

Q1-2017

7 Keys to Success in 2017

1. The bull market in stocks has entered the 9th year, anticipate more volatility in 2017. Maybe much more with Trump as President.
2. With current high valuations, expected returns for both stocks and bonds may be below historical averages over the next 7+ years.
3. Focus on what you can control. Saving, spending, your job, your family, your health.
4. Target to save 20%+ of gross family income. This helps to make up for low returns
5. Track your spending with www.mint.com
6. Stay diversified, don't reach for yield or chase hot returns. Be ready to rebalance when we have a major pullback.
7. Have discipline & let markets work for you over the next 10 to 20+ years! Trying to guess the market peak is usually a fools game.

Secular bull mkt or recession?

Fuel in Tank

Fuel is slight

Low and slow growth

FED has done heavy lifting

Little policy help from DC

People with college degree
have jobs (skills gap)

Negative yields forcing
investors to take risk

Spark for Fuel

Fiscal stimulus

Investment in infrastructure

Corp Tax reform

Less Regulation burden

Repatriate foreign dollars

Personal tax reform

Cheap US energy

Manufacturing innovation

Technology revolution

Gigantic amounts of capital

Economy ≠ Stock Market (We will see what Trump &
Republicans accomplish)

Table 3: Historical S&P 500 total returns preceding market peaks since 1937

Peak	Return			% of cycle return		
	24 months	12 months	6 months	24 months	12 months	6 months
Mar-37	129%	33%	19%	58%	12%	7%
May-46	72%	33%	15%	46%	19%	8%
Aug-56	74%	20%	15%	24%	5%	3%
Dec-61	32%	32%	11%	34%	34%	11%
Feb-66	30%	11%	11%	34%	12%	12%
Nov-68	44%	18%	12%	82%	35%	23%
Jan-73	39%	19%	14%	52%	25%	17%
Nov-80	65%	39%	29%	44%	25%	18%
Aug-87	93%	40%	20%	46%	18%	8%
Jul-90	45%	15%	10%	65%	21%	14%
Mar-00	42%	22%	20%	11%	5%	4%
Oct-07	36%	18%	9%	38%	18%	9%
Average	58%	25%	16%	44%	19%	11%
Median	45%	21%	14%	45%	19%	10%
Min	30%	11%	9%	11%	5%	3%
Max	129%	40%	29%	82%	35%	23%

Source: BofA Merrill Lynch US Equity & Quant Strategy, Bloomberg, S&P

You don't want to miss the end of a bull market

The great rotation hasn't happened yet

Chart 3: Cumulative flows into global equities vs. bonds since 2009 (as of 2/22/17)



Source: EPFR Global, BofA Merrill Lynch Global Investment Strategy

Since 2009, twice as much money has gone to bonds.

President	Inaguration Date	End of Term	Worst Stock Market Drawdown
Herbert Hoover	Mar. 4, 1929	Mar. 3, 1933	-86.19%
Franklin Roosevelt*	Mar. 4, 1933	Jan. 19, 1937	-33.93%
	Jan. 20, 1937	Jan. 19, 1941	-54.47%
	Jan. 20, 1941	Apr. 11, 1945	-28.79%
Harry Truman	Apr. 12, 1945	Jan. 19, 1949	-28.47%
	Jan. 20, 1949	Jan. 19, 1953	-14.02%
Dwight Eisenhower	Jan. 20, 1953	Jan. 20, 1957	-14.43%
	Jan. 21, 1957	Jan. 19, 1961	-20.66%
John F. Kennedy*	Jan. 20, 1961	Jan. 19, 1965	-27.97%
Lyndon Johnson	Jan. 20, 1965	Jan. 19, 1969	-22.18%
Richard Nixon**	Jan. 20, 1969	Jan. 19, 1973	-34.73%
	Jan. 20, 1973	Jan. 19, 1977	-47.32%
Jimmy Carter	Jan. 20, 1977	Jan. 19, 1981	-17.07%
Ronald Reagan	Jan. 20, 1981	Jan. 20, 1985	-25.30%
	Jan. 21, 1985	Jan. 19, 1989	-33.51%
George Bush	Jan. 20, 1989	Jan. 19, 1993	-19.92%
Bill Clinton	Jan. 20, 1993	Jan. 19, 1997	-8.94%
	Jan. 20, 1997	Jan. 19, 2001	-19.34%
George W. Bush	Jan. 20, 2001	Jan. 19, 2005	-43.46%
	Jan. 20, 2005	Jan. 19, 2009	-51.93%
Barack Obama	Jan. 20, 2009	Jan. 19, 2013	-22.60%
	Jan. 21, 2013	Jan. 19, 2017	-14.16%
Donald Trump	Jan. 20, 2017	???	???

*Lyndon Johnson sworn in Nov. 22, 1963

**Gerald Ford sworn in Aug. 9, 1974

The market goes down under every President

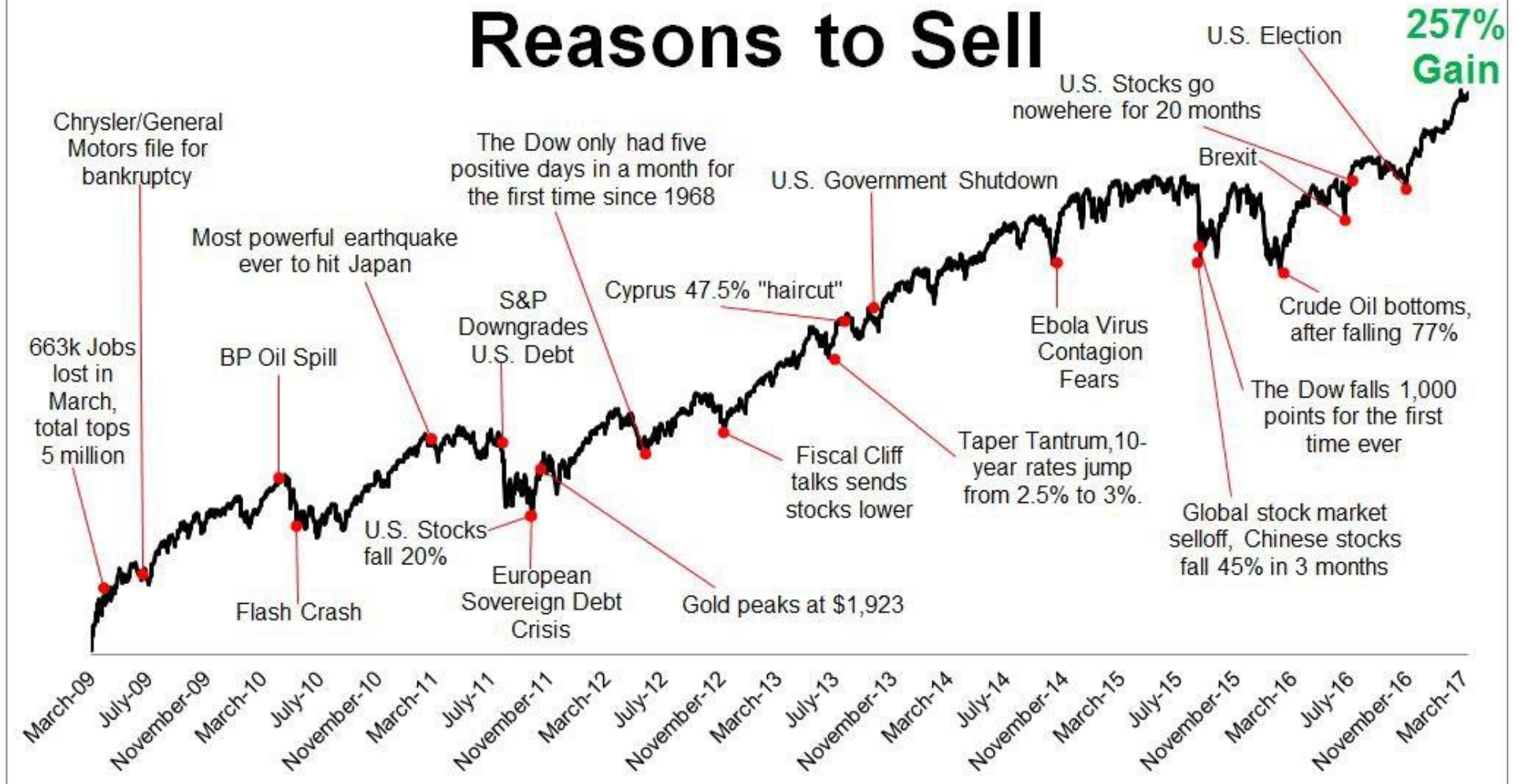
3/9/17

Asset Class Performance Last Year, 5 Years, and 8 Years (%)

