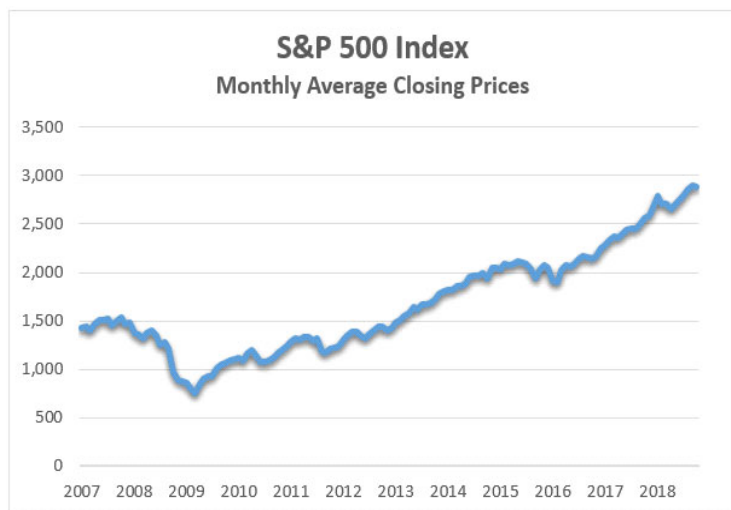


Market Commentary - 3rd Quarter 2018

“10 years have now passed since the depths of the financial crisis...I am confident that the system today is stronger and in a far better position to support the financial needs of households and businesses through good times and bad.”

-Jerome Powell, Chairman of the Federal Reserve



Source: S&P Dow Jones Indices LLC, S&P 500 [SP500]

	3 Months	YTD	1 Year	3 Years	5 Years	10 Years
S&P 500 Index	7.71	10.56	17.91	17.31	13.95	11.97
Russell 1000 Index	7.42	10.49	17.76	17.07	13.67	12.09
Russell 1000 Value Index	5.70	3.92	9.45	13.55	10.72	9.79
Russell 1000 Growth Index	9.17	17.09	26.30	20.55	16.58	14.31
Russell 2000 Index	3.58	11.51	15.24	17.12	11.07	11.11
Russell 2000 Value Index	1.60	7.14	9.33	16.12	9.91	9.52
Russell 2000 Growth Index	5.52	15.76	21.06	17.98	12.14	12.65
MSCI EAFE ND	1.35	-1.43	2.74	9.23	4.42	5.38
MSCI EAFE LOC	2.42	1.84	5.61	9.91	8.37	7.20
MSCI ACWI ex. US	0.71	-3.09	1.76	9.97	4.12	5.18
MSCI EAFE Small Cap ND	-0.88	-2.19	3.73	12.39	7.96	9.68
MSCI Europe ND	0.80	-2.46	-0.30	7.71	3.70	4.85
MSCI Japan ND	3.68	1.58	10.20	12.13	6.76	5.96
MSCI EM ND	-1.09	-7.68	-0.81	12.36	3.61	5.40
MSCI EM LOC	0.11	-2.56	3.04	12.60	7.65	8.08
DJ World Real Estate	-0.95	-1.55	2.41	8.15	6.17	6.95
DJ US Select REIT Index	0.72	2.56	4.59	6.88	9.14	7.21
DJ-UBS US Commodity Index	-2.02	-2.03	2.59	-0.11	-7.18	-6.24
BofA ML 3-month T-Bill	0.49	1.30	1.59	0.84	0.52	0.34
BB Government 1-3 Yr	0.20	0.26	-0.01	0.38	0.57	1.20
BB Government/Credit Bond	0.06	-1.85	-1.37	1.45	2.23	3.95
BB US Aggregate Bond	0.02	-1.60	-1.22	1.32	2.17	3.78
BB Long Government	-2.82	-5.71	-3.50	0.78	4.41	5.45
BB Long U.S. Corporate	1.32	-5.54	-2.38	5.18	5.74	8.69
BB High Yield Corporate Bond	2.40	2.57	3.05	8.15	5.54	9.46
BB TIPS	-0.82	-0.84	0.41	2.04	1.37	3.32

