

Notable 2Q 2018 Market Performance

	S&P 500	MSCI EAFE	MSCI Emerging Markets	Barclays Aggregate	10-Year Treasury	HFRI Hedge Fund Composite	USD	WTI Crude Oil
2Q Return	3.43%	-0.97%	-7.86%	-0.16%	-0.28%	0.85%	5.00%	14.18%
YTD Return	2.65%	-2.37%	-6.51%	-1.62%	-2.67%	0.79%	2.55%	22.72%

2Q 2018 Market Commentary

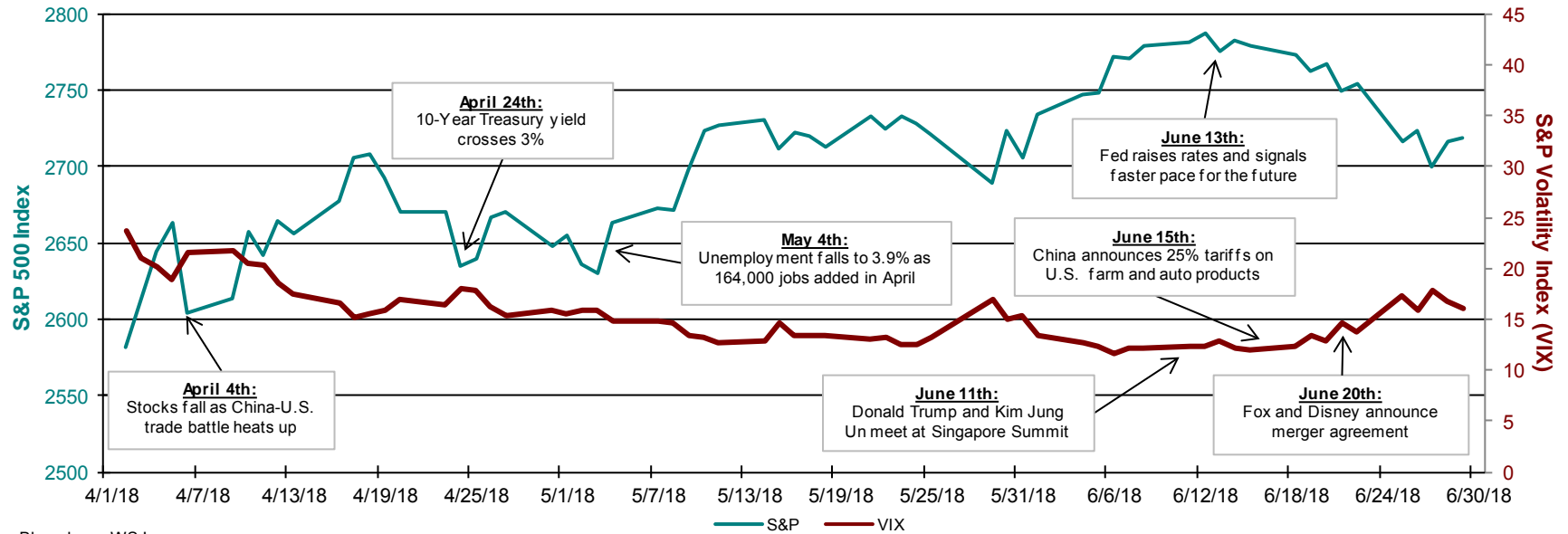
Non-U.S. risk assets lurched downward in June as fears of a protracted and pronounced trade war intensified. The Shanghai Composite index fell more than 20% from its 2-year high reached in late January. European stocks and bonds also declined as concerns that its fragile recovery could be overtaken by the region's significant exposure to international trade. In the US, where the business recovery continued apace, stocks made further advances, particularly shares of small cap companies that are less sensitive to trade-related actions.

The yield on the 10-year Treasury rose for the fourth consecutive quarter, briefly topping 3% before concerns about mounting trade tensions and slower global growth drove investors to the relative safety of government debt. Signs that inflation could accelerate, continued job gains for US workers and speculation that the Federal Reserve might raise rates four times this year, helped boost the yield to nearly a 7-year high of 3.11% in mid-May. Not surprisingly, the dollar strengthened 5% against its 16-currency basket. The rise in rates and the attendant gains in the dollar amplified struggles in the emerging markets as global investors began shifting assets away from developing markets to safer, higher yielding options. Countries that issue debt in dollars feel the brunt of rising yields since the dollar often rises in tandem with Treasury yields. The nascent trade war between the US and China exacerbates this trend and has likewise roiled most commodities. An important exception is oil. WTI crude soared 14% in Q2 as geopolitics weighed on supply, helping to drain inventories.

Domestic stocks still appear moderately attractive given reasonable valuations, strong earnings momentum and continued support in the form of loosening regulations, pro-business tax reform and the growing utilization of share buybacks in the face of excess corporate cash. Yes, the economy has become tighter as exemplified by the US jobless rate which fell to a 17-year low of 3.8% in May. But new entrants to the workforce — 213k joined in June — could help fuel ongoing growth for some time. And while market sentiment has become warier, we do not believe that the onset of a recession is approaching in the next year. Globally, the synchronized expansion is grinding down and we expect a more differentiated path for sub-markets. The risks for emerging markets have intensified a bit as have those for Europe with Chancellor Merkel's position weakening and Brexit-related concerns reentering the discussion.

In light of the opportunities and concerns discussed above, we are adjusting our model portfolio to modestly overweight US stocks and to underweight emerging markets equity while, to a lesser extent, lowering exposure to developed international stocks. With rates still likely to increase and with corporate credit spreads tight, fixed income is not yet a compelling investment. However, income-driven private lending to small-to-midsized companies remains attractive as long as the underwriting is disciplined and rigorous. Cash and very low duration bonds are viable holdings particularly now that the short end of the curve has made a meaningful move.

S&P 500 and VIX Performance – 2Q 2018



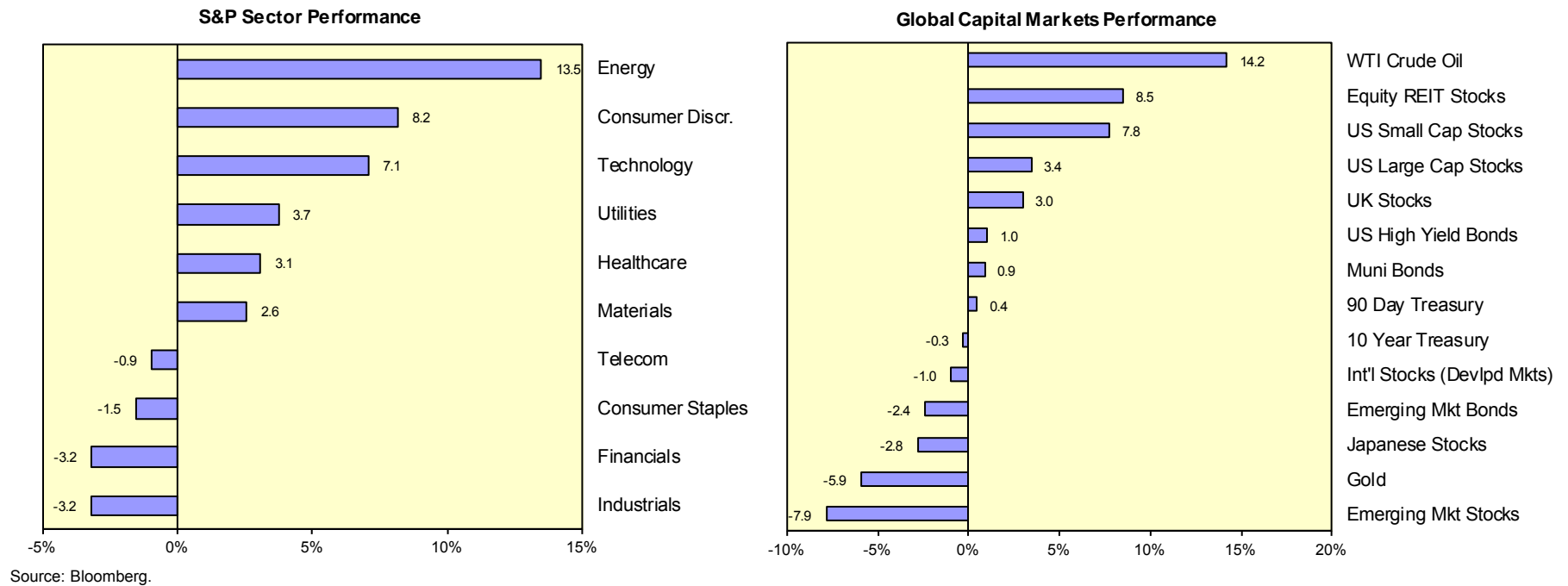
Source: Bloomberg, WSJ.com.

