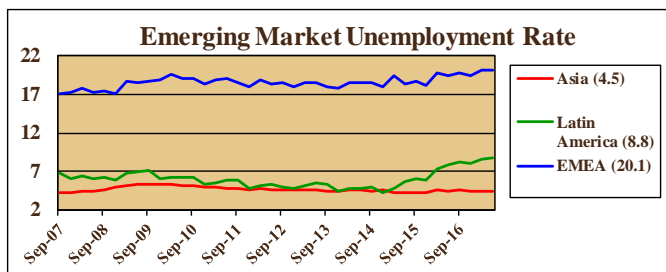
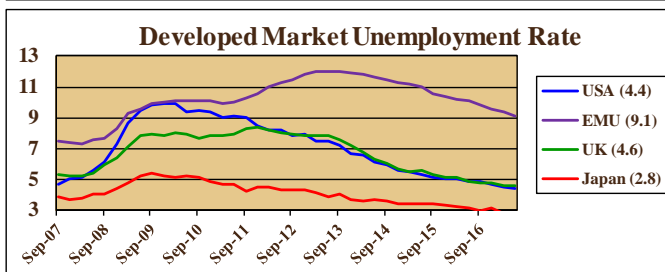
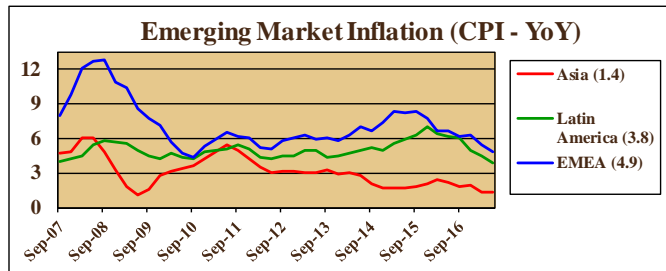
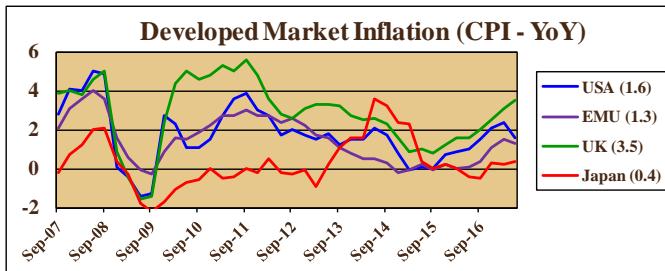
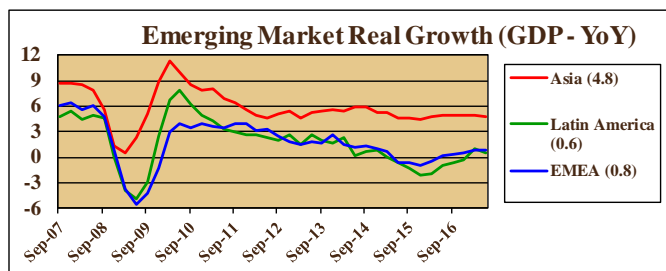
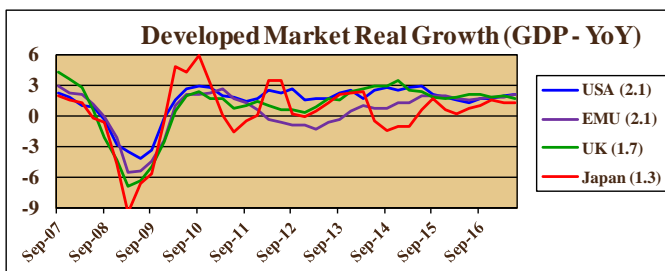


Second Quarter 2017

Global Market and Economic Perspective

Global Economic Commentary

- ❖ Over the second quarter, unemployment rates in much of the world remained fairly stable. In the United States, the rate dropped again by a small amount, to 4.4%, as nearly 600 thousand additional workers were employed compared to the end of the first quarter. Unemployment also fell in the Eurozone, although the rate there, at 9.1%, remains stubbornly high.
- ❖ Real economic growth (GDP) continued to show slow and steady improvement, with growth in Asian emerging market countries substantially higher than the rest of the world. The economic recovery in the US is now in its ninth year – the third longest recovery in the post-WWII period.
- ❖ Inflation in most developed and emerging countries remained subdued in the second quarter. Although the inflation rate in the US and much of Europe actually fell slightly, inflation in the UK has been trending upwards due to Brexit-induced weakness in the UK's currency, which has caused import prices to rise.



