

2017 Year End Market Review

Market Review

Fourth Quarter and Year End Market Review

This report features world capital market performance and a timeline of events for the past quarter and the year. 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

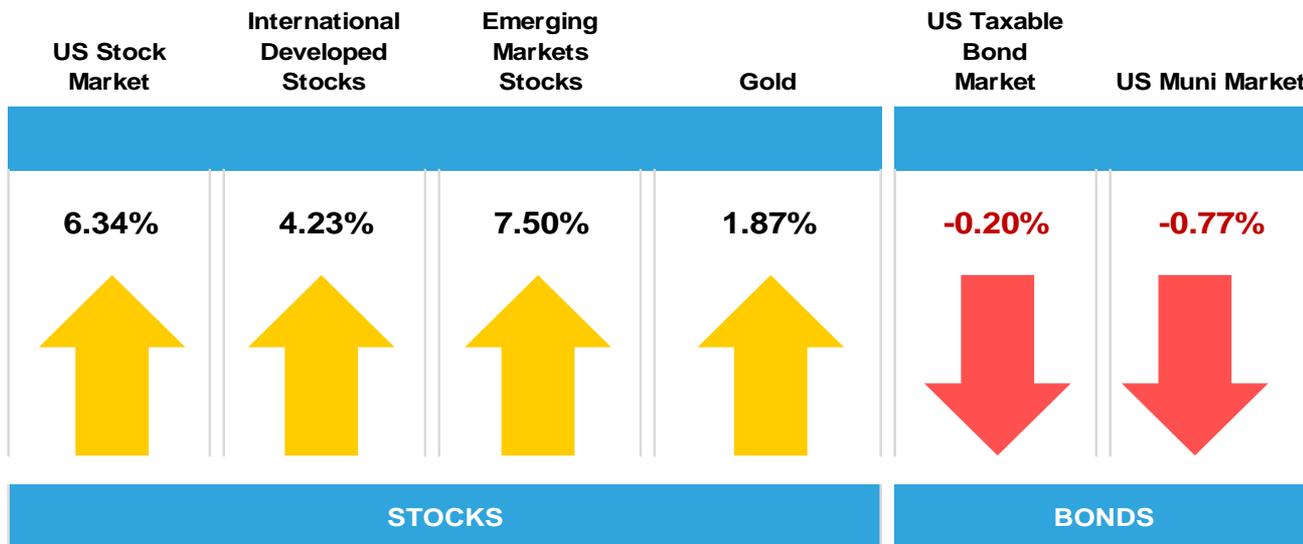
US Stocks

International Developed Stocks

Emerging Markets Stocks

Market Summary

Index Returns – Q4 2017



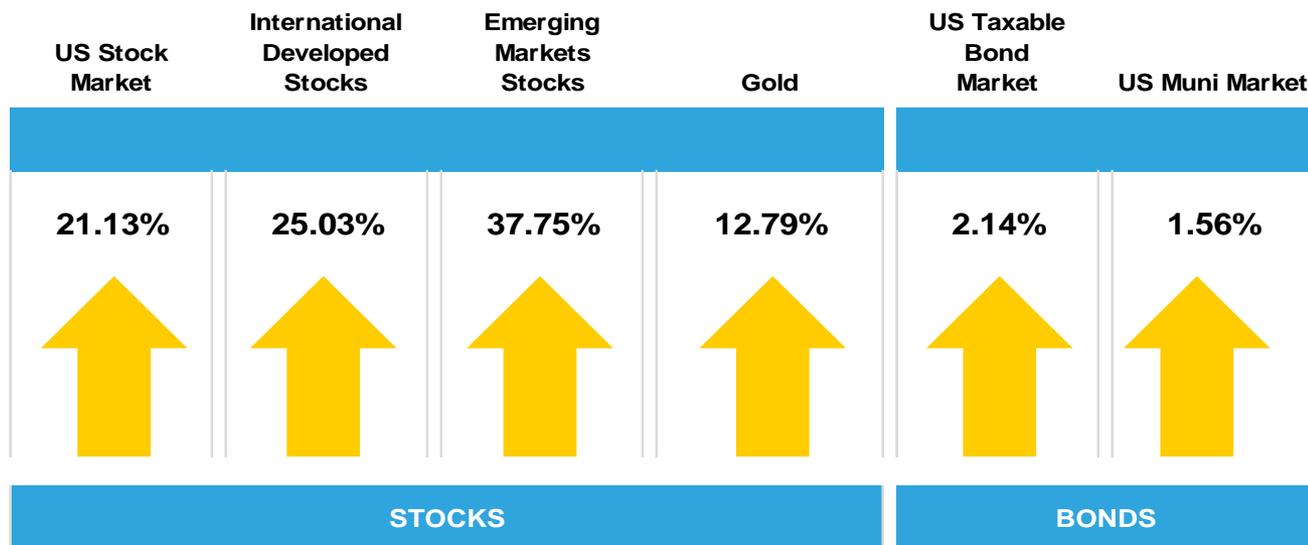
Since Jan. 2001

Avg. Quarterly Return	2.0%	1.6%	3.3%	2.4%	1.1%	0.7%
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.

