



January 2017

M Wealth Perspective

Offering value-added wealth services, including turnkey asset management and investment consulting.

December 2016 Capital Markets Review

Index	Period Ending December 31, 2016					
U.S. Equity Markets	Qtr	Ytd	1 Yr Return	3 Yr Return	5 Yr Return	10 Yr Return
S&P 500 Index	3.82%	11.96%	11.96%	8.87%	14.66%	6.95%
Russell 3000	4.21%	12.74%	12.74%	8.43%	14.67%	7.07%
Russell 1000	3.83%	12.05%	12.05%	8.59%	14.69%	7.08%
Russell 1000 Value	6.68%	17.34%	17.34%	8.59%	14.8%	5.72%
Russell 2000	8.83%	21.31%	21.31%	6.74%	14.46%	7.07%
Russell 2000 Value	14.07%	31.74%	31.74%	8.31%	15.07%	6.26%
Non-U.S. Equity Markets						
MSCI ACWI Ex US	-1.25%	4.5%	4.5%	-1.78%	5.0%	0.96%
MSCI Emerging Markets	-4.16%	11.19%	11.19%	-2.55%	1.28%	1.84%
Fixed Income						
Barclays Aggregate Bond	-2.98%	2.65%	2.65%	3.03%	2.23%	4.34%
Barclays US TIPS	-2.41%	4.68%	4.68%	2.26%	0.89%	4.36%
Real Assets/Natural Resources						
DJ US Select REIT	-2.53%	6.68%	6.68%	13.73%	11.77%	4.63%
S&P North American Natural Resources	5.02%	30.87%	30.87%	-3.66%	1.26%	2.64%

Source: Morningstar

Commentary

The U.S. equity market finished the year on a strong note, generating a 4.2% return in the fourth quarter. October got off to a slow start amid uncertainty surrounding the Presidential election and expectations of a possible interest rate increase by the Fed at the December meeting. The surprise election of Donald Trump in November, however, rallied the U.S. equity market, which finished the month up 4.5%. Investors reacted positively to the incoming administration's promises to spur growth domestically by cutting taxes, easing regulatory restrictions, and increasing spending on infrastructure. The market sustained its rally through December despite the Fed's decision to increase interest rates for the second time since 2015.

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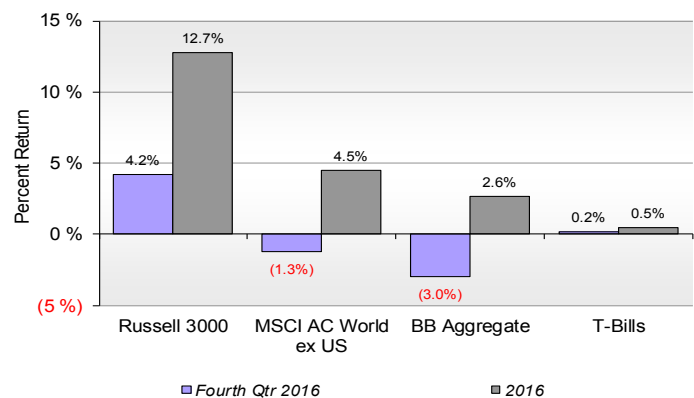
All capitalization segments of the market posted positive results in the quarter, with small-cap stocks continuing to outperform both the large- and mid-cap segments of the market. For the year, small-cap stocks posted a return of 21.3% which outperformed large- and mid-cap stocks by 9.3% and 7.5%, respectively. Value stocks outperformed Growth stocks by 6.0% in the quarter. Strong performance from the Financial and Energy sectors aided Value stocks in the quarter, while poor performance in the Health Care sector was the main detractor for the Growth segment of the market.

Developed international equities returned +7.1% on a local currency basis in the quarter with developed large-cap stocks outperforming developed small-cap stocks. The value of the U.S. dollar appreciated relative to most major currencies, resulting in U.S. dollar returns in the developed markets being lower by 7.8 percentage points. Developed market value stocks outperformed their growth counterparts by 9.7 percentage points as investors sought more economically-sensitive stocks. Equity markets in most international regions weakened due to the strong U.S. dollar and trade uncertainty, but in local terms stocks were supported by improving economic data and consumer confidence. Emerging Markets posted a -4.2% return for the quarter.

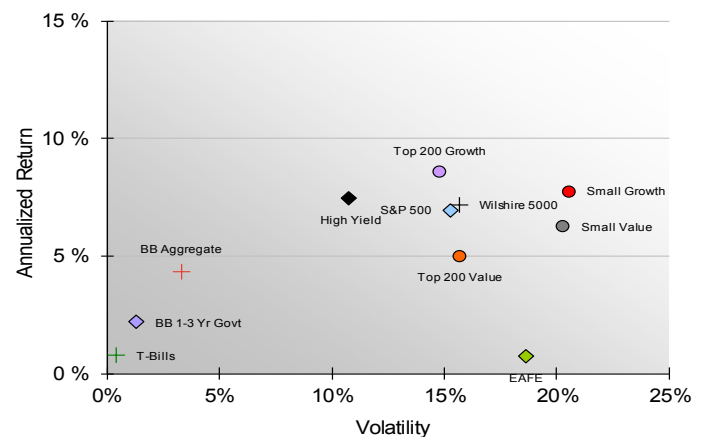
The investment-grade U.S. fixed income market fell 3.0% in the quarter. U.S. Government issues declined 3.7% as yields rose due to the surprise election of Donald Trump as President and the expectation, and ultimate realization, of a Fed rate hike in December. U.S. Treasury yields for all maturities rose in the period, largely in part to the expectation of pro-business tax reform and infrastructure spending from the Republican President and Congress. Except for the shortest end of the yield curve, all maturities saw

negative investment returns for the quarter, with the long end of the curve experiencing the largest decline. The bellwether 10-year Treasury yield rose 0.85 percentage points in the quarter ending at 2.45%. Mortgages declined 2.0% in the quarter.

Major Capital Market Returns



Note: The following indices represent the returns of the asset classes within the above chart: U.S. Stocks—Russell 3000, Non-U.S. Stocks—MSCI EAFE, Fixed Income—Barclays Aggregate, and U.S. Treasury Bills



Source of statistics not otherwise specifically cited within this newsletter: Strategic Capital Investment Advisors.

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