



Chart of the Week



Weekly Highlights

- **Economists surveyed by The Wall Street Journal** raised their inflation forecast and predicted the Federal Reserve would lift its benchmark interest rate a total of four times this year. The forecasters projected consumer prices in the fourth quarter of 2018 would be 2.2% higher than a year earlier, as measured by the Federal Reserve's (Fed's) preferred inflation gauge. That is up slightly from 2.1% in the March survey.
- **US job openings rose to a seasonally adjusted 6.7 million** at the end of April, a record high, and is more than the 6.3 million Americans who were unemployed during the month. Openings have exceeded the available labor pool beginning in March, according to revised figures released Tuesday. The figures are the latest sign the US is facing a historically tight labor market.

Talking Points

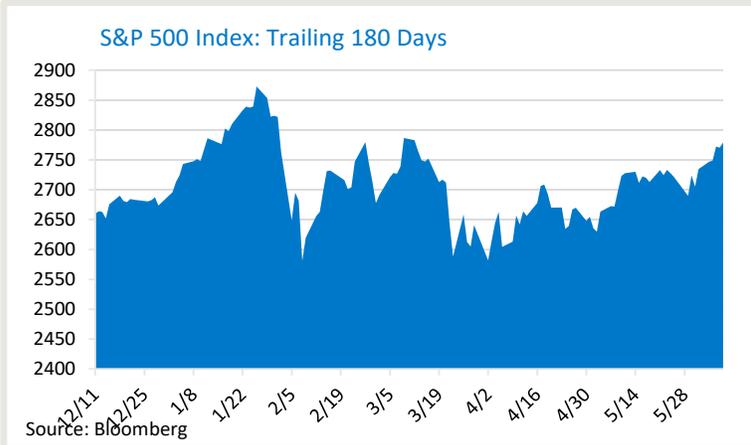
- **Among domestic equities**, large outperformed small caps; and growth outperformed value-oriented securities; international equities outpaced US equities; whereas emerging markets outperformed developed.
- **The yield on the 10-Year Treasury Note** rose modestly to 2.94% from 2.90% at the end of last week. The Commerce Department reported the US trade gap fell to a seven-month low in April. The decline in the trade deficit from \$42.2 billion to \$46.2 billion in April means that net trade should provide another small boost to gross domestic product (GDP) growth in the second quarter.
- **Commodities were mostly lower** on the week, dragged down by oil. The West Texas Intermediate traded at \$65.8 versus \$68.8 for the prior week.
- **The US Dollar Index was higher**, and the dollar rose Friday, buoyed by stronger-than-expected US jobs data.
- **In other economic news:** Trade frictions between the US and its allies escalate ahead of the G7 summit.

Market Dashboard

	Last Price	Change	% Chg.	YTD %
S&P 500	2,779.03	44.41	1.62%	3.9%
Dow Industrials	25,316.53	681.32	2.77%	2.4%
Nasdaq	7,645.51	91.18	1.21%	10.8%
Russell 2000	1,672.49	24.51	1.49%	8.9%
Euro Stoxx Index	385.12	-1.79	-0.46%	-1.0%
Shanghai Composite	3,067.15	-7.99	-0.26%	-7.3%
Russell Global	2,179.00	29.88	1.39%	1.6%

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

	Last Price	Change	% Chg.	YTD %
Russell Global EM	3,606.66	51.99	1.46%	-1.0%
10-Year US Treas.	2.94	4 bps	NM	NM
Bloomberg Cmdts. Idx.	89.98	-0.48	-0.53%	2.1%
Gold	\$1,298.94	\$5.52	0.43%	-0.3%
Crude Oil	\$65.58	-\$0.18	-0.27%	9.8%
Dollar Index	93.54	-0.61	-0.65%	1.5%
VIX Index	12.18	-1.28	-9.51%	10.3%



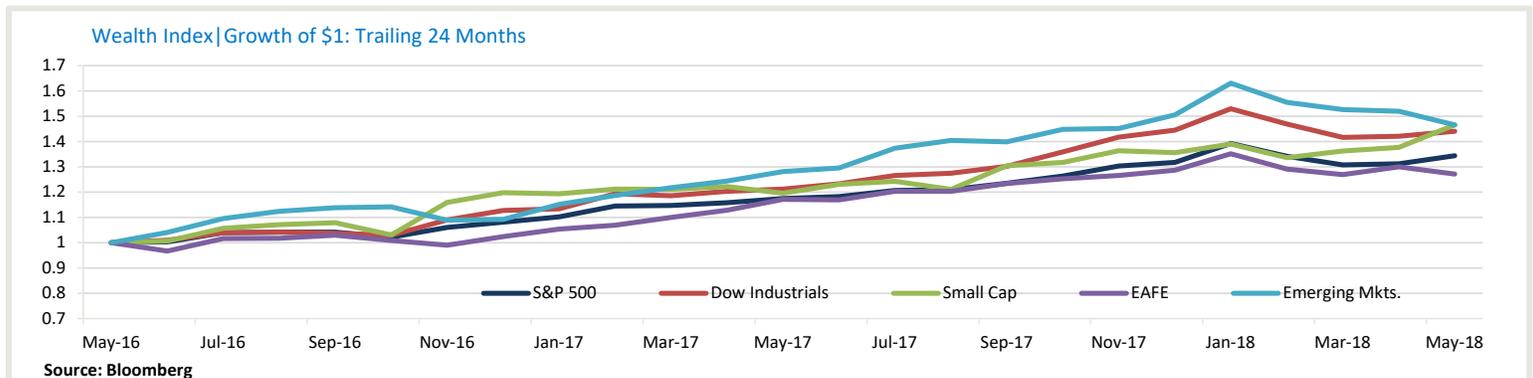
	One Week			YTD		
	Value	Growth		Value	Growth	
L	1.67%	1.67%	1.66%	-0.93%	4.40%	9.10%
	1.45%	1.77%	2.15%	0.21%	3.65%	8.08%
S	1.57%	1.49%	1.41%	6.47%	8.92%	11.21%

Source: Bloomberg

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

	% Wgt in S&P 500	Week % Chg.	YTD % Chg.
Consumer Discretionary	13.0	3.18%	11.2%
Consumer Staples	6.7	2.41%	11.5%
Energy	6.2	0.65%	5.9%
Financials	14.3	2.18%	0.3%
Health Care	14.0	2.04%	2.7%
Industrials	9.9	1.58%	0.4%
Information Technology	26.1	0.69%	13.6%
Materials	2.7	2.93%	0.2%
Real Estate	2.7	1.14%	-3.2%
Telecom Services	1.8	3.36%	-9.6%
Utilities	2.7	-3.18%	-8.4%

Source: Bloomberg



The Economy and Markets

A Macro View – Italy’s Political Strife: No longer a Dolce Vita

We could be forgiven for thinking Europe was a trouble-free haven of stability. After all, investors have flooded into its capital markets, chasing a glut of super stimulus from the European Central Bank (ECB), economic recovery has flourished, and political problems appear to be a thing of the past. Even Greece has been welcomed back into the global lending club. European unity has never seemed stronger.

It’s time to take off the rose-tinted glasses!

Last week, Italy’s political turmoil roiled global financial markets and raised questions about the country’s future as a member of Europe’s shared currency, the euro. Prime Minister Giuseppe Conte, a law professor, was given a mandate to form a government. Conte’s appointment could herald an end to more than two months of political uncertainty in the eurozone’s third-largest economy. But the anti-immigrant stance of the Five Star Movement and the right-wing League (Italy’s two leading parties), has alarmed senior European officials. The joint government program unveiled by the parties pledges significant antiausterity measures, such as drastic tax cuts, a monthly basic income, and pension reform rollbacks to boost Italy’s growth. European Union (EU) officials have voiced concern that Italy could trigger a new eurozone crisis by refusing to stick to public spending and debt targets set by Brussels.

This has sparked memories of the Greek crisis that engulfed the eurozone in 2014. Investors raised concerns that political leaders might push for Italy to leave the euro, sending markets and bond prices tumbling. More importantly, an Italian debt default would amount to a nuclear disaster for world financial markets. Not only would it be game over for the euro, but it could drag investors into another downward spiral. Considering Italy’s current political malaise, the possibility of global contagion is not that far-fetched. Meanwhile, Moody’s said that Italy’s credit rating could be downgraded if the next government does not come to grips with its huge debt pile. It’s no surprise that Italian consumer confidence was weaker than expected in May.

The best gauge of risk in any European bond market is a comparison with Germany’s yields, as it is considered the continent’s safest country to lend money to. Before the recent political flare-up, Italy was paying a one-percentage-point euro premium over Germany’s borrowing rate for a 10-year loan. That gap—which nearly tripled last week (3.07%)—has dropped back to around 2.7%. Stock markets were also under pressure, although they have since recovered from last week’s worst levels, with Italy’s FTSE MIB down 2.3%. Elsewhere, Germany’s Dax is down 1%, Spain’s Ibex lost 2.3%, the FTSE 100 fell 1.25%, and in the US, the S&P 500 declined 1.16%. The euro dropped to an equivalent of \$1.1510, a new six-and-a-half-month low against the dollar, before regaining some ground to \$1.1580. Investors retreated from equities, their appetite for risk sapped by Italy’s crisis and a consequent rally in safe-haven assets, including U.S. Treasury bonds, gold, and the Japanese yen.

