FUNDMARKET INSIGHT REPORT

LIPPER RESEARCH SERIES

EQUITY MARKET—QUARTER-END ANALYSIS

JUNE 30, 2019

Equity Funds Keep Their Winning Streak Alive for the Second Quarter in a Row

Executive Summary

U.S. investors pushed equity funds to their strongest June gains since 1938 while hanging on every bit of news concerning the U.S./China trade negotiations and Federal Reserve Board meetings during the quarter. For Q2 2019, the average equity fund posted a 2.96% gain, with Lipper's U.S. Diversified Equity Funds (USDE) macro-classification (+3.36%) outpacing the other three major equity groups for the second consecutive quarter.

At the beginning of June, investors pushed the Dow Jones Industrial Average Index to its best weekly return of the year as a weaker-than-expected nonfarm payrolls report stoked hopes of a Fed rate cut. The Department of Labor announced the U.S. economy had added just 75,000 new jobs for May, missing analyst expectations of 185,000. However, the unemployment rate stayed steady at 3.6%. While figures from payment processor ADP showed the private sector added just 27,000 nonfarm jobs in May—the weakest growth since March 2010—investors focused on the chances that the Fed would lower rates in the near term, which some pundits feel will be a boon for equities. Investors also cheered news that President Donald Trump tweeted that he suspended plans to impose tariffs on Mexico because the two countries came to terms over stemming the flow of migrants at the U.S. southern border.

However, the following week, the Dow snapped its winning streak after China's foreign ministry said it would respond firmly if the U.S. insisted on intensifying its impasse with China. The U.S. markets continued to stumble after investors evaluated a lower-than-expected reading on the Consumer Price Index and continued to closely watch the rhetorical volley between U.S. and Chinese officials on trade. In addition, investors became slightly more cautious after a pair of oil tankers were attacked in the Strait of Hormuz, for which the U.S. blamed Iran, heightening fears of a U.S./Iran confrontation. As a result, crude oil futures rose as investors evaluated the likelihood of global oil disruptions.

While U.S. markets were able to string together three plus-side weeks in a row after Fed Chair Jerome Powell suggested the central bank would be willing to cut interests rates if the economic data didn't improve, investors digested the news that the IHS Markit Purchasing Managers Index dropped to its lowest reading since September 2009, and news that Trump made a last-minute decision to halt a retaliatory strike against Iran for shooting down an unmanned reconnaissance drone.

Stocks closed higher at month-end, with the Dow posting its strongest June return since 1938 as investors looked optimistically on the chance that President Trump and Chinese President Xi Jinping would be able to put the China/U.S. trade spat back on track at the G-20 meeting in Japan over the weekend. However, because of increased global uncertainties, near-month gold futures closed at $1,413.70/ounce, after hitting a six-year high the day before.

Equity Funds Post Their Strongest Quarterly Returns Since Q4 2010

- For Q2 2019, equity funds (+2.96% on average) strung together two consecutive quarters of plus-side performance. Lipper's U.S. Diversified Equity (USDE) Funds macro-classification (+3.36%) remained at the top of the leaderboard for the second quarter in a row, followed by World Equity Funds (+2.84%), Mixed-Asset Funds (+2.77%), and Sector Equity Funds (+1.84%).
- The Sector Equity Funds macro-classification housed two of the three best performing classifications in the equity universe for Q2, with Precious Metals Equity Funds (+11.94%) leading the macro-group.
- The World Equity Funds macro-classification was propped up by strong returns from Latin American Funds (+7.23%).
- Mid-cap (+4.41%) and growth-oriented (+5.03%) domestic equity funds outpaced the other capitalization and style groups for Q2.

