



**TDC**  
INVESTMENT ADVISORY

# ANNUAL MARKET REVIEW

2016



This report features world capital market performance for the past year.

Overview:

Market Summary

World Asset Classes

US Stocks

International Developed Stocks

Emerging Markets Stocks




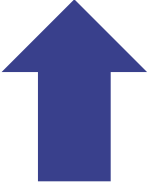


Select Country Performance

Select Currency Performance vs. US Dollar

Real Estate Investment Trusts (REITs)

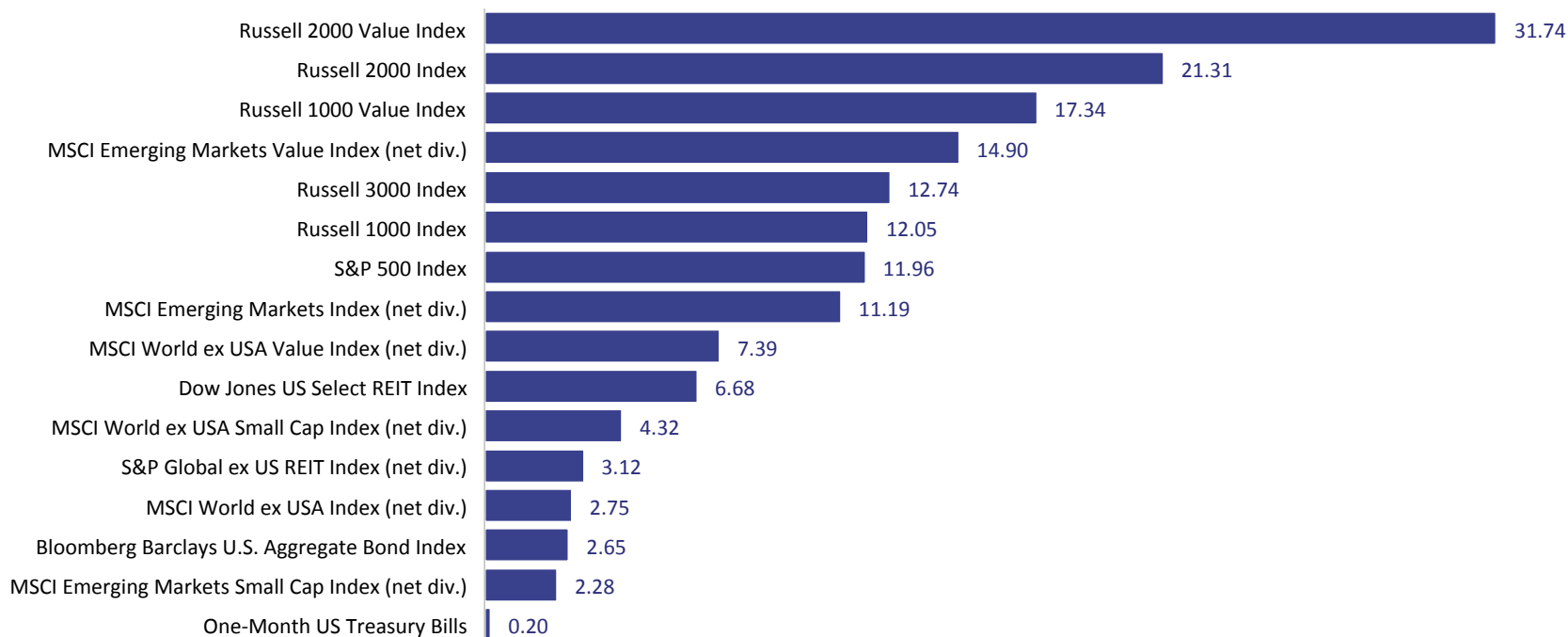
Commodities

Impact of Diversification

	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate		US Bond Market	Global Bond Market ex US
<b>2016</b>	<b>STOCKS</b>				<b>BONDS</b>		
	<b>12.74%</b>	<b>2.75%</b>	<b>11.19%</b>	<b>5.77%</b>		<b>2.65%</b>	<b>5.13%</b>
							
