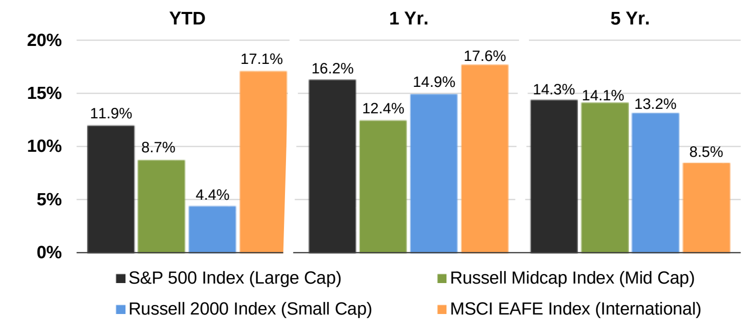
STATE FARM® MARKET RECAP

As of August 31, 2017

EQUITIES RECAP

- Global equity markets saw volatility re-emerge in August, after a relatively calm June and July.
- In the U.S., equities were impacted by a string of negative events, boosting volatility and pushing some market returns into negative territory for August. For the month, large-cap stocks, as measured by the S&P 500® Index, gained 0.3%, outperforming small- and mid-cap stocks, which posted negative total returns of -1.3% and -0.8%, respectively.
- International equity markets posted mixed results in August, with developed markets remaining flat, while emerging markets moved steadily higher. For the month, the MSCI EAFE Index, representing international developed markets, recorded a net return of 0.0%, while the MSCI Emerging Markets Index (not shown) advanced 2.2%, in U.S. dollar terms.

EQUITIES MARKET PERFORMANCE Total Returns for Periods Ended August 31, 2017

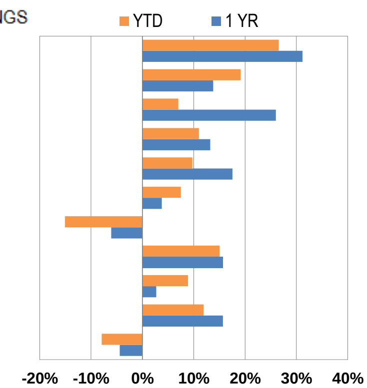


U.S. EQUITIES

- U.S. equities encountered a string of negative events in August, including geopolitical tensions between the U.S. and North Korea, violence in Charlottesville, and the devastation caused by Hurricane Harvey. For the month, the benchmark S&P 500 Index managed to hold on to a 0.3% total return and recorded its fifth consecutive monthly gain. Year-to-date through August, large-cap stocks have outpaced the other major U.S. indices with the S&P 500 Index posting a total return of 11.9%. Mid- and small-cap stocks, as measured by the Russell MidCap Index and Russell 2000 Index, have also performed well year-to-date, posting total returns of 8.7% and 4.4%, respectively.
- Of the 11 sectors within the S&P 500 Index, 5 gained for the month, down from all 11 in July. Helped by strong results from Apple Inc., Information Technology led the advancing sectors higher for the month, gaining 3.5% and remained the top performer year-to-date, gaining 26.6%. Health Care returned 1.9% for the month, and overtook Financials to become the second largest sector in the index. The Energy sector continued to be negatively impacted by lower oil prices, declined 5.2% for the month and -15.1% ytd, the worst of any sector.

PERFORMANCE OF THE S&P 500 INDEX Total Returns for Periods Ended August 31, 2017

SECTOR	WEIGHTINGS
Information Technology	23.5%
Health Care	14.7%
Financials	14.2%
Consumer Discretionary	12.1%
Industrials	10.1%
Consumer Staples	8.5%
Energy	5.7%
Utilities	3.3%
Real Estate	3.0%
Materials	2.9%
Telecommunications Services	2.1%



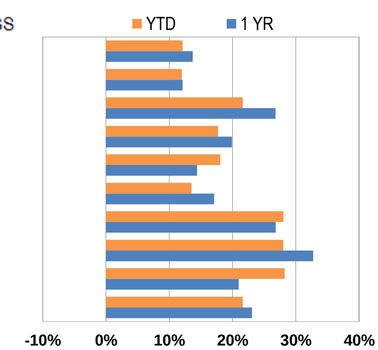
Ranked by highest to lowest index weighting.

