

Quarterly Market Review

Second Quarter 2018

Quarterly Market Review

Second Quarter 2018

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

Second Quarter 2018 Index Returns

	U.S. Stock Market	International Developed Stocks	Emerging Markets Stocks	Gold	U.S. Taxable Bond Market	U.S. Muni Market
	3.89%	-1.24%	-7.86%	-5.49%	0.01%	0.64%
						

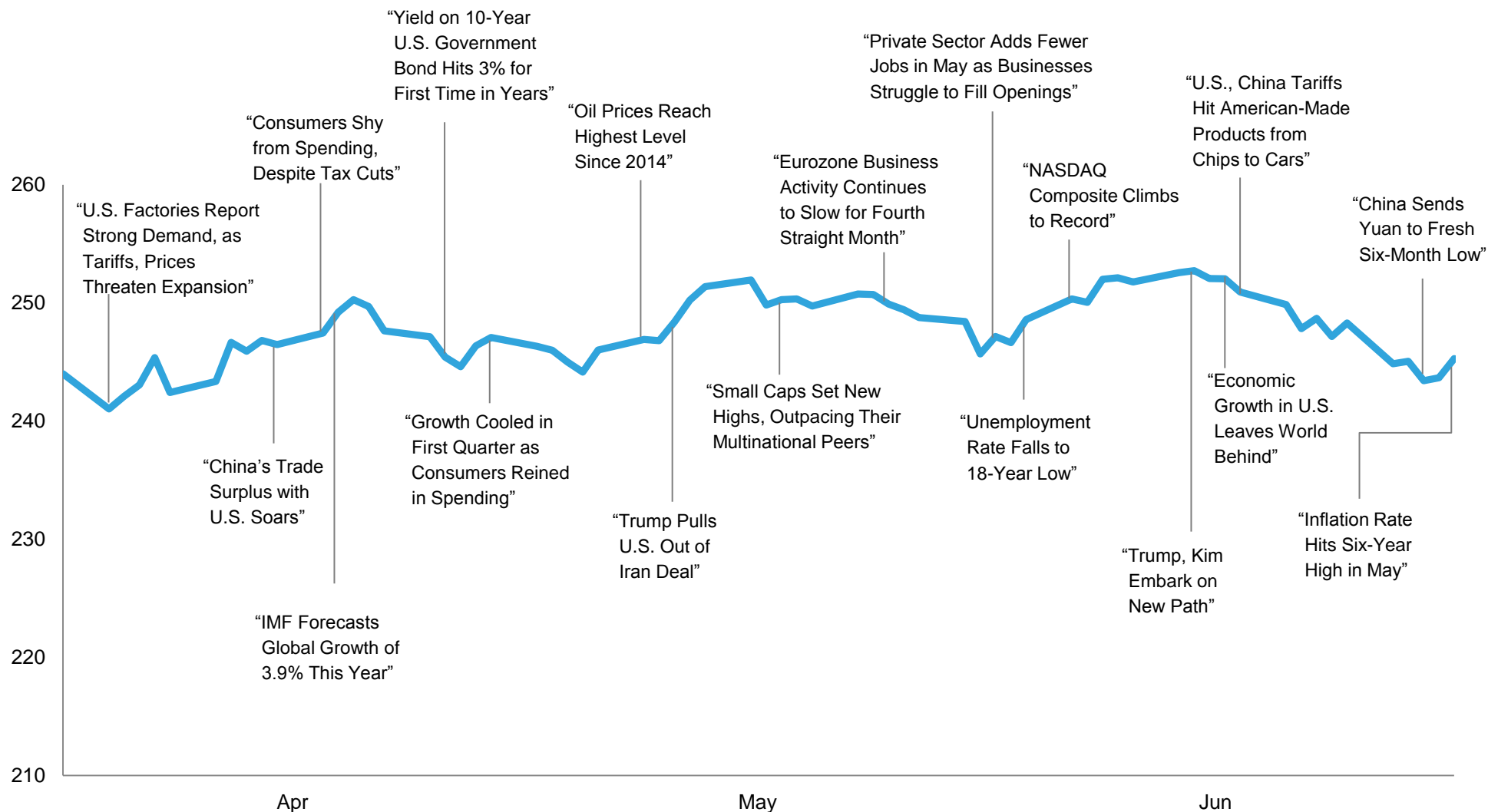
Since Jan. 2001	STOCKS			COMMODITIES
Avg. Quarterly Return	2.0%	1.5%	3.1%	2.3%
Best Quarter	16.8%	25.4%	34.8%	16.5%
	Q2 2009	Q2 2009	Q2 2009	Q1 2016
Worst Quarter	-22.8%	-20.6%	-27.6%	-23.4%
	Q4 2008	Q4 2008	Q4 2008	Q2 2013

