SPECTRUM℠ INVESTMENT ADVISORS

1st Quarter | 2018
As of 12/31/2017

Good News!

Spectrum was named a
2017 Best Place to Work
In Money Management
by *Pensions & Investments*

Please see important disclosures on page 3 of this newsletter

Upcoming Events:

Spectrum Investor® Coffee House Educational Series

Wed. January 24, 2018

Featuring Guest Speaker
Brian Jacobsen, Ph.D.
Chief Portfolio Strategist
Wells Fargo Funds

For weekly market updates, visit our website at **www.spectruminvestor.com** under Resources & Links and click on Investment Resources

For an electronic version of this newsletter, our ADV Part 2A & 2B and our Privacy Policy, please visit our website

Past performance is not an indication of future results

Quarterly Economic Update

James F. Marshall
President

Jonathan J. Marshall
Chief Investment Officer

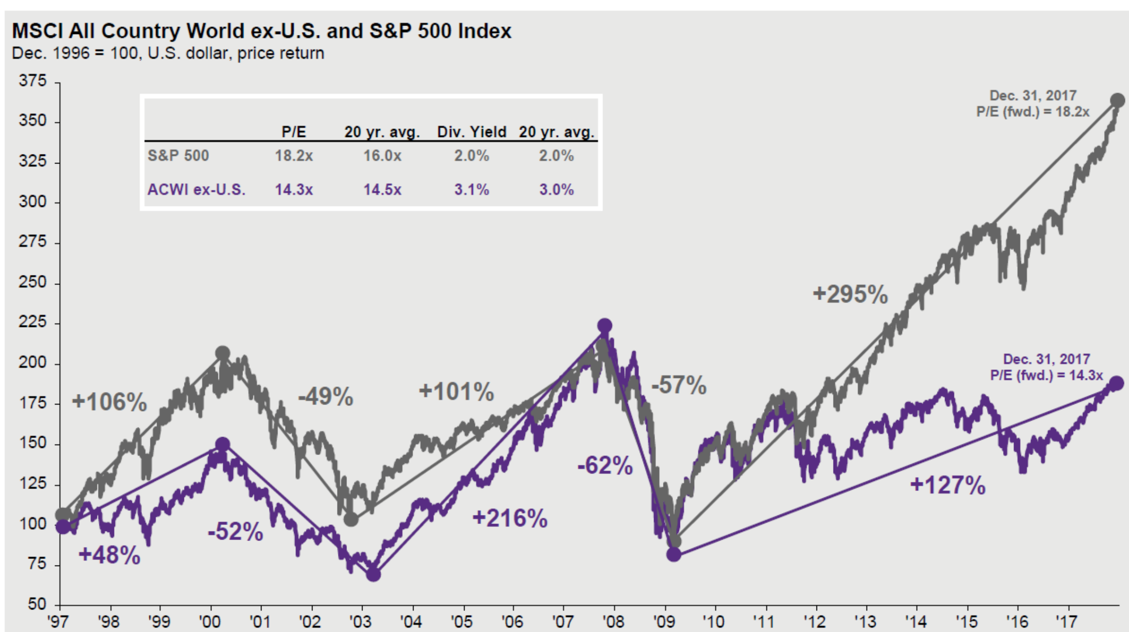
US Stocks advanced in 2017 with record-low volatility as global growth, strong corporate profits, and an eventual US tax reform kept investors confident throughout the year. Not even the worst year on record for US weather disasters (totaling $306 billion in damage) could slow the bull market. The S&P 500 surged, rising 21.8% with dividends in 2017. International stocks did even better in 2017, with the MSCI EAFE Index up 25.03% (*WSJ*, 1/2/18).

Synchronized Global Expansion. For only the third time in the last 50 years, all 45 countries tracked by the Organization for Economic Development (OECD) are experiencing economic growth simultaneously. Unemployment for OECD countries is down to 5.6%, the lowest level since the spring of 2008. Global PMI, an indication of business conditions for manufacturing, increased to the highest levels since April of 2011. Europe continued to improve as concerns over Brexit and a rise in populism faded throughout the year. China is still contributing nearly one third of global GDP growth and is projected to grow by more than 6% in 2018 (according to the IMF & World Bank).

Higher Earnings. Healthy economic conditions, a weaker US Dollar and improving energy prices helped propel US Corporate earnings in 2017. According to Factset, fourth quarter year over year earnings for S&P 500 companies are projected to come in over 10% and could approach 13.8%, which would be the second best quarter since 2011. Beating 10% would mark the third time in four quarters with double digit earnings growth, a trend that is expected to continue in 2018.

Tax Reform. The year-end tax reform has added fuel to the stock market rally. The corporate tax rate will drop from 35% down to 21%, which **Warren Buffett** described as a "huge, huge reduction" saying that it amounts to an over 20% increase in earnings power for stock owners (CNBC, 1/10/18). The US may also see some of the estimated $3.1 trillion in corporate cash return to the US as the repatriation tax rate dropped from 35% to 15.5%, which could lead to increased dividends or stock buy backs. To boost capital spending the act offers 100% expensing of equipment for the next five years. This could benefit the **value** side of investing, such as industrials, capital equipment industries, and financials.

International Stocks. While tax reform will help US Stocks, according to **Dr. Brian Jacobsen**, Senior Investment Strategist at Wells Fargo (our Jan. 24, 2018 Coffee House speaker), better long-term opportunities in the equity markets lay outside the US. "International economies seem to be earlier in their business cycles than the US economy. I believe the international equity rally is younger and a bit more vibrant than the US equity rally," he said. The chart below shows that US stocks (the gray line) have soared relative to international stocks (shown in purple), but higher valuations indicate US stocks could be in a later stage of the cycle. (Continued on next page)



Source: MSCI, Standard & Poor's, FactSet, JPMorgan Asset Management. Forward price to earnings ratio is a bottom-up calculation based on the most recent index price, divided by consensus estimates for earnings in the next twelve months (NTM), and is provided by FactSet Market Aggregates. Returns are cumulative and based on price movement only, and do not include the reinvestment of dividends. Dividend yield is calculated as consensus estimates of dividends for the next twelve months, divided by most recent price, as provided by FactSet Market Aggregates. Past performance is not a reliable indicator of current and future results. Guide to the Markets—12/31/17

Quarterly Economic Update Continued

Keep in mind that the US makes up about 52% of the global stock market, so if 30% of your equity portion is international stocks, that is still an overweight toward US stocks. **Dr. Jacobsen believes that even with tax reform in the US, it's important not to get too excited or too unbalanced with asset allocations. The tried and true wisdom of staying diversified and keeping patient will still hold.**

Growth vs Value. Results in 2017 were strong across the board in US stocks, but there was a substantial gap between growth and value. In particular, large growth (red) beat small value (orange) by almost 20%. It was the largest gap between the two since 1998, when large growth outperformed small value by 49%. Yet even with those two huge years of outperformance as book ends, the orange box (small value) has still outperformed over the last 20 years (see style boxes below). In order to avoid completely missing out, or making the big mistake of chasing returns, we agree with Dr. Jacobsen and suggest staying diversified.

2017 Total Returns

Large Value 15.36%	Large Blend 21.83%	Large Growth 27.44%
Mid Value 12.32%	Mid Blend 16.24%	Mid Growth 19.92%
Small Value 7.84%	Small Blend 14.65%	Small Growth 22.17%

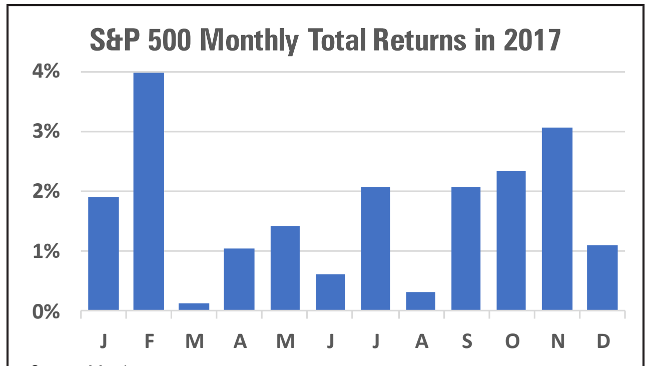
Annualized Returns Since 1998

Large Value 6.73%	Large Blend 7.20%	Large Growth 7.31%
Mid Value 10.31%	Mid Blend 10.58%	Mid Growth 10.73%
Small Value 8.62%	Small Blend 7.89%	Small Growth 6.76%

Past performance is not an indication of future results.
See Benchmark Disclosures on page 3

Consumer confidence. History has shown that the crowd can be right chasing trends, but also tends to be wrong at extremes. This is why **sentiment** is an important indicator, because if everyone who might become bearish has already sold, only buyers are left. According to Bank of America, a record number of investors are expecting a "**goldilocks**" economy with above trend growth and below trend inflation. The good news is, the Investment Company Institute (ICI) has not seen huge flows into equities, which should help to prolong the bull market. The data shows that in seven of the past eight months, the market has experienced outflows from domestic equities, mutual funds and ETFs. The below chart illustrates consumer confidence and the stock market dating back to 1972. It shows that stocks can face a bit of headwind when sentiment is at its highest.

Volatility. We are in the midst of the longest streak without a 3% correction. **2017 was the first year in the history of the S&P 500 to have a total return monthly gain in all 12 months**. The combination of low volatility-high return is very appealing, but remember, this is not normal.

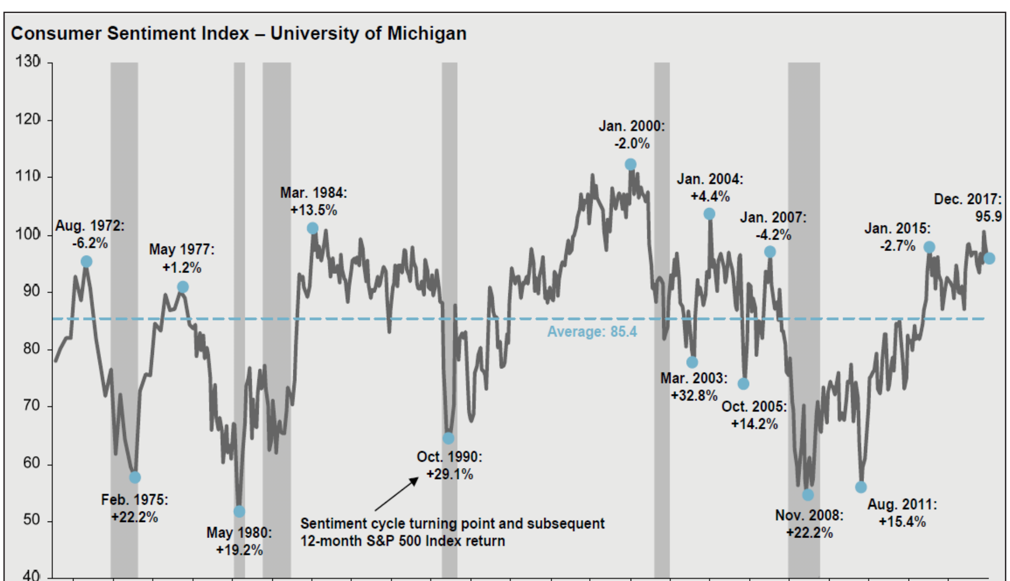


Source: Morningstar

Stocks vs Bonds. The risk to the steady climb in US stocks is that valuations are climbing. The good news is, stocks are a long way from the peak valuations of the tech bubble in 2000, but stocks are at the high end of long-term averages for valuations. Just as important is the alternative to stocks. The yield on the S&P in 2000 was 1.1% vs. the 10-year treasury at 6.2%, which caused investors to flow to bonds. Currently, the difference is 2% on S&P dividend yield vs. 2.4% on the 10-year treasury, not enough to get investors excited about moving to bonds (JPMorgan).

Characteristic	Mar. 2000		Oct. 2007		Dec. 2017
P/E ratio (fwd.)	27.2x	→	15.7x	→	18.2x
Dividend yield	1.1%	→	1.8%	→	2.0%
10-yr. Treasury	6.2%	→	4.7%	→	2.4%

Inflation & Interest Rates. At high valuations, investors will keep a close eye on inflation and interest rates. **Dr. David Kelly**, Chief Global Market Strategist at JPMorgan (our 2011 Retirement Plan Seminar speaker) looks at the fiscal stimulus from the tax reform as a "**one-year wonder**" because by the end of 2018, the US could begin to run out of workers, where **unemployment could drop as low as 3.4%, the lowest since 1950**. We have yet to see falling unemployment lead to wage inflation in this cycle, but Dr. Kelly thinks this is unlikely to continue if unemployment grinds lower into the 3% range, especially late in 2018-19.



