

2019 Annual Market Review

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2019 Annual Market Review

This report features world capital market performance for the past year.

Overview:

Market Summary

World Asset Classes

US Stocks

International Developed Stocks

Emerging Markets Stocks

Select Country Performance

Select Currency Performance vs. US Dollar

Real Estate Investment Trusts (REITs)







Commodities

Fixed Income

Impact of Diversification

Market Summary

Index Returns

	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate	US Bond Market	Global Bond Market ex US
2019	STOCKS				BONDS	
	31.02%	22.49%	18.42%	23.12%	8.72%	7.57%
						
Since Jan. 2001						
Avg. Annual Return	8.9%	6.7%	13.4%	10.8%	4.7%	4.6%
Best Year	33.6% 2013	39.4% 2003	78.5% 2009	37.4% 2006	10.3% 2002	8.8% 2014
Worst Year	-37.3% 2008	-43.6% 2008	-53.3% 2008	-45.7% 2008	-2.0% 2013	1.2% 2013

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: US Stock Market (Russell 3000 Index), International Developed Stocks (MSCI World ex USA Index [net div.]), Emerging Markets (MSCI Emerging Markets Index [net div.]), Global Real Estate (S&P Global REIT Index [net div.]), US Bond Market (Bloomberg Barclays US Aggregate Bond Index), and Global Bond Market ex US (Bloomberg Barclays Global Aggregate ex-USD Bond Index [hedged to USD]). S&P data © 2020 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. MSCI data © MSCI 2020, all rights reserved. Bloomberg Barclays data provided by Bloomberg.

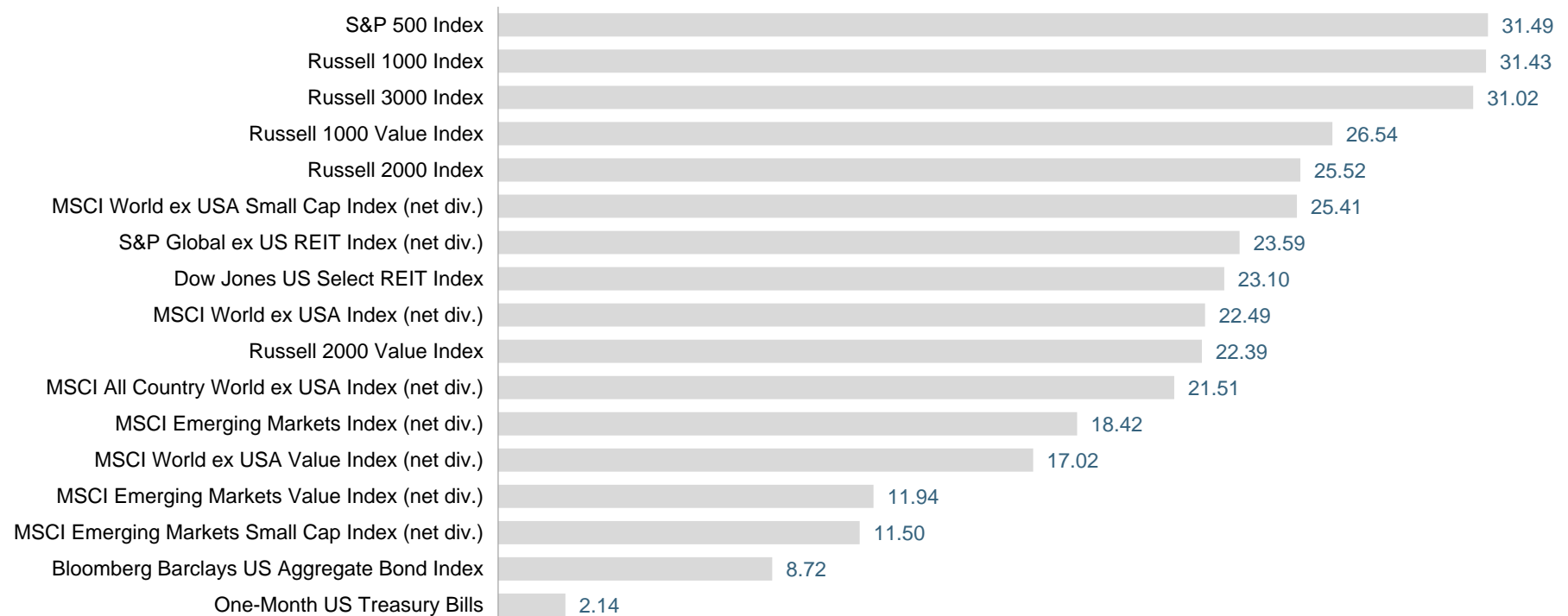
World Asset Classes

2019 Index Returns (%)

Equity markets around the globe posted positive returns in 2019. Looking at broad market indices, the US outperformed non-US developed and emerging markets for the year.

The value effect was negative in the US, non-US developed markets, and emerging markets. Small caps outperformed large caps in non-US developed markets but underperformed in the US and emerging markets.

REIT indices outperformed equity market indices in non-US developed markets but underperformed in the US.



US Stocks

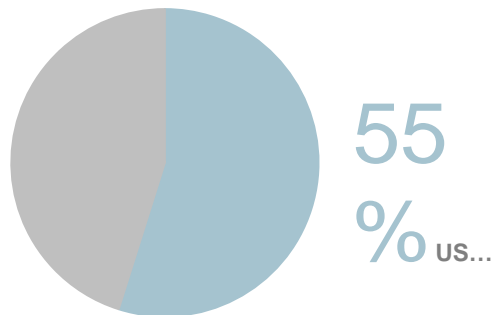
2019 Index Returns

US equities outperformed both non-US developed and emerging markets equities in 2019.

