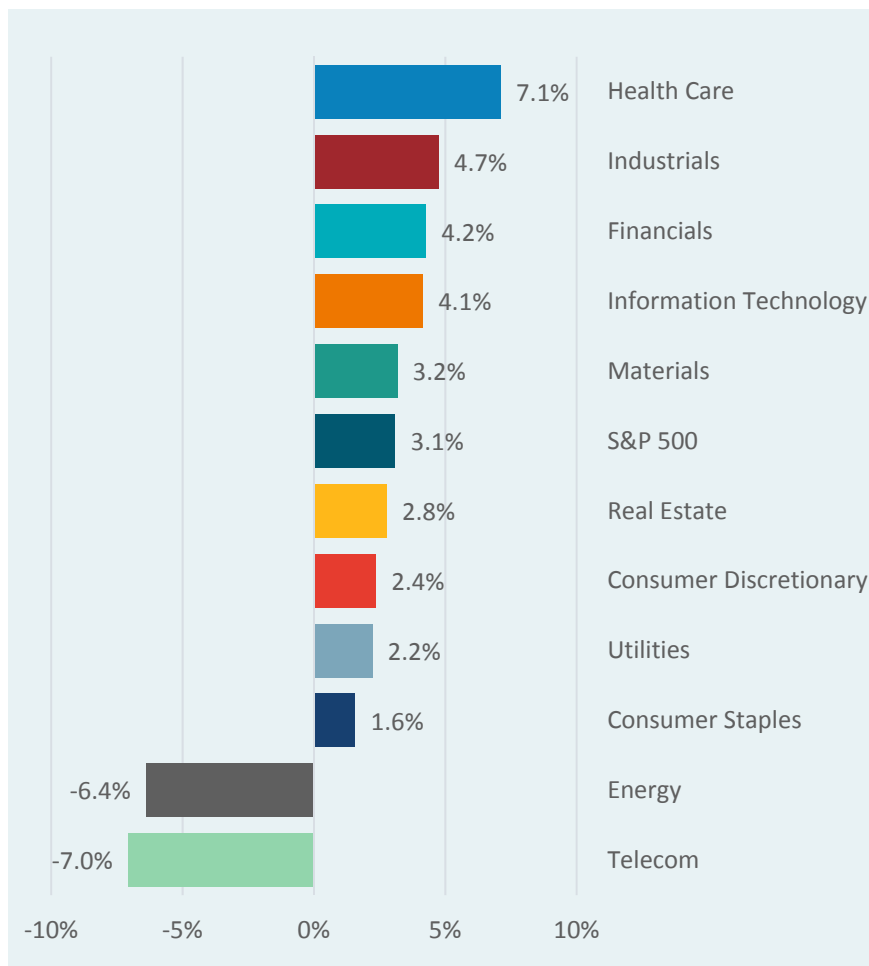
# Periodic table of returns

|       | 1994                                  | 1995 | 1996 | 1997 | 1998  | 1999  | 2000 | 2001  | 2002  | 2003  | 2004 | 2005 | 2006 | 2007 | 2008 | 2009  | 2010  | 2011 | 2012  | 2013 | 2014 | 2015  | 2016  | YTD  | 5-Year | 10-Year |      |
|-------|---------------------------------------|------|------|------|-------|-------|------|-------|-------|-------|------|------|------|------|------|-------|-------|------|-------|------|------|-------|-------|------|--------|---------|------|
| BEST  | Emerging Markets Equity               | 16.6 | 38.4 | 23.2 | 35.2  | 38.7  | 66.4 | 31.8  | 14.0  | 25.9  | 56.3 | 26.0 | 34.5 | 32.6 | 39.8 | 5.2   | 79.0  | 29.1 | 14.3  | 18.6 | 43.3 | 13.3  | 31.7  | 18.4 | 15.3   | 8.9     |      |
|       | Large Cap Growth                      | 8.1  | 37.8 | 23.1 | 32.9  | 27.0  | 43.1 | 22.8  | 8.4   | 10.3  | 48.5 | 22.2 | 21.4 | 26.9 | 16.2 | 1.4   | 37.2  | 26.9 | 7.8   | 18.1 | 38.8 | 13.2  | 5.7   | 21.3 | 14.0   | 14.7    | 7.8  |
|       | International Equity                  | 6.4  | 37.2 | 22.4 | 31.8  | 20.3  | 33.2 | 12.2  | 7.3   | 6.7   | 47.3 | 20.7 | 20.1 | 23.5 | 15.8 | -6.5  | 34.5  | 24.5 | 2.6   | 17.9 | 34.5 | 13.0  | 0.9   | 17.3 | 13.8   | 14.0    | 7.3  |
|       | Small Cap Growth                      | 4.4  | 31.0 | 21.6 | 30.5  | 19.3  | 27.3 | 11.6  | 3.3   | 1.6   | 46.0 | 18.3 | 14.0 | 22.2 | 11.8 | -21.4 | 32.5  | 19.2 | 1.5   | 17.5 | 33.5 | 11.8  | 0.6   | 12.1 | 10.0   | 13.9    | 6.9  |
|       | Large Cap Equity                      | 3.2  | 28.5 | 21.4 | 22.4  | 16.2  | 26.5 | 7.0   | 2.8   | 1.0   | 39.2 | 16.5 | 7.5  | 18.4 | 11.6 | -25.9 | 28.4  | 16.8 | 0.4   | 16.4 | 33.1 | 6.0   | 0.0   | 11.8 | 9.3    | 13.7    | 6.7  |
|       | 60/40 Global Portfolio                | 2.6  | 25.7 | 16.5 | 16.2  | 15.6  | 24.3 | 6.0   | 2.5   | -5.9  | 30.0 | 14.5 | 7.1  | 16.6 | 10.9 | -28.9 | 27.2  | 16.7 | 0.1   | 16.3 | 32.5 | 5.6   | -0.4  | 11.3 | 8.6    | 13.4    | 5.9  |
|       | Small Cap Equity                      | 0.4  | 19.6 | 14.4 | 13.9  | 8.7   | 21.3 | 4.1   | -2.4  | -6.0  | 29.9 | 14.3 | 6.3  | 15.5 | 10.3 | -33.8 | 23.3  | 16.1 | -2.1  | 15.3 | 23.3 | 4.9   | -0.8  | 11.2 | 5.0    | 10.7    | 5.6  |
|       | Large Cap Value                       | -1.5 | 18.5 | 11.3 | 12.9  | 4.9   | 20.9 | -3.0  | -5.6  | -11.4 | 29.7 | 12.9 | 5.3  | 15.1 | 7.0  | -35.6 | 20.6  | 15.5 | -2.9  | 14.6 | 12.1 | 4.2   | -1.4  | 8.0  | 4.7    | 8.7     | 4.5  |
