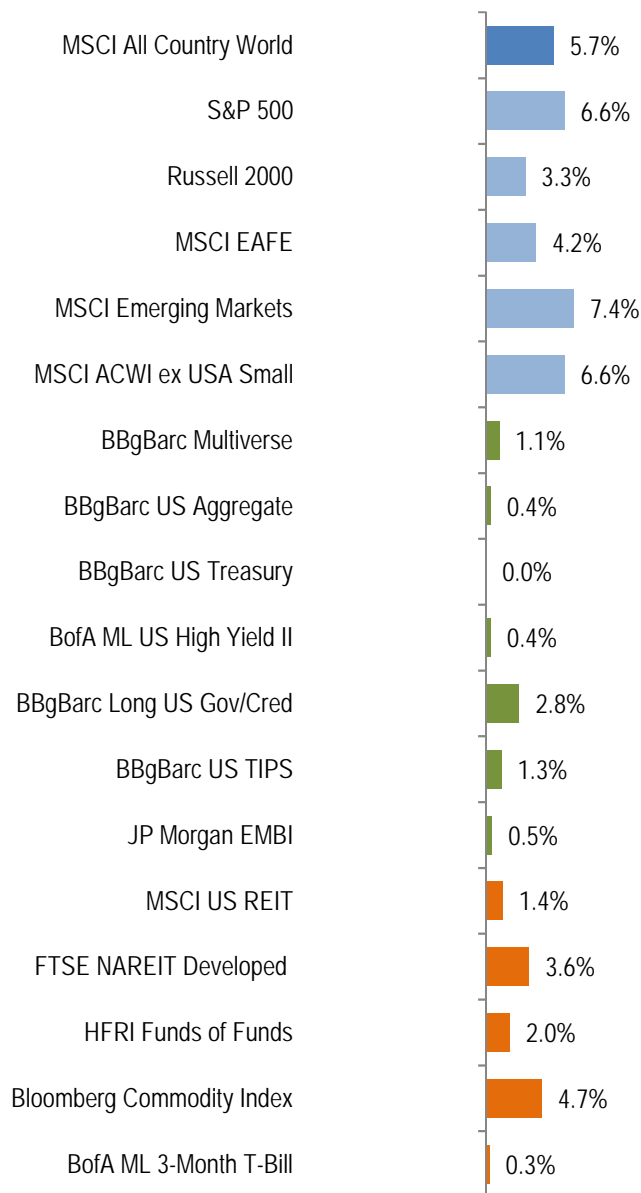


Fourth Quarter 2017



Fourth Quarter 2017: Bitcoin Steals the Show, but Doesn't Ruin the Plot

The final quarter of 2017 was a microcosm of the year as a whole; every major asset class was up around the globe, and nearly all sectors and regions were as well. For the first time in history, the S&P 500 rose in every single month of the calendar year, accompanied by historically low volatility. In US markets, investors continued to prefer growth-oriented and larger-capitalization companies. Global markets continued to expand as emerging markets posted the strongest gains; in contrast to the US, smaller companies outgained larger names. Almost 1,700 companies made initial public offerings in 2017, the most since the financial crisis, with a resurgent US and emergent China leading the way.

US GDP expanded modestly for the year, echoing the world economy, which also continued to grow. All 45 countries tracked by the Organization for Economic Cooperation and Development grew in 2017, with the majority seeing accelerating growth. In the US, job growth remained strong and the unemployment rate continued to tick down below Federal Reserve projections. Export growth, helped by a weakening dollar, grew by more than 5% in the third quarter after 6% and 7% growth in the first two quarters, respectively.

