



Capital Market Review
As of June 30, 2017

2Q17 Market Recap

Domestic equity, international equity and fixed income all experienced positive returns in the second quarter.

Consumer confidence remains high and volatility low. Strong corporate balance sheets, reasonably strong corporate earnings and inexpensive debt are contributing to the domestic bull market environment. The market is “priced to perfection”, and nothing on the immediate horizon looks overly problematic. That said, there are overhanging macro economic concerns such as what is the future of healthcare, potential tax reform, what if Russian interference in the election is proven, North Korean threats, etc.

International markets have been strong, in part due to the weakening dollar. We are seeing a true awakening in Europe. Europe has lagged the U.S. in times of recovery, so it is not surprising that we are now starting to see solid growth. We are seeking opportunities in Europe, outside of the public markets, to further take advantage of this growth trend.

The Fed is expected to increase rates one more time this year. It is difficult to predict rate hikes for next year, particularly since we do not know who will be the next Federal Reserve Chairman. The yield curve alone would indicate limited rate hikes.

Despite the positive outlook for the near future, we cannot lose sight of the importance of diversification, active management, disciplined rebalancing, and seeking opportunity outside of the public markets. We are paying close attention to ensure client portfolios are in compliance with their target allocations.

Please do not hesitate to call if you have any questions.

The Allium Team

Market Dashboard – As of June 30, 2017

Asset Class	First Quarter				2Q17	YTD
Domestic Equity (S&P 500 Index)	<ul style="list-style-type: none"> U.S. equity markets posted gains during the 2nd quarter, with nine of the eleven S&P sectors generating positive returns, led by the Healthcare sector (+7.1%). While skepticism regarding U.S. economic policy reforms grew and post-election policy trades reversed, markets remained at all-time low volatility levels. 				3.1%	9.3%
International Equity (EAFE Index)	<ul style="list-style-type: none"> Developed international markets led U.S. equity markets over the quarter, as the U.S. Dollar depreciated against most major currencies. Hong Kong (+7.6%) and Japan (+6.1%) were the strongest major markets on a local currency basis for the quarter. Australia (-2.4%) had the weakest quarter on a local currency basis. 				6.1%	13.8%
Emerging Markets Equity (MSCI Emerging Markets Index)	<ul style="list-style-type: none"> Korea (+12.8%), China (+10.9%), and Taiwan (+9.0%) were the top performers on a local currency basis during the quarter. Russia (-6.2%) was the worst performer in local currency terms. 				6.3%	18.4%
Fixed Income (Barclays Capital Aggregate Index)	<ul style="list-style-type: none"> With the exception of TIPS, fixed income posted modestly positive returns during the quarter. Long-term credit (+4.7%) and long-term government (+3.9%) were the strongest performing sectors during the quarter while TIPS (-0.4%) was the weakest. 				1.4%	2.3%
Interest Rates	<ul style="list-style-type: none"> The FOMC's target federal funds rate was increased a quarter point to 1.00% – 1.25%. The 10-year treasury yield declined 0.09% from 2.40% to 2.31%, and the 30-year treasury yield declined 0.18% from 3.02% to 2.84%. 					
Currencies	USD/EUR	USD/JPY	USD/GBP	USD/CNY	DXY (U.S. Dollar Index)	
2Q2017	-6.7%	+0.9%	-3.7%	-1.6%	-4.7%	
1 Year	-2.3%	+8.9%	+2.2%	+1.9%	-0.5%	

