



**MULTNOMAHGROUP**

**Investment Performance Review**

**Capital Markets Review**

**As of 9/30/2018**

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# Market Commentary

## The U.S. Economic Expansion Continues

- Real GDP grew at an annual rate of 4.2% quarter over quarter in Q2 2018 (most recent); the current economic expansion is in its tenth year
- Core CPI, which strips out food and energy prices, rose marginally in August (most recent available), rising 2.2% for the 12 months ending August
- The unemployment rate decreased to 3.7% in September - the lowest level since 1969; 134,000 jobs were created in September
- Consumer spending, which makes up over two-thirds of the economy, rose 0.3% in August driven by healthcare spending, offsetting weak car sales
- U.S. manufacturing activity jumped in September; the reading is the strongest activity recorded in four months and was driven by sharper rises in output and new orders

## Yet Another Fed Rate Hike

- The Fed raised interest rates in September 2018 by a quarter point; the recent rate hike was the eighth rate increase since December 2015
- Despite the rate hikes, long-term rates have not kept pace causing the yield curve to continue to flatten
- The 10-year Treasury bond yield increased 0.20% to 3.05% during the quarter; the 30-year Treasury yield moved up by 0.21% to 3.15%
- The top fixed income performers for the quarter were high yield bonds (up 2.4%) and emerging markets fixed income (up 1.9%)
- Developed international bonds and TIPS were the worst fixed income performers declining 2.4% and 0.8%, respectively
- The dollar rallied against the Japanese yen and the Australian dollar this quarter

## Strong Advance for U.S. Equity Markets

- The S&P 500 gained 7.7% for Q3 - its biggest advance since Q4 2013; the move was broad-based as all 11 sectors ended in higher territory
- Healthcare, industrials, and communication services sectors showed the largest gains during Q3, advancing 14.5%, 10.0%, and 9.9% respectively
- Energy and materials recorded the smallest gains, up 0.6% and 0.4% respectively for the period
- The forward P/E for the S&P 500 increased to 16.8x for Q3, modestly above the 25-year average of 16.1x
- Large cap stocks outperformed small caps in Q3; growth stocks beat out value stocks
- The CBOE Volatility Index (VIX Index) continued to moderate in Q3 after a large spike upward in Q1

## Developed International Equities Rebound

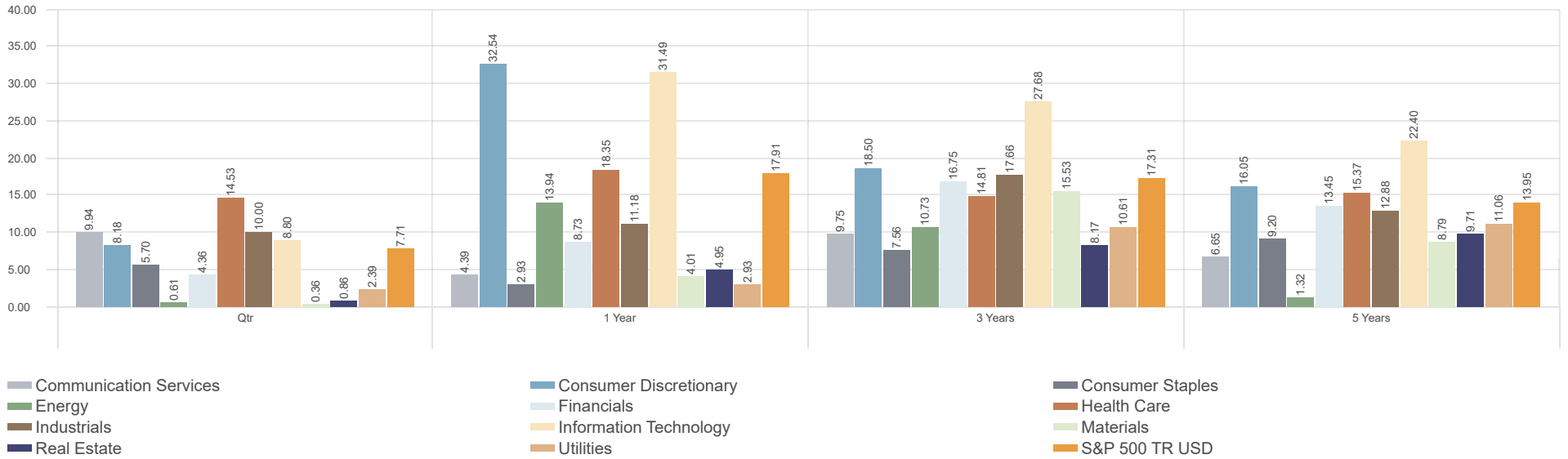
- After a big drop in Q2, emerging markets equities declined an additional 1.0% in Q3; this resulted in a year-to-date decline of 7.7%; the stronger dollar has been a headwind for year-to-date performance
- Developed Europe (ex-UK) and Developed Asia reported gains in Q3, up 1.8% and 2.4% respectively

