

Q2

Quarterly Market Review
Second Quarter 2019

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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.

Overview:

Market Summary

World Stock Market Performance

World Asset Classes

US Stocks

International Developed Stocks

Emerging Markets Stocks

Select Country Performance

Select Currency Performance
vs. US Dollar

Real Estate Investment Trusts (REITs)

Commodities







Fixed Income

Global Fixed Income

Impact of Diversification

Market Summary



















Index Returns

| | US Stock Market | International Developed Stocks | Emerging Markets Stocks | Global Real Estate | | US Bond Market | Global Bond Market ex US |
|------------------------|--|--|--|---|--|--|--|
| Q2 2019 | STOCKS | | | | | BONDS | |
| | 4.10% | 3.79% | 0.61% | 1.29% | | 3.08% | 2.75% |
| |  |  |  |  | |  |  |
| Since Jan. 2001 | | | | | | | |
| Avg. Quarterly Return | 2.0% | 1.5% | 2.9% | 2.6% | | 1.2% | 1.1% |
| Best Quarter | 16.8% 2009 Q2 | 25.9% 2009 Q2 | 34.7% 2009 Q2 | 32.3% 2009 Q3 | | 4.6% 2001 Q3 | 4.6% 2008 Q4 |
| Worst Quarter | -22.8% 2008 Q4 | -21.2% 2008 Q4 | -27.6% 2008 Q4 | -36.1% 2008 Q4 | | -3.0% 2016 Q4 | -2.7% 2015 Q2 |

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 Market ex US (Bloomberg Barclays Global Aggregate ex-USD Bond Index [hedged to USD]). S&P data © 2019 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. MSCI data © MSCI 2019, all rights reserved. Bloomberg Barclays data provided by Bloomberg.

Long-Term Market Summary

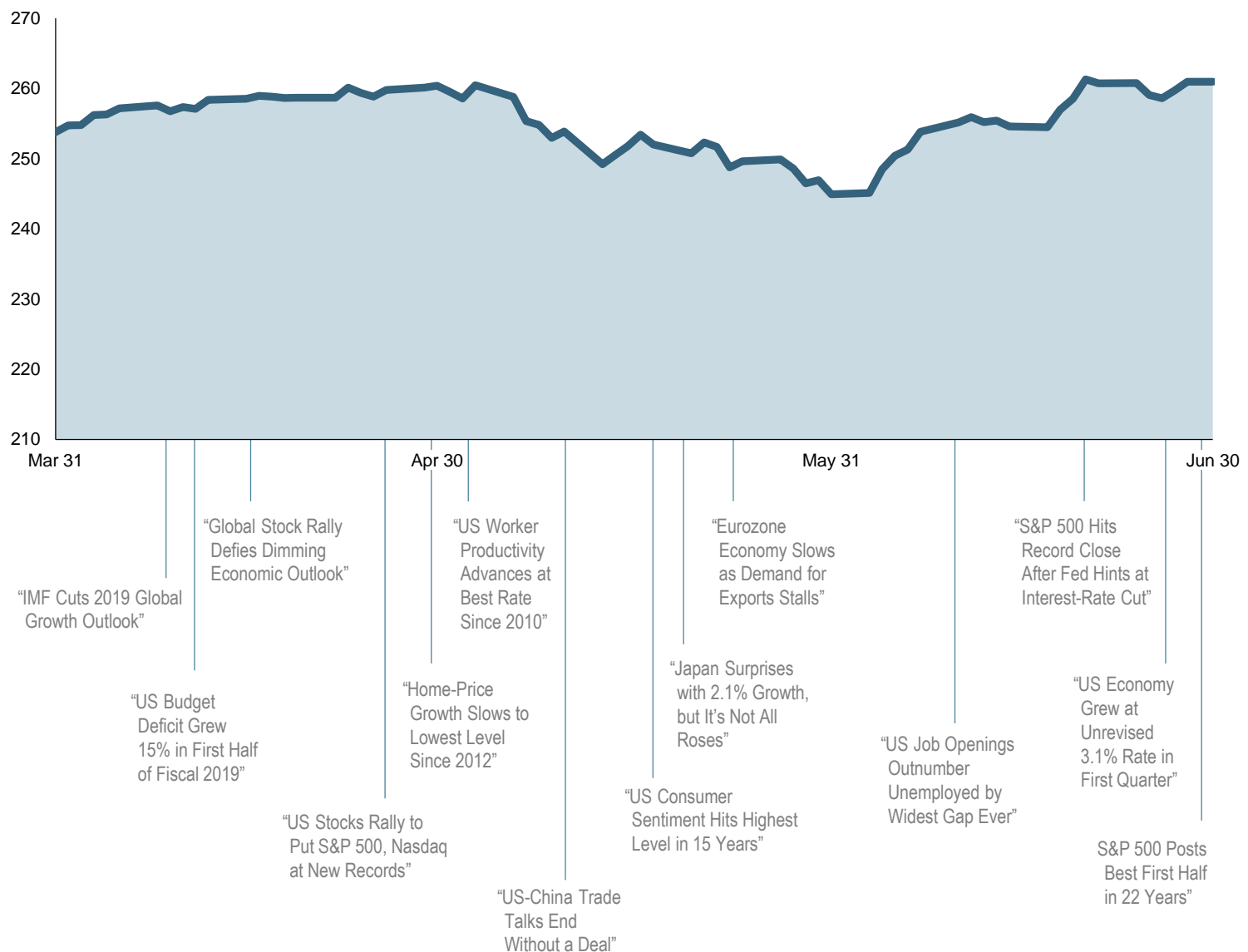
Index Returns

| | US Stock Market | International Developed Stocks | Emerging Markets Stocks | Global Real Estate | US Bond Market | Global Bond Market ex US |
|-----------------|---|---|---|--|---|---|
| 1 Year | STOCKS | | | | BONDS | |
| | 8.98% | 1.29% | 1.21% | 8.81% | 7.87% | 7.61% |
| |  |  |  |  |  |  |
| 5 Years | | | | | | |
| | 10.19% | 2.04% | 2.49% | 5.29% | 2.95% | 4.43% |
| |  |  |  |  |  |  |
| 10 Years | | | | | | |
| | 14.67% | 6.75% | 5.81% | 12.19% | 3.90% | 4.44% |
| |  |  |  |  |  |  |

