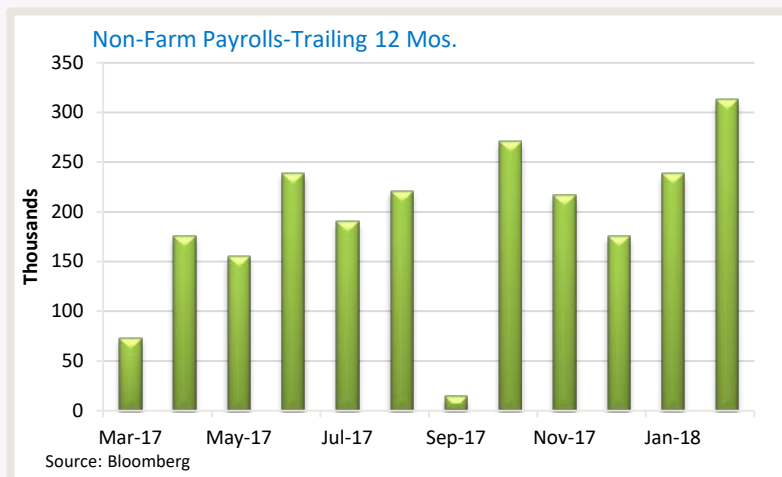




Chart of the Week



Weekly Highlights

- **President Trump signed an order imposing stiff tariffs on steel and aluminum imports.** The order exempts Mexico and Canada and leaves wiggle room for other countries to negotiate the tariffs. Gary Cohn announced his resignation as director of the National Economic Council late Tuesday. Mr. Cohn, known for his free-trade stance, was a big opponent of the tariffs. With Cohn gone, the balance in the White House has shifted towards the “nationalist” wing, leaving many worried about the potential implications that go beyond trade.
- **The US economy added 313,000 jobs last month**, the most since July 2016, and the unemployment rate remained flat at 4.1%. In addition, initial jobless claims remain near their lowest level in almost 50 years despite an increase in the latest reading. However, year-over-year wage growth fell to 2.6 from 2.9% in January. The Finance and Information Technology sectors experienced the highest gains in wage growth.
- **Italy’s general election results** on Tuesday showed that populism is alive and well in that country. Campaigning on an agenda similar to Donald Trump’s “America first,” the Five Star Movement and the Northern League, two anti-EU parties, won half of the votes. Both groups promised lavish taxes and spending that will be difficult to enact.

Talking Points

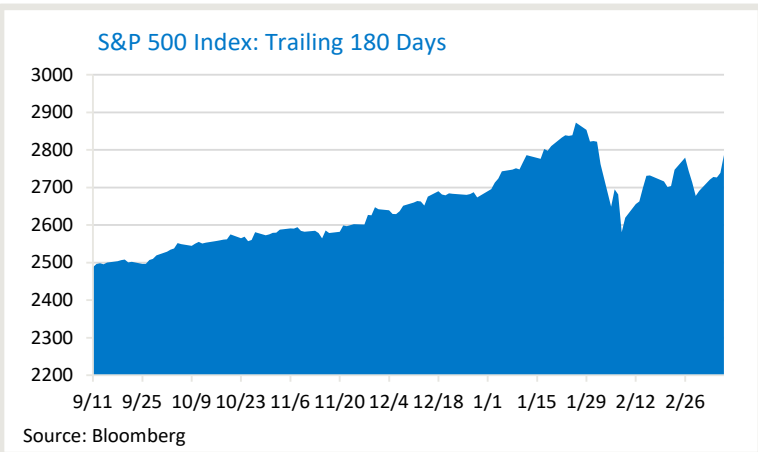
- **US equities rallied**, with the S&P 500 Index posting a weekly gain of 3.5%, erasing last week’s decline. Outside the US, both developed and emerging markets equities posted strong gains for the week with emerging markets leading the way.
- **Treasuries fell** after the strong job report on Friday. The yield on the 30-year Treasury bond had the largest gain along the curve ahead of auctions next week. The yield on the 10-year Treasury Note ticked higher at 2.89%.
- **A stronger greenback** pushed the Dollar Index back above 90, as this week’s steel and aluminum tariff announcement featured exemptions for Canada and Mexico, as well as the possibility of other countries also getting a waiver.
- **Gold ended the week** below its 50-day moving average of \$1,333 per ounce, erasing the gains posted earlier in the week. Crude oil pushed up to \$62 a barrel.
- **Among other economic data released this week:** Mortgage applications stalled last week, as interest rates inched higher. Revised numbers show worker productivity remained flat in Q4 2017, rather than declining 0.1%, whereas labor unit costs increased faster than expected. January’s new orders for US-made goods recorded their biggest decline in six months.

Market Dashboard

	Last Price	Change	% Chg.	YTD %
S&P 500	2,786.57	95.32	3.54%	4.2%
Dow Industrials	25,335.74	797.68	3.25%	2.5%
Nasdaq	7,560.81	302.94	4.17%	9.5%
Russell 2000	1,597.14	63.97	4.17%	4.0%
Euro Stoxx Index	378.24	11.20	3.05%	-2.8%
Shanghai Composite	3,307.17	52.64	1.62%	0.0%
Russell Global	2,162.11	34.78	1.63%	1.3%

Source: Bloomberg; Index % change is based on price.

	Last Price	Change	% Chg.	YTD %
Russell Global EM	3,748.73	32.22	0.87%	2.9%
10-Year US Treas.	2.89	4 bps	NM	NM
DJ UBS Comm. Idx.	87.95	-0.19	-0.22%	-0.2%
Gold	\$1,323.53	\$0.64	0.05%	1.6%
Crude Oil	\$62.10	\$0.86	1.40%	2.8%
Dollar Index	90.11	0.18	0.20%	-2.2%
VIX Index	14.64	-4.95	-25.27%	32.6%



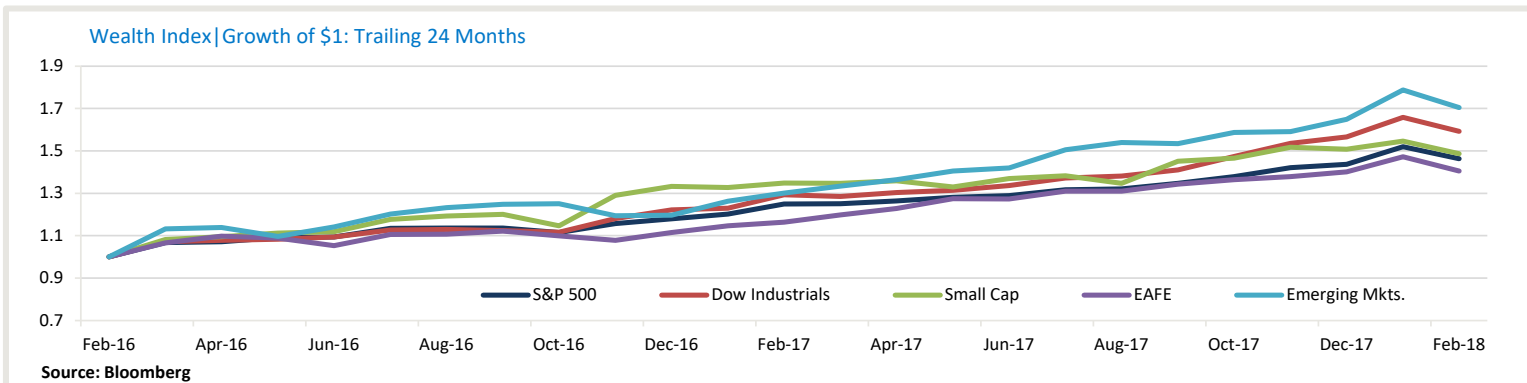
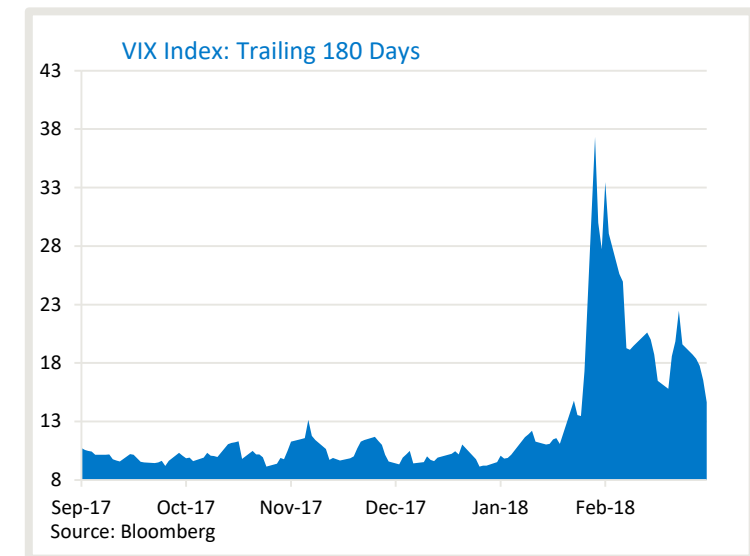
	One Week			YTD		
	Value	Growth		Value	Growth	
L	3.10%	3.47%	3.79%	1.41%	4.66%	7.53%
	3.28%	3.71%	4.23%	0.13%	2.88%	6.41%
S	3.64%	4.17%	4.65%	0.70%	4.01%	7.10%

Source: Bloomberg

Sector Performance:
S&P/Global Industry Classification Sectors (GICS)

	% Wgt in S&P 500	Week % Chg.	YTD % Chg.
Consumer Discretionary	12.6	3.00%	7.5%
Consumer Staples	7.5	1.66%	-4.5%
Energy	5.5	2.10%	-5.9%
Financials	15.0	4.39%	6.1%
Health Care	13.8	3.40%	4.5%
Industrials	10.2	4.40%	3.1%
Information Technology	25.4	4.29%	11.2%
Materials	2.9	4.08%	1.1%
Real Estate	2.6	3.68%	-6.3%
Telecom Services	1.9	1.81%	-5.5%
Utilities	2.6	0.78%	-6.9%

Source: Bloomberg



The Economy and Markets

A Macro View – Looming trade wars done “in a very loving way”

Although he campaigned extensively on tougher trade policies, President Trump’s decision late last week to slap tariffs of 25% on steel and 10% on aluminum imports came as a surprise to many. With no agreement on the tariffs within the administration, their consideration has caused friction in the White House. On Tuesday, Gary Cohn, a free-trade advocate who served as the director of the National Economic Council, stepped down, leaving a policy power vacuum at a very delicate time. On Thursday, the President signed a proclamation on import tariffs that exempts Canada and Mexico, the two NAFTA partners with whom the US is currently re-negotiating its trade terms.

