

Q3

Quarterly Market Review

Third Quarter 2017

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This report features world capital market performance and a timeline of events for the past quarter. It begins with a global overview, then features the returns of stock and bond asset classes in the US and international markets.

The report also illustrates the impact of globally diversified portfolios and features a quarterly topic.

Overview:

Market Summary

World Stock Market Performance

World Asset Classes

US Stocks

International Developed Stocks







Emerging Markets Stocks

Commodities

Fixed Income

Market Summary

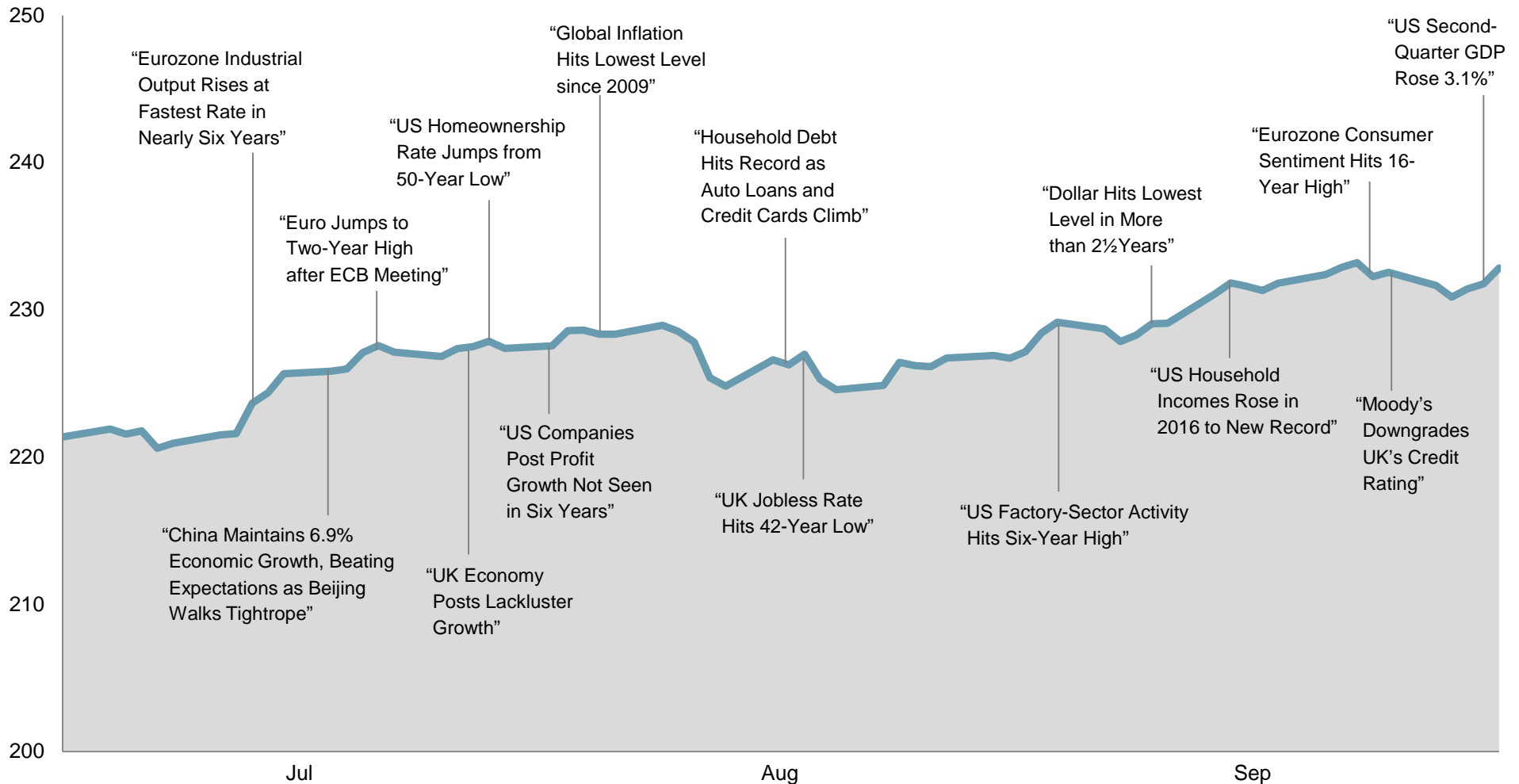
Index Returns

	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate	US Bond Market	Global Bond Market ex US
Q3 2017	STOCKS				BONDS	
	4.57%	5.62%	7.89%	1.13%	0.85%	0.70%
						
