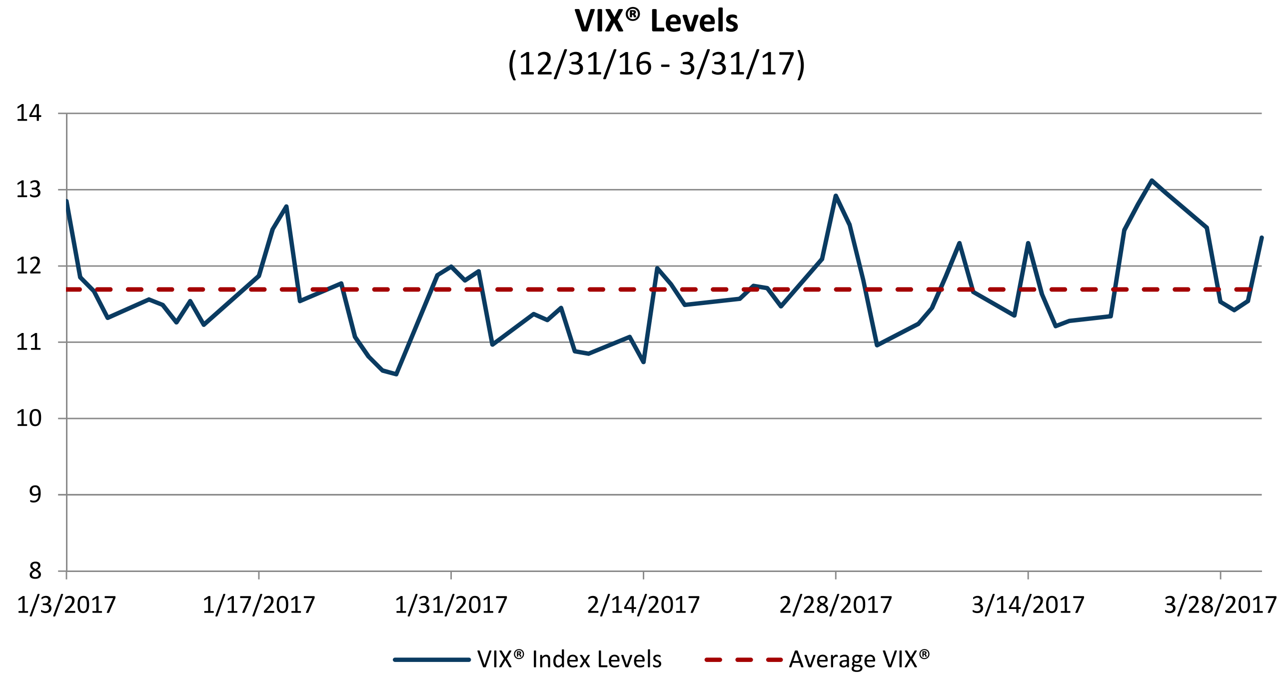
Market Recap

Equity Markets

The S&P 500® Index gained 6.07% for the first quarter of 2017. The equity market posted positive returns each month of the quarter with the S&P 500® Index returning 1.90%, 3.97% and 0.12% for January, February and March, respectively. The equity market's advance was steady over the first two months and reached a year-to-date closing high on March 1st. The S&P 500® Index declined 2.16% from March 1st through March 27th before advancing to month-end. Realized volatility and implied volatility were persistently low throughout the quarter.

The advance in January and February was fueled by strong corporate earnings, positive economic data and optimism that the Trump administration would quickly enact its agenda of reducing regulations and reforming the tax code. The January release of the Purchasing Managers Manufacturing Index was the strongest since March 2015 and the January employment and retail sales reports were strong, exceeding expectations. Measures of business and consumer confidence reached multi-year highs. Though the Federal Reserve raised the Fed Funds rate by 25 basis points (bps) as expected in March, rhetoric about future rate increases was relatively dovish – as noted during Chairman Yellen's press conference after the rate hike and during her semi-annual testimony to Congress in February. Nearly 78% of S&P 500® Index companies reported fourth quarter earnings that met or exceeded analyst estimates and aggregate operating earnings grew 4.77%, the fastest rate since the fourth quarter of 2013. Market weakness in March was driven in part by the failure of Congress to pass a healthcare bill that repealed or modified the Affordable Care Act, calling into question the ability of the Trump Administration to enact other portions of its policy agenda. At the end of March, the final estimate of fourth quarter GDP growth came in at 2.1%, an upward revision that beat consensus estimates.