Divergent monetary policy paths between the US and the rest of the world are evident in sovereign bond markets. The Federal Reserve judged the US economy robust enough to raise rates for the 5th time since the financial crisis and reiterated a path of "policy normalization" (gradual reduction) of its balance sheet. Stimulative monetary policies from Japan and the European Central Bank, on the other hand, have put downward pressure on global interest rates. This policy has helped keep a lid on long-term Treasury rates, which ended the year approximately where they were five years ago. The combination of rising short-term rates and stubbornly low long-term rates created a significantly flatter yield

	QTD	YTD	1 Year	3 Years	5 Years	10 Years
S&P 500	6.6%	21.8%	21.8%	11.4%	15.8%	8.5%
<i>S&P 500 Value</i>	6.3%	15.4%	15.4%	9.5%	14.2%	6.8%
<i>S&P 500 Growth</i>	6.8%	27.4%	27.4%	12.9%	17.0%	10.0%
Russell 2000	3.3%	14.6%	14.6%	10.0%	14.1%	8.7%
<i>Russell 2000 Value</i>	2.0%	7.8%	7.8%	9.5%	13.0%	8.2%
<i>Russell 2000 Growth</i>	4.6%	22.2%	22.2%	10.3%	15.2%	9.2%
MSCI EAFE (USD)	4.2%	25.0%	25.0%	7.8%	7.9%	1.9%
<i>MSCI EAFE (Local)</i>	3.7%	15.2%	15.2%	8.5%	11.4%	3.3%
MSCI Emerging Markets (USD)	7.4%	37.3%	37.3%	9.1%	4.3%	1.7%
<i>MSCI Emerging Markets (Local)</i>	5.7%	30.6%	30.6%	10.5%	8.0%	4.1%
BBgBarc US Aggregate	0.4%	3.5%	3.5%	2.2%	2.1%	4.0%
FTSE NAREIT Developed	3.6%	10.4%	10.4%	4.4%	6.3%	3.3%
HFRI Fund of Funds	2.0%	7.7%	7.7%	2.6%	4.0%	1.1%
BofA ML 3-Month T-Bill	0.3%	0.9%	0.9%	0.4%	0.3%	0.4%

Returns for periods longer than 1 year are annualized.

As of December 31, 2017

Fulfilling a campaign pledge to end American involvement in the Trans-Pacific Partnership trade deal, President Trump signed an executive order in the Oval Office pulling the United States out of the 12-nation trade pact.

Drama in Washington DC spooked markets as President Trump unexpectedly dismissed FBI Director James Comey.

Hurricane Harvey made landfall in the US, dumping over 40 inches of rain in some areas of Eastern Texas.

The U.S. economy's growth rate in the third quarter was revised upward to the fastest in three years at 3.3%.

