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…and the three bears

SECOND QUARTER 2018

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Market Environment Summary

> They will fluctuate…
>
> *-James Pierpont Morgan*

After the first three months of trading in 2018, investors have been swiftly and not so politely reminded of one of the fundamental characteristics of markets. Perhaps no better forecast has been made than by Mr. J.P. Morgan when asked what he thought equities would do a little more than a century ago. After a year without virtually any disturbance, global markets had trouble finding their footing in the first quarter of 2018. No asset class appeared to be immune from the turbulence as the first quarter was the first three-month period since 2008 where the S&P 500 and the Barclay's US Aggregate Bond Index posted negative returns. In the last 30 years, this occurrence has only transpired in eight quarters. In just three of those eight quarters, commodities posted a negative return. The first quarter of 2018 joined the club as the Bloomberg Commodities Index posted a negative return as well. While the wide spread volatility seems to be checking a lot of boxes that would categorize it as unique, or an outlier, this reversion to mean of sorts is what we think investors should be prepped for. A message we believed needed to be made abundantly clear coming into the year, we haven't been taken off guard. While many will rush to attribute these gyrations to a single cause, or tweet, we don't think there is a clear culprit other than: it was time. There was no shortage of noise during the quarter, with a couple market drivers that carry implications to make a tangible impact. With "Goldilocks" being the theme for so many coming into the year, it appears that the first quarter was when the three bears made it back home.

Authors: GFG Capital

Data: Provided by Bloomberg database. Past performance is not indicative of further returns.

Global Market Overview

1st QUARTER 2018

Markets seemed to diverge from the global fundamentals that support the asset classes in the first period of the year. Equities and commodities posted negative returns in the first 3 months of the year. Global fixed income squeezed out positive returns driven by emerging market paper (a risk on signal). When looking at U.S. fixed income, returns were negative for the aggregate index.

GLOBAL EQUITIES

-1.2%

WORLD INDEX

Global equities were lower to start the year after an exceptionally strong start in January.

GLOBAL FIXED INCOME

0.8%

TOTAL BOND

Fixed income managed to provide some cushion on a global scale, but investors who were not willing to take on EM risk, did not fair so well.

COMMODITIES

-0.4%

BLOOMBERG COMMODITY

Commodities finished lower in the period, a move that is seldom seen with equities and bonds each finishing negative as well.

CURRENCIES

-1.0%

DOLLAR INDEX

Dollar weakness was a main talking point in Q1, which added to inflation concerns in the first 90 days.

GLOBAL GROWTH

3.5%

WORLD GDP

Global growth was strong to end 2017, with expectations for a pickup in growth in the coming months.

REAL ESTATE

UNITED STATES	6.4%
CHINA	-0.1%
EUROPE	4.6%

Real estate remains strong in global markets, with housing providing stability to the expansion in the U.S.

INFLATION

UNITED STATES	1.6%
CHINA	2.9%
EUROPE	1.3%

Inflation remains at the forefront of investors' minds. The most recent CPI readings less-food and energy came in below 2% in the U.S.

EMPLOYMENT

UNITED STATES	4.1%
CHINA	3.9%
EUROPE	7.3%

Employment continues to drop at a rapid rate, and full employment is close in US.

Source: Data using Bloomberg data. **World Index**: MSCI World Index. **Total Bond**: Vanguard Total Bond Fund BNDX. **Commodities**: Bloomberg Commodity Index. **Dollar Index**: DXY Dollar Index. **World GDP**: Bloomberg Data. **Real Estate**: US/ Case Shiller 20 City YoY, China: China First Tier Cities Newly Built Residential Buildings Prices YoY Average, Europe Eurostat House Price Index European Union YoY **Inflation:** US: US Personal Consumption Expenditure Core Price Index YoY SA, China: CPI National Bureau of Statistics of China, Europe: Eurostat European Union HICP All Items YoY NSA, **Employment**: US: BLS Unemployment Rate, China: China Qtrly Registered Unemployment Rate in Urban, Europe: Eurostat Unemployment EU SA. Past performance is not indicative of further returns.

Current Positioning

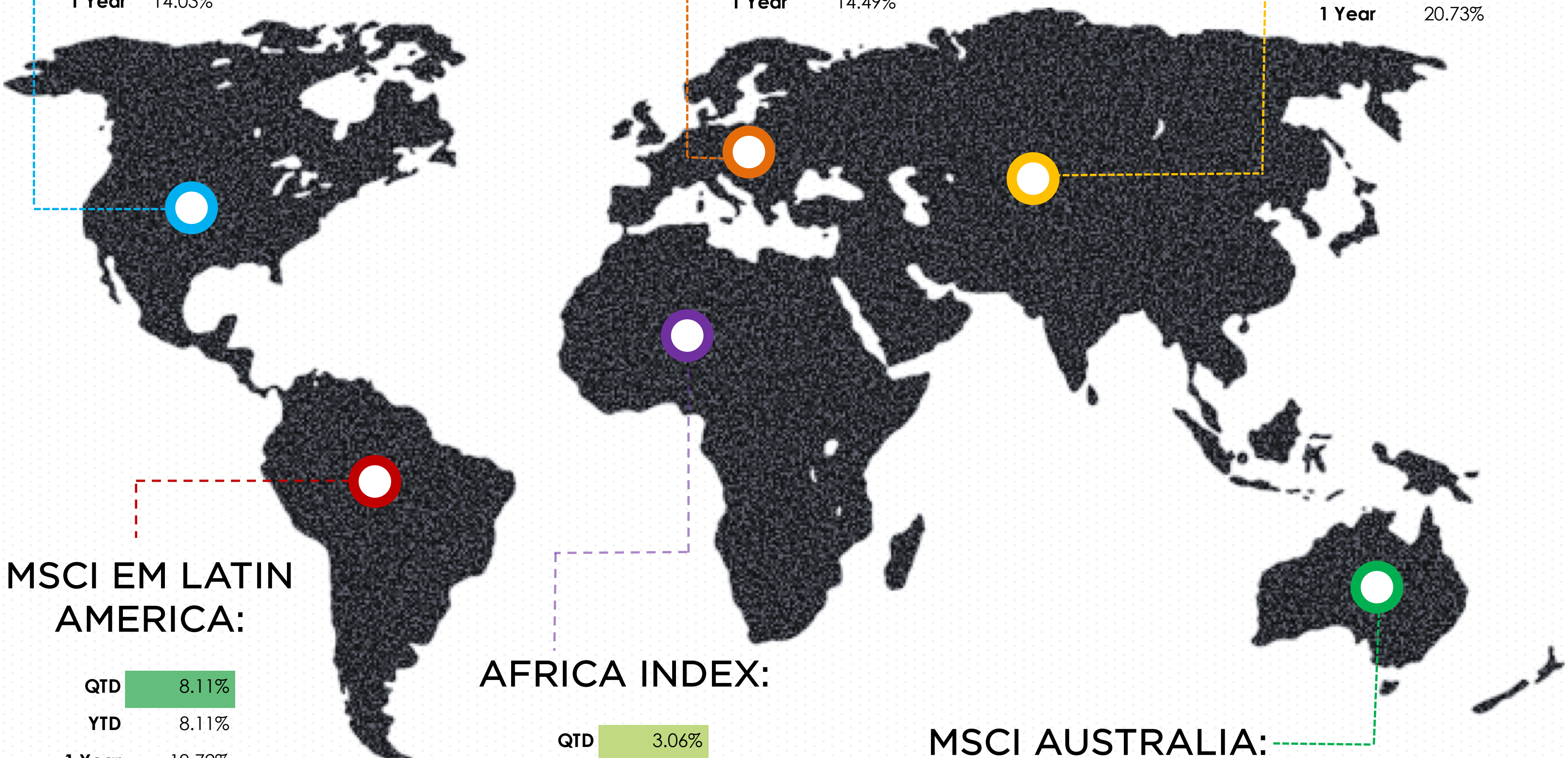
◀ Negative shift in sentiment QOQ — ▬ No shift in sentiment QOQ — ▶ Positive shift in sentiment QOQ

Asset Class		Rationale
IG Debt	◀	We remain constructive on investment grade corporate debt, with a bias towards shorter dated paper.
TIPS	▶	Relative performance of TIPS should continue to be supportive of the asset class, but we view the allocation as a hedge more than anything.
US High Yield	▬	Even with the adjustment to corporate tax policy, we believe the vast majority of the HY space remains well covered. The attractive relative yield opportunity once again has become a focal point for the asset class.
Senior Loans	▶	With the short end of the yield curve experiencing the bulk of the move at this point, we remain constructive of the floating floor structure of the asset class. We're cautious on the new issues coming to market price above historical mean levels.
EM Debt	▬	Corporate balance sheets within EM countries continue to improve. Similar to HY, the sheer demand for yield and income that remains in the world will continue to support these spaces. This remains one of the most attractive debt segments in our eyes.
US Large Cap Value	◀	Weakness in equities broadly speaking was attributable to the lack of sector rotation late in the quarter. We're cautious on investor's willingness to continue the rotation we saw in 2017 without evidence being brought forward to support it.
US Large Cap Growth	◀	Weakness in tech has weighed on the growth style which is being dragged down by tariff concerns. With targeted tariffs on technology sectors proposed by the administration, it will take a U.S.-China trade resolution to ease the headwinds on the space. This won't happen overnight.
US Small Caps	▬	There has been less evidence of the small company premium which has weighed on our view of the asset class as a whole. We don't think the beneficiary bump from domestic policy will be as clear as anticipated.
Asian-ex Japan Equities	▬	Despite the concerns of trade wars, we view the strategic moves made by Beijing in the early part of the year have long term implications. Value can be found in other emerging Russian economies that have begun to participate in the EM rally.
Emerging Market Equities	▬	Valuations and momentum within the EM space continues to be a bright spot. Earnings revisions also build a strong case for global EM equities. The potential for continued conversion between emerging and developed markets in 2018 remains intact.
EAFE Equities	▬	After a strong showing in 2017, Q1 saw weakness spread into EAFE equities. We remain constructive on the foreign economy's role in the global growth story moving forward.
Infrastructure	▬	Long-term we see the value of having an infrastructure play within our portfolio. We continue to source direct/private investment opportunities. Infrastructure as an asset class is still very immature which creates a hurdle for access in the secondary market.
Alternatives	▶	With valuations not cheap we remain focused on allocating portions of assets to lower correlated, yet interesting alternative investment ideas. In order for an investor to achieve desirable returns over the long-term today, we see increased value in private investments.
Real Estate	▬	We believe on a residential level, the health of the consumer continues to strengthen which bodes well for the housing market. With signs of increased millennial homeowner rates, the space stands to benefit immensely.

*No bull or bear icon indicated a neutral stance on the asset class

Source: Data using Bloomberg data. Please contact GFG Capital for any additional information: Opinions are that of GFG Capital and should not be used for any investment decisions.

Global Market Performance: in USD



MSCI US:

QTD	-0.63%
YTD	-0.63%
1 Year	14.03%

MSCI EUROPE:

QTD	-1.98%
YTD	-1.98%
1 Year	14.49%

MSCI ASIA PACIFIC:

QTD	-0.02%
YTD	-0.02%
1 Year	20.73%

MSCI EM LATIN AMERICA:

QTD	8.11%
YTD	8.11%
1 Year	19.72%

AFRICA INDEX:

QTD	3.06%
YTD	3.06%
1 Year	25.21%

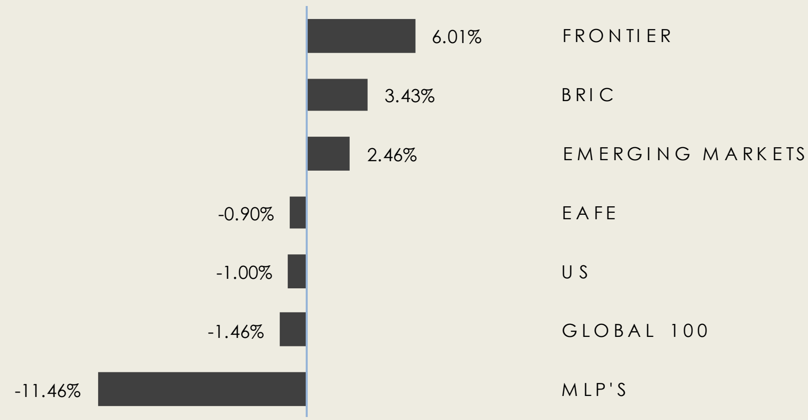
MSCI AUSTRALIA:

QTD	-4.96%
YTD	-4.96%
1 Year	1.98%

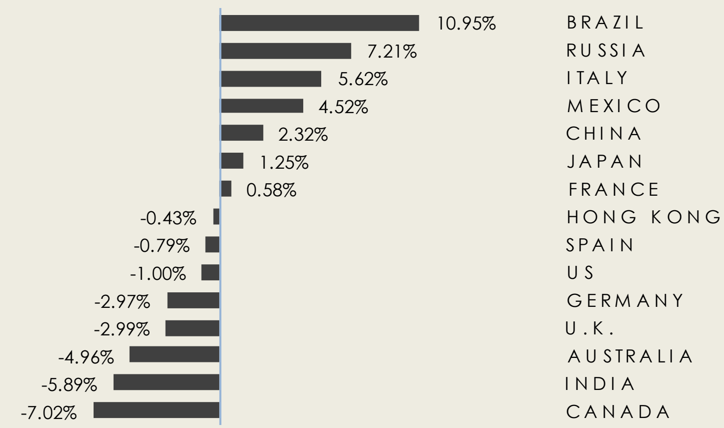
Source: Data using Bloomberg data. Each return stream is derived using MSCI Indices. MSCI United States Index, MSCI Europe Net Return USD Index, MSCI AC Asia Pacific Index, MSCI Emerging Markets Latin America Index, MARKET VECTORS AFRICA INDEX, iShares MSCI Australia ETF. Past performance is not indicative of further returns.

Equity Market Performance

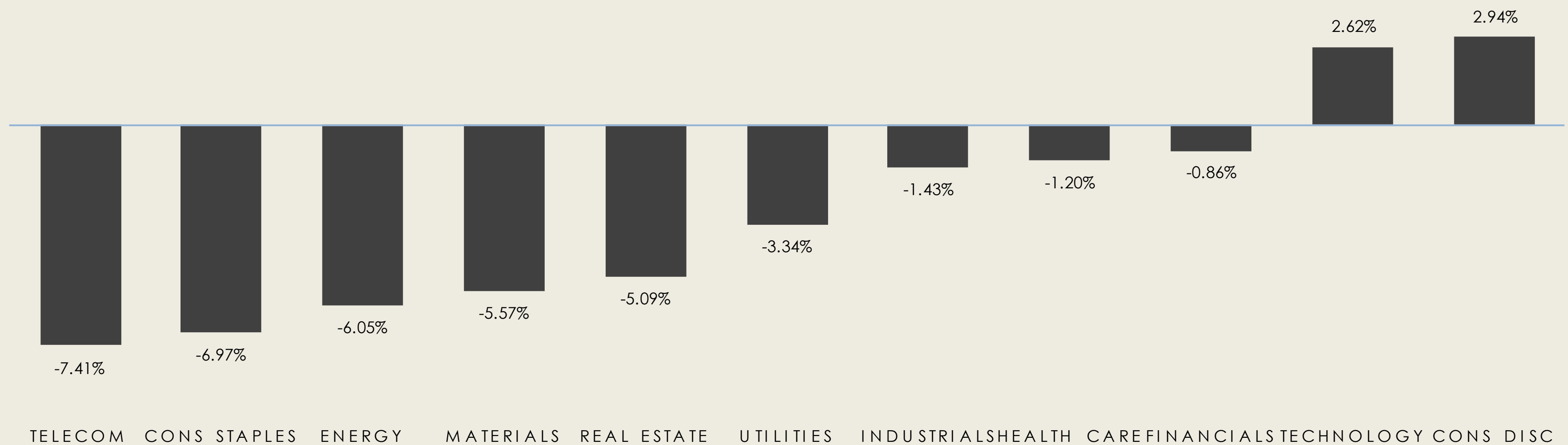
GLOBAL EQUITIES



EQUITIES BY COUNTRY



U.S. SECTORS

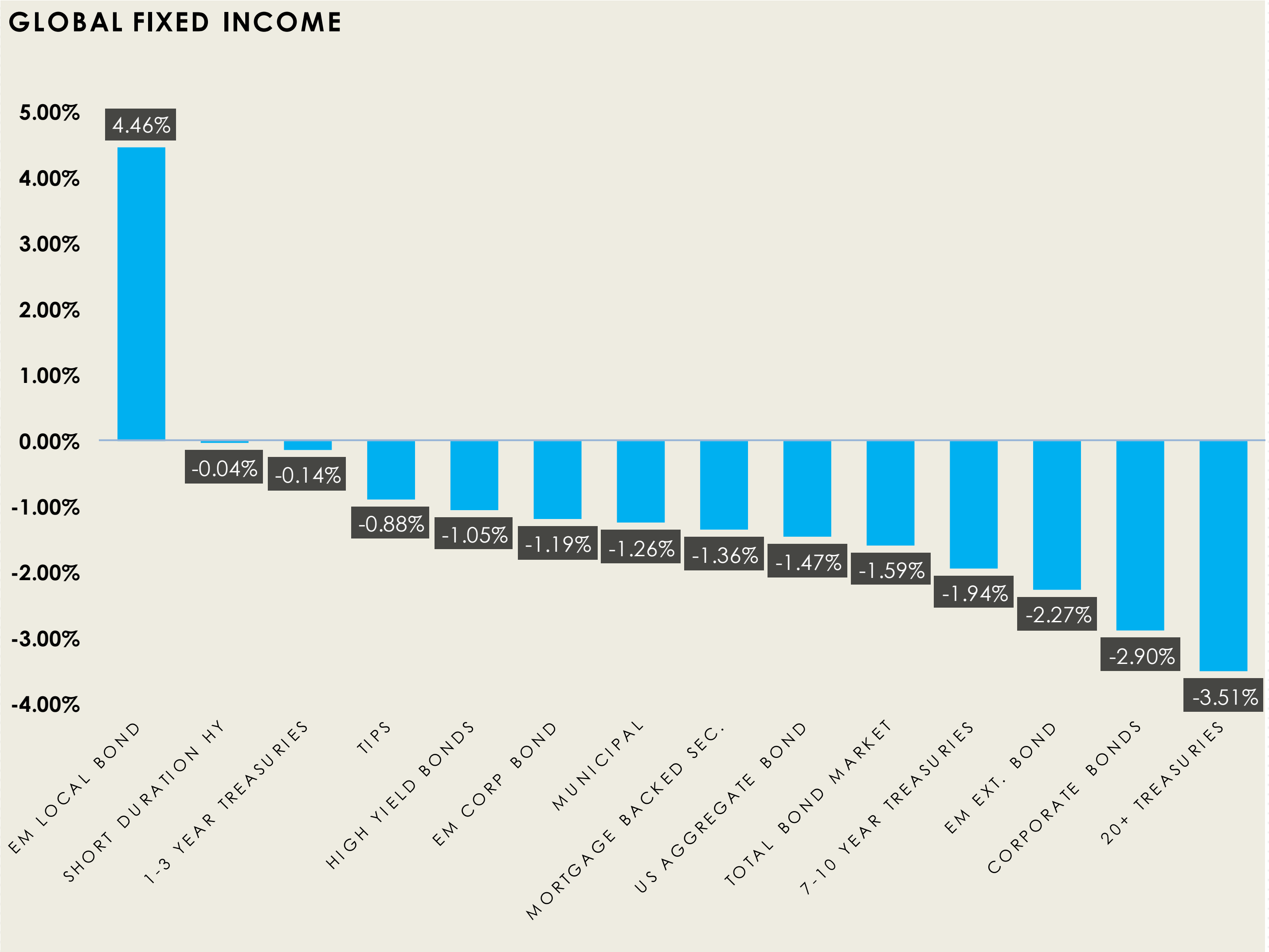


Data Used: Data using Bloomberg data. US (SPY ETF), MLPs (AMLP ETF), Frontier (FM ETF), Global 100 (LOO ETF), Emerging Markets (EEM ETF), EAFE (EFA ETF), BRIC (EEB ETF), India (INP ETF), China (FXI ETF), Hong Kong (EWH ETF), Canada (EWC ETF), Australia (EWA ETF), Japan (EWJ ETF), Spain (EWP ETF), UK (EWU ETF), France (EWQ ETF), Italy (EWI ETF), Mexico (EWW ETF), Germany (EWG ETF), Brazil (EWZ ETF), Russia (RSX ETF), Utilities (XLU ETF), HealthCare (XLV ETF), Technology (XLK ETF), Constumer Staples (XLP ETF), Financials (XLF ETF), Industrials (XLI ETF), Consumer Discretionary (XLY ETF), Materials (XLB ETF), Telecom (IYZ ETF), Energy (XLE ETF). These securities were selected based solely on their country exposure. GFG is not recommending a prospective client buy these positions. The above is provided for information purposes only and is not a forecast of sectors or equities . Past performance is not indicative of future returns.

Global Fixed Income Markets

Commentary: Fixed income had a hard time in the opening quarter of the year after bond yields continued to rise across the spectrum. While the move was wide in reach, investors continued to pile into emerging market debt. The relative yield opportunity continues to be a destination in a yield starved world.

But it is important for investors to remember a rise in bond yields is the only way a measurable real return will be made in the asset class in the long term. So long as an investor's holding period out stretches the period of rising yields, bond investors will benefit from the rise in yields.



Data Used: 20+ Treasury (TLT ETF),Municipal (MUB ETF), 7-10 Treasury (IEF ETF), Total Bond Market (BND ETF), US AGG (AGG ETF), MBS (MBB ETF), 1-3 Treasury (SHY ETF), Corporate Bond (LQD ETF), EM EXT Bond (EMB ETF), Short Duration HY (HYS ETF), EM Corp (CEMB ETF), High Yield Bonds (HYG ETF), TIPS (TIPS ETF), EM Local (LEMB ETF)

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RECENT MARKET

drivers

Recent Market Drivers

Valuations	U.S. equity valuations are high by conventional metrics. When taking the current investment environment into consideration, valuations take on a less frothy profile. On the other, bond yields have reversed course and fallen, indicating investor pessimism over future growth and inflation. Historically, valuation alone has been enough to be the catalyst for equity markets to move higher or lower. Today, investors must take valuations into consideration with context.
Economic Growth	The synchronization of global growth has been the tune whistled down Wall Street for about 18 months. This led to a peaceful 2017 and the discussion of Goldilocks scenarios coming into 2018. But with the global economy moving forward in lockstep, markets have not reflected this backdrop in the first 90 days of the year. We think there is a bit of paranoia built up that has investors trying to determine how long this could last. And how strong it actually is.
Yield Curve	For us, the argument that the flattening of the yield curve precedes a recession is only partially true. In reality, recessions have historically been led by an inverted yield curve. What we mean by this is the yield on the 2-year treasury supersedes the yield on the 10-year treasury. Equities have historically performed well during periods of flattening yield curves, and have shown a lag in downturn even after the curve turned inverted.
Inflation	Inflation, and its volatility, could play a pivotal role in several different scenarios playing out in 2018 and into 2019. Inflation has long been something investors have not had to concern themselves with. Many point to central banks and the role they've played, but we'd argue technology is the bigger culprit in inflation remaining muted. If inflation can manage to surprise to either the upside or downside in 2018, markets are in for a wake up call.
Trade Wars	Trade wars have been the loudest headline to hit markets this year, and for the first time in recent history we can acknowledge some noise coming form the hype machine. The current trade situation has the potential to materialize into a tangible negative impact on the market. We continue to monitor this situation with asset allocation in mind, but acknowledge the tangled web the international trade world is. There is no clear cut beneficiary to a trade war, we emphasize global diversification.
Global Short Volatility Trade	Exceptionally accommodative central banks, record share buybacks, an avalanche of new strategies brought to market and traditional options action have all helped contribute to a global short volatility trade that is estimated at $1.5T in assets. This sizeable profile of short gamma stands to cause large shockwaves in the event of simultaneously deleveraging among these investors.
First Impressions	In Q1 we were introduced to the newest Chair of the Fed, Jerome Powell. Throughout the year we will see a shuffle among the Fed members, making the handling of the balance sheet that much more important, and difficult. Mr. Powell carries a more real world experience track record, and less academia. How his experiences influences his decisions as the Chairman of the Fed is a variable investors are not weighing lightly.
Bond Yields	Bond yields have been on the move in 2018 disrupting asset classes across the globe, and some investors have been left puzzled. Not only do we view this as a net positive for bond investors in the long run, we think this creates the opportunity for asset allocations to migrate closer toward intended risk profiles. With higher bond yields, equities have a higher hurdle to clear from a return perspective to be a viable alternative. This is called equity risk premium.
Low Return Environment	Low return environment are three words investors have been sold for nearly a decade. As we entered 2018 we outlined the reasons why there was more evidence of this concept today than in prior years. Coming off a year with exceptional returns, we reinforced these fundamentals and that extrapolation of 2017's performance could be a costly mistake. As we wrapped up Q1, a return of volatility and a bit more pause from investors have supported this low return environment in a way 2017 couldn't fathom.

Source: Opinions are that of GFG Capital and should not be used for any investment decisions. 1) Data is derived by Bloomberg and analyzed by GFG Capital. The data referenced above is also shown on page 14 of this presentation.

¯_(ツ)_/¯ synchronized global growth…then what?

Economic Growth

The synchronization of global growth has been the tune whistled down Wall Street for about 18 months. This led to a peaceful 2017 and the discussion of Goldilocks scenarios coming into 2018. But with the global economy moving forward in lockstep, markets have not reflected this backdrop in the first 90 days of the year. We think there is a bit of paranoia built up that has investors trying to determine how long this could last. It has us looking into how strong it really is.

