Morningstar Market Commentary

Q2 2015

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The US equity market continues to be marked by fits and starts as Greek and Puerto Rican debt concerns loom large heading into 2015's second half.

Q2 2015 Morningstar Market Barometer

	Value	Core	Growth
Large	0.94	–0.05	0.71
Mid	–1.30	–1.29	–1.05
Small	–3.64	0.20	1.22

Q2 2015 Morningstar Index Returns

Stocks	
US Market Index	0.08
Global Ex-US Index	0.75
Developed Ex-US Index	1.11
Emerging Markets Index	1.12
Bonds	
Core Bond Index	–1.52
Commodities	
Long-Only Commodity Index	7.18

The first half of 2015 proved to be a rather lackluster period for the U.S. equity market, and stocks zigzagged their way to a mostly flat second quarter after spending the better part of a decade moving higher relatively unabated. While the decline in energy commodities subsided in the second quarter, oil did not stage the snap-back rally that some industry pundits were calling for, suggesting diminished energy profits may be here to stay. Domestically, the Federal Reserve lobbed its first warning shot regarding rate hikes, while U.S. economic data remains decidedly mixed. The market also experienced a taste of major macroeconomic shocks late in the quarter, with fears about Greek and Puerto Rican economic collapses being brought on by potential debt defaults, which almost certainly will have significant implications in the latter half of 2015 and beyond.

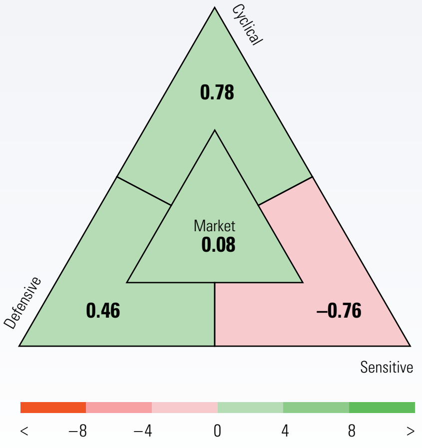
The Morningstar US Market Index was nearly unchanged in the second quarter, rising less than one tenth of one percent in the period. While certain sectors enjoyed solid performances, such as communication services (up 4.91%) and financial services (4.32%), these gains were offset by abysmal performances from the utilities (down 6.31%) and industrials (down 2.37%) sectors. Energy stocks continued to slide despite some stability in oil prices, with those names falling nearly 2% in the quarter.

The Federal Reserve finally gave specific guidance regarding rate hikes, stating in mid-June that the central bank would issue its first rate hike since initiating a zero-interest-rate policy roughly seven years ago. While the Fed has maintained a status quo that rate hikes would be data-dependent, U.S. economic data has been less than outstanding lately. Job growth, housing starts, and unemployment rates continue to make modest progress, but workforce participation rates, consumer spending, and absolute economic growth have lagged, while GDP forecasts have tumbled over the course of the year. Further, equity market valuations remain stretched in many segments, including both the traditional technology and biotechnology industries. While there is some concern that the US equity market is running out of steam as it has failed to sustain any meaningful up moves in 2015, the ad nauseum 'top calls' from equity bears have rung hollow to this point.

Sector Indexes

The second quarter was a relatively quiet zone for U.S. equity markets, and the performances of Morningstar's super sectors were no exceptions. Still, two of the three are outperforming the Morningstar US Market Index year to date despite a mediocre three months. The Cyclical Super Sector was the relative leader in 2015's second stanza, but it delivered a gain of just 0.78%. Ditto the Defensive Super Sector, which racked up a gain of just 0.46% in the quarter. The relative laggard in the quarter was the Sensitive Super Sector, which fell 0.76% in the quarter and remains the only super sector in the red for the year at –0.17%.

Q2 2015 Morningstar Sector Delta and Return %



Sector	Quarter	1-Year	3-Year
Cyclical	**0.78**	**9.99**	**19.78**
Basic Materials	–0.93	–3.26	11.51
Consumer Cyclical	0.38	14.24	22.21
Financial Services	4.32	11.61	22.75
Real Estate	–9.40	3.75	8.57
Sensitive	**–0.76**	**–0.22**	**14.32**
Communication Svs	4.91	6.85	16.83
Energy	–1.97	–23.40	6.32
Industrials	–2.37	3.04	18.05
Technology	–0.42	9.43	16.12
Defensive	**0.46**	**16.84**	**20.55**
Consumer Defensive	–1.80	10.21	14.65
Health Care	3.22	26.38	28.45
Utilities	–6.31	–3.65	8.44

Morningstar Super Sectors

	P/E	P/B	Yield %	Earnings Growth	Sales Growth
Cyclical Super Sector	18.23	2.03	2.05	5.94	3.11
Sensitive Super Sector	18.62	3.08	2.22	5.79	4.01
Defensive Super Sector	22.42	3.63	2.03	6.81	5.81

Cyclical Super Sector 0.78%

The Cyclical Super Sector delivered the best gains in an extremely muted quarter, as gains from top financial services contributors were offset by some abysmal performances from several recognizable consumer cyclical names. Blue-chip financial services stocks continue to serve as leaders, with big banks such as JPMorgan Chase, Bank of America, Goldman Sachs, and AIG all landing in the top contributor list with greater than 10% gains.

