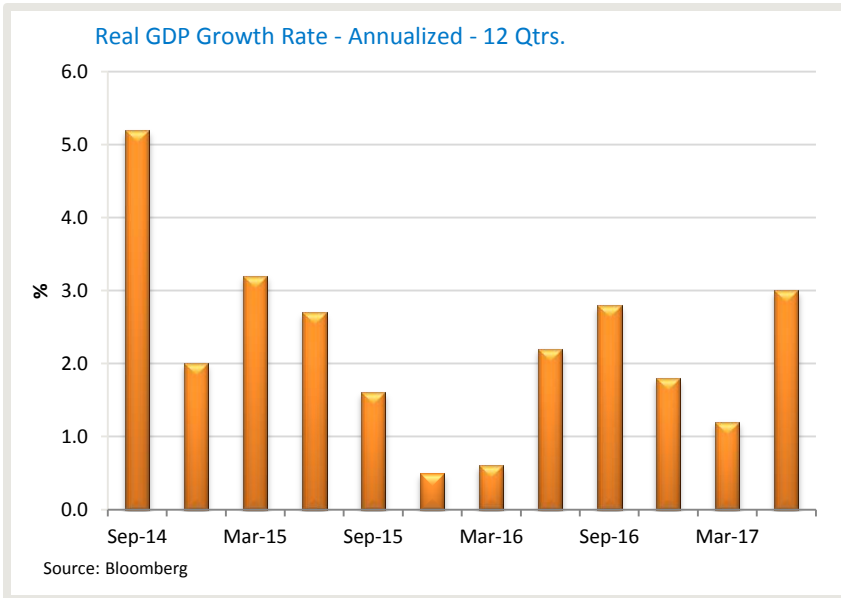


Weekly Market Review

September 22, 2017

Chart of the Week



Weekly Highlights

- **The Federal Reserve (Fed) stands pat.** As was widely expected, the Federal Reserve left the Federal Funds rate target unchanged on Wednesday. It also confirmed the plan announced in June for reducing its balance sheet will be implemented in October. Somewhat surprisingly, Chair Yellen was confident the third rate hike of the year would be coming in December, which the market had widely been discounting.
- **Housing data generally positive.** August's new housing starts were down slightly from July, but new housing permits for future building jumped 5.7%. New housing starts were not significantly affected by either of the recent hurricanes. September's home builder sentiment index was three points lower on concerns over the availability of materials and labor in the wake of those storms.
- **Initial unemployment claims down.** After a huge spike two weeks ago, largely related to the hurricanes, initial unemployment claims fell by 23,000 this week to 259,000. Initial claims are likely to remain elevated through the end of this month, as some evacuees from Florida have not returned and filed their initial claims yet. The number of people currently collecting unemployment benefits was largely unchanged at 1.98 million.

Talking Points

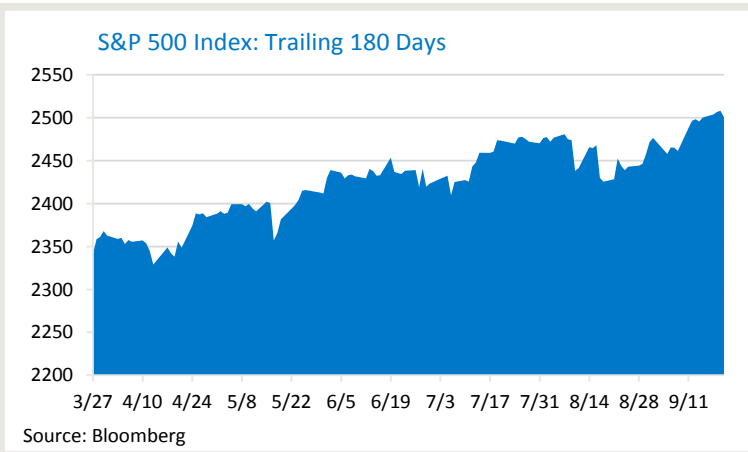
- **Among equities,** US small caps had a very strong week, up more than 1%. US and European large caps were modestly positive on the week. Emerging markets equities, led by China, continued their year-long rally as well. US fixed income indexes were slightly lower on the week. US real estate investment trusts (REITs) were down more than 1.5% and gold was down more than 2.2% on the week.
- **Treasury yields generally higher.** Short- and intermediate-term Treasury yields were up 4-5 basis points on the week, but off the highs immediately after the Fed announcement on Wednesday. Yields on 20- and 30-year bonds were largely unchanged.
- **The US Dollar Index ended the week slightly higher.** After an up and down start to the week, the index spiked to its highest level of the month early on Thursday after the Fed announcement on Wednesday before giving some of the gains back over the final day and half.
- **Crude oil** traded in a tight range this week between \$50 and \$50.50, but well off the late August lows.
- **Among other economic data released this week:** US leading economic indicators were up 0.4% in August. The total net worth of US households rose 1.7% in the second quarter, fueled largely by gains in the stock market and real estate. The US current account deficit, the country's debt to other nations, rose 8.5% in the second quarter to \$123.1 billion, or 2.6% of gross domestic product (GDP).

Market Dashboard

	Last Price	Change	% Chg.	YTD %
S&P 500	2,502.22	1.99	0.08%	11.8%
Dow Industrials	22,349.59	81.25	0.36%	13.1%
Nasdaq	6,426.92	-21.54	-0.33%	19.4%
Russell 2000	1,450.78	19.07	1.33%	6.9%
Euro Stoxx Index	383.22	2.51	0.66%	6.0%
Shanghai Composite	3,352.53	-1.09	-0.03%	8.0%
Russell Global	2,028.10	3.96	0.20%	15.1%

Source: Bloomberg; Index % change is based on price.

	Last Price	Change	% Chg.	YTD %
Russell Global EM	3,477.31	12.23	0.35%	27.3%
10-Year US Treas.	2.26	6 bps	NM	NM
DJ UBS Comm. Idx.	84.86	-0.34	-0.40%	-3.0%
Gold	\$1,296.80	-\$23.37	-1.77%	13.0%
Crude Oil	\$50.65	\$0.22	0.44%	-11.2%
Dollar Index	92.18	0.29	0.32%	-9.8%
VIX Index	9.59	-0.58	-5.70%	-31.7%



	One Week			YTD		
	Value	Growth		Value	Growth	
L	0.78%	0.10%	-0.51%	5.54%	12.75%	19.76%
	-0.06%	0.28%	0.73%	4.50%	9.20%	15.33%
S	1.54%	1.33%	1.14%	1.23%	6.90%	13.22%

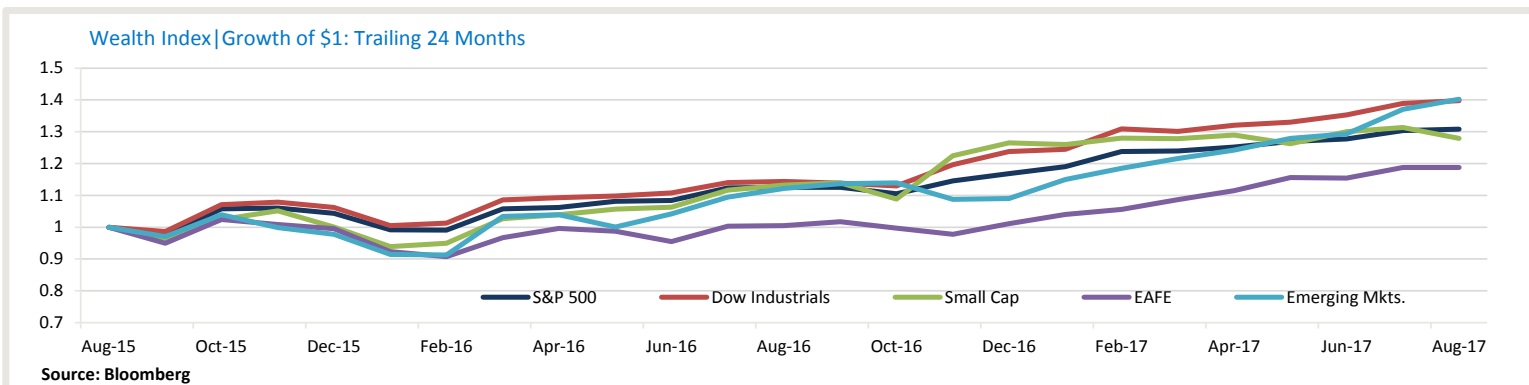
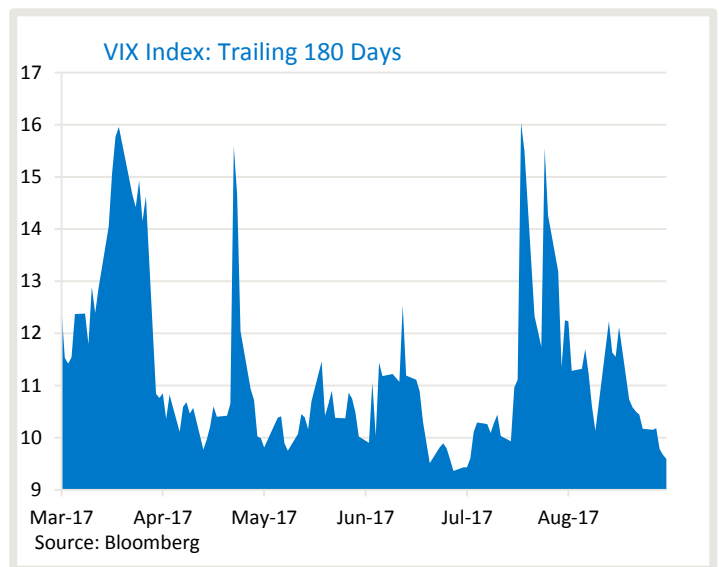
Source: Bloomberg

Sector Performance:

S&P/Global Industry Classification Sectors (GICS)

	% Wgt in S&P 500	Week % Chg.	YTD % Chg.
Consumer Discretionary	11.9	-0.14%	10.1%
Consumer Staples	8.3	-2.31%	4.5%
Energy	6.0	1.98%	-10.3%
Financials	14.5	2.65%	9.4%
Health Care	14.6	-1.15%	18.6%
Industrials	10.3	1.95%	12.1%
Information Technology	23.2	-0.67%	24.8%
Materials	3.0	0.98%	13.7%
Real Estate	3.0	-2.83%	4.4%
Telecom Services	2.2	3.80%	-8.5%
Utilities	3.2	-2.75%	9.5%

Source: Bloomberg



The Economy and Markets

A Macro View – Impact of the Fed’s Decision to Reduce Its Balance Sheet

As was widely expected, the Federal Reserve (the Fed) on Wednesday announced no change in the target Federal Funds rate but did signal its intent to begin reducing the size of its balance sheet beginning next month. The plan, as laid out in June, will allow roughly \$6 billion in treasury securities and \$4 billion in agency debt and agency MBS per month to mature, without reinvesting the proceeds. This amount is currently set to increase by an additional \$10 billion per quarter (in the same ratio) until the total reaches \$50 billion in the fourth quarter of 2018. All of this remains heavily data dependent, of course. Similar to the tapering of the Fed’s quantitative easing (QE) purchases in 2014, this decision will take a significant, and importantly, price insensitive buyer out of the market, at least partially. What has been widely speculated upon for months is what impact this will have on the agency mortgage-backed securities (MBS) market directly, and, indirectly, on the housing market and the remainder of the investment grade spread sectors.

It might be assumed that reducing the balance sheet would have the opposite impact of the accumulation of these securities since 2009. The Fed’s quantitative easing program (QE1, QE2, QE3, Operation Twist, etc.) was intended to keep interest rates low by “crowding out” investors in the treasury and agency MBS markets, encouraging them to seek higher yields in corporate debt and the equity markets. The agency MBS purchases also kept mortgage rates low, encouraging individuals to continue buying homes. The latter impact was arguably severely minimized in the first few years by much tighter loan qualification standards in the wake of the mortgage crisis at the heart of the 2008 collapse. So should we see higher interest rates and higher mortgage rates resulting from this reduction? Given the amount being allowed to mature is significantly less than the Fed’s purchases (up to \$85 billion/month in 2013), any upward pressure on rates should be proportionately smaller than the downward rate movements caused by the QE purchases.

