

Global Market Turmoil

Special Commentary & Webinar

August 25, 2015

Today's Speakers

Envestnet | PMC



Zachary Karabell

Head of Global Strategy, Envestnet

As Head of Global Strategy, Mr. Karabell helps shape and communicate Envestnet's investment perspective and deep research capabilities to clients and the media alike and advises the Investment Committee of Envestnet | PMC in connection with PMC's portfolio solutions.



Brandon Thomas

Chief Investment Officer, Envestnet | PMC

Mr. Thomas is responsible for all aspects of PMC's investment management and research capabilities. Primary among those responsibilities include the development of PMC's investment policy, implementation of the firm's investment management and research offerings, and the development of new investment products, including alternative investment strategies.



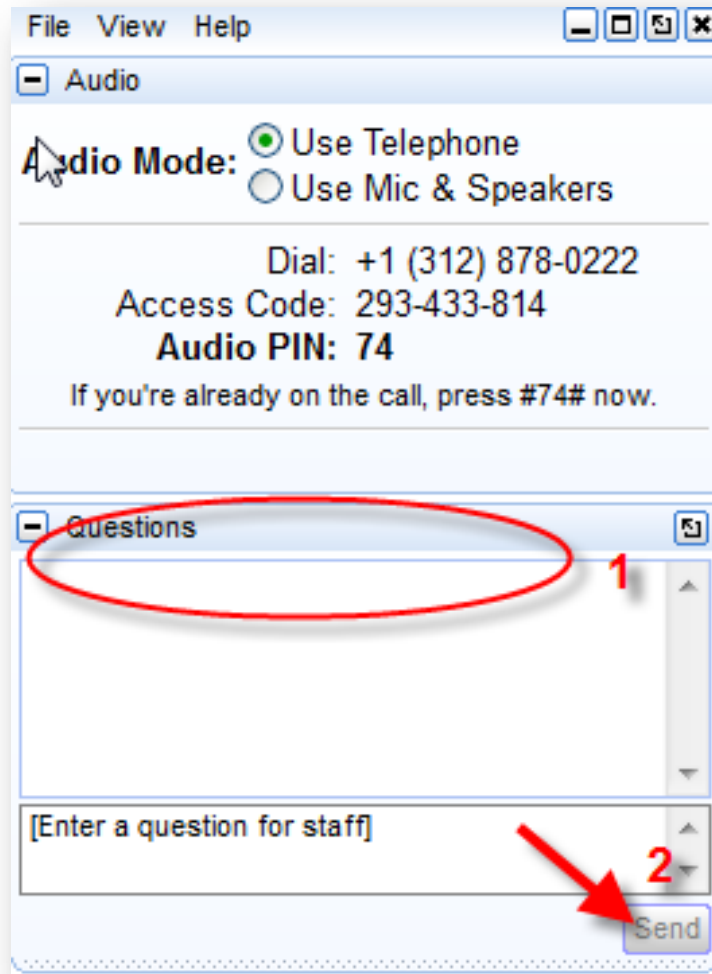
Tim Clift

Chief Investment Strategist, Envestnet | PMC

Mr. Clift is responsible for research and consulting services for the organization. He leads a team of analysts who are responsible for the selection and monitoring of investment managers and a team of consultants who support institutional and advisory clients.

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Global Market Turmoil

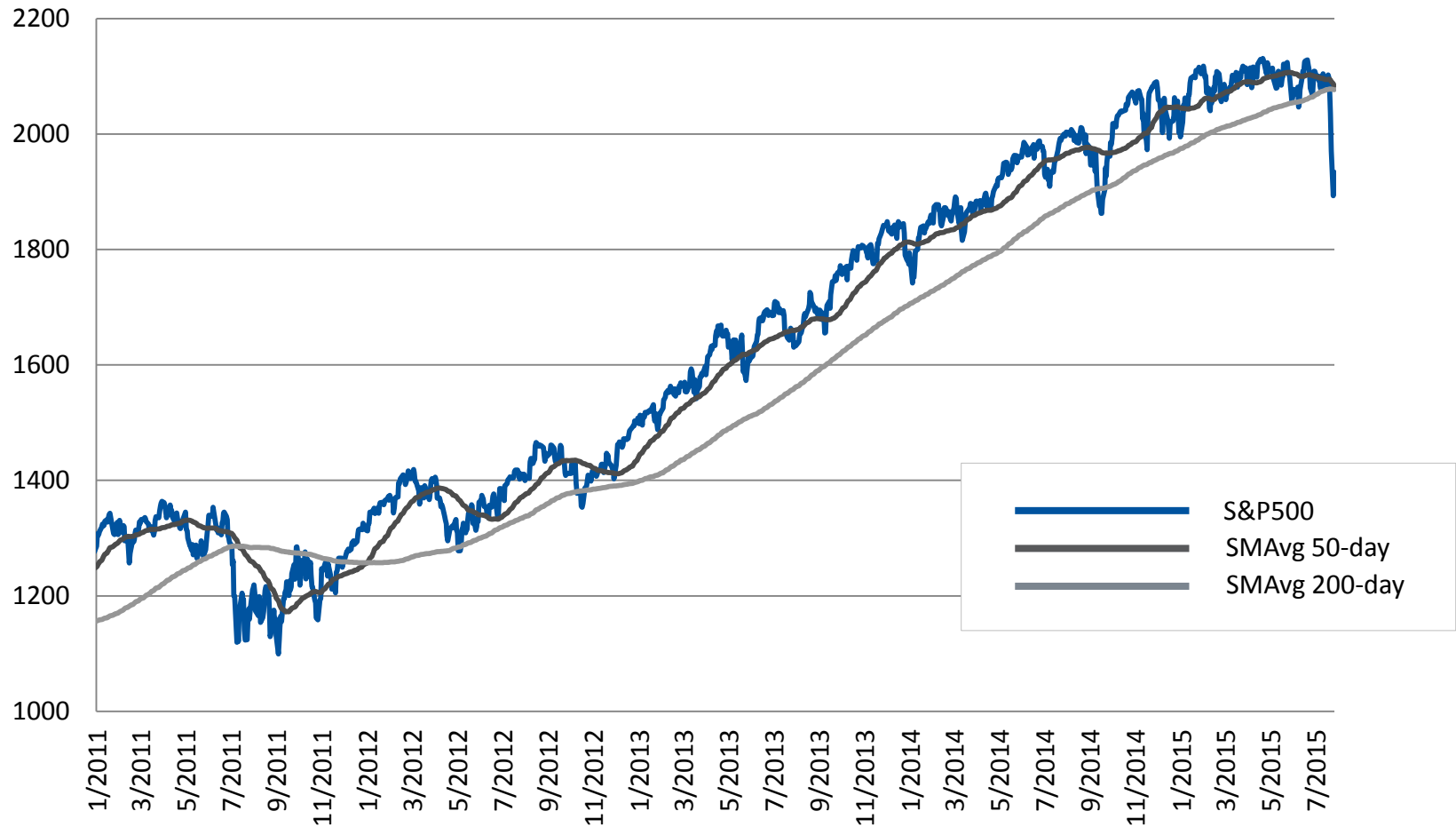
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- For any technical difficulties, please contact:
 - Madeline Smith: madeline.smith@envestnet.com
- Listen-only mode
- Q&A at the end

