

Russell Quarterly Economic and Market Review

Markets moving beyond U.S. equities

FIRST QUARTER 2015

Important information and disclosures

Please remember that all investments carry some level of risk, including the potential loss of Principal invested. They do not typically grow at an even rate of return and may experience negative growth. As with any type of portfolio structuring, attempting to reduce risk and increase return could, at certain times, unintentionally reduce returns.

Diversification does not assure a profit and does not protect against loss in declining markets.

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Standard Deviation is a statistical measure of the degree to which an individual value in a probability distribution tends to vary from the mean of the distribution. The greater the degree of dispersion, the greater the risk.

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Economic Indicators Dashboard

MOST RECENT  | 3-MO. TREND  | TYPICAL RANGE  | ACTUAL RANGE 

INTEREST RATES

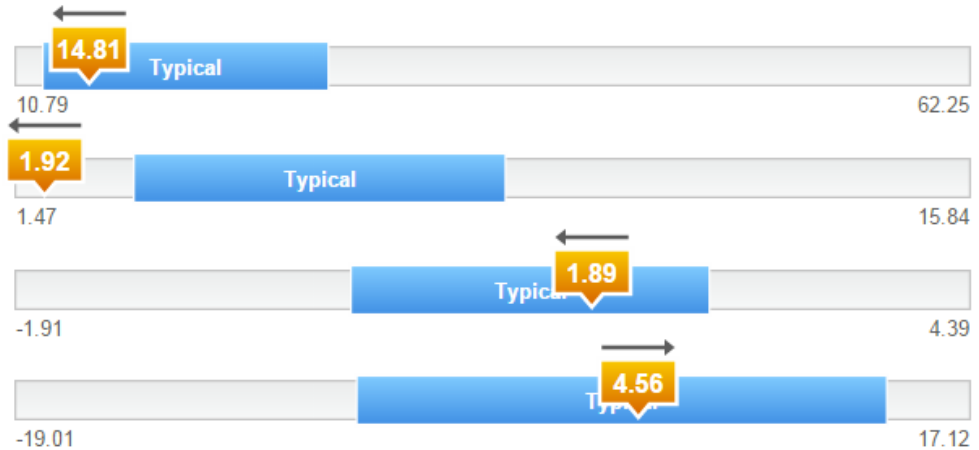
- › The 10-year U.S. Treasury yield declined 25 bps since the previous quarter

Market Volatility (CBOE VIX)
[HISTORICAL DETAILS](#)

10 Yr. U.S. Treasury Yield
[HISTORICAL DETAILS](#)

Yield Spread
[HISTORICAL DETAILS](#)

Home Prices (HPI)
[HISTORICAL DETAILS](#)



▲ MARKET INDICATORS

▼ ECONOMIC INDICATORS

HOME PRICES

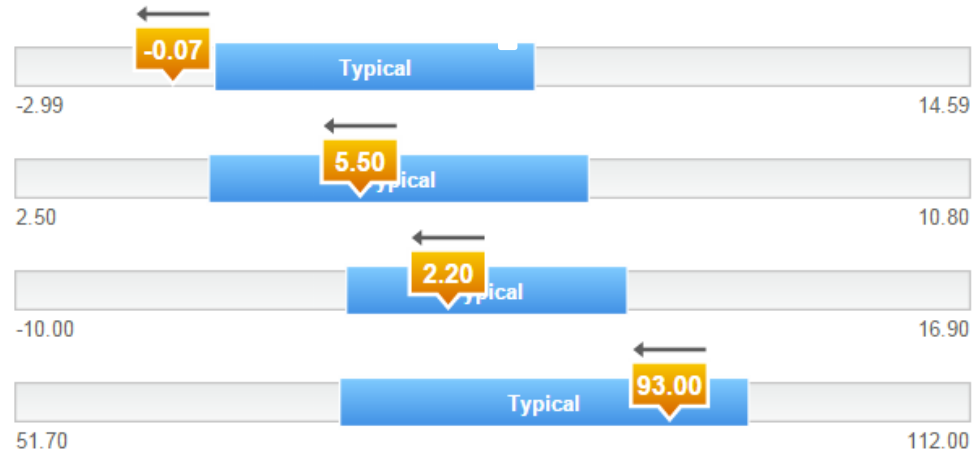
- › The S&P/Case-Shiller Home Price Index rose 11 bps from the previous quarter, a 4.56% YoY increase

Inflation (CPI)
[HISTORICAL DETAILS](#)

Unemployment
[HISTORICAL DETAILS](#)

Economic Expansion (GDP)
[HISTORICAL DETAILS](#)

Consumer Sentiment (CSI)
[HISTORICAL DETAILS](#)



UNEMPLOYMENT

- › Continued a downward trend in 1Q 2015 falling slightly from 5.6% to 5.5%

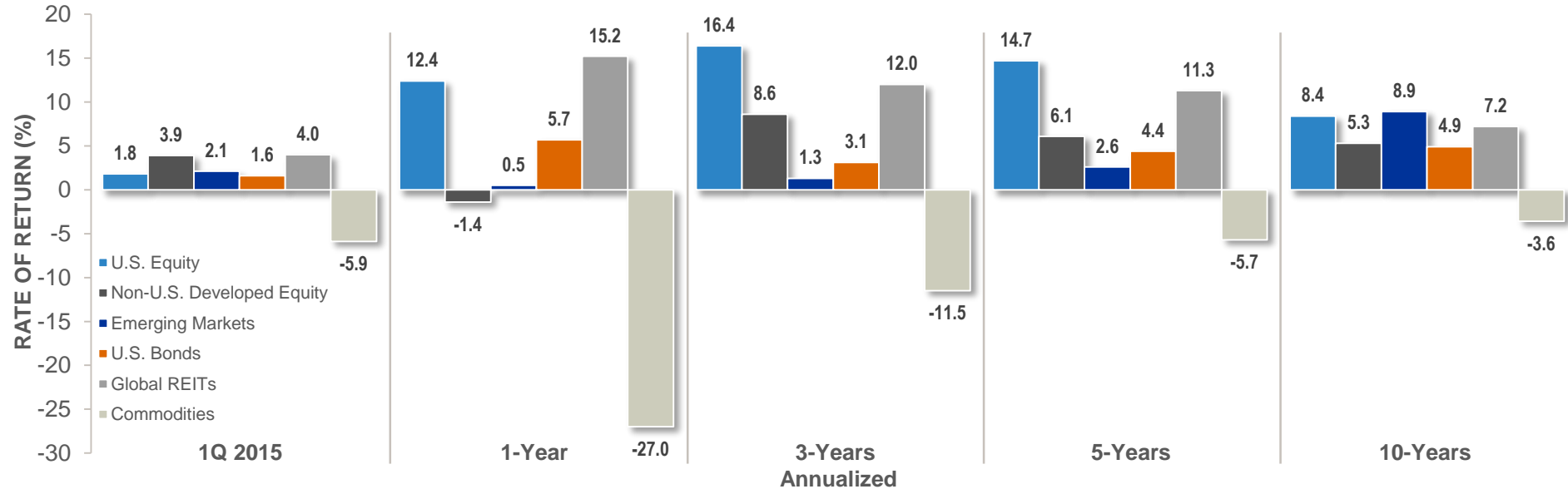
<http://www.russell.com>, current state as of 3/31/2015. See appendix for category definitions.

