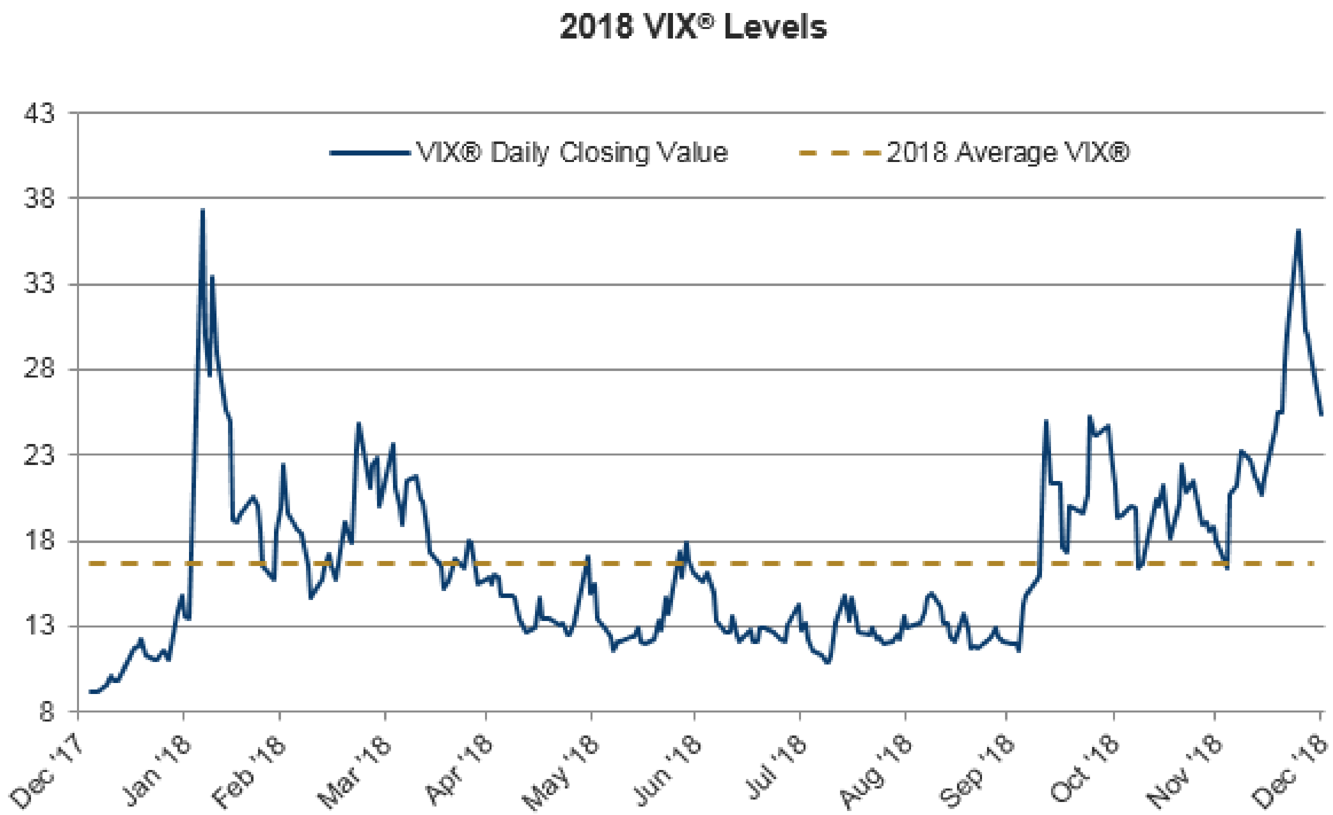
The S&P 500® Index returned -13.52% for the fourth quarter of 2018, resulting in a return of -4.38% for the year. The equity markets proved to be increasingly volatile throughout the quarter with the S&P 500® Index returning -6.84%, 2.04% and -9.03% for October, November and December, respectively.

The fourth quarter loss was a continuation of an equity market decline that began after the S&P 500® Index reached an all-time high in late September. The market fell persistently throughout October as investors processed concerns around trade, transitioning political leadership in Europe and geopolitical tensions in the Middle East and Central America. The decline was steady, with October 10th and October 24th standing out as the S&P 500® Index declined over 3% both days. November's gain did not come without drama. Aforementioned concerns compounded with: downward revisions of earnings growth estimates, a sharp drop in the price of oil and concern that the Federal Reserve (Fed) may go too far in tightening monetary policy drove the market to a decline of 6.29% from November 7th through November 23rd. Equity markets then rallied 6.06% from that point through December 3rd on dovish rhetoric from Fed officials before resuming its decline with increased ferocity. By Christmas Eve, the S&P 500® Index approached bear territory, dropping a total of 19.37% from its September 20th high, before rallying 6.67% through the close of the year.

