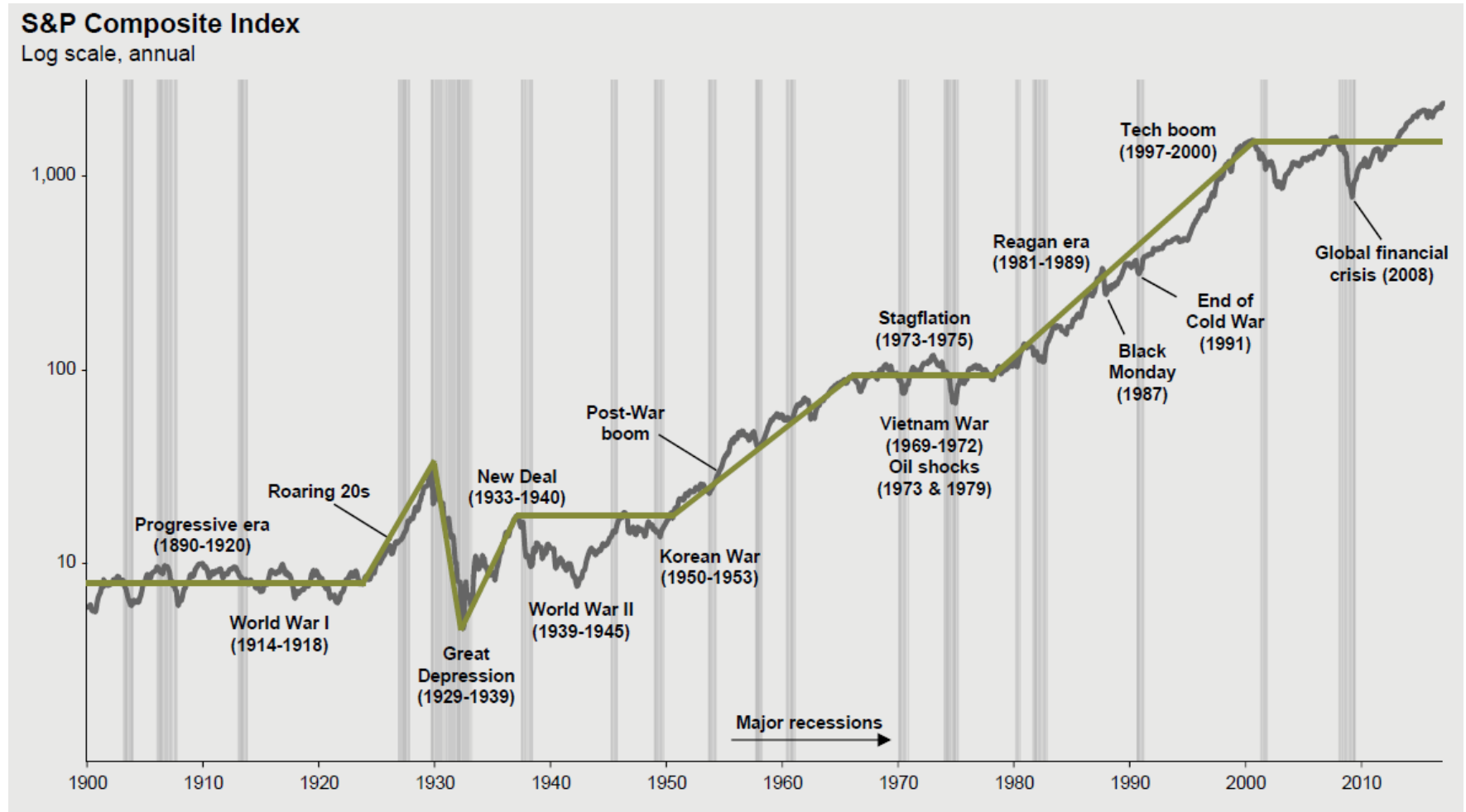


# Staying the Course

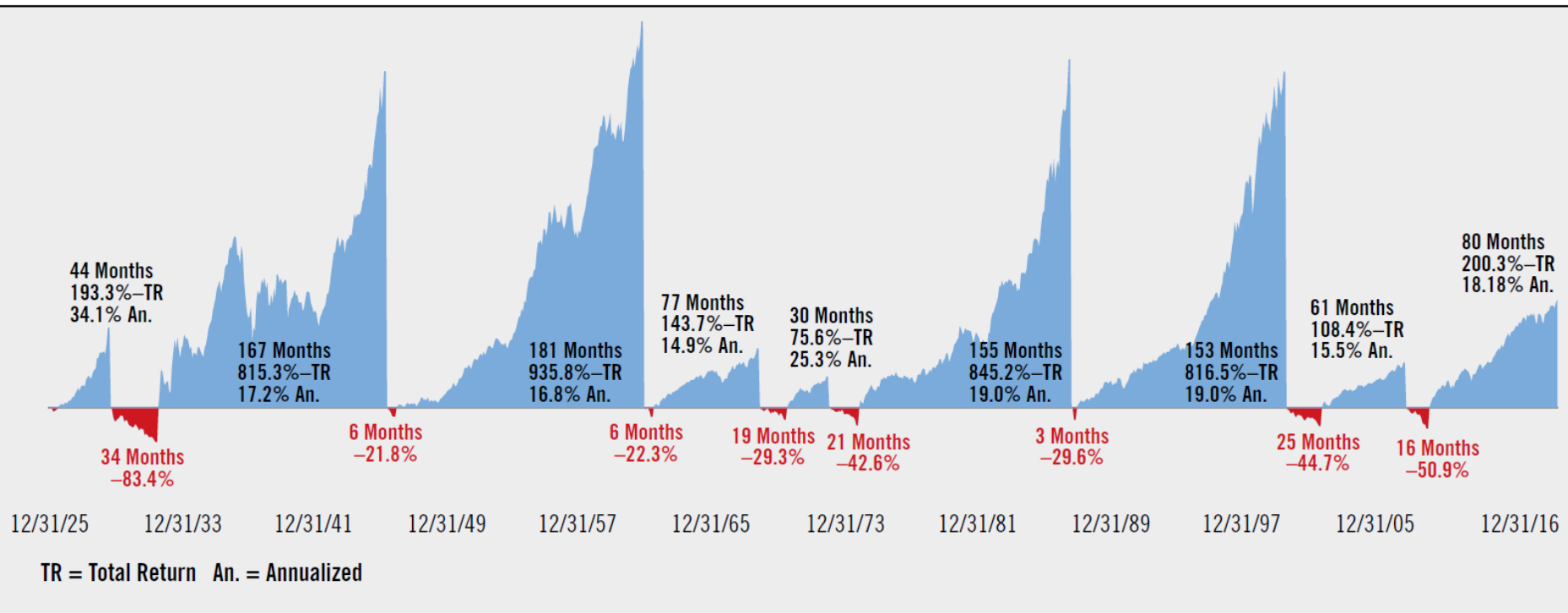
# Stay Invested During Periods of Market Stress



