Quarterly Investment Summary

MARCH 2018

Performance Summary (as of 03/31/2018)

	Target Allocation	Trailing Returns				
	Equity/Fixed	3 Months	YTD	1 Year	3 Year	5 Year
Fixed Income	0%/100%	-0.85%	-0.85%	0.85%	1.19%	1.31%
Conservative	25%/75%	-0.74%	-0.74%	4.11%	3.24%	3.71%
Balanced	50%/50%	-0.72%	-0.72%	7.28%	5.14%	5.88%
Growth	75%/25%	-0.85%	-0.85%	10.42%	7.05%	8.09%
Equity	100%/0%	-1.29%	-1.29%	13.06%	9.07%	10.42%

Market Commentary

- Financial markets experienced a volatile opening quarter of 2018, however the underlying economic conditions appear to remain robust according to recent releases. US consumer confidence hit an 18-year high during February, before retreating slightly in its March release. The number of Americans filing new applications for unemployment came in at the lowest level since 1973 per a late March reading of the Department of Labor's initial jobless claims report. Employers have added 242,000 jobs on average per month over the past three months, and the unemployment rate has remained at 4.1% for five consecutive months. The manufacturing side of the economy continues to perform well. The Institute for Supply Management's Purchasing Managers Index (PMI) registered at 59.3 for March, down slightly from the February reading of 60.8, which marked the PMI's highest level since 2004. A reading above 50 indicates that the manufacturing economy is expanding; below 50 indicates contraction. News from Washington DC continues to impact the markets and economy. The recently passed Republican-led tax reform bill is expected to raise corporate earnings as well as workers' take-home pay, but the White House recently prompted fears of a potential trade war after announcing its intentions to implement certain tariffs targeting China.

- Concerns about rising interest rates, stock valuations, and potential ramifications of protectionist trade policies sent equities lower in early February. The selling continued into March, with all the major US large cap indices in the red for the month. The S&P 500 snapped a nine-quarter winning streak by falling 0.8% during the first quarter of 2018. Likewise, the Dow Jones Industrial Average dropped 2.0%, also its first decline in over two years, while the tech-laden NASDAQ Composite managed to post a gain of 2.6%, its weakest advance in over a year. Within US large cap equity markets, growth stocks continued to significantly outperform their value counterparts, with the S&P 500 Growth Index finishing the quarter 5.5% ahead of the S&P 500 Value Index.

- Longer-term rates moved down during the month, reversing course from the first two months of the year. The yield on the 10-year Treasury hit a four-year high of 2.95% in February before falling to end the quarter at 2.74%, still above 2.41% where it ended 2017. As expected, the Fed raised rates to a range of 1.50%-1.75% at its March Federal Open Market Committee meeting, which was the first meeting led by the new Fed Chairman Jerome Powell. In its statement, the Fed noted that the labor market had continued to strengthen and that economic activity has been rising at a moderate rate. Importantly, the Fed lifted its economic growth projections for 2018 and 2019, and forecasts now call for at least two more rate hikes for the balance of 2018.