Market Update

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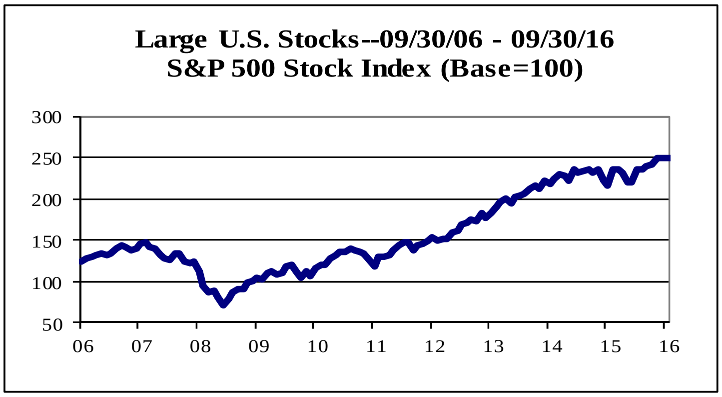
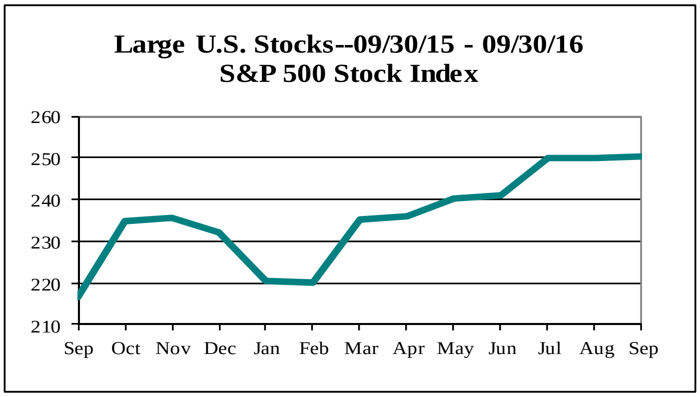
U.S. Markets

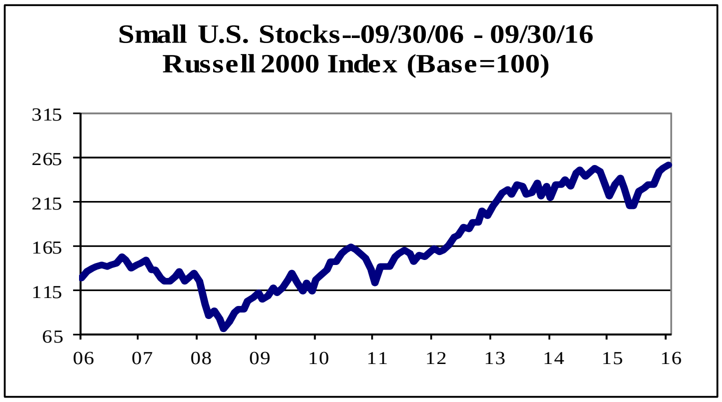
Investor's July exuberance after the June Brexit scare led to new record highs in the S&P 500, NASDAQ, and Dow Jones Industrial Average. Following strong July returns, however, stocks have been mostly stagnant. The S&P 500 Index finished up 3.9% in the third quarter and 7.8% year-to-date. Highly anticipated news turned out to be nothing more than the status quo as the Federal Reserve held short term rates steady in September. With three voting members of the Fed casting a dissenting vote, the market now expects the next rate increase to come in December, a full year after the previous uptick. U.S. GDP growth remained largely unchanged as the revised 1.4% second quarter increase kept the economy in the same low-growth pattern we've seen since the Great Recession.

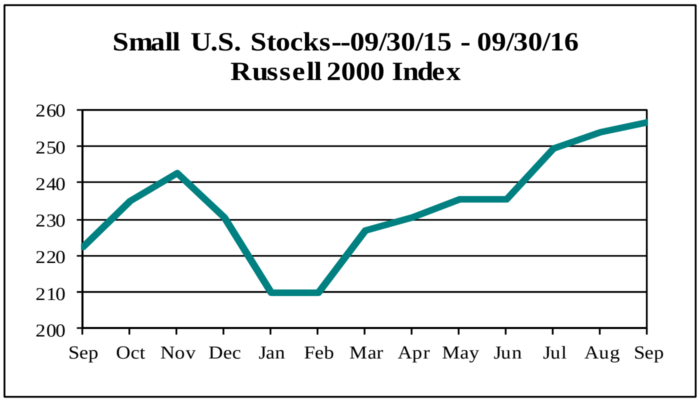
The Census Bureau reported in September that median wage growth for 2015 came in at 5.2%, the largest increase since this indicator began. The long-awaited wage growth could spur inflation and spending in a consumption-driven economy. The unemployment rate continues to hover at around 5%. Bond markets mimicked equities relative calm, yielding slightly positive returns during the quarter. The Barclays U.S. Aggregate Index ended the third quarter up 0.5%, contributing just a small amount to its 5.8% year-to-date return. U.S. Small Cap stocks (Russell 2000), benefitted from slightly more attractive valuations and ended the quarter with a 9.1% gain, providing almost all of its 11.5% year-to-date return.



