

**Guidance
Point** ADVISORS, LLC

Capital Markets Review

As of June 30, 2017

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Second Quarter '17 Capital Markets Headlines

The 10th Anniversary of the start of the Financial Crisis : How much longer does the Goldilocks Scenario last?

- ✦ June marked the 10th anniversary of the beginning of the Financial Crisis. In June 2007, two hedge funds managed by Bear Stearns speculated in credit derivatives backed by subprime mortgages. The resulting Financial Crisis, the Great Recession and consequent financial policies still dominate the world today.
- ✦ The Goldilocks scenario raises the question of how much longer the combination of outsized gains and ultra-low volatility can continue.¹ When does mean reversion eventually kick-in, like it typically does? Fidelity identifies two visible and major risks to a sustained Goldilocks scenario : 1) The Fed raises rates more than the market expects and 2) the Chinese economy has a hard landing from their recent credit expansion (30% as a percentage of GDP in new debt) that reinflated their economic recovery.

US & Global Economic News

- ✦ The US economy continues to generate solid and stable growth as the expansion enters its eighth year, making it the third-longest on record. With nearly full-employment levels, low energy prices, elevated consumer confidence and stock prices hovering near record highs, the first quarter GDP was estimated to be +1.4%, up from the prior estimate.
- ✦ The global economic environment continues to improve with most regions set to deliver robust growth in 2017. Eurozone grew at an annual 2% GDP rate in the first quarter while China's economy is expected to grow close to its potential in '17.

Equities

- ✦ Equity markets delivered robust gains in the quarter, extending the rally that began just after last November's presidential election. The S&P 500 finished the quarter with a gain of +3.1%, fueled by a solid and stable domestic economy, a recovery in European economies, clarity on interest rates, and investor optimism regarding the results of the Trump administration's policies. The Chicago Board Options Exchange Volatility Index, known as VIX, hovered at its lowest levels on record.

Fixed Income

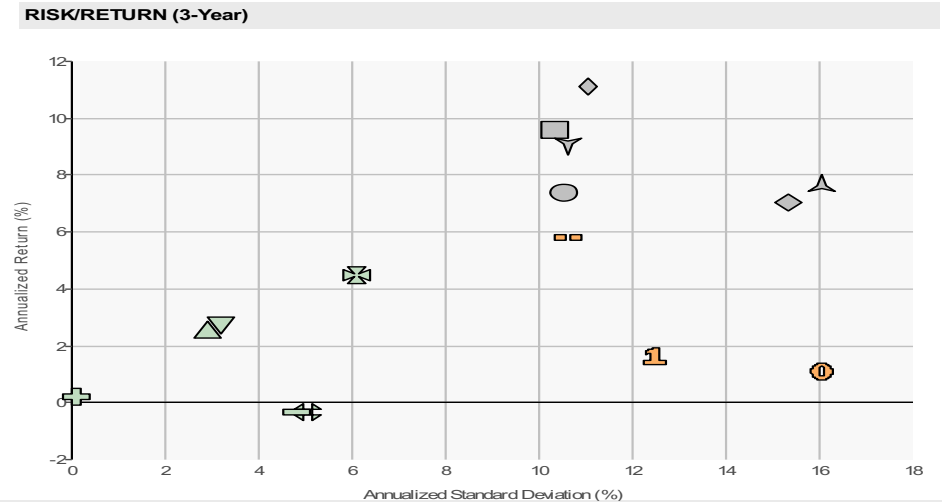
- ✦ As in the first quarter, the FOMC signaled a move to raise interest rates. Then in their June meeting, they also announced the decision to move ahead with reducing the Fed's balance sheet, possibly as soon as September. Fixed income positions suffered steep losses in the last week of the quarter as investors realized that the combination of rate hikes and balance sheet reduction may mean that the long period of extremely accommodative monetary policy is ending.

¹ <https://www.fidelity.com/viewpoints/market-and-economic-insights/stock-market-commentary-July>

Capital Markets Performance Review

The chart to the right plots each major market index based on level of return and risk achieved over the previous 3 year period.

The combination of these assets on this table make up the efficient frontier, one of the foundational principles behind Modern Portfolio Theory.