Special Commentary

Historic Market Corrections

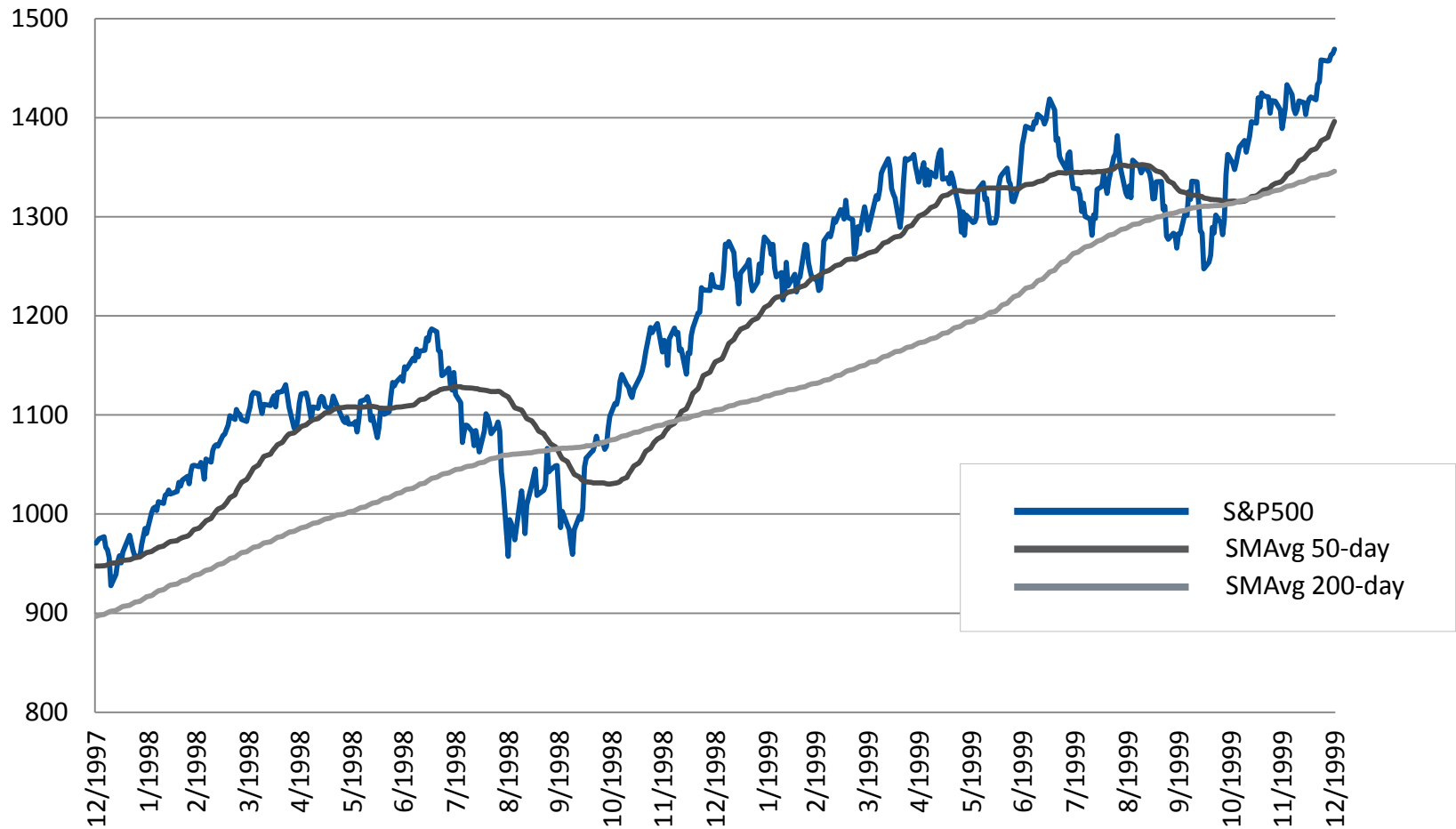
S&P500, 2011 to present



Source: Bloomberg
*Data through 8/24/15

Historic Market Corrections

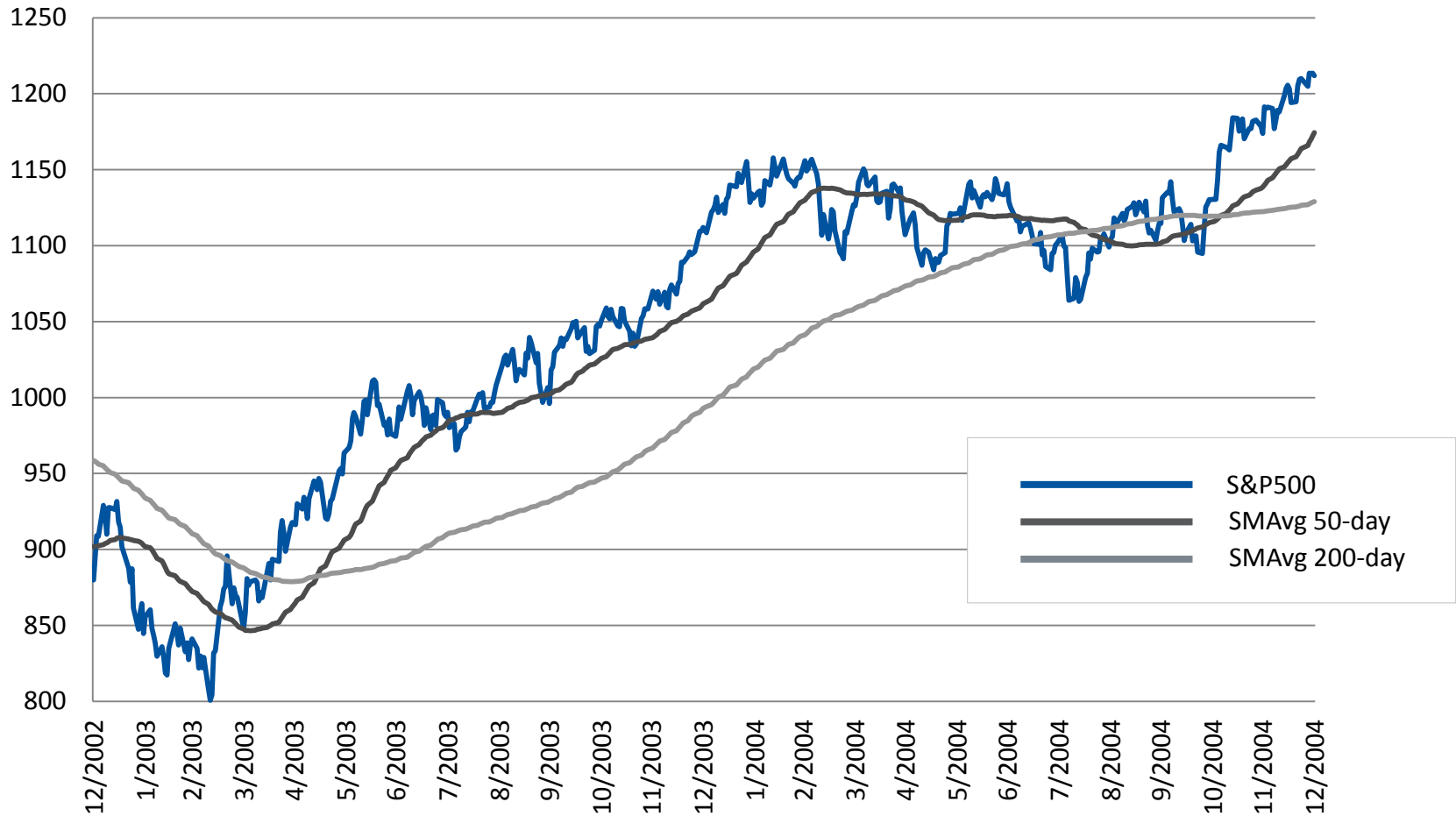
