



**PERSPECTIVES
THAT DRIVE
ENTERPRISE
SUCCESS**

2ND QUARTER 2017
Investment Landscape

Table of contents



VERUSINVESTMENTS.COM

SEATTLE 206-622-3700

LOS ANGELES 310-297-1777

SAN FRANCISCO 415-362-3484

Economic environment	5
----------------------	---

Fixed income rates & credit	20
-----------------------------	----

Equity	26
--------	----

Other assets	36
--------------	----

Appendix	39
----------	----

1st quarter summary

THE ECONOMIC CLIMATE

- Developed economies continued to experience steady, moderate expansion with fourth quarter real GDP growth in the U.S., the Eurozone, and Japan all between 1.5-2.0%. The base effect of lower oil prices led to higher year-over-year headline inflation in many countries. **p. 16**
- During the first quarter, the global economy exhibited a coordinated pick up in economic activity. Data generally exceeded expectations, especially in the U.S. and the Eurozone. **p. 18**

MARKET PORTFOLIO IMPACTS

- The U.S. Treasury curve flattened in the first quarter. Short-term rates were driven higher by the Fed, while the long end of the curve remained unchanged. Even with Fed tightening, the U.S. may not be in a typical rising rate environment. **p. 22**
- A better outlook for commodity performance, as well as a flattening of the futures curve in some markets increases the attractiveness of commodities as an inflation hedge. **p. 38**

THE INVESTMENT CLIMATE

- While central banks are still accommodative outside of the U.S., most appear to be in later stages of the easing cycle. Developed central banks appear to be broadly entering a period of policy normalization. **p. 22**
- The market is expecting better earnings growth in U.S. equities. According to FactSet, the estimated Q1 earnings growth for the S&P 500 is 9.2% from the previous year. Higher earnings growth may help justify above average valuations. **p. 29**

ASSET ALLOCATION ISSUES

- Stabilizing currencies and commodity prices, as well as higher growth outlooks, may benefit emerging market equities. **p. 33**
- With U.S. Treasury yields still at historic lows and the expectation of additional tightening from the Fed, investors may not be adequately compensated for taking duration risk in the current environment. **p.23**

We continue
to be neutral
towards risk

What drove the market in Q1?

“The Global Economy Enjoys a Synchronized Upswing”

CITI GLOBAL ECONOMIC SURPRISE INDEX

Oct 31 st	Nov 30 th	Dec 31 st	Jan 31 st	Feb 28 th	Mar 31 st
3.1	17.1	27.0	37.0	43.8	38.8

Source: The Economist, March 16th 2017

“Rates Rise, But Yield Curve Keeps Flattening”

U.S. TREASURY 10-YR MINUS 2-YEAR YIELD SPREAD

Oct 31 st	Nov 30 th	Dec 31 st	Jan 31 st	Feb 28 th	Mar 31 st
0.98%	1.26%	1.25%	1.26%	1.14%	1.13%

Source: Barron's, March 28th 2017

“French Political Turmoil Hits Bond Spreads”

GERMAN-FRENCH 10-YR YIELD SPREAD

Oct 31 st	Nov 30 th	Dec 31 st	Jan 31 st	Feb 28 th	Mar 31 st
0.30%	0.48%	0.48%	0.60%	0.68%	0.64%

Source: Financial Times, February 6th 2017

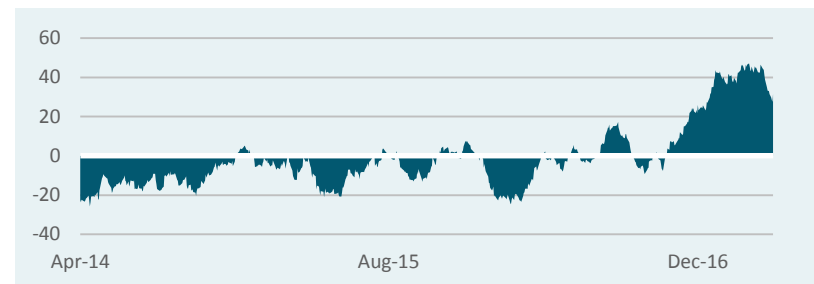
“The Market Conundrum of (Low) Volatility and Uncertainty”

CBOE VIX (10-YEAR AVERAGE, 20.7)

Oct 31 st	Nov 30 th	Dec 31 st	Jan 31 st	Feb 28 th	Mar 31 st
17.1	13.3	14.0	12.0	12.9	12.4

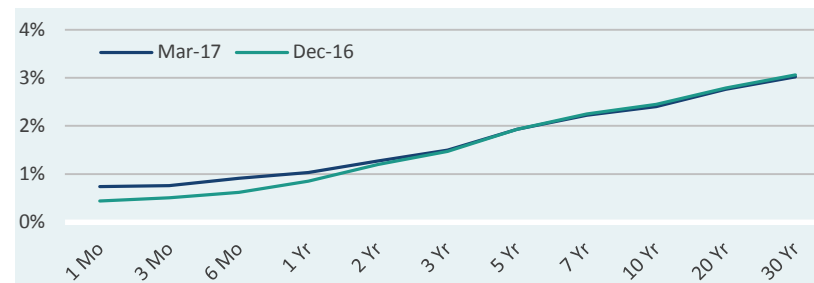
Source: Bloomberg, January 30th 2017

CITI GLOBAL ECONOMIC SURPRISE INDEX



Source: Bloomberg, 4/13/17

U.S. TREASURY CURVE



Source: Bloomberg, as of 3/31/17

GERMAN-FRENCH 10-YR YIELD SPREAD



Source: Bloomberg, as of 4/12/17 – German 10yr yield minus French 10yr yield

Economic environment

U.S. economics summary

- U.S. real GDP grew 2.0% YoY in Q4, up from 1.7% in Q3. Moderate increases in consumer spending continued to be the main driver of the economy.
- Inflation moved higher as headline CPI increased 2.8% YoY in February. Core inflation, however, increased only modestly to 2.2%. Most of the rise was caused by the low base effect from falling oil prices last year.
- The Fed continued tighter monetary policy by raising the target federal funds rate 25 bps to 0.75-1.00% at its March meeting. The FOMC dot plot indicates two more rate hikes in 2017, while the market has only priced in one more increase.
- The March Fed meeting minutes revealed that the central bank may begin shrinking its balance sheet as early as December, representing a form of monetary tightening. It remains unclear whether the Fed will stop rolling over maturing securities or actively sell in the open market.
- On average, 178,000 jobs were added each month during Q1, and unemployment fell 0.2% to 4.5%. Data continued to indicate a tighter labor market, though wage growth is lackluster. Real hourly earnings fell 0.1% in February from the prior year.
- Soft data (consumer & business sentiment) improved markedly following the U.S. presidential election. We are continuing to monitor the degree to which soft data flows through to actual spending and investment patterns. At this point evidence still is lacking.

	Most Recent	12 Months Prior
GDP (<i>annual YoY</i>)	2.0% 12/31/16	1.9% 12/31/15
Inflation (CPI YoY, <i>Headline</i>)	2.8% 2/28/17	1.0% 2/29/16
Expected Inflation (<i>5yr-5yr forward</i>)	2.2% 3/31/17	1.8% 3/31/16
Fed Funds Rate	0.75% 3/31/17	0.25% 3/31/16
10 Year Rate	2.4% 3/31/17	1.8% 3/31/16
U-3 Unemployment	4.5% 3/31/17	5.0% 3/31/16
U-6 Unemployment	8.9% 3/31/17	9.8% 3/31/16

U.S. economics – GDP growth

Real GDP grew 2.0% YoY in Q4 (2.1% quarterly annualized rate) as slow but positive economic growth continued.

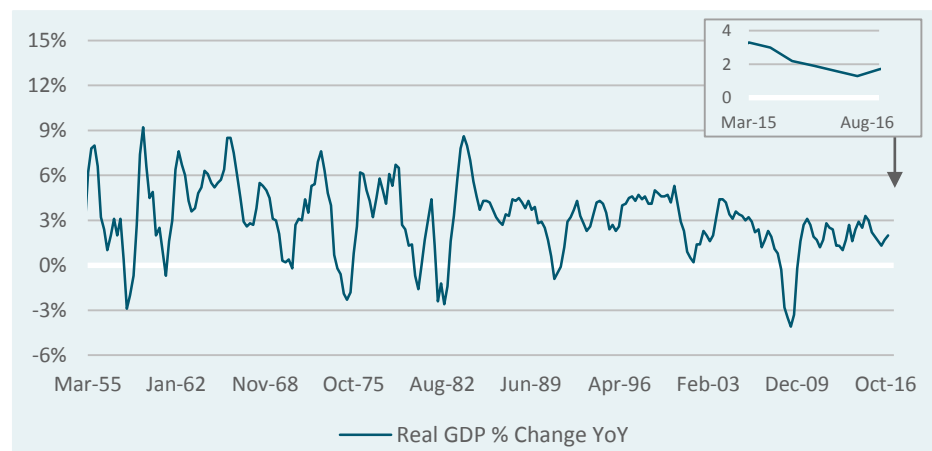
Personal consumption contributed 2.4% to quarterly GDP growth, and was once again the main driver of improvement in the economy. Rising post-election consumer confidence did not immediately flow through to the real economy, but may support increased spending in coming quarters.

Private domestic investment also contributed to growth. A widening trade deficit from both an increase in imports and a decrease in exports was the largest detractor from GDP growth.

The Atlanta Fed GDP Now forecast for Q1 was 0.5% as of April 14th. The forecast was revised downward throughout the quarter mainly due to softer personal spending data. Part of this weakness can be attributed to a temporary decline in utilities spending from milder winter weather.

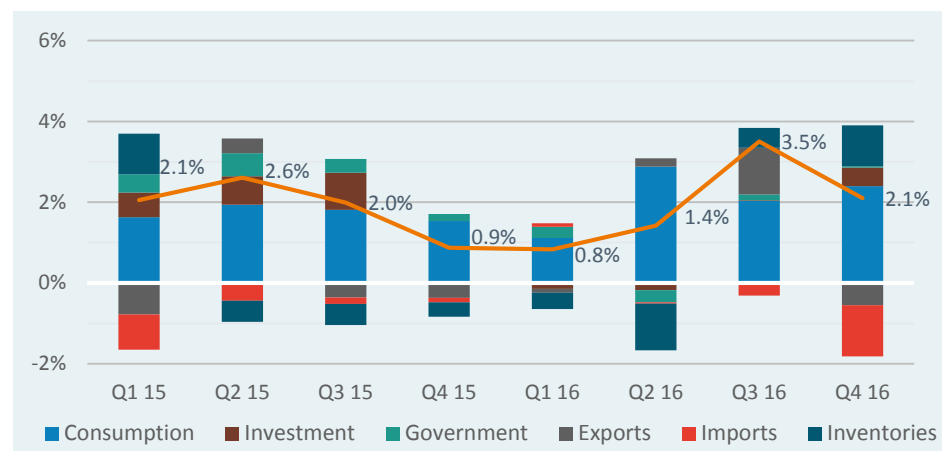
The U.S. economy continued to grow at a moderate pace

U.S. REAL GDP GROWTH



Source: FRED, as of 12/31/16

U.S. GDP COMPONENTS



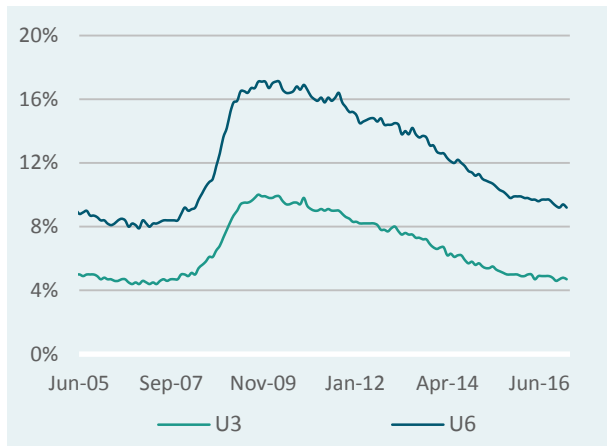
Source: BEA, annualized quarterly rate, as of 12/31/16

U.S. economics – Labor market

Moderate additions to payrolls and higher employment indicate a tighter labor market. Job gains averaged 178,000 per month in the first quarter, slightly below the expansion average of 199,000. The headline unemployment rate fell to a nearly decade low of 4.5%. The broader U-6 unemployment rate, which includes discouraged workers who want a job but have given up looking, and part-time workers who would like to be full-time, fell to a cyclical low of 8.9%. The participation rate rose to 63.0%, an increase of 0.3%.

The number of job openings in the economy is relatively high, likely due to a lack of supply. Companies are having a difficult time finding qualified workers to fill open positions. While most employment data suggests a tight labor market, wage growth has been unusually muted throughout this cycle. As the U.S. economic expansion ages, we would expect companies to raise wages in order to attract and retain workers. However, real average hourly earnings fell 0.1% in February YoY.

U.S. UNEMPLOYMENT



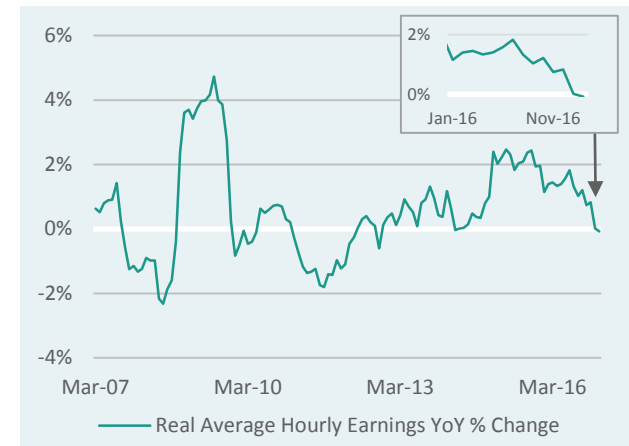
Source: FRED, as of 2/28/17

JOB OPENINGS



Source: FRED, as of 2/28/17

REAL AVERAGE HOURLY EARNINGS



Source: FRED, as of 2/28/17

A closer look at participation

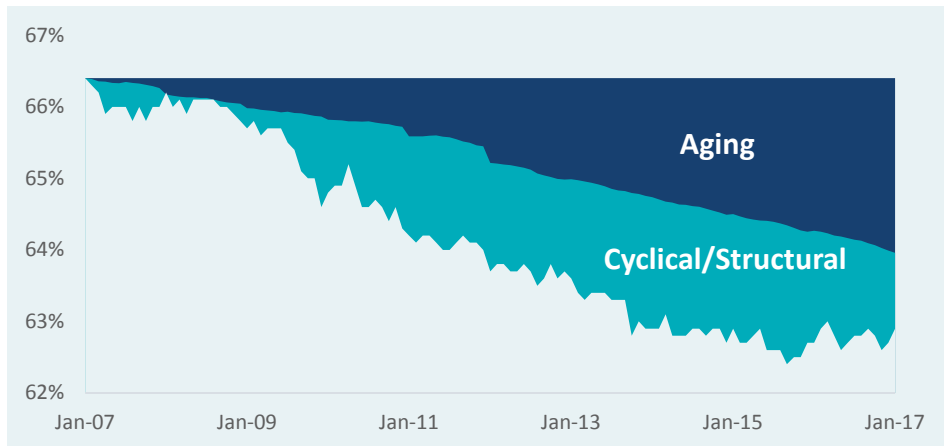
The labor force participation rate has fallen significantly following the financial crisis. While most of the drop can be attributed to an aging population, one-third is a result of structural issues, and possibly some remaining cyclical factors. Stripping out the aging effect by looking at the core working age group shows a drop of 1.9% in participation over the past 10 years.

