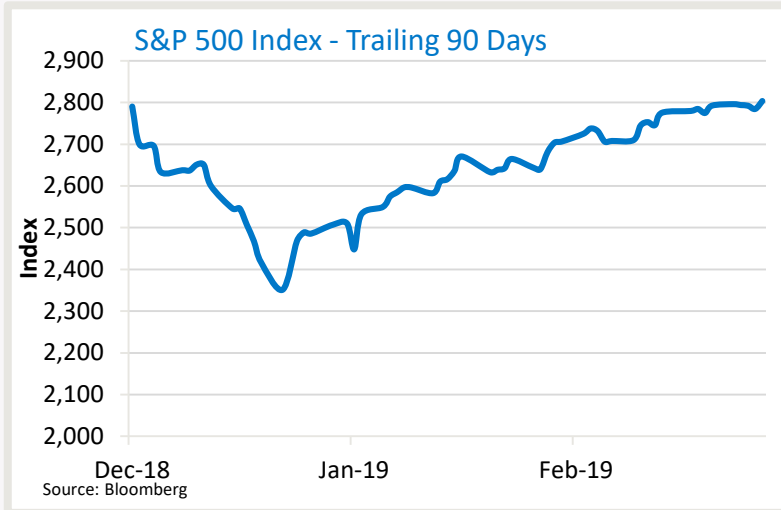




Chart of the Week



Weekly Highlights

- **Economic growth continues**, as the US Gross Domestic Product (GDP) fourth-quarter growth rate came in at 2.60% after advancing at a 3.40% rate in the July-September period. This primarily was due to solid business investments and strong consumer spending. Consumption grew by 2.80%, while nonresidential business investment increased by 1.20%. The trade shortfall, which increased amidst the US-China trade dispute, shaved 0.22% from the fourth-quarter GDP growth rate. Government spending increased at the slowest pace since Q32017, coming in at 0.40%.
- **The Fed paused**, as Federal Reserve Chair Jerome Powell, during his Senate Banking Committee hearing, outlined the reasons behind the Federal Open Market Commission's (FOMC) decision last month to keep rates unchanged. He did not exhibit any bias towards further rate hikes or rate cuts. While addressing members of the House Financial Services Committee, Mr. Powell said that the Fed will stop shrinking its \$4 trillion balance sheet this year. He further stated that the intention is to maintain its balance sheet at 16%-17% of GDP.
- **Geopolitical risk is back in focus**. The much-publicized nuclear summit between President Donald Trump and North Korean leader Kim Jong Un was cut short abruptly, and the preplanned joint signing ceremony was called off. The reason for the stalemate was North Korea's request for lifting sanctions in their entirety. A dramatic breakout of tension between India and Pakistan also occurred this week. US Secretary of State Mike Pompeo spoke to the leaders of both countries in a bid to prevent further escalations.

Talking Points

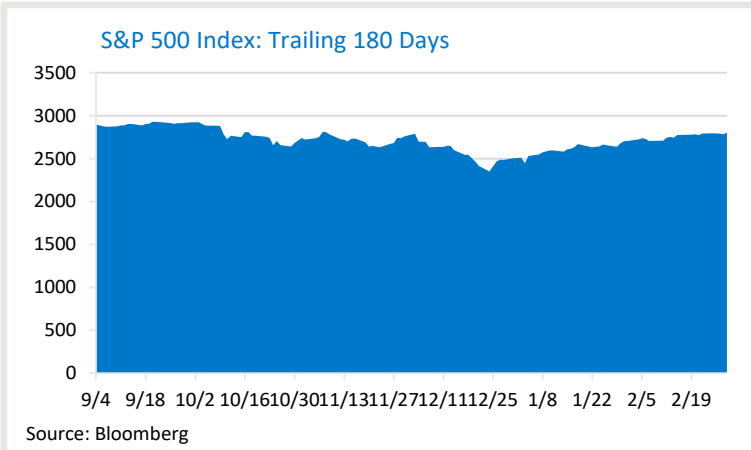
- **Equity markets** around the globe rallied, as better-than-expected China PMI manufacturing data brought in a risk-on mood to Asian and European markets. **Asian stocks** continued their rally on speculation that the US and China could be endorsing a trade deal in weeks. Markets also were supported by the news that MSCI Index will quadruple the weight of China A shares in global indices by November. **US markets** ended February on a positive note, as the Fed pause and potential trade truce acted as tailwinds. Small caps outperformed large caps, and growth outperformed value.
- **The yield on the 10-Year U.S. Treasury** traded mostly higher during the week. Yields rose on Thursday, as fourth-quarter Gross Domestic Product (GDP) data came in higher than what markets had expected. **German yields** rose sharply on hopes that a no-deal Brexit will be avoided.
- **The Dollar Spot Index (DXY)** climbed to its highest level in more than a week.
- **Tesla Inc. (TSLA)** and Elon Musk were in the news after the SEC said Mr. Musk's tweets violated his court settlement. Tesla's stock price headed sharply lower after he warned that the company will not show a profit in Q12019.
- **Among major economic data**, Initial jobless claims increased by 8,000 for the week ending February 23. Housing Starts declined 11.20% month over month in December, while Building Permits were up 0.30% for the same period.

Market Dashboard

	Last Price	Change	% Chg.	YTD %
S&P 500	2,803.69	11.02	0.39%	11.8%
Dow Industrials	26,026.32	-5.49	-0.02%	11.6%
Nasdaq	7,595.36	67.81	0.90%	14.5%
Russell 2000	1,589.64	-0.42	-0.03%	17.9%
Euro Stoxx Index	374.24	3.01	0.81%	10.8%
Shanghai Composite	2,994.01	189.78	6.77%	20.1%
MSCI ACWI	503.48	-0.67	-0.13%	10.5%

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

	Last Price	Change	% Chg.	YTD %
MSCI EM	1,050.95	-7.70	-0.73%	8.8%
10-Year US Treas.	2.76	10 bps	NM	NM
Bloomberg Cmdts. Idx.	80.97	-1.16	-1.41%	5.5%
Gold	\$1,293.28	-\$36.35	-2.73%	0.8%
Crude Oil	\$55.74	-\$1.51	-2.64%	21.0%
Dollar Index	96.46	-0.05	-0.05%	0.3%
VIX Index	13.57	0.07	0.52%	-46.6%



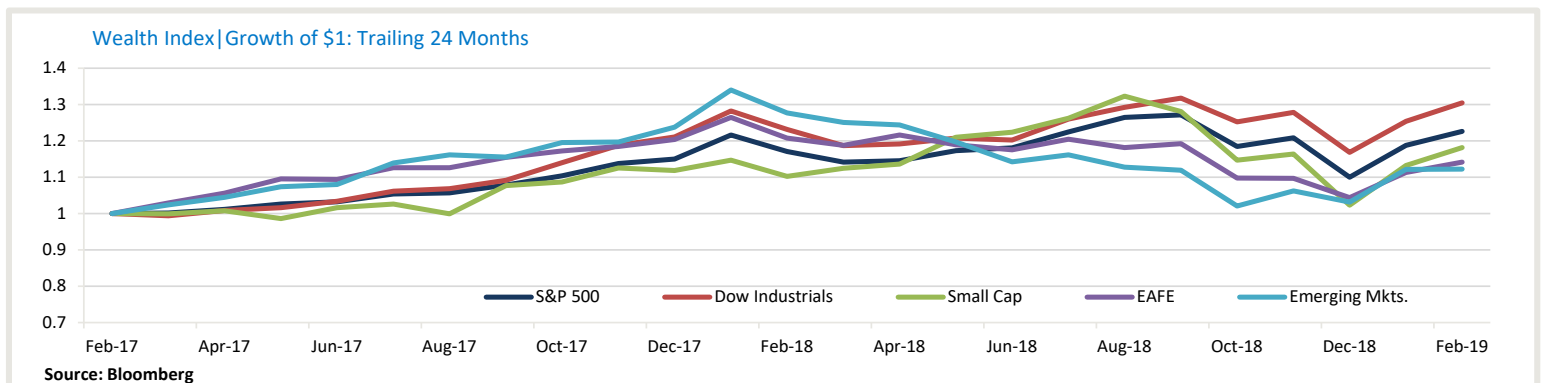
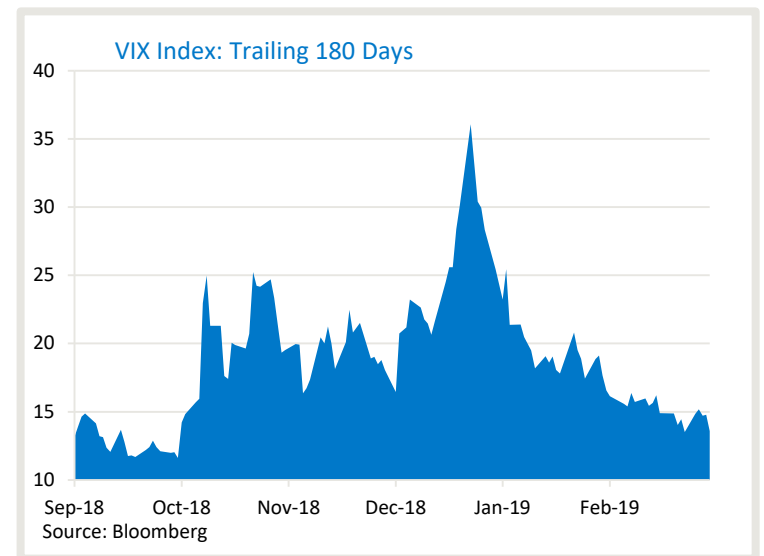
	One Week			YTD		
	Value	Growth		Value	Growth	
L	0.35%	0.48%	0.59%	10.02%	11.08%	12.04%
	-0.22%	0.20%	0.79%	14.13%	16.00%	18.67%
S	-1.04%	-0.03%	0.94%	15.60%	17.88%	20.08%

