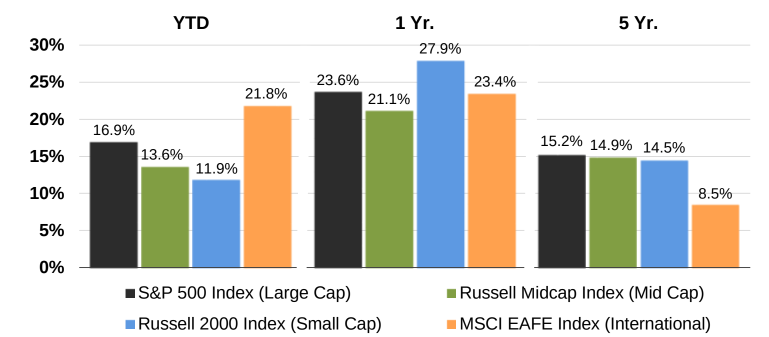
STATE FARM® MARKET RECAP

As of October 31, 2017

EQUITIES RECAP

- Global equity markets moved higher in October, supported by strengthening in the global economy and better-than-expected corporate earnings results.
- U.S. equities posted positive gains in October, with the S&P 500® Index closing the month near an all-time high. For the month, the large-cap benchmark gained 2.3% and increased its year-to-date total return to 16.9%. Mid- and small-cap stocks, as measured by the Russell MidCap® Index and Russell 2000® Index, also closed the month in positive territory, posting total monthly returns of 1.7% and 0.9%, respectively.
- Helped by strong earnings momentum in Europe and Japan, international developed market equities, as measured by the MSCI EAFE Index, posted positive returns for the month, gaining 1.5% in U.S. dollar terms. Year-to-date through October, the international index returned 21.8%.

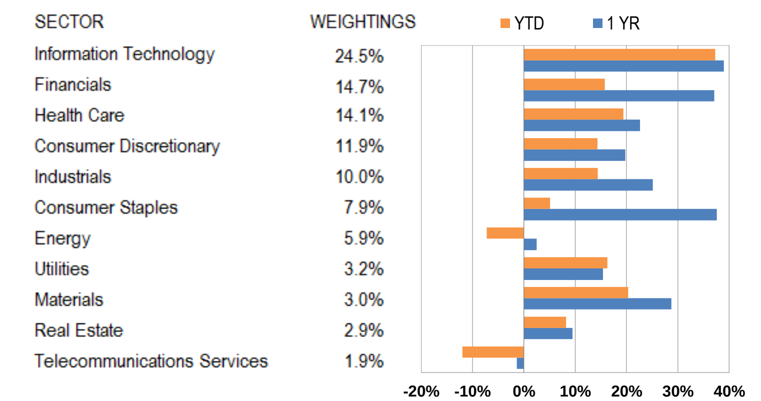
EQUITIES MARKET PERFORMANCE Total Returns for Periods Ended October 31, 2017



U.S. EQUITIES

- Strong corporate earnings results helped the U.S. stock market climb steadily higher in October, with the S&P 500 Index posting 11 new closing highs in the 22 trading days of the month. For the month, the popular benchmark for the U.S. stock market, advanced 2.3% and recorded its twelfth consecutive monthly gain, in total return measures.
- By month end October, roughly two-thirds of the companies within the S&P 500 Index had reported third-quarter earnings results, with a combined year-over-year earnings per share growth rate of approximately 7%. From an economic perspective, data reports showed third-quarter gross domestic product (GDP) grew at an annualized 3% growth rate, making it the first six-month stretch since 2014 in which GDP grew more than 3% in consecutive quarters.
- Seven of the eleven sectors within the S&P 500 Index posted positive returns in October, led by Information Technology gaining 7.8% for the month and 37.2% year-to-date (YTD), the best of any sector. Telecommunication Services led the declining sectors lower for the month, losing 7.6%, and was the worst-performing sector YTD, recording a negative 12.0% total return.

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

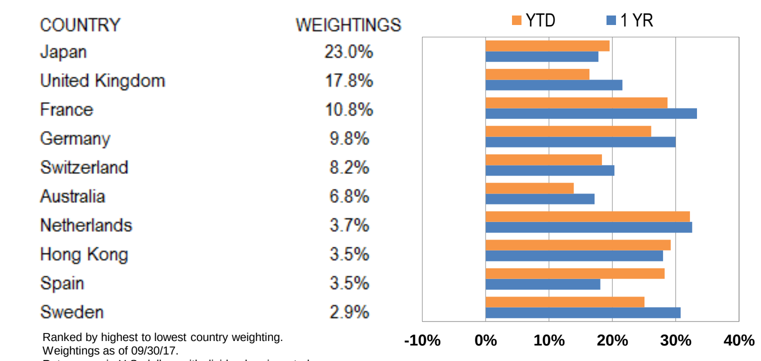


Ranked by highest to lowest index weighting.

GLOBAL EQUITIES

- International equity markets were mostly positive in October (in U.S. dollar terms), supported by improving economic activity and positive corporate earnings results across several regions. Major European markets posted moderate gains for the month, after the European Central Bank left its interest rates unchanged but decided to reduced its asset purchase program, starting in January 2018. Year-to-date through October, the MSCI Europe Index (not shown) returned 23.4%, in U.S. dollar terms.
- Japanese equities led the international developed markets higher for the month, after reports showed Japan's economy expanded at an annualized 2.5% growth rate in the third quarter, its sixth consecutive quarter of positive growth. Year-to-date through October, the MSCI Japan Index increased 19.6% in U.S. dollar terms, while the Japanese currency (yen) strengthened by 2.9% against the U.S. dollar.