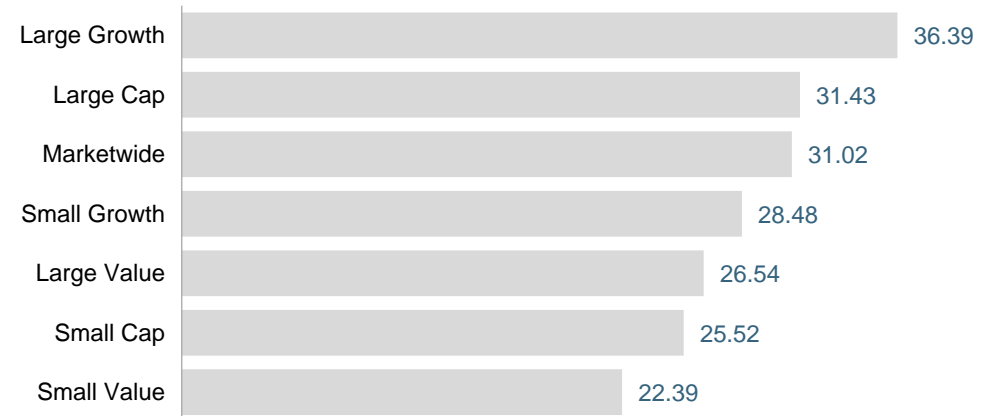
Value underperformed growth in the US across large and small cap stocks.

Small caps underperformed large caps in the US.

World Market Capitalization—US



Ranked Returns for 2019 (%)



Period Returns (%)

* Annualized

Asset Class	1 Year	3 Years*	5 Years*	10 Years*
Large Growth	36.39	20.49	14.63	15.22
Large Cap	31.43	15.05	11.48	13.54
Marketwide	31.02	14.57	11.24	13.42
Small Growth	28.48	12.49	9.34	13.01
Large Value	26.54	9.68	8.29	11.80
Small Cap	25.52	8.59	8.23	11.83
Small Value	22.39	4.77	6.99	10.56

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: Marketwide (Russell 3000 Index), Large Cap (Russell 1000 Index), Large Cap Value (Russell 1000 Value Index), Large Cap Growth (Russell 1000 Growth Index), Small Cap (Russell 2000 Index), Small Cap Value (Russell 2000 Value Index), and Small Cap Growth (Russell 2000 Growth Index). World Market Cap represented by Russell 3000 Index, MSCI World ex USA IMI Index, and MSCI Emerging Markets IMI Index. Russell 3000 Index is used as the proxy for the US market. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. MSCI data © MSCI 2020, all rights reserved.

International Developed Stocks

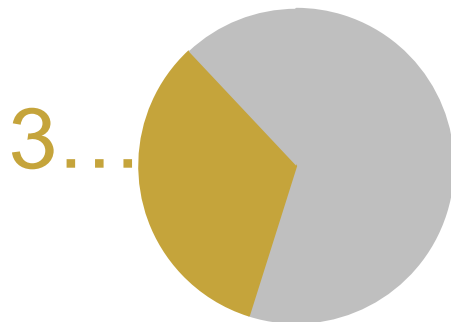
2019 Index Returns

In US dollar terms, developed markets outside the US outperformed emerging markets but underperformed the US during 2019.

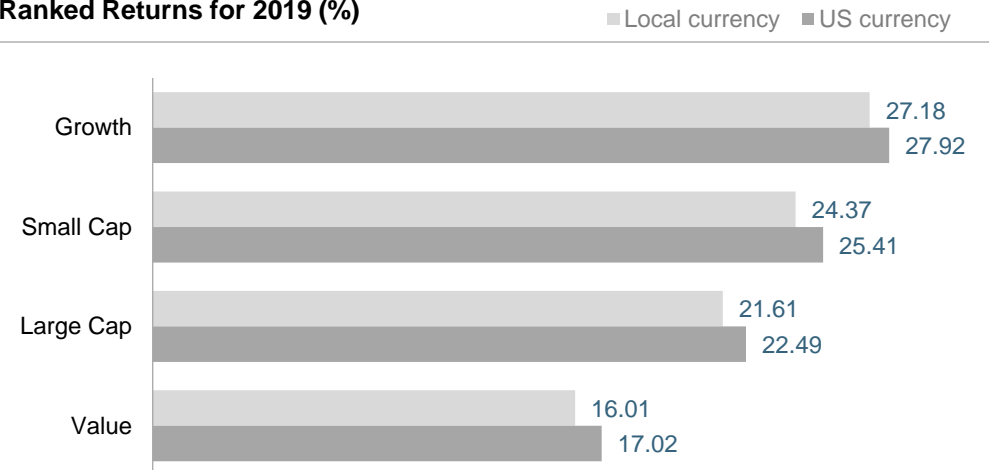
Value underperformed growth across large and small cap stocks in non-US developed markets.

Small caps outperformed large caps in non-US developed markets.

World Market Capitalization—International Developed



Ranked Returns for 2019 (%)



Period Returns (%)

Asset Class	* Annualized			
	1 Year	3 Years*	5 Years*	10 Years*
Growth	27.92	12.34	7.18	6.51
Small Cap	25.41	10.42	8.17	8.04
Large Cap	22.49	9.34	5.42	5.32
Value	17.02	6.36	3.59	4.05

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio.

Market segment (index representation) as follows: Large Cap (MSCI World ex USA Index), Small Cap (MSCI World ex USA Small Cap Index), Value (MSCI World ex USA Value Index), and Growth (MSCI World ex USA Growth). All index returns are net of withholding tax on dividends. World Market Cap represented by Russell 3000 Index, MSCI World ex USA IMI Index, and MSCI Emerging Markets IMI Index. MSCI World ex USA IMI Index is used as the proxy for the International Developed market. MSCI data © MSCI 2020, all rights reserved.

Emerging Markets Stocks

2019 Index Returns

In US dollar terms, emerging markets underperformed developed markets, including the US, in 2019.

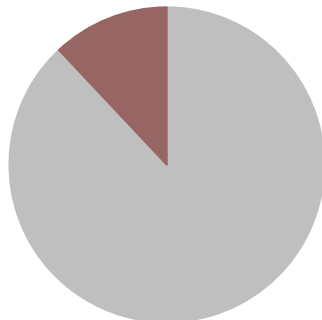
Value underperformed growth across large and small cap stocks in emerging markets.

Small caps underperformed large caps in emerging markets.