GLOBAL EQUITIES

- International equity markets were mixed in August, with developed markets (excluding the U.S.) relatively flat, while emerging markets continued their dominant run on the year. For the month, the MSCI EAFE Index recorded a net 0.0% return in U.S. dollar terms, but returns from country to country varied widely. France, Sweden and Italy (not shown) posted modest gains, although Spain and Belgium (not shown) were both down more than 1.0%. Year-to-date through August, international developed markets have outpaced the U.S. with the MSCI EAFE Index up 17.1%, while the S&P 500 Index has gained 11.9%.
- Emerging markets continue to win back investors after years of lagging developed markets. Year-to-date, the MSCI Emerging Market Index (not shown) has gained 28.3%, as continued low interest rates in the U.S. coupled with a weakening U.S. dollar has improved the outlook for several emerging market economies.

PERFORMANCE OF MSCI EAFE INDEX Total Returns for Periods Ended August 31, 2017

COUNTRY	WEIGHTINGS
Japan	23.2%
United Kingdom	17.8%
France	10.4%
Germany	9.4%
Switzerland	8.3%
Australia	7.2%
Netherlands	3.7%
Spain	3.6%
Hong Kong	3.5%
Sweden	2.9%

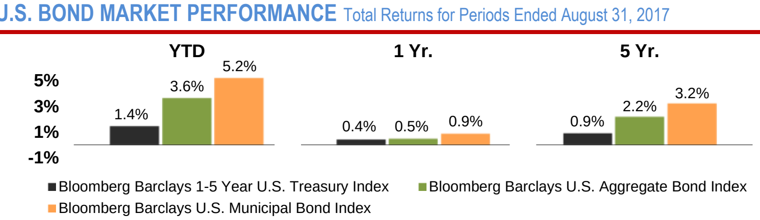


Ranked by highest to lowest country weighting.
Weightings as of 07/31/17.
Returns are in U.S. dollars with dividends reinvested.

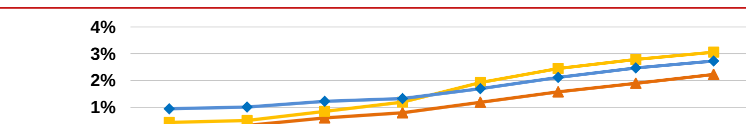
FIXED INCOME RECAP

- The U.S. fixed income markets moved modestly higher in August, as softening U.S. economic data and little to no price inflation spurred the demand for safe-haven assets. For the month, the Bloomberg Barclays U.S. Aggregate Bond Index posted a 0.9% total return and advanced its YTD gain to 3.6%. Over the longer 1- and 5-year time periods, investment grade bonds recorded annualized total returns of 0.5% and 2.2%, respectively.
- U.S. municipal bonds recorded their second consecutive month of positive gains in August, with the Bloomberg Barclays U.S. Municipal Bond Index posting a 0.8% total return and increasing its YTD return to 5.2%. Over the longer 1- and 5-year time periods, municipal bonds recorded annualized total returns of 0.9% and 3.2%, respectively.
- U.S. Treasury yields moved lower in August, with mid- to longer-term maturities falling more substantially than shorter-term issues. For the month, the yield on the benchmark 10-Year Treasury Note declined 18 basis points (0.18%) to 2.12%, the largest decline since June 2016. Meanwhile, the yield on the 30-Year Treasury bond fell 16 basis points to 2.73%, down from 2.89% on July 31st.

U.S. BOND MARKET PERFORMANCE Total Returns for Periods Ended August 31, 2017



U.S. TREASURY YIELD CURVES



	1 Mo.	3 Mo.	1 Yr.	2 Yrs.	5 Yrs.	10 Yrs.	20 Yrs.	30 Yrs.
8/31/2016	0.26%	0.33%	0.61%	0.80%	1.19%	1.58%	1.90%	2.23%
12/31/2016	0.44%	0.51%	0.85%	1.20%	1.93%	2.45%	2.79%	3.06%
8/31/2017	0.95%	1.01%	1.23%	1.33%	1.70%	2.12%	2.47%	2.73%

