

It's Never Too Late to Go Back to School

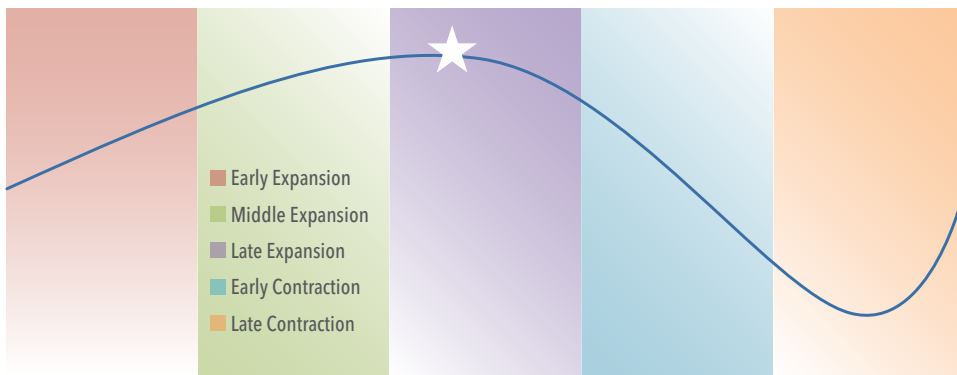
As families prepare to send their children back to school, we are sending clients back to school by refocusing attention from the day-to-day headlines, and back to the fundamentals.

One perpetual piece of homework for investors is examining economic fundamentals and thus far the U.S. economy still appears to be doing well. Gross domestic product (GDP) growth is expected to reach 2.9% for 2018, on track to be one of the fastest growing years in this expansion. Accelerating economic growth, coupled with low unemployment, rising inflation and strong corporate earnings is consistent with where we believe we are in the market cycle as shown in the chart below.

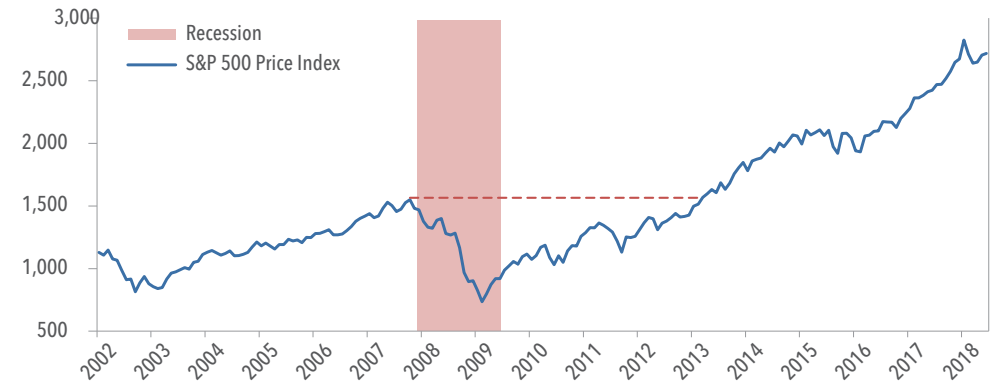
We are expecting economic growth to continue in 2019 and 2020, but at a slower pace, which would be typical of the late expansion phase. Even if we are wrong and the U.S. does enter recession, being "too early" to de-risk portfolios is a risk in its own right as you may miss some of the strongest returns. On average, the market achieved a 21% total return for the two year period prior to entering a recession. More importantly, as seen in the chart below, the stock market has historically gone up over time, and surpassed market levels prior to every recession, indicating that timing the market is not advisable.

Investment resolve will likely be tested as headline risks continue, but it is crucial to maintain a long-term, disciplined perspective, and stay invested in a diversified portfolio consistent with your objectives.

Market Cycle



S&P 500 Price Index



Source: Bloomberg Data as of 6/29/2018

Market Returns (Returns as of July 31, 2018)

Asset Class	Index	Total Return 1 Month	Total Return YTD	Total Return 1 Year	Annualized 3 Year	Annualized 5 Year
Global Equities:	Diversified Equity Benchmark*	3.03	4.81	13.64	10.60	11.10
Domestic Equities:	S&P 500 (Large Cap)	3.72	6.47	16.24	12.52	13.12
	Russell 2000 (Small Cap)	1.74	9.54	18.73	12.04	11.33
International Equities:	MSCI EAFE (Developed)	2.46	-0.36	6.40	5.03	5.86
	MSCI Emerging Market	2.20	-4.61	4.36	8.94	5.25
Fixed income:	Barclays Intermediate U.S. Gov't/Credit	0.03	-0.95	-1.01	1.04	1.54
	Barclays Mgd 1-10 Yr Municipal Bond	0.35	0.59	0.21	1.60	2.08
	Barclays Global Intermediate	-0.31	-1.34	-1.05	1.80	-0.30

2018 Community First Awards

For the third year running, First National Bank will be presenting the Community First Awards, which recognizes and rewards nonprofit organizations who are working to strengthen communities across the bank's service area.

Public Vote: August 27 to September 7

During this timeframe, individuals may place one daily vote for their favorite nonprofit organization. There will be three winners awarded \$25,000, \$10,000, and \$5,000 for the project or program they identified.