

Q1 2018

Wealth Solutions Capital Markets Review

April 2018

| Index | Period Ending March 31, 2018 | | | | | |
|--------------------------------------|------------------------------|--------|-------------|-------------|-------------|--------------|
| | Qtr | Ytd | 1 Yr Return | 3 Yr Return | 5 Yr Return | 10 Yr Return |
| U.S. Equity Markets | | | | | | |
| S&P 500 Index | -0.76% | -0.76% | 13.99% | 10.78% | 13.31% | 9.49% |
| Russell 3000 | -0.64% | -0.64% | 13.81% | 10.22% | 13.03% | 9.62% |
| Russell 3000 Value | -2.82% | -2.82% | 6.81% | 7.87% | 10.71% | 7.84% |
| Russell 3000 Growth | 1.48% | 1.48% | 21.06% | 12.57% | 15.32% | 11.31% |
| Russell 2000 | -0.08% | -0.08% | 11.79% | 8.39% | 11.47% | 9.84% |
| Russell 1000 | -0.69% | -0.69% | 13.98% | 10.39% | 13.17% | 9.61% |
| Non-U.S. Equity Markets | | | | | | |
| MSCI ACWI Ex US | -1.18% | -1.18% | 16.53% | 6.18% | 5.89% | 2.7% |
| MSCI Emerging Markets | 1.42% | 1.42% | 24.93% | 8.81% | 4.99% | 3.02% |
| Fixed Income | | | | | | |
| Barclays Aggregate Bond | -1.46% | -1.46% | 1.2% | 1.2% | 1.82% | 3.63% |
| Barclays US TIPS | -0.79% | -0.79% | 0.92% | 1.3% | 0.05% | 2.93% |
| Real Assets/Natural Resources | | | | | | |
| DJ US Select REIT | -7.43% | -7.43% | -3.68% | 0.74% | 5.97% | 6.02% |
| S&P North American Natural Resources | -6.04% | -6.04% | -0.66% | -1.45% | -1.56% | -0.35% |

GDP (LAGGING INDICATOR)

Q4 2017 (Third Estimate)
 Increased at an annual rate of 2.9%.

EXISTING HOME SALES

Through February 2018
 Increased 3.0%: despite low inventory levels and faster price growth.

UNEMPLOYMENT RATE

Through March 2018
 Unchanged at 4.1% (seasonally adjusted).

CONSUMER PRICE INDEX

March 2018
 Decreased by 0.1% (seasonally adjusted).

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Commentary

The U.S. equity market ended the first quarter down 0.6%, posting its first quarterly decline since the third quarter of 2015. January started the year off strong, as corporate earnings and favorable economic data supported the positive momentum following the tax reforms passed in December. The U.S. equity market fell sharply in February. Volatility spiked after U.S. wage inflation data showed signs of growth, indicating higher labor costs and raising the likelihood of further rate increases by the Federal Reserve. U.S. equities continued downward into March after the Trump administration announced it would be imposing import tariffs on select goods, raising the potential of a trade war with China. The Technology sector also dragged on the U.S. equity market in March due to privacy concerns, related to the use of data obtained from over 50 million Facebook profiles.

All capitalization segments of the market declined in the quarter, with large-cap stocks trailing both the mid- and small-cap segments of the market. Large-cap stocks continue to outperform the mid- and small-cap segments over the 1-year period. Growth stocks outperformed Value stocks by 4.3% in the quarter. The outperformance was due to the Consumer Discretionary and Technology sectors, which were the only two sectors to post positive returns in the period. REITs and Telecomm were the worst performing sectors in the quarter. Signs of a strengthening U.S. economy and rising wage inflation data increased the chances of further rate increases by the Federal Reserve, which sent REITs and Telecomm stocks down sharply in February.

International equities returned -1.2% in the quarter. In local currency terms, international equities returned -3.1% in the quarter. Despite continuing global economic growth, equity prices were negatively affected in many countries by fears of rising protectionism. Potential retaliatory trade restrictions against the U.S. and strong growth in other countries caused the value of the U.S. dollar to decline relative to most other currencies. Equity markets responded favorably to weaker-than-expected inflationary data from Europe and Japan, allowing their central banks to continue to provide accommodative monetary policy.

Recent tensions with North Korea abated when Kim Jong-un agreed to meet with the presidents of both South Korea and the U.S. Emerging Markets overall posted a +1.4% return in the quarter as the weaker U.S. dollar and rising oil prices were supportive for equity prices, especially in many Latin American countries.

