

Market Commentary

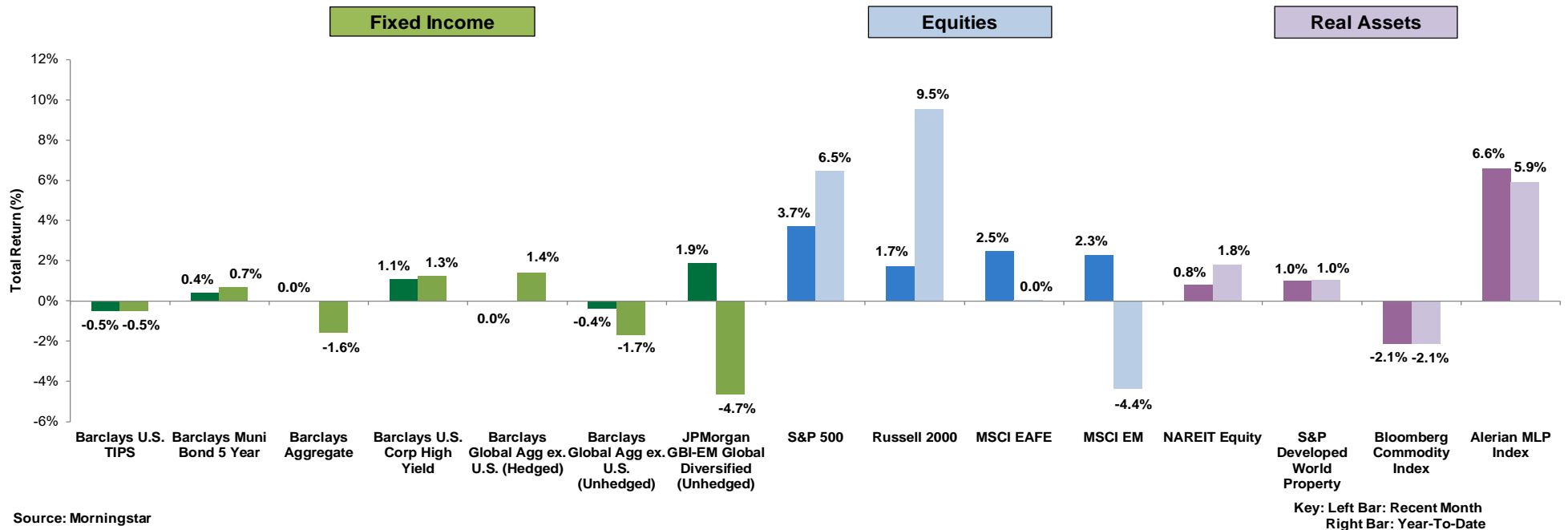
July 2018

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Global Markets Summary

July 2018

Asset Class Returns



Fixed Income

- The 10-year U.S. Treasury yield rose 9 bps to end at 2.96%. The yield curve flattened further as the spread between the 2- and 10-year Treasuries narrowed.
- Domestically, high yield outperformed investment grade as the yield advantage made up for a rise in rates.
- Internationally, the U.S. dollar was a headwind, leading hedged indices to outperform. Emerging markets bonds moved higher as trade tension eased.