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World Stock Market Performance

MSCI All Country World Index with selected headlines from Q2 2019



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 2019, 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.**

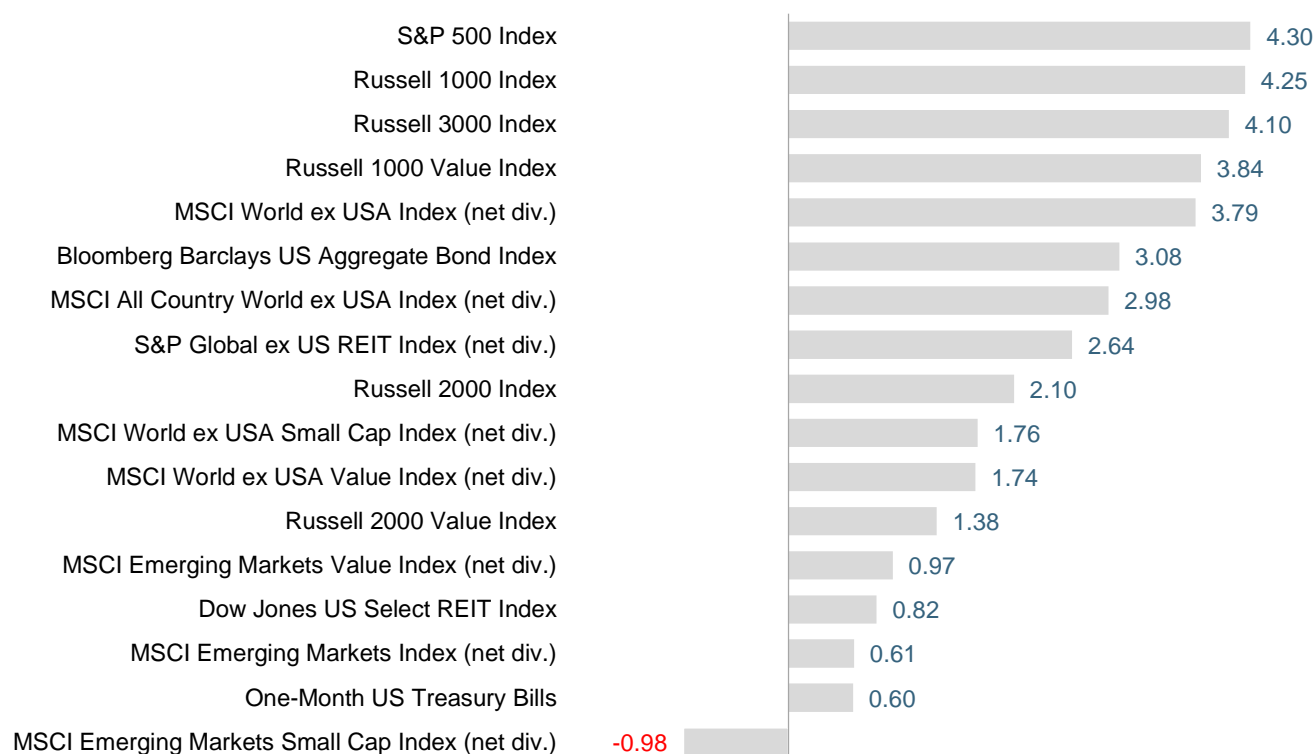
World Asset Classes

Second Quarter 2019 Index Returns (%)

Equity markets around the globe posted positive returns for the quarter. Looking at broad market indices, US equities outperformed non-US developed and emerging markets during the quarter.

Value stocks outperformed growth stocks in emerging markets but underperformed in developed markets, including the US. Small caps underperformed large caps in all regions.

REIT indices underperformed equity market indices in both the US and non-US developed markets.



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US Stocks

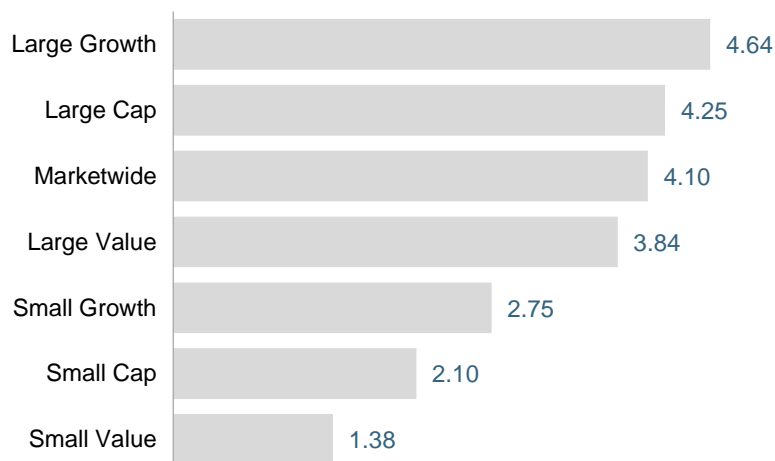
Second Quarter 2019 Index Returns

US equities outperformed both non-US developed and emerging markets equities.

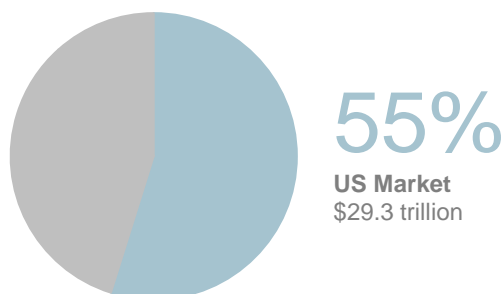
Small caps underperformed large caps in the US.

