Market & Economic Review

First Half 2017

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Summary

- Balanced and diversified portfolios performed well in 2016 despite a volatile year; portfolios outpaced inflation by a significant margin.
- Equities outperformed fixed income, hence aggressive allocations outperformed conservative allocations.
- The best performing sectors were those that benefited from the commodity rebound and the expectations about the new administration's policies.
- U.S. small cap and value stocks outperformed larger-cap growth stocks on the expectations that U.S. growth will pick up.
- International stock returns were negatively impacted by the appreciation of the U.S. dollar. Emerging markets led developed markets.
- All bonds gained last year despite interest rates rising. High-yield bonds outperformed due to the rebound in oil prices.
- Similar to stocks, emerging market bonds led developed markets due to the rebound in commodity prices.
- Commodities and other real assets tied to their prices rebounded sharply in 2016.
- Interest rates in the U.S. moved higher, incorporating expectations of higher inflation and economic growth.
- The treasury yield curve is "upward sloping" and is currently not pointing toward a near-term recession.
- Benchmark borrowing rates for mortgages and auto loans have moved up but are still at relatively low levels.
- The market expects the level of inflation to move up but to remain around the 2% level for the next 5 to 10 years.
- Oil prices stabilized and rebounded throughout 2016. This has contributed to higher inflation expectations.
- The U.S. dollar reached a 14-year high, with expectations of higher interest rates and growth in the U.S.
- Stock markets overall are fairly valued to slightly overvalued but not to an extreme. International stock valuations look better relative to U.S.

Past performance is not a guarantee of future results. Data as of 12/31/2016

Summary

- The U.S. economy is in its seventh year of expansion and remains resilient. Trend growth remains around 2% per year.
- The health of U.S. service sectors remains strong, while the manufacturing sectors rebounded throughout 2016.
- Inflation has picked up and is approaching 2%. This supports Federal Reserve officials advocating for interest rate increases.
- The job market has strengthened considerably. Employers are generally content to maintain and expand their payrolls.
- Job creation has been strong, averaging close to 200,000 per month. Over 2 million jobs were created for the sixth-straight year.
- The unemployment rates continue to decline. The official unemployment rate has reached a level that is consistent with “full employment.”
- Hiring has reduced enough slack in the labor market to force employers to pay more. Wage growth is at its highest rate since 2009.
- Consumer confidence continues to rise and recently reached a 14-year high.
- Consumer spending is strong due to favorable economic conditions, including job and wage gains, low gas prices, and reduced consumer debt.
- The housing market remains healthy with home sales continuing to grind higher and reaching new post-recession highs.
- Recently average home prices have risen over 5% a year. This has created a wealth effect that has made consumers comfortable spending money.

Outlook

Market and Economy

Market

- We are optimistic about the markets going forward. However, we anticipate that 2017 will likely turn out to be another tumultuous year.
- The potential market environment underscores the need for a balanced and diversified portfolio along with the discipline to rebalance and stay invested.
- We believe long-term market returns should continue to be positive in both stocks and bonds, and portfolios should be properly allocated across both.
- Stock and bond returns are likely to be more modest relative to recent years, which emphasizes the need to keep investment and tax costs low.
- We continue to advocate diversifying portfolios across a global set of asset classes because (U.S./International) relative performance could change.

Economy

- The U.S. economy is now stronger than it was a year ago, and we believe it will continue to strengthen despite rising interest rates.
- There are no major market or economic indicators currently pointing to an imminent recession.
- It is too early to tell what changes from the new administration will be implemented and what the potential economic impact will be.
- Fed officials have plans for three quarter-percentage-point rate increases, a gradual pace that would be positive for an economy growing modestly.
- We don’t believe that interest rate increases will be bad for the economy; in fact, they will likely validate its strength.

Market Review

Overview

Overview

- ❑ Balanced Portfolios
- ❑ World Asset Classes
- ❑ US Stocks
- ❑ International Stocks
- ❑ US Bonds
- ❑ International Bonds
- ❑ Real Assets
- ❑ U.S. Interest Rates
- ❑ U.S. Inflation Expectations
- ❑ Energy Prices
- ❑ Currency
- ❑ Valuations

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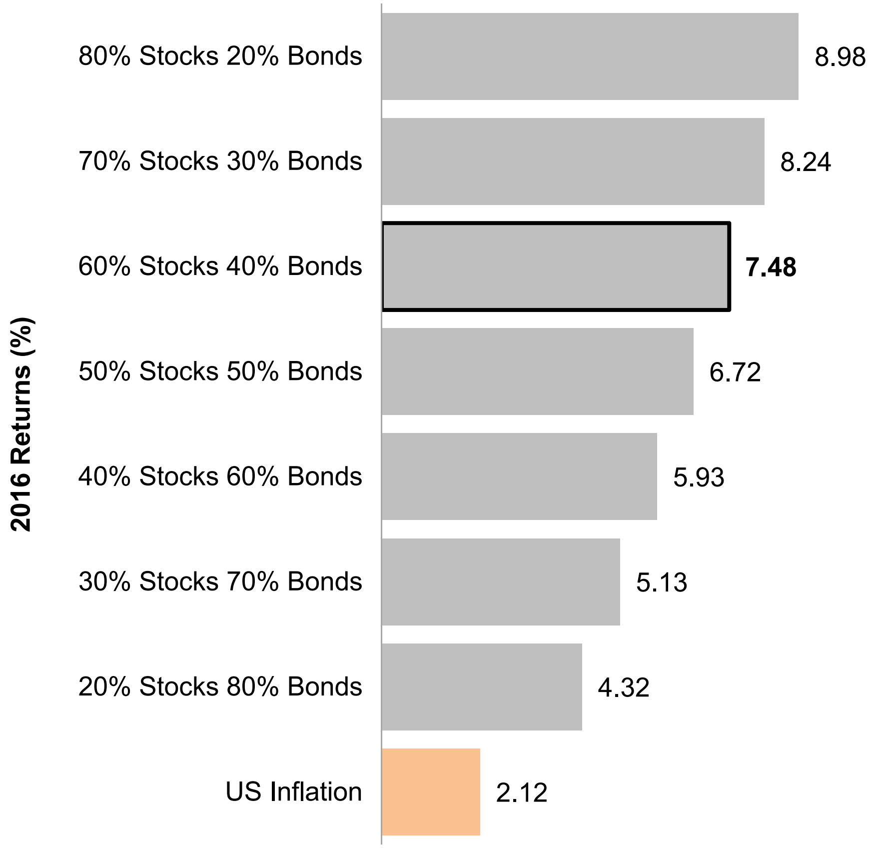
Market Review: Balanced Portfolios

2016 Index Returns (%)

- Balanced and diversified portfolios performed well last year and outpaced inflation by a significant margin; aggressive allocations outperformed conservative allocations.



Portfolios	1 Year	2 Years	3 Years	5 Years
80% Stocks 20% Bonds	8.98	4.17	5.20	10.10
70% Stocks 30% Bonds	8.24	3.92	4.99	9.15
60% Stocks 40% Bonds	**7.48**	**3.65**	**4.77**	**8.19**
50% Stocks 50% Bonds	6.72	3.36	4.52	7.22
40% Stocks 60% Bonds	5.93	3.05	4.26	6.24
30% Stocks 70% Bonds	5.13	2.71	3.98	5.25
20% Stocks 80% Bonds	4.32	2.36	3.68	4.25
US Inflation	2.21	1.42	1.20	1.37

Source: Morningstar Direct. Data as of 12/31/2016. 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.

Stocks = 70% Russell 3000 TR USD + 30% MSCI ACWI Ex USA IMI NR USD, Bonds = 100% BBgBarc US Agg Bond TR USD, US Inflation = IA SBBI US Inflation

Assumes portfolios are rebalanced monthly.

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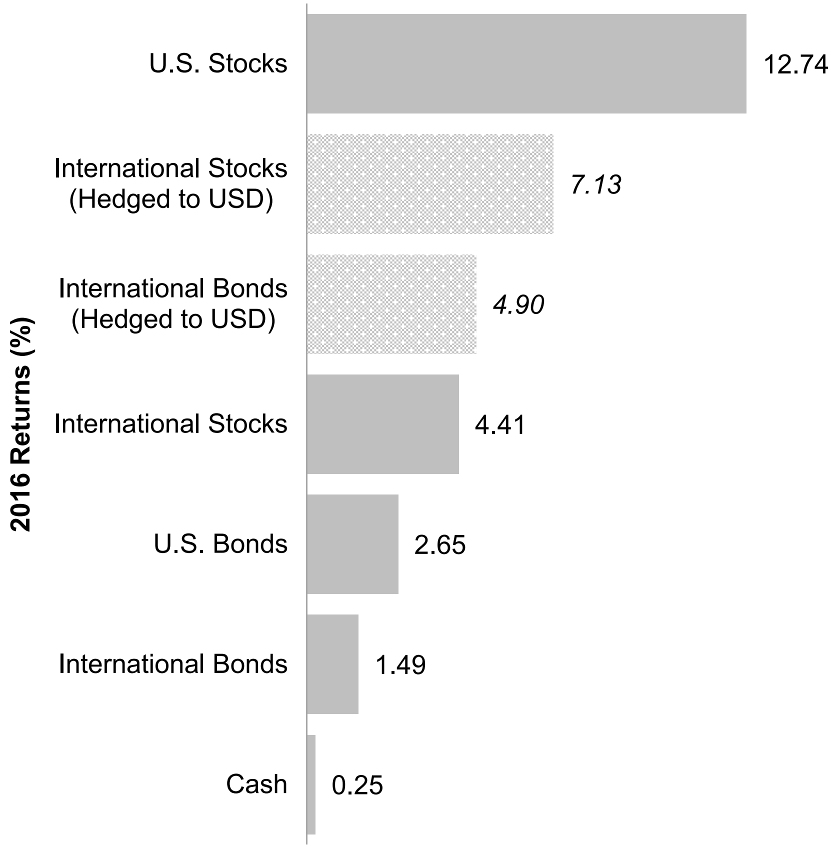
Market Review: World Asset Classes

2016 Index Returns (%)

- Stocks and bonds proved resilient, with all major world asset classes gaining despite all that happened throughout the year in 2016. U.S. stocks lead the way.



World Asset Classes	1 Year	2 Years	3 Years	5 Years	10 Years
U.S. Stocks	12.74	6.43	8.43	14.67	7.07
International Stocks (Hedged to USD)	*7.13*	*4.08*	*4.44*	*9.44*	*2.55*
International Bonds (Hedged to USD)	*4.90*	*3.11*	*4.97*	*4.50*	*4.41*
International Stocks	4.41	-0.20	-1.44	5.35	1.22
U.S. Bonds	2.65	1.59	3.03	2.23	4.34
International Bonds	1.49	-2.34	-2.59	-1.39	2.44
Cash	0.25	0.14	0.10	0.08	0.72

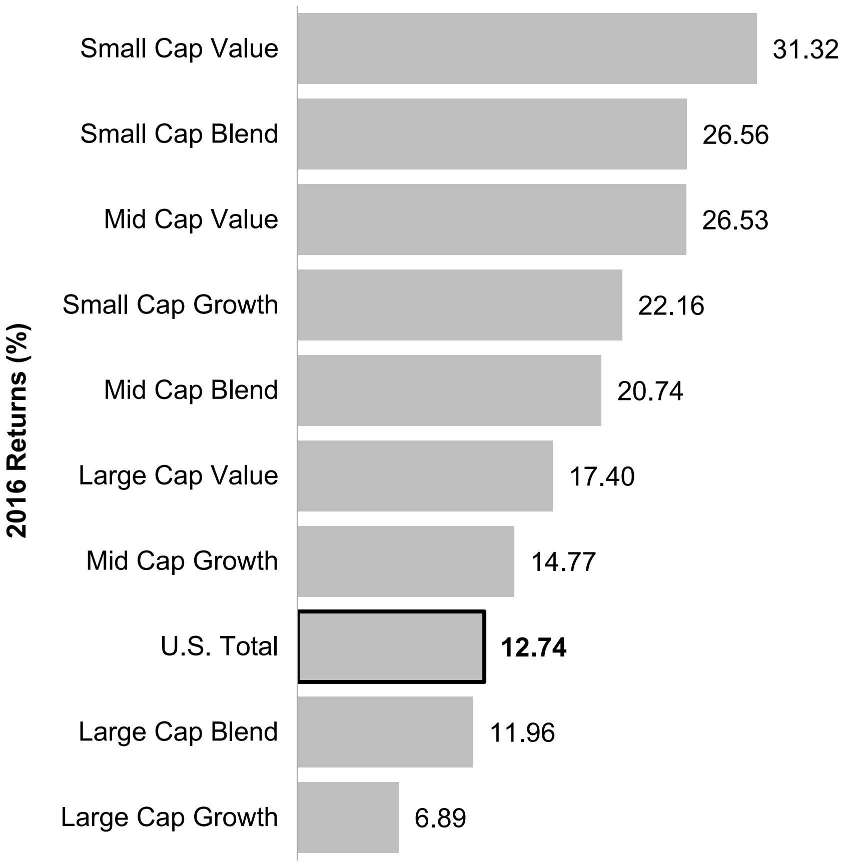
Source: Morningstar Direct. Data as of 12/31/2016. Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio.

U.S. Stocks = Russell 3000 TR USD, International Stocks (Hedged to USD) = MSCI ACWI ex US 100% Hedged NR USD, International Stocks = MSCI ACWI Ex USA IMI NR USD, U.S. Bonds = BBgBarc US Agg TR USD, International Bonds = BBgBarc Gbl Agg Ex USD TR USD, Cash = BofAML US Treasury Bills 0-3 Mon TR USD

Market Review: U.S. Stocks

2016 Index Returns (%)

- Small cap and value stocks outperformed larger-cap growth stocks on the expectations that U.S. growth will get a bump from the pro-growth/inflationary agenda of the new administration.



U.S. Stock Sub-Asset Classes	1 Year	2 Years	3 Years	5 Years	10 Years
Small Cap Value	31.32	10.71	9.64	16.88	8.18
Small Cap Blend	26.56	11.38	9.47	16.62	9.03
Mid Cap Value	26.53	8.68	9.81	16.07	8.48
Small Cap Growth	22.16	12.05	9.26	16.35	9.90
Mid Cap Blend	20.74	8.68	9.04	15.33	9.16
Large Cap Value	17.40	6.64	8.51	14.69	5.50
Mid Cap Growth	14.77	8.21	7.99	14.42	9.74
U.S. Total	**12.74**	**6.43**	**8.43**	**14.67**	**7.07**
Large Cap Blend	11.96	6.54	8.87	14.66	6.95
Large Cap Growth	6.89	6.21	9.03	14.54	8.29

Source: Morningstar Direct. Data as of 12/31/2016. 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.

U.S. Stocks = Russell 3000 TR USD, Large Cap Blend = S&P 500 TR USD, Large Cap Value = S&P 500 Value TR USD, Large Cap Growth = S&P 500 Growth TR USD, Mid Cap Blend = S&P MidCap 400 TR, Mid Cap Value = S&P MidCap 400 Value TR USD, Small Cap Blend = S&P SmallCap 600 TR USD, Small Cap Value = S&P SmallCap 600 Value TR USD, Small Cap Growth = S&P SmallCap 600 Growth TR USD

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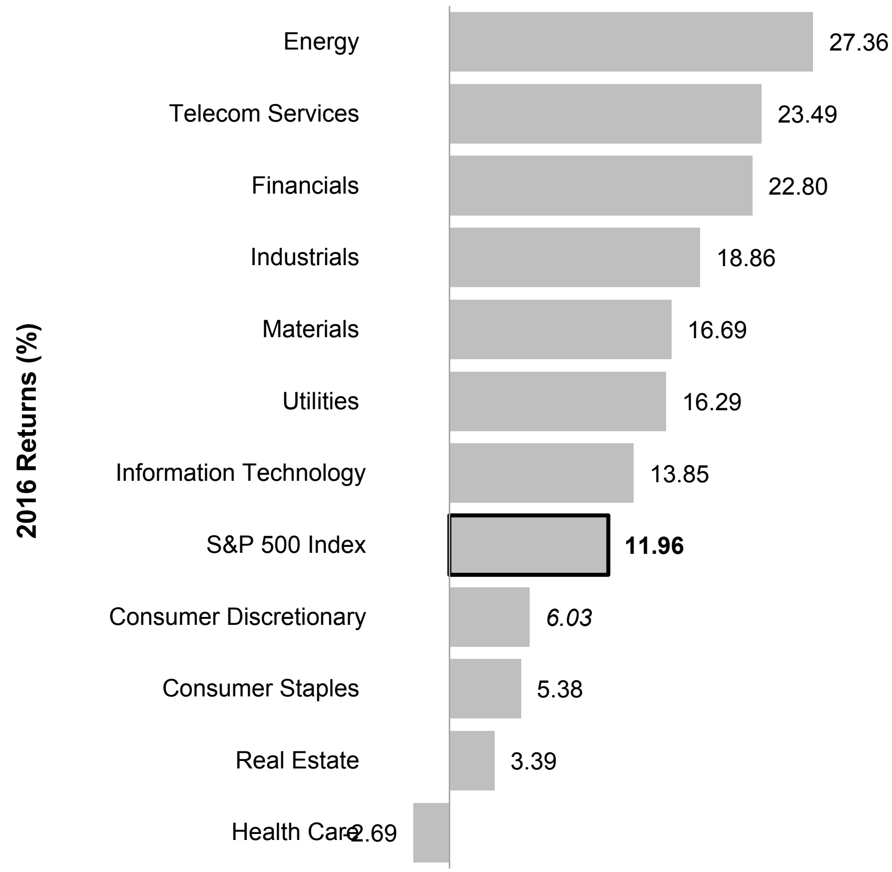
Market Review: U.S. Stocks

2016 Index Returns (%)

- The best performing sectors in 2016 were some of the worst performing sectors in prior years. Energy and material stocks benefited from the year-long commodity rebound, while other sectors benefited from the expectations of anti-regulation and infrastructure spending policies.