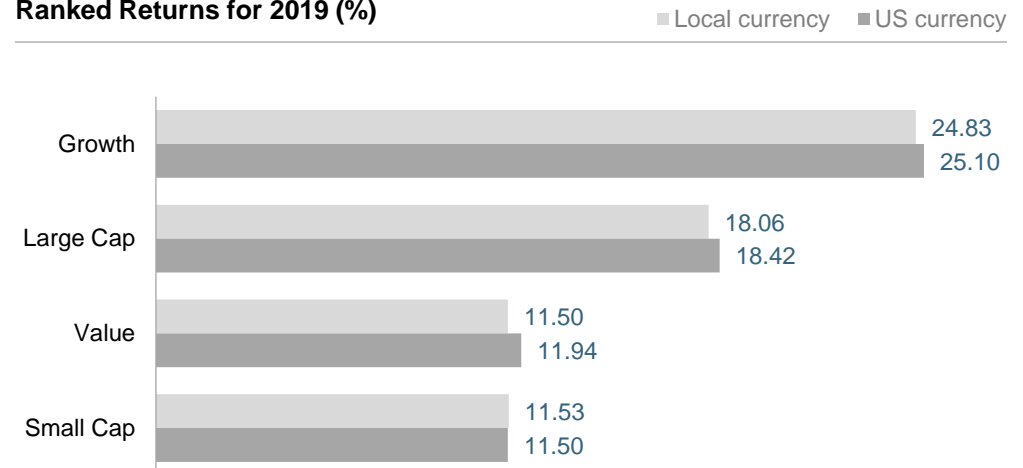
World Market Capitalization—Emerging Markets

12%

Emerging Markets...



Ranked Returns for 2019 (%)



Period Returns (%)

* Annualized

Asset Class	1 Year	3 Years*	5 Years*	10 Years*
Growth	25.10	14.50	7.45	5.20
Large Cap	18.42	11.57	5.61	3.68
Value	11.94	8.57	3.67	2.08
Small Cap	11.50	6.70	2.97	2.95

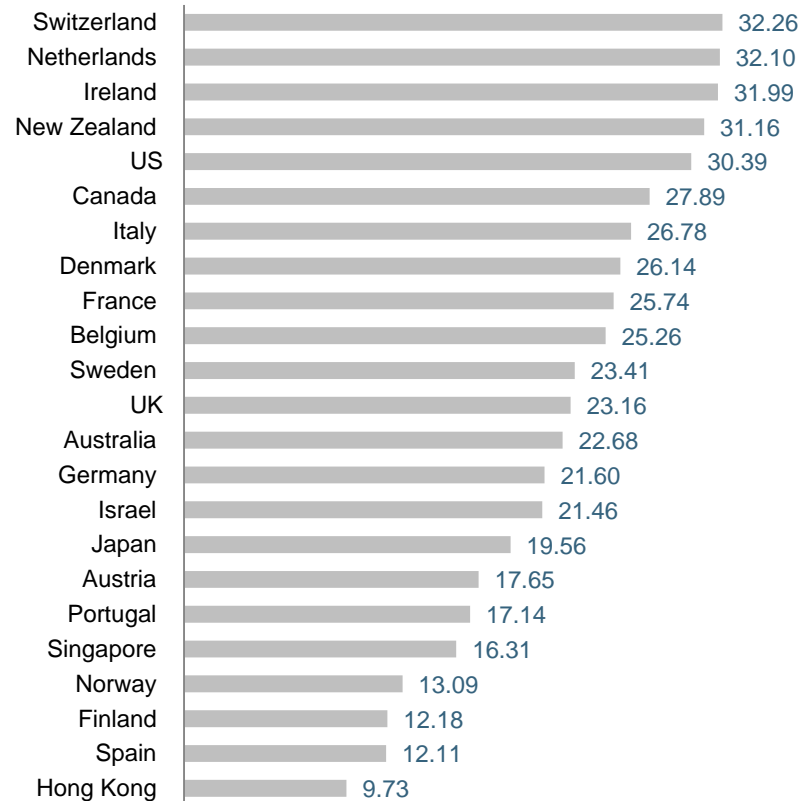
Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: Large Cap (MSCI Emerging Markets Index), Small Cap (MSCI Emerging Markets Small Cap Index), Value (MSCI Emerging Markets Value Index), and Growth (MSCI Emerging Markets Growth Index). All index returns are net of withholding tax on dividends. World Market Cap represented by Russell 3000 Index, MSCI World ex USA IMI Index, and MSCI Emerging Markets IMI Index. MSCI Emerging Markets IMI Index used as the proxy for the emerging market portion of the market. MSCI data © MSCI 2020, all rights reserved.

Select Market Performance

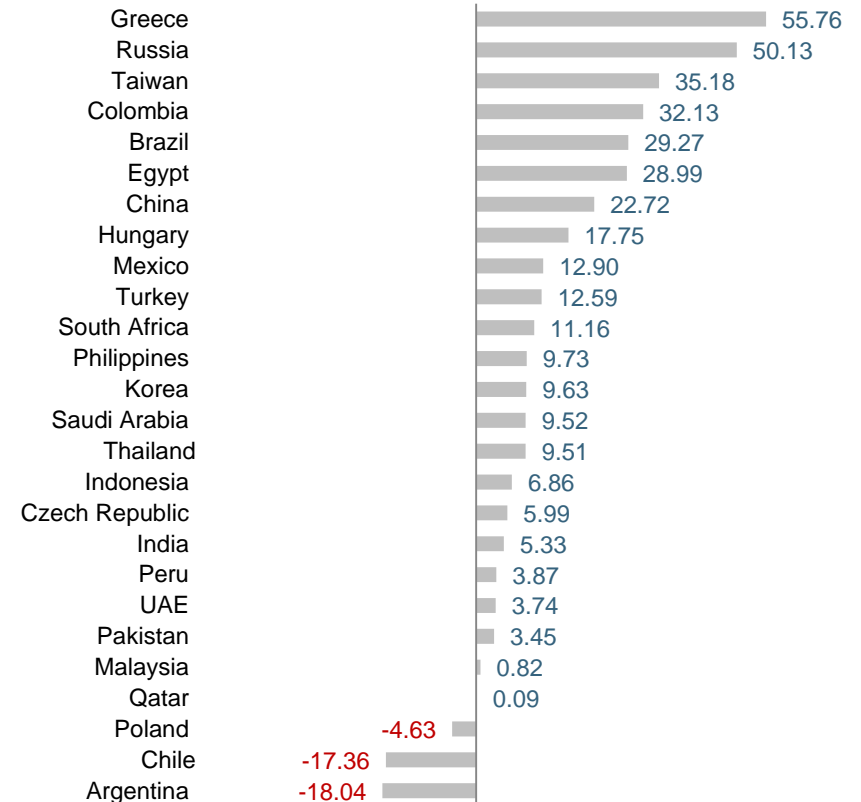
2019 Index Returns

In US dollar terms, Switzerland recorded the highest country performance in non-US developed markets last year, while Hong Kong posted the lowest return. In emerging markets, Greece was the top performer, while Argentina had the lowest performance.