Markets seem unimpressed, or maybe just forward looking

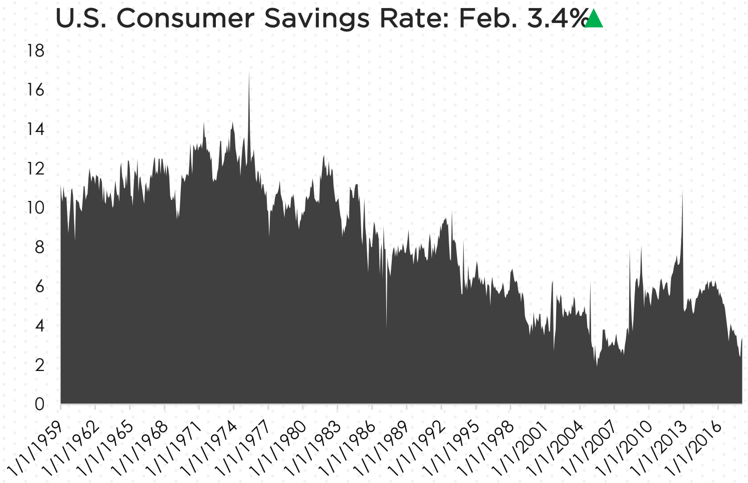
The start of 2018 was being pegged as an optimal growth environment for the global economy. Every corner of the globe was experiencing growth, with rising expectations. Even some unforeseen side effects are even more pro-risk asset than anticipated. So what gives? Not the consumer. A lot of the U.S. growth outlook is driven by the core of the U.S. economy: the consumer. Consumer spending accounts for 70% of GDP. Without the propensity to spend, nothing will be put into motion. In the first quarter, we saw consumer savings increase in the first two months, with expectations for the final reading of the quarter to now signal the same trend.

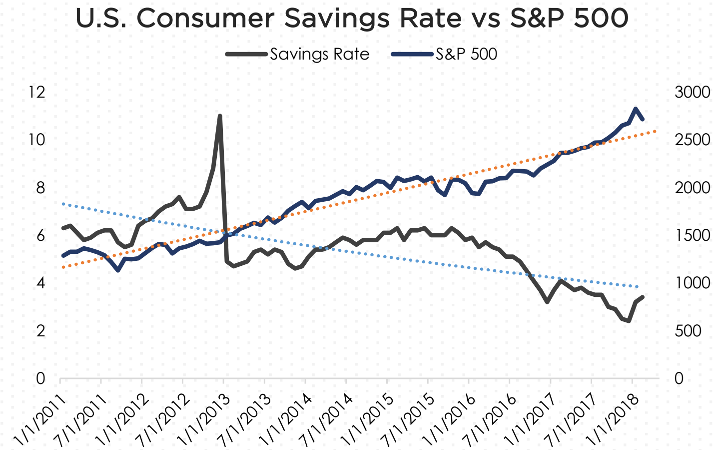
Some early signals could carry big implications

Fiscal policy to this point has been aimed at increasing the amount of dollars circulated within the economy. While monetary policy with the same objective entails printing new money, fiscal policy is urging spending. Both on a corporate level and consumer level. But without an uptick in spending from consumers (i.e. a decline in the savings rate), corporations will have little incentive to deploy their new found capital towards Capex, R&D or hiring. Instead, they'll likely resort to returning cash to shareholders.

The savings rate has been in a steady decline since it's peak in the 70's (top). But not all of this spending has been of the discretionary variety. In the last 6 months we've seen spending increase by 30% on food and energy items. This clip is an 11% increase over the last two years.

We don't see the global growth projection is being put at risk just yet. But this is something that carries more significant implications than the initial blip on the screen (bottom right). Are consumers unimpressed with the global growth story? Are they preparing for what comes after the growth trend plays out? Surely, Goldilocks didn't conduct her B&E (breaking and entering) and lived happily ever after. No, the bears came home and she ran screaming for help never to be seen again.





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rising bond yields aren't going to kill your portfolio

Bond Yields

Bond yields have been on the move in 2018 disrupting asset classes across the globe, and some investors have been left puzzled. Not only do we view this as a net positive for bond investors in the long run, we think this creates the opportunity for asset allocations to migrate closer toward intended risk profiles. With higher bond yields, equities have a higher hurdle to clear from a return perspective to be a viable alternative. This is called equity risk premium.

Is the run over?

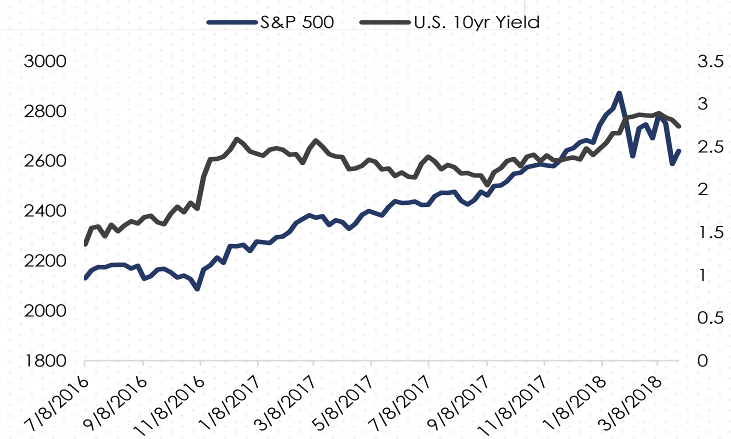
Bonds, and bond investors, have had seemingly no trouble generating a return over the last 30+ years (top). A bull market in bonds has been running at what seems like at an unstoppable rate. Naturally, there's been no complaints from owners of these assets. But we're seeing bond yields begin to move in a direction that is relatively foreign for many, which triggers a divergence in trend in price. This has left many investors to ask questions of how a change in environment will impact their fixed income positions. Have the good times come to an end? Not necessarily, we think things are setting up for a better picture down the road.

What's in a return?

Many investors might be thinking the fun is over in bonds and they shouldn't be used in their allocations if we're looking at a period of rising rates. An important point that needs to be understood by all investors is that without yield, you're not able to rely on bonds for a return. If bond yields are moving higher then this should be interpreted as higher future returns. Plain and simple. There is without a doubt a period of decline in principal given the inverse relationship, but its relatively short lived. If your investment period outpaces the cycle of rising rates, then you're a net beneficiary of the moves in the bond market. As time goes on and the debt you won matures, you now are able to reinvest at a higher coupon.

While rising bond yields give alternatives to investors to generate return, that doesn't completely wipe stocks out of the equation. Sure, the hurdle becomes higher for equities to surpass in order to justify their use, but that's not impossible. Bond yields as measured by the U.S. 10 Year Treasury have more than doubled since their bottom in July of 2016 (from 1.35% to 2.73% at Q1 end). In that same time, the S&P 500 returned more than 25% (bottom).

There is certainly no shortage of cause for volatility with moves within markets like this. Investors are being given new fundamentals that they must weigh in their investment decision process. For one reason or the other, rising bond yields seem to spook a lot of investors. But maintaining a mix between the two asset classes still remains the course of action to help buffer from turmoil on both ends.



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the common denominator for many storylines is one word

Inflation

Inflation, and its volatility, could play a pivotal role in several different scenarios playing out in 2018 and into 2019. Inflation has long been something investors have not had to concern themselves with. Many point to central banks and the role they've played, but we'd argue technology is the bigger culprit in inflation remaining muted. If inflation can manage to surprise to either the upside or downside in 2018, markets are in for a wake up call.

Spark Plug

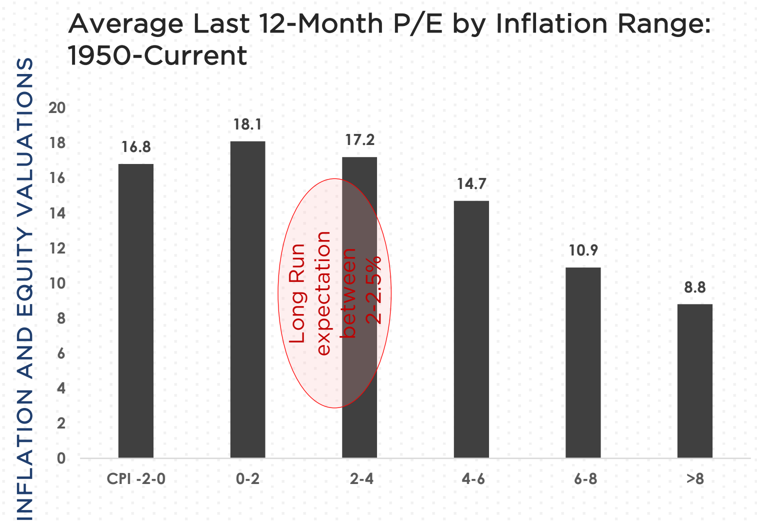
Like interest rates, inflation has seem to become investment folklore. Something only mentioned in history lessons when we recount the '80s. But as we enter 2018 we begin to assess the landscape we are tasked with navigating and there seems to be one common factor no matter where you turn whether it is equity valuations, bond yields, US earnings growth, equity volatility or the Federal Reserve: inflation.

Market Re-Rating

Taking a look into those history lessons, we see there is a rerating of the market that has generally taken place as inflation begins to creep up. While we don't foresee inflation bursting into the 4-5% range in the next twelve months, an increase in core inflation from 1.7% to, say, 2.2% shouldn't be out of the question. A move like this, coupled with where valuations are in respect to their historical norms could initiate a rerating of the market.

Higher Interest Rates Leading to Higher Volatility

Every question surrounding the Fed in 2018 can be brought back to inflation behavior as well. We have a sense of how the Fed should act in the first half of the year but that's as far as the current playbook brings us. Once we hit 2H there is an increase in the number of assets rolling off the balance sheet as well as a seasonally higher inflation period. If an uptick in inflation triggers a quicker hand from the new Fed Chair Jerome Powell, it could be the match to light the short volatility trade on fire. Similar to the Flash Crash in the '80's, inflation is beginning the year out at extraordinary low levels. And there are technological forces that exist today that we feel will keep the long term cap of inflation relatively low. But a surprise to the upside could bring in a bit more aggressive interest rate hikes, If this increase in inflation sparks a liquidity route and deleveraging event, the Fed in theory will not be able to cut rates quick enough to step in and ease the storm due to inflation marching higher. Introducing greater volatility than the multi decade lows we've been experiencing over the last 12 months.



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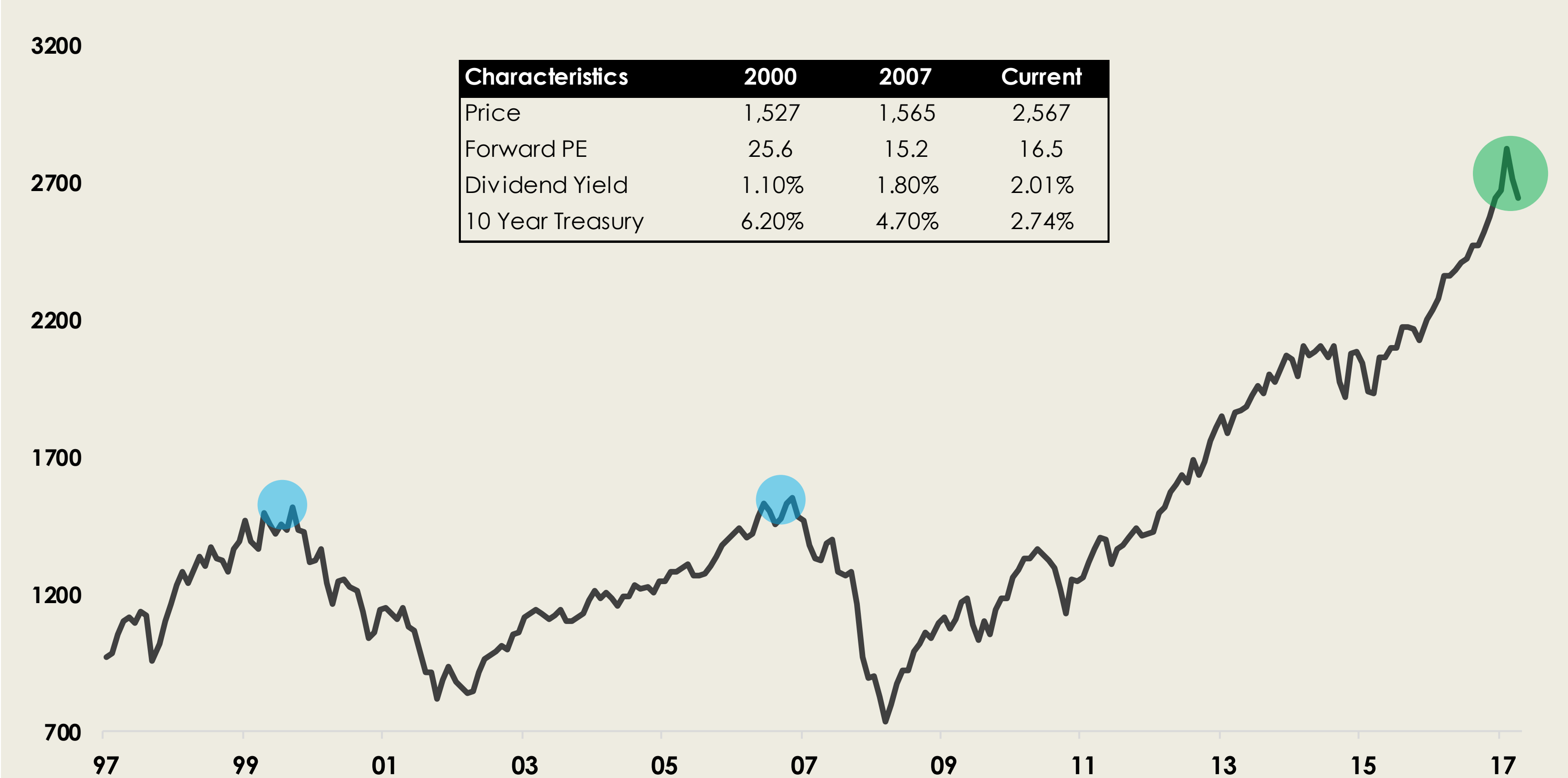
equities

S&P 500 Market View

Volatility was reintroduced to the market in a big way in Q1, as the S&P 500 posted back to back negative months in February and March. This retracement from all-time highs was one that was well overdue. Partially driven by movement in bond yields, we now see a 10-Year yield on the Treasury that exceeds the S&P 500 dividend yield. The dip in price also has also brought valuation lower, a concern for most investors, from where we began the year. We're still trading at a valuation above the pre-financial crisis high.

S&P 500 Price



Characteristics	2000	2007	Current
Price	1,527	1,565	2,567
Forward PE	25.6	15.2	16.5
Dividend Yield	1.10%	1.80%	2.01%
10 Year Treasury	6.20%	4.70%	2.74%

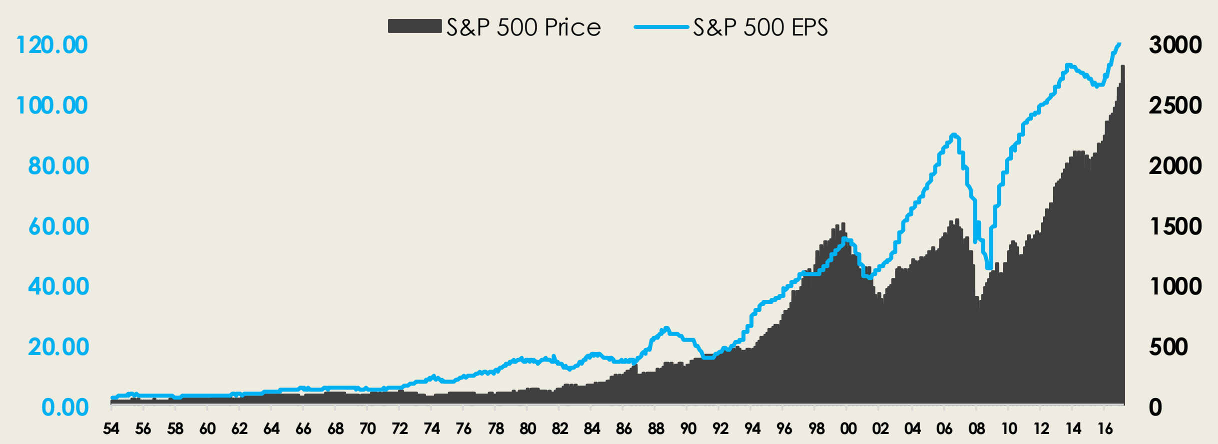
Source: S&P 500 Index. All data derived through Bloomberg L.P. Chart created by GFG Capital. Dates selected represent previous market tops prior to bear markets.

Price vs. Earnings Growth

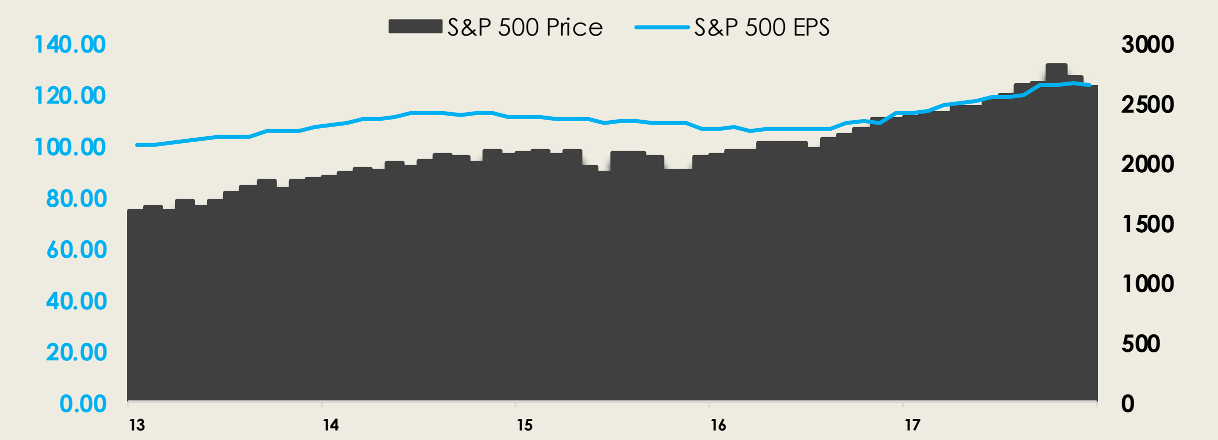
Commentary: When looking at the price action and growth of earnings, it is clear to see that earnings drives price. We maintain this mantra throughout our analytical process and know that reaching for returns is not an investment decision we are willing to make. Earnings have been on a positive streak of growth over the last 12 months after an extended period of decline dragged down by energy.

For Q1 2018, the estimated earnings growth rate for the S&P 500 is 17.3%. If 17.3% is the actual growth rate for the quarter, it will mark the highest earnings growth since Q1 2011 (19.5%). On December 31, the estimated earnings growth rate for Q1 2018 was 11.4%. Ten sectors have higher growth rates today (compared to December 31) due to upward revisions to estimates, led by the Energy sector[1].

S&P 500 Price vs. Trailing EPS Since 1954



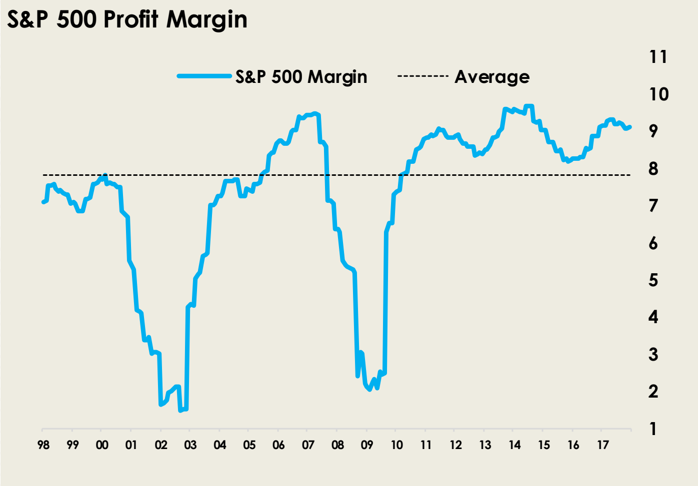
S&P 500 Price vs. Trailing EPS Last 5 Years

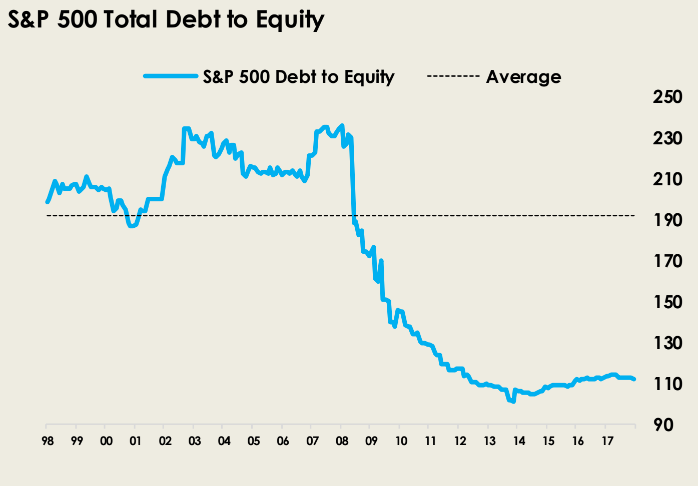


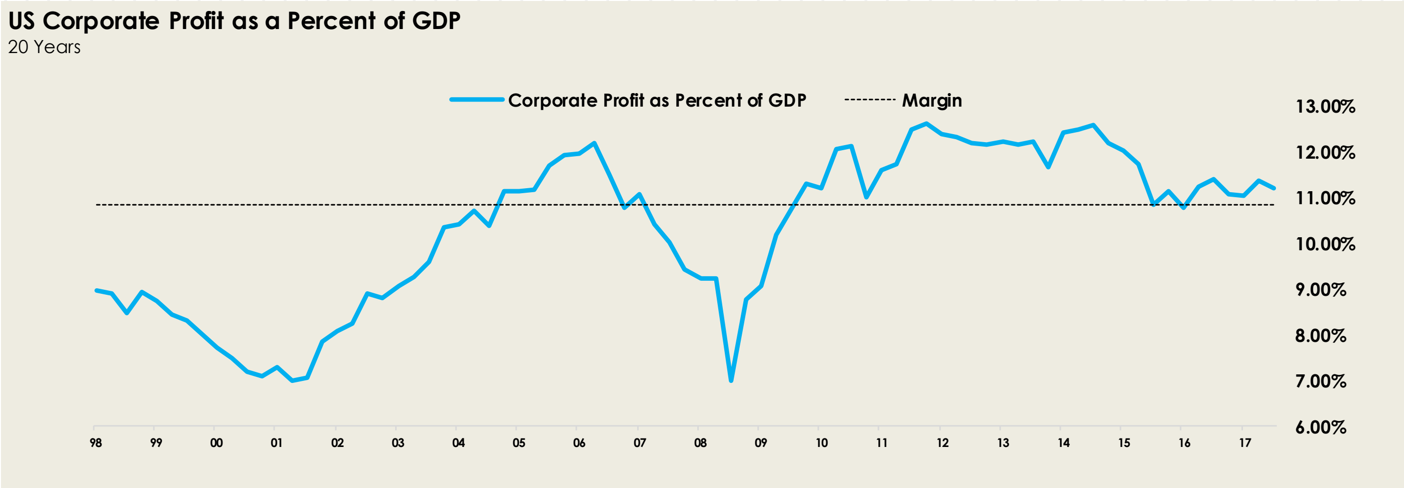
Source: [1] Factset. S&P 500 Index. EPS= Earnings Per Share. Bloomberg L.P. Chart created by GFG Capital.

S&P 500 Profits & Leverage

Commentary: Margins have continued to churn lower from peak levels reached back in 2013. Margin compression is a component that will work against earnings growth, and some reversion to the mean should be expected as the cycle continues to age.



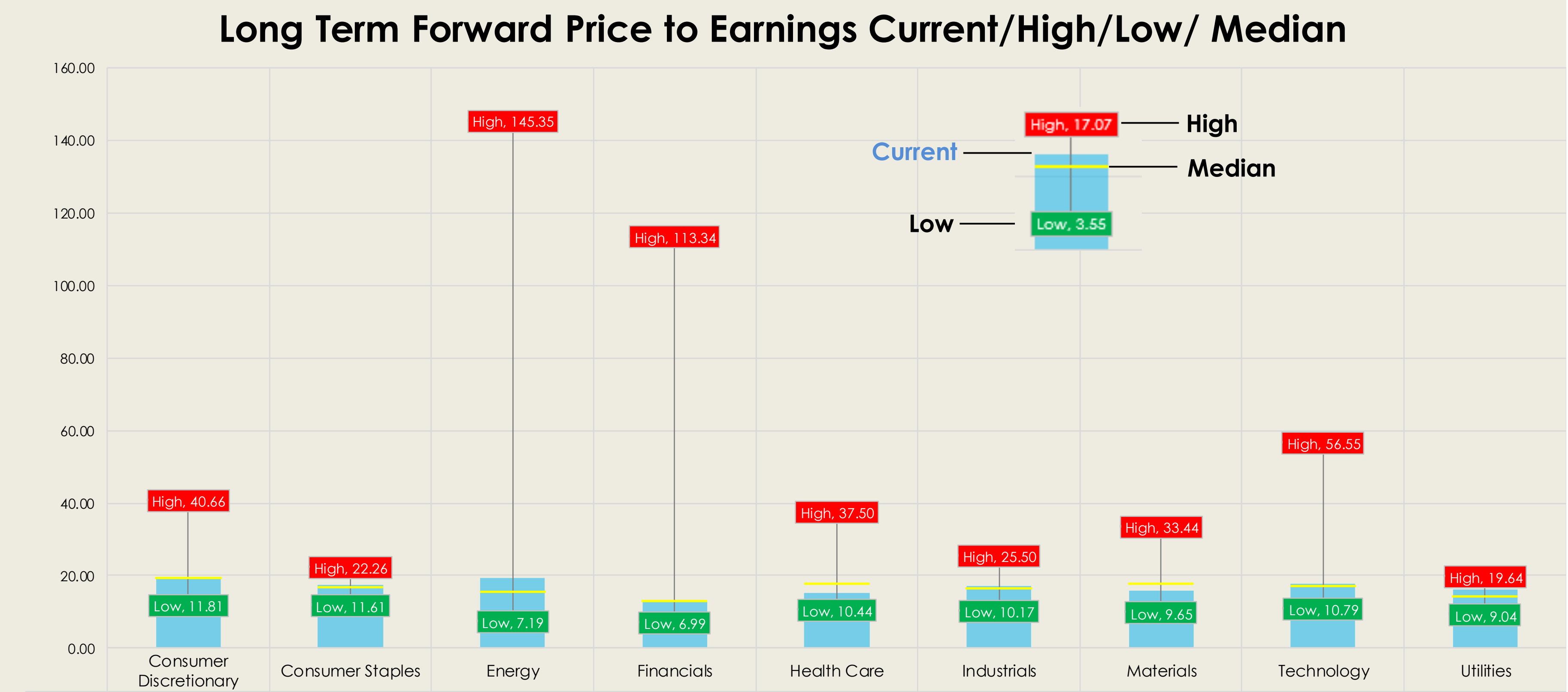




Source: S&P 500 Index. All data derived through Bloomberg L.P. Chart created by GFG Capital.