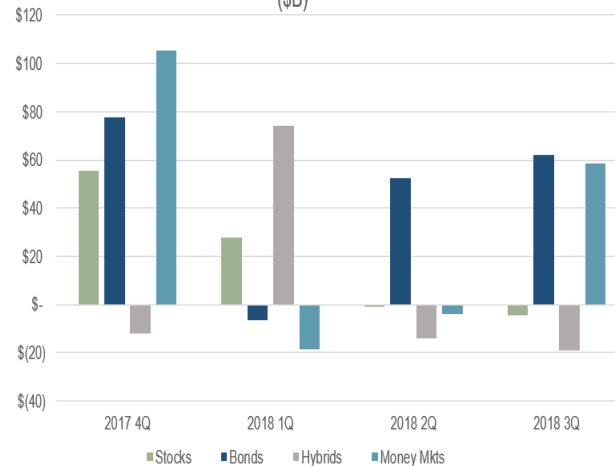
Market Commentary - 3rd Quarter 2018

FRB Leading Index for the United States, Percent, Monthly, Seasonally Adjusted



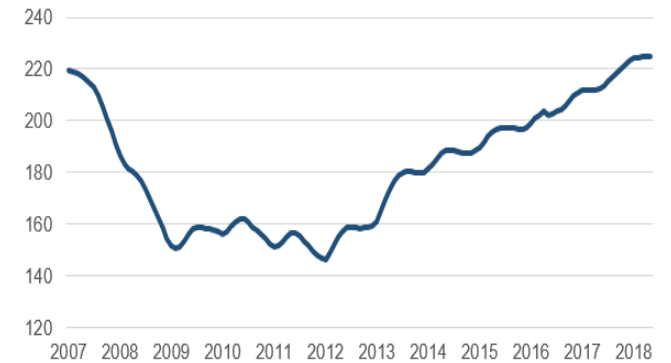
The Leading Index predicts the six-month growth rate of the United States' Coincident Economic Activity Index, which incorporates nonfarm payroll employment, the unemployment rate, average hours worked in manufacturing and wages and salaries in estimating economic activity.

Estimated Cash Flows in Mutual Fund and Exchange-Traded Fund Investing (\$B)



Source: Investment Company Institute

S&P/Case-Shiller 10-City Composite Home Price Index



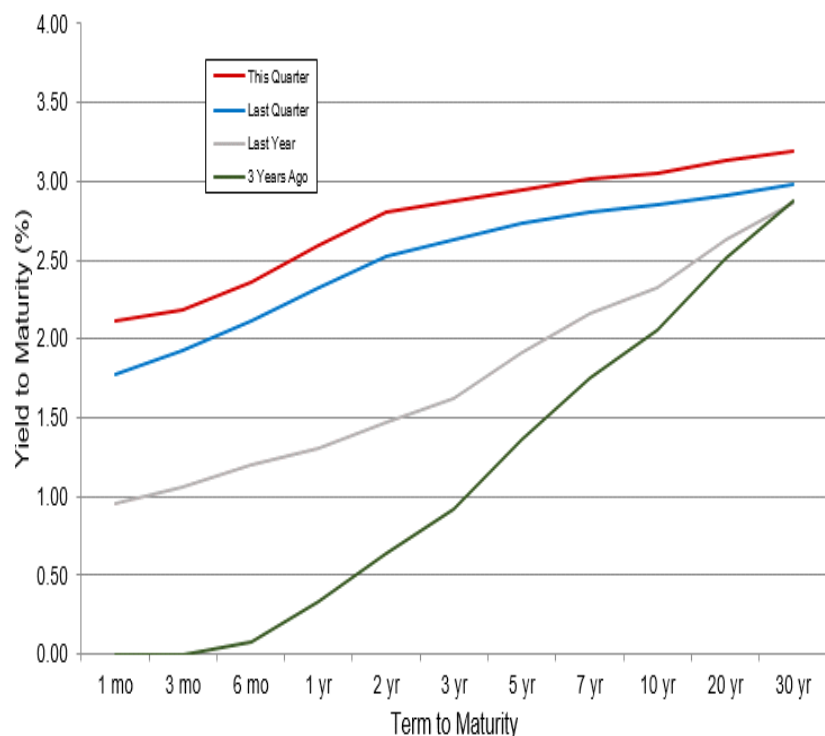
The S&P/Case-Shiller Home Price Indices are calculated monthly using a three-month moving average and published with a two month lag. Base Year 2000 = 100.

Market commentary

- Markets were mostly positive over the quarter except for some non-U.S. markets and long-duration bonds.
- U.S. stocks (S&P 500) were up 7.71% as strong economic data overshadowed investor concerns relating to higher interest rates and trade tariffs.
- Emerging markets were down 1.09% on trade concerns and continued US dollar strength.
- The Federal Reserve raised its benchmark rate for the third time this year and is on track to do so once more in 2018.
- Investors decreased their holdings of stock mutual funds/ETFs while increasing their holdings of bond mutual funds/ETFs. For the quarter, stocks had a net outflow of \$4.28 billion while bonds had a net inflow of \$62 billion. Total money market mutual fund assets increased by \$58.4 billion to \$2.9 trillion.
- Total employment increased by 569,000 jobs this quarter, and the unemployment rate decreased 0.3% to 3.7%.
- The price of oil decreased from \$74 to \$73 a barrel over the quarter.

