

Guidance Point

RETIREMENT
SERVICES, LLC

Capital Markets Review

As of March 31, 2017

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First Quarter '17 Capital Markets Headlines

A Trump Bump and Growing International Economic Confidence

- ✦ The first quarter of 2017 was dominated by political headlines and firming economic data globally. Risk assets continued to outperform relative to fixed income over the course of the quarter even though fixed income rallied in late March. Emerging market equities significantly outperformed many asset classes in Q1, up 11.5% through the end of March due to the expectation of improving global economic momentum creating better trade prospects for Emerging Markets countries. Political risks in the US and Eurasia seems to have taken a back seat to encouraging economic growth.
- ✦ Many sentiment measures cooled off in March as Trump's health-care plan died in Congress, and investors worried it meant the remainder of the administration's pro-growth agenda could hit roadblocks on the way to becoming law – or not. Several high profile strategists, such as Dr. Ed Yardeni, are wrestling with doubts of the “Trump Bump” without seeing improved corporate earnings fundamentals.

US & Global Economic News

- ✦ During the first quarter, the US Economy continues to be supported by improving job growth, and a recent surge in consumer, business and investor confidence. The unemployment rate of 4.7% remained near cyclical lows, and was one data point the Federal Open Market Committee (FOMC) considered in its March meeting to raise short-term interest rates.
- ✦ The global economic landscape continues to improve, with the US dollar's appreciation helping prospects for foreign economies exporting to the US. The Eurozone continues to recover due to strong exports and a healthier housing market.

Equities

- ✦ Equity markets continued their recent trend of strong performance in the first quarter, as the S&P 500 has closed up for the sixth straight quarter. Stock prices gained ground right from the beginning of January and the so-called “Trump Bump” continued until the middle of March when Congress shelved health care legislation due to a lack of support. Small cap stocks underperformed large caps for the first time in several quarters. For investing styles, growth tended to outperform value stocks in the quarter. International stocks, as measured by MSCI EAFE, was up 7.3% for the quarter as global investor confidence is growing.

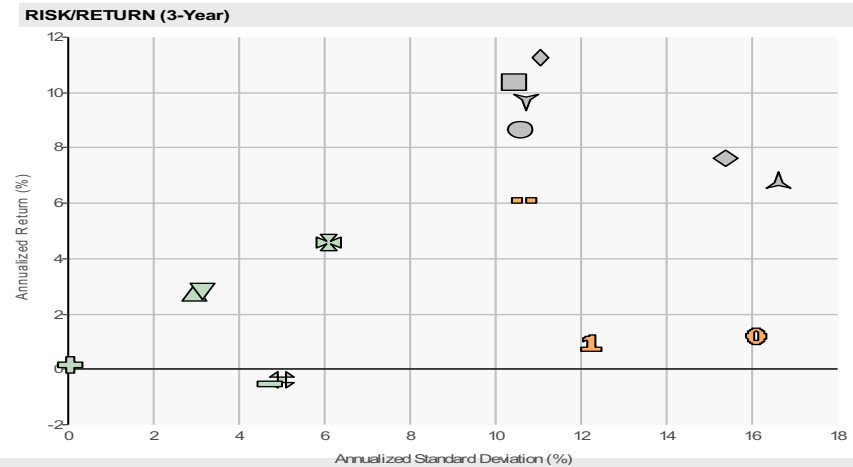
Fixed Income

- ✦ As analysts had expected, the FOMC ended its March meeting by raising the federal funds rate by 0.25% to a range of 0.75% - 1.00%. As was the case over the last half of 2016, the primary drivers of fixed income prices in the first three months of '17 were the anticipation of a FOMC rate hike, an improving economic outlook, and record stock prices. The fixed income markets also digested the inauguration of President Donald Trump and his first weeks of office.