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Lipper's preliminary Q2 2019 fund-flows numbers showed mutual fund investors were net purchasers of fund assets for the quarter, injecting an estimated $49.3 billion into the conventional funds business (excluding ETFs). But the headline numbers were misleading. Investors were net sellers of equity funds during the quarter (-$64.1 billion), shunning domestic equity funds (-$46.7 billion) and, to a lesser extent, nondomestic equity funds (-$17.3 billion). However, for the second consecutive quarter, investors were net purchasers of taxable bond funds (+$19.6 billion). Municipal bond funds, also for the second quarter in a row, attracted net new money, taking in $16.3 billion for Q2. For the fourth quarter in a row, investors were net purchasers of money market funds (+$77.1 billion). ETF investors (authorized participants [APs]) were net purchasers for Q2 (+$51.4 billion), injecting $17.5 billion into equity ETFs, $32.0 billion into taxable fixed income ETFs, and $1.9 billion into municipal debt ETFs.

All the major U.S. broad-based indices posted plus-side returns for Q2. The S&P 500 Price Only Index posted the strongest returns for the quarter, rising 3.79%. The NASDAQ Composite Price Only Index (+3.58%) and the Dow Jones Industrial Average Price Only Index (+2.59%) posted the second and third best returns, respectively, of the remaining U.S. broad-based indices. The New York AMEX Composite Price Only Index (+1.22%) was the relative laggard. Overseas, the Xetra DAX Total Return Index (+9.10%) posted the strongest returns of the global indices for the quarter, followed by the Nikkei 225 Price Only Return Index (+3.07%) and the FTSE 100 Price Only Index (-0.36%), while the Shanghai Composite Price Only Index (-5.70%) suffered the largest decline of the group.

The broad-based indices finished the month of June with a bang. On the domestic side, the NASDAQ and the Dow posted the strongest returns for the month, rising 7.42% and 7.19%, respectively, while the Russell 2000 and the S&P 500 were the relative laggards, returning 6.90% and 6.89%, respectively. The overseas indices also finished the month on an up note, with the Xetra DAX (+8.05%) and FTSE 100 (+4.70%) posting the strongest returns for the month, while the Nikkei 225 (+4.08%) and the Shanghai Composite (+3.29%) were the relative laggards.

For the quarter, 92 of Lipper's 103 equity and mixed-equity fund classifications posted positive returns. For the second consecutive quarter, the USDE macro-classification (+3.36%) outpaced Lipper's other three broad equity groupings. World Equity Funds (+2.84%) took the runner-up position for the quarter, followed by Mixed-Asset Funds (+2.77%) and Sector Equity Funds (+1.84%). In total, 91% of all individual equity and mixed-asset funds posted plus-side returns for the quarter.

During Q2, the dollar strengthened against the pound (+2.63%), but weakened against the euro (-1.24%) and the yen (-2.51%). Commodity prices were mixed, with near-month crude oil prices falling 2.78% to close the quarter at $58.47/barrel and with gold prices rising 9.03% to end the quarter at $1,409.70/ounce.

U.S. Diversified Equity (USDE) Funds Summary

The USDE Funds macro-classification (+3.36% [quarter] and +6.39% [June]) was the best performing of Lipper's four broad equity macro-classifications for the quarter and the month. Once again, market participants kept a keen eye on the China/U.S. trade negotiations, inverted yield curve, and the Fed's policy meetings. Fund investors kept their attention on growth-oriented issues for the ninth quarter in 10. Mid-cap funds (+4.41%) remained at the top of the leaderboard for the second consecutive quarter. As one might expect given the market's upside performance, Lipper's bear-oriented Dedicated Short-Bias Funds classification (-4.22% [quarter] and -11.31% [June]) was the worst performing classification in the group for the second quarter running, bettered by Alternative Equity Market-Neutral Funds (-1.59% [quarter] and -0.29% [June]) and Small-Cap Value Funds (+0.50% [quarter] and +6.89% [June]). The Mid-Cap Growth Funds classification was at the top of the macro-classification for the first quarter in five (+6.26% [quarter] and +7.10% [June]), followed by Multi-Cap Growth Funds (+4.88% [quarter] and +6.64% [June]), Large-Cap Growth Funds (+4.81% [quarter] and +6.75% [June]), and S&P 500 Index Funds (+4.19% [quarter] and +7.00% [June]).