Global Capital Markets Performance – 2Q 2018

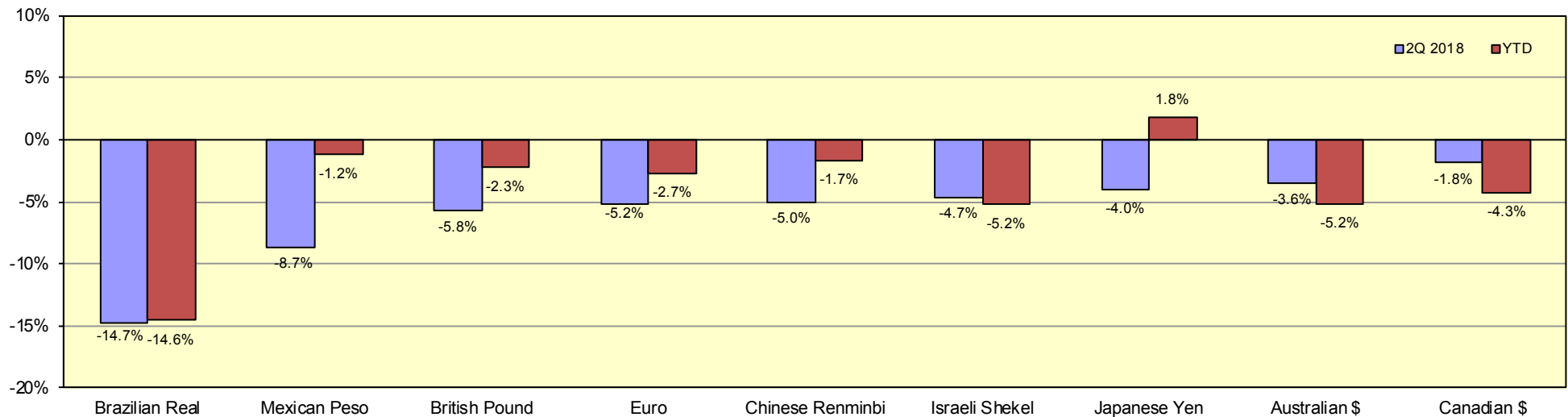
	Top Sectors			Bottom Sectors						
	U.S. Equity			U.S. Fixed Income			Global Equity			Global Fixed Income
	Value	Blend	Growth	Short Term	Intermediate	Long Term	Value	Blend	Growth	Intermediate
Large Cap	1.18	3.57	5.76	0.21	0.06	0.31	U.S. 1.71	3.89	5.87	Sovereign (2.16)
Mid Cap	2.41	2.82	3.16	0.42	(0.08)	(2.65)	EAFE (2.33)	(0.97)	0.35	Corporates (2.37)
Small Cap	8.30	7.75	7.23	N/A	1.10	(0.23)	Emrg Mkt (8.83)	(7.86)	(6.92)	High Yield (2.17)

Source: Bloomberg.

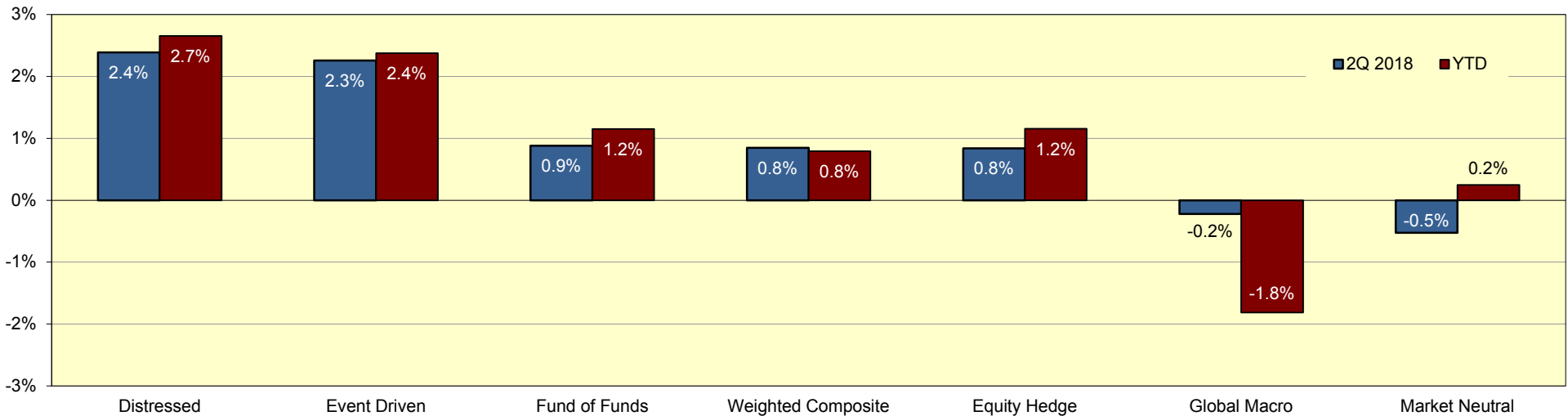
S&P Sector and Global Capital Markets Performance – 2Q 2018



