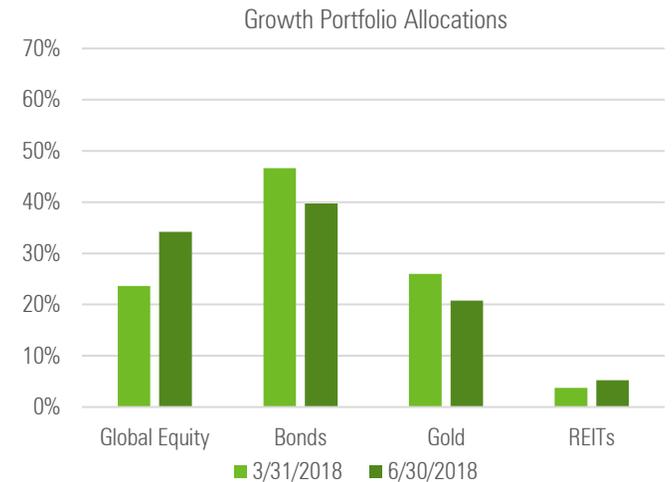
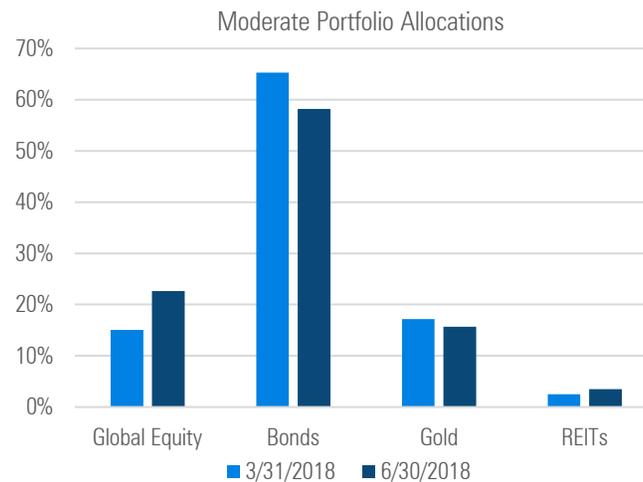
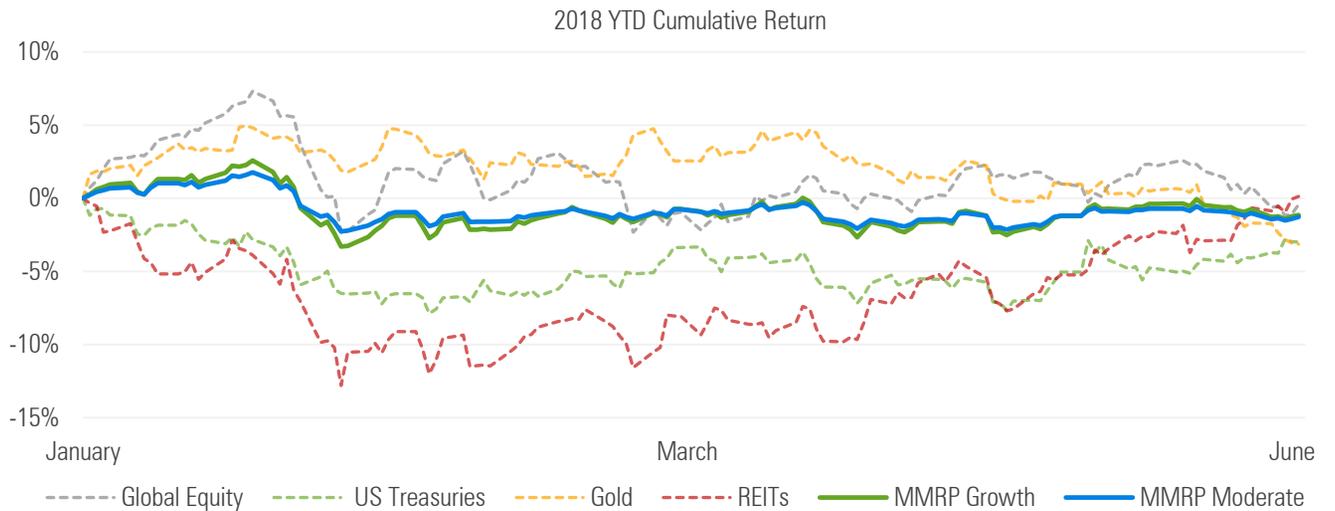


