

Q3

Quarterly Market Review

Third Quarter 2017

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This report features world capital market performance and a timeline of events for the last quarter. It begins with a global overview, then features the returns of stock and bond asset classes in the US and international markets.

The report also illustrates the impact of globally diversified portfolios and features a quarterly topic.

Overview:

Market Summary

World Stock Market Performance

World Asset Classes

US Stocks

International Developed Stocks

Emerging Markets Stocks

Select Country Performance

Select Currency Performance
vs. US Dollar

Real Estate Investment Trusts (REITs)







Commodities

Fixed Income

Impact of Diversification

Market Summary

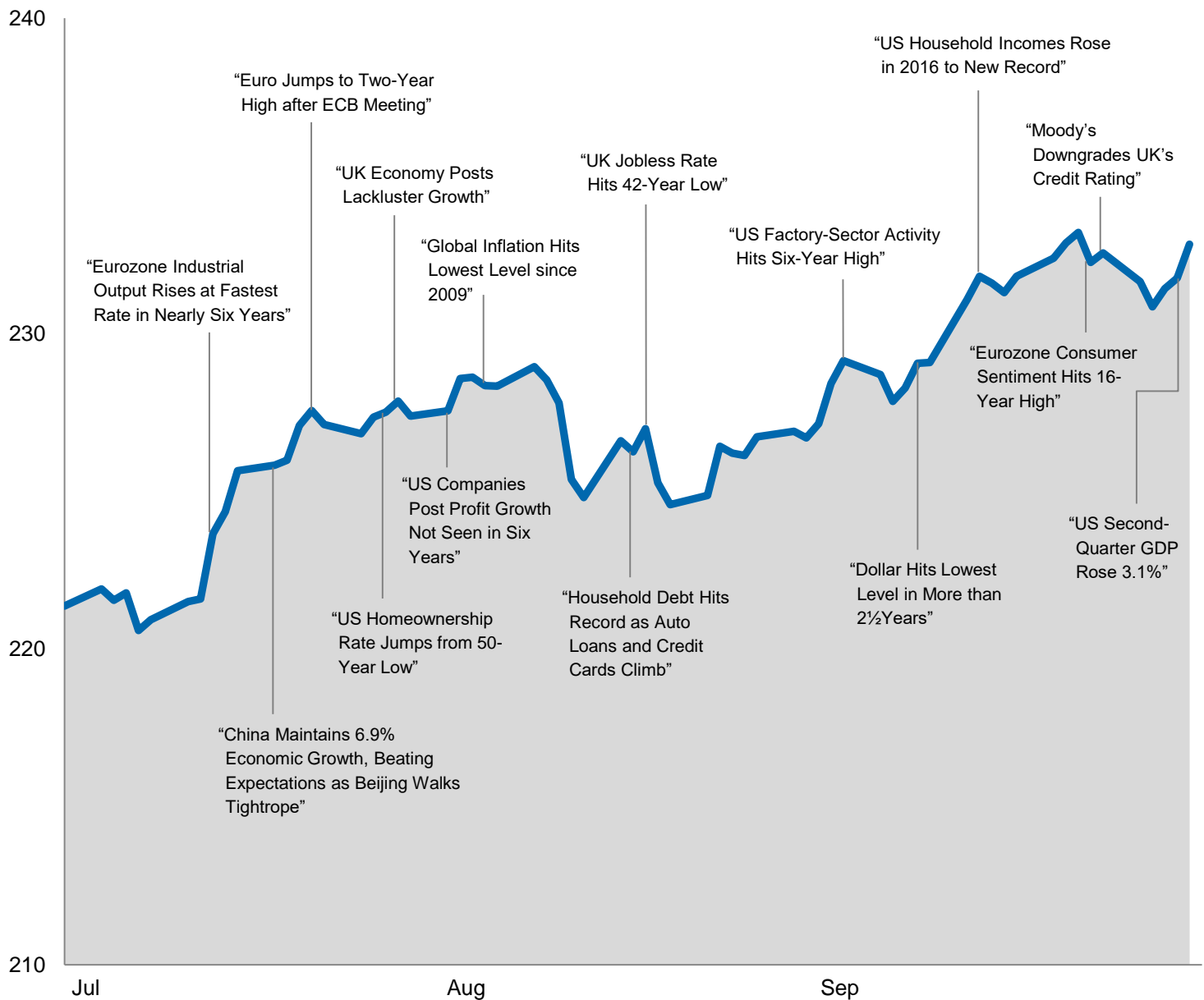
Index Returns

| | US Stock Market | International Developed Stocks | Emerging Markets Stocks | Global Real Estate | | US Bond Market | Global Bond Market ex US |
|------------------------|--|--|--|---|--|--|--|
| Q3 2017 | STOCKS | | | | | BONDS | |
| | 4.57% | 5.62% | 7.89% | 1.13% | | 0.85% | 0.70% |
| |  |  |  |  | |  |  |
| Since Jan. 2001 | | | | | | | |
| Avg. Quarterly Return | 1.9% | 1.6% | 3.1% | 2.7% | | 1.2% | 1.1% |
| Best Quarter | 16.8% Q2 2009 | 25.9% Q2 2009 | 34.7% Q2 2009 | 32.3% Q3 2009 | | 4.6% Q3 2001 | 5.5% Q4 2008 |
| Worst Quarter | -22.8% Q4 2008 | -21.2% Q4 2008 | -27.6% Q4 2008 | -36.1% Q4 2008 | | -3.0% Q4 2016 | -3.2% Q2 2015 |

Past performance is not a guarantee of future results. Indices 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 World ex USA Index [net div.]), Emerging Markets (MSCI Emerging Markets Index [net div.]), Global Real Estate (S&P Global REIT Index [net div.]), US Bond Market (Bloomberg Barclays US Aggregate Bond Index), and Global Bond ex US Market (Citi WGBI ex USA 1-30 Years [Hedged to USD]). 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. Citi fixed income indices copyright 2017 by Citigroup.

