

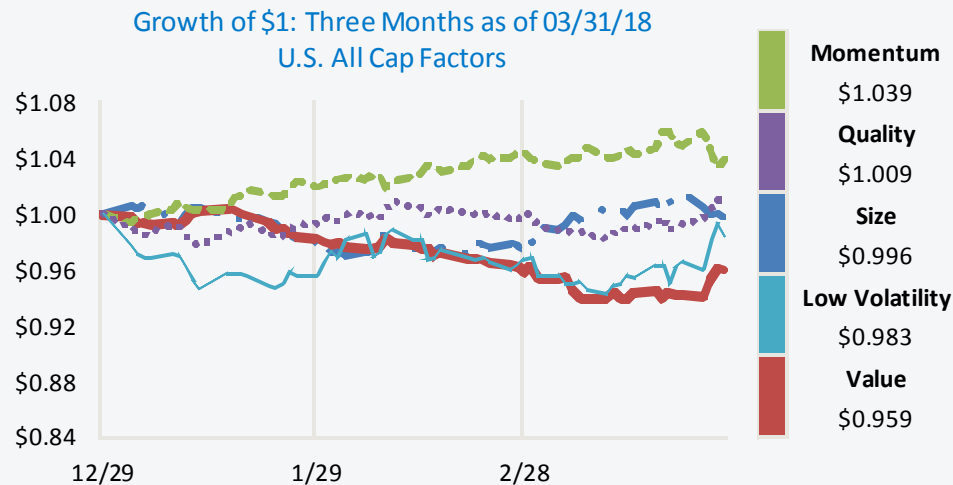
# FactorReview

Q1 2018

The Factor Review provides an analysis of several of the most robust risk factors explaining stock returns, as identified through several decades of academic research. We strive to harvest the premia associated with these factors in the Factor-Enhanced Series of Quantitative Portfolios.

## Quarterly Highlights

- + **Momentum was the top performing factor in the quarter.** Factor performance in the first quarter was mixed, with Momentum and Quality being the only factors generating a positive return. Momentum added to the gains delivered in 2017. The last few days of the quarter seemed to be an inflection point that will bear monitoring going forward. During this time Momentum performed poorly and Value began to recover.
- + **Value ended the quarter as the poorest performing factor.** Value declined fairly steadily throughout the quarter, adding to the poor performance experienced in 2017. However, Value showed signs of life at the end of the quarter, particularly in the small cap asset class.



Source: Envestnet/PMC Quantitative Research Group (QRG)

- + **Quality** across all asset classes delivered modest returns for the quarter. **Momentum** also generated positive returns in each asset class, with the exception of International Developed Markets.
- + Over the past twelve months, **Momentum** was the top performing factor, generating +12% returns; **Value** was the poorest performer, declining -5%.

