

Open-End Net Fund Flows (\$)	11/15	10/15	YTD (Nov)
Equity	-20.57B	-9.82B	-40.03B
Taxable Bond	-7.54B	1.98B	-7.56B
Municipal Bond	2.48B	2.38B	9.02B
Hybrid	-4.46B	-2.40B	-8.55B
Taxable Money Market	0.76B	44.11B	-0.09B

Key Interest Rates	12/31/15	6/30/15	12/31/14
Federal Funds Target Rate	0.50%	0.25%	0.25%
LIBOR (3-Month)	0.61%	0.28%	0.26%
2-Year T-Note	1.05%	0.65%	0.67%
10-Year T-Note	2.27%	2.35%	2.17%
Bond Buyer 40	4.21%	4.47%	4.27%

Commodities/U.S. Dollar	12/15	6 Mo.	12 Mo.
U.S. Dollar Index (DXY)	-1.53%	3.29%	9.26%
TR/CC CRB Commodity Index	-3.43%	-22.41%	-23.40%
Crude Oil (Barrel)	-11.07%	-37.72%	-30.47%
Natural Gas (per million BTUs)	4.46%	-17.31%	-19.03%
Gold Bullion (Ounce)	-0.53%	-9.52%	-10.46%

Total Return Performance

U.S. Stock Indices	12/15	YTD	12 Mo.
S&P 500	-1.59%	1.37%	1.37%
DJIA	-1.52%	0.21%	0.21%
NASDAQ 100	-1.48%	9.75%	9.75%
S&P 400	-4.17%	-2.18%	-2.18%
Russell 2000	-5.02%	-4.41%	-4.41%
Russell 3000	-2.06%	0.47%	0.47%

U.S. Styles/Market Caps	12/15	YTD	12 Mo.
S&P 500 Growth	-1.53%	5.51%	5.51%
S&P 500 Value	-1.69%	-3.14%	-3.14%
S&P MidCap 400 Growth	-3.36%	2.01%	2.01%
S&P MidCap 400 Value	-5.11%	-6.66%	-6.66%
Russell 2000 Growth	-4.77%	-1.38%	-1.38%
Russell 2000 Value	-5.27%	-7.47%	-7.47%

Foreign Stock Indices (USD)	12/15	YTD	12 Mo.
MSCI World NET (Ex-U.S.)	-1.79%	-3.04%	-3.04%
MSCI Emerging Markets NET	-2.23%	-14.92%	-14.92%
MSCI Europe NET	-2.57%	-2.84%	-2.84%
MSCI BRIC NET	-1.83%	-13.46%	-13.46%
MSCI EM Latin America NET	-4.28%	-31.04%	-31.04%
Nikkei 225	-3.50%	10.12%	10.12%

Barclays Bond Indices	12/15	YTD	12 Mo.
U.S. Treasury: Intermediate	-0.19%	1.18%	1.18%
GNMA 30 Year	0.07%	1.41%	1.41%
Municipal Bond (22+)	1.10%	4.52%	4.52%
U.S. Aggregate	-0.32%	0.55%	0.55%
Intermediate Corporate	-0.58%	1.08%	1.08%
U.S. Corporate High Yield	-2.52%	-4.47%	-4.47%
Global Aggregate	0.53%	-3.15%	-3.15%
EM Hard Currency Aggregate	-1.10%	-0.18%	-0.18%

Sources: Bloomberg, Barclays, Investment Company Institute

Past performance is no guarantee of future results. Historical performance figures for the indices are for illustrative purposes only and not indicative of any actual investment. Indices are unmanaged and an investor cannot invest directly in an index.

Climate

Regardless of how individual investors perceived the markets in 2015, companies worldwide were extremely active with respect to mergers and acquisition (M&A) activity. Dealogic reported that the total value of global M&A activity (announced) topped \$5.0 trillion in 2015, surpassing the previous high set in 2007 by around 9%, according to PRNewswire. There were 10 transactions valued at \$50 billion or more in 2015 and seven of them involved U.S. companies. The U.S. accounted for half of all global M&A activity, or about \$2.5 trillion. The two most active sectors were health care (\$723.7 billion) and technology (\$713.1 billion). Despite spending hundreds of billions of dollars on acquisitions, stock repurchase programs and dividends in recent years, major corporations remain cash rich. S&P 500 Industrials (Old), defined as the S&P 500 minus Financials, Utilities and Transportation companies, had cash and equivalent holdings totaling \$1.30 trillion in Q3'15, down slightly from the all-time high of \$1.33 trillion set in Q4'14, according to S&P Dow Jones Indices.