On the consumer side, there were some bright spots, including double-digit gains for top contributors Amazon (up 16.7% in the quarter) and Starbucks (13.6%), two firms who continue to leverage robust economic moats into solid growth. Tesla Motors delivered strong gains of more than 40% as it continues to progress with its lithium ion battery factory, and the firm posted strong vehicle delivery numbers in the quarter. Still, retailers such as Michael Kors, Kate Spade, and Sears each fell more than 35% in the quarter, as diminishing brand equity weighed on the firms' operational and stock performance.

Defensive Super Sector 0.46%

While the Defensive Super Sectors gains were minute in the second quarter, investors continue to clamor to names in this super sector, evidenced by year-to-date gains of roughly 4.5%, more than double that of the Morningstar US Market Total Return index. The boom in health care stocks did not subside in the second quarter, as all five top healthcare contributors delivered double-digit gains in the quarter. Gilead Sciences shook off concerns over pricing for its hepatitis C treatment and delivered more than 19% in gains in the quarter, serving as the super sector's top overall contributor. Other big gainers included AbbVie, Eli Lilly, Cigna, and Aetna, each of which delivered gains of over 15% in the quarter.

Consumer defensive was a sore spot in the second quarter. For-profit education firm Apollo Education Group was among the worst performers in the quarter. Its shares fell 31% after the firm cut guidance and announced it would effectively attempt to bottom out the business in 2016 before resuming growth, a strategy that includes shedding roughly 25% of its enrollment over the next year.

Sensitive Super Sector –0.76%

The Sensitive Super Sector received mixed performances from its largest contributors that ultimately weighed on its returns. Although Netflix (up 57%), AT&T (up 10%), and Microsoft (up 9%) enjoyed strong second quarters, concerns over a cyclical downturn in the semiconductor industry led to miserable returns for Qualcomm (down 9%) and Micron (down more than 30%). Still, there were bright spots, as software company Dealertrack's cloud transition merited a buyout offer from Cox Automotive, lifting shares more than 60%.

Style & Cap Indexes

The Morningstar style indexes muddled through a mostly flat second quarter, with two indexes remaining down on the year. The Morningstar US Growth index managed to eke out a small gain of 0.39%, but is up nearly 6% for the year. The US Value index was essentially flat, closing the quarter up 0.13%. The US Core index fell 0.29% in the quarter and is virtually unchanged on the year. For the size indexes, the Large Cap index was the sole gainer in the quarter, rising just over 0.5%. The Small and Mid-Cap indexes lagged with losses of 0.76% and 1.21%, respectively, though both indexes remain up over 3% on the year.

Morningstar US Growth 0.39%

The Morningstar US Growth index continued to set itself apart in the second quarter, posting a modest gain but solidifying its solid year-to-date performance. Consumer cyclical stocks were the most heavily represented in the top contributor list. Among those names was Walt Disney Company (up 8.8%), which continues to reap the benefits of soaring content valuations and the success of its crown jewel asset, sports-television behemoth ESPN. Communication services giant Comcast also posted a solid quarter, rising 6.9% as the firm continues to rope customers in to its innovative X1 Platform along with high-speed internet services.

Health care was a mixed bag for the US Growth index in the quarter. While Gilead Sciences came in as the top contributor with a nearly 20% gain and smaller peers Dyax and Seattle Genetics each racked up gains in excess of 35%, Puma Biotechnology's shares were cut in half over the course of the quarter. The shares took a beating in May after the company announced that trials for its breast cancer drug Neratinib produced only marginal results, sending the shares plummeting.

