



Q2

Quarterly Market Review

Second Quarter 2015

# Quarterly Market Review

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This report features world capital market performance and a timeline of events for the last quarter. It begins with a global overview, then features the returns of stock and bond asset classes in the US and international markets.

The report also illustrates the performance of globally diversified portfolios and features a quarterly topic.

## Overview:

Market Summary

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World Asset Classes

US Stocks

International Developed Stocks

Emerging Markets Stocks

Select Country Performance

Real Estate Investment Trusts (REITs)

Commodities

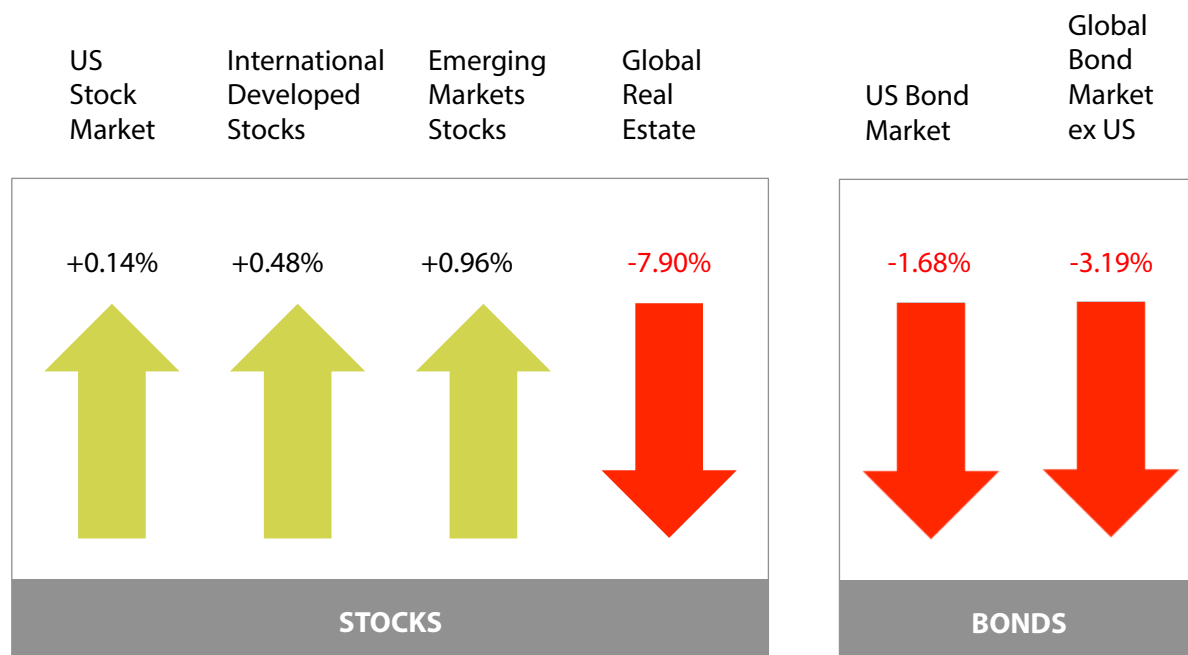
Fixed Income

Global Diversification