Sector Valuations: Forward Price to Earnings

At the end of Q1, 2 of the 11 sectors are trading at levels below their median valuation. Collectively, we've see valuations creep lower from the levels where we entered the year.



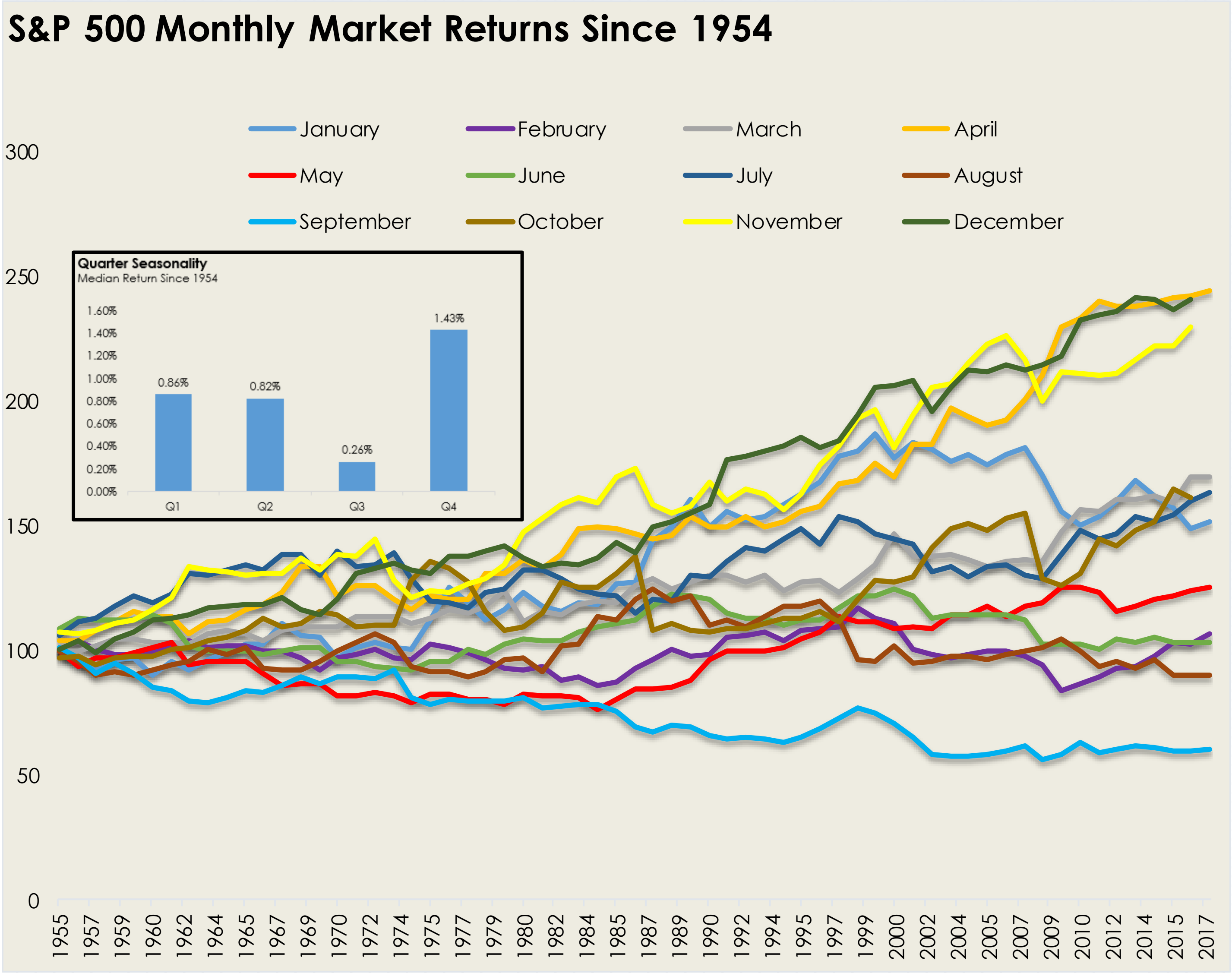
	Consumer Discretionary	Consumer Staples	Energy	Financials	Health Care	Industrials	Materials	Technology	Utilities
Current	19.18	17.36	19.34	13.02	15.26	17.12	15.88	17.59	16.19
Median	19.37	16.83	15.57	13.13	17.80	16.78	17.98	17.40	14.32
High	40.66	22.26	145.35	113.34	37.50	25.50	33.44	56.55	19.64
Low	11.81	11.61	7.19	6.99	10.44	10.17	9.65	10.79	9.04

Source: S&P 500 Index. All data derived through Bloomberg L.P. Chart created by GFG Capital.
All Standard & Poors GICS Level 1 sectors index.

Monthly Seasonality: Best & Worst

Commentary: The end of the first quarter marked one of the weaker Q1 performances relative to the historical seasonality.

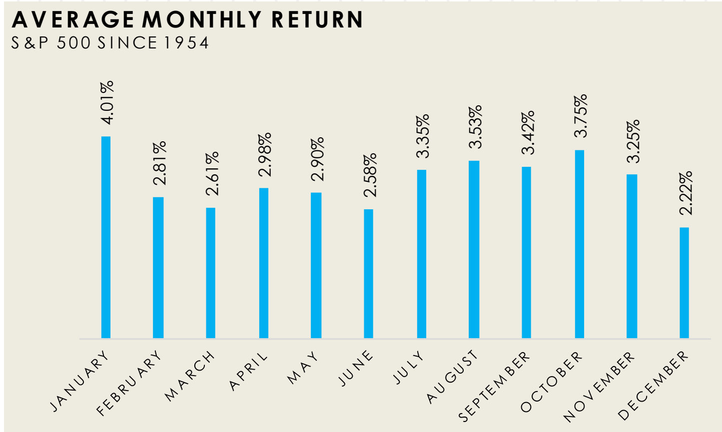
As we head into Q2, historical records would show a performance similar to what Q1 has provided historically. But in this environment, we expect everything but continuation.

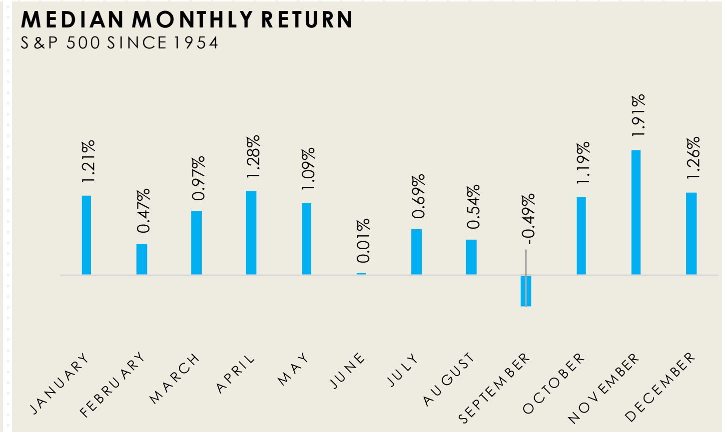


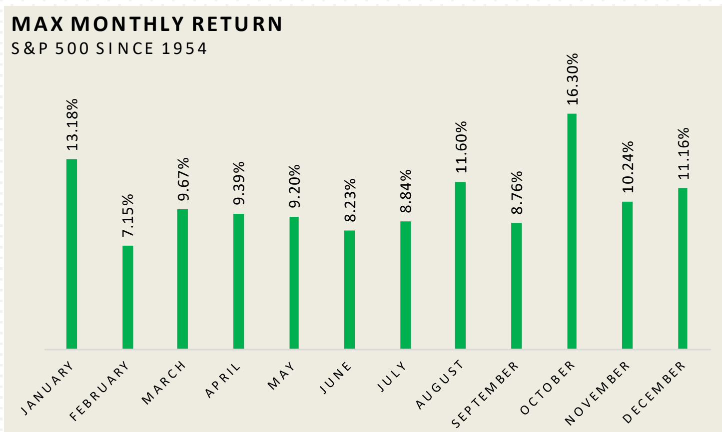
Source: S&P 500 Index. Using linked monthly return data since 1954. All data derived through Bloomberg L.P. Chart created by GFG Capital. Past performance is not indicative of further returns.

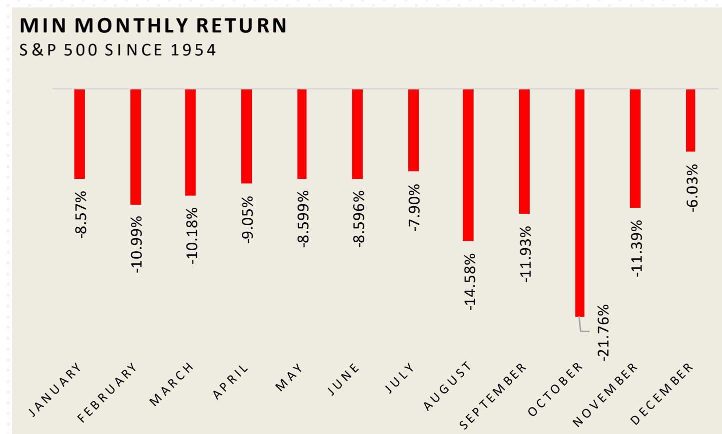
Monthly Seasonality: Risk Return

Commentary: Weakness tends to show up later in spring as we enter the summer months.









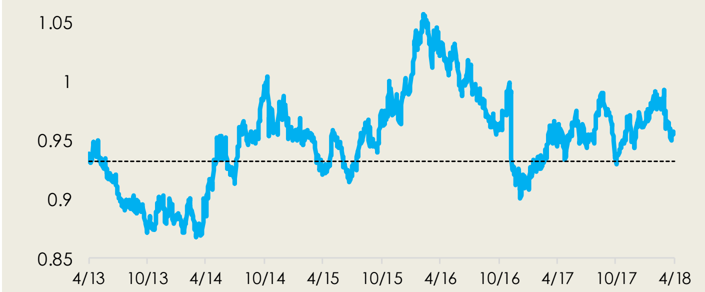
Source: S&P 500 Index. Using linked monthly return data since 1954. All data derived through Bloomberg L.P. Charts created by GFG Capital. Past performance is not indicative of further returns.

Market Rotation

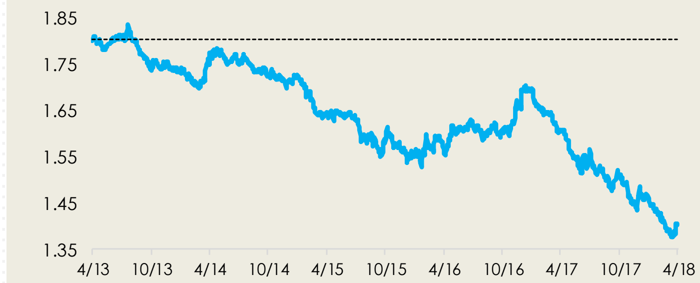
Commentary:
Growth equities have proven to be resilient in the wake of an administration that has not made life easy for them. A style dominated by technology names, there isn't a clear tie to fiscal policy for many of the names. However, the appetite as still been for these above trend growth names and equities within emerging markets.

Growth tends to be purchased at a premium at the later end of economic cycles as growth as a whole is tough to find. Early on in economic recessions (and expansions) value stocks will tend to outperform the market and growth style equities. This is attributable to the more established characteristics of the underlying company and their below intrinsic value of their share price. Later in cycles growth stocks will outperform their value counterparts as the market grows increasingly bearish on cyclical and fundamental headwinds that may weigh on the performance of the value space.

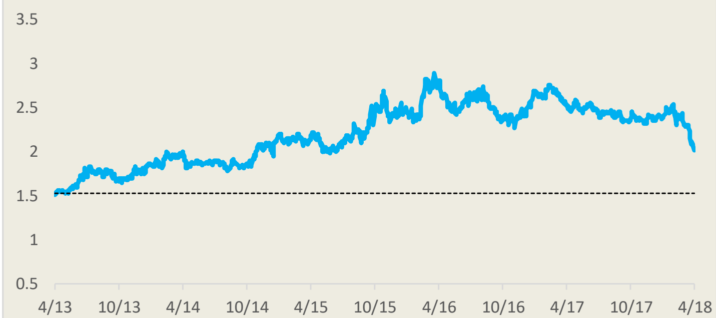
Large Cap vs. Small Cap
5 year



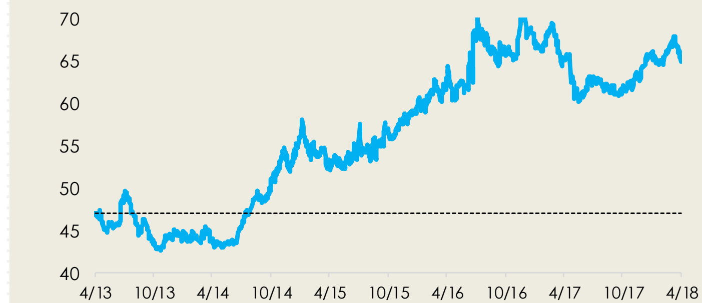
Value vs. Growth
5 Year



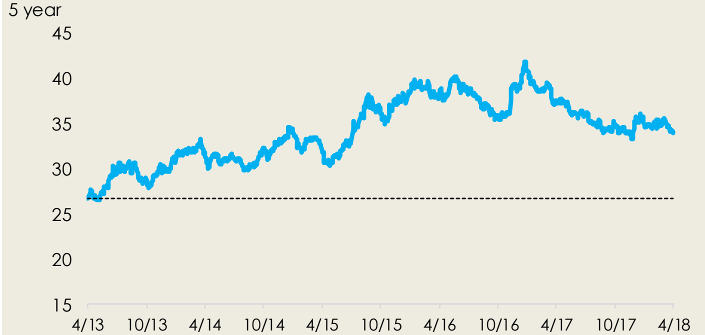
US Equities vs EM



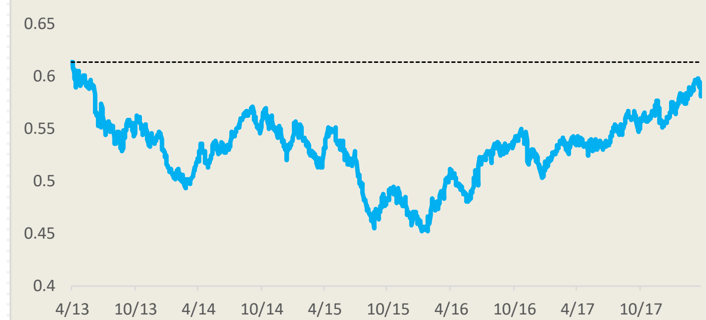
US Equities vs. European Equities
5 Year



US Equities vs. Asia Equities
5 year



EM Equities vs DM Equities



Source: Large Cap: Russell 1000 Index, Small Cap: Russell 2000 Index, Value : Russell 3000 Value Index, Growth: Russell 3000 Growth Index, US Equities: S&P 500 Index, EM Equity: EEM ETF: Asia; AAXJ ETF, Frontier: FM ETF . All data derived through Bloomberg L.P. Charts created by GFG Capital.

Market Technicals

Technical health for global markets was challenged in Q1, but long term trends remain healthy and positive for the most part.

Market	Short Term Trend	Intermediate Trend	Long Term Trend	Percent from 20 Day	Percent from 50 Day	Percent from 200 Day
Frontier Markets	Broken	Broken	Intact	-0.51%	-0.38%	7.93%
Japan	Broken	Broken	Intact	-1.29%	-2.92%	2.50%
Asia ex Japan	Broken	Broken	Intact	-2.92%	-3.54%	1.72%
20+ Year Bonds	Intact	Intact	Broken	2.11%	1.75%	-1.80%
Emerging Markets	Broken	Broken	Intact	-3.08%	-3.83%	2.33%
Dow Jones	Broken	Broken	Intact	-4.53%	-6.37%	0.26%
S&P 500	Broken	Broken	Broken	-5.19%	-6.07%	-0.98%
Europea Equities	Broken	Broken	Broken	-2.26%	-4.37%	-2.85%
Nasdaq	Broken	Broken	Intact	-7.31%	-6.71%	1.34%

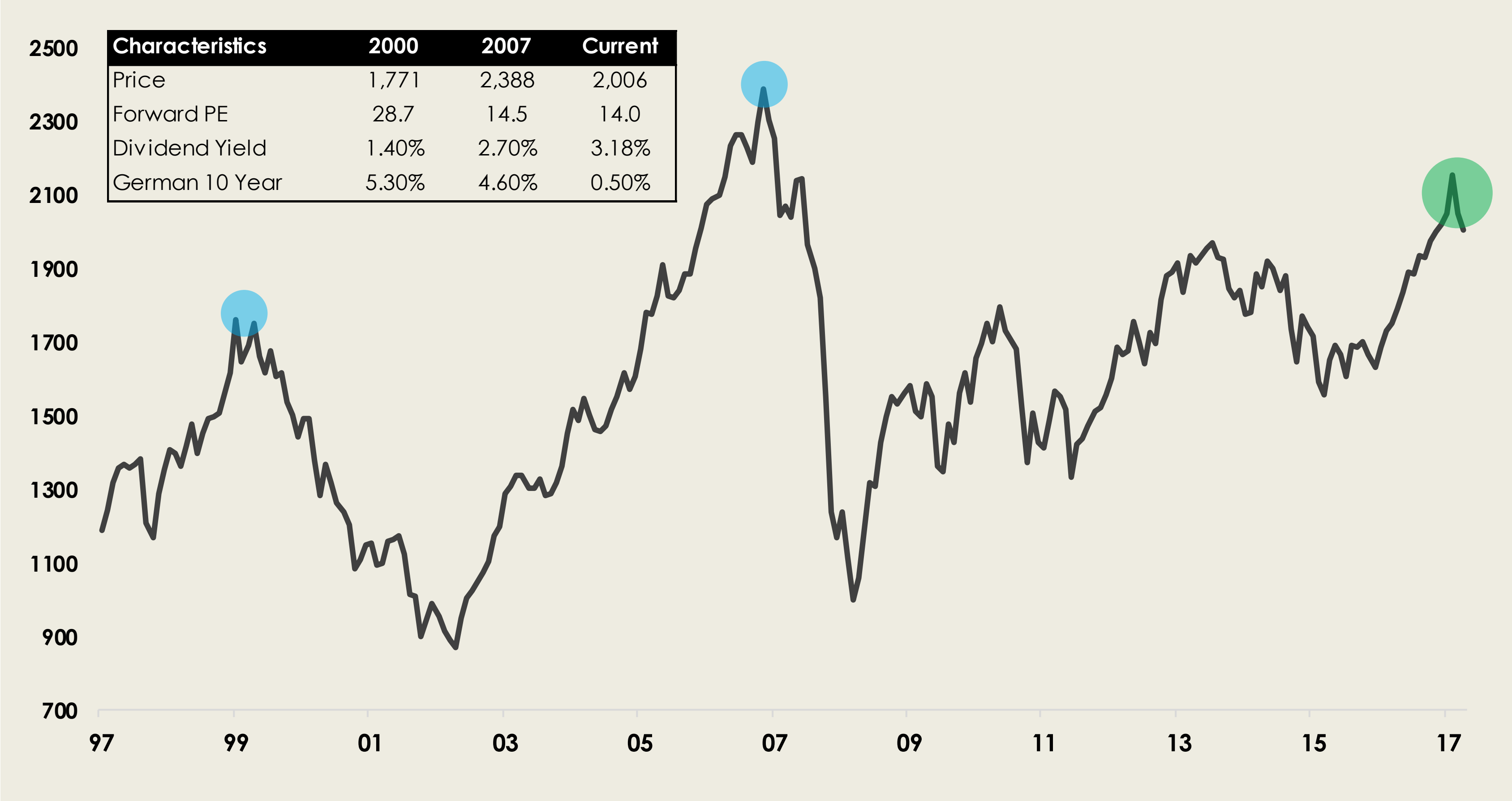
Source: Asia x. Japan: AAXJ ETF, Japan: EWJ ETF, Emerging Markets: EEM ETF, Nasdaq: QQQ ETF, Frontier Markets: FM ETF, S&P 500: SPY ETF, European Equities: FEZ ETF, 20+ Year Bonds: TLT ETF, DOW Jones: DIA ETF . All data derived through Bloomberg L.P. Chart created by GFG Capital.

EAFE Equity High Level Market Review

Looking at the developed market index, we see similar conditions as the US. Relatively similar valuations to 2007, much lower than 2000, a higher dividend, and low bond yields. These are favorable characteristics for equities and “risk-on” assets.

MSCI EAFE INDEX

Characteristics	2000	2007	Current
Price	1,771	2,388	2,006
Forward PE	28.7	14.5	14.0
Dividend Yield	1.40%	2.70%	3.18%
German 10 Year	5.30%	4.60%	0.50%



Source: MSCI EAFE Index. Developed Market Index excluding US and Canada. All data derived through Bloomberg L.P. Chart created by GFG Capital. Dates selected represent previous market tops prior to bear markets.

Emerging Equities High Level Market Review

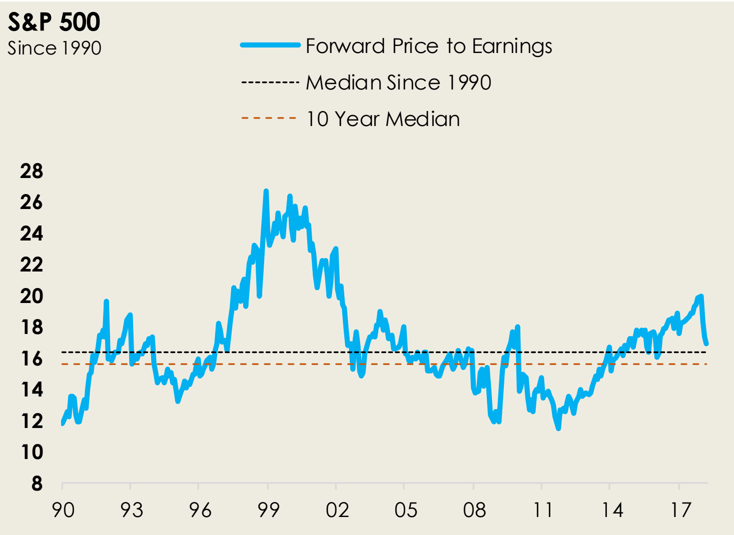
Emerging market equities have been the leaders for the year, breaking out of a 5 year downtrend since their peak in ‘06. At under 13x forward earnings, we view these assets as one of more attractive opportunities today.

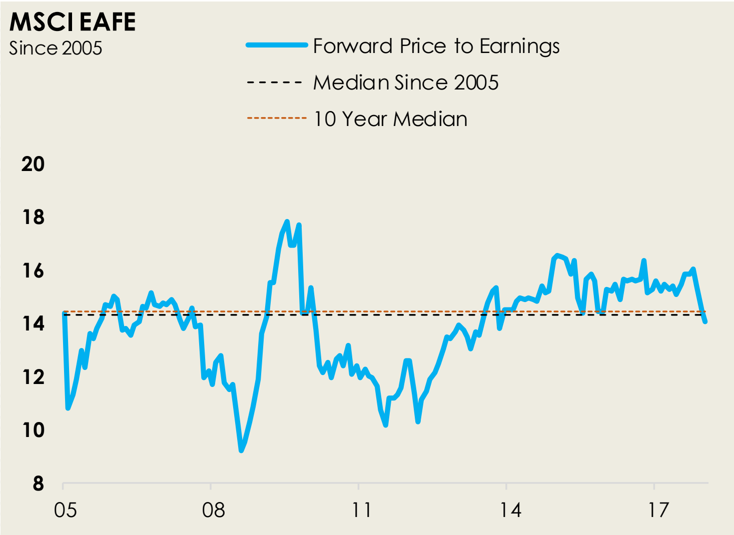
Characteristics	2007	2011	Current
Price	1,338	1,205	1,171
Forward PE	16.5	17.14	12.5
Dividend Yield	1.89%	2.24%	2.41%
10 Year Treasury	6.20%	4.70%	2.74%

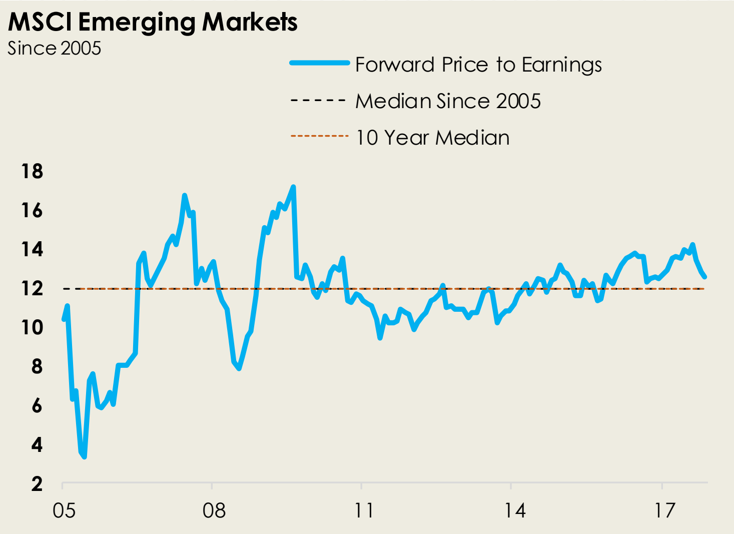
Source: MSCI Emerging Market Index. All data derived through Bloomberg L.P. Chart created by GFG Capital. Dates selected represent previous market tops prior to bear markets.