Source: Standard & Poor's, University of Michigan, FactSet, JPMorgan Asset Management. Peak is defined as the highest index value before a series of lower lows, while a trough is defined as the lowest index value before a series of higher highs. Subsequent 12-month S&P returns are price returns only, which excludes dividends. Past performance is not a reliable indicator of current and future results. Guide to the Markets—12/31/17

As we said last quarter, central banks will begin to "fix the roof while the sun is shining" slowly unwinding stimulus still in place after effects of the financial crisis in 2008. The Fed is projecting three more rate hikes in 2018 and a continued reduction in its balance sheet. The 2-year treasury has climbed above 2% for the first time since September, 2008 and **Bill Gross**, portfolio manager at Janus Henderson, declared a "bear market" in bonds after the 10-year treasury broke through 2.4% in December. Gross did say, however, that it is likely to be mild with the 10-year reaching 2.8% by year-end. **Brian Westbury**, Chief Market Strategist at First Trust, believes the earliest the yield curve will invert (a sign of recession) is late 2019.

For **"more on the markets"** visit our website at spectruminvestor.com and go to "resources and links" to view/hear monthly and/or weekly comments from **David Kelly, Brian Jacobsen, Brian Westbury and more**. Stay diversified and enjoy the ride in 2018.

In Other Words

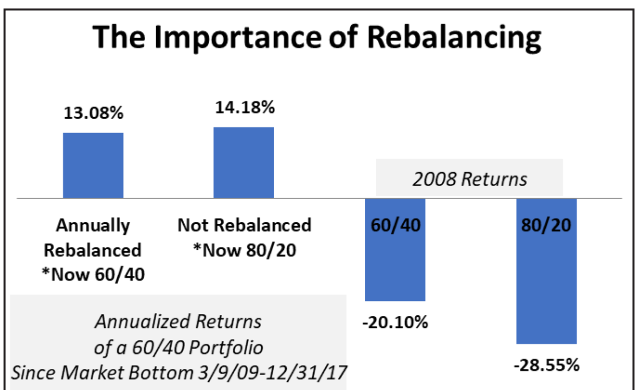
Is it time to rebalance?

Angie Franzone
Newsletter Editor

Rebalancing involves restoring your portfolio to its original balance, which requires you to sell the investments in your portfolio that have done well (your winners) and buy the investments that have not done well (your losers). On the surface, the act of rebalancing seems counter-intuitive. Everybody loves a winner, right? The saying is, "ditch that zero and get a hero," not the other way around, so why would you want to sell off your best performing investments? Two words: risk control. The longer your portfolio goes unchecked, especially in a bull market environment like the one we've been in for the last eight (going on nine) years, the more your stocks, which are riskier than your bonds, grow and take up more of your portfolio than you originally planned on.

Take a look at the below chart for example. If you had a 60/40 portfolio and did not rebalance since the market bottom on 3/9/09 to 12/31/17, you would have had a 1.10% greater return than if you had rebalanced. So what's wrong with that? More is better, right? That's where risk control comes into play. You may have had a slightly higher return, but what also happened was that your portfolio went from 60% in stocks to 80% in stocks, causing you to take on a higher level of risk than you were originally comfortable with. This seems fine when the market is doing well, but when the market corrects, you may not have the protection you need.

As the rebalancing chart illustrates, when the stock market crashed in 2008, if you had kept your 60/40 portfolio in check by rebalancing annually, you would have lost 8.45% less than if you hadn't rebalanced. I don't know about you, but I'll take a return of 1% less to protect against a possible loss of 8% any day!



Past peformance is not an indication of future results. 60% stocks represented by the S&P 500 TR Index. 40% bonds represented by Barclays US Aggregate Bond Index. Cannot invest directly in an index. Source: Morningstar

What you want to keep in mind is that you don't want your portfolio becoming overly dependent on just one or two investments. That's the whole reason you diversified in the first place. If we could all tell the future, letting our winners keep winning would be a no-brainer, but since we can't know for sure which investment categories will be on top year after year, or how the market will perform, rebalancing helps your portfolio benefit from diversification.

As the colored chart to the right shows, the large growth (red) category has been on top for the last 10 years, but that does not mean that it will continue to be on top. From 2002-2005, large growth was second to last. Similarly, natural resources (black) has been on the bottom for 10 years, but in 2007 it was leading the pack (Morningstar). While the average market cycle lasts four and half years, we don't know for sure what the future holds. What we do know is that more stocks equals more risk and the longer you let those winners keep winning, the more they have to lose when the market takes a turn. As the saying goes, the bigger they are, the harder they fall. (Apparently rebalancing lends itself well to clichés).

So while you can't control the stock market, you can control your risk level. At Spectrum, we recommend an annual review of your investments to make sure they are still in line with your long-term goals or to make any necessary adjustments due to changing life events. Many provider websites offer an automatic rebalance feature that can be set up to rebalance your investments for you on an annual basis. If you haven't reviewed your investment portfolio in awhile, call our office and speak to an advisor who can help you reassess your risk tolerance, and rebalance your portfolio.

60% Stocks/40% Bonds Allocation vs. Indices Ending 12/31/17

15 Yr	10 Yr	5 Yr	3 Yr	1 Yr		Index Definition
Mid Cap 12.00%	Lg. Growth 9.99%	Lg. Growth 17.00%	Lg. Growth 12.86%	Lg. Growth 27.44%		Large Growth: S&P 500 Growth TR
Sm. Growth 11.57%	Mid Cap 9.97%	Lg. Blend 15.79%	Lg. Blend 11.41%	Intl. 25.03%		International: MSCI EAFE NR
Sm. Blend 11.17%	Sm. Growth 9.19%	Sm. Growth 15.21%	Mid Cap 11.14%	Sm. Growth 22.17%		Small Growth: Russell 2000 Growth TR
Real Est. 10.68%	Sm. Blend 8.71%	Mid Cap 15.01%	Sm. Growth 10.28%	Lg. Blend 21.83%		Large Blend: S&P 500 TR
Sm. Value 10.66%	Lg. Blend 8.50%	Lg. Value 14.24%	Sm. Blend 9.96%	Mid Cap 16.24%		Mid Cap Blend: S&P MidCap 400 TR
Lg. Growth 10.30%	Sm. Value 8.17%	Sm. Blend 14.12%	Sm. Value 9.55%	Lg. Value 15.36%		Large Value: S&P 500 Value TR
Lg. Blend 9.92%	Real Est. 7.07%	Sm. Value 13.01%	Lg. Value 9.47%	Sm. Blend 14.65%		Small Blend: Russell 2000 TR
Lg. Value 9.38%	60/40 6.82%	Real Est. 9.09%	Intl. 7.80%	60/40 10.23%		60/40: 60% Diversified Stocks/40% Bond
Nat. Res. 8.74%	Lg. Value 6.80%	60/40 8.36%	60/40 6.40%	Sm. Value 7.84%		Small Value: Russell 2000 Value TR
60/40 8.71%	Bonds 4.01%	Intl. 7.90%	Real Est. 4.97%	Real Est. 3.76%		Real Estate: DJ US Select REIT Index TR
Intl. 8.11%	Intl. 1.94%	Bonds 2.10%	Bonds 2.24%	Bonds 3.54%		Int.-Term Bonds: Bar-Cap Aggregate Bond
Bonds 4.15%	Nat. Res. -0.23%	Nat. Res. 1.07%	Nat. Res. 0.11%	Nat. Res. 1.23%		Natural Res: S&P North Am. Nat. Resources TR

