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M Wealth Perspective

Offering value-added wealth services, including turnkey asset management and investment consulting.

September 2016 Capital Markets Review

Index	Period Ending September 30, 2016					
U.S. Equity Markets	**Qtr**	**Ytd**	**1 Yr Return**	**3 Yr Return**	**5 Yr Return**	**10 Yr Return**
S&P 500 Index	3.85%	7.84%	15.43%	11.16%	16.41%	7.24%
Russell 3000	4.40%	8.18%	14.96%	10.44%	16.36%	7.37%
Russell 1000	4.03%	7.92%	14.93%	10.78%	16.41%	7.40%
Russell 1000 Value	3.48%	10.00%	16.20%	9.70%	16.15%	5.85%
Russell 2000	9.05%	11.46%	15.47%	6.71%	15.82%	7.07%
Russell 2000 Value	8.87%	15.49%	18.81%	6.77%	15.45%	5.78%
Non-U.S. Equity Markets						
MSCI ACWI Ex US	6.91%	5.82%	9.26%	0.02%	6.04%	2.16%
MSCI Emerging Markets	9.03%	16.02%	16.78%	−0.56%	3.03%	3.95%
Fixed Income						
Barclays Aggregate Bond	0.46%	5.80%	5.19%	4.03%	3.08%	4.79%
Barclays US TIPS	0.96%	7.27%	6.58%	2.40%	1.93%	4.48%
Real Assets/Natural Resources						
DJ US Select REIT	−1.24%	9.45%	17.70%	14.29%	15.60%	5.80%
S&P North American Natural Resources	4.23%	24.62%	22.36%	−3.58%	2.98%	3.08%

Commentary

The U.S. equity market posted a 4.4% return for the quarter with the majority of the gain occurring in July. The market gained on expectations that the Fed would not raise short-term interest rates at their July 27 meeting. At the meeting the Fed left interest rates unchanged citing continued low inflation and a soft May labor report. Strong second quarter earnings also encouraged investors in the month. August and September ended slightly positive with results muted by an optimistic assessment of the U.S. Economy by Fed Chair Janet Yellen, which raised the prospects of a rate increase by year-end.

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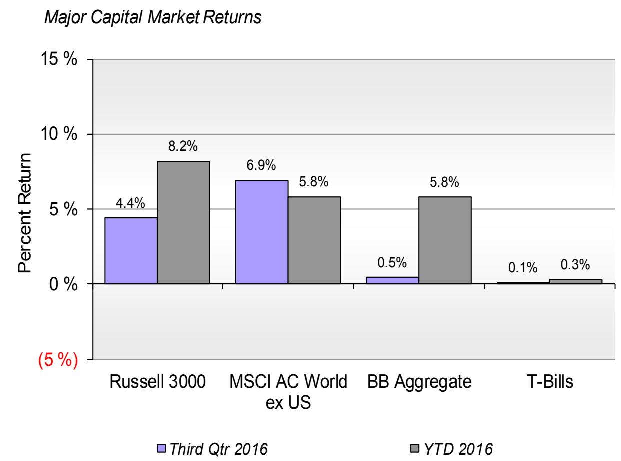
All capitalization segments of the market posted positive results in the quarter, with small-cap stocks outperforming both the large- and mid-cap segments of the market by a wide margin. Small-cap stocks had the most favorable results over the year-to-date period as well, returning 11.5%. Value stocks trailed Growth stocks by 1.0% in the quarter. Value stocks were negatively impacted by the decline in the Utilities and Telecomm sectors, while the strong performance of the Technology sector aided the Growth segment of the market.

Technology was the best performing sector in the quarter aided by strong earnings results from the sector's larger constituents (i.e. Apple, Amazon, Intel, and Microsoft). Energy led the way over the year-to-date period supported by higher oil prices in the first half of the year, and a report at the end of September of an agreement between OPEC members to cut oil production. Utilities and Telecomm were the worst performing sectors for the quarter due to the greater probability of an interest rate increase by year-end. These sectors typically have greater sensitivity to interest rate movements due to their higher dividend yields. Year-to-date results reflect the performance experienced by these sectors earlier in the year as interest rates remained low.