Unlike cyclical factors that move with the economic cycle, structural issues in the labor market may be more or less permanent. This is important because fewer workers participating in the economy will result in slower growth,

all else equal. Workers reentering the economy, however, could provide some protection against rapid wage price inflation, and therefore mitigate the risk that rapid wage inflation disrupts economic growth.

Structural issues that may explain lower participation include an increased number of unqualified workers due to a lack of requisite skills and education and those with criminal felony convictions. There may also be fewer incentives for people outside of the workforce to return because of slow wage growth and a greater reliance on permanent federal disability.

U.S. LABOR FORCE PARTICIPATION



Source: BLS, Verus, as of 1/31/17

CORE AGE GROUP (25-54) PARTICIPATION



Source: BLS, as of 1/31/17

U.S. economics – The consumer

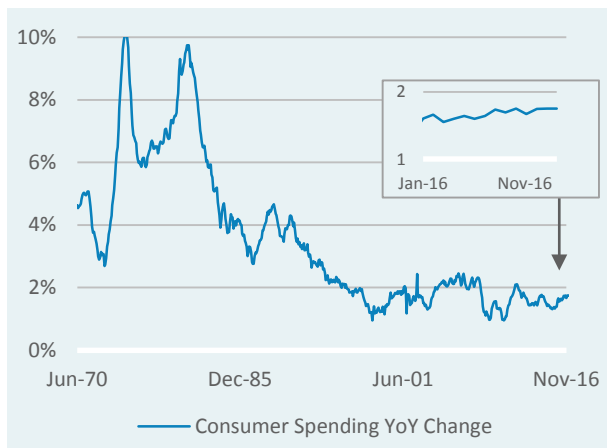
Higher interest rates are expected to be a headwind for U.S. consumers, but other fundamentals reflect a positive overall environment. Much of the economic growth in the current cycle has been attributed to moderate, steady increases in consumer spending. In February, consumer spending grew 1.7% from the previous year. While positive spending growth has been consistent, there has yet to be a material flow through effect from the jump in confidence following the U.S. election in November.

An increase in financial assets during the current recovery has led to large gains in household net worth. The wealth effect, in which consumers increase spending habits based on a higher level of perceived wealth could have a positive impact on economic growth.

Although the consumer has led the economic expansion, credit has not been used as much as in previous cycles. Consumer credit growth has been moderate and household balance sheets remain relatively healthy.

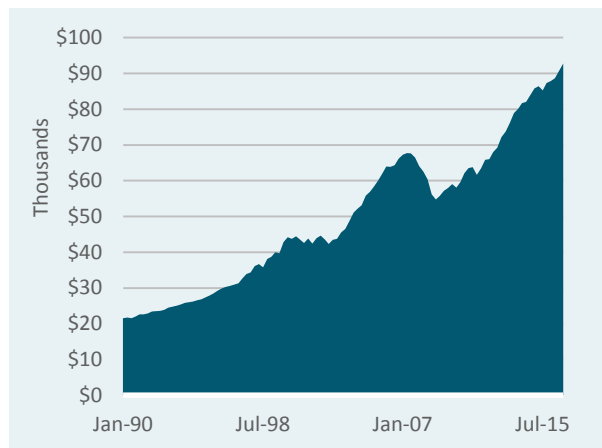
Steady increases in consumer spending has driven recent growth

CONSUMER SPENDING



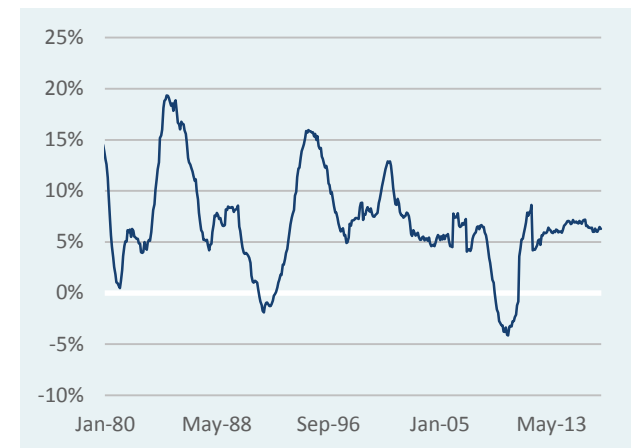
Source: Bloomberg, as of 2/28/17

HOUSEHOLD NET WORTH



Source: FRED, as of 1/31/17

CONSUMER CREDIT GROWTH



Source: FRED, as of 1/31/17

U.S. economics – Sentiment

Consumer sentiment fell slightly over the quarter, but the overall level remains high. The University of Michigan Consumer Sentiment Index was 96.9 at the end of March, compared to the long-term average of 85.6. Consumers cited three key components for the greater optimism: higher incomes, favorable job prospects, and low inflation expectations. Consumer sentiment and hard data do not always align as sentiment builds and falls more slowly through time.

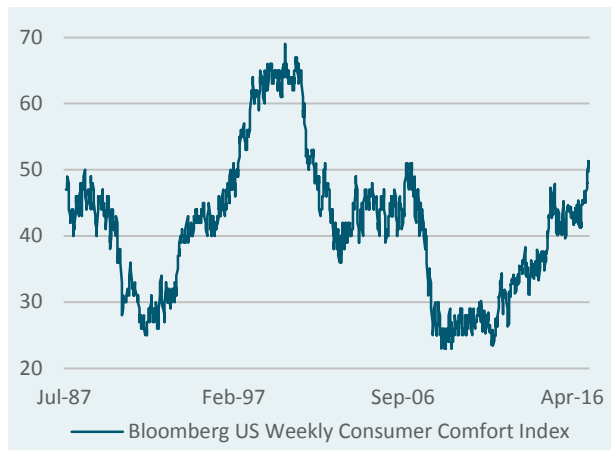
The University of Michigan survey also identified a disconnect in consumer sentiment across political party

affiliations. Democrats expect an immediate recession, while Republicans expect robust economic growth. The index of consumer expectations was 50.5 points higher for Republicans than Democrats. Continued political uncertainty could weigh on sentiment in the coming months.

U.S. economic data has exceeded expectations - a trend that started prior to the election. The Citi Economic Surprise Index was 48 at quarter-end, its highest level in more than three years. However, much of the uptick in this indicator has been driven by “soft” data that has yet to flow through to the real economy.

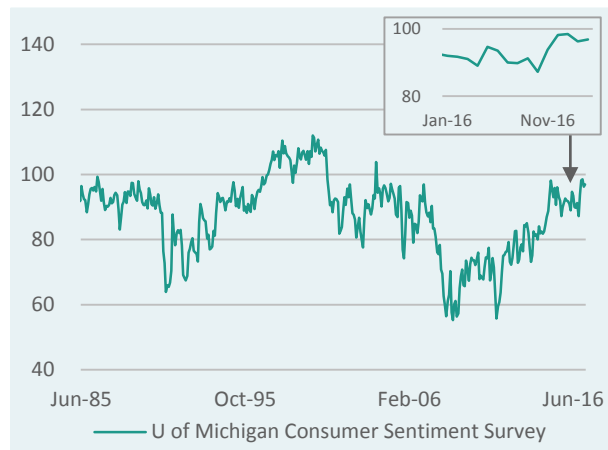
Overall, consumers remain optimistic about the economy

CONSUMER COMFORT INDEX



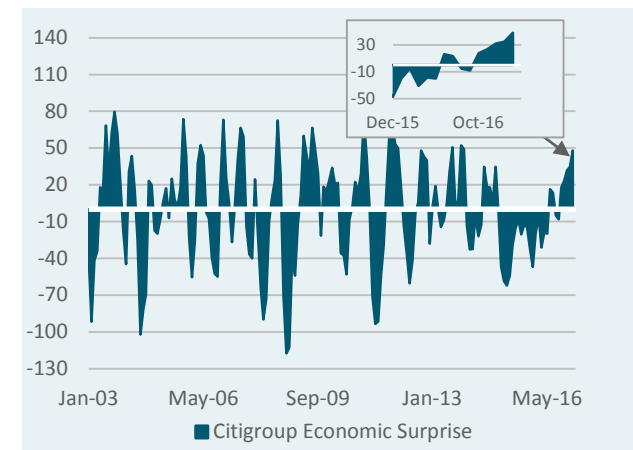
Source: Bloomberg, as of 3/19/17 (see Appendix)

CONSUMER SENTIMENT



Source: University of Michigan, as of 3/31/17 (see Appendix)

U.S. ECONOMIC SURPRISE



Source: Bloomberg, as of 3/31/17 (see Appendix)

U.S. economics – Housing

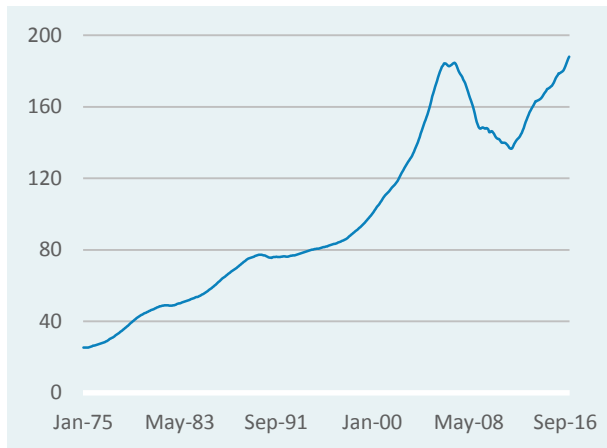
Despite higher mortgage rates since November, home prices in the U.S. have moved upward. Over the 12 months ending in January, the Case-Shiller National Home Price Index rose 5.8%. This price gauge has rallied 37.7% since bottoming in January of 2012 and is now slightly higher than the previous peak.

While increases in interest rates may act as a headwind, the housing market is supported by strong demand for single-family homes and historically low supply,

in addition to an overall financially healthy consumer base. At the current rate of sales it would take only 5.4 months to completely sell the entire supply of homes.

Housing starts and building permits have been steadily trending upwards with homebuilders ramping up construction to meet outsized market demand. New homes coming on line may put downward pressure on prices.

CASE-SHILLER HOME PRICE INDEX



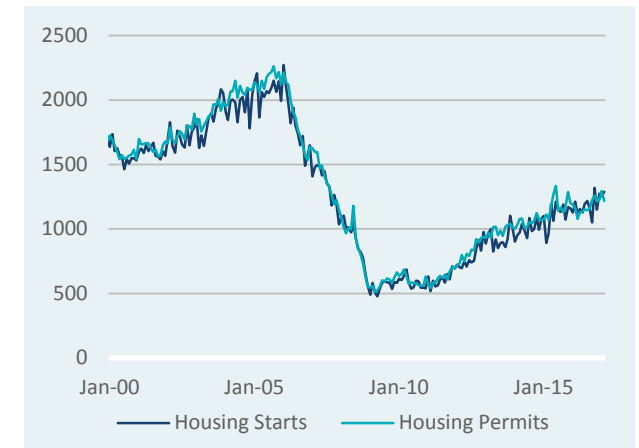
Source: FRED, as of 1/31/17

MONTHLY SUPPLY OF HOMES



Source: FRED, as of 2/28/17

HOUSING STARTS AND PERMITS



Source: FRED, as of 2/28/17

U.S. economics – Inflation

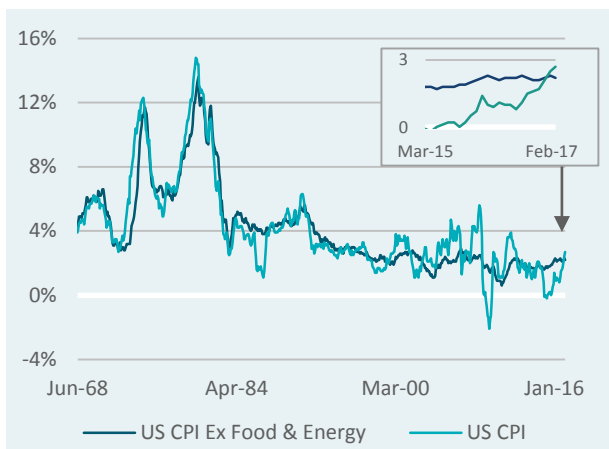
Headline CPI rose 2.8% in February from the previous year, its highest rate in five years. Much of this jump in inflation can be attributed to the base effect of low oil prices one year ago. The energy component of the CPI basket increased 15.6%. Core inflation remained unchanged at 2.2%.

After rising considerably following the presidential election, market inflation expectations were mostly unchanged during the first quarter. The 10-year TIPS

breakeven inflation rate finished the period at 2.0%. The market continues to discount low levels of future inflation relative to history. In comparison, consumers are expecting 2.5% annualized inflation over the next 5-10 years, according to the University of Michigan survey.

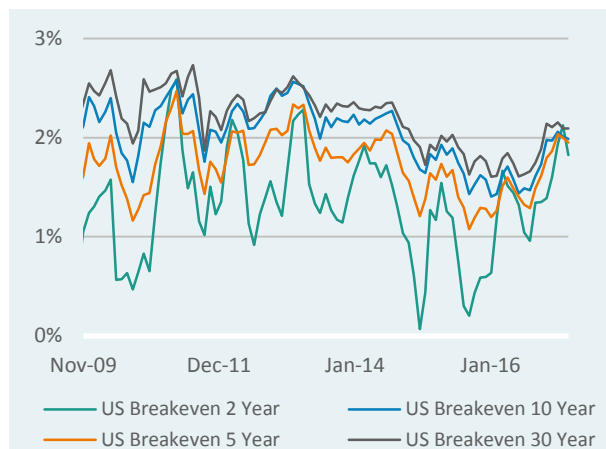
Our view remains that the market may be underpricing expected inflation at a time when inflation risks are skewed to the upside.