BONDS	
1.0%	0.7%
4.8%	2.9%
Q4 2008	Q2 2002
-2.5%	-1.2%
Q2 2004	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: U.S. Stock Market (Russell 3000 Index), International Developed Stocks (MSCI EAFE NR), Emerging Markets (MSCI Emerging Markets GR Index), Gold (S&P GSCI Gold TR), U.S. Bond Market (Bloomberg Barclays US Government / Credit Intermediate TR Bond Index), and U.S. 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 Q2 2018



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 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.

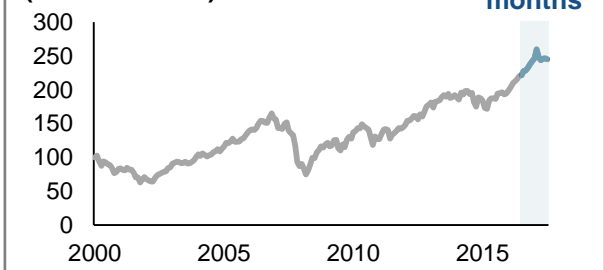
World Stock Market Performance

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

Short Term (Q3 2017–Q2 2018)



Long Term (2000–Q2 2018)



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 2018, all rights reserved.

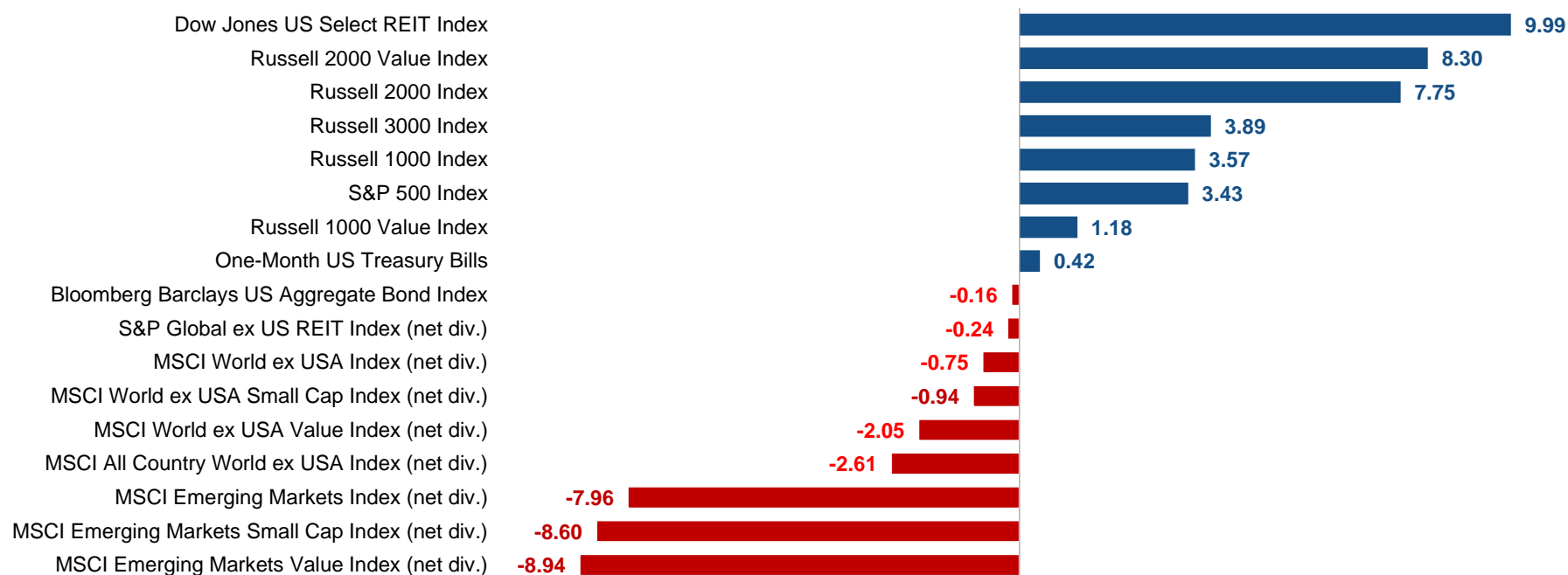
It is not possible to invest directly in an index. Performance does not reflect the expenses associated with management of an actual portfolio. **Past performance is not a guarantee of future results.**

World Asset Classes

Second Quarter 2018 Index Returns (%)

With broad market indices as proxies, the U.S. outperformed non-U.S. developed and emerging markets during the second quarter.

