QUARTERLY MARKET DIGEST

July 16, 2019

Like a Broken Record

Second quarter trading activity was colored with expectation that central banks will begin easing policy in the months ahead.

It seems investors have again been comforted by the support of monetary policy and in some ways conditioned to take risk as a result.

We believe central bank policy has evolved toward managing the fundamentals of the economy and the behavior of economic decision-makers.

Extensive tables of asset class and market segment returns are available at the back of this report.

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Q2 Quick Summary

- Indication that major central banks could begin easing policy in the months ahead prompted Q2 gains across most risk-based asset groups. A definitive fall in major sovereign interest rates also was evidence of monetary policy expectations.
- During Q2, the MSCI All Country World Index gained 3.8%, while the S&P 500 Index added 4.3%. High-yield corporate bonds (+2.5%) and investment-grade corporates (+4.5%) also benefitted from friendly commentary and action from key central banks.
- Federal Reserve policy expectations and concerns over global economic slowing aided the U.S. bond market overall. The Bloomberg Barclays U.S. Aggregate Bond Index rose 3.1% for the period, boosted in part by a 3.0% gain in U.S. Treasuries.
- Economically, global conditions continued to soften, and we have recently highlighted weakness in purchasing managers' index numbers as evidence. Meanwhile, more high-frequency economic data series in the U.S. have also turned lower.

Table 1: Key Asset Class Returns - Q2 2019

Source: Bloomberg; BBG=Bloomberg Barc = Barclays

Asset Class	Benchmark	Total Return
Global Equity	MSCI All-Country World Index	3.8%
Foreign Developed Equity	MSCI EAFE Index	3.9%
Foreign Emerging Equity	MSCI Emerging Markets Index	0.7%
Domestic Large-Cap Equity	S&P 500 Index	4.3%
Domestic Mid-cap Equity	S&P 400 Midcap Index	3.0%
Domestic Small-cap Equity	Russell 2000 Index	2.1%
U.S. Bond	BBG Barc U.S. Agg Bond Index	3.1%
U.S. Bond	BBG Barc U.S. High Yield Index	2.5%
Commodity	Bloomberg Commodity Index	-1.2%

Central Bank Support

It has now become a familiar pattern: market and/or economic conditions weaken and central bankers step in with either commentary or policy support to soothe financial market concern. Policymakers have seemingly

Table 2: S&P 500 Index Sector Returns - Q2 2019
Source: Bloomberg

Sector	Cyclical or Defensive	Total Return	Sector	Cyclical or Defensive	Total Return
Consumer Disc.	Cyc	5.3%	Info Tech	Cyc	6.1%
Consumer Stpls.	Def	3.7%	Materials	Cyc	6.3%
Energy	Cyc	-2.8%	Real Estate	Cyc	2.5%
Financials	Cyc	8.0%	Comm Svcs.	Cyc	4.5%
Health Care	Def	1.4%	Utilities	Def	3.5%
Industrials	Cyc	3.6%			

evolved policy from reacting after a trend has developed to more of a pre-emptive behavioral economic approach. That is, central bankers seem keenly prepared to squelch the risk that developing growth concerns become material economic worry. To do that, policymakers have essentially conditioned market participants to look for policy support upon early symptoms of market or economic weakness. And repeatedly now, central bankers have stepped in to deliver that support and ease investor concern. Like a broken record, the European Central Bank and the Federal Reserve most notably, repeated that same refrain in Q2. Central bankers again micro-managed economic participants with the insinuation of policy change, or policy change itself, and investors nodded their approval.

In June, the Federal Reserve completed its policy about-face. The Fed went from a tightening bias in December, to a more soothing accommodative message in Q1. And during the June FOMC meeting (as well as Jerome Powell's post-meeting press conference), Fed members suggested their 180-degree turn toward an easing bias and signaled a potential July rate cut. Given the market's tendency to be guided by monetary policy, stocks went up as policy changed course. First sharply (in Q1), as markets quickly sensed a Fed shift, and then in Q2 gains were more subdued as policymakers confirmed market expectations. European Central Bank President Mario Draghi cemented the central bank easing bias when he suggested, in one of his last public speeches as ECB head (June 18), European policymakers would also act if economic conditions did not improve. We believe investors could witness lower policy rates from a number of developed and emerging market central banks, as well as further asset purchases, in the second half of this year.