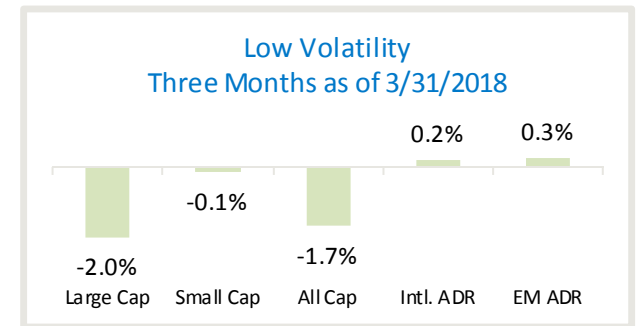
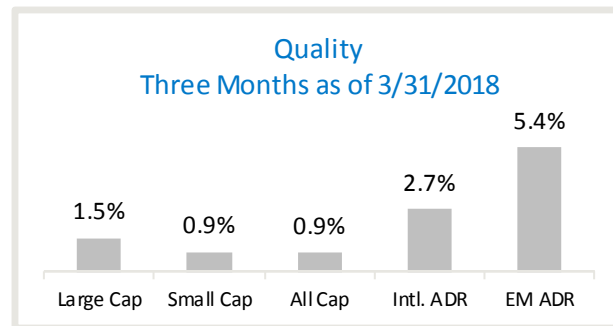
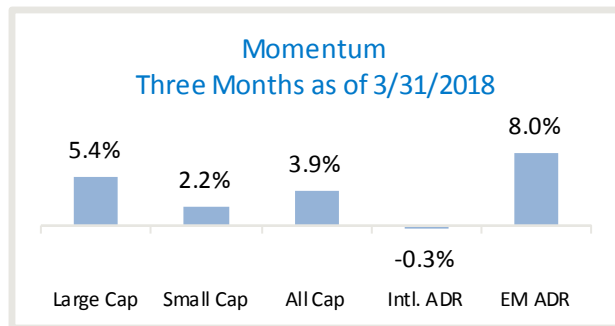
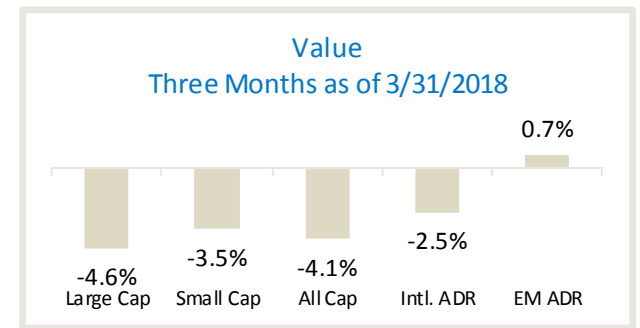
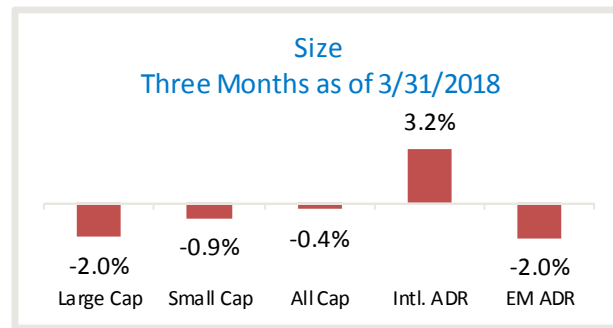
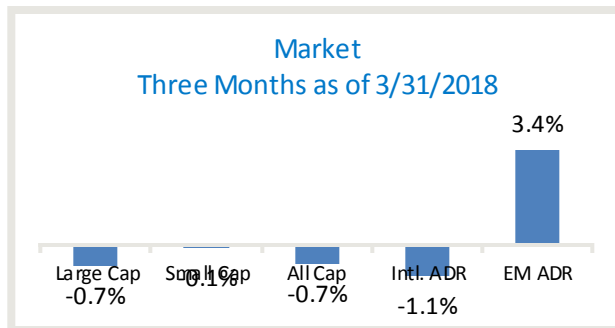
## Factor Definitions

- **Size:** The tendency for smaller capitalization stocks within a universe to outperform large capitalization stocks.
- **Value:** The tendency for cheap assets to outperform expensive assets.
- **Momentum:** The tendency for assets that have performed well over the past year to continue to perform well over the near term.
- **Quality:** The tendency for higher quality companies – those that are more profitable and safer – to outperform lower quality companies.
- **Low Volatility:** The tendency for low volatility assets to outperform high volatility assets..

*Factor returns are calculated by constructing market-neutral long/short portfolios for each factor. Factor returns are therefore independent of the market's return.*

