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Ryan Pogodzinski,
Senior Consulting
Analyst

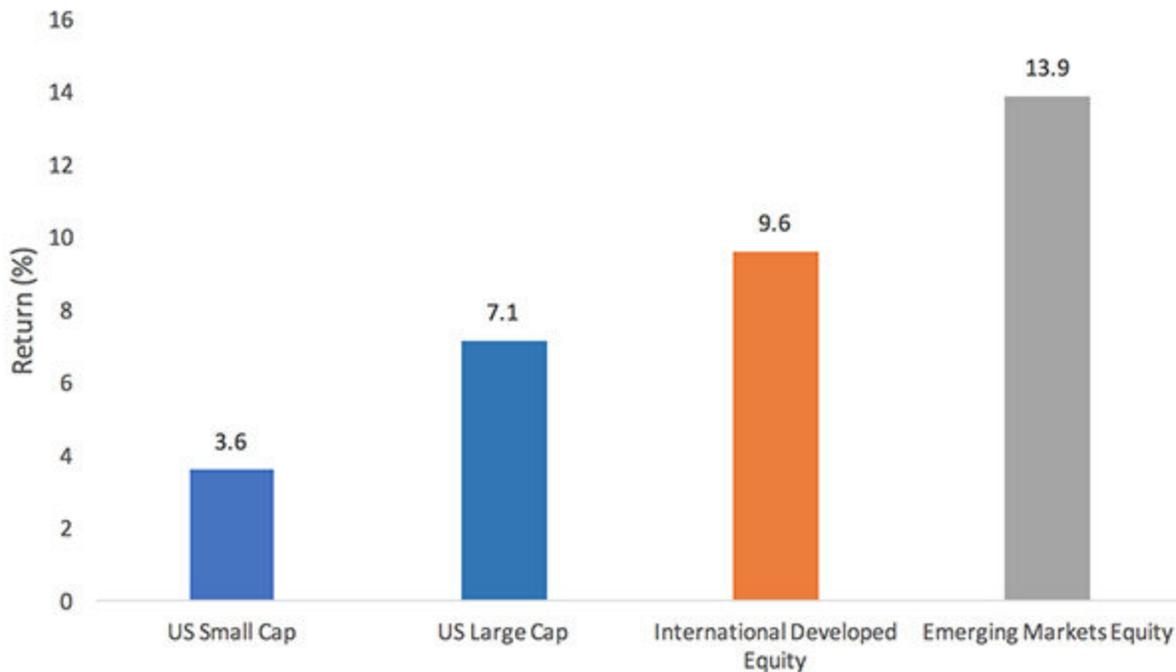
The tale of two rallies since the U.S. election



Since the United States presidential election in November 2016, the U.S. stock market (represented by the Russell 3000[®] Index unless otherwise noted) has been on a historic rally that has seen very little volatility along the way. U.S. small cap equities (Russell 2000[®] Index unless otherwise noted), up nearly 18% through the end of April 2017, have benefited most. U.S. large cap equities (represented by the Russell 1000[®] Index unless otherwise noted) have not been far behind, posting a +13% return through April 30, 2017.

In contrast, non-U.S. equities have lagged: International developed equities (represented by the Russell Developed ex-U.S. Index unless otherwise noted) were up "only" +11.9% and emerging markets equities (represented by the Russell Emerging Markets Index unless otherwise noted) were up just 9.3%.

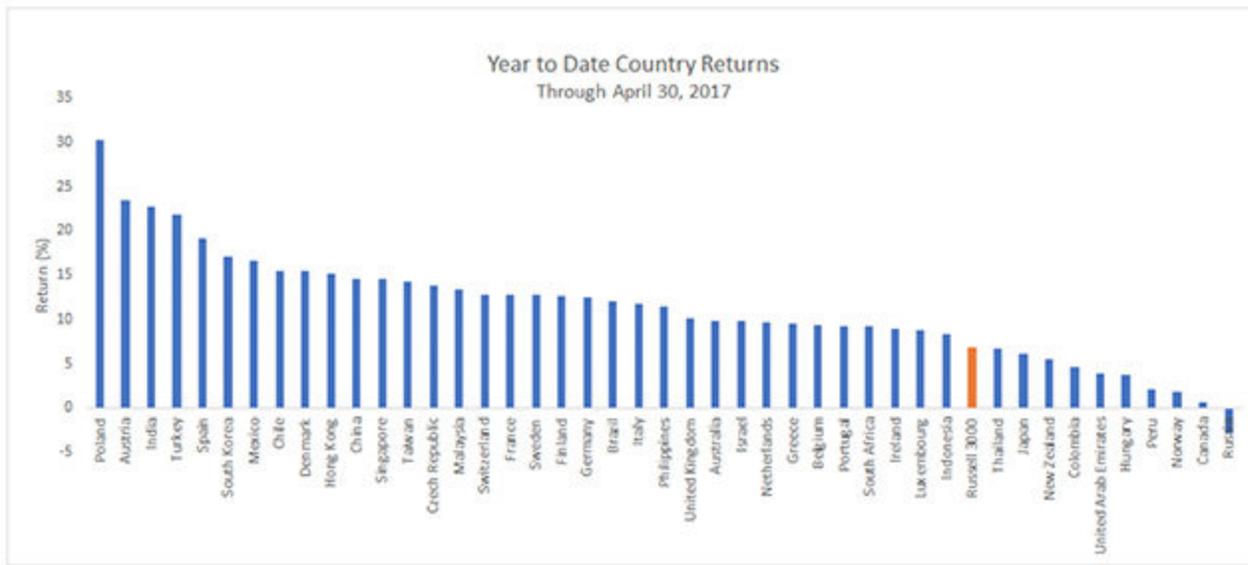
Market Performance During 2017 (1/1/17 - 4/30/17)



