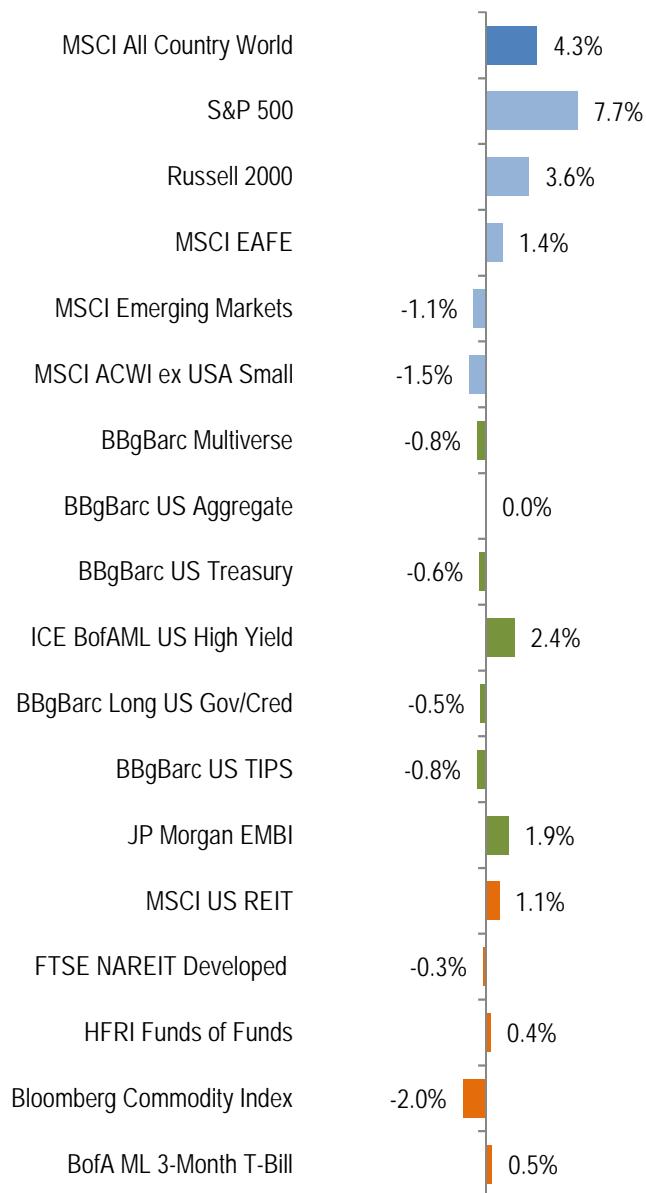


Third Quarter 2018



Third Quarter 2018: The Only Game in Town

The bull market that began in early 2009 is now the longest on record in the United States, surpassing all previous expansions in length (if not in total gain). The continued rally this quarter was a microcosm for 2018 as a whole: U.S. equities were strongly positive, while diversifying asset classes posted negligible returns. Investors have continued to prefer technology and faster-growing companies, with the S&P 500 Growth Index returning 9.3% in the quarter versus the 5.9% posted by the S&P 500 Value Index. Apple made history as it became the first company with a trillion-dollar market capitalization, a feat that Amazon was quick to follow.