|       | Hedge Funds of Funds                  | -1.8 | 15.2 | 10.3 | 10.6  | 1.2   | 13.2 | -7.3  | -9.1  | -15.5 | 25.2 | 11.4 | 4.7  | 13.3 | 7.0  | -36.8 | 19.7  | 13.1 | -4.2  | 11.5 | 11.0 | 3.4   | -2.5  | 7.1  | 3.7    | 6.7     | 4.0  |
|       | US Bonds                              | -2.0 | 11.6 | 9.9  | 9.7   | -2.5  | 11.4 | -7.8  | -9.2  | -15.7 | 23.9 | 9.1  | 4.6  | 10.4 | 5.8  | -37.6 | 18.9  | 10.2 | -5.5  | 10.5 | 9.0  | 2.8   | -3.8  | 5.7  | 2.3    | 4.9     | 3.0  |
|       | Real Estate                           | -2.4 | 11.1 | 6.4  | 5.2   | -5.1  | 7.3  | -14.0 | -12.4 | -20.5 | 11.6 | 6.9  | 4.6  | 9.1  | 4.4  | -38.4 | 11.5  | 8.2  | -5.7  | 4.8  | 0.1  | 0.0   | -4.4  | 2.6  | 1.6    | 4.0     | 1.9  |
|       | Small Cap Value                       | -2.9 | 7.5  | 6.0  | 2.1   | -6.5  | 4.8  | -22.4 | -19.5 | -21.7 | 9.0  | 6.3  | 4.2  | 4.8  | -0.2 | -38.5 | 5.9   | 6.5  | -11.7 | 4.2  | -2.0 | -1.8  | -7.5  | 1.0  | 0.5    | 2.2     | 1.0  |
|       | Cash                                  | -3.5 | 5.7  | 5.1  | -3.4  | -25.3 | -0.8 | -22.4 | -20.4 | -27.9 | 4.1  | 4.3  | 3.2  | 4.3  | -1.6 | -43.1 | 0.2   | 5.7  | -13.3 | 0.1  | -2.3 | -4.5  | -14.9 | 0.5  | 0.4    | 0.2     | 0.4  |
|       | Commodities                           | -7.3 | -5.2 | 3.6  | -11.6 | -27.0 | -1.5 | -30.6 | -21.2 | -30.3 | 1.0  | 1.4  | 2.4  | 2.1  | -9.8 | -53.2 | -16.9 | 0.1  | -18.2 | -1.1 | -9.5 | -17.0 | -24.7 | 0.3  | -5.3   | -9.2    | -6.5 |
| WORST |                                       |      |      |      |       |       |      |       |       |       |      |      |      |      |      |       |       |      |       |      |      |       |       |      |        |         |      |
|       | Large Cap Equity                      |      |      |      |       |       |      |       |       |       |      |      |      |      |      |       |       |      |       |      |      |       |       |      |        |         |      |
|       | Large Cap Value                       |      |      |      |       |       |      |       |       |       |      |      |      |      |      |       |       |      |       |      |      |       |       |      |        |         |      |
|       | Large Cap Growth                      |      |      |      |       |       |      |       |       |       |      |      |      |      |      |       |       |      |       |      |      |       |       |      |        |         |      |
|       | Small Cap Equity                      |      |      |      |       |       |      |       |       |       |      |      |      |      |      |       |       |      |       |      |      |       |       |      |        |         |      |