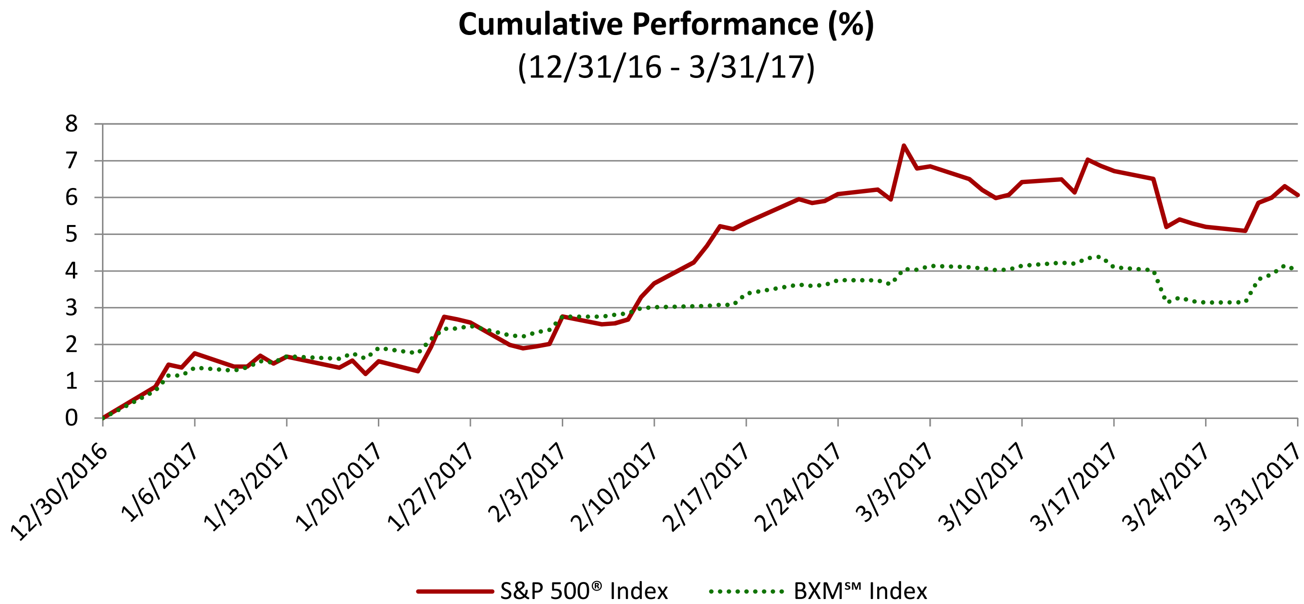
Implied volatility, as measured by the Chicago Board Options Exchange Volatility Index® (the VIX®), averaged 11.69 for the quarter, exceeding S&P 500® Index realized volatility (as measured by its annualized standard deviation of daily returns) of 6.84%. The VIX® oscillated in a narrow range throughout the quarter with a low of 10.58 and a high of 13.12.



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)[1], had a return of 4.01% for the first quarter. 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 0.85%, 0.89% and 0.92% for January, February, March, respectively. The premiums received were consistent with the low volatility environment that persisted throughout the quarter. Despite the relatively low premiums received, the BXMSM outperformed the S&P 500® Index in two out of three months. With monthly returns of 2.22%, 1.39% and 0.36% for January, February and March, respectively, the BXM'sSM overall underperformance relative to the S&P 500® Index for the quarter was primarily due to call premium earned in February being insufficient to keep pace with the equity market's rapid mid-quarter advance. The BXMSM was able to provide downside protection during the equity market's decline in March, losing only 87 bps, thus outperforming the S&P 500® Index by 129 bps.

[1] 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.



Datasource: Morningstar Direct[SM]. **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 0.82% for the first quarter. The yield on the 10-year U.S. Treasury Note ended 2016 at 2.44% and ended the first quarter at 2.39%. The bellwether interest rate reached a low of 2.31% on February 24th before climbing to a high of 2.63% on March 13th, its highest level since mid-2014.