

## Retirement Funding Advisors

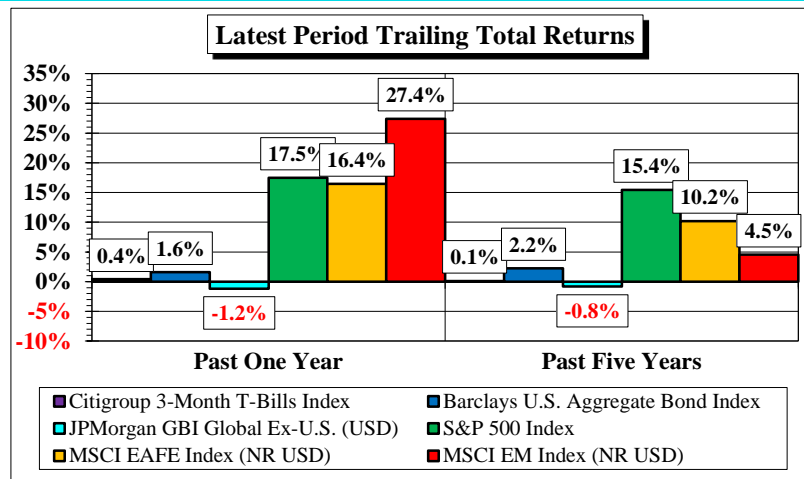
# THE (CAPITAL) MARKETS ENVIRONMENT

For the Periods Ending May 31, 2017

*“The Times They Are a Changin’” – Bob Dylan (1964)*

Stock Market Index Statistics	Trail. 12M P/E Ratio	Hist. P/E Ratio <sup>1</sup>	Trail. 12M EPS Growth	Hist. EPS Growth <sup>1</sup>
S&P 500 Index	21.7x	18.7x	12.8%	7.7%
S&P MidCap 400 Index	24.8x	21.0x	27.3%	15.6%
S&P SmallCap 600 Index	30.3x	26.2x	36.6%	17.0%

Source: Standard & Poor's (Operating Earnings Bottom-Up Estimates). <sup>1</sup>Average from 1989 common periods Operating Earnings for S&P 500, S&P MidCap 400, and S&P SmallCap 600 Indices.