World Stock Market Performance

MSCI All Country World Index with selected headlines from Q3 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.

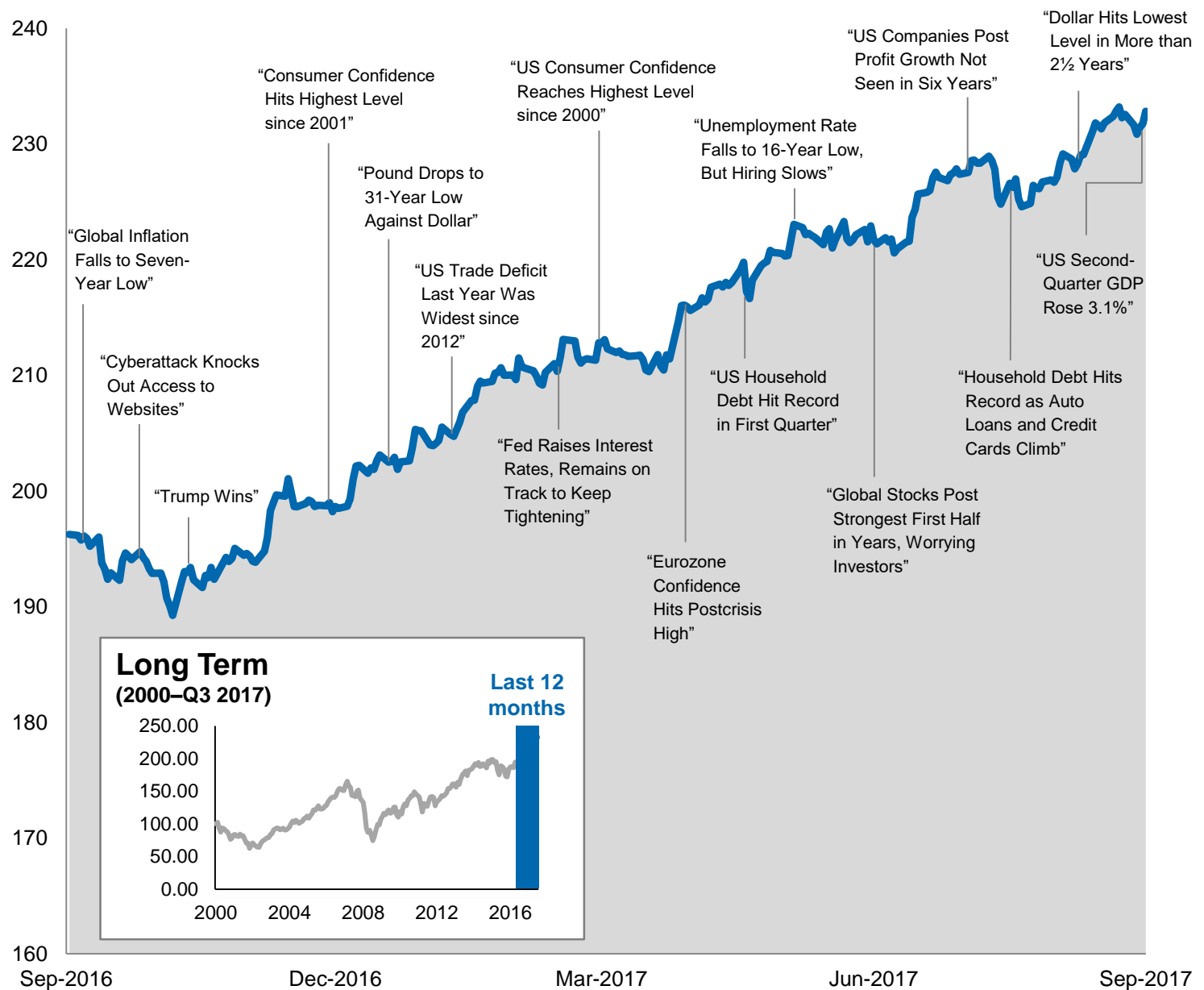
Graph Source: MSCI ACWI Index [net div.]. MSCI data © MSCI 2017, all rights reserved.

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 (Q4 2016–Q3 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.

