Morningstar Market Commentary

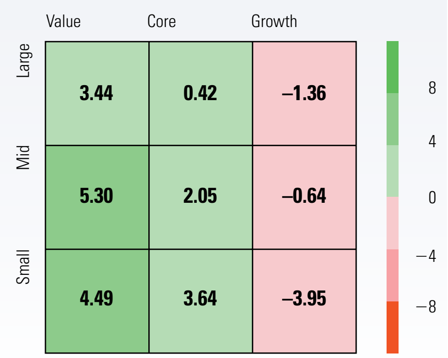
Q1 2016

Eric Compton Associate Equity Analyst
David Sekera, CFA Bond Strategist

indexes@morningstar.com
+1 312 384-3735

Equities Recover After Rocky Start to Year; Fed Signals Fewer Rate Hikes

Q1 2016 Morningstar Market Barometer



	Value	Core	Growth
Large	3.44	0.42	–1.36
Mid	5.30	2.05	–0.64
Small	4.49	3.64	–3.95

Q1 2016 Morningstar Index Returns

Stocks	
US Market Index	1.08
Global Ex-US Index	0.46
Developed Ex-US Index	5.14
Emerging Markets Index	–1.59
Bonds	
Core Bond Index	3.06
Commodities	
Long-Only Commodity Index	–0.50

The first quarter of 2016 was a tale of two halves. The start of 2016 brought precipitous declines in the markets, notably the financial sector. Some analysts even predicted imminent disaster, suggesting that the current market had become about capital preservation, not capital appreciation. While everything has not been magically mended since, a true meltdown was at least staved off for now. The second half of the quarter brought a recovery, with the Morningstar US Market TR Index finishing in positive territory for the quarter at 1.08%.

Economically, the U.S. continues to chug along. March data showed small improvements in the PMI, stopping the recent declines. Importantly, the ISM PMI reading for the United States reached above the 50 mark for the first time in seven months, indicating expansion. Total wage growth and consumption and real disposable income have been steadily making gains, driven by deflation and a strong year-end surge in employment. New-home sales in the U.S. also continued to improve while existing-home sales were down slightly, but new-home sales benefit more sectors than existing-home sales, and the overall housing sector remains positive.

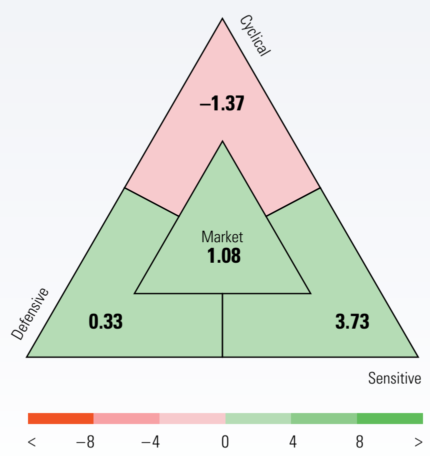
The Federal Reserve refrained from raising rates further, which was largely expected by the market. It now appears there will be only two rate increases this year instead of the previously signaled three or four. This would bring the final fed funds rate to around 0.9% at the end of 2016 instead of the originally expected 1.4%. Core inflation remained steady while overall CPI declined.

Emerging markets turned in a strong quarter, reflected in the Morningstar Emerging Markets Index return of 5.14%. China was a key contributor as positive PMI data came in through February, recording a 13-month high of 49.7. This helped to mitigate some worries as China tries to transition its fundamental economic drivers to more market-based consumption. China is still navigating large corporate debt and massive credit leveraging, among other issues; however, the chances of a large devaluation of the yuan have diminished as the precipitous declines in foreign reserves leveled off. Brazil and Russia continue to struggle as both are in the midst of recessions, and recoveries in the eurozone remain quite varied among the different members.

Sector Indexes

The Morningstar U.S. Sensitive Super Sector Index posted the best return during the first quarter of 2016 with a gain of 3.73%, while the Cyclical Super Sector posted a decline of 1.37% and the Defensive Super Sector was almost even at 0.33%. The financial sector was the worst performer of the quarter, with a negative 6.09% return, and weighed heavily on the Cyclical Super Sector Index. The outperformance of the U.S. communication services sector helped propel the Sensitive Super Sector index. Utilities were the best-performing subsector with a return of 15.09%.