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	1.16	8.91	8.91	15.76	11.27	13.32	9.13
■ S&P 500	0.12	6.07	6.07	17.17	10.37	13.30	7.51
▽ Russell 3000	0.07	5.74	5.74	18.07	9.76	13.18	7.54
○ Russell 1000 Value	-1.02	3.27	3.27	19.22	8.67	13.13	5.93
◇ Russell 2000 Value	-0.85	-0.13	-0.13	29.37	7.62	12.54	6.09
△ Russell 2000 Growth	1.18	5.35	5.35	23.03	6.72	12.10	8.06
International							
▣ MSCI The World	1.14	6.53	6.53	15.43	6.12	9.99	4.81
⊙ MSCI Emg Markets	2.52	11.45	11.45	17.22	1.18	0.80	2.72
⌚ MSCI EAFE	2.87	7.39	7.39	12.25	0.96	6.32	1.53
Fixed Income							
⊠ BB High Yield Corp Bond	-0.22	2.70	2.70	16.39	4.56	6.82	7.46
▽ BB Muni 7-Year Bond	0.17	1.95	1.95	-0.06	2.89	2.72	4.47
△ BB Aggregate Bond	-0.05	0.82	0.82	0.44	2.68	2.34	4.27
⊕ ML 3-Month T-Bill	0.02	0.10	0.10	0.36	0.17	0.14	0.68
⌘ BB Global Agg Bond	0.15	1.76	1.76	-1.90	-0.39	0.38	3.34
▣ Citi WorldBIG	0.11	1.34	1.34	-2.33	-0.54	0.38	3.37

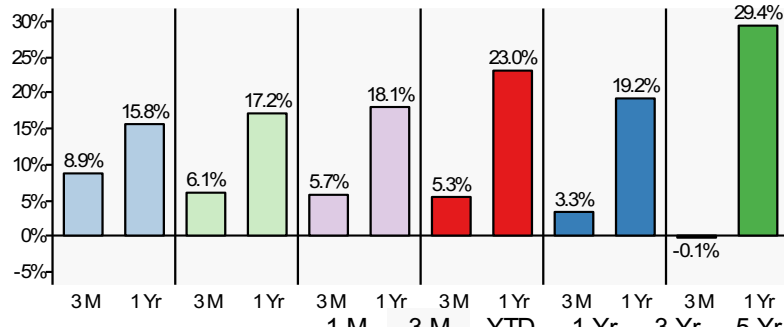
Past performance is no guarantee of future results. Current returns may be higher/lower. Principal value/returns fluctuate. Investor shares may be worth more/less than original cost. Returns assume reinvestment of all distributions at NAV & deduction of fund expenses. YTD returns are cumulative & not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



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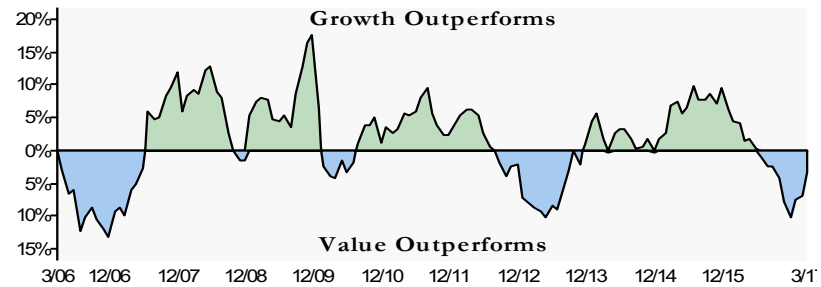
US Equity Review

INDEX PERFORMANCE (Sorted by trailing 3M performance)



Index	3M	1Yr	1M	3M	YTD	1Yr	3Yr	5Yr
Russell 1000 Growth	8.9%	15.8%	1.16	8.91	8.91	15.76	11.27	13.32
S&P 500	6.1%	17.2%	0.12	6.07	6.07	17.17	10.37	13.30
Russell 3000	5.7%	18.1%	0.07	5.74	5.74	18.07	9.76	13.18
Russell 2000 Growth	5.3%	23.0%	1.18	5.35	5.35	23.03	6.72	12.10
Russell 1000 Value	3.3%	19.2%	-1.02	3.27	3.27	19.22	8.67	13.13
Russell 2000 Value	-0.1%	29.4%	-0.85	-0.13	-0.13	29.37	7.62	12.54

