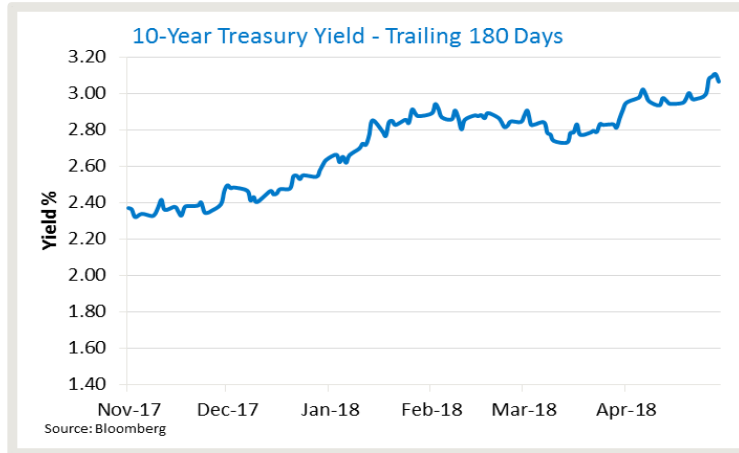




Chart of the Week



Weekly Highlights

- **Initial jobless claims rose in the week ended May 12.** Initial claims of 222,000 exceeded consensus expectations, but this figure still remains near post-crisis lows. In fact, the four-week moving average of 213,250 actually notched a post-crisis low, indicating ongoing tightness in the labor market.
- **Mortgage applications fell in the week ended May 11.** The Mortgage Bankers' Association's (MBA) Market Composite Index of mortgage applications, which includes both purchases and refinancing, fell 2.7% for the week. Refinancing activity fell twice as much on a percentage basis compared with purchases, as higher benchmark rates have made it less economical to borrow.
- **Retail sales remain soft.** According to data in the US Census Bureau's Monthly Retail Trade Survey, retail sales rose 0.3% month over month. This reading is in line with consensus forecasts, but represents continued lackluster consumer spending.
- **Housing starts missed expectations in April, but permits beat.** Housing starts notched a seasonally adjusted annualized rate of 1.287 million in April, but underperformed expectations. Permit activity of 1.352 million modestly outperformed consensus expectations.

Talking Points

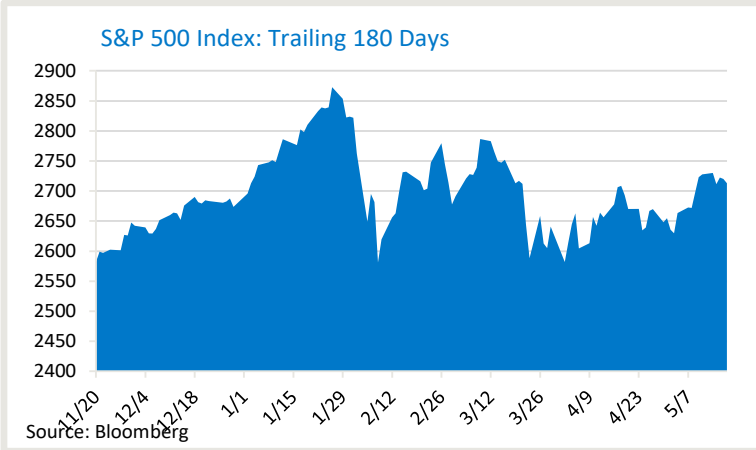
- **Global equity markets** were mostly down on the week through Thursday. Of major markets, only the UK and China were in positive territory, and just barely. All other major markets posted returns in the low single digits.
- **The Treasury yield curve steepened** through Thursday. Yields on notes and bonds with maturities longer than three years in particular rose more than short-dated debt.
- **Commodities were broadly up on the week.** Energy and agriculture rose through Thursday. Precious and industrial metals, as well as livestock, fell.
- **The US dollar rose this week** against a basket of major trade partners' currencies. The US Dollar Index now stands at a level of strength not seen since the end of last year.
- **In other economic news:** The Fed's balance sheet fell \$20.6 billion to \$4.338 trillion. The Atlanta Fed's Business Inflation Expectations (BIE) Survey for the leading 12 months read 2.0% in May, down from April's 2.3% reading. The Energy Information Agency's (EIA) Petroleum Status Report indicated falling inventories for crude, gasoline, and distillates for the week ended May 11.

Market Dashboard

	Last Price	Change	% Chg.	YTD %
S&P 500	2,712.97	-14.75	-0.54%	1.5%
Dow Industrials	24,715.09	-116.08	-0.47%	0.0%
Nasdaq	7,354.34	-48.54	-0.66%	6.5%
Russell 2000	1,626.63	19.84	1.23%	5.9%
Euro Stoxx Index	394.67	2.27	0.58%	1.4%
Shanghai Composite	3,193.30	30.04	0.95%	-3.4%
Russell Global	2,164.69	-8.61	-0.40%	1.0%

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

	Last Price	Change	% Chg.	YTD %
Russell Global EM	3,594.91	-60.27	-1.65%	-1.3%
10-Year US Treas.	3.07	10 bps	NM	NM
Bloomberg Cmdts. Idx.	90.41	0.38	0.42%	2.5%
Gold	\$1,292.50	-\$27.01	-2.05%	-0.8%
Crude Oil	\$71.39	\$0.67	0.95%	18.8%
Dollar Index	93.68	1.15	1.25%	1.7%
VIX Index	13.42	0.77	6.09%	21.6%



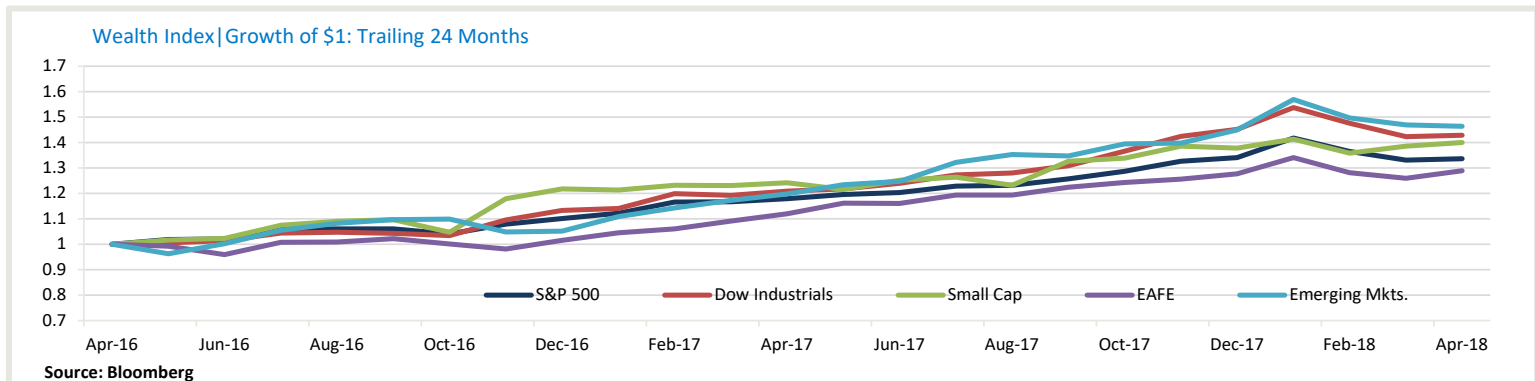
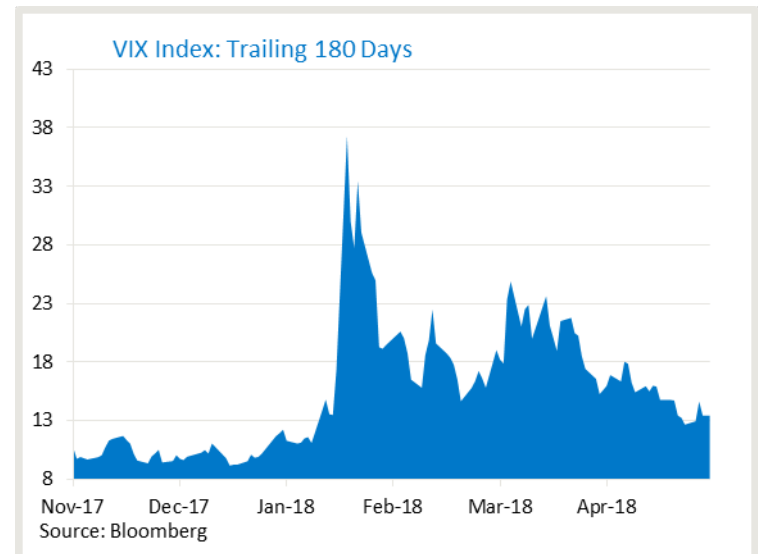
	One Week			YTD		
	Value	Growth		Value	Growth	
L	-0.55%	-0.64%	-0.72%	-2.15%	1.68%	5.06%
	-0.14%	-0.01%	0.15%	-1.32%	1.44%	5.00%
S	1.33%	1.23%	1.15%	3.47%	5.93%	8.23%

Source: Bloomberg

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

	% Wgt in S&P 500	Week % Chg.	YTD % Chg.
Consumer Discretionary	12.8	-0.07%	6.2%
Consumer Staples	6.7	-0.04%	-13.7%
Energy	6.4	1.52%	7.6%
Financials	14.6	-1.11%	-0.2%
Health Care	14.0	0.17%	0.6%
Industrials	10.0	0.66%	-0.9%
Information Technology	25.6	-1.54%	9.1%
Materials	2.9	1.60%	-1.2%
Real Estate	2.7	-3.21%	-7.7%
Telecom Services	1.8	-1.29%	-12.8%
Utilities	2.7	-3.17%	-7.6%

