

# Quarterly Market Review



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First Quarter 2015

This report features world capital market performance and a timeline of events for the past quarter. It begins with a global overview, then features the returns of stock and bond asset classes in the US and international markets.

The report also illustrates the performance of globally diversified portfolios.

## Overview:

Market Summary

World Stock Market Performance

World Asset Classes

US Stocks

International Developed Stocks

Emerging Markets Stocks

Select Country Performance

Real Estate Investment Trusts (REITs)

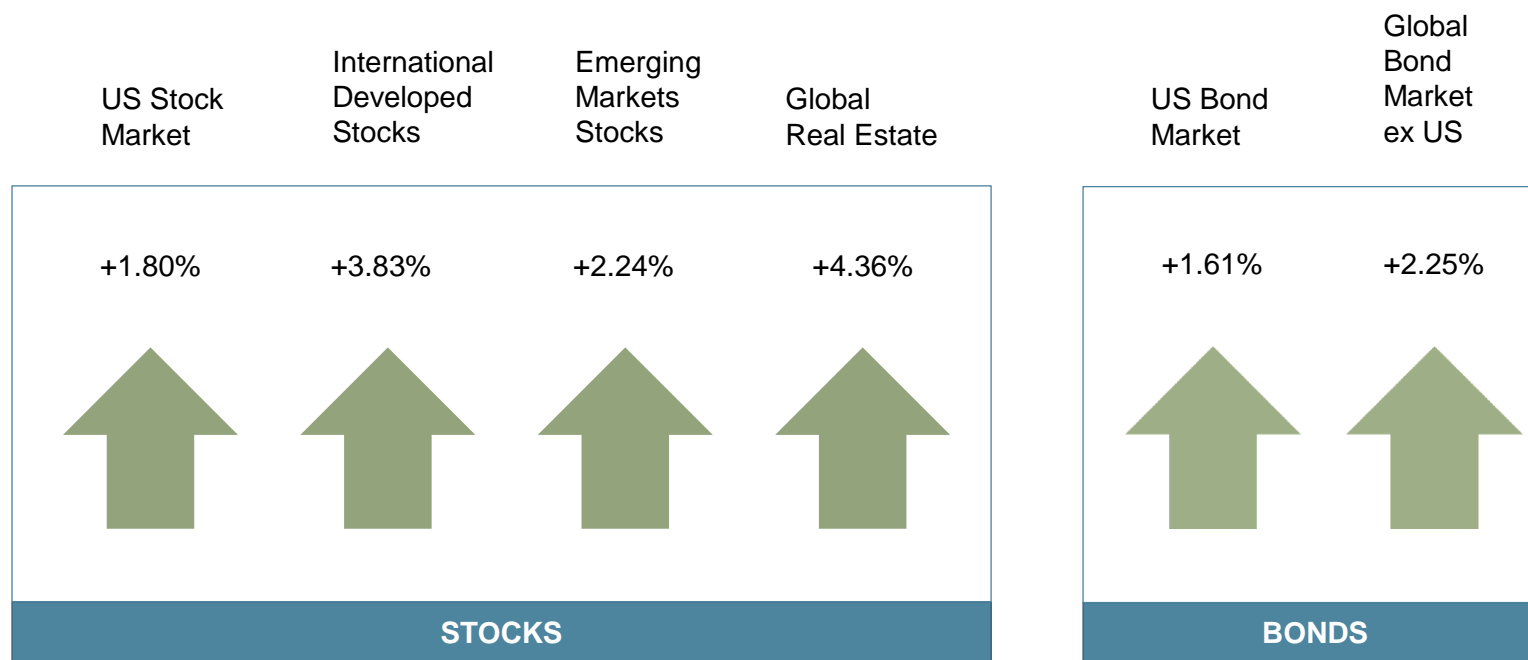
Commodities

Fixed Income

Global Diversification

# Market Summary

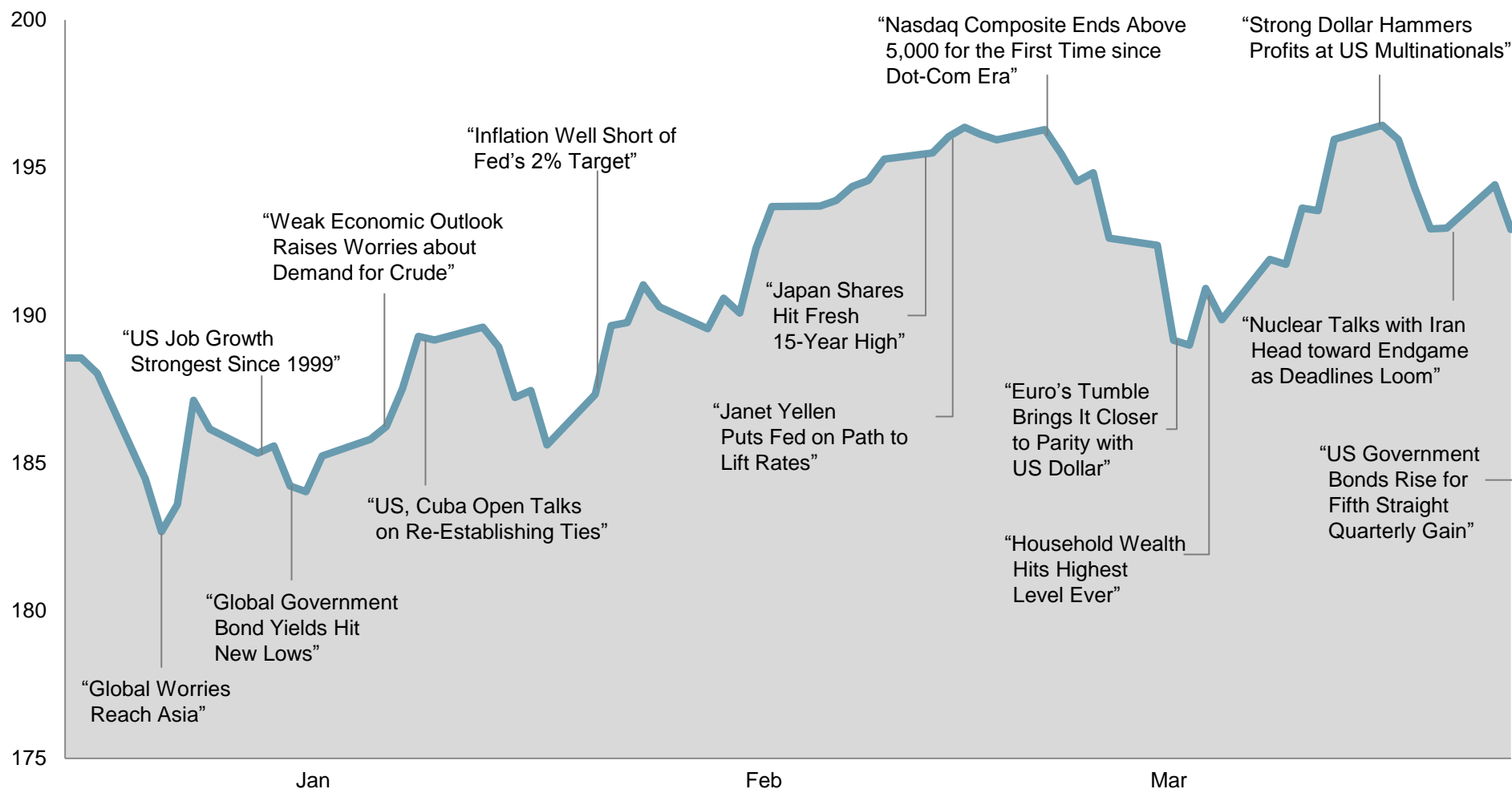
## First Quarter 2015 Index Returns



Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: US Stock Market (Russell 3000 Index), International Developed Stocks (MSCI World ex USA Index [net div.]), Emerging Markets (MSCI Emerging Markets Index [net div.]), Global Real Estate (S&P Global REIT Index), US Bond Market (Barclays US Aggregate Bond Index), and Global Bond ex US Market (Citigroup WGBI ex USA 1-30 Years [Hedged to USD]). The S&P data are provided by Standard & Poor's Index Services Group. Russell data © Russell Investment Group 1995-2015, all rights reserved. MSCI data © MSCI 2015, all rights reserved. Barclays data provided by Barclays Bank PLC. Citigroup bond indices © 2014 by Citigroup.

# World Stock Market Performance

MSCI All Country World Index with selected headlines from Q1 2015



These headlines are not offered to explain market returns. Instead, they serve as a reminder that investors should view daily events from a long-term perspective and avoid making investment decisions based solely on the news.