Russell's Economic Indicators Dashboard charts several key indicators to help investors assess economic and market trends.

Capital markets

PERIODS ENDING MARCH 31, 2015

Capital Market Returns



U.S. Equity: (Russell 3000® Index) U.S. stock index which includes the 3,000 largest U.S. stocks as measured by market capitalization

Non-U.S. Developed Equity: (Russell Developed ex-U.S. Large Cap Index) International market index that includes Western Europe, Japan, Australia and Canada

Emerging Markets: (Russell Emerging Markets Index) Emerging markets index that includes S. Korea, Brazil, Russia, India and China

U.S. Bonds: (Barclays U.S. Aggregate Bond Index) Broad index for U.S. Fixed Income market

Global REITs: (FTSE EPRA/NAREIT Index) Index for global publicly traded real estate securities

Commodities: (Bloomberg Commodity Index) Broad index of common commodities

Capital Markets:

- › Volatile first quarter for U.S. stocks as they trailed other equity markets.
- › Non-U.S. developed equity markets produced strong local returns, but were somewhat muted by strength of U.S. dollar.
- › Emerging markets provided strong Asian market returns, but were balanced by struggles in South American markets.
- › The U.S. bond market benefited from flat to slightly down interest rates which helped produce solid results.
- › Global REITs were the leading market segment for the quarter.
- › Commodities continued to struggle as agriculture/energy prices moved lower and concerns about the global economy remained.

Source: Russell, Barclays, Bloomberg and FTSE NAREIT.

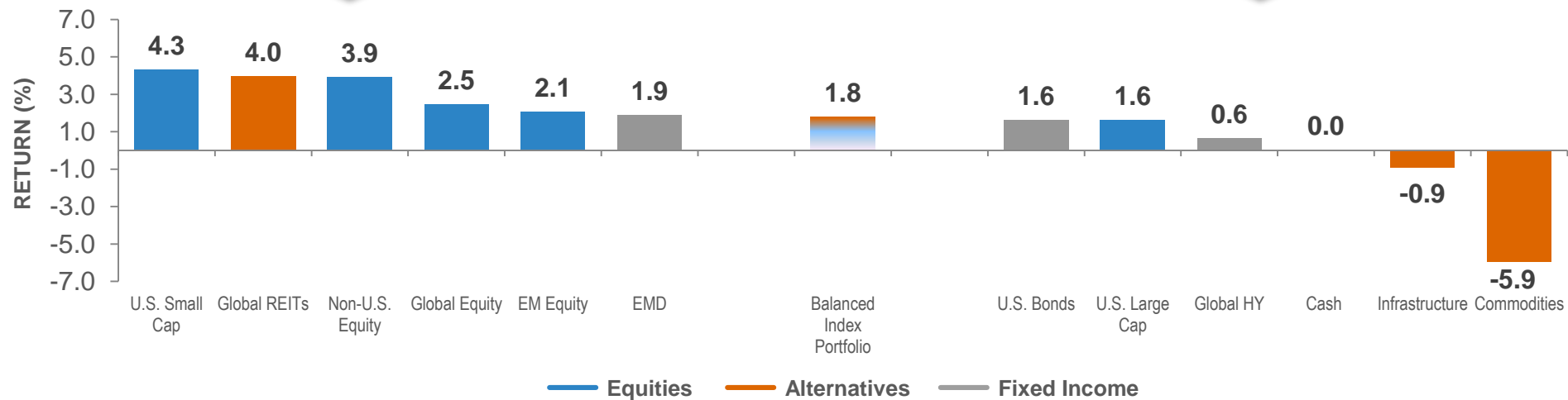
Index returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment. Indexes are unmanaged and cannot be invested in directly.

What worked and what didn't in 1Q 2015

What worked

What didn't work

1Q 2015 Returns



WHAT WORKED

- › U.S. Small Caps led by Health Care
- › Global REITs aided by falling interest rates
- › ECB QE spurred Non-U.S. Equity

WHAT DIDN'T WORK

- › Commodities pushed down by Agriculture and Energy
- › Infrastructure slowed by Energy
- › Cash stays low

U.S. Small Cap: Russell 2000® Index; U.S. Large Cap: Russell 1000® Index; Global: Russell Developed Large Cap Index; Non-U.S.: Russell Developed ex-U.S. Large Cap Index; Infrastructure: S&P Global Infrastructure Index; Global High Yield: Barclays Global High Yield Index; Global REITs: FTSE EPRA/NAREIT Developed Index; Cash: Citigroup 1-3 Month Treasury Bill Index; EM Equity: Russell Emerging Markets Index; U.S. Bonds: Barclays U.S. Aggregate Index; EMD: JPMorgan EM Bond Index Plus; Commodities: Bloomberg Commodity Index; Balanced Index: 5% U.S. Small Cap, 15% U.S. Large Cap, 10% Global, 12% Non-U.S., 4% Infrastructure, 5% Global High Yield, 4% Global REITs, 0% Cash, 6% EM Equity, 30% U.S. Bonds, 5% EMD and 4% Commodities.

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Europe gets an upgrade

RUSSELL 2Q 2015 STRATEGIST OUTLOOK

UNITED STATES

Financial challenges

EUROZONE

Opportunities abound

ASIA

Respectable growth

Economic outlook

- › Forecast 3.0% GDP growth in 2015
- › Interest rate hike in Sept 2015
- › Good economic news comes at cost of earlier Fed tightening

- › Upgraded forecast of 1.5-2% GDP growth in 2015
- › Favorable monetary and fiscal policy support

- › 6.5%-7% GDP growth for China in 2015
- › Supportive monetary, fiscal, and exchange-rate policy

Market outlook

- › Challenges of the strong U.S. dollar and declining corporate profit margins
- › U.S. equity valuations above average

