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AAFMAA Wealth Management & Trust LLC

MARKET UPDATE

A RETURN TO NORMAL

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Market Update Agenda

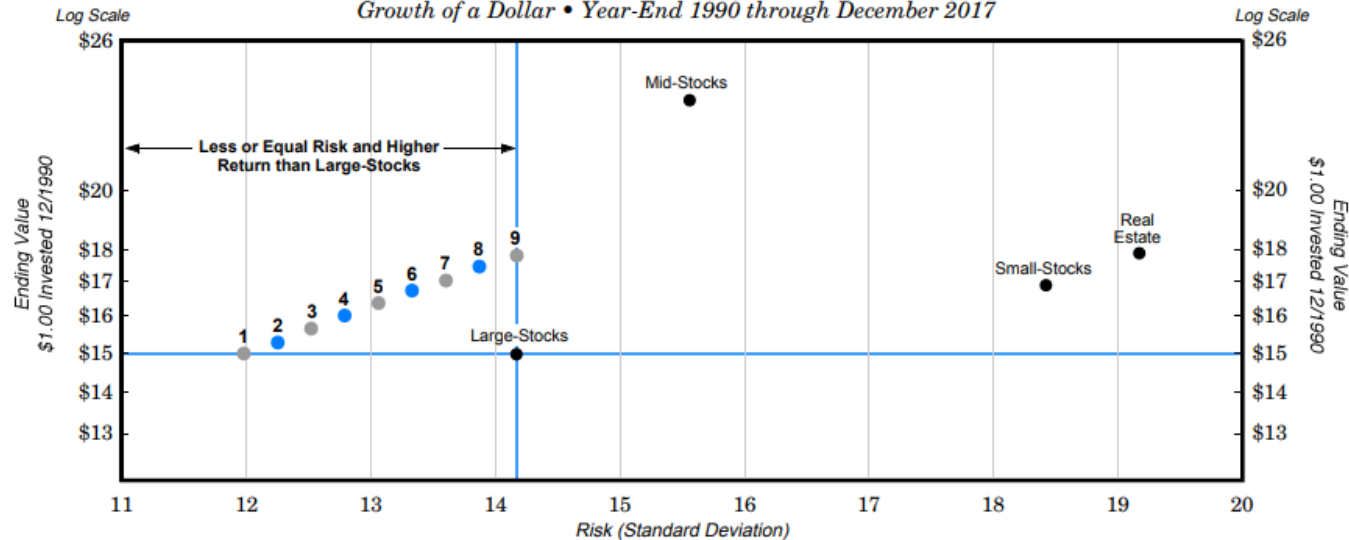
- Don't Focus on the Noise
 - Where Are We Now
 - Outlook
 - Equity Market
 - Bond Market



Ignore The Noise !!

Volatile Assets Can Reduce Risk & Enhance Return

Performance Target - Large Capitalization Stocks
Growth of a Dollar • Year-End 1990 through December 2017



Selected Assets	Portfolio 1	Portfolio 2	Portfolio 3	Portfolio 4	Portfolio 5	Portfolio 6	Portfolio 7	Portfolio 8	Portfolio 9
Large-Stocks: Russell 1000 Stock Index	47%	50%	52%	48%	57%	53%	56%	58%	60%
Bonds: Merrill Lynch Intermediate Treasury	15%	13%	11%	10%	7%	6%	4%	2%	0%
Mid-Stocks: Russell Midcap Stock Index	20%	19%	20%	20%	20%	20%	19%	20%	19%
Small-Stocks: Russell 2000 Stock Index	3%	3%	2%	7%	1%	6%	6%	5%	6%
Real Estate: Wilshire REIT Index	15%	15%	15%	15%	15%	15%	15%	15%	15%
Ending Values (\$1.00 Invested 12/1990)	\$14.98	\$15.27	\$15.66	\$16.02	\$16.37	\$16.74	\$17.04	\$17.47	\$17.81
Change in Return (Relative to Large-Stocks)	0%*	+2%	+5%	+7%	+10%	+12%	+14%	+17%	+19%
Change in Risk (Relative to Large-Stocks)	-15%	-14%	-12%	-10%	-8%	-6%	-4%	-2%	0%

*Less than 0.5%

The 518,616 possible portfolios were tested to identify the spectrum of portfolios that outperformed Large-Stocks by demonstrating less or equal risk and higher return.