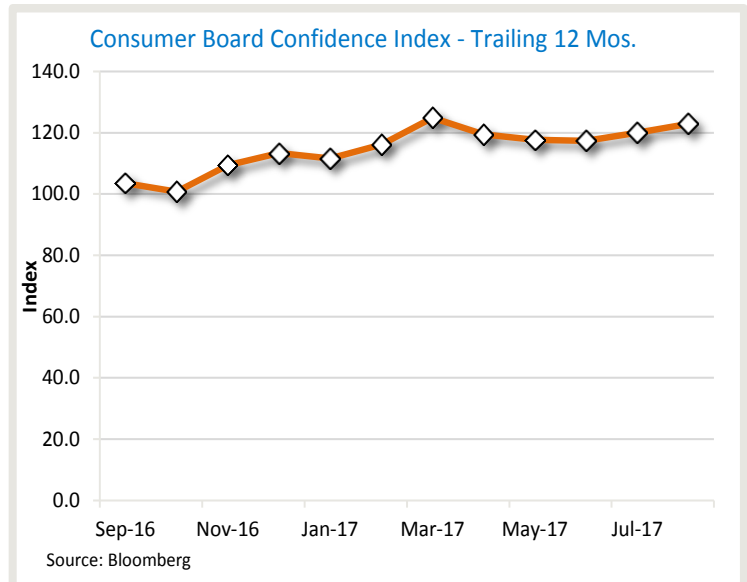
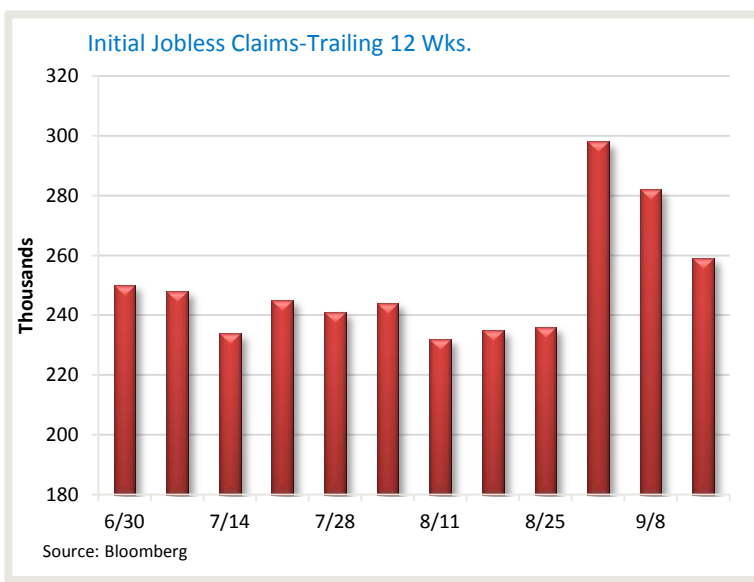
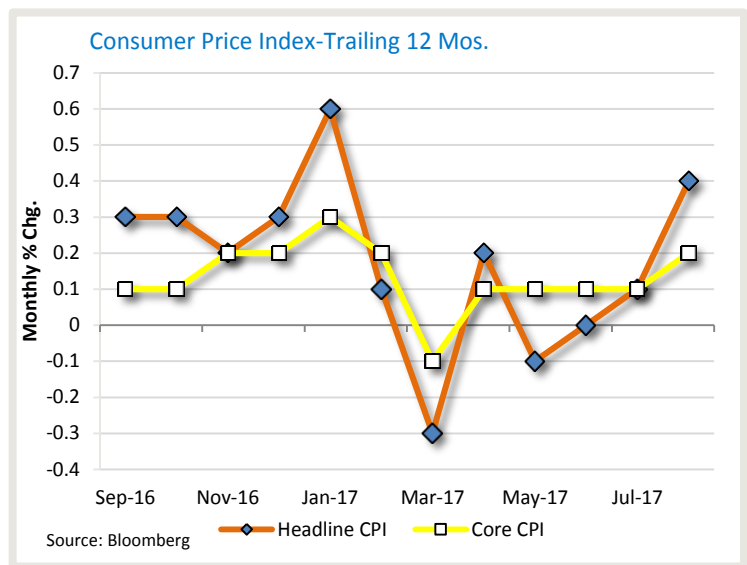
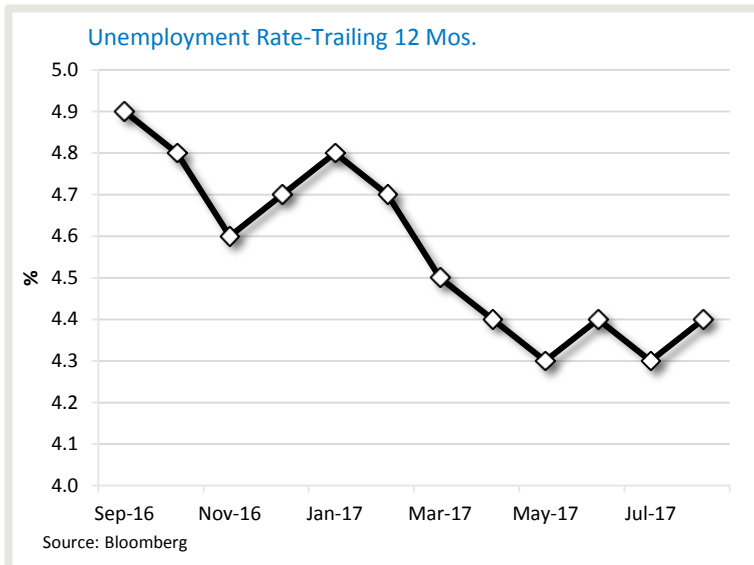
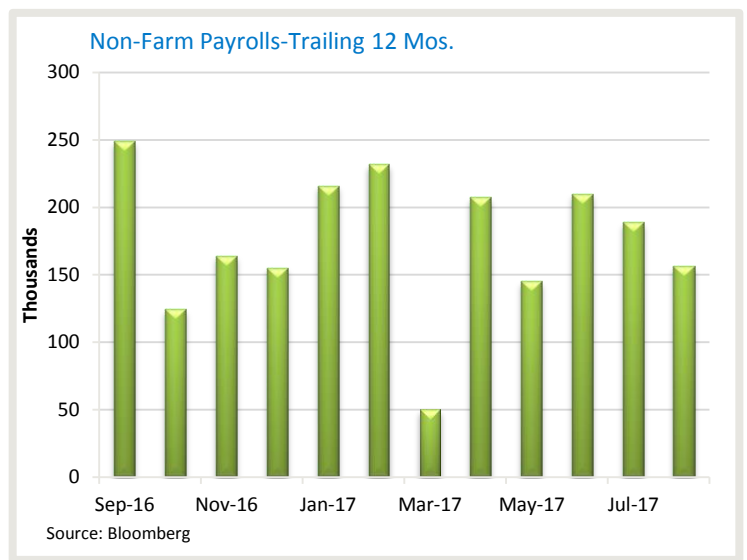
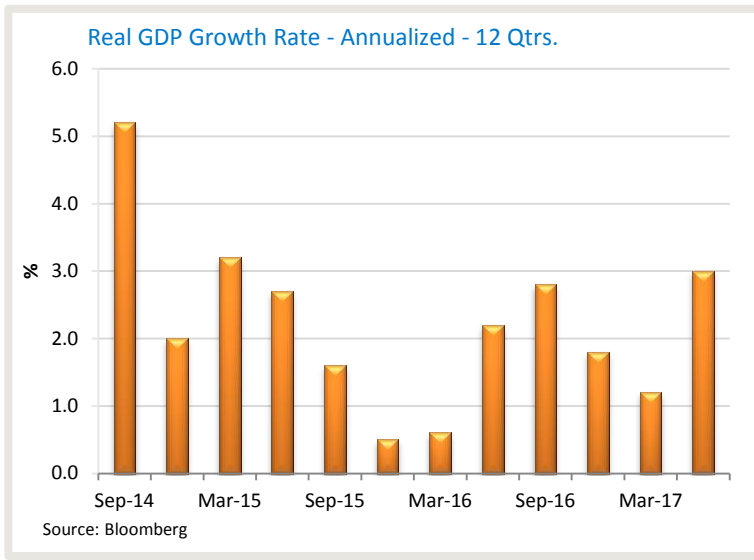
The partial removal of a price insensitive buyer from the agency MBS market will have some effect on that market directly. But it is only a partial removal, as the Fed’s reinvestment purchases in the agency MBS market have averaged \$25 billion per month so far in 2017¹. Even if every step of the proposed plan is executed on schedule, the Fed will still be buying roughly \$5 billion in agency MBS per month at the end of 2018. Although the Fed is the only price insensitive buyer in this market (we hope), there is every reason to assume the demand for these securities will be filled by any number of other buyers, including non-US buyers seeking much higher yields than their local sovereign bonds, while still being backed by the full faith and credit of the US government. Any widening of spreads based on supply and demand should be small and temporary.

In short, the impact of the Fed’s announcement on Wednesday should be negligible over the next six to nine months. The plan has been well telegraphed and explained to the market, limiting any shock effect similar to the taper tantrum in 2013. The size of the reductions is small in relation to the pace at which the securities were acquired, and the pace of the increase is incremental enough to allow supply and demand for the securities to remain in relative equilibrium. Finally, demand for high-quality securities with relatively decent yields (globally speaking) should sharply limit any increase in spreads or yields.

Nathan Behan, CFA, CAIA
Senior Vice President, Investment Research

¹ Per the NY Fed Open Market Trading Desk monthly publication, including anticipated purchases in September.

Economic Data



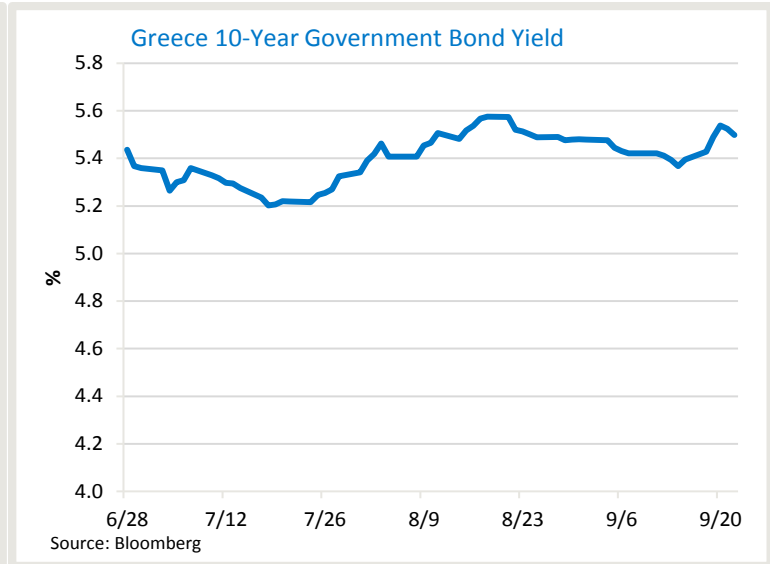
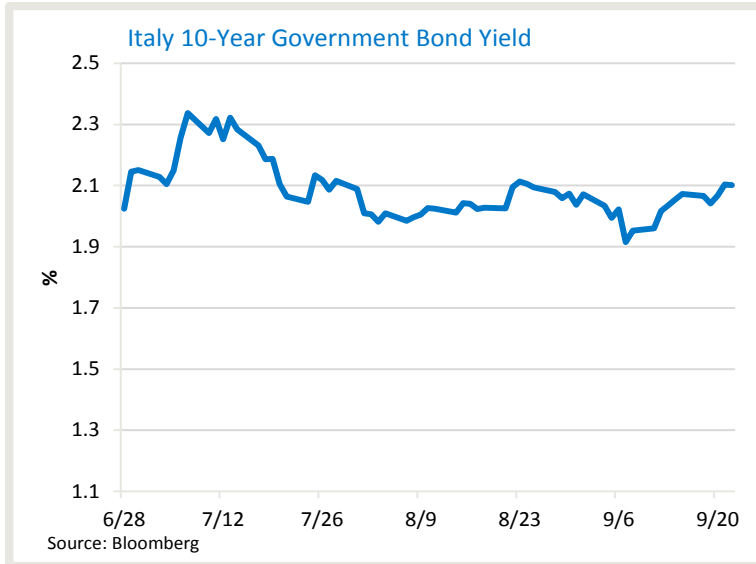
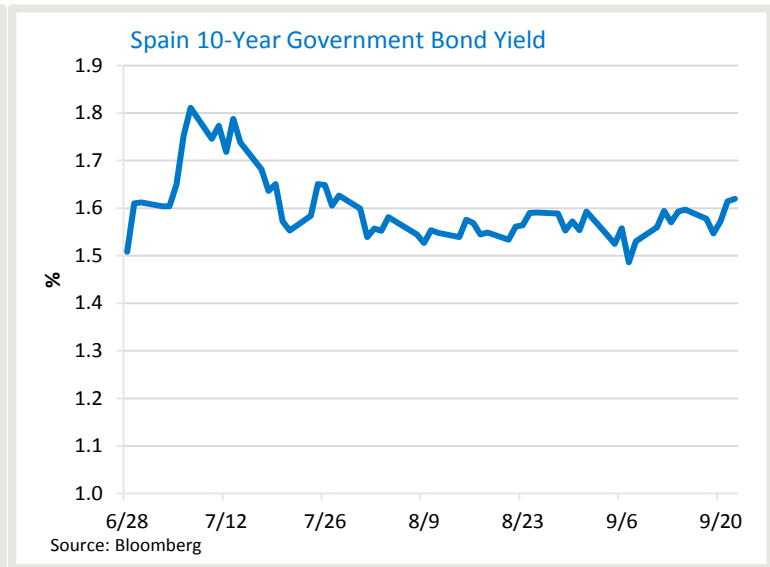
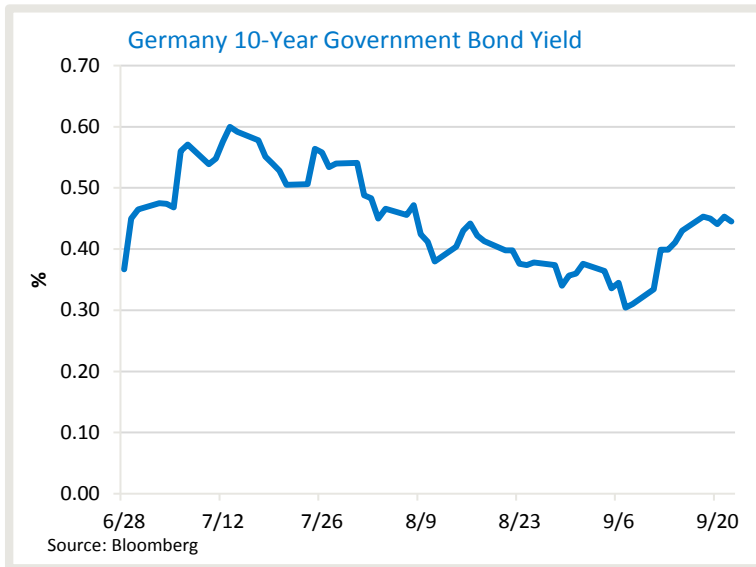
Eurozone