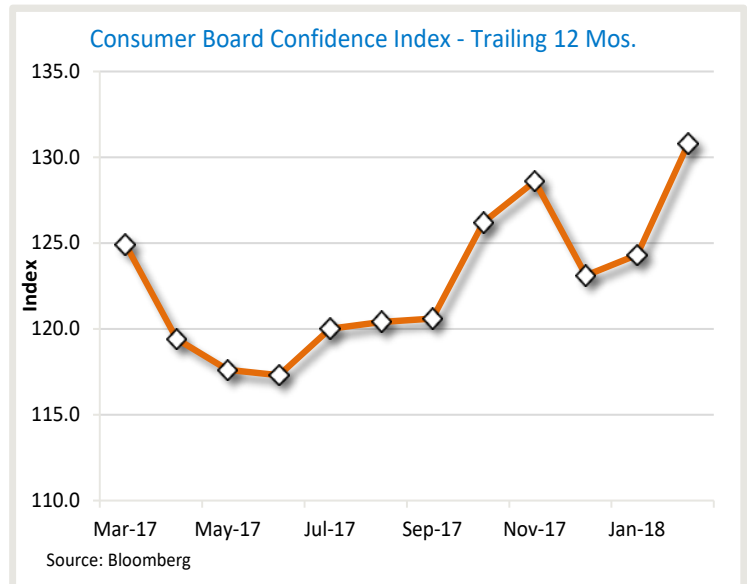
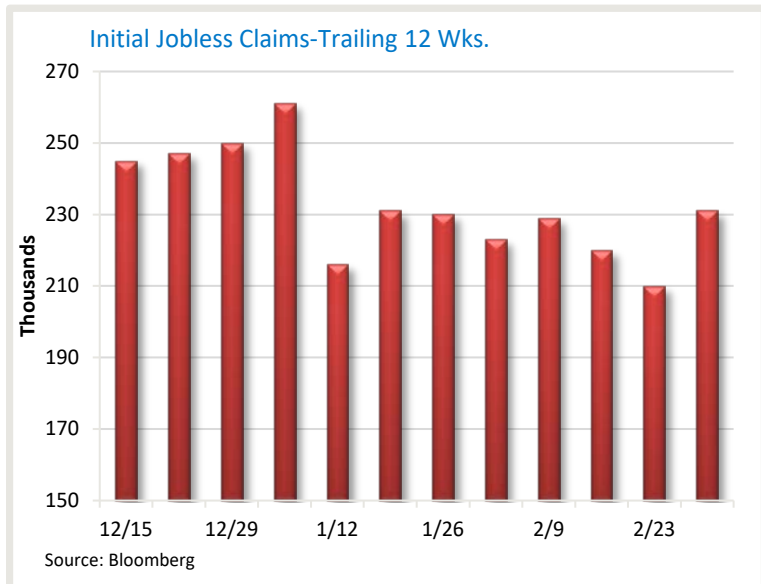
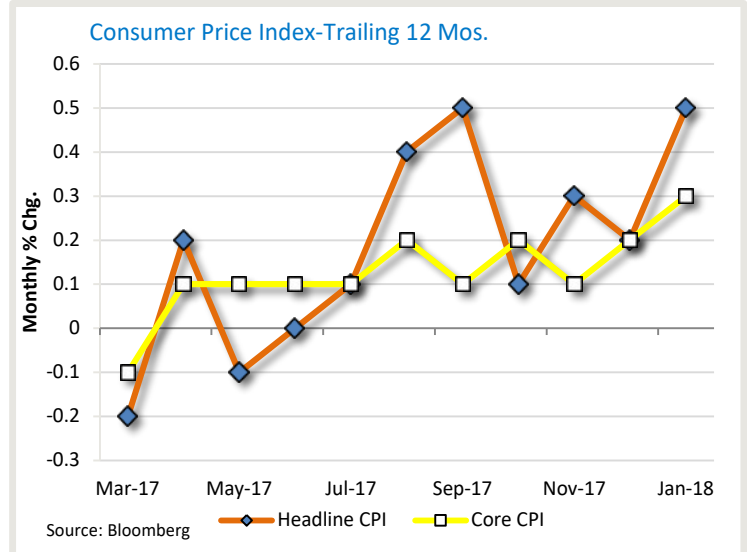
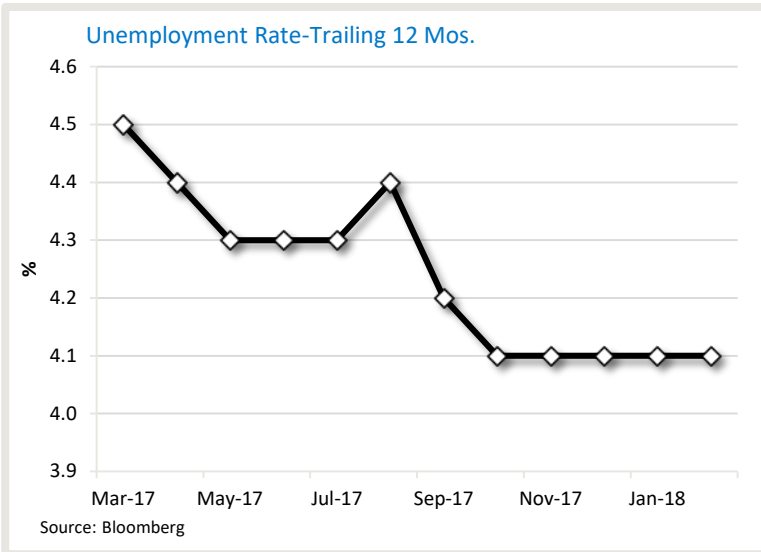
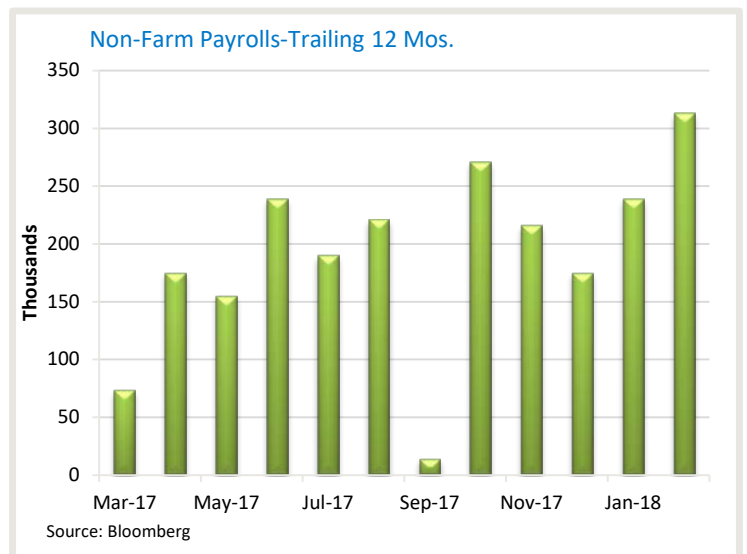
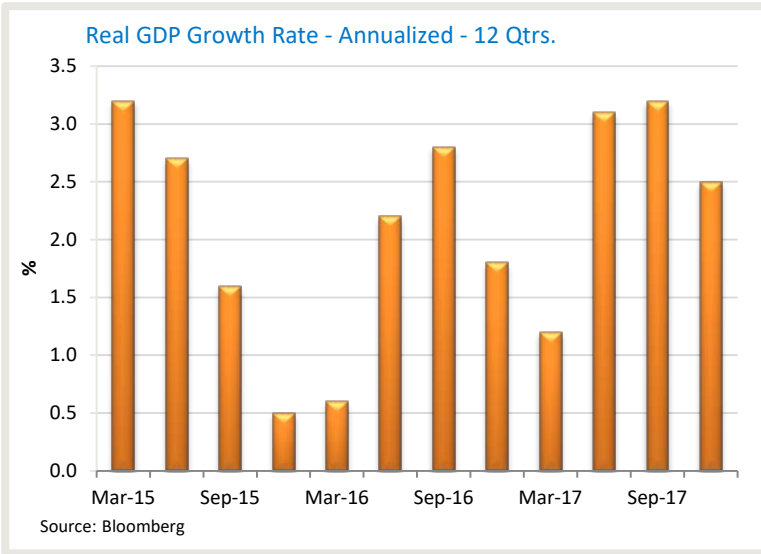
The audience received the tariff news with mixed sentiments as well. The market certainly didn’t welcome the development, with the Dow Jones Industrial Average falling 1.7% [on the news](#). US steel and aluminum makers, and the shrinking workforce they employ, cheered the President’s move—higher tariffs on foreign steel and aluminum would close the door to cheaper imports that have put such heavy pressure on these industries. The administration’s own Commerce Department recently vouched for tariffs or quotas, noting that employment in the domestic steel industry has shrunk by [35%](#) in the last two decades, whereas the aluminum industry shed nearly 60% of its jobs between 2013 and 2016. However, trading with the world is a two-way street and hardly a zero-sum game, and thus worries abound regarding the repercussions that may follow. To begin, concern exists about the prospect of higher prices for products that use steel and aluminum, such as those of the aerospace, soft drink, and automobile manufacturers. As the Wall Street Journal [noted](#), US steel mills employ 140,000 people. Companies that use steel employ 6.5 million. These companies, and the consumers who buy their products, may end up footing the bill by paying more.

Another significant concern is retaliation from our trading partners, who may feel antagonized by such tariffs and, consequently, ignite a trade war. [Many countries](#), including China and those in the EU, have promised to fight the proposed tariffs on steel and aluminum with import restrictions of their own, targeting certain products designed to inflict as much political and economic damage as possible. Agriculture, for example, could take a hit, as many US farmers are heavily dependent on export markets. And considering the populist movements that are spreading elsewhere in the world, trade wars may not be as improbable as one might think. Just this week, anti-EU parties won big in the Italian general elections behind promises of “Italy first.”

Every student who has taken a macroeconomics class knows that trade wars are bad, because everybody loses and nobody wins. The World Trade Organization (WTO) was created from the need to establish a general agreement on trade to avoid trade wars. By disregarding these rules, the US is setting a precedent for other countries to exploit in order to protect their own producers. This could both undermine the system of trade rules upon which the WTO functions and bring the global trading system to a collapse. Without the WTO, trade among countries would still carry on, but without norms and procedures, chaos is guaranteed. In addition, trade wars, especially those against China, could have geopolitical consequences that are difficult to predict.

President Trump seems to hate trade deficits, although they are not necessarily evil, and their reduction could be targeted with other, less harmful means than tariffs. However, with the political vacuum left from Cohn’s resignation earlier this week, the White House has fallen into protectionist hands. Although the fallout from US tariffs on world trade appears gloomy, all we are left with is taking solace from the President’s promise that ["We're going to do it in a very loving way. They'll like us better and respect us more."](#)

