

Market Indices <sup>1</sup>	May	Year-to-Date
S&P 500	1.41%	8.66%
Russell 3000	1.02%	7.96%
MSCI EAFE	3.67%	14.01%
MSCI Emerging Markets	2.96%	17.25%
Barclays U.S. Aggregate Bond	0.77%	2.38%
Barclays U.S. Municipal Bond	1.59%	3.94%
Barclays U.S. Corporate High Yield	0.87%	4.79%

<sup>1</sup>Morningstar Direct (all performance percentages are total return based, which include reinvested dividend, interest)

### At-A-Glance

- The S&P 500 and NASDAQ Composite had their strongest monthly gains in 3 months.
- Foreign equities continued to generally outpace domestic equities in May and so far this year.
- The Bloomberg U.S. Dollar Index fell 2.15% last month, its third monthly decline and first loss in May since 2009. U.S. crude oil retreated 2.62% in May, hurt by increased output in the U.S. and Libya.

U.S. stocks ended moderately higher in May for a seventh straight month, as the S&P 500 and NASDAQ Composite more than fully recovered from their May 17<sup>th</sup> declines of 1.8% and 2.6%, respectively. The NASDAQ Composite performed the best among the three major U.S. equity indices, as solid technology earnings drove investor optimism. The index rose 2.67% last month, and was up 15.72% YTD. The Dow Jones Industrials trailed with a 0.71% May gain, up 7.47% YTD. The month was characterized by mixed economic data pointing toward modestly improving GDP growth and tame consumer prices. Investors also assessed the likelihood of another rate hike by the Federal Reserve in June. Fed policymakers last lifted interest rates in March with the consensus view expecting two more increases this year. Meanwhile, Wall Street has been supported by stronger-than-expected corporate earnings, with the first quarter earnings season finishing with overall profit growth of 15.4% for the companies in the S&P 500.

Within the S&P 500, 7 of its 11 major sector groups advanced last month, led by Technology (+4.40%), Utilities (+4.24%) and Consumer Staples (+2.85%). On the other hand, value-oriented sectors such as Energy (-3.40%), Financials (-1.21%) and Telecom (-0.98%) fell the most. So far this year, Technology (+20.49%) is the leader, followed by Consumer Discretionary (+12.34%) and Utilities (+11.77%). Only two sectors are negative this year, Energy (-12.46%) and Telecom (-8.06%).

In a reversal from April, large cap stocks, as measured by the S&P 500, performed best in May, outperforming small and mid cap companies. Small cap companies, as measured by the Russell 2000 Index, fell 2.03% last month, while the Russell Mid Cap Index returned 0.91%. Large cap stocks have also gained the most this year, up 8.66% YTD. Growth stocks outperformed value stocks in May, with the Russell 1000 Growth Index up 2.60%, while the Russell 1000 Value Index fell 0.10%. The outperformance in growth stocks has continued to widen on a year-to-date basis, with growth shares up 14.30%, while value stocks trailed with a 2.97% YTD gain.

The MSCI EAFE Index, a broad performance measure of global developed markets outside of the U.S. and Canada, outperformed emerging market equities last month, gaining 3.67%. The MSCI Emerging Markets Index posted a 2.96% advance in May. On a YTD basis, however, the MSCI Emerging Markets Index has risen the most, up 17.25% versus a return of 14.01% for the MSCI EAFE Index. The MSCI All Country World Index excluding the U.S. rose 3.24% in May and 13.74% YTD.

Even amid somewhat diminished geopolitical risks, prices on benchmark 10-year U.S. Treasury notes edged higher in May, sending its yield lower by 7.6 basis points to end the month at 2.20%, its lowest level this year. The Bloomberg Barclays U.S. Municipal Bond Index gained 1.59% last month, while the Bloomberg Barclays U.S. Aggregate Bond Index, a broader measure of U.S. investment grade bonds, rose 0.77%. At the other end of the credit spectrum, the Bloomberg Barclays U.S. Corporate High Yield Index, a proxy for below-investment grade corporate bonds, returned 0.87% in May and 4.79% YTD.

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The **Bloomberg Barclays Capital U.S. Aggregate Bond Index**, which was originally called the Lehman Aggregate Bond Index, is a broad based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate debt securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency) debt securities that are rated at least Baa3 by Moody's and BBB- by S&P. Taxable municipals, including Build America bonds and a small amount of foreign bonds traded in U.S. markets are also included. Eligible bonds must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 8.25 years. This total return index, created in 1986 with history backfilled to January 1, 1976, is unhedged and rebalances monthly.

The **Bloomberg U.S. Dollar Index** is a weighted geometric mean that provides a value measure of the United States dollar relative to a basket of major foreign currencies. The index, often carrying a USDX or DXY moniker, started in March 1973, beginning with a value of the U.S. Dollar Index at 100.000. It has since reached a February 1985 high of 164.720, and has been as low as 70.698 in March 2008.

The **Bloomberg Barclays US 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. Many of the subindices of the Municipal Index have historical data to January 1980. In addition, several subindices based on maturity and revenue source have been created, some with inception dates after January 1980, but no later than July 1, 1993. Eligible securities must be rated investment grade (Baa3/BBB- or higher) by Moody's and S&P and have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 12.8 years. This total return index is unhedged and rebalances monthly.

The **Bloomberg Barclays US Corporate High Yield Index** measures the USD-denominated, non-investment grade, fixed-rate, taxable corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below, excluding emerging market debt. Payment-in-kind and bonds with predetermined step-up coupon provisions are also included. Eligible securities must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 6.3 years. This total return unhedged index was created in 1986, with history backfilled to July 1, 1983 and rebalances monthly.

The **MSCI EAFE** is designed to measure the equity market performance of developed markets (Europe, Australasia, Far East) excluding the U.S. and Canada. The Index is market-capitalization weighted.

The **MSCI Emerging Markets** is designed to measure equity market performance in global emerging markets. It is a float-adjusted market capitalization index.

The **S&P 500** is a capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The **Dow Jones Industrial Average** is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and The NASDAQ Stock Market.

The **NASDAQ Composite Index** includes all domestic and international based common type stocks listed on The NASDAQ Stock Market. The NASDAQ Composite Index is a broad based index.

The **MSCI ACWI EX USA Index** is a float-adjusted market capitalization-weighted index that captures large and mid cap representation across 22 of 23 Developed Markets (DM) countries (excluding the US) and 23 Emerging Markets (EM) countries\*. With 1,852 constituents, the index covers approximately 85% of the global equity opportunity set outside the U.S. The index is reviewed quarterly—in February, May, August and November—with the objective of reflecting change in the underlying equity markets in a timely manner, while limiting undue index turnover. During the May and November semi-annual index reviews, the index is rebalanced and the large and mid capitalization cutoff points are recalculated.

\*The developed country indexes include: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and the United Kingdom. The emerging market country indexes included are: 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 United Arab Emirates.

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

The **Russell 1000 Value Index** measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 Index companies with lower price-to-book ratios and lower forecasted growth values

The **Russell 2000 Index** measures the performance of the small-cap segment of the U.S. equity universe and 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.

The **Russell 3000 Index** measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market.

The **Russell Midcap Index** measures the performance of the mid-cap segment of the U.S. equity universe and is a subset of the Russell 1000 Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The Russell Midcap represents approximately 31% of the total market capitalization of the Russell 1000 companies.