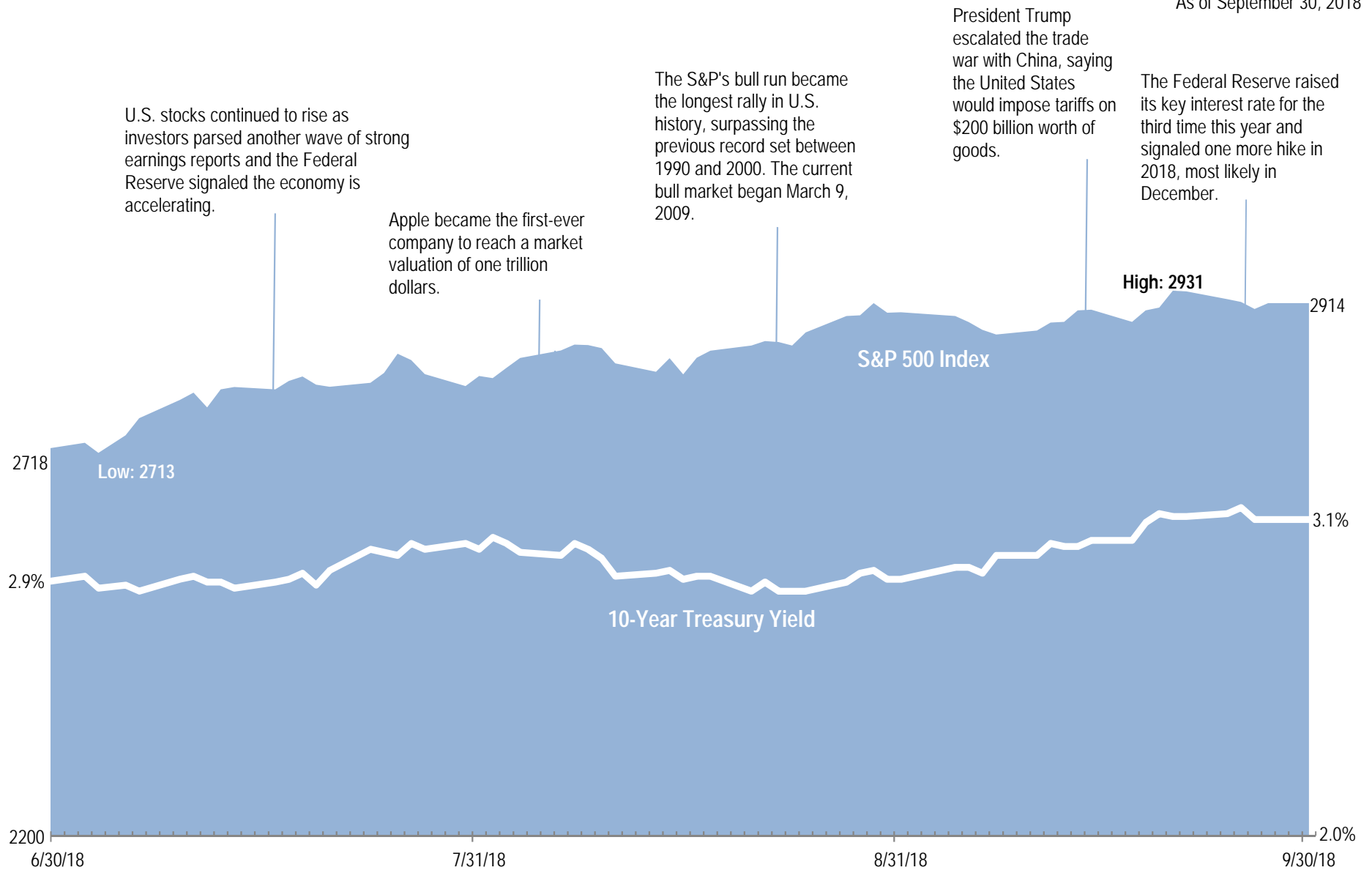
U.S. equity has been the only game in town; returns for other major assets have disappointed. A continued trade war has pushed the US dollar upward, harming both international markets and their returns to U.S. investors. Emerging markets, many of which depend on debt issued in U.S. dollars, suffered the most. In September, President Trump announced another round of tariffs on Chinese goods and threatened that he was ready to impose additional levies on the remaining \$270 billion of goods currently imported from China should the Chinese government take retaliatory action. The Trump Administration was also able to come to agreement for a possible update to the North American Free Trade Agreement with Canada and Mexico.

