



## INVESTMENT COMMENT Some Perspective on this latest Global Stock Market Drop

### February 5, 2018

Today, on the day the new US Federal Reserve Chairman was sworn in, global stock markets continued a sell-off that began on Friday. Following a lengthy period of abnormally-low market volatility, these past two days stand in stark contrast. Before we review some data, a few points:

- Market optimism for global stocks has been extraordinarily high. One survey of bullish sentiment notched the highest level of confidence in stock prices since 1987<sup>1</sup>.

- January stock market returns were very strong, but have been wiped-out during these past two days. At today's market close, the Risk Assets portion of client portfolios has returned to mid-December levels.

- Despite increased volatility, markets are functioning normally – the drop in global Risk Assets is not due to an impending financial or economic crisis.

#### Perspective on market returns

This two-day drop in global Risk Assets was across-the-board – and this is typical. We generally see return correlations move toward 1.0 among Risk Assets when there is a "run for the exit" market move. Risk Assets declined 4% to 6%, while Low Risk Assets held their value (see table), and investors with risk-balanced portfolios lost 1% to 4% over the past two days.

Comparing two-day returns with the One Year column, you can see that all Risk Assets, except for US Real Estate, remain solidly positive. YTD US Real Estate returns (-9.9%) have been most impacted by rising interest-rates in 2018. **The bottom-line is that we** 