Annualized returns. The above indices are unmanaged and cannot be invested into directly. Past performance is not an indication of future results. Diversification cannot protect from market risk. Source: Morningstar. *60/40 Allocation: 40% Bonds, 6% Lg. Value, Blend, & Growth, 12% Mid Cap, 6% Sm. Value & Blend, 6% Intl., Nat. Res., and Real Est. Allocation, excludes Small Growth. Rebalanced annually on Apr 1. ©2018 Spectrum Investment Advisors, Inc. Please see benchmark disclosures below.

Important Disclosures: *Spectrum Investment Advisors was named a Best Place to Work in Money Management for 2017 by Pensions & Investments. Presented by Pensions & Investments (P&I), the global news source of money management, the sixth-annual survey and recognition program is dedicated to identifying and recognizing the best employers in the money management industry. P&I partnered with Best Companies Group, an independent research firm specializing in identifying great places to work, to conduct a two-part survey process of employers and their employees. To be eligible for consideration, companies must be a for-profit or not-for-profit business or public agency, have a facility in the United States, have a minimum of 20 full and/or part-time employees working in the United States, be in business a minimum of one year and have at least $100 million of discretionary assets under management.*

Benchmark Disclosures: Morningstar Category Averages: *Morningstar classifies mutual funds into peer groups based on their holdings. The Category Average calculates the average return of mutual funds that fall within the category during the given time period. The following indexes and their definitions provide an approximate description of the type of investments help by mutual funds in each respective Morningstar Category. One cannot invest directly in an index or category average.* ***Large Cap Growth: S&P 500 Growth Index*** *– Measures the performance of growth stocks drawn from the S&P 500 index by dividing it into growth and value segments by using three factors: sales growth, the ratio of earnings change to price and momentum.* ***Intermediate-Term Bonds: Barclays US Agg Bond Index*** *– Measures the performance of investment grade, US dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, MBS, ABS and CMBS.* ***Large Cap Blend: S&P 500 Index*** *– A market capitalization-weighted index composed of the 500 most widely held stocks whose assets and/or revenue are based in the US.* ***Large Cap Value: S&P 500 Value Index*** *– Measures the performance of value stocks of the S&P 500 index by dividing into growth and value segments by using three factors: sales growth, the ratio of earnings change to price and momentum.* ***Mid Cap Blend: S&P MidCap 400 Index*** *– Measures the performance of mid-sized US companies, reflecting the distinctive risk and return characteristics of this market segment.* ***Small Cap Blend: Russell 2000 Index*** *– Measures the performance of the small-cap segment of the US equity universe. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership.* ***Small Cap Value: Russell 2000 Value Index*** *– Measures the performance of small-cap value segment of Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values.* ***Small Cap Growth: Russell 2000 Growth Index*** *– Measures the performance of small-cap growth segment of Russell 2000 companies with higher price-to-value ratios and higher forecasted growth values.* ***Foreign Large Cap Blend: MSCI EAFE NR Index*** *– This Europe, Australasia, and Far East index is a market-capitalization-weighted index of 21 non-US, developed country indexes.* ***Real Estate: DJ US Select REIT Index*** *– Measures the performance of publicly traded real estate trusts (REITs) and REIT-like securities to serve as proxy for direct real estate investment.* ***Natural Resources: S&P North American Natural Resources Index*** *– Measures the performance of US traded securities classified by the Global Industry Classification Standard (GICS) as energy and materials excluding the chemicals industry and steel but including energy companies, forestry services, producers of pulp and paper and plantations. The* ***Dow Jones Industrial Average (DJIA)*** *is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the Nasdaq.*

Wealth Management

Ch-ch-ch-ch-changes

Brian White, CFP®
Wealth Manager

Happy New Year! Sorry, you've probably got that David Bowie song stuck in your head now. It's always difficult to get rid of a song in your head. As we all know, change can also be difficult. The recent changes to the tax laws are no different. On Wednesday, December 30, 2017, Congress passed a comprehensive tax reform bill known as H.R. 1. It has been more than 30 years since the last major tax change. For your reference, *The Princess Bride* was one of the most popular movies at that time. Inconceivable!

While the changes are not permanent, they are in place through 2025. The income tax impact could be significant for both corporations and individuals, so we encourage you to consult a tax advisor to see exactly how this affects your personal situation.

Updated Income Tax Brackets

As you can see in the chart below, the income tax brackets have been updated, save for the lowest bracket (10%). The maximum tax rate for 2018 is now 37%, which starts at income over $480,500 ($600,000 for married filing jointly). If we just do the simple math, a family with income of $75,000 saves $1,678 vs. 2017. Again, this is purely using the tax brackets and does NOT involve any of the more important factors such as deductions and credits.

Taxable Income (2017)			Taxable Income (2018)		
Rate	**Single**	**Married**	**Rate**	**Single**	**Married**
10%	$0-$9,525	$0-$19,050	10%	$0-$9,525	$0-$19,050
15%	$9,526-$38,700	$19,051-$77,400	12%	$9,526-$38,700	$19,051-$77,400
25%	$38,701-$93,700	$77,401-$156,150	22%	$38,701-$82,500	$77,401-$165,000
28%	$93,701-$195,450	$156,151-$237,950	24%	$82,501-$157,500	$165,001-$315,000
33%	$195,451-$424,950	$237,951-$424,950	32%	$157,501-$200,000	$315,001-$400,000
35%	$424,951-$426,700	$424,951-$480,050	35%	$200,001-$500,000	$400,001-$600,000
39.6.%	Over $426,700	Over $480,050	37%	Over $500,000	Over $600,000

Source: PriceWaterhouseCoopers, LLP

Updated Deductions

One of the biggest complaints in recent times has been the complexity of the tax code. In an effort to simplify taxes for the majority of individuals and families, H.R.1 has raised the standard deduction so that less people have to itemize their deductions. The standard deduction has almost doubled for 2018. Individuals have a standard deduction amount of $12,000, while married couples are at $24,000 ($6,500 and $13,000, respectively, in 2017).