## Oil Price Recovery Halted

- The Bloomberg Commodity Index declined by 2.5% in Q3
- U.S. crude oil prices backed off by 1.2% in Q3, ending the quarter at \$73.25 per barrel; natural gas jumped 4.8%; agriculture declined nearly 6%
- Gold prices declined 5.4% in Q3 finishing the quarter at \$1,187 per troy ounce
- REITs modestly increased in Q3 with a year-to-date gain of 2.6%

# U.S. Equity Markets

## Returns by Sector (S&P 500)



## Returns by Style (Russell Indices)

### Last Quarter

	Value	Blend	Growth
Large	6.94	8.38	9.64
Mid	3.30	5.00	7.57
Small	1.60	3.58	5.52

### Last 1 Year

	Value	Blend	Growth
Large	9.83	19.28	27.93
Mid	8.81	13.98	21.10
Small	9.33	15.24	21.06

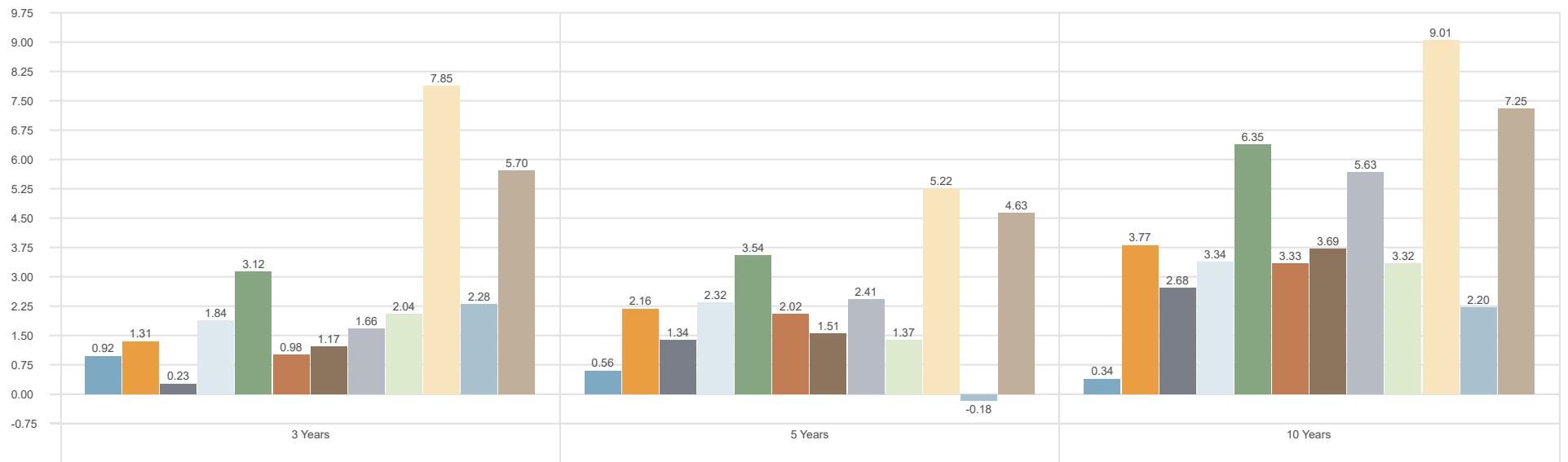
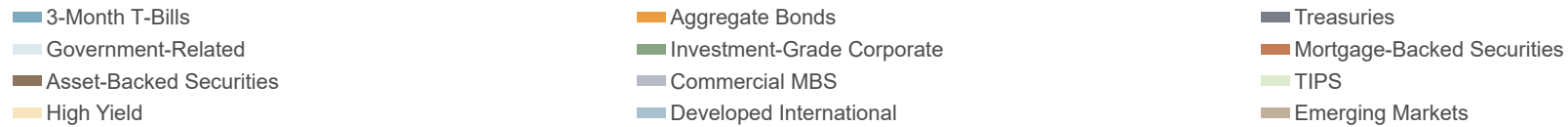
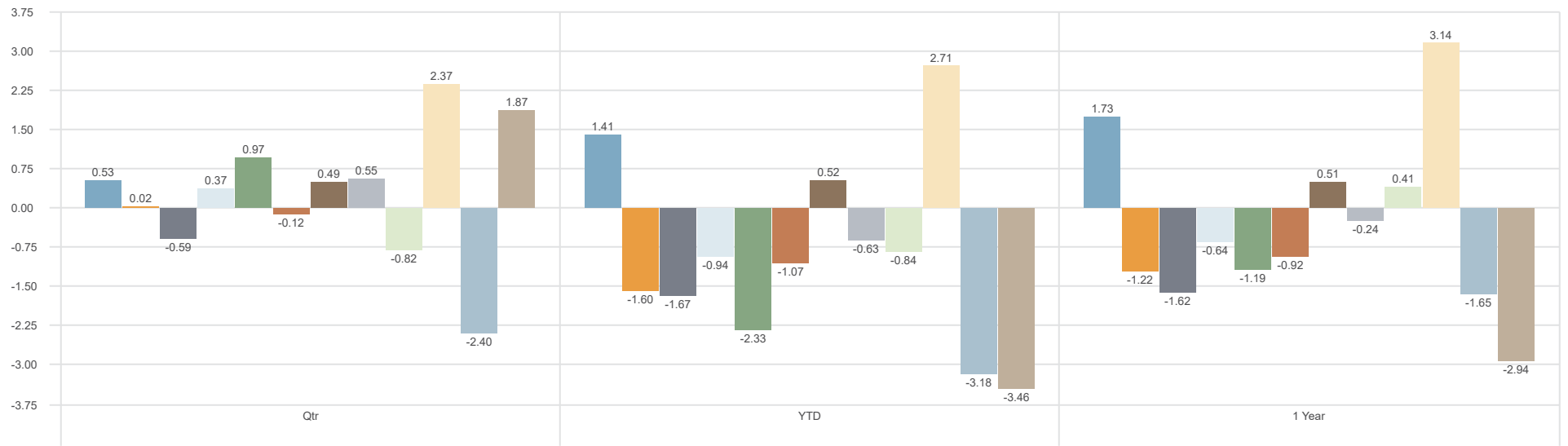
### Last 3 Years