As of February 5, 2018   2 Days   YTD   Year     PORTFOLIO RISK SEGMENTS   -   -   -   +   1.1%   +   16.7%     US Large Cap Value   -6.4%   -1.9%   +   13.6%     US Small Cap   -5.5%   -2.7%   +   10.1%     US Small Cap Value   -5.7%   -3.8%   +5.7%     International Large Cap   -6.2%   -1.4%   +   19.1%     International Small Cap   -6.4%   -1.0%   +   25.0%     International Small Cap   -6.4%   -1.0%   +   25.0%     International Small Cap   -5.4%   +1.7%   +   25.0%     Emerging Markets   -5.4%   +1.7%   +   25.0%     Emerging Markets Small Cap   -5.6%   -1.1%   +   20.5%     International Real Estate   -5.6%   -1.1%   +   20.5%     International Real Estate   -5.6%   -1.1%   +   20.5%     SELECTED PORTFOLIO LOW-RISK SEGMENTS   US   Treasury 1-3yr Notes   <		<u> </u>		
PORTFOLIO RISK SEGMENTS     US Large Cap   -6.0%   -1.1%   +16.7%     US Large Cap Value   -6.4%   -1.9%   +13.6%     US Small Cap   -5.5%   -2.7%   +10.1%     US Small Cap Value   -5.7%   -3.8%   +5.7%     International Large Cap   -6.2%   -1.4%   +19.1%     International Small Cap   -6.4%   -1.0%   +25.0%     International Small Cap Value   -6.4%   -1.0%   +25.0%     International Small Cap Value   -6.4%   -1.0%   +25.0%     Emerging Markets   -5.4%   +1.7%   +22.8%     Emerging Markets Small Cap   -5.3%   -0.8%   +21.9%     Emerging Markets Value   -4.3%   +4.2%   +28.7%     US Real Estate Investment Trusts   -3.8%   -9.9%   -5.8%     International Real Estate   -5.6%   -1.1%   +20.6%     SELECTED PORTFOLIO LOW-RISK SEGMENTS   US Treasury 1-3yr Notes   +0.2%   -0.1%   +0.1%     US Treasury 1-3yr Notes   +0.2%   -0.1%   +0.1%	Selected Asset Classes	Past	2018	One
US Large Cap -6.0% -1.1% +16.7%   US Large Cap Value -6.4% -1.9% +13.6%   US Small Cap -5.5% -2.7% +10.1%   US Small Cap Value -5.7% -3.8% +5.7%   International Large Cap -6.2% -1.4% +19.1%   International Large Cap Value -6.3% -0.6% +16.1%   International Small Cap -6.4% -1.0% +25.0%   International Small Cap Value -6.4% -1.5% +22.8%   Emerging Markets -5.4% +1.7% +25.0%   Emerging Markets Small Cap -5.3% -0.8% +21.9%   Emerging Markets Value -4.3% +4.2% +28.7%   US Real Estate Investment Trusts -3.8% -9.9% -5.8%   International Real Estate -5.6% -1.1% +20.6%   SELECTED PORTFOLIO LOW-RISK SEGMENTS US Treasury 1-3yr Notes +0.2% -0.1% +0.1%   US Treasury 1-3yr Notes +0.2% -1.2% +0.1% US Treasury 20-30yr Notes +0.0% -4.6% +4.0% US Treasury 1nflation-Protected +0.2		2 Days	YID	Year
US Large Cap Value -6.4% -1.9% +13.6%   US Small Cap -5.5% -2.7% +10.1%   US Small Cap Value -5.7% -3.8% +5.7%   International Large Cap -6.2% -1.4% +19.1%   International Small Cap -6.4% -1.0% +25.0%   International Small Cap Value -6.4% -1.0% +25.0%   International Small Cap Value -6.4% -1.5% +22.8%   Emerging Markets -5.4% +1.7% +25.0%   Emerging Markets Small Cap -5.3% -0.8% +21.9%   Emerging Markets Value -4.3% +4.2% +28.7%   US Real Estate Investment Trusts -3.8% -9.9% -5.8%   International Real Estate -5.6% -1.1% +20.6%   SELECTED PORTFOLIO LOW-RISK SEGMENTS US Treasury 1-3yr Notes +0.2% -0.1% +0.1%   US Treasury 1-3yr Notes +0.2% -1.2% +0.1% US   US Treasury 1-3yr Notes +0.2% -1.2% +0.1% US   US Treasury 1-9yr Notes +0.4% -2.2% +0.1% US<		6.00/	4.40/	
