

Quarterly Market Review

Third Quarter 2017

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This report features world capital market performance and a timeline of events for the past quarter. It begins with a global overview, then features the returns of stock and bond asset classes in the US and international markets.

Overview:

Market Summary

World Stock Market Performance

World Asset Classes

Fixed Income

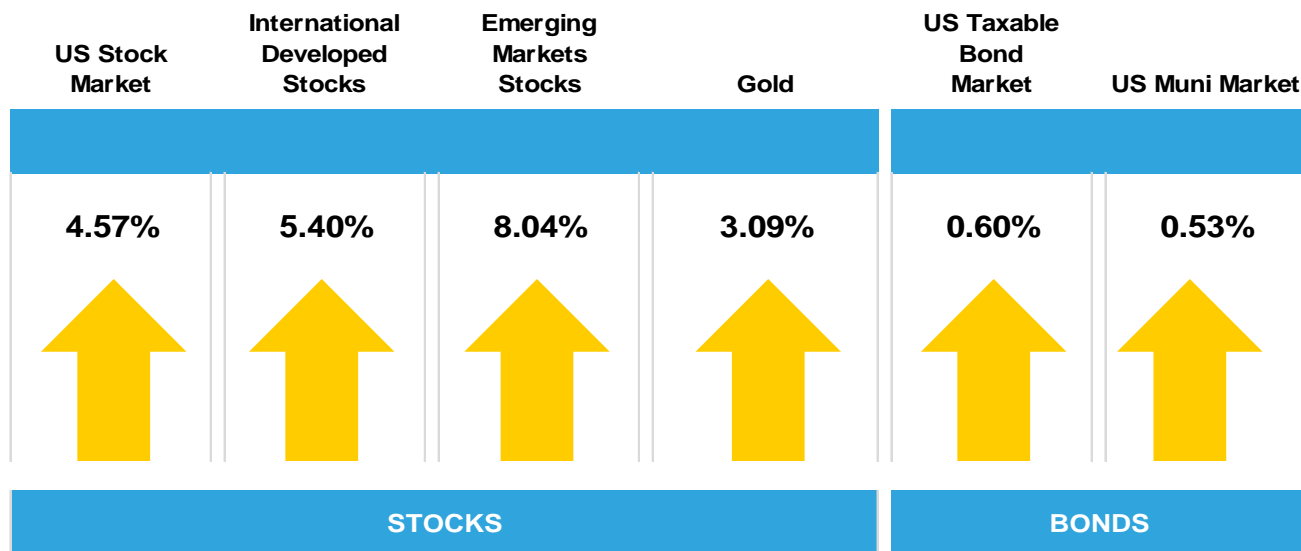
US Stocks

International Developed Stocks

Emerging Markets Stocks

Market Summary

Index Returns



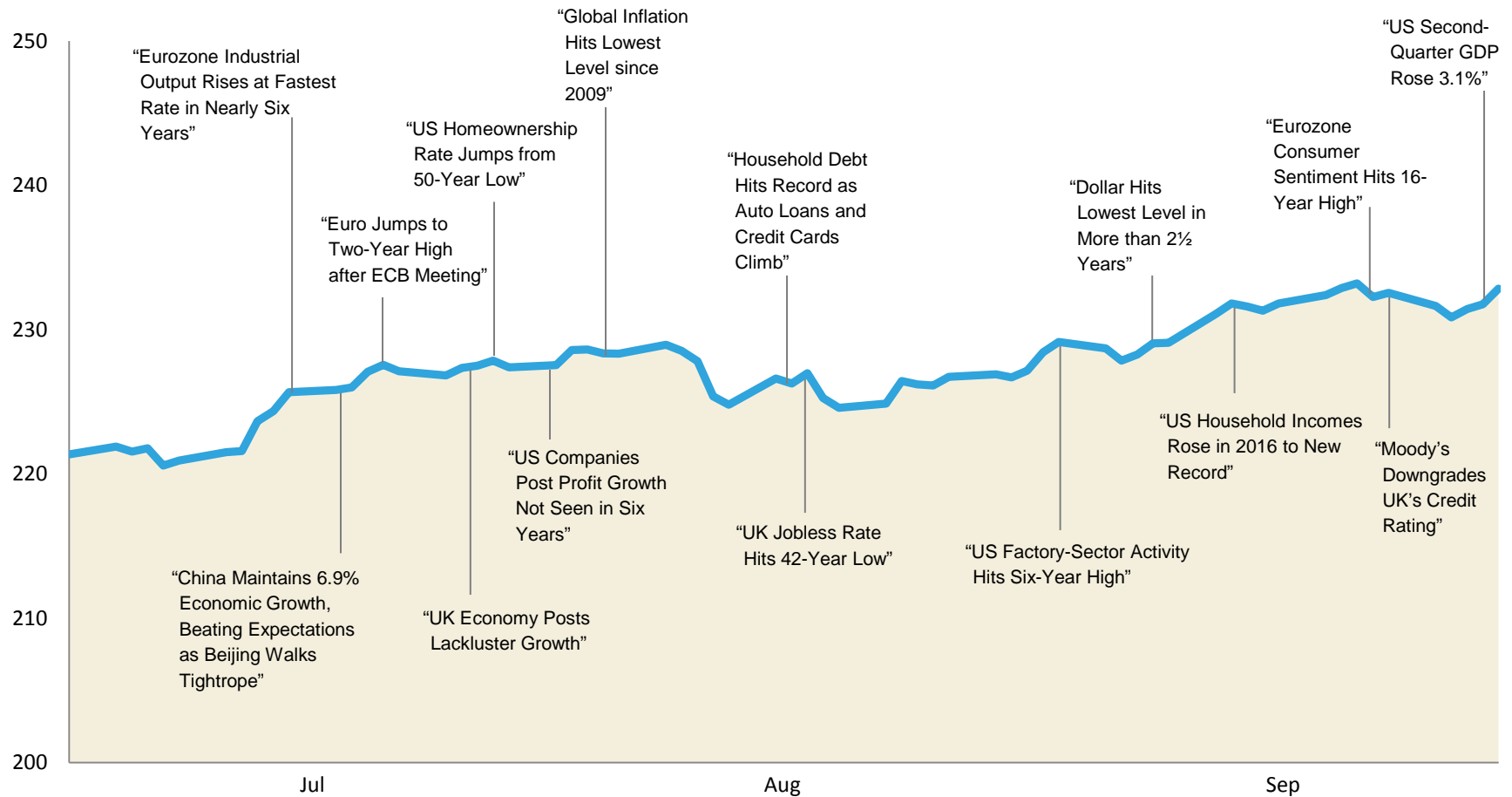
Since Jan. 2001

Avg. Quarterly Return	1.9%	1.5%	3.2%	2.4%	1.1%	0.8%
Best Quarter	16.8% Q2 2009	25.4% Q2 2009	34.8% Q2 2009	16.5% Q1 2016	4.8% Q4 2008	2.9% Q2 2002
Worst Quarter	-22.8% Q4 2008	-20.6% Q4 2008	-27.6% Q4 2008	-23.4% Q2 2013	-2.5% Q2 2004	-1.2% Q2 2004

Past performance is not a guarantee of future results. Indexes 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: US Stock Market (Russell 3000 Index), International Developed Stocks (MSCI EAFE NR), Emerging Markets (MSCI Emerging Markets GR Index), Gold (S&P GSCI Gold TR), US Bond Market (Bloomberg Barclays US Government / Credit Intermediate TR Bond Index), and US Muni Market (Bloomberg Barclays Municipal 3 Year 2-4 USD Index). The S&P data are provided by Standard & Poor's Index Services Group. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. MSCI data © MSCI 2017, all rights reserved. Bloomberg Barclays data provided by Bloomberg.

