5314 Maryland Way, Suite 300, Brentwood, TN 37027-6219 www.trustcore.com (615) 377-1177 FAX (615) 371-1941

Relative Market Performance

	3Q	YTD	1YR	3YR
Dow Jones Industrial Average (U.S. Large Stocks)	5.58	15.45	25.45	12.35
Standard & Poor's 500 (U.S. Large Stocks)	4.48	14.24	18.61	10.81
Wilshire 5000 (U.S. Stocks)	4.59	13.72	18.89	10.96
MSCI EAFE (Foreign Stocks)	5.40	19.96	19.10	5.04
MSCI EM (Emerging Market Stocks)	7.89	27.78	22.46	4.90
MSCI ACWI (World Stocks)	5.18	17.25	18.65	7.43
Barclays Capital U.S. Agg. Index (U.S. Bonds)	0.85	3.14	0.07	2.71

Source: Morningstar

Market Outlook

In the third quarter, investors seemed to shrug off geopolitical worries. They instead chose to focus their attention on strong global earnings momentum which fueled the rally in global equity markets. With a proposed tax-reform back on the table in Washington, small cap stocks outperformed their large cap peers as they are anticipated to benefit greatly from a corporate tax overhaul. Despite the length of the U.S. recovery, domestic equity markets still exhibit strong technicals that could support a move higher. However, domestic valuations currently do not appear as attractive as their international counterparts.

Emerging market equities have enjoyed a solid year. Attractive relative valuations, strong fundamentals, positive earnings growth trends and the breadth of the global recovery all lend support to the rally. Concerns that tightening of policy by the Federal Reserve should support a more cautious approach have generally been dismissed. Despite the Fed’s actions, global central banks remain flush with liquidity. Furthermore, the emerging region has been more fiscally responsible than in the past and better equipped to handle a change in Fed policy. Finally, Fed policy does not necessarily spell disaster for emerging markets. The Fed’s rate hikes from 2004 to 2006 saw emerging market equities rally over five times that of domestic equities.

Source: JP Morgan Asset Management

Key Points

- In the third quarter, investors shrugged off geopolitical worries.
- The market expects the Fed to push ahead with interest rate hikes, with most expecting them to raise rates before the end of this year.
- The global pickup in economic activity continues to strengthen. Global growth is projected to rise to 3.6% in 2017 and 3.7% in 2018

U.S. treasuries have been more challenged as of late. Yields fell for much of the quarter, but September saw a reversal of trend. Additional hawkish comments from major central banks and the potential for inflation saw rates move higher. The market expects the Fed to push ahead with interest rate hikes, with most expecting them to raise rates before the end of this year. In a more difficult environment for fixed income, finding the right balance between risk and opportunity is key without giving up the role that fixed income plays as the ballast in a diversified portfolio. Bond prices move inversely to yields.

Global economic activity continues to strengthen, with growth projected to rise to 3.6% in 2017 and 3.7% in 2018. Upward revisions to growth have been broad based, but the outlook for the U.S. remains moderate. While the risk of a near-term recession remains low, there is much uncertainty around U.S. policy. Europe and Japan are expected to see continued above-trend growth as monetary stimulus remains supportive and political risks wane. Emerging markets continue to expand upon their share of global GDP as they have benefited from the synchronized rise in global growth and demand. While major risks to growth have largely been avoided in recent years, it is important to remain vigilent with regard to risk expectations. Mitigating hazards through a systematic approach to portfolio diversification is an integral process in targeting an appropriate risk and return outcome.

Special Topic – Reinsurance

Hurricanes Harvey, Irma, Jose, Maria, and Nate have wreaked havoc across the Caribbean and parts of the U.S. mainland. These hurricanes, along with other natural disasters, have caused in excess of $100B of insured losses in 2017, representing one of the worse loss years since 1994. Looking forward, the reinsurance market is expected to improve in January 2018 as renewal prices have historically increased after large catastrophe events. Consequently, it appears reinsurance has the potential to be an attractive asset class. However, there is no guarantee that it will be profitable.

In volatile markets investors should remain focused on their long-term objectives. Asset allocation strategies developed for a portfolio provide a roadmap to follow in times of duress. Steps may need to be taken to ensure capital preservation, but must be weighed against their potential impact on long-term performance. Implementing a disciplined, strategic approach with portfolio allocation across varying asset classes is an important element of a successful investment strategy. That's why at TrustCore, we believe in creating a customized, well-diversified portfolio to help you meet your long-term financial goals.