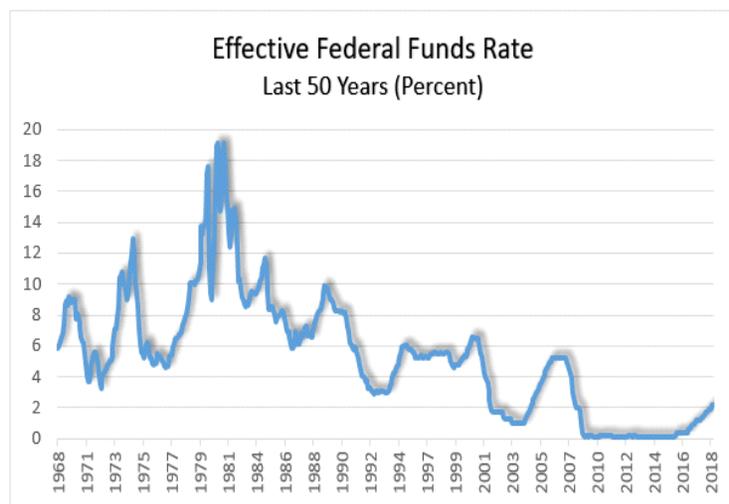


Market Commentary - 4th Quarter 2018

"Interest rates are still low by historical standards, and they remain just below the broad range of estimates of the level that would be neutral for the economy - that is, neither speeding up nor slowing down growth."

-Jerome Powell, Chairman of the Federal Reserve



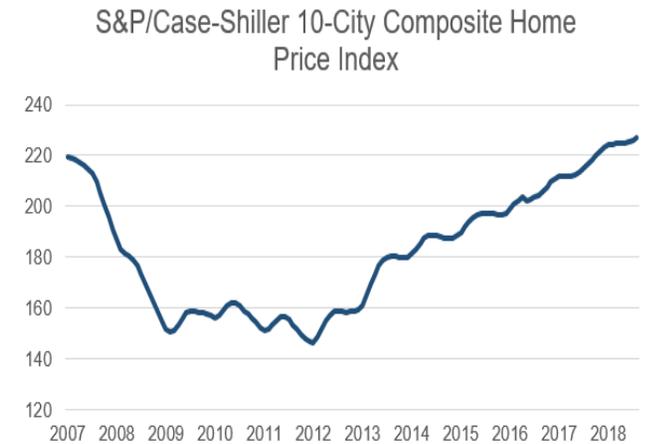
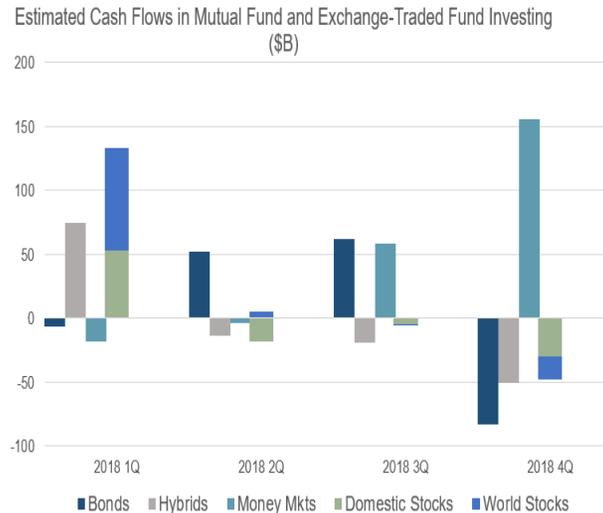
Source: Board of Governors of the Federal Reserve System (US), Effective Federal Funds Rate [FEDFUNDS], retrieved from FRED, Federal Reserve Bank of St. Louis