SELECTED EUROPEAN SOVEREIGN YIELD PERFORMANCE

	Last	Change	% Chg.	YTD %
Germany 10-Yr. Govt.	0.45	-1 bps	NM	NM
Greece 10-Yr. Govt.	5.50	-7 bps	NM	NM
Italy 10-Yr. Govt.	2.10	-3 bps	NM	NM
Spain 10-Yr. Govt.	1.62	-2 bps	NM	NM
Belgium 10-Yr. Govt.	0.73	-2 bps	NM	NM

	Last	Change	% Chg.	YTD %
France 10-Yr. Govt.	0.73	-2 bps	NM	NM
Ireland 10-Yr. Govt.	0.73	-2 bps	NM	NM
Portugal 10-Yr. Govt.	2.41	33 bps	NM	NM
Netherlands 10-Yr. Govt.	0.56	-1 bps	NM	NM
U.K. 10-Yr. Govt.	1.35	-6 bps	NM	NM

Source: Bloomberg
Basis points (bps)

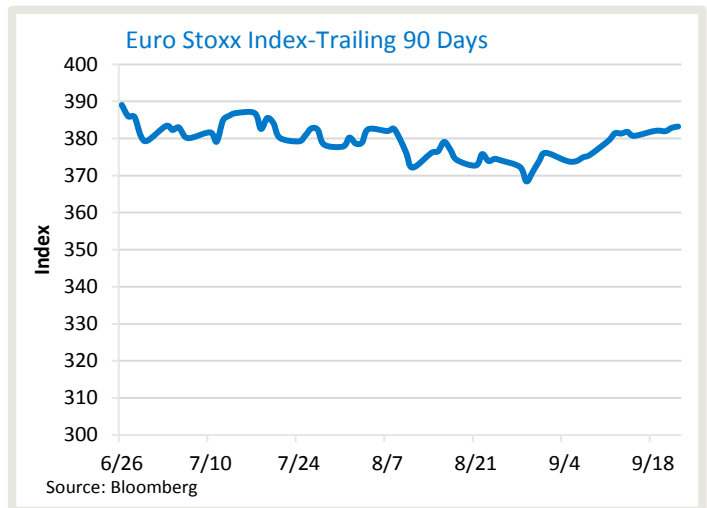
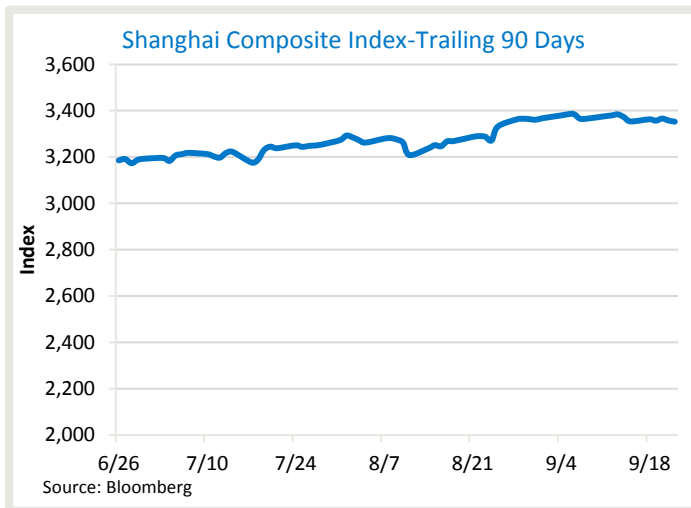
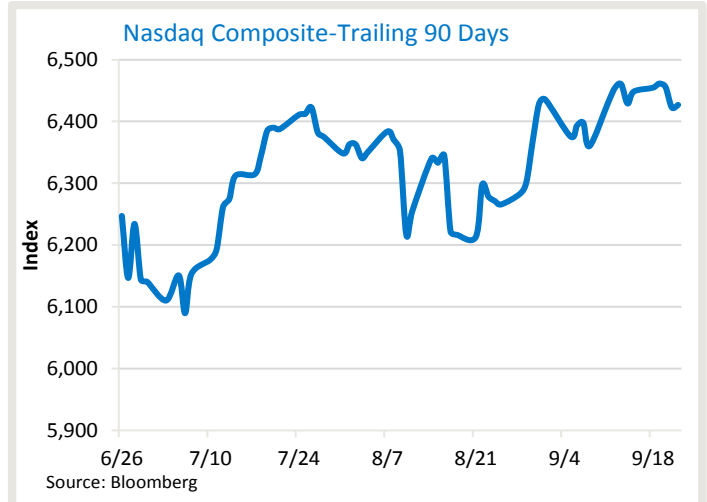
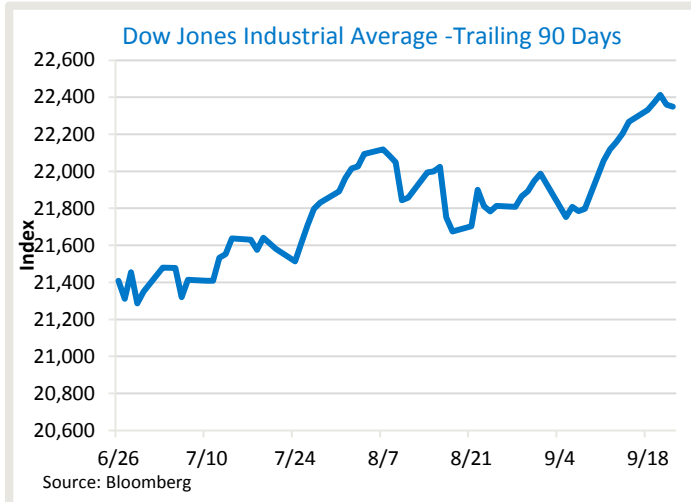


Equities

WORLD MARKET PERFORMANCE

	Last	Change	% Chg.	YTD %		Last	Change	% Chg.	YTD %
S&P 500	2,502.22	1.99	0.08%	11.76%	Swiss Market Index	9,136.72	108.67	1.20%	11.15%
Dow Industrials	22,349.59	81.25	0.36%	13.09%	CAC 40 Index (France)	5,281.29	67.38	1.29%	8.62%
Nasdaq Composite	6,426.92	-21.54	-0.33%	19.39%	DAX Index (Germany)	12,592.35	73.54	0.59%	9.68%
Russell Global	2,028.10	3.96	0.20%	15.1%	Irish Overall Index	6,700.17	25.08	0.38%	2.81%
Russell Global EM	3,477.31	12.23	0.35%	27.3%	Nikkei 225	20,296.45	489.01	2.47%	6.18%
S&P/TSX (Canada)	15,454.23	281.20	1.85%	1.09%	Hang Seng Index	27,880.53	72.94	0.26%	26.73%
Mexico IPC	50,313.51	388.59	0.78%	10.23%	Shanghai Composite	3,352.53	-1.09	-0.03%	8.02%
Brazil Bovespa	75,389.75	-366.77	-0.48%	25.18%	Kospi Index (S. Korea)	2,388.71	2.64	0.11%	17.88%
Euro Stoxx 600	383.22	2.51	0.66%	6.03%	Taiwan Taiex Index	10,449.68	-130.73	-1.24%	12.93%
FTSE 100	7,310.64	95.17	1.32%	2.35%	Tel Aviv 25 Index	1,419.90	1.99	0.14%	-3.46%
IBEX 35 (Spain)	10,305.00	-12.40	-0.12%	10.19%	MICEX Index (Russia)	2,051.63	-2.18	-0.11%	-8.11%

Source: Bloomberg; Index % change is based on price.



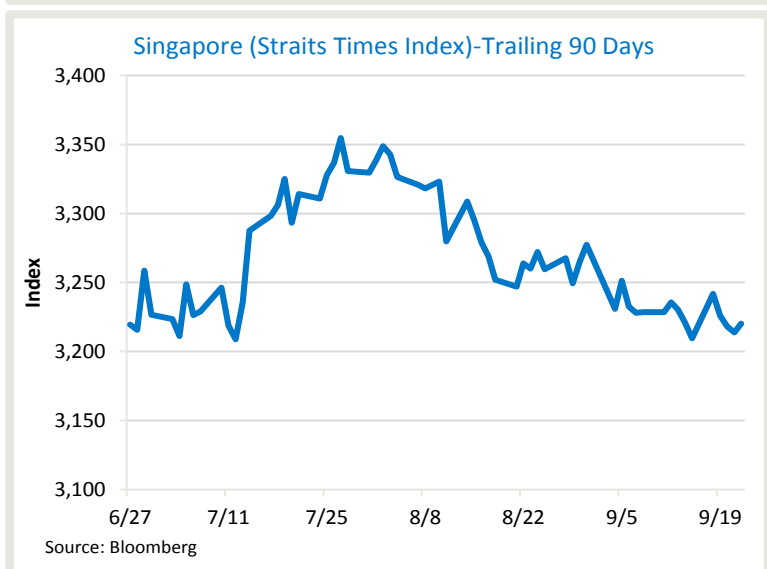
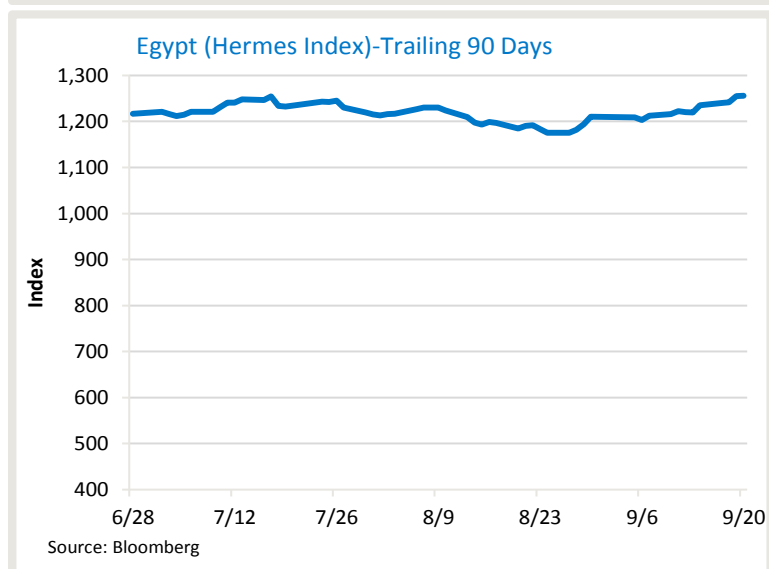
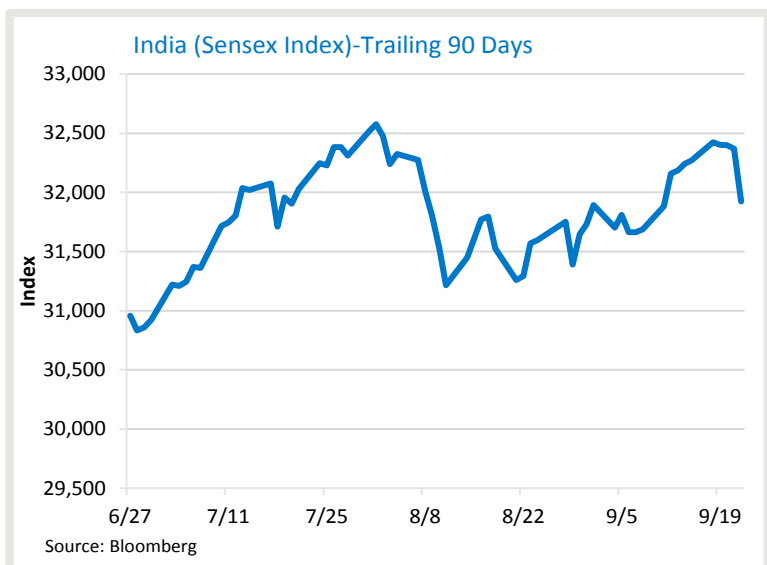
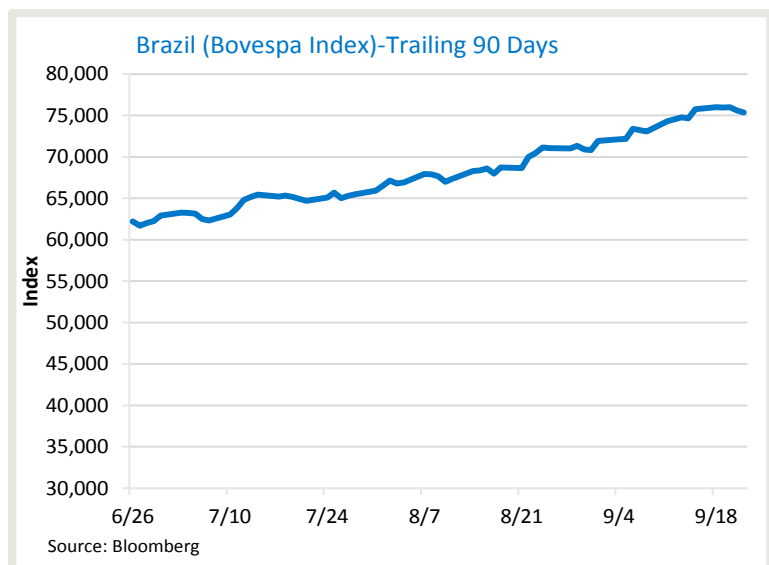
Equities – Emerging and Frontier Markets