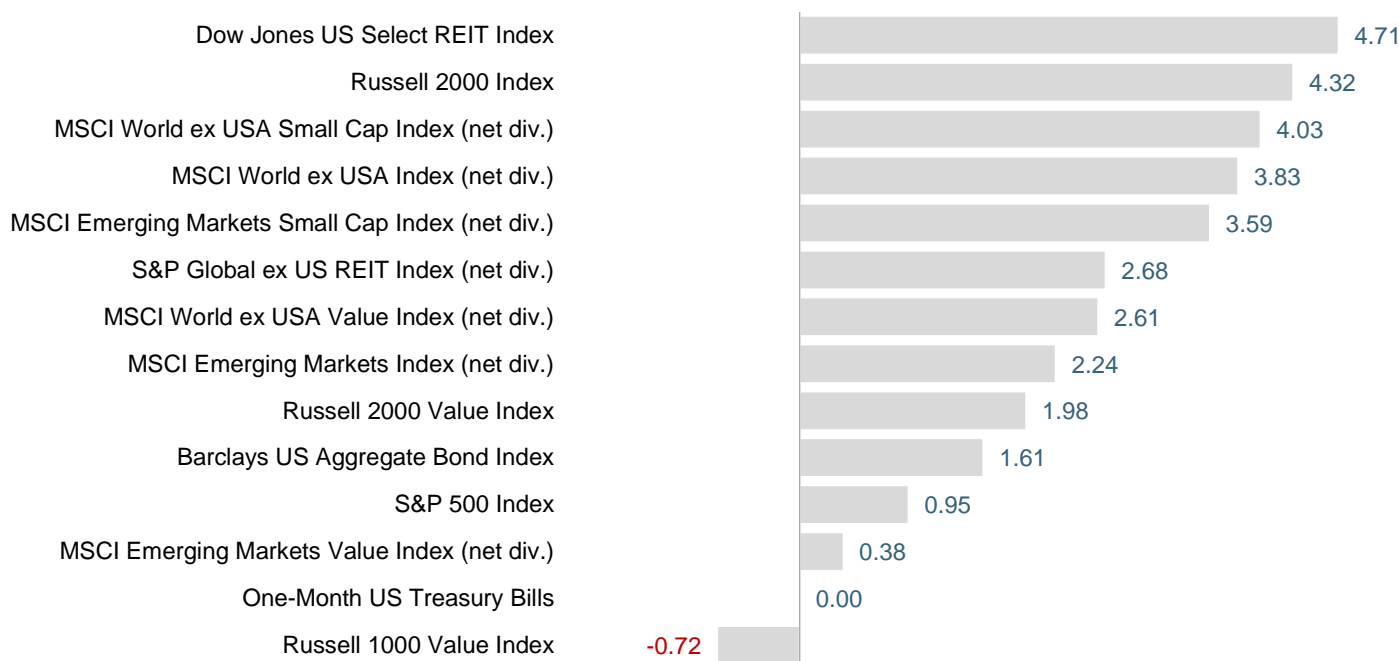
Graph Source: MSCI ACWI Index. MSCI data © MSCI 2015, all rights reserved.

It is not possible to invest directly in an index. Performance does not reflect the expenses associated with management of an actual portfolio. Past performance is not a guarantee of future results.

# World Asset Classes

## First Quarter 2015 Index Returns

Looking at broad market indices, developed markets outside the US outperformed both the US and emerging markets during the quarter. US REITs outperformed US broad equity market indices. Growth indices outperformed value indices across all size ranges in the US and in non-US and emerging markets. Small cap indices outperformed large cap indices in all regions, particularly in the US.



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# US Stocks

## First Quarter 2015 Index Returns

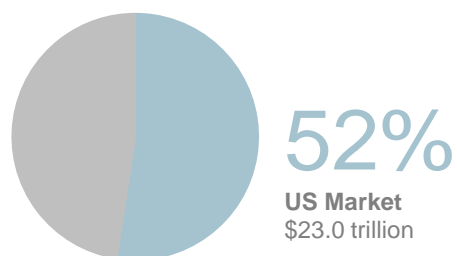
The US equity market recorded positive performance for the quarter.

Small caps outperformed large caps, helped by the strong performance of small cap growth stocks.