	3 Months	YTD	1 Year	3 Years	5 Years	10 Years
S&P 500 Index	-13.52	-4.38	-4.38	9.26	8.49	13.12
Russell 1000 Index	-13.82	-4.78	-4.78	9.09	8.21	13.28
Russell 1000 Value Index	-11.72	-8.27	-8.27	6.95	5.95	11.18
Russell 1000 Growth Index	-15.89	-1.51	-1.51	11.15	10.40	15.29
Russell 2000 Index	-20.20	-11.01	-11.01	7.36	4.41	11.97
Russell 2000 Value Index	-18.67	-12.86	-12.86	7.37	3.61	10.40
Russell 2000 Growth Index	-21.65	-9.31	-9.31	7.24	5.13	13.52
MSCI EAFE ND	-12.54	-13.79	-13.79	2.87	0.53	6.32
MSCI EAFE LOC	-12.16	-10.54	-10.54	3.12	4.29	8.00
MSCI ACWI ex. US	-11.46	-14.20	-14.20	4.48	0.68	6.57
MSCI EAFE Small Cap ND	-16.05	-17.89	-17.89	3.73	3.06	10.51
MSCI Europe ND	-12.72	-14.86	-14.86	2.10	-0.61	6.15
MSCI Japan ND	-14.23	-12.88	-12.88	3.41	3.06	5.33
MSCI EM ND	-7.47	-14.58	-14.58	9.25	1.65	8.02
MSCI EM LOC	-7.36	-9.73	-9.73	9.20	5.39	9.95
DJ World Real Estate	-5.22	-6.69	-6.69	4.57	5.20	10.31
DJ US Select REIT Index	-6.61	-4.22	-4.22	1.97	7.89	12.05
DJ-UBS US Commodity Index	-9.41	-11.25	-11.25	0.30	-8.80	-3.78
BofA ML 3-month T-Bill	0.56	1.87	1.87	1.02	0.63	0.37
BB Government 1-3 Yr	1.31	1.58	1.58	0.96	0.82	1.03
BB Government/Credit Bond	1.46	-0.42	-0.42	2.19	2.53	3.46
BB US Aggregate Bond	1.64	0.02	0.02	2.06	2.53	3.49
BB Long Government	4.16	-1.79	-1.79	2.63	5.90	4.15
BB Long U.S. Corporate	-1.80	-7.24	-7.24	4.88	4.96	7.59
BB High Yield Corporate Bond	-4.53	-2.08	-2.08	7.23	3.83	11.12
BB TIPS	-0.42	-1.26	-1.26	2.11	1.69	3.64

Market Commentary - 4th Quarter 2018



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.



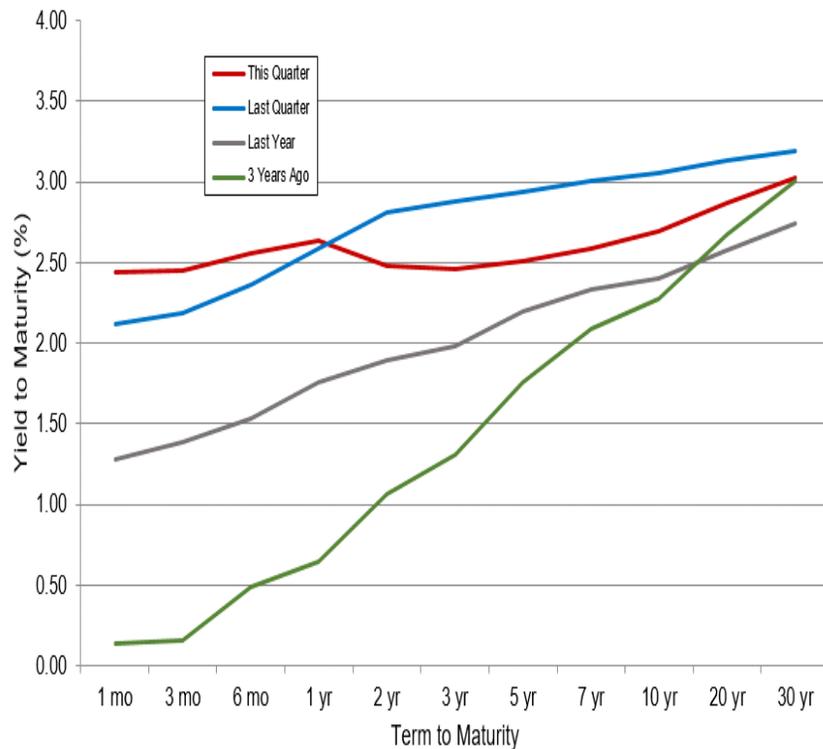
The S&P/Case-Shiller Home Price Indices are calculated monthly using a three-month moving average and published with a two month lag. Base Year 2000 = 100.