Italy’s new coalition takes over, with Italian yields far lower than at their peak, but the market’s loss of faith remains the greatest threat to its ability to implement its unorthodox policies. Everyone recognizes that Italy has a debt problem. Its €2.26 trillion (\$2.6 trillion) debt pile is the largest it has ever been, and at 131% of gross domestic product, the third-largest in the world, behind only Japan and Greece. Yet, last year Italy paid the least interest on that debt—€65.6 billion—than at any time since 1995, the beginning of the ECB’s data. According to the Organization for Economic Cooperation and Development (OECD), Italy’s interest cost this year is expected to be the lowest in 40 years, relative to the size of its economy, although its 3.5% rate is still the highest of any other member of the club of industrialized countries. Even so, ultra-low interest rates make a debt mountain manageable.

So far, the bond selloff is too small to upset this relatively amicable situation. But over the next two years, Italy must refinance €509 billion (\$600 billion) of maturing bonds, amounting to 30% of GDP, according to the ECB. The market’s trepidation of the coalition (or lack thereof) means Italy already will pay significantly more, with yields on bonds ranging from 2 to 30 years rising half a percentage point or more in the past month. The relatively small increase will add billions of euros to the cost of the new debt.

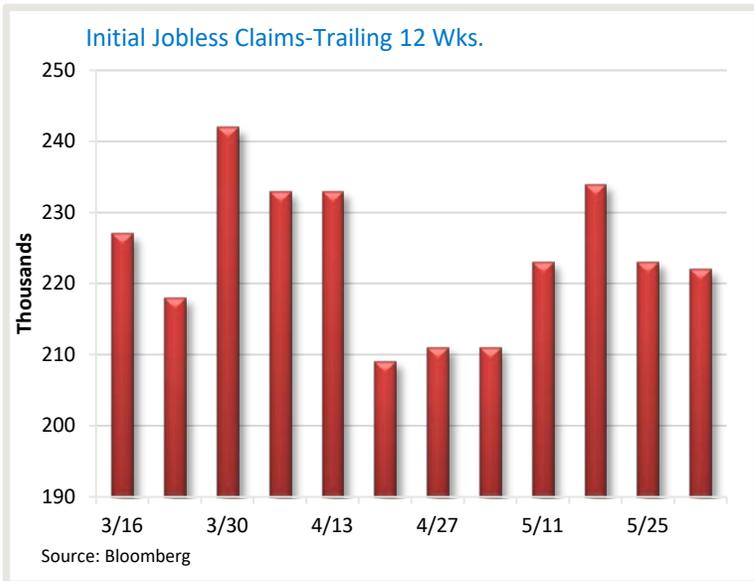
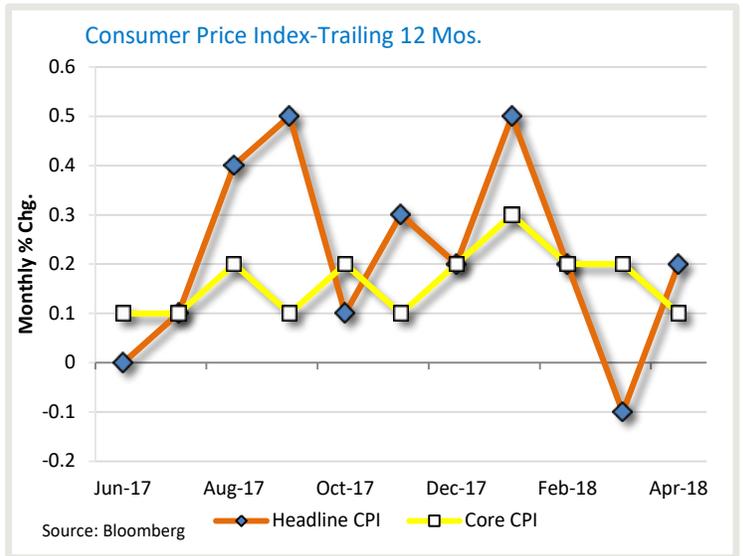
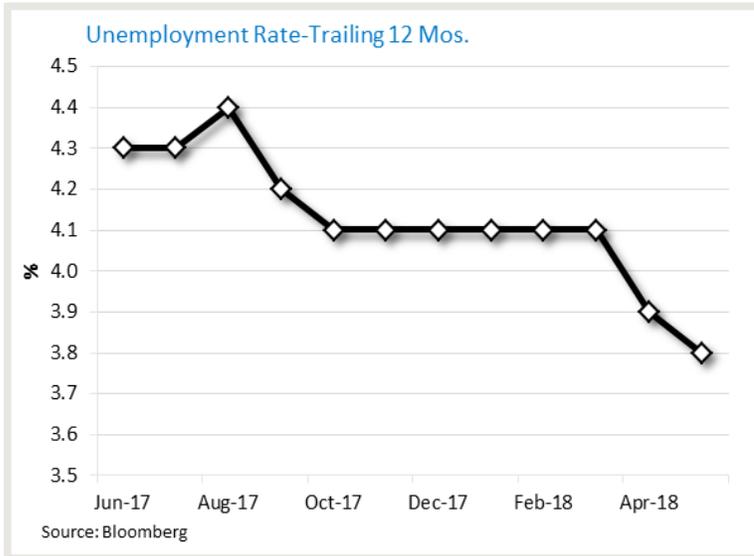
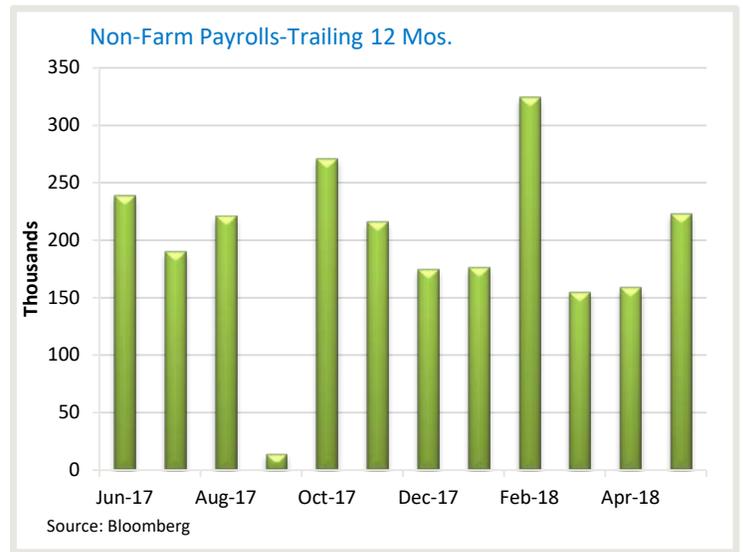
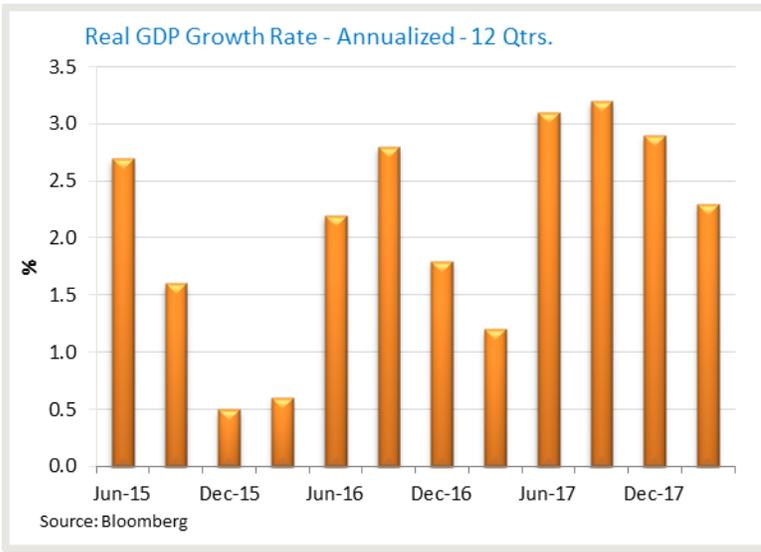
Fortunately for the coalition, bond yields are still lower than on the debt that is maturing. In fact, much lower: The average fixed-term bond (ranging between seven and eight years) costs the government 3.2%. Refinancing everything should still shave a couple of billion euros from the annual interest bill, albeit less than before the selloff.

If the markets lose faith in to the new coalition government, this could quickly have dire financial consequences with Italy suddenly struggling to refinance its debt. Then, the European Financial Stability Facility (EFSF) would have to kick in. And the European Central Bank may decide to raise its interest rate, reduce its bond buying, which would automatically make Italian government bonds more expensive. This could have fatal consequences for an economically weak and politically unstable Italy. The European Union would have to loan Italy hundreds of billions of euros; bailing out Greece would almost pale in comparison.

Nonetheless, hostilities with the EU appear to be inevitable, with the survival of the government far from certain. Whichever direction the new Italian government takes, it is evident that this new alliance will be another burden for the EU.