Source: FactSet, NBER, Robert Shiller, J.P. Morgan Asset Management.  
Data shown in log scale to best illustrate long-term index patterns.  
Past performance is not indicative of future returns. Chart is for illustrative purposes only.  
Guide to the Markets – U.S. Data are as of December 31, 2016.

# The Upturns Are Stronger Than The Downturns

## BULL AND BEAR MARKETS SINCE 1925

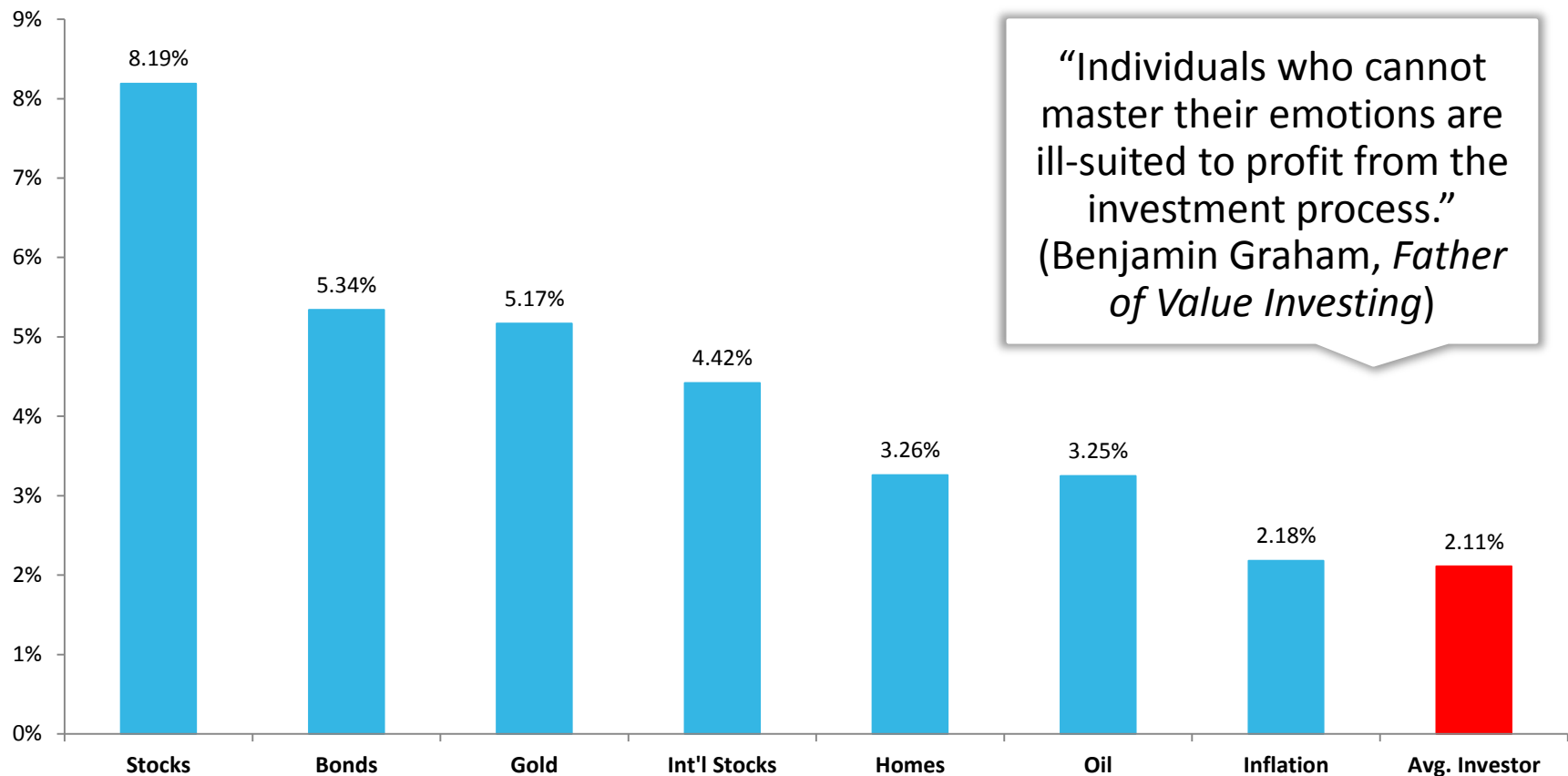


Source: Morningstar Direct as of 12/31/16. Returns based on the S&P 500 Index.