International equities returned 6.9% in the quarter. The U.S. dollar ended lower against most currencies in the period, with the exception of the British Pound. International equities continued to rally at the beginning of the quarter as concerns subsided over any near-term negative economic impacts of the separation of the UK from the European Union.

Accommodative monetary policy from the Bank of England, favorable economic data from the EU and China, and a major fiscal stimulus plan from Japan continued to support international equity markets throughout the quarter. Emerging Markets posted a 9.0% return for the quarter. EM Asia (+10.5%) was supported by stabilization in China's economic data. Although nominally positive, Latin America (+5.4%) lagged the other EM regions partially due to lower commodity prices and concern over the upcoming U.S. presidential election.

The investment-grade U.S. fixed income market rose 0.5% in the quarter. U.S. Government issues declined 0.3%, as investors' expectations of a Fed rate hike increased. U.S. Treasury yields for all maturities rose in the period. Except for the shortest end of the yield curve, all maturities saw modestly negative investment returns for the quarter. Strong year-to-date returns, particularly at the long end of the yield curve were aided by worldwide market volatility and marginally better U.S. government yields relative to other developed market countries, particularly those with negative yielding bonds. The bellwether 10-year Treasury yield rose 0.11 percentage points in the quarter ending at 1.60%.



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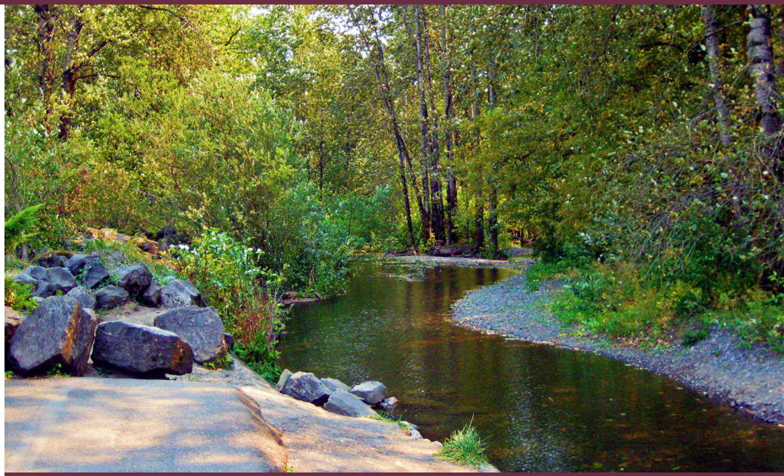
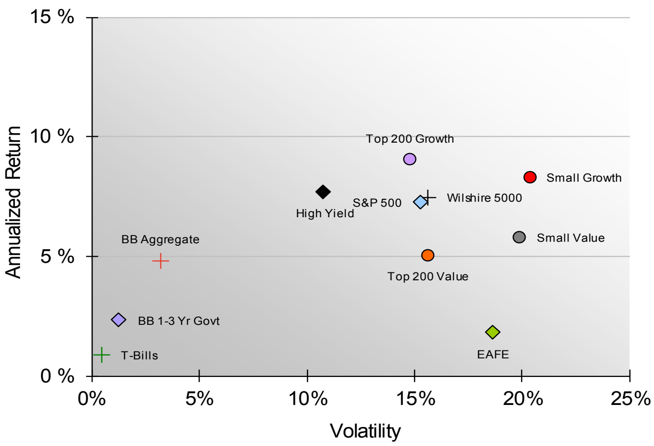


Note: The following indices represent the returns of the asset classes within the above chart: U.S. Stocks—Russell 3000, Non-U.S. Stocks—MSCI EAFE, Fixed Income—Barclays Aggregate, and U.S. Treasury Bills



Source of statistics not otherwise specifically cited within this newsletter: Strategic Capital Investment Advisors.

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