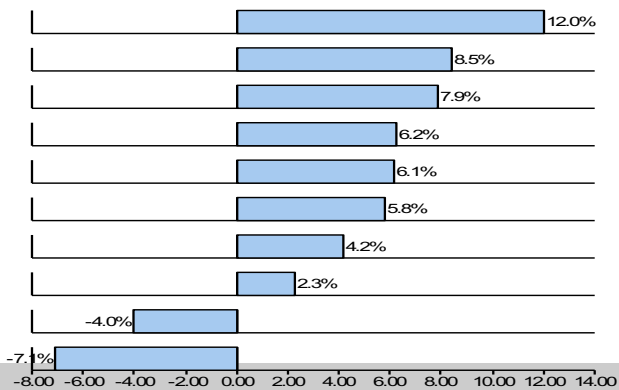
GROWTH VS. VALUE



Within the last 1 Year, value stocks outperformed growth stocks by 3.46%.
For the trailing 3 months, growth stocks outperformed value stocks by 5.64%.

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)



Sector	1 M	3 M	YTD	1 Yr	3 Yr	5 Yr
Information Technology	2.42	12.04	12.04	25.43	16.50	14.57
Health Care	-0.30	8.45	8.45	12.22	10.55	16.92
Consumer Discretionary	2.09	7.86	7.86	12.74	11.67	15.74
Utilities	-0.07	6.25	6.25	8.25	11.58	12.64
Consumer Staples	-0.15	6.14	6.14	6.42	11.26	13.09
Materials	0.31	5.75	5.75	22.46	6.07	10.17
Industrials	-0.63	4.21	4.21	19.34	9.72	14.26
Financials	-2.82	2.27	2.27	32.59	12.16	15.45
Telecommunication Svcs.	-1.16	-4.05	-4.05	1.71	7.92	10.26
Energy	-1.24	-7.11	-7.11	13.94	-6.07	1.07

Source: S&P 1500 Sector Indices.

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>.



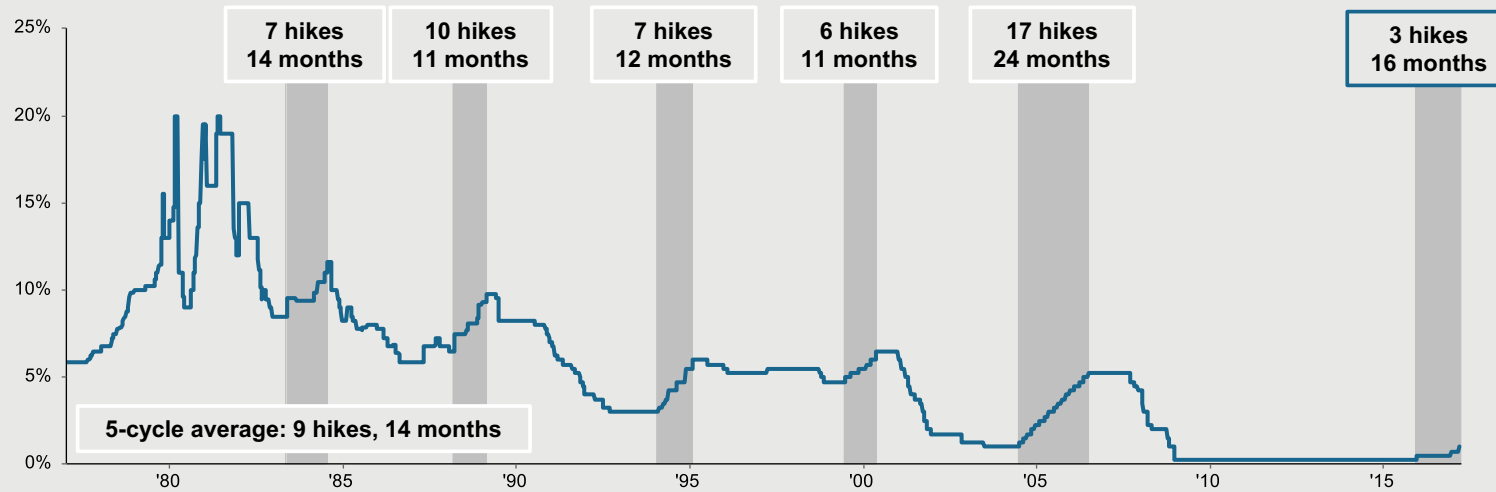
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Historical Impact of Fed Tightening

