



MITCHELL MCLEOD PUGH & WILLIAMS  
INVESTMENT ADVISER

# Q1

Quarterly Market Review  
First Quarter 2016



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# Quarterly Market Review

First Quarter 2016

As you have undoubtedly heard or read by now, in early April, the U.S. Department of Labor released a new, so-called “Fiduciary Rule.” Most impacted by this rule, of course, will be brokerage and insurance companies, as the rule’s implementation will represent a significant change in the standards to which they will be held in providing investment advice and services for retirement plans. Brokerage firms, insurance companies and others who had not heretofore been held to a fiduciary standard will have to make significant changes to their business models in order to comply with the new DOL rule.

By contrast, as a registered investment adviser (and therefore already operating under a fiduciary obligation), MMPW is well-positioned for these upcoming changes. We take pride in our fiduciary duty, and remain surprised at how many investors are simply unaware that their broker or insurance company representative is not currently required to act in their best interests. As these changes begin to take effect and as more light is shed on the differing standards to which various investment professionals are currently held, some clients of brokerage and insurance companies may find themselves surprised. Should a friend, a relative or a colleague be alarmed by this development and wish to consider making a change in investment advisers, we would – as we always do – welcome your referrals. There is no greater compliment.

In the meantime, thank you for the opportunity to work with you and your family, and for your continued trust and confidence. Should you have any questions or concerns, please do not hesitate to reach out to us at any time.

## Overview:

Market Summary

World Stock Market Performance

World Asset Classes

US Stocks

International Developed Stocks

Emerging Markets Stocks

Select Country Performance

Real Estate Investment Trusts (REITs)

Commodities

Fixed Income

Global Diversification

*This report features performance of world capital markets and a timeline of events for the last quarter. It begins with a global overview, then features the returns of stock and bond asset classes in the US and international markets. The report also illustrates the performance of globally diversified portfolios.*







The information presented herein is believed to be factual and up-to-date, but we do not guarantee its accuracy and it should not be regarded as a complete analysis of the subjects discussed. All expressions of opinion reflect the judgment of the authors as of the date of publication and are subject to change. Information in this document does not involve the rendering of personalized investment advice. Past performance may not be indicative of future results. All investment strategies have the potential for profit or loss. Changes in investment strategies, contributions or withdrawals may materially alter the performance and results of your portfolio. Different types of investments involve varying degrees of risk, and there can be no assurance that any specific investment will either be suitable or profitable for a client's portfolio.



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# Market Summary

## Index Returns

	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate		US Bond Market	Global Bond Market ex US
<b>1Q 2016</b>	<b>STOCKS</b>					<b>BONDS</b>	
	<b>0.97%</b>	<b>-1.95%</b>	<b>5.71%</b>	<b>6.94%</b>		<b>3.03%</b>	<b>4.16%</b>
							
<b>Since Jan. 2001</b>							
Avg. Quarterly Return	1.7%	1.3%	2.9%	2.9%		1.3%	1.2%
Best Quarter	16.8% Q2 2009	25.9% Q2 2009	34.7% Q2 2009	32.3% Q3 2009		4.6% Q3 2001	5.5% Q4 2008
Worst Quarter	-22.8% Q4 2008	-21.2% Q4 2008	-27.6% Q4 2008	-36.1% Q4 2008		-2.4% Q2 2004	-3.2% Q2 2015

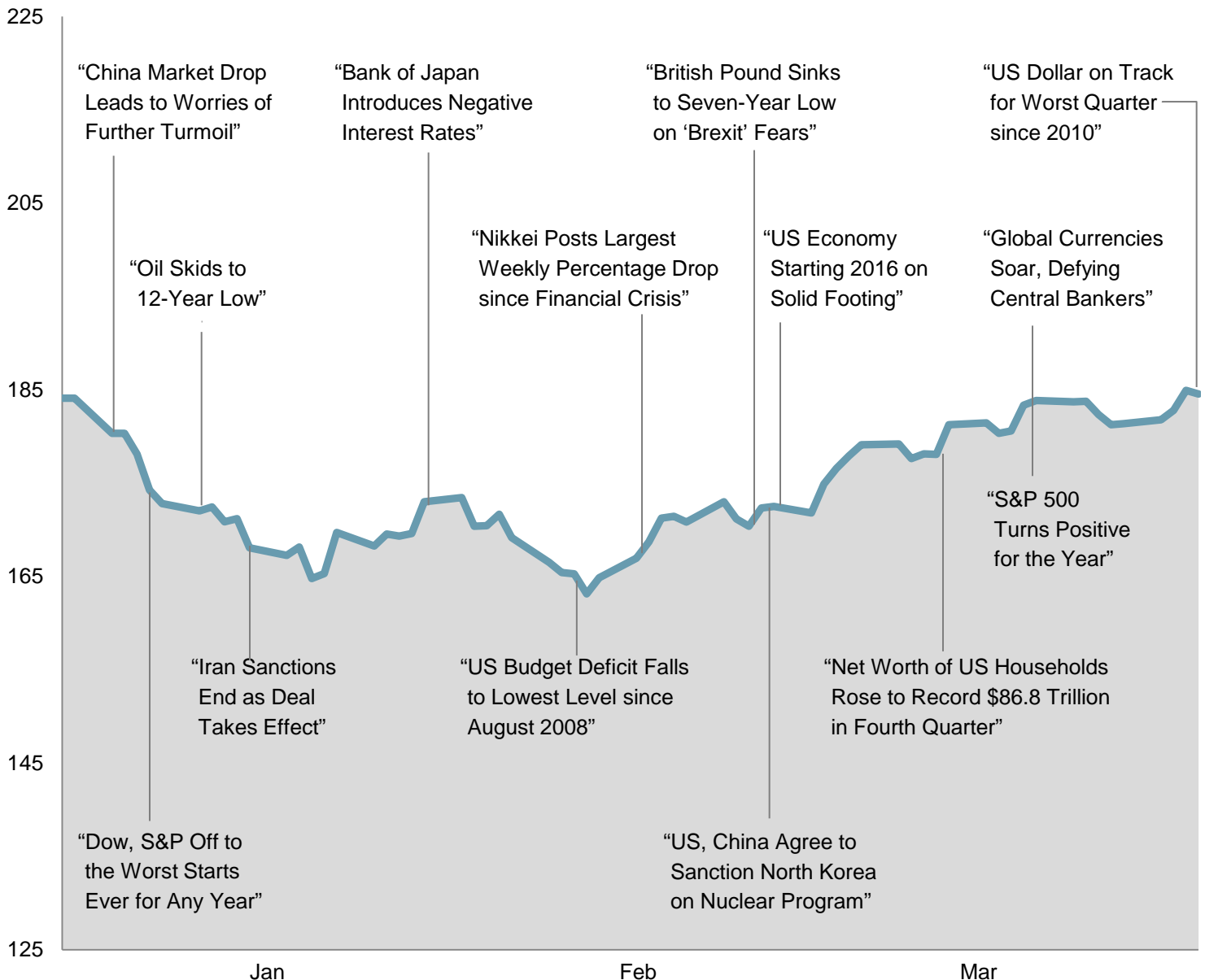
Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: US Stock Market (Russell 3000 Index), International Developed Stocks (MSCI World ex USA Index [net div.]), Emerging Markets (MSCI Emerging Markets Index [net div.]), Global Real Estate (S&P Global REIT Index), US Bond Market (Barclays US Aggregate Bond Index), and Global Bond ex US Market (Citigroup WGBI ex USA 1-30 Years [Hedged to USD]). The S&P data are provided by Standard & Poor's Index Services Group. Russell data © Russell Investment Group 1995-2016, all rights reserved. MSCI data © MSCI 2016, all rights reserved. Barclays data provided by Barclays Bank PLC. Citigroup bond indices © 2016 by Citigroup.