Global Economy Weakens; Gets Policymakers' Attention

The now firm shift in monetary policy bias is not without reason. Key economic numbers have continued to weaken, although U.S. data has been somewhat better than much of the world. The surprising strength in Q1 U.S. GDP perhaps belies apparent economic fissures as high-frequency data has come well-off recent highs. Manufacturing new orders, capacity utilization, construction spending, and industrial production in the U.S. have all turned lower in recent months. The fall in such numbers has been more definitive in other parts of the developed world. In addition, we have been pointing to sputtering global manufacturing and services activity, which is likely getting notable attention in the halls of central banks across the world. Trade concerns can be partially to blame, but pre-existing China economic concerns, Brexit persistence, and definitive slowing in Europe are broadly weighing on global activity. The subtle drumbeat of economic worry is visible in recent global GDP numbers and growth forecasts as well. (Table 3) On a more granular level, economic slowing can also be illustrated by a series of leading economic indicators. Figure 1 displays a few of the many regional and country-specific LEI numbers that we watch.

Table 3: Key Country GDP Heatmap - YoY % Change

Source: Bloomberg; Estimates = Bloomberg consensus forecasts

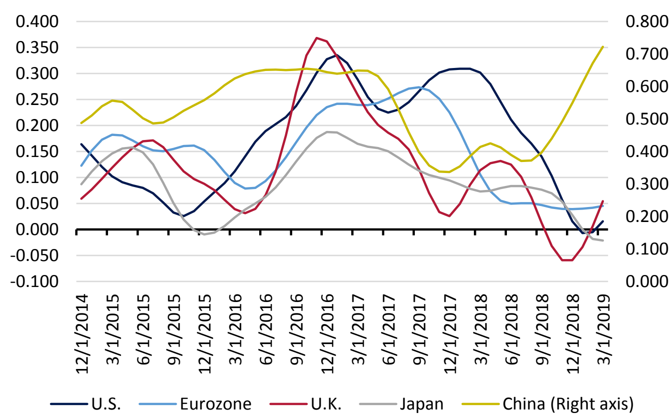
								Estimates				
	Q3 '17	Q4 '17	Q1 '18	Q2 '18	Q3 '18	Q4 '18	Q1 '19	Q2 '19	Q3 '19	Q4 '19	Q1 '20	Q2 '20
Australia	2.9	2.4	3.1	3.1	2.8	2.4	1.8	1.6	1.9	2.3	2.6	2.6
Canada	1.3	1.7	1.5	2.5	2.1	0.3	0.4	2.2	2.0	1.8	1.7	1.7
Germany	2.7	2.8	2.1	2.0	1.2	0.6	0.7	0.4	0.9	1.1	0.9	1.2
Italy	1.8	1.8	1.4	1.0	0.5	0.0	-0.1	-0.1	0.3	0.5	0.5	0.7
Japan	2.4	1.3	-0.4	2.3	-2.6	1.8	2.2	0.1	1.3	-2.0	0.8	0.8
United States	2.8	2.3	2.2	4.2	3.4	2.2	3.1	1.8	1.9	1.8	1.8	1.8
United Kingdom	2.0	1.6	1.2	1.4	1.6	1.4	1.8	1.3	1.1	1.1	0.9	1.4
Brazil	1.4	2.2	1.2	0.9	1.3	1.1	0.5	0.8	1.0	1.7	2.1	2.3
China	6.7	6.7	6.8	6.7	6.5	6.4	6.4	6.2	6.2	6.2	6.1	6.1
India	6.0	6.8	7.7	8.1	8.0	7.0	6.6	5.8	6.4	6.9	7.2	7.4

Figure 1: Regional & Country Leading Economic Indicators

Source: Organization for Economic Cooperation & Development

To illustrate the near-term trend change in the leading economic indicators, we have calculated the 3-period moving average (data available quarterly) and charted the slope of that data series.

Notice the downward sloping indicators for most developed markets. LEI has moved up in China in accordance with a period of additional stimulus measures instituted by the Peoples Bank of China.



Broadly, economic data has provided good reason for central bankers to adjust their views, and it appears policymakers are keen to prolong the cycle. Meanwhile, favorable sentiment data, higher risky asset prices, and low volatility appear to indicate investors have every confidence policymakers will author a soft-landing for the global economy.

Figure 2: BofA Merrill Lynch Global Financial Stress Index

Source: Bank of America Merrill Lynch; Bloomberg

Financial stress indicators, such as the BofA ML Index, illustrate that financial markets seem un-phased by recent economic deterioration and other geopolitical risks.