Fixed income

Federal funds rate

Target rate*, shaded areas denote periods of rate hikes



Market reaction during previous rate hiking cycles

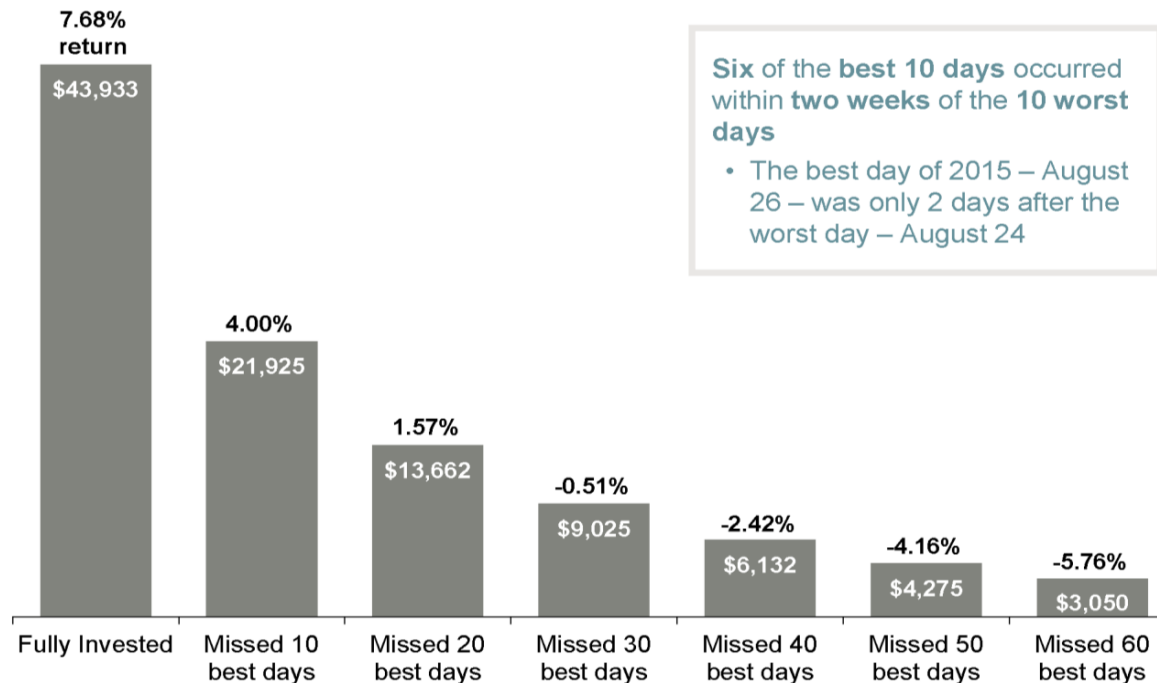
	May 1983 – July 1984	March 1988 – February 1989	February 1994 – February 1995	June 1999 – May 2000	June 2004 – June 2006	Average of past five rate hiking cycles	Cycle beginning December 2015
Yield change (bps)							
Federal funds rate	313	325	300	175	425	308	75
2-year Treasury	311	227	305	121	238	240	25
10-year Treasury	274	91	185	50	52	130	10
S&P 500 return	-9.6%	6.8%	-2.1%	8.5%	12.0%	3.1%	14.0%
U.S. dollar	10.4%	1.7%	-4.7%	3.4%	-5.8%	1.0%	-0.3%

Source: FactSet, Federal Reserve, Standard & Poor's, J.P. Morgan Asset Management. S&P 500 returns are price returns and do not include reinvestment of dividends. Averages do not include the current cycle. *Between 1979 and 1982, the FOMC changed its approach to monetary policy, focusing on the money supply, rather than the federal funds rate. In the fall of 1982, however, the Federal Reserve shifted back to its approach of targeting the "price" rather than the "quantity" of money. Thus, because the federal funds rate was not the FOMC's key policy tool, we exclude increases in the federal funds rate between 1979 to 1982 in our analysis of rate hike cycles. *Guide to the Markets – U.S.* Data are as of March 31, 2017.