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# World Stock Market Performance

MSCI All Country World Index with selected headlines from Q1 2016



These headlines are not offered to explain market returns. Instead, they serve as a reminder that investors should view daily events from a long-term perspective and avoid making investment decisions based solely on the news.

Graph Source: MSCI ACWI Index. MSCI data © MSCI 2016, all rights reserved.

It is not possible to invest directly in an index. Performance does not reflect the expenses associated with management of an actual portfolio. Past performance is not a guarantee of future results.

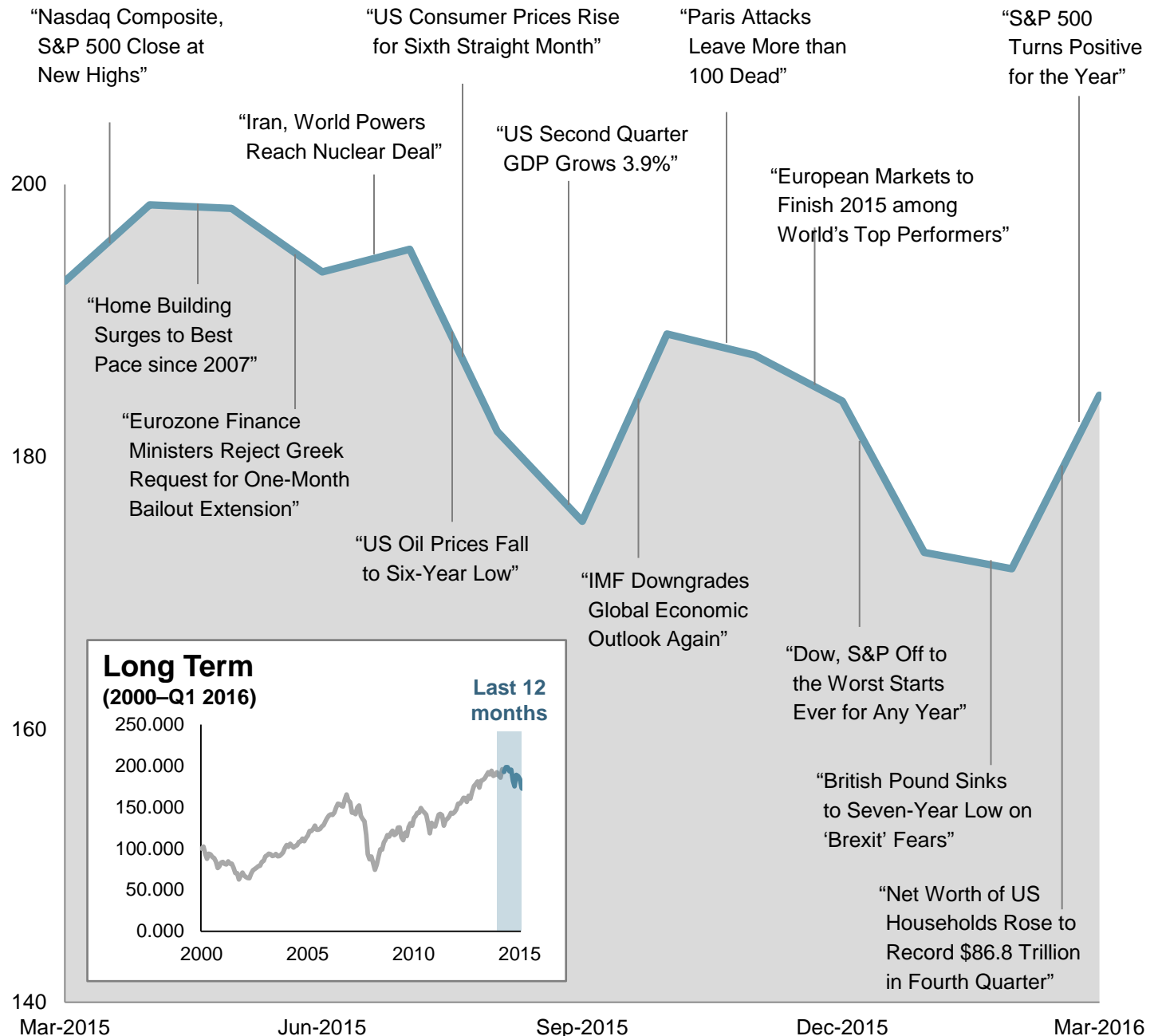


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# World Stock Market Performance

MSCI All Country World Index with selected headlines from past 12 months