This chart shows the historical performance of Bull and Bear Markets and excludes performance of periods between those markets.

# Investors Are Their Own Worst Enemies

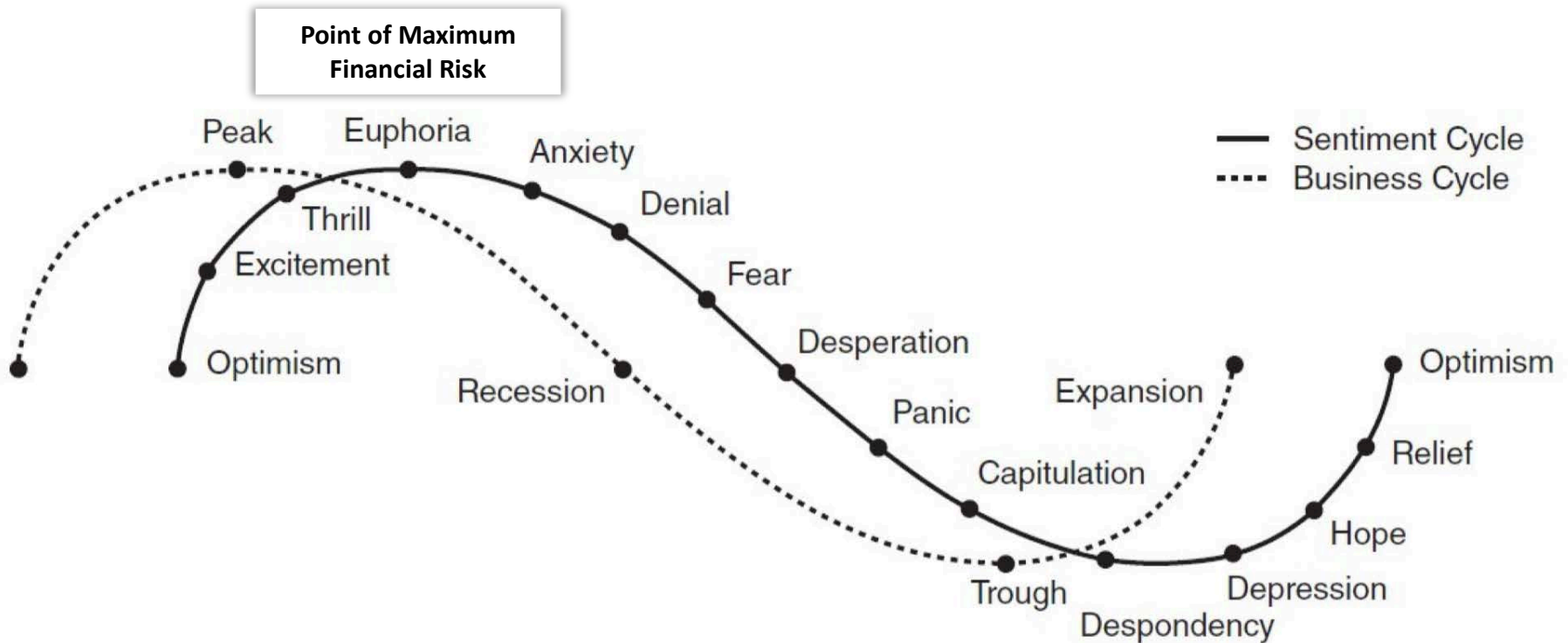
## Annualized Returns of Asset Classes vs. Average Investor—1995–2015



Sources: Bloomberg; Informa Investment Solutions; Dalbar. Past performance is no guarantee of future results. It is not possible to directly invest in an index. Oil is represented by the change in price of the NYMEX Light Sweet Crude Future contract. Contract size is 1,000 barrels with a contract price quoted in US Dollars and Cents per barrel. Delivery dates take place every month of the year. Gold is represented by the change in the spot price of gold in USD per ounce. Homes are represented by the National Association of Realtors' (NAR) Existing One Family Home Sales Median Price Index. Stocks are represented by the S&P 500 Index, an unmanaged index that consists of the common stocks of 500 large-capitalization companies, within various industrial sectors, most of which are listed on the New York Stock Exchange. Bonds are represented by the Barclays US Aggregate Bond Index, an unmanaged market-weighted index that consists of investment-grade corporate bonds (rated BBB or better), mortgages and US Treasury and government agency issues with at least 1 year to maturity. International Stocks are represented by the MSCI EAFE Index, a broad-based measure of international stock performance. Inflation is represented by the Consumer Price Index. Average Investor is represented by Dalbar's average asset allocation investor return, which utilizes the net of aggregate mutual fund sales, redemptions and exchanges each month as a measure of investor behavior. Returns are annualized (and total return where applicable) and represent the 20-year period ending 12/31/15 to match Dalbar's most recent analysis.

