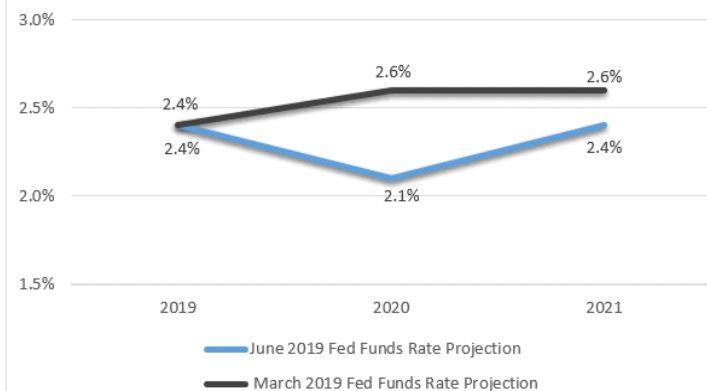


## Market Commentary -2nd Quarter 2019

"Many FOMC participants now see that the case for a somewhat more accommodative policy has strengthened...we will use our tools as appropriate to sustain the expansion."

-Jerome Powell, Chair of the Federal Reserve

**FOMC Summary of Economic Projections  
for the Fed Funds Rate, Median**



Source: U.S. Federal Open Market Committee, Summary of Economic Projections

	3 Months	YTD	1 Year	3 Years	5 Years	10 Years
S&P 500 Index	4.30	18.54	10.42	14.19	10.71	14.70
Russell 1000 Index	4.25	18.84	10.02	14.15	10.45	14.77
Russell 1000 Value Index	3.84	16.24	8.46	10.19	7.46	13.19
Russell 1000 Growth Index	4.64	21.49	11.56	18.07	13.39	16.28
Russell 2000 Index	2.10	16.98	-3.31	12.30	7.06	13.45
Russell 2000 Value Index	1.38	13.47	-6.24	9.81	5.39	12.40
Russell 2000 Growth Index	2.75	20.36	-0.49	14.69	8.63	14.41
MSCI EAFE ND	3.68	14.03	1.08	9.11	2.25	6.90
MSCI EAFE LOC	3.08	14.15	2.70	10.34	6.36	8.85
MSCI ACWI ex. US	2.98	13.60	1.29	9.39	2.16	6.54
MSCI EAFE Small Cap ND	1.71	12.55	-6.35	9.06	4.40	9.67
MSCI Europe ND	4.48	15.80	1.88	9.11	1.27	6.99
MSCI Japan ND	1.02	7.75	-4.19	8.06	4.47	5.85
MSCI EM ND	0.61	10.59	1.21	10.66	2.49	5.81
MSCI EM LOC	0.33	10.24	2.24	11.47	6.47	8.17
DJ World Real Estate	0.90	16.56	9.42	7.01	6.28	10.94
DJ US Select REIT Index	0.82	16.67	9.75	3.73	7.61	15.40
DJ-UBS US Commodity Index	-1.19	5.06	-6.75	-2.18	-9.15	-3.74
BofA ML 3-month T-Bill	0.64	1.24	2.31	1.38	0.87	0.49
BB Government 1-3 Yr	1.46	2.47	4.02	1.31	1.23	1.23
BB Government/Credit Bond	3.53	6.90	8.52	2.41	3.11	4.09
BB US Aggregate Bond	3.09	6.12	7.88	2.32	2.96	3.91
BB Long Government	6.00	10.92	12.28	1.42	5.68	6.54
BB Long U.S. Corporate	7.23	15.77	15.19	5.45	5.80	8.50
BB High Yield Corporate Bond	2.50	9.94	7.48	7.52	4.70	9.24
BB TIPS	2.87	6.15	4.84	2.08	1.76	3.64