Since Jan. 2001						
Avg. Quarterly Return	1.9%	1.6%	3.1%	2.7%	1.2%	1.1%
Best Quarter	16.8% Q2 2009	25.9% Q2 2009	34.7% Q2 2009	32.3% Q3 2009	4.6% Q3 2001	5.5% Q4 2008
Worst Quarter	-22.8% Q4 2008	-21.2% Q4 2008	-27.6% Q4 2008	-36.1% Q4 2008	-3.0% Q4 2016	-3.2% Q2 2015

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: US Stock Market (Russell 3000 Index), International Developed Stocks (MSCI World ex USA Index [net div.]), Emerging Markets (MSCI Emerging Markets Index [net div.]), Global Real Estate (S&P Global REIT Index [net div.]), US Bond Market (Bloomberg Barclays US Aggregate Bond Index), and Global Bond ex US Market (Citi WGBI ex USA 1-30 Years [Hedged to USD]). The S&P data are provided by Standard & Poor's Index Services Group. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. MSCI data © MSCI 2017, all rights reserved. Bloomberg Barclays data provided by Bloomberg. Citi fixed income indices copyright 2017 by Citigroup.

World Stock Market Performance

MSCI All Country World Index with selected headlines from Q3 2017



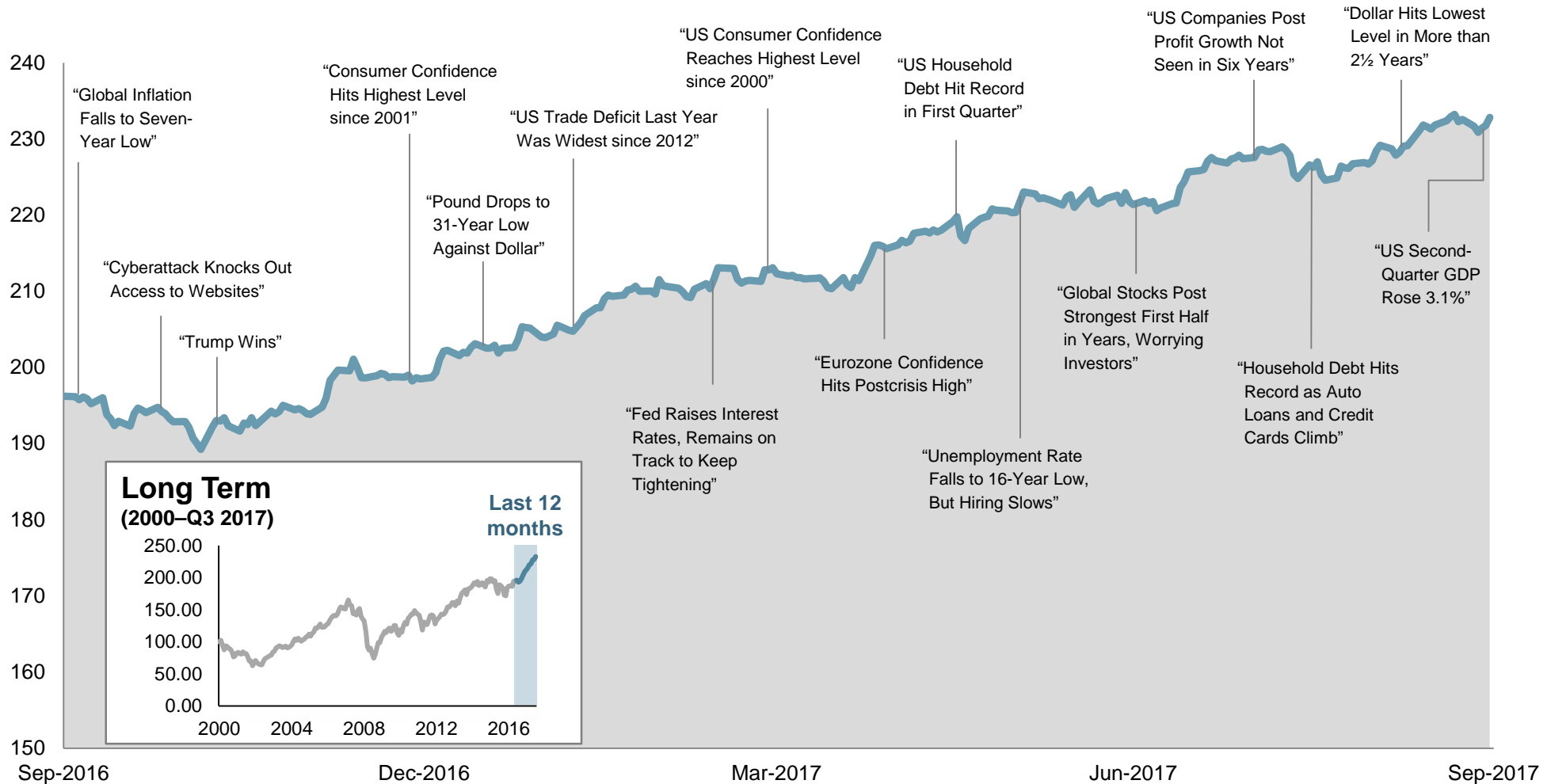
These headlines are not offered to explain market returns. Instead, they serve as a reminder that investors should view daily events from a long-term perspective and avoid making investment decisions based solely on the news.

