TRUSTCORE®

Market Commentary
First Quarter 2016

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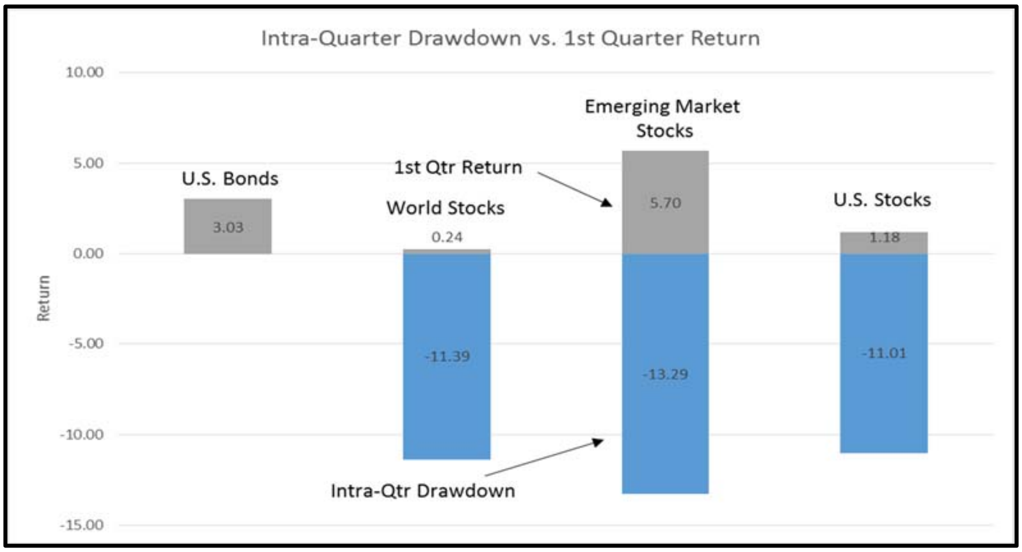
As of 3/31/16

Market Performance	2015 2Q	2015 3Q	2015 4Q	2016 1Q	1 YR	3 YR	5 YR
Dow Jones Industrial Average (U.S. Large Stocks)	(0.29)	(6.98)	7.70	2.20	2.08	9.29	10.27
Standard & Poor's 500 (U.S. Large Stocks)	0.28	(6.44)	7.04	1.35	1.78	11.82	11.58
Wilshire 5000 (U.S. Stocks)	0.06	(6.91)	6.36	1.17	0.23	11.26	11.01
MSCI EAFE (Foreign Stocks)	0.62	(10.23)	4.71	(3.01)	(8.27)	2.23	2.29
MSCI EM (Emerging Market Stocks)	0.69	(17.90)	0.66	5.71	(12.03)	(4.50)	(4.13)
MSCI ACWI (World Stocks)	0.35	(9.45)	5.03	0.24	(4.34)	5.54	5.22
Barclays Capital U.S. Agg. Index (U.S. Bonds)	(1.68)	1.23	(0.57)	3.03	1.96	2.50	3.78

Inside This Issue

Performance Review

Global equity markets experienced one of the worst starts in recent memory. Lingering concerns from 2015 of an oversupplied oil market and weak global growth stoked the fire. Uncertainty on the Federal Reserve's future path likely added to volatility after their first rate hike in December. China sent the markets down after poor communication by their central bank and an ill-timed currency devaluation. Intra-quarter drawdowns reached double-digits; however, equities managed a significant turnaround, as highlighted in the graph below, in the last half of the quarter to post a positive return with emerging markets witnessing the largest swing.



The yield on the benchmark 10-Year U.S. Treasury bond ended the first quarter nearly 0.50% lower than where it began, driven to one of the sharpest quarterly declines in years by global unease. More recently, the treasury yield curve began to flatten to a multi-year low as quantified by the spread between the 10-Year U.S.

Treasury and the 2-Year U.S. Treasury. While worrisome if it were to become inverted, at its current level signs of economic difficulty are not apparent. Bond prices move inversely to yields.

Interest Rates

The press release issued by the Federal Reserve following their December meeting included a hopeful outlook for 2016. The Federal Reserve anticipated four additional rate hikes in 2016 on top of the first in December. This proved to be too optimistic as just three months after that announcement the Federal Reserve cut in half the number of expected rate hikes, citing a sluggish global economy. While the focus of the Federal Reserve is initially on domestic policy, specifically stable prices and maximum employment, central banks must increasingly weigh the international response to their actions when setting policy goals. For the pace of U.S. rates to move higher, economic activity would have to see a meaningful pickup or a substantial move in wage inflation which pressures the Federal Reserve to take action.

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The European Central Bank (ECB) expanded its monetary stimulus by increasing its monthly asset purchases to 80 billion euros in addition to cutting its main refinancing rate to zero. These efforts are intended to maintain the euro zone's economic recovery. In a similar tone, the Bank of Japan (BoJ) has committed to keep the economy on a solid trajectory toward growth. With rates across the developed world set for a slow growth environment and a concerted effort for coordinated monetary policy on the part of the major central banks, it would be hard to see rates deviate too much in the near-term.

Global Growth Prospects

Overall, first quarter domestic growth has not been as strong as hoped with estimates as low as 0.1%. Sluggish consumer spending has weighed on expectations. The hope was that the reduction in the price of oil would afford consumers additional spending capacity. Unfortunately, that has not happened at the pace many economists expected. On a positive note, the labor market continues to be resilient as job growth remained healthy. Furthermore, manufacturing activity has signaled expansion for the first time in six months. Expectations are for GDP growth of 2.0%-2.5% in 2016, in-line with our post-recession average rate of expansion.

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The euro zone recovery is expected to continue, aided by a strengthening consumer and an improving labor market, though slowing global growth will keep prospects muted. Of political and economic concern is the June vote by the United Kingdom on their potential exit from the European Union. The hope and anticipation is that they will remain a member as leaving would likely have negative economic consequences for both. Expectations are for growth just over 1.5% in 2016.

Across emerging markets, the outlook is for economic growth near 4.0%, on par with the rate of growth in 2015, but slower than initial estimates suggested. Weak global consumption contributed to a broad malaise though dispersion in economic growth across emerging markets remains. Countries most tied to commodities continued to stagnate amidst low prices. Whereas, recent economic data out of China suggest stabilization amidst persistent growth concerns.

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Corporate Earnings Growth

The S&P 500 currently trades at 16.6 estimated full-year 2016 earnings, higher than their historical average of 15.8. However, as earnings have slumped recently those valuations have stretched higher. Looking forward, the first half of the year will likely see a continued drag on S&P 500 earnings from the energy sector as those companies continue to struggle amidst an oversupply of oil and prices still trying to find a floor. While the strength of the U.S. dollar had been a headwind most of 2015, it has slowed more recently, yet remains a risk. Earnings overall could be challenged in the near-term, but calendar-year 2016 estimates show a 17.2% increase over 2015.

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Summary

The markets ended the quarter on a positive note, but uncertainty and volatility were persistent. Though global equity markets were able to recover from their double-digit drawdown, uncertainty remains. The repercussions of the collapse in oil are still being discovered, but the Federal Reserve is closer to a sustained path toward interest rate hikes. Finally, with China's sizable contribution to global growth, any actions will be closely watched and may have more market moving impact than they had in the past. These challenges do not signal a collapse in economic growth, rather a slowing. Global growth prospects are expected to be 2.5% to 3.0% in 2016, lower than 2015 estimates.

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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.