Value underperformed growth in the US across large and small cap stocks.

Ranked Returns for the Quarter (%)



World Market Capitalization—US



Period Returns (%)

* Annualized

| Asset Class | YTD | 1 Year | 3 Years* | 5 Years* | 10 Years* |
|--------------|-------|--------|----------|----------|-----------|
| Large Growth | 21.49 | 11.56 | 18.07 | 13.39 | 16.28 |
| Small Growth | 20.36 | -0.49 | 14.69 | 8.63 | 14.41 |
| Large Cap | 18.84 | 10.02 | 14.15 | 10.45 | 14.77 |
| Marketwide | 18.71 | 8.98 | 14.02 | 10.19 | 14.67 |
| Small Cap | 16.98 | -3.31 | 12.30 | 7.06 | 13.45 |
| Large Value | 16.24 | 8.46 | 10.19 | 7.46 | 13.19 |
| Small Value | 13.47 | -6.24 | 9.81 | 5.39 | 12.40 |

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: Marketwide (Russell 3000 Index), Large Cap (Russell 1000 Index), Large Cap Value (Russell 1000 Value Index), Large Cap Growth (Russell 1000 Growth Index), Small Cap (Russell 2000 Index), Small Cap Value (Russell 2000 Value Index), and Small Cap Growth (Russell 2000 Growth Index). World Market Cap represented by Russell 3000 Index, MSCI World ex USA IMI Index, and MSCI Emerging Markets IMI Index. Russell 3000 Index is used as the proxy for the US market. Frank Russell Company is source and owner of trademarks, service marks, and copyrights related to Russell Indexes. MSCI data © MSCI 2019, all rights reserved.

International Developed Stocks

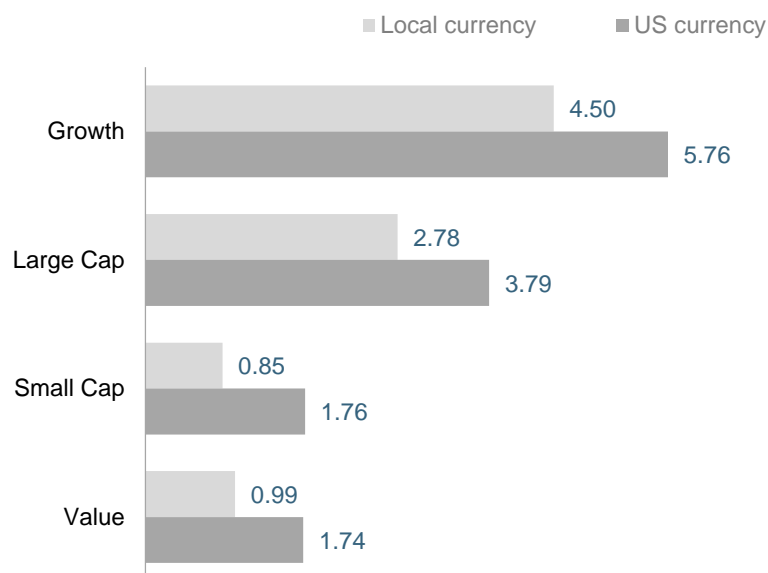
Second Quarter 2019 Index Returns

In US dollar terms, developed markets stocks outside the US outperformed emerging markets equities but underperformed the US equity market during the quarter.

Small caps underperformed large caps in non-US developed markets.

Value underperformed growth across large and small cap stocks.

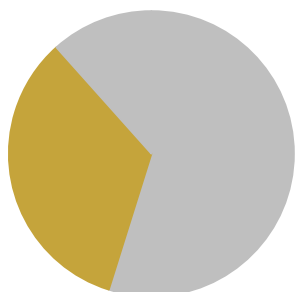
Ranked Returns for the Quarter (%)



World Market Capitalization— International Developed

34%

International
Developed Market
\$17.9 trillion



Period Returns (%)

* Annualized

| Asset Class | YTD | 1 Year | 3 Years* | 5 Years* | 10 Years* |
|-------------|-------|--------|----------|----------|-----------|
| Growth | 18.89 | 4.36 | 9.42 | 4.02 | 7.81 |
| Large Cap | 14.64 | 1.29 | 9.01 | 2.04 | 6.75 |
| Small Cap | 12.88 | -6.17 | 8.38 | 3.39 | 9.19 |
| Value | 10.38 | -1.80 | 8.54 | 0.01 | 5.62 |

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Emerging Markets Stocks

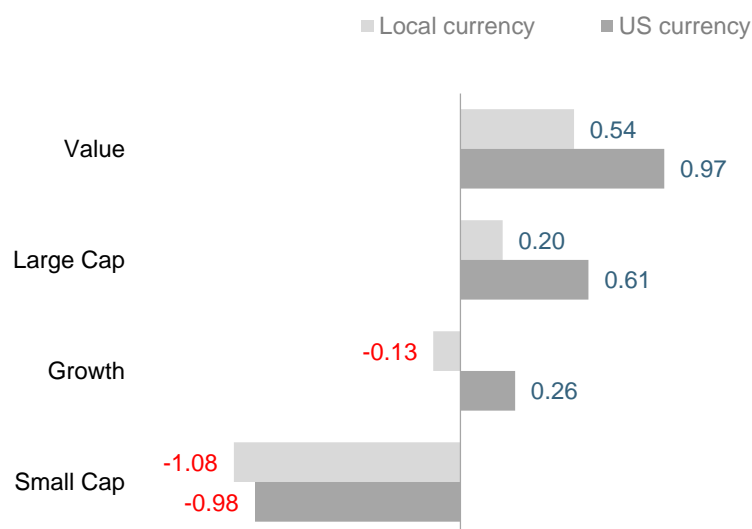
Second Quarter 2019 Index Returns

In US dollar terms, emerging markets underperformed developed markets, including the US.

Value stocks generally outperformed growth stocks.