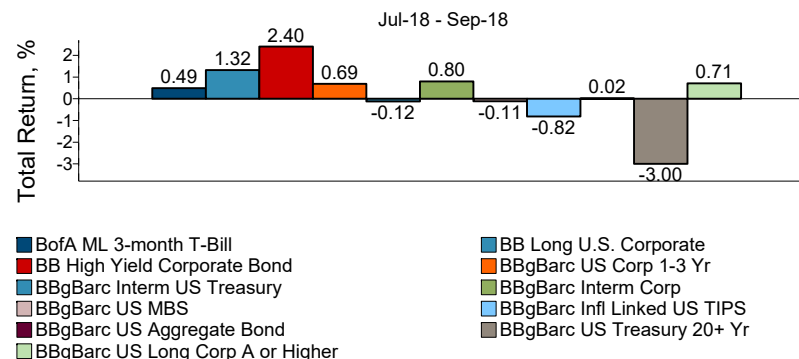
Market Commentary - 3rd Quarter 2018

U.S. Treasury Yield Curve

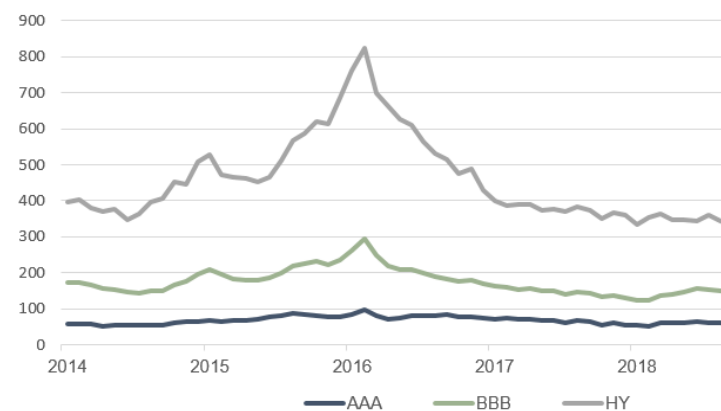


Source: Department of US Treasury

US Fixed Income - Quarter



Spread to Treasuries (bps)



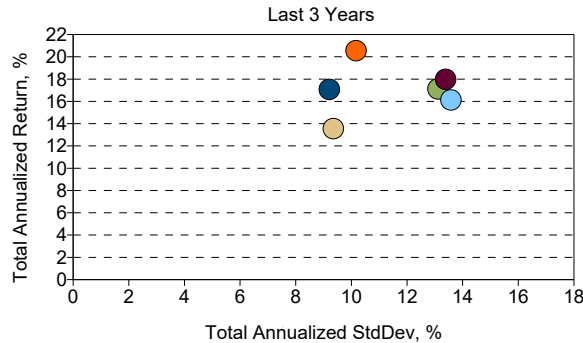
Source: Bank of America Merrill Lynch Option Adjusted Spread Index

U.S. bond market

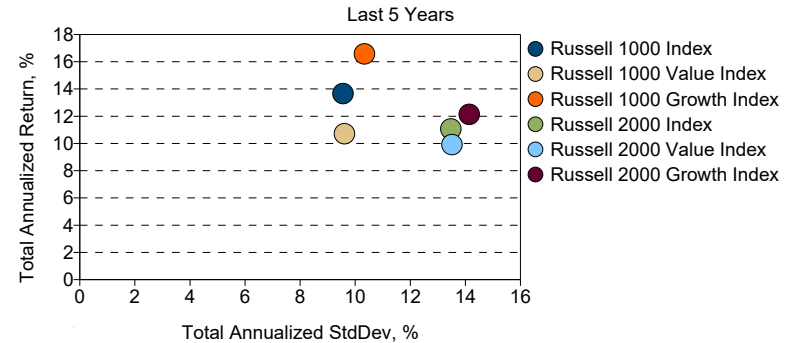
- The broad fixed income market was up, but little changed due to slightly higher inflation expectations and anticipated tightening of monetary conditions.
- The yield curve shifted upwards and flattened on the higher inflation outlook and the Federal Reserve's plans to continue increasing its benchmark rate.
- The Federal Reserve is expected to increase its benchmark rate one more time by year's end and up to 3 more times in 2019.
- Yields on the 10-year Treasury rose by 20 basis points while yields on the 30-year Treasury also rose by 20 basis points.
- Long-term treasury bonds were the worst performing sector, down 3% as higher rates translated to negative returns.
- High yield corporate bonds were the best performing sector, up 2.40% on improving fundamentals in lower quality credit and lower correlations to rising rates.

