



Monthly Market Review

U.S. Equity

- Domestic equity markets, as represented by the S&P 500 Index (S&P), declined 3.69% in February.
- Sector performance within the S&P was mostly negative with 10 of the 11 sectors posting negative returns. Information Technology was the only sector to post a positive return—0.10% in February. Energy and Consumer Staples were the worst performing sectors, declining 10.82% and 7.76%, respectively.
- By market capitalizations, mid-caps (Russell Midcap Index) had the worst month with a -4.13% return, followed by small-caps (Russell 2000 Index, -3.86%), and then large-caps (Russell 1000 Index, -3.67%). Value stocks led declines across all market capitalizations.

Non-U.S. Equity

- Non-U.S. equity markets, represented by MSCI ACWI ex-U.S., ended the month with a -4.72% return. Developed Markets, represented by MSCI EAFE Index finished down 4.51% while the Emerging Markets, represented by MSCI Emerging Markets Index, finished down 4.61%.
- Within the ACWI ex-U.S. Index, Consumer Discretionary was the strongest performer over the month, falling only 3.34%. Energy and Consumer Staples were the worst performing sectors, returning -5.78% and -5.52%, respectively. Value stocks led declines, underperforming growth stocks in February.

Fixed Income

- The Bloomberg Barclays U.S. Aggregate Index fell 0.95% as yields rose across the yield curve during the month.
- Investment grade (IG) credit within the Aggregate fell 1.51%. Within the IG credit spectrum, returns were negative across all qualities. BBB-rated bonds fell 1.71%, A-rated bonds fell 1.62%, AA dropped 1.10% and AAA declined 0.63%. High Yield (HY), represented by the Bloomberg Barclays U.S. Corporate HY Index, fell 0.85%. Spreads increased slightly in February.
- The U.S. Treasury Yield curve continued to rise during the month of February. Short-term and long-term yields rose the most, relative to medium-term yields which rose half as much. Yields along the three- and 30-year yields increased by 20 and 19 basis points (bps), while two- and five-year yields rose 11 and 12 bps, respectively.

Other Asset Classes

- Real estate investment trusts (REITs), represented by FTSE NAREIT Index, fell 7.71% in February. Returns were negative for all nine of the individual real estate sectors.

Data Centers and Lodging/Resorts were the worst performing sectors, returning -13.06% and -12.02%, respectively. Self-storage finished the month nearly flat with a loss of only 0.77%.

- Commodities, represented by the Bloomberg Commodity Index, posted a -1.85% return. The active contract for West Texas Intermediate (WTI) crude closed at \$61.64/barrel, down from \$64.73 at the end of January.

Items to Watch

- Volatility spiked in early February after a historically long period of calm, investor-friendly markets. This uptick in volatility was prompted by January's higher than expected wage growth figures, which fueled rising inflation concerns. Rising inflation and low unemployment are likely to cause the Federal Reserve (Fed) to raise interest rates quicker than previously expected. In the midst of the turmoil, the S&P 500 and Dow Jones Industrial Average entered into correction territory (a decline of 10% or more from its previous high), while the CBOE Volatility Index, Wall Street's fear gauge, had its highest single day percentage increase ever.
- Newly appointed Fed Chair Jerome Powell told members of the House Financial Services Committee that the economy has strengthened since December and indicated that the Fed is on track to gradually increase its short-term interest rates. Powell gave an upbeat picture of the economy, citing global synchronized growth and the \$1.5 trillion tax cut. He also acknowledged the sluggish nature of inflation which has consistently come below the Fed's target for the past few years.
- On March 9, the Bureau of Labor Statistics released its monthly jobs report. Nonfarm payroll employment increased by 313,000 in February while unemployment remained at 4.1% for the fifth consecutive month. U.S. jobless claims slightly increased to a seasonally adjusted 231,000 for the week ending March 3. The Institute of Supply Management reported its index of manufacturing activity as 60.8 for February, higher than January's reading of 59.1. February's reading is the highest recorded since May 2014.
- Important political developments took place in Europe on March 4. Italy's populist Five Star Movement, led by Luigi Di Maio and founded by comedian Beppe Grillo, won the largest share of the votes (32.60%); however, the election resulted in a hung parliament because no coalition or party won the required 40% of votes. While Italy's elections have introduced uncertainty to the European Union, Germany's Social Democrats (SPD) have calmed political angst by backing another coalition with Chancellor Angela Merkel's conservatives.