	Value	Blend	Growth
Large	13.80	18.10	21.92
Mid	13.09	14.52	16.65
Small	16.12	17.12	17.98

### Last 5 Years

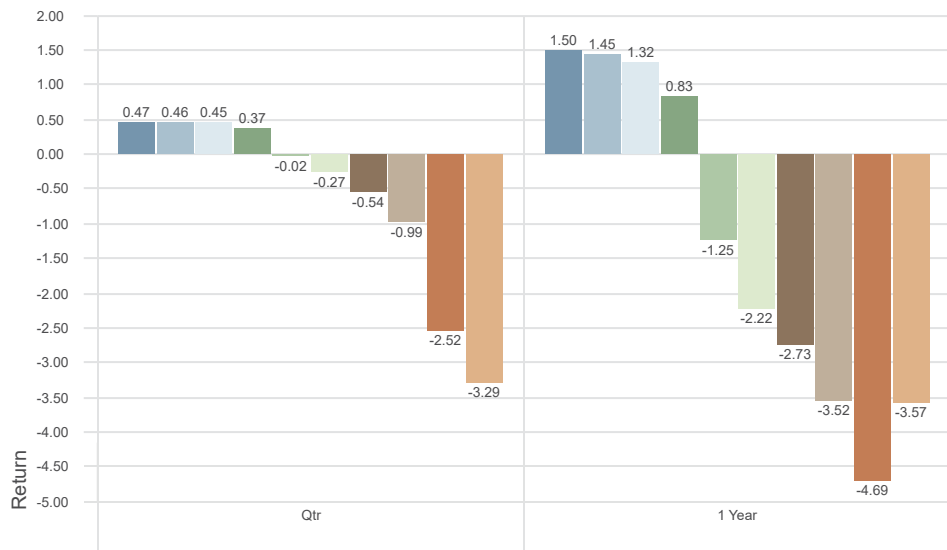
	Value	Blend	Growth
Large	10.74	14.50	17.97
Mid	10.72	11.65	13.00
Small	9.91	11.07	12.14