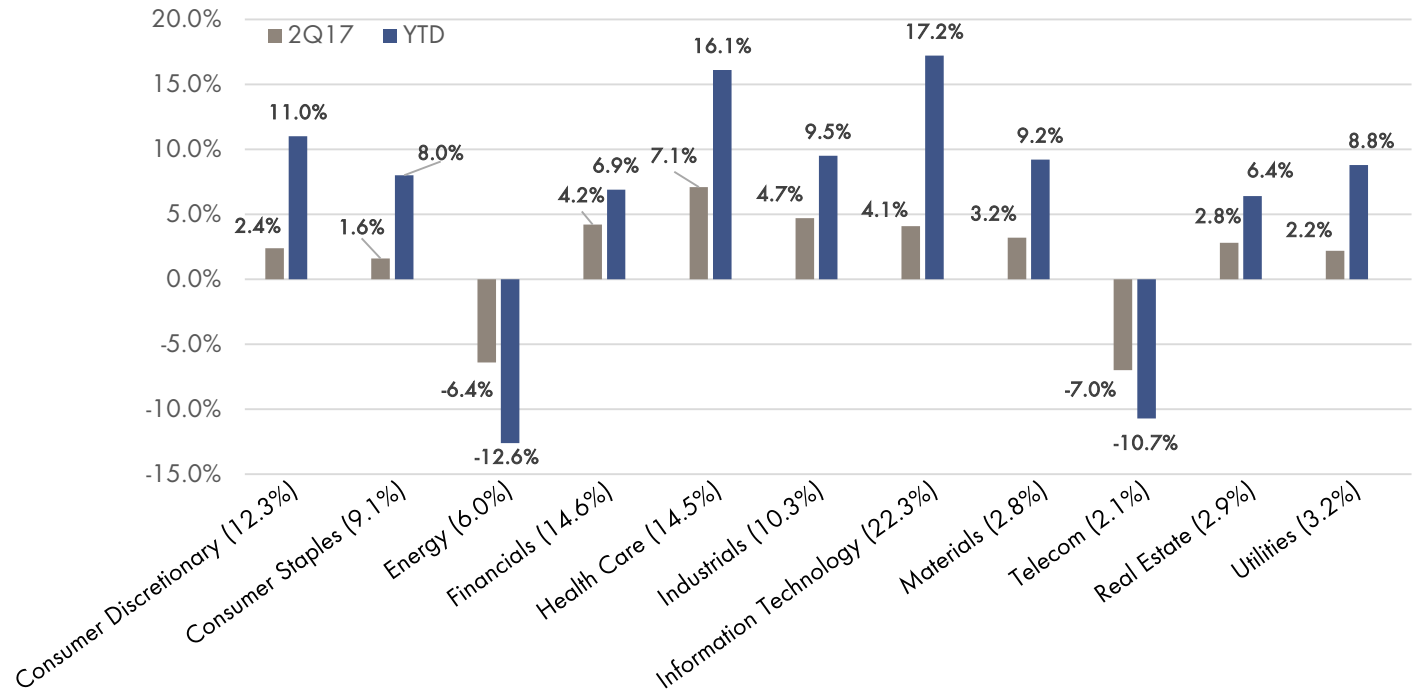
Economic Dashboard – As of June 30, 2017

	Jun- 17	Mar - 16	Jun - 16	10-Year Average
Economic Growth (GDP)	# N/A	1.4%	1.4%	1.4%
Unemployment Rate	4.4%	4.7%	4.9%	7.1%
Labor Participation Rate	62.7%	63.0%	62.7%	64.0%
Core Inflation	1.7%	2.0%	2.2%	1.8%
Inflation (Headline)	1.9%	2.4%	1.0%	1.8%
Consumer Confidence	118.9	124.9	97.4	75.4
WTI Crude Oil (per barrel)	\$46.04	\$50.60	\$48.33	\$78.43
Natural Gas	\$3.04	\$3.19	\$2.92	\$4.30
Volatility	11.2	12.4	15.6	20.6
Gold	\$1,242.30	\$1,147.30	\$1,320.60	\$1,236.58
LIBOR	1.16%	0.92%	0.41%	0.82%
Federal Funds Target Rate ¹	1.25%	1.00%	0.50%	0.68%
ECB Refinancing Rate	0.00%	0.00%	0.00%	1.06%
10-Year U.S. Treasury Yield	2.30%	2.39%	1.47%	2.65%
10-Year German Bund Yield	0.47%	0.33%	-0.13%	1.96%
S&P 500 Index	2423.4	2362.7	2098.9	1571.1
EUR/USD Exchange Rate	1.143	1.065	1.111	1.300
USD/JPY Exchange Rate	112.4	111.4	103.2	99.3

¹Fed Funds rate is a target range of 1.00% – 1.25%
Source: Bloomberg

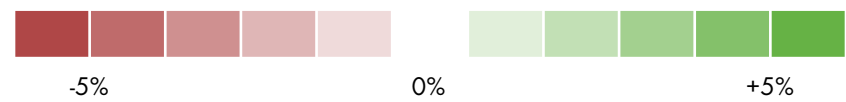
U.S. Equity Market – Sector and Style

Growth continues to dominate Value through the second quarter.