For the second quarter in row, mid-cap funds (+4.41% [quarter] and +6.94% [June]) outpaced the other capitalization groups as investors bid up mid-cap information technology and industrial issues. Large-cap funds (+4.19% [quarter] and +6.70% [June]) outpaced the remaining capitalization groups for Q2, with multi-cap funds (+3.90%) and small-cap funds (+2.84%) being the relative laggards for the quarter. For the second quarter in a row, growth-oriented funds (+5.03%) handsomely outperformed their core-oriented (+3.36%) and value-oriented (+2.53%) cousins.

According to Lipper's active indices, the Mid-Cap Growth Funds classification (+6.26%, the 4x3-matrix quarterly leader) was helped in Q2 by heavier weightings and stronger performance results in the software & services, health care equipment & services, and capital goods industry groups. For June—for the first month in four—small-cap funds (+7.01%) outperformed the other capitalization groups, while value-oriented funds (+6.93%)—for the first month in seven—outpaced their growth- (+6.89%) and core-oriented (+6.78%) counterparts. For June, Small-Cap Growth Funds (+7.13%) outshone the other classifications in Lipper's style-based funds group, while Large-Cap Core Funds (+6.63%) was the laggard of the 4x3-matrix group. According to Lipper's active indices, the average small-cap growth fund benefitted from larger weightings and stronger returns in pharmaceutical, biotech & life sciences, capital goods, and health care equipment and services industry groups.

FIGURE 1 **LIPPER U.S. DIVERSIFIED EQUITY FUNDS CLASSIFICATION PERFORMANCE FOR THE QUARTER ENDED JUNE 30, 2019**

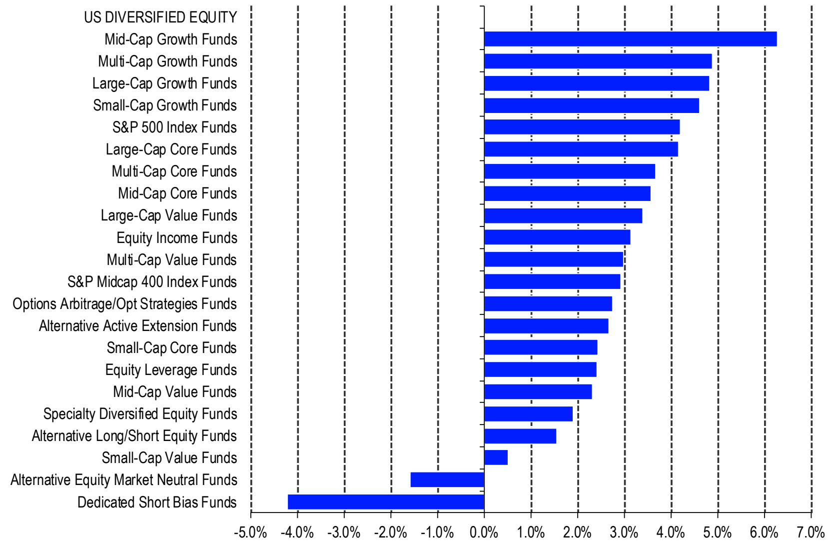


FIGURE 2 **LIPPER U.S. DIVERSIFIED EQUITY MATRIX, TOTAL RETURN (%) FOR THE QUARTER ENDED JUNE 30, 2019**

	VALUE	CORE	GROWTH	AVERAGE
Large-Cap	3.38	4.16	4.81	**4.19**
Multi-Cap	2.98	3.67	4.88	**3.90**
Mid-Cap	2.32	3.57	6.26	**4.41**
Small-Cap	0.50	2.42	4.60	**2.84**
AVERAGE	**2.53**	**3.36**	**5.03**	

