



**Guidance
Point** RETIREMENT
SERVICES, LLC

Capital Markets Review

As of December 31, 2017

© 2018 Guidance Point Retirement Services, LLC All rights reserved

This page intentionally left blank.

Enclosed charts created using MPI Stylus© except where noted.



Fourth Quarter '17 Capital Markets Headlines

2017 was the Goldilocks Year, but what about 2018?

- ✦ There have been two important drivers for the strong equity rebound in 2017. First, dovish central bank policy and a weaker US dollar have resulted in looser financial conditions through the year which has been supportive of risky assets in general and of Emerging Markets assets in particular. Second, there has been an unusually benevolent combination of strong and synchronized global growth with stable bond yields. ¹ Many investors are concerned about the length of this bull market, but economic cycles and equity bull markets do not generally die of old age. Structural bears are caused by unwinding economic imbalances or bubbles while cyclical bears are nearly always triggered by a tightening of monetary policy in response to inflation pressure. ¹
- ✦ With tax reform completed, many strategists are calling for increased corporate earnings. Goldman Sachs Global Investment Research believes the S&P 500 2018 EPS will increase 14% to \$150, and the index will reach 2850 by end-2018. They expect the S&P forward P/E multiple to remain near the current level of 18x through year-end 2018. ²

US & Global Economic News

- ✦ As the Trump presidency got underway, a pick-up in economic activity and pro-business optimism came to the rescue as the legislative agenda began hitting roadblocks. More than one year after the U.S. Election, progress on the fiscal agenda is finally gaining speed. Tax reform has been completed and a regulatory rollback in the U.S. financial sector is making headway with a number of pro-deregulation political appointments, made in the second half of '17, and regulatory reform legislation likely to become law in early '18. Global growth is now on track to surpass expectations for the first time since 2010. ²
- ✦ In 2017, geopolitical concerns between North Korea and the U.S. may have been beneficial in a way – aggressive campaign rhetoric of a trade war, especially with China, was toned down as the U.S. partnered with China on reigning in North Korean nuclear ambitions. Instead, the administration set its sights on NAFTA with attempts to modernize the agreement.

Equities

- ✦ Equity markets delivered robust gains in the 2017 with the S&P 500 finishing the year +21.83% and the Dow Jones Industrial Average +28.11%. Mid and Small Cap stocks were +16.24% and 13.23%. International markets began 2017 strongly, but gave up some of their leadership to the U.S. stocks late in the second half. MSCI EAFE finished at +25.03%, and MSCI Emerging Markets completed their run at +37.42%.

Fixed Income

- ✦ Fixed-income performance in the fourth quarter was mixed as the shape of the yield curve compressed to its flattest level since before the 2008-09 global financial crisis. After its December meeting, the Federal Reserve released its updated projections including the forecasts by board members for the federal-funds rate for the next three years of 2%, 2.70%, and 3% for years ended 2018, 2019, and 2020. ³

¹ Goldman Sachs Global Macro Research “10 Thoughts for 2018”

² Goldman Sachs Global Macro Research “Top of Mind” December 14, 2017

³ <http://news.morningstar.com/articlenet/article.aspx?id=842005>

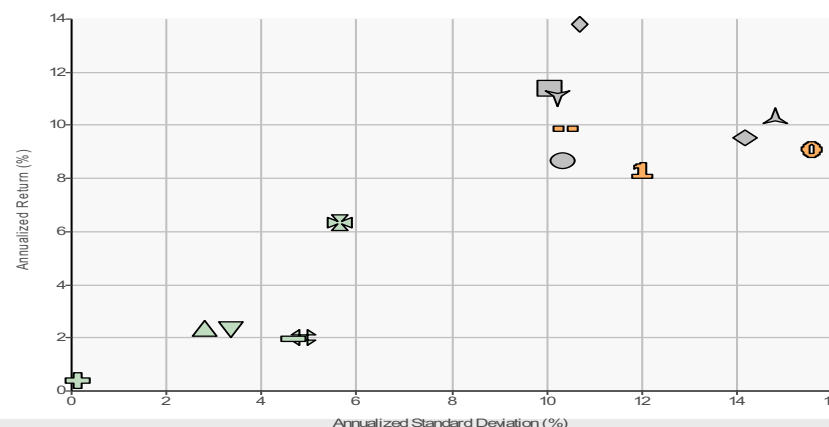


Capital Markets Performance Review

The chart to the right plots each major market index based on level of return and risk achieved over the previous 3 year period.

