

Global Economy

Uncertainty over trade and instability in the Trump White House were the themes of the month, causing most equity markets to move lower. Initially focused on steel and aluminum, tariffs were then directed at Chinese imports specifically, leading to retaliatory moves by the Chinese. President Trump's top economic advisor resigned in March amid speculation that he was strongly against tariffs and breaking up the North American Free Trade Agreement (NAFTA).

More predictably, the transparency at the Federal Open Market Committee (FOMC) has continued under the leadership of recently appointed Chairman Jerome Powell. As widely expected, the FOMC raised rates by 0.25% at its latest meeting. The official statement offered a slightly more optimistic view of economic conditions. The "dot plot," though, continued to suggest only two more increases in 2018.

The latest revision of 4Q-17 GDP for the US brought this reading up to 2.9%, from the previous value of 2.5%. While this exceeded expectations, reports suggest that first quarter GDP will soften materially from this level before demonstrating strength later in 2018 with the delayed impact of fiscal stimulus.

The unemployment rate remained at 4.1% for the sixth consecutive month, adding 103,000 new jobs in March. Core PCE, the FOMC's preferred measure of inflation, has risen 1.6% over the past 12-months. The recent six-month annualized rate has increased to 2.3%.

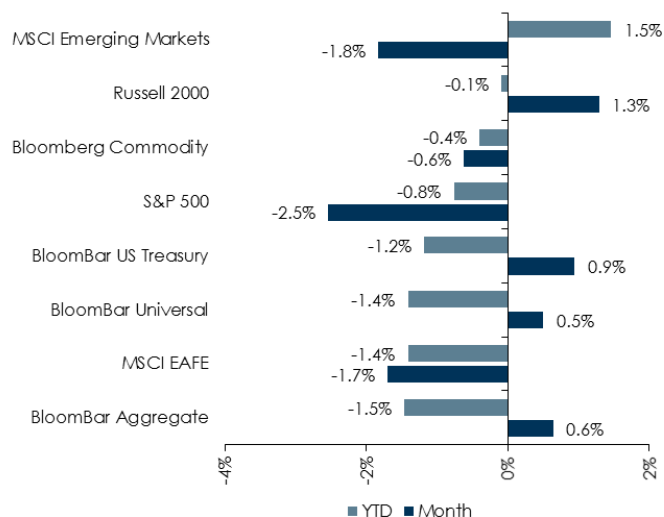
Consistent with maturing economies, global growth has stabilized and is no longer accelerating. In the Eurozone economy, unemployment has dropped to its lowest level since December 2008, although inflation remains stubbornly low.

	Current	Dec-17
US GDP (%)	2.90	3.20
US Unemployment (%)	4.10	4.10
CPI (Core) (%)	1.80	1.70
Fed Funds (%)	1.50 – 1.75	1.25 – 1.50
10 Year UST Yld (%)	2.74	2.41
S&P 500 Div Yld (%)	1.95	1.89
S&P 500 P/E (Trailing)	21.27	22.45
Gold/oz.	\$1,322.80	\$1,309.30
Oil (Crude)	\$64.94	\$60.42
Gasoline (Natl Avg)	\$2.76	\$2.59
USD/Euro	\$1.23	\$1.20
USD/GBP	\$1.40	\$1.35
Yen/USD	¥106.43	¥112.69

Source: Bloomberg

Global Markets

Key Market Indices



Source: Bloomberg

Following weakness in the prior month, the majority of risk assets again produced negative total returns during March. Large domestic stocks, as represented by the S&P 500, were down -2.5% for the month, pushing the asset class into negative territory for the year. This represents the benchmark's first negative quarter in two years. Utilities (+3.4%) and Real Estate (+3.3%) performed well, as did Energy (+1.6%). Financials (-4.5%) and Materials (-4.5%) represented the other end of the spectrum, with IT (-4.0%) and Healthcare (-3.2%) also struggling.

Small cap stocks were notable exceptions for the month, with the Russell 2000 index up 1.3%, as this category is not as exposed to international trade conditions. Value and growth performed equally well, although the latter retains a meaningful advantage on a year-to-date basis.

In the broad international developed markets, the MSCI EAFE index was down -1.7% in March. Among the various regions, Pacific Ex Japan was down -4.2%, while the Eurozone outperformed on a relative basis (-1.1%). Developing economies were down (-1.8%), but the MSCI Emerging Markets index remains a positive outlier with a year-to-date period of +1.5%. Currency markets fluctuated with the perceived impact of protectionist measures and the US dollar ultimately ended the month slightly weaker.