# Fixed Income



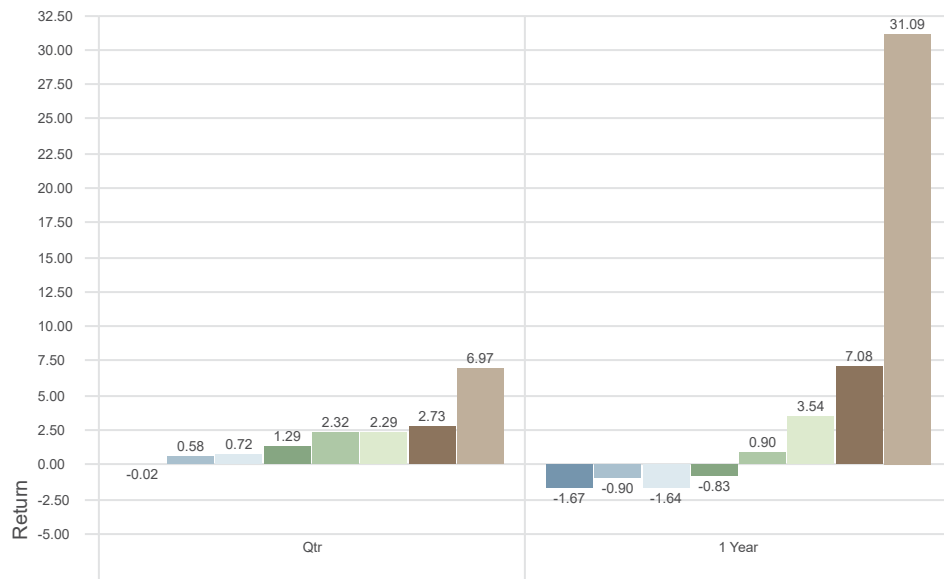
# Fixed Income

## Performance by Maturity



- USTREAS T-Bill Cnst Mat Rate 1 Mon
- USTREAS T-Bill Cnst Mat Rate 3 Mon
- USTREAS T-Bill Cnst Mat Rate 6 Mon
- USTREAS T-Bill Cnst Mat Rate 1 Yr
- USTREAS T-Bill Cnst Mat Rate 3 Yr
- USTREAS T-Bill Cnst Mat Rate 5 Yr
- USTREAS T-Bill Cnst Mat Rate 7 Yr
- USTREAS T-Bill Cnst Mat Rate 10 Yr
- USTREAS T-Bill Cnst Mat Rate 20 Yr
- USTREAS T-Bill Cnst Mat Rate 30 Yr

## Performance by Credit Quality



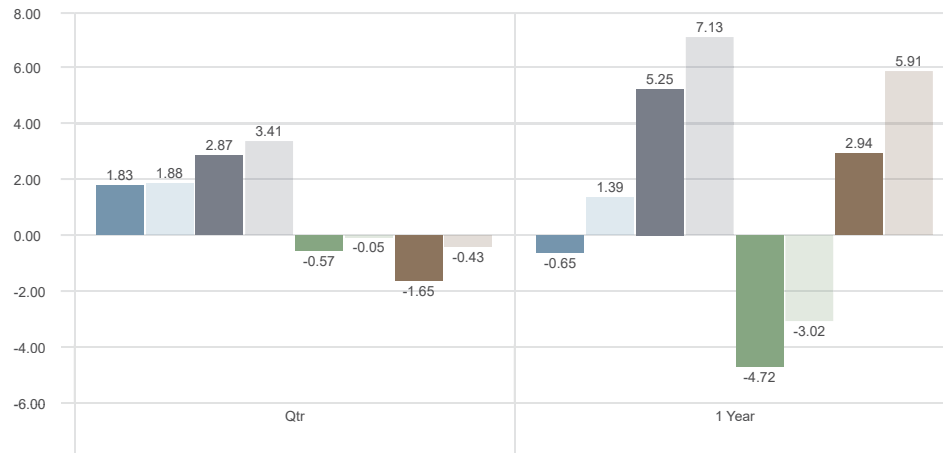
- Barclays US Corp Aaa TR USD
- Barclays US Corp Aa TR USD
- Barclays US Corp A TR USD
- Barclays US Corp Baa TR USD
- Barclays US HY Ba TR USD
- Barclays US HY B TR USD
- Barclays US HY Caa TR USD
- Barclays US HY Ca To D TR USD