The combination of these assets on this table make up the efficient frontier, one of the foundational principles behind Modern Portfolio Theory.

RISK/RETURN (3-Year)



INDEX PERFORMANCE SUMMARY (Sorted by trailing 3Yr performance)

	1M	3M	YTD	1 Year	3 Years	5 Years	10 Years
Equity							
◇ Russell 1000 Growth	0.78	7.86	30.21	30.21	13.79	17.33	10.00
□ S&P 500	1.11	6.64	21.83	21.83	11.41	15.79	8.50
▽ Russell 3000	1.00	6.34	21.13	21.13	11.12	15.58	8.60
▲ Russell 2000 Growth	0.12	4.59	22.17	22.17	10.28	15.21	9.19
◇ Russell 2000 Value	-0.95	2.05	7.84	7.84	9.55	13.01	8.17
○ Russell 1000 Value	1.46	5.33	13.66	13.66	8.65	14.04	7.10
International							
▢ MSCI The World	1.38	5.62	23.07	23.07	9.88	12.26	5.63
⊙ MSCI Emg Markets	3.59	7.44	37.28	37.28	9.10	4.35	1.68
1 MSCI EAFE	1.62	4.27	25.62	25.62	8.30	8.39	2.42
Fixed Income							
⊞ BB High Yield Corp Bond	0.30	0.47	7.50	7.50	6.35	5.78	8.03
▽ BB Muni 7-Year Bond	0.82	-0.22	4.49	4.49	2.40	2.44	4.31
△ BB Aggregate Bond	0.46	0.39	3.54	3.54	2.24	2.10	4.01
⌘ BB Global Agg Bond	0.35	1.08	7.39	7.39	2.02	0.79	3.09
⊞ Citi WorldBIG	0.32	1.03	7.43	7.43	1.95	0.93	3.14
⊞ ML 3-Month T-Bill	0.11	0.28	0.86	0.86	0.41	0.27	0.39

Past performance is no guarantee of future results. Current returns may be higher/lower. Principal value/returns fluctuate. Investor shares may be worth more/less than original cost. Returns assume reinvestment of all distributions at NAV & deduction of fund expenses. YTD returns are cumulative & not annualized. For current month-end returns: <http://advisor.morningstar.com/familyinfo.asp>.



Market Overview – Periodic Table of Returns

The chart below illustrates how often different styles rotate in market leadership over time and why style diversification may help to minimize overall portfolio volatility. In the chart below, the style with the highest return is highlighted for each year.

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Large Growth	12.15	Bonds 5.24	Mid Growth 46.29	Sm Growth 29.09	Bonds 7.84	Mid Value 18.51	Sm Growth 43.30	Mid Value 14.75	Large Growth 8.18	Sm Value 31.74	Large Growth 31.92
International	11.63	Cash 2.06	Sm Growth 34.47	Mid Growth 26.38	Large Growth 4.63	Sm Value 18.05	Mid Growth 35.74	Large Growth 13.57	Bonds 0.55	Mid Value 20.00	International 25.62
Mid Growth	11.43	Sm Value -28.92	Mid Value 34.21	Mid Value 24.75	Large Value 1.12	International 17.90	Sm Value 34.52	Large Value 12.94	Cash 0.05	Large Value 16.20	Mid Growth 25.27
Global	9.57	Large Growth -36.06	Large Growth 34.01	Sm Value 24.50	Cash 0.10	Large Value 17.01	Mid Value 33.46	Mid Growth 11.90	Mid Growth -0.20	Sm Growth 11.32	Global 23.07
Sm Growth	7.05	Large Value -36.09	International 32.46	Large Growth 13.21	Mid Value -1.38	Global 16.54	Large Growth 32.66	Bonds 5.97	Global -0.32	Global 8.15	Sm Growth 22.17
Bonds	6.97	Mid Value -38.44	Global 30.79	Global 12.34	Mid Growth -1.65	Mid Growth 15.81	Large Value 32.14	Sm Growth 5.60	International -0.39	Mid Growth 7.33	Large Value 13.83
Cash	5.00	Sm Growth -38.54	Sm Value 20.58	Large Value 11.69	Sm Growth -2.91	Large Growth 15.06	Global 27.37	Global 5.50	Sm Growth -1.38	Large Growth 6.95	Mid Value 13.34
Large Value	0.25	Global -40.33	Large Value 14.59	International 8.21	Global -5.02	Sm Growth 14.59	International 23.29	Sm Value 4.22	Large Value -3.41	Bonds 2.65	Sm Value 7.84
Mid Value	-1.42	International -43.06	Bonds 5.93	Bonds 6.54	Sm Value -5.50	Bonds 4.22	Cash 0.07	Cash 0.03	Mid Value -4.78	International 1.51	Bonds 3.54
Sm Value	-9.78	Mid Growth -44.32	Cash 0.21	Cash 0.13	International -11.73	Cash 0.11	Bonds -2.02	International -4.48	Sm Value -7.47	Cash 0.33	Cash 0.86

