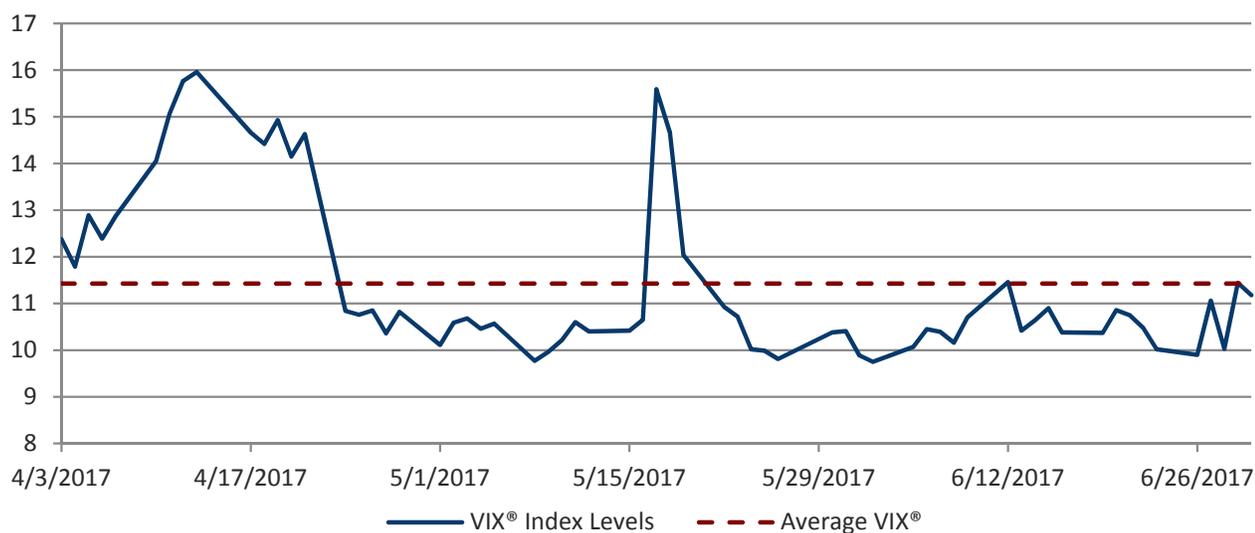


The S&P 500® Index gained 3.09% for the second quarter of 2017, bringing its year-to-date return to 9.34%. The equity market posted positive returns each month of the quarter with the S&P 500® Index returning 1.03%, 1.41% and 0.62% for April, May and June, respectively. The quarter began with a decline of 1.35% through April 13<sup>th</sup>. The loss was a continuation of the market decline that began in early March. From its close on March 1<sup>st</sup> through April 13<sup>th</sup>, the S&P 500® Index lost 2.58%, its largest peak-to-trough-decline of 2017. From April 13<sup>th</sup> through quarter-end, the S&P 500® Index returned 4.50%. The advance was largely steady with the only significant interruption being a one-day loss of 1.79% on May 17<sup>th</sup>. Realized volatility and implied volatility were persistently low throughout the quarter.

The market backdrop for the second quarter was generally encouraging for the broader economy and quite positive for corporate profitability. Over 81% of S&P 500® Index companies reported first quarter earnings that met or exceeded analyst estimates, and aggregate operating earnings grew 4.55% from their December 31<sup>st</sup>, 2016 level. Year-over-year, earnings grew at a rate of 12.67%, the fastest measure since the first quarter of 2011. Despite initial estimates of first quarter GDP growth coming in well short of expectations and below one percent, and inflation measures that dropped below the Federal Reserve's (the Fed) two percent target, there was little market response to the Fed's monetary policy commentary and actions. The Fed determined that economic data was strong enough to support raising the Federal Funds rate for the second time this year during their June meeting. The Fed also began discussing plans for shrinking the size of its balance sheet after nearly a decade of asset purchases. At the end of June, the final estimate of first quarter GDP growth came in at 1.4%, an upward revision that beat consensus estimates. Despite an elevated level of turmoil in Washington, DC, the market impact of the political environment was limited. Market weakness at the beginning of the quarter was, in part, a continuation of the concern that the Trump administration's policy agenda of deregulation, tax cuts and infrastructure spending was losing momentum due to the failure of Congress to pass a healthcare bill that repealed or modified the Affordable Care Act. Similar concerns also played a part in the sharp one-day equity market decline on May 17<sup>th</sup>, as controversy around President Trump and investigations into his campaign staff's ties to Russian officials were seen as an additional impediment to his administration's legislative agenda.