World Stock Market Performance

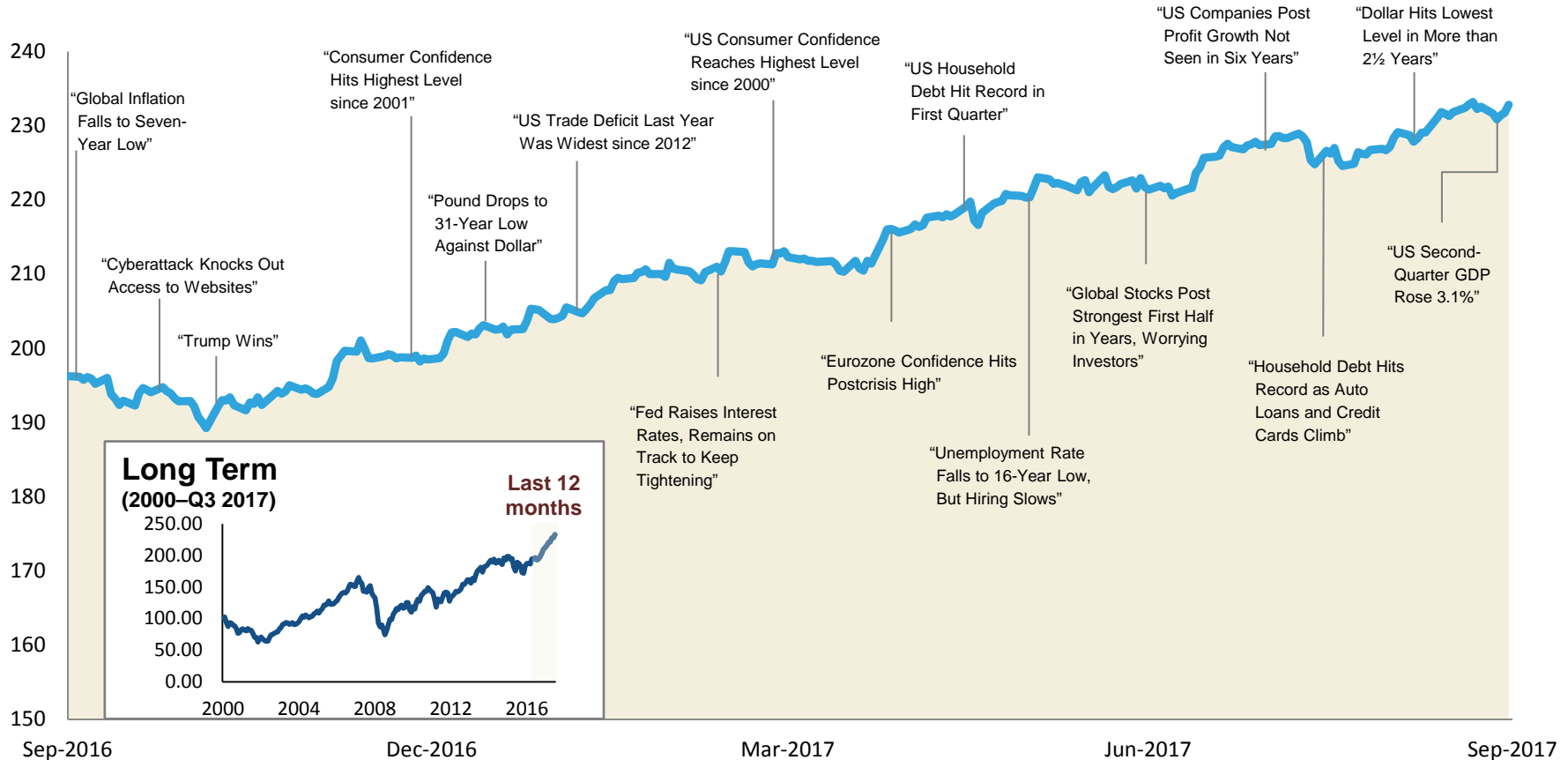
MSCI All Country World Index with selected headlines from Q3 2017



World Stock Market Performance

MSCI All Country World Index with selected headlines from past 12 months

Short Term (Q4 2016–Q3 2017)