Sources:
Reuters, Financial Times, OECD

Economic Data



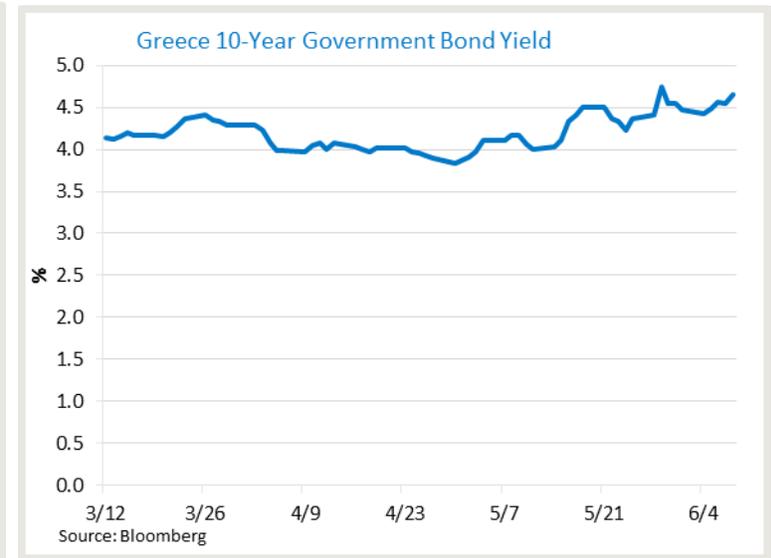
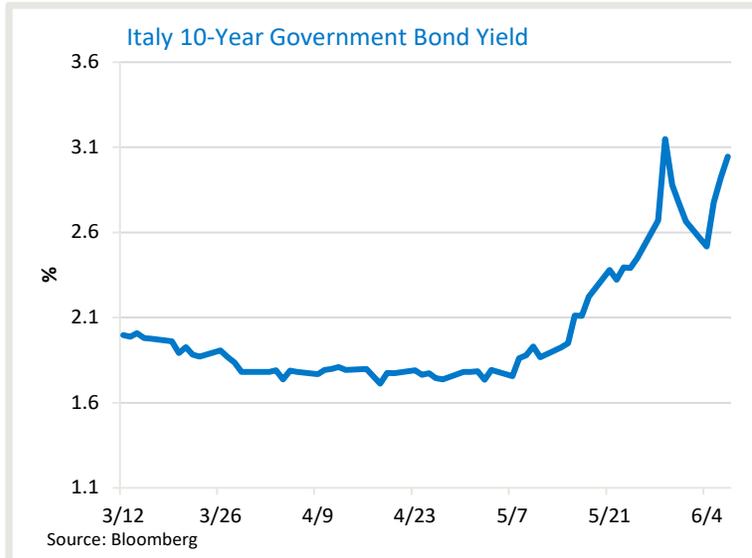
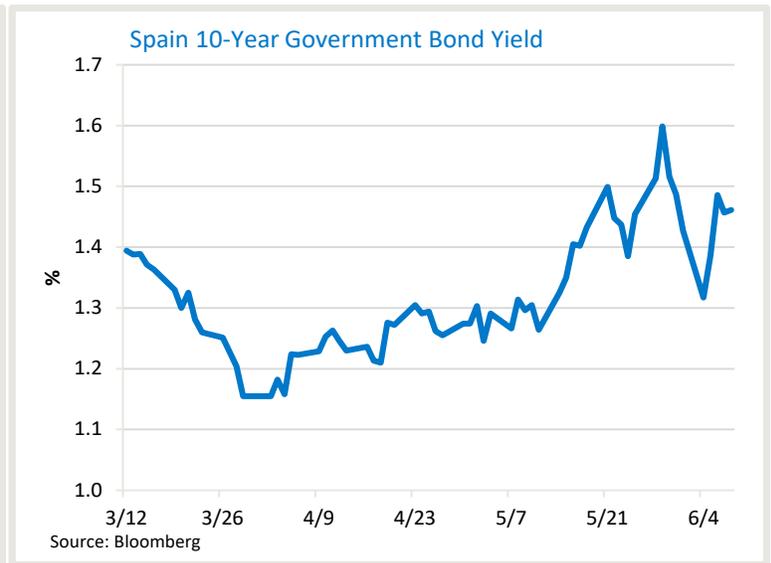
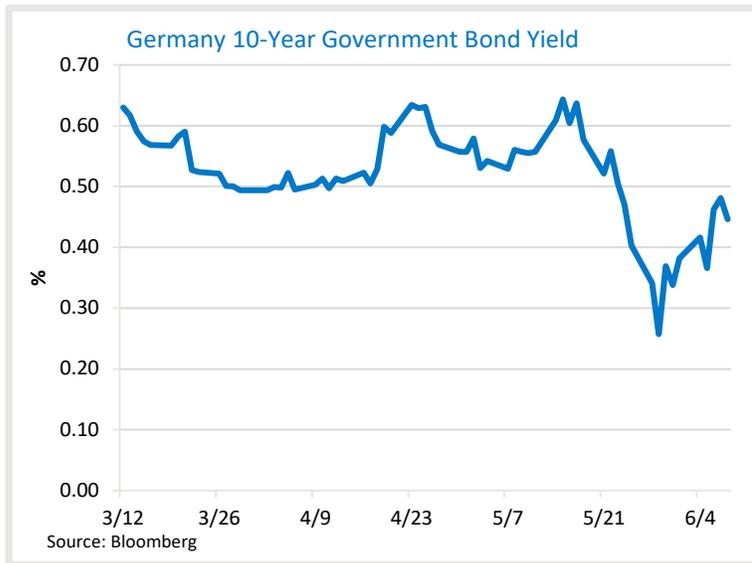
Eurozone

SELECTED EUROPEAN SOVEREIGN YIELD PERFORMANCE

	Last	Change	% Chg.	YTD %
Germany 10-Yr. Govt.	0.45	-6 bps	NM	NM
Greece 10-Yr. Govt.	4.65	-13 bps	NM	NM
Italy 10-Yr. Govt.	3.12	-36 bps	NM	NM
Spain 10-Yr. Govt.	1.46	-3 bps	NM	NM
Belgium 10-Yr. Govt.	0.89	-12 bps	NM	NM

	Last	Change	% Chg.	YTD %
France 10-Yr. Govt.	0.81	-10 bps	NM	NM
Ireland 10-Yr. Govt.	1.04	-8 bps	NM	NM
Portugal 10-Yr. Govt.	2.03	-17 bps	NM	NM
Netherlands 10-Yr. Govt.	0.64	-8 bps	NM	NM
U.K. 10-Yr. Govt.	1.39	-12 bps	NM	NM

Source: Bloomberg
 Basis points (bps)

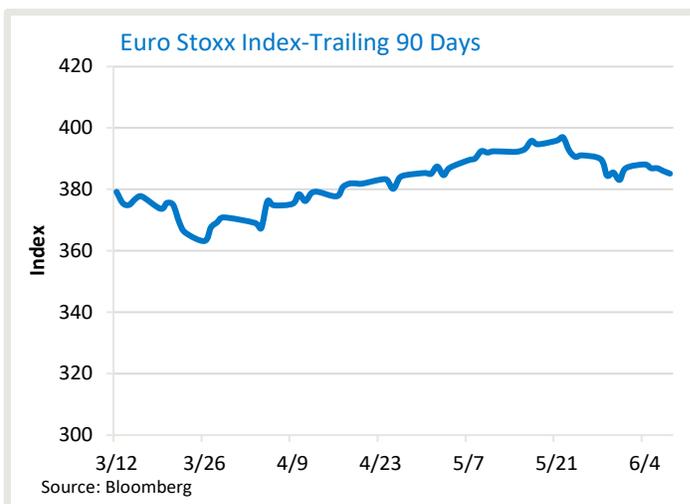
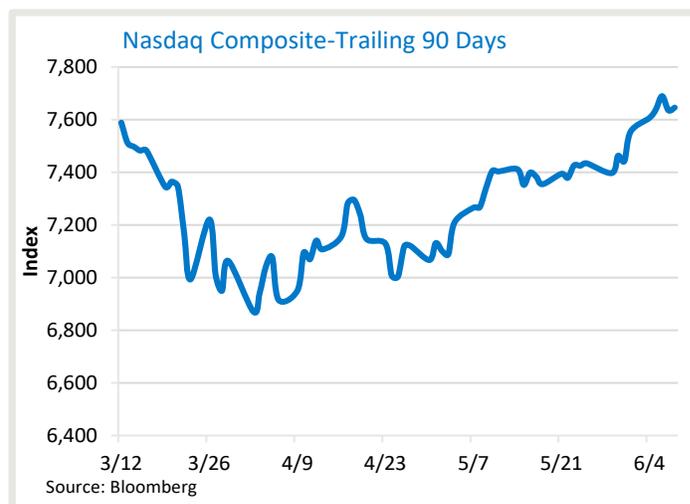
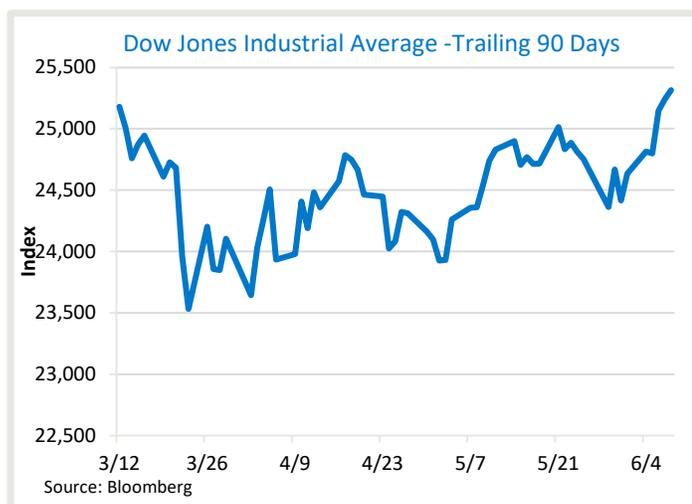


