

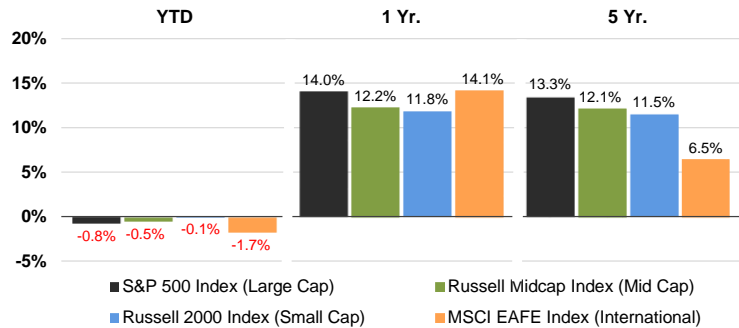
STATE FARM® MARKET RECAP

As of March 31, 2018

EQUITIES RECAP

- Global equity markets lost ground in March, pulled down by investor concerns over rising inflation, moderating economic growth, and the prospect of tightening monetary policy by global central banks.
- In the U.S., March was a challenging month for large-cap stocks, with the S&P 500® Index declining -2.5% and lowering its year-to-date total return into negative territory. Small- and mid-cap stocks fared much better for the month, with the Russell 2000® Index and Russell MidCap® Index, posting positive total returns of 1.3% and 0.1%, respectively.
- International markets held up better than the U.S. markets but still closed the month in negative territory. For the month, the MSCI EAFE Index declined -2.0% and returned -1.7% year-to-date. Meanwhile, emerging markets, as measured by the MSCI Emerging Market Index (not shown) declined -2.0% for the month, but gained 1.3% year-to-date, in U.S. dollar terms.

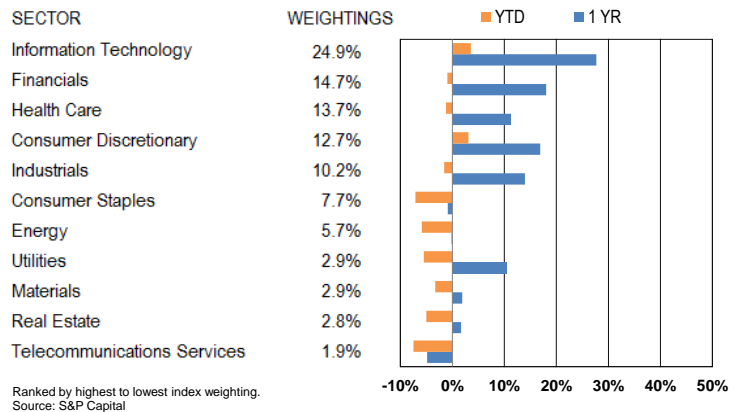
EQUITIES MARKET PERFORMANCE Total Returns for Periods Ended March 31, 2018



U.S. EQUITIES

- U.S. equities continued their downward trend in March, as volatility increased and the markets changed direction quickly. During the month, the S&P 500 Index had 12 days up at least 1% and 11 down at least 1%. In comparison, there were 4 and 4 such days in all of 2017. During the month, the bull market celebrated its ninth birthday on March 9th and is now up 290% or 16.2% annualized since the market low of March 9th, 2009. For the quarter, the S&P 500 Index declined -0.8%, its first quarterly loss since the third quarter of 2015.
- In terms of S&P sector performance, three of the eleven sectors posted positive returns for the month, led by Real Estate and Utilities, with both posting total returns of 3.8%. The Energy sector also finished the month in positive territory, up 1.7%, as oil prices rallied. The Information Technology sector fell into negative territory for March, down -3.9% and underperformed the S&P 500 Index by 1.4%. However, over the longer 1-year time period, Information Technology stocks have outpaced the other sectors by a wide margin, posting a total return of 27.7%.

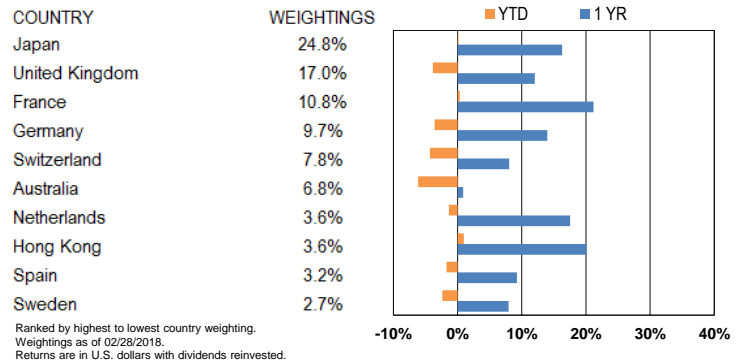
PERFORMANCE OF THE S&P 500 INDEX Total Returns for Periods Ended March 31, 2018



GLOBAL EQUITIES

- International equity markets continued to move lower in March, closing out a turbulent quarter. For March, 10 of the 47 markets gained, compared with 4 last month and 46 of the 47 gaining in January. Emerging markets also lost ground in March, despite the price of crude oil moving higher amid lower inventories and higher demand for refined products. Since June 2017, oil prices have rebounded more than 50% as economic growth in several emerging countries has continued to improve.
- In Japan, a strong yen and mixed economic growth reports weighed on the equity markets. During the month, Japan's central bank kept its monetary policy unchanged, as the world's third-largest economy continued to struggle to gain momentum. Year-to-date through March, the MSCI Japan Index returned 0.1% in U.S. dollar terms, while the Japanese currency (yen) gained 6.0%.