Global Currency Performance – 2Q 2018

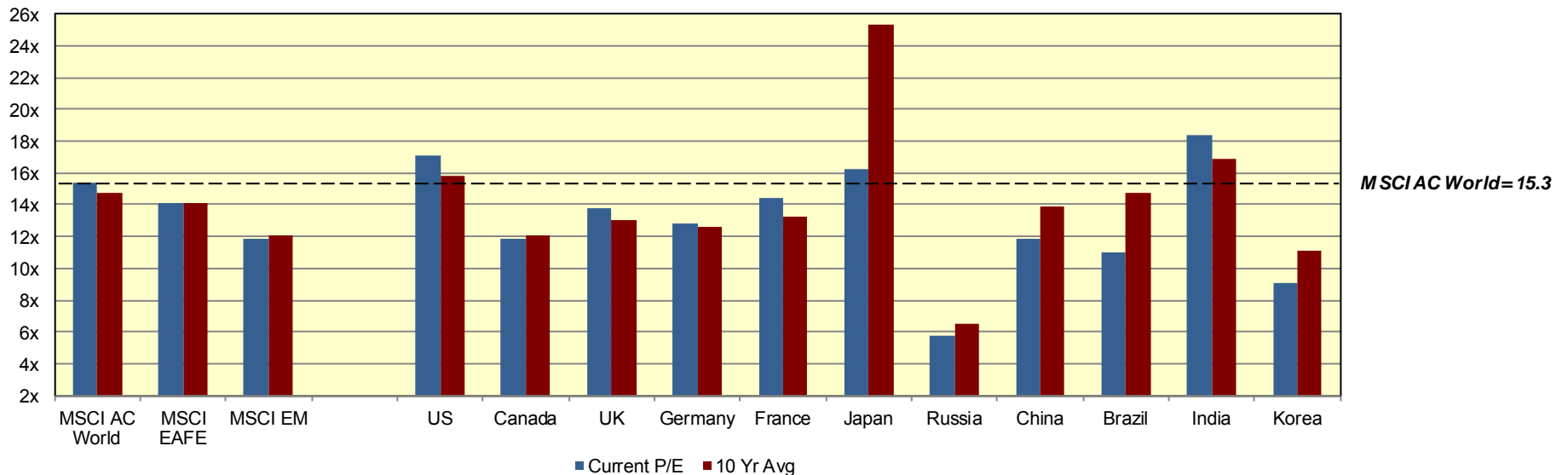


Global Hedge Fund Performance By Strategy



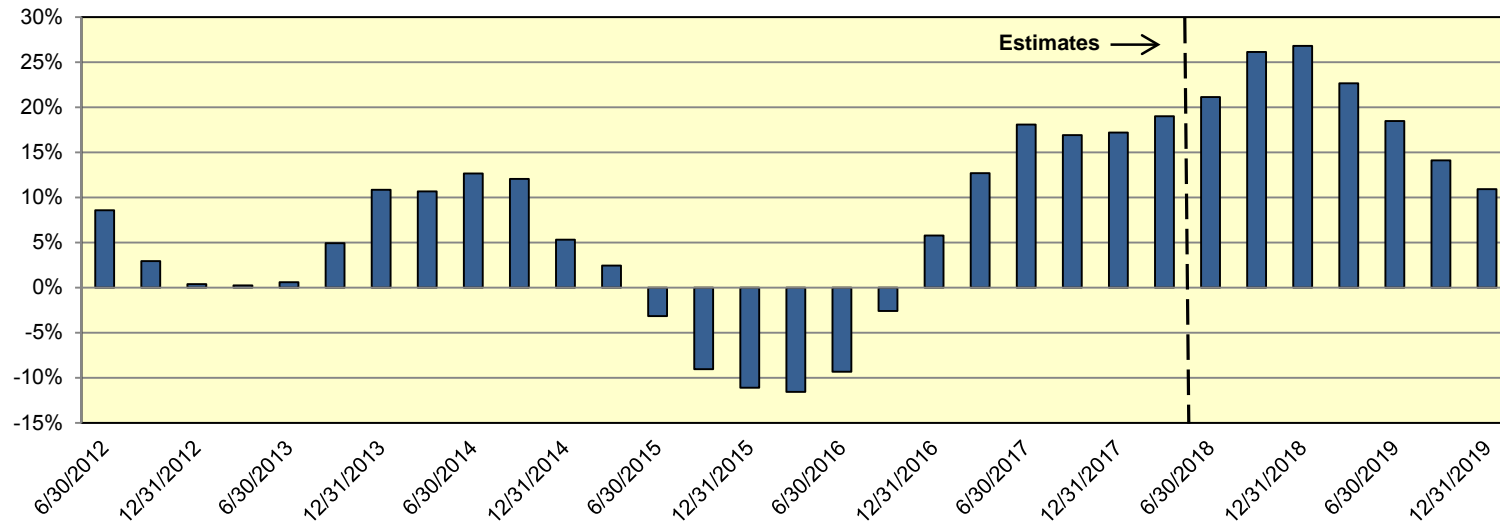
Source: HFRI Hedge Fund Indices.

Global Current Price / Earnings Ratio vs. 10 Year Average



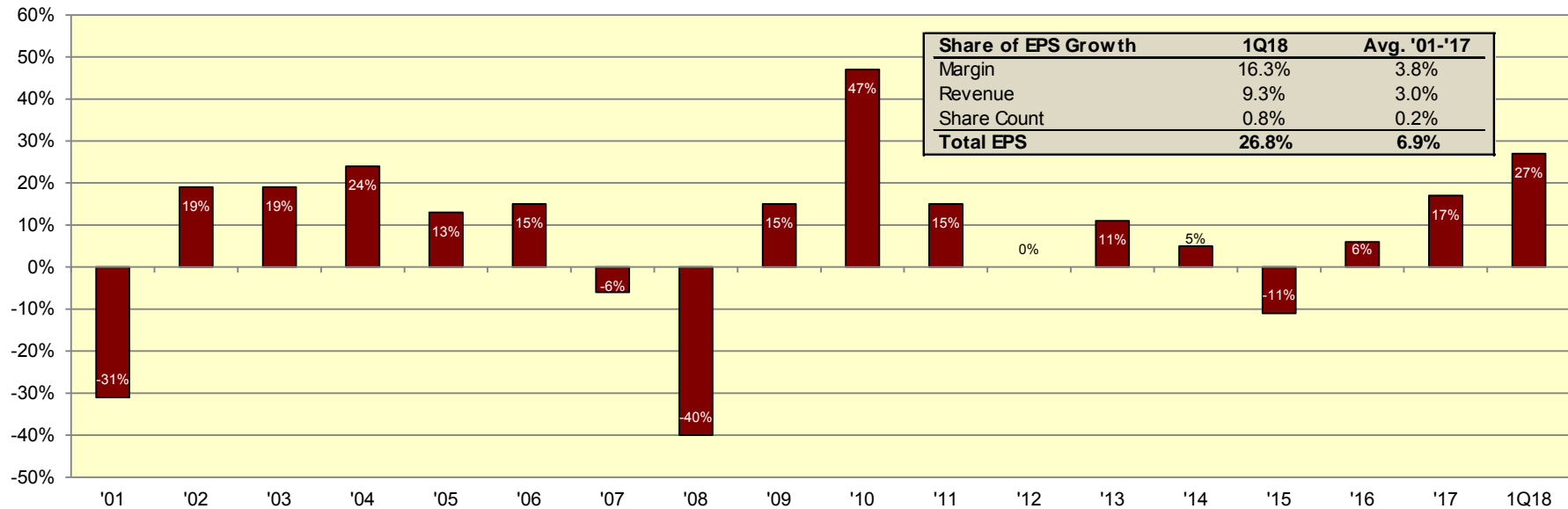
Source: Bloomberg. Price to earnings is price divided by Bloomberg consensus forward 12 month earnings estimate

S&P 500 Operating Earnings Growth (YoY Percentage Change)



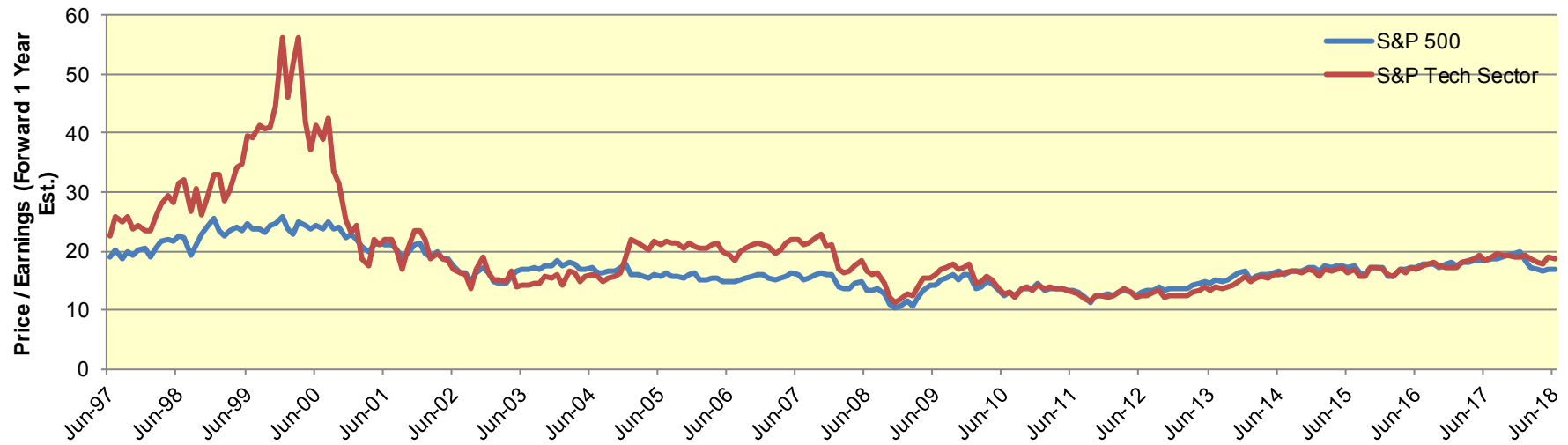
Source: S&P Dow Jones Indices.

