Monthly Market Review

U.S. Equity

- Domestic equity markets, as represented by the S&P 500 Index (S&P 500), ended the month slightly in the green by posting a return of 0.3%, and raising the already strong year-to-date (YTD) performance with the index up 11.9%.
- Sector performance within the S&P 500 was moderate with five of the 11 sectors finishing in negative territory. Information Technology led the way as the best performing sector, rising 3.5%, followed by Utilities that ended the month 3.3% higher. Energy finished as the worst performing sector, declining 5.2%.
- Companies with larger market capitalizations performed better than their small-cap counterparts. Large-caps (Russell 1000 Index) rose 0.3%, whereas Mid-caps (Russell Mid Cap Index) and small-caps (Russell 2000 Index) declined 0.8% and 1.3% respectively. Growth outperformed value across all market capitalizations.

Non-U.S. Equity

- Non-U.S. equity markets, represented by MSCI ACWI ex-U.S., ended the month 0.5% higher, after a strong first half of the year with the index up 18.9% YTD. Developed markets, represented by the MSCI EAFE Index, were flat on the month while emerging markets, represented by the MSCI EM Index, continued their strong year, rising 2.2% during August. On a YTD basis, the two indices are up 17.1% and 28.3%, respectively.
- Within the ACWI ex-U.S. Index, Materials and Utilities were the strongest performers over the month, up 3.3% and 3.0%, respectively, while Financials posted the largest negative return as the sector declined 1.2%. Small-caps outperformed large-caps within developed markets and vice versa in emerging markets. Growth stocks outperformed value within developed markets while the opposite held true in emerging markets.

Fixed Income

- The Bloomberg Barclays U.S. Aggregate Index rose 0.9% as yields fell across the curve during August; the exception being the one-year tenor, whose yields rose slightly.
- Investment grade (IG) credit within the Aggregate performed well, rising 0.8%, despite IG credit spreads modestly widening. Within the IG credit spectrum, returns were tilted towards mid-quality with AA and A rising 1.0% and 0.9%, respectively. BBB followed rising 0.8% and AAA rose 0.7%. High Yield (HY), represented by the Bloomberg Barclays U.S. Corporate HY Index, was flat on the month as high yield spreads widened.
- U.S. Treasury Yields declined along almost all maturities as the curve continued to flatten during the month. Rates along the intermediate- to long-term maturities declined between 2 and 18 basis points. The largest decline in yields occurred in the 10-year tenor, reflecting the investors' low inflation expectations as well as skepticism surrounding a pickup in economic growth going forward.

Other Asset Classes

- Real estate investment trusts (REITs) ended their two-month streak of positive returns as the FTSE NAREIT index fell 0.3% during August, dragging the YTD return down to 3.7%. All but three of the nine REIT sectors ended the month in the red. Data Centers and Industrials continued to be the best performing sectors, rising 4.1% and 3.6%, respectively. The Lodging/Resorts and Diversified sectors posted the largest declines, falling 3.3% and 2.9%, respectively. The retail sector extended large YTD losses (-11.4%) as the sector fell 1.6% over the month.
- Commodities, represented by the Bloomberg Commodity Index, ended the month slightly positive as the index posted a modest gain of 0.3%, leaving the YTD losses at 3.3%. Performance was impacted by continued downward pressure on oil prices, as the West Texas Intermediate (WTI) crude fell 6.0% during the month, as well as a decline in agricultural prices with corn and soybean prices falling 7.0% and 6.2%, respectively.

