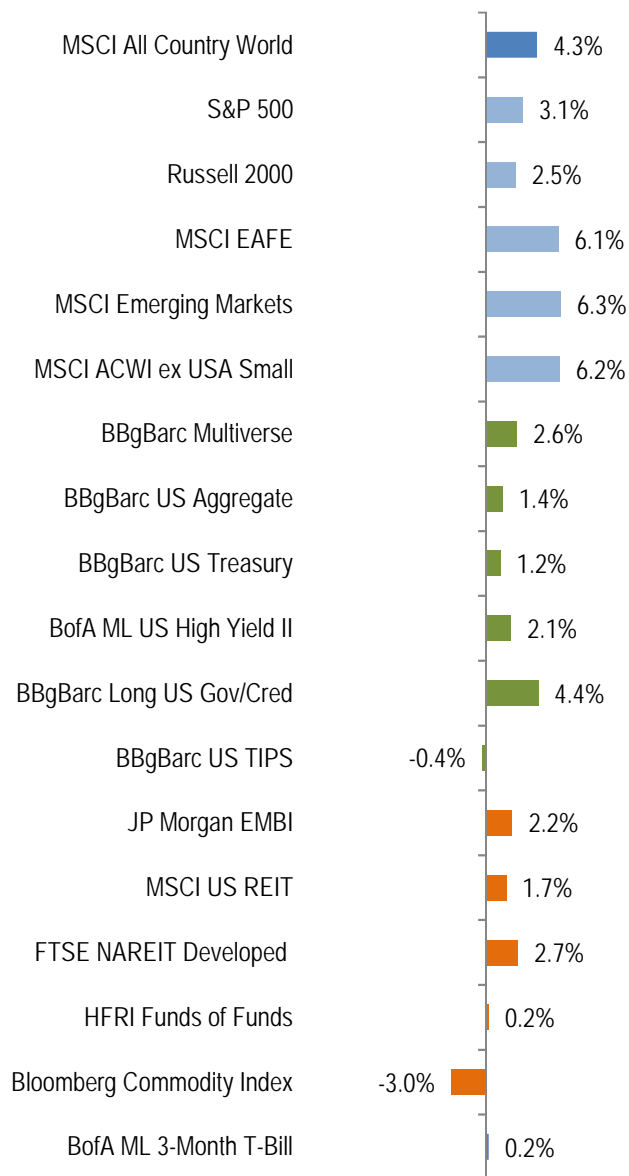


Second Quarter 2017



Second Quarter 2017: Global Economic Improvement Overshadows Political Uncertainty <sup>As of June 30, 2017</sup>

The second quarter market review will sound familiar to readers of last quarter's review. Global markets rose (again), led by international markets (again). Bond markets advanced (again) and the only major asset class to produce negative returns was commodities (again).