Economic Data



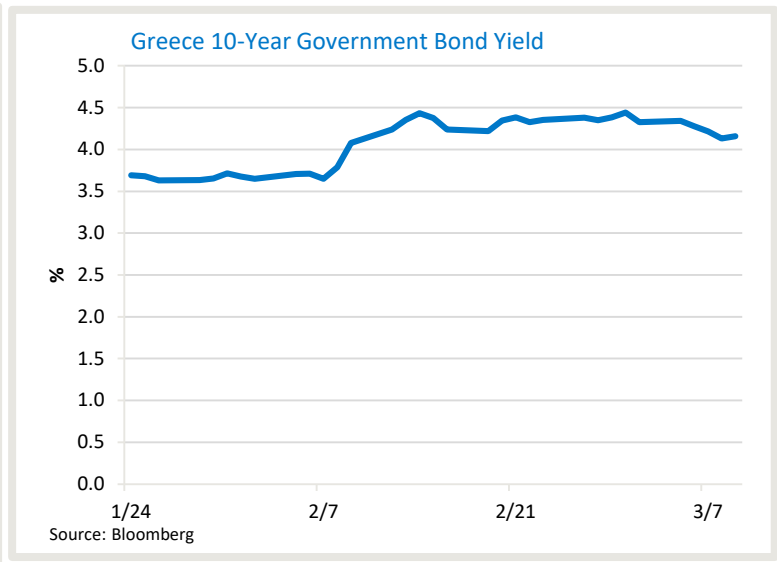
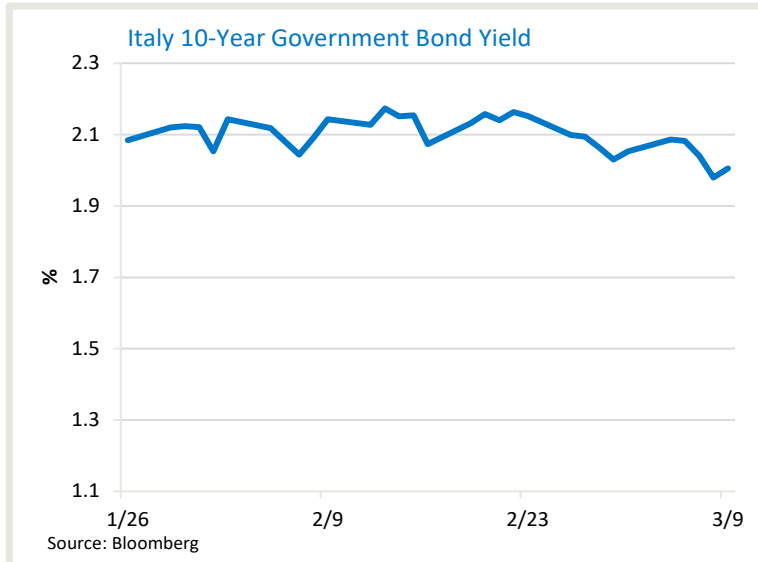
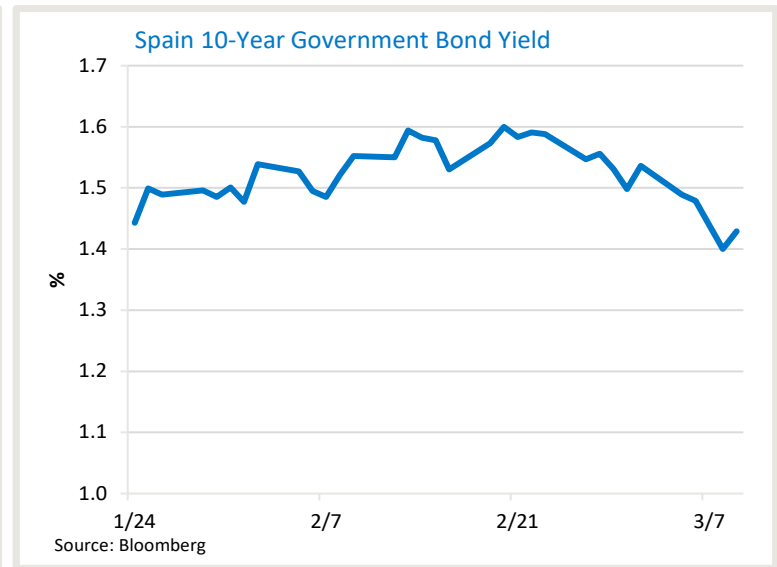
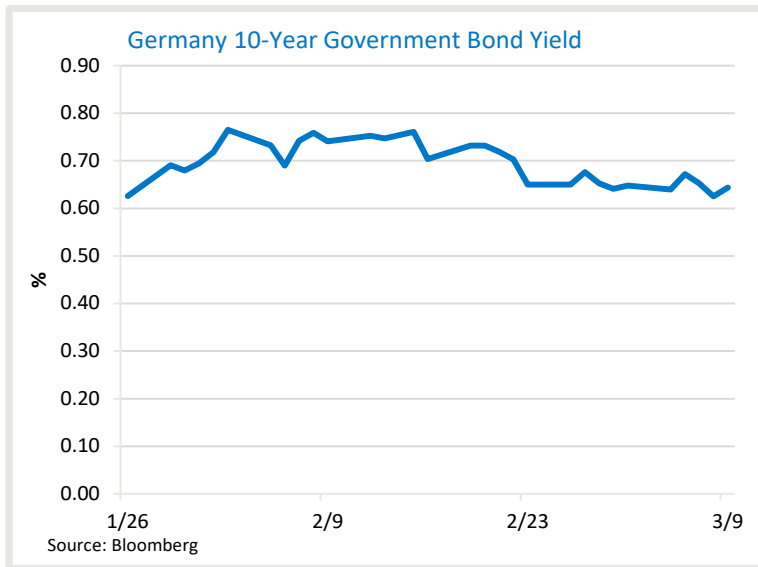
Eurozone

SELECTED EUROPEAN SOVEREIGN YIELD PERFORMANCE

	Last	Change	% Chg.	YTD %
Germany 10-Yr. Govt.	0.64	0 bps	NM	NM
Greece 10-Yr. Govt.	4.16	13 bps	NM	NM
Italy 10-Yr. Govt.	2.01	4 bps	NM	NM
Spain 10-Yr. Govt.	1.43	10 bps	NM	NM
Belgium 10-Yr. Govt.	0.93	2 bps	NM	NM

	Last	Change	% Chg.	YTD %
France 10-Yr. Govt.	0.89	3 bps	NM	NM
Ireland 10-Yr. Govt.	1.06	2 bps	NM	NM
Portugal 10-Yr. Govt.	1.85	12 bps	NM	NM
Netherlands 10-Yr. Govt.	0.68	1 bps	NM	NM
U.K. 10-Yr. Govt.	1.49	-2 bps	NM	NM

Source: Bloomberg
 Basis points (bps)

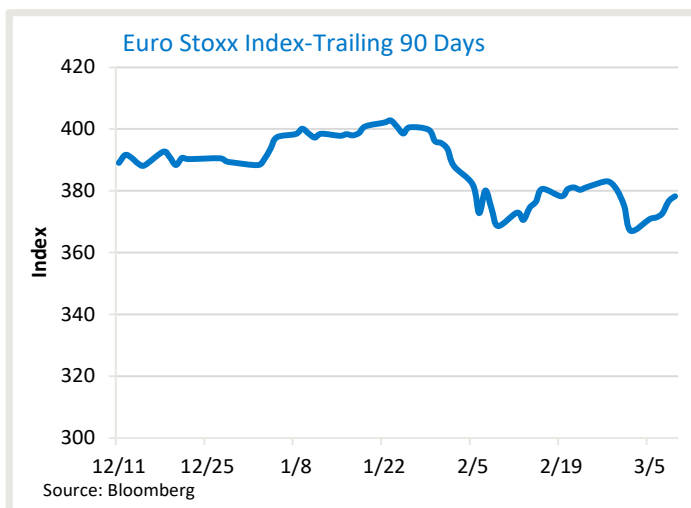
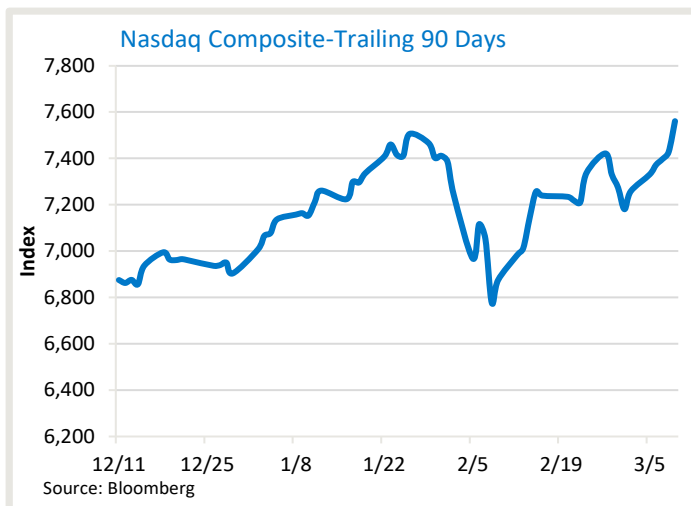
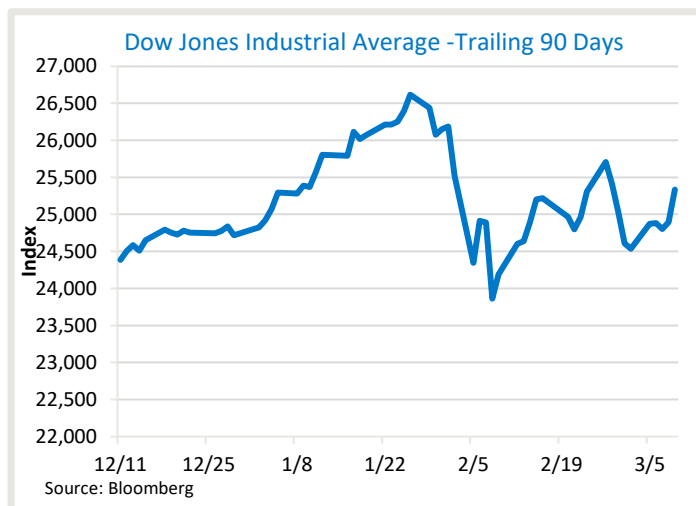


Equities

WORLD MARKET PERFORMANCE

	Last	Change	% Chg.	YTD %		Last	Change	% Chg.	YTD %
S&P 500	2,786.57	95.32	3.54%	4.22%	Swiss Market Index	8,931.85	303.34	3.52%	-4.80%
Dow Industrials	25,335.74	797.68	3.25%	2.49%	CAC 40 Index (France)	5,274.40	137.82	2.68%	-0.72%
Nasdaq Composite	7,560.81	302.94	4.17%	9.52%	DAX Index (Germany)	12,346.68	432.97	3.63%	-4.42%
Russell Global	2,162.11	34.78	1.63%	1.3%	Irish Overall Index	6,744.94	76.70	1.15%	-4.17%
Russell Global EM	3,748.73	32.22	0.87%	2.9%	Nikkei 225	21,469.20	287.56	1.36%	-5.69%
S&P/TSX (Canada)	15,577.81	193.22	1.26%	-3.89%	Hang Seng Index	30,996.21	412.76	1.35%	3.60%
Mexico IPC	48,556.45	1038.48	2.18%	-1.56%	Shanghai Composite	3,307.17	52.64	1.62%	0.00%
Brazil Bovespa	86,371.41	610.06	0.71%	13.05%	Kospi Index (S. Korea)	2,459.45	57.29	2.38%	-0.33%
Euro Stoxx 600	378.24	11.20	3.05%	-2.81%	Taiwan Taiex Index	10,864.82	166.65	1.56%	2.09%
FTSE 100	7,224.51	154.61	2.19%	-6.03%	Tel Aviv 25 Index	1,481.35	-19.21	-1.28%	-1.88%
IBEX 35 (Spain)	9,686.10	155.00	1.63%	-3.56%	MICEX Index (Russia)	2,311.69	22.85	1.00%	9.57%

Source: Bloomberg; Index % change is based on price.