## Three Months: Performance by Factor

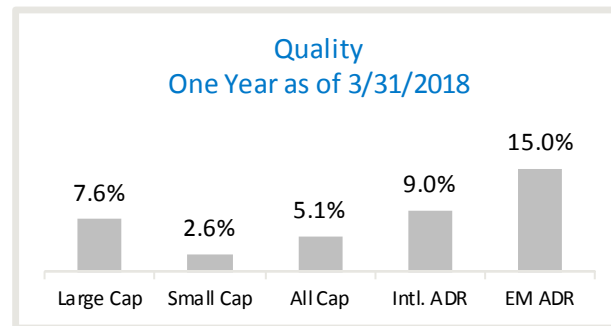
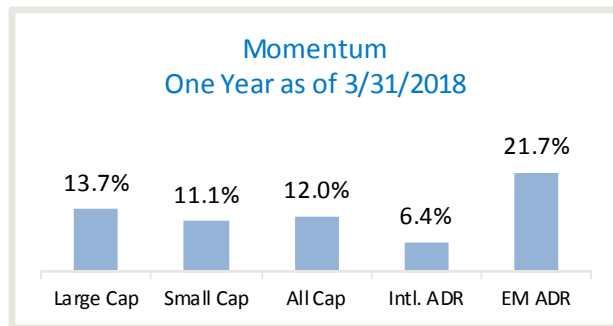
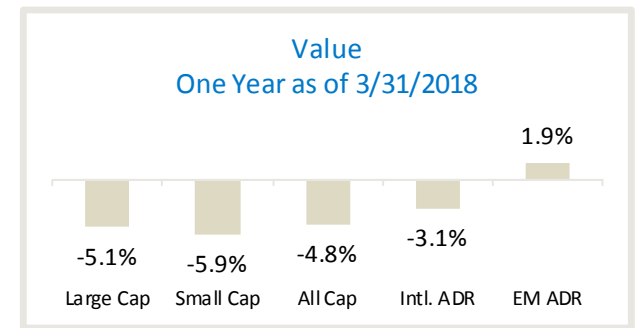
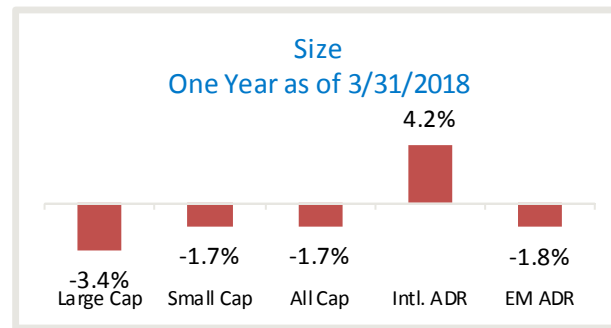
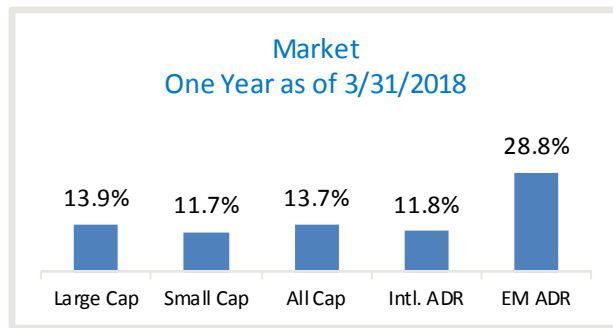
Category	Factor Performance: Three Months ended 3/31/2018				
	Size	Value	Momentum	Quality	Low Volatility
U.S. Large Cap	-2.0%	-4.6%	5.4%	1.5%	-2.0%
U.S. Small Cap	-0.9%	-3.5%	2.2%	0.9%	-0.1%
U.S. All Cap	-0.4%	-4.1%	3.9%	0.9%	-1.7%
Int'l. Developed Mkts. ADR	3.2%	-2.5%	-0.3%	2.7%	0.2%
Emerging Markets ADR	-2.0%	0.7%	8.0%	5.4%	0.3%



Source: Investnet|PMC Quantitative Research Group (QRG)

