

Market Commentary

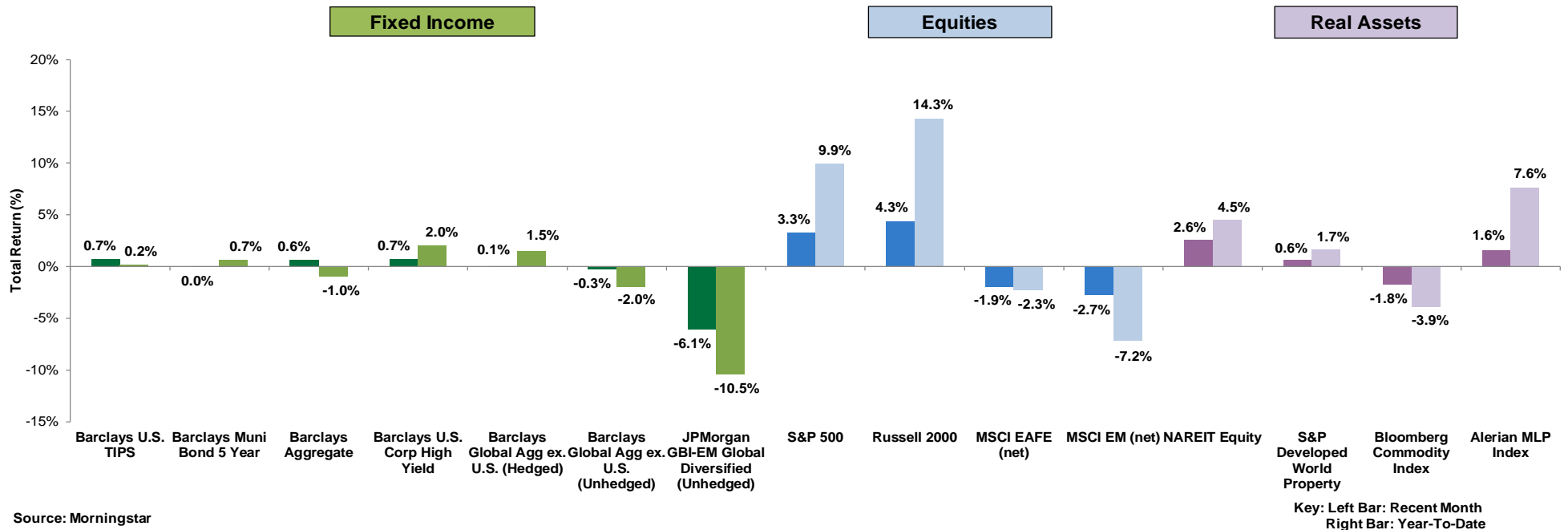
August 2018

This report is intended for the exclusive use of clients or prospective clients of Cordasco Financial Network. Content is privileged and confidential. Dissemination or distribution is strictly prohibited. Information has been obtained from a variety of sources which are believed though not guaranteed to be accurate. Past performance does not indicate future performance. This paper does not represent a specific investment recommendation. Please consult with your advisor, attorney and accountant, as appropriate, regarding specific advice.

Global Markets Summary

August 2018

Asset Class Returns



Fixed Income

- The spread between the 2-year and 10-year Treasury fell as low as 19 bps during the month, setting a new post-crisis low.
- Returns across domestic fixed income were relatively muted during the month. Rates fell, yet heavy supply weighed on IG spreads which moderately widened.
- Trade talks and currency volatility continued in emerging markets resulting in EM bonds falling just over 6% during the month.

Equities

- Domestic equities finished higher during the month as earnings momentum pushed stocks higher with positive sentiment from positive GDP revisions.
- Consumer discretionary and technology sectors led other sectors with growth names broadly outperforming value across market capitalizations.
- Developed Europe underperformed while volatility in Brazil continued to be a primary drag on emerging markets indices.

