

Global Economy

Recent economic data showed the US economy delivered solid growth during the third quarter after a tepid pace in the first half of 2016. US households boosted spending against a backdrop of solid employment growth, cheap gasoline and rising home values. The Commerce Department showed 3Q16 gross domestic product rose at a 3.2% annualized rate, the fastest pace in two years. The rate of consumer spending, which accounts for almost 70% of economic activity, grew at a 2.8% annualized rate, while businesses ramped spending on inventories adding to overall growth for the first time since early 2015.

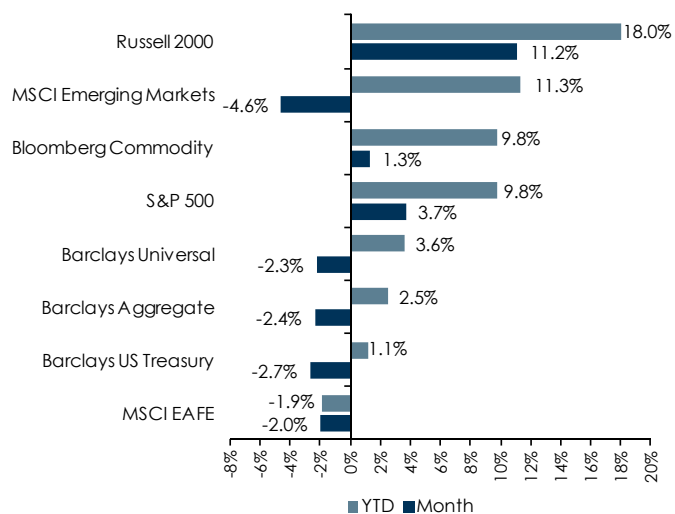
US hiring climbed in November as US employers added 178,000 jobs following a 142,000 rise in October. Average hourly earnings fell by 0.1% from the prior month to \$25.89, the first decline since December 2014 but rose 2.5% over the 12 months ended in November. The unemployment rate, which is derived from a separate Labor Department survey, fell 0.3% to 4.6%, partly due to unemployed Americans dropping out of the work force. It appears Americans are becoming more optimistic about their future as a measure of consumer confidence rose to 93.8, a six month high, from 87.2 in October.

The US housing sector continued to gain momentum as sales of previously owned US homes climbed in October to the highest since February 2007. Median prices rose 6.0% from October 2015 and inventories fell 4.3% over the same period. The November Federal Reserve (Fed) meeting resulted in benchmark rates remaining between a range of 0.25% to 0.50%, but minutes showed a broad consensus for a rate hike was forming based on the view that "near term risks to the economic outlook are roughly balanced." Markets placed a 100% probability that the Fed would hike rates at least 0.25% in December.

	Current	Dec-15
US GDP (%)	3.20	0.70
US Unemployment (%)	4.60	5.00
CPI (Core) (%)	2.10	2.00
Fed Funds (%)	0.25 – 0.50	0.25 – 0.50
10 Year U.S.T Yld (%)	2.38	2.27
S&P 500 Div Yld (%)	2.12	2.15
S&P 500 P/E (Trailing)	20.55	18.27
Gold/oz.	\$1,170.80	\$1,060.20
Oil (Crude)	\$49.44	\$37.04
Gasoline (Natl Avg)	\$2.27	\$2.14
USD/Euro	\$1.06	\$1.09
USD/GBP	\$1.25	\$1.47
Yen/U.S.D	¥114.46	¥120.22

Global Markets

Key Market Indices



Stocks rallied in November, with all major US indexes touching records amid speculation that newly elected president Donald Trump will increase government spending to help stimulate the US economy. The S&P 500 and the Dow Jones Industrial Average set new highs in November with the S&P 500 surpassing 2,200 for the first time and the Dow surpassing 19,000 for the first time. For the month, the S&P 500 rose 3.7%, the best monthly performance since July, following a 1.8% decline in October. Seven of the eleven sectors posted gains, as the top performer was financials, up 13.7%, amid investor optimism the new administration may reduce regulation. Energy was boosted by a jump in oil prices after OPEC struck a deal to limit production. Small cap stocks gained in November, as the Russell 2000 advanced 11.2%. Investors rotated toward more domestically oriented equities that benefit from rising economic growth. All small cap sectors advanced, led by energy and materials stocks that are related to infrastructure.

Globally equities advanced, but a rising US dollar (USD) weighed on performance. The potential for higher economic growth attracted foreign investors into the USD, which reached its highest level since January against a currency basket of 10 major peers. The USD posted a 3.9% monthly advance. The MSCI World index increased 1.5%, while the broad based MSCI ACWI index eked out a slight gain of 0.8%. European equity sectors expected to benefit from increased fiscal spending on infrastructure rose, but overall the Stoxx 600 index lost 2.3% for the month. Japanese equities fell over 2.0%. Higher chances of an interest rate increase by the Fed in December hurt emerging markets in November. A basket of emerging market currencies versus the USD fell 2.6% for the month. Likewise, emerging market equities reversed course, ending five consecutive monthly advances, posting a 4.6% decline. Ten of the eleven sectors lost ground with material stocks the lone sector in positive territory.

Crude oil surged 9.3% on November 30 after OPEC agreed to production cuts, closing at \$49.44 per barrel, advancing 5.5% for the month. Gold slid as a stronger USD reduced the appeal of the precious metal.