Quarterly Topic: MasterChef of Investing

# Market Summary

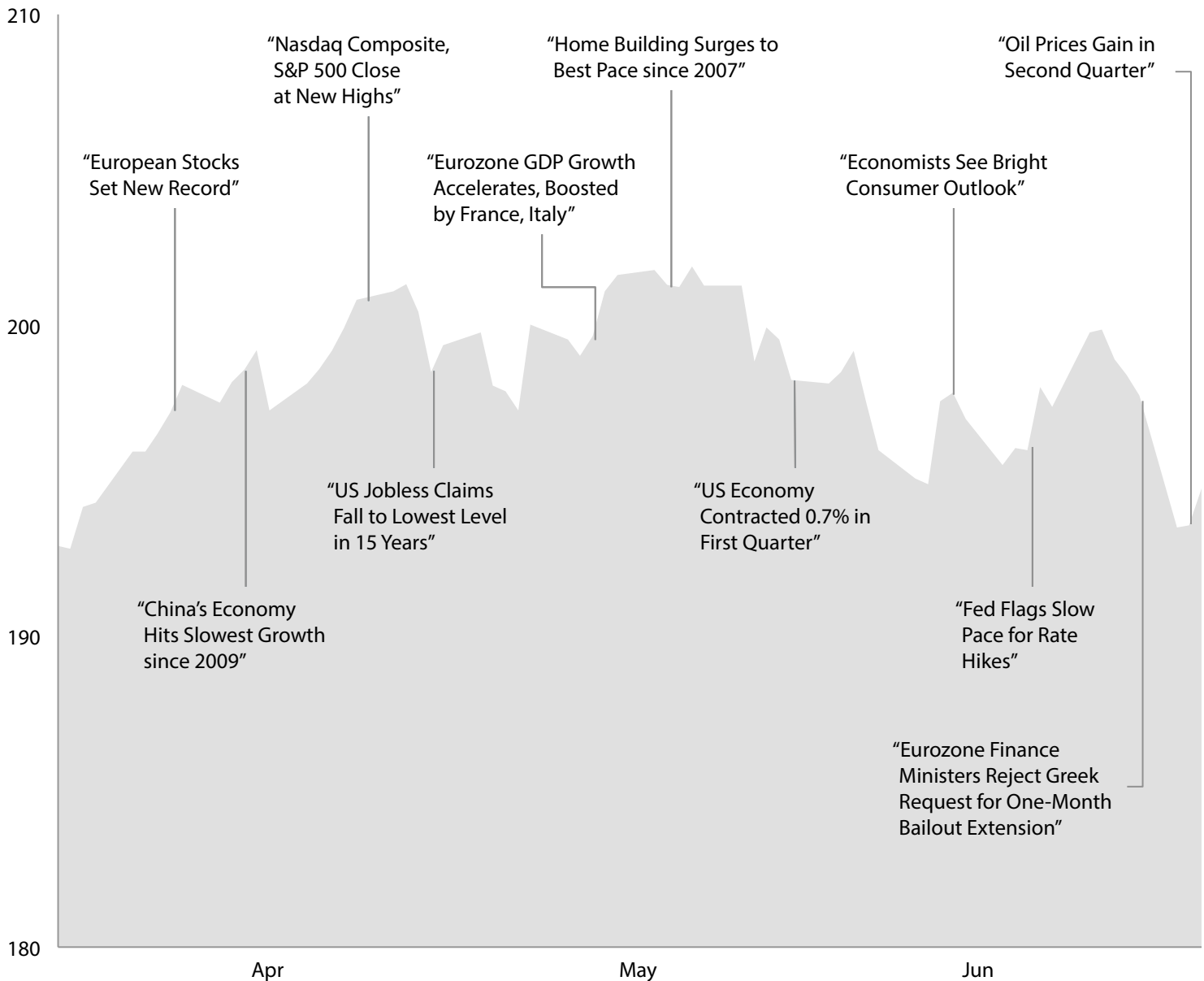
Second Quarter 2015 Index Returns



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. 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), US Bond Market (Barclays US Aggregate Bond Index), and Global Bond ex US Market (Citigroup WGBI ex USA 1-30 Years [Hedged to USD]). The S&P data are provided by Standard & Poor's Index Services Group. Russell data © Russell Investment Group 1995-2015, all rights reserved. MSCI data © MSCI 2015, all rights reserved. Barclays data provided by Barclays Bank PLC. Citigroup bond indices © 2014 by Citigroup.

# World Stock Market Performance

MSCI All Country World Index with selected headlines from Q2 2015



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.

