



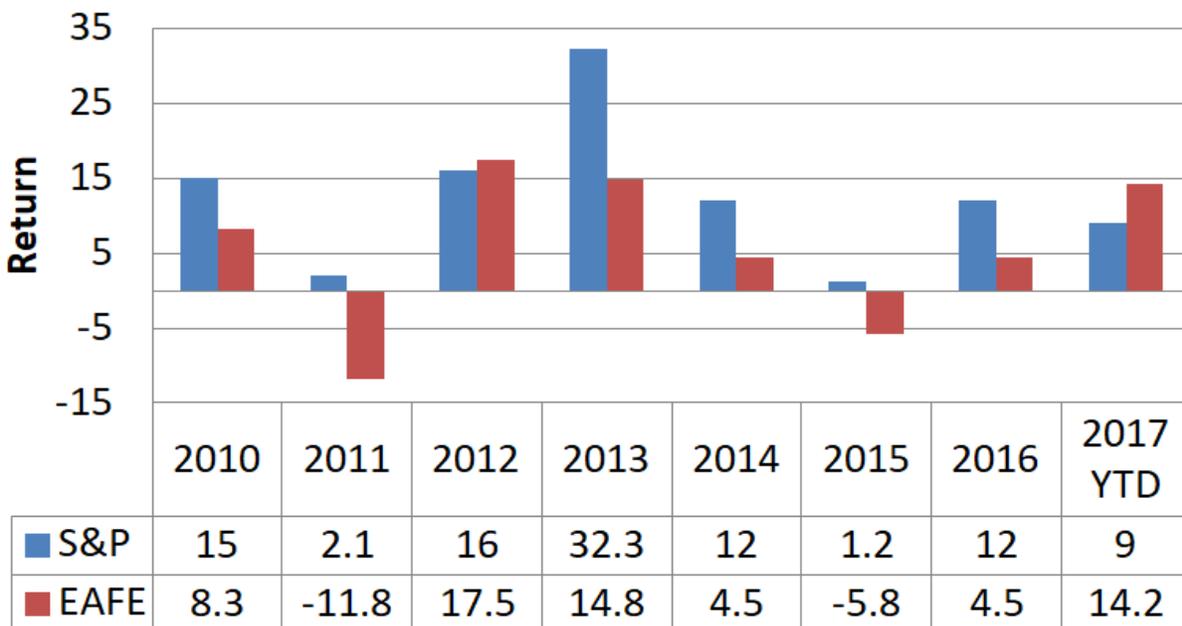
## Big Changes in Investment Market Leadership

- Global markets continued their upward advance through the second quarter of 2017, although not at the same pace as the first quarter.
- U.S. stock market styles and sectors continued to favor last year’s losers and punish last year’s winners. You can call this reversals or regression to the mean.
- Unlike the last 8 years, all foreign markets, with the exception of Canada, have outperformed the U.S. in the first half, especially Latin America. We’re falling behind for the first time in a long time.
- Commodities are the only assets losing money this year. Commodities were the second best performing asset class in 2016.