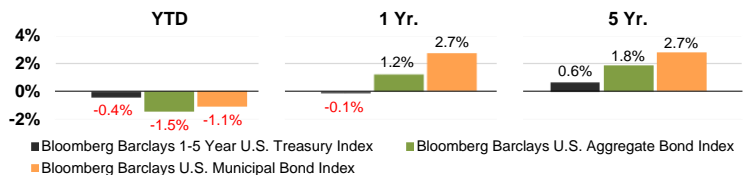
PERFORMANCE OF MSCI EAFE INDEX Total Returns for Periods Ended March 31, 2018



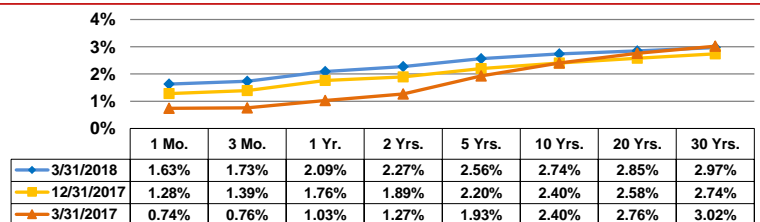
FIXED INCOME RECAP

- The U.S. fixed income markets posted modest gains in March, after the Federal Reserve raised short-term interest rates by 25 basis points to a range of 1.50% to 1.75%. For the month, the Bloomberg Barclays U.S. Aggregate Bond Index posted a 0.6% total return. Over the longer 1- and 5-year time periods, investment grade bonds recorded annualized total returns of 1.2% and 1.8%, respectively.
- U.S. municipal bonds ended the month on a positive note, up 0.4% on a total return basis, marking the first month this year where municipal bonds have posted a positive total return. Over the longer 1- and 5-year time periods, municipal bonds, as measured by the Bloomberg Barclays U.S. Bond Index, recorded annualized total returns of 2.7% for both periods.
- The U.S. Treasury yield curve flattened in March, as yields on shorter-term maturities moved marginally higher, while yields on intermediate and longer-dated maturities decreased. For the first three months of 2018, however, yields rose across all maturities with the 2-year U.S. Treasury note climbing 38 basis points, the 10-year U.S. Treasury note up 34 basis points and the yield for the 30-year U.S. Treasury bond up 23 basis points.

U.S. BOND MARKET PERFORMANCE Total Returns for Periods Ended March 31, 2018



U.S. TREASURY YIELD CURVES



MARKET COMMENTARY - Don't Overreact to Short-Term Market Changes

2017 was another banner year for the U.S. stock market, with the benchmark S&P 500® Index gaining 19.4% (21.8% with dividends) and extending the second longest bull market in U.S. history. While the percentage gains were significant, they were not unprecedented. What was uncommon about 2017 was the consistency of price appreciation and the absence of volatility (ups and downs) throughout the year. In fact, during the year, the S&P 500 Index gained or lost more than one percent on just eight trading days (4 to the upside and 4 to the downside) and the lowest level the market declined was just -3%.

While the S&P experienced historic low levels of volatility in 2017, investors shouldn't expect that trend to continue. The chart shows the annualized return for the S&P 500 Index from 1980-2017. During this time period, the average intra-year decline (or maximum drawdown) was -14%, well below the -3% the market experienced in 2017. Even during years when the stock market recorded positive annual returns, periods of sharp declines can appear throughout the year. For example, in 2009 the market experienced a price return of 23%, while that same year the year's largest decline was -28%.



While intra-year declines are common, investors should keep market volatility in perspective and stay focused on their long-term goals. Trying to time market swings—knowing when to invest and when to retreat is difficult, if not impossible. Investing to achieve retirement goals requires a long-term focus and maintaining a disciplined, unemotional investment approach may be your most prudent strategy. State Farm® is here to help you with these and other financial or insurance needs you may have.

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.

Russell Investments is the owner of trademarks, service marks, and copy rights related to its respective indexes.

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.

Neither State Farm nor its agents provide tax or legal advice.

You could lose money by investing in the Money Market Fund. Although the Fund seeks to preserve the value of your investment at \$1.00 per share, it cannot guarantee it will do so. An investment in the Fund is not a deposit of a bank and is not guaranteed by the Federal Deposit Insurance Corporation ("FDIC") or any other government agency. The Fund's sponsor has no legal obligation to provide financial support to the Fund, and you should not expect that the sponsor will provide financial support to the Fund at any time.

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Securities issued by State Farm VP Management Corp.

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