Investment Market Summary - June 2017

HILLVIEW®

STANDARD INDICES (In USD)

	June 2017	YTD 2017	1 Year	3 Years	5 Years	10 Years
S&P 500 TR	0.6%	9.3%	17.9%	9.6%	14.6%	7.2%
MSCI AC World Index	0.5%	11.5%	18.8%	4.8%	10.5%	3.7%
MSCI EAFE	-0.2%	13.8%	20.3%	1.1%	8.7%	1.0%
MSCI Emerging Markets	1.0%	18.4%	23.7%	1.1%	4.0%	1.9%
Alerian MLP Index	-0.6%	-2.7%	0.4%	-11.2%	1.8%	5.7%
Bloomberg Barclays US Agg Index	-0.1%	2.3%	-0.3%	2.5%	2.2%	4.5%
Bloomberg Barclays Muni Bond 5 Year Index	-0.4%	3.2%	0.4%	2.0%	2.1%	4.0%
Bloomberg Barclays US Corp High Yield	0.1%	4.9%	12.7%	4.5%	6.9%	7.7%
Bloomberg Commodity Index	-0.2%	-5.3%	-6.5%	-14.8%	-9.2%	-6.5%
US Dollar Index	-1.3%	-6.4%	-0.5%	6.2%	3.2%	1.6%

HEADLINES

Risk assets in general ended the second quarter with solid returns. Global equities continued to rise, with the MSCI All Country World Index gaining 0.5%, and credit eked out a slight gain despite a sharp rise in interest rates, with the Bloomberg Barclays US Corporate High Yield Index returning 0.1%. However, there was weakness in risk assets towards the end of June, as the world's top central bankers indicated their intention to gradually end their extraordinary and unconventional easing measures enacted since the financial crisis. The US Dollar (USD) was the main victim of these central bank signals, dipping 1.3% on the month, as major developed market currencies such as the Euro and Pound surged; the Greenback has lost 6.4% on the year. Despite weakness in the USD, international developed markets lagged US equities, as the S&P 500 Index rose 0.6%, but the MSCI EAFE Index fell 0.2% in USD terms.

Emerging Market (EM) equities continued to lead the way, gaining another 1.0% in June, and posting an 18.4% return halfway through the year. Confidence in global economic growth appears to have outweighed fears of central banks putting the brakes on their monetary spigots, and weakness in the USD seems to be providing further support. While these factors could prove to be transitory, EM equities have the additional tailwinds of an earnings recovery and relatively cheaper valuations, and these equities were recently in a bear market.

One area of weakness among risk assets was the Energy sector, as WTI Crude Oil and Natural Gas fell 4.7% and 1.2%, respectively, in June. This dragged down MLPs and the S&P 500 Energy sector (-0.6% and -0.2%, respectively); however, it should be noted that MLPs had fallen close to 8% in June, before rallying sharply at the end of the month. An area of considerable strength was US Financials, specifically large banks, many of which were cleared by the Federal Reserve to boost capital returns to shareholders. The S&P 500 Financials Sector Index soared 6.4% in June, lifting Value stocks despite the fall in Energy. The S&P 500 Value Index climbed 1.9% in June.

Fixed income assets were lower in June due to the rise in yields that were sparked by the comments from central bankers. The Bloomberg Barclays US and Global Aggregate Bond Indices both lost 0.1% in June. Interestingly, taxable fixed income closed-end funds (CEFs) performed well in June, with the First Trust Taxable Fixed Income CEF Index rising 0.4%. CEFs have enjoyed a prolonged rally as discounts have reverted back to historical levels, and as investors searching for higher expected returns across asset markets (many of which look increasingly highly valued) have poured capital into discounted assets.

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