

Market Indices <sup>1</sup>	August	Year-to-Date
S&P 500	-6.03%	-2.88%
Russell 3000	-6.04%	-2.61%
MSCI EAFE	-7.36%	-0.21%
MSCI Emerging Markets	-9.04%	-12.85%
Barclays U.S. Aggregate Bond	-0.14%	0.45%
Barclays Municipal	0.20%	1.04%
Barclays U.S. Corporate High Yield	-1.74%	0.15%

<sup>1</sup>Morningstar Direct (all performance percentages are total return based, which include reinvested dividend, interest)

### At-A-Glance

- The CBOE VIX Volatility Index surged 135% in August, the most since records began in 1990.
- The odds for a September Fed rate rise increased back to 48%, up from an August low of around 25%.
- West Texas Intermediate oil prices surged 3.5% in August to \$49.20/barrel, lifting prospects for higher inflation.

U.S. stocks ended sharply lower in August as concerns mounted about slowing worldwide growth and worries over effects of a potential interest rate hike from the Federal Reserve. China's surprise currency devaluation actions earlier in the month sparked the global rout, with the Shanghai Composite consequently losing 12.49% for the month, extending its bear market slide to 38% from its mid-June 2015 peak. In the U.S., the S&P 500 lost 6.03% in August, its worst monthly decline since May 2012. The benchmark U.S. index is down 2.88% YTD. Illustrating intense market volatility, the S&P 500 alternated between intra-day gains and losses of at least 4% for four days in August, something never seen in 88 years of data compiled by Bloomberg. The last full week of the month finished positive for the S&P 500 (up 0.95%). However, during the start of the week the index plunged the most since October 2011 to enter a correction, but thanks to positive economic data, it rallied back over 6% for its best back-to-back gains since the beginning of the bull market in 2009. Strong new home sales, up 5.4% in July, and an impressive upward revision in 2Q GDP growth (3.7% versus 2.3%) helped moderate losses.

All ten major sector groups ended negative in August with Healthcare (-7.88%) falling the most. It was worst monthly performance for healthcare since February 2009. Financials (-6.76%) and Consumer Discretionary (-6.45%) followed as the next worst performers. Utilities (-3.44%) and Telecom (-3.36%) fell the least last month. Year-to-date, Consumer Discretionary (+4.73%) and Healthcare (+3.75%) remain this year's top performers, while the eight other sector groups are in negative territory. Energy (-15.65%), Materials (-9.84%) and Utilities (-8.52%) are now down the most in 2015.

Small-cap stocks, as measured by the Russell 2000 Index, fell 6.28% last month, again underperforming their mid and large-cap counterparts in August. Mid-cap stocks fell 5.28%, as measured by the Russell Mid Cap Index. YTD, small and mid-caps are down 2.97% and 2.33% respectively. Growth stocks fell slightly more than value with the Russell 1000 Growth Index down 6.07% in August, while the Russell 1000 Value Index declined 5.96%. The Russell 1000 Growth Index trimmed its YTD gain to just 0.96%, while the Russell 1000 Value Index has lost 6.12% on the year.

The MSCI EAFE Index, a broad measure of 21 global developed markets outside of the U.S. and Canada, sank 7.36% last month, entirely erasing its YTD gain, now down 0.21% in 2015. The MSCI Emerging Markets Index plunged 9.04%, extending its YTD loss to 12.85%.

Treasuries, as measured by the Barclays U.S. Government Bond Index, crept 0.04% higher in August, returning 0.93% YTD. The yield on 10-year U.S. Treasury notes ended August at 2.21%, just one basis point higher than where it began the month. U.S. investment grade corporate, government and agency-backed bonds, as measured by the Barclays U.S. Aggregate Bond Index, slipped 0.14% in August, trimming YTD gains to 0.45%. The Barclays U.S. Corporate High Yield Index, a proxy for below-investment grade corporate bonds, lost 1.74% last month, trimming its YTD gain to just 0.15%. The Barclays U.S. Municipal Bond Index rose 0.20%, lifting its YTD gain to 1.04%.

*This report is created by Tower Square Investment Management LLC*

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The **Barclays U.S. Aggregate Bond Index**, which used to be called the *Lehman Aggregate Bond Index*, is a broad base index, maintained by Barclays Capital, and it often used to represent investment grade bonds being traded in the U.S. Barclays Capital (BarCap) U.S. Aggregate Bond Index is made up of the Barclays Capital U.S. Government/Corporate Bond Index, Mortgage-Backed Securities Index, and Asset-Based Securities Index, including securities that are of investment grade quality or better, have at least one year to maturity, and have an outstanding par value of at least \$100 million.

The **Barclays U.S. Municipal Bond Index** is an unmanaged, market-value-weighted index of investment-grade municipal bonds with maturities of one year or more.

The **Barclays U.S. Corporate High Yield Index** measures the market of USD-denominated, non-investment grade, fixed-rate, taxable corporate bonds. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below, excluding emerging market debt.

The **Barclays U.S. Government Bond Index** is comprised of the U.S. Treasury and U.S. Agency Indices. The index includes U.S. dollar-denominated, fixed-rate, nominal US Treasuries and US agency debentures (securities issued by US government owned or government sponsored entities, and debt explicitly guaranteed by the US government). The US Government Index is a component of the U.S. Government/Credit and U.S. Aggregate Indices, and eligible securities also contribute to the multi-currency Global Aggregate Index. The U.S. Government Index has an inception date of January 1, 1973.

The **CBOE Volatility Index<sup>®</sup> (VIX<sup>®</sup>)** is a key measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices.

The **MSCI EAFE** is designed to measure the equity market performance of developed markets (Europe, Australasia, Far East) excluding the U.S. and Canada. The Index is market-capitalization weighted.

**MSCI Emerging Markets** is designed to measure equity market performance in global emerging markets. It is a float-adjusted market capitalization index.

The **Russell 1000 Growth Index** measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 Index companies with higher price-to-book ratios and higher forecasted growth values.

The **Russell 1000 Value Index** measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 Index companies with lower price-to-book ratios and lower forecasted growth values.

The **Russell 2000 Index** measures the performance of the small-cap segment of the U.S. equity universe and is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership.

The **Russell 3000 Index** measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market.

The **Russell Midcap Index** measures the performance of the mid-cap segment of the U.S. equity universe and 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 Russell Midcap represents approximately 31% of the total market capitalization of the Russell 1000 companies.

The **S&P 500** is a capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The **Shanghai Composite Index** is a stock market index of all stocks (A shares and B shares) that are traded at the Shanghai Stock Exchange.

The **STOXX Europe 600 Index** is derived from the STOXX Europe Total Market Index (TMI) and is a subset of the STOXX Global 1800 Index. With a fixed number of 600 components, the STOXX Europe 600 Index represents large, mid and small capitalization companies across 18 countries of the European region: Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom.