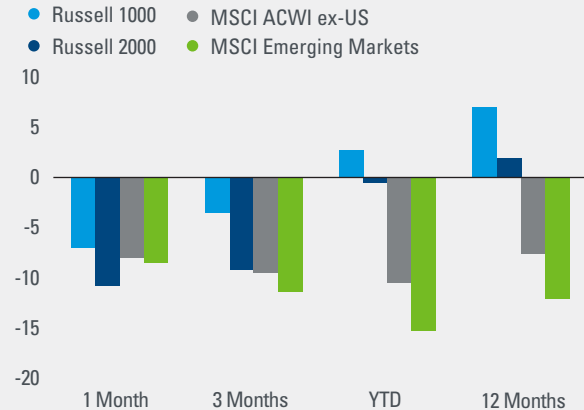
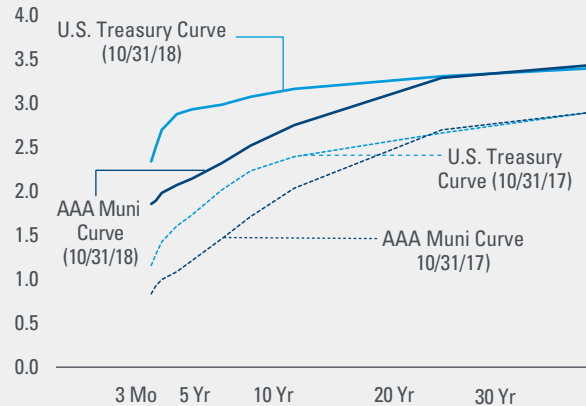


## EQUITY PERFORMANCE



Source: Bloomberg, FactSet 10/31/18

## DOMESTIC YIELD CURVE



Source: Bloomberg, FactSet 10/31/18

		1 Mo	3 Mos	YTD	12 Mos
Large Cap	S&P 500	-6.84	-3.25	3.01	7.35
	DJIA	-4.98	-0.64	3.41	9.87
	Russell 1000	-7.08	-3.51	2.67	6.98
	Russell 1000 Value	-5.18	-3.59	-1.46	3.03
	Russell 1000 Growth	-8.94	-3.43	6.62	10.71
Small/Mid Cap	Russell 2000	-10.86	-9.26	-0.60	1.85
	Russell 2000 Value	-8.95	-9.10	-2.46	-0.59
	Russell 2000 Growth	-12.65	-9.39	1.11	4.13
	Russell Microcap	-10.90	-10.10	-0.54	1.42
	Russell Midcap	-8.31	-6.07	-1.47	2.79
	Russell Midcap Value	-7.20	-6.68	-4.30	0.16
All Cap	Russell Midcap Growth	-9.90	-5.11	2.16	6.14
	Russell 3000	-7.36	-3.95	2.43	6.60
	Russell 3000 Value	-5.46	-4.00	-1.52	2.78
International Markets	Russell 3000 Growth	-9.23	-3.90	6.19	10.20
	MSCI EAFE	-7.95	-8.90	-8.86	-6.39
	MSCI ACWI ex US	-8.12	-9.58	-10.58	-7.80
	MSCI Europe	-7.62	-9.85	-9.37	-7.76
	MSCI Japan	-8.45	-5.34	-6.72	-3.24
	MSCI AC Asia Pacific ex Japan	-10.26	-12.45	-15.04	-11.84
	MSCI EAFE SMID	-9.51	-10.49	-10.73	-7.46

		1 Mo	3 Mos	YTD	12 Mos
Int'l - Continued	MSCI ACWI ex US SMID	-9.55	-11.15	-12.50	-8.80
	MSCI Emerging Mkts	-8.70	-11.58	-15.45	-12.19
	MSCI EMEA	-6.73	-12.32	-17.96	-9.20
	MSCI Latin America	3.46	-0.69	-3.43	-2.08
	MSCI Frontier Markets	-3.53	-8.76	-15.52	-11.84
Sectors - S&P 500 GICS	Consumer Discretionary	-11.27	-5.74	7.04	15.16
	Communication Services	-5.75	1.26	-5.04	6.50
	Consumer Staples	2.31	3.90	-1.11	6.81
	Energy	-11.26	-11.97	-4.64	1.77
	Financials	-4.73	-5.56	-4.65	0.63
	Healthcare	-6.69	0.24	8.83	11.28
	Industrials	-10.81	-8.59	-6.50	-1.04
	Information Technology	-7.97	-1.92	11.02	12.30
	Materials	-9.47	-11.76	-11.95	-9.35
	Real Estate	-1.52	-1.48	0.13	2.44
	Utilities	1.95	2.48	4.72	1.00

Source: Bloomberg, FactSet 10/31/18

(Data continued on following page.)

