

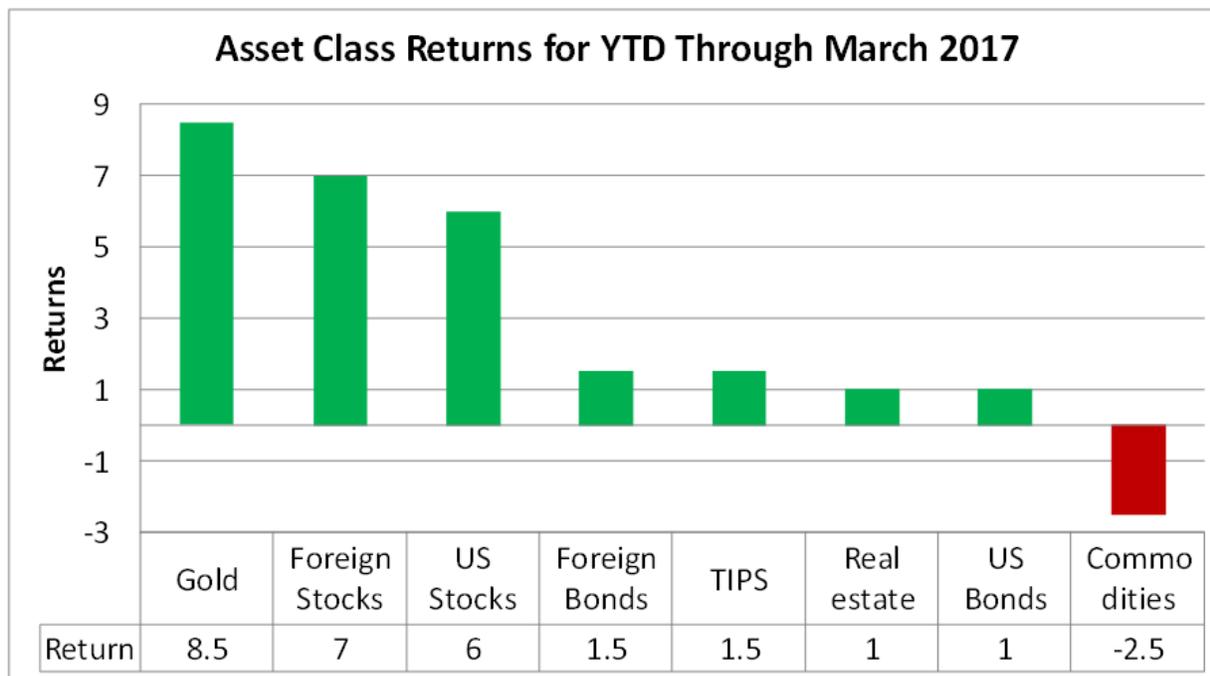


## Going Up: Events and Investments in Q1 2017

- The Trump Rally continued globally into the first quarter of 2017.
- The effective date of the DOL's Fiduciary Standards was postponed. Pension beneficiaries really need this standard.
- U.S. stock market styles and sectors all reversed in the quarter, with this quarter's winners being last year's losers and vice versa.
- Several foreign markets outperformed the U.S., especially Latin America.

### The Big Event: The Trump Presidency

Donald Trump's presidency has inspired global investor optimism. The Trump rally continued into the first quarter with the U.S. stock market earning 6% and foreign markets performing even better, with a 7% return. Gold is the only asset that performed better than stocks, earning 8.5%. Investors sought the protection of gold and the profits in stocks.



Source: The Capital Spectator

Much of the conversation this year has been about the DOL's Fiduciary Standards. President Trump has ordered a review of the standards and some believe they will be

