

Guidance Point

RETIREMENT
SERVICES, LLC

Capital Markets Review

As of September 30, 2016

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Enclosed charts created using MPI Stylus© except where noted.



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Third Quarter '16 Capital Markets Headlines

The Presidential Election Heats Up

- ✦ Global economies are turning their eyes to the US presidential election. Although world markets and economies absorb this leadership change every four years, the stakes are higher this year due to the unique characteristics of the two candidates. Mr. Trump has made much of the election about unfair international trade (job losses, national debt, and unfair trade deals). Many countries rely heavily on exports to the US to grow their economies, and Mr. Trump's view that the Federal Reserve Bank is too political could push interest rates higher and the dollar could surge. Trump supporters like the idea of bringing back jobs in previously exported production industries, such as manufacturing, to spur US economic growth.
- ✦ Ms. Clinton is considered a status-quo candidate and while not ideal for all economy stakeholders, supporters suggest that the status quo has benefited many global investment markets. Clinton detractors point to the potential costs of programs such as higher minimum wages, combating climate change, and tuition-free college.
- ✦ Internationally other countries are concerned if the wave of echoed Brexit sentiments continue, namely international trade debate and economic sovereignty, or if the century long momentum of globalization re-starts.

US Economic News

- ✦ Among major economic data released, second quarter U.S. GDP growth was revised up to 1.4% (from the previous estimate of 1.1%), the Consumer Confidence Index jumped, and the personal consumption expenditures (PCE) deflator showed little inflation. Additionally, the price of crude oil jumped, as OPEC reached a production-cut deal.

Equities

- ✦ The third quarter of 2016 began with a move upward for risk assets. This was surprising due to England's decision to leave the European Union at the end of '16. Emerging and developed market indices outperformed the S&P 500, and within the U.S., small caps outperformed their large cap counterparts. Equity investors spent much of the summer confident that growth would remain slow but steady, and that monetary policy would remain accommodative.

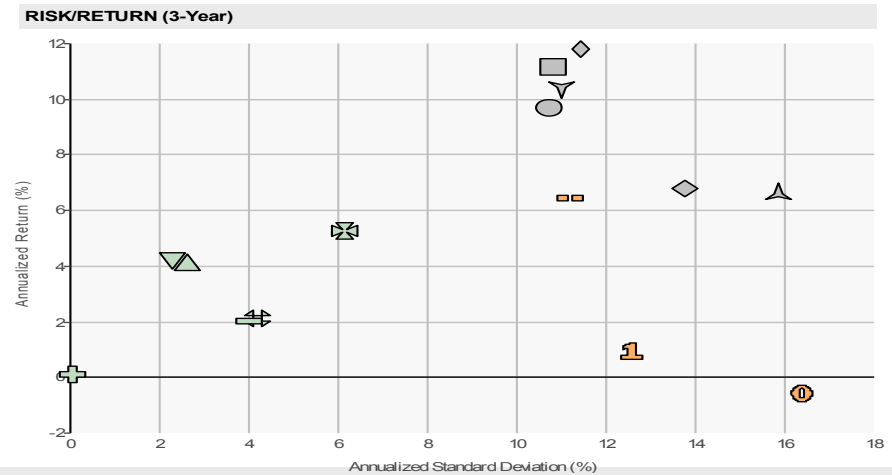
Fixed Income

- ✦ In anticipation of money market regulations going into effect on October 14, outflows from prime money market funds (MMFs) accelerated while government MMFs attracted inflows. Through August 2016, prime MMF assets had declined to \$797 billion from \$1,286 billion on 12/31/15. In concert with these movements, three month LIBOR increased nearly 19 bps to 84 bps during August. The market's supply and demand imbalance caused banks to pay-up to attract term funding, further steepening the LIBOR curve. The remainder of the US Yield Curve continued to flatten, influencing a positive return on fixed income prices.

Capital Markets Performance Review

The chart to the right plots each major market index based on level of return and risk achieved over the previous 3 year period.

The combination of these assets on this table make up the efficient frontier, one of the foundational principles behind Modern Portfolio Theory.