Market commentary

- Markets were mostly negative except for a few fixed income categories.
- U.S. stocks (S&P 500) were down 13.52% on worries about Fed policy as well as global trade, resulting in higher volatility in the market.
- Emerging markets and foreign developed markets were down 7.47% and 12.54%, respectively, on trade concerns and continued US dollar strength.
- The Federal Reserve raised its benchmark rate for the fourth time in 2018, but took a more dovish position on future rate hikes.
- Investors decreased their holdings of stock and bond mutual funds/ETFs. For the quarter, stocks had a net outflow of \$48 billion and bonds had a net outflow of \$83 billion. Total money market mutual fund assets increased by \$156 billion to \$3 trillion.
- Total employment increased by 762,000 jobs this quarter, and the unemployment rate increased from 3.7% to 3.9% due to more people entering the workforce in search of jobs.
- The price of oil decreased significantly from \$74 to \$45 a barrel over the quarter largely due to increased production and slower demand growth.

Market Commentary - 4th Quarter 2018

U.S. Treasury Yield Curve

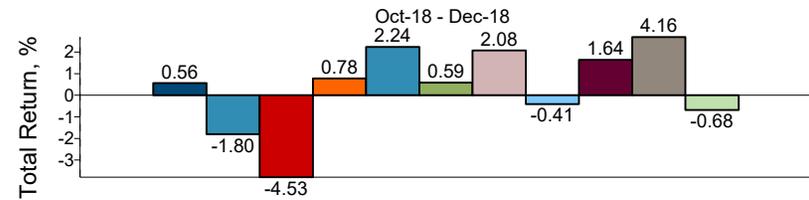


Source: Department of US Treasury

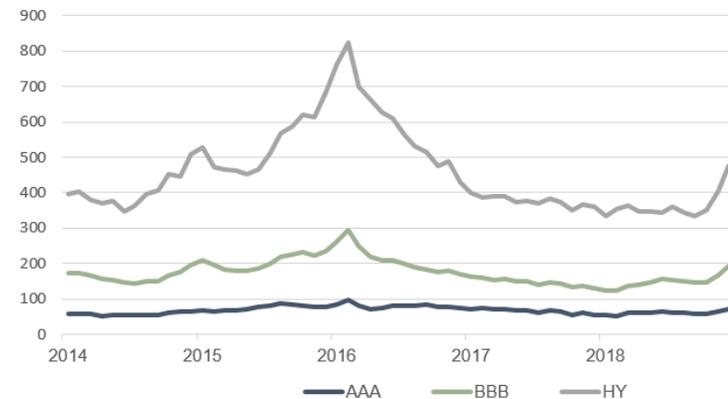
U.S. bond market

- The broad fixed income market was up as investors began to flock to assets generally regarded as more stable and capable of resisting the large swings in volatility experienced throughout the quarter.
- The yield curve flattened and shifted downwards on the long end, as long term global growth prospects cooled and the Federal Reserve increased short term rates.
- The Federal Reserve raised its benchmark rate in December and lowered its 2019 projection to two more increases.
- Yields on the 10-year Treasury decreased 36 basis points while yields on the 30-year Treasury went down by 22 basis points.
- High yield corporate bonds were the worst performing sector, down 4.53% as investors reduced exposure to riskier assets.
- Long term US treasury bonds were the best performing sector, up 4.16% as investors moved to higher quality assets.

US Fixed Income - Quarter



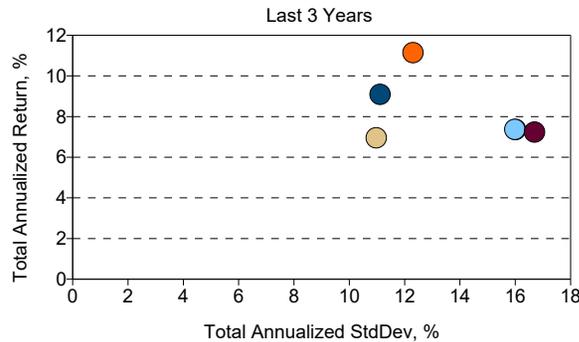
Spread to Treasuries (bps)



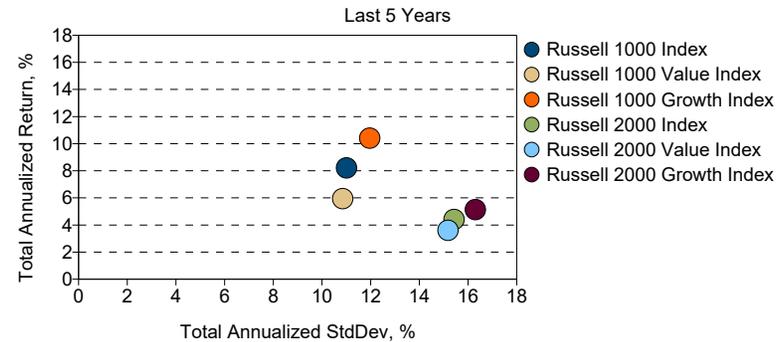
Source: Bank of America Merrill Lynch Option Adjusted Spread Index