Small caps underperformed large caps.

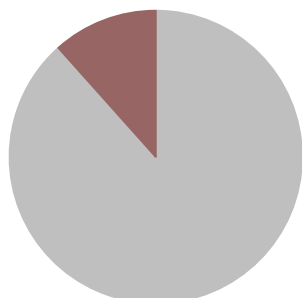
Ranked Returns for the Quarter (%)



World Market Capitalization— Emerging Markets

12%

Emerging
Markets
\$6.2 trillion



Period Returns (%)

* Annualized

| Asset Class | YTD | 1 Year | 3 Years* | 5 Years* | 10 Years* |
|-------------|-------|--------|----------|----------|-----------|
| Growth | 12.33 | -2.44 | 11.22 | 3.85 | 6.94 |
| Large Cap | 10.58 | 1.21 | 10.66 | 2.49 | 5.81 |
| Value | 8.87 | 5.04 | 10.02 | 1.03 | 4.60 |
| Small Cap | 6.70 | -5.12 | 5.46 | 0.53 | 5.86 |

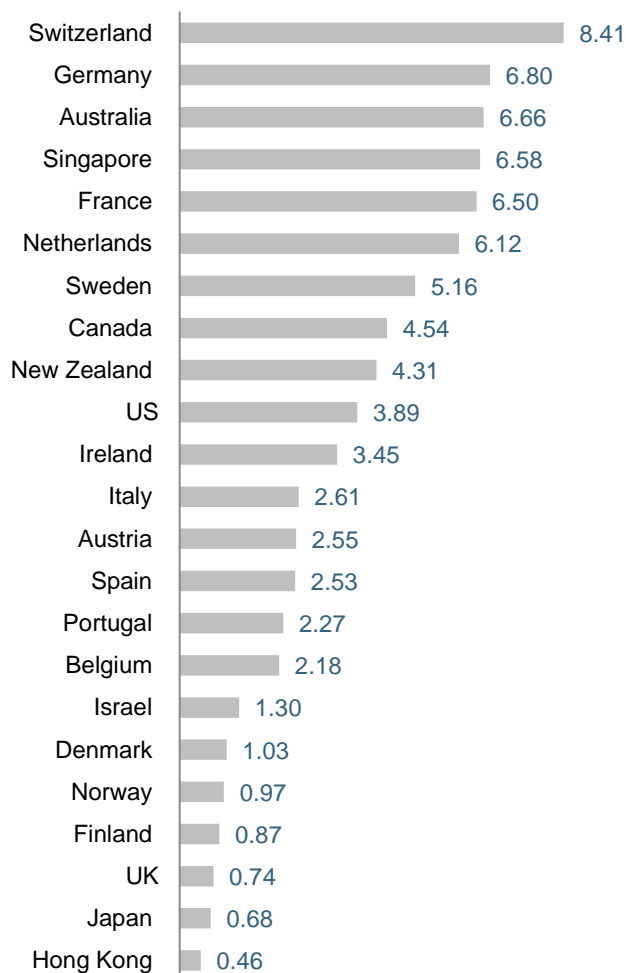
Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: Large Cap (MSCI Emerging Markets Index), Small Cap (MSCI Emerging Markets Small Cap Index), Value (MSCI Emerging Markets Value Index), and Growth (MSCI Emerging Markets Growth Index). All index returns are net of withholding tax on dividends. World Market Cap represented by Russell 3000 Index, MSCI World ex USA IMI Index, and MSCI Emerging Markets IMI Index. MSCI Emerging Markets IMI Index used as the proxy for the emerging market portion of the market. MSCI data © MSCI 2019, all rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes.

Select Country Performance

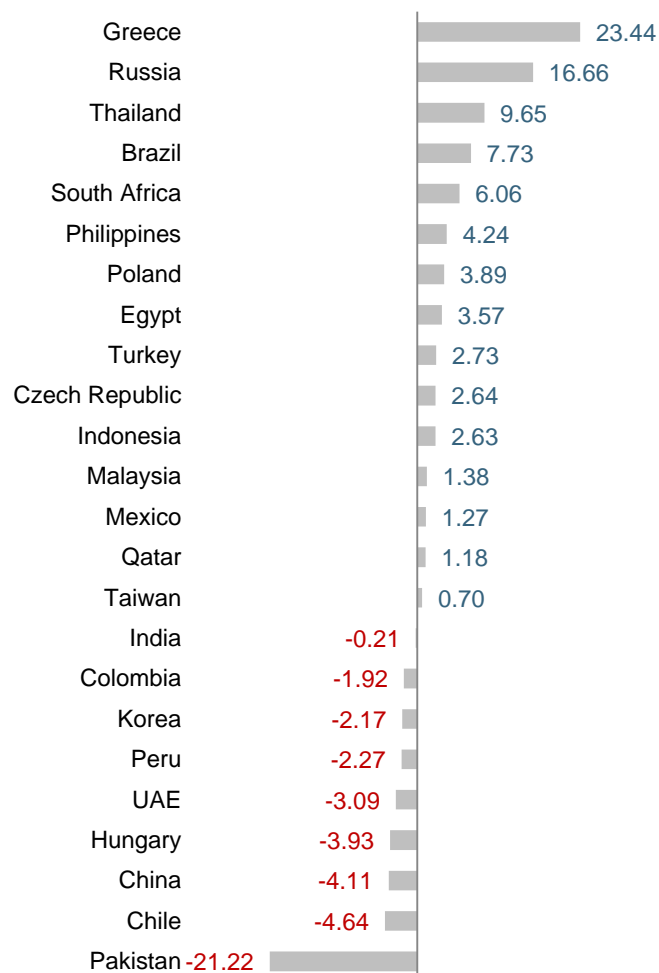
Second Quarter 2019 Index Returns

In US dollar terms, Switzerland and Germany recorded the highest country performance in developed markets, while Hong Kong and Japan posted the lowest returns for the quarter. There was a wide dispersion in returns across emerging markets. Greece recorded the highest country performance with a gain of 23%, while Pakistan posted the lowest performance, declining 21%.