Despite these market declines and concerns of an economic slowdown, the domestic backdrop remained relatively positive throughout the fourth quarter. The 3.7% unemployment rate held steady in October and November, consistent with the Q3 close of 3.7%. With tightening employment conditions and a confident consumer, the November year-over-year change for the Consumer Price Index was 2.2%, in line with the Fed's 2% target. Despite large-scale damage from hurricanes and wildfires, the economy expanded, and corporate earnings grew in Q3. On December 21st, the third estimate of Q3 GDP growth came in at 3.4%. The revision was a slight downgrade from the 3.5% second estimate and a slowing from the impressive Q2 GDP growth of 4.2%. Aggregate operating earnings for S&P 500® Index companies grew 7.2% in Q3, 26.9% for the year, with nearly 85% of companies meeting or exceeding analyst estimates.

The tumultuous fourth quarter served as a bookend to match the volatility of the first quarter. The year began with a continuation of 2017's record-low volatility and a spectacular market advance. The S&P 500® Index returned 7.55% through January 26th, but the remainder of the first quarter gave investors a taste of how the year would end. Concerns about rising interest rates drove an abrupt change in equity markets and the S&P 500® Index lost 10.10% from January 26th through February 8th. A significant portion of the decline occurred on Monday, February 5th when the S&P 500® Index lost 4.10% and volatility measures spiked to levels not seen since August of 2015. From its closing value on February 8th through March 9th, the equity market staged a partial recovery that stalled out as fears of a trade war grew while technology stocks slumped. The S&P 500® Index finished the first quarter with a return of -0.76%. Strong earnings growth helped propel the equity market to a steady advance that spanned the second and third quarters as volatility returned to below-average levels. The S&P 500® Index returned 11.41% from March 31st through September 30th.

Despite a first quarter equity market correction and a near bear market low at the fourth quarter, implied volatility levels were relatively subdued for most of the year. The Cboe® Volatility Index® (the VIX®) averaged 16.64 in 2018, below its long-term average of 19.27. In a reversal of the normal relationship, implied volatility was lower than realized volatility, as measured by the annualized standard deviation of daily returns for the S&P 500® Index, which came in at 17.06% for the year. On a monthly average basis, there were just two months, February and December, when VIX® registered above-average readings, coming in at 22.46 and 24.95 for each month, respectively. The 2018 closing low for the VIX® came in early January when it dipped to 9.15 while the sharp equity market correction in the first quarter drove the VIX® to its 2018 closing high of 37.32 in early February. The implied volatility response to the larger equity market decline in the fourth quarter was remarkably muted. The measure did not break above 30 in the fourth quarter until the equity market began approaching bear market territory in late December. Specifically, the VIX® breached 30 on December 21st and reached a fourth quarter high of 36.07 on December 24th. The VIX® averaged 21.05 for the fourth quarter, the only quarter of the year that the VIX® averaged over 20. In the five years between 1990 and 2017 that featured S&P 500® Index drawdowns between 15% and 20%, each featured at least two quarters when the VIX® averaged 24 or higher and all but 1990 and 2000 featured a VIX® closing higher than 2018's high. As was the case for the year, the relationship between implied and realized volatility was atypical as realized volatility came in at 23.76% for the fourth quarter.

