Quarterly Market Review

Second Quarter 2018

THE MILESTONE GROUP
Wealth Through Discipline

Asset Class Performance

Second Quarter 2018

After a mostly negative first quarter, many asset classes rebounded to post positive returns through the halfway point of 2018. In the second quarter, energy master limited partnerships (MLPs) produced the highest return among all asset classes, up 10.8%. Commodities have performed the best on a year-to-date basis, up 10.4%, largely due to an increase in oil prices. The U.S. dollar appreciated during the quarter, which caused unhedged foreign stocks to underperform U.S. stocks.

The Federal Reserve increased the Federal Funds target range by 25 basis points during the second quarter. However, bonds were still able to produce modest gains. Emerging Market stocks underperformed the most with a loss of 8%.

Asset Class	Second Quarter 2018	YTD	Past 1 Year	Past 10 Years*
Master Limited Partnerships	10.8%	-2.1%	-7.8%	N/A
U.S. Real Estate	8.5%	1.3%	4.9%	8.3%
U.S. Micro Cap Stocks	8.3%	7.6%	17.7%	11.8%
U.S. Small Value Stocks	8.3%	5.4%	13.1%	9.9%
Commodities: GSCI	8.0%	10.4%	30.0%	-12.4%
U.S. Small Stocks	7.8%	7.7%	17.6%	10.6%
U.S. Large Stocks: S&P 500	3.4%	2.7%	14.4%	10.2%
U.S. Large Value Stocks	1.2%	-1.7%	6.8%	8.5%
High Yield Bonds	1.1%	0.2%	2.8%	7.7%
Municipal Bonds	0.9%	-0.3%	1.6%	4.4%
U.S. Inflation Indexed Bonds	0.8%	0.0%	2.1%	3.0%
U.S. T-Bills / Cash	0.4%	0.8%	1.3%	0.3%
Long-Term U.S. Govt. Bonds	0.2%	-3.0%	-0.3%	6.0%
Corporate Bonds	0.2%	-1.4%	-0.6%	3.0%
Short-Term U.S. Govt. Bonds	0.2%	0.1%	0.0%	1.3%
Foreign Hedged Govt. Bonds	0.2%	0.6%	1.9%	4.0%
U.S. Intermediate Govt Bonds	0.1%	-0.7%	-0.8%	2.4%
Foreign Real Estate	-0.4%	-1.8%	6.5%	3.6%
Foreign Large Stocks	-1.2%	-2.8%	6.8%	2.8%
Foreign Small Stocks	-2.0%	-2.3%	9.3%	6.3%
Foreign Large Value Stocks	-3.3%	-4.6%	9.0%	2.7%
Foreign Small Value Stocks	-3.5%	-5.7%	5.4%	6.1%
Emerging Market Stocks	-8.0%	-6.7%	8.2%	2.3%