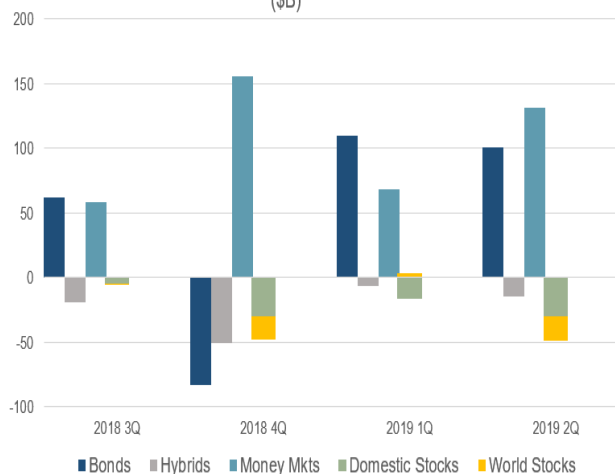
## Market Commentary -2nd Quarter 2019

FRB Leading Index for the United States, Percent, Monthly, Seasonally Adjusted



The Leading Index predicts the six-month growth rate of the United States' Coincident Economic Activity Index, which incorporates nonfarm payroll employment, the unemployment rate, average hours worked in manufacturing and wages and salaries in estimating economic activity.

Estimated Cash Flows in Mutual Fund and Exchange-Traded Fund Investing (\$B)



Source: Investment Company Institute

S&P/Case-Shiller 10-City Composite Home Price Index



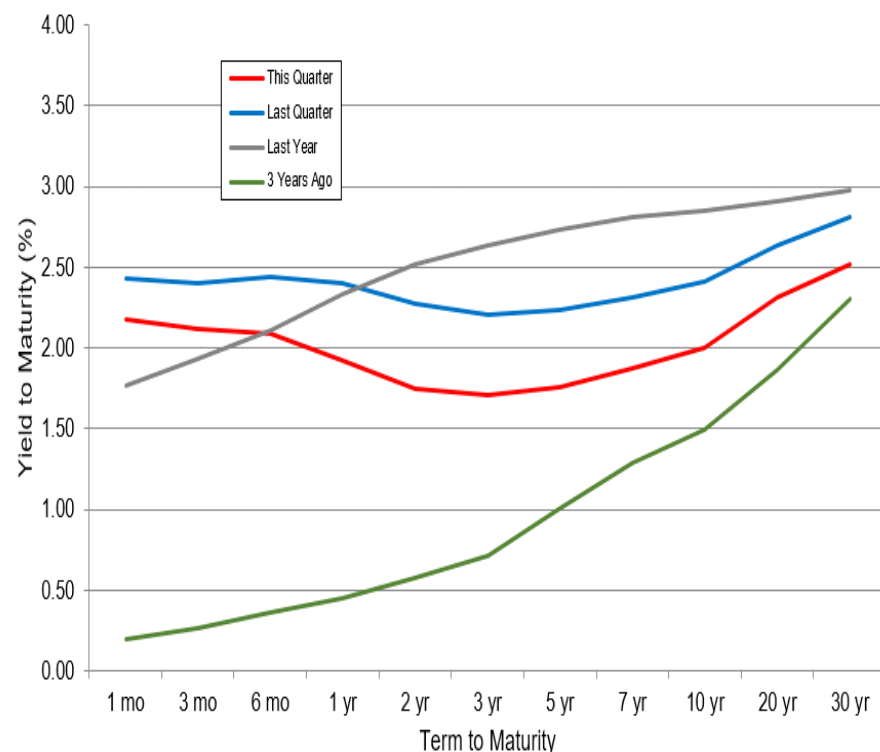
The S&P/Case-Shiller Home Price Indices are calculated monthly using a three-month moving average and published with a two month lag. Base Year 2000 = 100.

## Market commentary

- Markets were positive across the board, extending their gains after a strong first quarter.
- U.S. stocks (S&P 500) were up 4.3% on a continued dovish Fed policy and on possible trade progress after the US and China reached a deal to put a hold on tariffs as talks continue.
- Emerging markets and foreign developed markets were up 0.61% and 3.68%, respectively, on positive economic news and improved trade outlook.
- The Federal Reserve maintained its dovish stance over the quarter, leading investors to anticipate as many as two rate cuts later this year.
- Investors decreased their holdings of domestic and world stock mutual funds/ETFs and increased their holdings of bond mutual funds/ETFs. For the quarter, stock funds had a net outflow of \$49 billion and bond funds had a net inflow of \$101 billion. Total money market mutual fund assets increased by \$131 billion to \$3.2 trillion.
- The US added 512,000 jobs this quarter, and the unemployment rate decreased from 3.8% to 3.7%.
- The price of oil decreased slightly from \$60 to \$58 a barrel over the quarter due to forecasts of a slowdown in global demand and increased production in the US.