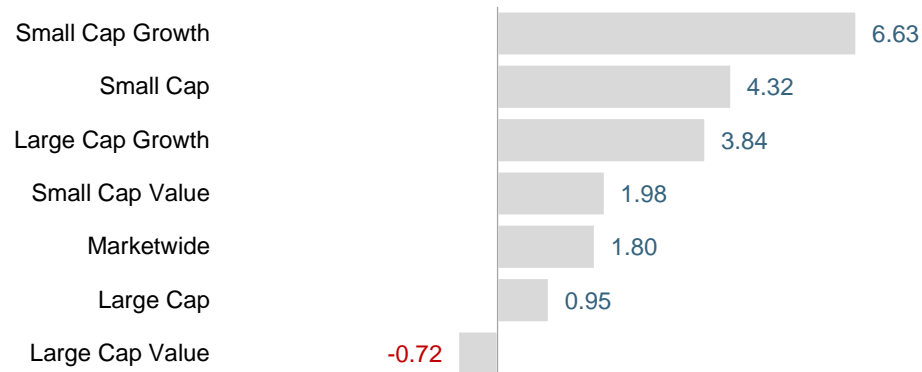
Value indices underperformed across all size ranges.

US REITs outperformed broad US equity indices.

## World Market Capitalization—US



## Ranked Returns for the Quarter (%)



## Period Returns (%)

\* Annualized

Asset Class	YTD	1 Year	3 Years*	5 Years*	10 Years*
Marketwide	1.80	12.37	16.43	14.71	8.38
Large Cap	0.95	12.73	16.11	14.47	8.01
Large Cap Value	-0.72	9.33	16.44	13.75	7.21
Large Cap Growth	3.84	16.09	16.34	15.63	9.36
Small Cap	4.32	8.21	16.27	14.57	8.82
Small Cap Value	1.98	4.43	14.79	12.54	7.53
Small Cap Growth	6.63	12.06	17.74	16.58	10.02

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# International Developed Stocks

## First Quarter 2015 Index Returns

Developed markets outside the US outperformed both the US and emerging markets indices in US dollar terms.

Small caps slightly outperformed large caps.

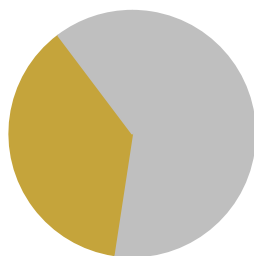
Value indices underperformed growth indices, particularly in large caps.

The Swiss franc was the only major developed markets currency to outperform the US dollar. The Swiss central bank removed the three-year currency cap to the euro.

## World Market Capitalization—International Developed

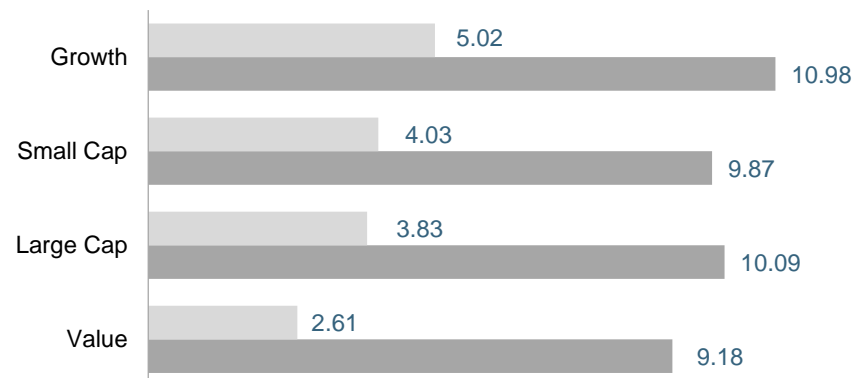
**37%**

International  
Developed  
Market  
\$16.3 trillion



## Ranked Returns (%)

■ US currency ■ Local currency



## Period Returns (%)

\* Annualized

Asset Class	YTD	1 Year	3 Years*	5 Years*	10 Years*
Large Cap	3.83	-1.39	8.24	5.72	5.03
Small Cap	4.03	-4.82	8.52	7.63	5.86
Value	2.61	-3.99	8.06	4.90	4.38
Growth	5.02	1.20	8.36	6.49	5.61

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Market segment (index representation) as follows: Large Cap (MSCI World ex USA Index), Small Cap (MSCI World ex USA Small Cap Index), Value (MSCI World ex USA Value Index), and Growth (MSCI World ex USA Growth). All index returns are net of withholding tax on dividends. World Market Cap represented by Russell 3000 Index, MSCI World ex USA IMI Index, and MSCI Emerging Markets IMI Index. MSCI World ex USA IMI Index used as the proxy for the International Developed market. MSCI data © MSCI 2015, all rights reserved.

# Emerging Markets Stocks

## First Quarter 2015 Index Returns

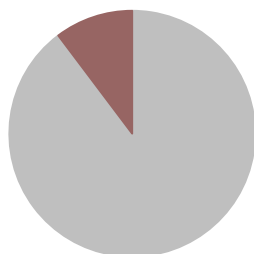
As a group, emerging markets earned positive returns in US dollar terms, despite the US dollar appreciating vs. most emerging markets currencies during the quarter.