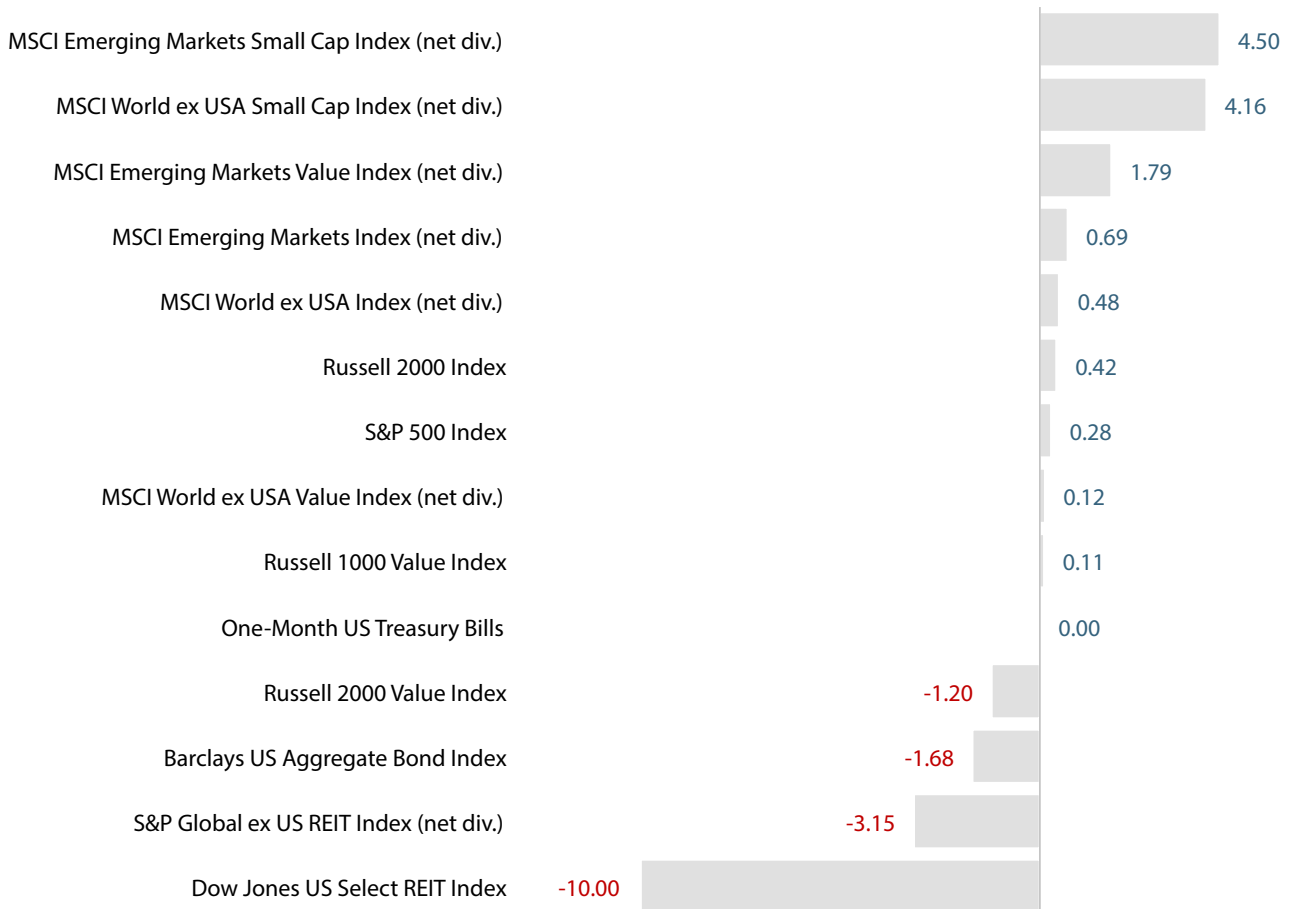
Graph Source: MSCI ACWI Index. MSCI data © MSCI 2015, all rights reserved.  
 It is not possible to invest directly in an index. Performance does not reflect the expenses associated with management of an actual portfolio. Past performance is not a guarantee of future results.

# World Asset Classes

## Second Quarter 2015 Index Returns

Looking at broad market indices, emerging markets outperformed both the US and developed ex US markets in US dollars during the quarter. REITs recorded the lowest performance in developed markets, including the US.

The value effect was positive in emerging markets but negative in developed markets, including the US. Small caps outperformed large caps in the US, non-US developed markets, and emerging markets. The US dollar had mixed performance during the quarter.



# US Stocks

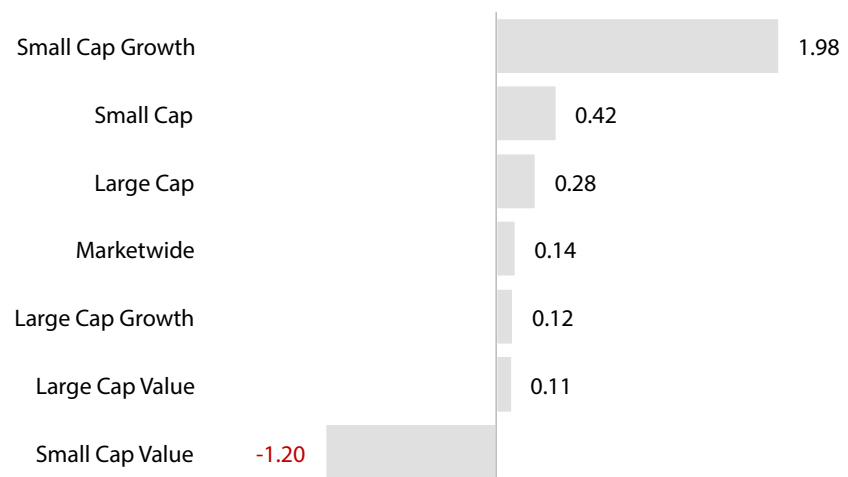
## Second Quarter 2015 Index Returns

The US equity market recorded slightly positive performance for the quarter.

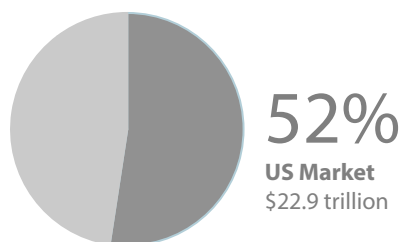
Small caps outperformed large caps, helped by the strong performance of micro cap stocks. Mid caps recorded the lowest return across the size ranges.