Market Summary

Index Returns – 2017



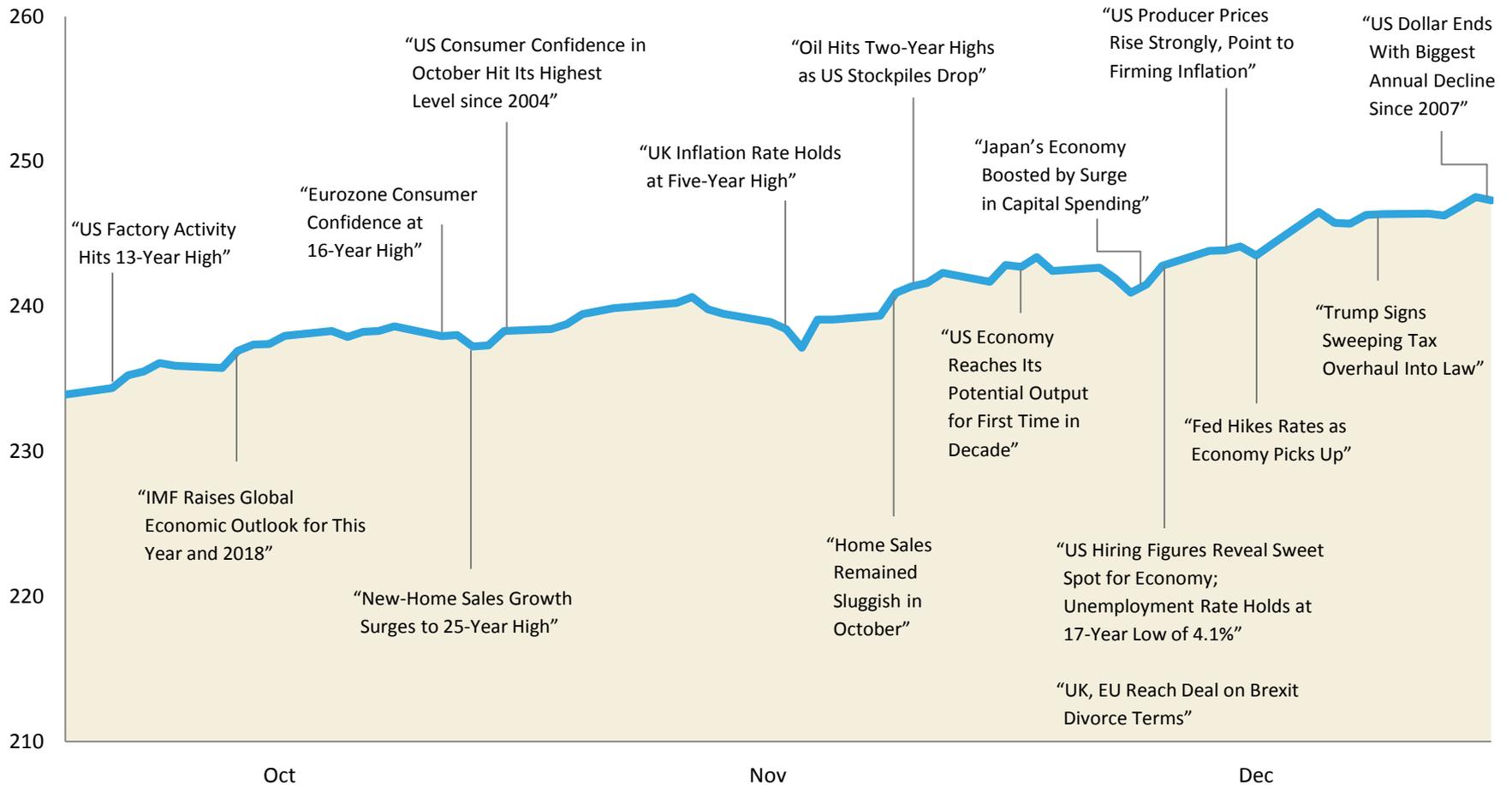
Since Jan. 2001

Avg. Annual Return	8.4%	6.9%	15.1%	10.0%	4.3%	3.0%
Best Year	33.6% 2013	38.6% 2003	79.0% 2009	29.9% 2007	9.8% 2002	6.7% 2002
Worst Year	-37.3% 2008	-43.4% 2008	-53.2% 2008	-28.7% 2013	-0.9% 2013	-0.1% 2016

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World Stock Market Performance