# Understand the Cycle of Market Emotions to Make Better Investing Decisions

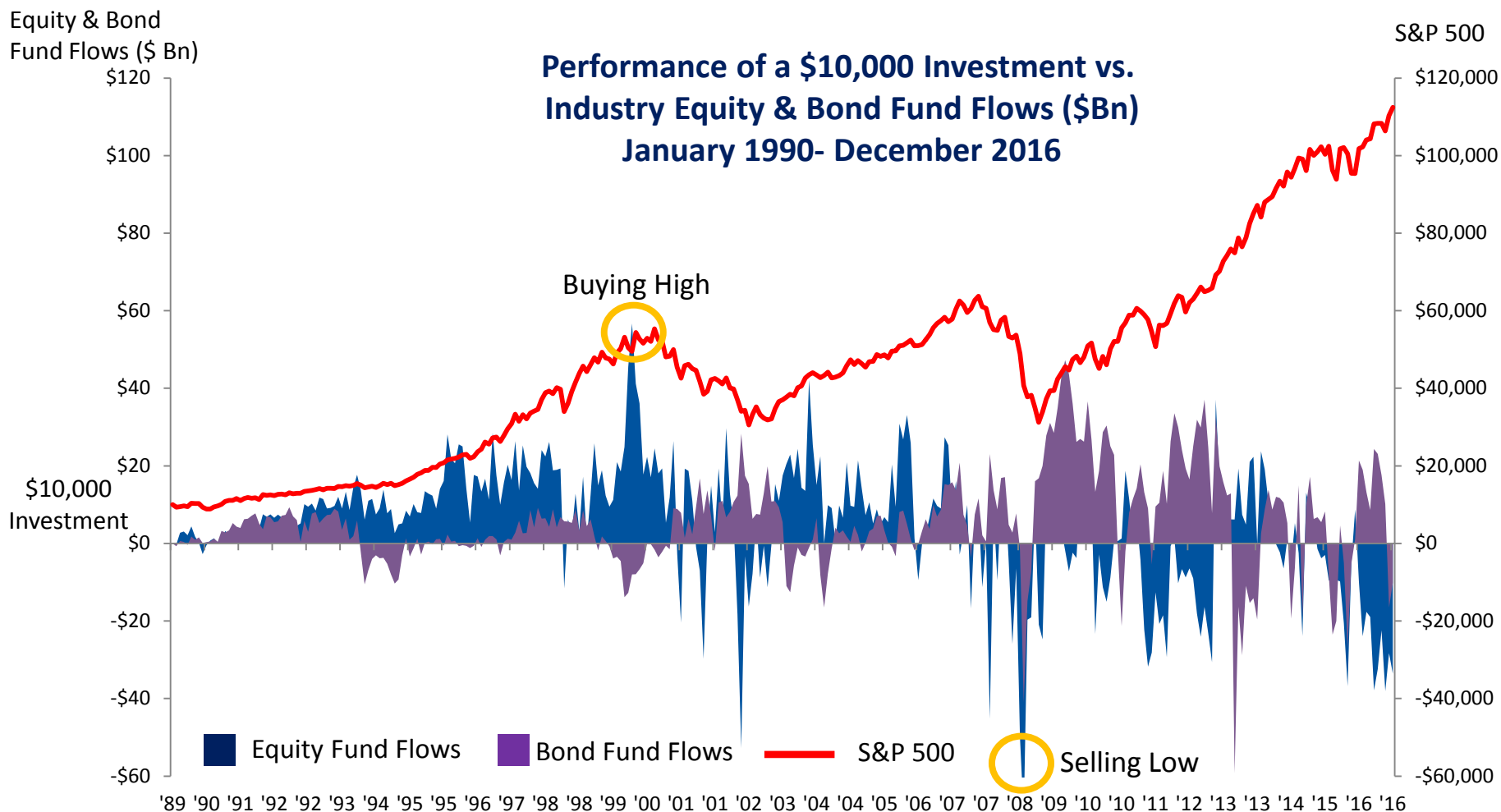
## Positive Territory



## Negative Territory

Source: <https://optionalalpha.com/the-14-stages-of-investor-emotions-and-trading-psychology-10433.html>