U.S. Stock Sectors (S&P)	1 Year	2 Years	3 Years	5 Years	10 Years
Energy	27.36	0.23	-2.51	3.92	4.30
Telecom Services	23.49	13.00	9.56	11.64	6.39
Financials	22.80	9.96	11.68	19.47	-0.36
Industrials	18.86	7.63	8.36	15.60	7.79
Materials	16.69	3.40	4.55	10.54	6.06
Utilities	16.29	5.19	12.59	10.35	6.98
Information Technology	13.85	9.82	13.15	16.39	9.93
S&P 500 Index	**11.96**	**6.54**	**8.87**	**14.66**	**6.95**
Consumer Discretionary	6.03	8.05	8.59	17.82	9.63
Consumer Staples	5.38	5.99	9.22	12.73	10.14
Real Estate	3.39	4.03	12.11	11.38	4.29
Health Care	-2.69	1.99	9.24	16.80	9.58

Source: Morningstar Direct. Data as of 12/31/2016. 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.

Energy = S&P 500 Sec/Energy TR USD, Telecom Services = S&P 500 Sec/Telecom Services TR USD, Financials = S&P 500 Sec/Financials TR USD, Industrials = S&P 500 Sec/Industrials TR USD, Materials = S&P 500 Sec/Materials TR USD, Utilities = S&P 500 Sec/Utilities TR USD, Information Technology = S&P 500 Sec/Information Technology TRUSD, Consumer Discretionary = S&P 500 Sec/Cons Disc TR USD, Consumer Staples = S&P 500 Sec/Cons Staples TR USD, Real Estate = S&P 500 Sec/Real Estate TR USD, Health Care = S&P 500 Sec/Health Care TR USD

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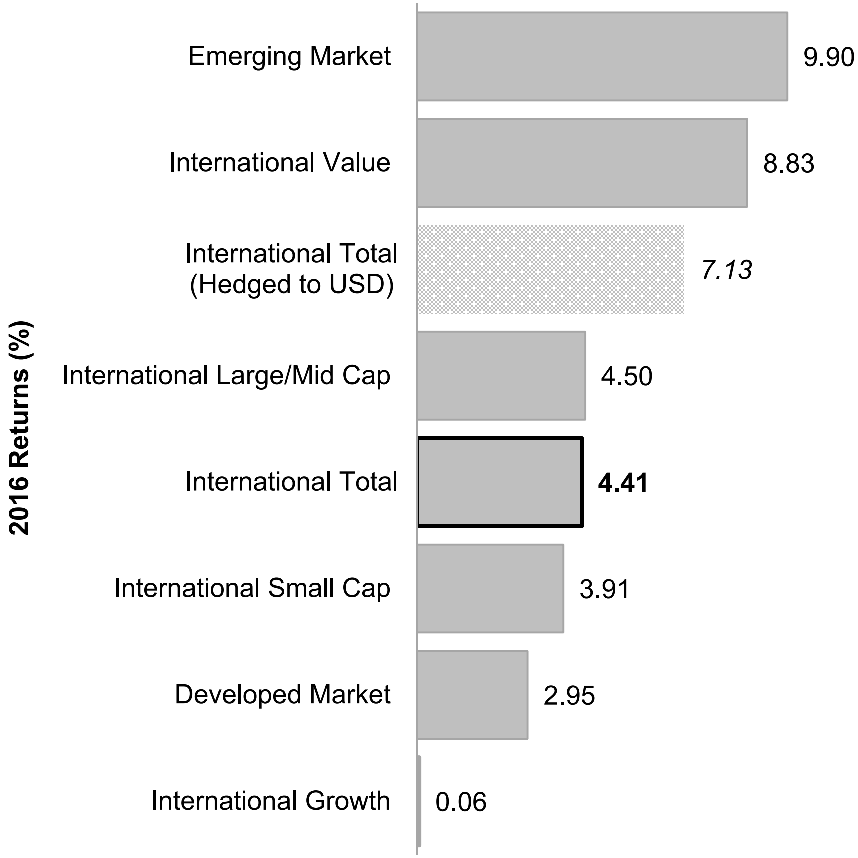
Market Review: International Stocks

2016 Index Returns (%)

- Emerging markets led developed markets due to the rebound of commodity prices which have benefited export-oriented economies. The appreciation of the U.S. dollar negatively impacted international stock returns measured in dollars.



International Stock Sub-Asset Classes	1 Year	2 Years	3 Years	5 Years	10 Years
Emerging Market	9.90	-2.70	-2.40	1.54	2.07
International Value	8.83	-0.44	-1.99	5.04	0.70
International Total (Hedged to USD)	*7.13*	*4.08*	*4.44*	*9.44*	*2.55*
International Large/Mid Cap	4.50	-0.71	-1.78	5.00	0.96
International Total	**4.41**	**-0.20**	**-1.44**	**5.35**	**1.22**
International Small Cap	3.91	3.25	0.76	7.74	2.90
Developed Market	2.95	0.47	-1.20	6.44	1.13
International Growth	0.06	-0.10	-1.00	5.58	1.68

Source: Morningstar Direct. Data as of 12/31/2016. 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.

International Total = MSCI ACWI Ex USA IMI NR USD, International Total (Hedged to USD) = MSCI ACWI ex US 100% Hedged NR USD, Developed Market = MSCI World Ex USA IMI NR USD, Emerging Market = MSCI EM IMI NR USD, International Large/Mid Cap = MSCI ACWI Ex USA NR USD, International Small Cap = MSCI ACWI Ex USA Small NR USD, International Growth = MSCI ACWI Ex USA IMI Growth NR USD, International Value = MSCI ACWI Ex USA IMI Value NR USD

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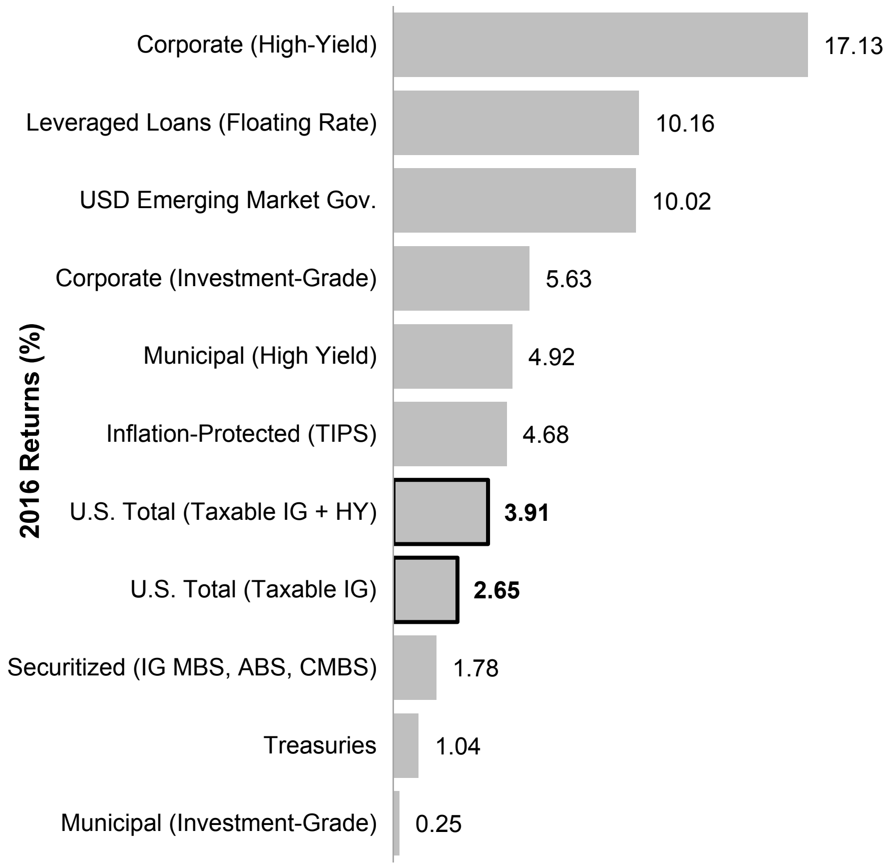
Market Review: U.S. Bonds

2016 Index Returns (%)

- Bonds gained last year despite rising interest rates. High-yield bonds significantly outperformed investment-grade bonds due to the rebound in oil that benefited the energy sector.



U.S. Bond Sub-Asset Classes	1 Year	2 Years	3 Years	5 Years	10 Years
Corporate (High-Yield)	17.13	5.78	4.66	7.36	7.45
Leveraged Loans (Floating Rate)	10.16	4.59	3.58	5.11	4.64
USD Emerging Market Gov.	10.02	5.78	5.54	-	-
Corporate (Investment-Grade)	5.63	2.38	4.07	3.85	5.31
Municipal (High Yield)	4.92	3.88	7.34	7.05	4.59
Inflation-Protected (TIPS)	4.68	1.58	2.26	0.89	4.36
U.S. Total (Taxable IG + HY)	**3.91**	**2.16**	**3.28**	**2.78**	**4.57**
U.S. Total (Taxable IG)	**2.65**	**1.59**	**3.03**	**2.23**	**4.34**
Securitized (IG MBS, ABS, CMBS)	1.78	1.62	3.02	2.14	4.23
Treasuries	1.04	0.94	2.29	1.21	3.97
Municipal (Investment-Grade)	0.25	1.76	4.14	3.28	4.25

Source: Morningstar Direct. Data as of 12/31/2016. 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.

U.S. Total (Taxable IG + HY) = BBgBarc US Universal TR USD, U.S. Total (Taxable IG) = BBgBarc US Agg Bond TR USD, Corporate (High-Yield) = BBgBarc High Yield Corporate TR USD, Leveraged Loans (Floating Rate) = S&P/LSTA Leveraged Loan TR, USD Emerging Market Gov. = BBgBarc USD EM Government TR USD, Corporate (Investment Grade) = BBgBarc US Credit TR USD, Municipal (High Yield) = S&P Municipal Bond High Yield TR, Inflation-Protected Bonds (TIPS) = BBgBarc US Treasury US TIPS TR USD, Securitized (IG MBS, ABS, CMBS) = BBgBarc US Scrtzd MBS ABS CMBS TR USD, Treasuries = BBgBarc US Treasury TR USD, Municipal (Investment Grade) = BBgBarc Municipal TR USD

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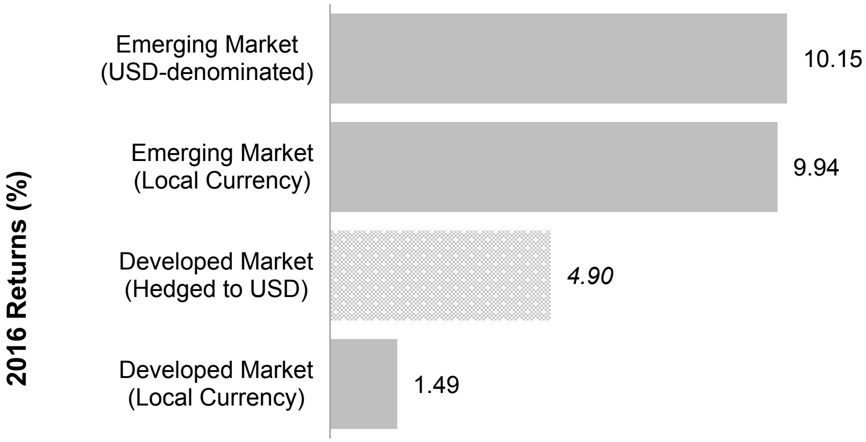
Market Review: International Bonds

2016 Index Returns (%)

- Similar to stocks, emerging markets bonds led developed markets due to the rebound of commodity prices. The appreciation of the U.S. dollar negatively impacted international bond returns measured in dollars.



International Bond Sub-Asset Classes	1 Year	2 Years	3 Years	5 Years	10 Years
Emerging Market (USD-denominated)	10.15	5.57	6.19	5.91	6.88
Emerging Market (Local Currency)	9.94	-3.28	-4.10	-1.29	3.82
Developed Market (Hedged to USD)	*4.90*	*3.11*	*4.97*	*4.50*	*4.41*
Developed Market (Local Currency)	1.49	-2.34	-2.59	-1.39	2.44

Source: Morningstar Direct. Data as of 12/31/2016. 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.

Developed Market (Local Currency) = BBgBarc Gbl Agg Ex USD TR USD, Developed Market (Hedged to USD) = BBgBarc Gbl Agg Ex USD TR Hdg USD, Emerging Market (Local Currency) = JPM GBI-EM Global Diversified TR USD, Emerging Market (USD-denominated) = JPM EMBI Global Diversified TR USD

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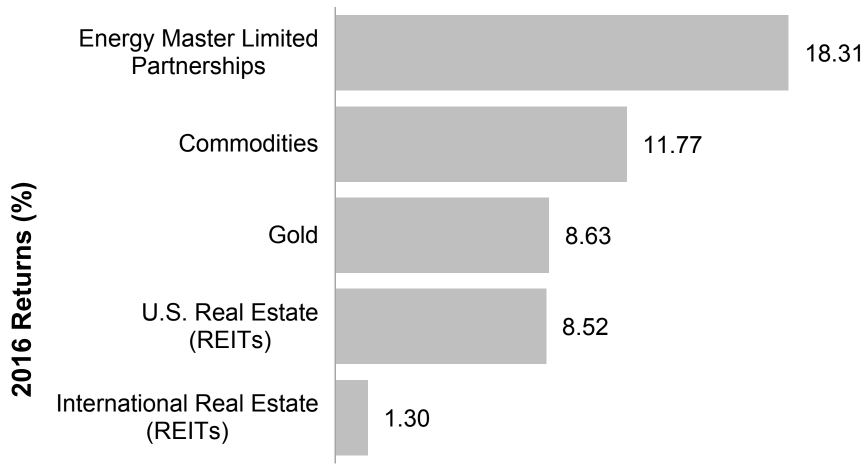
Market Review: Real Assets

2016 Index Returns (%)

- Commodities and other real assets tied to commodity prices rebounded sharply in 2016.



Real Asset Sub-Asset Classes	1 Year	2 Years	3 Years	5 Years	10 Years
Energy Master Limited Partnerships	18.31	-10.70	-5.80	2.25	8.05
Commodities	11.77	-8.24	-11.26	-8.95	-5.58
Gold	8.63	-1.38	-1.42	-5.97	6.08
U.S. Real Estate (REITs)	8.52	5.82	13.38	12.01	5.08
International Real Estate (REITs)	1.30	-1.26	0.09	7.92	-0.27

Source: Morningstar Direct. Data as of 12/31/2016. 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.