Graph Source: MSCI ACWI Index [net div.]. MSCI data © MSCI 2017, all rights reserved.
It is not possible to invest directly in an index. Performance does not reflect the expenses associated with management of an actual portfolio. Past performance is not a guarantee of future results.

World Stock Market Performance

MSCI All Country World Index with selected headlines from past 12 months

Short Term (Q4 2016–Q3 2017)



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Graph Source: MSCI ACWI Index [net div.]. MSCI data © MSCI 2017, all rights reserved.

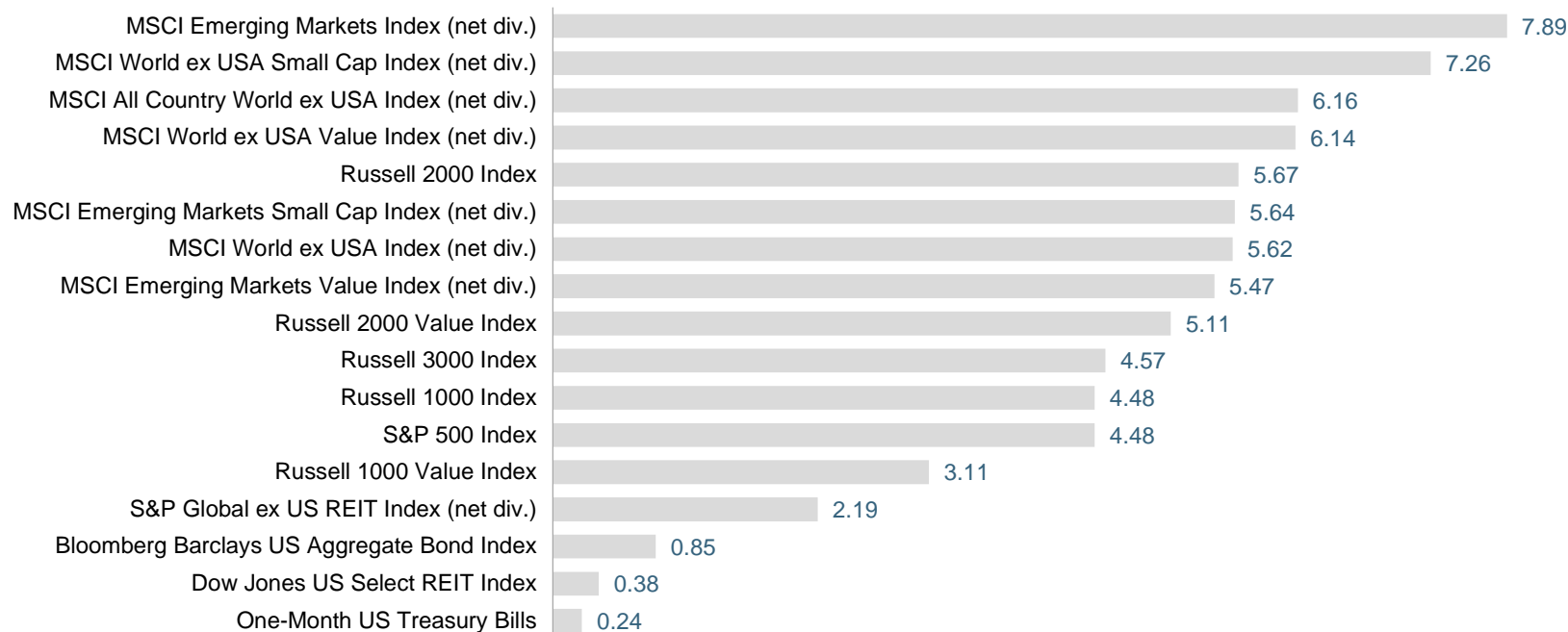
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World Asset Classes

