

KEY TAKEAWAYS

- Global Equity Markets enjoyed strong returns in Q1 led by the Emerging Markets.
- Growth stocks lead Value as Technology stocks were a significant driver of returns, accounting for more than 40% of the S&P 500 Index gains in Q1.
- Despite the Fed's 25 basis point rate hike—its third in the last fifteen months (Dec '15, Dec '16 and Mar '17)—intermediate term investment grade bonds (Corporates and Munis) still squeaked out positive returns in Q1.
- Commodities and Natural Resource Equities were some of the weaker performers in the first quarter as oil prices retreated by about 7.5%.
- High hopes that tax reform, reduced regulation and a more pro-business agenda would jumpstart the next round of growth in corporate earnings, have eased in the face of failure to repeal the Affordable Care Act.
- The Fed has introduced a new wrinkle to the equation by suggesting that they may consider reducing their balance sheet later this year which raises the possibility that they may slow the pace of rate hikes.
- The weakened currency and rebounding global economy's benefit on the European markets is reflected through the European Manufacturing Managers Index (PMI).

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INDEX PERFORMANCE (as of 03/31/17)

Equity	March	Year-to-Date	One-Year
U.S. Large Cap	0.1%	6.1%	17.2%
U.S. Small Cap	0.1%	2.5%	26.2%
Developed Non-U.S.	2.9%	7.4%	12.2%
Emerging Market	2.5%	11.5%	17.7%
Real Assets			
Real Estate	-0.7%	3.7%	3.5%
Commodities	-2.7%	-2.3%	8.7%
Natural Resource Equities	-0.6%	-4.3%	17.9%
Fixed Income			
<u>Core Plus</u>			
U.S. High Yield Debt	-0.2%	2.7%	16.4%
Emerging Market Debt	2.3%	6.5%	5.5%
<u>Core Bonds</u>			
U.S. Aggregate Bonds	-0.1%	0.8%	0.4%
U.S. Treasuries	0.0%	0.7%	-1.4%
U.S. Municipal Bonds	0.1%	1.6%	0.2%
Month-End Values/Yields	Current	Prior Month	One-Year Ago
CBOE Volatility Index	12.4	12.9	14.0
10-Year Treasury Yield	2.4%	2.4%	1.8%

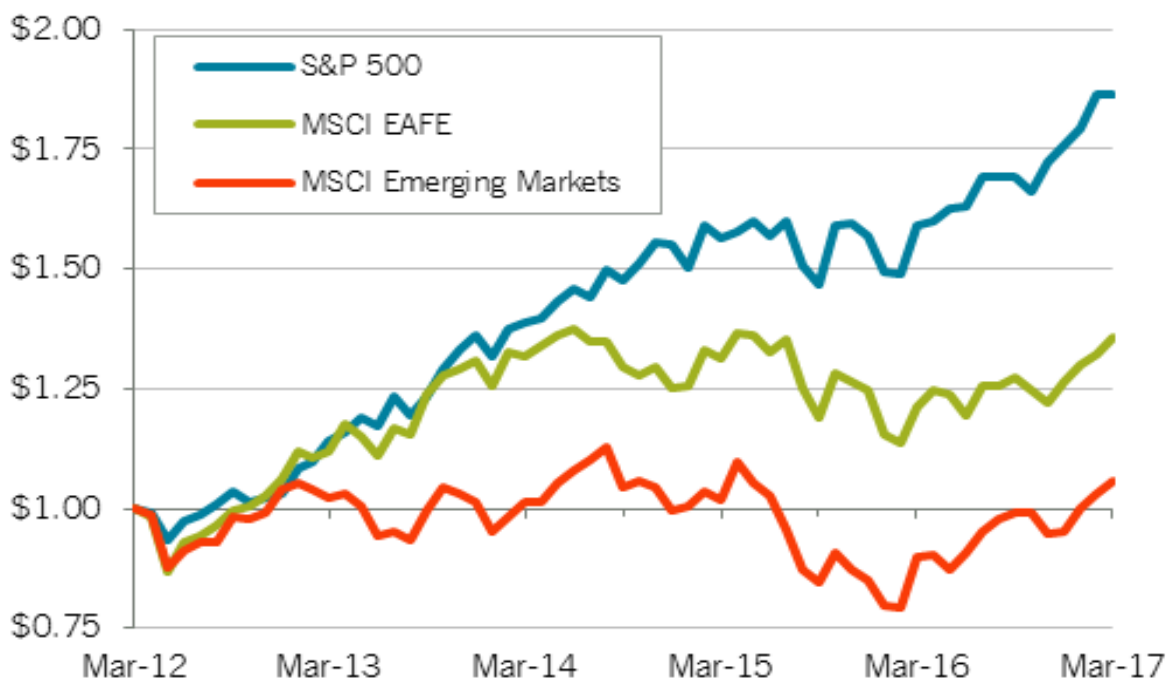
Sources: Bloomberg, Morningstar

You cannot invest directly in an index; therefore, performance returns do not reflect any management fees. Returns of the indices include the reinvestment of all dividends and income, as reported by the commercial databases involved.

REGIONAL COMMENTARY

- U.S. markets relative to the rest of the world have enjoyed the most stable and uninterrupted recovery, which is largely reflected in the equity prices, allowing investors to find better opportunities to generate returns outside the U.S. Bond yields in the U.S. are the opposite story as they offer some of the most attractive rates in the developed world.
- The headlines in Europe are dominated by Brexit and upcoming elections, with the French election in current focus. Both issues highlight what has been a major concern for investors in Europe—whether or not the European Union and its respective currency will survive. We have a more favorable view of opportunities in developed non-U.S. markets, as they are earlier in recovery and coming off a lower base compared with that of the U.S. We have also seen momentum in developed non-U.S. markets over the last quarter, further supporting this favorable view.
- Based on the MSCI index, Brazil and Russia showed a strong lead in Emerging Markets performance last year, whereas this year India (+17.1%) and China (+12.9%) have taken the lead on moving EM performance. Both countries are looking to their leadership for reform-driven economic improvements and both have a vast potential in that regard. Concerns around US Fed actions hurting EM debt and currency values have drifted into the background, with EM debt (+6.5%) and Equities (+11.4%) leading the rest of the world in terms of performance year-to-date.

"BUY LOW, SELL HIGH" GLOBAL EQUITY MARKETS -- GROWTH OF \$1



Sources: Bloomberg, Morningstar

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