Energy Master Limited Partnerships = Alerian MLP TR USD, Commodities = Bloomberg Commodity TR USD, Gold = S&P GSCI Gold Spot, U.S. Real Estate (REITs) = FTSE NAREIT Equity REITs TR USD, International DM Real Estate (REITs) = FTSE EPRA/NAREIT Developed Ex US NR USD

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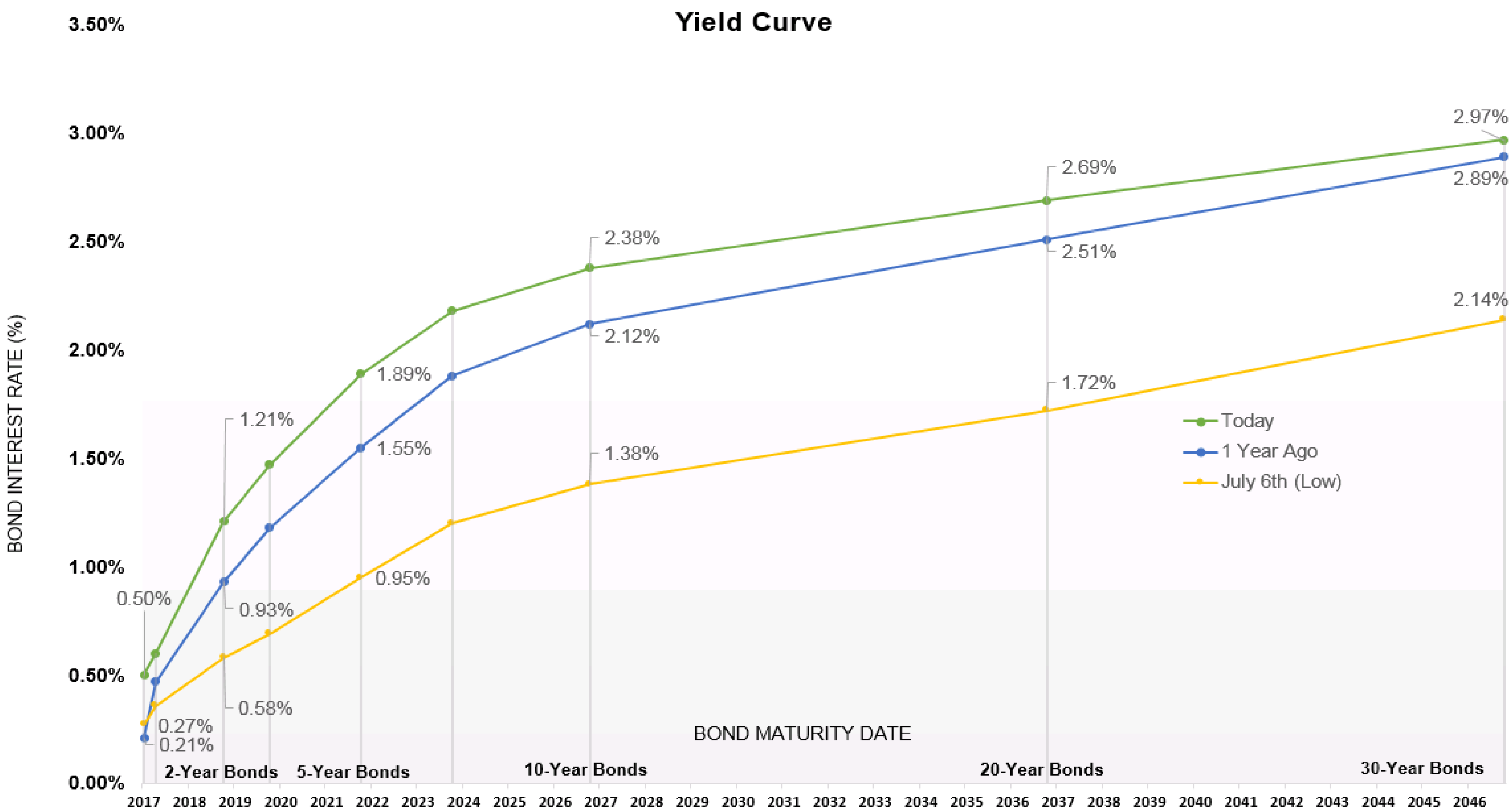
Market Review: US Interest Rates

Treasury Yield Curve

- Both short-term and long-term U.S. government interest rates have moved up. Although they moved up sharply since last July, current rates are not that much higher than a year ago. The rise in Treasury yields incorporate expectations of higher inflation and economic growth.



- The Treasury Yield Curve is a graph of the interest rates (yields) of U.S. government bonds plotted against the time they have to maturity. Treasury yields impact consumer and business borrowing rates (e.g., 10-year Treasury yields influence 30-year mortgage rates).

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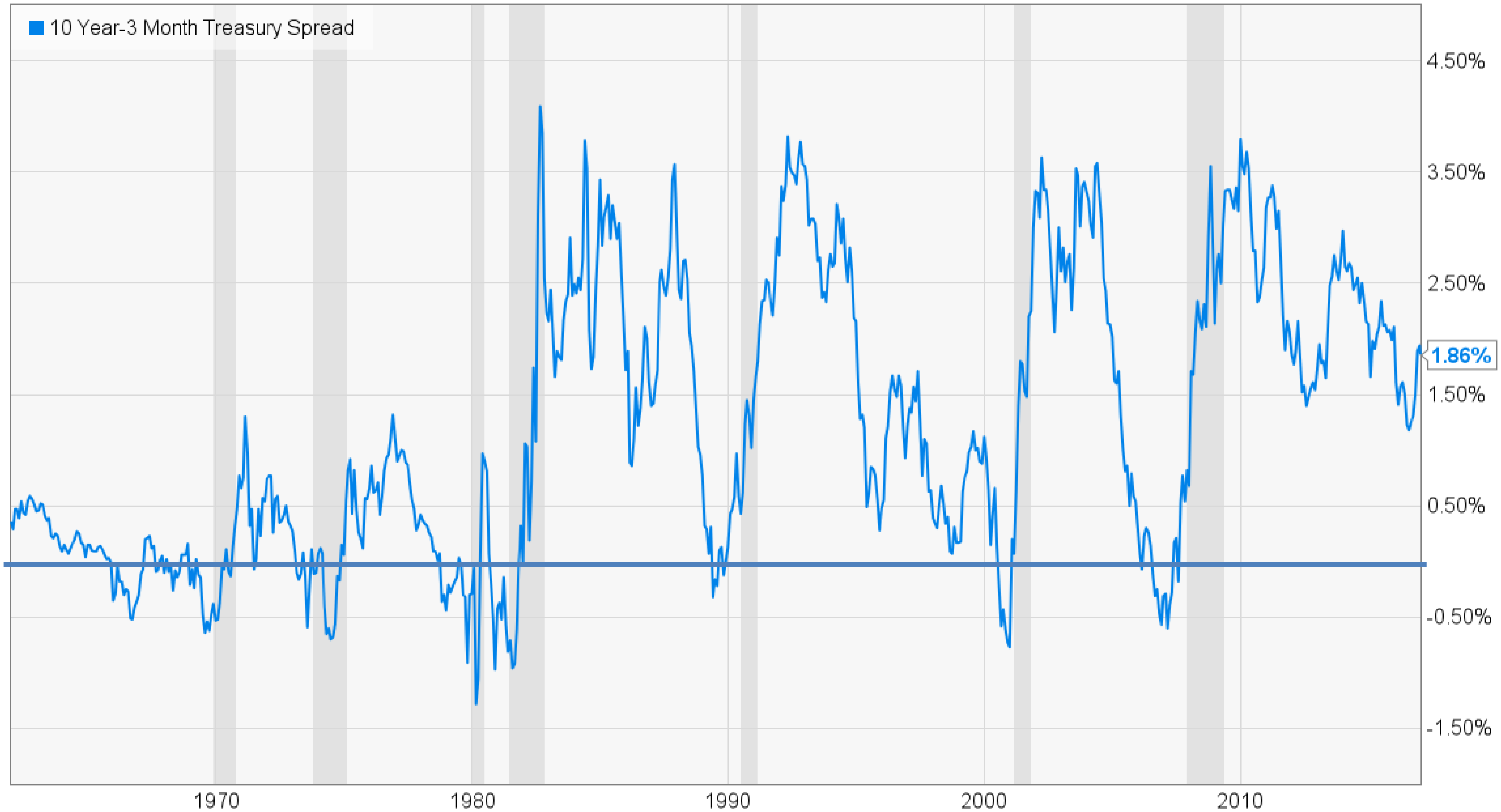
Source: YCharts. Data as of January 2017. Past performance is not a guarantee of future results.

Market Review: US Interest Rates

Treasury Yield Curve Slope

❑ The yield curve is "upward sloping" and has recently steepened a bit; the yield curves is currently not pointing toward a recession.

Treasury Yield Curve Slope



❑ The slope of the yield curve provides an important clue to the direction of future short-term interest rates; an upward sloping curve generally indicates that the financial markets expect higher future interest rates (i.e., a stronger economy); a downward sloping curve indicates expectations of lower rates in the future. Historically, the slope of the yield curve is the single best indicator of trouble.

Source: YCharts. Data as of January 2017. Past performance is not a guarantee of future results.
Shaded areas indicate past U.S. recessions.

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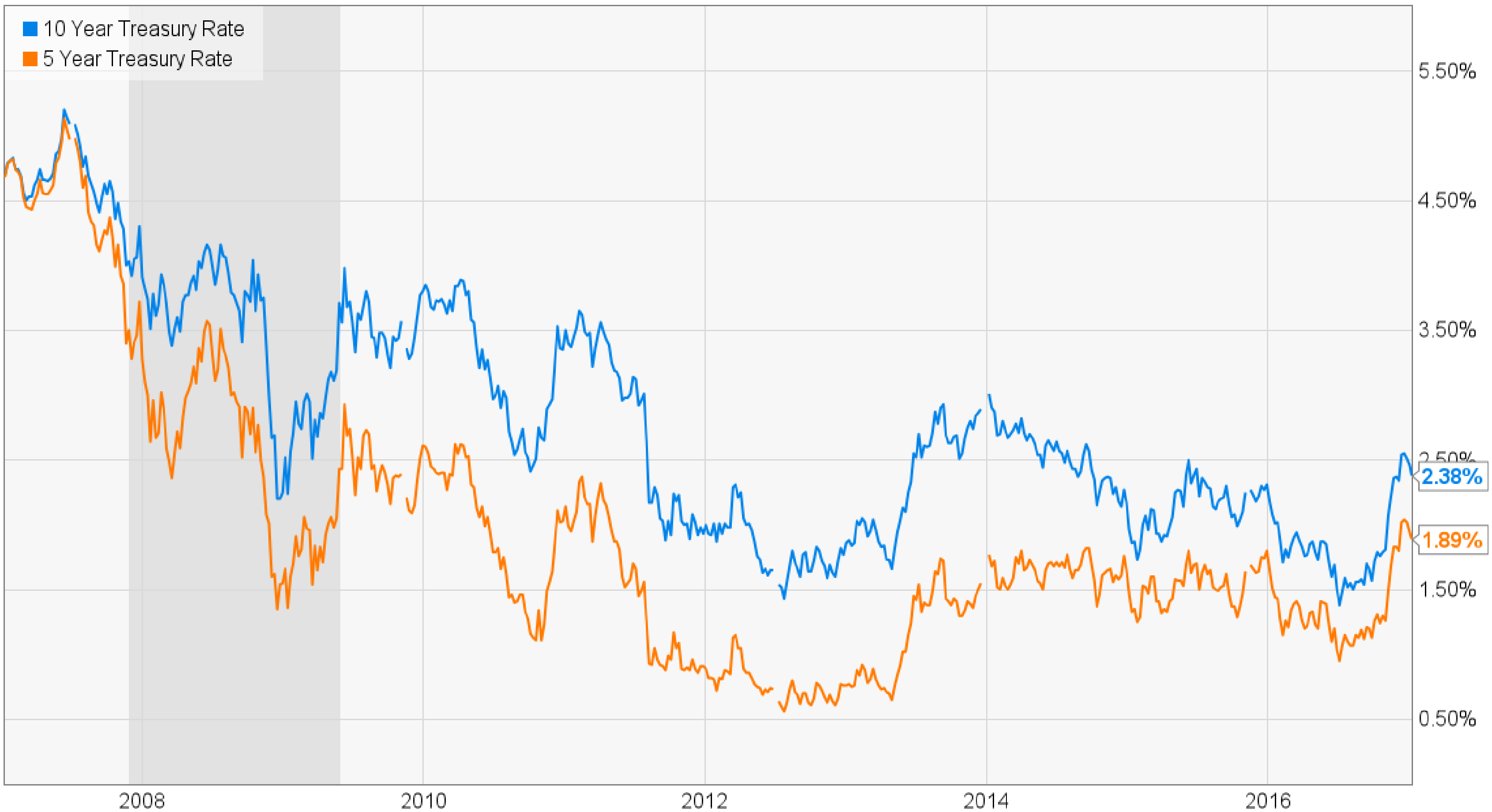
Market Review: US Interest Rates

US 10-Year and 5-Year Treasury Yields

- Treasury benchmark yields, which borrowing rates for mortgage rates to auto loans are based on, have moved up but are still at relatively low levels.



- The 10-year treasury yield is the benchmark yield that borrowing rates for mortgage rates and Home Equity Loans, Federal student Loans (once a year in May reset) are based on. The 5-year treasury yield is pegged for auto loans.

Source: YCharts. Data as of January 2017. Past performance is not a guarantee of future results.
Shaded areas indicate past U.S. recessions.

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Market Review: US Interest Rates

30-Year Fixed Mortgage Rate

- The average rate on 30-year fixed-rate loan mortgages have risen to slightly more than 4%, back up to where it was in 2013.

Source: YCharts, Freddie Mac. Data as of January 2017. Past performance is not a guarantee of future results.
Shaded areas indicate past U.S. recessions.

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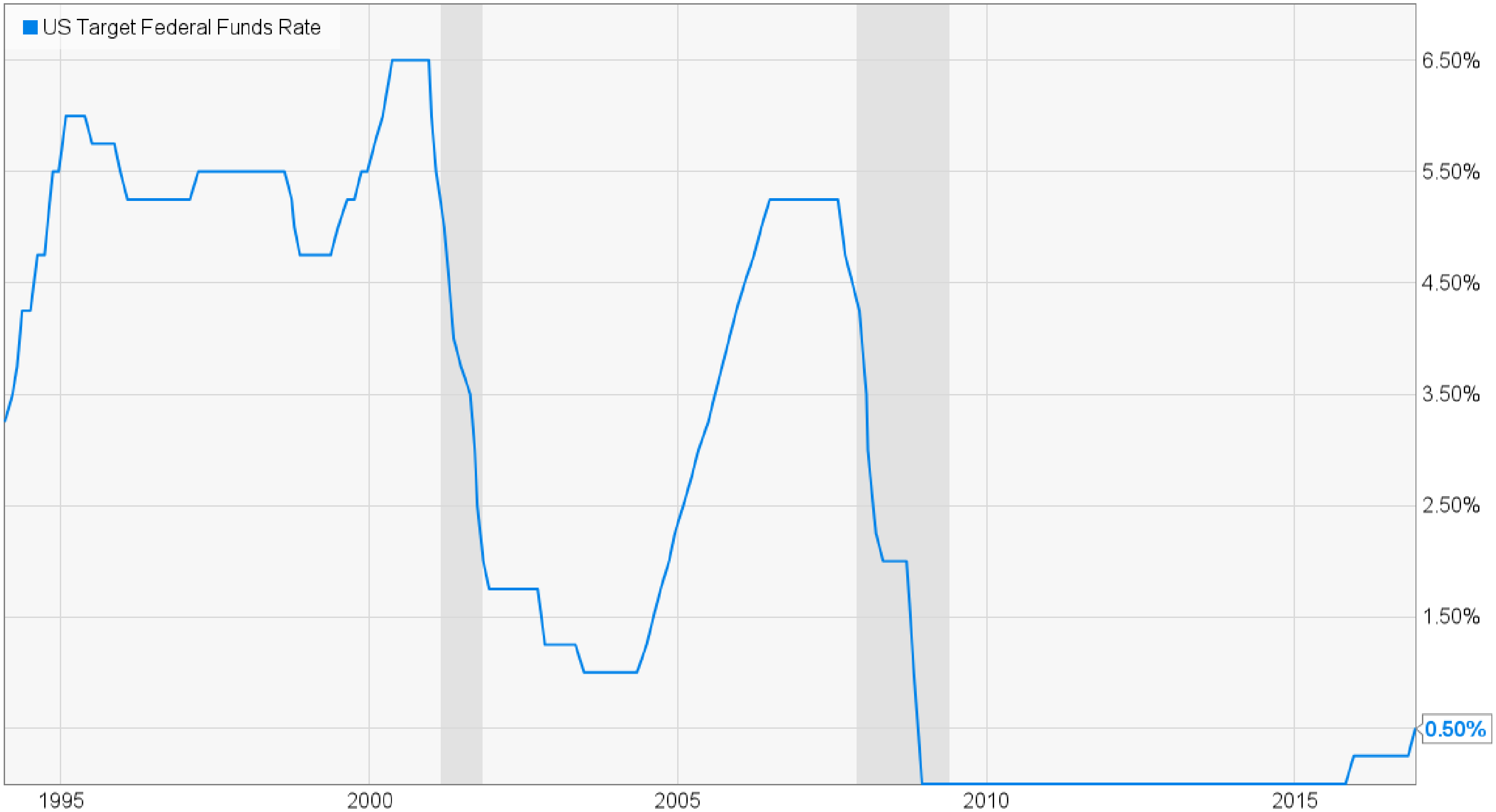
Market Review: US Interest Rates

Federal Funds Rate

- The Federal Funds rate is the Fed's target for short-term interest rates. The Fed recently moved up the target to 0.50% from 0.25%, still near the record low set since late-2008 to stimulate the economy. The move marks just the second increase over 10 years.

Short-Term Interest Rates



- The federal funds rate is rate at which banks can borrow and lend to each other overnight. It is one of the most influential interest rates in the U.S. economy because it affects other short-term and long-term lending rates in the U.S. economy (e.g., credit cards, mortgages, home equity lines, etc.).

Source: YCharts, Federal Reserve. Data as of January 2017. Past performance is not a guarantee of future results.
Shaded areas indicate past U.S. recessions.