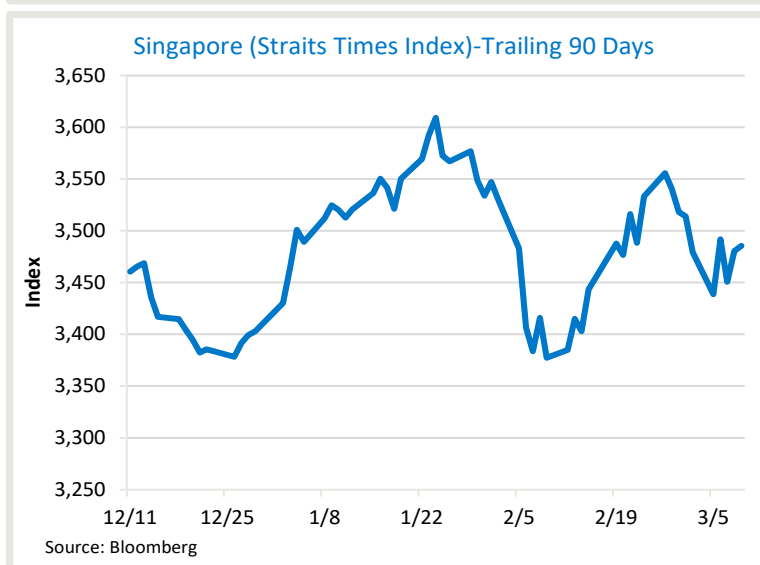
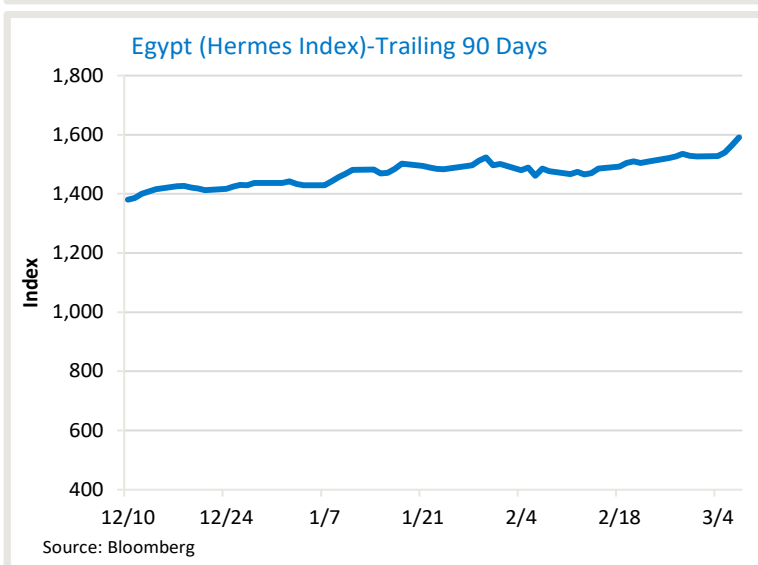
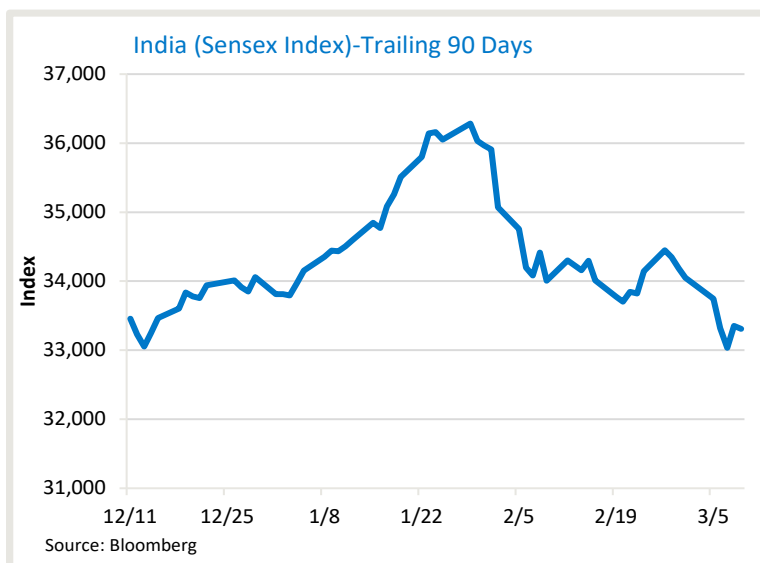
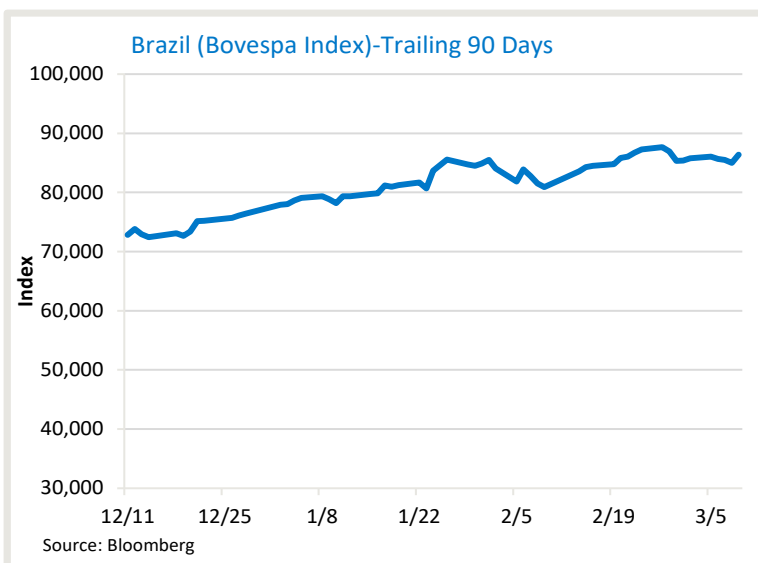
Equities – Emerging and Frontier Markets

EMERGING AND FRONTIER MARKET PERFORMANCE

	Last	Change	% Chg.	YTD %
Mexico IPC	48,556.45	1038.48	2.2%	-1.6%
Brazil (Bovespa Index)	86,371.41	610.06	0.7%	13.0%
MICEX Index (Russia)	2,311.69	22.85	1.0%	9.6%
Czech Republic (Prague)	1,123.60	17.58	1.6%	4.2%
Turkey (Istanbul)	116,914.52	55.30	0.0%	1.4%
Egypt (Hermes Index)	1,595.57	69.48	4.6%	11.0%
Kenya (Nairobi 20 Index)	3,720.21	-35.74	-1.0%	0.2%
Saudi Arabia (TASI Index)	7,562.11	150.95	2.0%	4.6%
Lebanon (Beirut BLOM Index)	1,166.22	-2.23	-0.2%	1.5%
Palestine	587.59	-1.66	-0.3%	2.3%

Source: Bloomberg; Index % change is based on price.

	Last	Change	% Chg.	YTD %
Hang Seng Index	30,996.21	412.76	1.3%	3.6%
India (Sensex 30)	33,307.14	-739.80	-2.2%	-2.2%
Malaysia (KLCI Index)	1,843.92	-12.15	-0.7%	2.6%
Singapore (Straits Times Index)	3,485.57	6.37	0.2%	2.4%
Thailand (SET Index)	1,775.37	-36.61	-2.0%	1.2%
Indonesia (Jakarta)	6,433.32	-148.99	-2.3%	1.2%
Pakistan (Karachi KSE 100)	43,011.26	-729.23	-1.7%	6.3%
Vietnam (Ho Chi Minh)	1,123.41	2.20	0.2%	14.1%
Sri Lanka (Colombo)	6,551.19	-5.83	-0.1%	2.9%
Cambodia (Laos)	872.05	-78.06	-8.2%	-12.7%

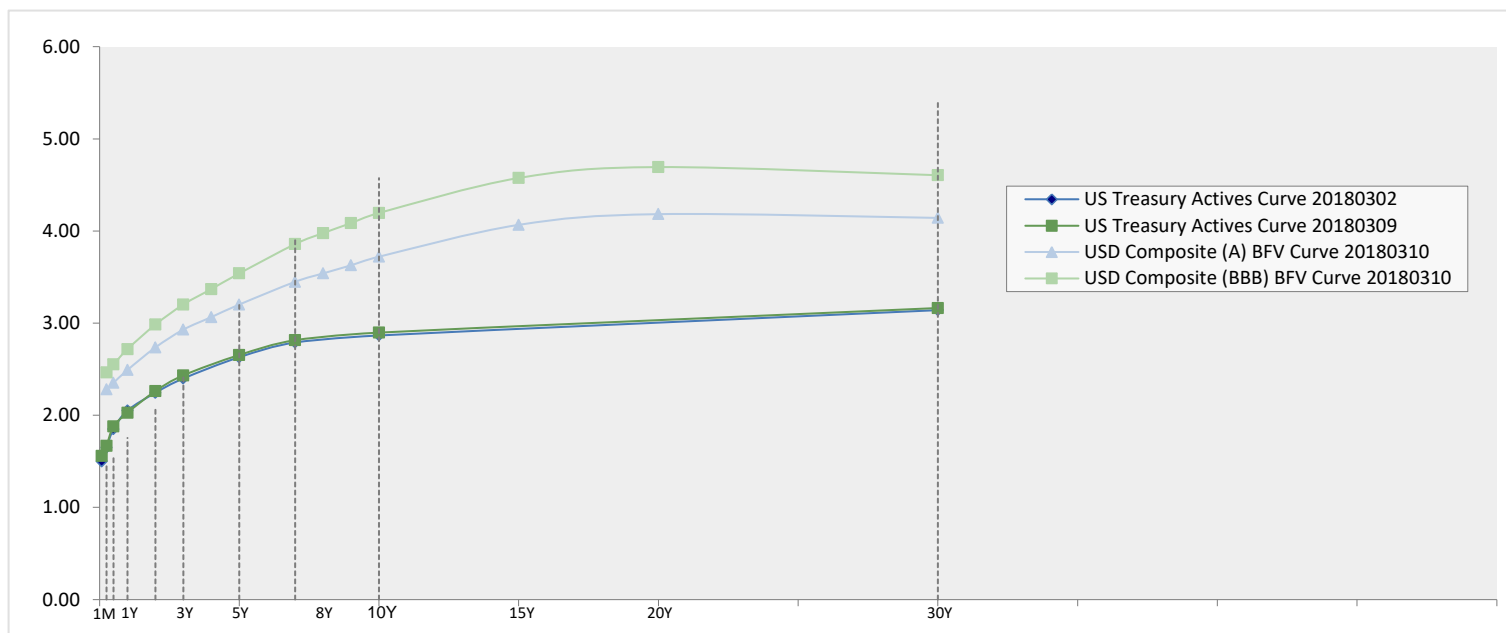


Interest Rates

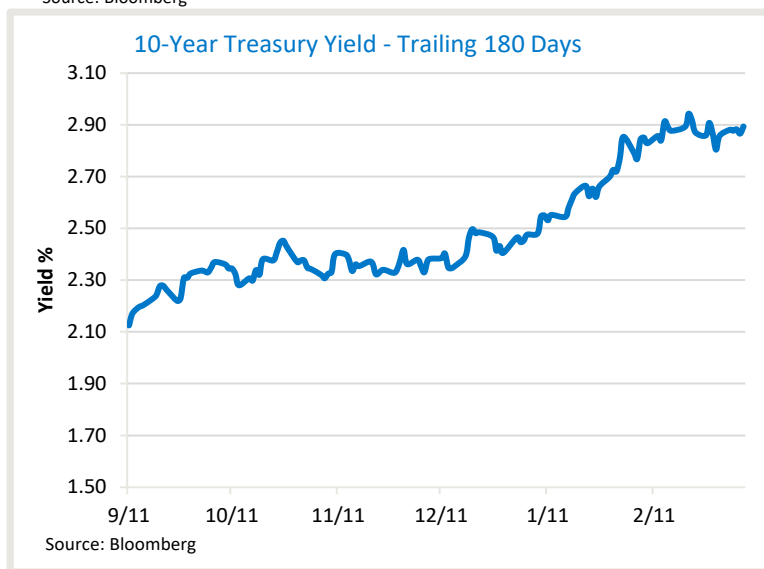
SELECTED INTEREST RATES

	Last	Change	% Chg.	YTD %		Last	Change	% Chg.	YTD %
2-Yr. U.S. Treasury	2.26%	0 bps	NM	NM	Prime Rate	4.50%	0.00	NM	NM
5-Yr. U.S. Treasury	2.65%	3 bps	NM	NM	Fed Funds Rate	1.50%	0.00	NM	NM
10-Yr. U.S. Treasury	2.89%	4 bps	NM	NM	Discount Rate	2.00%	0.00	NM	NM
30-Yr. U.S. Treasury	3.16%	3 bps	NM	NM	LIBOR (3 Mo.)	2.07%	5 bps	NM	NM
German 10-Yr. Govt.	0.64%	0 bps	NM	NM	Bond Buyer 40 Muni	3.84%	2 bps	NM	NM
France 10-Yr.	0.89%	3 bps	NM	NM	Bond Buyer 40 G.O.	3.88%	NA	NM	NM
Italy 10-Yr.	2.01%	4 bps	NM	NM	Bond Buyer 40 Rev.	4.37%	NA	NM	NM
Fed 5-Yr Fwd BE Inf.	2.15%	-1 bps	NM	NM					