Small cap indices outperformed large cap indices. Value indices underperformed growth indices across all size ranges.

## World Market Capitalization—Emerging Markets

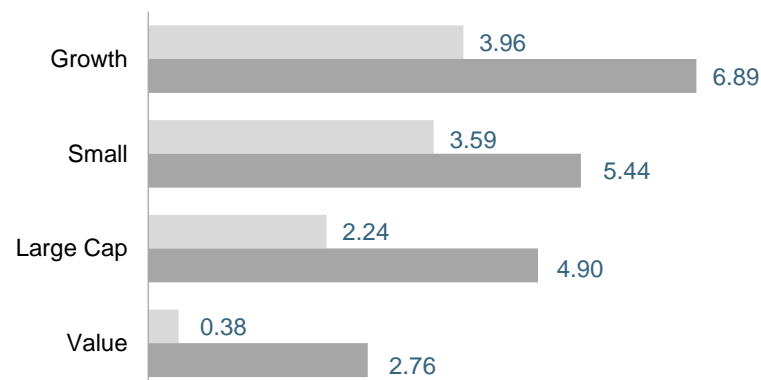
10%

Emerging Markets  
\$4.5 trillion



## Ranked Returns (%)

■ US currency ■ Local currency



## Period Returns (%)

\* Annualized

Asset Class	YTD	1 Year	3 Years*	5 Years*	10 Years*
Large Cap	2.24	0.44	0.31	1.75	8.48
Small Cap	3.59	1.06	3.48	2.64	9.78
Value	0.38	-2.91	-2.54	0.12	8.44
Growth	3.96	3.65	3.09	3.30	8.44

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Market segment (index representation) as follows: Large Cap (MSCI Emerging Markets Index), Small Cap (MSCI Emerging Markets Small Cap Index), Value (MSCI Emerging Markets Value Index), and Growth (MSCI Emerging Markets Growth Index). All index returns are net of withholding tax on dividends. World Market Cap represented by Russell 3000 Index, MSCI World ex USA IMI Index, and MSCI Emerging Markets IMI Index. MSCI Emerging Markets IMI Index used as the proxy for the emerging market portion of the market. MSCI data © MSCI 2015, all rights reserved.