Small caps outperformed large caps in the U.S. but underperformed in both non-U.S. developed and emerging markets. Growth outperformed value in the U.S. as well as markets outside the U.S.



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. The S&P data is 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 2018, all rights reserved. Dow Jones data © 2018 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. S&P data © 2018 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Bloomberg Barclays data provided by Bloomberg. Treasury bills © Stocks, Bonds, Bills, and Inflation Yearbook™, Ibbotson Associates, Chicago (annually updated work by Roger G. Ibbotson and Rex A. Sinquefeld).

Fixed Income

Second Quarter 2018 Index Returns

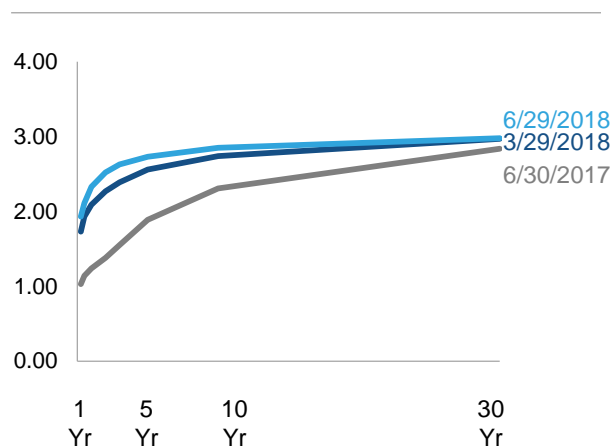
Interest rates increased in the U.S. during the second quarter. The yield on the 5-year Treasury note rose 17 basis points (bps), ending at 2.73%. The yield on the 10-year T-note rose 11 bps to 2.85%. The 30-year Treasury bond yield climbed 1 bps to 2.98%.

The 1-month Treasury bill yield rose 14 bps to 1.77%, while the 1-year Treasury bill yield increased 24 bps to 2.33%. The 2-year Treasury note yield finished at 2.52% after increasing 25 bps.

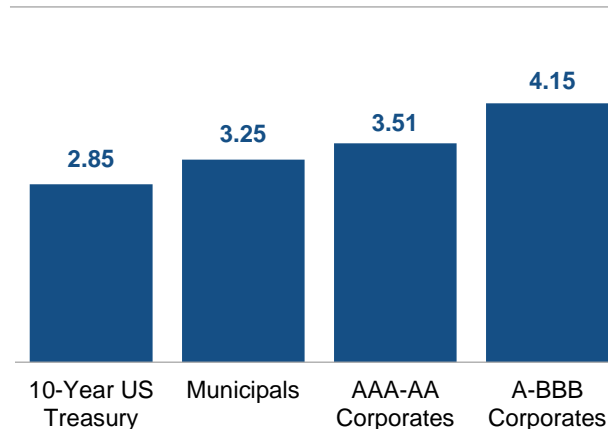
In terms of total return, short-term corporate bonds gained 0.29%, while intermediate-term corporate bonds declined 0.10%.

Short-term municipal bonds added 0.66%, while intermediate-term munis returned 0.81%. Revenue bonds performed in-line with general obligation bonds, returning 0.90% and 0.87%, respectively.

U.S. Treasury Yield Curve (%)



Bond Yields across Issuers (%)



Period Returns (%)

Asset Class	QTR	1 Year	3 Years*	5 Years*	10 Years*
Bloomberg Barclays US High Yield Corporate Bond Index	1.03	2.62	5.53	5.51	8.19
Bloomberg Barclays Municipal Bond Index	0.87	1.56	2.85	3.53	4.43
Bloomberg Barclays U.S. TIPS Index	0.77	2.11	1.93	1.68	3.03
ICE BofAML 3-Month U.S. Treasury Bill Index	0.45	1.36	0.68	0.42	0.35
ICE BofAML 1-Year U.S. Treasury Note Index	0.40	0.92	0.64	0.49	0.77
Bloomberg Barclays U.S. Government Bond Index Long	0.26	-0.13	3.40	4.56	6.02
FTSE World Government Bond Index 1-5 Years (hedged to USD)	0.24	0.89	1.18	1.33	2.08
Bloomberg Barclays U.S. Aggregate Bond Index	-0.16	-0.40	1.72	2.27	3.72
FTSE World Government Bond Index 1-5 Years	-2.66	0.73	1.19	-0.58	0.63

