

Global Economy

There was a sigh of relief from investors in April following the first round of elections in France and the announcement of the upcoming election in the United Kingdom (UK). The likelihood of a moderate president in France and a less-divided House of Lords during Brexit negotiations led to decreased expectations of turmoil in the European Union (EU), and consequently increased the market's overall appetite for risk. All is not entirely calm on the global front, however, with President Trump responding strongly to Syria's use of chemical weapons against civilians, and North Korea's continuing missile tests. While slow in its response, there are indicators that China may be willing to exert its influence to help bring some stabilization to the North Korea threat.

In the US, President Trump revealed the outline of his tax plan, with simplified tax brackets and limited deductions. It is too soon to know specific details and the impact on investments but the early plan signals the general direction. Health insurance reform is still active, but building consensus is proving difficult.

The Commerce Department's initial read on 1Q-17 real gross domestic product (GDP) came in lower than expected at just 0.7%. Most signs point to this being a pause on the road to higher growth as consumption is expected to accelerate for the remainder of the year. In addition, an increase in business investment in the first quarter bodes well. The Institute for Supply Management (ISM) manufacturing index came in at 54.8 for April. Although this reading was below March's level, and below consensus expectations, it remains above the benchmark of 50, indicating economic expansion for the 8th straight month. The ISM new orders index creates some concern, as it dropped from 64.5 in March to 57.5 in April.

Domestic inflation remained in check, with both headline and core CPI coming in below estimates. Eurozone, inflation jumped from 0.7% in March to 1.2% in April, leading some to call for policy action from the European Central Bank (ECB).

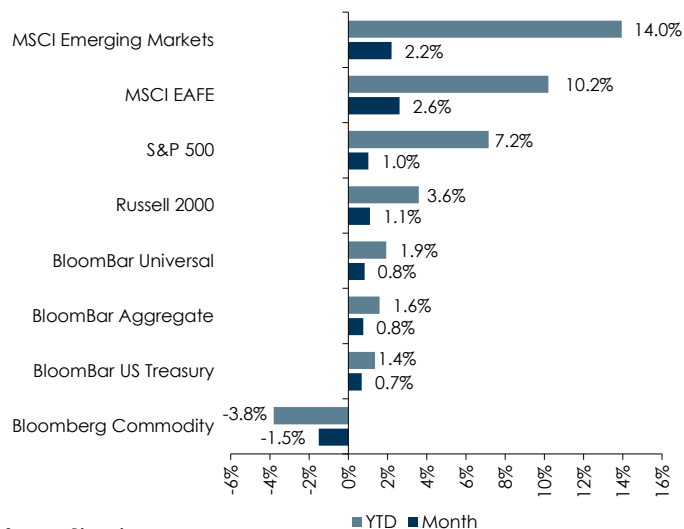
The April jobs report was strong, with nonfarm payrolls showing 211,000 jobs added. The unemployment rate dropped to 4.4%, a ten-year low. This aligns with the Federal Reserve's view that softness shown in March was transitory.

	Current	Dec-16
US GDP (%)	0.70	1.90
US Unemployment (%)	4.40	4.70
CPI (Core) (%)	2.00	2.10
Fed Funds (%)	0.75 – 1.00	0.50 – 0.75
10 Year U.S.T Yld (%)	2.28	2.45
S&P 500 Div Yld (%)	1.96	2.09
S&P 500 P/E (Trailing)	21.27	20.61
Gold/oz.	\$1,268.30	\$1,151.70
Oil (Crude)	\$49.33	\$53.72
Gasoline (Nat'l Avg)	\$2.56	\$2.42
USD/Euro	\$1.09	\$1.05
USD/GBP	\$1.30	\$1.23
Yen/U.S.D	¥111.49	¥116.96

Source: Bloomberg

Global Markets

Key Market Indices



Source: Bloomberg

US stocks continued their advance in April with strong results in both the large and small cap markets. While political progress focused on pro-growth policies remains quite partisan and slow, Congress was able to avoid a government shutdown with a last minute agreement on a spending resolution. Also, judging from the public companies that have reported thus far, 1Q-17 financial results have generally met or exceeded consensus analyst estimates, with both revenue and earnings per share (EPS) figures producing upside surprises at a rate not seen since 2011.

The S&P 500 returned 1.0% in April, bringing the year-to-date (YTD) advance to 7.2%. Large cap stocks were strong across the board, with nine of the eleven S&P 500 sectors gaining, led by Information Technology and Consumer Discretionary (both +2.4%) following their strong March. Small cap stocks outperformed large cap stocks for the month, with the Russell 2000 returning 1.1%. However, this sub-set of the domestic market still lags YTD, and faces higher valuations relative to its own history. Energy was a notable exception to otherwise strong performance across small cap sectors, down nearly 10%. Growth continued its recent advantage over value across all market caps.

Global equities continued to provide investors with solid gains as the political atmosphere settled a bit, economic data continued to be supportive, the US Dollar (USD) again weakened, and valuations remained relatively attractive. The MSCI ACWI index climbed 1.6% and added to a YTD gain of 8.8%. The MSCI EAFE index of non-US developed markets advanced 2.6%. The MSCI Europe index increased another impressive 3.7%, as the Eurozone flash composite Purchasing Managers' Index (PMI) rose to its highest level in six years. Japanese stocks reversed March performance with a gain of 1.1%. Investors were rewarded for moving into higher risk equities in April, with the MSCI EAFE Small Cap returning 4.3% and Emerging Markets gaining 2.2%

The Bloomberg Commodities index was down again in April, with the 2.5% decline in oil overwhelming the 1.7% gain in gold.

