FIDUCIARY INVESTMENT ADVISORS
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Capital Markets Flash Report

February 2018

Domestic Equity

Index Returns

	MTD	QTD	YTD	1-Year	3-Year
S&P 500	(3.69)	1.83	1.83	17.10	11.14
Russell 1000 Growth	(2.62)	4.27	4.27	26.11	13.51
Russell 1000 Value	(4.78)	(1.09)	(1.09)	7.75	8.02
Russell Mid Cap	(4.13)	(0.52)	(0.52)	11.95	8.01
Russell Mid Cap Growth	(3.14)	2.34	2.34	20.60	9.33
Russell Mid Cap Value	(4.93)	(2.74)	(2.74)	5.47	7.07
Russell 2000	(3.87)	(1.36)	(1.36)	10.51	8.55
Russell 2000 Growth	(2.85)	0.94	0.94	18.44	8.93
Russell 2000 Value	(5.00)	(3.83)	(3.83)	2.96	8.03

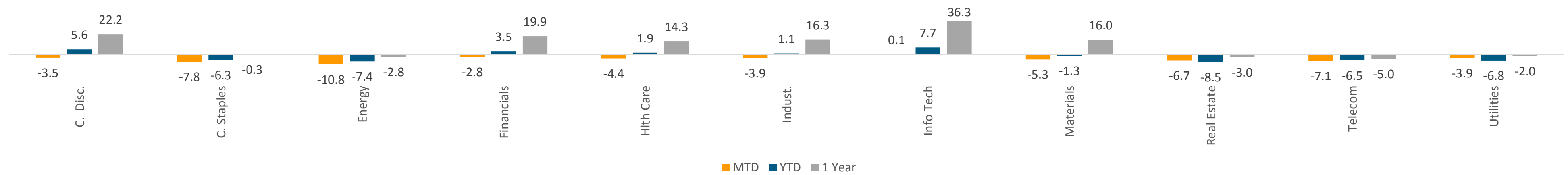
February witnessed a snap in the S&P 500's 15-month winning streak, after markets observed a 10% mid-month correction driven by fears of rising inflation in the U.S., which investors thought could prompt higher interest rates and slower economic growth.

Investors exhibited a slight bias toward growth stocks this period, as value names continued to lack market support. Neither large caps nor small caps solidified a dominant position during February, as stocks across the market capitalization spectrum were impacted by the downturn.

Technology was the only sector that was able to put forth a positive return for the month, albeit a very modest one. All other sectors fell well into negative territory, with energy and consumer staples posting the weakest returns. Unlike previous months where leadership was quite apparent, February failed to recognize many true leaders aside from the technology sector. Financials and consumer discretionary were the closest runners-up.

Once again, the technology sector was the primary support mechanism this month, despite a mundane result. All sectors fell significantly during the week of the correction; however, immediately post-correction, technology names led, as positive earnings momentum and sentiment regained traction and inflation worries subsided. This optimistic outlook helped carry the segment through the end of the month.

S&P 500 Sector Performance



International Equity

Index Returns

	MTD	QTD	YTD	1-Year	3-Year
MSCI EAFE	(4.51)	0.28	0.28	20.13	5.65
MSCI ACWI ex US	(4.72)	0.59	0.59	21.63	6.24
MSCI EM	(4.61)	3.34	3.34	30.51	8.97
MSCI EAFE Small Cap	(3.55)	1.39	1.39	27.40	12.29
MSCI EAFE Growth	(4.28)	0.16	0.16	22.16	6.77
MSCI EAFE Value	(4.75)	0.39	0.39	18.18	4.45
MSCI Japan (USD)	(1.51)	3.01	3.01	21.77	9.69
MSCI Germany (USD)	(7.23)	(1.73)	(1.73)	20.92	5.43
MSCI UK (USD)	(6.40)	(3.55)	(3.55)	14.17	1.17
MSCI France (USD)	(4.85)	1.82	1.82	29.85	8.58
MSCI China (USD)	(6.40)	5.28	5.28	46.71	12.63
MSCI Brazil (USD)	(2.01)	14.48	14.48	22.95	12.91
MSCI Russia (USD)	0.93	13.62	13.62	27.99	16.54
MSCI India (USD)	(6.70)	(3.49)	(3.49)	21.17	4.06

February was the worst month for European and Japanese stocks since June 2016, the month of the Brexit referendum. The MSCI EAFE Index fell 4.51% this month. Germany and the UK were the primary drivers of negative returns.