<b>Since Jan. 2001</b>							
Avg. Annual Return	7.6%	5.9%	13.3%	11.2%		4.9%	4.6%
Best Year	33.6% <b>2013</b>	39.4% <b>2003</b>	78.5% <b>2009</b>	37.4% <b>2006</b>		10.3% <b>2002</b>	9.8% <b>2014</b>
Worst Year	-37.3% <b>2008</b>	-43.6% <b>2008</b>	-53.3% <b>2008</b>	-45.7% <b>2008</b>		-2.0% <b>2013</b>	1.4% <b>2013</b>

Looking at broad market indices, the US outperformed both non-US developed and emerging markets for the year. US and non-US real estate investment trusts (REITs) recorded positive returns but lagged the US and non-US equity markets.

The value effect was positive in the US, non-US, and emerging markets across all size ranges. Small caps outperformed large caps in the US and developed markets outside the US but underperformed in emerging markets.



Source: DFA and Morningstar. Information from sources deemed reliable, but accuracy cannot be guaranteed.

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio.

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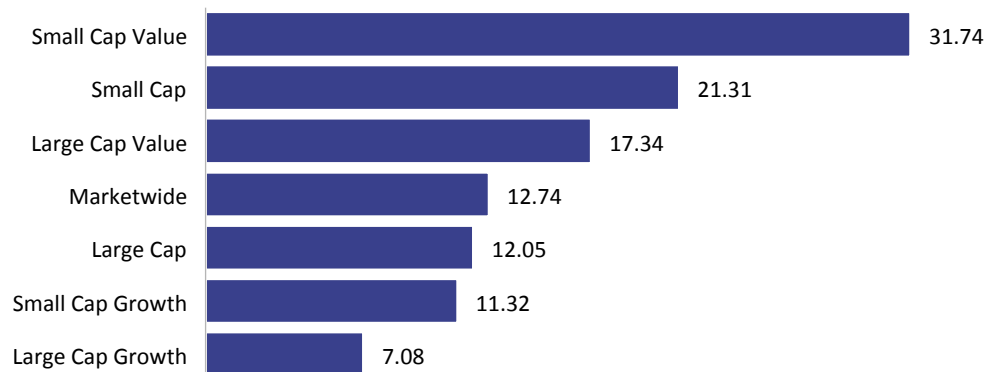


The broad US equity market recorded positive performance for the year.

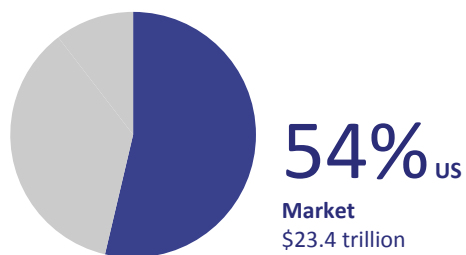
Value indices significantly outperformed growth indices in the US across all size ranges.

Small caps in the US outperformed large caps.

Ranked Returns (%)



World Market Capitalization—US



Period Returns (%)

Asset Class	1 Year	3 Years*	5 Years*	10 Years*
Marketwide	12.74	8.43	14.67	7.07
Large Cap	12.05	8.59	14.69	7.08
Large Cap Value	17.34	8.59	14.80	5.72
Large Cap Growth	7.08	8.55	14.50	8.33
Small Cap	21.31	6.74	14.46	7.07
Small Cap Value	31.74	8.31	15.07	6.26
Small Cap Growth	11.32	5.05	13.74	7.76

\* Annualized

Source: DFA. Information from sources deemed reliable, but accuracy cannot be guaranteed

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: Marketwide (Russell 3000 Index), Large Cap (Russell 1000 Index), Large Cap Value (Russell 1000 Value Index), Large Cap Growth (Russell 1000 Growth Index), Small Cap (Russell 2000 Index), Small Cap Value (Russell 2000 Value Index), and Small Cap Growth (Russell 2000 Growth Index). World Market Cap represented by Russell 3000 Index, MSCI World ex USA IMI Index, and MSCI Emerging Markets IMI Index. Russell 3000 Index is used as the proxy for the US market. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. MSCI data © MSCI 2017, all rights reserved.