Domestic economic growth has been strong, and GDP and employment numbers continue to grow. Even still, real wages have been flat as inflation is starting to eat away at nominal gains. Given that backdrop, it was not surprising to see the Federal Reserve raise rates, with another increase expected before the end of the year. Long-term rates have moved up only slowly compared to shorter-term rates and the result is an increasingly flat yield curve. Most types of bonds posted flat returns in the quarter.

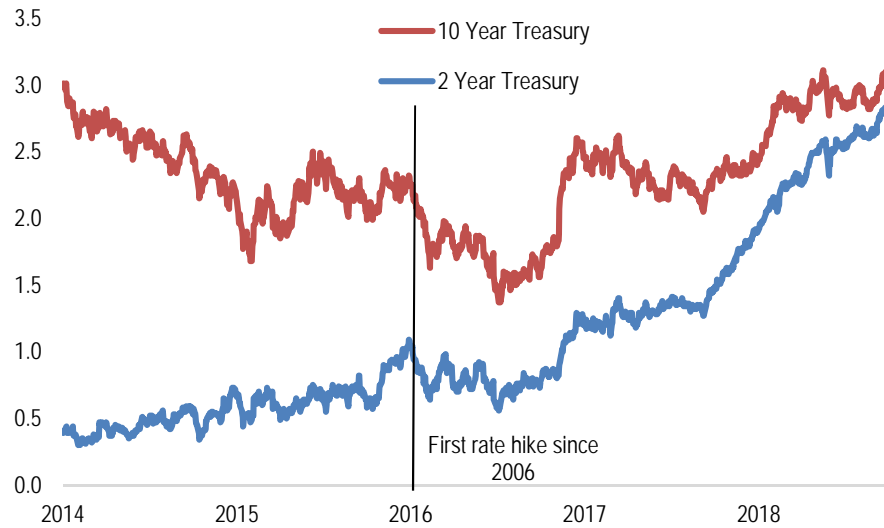
	QTD	YTD	1 Year	3 Years	5 Years	15 Years
S&P 500	7.7%	10.6%	17.9%	17.3%	13.9%	9.7%
S&P 500 Value	5.9%	3.5%	10.1%	14.1%	10.9%	8.6%
S&P 500 Growth	9.3%	17.2%	25.2%	19.9%	16.6%	10.3%
Russell 2000	3.6%	11.5%	15.2%	17.1%	11.1%	10.1%
Russell 2000 Value	1.6%	7.1%	9.3%	16.1%	9.9%	9.5%
Russell 2000 Growth	5.5%	15.8%	21.1%	18.0%	12.1%	10.6%
MSCI EAFE (USD)	1.4%	(1.4%)	2.7%	9.2%	4.4%	6.8%
MSCI EAFE (Local)	2.4%	1.4%	5.1%	9.4%	7.9%	6.8%
MSCI Emerging Markets (USD)	(1.1%)	(7.7%)	(0.8%)	12.4%	3.6%	9.7%
MSCI Emerging Markets (Local)	(0.0%)	(2.9%)	2.7%	12.2%	7.3%	10.7%
BBgBarc US Aggregate	0.0%	(1.6%)	(1.2%)	1.3%	2.2%	3.8%
FTSE NAREIT Developed	(0.3%)	0.1%	3.7%	6.2%	5.4%	8.1%
HFRI Fund of Funds	0.4%	1.2%	3.3%	3.3%	3.2%	3.3%
BofA ML 3-Month T-Bill	0.5%	1.3%	1.6%	0.8%	0.5%	1.3%

Returns for periods longer than 1 year are annualized.