US Small Cap -5.5% -2.7% +10.1%   US Small Cap Value -5.7% -3.8% +5.7%   International Large Cap -6.2% -1.4% +19.1%   International Large Cap Value -6.3% -0.6% +16.1%   International Small Cap -6.4% -1.0% +25.0%   International Small Cap Value -6.4% -1.5% +22.8%   Emerging Markets -5.4% +1.7% +25.0%   Emerging Markets Small Cap -5.3% -0.8% +21.9%   Emerging Markets Value -4.3% +4.2% +28.7%   US Real Estate Investment Trusts -3.8% -9.9% -5.8%   International Real Estate -5.6% -1.1% +20.6%   SELECTED PORTFOLIO LOW-RISK SEGMENTS US Treasury 1-3yr Notes +0.2% -0.1% +0.1%   US Treasury 20-30yr Notes +0.0% -4.6% +4.0% US Treasury 20-30yr Notes +0.0% -1.2% +0.9%   Inv Grade Intermediate Duration +0.2% -1.2% +0.9% Inv Grade Intermediate Duration +0.2% -1.2% +3.3%   Inv Grade Long Duration	•			
US Small Cap Value   -5.7%   -3.8%   +5.7%     International Large Cap   -6.2%   -1.4%   +19.1%     International Large Cap Value   -6.3%   -0.6%   +16.1%     International Small Cap   -6.4%   -1.0%   +25.0%     International Small Cap Value   -6.4%   -1.5%   +22.8%     Emerging Markets   -5.4%   +1.7%   +25.0%     Emerging Markets Small Cap   -5.3%   -0.8%   +21.9%     Emerging Markets Value   -4.3%   +4.2%   +28.7%     US Real Estate Investment Trusts   -3.8%   -9.9%   -5.8%     International Real Estate   -5.6%   -1.1%   +20.6%     SELECTED PORTFOLIO LOW-RISK SEGMENTS   US Treasury 1-3yr Notes   +0.2%   -0.1%   +0.1%     US Treasury 20-30yr Notes   +0.0%   -4.6%   +4.0%   US Treasury 20-30yr Notes   +0.0%   -4.6%   +4.0%     US Treasury Inflation-Protected   +0.2%   -1.2%   +0.9%   Inv Grade Intermediate Duration   +0.2%   -1.2%   +3.3%     Inv Grade Long Duration				
International Large Cap -6.2% -1.4% +19.1%   International Large Cap Value -6.3% -0.6% +16.1%   International Small Cap -6.4% -1.0% +25.0%   International Small Cap Value -6.4% -1.5% +22.8%   Emerging Markets -5.4% +1.7% +25.0%   Emerging Markets Small Cap -5.3% -0.8% +21.9%   Emerging Markets Value -4.3% +4.2% +28.7%   US Real Estate Investment Trusts -3.8% -9.9% -5.8%   International Real Estate -5.6% -1.1% +20.6%   SELECTED PORTFOLIO LOW-RISK SEGMENTS US Treasury 1-3yr Notes +0.2% -0.1% +0.1%   US Treasury 20-30yr Notes +0.0% -4.6% +4.0% US Treasury 1nflation-Protected +0.2% -1.2% +0.9%   Inv Grade Intermediate Duration +0.2% -1.2% +0.9% Inv Grade Intermediate Duration +0.2% +1.4%   Inv Grade Long Duration -0.1% -3.0% +8.7% International Bonds (Non-Dollar) -1.0% +2.8% +9.6%   EQUITY INDICES EQUITY INDICES	-			
International Large Cap Value -6.3% -0.6% +16.1%   International Small Cap -6.4% -1.0% +25.0%   International Small Cap Value -6.4% -1.5% +22.8%   Emerging Markets -5.4% +1.7% +25.0%   Emerging Markets Small Cap -5.3% -0.8% +21.9%   Emerging Markets Value -4.3% +4.2% +28.7%   US Real Estate Investment Trusts -3.8% -9.9% -5.8%   International Real Estate -5.6% -1.1% +20.6%   SELECTED PORTFOLIO LOW-RISK SEGMENTS US Treasury 1-3yr Notes +0.2% -0.1% +0.1%   US Treasury 1-3yr Notes +0.4% -2.2% +0.1% US Treasury 20-30yr Notes +0.0% -4.6% +4.0%   US Treasury Inflation-Protected +0.2% -1.2% +0.9% 1nv Grade Intermediate Duration +0.2% -1.2% +3.3%   Inv Grade Intermediate Duration +0.2% -1.2% +3.3% 1nv Grade Long Duration +0.1% +2.8% +9.6%   EQUITY INDICES - - - - - +1.6% +21.1%	•			
International Small Cap -6.4% -1.0% +25.0%   International Small Cap Value -6.4% -1.5% +22.8%   Emerging Markets -5.4% +1.7% +25.0%   Emerging Markets Small Cap -5.3% -0.8% +21.9%   Emerging Markets Value -4.3% +4.2% +28.7%   US Real Estate Investment Trusts -3.8% -9.9% -5.8%   International Real Estate -5.6% -1.1% +20.6%   SELECTED PORTFOLIO LOW-RISK SEGMENTS US Treasury 1-3yr Notes +0.2% -0.1% +0.1%   US Treasury 1-3yr Notes +0.4% -2.2% +0.1% US US Treasury 20-30yr Notes +0.0% -4.6% +4.0%   US Treasury Inflation-Protected +0.2% -1.2% +0.9% Inv Grade Intermediate Duration +0.2% -1.2% +3.3%   Inv Grade Long Duration +0.2% -1.2% +3.3% Inv Grade Long Duration +0.1% +2.8% +9.6%   EQUITY INDICES MSCI All-Country World Index -4.7% +0.6% +21.1% S&P 500 Index -0.8% +17.6% BALANCED PORTFOLIOS <	<b>u</b>			