US Related		Last Year	Last 5 Years	Since 3/9/09	Global		Last Year	Last 5 Years	Since 3/9/09
ETF	Description				ETF	Description			
SPY	S&P 500	18.80	72.17	247.76	EWA	Australia	12.62	-5.57	107.99
DIA	Dow 30	22.73	61.57	218.87	EWZ	Brazil	44.13	-46.00	9.99
QQQ	Nasdaq 100	24.82	101.23	408.31	EWG	Canada	14.72	-7.31	92.17
IJH	S&P Midcap 400	22.73	72.64	320.27	FXI	China	17.17	-4.00	58.23
IJR	S&P Smallcap 600	25.26	81.69	351.41	EWQ	France	8.24	15.98	76.45
IWB	Russell 1000	19.15	72.51	255.40	EWG	Germany	14.17	22.21	118.30
IWM	Russell 2000	26.74	65.88	293.60	EWI	Hong Kong	15.35	20.77	145.67
IWV	Russell 3000	19.70	71.67	257.49	PIN	India	17.07	9.63	124.36
					EWI	Italy	2.95	-7.98	27.00
IVW	S&P 500 Growth	17.43	78.15	260.72	EWJ	Japan	12.97	26.41	85.48
IJK	Midcap 400 Growth	20.93	69.62	330.67	EWJ	Mexico	-7.22	-21.95	115.83
IJT	Smallcap 600 Growth	25.33	85.23	377.86	EWJ	Spain	8.59	-4.14	16.67
IVE	S&P 500 Value	20.16	66.18	238.93	RSX	Russia	21.71	-40.89	61.30
IJJ	Midcap 400 Value	23.98	73.73	303.70	EWU	UK	1.68	-8.80	75.00
IJS	Smallcap 600 Value	25.05	77.62	325.92					
DVY	DJ Dividend	14.14	63.41	246.86	EFA	EAFE	8.20	11.37	90.98
RSP	S&P 500 Equalweight	19.27	77.24	339.78	EEM	Emerging Mkts	15.98	-14.16	81.68
					IOO	Global 100	15.80	29.46	124.55
FXB	British Pound	-14.72	-23.65	-13.98	EEB	BRIC	26.42	-24.78	50.97
FXE	Euro	-4.57	-21.40	-18.58					
FXJ	Yen	-1.83	-29.77	-16.76	DBC	Commodities	12.23	-48.65	-21.16
					USO	Oil	3.74	-74.37	-63.25
XLY	Cons Disc	14.20	97.18	438.30	UNG	Nat. Gas	15.22	-60.86	-94.32
XLP	Cons Stap	4.86	63.73	182.33	GLD	Gold	-4.27	-31.20	26.39
XLE	Energy	15.43	-5.50	80.42	SLV	Silver	10.53	-51.66	25.76
XLF	Financials	39.26	105.20	388.08					
XLV	Health Care	12.57	107.54	245.93	SHY	1-3 Yr Treasuries	-0.58	-0.12	0.42
XLI	Industrials	22.66	76.77	326.04	IEF	7-10 Yr Treasuries	-4.89	-0.87	9.78
XLB	Materials	19.60	41.57	185.31	TLT	20+ Yr Treasuries	-9.56	0.75	12.73
XLK	Technology	25.01	81.05	299.62	AGG	Aggregate Bond	-2.22	-2.77	7.13
IYZ	Telecom	7.69	43.33	139.55	BND	Total Bond Market	-2.22	-4.15	5.44
XLU	Utilities	5.16	43.70	122.25	TIP	T.I.P.S.	0.24	-4.94	16.12

8 year anniversary of bull market

Reasons to Sell



There are always lots of reasons to sell.

Economic Indicators

Economic Indicator	Status	Comments
Growth		Growth is expected to be 2.0-2.5% in 2017 (seen around 1.5% for 1Q17), restrained by labor market constraints. No signs of recession on the immediate horizon.
Employment		Job growth is expected to remain moderately strong in the near term, but should slow as the labor market continues to tighten.
Consumer Spending		Job gains and wage growth remain supportive, but higher gasoline prices have reduced purchasing power in the near term.
Business Investment		Businesses are more optimistic, which should lift capital spending levels in the near term. Higher wage costs ought to lead to more productivity-enhancing investment.
Manufacturing		An improving global economy should help exports. However, trade policy conflicts and tax policy uncertainty may lead to supply chain disruptions in many industries.
Housing and Construction		Generally improving, but mixed (the spring season is key). Job growth remains supportive. The low end is constrained by high building costs and affordability issues.
Inflation		Energy prices have firmed, pushing headline inflation up. Core inflation remains moderate, with some mild deflation in consumer goods and some upward pressure in shelter and medical care. Wage pressures, while still moderate, are building. Some pipeline pressures in raw materials.
Monetary Policy		Policy normalization is expected to continue, and a tighter labor market and (somewhat) higher inflation allows the Fed to move more aggressively than it did in 2015 and 2016. Still, future policy actions will remain data-dependent.
Long-Term Interest Rates		Constraints on the Trump agenda have reduced fears of a large surge in the federal budget deficit and inflation pressures unlikely to be as strong as was anticipated earlier. Lower interest rates abroad should keep U.S. bond yields from rising rapidly.
Fiscal Policy		State and local government budgets are in better shape and spending should add a bit to overall GDP growth. At the federal level, the timing, character, and scale of infrastructure spending and tax cuts is very much in doubt, but expectations have been pared back.
The Dollar		Likely range-bound in the near term, but may soften as the Trump trade unwinds. Tighter monetary policy contributes to dollar strength, but much may already be factored in.
Rest of the World		Brexit pain lies ahead for the U.K. and China's transition is likely to be uneven, but the global economic outlook is a bit brighter. The possibility of trade conflicts is a major risk.

The economy looks in good shape and confidence is high.

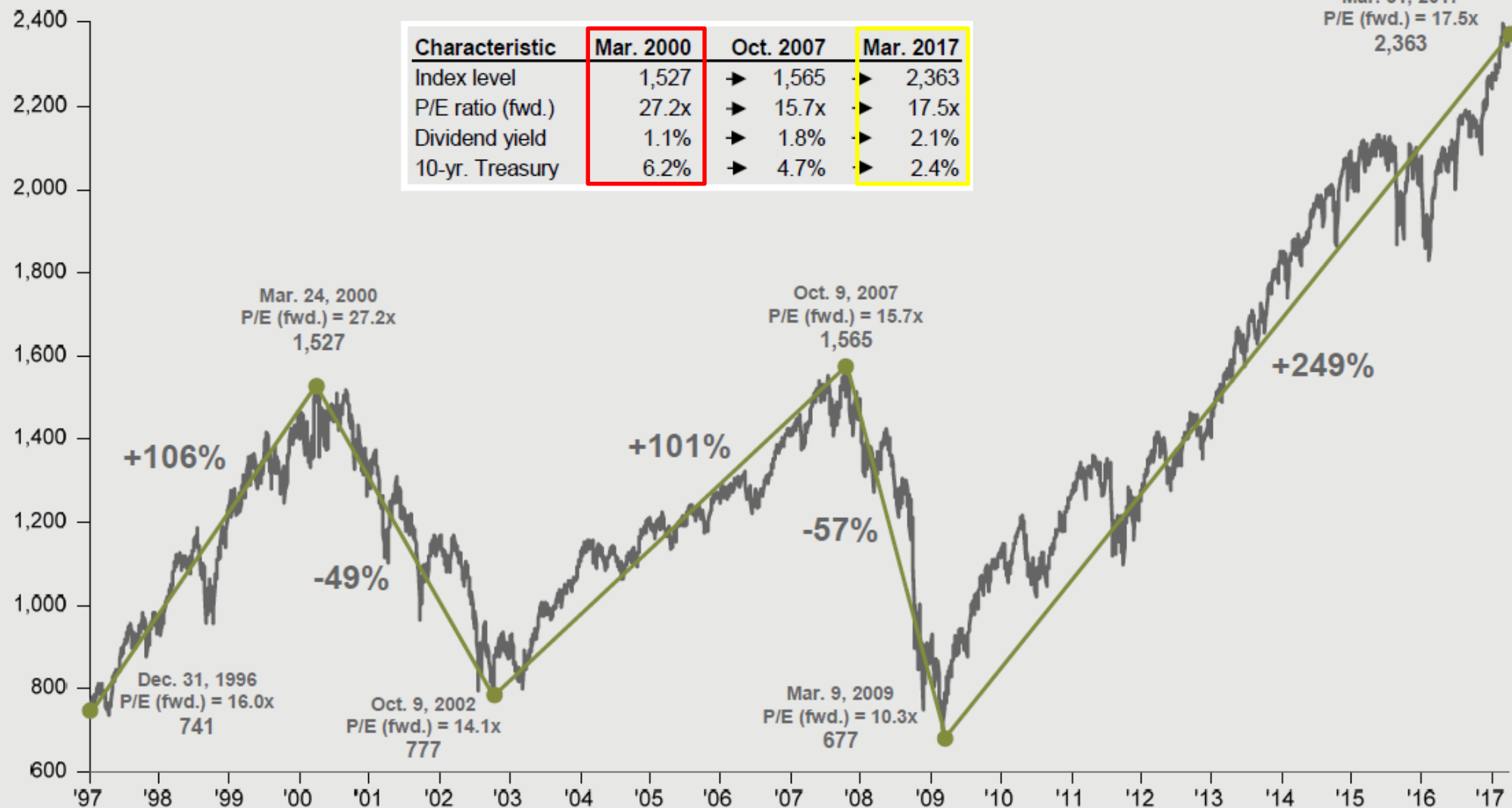
S&P 500 Bear Markets (defined by 20% Peak to Trough Decline): 1929 - Present						
Bear Market Period (Highlight = no Recession)	Bear Market Length (Months)	NBER Recessions	Length of Recession (Months)	S&P Start	S&P End	% Change
May 2011 to Oct 2011	5			1371	1075	-22%
Oct 2007 to Mar 2009	17	Dec 2007 to Jun 2009	18	1576	667	-58%
Mar 2000 to Oct 2002	31	Mar 2001 to Nov 2001	8	1553	769	-51%
Jul 1998 to Oct 1998	3			1191	923	-22%
Jul 1990 to Oct 1990	3	Jul 1990 to Mar 1991	8	370	295	-20%
Aug 1987 to Oct 1987	2			338	216	-36%
Nov 1980 to Aug 1982	22	Jul 1981 to Nov 1982	16	142	102	-28%
Sep 1976 to Mar 1978	18			109	86	-20%
Jan 1973 to Oct 1974	21	Nov 1973 to Mar 1975	16	122	61	-50%
Dec 1968 to May 1970	17	Dec 1969 to Nov 1970	11	109	69	-37%
Feb 1966 to Oct 1966	8			95	72	-24%
Dec 1961 to Jun 1962	6			73	51	-29%
Aug 1956 to Oct 1957	14	Aug 1957 to Apr 1958	8	50	39	-21%
Jun 1948 to Jun 1949	12	Nov 1948 to Oct 1949	11	17	14	-21%
May 1946 to May 1947	12			19	14	-28%
Nov 1938 to Apr 1942	36			14	7	-46%
Mar 1937 to Mar 1938	12	May 1937 to Jun 1938	13	19	9	-54%
Jul 1933 to Mar 1935	20			12	8	-34%
Sep 1932 to Feb 1933	5			9	6	-41%
Sep 1929 to Jun 1932	33	Aug 1929 to Mar 1933	43	32	4	-86%
Average Without Recession	12					-30%
Average With Recession	17					-43%
Average All	15					-36%