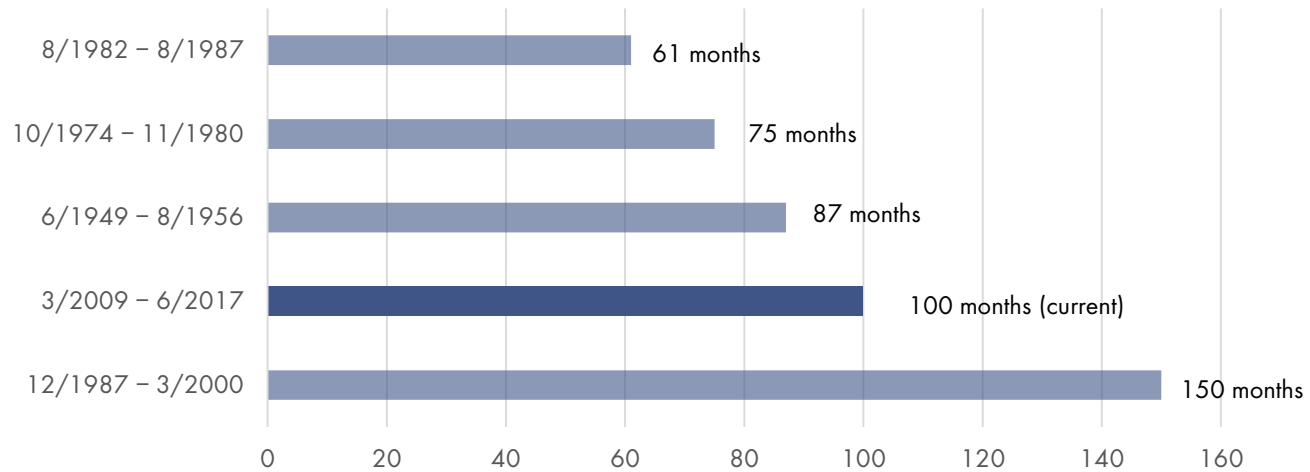
	2Q17		
S&P 500	3.1%		
Russell 3000	3.0%		
Large	1.3%	3.1%	4.7%
Mid	1.4%	2.7%	4.2%
Small	0.7%	2.5%	4.4%
	Value	Core	Growth

	1 Year		
S&P 500	9.3%		
Russell 2000	8.9%		
Large	4.7%	9.3%	14.0%
Mid	5.2%	8.0%	11.4%
Small	0.5%	5.0%	10.0%
	Value	Core	Growth



Source: Bloomberg, S&P, Russell

Longest Historical Bull Market Run – S&P 500



Longest Consecutive Positive Calendar Year Returns – S&P 500

	Calendar Year									
	1991	1992	1993	1994	1995	1996	1997	1998	1999	
Return	30.4%	7.6%	10.1%	1.3%	37.5%	23.0%	33.4%	28.6%	21.0%	

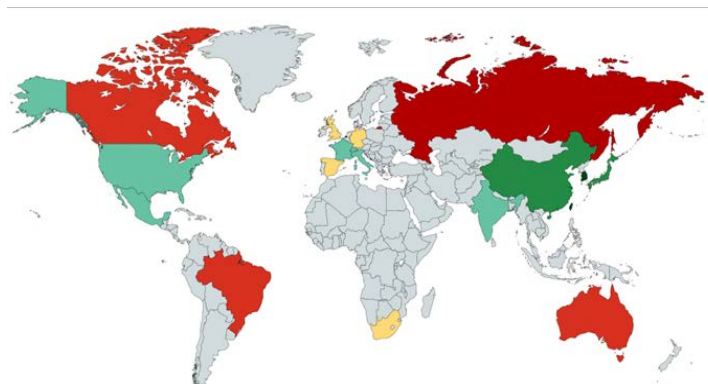
Current Consecutive Positive Calendar Year Returns – S&P 500