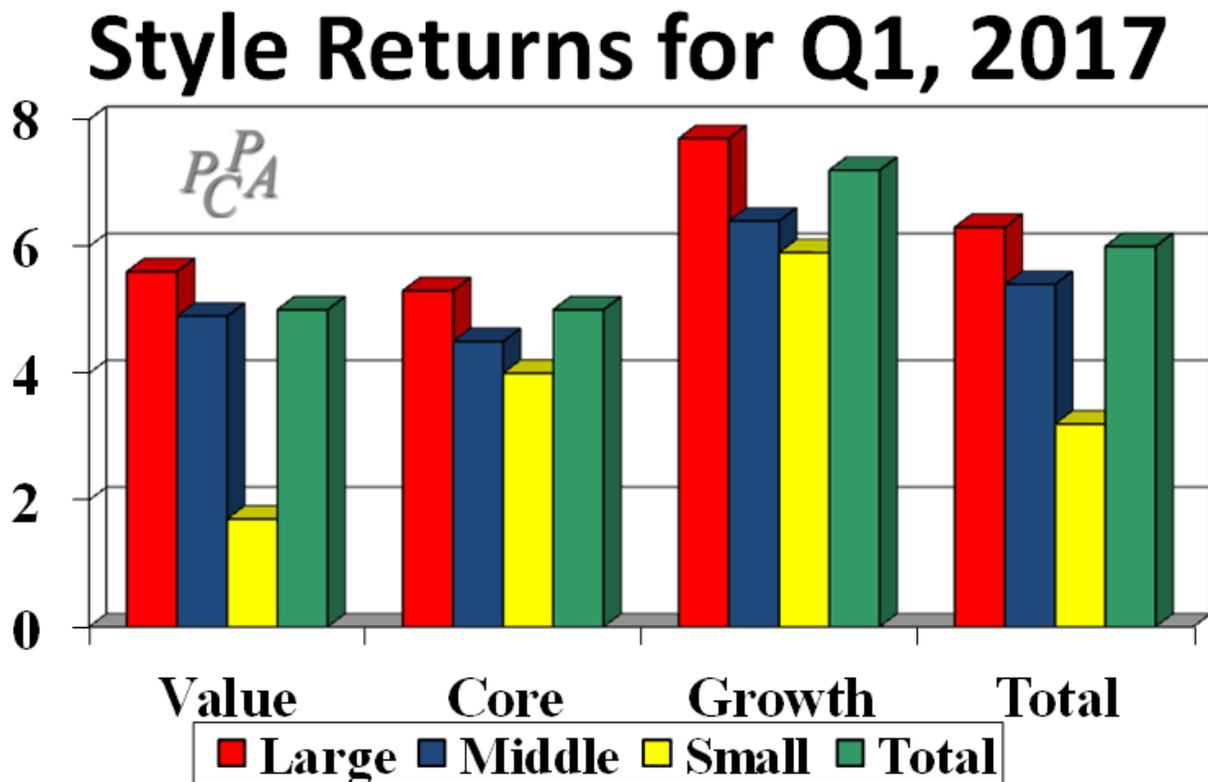
tabled. In April, the DOL announced a 60 day postponement of effective date, from April 10 to June 9, so the Trump administration can review them.

Pension beneficiaries need the DOL Fiduciary Standards, especially beneficiaries in target date funds (TDFs). TDF participants are in great danger, and don't know it. TDF fiduciaries are not likely to protect their beneficiaries without the "Best Interest Standard" imposed by the DOL rules. For more details, please see "[TDF Beneficiaries Need the DOL Best Interest Standard.](#)"

## U.S. Stock Market

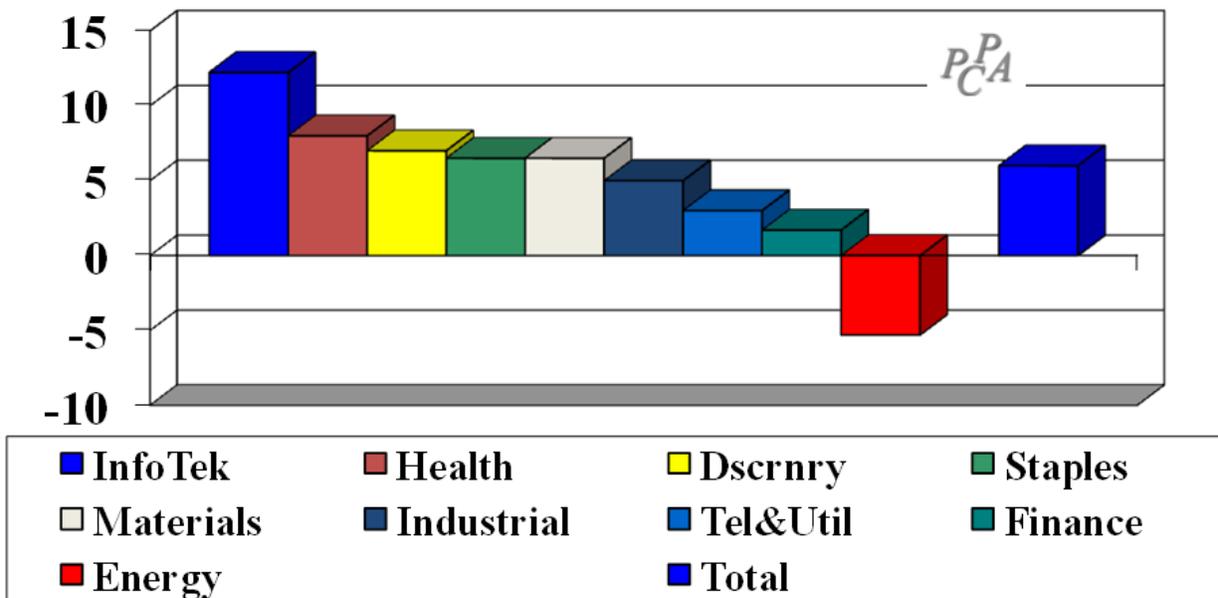
Reversing the trend of 2016, large growth companies led the way in the first quarter. In our [end of year commentary](#) we attributed the 2016 dominance of smaller value companies to fundamental indexing, AKA "Smart Beta", and predicted that the ride was about to end. Of course, one quarter is too soon to tell, but we like being right.