|       | Small Cap Growth                      |      |      |      |       |       |      |       |       |       |      |      |      |      |      |       |       |      |       |      |      |       |       |      |        |         |      |
|       | Small Cap Value                       |      |      |      |       |       |      |       |       |       |      |      |      |      |      |       |       |      |       |      |      |       |       |      |        |         |      |
|       | International Equity                  |      |      |      |       |       |      |       |       |       |      |      |      |      |      |       |       |      |       |      |      |       |       |      |        |         |      |
|       | Emerging Markets Equity               |      |      |      |       |       |      |       |       |       |      |      |      |      |      |       |       |      |       |      |      |       |       |      |        |         |      |
|       | US Bonds                              |      |      |      |       |       |      |       |       |       |      |      |      |      |      |       |       |      |       |      |      |       |       |      |        |         |      |
|       | Cash                                  |      |      |      |       |       |      |       |       |       |      |      |      |      |      |       |       |      |       |      |      |       |       |      |        |         |      |
|       | Real Estate                           |      |      |      |       |       |      |       |       |       |      |      |      |      |      |       |       |      |       |      |      |       |       |      |        |         |      |
|       | Hedge Funds of Funds                  |      |      |      |       |       |      |       |       |       |      |      |      |      |      |       |       |      |       |      |      |       |       |      |        |         |      |
|       | 60% MSCI ACWI/40% BBgBarc Global Bond |      |      |      |       |       |      |       |       |       |      |      |      |      |      |       |       |      |       |      |      |       |       |      |        |         |      |
|       | Commodities                           |      |      |      |       |       |      |       |       |       |      |      |      |      |      |       |       |      |       |      |      |       |       |      |        |         |      |