S&P500, 1998-1999



Source: Bloomberg

Historic Market Corrections

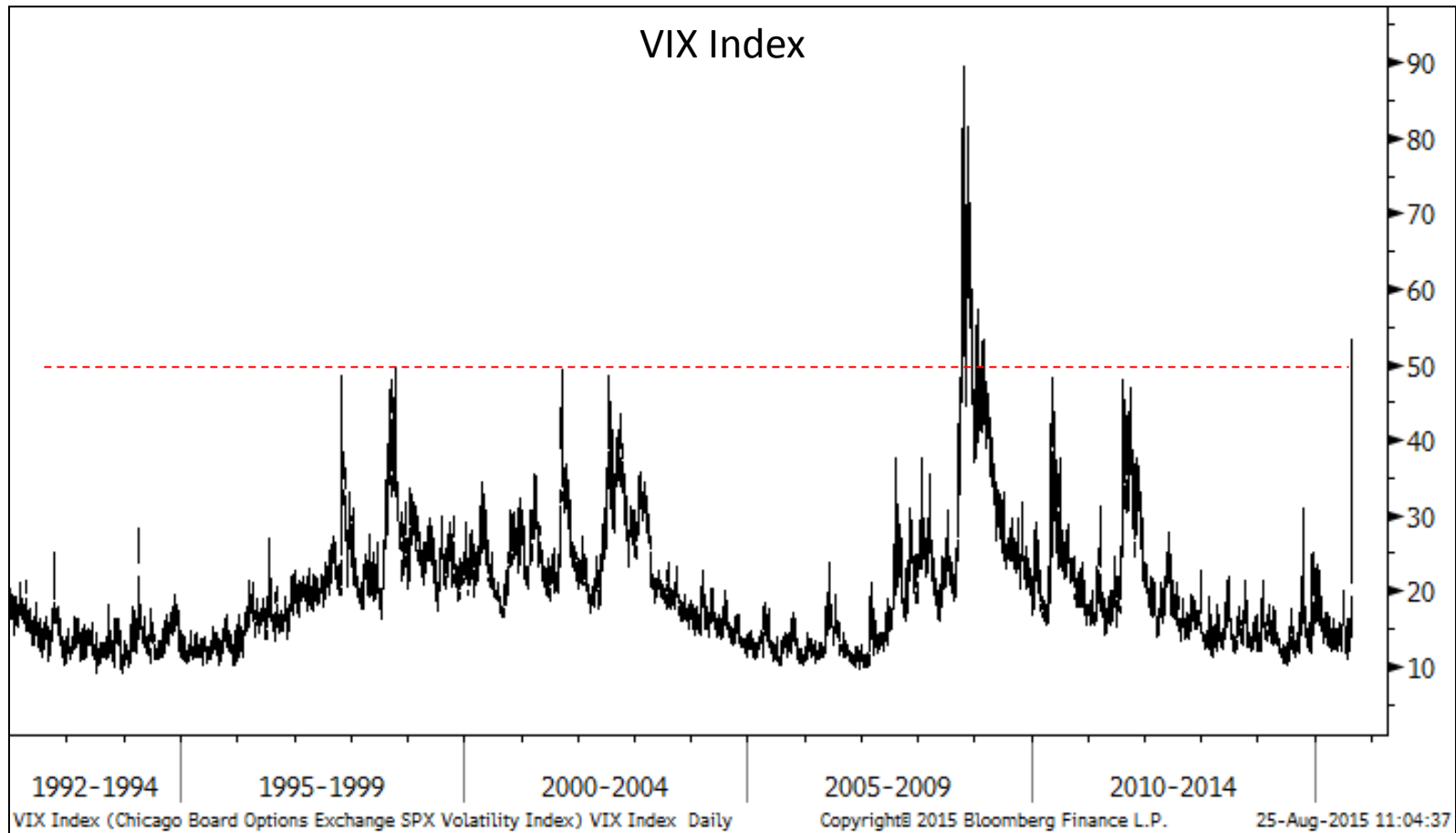
S&P500, 2003-2004



Source: Bloomberg

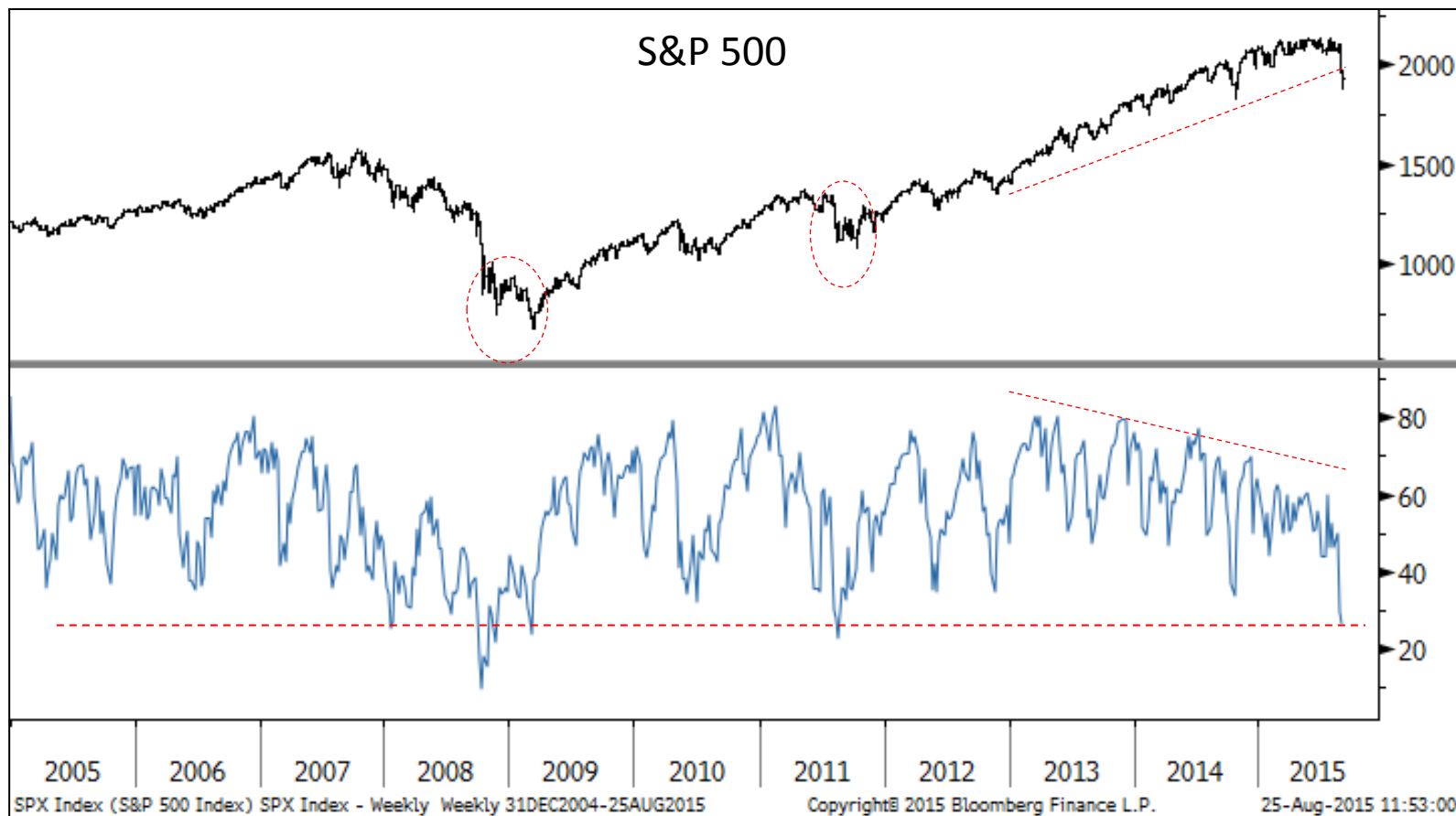