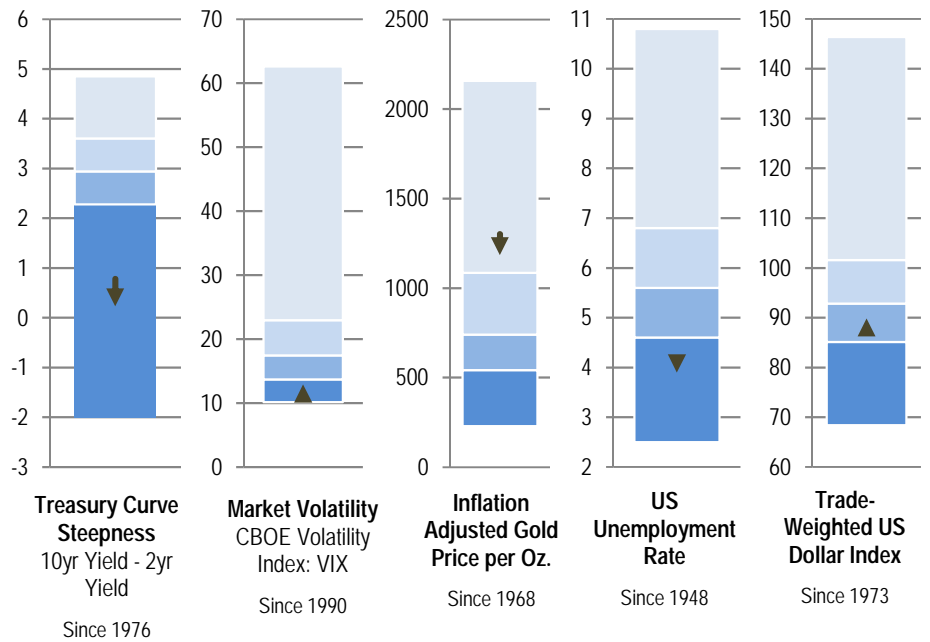
As of September 30, 2018



US Treasury Yields



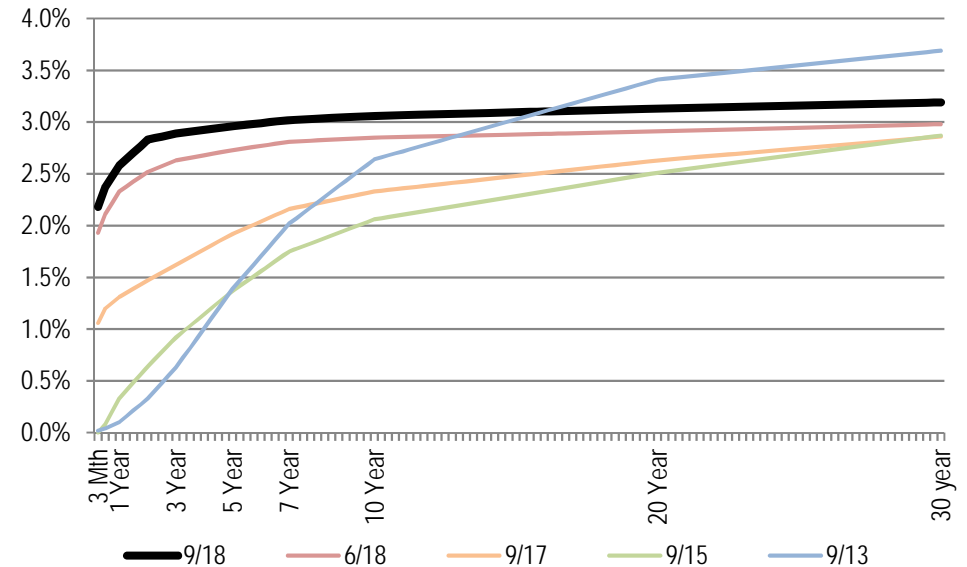
As of September 30, 2018



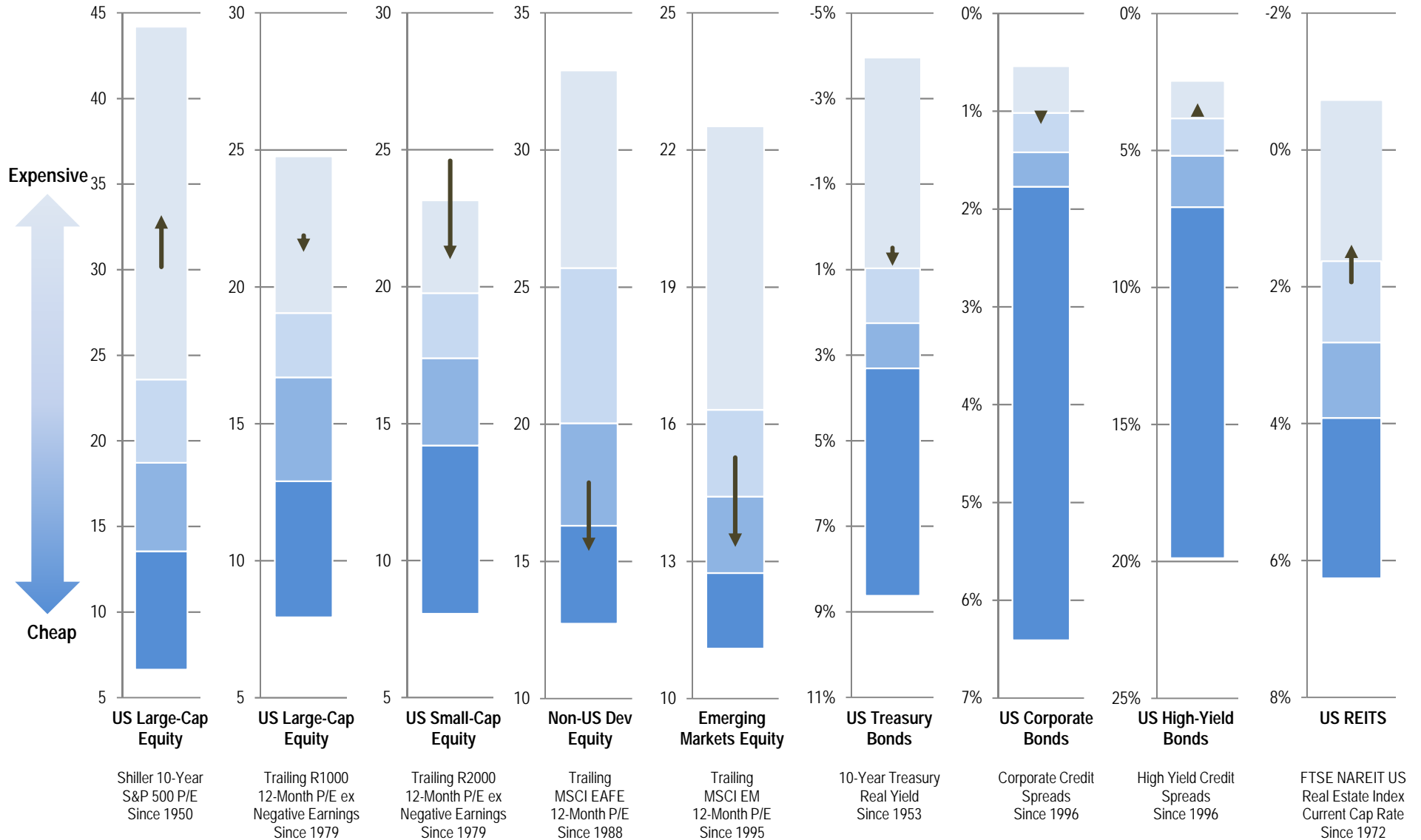
	<u>9/2018</u>	<u>6/2018</u>	<u>9/2017</u>	<u>9/2015</u>	<u>9/2013</u>
Market Inflation Expectations					
5 Year	2.0	2.1	1.7	1.1	1.7
10 Year	2.2	2.1	1.8	1.4	2.2
20 Year	2.2	2.1	1.9	1.5	2.4
CPI Year-over-Year	---	2.8	2.2	0.0	1.1
West Texas Crude Oil	73.3	74.1	51.7	45.1	102.4
Consumer Sentiment Index	100.1	98.2	95.1	87.2	77.5
US Corp Profits (% of GDP)	---	10%	10%	9%	11%
Real GDP Growth YoY	---	4.2	2.8	1.0	3.2
Federal Funds Rate	2.18	1.82	1.15	0.14	0.08

Arrows represent year on year change.

