

Open-End Net Fund Flows (\$)	5/16	4/16	YTD (May)
Equity	-18.08B	-23.67B	-47.77B
Taxable Bond	5.59B	13.40B	21.96B
Municipal Bond	7.30B	5.58B	27.25B
Hybrid	-1.40B	0.26B	-10.07B
Taxable Money Market	-4.56B	-26.41B	0.29B

Key Interest Rates	6/30/16	12/31/15	6/30/15
Federal Funds Rate (Upper)	0.50%	0.50%	0.25%
LIBOR (3-Month)	0.65%	0.61%	0.28%
2-Year T-Note	0.58%	1.05%	0.65%
10-Year T-Note	1.47%	2.27%	2.35%
Bond Buyer 40	3.75%	4.21%	4.47%

Commodities/U.S. Dollar	6/16	YTD (Jun)	12 Mo.
U.S. Dollar Index (DXY)	0.26%	-2.52%	0.68%
TR/CC CRB Commodity Index	3.45%	9.33%	-15.23%
Crude Oil (Barrel)	-1.57%	30.48%	-18.73%
Natural Gas (per million BTUs)	27.51%	24.79%	3.18%
Gold Bullion (Ounce)	8.71%	24.56%	12.70%

Total Return Performance

U.S. Stock Indices	6/16	YTD	12 Mo.
S&P 500	0.26%	3.84%	3.98%
DJIA	0.95%	4.31%	4.50%
NASDAQ 100	-2.30%	-3.17%	1.77%
S&P 400	0.42%	7.93%	1.33%
Russell 2000	-0.06%	2.21%	-6.74%
Russell 3000	0.21%	3.62%	2.13%

U.S. Styles/Market Caps	6/16	YTD	12 Mo.
S&P 500 Growth	-0.36%	1.55%	4.23%
S&P 500 Value	0.89%	6.24%	3.37%
S&P MidCap 400 Growth	0.35%	5.65%	1.17%
S&P MidCap 400 Value	0.48%	10.26%	1.27%
Russell 2000 Growth	-0.46%	-1.61%	-10.76%
Russell 2000 Value	0.30%	6.08%	-2.59%

Foreign Stock Indices (USD)	6/16	YTD	12 Mo.
MSCI World NET (Ex-U.S.)	-3.04%	-2.98%	-9.84%
MSCI Emerging Markets NET	4.00%	6.41%	-12.06%
MSCI Europe NET	-4.45%	-5.13%	-11.22%
MSCI BRIC NET	3.77%	4.47%	-16.50%
MSCI EM Latin America NET	11.45%	25.47%	-7.57%
Nikkei 225	-2.96%	-3.43%	-7.21%

Barclays Bond Indices	6/16	YTD	12 Mo.
U.S. Treasury: Intermediate	1.47%	3.66%	4.04%
GNMA 30 Year	0.66%	2.67%	3.99%
Municipal Bond (22+)	2.53%	6.84%	11.71%
U.S. Aggregate	1.80%	5.31%	6.00%
Intermediate Corporate	1.46%	5.06%	5.36%
U.S. Corporate High Yield	0.92%	9.06%	1.62%
Global Aggregate	2.92%	8.96%	8.87%
EM Hard Currency Aggregate	2.56%	9.06%	7.26%

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

One of the reasons cited by the Federal Reserve for not raising interest rates beyond the initial 0.25% hike in the federal funds target rate on 12/16/15 is the slowdown in global growth. The International Monetary Fund reduced its global growth estimate for 2016 from 3.4% in January to 3.2% in April. It also shaved its 2017 estimate by 0.1% to 3.5%. To help put this concern into perspective, the rate was 5.4% in 2010. This brings us to the Brexit (British + Exit) vote held on 6/23/16. The citizens of the United Kingdom (U.K.) voted (52% vs. 48%) to leave the European Union (EU), according to the BBC. The news was not well-received by the global equities markets. It is not known how it might impact the European recovery underway. In the two trading days (6/24 & 6/27) following the vote, total world equity market capitalization (cap) dropped from \$63.81 trillion to \$60.17 trillion, or a decline of \$3.64 trillion, according to Bloomberg. The global equities markets, however, rebounded to close 6/30 at a combined market cap of \$62.70 trillion. The U.K. and the EU are likely going to need months to negotiate this exit. While we acknowledge that the Brexit vote has been a shock to the markets, we believe investors should focus their attention on the collective policy efforts of central banks around the globe seeking to stimulate growth. Easy monetary policy has helped push the yields on nearly \$12 trillion of government bonds worldwide into negative territory, according to Bloomberg.

