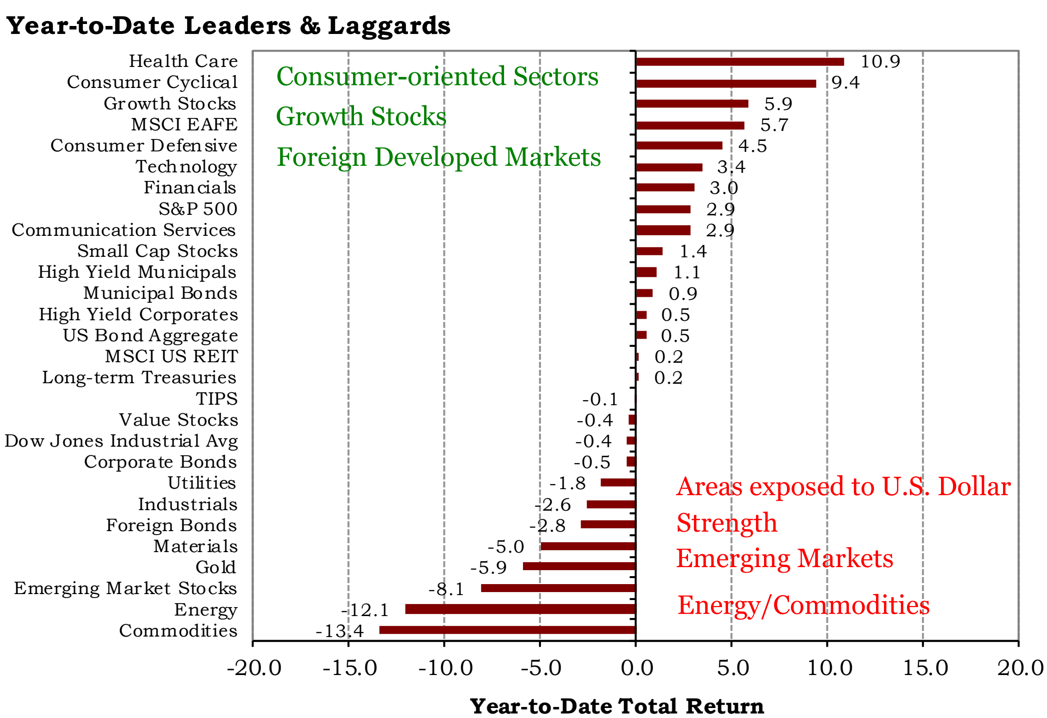
Hefren-Tillotson
ONE MINUTE MARKET INSIGHT

August 19, 2015 • Donald M. Belt, CFA® • Brian J. Koble, CFA®

Investors should have conservative return expectations

So far, 2015 is proving to be a challenging market environment. Returns have been relatively muted across the board, with wide divergences between asset classes and within the market indices. Areas benefitting from the recent environment include consumer-oriented sectors, growth stocks, and foreign developed markets while areas struggling have included those exposed to the decline in commodity/oil prices and strength in the U.S. dollar. Within the S&P 500, just five stocks have accounted for more than all of the index's return this year – Amazon, Google, Facebook, Apple, and Netflix. On the other end of the spectrum, companies such as ExxonMobil (-15% YTD), Chevron (-23%), Procter & Gamble (-17%), Intel (-20%) and Walmart (-16%) have weighed on returns despite their dominant global franchises and market positions.

Given low interest rates and elevated valuations across many asset classes, we believe conservative return expectations are warranted today. For the markets to move meaningfully higher and break out of its recent malaise, broader participation is necessary. Until then, it is important for clients to understand the narrow, low-return nature of the recent market environment and remain patient since such periods are often short-lived.



Source: Hefren-Tillotson, Bloomberg