## Short Term (Q2 2015–Q1 2016)



These headlines are not offered to explain market returns. Instead, they serve as a reminder that investors should view daily events from a long-term perspective and avoid making investment decisions based solely on the news.

Graph Source: MSCI ACWI Index. MSCI data © MSCI 2016, all rights reserved.

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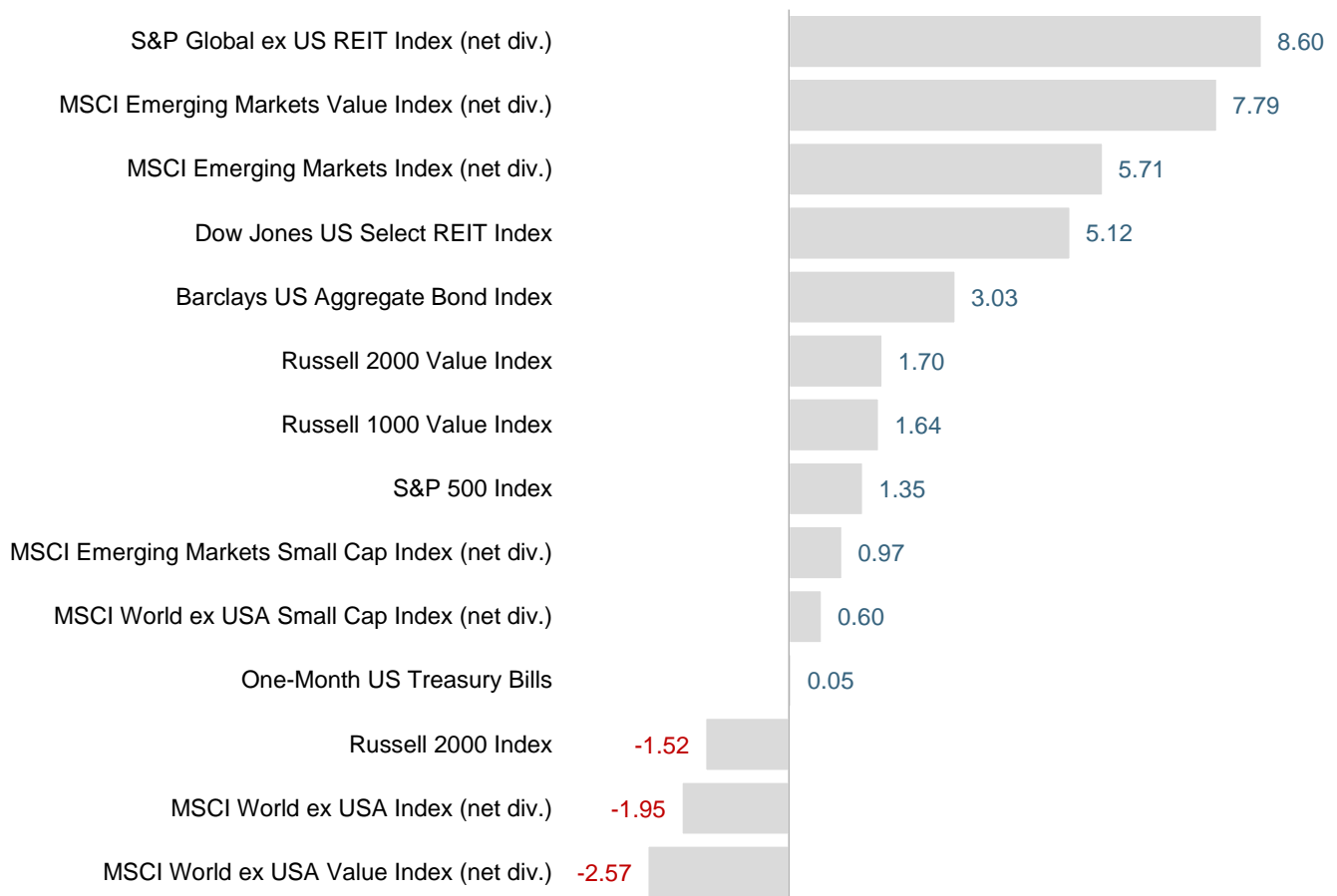
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# World Asset Classes

## First Quarter 2016 Index Returns (%)

Looking at broad market indices, emerging markets outperformed developed markets, including the US. Developed markets REITs recorded the highest returns.

The value effect was positive in the US and emerging markets but negative in developed markets outside the US. Small caps outperformed large caps in the non-US markets but underperformed in the US and emerging markets.



Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. The S&P data is provided by Standard & Poor's Index Services Group. Russell data © Russell Investment Group 1995–2016, all rights reserved. MSCI data © MSCI 2016, all rights reserved. Dow Jones data (formerly Dow Jones Wilshire) provided by Dow Jones Indexes. Barclays data provided by Barclays Bank PLC.



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# US Stocks

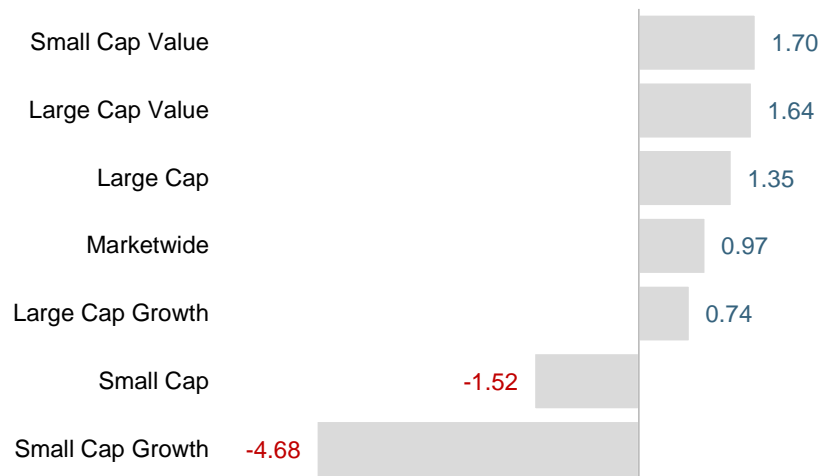
## First Quarter 2016 Index Returns

The broad US equity market recorded slightly positive performance for the quarter.

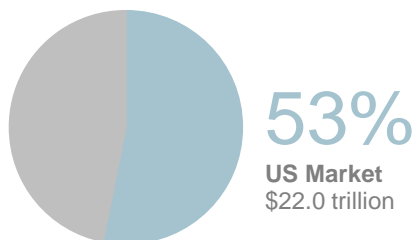
Value indices outperformed growth indices across all size ranges.

Small caps underperformed large caps.

### Ranked Returns for the Quarter (%)



### World Market Capitalization—US



### Period Returns (%)

Asset Class	YTD	1 Year	3 Years*	5 Years*	10 Years*
Marketwide	0.97	-0.34	11.15	11.01	6.90
Large Cap	1.35	1.78	11.82	11.58	7.01
Large Cap Value	1.64	-1.54	9.38	10.25	5.72
Large Cap Growth	0.74	2.52	13.61	12.38	8.28
Small Cap	-1.52	-9.76	6.84	7.20	5.26
Small Cap Value	1.70	-7.72	5.73	6.67	4.42
Small Cap Growth	-4.68	-11.84	7.91	7.70	6.00

\* Annualized

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: Marketwide (Russell 3000 Index), Large Cap (S&P 500 Index), Large Cap Value (Russell 1000 Value Index), Large Cap Growth (Russell 1000 Growth Index), Small Cap (Russell 2000 Index), Small Cap Value (Russell 2000 Value Index), and Small Cap Growth (Russell 2000 Growth Index). World Market Cap represented by Russell 3000 Index, MSCI World ex USA IMI Index, and MSCI Emerging Markets IMI Index. Russell 3000 Index is used as the proxy for the US market. Russell data © Russell Investment Group 1995–2016, all rights reserved. The S&P data are provided by Standard & Poor's Index Services Group.



# International Developed Stocks

## First Quarter 2016 Index Returns

In US dollar terms, developed markets outside the US lagged both the US equity market and emerging markets indices during the quarter.

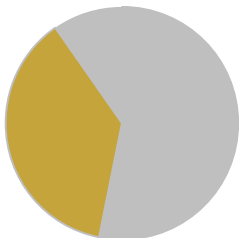
Small caps outperformed large caps in non-US developed markets.

The value effect was negative in non-US developed markets using broad market indices. Large cap value indices underperformed large cap growth indices. The opposite was true in small caps; small cap value indices outperformed small cap growth indices.

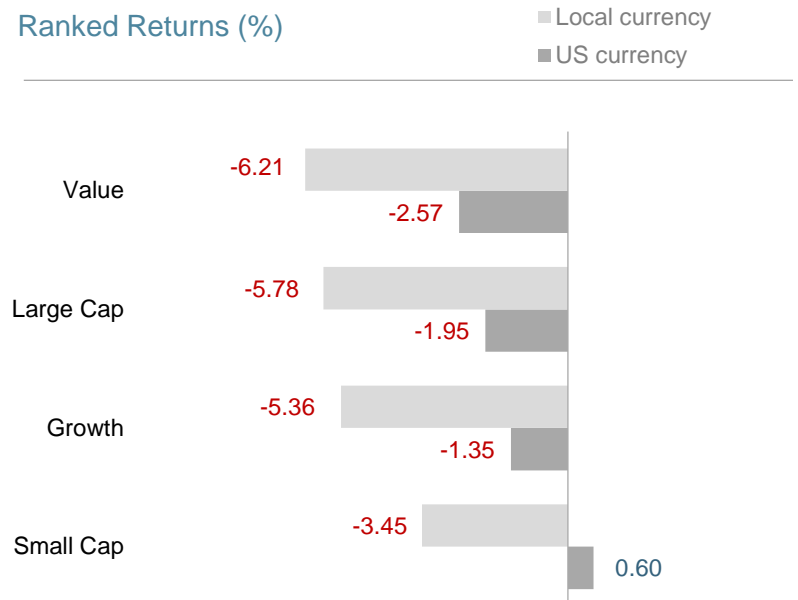
### World Market Capitalization— International Developed