Sources of S&P 500 EPS Growth



Source: JP Morgan.

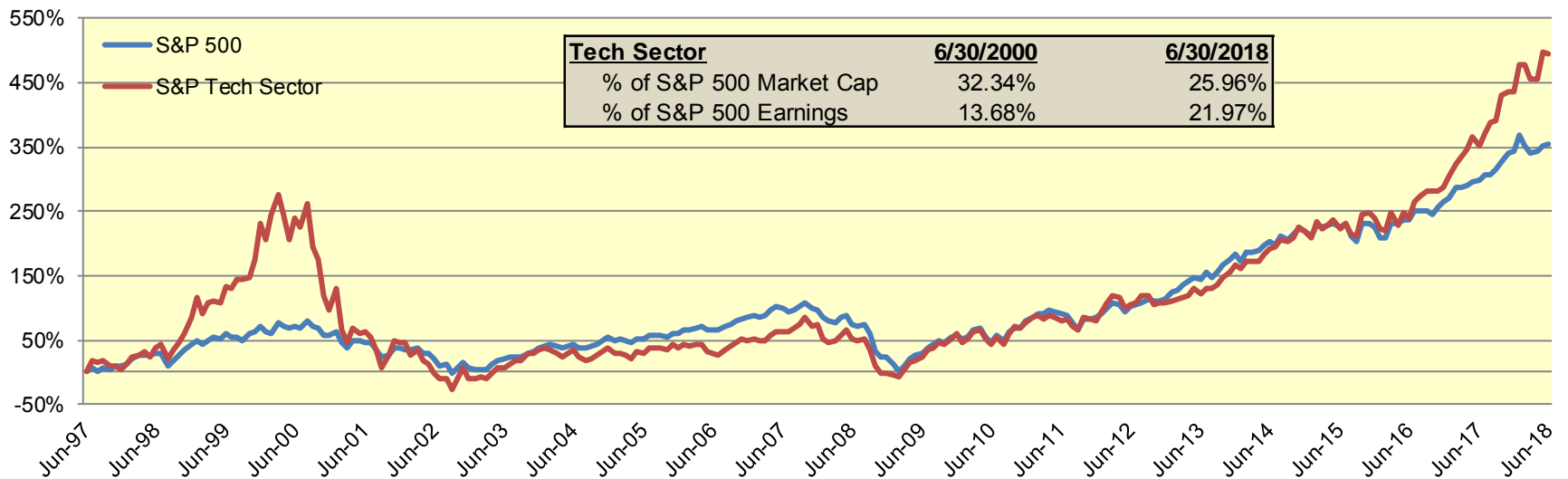
Tech Valuations During Bubble and Today



Note: Excludes negative earnings.

Source: Bloomberg.

Cumulative Returns: Tech vs. S&P 500 (Since June 1997)



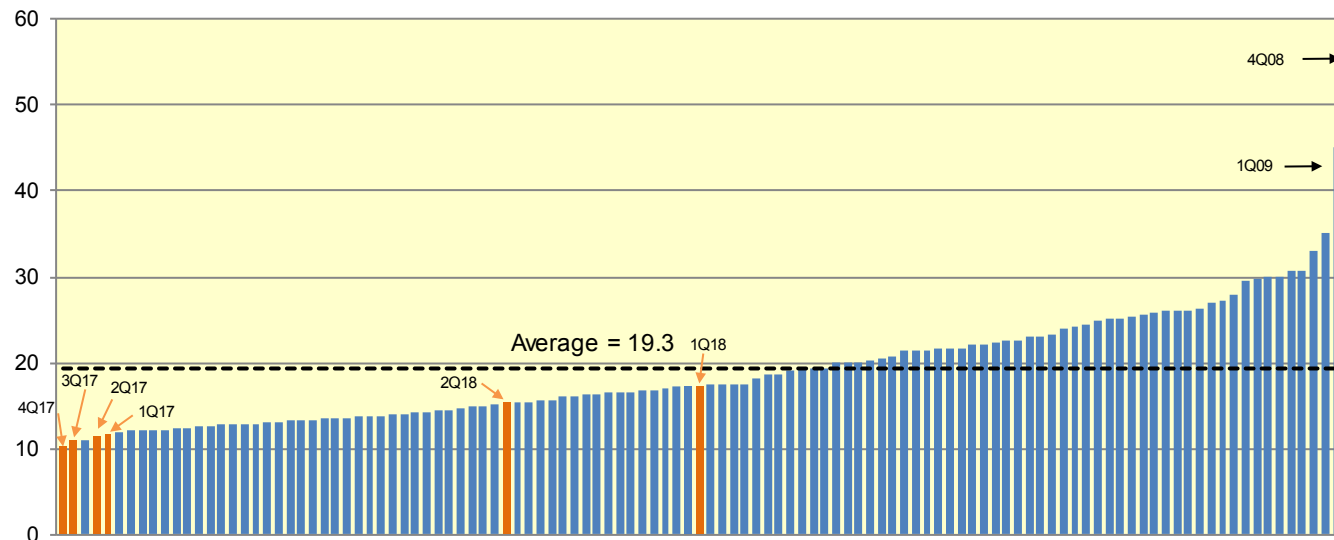
Source: Bloomberg, S&P Dow Jones Indices.

Cash as % of Total Assets (S&P 500 Companies)



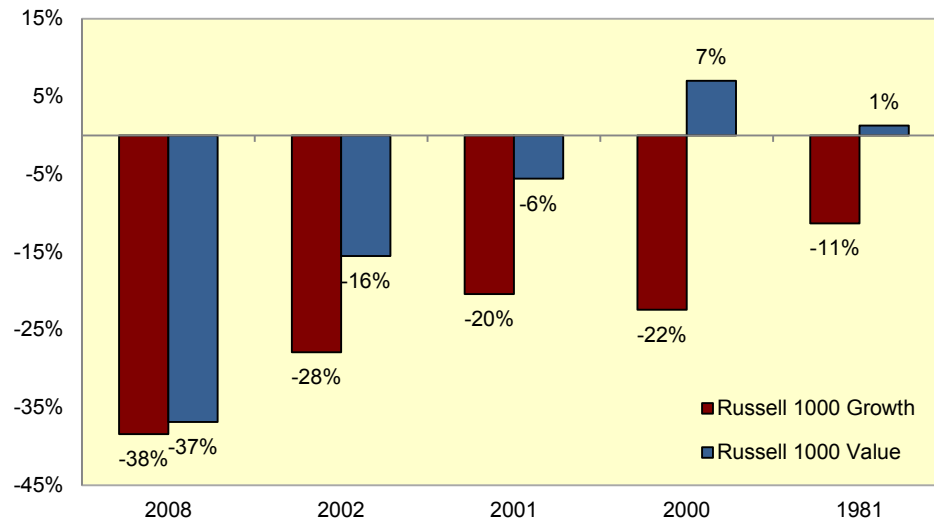
Source: JP Morgan, Bloomberg.