All data represent total returns, where applicable. Information contained in this report is from sources deemed to be reliable. We cannot guarantee the accuracy or completeness of such information and we assume no liability for damages resulting from or arising out of the use of such information. Further, please note that past performance is not indicative of future results.

	1 Mo	3 Mos	YTD	12 Mos
BI BarCap US Agg	-0.79	-0.79	-2.38	-2.05
BI BarCap Muni Inter-Short (1-10Y)	-0.19	-0.63	-0.05	-0.46
BI BarCap HY Muni	-1.25	-0.85	3.14	4.74
BI BarCap Inv. Grade Credit	-1.46	-1.33	-3.76	-3.02
BI BarCap Muni Long Bond -22+	-1.12	-1.62	-2.25	-0.53
BI BarCap US Agg Securitized MBS	-0.63	-0.64	-1.70	-1.52
BI BarCap US TIPS	-1.43	-1.77	-2.27	-1.24
BI BarCap US Treasury Interm	0.04	0.11	-0.78	-1.06
BI BarCap US Treasury	-0.48	-0.65	-2.14	-1.97
S&P/LSTA US Leveraged Loan	-0.20	1.00	3.76	4.17
ML Preferred Stock Hybrid	-1.58	-2.88	-2.60	-1.64
BarCap Credit-Corporate-High Yield	-1.60	-0.32	0.93	0.97
ML US Convert ex Mandatory	-6.07	-2.77	4.15	4.05
JPM GBI Global ex US Hedged	0.36	-0.10	1.49	1.90
JPM GBI Global ex US Unhedged	-1.23	-3.01	-4.36	-2.22
JPM GBI-EM Global Div	-1.96	-5.54	-9.95	-6.58
JPM ELMI+	-1.14	-3.08	-5.57	-3.14
JPM EMBI+ Composite	-2.10	-2.52	-6.70	-6.88

Fixed Income

	1 Mo	3 Mos	YTD	12 Mos
HFRX Absolute Return	-0.11	-0.10	0.89	0.59
HFRX Market Directional	-5.03	-5.67	-10.69	-9.64
HFRX Convertible Arb.	-0.64	-0.01	0.55	1.44
HFRX Distressed	-1.23	-0.84	-6.76	-5.47
HFRX Equity Hedge	-3.95	-5.73	-4.81	-2.99
HFRX Market Neutral	-0.72	-1.26	-1.22	-1.89
HFRX Event Driven	-4.57	-5.08	-9.83	-9.80
HFRX Merger Arb.	-0.69	-2.02	-2.49	-2.01
HFRX Relative Value Arb.	-1.04	-0.60	1.54	1.95
HFRX Global Hedge Fund	-3.11	-3.34	-4.30	-3.53
HFRX Macro Index	-2.65	-0.93	-3.80	-3.15
HFRX Systematic Diversified	-3.63	-1.64	-5.99	-2.86
Bloomberg Commodity	-2.16	-2.05	-4.14	-1.73
DJ Select US REIT	-2.55	-2.38	-0.06	3.04
Alerian MLP	-7.99	-8.00	-2.57	0.68

Alternatives

	Latest Mo End (10/31/18)	3 Mos Ago (05/31/18)	Latest Yr End (12/31/17)	12 Mos Ago (08/31/17)
U.S. Dollar Index Value	97.13	94.49	92.12	94.55
USD vs. Yen	112.95	111.84	112.71	113.64
Euro vs. USD	1.13	1.17	1.20	1.16
Gold (\$ per Troy Ounce)	1214.10	1223.40	1302.50	1270.40
Crude Oil (\$ per Barrel)	65.31	68.76	60.42	54.38

Currency

Cmdtys

Source: Bloomberg, FactSet 10/31/18

# OCTOBER 2018 IN REVIEW

November Update | As of October 31, 2018

## ECONOMY: SOLID ECONOMIC GROWTH, MANAGEABLE INFLATION

### Economic Data

Overall, October's economic reports reflected solid U.S. economic growth and manageable inflationary pressures. The Conference Board's Leading Economic Index (LEI), an aggregate of 10 leading indicators, increased 0.5% in September and 7.0% year over year, signaling low odds of recession in the coming year.

Gross domestic product (GDP) grew 3.5% annualized in the third quarter, boosting average growth over the last two quarters to 3.9%, the strongest pace since 2014. The strong undercurrent of consumer demand drove the economy last quarter, aided by accelerating incomes and fiscal stimulus [Figure 1].

Personal incomes grew in September at nearly the fastest annual pace in three years, while consumer confidence reached an 18-year high, signaling that strong consumer activity may continue to boost output.