EMERGING AND FRONTIER MARKET PERFORMANCE

	Last	Change	% Chg.	YTD %
Mexico IPC	50,313.51	388.59	0.8%	10.2%
Brazil (Bovespa Index)	75,389.75	-366.77	-0.5%	25.2%
MICEX Index (Russia)	2,051.63	-2.18	-0.1%	-8.1%
Czech Republic (Prague)	1,046.51	-4.56	-0.4%	13.6%
Turkey (Istanbul)	104,122.85	-3618.81	-3.4%	33.3%
Egypt (Hermes Index)	1,256.07	20.78	1.7%	15.3%
Kenya (Nairobi 20 Index)	3,764.44	-19.54	-0.5%	18.1%
Saudi Arabia (TASI Index)	7,326.32	-46.85	-0.6%	1.6%
Lebanon (Beirut BLOM Index)	1,148.44	-5.93	-0.5%	-5.2%
Palestine	569.98	-1.17	-0.2%	7.5%

	Last	Change	% Chg.	YTD %
Hang Seng Index	27,880.53	72.94	0.3%	26.7%
India (Sensex 30)	31,922.44	-350.17	-1.1%	19.9%
Malaysia (KLCI Index)	1,771.04	-10.33	-0.6%	7.9%
Singapore (Straits Times Index)	3,220.25	10.69	0.3%	11.8%
Thailand (SET Index)	1,659.05	-1.48	-0.1%	7.5%
Indonesia (Jakarta)	5,911.71	59.71	1.0%	11.6%
Pakistan (Karachi KSE 100)	42,750.19	-37.00	-0.1%	-10.6%
Vietnam (Ho Chi Minh)	807.13	1.31	0.2%	21.4%
Sri Lanka (Colombo)	6,427.26	25.23	0.4%	3.2%
Cambodia (Laos)	1,028.64	-6.55	-0.6%	1.4%

Source: Bloomberg; Index % change is based on price.

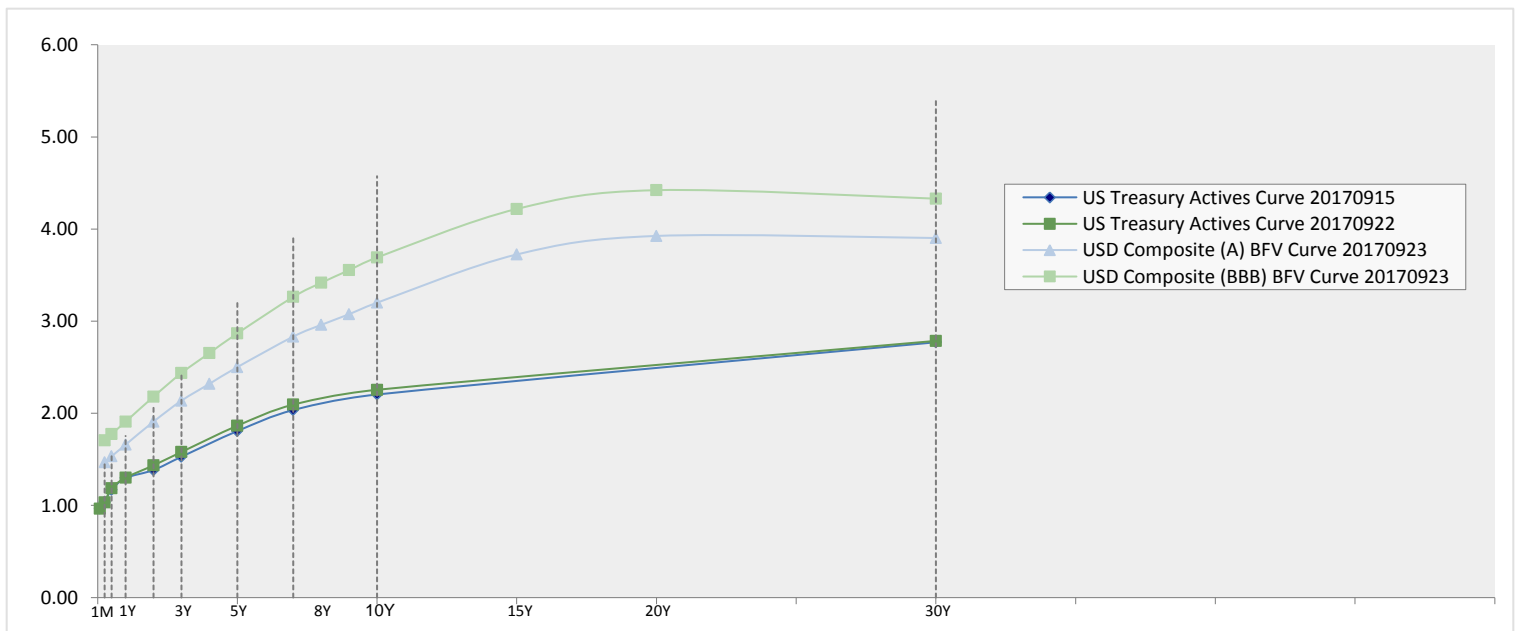


Interest Rates

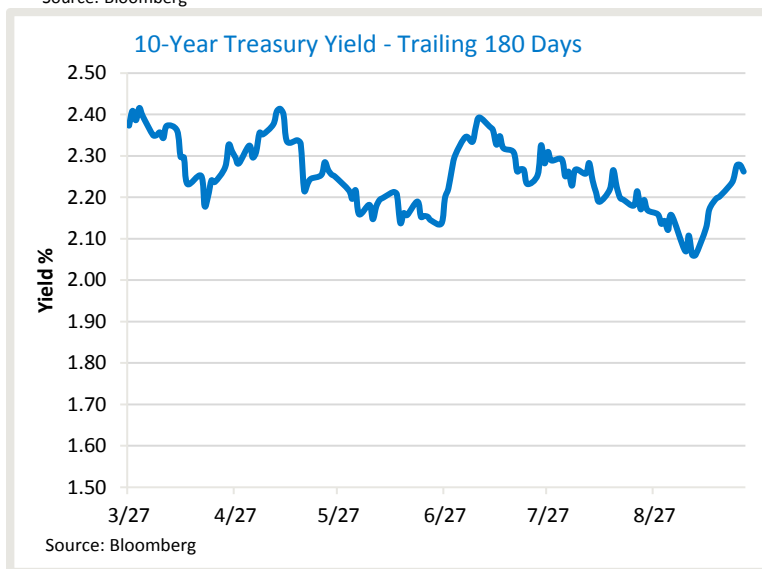
SELECTED INTEREST RATES

	Last	Change	% Chg.	YTD %		Last	Change	% Chg.	YTD %
2-Yr. U.S. Treasury	1.44%	-1 bps	NM	NM	Prime Rate	4.25%	0.00	NM	NM
5-Yr. U.S. Treasury	1.87%	7 bps	NM	NM	Fed Funds Rate	1.25%	0.00	NM	NM
10-Yr. U.S. Treasury	2.26%	6 bps	NM	NM	Discount Rate	1.75%	0.00	NM	NM
30-Yr. U.S. Treasury	2.80%	2 bps	NM	NM	LIBOR (3 Mo.)	1.33%	0 bps	NM	NM
German 10-Yr. Govt.	0.45%	-1 bps	NM	NM	Bond Buyer 40 Muni	3.49%	4 bps	NM	NM
France 10-Yr.	0.73%	-2 bps	NM	NM	Bond Buyer 40 G.O.	3.60%	NA	NM	NM
Italy 10-Yr.	2.10%	-3 bps	NM	NM	Bond Buyer 40 Rev.	3.81%	NA	NM	NM
Fed 5-Yr Fwd BE Inf.	1.81%	3 bps	NM	NM					