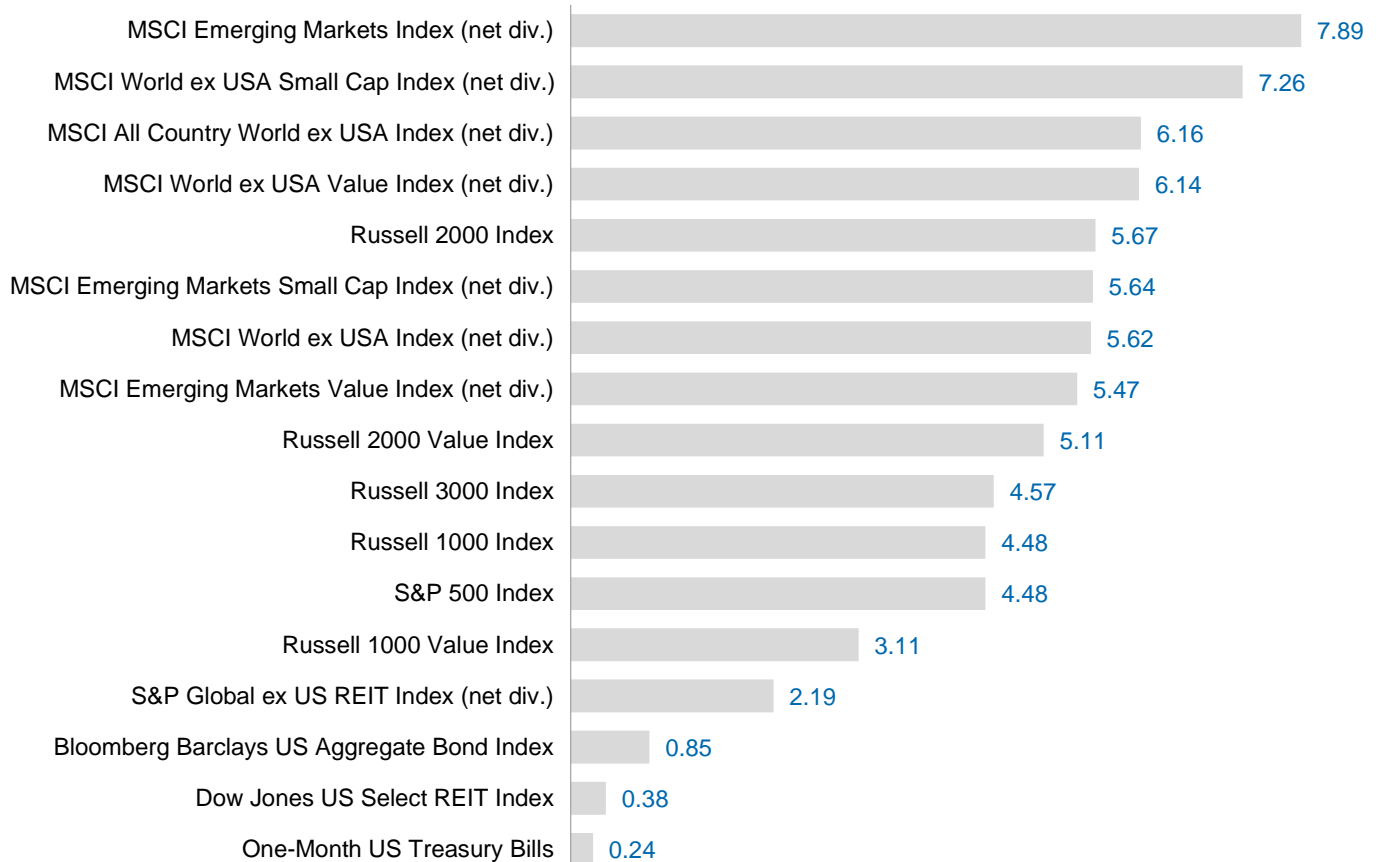
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World Asset Classes

Third Quarter 2017 Index Returns (%)

With broad market indices used as proxies, emerging markets outperformed developed markets, including the US, during the quarter.

The value effect was positive in non-US developed markets but negative in the US and emerging markets. Small caps outperformed large caps in US and non-US developed markets but underperformed in emerging markets.



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US Stocks

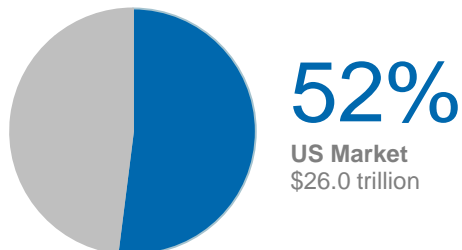
Third Quarter 2017 Index Returns

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

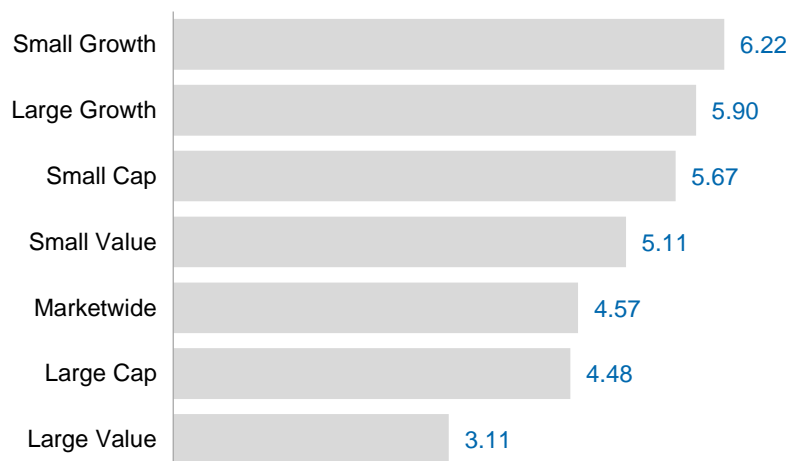
Value underperformed growth indices in the US across all size ranges.

Small caps in the US outperformed large caps.