Trailing Returns

1-Year

	Value	Core	Growth
Large	1.88	8.12	12.56
Mid	1.80	8.80	10.47
Small	1.14	5.54	8.78

3-Year

	Value	Core	Growth
Large	14.08	18.29	18.63
Mid	20.68	19.88	18.60
Small	17.01	18.57	18.16

5-Year

	Value	Core	Growth
Large	14.72	17.89	19.44
Mid	17.52	19.93	17.98
Small	16.71	17.22	18.86

Morningstar Style & Cap Indexes

	P/E	P/B	Yield %	Earnings Growth	Sales Growth
Morningstar Value	15.36	1.78	3.23	0.98	0.44
Morningstar Core	20.36	2.95	2.05	6.48	5.49
Morningstar Growth	24.33	4.63	1.13	17.47	12.49
Morningstar Large Cap	18.89	2.82	2.24	5.70	3.85
Morningstar Mid Cap	20.70	2.57	1.74	9.08	5.55
Morningstar Small Cap	20.66	2.19	1.83	2.25	3.28

Morningstar US Value 0.13%

The Morningstar US Value index managed to stay above breakeven in the quarter thanks to strong performances from the financial services stocks, including double-digit gains from a number of big banks. Still, there were a number of disappointing performances in the quarter as well, beginning with top contributor Wal-Mart. While this wide-moat retailer boasts unmatched scale and a tremendous cost advantage over its peers, investors have growing concerns over the firm's long-term revenue growth prospects, while wage hikes are expected to place pressure on margins over the next few quarters. As a result, Wal-Mart's shares sank more than 13% in the quarter, weighing on the overall index.

Much like other content providers, shares of Starz surged nearly 30% in the second quarter as investors continue to place a premium on high-quality video producers. Still, gains such as these were offset by poor quarters from coal producer Peabody Energy (down more than 55% in the quarter) and Caesars Entertainment, whose stock fell more than 40% in the period.

Morningstar US Core –0.29%

The Morningstar US Core Index was affected by poor performances from several blue-chip stocks, ultimately swinging the index into the red for the quarter. Among the poor performers was software heavyweight Oracle. While Oracle continues to slowly migrate its massive on-premise software footprint to the cloud, the company has yet to reach the cloud revenue run rate of pure-play cloud competitor Salesforce.com, and its significant overseas exposure has harmed the firm as a result of violent currency swings. These factors helped send the shares lower by more than 6% following the firm's quarterly results. Oracle was joined by Micron Technology (down 30% in the quarter) as a fellow laggard amongst the top contributors.

On the flip side, shoemaker Skechers continues to deliver solid performance. Just a few years removed from a massive write-down on its disastrous Shape-Ups line, Skechers has rebounded spectacularly with several new shoe lines, and investors continued to reward the company's strong performance by lifting the stock more than 50% in the quarter.

Morningstar Large Cap 0.53%

Although the Morningstar Large Cap index managed to deliver modest gains in the second quarter, it continues to lag the other size indexes in terms of year-to-date performance. Microsoft led the way as the index's top contributor, delivering gains in excess of 9% as the firm continues to find success with the migration of its Office platform into the cloud with Office 365, and company will roll out its next iteration of its Windows operating system in the third quarter.

After serving as the S&P 500's best performer in 2014, Keurig Green Mountain took a beating in the second quarter. The firm delivered lackluster earnings as sales of its K-Cup brewers have begun to plateau of late. Social-media heavyweight Twitter also continues to struggle, as user growth and engagement have flat-lined, creating a stir in the C-suite. CEO Dick Costolo resigned his post in the second quarter, though that did little to abate the slide in the shares. Twitter's stock fell more than 25% in the quarter and continues to seek new means of igniting user growth.

Morningstar Small Cap –0.76%

The Morningstar Small Cap index components can only be characterized as volatile when looking at their performances in the second quarter. While the index was essentially flat, nine of the 10 top contributors moved more than 20% in the quarter. Skechers was the top contributor with a gain of more than 50%, while biotechnology firm Receptos continued its ascent (up 15% in the quarter) while becoming the subject of takeover rumors in the wake of the firm's successful trials for its multiple sclerosis treatment.

Fracking sand firm Carbo Ceramics rebounded some in the second quarter, rising more than 35%. Carbo's stock enjoyed a meteoric rise in 2014 with several of its peers, but falling oil prices have led many to question whether fracking activity is warranted, which caused the shares to lose roughly 80% of their value over the latter half of last year.

Morningstar Mid Cap –1.21%

A number of consumer stocks weighed heavily on the Morningstar Mid Cap index in the second quarter, with three of the top four contributors posting losses of more than 15%. Organic-inspired grocer Whole Foods Market continues to struggle in terms of identifying with its customer base. While the firm is taking steps to make its products more competitively priced with new store concepts, the average consumer isn't necessarily breaking down the doors to pay up for organic food items, causing Whole Foods' shares to move down nearly 25%. Staying in the consumer vein, discount website Groupon continues its multiyear slide since its highly publicized IPO. Intense competition from a number of peers has made it difficult for Groupon to differentiate itself, yielding meager growth and poor stock performance as shares slid more than 30% in the quarter.