Source: Bloomberg

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

	% Wgt in S&P 500	Week % Chg.	YTD % Chg.
Consumer Discretionary	9.9	0.15%	12.0%
Consumer Staples	7.1	-0.40%	7.0%
Energy	5.5	1.08%	15.2%
Financials	13.3	0.80%	11.6%
Health Care	14.9	0.34%	7.2%
Industrials	9.7	0.15%	18.2%
Information Technology	20.6	0.98%	14.8%
Materials	2.6	-1.62%	8.5%
Real Estate	2.9	-1.24%	11.5%
Communication Services	10.1	0.59%	11.8%
Utilities	3.2	-0.09%	7.2%

Source: Bloomberg



The Economy and Markets

A Macro View – Has Kraft Heinz’s ketchup stained corporate bonds red?

“All Good Things (Come To An End).” This 2006 number by Nelly Furtado (a Canadian-Portuguese singer, in case you need a reminder) seems apt when it comes to corporate bond markets these days. In this context, ‘good things’ alludes to the unconventional, ultraloose monetary policy unleashed by global central banks in the aftermath of the global financial crisis that began in 2008. The total outstanding nonfinancial global corporate debt touched \$13 trillion¹ as of the end of 2018, of which US nonfinancial corporate debt accounted for roughly \$6.2 trillion². When US corporate bond markets sold off in Q42018, this high debt level came back into focus. More recently, a dovish Federal Reserve’s (Fed) decision to pause its rate-raising campaign resulted in a sharp V-shaped recovery in the debt markets. However, the froth of excess leverage keeps seeping from the market from time to time. This time, the froth spilled out of the bottle of one of Warren Buffett’s and America’s favorite ketchup brands and consumer staples giant, Kraft Heinz.

Last Friday, Kraft Heinz (KHC) spooked the market with its disappointing fourth-quarter results and guidance. The company also wrote down \$15.4 billion of assets related to its Kraft and Oscar Mayer brands, and disclosed an ongoing SEC investigation about its accounting practices. KHC, which carries a long-term credit rating of BBB, also announced a dividend cut. The company’s stock plummeted 27% that day. High leverage coupled with poor management execution were the main reasons highlighted for the stock’s sell-off. KHC’s balance sheet is loaded with \$30 billion³ worth of long-term debt, which is the combined result of Heinz’s 2013 move to take the company private and the 2015 merger between Kraft and Heinz. KHC is a good example of a likely scenario in which some large US nonfinancial firms may find it difficult to grow their earnings enough to meet interest rate obligations on their debt. The situation could get more complicated if economic growth slows down in 2019. Warren Buffett’s Berkshire Hathaway posted a \$25 billion⁴ loss in Q42018 primarily due to the write-down of its stake in KHC. This points to the potential challenges in valuing these large companies, even for seasoned investors.

The KHC debacle also underscores the potential risks of large-scale downgrades in the lower credit sleeves of the investment grade spectrum. It is estimated that BBB-rated companies (like KHC) form around 50% of the investment grade bond market. The cost of servicing this debt also has increased for these companies as interest rates have risen. Even though the Fed is currently being more “patient,” a slowdown in earnings growth has acted as a headwind for many of these companies. With the prolonged credit cycle potentially on its last leg, investors must keep in mind that BBB-rated bonds are most vulnerable to falling into “junk” status. Given the sheer size of the BBB market, investors should not be surprised if they witness a large number of downgrades comparable to 2008. Morgan Stanley⁵, through its implied ratings, estimates that around 55% of BBB debt will be rated “junk” if the rating is based on leverage alone, and 31% of BBB debt will have leverage at or above 4.0x. In case of a recession, drawdowns might be accentuated by passive strategies like index mutual funds and ETFs, which will be forced to sell because these downgraded credits no longer align with the benchmark.