FIGURE 3 **LIPPER U.S. DIVERSIFIED EQUITY MATRIX, TOTAL RETURN (%) FOR THE MONTH ENDED JUNE 30, 2019**

	VALUE	CORE	GROWTH	AVERAGE
Large-Cap	6.76	6.63	6.75	**6.70**
Multi-Cap	7.10	6.75	6.64	**6.80**
Mid-Cap	7.06	6.70	7.10	**6.94**
Small-Cap	6.89	6.96	7.13	**7.01**
AVERAGE	**6.93**	**6.78**	**6.89**	

Source: Lipper from Refinitiv

Sector Equity Funds Summary

Of Lipper's four equity macro-classifications, the Sector Equity Funds macro-group posted the lowest return for the quarter. Sector Equity Funds (+1.84%) housed two of the three top-performing classifications in the equity universe for the quarter, with Precious Metals Equity Funds—for the first quarter in 12—posting the strongest return in the group (+11.93%), followed by Financial Services Funds (+6.41%), Commodities Precious Metals Funds (+4.78%), and Industrials Funds (+4.71%). The Commodities Base Metals Funds (-6.90%, the worst performing classification in the equity universe), Natural Resources Funds (-4.13%), and Commodities Energy Funds (-2.79%) classifications were at the bottom of the group for the quarter.

The Sector Equity Funds macro-classification (+5.10%) was the third best performing of Lipper's four equity macro-classifications for June. For the month, the macro-classification was propped up by the strong performances of Precious Metals Equity Funds (+17.13%), Basic Materials Funds (+10.98%), and Health/Biotechnology Funds (+8.24%). The Commodities Specialty Funds and Commodities Agricultural Funds classifications posted the worst returns of the group, declining 1.11% and gaining 0.39%, respectively, for the month.

World Equity Funds Summary

A last-minute attempt to put the U.S./China trade talks back on track and confirmation that Mexico will assist the U.S. in securing their common border pushed the international markets higher during Q2. World Equity Funds (+2.84%) posted the second-best return for the quarter of Lipper's four broad-based equity macro-classifications. Latin American Funds (+7.23%), with tailwinds after Mexico agreed to take steps to slow the flow of migrants from Central America to the U.S. in return for the U.S. declining to impose tariffs on Mexican goods, pushed the classification to the top of the leaderboard for the quarter, followed by International Large-Cap Growth Funds (+4.72%), Global Large-Cap Growth Funds (+4.61%), and European Region Funds (+4.50%). China Region Funds (-1.83%, Q1's leader) were at the bottom of the charts, bettered by India Region Funds (-0.36%) and Pacific ex-Japan Funds (+0.27%) for Q2. For June, the World Equity Funds macro-classification (+5.87%) posted the second strongest return of the four Lipper equity macro-classifications. A total of 26 of the 27 classifications in the group posted plus-side returns for the month. At the top of the group was China Region Funds—chalking up a 7.11% return—followed by Latin American Funds—posting a 7.10% return—and Global Large-Cap Growth Funds—rising 6.72%. India Region Funds (-0.76%) was at the bottom of the heap for June—posting the only negative returns for the group,