Notes: Emerging market economic statistics are estimated by region using eight countries, which represent roughly 80% of the MSCI Emerging Market Equity Index. Recent observations may be estimated where reporting lags make official data unavailable at the time of this report.

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Global Market and Economic Perspective – Q2 2017

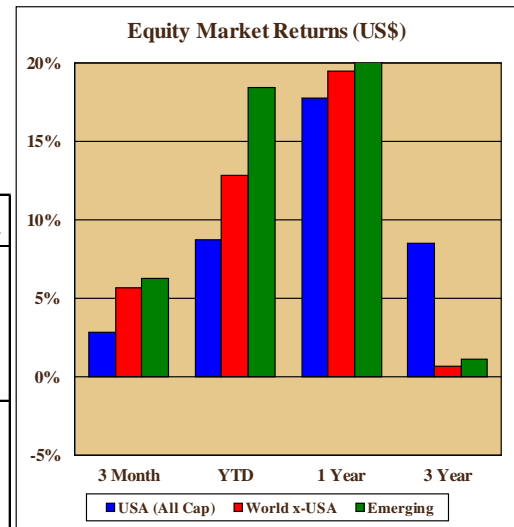
Global Equity and Currency Commentary

- ❖ Equity market returns were mostly positive in the second quarter. In the United States, growth stocks continued to outperform value stocks by a modest amount. However, the second quarter did not see the large difference in returns between small-cap stocks and large-cap stocks that occurred after the November election.
- ❖ In contrast to the first quarter, when returns in emerging market equities exceeded developed market returns by a wide margin, emerging market and developed market returns in the second quarter were broadly similar. Relatively strong earnings growth in most markets has supported the positive trend in equity prices.
- ❖ The second quarter saw continued weakness in the US dollar. Although short-term interest rates rose due to additional Federal Reserve rate increases, the increased attractiveness of US fixed income has been insufficient to stem the dollar's decline. Some pundits attributed the currency weakness to the failure of Washington to implement any economically beneficial policies. Likewise, policy and economic uncertainty in the UK caused the pound to depreciate against many major currencies during the second quarter.

Global Equity Market Returns (MSCI)

	Returns (US\$)				Returns (Local)			
	3 Month	YTD	1 Year	3 Year	3 Month	YTD	1 Year	3 Year
United States								
USA (All Cap)	2.8%	8.7%	17.7%	8.5%				
USA Growth	4.1%	13.6%	19.6%	10.5%				
USA Value	1.7%	5.1%	15.0%	7.0%				
USA SC Growth	4.1%	9.5%	21.6%	7.1%				
USA SC Value	0.2%	2.1%	19.4%	6.7%				
Foreign Developed								
World x-USA	5.6%	12.8%	19.5%	0.7%	2.3%	6.9%	21.2%	6.6%
Europe	7.4%	15.4%	21.1%	-0.2%	1.8%	7.9%	20.2%	6.6%
Far East	5.4%	11.7%	19.5%	5.4%	6.2%	8.1%	29.2%	8.6%
Australia	-1.9%	8.9%	18.3%	-1.0%	-2.4%	2.8%	14.9%	6.1%
Canada	0.6%	3.2%	11.7%	-3.9%	-2.0%	-0.1%	11.7%	2.6%
Emerging Markets								
Emerging	6.3%	18.4%	23.7%	1.1%	6.6%	14.8%	21.8%	6.1%
Asia	8.6%	23.2%	27.9%	5.0%	9.1%	19.7%	26.3%	7.3%
Latin America	-1.7%	10.1%	15.0%	-6.6%	-0.4%	7.2%	16.7%	5.3%
EMEA	2.1%	4.9%	12.9%	-6.0%	0.7%	0.6%	6.8%	2.7%

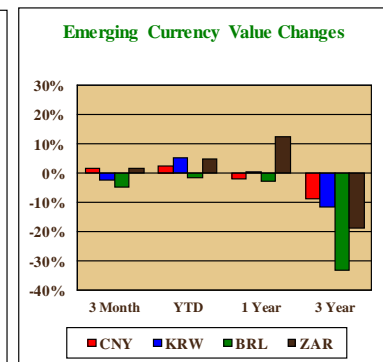
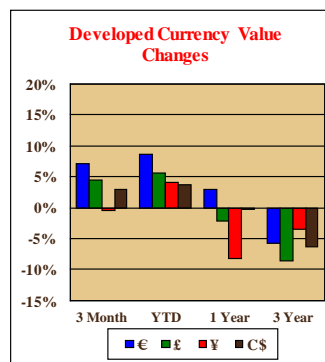
Annualized if greater than one year