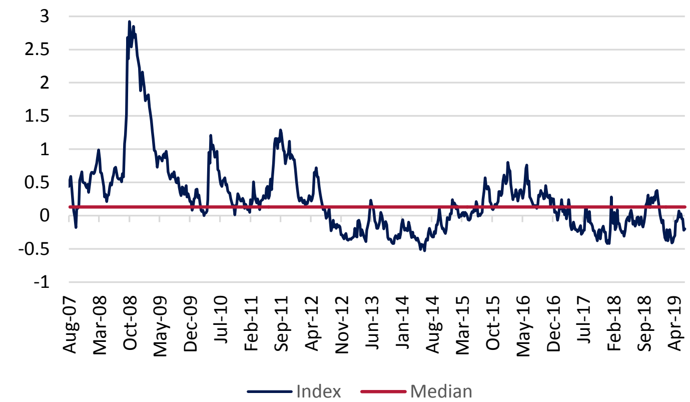
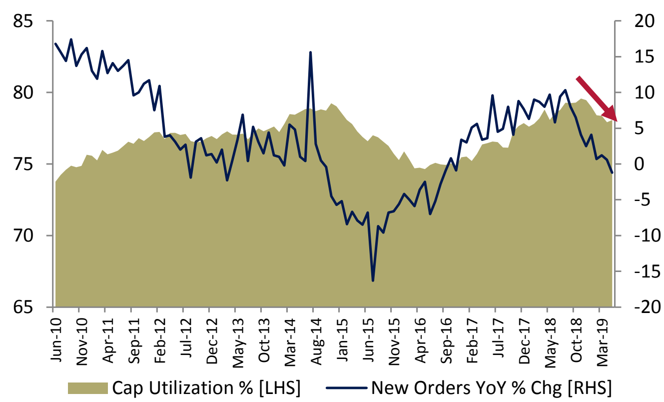


Figure 3: U.S. Manufacturing New Orders and Capacity Utilization

Source: U.S. Census Bureau; Federal Reserve

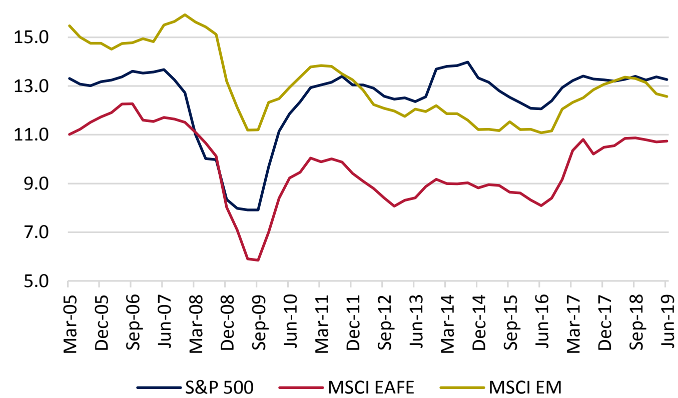
Although the U.S. economy is stronger than most, high-frequency data is showing signs of slowing.



Financial Asset Positioning

Given that central bankers are ready to apply additional stimulus, we believe investors should maintain a modestly bullish stance on risky asset prices, including equities. Betting against the heft of central banks has historically not been a good trade. So despite the economic uncertainties outlined in this forum, our base case is that central bankers steer the economy toward a soft-landing and successfully elongate this business cycle yet again. The key risk to our modestly bullish view is corporate earnings, as the digestion of a slowing of year-over-year earnings growth, expected for Q2 and Q3, could be a bit tough for this market. So operationally, we would be overweight equities, seek exposure in a lower-beta way, and prepare for some likely overdue bouts of volatility. Notably, we would not expect second-half 2019 returns to replicate what we have seen in the first half. In fact, equity upside from here may be somewhat

Figure 4: Global Equity Operating Profit Margins
Source: S&P Dow Jones, MSCI, Bloomberg



limited by the lack of earnings visibility among uncertain trade and economic outcomes. However, any bouts of downside volatility, we believe, are likely to be gobbled up as buying opportunities.

Globally, we still favor U.S. equities over the rest of the world. We are cognizant that valuations look better in foreign developed and emerging markets, but current economic prospects in non-U.S. markets may not be as favorable. Meanwhile, one reason valuations are higher in the U.S. is profit margins are indeed higher. And while margins in the U.S. and emerging markets are currently somewhat comparable, we believe EM margins are more greatly influenced by commodity prices and thus prone to relative booms and busts. In our view, global investors may continue to pay up for access to more profitable, and more innovative U.S. companies.

