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SEPTEMBER HIGHLIGHTS

- News from Asset Management Services Institutional Research
- Following a summer ridden with investor reticence – and then angst – as it came to a close in August, September was a month that can be remembered for its bullishness. Equity investors managed to recoup some of their losses from the month prior, and in various cases, come away with excess returns. Perhaps a portion of this revival in optimism can be attributed to a confluence of the following central bank-related events: the U.S. Federal Reserve deciding, for the second consecutive month, to cut interest rates lower; the ECB introducing a new monetary stimulus package, including (but not limited to) a rate cut of their own and a reinduction of quantitative easing efforts; and the Bank of Japan suggesting that further accommodative monetary stimulus in the near future is well within the realm of possibility. This is not to say, however, that circumstances are suddenly merry on the macroeconomic front; U.S. producer optimism has waned in the face of lingering tensions between the U.S. and China, and worries persist that this deterioration will soon seep into consumer activity. Additionally, the Brexit saga continues to drag on and, without fiscal stimulus from Germany, questions remain over the efficacy of the ECB’s monetary stimulus plan. Even in the aftermath of a relatively strong month, large clouds have not yet dissipated.

- Investors in the domestic equity space were granted a reprieve from the market’s whiplash in August. The S&P 500, which tracks U.S. large cap companies, was a relative laggard, and still generated returns of 3.87%. Mid cap stocks were a notch ahead and returned 1.97%, per the Russell Mid Cap index. The composite of U.S. small caps transitioned from a bottom dweller to a pacesetter in this department, and returned 2.08%, as measured by the Russell 2000 index.

- Additionally, September returns within the international subgroup of the equity division were ubiquitously favorable, largely outperforming their domestic counterparts. The MSCI EAFE index, which measures the performance of large cap companies within international developed countries, led the way with returns of 2.87%. International developed small caps, measured by the MSCI EAFE Small Cap index, were only a small step behind, returning 2.81%. Emerging market equity, as measured by the MSCI EM index, generated returns of 1.91%.

- Conversely, as is typically the case, fixed income markets struggled in the face of rallying equities. U.S. corporate bonds, as measured by the BBgBarc US Corp. Bond index, shifted from a torrid pace to a languishing one, returning -0.65%. U.S. aggregate bonds, which are captured by the BBgBarc US Agg. Bond index, were again just a pace ahead this period, as they produced returns of -0.53%. High yield bonds, as measured by Bloomberg Barclays U.S. High Yield 2% Issuer Cap index, raised the bar within this space, perhaps attributable to their proclivity for acting like equities; they managed to return 0.36%.

- Oil exhibited a significant decline in the month of August, as it fell by 1.87% to $54.07; this came despite the mid-month attack on a Saudi oil supplier, which had the effect of precipitating an aggressive spike in the price of the commodity. Gold fell by 2.82%; as the summer ended, so did the remarkable run for the price of gold. The 10-year Treasury yield began to billow as the suffocating pressure of fixed income investors eased, and rose to 1.66%; a rise of 16bps from its prior level.