Representative Indexes:

US Asset Classes:

Large Value: Russell Top 200 Value
 Mid Value: Russell Mid-Cap Value
 Sm Value: Russell 2000 Value

Large Growth: Russell Top 200 Growth
 Mid Growth: Russell Mid-Cap Growth
 Sm Growth: Russell 2000 Growth

Global:

International: MSCI EAFE

Global: MSCI The World

Fixed Income:

Bonds: Bloomberg Barclays U.S. Agg

Cash: Merrill Lynch 3-Mo T-Bill

Diversification does not assure a profit or protect against loss. Please see the Disclosure section for definition of all indices discussed.

Past performance is no guarantee of future results. Current returns may be higher/lower. Principal value/returns fluctuate. Investor shares may be worth more/less than original cost. Returns assume reinvestment of all distributions at NAV & deduction of fund expenses. YTD returns are cumulative & not annualized. For current month-end returns: <http://advisor.morningstar.com/familyinfo.asp>.



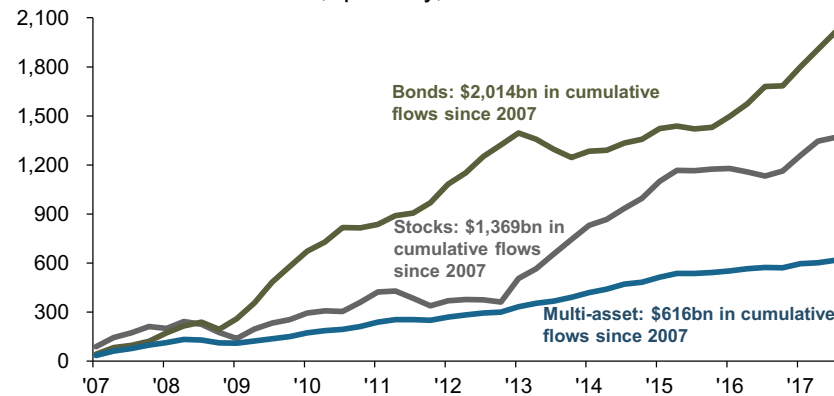
Fund Flows

Registered product flows

USD billions	AUM	YTD	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
U.S. equity	7,994	32	(20)	(22)	106	183	(35)	(37)	29	18	(3)	23	75	111	171	142	55	89	121
World equity	3,401	225	7	204	149	200	58	17	85	61	(35)	190	171	136	89	39	11	(10)	42
Taxable bond	3,509	366	224	52	81	(20)	302	163	218	312	62	107	49	44	26	46	109	61	(9)
Tax-free bond	692	33	31	21	33	(55)	53	(9)	14	71	11	13	17	7	(7)	(3)	13	9	(9)
Multi-asset	2,454	54	29	59	92	90	51	38	61	39	13	97	78	80	81	51	21	18	(20)
Liquidity	2,664	37	189	39	31	32	0	(50)	(348)	(261)	673	540	170	48	(59)	(93)	3	263	62