Although GDP's headline growth was solid, the underlying details hinted at some soft patches, primarily among U.S. businesses amid uncertainty from trade tensions and higher costs. The biggest drag on last quarter's GDP was a decline in net exports, and both exports and imports were net drags on headline GDP for the first quarter since the fourth quarter of 2016. Business's fixed investment contributed 0.1% to GDP, about 0.4% below its three-year average contribution, amid the growing influence of trade fears on companies' decisions and outlooks. Orders and shipments of core capital goods both slowed in September to levels not seen since 2014.

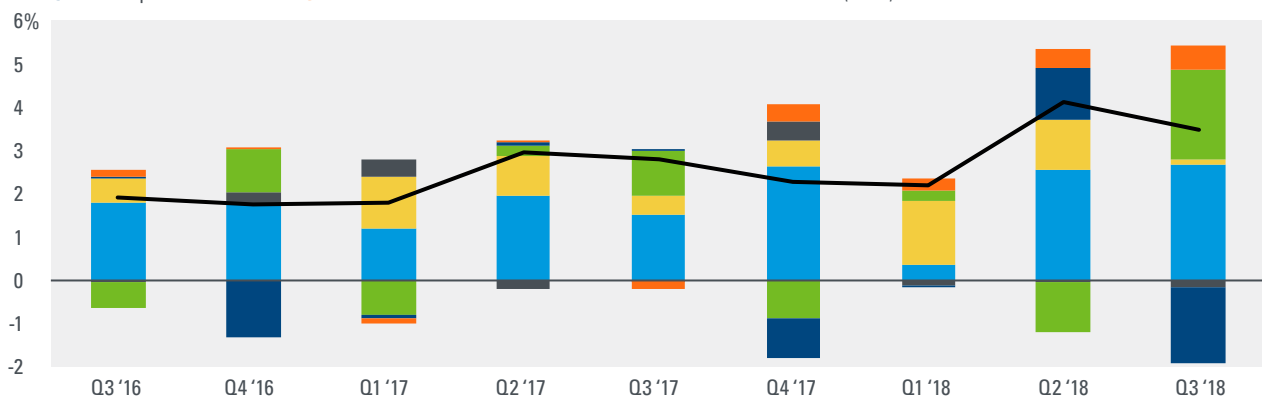
Cooling in business investment also weighed on one measure of U.S. manufacturing activity [Figure 2].

The Institute for Supply Management's (ISM) Purchasing Managers' Index (PMI) fell from a 14-year high in September as new orders cooled and export orders continued to decline. However, Markit's PMI, which assigns different weights to its survey components, climbed for the first time in five

### 1 CONSUMER SPENDING BOOSTS THIRD-QUARTER GDP

Contribution to Real GDP Growth by Economic Sector

● Consumer Spending    ● Business Spending    ● Housing    ● Inventories  
● Net Exports    ● Government    — Total Gross Domestic Product (GDP)



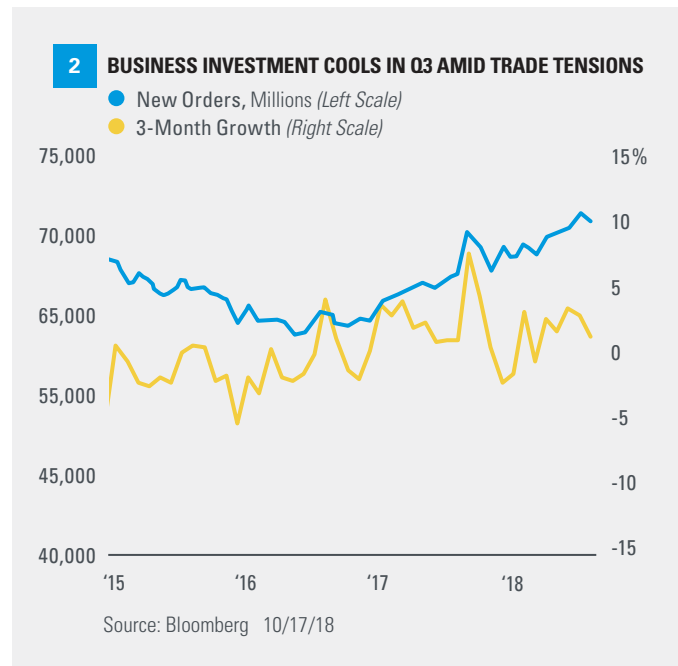
Source: Bureau of Economic Analysis 10/26/18 Illustration is historical and no guarantee of future results.

months. Pockets of weakness in manufacturing were balanced by a strong month for the services sector. ISM's measure of services activity rose to a record in September, while Markit's services gauge climbed. Overall, the manufacturing and service industries remain healthy, but we will watch economic data for any further impacts from the U.S.-China trade dispute.