VIX Average Quarterly Close (Daily Prices)



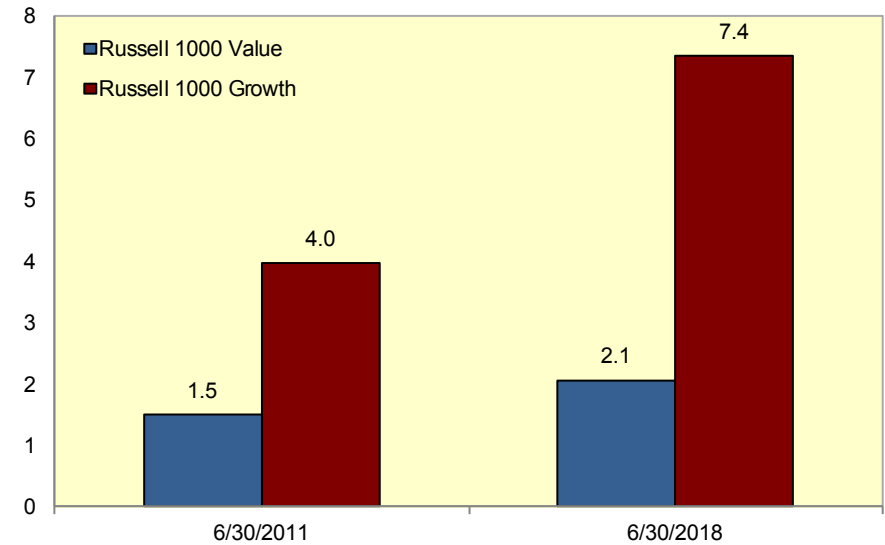
Note: Data dates back to inception of the VIX (1Q 1990).
Source: Cambridge, Bloomberg.

Value vs. Growth: 5 Worst Calendar Years for Russell 1000 Since 1979



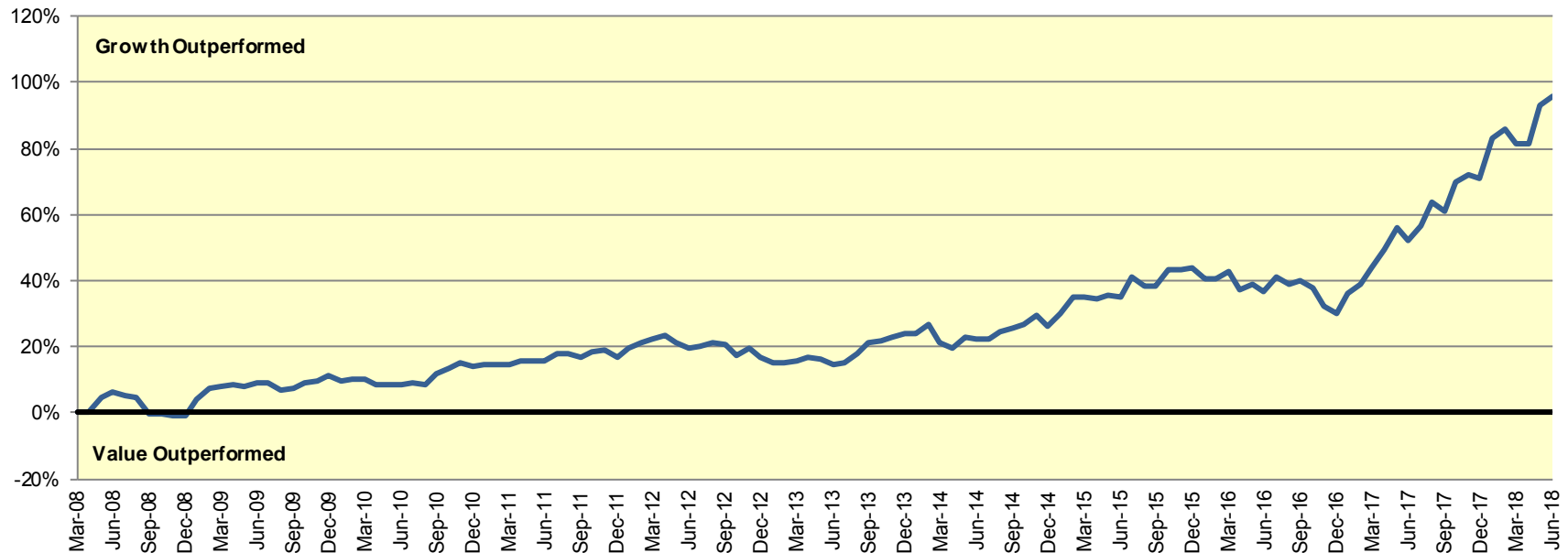
Source: Bloomberg.

Price-To-Book Value: Value vs. Growth



Source: Bloomberg.

R1000G vs. R1000V: Cumulative Spread Since March 2008



Source: Bloomberg.

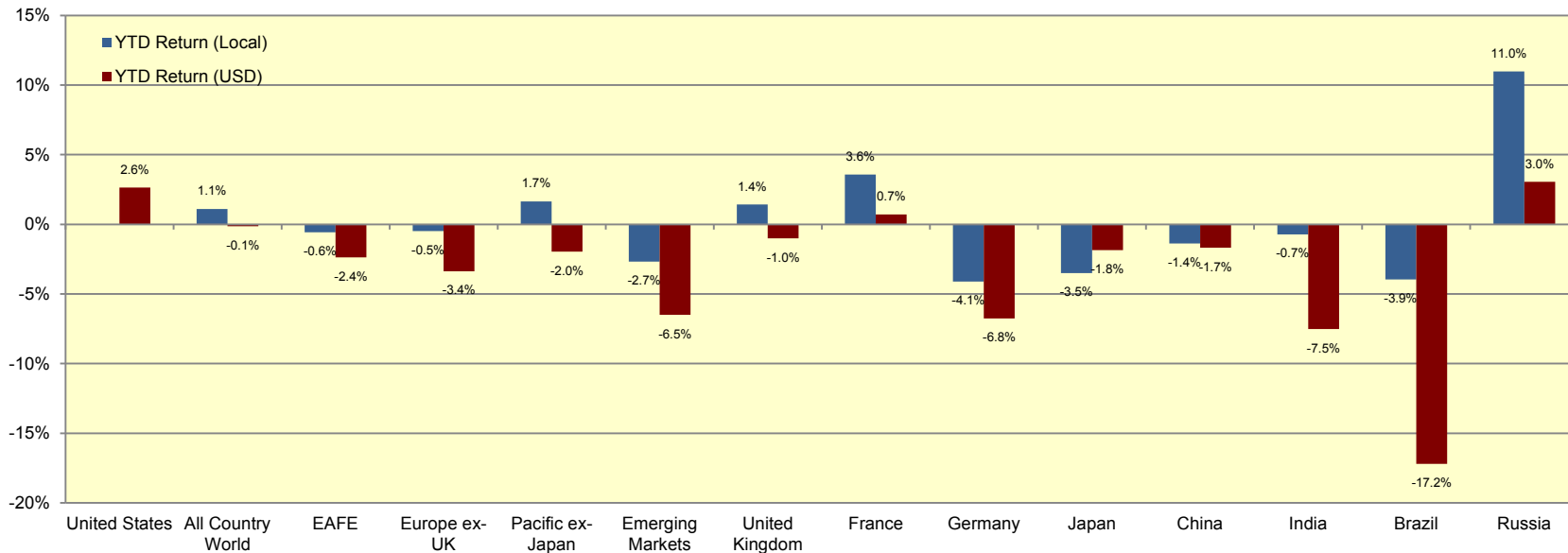
US Dollar Index



Note: Adjusted for inflation. The US Dollar Index is comprised of a basket of currencies of the trading partners of the United States.