On the bond side, we believe the market is finally willing to put the false notion of a sustainable rise in interest rates to rest. We have argued for some time that structural issues influencing inflation, monetary policy, the economy, and the rate market in general should anchor interest rates at low levels. In addition, we believe global rates could still move lower from here, and a 10-year Treasury yield that hovers below 2% rather than above may be the base case by year-end. We believe the environment lends itself to the core-plus bond strategy we have been espousing. That is: investors should maintain notable exposure to Treasuries and other core bonds while searching at the margin for higher quality high-yield and non-U.S. debt to enhance return. Investors need to be cognizant of growing leverage in several segments, including U.S. high-yield, so moving up the credit spectrum is recommended. The relative lack of credit-holder protections is also a concern that may not be properly reflected in market prices. Thus, those selecting their non-core exposure should be surgical and maintain a higher credit-quality discipline.

In the commodity complex, catalysts appear few for those looking to allocate toward broad exposure. We have been head-faked before as a commodity bounce off a long-term bottom looked possible. However, the slowing China economy and trade overhang looks to be too much for the asset class to bear, and the Bloomberg Commodity Index appears willing to trade in close proximity to long-term lows. The only respite could come from an end to the U.S./China trade dust-up and we are not holding our breath in that regard. Meanwhile, investors should pay closer attention to gold as the technical break above $1400 per oz. looks potentially promising. Should the commodity show a willingness to hold above that level, further technical upside is possible, in our view. Given that scenario, investors may seek to wade in with a marginal portion of their allocation.

Risks

Investors should be aware of the risks associated with all portfolio strategies and variable market conditions. Monetary policy changes, global military activity, the level and change in market interest rates, corporate earnings, domestic and foreign governmental policies, global economic data, and other geopolitical events can have a substantial effect on portfolio performance and the effectiveness of strategic and tactical portfolio approaches.