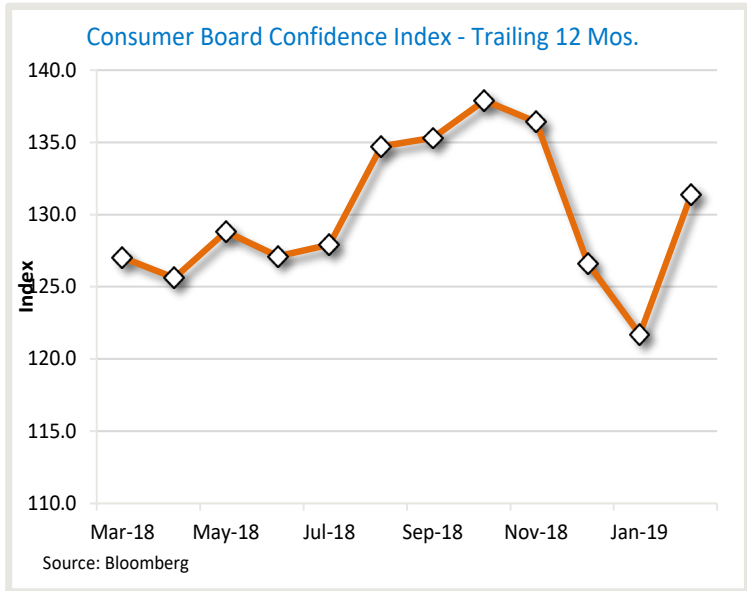
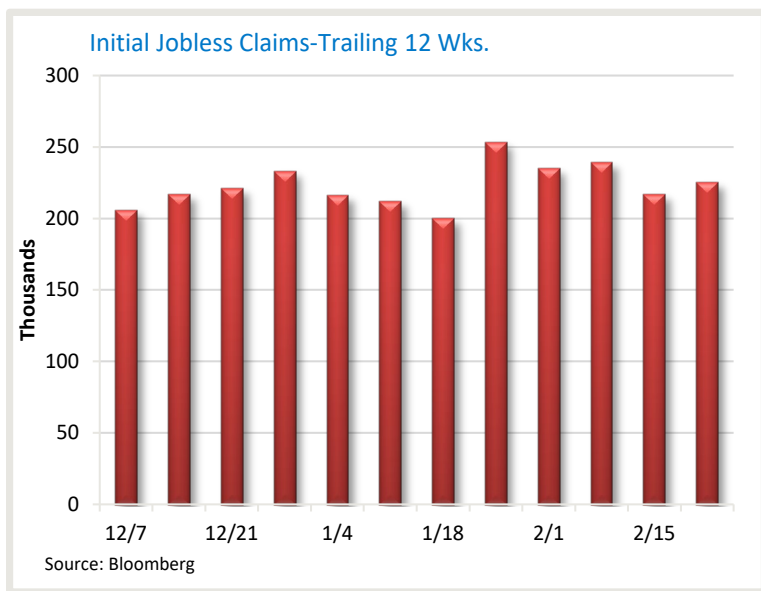
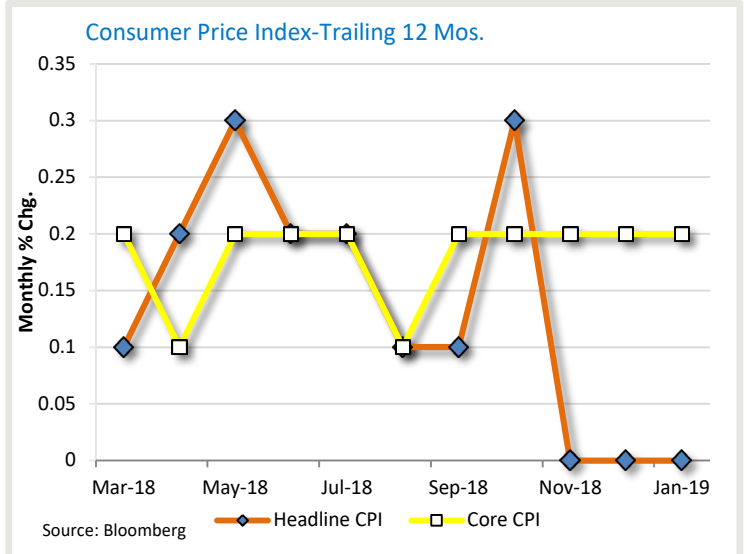
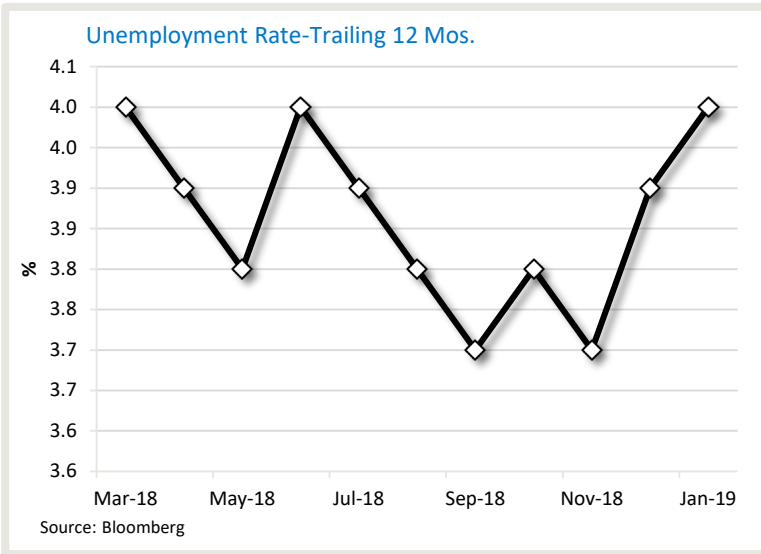
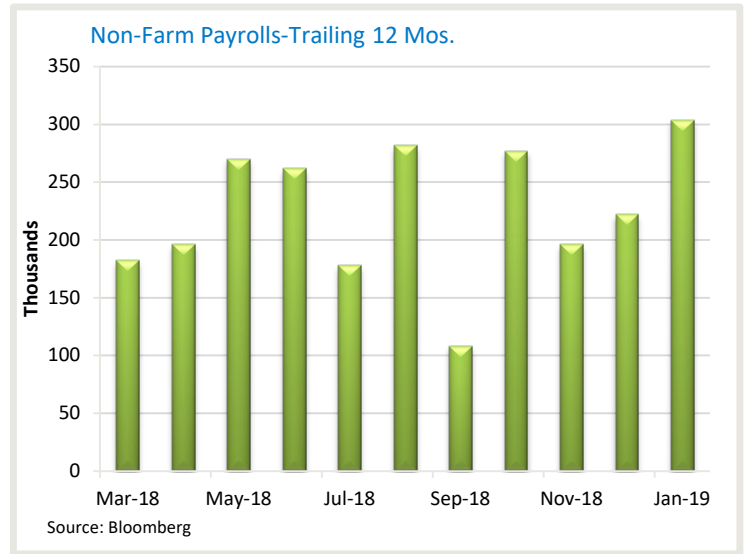
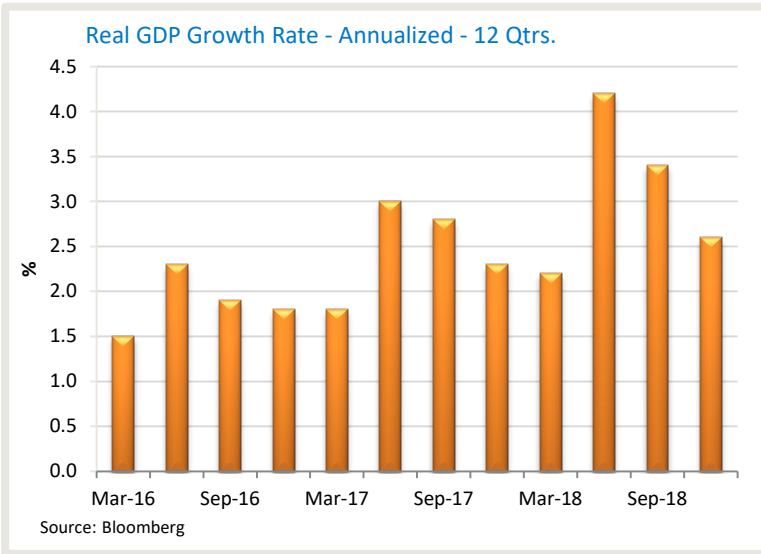
Despite the alarmingly high risks of excessive leverage in the corporate balance sheet, all is not lost yet. Companies like KHC have acknowledged the problem and have taken steps to pay down their debt. For example, KHC is considering potential asset sales, and using the proceeds, along with savings from dividend cuts, to clean up the balance sheet. However, the market is expressing its fair share of doubt on whether this step will have any material impact on the company’s leverage ratios.

Even though the ‘Fed pause’ has led to a relief rally in the high yield and investment grade corporate bond market, investors must be prepared for higher volatility going forward. Any company-specific headline related to leverage levels can be expected to create tremors in the broader corporate bond marketplace. On the positive side, sporadic sell-offs present potentially attractive credit selection opportunities for active managers, provided they have ‘dry powder’ to deploy. So even though “all good things come to an end,” the end of the credit cycle might not be as painful as 2008, *if* companies take the right steps to reduce their debt to much more manageable levels and investors continue to access these markets through solid managers.

Sources:

- 1) <http://www.oecd.org/corporate/Corporate-Bond-Markets-in-a-Time-of-Unconventional-Monetary-Policy.pdf>
- 2) Federal Reserve Bank of St. Louis, Economic Research <https://fred.stlouisfed.org/series/NCBDBIQ027S>
- 3) SEC filings 8K: <http://ir.kraftheinzcompany.com/static-files/3b5d2adb-ff26-41c5-8594-a9d475cc3613>
- 4) <https://www.bloomberg.com/news/articles/2019-02-24/buffett-s-stock-losses-and-key-takeaways-from-berkshire-results>
- 5) <https://www.sec.gov/spotlight/fixe-income-advisory-committee/morgan-stanley-nature-of-the-bbbeast.pdf>