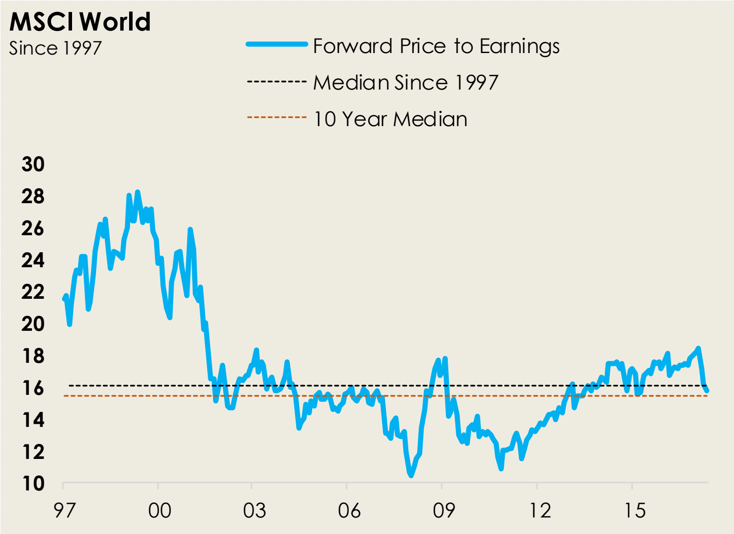
Global Valuations: Major Markets

Commentary: Price compression for most indices in the quarter helped ease some valuation concerns. Globally, valuations on global and EAFE equities have now dipped below their long term median valuations.







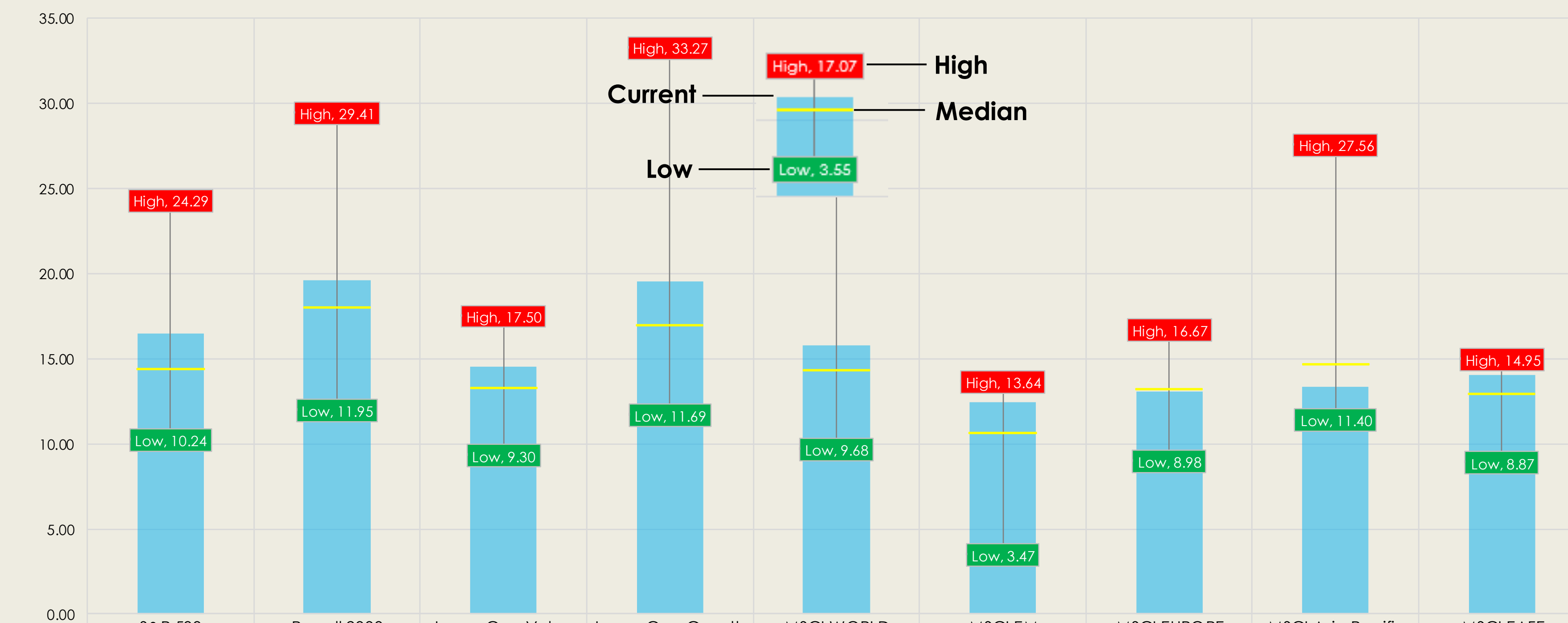


Source: S&P 500: S&P 500 Index. **MSCI EAFE Index**. Developed Market Index excluding US and Canada. **MSCI Emerging Market Index**. MSCI World Index. Captures large and mid cap companies covering developed countries. All data derived through Bloomberg L.P. Charts created by GFG Capital.

Regional Valuations: Forward Price to Earnings

Valuations on a global level have come down, but some of the more attractive relative valued opportunities remain outside of the U.S. The S&P 500 has come down from its recent highs in valuation, making it a more compelling play today.

Long Term Forward Price to Earnings Current/High/Low/ Median



	S&P 500	Russell 2000	Large Cap Value	Large Cap Growth	MSCI WORLD	MSCI EM	MSCI EUROPE	MSCI Asia Pacific	MSCI EAFE
Current	16.46	19.59	14.51	19.55	15.76	12.48	13.08	13.38	14.04
Median	14.44	18.03	13.30	17.01	14.35	10.66	13.23	14.69	13.01
High	24.29	29.41	17.50	33.27	26.50	13.64	16.67	27.56	14.95
Low	10.24	11.95	9.30	11.69	9.68	3.47	8.98	11.40	8.87

Source: 10 Year Period ending September 30th, 2015. Forward Price to Earnings ratio provided by Bloomberg composite estimates. All data derived through Bloomberg L.P. Chart created by GFG Capital. All indices are listed above other than Large Cap Value (Russell 1000 Value) and Large Cap Growth (Russell 1000 Growth) .

Global Valuations: Regional & Country Level

Commentary: To the right we show global equity valuations. Over the past 24 months we've seen impressive performance in U.S. equities which can largely be attributed to multiple expansion. This has caused the U.S. equity markets to become some of the most expensive in the world.

All while improving economic conditions and business environment across the pond have painted an attractive investing environment. Today, European equities remain close to their median historical forward P/E levels; while carrying a more attractive relative valuation vs the U.S.

MARKET	INDEX	Index	TRAILING P/E	FORWARD P/E	P/B	P/S	EV/EBITDA	DIVIDEND YIELD
WORLD DEVELOPED	MSCI WORLD INDEX	8.00	19.0	15.8	2.3	1.7	11.7	2.42%
EMERGING	MSCI EMERGING MARKETS	18.00	15.3	12.5	1.8	1.4	9.6	2.41%
FRONTIER MARKETS	MSCI FRONTIER MARKET	18.00	14.7	13.0	2.0	2.5	8.4	3.14%
STOXX 50 (EUROZONE)	ESTX € Pr	26.00	15.0	13.5	1.5	1.1	8.3	3.44%
EUROPE	MSCI EUROPE	21.00	15.5	14.2	1.8	1.2	9.1	3.51%
ASIA	MSCI AC ASIA PACIFIC	20.00	14.6	13.4	1.6	1.3	9.3	2.40%
EM LATIN AMERICA	MSCI EM LATIN AMERICA	11.00	20.2	14.3	2.1	1.6	9.2	2.72%
S&P 500	S&P 500 INDEX	4.00	20.7	16.5	3.1	2.1	13.1	2.01%
DOW JONES	DOW JONES INDUS. AVG	6.00	19.0	16.0	3.8	2.1	11.9	2.26%
NASDAQ	NASDAQ COMPOSITE INDEX	1.00	29.2	20.9	4.2	2.5	19.6	1.13%
US MID CAP INDEX	S&P 400 MIDCAP INDEX	7.00	22.8	17.5	2.3	1.3	12.6	1.65%
US SMALL CAPS	RUSSELL 2000 INDEX	3.00	47.1	24.7	2.3	1.2	17.8	1.36%
CANADA	S&P/TSX COMPOSITE INDEX	13.00	17.3	15.1	1.8	1.6	11.6	2.94%
UNITED KINGDOM	FTSE 100 INDEX	27.00	13.1	13.4	1.7	1.1	8.8	4.56%
GERMANY	DAX INDEX	28.00	13.8	12.6	1.7	0.9	6.9	2.66%
FRANCE	CAC 40 INDEX	23.00	16.1	14.3	1.5	1.1	9.2	3.19%
AUSTRALIA	MSCI AUSTRALIA	13.00	16.2	15.2	1.9	2.2	11.7	4.63%
JAPAN	NIKKEI 225	17.00	15.7	15.5	1.7	1.1	8.9	1.73%
BRAZIL	BRAZIL IBOVESPA INDEX	15.00	21.0	12.6	1.9	1.5	9.4	2.92%
COLOMBIA	COLOMBIA COLCAP INDEX	22.00	16.3	13.8	1.3	1.1	8.6	2.44%
MEXICO	MSCI MEXICO	10.00	19.9	15.8	2.5	1.4	8.8	2.49%
CHINA MAINLAND	SHANGHAI SE COMPOSITE	16.00	16.0	12.3	1.7	1.3	14.7	1.92%
CHINA A SHARE	SHENZHEN CSI 300	11.00	15.4	12.9	2.0	1.5	14.0	1.87%
HONG KONG	HANG SENG INDEX	24.00	12.6	11.6	1.4	2.1	9.4	3.35%
INDIA	MSCI INDIA	2.00	21.6	20.5	3.1	2.1	12.5	1.38%
INDONESIA	MSCI INDONESIA	4.00	18.0	16.1	2.9	2.8	10.3	0.00%
SOUTH KOREA	KOSPI INDEX	24.00	17.5	9.5	1.1	0.6	7.4	1.63%
RUSSIA	MSCI RUSSIA	29.00	7.8	6.4	0.9	1.0	4.9	4.77%
GREECE	MSCI GREECE	9.00	32.2	20.9	1.8	2.6	6.9	3.22%

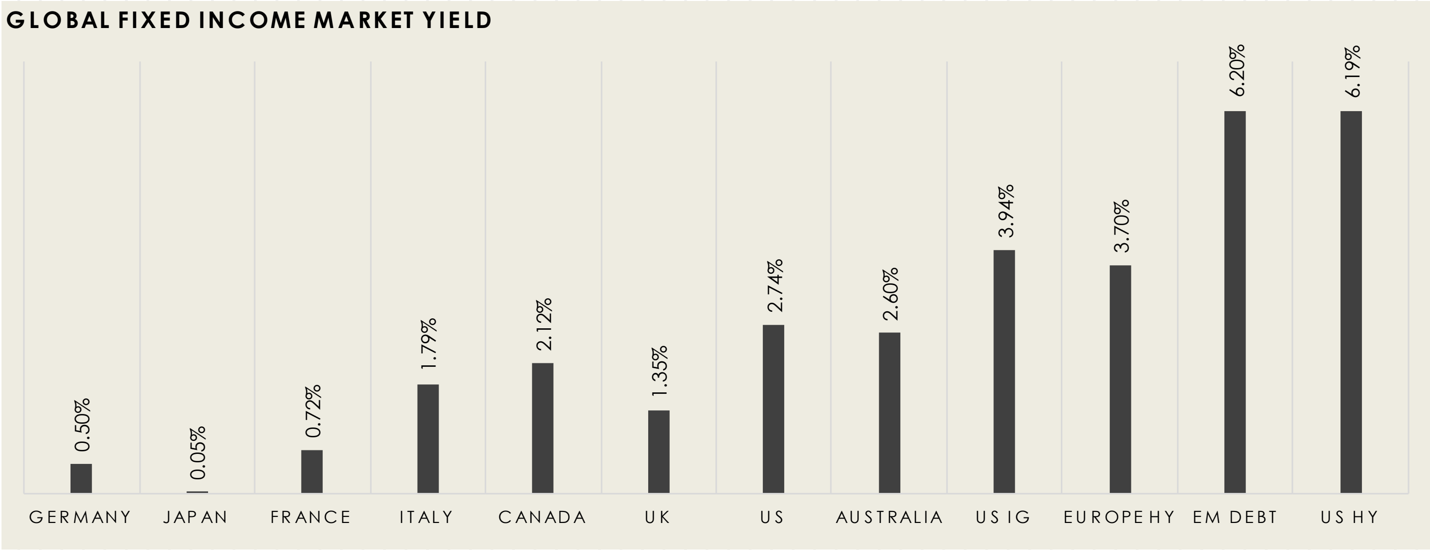
Source: Data provided by Bloomberg. Index column is based on the ranking from least expensive to most expensive for each metric used. The index column takes the average ranking of these columns. Each data point is the current level using Bloomberg data of the underlying index.

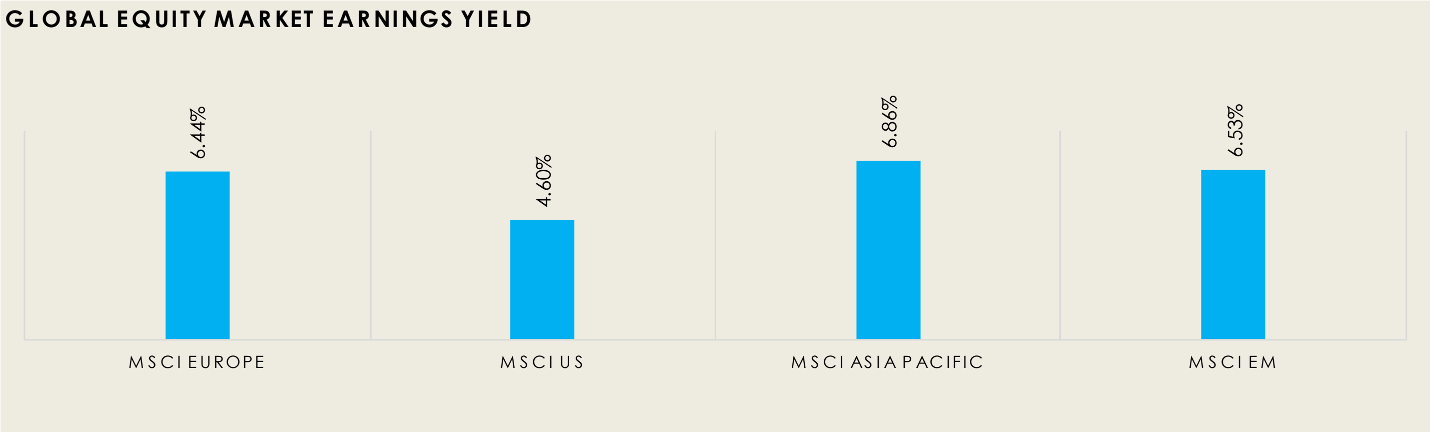
Global Risk Premiums

Commentary: A risk premium is the return in excess of the risk-free rate of return an investment is expected to yield; an asset's risk premium is a form of compensation for investors who tolerate the extra risk, compared to that of a risk-free asset, in a given investment.

Global risk premiums are the difference between the yield in equities versus the yield in fixed income. Today these premiums still favor ownership of equities over fixed income. With global sovereign bond yields still relatively muted, the hurdle for return equities must clear is contained. This paints an environment that favors equity risk.

Earnings yield are the earnings per share for the most recent 12-month period divided by the current market price per share. The earnings yield (which is the inverse of the P/E ratio) shows the percentage of each dollar invested in the stock that was earned by the company.





Source: The fixed income yield is based on the 10 Year Generic Government Bond Yield using Bloomberg Generic bond yield function. Earnings Yield is the reciprocal of the price to earnings ratio of the stated MSCI equity index. All data derived through Bloomberg L.P. Chart created by GFG Capital.

FIXED income

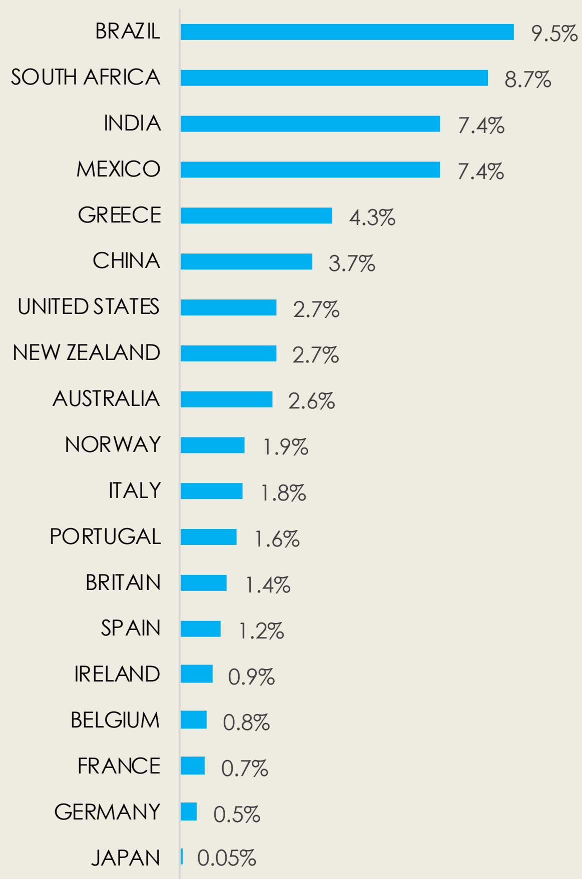
Government Bond Yields

Commentary: Government yields across the globe remain relatively subdue, compared to historical levels. While we trek through a rate normalization environment, yield will still come at a premium. Investors will be forced into segments of the market that extend out of their comfort zones. In today's yield environment, investors can be forced into asset allocations that might drift from their risk profile, in search of yield.

Today, the yield on U.S. 10 year paper continues to climb higher towards 3%. This move higher starts to make a case for owning bonds relative to stocks in some cases.

We continue to see value in pockets of local currency emerging market debt. But as spreads continue to tighten we are looking to increase the quality of our fixed income exposure building a stronger barbell approach to the asset class.

10 Year Government Yields
Local Currency



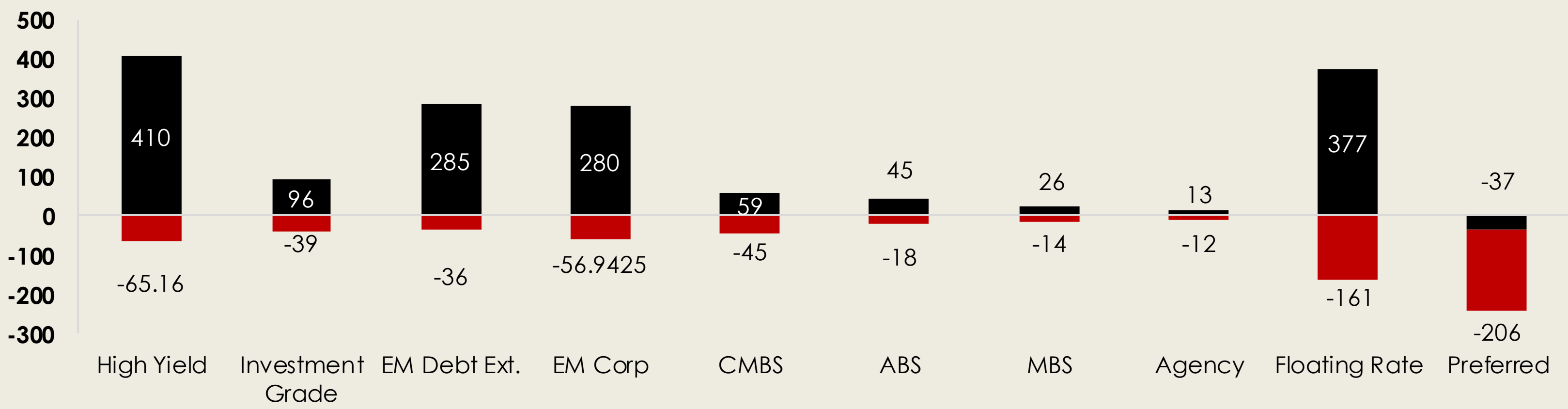
US 10 Year Government Yield

Source: The fixed income yield is based on the 10 Year Generic Government Bond Yield using Bloomberg Generic bond yield function. All data derived through Bloomberg L.P. Charts created by GFG Capital.

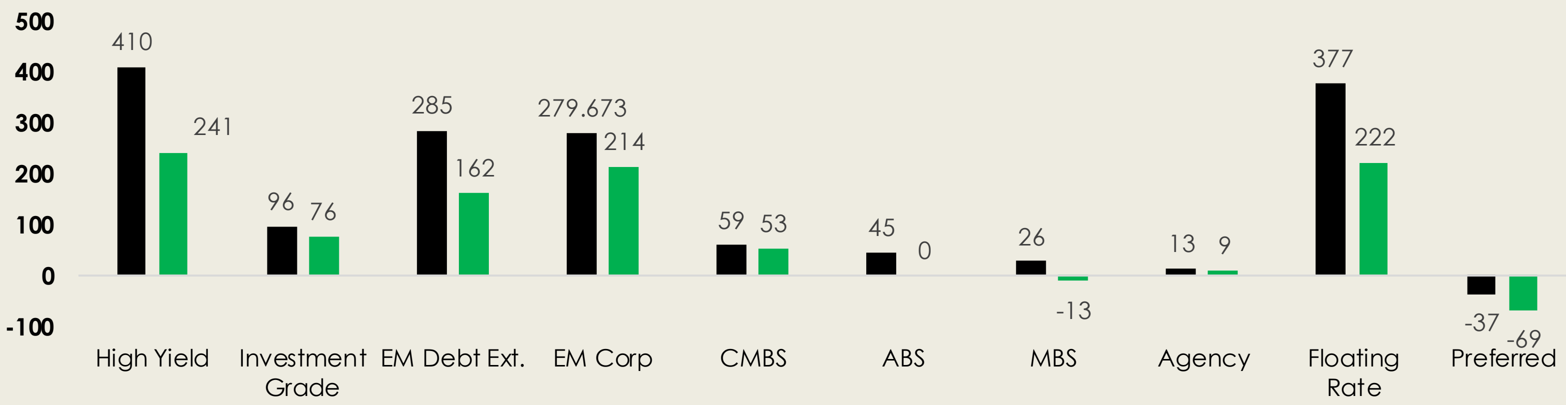
Fixed Income Market Valuation

On a more macro view, spreads remain relatively tight compared to historical norms. However, in March, we saw spreads widen signaling a move towards less risky assets with bond yields rising.

Spread vs. Median Spread



Current Spread vs Historical Low



Source: Data derived through Bloomberg. All spreads are in basis points and measure option-adjusted yield spread relative to comparable maturity U.S. Treasuries with the exception of floating-rate loans, which is the average discounted spread over Libor. Agency represented by Barclays U.S. Agency Index. MBS represented by Barclays U.S. Mortgage Backed Securities (MBS) Index. ABS represented by Barclays U.S. Asset Backed Securities (ABS) Index. CMBS represented by Barclays U.S. CMBS Investment Grade Index. Corporate represented by Barclays U.S. Corporate Index. Taxable Muni/BABs represented by Barclays U.S. Aggregate Local Authorities Index. Preferred represented by BofA Merrill Lynch Fixed Rate Preferred Securities Index. Floating-Rate Loans represented by S&P/LSTA Leveraged Loan Index. Emerging Markets(USD) represented by JPMorgan Emerging Markets Bond Index Plus(EMBI+). High Yield represented by Barclays U.S. Corporate High Yield Index. 10 Year Measures. Eaton Vance Market Monitor.

Global Fixed Income Characteristics

Commentary: The fixed income universe is experiencing a structural shift from sovereign to credit paper. With yields moving across the spectrum investors are being given the opportunity to reevaluate where and how they're receiving compensation for risk.

Q1 was one of the worst periods for high yield debt since 2008 in terms of total return. Structurally, there is still support for the asset class, but overall investors are not needing to reach for yield to the extent they did in the previous 24 months.

All in all, we are continuing to be supportive of shorter dated corporate issued paper, floating rate securities (non-agency mortgages and bank loans) and EM local currency debt. We view some duration within the portfolio in respect to high quality sovereign issues as a tail risk hedge today.

