FIDUCIARY INVESTMENT ADVISORS
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Capital Markets Flash Report

August 2018

Domestic Equity

Index Returns

	MTD	QTD	YTD	1-Year	3-Year
S&P 500	3.26	7.10	9.94	19.66	16.11
Russell 1000 Growth	5.47	8.56	16.44	27.23	19.33
Russell 1000 Value	1.48	5.49	3.71	12.47	12.32
Russell Mid Cap	3.11	5.67	8.15	17.89	13.37
Russell Mid Cap Growth	5.76	8.03	13.87	25.06	15.29
Russell Mid Cap Value	1.36	4.12	3.95	12.67	12.12
Russell 2000	4.31	6.13	14.26	25.45	16.11
Russell 2000 Growth	6.23	8.05	18.53	30.72	16.36
Russell 2000 Value	2.38	4.19	9.86	20.05	15.73

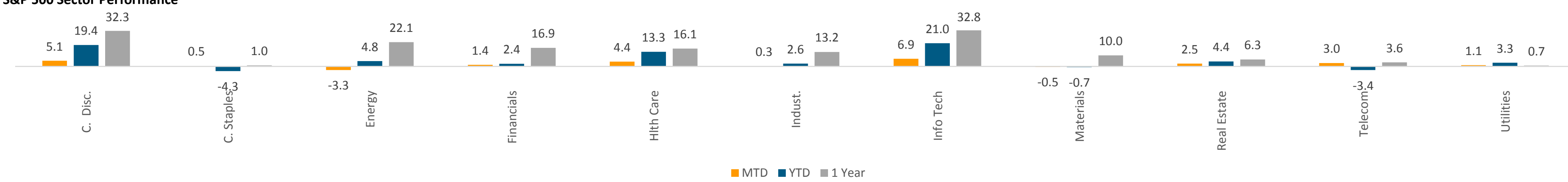
Exacerbated by the United States' action to implement additional tariffs, the pullback in global equity markets continued this month. However, U.S. equity markets remained well insulated, as another earnings season ended in record fashion, macroeconomic data exhibited strength, and positive Fed rhetoric boosted sentiment.

Small caps regained their leadership in August, outpacing large caps modestly. Large cap multinational companies continued to witness a shift in investor preference, as non-U.S. markets faltered once more. After value's outperformance last month, growth gained momentum once again, trumping value this month.

Value sectors within the S&P 500 Index quickly relinquished their leadership from last month, as traditional growth sectors such as technology, consumer discretionary and health care drove returns. Strong earnings, favorable macroeconomic data, and investor preference were all major drivers behind this period's sector leadership performance. Despite a rise in oil prices, the volatility in the commodity led to energy equities finishing in the red. Materials also exhibited weakness, witnessing a marginally negative result for the month.

Macroeconomic strength was driven primarily by a stellar GDP print, favorable domestic consumption data, and a robust labor market. Second quarter GDP came in at 4.2%, of which net trade and consumption boosted results most. Retail sales rose more than expected last month, as consumers benefited from the tailwinds provided by fiscal reform and the strong labor market (3.9% unemployment rate).

S&P 500 Sector Performance



International Equity

Index Returns

	MTD	QTD	YTD	1-Year	3-Year
MSCI EAFE	(1.93)	0.48	(2.28)	4.39	7.04
MSCI ACWI ex US	(2.09)	0.25	(3.53)	3.18	8.08
MSCI EM	(2.70)	(0.57)	(7.18)	(0.68)	11.42
MSCI EAFE Small Cap	(0.80)	(0.16)	(1.48)	7.46	11.38
MSCI EAFE Growth	(0.28)	1.78	0.83	8.12	8.87
MSCI EAFE Value	(3.64)	(0.87)	(5.44)	0.63	5.11
MSCI Japan (USD)	0.22	0.62	(1.42)	9.05	8.44
MSCI Germany (USD)	(3.03)	1.15	(6.33)	1.61	7.49
MSCI UK (USD)	(4.19)	(3.36)	(4.37)	4.46	3.99
MSCI France (USD)	(1.98)	1.58	1.45	7.40	10.12
MSCI China (USD)	(3.80)	(6.20)	(7.83)	0.22	13.49
MSCI Brazil (USD)	(11.34)	(0.86)	(18.00)	(16.23)	12.97
MSCI Russia (USD)	(6.99)	(3.31)	(0.64)	8.22	14.06
MSCI India (USD)	0.96	7.54	(0.54)	7.12	10.63