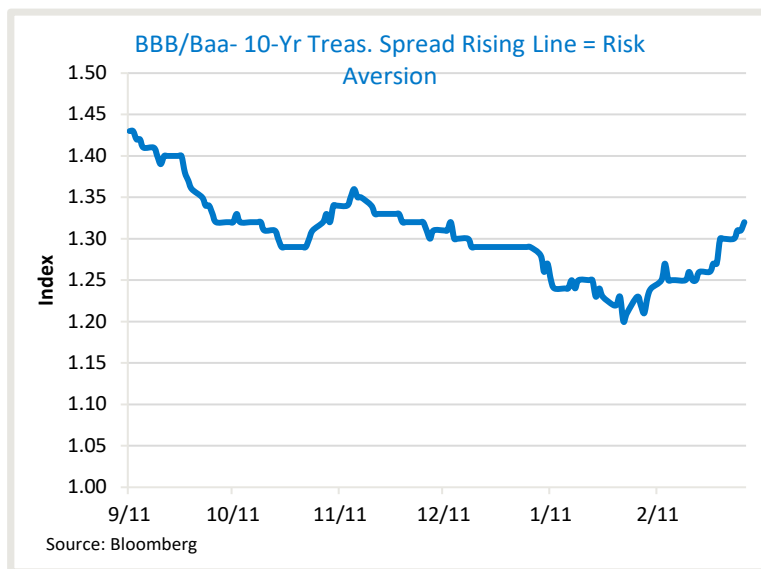
Source: Bloomberg



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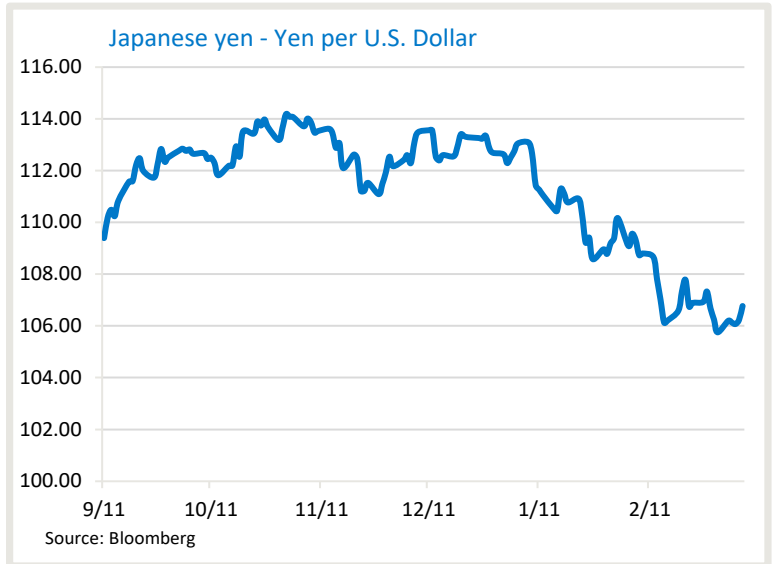
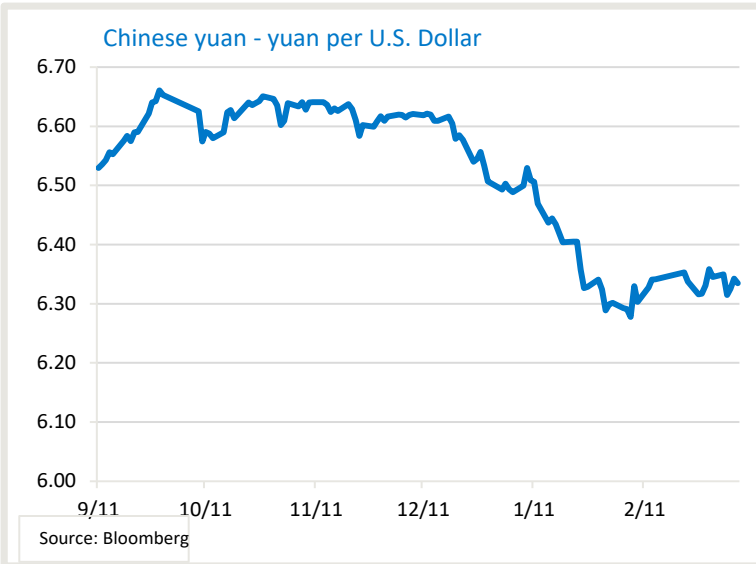
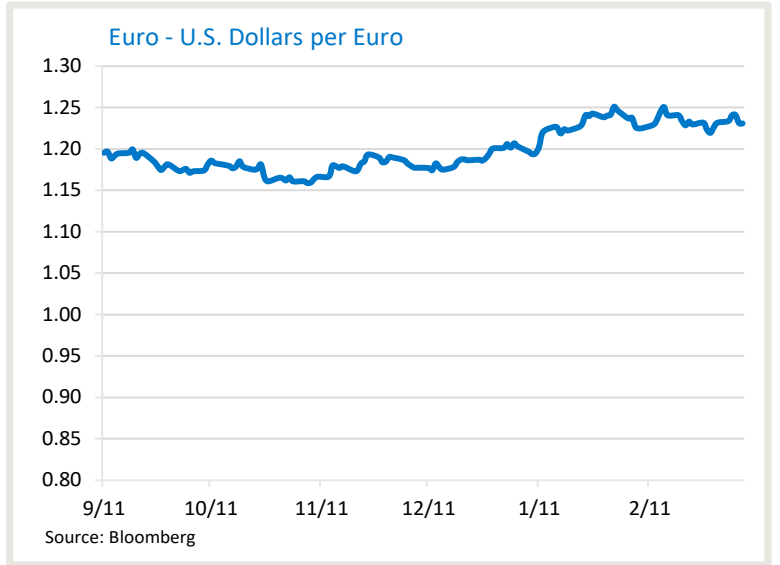
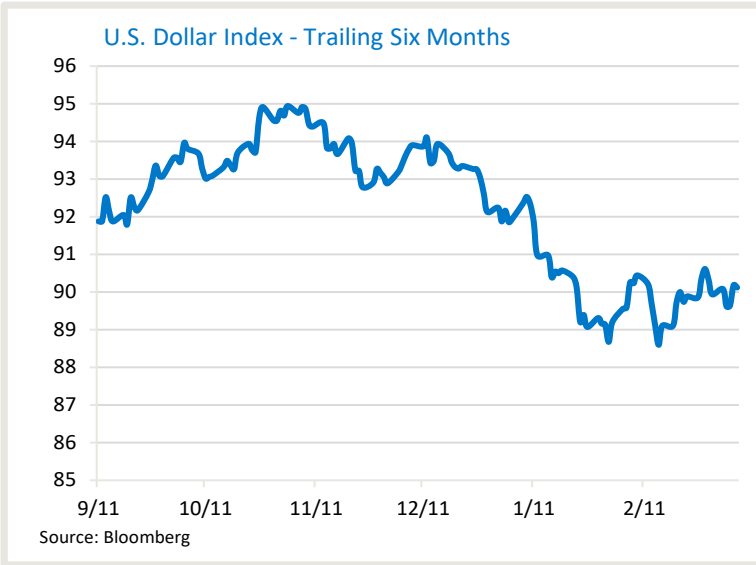
Currencies

SELECTED CURRENCY PERFORMANCE

	Last	Change	% Chg.	YTD %
Dollar Index	90.12	0.183	0.20%	-2.18%
Euro	1.23	-0.001	-0.07%	2.52%
Japanese Yen	106.79	1.020	-0.96%	5.54%
British Pound	1.39	0.005	0.37%	2.52%
Canadian Dollar	1.28	-0.007	0.51%	-1.92%

	Last	Change	% Chg.	YTD %
Chinese Yuan	6.33	-0.011	0.17%	2.72%
Swiss Franc	0.95	0.014	-1.45%	2.43%
New Zealand Dollar	0.73	0.005	0.72%	2.68%
Brazilian Real	3.26	0.003	-0.08%	1.62%
Mexican Peso	18.62	-0.204	1.10%	5.59%

Source: Bloomberg

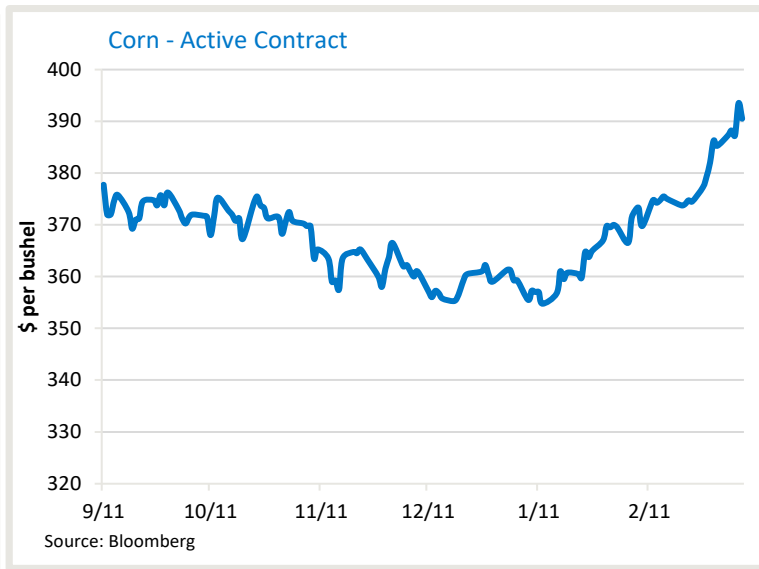
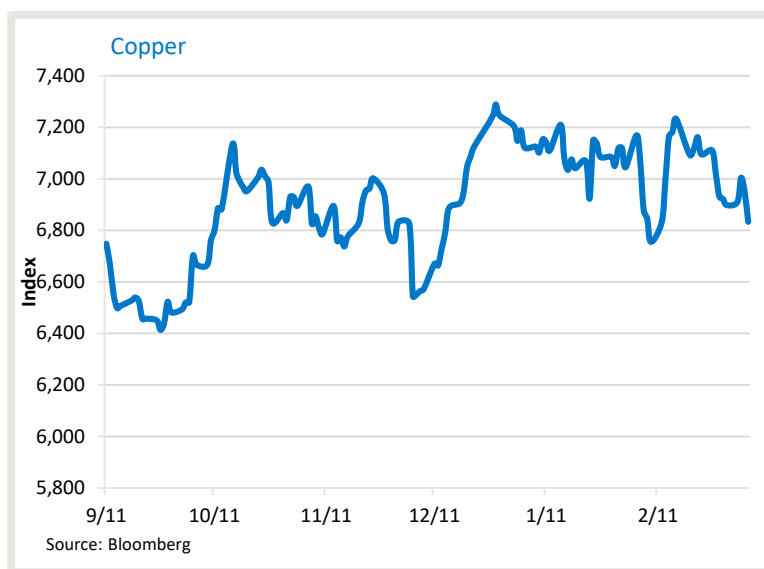
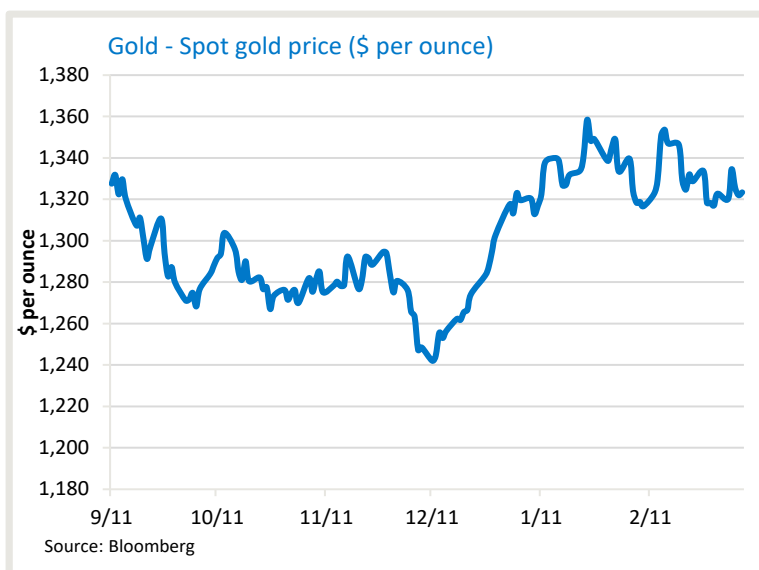
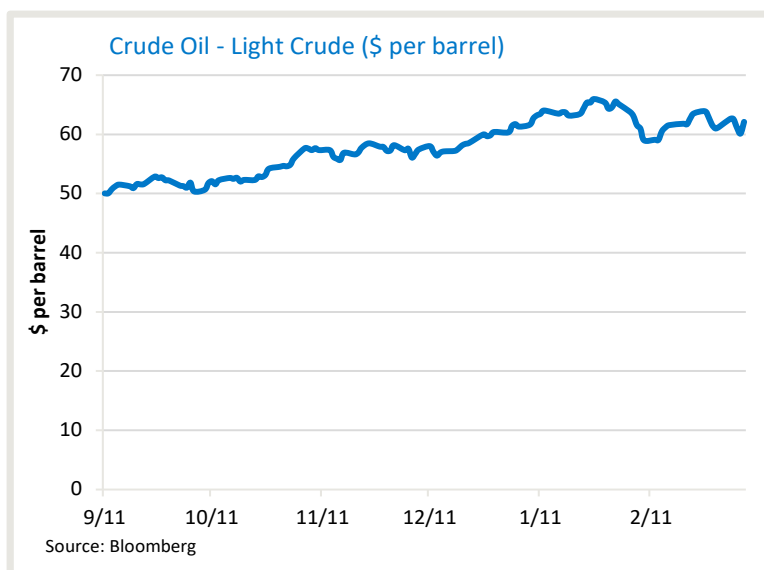