Real estate rallied in March, as the category's income levels compared more favorably amid declining long-term interest rates. The FTSE EPRA/NAREIT Developed index was up +2.5%, and the FTSE NAREIT US Real Estate index gained +3.7%.

The Alerian MLP index (-6.9%) suffered sharp declines again in March, and is now down -11.1% year-to-date. The Bloomberg Commodity index was down -0.6% for the month, even as oil moved notably higher (+5.4%).

Global Markets (continued)

The US Treasury (UST) market acted as a portfolio diversifier in March. While front-end rates continued to grind higher with monetary policy action, longer-dated issues provided portfolio ballast (20+ year index up +3.1%). Having tested the psychologically relevant 3% threshold earlier in the year, the 10-year UST yield ended the month at 2.74%, and the yield curve has assumed its flattest posture in over a decade. Markets are comfortably anticipating the next FOMC rate hike to occur at the June meeting, but with futures pricing somewhat below the Fed's policy projections in 2019 and 2020, the potential exists for ongoing headwinds to UST performance.

The Bloombar US Aggregate index gained +0.6% in March, reducing year-to-date losses to -1.5%. Given universal spread widening, government issues actually outperformed the primary market's other key sectors on a duration-matched basis. IG corporate credit spreads were another 13 bps wider, and overall yields for IG corporates now exceed 3.75%.

The Bloombar 1-15-Year Municipal index returned +0.2%, as tax-exempt issues underperformed the rally in longer-term taxable issues. Retail municipal investors tend to focus on intermediate and shorter-term maturities. Weaker corporate demand for maturities beyond 10-years has resulted in a challenging technical environment. While valuations are not excessively cheap, this category tends to do well as yields rise giving the growing tax benefit.

The Bloombar US Corporate High Yield index produced a loss of -0.6% in March. Valuations remained under pressure amid equity market volatility, with CCC-rated issues lagging and the benchmark's overall spread level widening by 18 bps. Unhedged international government bonds, including local currency emerging market debt (+1.0%), continued to outperform given declining yields and the benefit of currency translation.

Selected Bond Yields

10 Year Sovereign Bond Yields (%)		
	Current	Dec-17
Japan	0.04	0.04
Germany	0.49	0.42
France	0.72	0.78
Spain	1.16	1.56
United Kingdom	1.35	1.19
Italy	1.78	2.01
United States	2.74	2.41
Mexico	7.32	7.65
Brazil	9.49	10.26

Source: Bloomberg

Indices Report (Periods Ending March 31, 2018)

Index Name	1 Month (%)	YTD (%)	1 Year (%)	3 Years (%)	5 Years (%)	10 Years (%)	15 Years (%)
Equity							
S&P 500	-2.54	-0.76	13.99	10.78	13.31	9.49	10.10
Russell 1000	-2.27	-0.69	13.98	10.39	13.17	9.61	10.35
Russell 1000 Growth	-2.74	1.42	21.25	12.90	15.53	11.34	10.88
Russell 1000 Value	-1.76	-2.83	6.95	7.88	10.78	7.78	9.71
Russell 2500	0.96	-0.24	12.31	8.15	11.55	10.28	12.05
Russell 2000	1.29	-0.08	11.79	8.39	11.47	9.84	11.50
Russell 2000 Growth	1.35	2.30	18.63	8.77	12.90	10.95	12.04
Russell 2000 Value	1.24	-2.64	5.13	7.87	9.96	8.61	10.85
Wilshire 5000 Cap Wtd	-2.10	-0.76	13.69	10.48	13.13	9.65	10.57
MSCI ACWI	-2.08	-0.84	15.44	8.71	9.79	6.15	9.88
MSCI ACWI ex US	-1.69	-1.08	17.05	6.68	6.37	3.17	9.71
MSCI EAFE	-1.70	-1.41	15.32	6.05	6.98	3.23	9.11
MSCI EAFE Local Currency	-2.13	-4.16	5.82	3.84	8.95	5.02	8.28
MSCI EAFE Growth	-1.13	-0.96	17.92	7.12	7.54	3.82	9.01
MSCI EAFE Value	-2.28	-1.87	12.82	4.89	6.36	2.57	9.11
MSCI Emerging Markets	-1.83	1.47	25.37	9.21	5.37	3.36	13.25
Fixed Income							
ICE BofA ML 1-3 Yr Treasury	0.19	-0.13	0.02	0.40	0.51	1.13	1.95
BloomBar US Aggregate	0.64	-1.46	1.20	1.20	1.82	3.63	3.95
BloomBar Gov't Bond	0.93	-1.15	0.44	0.48	1.07	2.70	3.37
BloomBar US Credit	0.31	-2.13	2.59	2.16	2.83	5.15	4.91
BloomBar 10 Yr Municipal	0.35	-1.61	2.31	2.14	2.72	4.66	4.48
BloomBar US Corp High Yield	-0.60	-0.86	3.78	5.17	4.99	8.27	8.39
Citigroup World Gov't Bond	1.54	2.50	8.49	3.45	1.18	1.97	3.99
BloomBar Global Aggregate	1.06	1.36	6.97	3.14	1.49	2.57	4.13
BloomBar Multiverse	1.00	1.29	7.04	3.41	1.69	2.79	4.33
Real Assets							
NCREIF Property	0.00	0.00	5.34	8.12	9.63	5.91	8.88
NFI ODCE Net	0.00	0.00	5.04	8.29	9.98	3.95	7.18
FTSE NAREIT US Real Estate	3.81	-8.20	-4.51	1.08	5.92	6.37	10.22
Bloomberg Commodity	-0.62	-0.40	3.71	-3.21	-8.32	-7.71	-0.49
Cash and Equivalents							
US T-Bills 90 Day	0.13	0.35	1.10	0.53	0.33	0.34	1.29