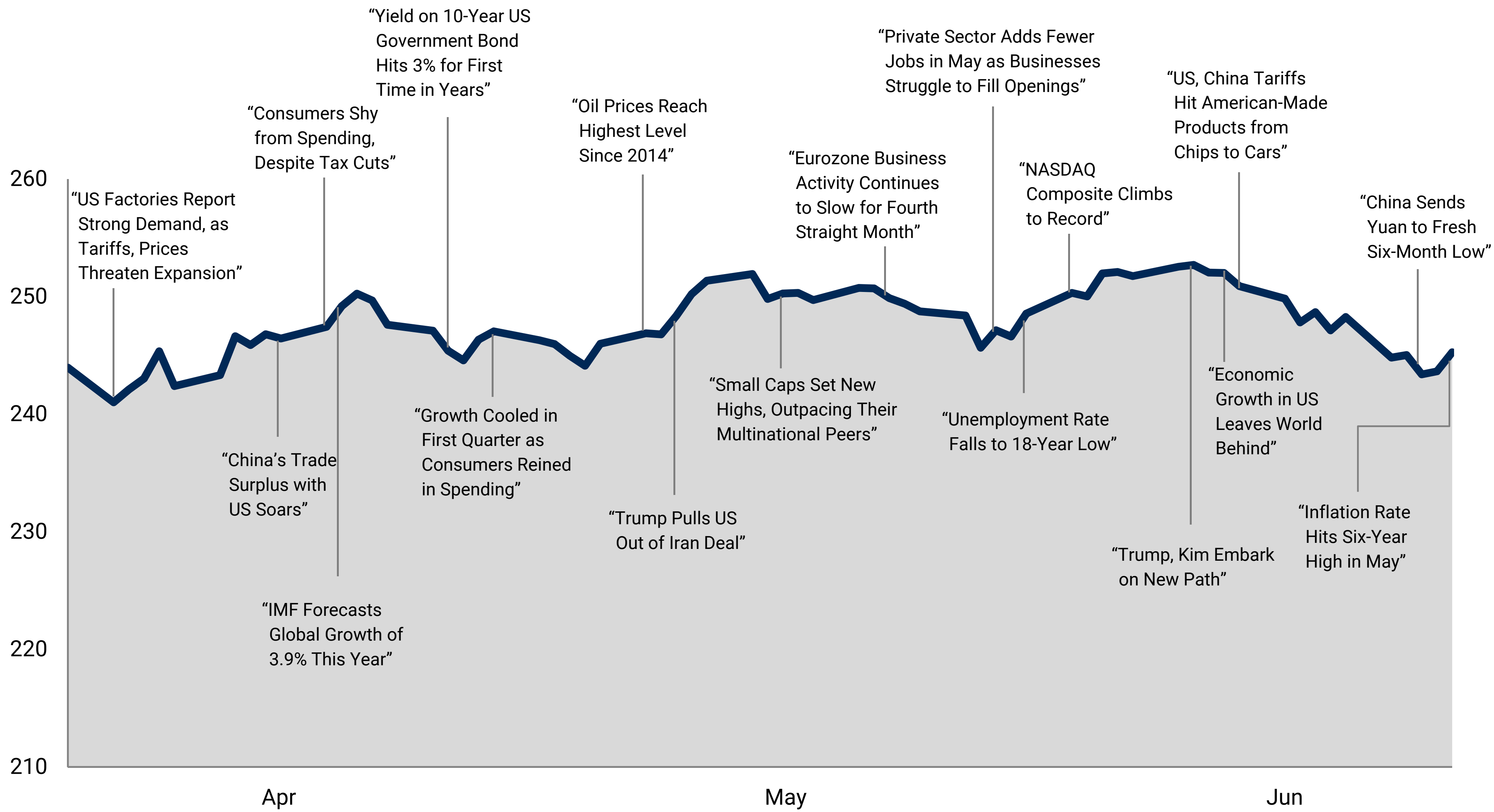
*Annualized

Source: Morningstar Direct. Data as of June 30, 2018

World Stock Market Performance [1]