Fund Categories and Benchmarks

The Active vs. Passive chart shows the percentage of actively managed open-end mutual funds that were able to outperform their corresponding Morningstar Indexes benchmark. For the second quarter of 2015, Small Value managers came out strong, with over 95% beating their respective benchmark. Mid Growth managers were not far behind, with 82.95% of managers beating the –1.05% benchmark. While most other groups were above 50% in beating their passive indexes, Large Growth and Small Core managers dipped just below, with each having only around 44% of managers performing better than their respective benchmark. Only 17.88% of Large Value managers beat the 0.94% benchmark return, resulting in them being the lowest performing group.

Active vs. Passive

	Value	Core	Growth
Large	17.88 0.94	53.07 –0.05	44.49 0.71
Mid	53.28 –1.30	68.47 –1.29	82.95 –1.05
Small	95.20 –3.64	44.20 0.20	56.33 1.22

◸ Actively managed mutual funds outperforming their respective benchmark (%)[1]

◢ Index Returns (%), Q2 2015

[1] Includes the oldest share class for all U.S. diversified mutual funds with at least a one-year history. As of June 30, 2015 there were 2,238 eligible funds. Morningstar classifies funds into style categories based on the average style score (using the same 10-factor methodology as underlying benchmarks) of all available portfolio holdings over a three-year period.

Fixed-Income Indexes

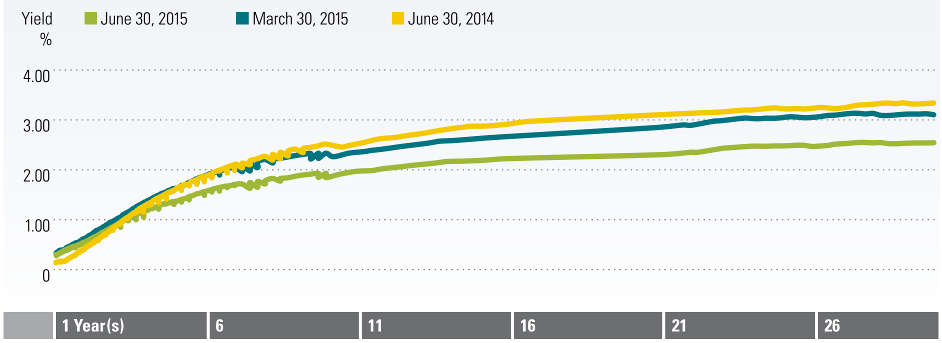
Rising interest rates during the second quarter wiped out much of the fixed-income returns generated in the first quarter. In addition, credit spreads in the corporate bond markets widened modestly as investors looked to reduce risk as the Greek debt crisis re-emerged. While negotiations to refinance Greece's bailout financing have broken down, a default or exit from the eurozone should have limited impact on credit spreads in the corporate bond markets.

Rising Interest Rates in the Second Quarter Wipe Out First-Quarter Returns

Long-term interest rates rose across the developed markets during the second quarter. As rates rose, bond prices fell, wiping out much of the gains fixed-income indexes posted in the first quarter. Longer-dated bonds performed the worst as the yield curve on U.S. Treasuries steepened. As of June 30, the yield on the 5-year Treasury had declined 2 basis points, whereas the yield on the 10-year rose 17 basis points and the yield on the 30-year rose 35 basis points. As such, the Morningstar Long Term Core Bond Index declined 5.56% in the second quarter; however, on the shorter end of the yield curve, the Morningstar Short Term Core Bond Index rose 0.81%. Overall, the Morningstar Core Bond Index, our broadest measure of the fixed-income universe, declined 1.52% in the second quarter and is almost unchanged for the first half of the year, rising only 0.08%.

In Europe, after hitting a new all-time low in April of 0.07%, the yield on Germany's 10-year Bund rose sharply, reaching 0.76% on June 30. Yields among the other sovereign bonds in the eurozone rose similarly. This rise in rates helped to push the Morningstar Eurozone Government Bond Index down 5.58% in the second quarter, leading to a loss of 1.53% for the first half of the year. Among the other European bond indexes for countries that do not use the euro as their currency, the Morningstar Switzerland Government Bond Index fell 2.36% in the second quarter and the Morningstar UK Government Bond Index fell 4.02%. On a consolidated basis, the Morningstar Global Government Bond Index declined 1.59%, and excluding U.S. government bonds, the Morningstar Global Ex-US Government Bond Index fell 1.57%.