**37%**

International  
Developed  
Markets  
\$15.1 trillion



### Ranked Returns (%)



### Period Returns (%)

Asset Class	YTD	1 Year	3 Years*	5 Years*	10 Years*
Large Cap	-1.95	-8.44	1.69	1.62	1.80
Small Cap	0.60	1.99	5.54	3.84	3.09
Value	-2.57	-12.34	0.07	0.37	0.76
Growth	-1.35	-4.52	3.24	2.81	2.77

\* Annualized

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# Emerging Markets Stocks

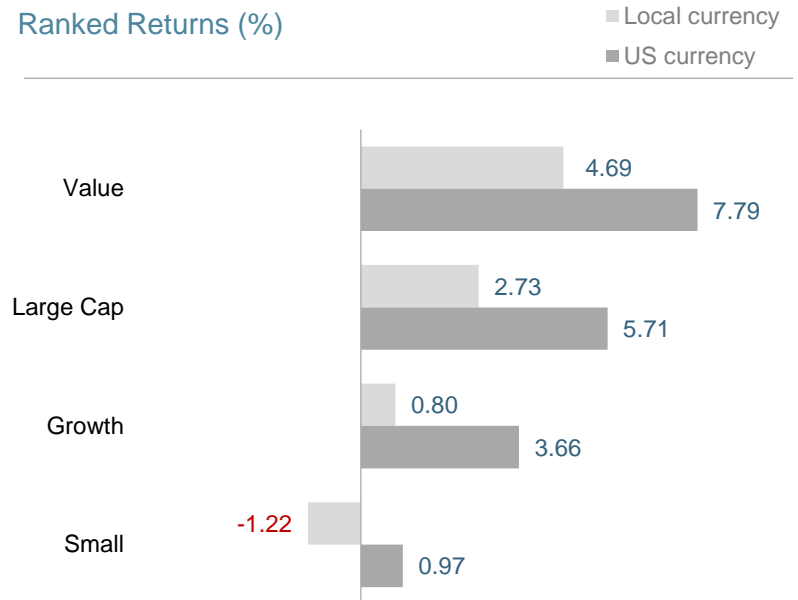
## First Quarter 2016 Index Returns

In US dollar terms, emerging markets indices outperformed developed markets, including the US.

Value outperformed growth across all size ranges.

Small cap indices underperformed large cap indices.

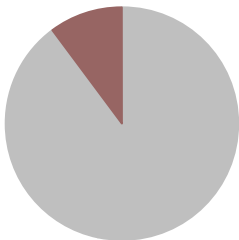
### Ranked Returns (%)



### World Market Capitalization— Emerging Markets

10%

Emerging Markets  
\$4.2 trillion



### Period Returns (%)

Asset Class	YTD	1 Year	3 Years*	5 Years*	10 Years*
Large Cap	5.71	-12.03	-4.50	-4.13	3.02
Small Cap	0.97	-9.20	-2.69	-2.56	5.08
Value	7.79	-12.56	-6.46	-5.86	2.96
Growth	3.66	-11.60	-2.66	-2.48	2.99

\* Annualized

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: Large Cap (MSCI Emerging Markets Index), Small Cap (MSCI Emerging Markets Small Cap Index), Value (MSCI Emerging Markets Value Index), and Growth (MSCI Emerging Markets Growth Index). All index returns are net of withholding tax on dividends. World Market Cap represented by Russell 3000 Index, MSCI World ex USA IMI Index, and MSCI Emerging Markets IMI Index. MSCI Emerging Markets IMI Index used as the proxy for the emerging market portion of the market. MSCI data © MSCI 2016, all rights reserved.