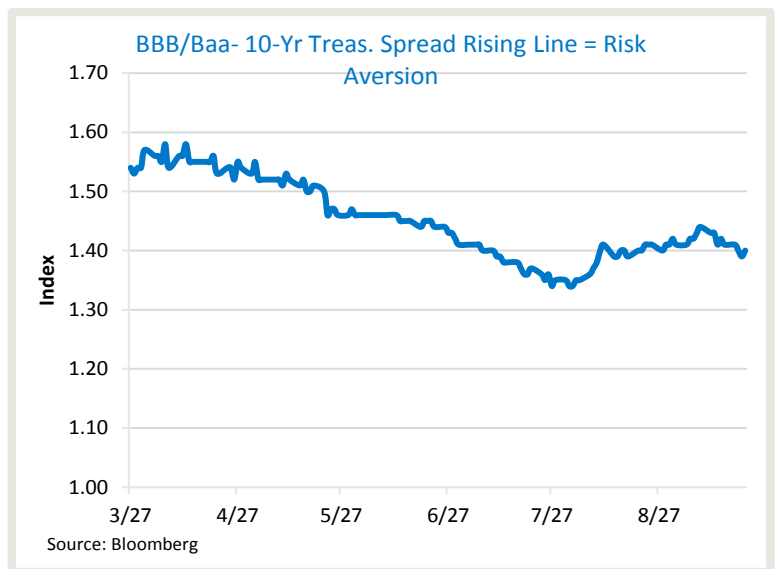
Source: Bloomberg



Source: Bloomberg



Source: Bloomberg



Source: Bloomberg

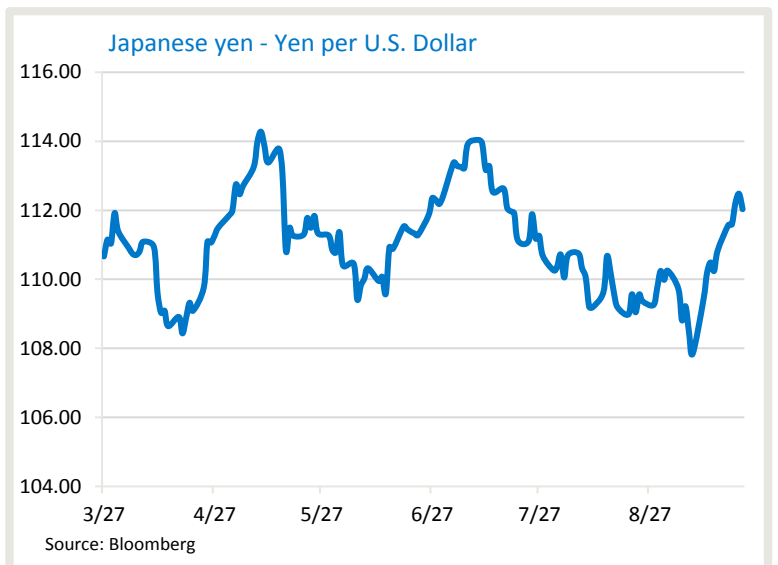
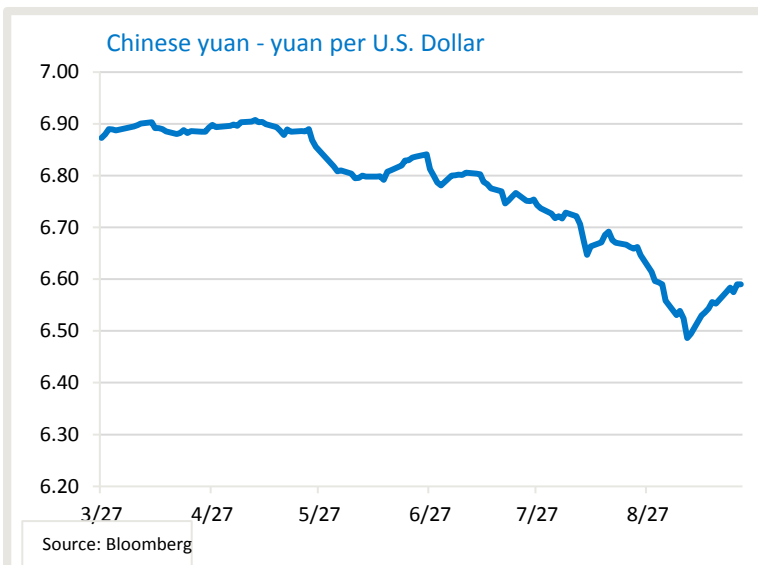
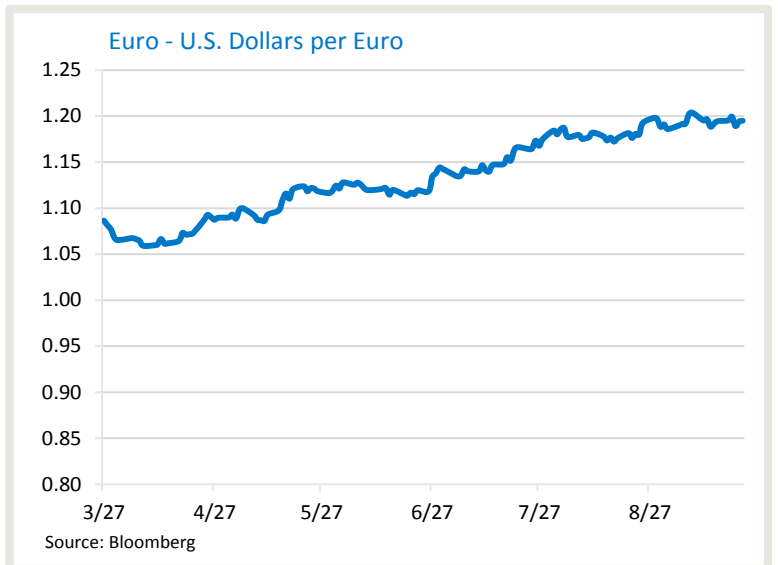
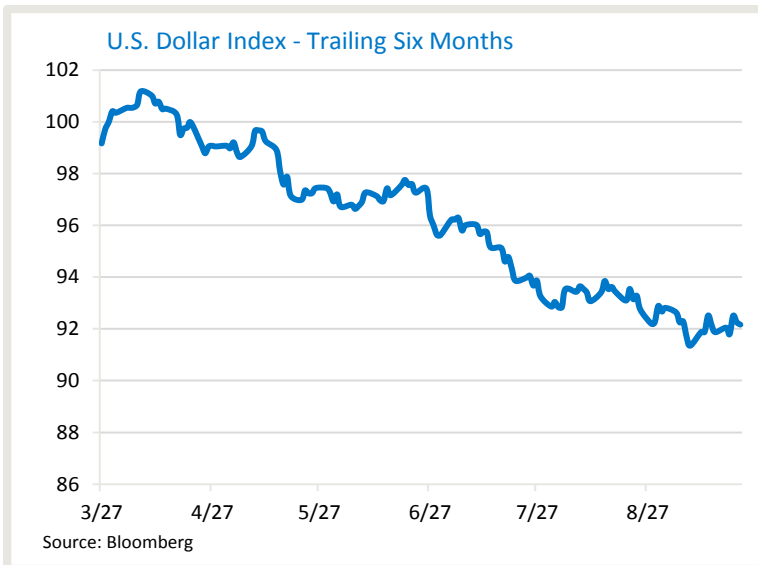
Currencies

SELECTED CURRENCY PERFORMANCE

	Last	Change	% Chg.	YTD %
Dollar Index	92.13	0.294	0.32%	-9.83%
Euro	1.19	0.001	0.04%	13.63%
Japanese Yen	112.04	1.200	-1.07%	4.40%
British Pound	1.35	-0.007	-0.50%	9.61%
Canadian Dollar	1.23	0.013	-1.09%	8.99%

	Last	Change	% Chg.	YTD %
Chinese Yuan	6.59	0.038	-0.57%	5.39%
Swiss Franc	0.97	0.010	-0.99%	5.06%
New Zealand Dollar	0.73	0.004	0.48%	5.77%
Brazilian Real	3.13	0.015	-0.49%	3.97%
Mexican Peso	17.75	0.074	-0.42%	16.87%

Source: Bloomberg



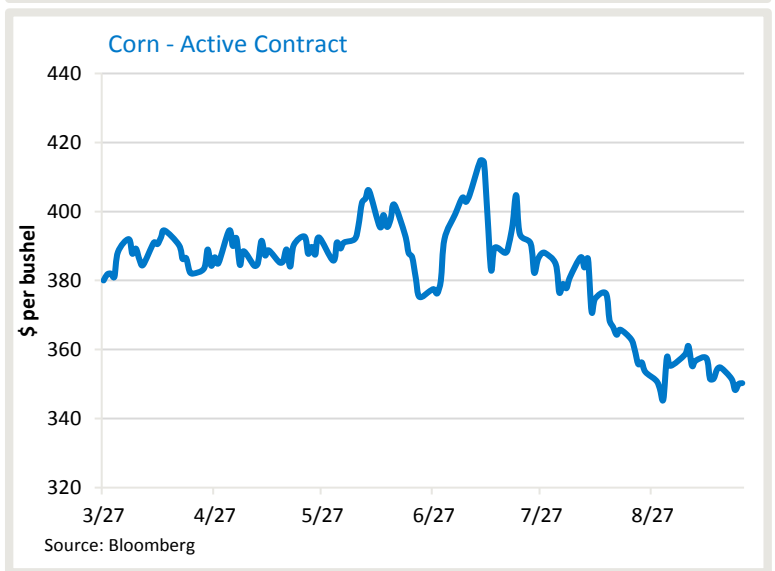
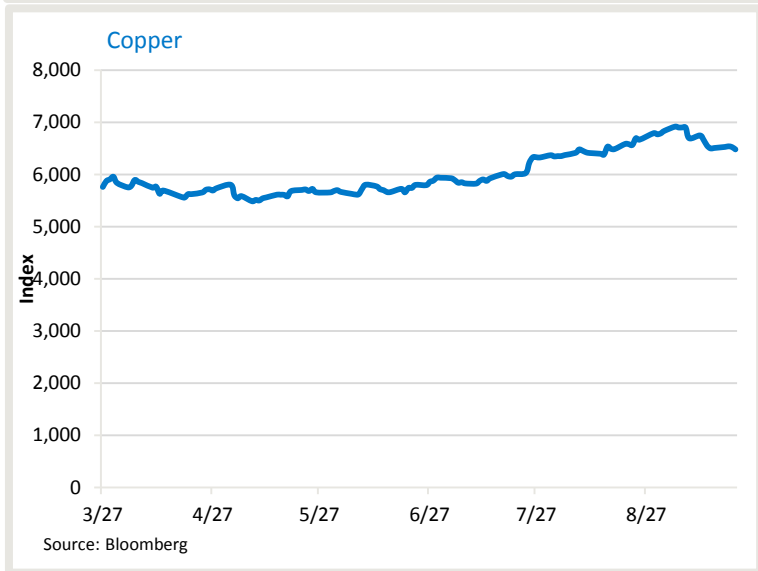
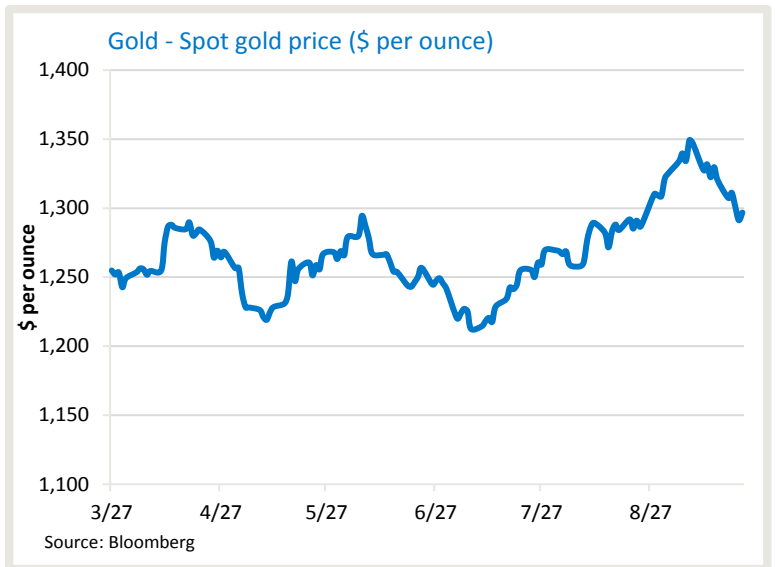
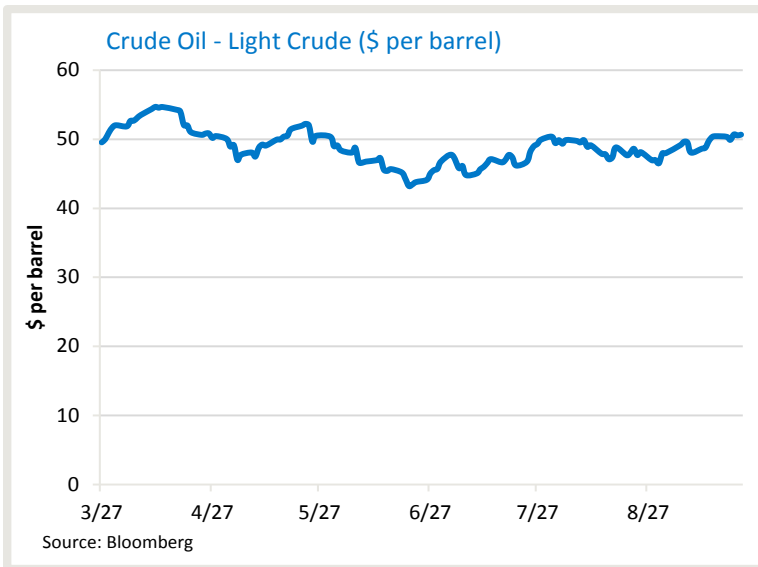
Commodities

SELECTED COMMODITY MARKET PERFORMANCE

	Last	Change	% Chg.	YTD %
Bloomberg Comm. Idx.	84.86	-0.34	-0.40%	-3.04%
Crude Oil	\$50.65	\$0.22	0.44%	-11.20%
Natural Gas	\$2.95	-\$0.08	-2.48%	-17.39%
Gasoline (\$/Gal.)	\$2.59	-\$0.04	-1.67%	10.83%
Heating Oil	181.51	1.62	0.90%	1.74%
Gold Spot	\$1,296.92	-\$23.37	-1.77%	13.01%
Silver Spot	\$16.99	-\$0.60	-3.40%	6.68%

Source: Bloomberg; % change is based on price.

