

Q4

Quarterly Market Review

Fourth Quarter 2016

EXETER FINANCIAL

Quarterly Market Review

Fourth Quarter 2016

This report features world capital market performance and a timeline of events for the past 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 impact of globally diversified portfolios and features a quarterly topic.

Overview:

Market Summary

World Stock Market Performance

World Asset Classes

US Stocks

International Developed Stocks

Emerging Markets Stocks

Select Country Performance

Select Currency Performance vs. US Dollar

Real Estate Investment Trusts (REITs)

Commodities







Fixed Income

Impact of Diversification

Quarterly Topic: The Power of Markets

Market Summary

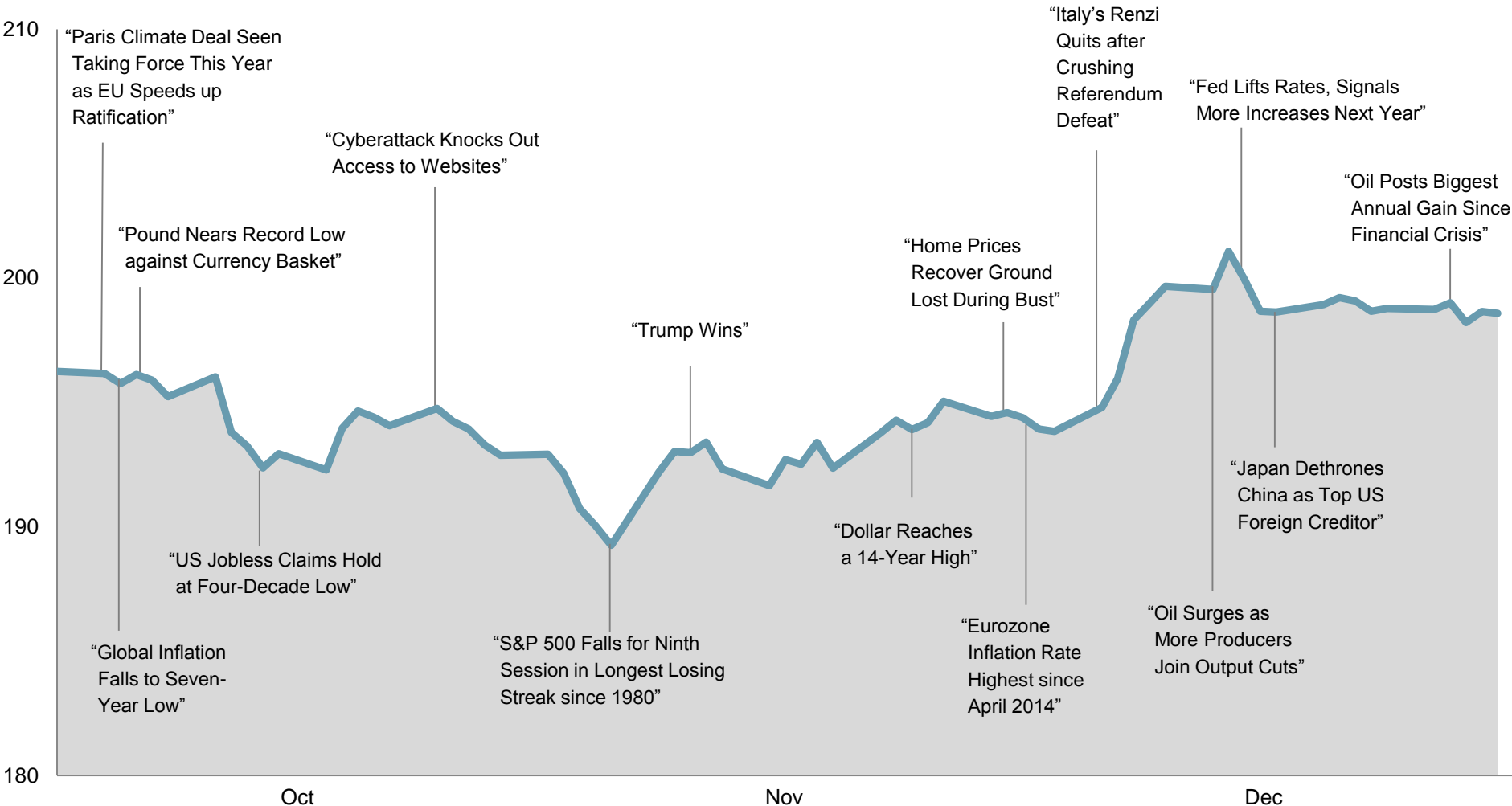
Index Returns

	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate	US Bond Market	Global Bond Market ex US
4Q 2016	4.21% 	-0.36% 	-4.16% 	-5.11% 	-2.98% 	-2.21% 
	STOCKS				BONDS	
Since Jan. 2001						
Avg. Quarterly Return	1.8%	1.3%	2.9%	2.7%	1.2%	1.1%
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	-3.0% Q4 2016	-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 [net div.]), US Bond Market (Bloomberg Barclays US Aggregate Bond Index), and Global Bond ex US Market (Citi WGBI ex USA 1-30 Years [Hedged to USD]). The S&P data are provided by Standard & Poor's Index Services Group. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. MSCI data © MSCI 2017, all rights reserved. Bloomberg Barclays data provided by Bloomberg. Citi fixed income indices copyright 2017 by Citigroup.

World Stock Market Performance

MSCI All Country World Index with selected headlines from Q4 2016



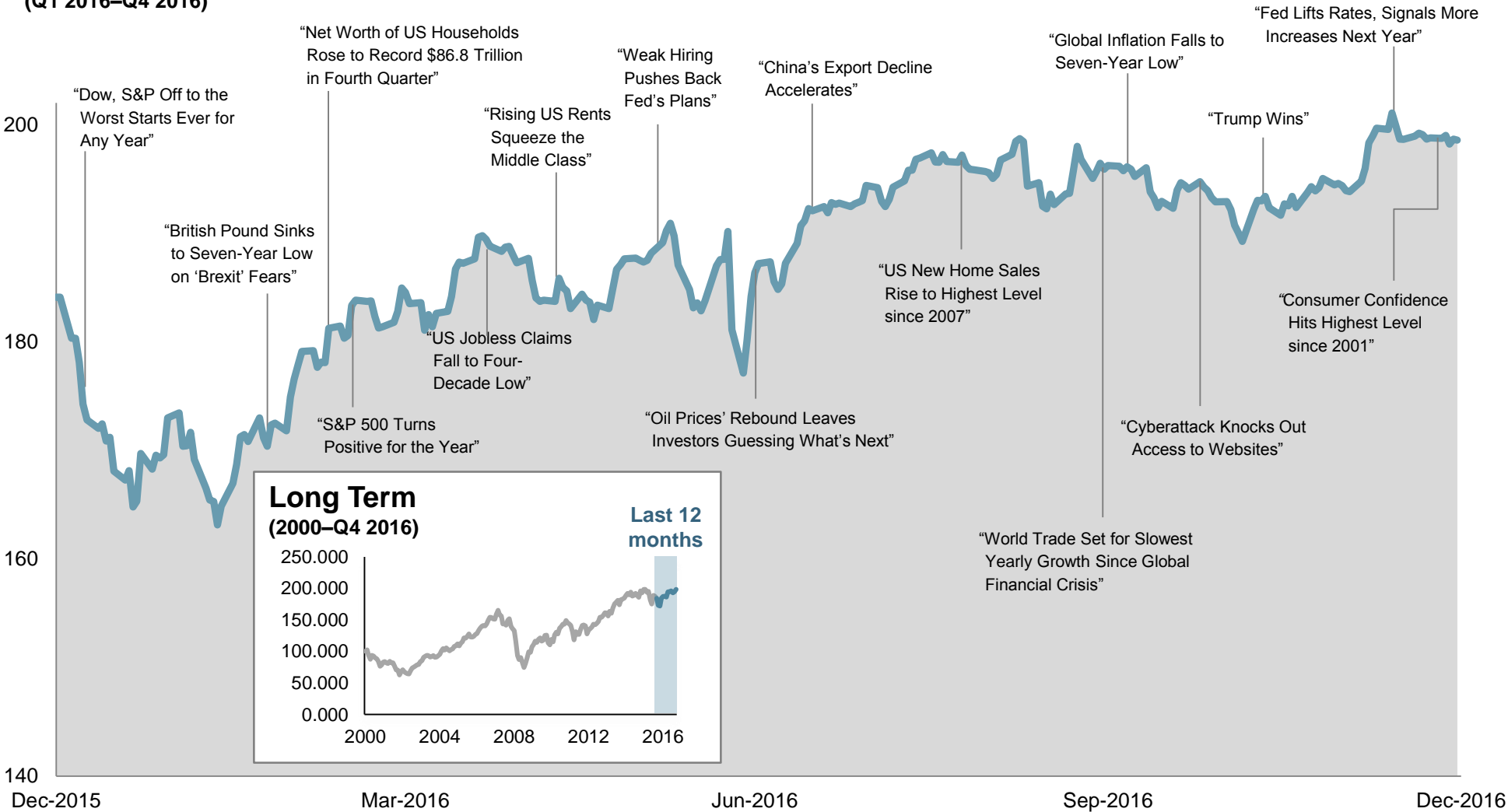
These headlines are not offered to explain market returns. Instead, they serve as a reminder that investors should view daily events from a long-term perspective and avoid making investment decisions based solely on the news.