	Calendar Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017 YTD	
Return	26.4%	15.1%	2.1%	16.0%	32.4%	13.7%	1.4%	12.0%	9.3%	

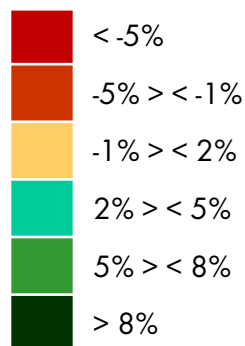
¹Bull Market: continuous period without 20% downturn
Source: Bloomberg, data since 1929

Global Equity Returns

Second Quarter Relative Strength



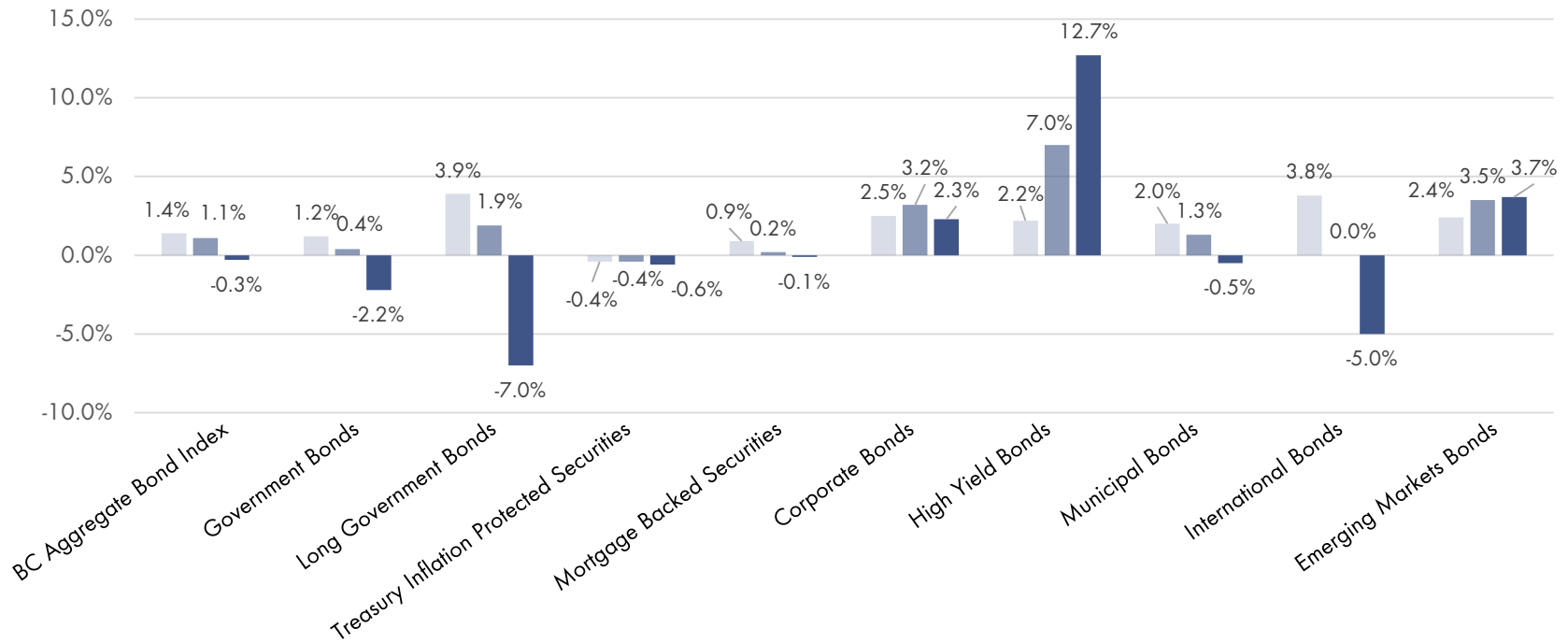
Relative Strength



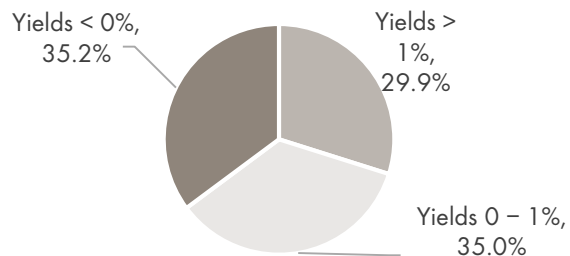
Source: Bloomberg, MSCI, mapchart.net

	2Q2017		1 Year	
	Local Return	USD Return	Local Return	USD Return
North America				
Canada	-2.0%	0.6%	11.7%	11.7%
United States	3.1%	3.1%	17.9%	17.9%
Europe				
France	2.3%	9.1%	24.8%	28.1%
Germany	-0.2%	6.4%	25.4%	28.7%
