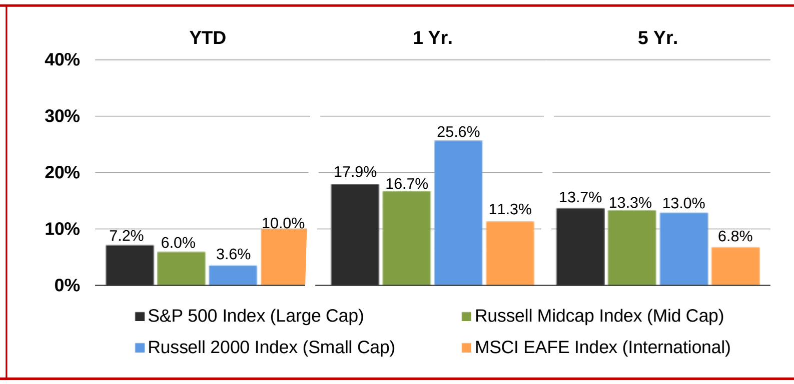
# STATE FARM® MARKET RECAP

As of April 30, 2017

## EQUITIES RECAP

- Global equity markets moved higher in April, supported by global economic growth and a strong start to the first-quarter corporate earnings season in the U.S.
- U.S. equities finished the month of April in positive territory, with all of the major indices posting positive returns. Small-cap stocks, as measured by the Russell 2000® Index, led the indices higher, returning 1.1% for the month. Large-, and mid-cap stocks, as measured by the S&P 500® Index and Russell Midcap® Index, closely followed, returning 1.0% and 0.8%, respectively.
- International equity markets surged higher in April, supported by strong economic growth in the Eurozone and accommodating monetary policies. For the month, the MSCI EAFE Index, representing international developed markets, gained 2.5%, in U.S. dollar terms.

## EQUITIES MARKET PERFORMANCE Total Returns for Periods Ended April 30, 2017

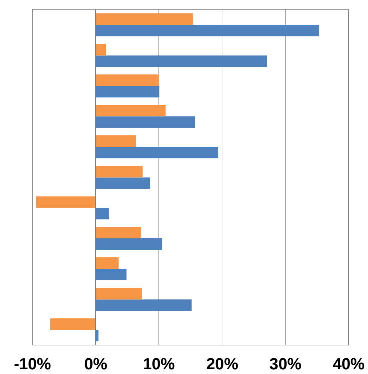



## U.S. EQUITIES

- In the U.S., equity markets rallied in the second half of the month, supported by better-than-expected first-quarter earnings reports and investor optimism over the recently proposed tax plan. For the month, the benchmark S&P 500 Index gained 1.0% and increased its year-to-date total return to 7.2%.
- Since the November 8, 2016 presidential election, the S&P 500 Index was up 11.6% (price return) and set 21 new closing highs, 13 in 2017. The Dow Jones Industrial Average and technology-heavy Nasdaq Composite (both not shown) climbed even higher, gaining 14.3% and 16.4%, respectively.
- In terms of sector performance, eight of the eleven sectors in the S&P 500 Index finished the month posting positive total returns. Information Technology and Consumer Discretionary led the advancing sectors for the month, posting total returns of 2.5% and 2.4%, respectively. Telecommunications Services led the declining sectors lower, losing -3.3%, after Verizon and AT&T reported weak first quarter earnings. Year-to-date, the Energy sector was the weakest performer, losing -9.4%, primarily impacted by the falling price of oil, down -8.2% in 2017.

## PERFORMANCE OF THE S&P 500 INDEX Total Returns for Periods Ended April 30, 2017

| SECTOR | WEIGHTINGS |
|---|---|
| Information Technology | 22.5% |
| Financials | 14.1% |
| Health Care | 14.0% |
| Consumer Discretionary | 12.5% |
| Industrials | 10.2% |
| Consumer Staples | 9.3% |
| Energy | 6.3% |
| Utilities | 3.2% |
| Real Estate | 2.9% |
| Materials | 2.8% |
| Telecommunications Services | 2.3% |



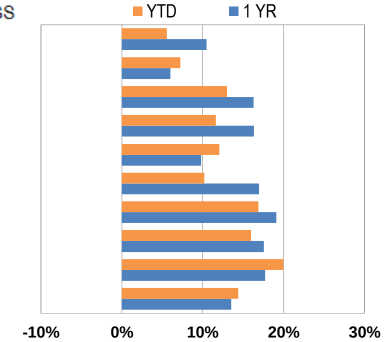

Ranked by highest to lowest index weighting.

## GLOBAL EQUITIES

- European equity markets surged higher in April, after the European Central Bank surprised the markets by keeping its monetary policy unchanged—leaving the main refinancing rate at zero, deposit rate at -0.4%, and continuing with its quantitative easing program. In April, the MSCI EAFE Index advanced 2.5% and increased its year-to-date return to 10.0%. Meanwhile, emerging markets performance was led by China, which reported strong first-quarter economic growth and an increase in trade activity. For the month, the MSCI EM Index (not shown) gained 2.2%, and 13.9% year-to-date.
- Japanese stocks rose moderately higher in April, after the Bank of Japan announced that it will not change its monetary policy, but increased its projections for economic growth. Year-to-date, the MSCI Japan Index increased 5.6%, in U.S. dollar terms, while the Japanese currency (yen) has strengthened by 4.8% against the U.S. dollar.

