Global Economy

The impact of exchange rates on individual economies is becoming increasingly relevant. As market participants anticipate rising inflation in the US, the weakening of the US dollar against most major currencies may ultimately become a driving factor. Conversely, the strengthening Euro, which hurts exports, is a headwind to growth in the Eurozone.

The US economy continues to display solid fundamentals, with strong consumer and business confidence. While the advanced estimate of 4Q-17 domestic real GDP came in below expectations at 2.6%, consumer spending and fixed investment both recorded impressive gains. Core PCE, the Federal Reserve's preferred measure of inflation, still remains below the 2% target at 1.5% on a year-over-year basis.

As expected, the Federal Open Market Committee (FOMC) left rates unchanged at its late January meeting, which was the final under Chair Yellen. Though inflation continues to be lower than anticipated (and desired), three additional rate hikes are expected in 2018, as financial conditions continue to be favorable and asset values continue to rise.

The unemployment rate remained at 4.1% for the fourth consecutive month and the participation rate held steady at 62.7%. Nonfarm payrolls increased by 200,000 overall in January. Although this exceeded expectations, downward revisions for the prior two months provided an offset. Average hourly earnings finally showed some spark, with the year-over-year gain of 2.9% representing the highest rate of wage growth since 2009. Additional pressure in the labor market could force employers to raise wages, pushing up inflation, and causing the Fed to accelerate rate hiking plans.

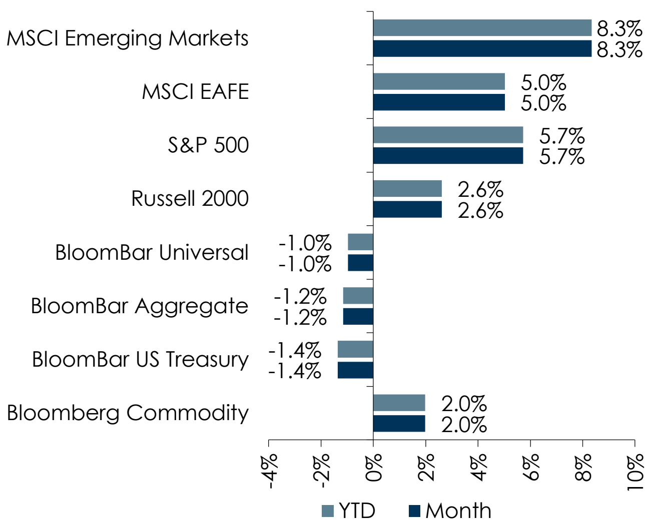
Outside the US, modest growth continues. China's Caixin-Markit purchasing managers' index remained at 51.5 in January, signaling continued economic expansion. The International Monetary Fund's (IMF) global growth forecast has risen to 3.9% for 2018 and 2019.

	Current	Dec-17
US GDP (%)	2.60	3.20
US Unemployment (%)	4.10	4.10
CPI (Core) (%)	1.80	1.70
Fed Funds (%)	1.25 – 1.50	1.25 – 1.50
10 Year UST Yld (%)	2.71	2.41
S&P 500 Div Yld (%)	1.80	1.89
S&P 500 P/E (Trailing)	23.28	22.45
Gold/oz.	$1,339.00	$1,309.30
Oil (Crude)	$64.73	$60.42
Gasoline (Natl Avg)	$2.72	$2.59
USD/Euro	$1.24	$1.20
USD/GBP	$1.42	$1.35
Yen/USD	¥109.19	¥112.69

Source: Bloomberg

Global Markets

Key Market Indices



Source: Bloomberg

Although market volatility returned in February dampening year to date returns, US equities posted a very strong showing in January. Despite a brief government shut down, the benchmark S&P 500 returned +5.7%, completing its 15th straight month of positive returns. Consumer Discretionary (+9.2%) and IT (+7.6%) led the way, with Utilities (-3.1%), Real Estate (-1.9%) and Telecom (-0.6%) losing ground.

Small cap returns were positive, albeit relatively modest with the Russell 2000 up +2.6%. While viewed as a positive for more domestically-oriented small cap companies, recent performance suggests the impact of tax reform is largely priced in. Growth stocks (+3.9%) again led the way, ahead of value stocks (+1.2%) by a comfortable margin.

Overseas, the MSCI EAFE index was up +5.0%. International developed markets were positive across the board, with most industry sectors and countries/regions advancing within the +3% to +7% range. Developing economies rallied in January, with MSCI Emerging Markets up +8.3%. Within the index, Latin America (+13.2%) and Eastern Europe (+11.2%) led the way, with all regions showing notable strength.

Real estate lagged in January, with the FTSE EPRA/NAREIT Developed index flat (+0.0%) and the FTSE NAREIT US Real Estate index down (-3.2%). Despite solid economic fundamentals, rising interest rates hampered returns. The Alerian MLP index (+5.8%) advanced for a second consecutive month amid firming energy prices (WTI oil +7.1%) and rising domestic production, which benefits volume-driven cash flows.

Continuing the strong finish to 2017, commodities opened the year on a positive note. The Bloomberg Commodity index was +2.0%, supported by the weak US dollar, rising inflation expectations, and solid economic growth.