International Small Cap Value   -6.4%   -1.5%   +22.8%     Emerging Markets   -5.4%   +1.7%   +25.0%     Emerging Markets Small Cap   -5.3%   -0.8%   +21.9%     Emerging Markets Value   -4.3%   +4.2%   +28.7%     US Real Estate Investment Trusts   -3.8%   -9.9%   -5.8%     International Real Estate   -5.6%   -1.1%   +20.6%     SELECTED PORTFOLIO LOW-RISK SEGMENT   US   Treasury 1-3yr Notes   +0.2%   -0.1%   +0.1%     US Treasury 7-10yr Notes   +0.4%   -2.2%   +0.1%   US Treasury 20-30yr Notes   +0.0%   -4.6%   +4.0%     US Treasury Inflation-Protected   +0.2%   -1.2%   +0.9%   Inv Grade Short Duration   +0.2%   -1.2%   +3.3%     Inv Grade Intermediate Duration   +0.2%   -1.2%   +3.3%   Inv Grade Long Duration   +0.2%   +1.4%     Inv Grade Long Duration   -0.1%   +28.6%   +9.6%   EQUITY INDICES   #17.6%     BALANCED PORTFOLIOS   Vanguard 60/40 Fund   -3.5%   -1.1%   +10.6%				
Emerging Markets -5.4% +1.7% +25.0%   Emerging Markets Small Cap -5.3% -0.8% +21.9%   Emerging Markets Value -4.3% +4.2% +28.7%   US Real Estate Investment Trusts -3.8% -9.9% -5.8%   International Real Estate -5.6% -1.1% +20.6%   SELECTED PORTFOLIO LOW-RISK SEGMENTS US Treasury 1-3yr Notes +0.2% -0.1% +0.1%   US Treasury 7-10yr Notes +0.4% -2.2% +0.1% US Treasury 20-30yr Notes +0.0% -4.6% +4.0%   US Treasury Inflation-Protected +0.2% -1.2% +0.9% Inv Grade Short Duration +0.2% -1.2% +3.3%   Inv Grade Intermediate Duration +0.2% -1.2% +3.3% Inv Grade Long Duration -0.1% -3.0% +8.7%   International Bonds (Non-Dollar) -1.0% +2.8% +9.6% EQUITY INDICES   MSCI All-Country World Index -4.7% +0.6% +21.1%   S&P 500 Index -6.1% -0.8% +17.6%   BALANCED PORTFOLIOS -0.6% +4.9%   OTHER NOTABLE MARKET DATA -0	•			
Emerging Markets Small Cap   -5.3%   -0.8%   +21.9%     Emerging Markets Value   -4.3%   +4.2%   +28.7%     US Real Estate Investment Trusts   -3.8%   -9.9%   -5.8%     International Real Estate   -5.6%   -1.1%   +20.6%     SELECTED PORTFOLIO LOW-RISK SEGMENTS   -0.1%   +0.1%     US Treasury 1-3yr Notes   +0.4%   -2.2%   +0.1%     US Treasury 20-30yr Notes   +0.0%   -4.6%   +4.0%     US Treasury 20-30yr Notes   +0.2%   -1.2%   +0.9%     Inv Grade Short Duration   +0.2%   -1.2%   +0.9%     Inv Grade Intermediate Duration   +0.2%   -1.2%   +3.3%     Inv Grade Long Duration   +0.2%   -1.2%   +3.3%     Inv Grade Long Duration   -0.1%   -3.0%   +8.7%     International Bonds (Non-Dollar)   -1.0%   +2.8%   +9.6%     EQUITY INDICES   -   -0.8%   +17.6%     BALANCED PORTFOLIOS   -   -0.8%   +17.6%     DFA 60/40 Fund   -3.3%   -0.6%   +	International Small Cap Value	-6.4%	-1.5%	+22.8%
Emerging Markets Value   -4.3%   +4.2%   +28.7%     US Real Estate Investment Trusts   -3.8%   -9.9%   -5.8%     International Real Estate   -5.6%   -1.1%   +20.6%     SELECTED PORTFOLIO LOW-RISK SEGMENTS   -0.1%   +0.1%     US Treasury 1-3yr Notes   +0.2%   -0.1%   +0.1%     US Treasury 7-10yr Notes   +0.4%   -2.2%   +0.1%     US Treasury 20-30yr Notes   +0.0%   -4.6%   +4.0%     US Treasury Inflation-Protected   +0.2%   -1.2%   +0.9%     Inv Grade Short Duration   +0.2%   -0.3%   +1.4%     Inv Grade Intermediate Duration   +0.2%   -1.2%   +3.3%     Inv Grade Long Duration   -0.1%   +3.0%   +8.7%     International Bonds (Non-Dollar)   -1.0%   +2.8%   +9.6%     EQUITY INDICES   MSCI All-Country World Index   -4.7%   +0.6%   +21.1%     S&P 500 Index   -6.1%   -0.8%   +17.6%     BALANCED PORTFOLIOS   -1.1%   +10.6%   +10.5%     DFA 60/40 Fund <t< td=""><td>Emerging Markets</td><td>-5.4%</td><td>+1.7%</td><td>+25.0%</td></t<>	Emerging Markets	-5.4%	+1.7%	+25.0%