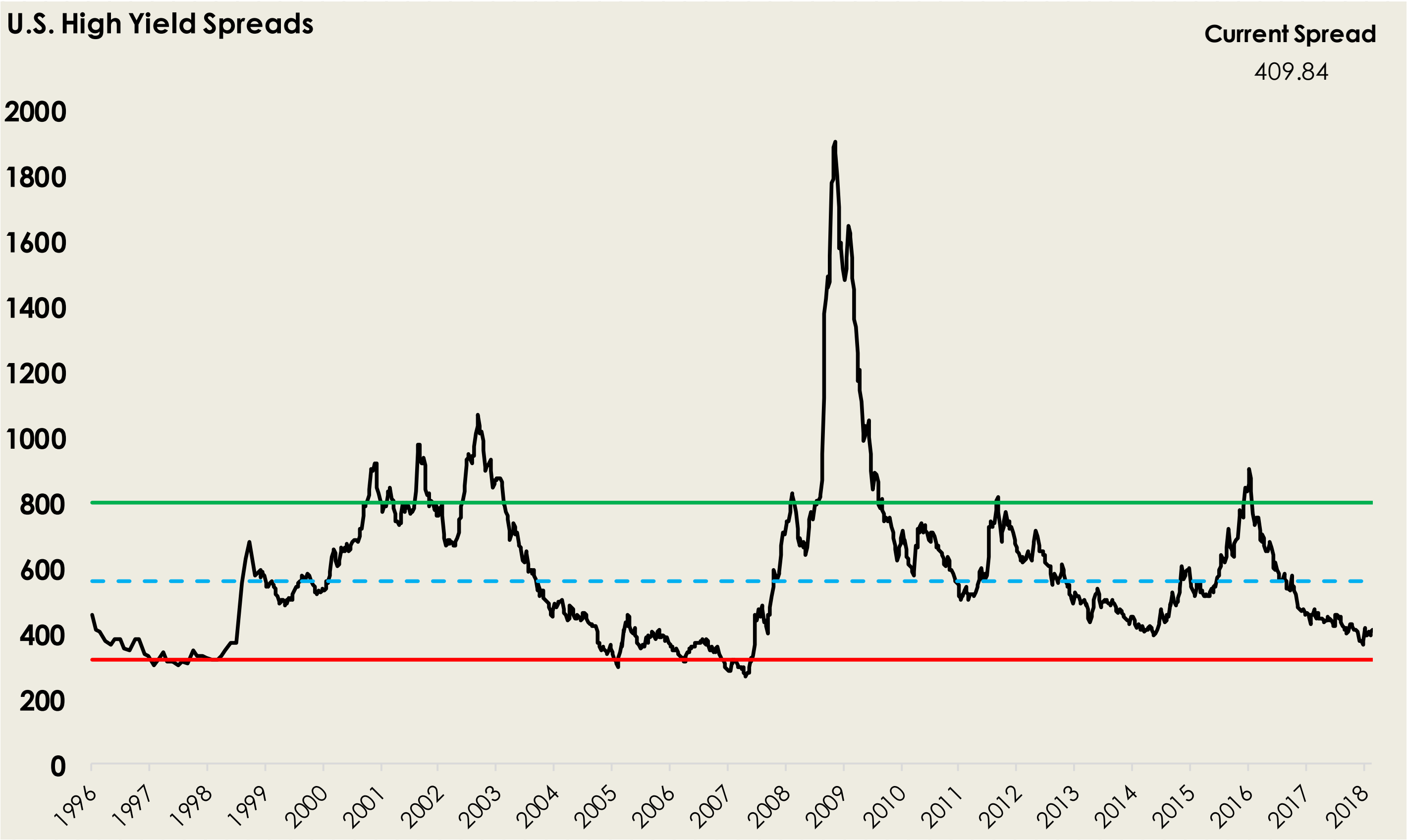
Fixed Income	Yield	Duration	3 Month Return
US Fixed Income			
Investment Grade Corporate	3.76%	7.56	-1.88%
US Government	2.55%	6.16	-0.86%
US Agency	3.00%	5.16	-1.29%
Global Fixed Income			
Developed Soverign ex. US	1.10%	5.68	2.10%
European IG Corporate	1.21%	5.92	-0.21%
Australian IG Corporate	3.18%	3.78	0.85%
Canadian IG Corporate	3.84%	6.60	0.84%
Japan IG Corporate	0.35%	3.87	0.15%
High Yield			
US High Yield	6.19%	4.25	-0.95%
Global HY ex. US	5.73%	4.54	-0.50%
Canadian High Yield	5.76%	3.92	1.19%
European High Yield	3.70%	3.75	-0.33%
United Kingdom High Yield	4.63%	3.60	-1.03%

Source: The three month return is the total return of the Index. The indices are the Bloomberg World Bond Indexes. Bloomberg USD Investment Grade Composite Bond Index. Bloomberg USD Mortgage-Backed Securities (MBS) Index. Bloomberg U.S. Agency Bond Index. Bloomberg Global Developed Sovereign Bond Index, Bloomberg EUR Investment Grade Corporate Bond Index. Bloomberg AUD Investment Grade Corporate Bond Index. Bloomberg CAD Investment Grade Corporate Bond Index. Bloomberg JPY Investment Grade Corporate Bond Index. Bloomberg USD High Yield Corporate Bond Index. Bloomberg EUR High Yield Corporate Bond Index. Bloomberg CAD High Yield Corporate Bond Index. Bloomberg GBP High Yield Corporate Bond Index. Bloomberg Global High Yield Corporate Bond Index. Past performance is not indicative of further returns.

US High Yield Spread

Commentary: U.S. high yield spreads remain far below their median levels on a long-term horizon, but some widening occurred in the final month of the quarter.

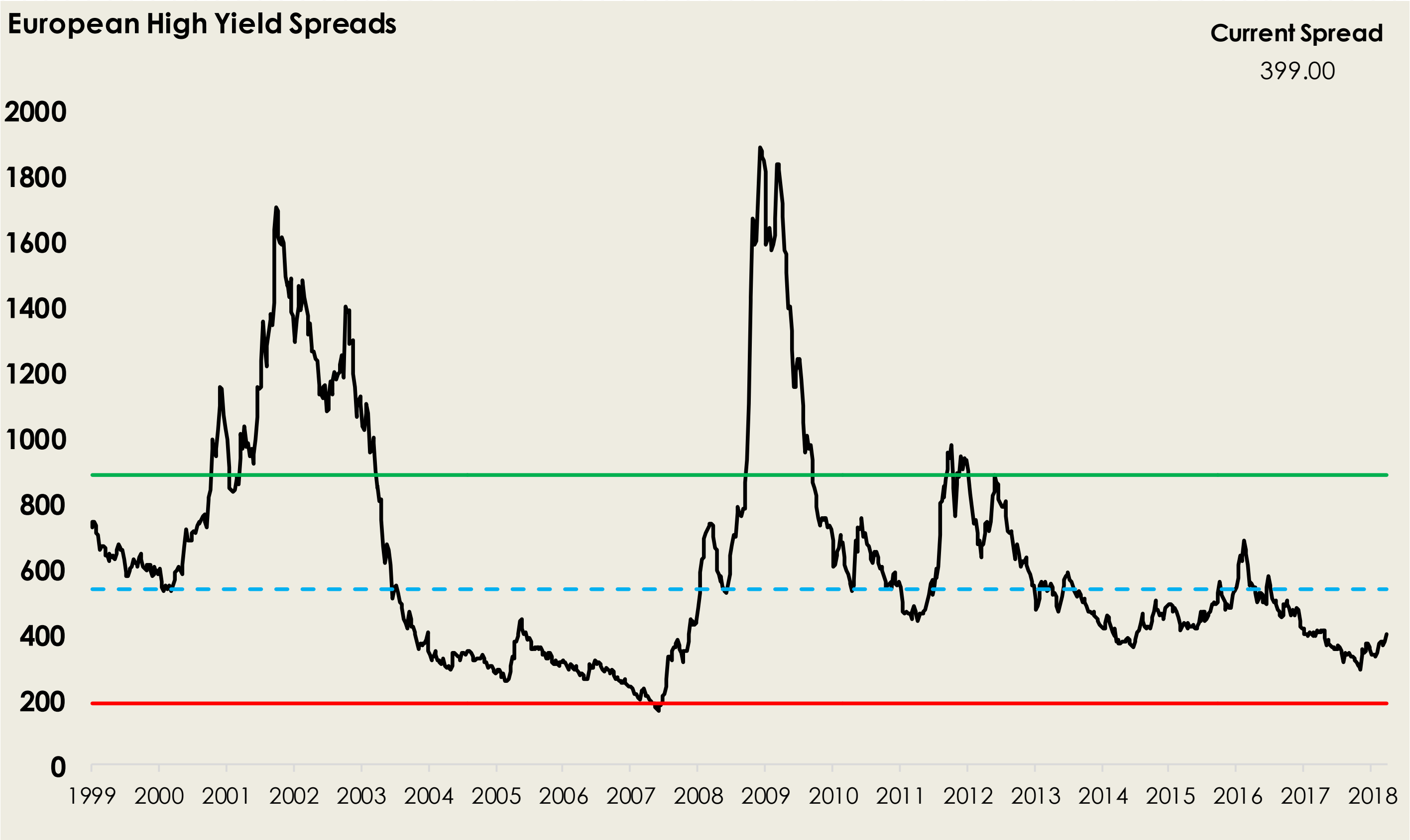
We'd view a blowout in yields today as an opportunity within the space similar to 2016, as there does not appear to be evidence signally widespread fundamental weakness.



Source: JPMorgan Domestic High Yield STW. All data derived through Bloomberg L.P. Chart created by GFG Capital.

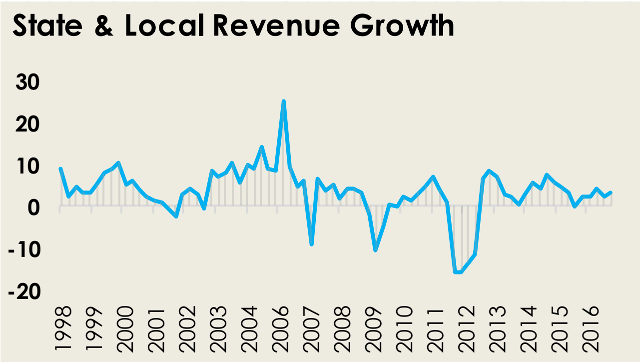
European High Yield Spread

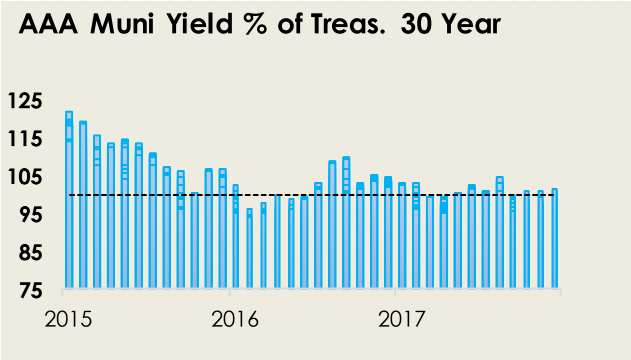
Commentary: The absolute yield opportunity within European high yield is not attractive to us today. We do not think the risk/reward profile is justified by the current coupon.

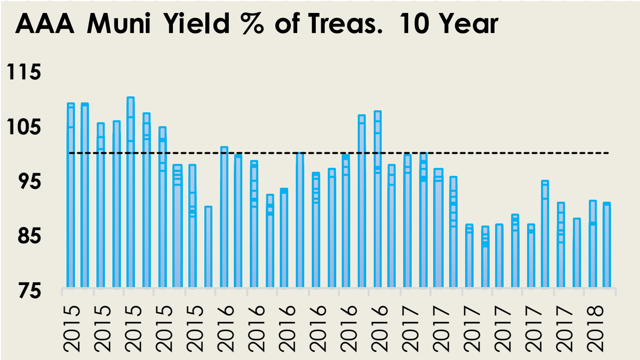


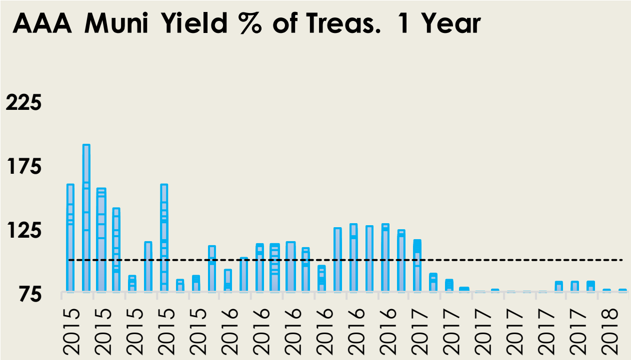
Source: JPMorgan Euro High Yield Europe STW. All data derived through Bloomberg L.P. Chart created by GFG Capital.

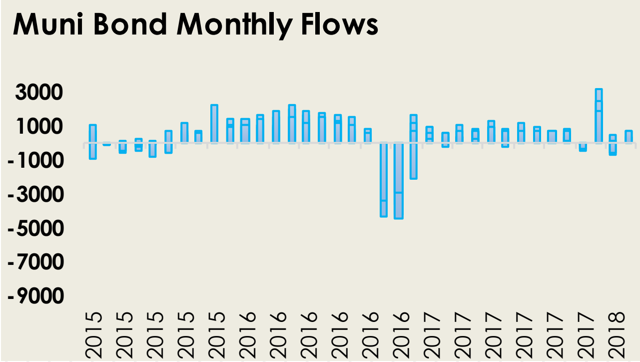
Commentary: Debt outstanding at the state and local levels have turned higher recently, while revenue has improved. We are cautious on the muni market today given the lack of clarity surrounding potential tax reform. We acknowledge the bulk of infrastructure funding is likely to come through the municipal bond market. Long term, we believe in muni's being a strategic allocation for an onshore investor.









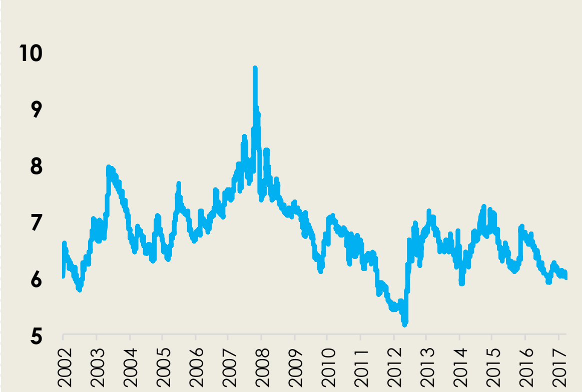


Source: Top Left: US Total Public Debt Outstanding State and Local Government Series **Top Right**: State and Local Tax Revenue Total YoY% Change . **AAA Muni Charts:** BVAL AAA Muni Yield % of Treasury 1/10/30 Year: **Bottom Right:** ICI Municipal Bond Estimated Weekly Net New Cash Flow.

Emerging Market Debt

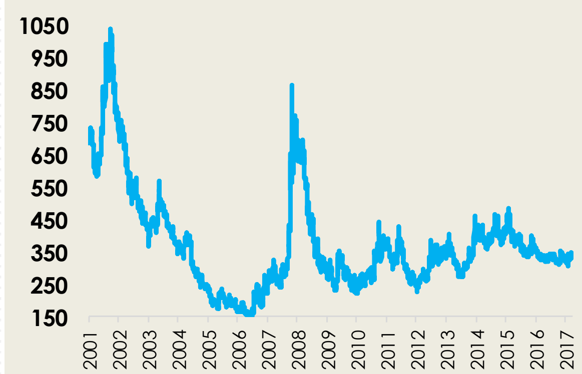
Emerging market debt remains one of the only places to be generating a competitive yield within bonds. With emerging market economies continuing to display relative strength along with decreasing dependence on the developed world for growth, EM debt remains a highlight of the fixed income universe.

Emerging Market Local Debt



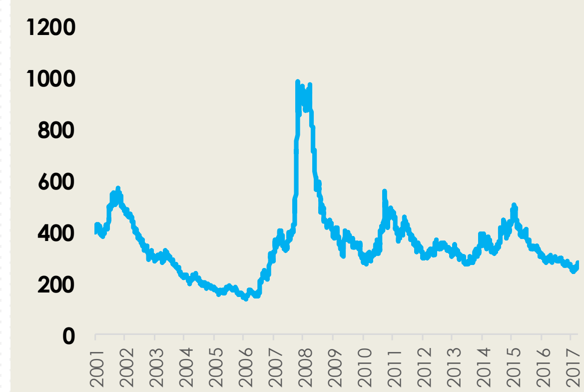
Emerging Market Local Debt	Percent
Current Yield	6.00
Average	6.76
Median	6.74
High	9.73
Low	5.16
Duration	5.17

Emerging Market External Debt



Emerging Market External Debt	bps
Current Spread	343
Average Spread	374
Median Spread	339
Max Spread	1041
Current Duration	7.97
Current Yield	6.20

Emerging Market Corp Debt



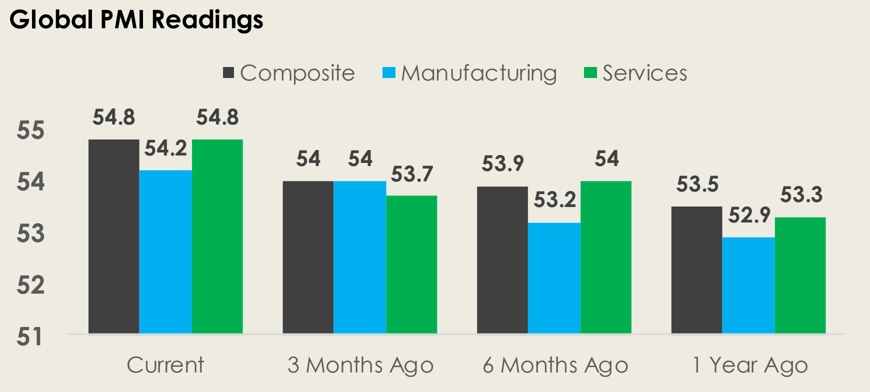
Emerging Market Corp Debt	Percent
Current Spread	280
Average Spread	353
Median Spread	337
Max Spread	987
Current Duration	4.80
Current Yield	5.50

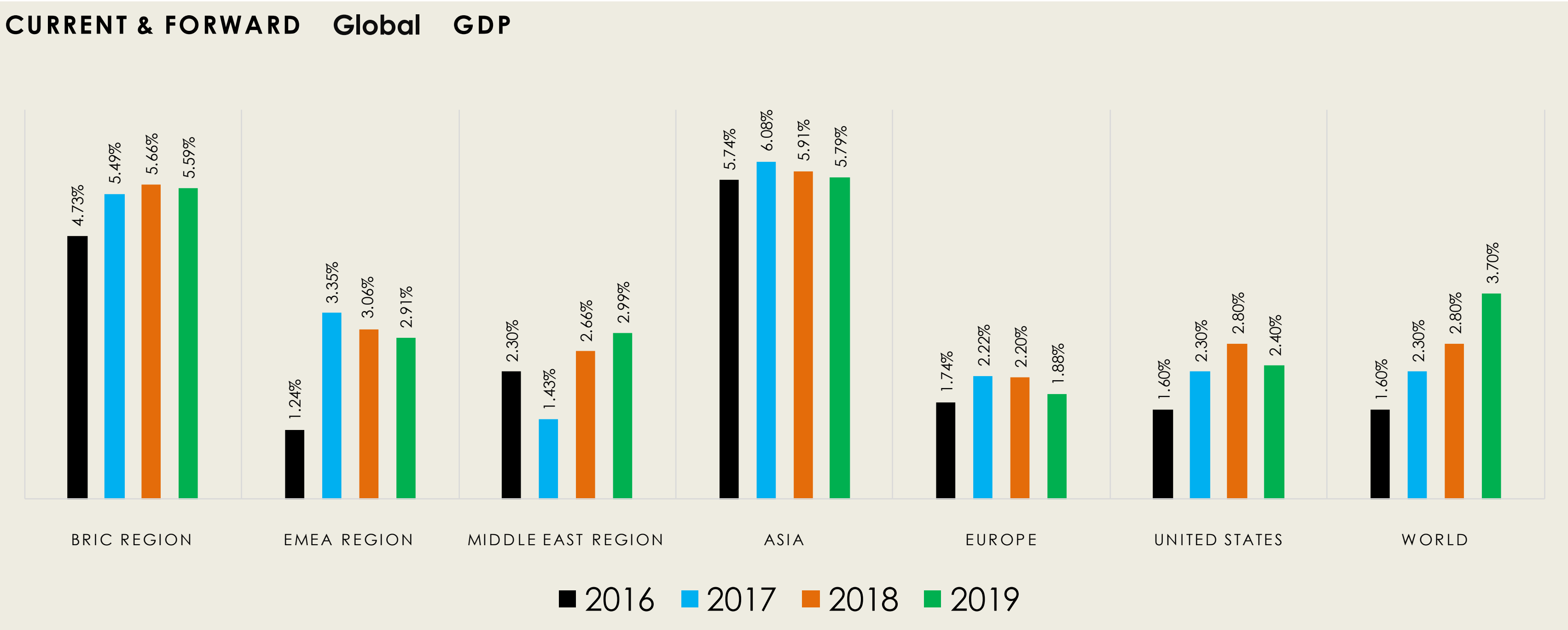
Source: EM Local Debt Index: JPMorgan GBI-EM Global Diversified Composite Unhedged Index. Price, Yield, Duration. **EM External Debt Index:** JPM Emerging Markets Bond Index Plus EMBI + Composite. Price, Yield, Duration. **EM Corporate Bond Index:** JPMorgan Corporate EMBI Broad Diversified Composite Index Level.

GLOBAL economics

Global Economics

Global growth is expected to accelerate in the coming 24-36 months driven largely by developing economies. Global PMI readings continue to signal further expansion as services are a growing contributor to global economic growth across Asia.





Source: GDP data is previous, current, and forecasted data derived by Bloomberg for each specific country. Please contact GFG Capital for any additional information.

Global Economics

Inflation	
Central / South America	
Brazil	2.84%
Mexico	5.34%
Argentina	26.33%
Colombia	3.37%
Chile	2.00%
North America	
US	2.20%
Canada	2.20%
Europe	
Eurozone	1.10%
Germany	1.60%
France	1.50%
UK	2.70%
Ireland	0.50%
Portugal	0.70%
Spain	1.20%
Italy	0.90%
Russia	2.20%
Asia Pacific	
China	2.90%
Singapore	0.50%
Taiwan	2.19%
Japan	1.50%
South Korea	1.40%
Indonesia	3.40%
Malaysia	1.40%
India	4.74%
Australia	1.90%

Unemployment	
Central / South America	
Brazil	8.20%
Mexico	3.30%
Argentina	7.20%
Colombia	11.87%
Chile	6.70%
North America	
US	4.10%
Canada	5.80%
Europe	
Eurozone	8.60%
Germany	5.30%
France	9.00%
UK	4.30%
Ireland	6.00%
Portugal	7.90%
Spain	16.30%
Italy	11.10%
Russia	5.00%
Asia Pacific	
China	3.90%
Singapore	2.10%
Taiwan	3.70%
Japan	2.50%
South Korea	3.60%
Indonesia	5.50%
Malaysia	
India	
Australia	5.60%

Current Account	
Central / South America	
Brazil	-0.38%
Mexico	-1.62%
Argentina	-4.56%
Colombia	-3.36%
Chile	-1.50%
North America	
US	-2.36%
Canada	-2.98%
Europe	
Eurozone	0.00%
Germany	7.89%
France	-1.19%
UK	-4.07%
Ireland	12.52%
Portugal	0.46%
Spain	1.96%
Italy	0.75%
Russia	2.11%
Asia Pacific	
China	1.33%
Singapore	19.32%
Taiwan	15.36%
Japan	4.00%
South Korea	
Indonesia	
Malaysia	2.98%
India	-1.53%
Australia	-3.10%

Retail Sales	
Central / South America	
Brazil	3.20%
Mexico	0.50%
Argentina	
Colombia	6.20%
Chile	-1.10%
North America	
US	4.00%
Canada	3.60%
Europe	
Eurozone	2.30%
Germany	2.30%
France	6.30%
UK	1.10%
Ireland	2.02%
Portugal	3.70%
Spain	2.20%
Italy	-0.80%
Russia	1.80%
Asia Pacific	
China	9.40%
Singapore	-8.40%
Taiwan	15.67%
Japan	1.60%
South Korea	7.70%
Indonesia	1.00%
Malaysia	
India	
Australia	2.10%

Inflation

Inflation is a topic of conversation across the globe as indicators continue to perk up. Volatility of inflation readings will likely be an integral contributor to market behavior moving forward.

Unemployment

Unemployment has continued to fall within the U.S. and Europe. Europe continued to move towards a sweet-spot of economic growth with falling unemployment.

Current Account

The current account deficit in Brazil has seen some improvement, one of the leading indicators driving investors to the market. China has seen their surplus fall back towards the 1.5% level.

Retail Sales

The consumer remains strong with retails sales in China, the US, and UK posting positive readings. Consumer spending is a positive indicator on global economic conditions. We continue to believe in the economic transition taking place in China which is supported by the growth in consumer spending in the country.

Source: Data derived through Bloomberg. Inflation is country level Consumer Price Index, Unemployment rate is country level unemployment rates. Current account data is from the International Monetary Fund, Retail sales are monthly change in sales provided by local authority and sourced on Bloomberg. Please contact GFG Capital for any additional information.