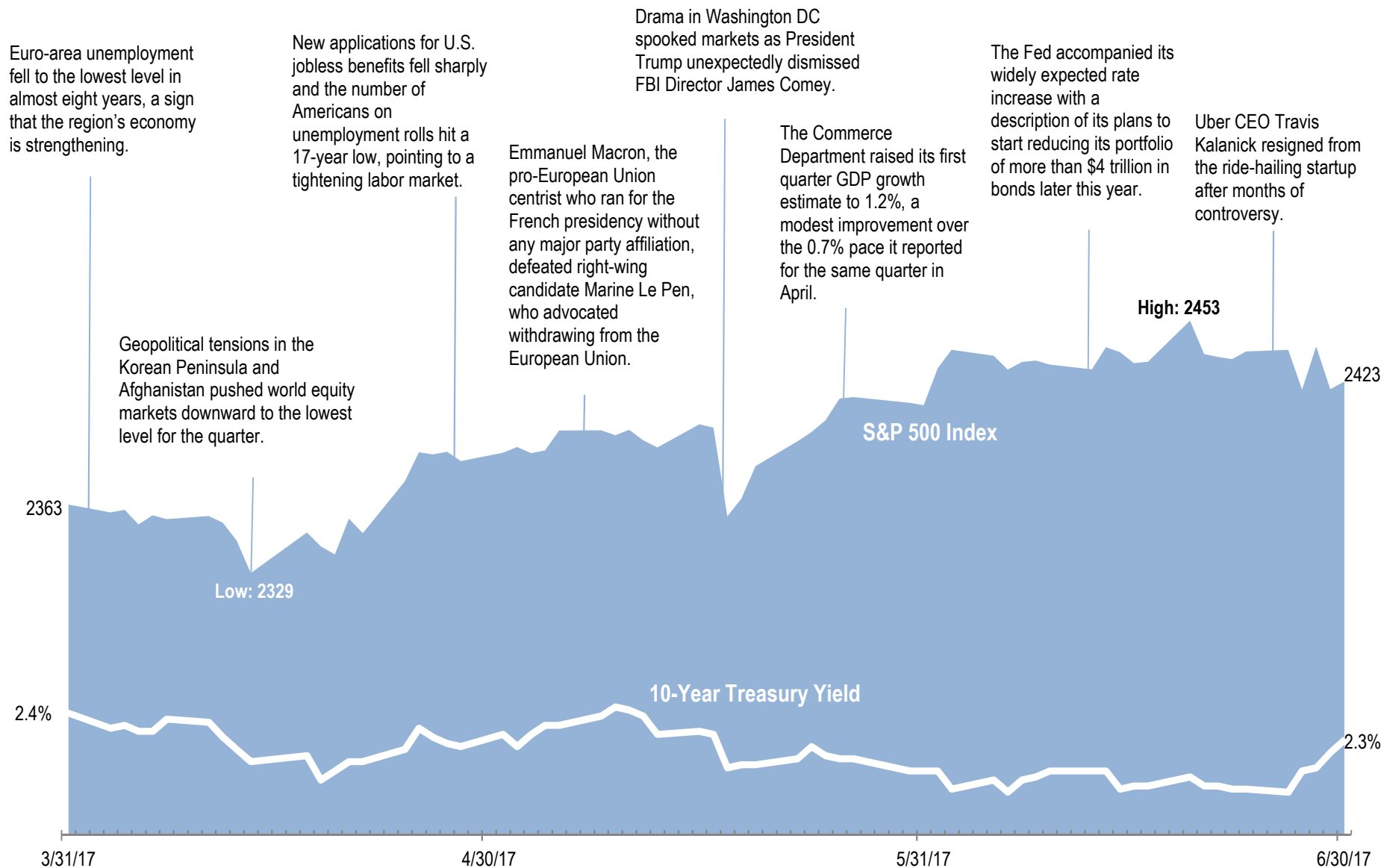
Global equity market returns this year have been strongly positive and widely dispersed: in the first six months of 2017, 26 of the 30 largest stock markets in the world delivered positive returns. In 2017's first quarter, growth in emerging markets helped support strong international returns. This quarter, it was their Eurozone counterparts that led the way. The most recent economic growth numbers in the European Union have beaten analyst expectations. Even the perpetual outcasts Spain, Italy, and Portugal have been growing steadily. Greece, however, still lingers near potential insolvency as the International Monetary Fund and the EU's leaders remain unable to find a compromise on debt relief for the Mediterranean nation.

The US has now entered its 97th month of economic expansion, the third-longest in its history. US labor markets continue to strengthen and the unemployment rate is approaching the Federal Reserve's projected natural rate of unemployment of 4.6%. Job openings are the highest on record, and the number of continuing unemployment claims the lowest in 50 years. Increased employment has yet to produce wage inflation, however, leaving analysts to ponder whether the job market has greater slack than the Federal Reserve believes. Against this backdrop, Fed Chair Yellen announced the fourth interest rate hike since the economic crisis. Another is expected in the second half of 2017.