MSCI All Country World Index with selected headlines from Q4 2017

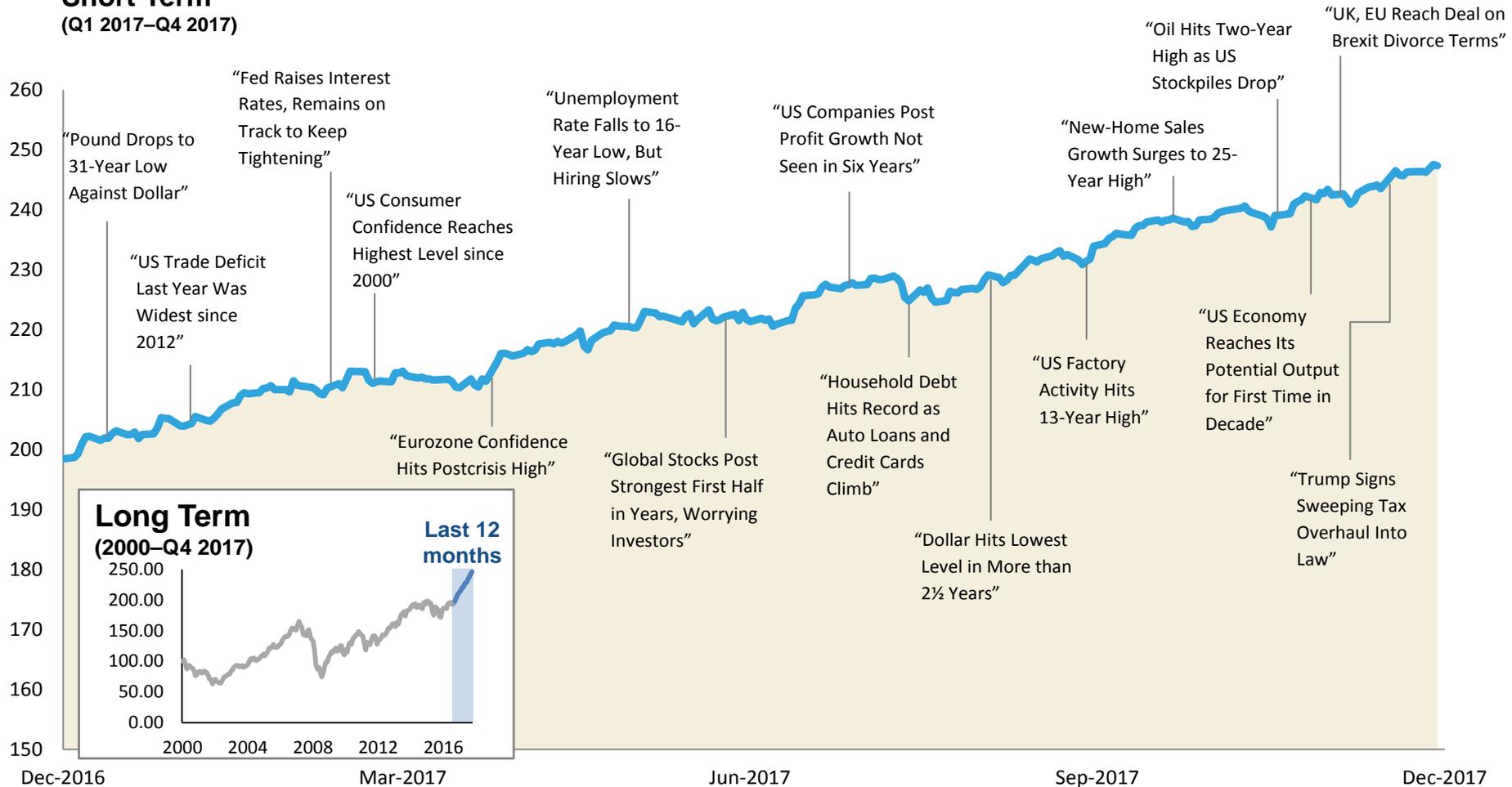


These headlines are not offered to explain market returns. Instead, they serve as a reminder that investors should view daily events from a long-term perspective and avoid making investment decisions based solely on the news. Graph Source: MSCI ACWI Index [net div.]