Italy	2.2%	8.9%	27.5%	30.9%
Spain	1.2%	7.9%	34.8%	38.4%
Switzerland	4.2%	9.0%	14.5%	16.5%
United Kingdom	0.8%	4.7%	16.7%	13.3%
Asia Pacific				
Australia	-2.4%	-1.9%	14.9%	18.3%
Hong Kong	7.6%	7.2%	24.5%	23.8%
Japan	6.1%	5.2%	30.5%	19.2%
International Developed Markets Index				
MSCI EAFE Index	2.7%	6.1%	22.1%	20.3%
Emerging Markets				
Brazil	-2.6%	10.4%	21.0%	42.8%
China	10.9%	12.9%	32.8%	19.7%
A Shares	-0.2%	1.4%	11.1%	9.3%
H Shares	2.9%	2.4%	21.9%	21.2%
India	2.4%	2.9%	12.5%	17.5%
Korea	12.8%	10.2%	34.0%	34.9%
Mexico	3.0%	7.2%	9.9%	12.0%
Russia	-6.2%	-10.0%	3.9%	10.3%
South Africa	1.2%	3.5%	-1.4%	10.2%
Taiwan	9.0%	8.8%	25.3%	32.9%
Emerging Markets Index				
MSCI EM Index	6.6%	6.3%	21.8%	23.7%