Portfolio Parameters: Large-Stocks; <=100% • Bonds; <=100% • Mid-Stocks; <=20% • Small-Stocks; <=20% • Real Estate; <=15%

Sources: FTSE Russell • Merrill Lynch, Pierce, Fenner & Smith, Inc. • Wilshire Associates

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Market Timing-Not a Good Time

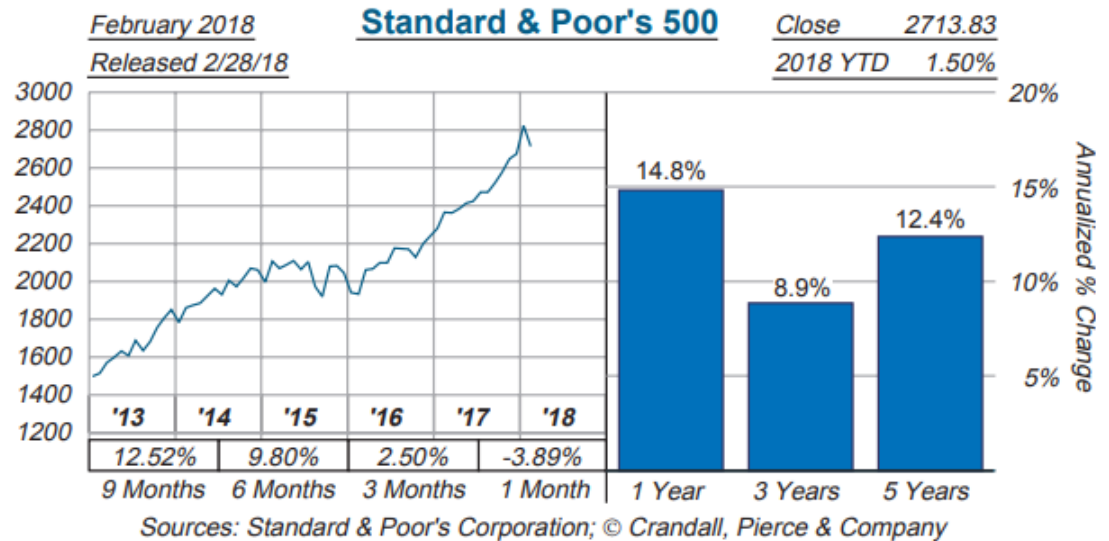
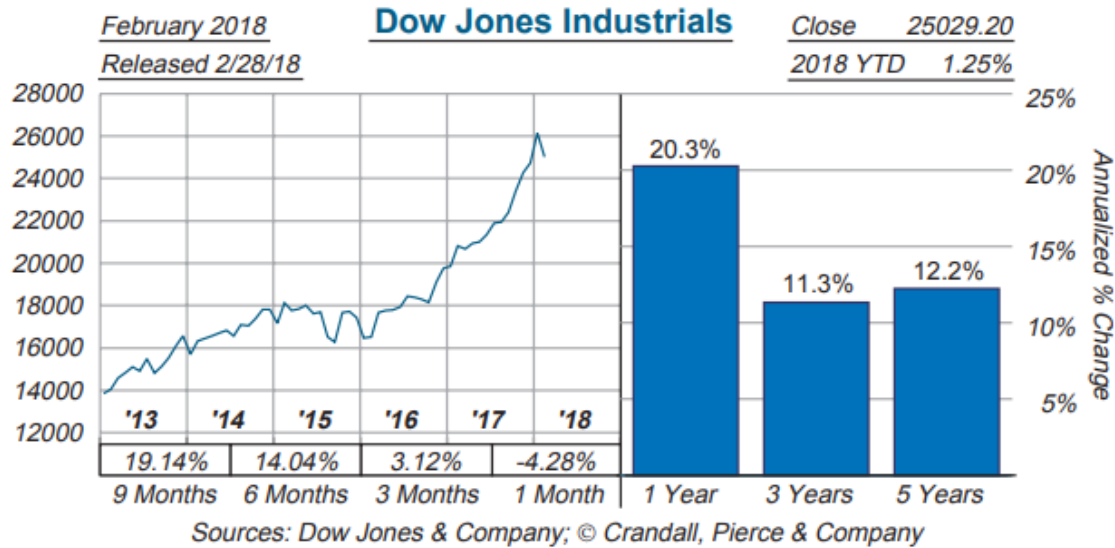
\$10,000 invested in the Dow Jones Industrial Average (12/31/01-12/31/16)



Data is historical. Past performance is not a guarantee of future results. The best time to invest assumes shares are bought when market prices are low.



