

January 2018

M Wealth Perspective

Offering value-added wealth services, including turnkey asset management and investment consulting.

December 2017 Capital Markets Review

Index	Period Ending December 31, 2017					
	Qtr	Ytd	1 Yr Return	3 Yr Return	5 Yr Return	10 Yr Return
U.S. Equity Markets						
S&P 500 Index	6.64%	21.83%	21.83%	11.41%	15.79%	8.50%
Russell 3000	6.34%	21.13%	21.13%	11.12%	15.58%	8.60%
Russell 1000	6.59%	21.69%	21.69%	11.23%	15.71%	8.59%
Russell 1000 Value	5.33%	13.66%	13.66%	8.65%	14.04%	7.10%
Russell 2000	3.34%	14.65%	14.65%	9.96%	14.12%	8.71%
Russell 2000 Value	2.05%	7.84%	7.84%	9.55%	13.01%	8.17%
Non-U.S. Equity Markets						
MSCI ACWI Ex US	5.00%	27.19%	27.19%	7.83%	6.80%	1.84%
MSCI Emerging Markets	7.44%	37.28%	37.28%	9.10%	4.35%	1.68%
Fixed Income						
Barclays Aggregate Bond	0.39%	3.54%	3.54%	2.24%	2.1%	4.01%
Barclays US TIPS	1.26%	3.01%	3.01%	2.05%	0.13%	3.53%
Real Assets/Natural Resources						
DJ US Select REIT	1.98%	3.76%	3.76%	4.97%	9.09%	7.07%
S&P North American Natural Resources	5.94%	1.23%	1.23%	0.11%	1.07%	-0.23%

Commentary

The U.S. equity market advanced 6.3% in the fourth quarter, marking the ninth consecutive quarterly gain. The increasing likelihood of the Trump administration's tax reform plans being adopted supported the positive sentiment through November, as the market gained 3.0% in the month. The anticipated tax reform became reality in December after Congress passed the most significant change to the U.S. tax code in decades. The pro-growth reforms, including cutting the corporate tax rate by 14 percentage points, supported investor confidence as the market sustained its rally through December. The U.S. equity market generated positive returns in every month of 2017, resulting in a return of 21.1% for the year.

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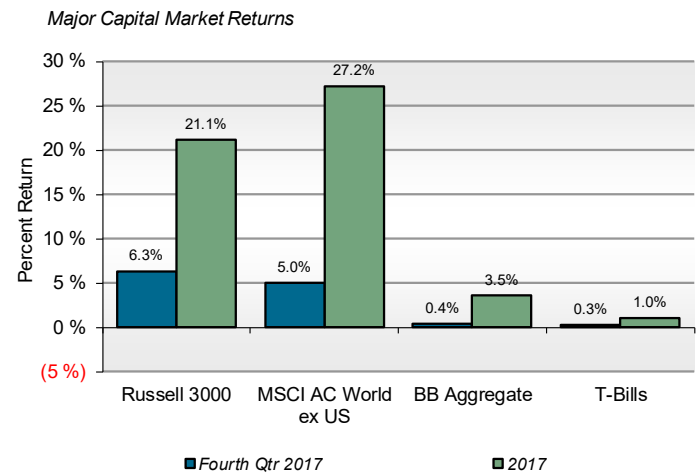
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All capitalization segments of the market posted positive results in the quarter and 1-year period, with large-cap stocks outperforming both the mid- and small-cap segments of the market. Growth stocks outperformed value stocks by 2.5% in the quarter due to strong performance in the consumer discretionary and technology sectors. For the 1-year period growth stocks exceeded value stocks by 16.4%, as the performance of the technology sector outperformed all other sectors by a wide margin.

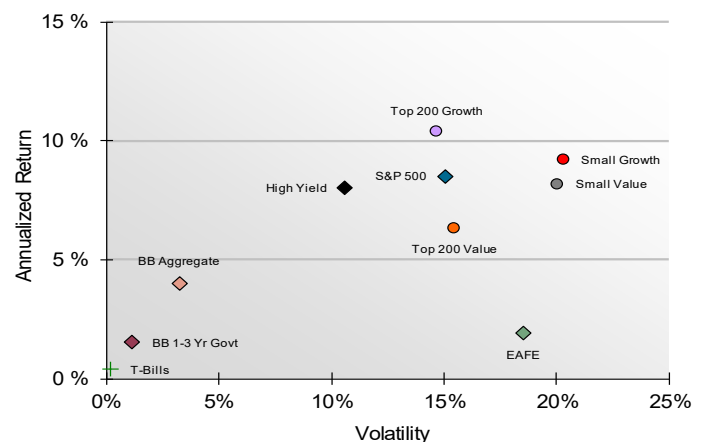
International equities returned 5.0% in the quarter. Despite pockets of political uncertainty, equity prices were supported in most countries by continued global growth and improving corporate earnings. The value of the U.S. dollar fell against most other currencies as the favorable global growth outlook led several central banks to begin reducing monetary stimulus. In this environment, growth stocks outperformed many bond-like stocks prevalent in the utilities and telecom sectors. The price of oil rose over 20% in the quarter as OPEC and some non-OPEC countries agreed to extend production cuts through 2018. Industrial metal prices were supported by strong global economic growth, especially in China. The rise in commodity prices led to favorable returns in many commodity-based Latin American countries. Emerging markets overall posted a 7.4% return in the quarter as the weaker U.S. dollar was also supportive for equity prices. Japan returned 8.5% in the quarter after the re-election of Prime Minister Shinzo Abe provided clarity on the continuation of economic policy.

The investment-grade US fixed income market rose 0.4% in the quarter. The Federal Reserve raised rates in December, the third time in 2017, increasing the target short-term range to 1.25%–1.50%. U.S. Government issues were flat in the quarter. The 10-year Treasury yield increased 0.07 percentage points, ending at 2.40%. Investment-grade credits increased 1.0%, while

high yield corporates advanced 0.5%. TIPS returned 1.3%, outperforming nominal Treasuries in the quarter, as inflation expectations increased. Municipal bonds returned 0.8%. Developed non-U.S. government bonds posted gains for the quarter and year due to easy monetary policies in Europe and Japan, a weaker U.S. dollar, and accelerating global growth.



Note: The following indices represent the returns of the asset classes within the above chart: U.S. Stocks—Russell 3000, Non-U.S. Stocks—MSCI EAFE, Fixed Income—Barclays Aggregate, and U.S. Treasury Bills



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Source of statistics not otherwise specifically cited within this newsletter: Strategic Capital Investment Advisors.

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The Barclays U.S. Aggregate Bond Index is a market capitalization-weighted index of investment-grade, fixed-rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities, with maturities of at least one year. The MSCI All Country World Exclude U.S. Net Total Return is a commonly used measure of common stock total return performance of 22 of 23 Developed Markets countries excluding the U.S. The Russell 2000 Total Return Index is a commonly used measure of small capitalization stocks. The S&P 500 Total Return is a commonly used measure of common stock performance of 500 leading companies in leading industries of the U.S. economy. All referenced indices are unmanaged and not available for direct investment. Past performance is not a guarantee of future results. The information and opinions expressed herein are for general and educational purposes only. M Financial Wealth Management makes no representation regarding the accuracy or completeness of information provided herein. All opinions and views constitute our judgments as of the date of writing and are subject to change at any time without notice.



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