

Global Economy

Recent economic data displayed underlying strength in consumer spending buoyed by strong employment gains. In its final reading on first quarter growth, the Commerce Department reported the economy grew at an annualized 1.1% rate. First quarter economic momentum appears to have carried over into the second quarter as June's employment report was the strongest since October 2015 and activity within the manufacturing and services sectors rose amid strong gains in orders.

June employment data from the Labor Department showed employers added 287,000 jobs in June, after a disappointing 11,000 gain in May. The unemployment rate rose to 4.9%, from 4.7% in May due to an increase in the number of people looking for jobs. Factory activity in June expanded at the fastest pace in more than a year as the Institute for Supply Management's (ISM) manufacturing index increased to 53.2 in June from 51.3 in May. Likewise, stronger orders and sales led to an expansion of the ISM's non-manufacturing gauge to its fastest pace in seven months.

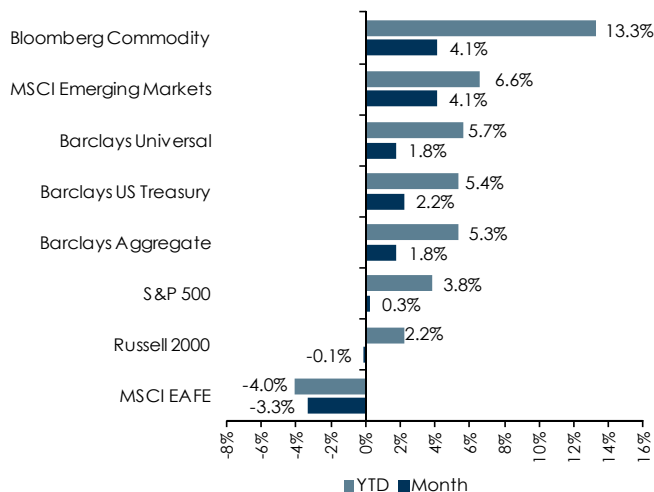
Consumer spending rose modestly in May, led by outlays for durable goods such as automobiles. US housing demand was robust as sales of existing homes climbed in May to the highest level in more than nine years, while sales of new homes declined from an eight-year high in April. Inflation rose 1.0% in May from a year ago and core inflation, which excludes food and energy costs, increased 2.2% over the same period. The Federal Reserve (Fed) voted to keep the target range for the federal funds rate unchanged at 0.25% to 0.50% but reiterated that interest rates are likely to rise at a "gradual" pace.

Near the end of the month, United Kingdom (UK) citizens unexpectedly voted to exit the European Union (EU). The vote shocked financial markets as the British pound plunged to its lowest level since 1985 versus the US dollar (USD). Volatility ticked up across asset classes and safe haven assets rallied.

	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 (%)	1.47	2.27
S&P 500 Div Yld (%)	2.18	2.15
S&P 500 P/E (Trailing)	19.44	18.27
Gold/oz.	\$1,320.60	\$1,060.20
Oil (Crude)	\$48.33	\$37.04
Gasoline (Natl Avg)	\$2.34	\$2.14
USD/Euro	\$1.11	\$1.09
USD/GBP	\$1.33	\$1.47
Yen/U.S.D	¥103.20	¥120.22

Global Markets

Key Market Indices



In a knee jerk reaction to the unexpected results from Britain's decision to leave the EU on June 23, volatility rose in global markets. Investor risk appetites declined leading to a rotation into sovereign bonds. However, in short order many investors viewed the weakness as a buying opportunity and the S&P 500 was able to close June with modest gains. The S&P 500 gained 0.3% in June led by telecommunication and utility companies, while financials lagged with a loss of 3.4%. Overall, six of ten sectors posted gains. Small cap stocks declined as the Russell 2000 fell 0.1% with five of nine sectors losing ground overshadowing a 7.4% gain by utility shares.

The shock resulting from the Brexit vote led to a two-day loss of \$2.9 trillion in market capitalization for the MSCI ACWI index. However, markets rebounded over the final days of trading in June to limit the damage. The global equity benchmark, MSCI ACWI index, fell 0.6%. Six of ten sectors had positive returns led by utility and energy stocks, while financials declined 4.9%.

Both European and United Kingdom equities suffered the brunt of the sell off, as the MSCI Europe and MSCI UK indexes fell by over 13.0% over the two days following the vote. The MSCI Europe index recovered around half the losses to finish down 4.4% (USD) in June and the MSCI UK index rallied to finish down more than 4.0% (USD). The UK losses reflect the significant decline in the British pound, which dropped to near 30-year lows versus the USD. In contrast to most developed markets, emerging market equities rallied post-Brexit. These markets were buoyed by the expectation that central banks will ramp up stimulus measures to support global economic growth, raising the appeal of riskier stocks. The MSCI Emerging Market (EM) index climbed 4.1% in June, the best performance since March.

The Bloomberg Commodity index was up 4.1% for the month led by an 8.7% gain in gold as demand for safe haven investments increased. Crude oil dropped 1.6% in June, paring a 30.5% year to date gain.