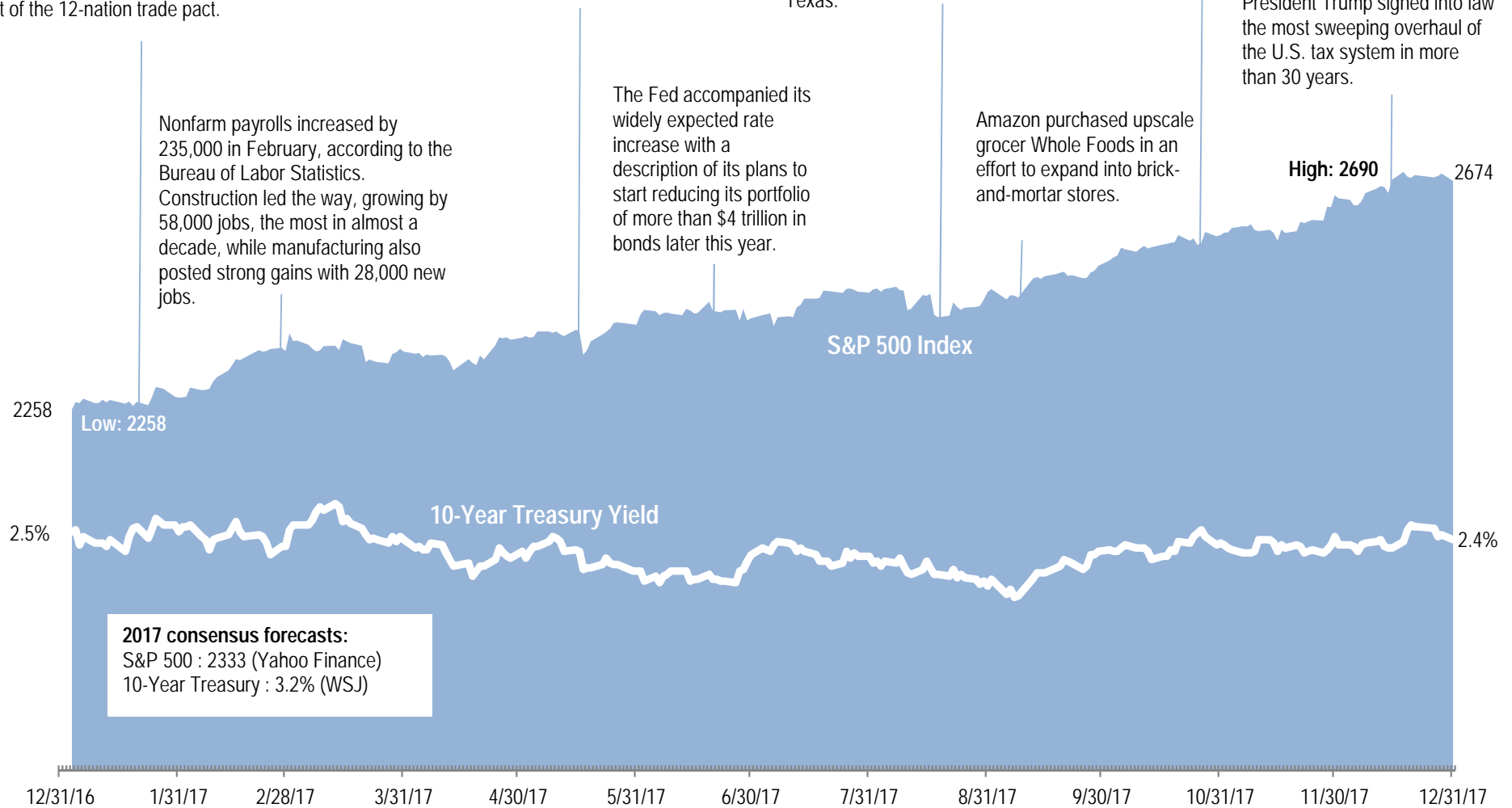
President Trump signed into law the most sweeping overhaul of the U.S. tax system in more than 30 years.

Nonfarm payrolls increased by 235,000 in February, according to the Bureau of Labor Statistics. Construction led the way, growing by 58,000 jobs, the most in almost a decade, while manufacturing also posted strong gains with 28,000 new jobs.