MULTI-ASSET/SECTOR/STYLE RETURNS

Returns as of June 30, 2019

Mkt/Sector/Style	Benchmark Index	Q2 - '19 (%)	YTD (%)	2018 (%)	2017 (%)	2016 (%)	2015 (%)	5-Yr. Ann. (%)	260D Vol (%)
U.S. EQUITY (Total Return)									
BROAD MARKET	RUSSELL 3000 INDEX	4.1	18.7	-5.2	21.1	12.7	0.5	10.7	15.6
LARGE-CAP	S&P 500 INDEX	4.3	18.5	-4.4	21.8	12.0	1.4	11.1	15.4
MID-CAP	S&P 400 MID-CAP INDEX	3.0	18.0	-11.1	16.2	20.7	-2.2	8.5	16.0
SMALL-CAP	RUSSELL 2000 INDEX	2.1	17.0	-11.0	14.6	21.3	-4.4	7.7	18.5
GROWTH	RUSSELL 3000 GROWTH INDEX	4.5	21.4	-2.1	29.6	7.4	5.1	13.7	18.8
VALUE	RUSSELL 3000 VALUE INDEX	3.7	16.0	-8.6	13.2	18.4	-4.1	7.7	13.4
SECTOR	S&P 500 CONSUMER DISC INDEX	5.3	21.8	0.8	23.0	6.0	10.1	14.7	19.5
SECTOR	S&P 500 CONSUMER STAPLES INDEX	3.7	16.2	-8.4	13.5	5.4	6.6	8.7	12.8
SECTOR	S&P 500 ENERGY INDEX	-2.8	13.1	-18.1	-1.0	27.4	-21.1	-5.0	21.1
SECTOR	S&P 500 FINANCIALS INDEX	8.0	17.2	-13.0	22.1	22.7	-1.6	11.1	17.3
SECTOR	S&P 500 HEALTH CARE INDEX	1.4	8.1	6.5	22.1	-2.7	6.9	10.3	16.1
SECTOR	S&P 500 INDUSTRIALS INDEX	3.6	21.4	-13.3	21.0	18.8	-2.6	9.5	18.3
SECTOR	S&P 500 MATERIALS INDEX	6.3	17.3	-14.7	23.8	16.7	-8.4	5.4	18.4
SECTOR	S&P 500 REAL ESTATE INDEX	2.5	20.4	-2.2	10.8	1.1	1.2	8.4	15.3
SECTOR	S&P 500 TECHNOLOGY INDEX	6.1	27.1	-0.3	38.8	13.8	5.9	19.1	22.8
SECTOR	S&P 500 COMMUNICATION SVCS INDEX	4.5	19.1	-12.5	-1.3	23.5	3.4	5.6	19.4
SECTOR	S&P 500 UTILITIES INDEX	3.5	14.7	4.1	12.1	16.3	-4.8	11.0	14.3
BOND (Total Return)									
BROAD MARKET	BBG BARC US AGGREGATE BOND INDEX	3.1	6.1	0.0	3.5	2.6	0.5	2.9	2.8
TREASURY	BBG BARC TREASURY BOND INDEX	3.0	5.2	0.9	2.3	1.0	0.8	2.4	3.2
INV GRADE CORP	BBG BARC INV. GRADE CORP INDEX	4.5	9.9	-2.5	6.4	6.1	-0.7	4.0	3.3
HIGH YIELD CORP	BBG BARC US HIGH YIELD INDEX	2.5	9.9	-2.1	7.5	17.1	-4.5	4.8	3.2
MORTGAGE-BACKED	BBG BARC US MBS INDEX	2.0	4.2	1.0	2.5	1.7	1.5	2.6	2.3
COMMODITY (Total Return)									
BROAD MARKET	BBG COMMODITY INDEX	-1.2	5.1	-11.2	1.7	11.8	-24.7	-8.2	12.1
ENERGY	BBG ENERGY INDEX	-4.6	10.6	-12.7	-4.3	16.3	-38.9	-16.8	27.5
INDUSTRIAL METALS	BBG INDUSTRIAL METALS INDEX	-7.2	4.7	-19.5	29.4	19.9	-26.9	-3.3	16.3
PRECIOUS METALS	BBG PRECIOUS METALS INDEX	7.1	7.2	-4.6	10.9	9.5	-11.5	-1.6	11.6
GRAINS	BBG GRAINS INDEX	8.4	2.1	-5.5	-11.3	-5.9	-19.4	-8.0	18.1
SOFTS	BBG SOFTS INDEX	-0.9	-1.0	-23.8	-15.6	12.8	-9.9	-11.8	18.9
	BBG=Bloomberg								
HEDGE FUND (Total Return)									
Hedge Fund Research	HFRX GLOBAL HEDGE FUND INDEX	N/A	N/A	-6.7	6.0	2.5	-3.6	0.1	3.1
Hedge Fund Research	HFRX EQUITY HEDGE INDEX	N/A	N/A	-9.4	10.0	0.1	-2.3	1.0	7.0
Hedge Fund Research	HFRX EQUITY MARKET NEUTRAL INDEX	N/A	N/A	-3.2	1.7	-5.1	5.5	-0.2	2.9
Hedge Fund Research	HFRX MACRO INDEX	N/A	N/A	-3.3	2.5	-2.9	-2.0	0.6	7.4
Hedge Fund Research	HFRX EVENT DRIVEN INDEX	N/A	N/A	-11.7	6.5	11.1	-6.9	-1.6	4.1
Hedge Fund Research	HFRX MERGER ARBITRAGE INDEX	N/A	N/A	-1.9	2.2	4.3	8.4	2.4	4.1
Hedge Fund Research	HFRX ABSOLUTE RETURN INDEX	N/A	N/A	-0.5	3.4	0.3	2.9	1.5	1.7
REAL ESTATE (Total Return)									
TOTAL REIT MKT	BBG NORTH AMERICAN REIT INDEX	1.7	19.0	-4.6	9.0	9.0	3.2	9.1	15.0
APARTMENT	BBG REIT APARTMENT INDEX	2.4	19.0	3.1	5.4	3.4	15.5	12.1	16.4
HEALTH CARE	BBG REIT HEALTHCARE INDEX	2.8	16.2	7.1	0.6	7.0	-6.5	7.9	19.3
WAREHOUSE/INDUST.	BBG REIT WAREHSE./INDUST. INDEX	9.0	32.2	-2.5	20.8	31.5	5.9	18.7	18.4
MORTGAGE	BBG REIT MORTGAGE INDEX	-0.8	9.0	-2.9	20.3	22.3	-9.9	7.8	11.0
OFFICE PROPERTY	BBG REIT OFFICE PROP INDEX	-3.1	14.5	-14.9	2.2	10.6	-0.2	4.1	16.4
RETAIL	BBG REIT RETAIL INDEX	-5.8	8.0	-5.6	-4.8	1.1	3.7	2.4	17.5