## PERFORMANCE OF MSCI EAFE INDEX Total Returns for Periods Ended April 30, 2017

| COUNTRY | WEIGHTINGS |
|---|---|
| Japan | 23.4% |
| United Kingdom | 17.9% |
| France | 10.2% |
| Germany | 9.5% |
| Switzerland | 8.7% |
| Australia | 7.6% |
| Netherlands | 3.5% |
| Hong Kong | 3.5% |
| Spain | 3.4% |
| Sweden | 2.9% |

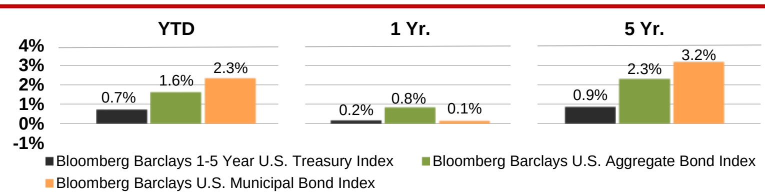



Ranked by highest to lowest country weighting.
Weightings as of 03/31/17.
Returns are in U.S. dollars with dividends reinvested.

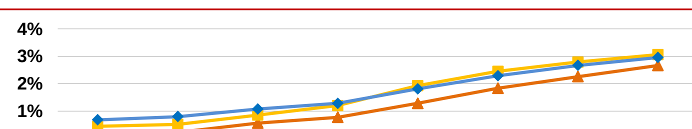
## FIXED INCOME RECAP

- The U.S. fixed income markets returned to positive territory in April, with the Bloomberg Barclays U.S. Aggregate Bond Index posting a 0.8% total return and advancing its year-to-date gain to 1.6%. Over the longer 1- and 5-year time periods, investment grade bonds recorded annualized total returns of 0.8% and 2.3%, respectively.
- U.S. municipal bonds moved modestly higher in March, as investor demand out-paced supply. For the month, the Bloomberg Barclays U.S. Municipal Bond Index posted a 0.7% total return. Over the longer 1- and 5-year time periods, municipal bonds recorded annualized total returns of 0.1% and 3.2%, respectively.
- The U.S. Treasury yield curve flattened in April, with yields on shorter-term issues edging higher, while longer-dated issues fell. At month-end, the yield on the 3-Month U.S. Treasury bill closed at 0.80%, up 4 basis points (0.4%) from the 0.76% level at the end of March. Meanwhile, the yield on the benchmark 10-Year U.S. Treasury note closed the month at 2.29%, 11 basis points (0.11%) below its March 31, 2017 closing yield of 2.40%.

## U.S. BOND MARKET PERFORMANCE Total Returns for Periods Ended April 30, 2017




## U.S. TREASURY YIELD CURVES




| | 1 Mo. | 3 Mo. | 1 Yr. | 2 Yrs. | 5 Yrs. | 10 Yrs. | 20 Yrs. | 30 Yrs. |
|---|---|---|---|---|---|---|---|---|
| 4/30/2016 | 0.16% | 0.22% | 0.56% | 0.77% | 1.28% | 1.83% | 2.26% | 2.66% |
| 12/31/2016 | 0.44% | 0.51% | 0.85% | 1.20% | 1.93% | 2.45% | 2.79% | 3.06% |
| 4/30/2017 | 0.68% | 0.80% | 1.07% | 1.28% | 1.81% | 2.29% | 2.67% | 2.96% |

## MARKET COMMENTARY - *U.S. Equities: The Bull Market Turns 8 Years Old*

In March 2009, few investors—professionals included—would have predicted that a record-setting equity bull market would unfold over the next eight years. At the time, the U.S. economy was struggling under the worst recession since the 1930's and the major stock market indices had retreated back to price levels not seen in 12 years. It was a time of worry and despair for investors, as the benchmark S&P 500® Index lost approximately 57 percent in the prior 17 months, hurting retirement and other investment accounts.

Fast forward eight years to the spring of 2017: the U.S. has undergone a period of economic expansion, consumers' finances and confidence levels have greatly improved, and the S&P 500 Index has more than tripled in value from 677 in March 2009 to 2,384 as of April 30, 2017. For buy-and-hold investors who remained in the market during the financial crisis lows, the equities market rebound helped them not only recoup their paper losses but also add to their nest eggs.


However, not everyone has benefitted equally from the recovery. Investors who pulled money out of the market during its 2008-09 decline—only to put it back in months or even years after the March 2009 low point—have missed out on receiving all of the rally's gains. Consider this: At the end of 2007, when the market was near what was then its most recent peak, total assets invested in stock mutual funds was $6.4 trillion, according to the Investment Company Institute[1]. At the end of 2016, that figure was $8.6 trillion, an increase of just 34%, despite the S&P 500 Index having gained over 50% during the same period. If those invested in stock funds at the end of 2007 had simply kept their money where it was and made no additional contributions, total assets would've risen by roughly an additional $1.1 trillion to $9.7 trillion[2].

While no one knows whether this bull market will continue on and celebrate its 9th Birthday in March 2018—or perhaps even longer—we suggest investors stay focused on what they do know—their long-term personal investment goals—and what they can control—their savings rate and staying invested through the short-term market fluctuations. State Farm® is here to help you with these and other financial or insurance needs you might have.

[1] ICI. 2007, [2] S&P Capital, 2016

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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 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 Dow Jones Industrial Average® is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ.

The NASDAQ Composite Index® is the market capitalization-weighted index of approximately 3,000 common equities listed on the Nasdaq stock exchange.

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 .

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**Before Investing, consider the funds' investment objectives, risks, charges and expenses. Contact VP Management Corp (1-800-447-4930) for a prospectus or summary prospectus containing this and other information. Read it carefully.**

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