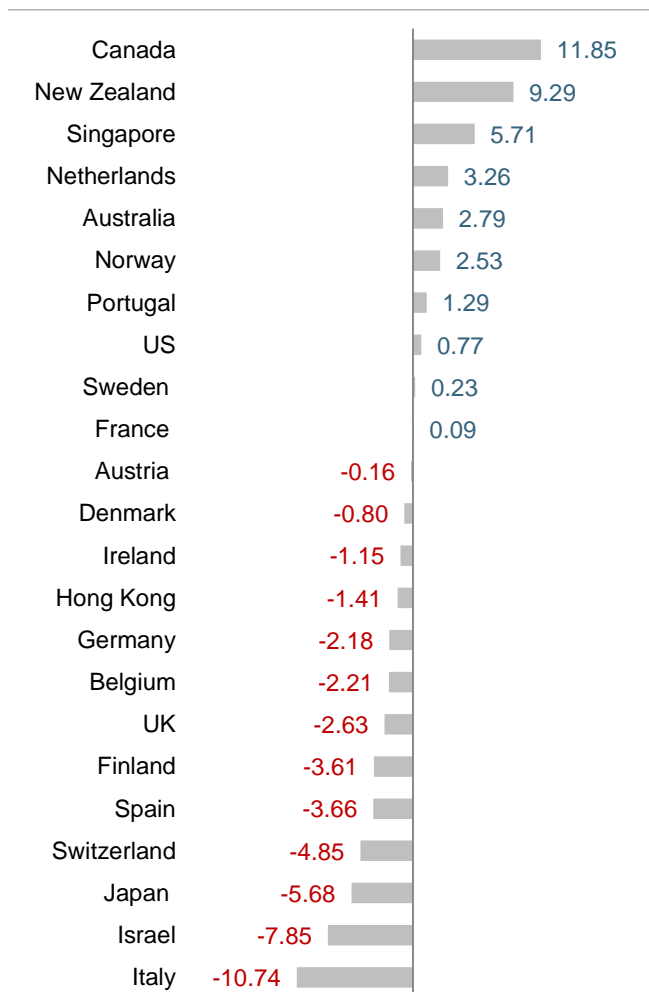


# Select Country Performance

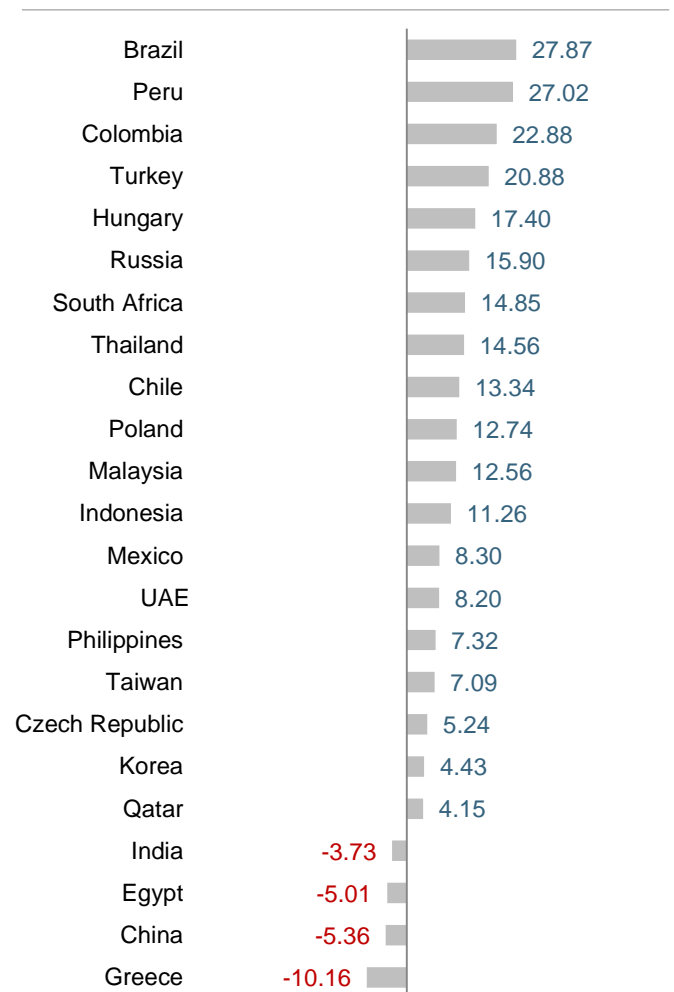
## First Quarter 2016 Index Returns

Canada recorded the highest country performance in developed markets, while Israel and Italy posted the lowest returns for the quarter. In emerging markets, Brazil and Peru recorded the highest country returns, while China and Greece recorded the lowest.

### Ranked Developed Markets Returns (%)



### Ranked Emerging Markets Returns (%)



Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Country performance based on respective indices in the MSCI World ex US IMI Index (for developed markets), Russell 3000 Index (for US), and MSCI Emerging Markets IMI Index. All returns in USD and net of withholding tax on dividends. MSCI data © MSCI 2016, all rights reserved. Russell data © Russell Investment Group 1995–2016, all rights reserved. UAE and Qatar have been reclassified as emerging markets by MSCI, effective May 2014.



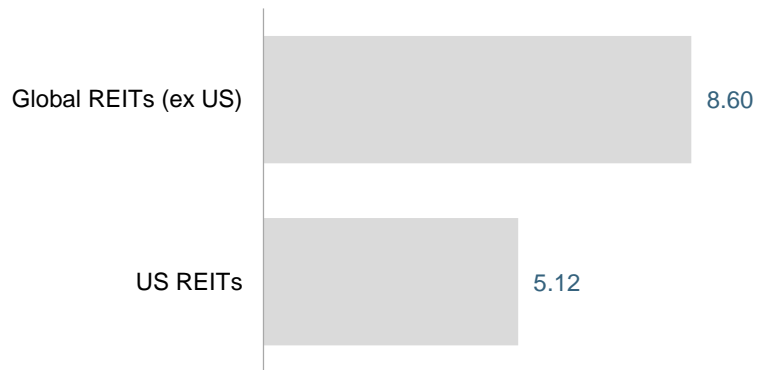
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# Real Estate Investment Trusts (REITs)

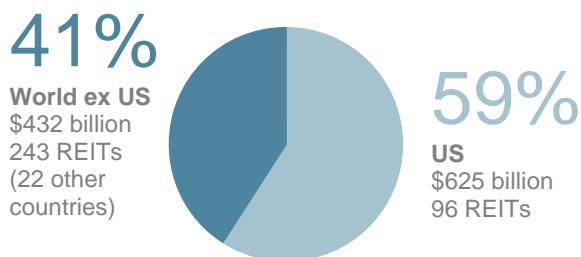
## First Quarter 2016 Index Returns

REITs in developed markets posted very strong performance for the quarter. US REITs outperformed broad market US equity indices.

### Ranked Returns (%)



### Total Value of REIT Stocks



### Period Returns (%)

Asset Class	YTD	1 Year	3 Years*	5 Years*	10 Years*
US REITs	5.12	4.88	11.09	11.99	6.17
Global REITs (ex US)	8.60	2.53	3.46	6.58	3.49

\* Annualized

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Number of REIT stocks and total value based on the two indices. All index returns are net of withholding tax on dividends. Total value of REIT stocks represented by Dow Jones US Select REIT Index and the S&P Global ex US REIT Index. Dow Jones US Select REIT Index used as proxy for the US market, and S&P Global ex US REIT Index used as proxy for the World ex US market. Dow Jones US Select REIT Index data provided by Dow Jones ©. S&P Global ex US REIT Index data provided by Standard and Poor's Index Services Group © 2016.



