

October 2017

M Wealth Perspective

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

September 2017 Capital Markets Review

Index	Period Ending September 30, 2017					
	Qtr	Ytd	1 Yr Return	3 Yr Return	5 Yr Return	10 Yr Return
U.S. Equity Markets						
S&P 500 Index	4.48%	14.24%	18.61%	10.81%	14.22%	7.44%
Russell 3000	4.57%	13.91%	18.71%	10.74%	14.23%	7.57%
Russell 1000	4.48%	14.17%	18.54%	10.63%	14.27%	7.55%
Russell 1000 Value	3.11%	7.92%	15.12%	8.53%	13.20%	5.92%
Russell 2000	5.67%	10.94%	20.74%	12.18%	13.79%	7.85%
Russell 2000 Value	5.11%	5.68%	20.55%	12.12%	13.27%	7.14%
Non-U.S. Equity Markets						
MSCI ACWI Ex US	6.16%	21.13%	19.61%	4.7%	6.97%	1.28%
MSCI Emerging Markets	7.89%	27.78%	22.46%	4.9%	3.99%	1.32%
Fixed Income						
Barclays Aggregate Bond	0.85%	3.14%	0.07%	2.71%	2.06%	4.27%
Barclays US TIPS	0.86%	1.72%	-0.73%	1.62%	0.02%	3.90%
Real Assets/Natural Resources						
DJ US Select REIT	0.38%	1.75%	-0.83%	9.28%	9.16%	5.31%
S&P North American Natural Resources	7.41%	-4.45%	0.35%	-6.56%	-0.72%	-0.35%

Commentary

The U.S. equity market posted its eighth consecutive quarterly gain in the third quarter, returning 4.6%. July started off strong as investors responded favorably to positive economic data, strong corporate earnings reports, and the Fed's decision to leave short-term interest rates unchanged. Performance for August was flat amid escalating tensions with North Korea, the disbandment of two CEO advisory councils to the President, and the disruption caused in the aftermath of Hurricane Harvey. September finished the quarter on a positive note. Initial concerns over the impact of Hurricane Irma were alleviated as the damage to the U.S. was less than anticipated.

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International equities returned 6.2% in the quarter. Equity prices were supported in most countries by the release of favorable economic data. The value of the U.S. dollar fell against most other currencies as the improved global growth outlook led to increased discussion among many other central banks to remove some monetary stimulus. The U.S. dollar also fell on the lack of confidence investors had that U.S. tax reform and infrastructure spending bills would be passed in 2017. The price of oil rose over 14% in the quarter due to increased global demand and loss of refinery production caused by Hurricane Harvey. The prices of industrial metals rose as the Chinese economy continued its steady pace of growth. The rise in commodity prices led to favorable returns in many Latin American countries, and Emerging Markets overall posted a 7.9% return in the quarter. Despite the launch of North Korean ballistic missiles that passed over Japan on multiple occasions, Japan and Pacific ex-Japan returned 4.0% and 3.7% in the quarter.

The investment-grade U.S. fixed income market rose 0.8% in the quarter. The Federal Reserve elected not to increase short-term interest rates during the quarter, but announced the planned reduction in its balance sheet assets through bond sales would begin in October. U.S. Government issues returned 0.4% in the quarter. The 10-year Treasury yield increased 0.02 percentage points, ending at 2.33%. Investment-grade credits increased 1.3%, while high yield corporates advanced 2.0%. Developed Non-U.S. government bonds and emerging market bonds posted positive results for the period.

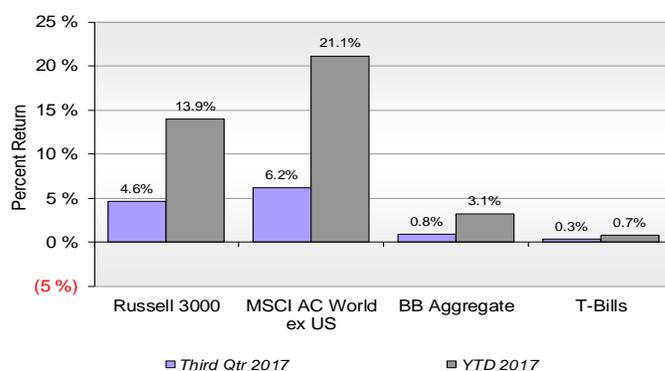
All capitalization segments of the market posted positive results in the quarter, with small-cap stocks outperforming both the mid- and large-cap segments of the market. Large-cap stocks continue to outperform small- and mid-cap stocks over the year-to-date period.

Growth stocks outperformed value stocks by 2.7% in the quarter, expanding the year-to-date performance advantage to 12.7 percentage points. Strong performance from the technology sector was the primary reason for the relative outperformance, as it accounts for approximately 35% of the growth segment of the market.

The technology sector was the best performing sector in the quarter and year-to-date period. Investors reacted positively to favorable earnings results and continued revenue growth. The energy sector also had strong performance for the quarter. Anticipation of a spike in demand in the wake of Hurricane Harvey and uncertainty in the Iraqi Kurdistan region after the Kurdish independence referendum sent oil prices up sharply at the end of the quarter.

Consumer staples was the only sector to post a negative return in the quarter, as it reversed gains it experienced earlier in the year. Increasing competition and shifting consumer preferences added downward pressure on the sector.

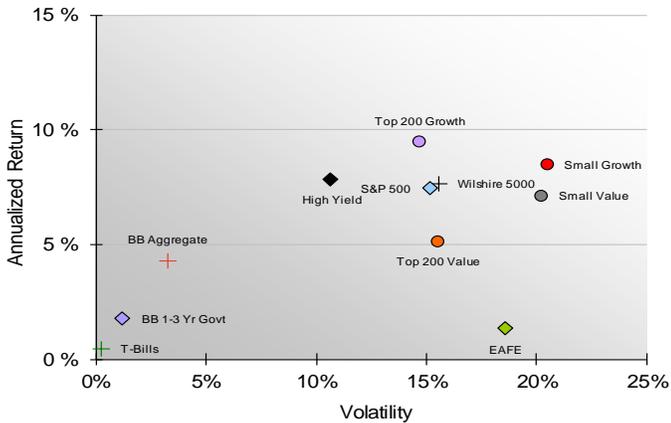
Major Capital Market Returns



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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