INDEX PERFORMANCE SUMMARY (Sorted by trailing 3Yr performance)

	1M	3M	YTD	1 Year	3 Years	5 Years	10 Years
Equity							
◇ Russell 1000 Growth	0.37	4.58	6.00	13.76	11.83	16.60	8.85
■ S&P 500	0.02	3.85	7.84	15.43	11.16	16.37	7.24
▽ Russell 3000	0.16	4.40	8.18	14.96	10.44	16.36	7.37
○ Russell 1000 Value	-0.21	3.48	10.00	16.20	9.70	16.15	5.85
◇ Russell 2000 Value	0.79	8.87	15.49	18.81	6.77	15.45	5.78
△ Russell 2000 Growth	1.44	9.22	7.48	12.12	6.58	16.15	8.29
International							
▬ MSCI The World	0.58	4.99	6.06	12.02	6.44	12.27	5.06
1 MSCI EAFE	1.27	6.50	2.20	7.06	0.93	7.88	2.30
⊙ MSCI Emg Markets	1.29	9.03	16.02	16.78	-0.56	3.03	3.94
Fixed Income							
⊞ BC High Yield Corp Bond	0.67	5.55	15.11	12.73	5.28	8.34	7.71
▽ BC Muni 7-Year Bond	-0.14	0.07	3.29	4.60	4.30	3.71	4.83
△ BC Aggregate Bond	-0.06	0.46	5.80	5.19	4.03	3.08	4.79
⊞ BC Global Agg Bond	0.55	0.82	9.85	8.83	2.13	1.74	4.26
= Citi WorldBIG	0.46	0.76	9.20	8.05	2.05	1.67	4.28
⊞ ML 3-Month T-Bill	0.05	0.10	0.24	0.27	0.11	0.10	0.92

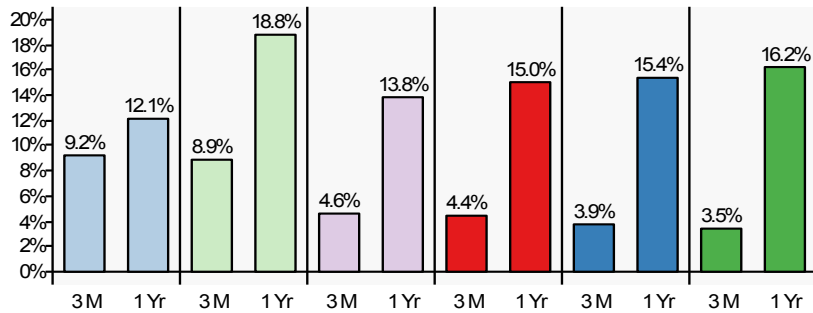
Past performance is no guarantee of future results. Current returns may be higher/lower. Principal value/returns fluctuate. Investor shares may be worth more/less than original cost. Returns assume reinvestment of all distributions at NAV & deduction of fund expenses. YTD returns are cumulative & not annualized. For current month-end returns: <http://advisor.morningstar.com/familyinfo.asp>.



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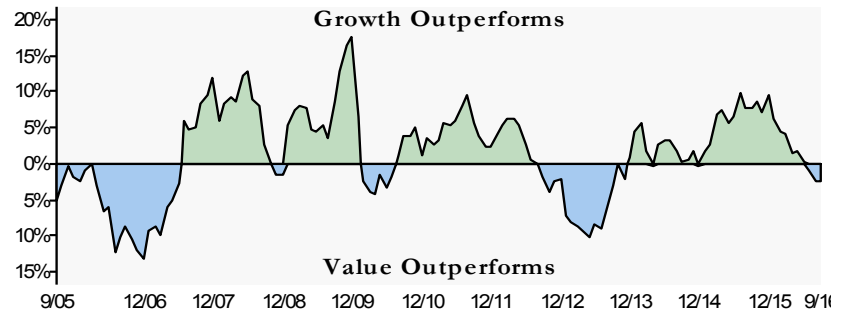
US Equity Review

INDEX PERFORMANCE (Sorted by trailing 3M performance)



	1 M	3 M	YTD	1 Yr	3 Yr	5 Yr
Russell 2000 Growth	1.44	9.22	7.48	12.12	6.58	16.15
Russell 2000 Value	0.79	8.87	15.49	18.81	6.77	15.45
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S&P 500	0.02	3.85	7.84	15.43	11.16	16.37
Russell 1000 Value	-0.21	3.48	10.00	16.20	9.70	16.15