Milliman Managed Risk Parity Strategy

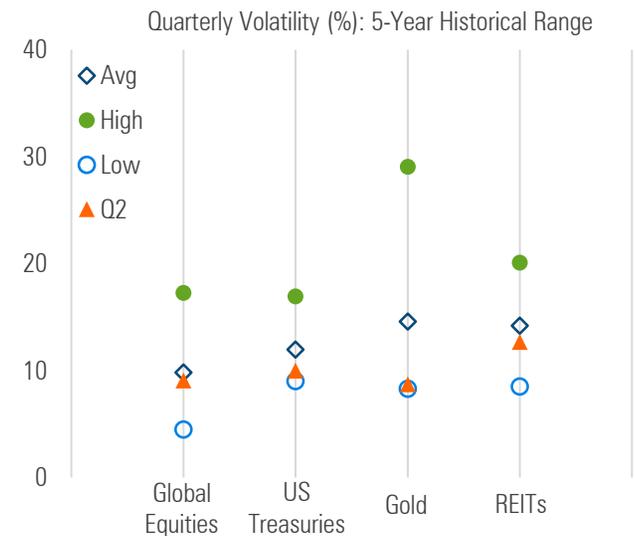
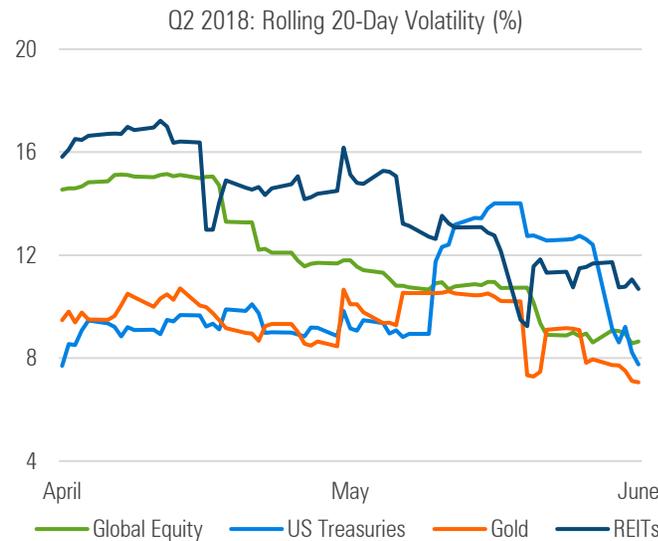
Q2 Performance Review

- The MMRP Growth and Moderate Strategies generated total returns of -0.41% and -0.52% in Q2, while exhibiting low realized volatilities of 5.6% and 3.8%, respectively.
- The strategy's underlying ETFs ranged in return from 8.8% (VNO) to -9.1% (VWO). The average return across all 10 ETFs was 1.5%, with average volatility of 10.6%.
- Treasuries (TLT) and U.S. equities (led by IWM) generated positive quarterly returns, while the returns of the US aggregate bond market (AGG), Gold (GLD) and Int'l Equities (VEA) were negative.
- The average correlation of the four asset classes represented in the portfolios was low at 0.16, offering an attractive diversification benefit and helping to dampen portfolio volatility.
- Both portfolios made trades on May 10. The Growth portfolio reduced its exposure to gold and treasuries while adding to REITs and equities. The moderate portfolio made similar adjustments albeit in smaller quantities.



Q2 2018 Market Snapshot

- The S&P 500 notched its third positive monthly return, locking in a solid Q2 gain of 3.4%. Relative to last year, however, its YTD return of 2.6% is less than one-third of what it was through this time in 2017 (9.3%).
- Meanwhile, small cap stocks, deemed to have less exposure to the detrimental effects of trade wars, are up 9.4% YTD, their best first-half return of the last five years.
- The Fed is now seven rate hikes and \$150 billion into its policy normalization process.
- Against this policy backdrop, inflationary pressure seems to be rising: relative to a year ago, wage growth, inflation expectations and YoY CPI are all higher, while unemployment is lower.
- The Fed seems to want to continue raising rates, but the long end of the curve (10+ years) isn't cooperating. The June hike further flattened the stretch of the yield curve between 2 and 10 years; as of month end it was only 33 bps from inversion, a condition it hasn't seen since the first half of 2007.
- In the months ahead, investors will be closely monitoring inflation, along with if and how the slope of the curve affects the Fed's thinking about future rate changes. Amidst such uncertainty, we believe diligent risk management remains a cardinal component of portfolio management.



Total Returns as of June 30, 2018						
	Global Equities	US Treasuries	Gold	Real Estate	MMRP Growth	MMRP Moderate
3 Months	0.5%	0.4%	-5.5%	8.9%	-0.4%	-0.5%
6 Months	-0.4%	-3.0%	-3.1%	0.1%	-1.2%	-1.3%
1 Year	10.7%	0.1%	0.7%	3.6%	5.2%	3.3%
Q2 Volatility	10.5%	9.8%	9.1%	13.4%	5.6%	3.8%

ETFs used in MMRP Strategies:

AGG: iShares Core US Agg Bond	TLT: iShares 20+ Year Treasury	VNQ: Vanguard REIT	GLD: SPDR Gold Shares	IWV: iShares Core S&P 500
IJH: iShares Core S&P Midcap	IWM: iShares Russell 2000	QQQ: PowerShares QQQ	VEA: Vanguard FTSE Dev'd	VWO: Vanguard FTSE EM



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Established in 1998, the practice includes professionals operating from three trading platforms around the world (Chicago, London, and Sydney).

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