Source: via Pension Partners

Significant declines can happen without a recession.

S&P 500 Index at inflection points

S&P 500 Price Index



Stocks are up big since 2009.

S&P 500 valuation measures

S&P 500 Index: Forward P/E ratio



Stocks are not that expensive.

So...
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minus Baa yield is the forward earnings yield (consensus analyst estimates of EPS over the next 12 months divided by price) minus the Moody's Baa seasoned corporate bond yield. Std. dev. over-/under-valued is calculated using the average and standard deviation over 25 years for each measure.
*P/CF is a 20-year average due to cash flow data availability.
Guide to the Markets – U.S. Data are as of March 31, 2017

Returns and valuations by style

1Q 2017

	Value	Blend	Growth
Large	3.3%	6.1%	8.9%
Mid	3.8%	5.1%	6.9%
Small	-0.1%	2.5%	5.3%

YTD

	Value	Blend	Growth
Large	3.3%	6.1%	8.9%
Mid	3.8%	5.1%	6.9%
Small	-0.1%	2.5%	5.3%

Since market peak (October 2007)

	Value	Blend	Growth
Large	65.6%	85.5%	109.6%
Mid	99.7%	98.5%	94.1%
Small	80.3%	87.2%	92.7%

Since market low (March 2009)

	Value	Blend	Growth
Large	313.0%	314.4%	327.4%
Mid	410.0%	379.0%	348.8%
Small	345.9%	351.4%	354.9%

Current P/E vs. 15-year avg. P/E

	Value	Blend	Growth
Large	16.2 / 13.1	17.5 / 14.4	19.5 / 16.7
Mid	17.0 / 14.0	18.4 / 15.6	20.5 / 18.2
Small	19.3 / 16.8	24.0 / 20.1	32.4 / 25.6

Current P/E as % of 15-year avg. P/E*

	Value	Blend	Growth
Large	123.6%	121.4%	117.1%
Mid	121.0%	117.6%	112.5%
Small	114.9%	119.7%	126.8%

Source: FactSet, Russell Investment Group, Standard & Poor's, J.P. Morgan Asset Management.

All calculations are cumulative total return, including dividends reinvested for the stated period. Since Market Peak represents period 10/9/07 – 3/31/17.

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Market Aggregates.

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

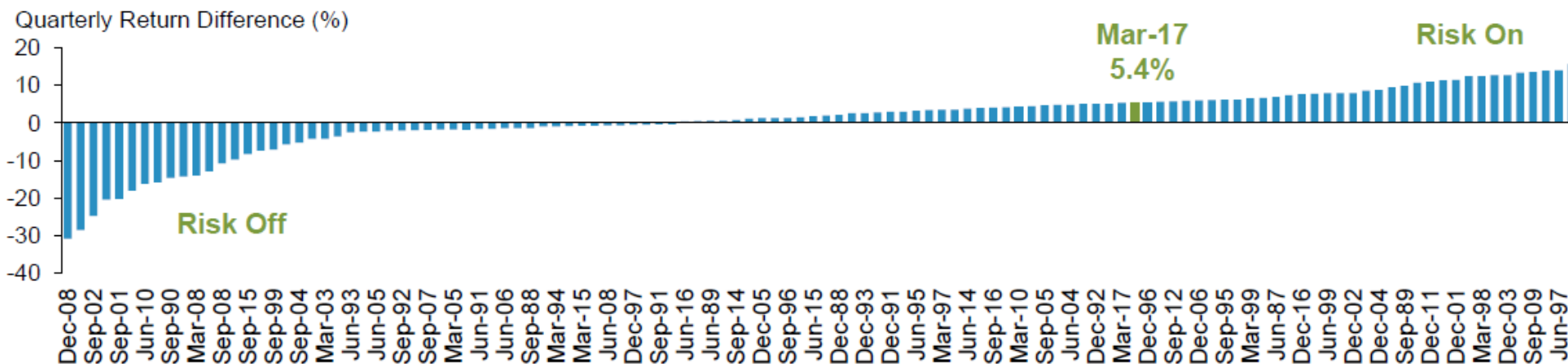
In 2017, Growth has led.

Non-U.S. Assets Led Widespread Q1 Gains

Bolstered by a weaker dollar, non-U.S. equities led the Q1 global stock market rally, with emerging-market equities pushing past U.S. large-cap performance on a one-year basis for the first time in years. Flattish bond yields amid signs of moderate-but-not-overheating economic expansion provided a solid backdrop for most asset categories.

	Q1 2017 (%)	1-Year (%)		Q1 2017 (%)	1-Year (%)
Emerging-Market Stocks	11.5	17.7	High-Yield Bonds	2.7	16.9
Gold	8.6	0.6	Real Estate Stocks	2.5	5.3
Non-U.S. Small-Cap Stocks	8.1	11.4	U.S. Small-Cap Stocks	2.5	26.2
Non-U.S. Developed-Country Stocks	7.4	12.2	Long Government & Credit Bonds	1.6	1.0
U.S. Large-Cap Stocks	6.1	17.2	U.S. Corporate Bonds	1.3	3.0
U.S. Mid-Cap Stocks	5.1	17.0	Investment-Grade Bonds	0.8	0.4
Emerging-Market Bonds	3.9	8.8	Commodities	-2.5	8.3

Risk Meter: U.S. Large-Cap Stock minus Treasury Bond Returns, 1987–2017









Past performance is no guarantee of future results. It is not possible to invest directly in an index. See appendix for important index information. Assets represented by: Commodities – Bloomberg Commodity Index; Emerging-Market Bonds – JP Morgan EMBI Global Index; Emerging-Market Stocks – MSCI EM Index; Gold – Gold Bullion, LBMA PM Fix; High Yield Bonds – Bank of America Merrill Lynch (BofA ML) High Yield Bond Index; Investment-Grade Bonds – Bloomberg Barclays U.S. Aggregate Bond Index; Non-U.S. Developed-Country Stocks – MSCI EAFE Index; Non-U.S. Small-Cap Stocks – MSCI EAFE Small Cap Index; Real Estate Stocks – FTSE NAREIT Equity Index; U.S. Corporate Bonds – Bloomberg Barclays U.S. Credit Index; U.S. Large-Cap Stocks – S&P 500 Index; U.S. Mid-Cap Stocks – Russell Midcap Index; U.S. Small-Cap Stocks – Russell 2000 Index; U.S. Treasury Bonds – Bloomberg Barclays U.S. Treasury Index. Sources: Bloomberg Finance L.P., Haver Analytics, Fidelity Investments (AART), as of 3/31/17.

