



Quarterly Investment Summary

JUNE 2018

Performance Summary (as of 06/30/2018)

	Target Allocation	Trailing Returns				
		3 Months	YTD	1 Year	3 Year	5 Year
	Equity/Fixed					
Fixed Income	0%/100%	-0.03%	-0.88%	-0.06%	1.48%	1.75%
Conservative	25%/75%	0.28%	-0.47%	2.72%	3.52%	4.03%
Balanced	50%/50%	0.62%	-0.10%	5.43%	5.45%	6.08%
Growth	75%/25%	0.90%	0.04%	7.99%	7.33%	8.18%
Equity	100%/0%	1.26%	-0.04%	10.20%	9.36%	10.37%

Market Commentary

- The US economy remains firmly in expansionary territory. The current economic recovery that began in the summer of 2009 is now the second longest in US history. As of June, the current expansion will have marked its 108th month. The only other time the US economy expanded for longer was the ten-year period that ended in March of 2001. Revised first quarter GDP came in at 2.0%, down slightly from the fourth quarter 2017 reading. However, most second quarter estimates call for strong growth despite volatility in the financial markets and concerns over trade disputes. A confident consumer, coupled with strong employment conditions supports economic optimism heading into the third quarter. The most recent consumer confidence reading of 126.4 remains near 17-year highs. The overall employment picture continues to improve and has now entered territory rarely seen. In the month of May, employers added 233,000 new jobs and the headline unemployment rate declined to 3.8%. The manufacturing side of the economy also continues to perform well. The Institute for Supply Management's Purchasing Managers Index registered at 58.7 in May - any reading above 50 reflects expansionary economic conditions. Crude oil prices continued to climb, reaching the highest levels since late-2014. WTI crude oil finished the quarter trading above \$74 per barrel.
- Fears about escalating trade tensions gripped investor attention throughout much of the quarter as President Trump announced tariffs against trading partners including Canada, Mexico, the European Union, and China. Nevertheless, the S&P 500 rebounded in the second quarter, rising 3.43% on a total return basis, and now stands 2.65% higher year-to-date. The Dow Jones Industrial Average rose 1.26% in the second quarter, but remains down 0.73% this year. Technology stocks remain the big winners so far this year, bringing the YTD gain in the tech-heavy Nasdaq index to 9.37%. Growth stocks widened their lead over Value stocks in the quarter. Year-to-date, growth leads value by over 9%, and over the past year, growth's advantage widens to over 13%.
- Interest rates increased throughout the second quarter, resulting in a bond market that has been unable to reverse year-to-date losses. The yield on the 10-year Treasury closed the month at 2.85%, down from a mid-second-quarter watermark of 3.10%. Spreads between corporate and government bonds generally widened, resulting in government bonds outpacing their investment-grade corporate bond counterparts. As expected, the Fed raised rates by 25 basis points to a range of 1.75%-2.00% at its June Federal Open Market Committee meeting. The committee also indicated a total of four rate increases in 2018, up from three at the March meeting. At the post-meeting press conference Fed Chief Jay Powell stated that the economy is in "great shape".