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# **The Concord Advisory Group, Ltd.**

## *May 2017 Market Highlights*

### *“Winner Take All”*

The Concord Advisory Group, Ltd.

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# Concord Advisory Group: May 2017 Market Highlights

## Commentary: “Winner Take All”

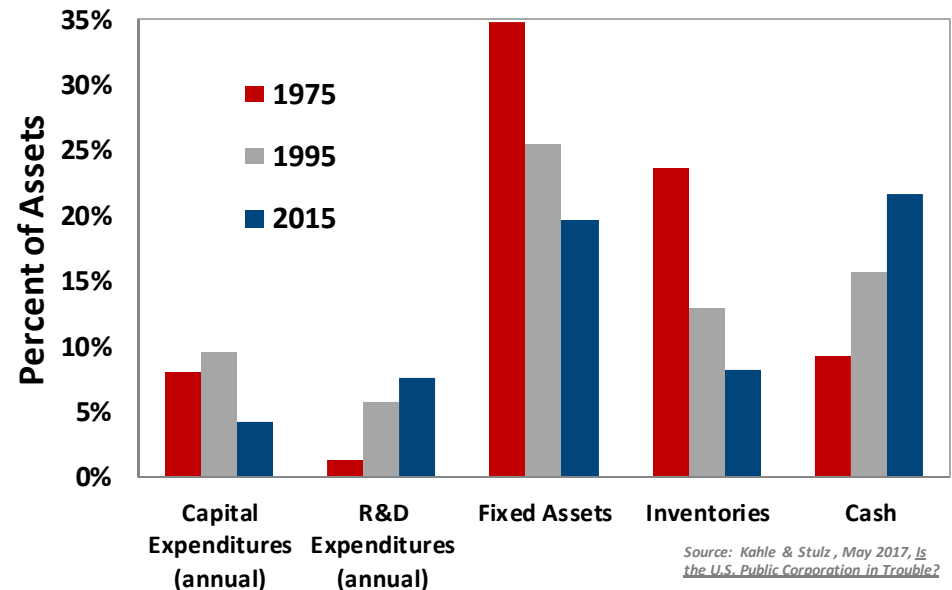


The concept that corporate America is becoming more monopolistic has recently become a trending topic. The increasing importance of data, globalization, and the ability of companies to leverage existing telecommunication and transportation infrastructures to compete across more markets at lower prices is contributing to a “winner-take-all” system in which fewer companies are dominating. As evidence of this increased concentration of winners, the top 100 U.S. companies accounted for 84% of corporate profits in 2015, up from 52% in 1995.<sup>1</sup> In addition, as the chart shows, U.S. corporations are de-emphasizing fixed assets, inventories, and capital expenditures, while increasing investment in R&D. Fixed assets (storefronts, distribution centers, office space, factories, etc.) are no longer necessary to expand market penetration; therefore, companies require less capital and are able to generate more cash on higher margins.

Networking effects are another powerful force causing a smaller group of companies to dominate. The networking effect is the phenomenon that a product gains value as more people use it. An obvious example of the network effect exists in social media. The next new user of social media is probably going to join Facebook, because that is the network that all their friends are already using. Many of the best performing stocks over the past few years, including Google, Apple, Netflix, and Amazon, enjoy an advantage over potential rivals due to this networking effect.

All of this creates an interesting investing dilemma, because it is not possible to know, ex-ante, which companies will be in the next group of winners. It is also more difficult to assess individual stock valuations, because many stock prices are effectively bets on the probability that a company will ultimately be able to dominate its respective industry. For investors, this dynamic favors more diversified strategies and strategies that are slower to harvest gains at the individual stock level.