US Real Estate Investment Trusts   -3.8%   -9.9%   -5.8%     International Real Estate   -5.6%   -1.1%   +20.6%     SELECTED PORTFOLIO LOW-RISK SEGMENTS   US   -0.1%   +0.1%     US Treasury 1-3yr Notes   +0.2%   -0.1%   +0.1%     US Treasury 7-10yr Notes   +0.4%   -2.2%   +0.1%     US Treasury 20-30yr Notes   +0.0%   -4.6%   +4.0%     US Treasury Inflation-Protected   +0.2%   -1.2%   +0.9%     Inv Grade Short Duration   +0.2%   -0.3%   +1.4%     Inv Grade Intermediate Duration   +0.2%   -1.2%   +3.3%     Inv Grade Long Duration   -0.1%   -3.0%   +8.7%     International Bonds (Non-Dollar)   -1.0%   +2.8%   +9.6%     EQUITY INDICES   -   -   -   +0.6%   +21.1%     S&P 500 Index   -6.1%   -0.8%   +17.6%   BALANCED PORTFOLIOS   -   -     Vanguard 60/40 Fund   -3.5%   -1.1%   +10.5%   -   -     DFA 60/40 Fund   -3.4% </td <td></td> <td></td> <td>-0.8%</td> <td>+21.9%</td>			-0.8%	+21.9%
International Real Estate   -5.6%   -1.1%   +20.6%     SELECTED PORTFOLIO LOW-RISK SEGMENTS   US   -0.1%   +0.1%     US Treasury 1-3yr Notes   +0.4%   -2.2%   +0.1%     US Treasury 7-10yr Notes   +0.4%   -2.2%   +0.1%     US Treasury 20-30yr Notes   +0.0%   -4.6%   +4.0%     US Treasury Inflation-Protected   +0.2%   -1.2%   +0.9%     Inv Grade Short Duration   +0.2%   -0.3%   +1.4%     Inv Grade Intermediate Duration   +0.2%   -1.2%   +3.3%     Inv Grade Long Duration   -0.1%   -3.0%   +8.7%     International Bonds (Non-Dollar)   -1.0%   +2.8%   +9.6%     EQUITY INDICES   HO.6%   +21.1%   S&P 500 Index   -6.1%   -0.8%   +17.6%     BALANCED PORTFOLIOS   Vanguard 60/40 Fund   -3.5%   -1.1%   +10.5%     DFA 60/40 Fund   -3.4%   -0.9%   +10.5%     DFA 25/75 Fund   -1.3%   -0.6%   +4.9%     OTHER NOTABLE MARKET DATA   '1.1%   +2.5% <td< td=""><td>Emerging Markets Value</td><td>-4.3%</td><td>+4.2%</td><td>+28.7%</td></td<>	Emerging Markets Value	-4.3%	+4.2%	+28.7%
SELECTED PORTFOLIO LOW-RISK SEGMENTS     US Treasury 1-3yr Notes   +0.2%   -0.1%   +0.1%     US Treasury 7-10yr Notes   +0.4%   -2.2%   +0.1%     US Treasury 20-30yr Notes   +0.0%   -4.6%   +4.0%     US Treasury 20-30yr Notes   +0.2%   -1.2%   +0.9%     US Treasury Inflation-Protected   +0.2%   -1.2%   +0.9%     Inv Grade Short Duration   +0.2%   -1.2%   +3.3%     Inv Grade Intermediate Duration   +0.2%   -1.2%   +3.3%     Inv Grade Long Duration   -0.1%   -3.0%   +8.7%     International Bonds (Non-Dollar)   -1.0%   +2.8%   +9.6%     EQUITY INDICES   -0.1%   -0.6%   +21.1%     S&P 500 Index   -6.1%   -0.8%   +17.6%     BALANCED PORTFOLIOS   -   -   +10.5%     Vanguard 60/40 Fund   -3.5%   -1.1%   +10.5%     DFA 60/40 Fund   -3.4%   -0.9%   +10.5%     DFA 25/75 Fund   -1.3%   -0.6%   +4.9%     OTHER NOTABLE MARKET	US Real Estate Investment Trusts	-3.8%	-9.9%	-5.8%
US Treasury 1-3yr Notes +0.2% -0.1% +0.1%   US Treasury 7-10yr Notes +0.4% -2.2% +0.1%   US Treasury 20-30yr Notes +0.0% -4.6% +4.0%   US Treasury 1nflation-Protected +0.2% -1.2% +0.9%   Inv Grade Short Duration +0.2% -0.3% +1.4%   Inv Grade Intermediate Duration +0.2% -1.2% +3.3%   Inv Grade Long Duration -0.1% -3.0% +8.7%   International Bonds (Non-Dollar) -1.0% +2.8% +9.6%   EQUITY INDICES -0.1% -0.8% +17.6%   BALANCED PORTFOLIOS -0.8% +17.6%   Vanguard 60/40 Fund -3.5% -1.1% +10.5%   DFA 60/40 Fund -3.4% -0.9% +10.5%   DFA 25/75 Fund -1.3% -0.6% +4.9%   OTHER NOTABLE MARKET DATA -1.1% +2.5% +9.1%   US Dollar (Trade-Weighted) +1.0% -2.8% -10.3%	International Real Estate	-5.6%	-1.1%	+20.6%