Q1 2016 Morningstar Sector Delta and Return %



Sector	Quarter	1-Year	3-Year
Cyclical	**–1.37**	**–1.44**	**10.82**
Basic Materials	4.91	–5.28	5.12
Consumer Cyclical	0.93	2.04	14.15
Financial Services	–6.09	–4.27	9.78
Real Estate	5.11	2.09	8.85
Sensitive	**3.73**	**0.34**	**9.85**
Communication Svs	7.50	11.85	11.73
Energy	3.59	–18.29	–5.88
Industrials	4.70	1.00	12.12
Technology	1.67	4.19	15.46
Defensive	**0.33**	**1.35**	**14.23**
Consumer Defensive	5.66	10.16	13.28
Health Care	–5.95	–6.48	16.03
Utilities	15.09	15.07	12.05

Morningstar Super Sectors

	P/E	P/B	Yield %	Earnings Growth	Sales Growth
Cyclical Super Sector	16.95	1.93	2.32	9.30	1.28
Sensitive Super Sector	18.16	2.82	2.58	0.25	–2.16
Defensive Super Sector	22.51	3.38	2.21	5.36	5.43

Cyclical Super Sector –1.37 %

The Cyclical Super Sector performed the worst of the three super sectors this quarter, trailing the U.S. market index and finishing with a negative return. The key detractors here were from the financial sector, which was obliterated to start the year and never fully recovered. Some of the most notable concerns were the effects of negative interest rates on banks' earnings and the riskiness of convertible contingent bonds, also known as cocos. As if low interest rates didn't squeeze net interest margins, a bank's main source of profit, enough, negative interest rates would be worse. The purported benefits of negative rates are also highly questionable, making the financial sector highly contentious at the moment. There have also been concerns about the safety of the capital structure of banks, particularly European banks, which are partially funded by the aforementioned cocos. The sell-off in European bank shares, while worse than that seen in the U.S., has certainly not helped U.S. bank shares. It is not surprising that four of the top five contributors to the Cyclical Super Sector were all banks trading down 10% or more.

Defensive Super Sector 0.33%

The Defensive Super Sector reported a nearly even return at 0.33%, trailing the overall U.S. index. While utilities and consumer defensive stocks were top performers, the healthcare sector has a much higher weighting in the Defensive Super Sector Index, and therefore the underperformance of this key sector helped to completely negate positive returns in other sectors in the index. Healthcare saw broad sell-offs at least partially driven by the meltdown of Valeant and worries about drug pricing practices for the sector in general. Allergan continued to struggle, even with the Pfizer inversion deal still seemingly in play, and was the top contributor to the sector's poor performance. This was at least partially caused by Pfizer, whose stock will be used to merge with Allergan, and who was also among the top negative performers with its own recent price depreciation.

Sensitive Super Sector 3.73%

The Sensitive Super Sector was the top performer with a return of 3.73%, beating the overall U.S. index. Top contributors came from the communications sector, with Verizon and AT&T recording returns of 18% and 15%, respectively. Energy also began to make a comeback as pressure from the seemingly endless decline in oil prices has at least partially abated for the time being. Exxon and Chevron led the charge here, returning 8% and 7%, respectively. Tech stocks also continued higher for the most part, but it wasn't all the usual suspects, as IBM was one of the top contributors with an 11% return and LinkedIn posted a near 50% decline.

Style & Cap Indexes

The Morningstar style and cap indexes saw good returns for value stocks and poorer returns for growth stocks, a welcome relief to value investors who have been fighting the exact opposite trend for some time now, especially so last year. For the market cap-related indexes, the Morningstar US Mid Cap Index showed the best returns at 2.22%; however, small caps also made a strong showing, with both indexes beating the overall Morningstar US Market Index. The Morningstar Small Value and Mid Value indexes were the two strongest-performing indexes for the quarter.

Trailing Returns

1-Year

	Value	Core	Growth
Large	3.44	0.80	1.29
Mid	0.90	–3.60	–8.13
Small	–6.79	–5.93	–10.15

3-Year

	Value	Core	Growth
Large	9.04	11.49	14.47
Mid	12.05	11.00	9.41
Small	7.48	8.44	7.67

5-Year

	Value	Core	Growth
Large	9.02	12.69	13.13
Mid	11.63	11.36	7.60
Small	9.18	7.93	7.60

Morningstar Style & Cap Indexes

	P/E	P/B	Yield %	Earnings Growth	Sales Growth
Morningstar Value	15.96	1.80	3.47	–3.93	–3.80
Morningstar Core	18.77	2.67	2.32	7.59	1.73
Morningstar Growth	24.53	4.45	1.19	17.03	12.01
Morningstar Large Cap	17.45	2.60	2.54	7.92	1.71
Morningstar Mid Cap	21.27	2.43	1.99	–3.27	1.74
Morningstar Small Cap	18.04	1.80	2.33	2.38	–4.22

Morningstar US Growth –1.40%

The Morningstar US Growth Index posted negative returns on the quarter and was the worst performer of the three style indexes. The seemingly unstoppable Amazon was the top contributor to this weak performance, posting a quarterly loss of roughly 12%. Given the tear Amazon had recently been on, it isn't entirely unexpected to see the stock give back at least some of the gains. One of the biggest flops came from LinkedIn, which lost almost 50% of its share value during the quarter after providing soft guidance in its 2015 fourth-quarter earnings report. The shares have not recovered much since, as investors continue to worry about weak future growth. Other poor performers in the sector were healthcare-related names, as seemingly no one in healthcare was able to avoid the broad sell-off, probably influenced by the near-complete collapse of Valeant shares.