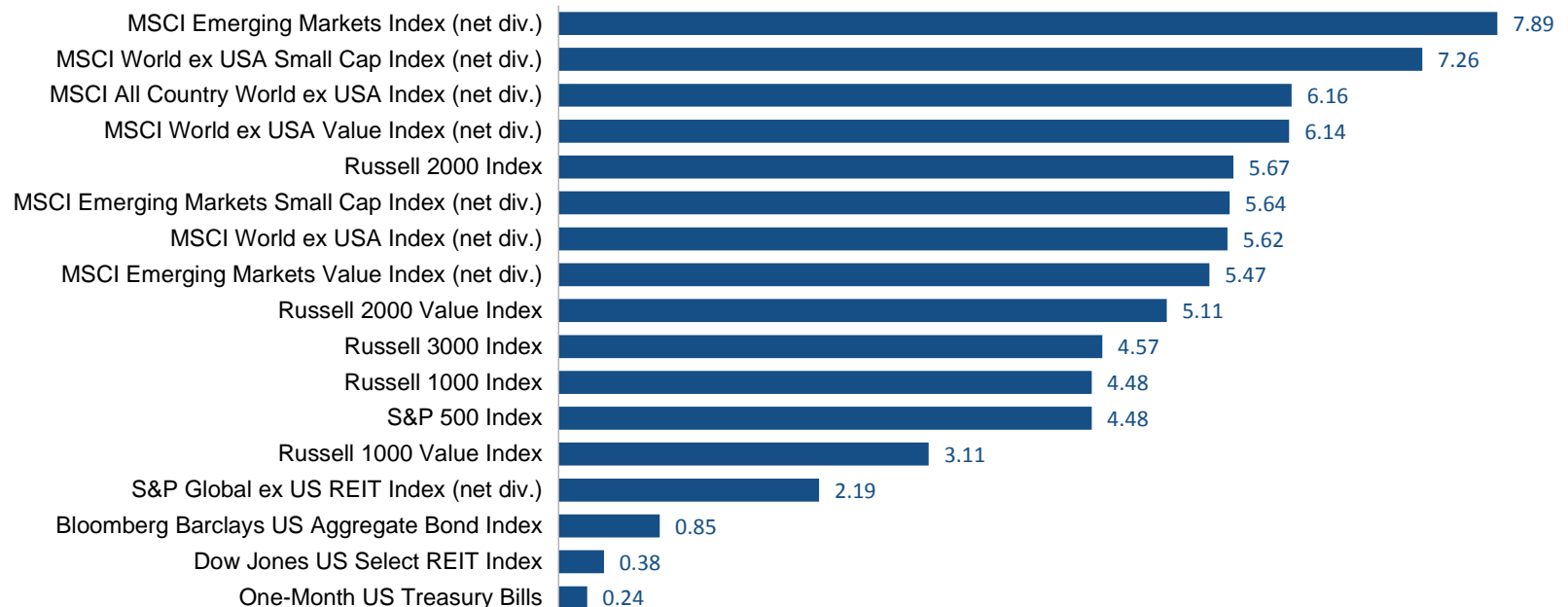
These headlines are not offered to explain market returns. Instead, they serve as a reminder that investors should view daily events from a long-term perspective and avoid making investment decisions based solely on the news. Graph Source: MSCI ACWI Index [net div.]. MSCI data © MSCI 2017, all rights 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.**

World Asset Classes

Third Quarter 2017 World Market Returns (%)

With broad market indexes used as proxies, emerging markets outperformed developed markets, including the US, during the quarter.

Value outperformed growth in non-US developed markets but the reverse was true in the US and emerging markets. Small caps outperformed large caps in US and non-US developed markets but underperformed in emerging markets.



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Fixed Income

Third Quarter 2017 Index Returns

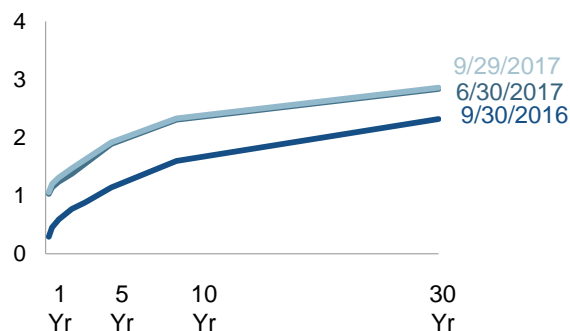
Interest rates increased across the US fixed income market for the quarter. The yield on the 5-year Treasury note increased by 3 basis points (bps) to 1.92%. The yield on the 10-year Treasury note increased by 2 bps to 2.33%. The 30-year Treasury bond yield increased by 2 bps to finish at 2.86%.

The yield on the 1-year T-bill rose 7 bps to 1.31%, and the 2-year Treasury note yield rose 9 bps to 1.47%. The yield on the 3-month Treasury bill increased 3 bps to 1.06%, while the 6-month Treasury bill yield increased 6 bps to 1.20%.