U.S. CPI (YOY)



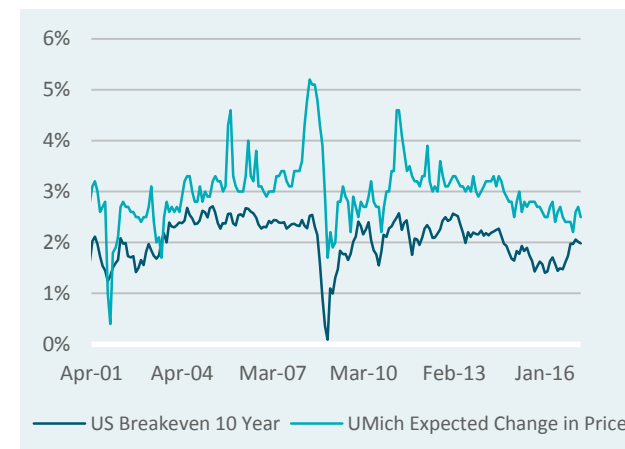
Source: FRED, as of 2/28/17

U.S. TIPS BREAKEVEN RATES



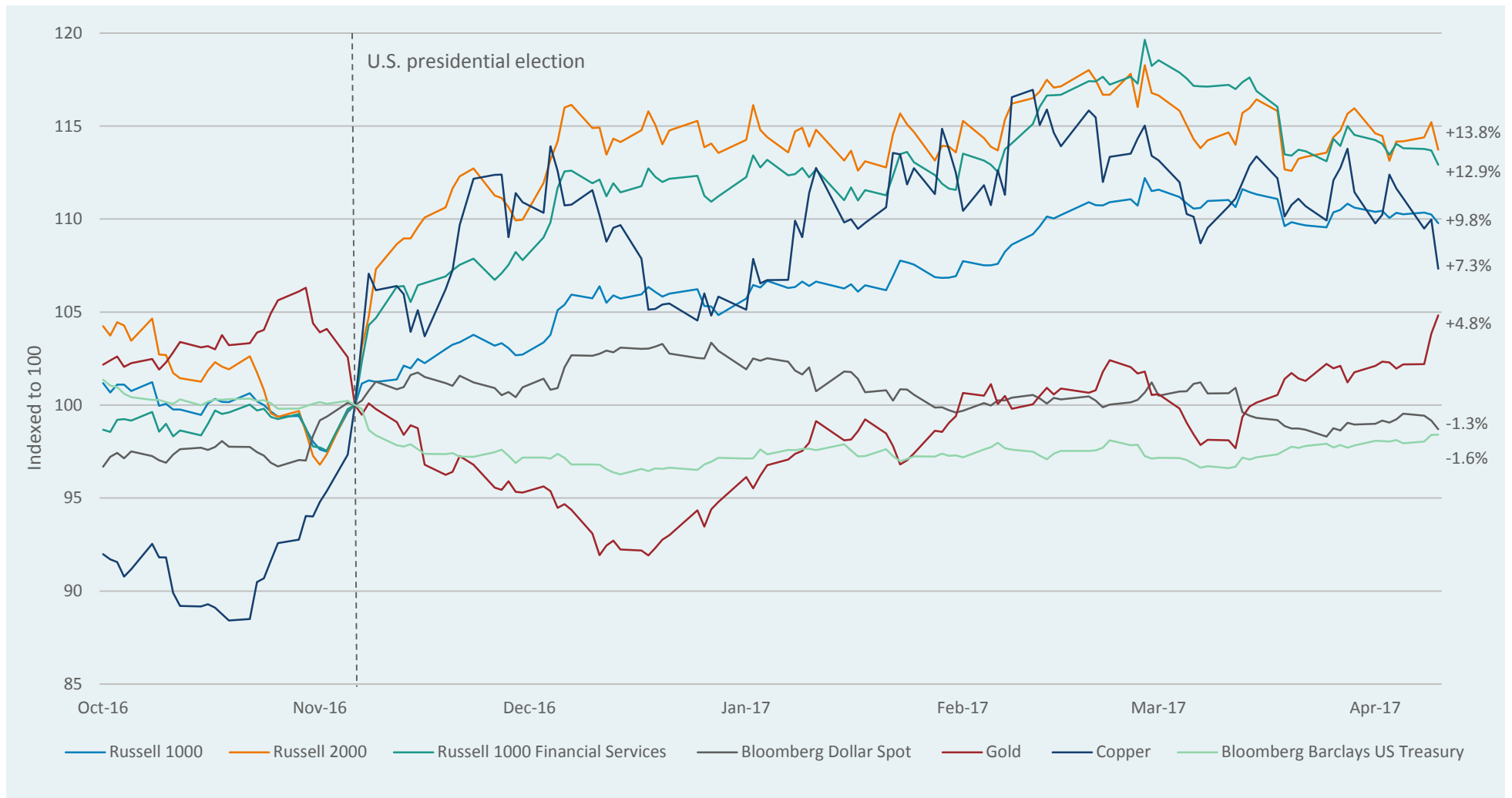
Source: FRED, as of 3/31/17

INFLATION EXPECTATIONS



Source: Bloomberg, as of 3/31/17

Post-election price movements



Source: Bloomberg, 10/3/16-4/10/17

An update on political policies

POLICY AREA	
Taxes	<ul style="list-style-type: none">— Much of the optimism surrounding Trump's victory in November was based on his promise to cut taxes for individuals and businesses.— President Trump has stated that he wants to find a solution to repealing and replacing the Affordable Healthcare Act (ACA) prior to working on tax reforms. No further details have been released.— The tentative deadline for the tax plan was originally set for August by Treasury Secretary Mnuchin, but it appears this may be pushed back further, and the actual timing remains unknown.
Trade	<ul style="list-style-type: none">— In one of his first acts as president, Donald Trump delivered on a campaign promise and removed the U.S. from the Trans Pacific Partnership (TPP) in an effort to move away from multilateral trade agreements.— After making many other "America first" trade policy promises, including withdrawing from NAFTA and implementing a border adjustment tax (BAT), the new administration appears to have softened its stance.— Rather than a complete overhaul of U.S. trade policy, it may be more likely that President Trump makes smaller tweaks, such as renegotiating and stepping up enforcement of existing trade deals.
Deregulation	<ul style="list-style-type: none">— President Trump signed an executive order to reduce the regulatory burden on businesses by requiring federal regulators to kill two existing regulations for every new rule introduced.— In perhaps the biggest blow to the administration thus far, House Republican leaders pulled legislation to repeal parts of the ACA before a single vote was cast, exposing a divided Republican Congress.— House Republicans announced a plan to introduce legislation that would overhaul Dodd Frank, although opposition from Senate Democrats is expected to be strong.
Infrastructure	<ul style="list-style-type: none">— Infrastructure is another area in which President Trump has not provided much in terms of additional details after promising a \$1 trillion dollar spending initiative through private tax breaks during his campaign.— With the current focus on healthcare, and the lack of progress on tax reform, it is possible that the new administration may push back the timeline for introducing its infrastructure plan.

International economics summary

- Developed countries once again experienced moderate positive growth in the fourth quarter, in line with the trend of recent years. Real GDP in the U.S., Europe, and Japan grew between 1.5-2.0%.
- The low base effect of the drop in energy prices that occurred in Q1 2016 helped boost inflation across the globe. With energy prices stabilizing over recent months, it is possible the jump in inflation is only transitory.
- Developed world unemployment rates declined over the quarter. In the Euro Area, the unemployment rate fell to a nearly eight year low of 9.5%, although this is still well above its pre-crisis level of 7.3%.
- The economic recovery in Europe has also picked up in terms of higher growth and inflation. Much of this recovery can be attributed to the core countries, rather than the periphery. However, significant tail risks remain including the French election, ECB tapering, and Brexit negotiations.
- On March 29th, the British Prime Minister, Theresa May, filed the official papers to withdraw the U.K. from the European Union. Article 50 of the Treaty of Lisbon outlines a two year timeframe for negotiations to take place.
- As many expected, Emmanuel Macron and Marine Le Pen were the top two vote getters in the first round of the French election. Macron and Le Pen will have a runoff vote on May 7th, where Macron is heavily favored, according to the most recent polls. Equity markets reacted positively to the results and the euro strengthened.

Area	GDP (Real, YoY)	Inflation (CPI, YoY)	Unemployment
United States	2.0% 12/31/16	2.7% 2/28/17	4.5% 3/31/17
Western Europe	1.8% 12/31/16	1.5% 3/31/17	8.6% 12/31/16
Japan	1.6% 12/31/16	0.3% 2/28/17	2.8% 2/28/17
BRIC Nations	5.2% 12/31/16	3.1% 12/31/16	5.5% 12/31/16
Brazil	(2.5%) 12/31/16	4.6% 3/31/17	12.9% 3/31/17
Russia	0.3% 12/31/16	4.3% 3/31/17	5.4% 12/31/16
India	7.0% 12/31/16	3.7% 2/28/17	7.1% 12/31/15
China	6.8% 12/31/16	0.8% 2/28/17	4.0% 12/30/16

International economics

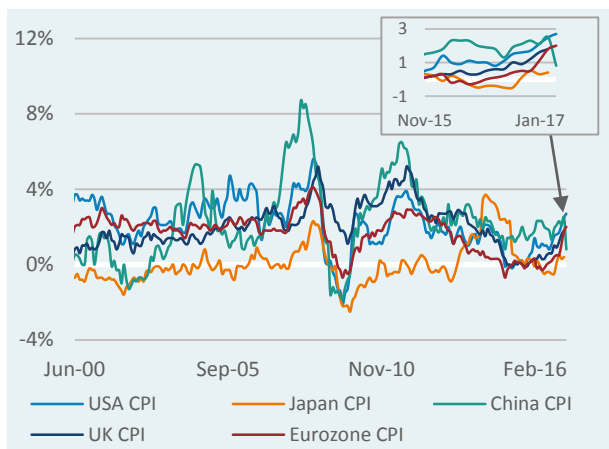
A coordinated uptick in global economic sentiment occurred in recent quarters, and data continued to exceed expectations in Q1. Outside of the U.S., central banks remain relatively accommodative, and developed economies have experienced moderate growth and higher inflation. Real year-over-year GDP growth in the Euro Area and Japan came in at 1.8% and 1.6%, respectively.

In the Eurozone, headline CPI in February reached 2.0% YoY for the first time in the recovery. However, core

inflation, which excludes food and energy prices, only rose 0.7%, well below the ECB's target of 2.0%. A weaker British pound helped boost U.K. headline inflation to 2.3% in February, the highest rate in more than three years.

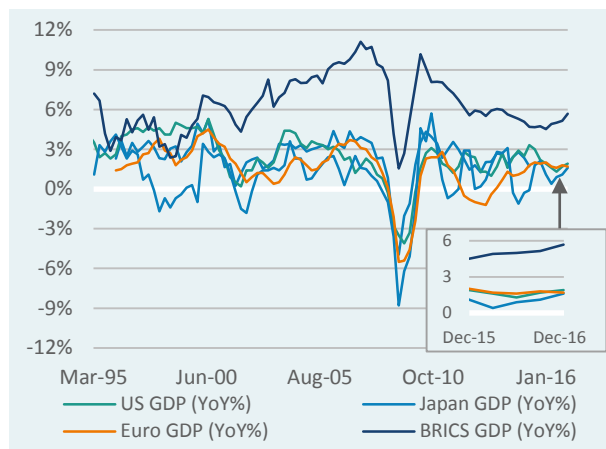
Real GDP growth in the BRICS countries, the five major emerging economies, was 5.2% in the fourth quarter. Once again, India and China were the main drivers of growth. Russia experienced positive growth for the first time in seven quarters, while Brazil remained in a recession.

INTERNATIONAL INFLATION



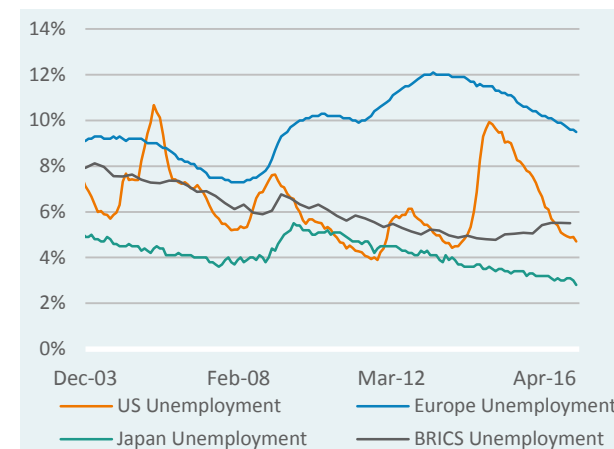
Source: Bloomberg, as of 2/28/17

REAL GDP GROWTH



Source: Bloomberg, as of 12/31/16

GLOBAL UNEMPLOYMENT



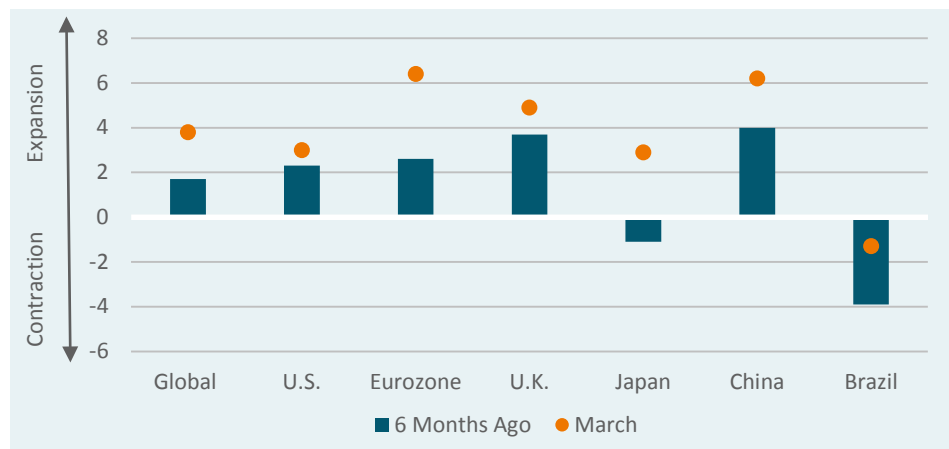
Source: Bloomberg, as of 2/28/17 or most recent release

Global economic pickup

There has been a general pick up in global economic conditions over the past six months, a trend that started prior to the U.S. presidential election. Purchasing managers' indexes (PMI), which are derived from monthly surveys of private companies, have increased across nearly all major economies. The global composite PMI increased from 51.7 in September to 53.8 in March. Readings above 50 indicate economic expansion and have historically held some explanatory power of future economic growth.

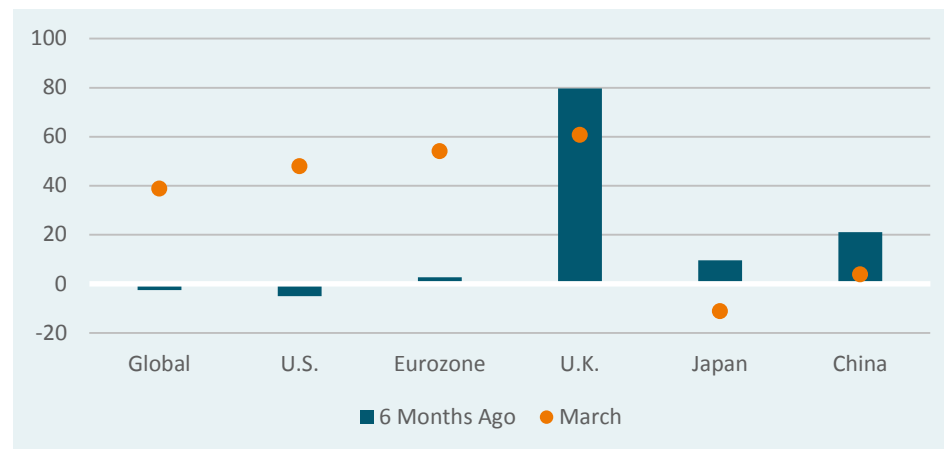
Global economic data has also been coming in above expectations, as indicated by the Citi Economic Surprise Index (CESI). The Global CESI increased to 38.8 in March from -2.6 six months earlier. However, much of this move has been driven by "soft" data, such as sentiment and confidence indicators, which have not always flowed through to the real economy. If higher sentiment and confidence does lead to increased spending and production, it will be a boost to economic growth.

PURCHASING MANAGERS' INDEXES



Source: Bloomberg, as of 3/31/17

CITI ECONOMIC SURPRISE INDEXES



Source: Bloomberg, as of 3/31/17

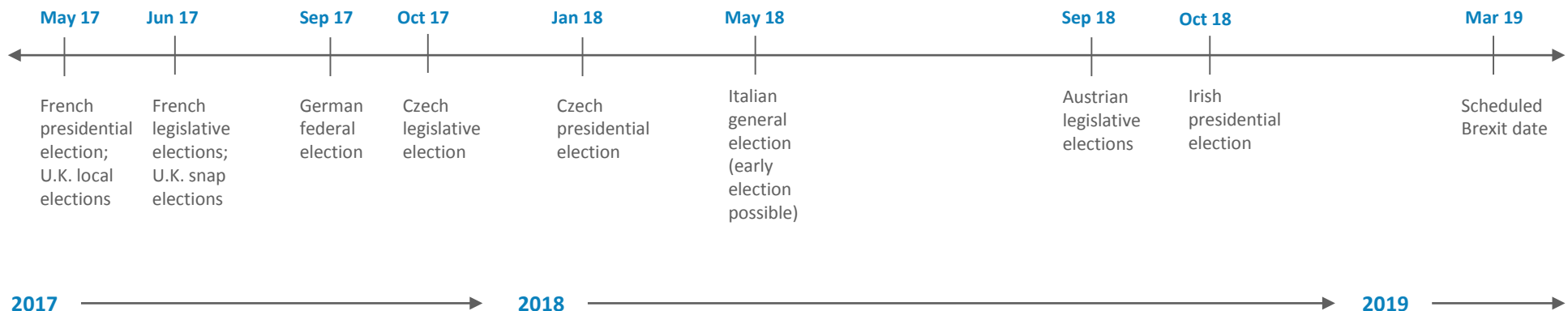
The European election cascade

Following the U.K.'s decision last June to leave the European Union, the rise in populism in Europe and corresponding political risks to the currency bloc have been heavily scrutinized. While the upcoming French presidential election has dominated the headlines, several other important elections coming up will help shape the future of Europe.

