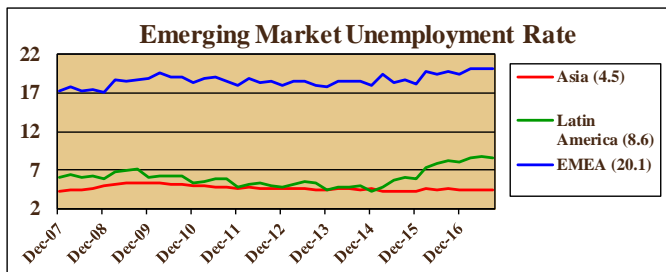
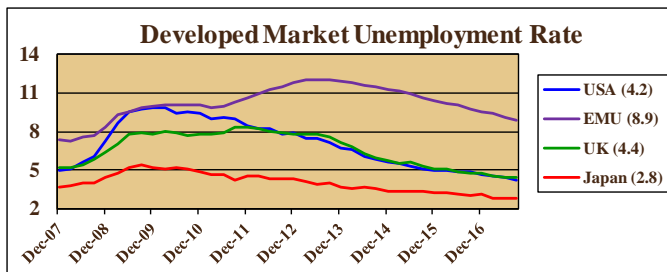
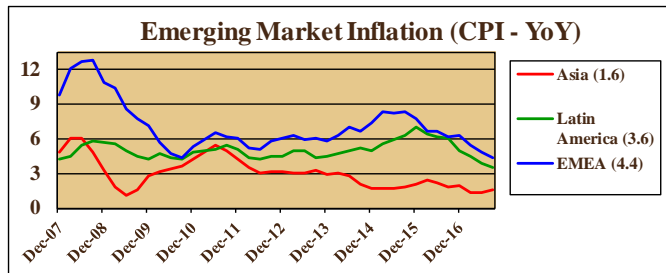
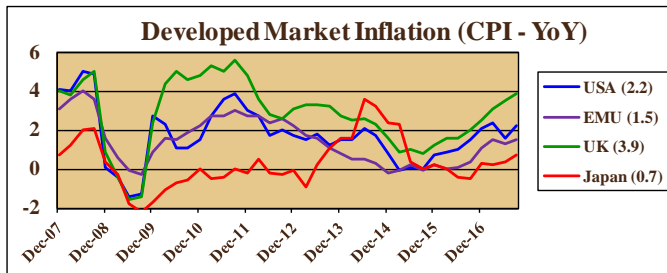
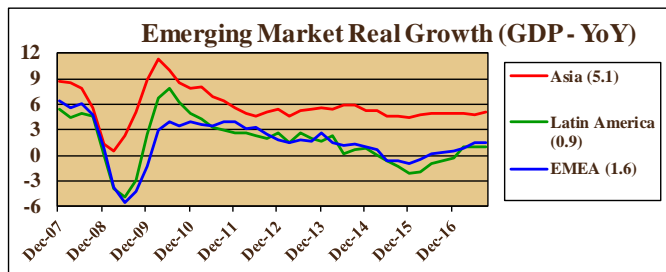
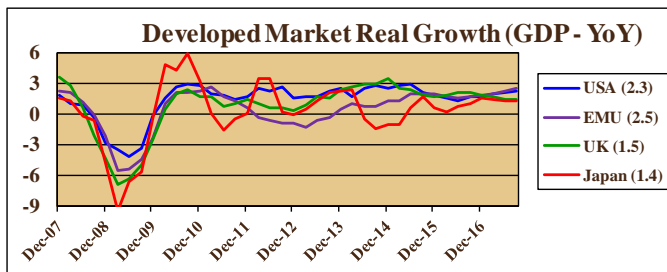


Third Quarter 2017

Global Market and Economic Perspective

Global Economic Commentary

- ❖ Real economic growth across the globe continues to show slow improvement. Although Europe experienced a small retracement in the third quarter, the year-over-year growth rate was the strongest registered since before the global financial crisis. The US had similarly firm growth, despite political uncertainty and disruptions from multiple hurricanes.
- ❖ Steady economic growth through the third quarter supported the continued improvement in global labor markets. The unemployment rates in the US and Europe have shown particularly persistent improvement. In the US, the Unemployment rate current stands at 4.2%.
- ❖ Inflation in most developed and emerging countries remains subdued, but the trends in major developed markets have shown modest improvement toward the 2% targets of many central banks. The UK has experienced higher inflation, largely due to dislocations surrounding the uncertainties from Brexit.