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Invest with integrity.

Market Summary

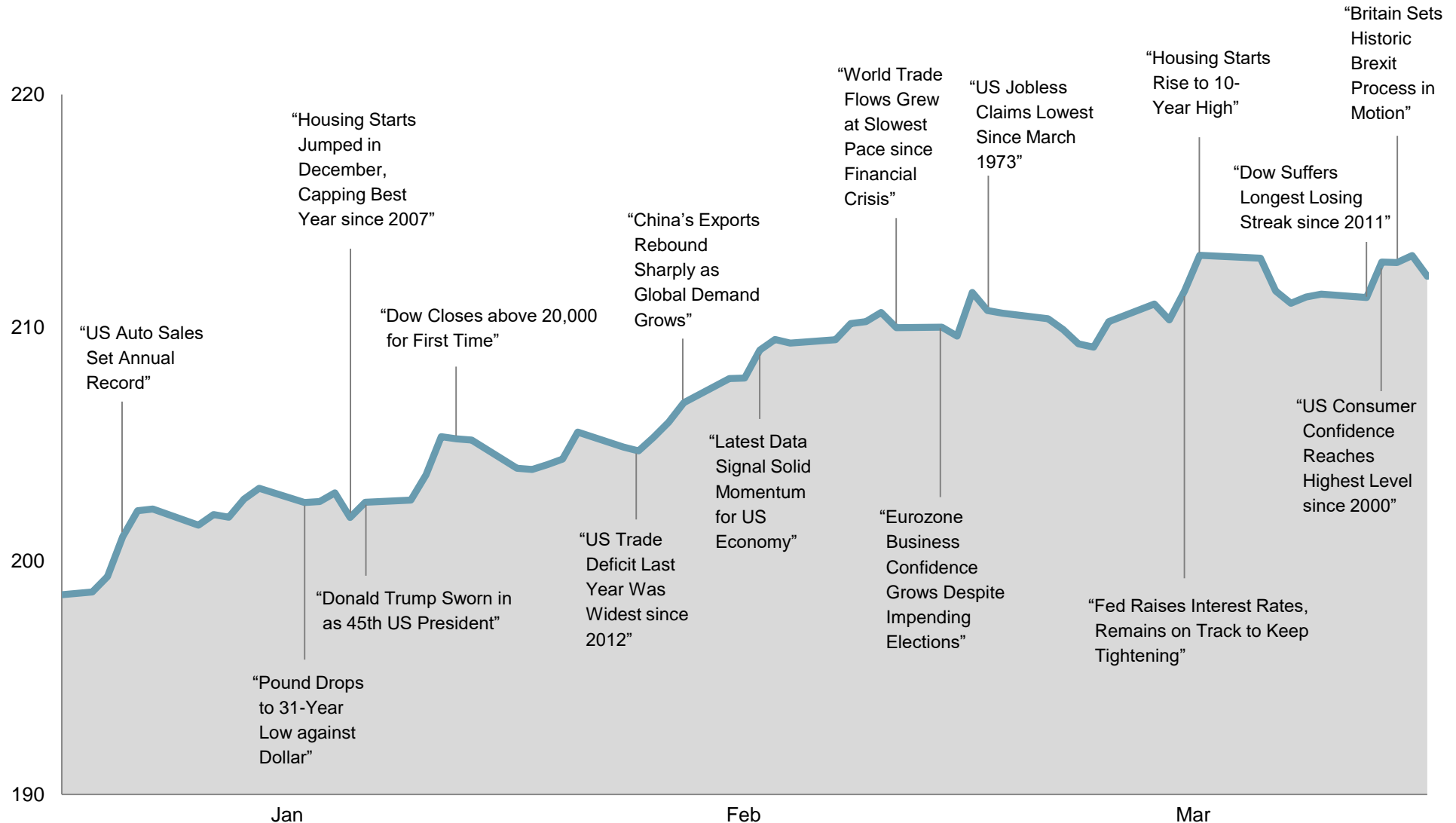
Index Returns

	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate		US Bond Market	Global Bond Market ex US
1Q 2017	STOCKS					BONDS	
	5.74%	6.81%	11.44%	1.44%		0.82%	-0.35%
							
Since Jan. 2001							
Avg. Quarterly Return	1.9%	1.4%	3.0%	2.7%		1.2%	1.1%
Best Quarter	16.8% Q2 2009	25.9% Q2 2009	34.7% Q2 2009	32.3% Q3 2009		4.6% Q3 2001	5.5% Q4 2008
Worst Quarter	-22.8% Q4 2008	-21.2% Q4 2008	-27.6% Q4 2008	-36.1% Q4 2008		-3.0% Q4 2016	-3.2% Q2 2015

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: US Stock Market (Russell 3000 Index), International Developed Stocks (MSCI World ex USA Index [net div.]), Emerging Markets (MSCI Emerging Markets Index [net div.]), Global Real Estate (S&P Global REIT Index [net div.]), US Bond Market (Bloomberg Barclays US Aggregate Bond Index), and Global Bond ex US Market (Citi WGBI ex USA 1-30 Years [Hedged to USD]). The S&P data are provided by Standard & Poor's Index Services Group. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. MSCI data © MSCI 2017, all rights reserved. Bloomberg Barclays data provided by Bloomberg. Citi fixed income indices copyright 2017 by Citigroup.

World Stock Market Performance

MSCI All Country World Index with selected headlines from Q1 2017



These headlines are not offered to explain market returns. Instead, they serve as a reminder that investors should view daily events from a long-term perspective and avoid making investment decisions based solely on the news.

Graph Source: MSCI ACWI Index [net div.]. MSCI data © MSCI 2017, all rights reserved.

It is not possible to invest directly in an index. Performance does not reflect the expenses associated with management of an actual portfolio. Past performance is not a guarantee of future results.

World Stock Market Performance

MSCI All Country World Index with selected headlines from past 12 months

Short Term (Q1 2016–Q1 2017)



These headlines are not offered to explain market returns. Instead, they serve as a reminder that investors should view daily events from a long-term perspective and avoid making investment decisions based solely on the news.

Graph Source: MSCI ACWI Index [net div.]. MSCI data © MSCI 2017, all rights reserved.

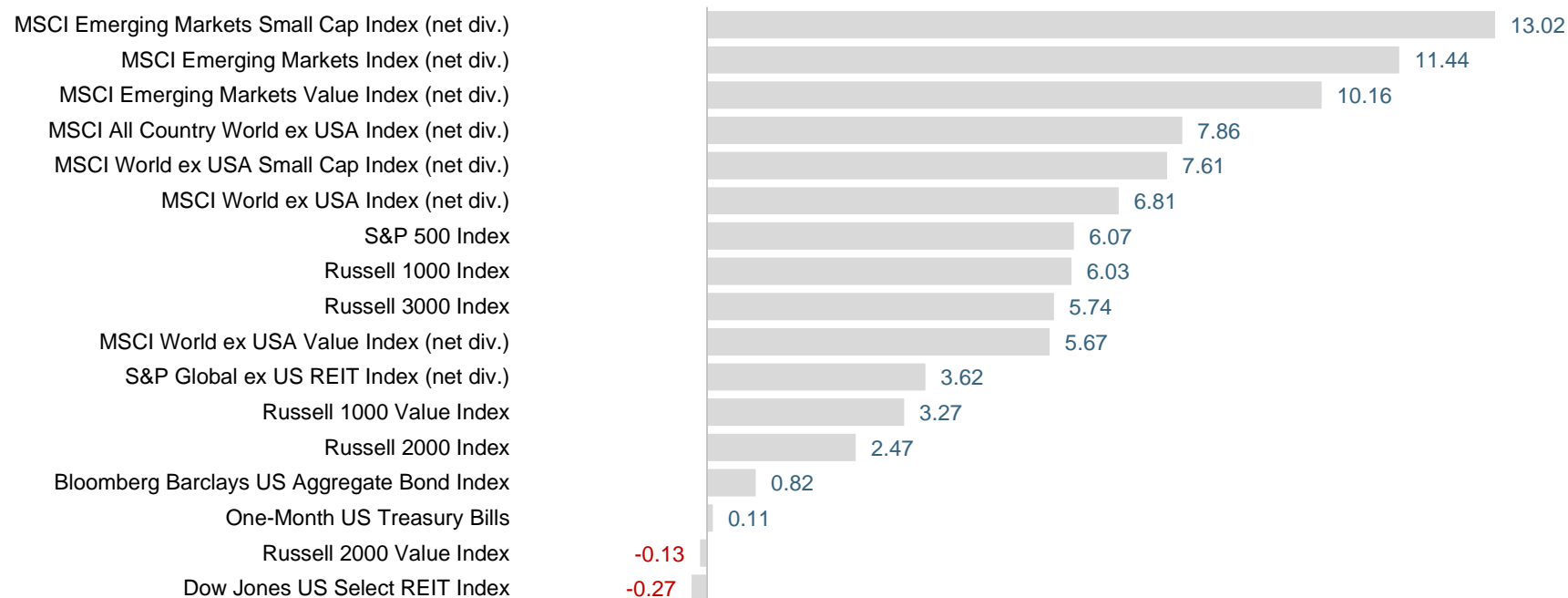
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World Asset Classes

First Quarter 2017 Index Returns (%)

Looking at broad market indices, emerging markets outperformed both US and non-US developed markets during the quarter. Real estate investment trusts (REITs) lagged their equity market counterparts.