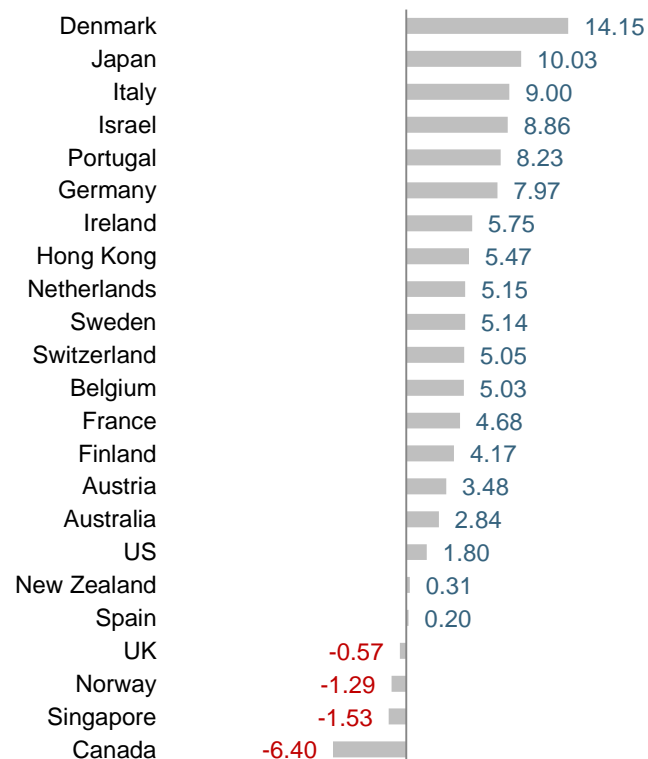


# Select Country Performance

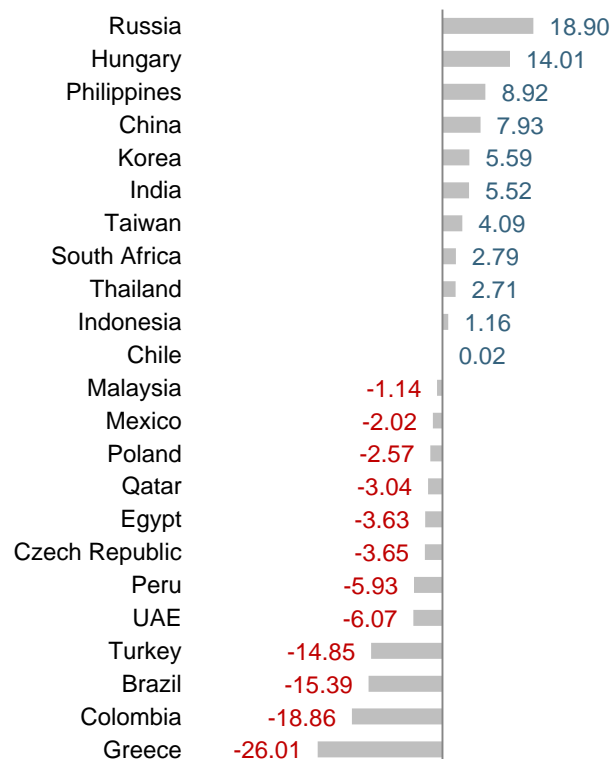
## First Quarter 2015 Index Returns

Russia rebounded from its double-digit negative returns in the fourth quarter, recording the highest emerging markets return as the ruble climbed against the dollar and Russian energy stocks posted strong performance. Greek financial stocks influenced the performance of the local market, which recorded the lowest return among emerging markets countries. Despite the fall in the Danish krone, Denmark produced the highest return among developed markets countries.

### Ranked Developed Markets Returns (%)



### Ranked Emerging Markets Returns (%)



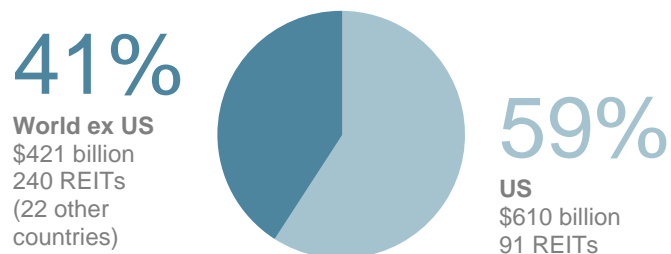
Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Country performance based on respective indices in the MSCI World ex US IMI Index (for developed markets), Russell 3000 Index (for US), and MSCI Emerging Markets IMI Index. All returns in USD and net of withholding tax on dividends. MSCI data © MSCI 2015, all rights reserved. Russell data © Russell Investment Group 1995–2015, all rights reserved. UAE and Qatar have been reclassified as emerging markets by MSCI, effective May 2014.

# Real Estate Investment Trusts (REITs)

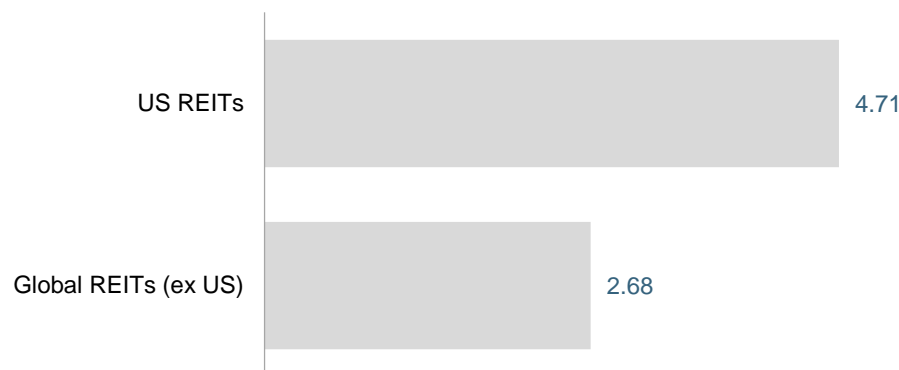
## First Quarter 2015 Index Returns

US REITs outperformed the broad US equity market during the quarter. In contrast, REIT indices outside the US underperformed broad market non-US equity indices.

### Total Value of REIT Stocks



### Ranked Returns (%)



### Period Returns (%)

*\* Annualized*

Asset Class	YTD	1 Year	3 Years*	5 Years*	10 Years*
US REITs	4.71	25.26	13.95	15.89	9.45
Global REITs (ex US)	2.68	10.31	11.43	10.51	4.86

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Number of REIT stocks and total value based on the two indices. All index returns are net of withholding tax on dividends. Total value of REIT stocks represented by Dow Jones US Select REIT Index and the S&P Global ex US REIT Index. Dow Jones US Select REIT Index used as proxy for the US market, and S&P Global ex US REIT Index used as proxy for the World ex US market. Dow Jones US Select REIT Index data provided by Dow Jones ©. S&P Global ex US REIT Index data provided by Standard and Poor's Index Services Group © 2014.

