Quarterly Market Review

First Quarter 2018

Q1

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Global capital markets were erratic during the 1st quarter

First Quarter Results - 2018

With the 1st quarter of 2018 in the books, nostalgia for the calm of 2017 is palpable. As you recall, major asset classes finished in positive territory for the year, and financial markets proved to be relatively immune to negative headlines. Thus far, 2018 has exhibited an entirely new temperament with volatility more in line with historical levels. Fears over interest rates, inflation, tariffs and trade wars have offered perplexing juxtapositions to positive economic reports, tax cuts and government spending - all of which have contributed to financial markets seesawing forcibly at times. The following table summarizes major asset class performance for the 1st quarter of 2018:

2018 Q1	U.S. Stocks	International Developed Stocks	Emerging Market Stocks	Commodities	Global Real Estate	U.S. Bond Market	Global Bond Market
	-0.6%	-2.0%	1.4%	-0.4%	-5.5%	-1.6%	0.2%
	Russell 3000	MSCI World Ex-U.S.	MSCI EM	Bloomberg Comdty	S&P Global REIT	Barclays U.S. Govt/Credit	Citi World Govt

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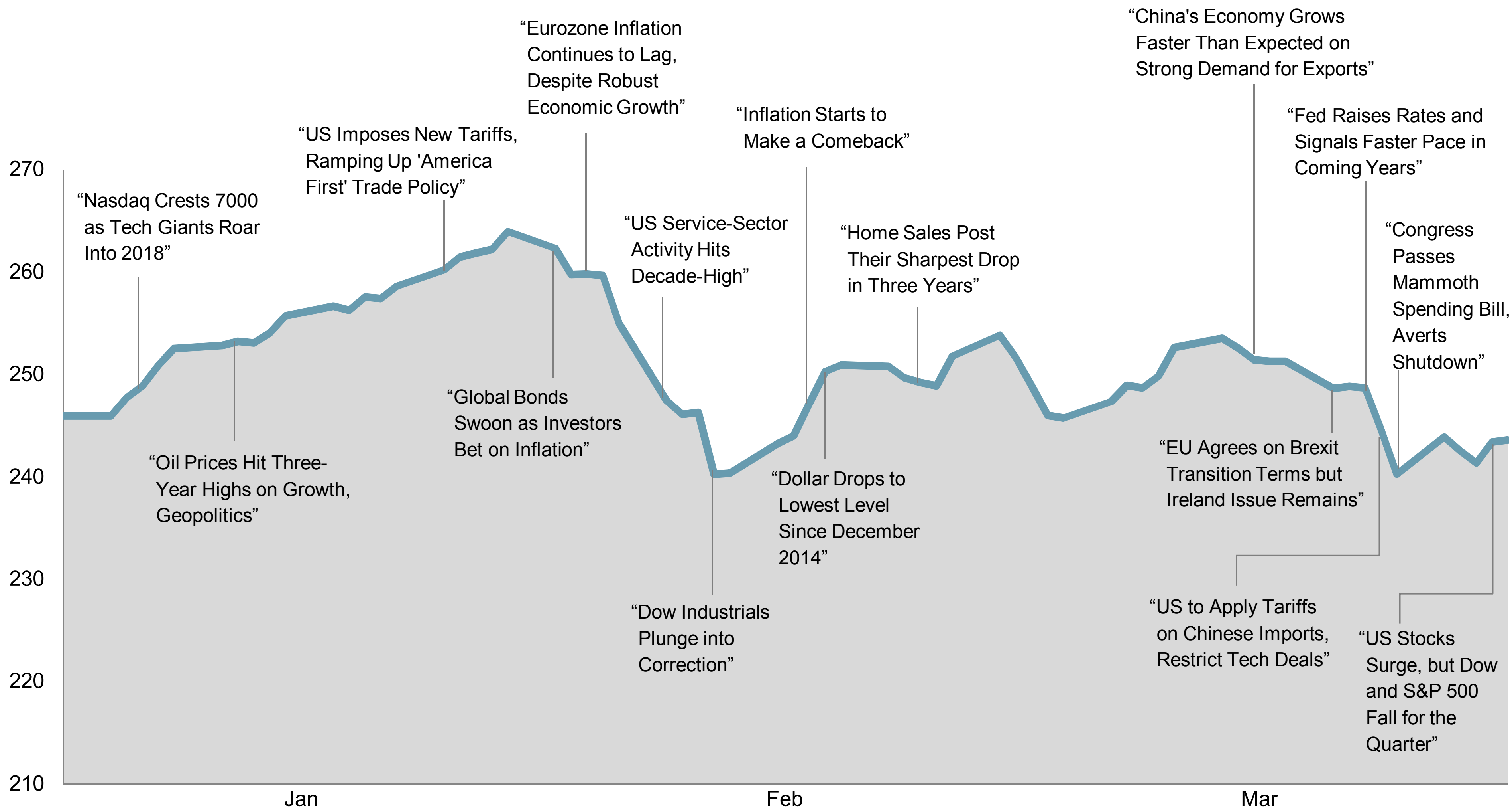
Economic headlines challenged major asset classes