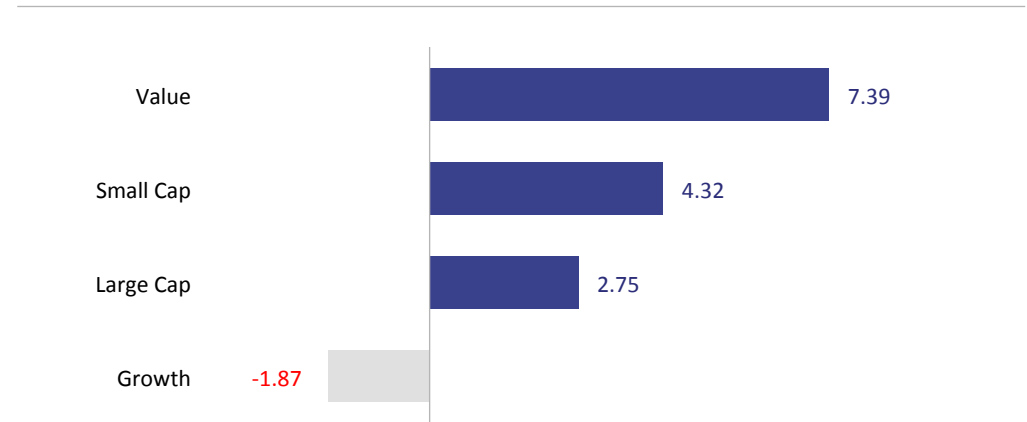


In US dollar terms, developed markets outside the US lagged both the US equity market and emerging markets indices for the year.

Small caps outperformed large caps in non-US developed markets.

Looking at broad market indices, the value effect was positive across all size ranges.

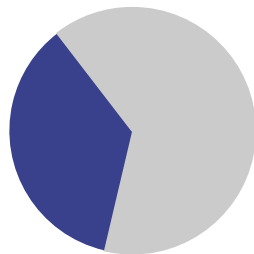
Ranked Returns (%)



World Market Capitalization—International Developed

**36%**

International  
Developed  
Market  
\$15.6 trillion



Period Returns (%)

\* Annualized

Asset Class	1 Year	3 Years*	5 Years*	10 Years*
Large Cap	2.75	-1.59	6.07	0.86
Small Cap	4.32	1.36	8.96	2.69
Value	7.39	-2.12	5.96	0.08
Growth	-1.87	-1.18	6.08	1.56

Source: DFA. Information from sources deemed reliable, but accuracy cannot be guaranteed

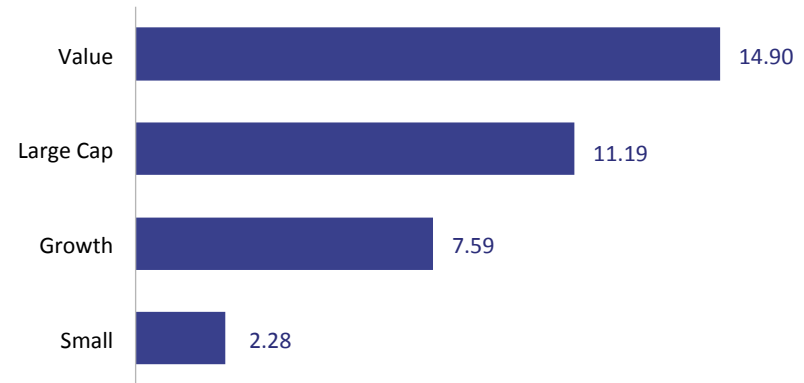
Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: Large Cap (MSCI World ex USA Index), Small Cap (MSCI World ex USA Small Cap Index), Value (MSCI World ex USA Value Index), and Growth (MSCI World ex USA Growth). All index returns are net of withholding tax on dividends. World Market Cap represented by Russell 3000 Index, MSCI World ex USA IMI Index, and MSCI Emerging Markets IMI Index. MSCI World ex USA IMI Index is used as the proxy for the International Developed market. MSCI data © MSCI 2017, all rights reserved.

In US dollar terms, emerging markets indices underperformed the US but outperformed developed markets outside the US for the year.

Looking at broad market indices, the value effect was positive across all size ranges.

Small caps underperformed large caps in emerging markets.