The value effect was negative in the US, non-US, and emerging markets. Small caps outperformed large caps in emerging markets and non-US developed markets but underperformed in the US.



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US Stocks

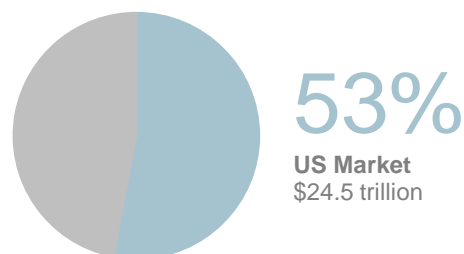
First Quarter 2017 Index Returns

The broad US equity market recorded positive absolute performance for the quarter.

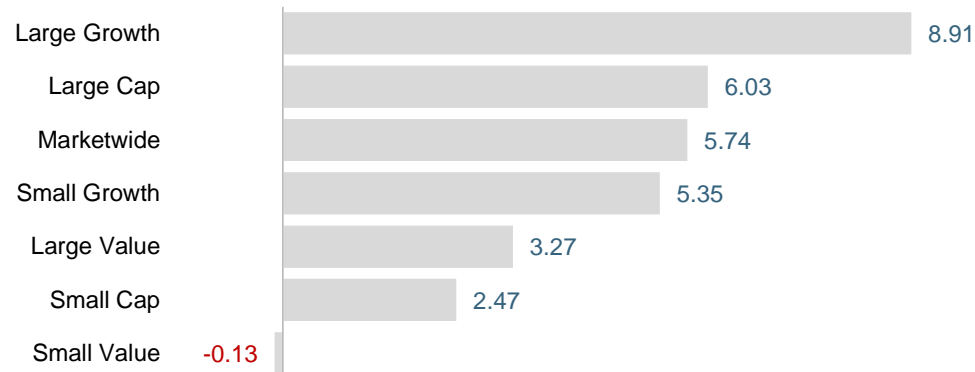
Value underperformed growth indices across all size ranges.

Small caps underperformed large caps.

World Market Capitalization—US



Ranked Returns for the Quarter (%)



Period Returns (%)

* Annualized

Asset Class	1 Year	3 Years*	5 Years*	10 Years*
Marketwide	18.07	9.76	13.18	7.54
Large Cap	17.43	9.99	13.26	7.58
Large Cap Value	19.22	8.67	13.13	5.93
Large Cap Growth	15.76	11.27	13.32	9.13
Small Cap	26.22	7.22	12.35	7.12
Small Cap Value	29.37	7.62	12.54	6.09
Small Cap Growth	23.03	6.72	12.10	8.05

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: Marketwide (Russell 3000 Index), Large Cap (Russell 1000 Index), Large Cap Value (Russell 1000 Value Index), Large Cap Growth (Russell 1000 Growth Index), Small Cap (Russell 2000 Index), Small Cap Value (Russell 2000 Value Index), and Small Cap Growth (Russell 2000 Growth Index). World Market Cap represented by Russell 3000 Index, MSCI World ex USA IMI Index, and MSCI Emerging Markets IMI Index. Russell 3000 Index is used as the proxy for the US market. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. MSCI data © MSCI 2017, all rights reserved.

International Developed Stocks

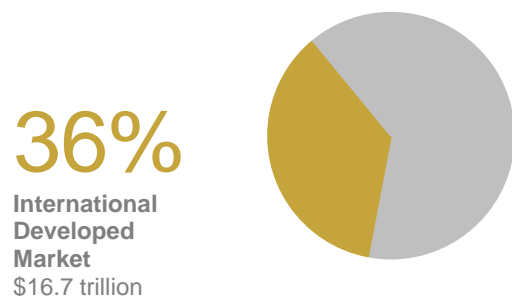
First Quarter 2017 Index Returns

In US dollar terms, developed markets outperformed the US equity market but underperformed emerging markets indices during the quarter.

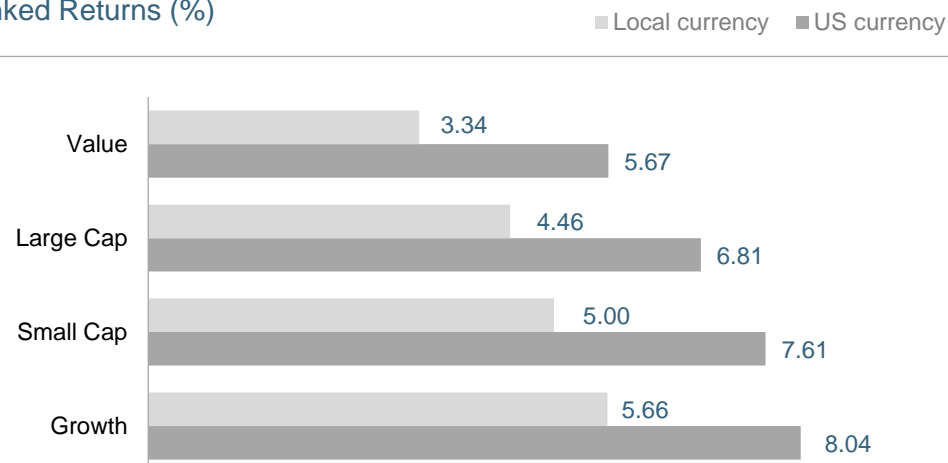
Small caps outperformed large caps in non-US developed markets.

The value effect was negative across all size ranges in non-US developed markets.

World Market Capitalization—International Developed



Ranked Returns (%)



Period Returns (%)

Asset Class	* Annualized			
	1 Year	3 Years*	5 Years*	10 Years*
Large Cap	11.93	0.35	5.38	1.13
Small Cap	11.58	2.70	7.78	2.72
Value	16.46	-0.67	5.19	0.31
Growth	7.47	1.27	5.48	1.87

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Emerging Markets Stocks

First Quarter 2017 Index Returns

In US dollar terms, emerging markets indices outperformed both the US and developed markets outside the US.

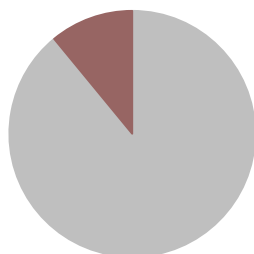
The value effect was negative among large cap stocks in emerging markets but positive among small cap stocks.

Small caps outperformed large caps.

World Market Capitalization—Emerging Markets

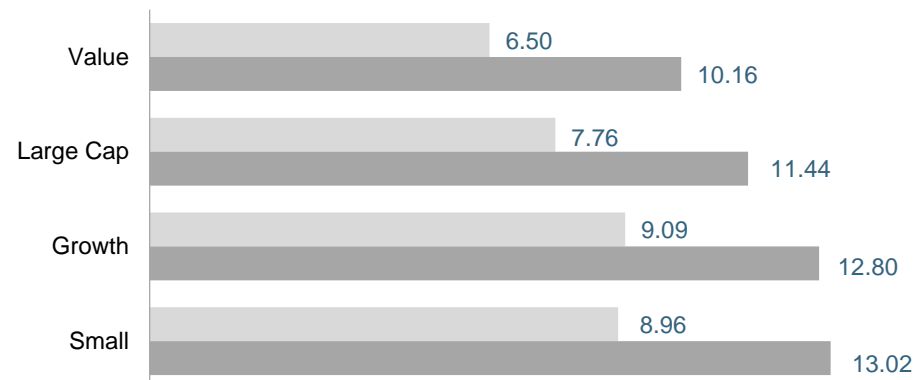
11%

Emerging
Markets
\$5.1 trillion



Ranked Returns (%)

■ Local currency ■ US currency



Period Returns (%)

* Annualized

Asset Class	1 Year	3 Years*	5 Years*	10 Years*
Large Cap	17.21	1.18	0.81	2.72
Small Cap	14.49	1.66	2.87	3.92
Value	17.43	-0.10	-1.01	2.67
Growth	17.08	2.37	2.54	2.69