## Market Commentary -2nd Quarter 2019

### U.S. Treasury Yield Curve



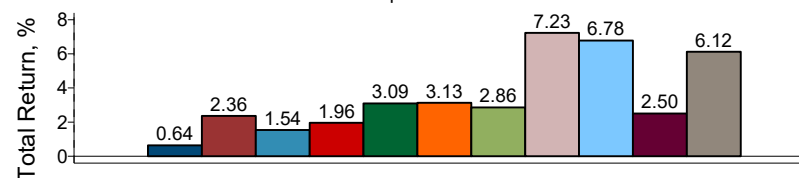
Source: Department of US Treasury

### U.S. bond market

- The broad fixed income market was up as investors reacted positively to the Fed's more accommodative approach to monetary policy.
- The yield curve shifted downwards and remained inverted during the quarter, increasing concern among investors about a possible recession.
- The Federal Reserve held rates steady over the quarter, but left some opening for possible future cuts.
- Yields on the 10-year Treasury decreased 41 basis points while yields on the 30-year Treasury went down by 29 basis points.
- Short term U.S. corporates were up the least as investors were better rewarded for longer term investments.
- Long term US corporate bonds were the best performing sector, up 7.23% amid a more stable economic backdrop and growing demand for investment grade credit.

### US Fixed Income - Quarter

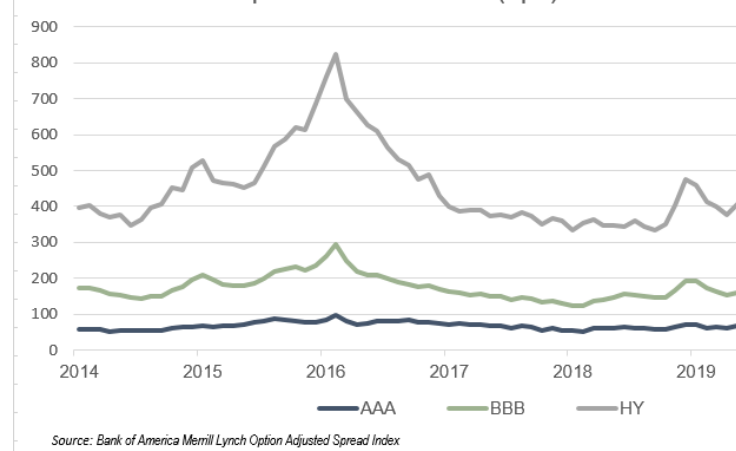
Apr-19 - Jun-19



Legend:

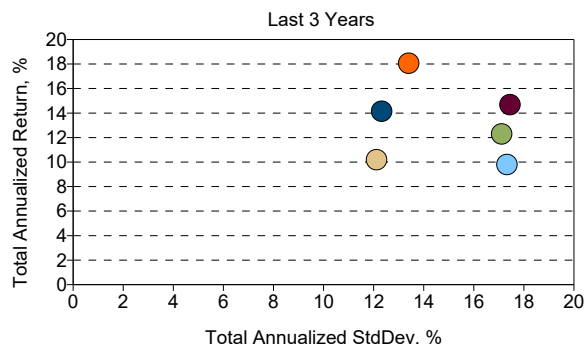
- BofA ML 3-month T-Bill
- BBgBarc US Corp 1-3 Yr
- BBgBarc US Aggregate Bond
- BBgBarc US Infl Linked US TIPS
- BBgBarc US Long Corp A or Higher
- BBgBarc US Treasury 20+ Yr
- BBgBarc Interm US Treasury
- BBgBarc US MBS
- BBgBarc Interm Corp
- BB Long U.S. Corporate
- BB High Yield Corporate Bond