Data source: Bloomberg; BBG=Bloomberg; Barc=Barclays

260D Vol = 260-day volatility

GLOBAL EQUITY INDEX RETURNS		Returns as of June 30, 2019							
		Q2 - '19	YTD	2018	2017	2016	2015	5-Yr. Ann.	260D Vol
Regions / Countries	Benchmark Index	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
BROAD MARKET									
World	MSCI ALL-COUNTRY WORLD INDEX	3.8	16.6	-8.9	24.7	8.5	-1.8	7.1	11.8
Developed Markets	MSCI EAFE INDEX	3.9	14.5	-13.3	25.7	1.6	-0.3	3.1	10.8
Emerging Markets	MSCI EMERGING MARKET INDEX	0.7	10.7	-14.3	37.8	11.7	-14.6	2.6	14.3
UNITED STATES	S&P 500 INDEX	4.3	18.5	-4.4	21.8	12.0	1.4	11.1	15.4
CANADA	S&P/TSX COMPOSITE INDEX	4.7	20.9	-8.9	9.1	21.1	-8.3	4.8	9.9
LATIN AMERICA									
Brazil	BRAZIL BOVESPA INDEX	7.7	16.0	15.0	26.9	38.9	-13.3	13.6	21.6
Chile	CHILE STOCK MKT SELECT	-3.4	1.6	-8.3	34.0	12.8	-4.4	5.0	10.8
Columbia	IGBC GENERAL INDEX	-1.8	17.8	-0.3	16.3	20.7	-24.1	1.5	14.3
Mexico	MEXICO IPC INDEX	2.8	8.3	-13.7	10.1	7.9	0.9	1.5	16.6
Peru	PERU GENERAL INDEX	-1.2	9.4	-3.1	28.3	58.1	-33.4	3.9	10.2
UNITED KINGDOM	FTSE 100 INDEX	0.9	12.6	-8.8	12.0	19.2	-1.3	6.5	12.1
EUROPE EX U.K.									
Austria	AUSTRIAN TRADED ATX INDX	1.3	10.0	-18.0	32.8	11.1	12.9	6.8	16.0
Belgium	BEL 20 INDEX	0.6	11.3	-15.4	14.4	1.2	16.7	6.8	14.2
Czech Republic	PRAGUE STOCK EXCH INDEX	2.6	9.3	-4.4	22.6	1.3	5.1	6.6	10.1
Denmark	OMX COPENHAGEN 20 INDEX	0.1	13.5	-10.8	18.7	-10.7	40.2	8.9	15.4
Finland	OMX HELSINKI INDEX	1.7	11.0	-4.4	10.5	8.0	14.6	8.8	14.5
France	CAC 40 INDEX	7.5	19.4	-8.1	12.5	8.8	11.9	8.7	13.8
Germany	DAX INDEX	8.9	16.6	-18.3	12.5	6.9	9.6	5.0	14.9
Greece	ATHEX COMPOSITE	23.2	42.0	-22.1	26.8	4.2	-25.0	-4.0	21.0
Hungary	BUDAPEST STOCK EXCH INDX	-2.6	1.6	-0.6	23.0	33.8	43.8	17.8	14.2
Ireland	IRISH OVERALL INDEX	2.2	13.0	-20.8	9.4	-2.7	33.0	8.1	15.4
Italy	FTSE MIB INDEX	4.0	19.0	-13.6	16.9	-6.5	15.8	4.9	16.8
Netherlands	AEX-INDEX	5.4	16.8	-7.4	16.5	13.6	7.3	10.7	12.6
Norway	OBX PRICE INDEX	1.5	10.3	-0.4	19.5	14.1	2.6	7.6	15.3
Poland	WSE WIG 20 INDEX	4.0	3.5	-5.4	28.9	7.9	-17.0	2.3	17.4
Portugal	PSI 20 INDEX	4.1	12.2	-8.6	19.3	-9.0	14.9	0.5	12.4
Russia	RUSSIAN RTS INDEX $	18.0	32.7	-1.9	5.9	59.4	0.5	5.7	18.9
Spain	IBEX 35 INDEX	2.5	9.4	-11.5	11.3	2.5	-3.7	1.6	12.7
Sweden	OMX STOCKHOLM 30 INDEX	5.9	14.8	-7.0	7.7	9.3	2.1	7.5	14.5
Switzerland	SWISS MARKET INDEX	8.6	22.2	-7.0	17.9	-3.4	1.1	6.3	12.7
Turkey	ISE NATIONAL 100 INDEX	2.3	-0.1	-17.6	52.8	12.0	-13.8	7.7	23.4
ASIA-PACIFIC EX JAPAN									
Australia	ALL ORDINARIES INDX	6.8	20.0	-2.2	14.0	13.2	5.4	10.5	11.0
China	CSI 300 INDEX	-2.4	28.7	-23.6	24.3	-9.3	7.2	14.5	24.7
Hong Kong	HANG SENG INDEX	0.4	13.1	-10.6	41.3	4.3	-3.9	7.9	18.1
Indonesia	JAKARTA COMPOSITE INDEX	1.2	7.7	-0.3	22.5	17.5	-10.5	7.1	14.6
India	BSE SENSEX 30 INDEX	2.9	11.1	7.2	29.6	3.5	-3.7	10.6	13.4
Malaysia	FTSE BURSA MALAYSIA KLCI	1.2	0.5	-3.0	13.2	0.1	-1.0	0.8	9.1
New Zealand	NZX ALL INDEX	5.0	18.8	5.9	24.2	10.9	14.6	17.5	9.7
Philippines	PSEi - PHILIPPINE SE IDX	4.6	11.2	-11.4	27.2	0.2	-2.0	5.2	16.8
Taiwan	TAIWAN TAIEX INDEX	1.5	9.8	-5.0	19.4	15.5	-6.9	6.7	14.6
Thailand	STOCK EXCH OF THAI INDEX	10.3	19.6	-8.1	17.3	23.9	-11.2	5.9	11.0
Singapore	STRAITS TIMES INDEX	5.3	11.3	-6.5	22.0	3.8	-11.3	4.0	12.4
South Korea	KOSPI INDEX	-2.2	0.7	-15.4	23.9	5.2	4.1	2.8	13.9
JAPAN	NIKKEI 225	3.1	10.0	-10.3	21.3	2.4	11.0	9.5	18.0
MIDDLE EAST/AFRICA									
Eqypt	EGX 30 INDEX	0.4	17.9	-11.0	25.4	80.3	-20.2	12.8	17.6
Israel	TEL AVIV 100 INDEX	7.0	16.9	-2.3	6.4	-2.5	2.0	3.8	12.9
Morocco	MADEX FREE FLOAT INDEX	7.6	1.7	-5.5	9.5	38.1	-3.9	8.3	9.1
South Africa	FTSE/JSE AFRICA ALL SHR	6.2	14.4	-8.4	21.0	2.8	5.3	5.5	16.0