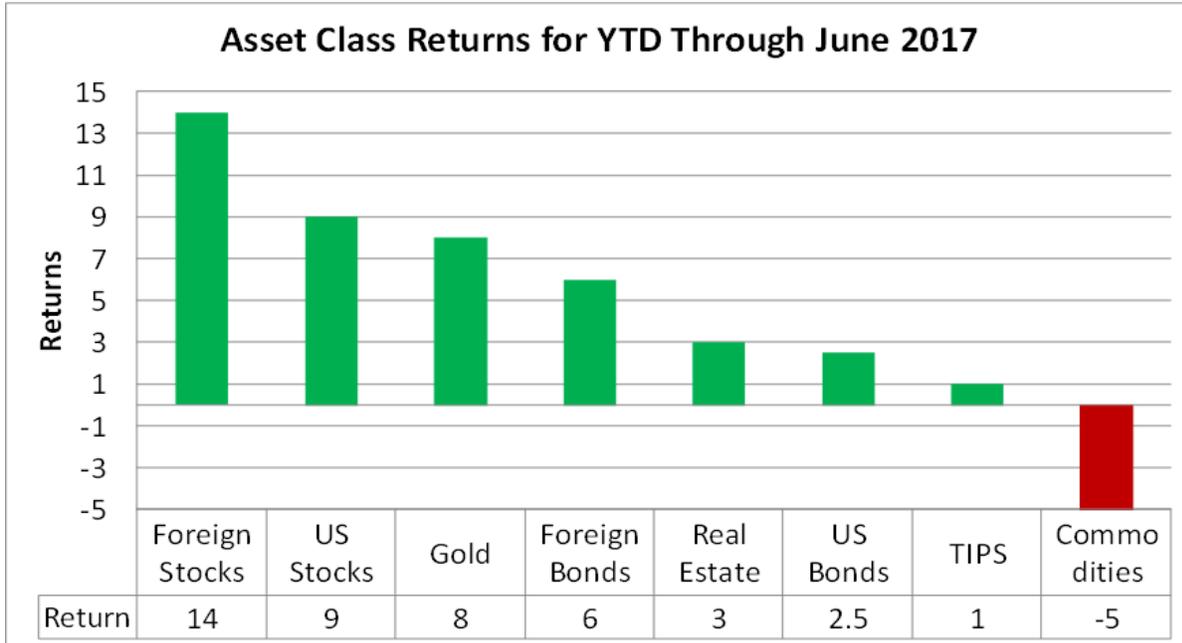
### Foreign stocks take the lead

Donald Trump’s presidency has inspired global investor optimism. The Trump rally continued into the second quarter of 2017 with the U.S. stock market earning 3% and foreign market performance doubling that with a 6% return. This is the second quarter in a row that has seen foreign markets outperforming, and the first time in the past 8 years that foreign stock markets have taken the lead. Every country except Canada is performing better than the US in 2017.