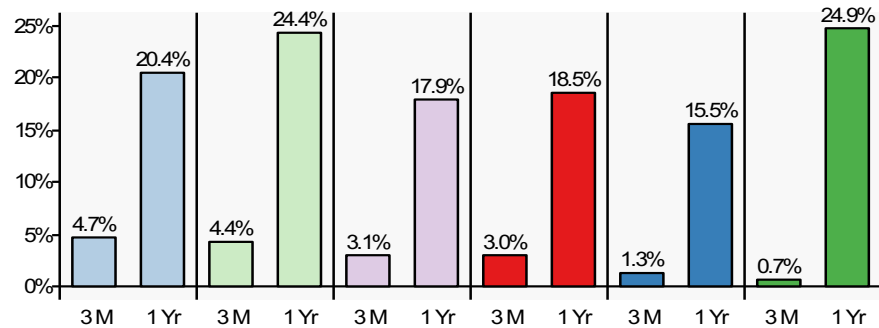
INDEX PERFORMANCE SUMMARY (Sorted by trailing 3Yr performance)

	1M	3M	YTD	1 Year	3 Years	5 Years	10 Years
Equity							
◇ Russell 1000 Growth	-0.26	4.67	13.99	20.42	11.11	15.30	8.91
■ S&P 500	0.62	3.09	9.34	17.90	9.61	14.63	7.18
▽ Russell 3000	0.90	3.02	8.93	18.51	9.10	14.58	7.26
▲ Russell 2000 Growth	3.44	4.39	9.97	24.40	7.64	13.98	7.82
○ Russell 1000 Value	1.63	1.34	4.66	15.53	7.36	13.94	5.57
◇ Russell 2000 Value	3.50	0.67	0.54	24.86	7.02	13.39	5.92
International							
■ MSCI The World	0.42	4.22	11.02	18.86	5.83	12.01	4.56
1 MSCI EAFE	-0.15	6.37	14.22	20.83	1.61	9.18	1.50
⊙ MSCI Emg Markets	1.01	6.27	18.43	23.75	1.07	3.96	1.91
Fixed Income							
⊕ BB High Yield Corp Bond	0.14	2.17	4.93	12.70	4.48	6.89	7.67
▽ BB Muni 7-Year Bond	-0.45	1.93	3.92	0.17	2.81	2.80	4.74
△ BB Aggregate Bond	-0.10	1.45	2.27	-0.31	2.48	2.21	4.48
⊕ ML 3-Month T-Bill	0.08	0.20	0.31	0.49	0.23	0.17	0.58
■ Citi WorldBIG	-0.02	2.94	4.32	-1.86	-0.32	0.88	3.77
⊕ BB Global Agg Bond	-0.09	2.60	4.41	-2.18	-0.35	0.78	3.69

Past performance is no guarantee of future results. Current returns may be higher/lower. Principal value/returns fluctuate. Investor shares may be worth more/less than original cost. Returns assume reinvestment of all distributions at NAV & deduction of fund expenses. YTD returns are cumulative & not annualized. For current month-end returns: <http://advisor.morningstar.com/familyinfo.asp>.

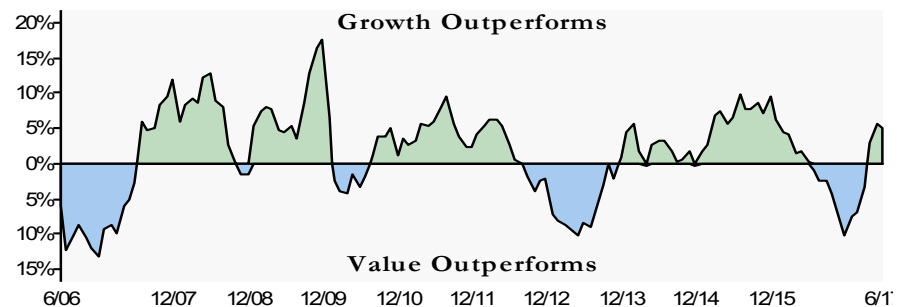
US Equity Review

INDEX PERFORMANCE (Sorted by trailing 3M performance)



	1 M	3 M	YTD	1 Yr	3 Yr	5 Yr
Russell 1000 Growth	-0.26	4.67	13.99	20.42	11.11	15.30
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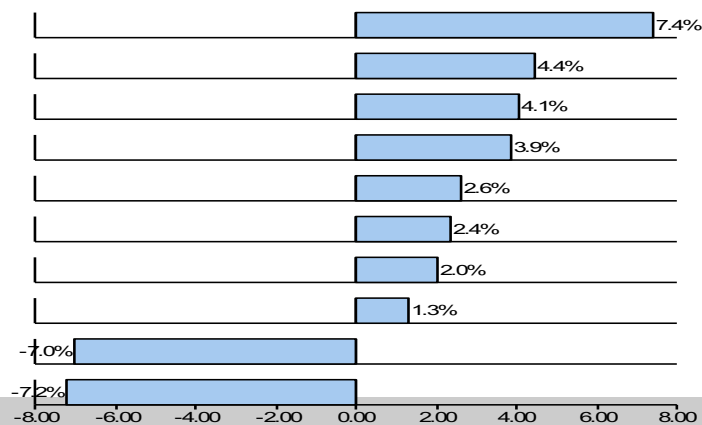
GROWTH VS. VALUE



Within the last 1 Year, growth stocks outperformed value stocks by 4.89%.
For the trailing 3 months, growth stocks outperformed value stocks by 3.33%.

The graph above is plotted using a rolling one year time period. Growth stock performance is represented by the Russell 1000 Growth Index. Value stock performance is represented by the Russell 1000 Value Index.

SECTOR (Sorted by trailing 3M performance)



	1 M	3 M	YTD	1 Yr	3 Yr	5 Yr
Health Care	4.70	7.39	16.47	13.41	11.53	18.21
Industrials	1.56	4.45	8.85	22.97	9.94	16.28
Information Technology	-2.58	4.09	16.62	33.78	15.74	17.17
Financials	6.20	3.87	6.23	34.20	12.71	17.75
Materials	2.11	2.64	8.55	20.10	5.23	11.75
Consumer Discretionary	-0.79	2.38	10.44	16.73	11.40	16.97
Utilities	-2.55	2.03	8.41	3.00	9.58	11.73
Consumer Staples	-2.20	1.34	7.56	2.84	10.02	12.79
Telecommunication Svcs.	-2.82	-7.00	-10.77	-11.66	3.99	5.89
Energy	-0.35	-7.23	-13.82	-5.07	-11.74	0.92

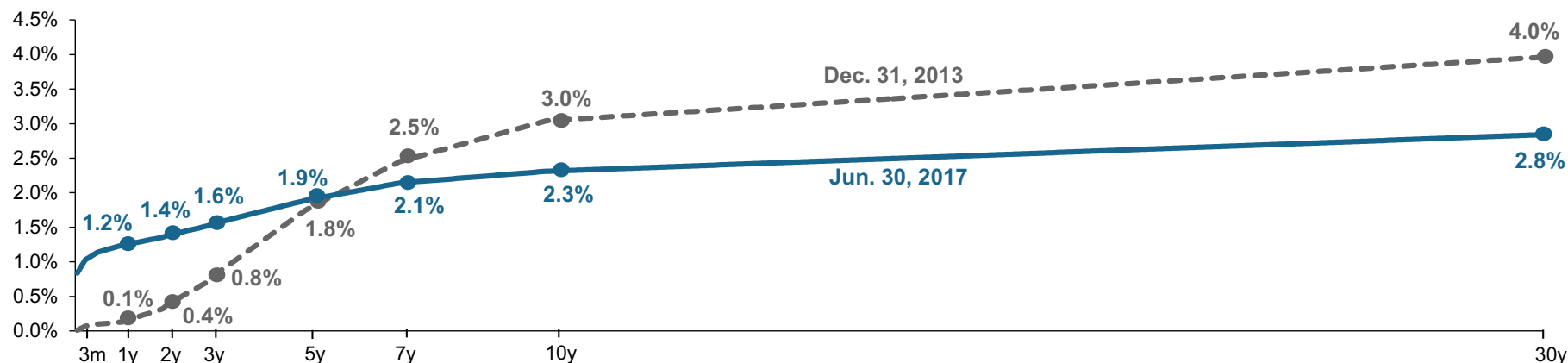
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Source: S&P 1500 Sector Indices.