World Market Capitalization—US



Ranked Returns for the Quarter (%)



Period Returns (%)

| Asset Class | YTD | 1 Year | 3 Years* | 5 Years* | 10 Years* |
|--------------|-------|--------|----------|----------|-----------|
| Marketwide | 13.91 | 18.71 | 10.74 | 14.23 | 7.57 |
| Large Cap | 14.17 | 18.54 | 10.63 | 14.27 | 7.55 |
| Large Value | 7.92 | 15.12 | 8.53 | 13.20 | 5.92 |
| Large Growth | 20.72 | 21.94 | 12.69 | 15.26 | 9.08 |
| Small Cap | 10.94 | 20.74 | 12.18 | 13.79 | 7.85 |
| Small Value | 5.68 | 20.55 | 12.12 | 13.27 | 7.14 |
| Small Growth | 16.81 | 20.98 | 12.17 | 14.28 | 8.47 |

* Annualized

Past performance is not a guarantee of future results. Indices 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: Marketwide (Russell 3000 Index), Large Cap (Russell 1000 Index), Large Cap Value (Russell 1000 Value Index), Large Cap Growth (Russell 1000 Growth Index), Small Cap (Russell 2000 Index), Small Cap Value (Russell 2000 Value Index), and Small Cap Growth (Russell 2000 Growth Index). World Market Cap represented by Russell 3000 Index, MSCI World ex USA IMI Index, and MSCI Emerging Markets IMI Index. Russell 3000 Index is used as the proxy for the US market. 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.

International Developed Stocks

Third Quarter 2017 Index Returns

In US dollar terms, developed markets outperformed US equity indices but underperformed emerging markets indices during the quarter.

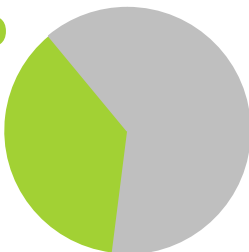
With broad market indices used as proxies, the value effect was positive. The value effect was positive in large caps but negative in mid and small caps.

Overall, small caps outperformed large caps in non-US developed markets.

World Market Capitalization— International Developed

37%

International
Developed
Market
\$18.5 trillion



Ranked Returns (%)



Period Returns (%)

| Asset Class | YTD | 1 Year | 3 Years* | 5 Years* | 10 Years* |
|-------------|-------|--------|----------|----------|-----------|
| Large Cap | 19.17 | 18.73 | 4.57 | 7.81 | 1.28 |
| Small Cap | 23.82 | 20.42 | 9.59 | 11.16 | 4.04 |
| Value | 17.05 | 22.46 | 3.24 | 7.36 | 0.64 |
| Growth | 21.47 | 15.04 | 5.82 | 8.19 | 1.86 |

* Annualized

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Emerging Markets Stocks

Third Quarter 2017 Index Returns

In US dollar terms, emerging markets indices outperformed developed market indices, including the US, during the quarter.

With broad market indices used as proxies, the value effect was negative. Across the size spectrum in the large and mid cap space, the value effect was negative; however, in the small cap space, the effect was positive.

Overall, small caps underperformed large caps in emerging markets.

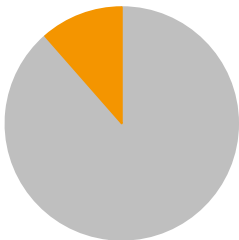
Ranked Returns (%)



World Market Capitalization— Emerging Markets

11%

Emerging Markets
\$5.8 trillion



Period Returns (%)

| Asset Class | YTD | 1 Year | 3 Years* | 5 Years* | 10 Years* |
|-------------|-------|--------|----------|----------|-----------|
| Large Cap | 27.78 | 22.46 | 4.90 | 3.99 | 1.32 |
| Small Cap | 22.53 | 14.89 | 3.14 | 4.60 | 1.74 |
| Value | 19.87 | 18.55 | 1.62 | 1.34 | 0.67 |
| Growth | 36.03 | 26.35 | 8.12 | 6.55 | 1.88 |

* Annualized

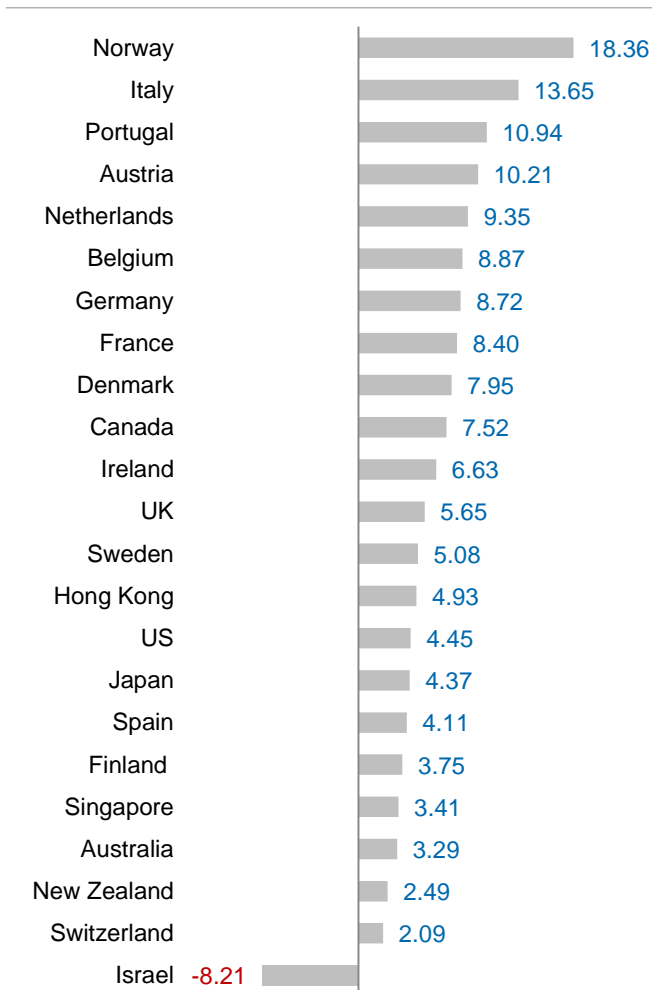
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Select Country Performance