Total Return of Major Indices as of 2/28/18

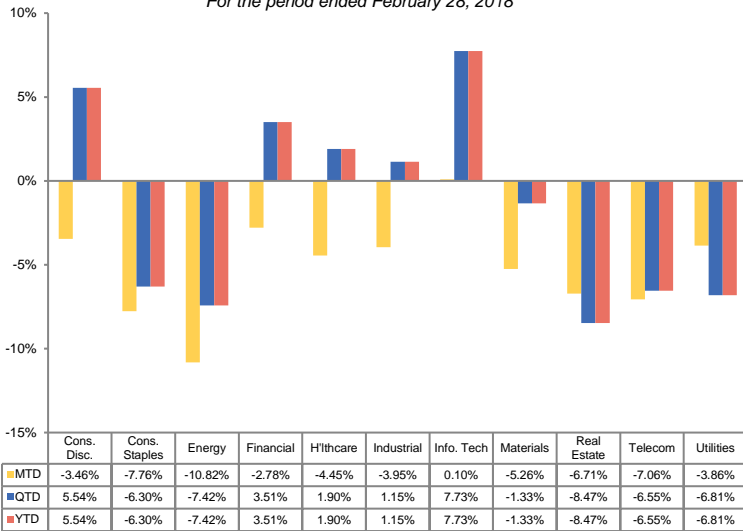
Domestic Equity	MTD	QTD	YTD	1 YR
S&P 500	-3.69%	1.83%	1.83%	17.09%
Russell 3000	-3.69%	1.39%	1.39%	16.21%
Russell 2000	-3.86%	-1.35%	-1.35%	10.51%
Russell 1000	-3.67%	1.62%	1.62%	16.69%
International Equity	MTD	QTD	YTD	1 YR
MSCI ACWI ex-U.S.	-4.72%	0.59%	0.59%	21.63%
MSCI EAFE	-4.51%	0.28%	0.28%	20.13%
MSCI Emerging Markets	-4.61%	3.34%	3.34%	30.51%
Fixed Income	MTD	QTD	YTD	1 YR
Bloomberg Barclays U.S. Agg	-0.95%	-2.09%	-2.09%	0.51%
Bloomberg Barclays Global Agg	-0.89%	0.29%	0.29%	6.01%
Bloomberg Barclays U.S. HY	-0.85%	-0.26%	-0.26%	4.18%
Alternatives	MTD	QTD	YTD	1 YR
FTSE NAREIT Equity	-7.71%	-11.57%	-11.57%	-10.12%
Bloomberg Commodity	-1.85%	-0.03%	-0.03%	0.46%

Economic Indicators

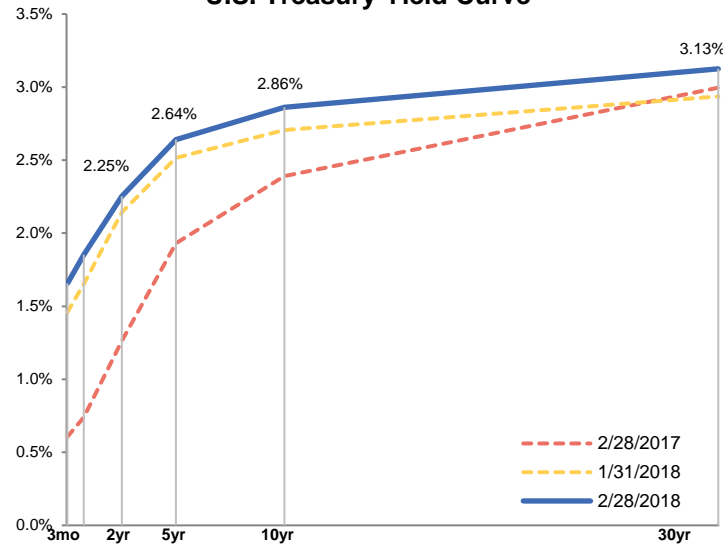
Domestic	Current	Previous
Unemployment Rate (%)	4.1%	4.1%
Initial Jobless Claims (4 week avg)	220.5 K	225.5 K
CB Leading Economic Indicators	1.0	0.6
Capacity Utilization	77.5%	77.7%
GDP (annual growth rate)	2.5%	3.2%
Univ Michigan Consumer Confidence	99.9	95.7
New Home Starts	593 K	643 K
Existing Home Sales	5.4 MM	5.6 MM
Retail Sales (YoY)	4.2%	5.9%
U.S. Durable Goods (MoM)	-3.7%	2.6%
Consumer Price Index (YoY)	2.1%	2.1%
Producer Price Index (MoM)	0.7%	0.0%
Developed International*	12/31/2017	9/30/2017
Market GDP (ann'l rate)	2.2%	2.2%
Market Unemployment	5.1%	5.2%

Stock Market Sector Performance (S&P 500)

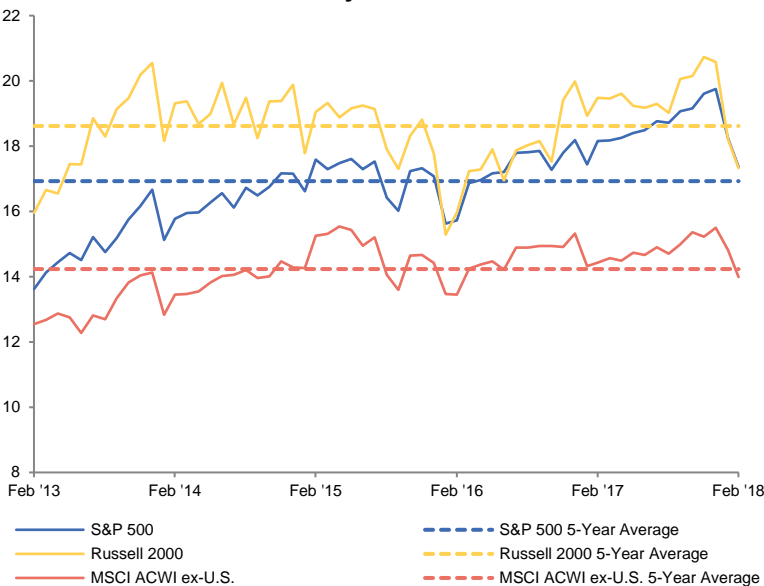
For the period ended February 28, 2018



U.S. Treasury Yield Curve



P/E Ratios of Major Stock Indices**



Source: Bloomberg. Data as of February 28, 2018 unless otherwise noted.
 *Developed market data is calculated with respect to the weightings in the MSCI World ex-US index. Most current data is as of December 31, 2017 due to release dates of numerous countries.
 **P/E ratios are calculated based on 1-year-forward estimates and adjusted to include only positive earning results for consistency.

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