

Adaptive Weekly Recap

While US markets moved only modestly higher, this week was the fifth in a row that they ended positive and on new weekly highs. The S&P ended up 0.2% while the Dow Jones and the Nasdaq rose 0.4% and 0.2%, respectively. Federal Reserve minutes released this week confirmed what is widely understood among investors: The Fed is on a path of gradual funds rate increases and balance-sheet reduction—that is, a monetary tightening cycle. The Consumer Price Index (CPI) was slightly lower than expected as the recent spate of hurricanes distorted retail sales, which came in sharply higher than in previous reports. The dollar fell for the first time in five weeks.

European markets were also positive as the STOXX 600 rose 0.5% for the week. Weakness in the dollar helped overseas funds. In Asia, the TOPIX rose 1.55% and most markets posted gains well over 1%. Emerging markets had their strongest week since August, rising 2.1%. Oil recovered from last week's rout, rising 4.4% to \$51.45. Meanwhile, interest rates fell sharply after Friday's CPI number was made public, with the 10-year Treasury ending the week at 2.27%, down nine basis points.

Asset Class	Symbol	Closing Price	Weekly Total Return
US Equities			
US large cap	XLG	\$180.45	+0.15%
US large cap	OEF	\$112.91	+0.20%
US large cap	QQQ	\$148.34	+0.46%
US large cap	SPY	\$254.95	+0.23%
US large cap	GSLC	\$50.69	+0.24%
US large & mid cap	IWB	\$141.99	+0.16%
US large & mid cap	SCHX	\$60.93	+0.20%
US small cap	IJR	\$74.59	-0.68%
US high dividend	VYM	\$82.36	+0.52%
US high dividend	SCHD	\$48.01	+1.29%
US sector	XLB	\$58.35	+0.78%
US sector	VGT	\$156.53	+1.23%
International Equities			
European equities	DBEU	\$28.71	+0.31%
European equities	FEZ	\$41.45	+0.70%
European equities	VGK	\$58.85	+1.22%

Securities Commentary

IJR: While most equities shined this week, the small-cap sector fell, and IJR lost 0.7%. Small caps outperformed large caps over the last several weeks, but they still lag behind them this year by around 4%. This sector was the stellar performer in 2016, but 2018 earnings forecasts have subdued enthusiasm for it this year.

SCHD: The Schwab US Dividend Equity ETF rose 1.29% this week, topping US equity ETFs. The growth rate of dividends for this fund has exceeded 23% in the past 12 months. The fund is up 12.6% for the year.

SCZ: While US small caps have lagged this year, developed-market small caps have excelled, and SCZ was the top-performing equity ETF this week, rising 2.1% and accumulating a 28% gain for the year. The dollar has been a big help, effectively doubling the return this year on the fund.

Adaptive Weekly Recap *(continued)*

Asset Class	Symbol	Closing Price	Weekly Total Return
International Equities			
Japanese equities	DBJP	\$41.55	+1.79%
Canadian equities	EWC	\$29.26	+1.07%
EAFE small cap	SCZ	\$62.96	+2.06%
Emerging-Market Equities			
Emerging-market equities	ILF	\$35.77	+0.65%
US Bonds			
US treasuries	IEI	\$123.60	+0.31%
US treasuries	IEF	\$106.86	+0.70%
Short-term corporates	VCSH	\$80.11	+0.15%
Medium-term corporates	VCIT	\$88.23	+0.51%
Long-term corporates	VCLT	\$94.83	+1.12%
Investment-grade corporates	LQD	\$121.58	+0.52%
High-yield corporates	PHB	\$19.10	+0.16%
High-yield municipal bonds	HYD	\$31.29	+0.29%
International Bonds			
International treasuries	IGOV	\$49.42	+1.46%
International treasuries	BWX	\$28.24	+1.18%
Emerging-market bonds	PCY	\$29.88	+0.47%
Emerging-market bonds	EMB	\$116.42	+0.63%
Total Return, Alternatives			
Preferreds	PGX	\$15.04	+0.67%
Preferreds	PFF	\$38.55	+0.63%
Preferreds	PGF	\$18.93	+0.58%
Preferreds	PSK	\$44.73	+0.70%
Convertibles	CWB	\$51.52	-0.06%
Alternatives	QAI	\$30.11	+0.30%

Fixed-income securities had a strong week as US interest rates fell. The market reacted to the Consumer Price Index report on Friday, as the index came in below expectations at 0.5%. While gasoline prices at the pump rose during September, other prices remained in line, giving bonds a boost after lagging for a month.

