Monthly Market Review

U.S. Equity

- Building on a nearly 18-month-long rally, domestic equity markets, as represented by the S&P 500 Index (S&P 500), rose 2.1% in July, pushing the index up 11.6% year-to-date (YTD).
- Sector performance within the S&P 500 was strong with all 11 sectors finishing in positive territory. After a weak first half of the year, Telecom led all sectors for the month rising 6.4%. Industrials finished as the worst performing sector rising 0.1%.
- By market capitalization, large-cap indices outperformed their smaller counterparts, with the Russell 1000 Index up 2.0% in July. This amounts to a return to the 2017 trend, following small-caps outperformance in June. The Russell Mid Cap Index followed, rising 1.5% while small-caps (Russell 2000 Index) trailed rising 0.7%. Within small- and mid-caps, growth modestly outperformed value while the difference was much more pronounced within large-caps.

Non-U.S. Equity

- Non-U.S. equity markets, represented by MSCI ACWI ex-U.S., continued their strong performance, rising 3.7% during July while posting a return of 18.3% YTD. Developed markets, represented by the MSCI EAFE Index, rose 2.9% during the month. Emerging markets, represented by the MSCI EM Index, continued their strong year by rising 6.0% in July. The two indices are up 17.1% and 25.5% YTD respectively.
- Within the ACWI ex-U.S. Index, all but one sector ended the month in the black. Materials (6.9%), Information Technology (5.7%), and Energy (5.5%) were the month's strongest performers, while Healthcare posted a negative return (-1.0%).
- In developed markets, large-caps and growth stocks out performed small caps and value stocks, respectively. In emerging markets, small-caps and value stocks ended the month ahead of their counterparts.

Fixed Income

- The Bloomberg Barclays U.S. Aggregate Index rose 0.4% as all yields between tenors of one- and 10-years fell.
- Investment grade (IG) credit within the Aggregate continued to do well, rising 0.7%, as IG credit spreads moderately declined. Within the IG credit spectrum, returns were slightly tilted towards lower quality, with BBB rising 0.9% followed by A (0.7%), AA (0.6%), and AAA (0.3%). High Yield (HY), represented by the Bloomberg Barclays U.S. Corporate HY Index, rose 1.1% as high yield spreads also modestly tightened.
- After the U.S. Treasury yield curve steepened in late June, the curve flattened out in the short-to-intermediate portion while steepening in the intermediate-to-longer portion. After sustaining the largest yield gains in June, the largest yield decline occurred in the 5-year maturity while the 3-month and 30-year gained 6 and 7 basis points respectively.

Other Asset Classes

- Real estate investment trusts (REITs) continued their positive performance from the previous month with the FTSE NAREIT index rising 1.2% during July, pushing the index up 4.0% YTD. Data Centers and Industrials were the best performing property sectors, rising 4.1% and 3.5% respectively. Healthcare, Office, and Self-Storage ended the month in the red, with Healthcare declining the most (-2.4%).
- Commodities, represented by the Bloomberg Commodity Index, bounced back with the index rising 2.2% during the month. Performance was supported by a rebound in oil prices which rose 8.4% during July and ended slightly above $50/barrel. However, commodities continue to show negative performance, returning -3.6% YTD.

Items to Watch

- In July, Senate Republicans were unable to garner enough support for any of their proposed bills to repeal and replace the Affordable Care Act (Obamacare). While this fades to the background, Congress will turn its attention to tax reform. Also on the legislative calendar is the federal debt ceiling, which U.S. Treasury Secretary Steven Mnuchin stated must be raised by September 29 in order to avoid defaulting on obligations. Given the events that have recently occurred, investors will be watching legislative developments to base their expectations on policy.
- The Federal Open Market Committee (FOMC) members voted unanimously on July 26 to keep its benchmark Federal Funds Rate (FFR) and balance sheet holdings unchanged. Although Fed officials state that they remain on track to continue tightening policy this year, futures markets as of month-end imply only a 40% probability of another rate hike this year. While the job market continues to strengthen, inflation has trended weaker as compared to the Fed's 2% long-term target. Inflation, unemployment, and other broad economic indicators will dictate whether the Fed will continue to tighten monetary policy by raising the FFR and unwinding its nearly $4.5 trillion balance sheet.
- While Europe continues to be relatively more stable politically, events in Asia Pacific have caught the market's attention. North Korea continues to develop its' nuclear missile program, which it claims to have the range to reach the U.S. West Coast. The U.S. is still looking to China to put pressure on North Korea through tighter sanctions. Simultaneously, China is increasing its military presence in the South China Sea, leading to regional tensions. The recent diplomatic standoff between the U.S. and Russia is also being closely watched.