Stock Market

The S&P 500 Index closed 2015 at 2043.94, which was 4.08% below its all-time high (2130.82) set on 5/21/15, according to Bloomberg. The index posted a total return of 1.37% in 2015, according to Bloomberg. It was the first time the index failed to post a double-digit total return since 2011, when it was up just 2.11%. Five of the 10 major sectors that comprise the index finished the year in positive territory. The top four performers were Consumer Discretionary, Health Care, Consumer Staples and Information Technology, up 10.11%, 6.89%, 6.60% and 5.92%, respectively, on a total return basis. The two worst performers were Energy and Materials, down 21.12% and 8.38%, respectively. The energy sector's influence on the S&P 500 Index should ease some in 2016, in our opinion. At the start of the bull market on 3/9/09, Energy carried a 14.0% weighting in the index, according to Bespoke Investment Group. It began 2015 at 8.48%. As of 12/31/15, it was down to 6.50%, according to S&P Dow Jones Indices. The top four performing S&P 500 Index subsectors in 2015 were Internet Retail, Home Entertainment Software, Construction Materials and Internet Software & Services, up 83.46%, 64.68%, 35.93% and 33.32%, respectively, according to Bloomberg. The two worst performers were Coal & Consumable Fuel and Diversified Metals & Mining, down 76.50% and 70.11%, respectively. Bloomberg's 2016 consensus earnings growth rate estimate for the S&P 500 Index was 8.62% as of 12/31/15.

Bond Market

In December, the yield on the benchmark 10-Year Treasury Note (T-Note) rose 6 basis points to 2.27%, which was 10 basis points higher than its 2.17% yield on 12/31/14, according to Bloomberg. With the exception of U.S. high yield corporate and foreign debt, most major bond indices posted positive total returns in 2015 (see chart). On 12/16/15, the Federal Reserve raised its target on the federal funds rate by 25 basis points to 0.50%. It was the first rate hike since June 2006. The yield on the 10-Year T-Note actually declined by 3 basis points from 12/16 to 12/31, according to Bloomberg. Looking at the bigger picture, the amount of government debt in need of refinancing in 2016 by the Group-of-Seven nations (U.S., Canada, France, Germany, Great Britain, Italy and Japan) plus the BRIC countries (Brazil, Russia, India and China) is \$7.1 trillion, according to Bloomberg. While up slightly from \$7.0 trillion in 2015, it is notably lower than the \$7.6 trillion refinanced in 2012.

Takeaway

With respect to equities, investors should be prepared to endure higher levels of volatility in 2016, if for no other reason than the fact that the current bull market ranks as the third longest in history at 82 months (3/9/09-12/31/15) and counting, according to data from Bloomberg, UBS and Benzinga. The VIX Index, which uses S&P 500 options activity to gauge investors' expectations of volatility, had an average reading of 16.68 in 2015, up from an average of 14.17 in 2014, according to Bloomberg. The index stood at 18.21 on 12/31/15, closer to its 20.98 average for the 20-year period ended 12/31/15.