# Don't Fall Victim to Classic Investing Mistakes ... Like Buying High and Selling Low



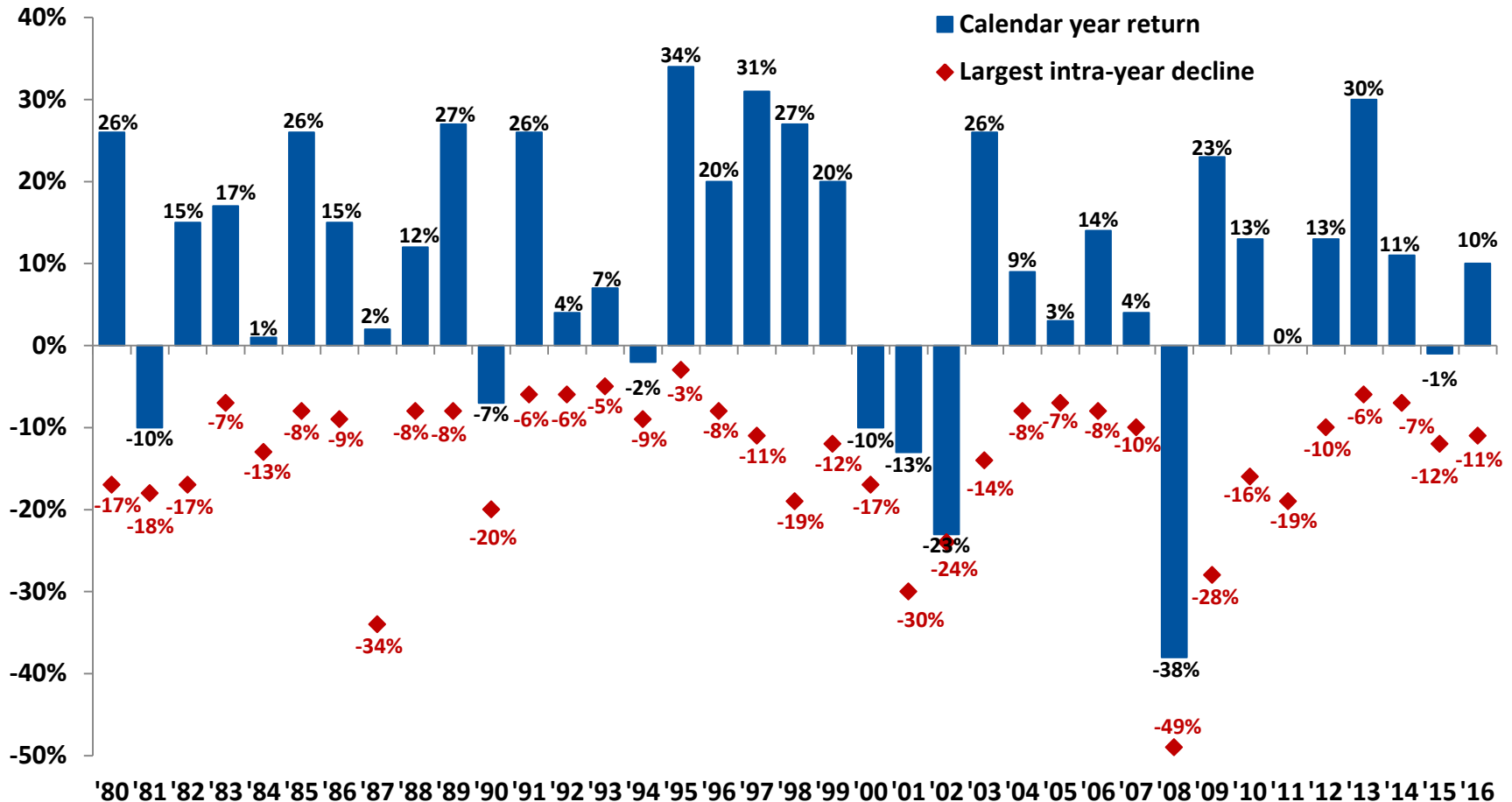
Note: This hypothetical example is for illustrative purposes only and does not represent any actual investment performance, price or yield.

Source: Strategas Research Partners, February 2017. Past performance is no guarantee of future results.

# The Market Is Volatile, But Volatility Does Not Equal Loss Unless You Sell

## S&P 500 intra-year declines vs. calendar year returns

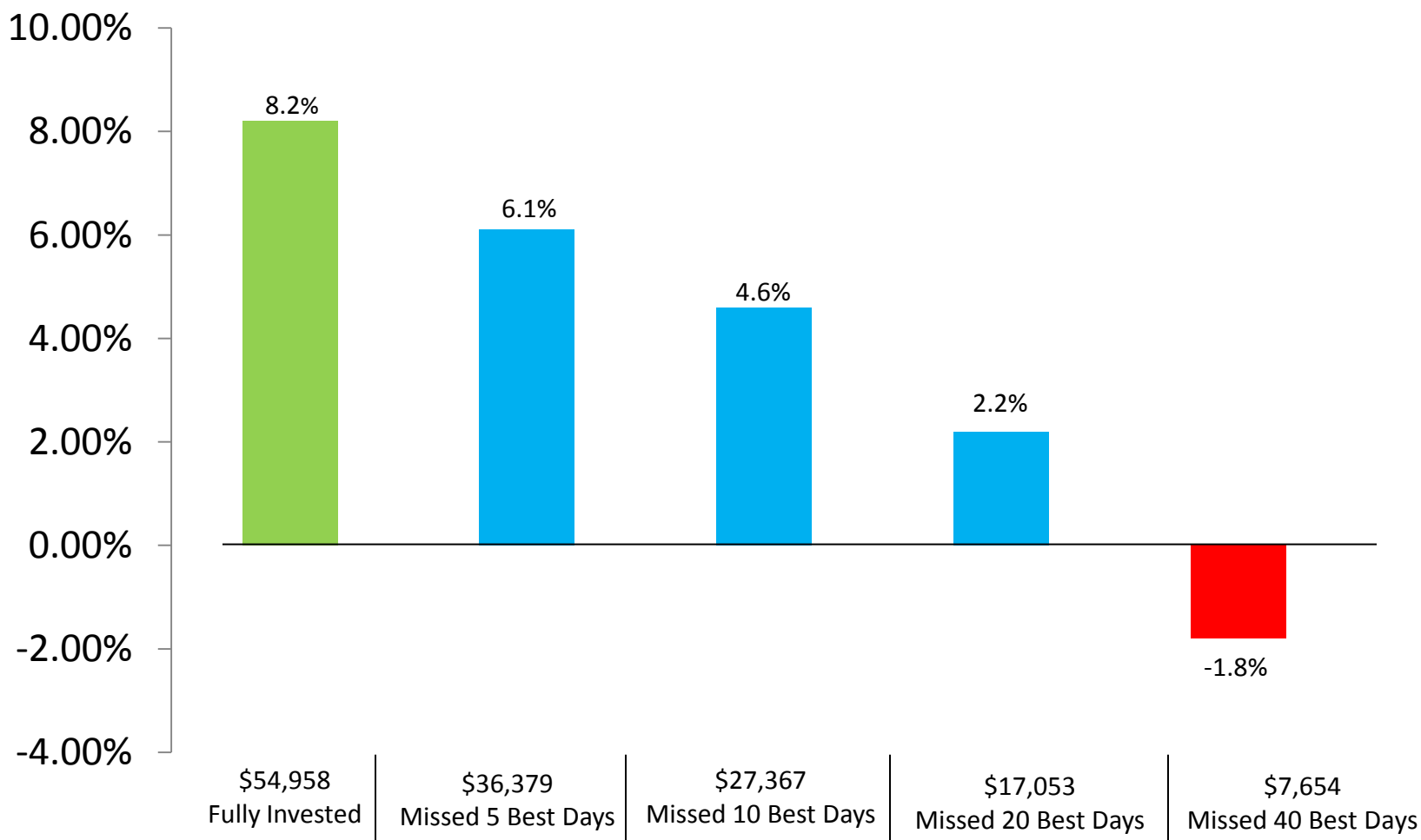
Despite average intra-year drops of 14%, annual returns positive in 28 of 37 years



Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management. Returns are based on price index only and do not include dividends. Intra-year drops refers to the largest market drops from a peak to a trough during the year. **For illustrative purposes only.** Returns shown are calendar year returns from 1980 to 2016.

