

Global Economy

Economic data in August was mixed as growth within the business sector was lackluster while the US consumer remained resilient buoyed by steady employment gains and rising wage growth. Second quarter growth was revised lower than previously reported. Commerce Department data showed the economy expanded at a 1.1% annualized rate, from an initial estimate of 1.2%. Consumer spending was the primary driver, growing at a 4.4% clip (from initial estimate of 4.2%), while the biggest downward revisions stemmed from lower business and government spending.

The US manufacturing sector contracted in August for the first time in six months. The Institute for Supply Management's factory index fell 3.2 points to 49.4, the biggest drop in more than two years. Eleven of eighteen industries surveyed reported weakening operations. Low borrowing costs coupled with limited availability of homes signal continued US housing market strength after purchases of new homes jumped in July to the highest level in nine years. Sales increased 12.4% to a 654,000 annualized pace, the fastest since October 2007.

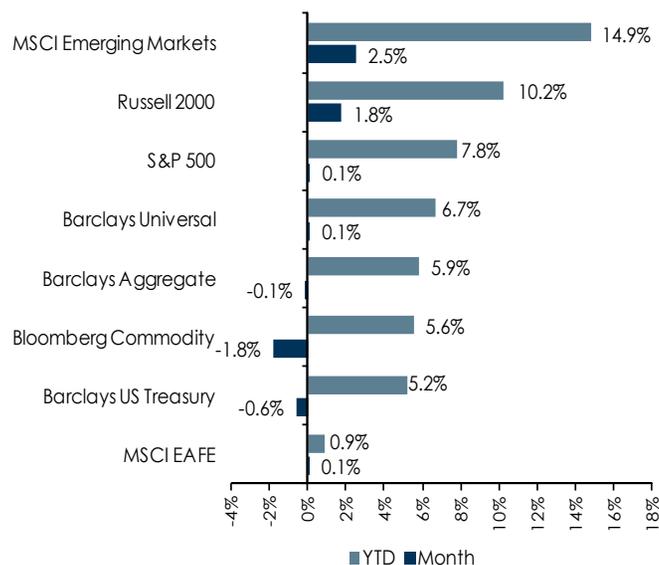
Sales of previously owned homes dropped in July from a nine-year high in June as the supply of available properties declined 5.8% from a year earlier. Mortgage rates stood below historical levels, as the average rate on a 30-year fixed mortgage was 3.68% in August, below the five-year average of 4.07%, according to Bloomberg data.

US employers maintained steady hiring in August, adding 151,000 job, which was below market estimates of 180,000. The unemployment rate stayed at 4.9% for a third month as the labor force increased. Continued momentum in employment gains will add to the Federal Reserve's (Fed) debate on whether to raise interest rates this year. Chair Janet Yellen said on August 26 that the case for rate hikes "has strengthened."

	Current	Dec-15
US GDP (%)	1.10	0.70
US Unemployment (%)	4.90	5.00
CPI (Core) (%)	2.20	2.00
Fed Funds (%)	0.25 – 0.50	0.25 – 0.50
10 Year U.S.T Yld (%)	1.58	2.27
S&P 500 Div Yld (%)	2.13	2.15
S&P 500 P/E (Trailing)	20.37	18.27
Gold/oz.	\$1,307.90	\$1,060.20
Oil (Crude)	\$44.70	\$37.04
Gasoline (Natl Avg)	\$2.34	\$2.14
USD/Euro	\$1.12	\$1.09
USD/GBP	\$1.31	\$1.47
Yen/U.S.D	¥103.43	¥120.22

Global Markets

Key Market Indices



US stocks closed relatively flat in August after investors paused to assess the outlook for US interest rates. In addition, a rising US dollar (USD) weighed on commodity stocks. The S&P 500 traded to a new record close of 2,190.15 on August 15, but failed to maintain its momentum amid declining oil prices and speculation over the timing of the next Fed interest rate increase. The S&P 500 eked out a sixth consecutive monthly advance, returning 0.1%. The index was led by financial and technology stocks, while utilities were the laggards. Small cap stocks rallied, with the Russell 2000 index posting a gain of 1.8%, led by energy and technology companies.

For the month, global markets moved slightly higher as the MSCI All-Country World index rose 0.4%, while the developed market MSCI World index increased 0.1%. Euro zone second quarter growth rose an annualized 0.3% from the first quarter, in line with economists' expectations. The region registered its 13th straight quarter of growth as Germany was the leader offsetting stagnation in Italy. European stocks edged higher led by financials and industrial stocks. United Kingdom stocks posted a third monthly advance. Japan's second quarter growth was depressed due to a drop in business investment. The MSCI Japan index climbed 0.4%, adding to 2016 gains of 1.1%.

Emerging market stocks rallied in August for the third consecutive month, advancing 2.5%. Developing stocks in Asia increased 4.1% amid better than expected Chinese economic data. China's official factory gauge rose to 50.4 in August from July's 49.9 while the gauge of non-manufacturing activity stood at 53.5 compared to 53.9 in July.

Crude oil prices closed August at \$44.70 per barrel, an advance of 7.5% amid speculation members of the Organization of Petroleum Exporting Countries (OPEC) may discuss actions to try to stabilize the oil markets. Gold fell 3% after hawkish Fed comments raised the prospects of higher interest rates in September.

Global Markets (continued)

Comments by Fed officials during August led investors to increase expectations for an interest rate hike this year, sending US Treasury (UST) yields higher and prices lower for the first time since April. UST 2-year yields, the most sensitive to the monetary policy outlook, climbed 15 basis points (bps) for the month to 0.81%, the largest monthly gain since November 2015. UST 10-year yields climbed 13 bps to 1.58% as three straight monthly gains ended in August for the BofA Merrill Lynch US Treasury index, declining 0.57%.