Treasury Yield Curve



Morningstar Bond Indexes

		Returns		Statistics			
		QTR	YTD	Market Value ($Mil)	Credit Quality	Yield to Maturity	Average Duration
Broad Market	Core Bond	–1.52	0.08	15,330.00	AA	2.25	5.25
Sector	US Government	–1.45	0.03	6,637.00	AAA	1.46	5.37
	Corporate	–2.77	–0.57	3,854.00	A–	3.31	6.61
	Mortgage	–0.60	0.68	4,792.00	AAA	2.50	4.01
Maturity	Short–Term Core	0.10	0.81	4,446.00	AA	1.01	2.17
	Intermediate Core	–0.66	0.82	7,594.00	AA+	2.37	4.31
	Long–Term Core	–5.56	–3.00	3,241.00	AA–	3.67	11.65
Inflation Prot. Secs.	TIPS	–1.06	0.19	883.00	AAA	0.15	7.75
Global Sovereign	Global Govt USD	–1.59	–4.02	19,847.00	AA–	1.15	7.07
	Global Govt ex–US USD	–1.57	–5.71	13,261.00	A+	1.00	7.84
	Eurozone EUR	–5.58	–1.53	6,167.00	A+	1.08	6.85
	Swiss CHF	–2.36	1.54	96.00	AAA	–0.06	9.90
	UK GBP	–4.02	–1.60	1,815.00	AA+	1.94	10.21
	Australasian USD	–3.26	–6.42	293.00	AAA	2.66	5.66
	Canadian CAD	–1.41	1.93	333.00	AAA	1.17	6.89
	Japanese JPY	–0.20	–0.73	4,554.00	A	0.42	8.40
Europe	Eurobond Corp EUR	–2.78	–1.63	1,365.00	BBB+	1.25	5.08
	European Bank Capital EUR	–2.04	–1.05	466.00	BBB+	1.81	4.07
	European Covered EUR	–1.71	–0.28	758.00	AA	0.53	4.52
	UK Eurobond Corp GBP	–4.95	–1.44	246.00	BBB+	3.37	8.57
	UK Bank Capital GBP	–2.64	0.79	55.00	BBB+	3.67	6.19
Emerging Market	Composite USD	0.11	2.43	123,439.00	BBB	5.17	5.91
	Sovereign USD	–1.20	1.04	45,692.00	BBB–	5.34	7.14
	Corporate USD	1.11	3.39	77,315.00	BBB	5.31	5.15

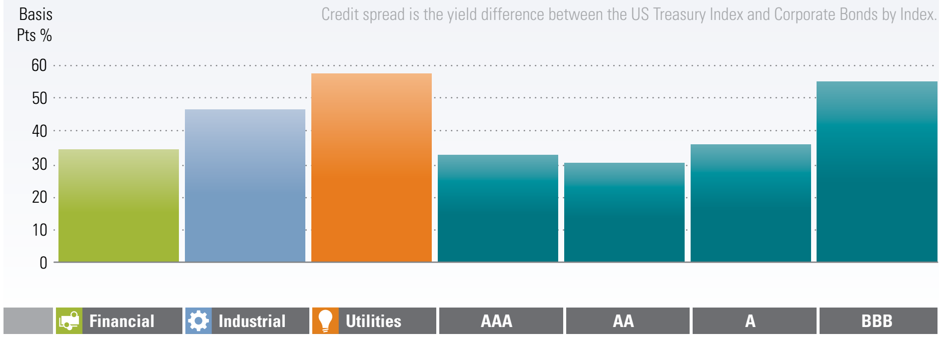
Data as of 6-30-2015

After outperforming in the first quarter, the corporate bond indexes underperformed in the second quarter. This underperformance was based on a combination of their longer duration and widening credit spreads. In the United States, the Morningstar Corporate Bond Index declined 2.77% and for the first half of the year declined 0.57%. In the eurozone, the Morningstar Eurobond Corporate

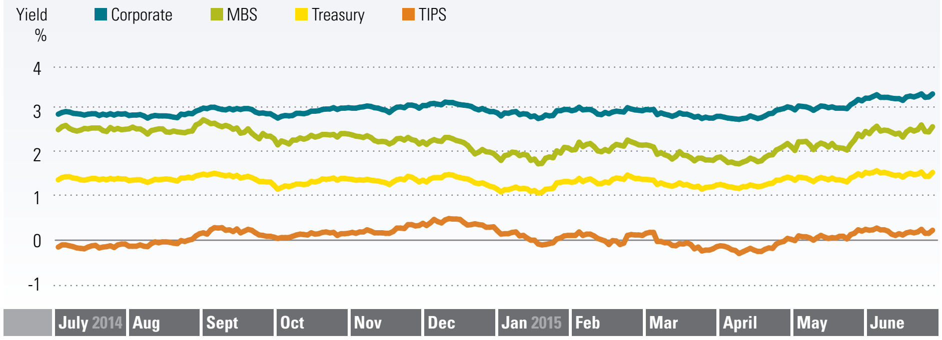
Index declined 2.78% and for the first half of the year declined 1.63%. As the Greek debt crisis began to resurface, investors required a greater amount of credit spread on corporate bonds to guard against the risk of contagion across asset classes. As such, the average spread of the Morningstar Corporate Bond Index widened 15 basis points to a spread of +153 basis points over Treasuries, and the average spread of the Morningstar Eurobond Corporate Index widened 19 basis points to a spread of +106 bps.