Source Data: Morningstar, Inc., Hedge Fund Research, Inc. (HFR), National Council of Real Estate Investment Fiduciaries (NCREIF). Indices used: Russell 1000, Russell 1000 Value, Russell 1000 Growth, Russell 2000, Russell 2000 Value, Russell 2000 Growth, MSCI EAFE, MSCI EM, BBgBarc US Aggregate, T-Bill 90 Day, Bloomberg Commodity, NCREIF Property, HFRI FOF, MSCI ACWI, BBgBarc Global Bond. NCREIF Property Index performance data as of 3/31/17.

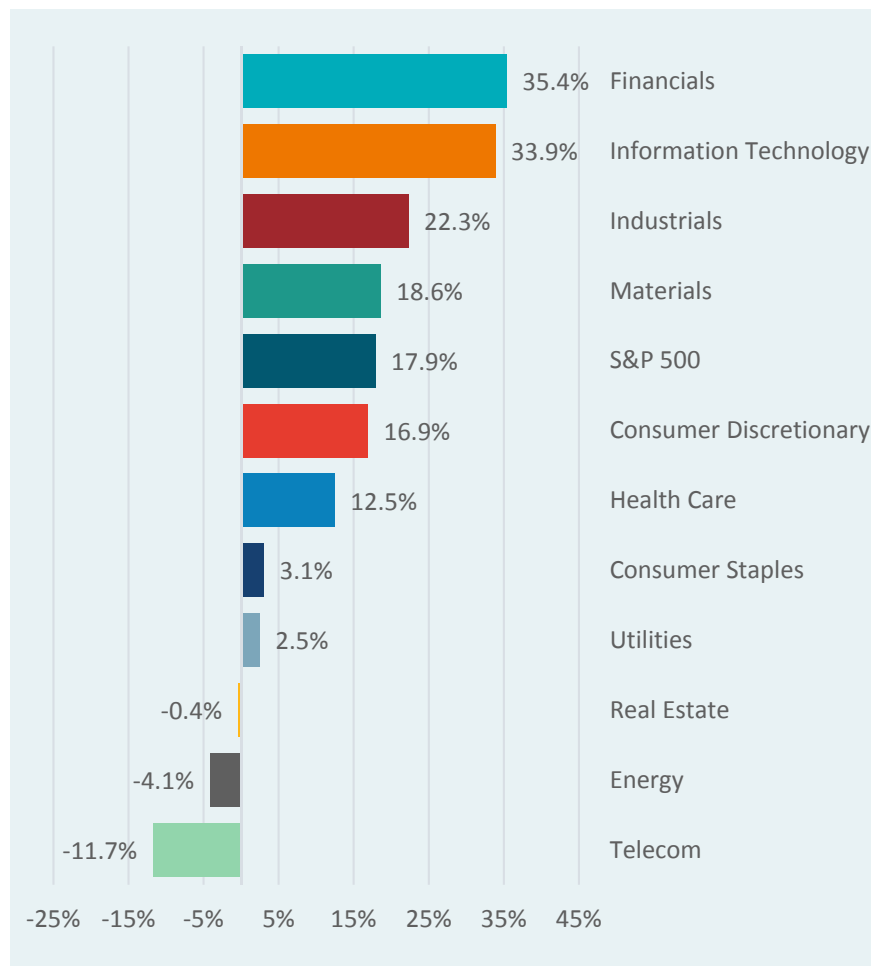
# S&P 500 sector returns

QTD



Source: Morningstar, as of 6/30/17

ONE YEAR ENDING JUNE



Source: Morningstar, as of 6/30/17



# Detailed index returns

## DOMESTIC EQUITY

|                        | Month | QTD | YTD  | 1 Year | 3 Year | 5 Year | 10 Year |
|------------------------|-------|-----|------|--------|--------|--------|---------|
| <b>Core Index</b>      |       |     |      |        |        |        |         |
| S&P 500                | 0.6   | 3.1 | 9.3  | 17.9   | 9.6    | 14.6   | 7.2     |
| S&P 500 Equal Weighted | 1.2   | 2.5 | 8.1  | 17.3   | 8.5    | 15.5   | 8.3     |
| DJ Industrial Average  | 1.7   | 4.0 | 9.3  | 22.1   | 11.0   | 13.5   | 7.6     |
| Russell Top 200        | 0.6   | 3.2 | 9.8  | 18.6   | 9.9    | 14.6   | 7.2     |
| Russell 1000           | 0.7   | 3.1 | 9.3  | 18.0   | 9.3    | 14.7   | 7.3     |
| Russell 2000           | 3.5   | 2.5 | 5.0  | 24.6   | 7.4    | 13.7   | 6.9     |
| Russell 3000           | 0.9   | 3.0 | 8.9  | 18.5   | 9.1    | 14.6   | 7.3     |
| Russell Mid Cap        | 1.0   | 2.7 | 8.0  | 16.5   | 7.7    | 14.7   | 7.7     |
| <b>Style Index</b>     |       |     |      |        |        |        |         |