Global PMI Mixed

Global PMI Meter

	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Latest	Latest Rank	Trend	
Global															
Global	53.7	53.8	53.7	53.5	53.9	53.8	54.0	54.0	54.3	54.6	54.8	54.8	16	↑	Global
EM	51.0	50.6	50.8	51.0	51.7	51.4	51.2	51.7	52.2	52.0	52.0	52.0	9	↑	EM
North America															
US	52.8	52.7	52.0	53.3	52.8	53.1	54.6	53.9	55.1	55.5	55.3	55.6	20	↑	US
Canada	55.9	55.1	54.7	55.5	54.6	55.0	54.3	54.4	54.7	55.9	55.6	55.7	21	↑	Canada
Europe															
Germany	58.2	59.5	59.6	58.1	59.3	60.6	60.6	62.5	63.3	61.1	60.6	58.4	28	↓	Germany
Euro Area	56.7	57.0	57.4	56.6	57.4	58.1	58.5	60.1	60.6	59.6	58.6	56.6	24	↓	Euro Area
UK	57.2	56.5	54.3	55.3	56.8	56.0	56.3	58.4	56.1	55.3	55.2	55.2	18	↓	UK
France	55.1	53.8	54.8	54.9	55.8	56.1	56.1	57.7	58.8	58.4	55.9	53.6	14	↓	France
Italy	56.2	55.1	55.2	55.1	56.3	56.3	57.8	58.3	57.4	59.0	56.8	56.8	25	↑	Italy
Spain	54.5	55.4	54.7	54.0	52.4	54.3	55.8	56.1	55.8	55.2	56.0	56.0	22	↑	Spain
Greece	48.2	49.6	50.5	50.5	52.2	52.8	52.1	52.2	53.1	55.2	56.1	55.0	17	↑	Greece
Ireland	55.0	55.9	56.0	54.6	56.1	55.4	54.4	58.1	59.1	57.6	56.2	56.2	23	↑	Ireland
Europe															
Australia	59.2	54.8	55.0	56.0	59.8	54.2	51.1	57.3	56.2	58.7	57.5	57.5	27	↑	Australia
Japan	52.7	53.1	52.4	52.1	52.2	52.9	52.8	53.6	54.0	54.8	54.1	53.1	12	↑	Japan
Emerging Market															
Brazil	50.1	52.0	50.5	50.0	50.9	50.9	51.2	53.5	52.4	51.2	53.2	53.4	13	↑	Brazil
China	50.3	49.6	50.4	51.1	51.6	51.0	51.0	50.8	51.5	51.5	51.6	51.0	5	↑	China
Czech Republic	57.5	56.4	56.4	55.3	54.9	56.6	58.5	58.7	59.8	59.8	58.8	58.8	29	↑	Czech Republic
Egypt	47.4	47.3	47.2	48.6	48.9	47.4	48.4	50.7	48.3	49.9	49.7	49.7	2	↑	Egypt
Hungary	56.2	61.9	56.9	54.2	56.8	59.3	58.3	58.8	60.5	61.1	57.4	57.4	26	↑	Hungary
India	52.5	51.6	50.9	47.9	51.2	51.2	50.3	52.6	54.7	52.4	52.1	52.1	10	↑	India
Indonesia	51.2	50.6	49.5	48.6	50.7	50.4	50.1	50.4	49.3	49.9	51.4	50.7	4	↑	Indonesia
Mexico	50.7	51.2	52.3	51.2	52.2	52.8	49.2	52.4	51.7	52.6	51.6	52.4	11	↑	Mexico
Poland	54.1	52.7	53.1	52.3	52.5	53.7	53.4	54.2	55.0	54.6	53.7	53.7	15	↑	Poland
Russia	50.8	52.4	50.3	52.7	51.6	51.9	51.1	51.5	52.0	52.1	50.2	50.6	3	↓	Russia
South Africa	50.3	50.2	49.0	50.1	49.8	48.5	49.6	48.8	48.4	49.0	51.4	51.4	6	↑	South Africa
South Korea	49.4	49.2	50.1	49.1	49.9	50.6	50.2	51.2	49.9	50.7	50.3	49.1	1	↓	South Korea
Taiwan	54.4	53.1	53.3	53.6	54.3	54.2	53.6	56.3	56.6	56.9	56.0	55.3	19	↑	Taiwan
Turkey	51.7	53.5	54.7	53.6	55.3	53.5	52.8	52.9	54.9	55.7	55.6	51.8	8	↓	Turkey
Vietnam	54.1	51.6	52.5	51.7	51.8	53.3	51.6	51.4	52.5	53.4	53.5	51.6	7	↓	Vietnam

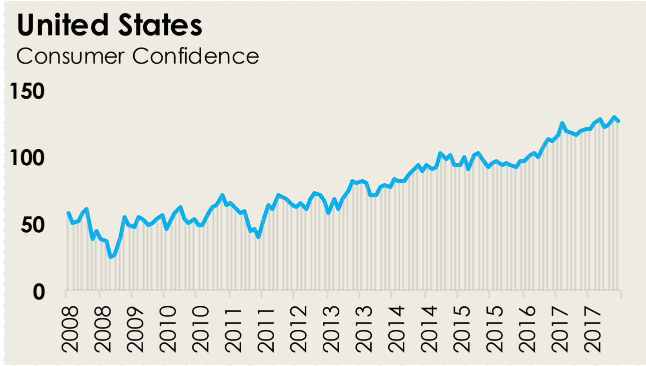
The purchasing manufacturing index has a high correlation with future economic growth. Above 50 signals expansion and under signals contraction. The European region has shown the strongest improvement on a global level, with each individual economy posting a reading above 50 since June of 2017. Within the emerging markets, strength within Latin America has been resilient, as momentum builds.

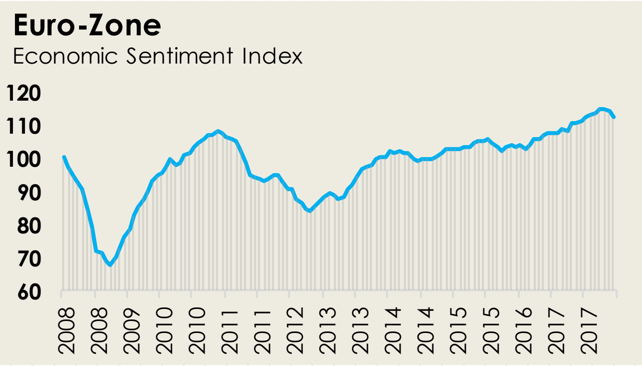
Disclaimer: Data sourced on Bloomberg terminal. PMI is the Purchasing Manufacturing Index and supplied to Bloomberg by Markit.

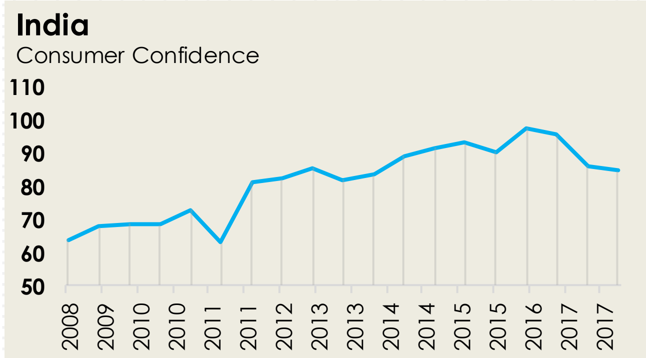
Global Consumer Confidence

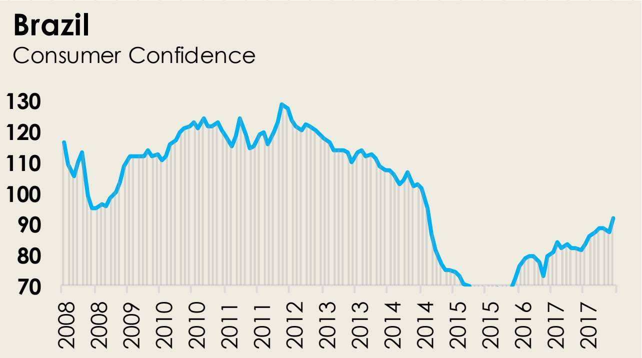
Commentary: Consumer confidence across several significant global markets is supportive of the global growth expectations.

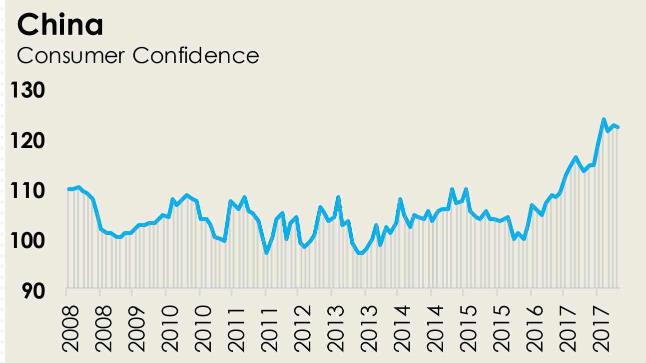
An anticipated weakening within Mexico is being met with a continued rebound in Brazil. Collectively in Q1, LATAM EM assets were a lead performer.

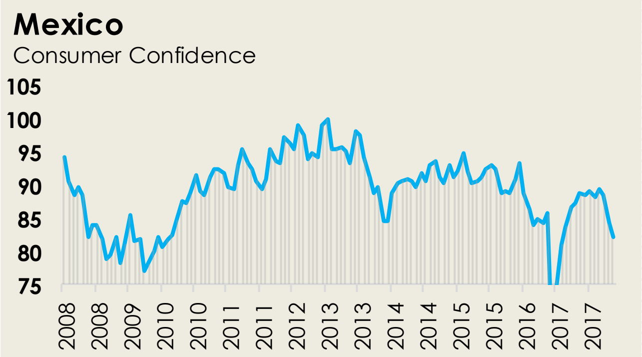








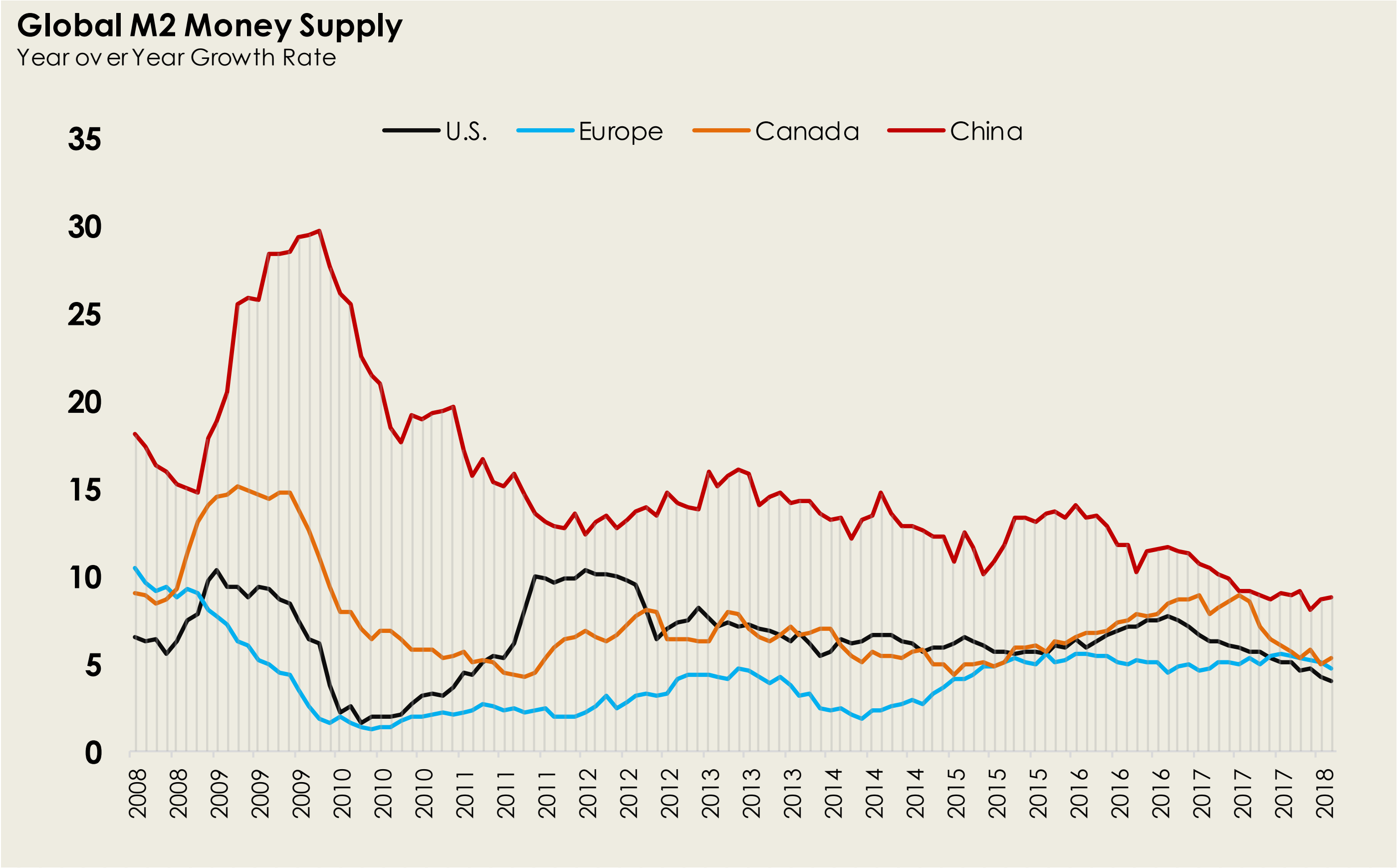




Source: **India**: MasterCard India Consumer Confidence Index **US**: Conference Board Index (sa): **China:** Consumer Confidence Index , **Euro-Zone:** European Commission Economic SentiMent Indicator Eurozone. **Brazil**: FGV Consumer Confidence Index (sa) **Mexico**: Consumer Confidence Index. Data derived by Bloomberg.

Global M2 Money Supply

Commentary: Some pressures on the global money supply have started to reveal themselves, but the relative strength within Europe is another encouraging sign reaffirm our conviction in the region.



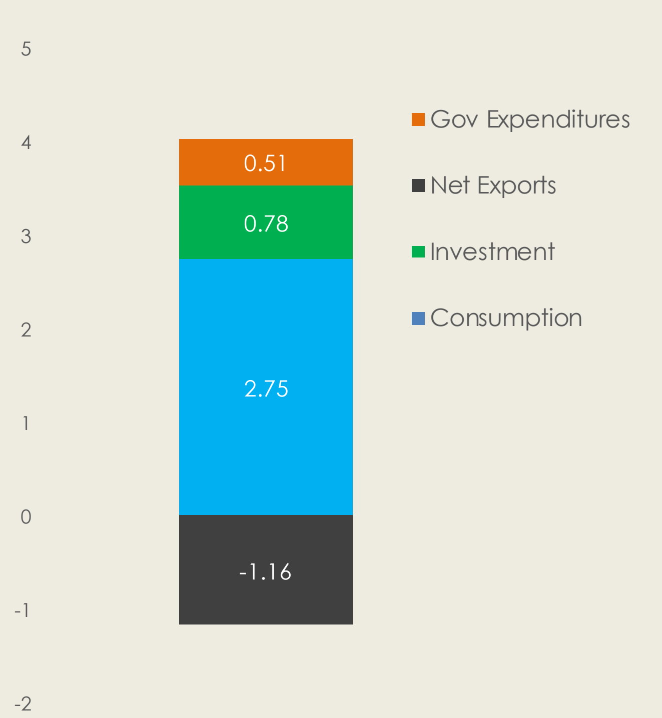
Source: **US**: Federal Reserve Money Supply M2 YoY % Change **Europe**: ECB Money Supply M2 YoY **Canada**:Bank of Canada Money Supply M2 YoY SA **China**:China Monthly Money Supply M2 YoY. Data derived by Bloomberg.

US Gross Domestic Product

U.S. GDP was a focal point with the changing of the guard inside the White House in 2016. The end of 2017 saw tax policy get passed which boosted expectations for domestic private sector growth in the coming years. However, trade war concerns thus far in 2018 stand to wipeout gains that would be added from tax policy.

US GDP Quarter Annualized	2.90%
US GDP Year over Year	2.60%

Contribution to Percent Change in GDP



GDP Components	Quarterly Growth Annualized	Previous Quarterly Growth Annualized	Contribution to Growth
Consumption	**4.0%**	**2.2%**	**2.75**
Goods	7.8%	4.5%	1.67
Durable Goods	*13.7%*	*8.6%*	*0.98*
Non Durable Goods	*4.8%*	*2.3%*	*0.69*
Services	2.3%	1.1%	1.08
Household Consumption	*2.0%*	*1.4%*	*2*
Investment	**4.7%**	**7.3%**	**0.78**
Fixed Investment	8.2%	2.4%	1.31
Non Residential	*6.8%*	*4.7%*	*0.84*
Residential	*12.8%*	*-4.7%*	*0.46*
Inventory	-	-	-0.53
Net Exports	**-**	**-**	**-1.16**
Exports	7.0%	2.1%	0.83
Goods	*11.6%*	*1.8%*	*0.89*
Services	*-1.4%*	*2.5%*	*-0.06*
Imports	14.1%	-0.7%	-1.99
Goods	*17.3%*	*-0.2%*	*-1.96*
Services	*1.1%*	*-2.6%*	*-0.03*
Government	**3.0%**	**0.7%**	**0.51**
Federal	3.2%	1.3%	0.2
State & Local	2.9%	0.2%	0.31
Quaterly GDP	**2.9%**	**3.2%**	**2.9**

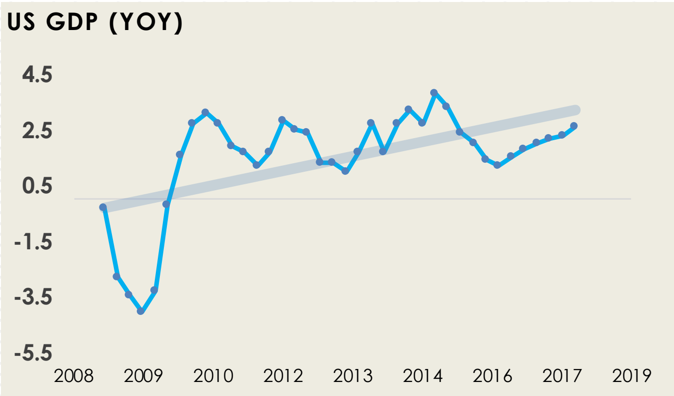
Source: GDP: Bureau of Economic Analysis: Gross domestic product (GDP) measures the final market value of all goods and services produced within a country. It is the most frequently used indicator of economic activity. The GDP by expenditure approach measures total final expenditures (at purchasers' prices), including exports less imports. This concept is adjusted for inflation. Data derived by Bloomberg.

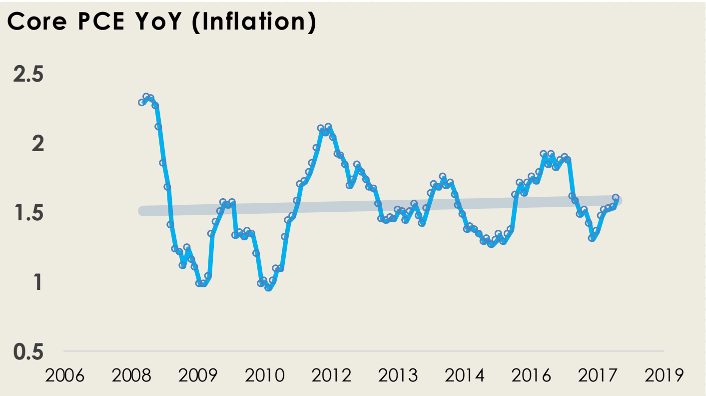
Rate Normalization Watch

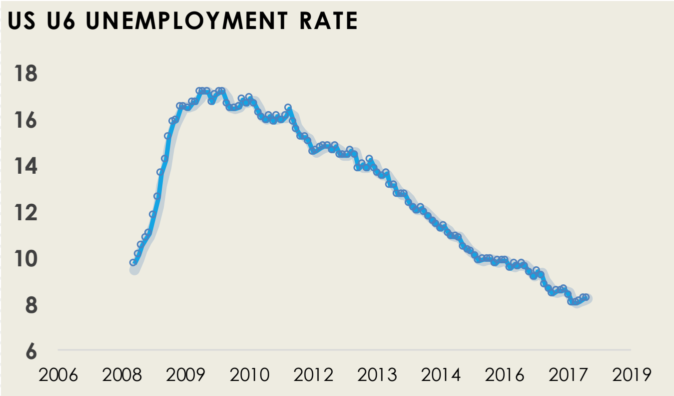
Commentary: While the Fed is getting a team shakeup in 2018, the conversations are likely to remain the same.

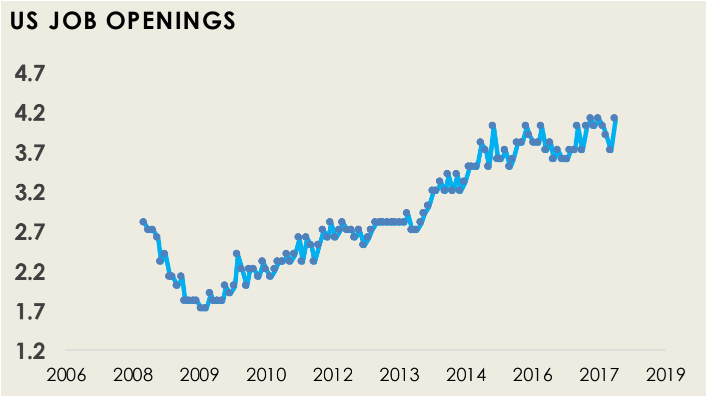
Attention will continue to be paid to inflation with long-term targets set near the 2% range. We've seen this number continue to creep towards the 2% mark, but we think long-term inflation will be capped due to forces at play bigger than policy makers.

The mix of normalizing rates with reducing the balance sheet still poses the biggest Fed risk to the markets today. The end of Q2 will see a bump in market value of assets "reentering" the market due to rebalancing of the balance sheet.





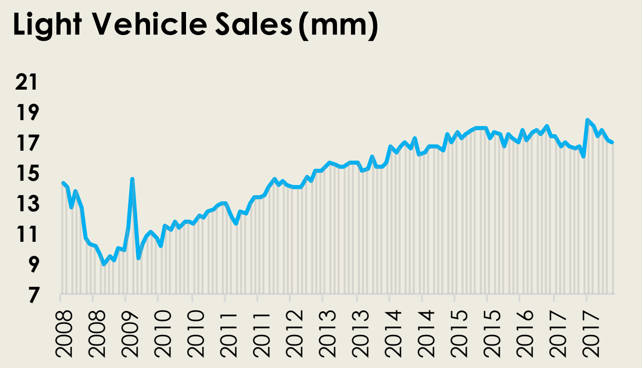


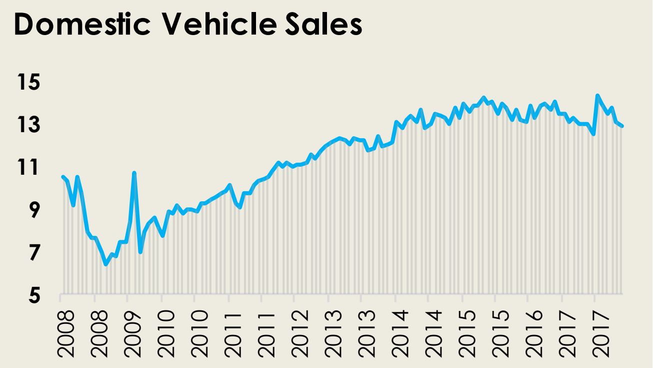


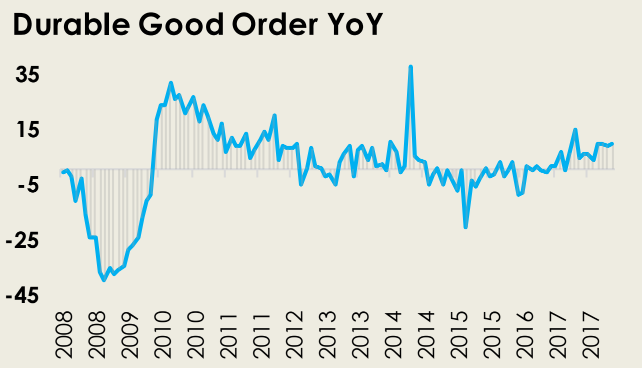
Source: **GDP**: Bureau of Economic Analysis: Gross domestic product (GDP) measures the final market value of all goods and services produced within a country. **US CPI:** Consumer Price Index (yoy %). **US U6 Unemployment/ US Job Openings:** Bureau of Labor Statistics.

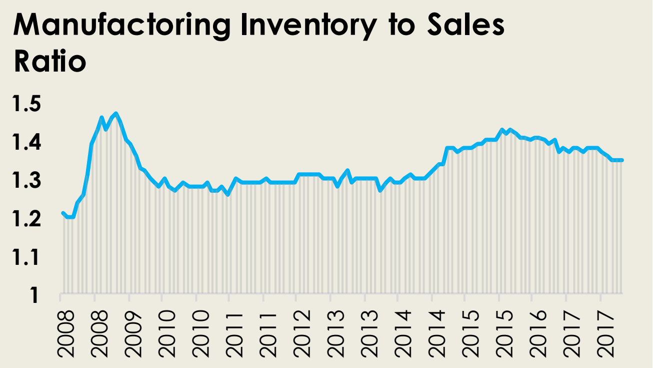
US Cyclical Sectors

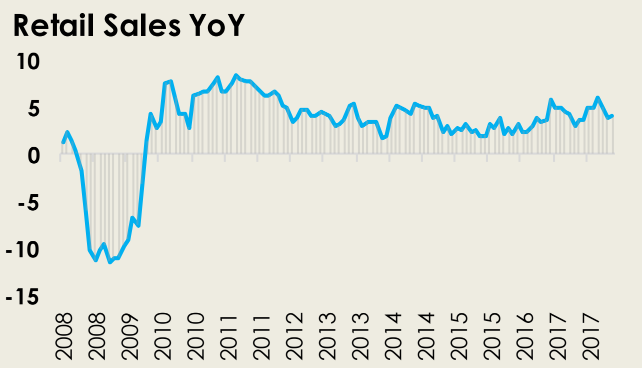
Commentary: Some weakness in vehicle sales at the end of the year in 2017 did not signal robust spending for 2018.