# Commodities

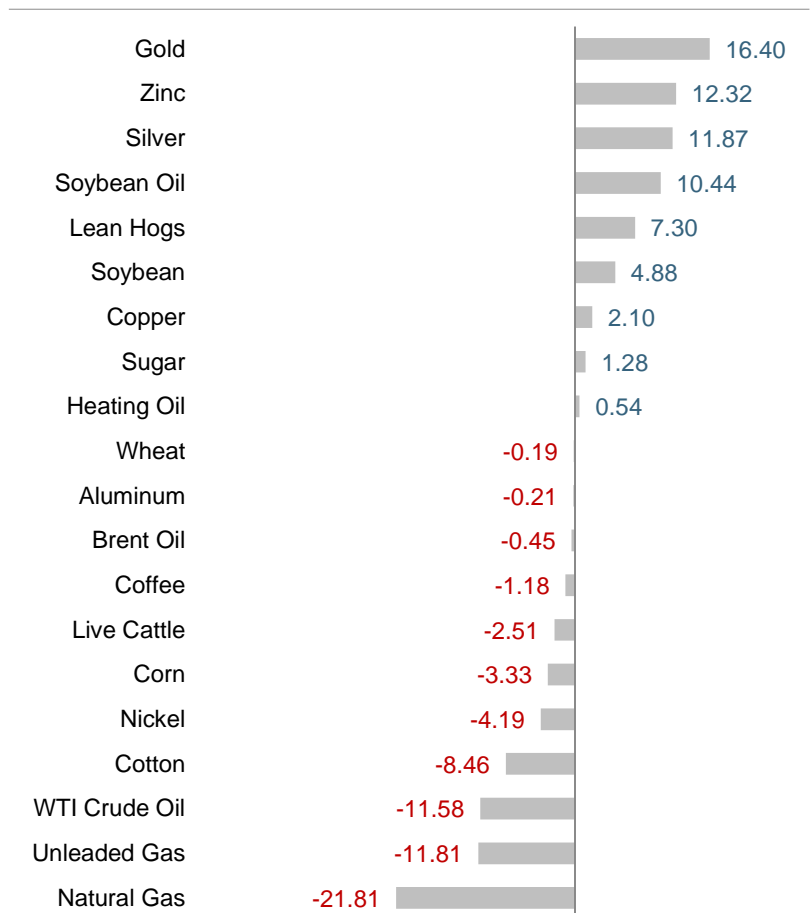
## First Quarter 2016 Index Returns

Commodities were mixed during the first quarter. The Bloomberg Commodity Index Total Return gained 0.42%. Precious metals led the index with gold returning 16.40% and silver returning 11.87%.

Energy was the worst-performing complex. Natural gas fell 21.81%, while unleaded gas declined 11.81%. WTI crude oil was down 11.58%.

Grains were slightly positive. Soybean oil gained 10.44%, but corn fell 3.33%. Livestock was mixed. Lean hogs gained 7.30%, while live cattle fell 2.51%.

### Ranked Returns for Individual Commodities (%)



### Period Returns (%)

Asset Class	YTD	1 Year	3 Years*	5 Years*	10 Years*
Commodities	0.42	-19.56	-16.87	-14.15	-6.16

\* Annualized

Past performance is not a guarantee of future results. Index is not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. All index returns are net of withholding tax on dividends. Securities and commodities data provided by Bloomberg.



# Fixed Income

## First Quarter 2016 Index Returns

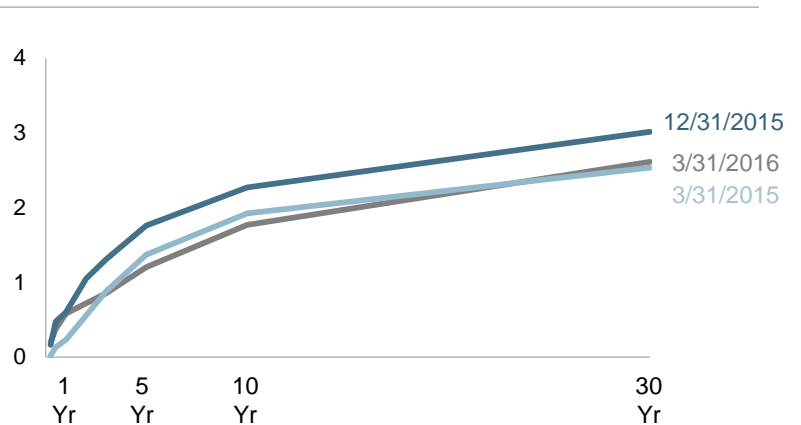
Interest rates across the US fixed income markets generally decreased during the first quarter. The yield on the 5-year Treasury note fell 55 basis points (bps) to 1.21%. The yield on the 10-year Treasury note decreased 49 bps to 1.78%. The 30-year Treasury bond declined 40 bps to finish at 2.61%.

The yield on the 1-year Treasury bill dipped 6 bps to 0.59%, and the 2-year Treasury note declined 33 bps to 0.73%. The 3-month T-bill increased 5 bps to yield 0.21%, while the 6-month T-bill decreased 10 bps to 0.39%.