## One Year: Performance by Factor

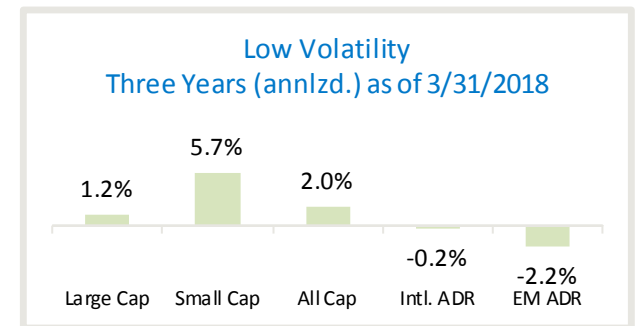
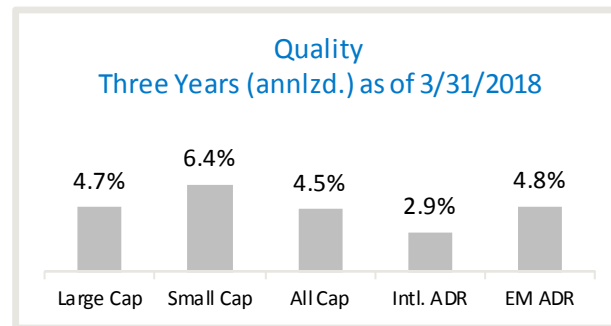
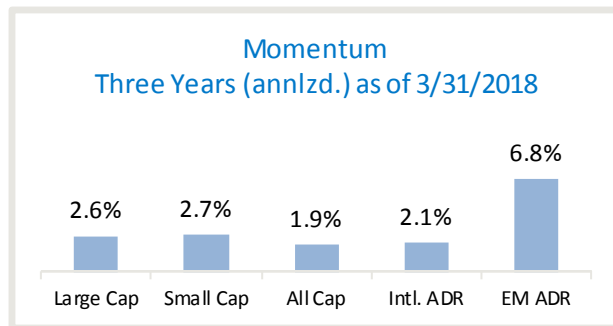
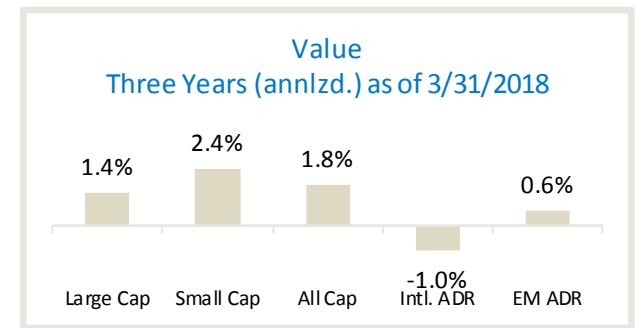
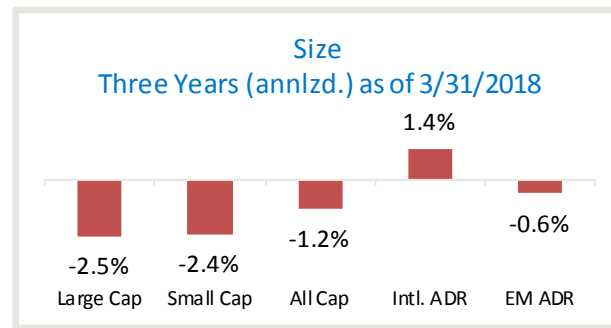
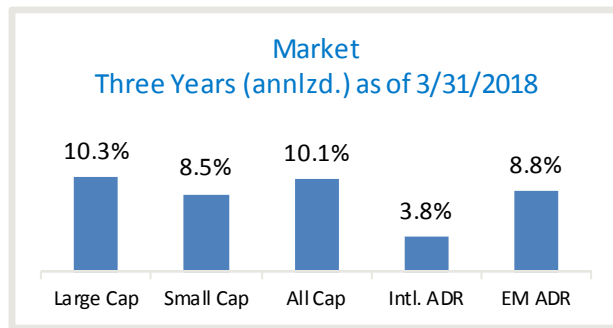
Category	Factor Performance: One Year ended 3/31/2018				
	Size	Value	Momentum	Quality	Low Volatility
U.S. Large Cap	-3.4%	-5.1%	13.7%	7.6%	-4.3%
U.S. Small Cap	-1.7%	-5.9%	11.1%	2.6%	0.6%
U.S. All Cap	-1.7%	-4.8%	12.0%	5.1%	-3.0%
Int'l. Developed Mkts. ADR	4.2%	-3.1%	6.4%	9.0%	-0.7%
Emerging Markets ADR	-1.8%	1.9%	21.7%	15.0%	-6.4%



Source: Investnet | PMC Quantitative Research Group (QRG)