If you do have enough deductions to itemize, there are some changes. Medical expenses that exceed 7.5% in income for 2017 and 2018 are deductible. This is a change from 10% of income. Itemized deductions for mortgage interest are generally limited to $750,000 (principal and second mortgages combined). Interest on a Home Equity Line Of Credit (HELOC) is no longer tax deductible. There is, however, a clause for any grandfathered mortgages. A mortgage of more than $750,000 may be grandfathered in if it was completed before 12/16/2017. These mortgages can also be refinanced and may still qualify with restrictions.

IRS Indexed Limits for 2018: 401(k), 403(b), 457 Plan Deferral Limit is $18,500. Catch-up Contribution limit is $6,000. Source: www.irs.gov

Other notable changes:

* The Child Tax Credit is increased from $1,000 to $2,000 per child, with a higher phase-out of credit bracket.
* The corporate tax rate is reduced from 35% down to 20%.
* S corporations and partnerships ("flow through" businesses) rates have been reduced from 39.6% to just below 30%.
* The Alternative Minimum Tax was not eliminated, but has higher exemption amounts.
* International taxes are changing from a deferral system to a territorial system.

While this is just a highlight, there are other changes that may affect your personal or business situation. We strongly encourage you to meet with your own tax advisor to talk about these changes. While Spectrum is NOT in the business of tax advisory services, we would be happy to help you find a tax advisor or work with your current advisor.

Spectrum Investor® Update 12/31/17

Morningstar Category Averages	4th Qtr	1 Year	3 Year
Intermediate-Term Bond	**0.28%**	**3.70%**	**2.24%**
Allocation: 50%-70% Equity	3.46%	13.30%	5.93%
Large Cap Value	5.96%	15.91%	8.65%
Large Cap Blend	6.42%	20.44%	9.69%
Large Cap Growth	6.42%	**27.61%**	**11.02%**
Mid Cap Value	5.34%	13.20%	8.18%
Mid Cap Blend	5.43%	15.81%	8.06%
Mid Cap Growth	6.01%	23.92%	9.40%
Small Cap Value	3.47%	8.59%	8.26%
Small Cap Blend	3.56%	12.27%	8.69%
Small Cap Growth	4.70%	21.49%	9.96%
Foreign Large Blend	3.94%	25.17%	7.74%
Real Estate	2.04%	6.21%	5.14%
Natural Resources	**7.11%**	16.29%	4.67%

Source: Morningstar, 3 yr return is annualized. Morningstar classifies categories by underlying holdings and then calculates the average performance of the category. Past performance is not an indication of future results. Returns in **Blue** = Best, Returns in **Red** = Worst. Please see Benchmark Disclosures on page 3.

Below is the 12/31/2017 Spectrum Investor® Update:

DOW: 24,719	**10 Yr T-Note: 2.40%**
NASDAQ: 6,903	**Inflation Rate: 2.2%** (11/2017)
S&P 500: 2,674	**Unemployment Rate: 4.1%** (11/2017)
Barrel of Oil: $59.64	Source: Yahoo Finance, bls.gov, eia.gov

Data as of 12/31/17 unless otherwise noted. The Dow Jones Industrial Average is comprised of 30 stocks that are major factors in their industries and widely held by individuals and institutional investors. The Standard & Poor's 500 Index is a capitalization weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. The NASDAQ Composite Index measures all NASDAQ domestic and non-U.S. based common stocks listed on The NASDAQ Stock Market. Barrel of Oil: West Texas Intermediate. Inflation Rate: CPI. The market value, the last sale price multiplied by total shares outstanding, is calculated throughout the trading day, and is related to the total value of the Index. Indices cannot be invested into directly.

To determine which investment(s) may be appropriate for you, consult your financial advisor prior to investing. All performance referenced is historical and is no guarantee of future results. All indices are unmanaged and cannot be invested into directly.

Spectrum Investor® Historical Analysis

25 ANNUAL RETURNS for key indices (1993-2017) ranked in order of performance (Best to Worst)

Rank	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
BEST	International 32.56%	International 7.78%	Large Cap Growth 38.13%	Real Estate 37.05%	Large Cap Growth 36.53%	Large Cap Growth 42.16%	Small Cap Growth 43.09%	Real Estate 31.04%	Small Cap Value 14.02%	Int.-Term Bonds 10.25%	Small Cap Growth 48.54%	Real Estate 33.16%	Natural Resources 36.61%
	Small Cap Value 23.77%	Large Cap Growth 3.13%	Large Cap Blend 37.58%	Large Cap Growth 23.97%	Large Cap Blend 33.36%	Large Cap Blend 28.58%	Large Cap Growth 28.25%	Small Cap Value 22.83%	Real Estate 12.35%	Real Estate 3.58%	Small Cap Blend 47.25%	Natural Resources 24.59%	Real Estate 13.82%
	Small Cap Blend 18.88%	Real Estate 2.66%	Large Cap Value 36.99%	Large Cap Blend 22.96%	Mid Cap Blend 32.25%	International 20.00%	Natural Resources 27.23%	Mid Cap Blend 17.51%	Int.-Term Bonds 8.44%	Small Cap Value -11.43%	Small Cap Value 46.03%	Small Cap Value 22.25%	International 13.54%
	Large Cap Value 18.61%	Large Cap Blend 1.32%	Small Cap Growth 31.04%	Large Cap Value 22.00%	Small Cap Value 31.78%	Mid Cap Blend 19.12%	International 26.97%	Natural Resources 15.79%	Small Cap Blend 2.49%	Natural Resources -12.99%	International 38.59%	International 20.25%	Mid Cap Blend 12.56%
	Real Estate 15.14%	Large Cap Value -0.64%	Mid Cap Blend 30.93%	Small Cap Value 21.37%	Large Cap Value 29.98%	Large Cap Value 14.67%	Small Cap Blend 21.26%	Int.-Term Bonds 11.63%	Mid Cap Blend -0.61%	Mid Cap Blend -14.53%	Real Estate 36.18%	Small Cap Blend 18.33%	Large Cap Value 6.33%
	Mid Cap Blend 13.96%	Small Cap Value -1.54%	Small Cap Blend 28.45%	Mid Cap Blend 19.25%	Small Cap Blend 22.36%	Int.-Term Bonds 8.69%	Large Cap Blend 21.04%	Large Cap Value 6.08%	Small Cap Growth -9.23%	International -15.94%	Mid Cap Blend 35.62%	Mid Cap Blend 16.48%	Large Cap Blend 4.91%
	Small Cap Growth 13.37%	Small Cap Blend -1.82%	Small Cap Value 25.75%	Small Cap Blend 16.49%	Real Estate 19.66%	Small Cap Growth 1.23%	Mid Cap Blend 14.72%	Small Cap Blend -3.02%	Large Cap Value -11.71%	Small Cap Blend -20.48%	Natural Resources 34.40%	Large Cap Value 15.71%	Small Cap Value 4.71%
	Large Cap Blend 10.08%	Small Cap Growth -2.43%	Int.-Term Bonds 18.47%	Small Cap Growth 11.26%	Natural Resources 16.94%	Small Cap Blend -2.55%	Large Cap Value 12.72%	Large Cap Blend -9.10%	Large Cap Blend -11.89%	Large Cap Value -20.85%	Large Cap Value 31.79%	Small Cap Growth 14.31%	Small Cap Blend 4.55%
	Int.-Term Bonds 9.75%	Int.-Term Bonds -2.92%	Real Estate 12.24%	International 6.05%	Small Cap Growth 12.95%	Small Cap Value -6.45%	Int.-Term Bonds -0.82%	International -14.17%	Large Cap Growth -12.73%	Large Cap Blend -22.10%	Large Cap Blend 28.68%	Large Cap Blend 10.88%	Small Cap Growth 4.15%
WORST	Large Cap Growth -1.68%	Mid Cap Blend -3.56%	International 11.21%	Int.-Term Bonds 3.63%	Int.-Term Bonds 9.65%	Natural Resources -14.19%	Small Cap Value -1.49%	Large Cap Growth -22.08%	Natural Resources -15.59%	Large Cap Growth -23.59%	Large Cap Growth 25.66%	Large Cap Growth 6.13%	Large Cap Growth 3.46%
					International 1.78%	Real Estate -17.01%	Real Estate -2.58%	Small Cap Growth -22.43%	International -21.44%	Small Cap Growth -30.26%	Int.-Term Bonds 4.10%	Int.-Term Bonds 4.34%	Int.-Term Bonds 2.43%