FIGURE 4 **LIPPER SECTOR EQUITY INVESTMENT CLASSIFICATION PERFORMANCE FOR THE QUARTER ENDED JUNE 30, 2019**

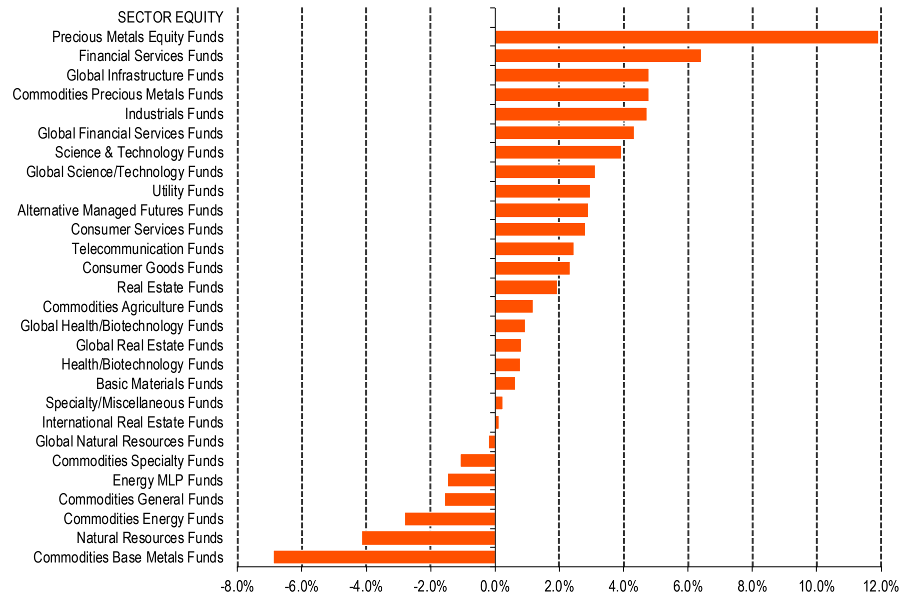
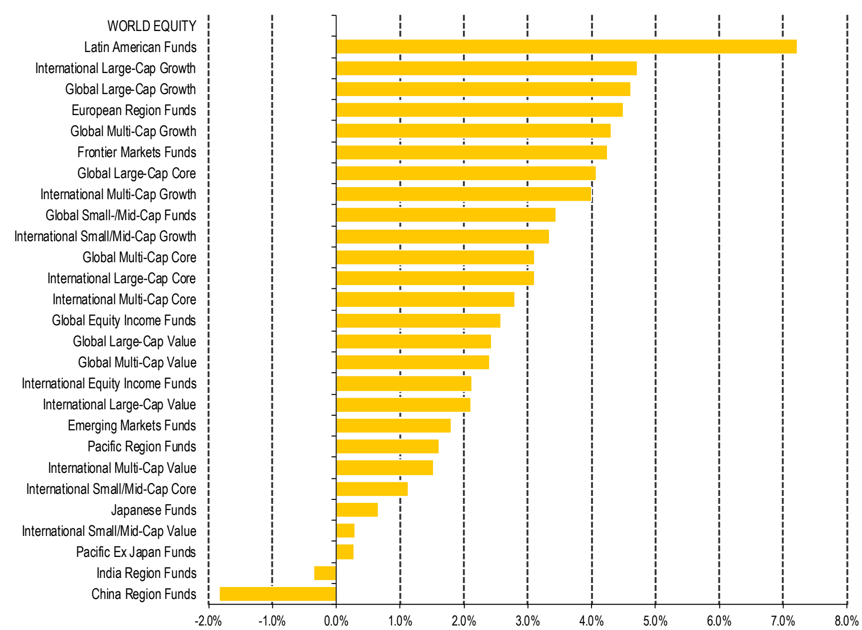


FIGURE 5 **LIPPER WORLD EQUITY INVESTMENT CLASSIFICATION PERFORMANCE FOR THE QUARTER ENDED JUNE 30, 2019**



Source: Lipper from Refinitiv

bettered by Frontier Markets Funds and Japanese Funds, gaining 3.75% and 3.83%, respectively.

International and global large-cap funds outpaced the other capitalization groups for Q2, while growth-oriented funds outperformed their core- and value-oriented brethren for the international and global 3x3-matrix groups. For June, large-cap funds outpaced the other cap groups in the global and international matrices, while growth-oriented funds edged out their valuation brethren in the international and the global matrices. For the quarter, Global Large-Cap Growth Funds (+4.61%) outperformed the other classifications in the global 3x3-matrix group, while International Large-Cap Growth Funds (+4.72%) took the honors for the international 3x3-matrix group. For the month of June, the top performers for the individual matrices were International Large-Cap Growth Funds (+6.56%) and Global Large-Cap Growth Funds (+6.72%).

