

Global Economy

Economic reports were mixed in January as a US Commerce Department report showed US economic growth slowed more than forecast during the fourth quarter of 2016, but January gauges of US manufacturing and service business activity continued to gain momentum. Initial data from the Bureau of Economic Analysis revealed gross domestic product rose at a 1.9% annualized rate in Q416, down from the prior quarter's 3.5% rate as slower exports subtracted 1.7% from the expansion. Consumer spending, which accounts for about 70% of the economy, rose 2.5%, versus 3.0% in Q316.

Manufacturing growth accelerated for a fifth consecutive month in January as the Institute for Supply Management's (ISM) factory index rose to 56.0, the highest since November 2014, from 54.5 in December, driven by rising orders and increased production. Likewise, US service industries expanded, with 12 of 18 industries reporting growth, as the ISM non-manufacturing index was 56.5 after December's 56.6. Readings above 50 signal expansion.

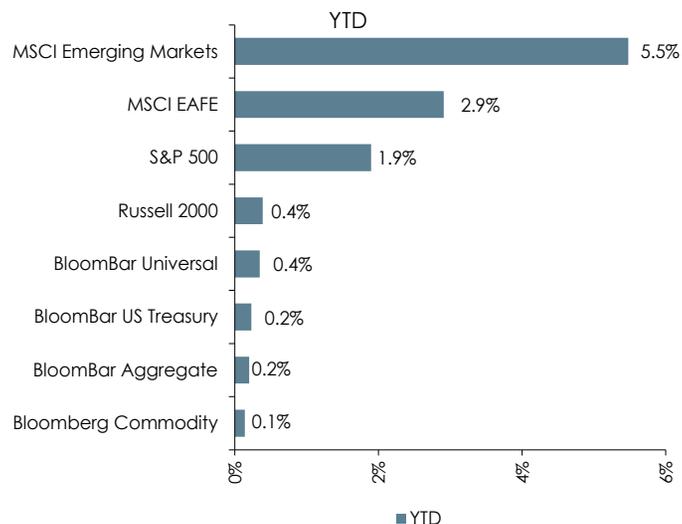
US labor markets continued to strengthen as US employers added 227,000 jobs to payrolls, following a gain of 157,000 in December. The unemployment rate ticked up to 4.8%, from the previous month's 4.7%, as the labor force participation rate inched higher. However, there was setback in wage gains as average hourly earnings rose 2.5% from a year ago, after a 2.8% gain the prior month. The Federal Reserve (Fed) left its benchmark Fed funds rate target range between 0.50% - 0.75%, commenting that with "gradual adjustments" to interest rates, the expansion will continue, labor markets will strengthen and "inflation will rise to 2% over the medium term."

The European Central Bank (ECB) left its quantitative easing program unchanged, holding the main refinancing rate at zero, choosing to wait to see if a recent pickup in inflation would be sustained. Euro area consumer prices rose an annual 1.8% in January, from 1.1% in December.

	Current	Dec-16
US GDP (%)	1.90	3.50
US Unemployment (%)	4.80	4.70
CPI (Core) (%)	2.20	2.10
Fed Funds (%)	0.50 – 0.75	0.50 – 0.75
10 Year U.S.T Yld (%)	2.45	2.45
S&P 500 Div Yld (%)	2.05	2.09
S&P 500 P/E (Trailing)	20.95	20.96
Gold/oz.	\$1,208.60	\$1,151.70
Oil (Crude)	\$52.81	\$53.72
Gasoline (Natl Avg)	\$2.41	\$2.42
USD/Euro	\$1.08	\$1.05
USD/GBP	\$1.26	\$1.23
Yen/U.S.D	¥112.80	¥116.96

Global Markets

Key Market Indices



Equities continued their positive momentum in January amid optimism over the new US administration's pro-growth plans to cut taxes and boost government spending. Likewise, US equities registered positive gains as the S&P 500 crossed the 2,300 intraday mark for the first time, and closed the month at an all time high, advancing 1.9%. Eight of eleven sectors gained for the month, as the materials sector was the top performer, followed by Information Technology. Energy lagged, hurt by declining oil prices. Q416 earnings season for S&P 500 constituents is well under way, with 67% (235 out of 353) of the index having reported positive surprises to estimates, and 12.5% (44 out of 353) having reported in line with analyst estimates. After a strong finish in 2016, US small caps underperformed both large and mid-caps in January as the Russell 2000 index rose a modest 0.4%, led by healthcare and material related stocks. Consumer staples was the worst performing sector in January.