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

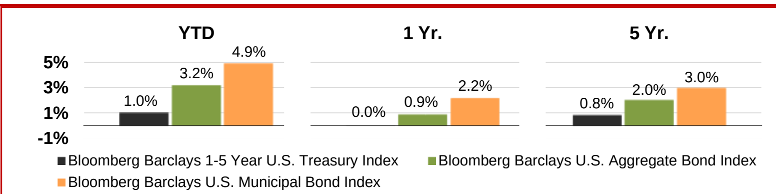


Ranked by highest to lowest country weighting.
Weightings as of 09/30/17.
Returns are in U.S. dollars with dividends reinvested.

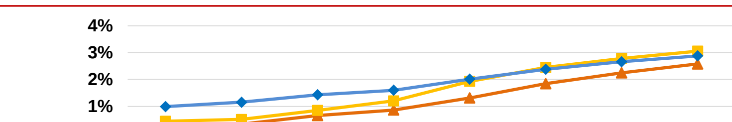
FIXED INCOME RECAP

- The U.S. fixed income markets moved moderately higher in October, after the U.S. Federal Reserve, European Central Bank and Bank of Japan left interest rates unchanged at their October meetings. For the month, the Bloomberg Barclays U.S. Aggregate Bond Index posted a 0.1% total return. Over the longer 1- and 5-year time periods, investment grade bonds recorded annualized total returns of 0.9% and 2.0%, respectively.
- U.S. municipal bonds finished the month in positive territory, with the Bloomberg Barclays U.S. Municipal Bond Index posting a 0.2% total return. Over the longer 1- and 5-year time periods, municipal bonds recorded annualized total returns of 2.2% and 3.0%, respectively.
- The U.S. Treasury yield curve flattened in October, with yields on shorter-term issues rising more substantially than longer-term maturities. At month-end, the yield on the benchmark 10-Year U.S. Treasury note closed at 2.38%, up 5 basis points (0.05%) from September's month-ending 2.33%. Meanwhile, the yield on the 30-Year U.S. Treasury bond closed at 2.88%, up 2 basis points (0.02%) from 2.86% on September 30th.

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



U.S. TREASURY YIELD CURVES



	1 Mo.	3 Mo.	1 Yr.	2 Yrs.	5 Yrs.	10 Yrs.	20 Yrs.	30 Yrs.
10/31/2016	0.20%	0.34%	0.66%	0.86%	1.31%	1.84%	2.25%	2.58%
12/31/2016	0.44%	0.51%	0.85%	1.20%	1.93%	2.45%	2.79%	3.06%
10/31/2017	0.99%	1.15%	1.43%	1.60%	2.01%	2.38%	2.66%	2.88%

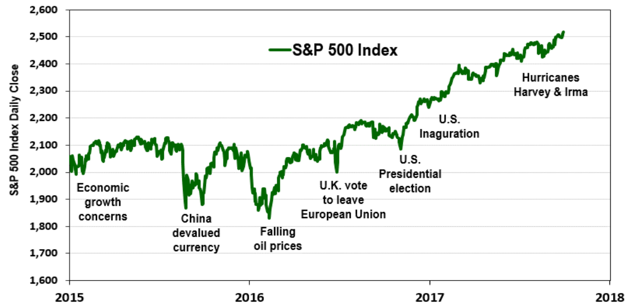
MARKET COMMENTARY - Smooth sailing for stocks in 2017—but what about the coming year?

Enjoying a gradual, persistent increase through the first nine months of 2017, the U.S. stock market remained usually calm, experiencing only brief periods of shallow declines through September. Despite the presence of several potentially challenging factors, including the uncertainties inherent with the start of a new U.S. Presidential administration, multiple extraordinary natural disasters, and continued slow U.S. economy growth, the rise in equities came with historically low levels of volatility. Through the first three-quarters of 2017, the S&P 500® Index gained or lost 1% or more on just eight trading days. By comparison, for all of 2016, there were 47 such days, while the market logged 72 such days during 2015.

With that relatively higher volatility recorded in 2015-16, there were multiple sharp market declines. For example, U.S. stocks fell when China devalued its currency (August 2015), as oil prices retreated (January 2016), after the surprise results of the "Brexit" vote (June 2016), and again during the run-up to the fall U.S. presidential election. However, despite these major events occurring during this 2-year period—and negatively impacting the markets in the short-term—the S&P 500 Index still provided an approximately 8% cumulative price return during this time. While short-term market downturns may be upsetting, history—both recent and in the distant past—shows the U.S. stock market has been able to recover and still provide investors with positive long-term results.

So, while it has been fairly smooth sailing for stocks through September 2017, it's important for investors to understand that, just as we saw in 2015-16, conditions can change quickly. A sudden escalation in tensions between North Korea and the rest of the world could disrupt the financial markets, as could global central banks moving away from their loose monetary policies, or a sharp decline or rise in oil prices.

As we close out 2017 and look out through 2018 and beyond, a key takeaway to remember is that stock market volatility is a normal part of investing. With this in mind, investors should keep short-term price fluctuations in perspective while remaining focused on their longer-term goals. State Farm® is here to help you with these and other financial or insurance needs you may have.



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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 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 MSCI Europe Index represents the performance of large and mid-cap equities across 15 developed countries in Europe.

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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State Farm VP Management Corp.,
One State Farm Plaza, Bloomington, IL 61710-
1-800-447-4930