Volatility at a Recent Extreme

CBOE VIX Index, 2010-Present



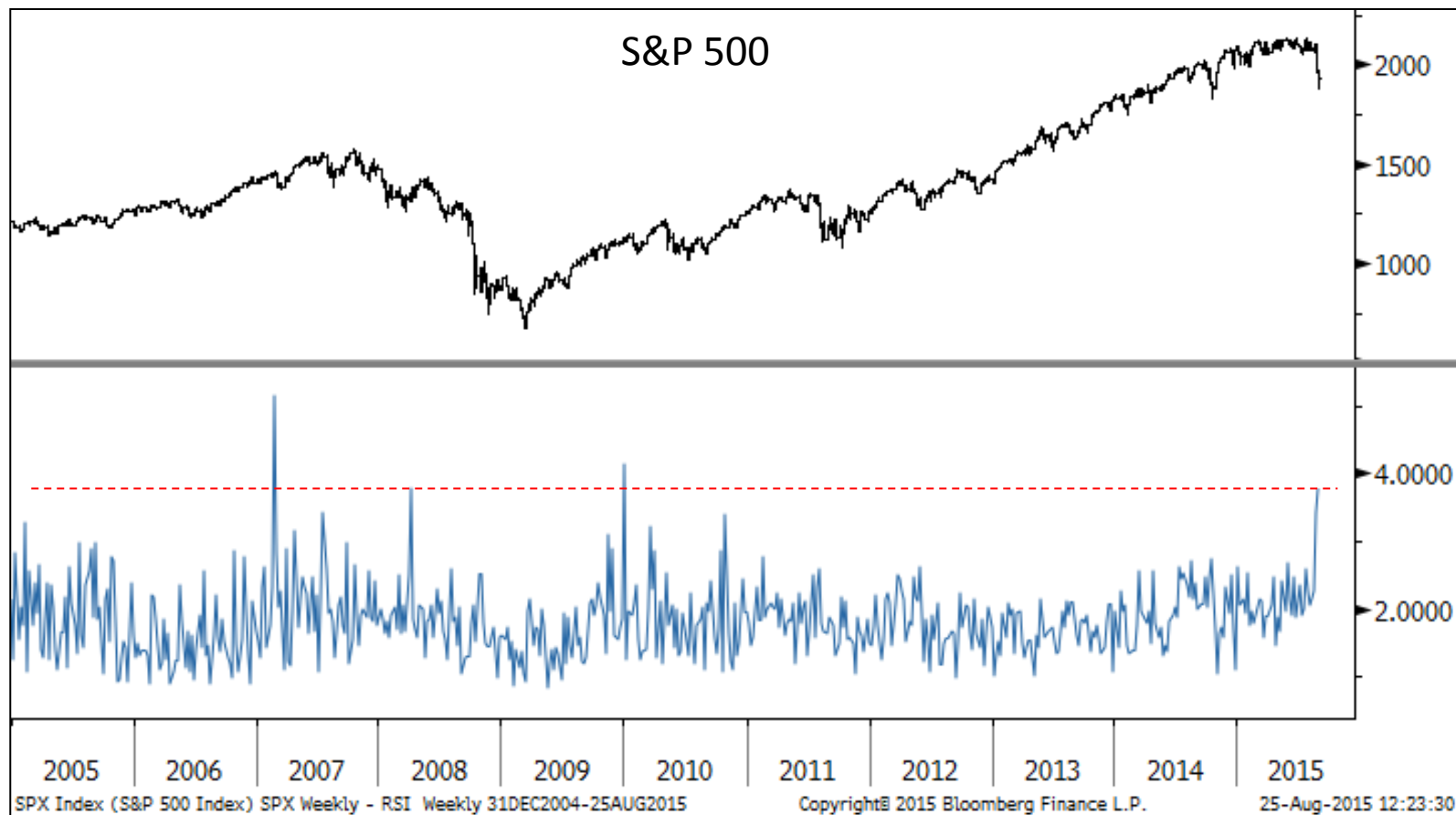
Relative Strength at 2011 Levels

S&P 500: 9-Day RSI, 2005 - Present



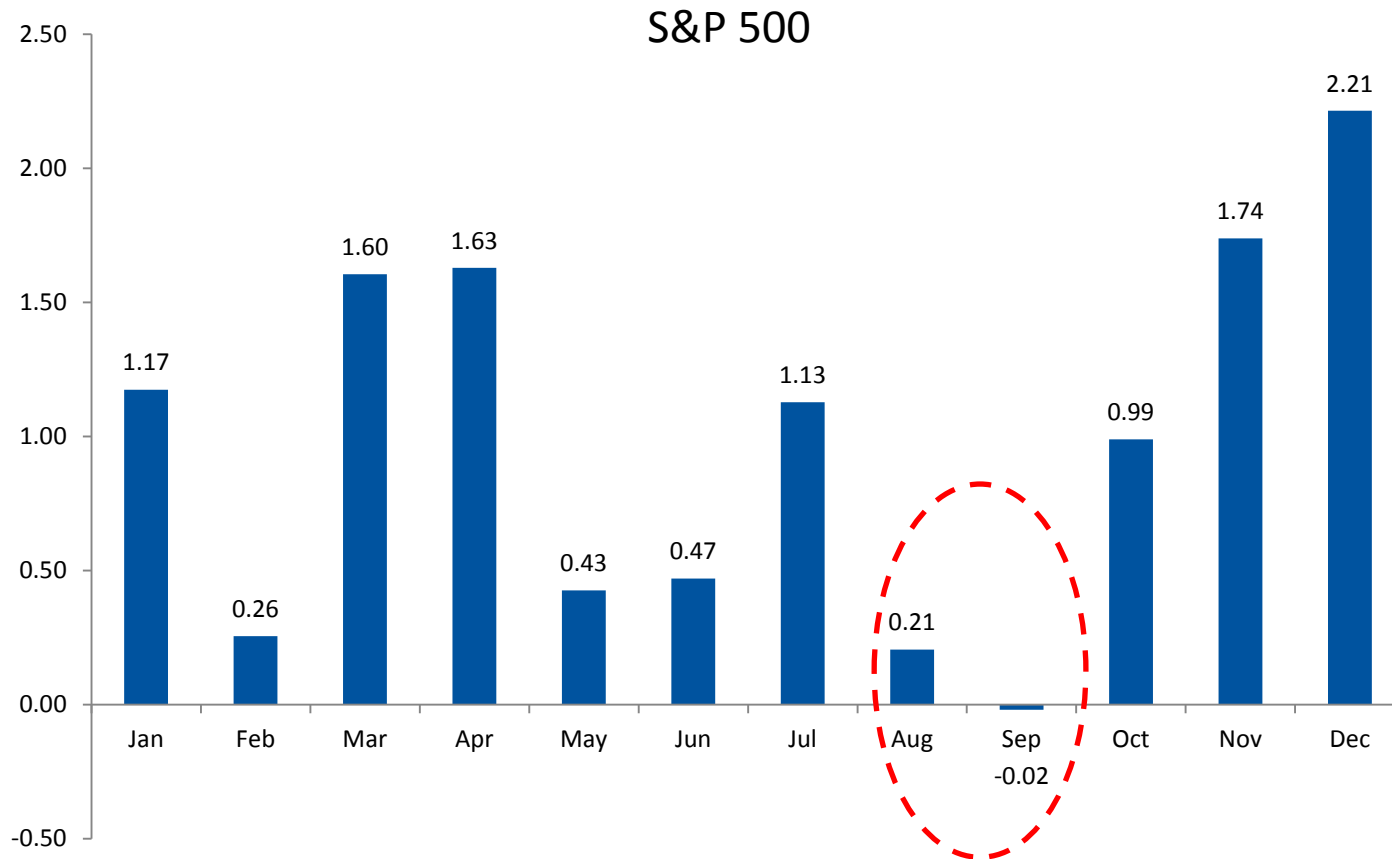
