Market Update – October 2017

Global stocks continued their upward trend, rising 2.0% in October. Strength from emerging markets (up 3.5%) continued pushing the overall segment higher. Year-to-date, international stocks in aggregate led U.S. stocks. International bonds had a favorable return of 0.8%, while U.S. bonds remained flat. Global REITs pulled back during the month, while commodities, managed futures, and reinsurance each posted positive results.

Economy

- The initial estimate of third quarter real GDP growth came in at an annualized rate of 3.0%, a 0.1% decrease from the second quarter growth rate of 3.1%.
- Inflation (CPI) rose 0.3% to 2.2% on a year-over-year basis, mainly driven by the energy component.
- Consumer confidence hit a 17-year high in the latest report, mainly boosted by the job market.
- Nonfarm payrolls reflected 261,000 jobs added in October, while U.S. unemployment fell to 4.1%.

Stocks

- The S&P 500 Index posted a 2.3% return in October, besting the other U.S. stock segments such as value and small cap stocks.
- International stocks also performed favorably, as large cap stocks rose 1.5%, mainly due to strength from Japan.
- Emerging markets stocks jumped 3.5% due to large gains from South Korea and India.

Bonds

- The Federal Reserve kept rates steady for the month, but most Fed watchers are anticipating a small rate hike in December. The Quantitative Easing unwinding process has also begun.
- Bond returns in the U.S. were flat, while international bonds (currency hedged) rose 0.8%.

Alternatives

- Alternative asset classes were mostly positive, with the exception of global REITs (down 1.0%).
- Managed futures (up 1.2%), commodities (up 2.1%), and reinsurance (up 1.7%) each posted favorable returns in October.

Sources: Bureau of Economic Analysis (BEA), Federal Reserve, Morningstar Direct, Standard and Poor's, Global Sustainable Investment Alliance.

Investing For Impact

Investing goals for individuals have long been focused on building an ideal retirement, saving for healthcare, funding children and grandchildren's education, and/or leaving a legacy to family or charities. Sparked by investors wanting to express their values in a different way, combined with an explosion in technological and research capabilities, asset managers introduced sustainable investing. This allows investors to factor in one more goal: investing to impact the world for the better.

Sustainable investing, also known as Environmental, Social and Governance, or ESG, generally focuses on those three areas to make an impact. As of year-end 2016, approximately $23 trillion of global assets, or just over 25% of total managed assets, were being professionally managed with a sustainability-themed mandate. There are several methods of evaluation an investor can utilize to incorporate ESG factors into their portfolio. The most popular, with over $15 trillion in invested assets, is negative, or exclusionary, screening. As the name implies, organizations that do not meet certain environmental, social, or (corporate) governance standards are automatically excluded from the portfolio. The next most popular evaluation methods are ESG integration and corporate engagement. ESG integration is a systematic method to include firms with excellent ESG-related practices. Corporate engagement utilizes a screen to measure shareholder influence in addition to ESG guidelines.

In the past, many investors felt that in order to invest sustainably they would have to forfeit a portion of their returns. Although investors sought to make a positive impact, it was irrational to potentially sacrifice their own goals and needs. However, as sustainable investing has continued to grow, the investment universe expanded with it and fund expenses have declined. In 2013, Savant developed a set of model portfolios that allows clients to invest sustainably through the use of funds that take ESG considerations into account. Our sustainability portfolios include the same diversification strategies as our standard portfolios, such as a tilt toward the small and value premia, a defensive bond allocation, and an allocation to alternative investments. As a result, they are expected to exhibit similar long-term risk and return characteristics. If the idea of sustainable investing sounds intriguing, we encourage you to speak with your advisor to learn more.

investments | financial planning | tax | private trust | retirement plans

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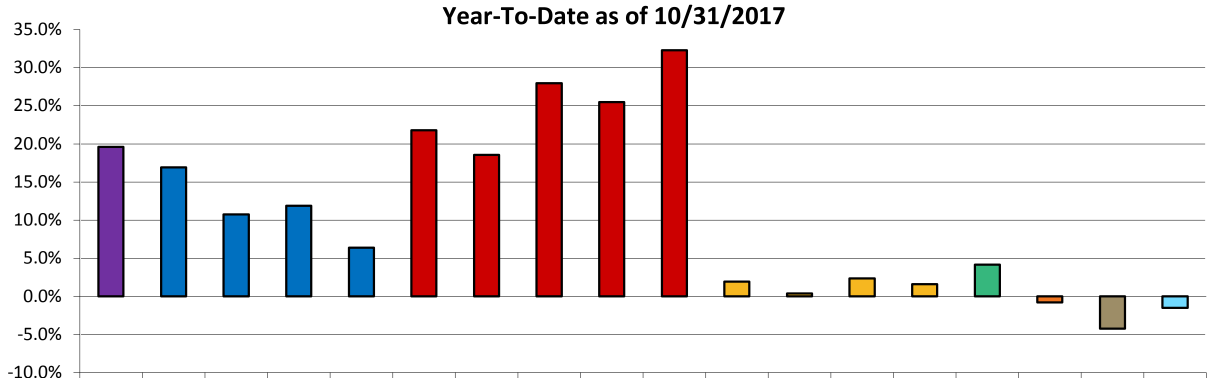
MARKET RETURNS
Year-To-Date as of 10/31/2017