Data source: Bloomberg

260D Vol = 260-day volatility

Important Disclosures: *This material is not intended as ERISA, tax or investment advice and is not an offer to sell a security or a recommendation, to buy a security. If you are seeking investment advice specific to your needs, such advice services must be obtained on your own, separate from this educational and informational report. This summary is based exclusively on an analysis of general market conditions and does not speak to the suitability of any specific proposed securities transaction. To determine which investments may be appropriate for you, consult your financial advisor prior to investing.*

All opinions and views mentioned in this report constitute our judgments as of the date of writing and are subject to change at any time. We will not advise you as to any change in figures or views found in this report.

Our judgement or recommendations may differ materially from what may be presented in a long-term investment plan. Investors should consult with an investment advisor to determine the appropriate investment strategy and investment vehicle. Investment decisions should be made based on the investor's specific financial needs and objectives, goals, time horizon and risk tolerance.

Except for the historical information contained in this report, certain matters are forward-looking statements or projections that are dependent upon risks and uncertainties, including but not limited to such factors and considerations such as general market volatility, global economic risk, geopolitical risk, currency risk and other country-specific factors, fiscal and monetary policy, the level of interest rates, security-specific risks, and historical market segment or sector performance relationships as they relate to the business and economic cycle.

Economic and other investment forecasts set forth may not develop as predicted and there can be no guarantee that strategies mentioned will be successful.

There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not ensure against market risk.

Stock investing involves risk including loss of principle.

The prices of small and mid-cap stocks are generally more volatile than large cap stocks.

Value investments can perform differently from the market as a whole. They can remain undervalued by the market for long periods of time.

The fast price swings in commodities and currencies will result in significant volatility in an investor's holdings.

Precious metal investing involves greater fluctuation and potential for losses.

Investing in Real Estate Investment Trusts (REITs) involves special risks such as potential illiquidity and may not be suitable for all investors. There is no assurance that the investment objectives of this program will be attained.

Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise and bonds are subject to availability and change in price.

Government bonds and Treasury bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value.

High yield/junk bonds (grade BB or below) are not investment grade securities and are subject to higher interest rate, credit, and illiquidity risks than those graded BBB and above. They generally should be part of a diversified portfolio for sophisticated investors.

International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets.

Because of its narrow focus, sector investing will be subject to greater volatility than investing more broadly across many sectors and companies.

The CBOE Volatility Index® (VIX®) is meant to be forward looking, showing the market's expectation of 30-day volatility in either direction, and is considered by many to be a barometer of investor sentiment and market volatility, commonly referred to as "Investor Fear Gauge"

The MSCI All Country World Index is a market capitalization weighted index designed to provide a broad measure of equity-market performance throughout the world.

The MSCI EAFE Index is a free float –adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the U.S. and Canada.