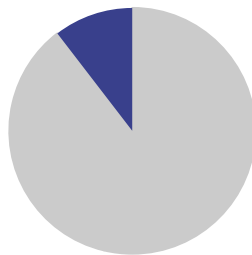
Ranked Returns for 2016 (%)



World Market Capitalization—Emerging Markets

**10%**

Emerging Markets  
\$4.5 trillion



Period Returns (%)

Asset Class	1 Year	3 Years*	5 Years*	10 Years*
Large Cap	11.19	-2.55	1.28	1.84
Small Cap	2.28	-1.27	3.51	3.41
Value	14.90	-3.54	-0.27	1.97
Growth	7.59	-1.67	2.73	1.63

\* Annualized

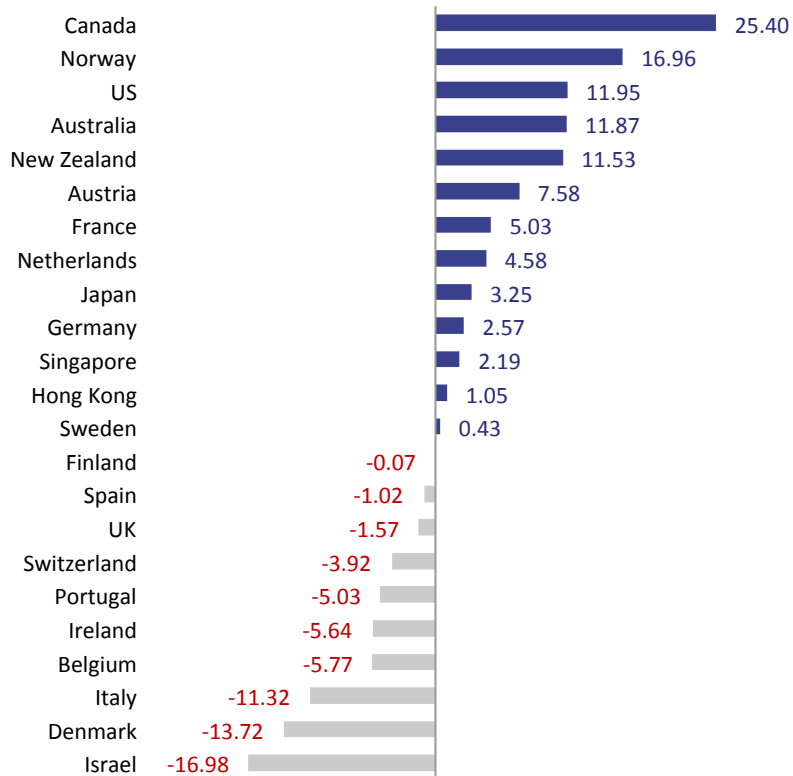
Source: DFA. Information from sources deemed reliable, but accuracy cannot be guaranteed

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: Large Cap (MSCI Emerging Markets Index), Small Cap (MSCI Emerging Markets Small Cap Index), Value (MSCI Emerging Markets Value Index), and Growth (MSCI Emerging Markets Growth Index). All index returns are net of withholding tax on dividends. World Market Cap represented by Russell 3000 Index, MSCI World ex USA IMI Index, and MSCI Emerging Markets IMI Index. MSCI Emerging Markets IMI Index used as the proxy for the emerging market portion of the market. MSCI data © MSCI 2017, all rights reserved.