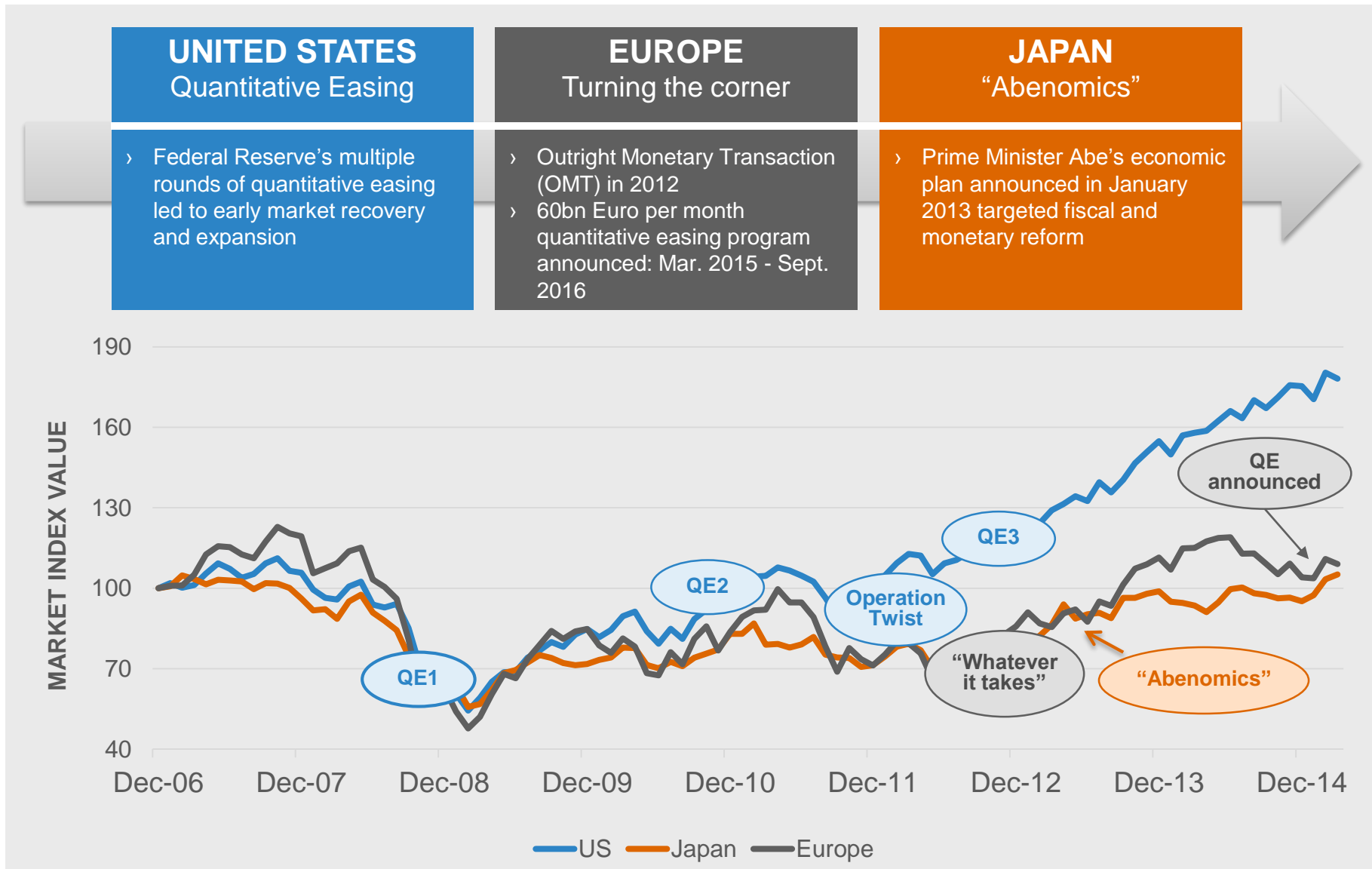
- › Valuations attractive relative to U.S. assets
- › Expectation of earnings growth momentum
- › Favorable monetary policy and weak Euro likely to help

- › Weak energy prices, exchange rates, and supportive monetary policy likely to help
- › 8% EPS growth for Asia-Pacific ex-Japan and low teens growth for Japan

There is no guarantee the stated expectations will be met.

As of 4/1/2015

QE: First in, first out



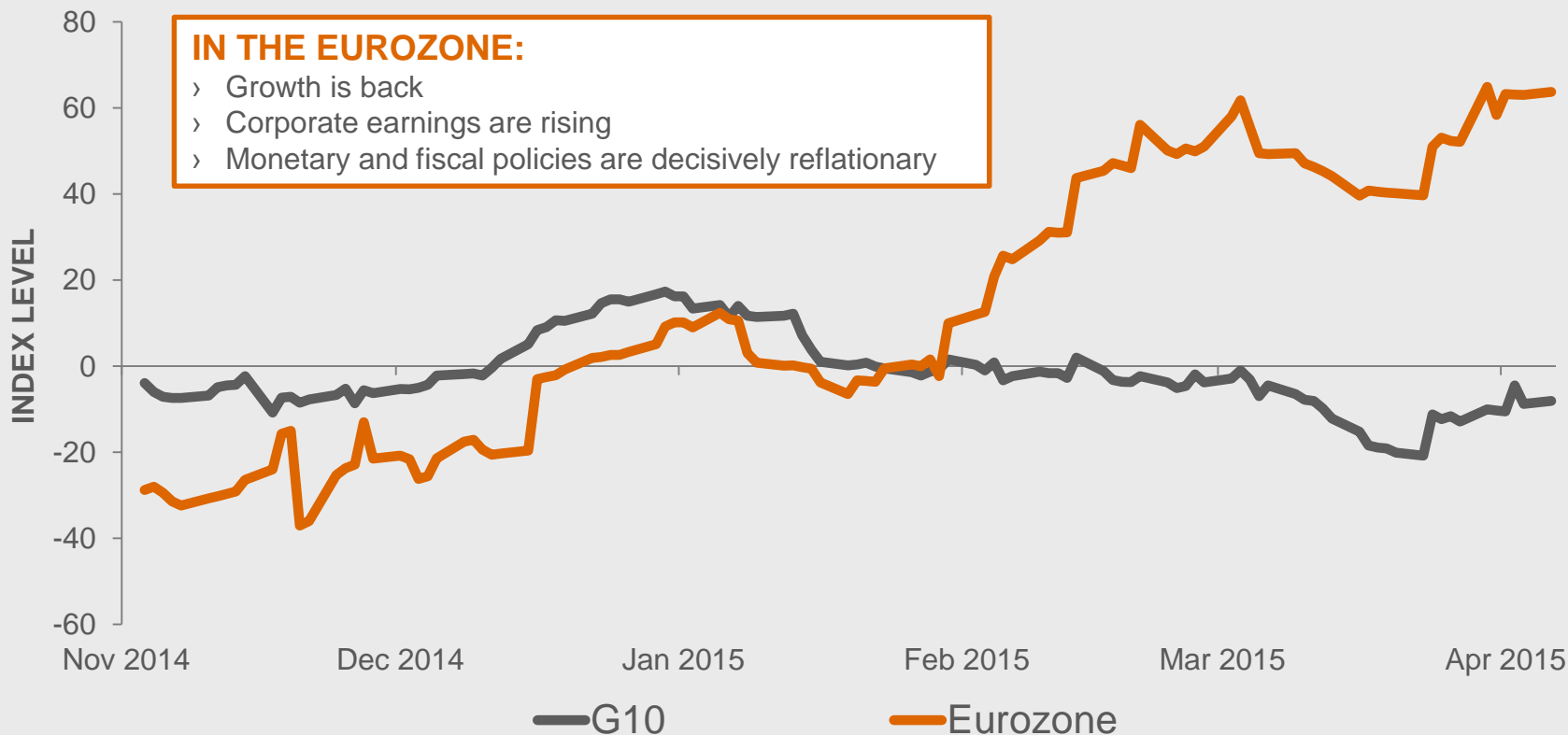
Market index values: Russell 1000® Index (U.S.), Russell Large Cap Japan Index (Japan), and Russell Large Cap Eurozone Index (Europe).

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Europe surprises on the upside

ACTUAL ECONOMIC DATA BEATING CONSENSUS ESTIMATES*

Citigroup Economic Surprise Indices



Source: Thomson Reuters Datastream as of April 3, 2015. * Published by Citigroup.

Index measures the actual outcome of economic data releases relative to consensus estimates.