MSCI All Country World Index with selected headlines from Q1 2018



Graph Source: MSCI ACWI Index [net div.]. MSCI data © MSCI 2018, all rights reserved.
It is not possible to invest directly in an index. Performance does not reflect the expenses associated with management of an actual portfolio. **Past performance is not a guarantee of future results.**

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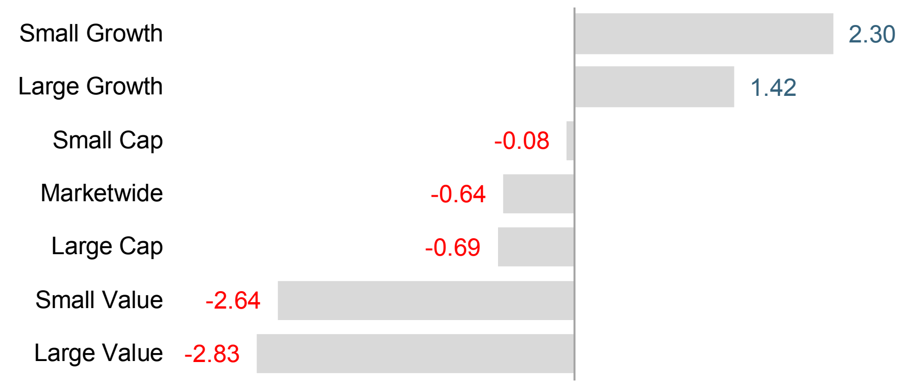
Volatility returned to U.S. stocks with first correction in 2 years

First Quarter 2018 Index Returns

Building on the strength of 2017, U.S. stocks continued their upward trajectory as the year began. Buoyed by strong corporate and macroeconomic fundamentals, the S&P 500 advanced to its 400th trading day without a 5% pullback on January 26th. Then, tranquility cracked and volatility suddenly (although not unexpectedly) reappeared as stocks dove 10.2% and registered the first official correction since February 2016. The culprit was a series of government reports denoting underlying strength in the U.S. economy. After nearly a decade of weak economic readings, the news jolted U.S. equity markets as investors mulled over the Federal Reserve raising rates faster than anticipated to thwart a potentially overheating economy. As markets scrambled to recover from the correction, the news of U.S. tariffs on steel, aluminum and billions of dollars of Chinese imports contributed to stocks testing lows in March. Billed as an effort to decrease the U.S. trade deficit and protect U.S. intellectual property, the shift in trade policy threatened to ignite a trade war significant enough to stall economic growth. With reports whirling around U.S./China trade negotiations and the tech sector's privacy and regulatory challenges, U.S. stocks ended an erratic 1st quarter with a slight loss.

