

## 2035 PORTFOLIO QUARTERLY UPDATE

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Financial markets rebounded sharply in the first quarter, with global equities gaining more than 10% and nearly all major asset classes in positive territory for the quarter. The market recovery was largely driven by a reversal of overly pessimistic investor sentiment on the growth outlook in late 2018 especially given dovish pivots by central banks globally and some softening in trade tensions between the U.S. and China throughout early 2019. The Federal Reserve adopted a more patient stance early in the quarter, and eventually moved away from two additional forecasted hikes in 2019, while the European Central Bank backed away from previous guidance on possible rate hikes later in 2019. Interest rates moved lower over the quarter with the 10-year Treasury yield ending at 2.41% – nearly 30 basis points below its 2019 starting point. Equity market momentum faded a bit in March on resurfacing global growth concerns and ongoing Brexit uncertainty, but the first quarter still ended up as one of the best quarters for equity market performance in over ten years.

In the first quarter, returns for nearly all major asset classes were positive with a sharp rebound in risk assets following the equity market weakness in the last few months of calendar year 2018. Across the spectrum of Goal Engineer portfolios, the GE 2040 portfolio posted the highest return for the quarter, while the GE Income portfolio posted the lowest return. This is as we expected since GE portfolios earlier in the glidepath have a higher allocation to risk assets than portfolios later in the glidepath. In addition, relative performance in the portfolios later in the glidepath was stronger due to outperformance in our investment grade fixed income strategy (NOFIX) which has a larger allocation in the portfolios later on in the glidepath. From a fund implementation standpoint, the top contributors to relative performance in the quarter were our investment grade fixed income strategy (NOFIX) and our broader-based emerging markets factor tilt strategy (TLTE), while main detractors for the quarter were our quality large cap U.S. equity strategy (QLC), our quality dividend U.S. equity strategy (QDF) and our broader-based developed markets ex-U.S. factor tilt strategy (TLTD).

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