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.
How to Ask a Question
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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

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

S&P 500

|------|------|------|------|------|------|------|------|------|------|------|------|
A Seasonally Weak Time of Year
S&P 500 Average Monthly Performance, 1950 - Present

Source: Bloomberg

S&P 500

Jan  Feb  Mar  Apr  May  Jun  Jul  Aug  Sep  Oct  Nov  Dec

1.17  0.26  1.60  1.63  0.43  0.47  1.13  0.21  0.99  1.74  2.21

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“V” Bottoms are Infrequent
Consolidation Can Take Weeks or Months

S&P 500
Weekly Data

“V” Bottoms are Infrequent
Examples from 1987 and 1998

S&P 500

1987

1998 – Asian Financial Crisis
# Diversification

## Change in Market Leadership

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

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.

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% more\(^2\)) 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 Rebalancing\(^1\)

(1) Source: Forbes. Chart shows two portfolios over period between 1985 and 2010. Both portfolios began with a 60/40 mix of stocks and bonds, using S&P500 for stocks and Barclays Aggregate Bond Index for bonds. “Rebalanced” portfolio was adjusted annually back to its 60/40 target, while the “unrebalanced” portfolio was never adjusted.

(2) Source: https://research.wealthfront.com/whitepapers/investment-methodology/

<table>
<thead>
<tr>
<th>Bull &amp; Bear Periods</th>
<th>Total Return</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rebalanced</td>
</tr>
<tr>
<td>4/30/98 - 8/31/98</td>
<td>-7%</td>
</tr>
<tr>
<td>8/31/98 - 8/31/00</td>
<td>41%</td>
</tr>
<tr>
<td>8/31/00 - 9/30/02</td>
<td>-22%</td>
</tr>
<tr>
<td>9/30/02 - 10/31/07</td>
<td>71%</td>
</tr>
<tr>
<td>10/31/07 - 2/28/09</td>
<td>-30%</td>
</tr>
<tr>
<td>2/28/09 - 12/31/10</td>
<td>44%</td>
</tr>
</tbody>
</table>
Q&A
How to Ask a Question

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Disclosure

Asset Class Returns: 20-Year Snapshot

The information provided in the table above is for informational and educational purposes only. It is not intended as and should not be used to provide investment advice and does not address or account for individual investor circumstances. The asset classes described above may not be suitable for all investors and investors should first consult with an investment advisor before investing. Past performance is not indicative of future performance. Indices are unmanaged and their returns assume reinvestment of dividends and do not reflect any fees or expenses. It is not possible to invest directly in an index. Diversification does not ensure a profit or protect against a loss.

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.

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash</strong></td>
<td>Citi Treasury 3 Month T-Bill</td>
</tr>
<tr>
<td><strong>Emerging Markets</strong></td>
<td>MSCI Emerging Markets Index</td>
</tr>
<tr>
<td><strong>International Equity</strong></td>
<td>MSCI EAFE Index</td>
</tr>
<tr>
<td><strong>Large Cap Growth</strong></td>
<td>Russell 1000 Growth Index</td>
</tr>
<tr>
<td><strong>Mid Cap</strong></td>
<td>Russell Mid Cap Index</td>
</tr>
<tr>
<td><strong>REIT</strong></td>
<td>Dow Jones U.S. Select REIT Index</td>
</tr>
<tr>
<td><strong>Top 200</strong></td>
<td>Russell Top 200 Index</td>
</tr>
<tr>
<td><strong>Commodities</strong></td>
<td>Dow Jones UBS Commodity Index</td>
</tr>
<tr>
<td><strong>High Yield</strong></td>
<td>BarCap U.S. Corporate High Yield Index</td>
</tr>
<tr>
<td><strong>Large Cap Core</strong></td>
<td>Russell 1000 Index</td>
</tr>
<tr>
<td><strong>Large Cap Value</strong></td>
<td>Russell 1000 Value Index</td>
</tr>
<tr>
<td><strong>Munis</strong></td>
<td>BarCap Municipal Index</td>
</tr>
<tr>
<td><strong>Small Cap</strong></td>
<td>Russell 2000 Index</td>
</tr>
<tr>
<td><strong>U.S. Agg</strong></td>
<td>BarCap U.S. Agg Bond Index</td>
</tr>
</tbody>
</table>
Disclosure

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