Rank	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
BEST	Real Estate 35.97%	Natural Resources 34.44%	Int.-Term Bonds 5.24%	Natural Resources 37.54%	Small Cap Growth 29.03%	Real Estate 9.37%	Small Cap Value 18.05%	Small Cap Growth 43.30%	Real Estate 32.00%	Large Cap Growth 5.52%	Small Cap Value 31.74%	Large Cap Growth 27.44%
	International 26.34%	International 11.17%	Small Cap Value -28.92%	Mid Cap Blend 37.38%	Real Estate 28.07%	Int.-Term Bonds 7.84%	Mid Cap Blend 17.88%	Small Cap Blend 38.82%	Large Cap Growth 14.89%	Real Estate 4.48%	Natural Resources 30.87%	International 25.03%
	Small Cap Value 23.48%	Large Cap Growth 9.13%	Small Cap Blend -33.79%	Small Cap Growth 34.47%	Small Cap Blend 26.85%	Large Cap Growth 4.65%	Large Cap Value 17.68%	Small Cap Value 34.52%	Large Cap Blend 13.69%	Large Cap Blend 1.38%	Small Cap Blend 21.31%	Small Cap Growth 22.47%
	Large Cap Value 20.80%	Mid Cap Blend 7.98%	Large Cap Growth -34.92%	International 31.78%	Mid Cap Blend 26.64%	Large Cap Blend 2.11%	International 17.32%	Mid Cap Blend 33.50%	Large Cap Value 12.36%	Int.-Term Bonds 0.55%	Mid Cap Blend 20.74%	Large Cap Blend 21.83%
	Small Cap Blend 18.37%	Small Cap Growth 7.05%	Mid Cap Blend -36.23%	Large Cap Growth 31.57%	Small Cap Value 24.50%	Large Cap Value -0.48%	Real Estate 17.12%	Large Cap Growth 32.75%	Mid Cap Blend 9.77%	International -0.81%	Large Cap Value 17.40%	Mid Cap Blend 16.24%
	Natural Resources 16.85%	Int.-Term Bonds 6.97%	Large Cap Blend -37.00%	Real Estate 28.46%	Natural Resources 23.88%	Mid Cap Blend -1.73%	Small Cap Blend 16.35%	Large Cap Blend 32.39%	Int.-Term Bonds 5.97%	Small Cap Growth -1.38%	Large Cap Blend 11.96%	Large Cap Value 15.36%
	Large Cap Blend 15.79%	Large Cap Blend 5.49%	Small Cap Growth -38.54%	Small Cap Blend 27.17%	Large Cap Value 15.10%	Small Cap Growth -2.91%	Large Cap Blend 16.00%	Large Cap Value 31.99%	Small Cap Growth 5.60%	Mid Cap Blend -2.18%	Small Cap Growth 11.32%	Small Cap Blend 14.65%
	Small Cap Growth 13.35%	Large Cap Value 1.99%	Real Estate -39.20%	Large Cap Blend 26.46%	Large Cap Blend 15.06%	Small Cap Blend -4.18%	Large Cap Growth 14.61%	International 22.78%	Small Cap Blend 4.89%	Large Cap Value -3.13%	Large Cap Growth 6.89%	Small Cap Value 7.84%
	Large Cap Growth 11.01%	Small Cap Blend -1.57%	Large Cap Value -39.22%	Large Cap Value 21.18%	Large Cap Growth 15.05%	Small Cap Value -5.50%	Small Cap Growth 14.59%	Natural Resources 16.49%	Small Cap Value 4.22%	Small Cap Blend -4.41%	Real Estate 6.68%	Real Estate 3.76%
WORST	Mid Cap Blend 10.32%	Small Cap Value -9.78%	Natural Resources -42.55%	Small Cap Value 20.58%	International 7.75%	Natural Resources -7.35%	Int.-Term Bonds 4.21%	Real Estate 1.22%	International -4.90%	Small Cap Value -7.47%	Int.-Term Bonds 2.65%	Int.-Term Bonds 3.54%
	Int.-Term Bonds 4.33%	Real Estate -17.56%	International -43.38%	Int.-Term Bonds 5.93%	Int.-Term Bonds 6.54%	International -12.14%	Natural Resources 2.20%	Int.-Term Bonds -2.02%	Natural Resources -9.77%	Natural Resources -24.28%	International 1.00%	Natural Resources 1.23%

U.S. Dollar Index Annual Percent Change

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
USD	3.3%	-1.6%	-5.7%	4.6%	7.7%	4.8%	-1.4%	4.8%	6.0%	-1.6%	-12.3%	-8.2%	-2.0%	-1.5%	-5.6%	-4.6%	4.4%	-2.9%	-6.0%	3.8%	3.2%	3.2%	16.1%	0.7%	-6.1%

Negative % Change: Dollar weakening vs Major Currencies (Red); Positive % Change: Dollar strengthening vs Major Currencies (Green).