Jobs data showed a continually tightening labor market. September's jobs report showed nonfarm payrolls posting the smallest monthly increase in a year as Hurricane Florence's landfall likely weighed on jobs growth. Slowing jobs growth, along with the unemployment rate's drop to a 48-year low, confirmed a tight labor market at this point in the cycle. Average hourly earnings climbed 2.8% year over year in September, significantly below the 4% wage growth preceding each of the last five economic recessions. Wages represent up to 70% of business costs, so current wage growth shows inflation has yet to reach levels that could weigh on output.

Producer prices continued to climb, but data showed higher production expenses haven't boosted consumer prices significantly. The core Producer Price Index (PPI), which excludes the volatility in pricing of food and energy components, rose 2.7% year over year, its fastest pace of growth since 2012. Even so, the core Consumer Price Index (CPI) increased 2.2% year over year, below its 2.4% cycle-high growth, reached in July. Core Personal Consumption Expenditures (PCE), the preferred gauge of inflation of the Federal Reserve (Fed), rose 2.0% year over year in September, matching the Fed's 2% target.

October reports showed a continued slowdown in the U.S. housing market, partly attributable to the reduction in housing affordability from rising mortgage rates. Gains in home prices, represented by the S&P CoreLogic Case-Shiller 20-City Composite, slowed for the fourth straight month. Existing home sales fell for the sixth straight month in July, while new home sales decreased for a fourth straight month.



### ECB Starts Tapering, Bank of Japan Holds Rates Steady

The Fed didn't meet in October, but other major central banks gathered during the month. The European Central Bank (ECB) announced October 25 that it would reduce bond purchases to 15 billion euros through December, and will decide at the end of the year whether to end its bond-buying program, based on incoming data and the outlook for inflation. The ECB also left benchmark rates unchanged and reiterated that it will likely leave rates at current levels through summer 2019. The Bank of Japan announced on October 31 that it would maintain its record-low interest rate, which has been in place since January 2016.

# GLOBAL EQUITIES: GOOD RIDDANCE TO OCTOBER

## U.S.

After six straight positive months, stocks in October suffered their worst month in over seven years as the S&P 500 Index lost 6.9%. Fears of a trade war with China, Fed rate hikes, and policy uncertainty ahead of midterm elections were the primary causes of the decline, though strong gains over the last two trading days of the month did help pare losses. The Dow Jones Industrial Average held up better, losing 5.0%, but still posted its biggest monthly drop since January 2016. The Nasdaq's 9.2% loss marked its worst month since November 2008, as some of the technology (and now communications services) bellwethers that led this year's advance reversed prior gains.

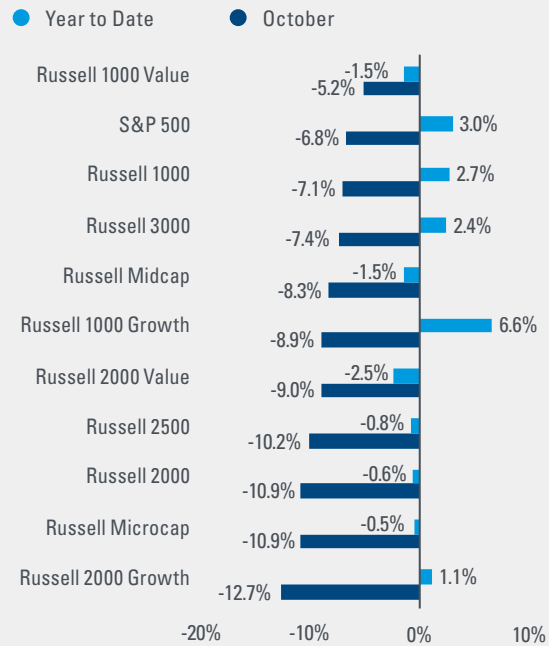
The difficult month left the S&P 500 up just 3% year to date, behind both the Dow (+3.4%) and the Nasdaq (+6.7%). On October 29, the S&P 500 closed 9.9% below a record high reached on September 20, narrowly avoiding a correction, defined as a 10-20% decline.

Optimism from market participants that the trade dispute with China would soon be resolved faded in early October. Vice President Mike Pence's speech on October 4 sparked fears of a larger geopolitical confrontation. That coincided with media reports that the Chinese had implanted chips in computer hardware to obtain sensitive information from U.S. companies, dampening investor confidence in a near-term agreement with China.

Market participants were also rattled by continued hawkish commentary from the Fed, as hopes appeared misplaced that the central bank would pause its rate hike campaign in response to market volatility. Regardless, continued strong U.S. economic growth and an impressive start to the third-quarter earnings season helped buoy stocks as the month ended. Manufacturing activity remains robust, business and consumer confidence is still quite high, and job growth is steady despite weather disruptions.