## Estimated Cost of \$1 of Lifetime Retirement Income at Age 65 (Adjusted for Cost of Living)

	BlackRock CoRI Retirement 2008	BlackRock CoRI Retirement 2010	BlackRock CoRI Retirement 2012	BlackRock CoRI Retirement 2014	BlackRock CoRI Retirement 2016	BlackRock CoRI Retirement 2018	BlackRock CoRI Retirement 2020	BlackRock CoRI Retirement 2022	BlackRock CoRI Retirement 2024
9/28/2018		\$ 14.69	\$ 16.01	\$ 17.36	\$ 18.69	\$ 20.03	\$ 19.38	\$ 18.18	\$ 17.08
6/29/2018	\$ 13.72	\$ 15.05	\$ 16.41	\$ 17.79	\$ 19.18	\$ 20.88	\$ 19.63	\$ 18.48	\$ 17.41
3/29/2018	\$ 14.03	\$ 15.39	\$ 16.77	\$ 18.16	\$ 19.57	\$ 21.04	\$ 19.80	\$ 18.64	\$ 17.56
12/29/2017	\$ 15.26	\$ 16.58	\$ 17.88	\$ 19.17	\$ 20.47	\$ 21.69	\$ 20.44	\$ 19.30	\$ 18.24
3/31/2017	\$ 15.45	\$ 16.68	\$ 17.90	\$ 19.09	\$ 20.27	\$ 20.51	\$ 19.09	\$ 17.73	\$ 16.55
12/30/2016	\$ 15.61	\$ 16.84	\$ 18.06	\$ 19.28	\$ 20.46	\$ 20.27	\$ 18.84	\$ 17.48	\$ 16.29
9/30/2016	\$ 16.74	\$ 18.12	\$ 19.50	\$ 20.91	\$ 22.22	\$ 22.09	\$ 20.81	\$ 19.55	\$ 18.45

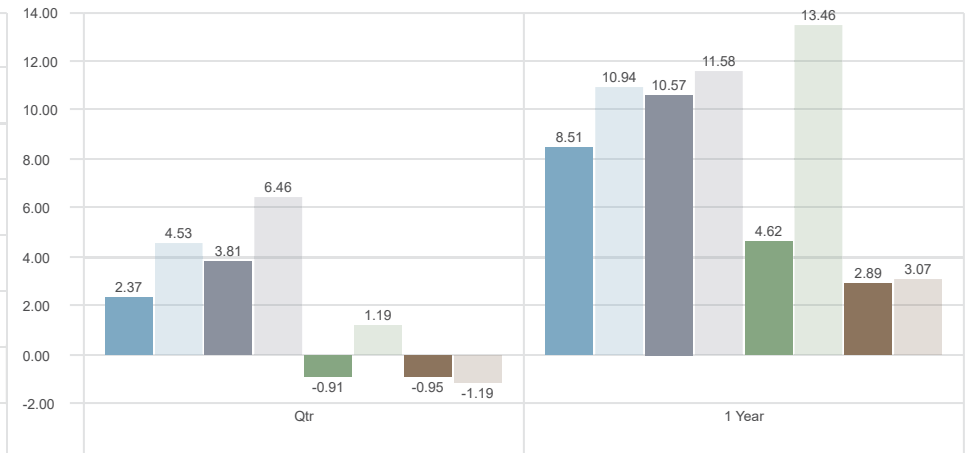
# International Equity Markets

## Developed Europe



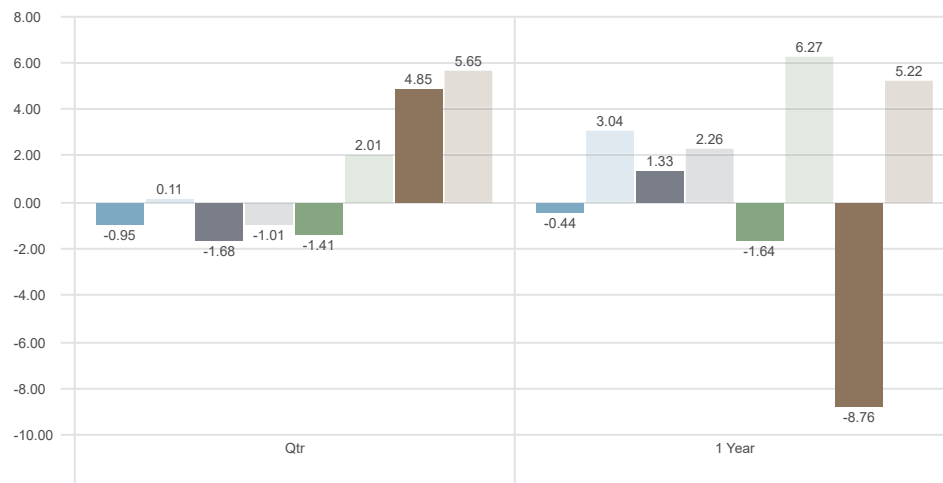
- Europe ex UK (USD)
- Europe ex UK (Local)
- France (USD)
- France (Local)
- Germany (USD)
- Germany (Local)
- United Kingdom (USD)
- United Kingdom (Local)