Equities

WORLD MARKET PERFORMANCE

	Last	Change	% Chg.	YTD %		Last	Change	% Chg.	YTD %
S&P 500	2,779.03	44.41	1.62%	3.94%	Swiss Market Index	8,512.06	-106.48	-1.24%	-9.27%
Dow Industrials	25,316.53	681.32	2.77%	2.42%	CAC 40 Index (France)	5,450.22	-15.31	-0.28%	2.59%
Nasdaq Composite	7,645.51	91.18	1.21%	10.75%	DAX Index (Germany)	12,766.55	42.28	0.33%	-1.17%
Russell Global	2,179.00	29.88	1.39%	1.6%	Irish Overall Index	7,127.60	-54.82	-0.76%	1.27%
Russell Global EM	3,606.66	51.99	1.46%	-1.0%	Nikkei 225	22,694.50	523.15	2.36%	-0.31%
S&P/TSX (Canada)	16,202.69	159.15	0.99%	-0.04%	Hang Seng Index	30,958.21	465.30	1.53%	3.47%
Mexico IPC	45,939.54	926.41	2.06%	-6.92%	Shanghai Composite	3,067.15	-7.99	-0.26%	-7.26%
Brazil Bovespa	72,942.07	-4297.68	-5.56%	-4.53%	Kospi Index (S. Korea)	2,451.58	28.57	1.18%	-0.64%
Euro Stoxx 600	385.12	-1.79	-0.46%	-1.04%	Taiwan Taiex Index	11,156.42	207.34	1.89%	4.83%
FTSE 100	7,681.07	-20.70	-0.27%	-0.09%	Tel Aviv 25 Index	1,532.15	20.14	1.33%	1.48%
IBEX 35 (Spain)	9,746.30	113.90	1.18%	-2.96%	MOEX Index (Russia)	2,267.92	-27.42	-1.19%	7.50%

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



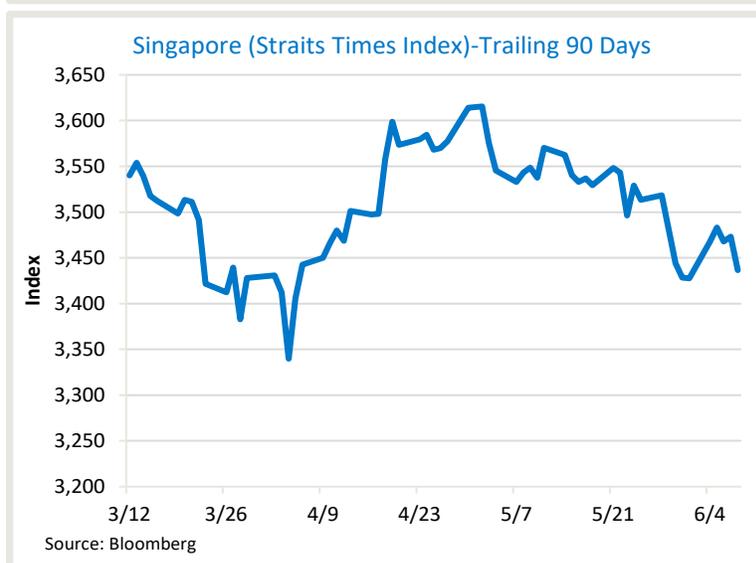
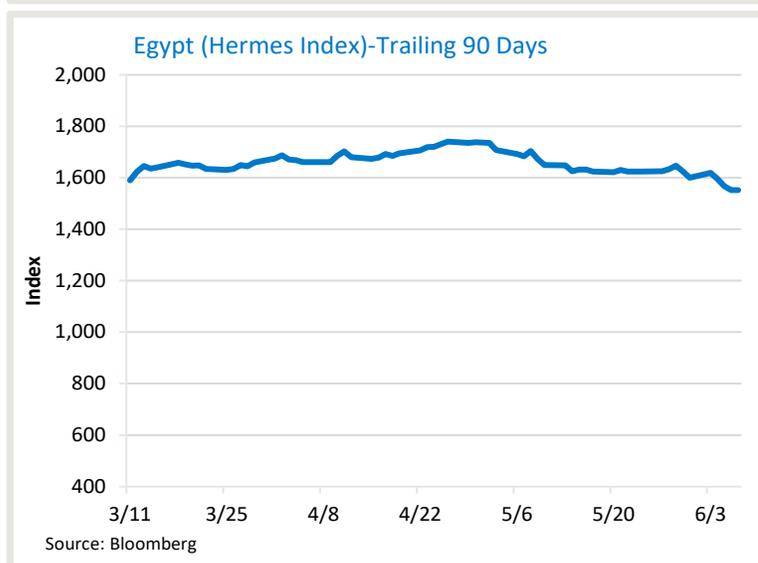
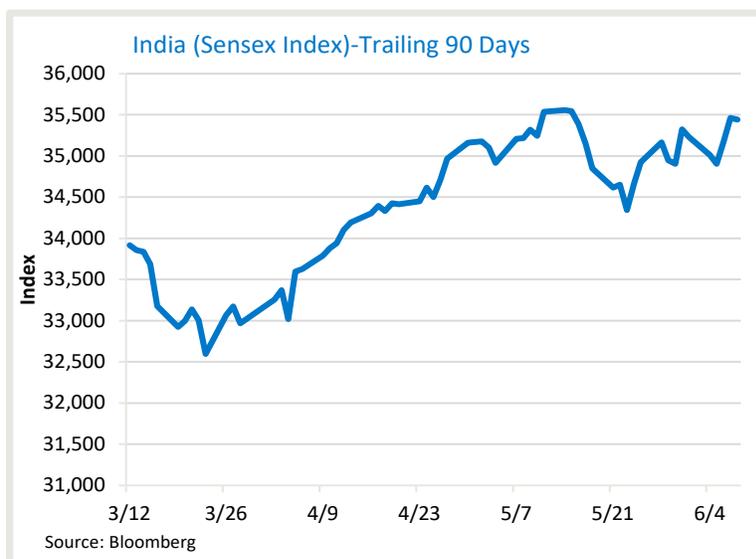
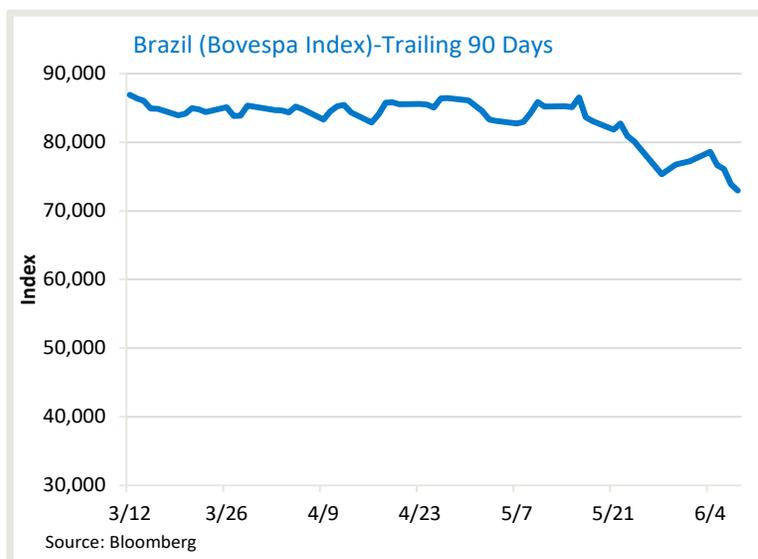
Equities – Emerging and Frontier Markets

EMERGING AND FRONTIER MARKET PERFORMANCE

	Last	Change	% Chg.	YTD %
Mexico IPC	45,939.54	926.41	2.1%	-6.9%
Brazil (Bovespa Index)	72,942.07	-4297.68	-5.6%	-4.5%
MOEX Index (Russia)	2,267.92	-27.42	-1.2%	7.5%
Czech Republic (Prague)	1,077.37	-3.67	-0.3%	-0.1%
Turkey (Istanbul)	95,875.71	-3295.50	-3.3%	-16.9%
Egypt (Hermes Index)	1,552.10	-48.37	-3.0%	8.0%
Kenya (Nairobi 20 Index)	3,352.85	19.49	0.6%	-9.7%
Saudi Arabia (TASI Index)	8,344.39	183.31	2.2%	15.5%
Lebanon (Beirut BLOM Index)	1,086.42	-15.08	-1.4%	-5.4%
Palestine	539.37	-2.82	-0.5%	-6.1%

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

	Last	Change	% Chg.	YTD %
Hang Seng Index	30,958.21	465.30	1.5%	3.5%
India (Sensex 30)	35,443.67	216.41	0.6%	4.1%
Malaysia (KLCI Index)	1,778.32	21.94	1.2%	-1.0%
Singapore (Straits Times Index)	3,436.37	8.86	0.3%	1.0%
Thailand (SET Index)	1,722.04	2.22	0.1%	-1.8%
Indonesia (Jakarta)	5,993.63	10.04	0.2%	-5.7%
Pakistan (Karachi KSE 100)	43,948.11	1035.30	2.4%	8.6%
Vietnam (Ho Chi Minh)	1,039.01	46.14	4.6%	5.6%
Sri Lanka (Colombo)	6,354.92	-46.11	-0.7%	-0.2%
Cambodia (Laos)	927.61	16.11	1.8%	-7.1%

