Market Recap

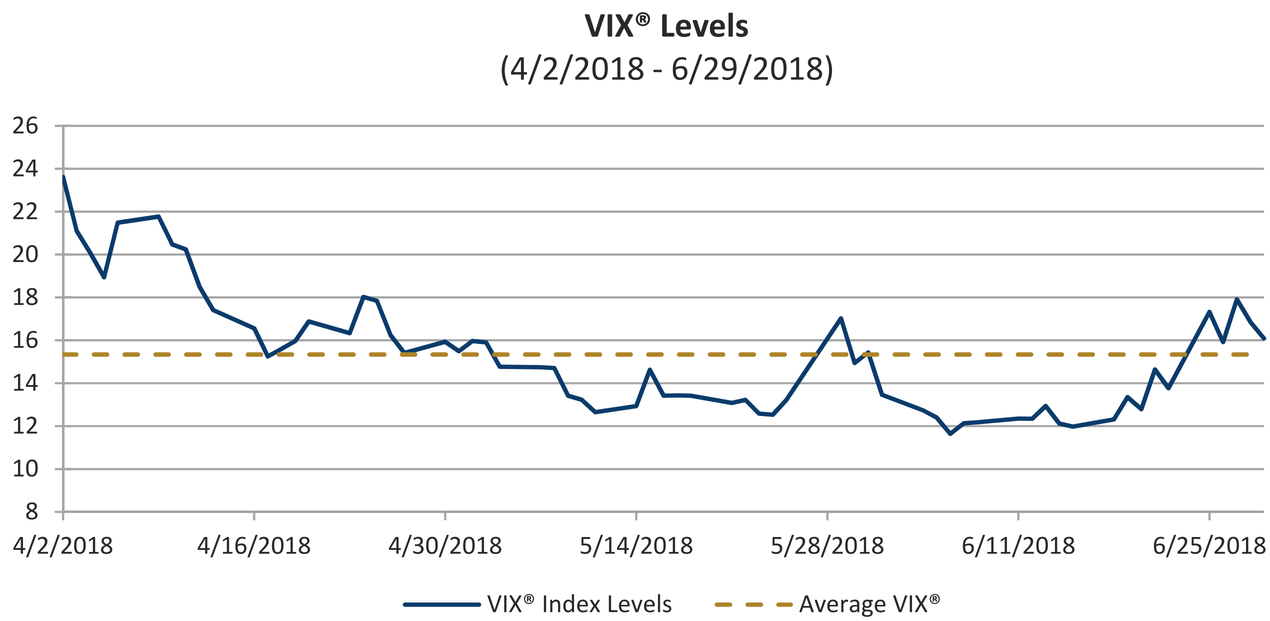
June 2018

The S&P 500® Index gained 3.43% for the second quarter of 2018, bringing its year-to-date return to 2.65%. The equity market posted positive returns each month of the quarter with the S&P 500® Index returning 0.38%, 2.41% and 0.62% for April, May and June, respectively. Though monthly returns were positive, concerns about inflation and U.S. trade policy generated brief periods of market weakness over the course of the quarter. From April 18th through May 3rd, the S&P 500® Index dropped 2.87% as investors processed higher inflation measures and Federal Reserve Open Markets Committee (the Fed) comments on its possible future monetary policy response. From June 12th through June 30th, the S&P 500® Index declined 2.38% amidst an uptick in volatility and escalating tariff announcements among the U.S., China, the European Union and others. Despite the positive return for the quarter, the equity market remained below the all-time high set in January as, from January 26th through the end of June, the S&P 500® Index returned -4.56%.

Data releases during the second quarter suggested the market backdrop of an expanding economy and robust earnings growth remained intact. While the recent trend of relatively elevated inflation measures also continued, price and wage data and statements from the Fed all indicated inflation was not an immediate threat. On May 2nd, the Fed announced no change to policy rates while acknowledging that inflation measures had moved close to its 2% target. As expected, on June 13th, the Fed raised the target range for the federal funds rate a quarter point from 1.75% to 2% while noting that future changes in the target range will be consistent with sustained expansion of economic activity, strong labor markets and inflation measures near its 2% target.

On June 28th, the final estimate of Q1 GDP growth came in at 2.0%, which was lower than the 2.2% second estimate and below consensus expectations. First quarter corporate earnings reports were the strongest in several years. With nearly all S&P 500® Index companies reporting first quarter results as of June 30th, aggregate quarterly operating earnings were up over 6% versus Q4 2017, the highest quarterly earnings growth rate since Q3 2010. Year-over-year earnings growth was 19%, the highest rate since Q3 2011. In addition, nearly 83% of reporting companies met or beat consensus earnings expectations for the first quarter.