Ranked Developed Markets Returns (%)



Ranked Emerging Markets Returns (%)



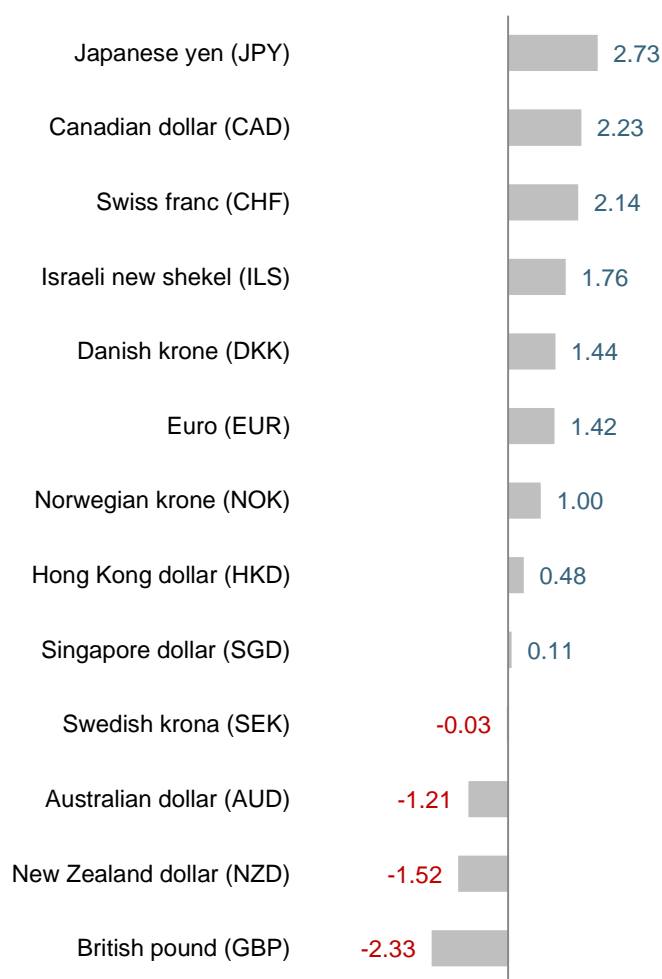
Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Country performance based on respective indices in the MSCI World ex US IMI Index (for developed markets), MSCI USA IMI Index (for US), and MSCI Emerging Markets IMI Index. All returns in USD and net of withholding tax on dividends. MSCI data © MSCI 2019, all rights reserved. UAE and Qatar have been reclassified as emerging markets by MSCI, effective May 2014.

Select Currency Performance vs. US Dollar

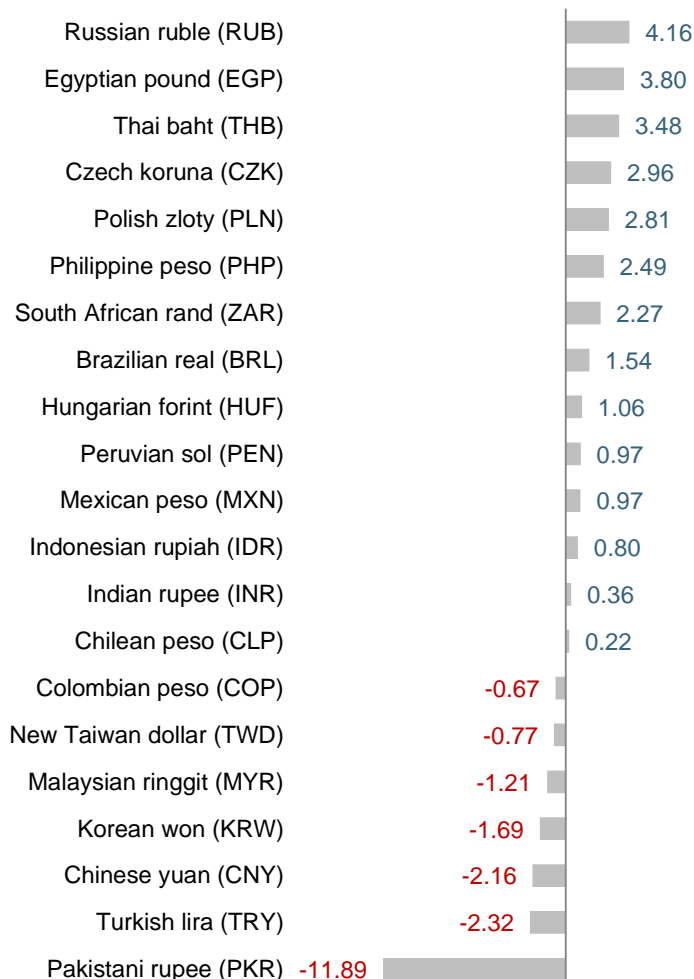
Second Quarter 2019

In both developed and emerging markets, currencies were mixed against the US dollar.

Ranked Developed Markets Returns (%)



Ranked Emerging Markets Returns (%)



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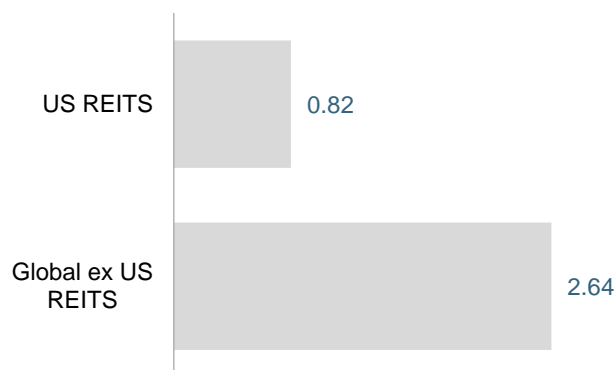
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Real Estate Investment Trusts (REITs)

Second Quarter 2019 Index Returns

Non-US real estate investment trusts outperformed US REITs in US dollar terms.