Capital Market Index / Morningstar Category	25 years	YTD	1 Mon.	3 Mos.	1 Yr.	3 Yrs.	5 Yrs.	7 Yrs.	10 Yrs.	15 Yrs.	20 Yrs.
U.S. Consumer Price Index (Inflation)	2.3%	0.6%	0.2%	0.0%	2.3%	1.1%	1.3%	1.7%	1.7%	2.1%	2.1%
Citigroup 3-Month T-Bills Index (Cash)	2.6%	0.2%	0.1%	0.2%	0.4%	0.2%	0.1%	0.1%	0.5%	1.2%	2.1%
Bloomberg Barclays U.S. Aggregate Bond Index (Bonds)	5.7%	2.4%	0.8%	1.5%	1.6%	2.5%	2.2%	3.4%	4.5%	4.6%	5.3%
JPMorgan GBI Global Ex-U.S. (USD) (Bonds)	5.1%	5.9%	2.1%	4.0%	-1.2%	-1.6%	-0.8%	1.7%	3.4%	5.0%	4.3%
S&P 500 Index (Large-Cap Stocks)	9.5%	8.7%	1.4%	2.6%	17.5%	10.1%	15.4%	14.4%	6.9%	7.8%	7.4%
S&P MidCap 400 Index (Mid-Cap Stocks)	12.0%	4.3%	-0.5%	-0.0%	17.2%	9.4%	15.0%	14.0%	8.2%	9.7%	11.0%
Russell 2000 Index (Small-Cap Stocks)	9.5%	1.5%	-2.0%	-0.8%	20.4%	8.0%	14.0%	12.5%	6.4%	8.6%	8.0%
MSCI EAFE Index (Intl. Stocks - USD)	5.8%	14.0%	3.7%	9.2%	16.4%	1.5%	10.2%	7.8%	1.1%	6.0%	4.6%
MSCI Emerging Markets Index (Intl. Stocks - USD)	N/A	17.3%	3.0%	7.9%	27.4%	1.6%	4.5%	3.6%	2.3%	10.0%	N/A
Morningstar Allocation--15% to 30% Equity	5.5%	3.4%	0.6%	1.4%	5.9%	2.2%	4.0%	4.6%	3.5%	4.4%	4.7%
Morningstar Allocation--30% to 50% Equity	5.7%	4.7%	0.8%	1.8%	8.0%	2.9%	5.2%	5.7%	3.8%	4.5%	4.8%
Morningstar Allocation--50% to 70% Equity	6.8%	5.8%	0.9%	2.1%	10.7%	4.4%	8.2%	8.0%	4.2%	5.5%	5.5%
Morningstar Allocation--70% to 85% Equity	7.2%	7.1%	1.0%	2.7%	12.7%	4.6%	9.6%	8.9%	4.2%	6.0%	5.7%
Morningstar Allocation--85% + Equity	8.3%	8.8%	1.3%	3.6%	15.3%	5.7%	11.6%	10.5%	4.4%	6.4%	6.6%
Morningstar Nontraditional Bond	N/A	2.5%	0.5%	1.2%	5.6%	1.5%	2.2%	2.3%	2.0%	3.7%	3.8%
Morningstar Short-Term Bond	3.7%	1.2%	0.3%	0.6%	1.9%	1.1%	1.4%	1.7%	2.1%	2.4%	3.2%
Morningstar Muni National Interm	4.4%	3.4%	1.3%	2.3%	0.9%	2.5%	2.4%	3.3%	3.7%	3.7%	4.0%
Morningstar Intermediate-Term Bond	5.1%	2.6%	0.7%	1.5%	2.6%	2.3%	2.6%	3.7%	4.0%	4.1%	4.7%
Morningstar Multisector Bond	5.9%	3.6%	0.7%	1.6%	7.1%	2.6%	4.3%	5.1%	4.7%	5.7%	5.2%
Morningstar World Bond	5.1%	4.3%	1.1%	2.4%	3.7%	0.4%	1.7%	2.9%	3.7%	4.8%	4.5%
Morningstar Large Value	8.3%	4.0%	0.1%	-0.4%	14.6%	6.4%	13.0%	11.7%	4.4%	6.3%	6.4%
Morningstar Large Blend	8.0%	7.8%	1.1%	2.2%	15.9%	7.5%	13.4%	12.2%	5.5%	6.5%	6.1%
Morningstar Large Growth	8.1%	14.0%	2.5%	6.0%	18.2%	9.5%	14.2%	13.3%	6.8%	6.8%	6.4%
Morningstar Mid-Cap Value	10.1%	2.9%	-0.7%	-1.2%	14.4%	6.3%	13.7%	12.1%	5.8%	8.2%	8.7%
Morningstar Mid-Cap Blend	9.9%	4.6%	-0.2%	0.2%	14.8%	5.9%	13.0%	11.7%	5.6%	7.9%	8.4%
Morningstar Mid-Cap Growth	9.3%	11.2%	1.8%	4.4%	16.5%	7.5%	12.6%	12.1%	6.1%	7.5%	7.6%
Morningstar Small Value	10.4%	-2.2%	-3.0%	-3.1%	17.1%	5.5%	12.7%	11.1%	5.5%	8.2%	9.0%
Morningstar Small Growth	9.7%	7.4%	0.0%	2.8%	19.9%	7.7%	12.8%	12.2%	5.9%	7.5%	7.9%
Morningstar Foreign Large Value	6.0%	12.3%	2.9%	7.9%	15.8%	0.4%	9.1%	6.6%	0.2%	5.5%	4.7%
Morningstar Foreign Large Growth	5.6%	17.9%	4.1%	11.8%	15.4%	3.2%	9.1%	7.9%	1.9%	5.9%	4.5%
Morningstar Diversified Emerging Mkts	6.9%	16.9%	2.4%	8.1%	23.3%	0.8%	4.3%	3.3%	1.1%	8.8%	5.5%

### R.F.A. Mathematics of Investing Fact

**-20%/+25%** - An initial investment of \$10,000 that falls to \$8,000 is a mathematical loss of **-20%**. To gain back your original \$10,000 investment from \$8,000 requires not a return of +20% but **+25%**. Given this mathematical principal, prudent advisors hue to the edict of being the ‘tortoise’ and not the ‘hare’. Or, in a different vernacular, provide Clients upside participation with downside protection.

