



For the first time in more than a decade all major global economies grew simultaneously as equities gained \$9 trillion in value over the year as measured by the MSCI all-country index. With the passage of a sweeping tax overhaul in December a new tailwind has been created with hopes that U.S. households and businesses, benefiting from overall lower tax rates, will help promote further long-term economic growth.

For the quarter, domestic large company stocks (S&P 500) increased 6.64% while small company stocks (Russell 2000) increased 3.34%. Growth stocks outperformed value stocks across all market capitalizations. Within the S&P 500 consumer cyclical, technology and financials were the strongest performing sectors for the quarter increasing 9.9%, 8.63% and 8.14% respectively. Utilities, consumer defensive and real estate were the weakest performing sectors, gaining 0.54%, 1.59% and 1.73% each over the 4th quarter.

Foreign stock markets in aggregate increased in the 4th quarter alongside a slight depreciation of the dollar against most major foreign currencies. A decrease in value of the U.S. dollar enhances returns when investing in foreign securities while an increase in the dollar's value reduces returns for U.S. investors holding foreign securities. For the quarter the MSCI EAFE Index (in U.S. dollars) increased 4.27% while the MSCI EAFE Index (in local currency) increased 3.71%.

With expectations of higher inflation and the potential that the tax overhaul could increase the deficit and in turn lead to more government borrowing in the future, bond prices fell, sending yields higher, as investors sold U.S. Treasuries. The yield on 10-year Treasury bonds increased from 2.34% to 2.40% over the quarter sending the price of Treasuries slightly lower (bond yields move inversely to price). For the quarter, the Barclays U.S. Aggregate Bond Index increased 0.41%.

On December 13, the Federal Reserve's Open Market Committee raised the range for the federal funds rate to a range of 1.25% to 1.5% percent, the fifth increase of 0.25% in the past two years. Going forward the Fed is targeting three quarter-point increases in 2018.

Following the meeting, Fed Chairwoman Janet Yellen shared her view that "at the moment the U.S. economy is performing well." She also stated that the globally economy is also doing well, adding "we're in a synchronized expansion. This is the first time in many years we've seen this." With this there is good reason to expect further rate increases in 2018 to prevent the economy from overheating, but not all Fed officials agree, citing weak inflation as a reason to hold off on rate increases.

Taking the long view, we continue to believe that globally diversified stock and bond portfolios and disciplined investment strategies can continue to provide opportunities for those investors looking for growth.

I welcome your input and as always, should you have any questions or concerns, or if there is a change in your investment time horizon or financial circumstances, please contact me at your convenience.

Written by North Star Resource Group.

| AVERAGE ANNUAL RETURNS FOR PERIODS ENDING 12/31/2017 |       |        |        |        |        |        |
|--|-------|--------|--------|--------|--------|--------|
| INDEX  | 4TH Q | YTD    | 1 YR   | 3 YRS  | 5 YRS  | 10 YRS |
| S&P 500  | 6.64% | 21.83% | 21.83% | 11.41% | 15.79% | 8.50%  |
| Russell 2000   | 3.34% | 14.65% | 14.65% | 9.96%  | 14.12% | 8.71%  |
| MSCI EAFE (U.S. dollars)                             | 4.27% | 25.62% | 25.62% | 8.30%  | 8.39%  | 2.42%  |
| Barclays US Aggregate Bond                           | 0.41% | 3.63%  | 3.63%  | 2.27%  | 2.10%  | 4.03%  |
| BENCHMARK COMPOSITES                                 | 4TH Q | YTD    | 1 YR   | 3 YRS  | 5 YRS  | 10 YRS |
| Aggressive Growth                                    | 5.10% | 21.17% | 21.17% | 10.11% | 13.15% | 6.73%  |
| Growth   | 4.14% | 17.70% | 17.70% | 8.51%  | 10.87% | 6.13%  |
| Conservative Growth                                  | 3.34% | 14.59% | 14.59% | 6.99%  | 8.67%  | 5.52%  |
| Income and Growth                                    | 2.38% | 11.12% | 11.12% | 5.39%  | 6.38%  | 4.92%  |
| Income   | 1.54% | 7.46%  | 7.46%  | 3.94%  | 4.47%  | 4.62%  |

You cannot invest directly in an index. Indices do not have expenses, which would reduce returns. Past performance is not indicative of future results. The S&P 500 Index measures the performance of large capitalization U.S. stocks. The S&P 500 is a market-value-weighted index of 500 stocks that are traded on the NYSE, AMEX and NASDAQ. The weightings make each company's influence on the Index's performance directly proportional to the company's value. The Russell 2000 Index measures the total return of small capitalization U.S. stocks. The Russell 2000 is a market-value-weighted index of the 2,000 smallest stocks in the broad-market Russell 3000 Index. These securities are traded on the NYSE, AMEX and NASDAQ. Investments in smaller company and micro-cap stocks generally carry a higher level of volatility and risk over the short term. The MSCI EAFE Index is the Morgan Stanley Capital International Index and is designed to measure the total return of the developed stock markets of Europe, Australia and the Far East. Investment risks associated with international investing, in addition to other risks, include currency fluctuations, political and economic instability and differences in accounting standards when investing in foreign markets. The Barclays US Aggregate Bond Index is a market-weighted index that includes U.S. government, corporate, and mortgage-backed securities, rated investment grade or higher, with maturities up to 10 years. Investments in fixed income securities are subject to interest rate risk and, as such, the net asset value of bond and real estate funds will fall as interest rates rise. The Benchmark Composite returns are a weighted average of index data comprised in the following manner. Aggressive Growth is 45% S&P 500, 25% Russell 2000 and 30% MSCI EAFE. Growth is 35% S&P 500, 20% Russell 2000, 25% MSCI EAFE and 20% Barclays US Aggregate Bond. Conservative Growth is 30% S&P 500, 10% Russell 2000, 20% MSCI EAFE and 40% Barclays US Aggregate Bond. Income and Growth is 20% S&P 500, 5% Russell 2000, 15% MSCI EAFE and 60% Barclays US Aggregate Bond. Income is 15% S&P 500, 5% MSCI EAFE and 80% Barclays US Aggregate Bond.

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