Items to Watch

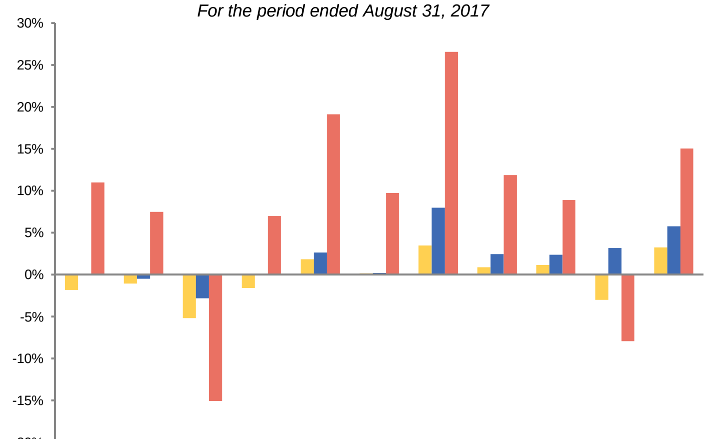
- After returning from the month-long legislative recess on September 5, legislators will be looking to approve the annual spending bills to avert a government shutdown and to raise the federal debt ceiling before it is set to expire on September 29. Failure to do so could cause the U.S. Government to default on its obligations. Tax reform will also be on the legislative agenda as Treasury Secretary Steven Mnuchin has stated that detailed plans will be released in the upcoming weeks.
- Both Federal Reserve (Fed) and European Central Bank (ECB) meetings this month will provide further insight into monetary policy. The Fed is expected to announce reductions to its $4.5 trillion balance sheet as another measure of tightening. While both the ECB and the Bank of Japan are continuing their bond buying programs, or "quantitative easing," market participants are looking for some guidance on ending these programs as economic growth continues to improve.
- European Union officials want to finish the first round of "Brexit" negotiations by the end of the year. French President Emmanuel Macron's government continues to push through overhauls of the French economy, which have the potential to raise growth. German elections on September 24 are not expected to have major market impact as governing parties hold significant leads in the polls. North Korea continues to cause global concern as it develops its nuclear weapons program. Increasing stability in Europe would be favorable for economic conditions, while tensions in North Korea may raise volatility in the markets.
- Most of the negative economic impact of Hurricane Harvey is expected to be geographically focused in Texas, however, a more widespread effect may be observed in the oil markets.

Total Return of Major Indices as of 8/31/17				
Domestic Equity	**MTD**	**QTD**	**YTD**	**1 YR**
S&P 500	0.31%	2.37%	11.93%	16.23%
Russell 3000	0.19%	2.08%	11.20%	16.05%
Russell 2000	-1.27%	-0.54%	4.42%	14.89%
Russell 1000	0.31%	2.30%	11.78%	16.15%
International Equity	**MTD**	**QTD**	**YTD**	**1 YR**
MSCI ACWI ex-U.S.	0.52%	4.23%	18.92%	18.88%
MSCI EAFE	-0.04%	2.85%	17.05%	17.64%
MSCI Emerging Markets	2.23%	8.32%	28.29%	24.53%
Fixed Income	**MTD**	**QTD**	**YTD**	**1 YR**
Bloomberg Barclays U.S. Agg	0.90%	1.33%	3.63%	0.49%
Bloomberg Barclays Global Agg	0.99%	2.69%	7.22%	0.19%
Bloomberg Barclays U.S. HY	-0.04%	1.07%	6.05%	8.63%
Alternatives	**MTD**	**QTD**	**YTD**	**1 YR**
FTSE NAREIT Equity	-0.25%	0.96%	3.69%	-1.08%
Bloomberg Commodity	0.31%	2.49%	-3.27%	2.28%

Economic Indicators		
Domestic	**Current**	**Previous**
Unemployment Rate (%)	4.4%	4.3%
Initial Jobless Claims (4-week avg.)	236.8 K	238 K
CB Leading Economic Indicators	0.3	0.6
Capacity Utilization	76.7%	76.7%
GDP (annual growth rate)	3.0%	1.2%
University of Michigan Consumer Confidence	96.8	93.4
New Home Starts	571 K	630 K
Existing Home Sales	5.4 MM	5.5 MM
Retail Sales (YoY)	3.8%	2.7%
U.S. Durable Goods (MoM)	-6.8%	6.4%
Consumer Price Index (YoY)	1.7%	1.6%
Producer Price Index (MoM)	-0.2%	0.2%
Developed International*	**6/30/2017**	**3/31/2017**
Market GDP (ann'l rate)	2.3%	2.0%
Market Unemployment	5.2%	5.3%