### Changing Nature of Corporate America



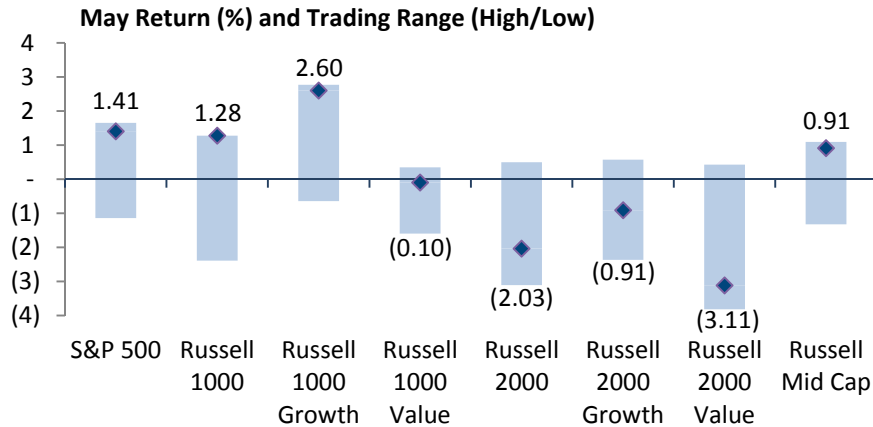
1. Kathleen Kahle & Rene Stulz, May 2017, [Is the U.S. Public Corporation in Trouble?](#)

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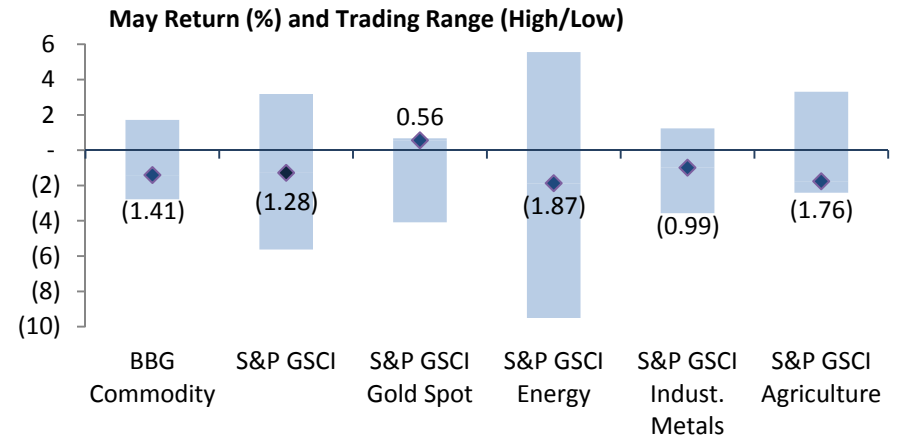
## Monthly Charts



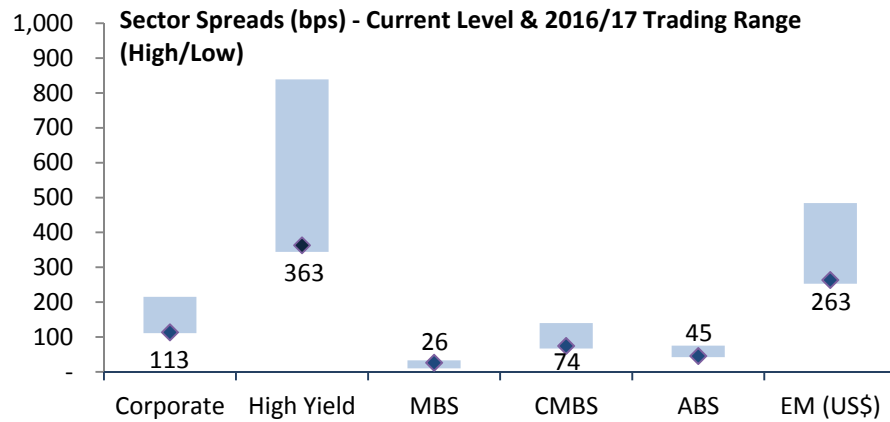
**U.S. Equities:** Gains in large cap and growth equities helped U.S. equity returns in May; however, the advance was tempered by weak results from Banks and Energy companies.



