

| Open-End Net Fund Flows (\$) | 12/16   | 11/16   | YTD (Dec) |
|------------------------------|---------|---------|-----------|
| Equity                       | -33.59B | -28.30B | -259.20B  |
| Taxable Bond                 | 7.46B   | -5.70B  | 83.68B    |
| Municipal Bond               | -17.64B | -10.83B | 23.00B    |
| Hybrid                       | -12.27B | -7.60B  | -45.82B   |
| Taxable Money Market         | 5.92B   | 54.19B  | 86.46B    |

| Key Interest Rates        | 1/31/17 | 12/30/16 | 1/29/16 |
|---------------------------|---------|----------|---------|
| Federal Funds Target Rate | 0.75%   | 0.75%    | 0.50%   |
| LIBOR (3-Month)           | 1.03%   | 1.00%    | 0.61%   |
| 2-Year T-Note             | 1.21%   | 1.19%    | 0.78%   |
| 10-Year T-Note            | 2.45%   | 2.45%    | 1.92%   |
| Bond Buyer 40             | 4.25%   | 4.25%    | 4.14%   |

| Commodities/U.S. Dollar        | 1/17    | 6 Mo.   | 12 Mo. |
|--------------------------------|---------|---------|--------|
| U.S. Dollar Index (DXY)        | -2.64%  | 4.17%   | -0.10% |
| TR/CC CRB Commodity Index      | -0.25%  | 6.09%   | 15.17% |
| Crude Oil (Barrel)             | -1.69%  | 26.95%  | 57.08% |
| Natural Gas (per million BTUs) | -16.13% | 8.33%   | 35.65% |
| Gold Bullion (Ounce)           | 4.94%   | -10.41% | 8.26%  |

## Total Return Performance

| U.S. Stock Indices | 1/17  | YTD   | 12 Mo. |
|--------------------|-------|-------|--------|
| S&P 500            | 1.90% | 1.90% | 20.03% |
| DJIA               | 0.62% | 0.62% | 23.89% |
| NASDAQ 100         | 5.25% | 5.25% | 21.13% |
| S&P 400            | 1.68% | 1.68% | 30.17% |
| Russell 2000       | 0.39% | 0.39% | 33.50% |
| Russell 3000       | 1.88% | 1.88% | 21.71% |

| U.S. Styles/Market Caps | 1/17   | YTD    | 12 Mo. |
|-------------------------|--------|--------|--------|
| S&P 500 Growth          | 2.99%  | 2.99%  | 15.93% |
| S&P 500 Value           | 0.66%  | 0.66%  | 24.23% |
| S&P MidCap 400 Growth   | 1.95%  | 1.95%  | 24.24% |
| S&P MidCap 400 Value    | 1.38%  | 1.38%  | 35.81% |
| Russell 2000 Growth     | 1.62%  | 1.62%  | 26.84% |
| Russell 2000 Value      | -0.72% | -0.72% | 40.19% |

| Foreign Stock Indices (USD) | 1/17  | YTD   | 12 Mo. |
|-----------------------------|-------|-------|--------|
| MSCI World NET (Ex-U.S.)    | 2.98% | 2.98% | 13.63% |
| MSCI Emerging Markets NET   | 5.47% | 5.47% | 25.41% |
| MSCI Europe NET             | 2.08% | 2.08% | 8.84%  |
| MSCI BRIC NET               | 6.33% | 6.33% | 32.43% |
| MSCI EM Latin America NET   | 7.61% | 7.61% | 47.81% |
| Nikkei 225                  | 2.83% | 2.83% | 18.57% |

| Barclays Bond Indices       | 1/17   | YTD    | 12 Mo. |
|-----------------------------|--------|--------|--------|
| U.S. Treasury: Intermediate | 0.20%  | 0.20%  | -0.37% |
| GNMA 30 Year                | -0.12% | -0.12% | 0.29%  |
| Municipal Bond (22+)        | 0.61%  | 0.61%  | 0.33%  |
| U.S. Aggregate              | 0.20%  | 0.20%  | 1.45%  |
| Intermediate Corporate      | 0.39%  | 0.39%  | 3.89%  |
| U.S. Corporate High Yield   | 1.45%  | 1.45%  | 20.77% |
| Global Aggregate            | 1.13%  | 1.13%  | 2.35%  |
| EM Hard Currency Aggregate  | 1.43%  | 1.43%  | 10.65% |