Morningstar US Value 3.87%

The Morningstar US Value Index again performed well during the most recent quarter, reversing the negative returns seen initially last year. Verizon and AT&T were both top contributors to this outperformance. Some of the well-known Warren Buffett stocks also made strong gains, with Coca-Cola returning almost 9% and IBM reversing course during the quarter, returning 11%. Financial services firms weighed on results, with the whole sector selling off over fears of low or even negative interest rates. The financial crisis of 2008 is probably still too recent for investors to have fully shaken off the psychological effects as well. JPMorgan Chase and Wells Fargo contributed negatively to the index.

Morningstar US Core 1.02%

The Morningstar US Core Index started the year in positive territory, more or less matching the overall U.S. index with a return of 1.02% for the quarter. The US Core Index also had a smattering of banks weighing on results with Bank of America and Citigroup both reporting falls of 19%. However, speaking of Buffett again, Berkshire Hathaway returned over 7% for the quarter, helping to buoy the index. Berkshire shares almost reached the 1.2 times book value price level where there is an implicit Buffett put, as he has promised to buy back shares at that level because he would view them as materially undervalued. The shares didn't stay there long, and the rebound has been fairly consistent over the past month and a half. Unrelated to the Oracle of Omaha, shares of Oracle also posted strong results, returning just over 12%. The firm reported positive yearly results and furthered its efforts to transition much of its revenue to cloud-related sources.

Morningstar Large Cap 0.75%

The Morningstar US Large Cap Index was the worst performer for the quarter and trailed the overall U.S. index with a return of 0.75%. Many of the same names we have already mentioned contributed to overall results, with the banks weighing on results and Verizon and AT&T helping to lift results. One of the top overall performers was Exelon, a utility company that recently completed its politically contentious acquisition of Pepco. After several hiccups over the past two months, in which the deal was originally turned away amid the ever squeaky cogs of the political machine, enough grease was added and the acquisition was ultimately approved.

Morningstar Mid Cap 2.22%

The Morningstar US Mid Cap Index turned in the best total return number for the quarter among the Morningstar cap indexes. This was even though the two top contributors to performance were Endo International and Alkermes, two healthcare firms that, unsurprisingly, posted negative returns. Helping to save the day were a bevy of other firms, including basic materials companies Newmont Mining and Freeport-McMoRan. Newmont is a gold miner, and the rally in gold prices and the weak dollar helped gold miners in general to surge. Freeport-McMoRan used to be a pure-play copper miner, but it recently diversified into other commodities, such as oil. Again the rally in metals, specifically copper, helped here. Ownership stakes from Carl Icahn and David Tepper didn't hurt either. Both companies are fairly volatile names, but it paid off this quarter with returns nearing 50% for each.

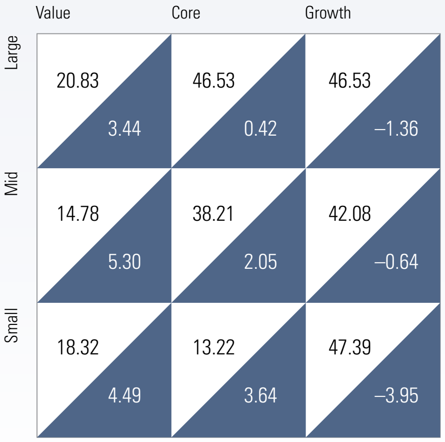
Morningstar Small Cap 1.37%

The Morningstar US Small Cap index posted a return of 1.37% during the quarter, slightly under that of the Mid Cap Index and a nice improvement over the negative returns of last year. Given the higher volatility seen in small-cap stocks, there were some very extreme returns for this group. U.S. Steel returned over 100%. A large reason for this was a new tariff being imposed by the U.S. on Chinese steel imports, which are notorious for flooding the market and keeping prices very low. Another top performer was 3D Systems, a 3D printer company. The sector in general had been beaten down, and on the back of strong earnings for many in the sector, a vigorous rally ensued. Potentially one of the most interesting stories occurring in the stock market was the utter collapse of SunEdison, as shares fell almost 90% with a bankruptcy likely coming soon. The story is complex, and books could probably be written on the spectacle once it has completely played out. Key highlights included an acquisition binge by SunEdison that culminated in the failed acquisition of Vivint, where it was admitted that SunEdison could not even pay for the deal. Questionable accounting and an investigation from the Department of Justice, a compromised board and management, resignations, and the feared asset raiding of what is termed a yieldco also played key roles. An activist hedge fund manager—the aforementioned David Tepper—also bravely stepped into the fray. A bankruptcy of grand and complex proportions looks likely for SunEdison.

