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Quarter Update

- The S&P 500 posted its best performance in the first three quarters of a year since 1997, prolonging the longest bull market on record, over 10-years old.
- Including the effect of dividends, the S&P 500 ended the month 1.23% below its July 26 all-time high.
- High yield corporate bonds trailed blended investment grade bonds in the quarter, but outperformed in September and year-to date.
- Gold beat stocks in the third quarter, with gold returning 4.19% compared to 1.70% for the S&P 500.

U.S. stocks ended September on a relatively high note, posting modest gains for the month and for another turbulent quarter. Moreover, despite gyrations in daily volatility, the S&P 500 more than erased August's 1.58% loss in September and posted its best three-straight-quarter start to a year in over two decades. The advance in equities this year also parallels outsized rallies in the bond and commodities markets. This alignment among differing risk profiles highlights the level of investor uncertainty about ongoing trade tensions with China, the outlook for future central bank interest rate easing, foreign and domestic geopolitical risks, and the overall health of the global economy.

During the quarter, stocks surged to new record highs in late July ahead of the Federal Reserve's first rate cut in a decade, but then dropped in August as the trade dispute with China escalated. Afterward, equities recouped losses during a rotation from cyclical momentum growth stocks into companies viewed as undervalued. In commentary associated with the Fed's September 18 second rate cut this year (to 1.75%-2%), Federal Reserve Chairman Jerome Powell gave reassurance that U.S. economic growth remains on a stronger footing than most world peers. Powell also left the door open for further rate accommodation "if conditions warrant."

Overall, equity investors were relieved that U.S. and Chinese trade negotiators will restart discussions on October 10 to hopefully end the ongoing trade dispute that is negatively affecting both nation's manufacturing and growth outlooks. We remain cautiously optimistic on the markets, while realizing heightened volatility may occur in October. The month ahead is historically the most volatile of the year when the VIX, an index that measures investors' uncertainty, typically jumps to 21 on average over the past 30 years. The VIX ended the quarter at 16.24, down 36% from a year ago.

By market capitalization, Russell 2000 small cap companies performed best in September, while large cap S&P 500 stocks outperformed during the third quarter. Russell mid caps led gains on a year-to-date (YTD) basis, up 21.93% and rose just 0.48% during the third quarter. As mentioned earlier, the Russell 1000 Value Index (+3.57%) widely outperformed Growth (+0.01%) in September on a rotation away from momentum, whereas Growth stocks have maintained their lead over Value for the year (+23.30 YTD versus +17.81% YTD).

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Top Performers – September	Bottom Performers – September [1]
Financials (+4.64%)	Healthcare (-0.17%)
Utilities (+4.26%)	Communication Services (+0.42%)
Energy (+3.77%)	Consumer Discretionary (+0.86%)
Top Performers – Third Quarter	**Bottom Performers – Third Quarter [1]**
Utilities (+9.33%)	Energy (-6.30%)
Real Estate (+7.71%)	Healthcare (-2.25%)
Consumer Staples (+6.11%)	Materials (-0.12%)

[1] Morningstar Direct (all performance percentages are total return based, which include reinvested dividend, interest)

As the preceding sector performance table shows, all 11 sector groups posted September gains, except Healthcare. September gains were unusually led by Financials and Utilities, two sectors having widely differing risk profiles. Financials are cyclically oriented, while Utilities are known as a key defensive sector. Their respective outperformance also illustrates investors' hedged views during the quarter-ending month. All three defensive-oriented sectors outperformed in the third quarter, including Utilities, Real Estate, and Consumer Staples.

Internationally, foreign equity markets outperformed last month relative to the U.S., while lagging in the third quarter and are widely underperforming in 2019. The MSCI EAFE, a measure of developed markets outside the U.S. and Canada, returned one full percentage point more than S&P 500 companies last month. Emerging markets trailed worldwide developed markets in all three time periods. The MSCI All-Country World Index excluding the U.S. rose 2.57% last month, fell 1.80% during the third quarter, and is up 11.56% YTD.

U.S. Treasurys, as measured by the Bloomberg Barclays U.S. Government Bond Index, declined 0.83% last month, trimming 3Q and YTD gains to 2.39% and 7.66% respectively. The yield on benchmark 10-year Treasury notes ended the month at 1.67%, up from a third quarter low of 1.47% on August 28 but down from its quarterly high of 2.13% on July 11. The benchmark 10-year yield is down just over 1% from the start of the year.

In other fixed-income markets, investment-grade bonds of all types (as measured by the Bloomberg Barclays U.S. Aggregate Bond Index) outperformed safe-haven government debt in September and YTD. Municipal bonds underperformed relative to other investment-grade bonds in all three time periods. At the other end of the credit spectrum, the Bloomberg Barclays U.S. Corporate High Yield Index, the leading measurement of non-investment grade corporate bonds, trailed its investment-grade counterparts in the third quarter, yet outperformed last month and for the year.