### DOMESTIC INDEX PERFORMANCE

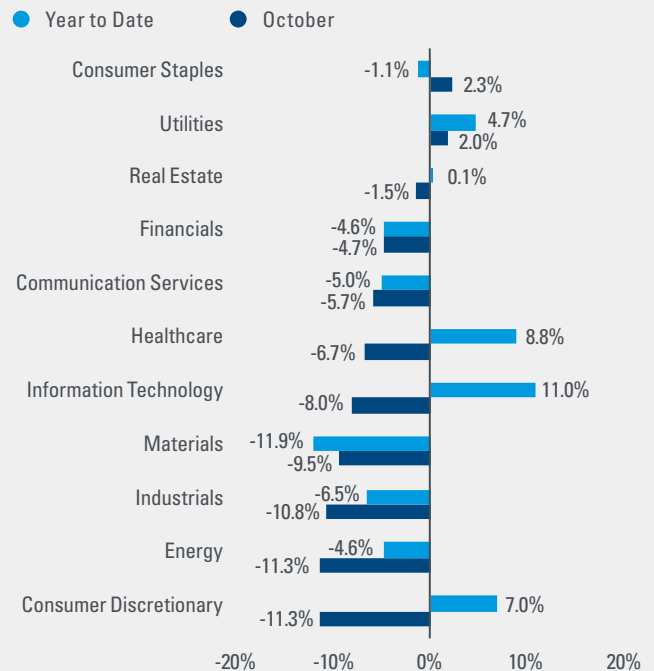
(Sorted by Monthly Return)



Source: FactSet 10/31/18

### S&P 500 SECTOR PERFORMANCE

(Sorted by Monthly Return)



Source: FactSet 10/31/18

Indexes are unmanaged and cannot be invested into directly. Past performance is no guarantee of future results.

Stock investing involves risk, including loss of principal.

Because of its narrow focus, sector investing will be subject to greater volatility than investing more broadly across many sectors and companies.

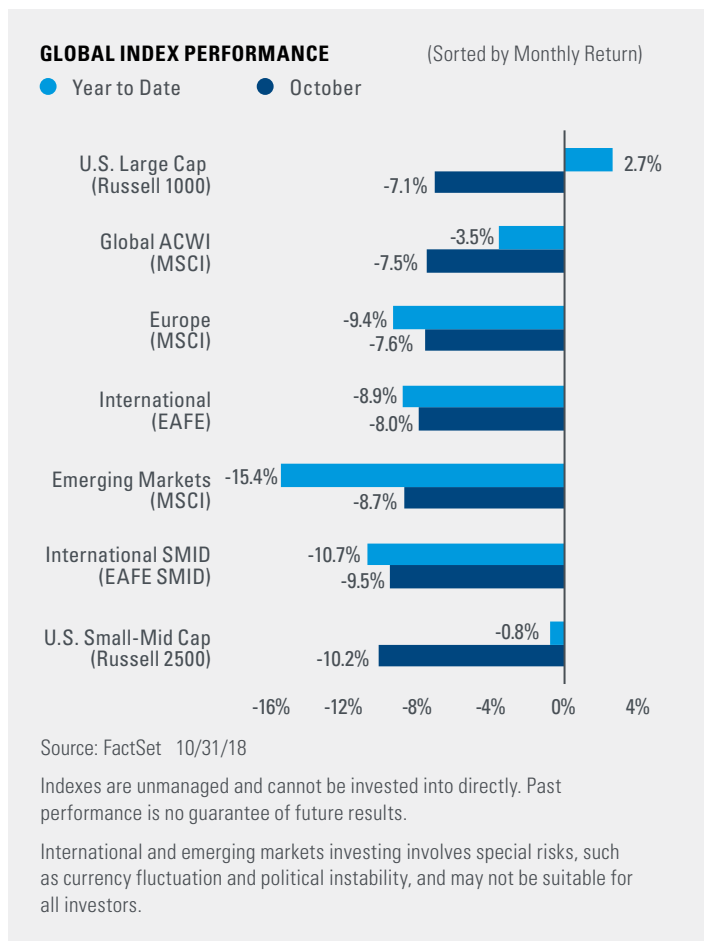
Turning to market leadership, large cap stocks outperformed their smaller counterparts for the second straight month, as the Russell 2000 Index lost 10.9%. Although the market's fears of escalating trade tensions might be expected to hurt more globally focused large caps, small cap stocks carry more economic and stock market sensitivity. Year to date, the small cap Russell 2000 has lost 0.6%, compared with the 2.7% gain for the larger cap Russell 1000 Index.