The MSCI EM (Emerging Markets) Index is a free float-adjusted market capitalization index that is designed to measure the equity market performance of the emerging market countries of the Americas, Europe, the Middle East, Africa and Asia.

The S&P 500 Index is a capitalization weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing the major sectors of the U.S. economy.

The S&P 500 sector indices measure the performance of the widely-used Global Industry Classification Standard (GICS®) sectors and sub-industries. GICS enables market participants to identify and analyze a customized group of companies using a common global standard. Those sectors are: S&P 500 Consumer Discretionary, S&P 500 Consumer Staples, S&P 500 Energy, S&P 500 Financials, S&P 500 Health Care, S&P 500 Industrials, S&P 500 Materials, S&P 500 Real Estate, S&P 500 Technology, S&P 500 Telecom, and S&P 500 Utilities.

The S&P Midcap 400 Stock Index is an unmanaged index generally representative of the market for the stocks of mid-seized U.S. companies.

The Russell 2000 Index is an unmanaged index generally representative of the 2000 smallest companies in the Russell 3000 Index, which represents approximately 10% of the total market capitalization of the Russell 3000 Index.

The Russell 3000 Index is comprised of 3000 U.S. companies, as determined by market capitalization. The Index is comprised of stocks within the Russell 1000 (large-cap) and the Russell 2000 (small-cap) indices.

The Russell 3000 Growth Index is an unmanaged index comprise of those Russell 3000 companies with higher price-to-book rations and higher forecasted growth values. The Russell 3000 Value Index measures the performance of those Russell 3000 companies with lower price-to-book ratios and lower forecasted growth values.

The S&P Citigroup International Treasury ex U.S. Index is designed to reflect the performance of bonds issued by non-U.S. developed market countries.

The Bloomberg Barclays U.S. Aggregate Bond Index is an index of the U.S. investment grade fixed-rate bond market, including both government and corporate bonds.

The Bloomberg Barclays Treasury Bond Index is an index of U.S. dollar denominated, fixed-rate, nominal debt issued by the U.S. Treasury. Treasury bills are excluded by the index's maturity constraint.

The Bloomberg Barclays Investment Grade Corporate Bond Index measures the investment-grade, fixed-rate, taxable corporate bond market. The index includes U.S. dollar denominated securities publicly issued by U.S. and non-U.S. industrial, utility, and financial issuers.

The Bloomberg Barclays U.S. Corporate High-Yield Bond Index is an unmanaged market value weighted index compose of fixed-rate, publicly-issued, non-investment grade debt.

The Bloomberg Barclays U.S. Mortgage –Backed Securities Index tracks agency mortgage-backed pass-through securities guaranteed by GNMA, FNMA and FHLMC.

The Bloomberg Commodity Index (BCOM) is a broadly diversified commodity price index distributed by Bloomberg Indexes. The constituents of this broad index are also separated and indexed into commodity-specific segment which enables market participants to identify and analyze those individual commodity markets. Those related indices are: The Bloomberg Energy Index, The Bloomberg Industrial Metals Index, The Bloomberg Precious Metals Index, The Bloomberg Grains Index, and the Bloomberg Softs Index.

The Hedge Fund Research HFRX Global Hedge Fund Index is a U.S. dollar denominated benchmark representative of the overall composition of the hedge fund universe. It is comprised of all hedge fund strategies tracked by Hedge Fund Research including but not limited to absolute return, convertible arbitrage, distressed securities, equity hedge, equity market neutral, event driven, macro, merger arbitrage, and relative value arbitrage. Hedge Fund Research also compiles sub-indices representative of specific hedge fund strategies. Those sub-indices mentioned in this report are: The HFRX Equity Hedge Index, The HFRX Equity Market Neutral Index, The HFRX Macro Index, The HFRX Event Driven Index, The HRFX Merger Arbitrage Index, and The HFRX Absolute Return Index.

The Bloomberg North American REIT Index is a composite representing the Real Estate Investment Trust industry in North America. This broad composite also may be segmented into specific sub-groups of the REIT industry. Those sub-group indices mentioned in this report are: The Bloomberg REIT Apartment Index, The Bloomberg REIT Health Care Index, The Bloomberg REIT Warehouse/Industrial Index, The Bloomberg REIT Mortgage Index, The Bloomberg REIT Office Property Index, and The Bloomberg REIT Retail Index.

Individual country indices mentioned in this report, including the United States, Canada, Japan, the United Kingdom, and those in regions such as Europe, the Asia-Pacific, Latin America, and Middle East/Africa are representative of equity market activity in that specific country.

All indices are unmanaged and may not be invested into directly.

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