. MSCI data © MSCI 2017, all rights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

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

Short Term (Q1 2017–Q4 2017)



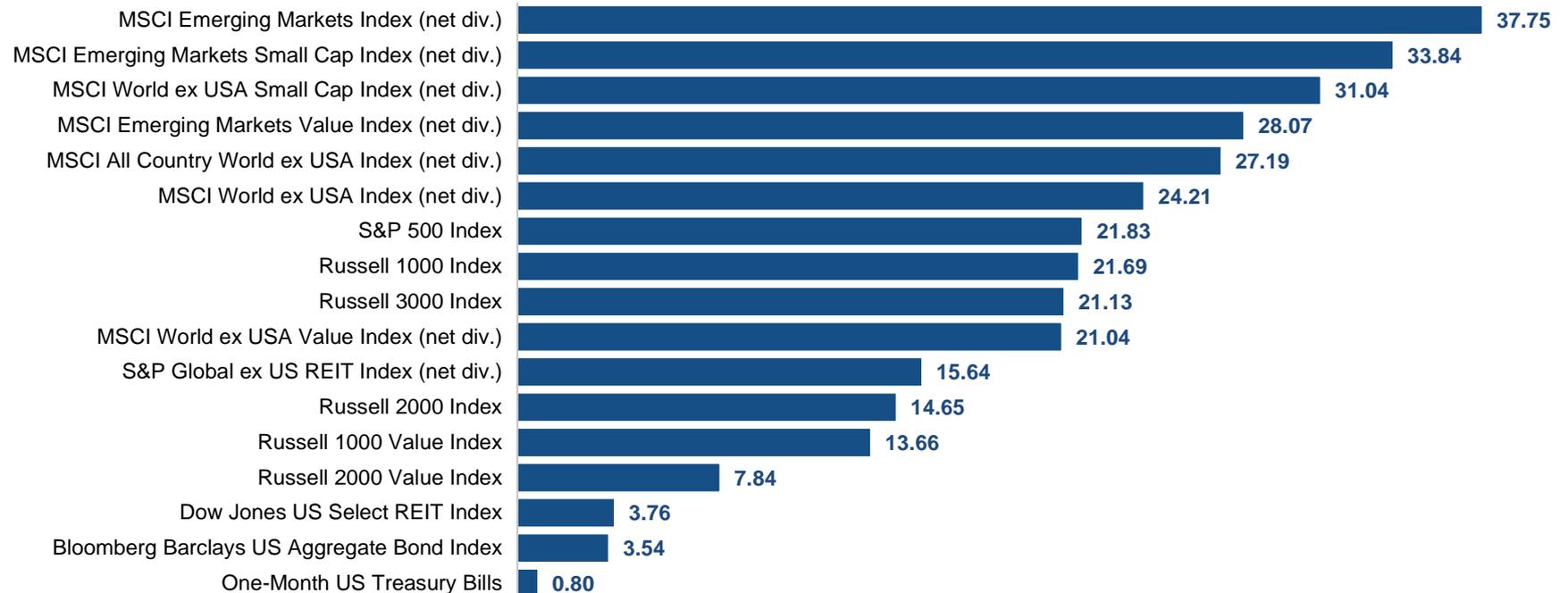
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World Asset Classes