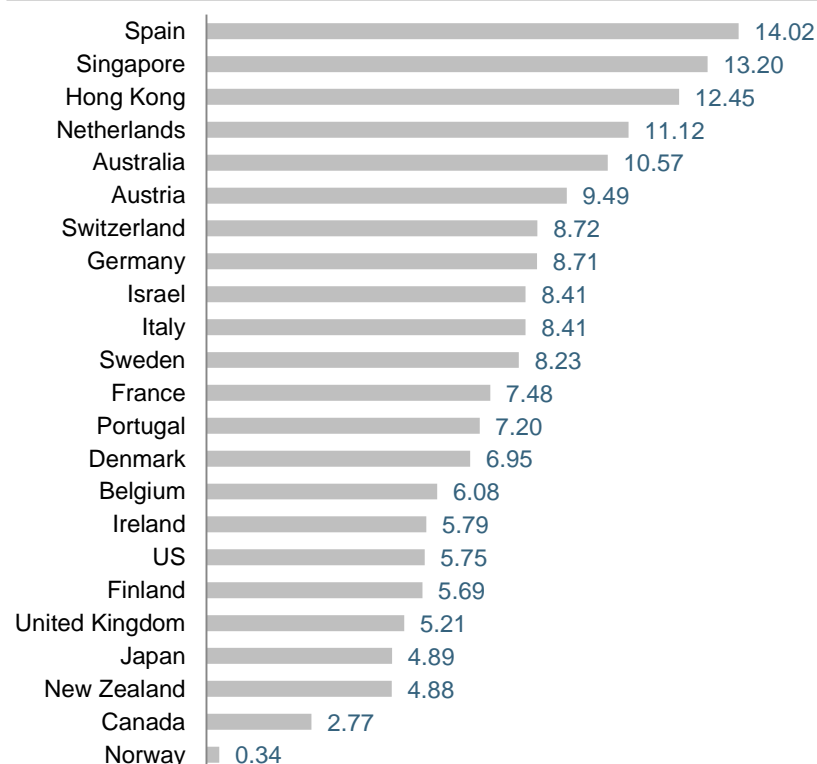
Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: Large Cap (MSCI Emerging Markets Index), Small Cap (MSCI Emerging Markets Small Cap Index), Value (MSCI Emerging Markets Value Index), and Growth (MSCI Emerging Markets Growth Index). All index returns are net of withholding tax on dividends. World Market Cap represented by Russell 3000 Index, MSCI World ex USA IMI Index, and MSCI Emerging Markets IMI Index. MSCI Emerging Markets IMI Index used as the proxy for the emerging market portion of the market. MSCI data © MSCI 2017, all rights reserved.

Select Country Performance

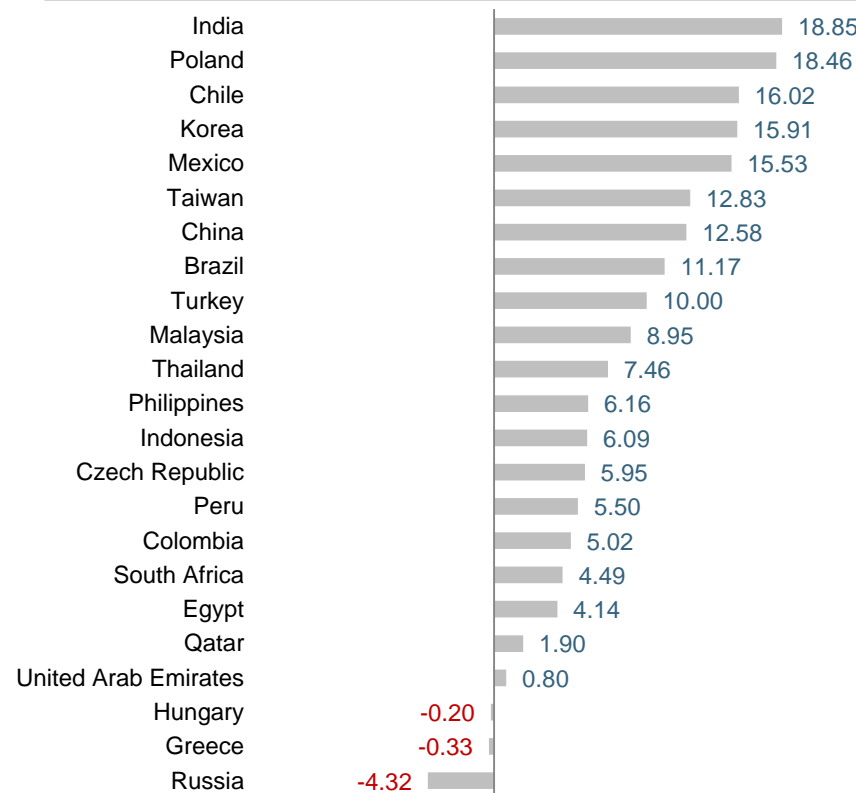
First Quarter 2017 Index Returns

In US dollar terms, Spain and Singapore recorded the highest country performance in developed markets, while Canada and Norway returned the lowest performance for the quarter. In emerging markets, India and Poland posted the highest country returns, while Greece and Russia returned the lowest performance.

Ranked Developed Markets Returns (%)



Ranked Emerging Markets Returns (%)



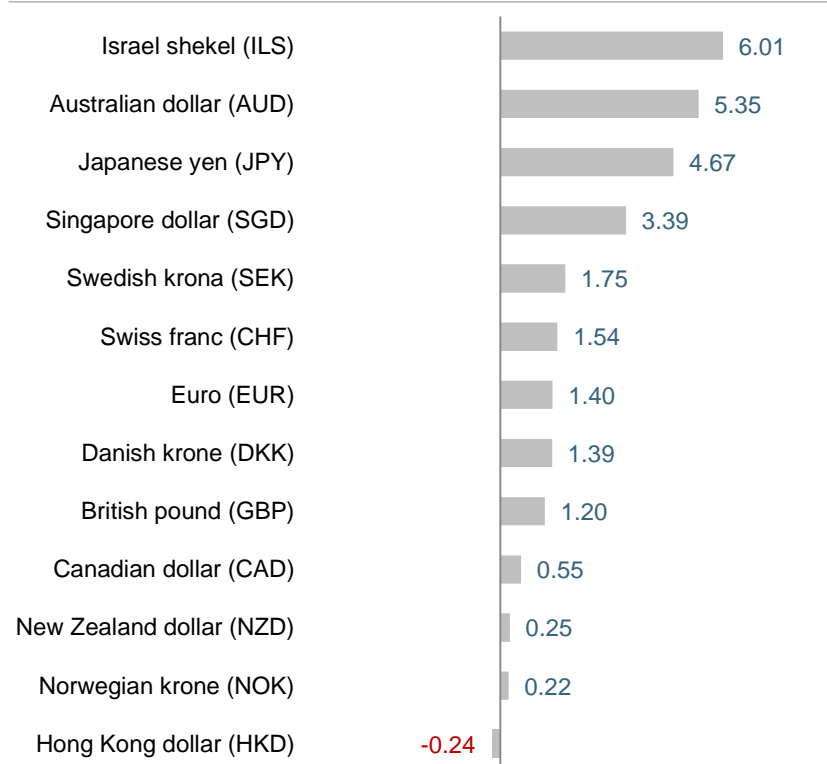
Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Country performance based on respective indices in the MSCI World ex US IMI Index (for developed markets), MSCI USA IMI Index (for US), and MSCI Emerging Markets IMI Index. All returns in USD and net of withholding tax on dividends. MSCI data © MSCI 2017, all rights reserved. UAE and Qatar have been reclassified as emerging markets by MSCI, effective May 2014.

Select Currency Performance vs. US Dollar

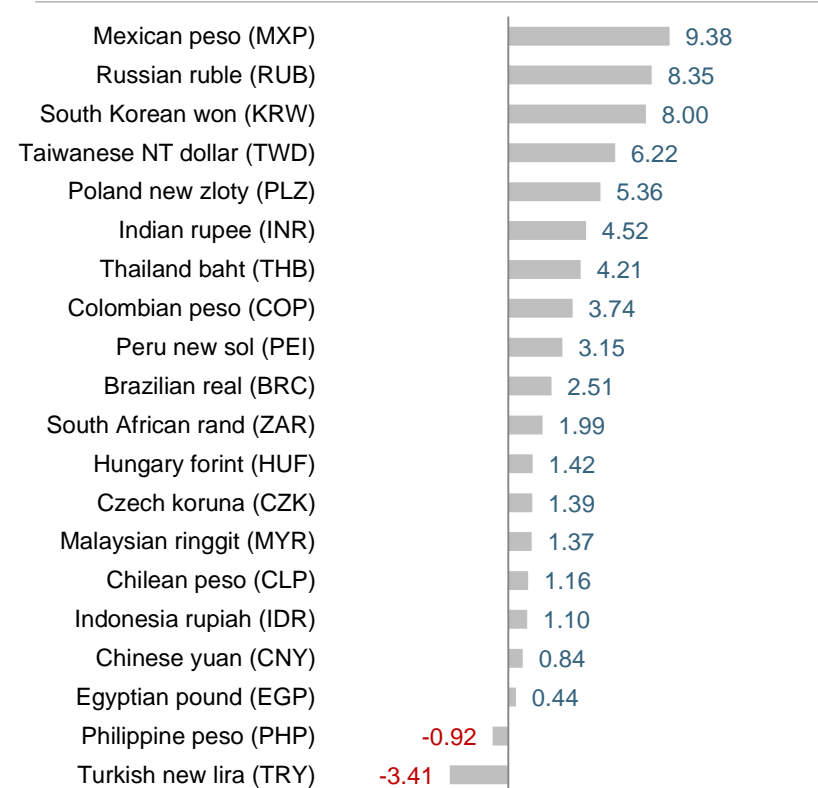
First Quarter 2017

Most non-US developed markets currencies appreciated against the US dollar during the quarter, with the Israeli shekel and the Australian dollar experiencing the greatest appreciation. In emerging markets, the Mexican peso appreciated nearly 10%, while the Turkish lira depreciated almost 4%.