# Commodities

## First Quarter 2015 Index Returns

Commodities were broadly negative during the first quarter. The Bloomberg Commodity Index fell 5.94%. Lean hogs led the decline, shedding 23.73%, while coffee and nickel followed by losing 21.59% and 18.55%, respectively.

Within the energy complex, WTI crude oil fell 14.87% and natural gas declined 11.02%.

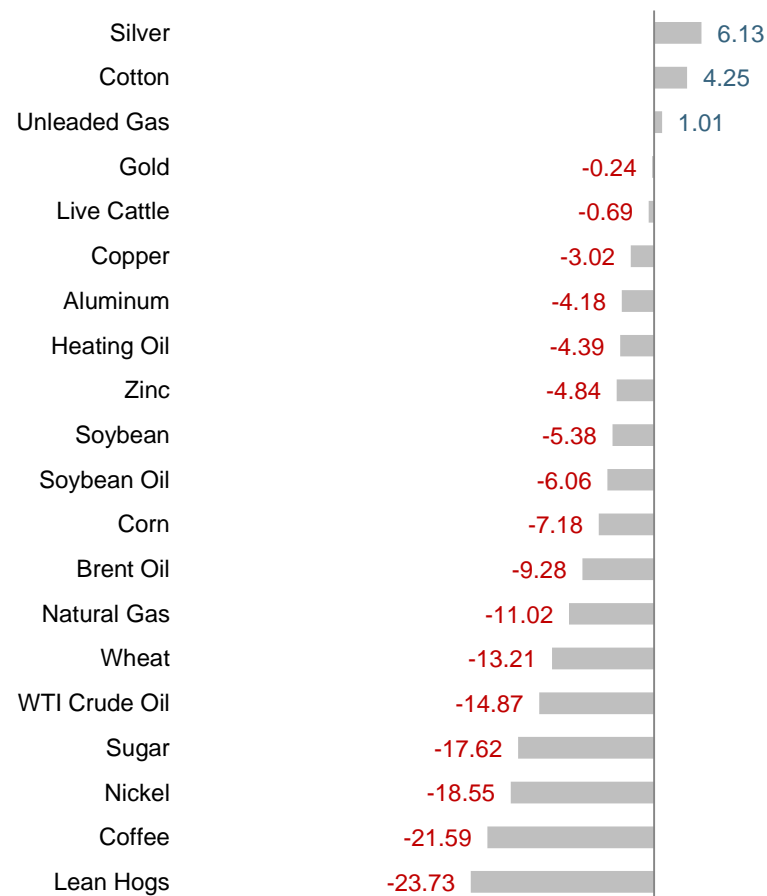
Silver was the biggest gainer, returning 6.13%, and cotton followed with a gain of 4.25%.

### Period Returns (%)

\* Annualized

Asset Class	YTD	Q1	1 Year	3 Years*	5 Years*	10 Years*
Commodities	-5.94	-5.94	-27.04	-11.52	-5.71	-3.56

### Ranked Returns for Individual Commodities (%)



# Fixed Income

## First Quarter 2015 Index Returns

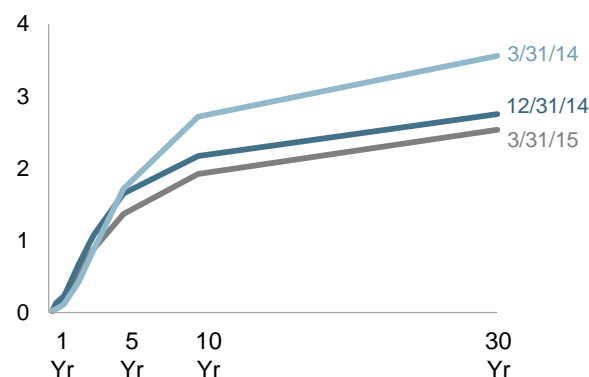
Interest rates across the US fixed income markets generally declined in the first quarter. The 5-year Treasury note dropped 28 basis points to end the period yielding 1.38%. The 10-year Treasury note declined 24 basis points to finish at 1.93%. The 30-year Treasury bond fell 21 basis points to finish with a yield of 2.54%.