## Developed Asia



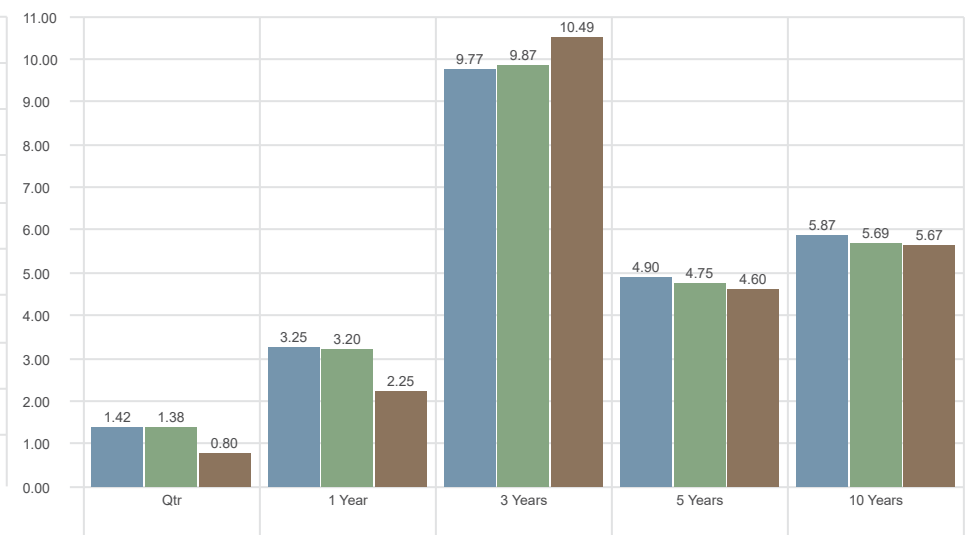
- Pacific (USD)
- Pacific (Local)
- Japan (USD)
- Japan (Local)
- Australia (USD)
- Australia (Local)
- Hong Kong (USD)
- Hong Kong (Local)

## Emerging Markets



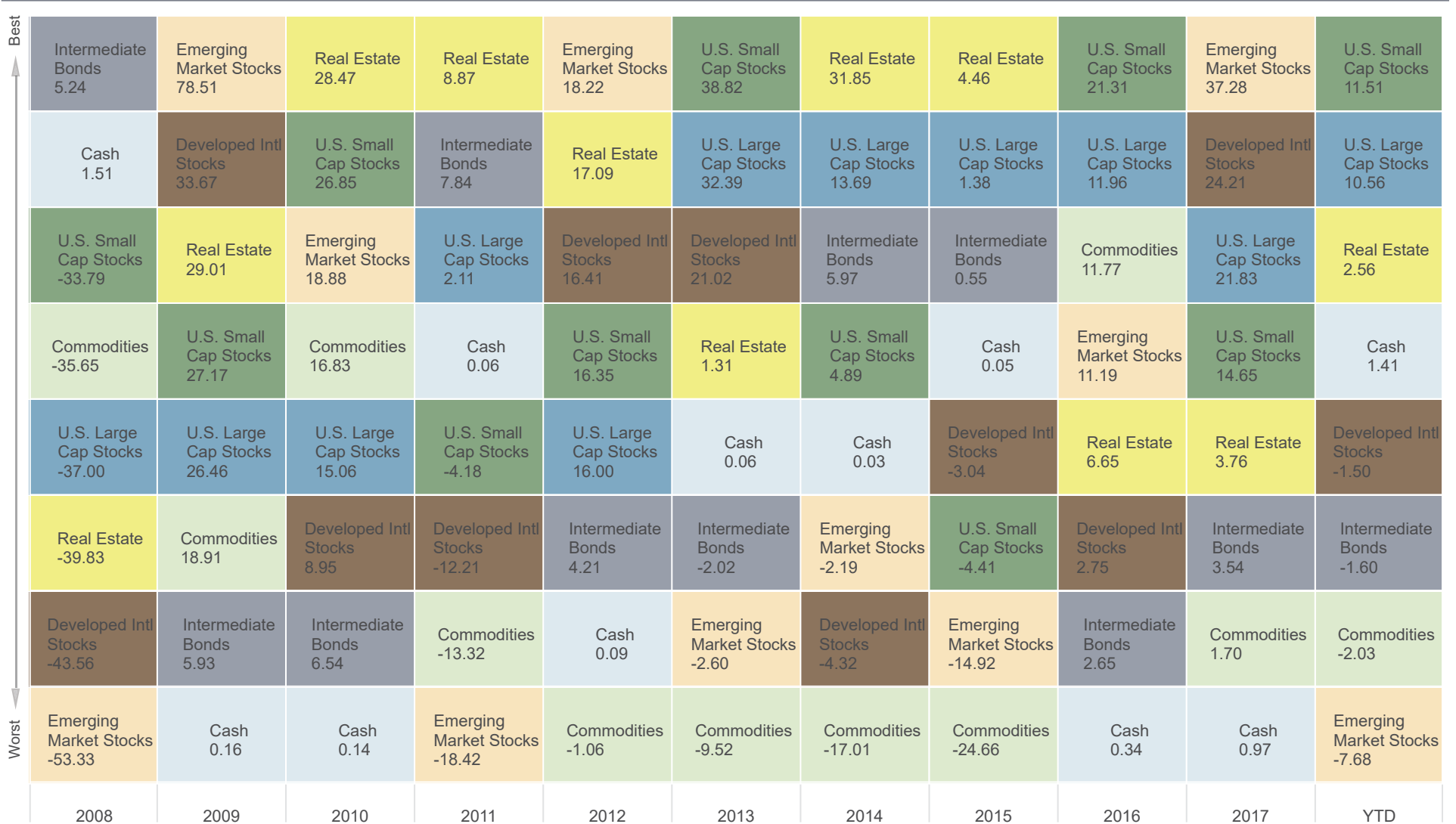
- Emerging Markets (USD)
- Emerging Markets (Local)
- Asia (USD)
- Asia (Local)
- Europe, Middle East & Africa (USD)
- Europe, Middle East & Africa (Local)
- Latin America (USD)
- Latin America (Local)