US Treasury Yield Curve



As of September 30, 2018

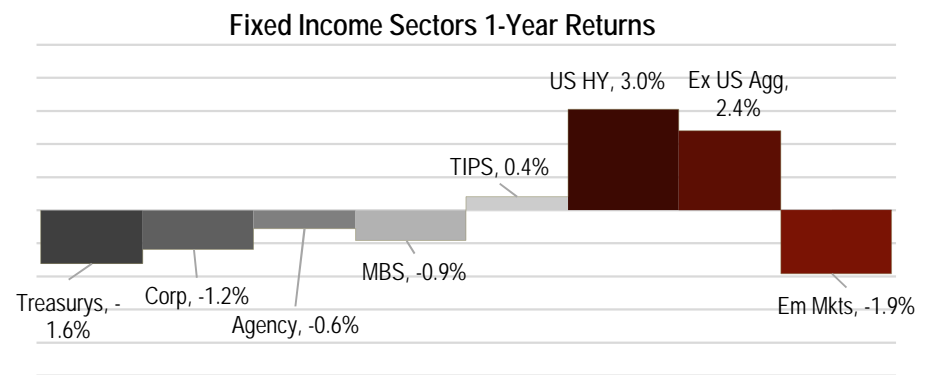
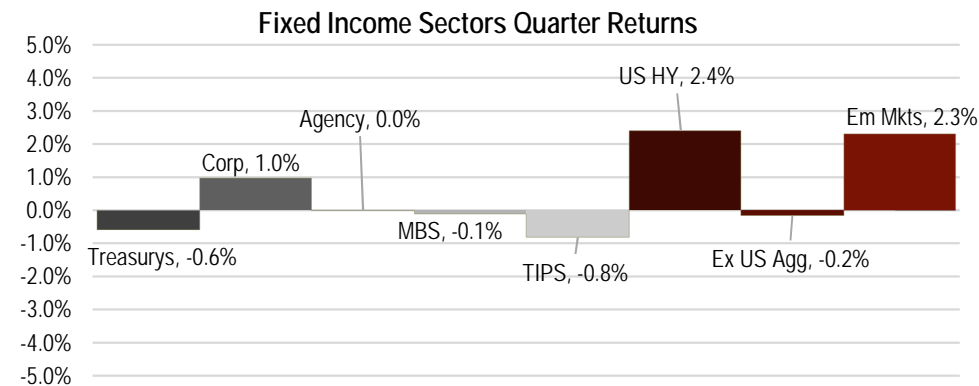
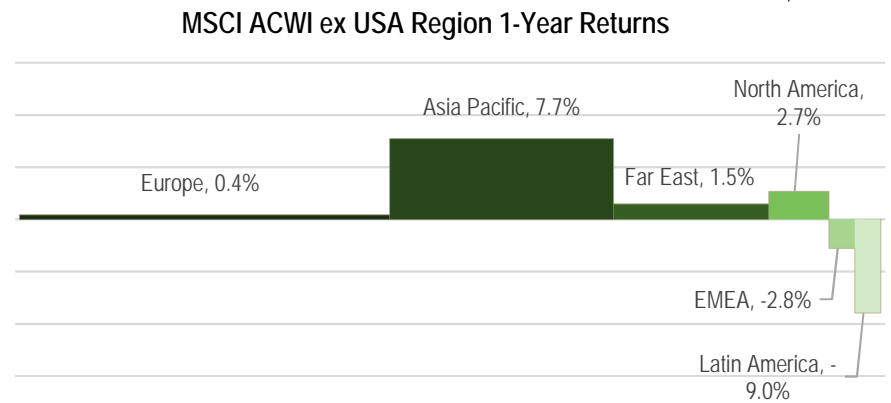
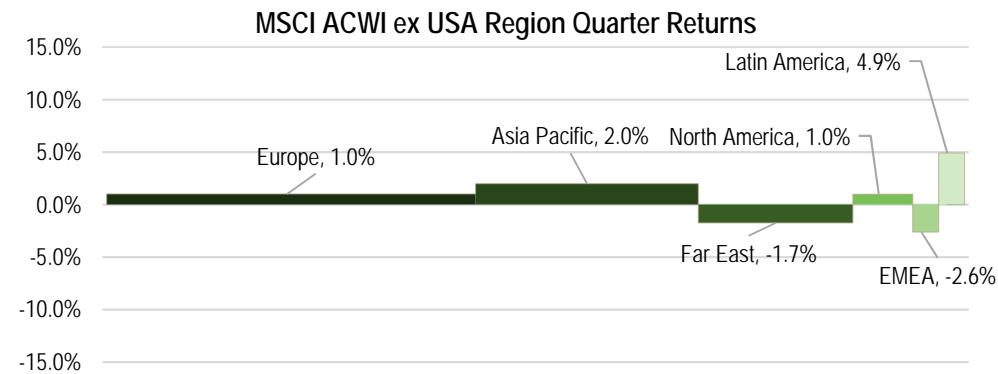