The presidential election in France may pose the largest political risk to the region. Far-right, euroskeptic candidate, Marine Le Pen, has gained popularity running on the platform to remove France from the European Union and the use of the euro. Le Pen and centrist

candidate, Emmanuel Macron, were the top two vote getters in the first round of the election and will go head to head on May 7th. Macron is favored in the polls and market fears of a Frexit have subsided.

However, the threat of populism in Europe remains. Other elections, such as the German federal election in September and the Italian general election in early 2018 at the latest, will also be important as populist parties have gained popularity in countries across Europe. Additional risks loom in periphery countries like the Czech Republic, as debates heat up regarding EU membership referendums.



Fixed income rates & credit

Interest rate environment

- U.S. Treasuries have an attractive yield relative to other developed sovereign bonds, but remain historically expensive.
- Despite broad agreement that the U.S. has entered an environment of rising interest rates, the broad yield curve rose very little over the past year. However, the short end of the curve has increased in line with Federal Reserve rate rises. Inflation has historically had a significant impact on the yield curve, which indicates investors should keep an eye on inflation trends.
- In March, the Federal Reserve announced a change to the federal funds target rate from 0.50-0.75% to 0.75-1.00%. The move resulted in the U.S. Treasury curve flattening moderately as short-term interest rates increased and long-term rates remained materially unchanged. The Fed has indicated two additional rate hikes are expected to occur this year.
- Developed sovereign yields are expected to rise only modestly over the next year, with very little movement expected in longer dated bonds. Central banks of most developed economies are nearing the end of the monetary easing cycle or have begun to pull back, as in the case of the U.S. Federal Reserve.
- Many emerging market governments continue with monetary easing, suggesting these economies may be in an earlier stage of the economic cycle.

Area	Short Term (3M)	10 Year
United States	0.75%	2.39%
Germany	(0.92%)	0.33%
France	(0.57%)	0.97%
Spain	(0.39%)	1.65%
Italy	(0.34%)	2.31%
Greece	2.39%	6.90%
U.K.	0.13%	1.14%
Japan	(0.20%)	0.07%
Australia	1.59%	2.70%
China	2.93%	3.28%
Brazil	10.91%	10.06%
Russia	9.50%	7.87%

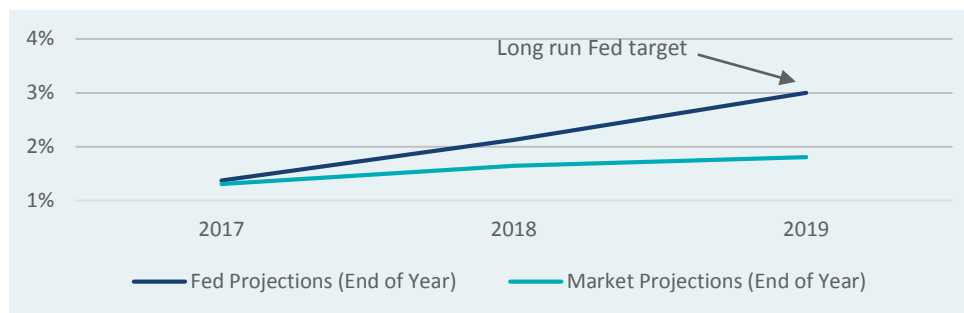
Source: Bloomberg, as of 3/31/17

Monetary tightening

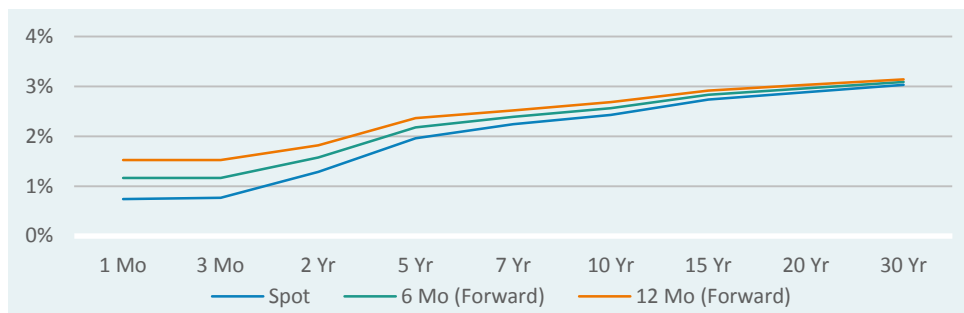
- The Federal Reserve hiked interest rates for the second time in March, raising the federal funds target to 0.75-1.00%. Given the increased pace of tightening and more hawkish tone from the Fed, there has been much discussion regarding the effects of a rising rate environment in the U.S.
- While the Fed expects short-term rates to normalize to 3% by 2019, the market is pricing in movement to only 1.8%. The market also does not expect much change in the long-end of the curve with the 10-year Treasury yield priced to rise only 26 bps over the next year. We believe that the market view of the path of interest rates is reasonable, and that there is a greater likelihood of surprisingly slow, rather than surprisingly fast, rate rises.
- Another unknown aspect of monetary policy relates to the Fed's \$4.5 trillion balance sheet. In the most recent meeting minutes it was noted that an unwinding of the balance sheet may begin at the end of the year. It remains unclear whether the Fed will simply stop reinvesting securities or actively sell in the market. A sale would be the more aggressive option, but either action would equate to monetary tightening, which may slow the expected pace of federal fund rate hikes.

Source: Bloomberg, FRED, as of 3/31/17

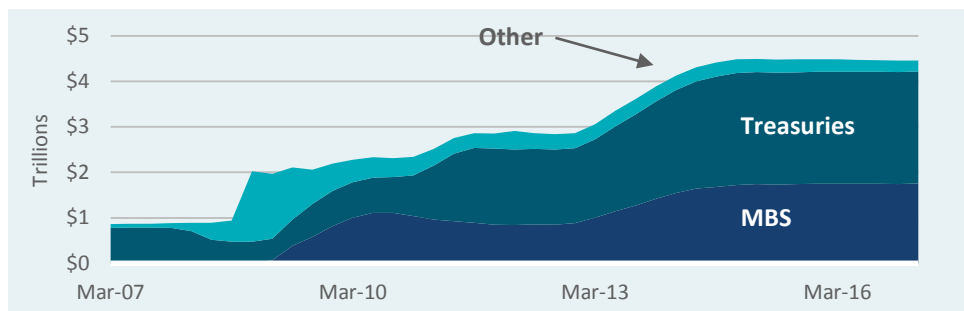
FED FUNDS PROJECTED RATE



U.S. TREASURY FORWARD YIELD CURVE

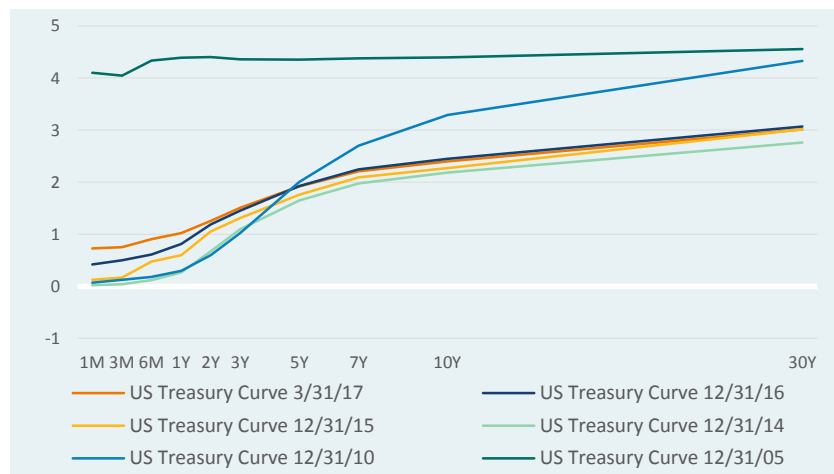


FEDERAL RESERVE BALANCE SHEET

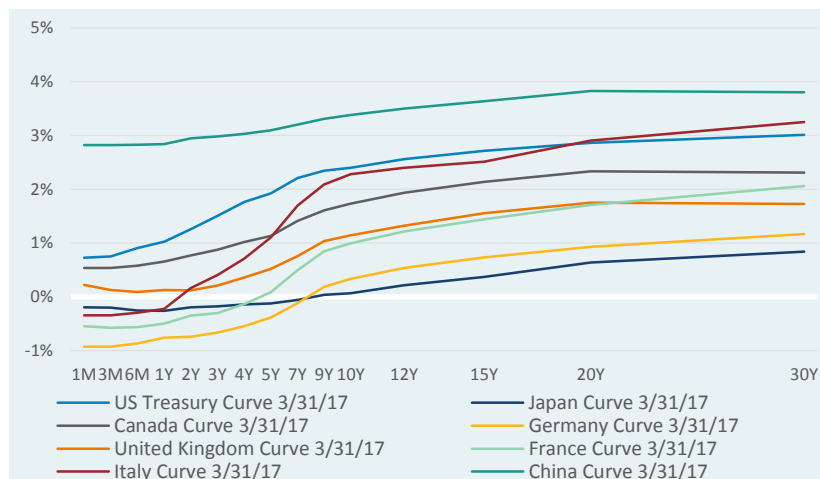


Yield environment

U.S. YIELD CURVE

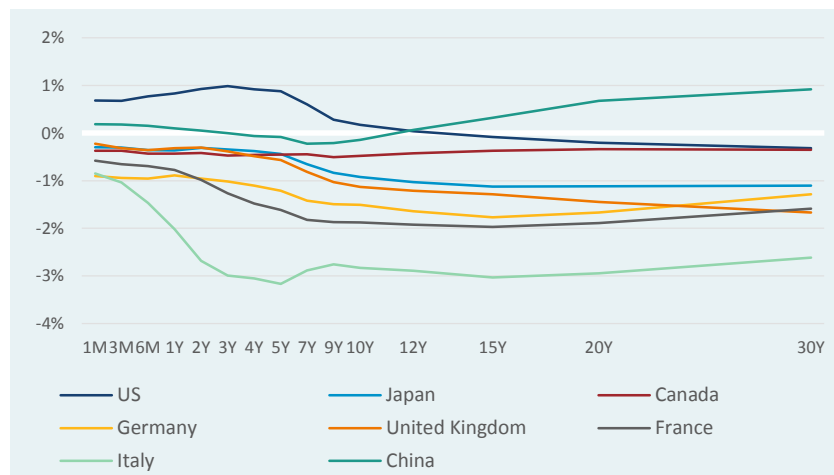


GLOBAL GOVERNMENT YIELD CURVES

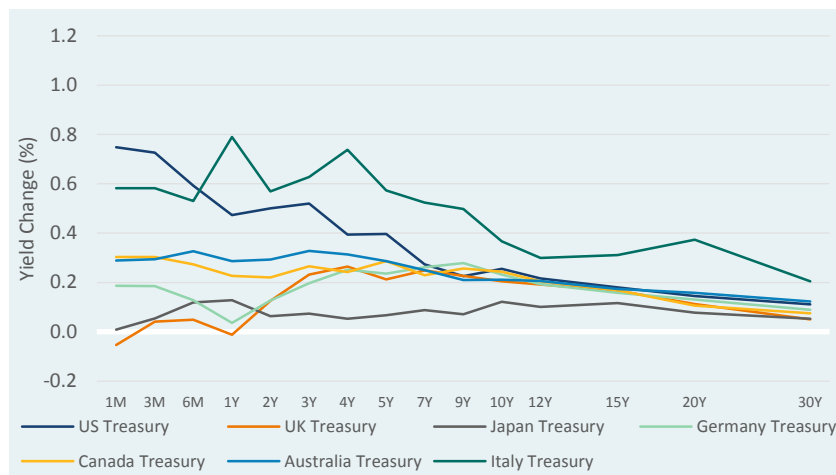


Global investors continue to prefer U.S. Treasuries due to higher relative yields

YIELD CURVE CHANGES OVER LAST FIVE YEARS



IMPLIED CHANGES OVER NEXT YEAR



Source: Bloomberg, as of 3/31/17

Credit environment

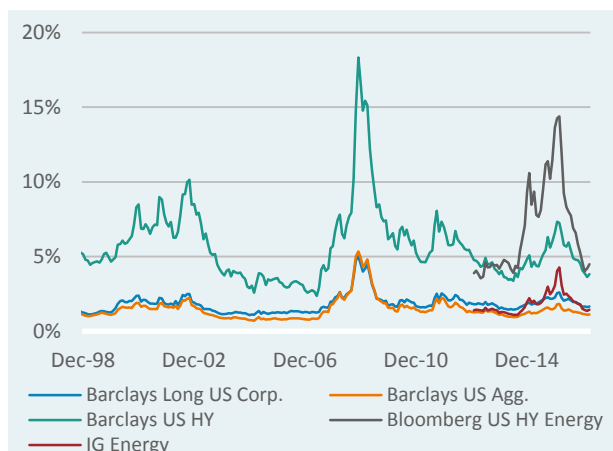
U.S. high yield option-adjusted spreads compressed slightly during the first quarter to 3.9% and the asset class generated a 2.7% return (BBgBarc U.S. Corp. High Yield Index). High yield spreads are now tighter than those of bank loans on a duration neutral basis, despite being of generally lower credit quality and higher in the capital structure. Bank loans may provide a better risk-return tradeoff in the current environment.

Upbeat consumer sentiment, stronger labor markets, and a generally brighter picture for the U.S. economy all bode well for credit markets. Although spreads have tightened

to levels consistent with a mid-to-later stage economic cycle, no overheating or obvious threats to the credit markets seem apparent.

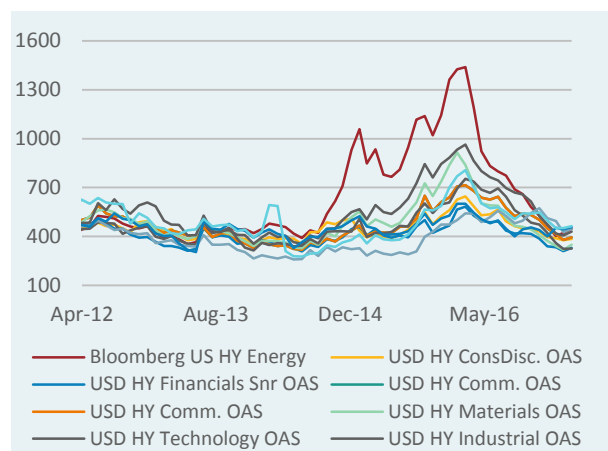
The Federal Reserve voted to increase interest rates by 0.25% in March. The speed of rate rises has underwhelmed the market for some time, and the market is expecting this slow pace to continue. Investors may be well served by limiting duration risk, though the probability of a sharp bond selloff (quickly rising rates) seems low.

