

Global Economy

US economic data was mixed as positives from robust consumer spending and the stabilizing US housing markets was offset by weaker than expected employment gains. As a result, financial markets have reduced expectations that the Federal Reserve (Fed) will raise interest rates at the June meeting. Consumer spending climbed 1.0% in April, the biggest monthly increase since August 2009, led by a 2.2% rise in durable goods purchases (items meant to last at least three years). In addition, US home construction rebounded in April from the prior month's slump, as residential starts increased 6.6% to a 1.17 million annualized rate from 1.10 million in March. Ongoing job creation and affordable mortgage rates are maintaining solid demand for housing. Sales of existing homes increased in April to a 3-month high with median prices gaining 6.3% from April 2015, to \$232,500.

Business activity in the manufacturing sector picked up amid signs of increased global demand as the Institute for Supply Management's (ISM) factory index climbed to 51.3 in May from 50.8 in April. A gauge of factory export orders held at 52.5, the third consecutive month above 50, which signals expansion.

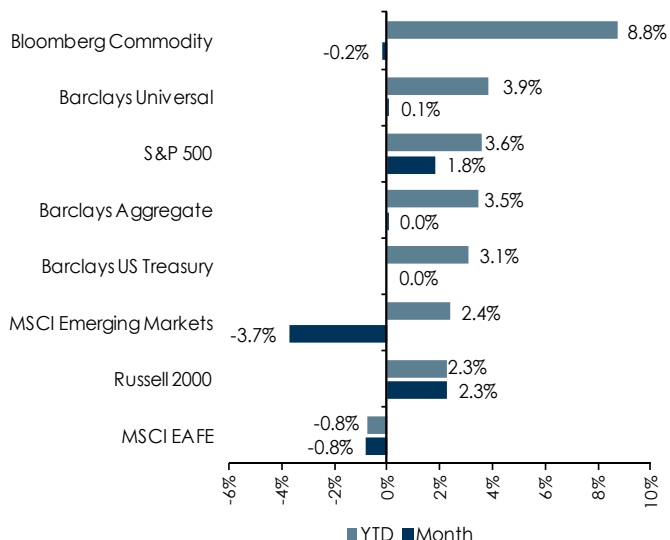
US inflation showed signs of an upswing as consumer prices rose 0.4% in April, the biggest gain since February 2013, led by a rise in energy and gas prices. Data showed energy costs increased 3.4% from March and gasoline soared 8.1%, the most since August 2012.

A Labor Department report showed US employers added 38,000 jobs in May, the slowest pace since 2010. In addition, April's job gains were revised lower by 37,000 to 123,000. Although the unemployment rate dropped to 4.7%, from 5.0% in April, the decline was primarily from discouraged workers deciding to leave the work force rather than from an increase in employment. Following the jobs report, financial markets lowered the probability of a Fed rate hike in June to as low as 2% from a previous high of 30% reached in late May.

	Current	Dec-15
US GDP (%)	0.80	0.70
US Unemployment (%)	4.70	5.00
CPI (Core) (%)	2.10	2.00
Fed Funds (%)	0.25 – 0.50	0.25 – 0.50
10 Year U.S.T Yld (%)	1.85	2.27
S&P 500 Div Yld (%)	2.17	2.15
S&P 500 P/E (Trailing)	19.42	18.27
Gold/oz.	\$1,214.80	\$1,060.20
Oil (Crude)	\$49.10	\$37.04
Gasoline (Natl Avg)	\$2.34	\$2.14
USD/Euro	\$1.11	\$1.09
USD/GBP	\$1.45	\$1.47
Yen/U.S.D	¥110.73	¥120.22

Global Markets

Key Market Indices



Investors cheered the improving US macroeconomic data sending US equities higher in May and the S&P 500 index recorded a third consecutive monthly advance. The S&P 500 index gained 1.8% during the month, for a year to date gain of 3.6%. Six of the ten economic sectors of the index advanced as information technology and healthcare were the top performers. The energy sector struggled even as oil prices continued to rally. Small cap US equities outpaced large caps, as the Russell 2000 climbed over 2.0%.

European equities posted positive local currency returns in May for the third consecutive month after government data showed the euro zone economy expanded in the first quarter. However, the MSCI Europe index fell 0.4% in US dollar (USD) terms after the euro weakened by 2.8% in May versus the USD. In addition, the Japanese yen weakened nearly 4.0% versus the USD in May, reversing its April appreciation. As a result, the MSCI Japan index (USD) fell 1.0% for the month.

Emerging market equities underperformed developed markets in May amid speculation higher US interest rates might spur capital outflows. Brazilian stocks lost ground in May, reversing strong gains from the prior three months, as investors assessed how the change in government would impact the country's economic prospects.

Gold prices retreated nearly 6.0%, paring 2016's double digit rally, as the Fed's signals for higher interest rates in the near term reduced gold's appeal versus interest bearing assets. Oil prices touched \$50 per barrel, before closing at \$49.10 per barrel, up 6.9% in May on signs the global surplus is easing amid declining output.

Global Markets (continued)

Fed policy expectations helped shape US fixed income markets in May after Fed Chair Janet Yellen noted that policy makers would look to boost borrowing costs in the "coming months." Two-year Treasury yields, which are sensitive to Fed policy, moved 10 basis points (bps) higher in May to 0.88%. Benchmark ten-year yields rose 1 bp to 1.85%. In corporate bond markets, US investment grade bonds generated negative returns as average yields on the Barclays US Corporate Investment Grade index rose to 3.14% from 3.07% in April. However, US high yield bonds rallied a fourth consecutive month in May, sending average yields 6 bps lower to 7.31%.