Where Are We Now





Market Correction

A 10% correction is normal

Economic and corporate fundamentals in place

Inflation currently little impact

Rising interest rates currently little impact

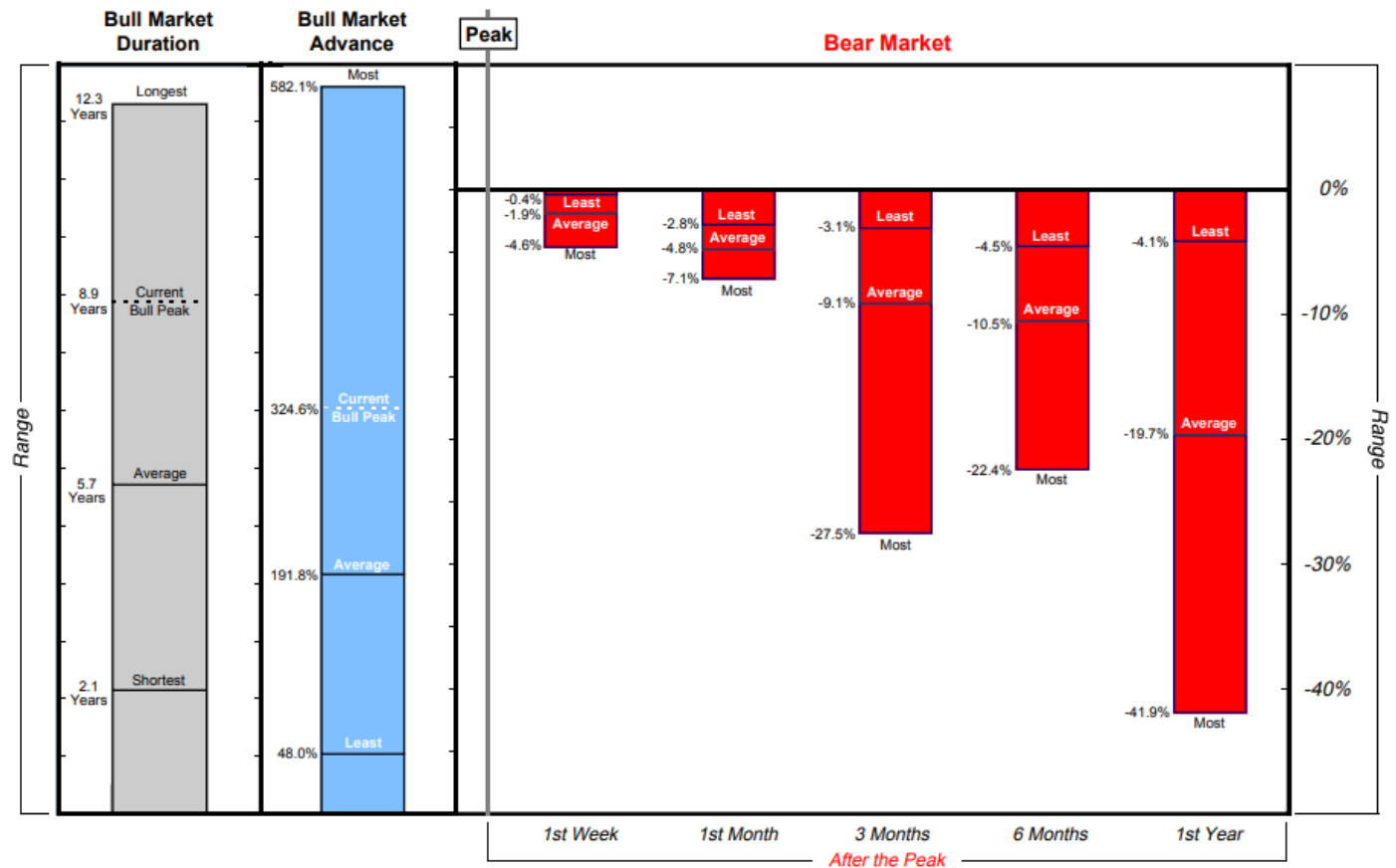
No global recession on the horizon



Where Are We Now

When Bull Markets End

The Standard & Poor's 500 Stock Index



The Current Bull Market peak was 1/26/2018.

Data includes post-WWII Bull Markets as defined by the Standard & Poor's 500 Stock Index.