Value underperformed growth marketwide. Large value and large growth recorded similar performance, while the mid cap value and small cap value indices underperformed their growth counterparts.

### Ranked Returns for the Quarter (%)



### World Market Capitalization—US



### Period Returns (%)

Asset Class	YTD	1 Year	3 Years*	5 Years*	10 Years*
Marketwide	1.94	7.29	17.73	17.54	8.15
Large Cap	1.23	7.42	17.31	17.34	7.89
Large Cap Value	-0.61	4.13	17.34	16.50	7.05
Large Cap Growth	3.96	10.56	17.99	18.59	9.10
Small Cap	4.75	6.49	17.81	17.08	8.40
Small Cap Value	0.76	0.78	15.50	14.81	6.87
Small Cap Growth	8.74	12.34	20.11	19.33	9.86

\* Annualized

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# International Developed Stocks

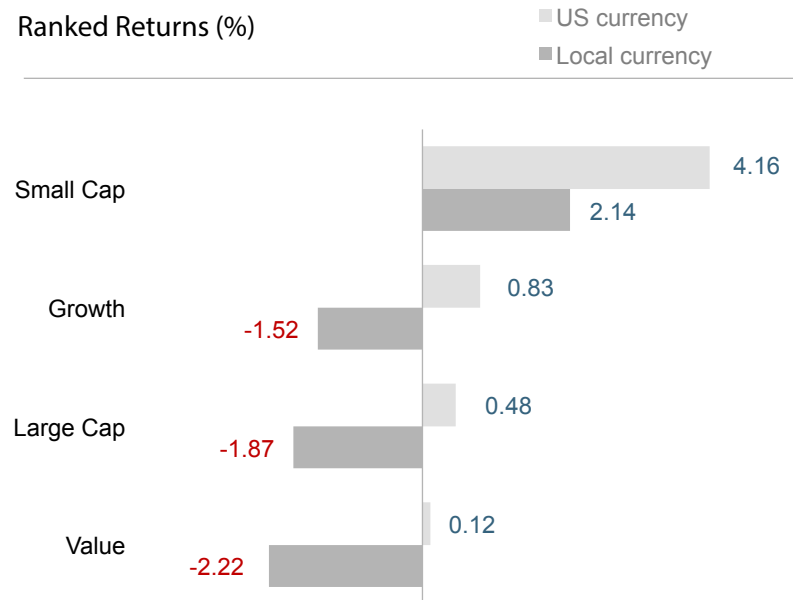
## Second Quarter 2015 Index Returns

Developed markets outside the US outperformed the US equity market but underperformed emerging markets indices in US dollar terms.

Small caps significantly outperformed large caps.

Value underperformed growth indices across all size ranges, and particularly in small caps.

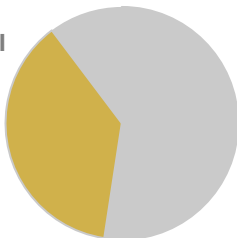
### Ranked Returns (%)



### World Market Capitalization— International Developed

**37%**

International  
Developed  
Markets  
\$16.5 trillion



### Period Returns (%)

Asset Class	YTD	1 Year	3 Years*	5 Years*	10 Years*
Large Cap	4.34	-5.28	11.15	8.97	5.16
Small Cap	8.36	-3.96	13.60	11.10	6.30
Value	2.74	-8.66	10.82	8.42	4.49
Growth	5.90	-1.87	11.43	9.47	5.76

\* Annualized

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# Emerging Markets Stocks

## Second Quarter 2015 Index Returns

Emerging markets indices outperformed developed markets indices, including the US, in US dollar terms during the quarter.

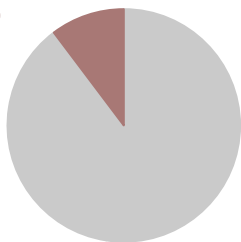
Small cap indices significantly outperformed large cap indices for the quarter.

Value outperformed growth marketwide, influenced by the strong performance of large caps. Value indices underperformed growth indices in both mid caps and small caps.