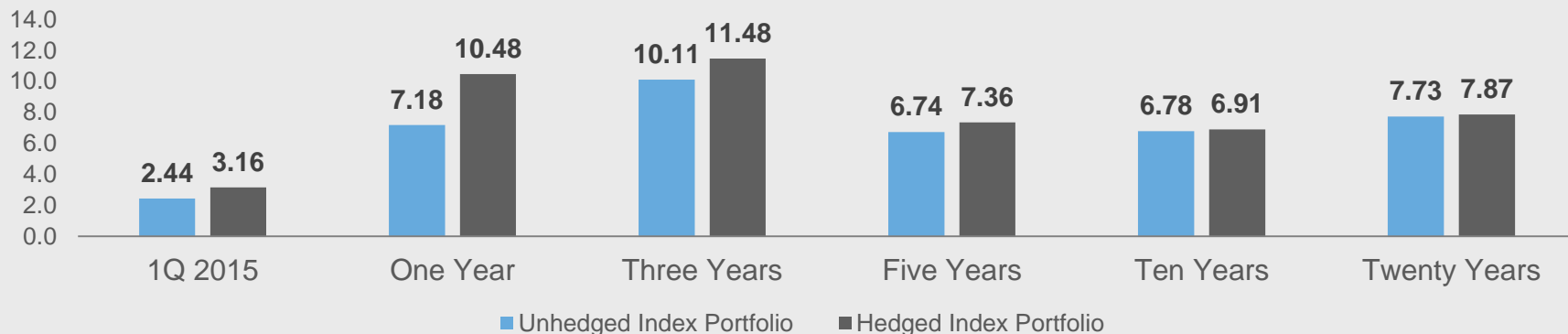
G-10: Eleven industrialized nations that meet on an annual basis to consult each other, debate and cooperate on international financial matters. The member countries are: France, Germany, Belgium, Italy, Japan, the Netherlands, Sweden, the United Kingdom, the United States and Canada with Switzerland playing a minor role.

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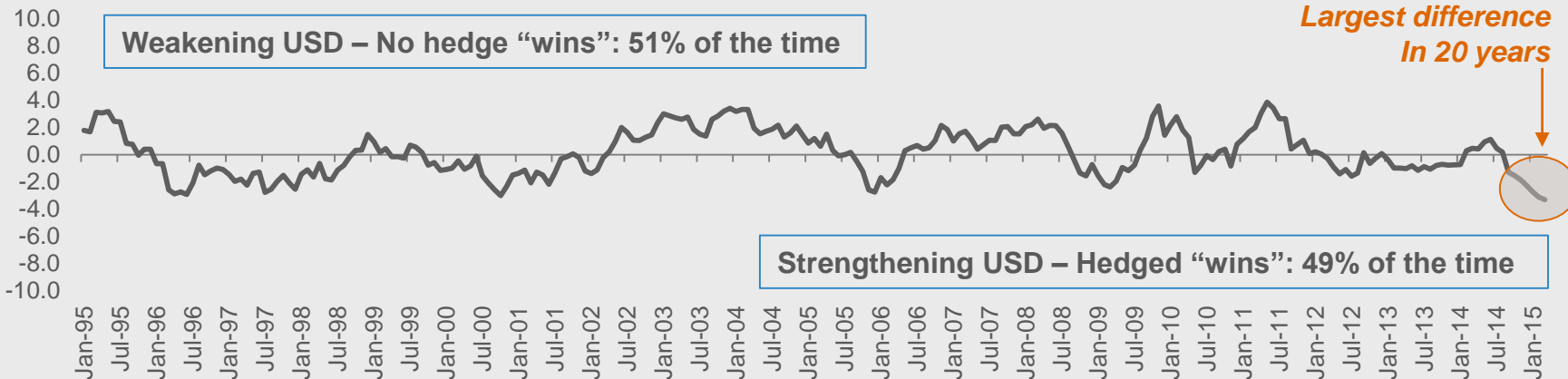
Long term portfolios can worry less about currency

RESULTS TEND TO LEVEL OUT

Annualized Index Portfolio Returns (Periods ending March 31, 2015)



Hedged Portfolio vs. Unhedged Portfolio (Rolling One-Year Excess)



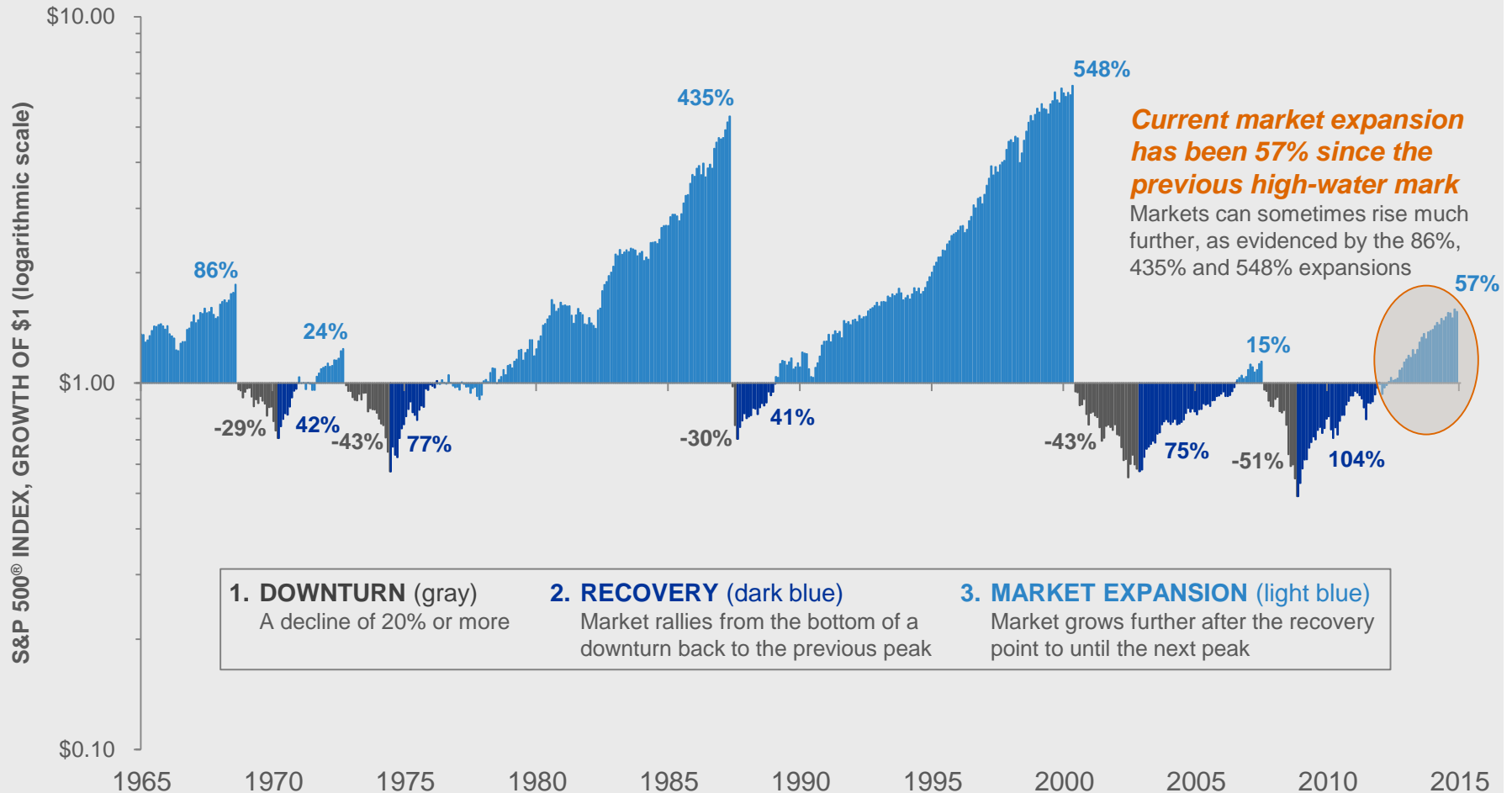
Unhedged Index Portfolio: 40% Russell 3000® Index, 20% MSCI EAFE Index, 40% Barclays U.S. Aggregate Bond Index; Hedged Index Portfolio: 40% Russell 3000® Index, 20% MSCI EAFE Index Hedged, 40% Barclays U.S. Aggregate Bond Index.

