Monthly Market Review

U.S. Equity

- Domestic equity markets, as represented by the S&P 500 Index (S&P), started the year strong with a 5.7% increase in January.
- Sector performance within the S&P was mostly positive with nine of the 11 sectors posting positive returns. Consumer Discretionary was the best-performing sector, with a 9.3% return. Utilities and Real Estate were the only two sectors that finished negative, declining 3.1% and 1.9%, respectively.
- By market capitalizations, large-caps (Russell 1000 Index) led the pack with a 5.5% return, followed by mid-caps (Russell Midcap Index, 3.8%), and small-caps (Russell 2000 Index, 2.6%). Growth stocks 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 with a 5.6% return. Developed Markets, represented by MSCI EAFE Index, finished up 5.0%. Emerging Markets, represented by MSCI Emerging Markets Index, finished up 8.3%.
- Within the ACWI ex-U.S. Index, Information Technology was the strongest performer over the month, gaining 7.6%. Financials was the only sector in the red, falling 0.8%. Small-caps and large-caps were relatively even on the month in the Developed Markets, but large-caps outperformed small-caps in Emerging Markets. Value stocks outperformed growth stocks in both Developed and Emerging Markets.

Fixed Income

- The Bloomberg Barclays U.S. Aggregate Index fell 1.2% as yields rose across the yield curve during the month.
- Investment grade (IG) credit within the Aggregate fell 0.93% despite IG credit spreads modestly tightening. Within the IG credit spectrum, returns were negative across all qualities. BBB-rated bonds fell 0.65%, A-rated bonds fell 1.22%, AA dropped 1.05% and AAA declined 0.97%. High Yield (HY), represented by the Bloomberg Barclays U.S. Corporate HY Index, rose 0.60% despite spreads being relatively flat.
- The U.S. Treasury Yield curve steepened during the month of January. Yields increased across all tenors, as the intermediate- and long-term yields increased more than the short-term. Yields along the three- and 12-month terms increased between eight and 15 basis points (bps), while long-term yields increased by 20 to 32 bps.

Other Asset Classes

- Real estate investment trusts (REITs), represented by FTSE NAREIT Index, fell 4.2% in January. Returns within the individual real estate sectors were primarily negative as eight of the nine sectors ended the month in the red. Lodging/Resorts led the way as the only positive performer during the month with a return of 3.2%. Diversified (-7.8%), Retail (-6.4%), and Health Care (-6.1%) were the biggest detractors.
- Commodities, represented by the Bloomberg Commodity Index, rose as the index posted a 1.9% return. The active contract for West Texas Intermediate (WTI) crude closed at $64.7 per barrel, continuing the strong momentum from the end of 2017.

Items to Watch

- The Personal Saving Rate as a percentage of disposable income fell to 2.4% in the month of December, as reported by the Bureau of Economic Analysis. This marks the lowest level since 2005, when the rate had plummeted to 1.9% in the midst of the housing bubble. The rate of spending in the final quarter of 2017 rose at its fastest pace in almost two years. A historically low unemployment rate of 4.1%, rising home prices, record stock market gains, low inflation and the recently passed tax cut is giving boost to consumer spending.
- U.S. Gross Domestic Product (GDP) grew at an annual pace of 2.6% in the fourth quarter of 2017, less than the 3.2% growth from the previous quarter. Consumer spending remained strong while trade and an increase in inventory buildup were headwinds. The foreign trade deficit increased in the final months and imports rose at a higher level than exports, thus dragging down the growth rate. Overall, the economy grew at 2.3% in 2017, higher than the 1.5% recorded in 2016.
- The U.S. economy added 200,000 jobs in January, outpacing both expectations (180,000) and the December reading (revised up to 160,000). Meanwhile, the headline unemployment rate remained unchanged at 4.1%, matching a 17-year low. The surprise of the Labor Department's jobs report was a surge in wages, as average hourly earnings rose 2.9% over the past 12 months, the highest level since 2009. Equity markets fell in response to the surprise, anticipating a quicker tightening of the Federal Reserve's monetary policy. We believe this sell-off is a market reaction to the rapid rise in equity prices and is not a reflection of the underlying fundamentals.

Total Return of Major Indices as of 1/31/18

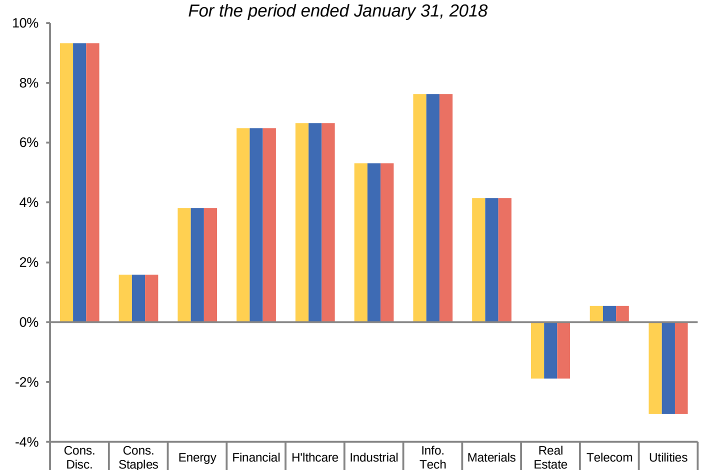
Domestic Equity	MTD	QTD	YTD	1 YR
S&P 500	5.72%	5.72%	5.72%	26.40%
Russell 3000	5.27%	5.27%	5.27%	25.15%
Russell 2000	2.61%	2.61%	2.61%	17.16%
Russell 1000	5.49%	5.49%	5.49%	25.82%
International Equity	**MTD**	**QTD**	**YTD**	**1 YR**
MSCI ACWI ex-U.S.	5.57%	5.57%	5.57%	29.68%
MSCI EAFE	5.02%	5.02%	5.02%	27.60%
MSCI Emerging Markets	8.33%	8.33%	8.33%	41.01%
Fixed Income*	**MTD**	**QTD**	**YTD**	**1 YR**
Bloomberg Barclays U.S. Agg	-1.15%	-1.15%	-1.15%	2.15%
Bloomberg Barclays Global Agg	1.19%	1.19%	1.19%	7.46%
Bloomberg Barclays U.S. HY	0.60%	0.60%	0.60%	6.60%
Alternatives	**MTD**	**QTD**	**YTD**	**1 YR**
FTSE NAREIT Equity	-4.18%	-4.18%	-4.18%	0.71%
Bloomberg Commodity	1.85%	1.85%	1.85%	2.52%