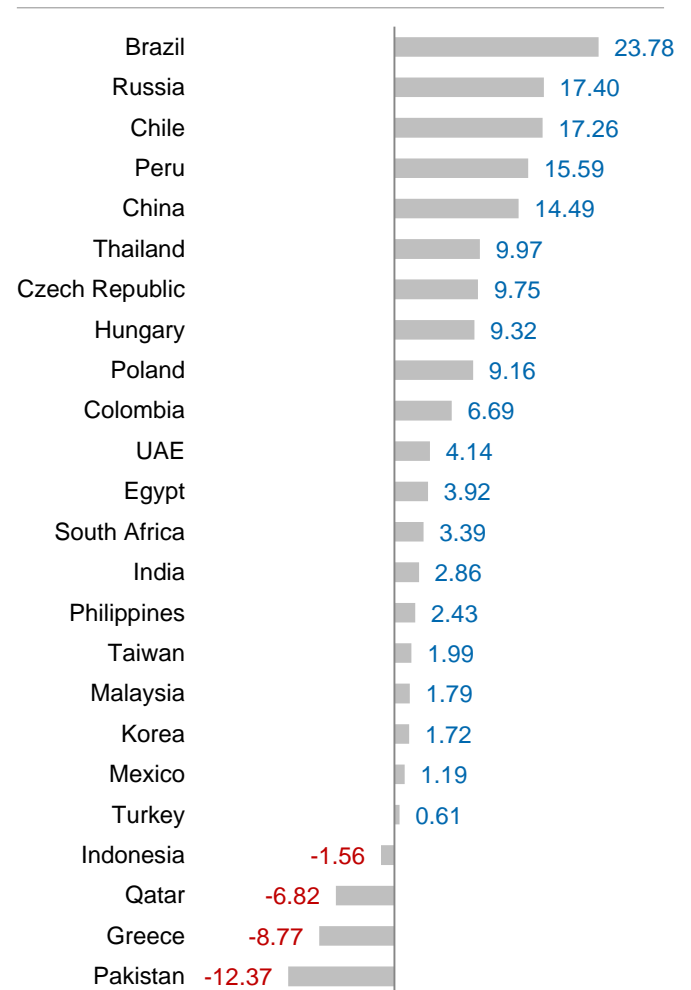
Third Quarter 2017 Index Returns

In US dollar terms, Norway and Italy recorded the highest country performance in developed markets, while Israel posted the lowest—and only negative—return in developed markets. In emerging markets, Brazil, Russia, and Chile posted the highest returns, while Pakistan and Greece had the lowest performance.

Ranked Developed Markets Returns (%)



Ranked Emerging Markets Returns (%)



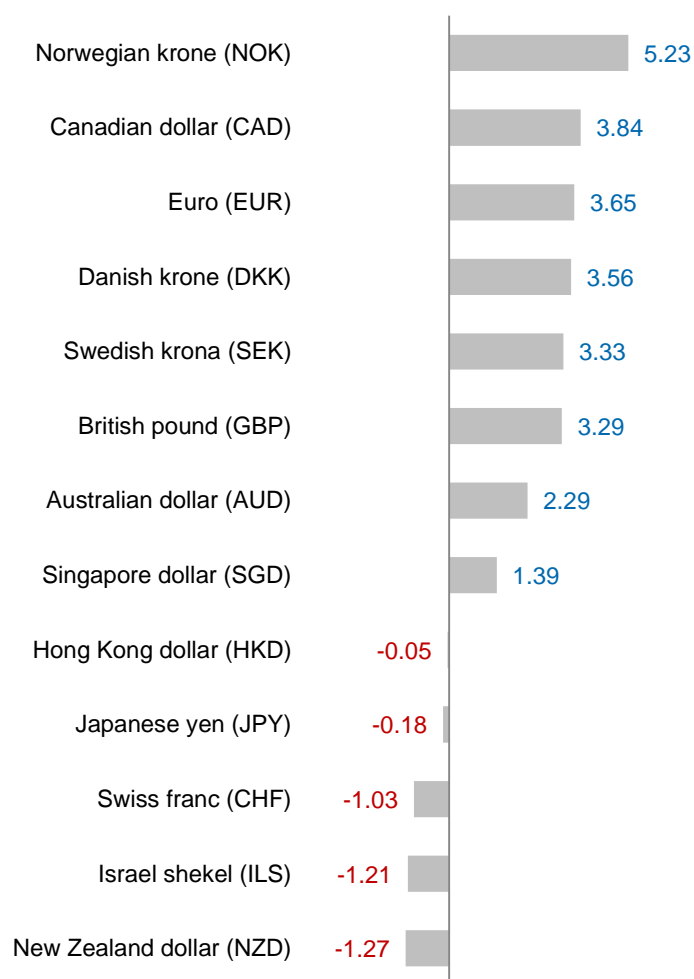
Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Country performance based on respective indices in the MSCI World ex US IMI Index (for developed markets), MSCI USA IMI Index (for US), and MSCI Emerging Markets IMI Index. All returns in USD and net of withholding tax on dividends. MSCI data © MSCI 2017, all rights reserved. UAE and Qatar have been reclassified as emerging markets by MSCI, effective May 2014.