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U.S. stocks have room to run

PUTTING THE RECENT "RUN UP" IN PERSPECTIVE

The last 50 years of equity markets¹



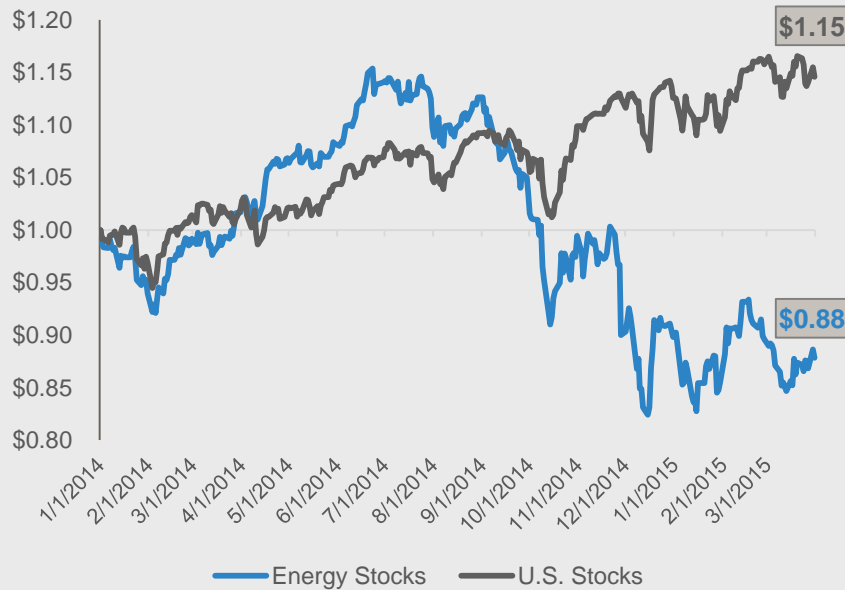
¹Represented by the S&P 500® Index from 1965 to 1Q 2015.

Index returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment. Indexes are unmanaged and cannot be invested in directly. A logarithmic scale provides for a more accurate visualization of percentage change over large dispersions in the data.

Energy dominates headlines, but not portfolios

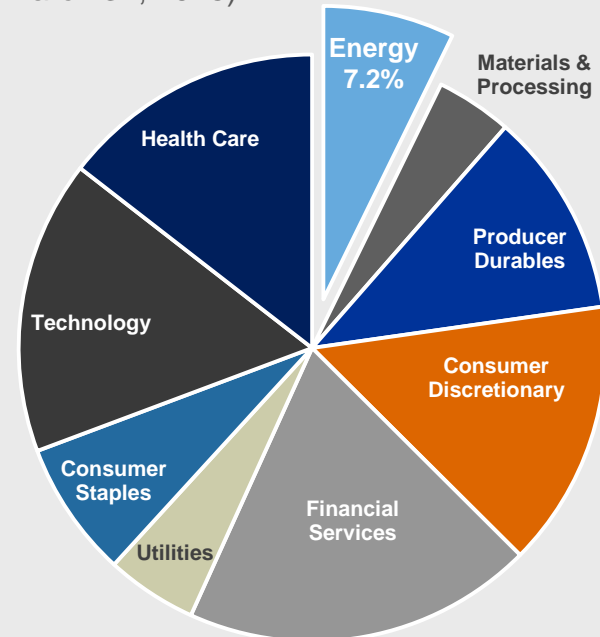
- › Energy is third smallest equity sector by market capitalization
- › While energy has struggled, broad U.S. stocks have still advanced
- › Impact to a diversified portfolio likely muted

U.S. stocks vs. energy stocks (January 2014 – March 2015)



Source: U.S. Stocks – Russell 3000® Index

Energy as % of U.S. stock market (As of March 31, 2015)