Market Commentary - 4th Quarter 2018

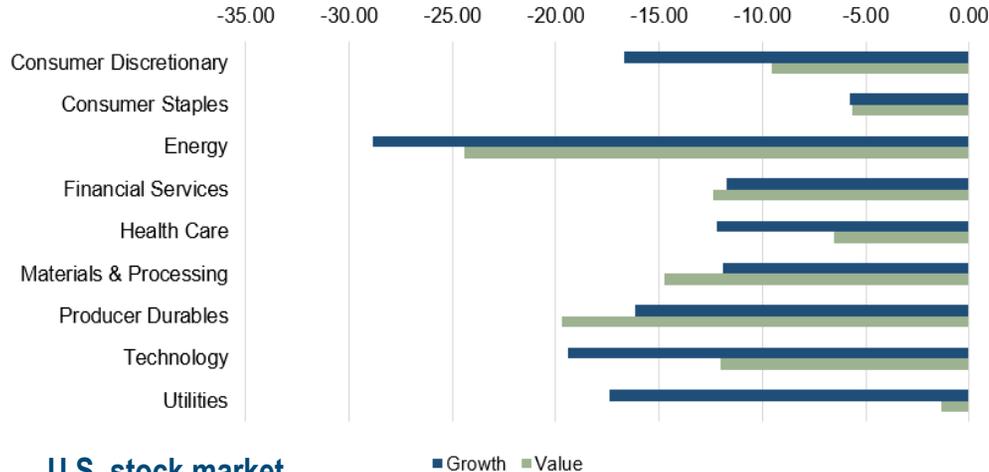
Performance vs. Risk



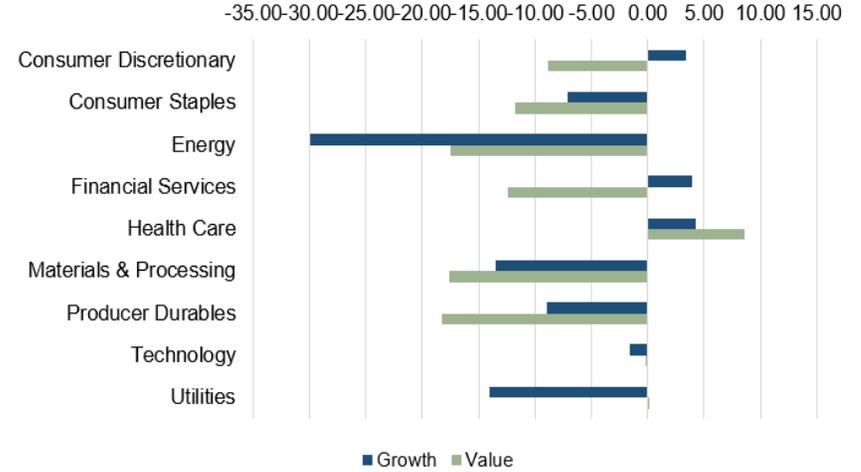
Performance vs. Risk



Russell 1000 Index Sector Quarterly Returns



Russell 1000 Index Sector Annual Returns



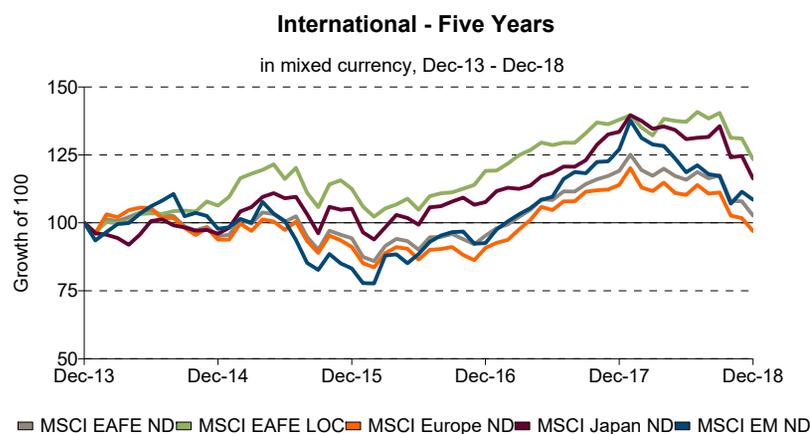
U.S. stock market

- Major domestic equity indices were down over the quarter, with large value outperforming large growth, and small value outperforming small growth. The Russell 1000 Value Index was the best performing sector, down 11.72%.
- In the quarter, larger capitalization stocks outperformed smaller capitalization stocks as investors sought stability in more established companies.
- REITs were down 6.61% largely due to interest rate concerns.
- Energy was the worst performing sector, down 24.76% after a significant drop in oil prices.
- Utilities was the best performing sector, down only 1.62%, as slowing economic growth made these stocks more attractive despite rising interest rate concerns.

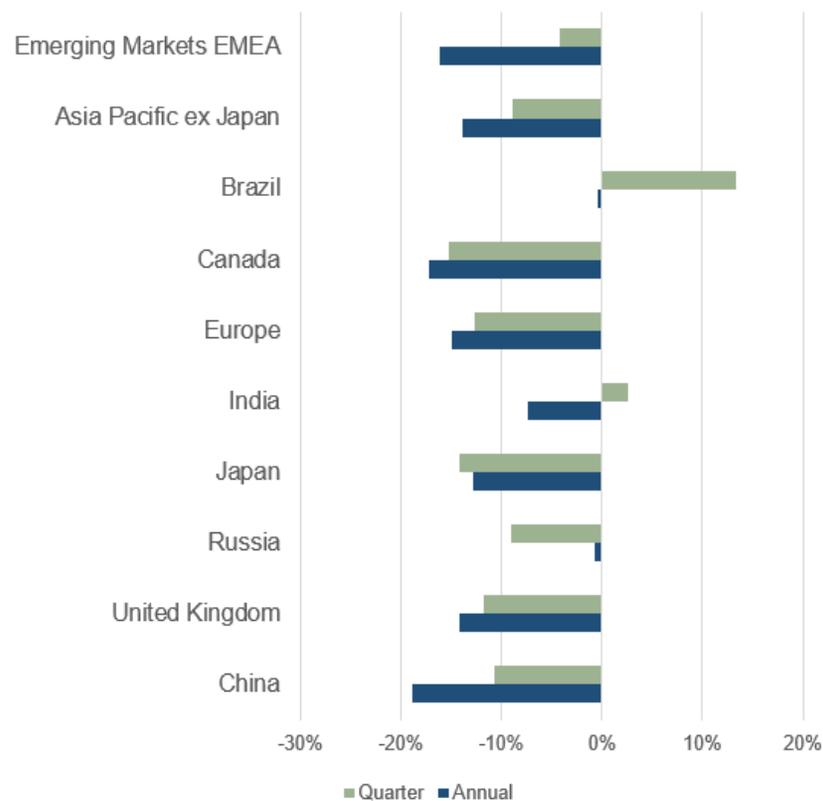
Market Commentary - 4th Quarter 2018

	Units per US Dollar		
	This Quarter	Last Quarter	% Change
Euro	0.873	0.860	1.49%
United Kingdom Pound	0.784	0.766	2.32%
Japanese Yen	109.714	113.460	-3.30%
Chinese Yuan Renminbi	6.878	6.870	0.13%
Mexican Peso	19.643	18.707	5.00%
Canadian Dollar	1.364	1.292	5.60%
Indian Rupee	69.605	72.547	-4.06%
Russian Ruble	69.367	65.422	6.03%
Brazilian Real	3.881	4.001	-3.00%

Source: www.xe.com



Regional Performance



International market

- The dollar was up against most major currencies as interest rates rose and U.S. monetary policy continued to tighten.
- Trade tensions between the U.S. and China continued to weigh on the market, and fears of a no-deal Brexit resurfaced as the U.K. parliament vote on an EU deal was pushed back.
- For the quarter, the EAFE Index was down 12.54% while the EM index was down 7.47%. Local currency returns for developed markets were down 12.16%, while local returns in emerging markets were down 7.36%.
- Among the major international regions, Brazilian stocks were the best performing after the country elected a new president whose promises of economic revival sat well with investors.
- Canadian stocks were the worst performing, dropping 15% amid extreme volatility accelerated by plunging oil prices and trade uncertainty.
- Large-cap international stocks outperformed small-cap international stocks.