Impact of Being Out of the Market

Returns of the S&P 500

Performance of a \$10,000 investment between January 1, 1997 and December 30, 2016



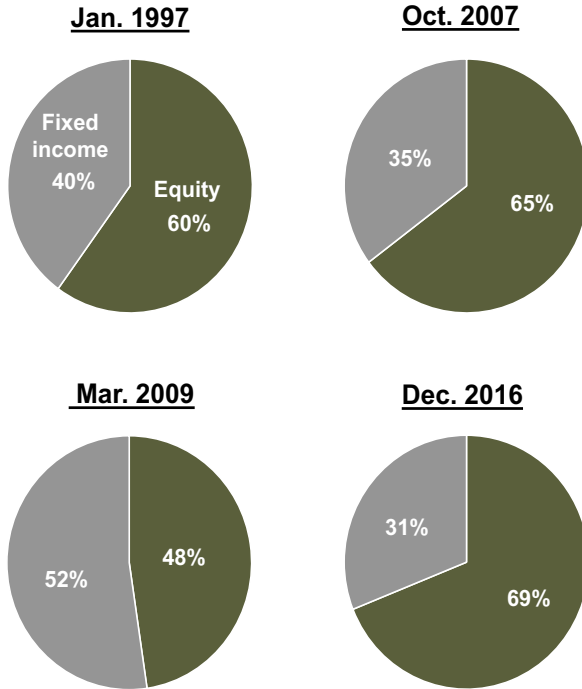
On August 24, 2015 the Dow Jones Industrial Average closed down 588 pts. On August 26, 2015 it closed up 609 pts. This chart is for illustrative purposes only and does not represent the performance of any investment or group of investments.

Source: J.P. Morgan Asset Management analysis using data from Bloomberg. Returns are based on the S&P 500 Total Return Index, an unmanaged, capitalization-weighted index that measures the performance of 500 large capitalization domestic stocks representing all major industries. Past performance is not indicative of future returns. An individual cannot invest directly in an index. Data as of December 30, 2016.

Rebalancing & Risk Management

Actual portfolio drift in a buy-and-hold portfolio

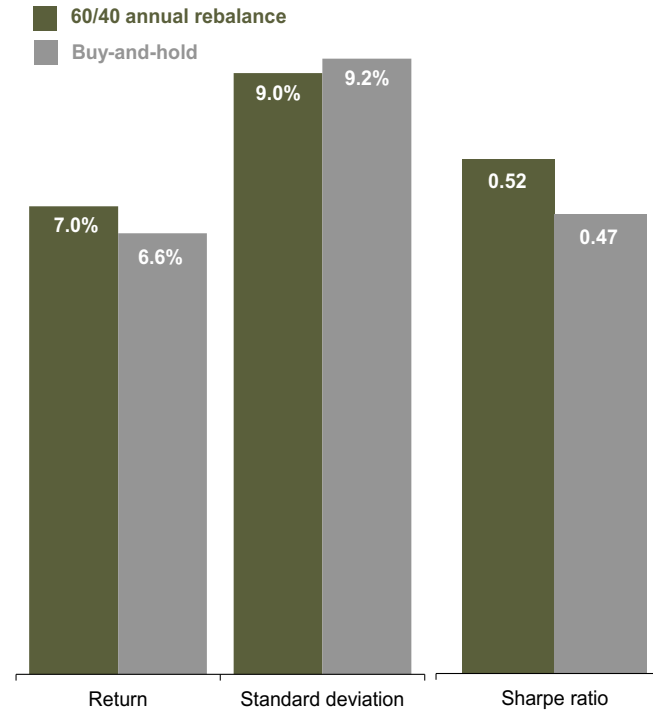
Portfolio drift of a 60% equity, 40% fixed income buy-and-hold portfolio



Investing principles

Risk/return for rebalanced vs. buy-and-hold strategy*

60% equity and 40% fixed income portfolio, 20-year holding period



Source: Standard & Poor's, Barclays, FactSet, J.P. Morgan Asset Management.

*Annual rebalance and buy-and-hold strategies are composed of S&P 500 and Barclays U.S. Aggregate total return indexes on a monthly basis.

Annualized risk and return statistics are calculated from 1/31/1996 – 12/31/2016 using monthly data. The risk-free rate is represented by the Barclays 1-3 month Treasury Bellwether index.

Guide to the Markets – U.S. Data are as of March 31, 2017.