We use [Surz Style Pure](#)<sup>®</sup> classifications throughout this commentary.



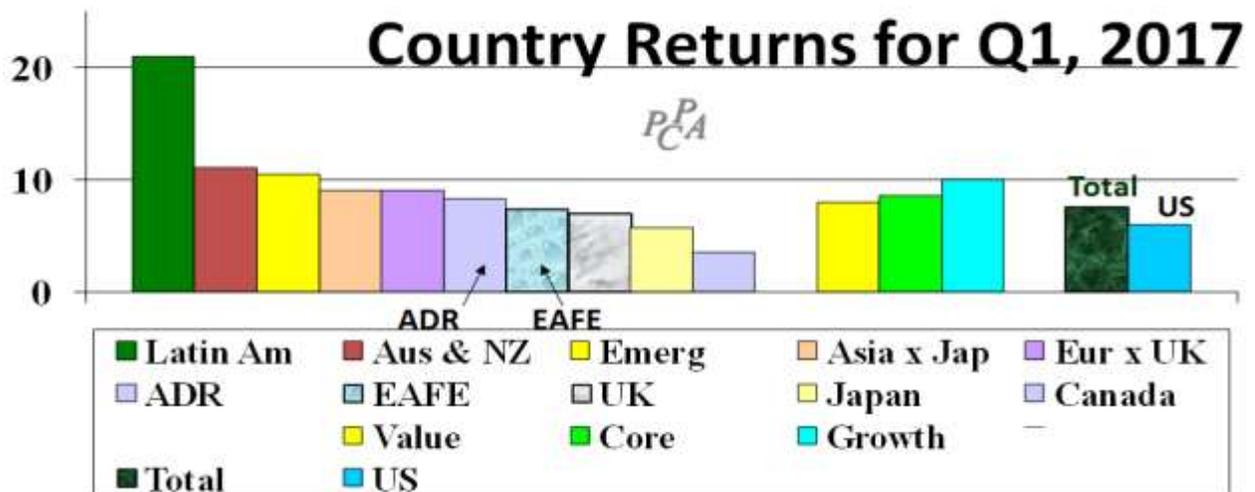
Sector performance shows total reversals from 2016. All of last year's winners are this quarter's losers, and vice versa. InfoTek performed best with a 12% return, while energy stocks lost 5%.

## Sector Returns for Q1, 2017



## Foreign Stock Markets

Looking outside the U.S., foreign markets earned 7.6% in the quarter, exceeding the U.S. stock market's 6% return and EAFE's 7% return. Unlike the U.S. there were no



reversals in country returns – better performing countries last year were good performers in the quarter, and vice versa. There has been momentum in foreign market country performance.

On the style front, growth stocks performed best with a 10% return while value stocks earned 8%, similar to the U.S.

## How to Use This Information

It just keeps getting better, until it doesn't. After 8 years of extraordinary growth, stock markets are showing no signs of weakening. No one knows what lies ahead, but we all have outlooks on the economy and the stock market, and adjust our thinking as results roll in. I personally remain surprised and grateful that stocks have performed so well in the past 8 years, following the 2008-2009 meltdown; it's been a long-term reversal. We can use the information above to test our personal outlooks, to see which are unfolding as we think they should and which are not, with the intention to clear the haze from those crystal balls.

We can also use this information to evaluate our investment managers, and to put an end to the continuing disappointments from active investment managers. [Success Scores](#) can help.

Ron Surz is President and CEO of PPCA Inc and its Target Date Solutions subsidiary. Both are in San Clemente, CA. Ron is a performance evaluation veteran who started with A.G. Becker in the 1970s. [PPCA](#) provides contemporary investment manager due diligence [software](#) and [Surz Style Pure Indexes](#)<sup>®</sup> including [Centric Core](#). [Target Date Solutions](#) manages target date funds using its [patented Safe Landing Glide Path](#)<sup>®</sup>, and has published a [book](#) to help fiduciaries select TDFs.

He is also a partner of [Paladin Financial Technology](#), [Sortino Investment Analytics](#), and [TDF Builder](#).