Fund Categories and Benchmarks

The Active v. Passive chart shows the percentage of actively managed open-end US mutual funds that outperformed their corresponding Morningstar Indexes benchmark. On the value side of the Style Box, where market performance was stronger in the first quarter of 2016, no more than one in five active funds managed to outperform. Active fared relatively better in the core and growth space. Still, a majority of active funds failed to take advantage of their flexibility to beat struggling indexes on the growth side of the Style Box.

Active vs. Passive



	Value	Core	Growth
Large	20.83 3.44	46.53 0.42	46.53 –1.36
Mid	14.78 5.30	38.21 2.05	42.08 –0.64
Small	18.32 4.49	13.22 3.64	47.39 –3.95

◸ Actively managed mutual funds outperforming their respective benchmark (%)[1]

◢ Index Returns (%), Q1 2016

[1] Includes the oldest share class for all U.S. diversified mutual funds with at least a one-year history. As of March 31, 2016 there were 2,186 eligible funds. Morningstar classifies funds into style categories based on the average style score (using the same 10-factor methodology as underlying benchmarks) of all available portfolio holdings over a three-year period.

Fixed-Income Indexes

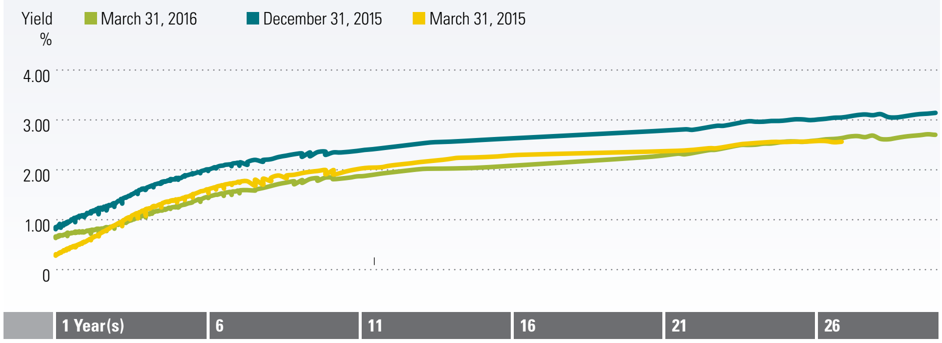
Interest rates declined around the world through mid-February as investors sought developed-market sovereign bonds as a refuge from plummeting commodity prices. Even after commodities rose higher later in the quarter, sovereign bonds held their gains in response to the European Central Bank's expanded easy monetary policy. In corporate bond markets, plunging oil prices sent credit spreads wider early in the quarter. However, Ithe rebound in oil sent credit spreads back to the same levels at which they opened the quarter. After posting losses as capital fled China, emerging-markets fixed-income indexes recuperated and surged higher.

Fixed Income Performs in Face of Heightened Volatility

The Morningstar Core Bond Index, our broadest measure of the fixed-income universe, rose 3.06% last quarter. The gain was driven by a rally in sovereign bonds early in the quarter as investors sought a refuge from plummeting oil prices and weakening global economic conditions. Yet even when oil prices staged a late-quarter recovery, sovereign bonds held their gains as the ECB and other central banks eased their monetary policies in an attempt to bolster their economies and stoke inflation.

Over the course of the first quarter, the yield on the 2-year U.S. Treasury bond declined 34 basis points to 0.72%, the 5-year Treasury bond fell 54 bps to 1.24%, the 10-year bond decreased 48 bps to 1.79%, and the 30-year bond was cut 40 bps to 2.62%. Our Short Term Core Bond, Intermediate Core Bond, and Long Term Core Bond indexes rose 1.28%, 2.60%, and 6.20%, respectively, in the first quarter.

Treasury Yield Curve



Morningstar Bond Indexes

		Returns		Statistics			
		QTR	YTD	Market Value ($Mil)	Credit Quality	Yield to Maturity	Average Duration
Broad Market	Core Bond	3.06	3.06	16,363	AA	1.99	5.11
Sector	US Government	1.28	1.28	4,400	AA	1.13	2.23
	Corporate	2.60	2.60	8,153	AA+	1.88	3.42
	Mortgage	6.20	6.20	3,811	AA–	3.2	12.06
Maturity	Short–Term Core	3.15	3.15	7,120	AAA	1.3	5.88
	Intermediate Core	3.87	3.87	4,355	A–	3.13	6.77
	Long–Term Core	2.22	2.22	5,056	AAA	1.93	2.55
Inflation Prot. Secs.	TIPS	4.52	4.52	975	AAA	–0.11	7.82
Global Sovereign	Global Govt USD	7.03	7.03	21,882	AA–	0.71	7.68
	Global Govt ex–US USD	8.80	8.80	14,921	A+	0.44	8.44
	Eurozone EUR	3.30	3.30	6,783	A+	0.45	6.97
	Swiss CHF	5.26	5.26	1,803	AA+	1.4	10.61
	UK GBP	3.80	3.80	98	AAA	–0.42	9.94
	Australasian USD	1.11	1.11	327	AAA	0.99	6.66
	Canadian CAD	7.86	7.86	338	AAA	2.13	5.39
	Japanese JPY	4.26	4.26	5,572	A	–0.01	9.8
Europe	Eurobond Corp EUR	4.87	4.87	123,206	BBB	5.32	5.84
	European Bank Capital EUR	5.27	5.27	46,160	BB+	5.14	7.08
	European Covered EUR	4.79	4.79	76,372	BBB	5.8	5.03
	UK Eurobond Corp GBP	0.94	0.94	459	BBB+	1.46	4.34
	UK Bank Capital GBP	1.81	1.81	773	AA	0.2	4.72
Emerging Market	Composite USD	0.65	0.65	54	BBB+	3.55	8.16
	Sovereign USD	3.51	3.51	285	A–	3.11	8.41
	Corporate USD	2.65	2.65	1,409	A–	0.86	5.08

Data as of 9-30-2015

While the Morningstar Corporate Bond Index gained 3.87% in the first quarter, it was a rough ride intraquarter as plunging oil prices and lower commodity prices pushed credit spreads significantly wider early in the period. However, oil and commodity prices staged a late-quarter recovery, with oil prices recuperating almost all of the losses realized since the end of last year. In the first quarter, the average credit spread of the Morningstar Corporate Bond Index (our proxy for the investment-grade corporate bond market) had widened as much as 48 basis points to +216 before tightening back to +166, some 2 basis points tighter than at the end of last year.

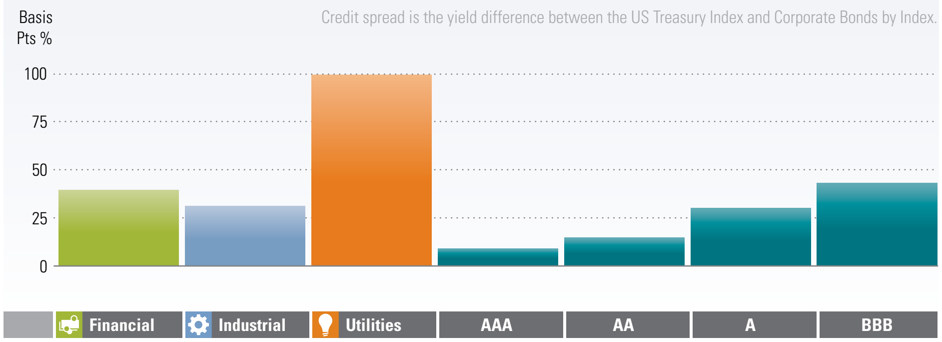
As oil prices sank, inflation expectations, as measured by the 5-year, 5-year forward inflation expectation rate, dropped to their lowest level since the financial crisis; however, Treasury Inflation-Protected Securities performed very well in the first quarter as reflected in the Morningstar TIPS Index, which rose 4.52%. With oil prices having rebounded, investors are no longer worried about the deflationary impact of lower energy prices, and after excluding the volatile food and energy segments of the consumer price index, core inflation rose at a 2.3% rate year over year in February.

New Buyer Enters the Corporate Bond Market: The ECB

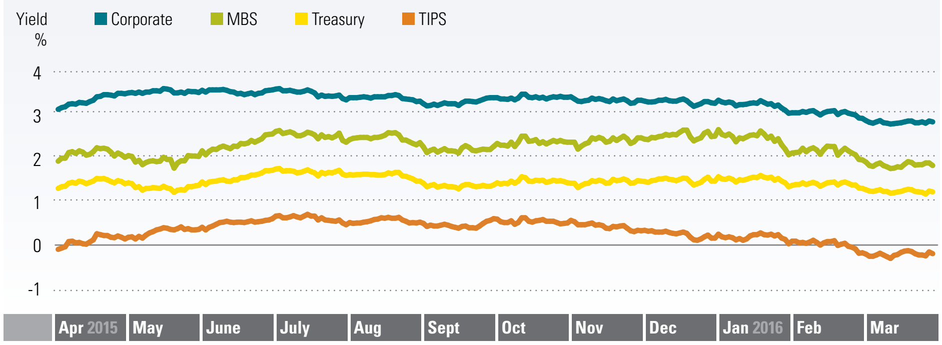
In Europe, the Morningstar Eurozone Government Bond Index rose 3.30% in the first quarter as interest rates declined across the board. For example, the yield on 5-year German bonds decreased 28 basis points to an even greater negative yield of (0.33)% and the 10-year dropped 48 basis points to end the quarter near its all-time lows at 0.13%. Even the bonds of lower-rated Italy and Spain rallied as the yield on 10-year Italian bond fell 38 basis points to 1.22% and Spain's 10-year bond fell 33 basis points to 1.44%. Part of the rally was driven by the European Central Bank's expansion of its easy monetary policy.