Ranked Developed Markets Returns (%)



Ranked Emerging Markets Returns (%)



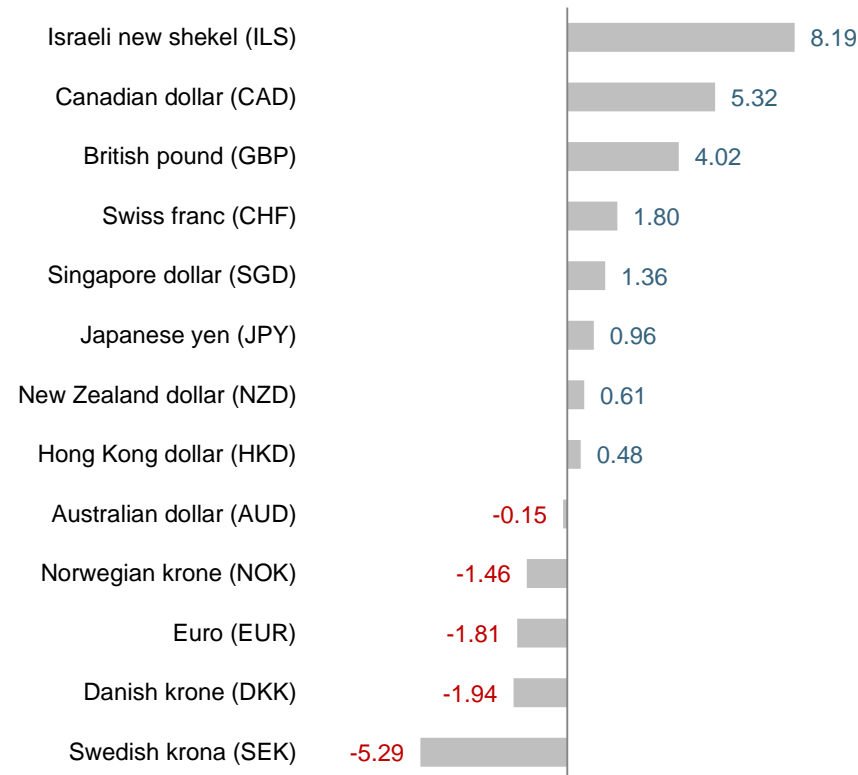
Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Country performance based on respective indices in the MSCI World ex US IMI Index (for developed markets), MSCI USA IMI Index (for US), and MSCI Emerging Markets IMI Index. All returns in USD and net of withholding tax on dividends. MSCI data © MSCI 2020, all rights reserved. UAE and Qatar have been reclassified as emerging markets by MSCI, effective May 2014.

Select Currency Performance vs. US Dollar

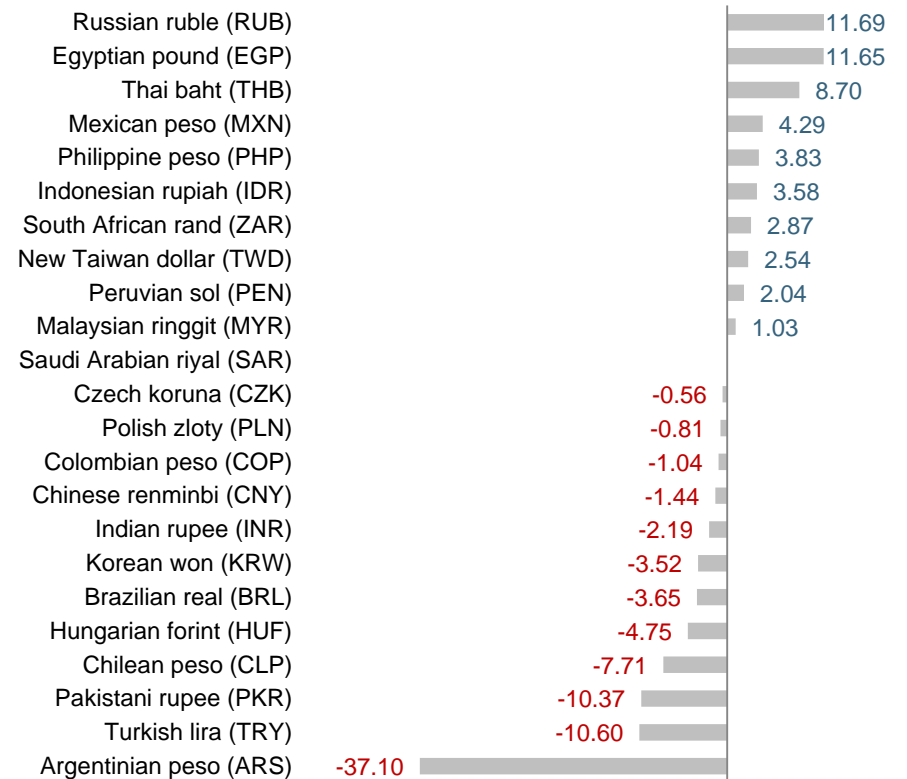
2019

In both developed and emerging markets, currencies were mixed against the US dollar in 2019.

Ranked Developed Markets (%)



Ranked Emerging Markets (%)



Real Estate Investment Trusts (REITs)

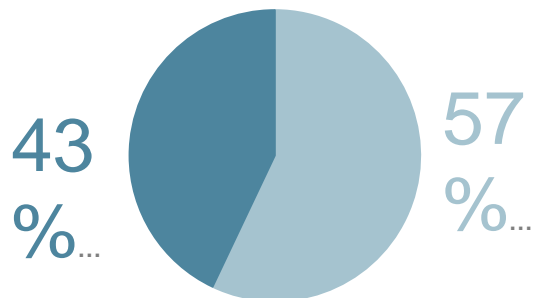
2019 Index Returns

US real estate investment trusts (REITs) underperformed non-US REITs in US dollar terms last year.

