DVI
DAVID VAUGHAN INVESTMENTS

Capital Markets Commentary

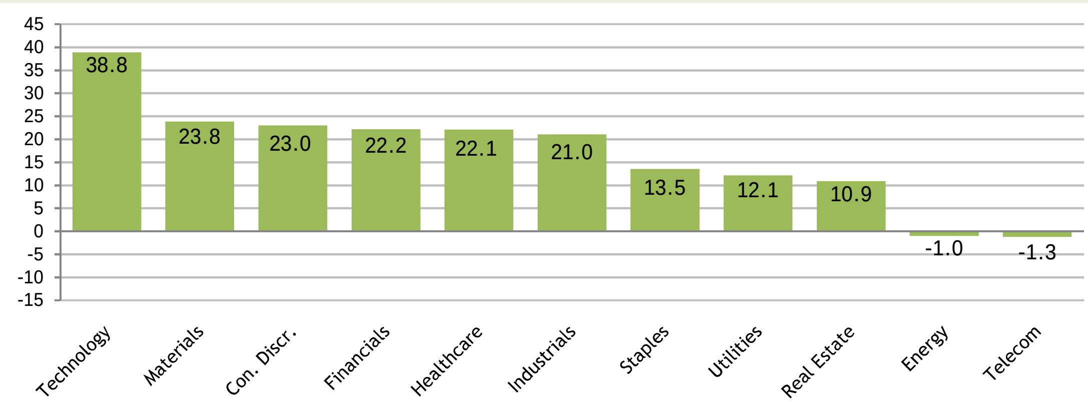
12/31/2017

Domestics stocks capped off a very strong 2017 with their strongest performance of the year in the 4th quarter. The significant cut in the corporate tax rate passed by Congress in December was the main driver of enthusiasm for stocks, while economic data also suggested the U.S economy continues to do well. Lower tax rates and economic growth are expected to push corporate earnings up another 10% in 2018, following up on the strong earnings growth already reported in 2017. The S&P 500 rose 6.6% in the 4th quarter, pushing its year to date total return to 21.8%. Growth stocks dramatically outperformed value stocks throughout the year. The Russell 1000 Growth Index gained 30.2% for the year, while the Russell 1000 Value Index gained just 13.7%.

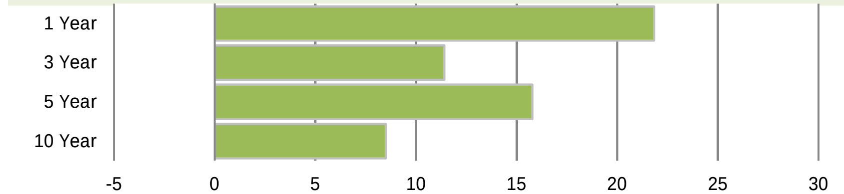
International stocks lagged U.S stocks in the 4th quarter, but still posted very strong results for the year. The MSCI EAFE Index gained 25.0% in 2017, marking the first year since 2012 that international stocks outperformed the S&P 500. Small cap stocks lagged the overall market for both the 4th quarter and the year. The Russell 2000 Small Cap Index gained 14.6% for the year.

The Treasury yield curve flattened throughout the year. The 3-month T-bill rate rose from 0.46% to 1.39% during 2017, while 10-year Treasury rate held steady. The Barclays Aggregate Bond Index returned 3.5% for the year.

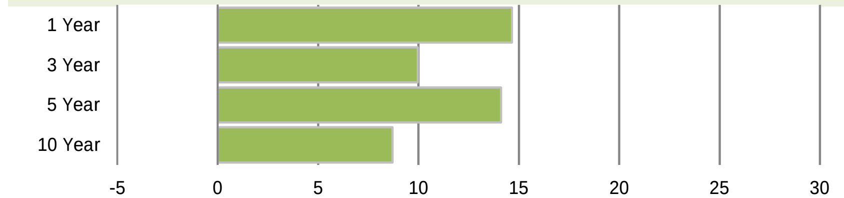
S&P 500 Index: Sector Returns Percent Year-to-Date



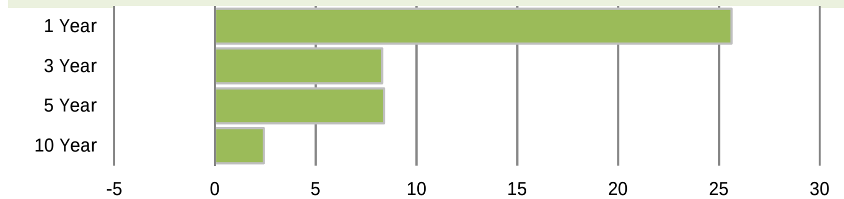
S&P 500 **Average Annual Percent Total Return**



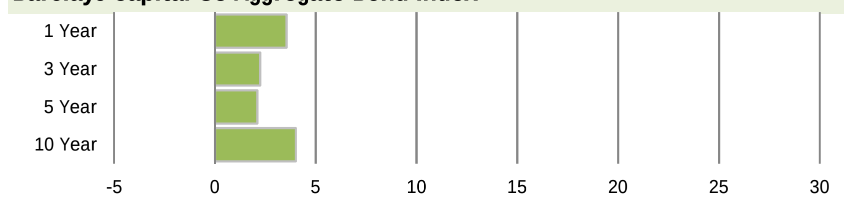
Russell 2000 Small Cap Index



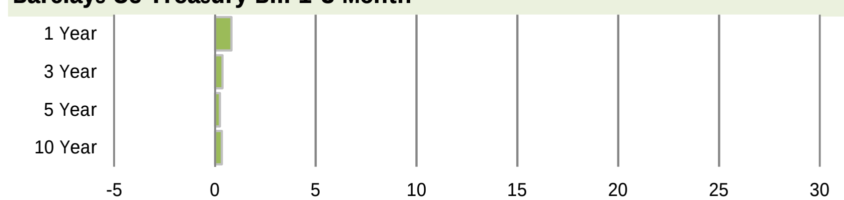
MSCI EAFE International Index



Barclays Capital US Aggregate Bond Index



Barclays US Treasury Bill 1-3 Month



Source: Morningstar