	Last	Change	% Chg.	YTD %
Platinum Spot	\$932.70	-\$36.39	-3.76%	3.27%
Corn	353.50	-1.25	-0.35%	-6.97%
Wheat	449.50	0.50	0.11%	-3.33%
Soybeans	984.25	15.50	1.60%	-0.51%
Sugar	14.64	-0.53	-3.49%	-21.21%
Orange Juice	146.80	-2.85	-1.90%	-21.16%
Aluminum	2,171.00	85.00	4.07%	28.23%
Copper	6,480.00	-27.00	-0.41%	17.06%

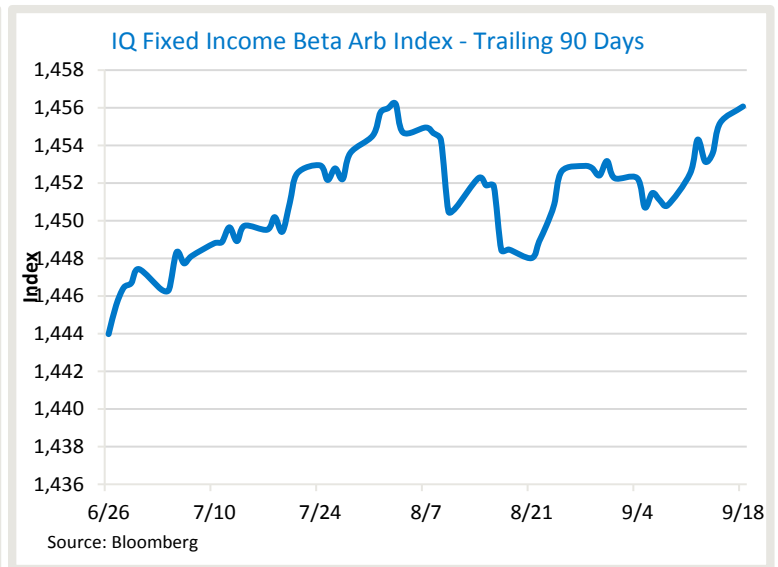
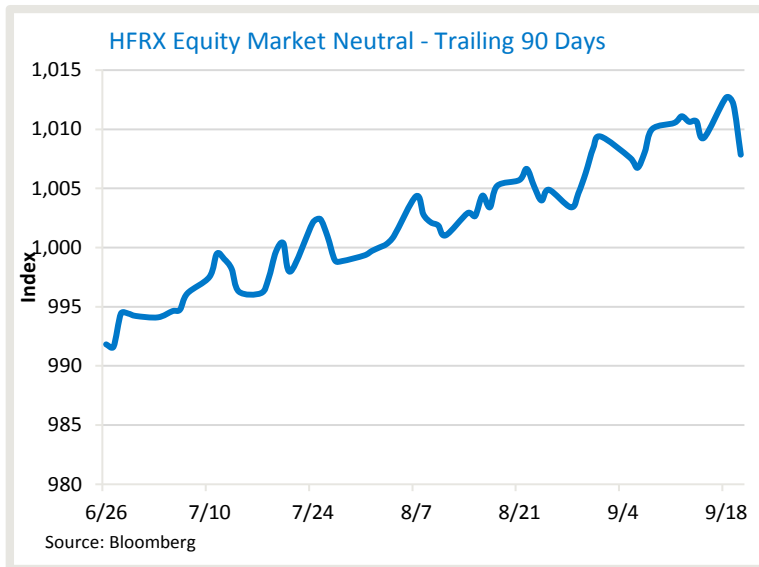
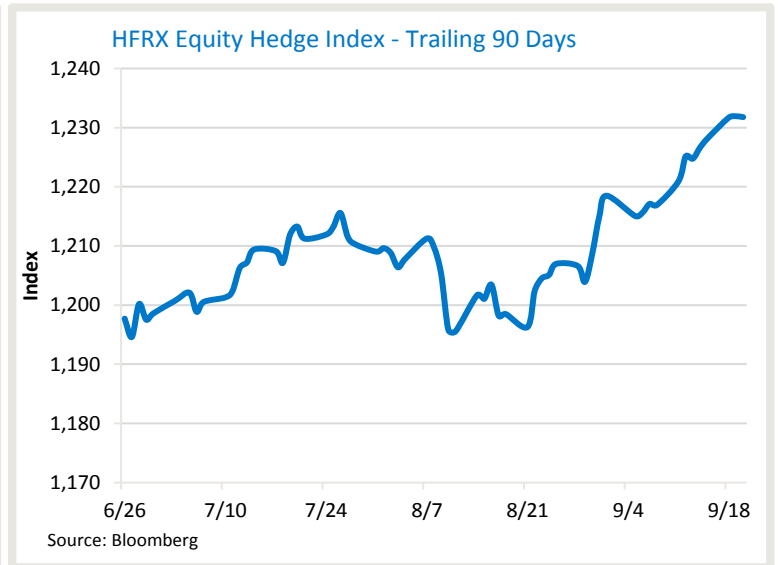
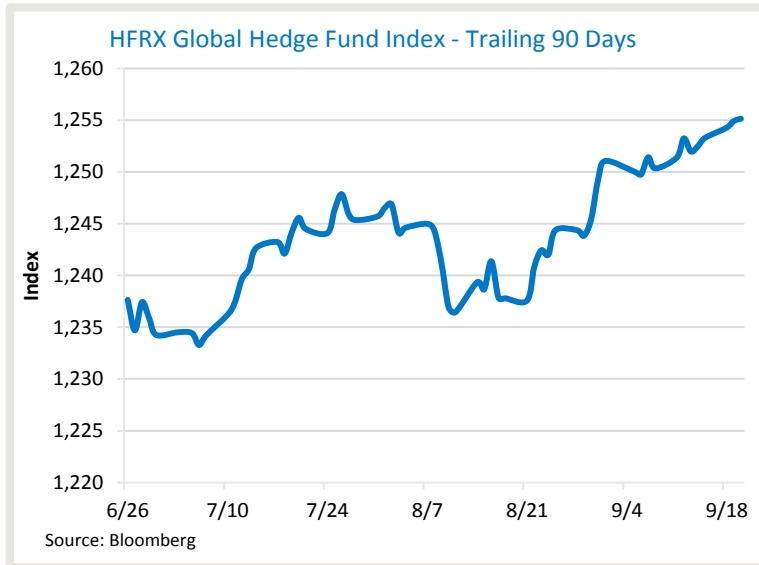


Alternative Investments

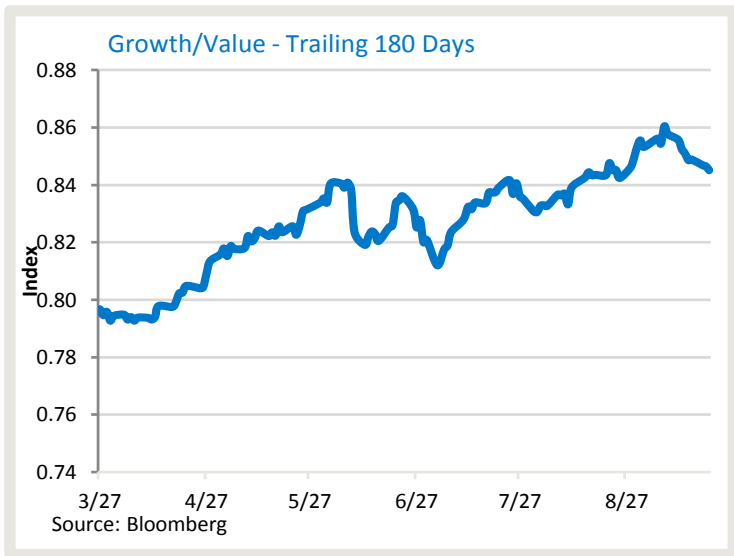
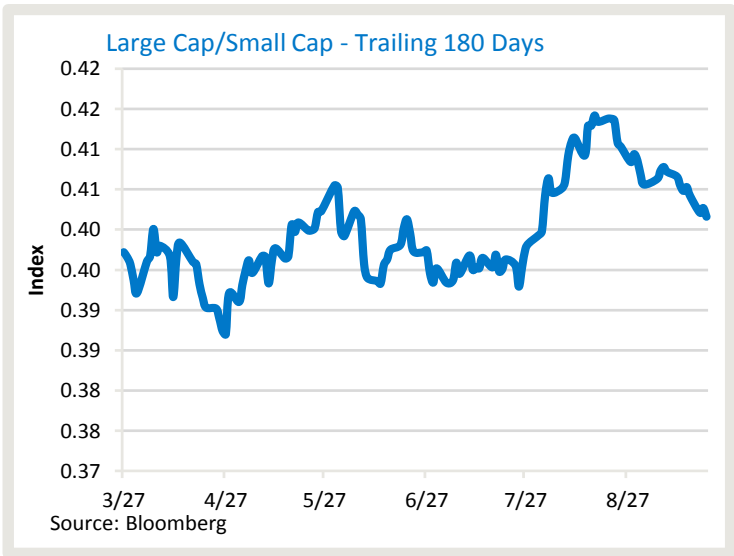
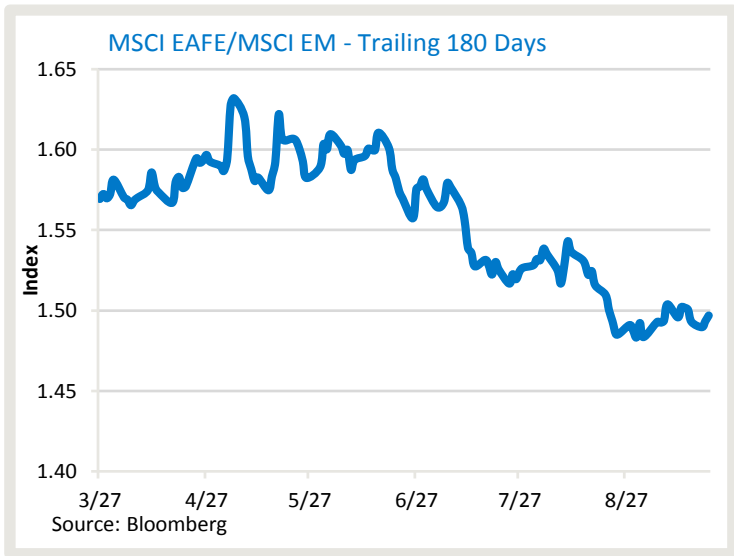
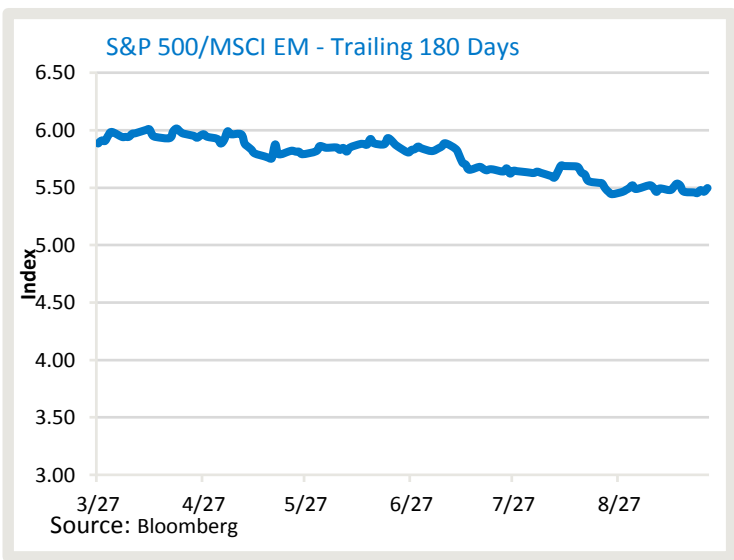
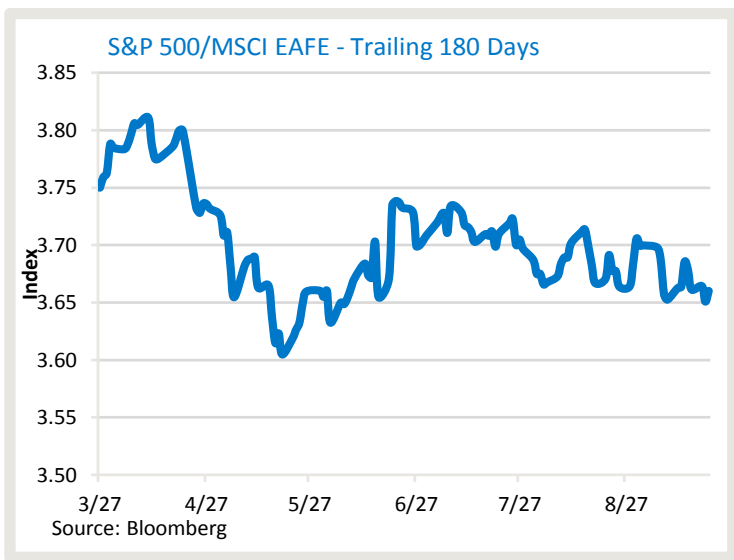
SELECTED ALTERNATIVE INVESTMENT INDEX PERFORMANCE