The ECB cut its main refinancing rate (the short-term rate it charges to member banks) by 5 basis points to 0.00%, lowered the marginal lending facility (overnight rate) 5 basis points to 0.25%, and reduced the deposit facility (the amount it pays to member banks on excess funds) by 10 basis points to an even greater negative rate of (0.40)%. In an attempt to spur lending, the negative deposit rate effectively charges a fee to banks that leave excess funds on deposit with the central bank. In addition, the ECB announced it would increase the size of its monthly purchase plan by EUR 20 billion to EUR 80 billion (approximately an annualized run rate of EUR 1 trillion) and conduct four targeted longer-term refinancing operations with 4-year maturities. The interest rate on the TLTROs can be as low as the interest rate on the deposit facility, meaning that the banks would pay back the ECB less than borrowed.

Credit Spread Change by Sector and Quality



US Bond Indexes: Average Yields



While it was no surprise that the ECB further eased its monetary policy in an attempt to stimulate its moribund economy, it also announced that it would begin to purchase nonbank investment-grade corporate bonds. European corporate bond credit spreads immediately tightened upon this announcement. The Morningstar Eurobond Corporate Index increased 2.65%, mainly due to the decline in underlying interest rates, but also due to tightening credit spreads. The average credit spread of the index tightened 7 bps and ended the quarter at +113 bps.

Among other developed markets, the Morningstar Switzerland Government Bond Index rose 3.80% as investors sought the safety of the Swiss franc. Currently, Swiss 10-year bonds yield (0.34)%, the greatest negative rate among sovereign bonds. Comparatively, the Japanese 10-year bond currently yields (0.06)%. As the yield on Japanese bonds dropped 30 basis points over the first quarter, the Morningstar Japan Government Bond Index rose 4.26%.

Emerging Markets Soar After Capital Flight Recedes

Capital flight out of China and a global "risk off" sentiment initially drove the emerging-markets fixed-income indexes into negative territory, but once the market began to turn around, emerging markets soared higher. The Morningstar Emerging Market Composite Bond Index rose 4.87%. The Morningstar Emerging Market Sovereign Bond Index rose 5.27%, and the Morningstar Emerging Market Corporate Bond Index rose 4.79%.

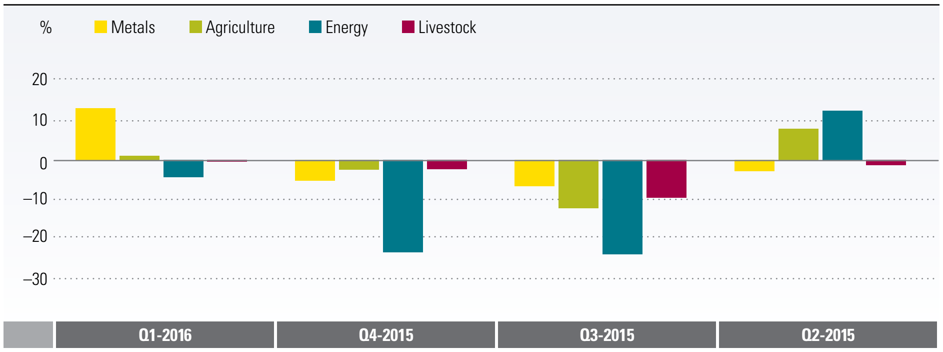
Commodities Indexes

Morningstar's commodity indexes all recorded better returns this quarter compared with the fourth quarter of 2015. The most notable performer was the Morningstar Metals Commodity Index, with a return of just over 13%, helped largely by the appreciation in the price of gold. The Morningstar Energy Commodity Index recorded a decline of 4.5%, still the worst performer but much better than the previous two quarters, as oil tries to find a bottom. The agriculture and livestock indexes posted rather uneventful returns of 1.11% and negative 0.41%, respectively.