Graph Source: MSCI ACWI Index [net div.]. MSCI data © MSCI 2017, 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.

World Stock Market Performance

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

Short Term (Q1 2016–Q4 2016)



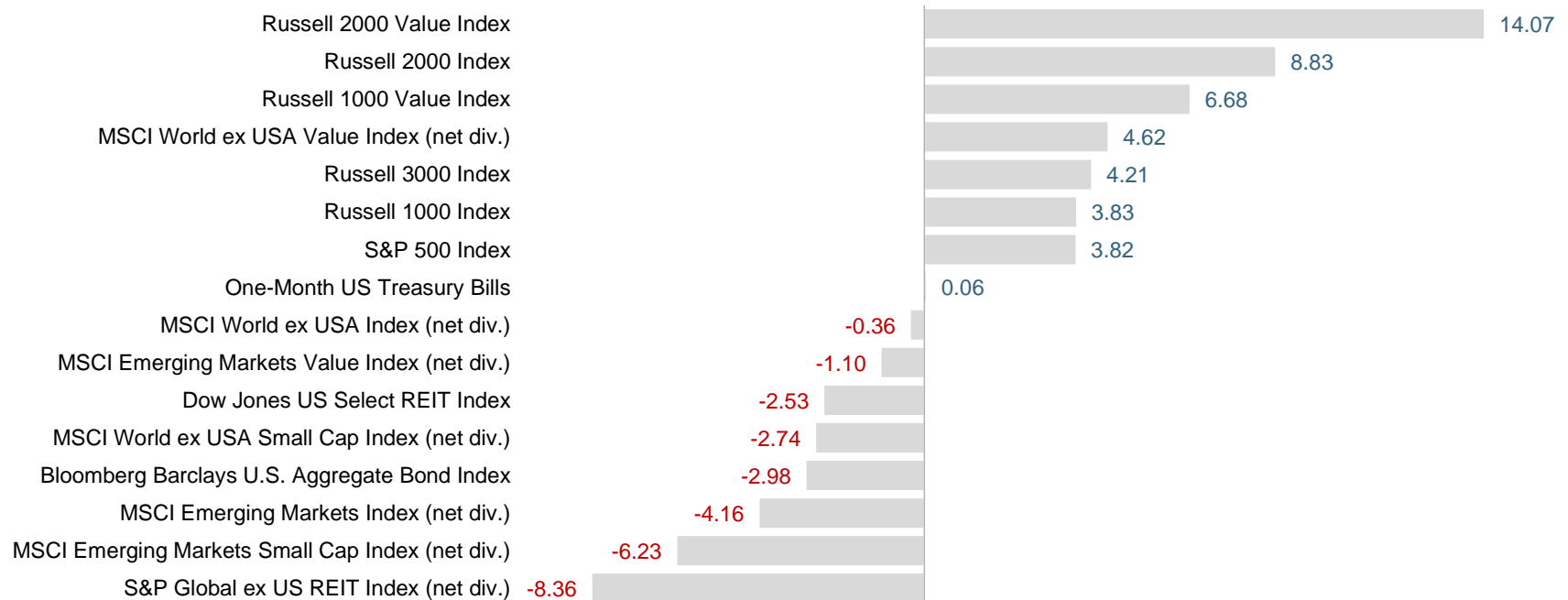
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World Asset Classes

Fourth Quarter 2016 Index Returns (%)

Looking at broad market indices, the US outperformed both non-US developed and emerging markets during the quarter. US and non-US real estate investment trusts (REITs) recorded negative returns and lagged the US and non-US equity markets.

The value effect was positive in the US, non-US, and emerging markets. In US dollar terms, small caps outperformed large caps in the US but underperformed in non-US developed and emerging markets.



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US Stocks

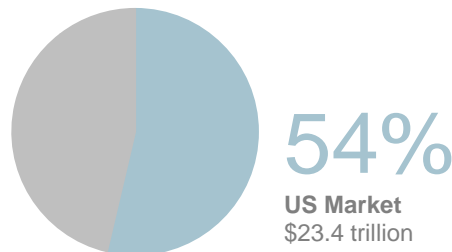
Fourth Quarter 2016 Index Returns

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

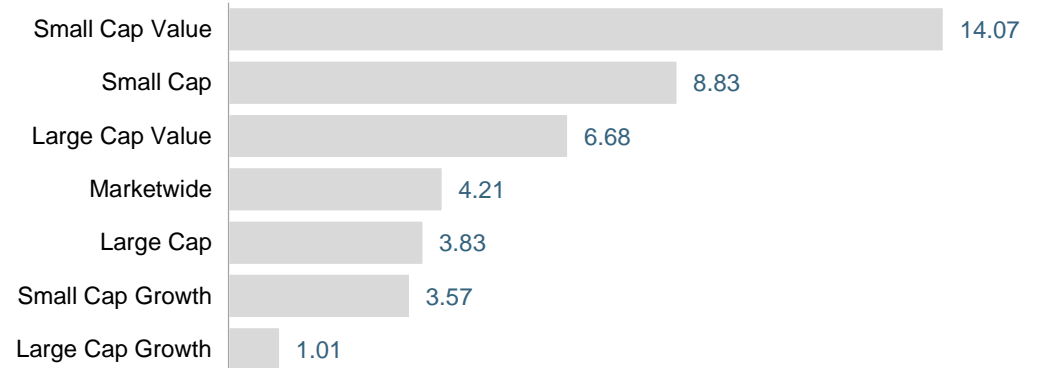
Value indices significantly outperformed growth indices in the US across all size ranges.

Small caps in the US outperformed large caps.

World Market Capitalization—US



Ranked Returns for the Quarter (%)



Period Returns (%)

** Annualized*

Asset Class	1 Year	3 Years*	5 Years*	10 Years*
Marketwide	12.74	8.43	14.67	7.07
Large Cap	12.05	8.59	14.69	7.08
Large Cap Value	17.34	8.59	14.80	5.72
Large Cap Growth	7.08	8.55	14.50	8.33
Small Cap	21.31	6.74	14.46	7.07
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International Developed Stocks

Fourth Quarter 2016 Index Returns

In US dollar terms, non-US developed markets lagged the US equity market but outperformed emerging markets indices during the quarter.

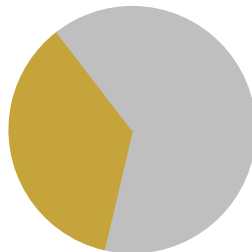
Small caps underperformed large caps in US dollar terms.

Looking at broad market indices, the value effect was positive across all size ranges.

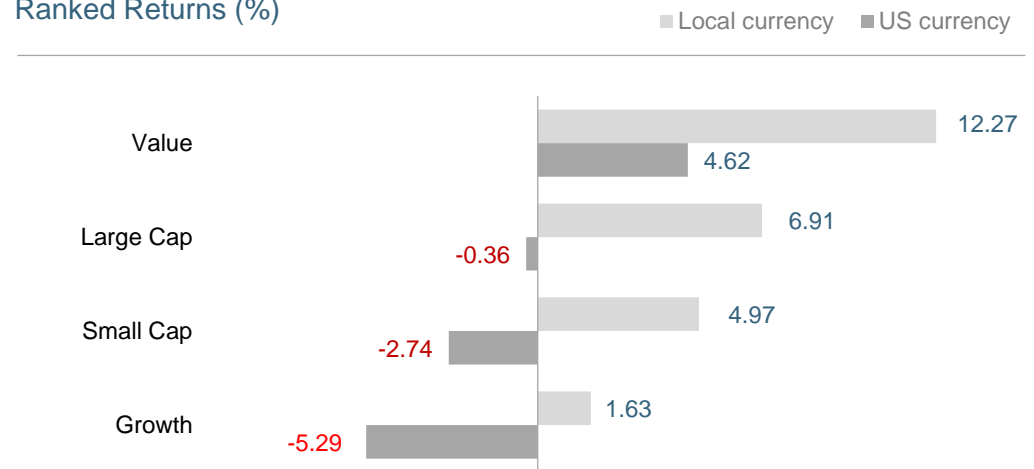
World Market Capitalization—International Developed

36%

International
Developed
Market
\$15.6 trillion



Ranked Returns (%)



Period Returns (%)

Asset Class	* Annualized			
	1 Year	3 Years*	5 Years*	10 Years*
Large Cap	2.75	-1.59	6.07	0.86
Small Cap	4.32	1.36	8.96	2.69
Value	7.39	-2.12	5.96	0.08
Growth	-1.87	-1.18	6.08	1.56

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Emerging Markets Stocks

Fourth Quarter 2016 Index Returns

In US dollar terms, emerging markets indices underperformed both the US and developed markets outside the US.

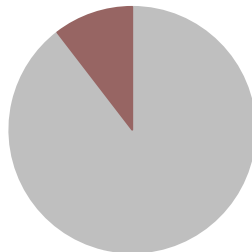
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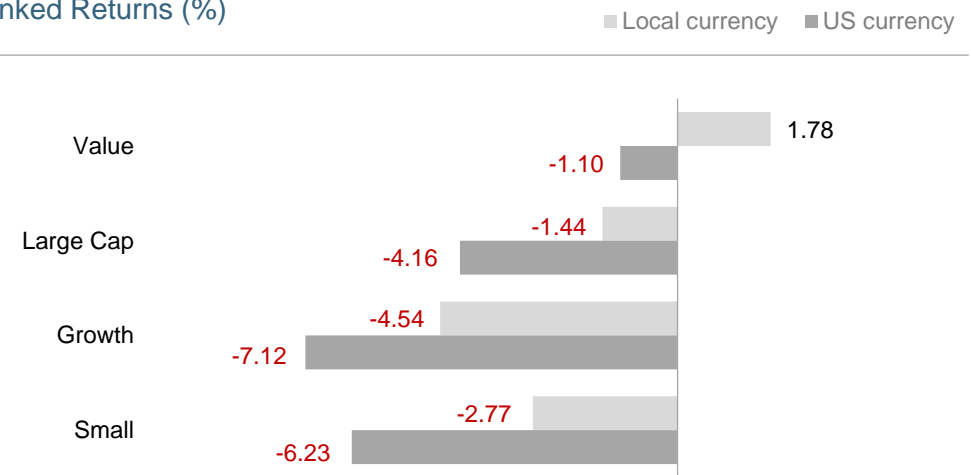
World Market Capitalization—Emerging Markets

10%

Emerging Markets
\$4.5 trillion



Ranked Returns (%)



Period Returns (%)

* Annualized

Asset Class	1 Year	3 Years*	5 Years*	10 Years*
Large Cap	11.19	-2.55	1.28	1.84
Small Cap	2.28	-1.27	3.51	3.41
Value	14.90	-3.54	-0.27	1.97
Growth	7.59	-1.67	2.73	1.63

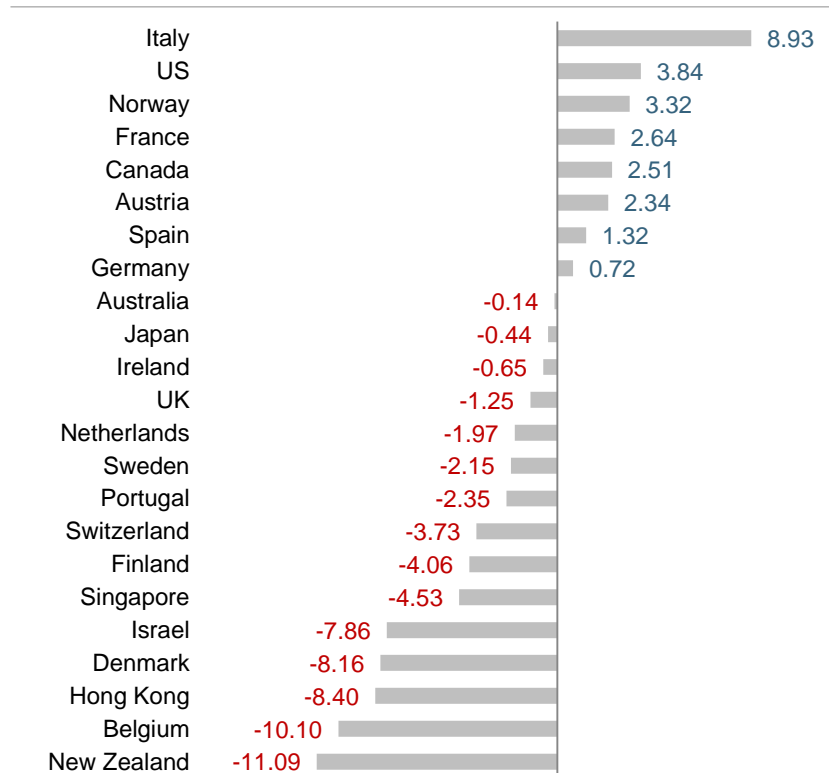
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Select Country Performance

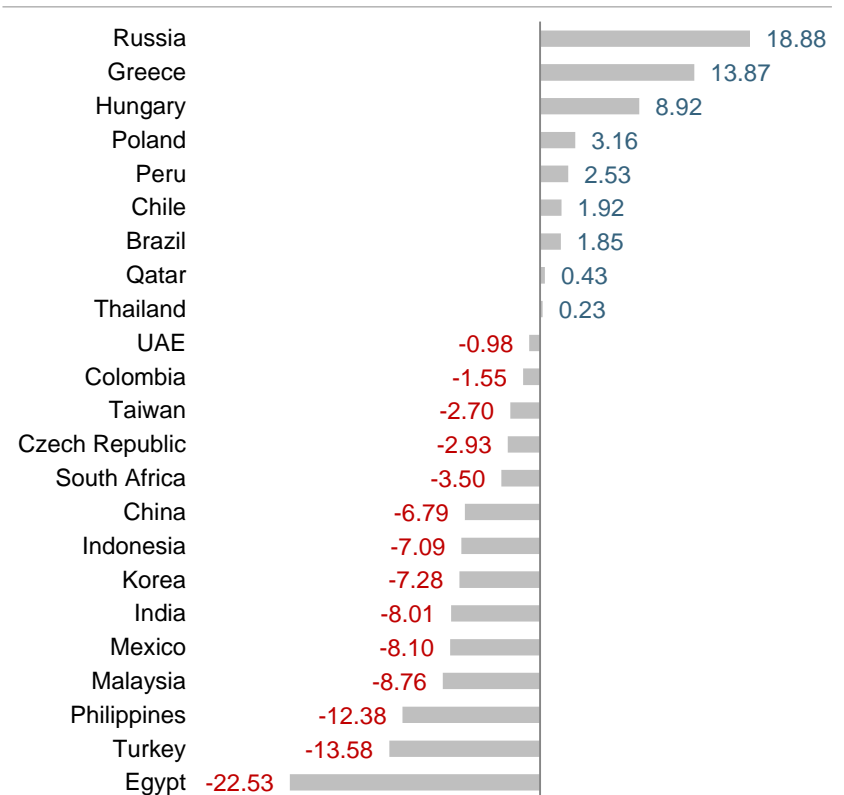
Fourth Quarter 2016 Index Returns

Italy and the US recorded the highest country performance in developed markets, while Belgium and New Zealand posted the lowest returns for the quarter. In emerging markets, Russia and Greece posted the highest country returns, while Turkey and Egypt recorded the lowest performance.

Ranked Developed Markets Returns (%)



Ranked Emerging Markets Returns (%)



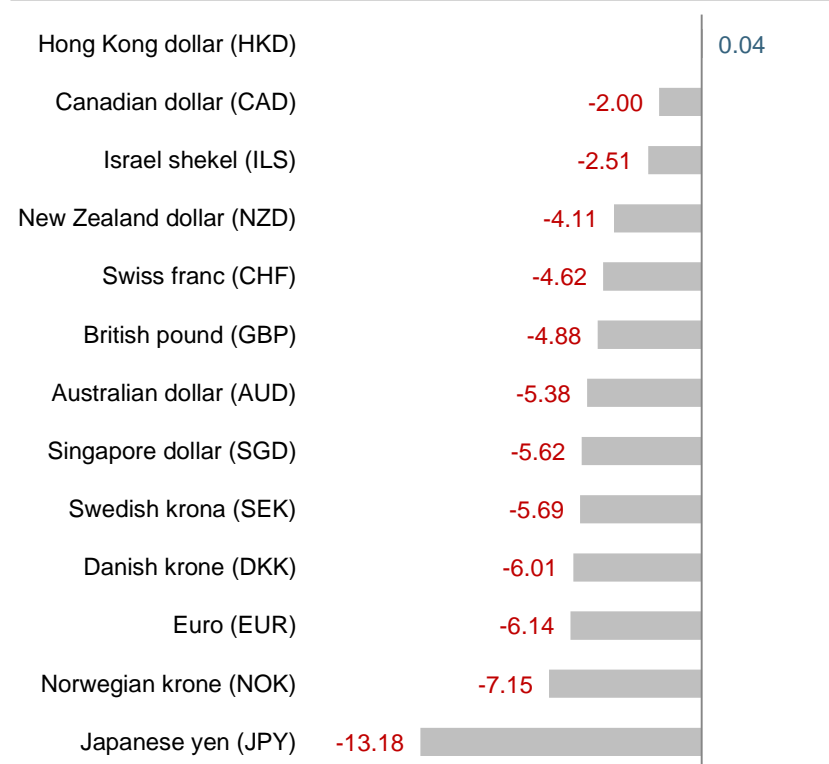
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Select Currency Performance vs. US Dollar

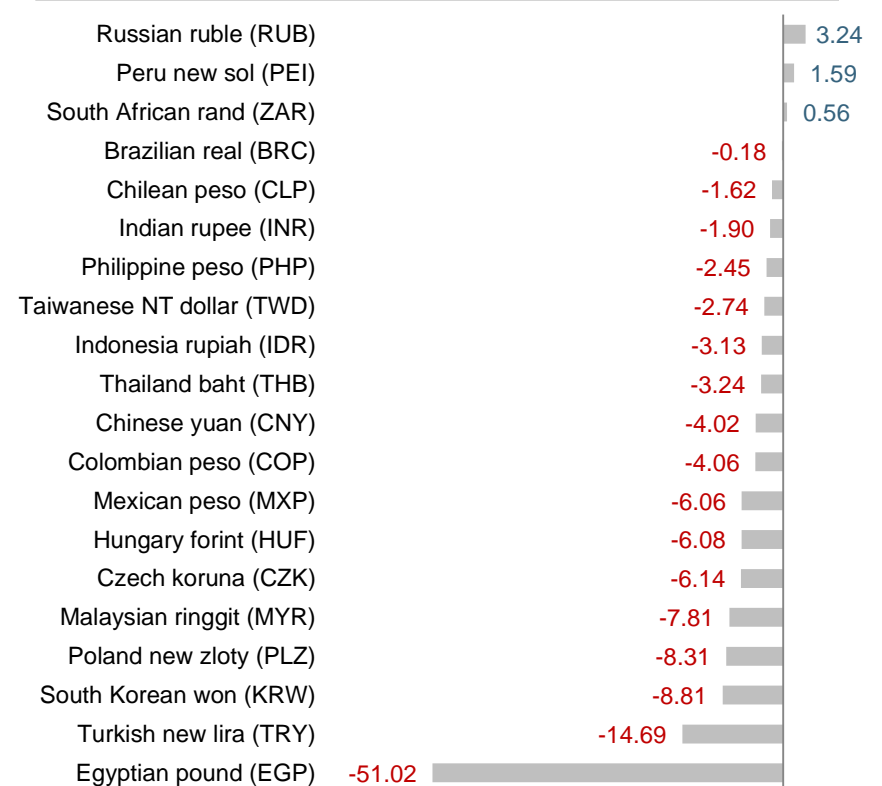
Fourth Quarter 2016

Most non-US developed markets currencies depreciated against the US dollar during the quarter, with the Japanese yen experiencing the most significant decline. In emerging markets, the Egyptian pound declined by nearly 50% relative to the US dollar.

Ranked Developed Markets (%)



Ranked Emerging Markets (%)



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Real Estate Investment Trusts (REITs)

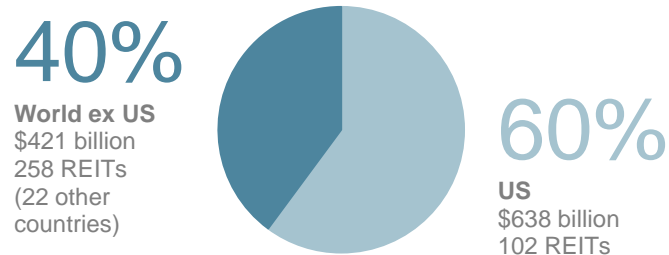
Fourth Quarter 2016 Index Returns

US and non-US REITs had negative performance for the quarter, lagging the broad equity market in both regions.

Ranked Returns (%)



Total Value of REIT Stocks



Period Returns (%)

Asset Class	* Annualized			
	1 Year	3 Years*	5 Years*	10 Years*
US REITs	6.68	13.73	11.77	4.63
Global REITs (ex US)	3.12	3.34	8.30	0.00

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Commodities

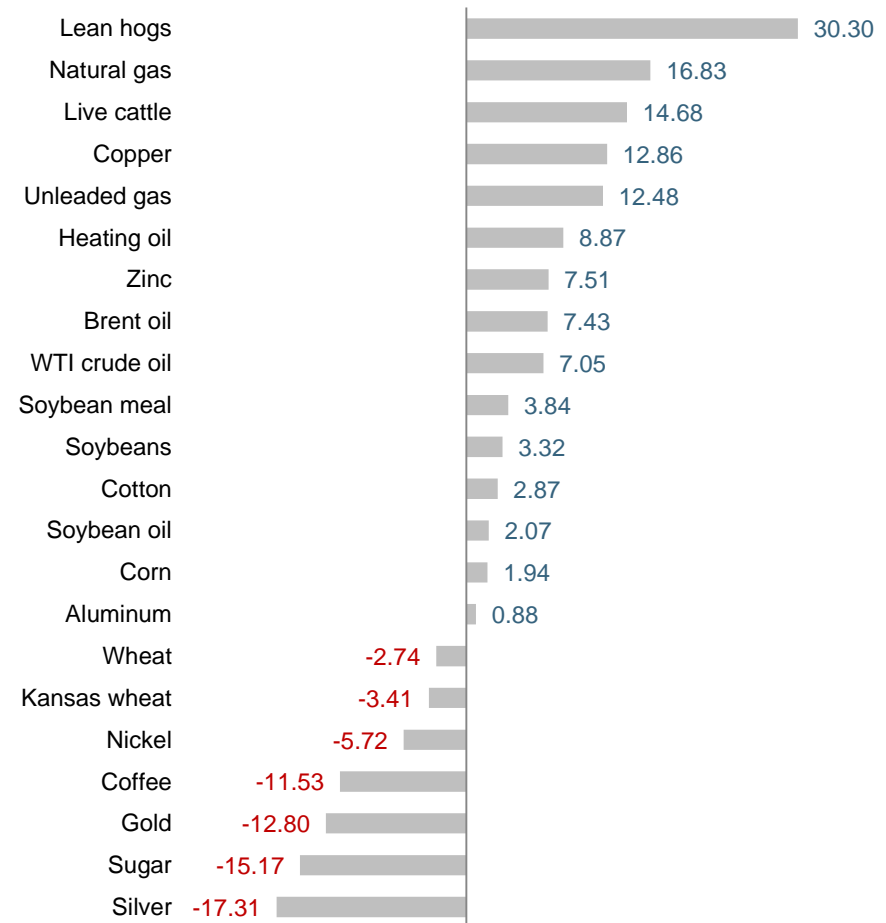
Fourth Quarter 2016 Index Returns

The Bloomberg Commodity Index Total Return gained 2.66% in the fourth quarter, bringing the total annual return to 11.77%.

The livestock complex led quarterly performance, with lean hogs returning 30.30% and live cattle following with a gain of 14.68%. Precious metals was the worst-performing complex, with silver and gold declining by 17.31% and 12.80%, respectively.

Period Returns (%)		* Annualized		
Asset Class	1 Year	3 Years*	5 Years*	10 Years*
Commodities	11.77	-11.26	-8.95	-5.58

Ranked Returns for Individual Commodities (%)



Fixed Income

Fourth Quarter 2016 Index Returns

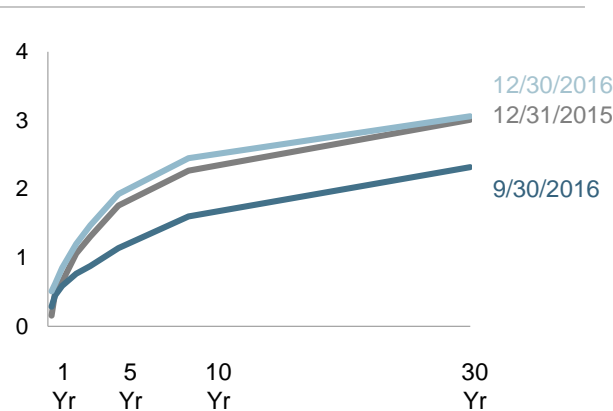
Interest rates increased in the fourth quarter. The yield on the 5-year Treasury note rose 79 basis points (bps), ending at 1.93%. The 10-year T-note yield climbed 85 bps to 2.45%. The 30-year Treasury bond yield added 74 bps to close at 3.06%.

In 2016, the short end of the yield curve saw the greatest rate increases. The 1-year T-bill gained 20 bps to 0.85%, while the 2-year T-note finished at 1.20% after an increase of 14 bps for the year.

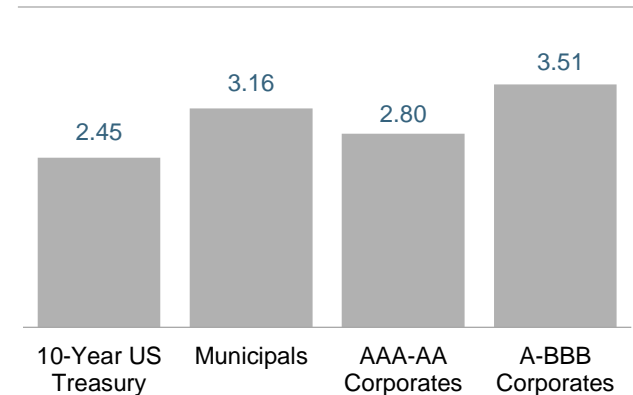
In terms of total returns, short-term corporate bonds declined 0.18% during the quarter but gained 2.36% for the year. Intermediate corporates fell 1.84% during the quarter but rose 4.04% in 2016.

Short-term municipal bonds declined 1.07% for the quarter but increased 0.07% for the year. Intermediate-term municipal bonds fell 3.74% for the quarter and 0.45% for the year. Revenue bonds outperformed general obligation bonds for the year.

US Treasury Yield Curve (%)



Bond Yields across Issuers (%)



Period Returns (%)

Asset Class	* Annualized			
	1 Year	3 Years*	5 Years*	10 Years*
BofA Merrill Lynch 1-Year US Treasury Note Index	0.76	0.36	0.32	1.43
BofA Merrill Lynch Three-Month US Treasury Bill Index	0.33	0.14	0.12	0.80
Citi WGBI 1-5 Years (hedged to USD)	1.49	1.46	1.42	2.64
Bloomberg Barclays Long US Government Bond Index	1.43	7.71	2.57	6.60
Bloomberg Barclays Municipal Bond Index	0.25	4.14	3.28	4.25
Bloomberg Barclays US Aggregate Bond Index	2.65	3.03	2.23	4.34
Bloomberg Barclays US Corporate High Yield Index	17.13	4.66	7.36	7.45
Bloomberg Barclays US TIPS Index	4.68	2.26	0.89	4.36

One basis point equals 0.01%. 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. Yield curve data from Federal Reserve. State and local bonds are from the S&P National AMT-Free Municipal Bond Index. AAA-AA Corporates represent the Bank of America Merrill Lynch US Corporates, AA-AAA rated. A-BBB Corporates represent the Bank of America Merrill Lynch US Corporates, BBB-A rated. Bloomberg Barclays data provided by Bloomberg. US long-term bonds, bills, inflation, and fixed income factor data © Stocks, Bonds, Bills, and Inflation (SBBBI) Yearbook™, Ibbotson Associates, Chicago (annually updated work by Roger G. Ibbotson and Rex A. Sinquefeld). Citi fixed income indices copyright 2017 by Citigroup. The BofA Merrill Lynch Indices are used with permission; © 2017 Merrill Lynch, Pierce, Fenner & Smith Incorporated; all rights reserved. Merrill Lynch, Pierce, Fenner & Smith Incorporated is a wholly owned subsidiary of Bank of America Corporation. The S&P data are provided by Standard & Poor's Index Services Group.

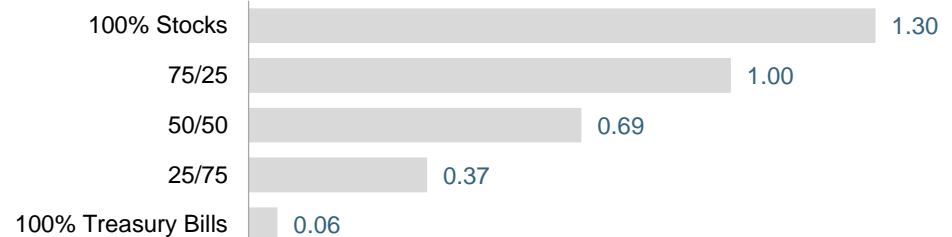
Impact of Diversification

Fourth Quarter 2016 Index Returns

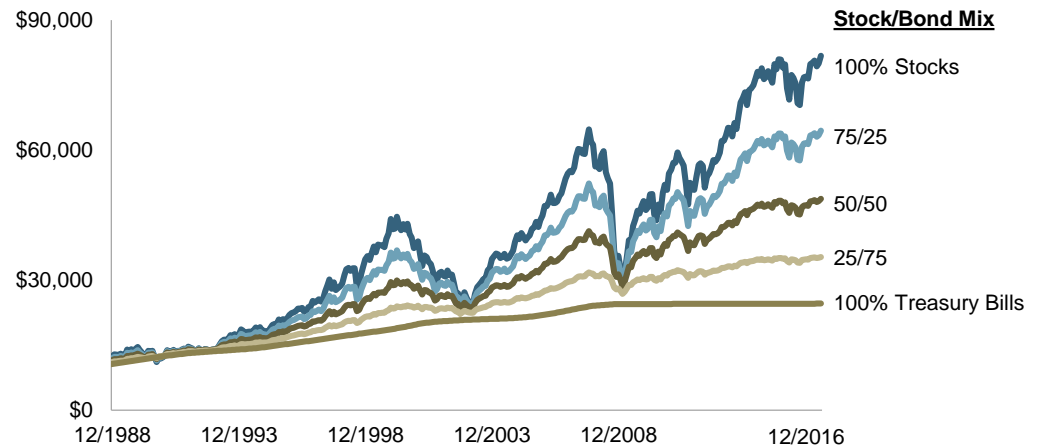
These portfolios illustrate the performance of different global stock/bond mixes. Mixes with larger allocations to stocks are considered riskier but have higher expected returns over time.

Period Returns (%)					* Annualized
Asset Class	1 Year	3 Years*	5 Years*	10 Years*	10-Year STDEV ¹
100% Stocks	8.48	3.69	9.96	4.12	16.99
75/25	6.47	2.90	7.53	3.54	12.74
50/50	4.42	2.03	5.07	2.77	8.49
25/75	2.33	1.09	2.58	1.81	4.24
100% Treasury Bills	0.20	0.08	0.06	0.67	0.41

Ranked Returns (%)



Growth of Wealth: The Relationship between Risk and Return



1. STDEV (standard deviation) is a measure of the variation or dispersion of a set of data points. Standard deviations are often used to quantify the historical return volatility of a security or portfolio. 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 2017, 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).

Appendix

2016 Annual Market Review

2016 Annual Market Review

This report features world capital market performance for the past year.

Overview:

Market Summary

World Asset Classes

US Stocks

International Developed Stocks

Emerging Markets Stocks

Select Country Performance

Select Currency Performance vs. US Dollar







Real Estate Investment Trusts (REITs)

Commodities

Impact of Diversification

Market Summary

Index Returns

	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate	US Bond Market	Global Bond Market ex US
2016	STOCKS				BONDS	
	12.74% 	2.75% 	11.19% 	5.77% 	2.65% 	5.13% 
Since Jan. 2001						
Avg. Annual Return	7.6%	5.9%	13.3%	11.2%	4.9%	4.6%
Best Year	33.6% 2013	39.4% 2003	78.5% 2009	37.4% 2006	10.3% 2002	9.8% 2014
Worst Year	-37.3% 2008	-43.6% 2008	-53.3% 2008	-45.7% 2008	-2.0% 2013	1.4% 2013

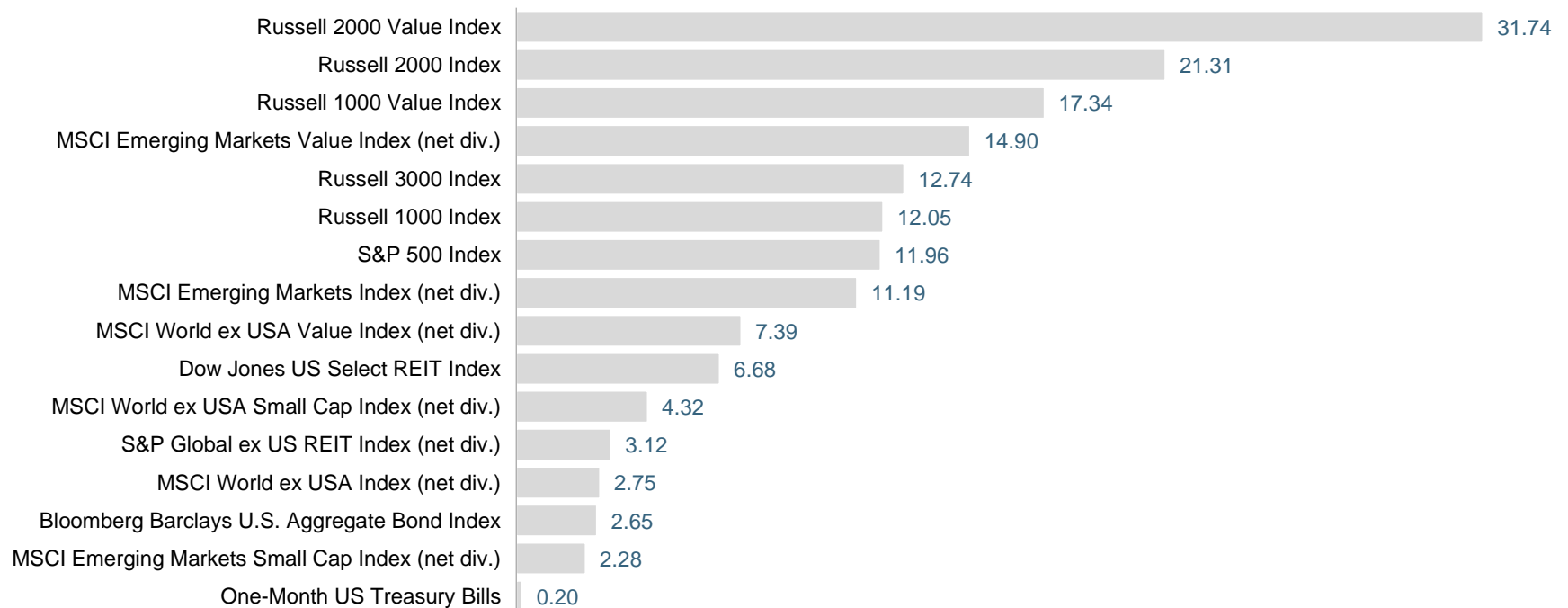
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World Asset Classes