Stock Market

The S&P 500 Index closed at 2,098.86 on 6/30/16, which was 1.50% below its all-time high of 2,130.82 set on 5/21/15, according to Bloomberg. In June, the top two performing major sectors that comprise the S&P 500 Index were Telecommunication Services and Utilities, up 9.34% and 7.81%, respectively, on a total return basis. The two worst performers were Financials and Information Technology, down 3.21% and 2.76%, respectively. The top two performing S&P 500 Index subsectors in June were Gold and Water Utilities, up 20.79% and 14.05%, respectively, according to Bloomberg. The two worst performers were Airlines and Real Estate Services, down 11.62% and 11.29%, respectively. Year-to-date through June, the top two performing sectors were Telecommunication Services and Utilities, up 24.85% and 23.41%, respectively, while the two worst performers were Financials and Information Technology, down 3.05% and 0.32%, respectively. Y-T-D through June, the top two performing subsectors were Gold and Diversified Metals & Mining, up 117.82% and 64.55%, respectively, while the two worst performers were Specialized Consumer Services and Airlines, down 29.81% and 24.45%, respectively. Defensive sectors and commodities were popular with investors in the first half of 2016.

Bond Market

In June, the yield on the benchmark 10-Year Treasury Note fell 38 basis points to 1.47%, which was 88 basis points below its 2.35% yield on 6/30/15 and 84 basis points below its three-year average of 2.31%, according to Bloomberg. The 1.47% closing yield on 6/30/16 was just nine basis points above the 30-year closing low (thru 6/30/16) of 1.39% on 7/24/12, according to Bloomberg. As indicated by the returns in the bond chart, the decline in interest rates in June was well-received by investors. The 9.06% Y-T-D total return shared by the U.S. Corporate High Yield and EM Hard Currency Aggregate indices shows that investors are willing to assume some credit risk in an effort to capture a higher rate of return, in our opinion.

Takeaway

We need stronger economic growth to win over investors en masse, in our opinion. The economic recovery just celebrated its 7th anniversary on 6/30. The U.S. banking system, which was at the epicenter of the last recession/crisis, is in much better shape today. The Federal Reserve just reported that the 33 biggest banks had increased their common equity by more than \$700 billion since 2009, raising the ratio of high-quality capital to risk-weighted assets from 5.5% to 12.2%, according to MarketWatch. It also noted that 31 of the 33 banks estimate their common equity will increase between Q3'16 and Q2'17. All of the banks passed the latest stress test, which assesses a bank's ability to withstand severe financial and economic shocks. Most banks are now permitted to increase stock dividends and buybacks.