Sources: Bloomberg, Barclays, Investment Company Institute

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## Climate

Perhaps the most talked about event that occurred in January was the Dow Jones Industrial Average Index closing above the 20,000 mark (1/25/17) for the first time. It took the index only 64 days to rise from the 19,000 threshold and surpass 20,000. It took 700 days to go from 18,000 to 19,000, according to Bespoke Investment Group. The Bureau of Labor Statistics (BLS) reported that nonfarm payrolls increased 227,000 in January, topping the 180,000 consensus expected average from Bloomberg's survey of economists. It also exceeded the 195,000 average posted for the 12-month period ended January 2017. Brian Wesbury, Chief Economist at First Trust Advisors L.P., believes that job and wage growth data should be substantial enough to warrant at least three Federal Reserve interest rate hikes in 2017. Inflation is trending higher as well. The Consumer Price Index, on a trailing 12-month basis, stood at 2.1% in December 2016, according to the BLS. The last time it registered above the 2.0% mark was in June 2014, when it stood at 2.1%.

## Stock Market

The S&P 500 Index closed at 2,278.87 on 1/31/17, 0.85% below its all-time high of 2,298.37 set on 1/25/17, according to Bloomberg. The S&P 500 Index posted a total return of 1.90% in January. Eight of the 11 major sectors that comprise the S&P 500 Index were up on a total return basis. The top-performer was Materials, up 4.64%, while the worst showing came from Energy, down 3.60%. From 11/8/16 (date Trump was elected 45th President of the United States) through 1/31/17, the S&P 500 Index posted a total return of 6.97%, according to Bloomberg. All 11 sectors were up in the period. The top-performer was Financials, up 17.02%, while the worst showing came from Consumer Staples, up just 0.46%. For all of the discussion surrounding the potential heightened risks associated with investing in equities, both prior to and after Donald Trump's victory on 11/8/16, with the exception of the occasional spike, volatility has remained well below the long-term historical norm. For the 20-year period ended 1/31/17, the average reading on the VIX Index (CBOE Volatility Index®), which estimates expected volatility by averaging the weighted prices of S&P 500 puts and calls over a wide range of strike prices, was 20.92, according to Bloomberg. It's 2-year average, however, was 15.96. The VIX Index stood at 11.99 on 1/31/17. For the buy and hold investor, lower is better, in our view.

## Bond Market

While the yield on the benchmark 10-year Treasury note (T-note) was unchanged at 2.45% in January, it was 53 basis points higher than its 1.92% yield on 1/29/16, according to Bloomberg. Its three-year average yield was 2.15%. As indicated in the table at the top left of this page, inflows to bond mutual funds (taxable + municipal) totaled a net \$106.68 billion in 2016, according to the Investment Company Institute (ICI). For the 10-year period ended 12/30/16, investors funneled a net \$1.22 trillion into bond funds, according to the ICI. That is a significant amount of capital that is potentially vulnerable to rising interest rates moving forward. Keep in mind, the average yield on the 10-year T-note for the 30-year period ended 1/31/17 was 5.10%, a little more than double its 2.45% close on 1/31/17, according to Bloomberg. Corporate bond issuance remains robust. Companies issued debt valued at \$176.43 billion in January 2017, just \$1 billion less than the biggest month (May 2016) ever for the asset class, according to Reuters. The bond market is likely going to come under some pressure in 2017 from such potential headwinds as Fed interest rate hikes, rising inflation and stronger economic growth, in our opinion.