2017 Index Returns (%)

With broad market indexes as proxies, emerging markets outperformed developed markets, including US, in 2017.

Growth outperformed value in the US, non-US developed markets, and emerging markets. Small caps outperformed large caps in non-US developed markets but underperformed in the US and emerging markets.



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Fixed Income

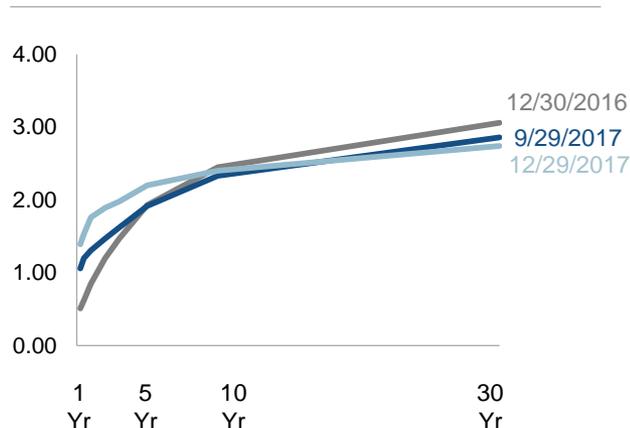
2017 Index Returns

Interest rate changes across the US fixed income market were mixed during the fourth quarter. The yield on the 5-year Treasury note rose 28 basis points (bps), ending at 2.20%. The yield on the 10-year Treasury note increased 7 bps to 2.40%. The 30-year Treasury bond yield decreased 12 bps to finish at 2.74%.

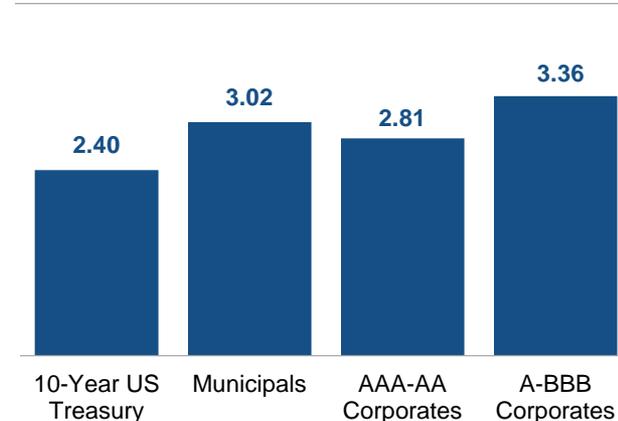
In terms of total returns, short-term corporate bonds declined 0.04% during the quarter but increased 1.85% for the year. Intermediate-term corporate bonds gained 0.17% for the quarter and 3.92% for the year.

The total returns for short-term municipal bonds were -0.65% for the quarter and 1.61% for the year. Intermediate-term municipal bonds fell 0.09% for the quarter but gained 4.70% for the year. Revenue bonds outperformed general obligation bonds for the year.