Equities

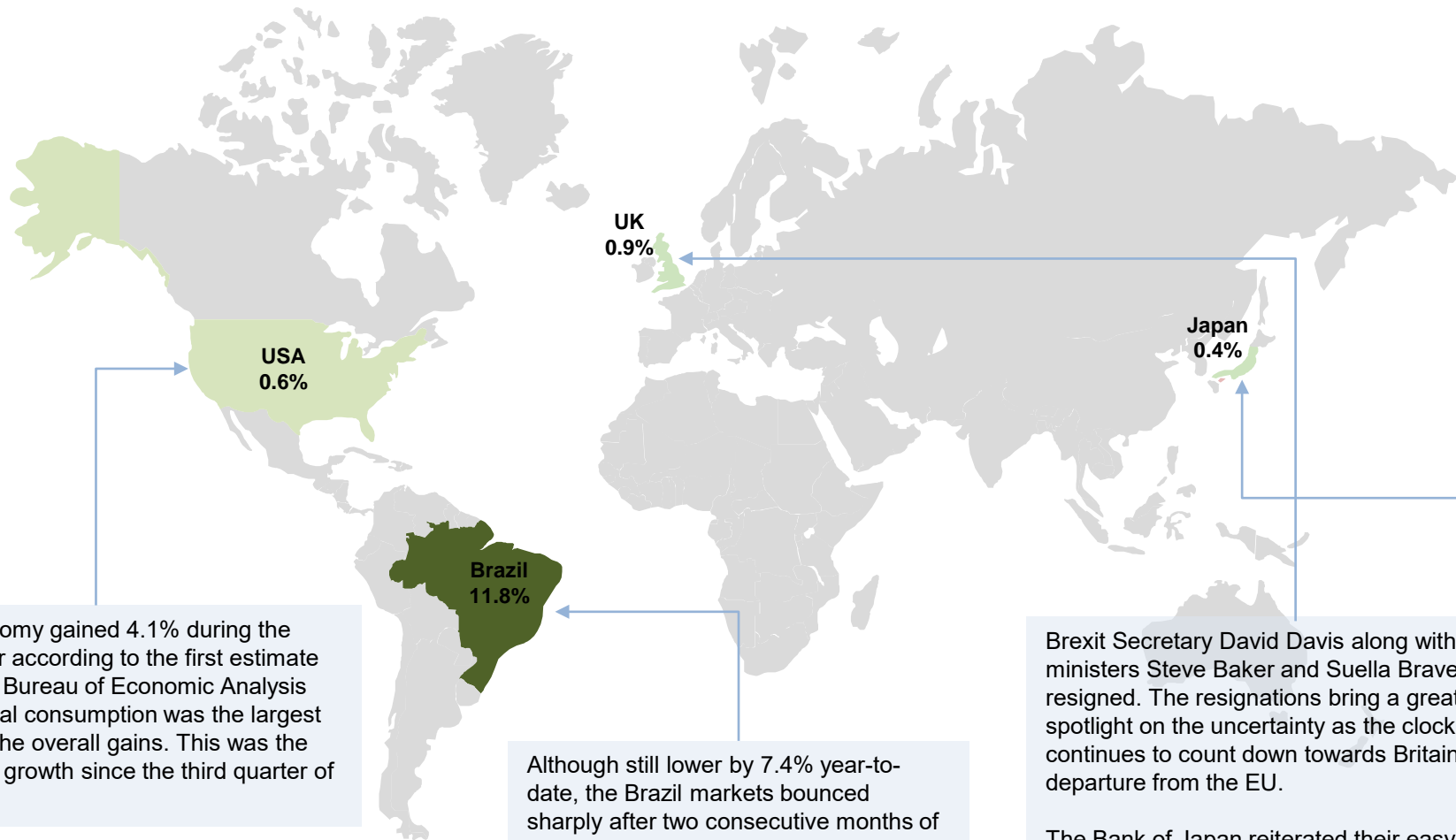
- Equities performed well during the month with both domestic and international indices ending higher.
- Healthcare, industrials and financials outperformed domestically. Technology underperformed the broader index as earnings from large tech names during the month underwhelmed investors.
- Among developed international markets, Germany posted strong results. In emerging markets LatAm outperformed.

Real Assets

- MLPs rose sharply after the Federal Energy Regulatory Commission (FERC) issued updated guidance, walking back some restrictions on rates certain MLPs are allowed to charge.
- Commodities fell as energy and metals were both lower during the month.
- Within REITs, retail and multifamily sectors ended higher while office and industrial were slightly lower. Europe outperformed the U.S. while Asia underperformed.

Global Highlights

July 2018



The U.S. economy gained 4.1% during the second quarter according to the first estimate of GDP by the Bureau of Economic Analysis (BEA). Personal consumption was the largest contributor to the overall gains. This was the highest rate of growth since the third quarter of 2014.

Although still lower by 7.4% year-to-date, the Brazil markets bounced sharply after two consecutive months of headline news. Easing trade tensions helped aid in sentiment as did a return to normalcy following the strike of the nation's truck drivers.

Brexit Secretary David Davis along with junior ministers Steve Baker and Suella Braverman resigned. The resignations bring a greater spotlight on the uncertainty as the clock continues to count down towards Britain's departure from the EU.

The Bank of Japan reiterated their easy monetary policy at the most recent meeting as other central banks have shifted toward tightening. BOJ Governor Haruhiko Kuroda said that the target rates would remain at zero, but they would allow them to move a tenth of a percentage point before intervening.