## International Benchmarks



- EAFE
- World ex USA (Developed)
- ACWI ex USA (Developed & Emerging)

# Unpredictability of Asset Class Returns

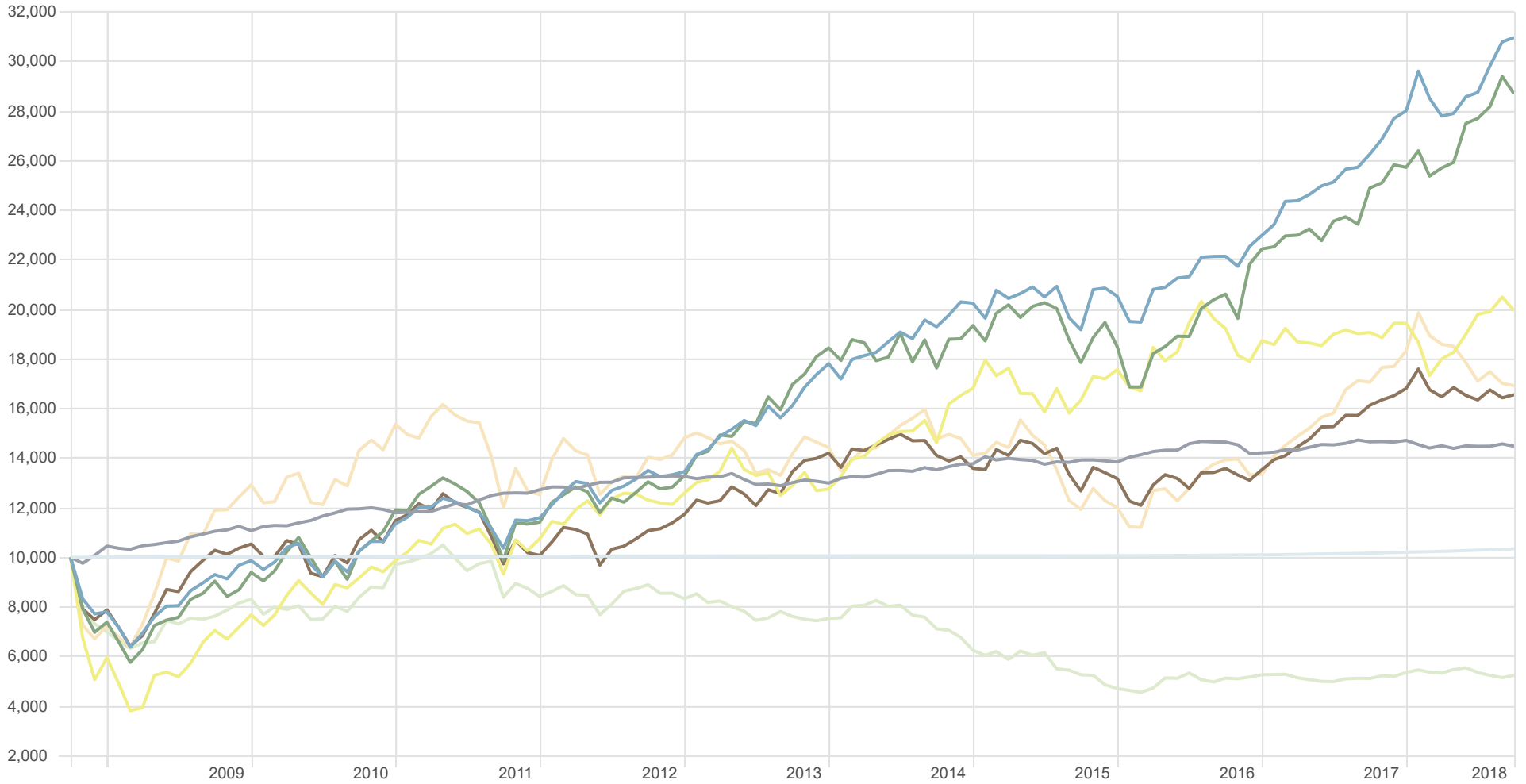


- Cash
- U.S. Small Cap Stocks
- Emerging Market Stocks
- Intermediate Bonds
- Real Estate
- Commodities
- U.S. Large Cap Stocks
- Developed Intl Stocks



# Growth of \$10,000

Time Period: 10/1/2008 to 9/30/2018

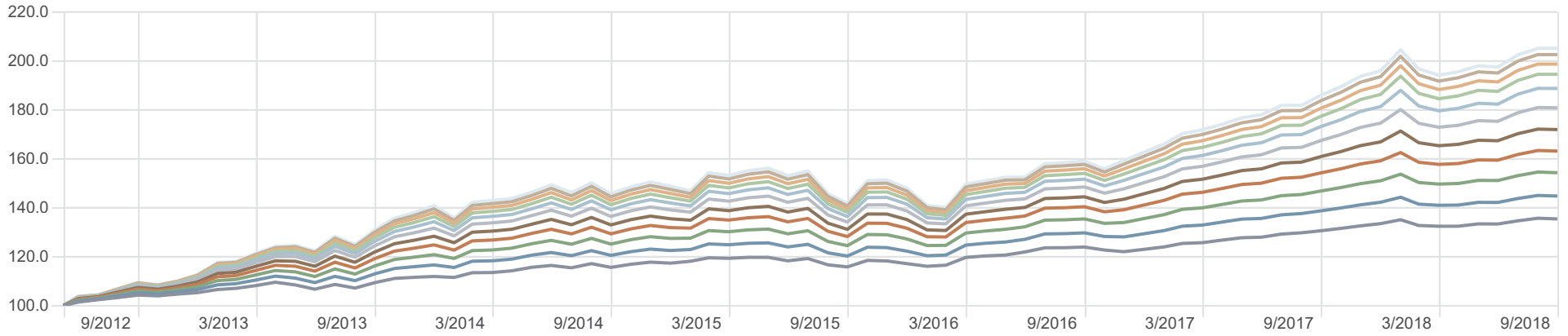


— Cash	10,345.87	— Intermediate Bonds	14,482.36	— U.S. Large Cap Stocks	30,962.20
— U.S. Small Cap Stocks	28,685.59	— Real Estate	19,942.38	— Developed Intl Stocks	16,563.11
— Emerging Market Stocks	16,925.23	— Commodities	5,251.33		

As of 9/30/2018

# Target Date Investments

## Growth of \$100



— S&P Target Date Retirement Income TR USD	135.4	— S&P Target Date 2010 TR USD	144.8	— S&P Target Date 2015 TR USD	154.3
— S&P Target Date 2020 TR USD	163.1	— S&P Target Date 2025 TR USD	171.9	— S&P Target Date 2030 TR USD	180.8
— S&P Target Date 2035 TR USD	188.7	— S&P Target Date 2040 TR USD	194.5	— S&P Target Date 2045 TR USD	198.7
— S&P Target Date 2050 TR USD	202.6	— S&P Target Date 2055+ TR USD	205.2		

## Maximum Drawdown



— S&P Target Date Retirement Income TR USD	— S&P Target Date 2010 TR USD	— S&P Target Date 2015 TR USD
— S&P Target Date 2020 TR USD	— S&P Target Date 2025 TR USD	— S&P Target Date 2030 TR USD
— S&P Target Date 2035 TR USD	— S&P Target Date 2040 TR USD	— S&P Target Date 2045 TR USD
— S&P Target Date 2050 TR USD	— S&P Target Date 2055+ TR USD	