Global Markets (continued)

The Fed moved to a more dovish stance in 2016 after Brexit raised uncertainty surrounding prospects for global economic growth. Minutes from their June meeting revealed fewer Fed officials expected the central bank to raise interest rates more than once this year. US 10-year Treasury yields closed at 1.40% on June 23, just shy of the record low of 1.38% recorded in July 2012. For the month, 10-year yields plunged 38 basis points (bps) to 1.47%, while two-year yields fell 30 bps to 0.58%. The BofA Merrill Lynch US Treasury index gained 2.3%, the best month since January 2015. For the year, the index is up 5.7%. The flight to safety theme helped US municipal bonds post positive returns in June as the Barclays Municipal Bond index rose 1.6%. US corporate investment grade bonds rallied sending yields down to 2.88%, from 3.14% in May per Barclays data.

Developed market sovereign bonds advanced in June, compressing yields on European sovereign debt to record lows after the Bank of England suggested it may need to loosen monetary policy later this summer. Additionally, the European Central Bank indicated it may expand the scope of its bond purchasing program. Peripheral European debt advanced on the prospects for added stimulus. Italian 10-year bond yields fell 10 bps to 1.26%, while Spanish 10-year yields dropped to 1.16% from 1.47% in May. Benchmark German 10-year yields plunged into negative territory, ending June at -0.13%, a decline of 27 bps for the month.

A more dovish tone by the Fed coupled with stabilizing emerging market currencies supported a rally in emerging market bonds in June. The JPMorgan EMCI index of EM currencies rose 3.1% versus the USD. The spread to own EM sovereign debt versus US Treasuries narrowed 15 bps in June to 409 bps, driving the JPMorgan EMBI Global index of USD debt to a gain of 3.7%. Local currency sovereign debt advanced, capping the best monthly return since March, while EM corporate debt rallied for a fifth consecutive month.

Selected Bond Yields

10 Year Sovereign Bond Yields (%)		
	Current	Dec-15
Japan	-0.22	0.27
Germany	-0.13	0.63
France	0.18	0.99
Spain	1.16	1.77
Italy	1.26	1.60
United States	1.47	2.27
Portugal	3.01	2.52
Greece	8.29	8.29

Indices Report (Periods Ending June 30, 2016)

Index Name	1 Month (%)	YTD (%)	1 Year (%)	3 Years (%)	5 Years (%)	10 Years (%)	15 Years (%)
Equity							
S&P 500	0.26	3.84	3.99	11.66	12.10	7.42	5.76
Russell 1000	0.23	3.74	2.93	11.48	11.88	7.51	6.02
Russell 1000 Growth	-0.39	1.36	3.02	13.07	12.35	8.78	5.50
Russell 1000 Value	0.86	6.30	2.86	9.87	11.35	6.13	6.38
Russell 2500	-0.04	3.98	-3.67	8.61	9.48	7.32	8.09
Russell 2000	-0.06	2.22	-6.73	7.09	8.35	6.20	6.96
Russell 2000 Growth	-0.46	-1.59	-10.75	7.74	8.51	7.15	5.91
Russell 2000 Value	0.30	6.08	-2.58	6.36	8.15	5.15	7.73
Wilshire 5000 Cap Wtd	0.31	3.98	2.96	11.27	11.64	7.46	6.30
MSCI ACWI	-0.55	1.58	-3.17	6.60	5.95	4.82	5.51
MSCI ACWI ex US	-1.47	-0.67	-9.80	1.62	0.56	2.33	5.41
MSCI EAFE	-3.32	-4.04	-9.72	2.52	2.15	2.05	4.78
MSCI EAFE Local Currency	-3.73	-6.84	-9.75	6.25	6.70	2.57	3.10
MSCI EAFE Growth	-1.75	-1.91	-4.44	4.55	3.61	3.25	4.96
MSCI EAFE Value	-4.90	-6.18	-14.91	0.42	0.61	0.78	4.50
MSCI Emerging Markets	4.10	6.60	-11.71	-1.21	-3.44	3.88	9.46
Fixed Income							
BofA ML 1-3 Yr Treasury	0.60	1.43	1.31	0.98	0.81	2.46	2.67
Barclays US Aggregate	1.80	5.31	6.00	4.06	3.76	5.13	5.08
Barclays Gov't Bond	2.14	5.22	6.04	3.45	3.38	4.73	4.73
Barclays US Credit	2.28	7.54	7.55	5.26	5.20	6.11	5.96
Barclays 10 Yr Municipal	1.69	4.47	8.29	5.84	5.54	5.67	5.40
Barclays US Corp High Yield	0.92	9.06	1.62	4.18	5.84	7.56	7.93
Citigroup World Govt Bond	3.69	10.74	11.26	2.65	1.18	4.22	5.63
Barclays Global Aggregate	2.92	8.96	8.87	2.80	1.77	4.40	5.50
Barclays Multiverse	2.87	9.06	8.62	2.82	1.89	4.50	5.61
Real Assets							
NCREIF Property	0.00	2.21	8.43	10.86	11.07	7.19	8.77
NFI ODCE Net	0.00	1.97	8.75	11.27	11.24	5.00	6.82
FTSE NAREIT US Real Estate	6.98	13.38	24.04	13.58	12.60	7.45	11.29
Bloomberg Commodity	4.13	13.25	-13.32	-10.55	-10.82	-5.59	0.45
Cash and Equivalents							
US T-Bills 90 Day	0.04	0.15	0.19	0.09	0.09	1.05	1.45

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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