Second Quarter 2018

With selected headlines from Q2 2018



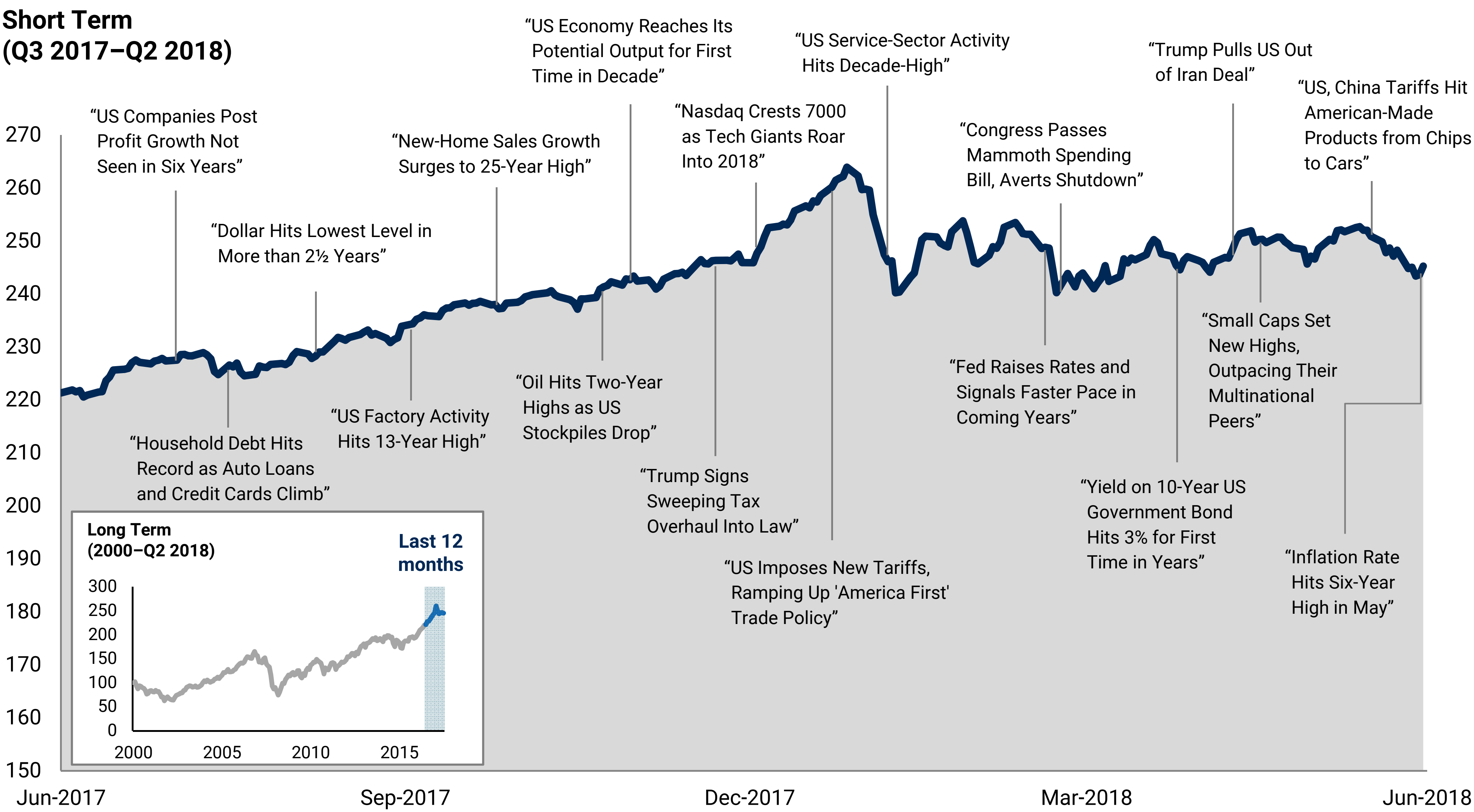
[1] MSCI ACWI Index (USD) [net div.]. MSCI data © MSCI 2018, all rights reserved.
These headlines are not offered to explain market returns. Instead, they serve as a reminder that investors should view daily events from a long-term perspective and avoid making investment decisions based solely on the news. Investors cannot invest directly in an index. Performance does not reflect the expenses associated with management of an actual portfolio. Past performance is not a guarantee of future results.

Source: DFA Quarterly Market Review. Data as of June 30, 2018

World Stock Market Performance [1]

Second Quarter 2018

With selected headlines for the past 12 months



[1] MSCI ACWI Index (USD) [net div.]. MSCI data © MSCI 2018, all rights reserved.

These headlines are not offered to explain market returns. Instead, they serve as a reminder that investors should view daily events from a long-term perspective and avoid making investment decisions based solely on the news. Investors cannot invest directly in an index. Performance does not reflect the expenses associated with management of an actual portfolio. Past performance is not a guarantee of future results.

Source: DFA Quarterly Market Review. Data as of June 30, 2018

Fixed Income Performance & Yield Analysis

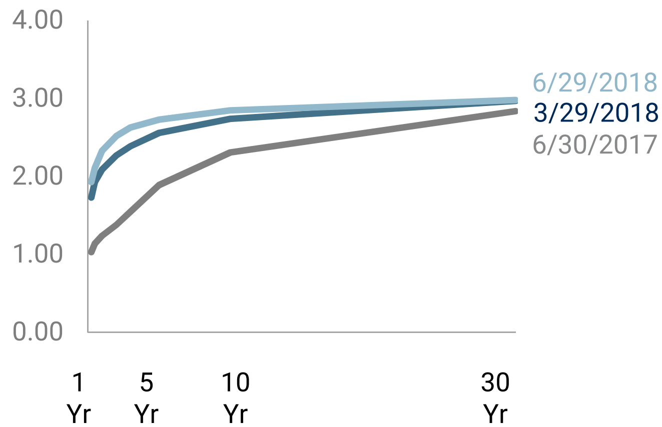
Interest rates increased in the US during the second quarter. The yield on the 5-year Treasury note rose 17 basis points (bps), ending at 2.73%. The yield on the 10-year T-note rose 11 bps to 2.85%. The 30-year Treasury bond yield climbed 1 bps to 2.98%.