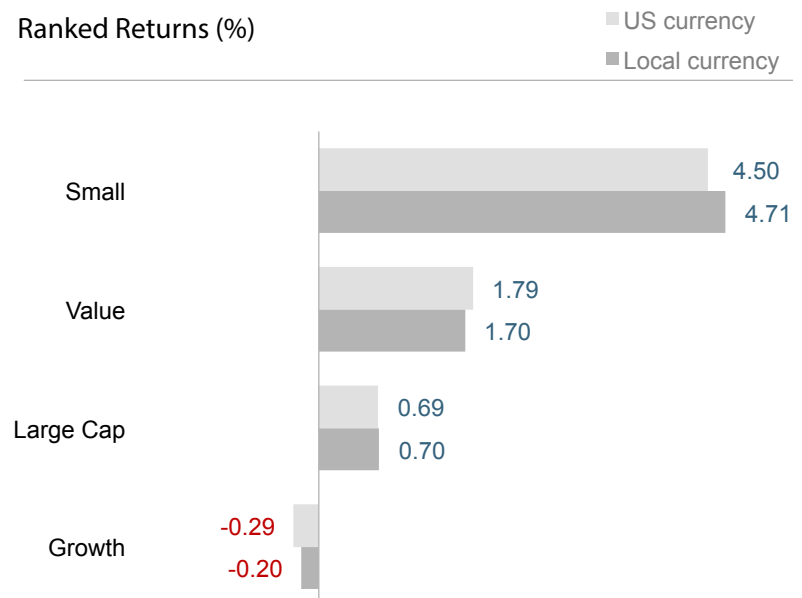
### World Market Capitalization— Emerging Markets

11%

Emerging  
Markets  
\$4.7 trillion



### Ranked Returns (%)



### Period Returns (%)

Asset Class	YTD	1 Year	3 Years*	5 Years*	10 Years*
Large Cap	2.95	-5.12	3.71	3.68	8.11
Small Cap	8.25	0.34	7.98	5.04	9.96
Value	2.18	-7.67	1.44	2.14	8.16
Growth	3.66	-2.64	5.92	5.17	8.01

\* Annualized

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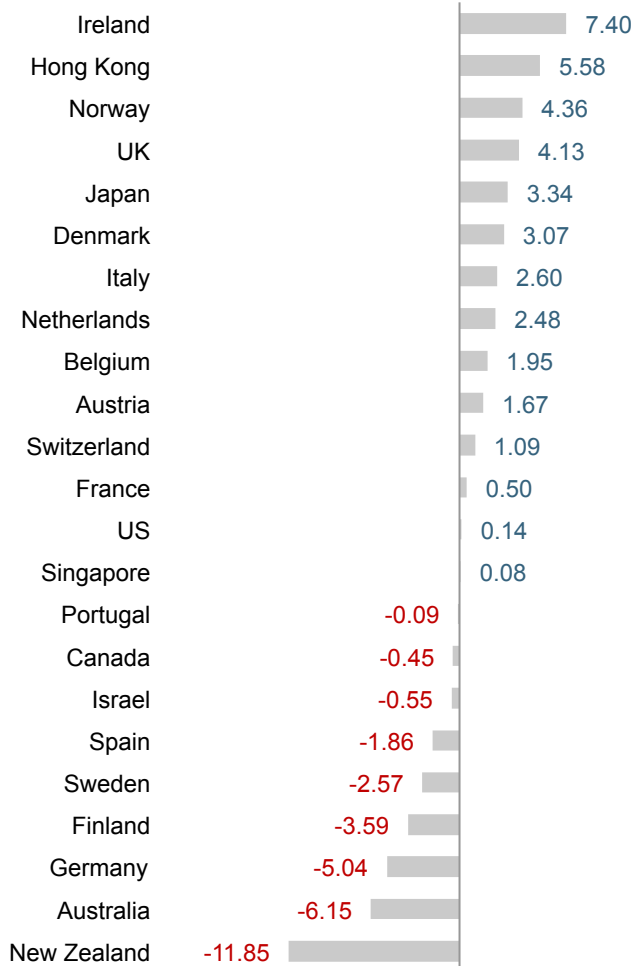