Foreign Exchange Rate History (Bloomberg)

	Current Level	Change (Foreign Currency versus \$)			
		3 Month	YTD	1 Year	3 Year
Developed					
Euro (€)	1.14	7.0%	8.6%	2.9%	-5.8%
British Pound (£)	1.30	4.5%	5.6%	-2.1%	-8.7%
Japanese Yen (¥)	112	-0.4%	4.1%	-8.2%	-3.4%
Canadian Dollar (C\$)	1.30	2.9%	3.7%	-0.3%	-6.3%
Emerging					
Chinese Renminbi (CNY)	6.78	1.6%	2.4%	-2.0%	-8.5%
Korean Won (KRW)	1144	-2.3%	5.4%	0.7%	-11.6%
Brazilian Real (BRL)	3.31	-4.8%	-1.6%	-2.9%	-33.1%
South African Rand (ZAR)	13.07	1.6%	5.1%	12.6%	-18.7%

Annualized if greater than one year



Global Market and Economic Perspective – Q2 2017

US Fixed Income and Fed Commentary

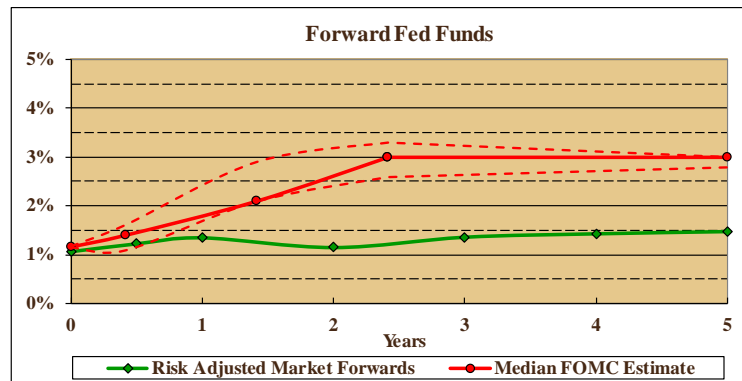
- ❖ Interest rates on short-term US Treasury notes rose in the second quarter, as the Federal Reserve hiked the Fed Funds rate another quarter percentage point. In contrast and despite the Fed's rate hike, yields on intermediate and long-term bonds fell, which boosted returns to longer-dated securities. The Fed has signaled that they intend to keep raising their policy interest rate because of declining unemployment and continued economic growth. Although the Fed continues to project that the Fed Funds rate will rise to 3% in the next three years, market expectations are for the cash rate to rise to only 1.5% in that period.
- ❖ Yields on municipal bond declined even more than did the yields on intermediate and long-term Treasuries. This combined with the yield declines on municipals in the first quarter to produce strong returns during the first half of 2017.
- ❖ High yield bond markets performed well again in the second quarter, as credit spreads over Treasury bonds narrowed further. As with returns in municipal bonds, the narrowing of spreads produced good returns in high yield bonds during the quarter and first six months of the year.

FOMC Fed Funds Rate Projections as of March 2017 Meeting						
	Current	Dec-17	Dec-18	Dec-19	Dec-19	Long Run
Upper	1.16%	1.10%	2.10%	2.60%	2.60%	2.80%
Median	1.16%	1.40%	2.10%	3.00%	3.00%	3.00%
Lower	1.16%	1.60%	2.90%	3.30%	3.30%	3.00%

Market Implied Fed Funds Rate as of Aug 01, 2017						
Current	6 Month	1 Year	2 Year	3 Year	4 Year	5 Year
1.07%	1.23%	1.34%	1.15%	1.36%	1.42%	1.47%

Notes

Upper and lower bands show central tendency for FOMC projections.
Market implied Fed Funds rates are risk adjusted.



US Bond Yield and Spread History (Barclays)

	Current Level	Change Through June 2017			
		3 Month	YTD	1 Year	3 Year
US Treasury					
Short	1.55%	0.05%	0.11%	0.82%	0.80%
Intermediate	2.12%	-0.09%	-0.12%	0.84%	0.05%
Long	2.77%	-0.18%	-0.22%	0.62%	-0.42%
US High Yield					
Yield	5.62%	-0.22%	-0.50%	-1.66%	0.71%
Spread	3.64%	-0.18%	-0.45%	-2.30%	0.27%
Tax-Exempt Muni.					
Short	1.23%	-0.08%	-0.39%	0.42%	0.54%
Intermediate	1.93%	-0.23%	-0.41%	0.59%	0.09%
Long	2.72%	-0.28%	-0.35%	0.81%	-0.38%

