

KEY TAKEAWAYS

- Stocks lost a smidgen of ground in February, stabilizing after January's steep declines. Still, the S&P 500 posted its third down month in a row, the first time that has happened since 2011. Oil prices finally steadied after several problematic months, but investors remained cautious especially as Chinese markets remain extremely volatile.
- Despite insistence from the Federal Reserve that rate hikes are still in play for later this year (as the labor market keeps chugging along and inflation shows signs of life), bond yields continued to move lower. The yield of the benchmark ten-year Treasury note finished the month at 1.7%, well below its 2.3% level at the end of 2015. Astoundingly, the note is once again testing generationally low yields and there has even been talk of negative rates, making finding income a challenge for many investors.
- While the unusual race for U.S. Presidential nominations has taken center stage, there is also drama overseas with the possibility for British secession from the European Union (a "Brexit"). That has raised questions about the region's economic stability and has complicated the outlook for Euro-area monetary policy. While the odds are still low, a U.K. referendum on EU membership is scheduled for June. Meanwhile, the European Central Bank is likely to continue its easy rhetoric, citing the Brexit as a threat to Eurozone economic growth.

INDEX PERFORMANCE (as of 02/29/16)

Equity	February	Year-to-Date	One-Year
U.S. Large Cap	-0.1%	-5.1%	-6.2%
U.S. Small Cap	0.0%	-8.8%	-15.0%
Developed Non-U.S.	-1.8%	-8.9%	-14.8%
Emerging Market	-0.2%	-6.6%	-23.1%
Real Assets			
Real Estate	0.9%	-4.2%	-8.3%
Commodities	-1.6%	-3.3%	-26.5%
Natural Resource Equities	0.2%	-4.6%	-28.5%
Fixed Income			
<u>Core Plus</u>			
U.S. High Yield Debt	0.6%	-1.0%	-8.3%
Emerging Market Debt	1.4%	1.8%	-12.5%
<u>Core Bonds</u>			
U.S. Aggregate Bonds	0.7%	2.1%	1.5%
U.S. Treasuries	0.9%	3.0%	2.9%
U.S. Municipal Bonds	0.2%	1.3%	3.1%
Month-End Values/Yields			
CBOE Volatility Index	20.6	20.2	13.3
10-Year Treasury Yield	1.7%	1.9%	2.0%

Sources: Bloomberg, Morningstar

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