Source: Bloomberg



The Economy and Markets

A Macro View – A Look at Corporate Credit Writ Large

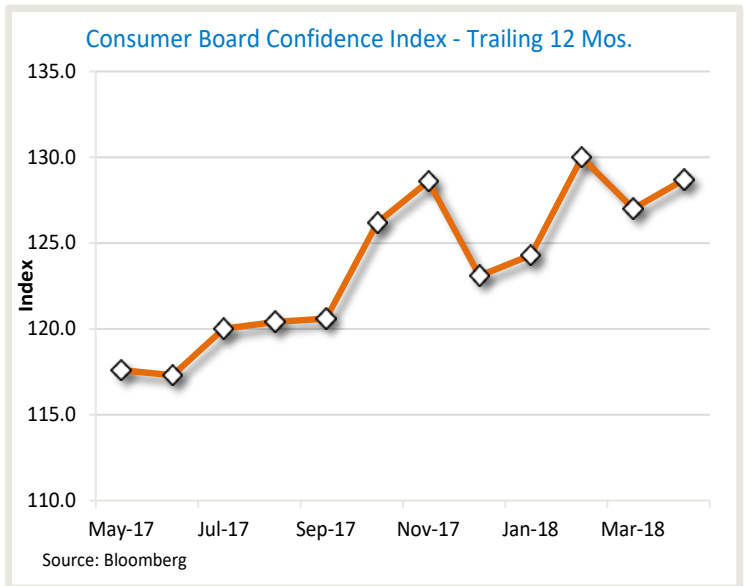
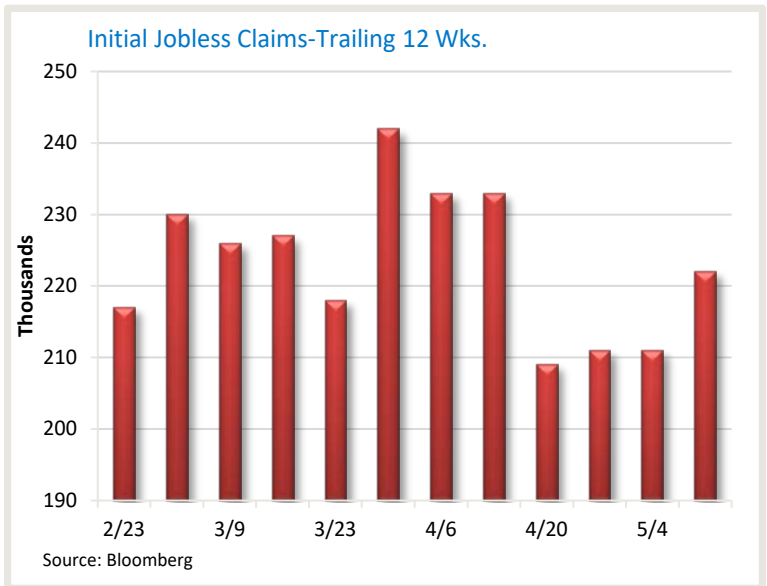
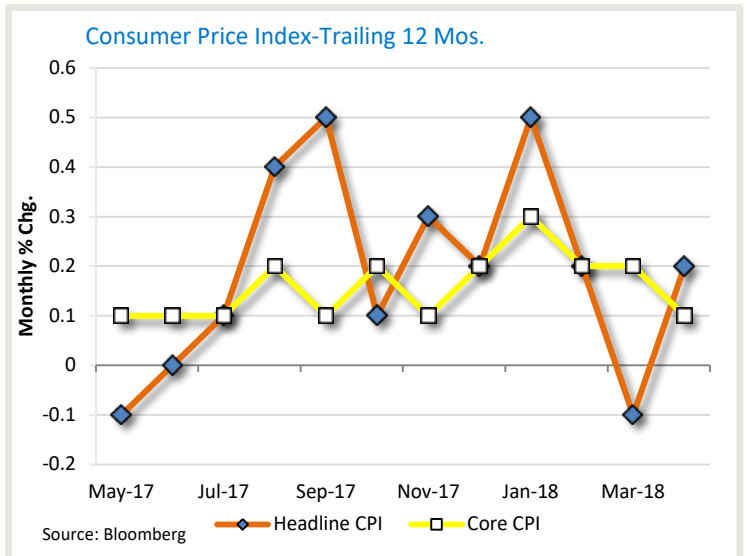
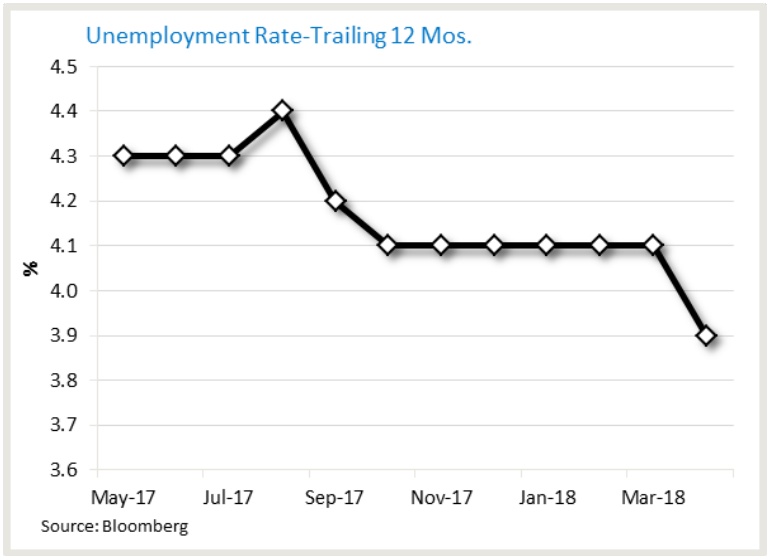
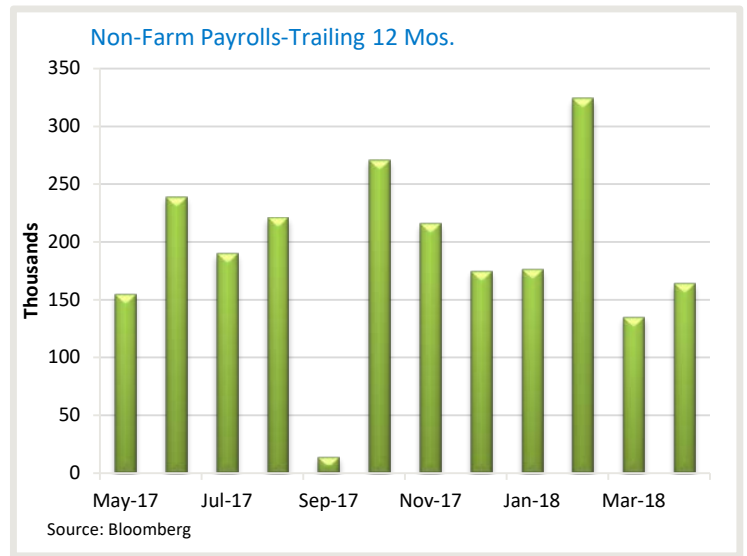
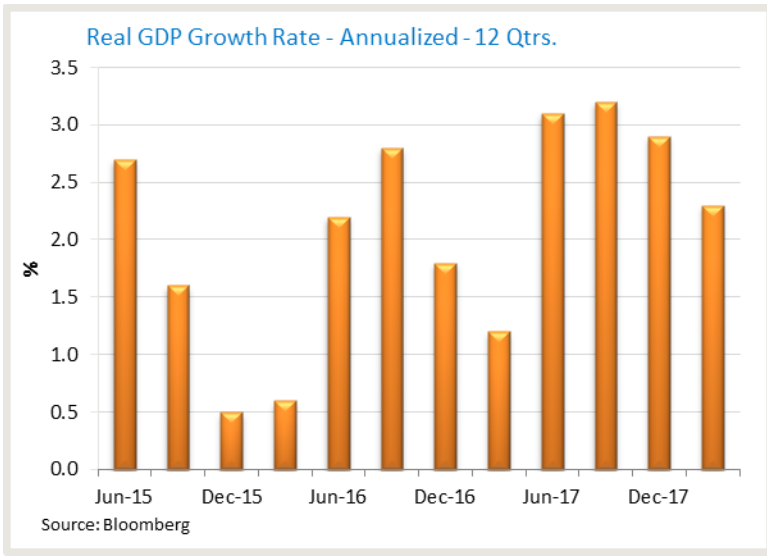
Earlier this month, the Buttonwood columnist at The Economist speculated that corporate credit may be the trigger for the next financial crisis. He isn't the first, and for good reason. The worst crises are often fueled by debt, and quantitative easing, in concert with preexisting statutes that favor debt-heavy capital structures, has given corporations an incentive to go on a borrowing binge. Further, the average credit quality of outstanding corporate debt has fallen, whereas the excess yield for owning corporates over Treasuries has fallen. Given the economy's progression into the later stages of expansion, it is worth further exploring how the investment grade bond market in particular has changed over the last decade.

The absolute size of the corporate bond market is the most notable shift in the post-crisis period. Since 2009, domestic corporate debt outstanding has risen a striking 56% to just under \$8.5 trillion, according to the Federal Reserve (Fed). Moody's Investors Service notes that nonfinancial corporate debt's share of gross domestic product is more than 45%, the highest it has ever been, and is trending higher. Clearly, the post-crisis environment and its accompanying set of policy responses have stimulated debt issuance, but how much concern should investment grade corporate debt merit? It may not deserve much, at least for now, as it doesn't appear to represent an immediate threat. Until very recently, debt service as a percentage of corporate income has remained below levels seen in the previous cycle, though this figure is also trending higher as the Fed incrementally removes monetary stimulus and the Treasury ups its debt issuance.

Size isn't everything, and that maxim holds true in this case as well. As the size of the corporate debt market has grown, its composition with regard to quality and sensitivity to interest rate risk has shifted. In terms of quality, BBB-rated bonds, the lowest rung of the investment grade market, are now the largest component of the Bloomberg Barclays Credit Index (the Index), encompassing roughly half of outstanding investment grade issuance. At the same time, higher-rated bonds have shrunk to ever-smaller proportions, as corporations see little incremental value in maintaining sterling credit credentials. As the Index's credit quality has fallen, interest rate risk, as measured by average maturity, has surged. Average maturities of all credit-quality tiers within the Index have extended since the financial crisis, with outstanding AAA-rated debt maturity extending from 12 years to nearly 18 years on average. Given these shifts, successful investors have found it increasingly necessary to scrutinize the credit and interest rate risks within their portfolios.

It is entirely possible that the shifts outlined above, especially if they continue on trend, will serve as tinder for a forthcoming economic conflagration. Assuming benchmark borrowing costs continue to rise, debt service will likely eat up an ever-larger portion of corporations' cash flow. The highest-quality issuers are flush in cash—some even have negative net debt—so refinancing, or even paying down their debt burden outright, should prove relatively painless. However, many more firms will be squeezed as they are forced to refinance at higher rates. Avoiding corporate debt altogether would be imprudent for most investors. But, as the waters get choppier, they would be wise to delegate this portion of their portfolio (and most bond allocations) to active managers, who can manage credit and interest rate exposures, rather than incurring unmitigated exposure to the numerous risks that are accruing in the space.