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 – Q3 2017

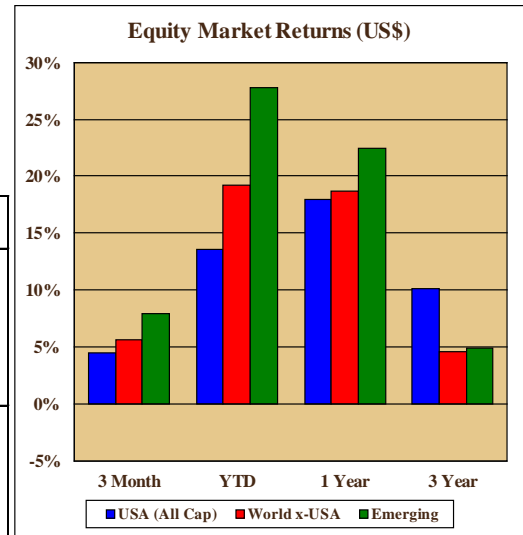
Global Equity and Currency Commentary

- ❖ Equity market returns were strong in the third quarter, bringing the year-to-date totals to very impressive levels. In the United States, small-cap stocks outpaced large cap stocks, erasing some of the advantage that large-cap stocks displayed in the first half of the year. Modest dollar weakness helped to bring foreign developed equity market returns in line with the US.
- ❖ Emerging equity market returns continued to outpace developed markets in the third quarter. After the strong first half, this brings emerging market equity returns to nearly 30% for the year. The bulk of this strong performance has come from local market price improvement, although dollar weakness has added about 4% to the year-to-date performance for US investors.
- ❖ Global equity market performance continues to be fundamentally justified by relatively strong and stable earnings growth. Accommodative central bank policies also continue to support the positive trend in equity prices. Although the Fed is currently raising rates at a slow pace and is in the early stages of reducing the size of their balance sheet, foreign central banks remain committed to very growth friendly policies for the foreseeable future.

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)	4.4%	13.6%	17.9%	10.1%				
USA Growth	5.2%	19.5%	20.3%	11.8%				
USA Value	3.3%	8.5%	15.1%	8.1%				
USA SC Growth	5.9%	16.0%	20.1%	11.1%				
USA SC Value	5.0%	7.2%	18.0%	10.5%				
Foreign Developed								
World x-USA	5.6%	19.2%	18.7%	4.6%	3.4%	10.5%	18.1%	7.5%
Europe	6.4%	22.8%	22.3%	4.4%	3.5%	11.6%	17.7%	7.9%
Far East	4.1%	16.2%	14.6%	7.7%	4.2%	12.6%	25.3%	8.5%
Australia	3.1%	12.3%	13.1%	2.8%	0.8%	3.6%	10.3%	6.6%
Canada	7.9%	11.3%	15.0%	0.0%	3.9%	3.8%	9.4%	3.9%
Emerging Markets								
Emerging	7.9%	27.8%	22.5%	4.9%	7.6%	23.5%	21.8%	8.5%
Asia	7.0%	31.8%	23.8%	8.0%	7.0%	28.1%	24.2%	9.6%
Latin America	15.1%	26.7%	25.6%	-0.3%	11.7%	19.8%	21.3%	8.4%
EMEA	6.3%	11.5%	13.5%	-1.3%	6.7%	7.4%	11.3%	5.2%

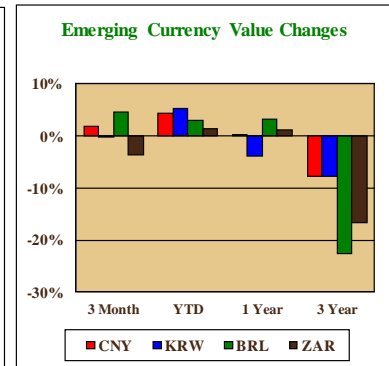
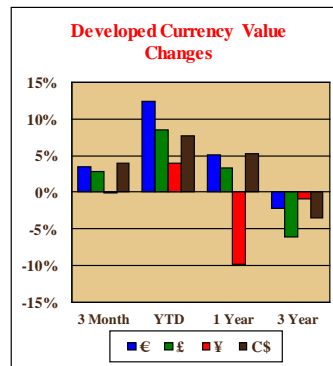
Annualized if greater than one year



Foreign Exchange Rate History (Bloomberg)