US Treasury 7-10yr Notes +0.4% -2.2% +0.1%   US Treasury 20-30yr Notes +0.0% -4.6% +4.0%   US Treasury Inflation-Protected +0.2% -1.2% +0.9%   Inv Grade Short Duration +0.2% -0.3% +1.4%   Inv Grade Intermediate Duration +0.2% -1.2% +3.3%   Inv Grade Long Duration +0.1% -3.0% +8.7%   International Bonds (Non-Dollar) -1.0% +2.8% +9.6%   EQUITY INDICES -0.1% +0.6% +21.1%   S&P 500 Index -6.1% -0.8% +17.6%   BALANCED PORTFOLIOS -0.8% +10.6%   Vanguard 60/40 Fund -3.5% -1.1% +10.6%   DFA 60/40 Fund -3.4% -0.9% +10.5%   DFA 25/75 Fund -1.3% -0.6% +4.9%   OTHER NOTABLE MARKET DATA -1.1% +2.5% +9.1%   Gold ETF -1.1% +2.5% +9.1%   US Dollar (Trade-Weighted) +1.0% -2.8% -10.3%	SELECTED PORTFOLIO LOW-RISK SEGM	ENTS		
US Treasury 20-30yr Notes +0.0% -4.6% +4.0%   US Treasury Inflation-Protected +0.2% -1.2% +0.9%   Inv Grade Short Duration +0.2% -0.3% +1.4%   Inv Grade Intermediate Duration +0.2% -1.2% +3.3%   Inv Grade Long Duration -0.1% -3.0% +8.7%   International Bonds (Non-Dollar) -1.0% +2.8% +9.6%   EQUITY INDICES - - +0.6% +21.1%   S&P 500 Index -6.1% -0.8% +17.6%   BALANCED PORTFOLIOS - - +10.6%   Vanguard 60/40 Fund -3.5% -1.1% +10.6%   DFA 60/40 Fund -3.4% -0.9% +10.5%   DFA 25/75 Fund -1.3% -0.6% +4.9%   OTHER NOTABLE MARKET DATA -1.1% +2.5% +9.1%   US Dollar (Trade-Weighted) +1.0% -2.8% -10.3%	US Treasury 1-3yr Notes	+0.2%	-0.1%	+0.1%
US Treasury Inflation-Protected +0.2% -1.2% +0.9%   Inv Grade Short Duration +0.2% -0.3% +1.4%   Inv Grade Intermediate Duration +0.2% -1.2% +3.3%   Inv Grade Long Duration -0.1% -3.0% +8.7%   International Bonds (Non-Dollar) -1.0% +2.8% +9.6%   EQUITY INDICES -1.0% +2.8% +9.6%   MSCI All-Country World Index -4.7% +0.6% +21.1%   S&P 500 Index -6.1% -0.8% +17.6%   BALANCED PORTFOLIOS - -0.8% +10.6%   Vanguard 60/40 Fund -3.5% -1.1% +10.6%   DFA 60/40 Fund -3.4% -0.9% +10.5%   DFA 25/75 Fund -1.3% -0.6% +4.9%   OTHER NOTABLE MARKET DATA -1.1% +2.5% +9.1%   Gold ETF -1.1% +2.5% +9.1%   US Dollar (Trade-Weighted) +1.0% -2.8% -10.3%	US Treasury 7-10yr Notes	+0.4%	-2.2%	+0.1%
Inv Grade Short Duration +0.2% -0.3% +1.4%   Inv Grade Intermediate Duration +0.2% -1.2% +3.3%   Inv Grade Long Duration -0.1% -3.0% +8.7%   International Bonds (Non-Dollar) -1.0% +2.8% +9.6%   EQUITY INDICES -1.0% +2.8% +9.6%   MSCI All-Country World Index -4.7% +0.6% +21.1%   S&P 500 Index -6.1% -0.8% +17.6%   BALANCED PORTFOLIOS -0.8% +10.6% -0.8%   Vanguard 60/40 Fund -3.5% -1.1% +10.6%   DFA 60/40 Fund -3.4% -0.9% +10.5%   DFA 25/75 Fund -1.3% -0.6% +4.9%   OTHER NOTABLE MARKET DATA -2.5% +6.1% +13.8%   Gold ETF -1.1% +2.5% +9.1%   US Dollar (Trade-Weighted) +1.0% -2.8% -10.3%	US Treasury 20-30yr Notes	+0.0%	-4.6%	+4.0%
Inv Grade Intermediate Duration +0.2% -1.2% +3.3%   Inv Grade Long Duration -0.1% -3.0% +8.7%   International Bonds (Non-Dollar) -1.0% +2.8% +9.6%   EQUITY INDICES -1.0% +2.8% +9.6%   MSCI All-Country World Index -4.7% +0.6% +21.1%   S&P 500 Index -6.1% -0.8% +17.6%   BALANCED PORTFOLIOS -0.8% +10.6%   Vanguard 60/40 Fund -3.5% -1.1% +10.6%   DFA 60/40 Fund -3.4% -0.9% +10.5%   DFA 25/75 Fund -1.3% -0.6% +4.9%   OTHER NOTABLE MARKET DATA -2.5% +6.1% +13.8%   Gold ETF -1.1% +2.5% +9.1%   US Dollar (Trade-Weighted) +1.0% -2.8% -10.3%	US Treasury Inflation-Protected	+0.2%	-1.2%	+0.9%