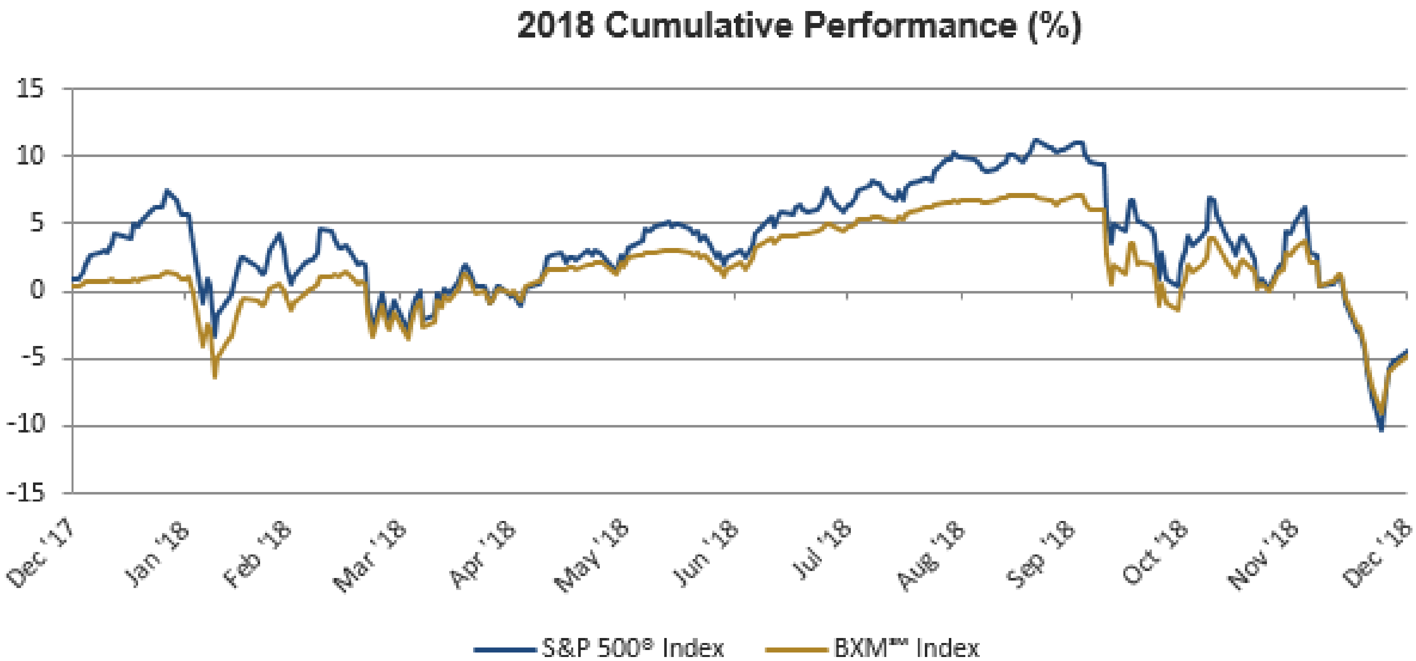


Source: Bloomberg, L.P.

The Chicago Board Options Exchange (Cboe®) S&P 500 BuyWrite℠ Index (the BXM℠)[1] had a return of -10.81% for the fourth quarter, outperforming the S&P 500® Index by 271 basis points (bps). On the third Friday of each month of the quarter, the BXM℠ wrote a new index call option as the option it wrote the previous month expired. The premiums the BXM℠ collected on written options had significant influence on mitigating the sharp equity market declines of October and December and on its upside participation during the partial equity market recovery from late November to early December. Premiums collected as a percentage of the BXM's℠ underlying value were 1.40%, 1.99% and 1.97% in October, November and December, respectively. With monthly returns of -5.46%, 2.24% and -7.73%, the BXM℠ outperformed the S&P 500® Index in each month of the quarter, with the largest differentials occurring in October and December. Premiums collected by the BXM℠ were consistent with the elevated and upwardly trending volatility levels present in the fourth quarter.

[1] The BXM℠ is a passive total return index designed to track the performance of a hypothetical buy-write strategy on the S&P 500® Index. The construction methodology of the BXM℠ includes buying an equity portfolio replicating the holdings of the S&P 500® Index and selling a single one-month S&P 500® Index call option with a strike price approximately atthe-money each month on the Friday of the standard index option expiration cycle and holding that position until the next.

In addition to delivering some downside protection during the fourth quarter, the BXM℠ also had a smaller loss than the S&P 500® Index during the 10.10% correction from January 26th through February 8th when it returned -7.72%. Despite its consistent intra-year delivery of downside protection, ultimately the BXM's℠ 2018 return of -4.77% was a larger loss than the S&P 500® Index return of -4.38%. This was primarily due to the BXM's℠ lagging performance from the beginning of the year through January 26th when the S&P 500® Index returned 7.55% and the BXM℠ underperformed by 609 bps with a return of 1.46%. Over the remainder of the year, the BXM℠ recovered nearly all of its underperformance resulting from the sharp January advance with low volatility. More specifically, from January 26th through year-end, the BXM℠ returned -6.14%, outperforming the -11.10% return of the S&P 500® Index by 496 bps. Volatility levels during the market advance of the second and third quarters were persistently below the long-term average VIX® level but were meaningfully higher than levels present during the January advance. Higher volatility levels resulted in the BXM℠ collecting higher monthly premiums for writing its index call options, thus the BXM℠ had better participation as the market advanced at a slower rate than the beginning of the year. During the second quarter, the BXM℠ had nearly full market participation with a return of 3.39% compared to 3.43% for the S&P 500® Index and, during the third quarter, the BXM℠ returned 4.91% while the S&P 500® Index returned 7.71%.



Source: Bloomberg, L.P. **Performance data shown represents past performance and is no guarantee of, and not necessarily indicative of, future results.**

Fixed Income Markets

The Bloomberg Barclays U.S. Aggregate Bond Index returned 1.64% for the fourth quarter, bringing its year-to-date return to 0.01%. The yield on the 10-year U.S. Treasury Note (the 10-year) ended the third quarter at 3.06% and rose to a fourth quarter high of 3.24% on November 8th before falling to end the year at 2.69%. Over 2018, the yield on the 10-year generally climbed as the Fed followed through with its commitment to normalize monetary policy. A flattening yield curve, however, added to investor concerns as the spread between the 2- and 10-year U.S. Treasury Notes narrowed from an intra-year high of 78 bps on February 12th to the intra-year low of 11 bps on December 19th. As expectations of future Fed actions turned less hawkish, spreads widened to 20 bps by the end of the year.

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