	Current Level	Change (Foreign Currency versus \$)			
		3 Month	YTD	1 Year	3 Year
Developed					
Euro (€)	1.18	3.4%	12.3%	5.2%	-2.2%
British Pound (£)	1.34	2.9%	8.6%	3.3%	-6.2%
Japanese Yen (¥)	113	-0.1%	4.0%	-9.9%	-0.9%
Canadian Dollar (C\$)	1.25	3.9%	7.8%	5.3%	-3.5%
Emerging					
Chinese Renminbi (CNY)	6.65	1.9%	4.4%	0.3%	-7.7%
Korean Won (KRW)	1145	-0.1%	5.3%	-3.9%	-7.9%
Brazilian Real (BRL)	3.16	4.6%	2.9%	3.2%	-22.6%
South African Rand (ZAR)	13.56	-3.6%	1.3%	1.2%	-16.7%

Annualized if greater than one year



Global Market and Economic Perspective – Q3 2017

US Fixed Income and Fed Commentary

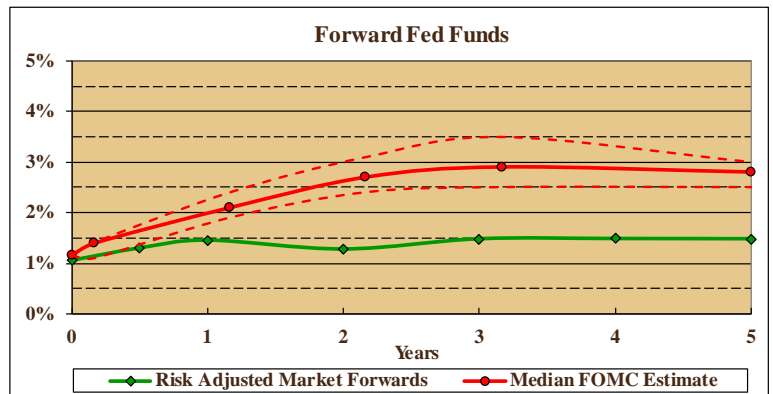
- ❖ Interest rates on short-term US Treasury notes rose modestly in the third quarter, as Janet Yellen and other voting members of the Federal Reserve’s FOMC indicated that they remain on course to continue their removal of accommodative monetary policies in the coming quarters. This commitment is important, in that many headline news events could have been used as an excuse to pause and wait for potentially adverse events to unfold. Hurricanes, legislative uncertainty and North Korean nuclear developments are on par with events that sidelined the Fed in recent years. Although the Fed continues to project that the Fed Funds rate will rise to 3% in the next three years, market expectations indicate a more modest increase to only 1.5% over that period.
- ❖ Despite troubles in Puerto Rico, yields on municipal bonds declined in the third quarter. This combined with strong performance in the first half of the year, have brought municipal bond yields materially lower in 2017.
- ❖ High yield bond markets performed well again in the third quarter, as credit spreads over Treasury bonds narrowed further. The improvement in the high yield bond market has been supported by positive equity market returns and strong corporate earnings.

FOMC Fed Funds Rate Projections as of September 2017 Meeting						
	Current	Dec-17	Dec-18	Dec-19	Dec-20	Long Run
Upper	1.16%	1.10%	1.90%	2.40%	2.50%	2.50%
Median	1.16%	1.40%	2.10%	2.70%	2.90%	2.80%
Lower	1.16%	1.40%	2.40%	3.10%	3.50%	3.00%

Market Implied Fed Funds Rate as of Oct 02, 2017						
Current	6 Month	1 Year	2 Year	3 Year	4 Year	5 Year
1.06%	1.30%	1.45%	1.28%	1.48%	1.49%	1.48%

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 September 2017			
		3 Month	YTD	1 Year	3 Year
US Treasury					
Short	1.62%	0.07%	0.18%	0.71%	0.70%
Intermediate	2.14%	0.03%	-0.09%	0.73%	-0.03%
Long	2.78%	0.01%	-0.21%	0.56%	-0.31%
US High Yield					
Yield	5.45%	-0.17%	-0.67%	-0.72%	-0.68%
Spread	3.47%	-0.18%	-0.62%	-1.34%	-0.77%
Tax-Exempt Muni					
Short	1.23%	-0.01%	-0.40%	0.21%	0.48%
Intermediate	1.92%	-0.01%	-0.42%	0.39%	0.14%
Long	2.67%	-0.05%	-0.40%	0.52%	-0.22%