Economic Data



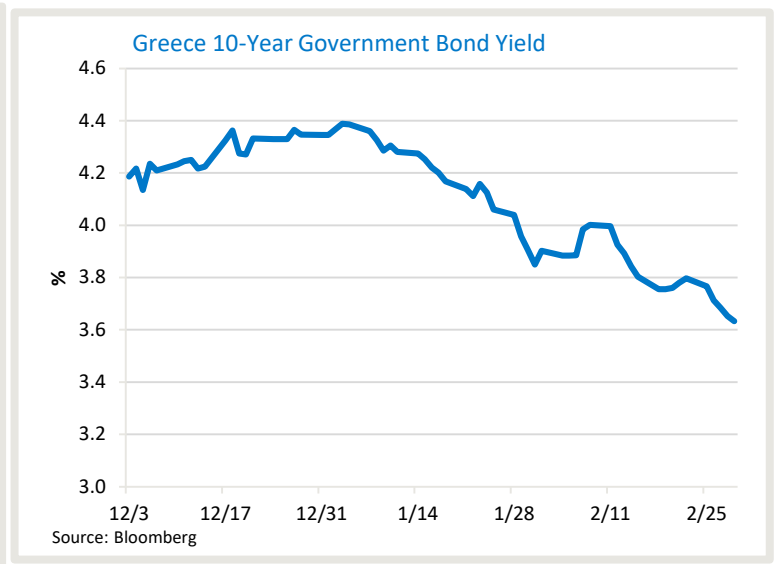
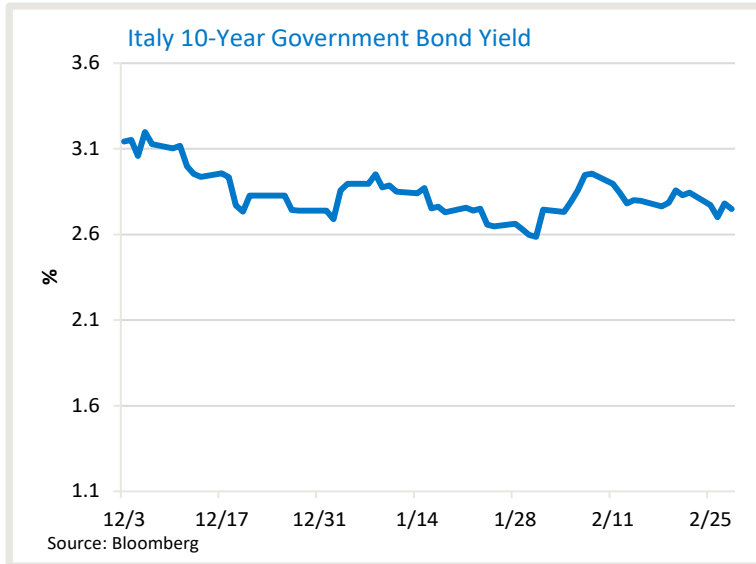
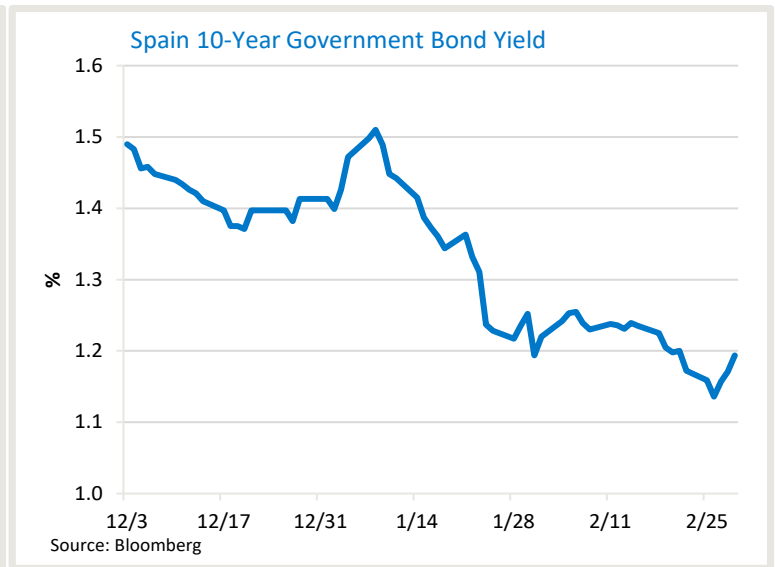
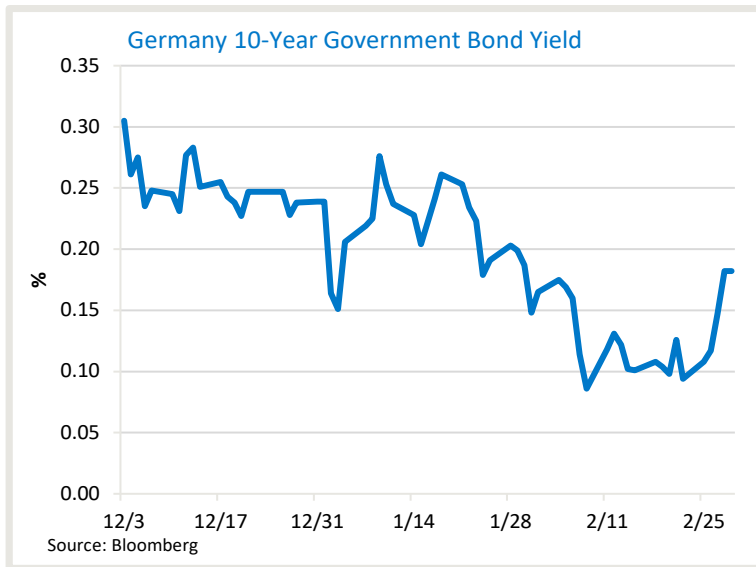
Eurozone

SELECTED EUROPEAN SOVEREIGN YIELD PERFORMANCE

	Last	Change	% Chg.	YTD %
Germany 10-Yr. Govt.	0.18	-9 bps	NM	NM
Greece 10-Yr. Govt.	3.63	12 bps	NM	NM
Italy 10-Yr. Govt.	2.73	10 bps	NM	NM
Spain 10-Yr. Govt.	1.19	-2 bps	NM	NM
Belgium 10-Yr. Govt.	0.70	-6 bps	NM	NM

	Last	Change	% Chg.	YTD %
France 10-Yr. Govt.	0.58	-6 bps	NM	NM
Ireland 10-Yr. Govt.	0.83	0 bps	NM	NM
Portugal 10-Yr. Govt.	1.49	0 bps	NM	NM
Netherlands 10-Yr. Govt.	0.28	-8 bps	NM	NM
U.K. 10-Yr. Govt.	1.29	-13 bps	NM	NM

Source: Bloomberg
 Basis points (bps)

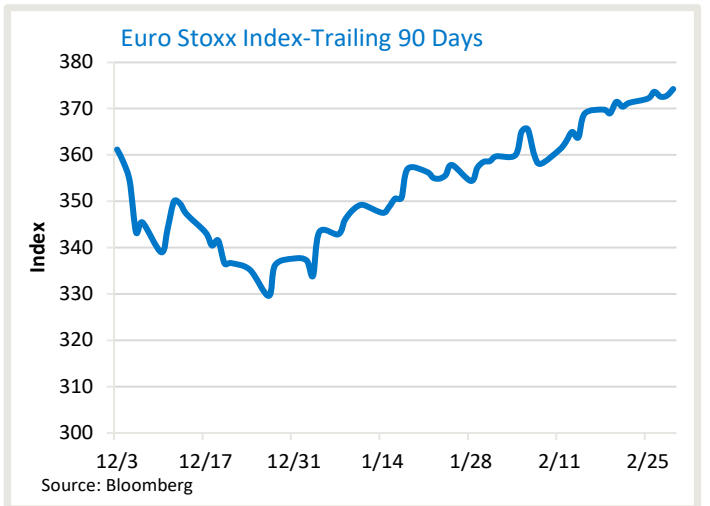
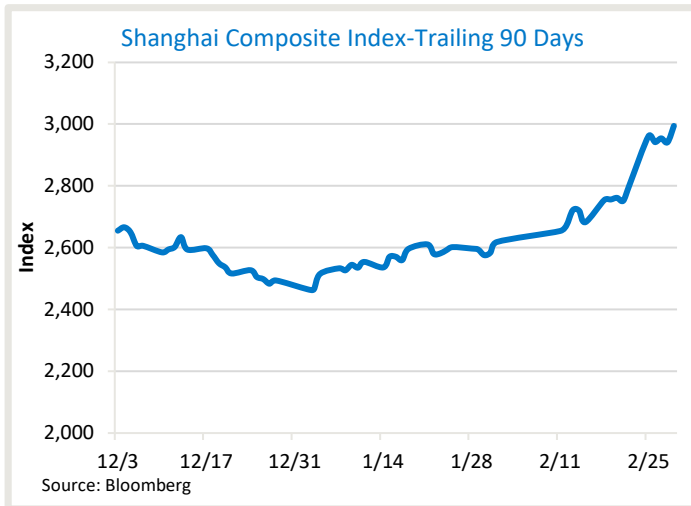
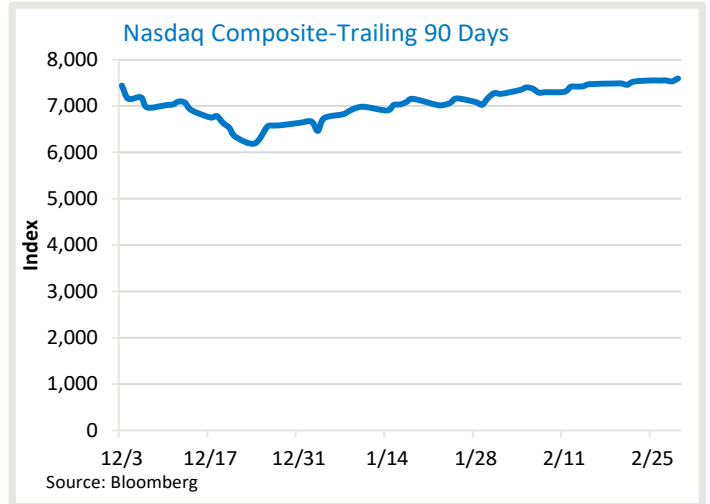
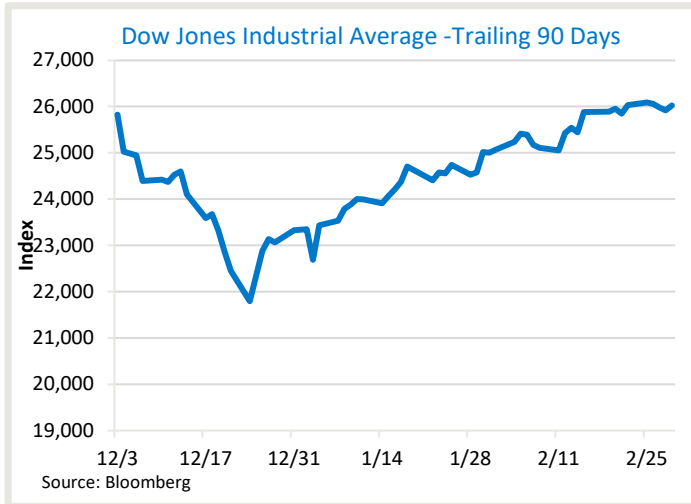