## Takeaway

The U.S. economy has been in recovery mode since July 2009. The housing market, one the catalysts of the 2008-2009 financial crisis, has, on average, fully recovered the losses sustained after the bubble popped following the peak in mid-2006. The S&P CoreLogic Case-Shiller U.S. National Home Price Index (NSA) stood at its all-time high in November 2016, the most recent data available, according to Bloomberg. When you add in the ongoing recovery in the banking sector, also a catalyst of the financial crisis, as well as the potential for a reduction in bank regulations, we believe that investors have many reasons to be optimistic moving forward.

| 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                             | 2298.37           | 1/25/2017  | 676.53           | 3/9/2009   | 2278.87         | -0.85%           | 1.90%            | 2.05%           |
| S&P 500 Growth                      | 1269.01           | 1/27/2017  | 363.99           | 3/9/2009   | 1258.71         | -0.81%           | 2.99%            | 1.75%           |
| S&P 500 Value                       | 1016.49           | 1/25/2017  | 307.16           | 3/9/2009   | 1006.32         | -1.00%           | 0.66%            | 2.40%           |
| S&P MidCap 400                      | 1710.29           | 1/25/2017  | 404.62           | 3/9/2009   | 1687.19         | -1.35%           | 1.68%            | 1.67%           |
| S&P MidCap 400 Growth               | 764.21            | 1/25/2017  | 174.44           | 11/20/2008 | 753.98          | -1.34%           | 1.95%            | 1.29%           |
| S&P MidCap 400 Value                | 597.29            | 12/8/2016  | 144.98           | 3/9/2009   | 588.46          | -1.48%           | 1.38%            | 2.10%           |
| S&P 100                             | 1013.24           | 1/25/2017  | 322.13           | 3/9/2009   | 1004.46         | -0.87%           | 1.45%            | 2.19%           |
| DJIA                                | 20100.91          | 1/26/2017  | 6547.05          | 3/9/2009   | 19864.09        | -1.18%           | 0.62%            | 2.41%           |
| NASDAQ 100                          | 5168.06           | 1/27/2017  | 1036.51          | 11/20/2008 | 5116.77         | -0.99%           | 5.25%            | 1.18%           |
| Russell 2000                        | 1388.07           | 12/9/2016  | 343.26           | 3/9/2009   | 1361.82         | -1.89%           | 0.39%            | 1.41%           |
| Russell 2000 Growth                 | 808.08            | 6/23/2015  | 190.73           | 3/9/2009   | 793.16          | -1.85%           | 1.62%            | 0.90%           |
| Russell 2000 Value                  | 1819.64           | 1/4/2017   | 469.32           | 3/9/2009   | 1766.00         | -2.95%           | -0.72%           | 1.89%           |
| Russell 3000                        | 1367.99           | 1/25/2017  | 389.61           | 3/9/2009   | 1355.47         | -0.91%           | 1.88%            | 1.96%           |
| MSCI World Net (ex U.S.) (USD)      | 5496.51           | 7/3/2014   | 2131.84          | 3/9/2009   | 5061.88         | -7.91%           | 2.98%            | 3.14%           |
| MSCI Emerging Markets Net (USD)     | 473.36            | 10/29/2007 | 164.51           | 10/27/2008 | 400.63          | -15.37%          | 5.47%            | 2.50%           |
| Ibovespa/Brazil (USD)               | 44638.24          | 5/19/2008  | 9077.09          | 1/21/2016  | 20683.40        | -53.66%          | 11.90%           | 2.72%           |
| RTS/Russia (USD)                    | 2487.92           | 5/19/2008  | 498.20           | 1/23/2009  | 1164.15         | -53.21%          | 1.06%            | 3.97%           |
| S&P BSE 500/India (USD)             | 226.04            | 1/7/2008   | 57.52            | 3/9/2009   | 172.70          | -23.60%          | 6.39%            | 1.30%           |
| Shanghai Composite/China (USD)      | 832.07            | 6/12/2015  | 249.66           | 11/4/2008  | 459.24          | -44.81%          | 2.69%            | 1.75%           |