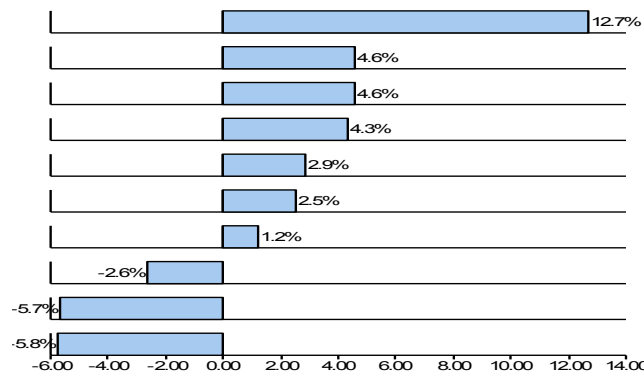
GROWTH VS. VALUE



Within the last 1 Year, value stocks outperformed growth stocks by 2.44%.
For the trailing 3 months, growth stocks outperformed value stocks by 1.1%.

The graph above is plotted using a rolling one year time period. Growth stock performance is represented by the Russell 1000 Growth Index. Value stock performance is represented by the Russell 1000 Value Index.

SECTOR (Sorted by trailing 3M performance)

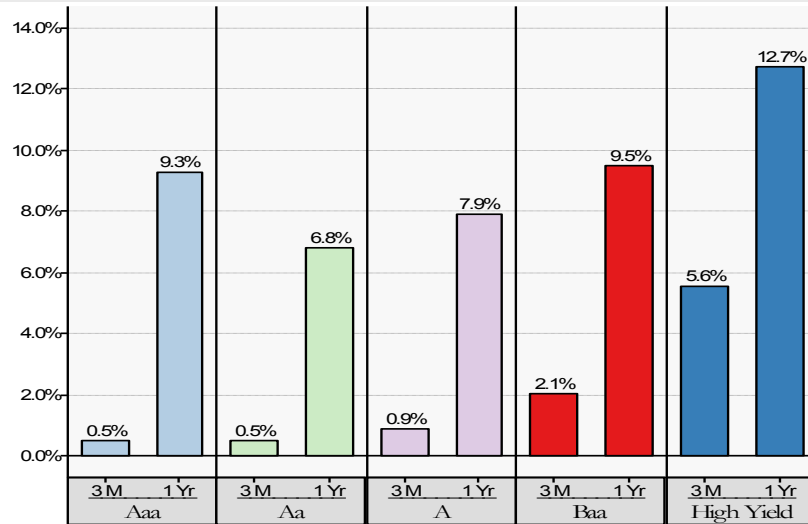


	1 M	3 M	YTD	1 Yr	3 Yr	5 Yr
Information Technology	2.39	12.72	12.79	22.83	16.91	17.99
Industrials	-0.12	4.61	11.50	19.76	10.00	17.80
Materials	-0.67	4.56	15.01	24.87	6.76	13.43
Financials	-2.69	4.33	2.64	8.43	8.74	17.38
Consumer Discretionary	-0.56	2.89	3.82	8.49	10.78	19.69
Energy	3.22	2.55	18.51	18.26	-3.22	5.35
Health Care	-0.44	1.22	1.81	11.01	14.55	20.33
Consumer Staples	-1.57	-2.65	7.77	15.60	13.12	15.51
Telecommunication Svcs.	-0.90	-5.67	17.58	26.63	9.73	12.31
Utilities	0.53	-5.75	16.78	18.71	13.57	12.61

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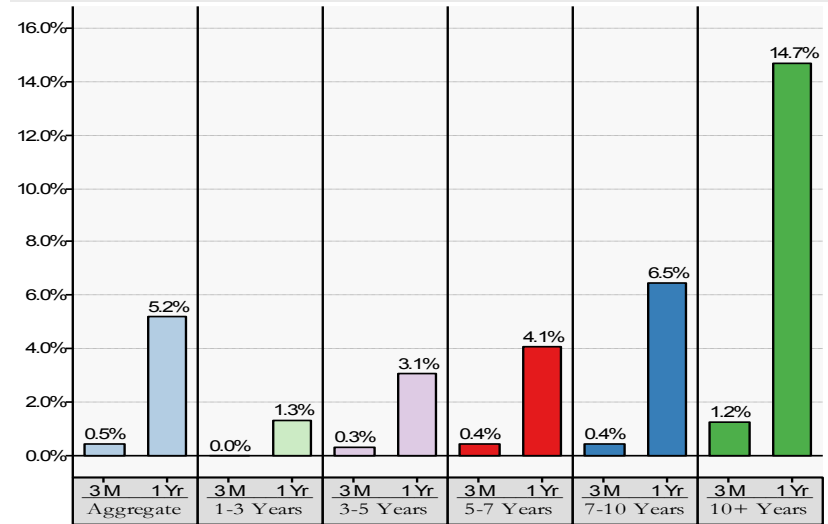
Fixed Income Review