MARKET COMMENTARY - Tax Reform May Provide Potential Tailwind for Financial Markets

Overall, investors should feel good about the stock market as we look back at its performance through the halfway point of 2017. In late January, the Dow Jones Industrial Average® reached the 20,000 milestone mark, climbed above 21,000 only a month later, and then eclipsed 22,000 at the beginning of August. Similarly, during the spring, the tech-heavy NASDAQ Composite Index® surpassed the 6,000 threshold for the first time, while the S&P 500® Index also celebrated its eighth consecutive year without a 20% decline, in the process becoming the second longest bull-market in U.S. history. By the end of July, that Index was up 11.6% year-to-date with dividends, and 2017 was shaping up to be yet another good year for U.S. stocks.

Looking ahead to the remainder of the year, a potential tailwind for the financial markets is a possible reduction in the corporate tax rate. President Trump's stated desire to lower the corporate tax rate—from the current 35% level to a proposed 15% rate—would be a historical cut not only in size but also because it would represent be the first such decrease since 1988. If implemented, this reduction could have a meaningful impact on businesses, including helping to increase their earnings per share (EPS) growth over the next couple of years.

For investors, such a tax-savings boost to EPS may come at just the right time. As the accompanying chart shows, the collective companies that make up the S&P 500 exited a prolonged earnings recession in the third quarter of 2016, steadily posting gains each quarter thereafter. However, given an environment in which the Federal Reserve has been tightening its monetary policy and the economy continues to muster only modest growth, that upward trend in companies' bottom-line results may be threatened. As U.S. equities trade near the higher end of their long-term price-to-earnings (P/E) valuation range, P/E multiple expansion—paying more for a stock given each dollar of earnings—may grow more challenging through the remainder of the year and into 2018.

Consequently, a reduction in the corporate tax rate may help propel the stock market for the remainder of the year and beyond. However, until any legislation is finalized, the markets may experience varying levels of volatility. With this in mind, investors should keep short-term market turbulence in perspective, maintain their focus on investing over the long-term, and avoid making quick decisions based upon political and legislative developments.

Securities, insurance and annuity products are not FDIC insured, are not bank guaranteed and are subject to investment risk, including possible loss of principal.

Past performance is no guarantee of future results.

It is not possible to invest directly in an index.

Diversification, Automatic Investment Plans and Asset Allocation do not assure a profit or protect against loss.

Investing involves risk, including potential for loss. Current and future portfolio holdings are also subject to risk.

Bonds are subject to interest rate risk and may decline in value due to an increase in interest rates.

The stocks of small companies are more volatile than the stocks of larger, more established companies.

Foreign investments involve greater risks than U.S. investments, including political and economic risks and the risk of currency fluctuations.

Emerging markets involve greater risks than U.S. investments due to lower trading volume, political and economic instability, and other governmental limitations on foreign investment policy.

The S&P 500® Index tracks the common stock performance of 500 large U.S. companies.

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The Standard & Poor's Growth Index is comprised of the growth companies within the S&P 500 Index.

The Russell Midcap® Index measures the performance of the mid-cap segment of the U.S. equity universe and is a subset of the Russell 1000 Index.

The Russell 2000® Index tracks the common stock performance of the 2,000 smallest U.S. companies in the Russell 3000 Index.

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The Morgan Stanley Capital International (MSCI EAFE) Index captures large and mid cap representation across Developed Markets countries around the world, excluding the U.S. and Canada.

The MSCI Emerging Markets Index captures large- and mid-cap representation across 23 Emerging Markets (EM) countries.

The MSCI Japan Index is designed to measure the performance of the large- and mid-cap segments of the Japanese stock market.

The Bloomberg Barclays 1-5 Year U.S. Treasury Index measures the performance of short-term U.S. Treasury Securities maturing within one to five years.

The Bloomberg Barclays U.S. Aggregate Bond Index represents debt securities in the U.S. investment grade fixed rate bond market.

The Bloomberg Barclays Municipal Bond Index is an unmanaged index representative of the tax-exempt bond market .

Nikkei Average is a price-weighted average of Japan's top 225 blue-chip companies on the Tokyo Stock Exchange.

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