Inv Grade Long Duration -0.1% -3.0% +8.7%   International Bonds (Non-Dollar) -1.0% +2.8% +9.6%   EQUITY INDICES -4.7% +0.6% +21.1%   S&P 500 Index -6.1% -0.8% +17.6%   BALANCED PORTFOLIOS -0.8% +17.6%   Vanguard 60/40 Fund -3.5% -1.1% +10.6%   DFA 60/40 Fund -3.4% -0.9% +10.5%   DFA 25/75 Fund -1.3% -0.6% +4.9%   OTHER NOTABLE MARKET DATA -2.5% +6.1% +13.8%   Gold ETF -1.1% +2.5% +9.1%   US Dollar (Trade-Weighted) +1.0% -2.8% -10.3%	Inv Grade Short Duration	+0.2%	-0.3%	+1.4%
International Bonds (Non-Dollar) -1.0% +2.8% +9.6%   EQUITY INDICES -<	Inv Grade Intermediate Duration	+0.2%	-1.2%	+3.3%
EQUITY INDICES     MSCI All-Country World Index   -4.7%   +0.6%   +21.1%     S&P 500 Index   -6.1%   -0.8%   +17.6%     BALANCED PORTFOLIOS   -0.8%   +17.6%     Vanguard 60/40 Fund   -3.5%   -1.1%   +10.6%     DFA 60/40 Fund   -3.4%   -0.9%   +10.5%     DFA 25/75 Fund   -1.3%   -0.6%   +4.9%     OTHER NOTABLE MARKET DATA   -2.5%   +6.1%   +13.8%     Gold ETF   -1.1%   +2.5%   +9.1%     US Dollar (Trade-Weighted)   +1.0%   -2.8%   -10.3%	Inv Grade Long Duration	-0.1%	-3.0%	+8.7%
MSCI All-Country World Index   -4.7%   +0.6%   +21.1%     S&P 500 Index   -6.1%   -0.8%   +17.6%     BALANCED PORTFOLIOS   -0.8%   +10.6%     Vanguard 60/40 Fund   -3.5%   -1.1%   +10.6%     DFA 60/40 Fund   -3.4%   -0.9%   +10.5%     DFA 25/75 Fund   -1.3%   -0.6%   +4.9%     OTHER NOTABLE MARKET DATA   -0.6%   +413.8%     Gold ETF   -1.1%   +2.5%   +9.1%     US Dollar (Trade-Weighted)   +1.0%   -2.8%   -10.3%	International Bonds (Non-Dollar)	-1.0%	+2.8%	+9.6%
S&P 500 Index   -6.1%   -0.8%   +17.6%     BALANCED PORTFOLIOS   - <td>EQUITY INDICES</td> <td></td> <td></td> <td></td>	EQUITY INDICES			
BALANCED PORTFOLIOS     Vanguard 60/40 Fund   -3.5%   -1.1%   +10.6%     DFA 60/40 Fund   -3.4%   -0.9%   +10.5%     DFA 25/75 Fund   -1.3%   -0.6%   +4.9%     OTHER NOTABLE MARKET DATA   -   -   -     Crude Oil Futures   -2.5%   +6.1%   +13.8%     Gold ETF   -1.1%   +2.5%   +9.1%     US Dollar (Trade-Weighted)   +1.0%   -2.8%   -10.3%	MSCI All-Country World Index	-4.7%	+0.6%	+21.1%
Vanguard 60/40 Fund   -3.5%   -1.1%   +10.6%     DFA 60/40 Fund   -3.4%   -0.9%   +10.5%     DFA 25/75 Fund   -1.3%   -0.6%   +4.9%     OTHER NOTABLE MARKET DATA   -   -   -     Crude Oil Futures   -2.5%   +6.1%   +13.8%     Gold ETF   -1.1%   +2.5%   +9.1%     US Dollar (Trade-Weighted)   +1.0%   -2.8%   -10.3%	S&P 500 Index	-6.1%	-0.8%	+17.6%
DFA 60/40 Fund   -3.4%   -0.9%   +10.5%     DFA 25/75 Fund   -1.3%   -0.6%   +4.9%     OTHER NOTABLE MARKET DATA   -   -   -   +13.8%     Crude Oil Futures   -2.5%   +6.1%   +13.8%     Gold ETF   -1.1%   +2.5%   +9.1%     US Dollar (Trade-Weighted)   +1.0%   -2.8%   -10.3%	BALANCED PORTFOLIOS			
DFA 25/75 Fund   -1.3%   -0.6%   +4.9%     OTHER NOTABLE MARKET DATA   -   -   -   -   -   -   -   -   -   -   -   -   -   -   -   -   -   -   13.8%   -	Vanguard 60/40 Fund	-3.5%	-1.1%	+10.6%
DFA 25/75 Fund   -1.3%   -0.6%   +4.9%     OTHER NOTABLE MARKET DATA   -   -   -   -   -   -   -   -   -   -   -   -   -   -   -   -   -   -   13.8%   -	DFA 60/40 Fund	-3.4%	-0.9%	+10.5%
OTHER NOTABLE MARKET DATA     Crude Oil Futures   -2.5%   +6.1%   +13.8%     Gold ETF   -1.1%   +2.5%   +9.1%     US Dollar (Trade-Weighted)   +1.0%   -2.8%   -10.3%	-			
Crude Oil Futures   -2.5%   +6.1%   +13.8%     Gold ETF   -1.1%   +2.5%   +9.1%     US Dollar (Trade-Weighted)   +1.0%   -2.8%   -10.3%				
Gold ETF -1.1% +2.5% +9.1%   US Dollar (Trade-Weighted) +1.0% -2.8% -10.3%		-2.5%	+6.1%	+13.8%
	Gold ETF		+2.5%	+9.1%
	US Dollar (Trade-Weighted)	+1.0%	-2.8%	-10.3%
High Yield Bond ETF -1.1% -1.4% +3.3%	High Yield Bond ETF	-1.1%		