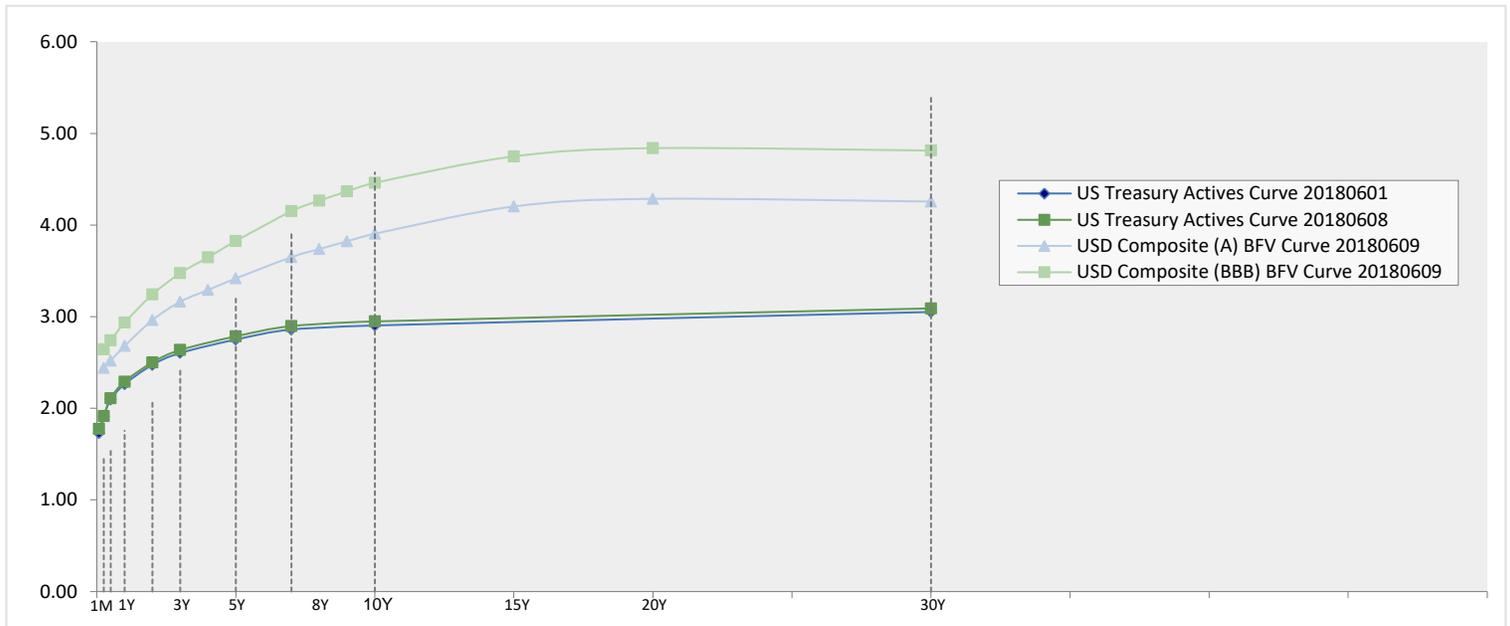


Interest Rates

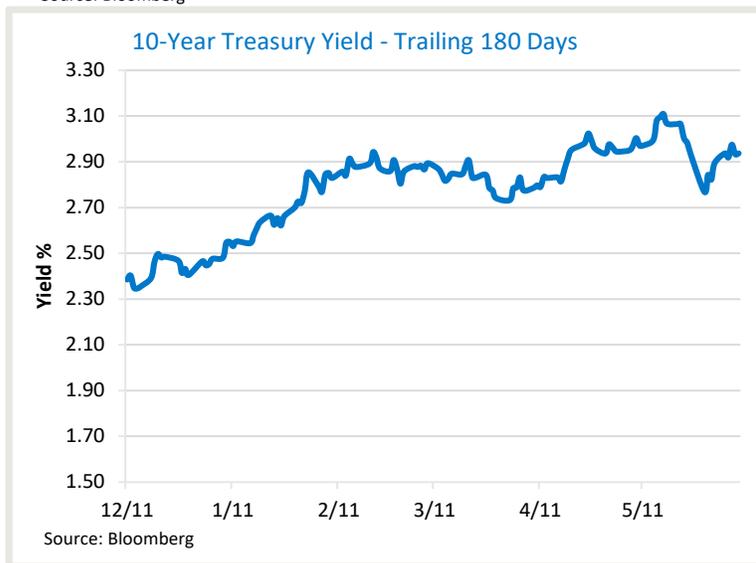
SELECTED INTEREST RATES

	Last	Change	% Chg.	YTD %		Last	Change	% Chg.	YTD %
2-Yr. U.S. Treasury	2.49%	0 bps	NM	NM	Prime Rate	4.75%	0.00	NM	NM
5-Yr. U.S. Treasury	2.78%	4 bps	NM	NM	Fed Funds Rate	1.75%	0.00	NM	NM
10-Yr. U.S. Treasury	2.94%	4 bps	NM	NM	Discount Rate	2.25%	0.00	NM	NM
30-Yr. U.S. Treasury	3.08%	4 bps	NM	NM	LIBOR (3 Mo.)	2.33%	1 bps	NM	NM
German 10-Yr. Govt.	0.45%	-6 bps	NM	NM	Bond Buyer 40 Muni	3.79%	7 bps	NM	NM
France 10-Yr.	0.81%	-10 bps	NM	NM	Bond Buyer 40 G.O.	3.88%	NA	NM	NM
Italy 10-Yr.	3.12%	-36 bps	NM	NM	Bond Buyer 40 Rev.	4.37%	NA	NM	NM
Fed 5-Yr Fwd BE Inf.	2.06%	0 bps	NM	NM					

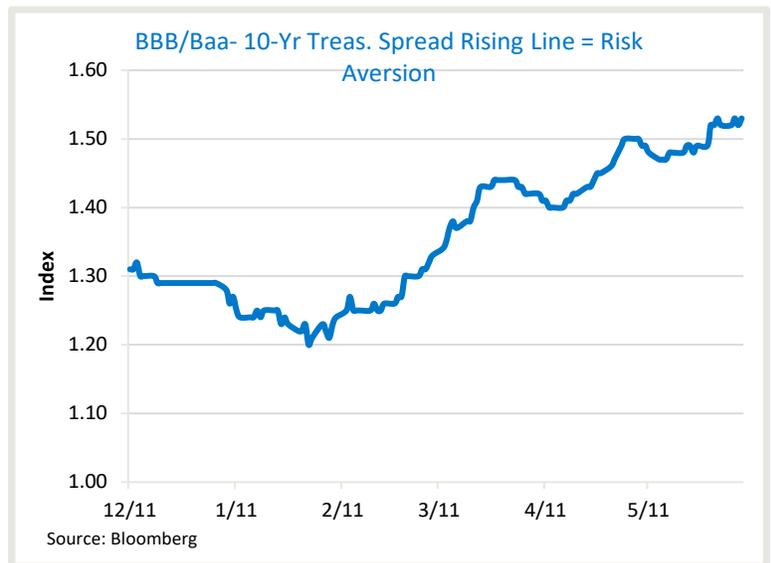
Source: Bloomberg



Source: Bloomberg



Source: Bloomberg



Source: Bloomberg

Currencies

SELECTED CURRENCY PERFORMANCE

	Last	Change	% Chg.	YTD %
Dollar Index	93.55	-0.608	-0.65%	1.55%
Euro	1.18	0.011	0.96%	-1.95%
Japanese Yen	109.45	-0.060	0.05%	2.93%
British Pound	1.34	0.006	0.46%	-0.78%
Canadian Dollar	1.29	-0.002	0.17%	-2.77%

	Last	Change	% Chg.	YTD %
Chinese Yuan	6.41	-0.014	0.21%	1.56%
Swiss Franc	0.98	-0.003	0.35%	-1.07%
New Zealand Dollar	0.70	0.005	0.70%	-0.94%
Brazilian Real	3.70	-0.064	1.73%	-10.63%
Mexican Peso	20.28	0.337	-1.66%	-3.05%