| Russell 1000 Growth    | (0.3) | 4.7 | 14.0 | 20.4   | 11.1   | 15.3   | 8.9     |
| Russell 1000 Value     | 1.6   | 1.3 | 4.7  | 15.5   | 7.4    | 13.9   | 5.6     |
| Russell 2000 Growth    | 3.4   | 4.4 | 10.0 | 24.4   | 7.6    | 14.0   | 7.8     |
| Russell 2000 Value     | 3.5   | 0.7 | 0.5  | 24.9   | 7.0    | 13.4   | 5.9     |

## INTERNATIONAL EQUITY

|                        |       |       |      |      |       |       |       |
|------------------------|-------|-------|------|------|-------|-------|-------|
| <b>Broad Index</b>     |       |       |      |      |       |       |       |
| MSCI ACWI              | 0.5   | 4.3   | 11.5 | 18.8 | 4.8   | 10.5  | 3.7   |
| MSCI ACWI ex US        | 0.3   | 5.8   | 14.1 | 20.5 | 0.8   | 7.2   | 1.1   |
| MSCI EAFE              | (0.2) | 6.1   | 13.8 | 20.3 | 1.1   | 8.7   | 1.0   |
| MSCI EM                | 1.0   | 6.3   | 18.4 | 23.7 | 1.1   | 4.0   | 1.9   |
| MSCI EAFE Small Cap    | (0.0) | 8.1   | 16.7 | 23.2 | 5.6   | 12.9  | 3.4   |
| <b>Style Index</b>     |       |       |      |      |       |       |       |
| MSCI EAFE Growth       | (0.7) | 7.5   | 16.7 | 15.7 | 2.8   | 9.2   | 2.1   |
| MSCI EAFE Value        | 0.3   | 4.8   | 11.1 | 25.0 | (0.6) | 8.1   | (0.1) |
| <b>Regional Index</b>  |       |       |      |      |       |       |       |
| MSCI UK                | (1.9) | 4.7   | 10.0 | 13.3 | (3.0) | 5.3   | 0.2   |
| MSCI Japan             | 1.1   | 5.2   | 9.9  | 19.2 | 5.5   | 9.6   | 1.2   |
| MSCI Euro              | (1.2) | 7.5   | 16.6 | 27.7 | 0.1   | 10.4  | (0.5) |
| MSCI EM Asia           | 1.7   | 8.6   | 23.2 | 27.9 | 5.0   | 7.7   | 3.8   |
| MSCI EM Latin American | 0.7   | (1.7) | 10.1 | 15.0 | (6.6) | (3.8) | (1.1) |