2016 Index Returns (%)

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The value effect was positive in the US, non-US, and emerging markets across all size ranges. Small caps outperformed large caps in the US and developed markets outside the US but underperformed in emerging markets.



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US Stocks

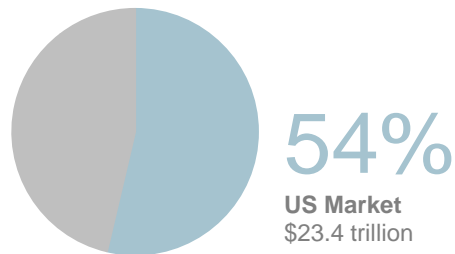
2016 Index Returns

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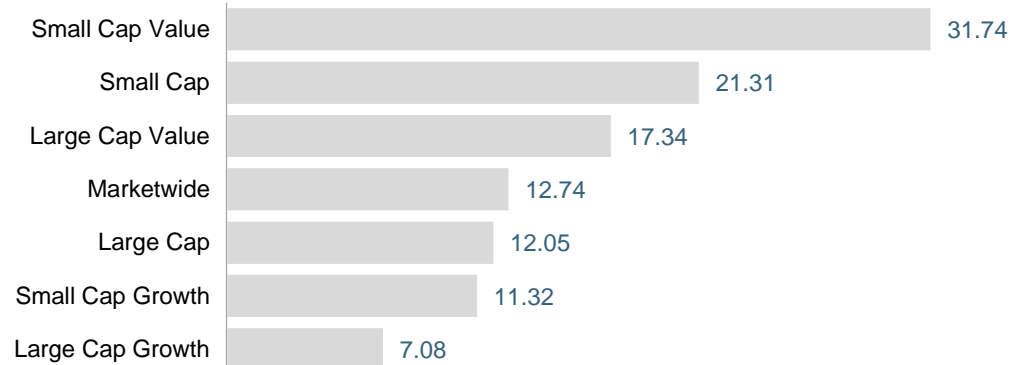
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World Market Capitalization—US



Ranked Returns (%)



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International Developed Stocks

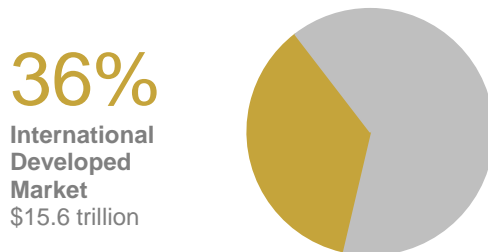
2016 Index Returns

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

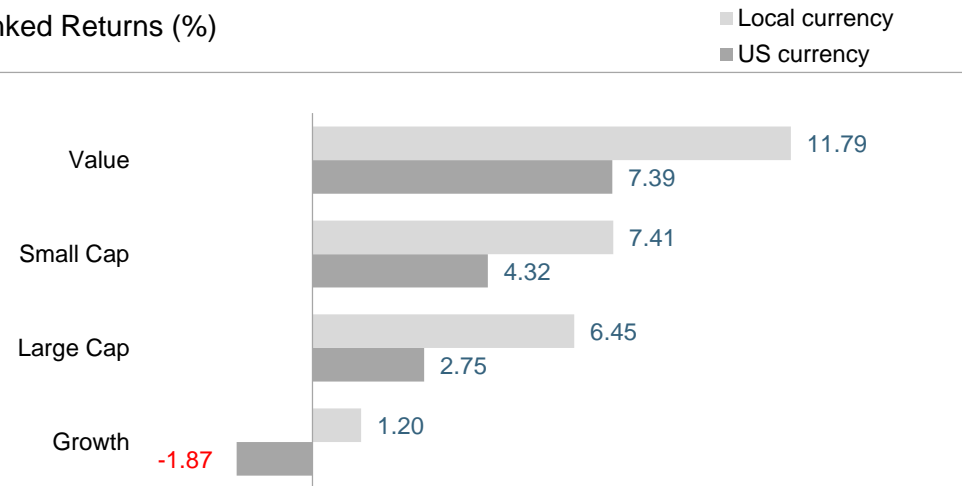
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World Market Capitalization—International Developed



Ranked Returns (%)



Period Returns (%)

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Emerging Markets Stocks

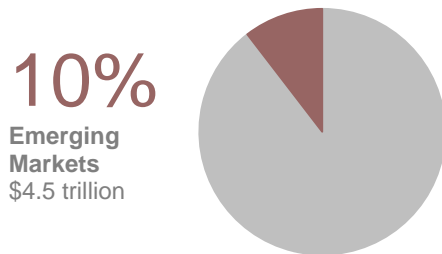
2016 Index Returns

In US dollar terms, emerging markets indices underperformed the US but outperformed developed markets outside the US for the year.

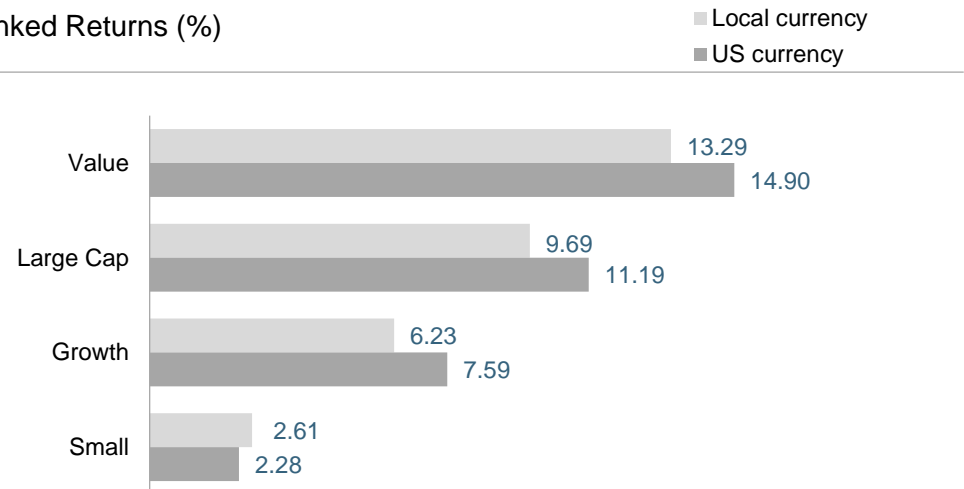
Looking at broad market indices, the value effect was positive across all size ranges.

Small caps underperformed large caps in emerging markets.