Total Return of Major Indices as of 7/31/17

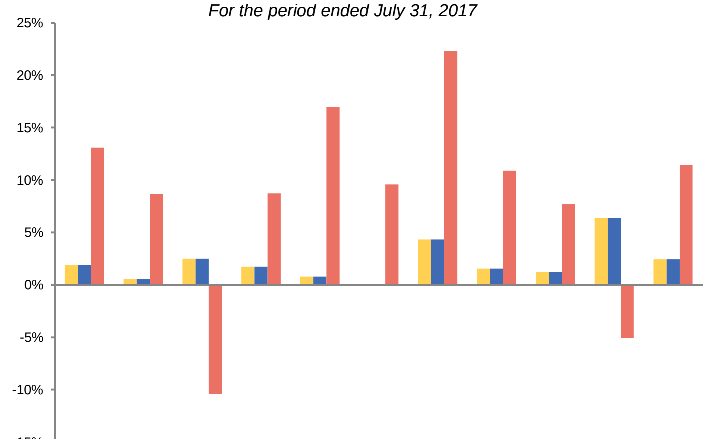
Domestic Equity	MTD	QTD	YTD	1 YR
S&P 500	2.06%	2.06%	11.59%	16.03%
Russell 3000	1.89%	1.89%	10.98%	16.12%
Russell 2000	0.74%	0.74%	5.76%	18.43%
Russell 1000	1.98%	1.98%	11.43%	15.94%
International Equity	**MTD**	**QTD**	**YTD**	**1 YR**
MSCI ACWI ex US	3.69%	3.69%	18.30%	19.01%
MSCI EAFE	2.88%	2.88%	17.09%	17.77%
MSCI Emerging Markets	5.96%	5.96%	25.49%	24.84%
Fixed Income*	**MTD**	**QTD**	**YTD**	**1 YR**
Barclays Aggregate	0.43%	0.43%	2.71%	-0.51%
Barclays Global Agg	1.68%	1.68%	6.16%	-1.28%
Barclays US High Yield	1.11%	1.11%	6.09%	10.95%
Alternatives	**MTD**	**QTD**	**YTD**	**1 YR**
FTSE NAREIT Equity	1.22%	1.22%	3.96%	-4.47%
Bloomberg Commodity	2.17%	2.17%	-3.57%	0.13%

Economic Indicators

Domestic	Current	Previous
Unemployment Rate (%)	4.3%	4.4%
Initial Jobless Claims (4 week avg)	241.8 K	244.3 K
CB Leading Economic Indicators	0.6	0.2
Capacity Utilization	76.6%	76.4%
GDP (annual growth rate)	2.6%	1.2%
Univ Michigan Consumer Confidence	93.4	95.1
New Home Starts	610 K	605 K
Existing Home Sales	5.5 MM	5.6 MM
Retail Sales (YoY)	2.4%	3.7%
U.S. Durable Goods (MoM)	6.4%	0.0%
Consumer Price Index (YoY)	1.6%	1.9%
Producer Price Index (MoM)	0.2%	-0.7%
Developed International**	**3/31/2017**	**12/31/2016**
Market GDP (ann'l rate)	1.9%	1.9%
Market Unemployment	5.3%	5.5%