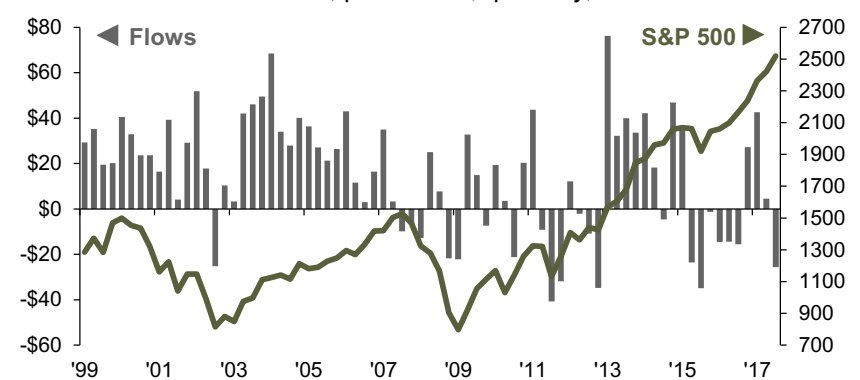
Cumulative flows into long-term asset products

Mutual fund and ETF flows, quarterly, USD billions



Flows into U.S. equity funds & S&P 500 performance

Mutual fund and ETF flows, price index, quarterly, USD billions



Source: Strategic Insight Simfund, J.P. Morgan Asset Management; All data include flows through November 2017 and capture all registered product flows (open-end mutual funds and ETFs). Simfund data are subject to periodic revisions. World equity flows are inclusive of emerging market, global equity and regional equity flows. Multi-asset flows include asset allocation, balanced fund, flexible portfolio and mixed income flows. *Guide to the Markets – U.S.* Data are as of December 31, 2017.