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.

Disclosures and Legal Notice

The views expressed herein are those of Asset Consulting Group (ACG). They are subject to change at any time. These views do not necessarily reflect the opinions of any other firm.

This report was prepared by ACG for you at your request. Although the information presented herein has been obtained from and is based upon sources ACG believes to be reliable, no representation or warranty, express or implied, is made as to the accuracy or completeness of that information. Accordingly, ACG does not itself endorse or guarantee, and does not itself assume liability whatsoever for, the accuracy or reliability of any third party data or the financial information contained herein.

Certain information herein constitutes forward-looking statements, which can be identified by the use of terms such as “may”, “will”, “expect”, “anticipate”, “project”, “estimate”, or any variations thereof. As a result of various uncertainties and actual events, including those discussed herein, actual results or performance of a particular investment strategy may differ materially from those reflected or contemplated in such forward-looking statements. As a result, you should not rely on such forward-looking statements in making their investment decisions. ACG has no duty to update or amend such forward-looking statements.

The information presented herein is for informational purposes only and is not intended as an offer to sell or the solicitation of an offer to purchase a security.

Please be aware that there are inherent limitations to all financial models, including Monte Carlo Simulations. Monte Carlo Simulations are a tool used to analyze a range of possible outcomes and assist in making educated asset allocation decisions. Monte Carlo Simulations cannot predict the future or eliminate investment risk. The output of the Monte Carlo Simulation is based on ACG's capital market assumptions that are derived from proprietary models based upon well-recognized financial principles and reasonable estimates about relevant future market conditions. Capital market assumptions based on other models or different estimates may yield different results. ACG expressly disclaims any responsibility for (i) the accuracy of the simulated probability distributions or the assumptions used in deriving the probability distributions, (ii) any errors or omissions in computing or disseminating the probability distributions and (iii) any reliance on or uses to which the probability distributions are put.

The projections or other information generated by ACG regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results and are not guarantees of future results. Judgments and approximations are a necessary and integral part of constructing projected returns. Any estimate of what could have been an investment strategy's performance is likely to differ from what the strategy would actually have yielded had it been in existence during the relevant period. The source and use of data and the arithmetic operations used for calculating projected returns may be incorrect, inappropriate, flawed or otherwise deficient.

Past performance is not indicative of future results. Given the inherent volatility of the securities markets, you should not assume that your investments will experience returns comparable to those shown in the analysis contained in this report. For example, market and economic conditions may change in the future producing materially different results than those shown included in the analysis contained in this report. Any comparison to an index is for comparative purposes only. An investment cannot be made directly into an index. Indices are unmanaged and do not reflect the deduction of advisory fees.

This report is distributed with the understanding that it is not rendering accounting, legal or tax advice. Please consult your legal or tax advisor concerning such matters. No assurance can be given that the investment objectives described herein will be achieved and investment results may vary substantially on a quarterly, annual or other periodic basis. There is no representation or warranty as to the current accuracy of, nor liability for, decisions based on such information.

© 2018 Asset Consulting Group. All Rights Reserved. Asset Consulting Group is the sole owner of all rights, title, and interest to the materials, methodologies, techniques, and processes set forth herein, including any and all intellectual property rights. No part of this document may be reproduced, stored, or transmitted by any means without the express written consent of Asset Consulting Group.