Implied volatility, as measured by the Chicago Board Options Exchange Volatility Index® (the VIX®), averaged 11.43 for the quarter, the second lowest quarterly average over the 110-quarter history of the VIX®, which began in 1990. Implied volatility exceeded S&P 500® Index realized volatility (as measured by its annualized standard deviation of daily returns) of 7.45% for the quarter. On June 2<sup>nd</sup>, the VIX® closed at 9.75, its closing low for the quarter and its lowest close since December 1993. The VIX® has closed below 10 just 16 times since 1990 but seven of those instances occurred in the most recent quarter. The closing high for the VIX® during the quarter was 15.96 on April 13<sup>th</sup>.

**VIX® Levels**  
(4/1/17 - 6/30/17)



Datasource: Bloomberg, L.P.

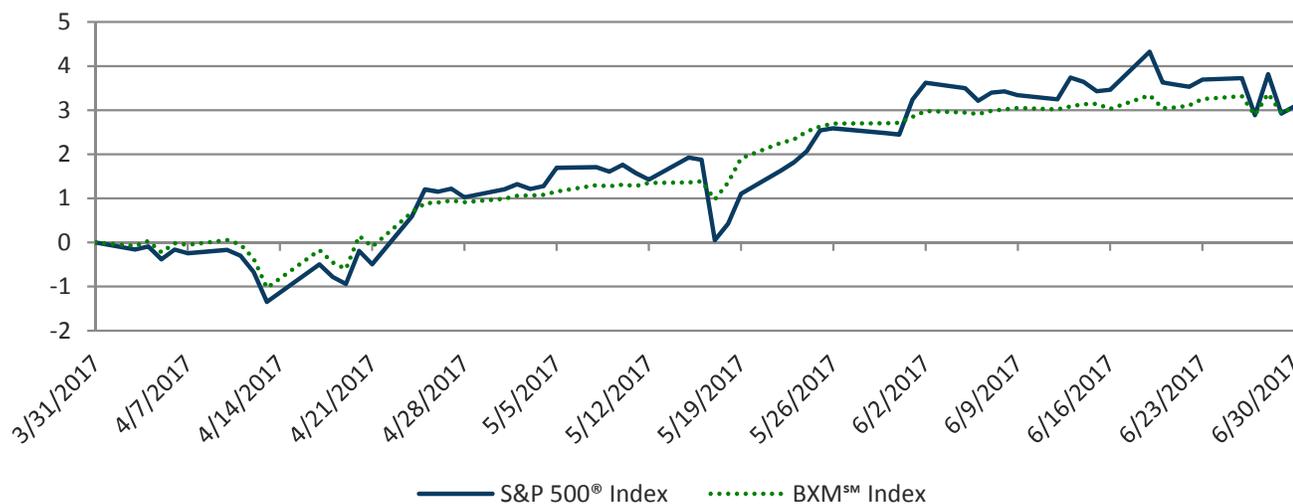
**Performance data shown represents past performance and is no guarantee of, and not necessarily indicative of, future results.**

The Chicago Board Options Exchange S&P 500® BuyWrite Index (the BXMSM), had a return of 3.07% for the second quarter, bringing its year-to-date return to 7.21%. The premiums collected when the BXM'sSM new index call options were sold on the third Friday of each month (as the previous months' index call options expired) significantly influenced the relative return of the BXMSM over the course of the quarter. Premiums collected as a percentage of the BXM'sSM underlying value were 1.10%, 0.97% and 1.14% for April, May, and June, respectively. The premiums received were consistent with the low volatility environment that persisted throughout the quarter.

<sup>1</sup> The CBOE® S&P 500 BuyWriteSM Index (the BXMSM) is a passive total return index designed to track the performance of a hypothetical buy-write strategy on the S&P 500® Index. The construction methodology of the BXMSM includes buying an equity portfolio replicating the holdings of the S&P 500® Index and selling a single one-month S&P 500® Index call option with a strike price approximately at-the-money each month on the Friday of the standard index-option expiration cycle and holding that position until the next expiration.

Despite the relatively low premiums received, the BXM's<sup>SM</sup> monthly returns were 0.91%, 1.78% and 0.35% for April, May and June, respectively. Compared to the S&P 500<sup>®</sup> Index, the BXM's slight underperformance in April and June was nearly erased by its outperformance in May.

**Cumulative Performance (%)**  
(4/1/17 - 6/30/17)



Datasource: Morningstar Direct<sup>SM</sup>.

Performance data shown represents past performance and is no guarantee of, and not necessarily indicative of, future results.

The Bloomberg Barclays U.S. Aggregate Bond Index returned 1.45% for the second quarter, bringing its year-to-date return to 2.27%. The yield on the 10-year U.S. Treasury Note ended the first quarter at 2.39% and climbed to a second quarter high of 2.41% on May 10<sup>th</sup> before declining to a second quarter low of 2.13% on June 14<sup>th</sup> and then rising again to end the quarter at 2.30%.