CREDIT SPREADS



Source: Barclays Capital Indices, Bloomberg, as of 3/31/17

HIGH YIELD SECTOR SPREADS



Source: Bloomberg, as of 3/31/17

SPREADS

Market	Credit Spread (3/31/17)	Credit Spread (1 Year Ago)
Long US Corporate	1.5%	2.1%
US Aggregate	0.9%	1.1%
US High Yield	4.1%	7.0%
US High Yield Energy	4.5%	11.9%
US Bank Loans	3.8%	3.9%

Source: Barclays, Credit Suisse, Bloomberg, as of 3/31/17

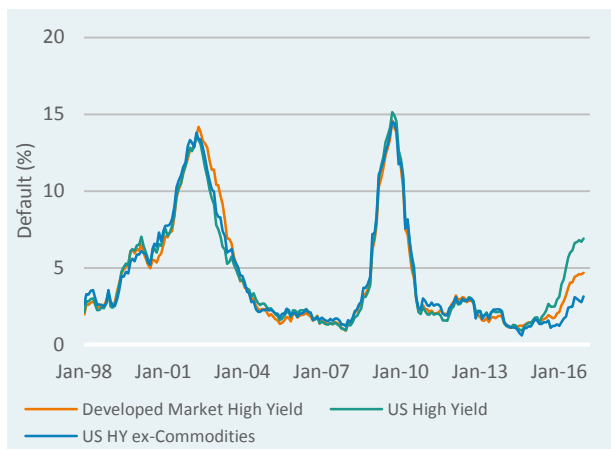
Issuance and default

Both U.S. senior loan and high yield markets continue to stabilize with the majority of par defaults last year coming from energy and metals/mining sectors. Rolling default rates should fall as commodity prices continue to recover and commodity price-induced credit problems have less impact on the credit universe. Active management may offer value to investors in the high yield space.

Global high yield and bank loan issuance has continued at a similar pace to what was seen last year. Lower spread levels lessen the borrowing costs for these issuers. The direction of interest rates will likely impact issuance trends in the near future.

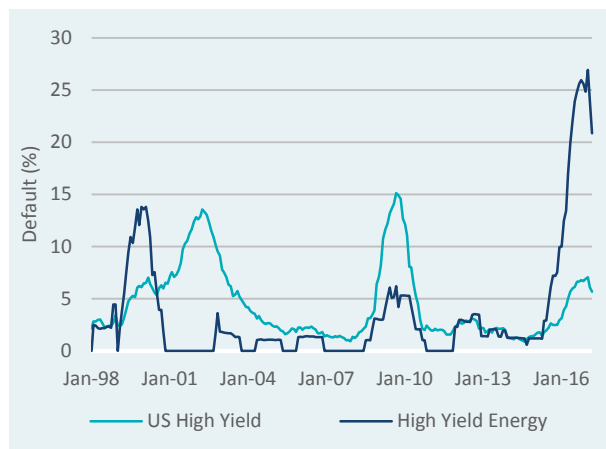
The effect of commodity related defaults should subside

HY DEFAULT TRENDS (ROLLING 1 YEAR)



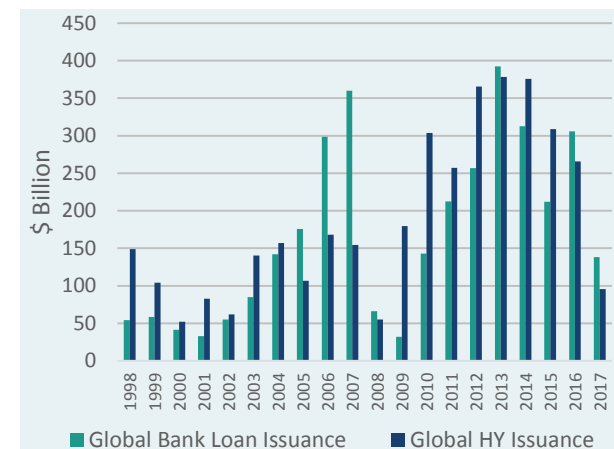
Source: BofA Merrill Lynch, as of 3/31/17

ENERGY DEFAULT TRENDS



Source: BofA Merrill Lynch, as of 3/31/17

GLOBAL ISSUANCE



Source: Bloomberg, BofA Merrill Lynch, as of 3/31/17

Equity

Equity environment

— The U.S. economic environment has shifted in a materially more positive direction, post-election. This move was reflected in an upward adjustment to equity prices. We are relatively bullish on U.S. earnings growth in the near term, but remain concerned that investors are paying for this excess growth upfront through higher valuations. We maintain a neutral weight to U.S. equities.

— According to FactSet, the estimated Q1 2017 earnings growth rate of the S&P 500 was 9.2% YoY. The estimate was revised downward from 12.5% on December 31st due to negative EPS guidance in the Materials and Consumer Discretionary sectors.

— Growth equities outperformed value equities in Q1. The Russell

1000 Growth Index and Russell 1000 Value Index returned 8.9% and 3.3%, respectively.

— The U.S. dollar fell 3.6% in Q1 on a trade-weighted basis, which has affected the returns of portfolios with unhedged currency exposure.

— As discussed recently in our *Sound Thinking* research piece, investors should be mindful of their biases in portfolio construction. One particularly prevalent bias is the tendency for investors to hold greater exposure to the markets where they reside (home country bias). As with any portfolio tilt, investors should understand why they hold it, have a solid basis for the exposure, and understand the tracking error the position introduces to the portfolio.

	QTD TOTAL RETURN		YTD TOTAL RETURN		1 YEAR TOTAL RETURN	
	(unhedged)	(hedged)	(unhedged)	(hedged)	(unhedged)	(hedged)
US Large Cap (Russell 1000)	6.0%		6.0%		17.4%	
US Small Cap (Russell 2000)	2.5%		2.5%		26.2%	
US Large Value (Russell 1000 Value)	3.3%		3.3%		19.2%	
US Large Growth (Russell 1000 Growth)	8.9%		8.9%		15.8%	
International Large (MSCI EAFE)	7.2%	5.0%	7.2%	5.0%	11.7%	18.9%
Eurozone (Euro Stoxx 50)	8.3%	7.2%	8.3%	7.2%	12.9%	21.7%
U.K. (FTSE 100)	4.9%	3.8%	4.9%	3.8%	7.3%	23.3%
Japan (NIKKEI 225)	4.3%	0.1%	4.3%	0.1%	15.8%	14.7%
Emerging Markets (MSCI Emerging Markets)	11.4%	7.3%	11.4%	7.3%	17.2%	12.5%

Source: Russell Investments, MSCI, STOXX, FTSE, Nikkei, as of 3/31/17

Domestic equity

The U.S. economic environment has shifted in a materially more positive direction, post-election, as reflected by rising equity prices. We are relatively bullish on U.S. earnings growth in the near term but remain concerned that investors are paying for this excess growth upfront through higher valuations. We maintain a neutral weight to U.S. equities.

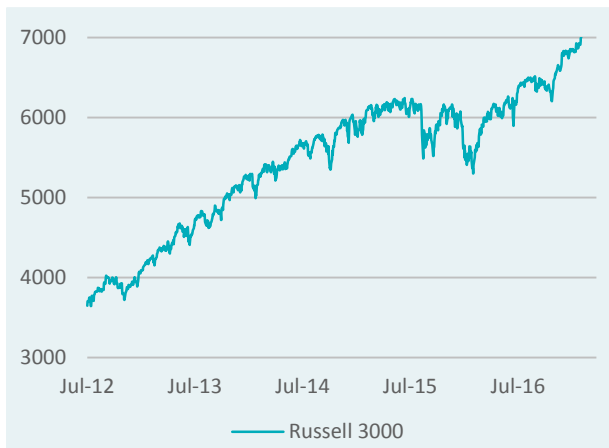
Higher equity prices and earnings expectations have been influenced by corporate tax cuts and deregulation

proposed by the new administration. There have been no further details released on timing of tax cuts, and lofty expectations may leave room for disappointment.

According to FactSet, Q1 2017 S&P 500 earnings are expected to grow 9.2% YoY. The estimate was revised downward from 12.5% on December 31st due to negative EPS guidance in the Materials and Consumer Discretionary sectors.

Investors may be paying for higher earnings growth through elevated valuations

U.S. EQUITIES



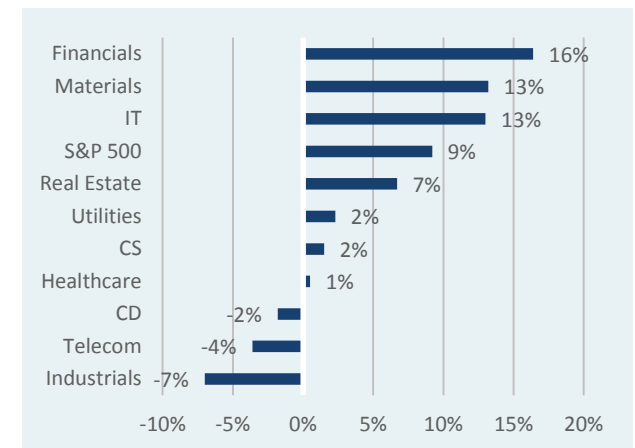
Source: Russell Investments, as of 4/3/17

S&P 500 EPS GROWTH



Source: Bloomberg, as of 12/31/16

Q1 FORECAST EPS GROWTH



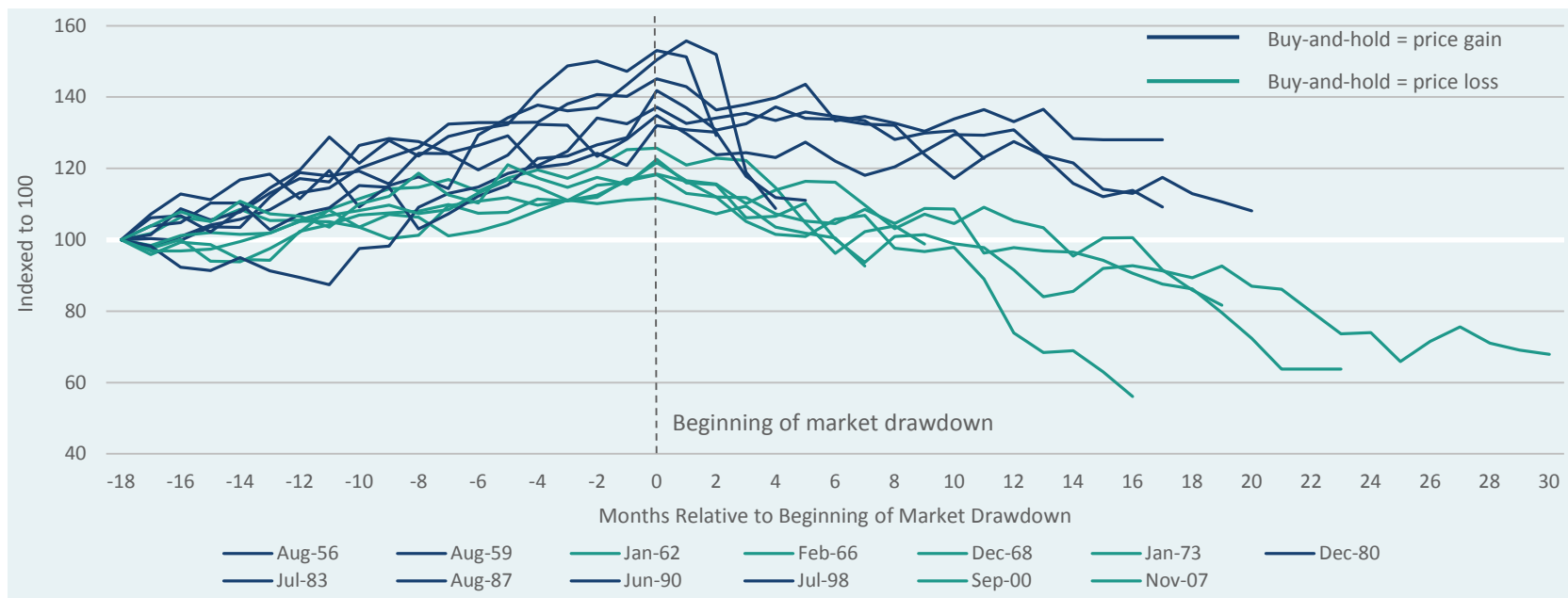
Source: FactSet, as of 4/14/17, the energy sector is excluded because the sector had negative earnings one year prior

Equity market corrections

With above average U.S. equity valuations and a bull market that has lasted nearly nine years, there has been speculation that a market correction is approaching. While we remain concerned about valuations we do not believe that equities are necessarily in the final stages of the cycle, nor that market corrections are predictable. It is important to remember that equity drawdowns are normal, and should be viewed in the proper context.

The chart below shows the cumulative price movement of the S&P 500 during equity market corrections of at least 10%, starting from 18 months prior to the drawdown. In many instances, late cycle equity gains were enough to offset the entire drawdown, outside of major financial collapses. Market timing can be especially dangerous in these instances if an investor gets out of the market too early.

Equity market corrections are normal and should be viewed in the proper context



Source: Bloomberg

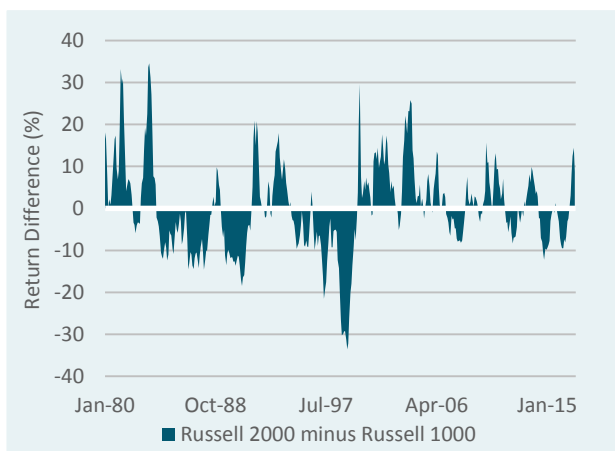
Domestic equity size and style

Growth equities outperformed value equities during the quarter. The Russell 1000 Growth Index and Russell 1000 Value Index returned 8.9% and 3.3%, respectively. Financial sector performance had a significant effect on the value premium, affected by uncertainty around the direction of interest rates and deregulation proposals.

U.S. large cap equities outperformed small cap during the quarter, though small caps have delivered strong

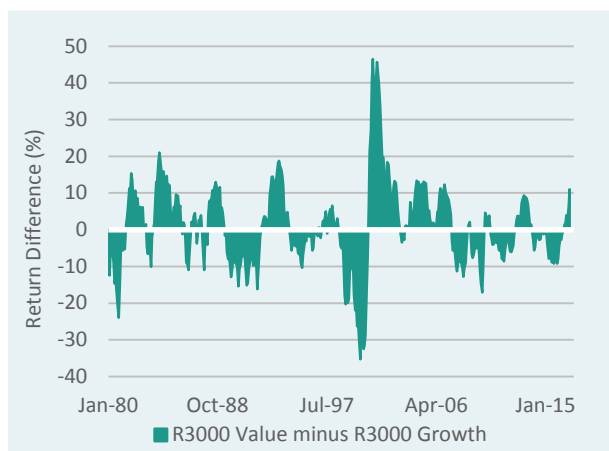
year-over-year outperformance. Small cap equity valuations remain considerably elevated relative to large cap equities which will likely act as a headwind to future performance. However, if President Trump's deregulation proposals are seen through, this should benefit smaller American companies. Further U.S. dollar appreciation would also benefit smaller companies on a relative basis due to less international currency exposure.