Commodities

SELECTED COMMODITY MARKET PERFORMANCE

	Last	Change	% Chg.	YTD %		Last	Change	% Chg.	YTD %
Bloomberg Comm. Idx.	87.95	-0.19	-0.22%	-0.24%	Platinum Spot	\$965.30	-\$0.80	-0.08%	4.00%
Crude Oil	\$62.10	\$0.86	1.40%	2.83%	Corn	390.50	5.25	1.36%	8.77%
Natural Gas	\$2.72	\$0.03	1.15%	-0.84%	Wheat	489.25	-10.75	-2.15%	11.13%
Gasoline (\$/Gal.)	\$2.53	\$0.00	-0.08%	1.89%	Soybeans	1,039.25	-31.75	-2.96%	6.81%
Heating Oil	188.47	0.58	0.31%	-6.37%	Sugar	12.84	-0.58	-4.32%	-14.51%
Gold Spot	\$1,323.51	\$0.64	0.05%	1.58%	Orange Juice	140.35	1.75	1.26%	1.85%
Silver Spot	\$16.60	\$0.09	0.52%	-1.94%	Aluminum	2,106.00	-43.00	-2.00%	-7.14%
					Copper	6,833.00	-65.00	-0.94%	-5.71%

Source: Bloomberg; % change is based on price.

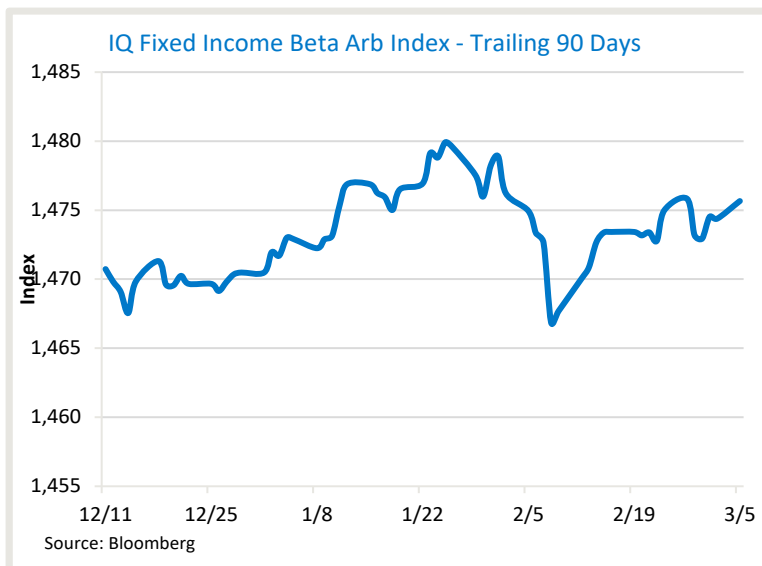
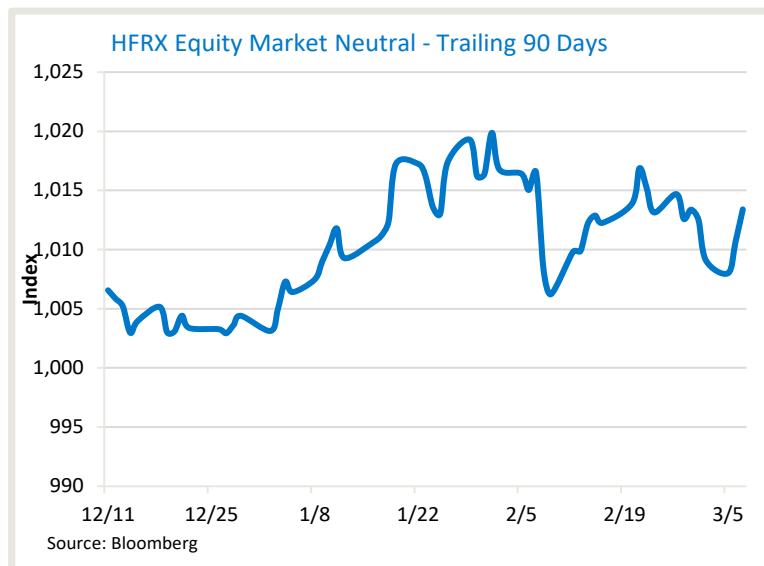
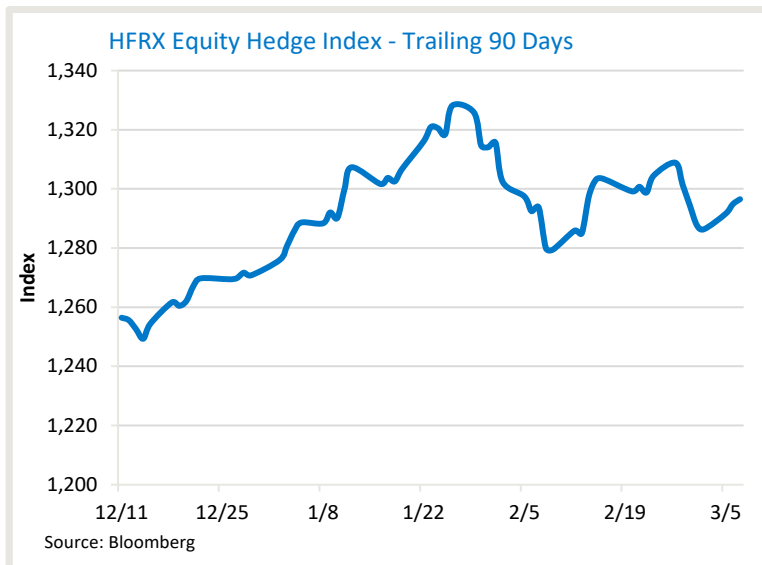
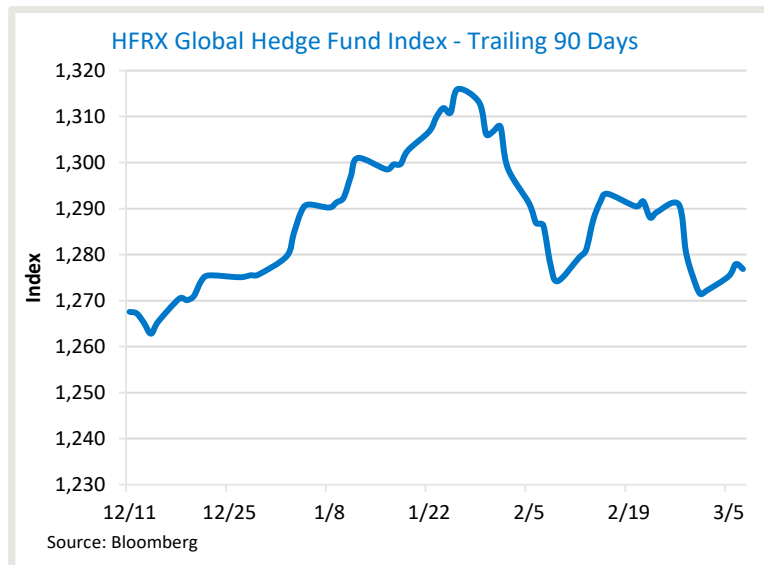