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	2098.86	-1.50%	3.84%	2.18%
S&P 500 Growth	1199.09	11/3/2015	363.99	3/9/2009	1171.76	-2.28%	1.55%	1.67%
S&P 500 Value	944.41	5/21/2015	307.16	3/9/2009	917.96	-2.80%	6.24%	2.69%
S&P MidCap 400	1549.44	6/23/2015	404.62	3/9/2009	1496.50	-3.42%	7.93%	1.80%
S&P MidCap 400 Growth	707.04	8/17/2015	174.44	11/20/2008	685.75	-3.01%	5.65%	1.28%
S&P MidCap 400 Value	533.88	6/23/2015	144.98	3/9/2009	511.06	-4.27%	10.26%	2.26%
S&P 100	945.61	7/20/2015	322.13	3/9/2009	928.13	-1.85%	3.05%	2.29%
DJIA	18312.39	5/19/2015	6547.05	3/9/2009	17929.99	-2.09%	4.31%	2.57%
NASDAQ 100	4719.05	11/3/2015	1036.51	11/20/2008	4417.70	-6.39%	-3.17%	1.30%
Russell 2000	1295.80	6/23/2015	343.26	3/9/2009	1151.92	-11.10%	2.21%	1.66%
Russell 2000 Growth	808.08	6/23/2015	190.73	3/9/2009	693.06	-14.23%	-1.61%	0.93%
Russell 2000 Value	1572.13	6/23/2015	469.32	3/9/2009	1448.10	-7.89%	6.08%	2.40%
Russell 3000	1273.39	6/23/2015	389.61	3/9/2009	1236.62	-2.89%	3.62%	2.09%
MSCI World Net (ex U.S.) (USD)	5496.51	7/3/2014	2131.84	3/9/2009	4641.39	-15.56%	-2.98%	3.51%
MSCI Emerging Markets Net (USD)	473.36	10/29/2007	164.51	10/27/2008	363.53	-23.20%	6.41%	2.78%
Ibovespa/Brazil (USD)	44638.24	5/19/2008	9077.09	1/21/2016	16056.00	-64.03%	44.60%	3.36%
RTS/Russia (USD)	2487.92	5/19/2008	498.20	1/23/2009	930.77	-62.59%	24.24%	4.50%
S&P BSE 500/India (USD)	226.04	1/7/2008	57.52	3/9/2009	163.33	-27.74%	2.55%	1.42%
Shanghai Composite/China (USD)	832.07	6/12/2015	194.18	8/7/2006	440.23	-47.09%	-18.60%	2.07%
KOSPI/South Korea (USD)	2.29	10/31/2007	0.63	11/20/2008	1.71	-25.20%	2.74%	1.66%
Hang Seng (USD)	4082.25	10/30/2007	1420.72	10/27/2008	2679.89	-34.35%	-2.58%	3.94%
MSCI Euro (USD)	1985.51	10/31/2007	682.47	3/9/2009	1055.92	-46.82%	-6.96%	3.86%
S&P 500 Consumer Discretionary	648.09	11/25/2015	125.72	3/9/2009	620.41	-4.27%	0.68%	1.66%
S&P 500 Consumer Staples	564.99	6/30/2016	199.80	3/9/2009	564.99	0.00%	10.46%	2.48%
S&P 500 Energy	737.09	6/23/2014	304.81	3/5/2009	512.39	-30.48%	16.10%	3.05%
S&P 500 Utilities	266.70	6/30/2016	113.81	3/9/2009	266.70	0.00%	23.41%	3.21%
S&P 500 Financials	509.55	2/20/2007	81.74	3/6/2009	308.39	-39.48%	-3.05%	2.38%
S&P 500 Banks	414.38	2/20/2007	49.02	3/5/2009	205.12	-50.50%	-11.41%	2.35%
FTSE NAREIT All Equity REITs	696.64	6/30/2016	163.57	3/6/2009	696.64	0.00%	13.85%	4.03%
S&P 500 Health Care	892.26	7/20/2015	252.84	3/5/2009	829.45	-7.04%	0.42%	1.66%
S&P 500 Pharmaceuticals	639.79	7/20/2015	214.50	3/3/2009	619.13	-3.23%	4.15%	2.38%
NYSE Arca Biotechnology	4431.87	7/17/2015	541.77	3/9/2009	3024.63	-31.75%	-20.58%	0.27%
S&P 500 Information Technology	750.26	12/4/2015	198.51	11/20/2008	713.04	-4.96%	-0.32%	1.69%
Philadelphia Semiconductor	746.08	6/1/2015	171.32	11/20/2008	691.67	-7.29%	5.45%	1.93%
S&P 500 Telecom Services	182.64	6/30/2016	88.10	3/9/2009	182.64	0.00%	24.85%	4.25%
S&P 500 Industrials	498.14	2/20/2015	132.83	3/9/2009	487.51	-2.13%	6.46%	2.25%
S&P 500 Materials	326.60	2/24/2015	108.33	3/2/2009	290.62	-11.02%	7.46%	2.26%
Philadelphia Gold & Silver	228.95	4/8/2011	38.84	1/19/2016	97.64	-57.35%	116.16%	0.47%
TR/CC CRB Commodity	473.52	7/2/2008	155.01	2/11/2016	192.57	-59.33%	9.33%	N/A
BofA ML Perpetual Preferred	236.42	6/30/2016	51.79	3/9/2009	236.42	0.00%	4.94%	5.17%
BofA ML U.S. High Yield Constrained	362.79	6/23/2016	130.37	12/12/2008	361.57	-0.34%	9.32%	7.55%

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.