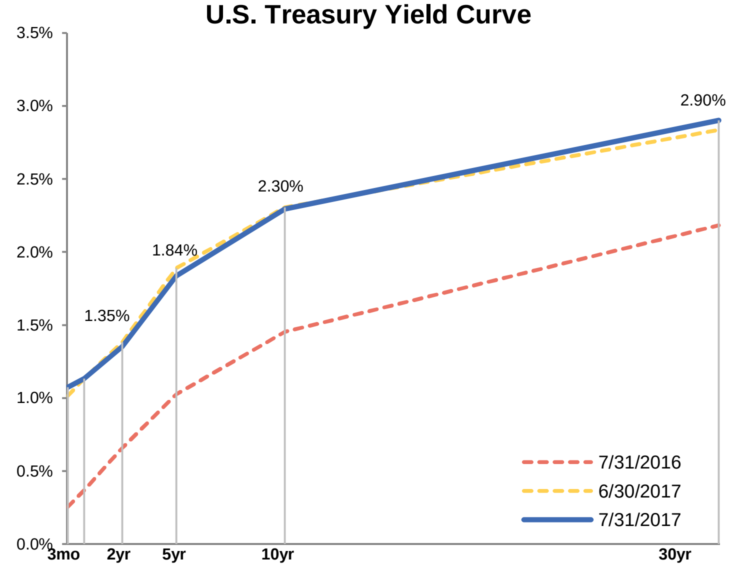
Stock Market Sector Performance (S&P 500)

For the period ended July 31, 2017

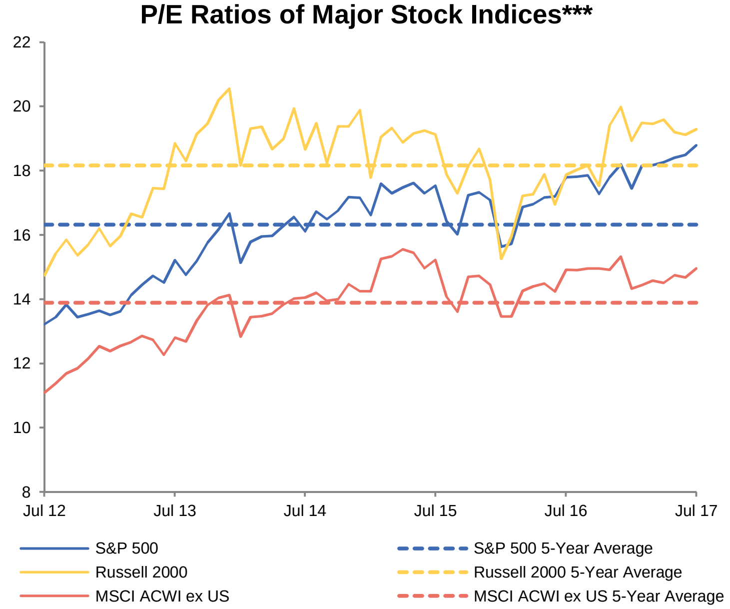


	Cons. Disc.	Cons. Staples	Energy	Financial	H'lthcare	Industrial	Info. Tech	Materials	Real Estate	Telecom	Utilities
MTD	1.87%	0.57%	2.50%	1.72%	0.77%	0.06%	4.33%	1.54%	1.20%	6.36%	2.44%
QTD	1.87%	0.57%	2.50%	1.72%	0.77%	0.06%	4.33%	1.54%	1.20%	6.36%	2.44%
YTD	13.08%	8.65%	-10.43%	8.73%	16.97%	9.57%	22.31%	10.90%	7.68%	-5.06%	11.41%

U.S. Treasury Yield Curve



P/E Ratios of Major Stock Indices***



Source: Bloomberg. Data as of July 31, 2017 unless otherwise noted.
Effective 8/25/2016, all Barclays fixed income indices were transitioned to Bloomberg and renamed Bloomberg Barclays indices.
**Developed market data is calculated with respect to the weightings in the MSCI World ex-US index. Most current data is as of March 31, 2017 due to release dates of numerous countries.
***P/E ratios are calculated based on 1-year-forward estimates and adjusted to include only positive earning results for consistency.