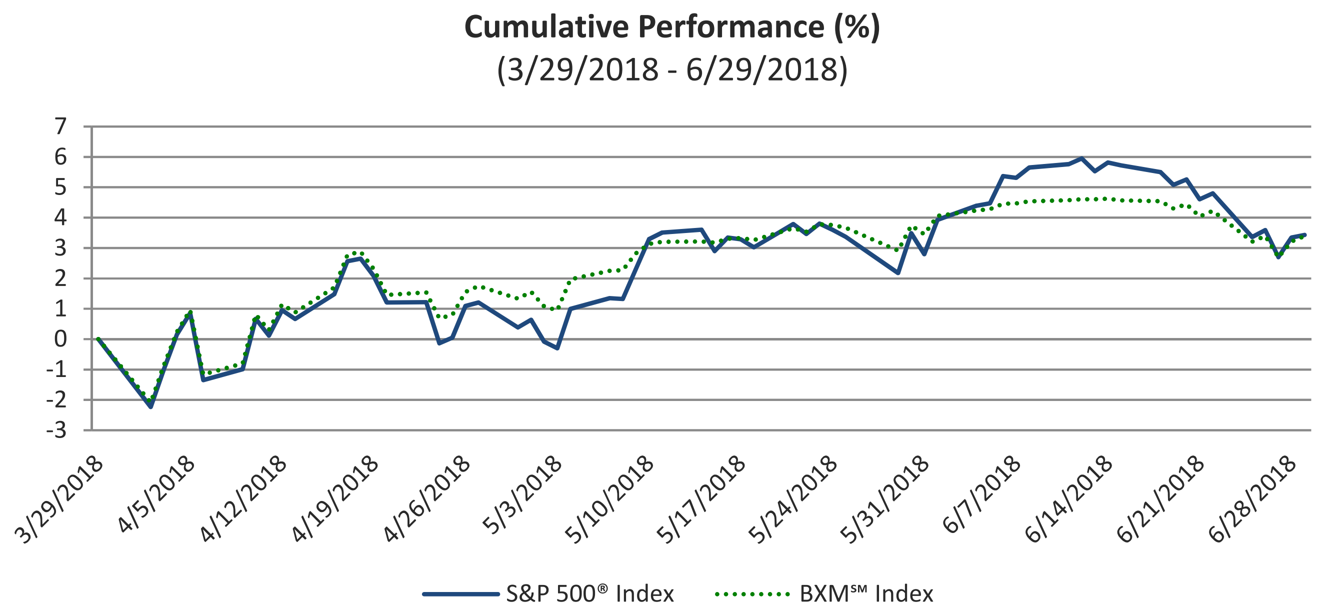
Implied volatility, as measured by the Chicago Board Options Exchange Volatility Index® (the VIX®), averaged 15.34 for the quarter. After six consecutive quarters with average implied volatility below 15, the VIX® has now averaged above 15 for two consecutive quarters. Implied volatility exceeded S&P 500® Index realized volatility (as measured by its annualized standard deviation of daily returns) of 12.71% for the quarter. The VIX® exhibited a general downtrend from the beginning of the quarter into early June with a closing high for the quarter of 23.62 set on April 2nd (the first business day of the quarter) and a closing low for the quarter of 11.64 set on June 6th. Implied volatility trended up over the remainder of June and ended the quarter at 1[illegible]



Datasource: Bloomberg, L.P.

The Chicago Board Options Exchange S&P 500 BuyWrite℠ Index (the BXM℠), had a return of 3.39% for the second quarter, bringing its year-to-date return to 1.78%. 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 its downside protection delivered during equity market declines and on its upside participation during equity market advances. Premiums collected as a percentage of the BXM's℠ underlying value were 1.29%, 1.17% and 1.09% in April, May and June, respectively. Declining premiums over the quarter reflected the downward trend in implied volatility that existed over much of the quarter. With monthly returns of 1.33%, 2.09% and -0.06%, the BXM's℠ outperformance versus the S&P 500® Index in April was erased by underperformance in May and June.

[1]The Cboe® S&P 500 BuyWrite℠ Index (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 at-the-money each month on the Friday of the standard index option expiration cycle and holding that position until the next.



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

The Bloomberg Barclays U.S. Aggregate Bond Index returned -0.16% for the second quarter, bringing its year-to-date return to -1.62%. Bellwether interest rates generally trended up over the course of the quarter. The yield on the 10-year U.S. Treasury Note (the 10-year) ended the first quarter at 2.74% and climbed to a second quarter high of 3.11% on May 17th, its highest level since July 2011. The yield on the 10-year declined over the remainder of the quarter, ending at 2.86%.