Source: Bloomberg

U.S. Dollar Index - Trailing Six Months



Source: Bloomberg

Euro - U.S. Dollars per Euro



Source: Bloomberg

Chinese yuan - yuan per U.S. Dollar



Source: Bloomberg

Japanese yen - Yen per U.S. Dollar



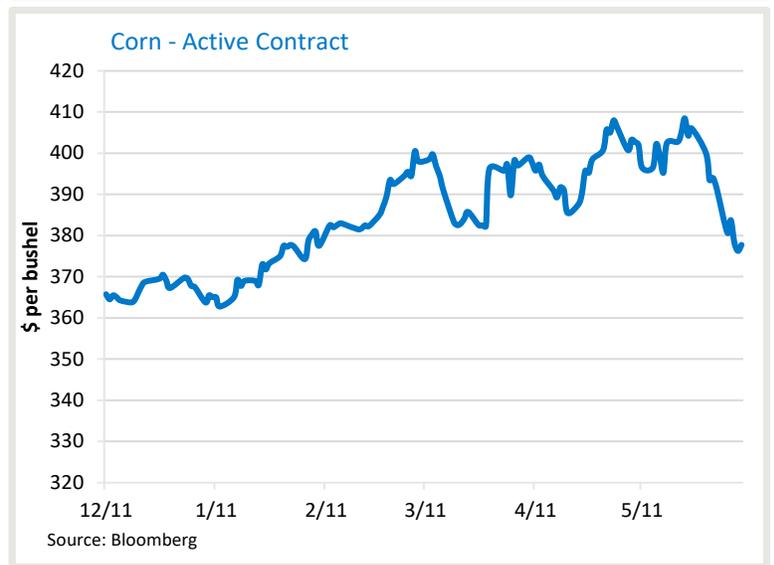
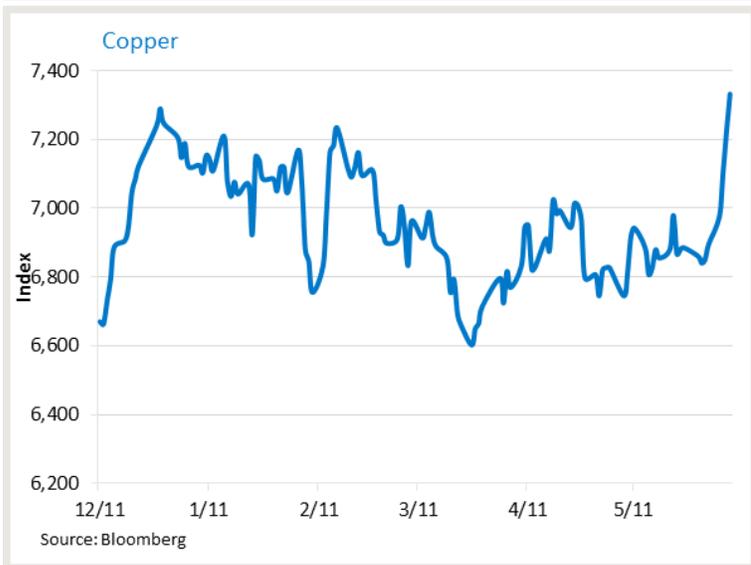
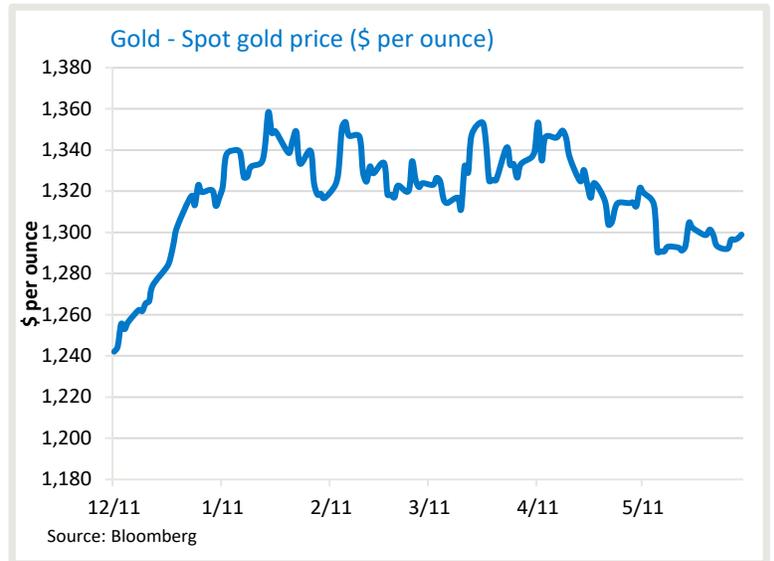
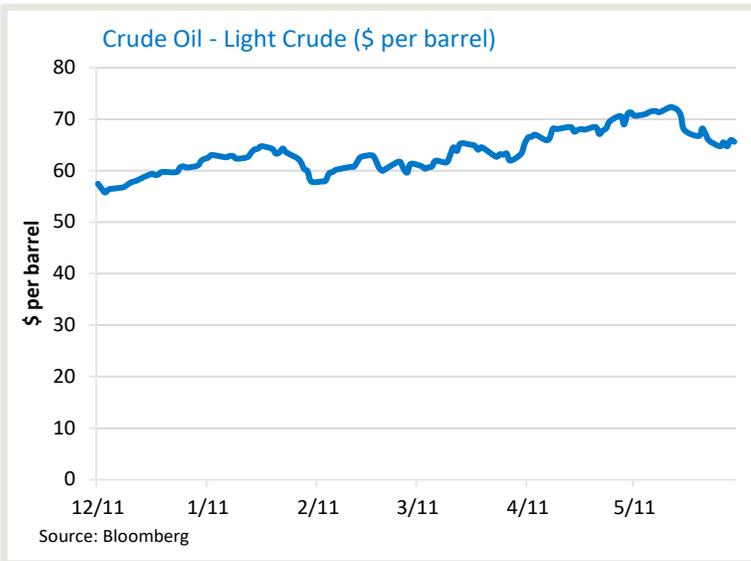
Source: Bloomberg

Commodities

SELECTED COMMODITY MARKET PERFORMANCE

	Last	Change	% Chg.	YTD %		Last	Change	% Chg.	YTD %
Bloomberg Comm. Idx.	89.98	-0.48	-0.53%	2.05%	Platinum Spot	\$907.47	\$3.42	0.38%	-2.22%
Crude Oil	\$65.58	-\$0.18	-0.27%	9.82%	Corn	377.75	-13.75	-3.51%	2.86%
Natural Gas	\$2.91	-\$0.06	-1.99%	3.53%	Wheat	520.00	-3.25	-0.62%	14.73%
Gasoline (\$/Gal.)	\$2.93	-\$0.02	-0.64%	17.97%	Soybeans	969.25	-52.00	-5.09%	-1.42%
Heating Oil	216.33	-1.04	-0.48%	9.91%	Sugar	12.52	-0.29	-2.26%	-17.69%
Gold Spot	\$1,298.85	\$5.52	0.43%	-0.30%	Orange Juice	159.20	-6.10	-3.69%	14.00%
Silver Spot	\$16.78	\$0.36	2.20%	-0.97%	Aluminum	2,312.00	7.00	0.30%	1.94%
					Copper	7,332.00	436.00	6.32%	1.17%

Source: Bloomberg; % change is based on price.

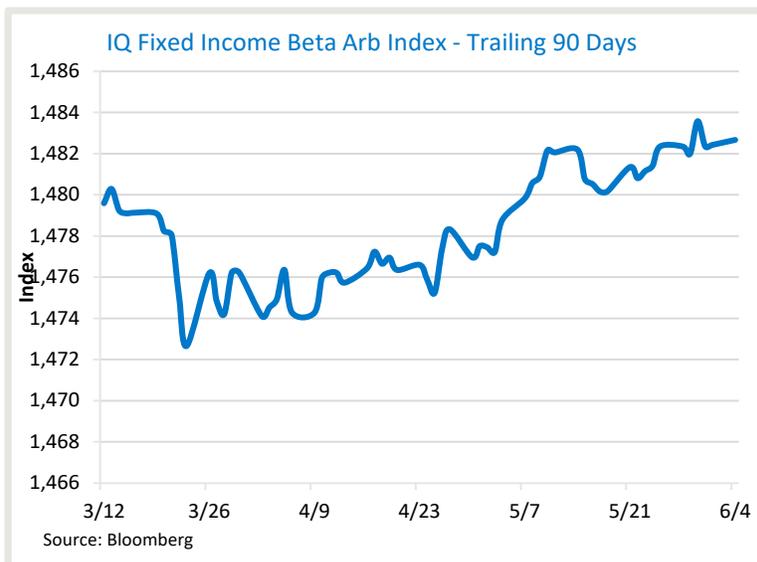
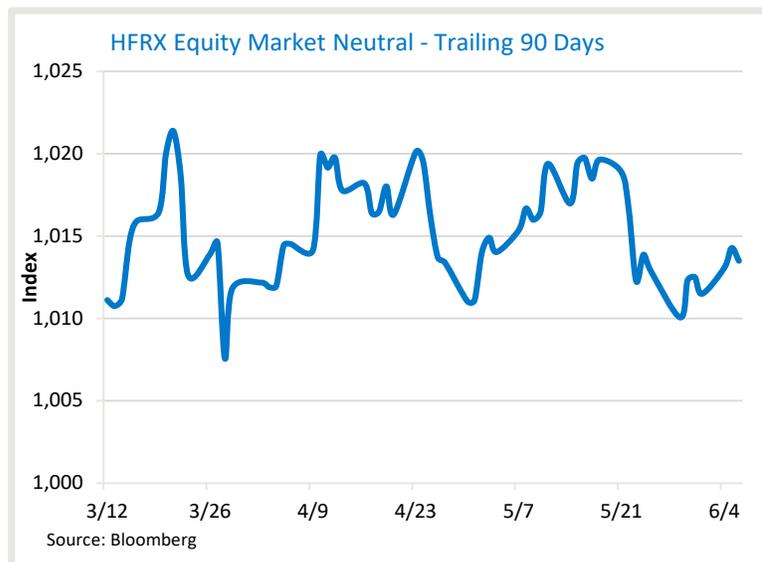
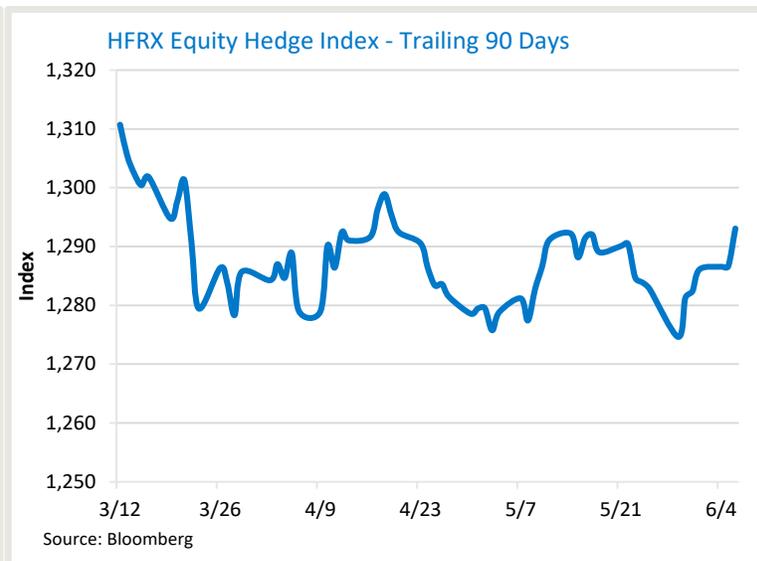
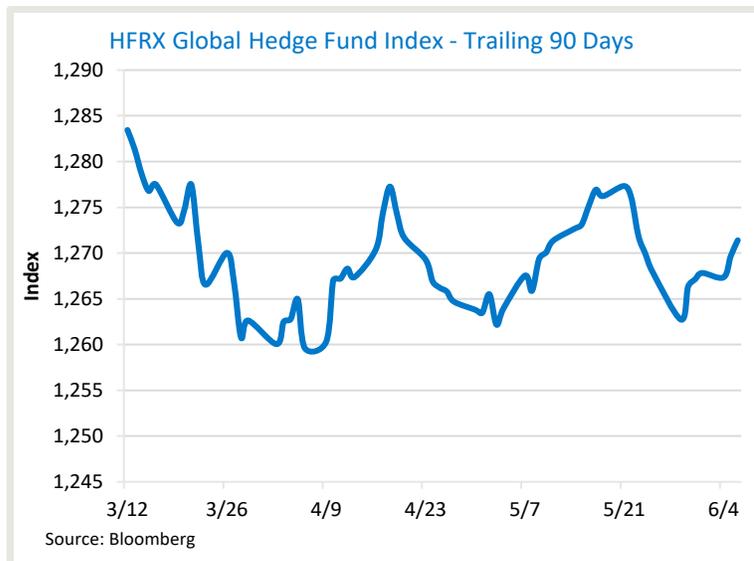