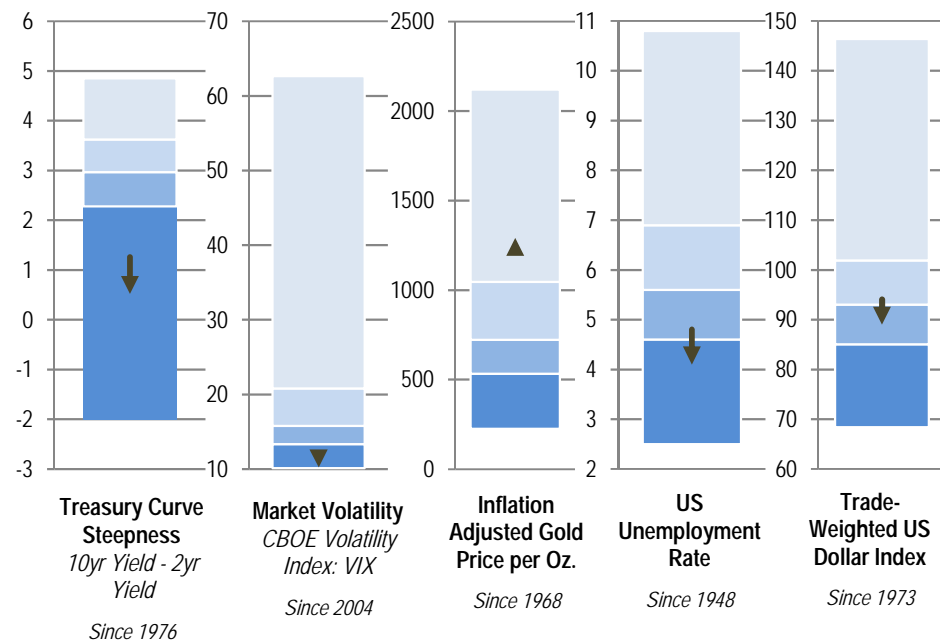
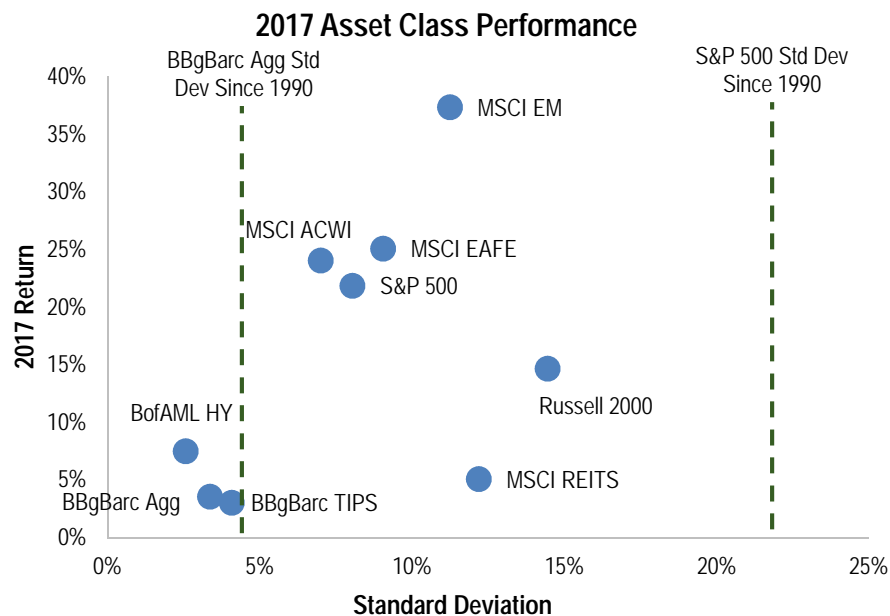
The Fed accompanied its widely expected rate increase with a description of its plans to start reducing its portfolio of more than \$4 trillion in bonds later this year.

Amazon purchased upscale grocer Whole Foods in an effort to expand into brick-and-mortar stores.

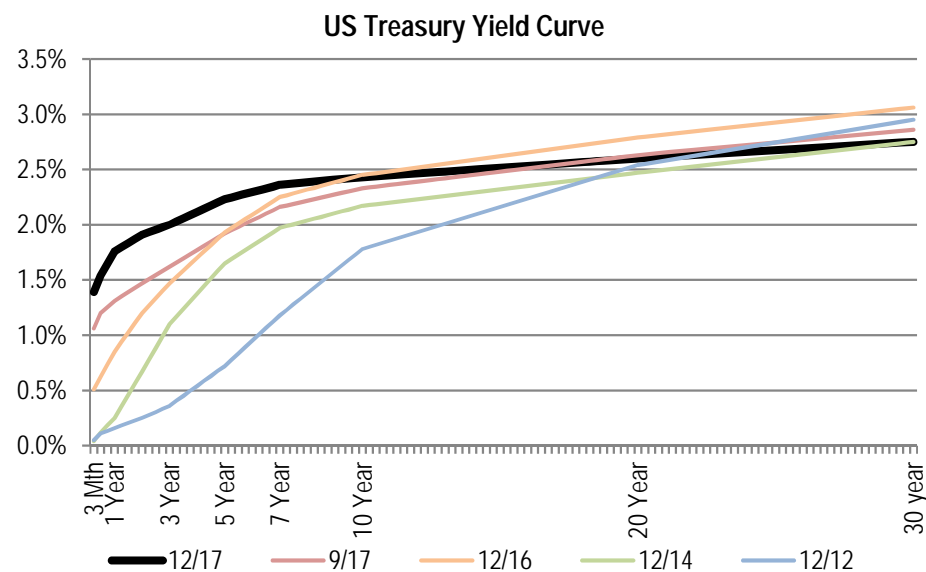
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As of December 31, 2017