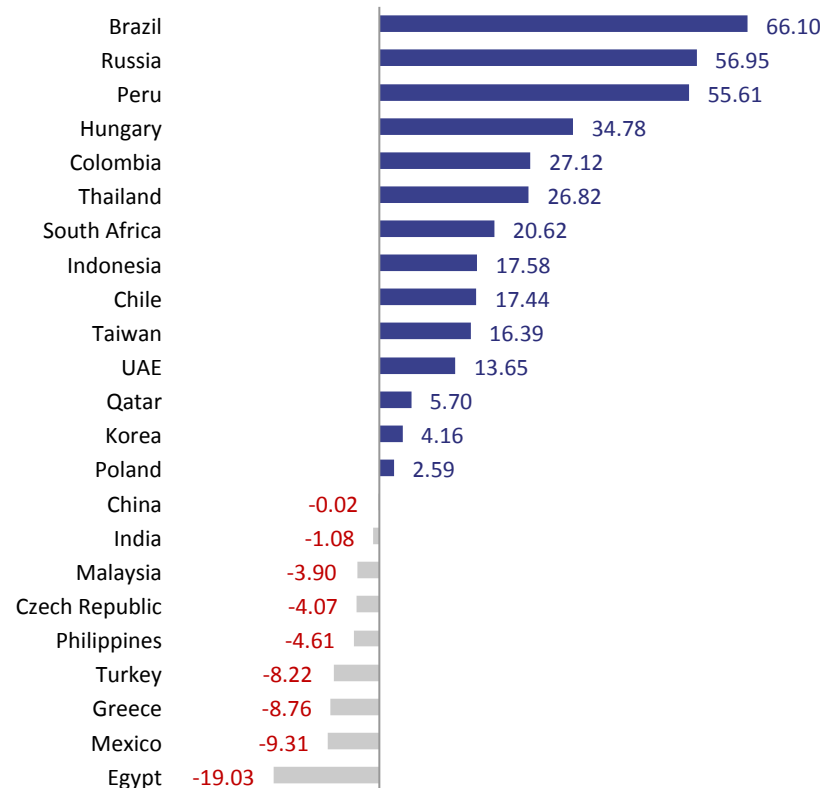


Canada and Norway recorded the highest country performance in developed markets, while Israel and Denmark posted the lowest returns for the year. In emerging markets, Brazil and Russia posted the highest country returns, while Egypt and Mexico recorded the lowest performance.

**Ranked Developed Markets Returns (%)**



**Ranked Emerging Markets Returns (%)**



Source: DFA. Information from sources deemed reliable, but accuracy cannot be guaranteed

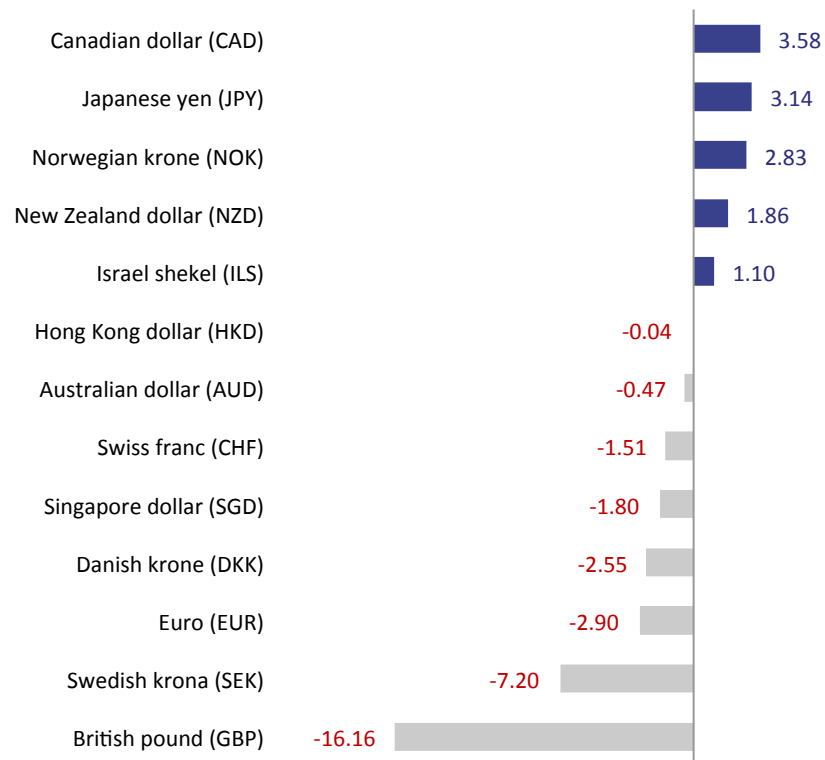
Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Country performance based on respective indices in the MSCI World ex US IMI Index (for developed markets), MSCI USA IMI Index (for US), and MSCI Emerging Markets IMI Index. All returns in USD and net of withholding tax on dividends. MSCI data © MSCI 2017, all rights reserved. UAE and Qatar have been reclassified as emerging markets by MSCI, effective May 2014.