Ranked Returns for 2019 (%)



Total Value of REIT Stocks



Period Returns (%)

* Annualized

Asset Class	1 Year	3 Years*	5 Years*	10 Years*
Global ex US REITS	23.59	9.79	5.65	7.74
US REITS	23.10	6.95	6.40	11.57

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio.
 Number of REIT stocks and total value based on the two indices. All index returns are net of withholding tax on dividends. Total value of REIT stocks represented by Dow Jones US Select REIT Index and the S&P Global ex US REIT Index. Dow Jones US Select REIT Index used as proxy for the US market, and S&P Global ex US REIT Index used as proxy for the World ex US market. Dow Jones and S&P data © 2020 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved.

Commodities

2019 Index Returns

The Bloomberg Commodity Index Total Return increased 7.69% in 2019.

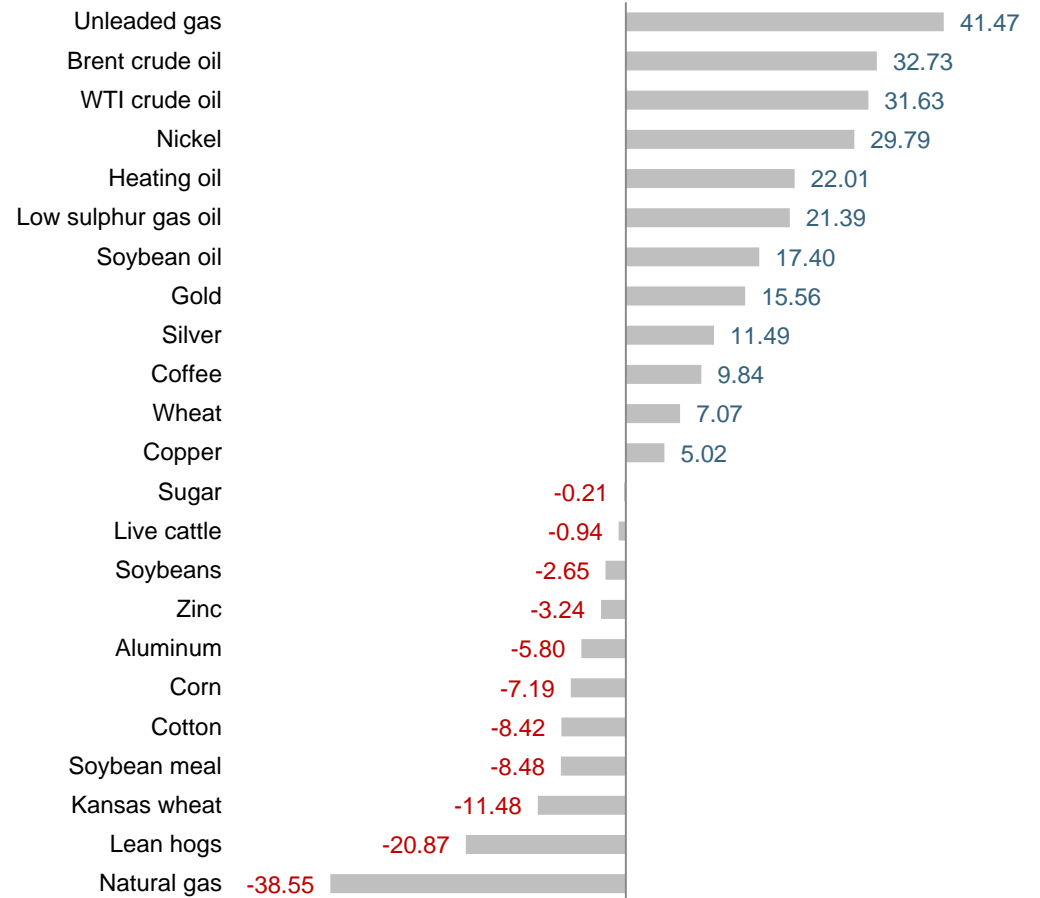
Unleaded gas and Brent crude oil led annual performance, returning 41.47% and 32.73%, respectively.

Natural gas and lean hogs were the worst performers, declining 38.55% and 20.87%, respectively.

Asset Class	Period Returns (%)			
	1 Year	3 Years*	5 Years*	10 Years*
Commodities	7.69	-0.94	-3.92	-4.73

* Annualized

Ranked Returns for Individual Commodities (%)



Fixed Income

2019 Index Returns

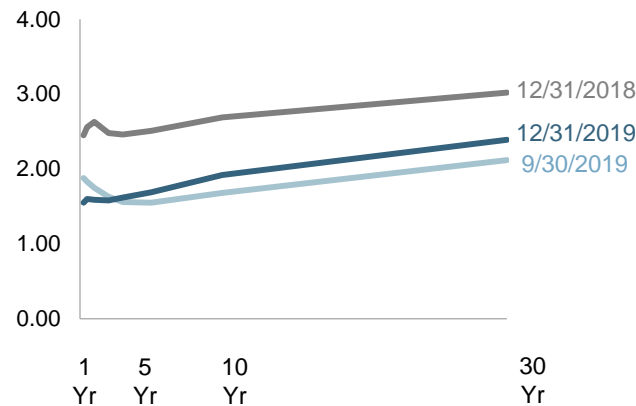
Interest rates decreased in the US Treasury market during 2019. The yield on the 5-year Treasury note declined 82 basis points (bps), ending at 1.69%. The yield on the 10-year T-note decreased 77 bps to 1.92%. The 30-year Treasury bond yield decreased 63 bps to 2.39%.

On the short end of the yield curve, the 1-month T-bill yield fell to 1.48%, while the 1-year T-bill yield decreased 104 bps to 1.59%. The yield on the 2-year Treasury note finished at 1.58% after declining 90 bps.