After lagging other fixed-income assets for the past several years, Treasury Inflation-Protected Securities appeared to finally come to life in the first quarter, only to give back much of the gains in the second quarter. The Morningstar TIPS Index declined 1.09% in the second quarter and for the first half of the year is now only up 0.19%. The Morningstar Emerging Market Composite Bond Index rose 0.11% in the second quarter as the 1.20% decline in the Morningstar Emerging Market Sovereign Bond Index was offset by a 1.11% increase in the Morningstar Emerging Market Corporate Bond Index.

Credit Spread Change by Sector and Quality



US Bond Indexes: Average Yields



Tragedy for Greece, but Impact to Corporate Bond Market Will Be Limited

The four-year-running Greek debt tragedy is rapidly nearing its end as negotiations to refinance Greece's bailout financing have broken down. As a result, Greece was unable to meet its debt payment due at the end of June. While this will certainly hurt Greek citizens, we do not think a Greek default will significantly affect credit spreads on corporate bonds.

When the Greek debt crisis first emerged several years ago, the situation was much different. The economies of several peripheral eurozone countries were in perilous condition and the banking systems in those countries were experiencing large and growing nonperforming loans. Greek debt was widely held across numerous banks in Europe, and analysts were concerned that losses incurred from a Greek default at that time could lead to insolvency. Corporate credit spreads widened out to account for increasing default risk, and sovereign credit spreads widened on peripheral countries as investors priced in the risk that those countries would need to raise debt to bail out their banking systems. This process lasted until European Central Bank President Mario Draghi gave his famous "whatever it takes" remarks to support the eurozone.

What's different now is that real GDP in the eurozone has been expanding, and the banking system has shored up its capital levels. In addition, much of Greece's debt is now owed to official creditors such as the International Monetary Fund and ECB. If Greece defaults, only a modest amount of losses will not be absorbed by the banks. Losses will indirectly be absorbed by the European Union taxpayers. In addition, the ECB is only three months into its asset-purchase program, which is providing additional liquidity into the banking system; it created the European Stability Mechanism in 2012 to handle such situations.

While credit spreads may widen out in the near term, they should not widen significantly, as it is unlikely this event would lead to a systemic financial crisis.

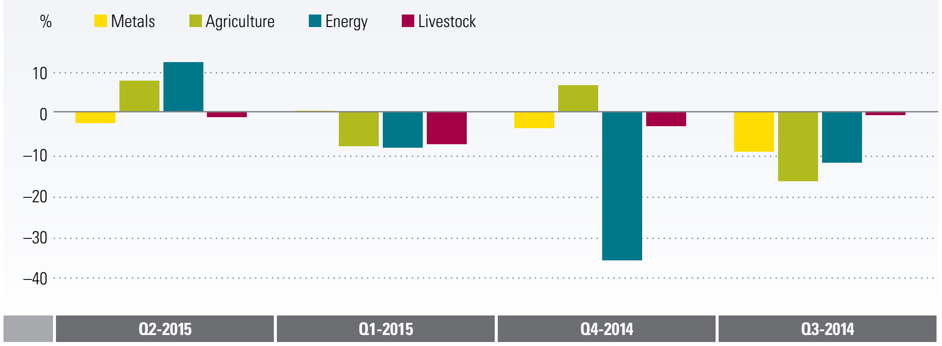
Commodities Indexes

Morningstar's commodity indexes began to show some life in the second quarter, though commodity prices across the board remain depressed over the longer term. After precipitous declines in energy commodities such as oil and natural gas, the Morningstar Energy Commodity Index snapped its losing streak in the second quarter, rising more than 12%. The Morningstar Agriculture Commodity Index followed suit, gaining more than 8% after declining at a similar rate in the first quarter. Precious metals continue to be weak performers, as the Morningstar Metals Commodity Index fell nearly 3% in the quarter, while the Morningstar Livestock Commodity Index fell just over 1%.