Economic Data



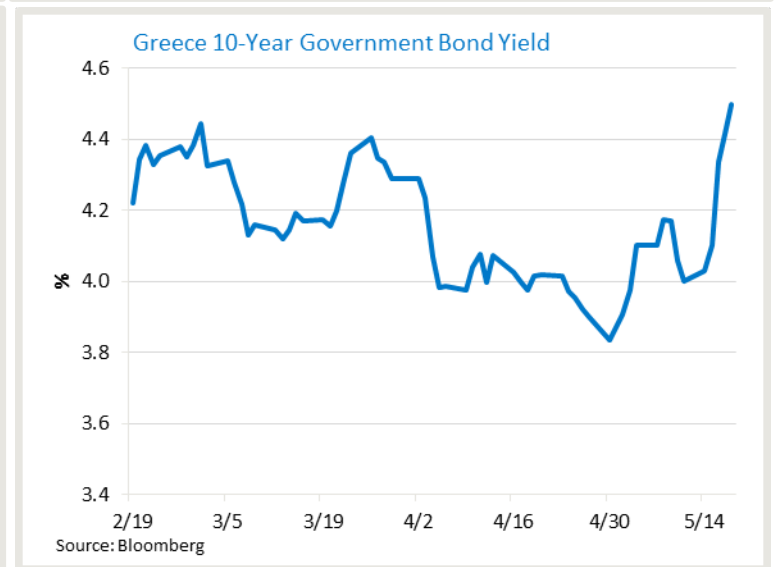
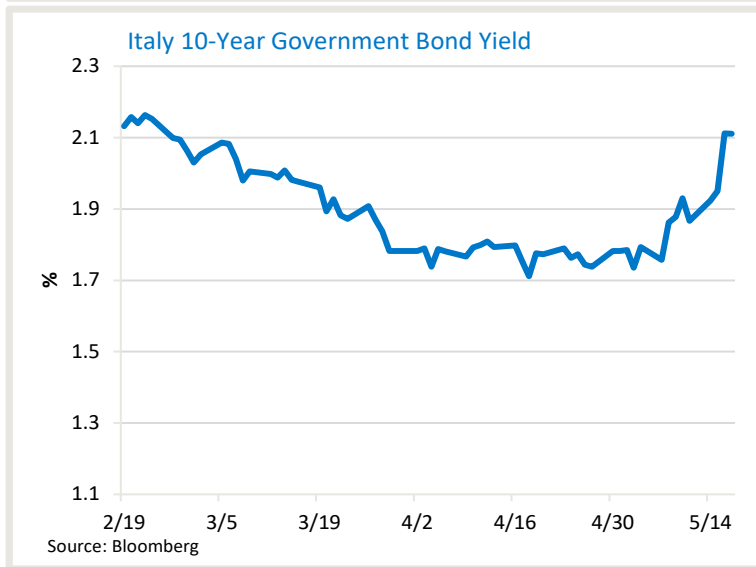
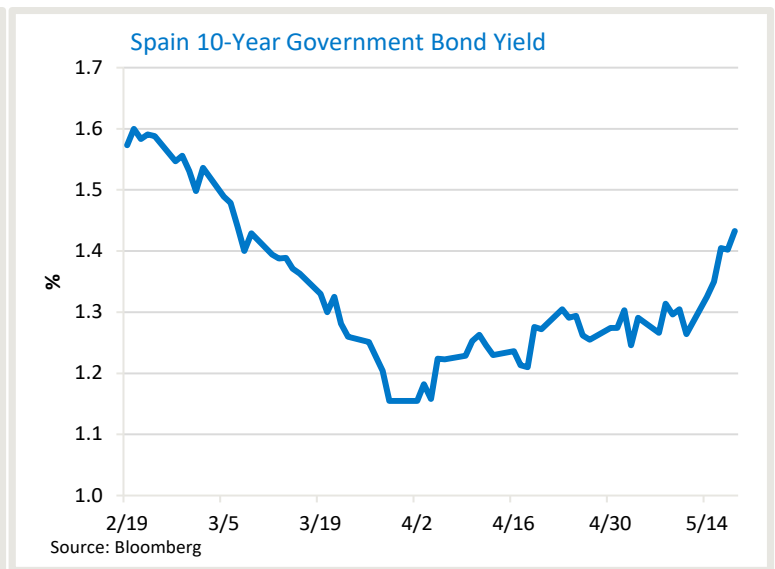
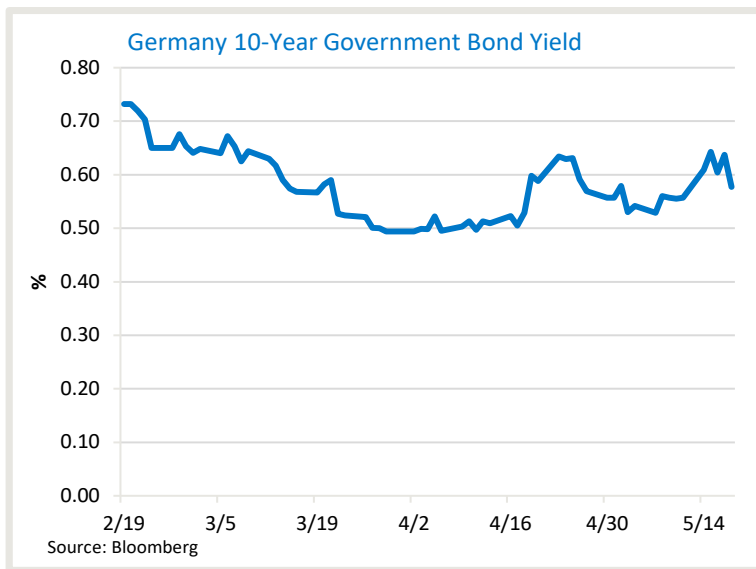
Eurozone

SELECTED EUROPEAN SOVEREIGN YIELD PERFORMANCE

	Last	Change	% Chg.	YTD %
Germany 10-Yr. Govt.	0.58	-2 bps	NM	NM
Greece 10-Yr. Govt.	4.50	-38 bps	NM	NM
Italy 10-Yr. Govt.	2.22	-31 bps	NM	NM
Spain 10-Yr. Govt.	1.43	-16 bps	NM	NM
Belgium 10-Yr. Govt.	0.86	-4 bps	NM	NM

	Last	Change	% Chg.	YTD %
France 10-Yr. Govt.	0.83	-4 bps	NM	NM
Ireland 10-Yr. Govt.	1.01	-5 bps	NM	NM
Portugal 10-Yr. Govt.	1.86	-18 bps	NM	NM
Netherlands 10-Yr. Govt.	0.72	-2 bps	NM	NM
U.K. 10-Yr. Govt.	1.50	-6 bps	NM	NM

Source: Bloomberg
Basis points (bps)

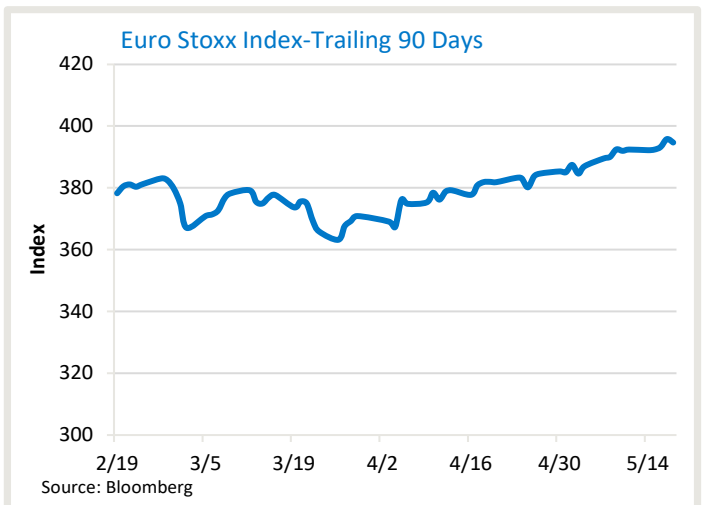
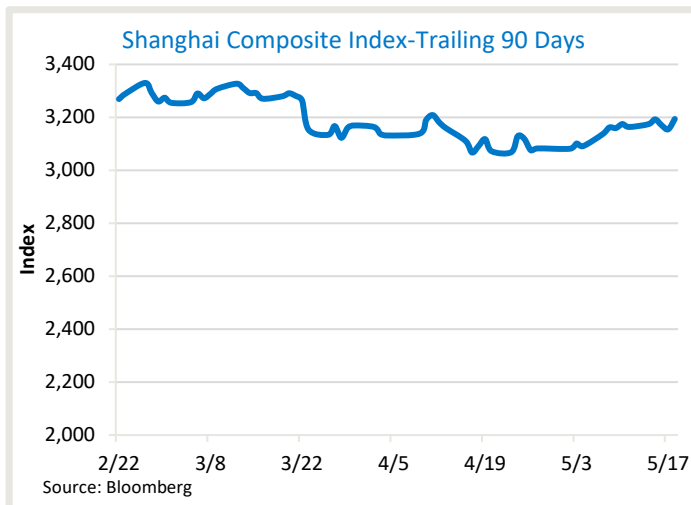
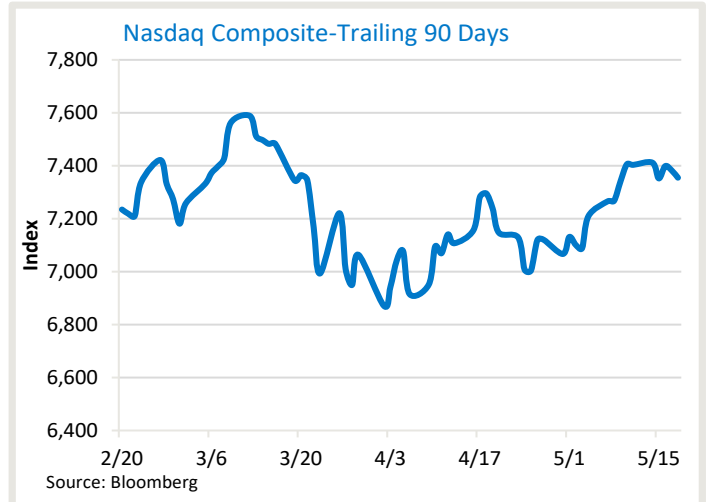
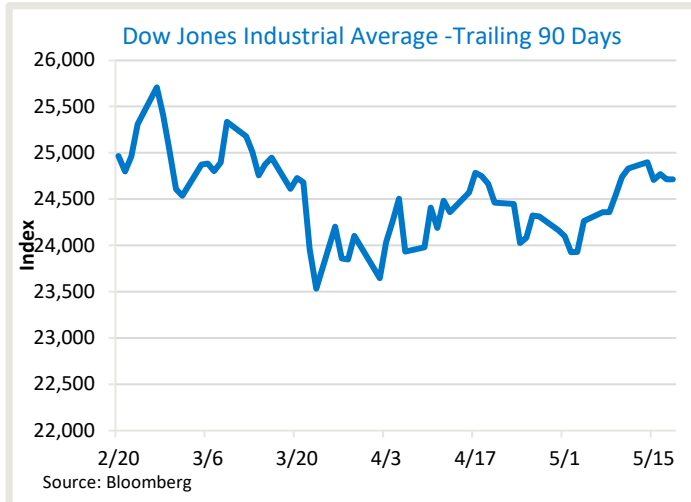