Source: Morningstar Direct and FactSet. U.S. Small Cap—Russell 2000® Index; U.S. Large Cap—Russell 1000® Index; International Developed Equity—Russell Developed ex-U.S. Index; Emerging Markets Equity—Russell Emerging Markets Index. Indexes and/or benchmarks are unmanaged and cannot be invested in directly. Returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment.

At first glance it could be easy to assume that the U.S. market—specifically U.S. small cap—has consistently been the dominant performer in the markets since the election. However, a closer look at the data reveals a tale of two market rallies:

- 1. November 9, 2016—November 15, 2016:** In these first few days after the election, U.S. small cap equities surged just under +9% and the U.S. large cap stocks gained +2.2%. Meanwhile, international developed equities and emerging markets equities suffered, down -1.3% and -6%, respectively, on uncertainty regarding the potential impact on non-U.S.-domiciled companies of certain priorities the new Administration had campaigned on. As a result, U.S. equity valuations were pushed even higher than they were already, and non-U.S. equities became relatively cheaper.
- 2. Year-to-date as of April 30, 2017:** Not only have international developed and emerging markets equities rebounded and made up their initial losses as markets appear to have returned to trading on fundamental realities—but they have also outperformed U.S. large cap and small cap equities YTD as of April 30, 2017, creating a mirror image of the market performance chart for the week following the election. Emerging markets equities are up nearly +14% and are the top performing asset class year to date while international developed equities are up +9.6%. U.S. large cap equities are up just over +7% to start the year and U.S. small cap equities—the chief beneficiary immediately following the election—has been one of the worst-performing areas of the equity market YTD, with a return of just 3.6%.



Source: Morningstar Direct and FactSet. Individual country returns for countries included in the Russell Developed ex-U.S. Index and Russell Emerging Markets Indexes; Russell 3000® Index. Indexes and/or benchmarks are unmanaged and cannot be invested in directly. Returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment.

As non-US markets continue to rally to start the year, the chart below helps illustrate how significant return differences have been in the US compared to other countries around the globe. Despite the Russell 3000 Index posting a return of 6.9% through the end of April, the US equity market has outperformed just 10 of the 44 countries represented in the Russell Emerging Markets and Russell Developed ex-US indices. Additionally, more than half of these countries are showing double digit returns, including 4 countries with returns of greater than 20% (Poland, Austria, India and Turkey).

Bottom Line

Despite struggling in the days immediately following the U.S. presidential election, non-U.S. and emerging markets equities have rebounded to post strong returns to start the year and are outpacing U.S. equities. With valuations still cheaper than the U.S. market, non-U.S. and emerging markets equities continue to be a great way for investors with commensurate risk tolerance to increase the return potential of their portfolio while also increasing their diversification. Of course, diversification doesn't protect against all loss or guarantee a profit.

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Russell 3000® Index: Index measures the performance of the largest 3000 U.S. companies representing approximately 98% of the investable U.S. equity market.

Russell 1000® Index: Measures the performance of the large-cap segment of the U.S. equity universe. It is a subset of the Russell 3000® Index and includes approximately 1000 of the largest securities based on a combination of their market cap and current index membership.

Russell 2000® Index: measures the performance of 2000 issues representative of the U.S. small capitalization securities market.

Russell Developed Large Cap Index: Offers investors access to the large-cap segment of the developed equity universe. Constructed

to provide a comprehensive and unbiased barometer for the large-cap segment of this market and is completely reconstituted annually to accurately reflect the changes in the market over time.

Russell Emerging Markets Index: Measures the performance of the investable securities in emerging countries globally. Constructed to provide a comprehensive and unbiased barometer for this market segment and is completely reconstituted annually to accurately reflect the changes in the market over time.

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