Ranked Returns for the Quarter (%)

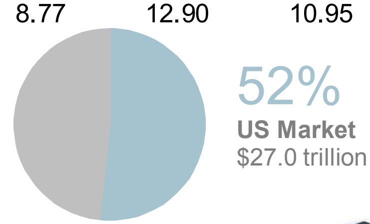


Period Returns (%)

** Annualized*

Asset Class	1 Year	3 Years*	5 Years*	10 Years*
Marketwide	13.81	10.22	13.03	9.62
Large Cap	13.98	10.39	13.17	9.61
Large Value	6.95	7.88	10.78	7.78
Large Growth	21.25	12.90	15.53	11.34
Small Cap	11.79	8.39	11.47	9.84
Small Value	5.13	7.87	9.96	8.61
Small Growth	18.63	8.77	12.90	10.95

World Market Capitalization—US



Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: Marketwide (Russell 3000 Index), Large Cap (Russell 1000 Index), Large Cap Value (Russell 1000 Value Index), Large Cap Growth (Russell 1000 Growth Index), Small Cap (Russell 2000 Index), Small Cap Value (Russell 2000 Value Index), and Small Cap Growth (Russell 2000 Growth Index). World Market Cap represented by Russell 3000 Index, MSCI World ex USA IMI Index, and MSCI Emerging Markets IMI Index. Russell 3000 Index is used as the proxy for the US market. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes.

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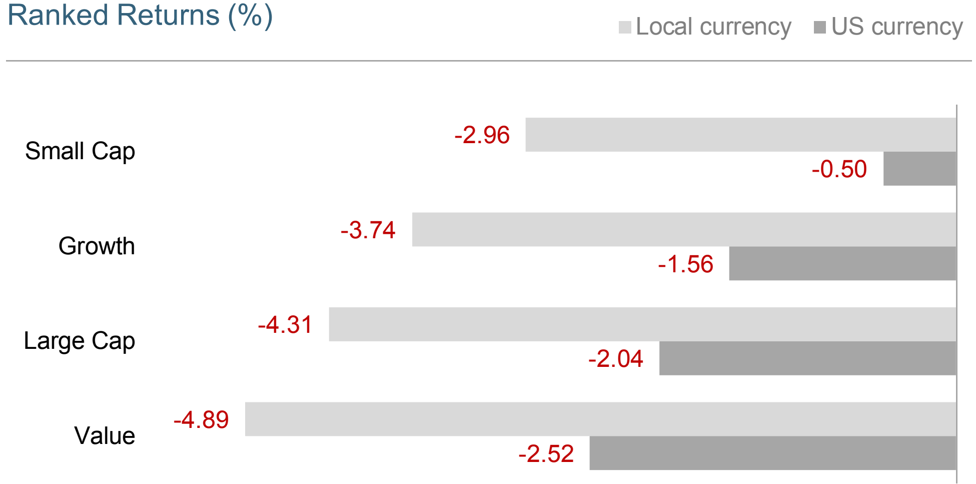
International developed stocks mirrored U.S. market swings

First Quarter 2018 Index Returns

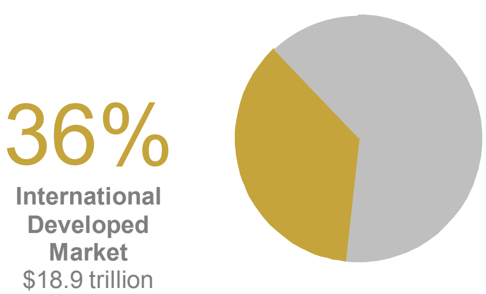
International developed stocks continued the upbeat tempo set in 2017 through most of January. This early trend was derailed by reports from the U.S. suggesting an upturn in growth, inflation and interest rates. International stocks mirrored market swings in the U.S. and tumbled 10% from January highs, limping through quarter end with developed stocks at a loss.

Value underperformed growth across large and small cap indices, while small caps outperformed large caps.