QUALITY



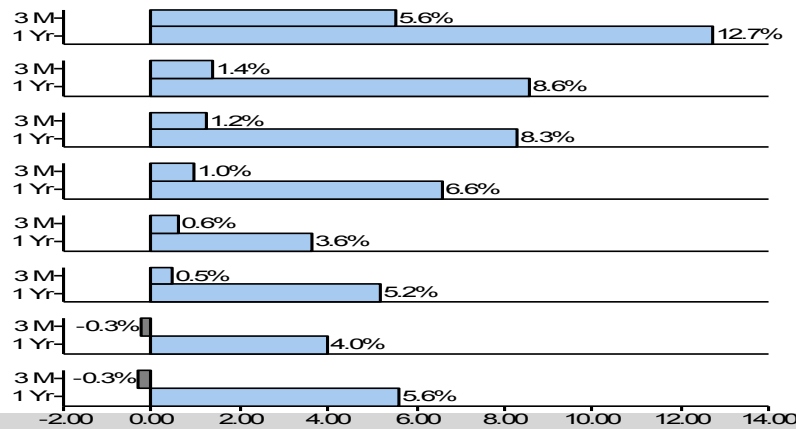
Source: Barclays Capital U.S. Corporate Indices.

MATURITY



Source: Barclays Capital U.S. Aggregate Indices.

SECTOR (Sorted by trailing 3M performance)



	1 M	3 M	YTD	1 Yr	3 Yr	5 Yr
High Yield Corporate Bond	0.67	5.55	15.11	12.73	5.28	8.34
Corporate Investment Grade	-0.25	1.41	9.20	8.56	5.63	5.14
Credit Bond	-0.27	1.23	8.86	8.30	5.44	4.83
TIPS	0.55	0.97	7.27	6.58	2.40	1.93
Mortgage Backed Securities	0.28	0.60	3.72	3.61	3.61	2.65
Aggregate Bond	-0.06	0.46	5.80	5.19	4.03	3.08
Government	-0.12	-0.25	4.96	4.00	3.32	2.16
Muni Bond	-0.50	-0.30	4.01	5.58	5.54	4.48

Source: Barclays Capital U.S. Indices.