The 1-month Treasury bill yield rose 14 bps to 1.77%, while the 1-year Treasury bill yield increased 24 bps to 2.33%. The 2-year Treasury note yield finished at 2.52% after increasing 25 bps.

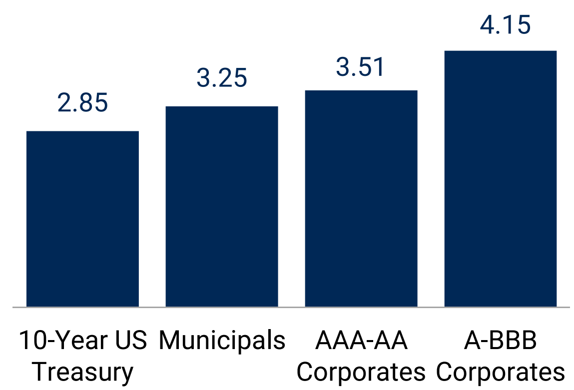
In terms of total return, short-term corporate bonds gained 0.29%, while intermediate-term corporate bonds declined 0.10%.

Short-term municipal bonds added 0.66%, while intermediate-term munis returned 0.81%. Revenue bonds performed in-line with general obligation bonds, returning 0.90% and 0.87%, respectively.

US Treasury Yield Curve (%) [2]



Bond Yields across Issuers (%) [3]



Period Returns (%) [4]

** Annualized*

Asset Class	QTR	1 Year	3 Years*	5 Years*	10 Years*
Bloomberg Barclays US High Yield Corporate Bond Index	1.03	2.62	5.53	5.51	8.19
Bloomberg Barclays Municipal Bond Index	0.87	1.56	2.85	3.53	4.43
Bloomberg Barclays US TIPS Index	0.77	2.11	1.93	1.68	3.03
ICE BofAML 3-Month US Treasury Bill Index	0.45	1.36	0.68	0.42	0.35
ICE BofAML 1-Year US Treasury Note Index	0.40	0.92	0.64	0.49	0.77
Bloomberg Barclays US Government Bond Index Long	0.26	-0.13	3.40	4.56	6.02
FTSE World Government Bond Index 1-5 Years (hedged to USD)	0.24	0.89	1.18	1.33	2.08
Bloomberg Barclays US Aggregate Bond Index	-0.16	-0.40	1.72	2.27	3.72
FTSE World Government Bond Index 1-5 Years	-2.66	0.73	1.19	-0.58	0.63

Note: Data as of June 30, 2018. One basis point equals 0.01%. Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Yield curve data from Federal Reserve. State and local bonds are from the S&P National AMT-Free Municipal Bond Index. AAA-AA Corporates represent the Bank of America Merrill Lynch US Corporates, AA-AAA rated. A-BBB Corporates represent the Bank of America Merrill Lynch US Corporates, BBB-A rated. Bloomberg Barclays data provided by Bloomberg. US long-term bonds, bills, inflation, and fixed income factor data © Stocks, Bonds, Bills, and Inflation (SBBI) Yearbook™, Ibbotson Associates, Chicago (annually updated work by Roger G. Ibbotson and Rex A. Sinquefield). FTSE fixed income indices © 2018 FTSE Fixed Income LLC, all rights reserved. ICE BofAML index data © 2018 ICE Data Indices, LLC.