Sources: Standard & Poor's Corporation; Copyright © 2018 Crandall, Pierce & Company



Where Are We Now

Fabulous February



Market Outlook – Equities

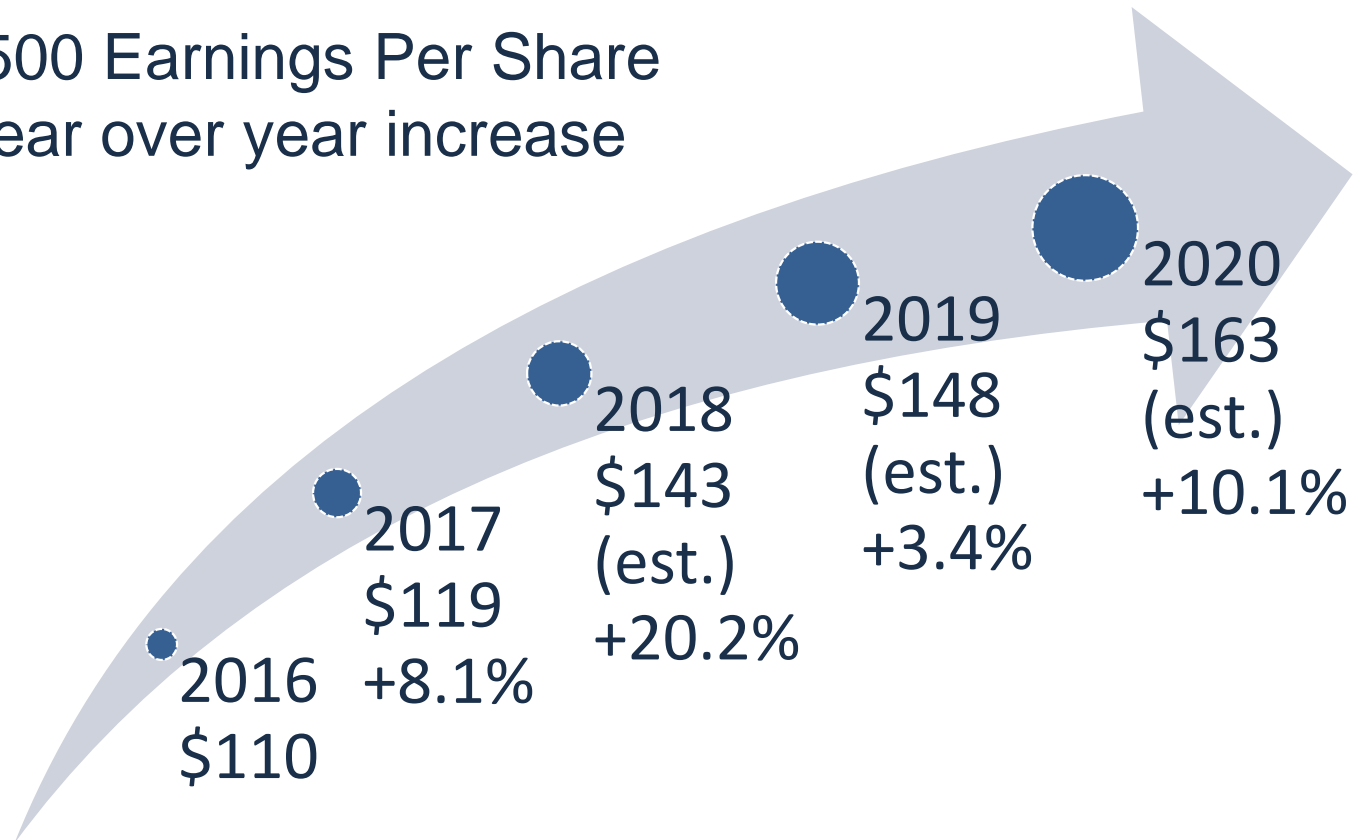
- We expect GDP growth between 2.5% - 2.7% in 2018.
 - Valuation
 - Earnings growth
 - Sector performance
 - Yield curve