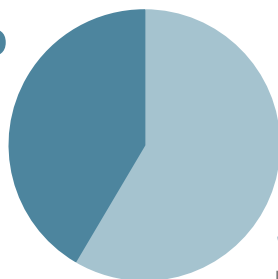
Ranked Returns for the Quarter (%)



Total Value of REIT Stocks

42%

World ex US
\$503 billion
249 REITs
(22 other countries)



58%

US
\$684 billion
95 REITs

Period Returns (%)

* Annualized

| Asset Class | YTD | 1 Year | 3 Years* | 5 Years* | 10 Years* |
|--------------------|-------|--------|----------|----------|-----------|
| US REITs | 16.67 | 9.75 | 3.73 | 7.61 | 15.40 |
| Global ex US REITs | 14.68 | 7.78 | 4.79 | 3.62 | 9.84 |

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. Number of REIT stocks and total value based on the two indices. All index returns are net of withholding tax on dividends. Total value of REIT stocks represented by Dow Jones US Select REIT Index and the S&P Global ex US REIT Index. Dow Jones US Select REIT Index used as proxy for the US market, and S&P Global ex US REIT Index used as proxy for the World ex US market. Dow Jones and S&P data © 2019 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved.

Commodities

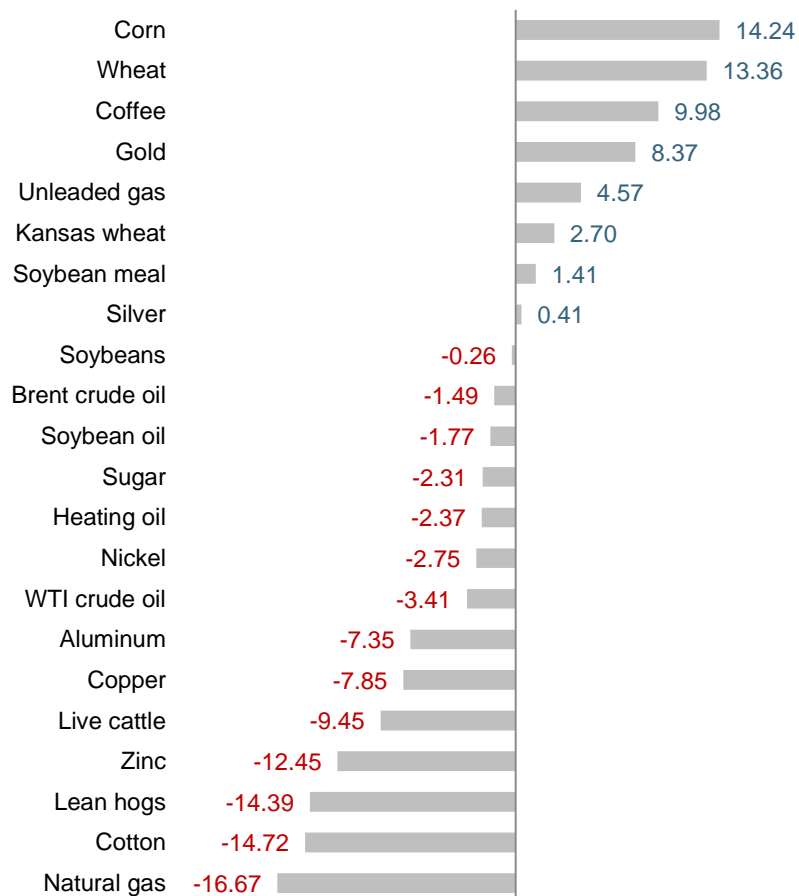
Second Quarter 2019 Index Returns

The Bloomberg Commodity Index Total Return declined 1.19% in the second quarter of 2019.

Corn and wheat led performance, returning 14.24% and 13.36%, respectively.

Natural gas and cotton were the worst performers, declining by 16.67% and 14.72%, respectively.

Ranked Returns for Individual Commodities (%)



Period Returns (%)

* Annualized

| Asset Class | QTR | YTD | 1 Year | 3 Years* | 5 Years* | 10 Years* |
|-------------|-------|------|--------|----------|----------|-----------|
| Commodities | -1.19 | 5.06 | -6.75 | -2.18 | -9.15 | -3.74 |

Fixed Income

Second Quarter 2019 Index Returns

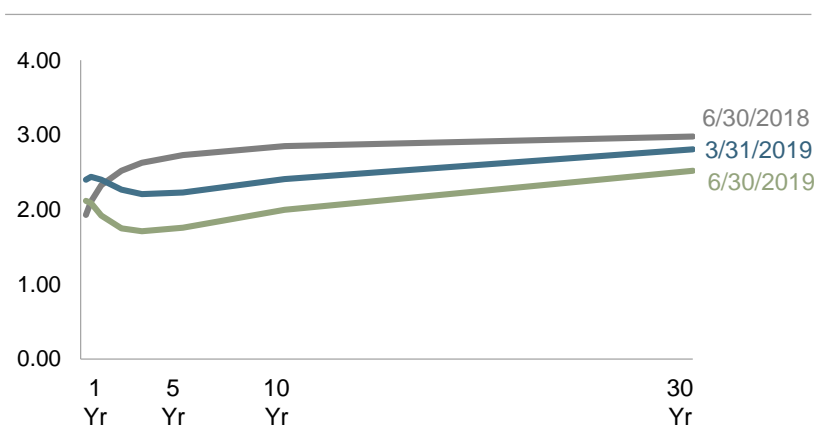
Interest rates decreased in the US Treasury fixed income market during the second quarter. The yield on the 5-year Treasury note declined by 47 basis points (bps), ending at 1.76%. The yield on the 10-year Treasury note fell by 41 bps to 2.00%. The 30-year Treasury bond yield decreased by 29 bps to finish at 2.52%.