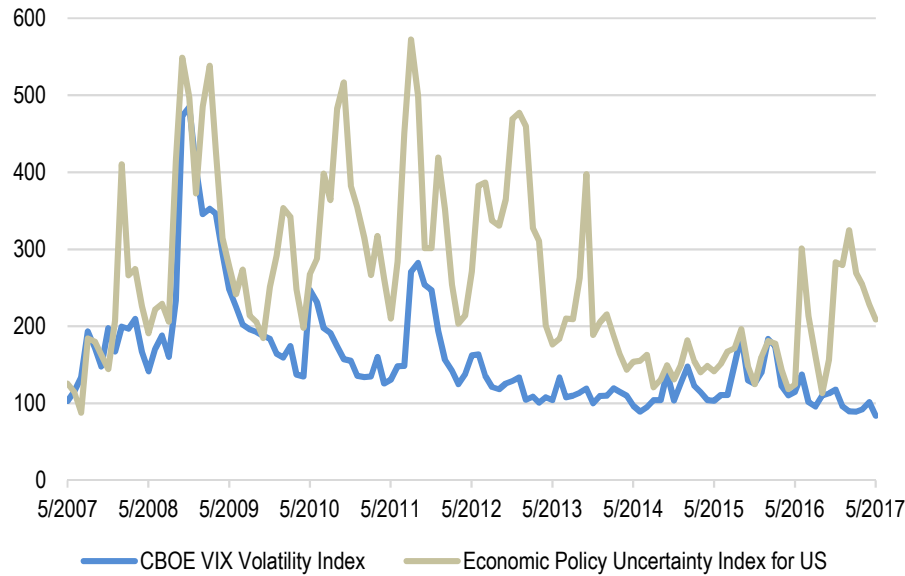
International equity indices outpaced US indices. Tech giants Apple, Amazon, Facebook and Google have propelled growth stocks to outperform their value counterparts in the US large cap space, a trend that has been seen across capitalization and geographic regions as well. Although the Fed raised short-term rates, the long end of the yield curve fell during the quarter, pushing fixed income indices higher as the yield curve flattened.

	<u>QTD</u>	<u>YTD</u>	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>10 Years</u>
S&P 500	3.1%	9.3%	17.9%	9.6%	14.6%	7.2%
Russell 2000	2.5%	5.0%	24.6%	7.4%	13.7%	6.9%
MSCI EAFE (USD)	6.1%	13.8%	20.3%	1.1%	8.7%	1.0%
<i>MSCI EAFE (Local)</i>	<i>2.7%</i>	<i>7.5%</i>	<i>22.1%</i>	<i>7.0%</i>	<i>12.5%</i>	<i>2.0%</i>
MSCI Emerging Markets (USD)	6.3%	18.4%	23.7%	1.1%	4.0%	1.9%
<i>MSCI Emerging Markets (Local)</i>	<i>6.6%</i>	<i>14.8%</i>	<i>21.8%</i>	<i>6.1%</i>	<i>7.6%</i>	<i>4.3%</i>
BBgBarc US Aggregate	1.4%	2.3%	(0.3%)	2.5%	2.2%	4.5%
FTSE NAREIT Developed	2.7%	4.8%	0.2%	3.7%	7.5%	2.0%
HFRI Fund of Funds	0.2%	2.6%	5.8%	1.3%	3.7%	0.8%
BofA ML 3-Month T-Bill	0.2%	0.3%	0.5%	0.2%	0.2%	0.6%