* Annualized

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 U.S. Corporates, AA-AAA rated. A-BBB Corporates represent the Bank of America Merrill Lynch U.S. Corporates, BBB-A rated. Bloomberg Barclays data provided by Bloomberg. U.S. long-term bonds, bills, inflation, and fixed income factor data © Stocks, Bonds, Bills, and Inflation (SBBBI) Yearbook™, Ibbotson Associates, Chicago (annually updated work by Roger G. Ibbotson and Rex A. Sinquefeld). FTSE fixed income indices © 2018 FTSE Fixed Income LLC, all rights reserved. ICE BofAML index data © 2018 ICE Data Indices, LLC.

US Stocks

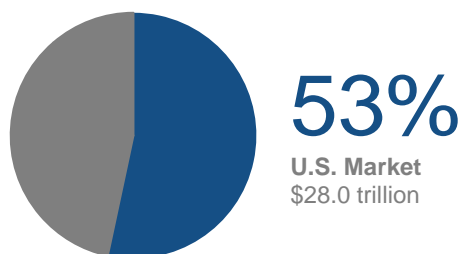
Second Quarter 2018 Index Returns

The U.S. equity market posted a positive return, outperforming both non-US developed and emerging markets in the second quarter.

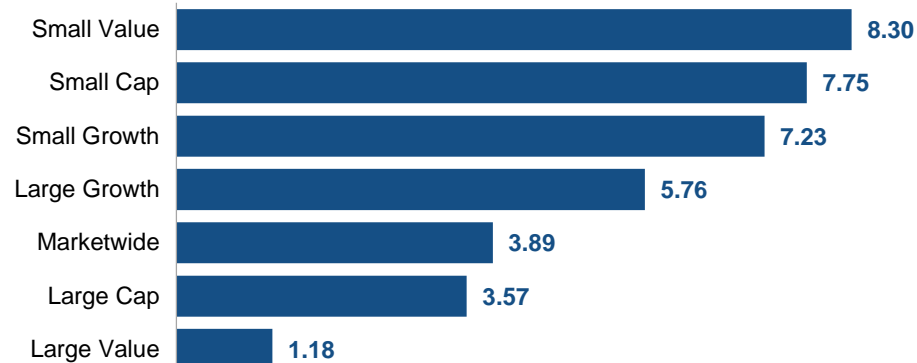
Large cap value stocks underperformed large cap growth stocks in the U.S.; however, small cap value stocks outperformed small cap growth.

Small caps in the U.S. outperformed large caps.

World Market Capitalization—U.S.



Ranked Returns for the Quarter (%)



Period Returns (%)

Asset Class	QTR	1 Year	3 Years*	5 Years*	10 Years*
Small Value	8.30	13.10	11.22	11.18	9.88
Small Cap	7.75	17.57	10.96	12.46	10.60
Small Growth	7.23	21.86	10.60	13.65	11.24
Large Growth	5.76	22.51	14.98	16.36	11.83
Marketwide	3.89	14.78	11.58	13.29	10.23
Large Cap	3.57	14.54	11.64	13.37	10.20
Large Value	1.18	6.77	8.26	10.34	8.49

* Annualized

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. MSCI data © MSCI 2018, all rights reserved.

International Developed Stocks

Second Quarter 2018 Index Returns

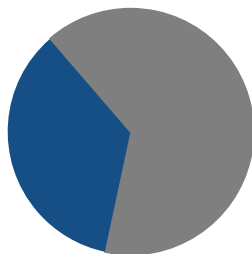
In US dollar terms, non-U.S. developed markets underperformed the U.S. but outperformed emerging markets during the second quarter.