Value stocks outperformed growth for the first time since July, as the Russell 1000 Value Index lost 5.2% in October, compared with the 8.9% loss for the Russell 1000 Growth Index. The value index garnered support from financials, real estate, and utilities, all of which outperformed the S&P 500, while the two biggest growth sectors, consumer discretionary and technology, both underperformed. Growth still holds a sizable lead over value this year as the Russell 1000 Growth Index has climbed 6.6% year to date, well ahead of the 1.5% year-to-date loss for the Russell 1000 Value Index.

Only two sectors, consumer staples and utilities, rose during October, with both benefiting from the market's rotation into defensive areas. The worst-performing sectors during the month were more economically sensitive, namely consumer discretionary, energy, and industrials. A sell-off in internet retail stocks weighed on consumer discretionary shares, a drop in oil prices hurt energy shares, and escalating trade tensions hindered industrial shares.

**International**

International equities slightly underperformed the U.S. in October, as the international developed equity benchmark, the MSCI EAFE Index, lost 8%. A strong U.S. dollar, slower growth in Europe and Japan, and political uncertainty in Italy drove much of the weakness. From a country perspective, weakness was concentrated in France, Germany, Hong Kong, and Japan, while Switzerland performed relatively well. Year to date, the MSCI EAFE has lost 8.9%.



Emerging markets (EM) also fell slightly more than the broad U.S. stock market benchmarks, as the MSCI EM Index lost 8.7% for the month. Trade tensions, a strong dollar, and slower growth weighed on EM stocks. China was the biggest drag given the trade dispute and the country's hefty technology weighting, followed closely by South Korea and Taiwan. Meanwhile, trade uncertainty also impacted Mexican stocks. On the flip side, Brazilian stocks within the EM Index gained 18% for the month as investors applauded regime change following the country's presidential election. Year to date, losses in China, South Korea, South Africa, and India have weighed most heavily on the index, while gains in Brazil have helped partly offset declines.

## FIXED INCOME: RATES REACH SEVEN-YEAR HIGH AMID BROAD SELL-OFF

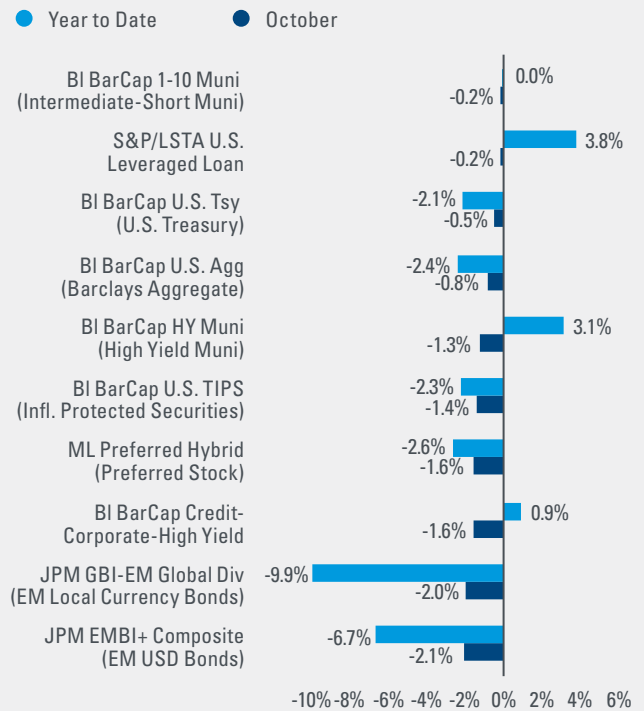
Rates rose for a second straight month in October. The 10-year Treasury yield rose 10 basis points (0.10%) in October, reaching a seven-year high of 3.23% on October 5. Longer-term yields rose more quickly than shorter-term yields in the month amid solid economic reports hinting at accelerating inflation and financial markets' volatility. On October 3, the 10-year yield jumped 12 basis points (0.12%)—its biggest daily gain since the day after the 2016 presidential election—after Fed Chair Jerome Powell commented on the U.S. economy's "remarkably positive" outlook. Longer-term yields then fell in the later weeks of the month as the S&P 500 slid nearly 10%.

The jump in rates weighed on all major groups of fixed income (as shown in the Fixed Income Performance Table). Bank loans fared the best among these classes, falling 0.2%. Treasuries dropped 0.5% during the month, while the Bloomberg Barclays US Aggregate Bond Index declined 0.8%. Investment-grade bonds fell 1.4%\*, outperforming high-yield bonds, which slid 1.6%, as investors favored higher credit quality debt in the corporate bond space. EM debt dropped 2.1%, its worst month since November 2016, as EM economies struggled with a global breakdown in trade and a stronger U.S. dollar.