Source: Federal Reserve Bank of St. Louis Economic Research. Major currencies index includes the Euro Area, Canada, Japan, United Kingdom, Switzerland, Australia, and Sweden

Investment Style	Intermediate-Term Bonds	Large Cap Value	Large Cap Blend	Large Cap Growth	Mid Cap Blend	Small Cap Value	Small Cap Blend	Small Cap Growth	International	Real Estate	Natural Resources
Representative Index	Barclays US Agg Bond Index	S&P 500 Value Index	S&P 500 Index	S&P 500 Growth Index	S&P MidCap 400 Index	Russell 2000 Value Index	Russell 2000 Index	Russell 2000 Growth Index	MSCI EAFE NR Index	DJ US Select REIT Index	S&P North American Natural Resources
Correlation to S&P*	0.02	0.98	-	0.98	0.95	0.90	0.92	0.91	0.89	0.74	0.75

Past performance is not necessarily an indication of future results. You cannot invest directly in an index. Source: Fidelity Investments/Morningstar. ***Correlation is based on the past 120 monthly returns from 1-1-07 to 12-31-16 and provides a measurement of diversification whether or not two different investments have moved in the same direction in the past.** A correlation of 1.0 means the returns move in the same direction. A correlation of –1.0 indicates the returns move in opposite directions. A correlation of 0.0 suggests that the investment returns of two different investments are completely independent of one another. The returns on this page represent returns of indices and do not represent the results of any model or actual performance results derived from SIA, Inc. services. SIA, Inc. does not manage models or actual accounts, except for those clients who have elected to use SIA, Inc.'s management by entering into a separate service agreement with the firm.

Spectrum Investor® Annualized Analysis

Annualized returns for key indices ranked in order of performance through 12/31/17.

	30 Year	25 Year	20 Year	15 Year	10 Year	5 Year	3 Year	1 Year
BEST	13.16%	11.99%	10.58%	12.00%	9.99%	17.00%	12.86%	27.44%
	11.28%	10.74%	9.04%	11.57%	9.97%	15.79%	11.41%	25.03%
	9.85%	10.55%	8.62%	11.17%	9.19%	15.21%	11.14%	22.17%
	9.74%	9.69%	7.89%	10.68%	8.71%	15.01%	10.28%	21.83%
	9.74%	9.67%	7.31%	10.66%	8.49%	14.24%	9.96%	16.24%
	9.71%	9.54%	7.20%	10.26%	8.17%	14.12%	9.55%	15.36%
	9.39%	9.41%	6.76%	9.92%	7.07%	13.01%	9.47%	14.65%
	7.72%	7.90%	6.73%	9.42%	6.81%	9.09%	7.80%	7.84%
	7.24%	6.45%	5.25%	8.73%	4.01%	7.90%	4.97%	3.76%
WORST	5.12%	5.48%	4.98%	8.11%	1.94%	2.10%	2.24%	3.54%
				4.14%	-0.23%	1.06%	0.10%	1.23%

Investment Style	Representative Index	Correlation to S&P*
Intermediate-Term Bonds	Barclays Capital Aggregate Bond Index	0.04
Large Cap Value	S&P Value Index	0.98
Large Cap Blend	S&P 500 Index	-
Large Cap Growth	S&P Growth Index	0.98
Mid Cap Blend	S&P MidCap 400 Index	0.95
Small Cap Value	Russell 2000 Value Index	0.89
Small Cap Blend	Russell 2000 Index	0.91
Small Cap Growth	Russell 2000 Growth Index	0.90
International	MSCI EAFE Index	0.89
Real Estate	DJ US Select REIT Index	0.74
Natural Resources	S&P North American Natural Resources Index	0.74

Correlation based on the past 120 monthly returns from 1-1-08 to 12-31-17.

Past performance is not an indication of future results.
You cannot invest directly in an index.

The returns on this page represent returns of indices and do not represent the results of any model or actual performance results derived from SIA, Inc. services. SIA, Inc. does not manage models or actual accounts, except for those clients who have elected to use SIA, Inc.'s management by entering into a separate service agreement with the firm.

Source: Fidelity Investments/Morningstar

Fixed Income & Bonds	Large Cap Value	Mid Value	Large Cap Blend	Large Cap Growth	Small Cap Value	Mid Cap Blend	Mid Growth	Small Cap Blend	International	Small Cap Growth	Real Estate	Natural Resources

Lower Volatility — Higher Volatility

Please see Benchmark Disclosures on page 3

Crude oil inventories — As the economy heats up, oil inventories begin going down, raising the price of oil. However, the price of oil should not raise to peak prices like we saw three years ago because of US horizontal drilling (fracking technology). Rig counts are going up, which will help keep prices stable. **US dollars** — When the US dollar weakened, US investors realized improved returns from international stocks because of the currency exchange. **Unemployment vs. wage growth** — Until there is consistent wage growth, inflation should be subdued. When unemployment and wage growth connect, that's when the Fed needs to put the pedal to the metal.

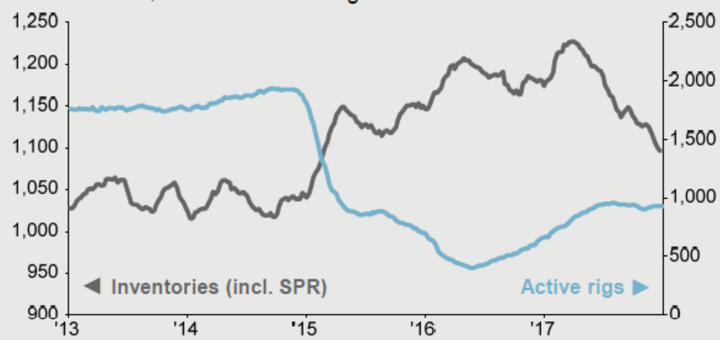
Change in production and consumption of liquid fuels

Production, consumption and inventories, millions of barrels per day

	2014	2015	2016	2017*	2018*	Growth since 2014
Production						
U.S.	14.1	15.1	14.9	15.4	16.7	18.3%
OPEC	36.9	38.2	39.2	39.3	39.7	7.5%
Global	**93.8**	**96.7**	**97.2**	**98.0**	**100.0**	**6.6%**
Consumption						
U.S.	19.1	19.5	19.7	19.9	20.3	6.1%
China	11.6	12.4	12.8	13.2	13.6	16.5%
Global	**93.6**	**95.4**	**97.0**	**98.3**	**100.0**	**6.8%**
Inventory Change	0.2	1.4	0.3	-0.4	0.1	

