Trustmark Investment Advisors, Inc.

SPECIAL MARKET COMMENTARY
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2015: A Challenging Year of Narrow Leadership

2015 can be best described as the year of narrow leadership. The slight positive return posted by the S&P 500 was fueled by only a handful of constituents – in fact, excluding Facebook, Amazon, Netflix, and Alphabet (Google) the S&P 500 would have been down for 2015, as shown in Appendix One courtesy of Ned Davis Research. Outside of large cap stocks and municipal bonds, most of the other major asset classes posted negative returns – offering particular discomfort to those pursuing a diversified portfolio or strategy.

For example, a traditional 60/40 stock and bond mix comprised of the S&P 500 and Lehman Aggregate Bond Index returned 1.01% - barely behind an all stock portfolio, which would have been much more volatile, and only half a percent higher than an all bond portfolio.

There were plenty of ways to find capital depreciation last year – most notably in commodities and commodity-related sectors such as emerging market equities, crude oil, energy stocks, and master limited partnership (MLPs). Small-cap and mid cap domestic stocks along with international stocks both underperformed domestic large-cap stocks as well.

The most peculiar aspect of last year was how few asset classes actually positive returns; with intermediate and long-term municipal bonds being the only asset classes outside of domestic large cap stocks to do so.

But even within these asset classes you had to dig deep to find the positive performance. For example, even though the S&P 500 posted a modest gain, the average stock on an equal-weighted basis was down -1.74% - said another way, sorted by market cap the largest 20% of the S&P 500 were up 2.54% on average, the remaining 80% were down on average for the year.

The table below shows the 2015 total return of several notable asset classes:

2015 Asset Class Total Return - ETFs	
S&P 500	1.37%
S&P Mid Cap 400	-2.18%
Russell 2000 Small Cap	-4.41%
International Stocks (EFA)	-1.00%
Emerging Market Stocks (EEM)	-16.18%
Oil	-30.47%
Gold	-10.42%
Master Limited Parternship (MLPs)	-25.68%
Short Term Treasury Bonds (SHY)	0.43%
Intermediate Term Treasury Bonds (IEF)	1.51%
Long Term Treasury Bonds (TLT)	-1.79%
Junk Bonds (JNK)	-6.77%
Municipal Bonds (PZA)	3.94%
Emerging Market Bonds (EMB)	1.03%

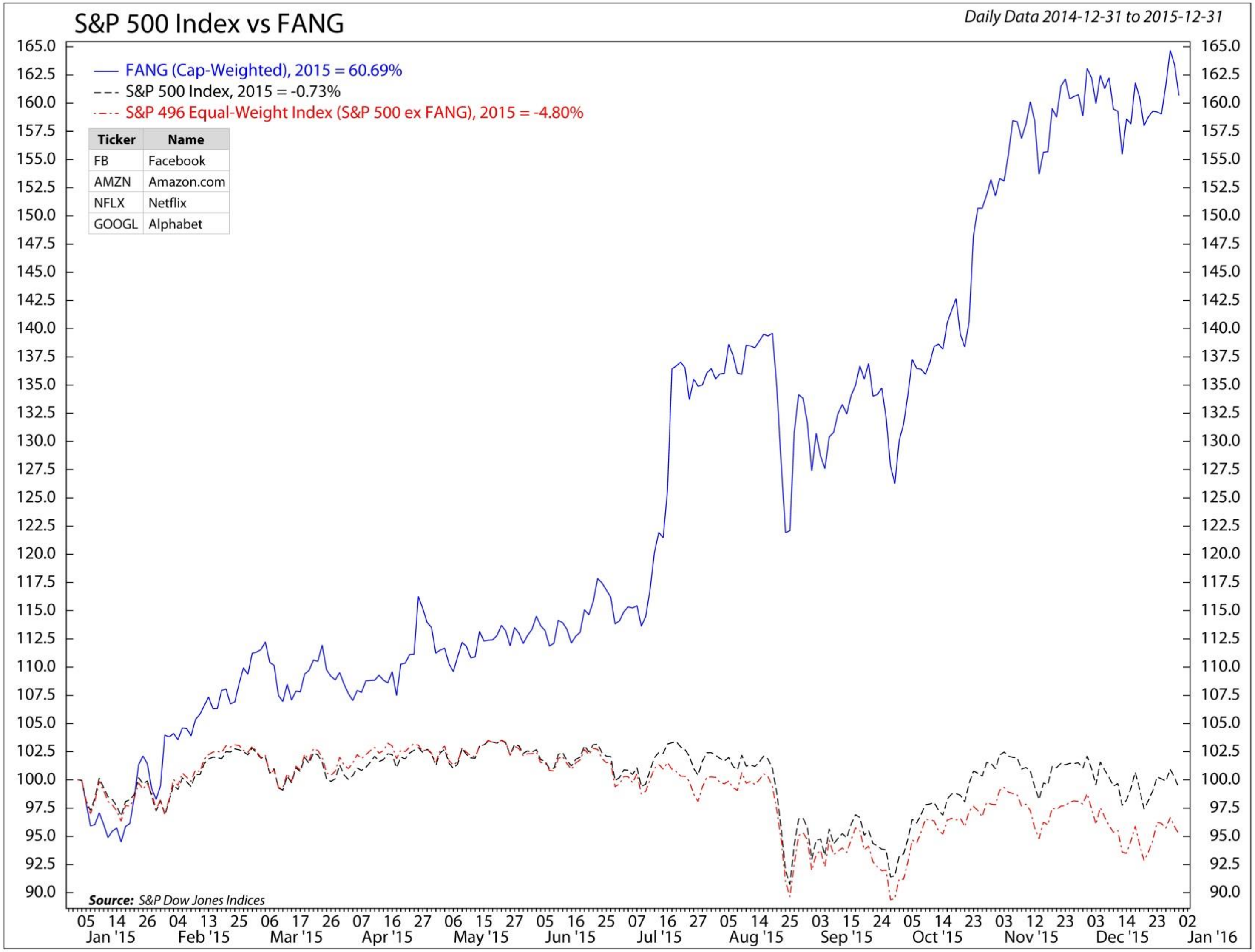
Source: Bloomberg

As we enter 2016, market breadth continues to be a problem for equities. Data from Ned Davis Research shows that currently only 35% of S&P 500 stocks are trading above their 200-day moving average and that nearly 40% of S&P 500 stocks are down 20% or more from their one-year highs.[1] For comparison, the S&P 500 is about 6% below its one-year high from May 2015. In other words, while the broad index is only 6% below its high water mark, nearly half of the index members are in bear market territory.

Despite the frustrations of 2015, it is important not to let short term movements in the market cloud your long term perspectives. Following the weight of the evidence and managing risk may not have generated outsized returns in 2015, but it certainly helped avoid large losses. Continuing to follow a disciplined investment process is imperative, particularly market environments where it may be easy to make emotional decisions.

[1] Ned Davis Research report TC_SP500_INTERNALS and chart TC_SPSTOCK_20

Appendix One



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1 Ned Davis Research report TC_SP500_INTERNALS and chart TC_SPSTOCK_20