Real Assets

- Positive economic data and continued low supply helped REITs outperform within real assets. They also benefitted from lower interest rates.
- MLPs added to year-to-date performance as positive sentiment in the space was supported by positive operating results and fundamentals.
- Higher crude and natural gas prices were not enough to overcome soft agriculture prices which drug down the commodity index.

Global Highlights

August 2018



The Bureau of Economic Analysis (BEA) revised Q2 GDP to 4.2% from an initial estimate of 4.1% in their most recent release, signaling continued strength.

Meeting minutes released from the Fed's early August session indicated a rate hike during their September meeting was likely. However, they did note that increased turbulence surrounding trade tensions would be given consideration when addressing the pace of rate increases going forward.

The Argentine peso has fallen roughly 50% compared to the U.S. Dollar year-to-date, straining the country's economy. The IMF has committed \$50 billion to help stem the falling peso and the government continues to raise interest rates, but the market remains jittery about the country's ability to pay the large amount of USD-denominated borrowings.

Turkey is continuing to move closer to an economic crisis amid a sharp fall in their currency and a spike in inflation. The Turkish Central Bank will meet on September 13 where they are anticipated to discuss the possibility of raising interest rates to help fend off increasing inflation. A stronger U.S. Dollar and continued uncertainty around trade have also played a role in the problem.