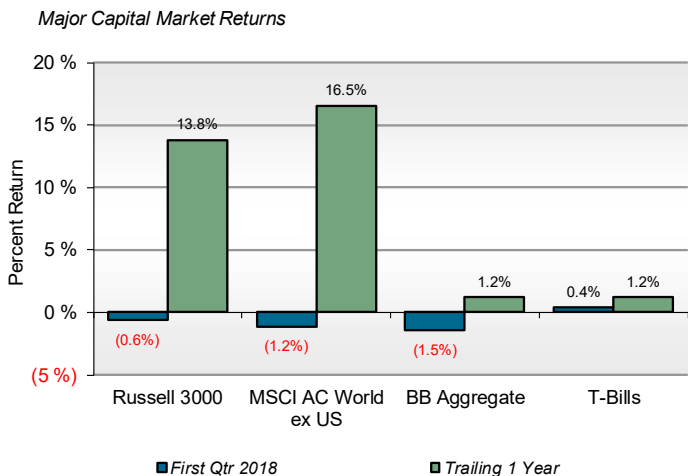
*“Games are won by players
who focus on the playing
field—not by those whose eyes
are glued to the scoreboard.”*

—Warren Buffett

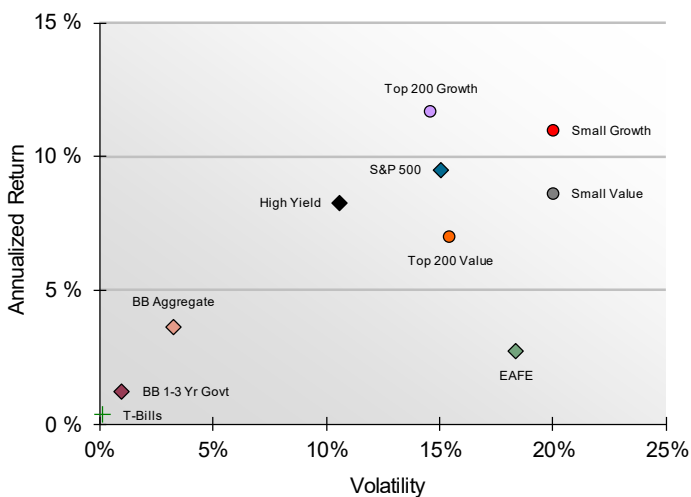
The investment-grade U.S. fixed income market declined 1.5% in the quarter. The Federal Reserve raised rates in March, increasing the target short-term range to 1.50%–1.75%. Longer-term interest rates rose as inflation expectations increased, resulting in a decline of U.S. Government issues by 1.1% during the quarter. The 10-year Treasury yield increased 0.34 percentage points, ending at 2.74%. TIPS declined by 0.8%, outperforming nominal Treasuries in the quarter. Investment-grade credits decreased 2.1%, while high yield corporates fell 0.9%. Municipal bonds declined 1.1%. Developed Non-U.S. government bonds posted gains for the quarter due to a weaker U.S. dollar and accelerating global growth.

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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.



Source of statistics not otherwise specifically cited within this newsletter: Strategic Capital Investment Advisors.

Definitions of the indexes shown here can be found at <http://mfinwealth.com/index-definitions/>.

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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.

The Russell 3000 index measures the performance of the largest 3000 US companies representing approximately 98% of the investable US equity market. It is market-capitalization weighted.

The Russell 3000 Value index measures the performance of the broad value segment of US equity value universe. It includes Russell 3000 index companies with lower price-to-book ratios and lower forecasted growth values. It is market-capitalization weighted.

The Russell 3000 Growth index measures the performance of the broad growth segment of the US equity universe. It includes Russell 3000 index companies with higher price-to-book ratios and higher forecasted growth values. It is market-capitalization weighted.

The Russell 2000 Index measures the performance of the small-cap segment of the US equity universe. It is a subset of the Russell 3000 and includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership.

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The Russell 1000 Index measures the performance of the large-cap segment of the US equity securities. It is a subset of the Russell 3000 index and includes approximately 1000 of the largest securities based on a combination of their market cap and current index membership.

The MSCI ACWI Ex USA Index captures large and mid-cap securities exhibiting overall growth style characteristics across 22 of 23 Developed Markets countries. The growth investment style characteristics for index construction are defined using five variables: long-term forward EPS growth rate, short-term forward EPS growth rate, current internal growth rate and long-term historical EPS growth trend and long-term historical sales per share growth trend.

The MSCI Emerging Markets index measures the performance of the large and mid-cap segments of emerging market equity securities. It is free float-adjusted market-capitalization weighted.

The Barclays Aggregate Bond index measures the performance of investment grade, U.S. dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS, and CMBS.

The Barclays US TIPS index measures the performance of rules-based, market value-weighted inflation-protected securities issued by the U.S. Treasury. It is a subset of the Global Inflation-Linked Index (Series-L).

The DJ US Select REIT index measures the performance of publicly traded real estate investment trusts (REITs) and REIT-like securities. The index is a subset of the Dow Jones US Select Real Estate Securities Index (RESI). The index is designed to serve as proxy for direct real estate investment, in part by excluding companies whose performance may be driven by factors other than the value of real estate.

The S&P North American Natural Resources index measures the performance of US traded securities that are classified under the Global Industry Classification Standard (GICS) energy and materials (sector) excluding the chemicals (industry) and steel (sub-industry).



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