Quarterly Investment Summary

SEPTEMBER 2018

Performance Summary (as of 09/30/2018)

	Target Allocation	Trailing Returns				
	Equity/Fixed	3 Months	YTD	1 Year	3 Year	5 Year
Fixed Income	0%/100%	0.53%	-0.36%	-0.25%	1.75%	1.68%
Conservative	25%/75%	1.58%	1.10%	2.58%	4.82%	3.91%
Balanced	50%/50%	2.72%	2.61%	5.51%	7.87%	5.91%
Growth	75%/25%	3.92%	3.96%	8.27%	10.93%	7.99%
Equity	100%/0%	5.07%	5.03%	10.74%	14.19%	10.15%

Market Commentary

- As we enter October, our current economic expansion has marked its 111th consecutive month and is now the second longest in U.S. history. Markets remained pessimistic regarding international growth prospects for much of the quarter before sentiment improvement in the waning days of September. Domestically, very strong second-quarter economic output was confirmed by the third (and final) revision of real GDP growth that came in at 4.2%. Growth in the third quarter is likely to be a bit more tepid than the second, but still well above the sluggish gains posted throughout most of this expansion. Consumers will likely continue their unwavering support given that consumer confidence hit a new 18-year high in September, as robust jobs growth bolstered expectations. Manufacturing activity remains robust. The Institute for Supply Management's Purchasing Managers Index registered an impressive 59.8 in September. This comes on the back of 61.3 for August, the highest level since May of 2004. The housing market appears to be one of the few areas of the economy that is showing some weakness. Although home-price increases have slowed over the last four months, tight housing supply continues to put upward pressure on prices. Escalating trade tensions, notably between the U.S. and China, are on investor's minds as we enter the fourth quarter. U.S.-China ties remain tense after the Trump administration imposed 10% tariffs on $200 billion in Chinese exports in the last week of September.

- On the back of a strong earnings season, domestic indices moved markedly higher in July and August, while providing more modest returns in September. For the quarter, the Dow Jones Industrial Average led the way with a return of 9.63%, but all major U.S. indices posted impressive returns. Investors continued to prefer growth stocks over their value counterparts in the third quarter, with the exception of a few trading days in late July and scattered days throughout September. While valuations appear stretched for some companies, especially for select stocks in the Information Technology and Consumer Discretionary sectors, the stock market looks less pricey than it did at the beginning of the year given the realization of strong earnings growth.

- The 10-year Treasury yield approached a seven-year high in late September, a potential sign that global growth will persist despite trade conflicts. The 10-year finished the month yielding 3.07%, up from 2.86% at the start of the quarter. The slope of the yield curve flattened during the quarter, although most of the flattening occurred in July with a more stable slope in August through September. As expected, the Fed raised rates by 25 basis points to a range of 2.00%-2.25% at its late-September meeting. This most recent rate increase marks the third rate increase this year and the eighth since the Fed began to lift rates in late 2015. Going forward, investors will be focused on the Fed's policy path in 2019 and any signs of changes in inflation expectations.