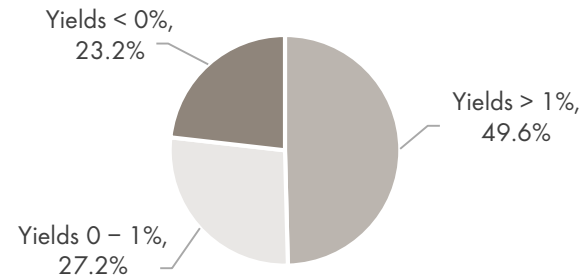
Fixed Income – Returns by Sector



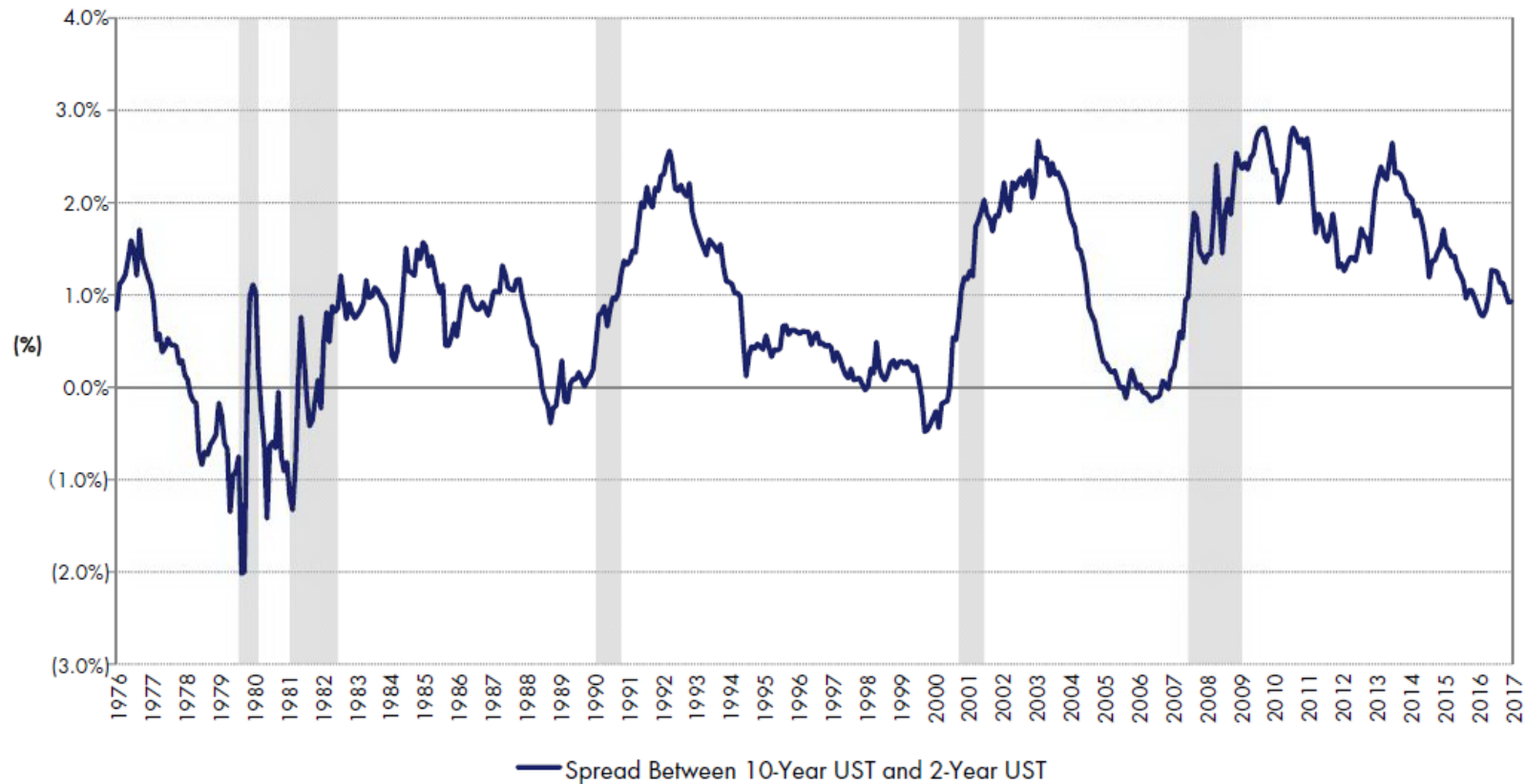
Barclays Global Treasury Index – Composition by Yields
\$26.5 Trillion in Market Value
9/30/2016



Barclays Global Treasury Index – Composition by Yields
\$25.6 Trillion in Market Value
6/30/2017