US Treasury Yield Curve (%)



Bond Yields across Issuers (%)



Period Returns (%)

Asset Class	1 Year	3 Years*	5 Years*	10 Years*
Bloomberg Barclays Long US Government Bond Index	8.53	2.85	3.49	6.49
Bloomberg Barclays US Corporate High Yield Index	7.50	6.35	5.78	8.03
Bloomberg Barclays Municipal Bond Index	5.45	2.98	3.02	4.46
Bloomberg Barclays US Aggregate Bond Index	3.54	2.24	2.10	4.01
Bloomberg Barclays US TIPS Index	3.01	2.05	0.13	3.53
Citi World Government Bond Index 1-5 Years (hedged to USD)	1.13	1.21	1.23	2.13
ICE BofAML 3-Month US Treasury Bill Index	0.86	0.41	0.27	0.39
ICE BofAML 1-Year US Treasury Note Index	0.57	0.49	0.38	0.90

* Annualized

One basis point equals 0.01%. 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. 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 US Corporates, AA-AAA rated. A-BBB Corporates represent the Bank of America Merrill Lynch US Corporates, BBB-A rated. Bloomberg Barclays data provided by Bloomberg. US long-term bonds, bills, inflation, and fixed income factor data © Stocks, Bonds, Bills, and Inflation (S&BI) Yearbook™, Ibbotson Associates, Chicago (annually updated work by Roger G. Ibbotson and Rex A. Sinquefeld). Citi fixed income indexes copyright 2017 by Citigroup. The BofA Merrill Lynch Indexes are used with permission; © 2017 Merrill Lynch, Pierce, Fenner & Smith Incorporated; all rights reserved. Merrill Lynch, Pierce, Fenner & Smith Incorporated is a wholly owned subsidiary of Bank of America Corporation. The S&P data are provided by Standard & Poor's Index Services Group.

US Stocks

2017 Index Returns

The broad US equity market posted positive returns for 2017 but underperformed both non-US developed and emerging markets.

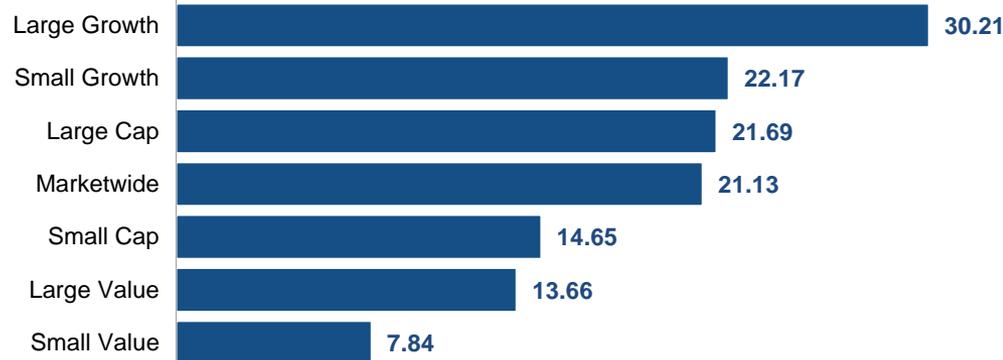
Growth outperformed value indexes in the US across all size ranges.

Small caps in the US underperformed large caps.

World Market Capitalization—US



Ranked Returns for 2017 (%)



Period Returns (%)

Asset Class	1 Year	3 Years*	5 Years*	10 Years*
Marketwide	21.13	11.12	15.58	8.60
Large Cap	21.69	11.23	15.71	8.59
Large Value	13.66	8.65	14.04	7.10
Large Growth	30.21	13.79	17.33	10.00
Small Cap	14.65	9.96	14.12	8.71
Small Value	7.84	9.55	13.01	8.17
Small Growth	22.17	10.28	15.21	9.19

*Annualized

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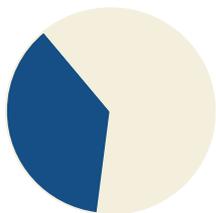
International Developed Stocks

2017 Index Returns

In US dollar terms, non-US developed markets outperformed US equity indexes but underperformed emerging markets during 2017.