World Market Capitalization—Emerging Markets



Ranked Returns (%)



Period Returns (%)

Asset Class	* Annualized			
	1 Year	3 Years*	5 Years*	10 Years*
Large Cap	11.19	-2.55	1.28	1.84
Small Cap	2.28	-1.27	3.51	3.41
Value	14.90	-3.54	-0.27	1.97
Growth	7.59	-1.67	2.73	1.63

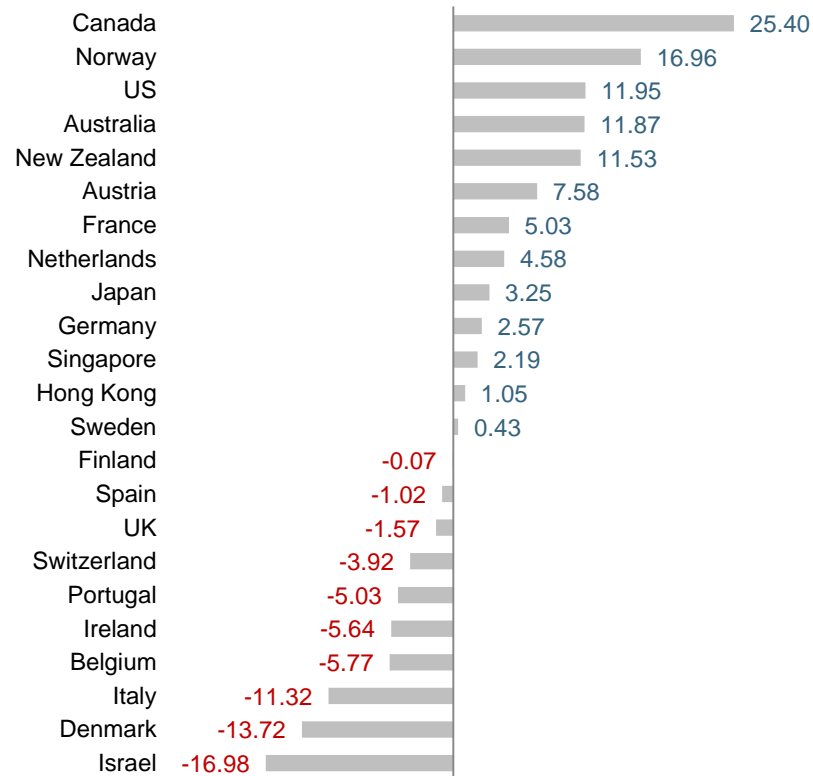
Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: Large Cap (MSCI Emerging Markets Index), Small 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 2017, all rights reserved.

Select Country Performance

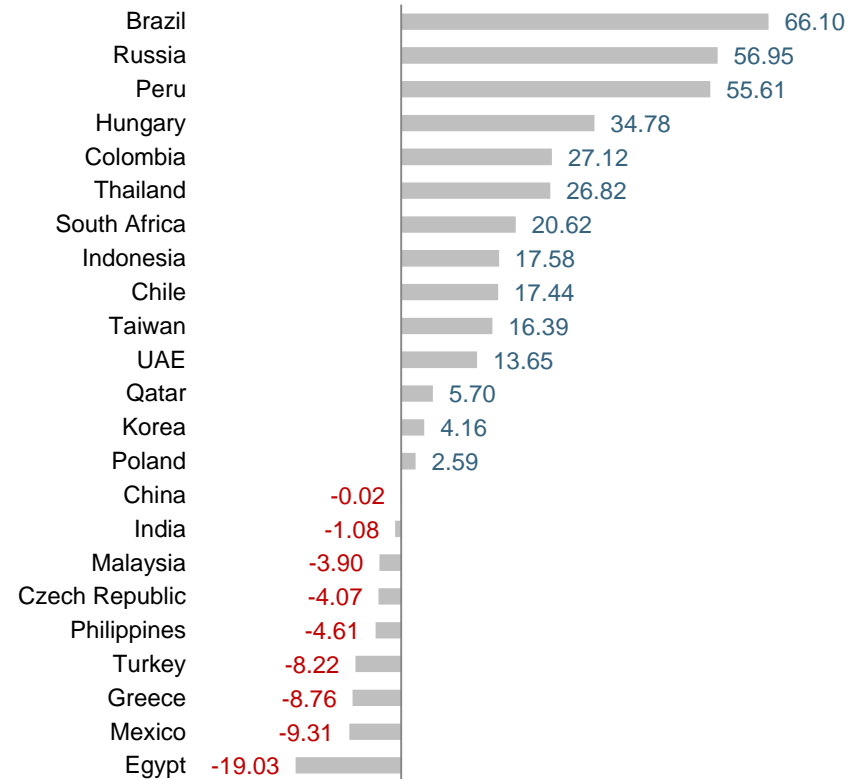
2016 Index Returns

Canada and Norway recorded the highest country performance in developed markets, while Israel and Denmark posted the lowest returns for the year. In emerging markets, Brazil and Russia posted the highest country returns, while Egypt and Mexico recorded the lowest performance.

Ranked Developed Markets Returns (%)



Ranked Emerging Markets Returns (%)



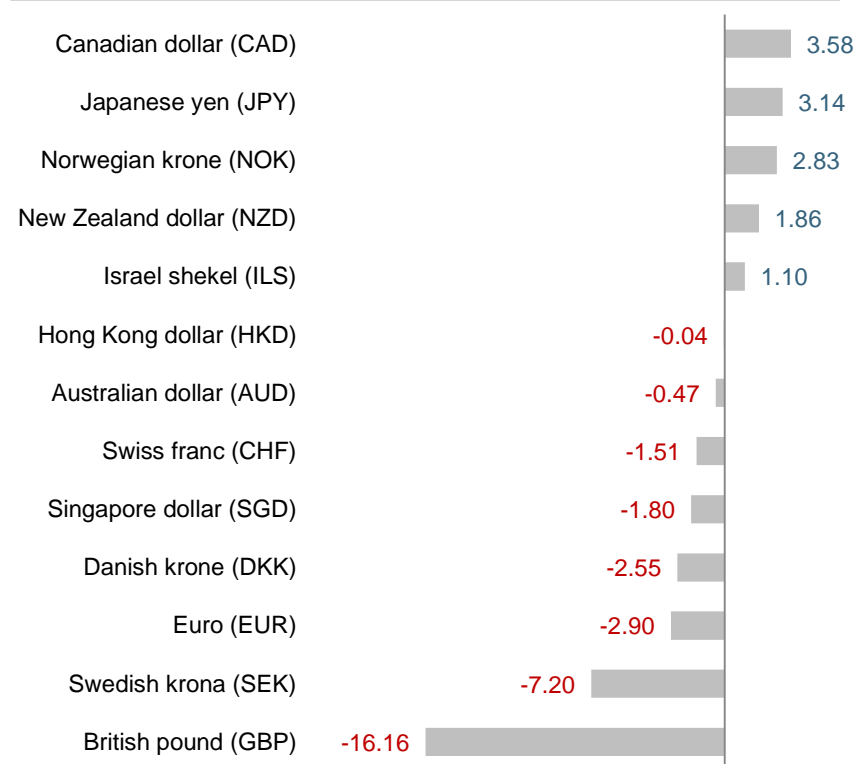
Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Country performance based on respective indices in the MSCI World ex US IMI Index (for developed markets), MSCI USA IMI Index (for US), and MSCI Emerging Markets IMI Index. All returns in USD and net of withholding tax on dividends. MSCI data © MSCI 2017, all rights reserved. UAE and Qatar have been reclassified as emerging markets by MSCI, effective May 2014.

Select Currency Performance vs. US Dollar

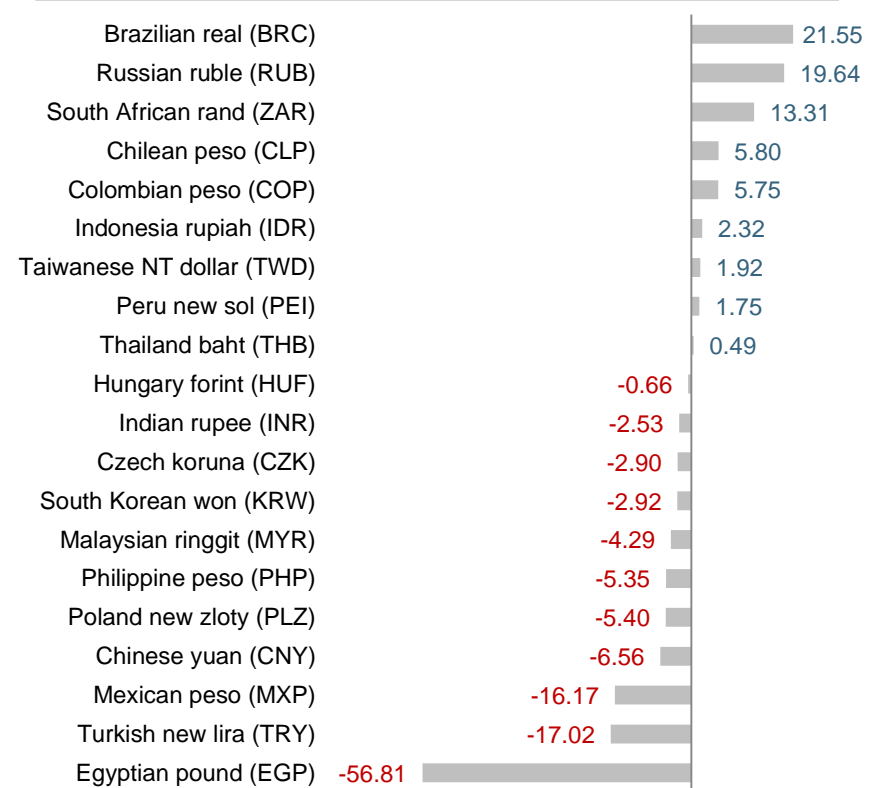
2016

Relative to the US dollar, currency returns were mixed for both the non-US developed and emerging markets. The best-performing currency in non-US developed markets was the Canadian dollar, while the British pound recorded the lowest performance. In emerging markets, the Brazilian real and the Russian ruble appreciated the most vs. the US dollar. The Egyptian pound lost more than half its value vs. the US dollar.