SMALL CAP VS LARGE CAP (YOY)



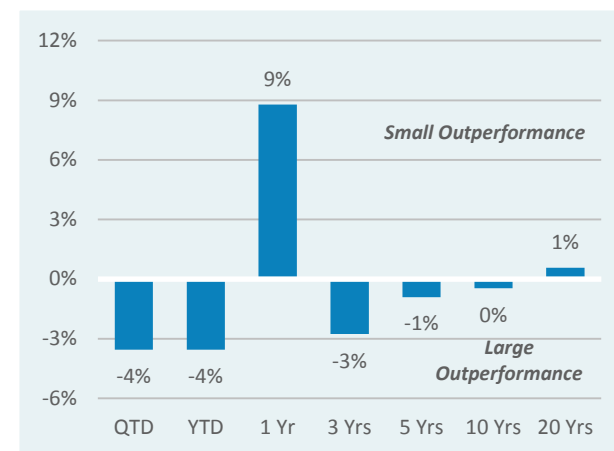
Source: Russell Investments, as of 3/31/17

VALUE VS GROWTH (YOY)



Source: Russell Investments, as of 3/31/17

U.S. LARGE VS. SMALL RELATIVE PERFORMANCE



Source: Morningstar, as of 3/31/17

International equity

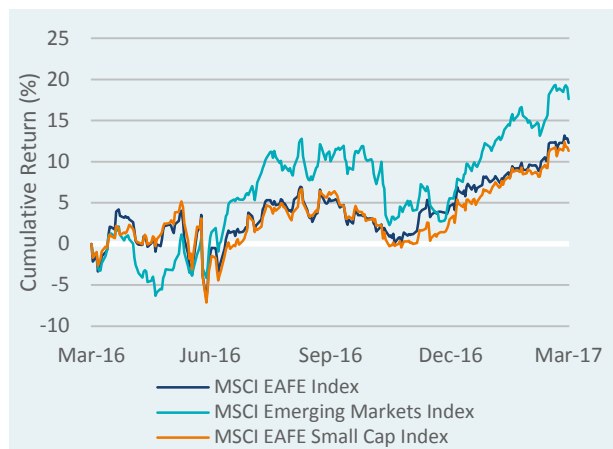
International equity markets outperformed domestic equities over the quarter. The MSCI ACWI ex U.S. returned 7.9% on an unhedged basis while the S&P 500 returned 6.1%.

International and emerging markets continue to trade at lower valuation levels than domestic markets, based on a variety of metrics. Despite our positive outlook for earnings growth in the U.S., the upside for domestic equities appears limited due to the optimism already baked into the price. International markets likely possess greater upside potential through either valuation

expansion or earnings growth surprise, simply due to current valuation levels. However, tail risks are also apparent in these markets. We believe a neutral weight is appropriate.

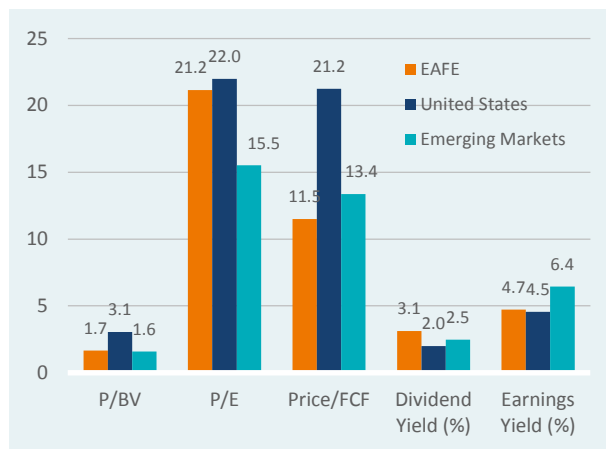
The U.S. dollar fell 3.6% in Q1 on a trade-weighted basis, and continued to contribute volatility to portfolios with unhedged currency exposure. Emerging market currencies exhibited further recovery during the quarter (MSCI EM 11.4% unhedged return vs. 7.3% hedged return) while the yen appreciated (4.3% NIKKEI 225 unhedged return vs. 0.1% hedged).

GLOBAL EQUITY PERFORMANCE



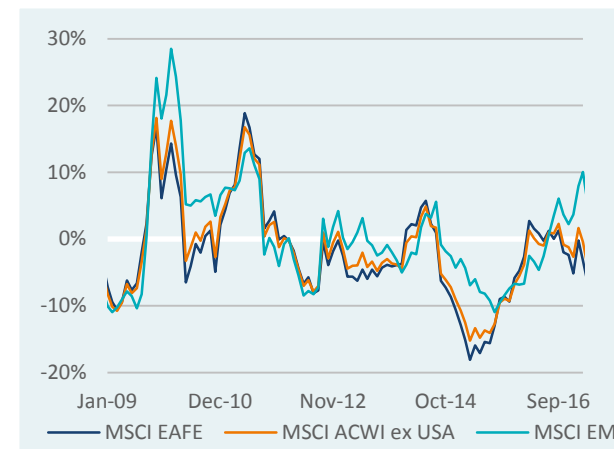
Source: Bloomberg, as of 3/31/17

VALUATIONS



Source: Bloomberg, MSCI, as of 3/31/17 - 3 month average

EFFECT OF CURRENCY (1 YEAR ROLLING)



Source: MSCI, as of 3/31/17

Emerging market equity

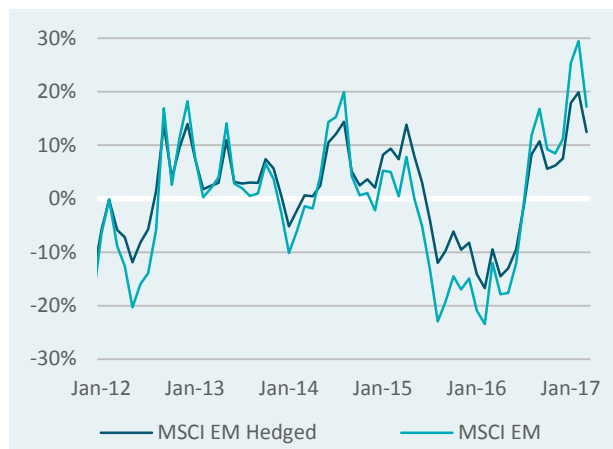
Emerging market equities extended their positive run in the first quarter, as the unhedged MSCI Emerging Markets index returned 11.4% (7.3% hedged). Performance was bolstered by strong global growth and stable commodity prices which have correlated highly with emerging market equities in the past. Steady demand from developed markets encouraged manufacturing in emerging economies as seen by increases in aggregate purchasing managers' indices (PMI).

Valuations increased moderately over the past three years but remain at attractive levels relative to EAFE and U.S. equities. Earnings growth estimates were highest in the Technology and Financial sectors, concentrated mainly in Korea and China.

Positive long-term growth expectations are not without potential disruptions. We remain particularly watchful of U.S. trade policies and upcoming elections in France, Germany, and Turkey.

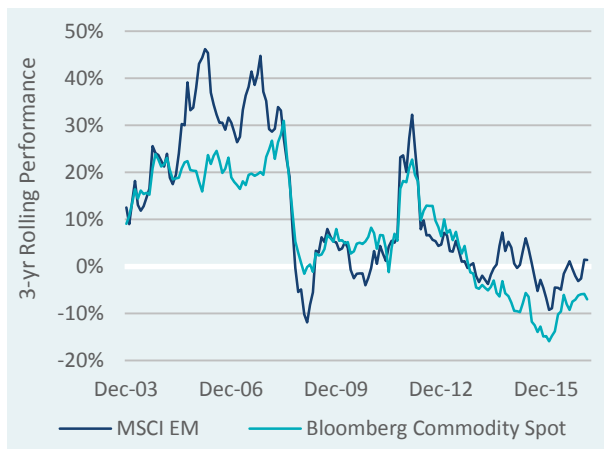
Fundamentals are improving in emerging economies

12-MONTH ROLLING PERFORMANCE



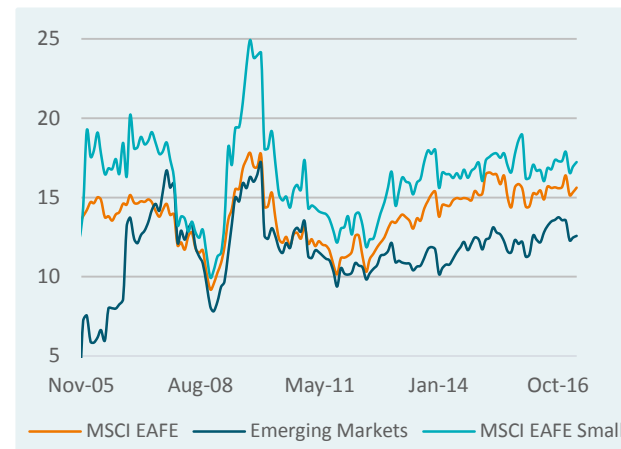
Source: MPI, as of 3/31/17

COMMODITY PRICES & EM PERFORMANCE



Source: Bloomberg, as of 3/31/17

FORWARD P/E RATIOS



Source: Bloomberg as of 3/31/17

Equity valuations

The outlook for corporate earnings growth improved in Q1 which contributed to mildly lower forward P/E multiples. Overall, valuations remain elevated, consistent with mid-to-later stages of the economic cycle and an environment of low interest rates and moderate inflation. As the global economy transitions towards higher rates and inflation, valuations may shift to a lower, more normal level.

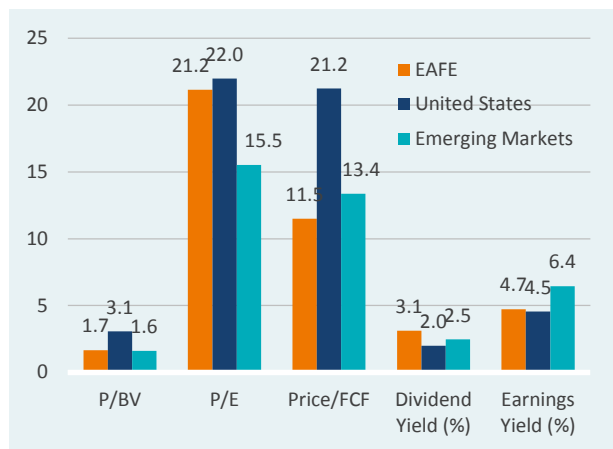
The S&P 500 sits at a forward P/E of 18.3, above the 20-

year average of 16.9, but within a single standard deviation of the average. The valuation of domestic equities is richer than international equities and emerging markets, as measured by trailing P/E and price-to-free cash flow ratios.

Further positive earnings and earnings expectations surprises would of course bode well for valuation levels as investors are properly compensated for above-average equity prices.

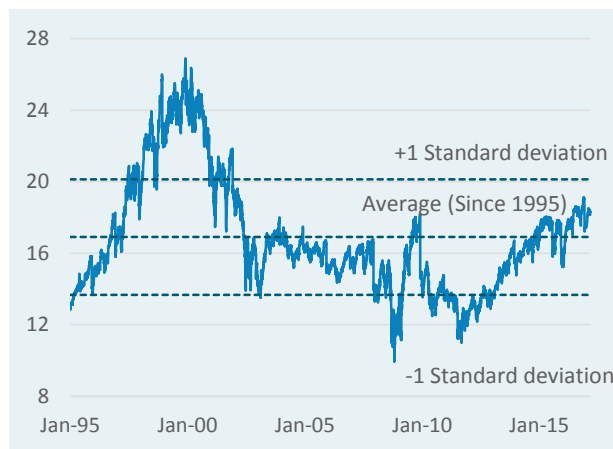
Valuations are above average, but not unusual

MSCI VALUATION METRICS (3 MONTH AVERAGE)



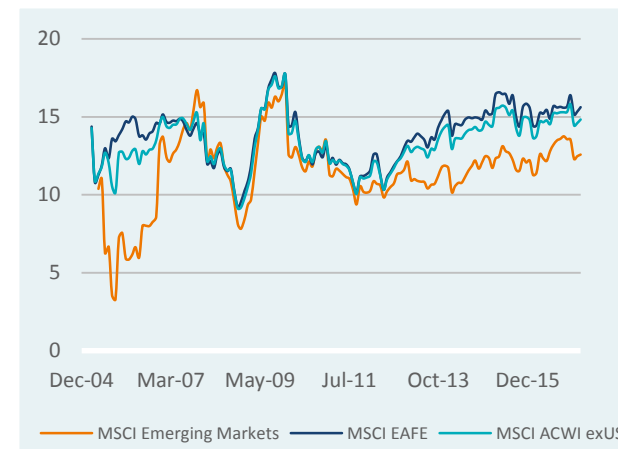
Source: Bloomberg, as of 3/31/17

S&P 500 FORWARD P/E



Source: Bloomberg, as of 3/31/17

INTERNATIONAL FORWARD P/E RATIOS



Source: Bloomberg, as of 3/31/17

Equity volatility

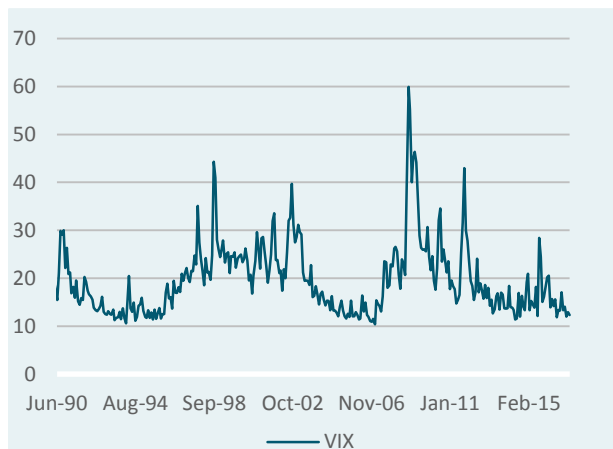
Equity volatility was considerably low in the first quarter. Realized volatility of the S&P 500 was 6.7%, the lowest mark since the beginning of this business cycle. Implied volatility, as indicated by the VIX, is also below average, despite greater political uncertainty. However, it is important to remember that volatility can return quickly. Other measures of equity risk, such as option skews, show that investors are paying a premium for large downside risk protection. Traditional measures of

volatility may be understating equity market risk.

International and emerging equities followed in a similar trend with below average realized volatility. Currency continued to play an important role in unhedged international equity exposure. Over the last ten years, unhedged currency exposure increased the annualized standard deviation of the MSCI EAFE and EM indices by 4% and 6%, respectively.

