Market Commentary
Third Quarter 2015

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Market Performance	2014 4Q	2015 1Q	2015 2Q	2015 3Q	1 YR	3 YR	5 YR
Dow Jones Industrial Average (U.S. Large Stocks)	5.20	0.33	(0.29)	(6.98)	(2.11)	9.26	11.38
Standard & Poor's 500 (U.S. Large Stocks)	4.93	0.95	0.28	(6.44)	(0.61)	12.40	13.34
Wilshire 5000 (U.S. Stocks)	5.26	1.61	0.06	(6.91)	(0.38)	12.42	13.17
MSCI EAFE (Foreign Stocks)	(3.57)	4.88	0.62	(10.23)	(8.66)	5.63	3.98
MSCI EM (Emerging Market Stocks)	(4.50)	2.24	0.69	(17.90)	(19.28)	(5.27)	(3.58)
MSCI ACWI (World Stocks)	0.41	2.31	0.35	(9.45)	(6.66)	6.95	6.82
Barclays Capital U.S. Agg. Index (U.S. Bonds)	1.79	1.61	(1.68)	1.23	2.94	1.71	3.10

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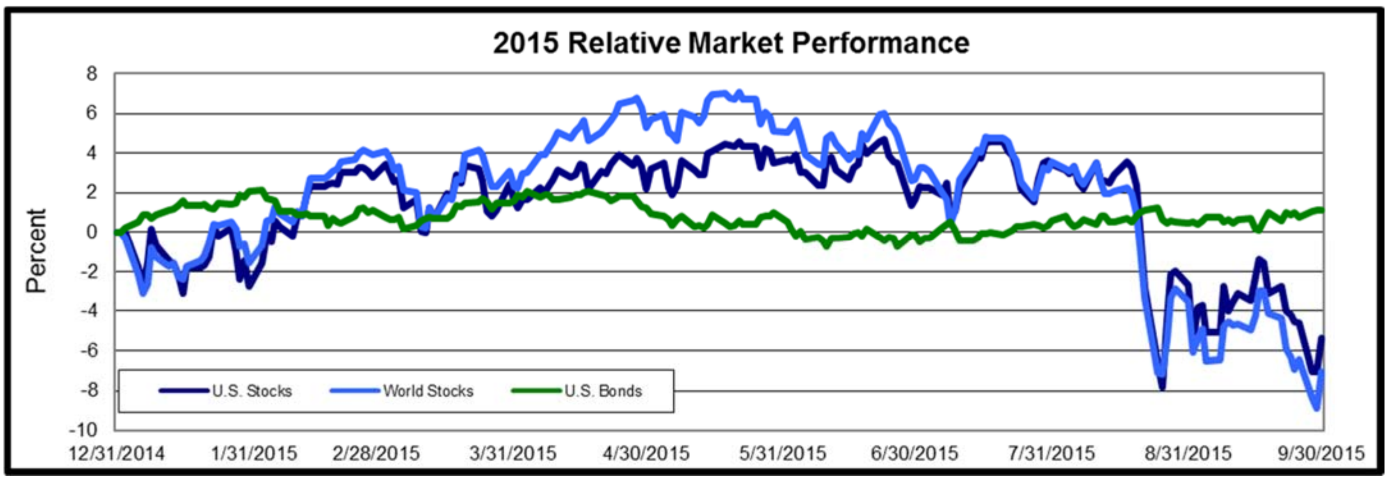
Quarterly Performance Review

In the third quarter, the S&P 500 experienced its first drawdown beyond 10% since 2011. Concern about the health of China's economy weighed on global equities. Emerging markets experienced the brunt of the pain as markets sold off and currencies relative to the U.S. dollar declined in value. Slowing demand for commodities, compounded by increasing supplies, added to the negative momentum in the markets creating a drag on earnings in the energy sector. Exacerbating the volatility in the quarter was the continued indecision by the Federal Reserve.

The yield on the benchmark 10-Year U.S. Treasury bond began the quarter near its year-to-date high as investors anticipated an increase in interest rates by the Federal Reserve. As negative headlines and increased volatility permeated the investing landscape, yields reversed course, ending the quarter lower than the year began. While the Federal Reserve continues to indicate that the path to higher rates is close, their actions have led to increased volatility in rates in the near-term. Bond prices move inversely to yields.