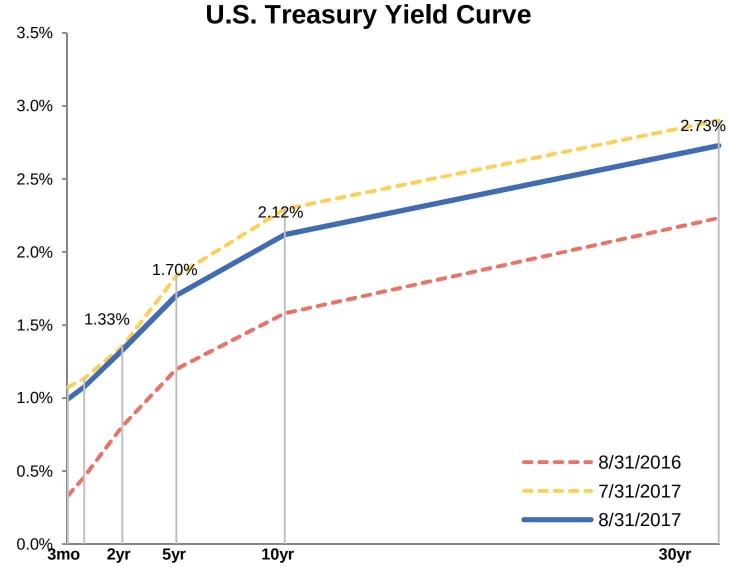
Stock Market Sector Performance (S&P 500)

For the period ended August 31, 2017

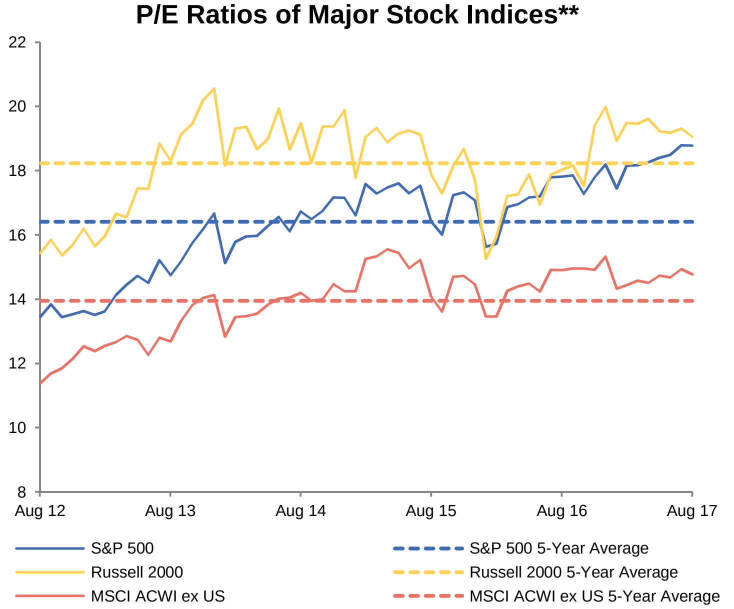


	Cons. Disc.	Cons. Staples	Energy	Financial	H'lthcare	Industrial	Info. Tech	Materials	Real Estate	Telecom	Utilities
MTD	-1.84%	-1.06%	-5.18%	-1.61%	1.85%	0.15%	3.47%	0.89%	1.14%	-3.02%	3.25%
QTD	0.00%	-0.49%	-2.81%	0.09%	2.64%	0.21%	7.96%	2.44%	2.35%	3.15%	5.77%
YTD	11.00%	7.49%	-15.07%	6.98%	19.13%	9.74%	26.56%	11.88%	8.90%	-7.93%	15.03%

U.S. Treasury Yield Curve



P/E Ratios of Major Stock Indices**



Source: Bloomberg. Data as of August 31, 2017, unless otherwise noted.
*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.