US investment grade corporate bonds advanced for a third straight month as spreads to UST yields narrowed to 121 bps from 130 bps in July. Spreads on US high yield corporates tightened 52 bps to 473 bps as average yields declined to 6.31% from 6.71% contributing to a monthly gain of 2.1%. The energy sector outperformed, posting a monthly return of 4.2%, as average yields fell to 8.32% from 9.21% for the month and down from 15.75% at the start of 2016.

European sovereign bonds declined in August after the first monthly rise in yields since April. Average yields on the BofA Merrill Lynch Euro Sovereigns index rose 2 bps to 0.19%. German 10-year yields rose to -0.07% from -0.12% at the end of July. Italian 10-year yields declined 2 bps to 1.15%, while identical yields on Spanish bonds fell 1 bps to 1.01%. The European Central Bank's previously announced inclusion of European corporate bond's in its monthly bond purchases continued to provide support. The BofA Euro Corporate index rallied for an eighth consecutive month in local currency terms, but declined slightly in August in US dollar terms. In an effort to help boost the United Kingdom's economy, the Bank of England cut interest rates by 25 bps to 0.25%, the first cut since March 2009. The 10-year UK gilt yield declined to 0.52%, the lowest since 1994, before closing the month at 0.64%.

Emerging market bonds rallied as signs of improving developing country economic prospects and stabilizing commodity prices increased investor appetites for higher yielding fixed income. The premium to own EM USD sovereign bonds over UST declined to 361 bps in August from 392 bps in July.

Selected Bond Yields

10 Year Sovereign Bond Yields (%)		
	Current	Dec-15
Germany	-0.07	0.63
Japan	-0.06	0.27
France	0.18	0.99
Spain	1.01	1.77
Italy	1.15	1.60
United States	1.58	2.27
Portugal	3.04	2.52
Greece	8.10	8.29

Indices Report (Periods Ending August 31, 2016)

Index Name	1 Month (%)	YTD (%)	1 Year (%)	3 Years (%)	5 Years (%)	10 Years (%)	15 Years (%)
Equity							
S&P 500	0.14	7.82	12.55	12.30	14.69	7.51	6.55
Russell 1000	0.13	7.83	11.69	12.02	14.60	7.64	6.84
Russell 1000 Growth	-0.50	5.62	10.54	13.33	14.74	9.11	6.58
Russell 1000 Value	0.77	10.23	12.92	10.69	14.39	6.08	6.95
Russell 2500	0.80	10.27	8.79	9.62	13.56	8.02	9.02
Russell 2000	1.77	10.23	8.59	8.53	12.85	7.04	8.13
Russell 2000 Growth	1.06	5.96	3.55	8.48	13.02	8.21	7.53
Russell 2000 Value	2.49	14.58	13.80	8.51	12.63	5.80	8.48
Wilshire 5000 Cap Wtd	0.47	8.58	12.35	11.99	14.50	7.69	7.17
MSCI ACWI	0.39	6.39	7.86	7.31	8.91	4.96	6.29
MSCI ACWI ex US	0.65	4.95	3.43	2.49	3.78	2.51	6.14
MSCI EAFE	0.08	0.92	0.38	2.93	5.48	2.18	5.43
MSCI EAFE Local Currency	0.95	-1.48	-0.18	7.26	10.66	2.79	4.15
MSCI EAFE Growth	-1.39	1.46	4.00	4.58	6.33	3.30	5.69
MSCI EAFE Value	1.63	0.37	-3.27	1.22	4.57	1.00	5.11
MSCI Emerging Markets	2.52	14.84	12.25	1.48	-0.07	4.23	10.56
Fixed Income							
BofA ML 1-3 Yr Treasury	-0.16	1.21	1.07	0.88	0.64	2.29	2.54
Barclays US Aggregate	-0.11	5.86	5.97	4.37	3.24	4.89	4.88
Barclays Gov't Bond	-0.53	5.08	5.01	3.60	2.50	4.44	4.47
Barclays US Credit	0.20	9.16	9.14	5.83	4.94	5.92	5.79
Barclays 10 Yr Municipal	0.10	4.65	7.34	6.48	4.86	5.37	5.20
Barclays US Corp High Yield	2.09	14.35	9.07	5.40	7.48	7.79	8.08
Citigroup World Gov't Bond	-0.87	10.36	9.83	2.22	0.24	4.00	5.17
Barclays Global Aggregate	-0.49	9.25	8.79	2.64	1.15	4.20	5.15
Barclays Multiverse	-0.36	9.58	8.96	2.72	1.36	4.32	5.29
Real Assets							
NCREIF Property	0.00	4.28	10.64	11.60	11.51	7.40	8.91
NFI ODCE Net	0.00	3.90	10.80	11.97	11.66	5.19	6.95
FTSE NAREIT US Real Estate	-3.67	13.75	25.58	16.10	13.65	6.73	11.19
Bloomberg Commodity	-1.76	5.57	-8.76	-13.98	-12.75	-6.20	-0.10
Cash and Equivalents							
US T-Bills 90 Day	0.02	0.19	0.23	0.10	0.09	0.97	1.41

Definitions

Barclays Capital Aggregate

The 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.

Barclays Capital Global Aggregate Index

The 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.

Barclays Capital Muni 5 Yr

The 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.

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 Barclays U.S. Treasury Index

The Barclays U.S. Treasury Index is a component of the 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 Barclays Capital U.S. Universal Index

The 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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