Select Currency Performance vs. US Dollar

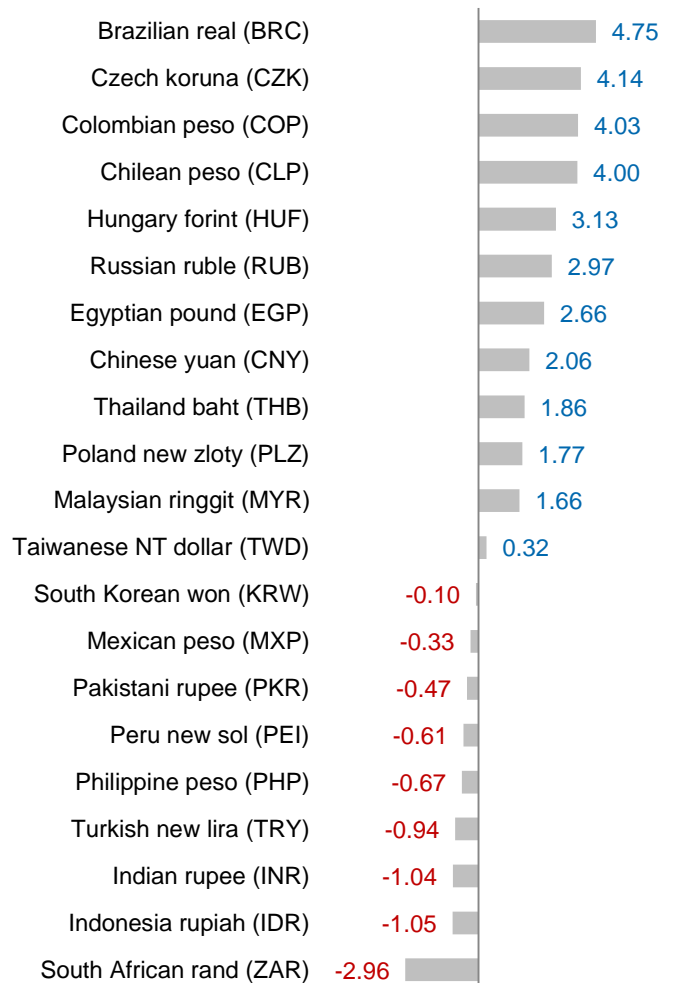
Third Quarter 2017

Currency performance was mixed in both developed and emerging markets. Among developed markets currencies, the Norwegian krone appreciated by 5%, while the Israeli shekel and the New Zealand dollar depreciated by approximately 1%. In emerging markets, the Brazilian real appreciated by almost 5%, while the South African rand depreciated by almost 3%.

Ranked Developed Markets Returns (%)



Ranked Emerging Markets Returns (%)



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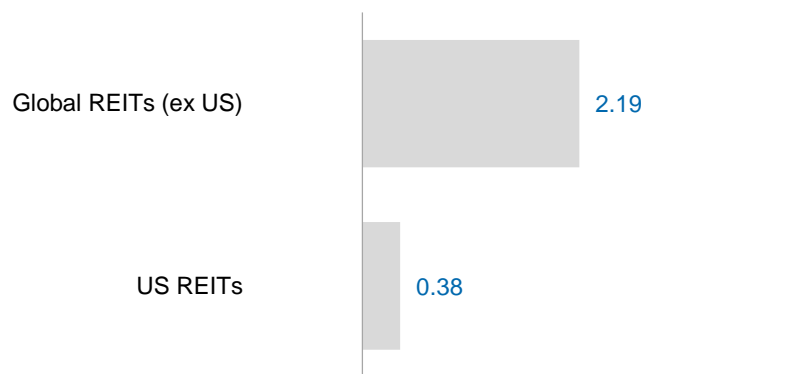
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Real Estate Investment Trusts (REITs)

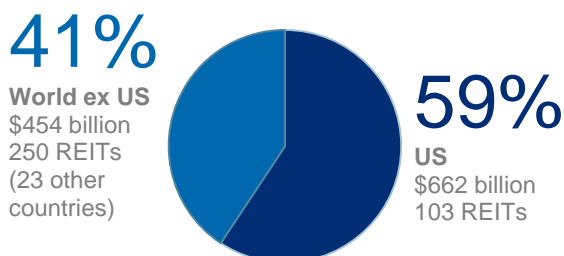
Third Quarter 2017 Index Returns

Non-US real estate investment trusts outperformed US REITs.

Ranked Returns (%)



Total Value of REIT Stocks



Period Returns (%)

| Asset Class | YTD | 1 Year | 3 Years* | 5 Years* | 10 Years* |
|----------------------|------|--------|----------|----------|-----------|
| US REITs | 1.75 | -0.83 | 9.28 | 9.16 | 5.31 |
| Global REITs (ex US) | 8.63 | -0.45 | 3.63 | 5.44 | 0.27 |

* Annualized

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Number of REIT stocks and total value based on the two indices. All index returns are net of withholding tax on dividends. Total value of REIT stocks represented by Dow Jones US Select REIT Index and the S&P Global ex US REIT Index. Dow Jones US Select REIT Index used as proxy for the US market, and S&P Global ex US REIT Index used as proxy for the World ex US market. Dow Jones US Select REIT Index data provided by Dow Jones ©. S&P Global ex US REIT Index data provided by Standard and Poor's Index Services Group © 2017.