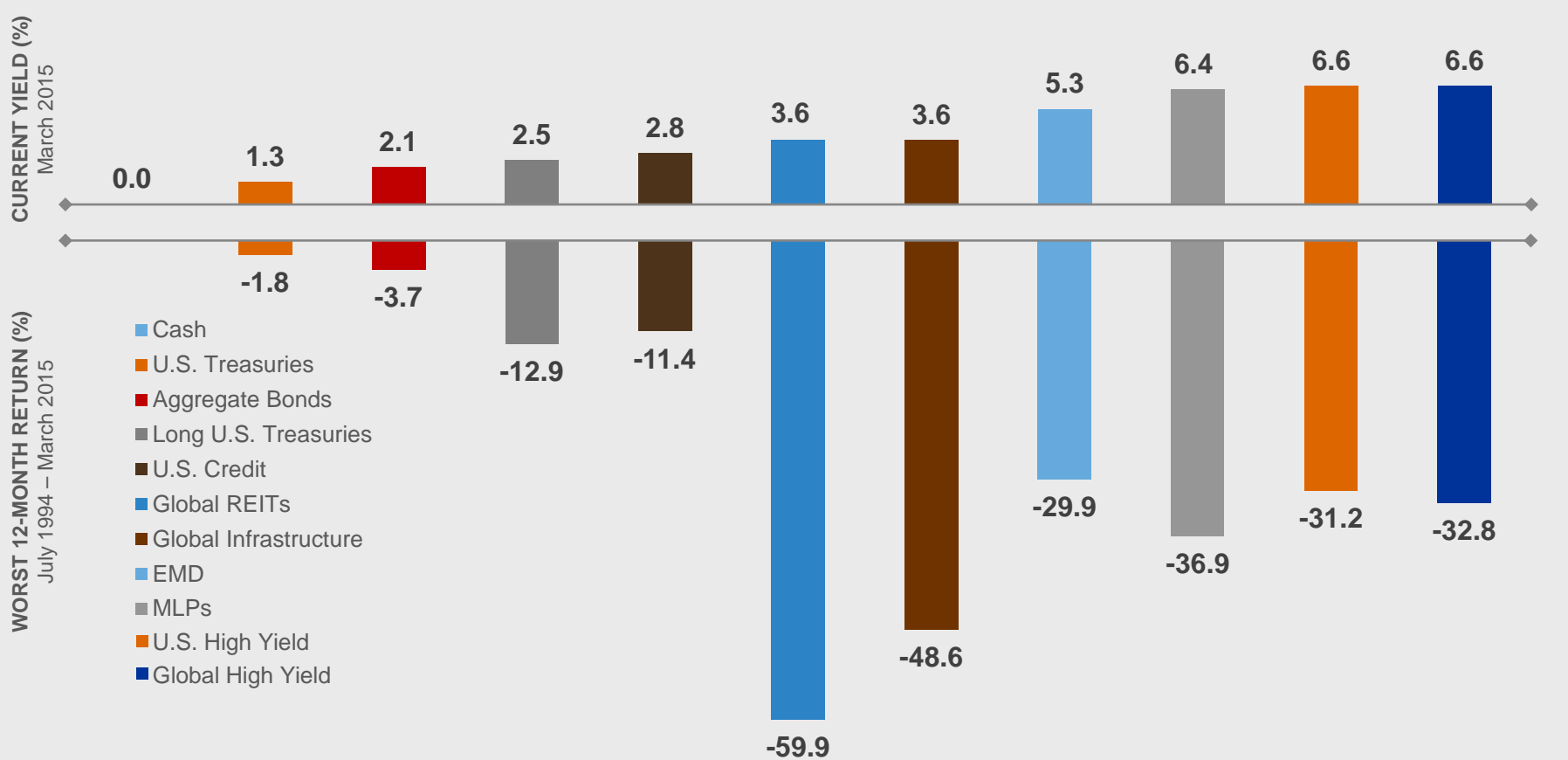


Source: Energy Stocks – Russell 3000® Energy Sector

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Reaching for yield endangers principal

BE RESPONSIBLE WHEN SEEKING INCOME-PRODUCING INVESTMENTS



- › Low interest rates often tempt investors to “reach” for yield
- › Higher yields can carry additional risks to principal
- › Don’t mistake every yield for a safe income stream

Cash: Citigroup 1-3 Month T-Bill Index; U.S. Treasuries: Barclays U.S. Treasury Index; Aggregate Bonds: Barclays U.S. Aggregate Bond Index; Credit: Barclays U.S. Credit Index; Long Treasuries: Barclays Long U.S. Treasuries Index; Global Infrastructure: S&P Global Infrastructure Index; Global REITs: FTSE EPRA/NAREIT Index; EMD: Barclays Emerging Markets Debt Index; U.S. HY: Barclays U.S. High Yield Index; Global High Yield: Barclays Global High Yield Index; MLPs: Alerian MLP Index.

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Time to mind the gap

UNDERSTAND THE TAX HIT TO INVESTMENT RETURNS

HIGH

Maximum tax rate = 43.4%*

- › Non-qualified dividends
- › Short-term capital gains
- › Interest income

MEDIUM

Maximum tax rate = 23.8%*

- › Qualified dividends
- › Long-term capital gains

LOW

Maximum tax rate = 0%

- › Municipal bond interest
- › Unrealized capital appreciation

Example of a 7.0% pre-tax return taxed at different rates:

- › High tax = 4.0% after-tax return
- › Medium tax = 5.3% after-tax return
- › Low tax = 7.0% after-tax return

- › The average U.S. equity mutual fund lost more than 1% per year to taxes for the 10 year period ending 2014.**
- › Investment returns are taxed at different rates.
- › For taxable accounts, pay attention to the after-tax return.
- › It's not what you earn, but what you keep that matters!

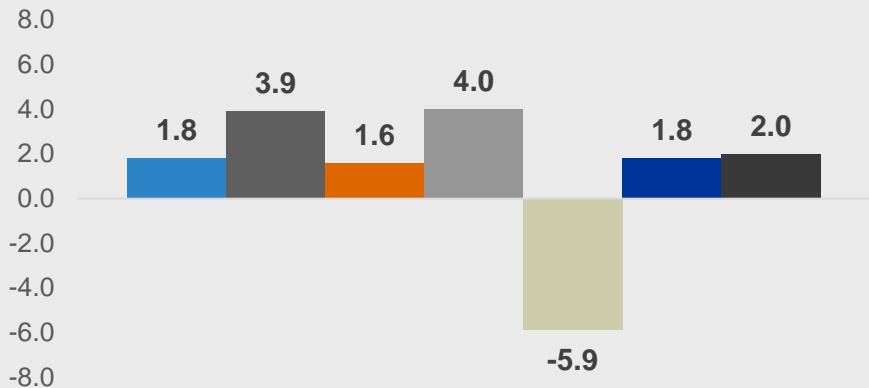
*Includes 3.8% related to Medicare Tax. Tax Rates: Internal Revenue Service 2015.

** Russell Investments calculation: Methodology for tax drag – Includes all U.S. equity mutual funds and ETFs as reported by Morningstar to include all funds and share classes. Subtracted after-tax return (pre-liquidation) from pre-tax return. Not all municipal bond interest is tax-free. Certain municipal bond interest may qualify for Alternative Minimum Tax (AMT).

Diversification still matters

THE LAST FIVE YEARS HAD SUGGESTED OTHERWISE

1Q 2015 Capital Market Returns (%)



Decade Economic/Capital Market Environment

Decade	Economic/Capital Market Environment
1970's	<ul style="list-style-type: none"> › Energy crisis › Inflationary environment with stunted growth
1980's	<ul style="list-style-type: none"> › Global stock market rally led by Japan › Deep early recession to break inflation
1990's	<ul style="list-style-type: none"> › Strong global economic growth › Technology led stock market boom
2000's	<ul style="list-style-type: none"> › Two historical recessions and market corrections › Lost decade for U.S. stocks
2010-2014	<ul style="list-style-type: none"> › Sputtering global recovery with U.S. in the lead › Low interest rate environment

1970's	1980s	1990s	2000s	2010 – 2014
Commod 21.2%	Non-U.S. Equity 22.8%	U.S. Equity 17.7%	REITs 10.6%	REITs 16.9%
REITs 11.1%	U.S. Equity 16.6%	Diversified U.S. 12.8%	Commod 7.1%	U.S. Equity 15.6%
Non-U.S. Equity 10.1%	50/50 Diversified 15.8%	50/50 Diversified 10.9%	U.S. Bonds 6.3%	Diversified U.S. 10.2%
50/50 Diversified 8.5%	REITs 15.6%	REITs 9.1%	50/50 Diversified 4.4%	50/50 Diversified 8.3%
Diversified U.S. 6.7%	Diversified U.S. 14.9%	U.S. Bonds 7.7%	Diversified U.S. 3.4%	Non-U.S. Equity 5.8%
U.S. Bonds 6.6%	U.S. Bonds 12.4%	Non-U.S. Equity 7.3%	Non-U.S. Equity 1.6%	U.S. Bonds 4.4%
U.S. Equity 6.4%	Commod 10.7%	Commod 5.6%	U.S. Equity -0.2%	Commod -5.5%

U.S. Equity: Russell 3000® Index, 1979 to Present and S&P 500® Index prior; Non-U.S. Equity: MSCI EAFE Index; U.S. Bonds: Barclays U.S. Aggregate Bond Index; REITs: FTSE NAREIT Equity Index; Commodities: Bloomberg Commodity Index, 1991 to Present and S&P Goldman Sachs Commodity Index Prior; 50/50 U.S.: 50% U.S. Equity and 50% U.S. Bonds; 50/50 Diversified: 30% U.S. Equity, 15% Non-U.S. Equity, 45% U.S. Bonds, 5% REITs, and 5% Commodities.

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Uncertainty may tempt you to predict the next sure thing...



...but don't speculate. There is no investment crystal ball.