| KOSPI/South Korea (USD)             | 2.29              | 10/31/2007 | 0.63             | 11/20/2008 | 1.79            | -21.58%          | 6.76%            | 1.68%           |
| Hang Seng (USD)                     | 4082.25           | 10/30/2007 | 1420.72          | 10/27/2008 | 3011.07         | -26.24%          | 6.12%            | 3.49%           |
| MSCI Euro (USD)                     | 1985.51           | 10/31/2007 | 682.47           | 3/9/2009   | 1165.36         | -41.31%          | 1.00%            | 3.42%           |
| S&P 500 Consumer Discretionary      | 679.36            | 1/26/2017  | 125.72           | 3/9/2009   | 674.91          | -0.65%           | 4.24%            | 1.48%           |
| S&P 500 Consumer Staples            | 571.69            | 7/14/2016  | 199.80           | 3/9/2009   | 539.51          | -5.63%           | 1.65%            | 2.69%           |
| S&P 500 Energy                      | 737.09            | 6/23/2014  | 304.81           | 3/5/2009   | 534.34          | -27.51%          | -3.60%           | 2.64%           |
| S&P 500 Utilities                   | 269.14            | 7/6/2016   | 113.81           | 3/9/2009   | 249.82          | -7.18%           | 1.25%            | 3.52%           |
| S&P 500 Financials                  | 509.55            | 2/20/2007  | 81.74            | 3/6/2009   | 387.01          | -24.05%          | 0.23%            | 1.68%           |
| S&P 500 Banks                       | 414.38            | 2/20/2007  | 49.02            | 3/5/2009   | 284.03          | -31.46%          | 0.08%            | 1.85%           |
| FTSE NAREIT All Equity REITs        | 725.61            | 8/1/2016   | 163.57           | 3/6/2009   | 653.73          | -9.91%           | 0.17%            | 4.37%           |
| S&P 500 Health Care                 | 892.26            | 7/20/2015  | 252.84           | 3/5/2009   | 814.06          | -8.76%           | 2.25%            | 1.73%           |
| S&P 500 Pharmaceuticals             | 647.69            | 8/1/2016   | 214.50           | 3/3/2009   | 571.46          | -11.77%          | -1.09%           | 2.65%           |
| NYSE Arca Biotechnology             | 4431.87           | 7/17/2015  | 541.77           | 3/9/2009   | 3250.57         | -26.65%          | 5.71%            | 0.41%           |
| S&P 500 Information Technology      | 855.21            | 1/27/2017  | 198.51           | 11/20/2008 | 843.03          | -1.42%           | 4.41%            | 1.51%           |
| Philadelphia Semiconductor          | 962.26            | 1/27/2017  | 171.32           | 11/20/2008 | 944.28          | -1.87%           | 4.24%            | 1.53%           |
| S&P 500 Telecom Services            | 183.85            | 7/1/2016   | 88.10            | 3/9/2009   | 170.43          | -7.30%           | -2.48%           | 4.62%           |
| S&P 500 Industrials                 | 555.84            | 1/26/2017  | 132.83           | 3/9/2009   | 545.43          | -1.87%           | 1.41%            | 2.17%           |
| S&P 500 Materials                   | 332.99            | 1/26/2017  | 108.33           | 3/2/2009   | 326.49          | -1.95%           | 4.64%            | 2.04%           |
| Philadelphia Gold & Silver          | 228.95            | 4/8/2011   | 38.84            | 1/19/2016  | 91.76           | -59.92%          | 16.37%           | 0.40%           |
| TR/CC CRB Commodity                 | 473.52            | 7/2/2008   | 155.01           | 2/11/2016  | 192.04          | -59.45%          | -0.25%           | N/A             |
| BofA ML Perpetual Preferred         | 242.43            | 9/6/2016   | 51.79            | 3/9/2009   | 237.78          | -1.92%           | 2.37%            | 5.41%           |
| BofA ML U.S. High Yield Constrained | 394.14            | 1/27/2017  | 130.37           | 12/12/2008 | 393.80          | -0.09%           | 1.34%            | 6.27%           |

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