	World Stock Index (AC)	S&P 500	U.S. Large Value	U.S. Small	U.S. Small Value	Int'l Large	Int'l Large Value	Int'l Small	Int'l Small Value	Emrg Mkts	TIPS	Short-Term Bonds	Inter-Term Bonds	Int'l Bonds	Global REITs	Comm-odities	Managed Futures	Reinsurance
YTD	19.6%	16.9%	10.7%	11.9%	6.4%	21.8%	18.5%	27.9%	25.5%	32.3%	1.9%	0.4%	2.3%	1.6%	4.1%	-0.8%	-4.2%	-1.5%

MARKET RETURNS - Longer Term Annualized as of 10/31/2017

	1 Month	YTD	1 Year	3 Years	5 Years	10 Years	15 Years
EQUITIES							
S&P 500	2.3%	16.9%	23.6%	10.8%	15.2%	7.5%	9.6%
U.S. Large Value	1.3%	10.7%	19.5%	9.2%	14.0%	6.2%	9.5%
U.S. Small	0.9%	11.9%	27.8%	10.1%	14.5%	7.6%	11.2%
U.S. Small Value	0.3%	6.4%	22.8%	9.3%	14.0%	7.9%	11.5%
Int'l Large	1.5%	21.8%	23.4%	6.1%	8.5%	1.1%	8.0%
Int'l Large Value	0.8%	18.5%	23.2%	4.5%	7.7%	0.2%	8.0%
Int'l Small	1.6%	27.9%	27.7%	12.3%	13.2%	4.0%	12.1%
Int'l Small Value	1.0%	25.5%	27.0%	12.2%	13.8%	4.2%	12.8%
Emerging Mkts	3.5%	32.3%	26.5%	5.7%	4.8%	0.6%	12.3%
World Stock Index (AC)	2.0%	19.6%	23.5%	8.2%	11.0%	4.0%	9.2%
FIXED INCOME							
TIPS	0.2%	1.9%	-0.1%	1.4%	-0.1%	3.8%	4.6%
Short-Term Bonds	0.0%	0.4%	0.3%	0.2%	0.2%	0.8%	1.4%
Interm-Term Bonds	0.0%	2.3%	0.6%	1.9%	1.6%	3.6%	3.7%
International Bonds	0.8%	1.6%	0.9%	3.8%	4.2%	4.4%	4.4%
ALTERNATIVES							
Global REITs	-1.0%	4.1%	5.5%	4.7%	7.8%	3.5%	10.2%
Commodities	2.1%	-0.8%	2.3%	-9.5%	-9.4%	-6.9%	-0.1%
Managed Futures	1.2%	-4.2%	-2.2%	4.7%	5.4%	3.7%	6.6%
Reinsurance	1.7%	-1.5%	-1.2%	3.2%	5.8%	6.8%	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

Leading Economic Index (%)

(-0.6) Low: -3.2 | Current: -0.2 | High: 2.0

Unemployment (%)

(-0.1) Low: 2.5 | Current: 4.1 | High: 10.8

Inflation CPI (YOY %)

(+0.3) Low: -3.0 | Current: 2.2 | High: 14.6

Real GDP Growth (%)

(-0.1) Low: -10.0 | Current: 3.0 | High: 16.9

Consumer Confidence

(+5.3) Low: 25.3 | Current: 125.9 | High: 144.7

VIX - Market Volatility

(+0.0) Low: 10.3 | Current: 10.1 | High: 62.6

Housing Starts (thousands)

(-28) Low: 478 | Current: 1127 | High: 2494

10-year Treasury

(+0.20) Low: 1.5 | Current: 2.4 | High: 15.3

Typical range (within 1 standard deviation of the median)

Current Value

Historical Range

Change in value since last month

**See appendix for sources and data ranges*

Appendix

Leading Economic Index
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. *(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

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