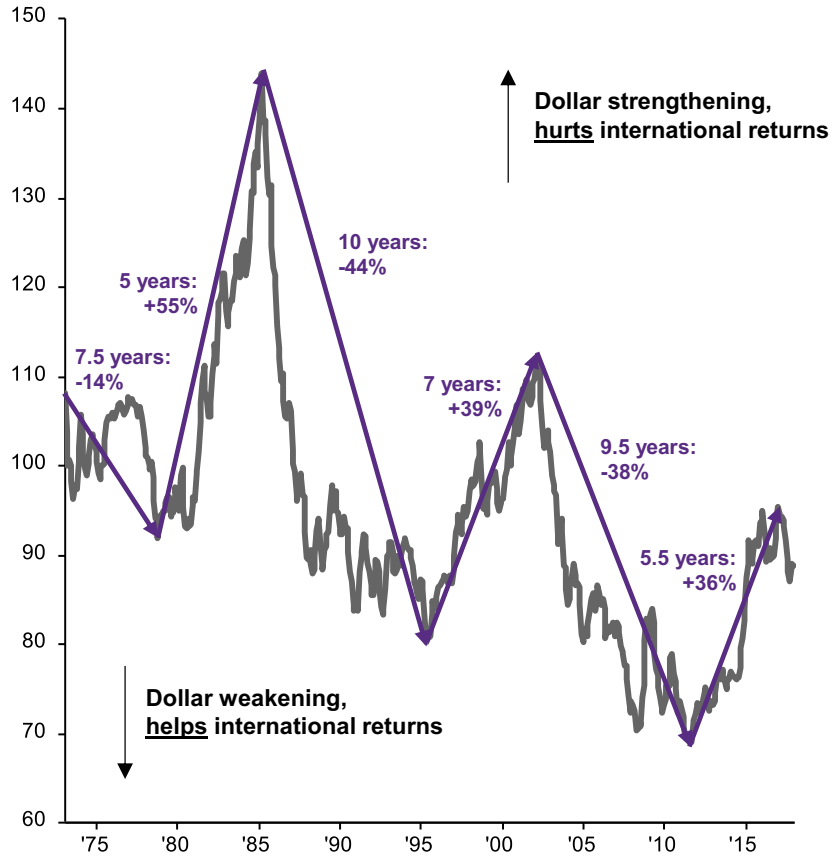
Investing principles

Currency & International Equity Returns

International

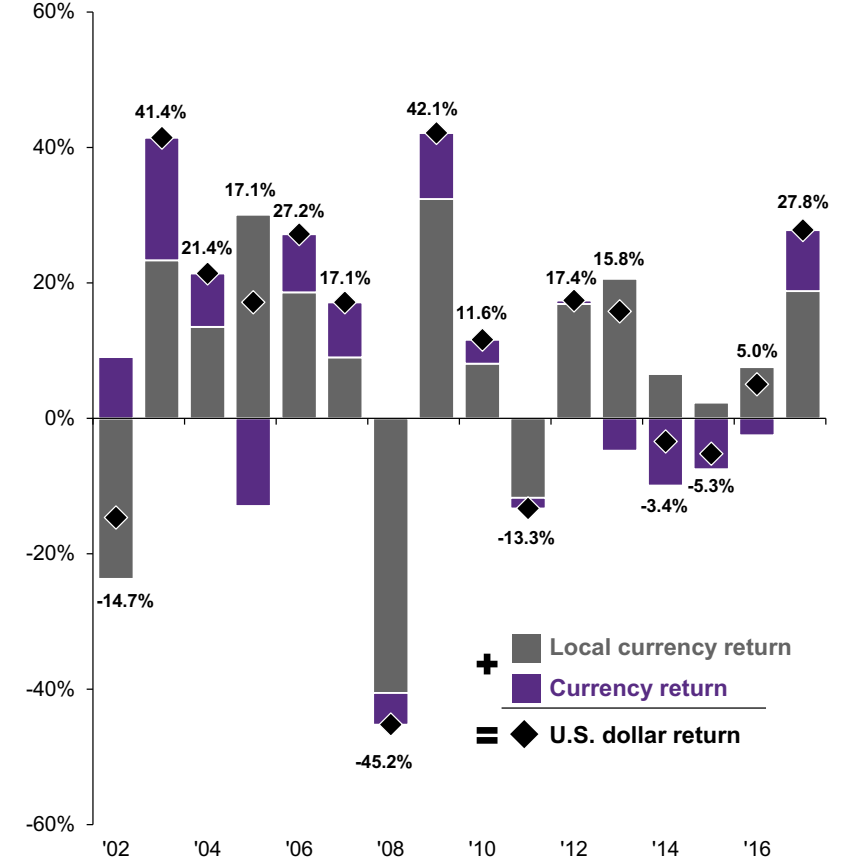
U.S. dollar in historical perspective

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



Currency impact on international returns

MSCI All Country World ex-U.S. index, total return



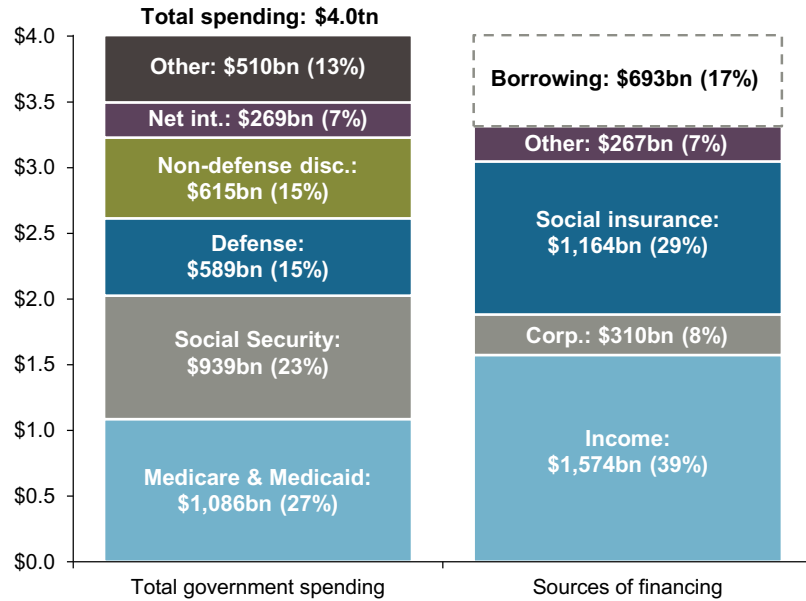
Source: FactSet, J.P. Morgan Asset Management; (Left) Federal Reserve; (Right) MSCI.
 Currencies in the nominal major trade-weighted U.S. dollar index are: British pound, euro, Swedish krona, Australian dollar, Canadian dollar, Japanese yen and Swiss franc. Past performance is not a reliable indicator of current and future results.
 Guide to the Markets – U.S. Data are as of December 31, 2017.