Commodities

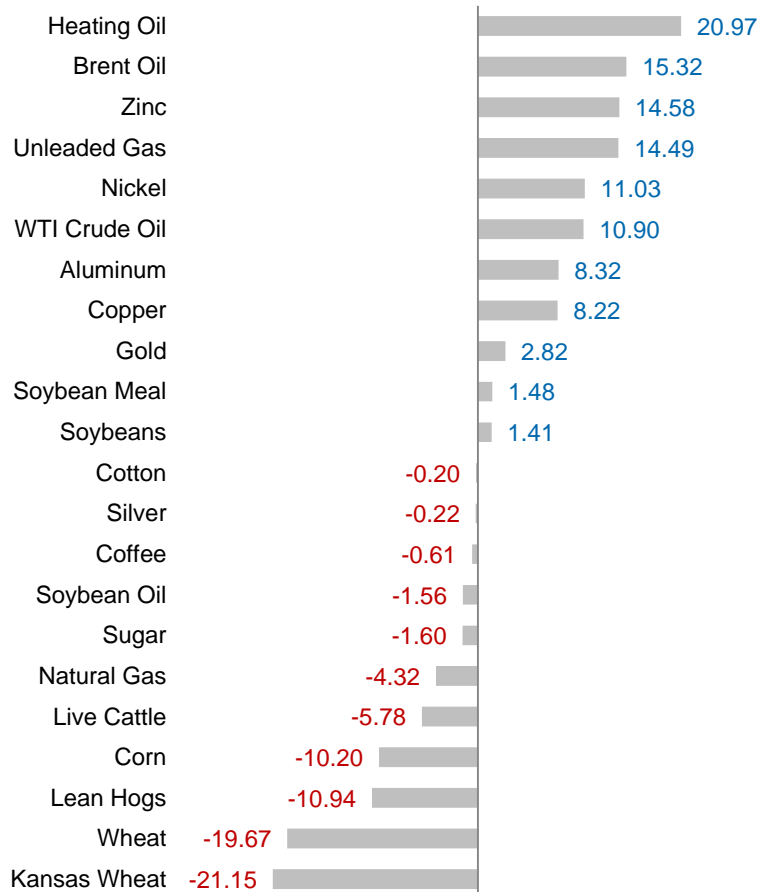
Third Quarter 2017 Index Returns

The Bloomberg Commodity Index Total Return gained 2.52% during the third quarter.

The energy complex led advancing commodities, with heating oil returning 20.97%, Brent crude oil 15.32%, unleaded gas 14.49%, and WTI crude oil 10.90%.

Grains was the worst-performing complex, with Kansas wheat and Chicago wheat declining 21.15% and 19.67%, respectively. Lean hogs also experienced a decline, decreasing by 10.94%.

Ranked Returns for Individual Commodities (%)



Period Returns (%)

| Asset Class | YTD | 1 Year | 3 Years* | 5 Years* | 10 Years* |
|-------------|-------|--------|----------|----------|-----------|
| Commodities | -2.87 | -0.29 | -10.41 | -10.47 | -6.83 |

* Annualized

Fixed Income

Third Quarter 2017 Index Returns

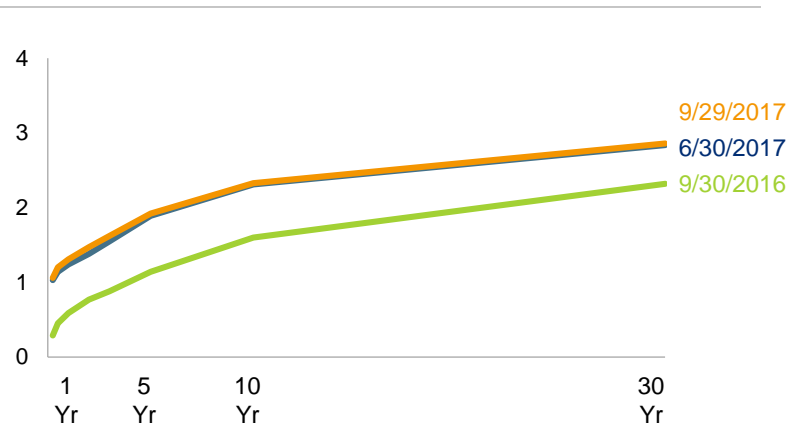
Interest rates increased across the US fixed income market for the quarter. The yield on the 5-year Treasury note increased by 3 basis points (bps) to 1.92%. The yield on the 10-year Treasury note increased by 2 bps to 2.33%. The 30-year Treasury bond yield increased by 2 bps to finish at 2.86%.

The yield on the 1-year Treasury bill rose 7 bps to 1.31%, and the 2-year Treasury note yield rose 9 bps to 1.47%. The yield on the 3-month Treasury bill increased 3 bps to 1.06%, while the 6-month Treasury bill yield increased 6 bps to 1.20%.

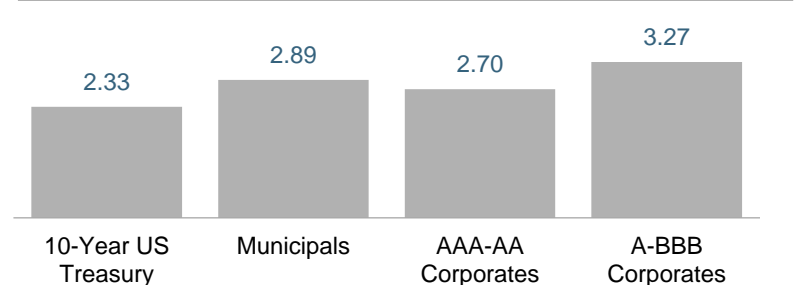
In terms of total returns, short-term corporate bonds gained 0.59%, and intermediate-term corporates gained 1.05%.

Short-term municipal bonds generated a total return of 0.49%, while intermediate-term municipal bonds returned 0.83%. General obligation bonds gained 1.14%, outperforming revenue bonds by 4 bps.