Global equities gained ground in January driven by improving economic prospects and continued easy monetary policy as the MSCI ACWI index advanced 2.8% with broad gains across both developed and emerging market equities. Macro economic data from the Eurozone showed an economy regaining strength as business activity in the manufacturing sector expanded in January with the MSCI Europe index rising 2.1%. Japanese stocks moved higher after investor's reacted positively to the Bank of Japan's raised assessment of the country's economic prospects for 2017. Additionally, the Japanese yen strengthened nearly 4% versus the US dollar (USD), helping drive gains for US based investors. Emerging market equities delivered solid gains for the month, supported by strong macroeconomic data from China, with Q416 GDP rising 6.8% year-on-year driven by increased consumer spending.

Commodities closed January with only slight gains as oil prices declined amid concerns over increased supply. Meanwhile gold rallied given investor speculation the Fed may be more cautious in raising US interest rates.

Global Markets (continued)

US Treasury (UST) yields were virtually unchanged in January as investors rotated toward riskier assets, curbing the safe haven appeal of government bonds. The two-year Treasury yield was two basis points (bps) higher at 1.21%, while the five-year fell 1 bps to 1.91%. The 10-year yield rose to an intraday high of 2.55% on January 26, before closing the month at 2.45%, relatively unchanged from the end of 2016. The UST yield curve primarily steepened as the spread between the five- and 30-year UST yield traded above 115 bps.

US high grade bonds advanced as the BloomBar US Aggregate index gained 0.2%, while the BloomBar US Corporate bond index rose 0.3% as spreads tightened to 121 bps from 123 bps at the end of December. Junk bonds rallied as investors were attracted to the higher yields with the BloomBar US Corporate High Yield index advancing 1.5%, as yields narrowed 27 bps to 5.85%, from 6.12% at the end of December. US High Yield Industrials posted a solid gain amid speculation a proposed increase in US infrastructure spending favored this segment.

Accelerating inflation in the euro area pressured government yields higher in January as German 10-year bund yields rose to 0.48% on January 26, the highest since January 2016, closing the month 23 bps higher at 0.44%. Italian 10-year yields increased 45 bps to 2.26%, while Spain's 10-year yield moved 21 bps higher to 1.60%.

Emerging market debt generated positive returns for the second consecutive month, as the US dollar denominated JPMorgan EMBI Global bond index climbed 1.4%. The premium investors demand to own emerging market bonds rather than US Treasuries narrowed to 352 bps from 365 bps in December.

Selected Bond Yields

10 Year Sovereign Bond Yields (%)		
	Current	Dec-16
Japan	0.09	0.05
Germany	0.44	0.21
France	1.04	0.69
Spain	1.60	1.38
Italy	2.26	1.82
United States	2.45	2.45
Portugal	4.19	3.76
Greece	7.82	7.11

Indices Report (Periods Ending January 31, 2017)