VCLT: The price of long-term interest-rate securities reacted more sharply to changes in the Treasury yield, and the fall in interest rates boosted VCLT up 1.1% for the week. This year, the fund is up 9.6% as rates have fallen and the spread between corporates and Treasuries has narrowed.

IGOV: Once again, the international sovereign debt market benefited from a decline in rates and the dollar. IGOV rose 1.5% for the week, making it the top-performing fixed-income security in the Adaptive fixed income strategies.

Market Data

Indices	Weekly Total Return	Market Benchmarks	Price/Level	Weekly Change
US Equities		US Rates		
S&P 500	+0.17%	Fed funds	1.16%	0.00%
Russell 2000	-0.49%	Generic 2-year Treasury	1.49%	-0.01%
Russell 3000 ¹	+0.09%	Generic 10-year Treasury	2.27%	-0.09%
International Equities		Currencies		
European equities	+1.40%	Euro (\$/€)	1.18	+0.01
Japanese equities	+2.07%	Yen (¥/\$)	111.82	-0.83
Emerging-market equities	+1.54%	Sterling (\$/£)	1.33	0.00
Global equities ex-US ¹	+1.70%	Trade-weighted dollar index	1,163.55	-6.91
Global Bonds		Commodities		
US broad market	+0.48%	WTI	\$51.45	+\$2.16
International bonds	+1.23%	Gold	\$1,304.57	+\$27.97
Global investment-grade bonds ¹	+0.57%	Industrial metals	1,576.13	+38.44

¹ These three indices are the elements of the benchmarks for the four Adaptive strategies.

Glossary

All equity and aggregate bond indices describe a total return in USD terms with no currency hedging.

European equities - FTSE Developed Europe Index

Japanese equities - FTSE Japan Index

Emerging-market equities - FTSE Emerging Index

Global equities ex-US - MSCI ACWI ex-US Index

US broad bond market - Bloomberg Barclays US Aggregate Bond Index

International bonds - Bloomberg Barclays ex-USD Aggregate Bond Index

Global investment-grade bonds - J.P. Morgan Global Aggregate Bond Index

Generic Treasury yields - Bloomberg indices describing points on the Treasury yield curve

Trade-weighted dollar index - Bloomberg Dollar Spot Index. A trade-weighted index of the performance of ten currencies vs the USD – when the dollar strengthens on average, the index increases

WTI - price of the active futures on West Texas Intermediate crude

Gold - spot price of a troy ounce

Industrial metals - S&P GSCI Industrial Metals Index in USD terms

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Before investing in an ETF, you should read both its summary prospectus and its full prospectus, which provide detailed information on the ETF's investment objective, principal investment strategies, risks, costs, and historical performance (if any). The SEC's EDGAR system, as well as Internet search engines, can help you locate a specific ETF prospectus. You can also find prospectuses on the websites of the financial firms that sponsor a particular ETF, as well as through your broker.

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The S&P 500 Index is a commonly recognized, market-capitalization-weighted index of 500 widely-held companies, designed to measure the performance of US large-cap stocks. The Russell 3000 Index is a free float-adjusted, market-capitalization-weighted index which measures the performance of the largest 3,000 US companies representing approximately 98% of the investable US equity market. The MSCI All Country World Index [ACWI] is designed to measure the performance of the global equity market and is a free float-adjusted, market-capitalization-weighted index composed of large- and mid-cap stocks of companies located in developed and emerging countries throughout the world. The MSCI ACWI ex-USA Index is designed to measure the performance of the global equity market excluding the US component and is a free float-adjusted, market-capitalization-weighted index composed of large- and mid-cap stocks of companies located in developed- and emerging-market countries. The Bloomberg Barclays US Aggregate Bond Index [BBG Barc Agg] provides a broad-based measure of the fixed-rate US investment-grade debt market. The Bloomberg Barclays Global Aggregate Bond Index [BBG Barc Global Agg] measures global investment-grade, fixed-rate debt from both developed- and emerging-markets. The J.P. Morgan Global Aggregate Bond Index (JPM GABI) provides a broad-based measure of the global fixed-rate, investment-grade debt markets. The JPM GABI is a US dollar denominated, investment-grade index with asset classes from developed and emerging markets. Cash refers to overnight Fed funds.

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