Equities

WORLD MARKET PERFORMANCE

	Last	Change	% Chg.	YTD %		Last	Change	% Chg.	YTD %
S&P 500	2,712.97	-14.75	-0.54%	1.47%	Swiss Market Index	8,940.46	-53.05	-0.59%	-4.70%
Dow Industrials	24,715.09	-116.08	-0.47%	-0.02%	CAC 40 Index (France)	5,614.51	72.57	1.31%	5.68%
Nasdaq Composite	7,354.34	-48.54	-0.66%	6.53%	DAX Index (Germany)	13,077.72	76.48	0.59%	1.24%
Russell Global	2,164.69	-8.61	-0.40%	1.0%	Irish Overall Index	7,096.06	134.47	1.93%	0.82%
Russell Global EM	3,594.91	-60.27	-1.65%	-1.3%	Nikkei 225	22,930.36	171.88	0.76%	0.73%
S&P/TSX (Canada)	16,162.31	178.99	1.12%	-0.29%	Hang Seng Index	31,047.91	-74.15	-0.24%	3.77%
Mexico IPC	45,666.77	-1062.15	-2.27%	-7.47%	Shanghai Composite	3,193.30	30.04	0.95%	-3.44%
Brazil Bovespa	83,081.88	-2138.34	-2.51%	8.74%	Kospi Index (S. Korea)	2,460.65	-17.06	-0.69%	-0.28%
Euro Stoxx 600	394.67	2.27	0.58%	1.41%	Taiwan Taiex Index	10,830.84	-28.14	-0.26%	1.77%
FTSE 100	7,778.79	54.24	0.70%	1.18%	Tel Aviv 25 Index	1,516.37	44.18	3.00%	0.44%
IBEX 35 (Spain)	10,112.40	-159.00	-1.55%	0.68%	MOEX Index (Russia)	2,326.94	-18.32	-0.78%	10.30%

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



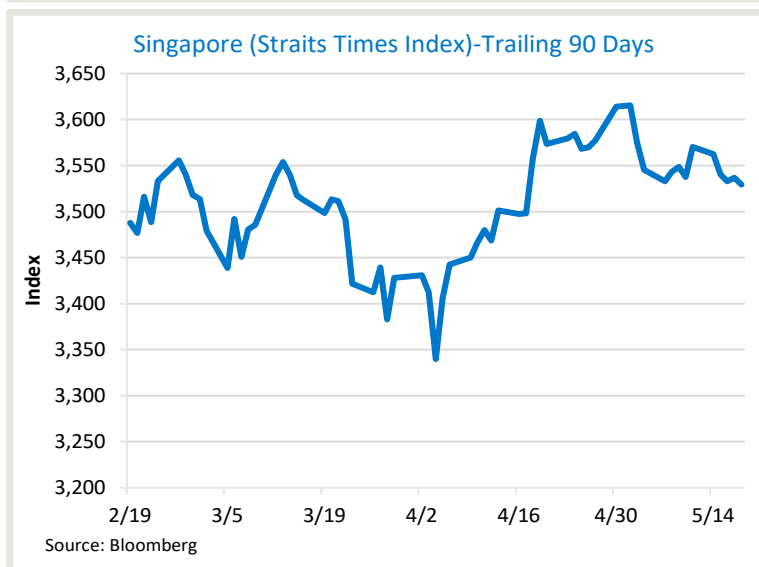
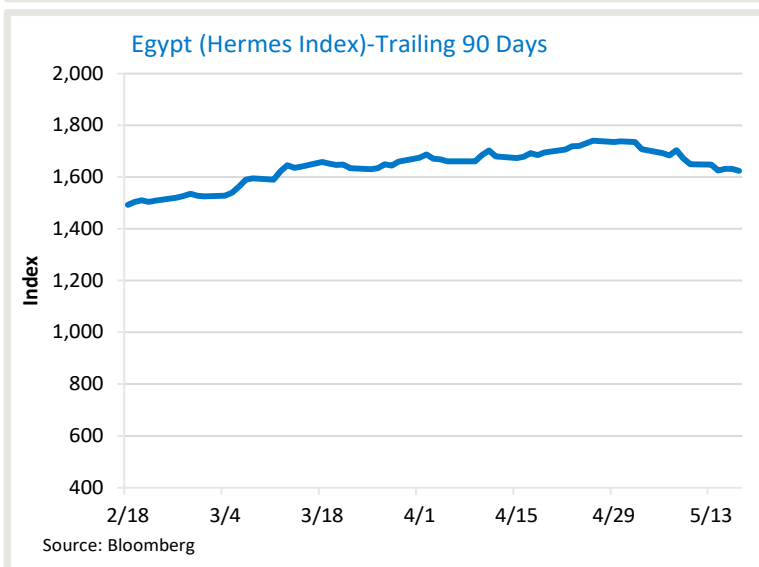
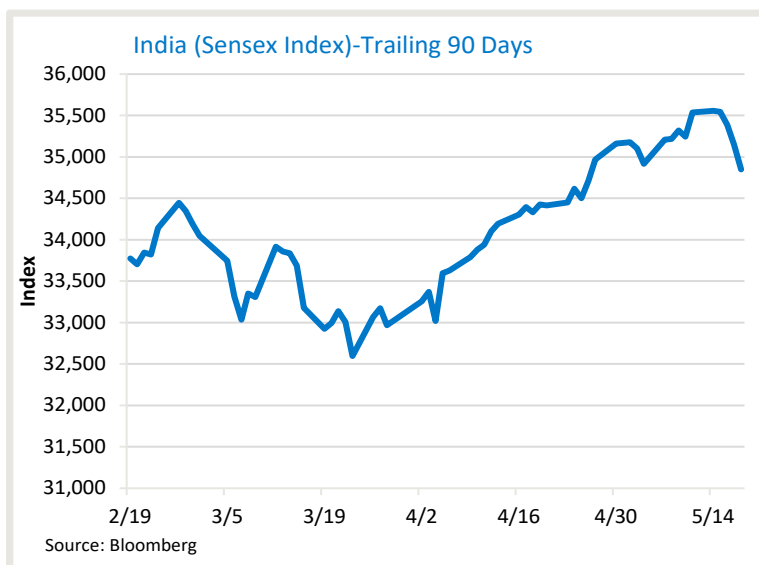
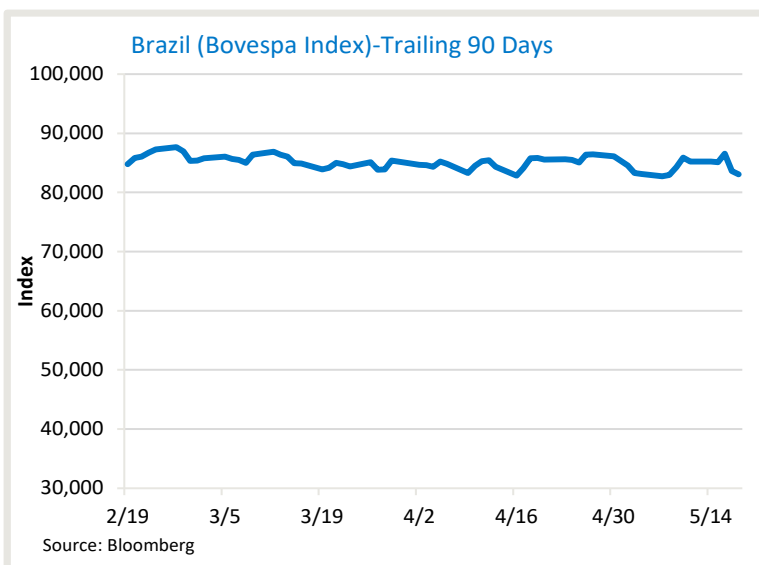
Equities – Emerging and Frontier Markets

EMERGING AND FRONTIER MARKET PERFORMANCE

	Last	Change	% Chg.	YTD %
Mexico IPC	45,666.77	-1062.15	-2.3%	-7.5%
Brazil (Bovespa Index)	83,081.88	-2138.34	-2.5%	8.7%
MOEX Index (Russia)	2,326.94	-18.32	-0.8%	10.3%
Czech Republic (Prague)	1,104.56	-2.56	-0.2%	2.4%
Turkey (Istanbul)	102,410.30	557.80	0.5%	-11.2%
Egypt (Hermes Index)	1,624.68	-24.99	-1.5%	13.1%
Kenya (Nairobi 20 Index)	3,494.17	-108.16	-3.0%	-5.9%
Saudi Arabia (TASI Index)	8,016.85	102.58	1.3%	10.9%
Lebanon (Beirut BLOM Index)	1,127.94	-3.63	-0.3%	-1.7%
Palestine	542.19	-2.50	-0.5%	-5.6%

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

	Last	Change	% Chg.	YTD %
Hang Seng Index	31,047.91	-74.15	-0.2%	3.8%
India (Sensex 30)	34,848.30	-687.49	-1.9%	2.3%
Malaysia (KLCI Index)	1,854.50	7.99	0.4%	3.2%
Singapore (Straits Times Index)	3,529.27	-40.90	-1.1%	3.7%
Thailand (SET Index)	1,754.17	-11.76	-0.7%	0.0%
Indonesia (Jakarta)	5,783.31	-173.52	-2.9%	-9.0%
Pakistan (Karachi KSE 100)	41,623.52	-1971.27	-4.5%	2.8%
Vietnam (Ho Chi Minh)	1,040.54	-4.31	-0.4%	5.7%
Sri Lanka (Colombo)	6,492.06	13.19	0.2%	1.9%
Cambodia (Laos)	923.06	-3.12	-0.3%	-7.5%