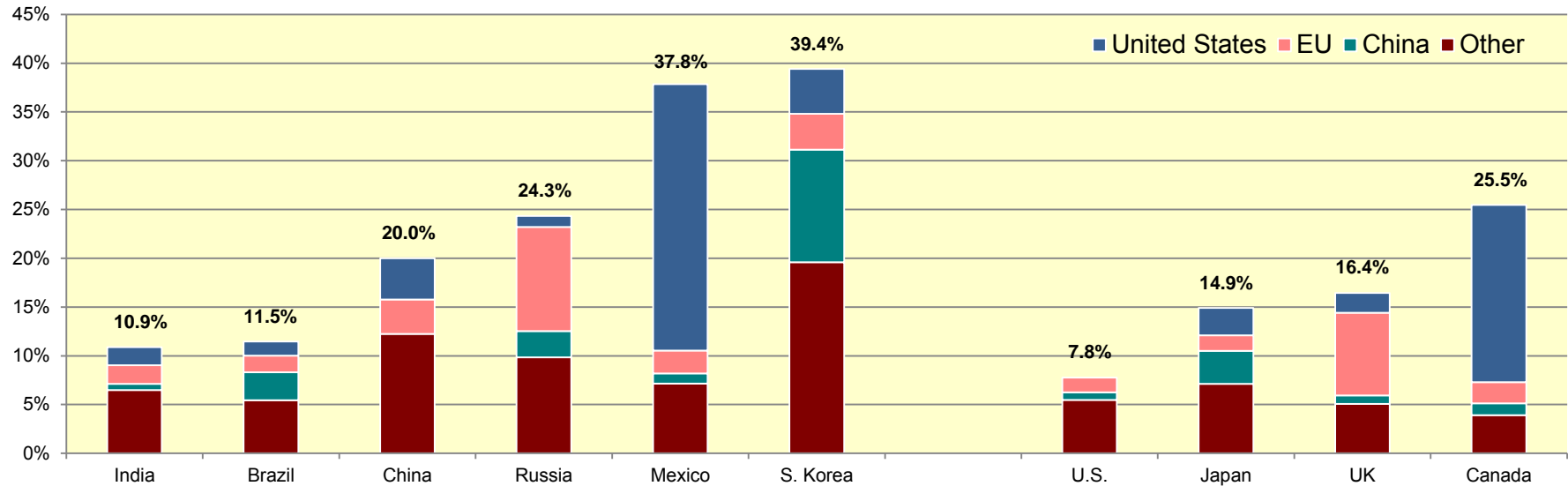
Source: BIS.

YTD Global Equity Returns: Local Currency vs. USD



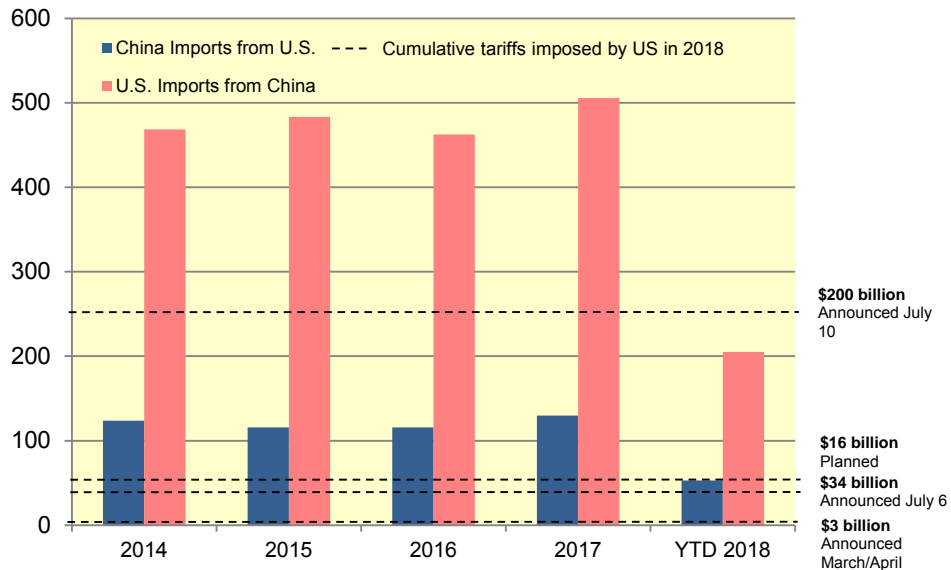
Source: Bloomberg, JP Morgan.

Exports as a Share of GDP



Note: Data as of December 2017.
Source: Bloomberg, IMF, JP Morgan.

US-China Trade Dispute



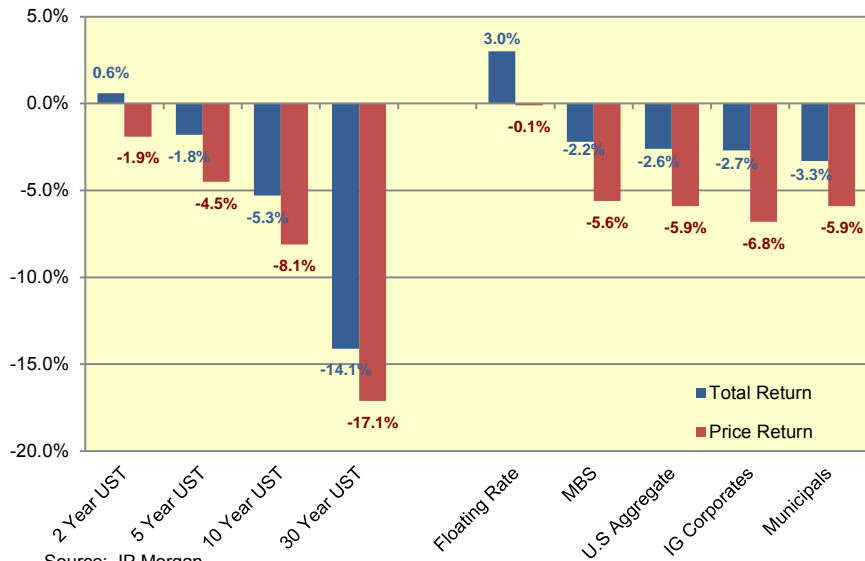
Source: US Census Bureau, WSJ.

Trade War Sensitivity: Large Caps vs. Small Caps



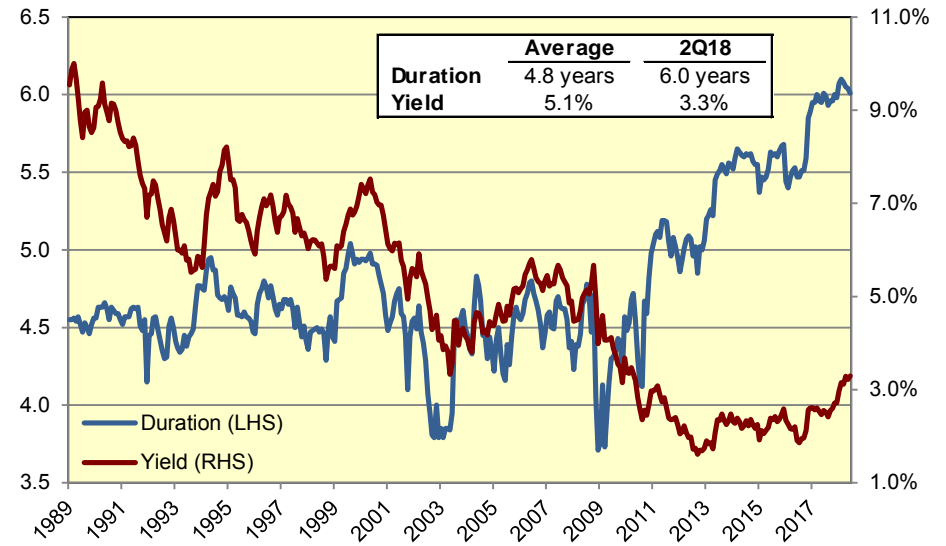
Source: Bloomberg, WSJ.