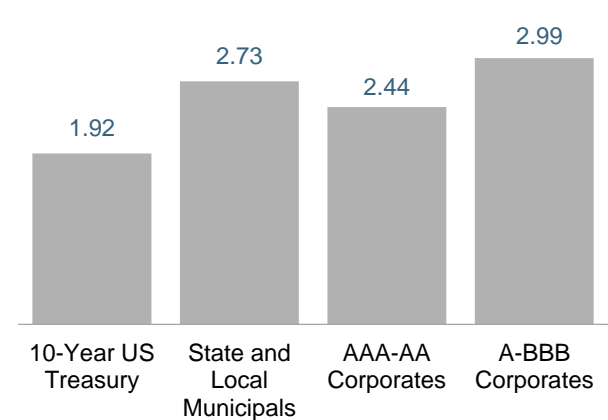
In terms of total returns, short-term corporate bonds gained 6.99%. Intermediate corporate bonds had a total return of 10.14%.

The total return for short-term municipal bonds was 3.66%, while intermediate munis returned 6.86%. Revenue bonds outperformed general obligation bonds.

US Treasury Yield Curve (%)



Bond Yields across Issuers (%)



Period Returns (%)

Asset Class	*Annualized			
	1 Year	3 Years*	5 Years*	10 Years*
Bloomberg Barclays US Government Bond Index Long	14.75	6.95	4.16	6.97
Bloomberg Barclays US High Yield Corporate Bond Index	14.32	6.37	6.13	7.57
Bloomberg Barclays US Aggregate Bond Index	8.72	4.03	3.05	3.75
Bloomberg Barclays US TIPS Index	8.43	3.32	2.62	3.36
Bloomberg Barclays Municipal Bond Index	7.54	4.72	3.53	4.34
FTSE World Government Bond Index 1-5 Years (hedged to USD)	3.86	2.37	1.92	1.85
ICE BofA 1-Year US Treasury Note Index	2.93	1.78	1.25	0.83
FTSE World Government Bond Index 1-5 Years	2.43	2.40	0.74	0.19
ICE BofA US 3-Month Treasury Bill Index	2.28	1.67	1.07	0.58

One basis point (bps) equals 0.01%. Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Yield curve data from Federal Reserve. State and local bonds are from the S&P National AMT-Free Municipal Bond Index. AAA-AA Corporates represent the Bank of America Merrill Lynch US Corporates, AA-AAA rated. A-BBB Corporates represent the ICE BofA Corporates, BBB-A rated. Bloomberg Barclays data provided by Bloomberg. US long-term bonds, bills, inflation, and fixed income factor data © Stocks, Bonds, Bills, and Inflation (SBBI) Yearbook™, Ibbotson Associates, Chicago (annually updated work by Roger G. Ibbotson and Rex A. Sinquefeld). FTSE fixed income indices © 2020 FTSE Fixed Income LLC, all rights reserved. ICE BofA index data © 2020 ICE Data Indices, LLC. S&P data © 2020 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved.

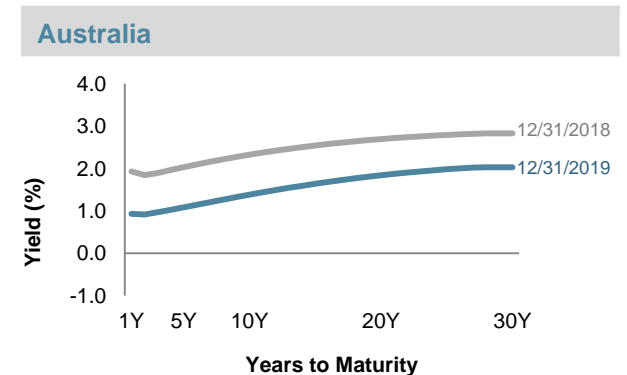
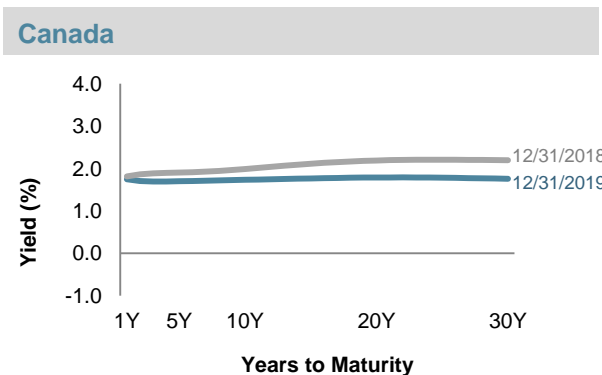
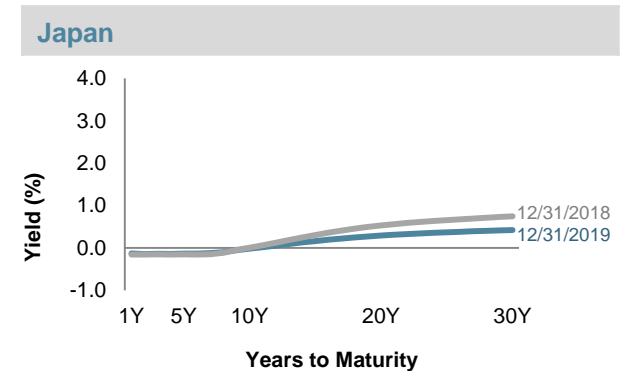
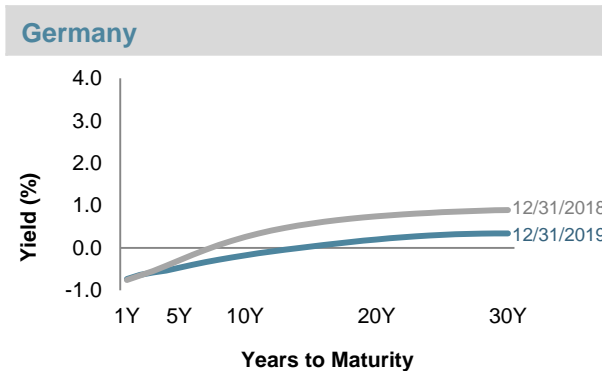
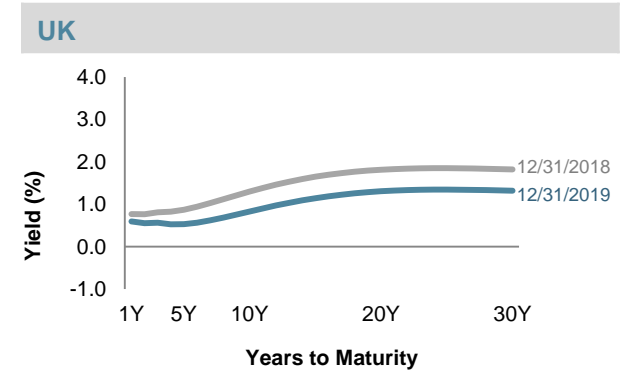
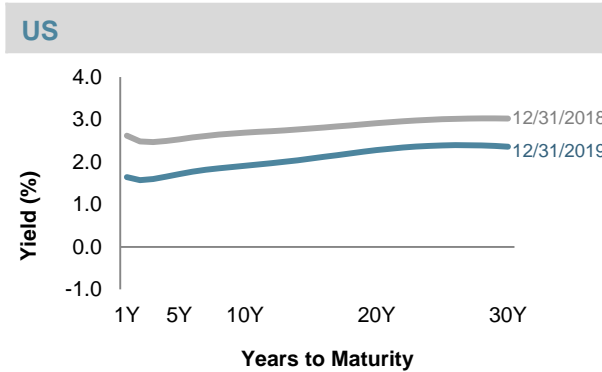
Global Fixed Income