Ranked Returns (%)



World Market Capitalization—International Developed



Period Returns (%)

** Annualized*

Asset Class	1 Year	3 Years*	5 Years*	10 Years*
Large Cap	13.92	5.30	6.04	2.59
Small Cap	21.16	11.30	9.71	5.81
Value	11.66	4.46	5.44	2.08
Growth	16.28	6.06	6.58	3.03

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio Market segment (index representation) as follows: Large Cap (MSCI World ex USA Index), Small Cap (MSCI World ex USA Small Cap Index), Value (MSCI World ex USA Value Index), and Growth (MSC World ex USA Growth). All index returns are net of withholding tax on dividends. World Market Cap represented by Russell 3000 Index, MSCI World ex USA IMI Index, and MSCI Emerging Markets IMI Index MSCI World ex USA IMI Index is used as the proxy for the International Developed market.

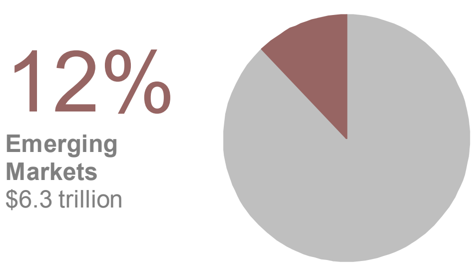
Emerging markets outperformed developed markets

First Quarter 2018 Index Returns

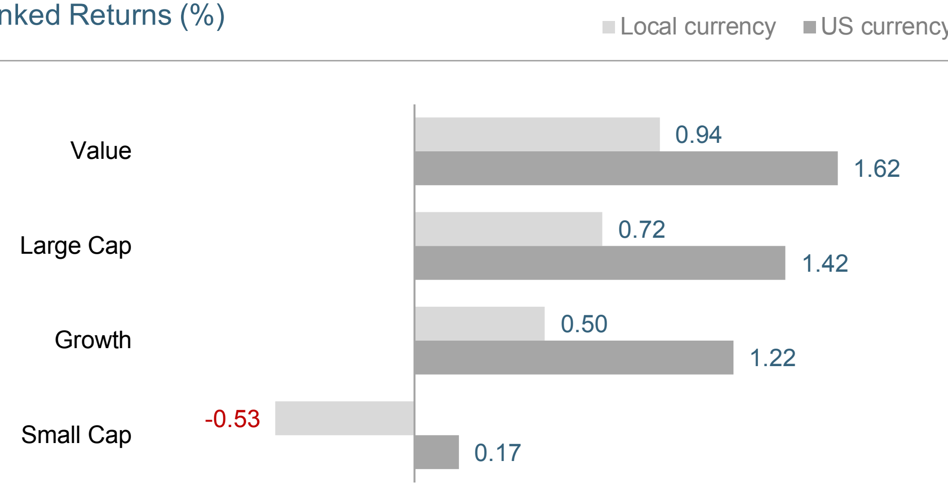
In U.S. dollar terms, emerging markets outperformed developed markets during the quarter boosted by a weaker dollar, stronger commodity prices and positive macroeconomic trends. A weaker dollar typically lifts the prices of dollar denominated commodities, benefitting emerging market countries and their commodity exports.

The value effect was positive in large cap indices but negative in small cap indices within emerging markets. Small caps underperformed large caps in emerging markets.

World Market Capitalization—Emerging Markets



Ranked Returns (%)



Period Returns (%)

** Annualized*

Asset Class	1 Year	3 Years*	5 Years*	10 Years*
Large Cap	24.93	8.81	4.99	3.02
Small Cap	18.62	7.23	4.58	4.36
Value	18.14	6.65	2.57	2.07
Growth	31.73	10.89	7.30	3.87

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Tariffs weighed on commodities

First Quarter 2018 Index Returns

Commodities rose modestly during the year's early equity surge and had single digit declines as the markets contemplated the pace of interest rate hikes and the impact on materials. Oil prices rallied and industrial metals suffered through tariff woes as the index ended the quarter near breakeven.