Alternative Investments

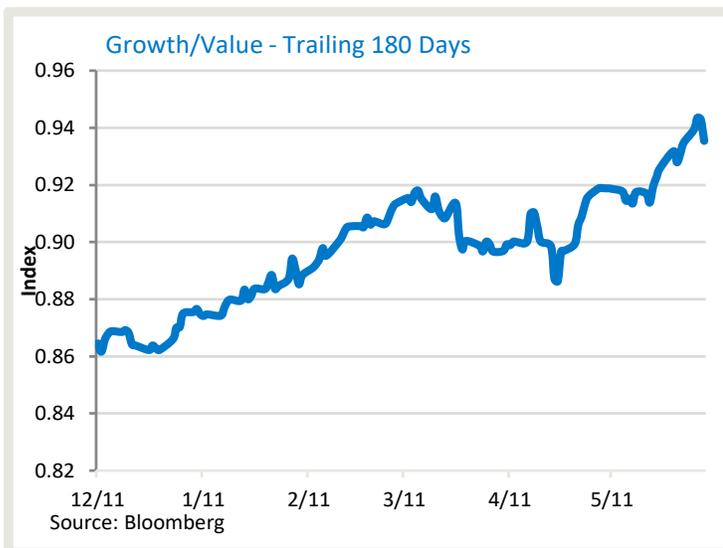
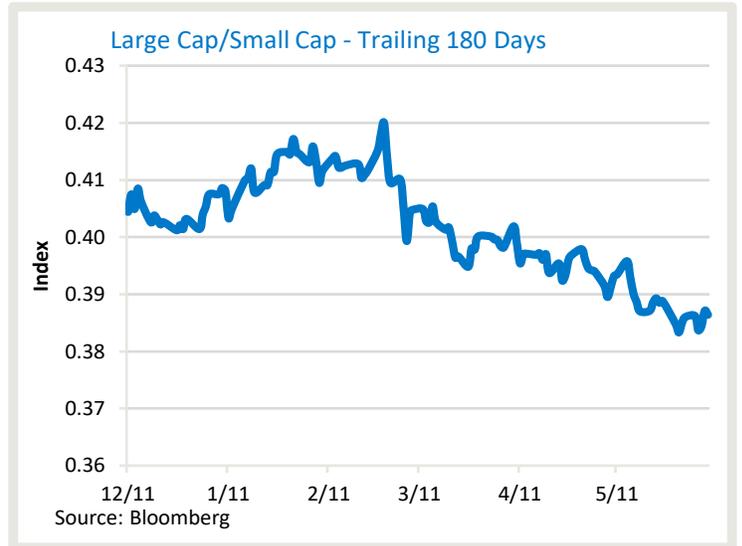
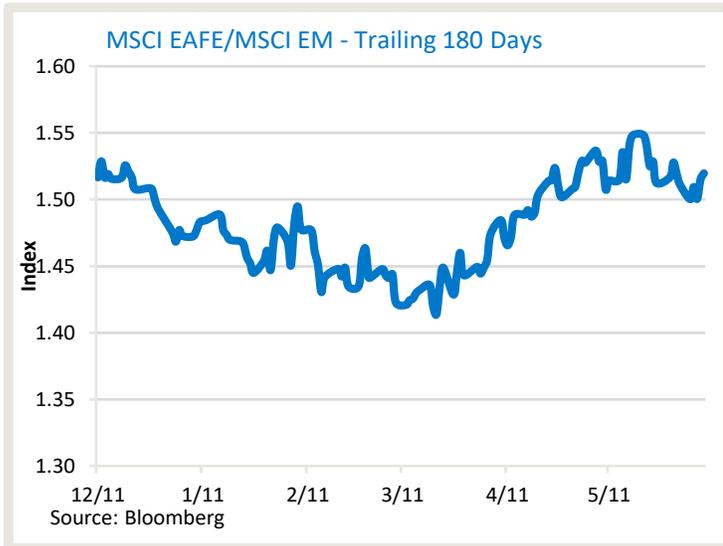
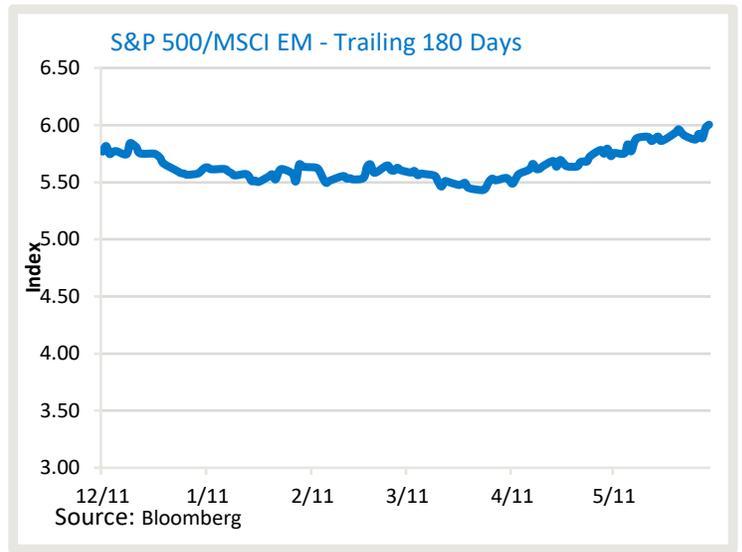
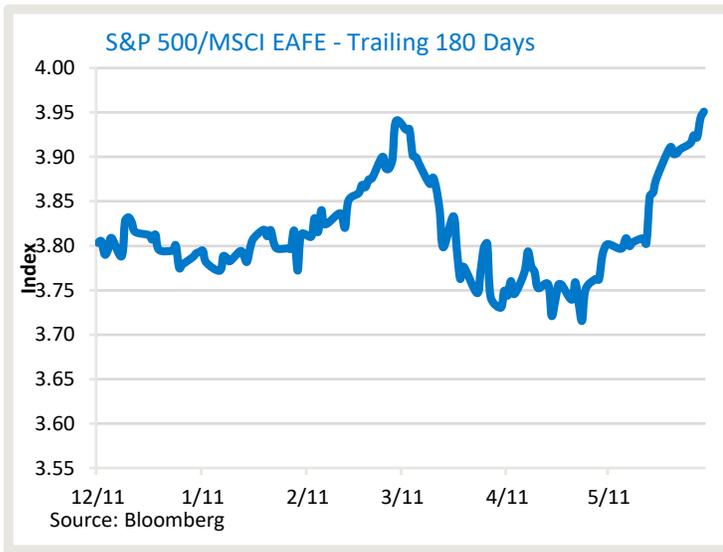
SELECTED ALTERNATIVE INVESTMENT INDEX PERFORMANCE

	Last	Change	% Chg.	YTD %		Last	Change	% Chg.	YTD %
HFRX Global Hedge Fund Index	1272.82	5.00	0.39%	-0.22%	HFRX Distressed Index	1058.77	1.19	0.11%	-4.33%
HFRX Equity Market Neutral	1013.64	2.15	0.21%	0.92%	HFRX Merger Arbitrage Index	1843.85	13.14	0.72%	-0.49%
HFRX Equity Hedge Index	1293.73	7.61	0.59%	1.81%	HFRX Convertible Arbitrage Index	802.40	2.75	0.34%	0.78%
HFRX Event-Driven Index	1610.82	12.00	0.75%	-3.30%	HFRX Macro CTA Index	1136.69	-2.08	-0.18%	-2.34%
HFRX Absolute Return Index	1075.16	3.16	0.29%	1.12%	IQ Fixed Income Beta Arb Index	1484.71	2.28	0.15%	0.97%