Put/Call Ratio also at Extreme Levels

CBOE Put/Call Volume Ratio



A Seasonally Weak Time of Year

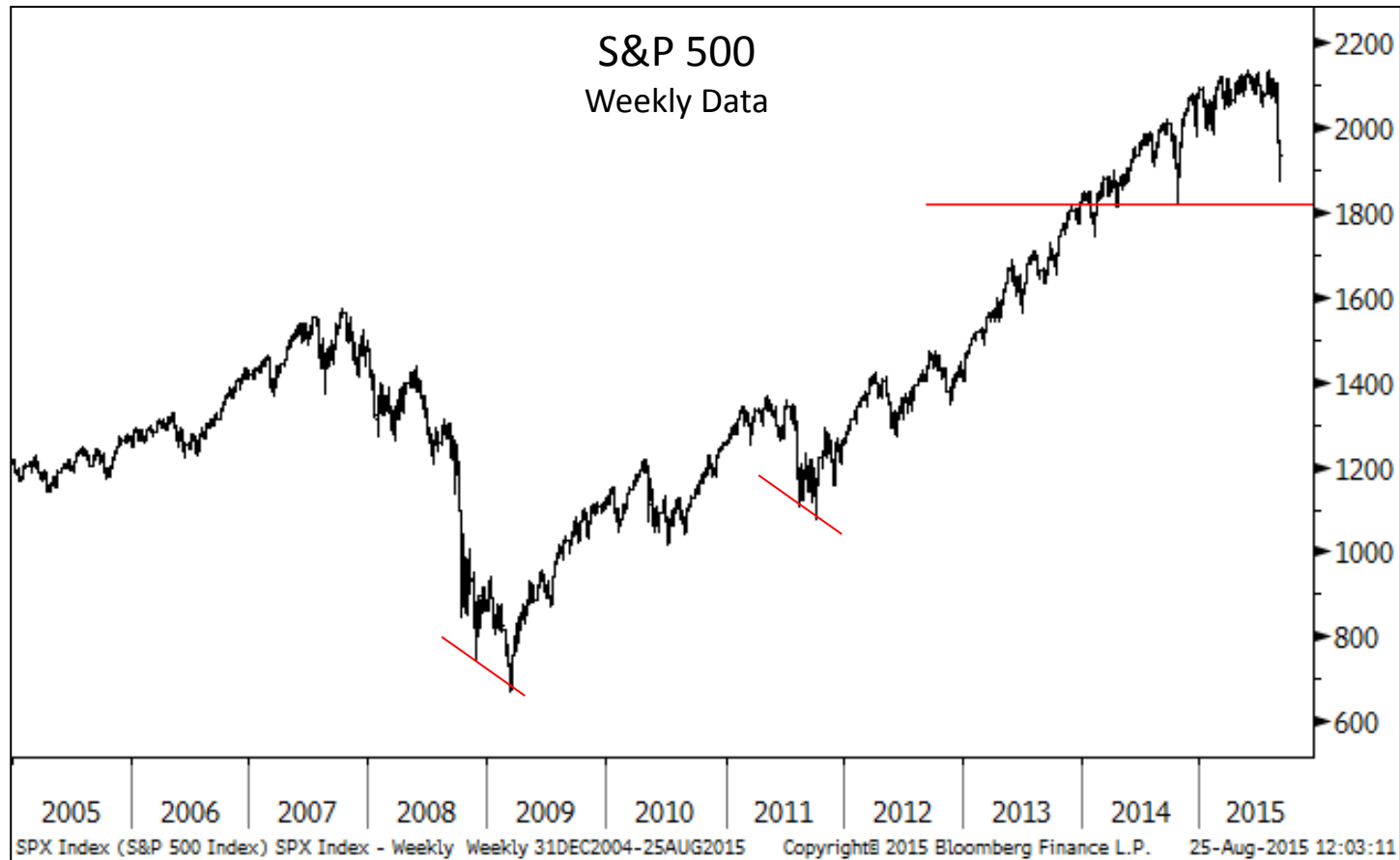
S&P 500 Average Monthly Performance, 1950 - Present