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corporate or foreign debt guaranteed by U.S. Government. Must be a publicly issued, dollar-denominated and non-
of securities issued by the U.S. Government; also including public obligations of the U.S. Treasury with remaining
specified foreign debentures and secured notes that meet the specified maturity, liquidity, and quality requirements. To
of the Government/Corporate, the Mortgage-Backed Securities, and the Asset-Backed Securities indices.
Moody's Investors Service, Standard and Poor's, or Fitch Investor's Service, in that order. The Aggregate Index is comprised
non-U.S. dollar-denominated versions of the Pan-European Index and the Japanese, Canadian, Australian and New Zealand
BBgBarc Global Agg. ex-U.S. Dollar:
universe, which includes USD-denominated emerging markets corporate and government-related debt.
INDEX DESCRIPTIONS:
BBgBarc EM Hard Currency Aggregate: Covers countries and sectors of the emerging markets fixed income investment
universe, which includes USD-denominated emerging markets corporate and government-related debt.
BBgBarc Global Agg. ex-U.S. Dollar: Measures changes in global investment-grade, fixed-rate debt markets. It combines
non-U.S. dollar-denominated versions of the Pan-European Index and the Japanese, Canadian, Australian and New Zealand
components of the Global Treasury Index.
BBgBarc U.S. Aggregate Bond Index: Measures changes in the fixed rate debt issues rated investment grade or higher by
Moody's Investors Service, Standard and Poor's, or Fitch Investor's Service, in that order. The Aggregate Index is comprised of
the Government/Corporate, the Mortgage-Backed Securities, and the Asset-Backed Securities indices.
BBgBarc U.S. Corporate Investment Grade: A component of the U.S. Credit Index. Publicly issued U.S. corporate and
specified foreign debentures and secured notes that meet the specified maturity, liquidity, and quality requirements. To
qualify, bonds must be SEC-registered.
BBgBarc U.S. Government: The U.S. Government component of the U.S. Government/Credit Index comprised of
securities issued by the U.S. Government; also including public obligations of the U.S. Treasury with remaining
maturity of one year or more, and publicly issued debt of U.S. Government agencies, quasi-federal corporations, and
foreign debt guaranteed by U.S. Government. Must be a publicly issued, dollar-denominated and non-
convertible. Must be rated investment-grade (BaA3/BBB- or higher) by at least two of the following rating agencies: Moody's, S&P, Fitch; regardless of call features, have at least one year to final maturity, and have an outstanding par value amount of at least $250 million.
BBgBarc U.S. High Yield 2% Issuer Cap index: Issuer-constrained version of the flagship US Corporate High Yield Index,
which measures the USD-denominated, high yield, fixed-rate corporate bond market. The index follows the same rules as
the uncapped version, but limits the exposure of each issuer to 2% of the total market value and redistributes any excess market value on a pro rata basis.
BBgBarc U.S. Municipal Bond Index: Covers the USD-denominated long-term tax exempt bond market. The index has
four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and prerefunded bonds local
general obligation bonds, revenue bonds, insured bonds, and prerefunded bonds.
BBgBarc U.S. Securitized: This index is a composite of asset-backed securities, collateralized mortgage-backed securities
(BERISA-eligible) and fixed rate mortgage-backed securities.
BBgBarc U.S. Treasury: A component of the U.S. Government Index. Must be publicly issued, dollar-denominated and non-
convertible, fixed rate (although it may carry a coupon that steps up or changes according to a predetermined schedule)
U.S. Treasury security. Must be rated investment-grade (BaA3/BBB- or higher) by at least two of the following rating agencies: Moody's, S&P, Fitch; regardless of call features, have at least one year to final maturity, and have an outstanding par value amount of at least $250 million.
Bloomberg Commodities Index: Provides a diversified representation of commodity markets as an asset class. The index
is comprised of exchanged-traded futures on physical commodities; representing 20 commodities which are weighted for
economic significance and market liquidity. To promote diversification, weighting restrictions are placed on individual
commodities and commodity groups.
MSCI EAFE (Europe, Australasia, Far East): A free float-adjusted market capitalization index that is designed to measure
developed market equity performance, excluding the United States & Canada. The EAFE consists of the country indices of
21 developed nations.
MSCI EAFE Growth: Represents approximately 50% of the free float-adjusted market capitalization of the MSCI EAFE index,
and consists of those securities classified by MSCI as most representing the growth style.
MSCI EAFE Small Cap: Offer an exhaustive representation of this size segment by targeting companies that are in the
Investable Market Index but not in the Standard Index in a particular developed market. The indices include Value and
Growth style indices and industry indices based on the Global Industry Classification Standard (GICS).
MSCI EAFE Value: Represents approximately 50% of the free float-adjusted market capitalization of the MSCI EAFE index,
and consists of those securities classified by MSCI as most representing the value style.
MSCI Emerging Markets: A free float-adjusted market capitalization index that is designed to measure equity market
performance of the emerging markets. As of July 2, 2014, the index contains the following 23 emerging market country
indices: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico,
Peru, Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey, and the United Arab Emirates.
Russell 2000: Measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represent
approximately 10% of the total market capitalization of the Russell 3000 Index.
Russell Mid-cap: Measures the performance of the 800 smallest companies of the Russell 1000 Index, which represent
approximately 31% of the total market capitalization of the Russell 1000 Index.
Standard & Poor's 500 (S&P 500): Measures changes in stock market conditions based on the average performance of
500 widely held common stocks. Represents approximately 68% of the investable U.S. equity market.
The Dow Jones Global Select REIT Index: intends to measure the performance of publicly traded real estate securities.
The indices are designed to serve as proxies for direct real estate investment, in part by excluding companies whose performance may be driven by factors other than the value of real estate. This index represents equity real estate investment trusts (REITs) and real estate operating companies (REOCs) traded globally.
DEFINITIONS:
Small-Cap Stocks refers to a company's capitalization as determined by the total market value of its publicly traded shares.
Large-Cap Stocks are generally defined as those with market capitalizations of more than $10 billion.
Energy Sector is a category of stocks that relate to producing or supplying energy.
Commodity is a basic good used in commerce that is interchangeable with other commodities of the same type.
Commodities are most often used as inputs in the production of other goods or services.
Fixed Income is a type of investment in which real return rates or periodic income is received at regular intervals and at
reasonably predictable levels.
High-Yield Bond is a high paying bond with a lower credit rating than investment-grade corporate bonds, Treasury bonds
and municipal bonds.
Excess market value index wide on a pro rata basis.