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

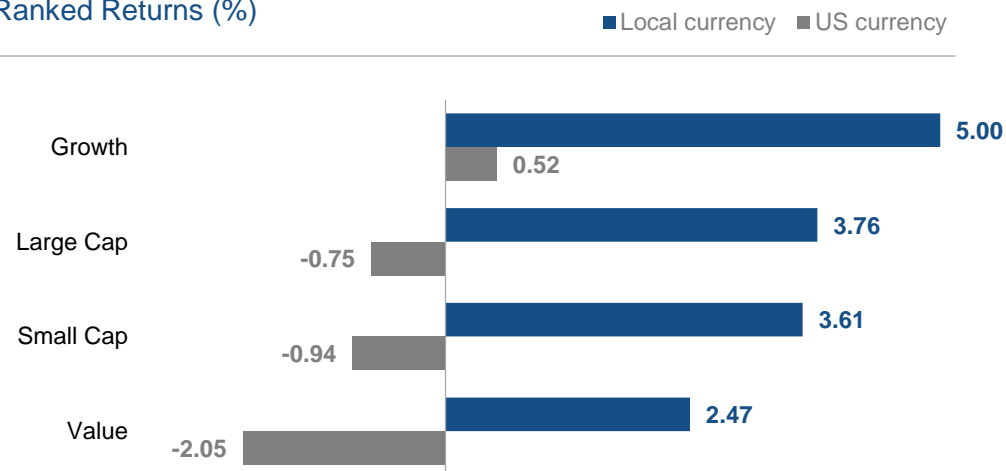
World Market Capitalization—International Developed

35%

International
Developed
Market
\$18.5 trillion



Ranked Returns (%)



Period Returns (%)

Asset Class	QTR	1 Year	3 Years*	5 Years*	10 Years*
Growth	0.52	9.26	5.95	7.11	2.92
Large Cap	-0.75	7.04	4.87	6.23	2.63
Small Cap	-0.94	11.87	9.45	10.28	6.09
Value	-2.05	4.80	3.70	5.27	2.29

* Annualized

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 (MSCI World ex USA Growth Index). 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. MSCI data © MSCI 2018, all rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes.

Emerging Markets Stocks

Second Quarter 2018 Index Returns

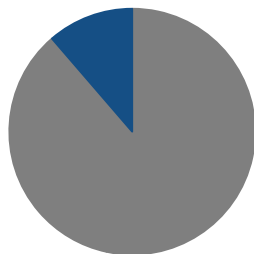
In U.S. dollar terms, emerging markets indexes underperformed developed market indexes, including the U.S., during the quarter.

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

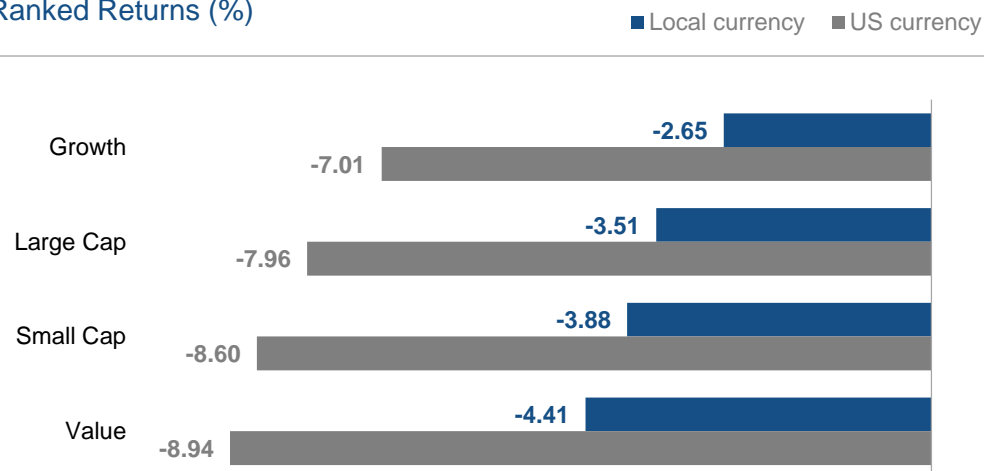
World Market Capitalization—Emerging Markets

11%

Emerging Markets
\$5.9 trillion



Ranked Returns (%)



Period Returns (%)

Asset Class	QTR	1 Year	* Annualized		
			3 Years*	5 Years*	10 Years*
Growth	-7.01	11.92	8.34	7.16	3.28
Large Cap	-7.96	8.20	5.60	5.01	2.26
Small Cap	-8.60	5.64	2.55	4.32	4.44
Value	-8.94	4.28	2.76	2.77	1.14

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 Emerging Markets Index), Small Cap (MSCI Emerging Markets Small Cap Index), Value (MSCI Emerging Markets Value Index), and Growth (MSCI Emerging Markets Growth Index). 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 Emerging Markets IMI Index used as the proxy for the emerging market portion of the market. MSCI data © MSCI 2018, all rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes.