Market Update – September 2018

Global stocks were slightly positive for the month as both U.S. and International large cap stocks rose while small caps stocks were down both domestically and internationally. Bond returns were negative across the board with the exception of short-term bonds which were up 0.1% in September. Global REITs and managed futures were down while commodities (+1.9%) posted a strong month and reinsurance continued to climb.

Economy

- The second estimate of 2nd quarter real GDP growth came in at an annualized rate of 4.2%. This increase of 2% from first quarter's growth rate marks the fastest growth rate posted since the 3rd quarter of 2014.
- Inflation, measured by the Consumer Price Index for all goods, dropped slightly to 2.7% year-over-year.
- Unemployment remains near business cycle lows at 3.9%.
- Consumer confidence rose even higher for the fourth month in a row.

Stocks

- U.S. stocks produced mixed results this month with the S&P 500 (+0.6%) generating modest gains while U.S. small cap stocks (-2.4%) gave back some of their 2018 gains.
- International small value stocks (+2.1%) had the best month for international equities while emerging markets stocks (-0.5%) experienced another month of declines.

Bonds

- Bond returns were mostly negative in September, with intermediate-term bonds down 0.4%, international bonds down 0.2%, and inflation-protected bonds down 1.1%.
- Short-term bonds (+0.1%) were slightly positive for the month.

Alternatives

- Global REITs (-2.2%) and managed futures (-0.6%) struggled to losses during September. However, commodities (+1.9%) and reinsurance (+0.1%) finished the quarter on a positive note.

Sources: Bureau of Economic Analysis (BEA), Federal Reserve, Morningstar Direct, Standard and Poor's, MSCI

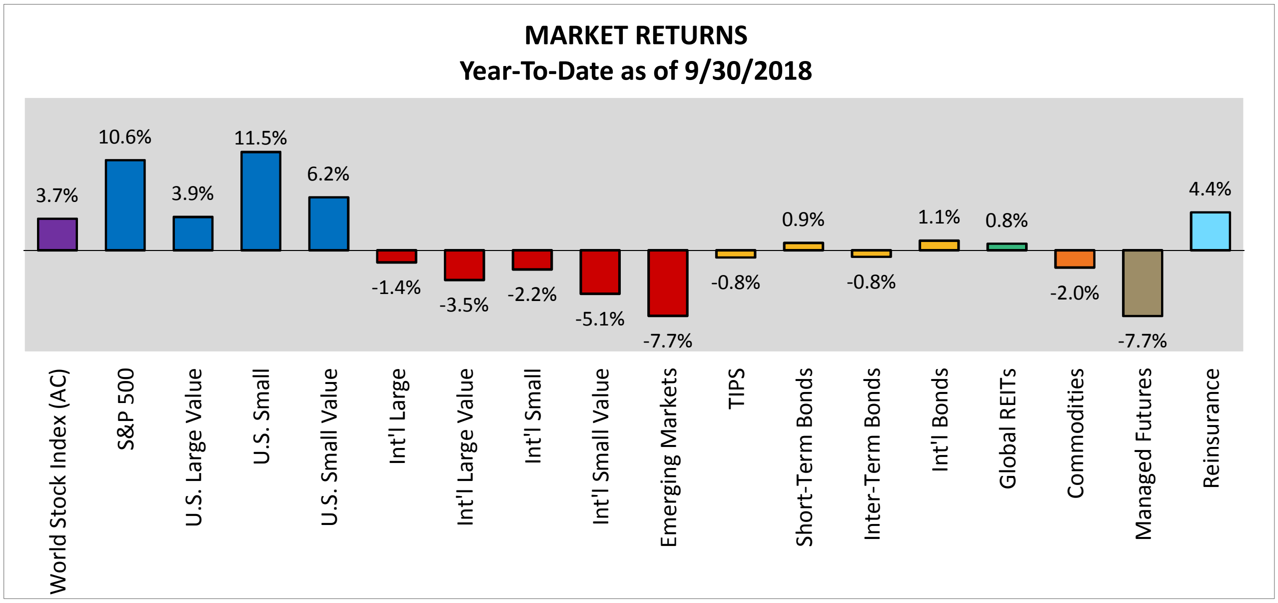
GICS Changes

October 1st brought changes to the Global Industry Classification Standard (GICS) which defines sectors of the economy commonly used for grouping and comparing public companies. The changes are meant to reflect the ongoing integration of communications, media, and technology companies. The updated classifications should provide more relevant groupings based on how these companies operate and the roles they play within the economy.

In summary, the Telecommunication Services sector was broadened and renamed to the Communication Services sector. Additionally, a number of companies moved from the Consumer Discretionary and Information Technology sectors into the new Communication Services Sector. Some notable companies changing sectors include: Walt Disney Co., Netflix, and Comcast moving from Consumer Discretionary to Communication Services as well as Facebook, Twitter, and Alphabet moving from Information Technology to Communication Services. The resulting Communication Services sector makes more than 10% of the S&P 500 by market cap, making it the fourth largest sector in the index.