Equities

WORLD MARKET PERFORMANCE

	Last	Change	% Chg.	YTD %		Last	Change	% Chg.	YTD %
S&P 500	2,803.69	11.02	0.39%	11.84%	Swiss Market Index	9,412.02	63.09	0.67%	11.66%
Dow Industrials	26,026.32	-5.49	-0.02%	11.57%	CAC 40 Index (France)	5,265.19	49.34	0.95%	11.30%
Nasdaq Composite	7,595.36	67.81	0.90%	14.47%	DAX Index (Germany)	11,601.68	143.98	1.26%	9.88%
MSCI ACWI	503.48	-0.67	-0.13%	10.5%	Irish Overall Index	6,195.62	161.20	2.67%	13.06%
MSCI EM	1,050.95	-7.70	-0.73%	8.8%	Nikkei 225	21,602.69	177.18	0.83%	7.93%
S&P/TSX (Canada)	16,068.25	55.24	0.34%	12.19%	Hang Seng Index	28,812.17	-4.13	-0.01%	11.48%
Mexico IPC	42,619.23	-1118.32	-2.56%	2.35%	Shanghai Composite	2,994.01	189.78	6.77%	20.05%
Brazil Bovespa	94,603.75	-3281.85	-3.35%	7.64%	Kospi Index (S. Korea)	2,195.44	-33.22	-1.49%	7.56%
Euro Stoxx 600	374.24	3.01	0.81%	10.84%	Taiwan Taiex Index	10,389.17	66.25	0.64%	6.80%
FTSE 100	7,106.73	-71.87	-1.00%	5.63%	Tel Aviv 25 Index	1,571.21	1.29	0.08%	7.33%
IBEX 35 (Spain)	9,267.70	63.10	0.69%	8.52%	MOEX Index (Russia)	2,478.01	-10.62	-0.43%	4.59%

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



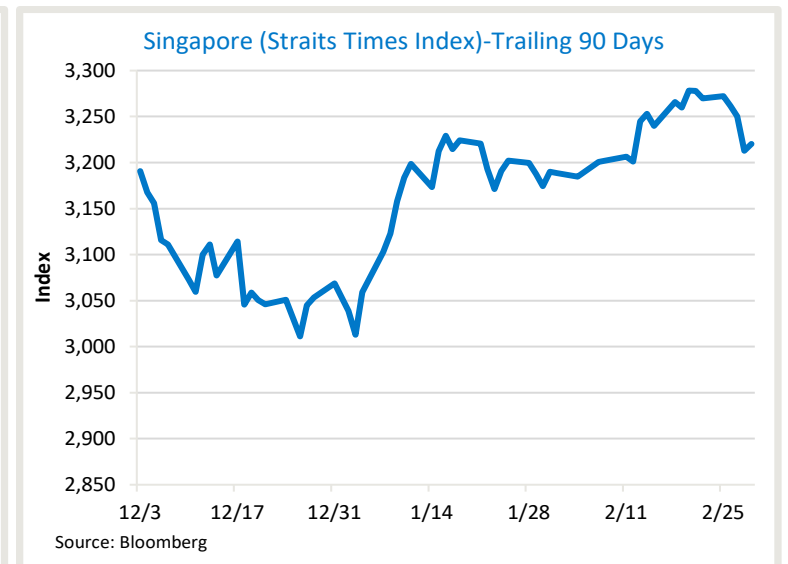
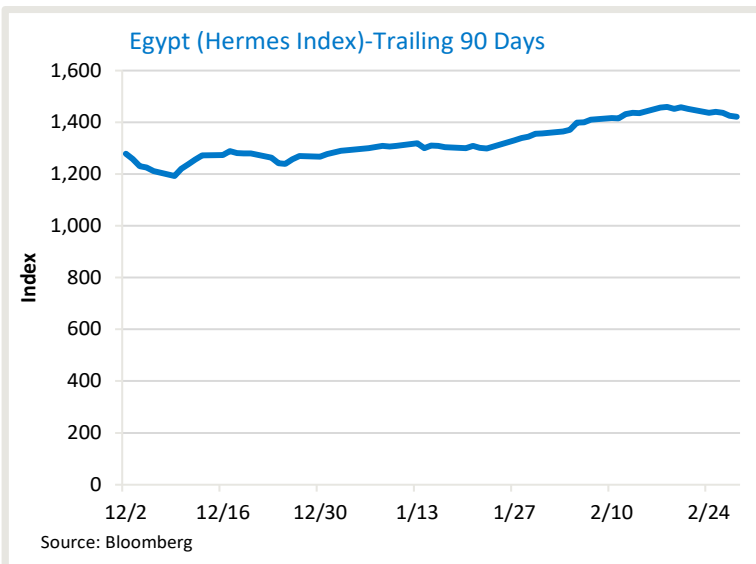
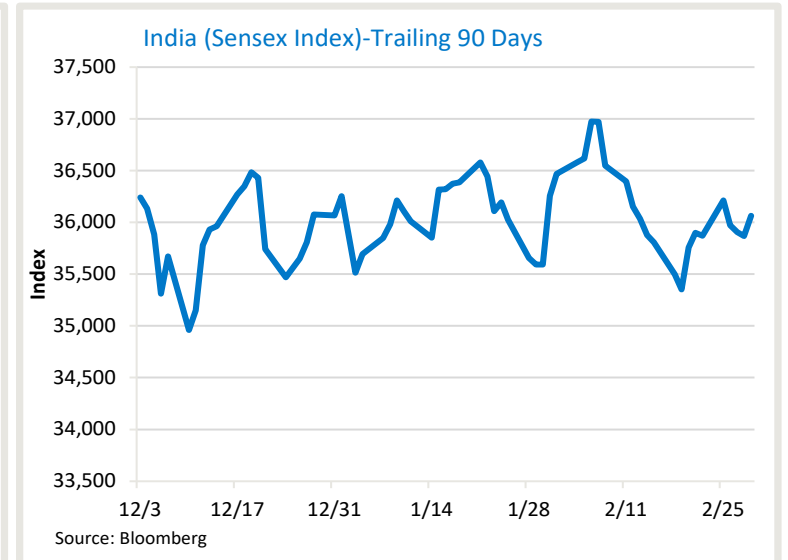
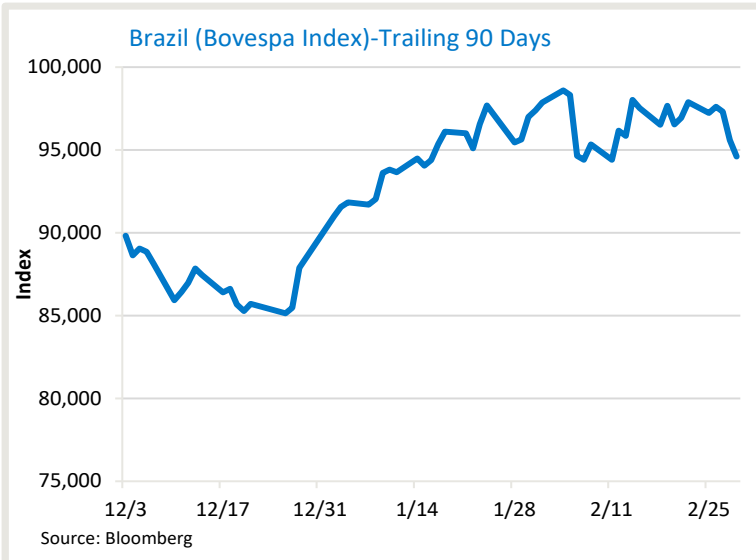
Equities – Emerging and Frontier Markets

EMERGING AND FRONTIER MARKET PERFORMANCE

	Last	Change	% Chg.	YTD %
Mexico IPC	42,619.23	-1118.32	-2.6%	2.4%
Brazil (Bovespa Index)	94,603.75	-3281.85	-3.4%	7.6%
MOEX Index (Russia)	2,478.01	-10.62	-0.4%	4.6%
Czech Republic (Prague)	1,075.74	15.51	1.5%	9.0%
Turkey (Istanbul)	103,266.58	80.90	0.1%	13.1%
Egypt (Hermes Index)	1,421.25	-30.11	-2.1%	11.2%
Kenya (Nairobi 20 Index)	2,916.19	-60.83	-2.0%	2.9%
Saudi Arabia (TASI Index)	8,492.70	-54.78	-0.6%	8.5%
Lebanon (Beirut BLOM Index)	943.34	5.27	0.6%	-3.4%
Palestine	541.18	0.02	0.0%	2.2%