Index	10-Yr. High Value	Date	10-Yr. Low Value	Date	Month-End Value	% Off High Value	YTD Return (USD)	Month-End Yield
S&P 500	2130.82	5/21/2015	676.53	3/9/2009	2043.94	-4.08%	1.37%	2.15%
S&P 500 Growth	1199.09	11/3/2015	363.99	3/9/2009	1163.70	-2.95%	5.51%	1.59%
S&P 500 Value	944.41	5/21/2015	307.16	3/9/2009	876.09	-7.23%	-3.14%	2.73%
S&P MidCap 400	1549.44	6/23/2015	404.62	3/9/2009	1398.58	-9.74%	-2.18%	1.88%
S&P MidCap 400 Growth	707.04	8/17/2015	174.44	11/20/2008	653.29	-7.60%	2.01%	1.28%
S&P MidCap 400 Value	533.88	6/23/2015	144.98	3/9/2009	468.49	-12.25%	-6.66%	2.52%
S&P 100	945.61	7/20/2015	322.13	3/9/2009	911.43	-3.61%	2.64%	2.28%
DJIA	18312.39	5/19/2015	6547.05	3/9/2009	17425.03	-4.85%	0.21%	2.55%
NASDAQ 100	4719.05	11/3/2015	1036.51	11/20/2008	4593.27	-2.67%	9.75%	1.17%
Russell 2000	1295.80	6/23/2015	343.26	3/9/2009	1135.89	-12.34%	-4.41%	1.61%
Russell 2000 Growth	808.08	6/23/2015	190.73	3/9/2009	707.36	-12.46%	-1.38%	0.83%
Russell 2000 Value	1572.13	6/23/2015	469.32	3/9/2009	1380.60	-12.18%	-7.47%	2.42%
Russell 3000	1273.39	6/23/2015	389.61	3/9/2009	1206.10	-5.28%	0.47%	2.05%
MSCI World Net (ex U.S.) (USD)	5496.51	7/3/2014	2131.84	3/9/2009	4784.10	-12.96%	-3.04%	3.26%
MSCI Emerging Markets Net (USD)	473.36	10/29/2007	164.51	10/27/2008	341.62	-27.83%	-14.92%	2.92%
Ibovespa/Brazil (USD)	44638.24	5/19/2008	10720.71	9/29/2015	11103.42	-75.13%	-41.04%	4.68%
RTS/Russia (USD)	2487.92	5/19/2008	498.20	1/23/2009	757.04	-69.57%	0.44%	4.70%
S&P BSE 500/India (USD)	226.04	1/7/2008	57.52	3/9/2009	160.57	-28.96%	-4.10%	1.30%
Shanghai Composite/China (USD)	832.07	6/12/2015	146.38	1/4/2006	545.02	-34.50%	6.25%	1.75%
KOSPI/South Korea (USD)	2.29	10/31/2007	0.63	11/20/2008	1.66	-27.18%	-4.61%	1.26%
Hang Seng (USD)	4082.25	10/30/2007	1420.72	10/27/2008	2827.56	-30.74%	-3.88%	3.87%
MSCI Euro (USD)	1985.51	10/31/2007	682.47	3/9/2009	1169.24	-41.11%	-1.79%	3.36%
S&P 500 Consumer Discretionary	648.09	11/25/2015	125.72	3/9/2009	621.02	-4.18%	10.11%	1.56%
S&P 500 Consumer Staples	526.08	12/29/2015	199.80	3/9/2009	518.42	-1.46%	6.60%	2.72%
S&P 500 Energy	737.09	6/23/2014	304.81	3/5/2009	448.44	-39.16%	-21.12%	3.75%
S&P 500 Utilities	251.40	1/29/2015	113.81	3/9/2009	220.00	-12.49%	-4.84%	3.84%
S&P 500 Financials	509.55	2/20/2007	81.74	3/6/2009	321.73	-36.86%	-1.56%	2.08%
S&P 500 Banks	414.38	2/20/2007	49.02	3/5/2009	234.24	-43.47%	0.85%	2.00%
FTSE NAREIT All Equity REITs	685.39	1/26/2015	163.57	3/6/2009	623.76	-8.99%	2.83%	3.99%
S&P 500 Health Care	892.26	7/20/2015	252.84	3/5/2009	833.23	-6.62%	6.89%	1.58%
S&P 500 Pharmaceuticals	639.79	7/20/2015	214.50	3/3/2009	602.17	-5.88%	5.79%	2.39%
NYSE Arca Biotechnology	4431.87	7/17/2015	541.77	3/9/2009	3813.96	-13.94%	11.39%	0.21%
S&P 500 Information Technology	750.26	12/4/2015	198.51	11/20/2008	721.48	-3.84%	5.92%	1.52%
Philadelphia Semiconductor	746.08	6/1/2015	171.32	11/20/2008	663.48	-11.07%	-1.62%	2.00%
S&P 500 Telecom Services	181.06	5/31/2007	88.10	3/9/2009	149.91	-17.20%	3.40%	5.12%
S&P 500 Industrials	498.14	2/20/2015	132.83	3/9/2009	463.53	-6.95%	-2.56%	2.28%
S&P 500 Materials	326.60	2/24/2015	108.33	3/2/2009	273.64	-16.21%	-8.38%	2.31%
Philadelphia Gold & Silver	228.95	4/8/2011	43.21	12/17/2015	45.30	-80.21%	-33.42%	1.45%
TR/CC CRB Commodity	473.52	7/2/2008	170.70	12/17/2015	176.14	-62.80%	-23.40%	N/A
BofA ML Perpetual Preferred	225.30	12/31/2015	51.79	3/9/2009	225.30	0.00%	7.60%	5.27%
BofA ML U.S. High Yield Constrained	360.88	5/31/2015	130.37	12/12/2008	330.74	-8.35%	-4.61%	8.90%

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