2019 Yield Curves

Interest rates in the global developed markets generally decreased in 2019.

Longer-term bonds generally outperformed shorter-term bonds.

Short- and intermediate-term nominal interest rates are negative in Japan and Germany.



Changes in Yields (bps) since 12/31/2018

	1Y	5Y	10Y	20Y	30Y
US	-97.6	-81.8	-77.9	-63.4	-66.1
UK	-17.6	-34.0	-46.9	-50.8	-50.3
Germany	2.1	-17.3	-43.3	-54.5	-55.4
Japan	2.6	2.0	-2.3	-23.9	-32.4
Canada	-6.9	-20.6	-25.4	-40.1	-43.7
Australia	-100.2	-94.6	-94.3	-85.4	-80.3

Impact of Diversification

2019 Returns

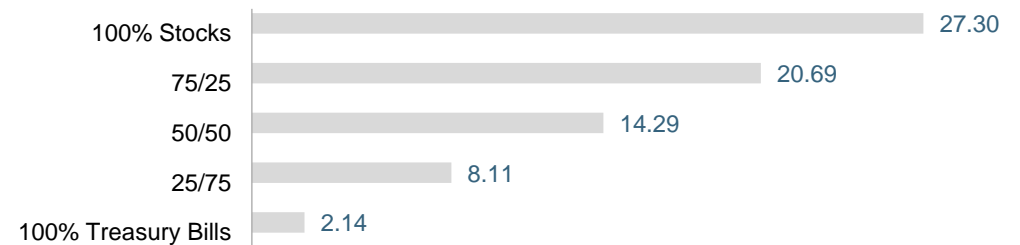
These portfolios illustrate the performance of different global stock/bond mixes. Mixes with larger allocations to stocks are considered riskier but have higher expected returns over time.

Period Returns (%)

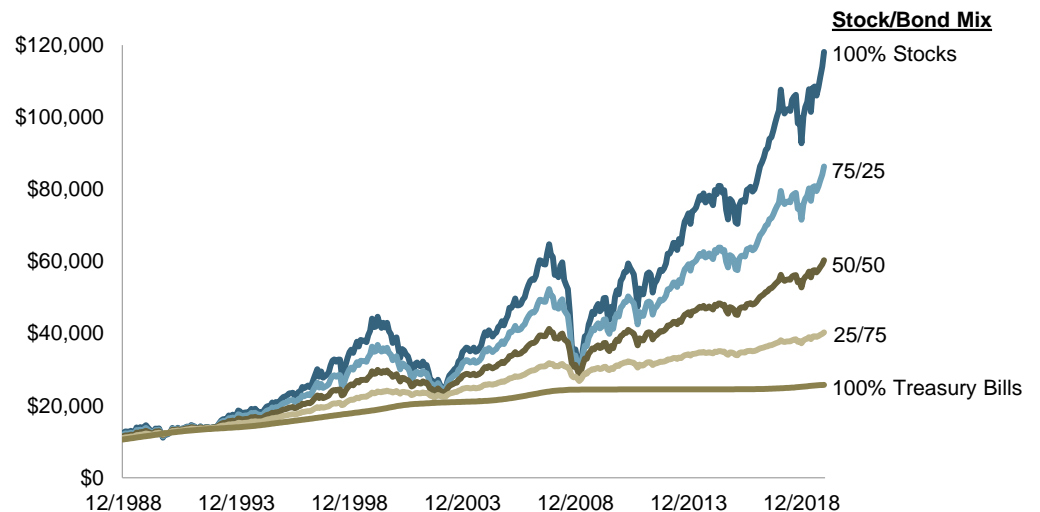
* Annualized

Asset Class	1 Year	3 Years*	5 Years*	10 Years*	10-Year STDEV ¹
100% Stocks	27.30	13.05	9.00	9.37	13.18
75/25	20.69	10.21	7.08	7.27	9.89
50/50	14.29	7.35	5.10	5.09	6.59
25/75	8.11	4.47	3.07	2.83	3.30
100% Treasury Bills	2.14	1.58	0.99	0.52	0.22

Ranked Returns (%)



Growth of Wealth: The Relationship between Risk and Return



1. STDEV (standard deviation) is a measure of the variation or dispersion of a set of data points. Standard deviations are often used to quantify the historical return volatility of a security or portfolio.

Diversification does not eliminate the risk of market loss. **Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect expenses associated with the management of an actual portfolio.** Asset allocations and the hypothetical index portfolio returns are for illustrative purposes only and do not represent actual performance. Global Stocks represented by MSCI All Country World Index (gross div.) and Treasury Bills represented by US One-Month Treasury Bills. Globally diversified allocations rebalanced monthly, no withdrawals. Data © MSCI 2020, all rights reserved. Treasury bills © Stocks, Bonds, Bills, and Inflation Yearbook™, Ibbotson Associates, Chicago (annually updated work by Roger G. Ibbotson and Rex A. Sinquefeld).