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

Financial Markets Performance

Total Returns as of July 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%	0.9%	1.4%	0.7%	0.4%	0.3%	0.3%	1.2%
Bloomberg Barclays US TIPS	(0.5%)	0.3%	(0.5%)	1.2%	1.7%	1.4%	1.5%	3.0%	4.3%
Bloomberg Barclays Municipal Bond (5 Year)	0.4%	1.7%	0.7%	(0.1%)	1.6%	2.0%	2.2%	3.4%	3.4%
Bloomberg Barclays HY Muni	0.4%	3.0%	4.0%	6.8%	7.0%	6.1%	6.5%	6.1%	6.1%
Bloomberg Barclays US Aggregate	0.0%	0.6%	(1.6%)	(0.8%)	1.5%	2.2%	2.3%	3.7%	4.0%
Bloomberg Barclays U.S. Corporate High Yield	1.1%	1.5%	1.3%	2.6%	6.1%	5.3%	6.3%	8.5%	7.9%
Bloomberg Barclays Global Aggregate ex-US Hedged	(0.0%)	0.6%	1.4%	3.0%	3.2%	3.9%	4.1%	4.3%	4.2%
Bloomberg Barclays Global Aggregate ex-US Unhedged	(0.4%)	(2.9%)	(1.7%)	(0.3%)	3.1%	0.4%	(0.3%)	1.7%	3.7%
Bloomberg Barclays U.S. Long Gov / Credit	0.2%	0.8%	(4.7%)	(0.8%)	3.7%	5.2%	5.6%	6.9%	6.5%
JPMorgan GBI-EM Global Diversified	1.9%	(5.9%)	(4.7%)	(2.5%)	3.5%	(0.9%)	(1.0%)	2.2%	6.5%
Global Equity Markets	1 MO	3 MO	YTD	1YR	3YR	5YR	7YR	10YR	15YR
S&P 500	3.7%	6.9%	6.5%	16.2%	12.5%	13.1%	14.2%	10.7%	9.4%
Dow Jones Industrial Average	4.8%	5.8%	4.1%	18.7%	15.7%	13.1%	14.0%	11.3%	9.7%
NASDAQ Composite	2.2%	8.9%	11.8%	22.1%	15.7%	17.5%	17.1%	14.0%	11.5%
Russell 3000	3.3%	6.9%	6.6%	16.4%	12.2%	12.8%	13.9%	10.7%	9.7%
Russell 1000	3.5%	6.8%	6.4%	16.2%	12.2%	13.0%	14.0%	10.7%	9.6%
Russell 1000 Growth	2.9%	8.5%	10.4%	22.8%	14.8%	15.8%	15.5%	12.4%	10.3%
Russell 1000 Value	4.0%	4.8%	2.2%	9.5%	9.5%	10.0%	12.4%	9.0%	8.8%
Russell Mid Cap	2.5%	5.5%	4.9%	13.5%	10.2%	11.5%	12.9%	10.8%	11.1%
Russell Mid Cap Growth	2.1%	6.4%	7.7%	19.1%	10.9%	12.5%	13.1%	11.1%	11.0%
Russell Mid Cap Value	2.7%	4.7%	2.6%	9.1%	9.8%	10.7%	12.7%	10.5%	11.0%
Russell 2000	1.7%	8.7%	9.5%	18.7%	12.0%	11.3%	12.7%	10.4%	10.2%
Russell 2000 Growth	1.7%	9.0%	11.6%	22.9%	11.1%	12.4%	13.4%	11.2%	10.5%
Russell 2000 Value	1.8%	8.3%	7.3%	14.4%	12.9%	10.2%	11.9%	9.5%	9.7%
MSCI ACWI	3.0%	2.7%	2.9%	11.5%	9.5%	9.6%	9.3%	7.0%	8.8%
MSCI ACWI ex. U.S.	2.4%	(1.7%)	(1.1%)	6.4%	6.5%	6.1%	4.8%	3.6%	8.2%
MSCI EAFE	2.5%	(0.9%)	0.0%	6.9%	5.5%	6.4%	6.0%	3.9%	7.7%
MSCI EAFE Growth	2.1%	0.8%	1.4%	9.5%	6.7%	7.3%	6.6%	4.4%	8.0%
MSCI EAFE Value	2.9%	(2.6%)	(1.4%)	4.4%	4.3%	5.3%	5.3%	3.4%	7.4%
MSCI EAFE Small Cap	0.7%	(2.1%)	(0.4%)	9.6%	10.4%	10.5%	9.0%	7.7%	10.9%
MSCI Emerging Markets	2.3%	(5.3%)	(4.4%)	4.7%	9.3%	5.6%	2.2%	3.2%	10.8%
Real Assets	1 MO	3 MO	YTD	1YR	3YR	5YR	7YR	10YR	15YR
FTSE NAREIT Equity REITs	0.8%	9.4%	1.8%	3.1%	6.4%	8.3%	9.0%	7.7%	9.7%
S&P Developed World Property ex-US	1.3%	(1.3%)	(0.1%)	7.0%	6.4%	6.7%	6.9%	5.4%	9.8%
S&P Developed World Property	1.0%	3.7%	1.0%	5.1%	6.3%	7.3%	7.8%	6.3%	9.5%
Bloomberg Commodity Total Return	(2.1%)	(4.2%)	(2.1%)	2.7%	(1.6%)	(7.1%)	(8.5%)	(8.1%)	(0.8%)
Alerian MLP	6.6%	10.2%	5.9%	0.4%	(2.8%)	(2.8%)	2.9%	7.3%	9.4%

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.