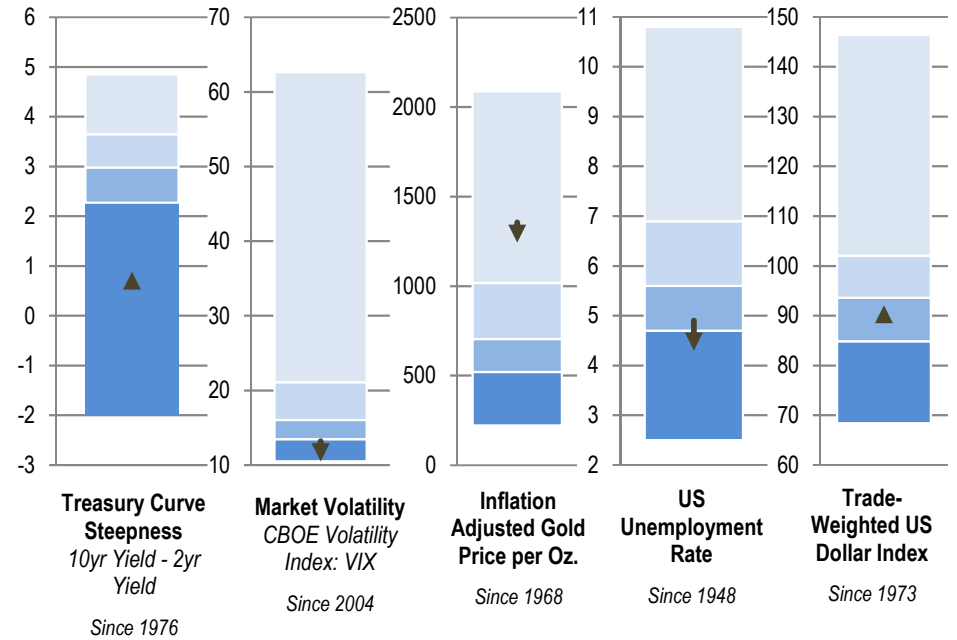
Returns for periods longer than 1 year are annualized.