Watching: earnings revisions, yield curve and global GDP growth rates



Market Outlook – Equities

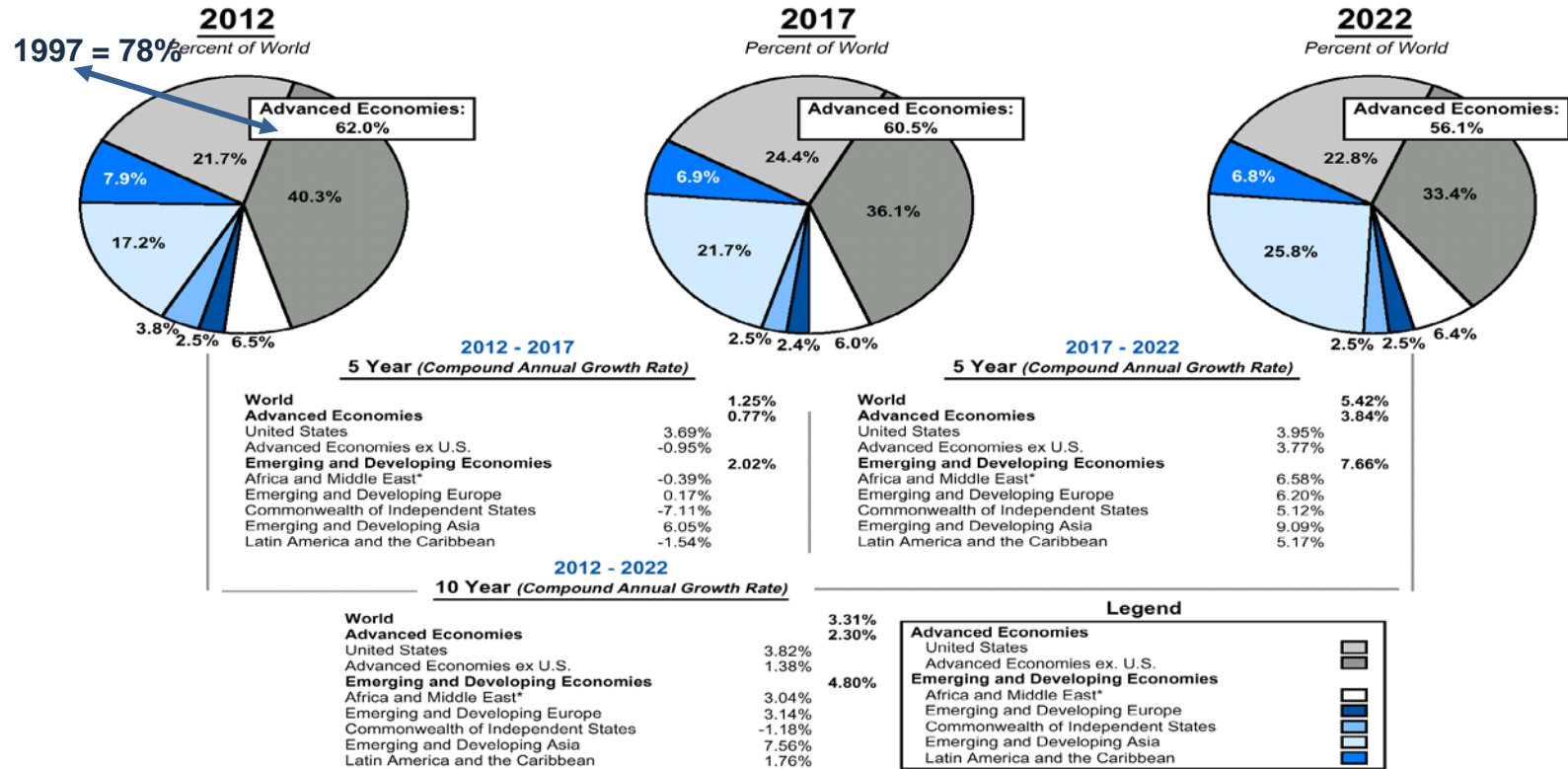
S&P 500 Earnings Per Share
and year over year increase





