April 2016

MEEDER INVESTMENT MANAGEMENT

Monthly Market Commentary

Discussion Points

- April sees improvement across stock market indexes.
- FOMC announces reduction to two quarter-point hikes.
- International model favors emerging markets.

For the period ending April 30, 2016

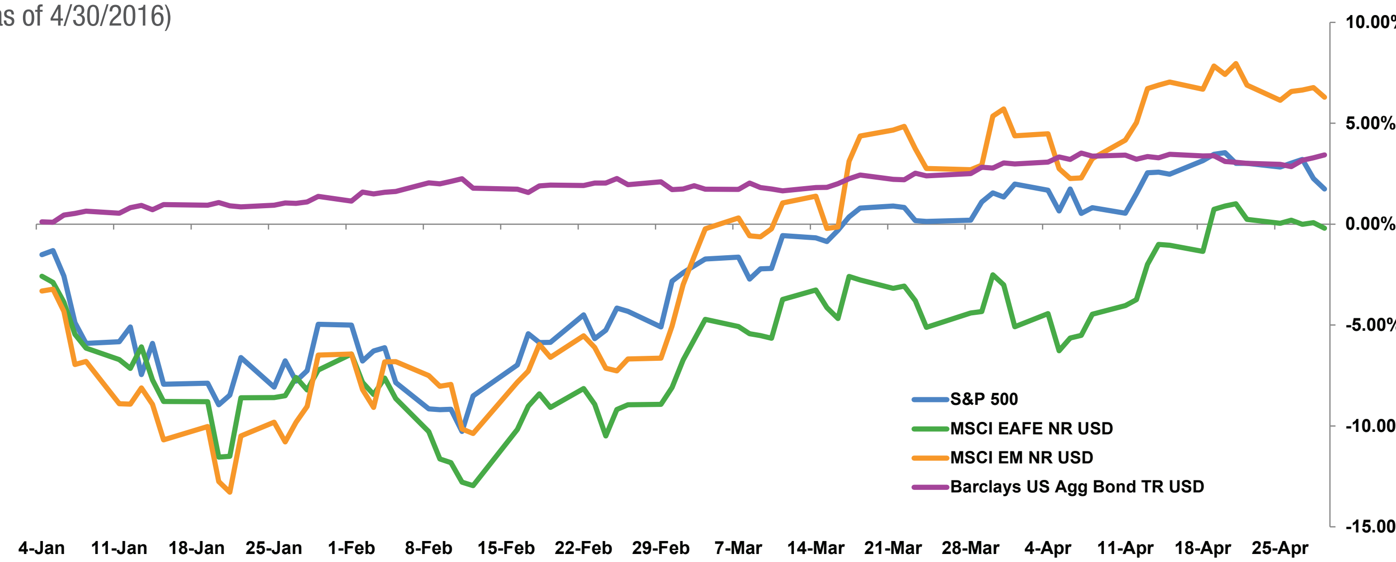
After the worst start to a year in history, the stock market has fully recovered. Each market index is now in positive territory. The S&P 500 Index gained 0.39% for the month and is now at 1.74% for the year. Developed international markets (MSCI EAFE) closed the month up 2.98% and 0.04% YTD. Emerging markets gained (MSCI EM) 0.41% in April and have gained 6.28% YTD.

The stock market performance in April has largely been a continuation of the trends from the first quarter. It has been a risk-on rally from the market bottom in mid-February, with the most negatively affected asset classes seeing the biggest improvement. Asset classes that were among the worst performers last year, such as emerging market equities and high yield bonds, are the top performers this year. The top performing asset classes have benefited from a weaker dollar and rising commodity prices.

During the first quarter, the Fed agreed to slow their plans for increasing interest rates, a decision that was confirmed in April. In their April meeting, the Federal Open Market Committee (FOMC) confirmed that they would dial back expectations from four quarter-point hikes to only two, citing risks in global economies and financial markets. This dovish tone was a headwind for the dollar and has kept Treasury yields from rising. A weaker dollar and stable interest rates have been supportive of global growth and equity markets.

In April, fixed-income investments which carry credit risk over that of U.S. Treasury securities enjoyed positive performance during the month. For example, sectors like high yield and emerging market bonds benefited from accommodative monetary policy, a commodity price rebound, and stable global capital markets. U.S. Treasury investments struggled to gain ground during the month. Market sentiment which made an abrupt turn in

Year-To-Date Market Returns
(as of 4/30/2016)



Source: Bloomberg

mid-February suggested investors favored riskier assets, tempering performance of government securities.

For the month of April, the widely-followed Barclays U.S. Aggregate Bond Index was essentially flat posting a gain of only 0.38%. The Index carries an overweight toward less aggressive sectors which limited performance during the month. The constituent of the benchmark index, which outperformed during the month, was high grade corporate bonds. This sector returned 1.37% for the month. The index constituent which underperformed the most was intermediate U.S. Treasury securities which fell by 0.03%. As mentioned earlier, sectors that take on the greatest credit risk in the bond markets outperformed in April. The Barclays High Yield Bond Index posted an impressive period adding 3.92% on the month. U.S. dollar-denominated emerging market debt also traded higher posting a gain of 1.81%.

Investment Model Output

Defensive Update

Our defensive model is comprised of numerous factors spanning trend/technical, interest rate, and fundamental disciplines, which are examined to gauge the risk/reward relationship present in the stock market. After increasing our equity exposure throughout March, we maintained our allocation throughout April. There were minimal changes to our exposure as the model continued to strengthen, but not to a point that we would move to a fully invested position. There were several factors that suggested a healthy stock market. Breadth has continued to improve, telling us that a high percentage of stocks are participating in the gains. The breadth and sentiment indicators have remained positive. In addition, the yield and valuation components of our model are mostly producing positive readings as well.