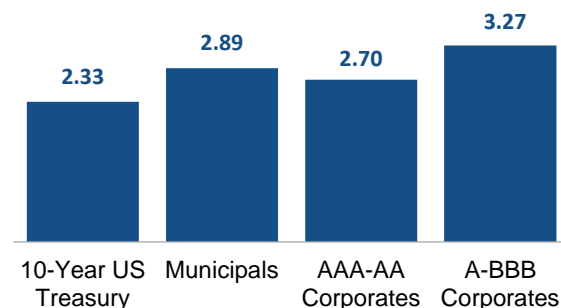
In terms of total returns, short-term corporate bonds gained 0.59%, and intermediate-term corporates gained 1.05%.

Short-term municipal bonds generated a total return of 0.49%, while intermediate-term municipal bonds returned 0.83%. General obligation bonds gained 1.14%, outperforming revenue bonds by 4 bps.

US Treasury Yield Curve (%)



Bond Yields across Issuers (%)



Period Returns (%)

Asset Class	YTD	1 Year	3 Years*	5 Years*	10 Years*
Bloomberg Barclays Long US Government Bond Index	6.06	-6.14	4.84	2.87	6.83
Bloomberg Barclays Municipal Bond Index	4.66	0.87	3.19	3.01	4.52
Bloomberg Barclays US Aggregate Bond Index	3.14	0.07	2.71	2.06	4.27
Bloomberg Barclays US Corporate High Yield Index	7.00	8.88	5.83	6.36	7.84
Bloomberg Barclays US TIPS Index	1.72	-0.73	1.62	0.02	3.90
BofA Merrill Lynch 1-Year US Treasury Note Index	0.55	0.60	0.46	0.39	1.05
BofA Merrill Lynch Three-Month US Treasury Bill Index	0.57	0.66	0.32	0.22	0.47
Citi World Government Bond Index 1-5 Years (hedged to USD)	1.07	0.59	1.35	1.30	2.32

*Annualized

US Stocks

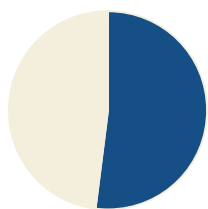
Third Quarter 2017 Index Returns

The broad US equity market posted positive returns for the quarter but underperformed both non-US developed and emerging markets.

Growth outperformed value indexes in the US across all size ranges.

Small caps in the US outperformed large caps.

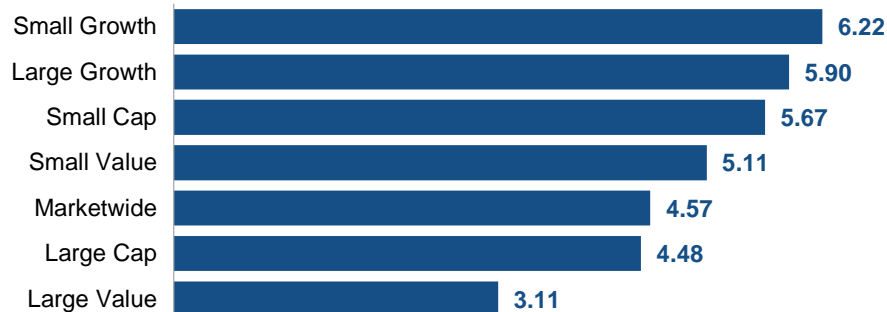
World Market Capitalization—US



52%

US Market
\$26.0 trillion

Ranked Returns for the Quarter (%)



Period Returns (%)

Asset Class	YTD	1 Year	3 Years*	5 Years*	10 Years*
Marketwide	13.91	18.71	10.74	14.23	7.57
Large Cap	14.17	18.54	10.63	14.27	7.55
Large Value	7.92	15.12	8.53	13.20	5.92
Large Growth	20.72	21.94	12.69	15.26	9.08
Small Cap	10.94	20.74	12.18	13.79	7.85
Small Value	5.68	20.55	12.12	13.27	7.14
Small Growth	16.81	20.98	12.17	14.28	8.47

*Annualized

Past performance is not a guarantee of future results. Indexes 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. MSCI data © MSCI 2017, all rights reserved.