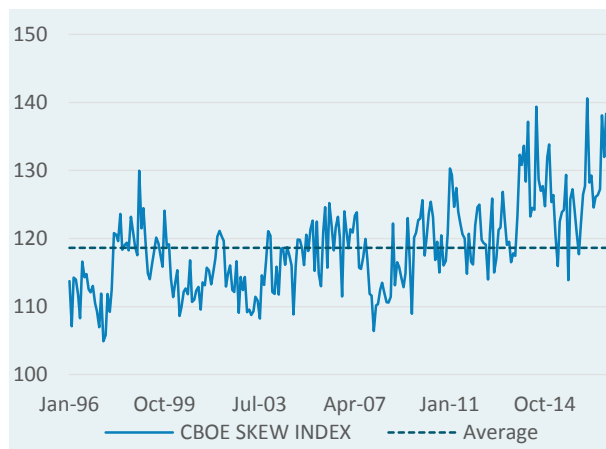
Equity volatility is low, but can return quickly

U.S. IMPLIED VOLATILITY



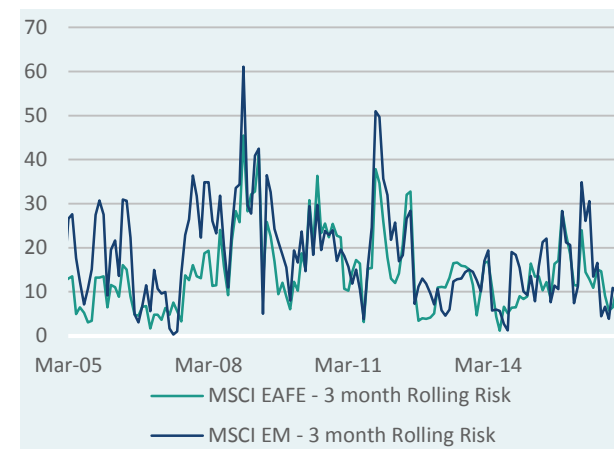
Source: CBOE, as of 3/31/17

U.S. VOLATILITY SKEW



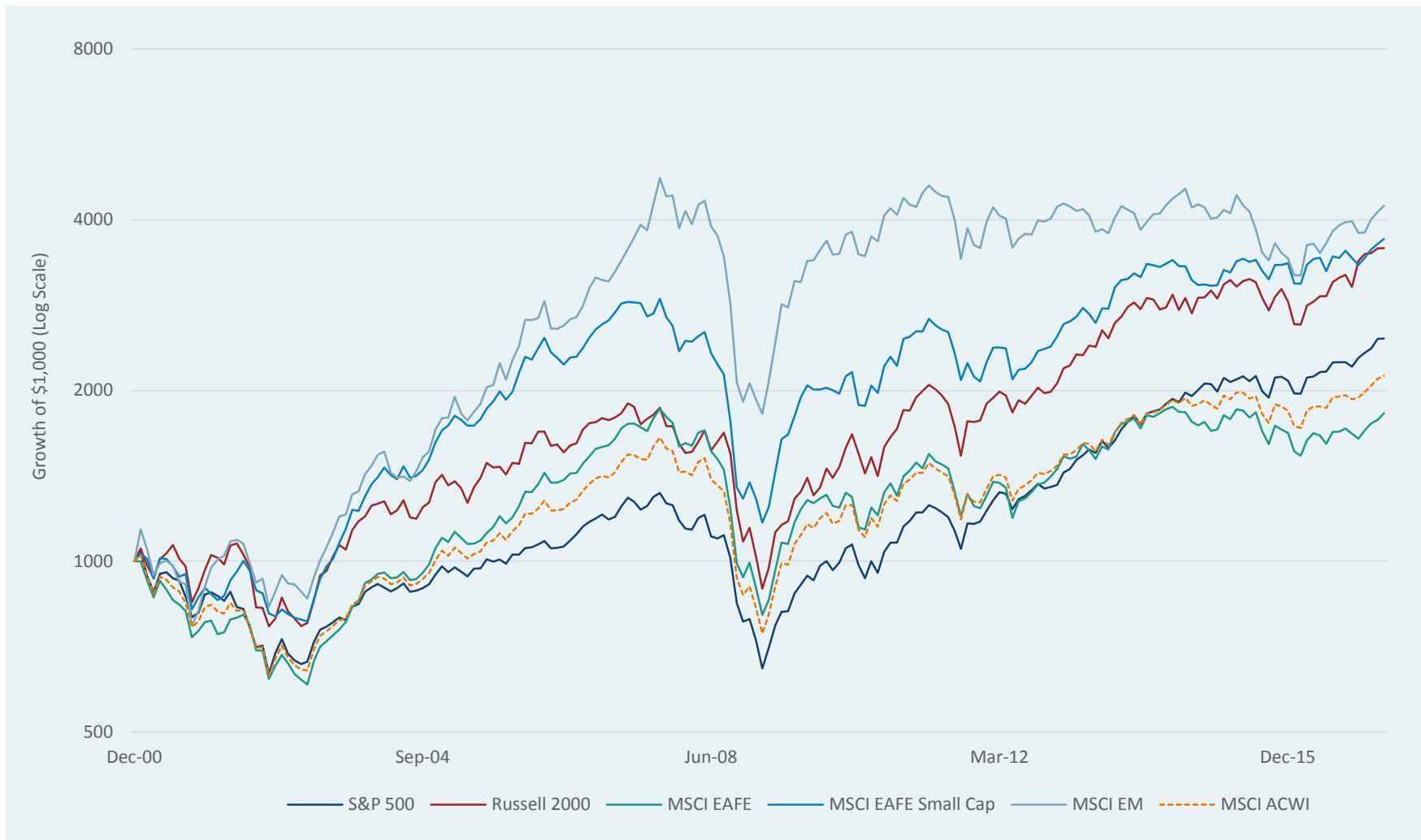
Source: CBOE, as of 3/31/17

INTERNATIONAL EQUITY VOLATILITY



Source: MSCI, as of 3/31/17

Long-term equity performance



Source: MPI, as of 3/31/17

Other assets

Commodities

Commodity performance has been lackluster over the past decade, delivering negative returns through the global financial crisis and the recent oil crisis. Much of this performance has been caused not by price movement, but by the shape of commodity futures curves. An upward sloping curve creates a drag for investors as a higher price is paid to enter each futures contract, and a downward sloping curve creates positive carry for investors as prices paid for futures contracts are lower. This premium/discount is a major determinant of commodity performance, and is known as “roll yield”. Roll yield can be negatively affected by

commodity crises as current contract prices drop further than distant prices and the curve becomes steeper.

As commodity prices moderate, futures curves have flattened and negative roll yield has begun to dissipate. Oil in particular significantly impacts overall roll yield due to its larger weight in commodities indices. Oil has exhibited a flatter curve shape recently. We are continuing to monitor these effects since a neutral or positive roll return would help to materially improve commodity returns.

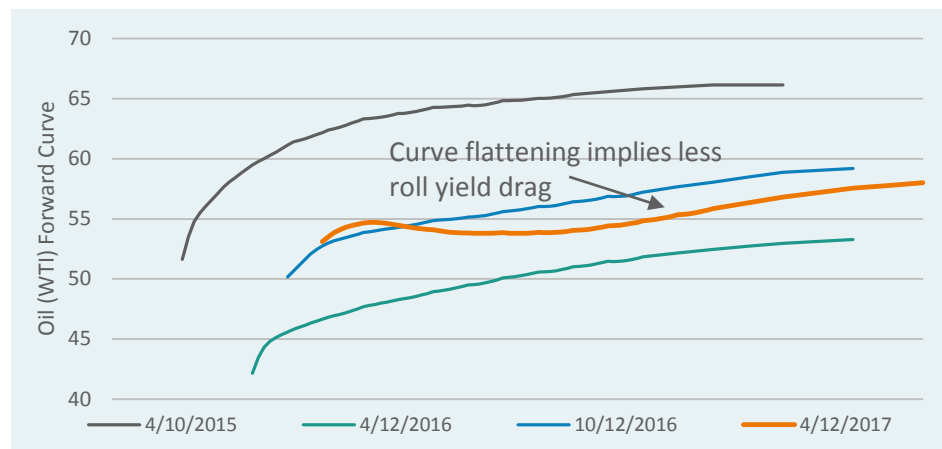
The drag from negative roll yield is abating, improving the outlook for commodities performance

ROLL RETURN



Source: Standard & Poor's, Goldman Sachs, as of 3/31/17

CURVE SHAPE



Source: Bloomberg, as of 4/12/17

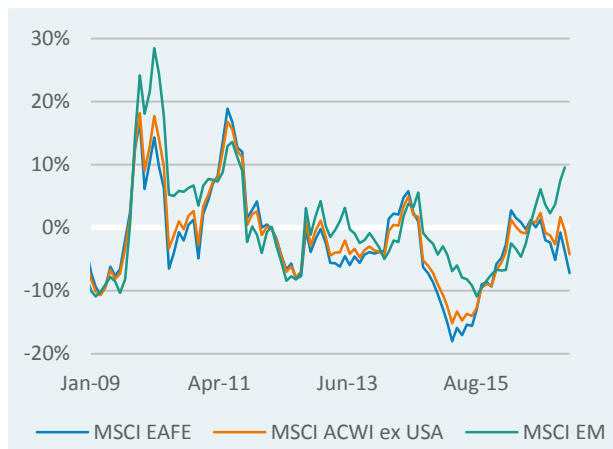
Currency

In the first quarter, the U.S. dollar reversed part of its gains following the presidential election in November. On a trade weighted basis, the dollar was down 3.6% against a basket of major currencies. Currency movement has been an important influence in unhedged foreign asset exposure. Over the past year, U.S. dollar strength has eroded positive equity returns in developed markets, while dollar weakness against emerging markets has added to returns.

Emerging market currencies rallied in the first quarter following a sharp decline to end last year. The JPM Emerging Market Currency Index was up 2.5%.

While long-term movements in the U.S. are often driven by broad mean reversion to fair value based on purchasing power parity, shorter term moves are still likely to be heavily influenced by developments in foreign trade policy, where much uncertainty remains.

EFFECT OF CURRENCY (1YR ROLLING)



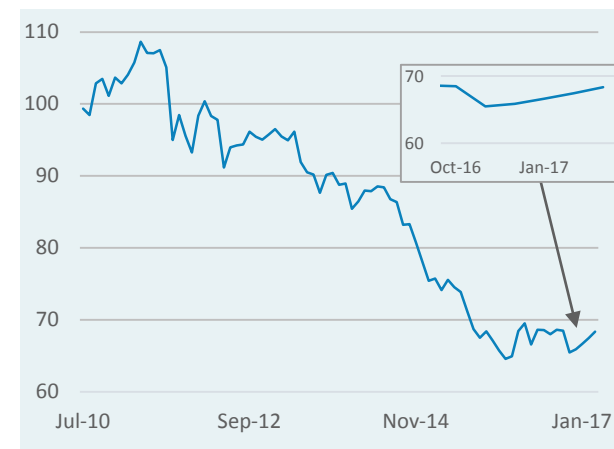
Source: MPI, as of 3/31/17

LONG-TERM TRADE WEIGHTED DOLLAR



Source: FRED, as of 4/7/17

JPM EM CURRENCY INDEX



Source: Bloomberg, as of 3/31/17

Appendix

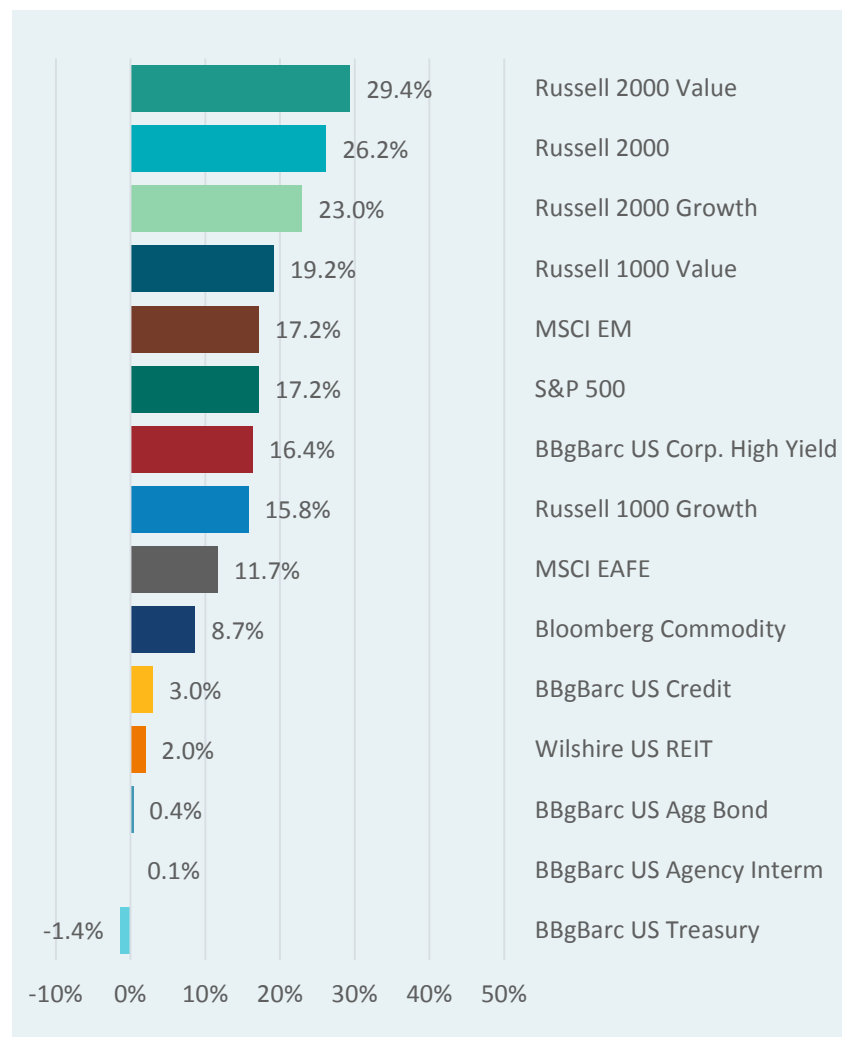
Periodic table of returns – March 2017

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	YTD	5-Year	10-Year	
BEST	Emerging Markets Equity	16.6	38.4	23.2	35.2	38.7	66.4	31.8	14.0	25.9	56.3	26.0	34.5	32.6	39.8	5.2	79.0	29.1	14.3	18.6	43.3	13.5	13.3	31.7	11.4	13.3	9.1
	Large Cap Growth	8.1	37.8	23.1	32.9	27.0	43.1	22.8	8.4	10.3	48.5	22.2	21.4	26.9	16.2	1.4	37.2	26.9	7.8	18.1	38.8	13.2	5.7	21.3	8.9	13.3	8.1
	International Equity	6.4	37.2	22.4	31.8	20.3	33.2	12.2	7.3	6.7	47.3	20.7	20.1	23.5	15.8	-6.5	34.5	24.5	2.6	17.9	34.5	13.0	0.9	17.3	7.2	13.1	7.6
	Large Cap Equity	4.4	31.0	21.6	30.5	19.3	27.3	11.6	3.3	1.6	46.0	18.3	14.0	22.2	11.8	-21.4	32.5	19.2	1.5	17.5	33.5	11.8	0.6	12.1	6.0	12.5	7.1
	Small Cap Growth	3.2	28.5	21.4	22.4	16.2	26.5	7.0	2.8	1.0	39.2	16.5	7.5	18.4	11.6	-25.9	28.4	16.8	0.4	16.4	33.1	6.0	0.0	11.8	5.3	12.4	6.7
	60/40 Global Portfolio	2.6	25.7	16.5	16.2	15.6	24.3	6.0	2.5	-5.9	30.0	14.5	7.1	16.6	10.9	-28.9	27.2	16.7	0.1	16.3	32.5	5.6	-0.4	11.3	4.8	12.1	6.1
	Large Cap Value	0.4	19.6	14.4	13.9	8.7	21.3	4.1	-2.4	-6.0	29.9	14.3	6.3	15.5	10.3	-33.8	23.3	16.1	-2.1	15.3	23.3	4.9	-0.8	11.2	3.3	10.7	5.9
	Small Cap Equity	-1.5	18.5	11.3	12.9	4.9	20.9	-3.0	-5.6	-11.4	29.7	12.9	5.3	15.1	7.0	-35.6	20.6	15.5	-2.9	14.6	12.1	4.2	-1.4	8.0	2.5	5.8	4.3
	Hedge Funds of Funds	-1.8	15.2	10.3	10.6	1.2	13.2	-7.3	-9.1	-15.5	25.2	11.4	4.7	13.3	7.0	-36.8	19.7	13.1	-4.2	11.5	11.0	3.4	-2.5	7.1	2.0	5.2	4.0
	Real Estate	-2.0	11.6	9.9	9.7	-2.5	11.4	-7.8	-9.2	-15.7	23.9	9.1	4.6	10.4	5.8	-37.6	18.9	10.2	-5.5	10.5	9.0	2.8	-3.8	5.7	1.6	3.1	2.7
	US Bonds	-2.4	11.1	6.4	5.2	-5.1	7.3	-14.0	-12.4	-20.5	11.6	6.9	4.6	9.1	4.4	-38.4	11.5	8.2	-5.7	4.8	0.1	0.0	-4.4	2.6	0.8	2.3	1.2
	Cash	-2.9	7.5	6.0	2.1	-6.5	4.8	-22.4	-19.5	-21.7	9.0	6.3	4.2	4.8	-0.2	-38.5	5.9	6.5	-11.7	4.2	-2.0	-1.8	-7.5	1.0	0.1	0.8	1.1
	Small Cap Value	-3.5	5.7	5.1	-3.4	-25.3	-0.8	-22.4	-20.4	-27.9	4.1	4.3	3.2	4.3	-1.6	-43.1	0.2	5.7	-13.3	0.1	-2.3	-4.5	-14.9	0.5	-0.1	0.1	0.5
WORST	Commodities	-7.3	-5.2	3.6	-11.6	-27.0	-1.5	-30.6	-21.2	-30.3	1.0	1.4	2.4	2.1	-9.8	-53.2	-16.9	0.1	-18.2	-1.1	-9.5	-17.0	-24.7	0.3	-2.3	-9.5	-6.2
	Large Cap Equity																										
	Large Cap Value																										
	Large Cap Growth																										
	Small Cap Equity																										
	Small Cap Value																										
	Small Cap Growth																										
	International Equity																										
	Emerging Markets Equity																										
	US Bonds																										
	Cash																										
	Commodities																										
	Real Estate																										
	Hedge Funds of Funds																										
	60% MSCI ACWI/40% BC Global Bond																										

Source Data: Morningstar, Inc., Hedge Fund Research, Inc. (HFR), National Council of Real Estate Investment Fiduciaries (NCREIF). Indices used: Russell 1000, Russell 1000 Value, Russell 1000 Growth, Russell 2000, Russell 2000 Value, Russell 2000 Growth, MSCI EAFE, MSCI EM, BBgBarc US Aggregate, T-Bill 90 Day, Bloomberg Commodity, NCREIF Property, HFRI FOF, MSCI ACWI, BBgBarc Global Bond. NCREIF Property performance data as of 3/31/17.

