

Investment Market Summary - December 2016



STANDARD INDICES (In USD)

	Dec 2016	YTD 2016	1 Years	3 Years	5 Years	10 Years
S&P 500 TR	2.0%	12.0%	12.0%	8.9%	14.7%	6.9%
MSCI AC World Index	2.2%	7.9%	7.9%	3.1%	9.4%	3.6%
MSCI EAFE	3.4%	1.0%	1.0%	-1.6%	6.5%	0.7%
MSCI Emerging Markets	0.2%	11.2%	11.2%	-2.6%	1.3%	1.8%
Alerian MLP Index	4.4%	18.3%	18.3%	-5.8%	2.2%	8.0%
Bloomberg Barclays US Agg Index	0.1%	2.6%	2.6%	3.0%	2.2%	4.3%
Bloomberg Barclays Muni Bond 5 Year Index	0.5%	-0.4%	-0.4%	1.7%	1.8%	3.7%
Bloomberg Barclays US Corp High Yield	1.8%	17.1%	17.1%	4.7%	7.4%	7.5%
Bloomberg Commodity Index	1.8%	11.8%	11.8%	-11.3%	-9.0%	-5.6%
US Dollar Index	0.7%	3.6%	3.6%	8.5%	5.0%	2.0%

HEADLINES

In contrast to January's rocky start, December ended the year with relative calm. The only significant event to occur was the Fed's decision to raise its policy benchmark rate by 25bps. Although the move was anticipated, the Fed unexpectedly took a more hawkish policy stance, signaling its intention to raise rates three times next year. The U.S. Dollar responded by racing higher after an already sharp rise the month before.

In a continuation of November's post-election enthusiasm, U.S. equity markets continued to rally. The S&P 500 Index returned 2.0%, with the S&P 500 Value Index rising 2.5% vs. a 1.4% return for the S&P 500 Growth Index. For the year, the Value index soared 17.4% vs. a 6.9% gain for the Growth Index (the S&P 500 Index returned 12.0%). After years of slow economic growth fueling investor demand for higher Growth stocks, buoyed economic expectations have driven investors back into Value stocks.

Even though the Fed hinted at a faster pace of rate hikes in 2017, fixed income markets held up well in December. After initially falling in the days following the Fed's meeting, investors dipped back into fixed income towards month end. The Bloomberg Barclays U.S. Aggregate Bond and Municipal Bond 5 Year Indices rose 0.1% and 0.5%, respectively.

International developed equity markets finally joined the U.S. rally, with the MSCI EAFE Index gaining 3.4% in USD terms. 2016 was a tough year for these markets amidst political uncertainty in the Eurozone and the UK's

decision to leave the European Union. Moreover, the stronger U.S. dollar weighed on returns in many of these markets as their local currencies weakened. The MSCI EAFE Index rose 1.0% in USD terms for the year.

Despite a strong U.S. dollar, Emerging Markets (EM) eked out a slight gain, and Commodities returned 1.8%, led by rising oil prices. After OPEC agreed to cut output in November, oil prices continued to rally in December, with WTI Crude Oil spiking 8.7% over the month. EM had been hit hard in November due to rising rates and the strong USD, but rising oil prices helped EM countries sensitive to the commodity.

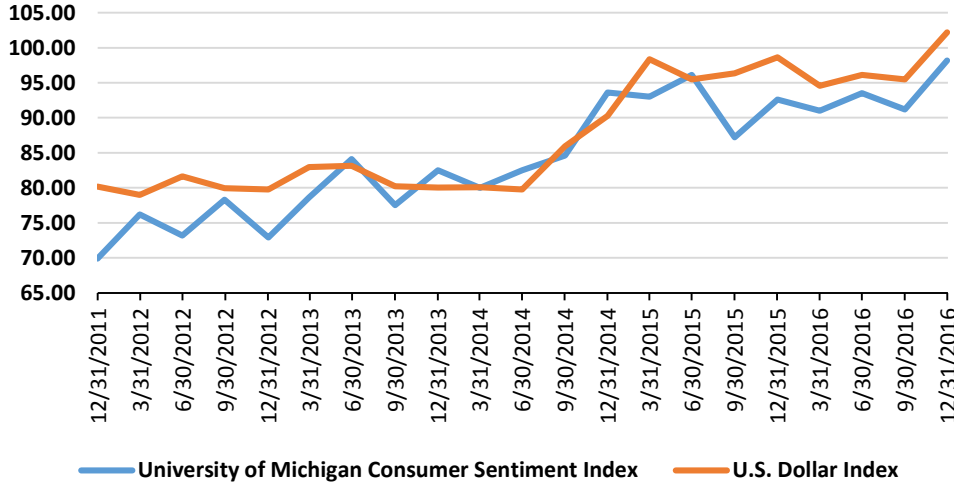
Along with higher oil prices, climbing natural gas prices lifted MLPs in December. Natural gas surged 11.1% on the month, and finished the year up almost 60%. The Alerian MLP Index rose 4.4%, finishing the year up 18.3%.

Closed-End Funds (CEFs) ended the year in a strong manner. Taxable Fixed Income CEFs outperformed Municipal and Equity CEFs, driven by larger discount tightening. This occurred despite the Fed's more hawkish stance. On the year, the First Trust Taxable Fixed Income CEF Index spiked 19.0%, while the First Trust Municipal CEF Index rose only 1.2%.