# Missing the 10 Best Days in the Market Reduced Returns by Almost 50%

**Annualized Return and growth of \$10,000 investment (1/1/96-1/31/17)**



Note: This hypothetical example is for illustrative purposes only and does not represent any actual investment performance, price or yield.  
Source: Strategas Research Partners, February 2017. Past performance is no guarantee of future results.  
Data based on S&P 500 Index total returns with dividends reinvested.



# Investors Are Rewarded for Buying and Holding

**Growth of \$1,000: S&P 500 Index buy and hold vs. selling every May, going to T-bills, and buying again in November (1926-2016)**

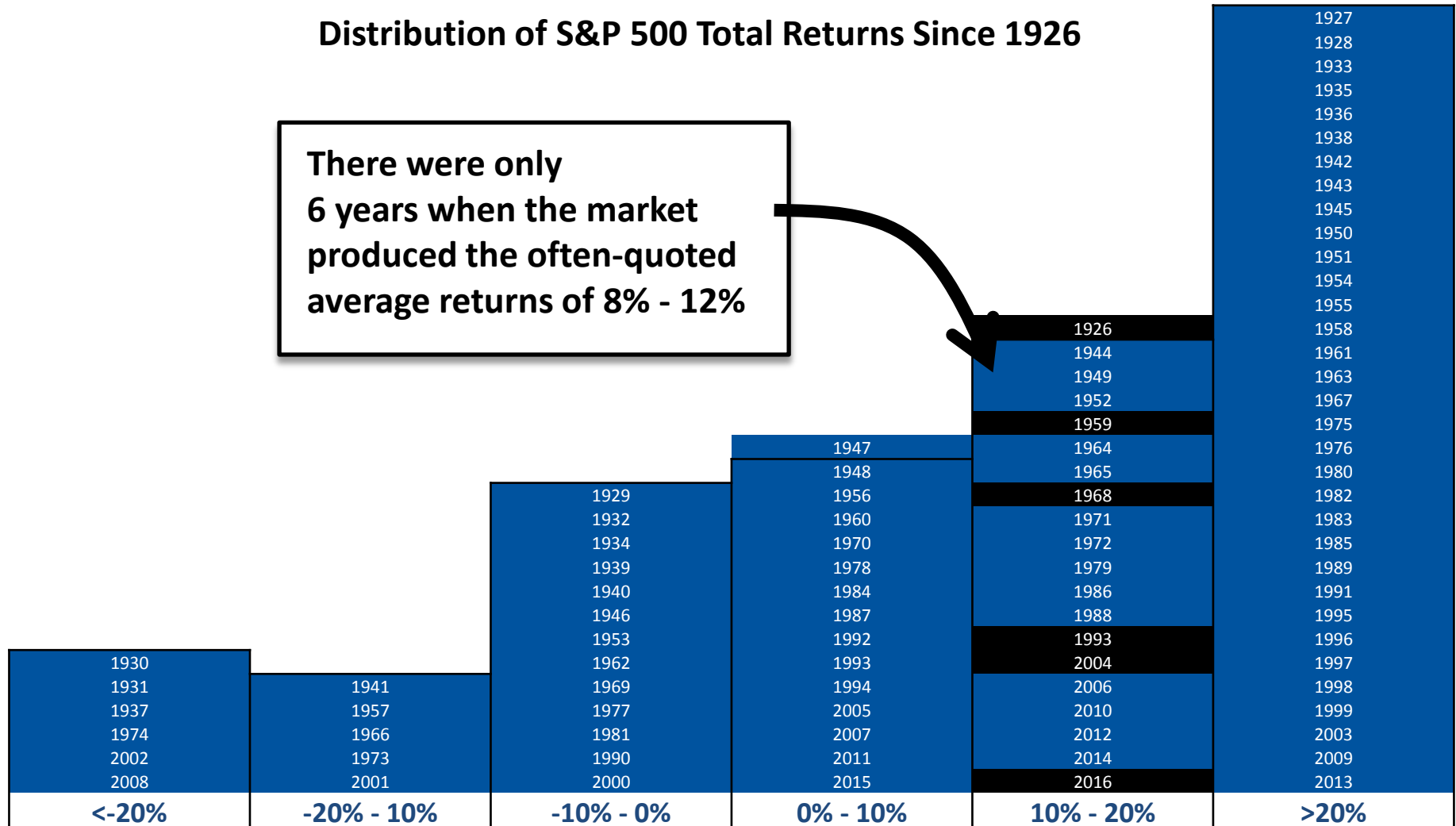


Note: This hypothetical example is for illustrative purposes only and does not represent any actual investment performance, price or yield.  
Source: Strategas Research Partners