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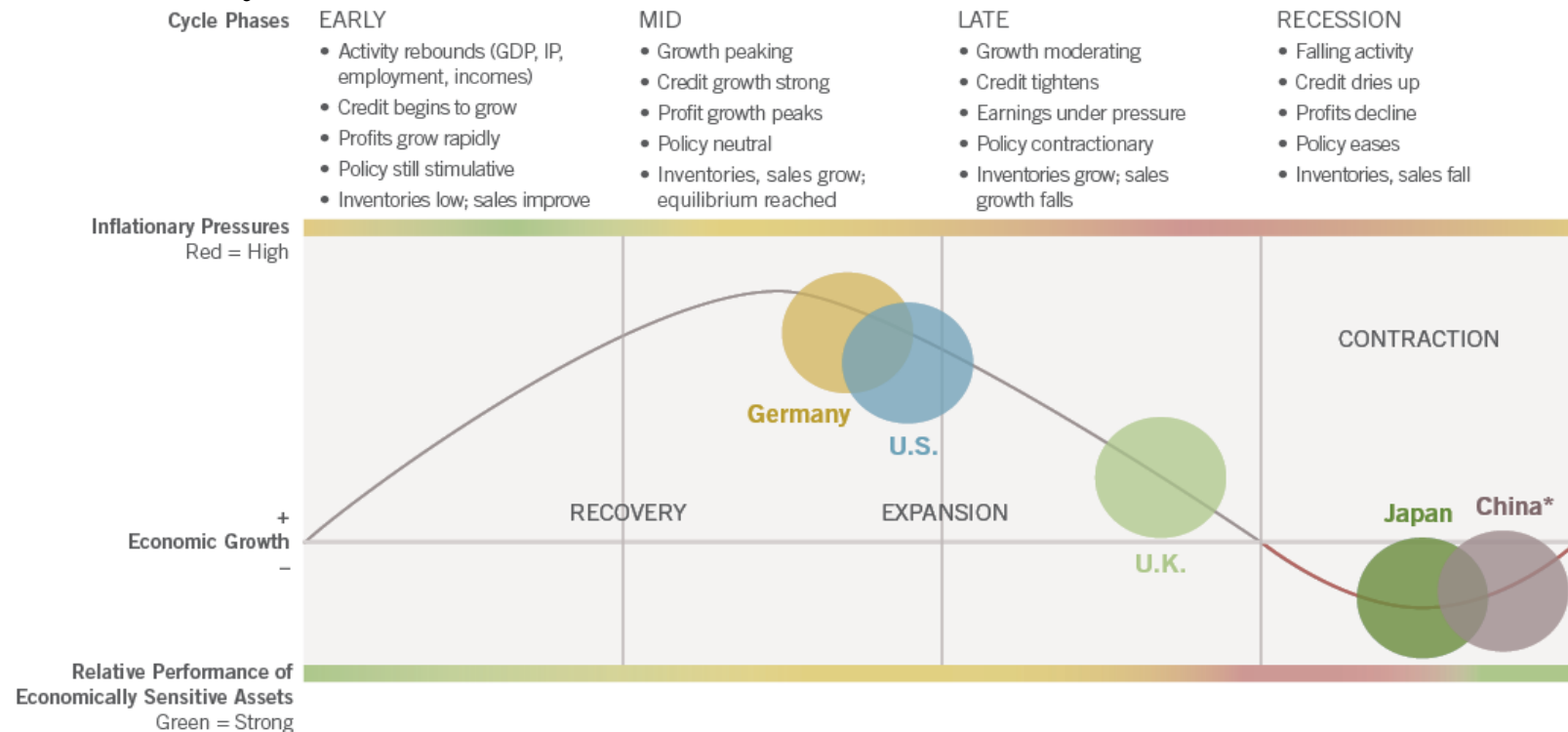


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Post-Brexit Risks Up, but Global Cycle Gradually Stabilizing

The U.K. may be headed toward recession in the aftermath of Brexit, and Japan slipped into a mild contraction as a stronger yen pressured exports. Nevertheless, continued expansion in the U.S. and steadying trends in China still make global stabilization the most likely underlying trend, albeit a more prolonged process with greater downside risks.

Business Cycle Framework



Note: The diagram above is a hypothetical illustration of the business cycle. There is not always a chronological, linear progression among the phases of the business cycle, and there have been cycles when the economy has skipped a phase or retraced an earlier one. *A growth recession is a significant decline in activity relative to a country's long-term economic potential. We have adopted the "growth cycle" definition for most developing economies, such as China, because they tend to exhibit strong trend performance driven by rapid factor accumulation and increases in productivity, and the deviation from the trend tends to matter the most for asset returns. We use the classic definition of recession, involving an outright contraction in economic activity, for developed economies. Source: Fidelity Investments (AART).

Identifying the Appropriate Capacity for Portfolio Risk

Loss aversion and excessive emphasis on short-term market volatility may cause investors to make asset allocation changes that deviate from their long-term plans. Outsourcing asset allocation to a professional investment manager may help investors identify an appropriate amount of portfolio risk and stay the course to reach their long-term goals.

Baby Boomer Equity Contributions to Fidelity Retirement Plans, 2004–2015

New Stock Contributions

— Do-it-for-me investors — Do-it-yourself investors



Shaded area represents a bear market, when the stock market (S&P 500 Index) fell by more than 20% peak to trough. Stock contributions: the percentage of new directed deferrals (contributions) into stocks by Fidelity Personal & Workplace defined contribution active participants on an annual basis via the available investment options in plans administered by Fidelity Investments. Baby Boomers: participants born between 1946 and 1964. Stocks: includes investments in stock mutual fund strategies in addition to the equity portion of blended funds and strategies including balanced, target date, funds of funds, and managed accounts. Do-it-for-me (DIFM) investors: Plan participants who have 100% of assets in target date funds or are in a Workplace Managed Account. DIFM investors may be active or terminated in their DC plan. Do-it-yourself (DIY) investors: Plan participants who have <100% of assets in target date funds and are not in a Workplace Managed Account. DIY investors may be active or terminated in their DC plan. Source: Standard & Poor's, Fidelity Investments, as of 12/31/15.