Major asset class returns

ONE YEAR ENDING MARCH



Source: Morningstar, as of 3/31/17

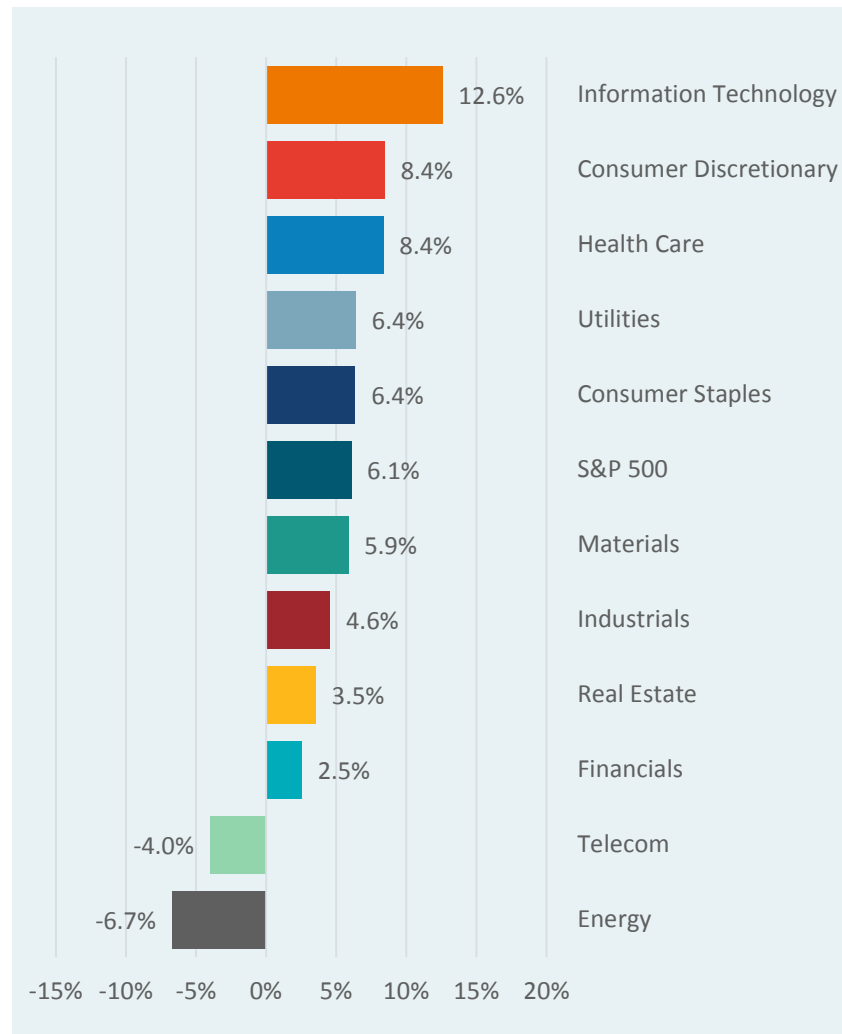
TEN YEARS ENDING MARCH



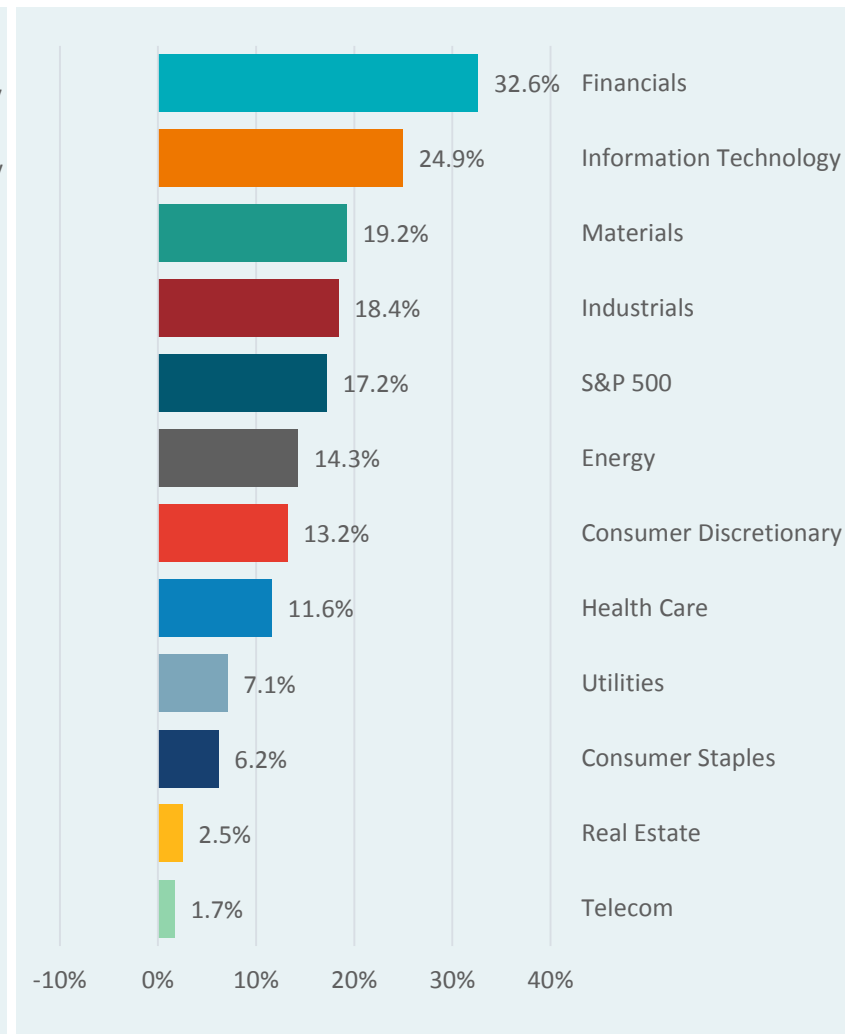
Source: Morningstar, as of 3/31/17

S&P 500 and S&P 500 sector returns

1ST QUARTER



ONE YEAR ENDING MARCH



Source: Morningstar, as of 3/31/17

Source: Morningstar, as of 3/31/17

Detailed index returns

DOMESTIC EQUITY

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Core Index							
S&P 500	0.1	6.1	6.1	17.2	10.4	13.3	7.5
S&P 500 Equal Weighted	0.0	5.4	5.4	17.4	9.6	14.0	8.7
DJ Industrial Average	(0.6)	5.2	5.2	19.9	10.6	12.2	8.1
Russell Top 200	0.2	6.4	6.4	17.6	10.6	13.3	7.5
Russell 1000	0.1	6.0	6.0	17.4	10.0	13.3	7.6
Russell 2000	0.1	2.5	2.5	26.2	7.2	12.4	7.1
Russell 3000	0.1	5.7	5.7	18.1	9.8	13.2	7.5
Russell Mid Cap	(0.2)	5.1	5.1	17.0	8.5	13.1	7.9
Style Index							
Russell 1000 Growth	1.2	8.9	8.9	15.8	11.3	13.3	9.1
Russell 1000 Value	(1.0)	3.3	3.3	19.2	8.7	13.1	5.9
Russell 2000 Growth	1.2	5.3	5.3	23.0	6.7	12.1	8.1
Russell 2000 Value	(0.8)	(0.1)	(0.1)	29.4	7.6	12.5	6.1

INTERNATIONAL EQUITY

Broad Index							
MSCI ACWI	1.2	6.9	6.9	15.0	5.1	8.4	4.0
MSCI ACWI ex US	2.5	7.9	7.9	13.1	0.6	4.4	1.4
MSCI EAFE	2.8	7.2	7.2	11.7	0.5	5.8	1.1
MSCI EM	2.5	11.4	11.4	17.2	1.2	0.8	2.7
MSCI EAFE Small Cap	2.0	8.0	8.0	11.0	3.6	9.2	3.0
Style Index							
MSCI EAFE Growth	2.7	8.5	8.5	7.4	1.5	6.0	2.0
MSCI EAFE Value	2.8	6.0	6.0	16.0	(0.6)	5.6	0.0
Regional Index							
MSCI UK	1.7	5.0	5.0	7.4	(2.6)	3.5	0.5
MSCI Japan	(0.4)	4.5	4.5	14.4	6.0	6.8	0.6
MSCI Euro	6.2	8.5	8.5	12.8	(1.3)	6.4	(0.2)
MSCI EM Asia	3.3	13.4	13.4	18.0	4.5	4.4	4.7
MSCI EM Latin American	0.6	12.1	12.1	23.3	(4.0)	(6.1)	0.8

FIXED INCOME

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Broad Index							
BBgBarc US Treasury US TIPS	(0.1)	1.3	1.3	1.5	2.0	1.0	4.2
BBgBarc US Treasury Bills	0.0	0.1	0.1	0.4	0.2	0.2	0.8
BBgBarc US Agg Bond	(0.1)	0.8	0.8	0.4	2.7	2.3	4.3
Duration							
BBgBarc US Treasury 1-3 Yr	0.0	0.3	0.3	0.2	0.7	0.6	2.0
BBgBarc US Treasury Long	(0.6)	1.4	1.4	(5.0)	5.8	4.0	6.7
BBgBarc US Treasury	(0.0)	0.7	0.7	(1.4)	2.1	1.6	3.9
Issuer							
BBgBarc US MBS	0.0	0.5	0.5	0.2	2.7	2.0	4.2
BBgBarc US Corp. High Yield	(0.2)	2.7	2.7	16.4	4.6	6.8	7.5
BBgBarc US Agency Interim	0.0	0.5	0.5	0.1	1.4	1.2	3.1
BBgBarc US Credit	(0.2)	1.3	1.3	3.0	3.5	3.7	5.3

OTHER

Index							
Bloomberg Commodity	(2.7)	(2.3)	(2.3)	8.7	(13.9)	(9.5)	(6.2)
Wilshire US REIT	(2.7)	0.0	0.0	2.0	10.2	9.8	4.4
CS Leveraged Loans	0.1	1.2	1.2	9.7	3.7	4.9	4.2
Regional Index							
JPM EMBI Global Div	0.4	3.9	3.9	8.9	6.2	5.8	7.0
JPM GBI-EM Global Div	2.3	6.5	6.5	5.5	(2.7)	(1.6)	4.1
Hedge Funds							
HFRI Composite	0.2	2.3	2.3	8.6	2.8	4.0	3.3
HFRI FOF Composite	0.1	2.0	2.0	5.9	1.7	3.1	1.2
Currency (Spot)							
Euro	0.7	1.4	1.4	(6.1)	(8.1)	(4.3)	(2.2)
Pound	0.5	1.2	1.2	(13.0)	(9.1)	(4.8)	(4.4)
Yen	0.4	4.7	4.7	0.9	(2.6)	(5.9)	0.6

Source: Morningstar, as of 3/31/17

Definitions

Bloomberg US Weekly Consumer Comfort Index - tracks the public's economic attitudes each week, providing a high-frequency read on consumer sentiment. The index, based on cell and landline telephone interviews with a random, representative national sample of U.S. adults, tracks Americans' ratings of the national economy, their personal finances and the buying climate on a weekly basis, with views of the economy's direction measured separately each month. (www.lanqerresearch.com)

University of Michigan Consumer Sentiment Index - A survey of consumer attitudes concerning both the present situation as well as expectations regarding economic conditions conducted by the University of Michigan. For the preliminary release approximately three hundred consumers are surveyed while five hundred are interviewed for the final figure. The level of consumer sentiment is related to the strength of consumer spending. (www.Bloomberg.com)

Citi Economic Surprise Index - objective and quantitative measures of economic news. Defined as weighted historical standard deviations of data surprises (actual releases vs Bloomberg survey median). A positive reading of the Economic Surprise Index suggests that economic releases have on balance been beating consensus. The indices are calculated daily in a rolling three-month window. The weights of economic indicators are derived from relative high-frequency spot FX impacts of 1 standard deviation data surprises. The indices also employ a time decay function to replicate the limited memory of markets. (www.Bloomberg.com)

Merrill Lynch Option Volatility Estimate (MOVE) Index – a yield curve weighted index comprised of a weighted set of 1-month Treasury options, including 2.5.10 and 30 year tenor contracts. This index is an indicator of the expected (implied) future volatility in the rate markets. (www.Bloomberg.com)

OECD Consumer Confidence Index - based on households' plans for major purchases and their economic situation, both currently and their expectations for the immediate future. Opinions compared to a "normal" state are collected and the difference between positive and negative answers provides a qualitative index on economic conditions. (<https://data.oecd.org/>)

OECD Business Confidence Index - based on enterprises' assessment of production, orders and stocks, as well as its current position and expectations for the immediate future. Opinions compared to a "normal" state are collected and the difference between positive and negative answers provides a qualitative index on economic conditions. (<https://data.oecd.org/>)

NFIB Small Business Outlook - Small Business Economic Trends (SBET) is a monthly assessment of the U.S. small-business economy and its near-term prospects. Its data are collected through mail surveys to random samples of the National Federal of Independent Business (NFIB) membership. The survey contains three broad question types: recent performance, near-term forecasts, and demographics. The topics addressed include: outlook, sales, earnings, employment, employee compensation, investment, inventories, credit conditions, and single most important problem. (<http://www.nfib-sbet.org/about/>)

Notices & disclosures

Past performance is no guarantee of future results. This report or presentation is provided for informational purposes only and is directed to institutional clients and eligible institutional counterparties only and should not be relied upon by retail investors. Nothing herein constitutes investment, legal, accounting or tax advice, or a recommendation to buy, sell or hold a security or pursue a particular investment vehicle or any trading strategy. The opinions and information expressed are current as of the date provided or cited only and are subject to change without notice. This information is obtained from sources deemed reliable, but there is no representation or warranty as to its accuracy, completeness or reliability. Verus Advisory Inc. and Verus Investors, LLC expressly disclaim any and all implied warranties or originality, accuracy, completeness, non-infringement, merchantability and fitness for a particular purpose. This report or presentation cannot be used by the recipient for advertising or sales promotion purposes.

The material may include estimates, outlooks, projections and other "forward-looking statements." Such statements can be identified by the use of terminology such as "believes," "expects," "may," "will," "should," "anticipates," or the negative of any of the foregoing or comparable terminology, or by discussion of strategy, or assumptions such as economic conditions underlying other statements. No assurance can be given that future results described or implied by any forward looking information will be achieved. Actual events may differ significantly from those presented. Investing entails risks, including possible loss of principal. Risk controls and models do not promise any level of performance or guarantee against loss of principal.

"VERUS ADVISORY™ and VERUS INVESTORS™ and any associated designs are the respective trademarks of Verus Advisory, Inc. and Verus Investors, LLC. Additional information is available upon request.