Oil searched for a bottom as prices recovered during March and finished near where they started the year. There may be no more foolhardy task than trying to predict oil prices, especially in the short term, but many hope that the current pain being experienced by OPEC nations and other countries, such as Brazil and Russia, may encourage some control over excess production. However, the game theory surrounding cartels and other such arrangements tends to point to them falling apart, and not many are holding their breath for serious agreements anytime soon.

Among metals, gold made a large comeback, with spot prices increasing over 14% during the quarter. There were probably many reasons for this, but two likely key contributors were the change in expected interest rate hikes and the shift in investor psychology, given the rough start to the year. Gold tends to be viewed as a safe-haven asset, and often market declines encourage investors to retreat to gold. Another factor, the realization that fewer interest rate hikes are coming, would also be an important factor because gold is a zero-yield asset. This makes the cost of holding it increase as yields increase. With fewer yield increases coming because of fewer rate hikes, gold becomes proportionally more attractive.

Quarterly Commodity Sector Returns



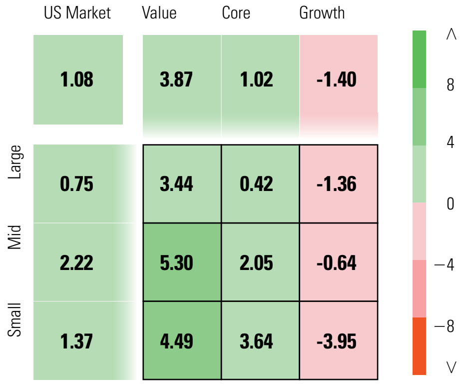
Morningstar Commodity Index Returns %

	Quarter	1–Year	3–Year	5–Year	10–Year	YTD
Long-Only	–0.50	–21.95	–19.02	–13.77	–3.95	–0.50
Long/Flat	–0.60	–2.81	–3.94	–5.26	2.39	–0.60
Long/Short	–3.58	–3.88	–1.48	–4.24	2.07	–3.58
Short/Flat	–3.02	–1.17	2.48	0.99	0.71	–3.02
Short-Only	–3.47	19.83	18.84	11.29	2.42	–3.47
Agriculture	1.11	–6.71	–9.36	–7.17	2.27	1.11
Energy	–4.50	–37.80	–30.58	–21.41	–15.29	–4.50
Livestock	–0.41	–13.30	0.17	–3.96	–2.31	–0.41
Metals	13.26	–3.03	–11.56	–7.25	5.83	13.26

Conclusion

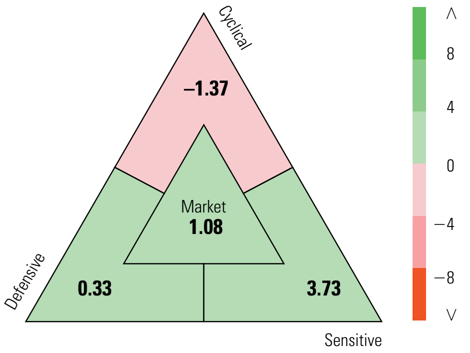
The first quarter of 2016 was anything but dull. The initial sell-off may have shaken many investors as years of artificially low volatility have prevailed under ultra-loose monetary policy and the Bernanke put. The sell-off in European banks was also particularly worrisome as it involved some fairly new and potentially complex financial instruments, convertible contingent bonds. These bonds tend to be fairly illiquid, and even small changes in market perception could have large effects on their pricing of these instruments. Seeing large declines in new financial instruments related to banks, it doesn't take much to make the jump to 2008 all over again. Negative interest rates do not help, as they squeeze banks' profits. However, it appears that while all is not perfect, banks are not involved in the same sorts of risks that contributed to 2008. The current market is also trading above historical mean values for key valuation metrics, such as the Schiller P/E or the market cap/GDP. While any metric has flaws, it does give a broad sense of what to expect for future returns. Combine that with a bull market over seven years in the making, and some trepidation about what's lurking around the corner is expected. Inflation continues to be a key concern as the interplay of interest rates, loose monetary policy, and how to eventually unwind everything while having an economic recovery remains a delicate balance. In many ways, central banks and governments are in uncharted territory. In uncertainty often lies opportunity, and investors are likely to continue to have opportunities throughout 2016, as they did in the first quarter.