In notable commodities, U.S. Nymex West Texas crude oil skidded 7.12% since the end of June, trimming its YTD gain to just over 19%. Oil briefly rallied last month after Saudi Arabian oil facilities were attacked, however, repairs are quickly restoring production levels and global supplies remain more than adequate. The Bloomberg Commodity Index rose 1.17% last month, extending 2019 YTD gains to 3.13%.

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Any forward-looking statements are based on assumptions, may not materialize, and are subject to revision. All economic and performance information is historical and not indicative of future results. The market indices discussed are not actively managed. Investors cannot directly invest in unmanaged indices. Please consult your financial advisor for more information. Additional risks are associated with international investing, such as currency fluctuations, political and economic instability, and differences in accounting standards. Glossary The Bloomberg Barclays Capital U.S. Aggregate Bond Index, which was originally called the Lehman Aggregate Bond Index, is a broad based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government–related and corporate debt securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency) debt securities that are rated at least Baa3 by Moody's and BBB- by S&P. Taxable municipals, including Build America bonds and a small amount of foreign bonds traded in U.S. markets are also included. Eligible bonds must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 8.25 years. This total return index, created in 1986 with history backfilled to January 1, 1976, is unhedged and rebalances monthly. The Bloomberg Barclays US Municipal Bond Index covers the USD-denominated long-term tax exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and prerefunded bonds. Eligible securities must be rated investment grade (Baa3/BBB- or higher) by Moody's and S&P and have at least one year until final maturity, but in practice the index holding have a fluctuating average life of around 12.8 years. This total return index is unhedged and rebalances monthly. The Bloomberg Barclays US Corporate High Yield Index measures the USD-denominated, noninvestment grade, fixed-rate, taxable corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below, excluding emerging market debt. Payment-in-kind and bonds with predetermined step-up coupon provisions are also included. Eligible securities must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 6.3 years. This total return unhedged index was created in 1986, with history backfilled to July 1, 1983 and rebalances monthly. The Barclays U.S. Government Bond Index is comprised of the U.S. Treasury and U.S. Agency Indices. The index includes U.S. dollar-denominated, fixed-rate, nominal US Treasuries and US agency debentures (securities issued by US government owned or government sponsored entities, and debt explicitly guaranteed by the US government). The US Government Index is a component of the U.S. Government/Credit and U.S. Aggregate Indices, and eligible securities also contribute to the multicurrency Global Aggregate Index. The U.S. Government Index has an inception date of January 1, 1973. The Bloomberg Commodity Index is a broadly diversified index that allows investors to track commodity futures through a single, simple measure. It is composed of futures contracts on physical commodities and is designed to minimize concentration in any one commodity or sector. It currently includes 19 commodity futures in five groups. No one commodity can comprise less than 2% or more than 15% of the index, and no group can represent more than 33% of the index (as of the annual reweightings of the components). The Cboe Volatility Index® (VIX®) is a key measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices. The MSCI EAFE is designed to measure the equity market performance of developed markets (Europe, Australasia, Far East) excluding the U.S. and Canada. The Index is market-capitalization weighted. The MSCI Emerging Markets is designed to measure equity market performance in global emerging markets. It is a float-adjusted market capitalization index. The Russell 1000 Growth Index measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 Index companies with higher price-to-book ratios and higher forecasted growth values. The Russell 1000 Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 Index companies with lower price-to-book ratios and lower forecasted growth values The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe and is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership. The Russell 3000 Index measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market. The Russell Midcap Index measures the performance of the mid-cap segment of the U.S. equity universe and is a subset of the Russell 1000 Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The Russell Midcap represents approximately 31% of the total market capitalization of the Russell 1000 companies. The S&P BSE SENSEX Index is a free-float market-weighted index of 30 well-established and financially sound stocks on the Bombay Stock Exchange, representative of various industrial sectors of the Indian economy. The S&P 500 is a capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. The Dow Jones Industrial Average is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ. The NASDAQ Composite Index includes all domestic and international based common type stocks listed on The NASDAQ Stock Market. The NASDAQ Composite Index is a broad-based capitalizationweighted index. The Shanghai Composite Index is a stock market index of all stocks (A shares and B shares) that are traded at the Shanghai Stock Exchange. The U.S. Dollar Index is a weighted geometric mean that provides a value measure of the United States dollar relative to a basket of major foreign currencies. The index, often carrying a USDX or DXY moniker, started in March 1973, beginning with a value of the U.S. Dollar Index at 100.000. It has since reached a February 1985 high of 164.720, and has been as low as 70.698 in March 2008. West Texas Intermediate (WTI) is a crude oil stream produced in Texas and southern Oklahoma which serves as a reference or "marker" for pricing a number of other crude streams. WTI is the underlying commodity of the New York Mercantile Exchange's oil futures contracts.