Impact of 1% Rise in Interest Rates on Fixed Income Asset Classes



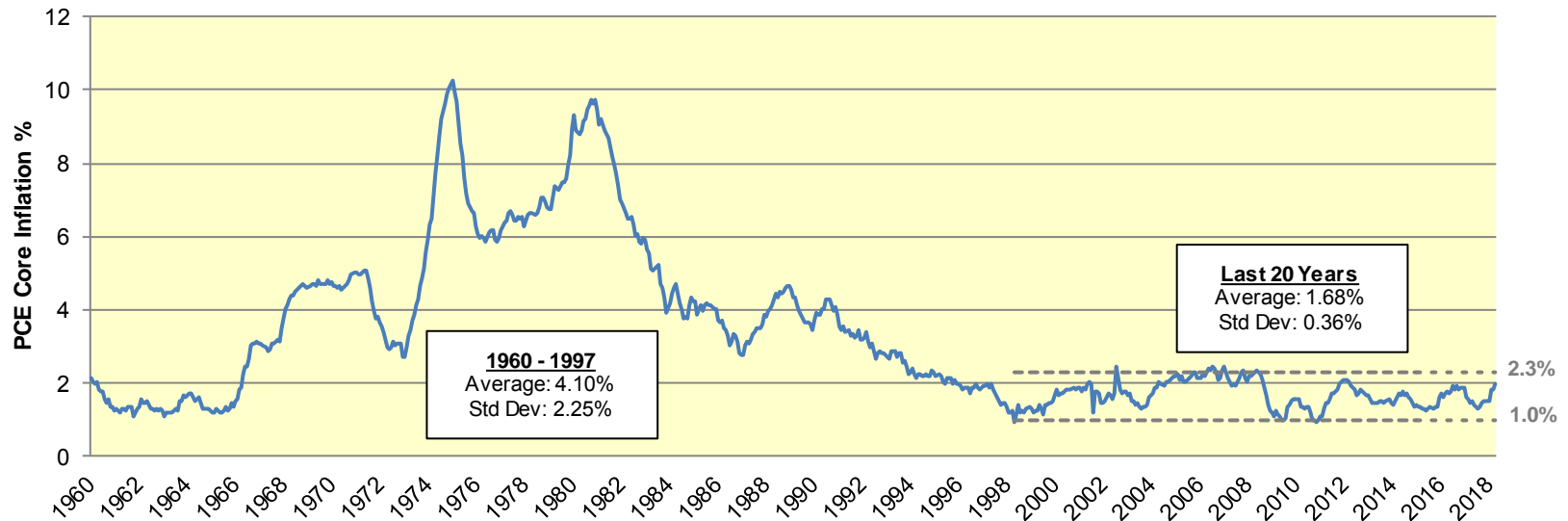
Source: JP Morgan.

Duration of Barclays U.S. Aggregate



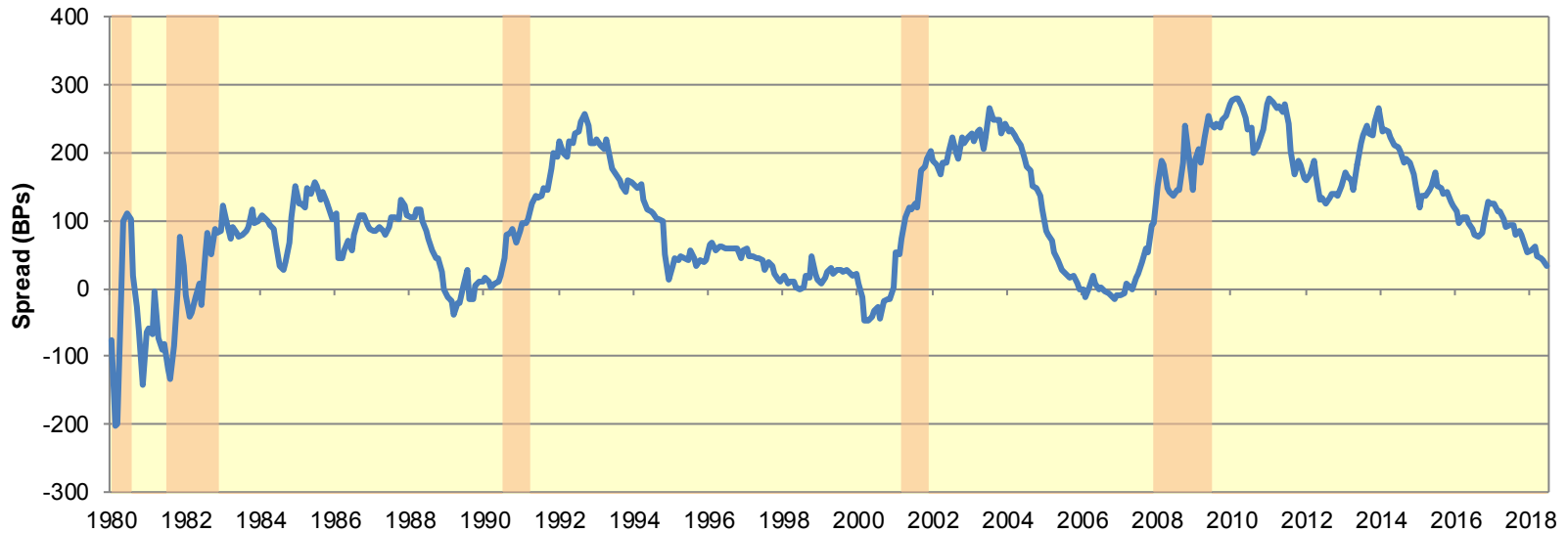
Source: Bloomberg, JP Morgan.

Inflation Since 1960



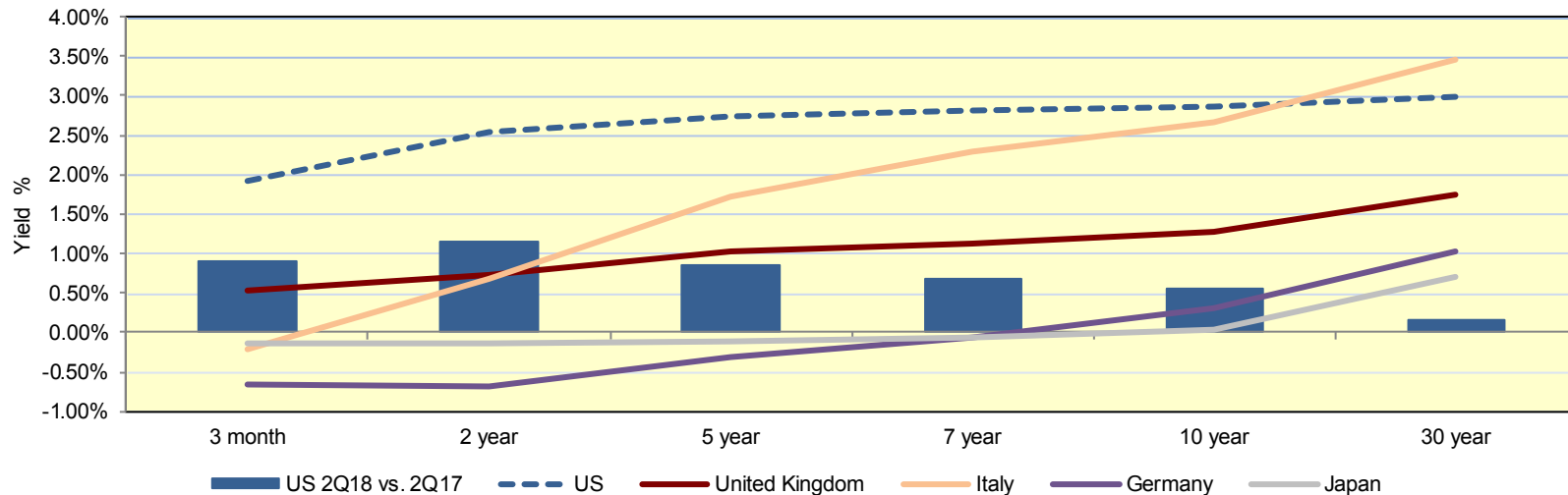
Source: Bloomberg, WSJ.