Q1 2016 Style Indexes



	Total Returns %								
	3–Month	1–Year	3–Year	5–Year	10–Year	Price/ Earnings	Price/ Book	Yield %	5–Yr Earn Growth
Morningstar US Market	**1.08**	**0.01**	**11.25**	**11.16**	**7.11**	**19.22**	**2.62**	**2.31**	**9.37**
Large Cap	0.75	1.81	11.69	11.63	11.63	17.45	2.60	2.54	9.49
Mid Cap	2.22	-3.68	10.82	10.46	7.51	21.27	2.43	1.99	10.20
Small Cap	1.37	-7.62	7.86	8.22	6.50	18.04	1.80	2.33	10.81
US Value	3.87	2.15	9.56	9.56	5.58	15.96	1.80	3.47	6.78
US Core	1.02	-0.62	11.15	12.09	7.98	18.77	2.67	2.32	9.12
US Growth	-1.40	-1.34	13.02	11.81	7.57	24.53	4.45	1.19	13.32
Large Value	3.44	3.44	9.04	9.02	4.85	15.87	1.94	3.62	6.58
Large Core	0.42	0.80	11.49	12.69	8.01	17.91	2.73	2.38	8.81
Large Growth	-1.36	1.29	14.47	13.13	7.89	22.27	4.38	1.36	12.85
Mid Value	5.30	0.90	12.05	11.63	7.51	16.62	1.60	2.99	7.65
Mid Core	2.05	-3.60	11.00	11.36	8.12	20.67	2.56	2.29	10.04
Mid Growth	-0.64	-8.13	9.41	8.38	6.73	28.31	4.16	0.75	14.24
Small Value	4.49	-6.79	7.48	9.18	7.11	13.57	1.23	3.41	7.36
Small Core	3.64	-5.93	8.44	7.93	6.28	20.23	2.07	2.33	10.67
Small Growth	-3.95	-10.15	7.67	7.60	5.93	27.38	3.22	1.01	15.72

Q1 2016 Sector Indexes



	Total Returns %								
Index	3–Month	1–Year	3–Year	5–Year	10–Year	Price/ Earnings	Price/ Book	Yield %	5–Yr Earn Growth
Cyclical	**-1.37**	**-1.44**	**10.82**	**10.83**	**2.70**	**16.95**	**1.93**	**2.32**	**9.75**
Basic Materials	4.91	-5.28	5.12	2.26	4.78	17.88	2.87	2.64	9.10
Consumer Cyclical	0.93	2.04	14.15	15.51	9.39	19.38	4.06	1.80	11.92
Financial Services	-6.09	-4.27	9.78	9.47	-0.65	13.04	1.21	2.18	9.07
Real Estate	5.11	2.09	8.85	10.58	5.44	28.60	2.10	5.18	6.53
Sensitive	**3.73**	**0.34**	**9.85**	**8.68**	**6.72**	**18.16**	**2.82**	**2.58**	**9.94**
Communication Svs	7.50	11.85	11.73	13.73	9.99	16.87	2.50	3.04	5.86
Energy	3.59	-18.29	-5.88	-2.87	4.24	20.02	1.45	4.33	8.72
Industrials	4.70	1.00	12.12	10.69	7.18	19.05	3.74	2.22	10.91
Technology	1.67	4.19	15.46	11.89	8.99	20.06	3.85	1.70	10.84
Defensive	**0.33**	**1.35**	**14.23**	**16.07**	**9.25**	**22.51**	**3.38**	**2.21**	**8.56**
Consumer Defensive	5.66	10.16	13.28	15.17	11.39	22.77	4.32	2.61	8.25
Health Care	-5.95	-6.48	16.03	17.85	10.30	22.85	3.60	1.68	9.60
Utilities	15.09	15.07	12.05	13.31	9.07	20.70	1.95	3.15	5.51

Bond Indexes

	3–Month	1–Year	3–Year	5–Year
Core	3.06	2.40	2.71	4.01
US Government	3.15	2.54	2.13	3.50
Corporate	3.87	1.12	3.02	5.12
Mortgage	2.22	3.16	3.27	3.84
Short-Term	1.28	1.36	1.14	1.50
Intermediate Term	2.60	3.08	2.90	3.94
Long-Term	6.20	1.79	4.20	7.42
Global Government ex. US	8.80	7.91	0.39	0.51
Emerging Markets Composite	4.87	3.13	2.38	5.37

Commodity Indexes

	3–Month	1–Year	3–Year	5–Year	10–Year	15–Year
Long-Only	–0.50	–21.95	–19.02	–13.77	–3.95	2.30
Long/Flat	–0.60	–2.81	–3.94	–5.26	2.39	5.50
Long/Short	–3.58	–3.88	–1.48	–4.24	2.07	4.59
Short/Flat	–3.02	–1.17	2.48	0.99	0.71	0.31
Short-Only	–3.47	19.83	18.84	11.29	2.42	–2.96
Agriculture	1.11	–6.71	–9.36	–7.17	2.27	3.58
Energy	–4.50	–37.80	–30.58	–21.41	–15.29	–5.20
Livestock	–0.41	–13.30	0.17	–3.96	–2.31	0.86
Metals	13.26	–3.03	–11.56	–7.25	5.83	11.34

All data in this issue as of March 31, 2016