On the short end of the curve, the 1-month Treasury bill yield decreased to 2.18%, while the 1-year T-bill yield decreased by 48 bps to 1.92%. The 2-year T-note yield finished at 1.75%, decreasing 52 bps.

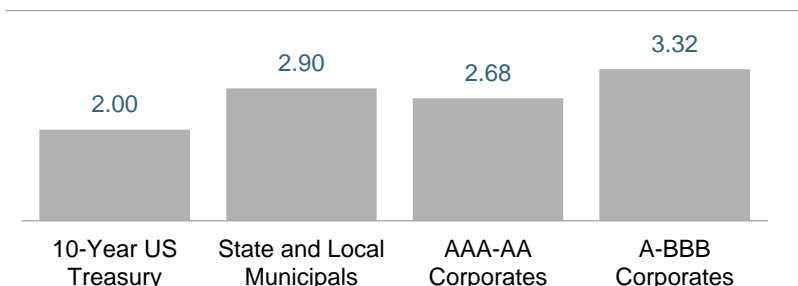
In terms of total returns, short-term corporate bonds increased by 2.09%. Intermediate-term corporate bonds had a total return of 3.13%.

The total return for short-term municipal bonds was 1.12%, while intermediate munis returned 1.98%. Revenue bonds outperformed general obligation bonds.

US Treasury Yield Curve (%)



Bond Yields across Issuers (%)



Period Returns (%)

* Annualized

| Asset Class | QTR | YTD | 1 Year | 3 Years* | 5 Years* | 10 Years* |
|--|------|-------|--------|----------|----------|-----------|
| Bloomberg Barclays US Government Bond Index Long | 6.00 | 10.92 | 12.28 | 1.42 | 5.68 | 6.54 |
| Bloomberg Barclays US Aggregate Bond Index | 3.08 | 6.11 | 7.87 | 2.31 | 2.95 | 3.90 |
| Bloomberg Barclays US TIPS Index | 2.86 | 6.15 | 4.84 | 2.08 | 1.76 | 3.64 |
| Bloomberg Barclays US High Yield Corporate Bond Index | 2.50 | 9.94 | 7.48 | 7.52 | 4.70 | 9.24 |
| Bloomberg Barclays Municipal Bond Index | 2.14 | 5.09 | 6.71 | 2.55 | 3.64 | 4.72 |
| FTSE World Government Bond Index 1-5 Years | 1.92 | 2.27 | 2.57 | 0.67 | -0.76 | 0.53 |
| FTSE World Government Bond Index 1-5 Years (hedged to USD) | 1.51 | 2.69 | 4.44 | 1.85 | 1.84 | 1.86 |
| ICE BofAML 1-Year US Treasury Note Index | 0.94 | 1.76 | 2.98 | 1.43 | 1.02 | 0.76 |
| ICE BofAML US 3-Month Treasury Bill Index | 0.64 | 1.24 | 2.31 | 1.38 | 0.87 | 0.49 |

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 ICE BofAML US Corporates, AA-AAA rated. A-BBB Corporates represent the ICE BofAML 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 (S&BBI) Yearbook™, Ibbotson Associates, Chicago (annually updated work by Roger G. Ibbotson and Rex A. Sinquefeld). FTSE fixed income indices © 2019 FTSE Fixed Income LLC, all rights reserved. ICE BofAML index data © 2019 ICE Data Indices, LLC. S&P data © 2019 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved.

Global Fixed Income

Second Quarter 2019 Yield Curves

Interest rates in the global developed markets generally decreased during the quarter.

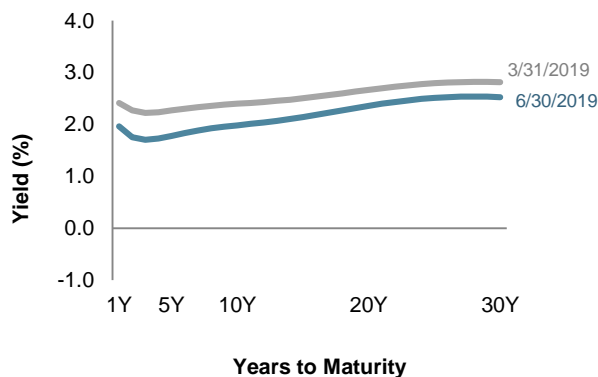
Longer-term bonds generally outperformed shorter-term bonds in global developed markets.

Short- and intermediate-term nominal interest rates were negative in Germany and Japan.

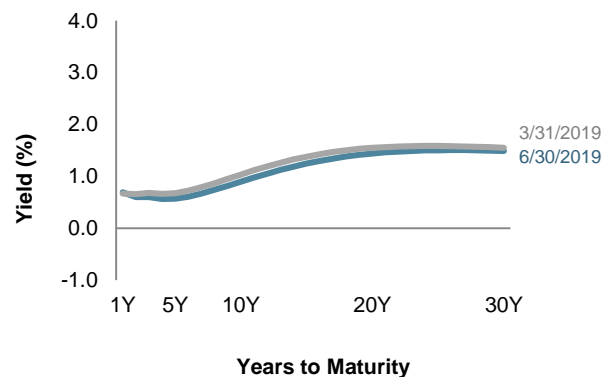
Changes in Yields (bps) since 3/31/2019

| | 1Y | 5Y | 10Y | 20Y | 30Y |
|---------|-------|-------|-------|-------|-------|
| US | -45.3 | -48.8 | -41.4 | -30.9 | -29.0 |
| UK | 2.8 | -10.5 | -13.6 | -11.0 | -6.0 |
| Germany | -8.5 | -19.3 | -24.0 | -30.1 | -29.9 |
| Japan | -0.9 | -5.8 | -6.7 | -11.0 | -15.0 |