Fears over rising inflation leading to slower economic growth rippled through global markets, as our developed counterparts were not immune to the correction. The MSCI Europe Index dropped 5.88% for the month.

In Japan, despite easing GDP growth this period, strong macro data elsewhere, coupled with the government's confirmation that Haruhiko Kuroda will be the Bank of Japan's governor for an additional five years, helped create a solid support underneath the MSCI Japan Index's return of -1.51% for the month.

Emerging markets were not insulated from the downturn, as the Emerging Markets Index slumped 4.61% for the month of February. Inflation continues to be a source of distress within the developing world, and was only magnified during the correction.

The U.S. dollar exhibited strength versus most major global currencies, as solid U.S. macro data played a role in preventing a more sizeable market correction, helping the currency outperform.

Currency Spot Returns vs USD

	MTD	QTD	YTD	1-Year	3-Year
Euro	(2.10)	1.57	1.57	14.78	2.83
Japanese Yen	2.30	5.57	5.57	4.85	3.86
British Pound	(3.11)	1.86	1.86	10.72	(3.75)
Australian Dollar	(3.77)	(0.37)	(0.37)	1.35	(0.15)
Chinese Renminbi	(0.64)	2.84	2.84	8.48	(0.33)

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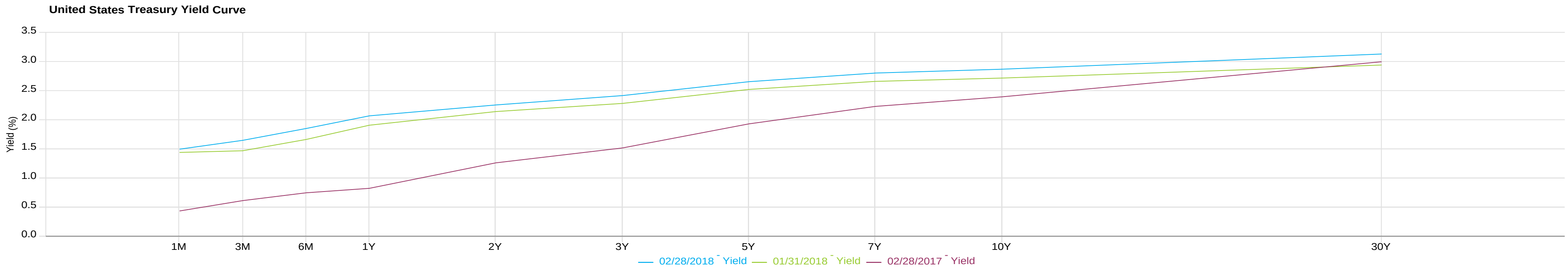
Fixed Income



Index Returns

	MTD	QTD	YTD	1-Year	3-Year
BBgBarc US Agg	(0.95)	(2.09)	(2.09)	0.51	1.14
BBgBarc US Corp IG	(1.62)	(2.56)	(2.56)	2.20	2.33
BBgBarc US Corp HY	(0.85)	(0.26)	(0.26)	4.18	5.19
BBgBarc US Long Corp	(3.43)	(4.68)	(4.68)	4.61	3.12
BBgBarc US Gov/Credit	(1.08)	(2.22)	(2.22)	0.64	1.17
BBgBarc US Long Gov/Credit	(3.16)	(5.15)	(5.15)	2.80	1.76
BBgBarc Municipal	(0.30)	(1.47)	(1.47)	2.50	2.22
BBgBarc US TIPS	(0.97)	(1.82)	(1.82)	(0.18)	0.79
BofAML US T-Bill 3M	0.09	0.22	0.22	0.99	0.48
Citi WGBI USD	(0.68)	0.94	0.94	7.00	2.54
JPM EMBI Plus USD	(2.23)	(2.72)	(2.72)	1.85	5.10