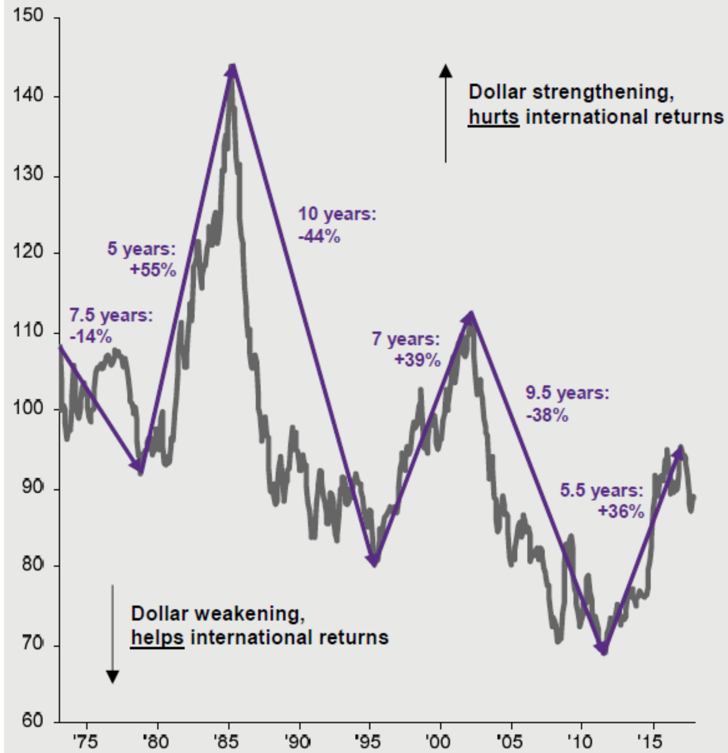
U.S. crude oil inventories and rig count**

Million barrels, number of active rigs



U.S. dollar in historical perspective

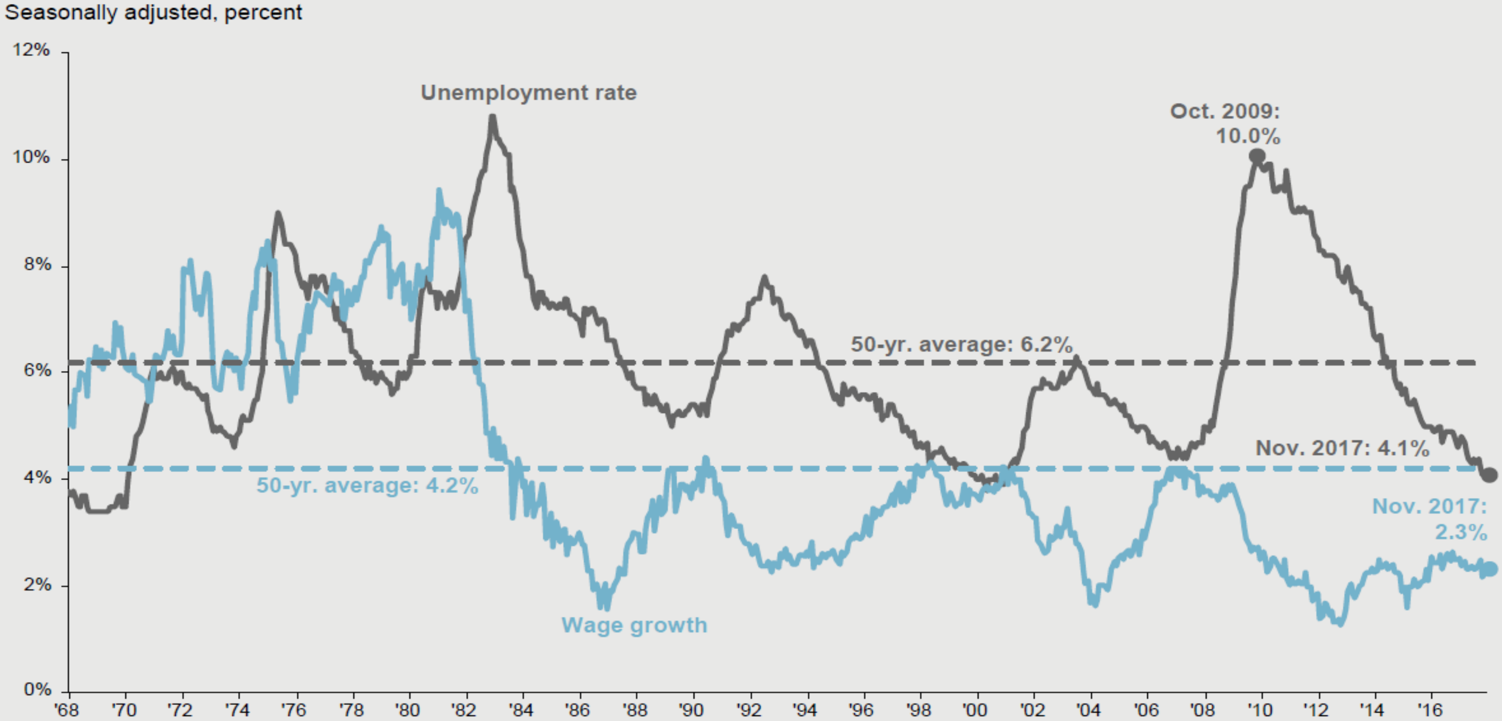
Index level, nom. major trade-weighted exchange rate, Mar. 1973=100



Source: JPMorgan Asset Management, FactSet; (Bottom left) Baker Hughes; (Right) Federal Reserve. *Forecasts are from the December 2017 EIA Short-Term Energy Outlook and start in 2017. **US crude oil inventories include the Strategic Petroleum Reserve (SPR). Active rig count includes both natural gas and oil rigs. Currencies in the nominal major trade-weighted US dollar index are: British pound, euro, Swedish krona, Australian dollar, Canadian dollar, Japanese yen and Swiss franc. Past performance is not a reliable indicator of current and future results. *Guide to the Markets*—US Data are as of 12/31/17.

Civilian unemployment rate and year-over-year wage growth for private production and non-supervisory workers

Seasonally adjusted, percent



Source: BLS, FactSet, JPMorgan Asset Management. Past performance is not a reliable indicator of current and future results. *Guide to the Markets*—US Data are as of 12/31/17