Ranked Developed Markets (%)



Ranked Emerging Markets (%)

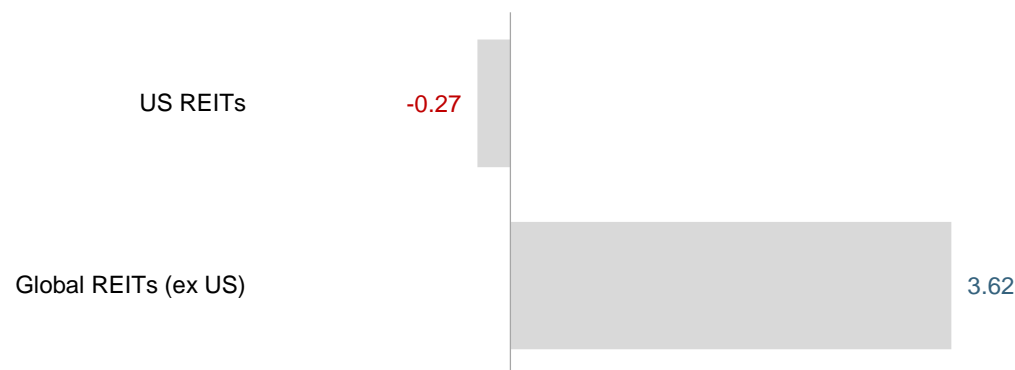


Real Estate Investment Trusts (REITs)

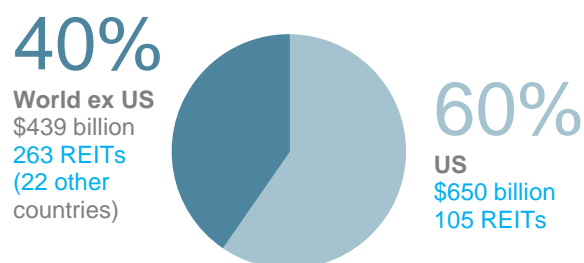
First Quarter 2017 Index Returns

Real estate investment trusts (REITs) lagged their equity market counterparts.

Ranked Returns (%)



Total Value of REIT Stocks



Period Returns (%)

Asset Class	* Annualized			
	1 Year	3 Years*	5 Years*	10 Years*
US REITs	1.21	9.96	9.45	4.22
Global REITs (ex US)	-1.61	3.46	6.79	-0.39

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Number of REIT stocks and total value based on the two indices. All index returns are net of withholding tax on dividends. Total value of REIT stocks represented by Dow Jones US Select REIT Index and the S&P Global ex US REIT Index. Dow Jones US Select REIT Index used as proxy for the US market, and S&P Global ex US REIT Index used as proxy for the World ex US market. Dow Jones US Select REIT Index data provided by Dow Jones ©. S&P Global ex US REIT Index data provided by Standard and Poor's Index Services Group © 2017.

Commodities

First Quarter 2017 Index Returns

The Bloomberg Commodity Index Total Return declined 2.33% during the first quarter of 2017.

The industrial and precious metals complexes were the top performers. Aluminum gained 15.21%, silver rose 13.75%, and gold climbed 8.06%.

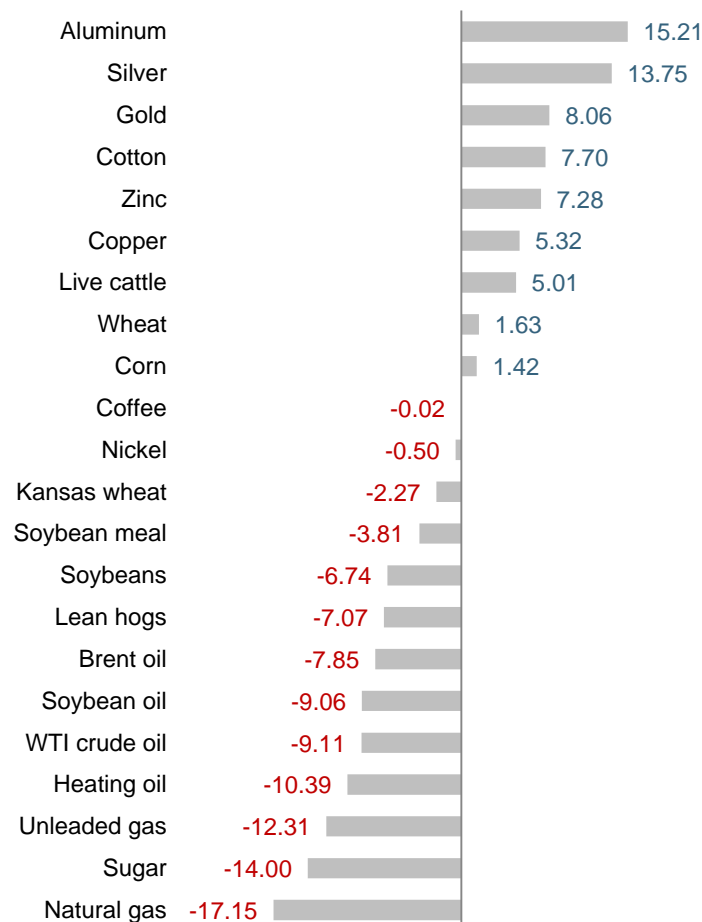
Energy was the worst-performing complex. Natural gas declined 17.15%, while unleaded gas fell 12.31%. Heating oil declined 10.39%, and WTI crude oil fell 9.11%.

Period Returns (%)

* Annualized

Asset Class	1 Year	3 Years*	5 Years*	10 Years*
Commodities	8.71	-13.91	-9.54	-6.22

Ranked Returns for Individual Commodities (%)



Fixed Income

First Quarter 2017 Index Returns

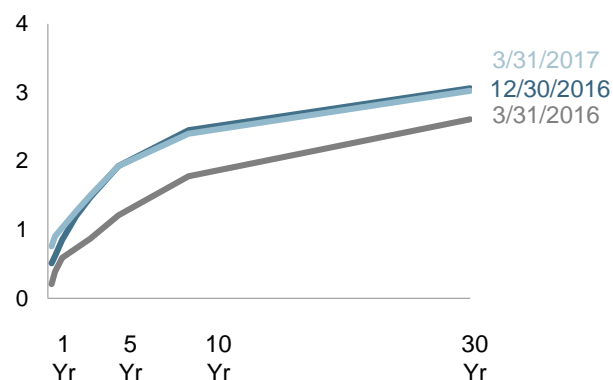
Interest rates were mixed across the US fixed income market during the first quarter of 2017. The yield on the 5-year Treasury note was unchanged, ending at 1.93%. The yield on the 10-year Treasury note decreased 5 basis points (bps) to 2.40%. The 30-year Treasury bond yield decreased 4 bps to 3.02%.

The yield on the 1-year Treasury bill rose 18 bps to 1.03%, and the 2-year T-note yield increased 7 bps to 1.27%. The yield on the 3-month T-bill increased 25 bps to 0.76%, while the 6-month T-bill yield rose 29 bps to 0.91%.

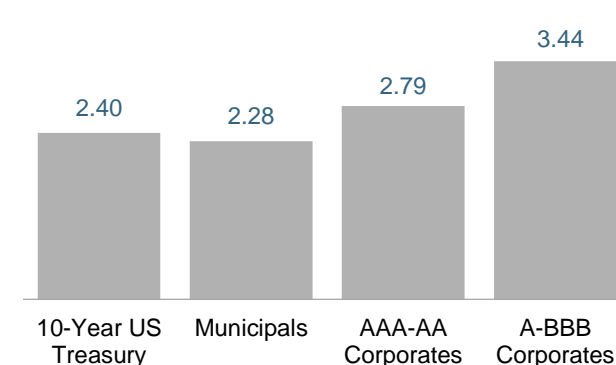
Looking at total returns, short-term corporate bonds gained 0.69% and intermediate-term corporate bonds gained 1.16%.

Short-term municipal bonds generated a total return of 1.20%, while intermediate-term municipal bonds returned 1.91%. Revenue bonds performed in line with general obligation bonds.