## Three Years: Performance by Factor

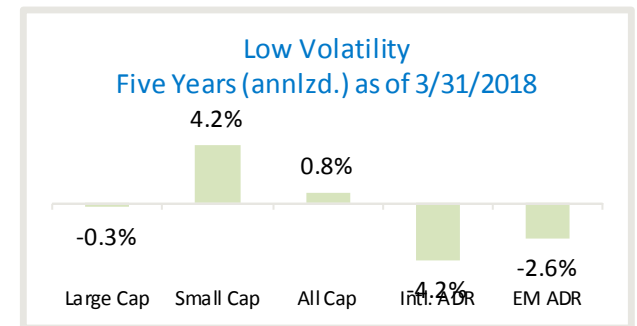
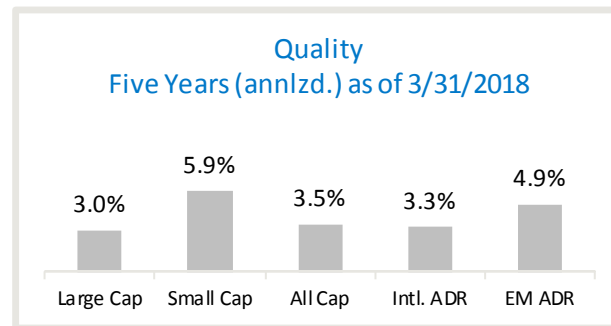
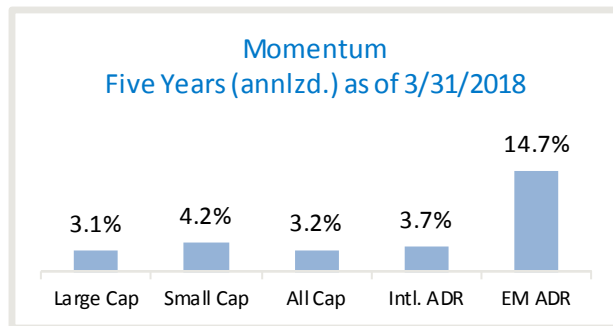
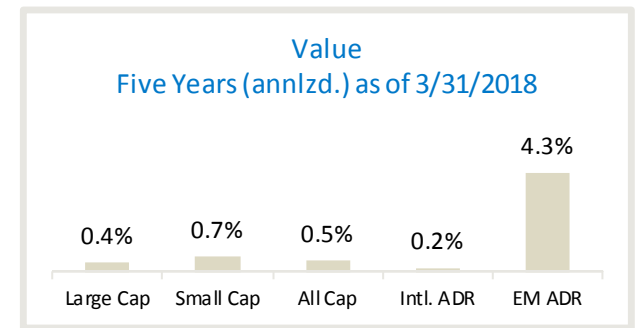
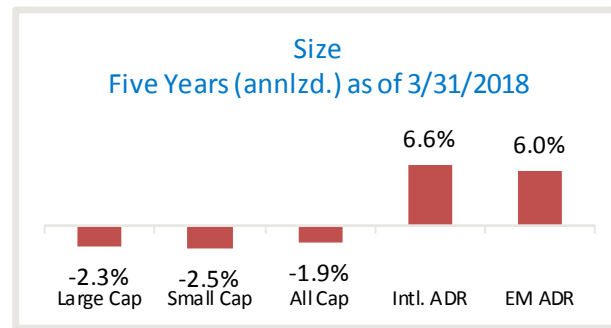
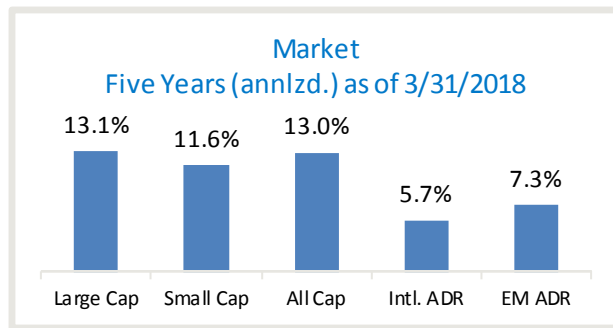
Category	Factor Performance: Three Years (annual.) ended 3/31/2018				
	Size	Value	Momentum	Quality	Low Volatility
U.S. Large Cap	-2.5%	1.4%	2.6%	4.7%	1.2%
U.S. Small Cap	-2.4%	2.4%	2.7%	6.4%	5.7%
U.S. All Cap	-1.2%	1.8%	1.9%	4.5%	2.0%
Int'l. Developed Mkts. ADR	1.4%	-1.0%	2.1%	2.9%	-0.2%
Emerging Markets ADR	-0.6%	0.6%	6.8%	4.8%	-2.2%



Source: Investnet|PMC Quantitative Research Group (QRG)