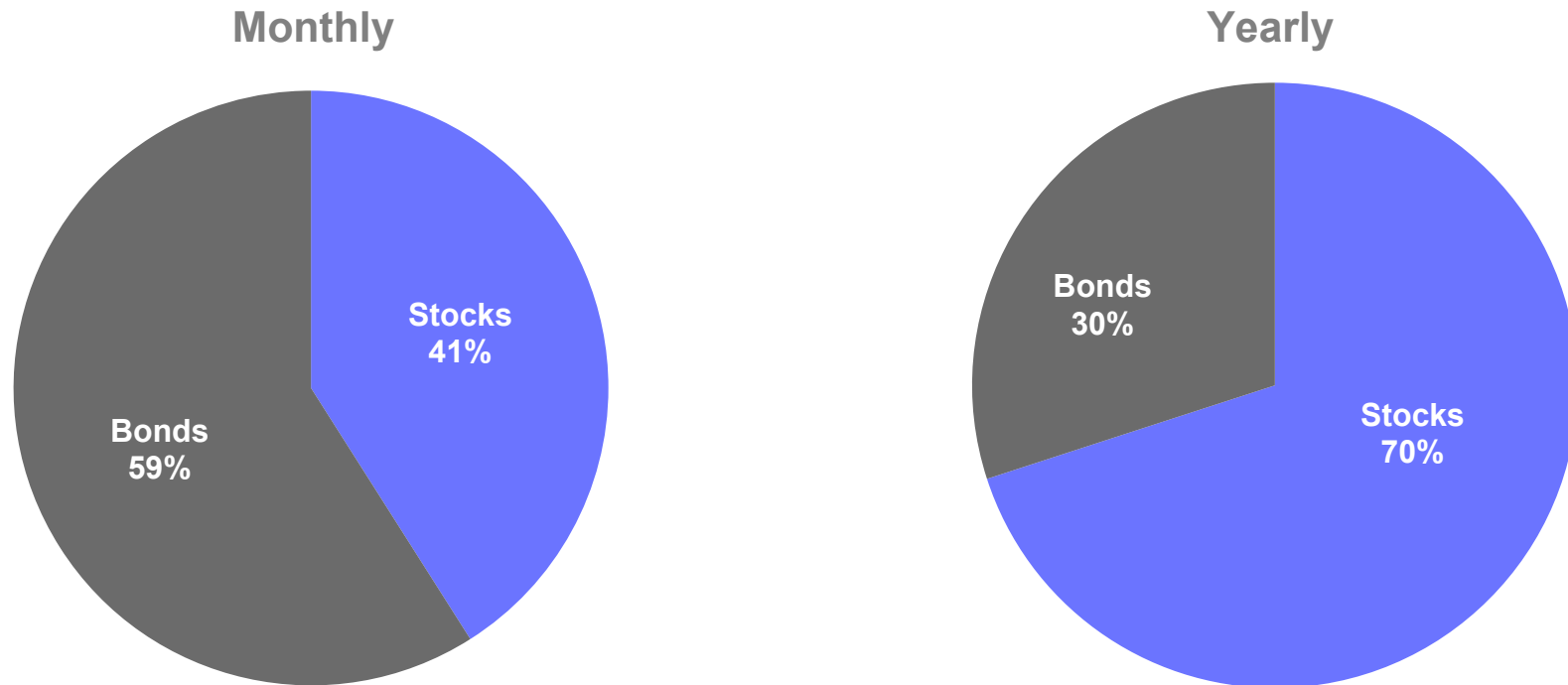


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Myopic Loss Aversion Prompts Risk-Averse Behavior

Myopic loss aversion describes a common bias in which greater sensitivity to losses than to gains is compounded by the frequent evaluation of outcomes. Investors who review their portfolios more frequently have tended to shift toward more conservative exposures, as increased monitoring raises the likelihood of seeing (and reacting to) a loss.

Impact of Feedback Frequency on Investment Decisions



In the study, subjects were assigned simulated conditions that were similar to making portfolio decisions on a monthly or yearly basis. Source: Thaler, R.H., A. Tversky, D. Kahneman, and A. Schwartz. "The Effect of Myopia and Loss Aversion on Risk Taking: An Experimental Test." *The Quarterly Journal of Economics* 112.2 (1997), used by permission of Oxford University Press, Fidelity Investments (AART), as of 6/30/16.