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

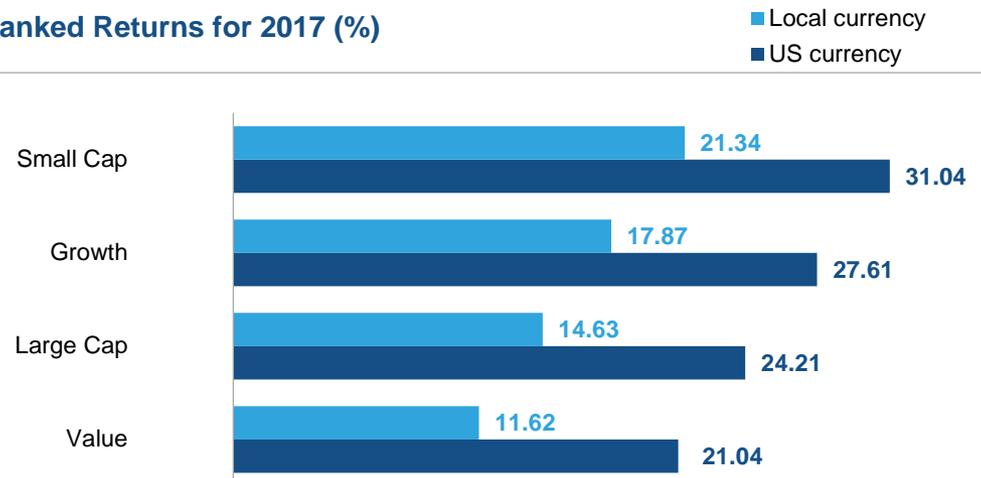
World Market Capitalization—International Developed



37%

**International
Developed
Market**
\$19.4 trillion

Ranked Returns for 2017 (%)



Period Returns (%)

Asset Class	1 Year	3 Years*	5 Years*	10 Years*
Large Cap	24.21	6.26	6.64	1.32
Small Cap	31.04	12.96	11.37	5.16
Value	21.04	6.26	6.64	1.32
Growth	27.61	8.38	8.22	2.36

*Annualized

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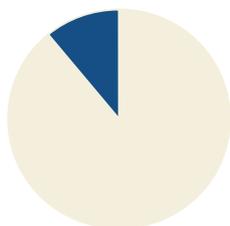
Emerging Markets Stocks

2017 Index Returns

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

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

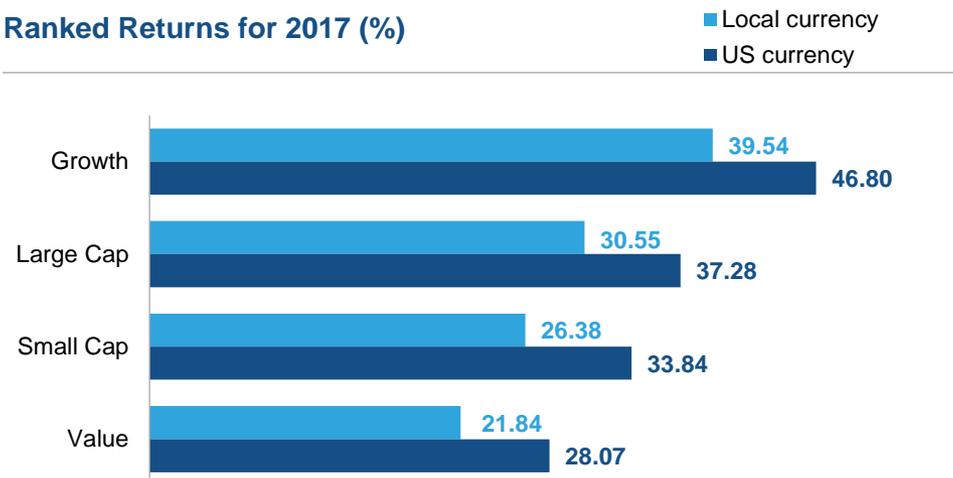
World Market Capitalization—Emerging Markets



12%

Emerging
Markets
\$6.2 trillion

Ranked Returns for 2017 (%)



Period Returns (%)

Asset Class	1 Year	3 Years*	5 Years*	10 Years*
Large Cap	37.28	9.10	4.35	1.68
Small Cap	33.84	8.44	5.41	2.78
Value	28.07	6.21	1.75	0.91
Growth	46.80	11.88	6.85	2.35

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