\*Investment-grade bonds represented by the Bloomberg Barclays U.S. Credit Index.

### FIXED INCOME PERFORMANCE

(Sorted by Monthly Return)



### U.S. TREASURY YIELDS

Security	09/30/18	10/31/18	Change in Yield
3 Month	2.19	2.34	0.15
2 Year	2.81	2.87	0.06
5 Year	2.94	2.98	0.04
10 Year	3.05	3.15	0.10
30 Year	3.19	3.39	0.20

### AAA MUNICIPAL YIELDS

Security	09/30/18	10/31/18	Change in Yield
2 Year	1.84	1.98	0.14
5 Year	2.16	2.29	0.13
10 Year	2.58	2.74	0.16
20 Year	3.07	3.22	0.15
30 Year	3.19	3.34	0.15

Source: Bloomberg, FactSet 10/31/18

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Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values and yields will decline as interest rates rise, and bonds are subject to availability and change in price.



## ALTERNATIVES: CONVERTIBLE ARB PROTECTS DURING VOLATILE MONTH

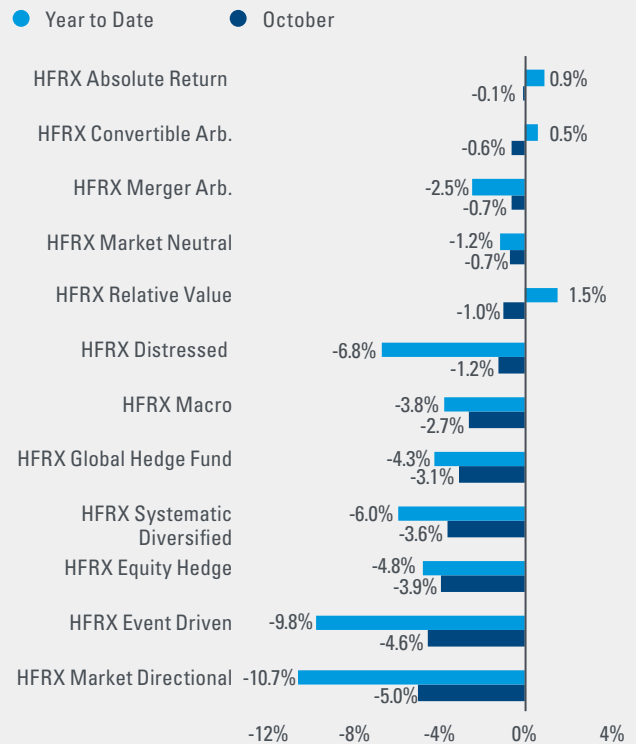
During October, there was significant return dispersion within underlying alternative investment sub strategies. While both were negative for the month, the HFRX Convertible Arbitrage (-0.6%) and HFRX Merger Arbitrage Indexes (-0.7%) provided the best protection during one of the more difficult market environments for equity (S&P 500 Index down 6.8%) and fixed income (Barclays Aggregate down 0.8%) benchmarks in recent years. In the convertible space, long positions detracted from performance; however, the strategy was able to profit from short equity hedges over the course of the month to offset losses experienced on the credit side. Merger arbitrage's beta neutral risk profile insulated the strategy from a majority of the equity market volatility during the month. Existing deal spreads saw moderate spread widening; however, there were no major deal breaks that caused widespread portfolio disruption.

Long/short equity encountered another lackluster month, as the HFRX Equity Hedge Index declined 3.9%, bringing year-to date losses to -4.8%. The most widely held long and short positions in the hedge fund industry, often referred to as the most crowded trades, faced difficulty at the end of the month, as those securities moved against prevailing positioning to cause noteworthy losses in long and short portfolios. Many strategies also took steps to quickly reduce net exposure by selling out of long holdings in growth related sectors.

As measured by the HFRX Systematic Diversified CTA Index, managed futures strategies also encountered a difficult month, declining 3.6%. Long equity and long oil allocations detracted from performance, as both markets reversed direction during the month, leading to portfolio losses. Short equity contracts in Asian markets provided gains to offset these losses.