Euro area consumer prices fell 0.1% in May compared to a year earlier, following a 0.2% decline in April, indicating the European Central Bank's stimulus efforts are failing to ignite inflation. Core inflation, which strips out food and energy, accelerated to 0.8% from 0.7% in April. Euro area finance ministers agreed to release aid to Greece, potentially removing the threat of a repeat of the 2015 turmoil. In response, Greece's government bonds rallied, with 10-year bond yields declining below 7.0% for the first time since November, before closing at 7.27%. News of the accord underpinned positive sentiment for riskier European sovereign debt as 10-year yields on Italian debt dropped 13 bps to 1.36% and Spanish 10-year yields fell to 1.47%, from 1.59% in April. Benchmark German bond yields fell 13 bps to 0.14%.

Concerns about rising US interest rates weighed on emerging market currencies, paring gains in emerging market debt from the past three months. Brazil's real slid 4.9% in May, its worst monthly performance this year, after investors questioned the ability of the country's government to revive an economy plagued by recession. South Africa's rand declined 9.4% in May, the biggest monthly retreat since May 2013, ahead of a credit rating review of the country's debt by Standard & Poors. The premium investors demand to own emerging market debt over US Treasuries increased to 421 bps from 410 bps in April. The JPMorgan EMBI Global bond index of USD debt declined 0.3% in May, ending three consecutive months of gains. The local currency JPMorgan GBI-EM Global Diversified Composite index fell 5.4%.

Selected Bond Yields

10 Year Sovereign Bond Yields (%)		
	Current	Dec-15
Japan	-0.11	0.27
Germany	0.14	0.63
France	0.48	0.99
Italy	1.36	1.60
Spain	1.47	1.77
United States	1.85	2.27
Portugal	3.06	2.52
Greece	7.27	8.29

Indices Report (Periods Ending May 31, 2016)

Index Name	1 Month (%)	YTD (%)	1 Year (%)	3 Years (%)	5 Years (%)	10 Years (%)	15 Years (%)
Equity							
S&P 500	1.80	3.57	1.72	11.06	11.67	7.41	5.56
Russell 1000	1.75	3.51	0.78	10.89	11.44	7.50	5.85
Russell 1000 Growth	1.94	1.76	1.61	12.50	12.11	8.78	5.37
Russell 1000 Value	1.55	5.39	-0.06	9.23	10.70	6.11	6.16
Russell 2500	2.11	4.02	-4.30	8.23	9.00	7.33	8.19
Russell 2000	2.25	2.28	-5.97	6.93	7.86	6.27	7.20
Russell 2000 Growth	2.69	-1.14	-9.13	7.68	8.15	7.20	6.14
Russell 2000 Value	1.83	5.76	-2.75	6.10	7.55	5.25	7.99
Wilshire 5000 Cap Wtd	1.80	3.66	0.84	10.68	11.18	7.45	6.16
MSCI ACWI	0.21	2.14	-4.88	5.76	5.74	4.88	5.33
MSCI ACWI ex US	-1.59	0.82	-10.97	0.64	0.57	2.47	5.24
MSCI EAFE	-0.78	-0.75	-9.24	2.45	2.58	2.40	4.72
MSCI EAFE Local Currency	2.00	-3.23	-10.37	6.29	7.26	3.08	3.18
MSCI EAFE Growth	-0.16	-0.16	-5.22	4.05	3.66	3.45	4.73
MSCI EAFE Value	-1.43	-1.35	-13.26	0.77	1.44	1.28	4.62
MSCI Emerging Markets	-3.71	2.40	-17.33	-4.62	-4.50	3.44	9.02
Fixed Income							
BofA ML 1-3 Yr Treasury	-0.10	0.83	0.73	0.76	0.70	2.42	2.65
Barclays US Aggregate	0.03	3.45	2.99	2.91	3.33	4.97	4.98
Barclays Gov't Bond	0.00	3.02	2.94	2.34	2.88	4.54	4.61
Barclays US Credit	-0.04	5.14	3.32	3.47	4.57	5.89	5.84
Barclays 10 Yr Municipal	0.02	2.74	6.25	4.34	5.19	5.44	5.32
Barclays US Corp High Yield	0.62	8.06	-0.81	2.95	5.44	7.42	7.66
Citigroup World Govt Bond	-1.51	6.80	7.00	1.22	0.49	3.73	5.31
Barclays Global Aggregate	-1.34	5.87	5.32	1.41	1.20	4.02	5.25
Barclays Multiverse	-1.30	6.02	5.09	1.42	1.33	4.12	5.36
Real Assets							
NCREIF Property	0.00	2.21	11.84	11.91	11.93	7.61	8.95
NFI ODCE Net	0.00	1.97	12.64	12.59	12.20	5.38	6.94
FTSE NAREIT US Real Estate	2.43	5.99	10.62	10.34	10.35	7.27	11.21
Bloomberg Commodity	-0.19	8.76	-15.32	-13.16	-12.45	-6.12	-0.09
Cash and Equivalents							
US T-Bills 90 Day	0.01	0.11	0.15	0.08	0.08	1.08	1.47

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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