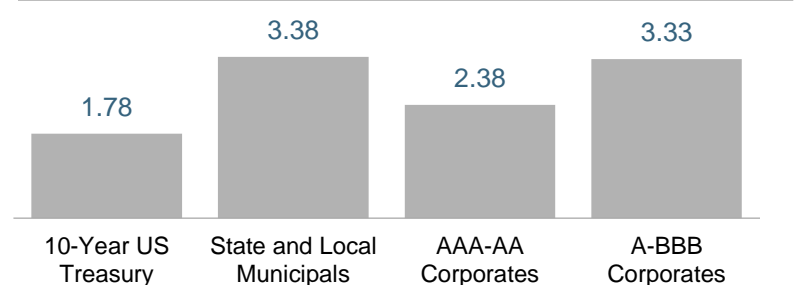
For the quarter, short-term corporate bonds gained 1.16%, intermediate-term corporate bonds returned 2.76%, and long-term corporate bonds returned 6.83%.<sup>1</sup>

Short-term municipal bonds returned 0.71% while intermediate-term munis gained 1.55%. Revenue bonds slightly outperformed general obligation bonds for the quarter.<sup>2</sup>

### US Treasury Yield Curve (%)



### Bond Yields across Issuers (%)



### Period Returns (%)

Asset Class	YTD	1 Year	3 Years*	5 Years*	10 Years*
BofA Merrill Lynch Three-Month US Treasury Bill Index	0.07	0.12	0.07	0.08	1.15
BofA Merrill Lynch 1-Year US Treasury Note Index	0.36	0.40	0.29	0.32	1.74
Citigroup WGBI 1-5 Years (hedged to USD)	1.14	1.52	1.47	1.86	3.00
Barclays Long US Government Bond Index	8.06	2.80	6.04	9.52	7.88
Barclays US Aggregate Bond Index	3.03	1.96	2.50	3.78	4.90
Barclays US Corporate High Yield Index	3.35	-3.69	1.84	4.93	7.01
Barclays Municipal Bond Index	1.67	3.98	3.63	5.59	4.86
Barclays US TIPS Index	4.46	1.51	-0.71	3.02	4.63

\* Annualized

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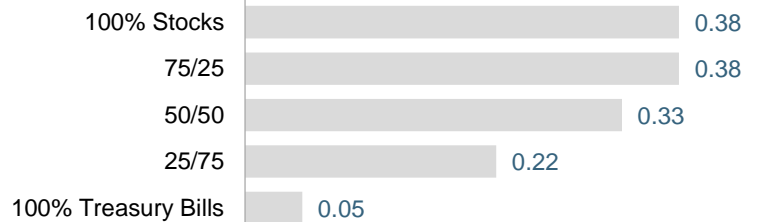


# Global Diversification

## First Quarter 2016 Index Returns

These portfolios illustrate the performance of different global stock/bond mixes and highlight the benefits of diversification. Mixes with larger allocations to stocks are considered riskier but have higher expected returns over time.

### Ranked Returns (%)

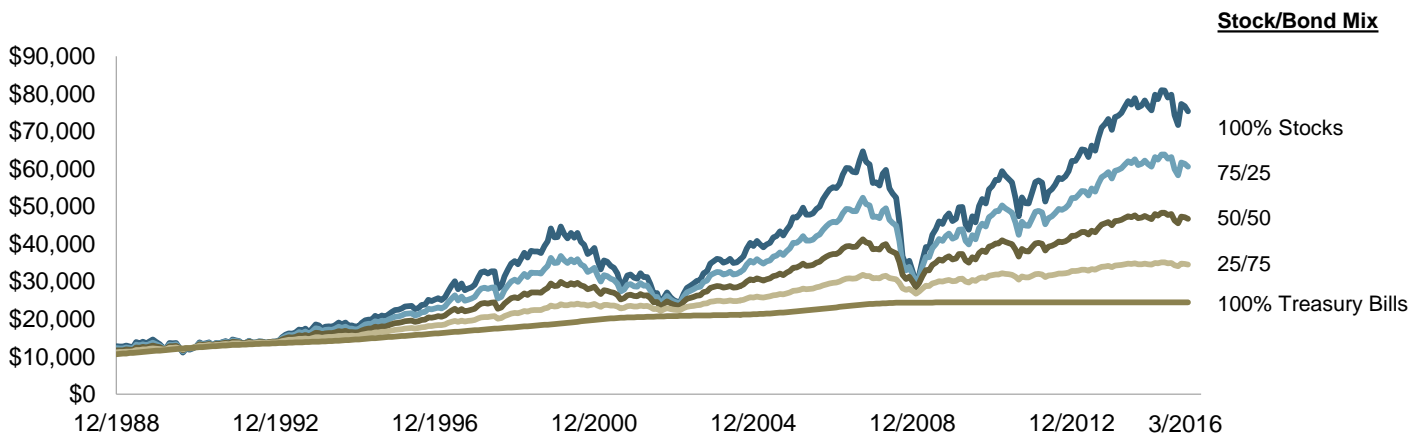


### Period Returns (%)

\* Annualized

Asset Class	YTD	1 Year	3 Years*	5 Years*	10 Years*
100% Stocks	0.38	-3.81	6.10	5.80	4.63
75/25	0.38	-2.64	4.69	4.51	4.01
50/50	0.33	-1.61	3.20	3.12	3.20
25/75	0.22	-0.71	1.65	1.62	2.20
100% Treasury Bills	0.05	0.06	0.03	0.04	1.03

## Growth of Wealth: The Relationship between Risk and Return



Diversification does not eliminate the risk of market loss. Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect expenses associated with the management of an actual portfolio. Asset allocations and the hypothetical index portfolio returns are for illustrative purposes only and do not represent actual performance. Global Stocks represented by MSCI All Country World Index (gross div.) and Treasury Bills represented by US One-Month Treasury Bills. Globally diversified allocations rebalanced monthly, no withdrawals. Data © MSCI 2016, all rights reserved. Treasury bills © Stocks, Bonds, Bills, and Inflation Yearbook™, Ibbotson Associates, Chicago (annually updated work by Roger G. Ibbotson and Rex A. Sinquefeld).