Third Quarter 2017 Index Returns (%)

With broad market indices used as proxies, emerging markets outperformed developed markets, including the US, during the quarter.

The value effect was positive in non-US developed markets but negative in the US and emerging markets. Small caps outperformed large caps in US and non-US developed markets but underperformed in emerging markets.



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US Stocks

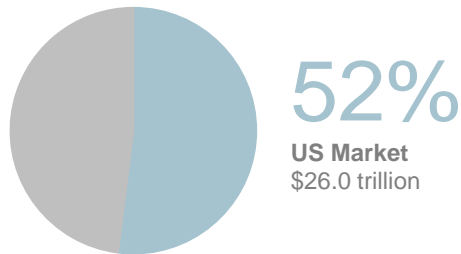
Third Quarter 2017 Index Returns

The broad US equity market posted positive returns for the quarter but underperformed both non-US developed and emerging markets.

Value underperformed growth indices in the US across all size ranges.

Small caps in the US outperformed large caps.

World Market Capitalization—US



Ranked Returns for the Quarter (%)



Period Returns (%)

Asset Class	YTD	1 Year	* Annualized		
			3 Years*	5 Years*	10 Years*
Marketwide	13.91	18.71	10.74	14.23	7.57
Large Cap	14.17	18.54	10.63	14.27	7.55
Large Value	7.92	15.12	8.53	13.20	5.92
Large Growth	20.72	21.94	12.69	15.26	9.08
Small Cap	10.94	20.74	12.18	13.79	7.85
Small Value	5.68	20.55	12.12	13.27	7.14
Small Growth	16.81	20.98	12.17	14.28	8.47

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International Developed Stocks

Third Quarter 2017 Index Returns

In US dollar terms, developed markets outperformed US equity indices but underperformed emerging markets indices during the quarter.

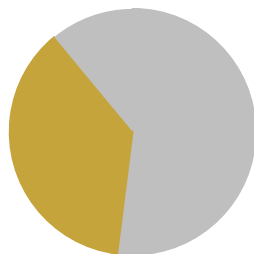
With broad market indices used as proxies, the value effect was positive. The value effect was positive in large caps but negative in mid and small caps.

Overall, small caps outperformed large caps in non-US developed markets.