Index Name	1 Month (%)	YTD (%)	1 Year (%)	3 Years (%)	5 Years (%)	10 Years (%)	15 Years (%)
Equity							
S&P 500	1.90	1.90	20.04	10.85	14.09	6.99	6.93
Russell 1000	2.01	2.01	20.81	10.50	14.06	7.09	7.23
Russell 1000 Growth	3.37	3.37	17.23	10.82	13.93	8.42	6.78
Russell 1000 Value	0.71	0.71	24.62	10.16	14.11	5.66	7.51
Russell 2500	1.39	1.39	29.55	8.25	13.39	7.55	9.36
Russell 2000	0.39	0.39	33.53	7.89	13.00	6.93	8.59
Russell 2000 Growth	1.62	1.62	26.87	6.23	12.47	7.73	7.86
Russell 2000 Value	-0.71	-0.71	40.22	9.48	13.44	6.03	9.07
Wilshire 5000 Cap Wtd	1.78	1.78	22.04	10.57	14.02	7.16	7.53
MSCI ACWI	2.76	2.76	18.60	6.06	9.31	4.30	6.86
MSCI ACWI ex US	3.55	3.55	16.67	1.38	4.83	1.74	6.89
MSCI EAFE	2.91	2.91	12.59	1.17	6.52	1.44	6.34
MSCI EAFE Local Currency	0.10	0.10	12.54	7.26	11.52	2.50	4.92
MSCI EAFE Growth	3.37	3.37	7.45	1.82	6.63	2.26	6.05
MSCI EAFE Value	2.47	2.47	17.86	0.39	6.30	0.54	6.53
MSCI Emerging Markets	5.48	5.48	25.88	1.81	0.55	2.83	10.00
Fixed Income							
BofA ML 1-3 Yr Treasury	0.13	0.13	0.41	0.67	0.57	2.11	2.35
BloomBar US Aggregate	0.20	0.20	1.45	2.59	2.09	4.37	4.54
BloomBar Gov't Bond	0.23	0.23	-0.78	1.89	1.18	3.89	4.09
BloomBar US Credit	0.34	0.34	5.43	3.61	3.49	5.35	5.47
BloomBar 10 Yr Municipal	0.74	0.74	-0.87	3.66	2.90	4.83	4.88
BloomBar US Corp High Yield	1.45	1.45	20.77	4.92	7.03	7.49	8.41
Citigroup World Gov't Bond	1.01	1.01	1.25	-0.94	-1.08	3.24	4.97
BloomBar Global Aggregate	1.13	1.13	2.35	-0.16	0.10	3.51	4.93
BloomBar Multiverse	1.20	1.20	3.31	0.04	0.38	3.65	5.10
Real Assets							
NCREIF Property	0.00	0.00	7.97	11.02	10.91	6.93	9.00
NFI ODCE Net	0.00	0.00	7.73	11.02	11.14	4.84	7.15
FTSE NAREIT US Real Estate	0.11	0.11	12.41	11.90	10.63	4.25	10.79
Bloomberg Commodity	0.14	0.14	13.83	-11.31	-9.37	-5.58	1.21
Cash and Equivalents							
US T-Bills 90 Day	0.05	0.05	0.37	0.15	0.13	0.77	1.34

Definitions

Bloomberg Barclays Capital Aggregate

The Bloomberg Barclays Capital Aggregate index covers the U.S. investment grade fixed rate bond market, including government and corporate securities, agency mortgage pass-through securities, and asset-backed securities.

Bloomberg Barclays Capital Global Aggregate Index

The Bloomberg Barclays Capital Global Aggregate Index provides a broad-based measure of the global investment-grade fixed income markets. The three major components of this index are the U.S. Aggregate, the Pan-European Aggregate, and the Asian-Pacific Aggregate Indices. The index also includes Eurodollar and Euro-Yen corporate bonds, Canadian government, agency and corporate securities, and U.S.D investment grade 144A securities.

Bloomberg Barclays Capital Muni 5 Yr

The Bloomberg Barclays Capital Municipal Bond Index is a rules-based, market-value-weighted index engineered for the long-term tax-exempt bond market. To be included in the index, bonds must be rated investment-grade (Baa3/BBB- or higher) by at least two of the following ratings agencies: Moody's, S&P, and Fitch. They must have an outstanding par value of at least \$7 million and be issued as part of a transaction of at least \$75 million. The bonds must be fixed rate, have a dated-date after December 31, 1990, and must be at least one year from their maturity date.

Bloomberg Barclays Capital U.S. Credit Index

This index is the U.S. Credit component of the U.S. Government/Credit Index. It consists of publicly issued U.S. corporate and specified foreign debentures and secured notes that meet the specified maturity, liquidity, and quality requirements. To qualify, bonds must be SEC-registered.

The Bloomberg Barclays U.S. Treasury Index

The Bloomberg Barclays U.S. Treasury Index is a component of the Bloomberg Barclays U.S. Aggregate Index. This U.S. Treasury Index includes only public obligations of the U.S. Treasury with a remaining maturity of one year or more. U.S. Treasury bills are excluded due to the maturity constraint.

The Bloomberg Barclays Capital U.S. Universal Index

The Bloomberg Barclays Capital U.S. Universal Index represents the union of the U.S. Aggregate Index, the U.S. High-Yield Corporate Index, the 144A Index, the Eurodollar Index, the Emerging Markets Index, and the non-ERISA portion of the CMBS Index. Municipal debt, private placements, and non-dollar-denominated issues are excluded from the Universal Index. The only constituent of the index that includes floating-rate debt is the Emerging Markets Index.

BofA ML High-Yield Index Master II

The BofA ML High-Yield Index is an unmanaged index that tracks the performance of below investment grade U.S. dollar-denominated corporate bonds publicly issued in the U.S. domestic market.