Global Markets (continued)

Currency returns are having a meaningful impact on total returns in this period of low global bond yields. Although the Bloombar Global Aggregate index posted a gain of +1.2% during the month in USD terms, the local returns were actually down 0.7% due to rising yields. In this case, US dollar weakness was a major benefit for US investors.

The US Treasury (UST) market suffered its worst losses since the post-election disruptions of November 2016. Optimism regarding inflation, surging equities, and signals that China may slow its UST purchases just as domestic tax cuts promise to widen government deficits, all contributed to UST weakness. As expected, Jerome Powell was confirmed by the Senate as the next Chair of the Federal Reserve, and he will oversee the March 20-21 meeting. Markets are currently pricing ~90% likelihood of a March rate increase and ~25% chance of four rate hikes in 2018.

The Bloombar US Aggregate index lost 1.2% in January. With the exception of mortgage-backed securities, government issues trailed the primary market's other key sectors on a duration-matched basis. IG corporate credit spreads tightened by another 7 bps, led by BBB-rated issues. Overall yields for IG corporates increased to 3.45%.

The Bloombar 1-15-Year Municipal index returned -0.9%. Despite a history of strong January returns and healthy retail mutual fund inflows, elevated dealer inventories and weaker corporate demand softened the technical environment. The yield curve steepened materially and valuations for longer-dated municipals have become more attractive.

The Bloombar US Corporate High Yield index produced a gain of 0.6% in January. With CCC-rated issues driving another 24 bps of spread tightening, the category has established new 10-year lows. Local currency emerging market bonds returned an impressive 4.5%, dramatically outperforming sovereign and corporate issues, which are more sensitive to US rates.

Selected Bond Yields

10 Year Sovereign Bond Yields (%)

	Current	Dec-17
Japan	0.08	0.04
Germany	0.70	0.42
France	0.97	0.78
Spain	1.42	1.56
United Kingdom	1.51	1.19
Italy	2.02	2.01
United States	2.71	2.41
Mexico	7.60	7.65
Brazil	9.72	10.26

Source: Bloomberg

Indices Report (Periods Ending January 31, 2018)

Index Name	1 Month (%)	YTD (%)	1 Year (%)	3 Years (%)	5 Years (%)	10 Years (%)	15 Years (%)
Equity							
S&P 500	5.73	5.73	26.41	14.66	15.91	9.78	10.53
Russell 1000	5.49	5.49	25.84	14.28	15.72	9.85	10.76
Russell 1000 Growth	7.08	7.08	34.89	17.01	17.95	11.65	11.38
Russell 1000 Value	3.87	3.87	17.22	11.54	13.47	7.95	10.01
Russell 2500	3.05	3.05	18.73	11.95	13.51	10.24	12.18
Russell 2000	2.61	2.61	17.18	12.12	13.33	9.76	11.57
Russell 2000 Growth	3.90	3.90	24.90	12.56	14.62	10.67	12.06
Russell 2000 Value	1.23	1.23	9.95	11.56	11.98	8.76	10.96
Wilshire 5000 Cap Wtd	5.25	5.25	25.12	14.34	15.64	9.88	10.97
MSCI ACWI	5.66	5.66	28.15	12.51	11.61	6.71	10.19
MSCI ACWI ex US	5.58	5.58	30.27	10.36	7.59	3.92	9.89
MSCI EAFE	5.02	5.02	28.20	9.90	8.33	3.93	9.26
MSCI EAFE Local Currency	1.21	1.21	17.05	8.40	10.93	5.12	8.37
MSCI EAFE Growth	4.64	4.64	30.93	10.78	9.17	4.52	9.18
MSCI EAFE Value	5.41	5.41	25.62	8.93	7.42	3.27	9.25
MSCI Emerging Markets	8.34	8.34	41.49	12.24	6.13	4.22	13.32
Fixed Income							
ICE BofA ML 1-3 Yr Treasury	-0.28	-0.28	0.01	0.35	0.50	1.24	1.98
BloomBar US Aggregate	-1.15	-1.15	2.15	1.14	2.01	3.71	4.06
BloomBar Gov't Bond	-1.33	-1.33	0.70	0.12	1.16	2.85	3.45
BloomBar US Credit	-0.93	-0.93	4.84	2.35	3.22	5.19	5.14
BloomBar 10 Yr Municipal	-1.53	-1.53	3.45	1.92	2.77	4.49	4.61
BloomBar US Corp High Yield	0.60	0.60	6.60	6.33	5.62	8.24	8.79
Citigroup World Govt Bond	1.64	1.64	8.16	2.39	0.70	2.46	4.05
BloomBar Global Aggregate	1.19	1.19	7.46	2.48	1.22	2.93	4.22
BloomBar Multiverse	1.23	1.23	7.72	2.80	1.44	3.15	4.44
Real Assets							
NCREIF Property	0.00	0.00	6.98	9.39	10.19	6.08	9.02
NFI ODCE Net	0.00	0.00	6.66	9.42	10.51	4.07	7.29
FTSE NAREIT US Real Estate	-4.18	-4.18	0.71	1.90	7.74	7.09	10.80
Bloomberg Commodity	1.99	1.99	3.58	-3.32	-8.52	-7.03	-0.63
Cash and Equivalents							
US T-Bills 90 Day	0.12	0.12	0.93	0.45	0.29	0.36	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 compromised 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) and 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.