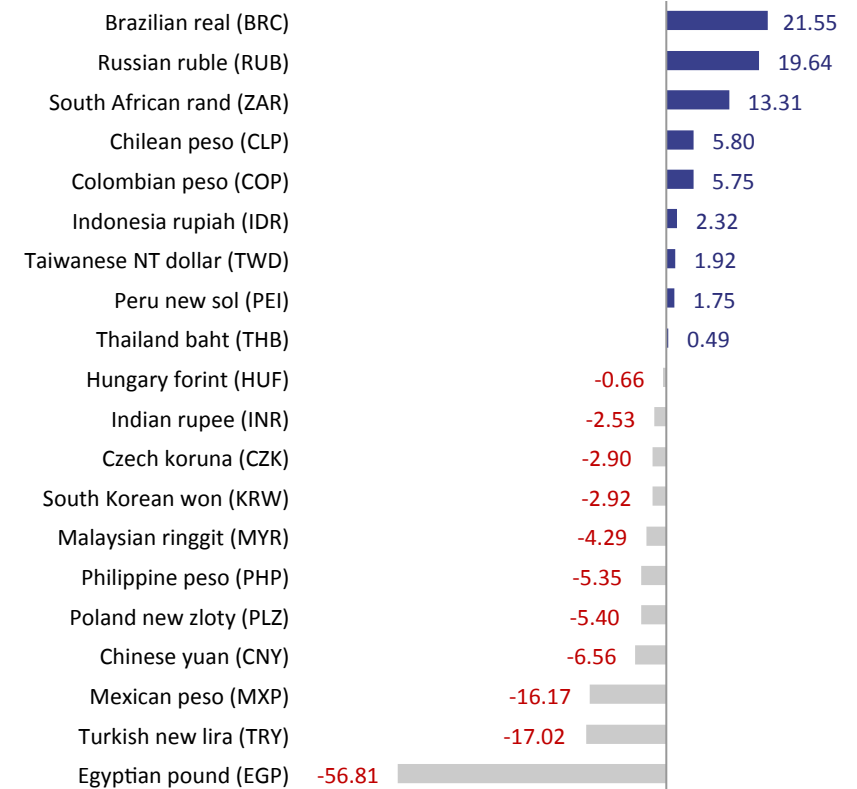


Relative to the US dollar, currency returns were mixed for both the non-US developed and emerging markets. The best-performing currency in non-US developed markets was the Canadian dollar, while the British pound recorded the lowest performance. In emerging markets, the Brazilian real and the Russian ruble appreciated the most vs. the US dollar. The Egyptian pound lost more than half its value vs. the US dollar.

## Ranked Developed Markets (%)



## Ranked Emerging Markets (%)



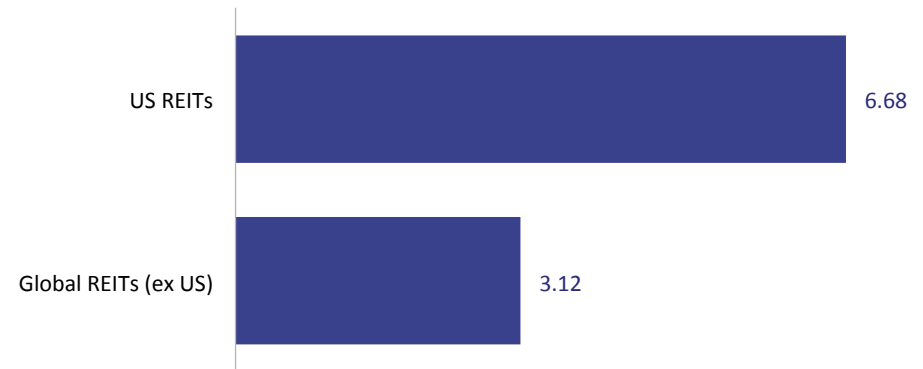
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US and non-US REITs had positive performance for the year but lagged the broad equity market in both regions.