Interest Rates

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The Federal Open Market Committee (FOMC) maintained their cautious stance, deciding against a change in the federal funds rate at their September meeting. Recent comments by the FOMC have expressed concern on China. Though China itself should have minimal impact on Fed policy, the short-term effect of slow growth in China has negatively impacted global equities, commodities and overall levels of inflation. Factoring in a weaker job market over the last few months and the hesitation to raise rates on the Fed's part becomes clearer. Many investors anticipated action by the FOMC in 2015, but a 2016 event is beginning to look like a more likely scenario.

Within Europe, the European Central Bank (ECB) continues its quantitative easing program in order to keep interest rates low and the region competitive. The hope is that these policies will stimulate growth. In Asia, the Bank of Japan (BoJ) may increase its rate of easing as inflation expectations have fallen due to slow economic growth in recent quarters.

Global Growth Prospects

While the relative strength of the U.S. dollar will continue to be a headwind for exports, the U.S. consumer is holding up well.

Economic growth, as measured by gross domestic product (GDP), in the U.S. accelerated in the second quarter of the year, ending the period at 3.9%. Though strong, this only made up for a weak 0.6% GDP in the first quarter. The second half of the year is anticipated to be near 2.0%. While the relative strength of the U.S. dollar will continue to be a headwind for exports, the U.S. consumer is holding up well. Outside the U.S., euro area and Japanese growth expectations remain moderate. Euro area exports and consumption have been more supportive to GDP relative to that of Japan. Japanese consumption has recently fallen short of expectations and exports have declined for the first time in over a year. Euro area GDP is anticipated to be 1.5% for 2015 and 0.6% for Japan according to the International Monetary Fund (IMF). Low energy prices, continued accommodative policy from the ECB and the BoJ, in addition to depreciating currencies, should be supportive of both. While growth in the developed regions have generally improved, broad emerging markets have continued to struggle.

Growth across broad emerging markets is higher on an absolute basis compared to the developed world, but has trended down in 2015. Weakness from China has captured most of the headlines, but does not tell the whole story. It is no secret that China's economy is slowing as it tries to diversify its economy away from manufacturing. The pace of growth has slowed in-line with expectations from the People's Bank of China (PBoC). What has surprised investors are the secondary effects of China slowing at the pace they have.

Transitioning away from a rapid pace of investment has meant their demand for commodities has softened substantially impacting those developing nations that rely on commodity exports most heavily. Furthermore, the Asia region has felt the impact as Chinese imports and exports have declined. Developed economies should be impacted less from an economic prospective as they are less dependent on exports as a percentage of their economy to China. Where developed economies have felt some pain are the negative headlines that have generated excess market volatility. Growth expectations for broad emerging markets in 2015 are 4.0% in 2015 according to the IMF.

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Corporate Earnings Growth

The S&P 500 currently trades at 17.3 times estimated full-year 2015 earnings. Estimates for 2015 earnings drifted lower, impacted by the negative outlook in the energy sector. Current 2015 estimates are -1.80% below calendar year 2014, the first calendar year loss since 2008. Revenues have also been impacted and are expected to contract 1.0% in the third quarter, the third quarter in a row, as corporations deal with foreign exchange headwinds.

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Corporate earnings growth across Europe and Japan continue to strengthen. Meanwhile, European equities trade at 13.8 times forward earnings, Japan at 12.9 and emerging markets at 10.5, all at a relative discount to the S&P 500.

Summary

Entering the last half of 2015, there is arguably more uncertainty than when the year began. Many investors anticipate and hope for an initial rate hike from the Fed as inaction lends to the fear that maybe the strength in the economy is on uncertain footing. While economists are not predicting a recession anytime soon, Fed inaction creates heightened volatility. Though the euro area and Japan continue to make progress, can their accommodative policies overcome their structural issues? Finally, emerging markets, specifically China's pace of slowdown has agitated many investors as worries over the contagion effect rippled across global equity and commodity markets. However, China has the tools and the reserves to continue to manage its transition to a more diverse economy. Growth in emerging market and developing economies is projected to rebound in 2016 and global growth prospects are expected to be 3.1% in 2015 according to the IMF.

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In volatile markets investors should remain focused on their long-term objectives. Asset allocation strategies developed for a portfolio provide a roadmap to follow in times of duress. Steps may need to be taken to ensure capital preservation, but must be weighed against their potential impact on long-term performance. Implementing a disciplined, strategic approach with portfolio allocation across varying asset classes is an important element of a successful investment strategy. That's why at TrustCore, we believe in creating a customized, well-diversified portfolio to help you meet your long-term financial goals.