Stated returns reflect each country's MSCI Gross Country Index in U.S. Dollars

Financial Markets Performance

Total Returns as of August 31, 2018

Periods greater than one year are annualized

All returns are in U.S. dollar terms

Global Fixed Income Markets	1 MO	3 MO	YTD	1YR	3YR	5YR	7YR	10YR	15YR
Bloomberg Barclays 1-3-Month T-Bill	0.2%	0.5%	1.1%	1.4%	0.7%	0.4%	0.3%	0.3%	1.2%
Bloomberg Barclays US TIPS	0.7%	0.6%	0.2%	0.8%	2.2%	1.9%	1.4%	3.0%	4.2%
Bloomberg Barclays Municipal Bond (5 Year)	(0.0%)	0.6%	0.7%	(0.7%)	1.6%	2.2%	2.0%	3.2%	3.4%
Bloomberg Barclays HY Muni	0.8%	1.7%	4.9%	6.2%	7.2%	7.1%	6.6%	6.0%	6.1%
Bloomberg Barclays US Aggregate	0.6%	0.5%	(1.0%)	(1.0%)	1.8%	2.5%	2.2%	3.7%	4.0%
Bloomberg Barclays U.S. Corporate High Yield	0.7%	2.2%	2.0%	3.4%	7.0%	5.6%	7.0%	8.5%	7.9%
Bloomberg Barclays Global Aggregate ex-US Hedged	0.1%	0.5%	1.5%	2.1%	3.3%	4.0%	4.0%	4.2%	4.2%
Bloomberg Barclays Global Aggregate ex-US Unhedged	(0.3%)	(1.4%)	(2.0%)	(1.6%)	2.9%	0.4%	(0.5%)	2.0%	3.8%
Bloomberg Barclays U.S. Long Gov / Credit	0.9%	0.5%	(3.9%)	(2.1%)	4.2%	5.6%	5.1%	6.8%	6.4%
JPMorgan GBI-EM Global Diversified	(6.1%)	(7.0%)	(10.5%)	(10.0%)	3.2%	(1.3%)	(1.9%)	1.9%	6.1%
Global Equity Markets	1 MO	3 MO	YTD	1YR	3YR	5YR	7YR	10YR	15YR
S&P 500	3.3%	7.8%	9.9%	19.7%	16.1%	14.5%	15.6%	10.9%	9.5%
Dow Jones Industrial Average	2.6%	7.0%	6.7%	21.0%	19.2%	14.6%	15.0%	11.3%	9.7%
NASDAQ Composite	5.9%	9.2%	18.3%	27.5%	20.7%	19.1%	19.2%	14.4%	11.6%
Russell 3000	3.5%	7.6%	10.4%	20.2%	15.9%	14.3%	15.5%	10.9%	9.8%
Russell 1000	3.4%	7.7%	10.1%	19.8%	15.8%	14.4%	15.6%	10.9%	9.7%
Russell 1000 Growth	5.5%	9.6%	16.4%	27.2%	19.3%	17.5%	17.3%	12.8%	10.5%
Russell 1000 Value	1.5%	5.8%	3.7%	12.5%	12.3%	11.2%	13.7%	8.9%	8.8%
Russell Mid Cap	3.1%	6.4%	8.2%	17.9%	13.4%	12.8%	14.5%	10.9%	11.0%
Russell Mid Cap Growth	5.8%	8.5%	13.9%	25.1%	15.3%	14.2%	15.2%	11.6%	11.0%
Russell Mid Cap Value	1.4%	5.0%	4.0%	12.7%	12.1%	11.8%	14.1%	10.3%	10.8%
Russell 2000	4.3%	6.9%	14.3%	25.4%	16.1%	13.0%	14.9%	10.5%	10.2%
Russell 2000 Growth	6.2%	8.9%	18.5%	30.7%	16.4%	14.2%	15.9%	11.6%	10.6%
Russell 2000 Value	2.4%	4.8%	9.9%	20.0%	15.7%	11.7%	13.8%	9.3%	9.6%
MSCI ACWI (net)	0.8%	3.3%	3.4%	11.4%	11.8%	9.7%	10.0%	6.7%	8.1%
MSCI ACWI ex. U.S. (net)	(2.1%)	(1.6%)	(3.5%)	3.2%	8.1%	5.4%	5.4%	3.4%	7.4%
MSCI EAFE (net)	(1.9%)	(0.7%)	(2.3%)	4.4%	7.0%	5.7%	6.6%	3.7%	7.0%
MSCI EAFE Growth (net)	(0.3%)	0.6%	0.8%	8.1%	8.9%	7.1%	7.5%	4.5%	7.5%
MSCI EAFE Value (net)	(3.6%)	(2.1%)	(5.4%)	0.6%	5.1%	4.3%	5.6%	2.7%	6.4%
MSCI EAFE Small Cap (net)	(0.8%)	(2.1%)	(1.5%)	7.5%	11.4%	10.0%	9.8%	7.7%	10.0%
MSCI Emerging Markets (net)	(2.7%)	(4.7%)	(7.2%)	(0.7%)	11.4%	5.0%	2.8%	3.4%	9.7%
Real Assets	1 MO	3 MO	YTD	1YR	3YR	5YR	7YR	10YR	15YR
FTSE NAREIT Equity REITs	2.6%	7.9%	4.5%	6.0%	9.6%	10.4%	10.3%	7.7%	9.8%
S&P Developed World Property ex-US	(1.8%)	(2.2%)	(1.9%)	4.0%	7.9%	6.6%	7.7%	5.7%	9.2%
S&P Developed World Property	0.6%	2.8%	1.7%	5.5%	8.7%	8.3%	8.8%	6.6%	9.3%
Bloomberg Commodity Total Return	(1.8%)	(7.2%)	(3.9%)	0.5%	(1.9%)	(8.0%)	(8.8%)	(7.6%)	(1.2%)
Alerian MLP	1.6%	6.6%	7.6%	7.3%	(0.7%)	(2.0%)	3.3%	7.3%	9.5%

Source: Morningstar

Disclosures

This report is intended for the exclusive use of clients or prospective clients of Cordasco Financial Network. Content is privileged and confidential. Dissemination or distribution is strictly prohibited. Information has been obtained from a variety of sources which are believed though not guaranteed to be accurate. Past performance does not indicate future performance. This paper does not represent a specific investment recommendation. Please consult with your advisor, attorney and accountant, as appropriate, regarding specific advice.