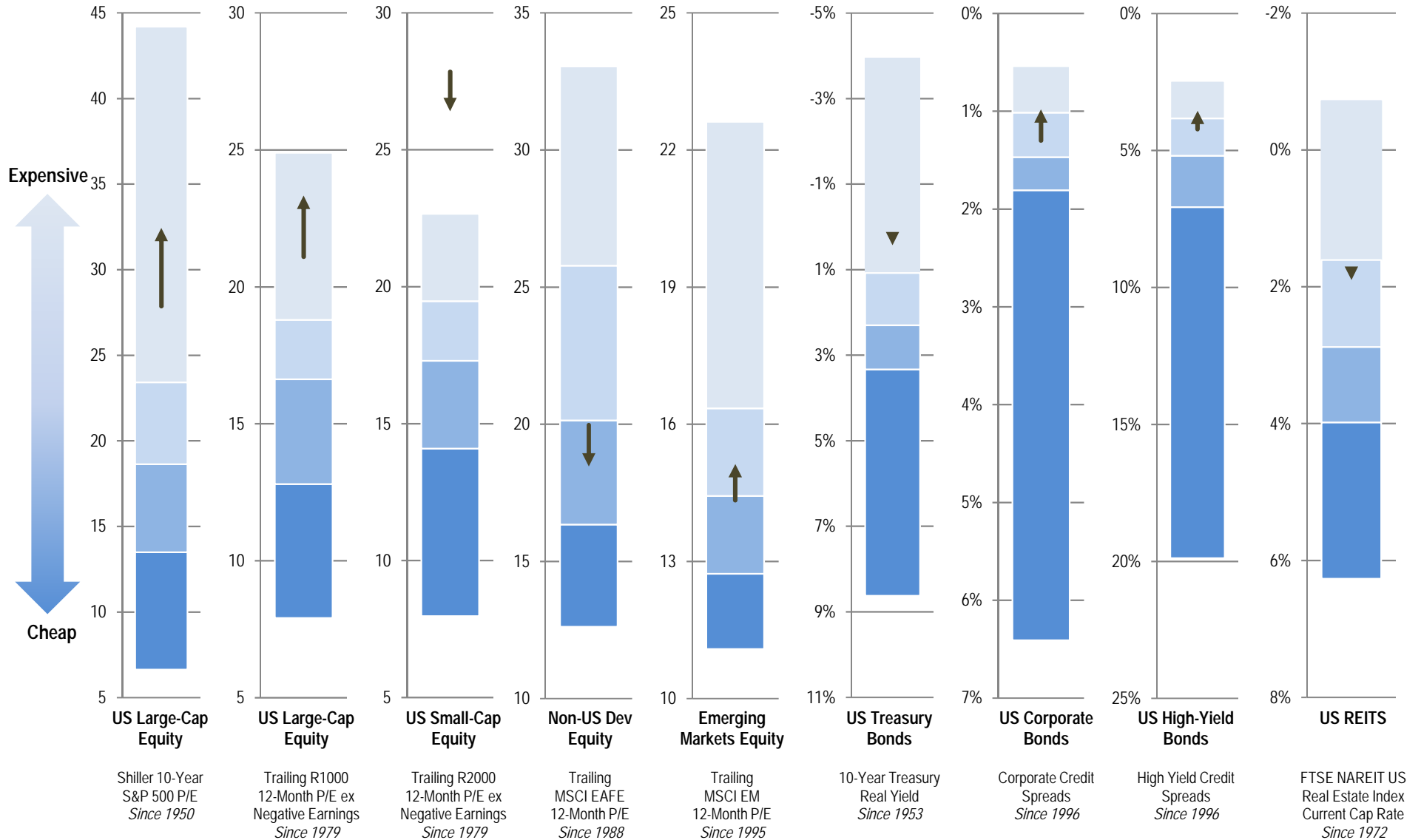


	<u>12/2017</u>	<u>9/2017</u>	<u>12/2016</u>	<u>12/2014</u>	<u>12/2012</u>
Market Inflation Expectations					
5 Year	1.9	1.7	1.8	1.3	2.1
10 Year	2.0	1.8	2.0	1.7	2.5
20 Year	2.0	1.9	2.0	1.8	2.4
CPI Year-over-Year	---	2.2	2.1	0.7	1.8
West Texas Crude Oil	59.6	51.7	53.8	53.5	91.8
Trade Wtd Dollar Index	89.0	87.5	96.6	84.9	73.2
Consumer Sentiment Index	95.9	95.1	98.2	93.6	72.9
US Corp Profits (% of GDP)	---	10%	9%	10%	10%
Real GDP Growth YoY	---	3.2	1.8	2.0	0.1
Federal Funds Rate	1.42	1.15	0.54	0.12	0.16
US Govt Debt (% of GDP)	---	104%	106%	102%	101%