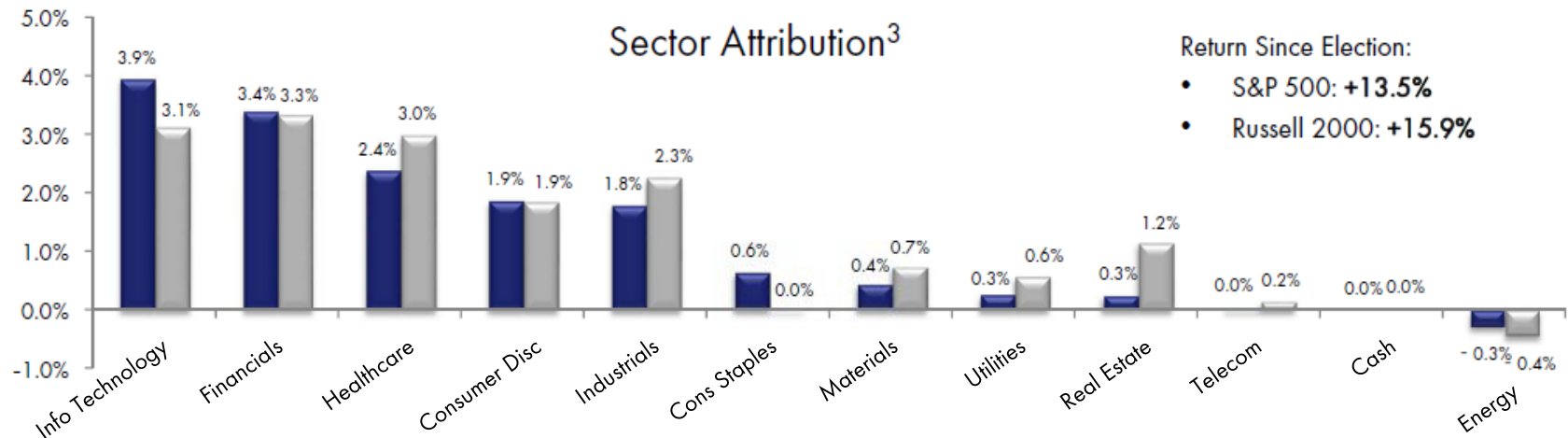


Fixed Income – Treasury Yield Curve and Recessions

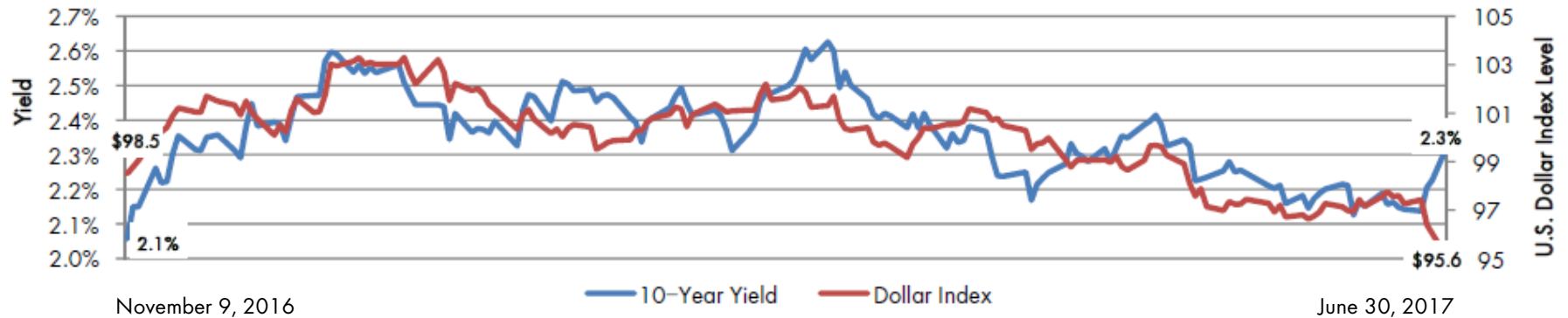


“There’s a chance that this time around is very different. We don’t think the predictive powers of the yield curve are what they would’ve been in a world of less central bank influence.” Dan Ivascyn, Group CIO of PIMCO

The Trump Trade – post-election market performance



10-Year U.S. Treasury Yield and U.S. Dollar Index (DXY)



¹Using SPDR S&P 500 ETF Trust as a proxy for the S&P 500 Index

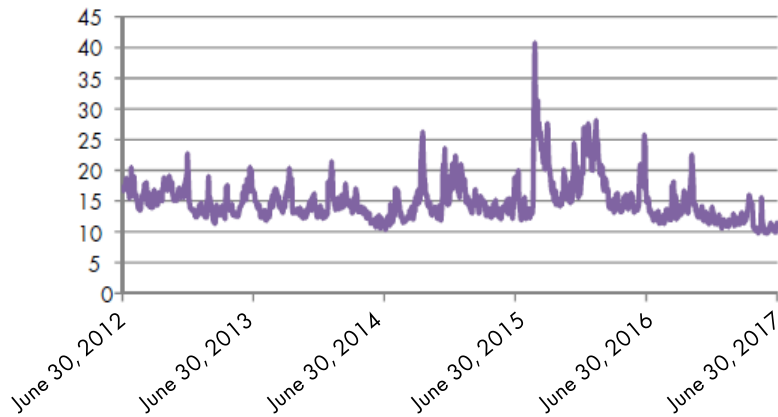
²Using Vanguard Russell 2000 ETF as a proxy for the Russell 2000 Index