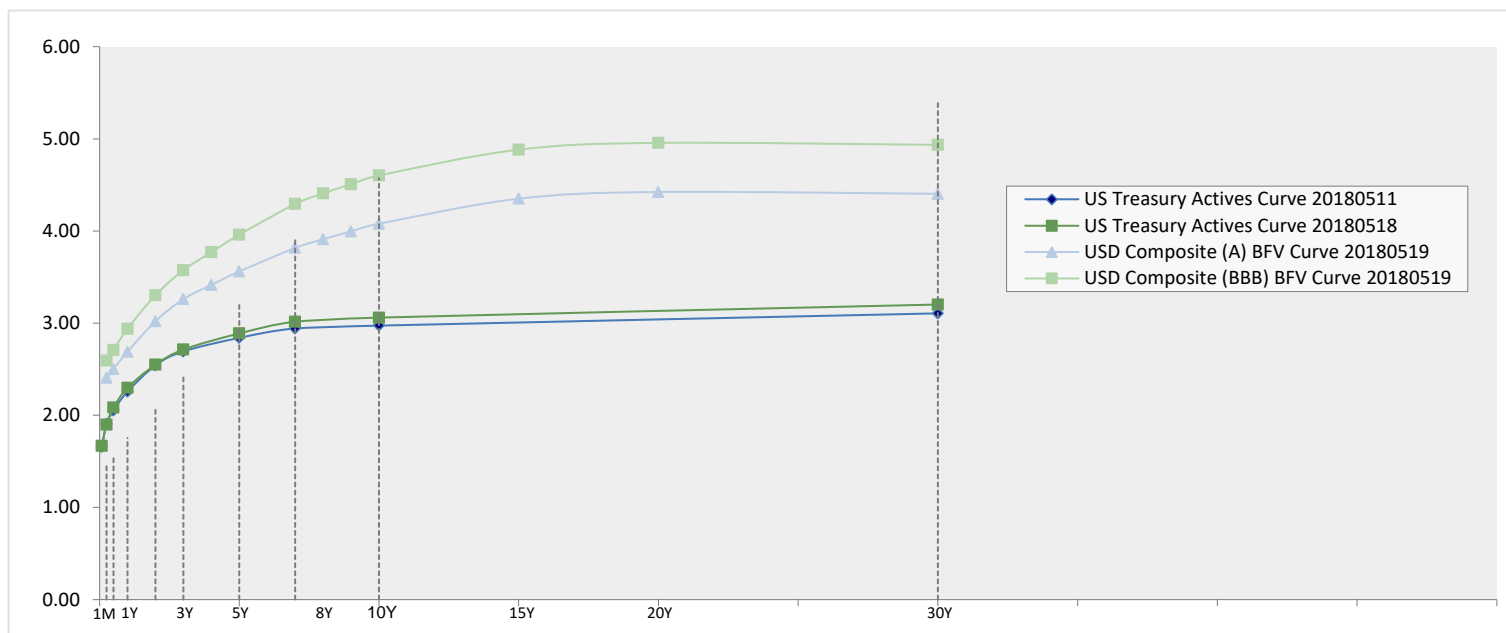


Interest Rates

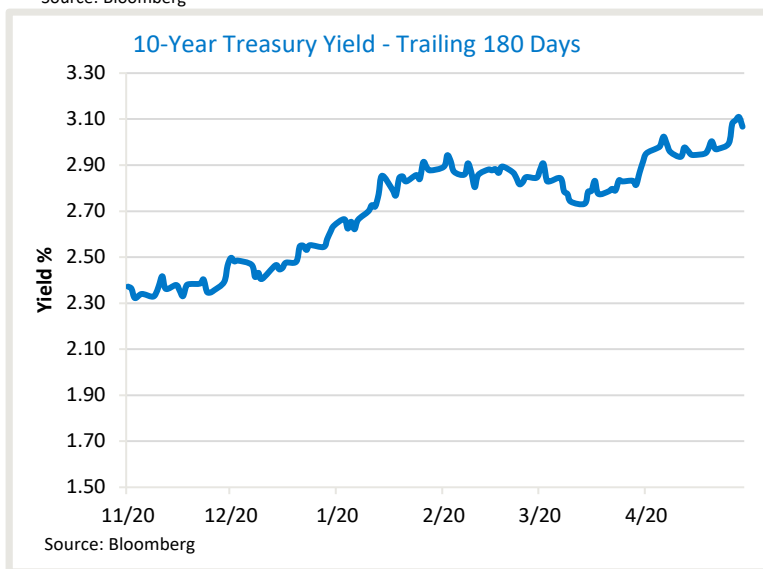
SELECTED INTEREST RATES

	Last	Change	% Chg.	YTD %		Last	Change	% Chg.	YTD %
2-Yr. U.S. Treasury	2.55%	0 bps	NM	NM	Prime Rate	4.75%	0.00	NM	NM
5-Yr. U.S. Treasury	2.89%	5 bps	NM	NM	Fed Funds Rate	1.75%	0.00	NM	NM
10-Yr. U.S. Treasury	3.07%	10 bps	NM	NM	Discount Rate	2.25%	0.00	NM	NM
30-Yr. U.S. Treasury	3.21%	10 bps	NM	NM	LIBOR (3 Mo.)	2.33%	-1 bps	NM	NM
German 10-Yr. Govt.	0.58%	-2 bps	NM	NM	Bond Buyer 40 Muni	3.89%	14 bps	NM	NM
France 10-Yr.	0.83%	-4 bps	NM	NM	Bond Buyer 40 G.O.	3.95%	NA	NM	NM
Italy 10-Yr.	2.22%	-31 bps	NM	NM	Bond Buyer 40 Rev.	4.44%	NA	NM	NM
Fed 5-Yr Fwd BE Inf.	2.19%	2 bps	NM	NM					

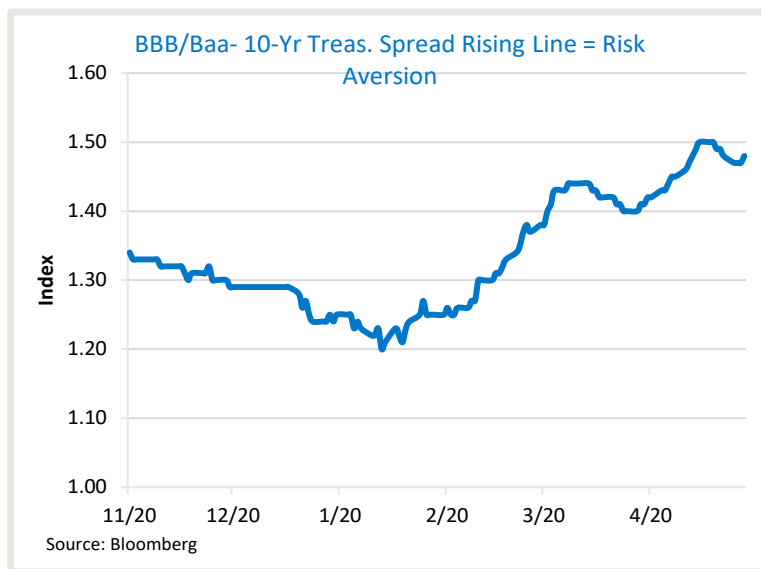
Source: Bloomberg



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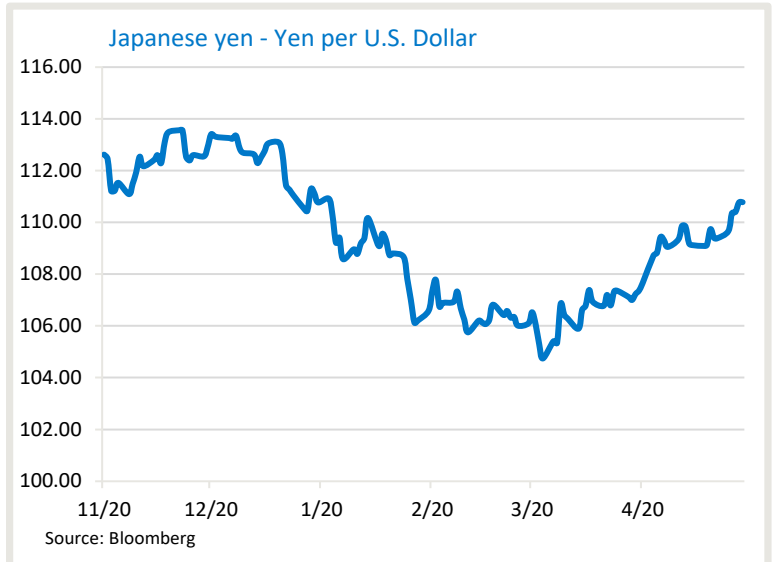
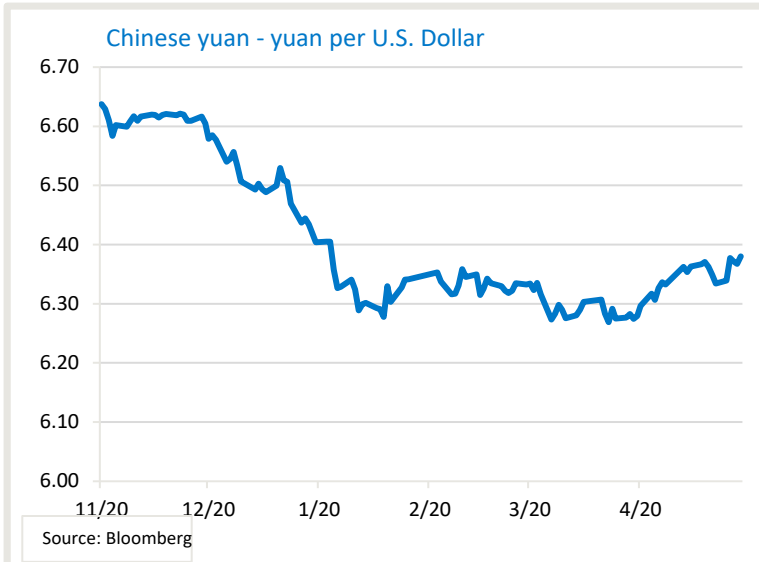
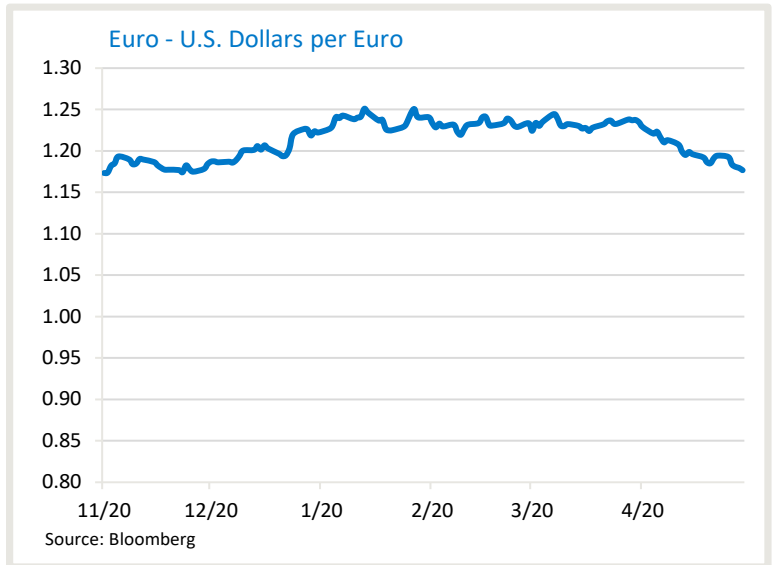
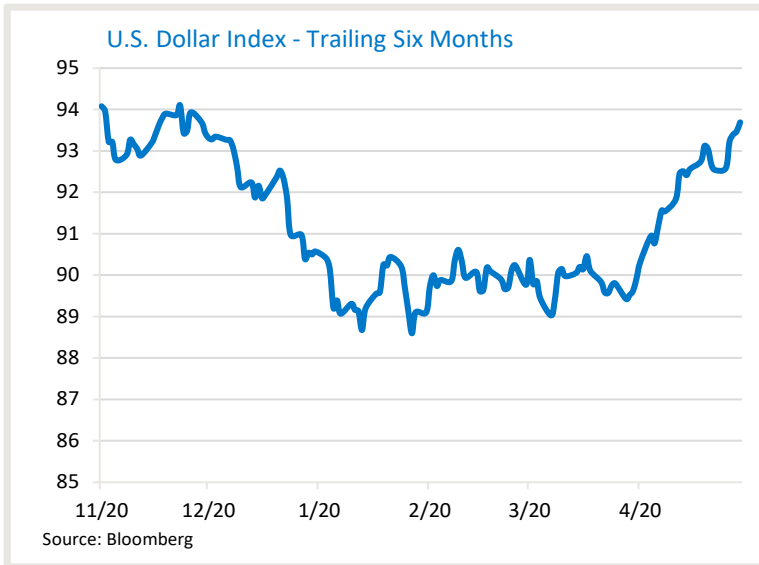
Currencies