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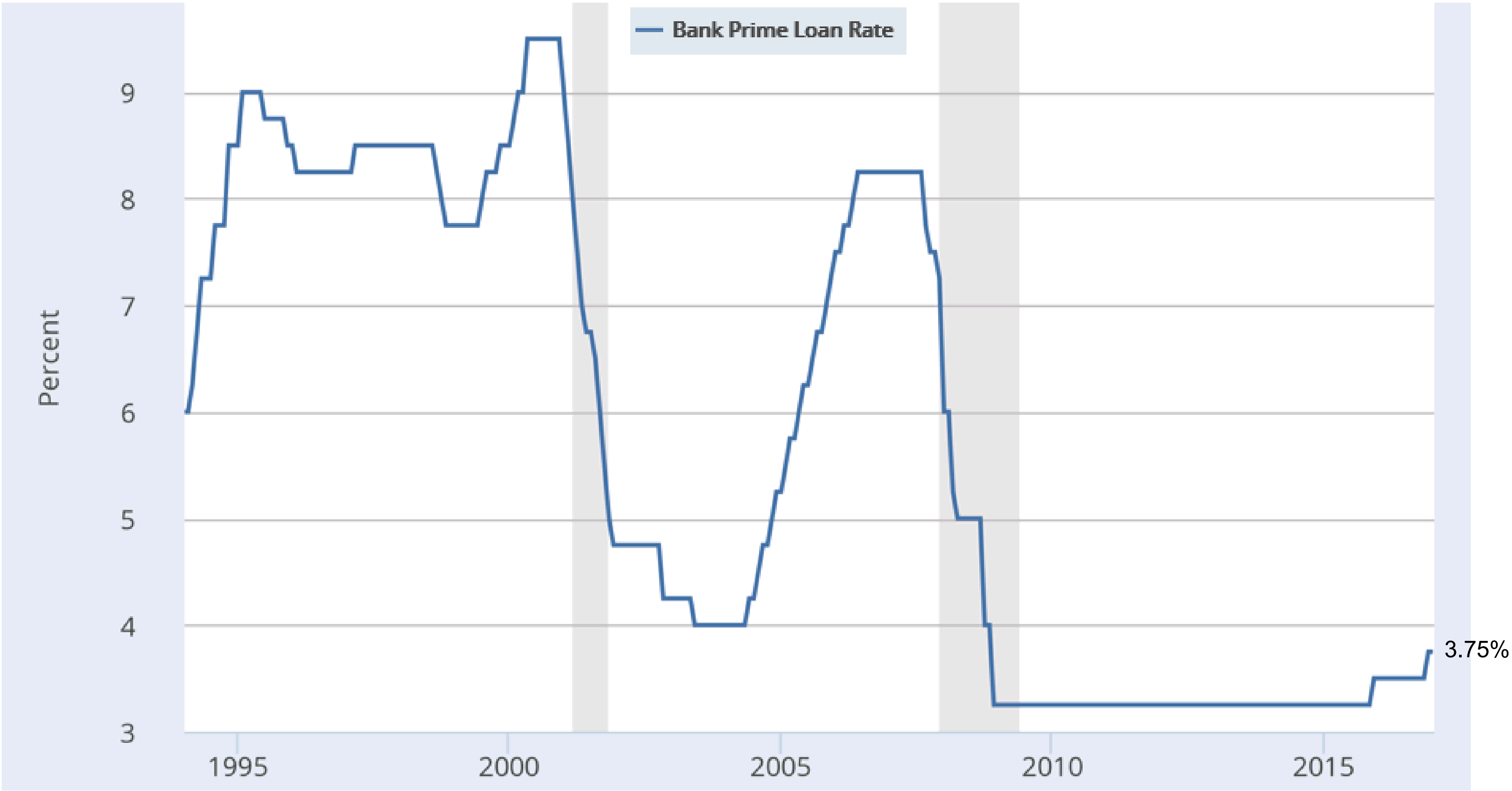
Market Review: US Interest Rates

Prime Rate

- Many of the major banks have announced an increase to their prime rates (from 3.50% to 3.75%). Credit cards, brokerage margin loans, and home equity lines of credit will feel increases but they shouldn't be big. These rates remain low by historical standards.



- The prime rate is the interest rate that commercial banks charge their most credit-worthy customers and large corporations. The prime interest rate, or prime lending rate, is largely determined by the federal funds rate; the prime rate is also important for individual borrowers as it influences credit card rates and home-equity lines of credit.

Source: Board of Governors of the Federal Reserve System (US), fred.stlouisfed.org. Data as of January 2017. Past performance is not a guarantee of future results. Shaded areas indicate past U.S. recessions.

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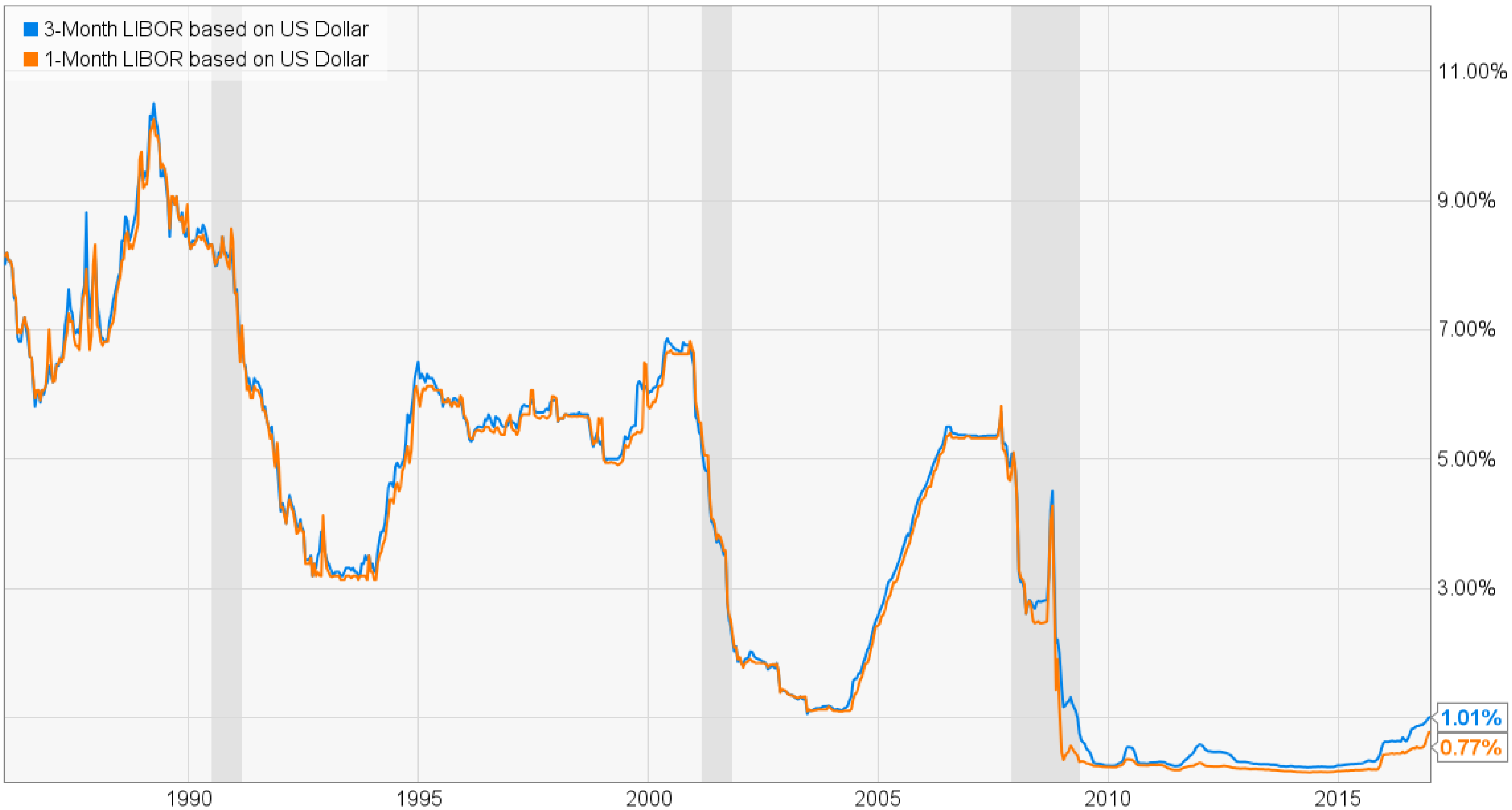
Market Review: US Interest Rates

1-Month and 3-Month London Interbank Offer Rate (LIBOR)

- LIBOR rates have moved up, with 3-month LIBOR reaching 1% for the first time since the US emerged from recession in 2009. Some variable rate loans (e.g., ARMs) and leveraged loans will be impacted, but not to a large degree.

LIBOR



- The Intercontinental Exchange London Interbank Offered Rate (LIBOR or ICE LIBOR) is a benchmark rate that some of the world's leading banks charge each other for short-term loans. It stands for and serves as the first step to calculating interest rates on various loans throughout the world.

Source: YCharts, ICE. Data as of January 2017. Past performance is not a guarantee of future results.
Shaded areas indicate past U.S. recessions.

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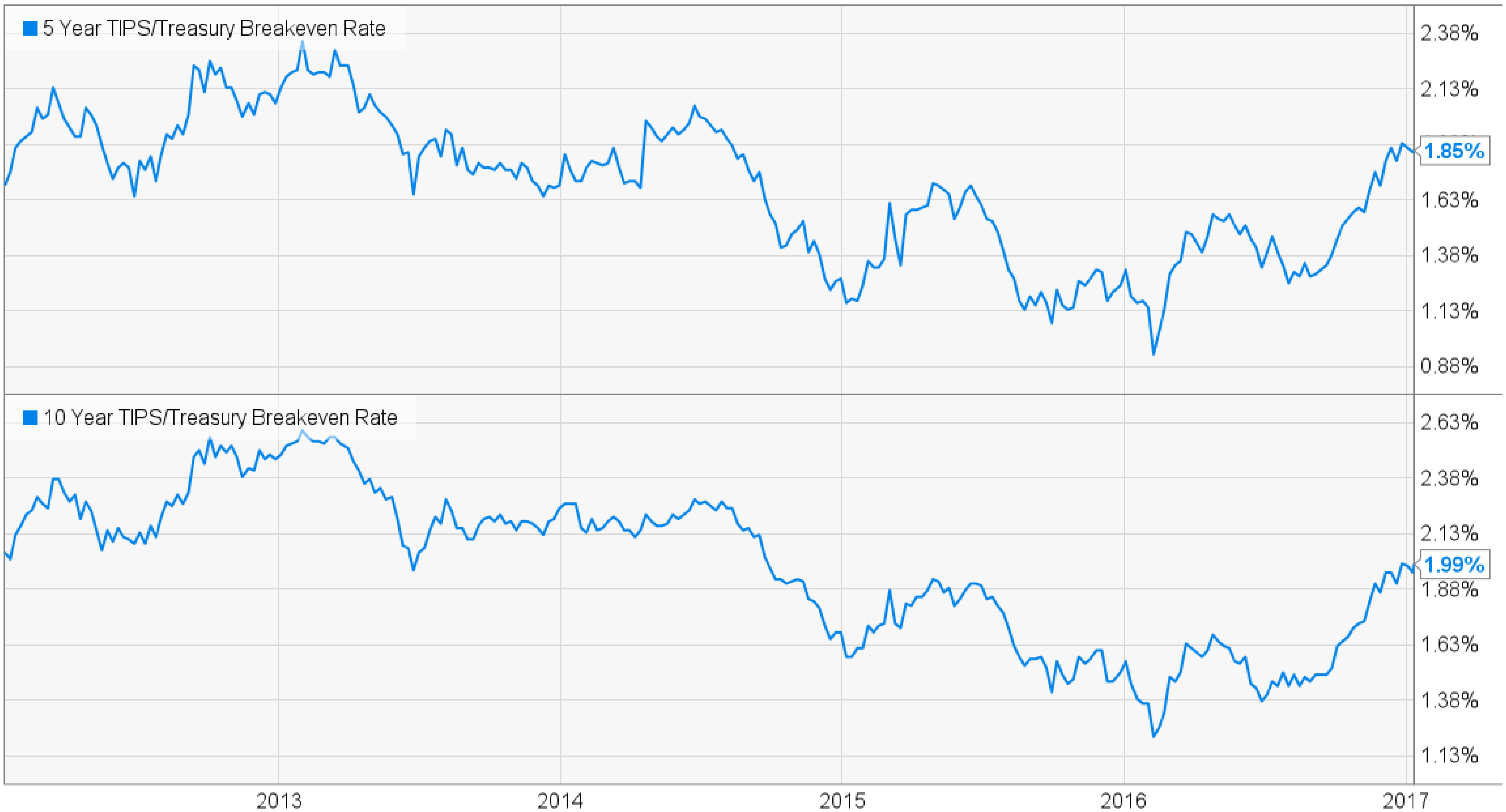
Market Review: US Inflation Expectations

Breakeven Rates

- Investors think inflation will be moving up. Inflation expectations, which are currently at the highest since 2014, were rising since before the election with expectations that policies (such as tax cuts, regulatory rollbacks, and infrastructure spending) would be used to boost economic growth.

Market Inflation Expectations



- Breakeven rates are market-based inflation indicators. They are the differential between nominal (non-inflation-adjusted) Treasuries and Treasury-Inflation-Protected-Securities. Policy makers pay close attention to inflation expectation because they can influence firms' and households' spending decisions, which affect actual prices.

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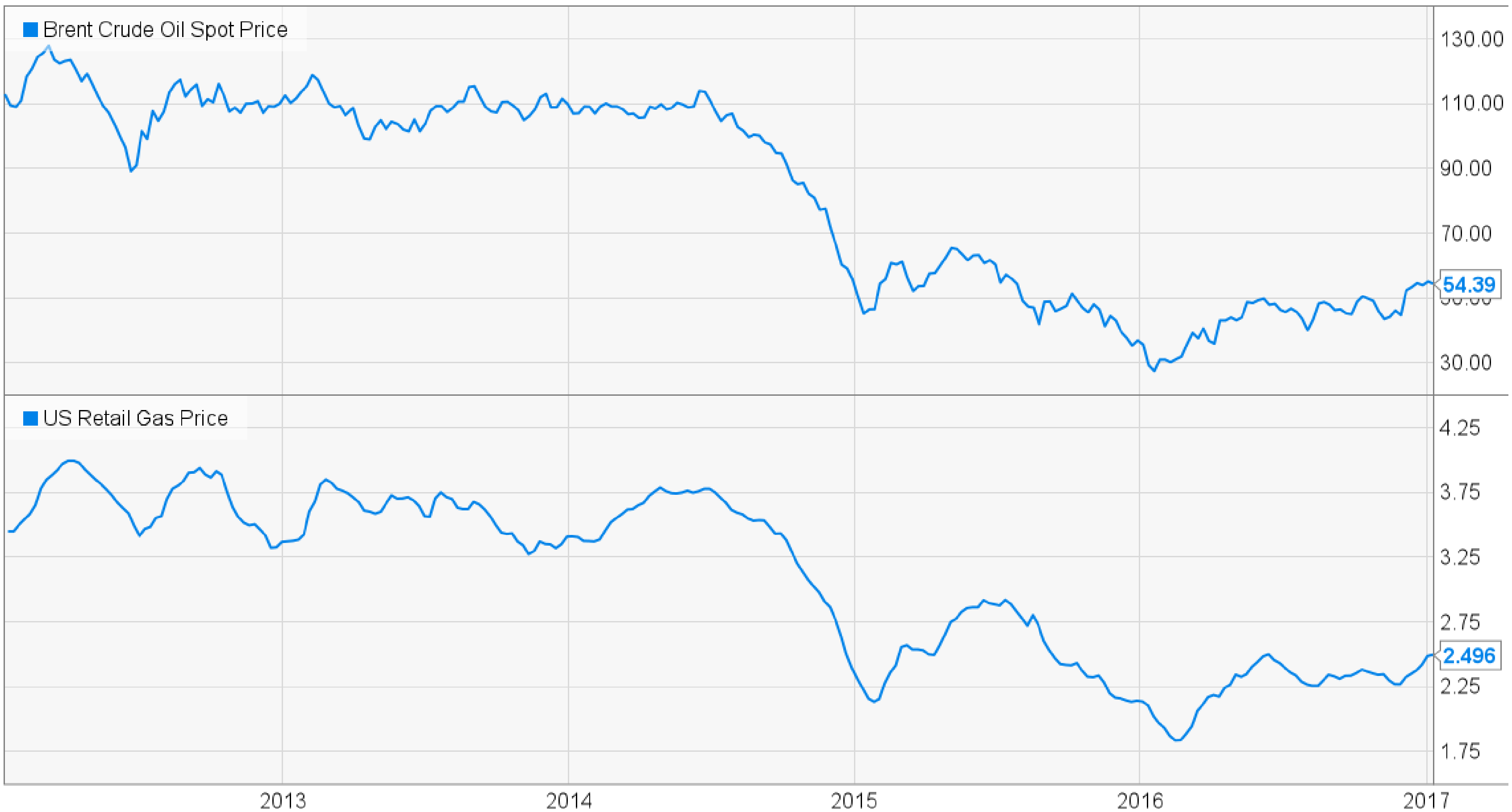
Source: YCharts. Data as of January 2017. Past performance is not a guarantee of future results.

Market Review: Energy Prices

Oil & Gas

- After bottoming at below $30/barrel, oil prices stabilized and rebounded throughout 2016. This has led to higher gasoline prices but has not hampered consumer spending so far. Energy prices are still nowhere near the levels they were prior to their collapse in 2014.

Energy Prices



Source: YCharts, Energy Information Administration. Data as of January 2017. Past performance is not a guarantee of future results.

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Markets Review: Currency

US Dollar

- The U.S. dollar reached a 14-year high, with expectations of higher interest rates and growth in the U.S. A stronger dollar makes import prices lowers, but can hurt exports. A stronger dollar negatively impacts corporate overseas sales and international investment returns.