The MSCI EAFE Index dropped 1.93% in August, as political drama overshadowed strong fundamentals. Italy's new administration faced additional tension with the EU, and a major Brexit agreement deadline looms, fueling concerns.

The MSCI Europe Index fell 2.79%, as the dramatic collapse of a bridge in Italy and new migrant arrivals in the Mediterranean caused tensions between the new Italian government and the European Union. Italy has been a major source of concern recently, weighing heavily on investors' mindsets regarding the overall region and the EU's stance.

The MSCI Japan Index gained 0.22%, as recent macroeconomic data exhibited encouraging results and the overall economy seems to have stabilized. However, inflation continues to be anemic and below the Bank of Japan's objective.

Trade tensions and a strong U.S. dollar continued to dominate the headlines this month, as the MSCI Emerging Markets Index decreased 2.70%. Throughout the month trade relations between the U.S. and China deteriorated further, as the U.S. threatened additional tariffs, affecting trade and output in China. Additional market stress emerged from Turkey, as the country's fragility exacerbated global fears.

Buoyed by macroeconomic strength, the U.S. dollar continued to dominate versus most major global currencies.

Currency Spot Returns vs USD

	MTD	QTD	YTD	1-Year	3-Year
Euro	(0.56)	(0.35)	(3.11)	(2.14)	1.26
Japanese Yen	0.95	(0.11)	1.59	(0.74)	3.00
British Pound	(0.91)	(1.55)	(3.92)	0.87	(5.45)
Australian Dollar	(2.72)	(2.12)	(7.54)	(8.82)	0.67
Chinese Renminbi	(0.05)	(2.99)	(4.65)	(3.41)	(2.26)

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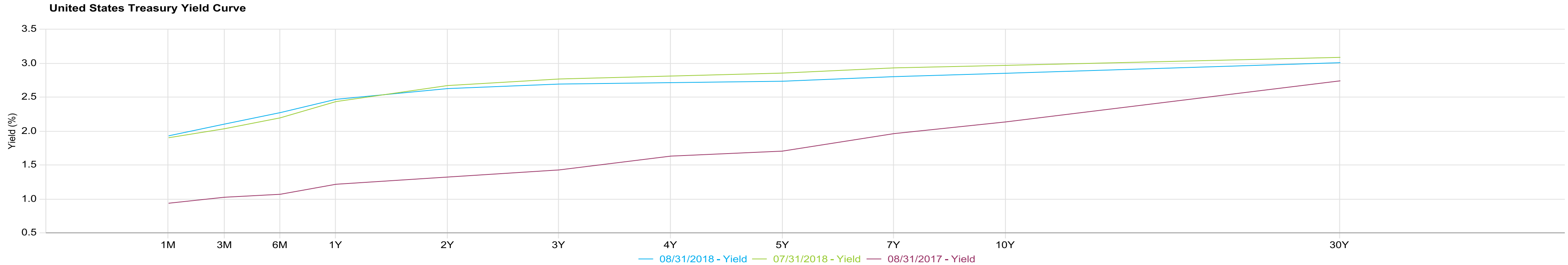
Fixed Income