**US and Foreign Stock Markets**

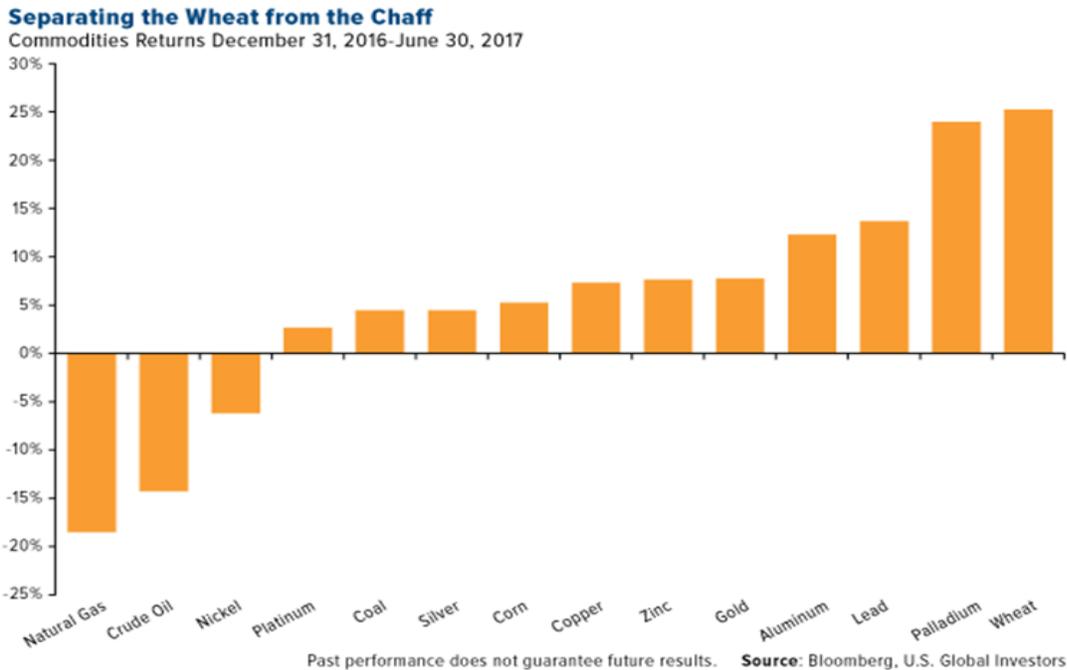


All asset classes have positive returns so far this year except commodities, which have lost 5%. Commodities were the second best performing asset in 2016, slightly behind US stocks.



Source: The Capital Spectator

A closer look at commodities reveals that the losses have been generated by natural gas and crude oil; other commodities, especially wheat, have done quite well.



## The Buzz

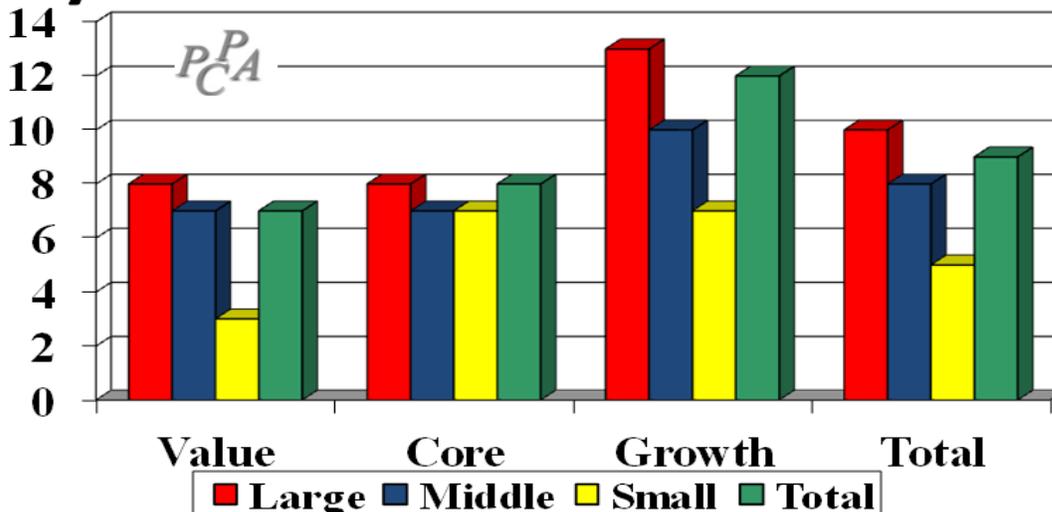
Much of the conversation this year has been about the DOL's Fiduciary Standards that went into effect on June 9. Pension beneficiaries need the DOL Fiduciary Standards, especially beneficiaries in target date funds (TDFs). TDF participants are in great danger, and don't know it. TDF fiduciaries are not 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 half. 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. We like being right even for short time periods.

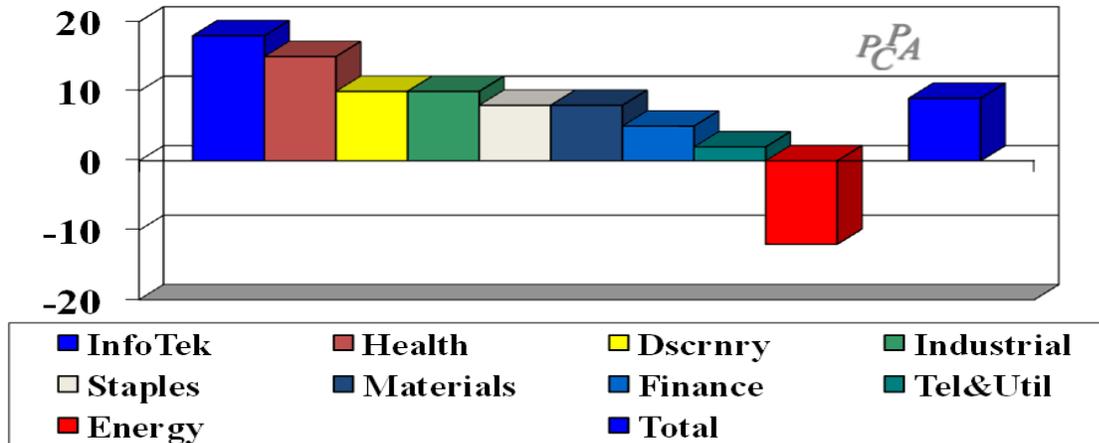
We use [Surz Style Pure](#)<sup>®</sup> classifications throughout this commentary.