³Excludes the cash components of each ETF. The absence has negligible impact on attribution

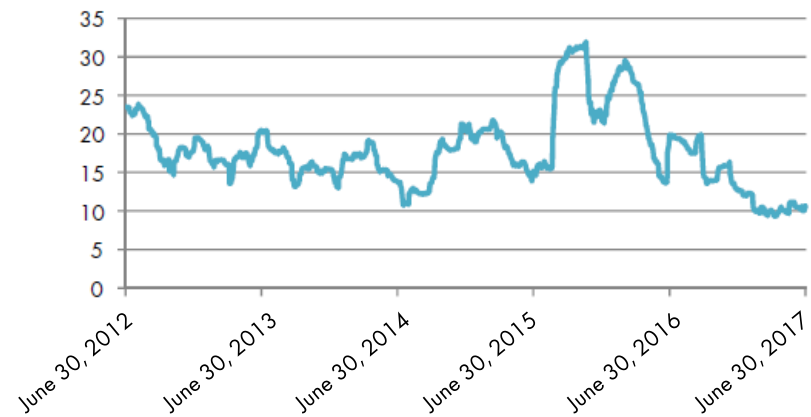
Source: U.S. Treasury, Bloomberg, Barclays

Chaos.....only on TV

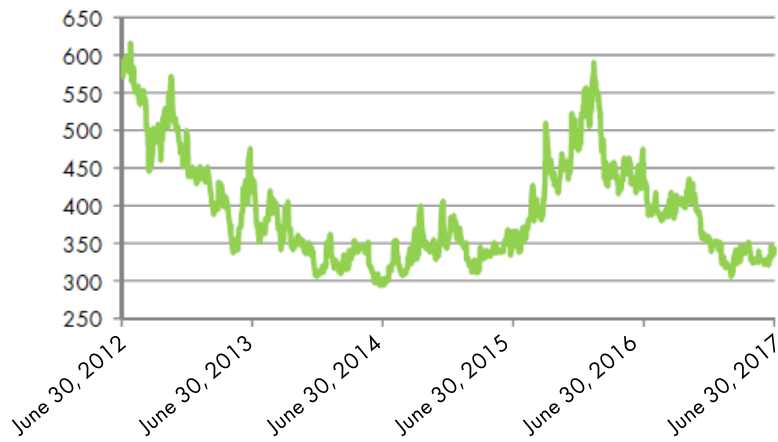
VIX – CBOE Volatility Index



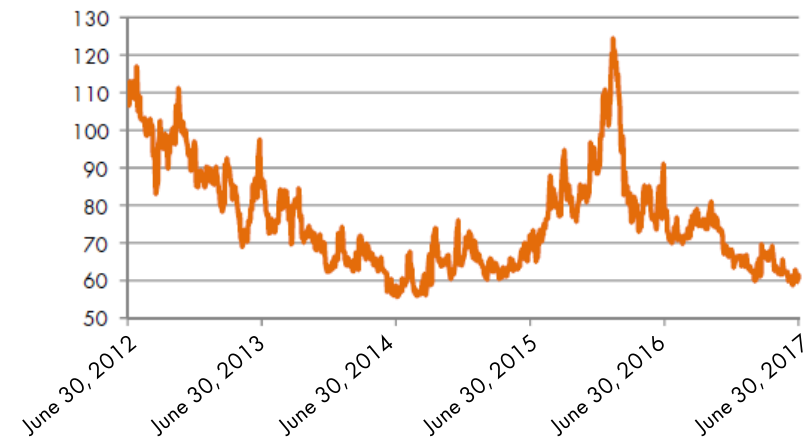
Rolling 3-Month Realized S&P 500 Volatility



Barclays High Yield Basket Spread OTR Index



Barclays 5-Year Investment Grade Spread OTR Index



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