Alternative Investments

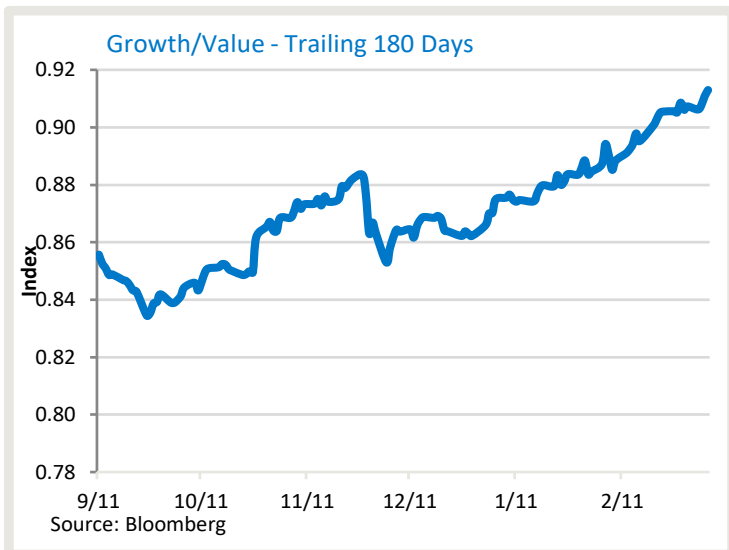
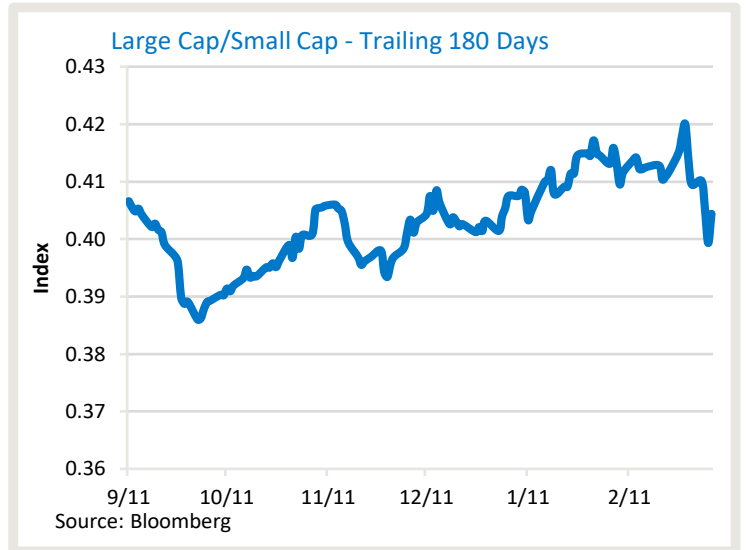
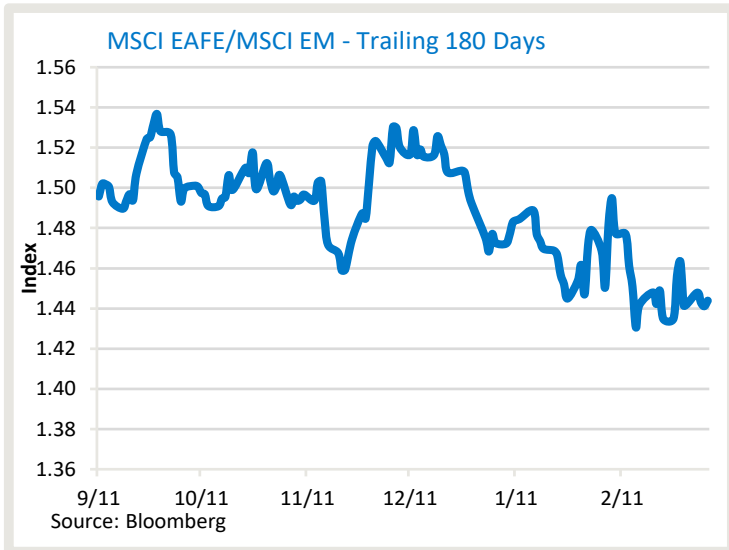
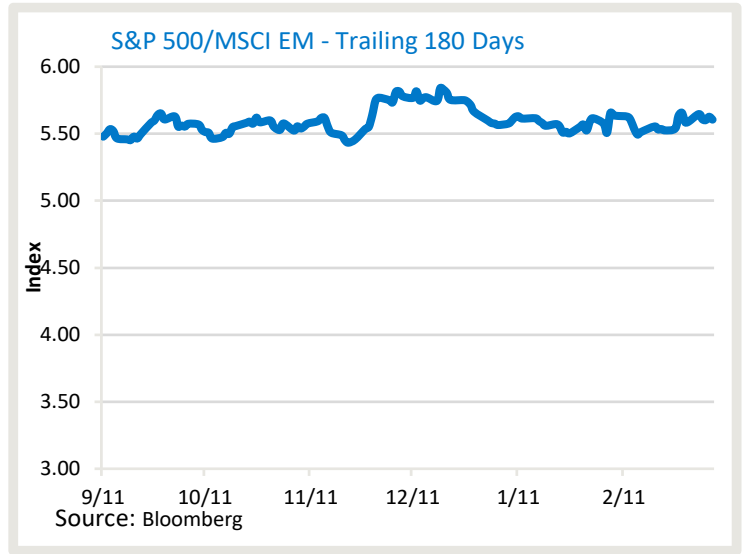
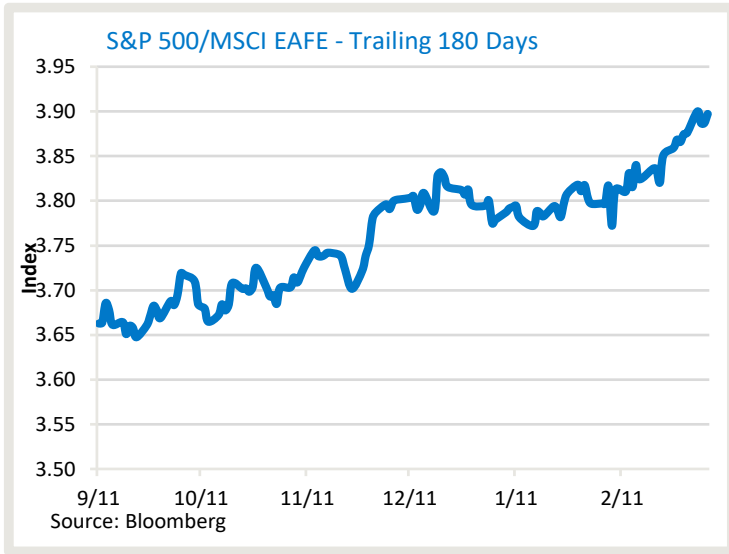
SELECTED ALTERNATIVE INVESTMENT INDEX PERFORMANCE

	Last	Change	% Chg.	YTD %		Last	Change	% Chg.	YTD %
HFRX Global Hedge Fund Index	1276.86	4.62	0.36%	0.10%	HFRX Distressed Index	1109.10	1.19	0.11%	0.22%
HFRX Equity Market Neutral	1013.40	4.31	0.43%	0.90%	HFRX Merger Arbitrage Index	1832.77	-2.42	-0.13%	-1.09%
HFRX Equity Hedge Index	1296.50	10.14	0.79%	2.03%	HFRX Convertible Arbitrage Index	794.36	1.82	0.23%	-0.23%
HFRX Event-Driven Index	1633.99	6.63	0.41%	-1.91%	HFRX Macro CTA Index	1146.17	-0.40	-0.03%	-1.52%
HFRX Absolute Return Index	1067.32	0.88	0.08%	0.38%	IQ Fixed Income Beta Arb Index	1479.16	4.78	0.32%	0.59%

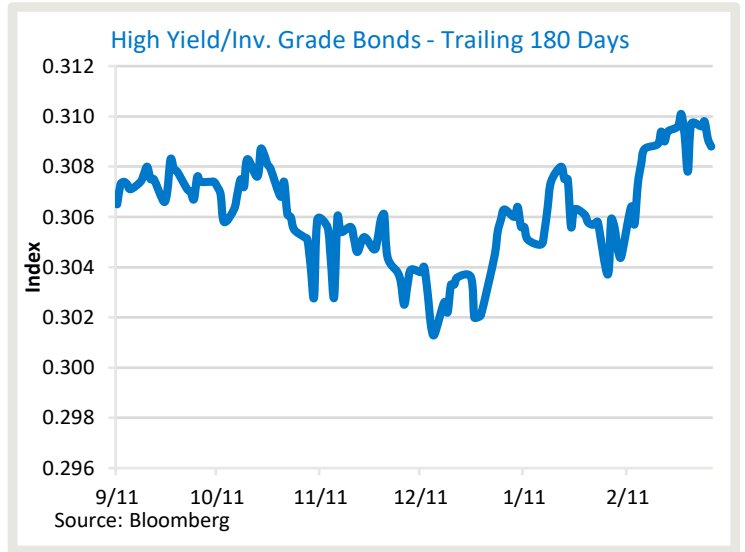
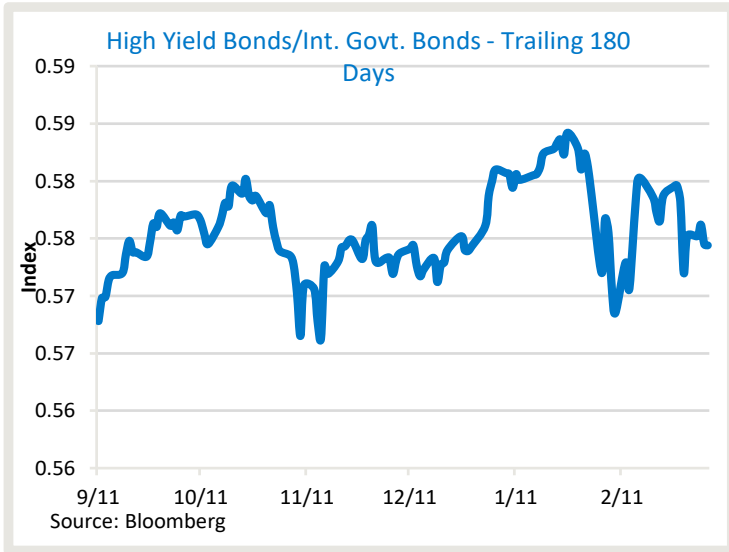
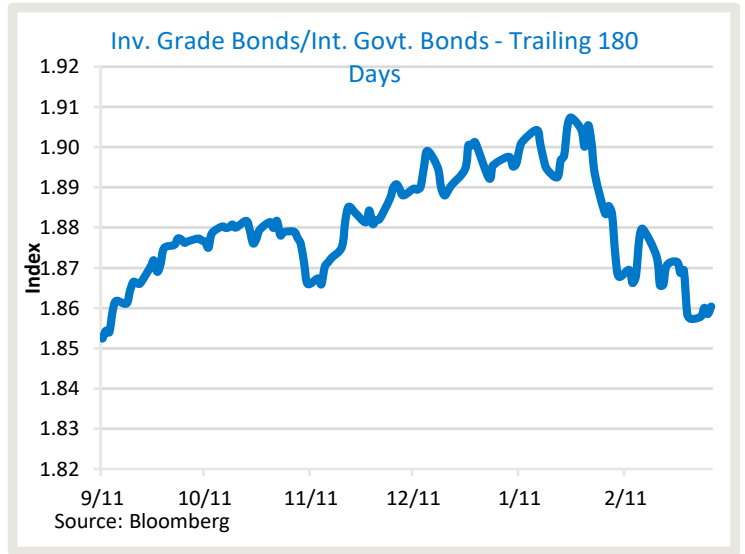
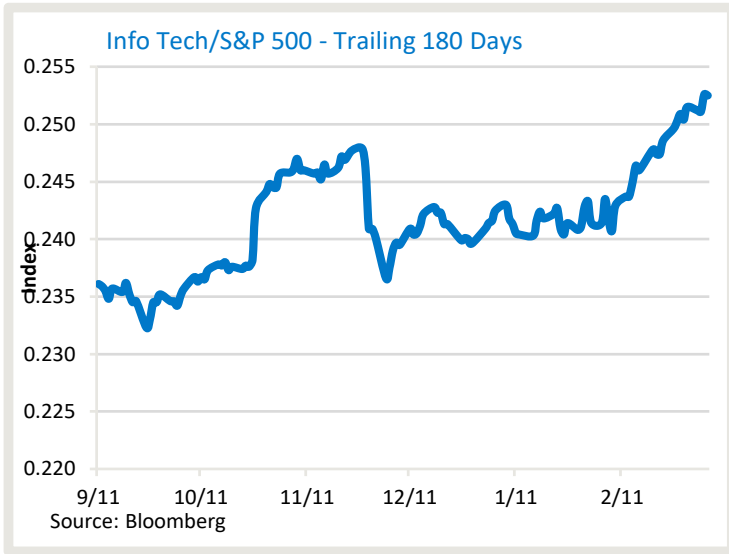
Source: Bloomberg; Index % change is based on price.