FIGURE 6 **LIPPER INTERNATIONAL DIVERSIFIED EQUITY MATRIX TOTAL RETURN (%) FOR THE QUARTER ENDED JUNE 30, 2019**

	VALUE	CORE	GROWTH	AVERAGE
Large-Cap	2.11	3.10	4.72	**4.01**
Multi-Cap	1.53	2.80	3.99	**3.11**
Small-/Mid-Cap	0.30	1.13	3.34	**2.70**
AVERAGE	**1.52**	**2.66**	**3.99**	

FIGURE 7 **LIPPER INTERNATIONAL DIVERSIFIED EQUITY MATRIX TOTAL RETURN (%) FOR THE MONTH ENDED JUNE 30, 2019**

	VALUE	CORE	GROWTH	AVERAGE
Large-Cap	5.76	6.11	6.56	**6.35**
Multi-Cap	5.96	5.70	6.12	**5.93**
Small-/Mid-Cap	4.65	4.45	4.85	**4.76**
AVERAGE	**5.83**	**5.63**	**5.90**	

FIGURE 8 **LIPPER GLOBAL DIVERSIFIED EQUITY MATRIX TOTAL RETURN (%) FOR THE QUARTER ENDED JUNE 30, 2019**

	VALUE	CORE	GROWTH	AVERAGE
Large-Cap	2.44	4.07	4.61	**4.10**
Multi-Cap	2.40	3.11	4.31	**3.45**
Small-/Mid-Cap (No Style)		3.45		**3.45**
AVERAGE (LARGE & MULTI)	**2.41**	**3.36**	**4.43**	

FIGURE 9 **LIPPER GLOBAL DIVERSIFIED EQUITY MATRIX TOTAL RETURN (%) FOR THE MONTH ENDED JUNE 30, 2019**

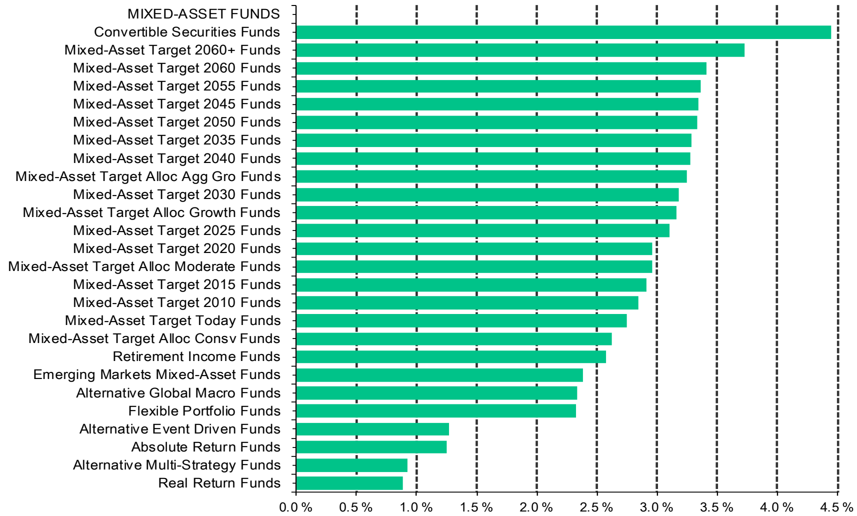
	VALUE	CORE	GROWTH	AVERAGE
Large-Cap	5.89	6.43	6.72	**6.50**
Multi-Cap	6.32	6.13	6.26	**6.23**
Small-/Mid-Cap (No Style)		5.39		**5.39**
AVERAGE (LARGE & MULTI)	**6.21**	**6.21**	**6.44**	