# Select Country Performance

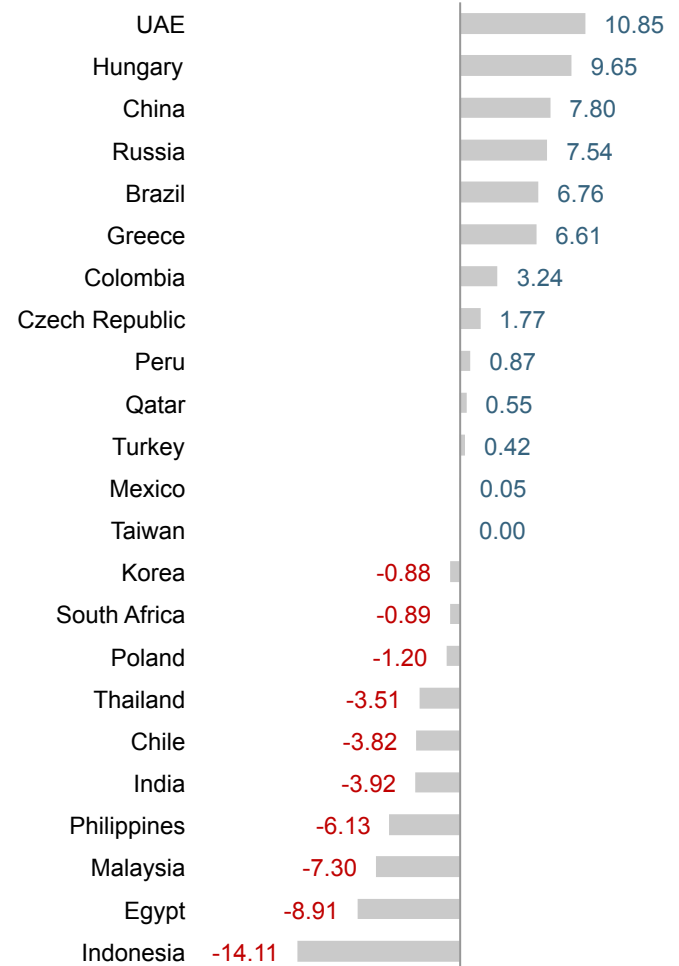
## Second Quarter 2015 Index Returns

Smaller countries recorded the highest performance for the quarter, with Ireland and Hong Kong leading the way in developed markets and the UAE and Hungary in emerging markets. Currency played a role for each of the countries that recorded the lowest performance in developed and emerging markets, as the New Zealand dollar and the Indonesian rupiah depreciated vs. the US dollar.

Ranked Developed Markets Returns (%)



Ranked Emerging Markets Returns (%)



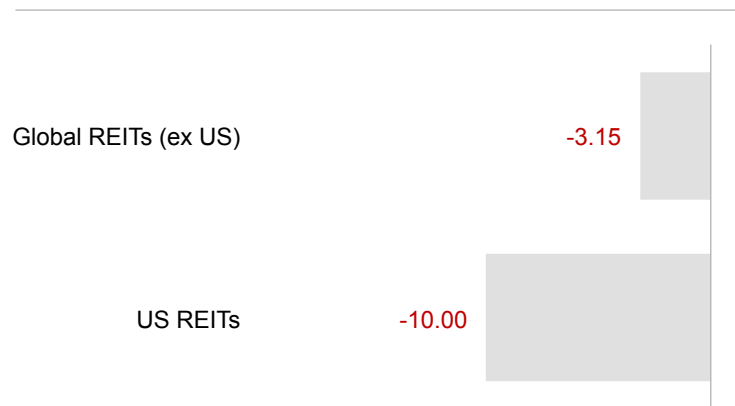
Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Country performance based on respective indices in the MSCI World ex US IMI Index (for developed markets), Russell 3000 Index (for US), and MSCI Emerging Markets IMI Index. All returns in USD and net of withholding tax on dividends. MSCI data © MSCI 2015, all rights reserved. Russell data © Russell Investment Group 1995–2015, all rights reserved. UAE and Qatar have been reclassified as emerging markets by MSCI, effective May 2014.

# Real Estate Investment Trusts (REITs)

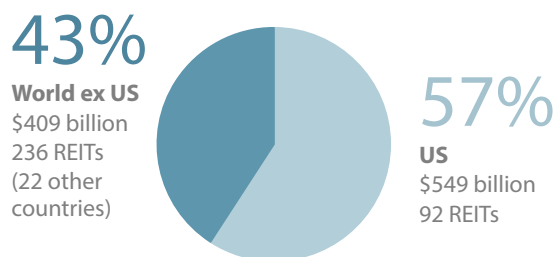
## Second Quarter 2015 Index Returns

REITs both in the US and non-US markets significantly underperformed the broad equity markets during the quarter.

### Ranked Returns (%)



### Total Value of REIT Stocks



### Period Returns (%)

Asset Class	YTD	1 Year	3 Years*	5 Years*	10 Years*
US REITs	-5.75	5.21	8.67	14.43	6.78
Global REITs (ex US)	-1.05	-3.21	9.24	11.93	4.01

\* Annualized

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 © 2014.