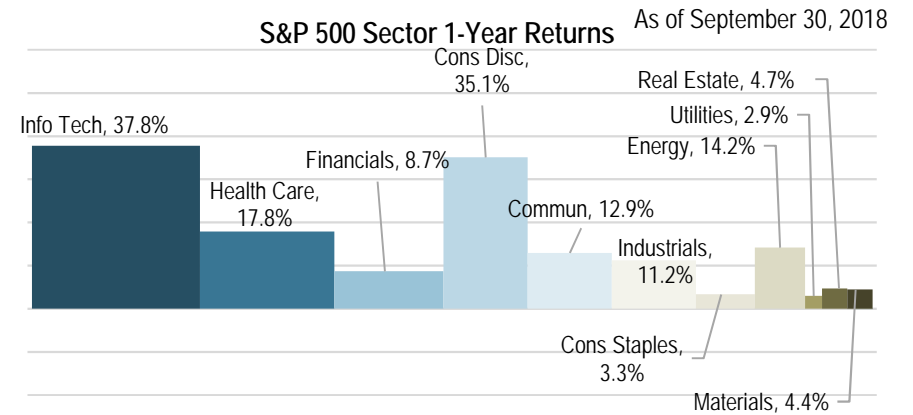
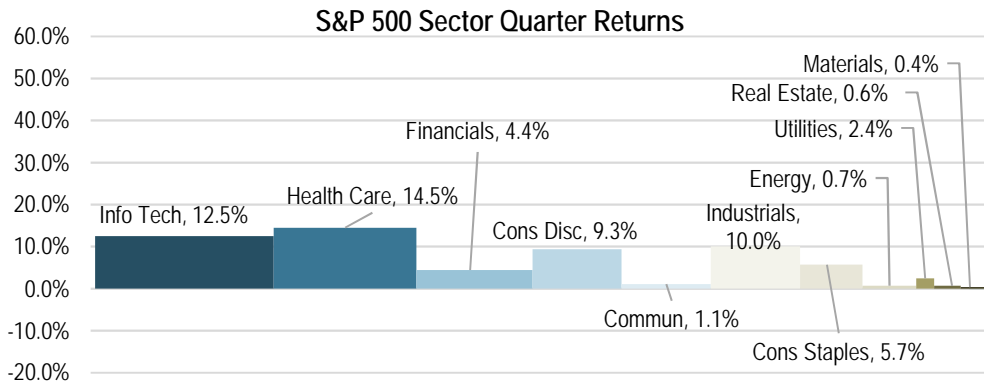


Trailing 12 month P/E and cap rate metrics exclude the top and bottom 5%. Current Russell metrics are as of 8/31/2018.

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.