# Set Realistic Expectations for Returns

## Distribution of S&P 500 Total Returns Since 1926

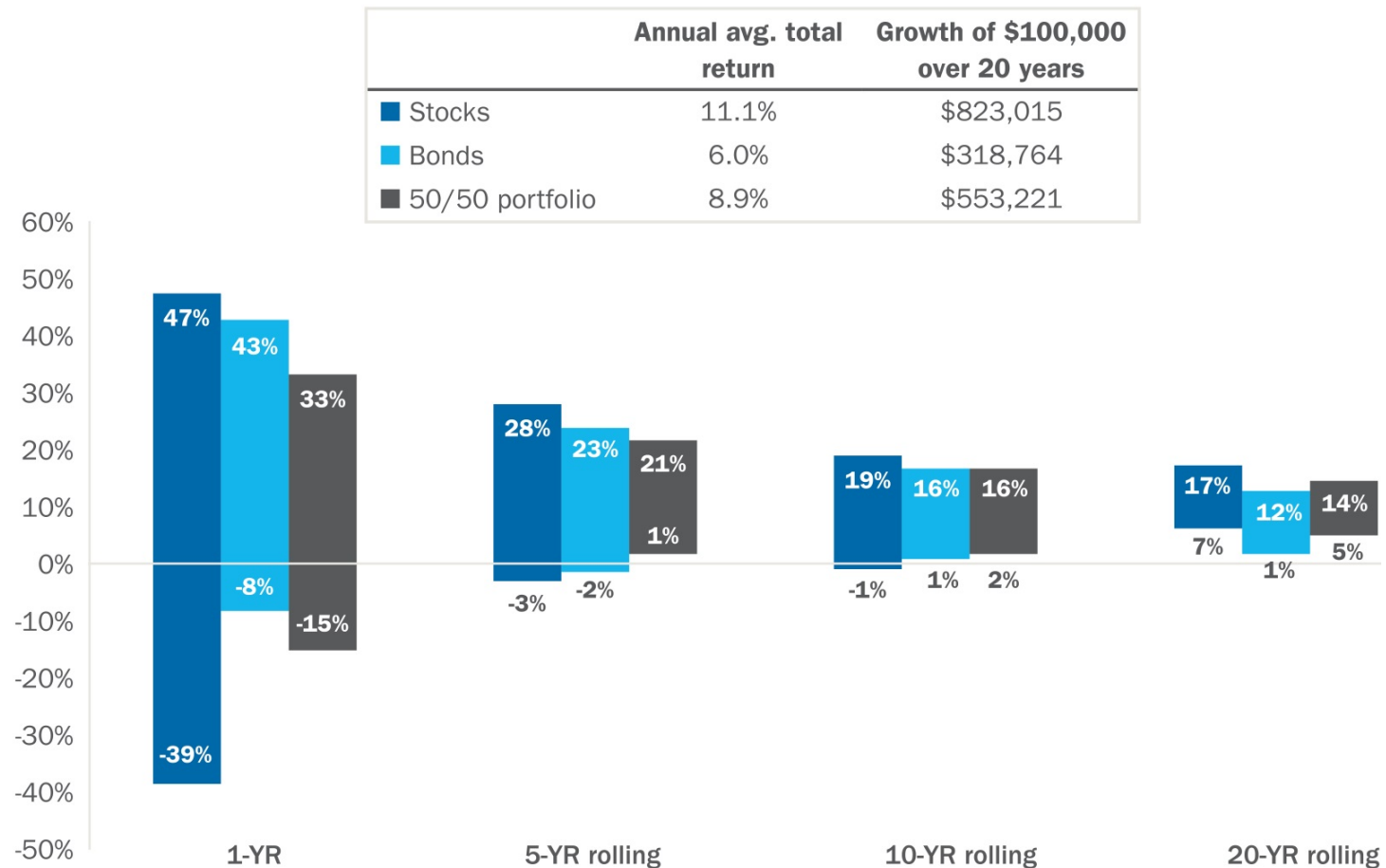
There were only  
6 years when the market  
produced the often-quoted  
average returns of 8% - 12%



# Time, Diversification & the Volatility of Returns

## Range of stock, bond and blended returns

Annual total returns, 1950-2016



**Source:** Based on data from Barclays, FactSet, US Federal Reserve, Robert Shiller, Strategas/Ibbotson, J.P. Morgan Asset Management.

Returns shown are based on calendar year returns from 1950 to 2016. Stocks represent the S&P 500 Shiller Composite and Bonds represent Strategas/Ibbotson for periods from 1950 to 2010 and Barclays Aggregate thereafter. Growth of \$100,000 is based on annual average total returns from 1950 to 2016.

*Guide to the Markets, Slide 63* – U.S. Data are as of February 28, 2017.

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# Diversification: Asset Classes Come In and Out of Favor