SELECTED CURRENCY PERFORMANCE

	Last	Change	% Chg.	YTD %
Dollar Index	93.68	1.155	1.25%	1.70%
Euro	1.18	-0.018	-1.47%	-1.98%
Japanese Yen	110.72	1.390	-1.25%	1.72%
British Pound	1.35	-0.006	-0.45%	-0.24%
Canadian Dollar	1.29	0.008	-0.61%	-2.35%

	Last	Change	% Chg.	YTD %
Chinese Yuan	6.38	0.046	-0.72%	1.99%
Swiss Franc	1.00	-0.002	0.22%	-2.34%
New Zealand Dollar	0.69	-0.005	-0.70%	-2.51%
Brazilian Real	3.74	0.136	-3.63%	-11.45%
Mexican Peso	19.95	0.505	-2.54%	-1.36%

Source: Bloomberg



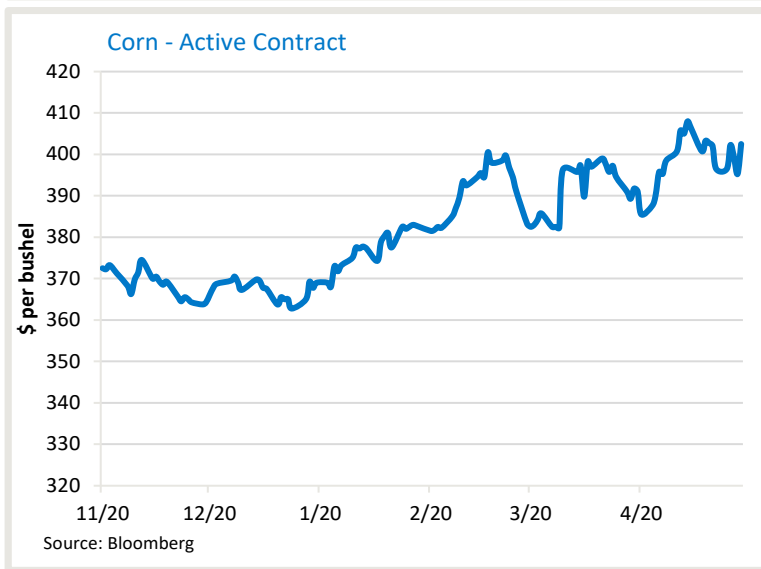
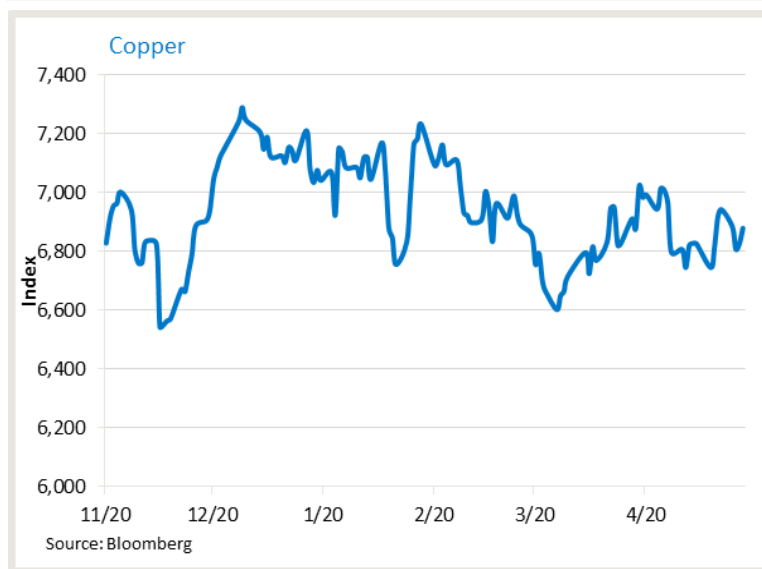
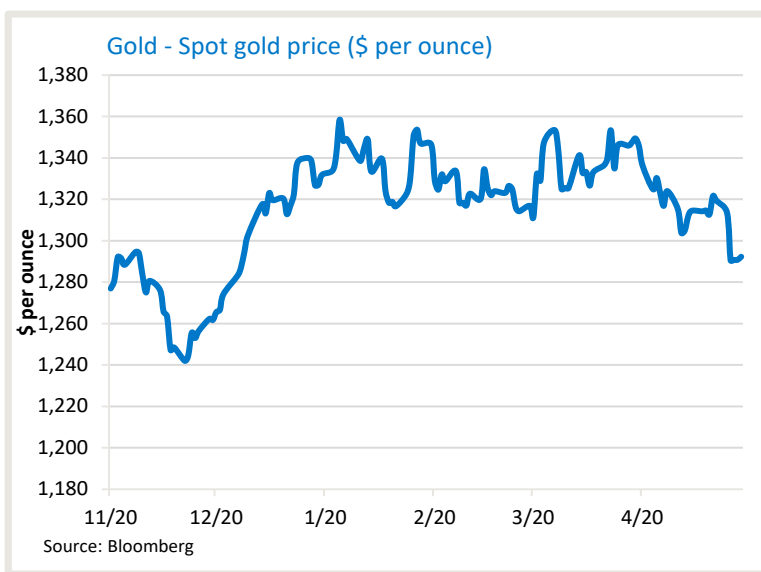
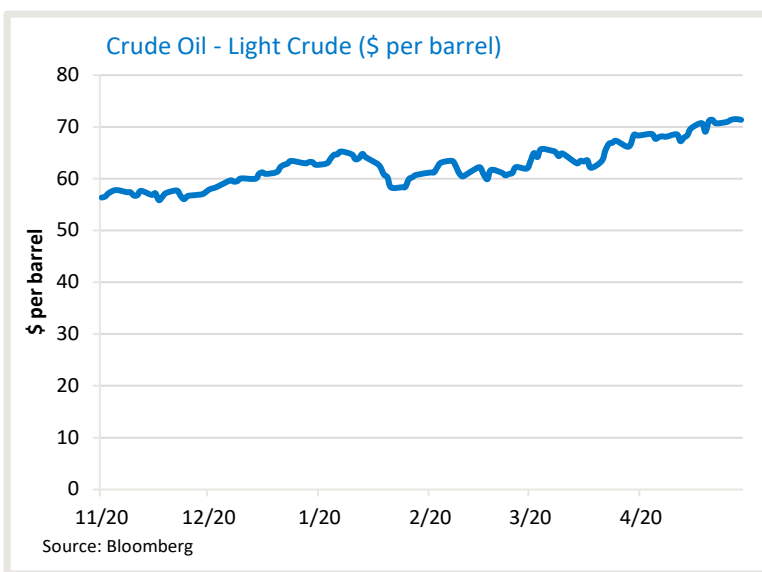
Commodities

SELECTED COMMODITY MARKET PERFORMANCE

	Last	Change	% Chg.	YTD %
Bloomberg Comm. Idx.	90.41	0.38	0.42%	2.55%
Crude Oil	\$71.36	\$0.67	0.95%	18.83%
Natural Gas	\$2.84	\$0.03	1.10%	2.31%
Gasoline (\$/Gal.)	\$2.91	\$0.05	1.68%	17.17%
Heating Oil	226.95	4.90	2.21%	14.80%
Gold Spot	\$1,292.51	-\$27.01	-2.05%	-0.81%
Silver Spot	\$16.43	-\$0.25	-1.48%	-3.05%

	Last	Change	% Chg.	YTD %
Platinum Spot	\$887.84	-\$36.90	-4.00%	-4.55%
Corn	402.50	6.00	1.51%	9.60%
Wheat	518.25	19.50	3.91%	14.34%
Soybeans	998.50	-4.75	-0.47%	1.55%
Sugar	11.66	0.44	3.92%	-22.47%
Orange Juice	166.20	-3.15	-1.86%	19.01%
Aluminum	2,293.00	5.00	0.22%	1.10%
Copper	6,879.00	-63.00	-0.91%	-5.08%

Source: Bloomberg; % change is based on price.