## Five Years: Performance by Factor

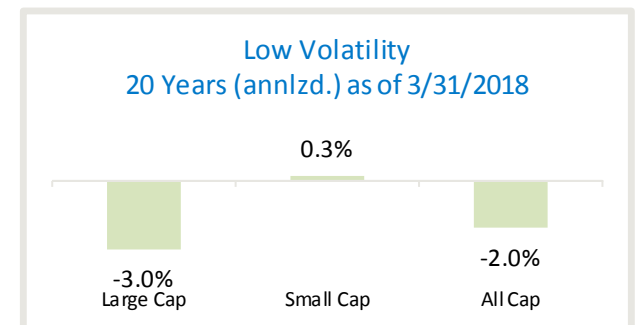
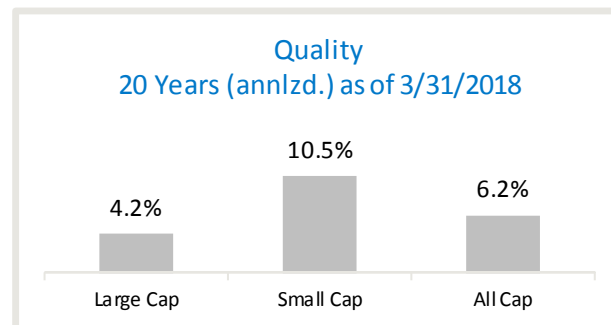
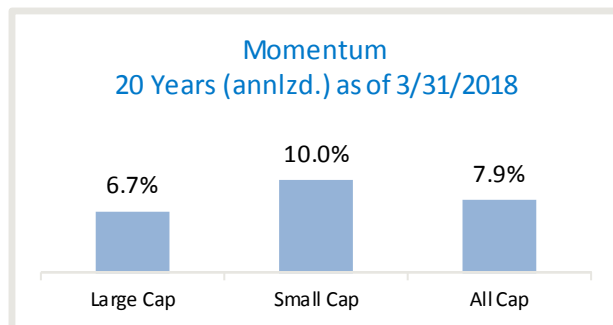
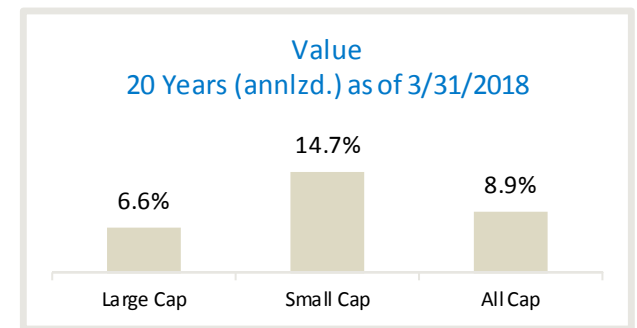
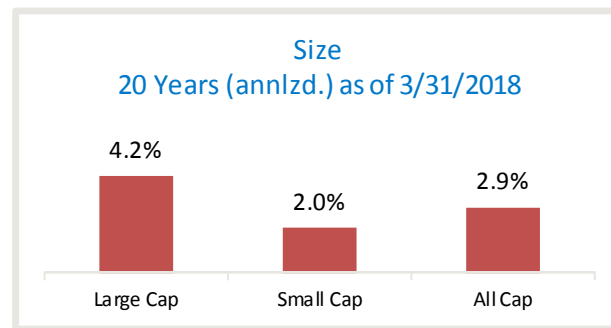
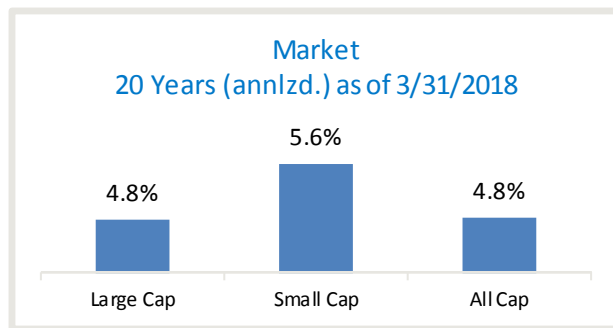
Category	Factor Performance: Five Years (annual.) ended 3/31/2018				
	Size	Value	Momentum	Quality	Low Volatility
U.S. Large Cap	-2.3%	0.4%	3.1%	3.0%	-0.3%
U.S. Small Cap	-2.5%	0.7%	4.2%	5.9%	4.2%
U.S. All Cap	-1.9%	0.5%	3.2%	3.5%	0.8%
Int'l. Developed Mkts. ADR	6.6%	0.2%	3.7%	3.3%	-4.2%
Emerging Markets ADR	6.0%	4.3%	14.7%	4.9%	-2.6%