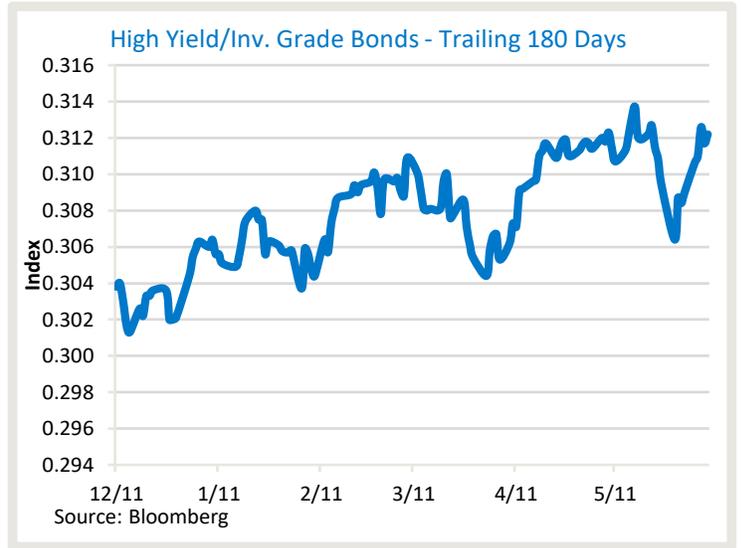
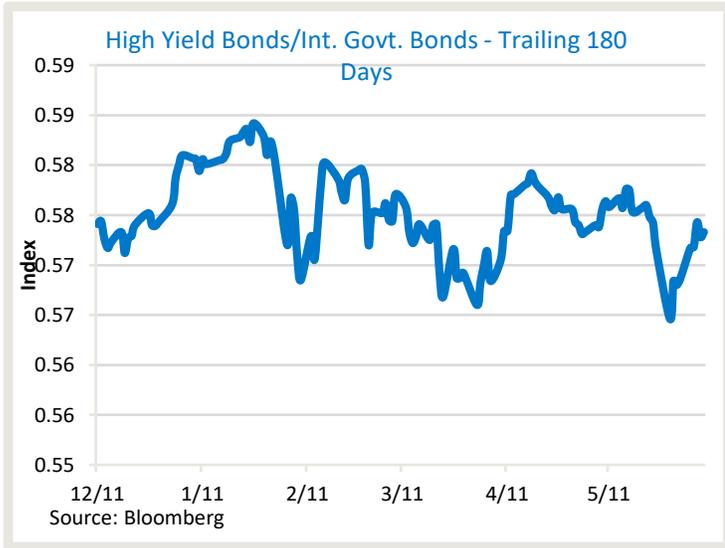
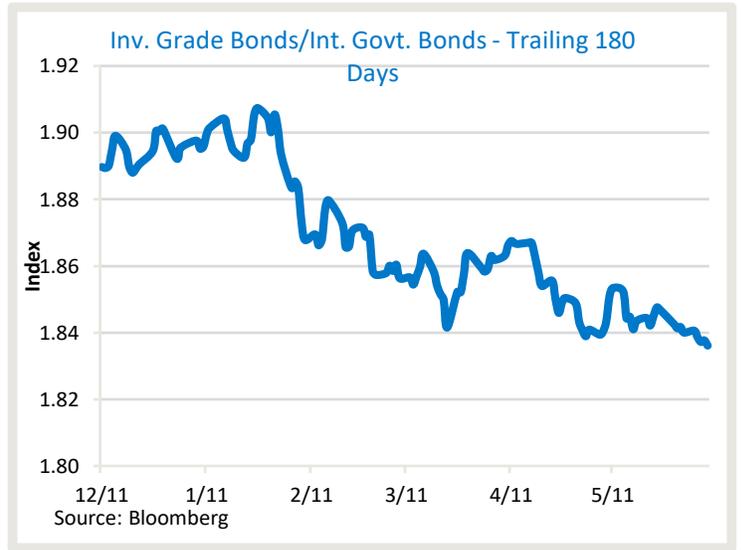
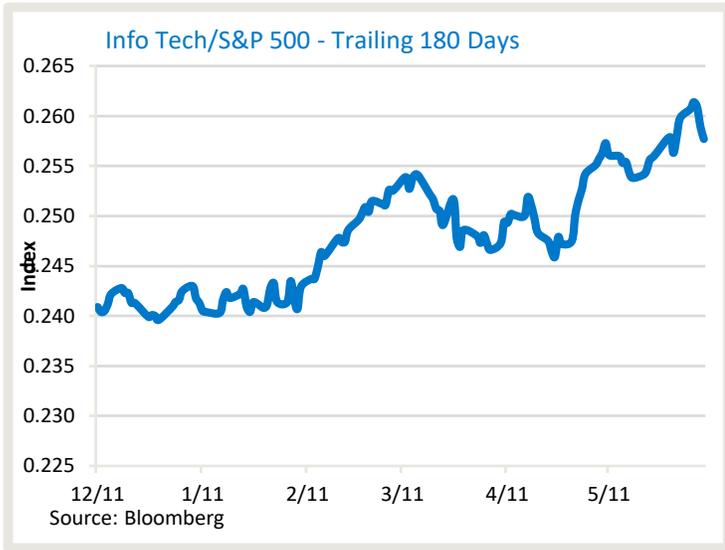
Source: Bloomberg; Index % change is based on price.



Portfolio Construction



Portfolio Construction (continued)



WEEKLY ASSET CLASS PERFORMANCE (Prior 12 weeks ending Thursday)

			3/22	3/29	4/5	4/12	4/19	4/26	5/3	5/10	5/17	5/24	5/31	6/7
Equity	Domestic Equity	Large Cap (R200)	-4.06%	-0.22%	0.89%	0.19%	1.10%	-1.02%	-1.38%	3.69%	-0.14%	0.29%	-0.72%	2.53%
		Small Cap (R2000)	-2.08%	-0.94%	0.88%	0.93%	1.06%	-1.01%	-0.73%	3.70%	1.35%	0.18%	0.33%	2.09%
	Int'l. Equity	MSCI EAFE	-1.56%	-0.68%	0.60%	1.15%	1.32%	-1.35%	-0.47%	0.84%	0.33%	-1.34%	-1.82%	1.76%
		MSCI Em. Mkts.	-1.60%	-2.29%	-0.24%	0.89%	0.62%	-3.36%	-0.57%	1.64%	-1.08%	-0.79%	-1.26%	2.58%
Fixed Income	BarCap Agg. (AGG)	-0.14%	0.60%	-0.54%	0.09%	-0.45%	-0.41%	-0.06%	0.02%	-0.74%	0.82%	0.54%	-0.53%	
	High Yield (JNK)	-0.58%	0.39%	-0.14%	0.95%	-0.14%	-0.55%	-0.56%	0.39%	-0.36%	0.14%	-0.36%	0.36%	
Commodities	Bloomberg Commodity Index	-0.25%	0.42%	-0.34%	2.20%	0.98%	-0.63%	0.30%	0.98%	-0.27%	1.33%	-0.87%	-0.74%	
Alternatives	Hedge Funds (HFRX Global)	-0.46%	-0.65%	0.18%	0.27%	0.46%	-0.66%	-0.29%	0.63%	0.54%	-0.55%	-0.22%	0.45%	
Asset Allocation	60/40*	-1.82%	-0.15%	0.24%	0.45%	0.50%	-0.95%	-0.63%	1.71%	-0.19%	0.16%	-0.35%	1.20%	
	48/32/20 (w/Alts.)**	-1.55%	-0.25%	0.22%	0.41%	0.49%	-0.89%	-0.56%	1.49%	-0.04%	0.02%	-0.32%	1.05%	

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	1.08	1.00	0.97	1.04	0.92	0.94	0.89	1.18	1.17	0.95	1.08	1.22	1.20
Large Cap Growth	1.05	1.00	1.13	1.05	1.02	1.09	0.96	0.98	0.94	1.24	1.23	1.00	1.13	1.27	1.25
Large Cap Value	0.92	0.88	1.00	0.92	0.90	0.96	0.85	0.87	0.83	1.09	1.08	0.88	1.00	1.12	1.11
Mid Cap Core	1.00	0.95	1.08	1.00	0.97	1.04	0.92	0.94	0.89	1.18	1.17	0.95	1.08	1.22	1.20
Mid Cap Growth	1.03	0.98	1.12	1.03	1.00	1.08	0.95	0.97	0.92	1.22	1.21	0.98	1.12	1.25	1.24
Mid Cap Value	0.96	0.91	1.04	0.96	0.93	1.00	0.88	0.90	0.86	1.13	1.12	0.91	1.04	1.16	1.15
Small Cap Core	1.09	1.04	1.18	1.09	1.06	1.14	1.00	1.03	0.98	1.29	1.28	1.04	1.18	1.33	1.31
Small Cap Growth	1.07	1.02	1.15	1.07	1.03	1.11	0.98	1.00	0.95	1.26	1.25	1.01	1.15	1.29	1.27
Small Cap Value	1.12	1.07	1.21	1.12	1.08	1.17	1.02	1.05	1.00	1.32	1.31	1.06	1.21	1.36	1.34
Int'l. Developed	0.85	0.81	0.92	0.85	0.82	0.88	0.77	0.79	0.76	1.00	0.99	0.80	0.92	1.03	1.01
Emerging Markets	0.85	0.81	0.92	0.85	0.83	0.89	0.78	0.80	0.76	1.01	1.00	0.81	0.92	1.04	1.02
REITs	1.05	1.00	1.14	1.05	1.02	1.10	0.96	0.99	0.94	1.24	1.23	1.00	1.14	1.28	1.26
Commodities	0.92	0.88	1.00	0.92	0.90	0.96	0.85	0.87	0.83	1.09	1.08	0.88	1.00	1.12	1.11
Int. Bond	0.82	0.79	0.89	0.82	0.80	0.86	0.75	0.77	0.74	0.97	0.96	0.78	0.89	1.00	0.98
High Yield	0.84	0.80	0.90	0.84	0.81	0.87	0.77	0.78	0.75	0.99	0.98	0.79	0.90	1.02	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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