Source: Lipper from Refinitiv

Mixed-Asset Funds Summary

For the quarter, the Mixed-Asset Funds macro-classification (+2.78% [quarter] and 4.06% [June]) took the number-three spot of Lipper's four equity macro-classifications. The Mixed-Asset Funds group is comprised primarily of target date and target risk funds, which generally have a mix of both stocks and bonds. Year to date through May 31, 2019, the macro-group suffered $3.8 billion of estimated net outflows, with target date funds taking in some $29.3 billion, while target risk funds handed back $22.7 billion. The other classifications in the macro-group accounted for an additional $10.5 billion of net redemptions. Quarterly returns for the Mixed-Asset Funds classifications ranged from 0.88% (Real Return Funds [+3.40% for June]) to 4.45% (Convertible Securities Funds [+4.71% for June]).

FIGURE 10 **LIPPER MIXED-ASSET INVESTMENT CLASSIFICATION PERFORMANCE FOR THE QUARTER ENDED JUNE 30, 2019**



Source: Lipper from Refinitiv

FIGURE 11

PERFORMANCE OF SECURITIES MARKET INDICES

INDEX	ONE QUARTER 3/31/2019 6/30/2019 CUM. RETURN	YEAR TO DATE 12/31/2018 6/30/2019 CUM. RETURN	ONE YEAR 6/30/2018 6/30/2019 CUM. RETURN	THREE YEARS 6/30/2016 6/30/2019 ANN. RETURN	FIVE YEARS 6/30/2014 6/30/2019 ANN. RETURN	TEN YEARS 6/30/2009 6/30/2019 ANN. RETURN
FTSE 100 P IX	2.01	10.37	-2.77	4.52	1.95	5.74
Xetra Dax TR IX	7.57	17.42	0.75	8.60	4.75	9.94
Nikkei 225 Avg:Yen P IX	0.33	6.30	-4.61	10.95	7.01	7.89
DJ Ind Dly Reinv Avg IX	3.21	15.40	12.20	16.80	12.29	15.03
NASDAQ Composite P IX	3.58	20.66	6.60	18.25	12.68	15.87
S&P 500 Daily Reinv IX	4.30	18.54	10.42	14.19	10.71	14.70

FIGURE 12

PERFORMANCE OF THE TEN LARGEST FUNDS

FUND NAME	CLASS	NASDAQ SYMBOL	ONE QUARTER 03/31/19 06/30/19 CUM	YEAR TO DATE 12/31/18 06/30/19 CUM	ONE YEAR 06/30/18 06/30/19 CUM	THREE YEARS 06/30/16 06/30/19 ANN	FIVE YEARS 06/30/14 06/30/19 ANN	TEN YEARS 06/30/09 06/30/19 ANN
SPDR S&P 500 ETF	SPSP	SPY	4.26	18.44	10.32	14.07	10.60	14.58
Vanguard 500 Idx;Adm	SPSP	VFIAX	4.30	18.53	10.38	14.15	10.68	14.67
Vanguard TSM Idx;Adm	MLCE	VTSAX	4.09	18.71	8.99	14.03	10.17	14.71
Fidelity 500 Index Fund	SPSP	FXAIX	4.30	18.54	10.41	14.18	10.70	N/A
iShares:Core S&P 500	SPSP	IVV	4.29	18.53	10.38	14.15	10.67	14.63
Vanguard TSM Idx;Inst+	MLCE	VSMPX	4.09	18.70	9.01	14.05	N/A	N/A
Vanguard Tot I S;Inv	IMLC	VGTSX	2.72	13.21	0.50	8.88	2.25	6.54
Vanguard TSM Idx;Inst	MLCE	VITSX	4.09	18.71	9.00	14.04	10.18	14.71
Vanguard TSM Idx;Inv	MLCE	VTSMX	4.05	18.62	8.87	13.91	10.05	14.58
Vanguard Instl Indx;InsP	SPSP	VIIIX	4.30	18.54	10.41	14.17	10.70	14.70

Source: Lipper from Refinitiv

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