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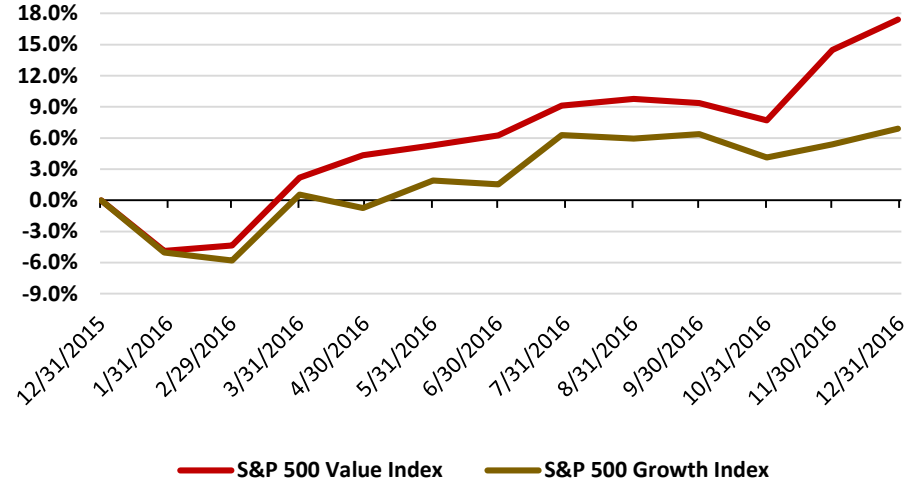


The U.S. Dollar Spikes As U.S. Economic Sentiment Rises



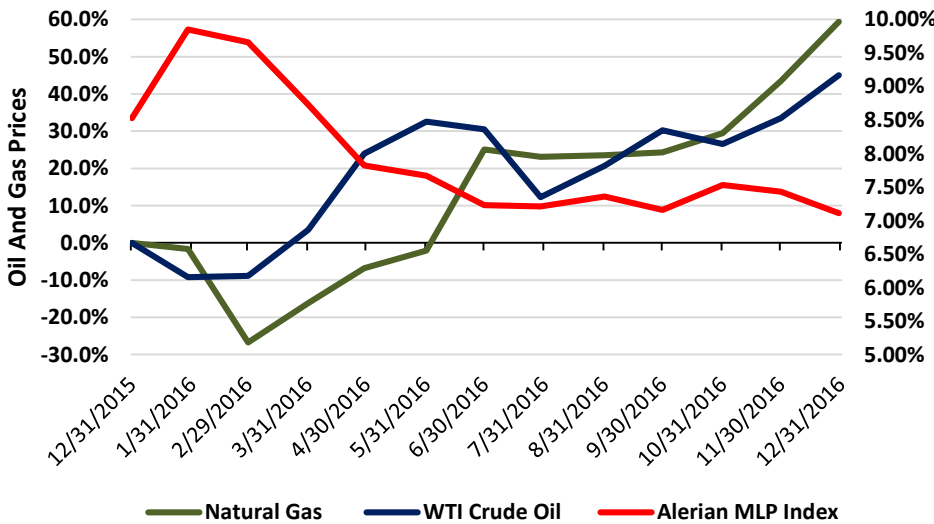
Source: Bloomberg

Value Outpaces Growth



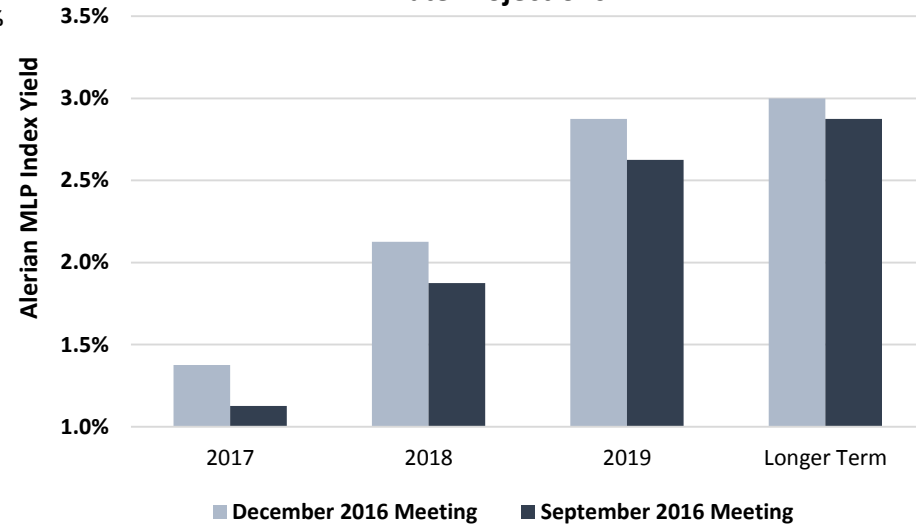
Source: Bloomberg

Confidence Returns To MLP Sector As Energy Prices Surge



Source: Bloomberg

Federal Reserve Members' Median Federal Funds Rate Projections



Source: Bloomberg

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