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

	Last	Change	% Chg.	YTD %
Hang Seng Index	28,812.17	-4.13	0.0%	11.5%
India (Sensex 30)	36,063.81	192.33	0.5%	0.0%
Malaysia (KLCI Index)	1,700.76	-20.66	-1.2%	0.6%
Singapore (Straits Times Index)	3,220.40	-49.50	-1.5%	4.9%
Thailand (SET Index)	1,641.44	-17.76	-1.1%	5.0%
Indonesia (Jakarta)	6,499.88	-1.49	0.0%	4.9%
Pakistan (Karachi KSE 100)	39,539.01	-477.12	-1.2%	6.7%
Vietnam (Ho Chi Minh)	979.63	-9.28	-0.9%	9.8%
Sri Lanka (Colombo)	5,754.31	-83.41	-1.4%	-4.9%
Cambodia (Laos)	808.26	-2.83	-0.3%	-3.4%

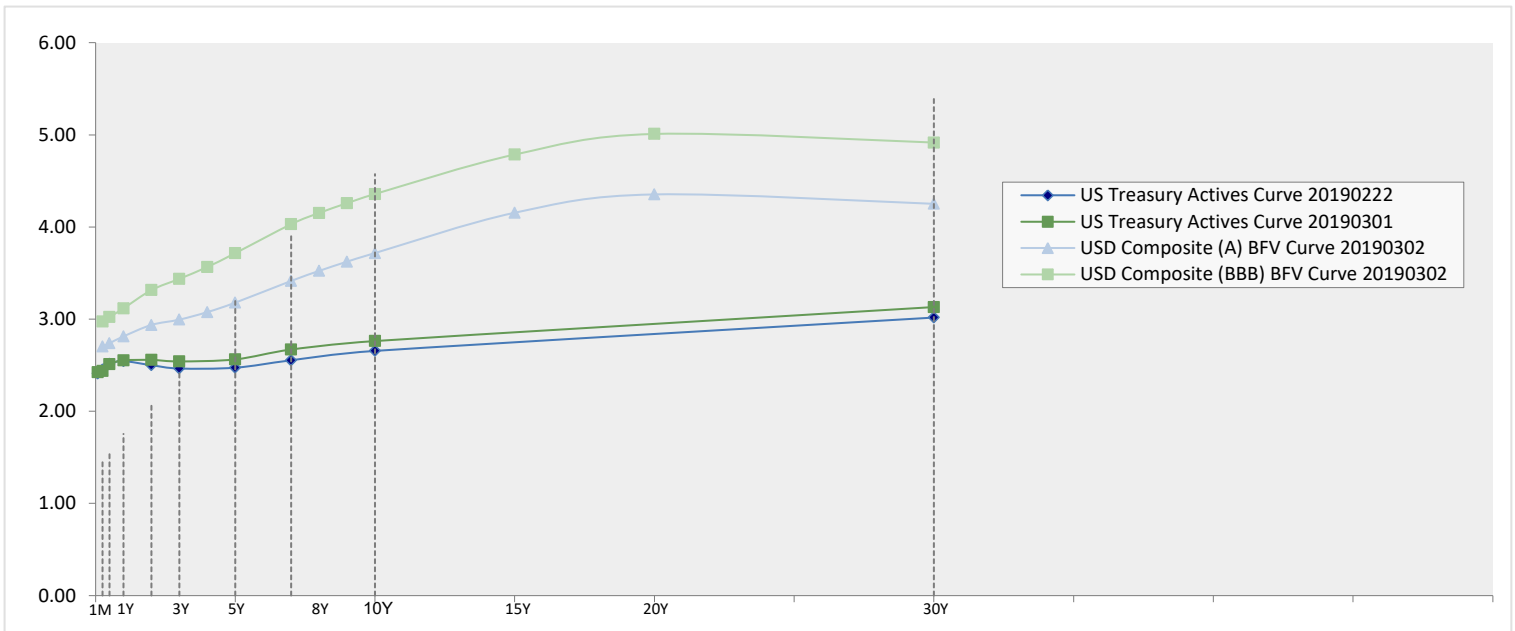


Interest Rates

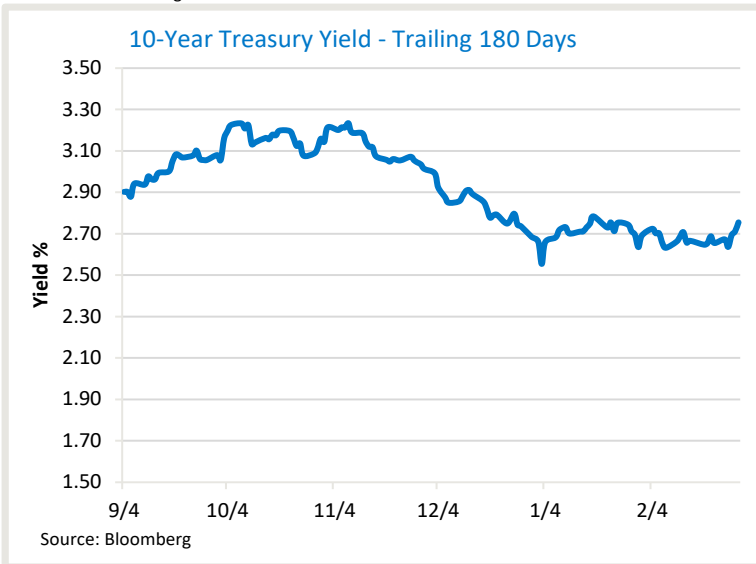
SELECTED INTEREST RATES

	Last	Change	% Chg.	YTD %		Last	Change	% Chg.	YTD %
2-Yr. U.S. Treasury	2.56%	0 bps	NM	NM	Prime Rate	5.50%	0.00	NM	NM
5-Yr. U.S. Treasury	2.56%	9 bps	NM	NM	Fed Funds Rate	2.50%	0.00	NM	NM
10-Yr. U.S. Treasury	2.76%	10 bps	NM	NM	Discount Rate	3.00%	0.00	NM	NM
30-Yr. U.S. Treasury	3.12%	10 bps	NM	NM	LIBOR (3 Mo.)	2.62%	-3 bps	NM	NM
German 10-Yr. Govt.	0.18%	-9 bps	NM	NM	Bond Buyer 40 Muni	3.93%	-2 bps	NM	NM
France 10-Yr.	0.58%	-6 bps	NM	NM	Bond Buyer 40 G.O.	4.19%	NA	NM	NM
Italy 10-Yr.	2.73%	10 bps	NM	NM	Bond Buyer 40 Rev.	4.66%	NA	NM	NM
Fed 5-Yr Fwd BE Inf.	1.82%	-4 bps	NM	NM					

