



Cherry Bekaert Wealth Management  
**Market Update: The Quarter in Review**

## Summary

### Third Quarter 2017

#### World Asset Classes

With broad market indices used as proxies, emerging markets outperformed developed markets, including the US, during the quarter. The value effect was positive in non-US developed markets but negative in the US and emerging markets. Small caps outperformed large caps in US and non-US developed markets but underperformed in emerging markets.

#### US Stocks

The broad US equity market posted positive returns for the quarter but underperformed both non-US developed and emerging markets. Value underperformed growth indices in the US across all size ranges. Small caps in the US outperformed large caps.

#### International Developed & Emerging Stocks

In US dollar terms, developed markets outperformed US equity indices but underperformed emerging markets indices during the quarter. With broad market indices used as proxies, the value effect was positive.

The value effect was positive in large caps but negative in mid and small caps. Overall, small caps outperformed large caps in non-US developed markets.

In US dollar terms, emerging markets indices outperformed developed market indices, including the US, during the quarter. Overall, small caps underperformed large caps in emerging markets.

#### Fixed Income

Interest rates increased across the US fixed income market for the quarter. The yield on the 5-year Treasury note increased by 3 basis points (bps) to 1.92%. The yield on the 10-year Treasury note increased by 2 bps to 2.33%. The 30-year Treasury bond yield increased by 2 bps to finish at 2.86%.

Short-term municipal bonds generated a total return of 0.49%, while intermediate-term municipal bonds returned 0.83%. General obligation bonds gained 1.14%, outperforming revenue bonds by 4 bps.







Source: Dimensional Fund Advisors LP.

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# Market Summary

## Index Return

	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate	US Bond Market	Global Bond Market ex US
<b>Q3 2017</b>	<b>STOCKS</b>				<b>BONDS</b>	
	4.57%	5.62%	7.89%	1.13%	0.85%	0.70%
						
<b>Since Jan. 2001</b>						
Avg. Quarterly Return	1.9%	1.6%	3.1%	2.7%	1.2%	1.1%
Best Quarter	16.8% <b>Q2 2009</b>	25.9% <b>Q2 2009</b>	34.7% <b>Q2 2009</b>	32.3% <b>Q3 2009</b>	4.6% <b>Q3 2001</b>	5.5% <b>Q4 2008</b>
Worst Quarter	-22.8% <b>Q4 2008</b>	-21.2% <b>Q4 2008</b>	-27.6% <b>Q4 2008</b>	-36.1% <b>Q4 2008</b>	-3.0% <b>Q4 2016</b>	-3.2% <b>Q2 2015</b>

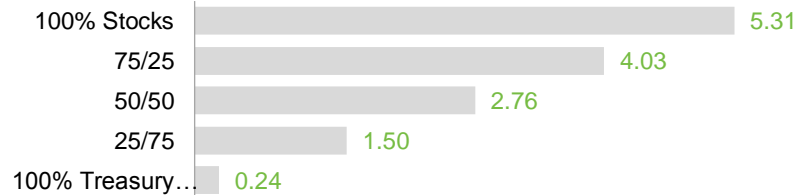
Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: US Stock Market (Russell 3000 Index), International 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 ex US Market (Citi WGBI ex USA 1-30 Years [Hedged to USD]). The S&P data are provided by Standard & Poor's Index Services Group. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. MSCI data © MSCI 2017, all rights reserved. Bloomberg Barclays data provided by Bloomberg. Citi fixed income indices copyright 2017 by Citigroup.

# Impact of Diversification

## Second Quarter 2017 Index 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.

### Ranked Returns (%)

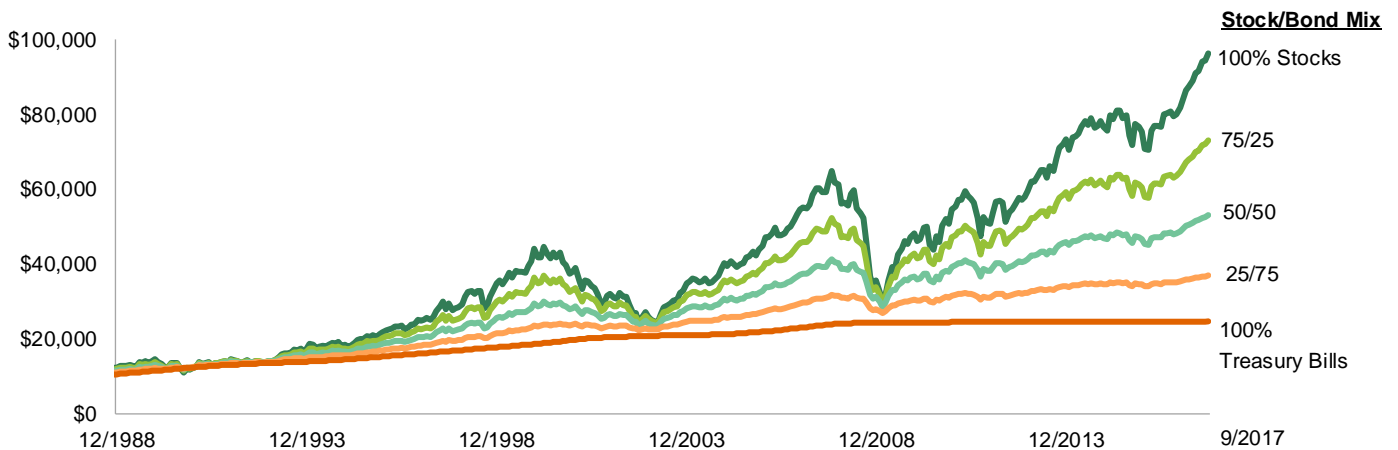


### Period Returns (%)

\* Annualized

Asset Class	YTD	1 Year	3 Years*	5 Years*	10 Years*	10-Year STDEV <sup>1</sup>
100% Stocks	17.75	19.29	8.02	10.79	4.45	16.90
75/25	13.22	14.35	6.13	8.14	3.70	12.66
50/50	8.85	9.60	4.21	5.48	2.76	8.43
25/75	4.62	5.01	2.25	2.82	1.65	4.20
100% Treasury Bills	0.53	0.58	0.25	0.16	0.36	0.22