**Uncertainty vs Volatility**



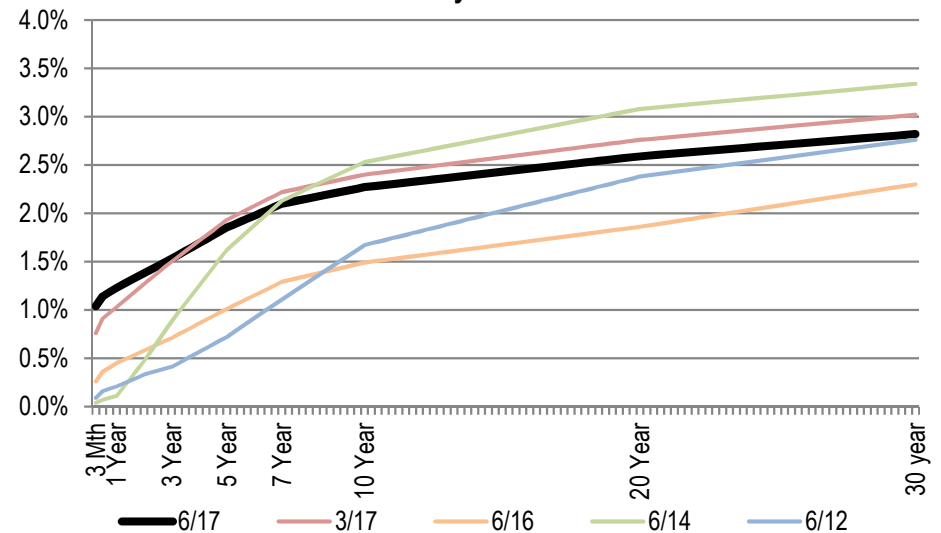
As of June 30, 2017



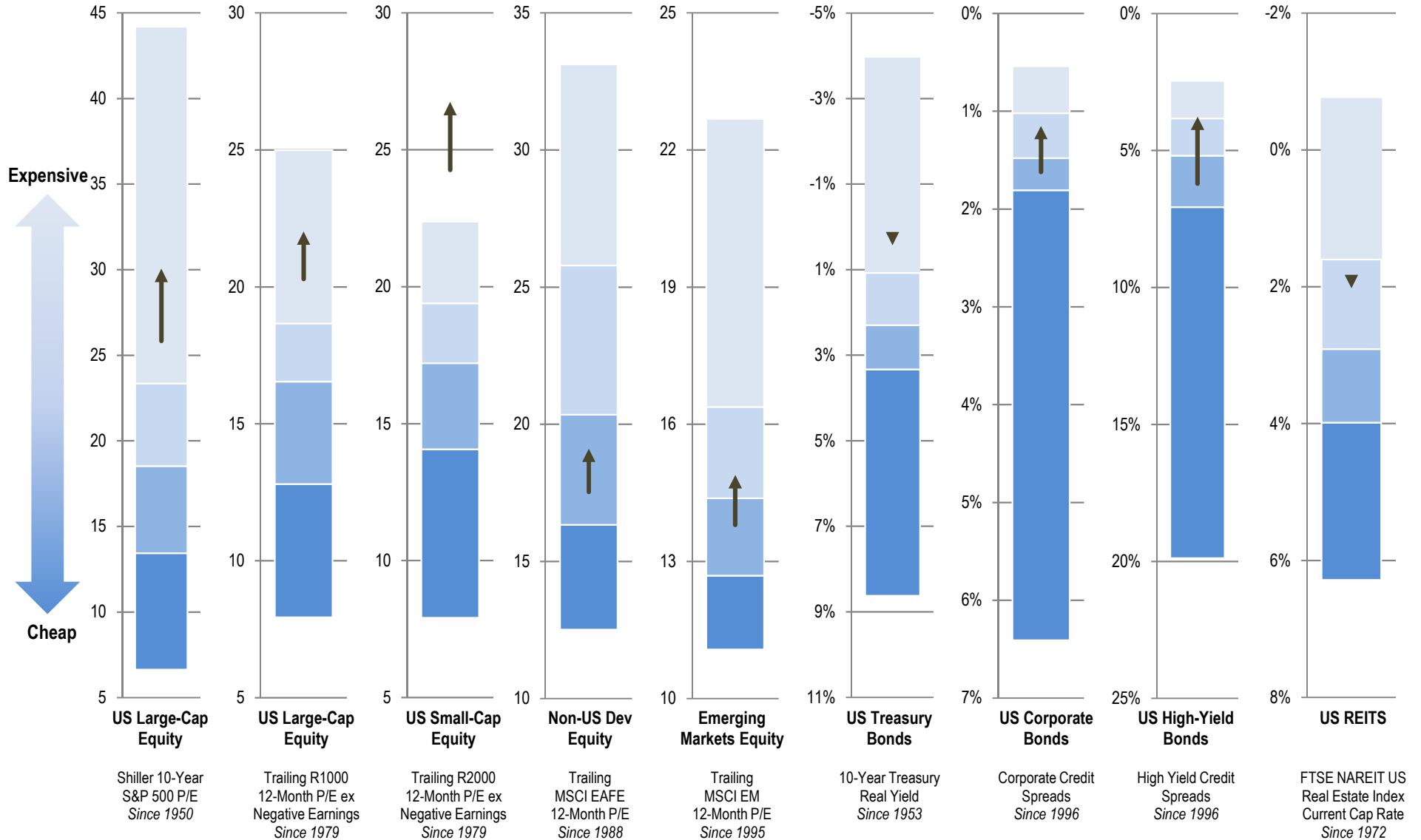
	<u>6/2017</u>	<u>3/2017</u>	<u>6/2016</u>	<u>6/2014</u>	<u>6/2012</u>
Market Inflation Expectations					
5 Year	1.6	1.8	1.4	2.0	1.7
10 Year	1.7	2.0	1.4	2.3	2.1
20 Year	1.8	2.0	1.3	2.3	2.2
CPI Year-over-Year	---	2.4	1.0	2.0	1.7
West Texas Crude Oil	43.2	50.5	48.3	106.1	85.0
Trade Wtd Dollar Index	92.1	93.6	90.0	76.2	75.2
Consumer Sentiment Index	95.1	97.6	95.5	82.5	73.2
US Corp Profits (% of GDP)	---	9%	9%	10%	10%
Real GDP Growth YoY	---	1.4	1.4	4.0	1.9
Federal Funds Rate	1.06	0.79	0.38	0.10	0.16
US Govt Debt (% of GDP)	---	104%	105%	102%	98%

Arrows represent year on year change.