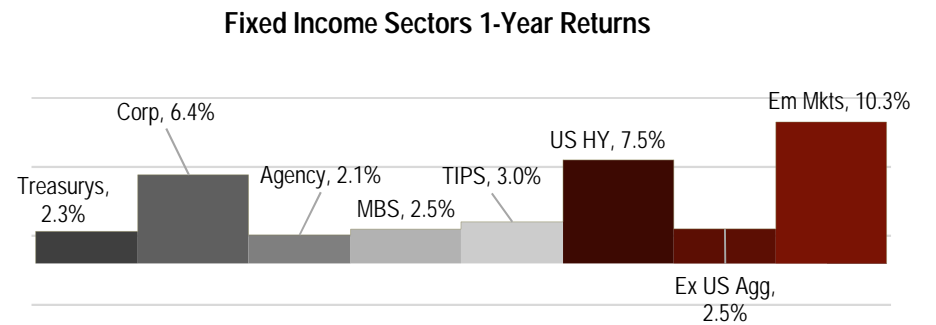
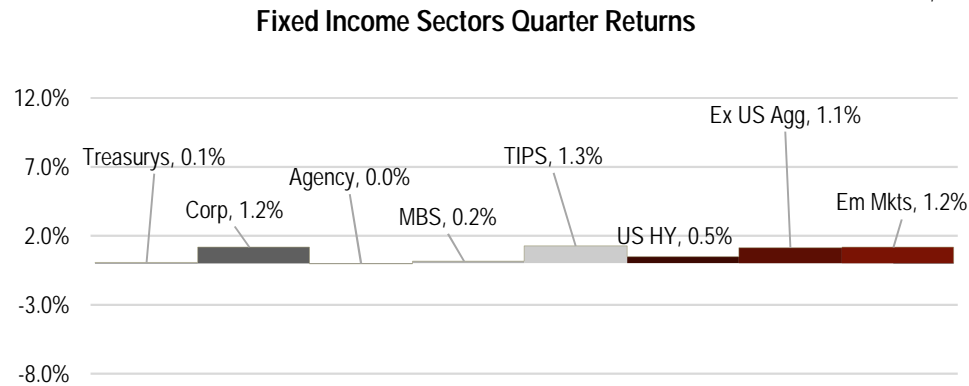
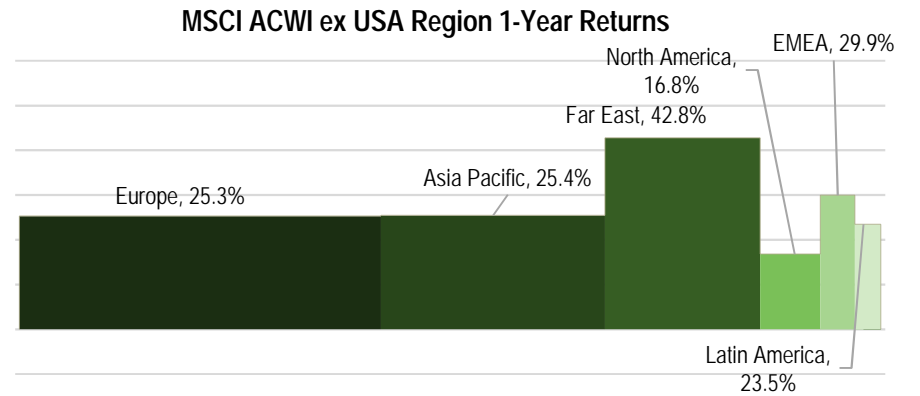