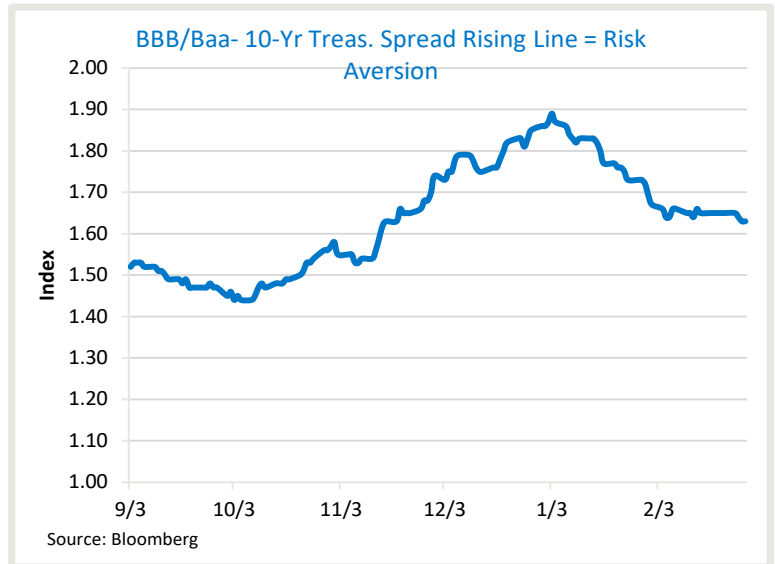
Source: Bloomberg



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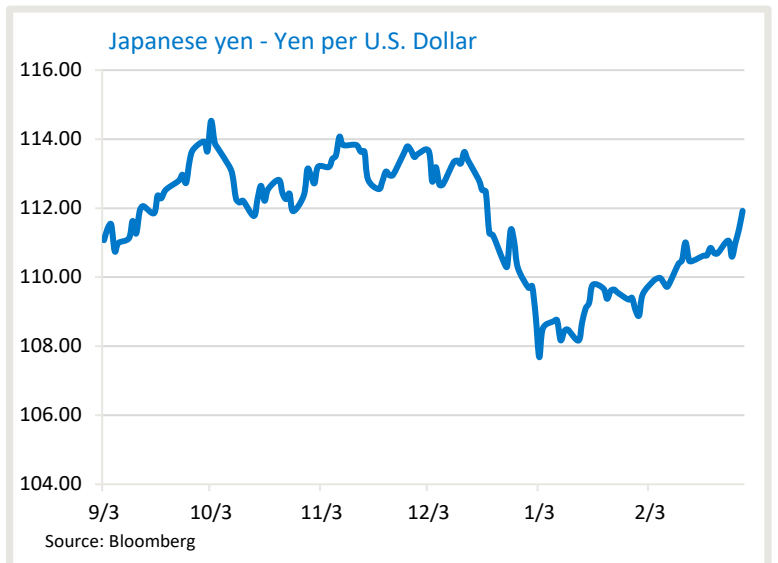
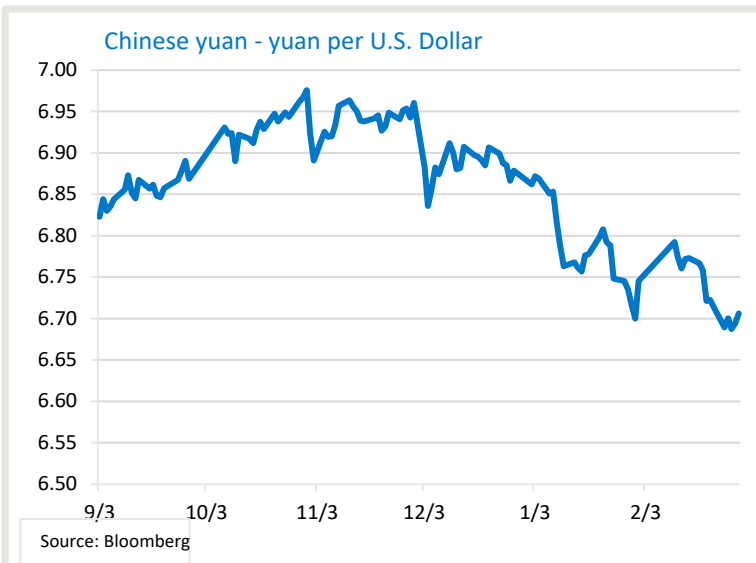
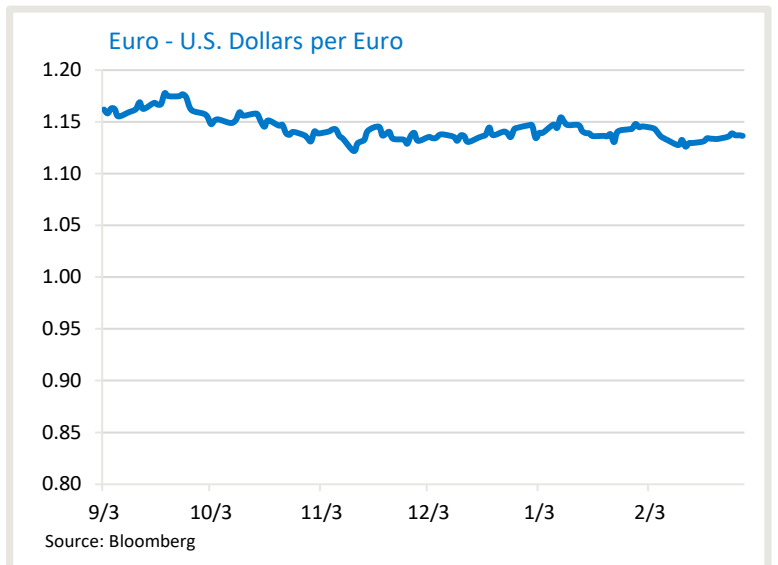
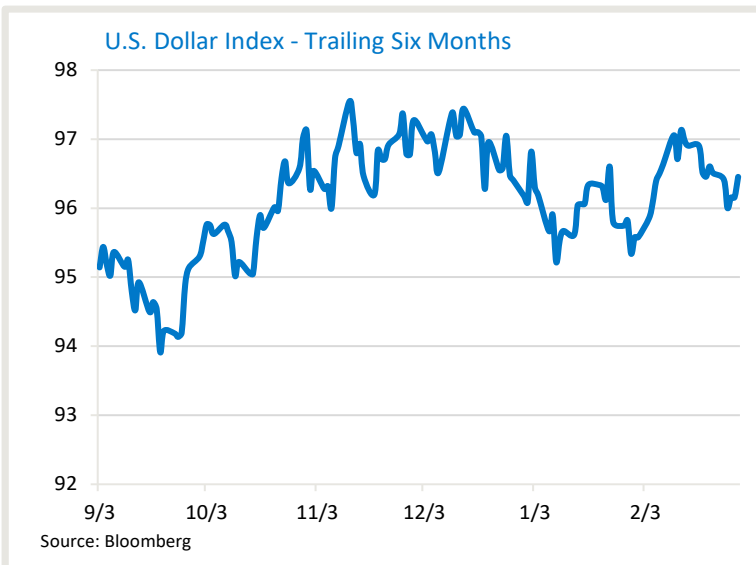
Currencies

SELECTED CURRENCY PERFORMANCE

	Last	Change	% Chg.	YTD %
Dollar Index	96.46	-0.053	-0.05%	0.29%
Euro	1.14	0.003	0.26%	-0.89%
Japanese Yen	111.94	1.230	-1.10%	-1.99%
British Pound	1.32	0.015	1.16%	3.54%
Canadian Dollar	1.33	0.016	-1.20%	2.57%

Source: Bloomberg

	Last	Change	% Chg.	YTD %
Chinese Yuan	6.71	-0.008	0.11%	2.57%
Swiss Franc	1.00	-0.001	0.13%	-1.70%
New Zealand Dollar	0.68	-0.005	-0.72%	1.16%
Brazilian Real	3.78	0.032	-0.84%	2.54%
Mexican Peso	19.27	0.132	-0.69%	1.94%