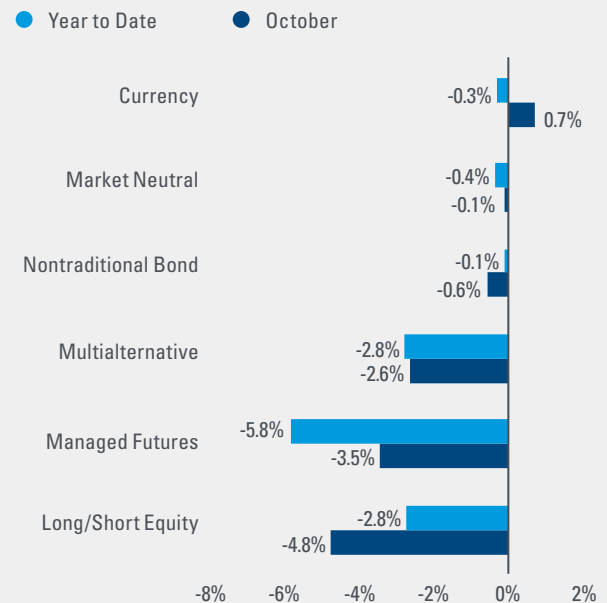
### HFRX INDEX PERFORMANCE

(Sorted by Monthly Return)



### MORNINGSTAR INDEX PERFORMANCE

(Sorted by Monthly Return)



Source: FactSet 10/31/18

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Alternative strategies may not be suitable for all investors and should be considered as an investment for the risk capital portion of the investor's portfolio. The strategies employed in the management of alternative investments may accelerate the velocity of potential losses.



## REAL ASSETS: CHALLENGING MONTH

All major liquid real asset categories fell during October, with master limited partnerships (MLP) and international real estate suffering the largest declines. Commodities fell, but still held up well relative to other asset classes in the category.

### Master Limited Partnerships

MLPs fell for the second straight month, losing 8% during October and erasing year-to-date gains. The group was hurt by falling oil prices, policy uncertainty ahead of the U.S. midterm elections, and rising interest rates, while rising natural gas prices offered little respite. Year to date, MLPs have lost 2.6%.

### REITs & Global Listed Infrastructure

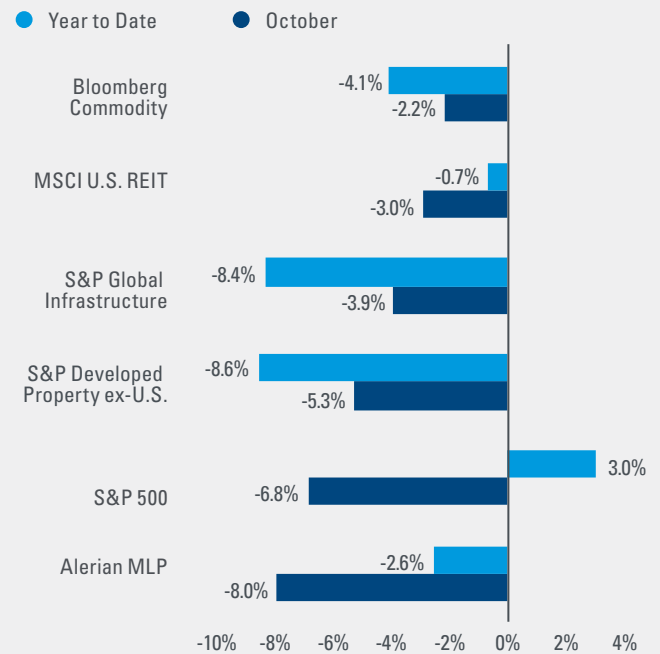
Domestic REITs lost 3% during October, but still outperformed the broad equity markets and most major real asset categories as investors and traders rotated into less economically sensitive equities. The MSCI U.S. REIT Index has lost 0.7% year to date, lagging the S&P 500 Index on a total return basis. Most domestic real estate sectors posted losses for the month, with the exception of healthcare, self-storage, and retail. The lodging/hotels sector, the worst-performing domestic real estate sector for the month, continued its recent relative underperformance after a strong start to the year. Global REITs fared slightly worse in October and trail U.S. REITs significantly year to date.

The S&P Global Infrastructure Index slipped 3.9% during the month, outperforming the broad equity markets. However, the sector's year-to-date loss of 8.4% has lagged the year-to-date performances of the broad U.S. and global equity benchmarks.

Investing in real estate/REITs involves special risks such as potential illiquidity and may not be suitable for all investors. There is no assurance that the investment objectives of this program will be attained.

### LIQUID REAL ASSET PERFORMANCE

(Sorted by Monthly Return)



Source: FactSet 10/31/18

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### Commodities

After a respite in September, commodities resumed their downward trend in October. The Bloomberg Commodity Index fell 2.2% during the month, led down by crude oil and copper, leaving the index down 4.1% year to date. Natural gas was a rare bright spot with a solid gain for the month, while crude oil prices retreated amid concerns over future growth. Copper suffered from its close ties to global economic growth, particularly in China. Gold prices were modestly positive during the month, as a flight-to-safety dynamic contended with a strong U.S. dollar. Trade tensions with China continued to fuel volatility in agriculture prices.

## **IMPORTANT DISCLOSURE INFORMATION**

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