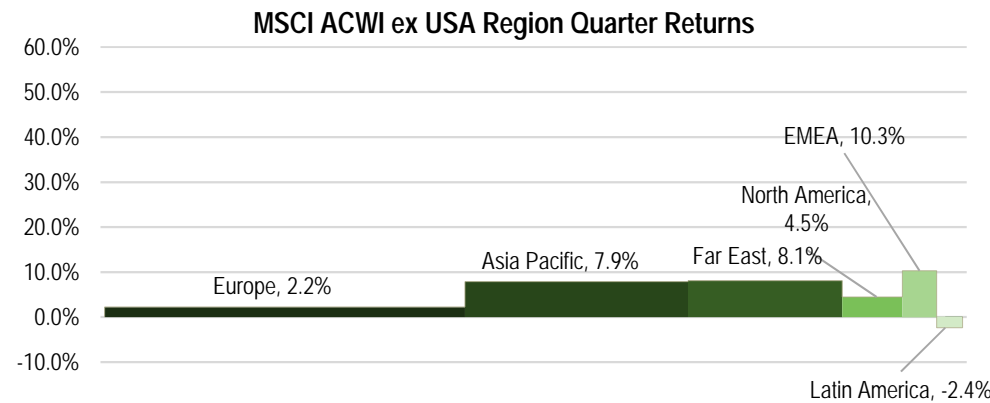
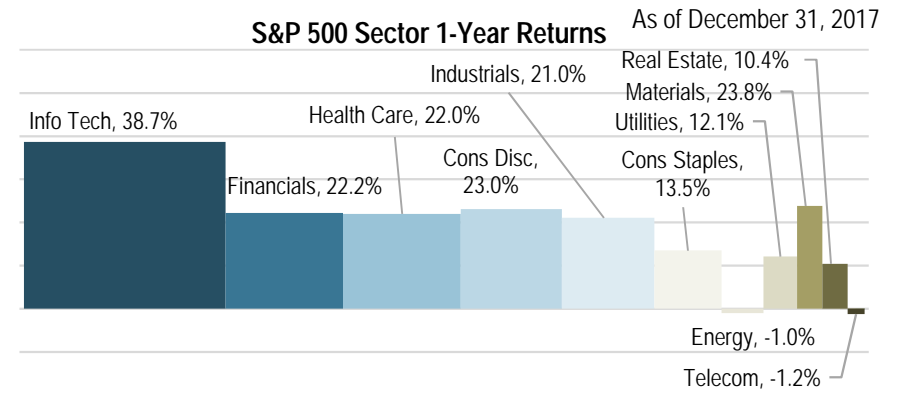
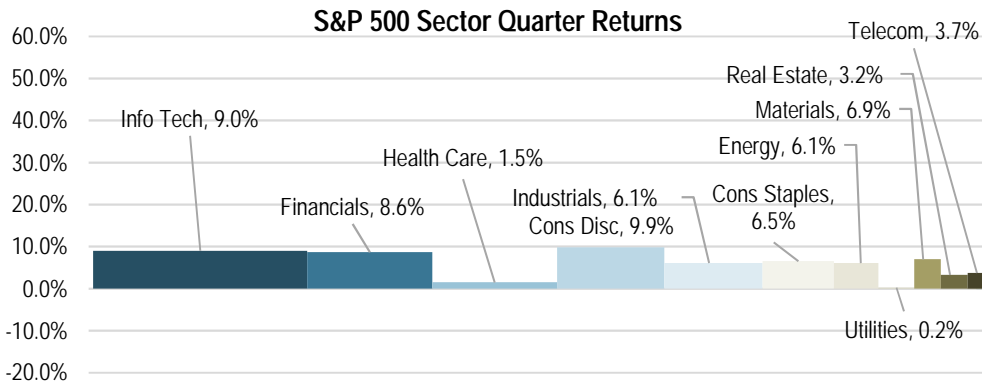