Bloomberg Commodity Index

The Dow Jones UBS Commodity Total Return Index aims to provide broadly diversified representation of commodity markets as an asset class. The index is comprised of futures contracts on physical commodities. Currently the index includes 20 commodity nearby futures contracts, which are weighted to account for economic significance and market liquidity

CITI World Government Bond Index

The WGBI is a market-capitalization-weighted benchmark that tracks the performance of the 19 government bond markets of Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, the Netherlands, Portugal, Spain, Sweden, Switzerland, the United Kingdom, and the United States.

FTSE EPRA/NAREIT Developed Index

The FTSE EPRA/NAREIT Developed Index is designed to track the performance of listed real estate companies and REITs worldwide. The index constituents are free-float adjusted as well as screened for liquidity, size and revenue. The index incorporates Real Estate Investment Trusts (REITs) and Real Estate Holding & Development companies. Constituents are classified into distinct property sectors based on gross invested book assets as disclosed in the latest published financial statement.

HFRI Fund of Funds (FOF) Conservative Index

The HFRI Monthly Indices (HFRI) are equally weighted performance indexes, utilized by numerous hedge fund managers as a benchmark for their own hedge funds. FOFs classified as "Conservative" exhibit one or more of the following characteristics: seeks consistent returns by primarily investing in funds that generally engage in more "conservative" strategies such as Equity Market Neutral, Fixed Income Arbitrage, and Convertible Arbitrage; exhibits a lower historical annual standard deviation than the HFRI Fund of Funds Composite Index.

HFRI Fund of Funds (FOF) Strategic Index

The HFRI Monthly Indices (HFRI) are equally weighted performance indexes, utilized by numerous hedge fund managers as a benchmark for their own hedge funds. FOFs classified as 'Strategic' exhibit one or more of the following characteristics: seeks superior returns by primarily investing in funds that generally engage in more opportunistic strategies such as Emerging Markets, Sector specific, and Equity Hedge; exhibits a greater dispersion of returns and higher volatility compared to the HFRI Fund of Funds Composite Index.

MSCI ACWI Index (exU.S.)

The MSCI ACWI Index (ex U.S.) is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets outside the United States. The MSCI ACWI consists of 44 country indices comprising 23 developed and 21 emerging market country indices. The developed market country indices included are: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and the United Kingdom. The emerging market country indices included are: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey.

MSCI EAFE® Index

The MSCI EAFE Index (Europe, Australasia, Far East) is an unmanaged free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the U.S. & Canada. As of June 2006 the MSCI EAFE Index consisted of the following 21 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the United Kingdom.

MSCI EAFE Growth Index

The MSCI-EAFE Growth Index is an unmanaged index constructed from the constituents of the MSCI EAFE Index on a country-by-country basis for the 21 countries included in the index.

MSCI EAFE Value Index

The MSCI-EAFE Value Index is an unmanaged index constructed from the constituents of the MSCI EAFE Index on a country-by-country basis for the 21 countries included in the index.

MSCI Emerging Markets Index

The MSCI Emerging Markets Index is an unmanaged float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. As of June 2006 the MSCI Emerging Markets Index consisted of the following 22 emerging market country indices: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Israel, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey.

Ncreif® Property Index

Ncreif Property Index is a quarterly time series composite total rate of return measure of investment performance of a large pool of individual commercial real estate properties acquired in the private market for investment purposes only.

Russell 1000® Growth Index

The Russell 1000 Growth Index measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth rates.

Russell 1000® Value Index

The Russell 1000 Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 companies with lower price-to-book ratios and lower expected growth rates.

Russell 2000® Index

The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000 Index is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index.

Russell 2000® Growth Index

The Russell 2000 Growth Index measures the performance of the small-cap growth segment of the U.S. equity universe. It includes those Russell 2000 companies with higher price-to-value ratios and higher forecasted growth rates.

Russell 2000® Value Index

The Russell 2000 Value Index measures the performance of small-cap value segment of the U.S. equity universe. It includes those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values.

Russell Midcap® Index

The Russell Midcap Index measures the performance of the mid-cap segment of the U.S. equity universe. The Russell Midcap Index is a subset of the Russell 1000 Index. It includes approximately 800 of the smallest securities in the Russell 1000 Index based on a combination of their market cap and current index membership.

S&P 500

Standard and Poor's 500 Index is a capitalization-weighted index of 500 large U.S. stocks. The index is designed to measure performance of the broad domestic stock market through changes in the aggregate market value of 500 stocks representing all major industries.

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