The rally in the Morningstar Energy commodity Index was heavily fueled by a modest recovery in crude oil prices, though they remain materially below levels seen one year ago. WTI crude oil closed the first quarter handily below $50 per barrel, but staged a relatively modest bounce after a precipitous decline, closing the second quarter up more than 20%. Still, WTI continues to trade in the $55-$60 range, well below the $100 per barrel levels enjoyed in summer 2014. Natural gas also appreciated 5%, but also remains well off its recent highs.

Gold and silver prices remained depressed for much of the second quarter as the precious metals endured various fits and starts. Gold fell more than 2.5% in the period, while silver cascaded roughly 7% lower after a rally in June that approached the metal's 2015 high. Other metals such as copper and aluminum also struggled in the quarter.

Quarterly Commodity Sector Returns



Morningstar Commodity Index Returns %

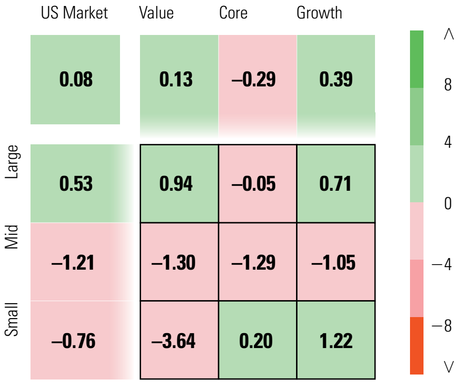
	Quarter	1–Year	3–Year	5–Year	10–Year	YTD
Long-Only	7.18	–28.91	–8.16	–0.86	0.27	0.72
Long/Flat	0.07	–6.78	–3.96	1.49	3.63	–0.07
Long/Short	–2.12	–2.88	–3.15	1.13	3.09	0.56
Short/Flat	–2.19	4.17	0.55	–0.50	0.71	0.64
Short-Only	–8.08	34.45	4.96	–2.04	–0.77	–4.12
Agriculture	8.02	–13.57	–4.66	6.22	3.71	–1.53
Energy	12.69	–45.00	–11.30	–6.81	–9.51	2.33
Livestock	–1.32	–13.65	2.23	2.30	–1.24	–9.54
Metals	–2.89	–16.28	–11.70	–2.38	10.58	–2.63)

Conclusion

The U.S. equity market has remained relatively range-bound for much of the first half of 2015, with essentially no sustained up or down moves. Though valuations in some sectors remain stretched, investors have yet to witness any meaningful volatility in the broadest terms. The Fed's decision to begin slowly raising rates in the latter portion of 2015 has had little impact on equities thus far, as most major indices continue to trade within striking distance of all-time highs. As those rate hikes draw nearer, we could see money flow into rates-driven businesses, such as banks, or out of equities entirely and into fixed income. We could also see one final push for IPOs ahead of the rate hike, particularly as up-and-coming companies such as Uber look to cash in on sky-high valuations.

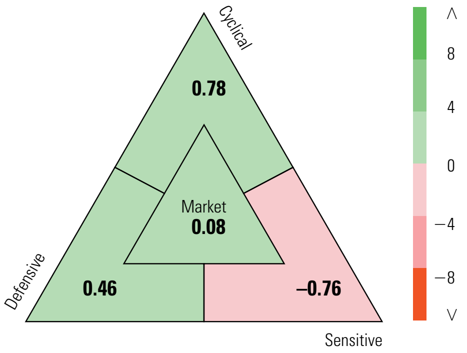
The U.S. market has not been subject to many external shocks thus far in 2015, or throughout this multiyear bull market. However, there have been some pain points for investors in foreign markets, particularly in Greece and China where the daily market swings have mimicked the most extreme roller coasters. While some believe these fluctuations can remain isolated, there is some fear of trickle-down to the broader capital markets, including the U.S. equity market. Still, the U.S. economy appears to be the "cleanest of the dirty shirts" relative to the world's other major economic centers. The debt crises in Europe will need to be monitored closely over the next several months, and the U.S. will begin entering the heavy campaigning period for the next presidential election later this year, which could have material implications for equities. Until the bull camp blinks, investors will continue to operate in the seventh year of one of the most sustained up moves in U.S. market history.