Disclosures

There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk.

Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise and bonds are subject to availability and change in price. Bond yields are subject to change. Certain call or special redemption features may exist which could impact yield.

The price of equity securities may rise, or fall because of changes in the broad market or changes in a company's financial condition, sometimes rapidly or unpredictably. These price movements may result from factors affecting individual companies, sectors or industries, or the securities market as a whole, such as changes in economic or political conditions. Equity securities are subject to "stock market risk" meaning that stock prices in general may decline over short or extended periods of time.

Investments in emerging markets can be more volatile. As mentioned above, the normal risks of investing in foreign countries are heightened when investing in emerging markets. In addition, the small size of securities markets and the low trading volume may lead to a lack of liquidity, which leads to increased volatility. Also, emerging markets may not provide adequate legal protection for private or foreign investment or private property.

Investments in commodities may have greater volatility than investments in traditional securities, particularly if the instruments involve leverage. The value of commodity-linked derivative instruments may be affected by changes in overall market movements, commodity index volatility, changes in interest rates, or factors affecting a particular industry or commodity, such as drought, floods, weather, livestock disease, embargoes, tariffs and international economic, political and regulatory developments. Use of leveraged commodity-linked derivatives creates an opportunity for increased return but, at the same time, creates the possibility for greater loss.

Real estate investments may be subject to a higher degree of market risk because of concentration in a specific industry, sector or geographical sector. Real estate investments may be subject to risks including, but not limited to, declines in the value of real estate, risks related to general and economic conditions, changes in the value of the underlying property owned by the trust and defaults by borrower. Investing in Real Estate Investment Trusts (REITs) involves special risks such as potential illiquidity and may not be suitable for all investors. There is no assurance that the investment objectives of this program will be attained.

International investing involves a greater degree of risk and increased volatility. Changes in currency exchange rates and differences in accounting and taxation policies outside the U.S. can raise or lower returns. Also, some overseas markets may not be as politically and economically stable as the United States and other nations.



Disclosures (cont'd.)

Treasury inflation-protected securities (TIPS) help eliminate inflation risk to your portfolio as the principal is adjusted semiannually for inflation based on the Consumer Price Index – while providing a real rate of return guaranteed by the U.S. Government. Treasury Inflation-Protected Securities, or TIPS, are subject to market risk and significant interest rate risk as their longer duration makes them more sensitive to price declines associated with higher interest rates.

The prices of small cap stocks and mid cap stocks are generally more volatile than large cap stocks.

All indexes are unmanaged and an individual cannot invest directly in an index. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment. Past performance is no guarantee of future results.

The Russell 1000 Index consists of the 1,000 largest securities in the Russell 3000 Index, which represents approximately 90% of the total market capitalization of the Russell 3000 Index. It is a large-cap, market-oriented index and is highly correlated with the S&P 500 Index.

The Russell 2000 Index® measures the performance of the 2,000 smallest companies in the Russell 3000 Index.

The Russell 2000 Value Index® measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values.

The MSCI World ex USA Index captures large and mid cap representation across 22 of 23 Developed Markets (DM) countries*--excluding the United States. With 1,005 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

The MSCI World ex USA Small Cap Index captures small cap representation across 22 of 23 Developed Markets (DM) countries* (excluding the United States). With 2,437 constituents, the index covers approximately 14% of the free float-adjusted market capitalization in each country.

The MSCI Emerging Markets Small Cap Index includes small cap representation across 23 Emerging Markets countries*. With 1,792 constituents, the index covers approximately 14% of the free float-adjusted market capitalization in each country. The small cap segment tends to capture more local economic and sector characteristics relative to larger Emerging Markets capitalization segments.



Disclosures (cont'd.)

The MSCI World ex USA Value Index captures large and mid cap securities exhibiting overall value style characteristics across 22 of 23 Developed Markets countries*. The value investment style characteristics for index construction are defined using three variables: book value to price, 12-month forward earnings to price and dividend yield. With 540 constituents, the index targets 50% coverage of the free float-adjusted market capitalization of the MSCI World ex USA Index.

The MSCI Emerging Markets Value Index captures large and mid cap securities exhibiting overall value style characteristics across 23 Emerging Markets (EM) countries*. The value investment style characteristics for index construction are defined using three variables: book value to price, 12-month forward earnings to price and dividend yield. With 484 constituents, the index targets 50% coverage of the free float-adjusted market capitalization of the MSCI EM Index.

The MSCI Emerging Markets IndexSM is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. As of June 2007, the MSCI Emerging Markets Index consisted of the following 25 emerging market country indices: Argentina, Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Israel, Jordan, Korea, Malaysia, Mexico, Morocco, Pakistan, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey.

The S&P 500 Index is widely regarded as the best single gauge of the U.S. equities market. This world renowned index includes a representative sample of 500 leading companies in leading industries of the U.S. economy. Although the S&P 500 Index focuses on the large-cap segment of the market, with approximately 75% coverage of U.S. equities, it is also an ideal proxy for the total market. An investor cannot invest directly in an index.

A member of the S&P Global Property Index Series, the S&P Global REIT Index serves as a comprehensive benchmark of publicly traded equity REITs listed in both developed and emerging markets.

The Barclays US 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 securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency). Provided the necessary inclusion rules are met, US Aggregate eligible securities also contribute to the multi-currency Global Aggregate Index and the US Universal Index, which includes high yield and emerging markets debt. The US Aggregate Index was created in 1986 with history backfilled to January 1, 1976.

The Dow Jones U.S. Select REIT Index intends to measure the performance of publicly traded REITs and REIT-like securities. The index is a subset of the Dow Jones U.S. Select Real Estate Securities Index (RESI), which represents equity real estate investment trusts (REITs) and real estate operating companies (REOCs) traded in the U.S. The indices are designed to serve as proxies for direct real estate investment, in part by excluding companies whose performance may be driven by factors other than the value of real estate.



Disclosures (cont'd.)

This U.S. Treasury Index is a component of the U.S. Government index.

The Consumer Price Index is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care. The CPI is calculated by taking price changes for each item in the predetermined basket of goods and averaging them; the goods are weighted according to their importance. Changes in CPI are used to assess price changes associated with the cost of living.