Source: Bloomberg

“V” Bottoms are Infrequent

Consolidation Can Take Weeks or Months

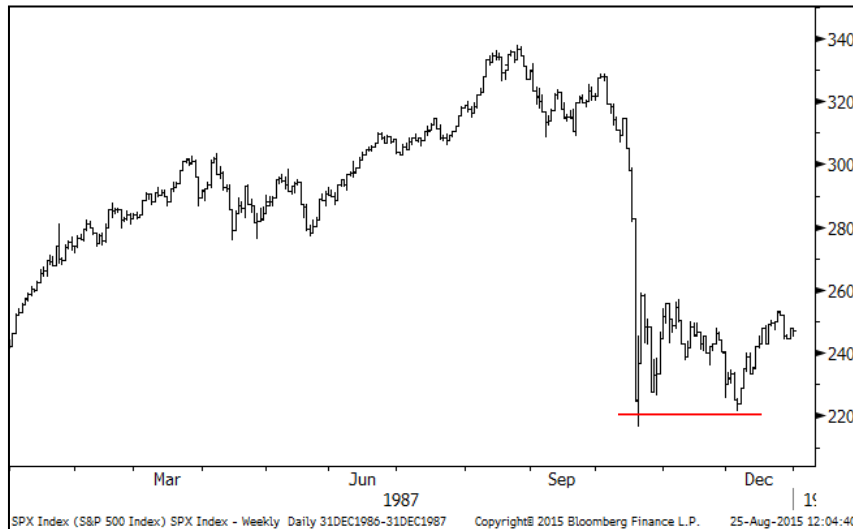


“V” Bottoms are Infrequent

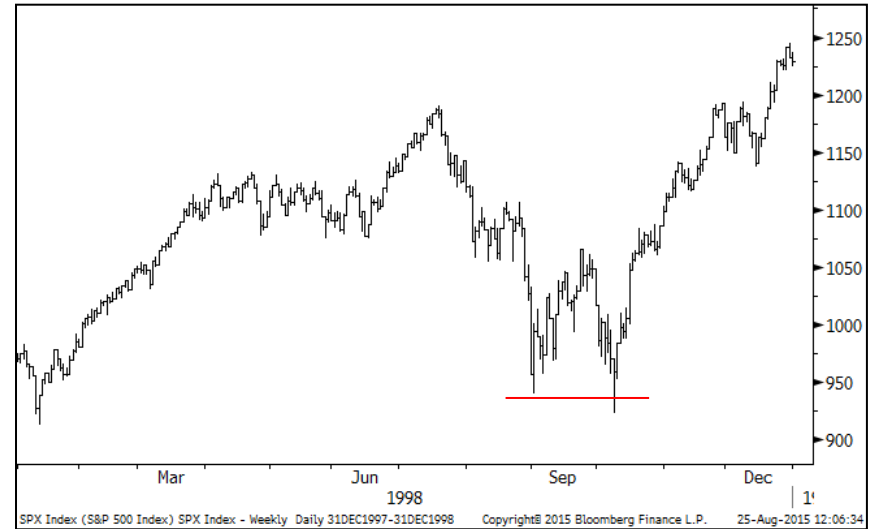
Examples from 1987 and 1998

S&P 500

1987



1998 – Asian Financial Crisis



Diversification

Change in Market Leadership

Index	2014	1 st half 2015	3 rd QTD*
S&P 500 TR USD	13.7	1.2	-8.0
Russell 1000 TR USD	13.2	1.7	-8.1
DJ Industrial Average TR USD	10.0	0.0	-9.5
Barclays US Agg Bond TR USD	6.0	-0.1	1.4
Russell 2000 TR USD	4.9	4.8	-11.2
Barclays US Corporate High Yield TR USD	2.5	2.5	-3.5
HFRX Absolute Return USD	0.8	2.0	0.2
MSCI EM NR USD	-2.0	2.9	-20.2
MSCI EAFE NR USD	-4.9	5.5	-7.6

Source: Morningstar Direct

*Data through 8/24/15

Diversification

Higher returns, lower risk for the long-term

Diversification is intended to smooth out unsystematic risk in a portfolio so that the positive performance of some investments will help offset the negative performance of others. We experience this phenomenon every year.