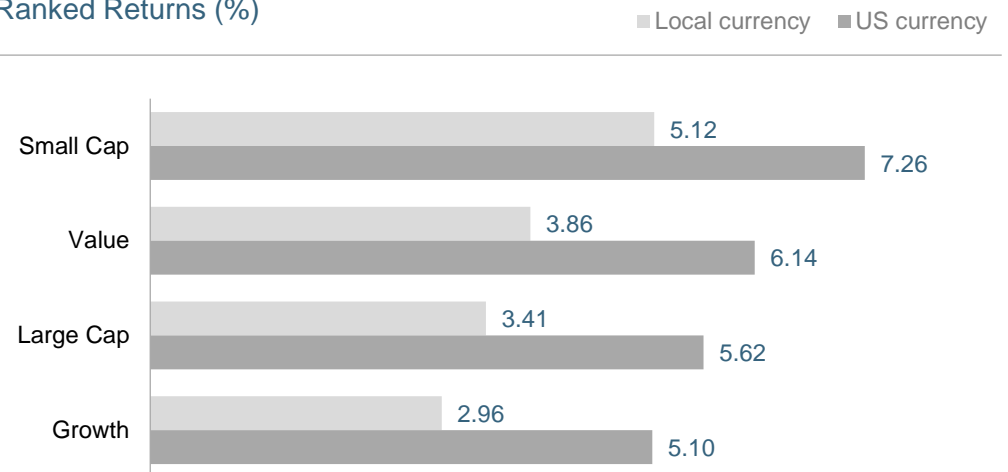
World Market Capitalization—International Developed

37%

International
Developed
Market
\$18.5 trillion



Ranked Returns (%)



Period Returns (%)

Asset Class	YTD	1 Year	3 Years*	5 Years*	10 Years*
Large Cap	19.17	18.73	4.57	7.81	1.28
Small Cap	23.82	20.42	9.59	11.16	4.04
Value	17.05	22.46	3.24	7.36	0.64
Growth	21.47	15.04	5.82	8.19	1.86

* Annualized

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Emerging Markets Stocks

Third Quarter 2017 Index Returns

In US dollar terms, emerging markets indices outperformed developed market indices, including the US, during the quarter.

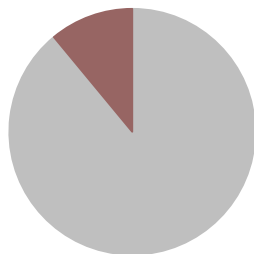
With broad market indices used as proxies, the value effect was negative. Across the size spectrum in the large and mid cap space, the value effect was negative; however, in the small cap space, the effect was positive.

Overall, small caps underperformed large caps in emerging markets.

World Market Capitalization—Emerging Markets

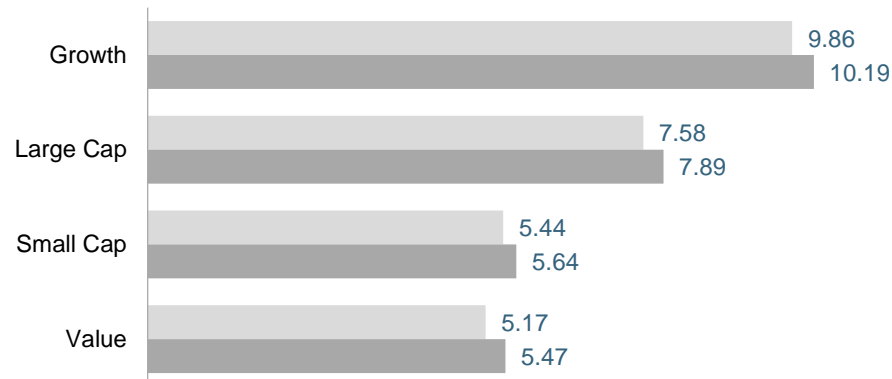
11%

Emerging Markets
\$5.8 trillion



Ranked Returns (%)

Local currency US currency



Period Returns (%)

* Annualized

Asset Class	YTD	1 Year	3 Years*	5 Years*	10 Years*
Large Cap	27.78	22.46	4.90	3.99	1.32
Small Cap	22.53	14.89	3.14	4.60	1.74
Value	19.87	18.55	1.62	1.34	0.67
Growth	36.03	26.35	8.12	6.55	1.88