It is important to note that no companies left or joined major indices such as the S&P 500 as a result of these re-classifications. The impact on markets was minimal but the impact for individual investors largely depends on how you invest. Investors who seek broad market exposure through index funds will experience little to no changes. Investors who seek targeted exposure through products like sector specific ETFs should take a closer look at their portfolios.

These changes have minimal impact on Savant portfolios due to our use of broadly diversified index funds. The funds in our portfolios did not have to take any action as a result of the GICS changes and the underlying companies were not impacted by these changes. However, if you want to learn more about these changes or how they impact your personal investments please reach out to your financial advisor.



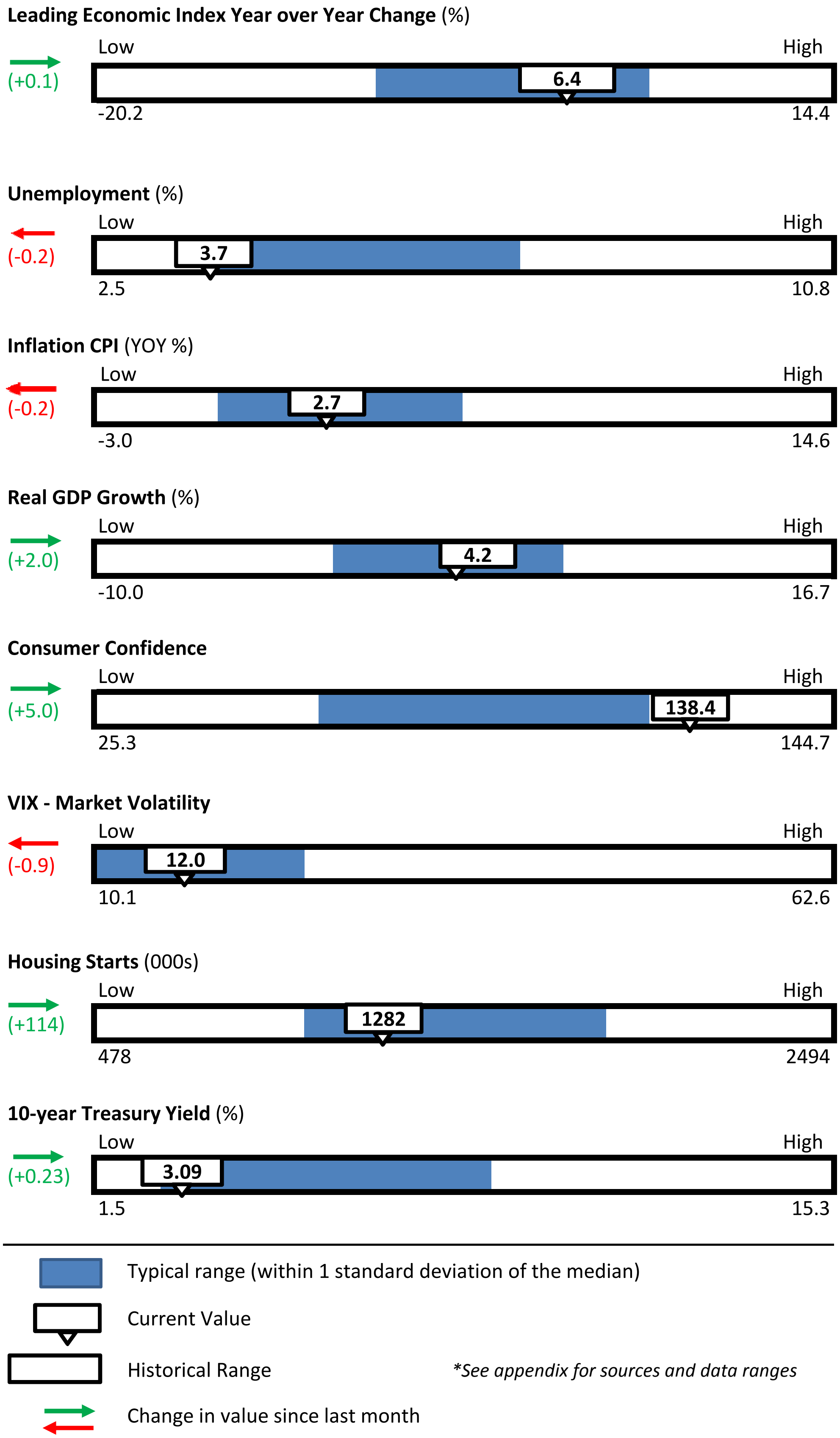
MARKET RETURNS - Longer Term Annualized as of 9/30/2018

	1 Month	YTD	1 Year	3 Years	5 Years	10 Years	15 Years
STOCKS							
S&P 500	0.6%	10.6%	17.9%	17.3%	14.0%	12.0%	9.7%
U.S. Large Value	0.2%	3.9%	9.9%	14.6%	11.4%	10.1%	9.0%
U.S. Small	-2.4%	11.5%	15.2%	17.1%	11.1%	11.1%	10.1%
U.S. Small Value	-2.3%	6.2%	9.4%	15.2%	10.5%	10.8%	10.2%
Int'l Large	0.9%	-1.4%	2.7%	9.2%	4.4%	5.4%	6.8%
Int'l Large Value	2.1%	-3.5%	-0.4%	8.1%	3.1%	4.5%	6.3%
Int'l Small	-0.9%	-2.2%	4.0%	12.1%	8.3%	9.3%	10.1%
Int'l Small Value	-0.2%	-5.1%	0.4%	11.1%	7.7%	9.0%	10.3%
Emerging Mkts	-0.5%	-7.7%	-0.8%	12.4%	3.6%	5.4%	9.7%
World Stock Index (AC)	0.2%	3.7%	9.6%	13.5%	8.7%	8.5%	8.4%
BONDS							
TIPS	-1.1%	-0.8%	0.4%	2.0%	1.4%	3.3%	3.9%
Short-Term Bonds	0.1%	0.9%	0.8%	0.5%	0.3%	0.5%	1.4%
Interm-Term Bonds	-0.4%	-0.8%	-1.0%	0.9%	1.5%	3.2%	3.2%
International Bonds	-0.2%	1.1%	2.3%	3.1%	4.1%	4.2%	4.2%
ALTERNATIVES							
Global REITs	-2.2%	0.8%	4.1%	7.2%	7.5%	7.1%	8.6%
Commodities	1.9%	-2.0%	2.6%	-0.1%	-7.2%	-6.2%	-1.1%
Managed Futures	-0.6%	-7.7%	-4.7%	-2.9%	3.2%	2.4%	5.5%
Reinsurance	0.1%	4.4%	8.5%	4.0%	4.7%	6.9%	7.3%

Source: Morningstar Direct. Indices used in above graphs: S&P 500 Index, U.S. Large Value-MSCI U.S. Prime Market Value Index, U.S. Small-Russell 2000 Index, U.S. Small Value-MSCI U.S. Small Value Index, Int'l Large-MSCI EAFE Index, Int'l Large Value-MSCI EAFE Value Index, Int'l Small-S&P EPAC Small Index, Int'l Small Value-S&P EPAC Small Value Index, Emerging Mkts-MSCI Emerging Markets Index, World Stock Index-MSCI All Country World IMI Index, TIPS-Barclays Gbl Infl Linked US TIPS Index, Short-Term Bonds-Ibbotson 1 Yr Treasury Const Mty Index, Interm-Term Bonds-Barclays Interm-Term Govt/Credit Index, International Bonds-JPM GBI Global Ex US Hdg, Global REITs-S&P Global REIT Index, Commodities-Bloomberg Commodity Index, Managed Futures-Credit Suisse Mgd Futures Liquid Index, Reinsurance-SwissRe Global Cat Bond Index.

Past performance is historical and does not guarantee or indicate future results. Index returns assume reinvestment of all distributions and unlike mutual funds, do not reflect fees or expenses. It is not possible to invest directly in an index. This report is not intended to provide personalized investment advice. Some information has been produced by unaffiliated third parties, and while it is deemed reliable, the advisor does not guarantee its accuracy or completeness.

Economic Indicators



**See appendix for sources and data ranges*

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Appendix

Leading Economic Index Year over Year Change (%)

The Leading Economic Index is composed of 10 indicators used to forecast the direction of the economy. A fall in the index over three consecutive months is seen as a sign of a recession. The value shown represents the 12-month change in the index level. *(Data Source: The Conference Board. Monthly data since 1/1/1959)*

Unemployment

The unemployment rate measures the percentage of workers that are out of work in the U.S. labor force. *(Data Source: U.S. Bureau of Labor Statistics. Monthly data since 1/1/1948)*

Inflation CPI (YOY)

The Consumer Price Index (CPI) measures the change in the price level for a broad basket of goods in the U.S. economy. The value shown represents the percent change in the index from a year ago. *(Data Source: U.S. Bureau of Labor Statistics. Monthly data since 1/1/1948)*

Real GDP Growth

Real GDP Growth represents the change in the market value of all output in the U.S. economy. It is an annualized quarterly measure. *(Data Source: U.S. Bureau of Economic Analysis. Quarterly data since 4/1/1947)*

Consumer Confidence

The Consumer Confidence Index measures the level of optimism among U.S. consumers on the economy and their overall financial situation. *(Data Source: The Conference Board. Monthly data since 1/31/1991)*

VIX

The CBOE Volatility Index (VIX) measures the volatility of the S&P 500 index. An increase in the index level represents a spike in market volatility. Conversely, a decrease in the index represents a move towards stability. *(Data Source: Chicago Board Options Exchange. Daily data since 1/2/1990)*

Housing Starts

The number of housing starts (new construction) in the U.S. each year. *(Data Source: U.S. Bureau of the Census. Monthly data since 1/1/1959)*

10-year Treasury

The annualized return that would be realized for holding a 10-year Treasury bond to maturity. The 10-year Treasury yield is the primary benchmark for measuring interest rate movements. *(Data Source: U.S. Board of Governors of the Federal Reserve System. Daily data since 1/2/1962)*

Disclosure