

Market Commentary

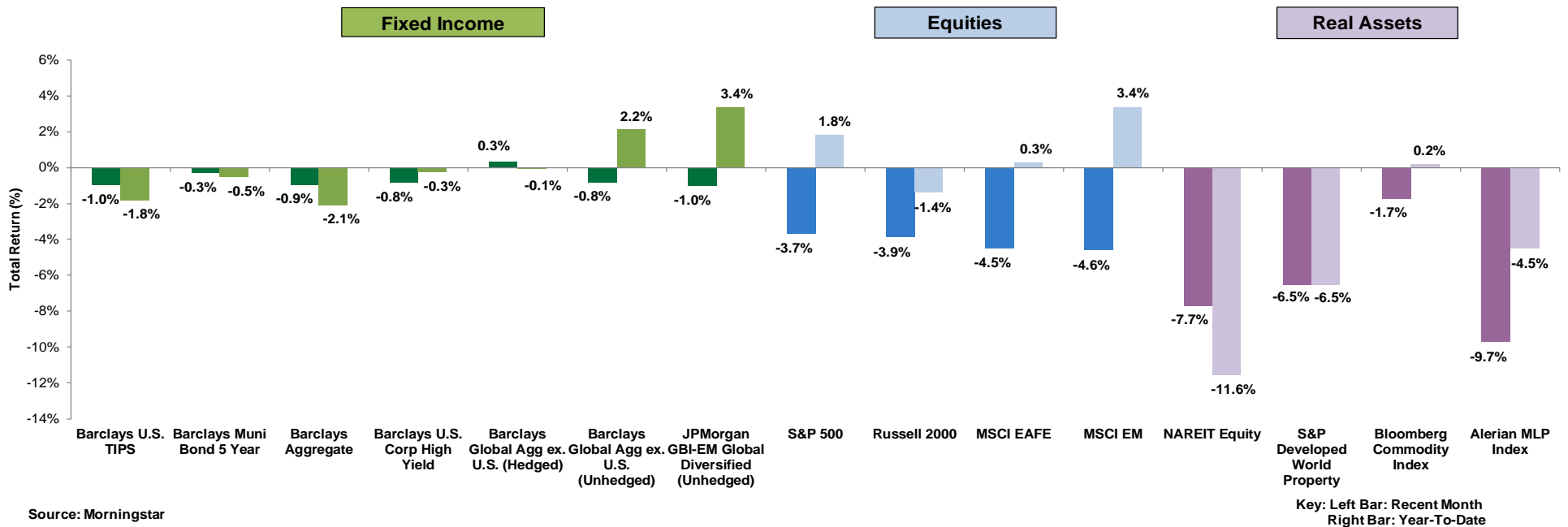
February 2018

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Global Markets Summary

February 2018

Asset Class Returns



Fixed Income

- Domestic fixed income indices fell for the second straight month as rates rose moderately and the Fed continued to communicate a path toward normalized rates.
- International bonds were also lower, but held on to positive returns year-to-date. Emerging markets bonds continued to be the beneficiary of continued global growth prospects.
- The 10-Year U.S. Treasury yield rose 16 bps to end the month at 2.86%.