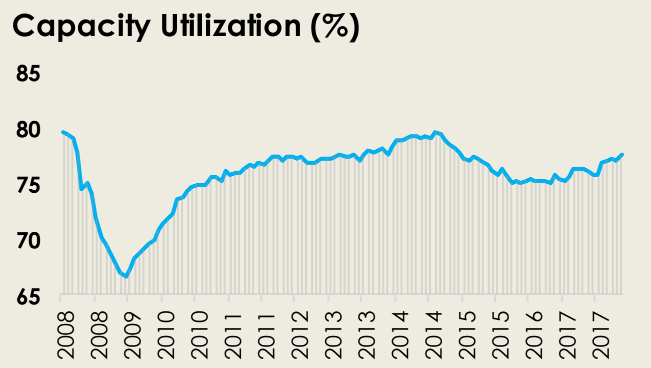








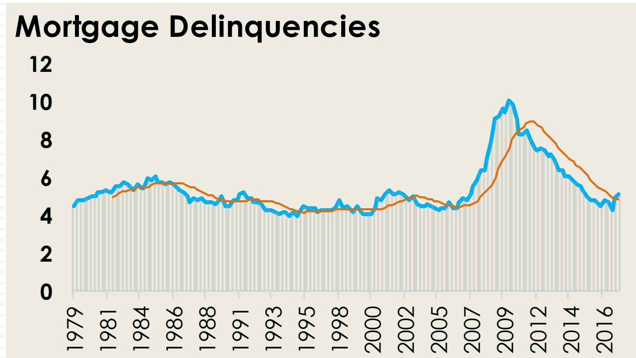


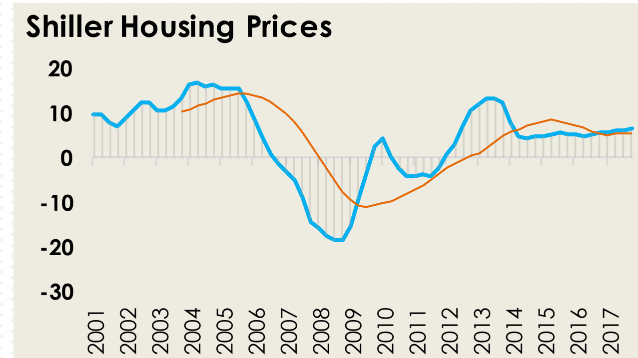


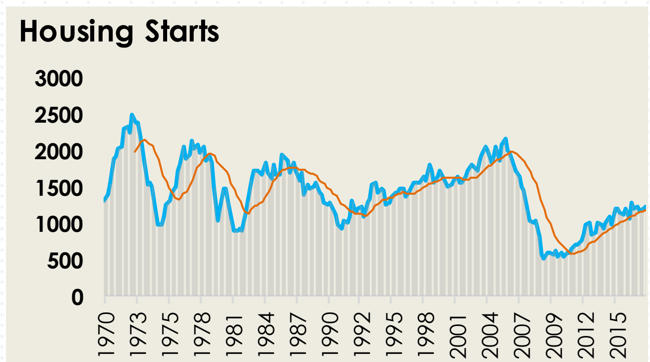
Source: US Light Vehicle Sales: U.S. Commerce Department Light Vehicle Sales Domestic Vehicle Sales: US Auto Sales Domestic Vehicles Annualized SA Durable Good Orders: US Durable Goods New Orders Total YoY NSA Manufacturing to Sales Ratio: MFG+TRD INV/SALES RATIO MANUFACT US Census Bureau Retail Sales: Adjusted Retail & Food Services Sales Total Yearly % Change SA Capacity Utilization: US Capacity Utilization % of Total Capacity SA. Federal Reserve. Bloomberg Data.

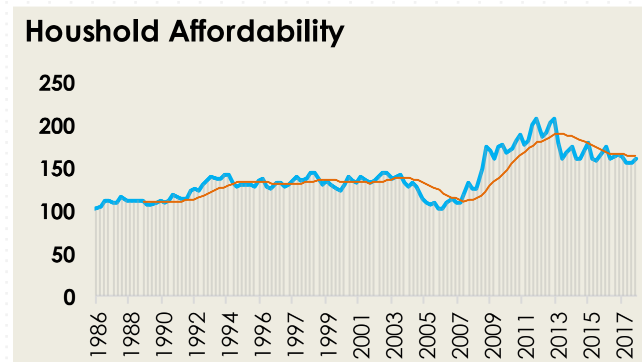
US Housing Data

Commentary: Housing remains strong in terms of quality as delinquencies remain muted and in a downtrend. The prices are slowing which is expected after a period of significant growth. There remains the opportunity for building as affordability remains strong, and starts are below median levels but improving. Housing remains one of the strengths for the US economy.



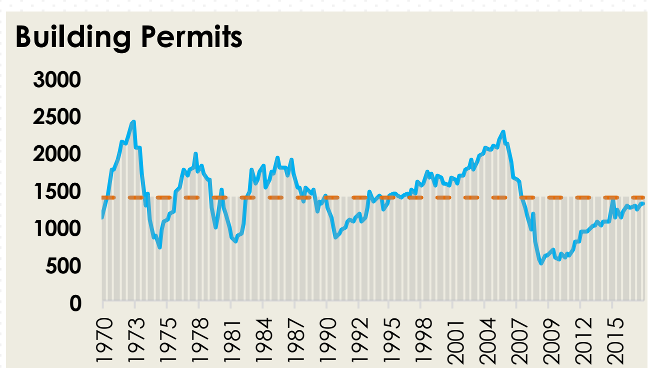


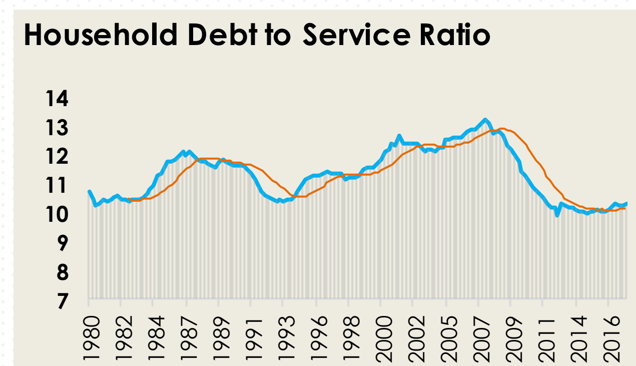




Long Term Quarterly Index Level

12 Quarter Moving Average



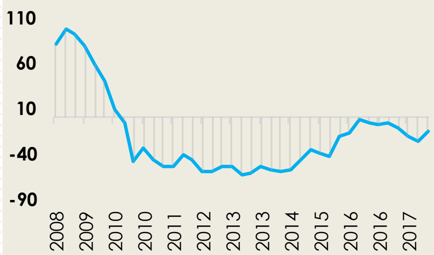


Source: **Mortgage Delinquencies:** Delinquencies As % Of Total Loans SA; Mortgage Bankers Association. **Shiller Housing Prices:** S&P/Case-Shiller Composite-20 City Home Price Index YoY **Housing Starts:** US New Privately Owned Housing Units Started by Structure Total SAAR **Household Affordability:** Housing affordability composite Index; National Association of Realtors **Building Permits:** Private Housing Authorized by Bldg Permits by Type Total SAAR **Household Debt to Service Ratio:** Federal Reserve US Household Debt Service Ratio Total SA.

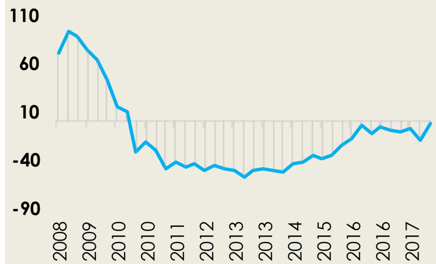
US Credit Conditions

Commentary: Credit expansion remains modest, and standards have not tightened.

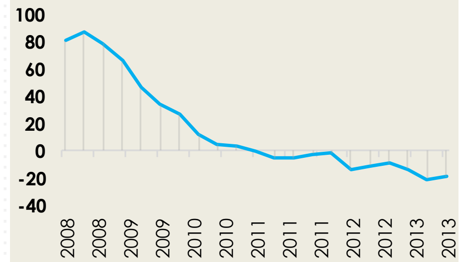
Increasing Loan Rates
Large Firms



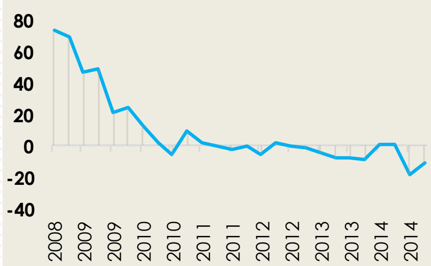
Increasing Loan Rates
Small Firms



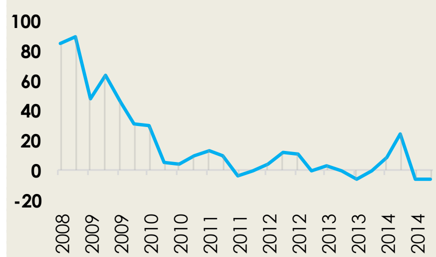
Comm. Real Estate Loans
Tighter Standards



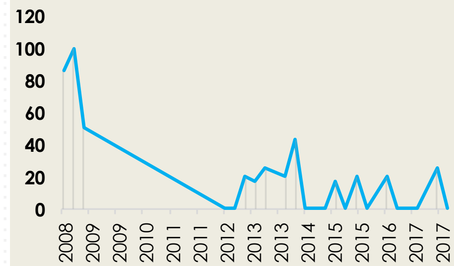
Prime Residential Loans
Tighter Standards



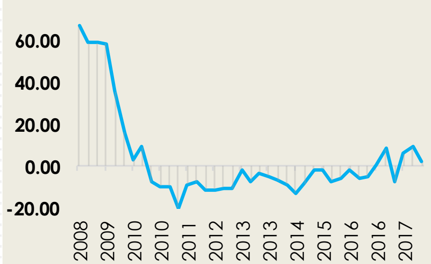
Non-Trad Residential Loans
Tigher Standards



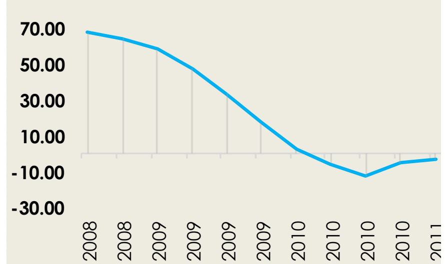
Subprime Residential Loans
Tighter Standards



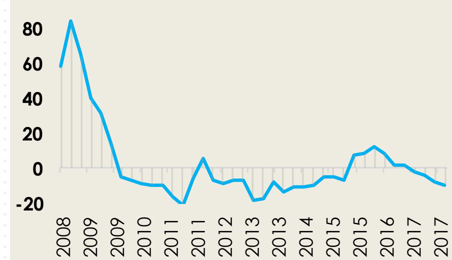
Credit Car Loans
Tighter Standards



Consumer Loans
Tigher Standards



Comm. & Industrial Lonas
Tighter Standards



Source: Federal Reserve United States. Bloomberg Data.

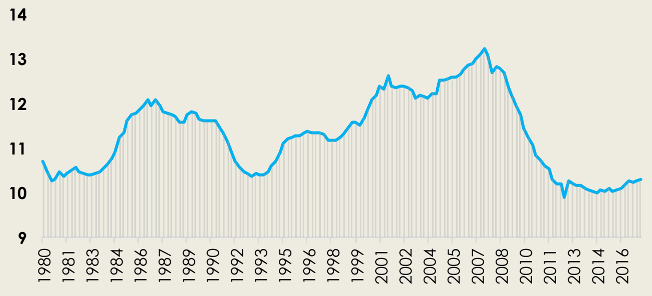
Consumer Finances

Commentary: Student loan debt has grown more than auto loan, credit card, and home equity loan debt combined since 2003, according to the Federal Reserve Bank of New York, as the cost of higher education has skyrocketed, and more students have flocked to get degrees. The proliferation of high-interest student loans has outpaced inflation and earnings growth for college graduates, and delinquency rates for student loans are now higher than those for credit cards, auto loans, home equity loans and mortgages. The home ownership rate in the U.S. has fallen each year over the last six years, according to the U.S. Census Bureau.

We view student loans as the gorilla in the room that nobody is willing to acknowledge. Exceptionally long term implications are posed by the burden of education financing weighing the future generations.

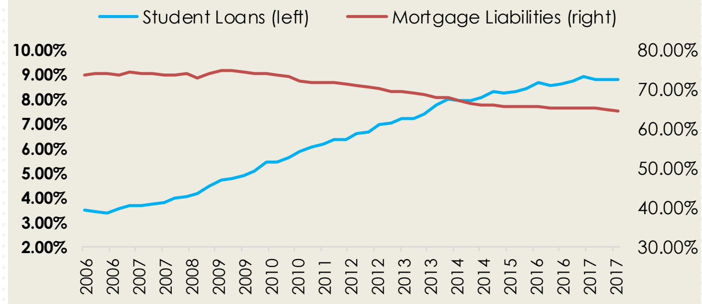
Household Debt Service Ratio

Debt payments as a percent of disposable income



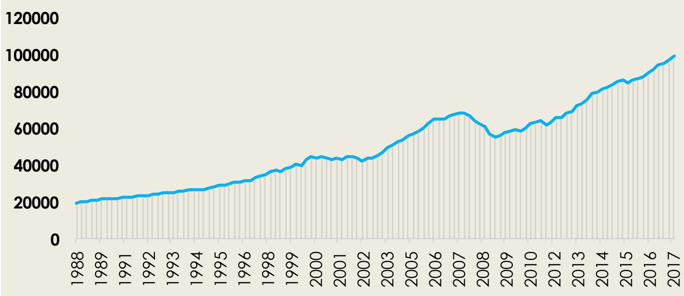
Student Loans as a Percent of Total Liabilities

Mortgage as a percent of total liabilities



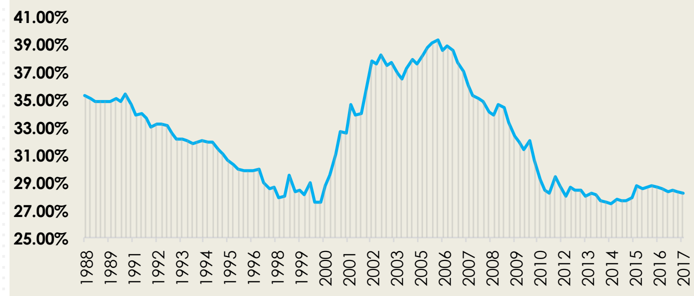
U.S. Household Net Worth

Federal Reserv e US Household Assets



U.S. Real Estate as a Percent of Total Assets

Federal Reserv e US Household Assets



Source: **Household Debt to Service Ratio:** Federal Reserve US Household Debt Service Ratio Total SA **Student Loans, US Household Net Worth, US Real Estate, Liabilities:** Flow of Funds Federal Reserve. Data derived using Bloomberg.

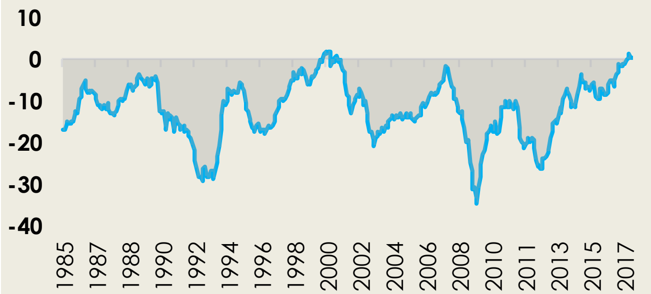
European Economy

Commentary: The Euro Area was a strong point of markets in 2017 and the conversation within Europe has turned to 2019. With European Central Bankers discussed potentially increasing rates in 2019, the global economy has one of the most significant central banks shifting their policy. We see all eyes pointing to Mario Draghi by end of the year.

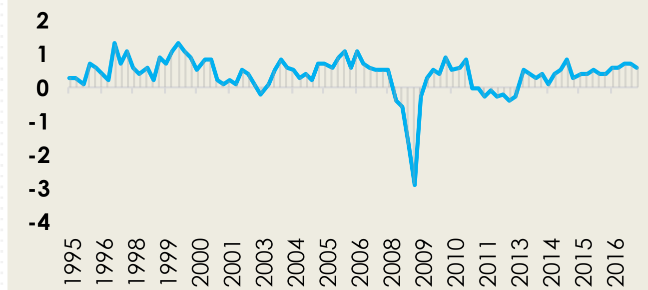
Confidence and business sentiment continue to churn higher, reaching levels last seen 16 year ago.

Since emerging from its double dip recession (2009/2012-2013) the European economy has proven to be a strong point in the global picture. Moving forward, indications from the IMF show a higher contribution of growth to the global economy stemming from the Euro area.

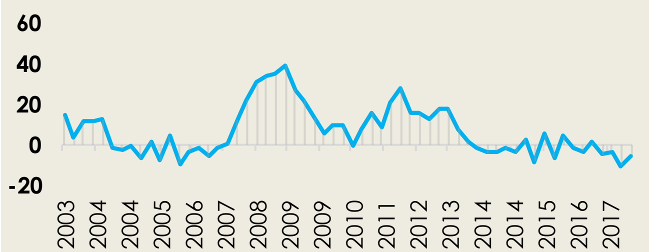
Consumer Confidence
Euro Area



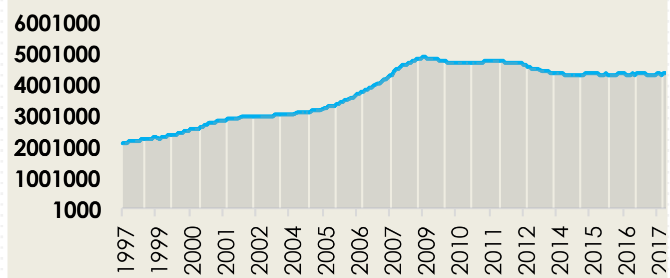
GDP Growth (QoQ)
Euro Area



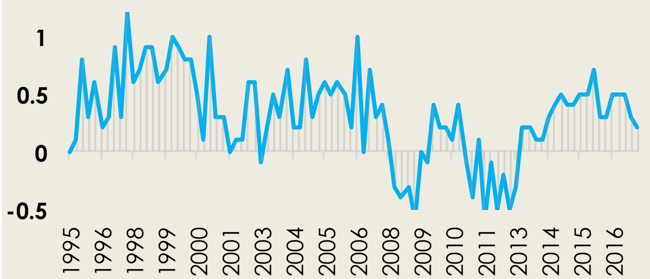
Banks Reporting Tighter Lending Standards (3M Chg)
Euro Area



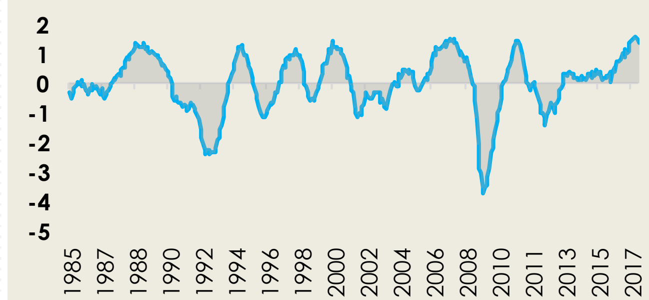
Eurozone Corporate Loans
Euro Area



Household Consumption (QoQ)
Euro Area



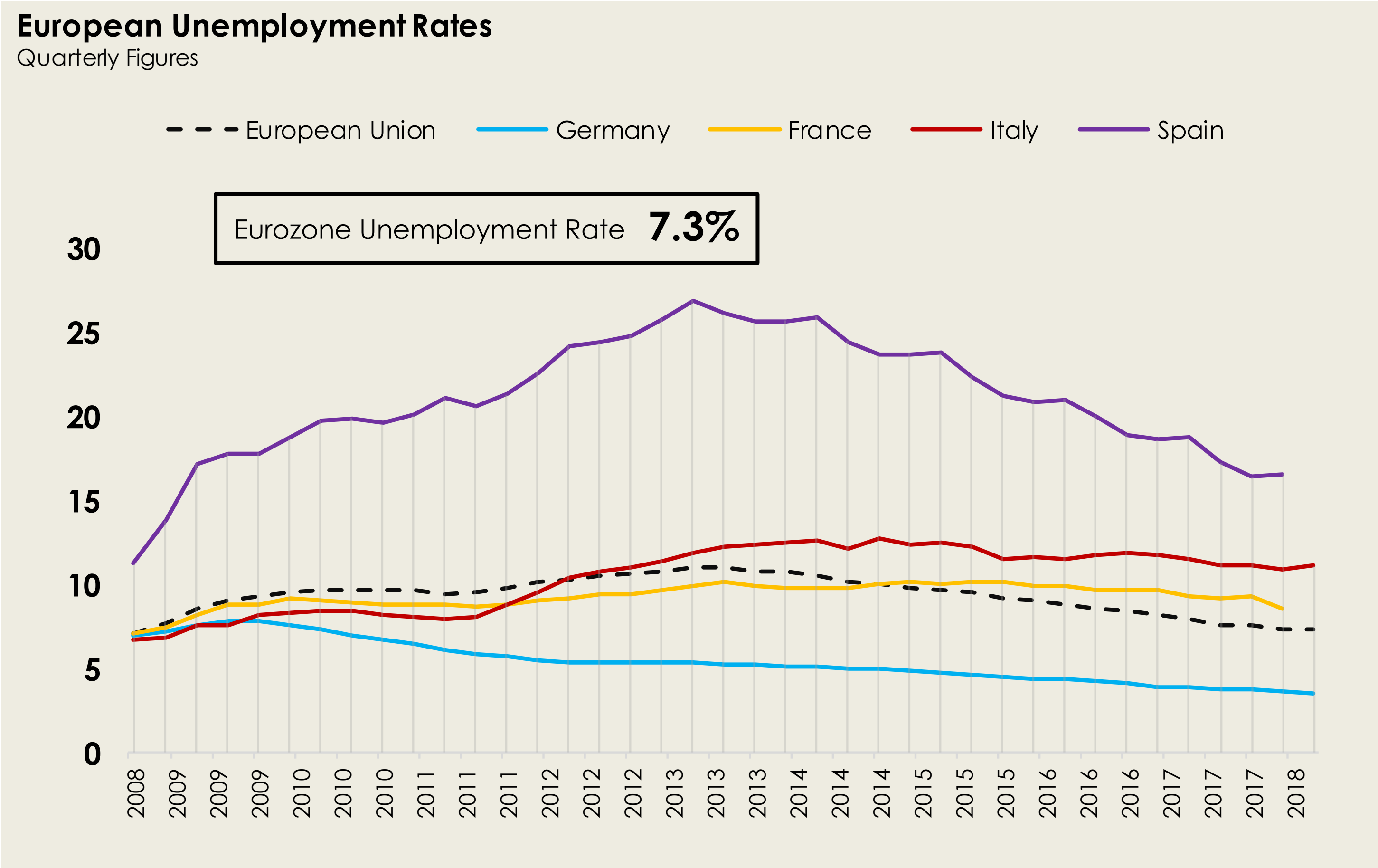
Business Climate Index
Euro Area



Source: Eurozone: European Commission. European Central Bank. Bloomberg Data.

European Employment Picture

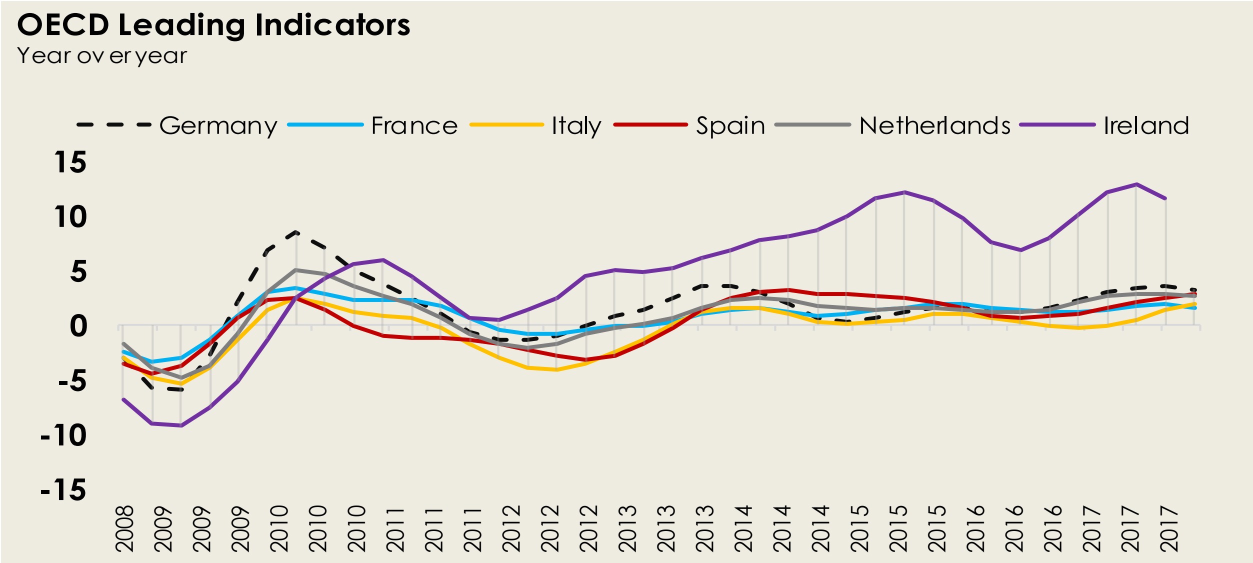
Commentary: Employment continues to trend lower within the Eurozone. This is a trend that it largely responsible for the attractive economic mix that can be found in the region today: solid GDP growth, dispersion across countries narrowing and falling unemployment.

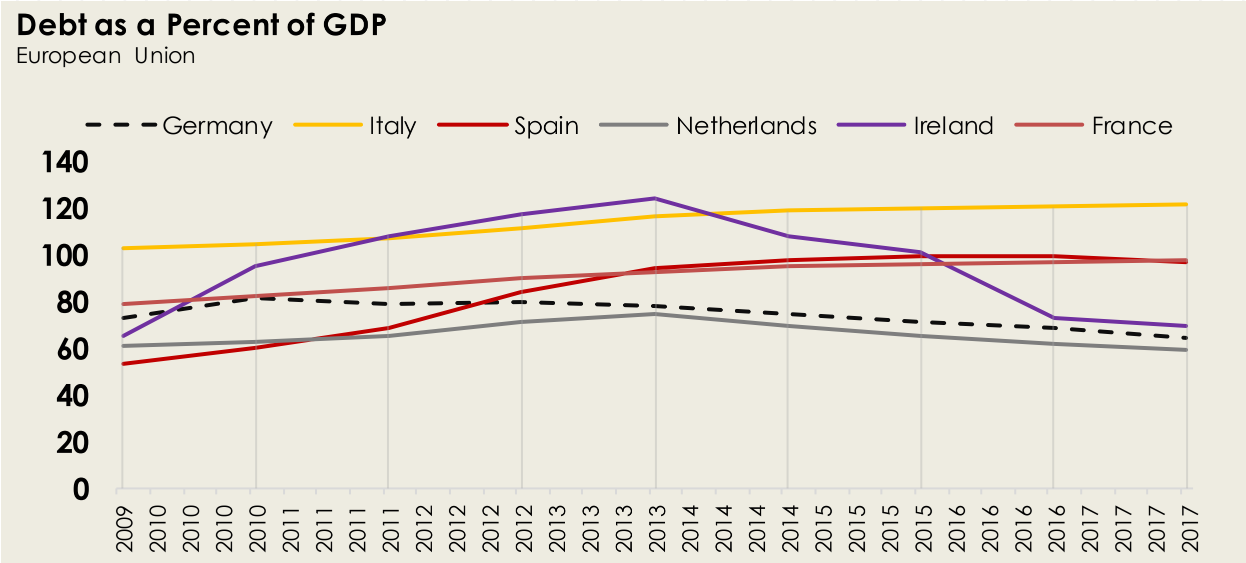


Source: **European Union:** Eurostat. **Germany:** Deutsche Bundesbank **France:** INSEE National Statistics Office of France **Italy**: ISTAT **Netherlands**: Dutch Statistics Office **Spain**: INE All data derived through Bloomberg.