Domestic fixed income markets fell once again this period, as yields across the curve rose steadily, weighing on bond prices. The Bloomberg Barclays U.S. Aggregate Bond Index dropped 0.95%.

Despite the risk market selloff at the beginning of February, Treasury yields climbed gradually across the curve. The 2-year Treasury yield jumped 11 basis points to 2.25%, its highest level in 10 years.

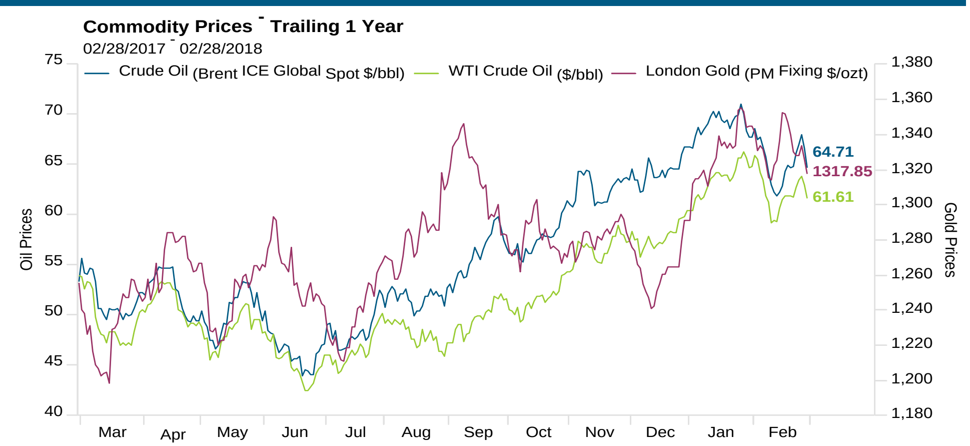
Corporate spreads proved resilient through the initial stretch of equity market weakness in early February, but sold off later in the month. Investment-grade spreads closed at 96 basis points, 10 basis points and 2 basis points wider on the month and year, respectively. High-yield spreads ended the month at 336 basis points, 17 basis points wider on the month and 7 basis points tighter on the year.

U.S. dollar strength versus the euro and British pound, coupled with non-U.S. market weakness, drove this month's negative result for the Citigroup WGBI, which fell 0.68% in the period.

Commodities & Real Estate

Commodities were not immune to the volatility that hit the equity markets during February. A rising dollar had a broad-based negative impact on the group, with grains and agriculture serving as the only positive sub-sectors during the month. Crude oil prices ended the month lower, as data showed oil and gas storage increased sharply on the back of surging U.S. production.

Global public real estate markets witnessed significant weakness this month, as both global and U.S. indexes fell heavily. Once again, fixed income yields rose sharply in February, weighing considerably on the bond-proxy segments of the market.



Index Returns

	MTD	QTD	YTD	1-Year	3-Year
Bloomberg Commodity	(1.73)	0.22	0.22	1.58	(4.69)
S&P N.A. Natural Resources	(9.83)	(7.71)	(7.71)	(2.99)	(2.89)
FTSE NAREIT Eq REITs	(7.71)	(11.57)	(11.57)	(10.12)	0.39
FTSE NAREIT Developed	(6.70)	(6.71)	(6.71)	(0.69)	0.64

Source: FactSet

DATA SOURCE ACKNOWLEDGEMENTS, DISCLAIMERS AND DISCLOSURES

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