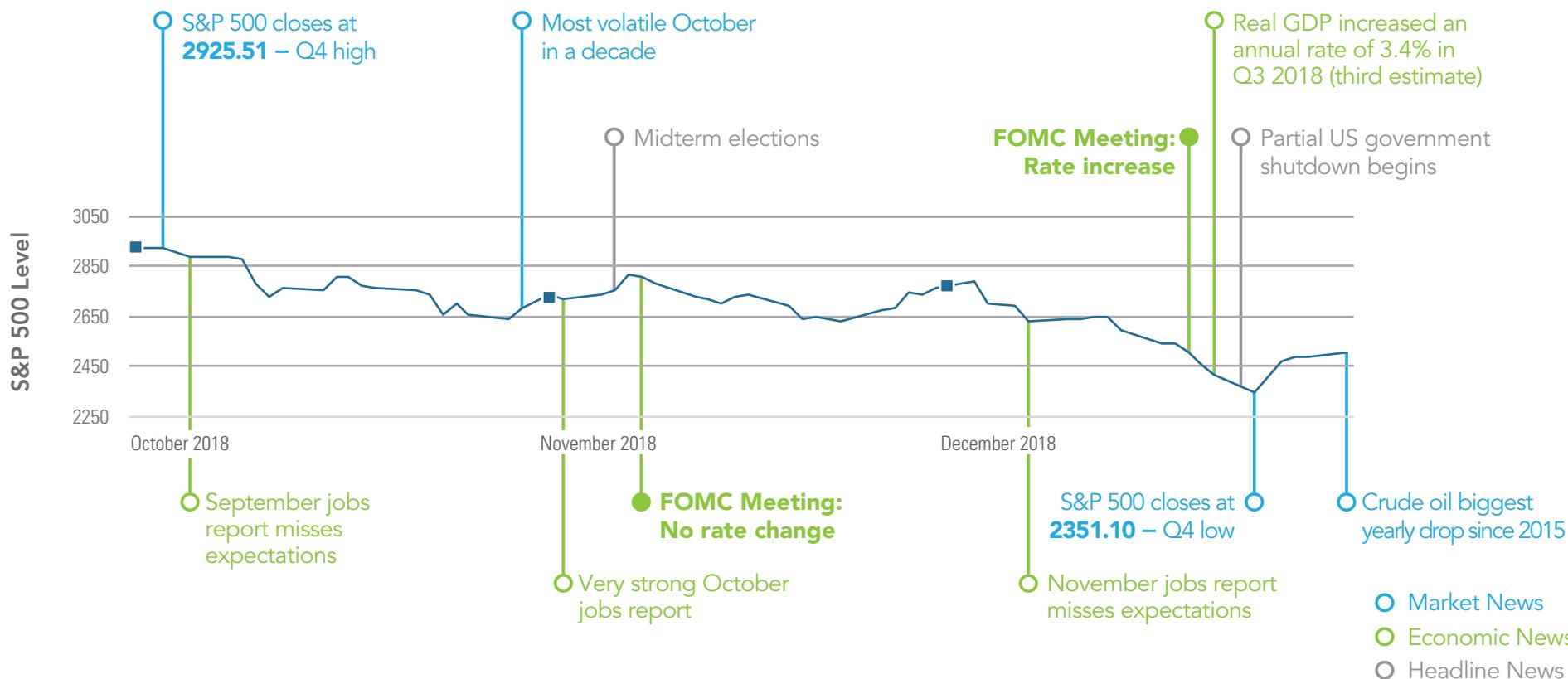


Fourth Quarter 2018 in Review

THE S&P 500® INDEX AND KEY EVENTS



1 In a sharp reversal from last quarter, US equities dropped from previous highs

- US and global markets disappointed in the fourth quarter and the year.
- US large cap outpaced both US small cap and non-US developed over the quarter and the year (Dow Jones® Industrial Average: -11.3%, -3.5%; Russell 2000® Index: -20.2%, -11.0%; MSCI EAFE Index -12.5%, -13.3%). Emerging markets continued its negative trend, returning -7.6% (MSCI EM Index) for the quarter and -14.5% for the year.

2 US bond markets delivered mixed performance across sectors and maturities

- Treasuries delivered strong returns for the quarter and year (iShares 7-10 Year Treasury Bond ETF: 3.9%, 1.0%); investment grade corporate bonds had a positive quarter but returned to negative territory for the year (S&P 500® Investment Grade Corporate Bond Index: 0.2%, -2.0%). Municipal bonds ended both the quarter and year on a positive note (S&P Municipal Bond Index: 1.5%, 1.4%).
- Corporate high yield struggled over the quarter and the year (S&P 500 High Yield Corporate Bond Index: -2.4%, -2.0%).

3 Important events

- The “fear index” (Cboe Volatility Index®) rose significantly; markets typically do not like uncertainty, and fourth quarter events were anything but certain, including a power shift in the US House of Representatives, confusion over a possible US/China trade war truce, and partial US government shutdown.
- The Federal Open Market Committee (FOMC) raised interest rates for the fourth time this year at the December meeting, with wide anticipation of additional increases in 2019.

Data as of 12/31/18, unless noted. Sources: Bloomberg, Bureau of Economic Analysis.

Important Information

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S&P 500 Index is an unmanaged index that is generally considered representative of the US equity market, consisting of 500 leading companies in leading industries of the US economy (typically large cap companies) representing approximately 75% of the investable US equity market. Dow Jones Industrial Average (a registered trademark of Dow Jones & Co., Inc.) is an unmanaged index composed of 30 common stocks. Russell 2000® Index consists of the smallest 2,000 securities in the Russell 3000® Index. This is the Frank Russell Company’s small capitalization index that is widely regarded in the industry as the premier measure of small capitalization stocks. The Russell 3000 Index is composed of the 3,000 largest U.S. securities, as determined by total market capitalization. MSCI EAFE (Europe, Australasia, Far East) Index measures the equity market performance of countries considered to represent developed markets, excluding the U.S. and Canada. MSCI Emerging Markets (EM) Index measures the equity market performance of countries considered to represent emerging markets. The iShares 7-10 Year Treasury Bond ETF (IEF) seeks to track the investment results of an index composed of U.S. Treasury bonds with remaining maturities between seven and ten years. The S&P Municipal Bond Index is a broad, market value-weighted index that seeks to measure the performance of the U.S. municipal bond market. The S&P 500 High Yield Corporate Bond Index, a subindex of the S&P 500 Bond Index, seeks to measure the performance of U.S. corporate debt issued by constituents in the S&P 500 with a high-yield rating. The S&P Municipal Bond High Yield Index consists of bonds in the S&P Municipal Bond Index that are not rated or are rated below investment grade. The S&P 500 Investment Grade Corporate Bond Index, a subindex of the S&P 500 Bond Index, seeks to measure the performance of U.S. corporate debt issued by constituents in the S&P 500 with an investment-grade rating. The S&P 500 Bond Index is designed to be a corporate-bond counterpart to the S&P 500, which is widely regarded as the best single gauge of large-cap U.S. equities. Nasdaq Composite Index is a composite index covering price movements of all new world common stocks listed on the New York Stock Exchange. It is based on the close of the market on December 31, 1965, at a level of 50.00, and is weighted according to the number of shares listed for each issue. The Cboe Volatility Index® (VIX® Index) is considered by many to be the world’s premier barometer of equity market volatility. The VIX Index is based on real-time prices of options on the S&P 500 Index (SPX) and is designed to reflect investors’ consensus view of future (30-day) expected stock market volatility. One cannot invest directly in an index.

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