Portfolio Construction



Portfolio Construction (continued)



WEEKLY ASSET CLASS PERFORMANCE (Prior 12 weeks ending Thursday)

			12/21	12/28	1/4	1/11	1/18	1/25	2/1	2/8	2/15	2/22	3/1	3/8
Equity	Domestic Equity	Large Cap (R200)	1.16%	-0.02%	1.42%	1.65%	1.29%	1.45%	-0.43%	-8.67%	5.89%	-0.96%	-0.89%	2.19%
		Small Cap (R2000)	2.66%	0.12%	0.44%	2.00%	-0.63%	1.58%	-1.36%	-7.35%	5.01%	-0.47%	-1.48%	4.28%
	Int'l. Equity	MSCI EAFE	0.85%	0.47%	2.24%	1.15%	1.35%	2.10%	-1.48%	-6.11%	1.78%	-0.04%	-1.72%	0.71%
		MSCI Em. Mkts.	1.17%	1.69%	3.38%	0.37%	2.55%	2.93%	-1.17%	-6.85%	3.40%	-0.14%	-0.72%	0.25%
Fixed Income	BarCap Agg. (AGG)	47.24%	-10.88%	1.05%	-9.17%	-6.31%	0.12%	0.12%	-2.20%	-2.12%	-13.90%	12.30%	-6.86%	
	High Yield (JNK)	-0.35%	0.27%	0.90%	-0.19%	-0.30%	0.22%	-1.19%	-1.70%	0.87%	-0.25%	-0.44%	0.22%	
Commodities	Bloomberg Commodity Index	1.72%	2.84%	0.99%	-0.30%	0.44%	1.99%	-0.66%	-3.18%	1.41%	0.49%	-0.52%	-0.70%	
Alternatives	Hedge Funds (HFRX Global)	0.90%	0.11%	1.06%	0.61%	0.21%	0.86%	-0.23%	-2.28%	1.06%	-0.27%	-1.28%	0.42%	
Asset Allocation	60/40*	17.32%	-3.63%	1.39%	-2.33%	-1.57%	1.11%	-0.56%	-5.45%	2.01%	-5.23%	3.57%	-1.19%	
	48/32/20 (w/Alts.)**	14.03%	-2.89%	1.32%	-1.74%	-1.21%	1.06%	-0.50%	-4.82%	1.82%	-4.24%	2.60%	-0.86%	

Source: Bloomberg; *60/40 portfolio = 30% Large Cap/10% Small Cap/15% EAFE/5% Emerging Markets/35% BarCap Agg./5% High Yield.

**48/32/20 portfolio = 24% Large Cap/8% Small Cap/12% EAFE/4% Emerging Markets/28% BarCap Agg./4% High Yield/20% HFRX Global Index.

RELATIVE STRENGTH MATRIX (BASED ON 30-DAY RSI)

	Large Cap Core	Large Cap Growth	Large Cap Value	Mid Cap Core	Mid Cap Growth	Mid Cap Value	Small Cap Core	Small Cap Growth	Small Cap Value	Int'l. Developed	Emerging Markets	REITs	Comm.	Int. Bond	High Yield
Large Cap Core	1.00	0.95	1.07	1.00	0.94	1.06	0.96	0.91	1.05	1.13	1.03	1.16	1.08	1.18	1.24
Large Cap Growth	1.05	1.00	1.13	1.05	0.99	1.11	1.01	0.95	1.10	1.19	1.08	1.22	1.13	1.24	1.30
Large Cap Value	0.93	0.89	1.00	0.93	0.88	0.98	0.90	0.84	0.98	1.05	0.96	1.08	1.00	1.10	1.15
Mid Cap Core	1.00	0.95	1.08	1.00	0.94	1.06	0.97	0.91	1.05	1.13	1.03	1.16	1.08	1.18	1.24
Mid Cap Growth	1.06	1.01	1.14	1.06	1.00	1.12	1.03	0.96	1.12	1.20	1.09	1.23	1.14	1.26	1.32
Mid Cap Value	0.95	0.90	1.02	0.94	0.89	1.00	0.91	0.86	0.99	1.07	0.97	1.10	1.02	1.12	1.17
Small Cap Core	1.04	0.99	1.11	1.04	0.97	1.10	1.00	0.94	1.09	1.17	1.06	1.20	1.11	1.23	1.28
Small Cap Growth	1.10	1.05	1.19	1.10	1.04	1.17	1.07	1.00	1.16	1.25	1.13	1.28	1.19	1.31	1.37
Small Cap Value	0.95	0.91	1.02	0.95	0.90	1.01	0.92	0.86	1.00	1.08	0.98	1.11	1.03	1.13	1.18
Int'l. Developed	0.89	0.84	0.95	0.88	0.83	0.93	0.85	0.80	0.93	1.00	0.91	1.03	0.95	1.05	1.10
Emerging Markets	0.97	0.93	1.05	0.97	0.92	1.03	0.94	0.88	1.02	1.10	1.00	1.13	1.05	1.15	1.21
REITs	0.86	0.82	0.93	0.86	0.81	0.91	0.83	0.78	0.90	0.97	0.89	1.00	0.93	1.02	1.07
Commodities	0.93	0.89	1.00	0.93	0.87	0.98	0.90	0.84	0.98	1.05	0.95	1.08	1.00	1.10	1.15
Int. Bond	0.85	0.80	0.91	0.84	0.79	0.89	0.82	0.77	0.89	0.96	0.87	0.98	0.91	1.00	1.05
High Yield	0.81	0.77	0.87	0.81	0.76	0.85	0.78	0.73	0.85	0.91	0.83	0.94	0.87	0.95	1.00

Source: Bloomberg

The Relative Strength Matrix provides an indication of how the various asset classes have performed relative to one another over the past 30 days. A number greater than 1.0 indicates that the asset class in the far left column has outperformed the corresponding asset class in the top row over the past 30 days. A number below 1.0 means the asset class on the left has underperformed the asset class at the top. The green shading indicates outperformance, and the red shading indicates underperformance.

INDEX OVERVIEW

The S&P 500 Index is an unmanaged index comprised of 500 widely held securities considered to be representative of the stock market in general. The S&P/Case-Shiller Home Price Indices measure the residential housing market, tracking changes in the value of the residential real estate market in 20 metropolitan regions across the United States. The Nasdaq Composite is a stock market index of the common stocks and similar securities listed on the NASDAQ stock market. The MSCI EAFE Index represents 21 developed markets outside of North America. The MSCI EAFE Growth Index is an unmanaged index considered representative of growth stocks of Europe, Australasia and the Far East. The MSCI EAFE Value Index is an unmanaged index considered representative of value stocks of Europe, Australasia and the Far East. The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. The MSCI Europe Index is an unmanaged index considered representative of stocks of developed European countries. The MSCI Pacific Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the developed markets in the Pacific region. The Barclays US Credit Index is an unmanaged index considered representative of publicly issued, SEC-registered US corporate and specified foreign debentures and secured notes. The Barclays US Aggregate Bond Index is a market capitalization-weighted index of investment-grade, fixed-rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities, with maturities of at least one year. The Barclays US Corporate High Yield Index covers the USD-denominated, non-investment grade, fixed-rate, taxable corporate bond market. Securities are classified as high-yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. The index may include emerging market debt. The Barclays Capital Municipal Bond Index is an unmanaged index comprised of investment-grade, fixed-rate municipal securities representative of the tax-exempt bond market in general. The Barclays US Treasury Total Return Index is an unmanaged index of public obligations of the US Treasury with a remaining maturity of one year or more. The Citigroup World Government Bond Index is a market capitalization weighted bond index consisting of the government bond markets of Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Malaysia, Mexico, the Netherlands, Norway, Poland, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom and the United States. The DJ-UBS Commodity Index Total ReturnSM measures the collateralized returns from a basket of 19 commodity futures contracts representing the energy, precious metals, industrial metals, grains, softs and livestock sectors. The Russell 1000 Index is a market capitalization-weighted benchmark index made up of the 1000 largest U.S. companies in the Russell 3000 Index. The Russell 1000 Growth Index is an unmanaged index considered representative of large-cap growth stocks. The Russell 1000 Value Index is an unmanaged index considered representative of large-cap value stocks. The Russell 2000 Index is an unmanaged index considered representative of small-cap stocks. The Russell 2000 Growth Index is an unmanaged index considered representative of small-cap growth stocks. The Russell 2000 Value Index is an unmanaged index considered representative of small-cap value stocks. The Russell 3000 Index is an unmanaged index considered representative of the US stock market. The Russell Midcap Index is a subset of the Russell 1000 Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The Russell Midcap Growth Index is an unmanaged index considered representative of mid-cap growth stocks. The Russell Midcap Value Index is an unmanaged index considered representative of mid-cap value stocks. The HFRX Indices are a series of benchmarks of hedge fund industry performance which are engineered to achieve representative performance of a larger universe of hedge fund strategies. Hedge Fund Research, Inc. employs the HFRX Methodology (UCITS compliant), a proprietary and highly quantitative process by which hedge funds are selected as constituents for the HFRX Indices. The ISM Non-Manufacturing Index is an index based on surveys of more than 400 non-manufacturing firms' purchasing and supply executives, within 60 sectors across the nation, by the Institute of Supply Management (ISM). The ISM Non-Manufacturing Index tracks economic data, like the ISM Non-Manufacturing Business Activity Index. A composite diffusion index is created based on the data from these surveys that monitors economic conditions of the nation. The ISM Manufacturing Index is an index based on surveys of more than 300 manufacturing firms by the Institute of Supply Management. The ISM Manufacturing Index monitors employment, production inventories, new orders and supplier deliveries. A composite diffusion index is created that monitors conditions in national manufacturing based on the data from these surveys. The Consumer Price Index (CPI) measures the change in the cost of a fixed basket of products and services. The Gross Domestic Product (GDP) rate is a measurement of the output of goods and services produced by labor and property located in the United States. Basis Point(s) is a unit that is equal to 1/100th of 1%, and is used to denote the change in a financial instrument. The basis point is commonly used for calculating changes in interest rates, equity indexes and the yield of a fixed-income security. The CBOE Volatility Index (VIX) is an up-to-the-minute market estimate of expected volatility that is calculated by using real-time S&P 500 Index option bid/ask quotes. The Index uses nearby and second nearby options with at least 8 days left to expiration and then weights them to yield a constant, 30-day measure of the expected volatility of the S&P 500 Index. The MSCI World ex-U.S. Index - captures large and mid-cap representation across 22 of 23 Developed Markets DM countries*--excluding the United States. With 1,002 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country. (* DM countries include: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the UK.) The MSCI Japan Index - is designed to measure the performance of the large and mid-cap segments of the Japanese market. With 320 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in Japan. The Barclays Global Aggregate ex-U.S. Index - is a market capitalization-weighted index, meaning the securities in the index are weighted according to the market size of each bond type. Most U.S. traded investment grade bonds are represented. Municipal bonds, and Treasury Inflation-Protected Securities are excluded, due to tax treatment issues. The index includes Treasury securities, Government agency bonds, Mortgage-backed bonds, Corporate bonds, and a small amount of foreign bonds traded in U.S. The University of Michigan Consumer Sentiment Index (MCSI) is a survey of consumer confidence conducted by the University of Michigan. The Michigan Consumer Sentiment Index (MCSI) uses telephone surveys to gather information on consumer expectations regarding the overall economy. A separately managed account (SMA) is an individual managed investment account offered typically by a brokerage firm through one of their brokers or financial consultants and managed by independent investment management firms (often called money managers for short) and have varying fee structures. An open-end index fund continuously issues and redeems shares based on investor demand. As an index fund, its investment objective is to duplicate the performance of the index it uses as a benchmark. Investment Grade or Investment Grade Bond - The broad credit designation given to corporate and municipal bonds which have a high probability of being paid and minor, if any, speculative features. Bonds rated Baa and higher by Moody's Investor Services or BBB and higher by Standard & Poor's are deemed by those agencies to be "investment grade". Non-Investment Grade - By definition, junk bonds are non-investment grade. A bond rated lower than Baa/BBB, also called a "high-yield" bond. Junk bonds are speculative compared with investment grade bonds. Risk-On Risk-Off - An investment setting in which price behavior responds to, and is driven by, changes in investor risk tolerance. Risk-on risk-off refers to changes in investment activity in response to global economic patterns. During periods when risk is perceived as low, risk-on risk-off theory states that investors tend to engage in higher-risk investments. When risk is perceived as high, investors have the tendency to gravitate toward lower-risk investments.

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