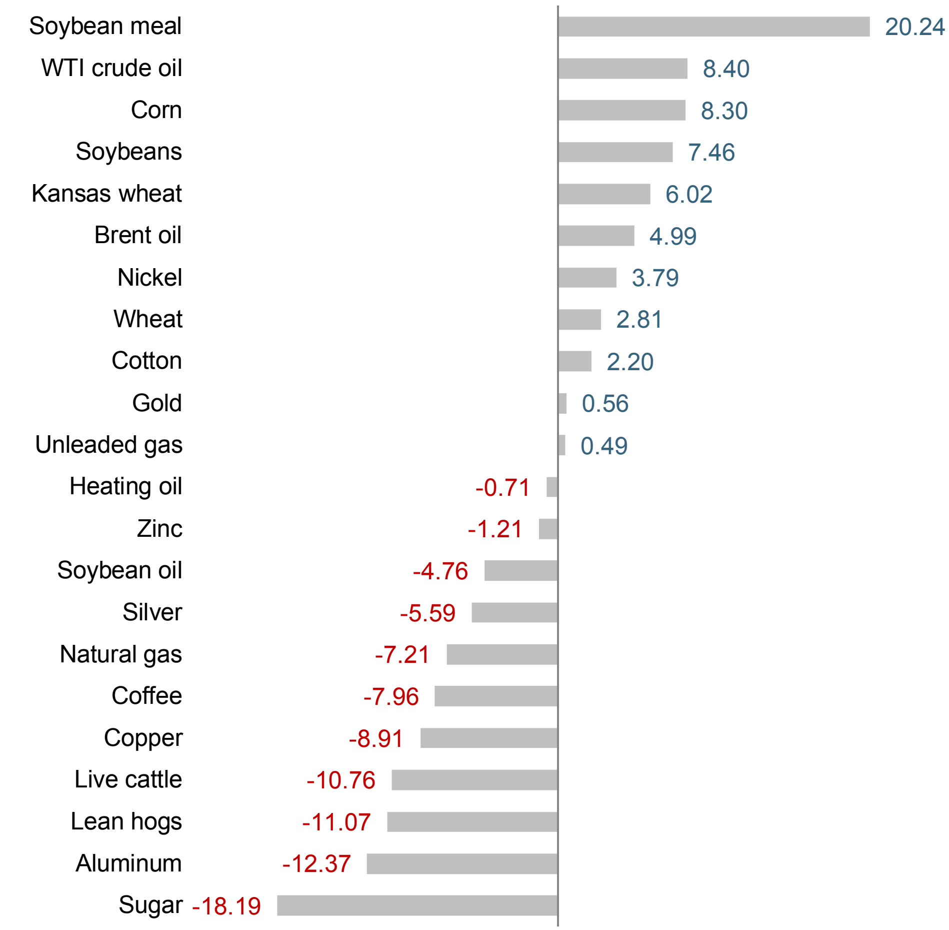
The grains led performance, with soybean meal returning 20.24% and corn gaining 8.30%. Energy also advanced, with WTI crude oil returning 8.40% and Brent oil advancing 4.99%.

Soft commodities were the worst-performing segments, with sugar and coffee declining by 18.19% and 7.96%, respectively.

Period Returns (%) ** Annualized*

Asset Class	1 Year	3 Years*	5 Years*	10 Years*
Commodities	3.71	-3.21	-8.32	-7.71

Ranked Returns for Individual Commodities (%)