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Commodities

Third Quarter 2017 Index Returns

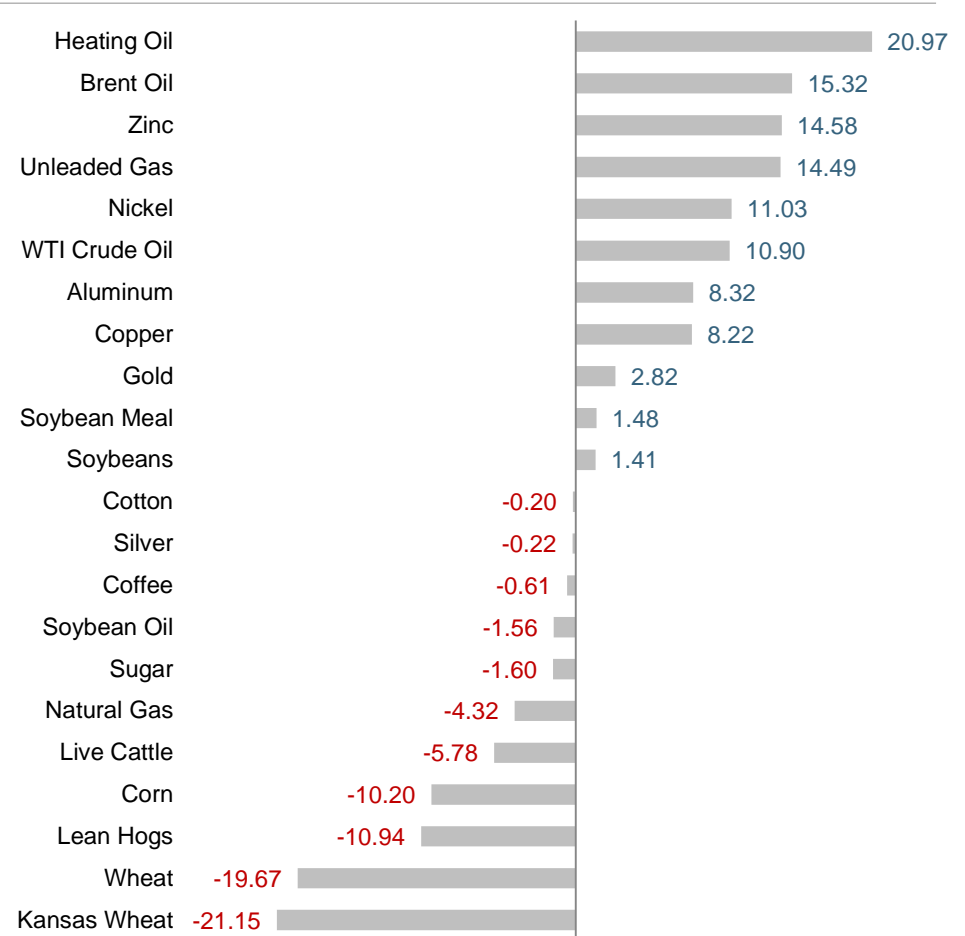
The Bloomberg Commodity Index Total Return gained 2.52% during the third quarter.

The energy complex led advancing commodities, with heating oil returning 20.97%, Brent crude oil 15.32%, unleaded gas 14.49%, and WTI crude oil 10.90%.

Grains was the worst-performing complex, with Kansas wheat and Chicago wheat declining 21.15% and 19.67%, respectively. Lean hogs also experienced a decline, decreasing by 10.94%.

Period Returns (%)		* Annualized			
Asset Class	YTD	1 Year	3 Years*	5 Years*	10 Years*
Commodities	-2.87	-0.29	-10.41	-10.47	-6.83

Ranked Returns for Individual Commodities (%)