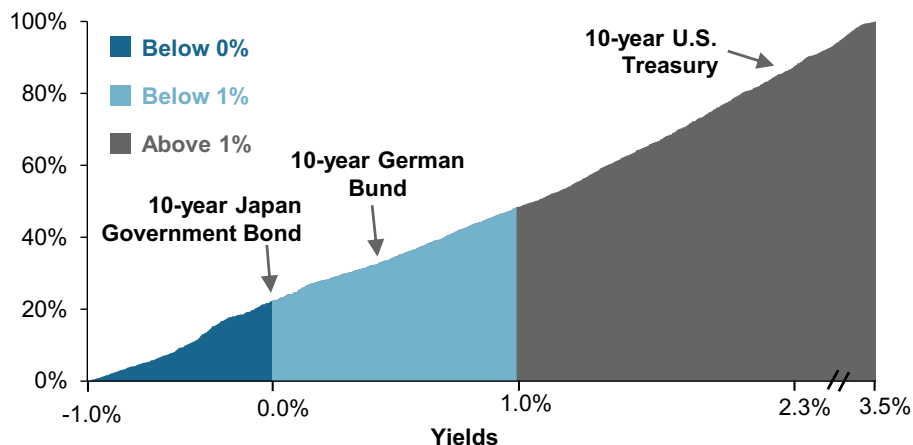
Bond Market Dynamics

Yield curve

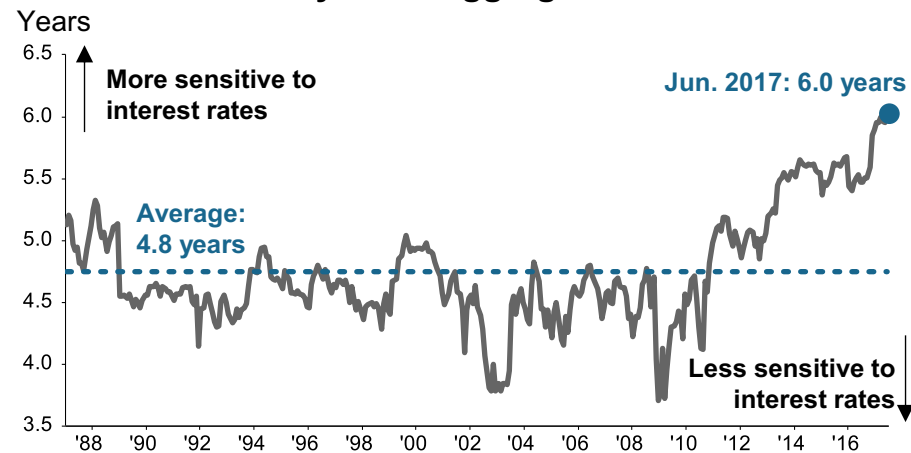
U.S. Treasury yield curve



Breakdown of DM government bonds by yield



Duration of Barclays U.S. Aggregate



Source: FactSet, J.P. Morgan Asset Management; (Bottom left) Bloomberg, BofA/Merrill Lynch. (Bottom right) Barclays, Bloomberg.
 The Developed Market Government Bond Index is the Bank of America/Merrill Lynch Global Government Index. Duration measures the sensitivity of the price of a bond to a change in interest rates. The higher the duration the greater the sensitivity bond is to movements in the interest rate.
 Guide to the Markets – U.S. Data are as of June 30, 2017.

Inflection Points for US & International Equities

MSCI All Country World ex-U.S. and S&P 500 Index

Dec. 1996 = 100, U.S. dollar, price return



Source: MSCI, Standard & Poor's, FactSet, J.P. Morgan Asset Management.

Forward price to earnings ratio is a bottom-up calculation based on the most recent index price, divided by consensus estimates for earnings in the next twelve months (NTM), and is provided by FactSet Market Aggregates. Returns are cumulative and based on price movement only, and do not include the reinvestment of dividends. Past performance is not indicative of future returns. Dividend yield is calculated as consensus estimates of dividends for the next twelve months, divided by most recent price, as provided by FactSet Market Aggregates.

Guide to the Markets – U.S. Data are as of June 30, 2017.