## Style Returns for 1<sup>st</sup> Half of 2017



Sector performance shows total reversals from 2016. All of last year's winners are this year's losers, and vice versa. InfoTek performed best with an 18% return, while energy stocks have lost 12%.

## Sector Returns for 1<sup>st</sup> Half of 2017

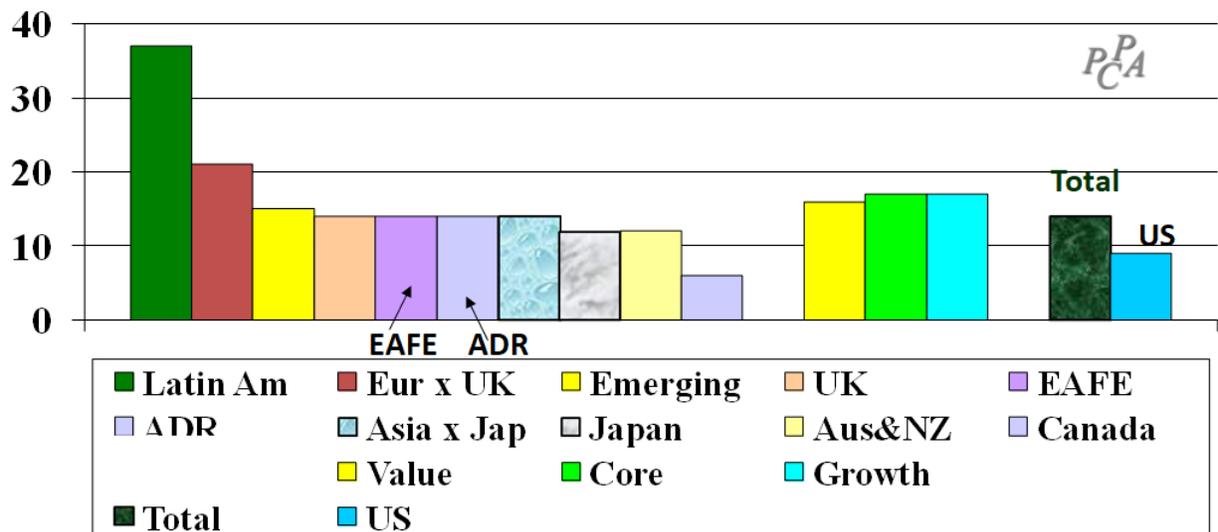


## Foreign Stock Markets

Looking outside the U.S., foreign markets earned 14% in the half, exceeding the U.S. stock market's 9% return. Unlike the U.S. there were no reversals in country returns – better performing countries last year were good performers in the half, and vice versa. There has been momentum in foreign market country performance.

Latin America has dominated with a 37% return, Europe x UK earned 21%, followed by a clustering of country performances near 14%, and then Canada at 5%.

## Country Returns for 1<sup>st</sup> Half of 2017



On the style front, growth stocks performed best with a 17% return, about the same as core and value, unlike the U.S. where growth has clearly dominated.

## How to Use This Information

It just keeps getting better, until it doesn't. After 9 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 9 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](#).