Source: Investnet|PMC Quantitative Research Group (QRG)

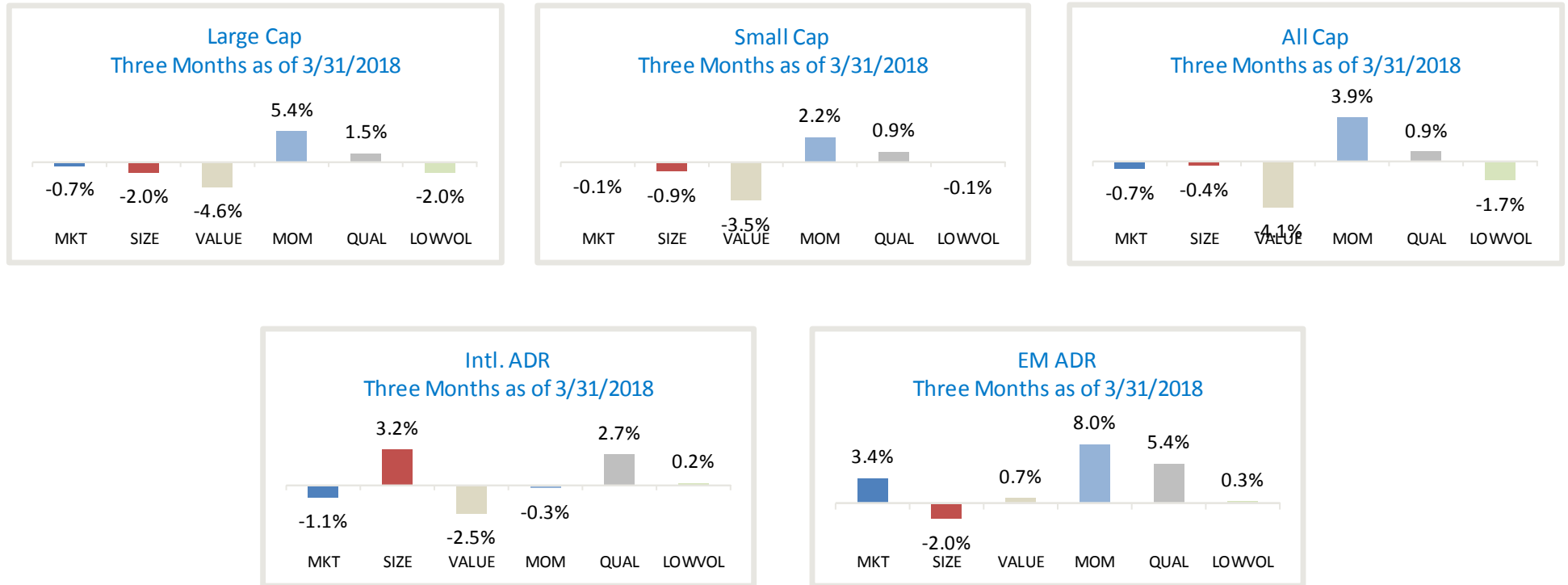
## Twenty Years: Performance by Factor

Category	Factor Performance: 20 Years (annual.) ended 3/31/2018				
	Size	Value	Momentum	Quality	Low Volatility
U.S. Large Cap	4.2%	6.6%	6.7%	4.2%	-3.0%
U.S. Small Cap	2.0%	14.7%	10.0%	10.5%	0.3%
U.S. All Cap	2.9%	8.9%	7.9%	6.2%	-2.0%
Int'l. Developed Mkts. ADR	N/A	N/A	N/A	N/A	N/A
Emerging Markets ADR	N/A	N/A	N/A	N/A	N/A



Source: Investnet | PMC Quantitative Research Group (QRG)

## Three Months: Performance by Asset Class



Source: Investnet | PMC Quantitative Research Group (QRG)

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