<u>Capital Market Index / Morningstar Category</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
U.S. Consumer Price Index (Inflation)	N/A	0.7%	0.7%	1.6%	1.8%	3.0%	1.4%	2.8%	-0.1%	4.1%	2.4%
Citigroup 3-Month T-Bills Index (Cash)	0.3%	0.0%	0.0%	0.1%	0.1%	0.1%	0.1%	0.2%	1.8%	4.7%	4.8%
Bloomberg Barclays U.S. Aggregate Bond Index (Bonds)	2.7%	0.6%	6.0%	-2.0%	4.2%	7.8%	6.5%	5.9%	5.2%	7.0%	4.3%
JPMorgan GBI Global Ex-U.S. (USD) (Bonds)	1.9%	-4.8%	-2.5%	-5.1%	0.8%	5.9%	6.8%	3.9%	11.4%	11.3%	6.8%
S&P 500 Index (Large-Cap Stocks)	12.0%	1.4%	13.7%	32.4%	16.0%	2.1%	15.1%	26.5%	-37.0%	5.5%	15.8%
S&P MidCap 400 Index (Mid-Cap Stocks)	20.7%	-2.2%	9.8%	33.5%	17.9%	-1.7%	26.6%	37.4%	-36.2%	8.0%	10.3%
Russell 2000 Index (Small-Cap Stocks)	21.3%	-4.4%	4.9%	38.8%	16.4%	-4.2%	26.9%	27.2%	-33.8%	-1.6%	18.4%
MSCIEAFE Index (Intl. Stocks - USD)	1.0%	-0.8%	-4.9%	22.8%	17.3%	-12.1%	7.8%	31.8%	-43.4%	11.2%	26.3%
MSCI Emerging Markets Index (Intl. Stocks - USD)	11.2%	-14.9%	-2.2%	-2.6%	18.2%	-18.4%	18.9%	78.5%	-53.3%	39.4%	32.2%
Morningstar Allocation--15% to 30% Equity	5.7%	-2.1%	3.4%	4.0%	8.3%	1.8%	9.6%	19.2%	-16.3%	5.1%	6.8%
Morningstar Allocation--30% to 50% Equity	6.7%	-2.4%	3.9%	7.1%	9.2%	1.7%	10.0%	20.4%	-18.9%	4.6%	8.3%
Morningstar Allocation--50% to 70% Equity	7.4%	-2.0%	5.8%	16.1%	11.9%	-0.4%	11.7%	24.0%	-28.2%	5.9%	11.3%
Morningstar Allocation--70% to 85% Equity	7.8%	-2.7%	5.6%	20.9%	13.4%	-3.4%	13.4%	29.3%	-34.4%	7.4%	13.1%
Morningstar Allocation--85% + Equity	7.9%	-1.8%	5.5%	26.7%	15.4%	-4.2%	14.8%	30.1%	-38.5%	7.5%	14.6%
Morningstar Nontraditional Bond	4.7%	-1.5%	0.9%	0.4%	7.0%	-0.9%	5.6%	19.0%	-14.2%	2.7%	6.1%
Morningstar Short-Term Bond	2.0%	0.2%	1.1%	0.4%	3.7%	1.5%	4.0%	9.0%	-4.6%	4.3%	4.1%
Morningstar Muni National Interm	-0.2%	2.5%	6.3%	-2.3%	5.6%	8.4%	2.2%	12.5%	-2.7%	2.7%	3.7%
Morningstar Intermediate-Term Bond	3.2%	-0.3%	5.1%	-1.4%	6.9%	5.8%	7.7%	13.5%	-5.1%	4.6%	4.1%
Morningstar Multisector Bond	7.1%	-2.0%	3.4%	2.2%	11.6%	2.9%	10.6%	25.7%	-15.0%	4.3%	6.7%
Morningstar World Bond	3.8%	-4.1%	1.7%	-2.9%	7.8%	3.3%	6.8%	13.6%	-2.2%	7.3%	5.4%
Morningstar Large Value	14.6%	-4.1%	10.2%	31.2%	14.6%	-0.8%	13.6%	24.3%	-37.4%	1.3%	18.1%
Morningstar Large Blend	10.1%	-1.5%	10.7%	31.3%	14.9%	-1.4%	14.2%	28.2%	-37.9%	6.0%	14.0%
Morningstar Large Growth	3.2%	3.6%	10.1%	33.9%	15.2%	-2.6%	15.4%	35.2%	-40.9%	13.2%	6.9%
Morningstar Mid-Cap Value	17.6%	-5.2%	9.3%	34.9%	16.5%	-3.9%	22.0%	34.1%	-37.0%	0.9%	16.3%
Morningstar Mid-Cap Blend	13.7%	-4.5%	7.8%	34.4%	15.9%	-4.1%	22.7%	37.5%	-39.7%	4.4%	13.7%
Morningstar Mid-Cap Growth	5.7%	-1.0%	6.9%	34.8%	14.0%	-4.2%	24.8%	38.9%	-43.9%	14.7%	9.0%
Morningstar Small Value	25.7%	-7.0%	3.3%	36.2%	16.0%	-4.3%	25.7%	29.9%	-32.5%	-6.2%	16.5%
Morningstar Small Growth	11.0%	-2.5%	2.6%	40.8%	13.2%	-3.6%	27.0%	35.1%	-41.8%	7.3%	10.8%
Morningstar Foreign Large Value	3.1%	-3.3%	-6.1%	21.0%	16.5%	-12.9%	7.4%	29.9%	-42.5%	8.7%	25.7%
Morningstar Foreign Large Growth	-2.6%	1.1%	-4.0%	17.9%	18.1%	-12.6%	14.2%	39.2%	-46.8%	15.5%	24.0%
Morningstar Diversified Emerging Mkts	8.1%	-13.7%	-3.0%	-0.7%	18.1%	-19.6%	18.6%	73.4%	-54.7%	36.5%	32.1%

Note: Periods longer than year average annualized rates of total return. Source: Morningstar™ and Zephyr StyleADVISOR™. U.S. Consumer Price Index (Inflation) lagged 1-month.

### R.F.A. Bond Market Fact

**...except 2013, 1999, and 1994** – In the past 20 calendar years, the domestic bond market has never posted a negative total return...**except 2013, 1999, and 1994**. In a normal interest rate cycle, bonds can be the ‘buoyant life-jackets’ to a diversified asset allocation portfolio. Generally, bonds long-term total returns are not higher than stocks, but their fundamental structure and priority along the capital structure provide diversification benefits for investors.