Index Returns

	MTD	QTD	YTD	1-Year	3-Year
BBgBarc US Agg	0.64	0.67	(0.96)	(1.05)	1.76
BBgBarc US Corp IG	0.49	1.33	(1.98)	(1.01)	3.50
BBgBarc US Corp HY	0.74	1.84	2.00	3.40	7.00
BBgBarc US Long Corp	0.25	1.93	(4.97)	(1.85)	5.65
BBgBarc US Gov/Credit	0.65	0.73	(1.19)	(1.27)	1.91
BBgBarc US Long Gov/Credit	0.85	1.10	(3.93)	(2.15)	4.25
BBgBarc Municipal	0.26	0.50	0.25	0.49	2.71
BBgBarc US TIPS	0.72	0.24	0.21	0.83	2.20
BofAML US T-Bill 3M	0.18	0.34	1.15	1.52	0.79
Citi WGBI USD	(0.29)	(0.61)	(1.64)	(1.81)	2.25
JPM EMBI Plus USD	(3.13)	(1.27)	(7.29)	(7.68)	3.47

The Bloomberg Barclays U.S. Aggregate Bond Index exhibited a positive result this month, returning 0.64%, as interest rates declined across the yield curve. Investors' search for a safe haven helped push government bond prices up.

Treasury yields fell in August, driven by growing concerns over the influence of geopolitical tensions on overall global growth. Two-year yields dropped by 4bps to 2.63%, along with 10-year yields falling by 10bps to 2.86%. The 19bps spread between 2-year yields and 10-year yields set a new post-crisis level during the period.

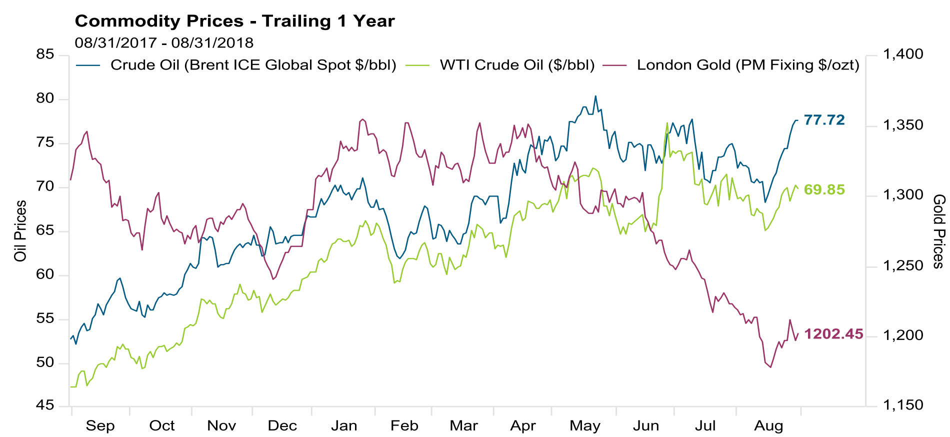
Investment-grade corporate spreads widened by 5bps to 114bps this month. High-yield spreads, however, were more range-bound, ending the month 2bps wider at 338bps.

Once again, the Citigroup WGBI witnessed negative results, falling 0.29% for the month. U.S. dollar strength continued to weigh on international bond markets.

Commodities & Real Estate

Commodities declined during the month of August, with all sectors but energy producing negative returns. Oil prices again moved higher, as OPEC's production increases came in lower than anticipated. An unexpected decline in U.S. inventories further boosted prices.

Global REITs advanced in August led by positive returns in the Americas, as both the Asia Pacific region and Europe were negative in the month.



Index Returns

	MTD	QTD	YTD	1-Year	3-Year
Bloomberg Commodity	(1.77)	(3.87)	(3.87)	0.51	(1.89)
S&P N.A. Natural Resources	(3.90)	(2.86)	2.28	16.91	6.88
FTSE NAREIT Eq REITs	2.59	3.42	4.47	6.01	9.61
FTSE NAREIT Developed	0.95	1.80	2.17	5.49	7.33

Source: FactSet

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