Equity Update

Our theme positioning incorporates our equity exposure to value and growth investments, capitalization ranges, sectors, and international markets. Our model has a slight preference for value over growth. The momentum and interest rate factors have resulted in our preference for value. Over the past year, our models signaled a slight preference for growth. Across market caps, we have moved to a neutral position.

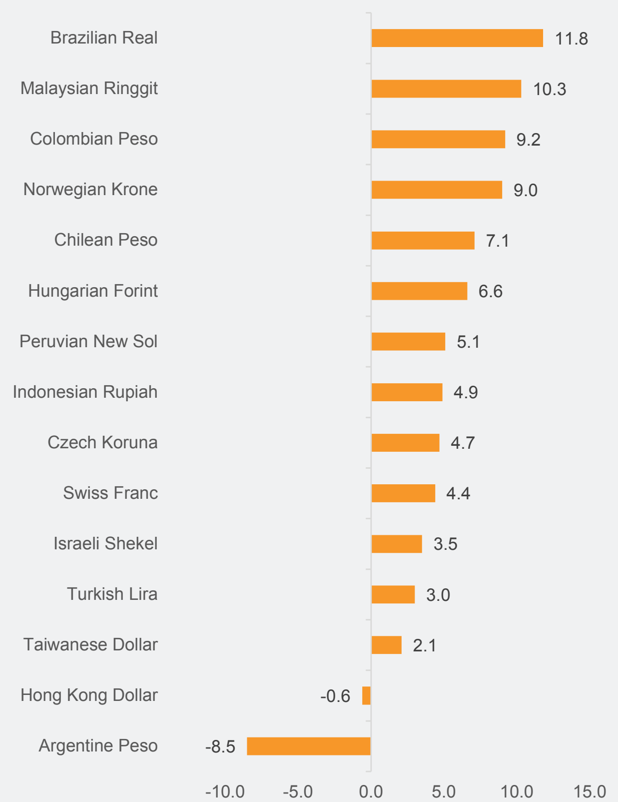
On a sector basis, there have not been material changes in our sector allocation. Our model continues to overweight technology. Specifically, yield curve and valuation factors favor technology. The underweights in the model include utilities and telecommunications.

At the end of April, our international model favored emerging markets over U.S. and developed international equity. The U.S. equity market has been the top ranked asset class for the majority of the past year, but over the past several months, our model scores have improved across international and emerging markets. Interestingly, emerging markets has been an underweight for the majority of the past year, and now ranks as the top asset class. Momentum and valuation factors continue to score favorably for emerging markets. Thus far this year, we have tactically adjusted our international equity exposure based on our model output. Developed international continues to improve relative to U.S. equity.

Fixed Income Update

Output from our fixed-income models also favored sectors with greater credit risk. Consequently, portfolios that can participate in high yield and emerging market securities enjoyed stronger positive performance. Portfolios which follow more strict guidelines benefited from an allocation to investment grade corporate investments. During the month, duration exposure for the government portion of our portfolios was maintained in line with that of the associated benchmark.

Developed and Emerging Market Currency Appreciation [Relative to the U.S. Dollar]
(as of 4/30/2016)



Source: Cornerstone Macro

Portfolio Positioning

Equity

After increasing our equity exposure throughout March, we maintained our allocation in April. There were minimal changes to our exposure as the model continued to strengthen, but the model did not improve to a point that we would move to a fully invested position. Breadth and sentiment remain positive factors in our models. Within our portfolios, we have added a marginal preference for value and remain overweight information technology. From a capitalization perspective, we are neutral. Our models now favor emerging market equity over U.S. equity and international markets.

Fixed Income

We are currently positioned with a bias toward high yield securities and emerging market bonds in the weights of 30% and 15%, respectively. Given the output of our duration model and the recent volatility in rates, we continue to maintain a neutral duration profile in government bond investments as compared to that of the Barclays U.S. Aggregate Bond Index. The Flexible Fixed Income Portfolio continued to maintain a greater allocation to intermediate-term credit investments as the model currently favors this sector over U.S. Government securities.

The S&P 500 Index is a market value-weighted index of common stocks considered representative of the broad market. The MSCI EAFE Index (Europe, Australia, Far East) is an equity index which captures large and mid cap representation across Developed Markets countries around the world, excluding the U.S. and Canada. With 910 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country. The MSCI Emerging Markets Index captures large and mid cap representation across 23 Emerging Markets (EM) countries. With 822 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country. The Barclays U.S. Corporate High-Yield Index measures the market of USD-denominated, noninvestment grade, fixed-rate, taxable corporate bonds. Total returns for unmanaged indexes assume change in security prices and reinvestment of dividends and capital gains distributions, but do not reflect the costs of managing a mutual fund. Individuals cannot invest directly in indexes. The Barclays Capital U.S. Aggregate Bond is a broad-based benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market, including Treasures, government-related and corporate securities, Mortgage-Backed Securities (agency fixed-rate and hybrid ARM pass-throughs), Asset-Backed Securities and Commercial Mortgage-Backed Securities. The U.S. Aggregate rolls up into other Barclays Capital flagship indices such as the multi-currency Global Aggregate Index and the U.S. Universal Index, which includes high-yield and emerging markets debt. The U.S. Aggregate Index was created in 1986, with index history backfilled to January 1, 1976. One cannot invest directly in an index.

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