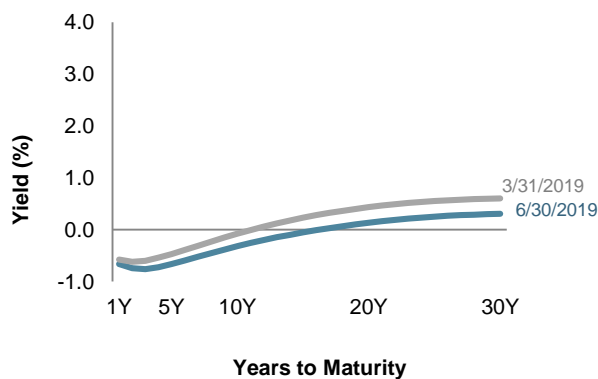
US



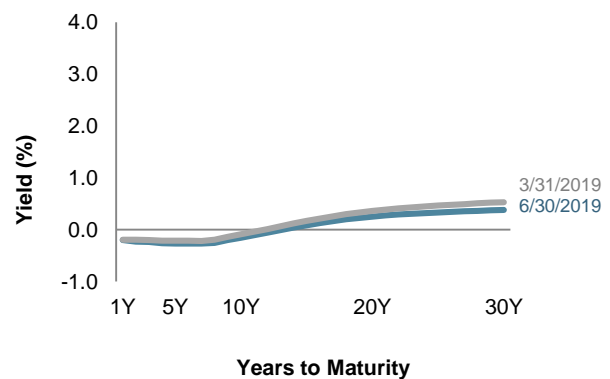
UK



Germany



Japan

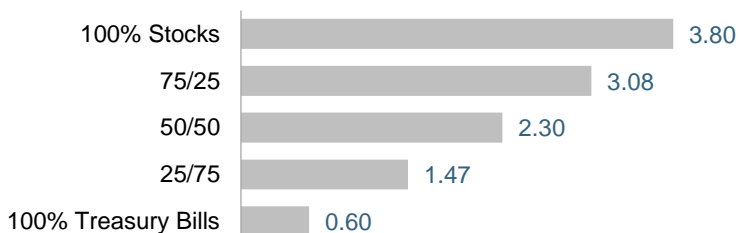


Impact of Diversification

Second Quarter 2019 Index Returns

These portfolios illustrate the performance of different global stock/bond mixes and highlight the benefits of diversification. Mixes with larger allocations to stocks are considered riskier but have higher expected returns over time.

Ranked Returns for the Quarter (%)

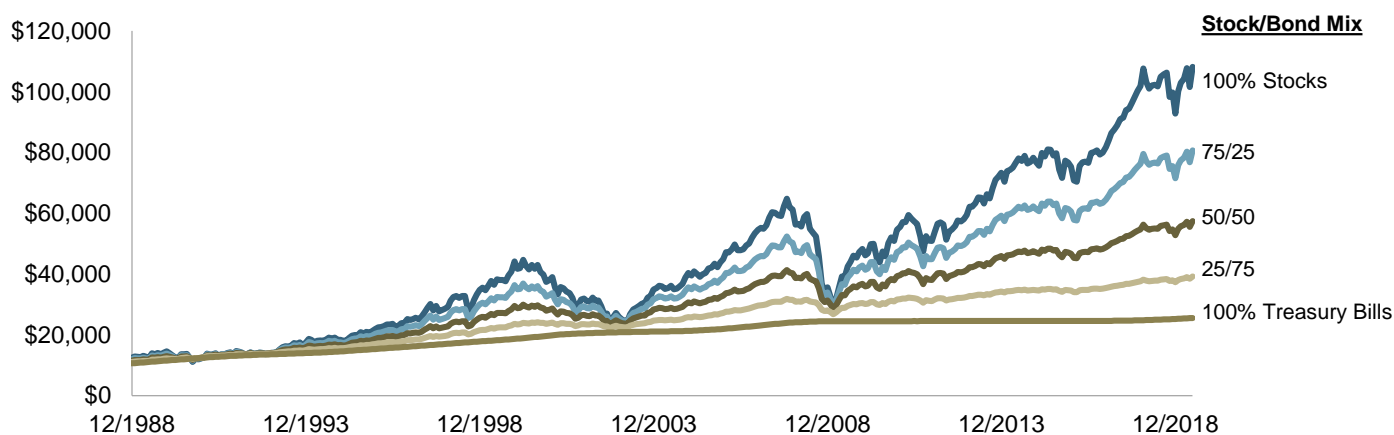


Period Returns (%)

* Annualized

| Asset Class | YTD | 1 Year | 3 Years* | 5 Years* | 10 Years* | 10-Year STDEV ¹ |
|---------------------|-------|--------|----------|----------|-----------|----------------------------|
| 100% Stocks | 16.60 | 6.32 | 12.22 | 6.74 | 10.73 | 13.48 |
| 75/25 | 12.69 | 5.56 | 9.53 | 5.36 | 8.25 | 10.11 |
| 50/50 | 8.82 | 4.62 | 6.80 | 3.91 | 5.70 | 6.74 |
| 25/75 | 4.98 | 3.51 | 4.06 | 2.39 | 3.09 | 3.37 |
| 100% Treasury Bills | 1.18 | 2.23 | 1.30 | 0.80 | 0.43 | 0.21 |

Growth of Wealth: The Relationship between Risk and Return



1. STDEV (standard deviation) is a measure of the variation or dispersion of a set of data points. Standard deviations are often used to quantify the historical return volatility of a security or portfolio.

Diversification does not eliminate the risk of market loss. **Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect expenses associated with the management of an actual portfolio.** Asset allocations and the hypothetical index portfolio returns are for illustrative purposes only and do not represent actual performance. Global Stocks represented by MSCI All Country World Index (gross div.) and Treasury Bills represented by US One-Month Treasury Bills. Globally diversified allocations rebalanced monthly, no withdrawals. Data © MSCI 2019, all rights reserved. Treasury bills © Stocks, Bonds, Bills, and Inflation Yearbook™, Ibbotson Associates, Chicago (annually updated work by Roger G. Ibbotson and Rex A. Sinquefeld).