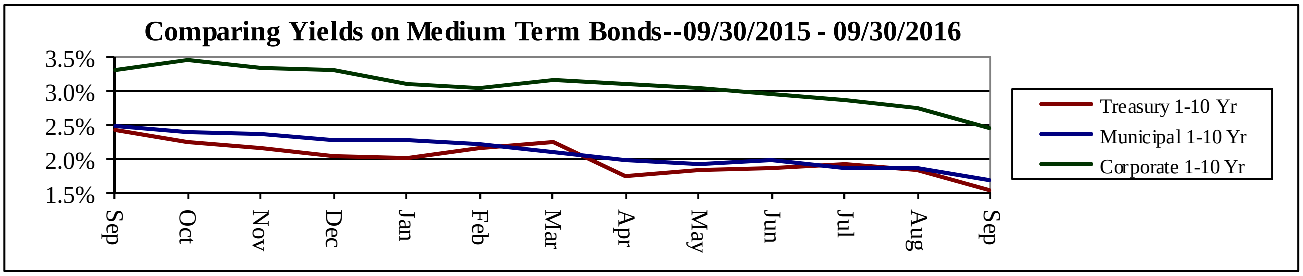


Thru 09/30/16	Year to Date	1 Year	5 Years	10 Years
S&P 500	+7.8%	+15.4%	+16.4%	+7.2%





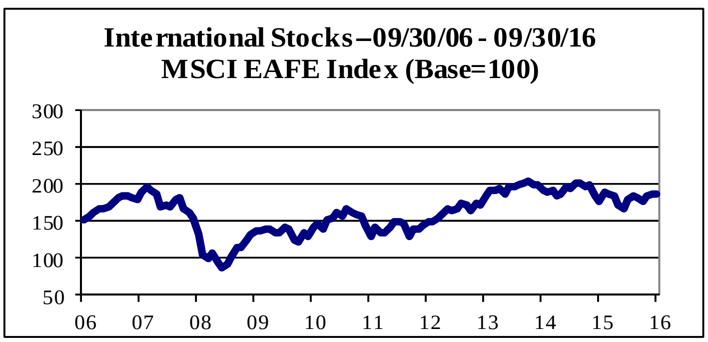
Thru 09/30/16	Year to Date	1 Year	5 Years	10 Years
Russell 2000	+11.5%	+15.5%	+15.8%	+7.1%

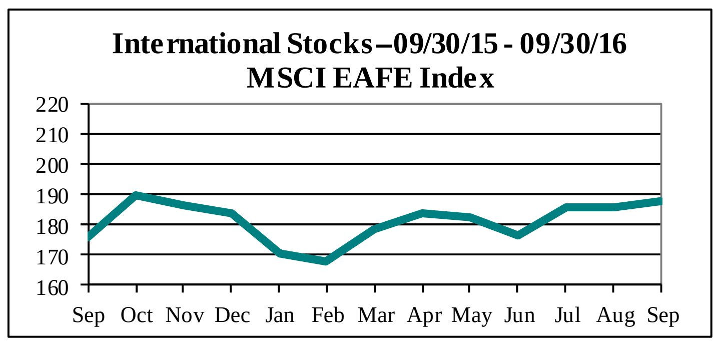


International Markets

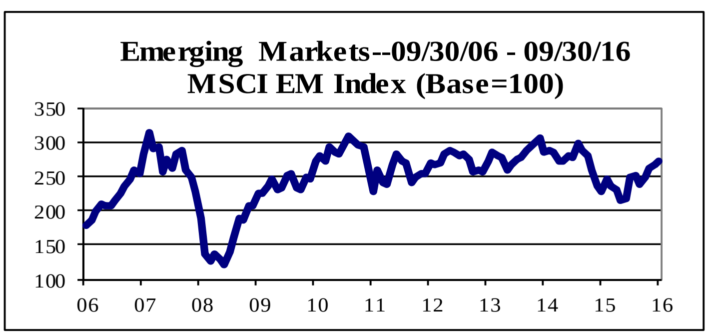
International markets also bounced back after fear over "Brexit" caused them to drop significantly in the second quarter. International developed stocks (MSCI EAFE Index) were up 6.5% in the quarter, pulling out of negative territory to bring them to a 2.2% year-to-date return. International small-cap stocks (MSCI EAFE Small-Cap Index) shot up by 8.7% during the quarter, finishing with year-to-date returns of 5.5%. Emerging Markets (MSCI Emerging Markets Index) have been one of the strongest performing asset classes this year, with gains of 9.2% in the quarter, and 17.5% year-to-date. Low to negative interest rates around the world have also provided a boost to asset prices, although many economists remain concerned about the impact of negative interest rates.

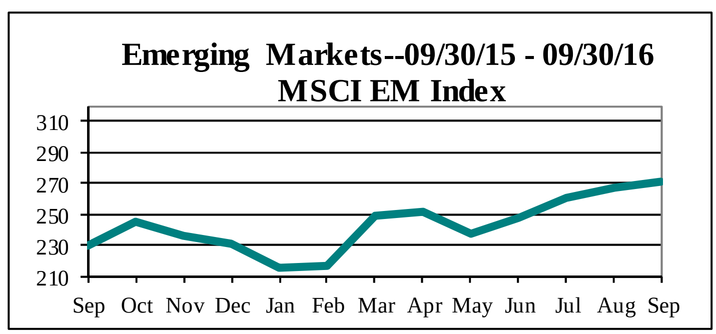
Brazil, Russia, and China led the way for emerging markets, with double-digit returns, thanks to a boost in commodities prices. The initial economic impact of the Brexit vote was muted. As the timeline for Great Britain's departure from the European Union has emerged and is expected by summer of 2019, however, the value of the British pound has fallen steeply, and British government bond yields have risen. Overall, global growth remains below average. The International Monetary Fund has predicted a 3.1% global growth rate in 2016, increasing to 3.4% in 2017.





Thru 09/30/16	Year to Date	1 Year	5 Years	10 Years
MSCI EAFE	+2.2%	+7.0%	+7.7%	+2.0%





Thru 09/30/16	Year to Date	1 Year	5 Years	10 Years
MSCI EM	+17.5%	+18.3%	+3.4%	+4.3%

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