## Growth of Wealth: The Relationship between Risk and Return



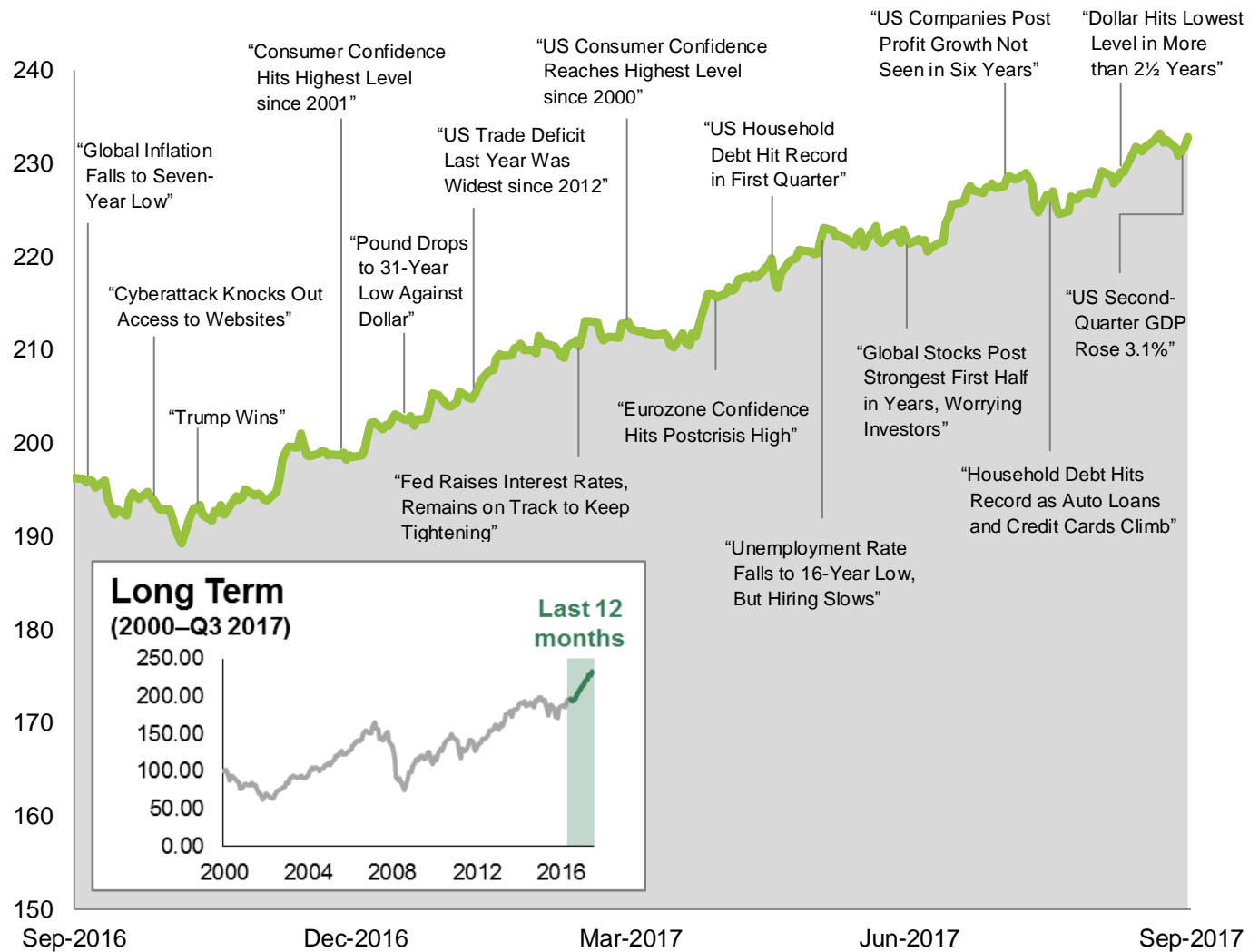
1. STDEV (standard deviation) is a measure of the variation or dispersion of a set of data points. Standard deviations are often used to quantify the historical return volatility of a security or portfolio.

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 2017, 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).

# World Stock Market Performance

## MSCI All Country World Index with selected headlines from past 12 months

### Short Term (Q4 2016–Q3 2017)



These headlines are not offered to explain market returns. Instead, they serve as a reminder that investors should view daily events from a long-term perspective and avoid making investment decisions based solely on the news.

Graph Source: MSCI ACWI Index [net div.]. MSCI data © MSCI 2017, all rights reserved.

It is not possible to invest directly in an index. Performance does not reflect the expenses associated with management of an actual portfolio. **Past performance is not a guarantee of future results.**