SAGE VIEW

MARKET COMMENTARY

June 2018

U.S. stocks ended the first half of the year with moderate gains. The S&P 500 stepped off of record highs in late January, falling into dual corrections in February and March, followed by strong earnings-inspired recoveries and a continuous flow of mostly solid economic data in the second quarter. Yet the Trump administration's escalation of tariffs against its trading partners and their retaliatory counter-tariffs, led to continuing volatility and investor angst. To varying degrees, nearly every asset class, sector and geographic region experienced steep gyrations. Over the past six weeks, China has felt the sting of tariffs more acutely than U.S. investors. China's Shanghai Composite slumped over 7% in June and was down over 20% since its January market peak.

Overall, the Dow Industrials fell 0.49% in June, while a second quarter gain of 1.26% trimmed its year-to-date (YTD) loss to 0.73%. In standout domestic performance, the tech-heavy Nasdaq Composite and small cap focused Russell 2000 avoided currency headwinds and pushed to new all-time highs in June. The Nasdaq Composite rose 6.61% during the quarter and advanced 9.37% YTD. The Russell 2000 climbed 7.75% in the last quarter and is up 7.66% YTD.

Sector performance was again widely divergent in the second three months of the year. Defensive-oriented sectors were the top two performers in June, while cyclical, economically-sensitive sectors performed best for the quarter and YTD. Energy companies had their best quarterly performance since 2011 as oil prices jumped double-digits percentages in June and the second quarter. Growth-oriented equities outpaced value stocks in all three time periods.

Internationally, the MSCI EAFE Index, which measures returns on developed markets outside the U.S. and Canada, trailed U.S. equites in June, the second quarter and year-to-date. Emerging markets stocks, as measured by the MSCI Emerging Markets Index, fell nearly 8% over the last three months, its largest quarterly slump since 2015.

Fixed income markets were broadly lower throughout the second quarter, largely driven by expectations surrounding the Federal Reserve's more hawkish tone. The central bank raised interest rates at its June meeting, hiking the Fed Funds lending rate by 0.25% to a 1.75% - 2.00% range. The Fed is expected to hike rates up to two more times by the end of the year.

U.S. Treasuries, as measured by the Bloomberg Barclays U.S. Government Bond Index, rose just 0.01% in June and 0.10% in the second quarter, trimming a YTD loss to 1.05%. Reflecting increased borrowing rates, the yield on benchmark 10-year Treasury notes ended the first quarter at 2.86%, up 0.12% quarter-over-quarter. Investment-grade bonds of all types, as measured by the Bloomberg Barclays U.S. Aggregate Bond Index, trailed safer-haven government debt.

Municipal bonds outperformed government and other investment-grade bonds in both 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, outperformed its investment-grade counterparts in June, the second quarter and year-to-date.

Commodities, as measured by the Bloomberg Commodity Index, fell 3.50% in June, and rose 0.40% during the second quarter, and were unchanged on a YTD basis. Outside of strong gains in crude oil, agricultural grains, copper and other base metals dropped. Gold was pressured lower amid a rising U.S. dollar. The U.S. Dollar rose 0.52% in June and ended a five-quarter losing streak by rising 5.0% during the second quarter. In contrast, China's Yuan fell 3.4% against the greenback last month, its biggest monthly decline since December 1998.

Source: *Cetera Investment Management ®*

SUMMARY OF MAJOR ECONOMIC INDICATORS

INDICATOR	LAST REPORT DATE	VALUE*	6-MO. TREND	COMMENTS
U.S. Real GDP (ann. rate) *	Q1 2018	2.0%	↑	The final reading for Q1 GDP was revised slightly lower, due to a decrease in estimates of private inventory investment and personal consumption expenditures.
Global Real GDP Growth (ann. rate; Source: IMF)	Q4 2017	3.8%	n/a	The IMF's global growth forecast for 2018 remained at 3.9%, mainly to due to potentially faster U.S. growth because of the tax legislation passed in December 2017.
Non-Farm Employment Growth	June 2018	213,000	↑	Job growth kept up its momentum in June, beating expectations after a slower May. Professional and business services led the way with 50,000 new jobs, while retail lost 22,000 jobs.
Unemployment Rate	June 2018	4.0%	↓	The unemployment rate rose as more people returned to the job market. The labor force participation rate increased 0.2% as 601,000 people re-entered the labor force.
ISM Manufacturing Index	June 2018	60.2	↑	A surge in June was due to growth in new orders, production, and employment. Current reading points to continued expansion in manufacturing sector, which accounts for 12% of the US economy.
ISM Non-Manufacturing Index	June 2018	59.1	↑	Activity in service-related sectors strengthened broadly in June. The pickup in business activity and new orders point to growth remaining strong in the near term.
Capacity Utilization	May 2018	77.9	↔	Capacity utilization for the industrial sector fell 0.2% in May. The decrease was due to a drop in utilization for manufacturing, while utilization for both mining and utilities increased.
Consumer Price Index (CPI, SA)	May 2018	0.2%	↑	Consumer prices rose in May, with gasoline and shelter as the largest factors contributing to the increase. The food index was unchanged for the month.
Producer Price Index (Final Demand, SA)	May 2018	0.5%	↓	Producer prices rose 0.5& in May, with a large percentage of the increase attributable to energy prices, which jumped 4.6%.
Leading Economic Indicators Index (LEI)	May 2018	0.2%	↑	LEI continued its upward trend. Improvements in most components offset declines in the leading indicators for labor markets and residential construction.
10-year Treasury Yield	June 2018	2.85%	↑	The 10-year Treasury yield ended the month relatively flat, after reaching as high as 2.98% mid-month. The Fed increased the Fed Funds rate for the second time this year and the seventh time since 2015.