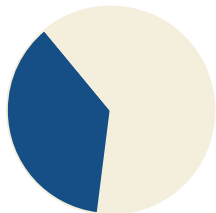
International Developed Stocks

Third Quarter 2017 Index Returns

In US dollar terms, developed markets outperformed US equity indexes but underperformed emerging markets indexes during the quarter.

With broad market indexes used as proxies, value outperformed growth in large cap while small cap outperformed large cap in non-US developed markets.

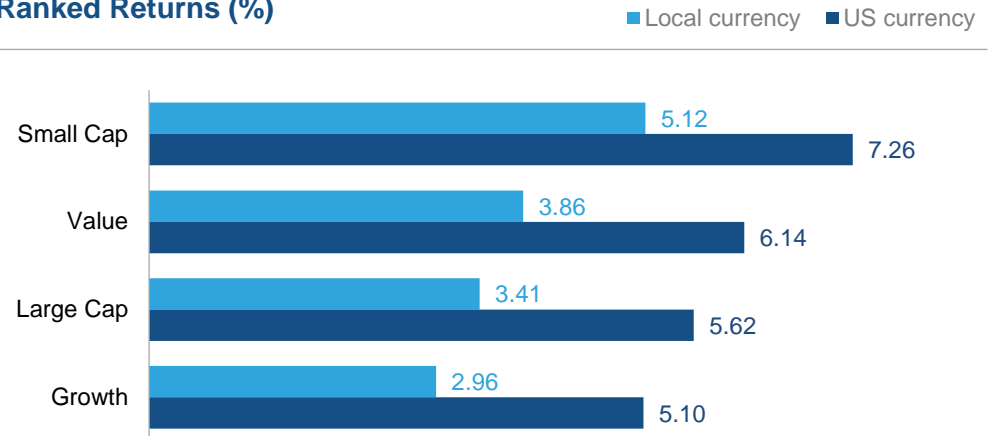
World Market Capitalization—International Developed



37%

**International
Developed
Market**
\$18.5 trillion

Ranked Returns (%)



Period Returns (%)

Asset Class	YTD	1 Year	3 Years*	5 Years*	10 Years*
Large Cap	19.17	18.73	4.57	7.81	1.28
Small Cap	23.82	20.42	9.59	11.16	4.04
Value	17.05	22.46	3.24	7.36	0.64
Growth	21.47	15.04	5.82	8.19	1.86

*Annualized

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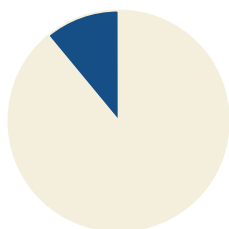
Emerging Markets Stocks

Third Quarter 2017 Index Returns

In US dollar terms, emerging markets indexes outperformed developed market indexes, including the US, during the quarter.

With broad market indexes used as proxies, large cap outperformed small cap and growth outperformed value.

World Market Capitalization—Emerging Markets

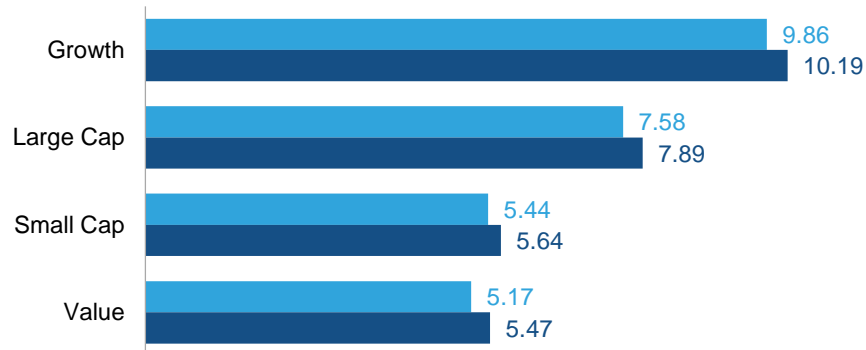


11%

Emerging Markets
\$5.8 trillion

Ranked Returns (%)

■ Local currency ■ US currency



Period Returns (%)

Asset Class	YTD	1 Year	3 Years*	5 Years*	10 Years*
Large Cap	27.78	22.46	4.90	3.99	1.32
Small Cap	22.53	14.89	3.14	4.60	1.74
Value	19.87	18.55	1.62	1.34	0.67
Growth	36.03	26.35	8.12	6.55	1.88

*Annualized

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