Equities

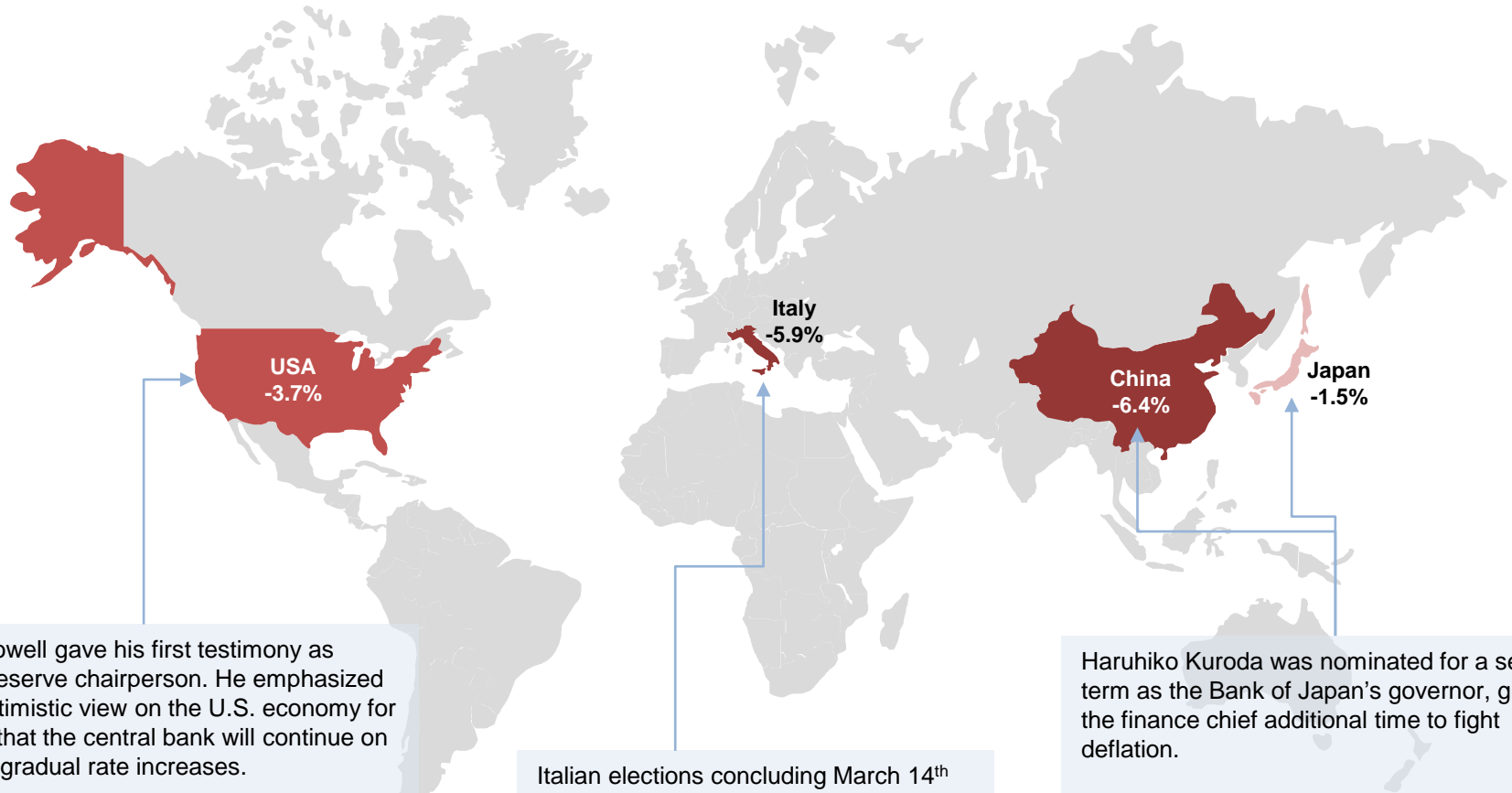
- After a long reprieve, equity markets exhibited significant volatility in February, more comparable to historic norms than recent years.
- Domestically, energy, real estate and telecom saw the sharpest declines while technology and financials performed better. Strong earnings from technology firms helped as did higher rates for banks.
- Internationally, Europe felt the brunt of the pullback as Germany and the UK both fell sharply. Japan fared relatively better.

Real Assets

- Real assets were all lower last month as the effects of rising rates set in for MLPs and REITs continued to absorb the higher cost of financing. Within REITs, all property sectors fell.
- Also affecting the relative weakness in MLPs were sharper declines in oil and natural gas which fell 4.8% and 11.1%, respectively.
- Robust agriculture pricing helped alleviate the drag from energy on the overall commodity complex.

Global Highlights

February 2018



Jerome Powell gave his first testimony as Federal Reserve chairperson. He emphasized a more optimistic view on the U.S. economy for 2018 and that the central bank will continue on its path of gradual rate increases.

U.S. equity markets in February took investors on a roller-coaster ride. The Dow fell more than 12% in just two weeks, only for stocks to rally after, nearly recuperating those losses. The Dow then fell again in the final two trading days leaving the index down 1,600 points from its record high in January.

Italian elections concluding March 14th have left an air of uncertainty regarding the future leadership of Europe's third largest economy.

Haruhiko Kuroda was nominated for a second term as the Bank of Japan's governor, giving the finance chief additional time to fight deflation.

President Xi Jinping has convened top deputies to discuss policies for the future, including repealing a term-limit in place that would allow him to rule indefinitely.