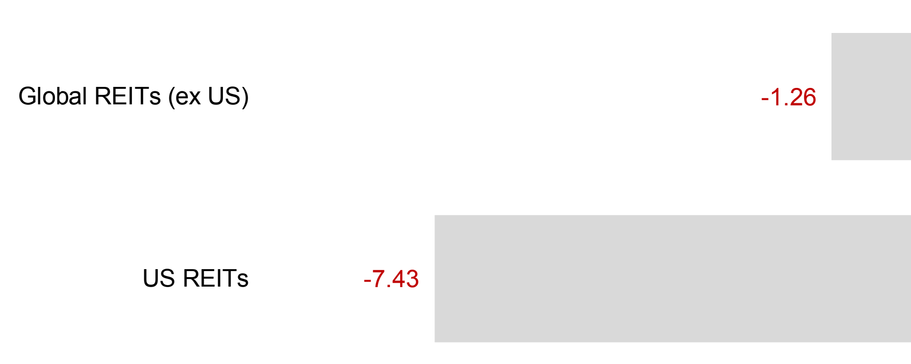
Past performance is not a guarantee of future results. Index is not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Commodities returns represent the return of the Bloomberg Commodity Total Return Index. Individual Commodities are sub-index values of the Bloomberg Commodity Total Return Index. Data provided by Bloomberg.

Real estate softened

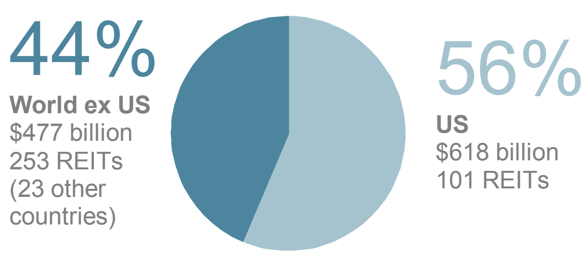
First Quarter 2018 Index Returns

With inflation and interest rate jitters, global real estate softened considerably over the course of the quarter. Angst over the Federal Reserve tightening faster than anticipated worked to dampen the outlook for U.S. commercial real estate as U.S. REITs underperformed foreign counterparts. Even more accommodative rate environments abroad failed to lift foreign REITs over the quarter.

Ranked Returns (%)



Total Value of REIT Stocks



Period Returns (%)

** Annualized*

Asset Class	1 Year	3 Years*	5 Years*	10 Years*
Dow Jones US Select REIT Index	-3.68	0.74	5.97	6.02
S&P Global ex US REIT Index (net div.)	10.20	3.59	3.73	2.51

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Number of REIT stocks and total value based on the two indices. All index returns are net of withholding tax on dividends. Total value of REIT stocks represented by Dow Jones US Select REIT Index and the S&P Global ex US REIT Index. Dow Jones US Select REIT Index used as proxy for the US market, and S&P Global ex US REIT Index used as proxy for the World ex US market.

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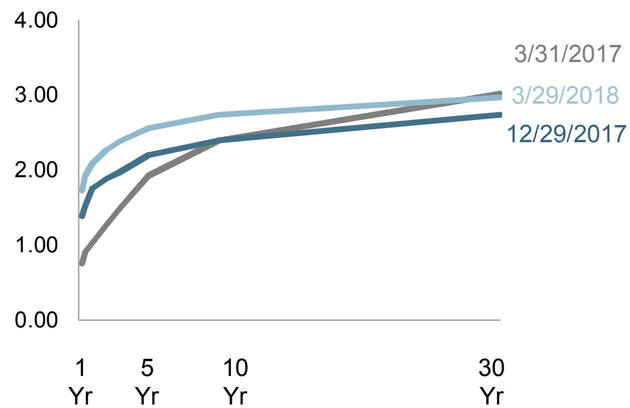
Domestic bonds declined as global bonds held steady

First Quarter 2018 Index Returns

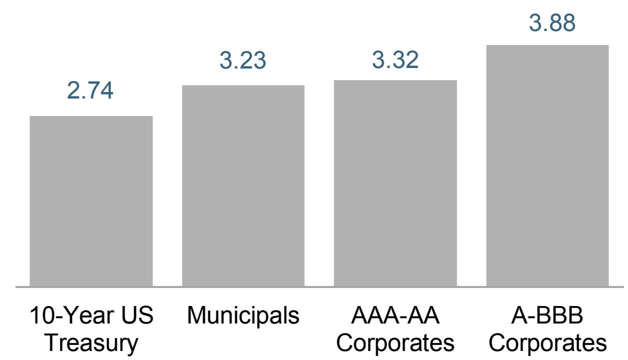
U.S. Treasury yields continued their advance early in the year on expectations for stronger economic growth, lower unemployment, tax cuts, increased fiscal spending and a weakening dollar – all inflationary factors. In February, the 10-year Treasury yield peaked at 2.95% before ending the quarter at 2.74%. The Fed boosted short-term rates in March and has now raised rates six times since 2015. The Fed has penciled in three more rate hikes this year, although markets have fretted over inflationary pressures. Domestic bonds sank over the quarter as prices declined while interest rates generally rose.