U.S. Dollar $

- The US Dollar Index (DXY) is an index (or measure) of the value of the United States dollar relative to a basket of foreign currencies, often referred to as a basket of US trade partners' currencies. It is a weighted geometric mean of the dollar's value relative to other select currencies. The Euro to US Dollar Exchange Rate is a direct quote of the U.S. dollars per unit of Euro.

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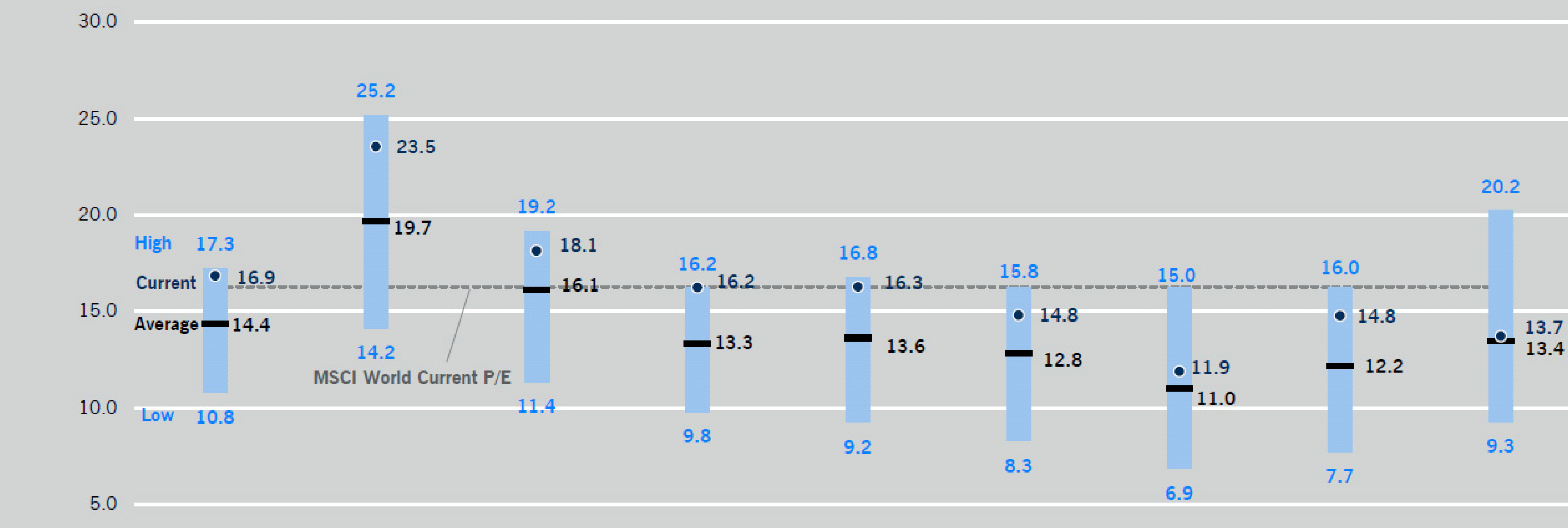
Source: YCharts. Data as of January 2017. Past performance is not a guarantee of future results.

Markets Review: Valuations

Stock Valuations

- Stock markets overall are fairly valued to slightly overvalued relative to recent historical averages, but not to an extreme. International stock valuations look better relative to U.S.

Regions/Styles: Current NTM P/E vs. 10-Year High, Low, Average



	S&P 500	Russell 2000	Russell 1000 Growth	Russell 1000 Value	MSCI World	MSCI EAFE	MSCI EM	MSCI Europe	MSCI AC Asia Pac
High Date	2/15	7/09	5/07	12/16	2/15	5/15	10/07	3/15	7/09
Low Date	9/11	9/11	11/08	9/11	10/08	10/08	10/08	10/08	10/08

Source: Eaton Vance, Factset. Data as of 12/31/2016. 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.

NTM P/E is market price per share divided by expected earnings per share over the next twelve months. ..

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Overview

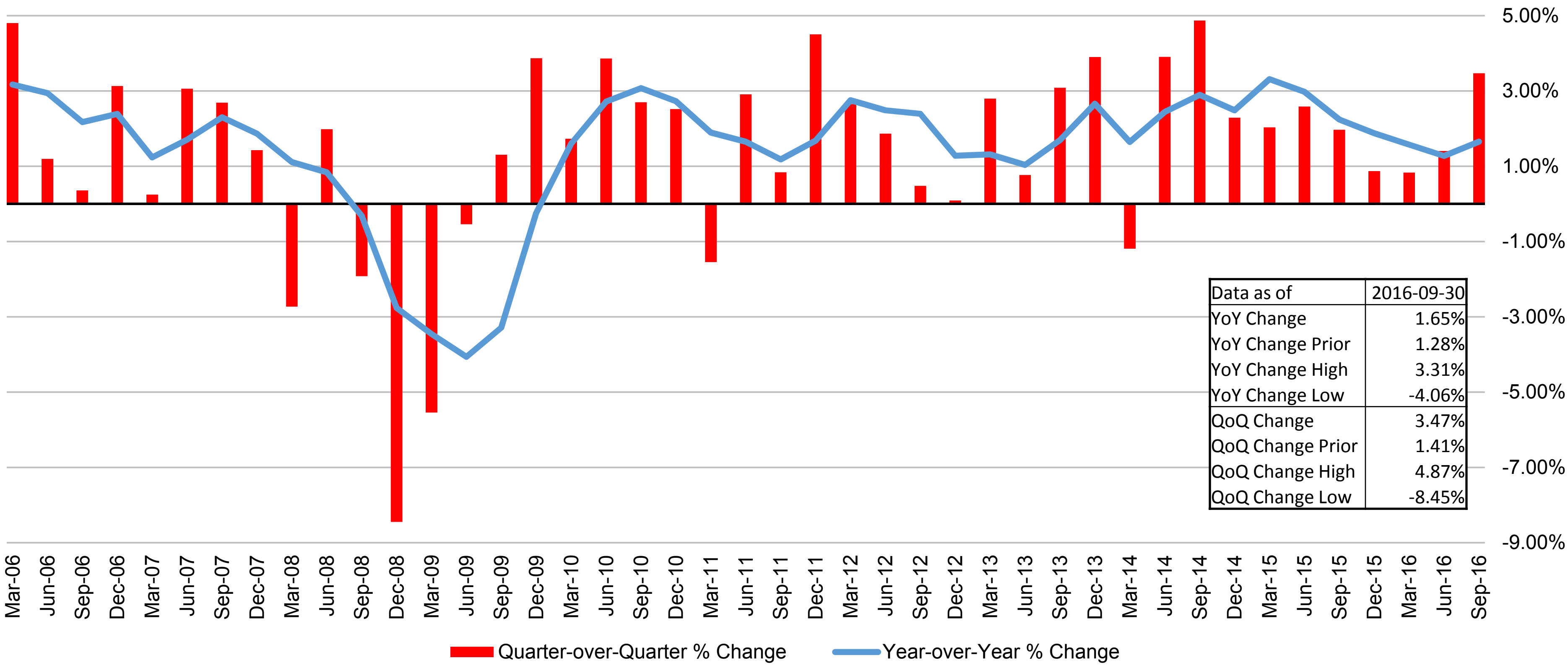
- U.S. Growth
- U.S. Inflation
- U.S. Job Market
- U.S. Consumer
- U.S. Housing Market

Economy: US Growth

Gross Domestic Product (GDP)

- The U.S. economy is in its seventh year of expansion and remains resilient. The economy expanded in the 3rd quarter at its highest annual rate in two years. Trend growth remains around 2% per year.

US Real GDP



Data as of	2016-09-30
YoY Change	1.65%
YoY Change Prior	1.28%
YoY Change High	3.31%
YoY Change Low	-4.06%
QoQ Change	3.47%
QoQ Change Prior	1.41%
QoQ Change High	4.87%
QoQ Change Low	-8.45%

- Gross domestic product (GDP) is the monetary value of all the finished goods and services produced within a country's borders in a specific time period. Though GDP is usually calculated on an annual basis, it can be calculated on a quarterly basis as well. GDP includes all private and public consumption, government outlays, investments and exports minus imports that occur within a defined territory. GDP is a broad measurement of a nation's overall economic activity.

Source: YCharts, Bureau of Economic Analysis. Past performance is not a guarantee of future results.

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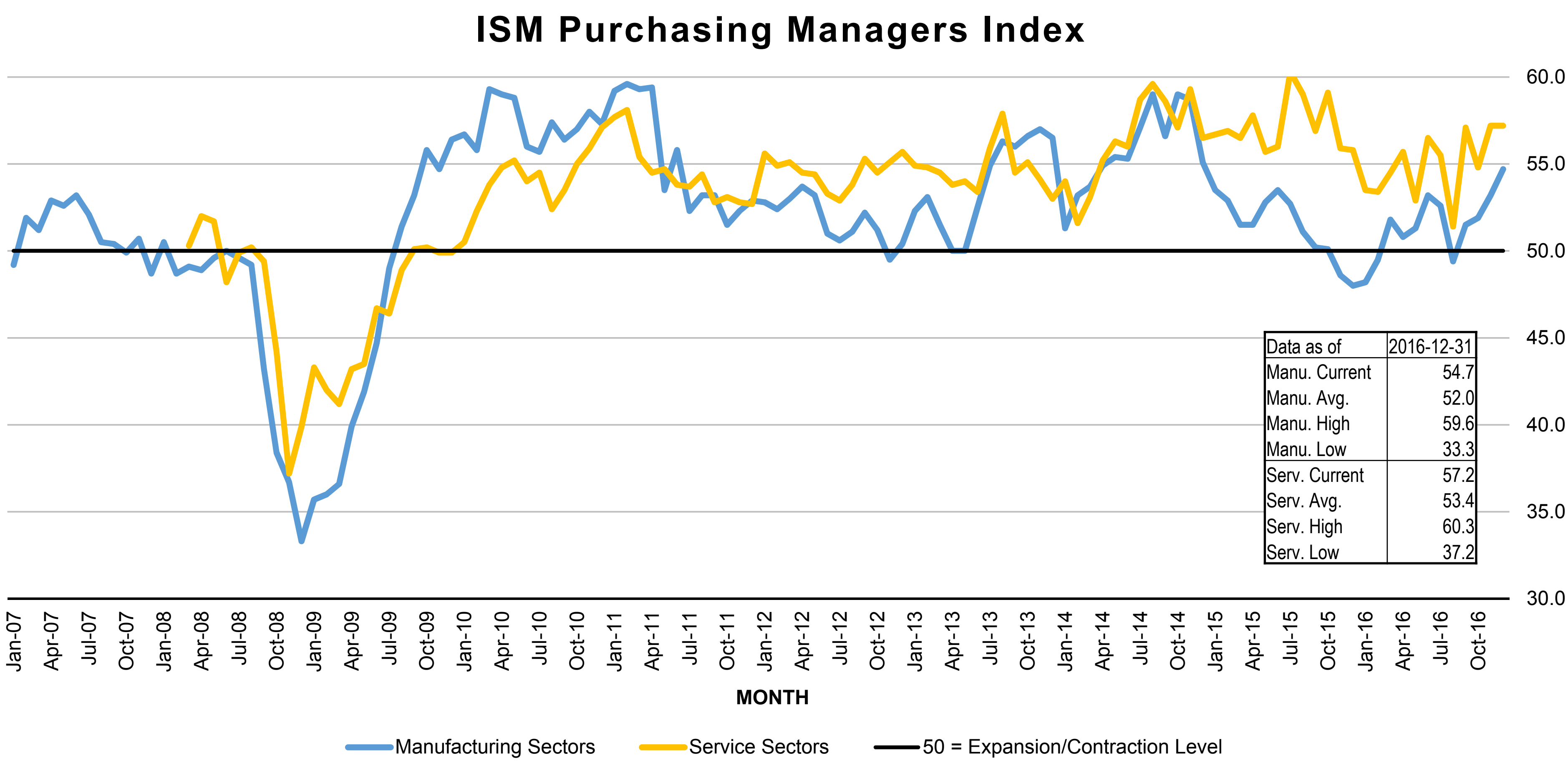
Economy: US Growth

Manufacturing & Service Sectors

- The health of U.S. service sectors remains strong, while the manufacturing sectors rebounded throughout 2016.



Data as of	2016-12-31
Manu. Current	54.7
Manu. Avg.	52.0
Manu. High	59.6
Manu. Low	33.3
Serv. Current	57.2
Serv. Avg.	53.4
Serv. High	60.3
Serv. Low	37.2

- The Purchasing Managers' Index (PMI) is an indicator of the economic health of the manufacturing and service sectors. The PMI is based on five major indicators: new orders, inventory levels, production, supplier deliveries and the employment environment. It provides information about current business conditions to company decision makers, analysts and purchasing managers. It is produced from monthly surveys sent to purchasing executives at approximately 300 companies. Readings over 50 imply expansion.

Source: YCharts, Institute for Supply Management (ISM). Past performance is not a guarantee of future results.

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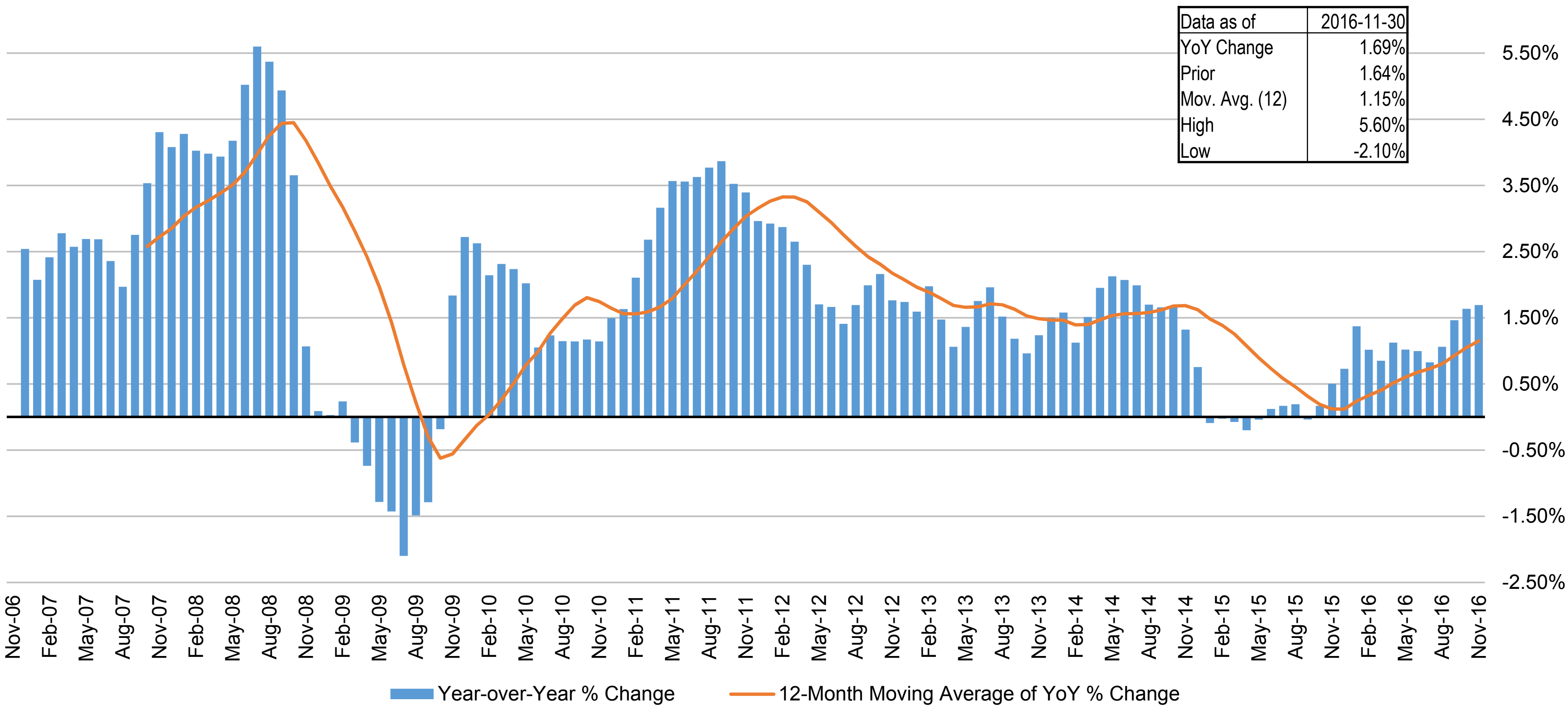
Economy: US Inflation

Consumer Price Index (CPI)

- Consumers prices have increased over the past year as the effect of falling energy prices has faded. A higher pace of inflation has offered support to Federal Reserve officials advocating for a rate increase.

US Consumer Price Index



- The Consumer Price Index (CPI) is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care. It is calculated by taking price changes for each item in the predetermined basket of goods and averaging them.