Work with your advisor to:

- › Diversify your investments where appropriate
- › Adapt responsibly to the markets
- › And stay focused on your long-term goals

Important information and disclosures

Risks of asset classes discussed in this presentation:

Global, International and Emerging markets return may be significantly affected by political or economic conditions and regulatory requirements in a particular country. Investments in non-U.S. markets can involve risks of currency fluctuation, political and economic instability, different accounting standards and foreign taxation. Such securities may be less liquid and more volatile. Investments in emerging or developing markets involve exposure to economic structures that are generally less diverse and mature, and political systems with less stability than in more developed countries.

Real Asset risks:

Investments in infrastructure-related companies have greater exposure to adverse economic, financial, regulatory, and political risks, including, governmental regulations. Global securities may be significantly affected by political or economic conditions and regulatory requirements in a particular country.

Commodities may have greater volatility than traditional securities. The value of commodities may be affected by changes in overall market movements, changes in interest rates or sectors affecting a particular industry or commodity, and international economic, political and regulatory developments.

Declines in the value of real estate, economic conditions, property taxes, tax laws and interest rates all present potential risks. Investments in international markets can involve risks of currency fluctuation, political and economic instability, different accounting standards, and foreign taxation.

Small capitalization (small cap) investments involve stocks of companies with smaller levels of market capitalization (generally less than \$2 billion) than larger company stocks (large cap). Small cap investments are subject to considerable price fluctuations and are more volatile than large company stocks. Investors should consider the additional risks involved in small cap investments.

Large capitalization (large cap) investments involve stocks of companies generally having a market capitalization between \$10 billion and \$200 billion. The value of securities will rise and fall in response to the activities of the company that issued them, general market conditions and/or economic conditions.

Defensive style emphasizes investments in equity securities of companies that are believed to have lower than average stock price volatility, characteristics indicating high financial quality, (which may include lower financial leverage) and/or stable business fundamentals.

Dynamic style emphasizes investments in equity securities of companies that are believed to be currently undergoing or are expected to undergo positive change that will lead to stock price appreciation. Dynamic stocks typically have higher than average stock price volatility, characteristics indicating lower financial quality, (which may include greater financial leverage) and/or less business stability.

Although stocks have historically outperformed bonds, they also have historically been more volatile. Investors should carefully consider their ability to invest during volatile periods in the market.

An Investment Grade is a system of gradation for measuring the relative investment qualities of bonds by the usage of rating symbols, which range from the highest investment quality (least investment risk) to the lowest investment quality (greatest investment risk).

Gross domestic product (GDP) refers to the market value of all final goods and services produced within a country in a given period. It is often considered an indicator of a country's standard of living.

Bonds:

With fixed income securities, such as bonds, interest rates and bond prices tend to move in opposite directions. When interest rates fall, bond prices typically rise and conversely when interest rates rise, bond prices typically fall. When interest rates are at low levels there is risk that a sustained rise in interest rates may cause losses to the price of bonds. Bond investors should carefully consider these risks such as interest rate, credit, repurchase and reverse repurchase transaction risks. Greater risk, such as increased volatility, limited liquidity, prepayment, non-payment and increased default risk, is inherent in portfolios that invest in high yield ("junk") bonds or mortgage backed securities, especially mortgage backed securities with exposure to sub-prime mortgages. Investment in non-U.S. and emerging market securities is subject to the risk of currency fluctuations and to economic and political risks associated with such foreign countries. When interest rates are at low levels there is risk that a sustained rise in interest rates may cause losses to the price of bonds.

Growth:

Growth investments focus on stocks of companies whose earnings/profitability are accelerating in the short-term or have grown consistently over the long-term. Such investments may provide minimal dividends which could otherwise cushion stock prices in a market decline. A stock's value may rise and fall significantly based, in part, on investors' perceptions of the company, rather than on fundamental analysis of the stocks. Investors should carefully consider the additional risks involved in growth investments.

Value:

Value investments focus on stocks of income-producing companies whose price is low relative to one or more valuation factors, such as earnings or book value. Such investments are subject to risks that the stocks' intrinsic values may never be realized by the market, or, that the stocks may turn out not to have been undervalued. Investors should carefully consider the additional risks involved in value investments.

Index definitions

Alerian MLP Index: A composite of the 50 most prominent energy master limited partnerships calculated by Standard & Poor's using a float-adjusted market capitalization methodology.

Barclays Emerging Markets Bond Index: Includes fixed- and floating-rate USD-denominated debt from emerging markets in the following regions: Americas, Europe, Middle East, Africa, and Asia. For the index, an emerging market is defined as any country that has a long term foreign currency debt sovereign rating of Baa1/BBB+/BBB+ or below, using the middle rating of Moody's, S&P, and Fitch.

Barclays Global High-Yield Index: An index which provides a broad-based measure of the global high-yield fixed income markets. The Global High-Yield Index represents that union of the U.S. High-Yield, Pan-European High-Yield, U.S. Emerging Markets High-Yield, CMBS High-Yield, and Pan-European Emerging Markets High-Yield Indices.

Barclays Long U.S. Treasury Index: Includes all publicly issued, U.S. Treasury securities that have a remaining maturity of 10 or more years, are rated investment grade, and have \$250 million or more of outstanding face value.

Barclays U.S. Aggregate Bond Index: An index, with income reinvested, generally representative of intermediate-term government bonds, investment grade corporate debt securities, and mortgage-backed securities. (specifically: Barclays Government/Corporate Bond Index, the Asset-Backed Securities Index, and the Mortgage-Backed Securities Index).

Barclays U.S. Credit Bond Index: Measures the performance of investment grade corporate debt and agency bonds that are dollar denominated and have a remaining maturity of greater than one year.

Barclays U.S. High Yield Index: Measures the market of USD-denominated, non-investment grade, fixed-rate, taxable corporate bonds. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below. The index excludes emerging market debt.

Bloomberg Commodity Index Family: Represents the major commodity sectors within the broad index: Energy (including petroleum and natural gas), Petroleum (including crude oil, heating oil and unleaded gasoline), Precious Metals, Industrial Metals, Grains, Livestock, Softs, Agriculture and ExEnergy. Also available are individual commodity sub-indices on the 19 components currently included in the DJ-UBSCI™, plus Brent crude, cocoa, feeder cattle, gas oil, lead, orange juice, platinum, soybean meal and tin.

Bloomberg Commodity Index Total Return: Composed of futures contracts on physical commodities. Unlike equities, which typically entitle the holder to a continuing stake in a corporation, commodity futures contracts normally specify a certain date for the delivery of the underlying physical commodity. In order to avoid the delivery process and maintain a long futures position, nearby contracts must be sold and contracts that have not yet reached the delivery period must be purchased. This process is known as "rolling" a futures position.

Citigroup 1-3 Month Treasury Bill Index: An unmanaged index that tracks short-term U.S. government debt instruments.

FTSE NAREIT: An Index designed to present investors with a comprehensive family of REIT performance indexes that span the commercial real estate space across the U.S. economy, offering exposure to all investment and property sectors. In addition, the more narrowly focused property sector and sub-sector indexes provide the facility to concentrate commercial real estate exposure in more selected markets.

FTSE NAREIT all Equity Index: Measures the performance of the commercial real estate space across the U.S. economy offering exposure to all investment and property sectors.

FTSE EPRA/NAREIT Developed Index: A global market capitalization weighted index composed of listed real estate securities in the North American, European and Asian real estate markets.