1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	20 Years Annualized
Large Cap Value 28.18	Large Cap Growth 38.71	Emerging Markets 66.41	Commodities 31.84	REITs 12.35	Commodities 25.91	Emerging Markets 56.28	REITs 22.16	Emerging Markets 24.54	REITs 35.97	Emerging Markets 39.82	U.S. Agg 5.24	Emerging Markets 79.02	REITs 28.07	Munis 10.70	Emerging Markets 18.63	Small Cap 38.82	REITs 22.00	Large Cap Growth 5.67	Small Cap 21.21	Mid Cap 9.98
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 32.55	Commodities 16.23	Cash 1.60	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 4.48	Large Cap Value 17.34	REITs 9.82
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	Munis 3.30	High Yield 17.13	Large Cap Value 8.33
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 11.83	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	Top 200 2.36	Mid Cap 13.80	Small Cap 8.25
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 18.83	Top 200 2.83	REITs 17.12	Large Cap Value 32.53	Mid Cap 13.22	Large Cap Core 0.92	Large Cap Core 12.05	Large Cap Core 7.86
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 6.23	Small Cap -32.79	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	U.S. Agg 0.55	Commodities 11.77	Top 200 7.18
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 22.29	Munis 9.05	Cash 0.03	Emerging Markets 11.60	Diversified Portfolio 7.11
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 15.21	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	International Equity -0.39	Top 200 11.33	High Yield 7.02
High Yield 12.76	Munis 6.48	Diversified Portfolio 12.34	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	U.S. Agg 5.97	Diversified Portfolio -0.72	Diversified Portfolio 7.56	Large Cap Growth 6.88
U.S. Agg 9.65	Cash 5.06	Large Cap Value 7.35	High Yield -8.86	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 12.92	Cash 0.08	Large Cap Growth 15.26	REITs 1.22	Small Cap 4.89	Mid Cap -2.44	Large Cap Growth 7.08	Emerging Markets 5.73
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 24.81	Top 200 8.21	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 11.94	Cash 0.05	High Yield 2.45	Large Cap Value -3.83	REITs 6.68	U.S. Agg 5.29
Cash 5.25	Small Cap -2.55	High Yield 2.39	Top 200 -12.14	Top 200 -14.57	Small Cap -20.48	Commodities 22.93	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	Small Cap -4.41	U.S. Agg 2.65	Munis 5.00
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	High Yield -4.47	International Equity 1.51	International Equity 4.59
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	Emerging Markets -14.60	Cash 0.27	Cash 2.19
Emerging Markets -11.69	Commodities -27.03	REITs -2.58	Emerging Markets -30.61	International Equity -21.21	Large Cap Growth -27.68	Cash 1.07	Cash 1.24	U.S. Agg 2.43	Commodities 2.07	REITs -17.56	Emerging Markets -63.18	Cash 0.16	Cash 0.13	Emerging Markets -18.17	Commodities -1.06	Commodities -9.52	Commodities -17.01	Commodities -24.66	Munis 0.25	Commodities 0.50

Asset Class  
Indices

■ Cash - Citi Treasury 3 Month T-Bill  
■ Commodities - Bloomberg Commodity TR USD  
■ Diversified Portfolio<sup>1</sup>

■ Emerging Markets - MSCI Emerging Markets Index  
■ High Yield - BarCap U.S. Corporate High Yield Index  
■ International Equity - MSCI EAFE Index

■ Large Cap Core - Russell 1000 Index  
■ Large Cap Growth - Russell 1000 Growth Index  
■ Large Cap Value - Russell 1000 Value Index

■ Mid Cap - Russell Mid Cap Index  
■ Munis - BarCap Municipal Index  
■ REITs - Dow Jones U.S. Select REIT Index

■ Small Cap - Russell 2000 Index  
■ Top 200 - Russell Top 200 Index  
■ U.S. Agg - BarCap U.S. Agg Bond Index



Source: Morningstar Direct Index Returns

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# A Long-Term Plan: Set Goals and Stay Invested!

*“Remember that the average investor cannot be above average. Investors should understand this fact and not judge the performance of their portfolio based on broad market indices, but rather based on their individual path toward a personal goal.”*

# Index Overview

*Index performance is presented for illustrative purposes only and does not represent the performance of any specific investment product or portfolio. An investment cannot be made directly into an index.*

The **Dow Jones Industrial Average** is an unmanaged index of 30 common stocks comprised of 30 actively traded blue chip stocks, primarily industrials and assumes reinvestment of dividends. The **S&P 500 Index** is an unmanaged index comprised of 500 widely held securities considered to be representative of the stock market in general. The **Russell 1000 Index** is a market capitalization-weighted benchmark index made up of the 1000 largest U.S. companies in the Russell 3000 Index. The **Russell 2000 Index** measures the performance of the smallest 2000 U.S. companies in the Russell 3000 Index. The **Russell 1000 Growth Index** is an unmanaged index considered representative of large-cap growth stocks. The **Russell 1000 Value Index** is an unmanaged index considered representative of large-cap value stocks. The **Russell Midcap Index** is a subset of the Russell 1000 Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The **MSCI EAFE Index** is designed to measure the equity market performance of developed markets outside of the U.S. & Canada. The **MSCI Emerging Markets Index** is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. The **Bloomberg Commodity Total Return Index** is composed of futures contracts and reflects the returns on a fully collateralized investment in the BCOM. This combines the returns of the BCOM with the returns on cash collateral invested in 13 week (3 Month) U.S. Treasury Bills. The **Bloomberg Barclay's U.S. Aggregate Bond Index** measures the performance of the U.S. investment grade bond market and invests in a wide spectrum of public, investment-grade, taxable, fixed income securities in the United States – including government, corporate, and international dollar-denominated bonds, as well as mortgage-backed and asset-backed securities, all with maturities of more than 1 year. The **Barclays US Intermediate Corporate High Yield Index** covers the USD-denominated, non-investment grade, fixed-rate, taxable corporate bond market. Securities are classified as high-yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below, with a maximum maturity of 10 years. The **Citigroup 3-Month T-Bill Index** measures monthly return equivalents of yield averages that are not marked to market. The **S&P Total Market Index** is designed to track the broad equity market, including large-, mid-, small-, and micro-cap stocks. The **Barclay's Capital Municipal Bond Index** is a broad market performance benchmark for the tax-exempt bond market, the bonds included in this index must have a minimum credit rating of at least Baa. The **Russell Top 200 Index** measures the performance of the 200 largest companies (63% of total market capitalization) in the Russell 1000 Index. The **Dow Jones U.S. Select REIT Index** intends to measure the performance of publicly traded REITs and REIT-like securities

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