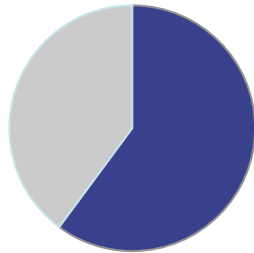
Ranked Returns (%)



Total Value of REIT Stocks

40%

World ex US \$421 billion  
258 REITs  
(22 other countries)



60%

US  
\$638 billion  
102 REITs

Period Returns (%)

Asset Class	1 Year	3 Years*	5 Years*	10 Years*
US REITs	6.68	13.73	11.77	4.63
Global REITs (ex US)	3.12	3.34	8.30	0.00

\* Annualized

Source: DFA. Information from sources deemed reliable, but accuracy cannot be guaranteed

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Number of REIT stocks and total value based on the two indices. All index returns are net of withholding tax on dividends. Total value of REIT stocks represented by Dow Jones US Select REIT Index and the S&P Global ex US REIT Index. Dow Jones US Select REIT Index used as proxy for the US market, and S&P Global ex US REIT Index used as proxy for the World ex US market. Dow Jones US Select REIT Index data provided by Dow Jones ©. S&P Global ex US REIT Index data provided by Standard and Poor's Index Services Group © 2017.



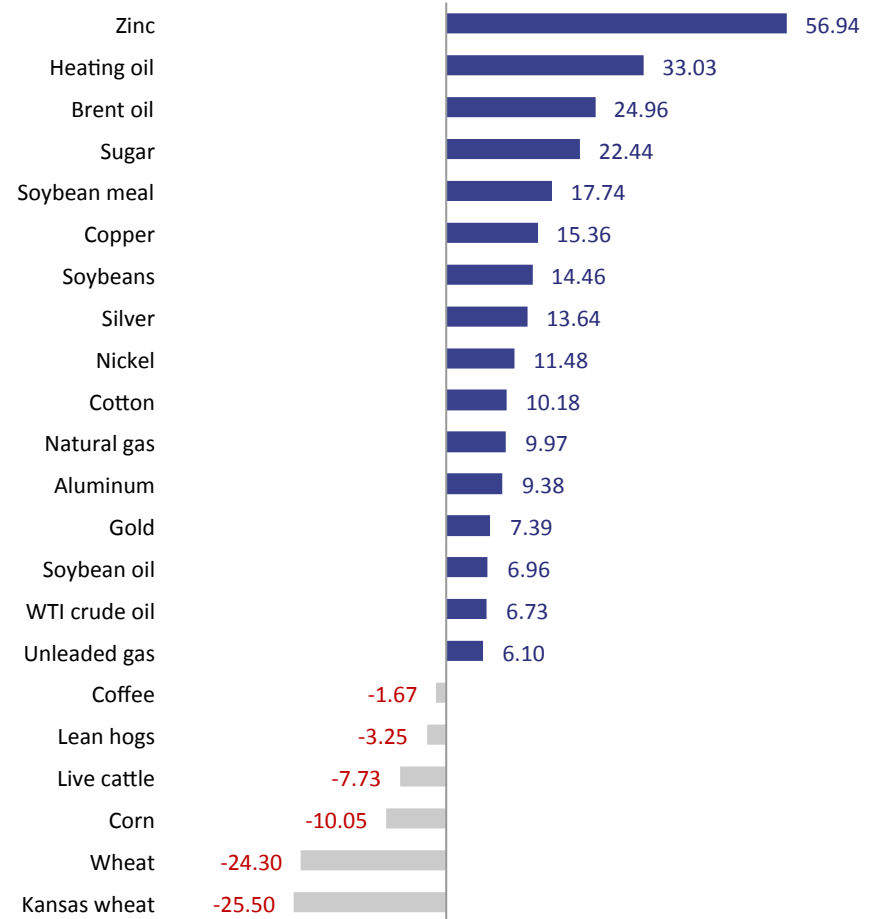
The Bloomberg Commodity Index Total Return gained 11.77% in 2016.

Zinc was the strongest performer, posting a return of 56.94%. Heating oil and Brent oil followed with respective returns of 33.03% and 24.96%. Kansas wheat was the weakest performer for the year, falling 25.50%.