US Treasury Yield Curve (%)



Bond Yields across Issuers (%)



Period Returns (%)

* Annualized

| Asset Class | YTD | 1 Year | 3 Years* | 5 Years* | 10 Years* |
|--|------|--------|----------|----------|-----------|
| Bloomberg Barclays Long US Government Bond Index | 6.06 | -6.14 | 4.84 | 2.87 | 6.83 |
| Bloomberg Barclays Municipal Bond Index | 4.66 | 0.87 | 3.19 | 3.01 | 4.52 |
| Bloomberg Barclays US Aggregate Bond Index | 3.14 | 0.07 | 2.71 | 2.06 | 4.27 |
| Bloomberg Barclays US Corporate High Yield Index | 7.00 | 8.88 | 5.83 | 6.36 | 7.84 |
| Bloomberg Barclays US TIPS Index | 1.72 | -0.73 | 1.62 | 0.02 | 3.90 |
| BofA Merrill Lynch 1-Year US Treasury Note Index | 0.55 | 0.60 | 0.46 | 0.39 | 1.05 |
| BofA Merrill Lynch Three-Month US Treasury Bill Index | 0.57 | 0.66 | 0.32 | 0.22 | 0.47 |
| Citi World Government Bond Index 1-5 Years (hedged to USD) | 1.07 | 0.59 | 1.35 | 1.30 | 2.32 |

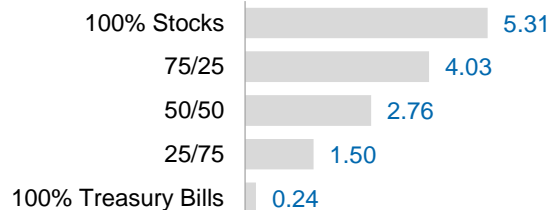
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Impact of Diversification

Third Quarter 2017 Index Returns

These portfolios illustrate the performance of different global stock/bond mixes and highlight the benefits of diversification. Mixes with larger allocations to stocks are considered riskier but have higher expected returns over time.

Ranked Returns (%)

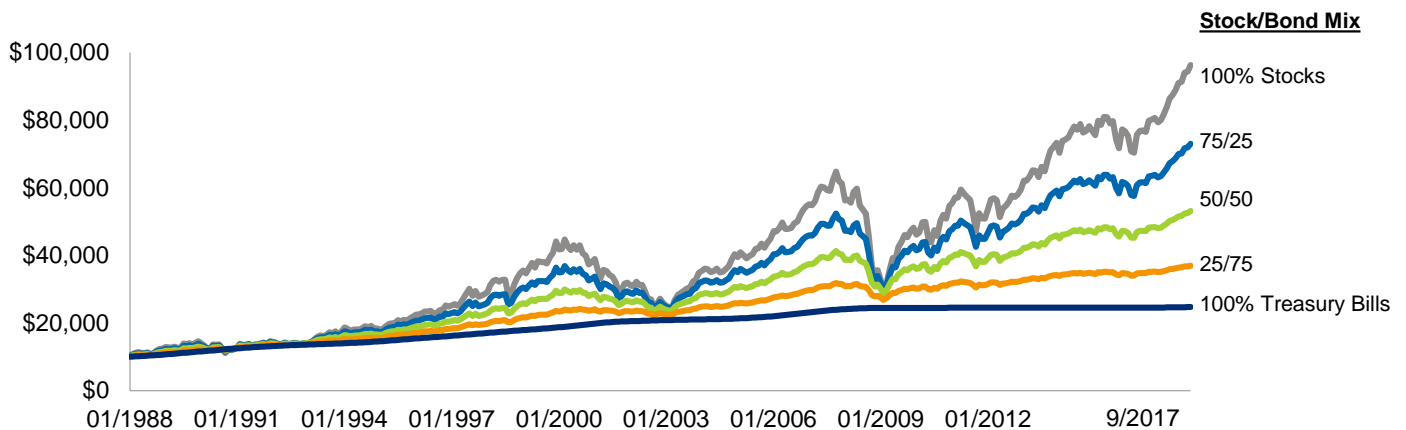


Period Returns (%)

* Annualized

| Asset Class | YTD | 1 Year | 3 Years* | 5 Years* | 10 Years* | 10-Year STDEV ¹ |
|---------------------|-------|--------|----------|----------|-----------|----------------------------|
| 100% Stocks | 17.75 | 19.29 | 8.02 | 10.79 | 4.45 | 16.90 |
| 75/25 | 13.22 | 14.35 | 6.13 | 8.14 | 3.70 | 12.66 |
| 50/50 | 8.85 | 9.60 | 4.21 | 5.48 | 2.76 | 8.43 |
| 25/75 | 4.62 | 5.01 | 2.25 | 2.82 | 1.65 | 4.20 |
| 100% Treasury Bills | 0.53 | 0.58 | 0.25 | 0.16 | 0.36 | 0.22 |

Growth of Wealth: The Relationship between Risk and Return



1. STDEV (standard deviation) is a measure of the variation or dispersion of a set of data points. Standard deviations are often used to quantify the historical return volatility of a security or portfolio.

Diversification does not eliminate the risk of market loss. **Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect expenses associated with the management of an actual portfolio.** Asset allocations and the hypothetical index portfolio returns are for illustrative purposes only and do not represent actual performance. Global Stocks represented by MSCI All Country World Index (gross div.) and Treasury Bills represented by US One-Month Treasury Bills. Globally diversified allocations rebalanced monthly, no withdrawals. Data © MSCI 2017, all rights reserved. Treasury bills © Stocks, Bonds, Bills, and Inflation Yearbook™, Ibbotson Associates, Chicago (annually updated work by Roger G. Ibbotson and Rex A. Sinquefeld).

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Equity investing involves market risk, including possible loss of principal. Investments seeking to achieve higher rates of return generally involve a higher degree of risk of principal. In general the bond market is volatile, and fixed income securities carry interest rate, market, inflation, credit and default risk. Any fixed income security sold or redeemed prior to maturity may be subject to a substantial gain or loss.

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