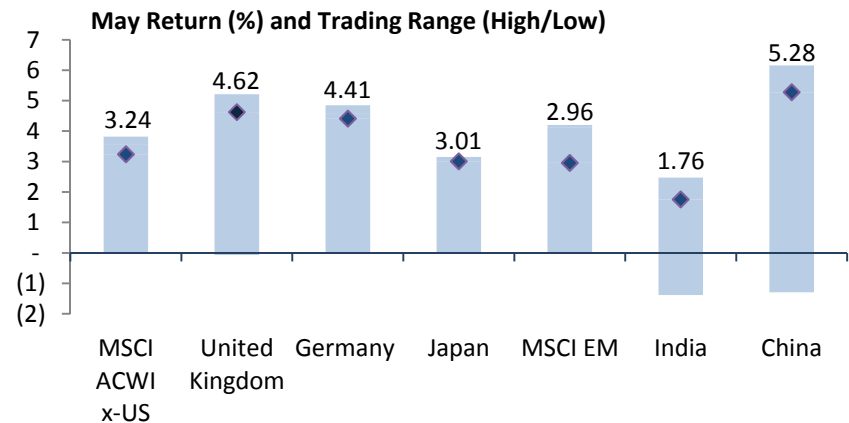
**Commodities:** Oil prices were lower for a third consecutive month, as broad commodities prices modestly declined in May.



**Fixed Income:** Credit spread tightening and lower long- and intermediate-term interest rates were positive dynamics for fixed income returns in May.



**International Equities:** Developed and emerging markets outpaced U.S. equities amid improving global economic data and renewed support of an integrated Europe.

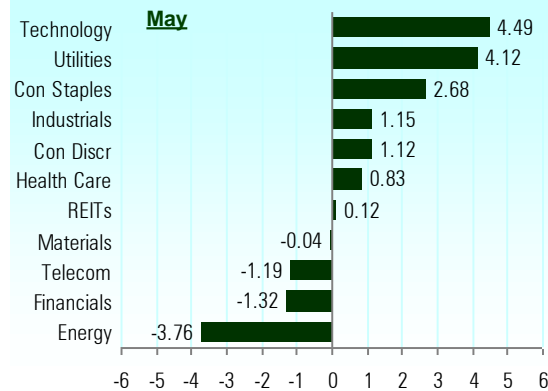


# Concord Advisory Group: May 2017 Market Performance

Equity Markets	Past Month	Past 3 Months	YTD	1 Yr	3 Yrs	5 Yrs
S&P 500	1.41%	2.57%	8.66%	17.47%	10.14%	15.42%
Russell 1000	1.28%	2.41%	8.51%	17.48%	9.83%	15.37%
Russell 1000 Growth	2.60%	6.16%	14.30%	20.27%	11.92%	15.98%
Russell 1000 Value	-0.10%	-1.30%	2.97%	14.66%	7.70%	14.67%
Russell MidCap	0.91%	1.53%	6.92%	15.86%	8.50%	15.13%
Russell 2000	-2.03%	-0.83%	1.48%	20.36%	8.00%	14.04%
Russell 2000 Growth	-0.91%	2.11%	6.31%	19.71%	8.59%	14.36%
Russell 2000 Value	-3.11%	-3.56%	-2.86%	21.00%	7.34%	13.67%
MSCI ACWI	2.21%	5.07%	10.97%	17.53%	5.31%	11.51%
MSCI World	2.12%	4.73%	10.23%	16.42%	5.73%	12.41%
MSCI ACWI Ex-U.S.	3.24%	8.13%	13.74%	18.24%	1.26%	8.39%
MSCI EAFE	3.67%	9.23%	14.01%	16.44%	1.53%	10.21%
MSCI EM	2.96%	7.87%	17.25%	27.41%	1.62%	4.54%
Bloomberg Commodity	-1.33%	-5.40%	-5.07%	-2.45%	-14.58%	-8.24%