### Spread to Treasuries (bps)

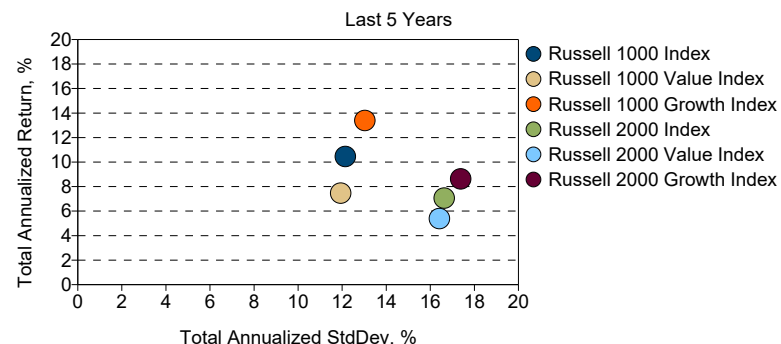


## Market Commentary -2nd Quarter 2019

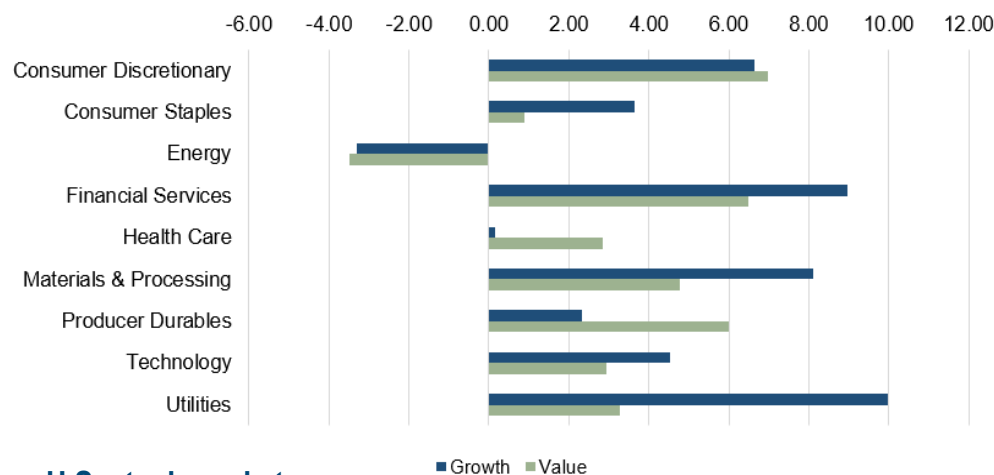
Performance vs. Risk



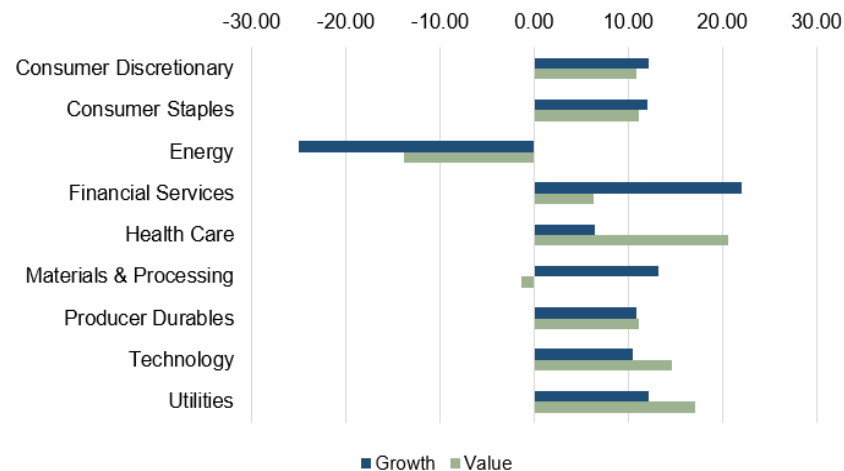
Performance vs. Risk



Russell 1000 Index Sector Quarterly Returns



Russell 1000 Index Sector Annual Returns



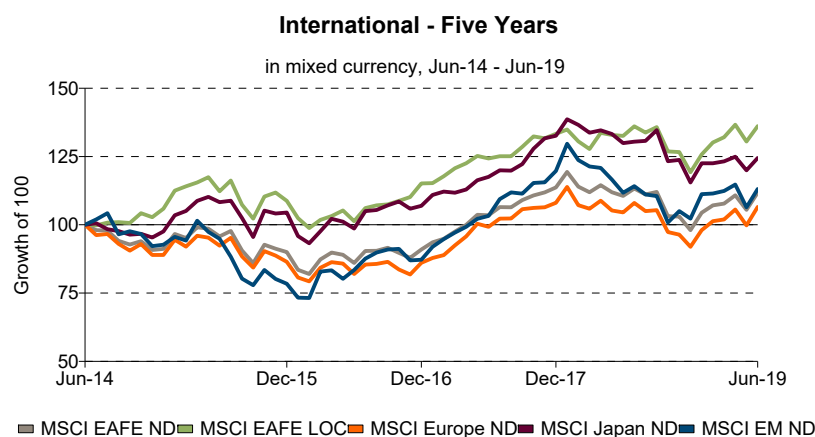
## U.S. stock market

- Major domestic equity indices were up over the quarter, with large growth outperforming large value, and small growth outperforming small value. The Russell 1000 Growth Index was the best performing sector, up 4.64%.
- In the quarter, smaller capitalization stocks lagged larger capitalization due to muted gains after the first quarter's strong performance and continued volatility.
- REITs were up 0.82% as interest rates remained low and demand persisted, but substantial prior gains gave some investors pause.
- Energy performed the worst, as forecasts of a slowdown in global demand put pressure on the sector.
- Financial services was the best performing sector, up 7.29% on near record profitability despite a decline in yields and a dovish Fed.

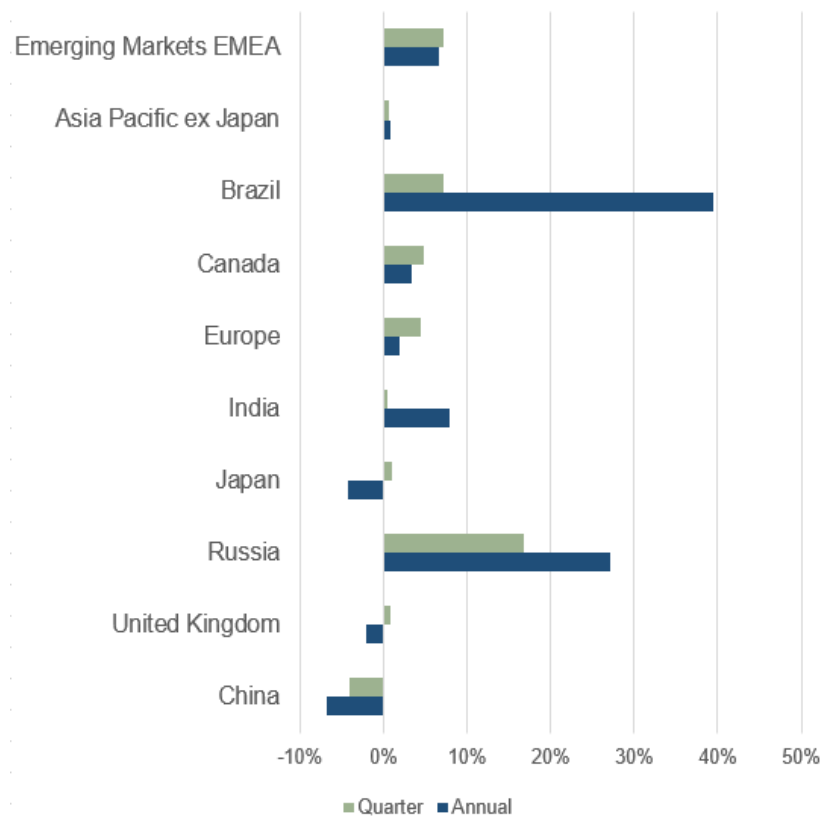
## Market Commentary -2nd Quarter 2019

	Units per US Dollar		
	This Quarter	Last Quarter	% Change