Ranked Developed Markets (%)



Ranked Emerging Markets (%)



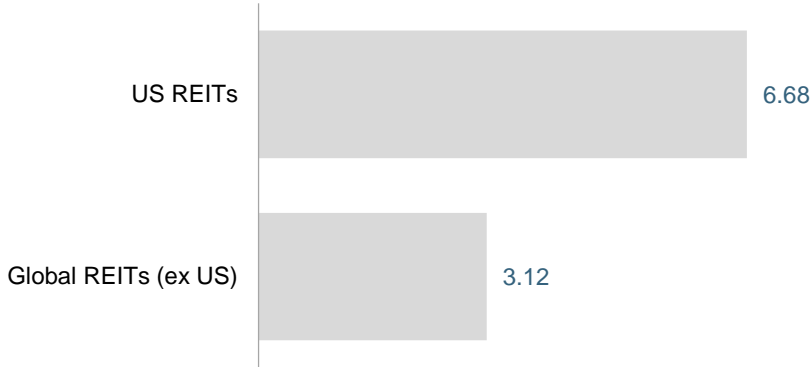
Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. MSCI data © MSCI 2017, all rights reserved.

Real Estate Investment Trusts (REITs)

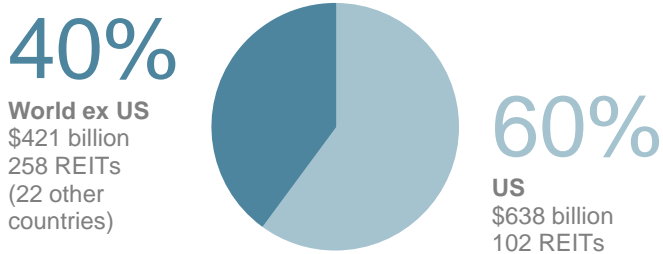
2016 Index Returns

US and non-US REITs had positive performance for the year but lagged the broad equity market in both regions.

Ranked Returns (%)



Total Value of REIT Stocks



Period Returns (%)

Asset Class	* Annualized			
	1 Year	3 Years*	5 Years*	10 Years*
US REITs	6.68	13.73	11.77	4.63
Global REITs (ex US)	3.12	3.34	8.30	0.00

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 © 2017.

Commodities

2016 Returns

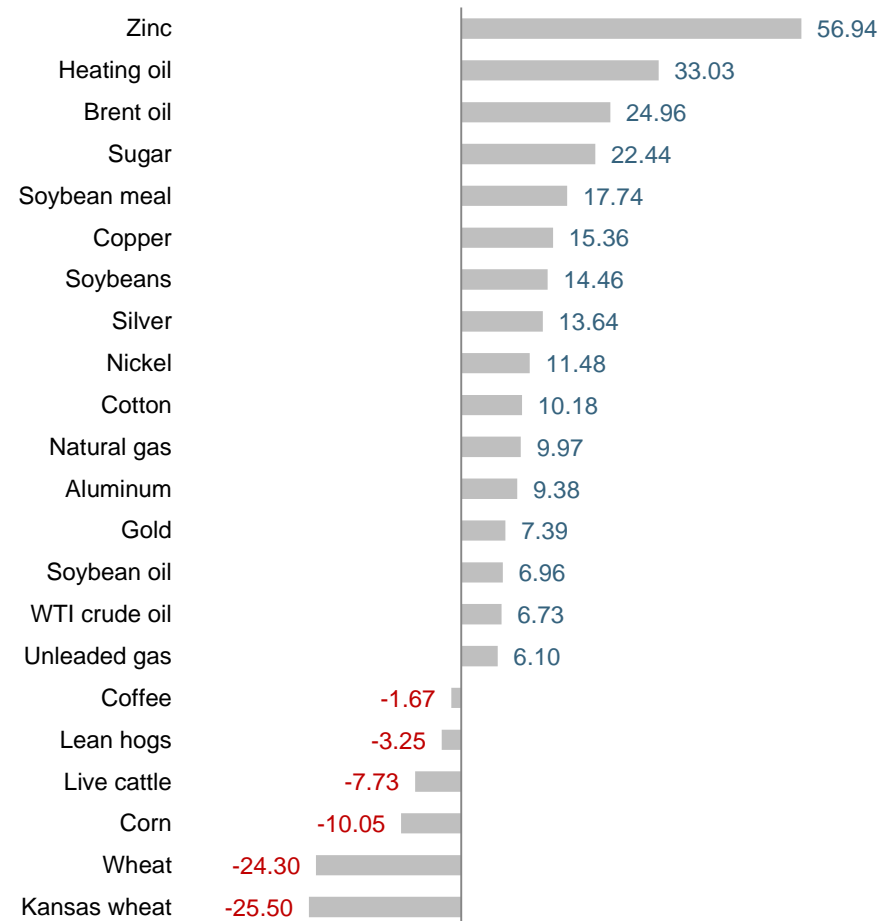
The Bloomberg Commodity Index Total Return gained 11.77% in 2016.

Zinc was the strongest performer, posting a return of 56.94%. Heating oil and Brent oil followed with respective returns of 33.03% and 24.96%. Kansas wheat was the weakest performer for the year, falling 25.50%.

Asset Class	Period Returns (%)			
	1 Year	3 Years*	5 Years*	10 Years*
Commodities	11.77	-11.26	-8.95	-5.58

** Annualized*

Ranked Returns for Individual Commodities (%)



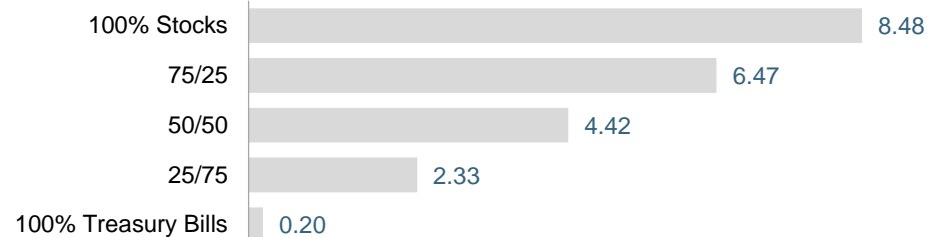
Impact of Diversification

2016 Index Returns

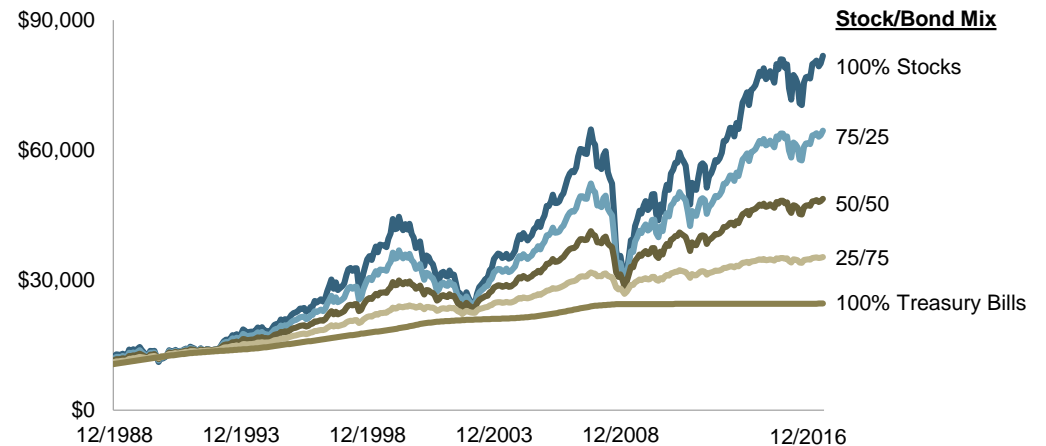
These portfolios illustrate the performance of different global stock/bond mixes. Mixes with larger allocations to stocks are considered riskier but have higher expected returns over time.

Period Returns (%)					* Annualized
Asset Class	1 Year	3 Years*	5 Years*	10 Years*	10-Year STDEV ¹
100% Stocks	8.48	3.69	9.96	4.12	16.99
75/25	6.47	2.90	7.53	3.54	12.74
50/50	4.42	2.03	5.07	2.77	8.49
25/75	2.33	1.09	2.58	1.81	4.24
100% Treasury Bills	0.20	0.08	0.06	0.67	0.41

Ranked Returns for 2016 (%)



Growth of Wealth: The Relationship between Risk and Return



1. STDEV (standard deviation) is a measure of the variation or dispersion of a set of data points. Standard deviations are often used to quantify the historical return volatility of a security or portfolio. 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 2017, 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).