



NORTH STAR
Resource Group
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MARKET UPDATE **QUARTER 1, 2018**

The bull market turned 9 years old in March, now the second longest in U.S. history. Since the Financial Crisis of 2008, the S&P 500 has more than quadrupled, the Dow Jones Industrial Average has increased 280%, and the Nasdaq has climbed 486%. Amid a backdrop of strong corporate earnings, accelerating global economic growth, and unemployment at 17-year lows, concerns regarding restrictive trade policies, inflation, and rising interest rates are capturing today's headlines and represent potential headwinds for the global economy.

For the quarter, large company stocks (S&P 500) decreased 0.76% while small company stocks (Russell 2000) decreased 0.08%. The strongest performing sectors within the S&P 500 index were technology and consumer discretionary, which increased 3.2% and 2.8% respectively. Telecom services, consumer staples, and energy were the weakest performing sectors, falling 8.7%, 7.8%, and 6.6% each over the quarter.

Foreign stock markets, in aggregate, also decreased in the 1st quarter despite continued weakening of the U.S. dollar. 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) decreased 1.41% while the MSCI EAFE Index (in local currency) decreased 4.16%.

The demand for short, intermediate, and long-term Treasuries decreased during the quarter, pushing yields higher with lower bond prices (bond yields move inversely to bond prices). With a larger federal budget deficit and rising inflation expectations, the demand for fixed income may continue to weaken. For the quarter the Barclays U.S. Aggregate bond index (a blended composite) decreased 1.48%.

In January the Federal Reserve emphasized there would be continuity of its monetary policy as Janet Yellen's term concluded early February. In his first meeting as Chair of the Federal Reserve, Jerome Powell, and the committee, delivered what was expected, an increase of the target range for the federal funds rate from 1 ½ to 1 ¾%. With inflation and wage growth, due to historical low unemployment rates, the Fed appears to have a more hawkish tone regarding inflation stating in press release following the meeting that inflation is "expected to move up in coming months", up from "this year" as described in their January statement.

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 3/31/2018						
INDEX	1ST Q	YTD	1 YR	3 YRS	5 YRS	10 YRS
S&P 500	-0.76%	-0.76%	13.99%	10.78%	13.31%	9.49%
Russell 2000	-0.08%	-0.08%	11.79%	8.39%	11.47%	9.84%
MSCI EAFE (U.S. dollars)	-1.41%	-1.41%	15.32%	6.05%	6.08%	3.23%
Barclays US Aggregate Bond	-1.48%	-1.48%	1.24%	1.20%	1.82%	3.65%
BENCHMARK COMPOSITES	1ST Q	YTD	1 YR	3 YRS	5 YRS	10 YRS
Aggressive Growth	-0.79%	-0.79%	13.84%	8.76%	10.68%	7.70%
Growth	-0.93%	-0.93%	11.33%	7.20%	8.84%	6.83%
Conservative Growth	-1.11%	-1.11%	8.94%	5.76%	7.08%	5.94%
Income and Growth	-1.26%	-1.26%	6.43%	4.20%	5.24%	5.06%
Income	-1.37%	-1.37%	3.86%	2.88%	3.76%	4.51%

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 US 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. This material represents an assessment of the market environment at a specific point in time and is not intended to be a forecast of future events, or a guarantee of future results. This information should not be relied upon by the reader as research or investment advice regarding any funds or stocks in particular, nor should it be construed as a recommendation to purchase or sell a security. Past performance is no guarantee of future results. Investments will fluctuate and when redeemed may be worth more or less than when originally invested. Tracking 2075131/DOFU 4-2018
Sources: First Trust, The Wall Street Journal, T. Rowe Price and the Federal Reserve Board