Global Markets (continued)

Bonds suffered losses in November as potential increases in government spending and OPEC's agreement to cut oil production raised inflationary expectations and prompted investors to rotate out of low yielding government debt. The US Treasury (UST) 10-year yield traded within a range of 1.71% and 2.41% for the month, before closing at 2.38%, a jump of 56 basis points (bps). UST 30-year yields rose 46 bps to 3.04%. UST's posted a fourth consecutive monthly loss, as the BofA Merrill Lynch US Treasury index fell 2.7%, the biggest decline since 2009.

Average yields on US investment grade corporate issues rose in November, but spreads narrowed as gains in UST outpaced the increase on corporates. US investment grade corporate bond average yields rose to 3.37% from 2.95% in October but the extra yield over UST fell to 1.0%. US high yield corporate bond average yields rose to 6.57% from 6.29% as the BloomBar US Corporate High Yield index lost 0.47% in November, posting its first monthly loss since January.

Global bonds retreated in November as the BloomBar Global Aggregate Index lost 4.0%, the deepest loss since the gauge's inception in 1990. The average yield on the index climbed to 1.61% on November 23, from this year's low of 1.07% reached on July 5. European bonds posted losses as 10-year yields on German bunds rose to 0.28% from 0.16%, which is up from -0.15% in September. Yields on similar maturity Italian bonds rose 33 bps to 1.99%, while Spain's 10-year jumped to 1.55% from 1.20% in October. Japanese 10-year yields increased 7 bps to 0.03%, rising above zero for the first time since February.

The market's rising expectations of a Fed rate hike helped drive emerging market bonds lower as the JPMorgan EMBI Global index of USD bonds declined 4.2%.

Selected Bond Yields

10 Year Sovereign Bond Yields (%)		
	Current	Dec-15
Japan	0.03	0.27
Germany	0.28	0.63
France	0.75	0.99
Spain	1.55	1.77
Italy	1.99	1.60
United States	2.38	2.27
Portugal	3.71	2.52
Greece	6.58	8.29

Indices Report (Periods Ending November 30, 2016)

Index Name	1 Month (%)	YTD (%)	1 Year (%)	3 Years (%)	5 Years (%)	10 Years (%)	15 Years (%)
Equity							
S&P 500	3.70	9.79	8.06	9.07	14.45	6.89	6.62
Russell 1000	3.94	9.99	8.01	8.88	14.45	7.02	6.94
Russell 1000 Growth	2.18	5.77	4.22	9.13	14.14	8.24	6.32
Russell 1000 Value	5.71	14.48	12.02	8.60	14.69	5.70	7.40
Russell 2500	8.51	15.35	10.65	7.13	14.15	7.53	9.42
Russell 2000	11.15	18.00	12.08	6.45	13.98	6.81	8.72
Russell 2000 Growth	8.95	9.82	4.58	5.29	13.38	7.59	7.82
Russell 2000 Value	13.27	26.52	19.85	7.52	14.50	5.92	9.35
Wilshire 5000 Cap Wtd	4.56	11.08	8.89	8.94	14.45	7.08	7.30
MSCI ACWI	0.81	6.15	4.28	3.55	9.45	4.13	6.38
MSCI ACWI ex US	-2.30	2.36	0.46	-1.87	4.71	1.47	6.24
MSCI EAFE	-1.98	-1.86	-3.17	-1.77	6.10	1.19	5.55
MSCI EAFE Local Currency	1.24	1.28	-1.47	4.94	11.48	2.65	4.53
MSCI EAFE Growth	-3.40	-4.78	-5.51	-1.01	6.31	2.06	5.32
MSCI EAFE Value	-0.60	1.03	-0.89	-2.64	5.79	0.24	5.70
MSCI Emerging Markets	-4.60	11.28	8.86	-2.75	1.34	2.59	10.39
Fixed Income							
BofA ML 1-3 Yr Treasury	-0.40	0.86	0.76	0.63	0.57	2.11	2.35
BloomBar US Aggregate	-2.37	2.50	2.17	2.79	2.43	4.27	4.53
BloomBar Gov't Bond	-2.59	1.16	0.98	2.00	1.42	3.80	4.06
BloomBar US Credit	-2.73	4.99	4.19	3.77	4.12	5.16	5.42
BloomBar 10 Yr Municipal	-4.48	-1.54	-0.75	3.47	3.33	4.51	4.78
BloomBar US Corp High Yield	-0.47	15.01	12.11	4.21	7.53	7.37	8.19
Citigroup World Gov't Bond	-4.64	2.29	3.22	-0.92	-0.69	2.87	4.63
BloomBar Global Aggregate	-3.97	2.56	3.10	-0.23	0.44	3.20	4.67
BloomBar Multiverse	-3.88	3.16	3.58	-0.10	0.70	3.34	4.84
Real Assets							
NCREIF Property	0.00	6.13	9.22	11.31	11.18	7.22	8.93
NFI ODCE Net	0.00	5.80	9.09	11.42	11.33	5.05	7.03
FSE NAREIT US Real Estate	-1.69	3.65	5.56	11.74	12.00	4.44	10.64
Bloomberg Commodity	1.33	9.79	6.40	-11.42	-9.97	-6.19	0.91
Cash and Equivalents							
US T-Bills 90 Day	0.02	0.28	0.32	0.13	0.11	0.85	1.36

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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