Source: DFA Quarterly Market Review. Data as of June 30, 2018

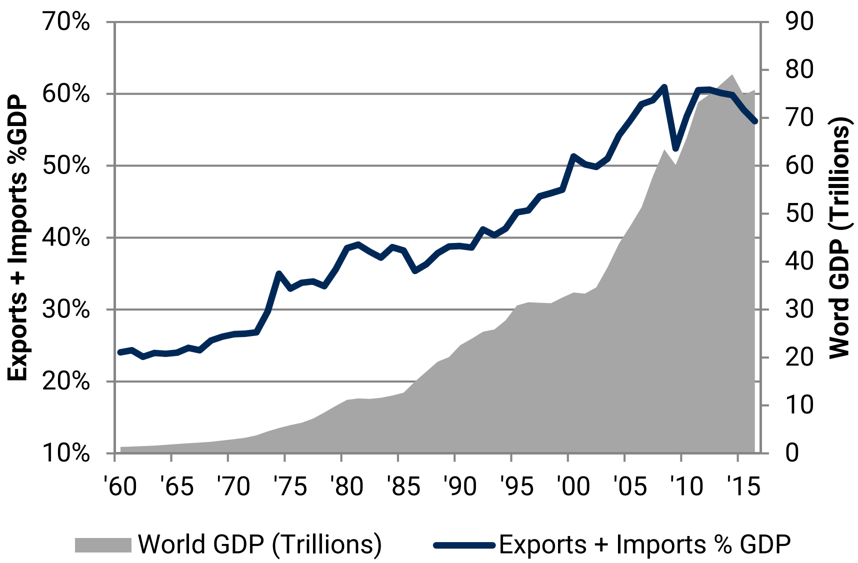
Tariffs & Trade Wars

Motivations

Global markets experienced higher volatility over geopolitical uncertainty arising from recent changes in U.S. trade policy. Major concerns began with the announced U.S. tariffs on steel and aluminum imports. Import tariffs are a basic tool of trade policy where governments impose financial charges on foreign products to protect domestic industries from cheaper imported goods. The strategy change compelled the targeted countries to impose retaliatory tariffs on key U.S. exports, beginning “tit-for-tat” trade disputes. The U.S. administration, through its rhetoric and its new trade policy, seeks to pressure multiple countries to negotiate more favorable trade deals using tariffs as a bargaining maneuver.

Proponents of globalization point to global economic growth over the last twenty years. As total trade in the world economy, as measured by exports plus imports, increased, global GDP expanded, suggesting that the role of free trade is integral to the increase in global living standards and an important driver of poverty reduction.[6] While many economists believe free trade is the best policy, not everyone benefits. As an example, within the advanced economies, open trade has displaced many manufacturing workers as companies shifted production to other lower-cost countries. Those shifts caused many job losses and depressed economic activity in various regions. Globalization has also been a factor in constraining wage growth, which is contributing to a rise in social discontent and persuading governments to erect more barriers to free trade.

Global Trade & World GDP[5]



Source: Federal Reserve; World Bank. Data as of 12/31/16.

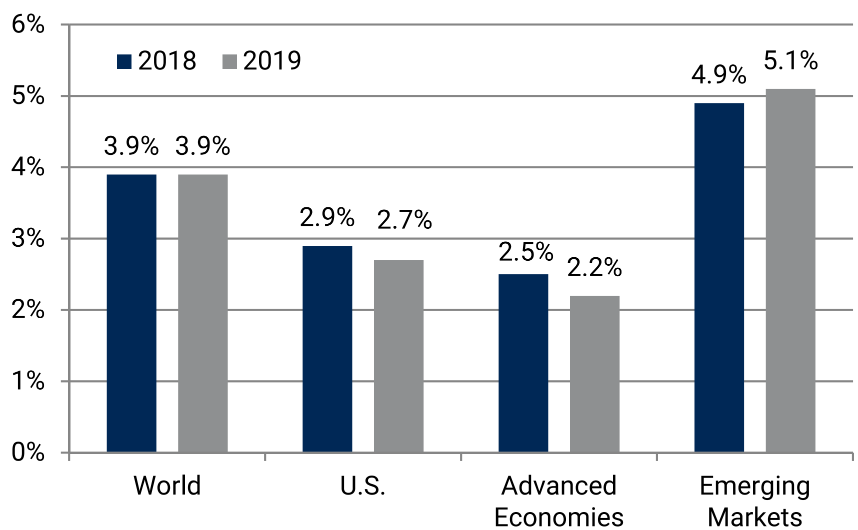
Economic Implications

The impacts stemming from higher tariffs and other protectionist measures remain complicated and unpredictable. As the U.S. hikes import duties, targeted countries retaliate and raise tariffs by a similar magnitude. Corporations assumed freer trade policies would continue to proliferate. That belief spurred business investment in capacity to source materials and assemble products from multiple countries around the world. As trade barriers rise, costs increase, and the law of unintended consequences emerges. While economists estimate the initial impact of the tariffs will probably be small, forecasts cannot adequately capture the complexity of global trade. Several U.S.-based firms have voiced concerns over potential disruptions arising from the new tariffs. Harley-Davidson plans to shift production of European bound motorcycles out of the U.S. to avoid the new tariff burdens, exemplifying the unexpected outcomes from the new strategy. As companies adjust to the changing landscape, the shifts may help certain countries and hurt others, but the ultimate impact is uncertain. Given the broad range of potential outcomes over a wide geographic landscape, holding a broadly diversified portfolio can be a reasonable strategy to endure the volatility.