**US Treasury Yield Curve**



As of June 30, 2017

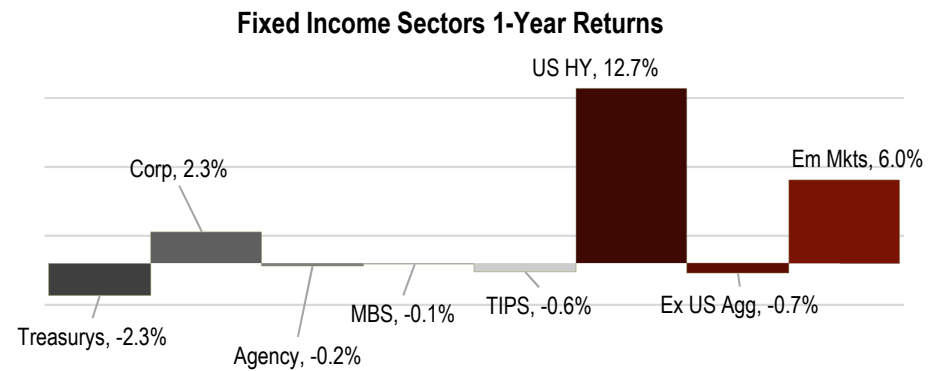
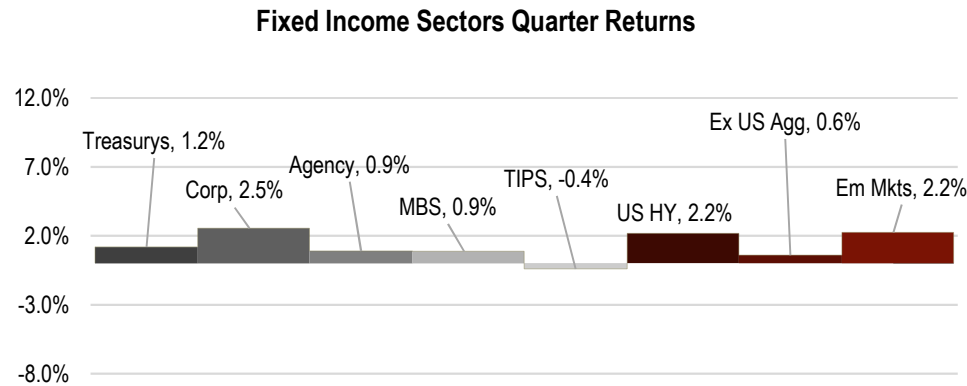
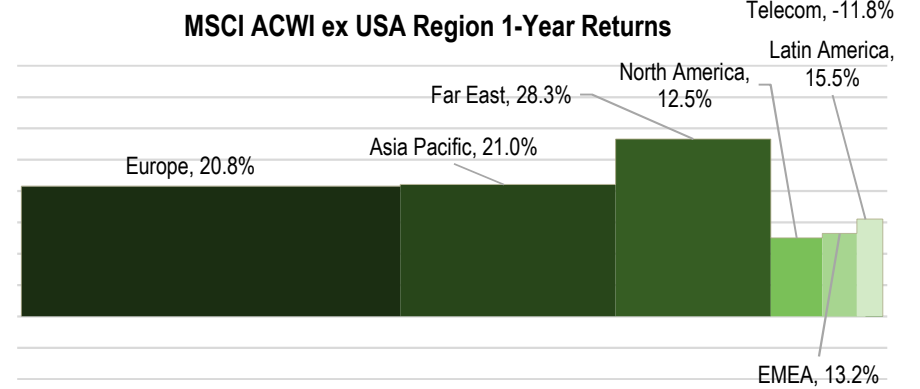
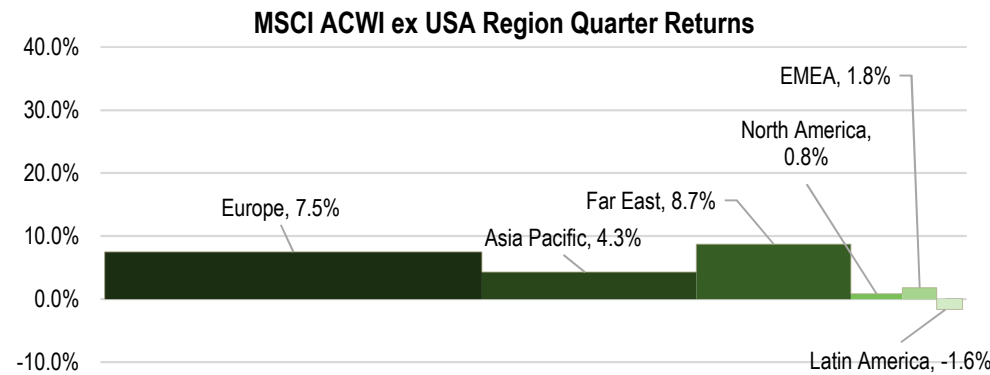
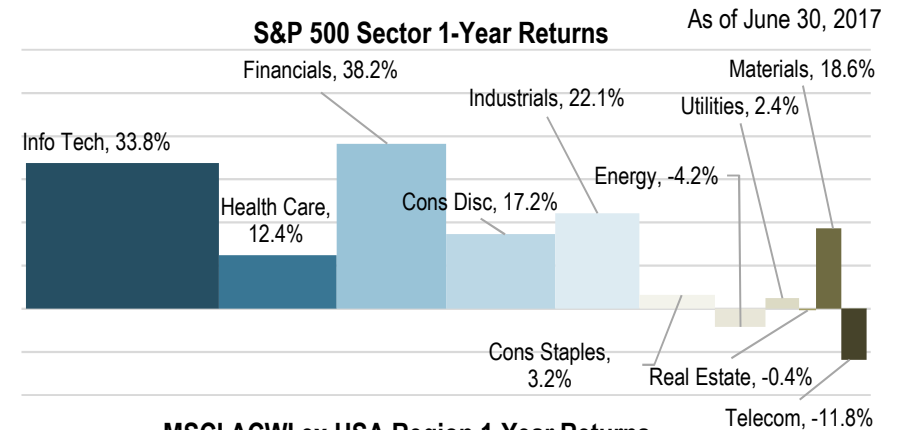
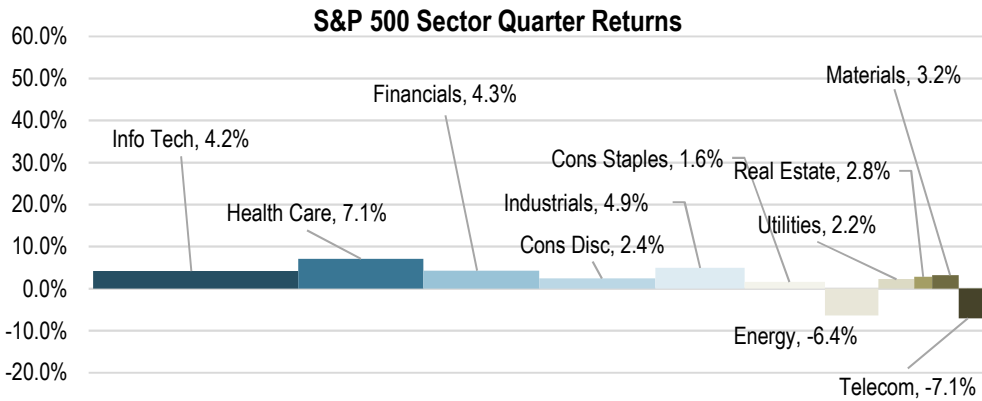


10-Year Treasury real yields are based on the constant maturity TIPS yields calculated by the Federal Reserve. Prior to 2003, real yields are calculated by adjusting the nominal yield with the prior 12-month change in core CPI-U.

Real cap rates are inflation adjusted using the applicable 10-year TIPS breakeven inflation rate. Prior to 2003, real cap rates are calculated by adjusting the cap rate with the prior 12-month change in the core CPI-U.

P/E metrics calculated by InvestorForce use different methodology.

**Sector and Region Returns**



The equity bar widths depict end of the quarter region and sector weights. Fixed income bar widths do not depict specific sector weights.