# Commodities

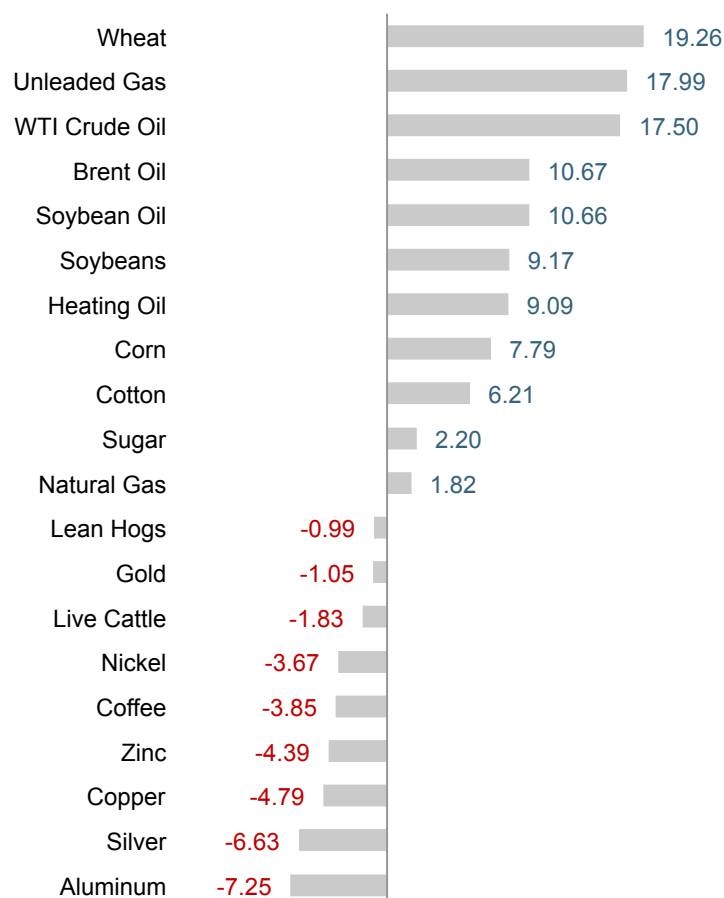
## Second Quarter 2015 Index Returns

Commodities were broadly positive during the second quarter. The Bloomberg Commodity Index Total Return gained 4.66%. The energy complex led the period with unleaded gas returning 17.99% and WTI crude oil returning 17.50%.

Grains also posted positive returns; Chicago wheat added 19.26%, while soybean meal added 11.44%.

Metals were negative; aluminum declined 7.25% and silver dropped 6.63%.

### Ranked Returns for Individual Commodities (%)



### Period Returns (%)

Asset Class	YTD	Q2	1 Year	3 Years*	5 Years*	10 Years*
Commodities	-1.56	4.66	-23.71	-8.76	-3.91	-2.62

\* Annualized

# Fixed Income

## Second Quarter 2015 Index Returns

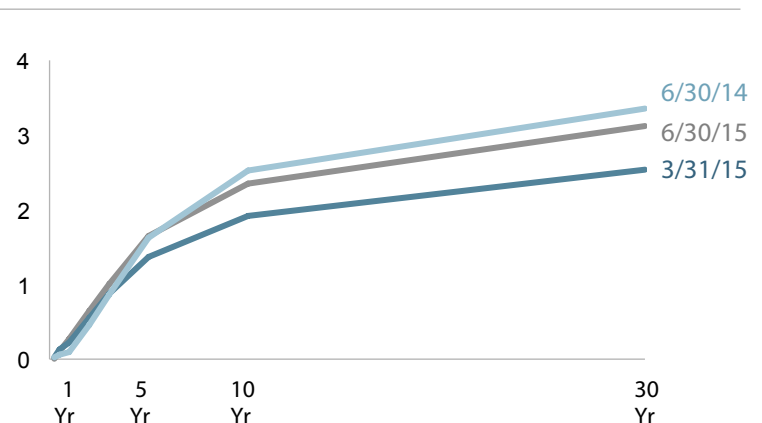
Interest rates across the US fixed income markets generally increased during the second quarter. The 5-year Treasury note added 25 basis points to end the period yielding 1.63%. The 10-year Treasury note increased 42 basis points to end the quarter at 2.35%. The 30-year Treasury bond added 56 basis points to finish with a yield of 3.10%.

On the short end of the curve, the 2-year Treasury note added 8 basis points to finish at 0.64%. Yields on securities within one year to maturity were generally lower by 2 basis points.

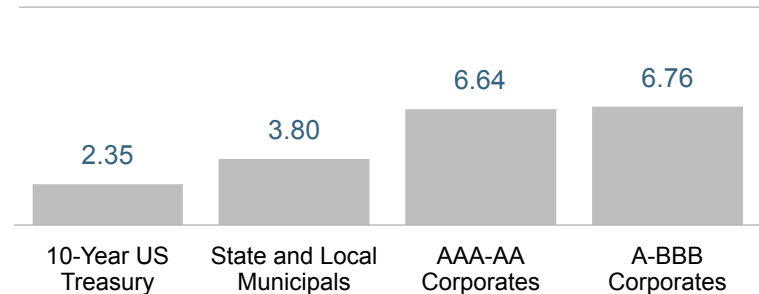
Short-term corporate bonds gained 0.06%, while intermediate corporate bonds lost 1.09%.

Short-term municipal bonds were relatively unchanged, but intermediate municipal bonds declined 0.89%. Municipal general obligation and revenue bonds experienced similar returns.