European Leading Indicators & Debt

Commentary: Leading indicators have also pointed to a resurgence in the region. Debt to GDP however remains elevated and rising in everywhere other than Ireland.





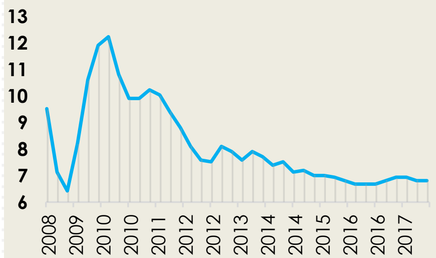
Source: OECD leading indicators: Organization for Economic Co-operation and Development Debt as a percent of GDP: Central Intelligence Agency
All data derived through Bloomberg.

Commentary: After several concerns playing out within the market pertaining to Chinese growth, investors are at ease with the Chinese economy. For now. While a hard landing doesn't seem to be the threat of the moment, current trade war concerns could have unknown adverse effects on the world's second largest single economy.

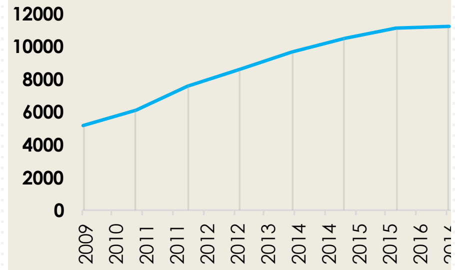
Ultimately, during Q1 we saw China take significant steps towards aligning themselves as the premier global leader in the long term. President Xi Jinping now serves as the President as the PBOC with no term limits.

Additionally, we saw a TPP deal struck without the United States. We view the Chinese economy and markets as one of the most important influences on portfolios today.

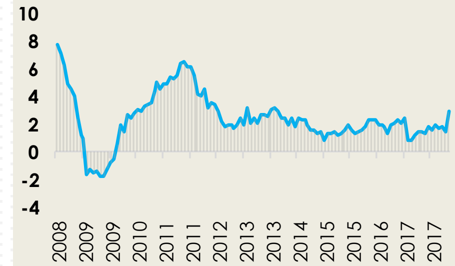
China GDP Growth
Year over Year



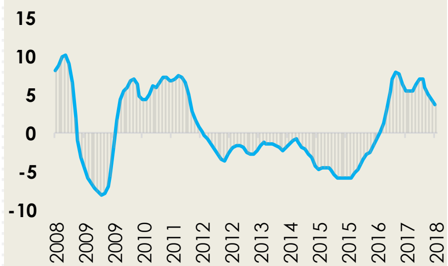
China Nominal GDP
Billion usd



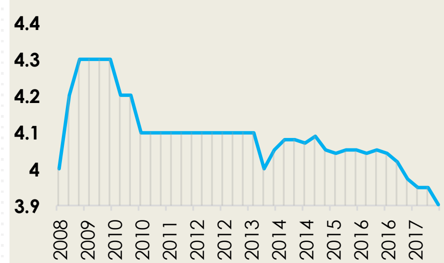
Consumer Price Index
Percent YoY



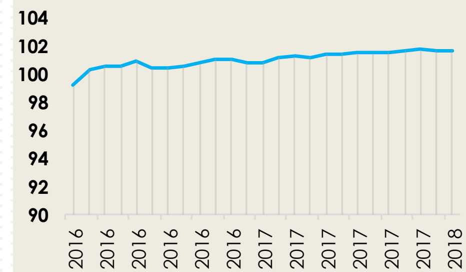
Industrial Product Price
Percent YoY



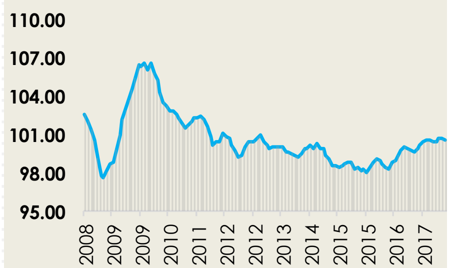
Unemployment Rate
Percent



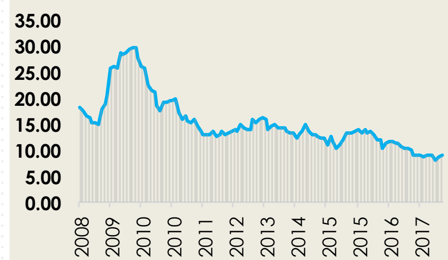
Real Estate Climate Index
Price Index



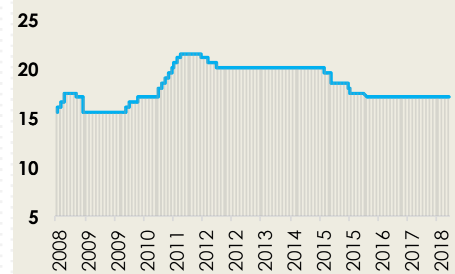
Leading Indicator Index
Price Index



M2 Money Supply
Percent YoY



Reserve Ratio
Percent

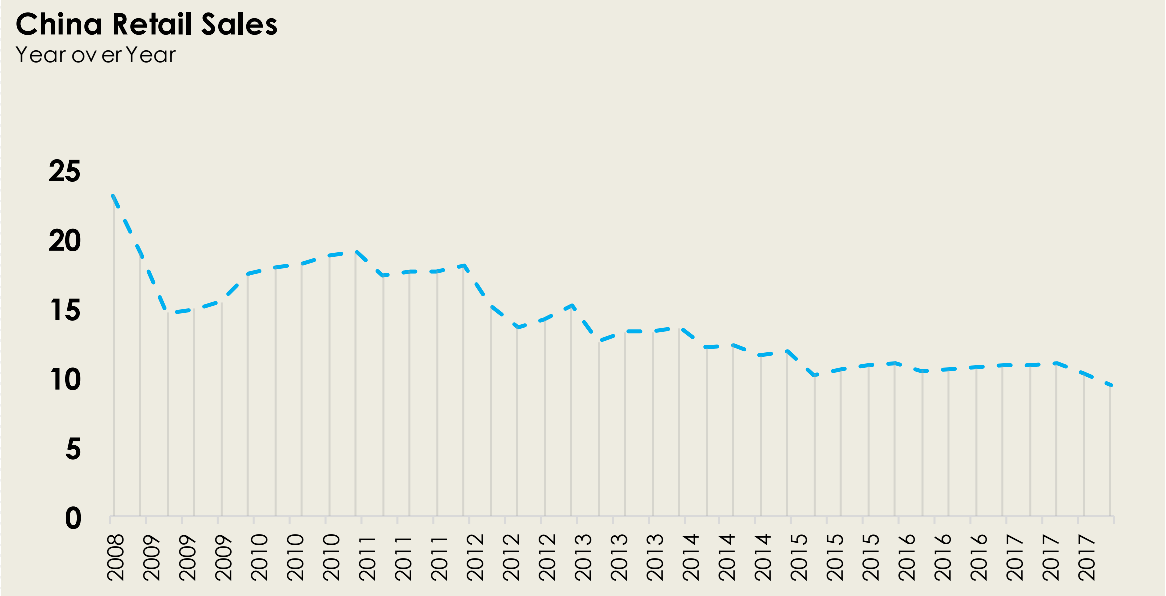


Source: China: National Bureau of Statistics of China. All data derived through Bloomberg.

Chinese Economy

Commentary: Retail sales is the proxy for domestic consumption in China. The graph on the top shows the double digit year over year retail sales growth. In addition, the service sector as measured by the non manufacturing PMI, is signaling expansion. China's service sector has doubled in the last 2 decade and now accounts for more than 50% of GDP.

Some of the readings at the end of the quarter came below the 12 month trend, but remain well into expansion territory.



Business Conditions	Current	-3 Months	-6 Months	-1 Year
Manufacturing PMI	51.50	51.60	52.40	51.80
Non Manufacturing PMI	54.60	55.00	55.40	55.10
New Orders PMI	53.30	53.40	54.80	53.30
New Export Orders PMI	51.30	51.90	51.30	51.00
Order Backlog PMI	46.00	46.30	47.40	46.10

Source: China: China Federation of Logistics and Purchasing. All data derived through Bloomberg.

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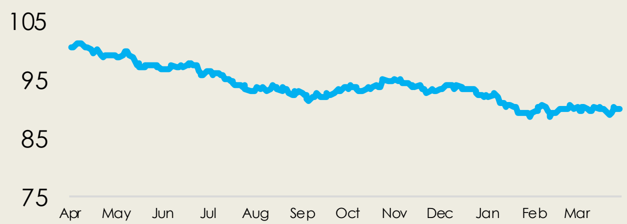
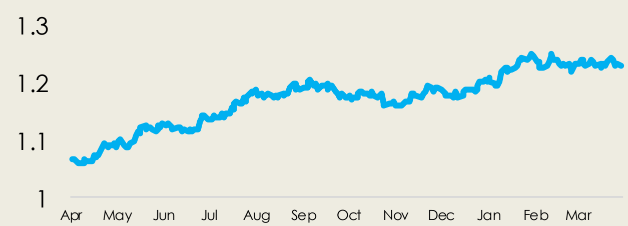
Global Currency Market

Dollar weakness during the first quarter was an unexpected item in the mix for portfolios. This added inflationary characteristic could pose a threat to future pricing readings and expectations, potentially triggering the Fed. Across the Atlantic we are anticipating a more hawkish central bank which will pose a headwind for USD relative to EUR. We see further weakness for the dollar being the path of least resistance if monetary policy from the ECB plays out as expected and fiscal policy at home expands the deficit considerably.

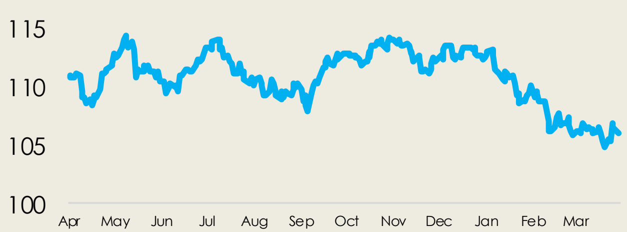
US Dollar Index
1 Year



EUR/USD
1 Year



USD/JPY
1 Year



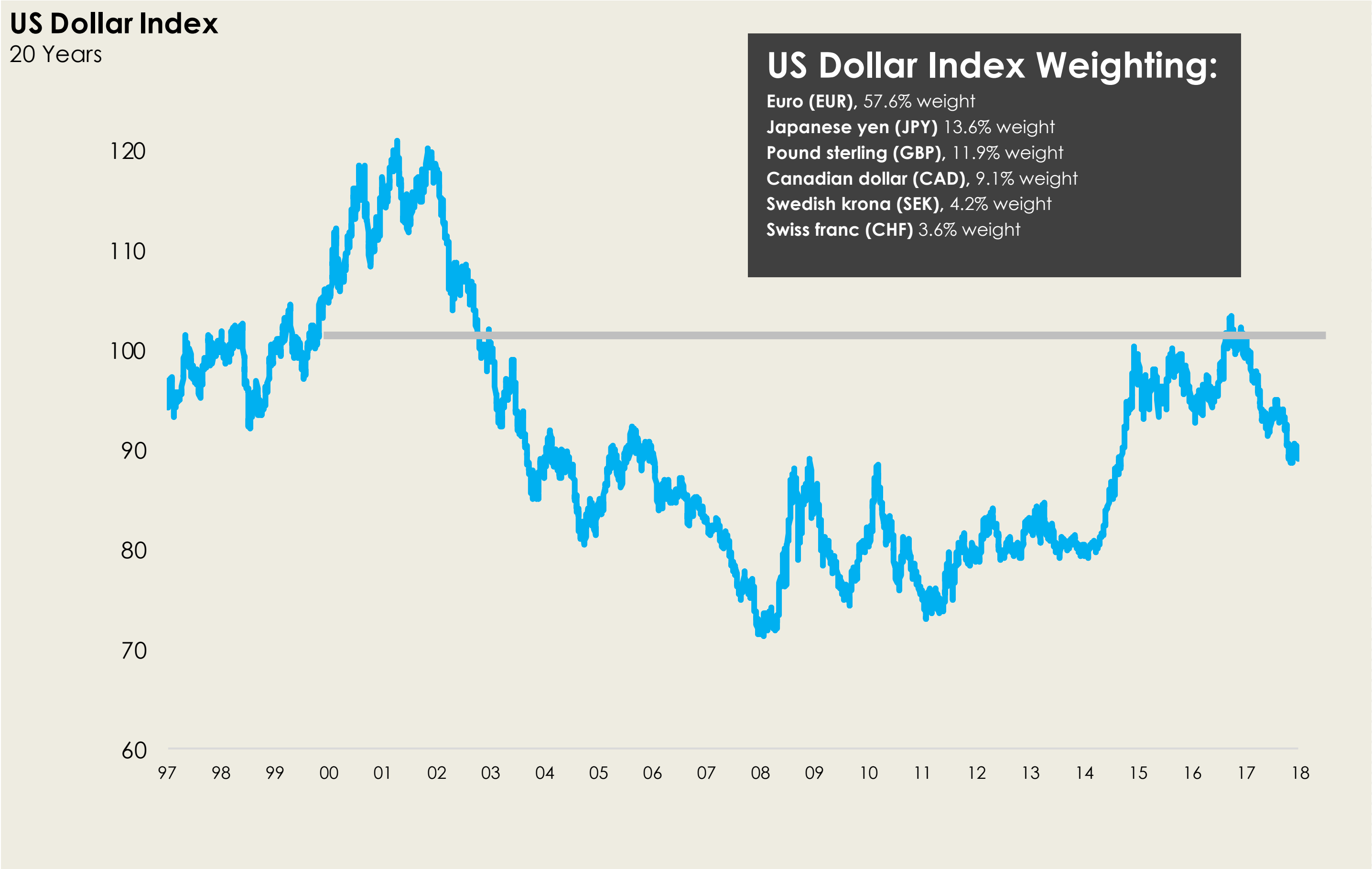
Region	Currency Pair	1 Year Change	Trend	Current	3 Months Ago	6 Months Ago	1 Year Ago	3 Years Ago
Majors								
US Dollar Index	DXY	-10.27%		90.0	91.9	93.6	100.4	97.4
Europe	EUR/USD	15.29%		1.2	1.2	1.2	1.1	1.1
Australia	AUD/USD	0.67%		0.8	0.8	0.8	0.8	0.8
Canada	USD/CAD	-3.36%		1.3	1.3	1.3	1.3	1.3
United Kingdom	GBP/USD	12.49%		1.4	1.4	1.3	1.2	1.5
Japan	USD/JPY	-4.48%		105.9	112.3	112.8	110.9	119.7
Hong Kong	USD/HKD	1.00%		7.8	7.8	7.8	7.8	7.8
New Zealand	NZD/USD	2.87%		0.7	0.7	0.7	0.7	0.8
Norway	USD/NOK	-8.04%		7.9	8.1	8.0	8.6	8.0
Switzerland	USD/CHF	-4.66%		1.0	1.0	1.0	1.0	1.0
Asia								
Thailand	USD/THB	-9.10%		31.2	32.4	33.4	34.4	32.5
Taiwan	USD/TWD	-4.00%		29.1	29.6	30.4	30.3	31.1
South Korea	USD/KRW	-5.27%		1,056.5	1,061.4	1,146.7	1,115.4	1,095.6
Singapore	USD/SGD	-6.04%		1.3	1.3	1.4	1.4	1.4
Philippines	USD/PHP	3.74%		52.0	49.8	51.1	50.2	44.4
Malaysia	USD/MYR	-12.78%		3.9	4.0	4.2	4.4	3.7
Indonesia	USD/IDR	3.21%		13,753.0	13,514.0	13,540.0	13,325.0	13,003.0
India	USD/INR	0.20%		65.2	64.1	65.5	65.0	62.4
China	USD/CNY	-8.81%		6.3	6.5	6.7	6.9	6.2
EMEA								
South Africa	USD/ZAR	-13.36%		11.9	12.5	13.6	13.7	11.9
Israel	USD/ILS	-3.12%		3.5	3.5	3.5	3.6	3.9
Turkey	USD/TRY	9.16%		4.0	3.8	3.6	3.6	2.6
Russia	USD/RUB	2.65%		57.6	57.5	57.9	56.1	56.6
Poland	USD/PLN	-13.75%		3.4	3.5	3.7	4.0	3.7
Hungary	USD/HUF	-12.11%		254.1	256.3	266.0	289.1	275.7
Latin America								
Mexico	USD/MXN	-1.74%		18.3	19.5	18.2	18.7	15.0
Colombia	USD/COP	-1.74%		18.3	19.5	18.2	18.7	15.0
Chile	USD/CLP	-8.08%		605.4	606.7	638.8	658.6	615.6
Brazil	USD/BRL	6.52%		3.3	3.3	3.2	3.1	3.1
Argentina	USD/ARS	29.63%		20.1	19.2	17.5	15.5	8.8

Source: All data derived through Bloomberg. Past performance is not indicative of further returns.

US Dollar Index

Commentary: The framework for relating fiscal stimulus to the dollar remains simple unchanged from when we first considered it late last year – greater cyclical optimism into an economy at full capacity could drive a fuller pricing of the Fed '18 dots.

There seems to be little digestion of the fiscal policy catalyst that have been brought to market to this point. This leaves little known catalysts for the USD in the coming quarters, and perhaps a boost in the USD would be aided by dovish central bank tones abroad.



Source: US Dollar Index: All data derived through Bloomberg.

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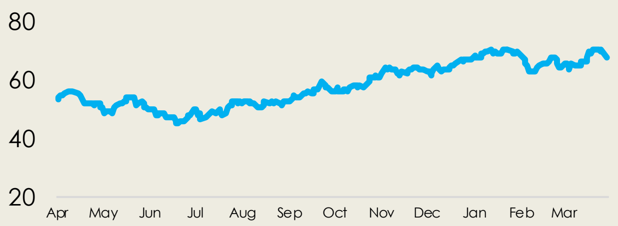
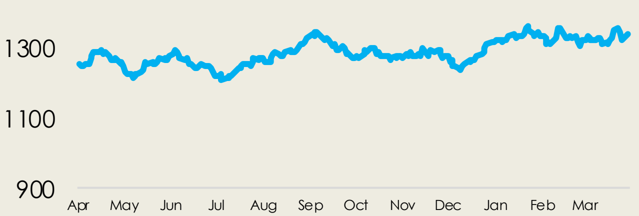
Brent Crude
1 Year



Gold
1 Year



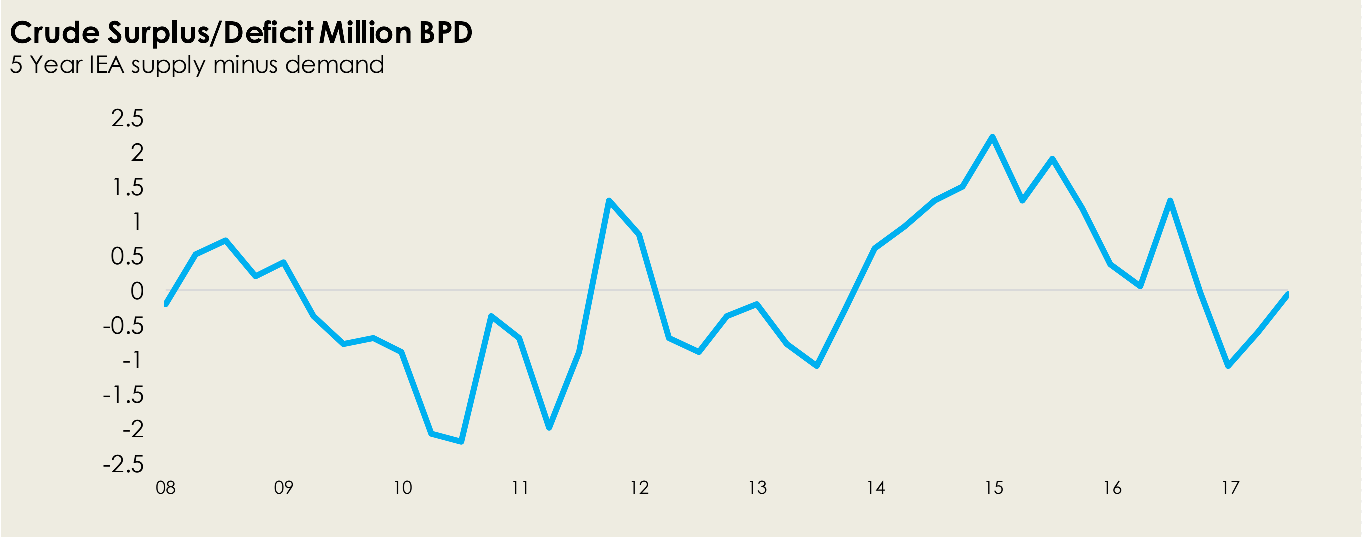
Commodity	1 Year Change	Trend	Current	3 Months Ago	6 Months Ago	1 Year Ago	3 Years Ago
Broad Commodity Index	4.24%		193.4	193.9	183.1	185.5	214.3
GSCI Commodity Index	14.46%		444.8	442.7	394.3	388.5	401.0
Bloomberg Comm. Index	1.74%		86.8	88.2	84.5	85.3	99.3
Corn	6.31%		387.3	353.3	351.5	364.3	386.5
Coffee	-16.44%		116.4	130.2	127.2	139.3	140.9
Sugar	-25.30%		12.5	15.3	14.3	16.8	12.7
Wheat	4.63%		446.3	433.5	444.8	426.5	536.3
Aluminum	1.83%		1,990.8	2,258.3	2,081.0	1,955.0	1,781.5
Copper	14.61%		304.0	327.8	295.5	265.2	273.4
Gold	7.50%		1,340.9	1,316.1	1,272.7	1,247.3	1,200.9
Silver	-9.02%		16.6	17.2	16.7	18.3	16.7
Brent Crude	28.28%		67.8	66.6	56.1	52.8	54.9
WTI Crude	24.78%		63.1	60.4	50.6	50.6	49.1
Gasoline	15.85%		197.0	176.3	155.5	170.0	176.1
Natural Gas	-16.11%		2.7	3.1	2.9	3.2	2.7

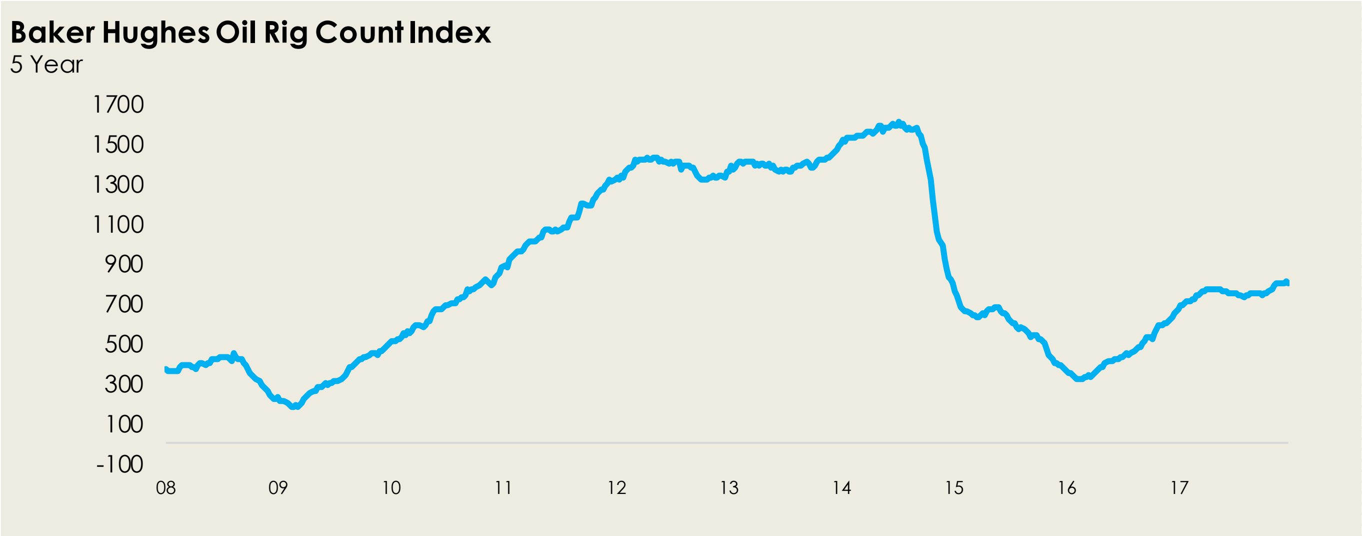
The global macro backdrop has generally continued to improve for commodities. The January inflow into commodities at nearly $86bn was the largest in a decade. Greater growth outlook revisions are accommodative of current commodity prices and should buoy oil for the intermediate time. We don't see a long-term revision toward highs in commodities that face more significant pressure today from competition within their traditional spaces as well as alternative such as wind, solar and hydro.

Source: All data derived through Bloomberg. Past performance is not indicative of further returns.

Energy Supply Demand

Commentary: Our studies show that oil tends to bottom prior to rig counts. Oil bottomed prior to rig counts as expected, but production remains robust. This is likely to keep pressure on oil prices from soaring higher. Also the crude demand is expected to outpace supply over the next several quarters.





Source: International Energy Agency. Baker Hughes Index. All data derived through Bloomberg.