JPMorgan Emerging Markets Bond Index Plus (EMBI+): Tracks total returns for traded external debt instruments in the emerging markets. EMBI+ covers U.S. dollar-denominated Brady bonds, loans and Eurobonds.

MSCI country indices: Indices which include securities that are classified in that country according to the MSCI Global Investable Market Index Methodology, together with companies that are headquartered or listed in that country and carry out the majority of their operations in that country.

MSCI EAFE (Europe, Australia, Far East) Index: A free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the U.S. and Canada.

Russell 1000® Index: Measures the performance of the large-cap segment of the U.S. equity universe. It is a subset of the Russell 3000® Index and includes approximately 1000 of the largest securities based on a combination of their market cap and current index membership. The Russell 1000 represents approximately 92% of the U.S. market.

Russell 1000® Growth Index: Measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

Russell 1000® Value Index: Measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 companies with lower price-to-book ratios and lower expected growth values.

Russell 1000® Defensive Index: Subset of top 1000 U.S. equities with companies that demonstrate less than average exposure to certain risk. (lower stock price volatility, higher quality balance sheets, stronger earnings profile).

Russell 1000® Dynamic Index: Subset of top 1000 U.S. equities with companies that demonstrate than average exposure to certain risks. (higher stock price volatility, lower quality balance sheets, uneven earnings profile).

Russell 2000® Index: Measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000 Index is a subset of the Russell 3000® Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership

Russell 2000® Growth Index: Measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values.

Russell 2000® Value Index: Measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 2000 companies with lower price-to-book ratios and lower expected growth values.

Russell 3000® Index: Index measures the performance of the largest 3000 U.S. companies representing approximately 98% of the investable U.S. equity market.

Russell Developed Large Cap Index: Offers investors access to the large-cap segment of the developed equity universe. Constructed to provide a comprehensive and unbiased barometer for the large-cap segment of this market and is completely reconstituted annually to accurately reflect the changes in the market over time.

Russell Developed ex-U.S. Large Cap Index: Offers investors access to the large-cap segment of the developed equity universe, excluding companies assigned to the U.S. Constructed to provide a comprehensive and unbiased barometer for this market segment and is completely reconstituted annually to accurately reflect the changes in the market over time.

Russell Emerging Markets Index: Measures the performance of the investable securities in emerging countries globally. Constructed to provide a comprehensive and unbiased barometer for this market segment and is completely reconstituted annually to accurately reflect the changes in the market over time.

Russell Global Index: Measures the performance of the global equity market based on all investable equity securities. All securities in the Russell Global Index are classified according to size, region, country, and sector, as a result the Index can be segmented into thousands of distinct benchmarks.

Russell Large Cap Japan Index: Offers investors access to the large-cap segment of the developed equity universe for Japan only. Constructed to provide a comprehensive and unbiased barometer for the large-cap segment of this market and is completely reconstituted annually to accurately reflect the changes in the market over time.

Russell Large Cap Eurozone Index: Offers investors access to the large-cap segment of the developed equity universe for Eurozone only. Constructed to provide a comprehensive and unbiased barometer for the large-cap segment of this market and is completely reconstituted annually to accurately reflect the changes in the market over time.

The S&P 500® Index is a free-float capitalization-weighted index published since 1957 of the prices of 500 large-cap common stocks actively traded in the United States. The stocks included in the S&P 500® are those of large publicly held companies that trade on either of the two largest American stock market exchanges: the New York Stock Exchange and the NASDAQ.

The S&P Global Infrastructure Index: Provides liquid and tradable exposure to 75 companies from around the world that represent the listed infrastructure universe. To create diversified exposure across the global listed infrastructure market, the index has balanced weights across three distinct infrastructure clusters: Utilities, Transportation, and Energy.

Index definitions (cont'd)

U.S. Energy: Within the Russell 3000[®], those energy-related businesses, such as oil companies involved in the exploration, production, servicing, drilling and refining processes, and companies primarily involved in the production and mining of coal and other fuels used in the generation of consumable energy. Gas extraction, distribution and pipeline companies classify into this Sector.

U.S. Health Care: Within the Russell 3000[®], those companies that manufacture health care equipment and supplies or provide health care-related services such as lab services, in-home medical care and health care facilities. Also included are companies involved in research, development and production of pharmaceuticals and biotechnology.

U.S. Material & Processing: Within the Russell 3000[®], those companies that extract or process raw materials, and companies that manufacture chemicals, construction materials, glass, paper, plastic, forest products and related packaging products. Metals and minerals miners, metal alloy producers, and metal fabricators are included.

U.S. Technology: Within the Russell 3000[®], those companies that serve the information technology, telecommunications technology and electronics industries.

Economic Indicators Dashboard definitions

Market Indicators

MARKET VOLATILITY(VIX) – CBOE VIX (Chicago Board Options Exchange Volatility Index) measures annualized implied volatility as conveyed by S&P 500 stock index option prices and is quoted in percentage points per annum. For instance, a VIX value of 15 represents an annualized implied volatility of 15% over the next 30 day period. The VIX measures implied volatility, which is a barometer of investor sentiment and market risk.

10 YR. U.S. TREASURY YIELD – The yield on the 10 year U.S. Treasury note issued by the U.S. Government. It is important because it is seen as a benchmark for interest rate movements and borrowing costs in the economy.

YIELD SPREAD – The spread between 3 month Treasury bill yields and 10 year Treasury note yields measures the market outlook for future interest rates. A normal or upward-sloping yield curve, can imply that investors expect the economy to grow and inflation to eat into asset returns. They thus demand a higher yield for long-term Treasuries. An inverted yield curve has often been an indicator of coming recessions, but not always. For example, reduced inflation expectations could cause the yield curve to flatten.

HOME PRICES – The S&P/Case-Shiller Home Price Index is a measurement of U.S. residential real estate prices, tracking changes in top 20 metropolitan regions. This indicator value represents the trailing year over year % change in the home prices index as of last month-end. Residential real estate represents a large portion of the US economy and the Home Price index helps us monitor the value of real estate.

Economic Indicators

INFLATION – The Consumer Price Index (CPI) NSA (non-seasonally adjusted) measures changes in the price level of a market basket of consumer goods and services purchased by households. This indicator value represents the trailing year over year % change in the CPI index as of last month-end.

UNEMPLOYMENT – The Bureau of Labor Statistics measures employment and unemployment of all persons over the age of 15 using two different labor force surveys conducted by the United States Census Bureau (within the United States Department of Commerce) and the Bureau of Labor Statistics (within the United States Department of Labor) that gather employment statistics monthly. The data reported here is seasonally adjusted (SA) to account for seasonal gains in employment leading up to Christmas.

ECONOMIC EXPANSION (GDP) – GDP (Gross Domestic Product) measures the total market value of a nation's output of goods and services during a specific time period. It is usually measured on a quarterly basis. Current GDP is based on the current prices of the period being measured. Nominal GDP growth refers to GDP growth in nominal prices (unadjusted for price changes). Real GDP growth refers to GDP growth adjusted for price changes. Calculating Real GDP growth allows economists to determine if production increased or decreased, regardless of changes in the purchasing power of the currency.

CONSUMER SENTIMENT – The University of Michigan Survey of Consumer Sentiment Index is an economic indicator which measures the degree of optimism that consumers feel about the overall state of the economy and their personal financial situation.