US Treasury Yield Curve (%)



Bond Yields across Issuers (%)



Period Returns (%)

Asset Class	* Annualized			
	1 Year	3 Years*	5 Years*	10 Years*
Bloomberg Barclays Long US Govt. Bond Index	-4.78	5.81	4.05	6.65
Bloomberg Barclays Municipal Bond Index	0.15	3.55	3.24	4.33
Bloomberg Barclays US Aggregate Bond Index	0.44	2.68	2.34	4.27
Bloomberg Barclays US Corporate High Yield Index	16.39	4.56	6.82	7.46
Bloomberg Barclays US TIPS Index	1.48	2.03	0.97	4.24
BofA Merrill Lynch 1-Year US Treasury Note Index	0.56	0.39	0.35	1.31
BofA Merrill Lynch Three-Month US Treasury Bill Index	0.36	0.17	0.14	0.68
Citi World Govt. Bond Index 1-5 Years (hedged to USD)	0.64	1.38	1.38	2.54

One basis point equals 0.01%. Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Yield curve data from Federal Reserve. State and local bonds are from the S&P National AMT-Free Municipal Bond Index. AAA-AA Corporates represent the Bank of America Merrill Lynch US Corporates, AA-AAA rated. A-BBB Corporates represent the Bank of America Merrill Lynch US Corporates, BBB-A rated. Bloomberg Barclays data provided by Bloomberg. US long-term bonds, bills, inflation, and fixed income factor data © Stocks, Bonds, Bills, and Inflation (SBBI) Yearbook™, Ibbotson Associates, Chicago (annually updated work by Roger G. Ibbotson and Rex A. Sinquefeld). Citi fixed income indices copyright 2017 by Citigroup. The BofA Merrill Lynch Indices are used with permission; © 2017 Merrill Lynch, Pierce, Fenner & Smith Incorporated; all rights reserved. Merrill Lynch, Pierce, Fenner & Smith Incorporated is a wholly owned subsidiary of Bank of America Corporation. The S&P data are provided by Standard & Poor's Index Services Group.

Impact of Diversification

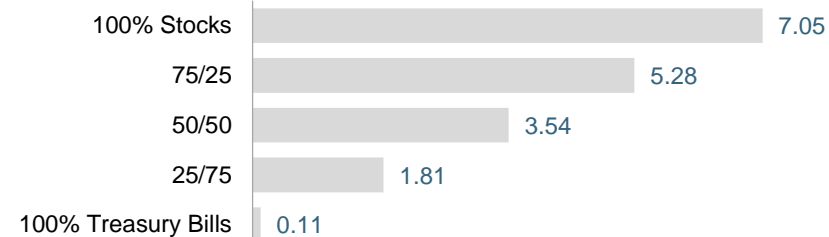
First Quarter 2017 Index Returns

These portfolios illustrate the performance of different global stock/bond mixes. Mixes with larger allocations to stocks are considered riskier but have higher expected returns over time.

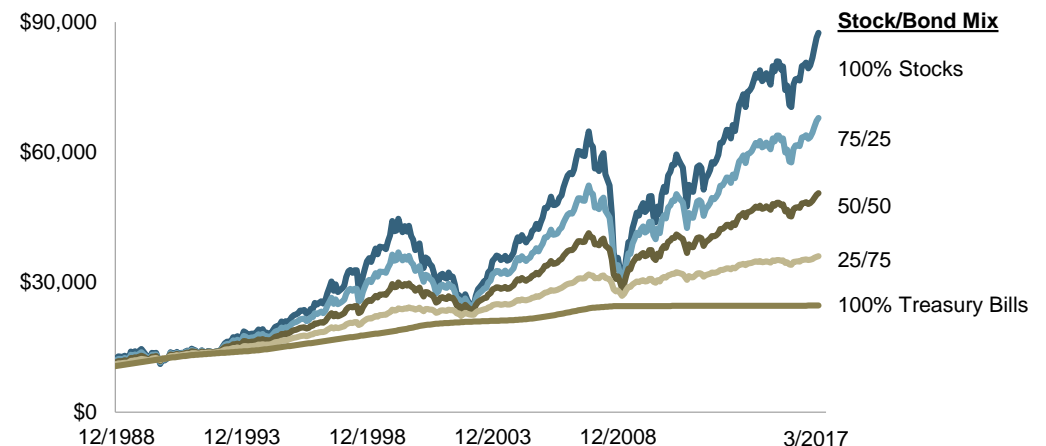
Period Returns (%)

Asset Class	* Annualized				
	1 Year	3 Years*	5 Years*	10 Years*	10-Year STDEV ¹
100% Stocks	15.69	5.65	8.97	4.56	17.01
75/25	11.67	4.35	6.80	3.84	12.75
50/50	7.76	2.99	4.60	2.93	8.50
25/75	3.96	1.58	2.36	1.83	4.24
100% Treasury Bills	0.26	0.11	0.08	0.56	0.36

Ranked Returns (%)



Growth of Wealth: The Relationship between Risk and Return



1. STDEV (standard deviation) is a measure of the variation or dispersion of a set of data points. Standard deviations are often used to quantify the historical return volatility of a security or portfolio. Diversification does not eliminate the risk of market loss. **Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect expenses associated with the management of an actual portfolio.** Asset allocations and the hypothetical index portfolio returns are for illustrative purposes only and do not represent actual performance. Global Stocks represented by MSCI All Country World Index (gross div.) and Treasury Bills represented by US One-Month Treasury Bills. Globally diversified allocations rebalanced monthly, no withdrawals. Data © MSCI 2017, all rights reserved. Treasury bills © Stocks, Bonds, Bills, and Inflation Yearbook™, Ibbotson Associates, Chicago (annually updated work by Roger G. Ibbotson and Rex A. Sinquefeld).

Investment Shock Absorbers

First Quarter 2017

Ever ridden in a car with worn-out shock absorbers? Every bump is jarring, every corner stomach-churning, and every red light an excuse to assume the brace position. Owning an undiversified portfolio can trigger similar reactions.

You can drive a car with a broken suspension system, but it will be an extremely uncomfortable ride and the vehicle will be much harder to control, particularly in difficult conditions. Throw in the risk of a breakdown or running off the road altogether, and there's a real chance you may not reach your destination.

In the world of investment, a similarly bumpy and unpredictable ride can await those with concentrated and undiversified portfolios or those who constantly tinker with their allocation.

Of course, everyone feels in control when the surface is straight and smooth, but it's harder to stay on the road during sudden turns and ups and downs in the

market. For that reason, the smart thing to do is to diversify, spreading your portfolio across different securities, sectors, and countries. That also means identifying the right mix of investments (e.g., stocks, bonds, real estate) that aligns with your risk tolerance.

Using this approach, your returns from year to year may not match the top performing portfolio, but neither are they likely to match the worst. More importantly, this is a ride you are likelier to stick with.

Here's an example. Among developed markets, Denmark was number one in US dollar terms in 2015 with a return of more than 23%. But a big bet on that country the following year would have backfired, as Denmark slid to bottom of the table with a loss of nearly 16%.¹

It's true that the US stock market (by far the world's biggest) has been a strong performer in recent years. But a decade before, in 2004 and 2006, it was the second worst-performing developed market in the world.¹

Predicting which part of a market will do best over a given period is tough. US small cap stocks were

among the top performers in 2016 with a return of more than 21%. A year before, their results looked relatively disappointing with a loss of more than 4%. International small cap stocks had their turn in the sun in 2015, topping the performance tables with a return of just below 6%. But the year before that, they were the second worst with a loss of 5%.²

If you've ever taken a long road trip, you'll know that conditions along the way can change quickly and unpredictably, which is why you need a vehicle that's ready for the worst roads as well as the best. While diversification can never completely eliminate the impact of bumps along your particular investment road, it does help reduce the potential outsized impact that any individual investment can have on your journey.

With sufficient diversification, the jarring effects of performance extremes level out. That, in turn, helps you stay in your chosen lane and on the road to your investment destination.

Happy motoring and happy investing.

1. In US dollars. MSCI developed markets country indices (net dividends). MSCI data © MSCI 2017, all rights reserved.

2. In US dollars. US Small Cap is the Russell 2000 Index. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. International Small Cap is the MSCI World ex USA Small Cap Index (gross dividends). MSCI data copyright MSCI 2017, all rights reserved.

Adapted from "Investment Shock Absorbers," Outside the Flags, February 2017. Dimensional Fund Advisors LP is an investment advisor registered with the Securities and Exchange Commission. All expressions of opinion are subject to change. This information is intended for educational purposes, and it is not to be construed as an offer, solicitation, recommendation, or endorsement of any particular security, products, or services.

For more information or to discuss your portfolio needs, please contact Todd Moerman @ 303-549-4720 or 970-818-5266 or toll free 855-863-3332.

Thank you for your business.

If you have any friends or family who need a 2nd opinion, please contact us.

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