

## KEY TAKEAWAYS

- Bah Humbug! There was no Santa Claus rally this year, as equities lost a bit of ground in December. Overall, 2015 turned out to be rather disappointing, with the S&P 500 ending virtually unchanged (up 1.4% including dividends) in notching its worst yearly performance since 2008. Tranquility on the surface masked volatile undercurrents, including a gut-wrenching correction (the first 10% decline in four years), a Chinese meltdown, and an oil price collapse.
- The short summary of 2015 is that developed stock markets were resilient in the face of slow global growth even as emerging markets and oil prices tumbled. Bond yields remained low (despite some blips in the high yield market and worries about Fed hikes) while the strong U.S. dollar hampered domestic corporate earnings and manufacturing.
- The Federal Reserve finally made its much anticipated move, and markets simply shrugged in response. It appears Chair Janet Yellen succeeded in making the 25 basis point hike as minimally disruptive as possible. Investors are focused on what happens next, and for now guidance points to a gradual tightening cycle with the central bank continuing to reinvest its balance sheet. In other words, supportive monetary environment will linger for some time.
- Next year looks more similar to what we saw in 2015—muted economic growth, supportive central banks, low interest rates, and increased market volatility. This environment has tended to be benevolent for stocks, though headwinds such as extended valuations and stalling profits may hinder returns.

## INDEX PERFORMANCE (as of 12/31/15)

Equity	December	Q4 2015	YTD 2015
U.S. Large Cap	-1.6%	7.0%	1.4%
U.S. Small Cap	-5.0%	3.6%	-4.4%
Developed Non-U.S.	-1.3%	4.1%	-0.4%
Emerging Market	-2.2%	0.0%	-14.6%
Real Assets			
Real Estate	1.2%	4.8%	0.1%
Commodities	-3.1%	-10.5%	-24.7%
Natural Resource Equities	-10.8%	-1.8%	-24.3%
Fixed Income			
<u>Core Plus</u>			
U.S. High Yield Debt	-2.5%	-2.1%	-4.5%
Emerging Market Debt	-2.2%	-0.5%	-14.9%
<u>Core Bonds</u>			
U.S. Aggregate Bonds	-0.3%	-0.6%	0.5%
U.S. Treasuries	-0.2%	-0.9%	0.8%
U.S. Municipal Bonds	0.3%	0.8%	2.4%
Month-End Values/Yields	Current	Prior Month	One-Year Ago
CBOE Volatility Index	18.2	16.1	19.2
10-Year Treasury Yield	2.3%	2.2%	2.2%

Sources: Bloomberg, Morningstar

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*U.S. Large Cap Equity is represented by the S&P 500 Index, with dividends reinvested. U.S. Small Cap Equity is represented by the Russell 2000 Index. Developed Non-U.S. Equity is represented by the MSCI EAFE Index. Emerging Market Equity is represented by the MSCI EM Index. Real Estate is represented by the S&P Global Property Index. Commodities are represented by the DJ UBS Commodity Index. Natural Resource Equities are represented by the S&P North American Natural Resources Index. U.S. High Yield Debt is represented by the Barclays U.S. Corporate High Yield Index. Emerging Market Debt is represented by the JPM GMI-EM Global Diversified Index. U.S. Aggregate Bonds is represented by the Barclays U.S. Aggregate Bond Index. U.S. Treasuries is represented by the Barclays U.S. Treasury Index. U.S. Municipal Bonds is represented by the Barclays Municipal 1-10yr Index.*

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