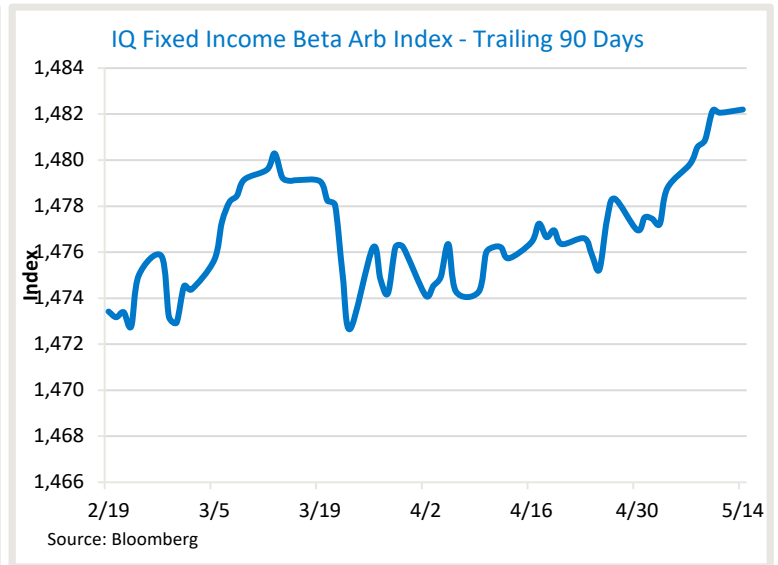
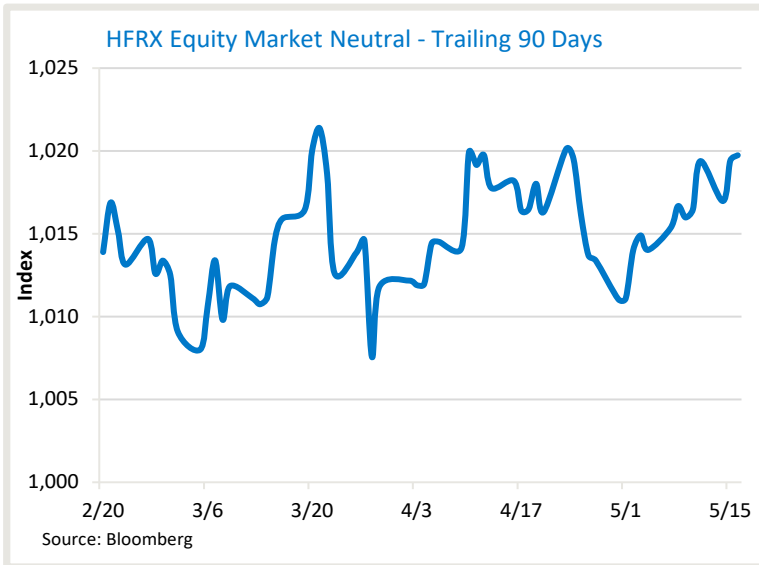
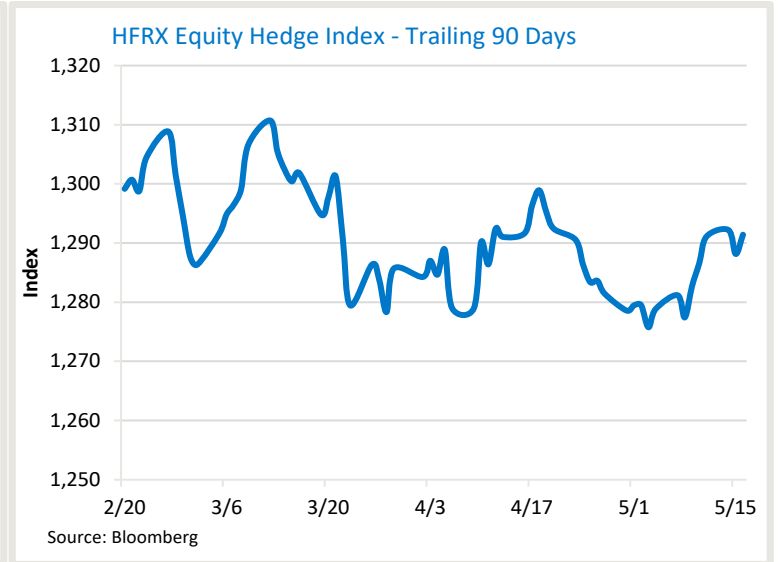
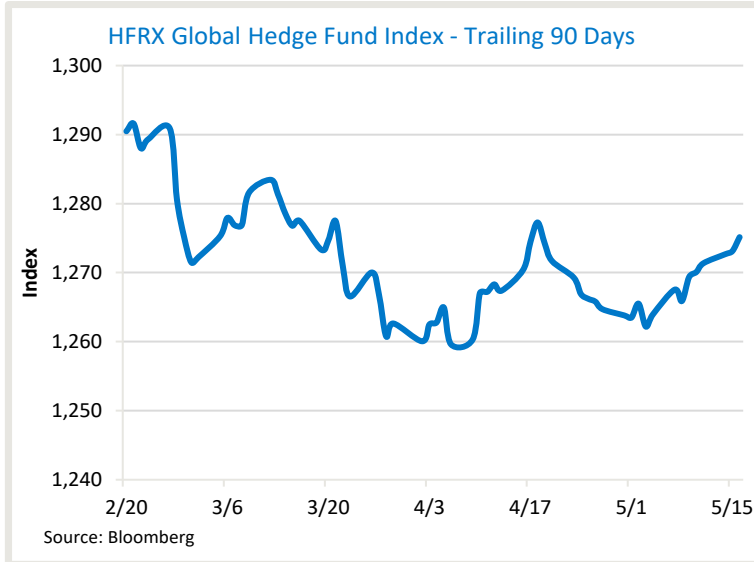


Alternative Investments

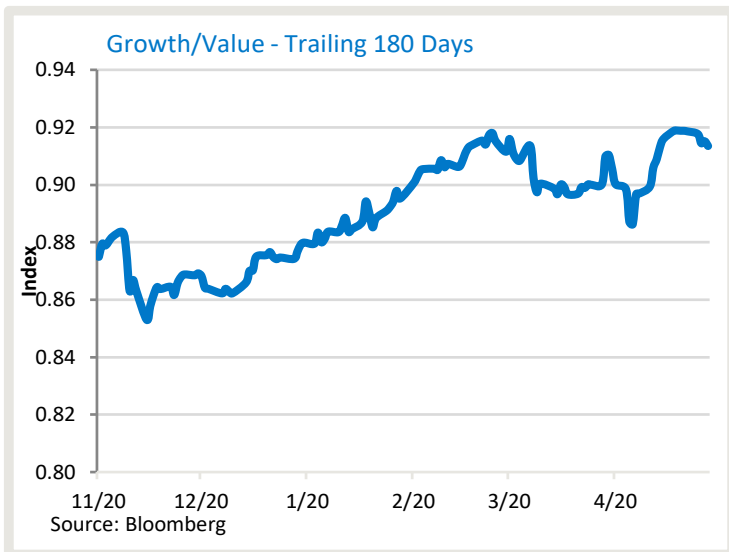
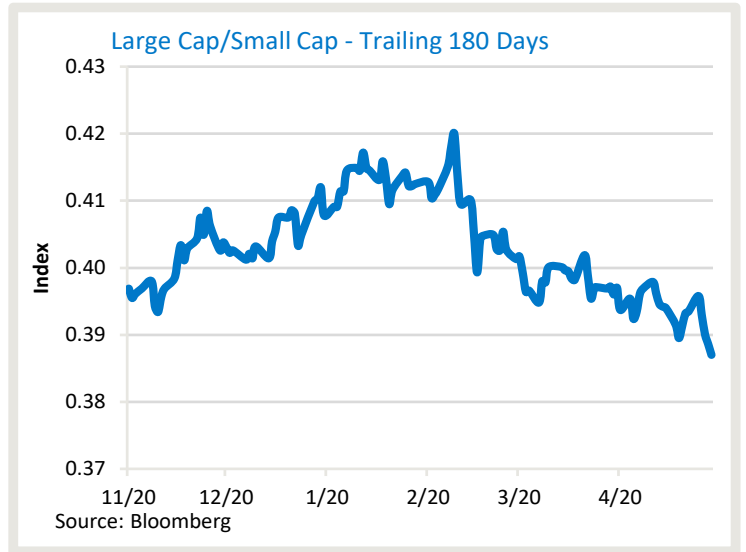
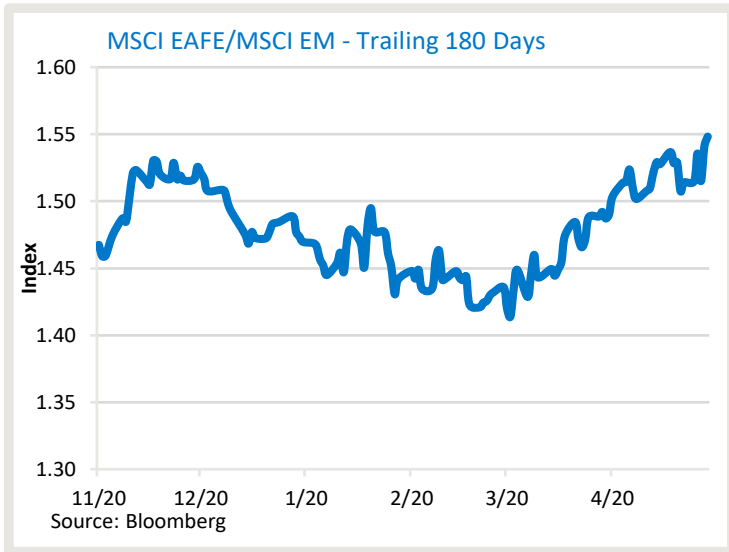
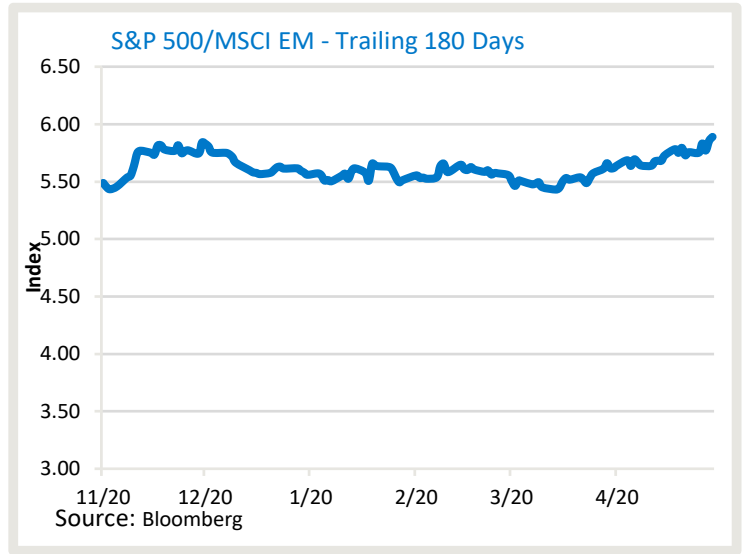
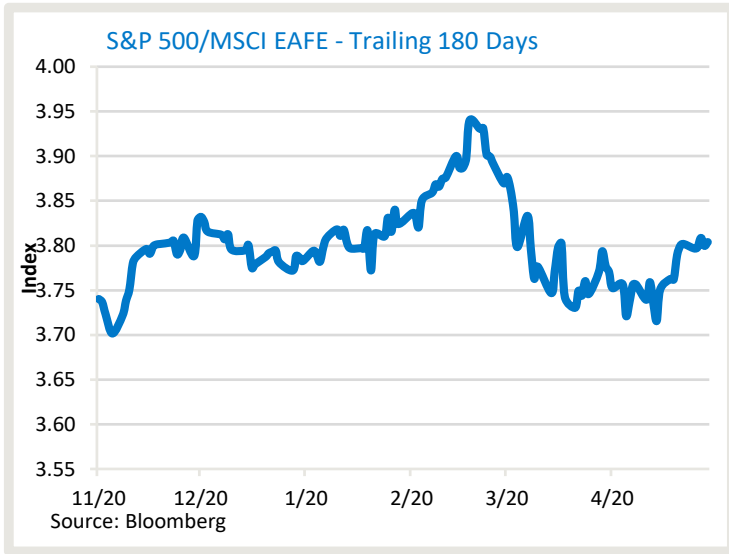
SELECTED ALTERNATIVE INVESTMENT INDEX PERFORMANCE