Market Commentary - 3rd Quarter 2018

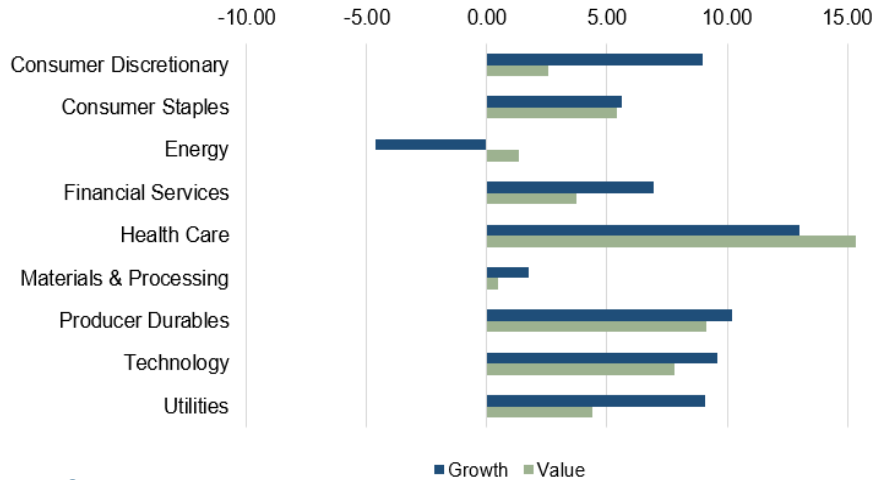
Performance vs. Risk



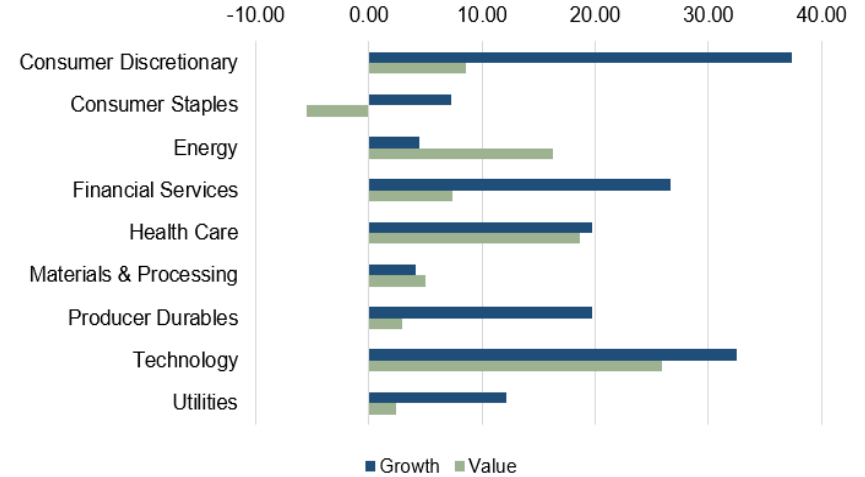
Performance vs. Risk



Russell 1000 Index Sector Quarterly Returns



Russell 1000 Index Sector Annual Returns

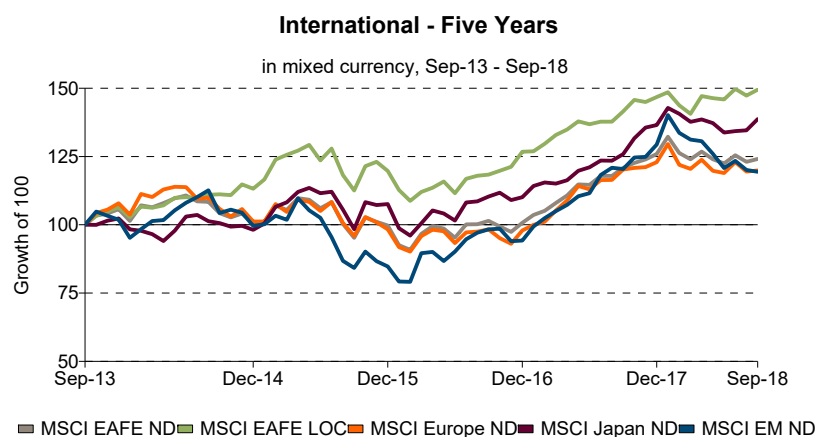


U.S. stock market

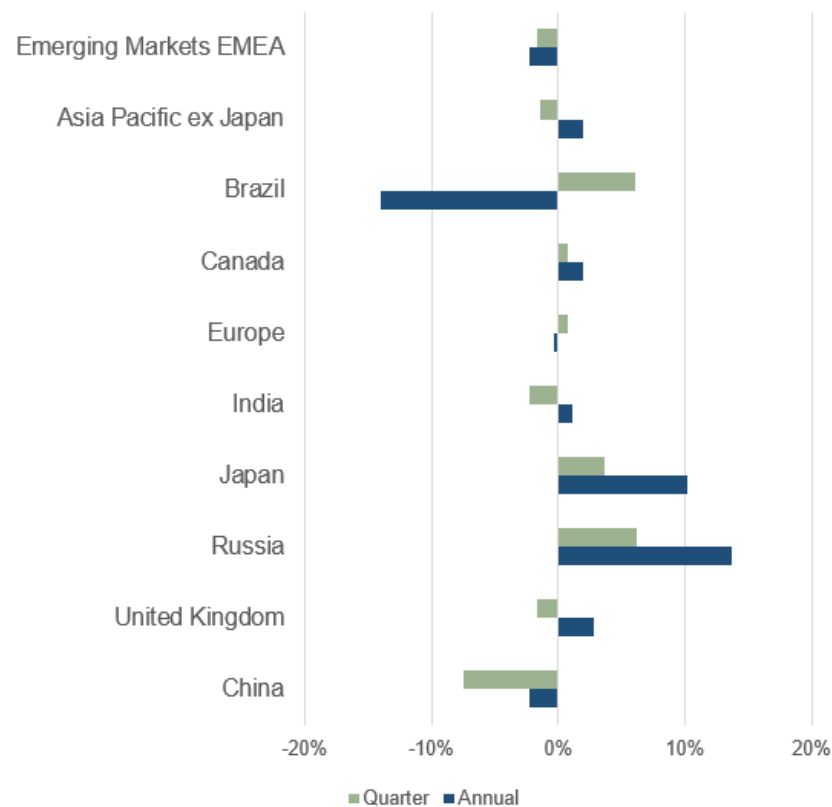
- Major domestic equity indices were up over the quarter, with large growth outperforming large value, and small growth outperforming small value. The Russell 1000 Growth Index was the best performing sector, up 9.17%.
- In the quarter, larger capitalization stocks outperformed smaller capitalization stocks as corporate earnings continued to grow, in part due to the recent tax cuts.
- REITs were up 0.72% due to high real estate demand, but muted by interest rate concerns.
- Energy was the worst performing sector, up 0.85% after a September rally.
- Health care was the best performing sector, up 14.19%, as political concerns eased and pharmaceutical companies reported better-than-expected sales.

Market Commentary - 3rd Quarter 2018

	Units per US Dollar		
	This Quarter	Last Quarter	% Change
Euro	0.860	0.855	0.55%
United Kingdom Pound	0.766	0.756	1.26%
Japanese Yen	113.460	110.646	2.54%
Chinese Yuan Renminbi	6.870	6.636	3.53%
Mexican Peso	18.707	19.211	-2.62%
Canadian Dollar	1.292	1.314	-1.65%
Indian Rupee	72.547	68.867	5.34%
Russian Ruble	65.422	63.096	3.69%
Brazilian Real	4.001	3.930	1.81%



Regional Performance



Source: MSCI

International market

- The dollar was up against most major currencies as interest rates rose and U.S. monetary policy continued to tighten.
- Fears of a no-deal Brexit resurfaced as U.K. Prime Minister Theresa May's negotiations with the EU have made little progress, and concerns about Italy's budget spooked investors.
- For the quarter, the EAFE Index was up 1.35% while the EM index was down 1.09%. Local currency returns for developed markets were up 2.42%, while local returns in emerging markets were up 0.11%.
- Among the major international regions, Russian stocks were the best performing despite U.S. sanctions, largely due to improving fundamentals, attractive valuations, and supportive monetary policy.
- Chinese stocks were the worst performing, as continued concerns over trade tariffs and slowing economic growth led to a widespread selloff.
- Large-cap international stocks outperformed small-cap international stocks.