Arrows represent year on year change. Standard deviation is calculated using daily returns.

As of December 31, 2017



10-Year Treasury real yields are based on the constant maturity TIPS yields calculated by the Federal Reserve. Prior to 2003, real yields are calculated by adjusting the nominal yield with the prior 12-month change in core CPI-U. Real cap rates are inflation adjusted using the applicable 10-year TIPS breakeven inflation rate. Prior to 2003, real cap rates are calculated by adjusting the cap rate with the prior 12-month change in the core CPI-U. P/E metrics calculated by InvestorForce use different methodology.



The equity bar widths depict end of the quarter region and sector weights. Fixed income bar widths do not depict specific sector weights.

As of December 31, 2017

2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	1/1/2008 - 12/31/2017	Legend
14%	79%	27%	22%	29%	39%	19%	14%	21%	37%	5%	MSCI All Country World
8%	58%	20%	15%	19%	32%	15%	1%	17%	25%	8%	S&P 500
5%	38%	19%	14%	18%	23%	14%	1%	12%	24%	9%	Russell 2000
4%	35%	17%	10%	17%	23%	11%	1%	12%	22%	2%	MSCI EAFE
2%	32%	15%	8%	16%	13%	6%	1%	11%	15%	2%	MSCI Emerging Markets
-2%	28%	15%	8%	16%	9%	6%	0%	10%	11%	3%	BBgBarc Multiverse
-11%	27%	15%	6%	16%	7%	5%	0%	8%	10%	4%	BBgBarc US Aggregate
-11%	26%	13%	4%	16%	4%	5%	-1%	8%	9%	3%	BBgBarc US Treasury
-21%	19%	12%	2%	10%	0%	4%	-1%	7%	8%	8%	BofA ML US High Yield II
-26%	11%	10%	0%	9%	-2%	4%	-2%	5%	8%	7%	BBgBarc Long US Gov/Credit
-34%	11%	8%	-4%	7%	-2%	3%	-3%	4%	7%	4%	BBgBarc US TIPS
-36%	8%	7%	-6%	5%	-3%	3%	-3%	3%	7%	7%	JP Morgan EMBI
-37%	6%	6%	-6%	5%	-3%	0%	-4%	3%	4%	4%	NCREIF-ODCE
-42%	2%	6%	-7%	4%	-7%	0%	-4%	1%	3%	4%	FTSE NAREIT Developed
-43%	0%	6%	-12%	2%	-9%	-2%	-5%	1%	2%	1%	HFRI Funds of Funds
-48%	-4%	6%	-13%	0%	-9%	-5%	-15%	0%	2%	-7%	Bloomberg Commodity Index
-53%	-30%	0%	-18%	-1%	-10%	-17%	-25%	0%	1%	0%	BofA ML 91-Day T-Bill

Returns for the period from 1/1/2008 - 12/31/2017 are annualized.