On the short end of the curve, the 2-year Treasury note shed 12 basis points to finish at 0.66%. Securities within one year to maturity were relatively unchanged.

Long-term corporate bonds returned 3.29% for the quarter. Intermediate-term corporate bonds followed by adding 1.89%.

Municipal revenue bonds (1.13%) slightly outpaced municipal general obligation bonds (0.87%). Long-term muni bonds outgained all other areas of the muni curve, returning 1.58%.

### US Treasury Yield Curve



### Bond Yields across Issuers



### Period Returns (%)

\* Annualized

Asset Class	YTD	1 Year	3 Years*	5 Years*	10 Years*
BofA Merrill Lynch Three-Month US Treasury Bill Index	0.00	0.03	0.07	0.09	1.49
BofA Merrill Lynch 1-Year US Treasury Note Index	0.11	0.21	0.26	0.39	1.99
Citigroup WGBI 1–5 Years (hedged to USD)	0.62	1.97	1.57	1.75	3.12
Barclays Long US Government Bond Index	3.89	21.03	7.60	10.49	7.83
Barclays US Aggregate Bond Index	1.61	5.72	3.11	4.41	4.93
Barclays US Corporate High Yield Index	2.52	2.00	7.46	8.59	8.18
Barclays Municipal Bond Index	1.01	6.62	4.05	5.11	4.85
Barclays US TIPS Index	1.42	3.11	0.63	4.29	4.56

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# Global Diversification

## First Quarter 2015 Index Returns

These portfolios illustrate the performance of different global stock/bond mixes and highlight the benefits of diversification. Mixes with larger allocations to stocks are considered riskier but have higher expected returns over time.

### Period Returns (%)

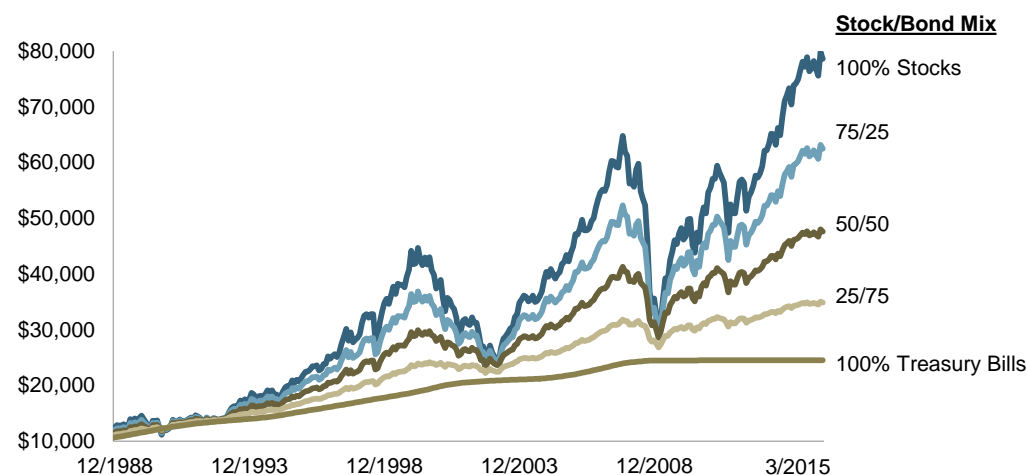
Asset Class	YTD	1 Year	3 Years*	5 Years*	10 Years*
100% Stocks	2.44	5.97	11.35	9.57	7.00
75/25	1.86	4.52	8.53	7.32	5.85
50/50	1.26	3.04	5.70	4.98	4.52
25/75	0.64	1.53	2.86	2.55	3.02
100% Treasury Bills	0.00	0.01	0.03	0.05	1.37

\* Annualized

### Ranked Returns (%)

100% Stocks	2.44
75/25	1.86
50/50	1.26
25/75	0.64
100% Treasury Bills	0.00

### Growth of Wealth: The Relationship between Risk and Return



Diversification does not eliminate the risk of market loss. **Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect expenses associated with the management of an actual portfolio.** Asset allocations and the hypothetical index portfolio returns are for illustrative purposes only and do not represent actual performance. Global Stocks represented by MSCI All Country World Index (gross div.) and Treasury Bills represented by US One-Month Treasury Bills. Globally diversified allocations rebalanced monthly, no withdrawals. Data © MSCI 2015, all rights reserved. Treasury bills © Stocks, Bonds, Bills, and Inflation Yearbook™, Ibbotson Associates, Chicago (annually updated work by Roger G. Ibbotson and Rex A. Sinquefeld).