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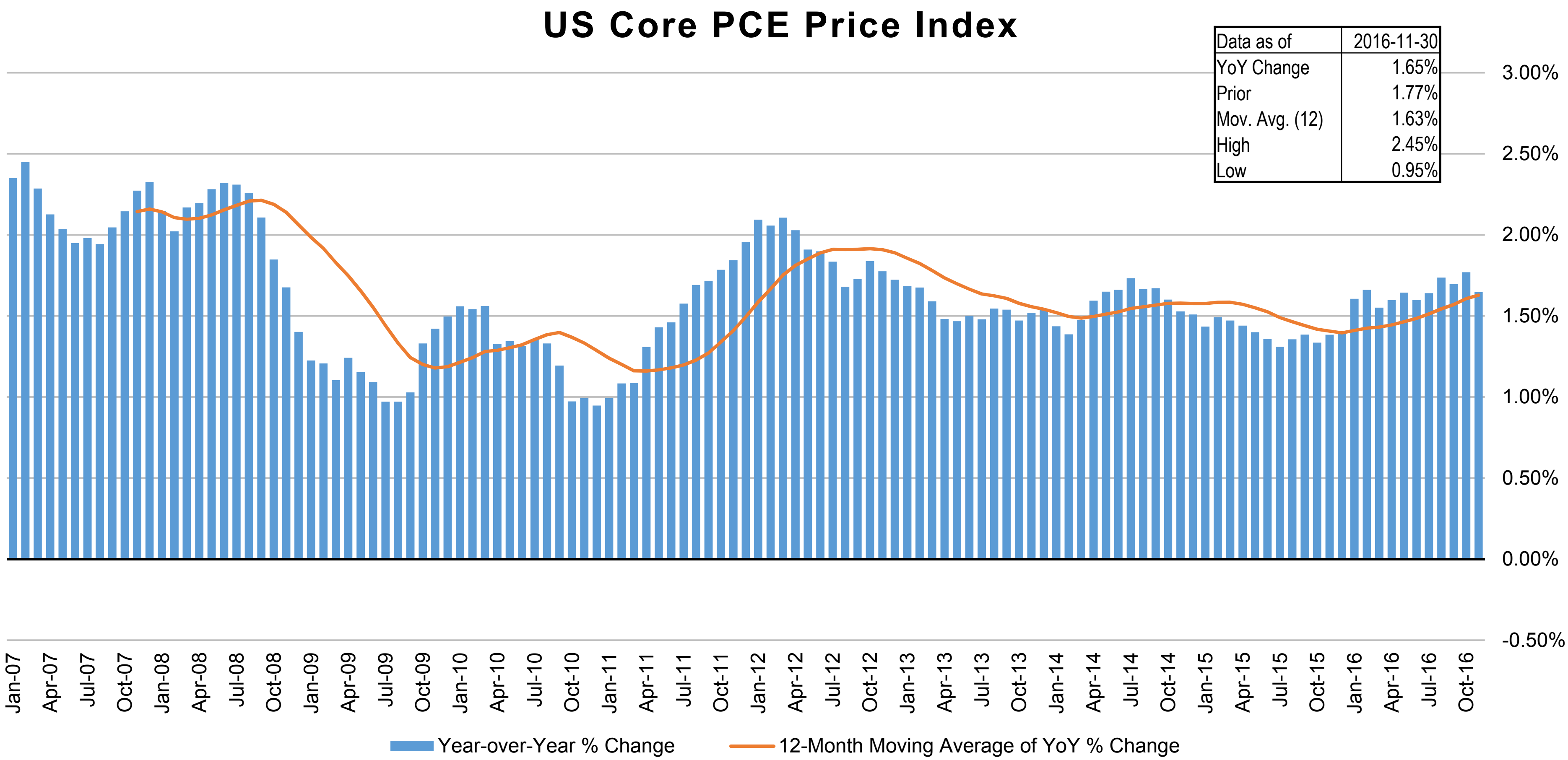
Source: YCharts, Bureau of Labor Statistics (Labor Department),. Past performance is not a guarantee of future results.

Economy: US Inflation

Core Personal Consumption Expenditures Price Index (Core PCE)

- As the Federal Reserve's preferred measure of inflation, recent levels of Core PCE support the idea that inflation is nearing the Fed's 2% objective, which could make rate hikes somewhat more likely in the near future. Inflation has failed to hit the Federal Reserve's 2% annual target for more than four years.



- The Core PCE Price Index is a measure of the price changes of consumer goods and services excluding food and energy. While it shares similarities with the Consumer Price Index (CPI), it is considered a more comprehensive, dynamic and reliable inflation metric. The Fed prefers it when reviewing economic conditions.

Source: YCharts, Bureau of Economic Analysis (Commerce Department. Past performance is not a guarantee of future results.

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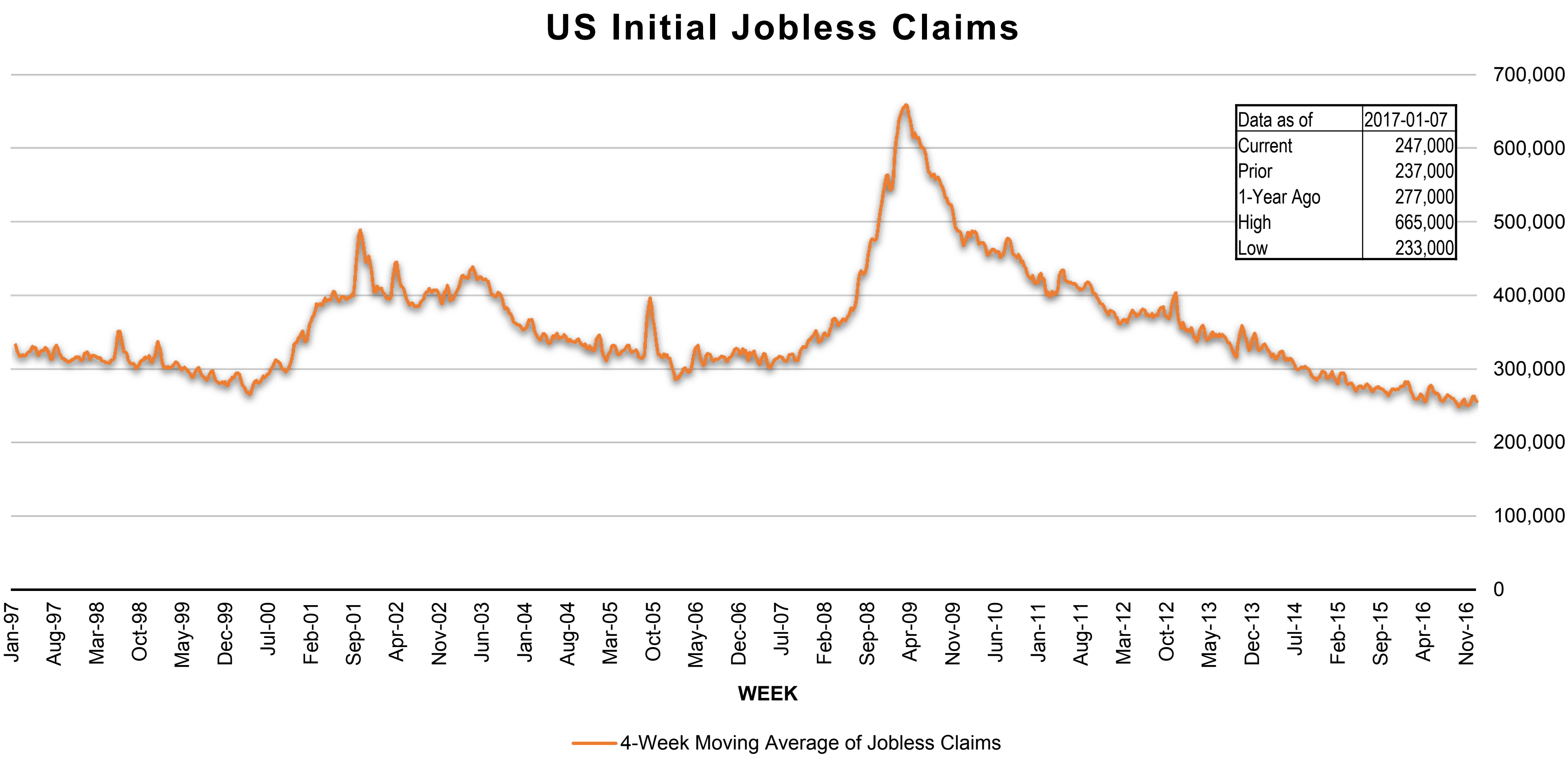
Economy: US Job Market

Jobless Claims

- The number of Americans applying for first-time unemployment benefits has fallen to its lowest level since November 1973. This is evidence of an environment in which turnover is low, making employers generally content to maintain and expand their payrolls.



- Initial claims for unemployment insurance, to be exact, offer weekly information on layoff activity. In the post-war period, when initial claims head above 320,000 per week on a consistent basis, a recession is just around the corner.

Source: YCharts, Department of Labor. Past performance is not a guarantee of future results.

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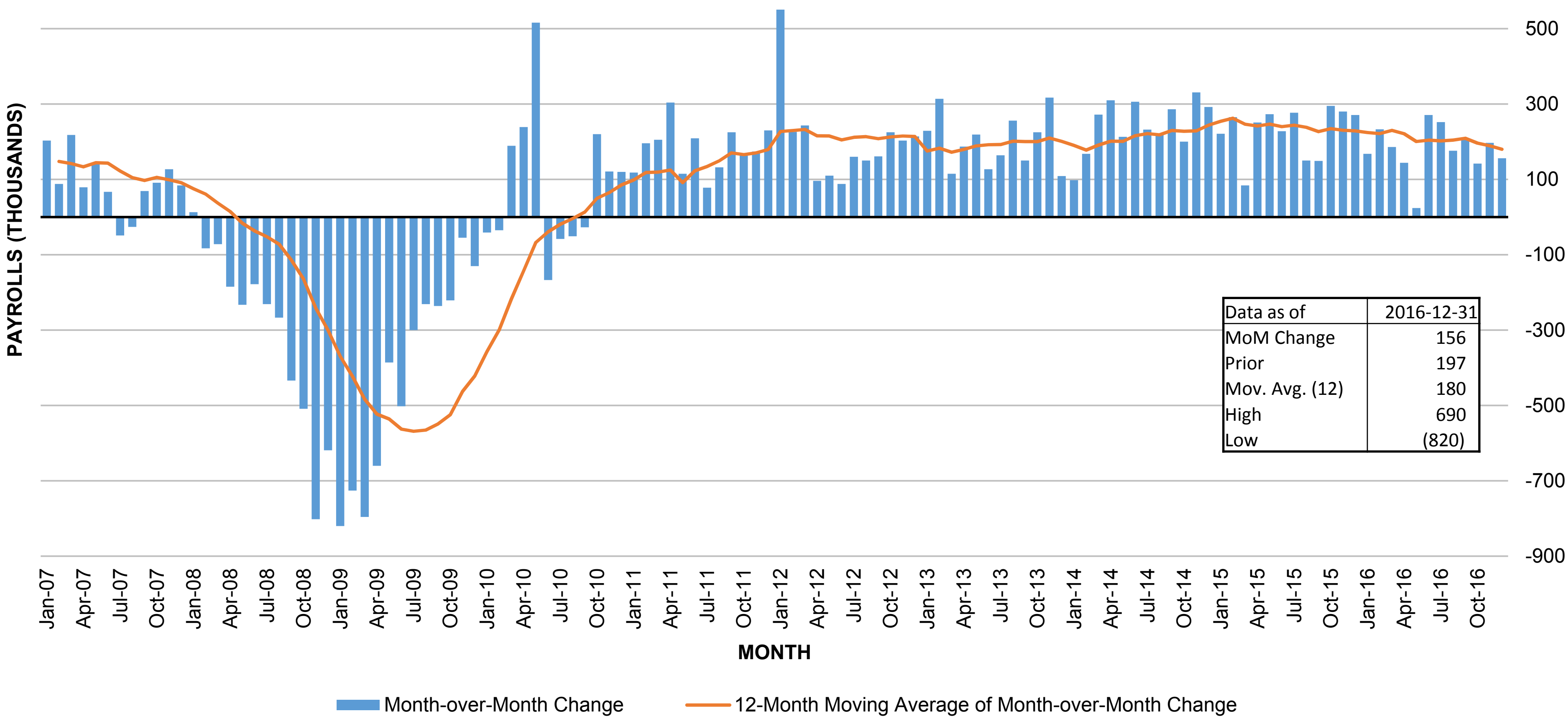
Economy: US Job Market

Change in Nonfarm Payrolls

- The U.S. labor market turned in a solid performance at the end of 2016, putting job gains above 2 million for a sixth year. Payrolls increased for the 75th straight month. While the recent trend has been down slightly, payroll increases are still close to a healthy pace of 200,000 per month.

US Total Nonfarm Payrolls



Data as of	2016-12-31
MoM Change	156
Prior	197
Mov. Avg. (12)	180
High	690
Low	(820)

- Nonfarm payroll is a monthly report intended to represent the number of additional jobs added from the previous month Despite the name nonfarm payroll, the report excludes workers from general government jobs, private household jobs, employees of nonprofit organizations and farm employees.

Source: YCharts, Bureau of Labor Statistics. Past performance is not a guarantee of future results.

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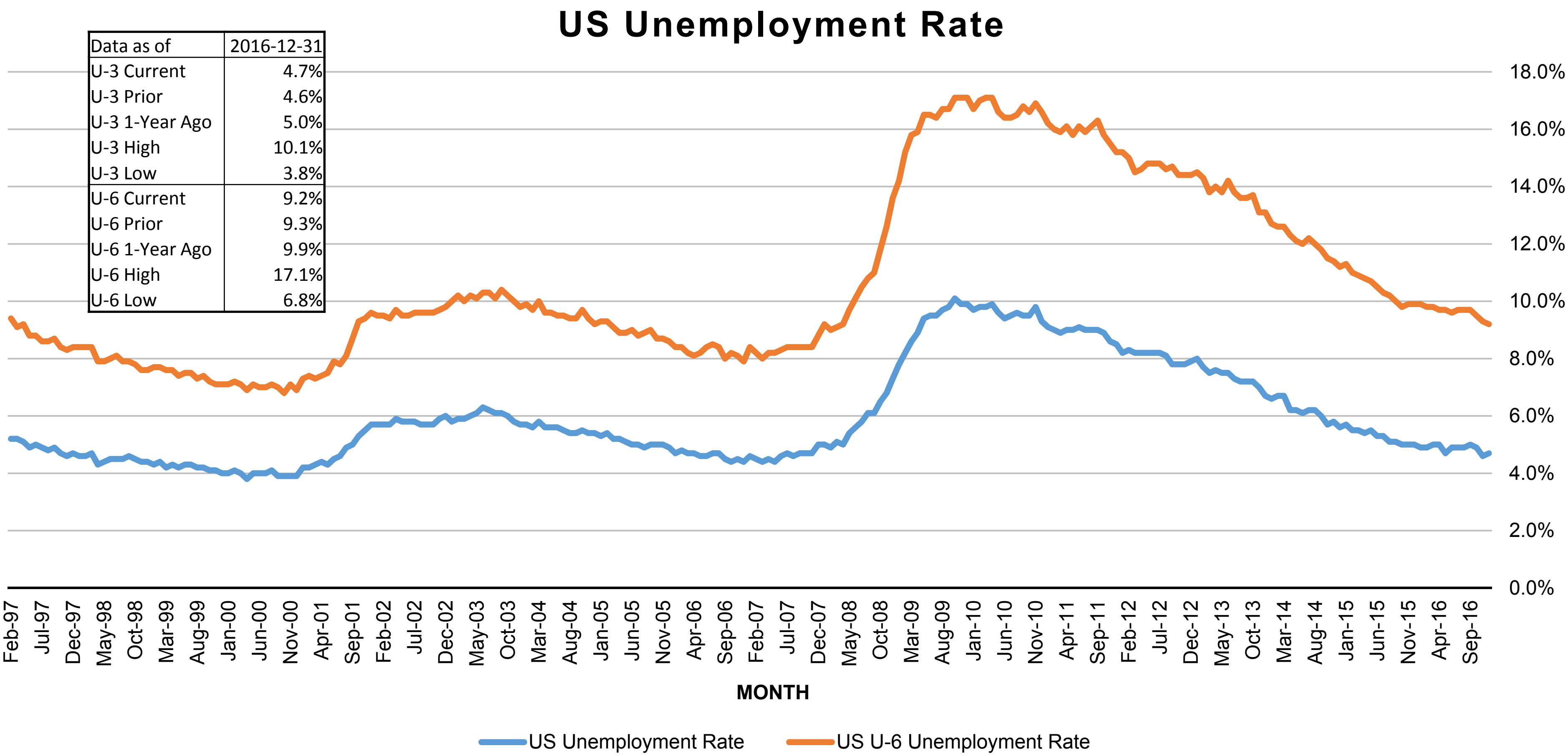
Economy: US Job Market

Unemployment Rates

- Unemployment rates continue to decline. The official unemployment rate has reached a level that is consistent with "full employment." The unemployment rate that includes part-time workers (U-6) has not reached pre-recession levels yet.



Data as of	2016-12-31
U-3 Current	4.7%
U-3 Prior	4.6%
U-3 1-Year Ago	5.0%
U-3 High	10.1%
U-3 Low	3.8%
U-6 Current	9.2%
U-6 Prior	9.3%
U-6 1-Year Ago	9.9%
U-6 High	17.1%
U-6 Low	6.8%

- The unemployment rate is the percentage of the total labor force that is unemployed but actively seeking employment and willing to work. The U-3 rate is the officially recognized rate of unemployment, measuring the number of unemployed people as a percentage of the labor force. The U-6 rate includes people who work part time because full-time work is not available due to economic conditions.