While yields in the U.S. trended higher, international yields were relatively stable in comparison and delivered slightly positive returns for the quarter. Global central banks remain broadly accommodative. In sum, international bonds were less volatile than U.S. counterparts.

US Treasury Yield Curve (%)



Bond Yields across Issuers (%)



Period Returns (%)

** Annualized*

Asset Class	1 Year	3 Years*	5 Years*	10 Years*
Bloomberg Barclays Municipal Bond Index	2.66	2.25	2.73	4.40
Bloomberg Barclays US Aggregate Bond Index	1.20	1.20	1.82	3.63
Bloomberg Barclays US Government Bond Index Long	3.53	0.45	3.28	5.75
Bloomberg Barclays US High Yield Corporate Bond Index	3.78	5.17	4.99	8.27
Bloomberg Barclays US TIPS Index	0.92	1.30	0.05	2.93
FTSE World Government Bond Index 1-5 Years	5.77	2.36	-0.37	0.57
FTSE World Government Bond Index 1-5 Years (hedged to USD)	1.01	1.06	1.21	1.93
ICE BofAML 1-Year US Treasury Note Index	0.66	0.54	0.42	0.71
ICE BofAML 3-Month US Treasury Bill Index	1.11	0.53	0.34	0.34

One basis point equals 0.01%. **Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio.** Yield curve data from Federal Reserve. State and local bonds are from the S&P National AMT-Free Municipal Bond Index. AAA-AA Corporates represent the Bank of America Merrill Lynch US Corporates, AA-AAA rated. A-BBB Corporates represent the Bank of America Merrill Lynch US Corporates, BBB-A rated. Bloomberg Barclays data provided by Bloomberg. US long-term bonds, bills, inflation, and fixed income factor data © Stocks, Bonds, Bills, and Inflation (SBBI) Yearbook™, Ibbotson Associates, Chicago (annually updated work by Roger G. Ibbotson and Rex A. Sinquefield). FTSE fixed income indices © 2018 FTSE Fixed Income LLC, all rights reserved. ICE BofAML index data © 2018 ICE Data Indices, LLC.

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The following crosswinds will help shape the rest of the year

First Quarter 2018

Tax cuts, government spending & tariffs

Corporate and individual tax cuts, coupled with increased military and infrastructure spending, bode well for economic growth. With these measures as a tailwind, 2018 could see the economy climb at a faster clip than the 2.9% rate reported in the 4th quarter of 2017. As additive as these policies may be, budget deficits and increases to the Federal debt, along with tariffs, have the potential to negate them.

Federal Reserve, economic indicators & leadership

Under new management, the Federal Reserve publicly remains committed to “normalizing” short-term interest rates by methodically raising them over a protracted period of time. This assurance helped drive asset prices to record highs in 2017. Now accelerating economic metrics present headwinds as investors question this commitment.

Trump, North Korea & China

The Trump administration continues to be a revolving door, as evidenced by Secretary of State Rex Tillerson’s ouster in March. As Tillerson exits the global diplomatic stage, North Korean leader Kim Jong Un steps onto it with international travel and an invitation to meet with President Trump. Meanwhile, global trade policies hang in the balance as Chinese and U.S. officials gather to reconcile differences. Even with relationships in his own cabinet in flux, Trump appears to be making diplomatic headway, despite how improbable progress appeared just a few weeks ago.

Continue the conversation with us…

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