Period Returns (%) \* Annualized

Asset Class	1 Year	3 Years*	5 Years*	10 Years*
Commodities	11.77	-11.26	-8.95	-5.58

Ranked Returns for Individual Commodities (%)

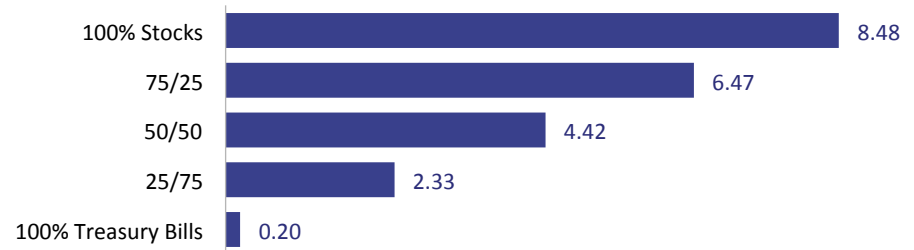


Sources: Morningstar, Parametric Portfolio Associates and Oppenheimer Funds. Information from sources deemed reliable, but accuracy cannot be guaranteed. Past performance is not a guarantee of future results. Index is not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. All index returns are net of withholding tax on dividends. Securities and commodities data provided by Bloomberg.



These portfolios illustrate the performance of different global stock/bond mixes. Mixes with larger allocations to stocks are considered riskier but have higher expected returns over time.

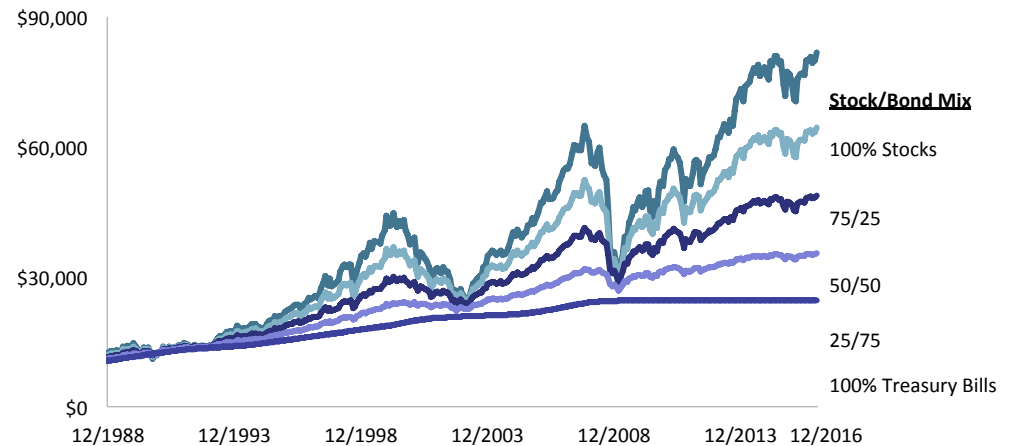
### Ranked Returns for 2016 (%)



### Period Returns (%)

Asset Class	* Annualized					10-Year STDEV <sup>1</sup>
	1 Year	3 Years*	5 Years*	10 Years*		
100% Stocks	8.48	3.69	9.96	4.12	16.99	
75/25	6.47	2.90	7.53	3.54	12.74	
50/50	4.42	2.03	5.07	2.77	8.49	
25/75	2.33	1.09	2.58	1.81	4.24	
100% Treasury Bills	0.20	0.08	0.06	0.67	0.41	

### Growth of Wealth: The Relationship between Risk and Return



STDEV (standard deviation) is a measure of the variation or dispersion of a set of data points. Standard deviations are often used to quantify the historical return volatility of a security or portfolio. Diversification does not eliminate the risk of market loss. Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect expenses associated with the management of an actual portfolio. Asset allocations and the hypothetical index portfolio returns are for illustrative purposes only and do not represent actual performance. Global Stocks represented by MSCI All Country World Index (gross div.) and Treasury Bills represented by US One-Month Treasury Bills. Globally diversified allocations rebalanced monthly, no withdrawals. Data © MSCI 2017, all rights reserved. Treasury bills © Stocks, Bonds, Bills, and Inflation Yearbook™, Ibbotson Associates, Chicago (annually updated work by Roger G. Ibbotson and Rex A. Sinquefeld).



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