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

Financial Markets Performance

Total Returns as of February 28, 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	0.1%	0.3%	0.2%	0.9%	0.4%	0.3%	0.2%	0.3%	1.2%
Bloomberg Barclays US TIPS	(1.0%)	(0.9%)	(1.8%)	(0.2%)	0.8%	(0.1%)	2.5%	2.8%	4.0%
Bloomberg Barclays Municipal Bond (5 Year)	(0.3%)	(0.1%)	(0.5%)	0.7%	1.3%	1.5%	2.6%	3.5%	3.3%
Bloomberg Barclays HY Muni	0.1%	0.4%	(0.9%)	4.7%	4.0%	3.9%	6.8%	5.5%	6.1%
Bloomberg Barclays US Aggregate	(0.9%)	(1.6%)	(2.1%)	0.5%	1.1%	1.7%	2.8%	3.6%	3.9%
Bloomberg Barclays U.S. Corporate High Yield	(0.8%)	0.0%	(0.3%)	4.2%	5.2%	5.3%	6.5%	8.3%	8.6%
Bloomberg Barclays Global Aggregate ex-US Hedged	0.3%	(0.0%)	(0.1%)	2.3%	2.4%	3.6%	4.2%	4.0%	4.1%
Bloomberg Barclays Global Aggregate ex-US Unhedged	(0.8%)	2.4%	2.2%	10.5%	3.4%	0.8%	1.2%	2.0%	4.2%
Bloomberg Barclays U.S. Long Gov / Credit	(3.2%)	(3.4%)	(5.1%)	2.8%	1.8%	3.7%	6.6%	6.6%	6.2%
JPMorgan GBI-EM Global Diversified	(1.0%)	5.5%	3.4%	14.4%	4.0%	(1.0%)	1.3%	3.6%	7.6%
Global Equity Markets	1 MO	3 MO	YTD	1YR	3YR	5YR	7YR	10YR	15YR
S&P 500	(3.7%)	3.0%	1.8%	17.1%	11.1%	14.7%	13.1%	9.7%	10.4%
Dow Jones Industrial Average	(4.0%)	3.6%	1.7%	23.1%	14.2%	15.0%	13.6%	10.3%	10.8%
NASDAQ Composite	(1.7%)	6.0%	5.5%	26.2%	14.9%	19.6%	16.1%	13.6%	13.0%
Russell 3000	(3.7%)	2.4%	1.4%	16.2%	10.6%	14.4%	12.8%	9.8%	10.7%
Russell 1000	(3.7%)	2.7%	1.6%	16.7%	10.8%	14.6%	13.0%	9.8%	10.6%
Russell 1000 Growth	(2.6%)	5.1%	4.3%	26.1%	13.5%	17.0%	14.6%	11.6%	11.2%
Russell 1000 Value	(4.8%)	0.4%	(1.1%)	7.8%	8.0%	12.0%	11.3%	7.9%	9.9%
Russell Mid Cap	(4.1%)	0.4%	(0.5%)	12.0%	8.0%	13.0%	11.7%	10.0%	12.3%
Russell Mid Cap Growth	(3.1%)	2.9%	2.3%	20.6%	9.3%	14.2%	12.2%	10.4%	12.3%
Russell Mid Cap Value	(4.9%)	(1.5%)	(2.7%)	5.5%	7.1%	12.0%	11.4%	9.7%	12.1%
Russell 2000	(3.9%)	(1.8%)	(1.4%)	10.5%	8.5%	12.2%	10.6%	9.7%	11.5%
Russell 2000 Growth	(2.8%)	1.1%	0.9%	18.4%	8.9%	13.7%	11.7%	10.7%	12.0%
Russell 2000 Value	(5.0%)	(4.7%)	(3.8%)	3.0%	8.0%	10.6%	9.4%	8.6%	10.8%
MSCI ACWI	(4.2%)	2.9%	1.3%	19.4%	8.9%	10.7%	8.8%	6.2%	10.0%
MSCI ACWI ex. U.S.	(4.7%)	2.9%	0.6%	22.2%	6.7%	6.8%	5.0%	3.1%	9.7%
MSCI EAFE	(4.5%)	1.9%	0.3%	20.7%	6.1%	7.5%	5.7%	3.3%	9.1%
MSCI EAFE Growth	(4.3%)	1.9%	0.2%	22.6%	7.2%	8.1%	6.5%	3.8%	9.0%
MSCI EAFE Value	(4.7%)	2.0%	0.4%	18.8%	5.0%	6.9%	4.9%	2.8%	9.1%
MSCI EAFE Small Cap	(3.5%)	4.1%	1.4%	27.9%	12.7%	12.1%	9.3%	6.9%	12.9%
MSCI Emerging Markets	(4.6%)	7.1%	3.4%	31.0%	9.4%	5.4%	3.9%	3.0%	13.2%
Real Assets	1 MO	3 MO	YTD	1YR	3YR	5YR	7YR	10YR	15YR
FTSE NAREIT Equity REITs	(7.7%)	(11.8%)	(11.6%)	(10.1%)	0.4%	5.8%	7.4%	6.6%	10.1%
S&P Developed World Property ex-US	(5.8%)	1.0%	(2.0%)	14.9%	4.9%	5.9%	6.8%	3.6%	10.7%
S&P Developed World Property	(6.5%)	(5.2%)	(6.5%)	1.6%	2.4%	5.7%	6.9%	4.6%	10.2%
Bloomberg Commodity Total Return	(1.7%)	3.2%	0.2%	1.6%	(4.7%)	(8.1%)	(8.4%)	(8.3%)	(1.0%)
Alerian MLP	(9.7%)	0.0%	(4.5%)	(15.2%)	(10.4%)	(3.5%)	0.9%	5.7%	9.9%

Source: Morningstar

Disclosures

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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.