Q2 2015 Style Indexes



	Total Returns %								
	3–Month	1–Year	3–Year	5–Year	10–Year	Price/ Earnings	Price/ Book	Yield %	5–Yr Earn Growth
Morningstar US Market	**0.08**	**7.31**	**17.60**	**17.60**	**8.33**	**19.32**	**2.71**	**2.11**	**9.98**
Large Cap	0.53	7.58	16.99	17.32	17.32	18.89	2.82	2.24	9.67
Mid Cap	–1.21	7.04	19.70	18.50	9.55	20.70	2.57	1.74	10.79
Small Cap	–0.76	5.09	17.92	17.60	9.22	20.66	2.19	1.83	11.34
US Value	0.13	1.84	15.61	15.43	6.48	15.36	1.78	3.23	7.26
US Core	–0.29	8.10	18.61	18.28	9.29	20.36	2.95	2.05	9.66
US Growth	0.39	11.90	18.59	19.14	9.02	24.33	4.63	1.13	14.88
Large Value	0.94	1.88	14.08	14.72	5.63	15.46	1.89	3.39	6.89
Large Core	–0.05	8.12	18.29	17.89	8.98	19.61	2.98	2.09	9.23
Large Growth	0.71	12.56	18.63	19.44	8.67	23.15	4.70	1.32	14.64
Mid Value	–1.30	1.80	20.68	17.52	8.49	15.38	1.60	2.71	8.55
Mid Core	–1.29	8.80	19.88	19.93	10.10	22.60	3.03	1.99	10.76
Mid Growth	–1.05	10.47	18.60	17.98	9.86	27.91	4.58	0.56	14.90
Small Value	–3.64	1.14	17.01	16.71	9.05	14.28	1.40	2.95	7.67
Small Core	0.20	5.54	18.57	17.22	8.99	22.63	2.42	1.84	11.50
Small Growth	1.22	8.78	18.16	18.86	9.45	31.91	4.02	0.73	18.88

Q2 2015 Sector Indexes



	Total Returns %								
Index	3–Month	1–Year	3–Year	5–Year	10–Year	Price/ Earnings	Price/ Book	Yield %	5–Yr Earn Growth
Cyclical	**0.78**	**9.99**	**19.78**	**17.37**	**3.88**	**18.23**	**2.03**	**2.05**	**10.66**
Basic Materials	–0.93	–3.26	11.51	12.70	7.58	20.06	3.16	2.36	10.23
Consumer Cyclical	0.38	14.24	22.21	23.14	9.78	21.20	4.41	1.41	13.14
Financial Services	4.32	11.61	22.75	15.38	1.34	15.13	1.35	1.89	9.88
Real Estate	–9.40	3.75	8.57	13.98	6.20	28.96	2.13	4.58	6.84
Sensitive	**–0.76**	**–0.22**	**14.32**	**15.86**	**8.20**	**18.62**	**3.08**	**2.22**	**10.21**
Communication Svs	4.91	6.85	16.83	19.27	10.33	23.79	3.00	3.92	9.42
Energy	–1.97	–23.40	6.32	11.16	8.66	14.88	1.72	3.12	6.19
Industrials	–2.37	3.04	18.05	17.35	8.74	20.41	3.67	2.05	10.35
Technology	–0.42	9.43	16.12	16.91	10.10	18.48	3.84	1.74	12.09
Defensive	**0.46**	**16.84**	**20.55**	**19.94**	**9.49**	**22.42**	**3.63**	**2.03**	**8.56**
Consumer Defensive	–1.80	10.21	14.65	16.81	10.63	21.65	4.66	2.73	7.84
Health Care	3.22	26.38	28.45	24.86	12.00	24.76	4.12	1.31	10.06
Utilities	–6.31	–3.65	8.44	12.56	6.89	16.59	1.63	3.86	5.26

Bond Indexes

	3–Month	1–Year	3–Year	5–Year
Core	–1.52	2.17	1.99	3.47
US Government	–1.45	2.30	0.91	2.68
Corporate	–2.77	0.87	3.41	5.08
Mortgage	–0.60	2.80	2.52	3.37
Short-Term	0.10	1.05	1.11	1.48
Intermediate Term	–0.66	2.57	2.30	3.49
Long-Term	–5.56	2.31	2.45	5.99
Global Government ex. US	–1.57	–13.22	–3.11	0.58
Emerging Markets Composite	0.11	–0.17	3.83	6.36

Commodity Indexes

	3–Month	1–Year	3–Year	5–Year	10–Year	15–Year
Long-Only	7.18	–28.91	–8.16	–0.86	0.27	4.89
Long/Flat	0.07	–6.78	–3.96	1.49	3.63	6.51
Long/Short	–2.12	–2.88	–3.15	1.13	3.09	5.99
Short/Flat	–2.19	4.17	0.55	–0.50	0.71	1.05
Short-Only	–8.08	34.45	4.96	–2.04	–0.77	–3.96
Agriculture	8.02	–13.57	–4.66	6.22	3.71	4.05
Energy	12.69	–45.00	–11.30	–6.81	–9.51	–0.09
Livestock	–1.32	–13.65	2.23	2.30	–1.24	2.44
Metals	–2.89	–16.28	–11.70	–2.38	10.58	10.54

All data in this issue as of 6-30-2015