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	20 Years Annualized
Top 200 39.36	REITs 37.05	Large Cap Value 35.18	Large Cap Growth 38.71	Emerging Markets 66.41	Commodities 31.84	REITs 12.35	Commodities 25.91	Emerging Markets 56.28	REITs 33.16	Emerging Markets 34.54	REITs 35.97	Emerging Markets 39.78	U.S. Agg 5.24	Emerging Markets 79.02	REITs 28.07	Munis 10.70	Emerging Markets 18.63	Small Cap 38.82	REITs 32.00	Mid Cap 12.01
Large Cap Value 38.36	Top 200 24.01	Top 200 34.53	Top 200 33.98	Large Cap Growth 33.16	REITs 31.04	U.S. Agg 8.44	U.S. Agg 10.26	Small Cap 47.25	Emerging Markets 25.95	Commodities 21.36	Emerging Markets 32.58	Commodities 16.23	Cash 1.80	High Yield 58.21	Small Cap 26.85	REITs 9.37	International Equity 17.90	Mid Cap 34.76	Large Cap Value 13.45	REITs 11.61
Large Cap Core 37.77	Commodities 23.17	Large Cap Core 32.85	Large Cap Core 27.02	International Equity 27.30	Munis 11.63	High Yield 5.28	Munis 9.60	Mid Cap 40.06	International Equity 20.70	International Equity 14.02	International Equity 26.86	Large Cap Growth 11.81	Munis -2.47	Mid Cap 40.48	Mid Cap 25.48	U.S. Agg 7.84	Large Cap Value 17.51	Large Cap Growth 33.48	Top 200 13.25	Large Cap Value 10.51
Large Cap Growth 37.18	Large Cap Growth 23.12	Large Cap Growth 30.49	International Equity 20.33	Commodities 24.35	U.S. Agg 11.63	Munis 5.13	REITs 3.58	International Equity 39.17	Mid Cap 20.22	REITs 13.82	Large Cap Value 22.25	International Equity 11.63	Diversified Portfolio -21.62	Large Cap Growth 37.21	Emerging Markets 19.20	High Yield 4.98	Mid Cap 17.28	Large Cap Core 33.11	Large Cap Core 13.24	Large Cap Core 10.04
Mid Cap 34.45	Large Cap Core 22.45	Mid Cap 29.01	Large Cap Value 15.63	Top 200 21.79	Mid Cap 8.25	Cash 4.09	Cash 1.70	REITs 36.18	Small Cap 18.33	Mid Cap 12.65	Small Cap 18.37	U.S. Agg 6.97	High Yield -26.16	International Equity 32.46	Commodities 16.83	Top 200 2.83	REITs 17.12	Large Cap Value 32.53	Mid Cap 13.22	Small Cap 9.63
Small Cap 28.45	Large Cap Value 21.64	Small Cap 22.36	Diversified Portfolio 10.28	Small Cap 21.26	Large Cap Value 7.01	Small Cap 2.49	High Yield -1.41	Large Cap Value 30.03	Large Cap Value 16.49	Diversified Portfolio 7.36	Top 200 15.53	Diversified Portfolio 6.33	Small Cap -33.79	REITs 28.46	Large Cap Growth 16.71	Large Cap Growth 2.64	Large Cap Core 16.42	Top 200 32.41	Large Cap Growth 13.05	Top 200 9.44
Diversified Portfolio 21.50	Mid Cap 19.00	REITs 19.66	Mid Cap 10.09	Large Cap Core 20.91	Cash 5.96	Diversified Portfolio -1.97	Diversified Portfolio -5.61	Large Cap Core 29.89	Diversified Portfolio 12.86	Large Cap Value 7.05	Large Cap Core 15.46	Top 200 5.89	Commodities -35.65	Large Cap Core 28.43	Large Cap Core 16.10	Large Cap Core 1.50	Small Cap 16.35	International Equity 23.29	Munis 9.05	Large Cap Growth 9.04
High Yield 19.17	Small Cap 16.49	Diversified Portfolio 14.73	U.S. Agg 8.69	Mid Cap 18.23	Diversified Portfolio 1.14	Emerging Markets -2.37	Emerging Markets -6.00	Large Cap Growth 29.75	Large Cap Core 11.40	Large Cap Core 6.27	Diversified Portfolio 15.31	Large Cap Core 5.77	Top 200 -36.07	Small Cap 27.17	Large Cap Value 15.51	Diversified Portfolio 0.67	Top 200 16.04	Diversified Portfolio 15.02	Diversified Portfolio 6.66	Diversified Portfolio 8.39
U.S. Agg 18.47	Diversified Portfolio 11.50	High Yield 12.76	Munis 6.48	Diversified Portfolio 13.34	Small Cap -3.02	Large Cap Value -5.59	Large Cap Value -15.52	High Yield 28.97	High Yield 11.13	Large Cap Growth 5.26	Mid Cap 15.26	Mid Cap 5.60	Large Cap Value -36.85	Top 200 24.21	High Yield 15.12	Large Cap Value 0.39	High Yield 15.81	High Yield 7.44	US Agg 5.97	High Yield 7.94
Munis 17.45	High Yield 11.35	U.S. Agg 9.65	Cash 5.06	Large Cap Value 7.35	High Yield -5.86	Mid Cap -5.62	International Equity -15.66	Top 200 26.68	Commodities 9.15	Small Cap 4.55	High Yield 11.85	Cash 4.74	Large Cap Core -37.60	Diversified Portfolio 21.64	Diversified Portfolio 12.93	Cash 0.08	Large Cap Growth 15.26	REITs 1.22	Small Cap 4.89	US Agg 6.20
Commodities 15.21	International Equity 6.36	Munis 9.19	High Yield 1.87	Cash 4.74	Large Cap Core -7.79	Large Cap Core -12.45	Mid Cap -16.19	Diversified Portfolio 24.61	Top 200 8.31	Top 200 3.77	Large Cap Growth 9.07	Munis 3.36	Large Cap Growth -38.44	Large Cap Value 19.69	Top 200 12.47	Mid Cap 1.55	Diversified Portfolio 11.87	Cash 0.05	High Yield 2.45	Emerging Markets 6.01
REITs 12.24	Emerging Markets 6.03	Cash 5.25	Small Cap -2.55	High Yield 2.39	Top 200 -12.14	Top 200 -14.57	Small Cap -20.48	Commodities 23.93	Large Cap Growth 6.30	Munis 3.51	Munis 4.84	High Yield 1.87	REITs -39.20	Commodities 18.91	International Equity 8.21	Small Cap 4.18	Munis 6.78	U.S. Agg -2.02	Cash 0.03	Munis 5.89
International Equity 11.55	Cash 5.25	International Equity 2.06	REITs -17.01	U.S. Agg -0.82	International Equity -13.96	Commodities -19.51	Large Cap Core -21.65	Munis 5.31	Munis 4.48	Cash 3.00	Cash 4.76	Large Cap Value -0.17	Mid Cap -41.46	Munis 12.91	U.S. Agg 6.54	International Equity -11.73	U.S. Agg 4.21	Emerging Markets -2.27	Emerging Markets -1.82	International Equity 5.43
Cash 5.75	Munis 4.43	Commodities -3.39	Emerging Markets -25.34	Munis -2.06	Large Cap Growth -22.42	Large Cap Growth -20.42	Top 200 -23.36	U.S. Agg 4.10	U.S. Agg 4.34	High Yield 2.74	U.S. Agg 4.33	Small Cap -1.57	International Equity -43.06	U.S. Agg 5.93	Munis 2.38	Commodities -13.32	Cash 0.07	Munis -2.55	International Equity -4.48	Commodities 3.16
Emerging Markets -5.21	U.S. Agg 3.63	Emerging Markets -11.59	Commodities -27.03	REITs -2.58	Emerging Markets -30.61	International Equity -21.21	Large Cap Growth -27.88	Cash 1.07	Cash 1.24	U.S. Agg 2.43	Commodities 2.07	REITs -17.55	Emerging Markets -53.18	Cash 0.16	Cash 0.13	Emerging Markets -18.17	Commodities -1.06	Commodities -9.52	Commodities -17.01	Cash 2.72

Source: Morningstar Direct index returns.

Please refer to the disclosures at the end of this document for a description of the **Diversified Portfolio** and defined **Asset Class Indices**.