Spread Between 10 Year and 2 Year US Treasuries



Source: Bloomberg.

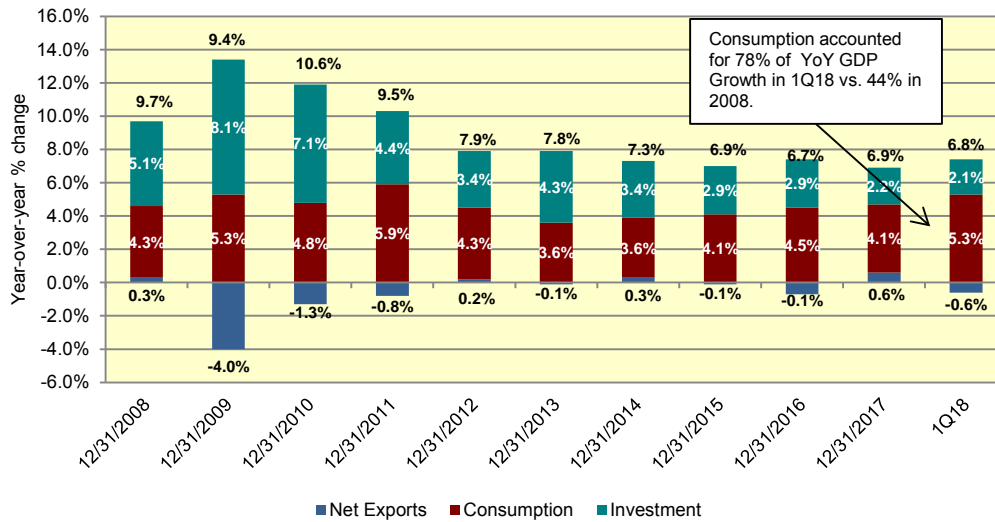
Sovereign Bond Yield Curves (as of 6/30/18)



Source: Bloomberg.

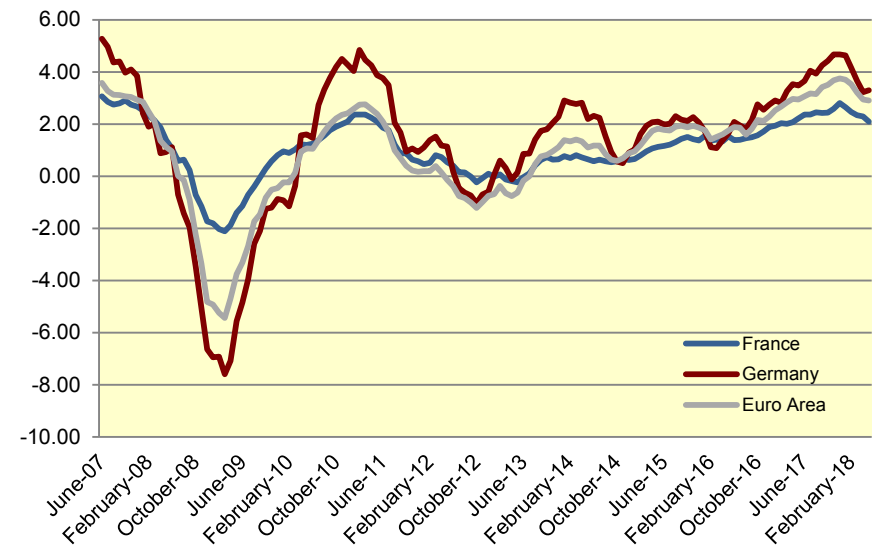
Capital Markets Update - 2Q 2018

China Real GDP Growth Contribution



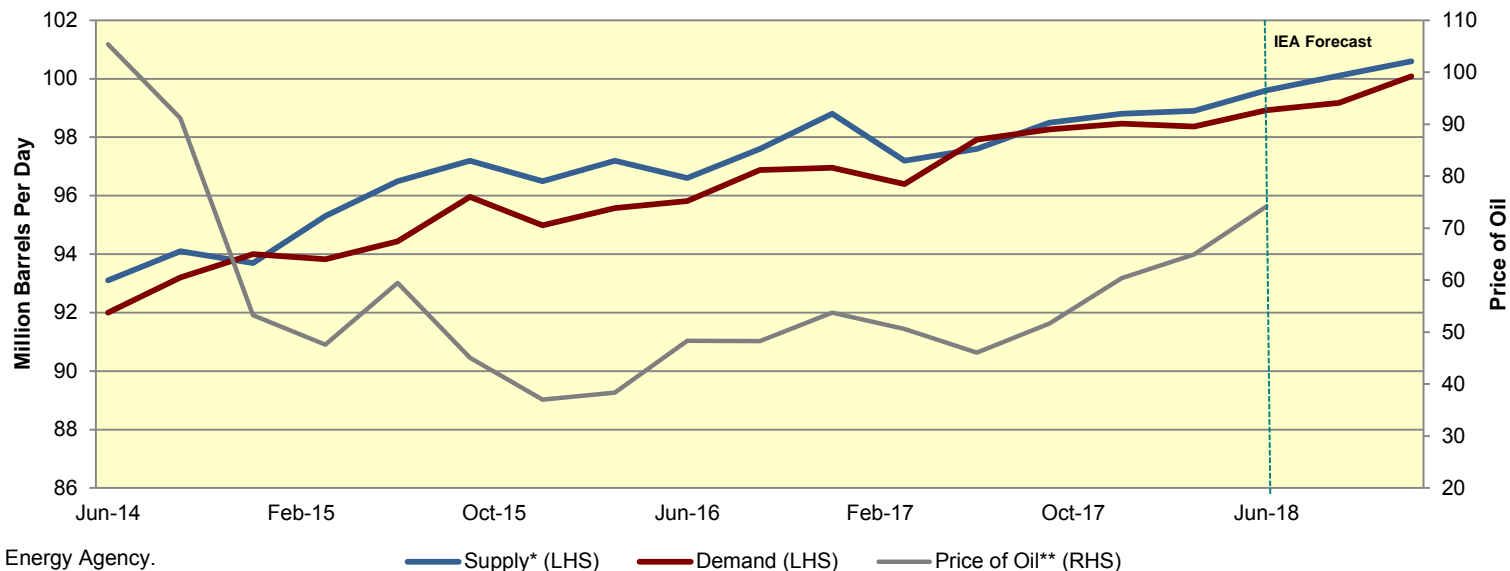
Source: JP Morgan, Factset.

GDP in Europe



Source: Bloomberg.

World Oil Supply and Demand



Source: International Energy Agency.

— Supply* (LHS) — Demand (LHS) — Price of Oil** (RHS)

*OPEC output assumed steady as 32mb/d and Iranian production expected to reach 600/kb/d by end of year 2Q18

**WTI Crude



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