### US Treasury Yield Curve



### Bond Yields across Issuers



### Period Returns (%)

Asset Class	YTD	1 Year	3 Years*	5 Years*	10 Years*
BofA Merrill Lynch Three-Month US Treasury Bill Index	0.01	0.02	0.06	0.08	1.42
BofA Merrill Lynch 1-Year US Treasury Note Index	0.21	0.24	0.28	0.36	1.92
Citigroup WGBI 1 -5 Years (hedged to USD)	0.51	1.27	1.40	1.54	2.93
Barclays Long US Government Bond Index	-4.52	6.20	1.25	6.23	6.12
Barclays US Aggregate Bond Index	-0.10	1.86	1.83	3.35	4.44
Barclays US Corporate High Yield Index	2.53	-0.40	6.81	8.61	7.89
Barclays Municipal Bond Index	0.11	3.00	3.10	4.50	4.45
Barclays US TIPS Index	0.34	-1.73	-0.76	3.29	4.14

\* Annualized

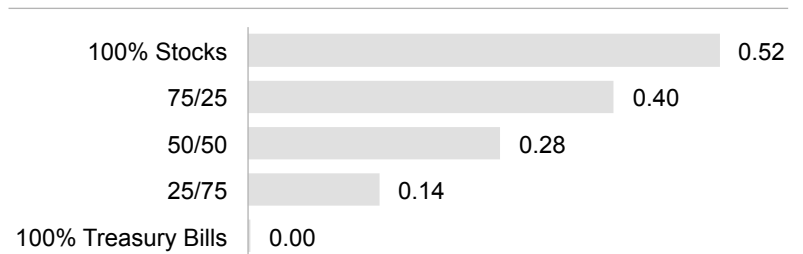
Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Yield curve data from Federal Reserve. State and local bonds are from the Bond Buyer Index, general obligation, 20 years to maturity, mixed quality. 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. Barclays data provided by Barclays Bank PLC. US long-term bonds, bills, inflation, and fixed income factor data © Stocks, Bonds, Bills, and Inflation (S&B) Yearbook™, Ibbotson Associates, Chicago (annually updated work by Roger G. Ibbotson and Rex A. Sinquefeld). Citigroup bond indices © 2014 by Citigroup. The BofA Merrill Lynch Indices are used with permission; © 2014 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.

# Global Diversification

## Second Quarter 2015 Index Returns

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

### Ranked Returns (%)

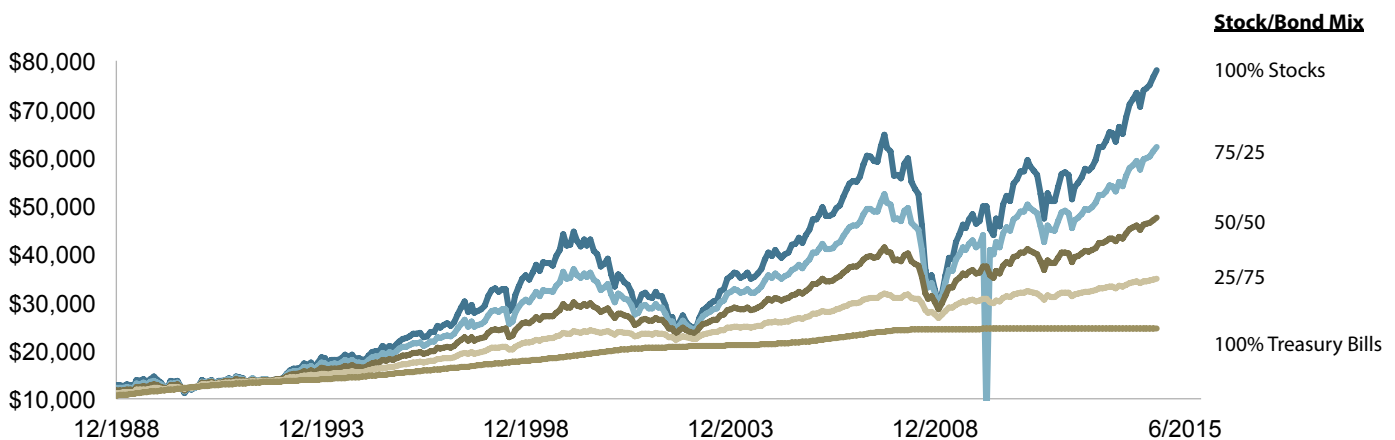


### Period Returns (%)

\* Annualized

Asset Class	YTD	1 Year	3 Years*	5 Years*	10 Years*
100% Stocks	2.97	1.23	13.61	12.52	6.97
75/25	2.27	0.99	10.14	9.46	5.81
50/50	1.54	0.71	6.72	6.35	4.47
25/75	0.78	0.38	3.35	3.21	2.96
100% Treasury Bills	0.01	0.01	0.03	0.04	1.30

## Growth of Wealth: The Relationship between Risk and Return



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 2015, 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).