	Last	Change	% Chg.	YTD %		Last	Change	% Chg.	YTD %
HFRX Global Hedge Fund Index	1255.36	2.06	0.16%	4.31%	HFRX Distressed Index	1102.40	1.84	0.17%	2.74%
HFRX Equity Market Neutral	1011.45	2.18	0.22%	2.45%	HFRX Merger Arbitrage Index	1843.48	3.73	0.20%	1.71%
HFRX Equity Hedge Index	1233.65	5.54	0.45%	6.77%	HFRX Convertible Arbitrage Index	783.82	1.63	0.21%	5.55%
HFRX Event-Driven Index	1661.72	5.33	0.32%	6.22%	HFRX Macro CTA Index	1140.74	-2.72	-0.24%	0.47%
HFRX Absolute Return Index	1060.13	2.74	0.26%	3.08%	IQ Fixed Income Beta Arb Index	1457.98	2.76	0.19%	2.68%

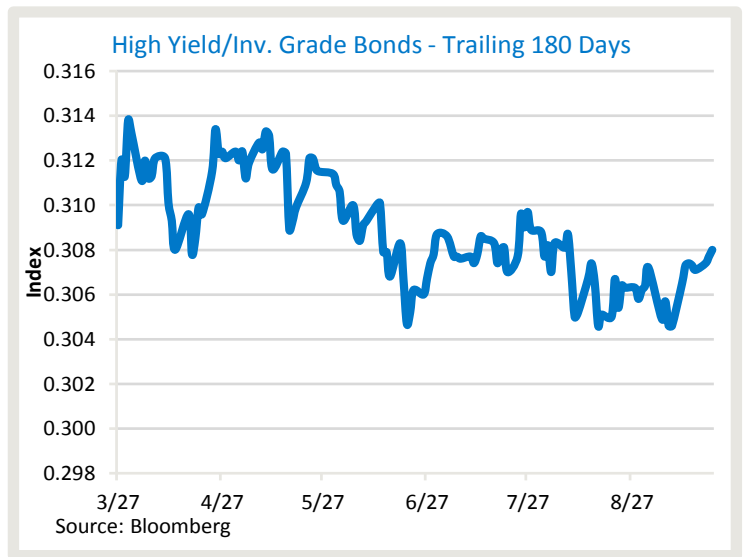
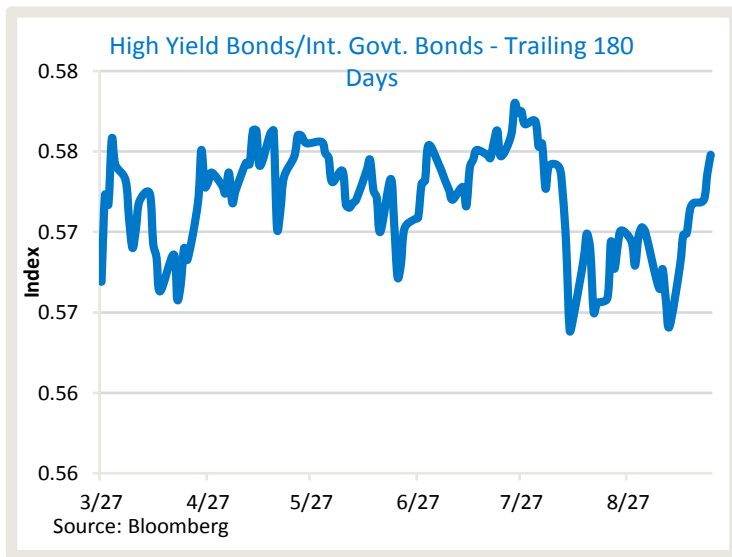
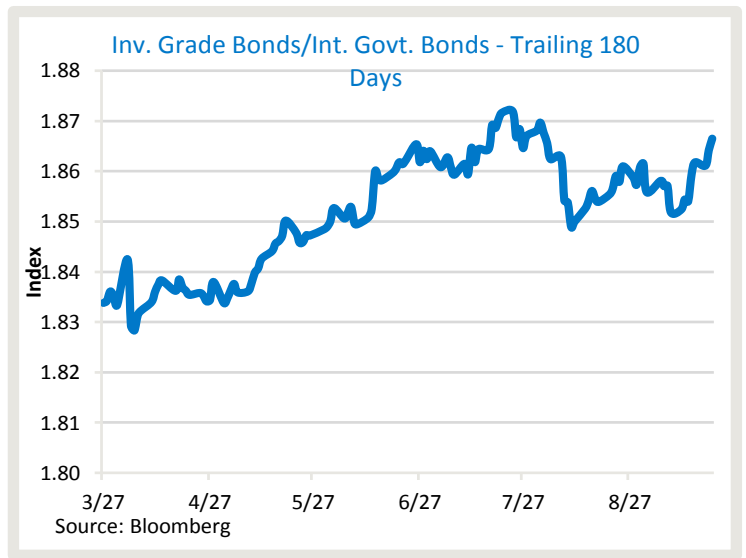
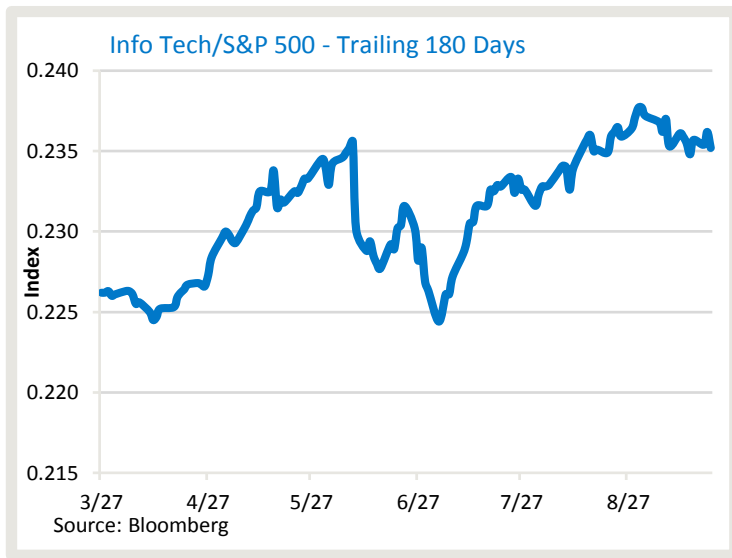
Source: Bloomberg; Index % change is based on price.



Portfolio Construction



Portfolio Construction (continued)



WEEKLY ASSET CLASS PERFORMANCE (Prior 12 weeks ending Thursday)

			7/6	7/13	7/20	7/27	8/3	8/10	8/17	8/24	8/31	9/7	9/14	9/21
Equity	Domestic Equity	Large Cap (R200)	-0.39%	1.58%	1.10%	0.10%	0.05%	-1.24%	-0.30%	0.35%	1.41%	-0.30%	1.22%	0.26%
		Small Cap (R2000)	-1.09%	1.77%	1.17%	-0.61%	-1.98%	-2.33%	-0.99%	1.10%	2.29%	-0.47%	1.88%	1.34%
	Int'l. Equity	MSCI EAFE	-0.70%	1.19%	1.73%	-0.07%	0.98%	-1.43%	-0.06%	0.35%	0.59%	0.94%	0.52%	0.52%
		MSCI Em. Mkts.	-0.78%	3.43%	1.79%	0.90%	-0.46%	-0.74%	0.67%	1.80%	0.49%	0.22%	0.90%	0.75%
Fixed Income	BarCap Agg. (AGG)	17.54%	-2.37%	-1.14%	-5.06%	-5.48%	-7.09%	0.35%	0.52%	-1.20%	12.35%	-4.80%	0.81%	
	High Yield (JNK)	-0.67%	0.68%	0.65%	0.13%	-0.53%	-1.42%	0.27%	0.73%	0.57%	-0.59%	0.32%	-0.03%	
Commodities	Bloomberg Commodity Index	1.34%	-0.60%	2.16%	0.65%	-1.06%	0.25%	-1.03%	1.01%	1.37%	1.19%	-0.66%	-0.37%	
Alternatives	Hedge Funds (HFRX Global)	-0.21%	0.59%	0.40%	0.03%	-0.14%	-0.58%	0.07%	0.34%	0.59%	0.17%	0.09%	0.23%	
Asset Allocation	60/40*	5.74%	0.20%	0.43%	-1.76%	-2.00%	-3.41%	-0.03%	0.47%	0.37%	4.31%	-0.99%	0.61%	
	48/32/20 (w/Alts.)**	4.55%	0.28%	0.42%	-1.40%	-1.63%	-2.84%	-0.01%	0.44%	0.41%	3.48%	-0.77%	0.53%	

Source: Bloomberg; *60/40 portfolio = 30% Large Cap/10% Small Cap/15% EAFE/5% Emerging Markets/35% BarCap Agg./5% High Yield.

**48/32/20 portfolio = 24% Large Cap/8% Small Cap/12% EAFE/4% Emerging Markets/28% BarCap Agg./4% High Yield/20% HFRX Global Index.

RELATIVE STRENGTH MATRIX (BASED ON 30-DAY RSI)

	Large Cap Core	Large Cap Growth	Large Cap Value	Mid Cap Core	Mid Cap Growth	Mid Cap Value	Small Cap Core	Small Cap Growth	Small Cap Value	Int'l. Developed	Emerging Markets	REITs	Comm.	Int. Bond	High Yield
Large Cap Core	1.00	1.04	1.00	1.06	1.00	1.12	1.02	1.00	1.04	1.00	0.92	1.19	1.11	1.20	1.17
Large Cap Growth	0.97	1.00	0.97	1.03	0.97	1.09	0.98	0.97	1.01	0.96	0.89	1.15	1.08	1.16	1.13
Large Cap Value	1.00	1.03	1.00	1.06	1.00	1.12	1.01	1.00	1.04	0.99	0.92	1.18	1.11	1.20	1.16
Mid Cap Core	0.94	0.97	0.94	1.00	0.94	1.06	0.96	0.94	0.98	0.94	0.87	1.12	1.05	1.13	1.10
Mid Cap Growth	1.00	1.03	1.00	1.06	1.00	1.12	1.01	1.00	1.04	0.99	0.92	1.18	1.11	1.19	1.16
Mid Cap Value	0.89	0.92	0.89	0.95	0.89	1.00	0.90	0.89	0.93	0.88	0.82	1.06	0.99	1.07	1.04
Small Cap Core	0.98	1.02	0.99	1.05	0.99	1.11	1.00	0.99	1.03	0.98	0.91	1.17	1.09	1.18	1.15
Small Cap Growth	1.00	1.03	1.00	1.06	1.00	1.12	1.01	1.00	1.04	0.99	0.92	1.19	1.11	1.20	1.16
Small Cap Value	0.96	0.99	0.96	1.02	0.96	1.08	0.97	0.96	1.00	0.95	0.88	1.14	1.07	1.15	1.12
Int'l. Developed	1.01	1.04	1.01	1.07	1.01	1.13	1.02	1.01	1.05	1.00	0.93	1.19	1.12	1.21	1.17
Emerging Markets	1.09	1.12	1.09	1.15	1.09	1.22	1.10	1.09	1.13	1.08	1.00	1.29	1.21	1.30	1.27
REITs	0.84	0.87	0.84	0.90	0.85	0.95	0.86	0.84	0.88	0.84	0.78	1.00	0.94	1.01	0.98
Commodities	0.90	0.93	0.90	0.95	0.90	1.01	0.91	0.90	0.94	0.89	0.83	1.07	1.00	1.08	1.05
Int. Bond	0.83	0.86	0.84	0.89	0.84	0.94	0.85	0.84	0.87	0.83	0.77	0.99	0.93	1.00	0.97
High Yield	0.86	0.89	0.86	0.91	0.86	0.96	0.87	0.86	0.90	0.85	0.79	1.02	0.96	1.03	1.00

Source: Bloomberg

The Relative Strength Matrix provides an indication of how the various asset classes have performed relative to one another over the past 30 days. A number greater than 1.0 indicates that the asset class in the far left column has outperformed the corresponding asset class in the top row over the past 30 days. A number below 1.0 means the asset class on the left has underperformed the asset class at the top. The green shading indicates outperformance, and the red shading indicates underperformance.