Source: YCharts, Bureau of Labor Statistics. Past performance is not a guarantee of future results.

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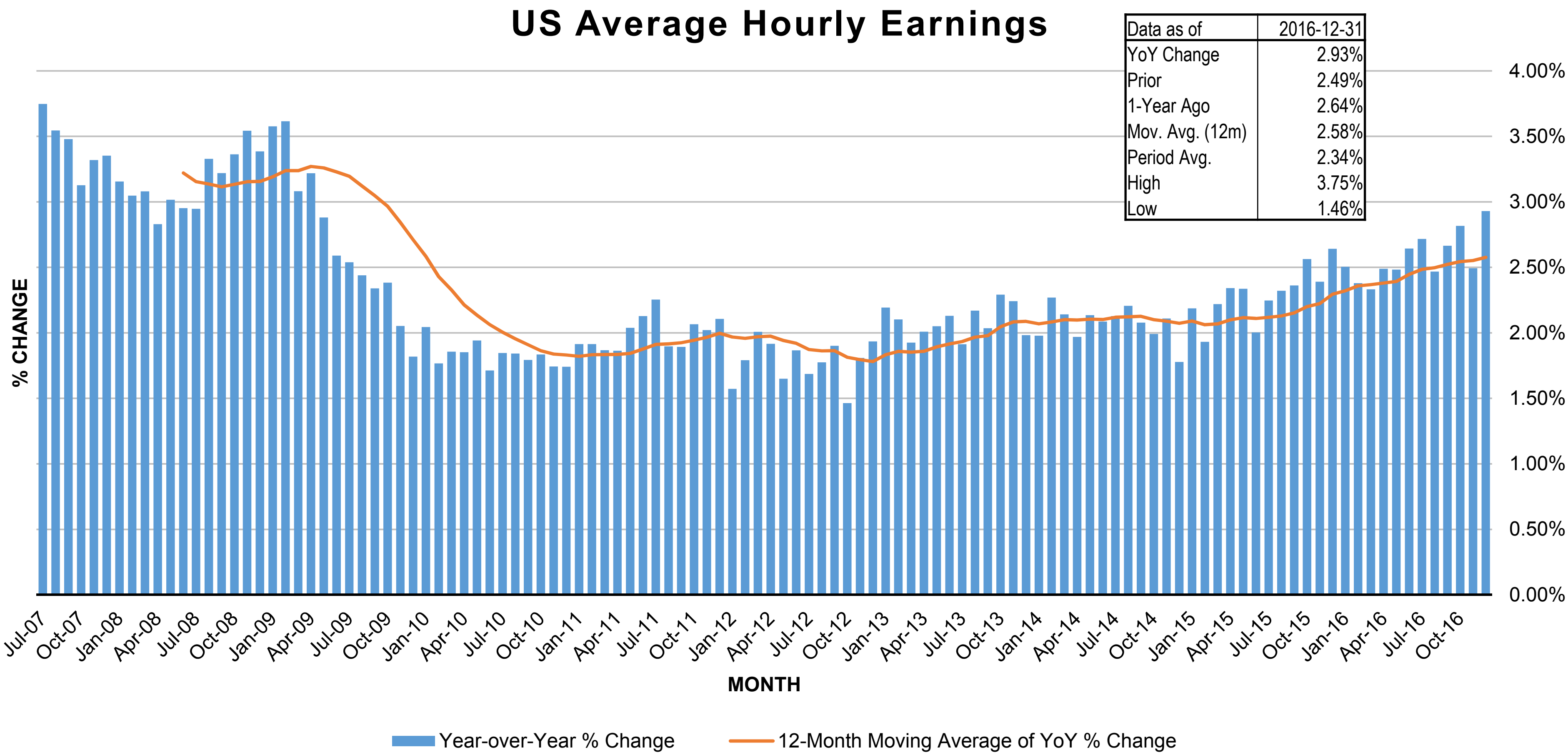
Economy: US Job Market

Wage Growth

- Hiring has reduced enough slack in the labor market to force employers to pay more. Wage growth has outpaced inflation in recent years, and is now growing at its highest rate since 2009.



Data as of	2016-12-31
YoY Change	2.93%
Prior	2.49%
1-Year Ago	2.64%
Mov. Avg. (12m)	2.58%
Period Avg.	2.34%
High	3.75%
Low	1.46%

- Average hourly earnings is the average basic hourly rate for major industries.

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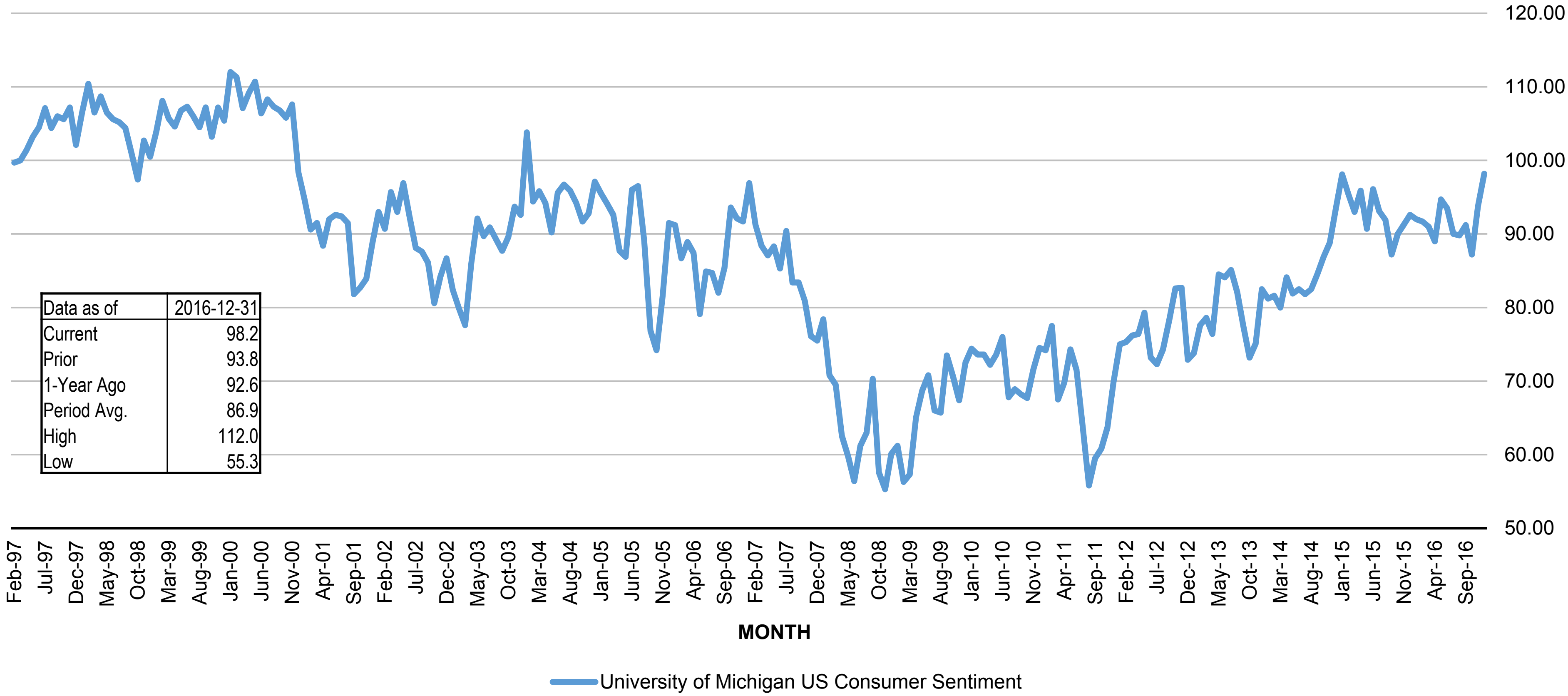
Source: YCharts, Bureau of Labor Statistics. Past performance is not a guarantee of future results.

Economy: US Consumer

Consumer Sentiment

- Consumer confidence continues to rise and recently reached a 14-year high. This is consistent with an improving labor market and solid growth in consumer spending.

University of Michigan US Consumer Sentiment



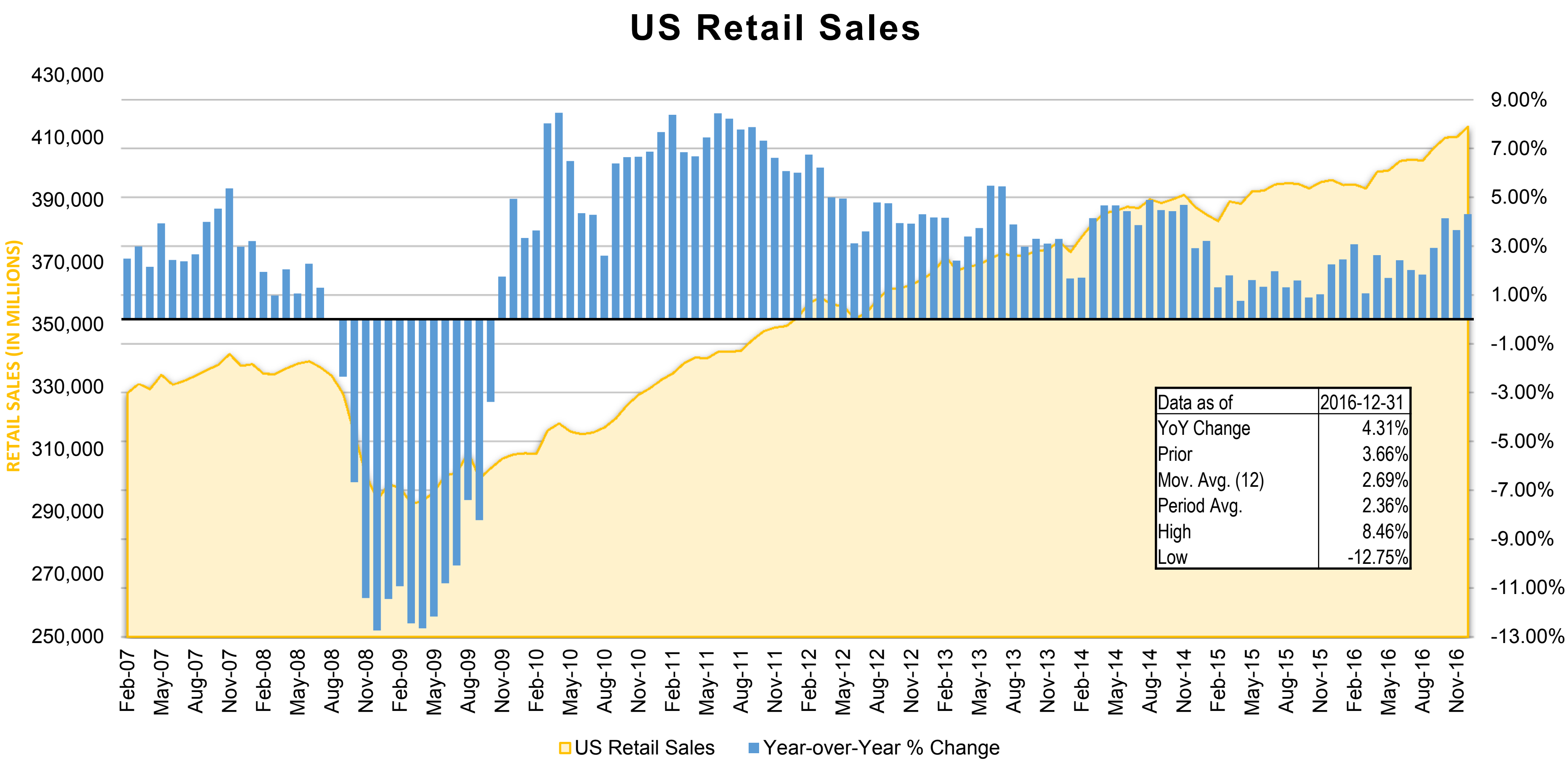
- The U.S. Consumer Sentiment report is published by the University of Michigan. Data is collected from a query of 500 adults regarding their attitude on financial and income situations. Interviewers ask 50 core questions, and the responses are standardized on a 100 point scale.

Source: YCharts, University of Michigan. Past performance is not a guarantee of future results.

Economy: US Consumer

Retail Sales

- Broadly favorable economic conditions, including job and income gains, lower gas prices, and reduced consumer debt burdens, have given consumers the capacity to support the economy. Consumer spending accounts for about two-thirds of economic output in the U.S.



- Retail sales, a measure of purchases at stores, gas stations, car dealerships, restaurants and online, is a substantial portion of consumer spending and an important indicator of economic health. Increased consumer spending is generally considered a sign of stability and growth.

Source: YCharts, Department of Commerce. Past performance is not a guarantee of future results.

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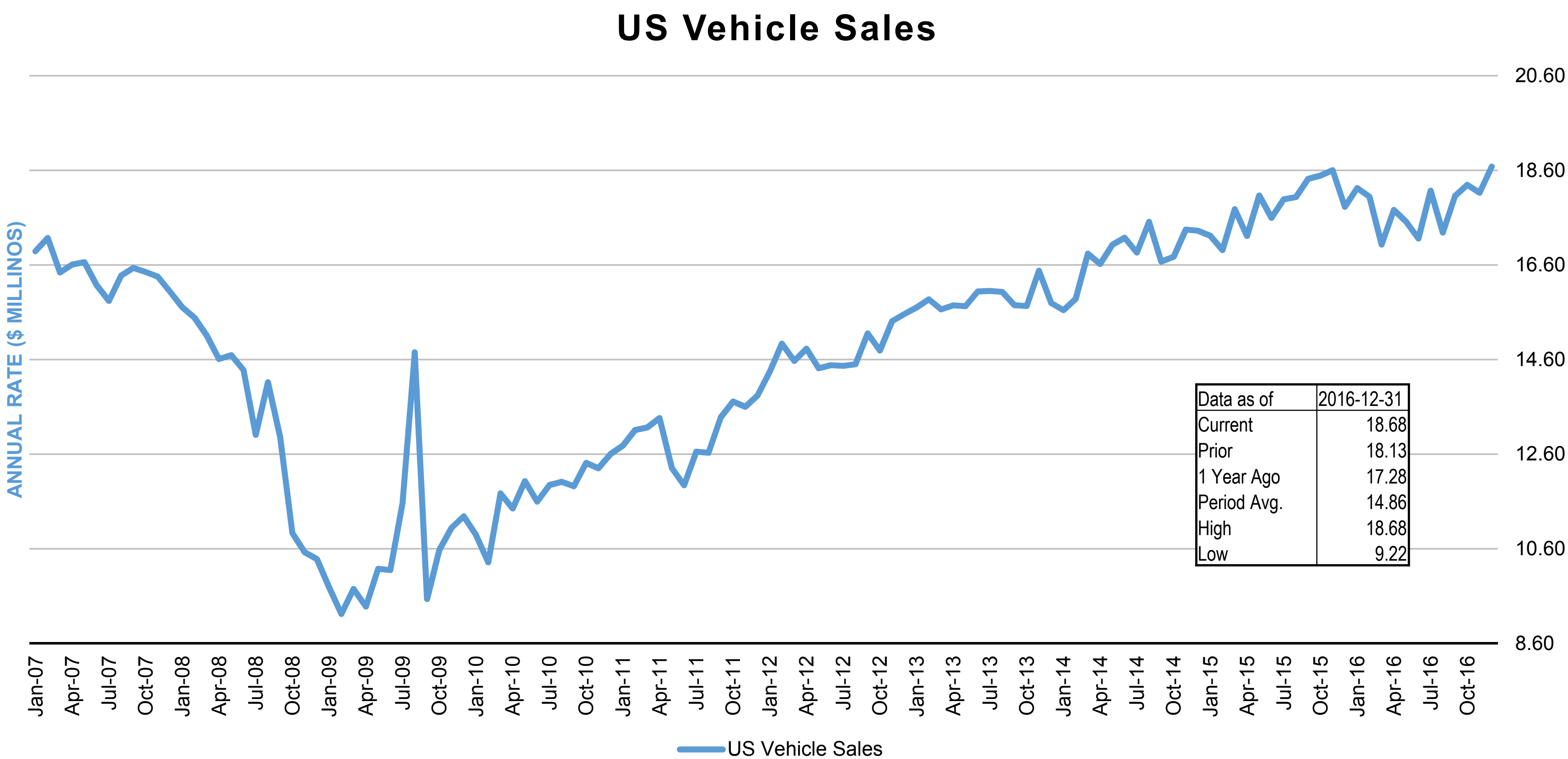
Economy: US Consumer

Vehicle Sales

- Low gas prices, rising employment, low interest rates, and aggressive vehicle discounts have fueled vehicle sales in the U.S. A total of 17.55 million vehicles were sold in 2016, a second consecutive annual high, roughly 60% of which were classified as light trucks



- The vehicle sales metric is a seasonally adjusted annual rate of U.S. auto and light truck sales reported sales by individual manufacturers on the first business day of every month. Because motor vehicle sales are a large part of consumer spending in the U.S., the vehicle sales data can provide important information on consumer-spending trends and on the overall direction of the economy.

Source: YCharts, Department of Commerce. Past performance is not a guarantee of future results.