Euro	0.880	0.891	-1.31%
United Kingdom Pound	0.787	0.767	2.70%
Japanese Yen	107.926	110.861	-2.65%
Chinese Yuan Renminbi	6.866	6.711	2.30%
Mexican Peso	19.225	19.435	-1.08%
Canadian Dollar	1.309	1.334	-1.87%
Indian Rupee	68.949	69.281	-0.48%
Russian Ruble	63.276	66.748	-5.20%
Brazilian Real	3.847	3.923	-1.93%

Source: www.xe.com



## Regional Performance



Source: MSCI

### International market

- The dollar was slightly down against most major currencies, but up against the pound and the yuan as interest rates remained static.
- The UK and EU agreed on a further delay to Brexit in the wake of Theresa May resigning as prime minister. The deadline is now October 31, 2019.
- For the quarter, the EAFE Index was up 3.68% while the EM index was up 0.61%. Local currency returns for developed markets were up 3.08%, while local returns in emerging markets were up 0.33%.
- Among the major international regions, Russian stocks were the best performing for the quarter, up 17%, as investors grew more confident that the US would not impose additional sanctions against Russia.
- Chinese stocks performed the worst, down 4% amid fluctuating trade tensions with the US and fears of slowing growth.
- Large-cap international stocks outperformed small-cap international stocks.