Another economic concern is the inflationary impact of higher import duties. One point about tariffs is that the primary purpose is to raise prices. While prices are likely to rise, price increases are a onetime event that runs its course quickly after a tariff announcement. Absent subsequent rounds of tariff increases, there is no specific reason why prices should rise again. This is not to assert that tariffs do not matter. What matters is how an increase might dampen future demand and hurt economic growth. From a sentiment perspective, the protectionist rhetoric may also reduce corporate risk appetites because the global economy is so deeply connected through free trade. Even without enacting new policies, the uncertainty could delay capital expenditures and other investments, reducing potential economic growth.

Multiple forces could counteract the probability of a broader trade war. Politicians around the world have a deep-rooted interest in getting re-elected and have significant incentives to negotiate thoughtful solutions and prevent meaningful economic damage. In addition, multiple special interest groups that represent businesses and employees can mobilize quickly and use their political power to influence policy. Business interests that benefit most from globalization will probably not remain passive and sacrifice heavy investments made to build global supply chains.

Global GDP Growth Estimates[7]



Source: International Monetary Fund. Data as of 4/30/18.

Focus on Fundamentals

Investors can reasonably expect that trade policy may be a source of volatility and the markets will adjust as the situation evolves. However, trade is not the only factor driving equity markets. Global economic growth expectations are still strong with world GDP expected to increase at almost 4% for each of the next two years, led by higher growth from emerging market countries. Earnings growth in both the domestic and foreign markets appears stable. Other key macro-economic indicators like employment, inflation, and monetary policy also suggest world economies stand on solid ground. The U.S. economy continues to reap benefits from tax cuts, potentially offsetting tighter monetary conditions. Overall, the positive fundamental backdrop could offer a counterweight to any trade associated market downturns.

Concluding Thoughts

While the actions of the U.S. administration are unsettling, markets have weathered past geopolitical trade disputes. Investing involves taking risk. One practical strategy for investors is to maintain a long-term perspective through a diversified portfolio containing enough risk to meet their goals and objectives, but not too much risk to lose sleep during periods of heightened volatility. A longer-term focus allows investors to maintain investment discipline and avoid emotional decisions driven by current events and headlines, which are constantly changing.

Disclosures/Endnotes

The Milestone Group, Inc., ("Milestone") is an SEC registered investment adviser and a wholly-owned subsidiary of BOKF, NA, a wholly-owned subsidiary of BOK Financial Corporation, a financial holding company ("BOKF"). Additional advisory services are provided by BOK Financial Asset Management, Inc. and Cavanal Hill Investment Management, Inc., each an SEC registered investment adviser and an affiliate of Milestone. Cavanal Hill Distributors, Inc., member FINRA, is the distributor for Cavanal Hill Mutual Funds. Cavanal Hill Distributors, Inc., is also a wholly-owned subsidiary of BOKF, NA and an affiliate of Milestone. SEC registration does not imply a certain level of skill or training. A copy of Milestone's current written disclosure statement discussing advisory services and fees is available upon request and is also available on the SEC's website at www.adviserinfo.sec.gov.

Information contained herein has been obtained from sources believed to be reliable, but not guaranteed. The opinions expressed herein reflect the judgment of the author at this date and are subject to change without notice and are not a complete analysis of any sector, industry or security. This report is not to be considered a recommendation of Milestone's investment management services, any particular security, strategy or investment product, nor is it intended to provide personal investment advice. It does not take into account any specific investment objectives, financial situations, or particular needs of any specific person who may receive this report. Investors should seek financial advice regarding the appropriateness of investing in any securities, other investment or investment strategies discussed in this report and should understand that statements regarding future prospects may not be realized. The information provided in this presentation is for informational purposes only and is not an offer to sell or a solicitation of an offer to buy any securities in any jurisdiction.

Milestone's investment management services may only be offered by Milestone representatives in states where registered or exempt from registration. The purpose of this report is provide the public with general information on Milestone's services and philosophy. Any communications with prospective clients residing in jurisdictions where Milestone and its investment adviser representatives are not registered or licensed shall be limited as to not trigger registration or licensing requirements.

Investors should note that income from such securities or other investments, if any, may fluctuate and that price or value of such securities and investments may rise or fall. Investments are subject to risks, including the possible loss of the principal amount invested. Past performance does not guarantee future results.