Rebalancing

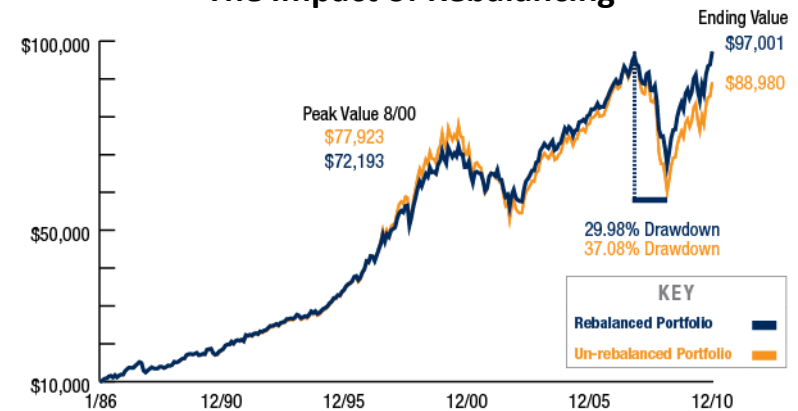
Add rebalancing to further improve long-term performance

Systematic rebalancing to keep within a chosen long-term asset allocation further helps portfolios reduce volatility and enhance risk-adjusted returns.

Rebalancing can potentially bring higher return (approximately 0.4% more²) and lower downside capture of the market as compared to a portfolio that is not consistently rebalanced.

In bear markets, investors that rebalanced annually fared better. While they may not have benefited as much in bull markets, the downside protection outweighed this cost.

The Impact of Rebalancing¹

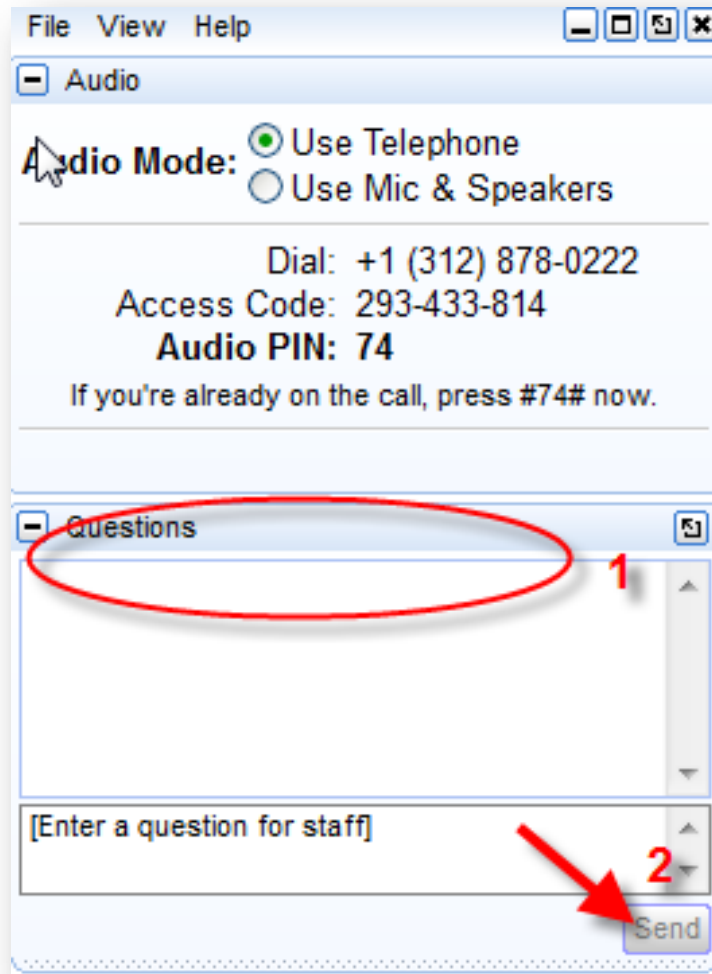


Bull & Bear Periods	Total Return	
	Rebalanced	Un-Rebalanced
4/30/98 - 8/31/98	-7%	-10%
8/31/98 - 8/31/00	41%	50%
8/31/00 - 9/30/02	-22%	-32%
9/30/02 - 10/31/07	71%	81%
10/31/07 - 2/28/09	-30%	-37%
2/28/09 - 12/31/10	44%	48%

Q&A

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The screenshot shows the Envestnet | PMC website. At the top, there's a navigation bar with the Envestnet | PMC logo on the left, and links for 'ABOUT PMC', 'SOLUTIONS', 'OUR INSIGHTS', and a search bar on the right. Above the navigation bar, there are links for 'Envestnet.com', 'PrimaGuide Login', and 'Contact a Consultant'. The main content area features a large banner with the title 'Blog: Is this The Big One (financially speaking)? Probably not.' and a 'READ MORE' link. Below the banner, there's a section titled 'LATEST INSIGHTS' with three items: a blog post titled 'Is This The Big One (Financially Speaking)? Probably Not.', a multimedia video titled 'Is Diversification Working?', and a commentary titled 'PMC Weekly Review - August 21, 2015'. To the right of these insights is a box titled 'The Envestnet Edge: August 2015' with the text 'In a "meh" market, look again at U.S. stocks' and a 'NOW AVAILABLE' button.

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Blog

Is this The Big One (financially speaking)? Probably not.

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Disclosure

Asset Class Returns: 20-Year Snapshot

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Source: Morningstar Direct index returns.

The **Diversified Portfolio** is a moderate allocation blend portfolio (60%/40%) with the following allocations: 13% Russell 1000 Value; 9% Russell 1000 Growth; 12% Russell 2000; 17% MSCI EAFE; 4% MSCI Emerging Markets; 5% Dow Jones U.S. Select REIT; 40% BarCap U.S. Agg Bond.

Cash - Citi Treasury 3 Month T-Bill

Emerging Markets - MSCI Emerging Markets Index

International Equity - MSCI EAFE Index

Large Cap Growth - Russell 1000 Growth Index

Mid Cap - Russell Mid Cap Index

REIT - Dow Jones U.S. Select REIT Index

Top 200 - Russell Top 200 Index

Commodities - Dow Jones UBS Commodity Index

High Yield - BarCap U.S. Corporate High Yield Index

Large Cap Core - Russell 1000 Index

Large Cap Value - Russell 1000 Value Index

Munis - BarCap Municipal Index

Small Cap - Russell 2000 Index

U.S. Agg - BarCap U.S. Agg Bond Index

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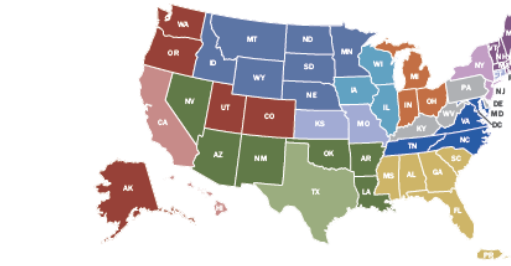
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