*NOTE: The "Value" column shows the most current level or change over the prior month or quarter.

GLOBAL CAPITAL MARKETS: RETURNS AND PRICE LEVELS

	June Close	June	Year- to-Date	1 year	3 years	5 years
US Indices						
Dow Jones 30	24,271	-0.49%	-0.73%	16.31%	14.07%	12.96%
S&P 500	2,718	0.62%	2.65%	14.37%	11.93%	13.42%
Nasdaq	7,510	0.98%	9.37%	23.60%	15.96%	18.54%
Russell 2000	1,643	0.72%	7.66%	17.57%	10.96%	12.46%
International Indices						
MSCI EAFE (Developed)	1,959	-1.19%	-2.37%	7.37%	5.41%	6.93%
MSCI EM (Emerging)	1,070	-4.09%	-6.51%	8.59%	5.98%	5.39%
US Fixed Income						
Bloomberg Barclays US Aggregate	---	-0.12%	-1.62%	-0.40%	1.72%	2.27%
Bloomberg Barclays US TIPS	---	0.40%	-0.02%	2.11%	1.93%	1.68%
Commodities and Real Estate						
Bloomberg Commodity Index	180	-3.50%	0.00%	7.35%	-4.54%	-6.40%
Crude Oil ($/bbl)		$74.15	$60.42	$46.04	$59.47	$96.56
DJ US Select REIT	9,921	4.24%	1.82%	4.23%	7.71%	8.29%

Sources: Bloomberg, MSCI. Non-US index returns are shown in US Dollar terms and are considered to be currency unhedged. Total returns include dividend and income accruals and price changes. Returns for three and five years are annualized and assume the reinvestment of interest and dividend payments. Investors cannot invest directly in any of the above indices. The performance of any index is not indicative of the performance of any investment and does not take into account the effects of inflation and the fees and expenses associated with investing.

About *Cetera Investment Management* ®
Cetera Investment Management provides market perspectives, portfolio guidance, investment research, and other investment advice to its affiliated broker-dealers, dually registered broker-dealers and registered investment advisers.

IMPORTANT DISCLOSURES:
The information, data, analyses and opinions presented herein do not constitute investment advice; are provided solely for informational purposes and therefore are not an offer to buy or sell a security; and are not warranted to be correct, complete or accurate. Please consult with your financial advisor before making any investment decisions. The opinions expressed are as of the date written and are subject to change without notice. Except as otherwise required by law, SageView Advisory Group shall not be responsible for any trading decisions, damages or other losses resulting from, or related to, the information, data, analyses or opinions or their use.

Please note references to specific securities, mutual funds or other investment options within this piece should not be considered an offer (as defined by the Securities and Exchange Act) to purchase or sell that specific investment. Past performance does not indicate or guarantee future returns. An investment's value will fluctuate, in which case an individual's investment, when redeemed, may be worth more or less than the original investment. Investors cannot invest directly in an index.

No independent analysis has been performed and the material should not be construed as investment advice. Investment decisions should not be based on this material since the information contained here is a singular update, and prudent investment decisions require the analysis of a much broader collection of facts and context. All information is believed to be from reliable sources; however, we make no representation as to its completeness or accuracy. The opinions expressed are as of the date published and may change without notice. 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 unmanaged. 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.

Securities are NOT FDIC/NCUA INSURED, NOT A DEPOSIT, NOT BANK/CREDIT UNION GUARANTEED, NOT INSURED BY ANY GOVERNMENT AGENCY, MAY LOSE VALUE.

This information is compiled by *Cetera Investment Management* and SageView Advisory Group. Cetera and *Cetera Investment Management* are affiliated entities and are under separate ownership from any other named entity.

Affiliates and subsidiaries and/or officers and employees of Cetera Financial Group or Cetera Advisor Networks LLC may from time to time acquire, hold or sell a position in the securities mentioned herein.

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 pre-refunded bonds. Many of the sub-indices of the Municipal Index have historical data to January 1980. In addition, several sub-indices based on maturity and revenue source have been created, some with inception dates after January 1980, but no later than July 1, 1993. 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 holdings has 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, non-investment 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 **CBOE Volatility Index® (VIX®)** is a key measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices. Introduced in 1993, the VIX Index has been considered by many to be the world's premier barometer of investor sentiment and market volatility.*
*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 **MSCI ACWI Excluding the U.S.** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets without the inclusion of the United States. The MSCI full ACWI consists of 46 country indexes comprising 23 developed and 23 emerging market country indexes. The developed market country indexes included are: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United*

Kingdom and the United States. The emerging market country indexes included are: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey and United Arab Emirates.*
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 Mid Cap 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 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 capitalization-weighted index.*
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.*