	Last	Change	% Chg.	YTD %		Last	Change	% Chg.	YTD %
HFRX Global Hedge Fund Index	1275.14	3.78	0.30%	-0.04%	HFRX Distressed Index	1056.63	0.88	0.08%	-4.52%
HFRX Equity Market Neutral	1019.74	0.35	0.03%	1.53%	HFRX Merger Arbitrage Index	1826.80	8.16	0.45%	-1.41%
HFRX Equity Hedge Index	1291.41	0.30	0.02%	1.63%	HFRX Convertible Arbitrage Index	801.10	-0.21	-0.03%	0.61%
HFRX Event-Driven Index	1593.65	3.65	0.23%	-4.33%	HFRX Macro CTA Index	1175.24	13.53	1.16%	0.98%
HFRX Absolute Return Index	1073.33	2.54	0.24%	0.95%	IQ Fixed Income Beta Arb Index	1480.17	-1.88	-0.13%	0.66%

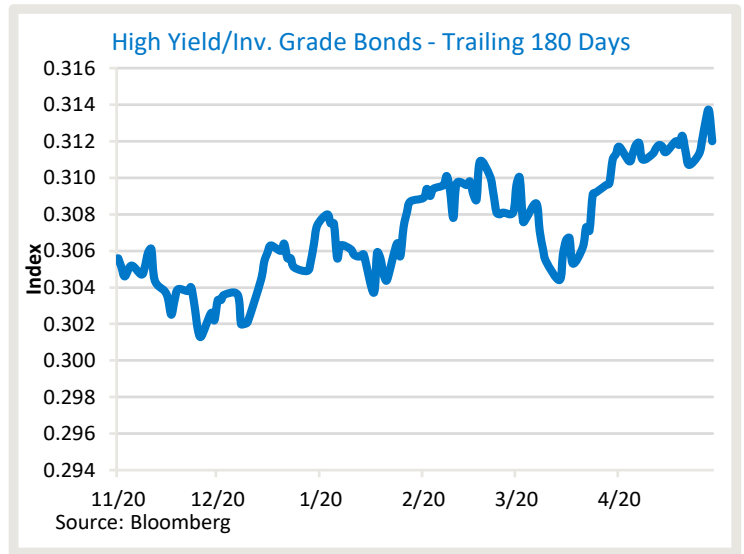
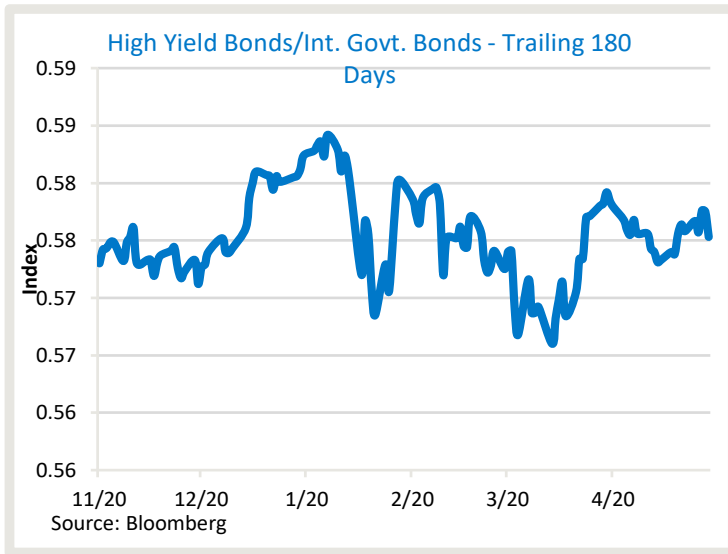
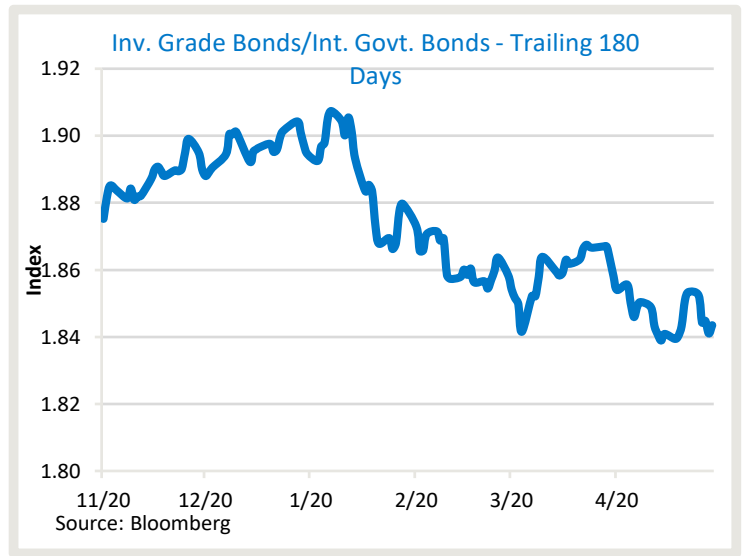
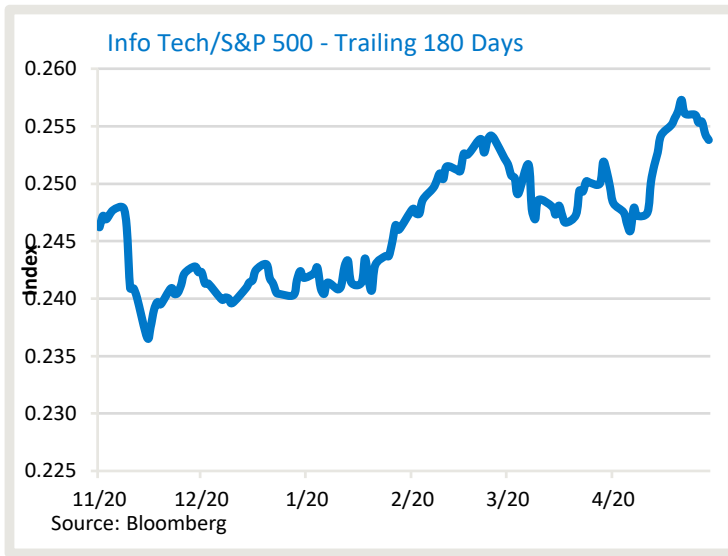
Source: Bloomberg; Index % change is based on price.



Portfolio Construction



Portfolio Construction (continued)



WEEKLY ASSET CLASS PERFORMANCE (Prior 12 weeks ending Thursday)

			3/1	3/8	3/15	3/22	3/29	4/5	4/12	4/19	4/26	5/3	5/10	5/17
Equity	Domestic Equity	Large Cap (R200)	-0.89%	2.19%	0.29%	-4.06%	-0.22%	0.89%	0.19%	1.10%	-1.02%	-1.38%	3.69%	-0.14%
		Small Cap (R2000)	-1.48%	4.28%	0.30%	-2.08%	-0.94%	0.88%	0.93%	1.06%	-1.01%	-0.73%	3.70%	1.35%
	Int'l. Equity	MSCI EAFE	-1.72%	0.71%	0.54%	-1.56%	-0.68%	0.50%	1.15%	1.32%	-1.35%	-0.47%	0.84%	0.33%
		MSCI Em. Mkts.	-0.72%	0.25%	1.76%	-1.60%	-2.29%	-0.24%	0.89%	0.62%	-3.36%	-0.57%	1.64%	-1.08%
Fixed Income	BarCap Agg. (AGG)	0.25%	0.06%	0.18%	-0.14%	0.60%	-0.54%	0.09%	-0.45%	-0.41%	-0.06%	0.02%	-0.74%	
	High Yield (JNK)	-0.44%	0.22%	0.14%	-0.58%	0.39%	-0.14%	0.95%	-0.14%	-0.55%	-0.56%	0.39%	-0.36%	
Commodities	Bloomberg Commodity Index	-0.52%	-0.70%	0.31%	-0.25%	0.42%	-0.34%	2.20%	0.98%	-0.63%	0.30%	0.98%	-0.27%	
Alternatives	Hedge Funds (HFRX Global)	-1.28%	0.43%	-0.01%	-0.46%	-0.65%	0.18%	0.27%	0.46%	-0.66%	-0.29%	0.63%	0.40%	
Asset Allocation	60/40*	-0.64%	1.20%	0.34%	-1.82%	-0.15%	0.24%	0.45%	0.50%	-0.95%	-0.53%	1.71%	-0.19%	
	48/32/20 (w/Alts.)**	-0.77%	1.04%	0.27%	-1.55%	-0.25%	0.22%	0.41%	0.49%	-0.89%	-0.56%	1.49%	-0.07%	

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	0.98	1.03	0.98	0.96	1.01	0.89	0.91	0.88	1.03	1.19	1.09	0.93	1.57	1.21
Large Cap Growth	1.02	1.00	1.05	1.00	0.98	1.03	0.91	0.92	0.90	1.05	1.21	1.11	0.95	1.60	1.23
Large Cap Value	0.97	0.95	1.00	0.96	0.94	0.98	0.87	0.88	0.86	1.00	1.15	1.06	0.91	1.53	1.17
Mid Cap Core	1.02	1.00	1.05	1.00	0.98	1.03	0.91	0.92	0.90	1.05	1.21	1.11	0.95	1.60	1.23
Mid Cap Growth	1.04	1.02	1.07	1.02	1.00	1.05	0.93	0.94	0.92	1.07	1.23	1.13	0.97	1.63	1.25
Mid Cap Value	0.99	0.97	1.02	0.98	0.96	1.00	0.89	0.90	0.88	1.02	1.18	1.08	0.92	1.56	1.20
Small Cap Core	1.12	1.10	1.15	1.10	1.08	1.13	1.00	1.01	0.99	1.15	1.33	1.22	1.04	1.76	1.35
Small Cap Growth	1.10	1.09	1.14	1.09	1.06	1.11	0.99	1.00	0.98	1.14	1.31	1.20	1.03	1.73	1.33
Small Cap Value	1.13	1.11	1.16	1.11	1.09	1.14	1.01	1.02	1.00	1.16	1.34	1.23	1.05	1.78	1.37
Int'l. Developed	0.97	0.96	1.00	0.96	0.94	0.98	0.87	0.88	0.86	1.00	1.16	1.06	0.91	1.53	1.18
Emerging Markets	0.84	0.83	0.87	0.83	0.81	0.85	0.75	0.76	0.74	0.87	1.00	0.92	0.78	1.32	1.02
REITs	0.92	0.90	0.94	0.90	0.88	0.93	0.82	0.83	0.81	0.94	1.09	1.00	0.85	1.44	1.11
Commodities	1.07	1.05	1.10	1.06	1.03	1.08	0.96	0.97	0.95	1.10	1.27	1.17	1.00	1.68	1.30
Int. Bond	0.64	0.63	0.66	0.63	0.61	0.64	0.57	0.58	0.56	0.65	0.76	0.69	0.59	1.00	0.77
High Yield	0.83	0.81	0.85	0.81	0.80	0.83	0.74	0.75	0.73	0.85	0.98	0.90	0.77	1.30	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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