This document contains forward-looking statements that are based on management's beliefs, assumptions, current expectations, estimates, and projections, the securities and credit markets and the economy in general. Words such as "anticipates," "believes," "estimates," "expects," "forecasts," "plans," "projects," variations of such words and similar expressions are intended to identify such forward-looking statements. Management judgments relating to and discussion of the value and potential future value or performance of any security, group of securities, type of security or market segment involve judgments as to expected events and are inherently forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict with regard to timing, extent, likelihood and degree of occurrence. Therefore, actual results and outcomes may materially differ from what is expressed, implied, or forecasted in such forward-looking statements. The potential realization of these forward-looking statements is subject to a number of limitations and risks. Milestone does not undertake any obligation to update, amend, or clarify forward-looking statements, whether as a result of new information, future events or otherwise.

Charts and graphs in this document are shown for illustration purposes only. They illustrate hypothetical scenarios that track stocks comprising the selected index and assume reinvestment of all dividends and other similar income. Indices are not investable securities. Although securities have been engineered to track indices, such securities charge management and administrative fees that reduce performance and compounding returns. Milestone's fees range from 0.25% to 1.00% per year depending on account size. The index returns illustrated would be lower if transaction costs and fees for asset allocation/financial planning advice were deducted. Investors cannot invest directly in indices. The index returns illustrated above would be lower if transaction costs and fees for asset allocation/ financial planning advice were deducted.

Disclosures/Endnotes

Asset class returns illustrated on Page 1 are represented by the following indices or funds: U.S. Large Stocks: S&P 500 Index; U.S. Large Value Stocks: Russell 1000 Value Index; U.S. Small Stocks: Russell 2000 Index; U.S. Small Value Stocks: Russell 2000 Value Index; U.S Micro Stocks: DFA U.S. Micro Cap Fund; Foreign Large Stocks: MSCI EAFE Free Equity Index Net Return; Foreign Large Value Stocks: DFA International Value Fund; Foreign Small Stocks: DFA International Small Company Fund; Foreign Small Value Stocks: DFA International Small Cap Value Fund; Emerging Market Foreign Stocks: MSCI Emerging Markets Index Net Return, U.S. Real Estate Stocks: FTSE NAREIT All Equity REITs Index; Foreign Real Estate Stocks: DJ Global Ex-U.S. Select Real Estate Index Net Return; Master Limited Partnerships: Alerian MLP ETF; U.S. T-Bills/Cash: Bloomberg U.S. Treasury Bill 1-3 Month Index; Short-Term U.S. Government Bonds: Bloomberg U.S. Treasury 1-3 Year Index, Intermediate U.S. Government Bonds: Bloomberg U.S. Treasury Intermediate Index; Long-Term U.S. Government Bonds: Bloomberg U.S. Treasury 10+ Year Index; Inflation-Hedged Bonds: Bloomberg U.S. Treasury TIPS Index; Corporate Bonds: Bloomberg US Corporate AAA Intermediate Index; High Yield Bonds: Credit Suisse High Yield Index; Foreign Government Bonds: JP Morgan GBI US Dollar Hedged Index; Commodities: Goldman Sachs Commodity Index; Municipal Bonds: Bloomberg Municipal Bond Index; CPI: Consumer Price Index.

ENDNOTES:

1 MSCI ACWI Index (USD) [net div.]. MSCI data © MSCI 2017, all rights reserved.
2 Federal Reserve
3 State and local are from the S&P National AMT-Free Municipal Bond Index. AAA-AA Corporates represent the Bank of America Merrill Lynch US Corporates, AA-AAA rated. A-BBB Corporates represent the Bank of America Merrill Lynch US Corporates, BBB-A rated.
4 Bloomberg; US long-term bonds, bills, inflation, and fixed income factor data © Stocks, Bonds, Bills, and Inflation (SBBI) Yearbook ™, Ibbotson Associates, Chicago (annually updated work by Roger G. Ibbotson and Rex A. Sinquefield). Citi fixed income indices copyright 2017 by Citigroup. The BofA Merrill Lynch Indices are used with permission; © 2017 Merrill Lynch, Pierce, Fenner & Smith Incorporated; all rights reserved. Merrill Lynch, Pierce, Fenner & Smith Incorporated is a wholly owned subsidiary of Bank of America Corporation. The S&P data are provided by Standard & Poor's Index Services Group.
5 Federal Reserve; World Bank.
6 ECB Economic Bulletin Issue 3/2018; World Bank; World Trade Organization.
7 International Monetary Fund.