Economic Indicators

Domestic	Current	Previous
Unemployment Rate (%)	4.1%	4.1%
Initial Jobless Claims (4-week average)	234.5 K	239.5 K
CB Leading Economic Indicators	0.6	0.5
Capacity Utilization	77.9%	77.2%
GDP (annual growth rate)	2.6%	3.2%
University of Michigan Consumer Confidence	95.7	95.9
New Home Starts	625 K	689 K
Existing Home Sales	5.6 MM	5.8 MM
Retail Sales (YoY)	6.3%	6.2%
U.S. Durable Goods (MoM)	2.8%	1.7%
Consumer Price Index (YoY)	2.1%	2.2%
Producer Price Index (MoM)	-0.3%	1.4%
Developed International*	**9/30/2017**	**6/30/2017**
Market GDP (annual rate)	2.3%	2.2%
Market Unemployment	5.2%	5.3%

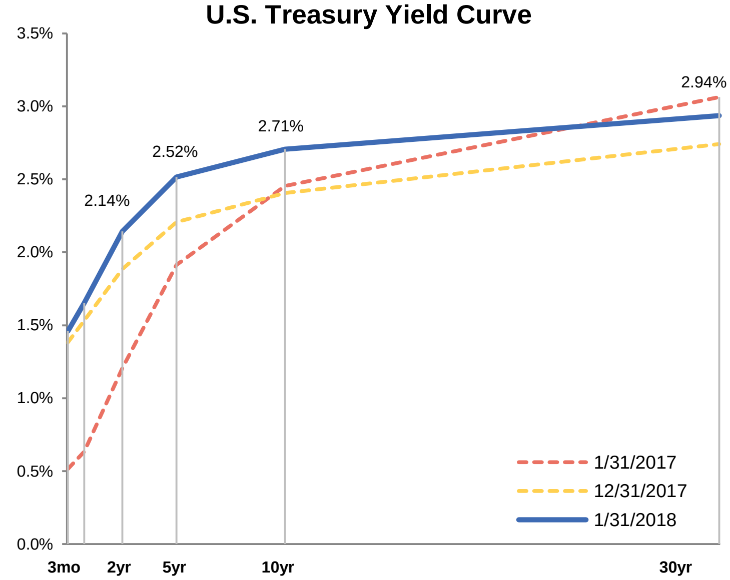
Stock Market Sector Performance (S&P 500)

For the period ended January 31, 2018

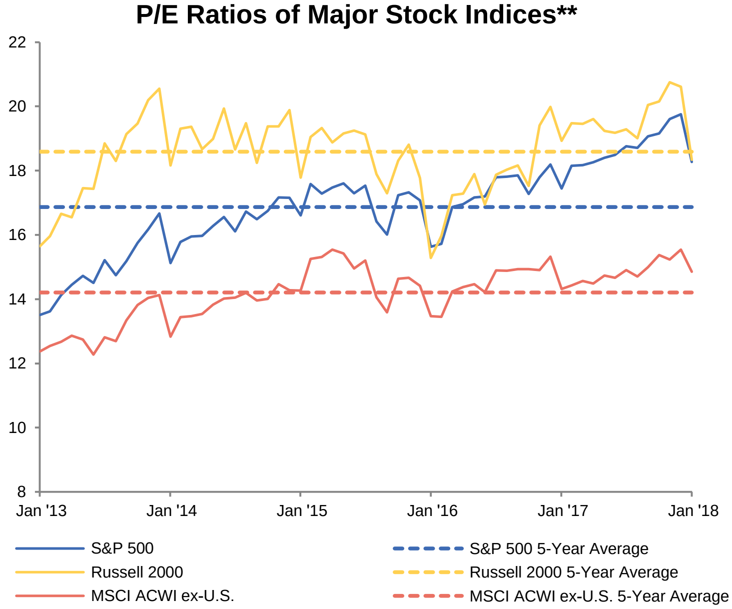


	Cons. Disc.	Cons. Staples	Energy	Financial	H'lthcare	Industrial	Info. Tech	Materials	Real Estate	Telecom	Utilities
MTD	9.32%	1.59%	3.81%	6.48%	6.65%	5.31%	7.63%	4.14%	-1.89%	0.55%	-3.07%
QTD	9.32%	1.59%	3.81%	6.48%	6.65%	5.31%	7.63%	4.14%	-1.89%	0.55%	-3.07%
YTD	9.32%	1.59%	3.81%	6.48%	6.65%	5.31%	7.63%	4.14%	-1.89%	0.55%	-3.07%

U.S. Treasury Yield Curve



P/E Ratios of Major Stock Indices**



Source: Bloomberg. Data as of January 31, 2018 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 September 30, 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.

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