Fixed Income

Third Quarter 2017 Index Returns

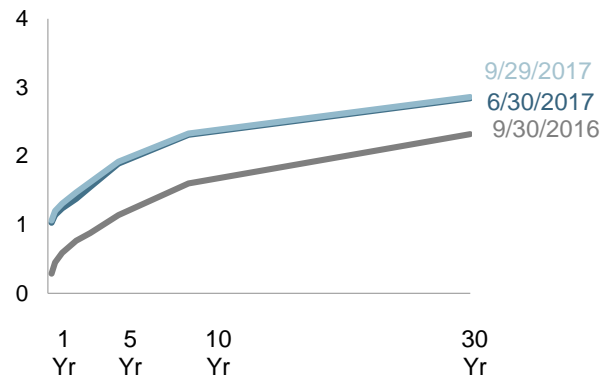
Interest rates increased across the US fixed income market for the quarter. The yield on the 5-year Treasury note increased by 3 basis points (bps) to 1.92%. The yield on the 10-year Treasury note increased by 2 bps to 2.33%. The 30-year Treasury bond yield increased by 2 bps to finish at 2.86%.

The yield on the 1-year T-bill rose 7 bps to 1.31%, and the 2-year Treasury note yield rose 9 bps to 1.47%. The yield on the 3-month Treasury bill increased 3 bps to 1.06%, while the 6-month Treasury bill yield increased 6 bps to 1.20%.

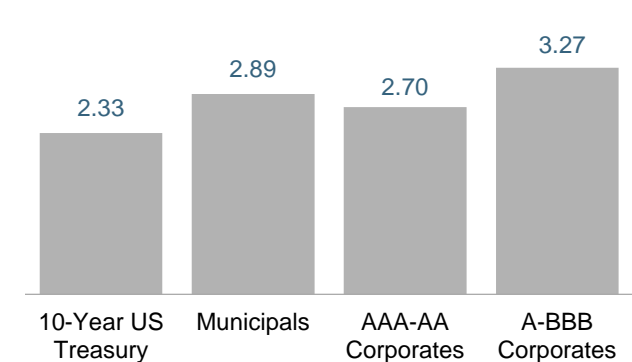
In terms of total returns, short-term corporate bonds gained 0.59%, and intermediate-term corporates gained 1.05%.

Short-term municipal bonds generated a total return of 0.49%, while intermediate-term municipal bonds returned 0.83%. General obligation bonds gained 1.14%, outperforming revenue bonds by 4 bps.

US Treasury Yield Curve (%)



Bond Yields across Issuers (%)



Period Returns (%)

* Annualized

Asset Class	YTD	1 Year	3 Years*	5 Years*	10 Years*
Bloomberg Barclays Long US Government Bond Index	6.06	-6.14	4.84	2.87	6.83
Bloomberg Barclays Municipal Bond Index	4.66	0.87	3.19	3.01	4.52
Bloomberg Barclays US Aggregate Bond Index	3.14	0.07	2.71	2.06	4.27
Bloomberg Barclays US Corporate High Yield Index	7.00	8.88	5.83	6.36	7.84
Bloomberg Barclays US TIPS Index	1.72	-0.73	1.62	0.02	3.90
BofA Merrill Lynch 1-Year US Treasury Note Index	0.55	0.60	0.46	0.39	1.05
BofA Merrill Lynch Three-Month US Treasury Bill Index	0.57	0.66	0.32	0.22	0.47
Citi World Government Bond Index 1-5 Years (hedged to USD)	1.07	0.59	1.35	1.30	2.32

One basis point equals 0.01%. Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Yield curve data from Federal Reserve. State and local bonds are from the S&P National AMT-Free Municipal Bond Index. AAA-AA Corporates represent the Bank of America Merrill Lynch US Corporates, AA-AAA rated. A-BBB Corporates represent the Bank of America Merrill Lynch US Corporates, BBB-A rated. Bloomberg Barclays data provided by Bloomberg. US long-term bonds, bills, inflation, and fixed income factor data © Stocks, Bonds, Bills, and Inflation (SBBBI) Yearbook™, Ibbotson Associates, Chicago (annually updated work by Roger G. Ibbotson and Rex A. Sinquefeld). Citi fixed income indices copyright 2017 by Citigroup. The BofA Merrill Lynch Indices are used with permission; © 2017 Merrill Lynch, Pierce, Fenner & Smith Incorporated; all rights reserved. Merrill Lynch, Pierce, Fenner & Smith Incorporated is a wholly owned subsidiary of Bank of America Corporation. The S&P data are provided by Standard & Poor's Index Services Group.