Source: Morningstar, as of 6/30/17

## FIXED INCOME

|                             | Month | QTD   | YTD | 1 Year | 3 Year | 5 Year | 10 Year |
|-----------------------------|-------|-------|-----|--------|--------|--------|---------|
| <b>Broad Index</b>          |       |       |     |        |        |        |         |
| BBgBarc US Treasury US TIPS | (0.9) | (0.4) | 0.9 | (0.6)  | 0.6    | 0.3    | 4.3     |
| BBgBarc US Treasury Bills   | 0.1   | 0.2   | 0.3 | 0.5    | 0.3    | 0.2    | 0.7     |
| BBgBarc US Agg Bond         | (0.1) | 1.4   | 2.3 | (0.3)  | 2.5    | 2.2    | 4.5     |
| <b>Duration</b>             |       |       |     |        |        |        |         |
| BBgBarc US Treasury 1-3 Yr  | (0.1) | 0.2   | 0.5 | (0.1)  | 0.7    | 0.6    | 2.0     |
| BBgBarc US Treasury Long    | 0.4   | 4.0   | 5.4 | (7.2)  | 5.6    | 2.8    | 7.3     |
| BBgBarc US Treasury         | (0.2) | 1.2   | 1.9 | (2.3)  | 2.0    | 1.3    | 4.1     |
| <b>Issuer</b>               |       |       |     |        |        |        |         |
| BBgBarc US MBS              | (0.4) | 0.9   | 1.3 | (0.1)  | 2.2    | 2.0    | 4.3     |
| BBgBarc US Corp. High Yield | 0.1   | 2.2   | 4.9 | 12.7   | 4.5    | 6.9    | 7.7     |
| BBgBarc US Agency Interm    | (0.1) | 0.5   | 1.0 | (0.1)  | 1.4    | 1.1    | 3.1     |
| BBgBarc US Credit           | 0.3   | 2.4   | 3.7 | 1.8    | 3.4    | 3.7    | 5.6     |

## OTHER

|                        |       |       |       |       |        |       |       |
|------------------------|-------|-------|-------|-------|--------|-------|-------|
| <b>Index</b>           |       |       |       |       |        |       |       |
| Bloomberg Commodity    | (0.2) | (3.0) | (5.3) | (6.5) | (14.8) | (9.2) | (6.5) |
| Wilshire US REIT       | 2.4   | 1.8   | 1.8   | (1.7) | 8.3    | 9.3   | 5.6   |
| CS Leveraged Loans     | (0.1) | 0.8   | 2.0   | 7.5   | 3.5    | 4.8   | 4.2   |
| <b>Regional Index</b>  |       |       |       |       |        |       |       |
| JPM EMBI Global Div    | (0.1) | 2.2   | 6.2   | 6.0   | 5.4    | 5.7   | 7.4   |
| JPM GBI-EM Global Div  | 0.5   | 3.6   | 10.4  | 6.4   | (2.8)  | (0.7) | 4.0   |
| <b>Hedge Funds</b>     |       |       |       |       |        |       |       |
| HFRI Composite         | (0.6) | 0.2   | 2.6   | 5.8   | 1.3    | 3.7   | 0.8   |
| HFRI FOF Composite     | 0.4   | 1.1   | 3.7   | 8.0   | 2.6    | 4.9   | 3.0   |
| <b>Currency (Spot)</b> |       |       |       |       |        |       |       |
| Euro                   | 1.4   | 6.6   | 8.1   | 2.7   | (5.9)  | (2.1) | (1.7) |
| Pound                  | 0.6   | 3.9   | 5.1   | (2.8) | (8.8)  | (3.7) | (4.3) |
| Yen                    | (1.6) | (0.8) | 3.8   | (8.7) | (3.4)  | (6.6) | 0.9   |

# Definitions

**ISM Manufacturing Index** – based on data compiled from purchasing and supply executives nationwide. Survey responses reflect the change, if any, in the current month compared to the previous month. For each of the indicators measured (New Orders, Backlog of Orders, New Export Orders, Imports, Production, Supplier Deliveries, Inventories, Customers' Inventories, Employment and Prices), this report shows the percentage reporting each response, the net difference between the number of responses in the positive economic direction and the negative economic direction, and the diffusion index. ([www.instituteforsupplymanagement.org](http://www.instituteforsupplymanagement.org))

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