Global Markets (continued)

Global bonds generated solid gains, as investors responded to waning exuberance around the reflation trade and an uptick in geopolitical risk. The Bloomberg Global Aggregate index advanced 1.1%, leaving this broad index up 2.9% YTD. With the release of Federal Reserve minutes in early April, the market became increasingly certain that the next rate hike will take place in June, even as the pacing of monetary policy adjustments in the US is expected to remain "gradual". This environment allowed the US Treasury (UST) complex to return 0.7% in April. Remarkably, the two-year UST yield settled at 1.26% for the third consecutive month, while 10-year UST yields were more volatile and ultimately declined 11 basis points (bps) to finish at 2.28%. The Bloomberg US Aggregate index provided modest duration-adjusted excess return, advancing 0.8%. The Bloomberg US Corporate Investment Grade index added almost 1.1%, as corporate credit spreads resumed the tightening trend that has characterized most of the past 15-months. With total returns of 1.2% in April, the Bloomberg US Corporate High Yield index provided meaningful excess returns versus UST. Rate-sensitive BB-rated issues led the lower-quality CCC's that have recently posted outsized returns.

Unhedged developed international bonds delivered more robust gains given the positive impact of currency translation for US-based investors. The first round of the French presidential election diminished the threat of a forced referendum on European Union membership, causing French 10-year yields to fall from 0.97% to 0.84%. Benchmark German rates were relatively steady, but sovereign yields retreated in other markets such as Italy, the UK, and Japan. The ECB took no action at its April meeting, however, it did acknowledge rising inflation and progress in various economic measures.

Emerging market (EM) bonds extended their impressive YTD rally, driven by the attractiveness of higher interest rates offered versus developed market bonds and steady/improving economic fundamentals. The USD sovereign JPMorgan EMBI Global Diversified index rose 1.5%, while local currency denominated EM bonds within the JPMorgan GBI-EM Global Diversified index returned 1.2% for the month despite the modest weakening of the Mexican Peso and Brazilian Real.

Selected Bond Yields

10 Year Sovereign Bond Yields (%)		
	Current	Dec-16
Japan	0.02	0.05
Germany	0.32	0.21
France	0.84	0.69
Spain	1.65	1.38
Italy	2.28	1.82
United States	2.28	2.45
Portugal	3.55	3.76
Greece	6.34	7.11

Source: Bloomberg

Indices Report (Periods Ending April 30, 2017)

Index Name	1 Month (%)	YTD (%)	1 Year (%)	3 Years (%)	5 Years (%)	10 Years (%)	15 Years (%)
Equity							
S&P 500	1.03	7.16	17.92	10.47	13.68	7.15	7.61
Russell 1000	1.06	7.15	18.03	10.20	13.63	7.25	7.86
Russell 1000 Growth	2.29	11.40	19.50	12.11	13.87	8.88	7.99
Russell 1000 Value	-0.19	3.07	16.55	8.26	13.32	5.53	7.59
Russell 2500	0.77	4.56	20.69	8.55	12.94	7.52	9.24
Russell 2000	1.10	3.59	25.63	9.03	12.95	7.05	8.39
Russell 2000 Growth	1.84	7.29	24.06	9.27	12.89	7.97	8.29
Russell 2000 Value	0.39	0.26	27.18	8.71	12.96	6.02	8.32
Wilshire 5000 Cap Wtd	1.05	6.72	18.82	10.33	13.62	7.30	8.08
MSCI ACWI	1.60	8.77	15.77	5.86	9.55	4.27	7.23
MSCI ACWI ex US	2.20	10.36	13.12	1.30	5.61	1.58	6.87
MSCI EAFE	2.62	10.20	11.83	1.32	7.27	1.34	6.35
MSCI EAFE Local Currency	1.47	6.39	18.74	7.98	12.14	2.67	5.17
MSCI EAFE Growth	3.09	12.00	9.02	2.65	7.21	2.23	6.22
MSCI EAFE Value	2.16	8.51	14.58	-0.09	7.24	0.38	6.39
MSCI Emerging Markets	2.21	13.95	19.58	2.16	1.85	2.81	9.97
Fixed Income							
BofA ML 1-3 Yr Treasury	0.13	0.39	0.34	0.72	0.62	1.98	2.30
BloomBar US Aggregate	0.77	1.59	0.83	2.66	2.27	4.30	4.55
BloomBar Gov't Bond	0.68	1.37	-0.57	2.09	1.45	3.80	4.09
BloomBar US Credit	1.00	2.31	2.74	3.45	3.63	5.32	5.59
BloomBar 10 Yr Municipal	0.96	2.75	-0.09	3.44	3.23	4.88	4.90
BloomBar US Corp High Yield	1.15	3.89	13.30	4.74	6.84	7.44	8.40
Citigroup World Govt Bond	1.30	2.87	-3.61	-1.13	-0.62	3.05	4.83
BloomBar Global Aggregate	1.13	2.91	-2.10	-0.40	0.37	3.34	4.84
BloomBar Multiverse	1.16	3.08	-1.31	-0.19	0.65	3.49	5.02
Real Assets							
NCREIF Property	0.00	1.55	7.27	10.58	10.69	6.71	9.01
NFI ODCE Net	0.00	1.55	7.36	10.77	10.94	4.62	7.24
FTSE NAREIT US Real Estate	0.12	1.29	6.22	9.12	9.39	4.86	10.24
Bloomberg Commodity	-1.51	-3.80	-1.32	-15.03	-9.74	-6.47	0.12
Cash and Equivalents							
US T-Bills 90 Day	0.06	0.17	0.39	0.19	0.15	0.65	1.32

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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