Index Overview & Key Definitions

Fed, The Fed or FED refers to the Federal Reserve System, the central bank of the United States. The **Federal Open Market Committee** (FOMC) is the monetary policymaking body of the Federal Reserve System. **Fed Funds Rate**, the interest rate at which a depository institution lends funds maintained at the Federal Reserve to another depository institution overnight. The **European Central Bank** (ECB) is the central bank for Europe's single currency, the euro. The ECB's main task is to maintain the euro's purchasing power and thus price stability in the euro area. The euro area comprises the 19 European Union countries that have introduced the euro since 1999. The **Gross Domestic Product** (GDP) rate is a measurement of the output of goods and services produced by labor and property located in the United States. **Basis Point(s)** is a unit that is equal to 1/100th of 1%, and is used to denote the change in a financial instrument. The basis point is commonly used for calculating changes in interest rates, equity indexes and the yield of a fixed-income security. A **separately managed account** (SMA) is an individual managed investment account offered typically by a brokerage firm through one of their brokers or financial consultants and managed by independent investment management firms (often called money managers for short) and have varying fee structures. The **Consumer Price Index** (CPI) measures the change in the cost of a fixed basket of products and services. The **Producer Price Index** (PPI) program measures the average change over time in the selling prices received by domestic producers for their output. The prices included in the PPI are from the first commercial transaction for many products and some services. **Core CPI** is an additional CPI Index, excludes energy and food item price changes, and measures the "core" or "underlying" rate of inflation. The PCE (Personal Consumption Expenditure) Index of Prices is a US--wide indicator of the average increase in prices for all domestic personal consumption. Using a variety of data including U.S. Consumer Price Index and Producer Price Index prices, it is derived from personal consumption expenditures; essentially a measure of goods and services targeted towards individuals and consumed by individuals. The **Purchasing Managers' Index** (PMI) is an indicator of the economic health of the manufacturing sector. The PMI is based on five major indicators: new orders, inventory levels, production, supplier deliveries and the employment environment. **Brexit** is a commonly used term for the United Kingdom's withdrawal from the European Union. The **Kansas City Fed Manufacturing Survey** monitors manufacturing plants selected according to geographic distribution, industry mix and size in the Tenth Federal Reserve District.

The **Dow Jones Industrial Average** (DOW or DJIA) is an unmanaged index of 30 common stocks comprised of 30 actively traded blue chip stocks, primarily industrials and assumes reinvestment of dividends. The **S&P 500 Index** is an unmanaged index comprised of 500 widely held securities considered to be representative of the stock market in general. The **S&P/Case-Shiller Home Price Indices** measure the residential housing market, tracking changes in the value of the residential real estate market in 20 metropolitan regions across the United States. The **Nasdaq Composite Index** is a stock market index of the common stocks and similar securities listed on the NASDAQ stock market. The **US Dollar Index** is a measure of the value of the United States dollar relative to a basket of foreign currencies. It is a weighted geometric mean of the dollar's value relative to other select currencies (Euro, Japanese yen, Pound sterling, Canadian dollar, Swedish krona (SEK) & Swiss franc). The **FTSE 100 Index** (FTSE 100) is a share index of the 100 companies listed on the London Stock Exchange (LSE) with the highest market capitalization. The **Bloomberg Commodity Index** (formerly the **Dow Jones-UBS Commodity Index**) tracks prices of futures contracts on physical commodities on the commodity markets and is designed to minimize concentration in any one commodity or sector (currently 22 commodity futures in seven sectors). The **Barclays Capital US Credit Index** is an unmanaged index considered representative of publicly issued, SEC-registered US corporate and specified foreign debentures and secured notes. The **Barclays Capital US Aggregate Bond Index** is a market capitalization-weighted index of investment-grade, fixed-rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities, with maturities of at least one year. The **Barclays Capital US Corporate High Yield Index** covers the USD-denominated, non-investment grade, fixed-rate, taxable corporate bond market. Securities are classified as high-yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. The index may include emerging market debt. The **Barclays Capital Municipal Bond Index** is an unmanaged index comprised of investment-grade, fixed-rate municipal securities representative of the tax-exempt bond market in general. The **Barclays Capital US Treasury Total Return Index** is an unmanaged index of public obligations of the US Treasury with a remaining maturity of one year or more. The **Barclays Capital Global Aggregate ex-U.S. Index** is a market capitalization-weighted index, meaning the securities in the index are weighted according to the market size of each bond type. Most U.S. traded investment grade bonds are represented. Municipal bonds, and Treasury Inflation-Protected Securities are excluded, due to tax treatment issues. The index includes Treasury securities, Government agency bonds, Mortgage-backed bonds, Corporate bonds, and a small amount of foreign bonds traded in U.S. The **Barclays Capital U.S. 5-10 Year Corporate Bond Index** measures the investment return of U.S. dollar denominated, investment-grade, fixed rate, taxable securities issued by industrial, utility, and financial companies with maturities between 5 and 10 years. Treasury securities, mortgage-backed securities (MBS) foreign bonds, government agency bonds and corporate bonds are some of the categories included in the index. The **Barclays Capital U.S. Corporate High-Yield Index** is composed of fixed-rate, publicly issued, non-investment grade debt. The **Barclays Capital U.S. Corporate 5-10 Year Index** includes U.S. dollar-denominated, investment-grade, fixed-rate, taxable securities issued by industrial, utility, & financial companies, with maturities between 5 & 10 years. The **DJ-UBS Commodity Index Total Return SM** measures the collateralized returns from a basket of 19 commodity futures contracts representing the energy, precious metals, industrial metals, grains, softs and livestock sectors. The **Russell 1000 Index** is a market capitalization-weighted benchmark index made up of the 1000 largest U.S. companies in the Russell 3000 Index. The **Russell 1000 Growth Index** is an unmanaged index considered representative of large-cap growth stocks. The **Russell 1000 Value Index** is an unmanaged index considered representative of large-cap value stocks. The **Russell 2000 Index** is an unmanaged index considered representative of small-cap stocks. The **Russell 2000 Growth Index** is an unmanaged index considered representative of small-cap growth stocks. The **Russell 2000 Value Index** is an unmanaged index considered representative of small-cap value stocks. The **Russell 3000 Index** is an unmanaged index considered representative of the US stock market. The **Russell Midcap Index** is a subset of the Russell 1000 Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The **Russell Midcap Growth Index** is an unmanaged index considered representative of mid-cap growth stocks. The **Russell Midcap Value Index** is an unmanaged index considered representative of mid-cap value stocks. The **HFRX Indices** are a series of benchmarks of hedge fund industry performance which are engineered to achieve representative performance of a larger universe of hedge fund strategies. Hedge Fund Research, Inc. employs the HFRX Methodology (UCITS compliant), a proprietary and highly quantitative process by which hedge funds are selected as constituents for the HFRX Indices. The **University of Michigan Consumer Sentiment Index** (MCSI) is a survey of consumer confidence conducted by the University of Michigan using telephone surveys to gather information on consumer expectations regarding the overall economy. The **CBOE Volatility Index** (VIX) is an up-to-the-minute market estimate of expected volatility that is calculated by using real-time S&P 500 Index option bid/ask quotes. The Index uses nearby and second nearby options with at least 8 days left to expiration and then weights them to yield a constant, 30-day measure of the expected volatility of the S&P 500 Index. The **MSCI EAFE Index** is designed to measure the equity market performance of developed markets outside of the U.S. & Canada. The **MSCI EAFE Growth Index** is an unmanaged index considered representative of growth stocks of Europe, Australasia and the Far East. The **MSCI EAFE Value Index** is an unmanaged index considered representative of value stocks of Europe, Australasia and the Far East. The **MSCI EM (Emerging Markets) Latin America Index** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of emerging markets in Latin America. The **MSCI World ex-U.S. Index** captures large and mid-cap representation across 22 of 23 Developed Markets (DM) countries - excluding the US. With 1,002 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country. The **MSCI Japan Index** is designed to measure the performance of the large and mid-cap segments of the Japanese market. With 320 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in Japan. The **MSCI Emerging Markets Index** is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. The **MSCI Europe Index** is an unmanaged index considered representative of stocks of developed European countries. The **MSCI Pacific Index** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the developed markets in the Pacific region. The **Barclays Intermediate US Government/Credit Bond Index** is a market capitalization-weighted index of investment-grade, fixed-rate debt issues, including Treasuries, government-related and U.S. corporate securities, with maturities of at least one year and less than 10 years. The **Philadelphia Fed Manufacturing Index** is a regional Federal Reserve Bank index measuring changes in business growth and is constructed from a survey of participants who voluntarily answer questions regarding the direction of change in their overall business activities. The **ISM Non-Manufacturing Index** is an index based on surveys of more than 400 non-manufacturing firms' purchasing and supply executives, within 60 sectors across the nation, by the Institute of Supply Management (ISM) and also tracks economic data, like the ISM Non-Manufacturing Business Activity Index. A composite diffusion index is created based on the data from these surveys that monitors economic conditions of the nation. The **Housing Market Index** (HMI) is based on a monthly survey of NAHB members designed to take the pulse of the single-family housing market. In May 2007, **Markit's U.S. PMI** research was extended out to cover producers of metal goods. In October 2009, Markit's U.S. Manufacturing PMI survey panel was extended further to cover all areas of U.S. manufacturing activity. The **S&P Composite 1500 Index** combines three leading indices, the S&P 500, the S&P MidCap 400, and the S&P SmallCap 600 to cover approximately 90% of the U.S. market capitalization. It is designed for investors seeking to replicate the performance of the U.S. equity market or benchmark against a representative universe of tradable stocks. The **Industrial Production Index** is an economic indicator that measures real output for all facilities located in the United States manufacturing, mining, and electric, and gas utilities (excluding those in U.S. territories). The **Dow Jones U.S. Select REIT Index** tracks the performance of publicly traded REITs and REIT-like securities and is designed to serve as a proxy for direct real estate investment, in part by excluding companies whose performance may be driven by factors other than the value of real estate.

The information, analysis, and opinions expressed herein are for general and educational purposes only. Nothing contained in this weekly review is intended to constitute legal, tax, accounting, securities, or investment advice, nor an opinion regarding the appropriateness of any investment, nor a solicitation of any type. All investments carry a certain risk, and there is no assurance that an investment will provide positive performance over any period of time. An investor may experience loss of principal. Investment decisions should always be made based on the investor's specific financial needs and objectives, goals, time horizon, and risk tolerance. The asset classes and/or investment strategies described may not be suitable for all investors and investors should consult with an investment advisor to determine the appropriate investment strategy. Past performance is not indicative of future results.

Information obtained from third party sources are believed to be reliable but not guaranteed. Envestnet|PMC™ makes no representation regarding the accuracy or completeness of information provided herein. All opinions and views constitute our judgments as of the date of writing and are subject to change at any time without notice.

Investments in smaller companies carry greater risk than is customarily associated with larger companies for various reasons such as volatility of earnings and prospects, higher failure rates, and limited markets, product lines or financial resources. Investing overseas involves special risks, including the volatility of currency exchange rates and, in some cases, limited geographic focus, political and economic instability, and relatively illiquid markets. Income (bond) securities are subject to interest rate risk, which is the risk that debt securities in a portfolio will decline in value because of increases in market interest rates.

Exchange Traded Funds (ETFs) are subject to risks similar to those of stocks, such as market risk. Investing in ETFs may bear indirect fees and expenses charged by ETFs in addition to its direct fees and expenses, as well as indirectly bearing the principal risks of those ETFs. ETFs may trade at a discount to their net asset value and are subject to the market fluctuations of their underlying investments. Investing in commodities can be volatile and can suffer from periods of prolonged decline in value and may not be suitable for all investors.

Index Performance is presented for illustrative purposes only and does not represent the performance of any specific investment product or portfolio. An investment cannot be made directly into an index.

Alternative Investments may have complex terms and features that are not easily understood and are not suitable for all investors. You should conduct your own due diligence to ensure you understand the features of the product before investing. Alternative investment strategies may employ a variety of hedging techniques and non-traditional instruments such as inverse and leveraged products. Certain hedging techniques include matched combinations that neutralize or offset individual risks such as merger arbitrage, long/short equity, convertible bond arbitrage and fixed-income arbitrage. Leveraged products are those that employ financial derivatives and debt to try to achieve a multiple (for example two or three times) of the return or inverse return of a stated index or benchmark over the course of a single day. Inverse products utilize short selling, derivatives trading, and other leveraged investment techniques, such as futures trading to achieve their objectives, mainly to track the inverse of their benchmarks. As with all investments, there is no assurance that any investment strategies will achieve their objectives or protect against losses.

Neither Envestnet, Envestnet|PMC™ nor its representatives render tax, accounting or legal advice. Any tax statements contained herein are not intended or written to be used, and cannot be used, for the purpose of avoiding U.S. federal, state, or local tax penalties. Taxpayers should always seek advice based on their own particular circumstances from an independent tax advisor.

© 2017 Envestnet Asset Management, Inc. All rights reserved.

ABOUT ENVESTNET®

Envestnet, Inc. (NYSE: ENV) is the leading provider of intelligent systems for wealth management and financial wellness. Envestnet's unified technology enhances advisor productivity and strengthens the wealth management process, delivering unparalleled flexibility, accuracy, performance, and value. Envestnet enables a transparent, independent, objective, and fiduciary standard of care, and empowers enterprises and advisors to more fully understand their clients and deliver better outcomes.

For more information on Envestnet, please visit www.envestnet.com.