



# Quarterly Investment Summary

DECEMBER 2017

## Performance Summary (as of 12/31/2017)

|              | Target Allocation | Trailing Returns |        |        |        |        |
|--------------|-------------------|------------------|--------|--------|--------|--------|
|              |                   | 3 Months         | YTD    | 1 Year | 3 Year | 5 Year |
|              | Equity/Fixed      |                  |        |        |        |        |
| Fixed Income | 0%/100%           | 0.11%            | 2.84%  | 2.84%  | 1.88%  | 1.59%  |
| Conservative | 25%/75%           | 1.47%            | 7.36%  | 7.36%  | 4.06%  | 4.37%  |
| Balanced     | 50%/50%           | 2.83%            | 11.94% | 11.94% | 5.93%  | 6.94%  |
| Growth       | 75%/25%           | 4.14%            | 16.74% | 16.74% | 7.91%  | 9.60%  |
| Equity       | 100%/0%           | 5.44%            | 21.50% | 21.50% | 10.20% | 12.45% |

## Market Commentary

- Increasing economic growth, both domestic and abroad, buoyed financial markets in the fourth quarter. Importantly, global growth appears to be synchronizing across global economies for the first time since the financial crisis. Adding fuel to the market rally was the late-quarter passing of the Republican-led tax reform bill. The U.S. economy experienced its best sustained growth in several years, with back-to-back quarters of real GDP growth exceeding 3.0%. Consumers appear poised to continue to spend, supported by a strong labor market and confidence levels just off their 17-year highs. Weekly initial unemployment applications have now remained below 300,000 for 147 straight weeks, the longest streak since 1970, when the U.S. population and workforce were far smaller than they are today. Employers have added 174,000 jobs on average per month this year, bringing the unemployment rate to 4.1% through November, the lowest rate in 17 years. Oil prices rebounded significantly in the last half of the year. WTI crude oil closed 2017 at slightly over \$60 per barrel, its highest level since mid-2015. The Institute for Supply Management's Purchasing Managers Index (PMI) registered at 58.2 for November, down slightly from October levels, but still solidly in expansionary territory. A reading above 50 indicates that the manufacturing economy is expanding; below 50 indicates contraction. The September reading of 60.8 marked the PMI's highest level since 2004.
- Riding a wave of global economic growth and accelerating earnings growth, stock markets both in the U.S. and around the globe marched higher during the fourth quarter. The S&P 500 Index rose 1.1% in December, pushing its calendar year increase to an impressive 21.8% gain. The Dow Jones Industrial Average had over 70 new closing highs during the year and ended the year at 24,719 and a gain of 1.9% for the month. Global equity markets experienced a strong year with a backdrop of improving economic growth among nearly all international economies. Emerging market stocks tacked on another 3.6% for the month and ended the year with an impressive 37.8% gain, which was the MSCI/EM Index's strongest return in eight years.
- Longer-term rates have remained generally subdued despite the Federal Reserve increasing its Federal Funds Target Rate three times in 2017. The 10-year Treasury Bond finished December at approximately 2.4%, very close to where it started the year. Corporate bond spreads continued to narrow throughout the fourth quarter, resulting in higher corporate bond returns. The Federal Reserve increased its Federal Funds Target Rate range to 1.25%-1.50% during December. The Federal Open Market Committee's December statement indicated that they anticipate future Fed Funds rate increases in 2018. The Fed has started to shrink its \$4.5 trillion portfolio of Treasury and mortgage-backed securities with a tentative plan for a \$450 billion portfolio reduction by the end of 2018.