Fixed Income Markets	Past Month	Past 3 Months	YTD	1 Yr	3 Yrs	5 Yrs
Barclays Capital Aggregate	0.77%	1.49%	2.38%	1.58%	2.53%	2.24%
Barclays Capital Global Aggregate	1.55%	2.85%	4.50%	0.77%	-0.08%	0.89%
Barclays Capital Intermediate Aggregate	0.55%	1.22%	1.87%	1.33%	2.12%	1.95%
Barclays Capital Universal	0.77%	1.57%	2.72%	2.77%	2.84%	2.80%
Barclays Capital Government	0.64%	1.29%	2.02%	0.07%	2.00%	1.27%
Barclays Capital Credit	1.08%	1.93%	3.41%	3.89%	3.33%	3.70%
Barclays Capital Municipal	1.59%	2.55%	3.94%	1.46%	3.49%	3.31%
Barclays Capital High Yield	0.87%	1.81%	4.79%	13.58%	4.73%	7.31%
Barclays Capital Mortgage	0.62%	1.31%	1.76%	1.16%	2.40%	2.10%
Barclays Capital 1-3 Yr Gov/Credit	0.16%	0.40%	0.76%	0.99%	0.95%	0.96%
Citigroup 3-Month Treasury Bill	0.05%	0.14%	0.22%	0.39%	0.17%	0.12%
Citigroup World Govt Bond	1.71%	3.18%	4.63%	-0.46%	-0.69%	-0.16%
Barclays Capital U.S. TIPS	-0.04%	0.49%	1.82%	2.41%	1.05%	0.35%
ML Investment Grade Convertible	2.03%	5.78%	10.29%	23.40%	11.09%	14.12%

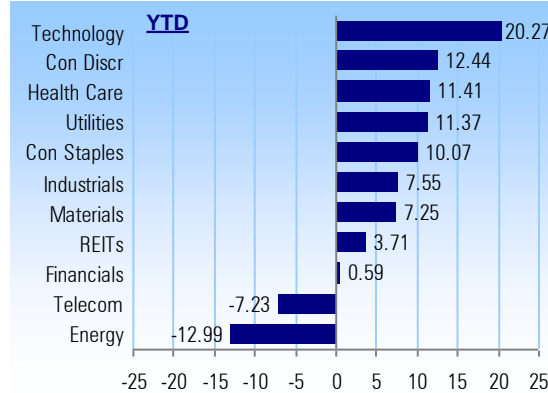
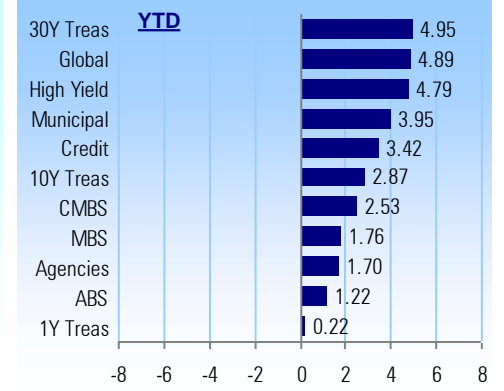
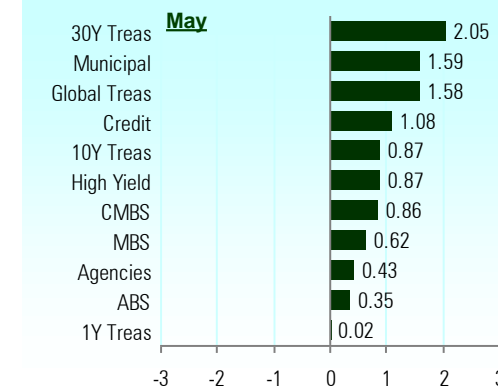
## Equity Sector Returns (%)



## Equity Style Returns (%)

Style	Value	Core	Growth
Large	-0.10	1.28	2.60
Mid	-0.31	0.91	2.39
Small	-3.11	-2.03	-0.91

## Fixed Income Sector Returns (%)



Style	Value	Core	Growth
Large	2.97	8.51	14.30
Mid	3.63	6.92	11.07
Small	-2.86	1.48	6.31

## Treasury Yield Curve