The Rest of the World

World Economies - Share and Growth Gross Domestic Product in U.S. Dollars



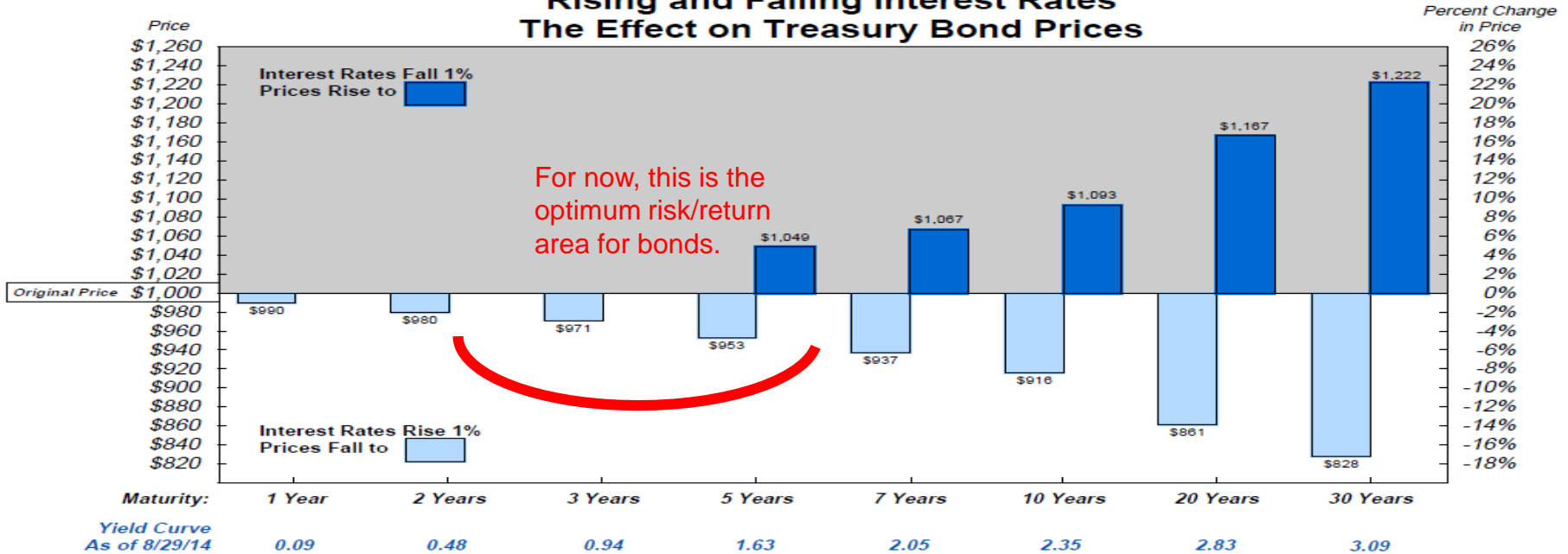
Data: Year-end Gross Domestic Product, current prices, in U.S. Dollars; 2017 and 2022 data are estimates.
 China's shares of Gross Domestic Product for 2012, 2017 and 2022 are 11.5%, 15.1% and 17.8%, respectively. *Includes Afghanistan and Pakistan • Due to rounding, share numbers may not equal 100%.
 Sources: International Monetary Fund; Copyright © 2017 Crandall, Pierce & Company • All rights reserved.

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Bond Market – Maturity Range (Defensive) Stay in the “Belly of the Curve”

**Rising and Falling Interest Rates
The Effect on Treasury Bond Prices**



Maturity:		1 Year		2 Years		3 Years		5 Years		7 Years		10 Years		20 Years		30 Years	
Falling Rates	-1.00%	N/A	N/A	N/A	N/A	N/A	N/A	\$1,049	4.90%	\$1,067	6.70%	\$1,093	9.30%	\$1,167	16.70%	\$1,222	22.20%
	-0.50%	N/A	N/A	N/A	N/A	\$1,015	1.50%	\$1,024	2.40%	\$1,033	3.30%	\$1,045	4.50%	\$1,080	8.00%	\$1,104	10.40%
	-0.25%	N/A	N/A	\$1,005	0.50%	\$1,007	0.70%	\$1,012	1.20%	\$1,016	1.60%	\$1,022	2.20%	\$1,039	3.90%	\$1,050	5.00%
	Original Price:	\$1,000		\$1,000		\$1,000		\$1,000		\$1,000		\$1,000		\$1,000		\$1,000	
Rising Rates	0.25%	\$998	-0.20%	\$995	-0.50%	\$993	-0.70%	\$988	-1.20%	\$984	-1.60%	\$978	-2.20%	\$963	-3.70%	\$953	-4.70%
	0.50%	\$995	-0.50%	\$990	-1.00%	\$985	-1.50%	\$976	-2.40%	\$968	-3.20%	\$957	-4.30%	\$927	-7.30%	\$909	-9.10%
	1.00%	\$990	-1.00%	\$980	-2.00%	\$971	-2.90%	\$953	-4.70%	\$937	-6.30%	\$916	-8.40%	\$861	-13.90%	\$828	-17.20%



Market Outlook - Fixed Income

Our Actions

- Adding floating rate securities to take advantage of rising rates.
- Reducing “duration” to protect principal.
- Continue to favor corporate bonds over treasuries.

Watching: Fed actions and economic growth



AAFMAA WEALTH MANAGEMENT & TRUST



Financial Planning, Investment Management, and Trust Services



AAFMAA Wealth Management & Trust LLC

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