When referencing asset class returns or statistics, the following indices are used to represent those asset classes. Each index is unmanaged and investors can not actually invest directly into an index: Cash – Citigroup 90 Day T-Bill; TIPS – Bloomberg Barclays US Treasury TIPS; Aggregate Bond – Bloomberg Barclays US Aggregate Bond Index; Municipal Bond – Bloomberg Barclays Municipal 5-Year Bond; High Yield – Bloomberg Barclays US Corporate High Yield; Foreign Bond – Bloomberg Barclays Global Aggregate Ex USD; Local Currency Denominated Emerging Markets Debt – JPMorgan GBI-EM Global Diversified Unhedged Index; Large Value – Russell 1000 Value; Large Blend – S&P 500; Large Growth – Russell 1000 Growth; Small Value – Russell 2000 Value; Small Blend – Russell 2000; Small Growth – Russell 2000 Growth; International – MSCI EAFE; Emerging Markets – MSCI EM; REITs – FTSE NAREIT Equity REITs; Commodities – Bloomberg Commodity Index; MLP – Alerian MLP; Hedge Funds – HFRI Fund of Funds Composite Index; Balanced – 5% Bloomberg Barclays US Treasury TIPS, 10% Bloomberg Barclays US Aggregate Bond Index, 4.5% Bloomberg Barclays Global Aggregate Ex USD, 4.5% Bloomberg Barclays Global Aggregate Ex USD (Hedged), 9% Bloomberg Barclays US Corporate High Yield, 2% JPMorgan GBI-EM Global Diversified Unhedged Index, 16% S&P 500, 5% Russell 2000, 12% MSCI EAFE, 7% MSCI EM, 5% FTSE NAREIT Equity REITs, 5% Bloomberg Commodity Index, 5% Alerian MLP, 10% HFRI Fund of Funds Composite Index; Domestic Equity Indices – Russell 1000, Russell 1000 Growth, Russell 1000 Value, Russell Mid-Cap, Russell Mid Cap Growth, Russell Mid-Cap Value, Russell 2000, Russell 2000 Growth, Russell 2000 Value; International Developed Markets – MSCI EAFE; US Dollar – US Dollar Index; Unhedged Developed Fixed Income – Bloomberg Barclays Global Aggregate Ex USD (Hedged); Real Assets – Bloomberg Commodity Index; Materials, Financials, Energy, Oil & Gas, Healthcare, Information Technology, Consumer Related Sectors – Dow Jones Sector Indices; Small Cap Securities – Russell 2000, Russell 2000 Growth, Russell 2000 Value; Large Cap Securities – Russell 1000, Russell 1000 Growth, Russell 1000 Value; Mid Cap Securities – Russell Mid Cap, Russell Mid Cap Growth, Russell Mid Cap Value; Growth – Russell 1000 Growth, Russell Mid Cap Growth, Russell Small Cap Growth; Value – Russell 1000 Value, Russell Mid Cap Value, Russell 2000 Value; Fixed Income Markets – Bloomberg Barclays US Treasury TIPS, Bloomberg Barclays Municipal 5-Year Bond, Bloomberg Barclays Aggregate; Investment Grade Corporate Securities – Bloomberg Barclays US Credit; Long Maturity Treasuries – Bloomberg Barclays US Treasury 20+ Year; Shorter Dated Issues – Bloomberg Barclays US Treasury 1-3 Year; Industrial-, Financial-and Utility- Related Credits – Bloomberg Barclays Fixed Income Sector Indices; BB-Rated, B-Rated and CCC-Rated – Bloomberg Barclays Fixed Income Credit Quality Indices; MBS – Bloomberg Barclays US MBS; ABS – Bloomberg Barclays ABS; Crude Oil – Bloomberg Composite Crude Oil; Australia, New Zealand, Japan, China, India, Taiwan, South Korea, Brazil, Mexico, Chile, South Africa, Turkey, Egypt, Hungary, Poland, Russia, Canada, United Kingdom, Spain, Germany, Italy, France – MSCI Country Index Gross Return USD; Natural Gas – Bloomberg Natural Gas.