Source: Bloomberg Professional

Note: Returns include reinvested dividends

<sup>&</sup>lt;sup>1</sup> Conference Board survey of Consumer Confidence – Expectation of Stock Price Increase in Coming Year

# just experienced two fast-moving, negative market days, but the past year's investment experience remains solid.

#### Where to from here?

Global stock markets snapped a long streak of low volatility and steadily increasing values. While it was surprising to see Risk Assets adjust ~6% lower in two trading days, it has also been surprising to see how calm and steady markets have been over the past year or more. Despite this latest negative price action, economists are not forecasting a recession and the financial system is functioning normally<sup>2</sup>. One prominent, Wall Street economist summed-up the situation this way:

"This is the stock market. This is not the economy. Underneath, the U.S. and world economies look very good. The stock market outran ... and overpriced itself for this early in 2018."<sup>3</sup>

We do not have a forecast of near-term market moves and we may, indeed, have some continued choppiness as markets find equilibrium, but our investment discipline remains the same. Trading activity is simply dictated by each portfolio's exposure to Risk Assets and its deviation from our agreed-upon target.

/in/

<sup>&</sup>lt;sup>3</sup> Allen Sinai, Decision Economics Inc. as quoted by Bloomberg in "Stock Plunge Would Need to Get Much Worse to Derail U.S. Economy"



<sup>&</sup>lt;sup>2</sup> Bloomberg consensus of economic forecasts as of February 2, 2018.