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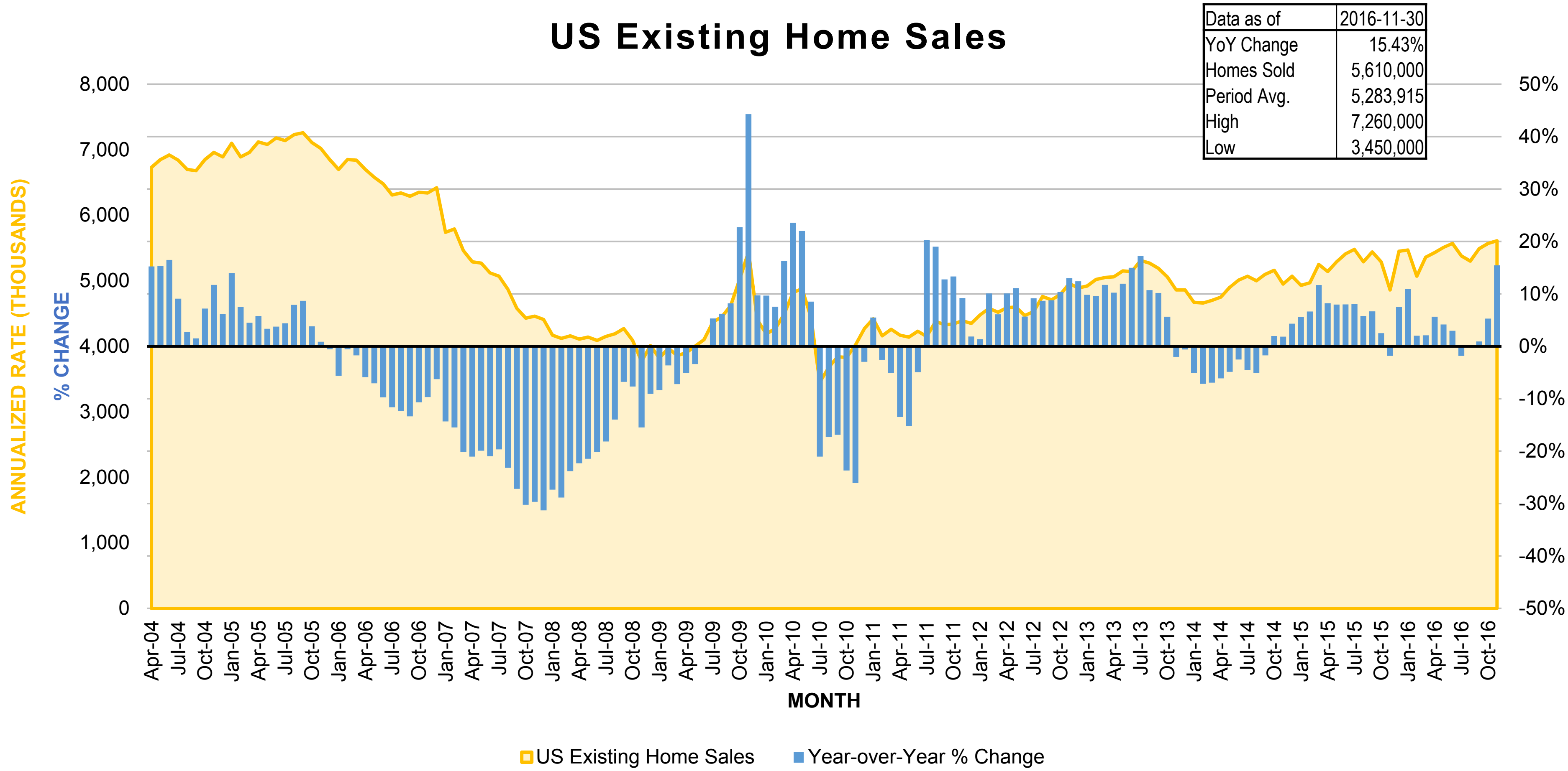
Economy: US Housing Market

Home Sales

- The housing market remains healthy. Existing home sales continue to grind higher and recently reached a new post-recession high. Sales might be negatively impacted in 2017 due to higher mortgage rates.



Data as of	2016-11-30
YoY Change	15.43%
Homes Sold	5,610,000
Period Avg.	5,283,915
High	7,260,000
Low	3,450,000

- Existing home sales is an economic indicator of both the number and prices of existing single-family homes, condos and co-op sales (which is the vast majority of home sales) over a one-month period. The existing home sales report is released monthly. It is a lagging indicator as it tends to react after a change in mortgage rates.

Source: YCharts, U.S. National Association of Realtors. Past performance is not a guarantee of future results.

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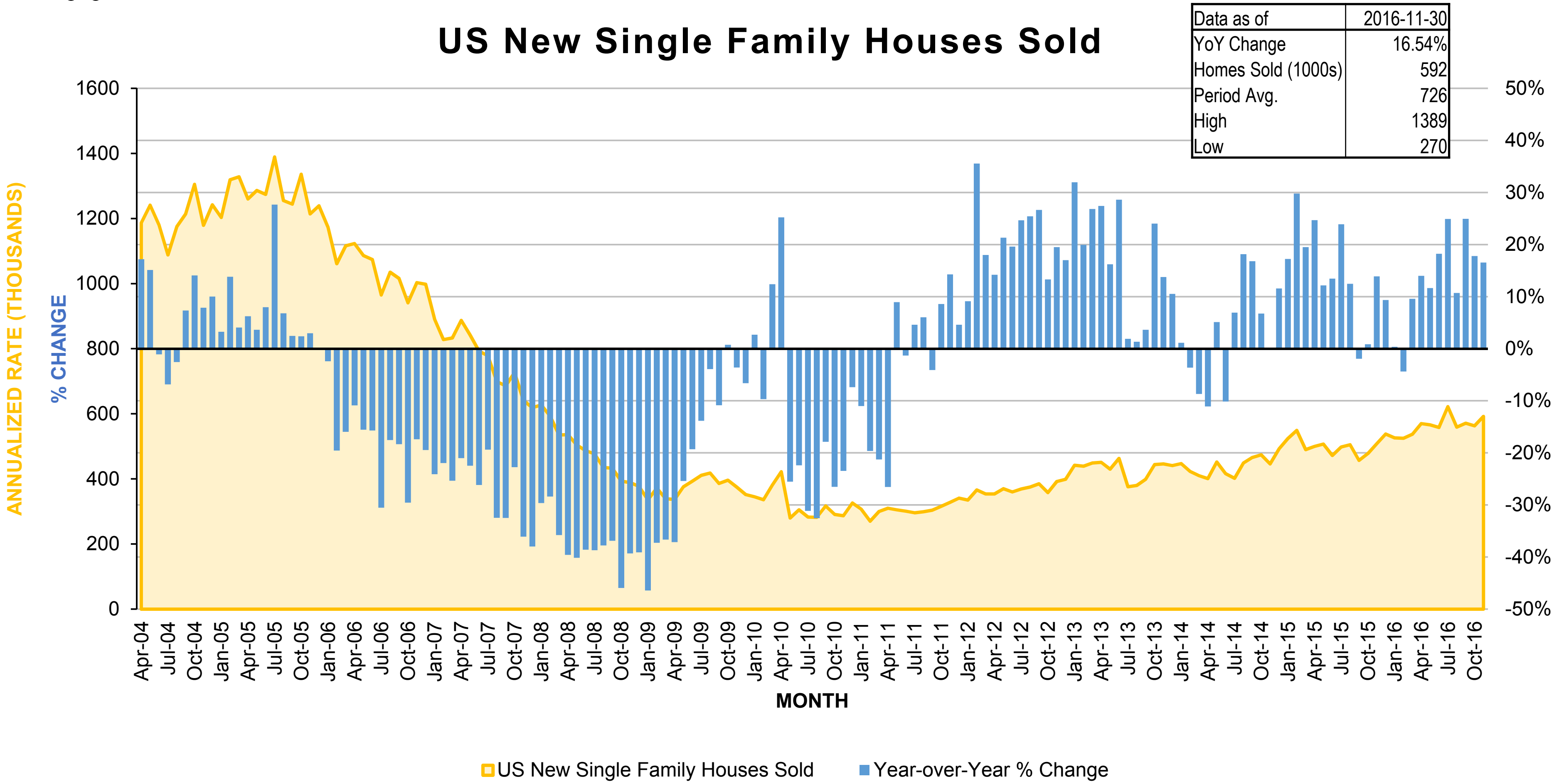
Economy: US Housing Market

Home Sales

- New home sales posted solid growth in 2016. Similar to existing homes, sales for new homes might be negatively impacted in 2017 due to higher mortgage rates.

Data as of	2016-11-30
YoY Change	16.54%
Homes Sold (1000s)	592
Period Avg.	726
High	1389
Low	270



- A measure of sales of newly built homes. A new home sale is considered to be any deposit or contract signing either in the year the house was built or the year after it was built.

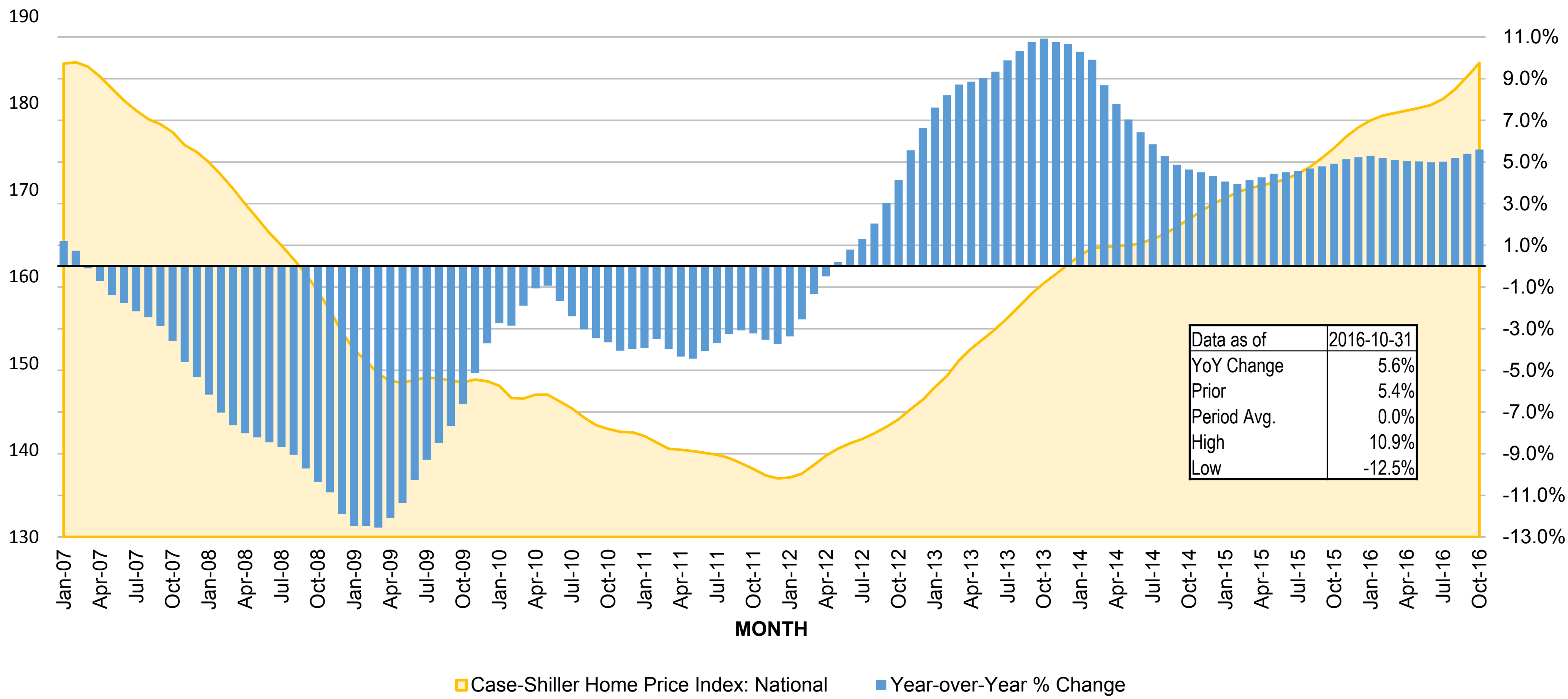
Source: YCharts, U.S. Department of Commerce (Census Bureau). Past performance is not a guarantee of future results.

Economy: US Housing Market

Home Prices

- After plunging over 25%, overall prices are now just 2% below the peak reached in 2006/2007. Rising home values has created a wealth effect that has made consumers comfortable spending money in other places. Unfortunately, higher prices has created problems for entry-level buyers.

Case-Shiller Home Price Index: National



- The S&P/Case–Shiller U.S. National Home Price Index is a composite of single-family home price indices for the nine U.S. Census divisions. It is calculated monthly, using a three-month moving average. The S&P national index is normalized to have a value of 100 in the January 2000.

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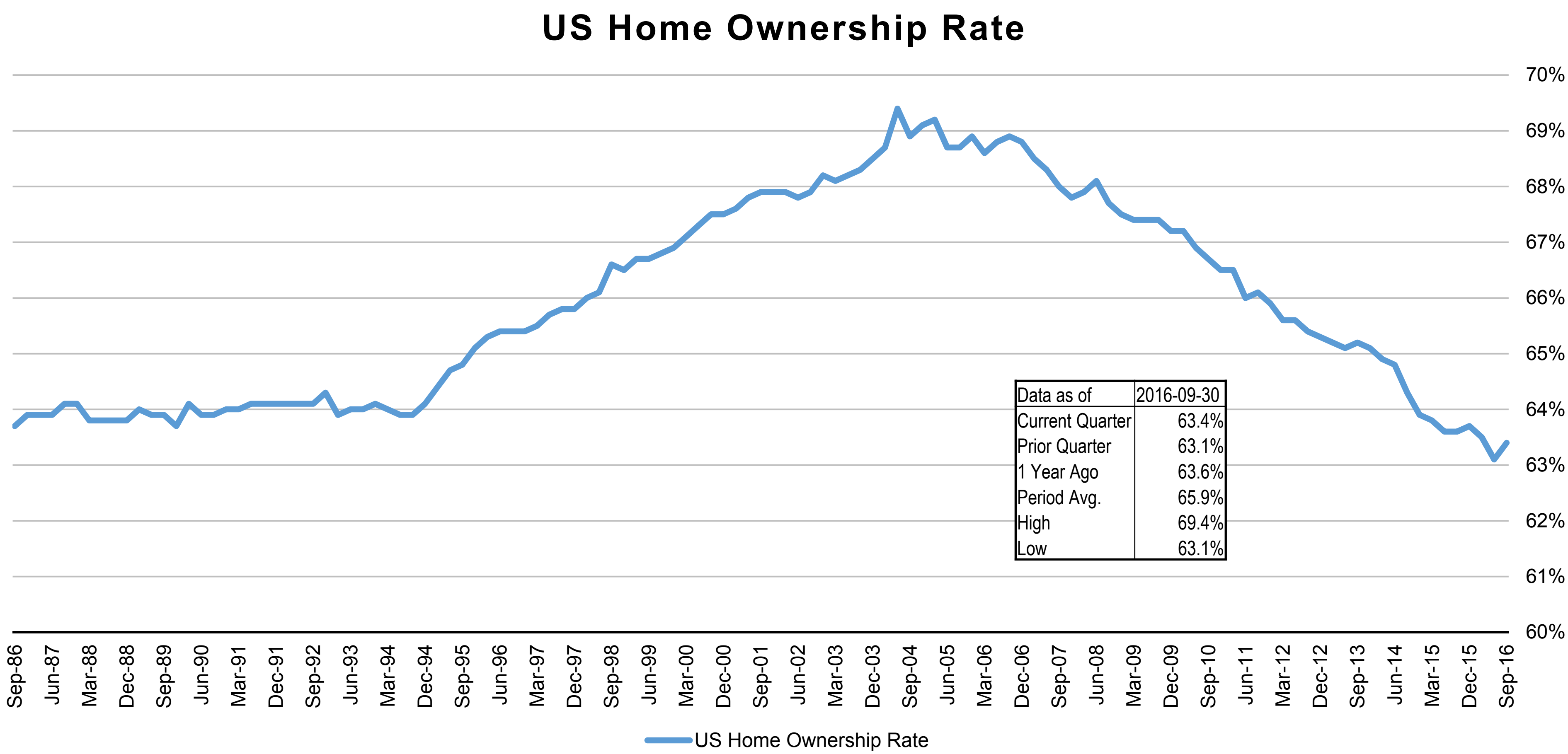
Source: YCharts, Standard and Poor's. Past performance is not a guarantee of future results.

Economy: US Housing Market

Homeownership Rate

- Homeownership fell to a 51-year low in the second quarter; the rate could fall below 60% by 2050 according to a recent prediction by housing experts at USC and the UPenn. Many economists believe the main reason for falling homeownership is mortgage availability, tough lending standards.



Data as of	2016-09-30
Current Quarter	63.4%
Prior Quarter	63.1%
1 Year Ago	63.6%
Period Avg.	65.9%
High	69.4%
Low	63.1%

- The homeownership rate is the percentage of homes that are owned by their occupants; it is not the percentage of adults that own their own home. The homeownership rate is computed by dividing the number of owner-occupied housing units by the total number of occupied housing units

Source: Census Bureau, YCharts. Past performance is not a guarantee of future results.

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