Quarterly Review

In like a lamb and out like a lion. This is a good way to describe the level of volatility and uncertainty connected to the stock and bond markets during this past quarter. Heading into 2018 there was a great deal of complacency and market momentum evidenced by a strengthening economy, the passage of pro-growth tax reform, an improving earnings growth outlook, soaring business and consumer confidence, and extremely low volatility and credit spread levels.

This complacency and momentum held for most of January as stock markets reached all-time highs on January 26 but started to crack a couple of days later with the Federal Reserve's more hawkish FOMC January monetary policy statement. Sentiment quickly shifted into a high level of volatility and uncertainty in early February as inflation fears climbed with a jobs report that showed wages rose at their fastest pace (+2.9%) in almost a decade. This report propelled bond yields sharply higher across the yield curve and sent stock markets into correction territory for the first time in over two years.

Chart 1 – Treasury Yields

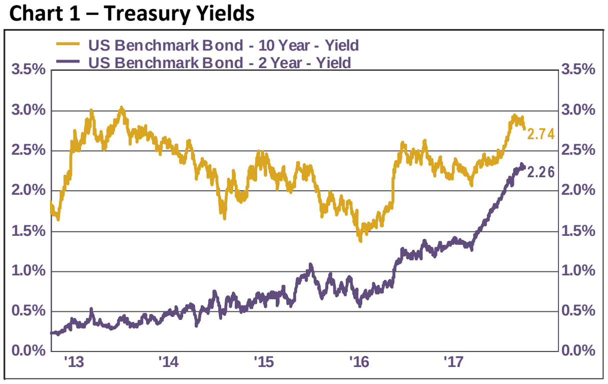
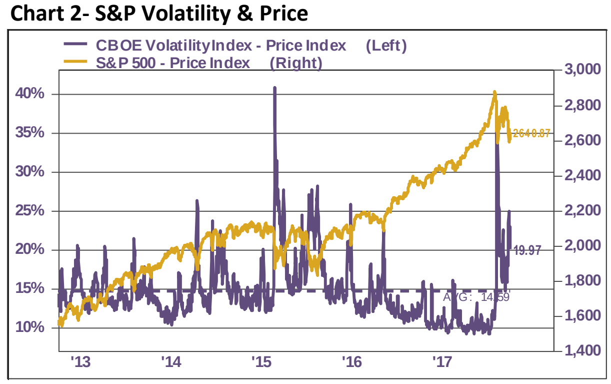


Chart 2- S&P Volatility & Price



As the quarter progressed, despite solid economic data that continued to reflect a strengthening economy and treasury yields that stabilized into a tight trading range, stock market volatility continued exacerbated by tariffs on steel, aluminum and China, the passage of a $1.3 trillion "budget", widening investment-grade credit spreads, rising 3-month Libor rates, and the Federal Reserve's recent upward revisions to monetary policy (short-term rates) in years 2019 & 2020. After a strong start to the year, there were few places to hide as most stock and bond markets finished lower for the quarter.

Table 1 – Index Total Returns as of March 29, 2018

Equity	1-Month	3-Month	YTD	1-Year	3-Year	5-Year	10-Year
NASDAQ	-2.79	2.59	2.59	20.76	14.27	18.07	13.23
MSCI Emerging	-1.86	1.42	1.42	24.93	8.81	4.99	3.02
Russell 2000	1.29	-0.08	-0.08	11.79	8.39	11.47	9.84
S&P 500	-2.54	-0.76	-0.76	13.99	10.78	13.31	9.49
S&P 400	0.93	-0.77	-0.77	10.97	8.96	11.97	10.90
MSCI Developed	-1.80	-1.53	-1.53	14.80	5.55	6.50	2.74
Dow Jones Industrial	-3.59	-1.96	-1.96	19.39	13.48	13.32	9.86
Fixed Income	**1-Month**	**3-Month**	**YTD**	**1-Year**	**3-Year**	**5-Year**	**10-Year**
Barclays Municipal 5-Year	-0.04	-0.57	-0.57	0.65	1.27	1.54	3.28
Barclays High Yield	-0.60	-0.86	-0.86	3.78	5.17	4.99	8.27
Barclays Michigan Muni	0.38	-0.89	-0.89	3.10	2.50	2.96	4.43
Barclays Inter Gov't/Credit	0.36	-0.98	-0.98	0.35	0.94	1.25	2.92
Barclays Municipal	0.37	-1.11	-1.11	2.66	2.25	2.73	4.40
Barclays Aggregate	0.64	-1.46	-1.46	1.20	1.20	1.82	3.63
Commodity	**1-Month**	**3-Month**	**YTD**	**1-Year**	**3-Year**	**5-Year**	**10-Year**
Bloomberg Commodity	-0.62	-0.40	-0.40	3.71	-3.21	-8.32	-7.71

Our investment strategy continues to maintain a neutral allocation to stocks and bonds. Stocks are likely to be buoyed by expected corporate earnings and economic growth but our approach to stocks is growing more cautious tempered collectively by central bank policy, tariffs, tightening credit trends, growing deficits and the potential flattening of the yield curve. For bonds, we continue to maintain a slightly defensive position as we expect interest rates to continue to gradually rise pressured by monetary and fiscal policy, a tight labor market, and sustained economic growth.

Chart 3 – Credit Spreads

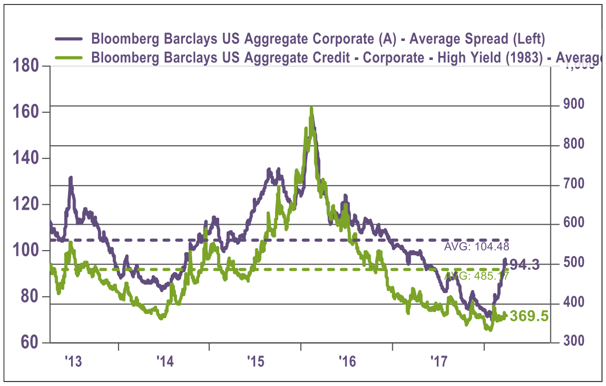
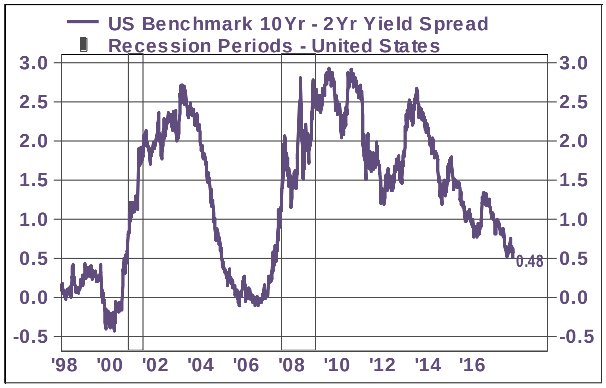


Chart 4 - U.S. Treasury Benchmark 10yr-2Yr Spread



In like a lamb and out like a lion. With markets, there is always a fine sentimental line between complacency and anxiety, confidence and doubt, or certainty and uncertainty. This line is in constant flux predicated on the cumulative interpretation by investors on a multitude of complex and interwoven economic and capital market variables. To endure the fragility of sentiment, and associated volatility, it is important to have a prudent and disciplined long-term investment plan in place and to adhere to the plan's asset allocation, regardless of market direction. Asset allocation, and appropriate adjustments, helps to ensure the risk and return profile of a portfolio remains consistent with the plan's investment objectives.

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Sources: FactSet, Federal Reserve, U.S. Department of Labor, The Conference Board and the National Federation of Independent Business