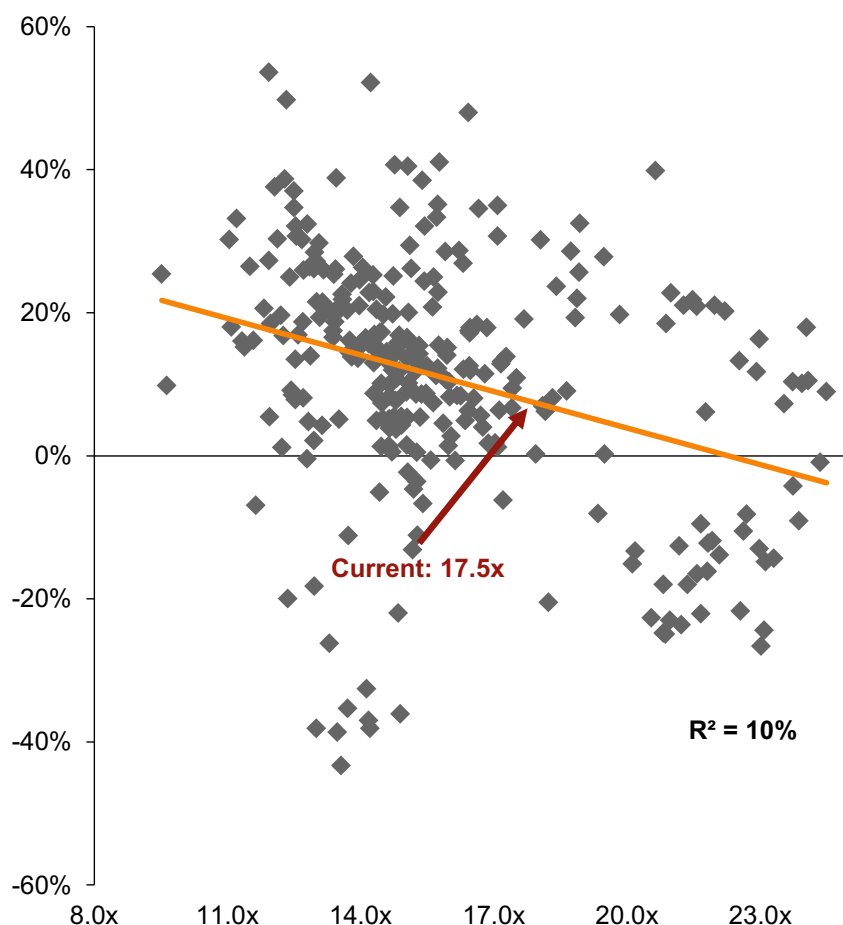
International

P/E Ratios & Equity Returns

Equities

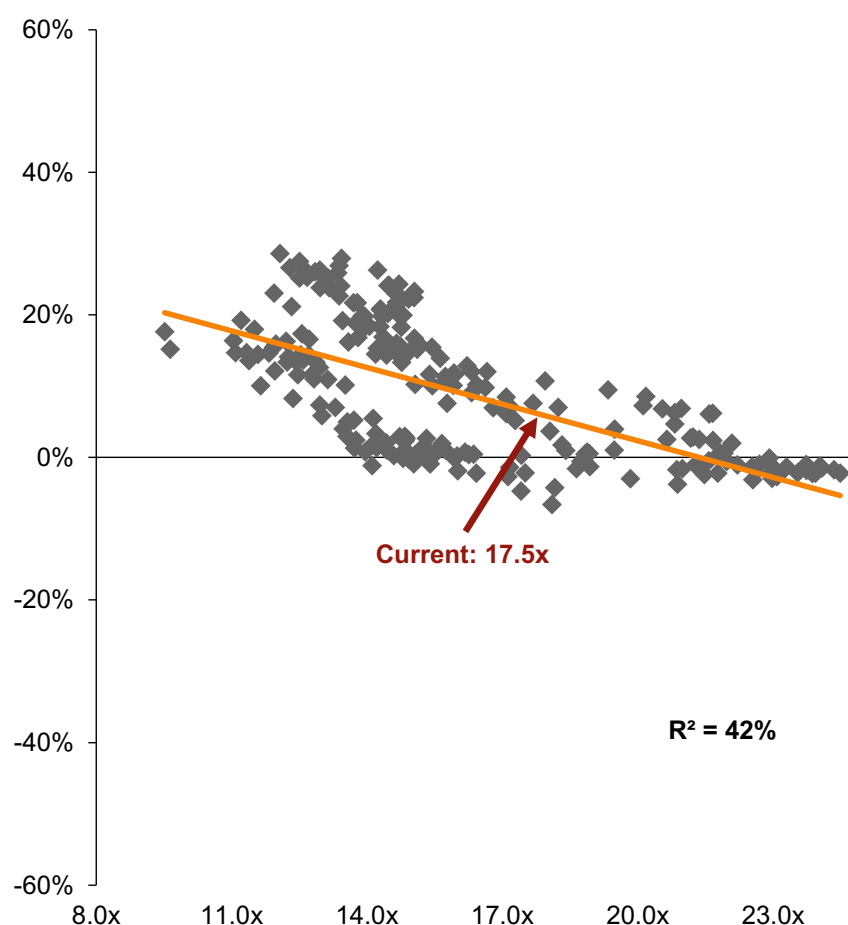
Forward P/E and subsequent 1-yr. returns

S&P 500 Total Return Index



Forward P/E and subsequent 5-yr. annualized returns

S&P 500 Total Return Index



Source: FactSet, Reuters, Standard & Poor's, J.P. Morgan Asset Management.

Returns are 12-month and 60-month annualized total returns, measured monthly, beginning June 30, 1992. R^2 represents the percent of total variation in total returns that can be explained by forward P/E ratios.

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