Federal Finances

Economy

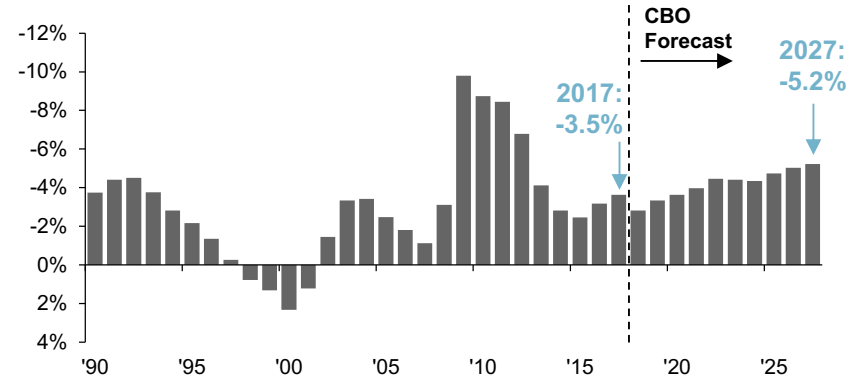
The 2017 federal budget
CBO Baseline forecast, USD trillions



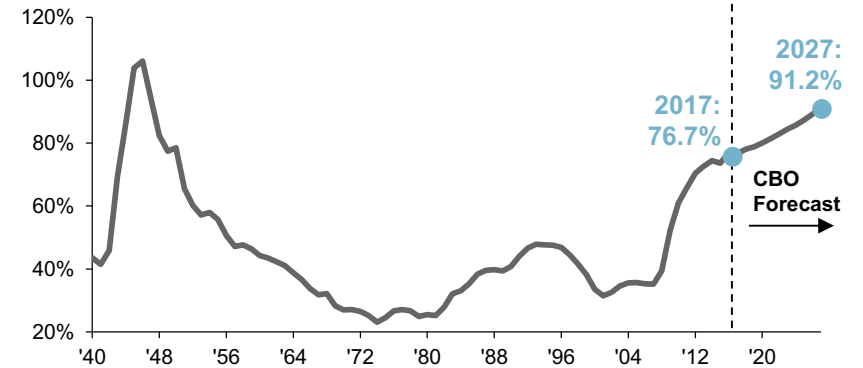
CBO's Baseline assumptions

	2017	'18-'19	'20-'21	'22-'27
Real GDP growth	2.1%	2.0%	1.5%	1.9%
10-year Treasury	2.3%	2.9%	3.5%	3.7%
Headline inflation (CPI)	2.2%	2.2%	2.4%	2.4%
Unemployment	4.5%	4.2%	4.8%	4.9%

Federal budget surplus/deficit
% of GDP, 1990 – 2027, 2017 CBO Baseline



Federal net debt (accumulated deficits)
% of GDP, 1940 – 2027, 2017 CBO Baseline, end of fiscal year



Source: CBO, J.P. Morgan Asset Management; (Top and bottom right) BEA, Treasury Department.
2017 Federal Budget is based on the Congressional Budget Office (CBO) June 2017 Baseline Budget Forecast. Other spending includes, but is not limited to, health insurance subsidies, income security and federal civilian and military retirement. Please note that these estimates do not include the impacts of the Tax Cuts and Jobs Act of 2017.

Note: Years shown are fiscal years (Oct. 1 through Sep. 30). Past performance is not a reliable indicator of current and future results.
Guide to the Markets – U.S. Data are as of December 31, 2017.