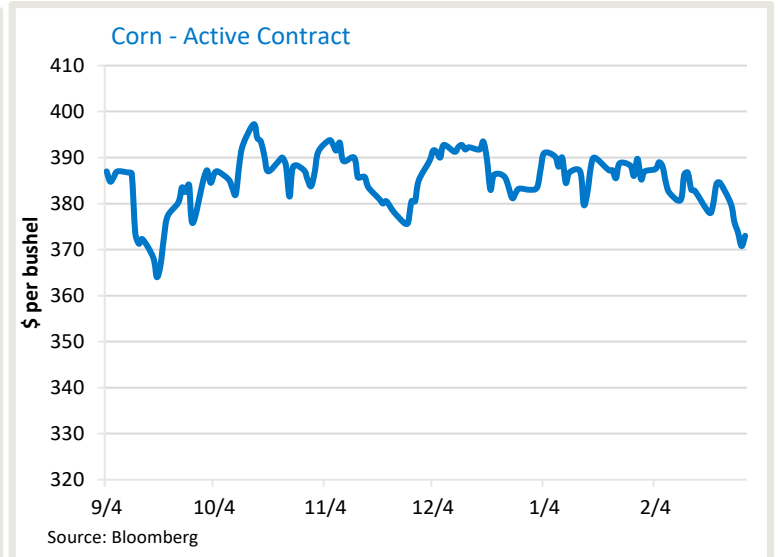
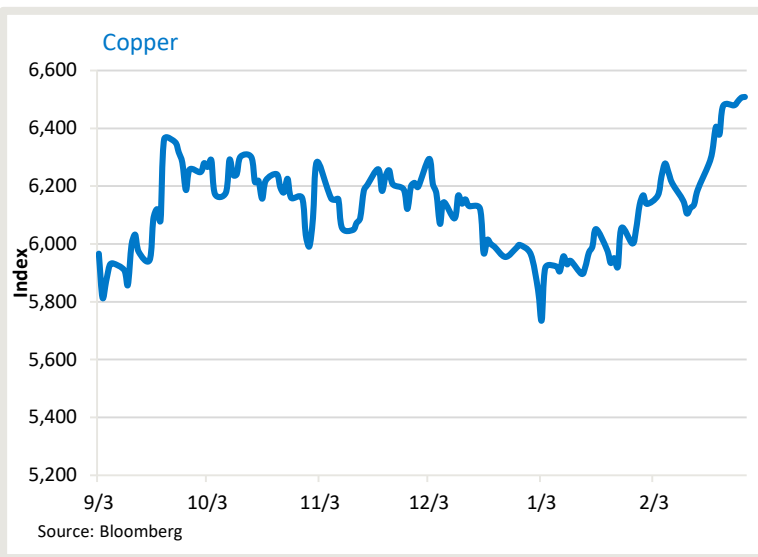
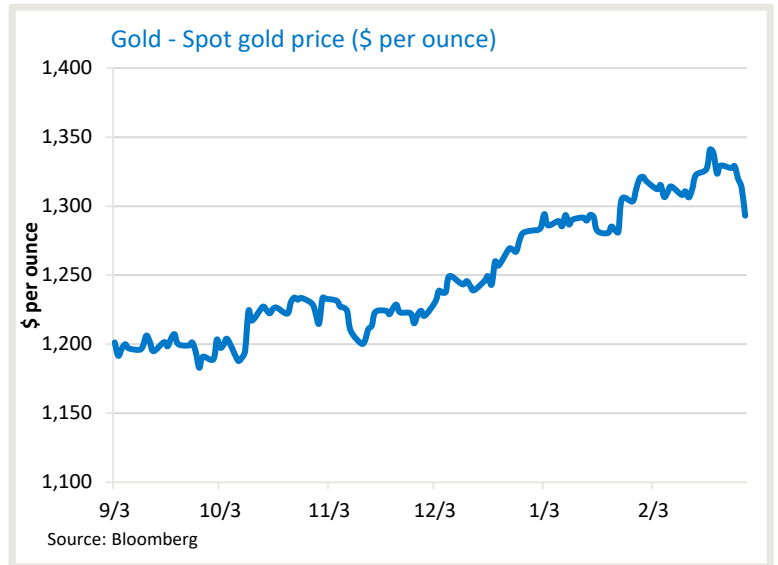
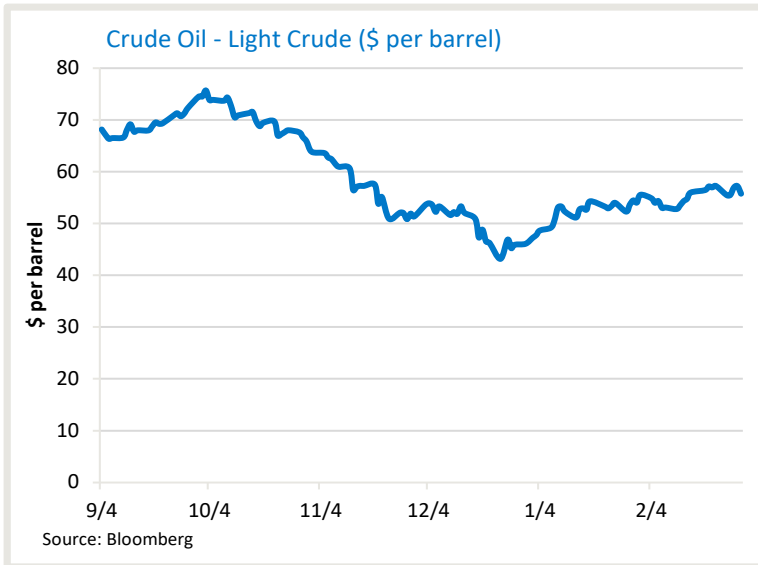


Commodities

SELECTED COMMODITY MARKET PERFORMANCE

	Last	Change	% Chg.	YTD %		Last	Change	% Chg.	YTD %
Bloomberg Comm. Idx.	80.97	-1.16	-1.41%	5.54%	Platinum Spot	\$858.96	\$15.77	1.87%	7.92%
Crude Oil	\$55.74	-\$1.51	-2.64%	20.99%	Corn	373.00	-11.50	-2.99%	-2.61%
Natural Gas	\$2.85	\$0.11	3.87%	6.04%	Wheat	457.25	-34.50	-7.02%	-10.43%
Gasoline (\$/Gal.)	\$2.42	\$0.03	1.30%	7.36%	Soybeans	911.50	-12.25	-1.33%	0.41%
Heating Oil	199.93	-3.08	-1.52%	20.72%	Sugar	12.62	-0.68	-5.11%	4.30%
Gold Spot	\$1,293.27	-\$36.35	-2.73%	0.82%	Orange Juice	116.05	-5.80	-4.76%	-8.62%
Silver Spot	\$15.20	-\$0.73	-4.59%	-1.95%	Aluminum	1,911.00	-2.00	-0.10%	3.52%
					Copper	6,509.00	31.00	0.48%	9.12%

Source: Bloomberg; % change is based on price.

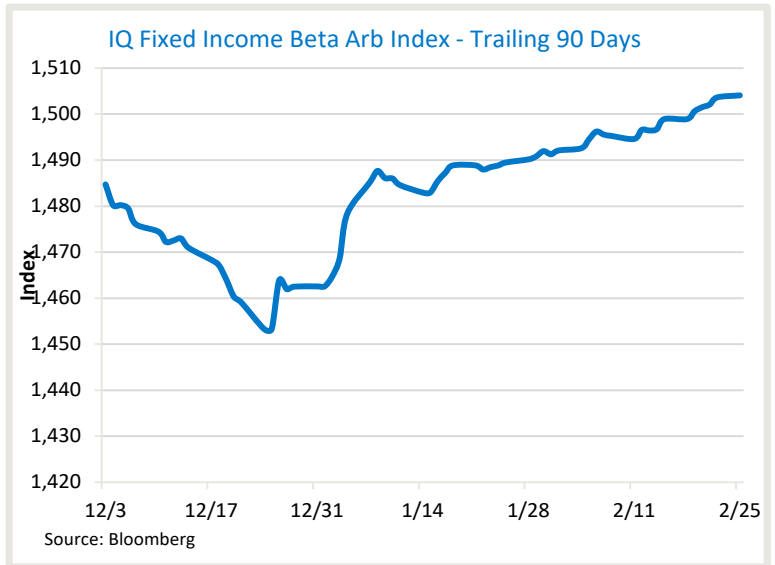
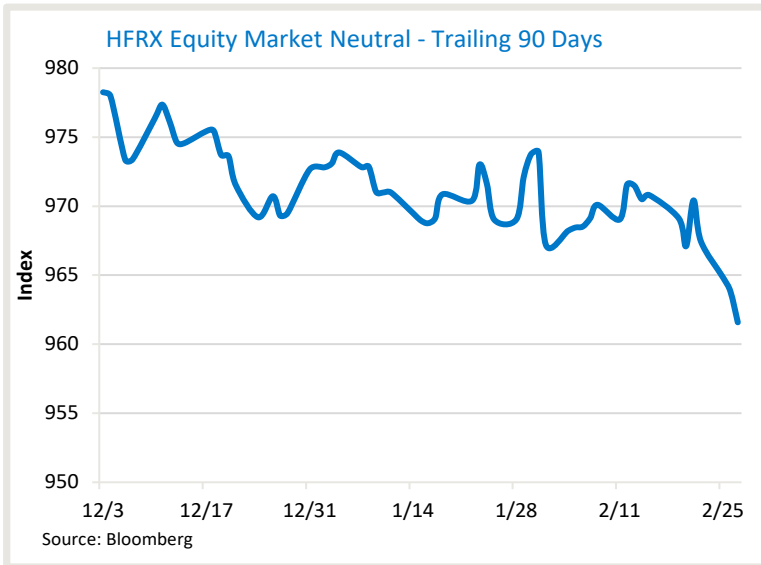
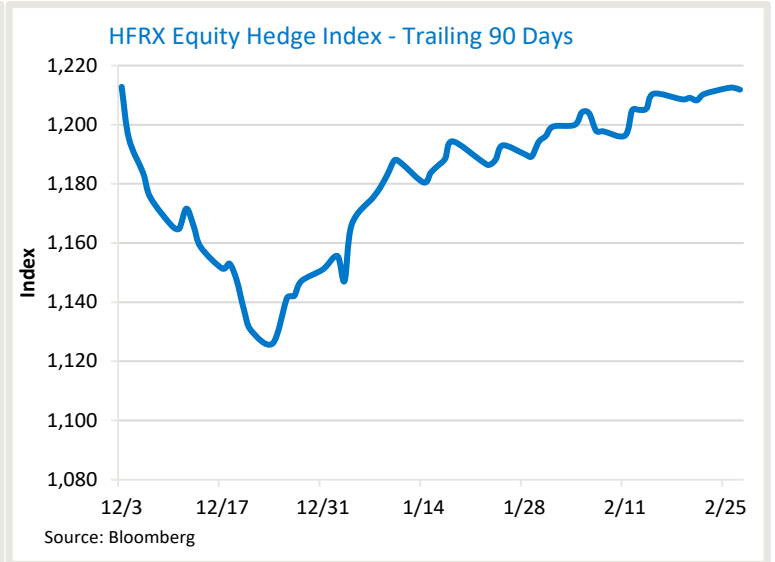
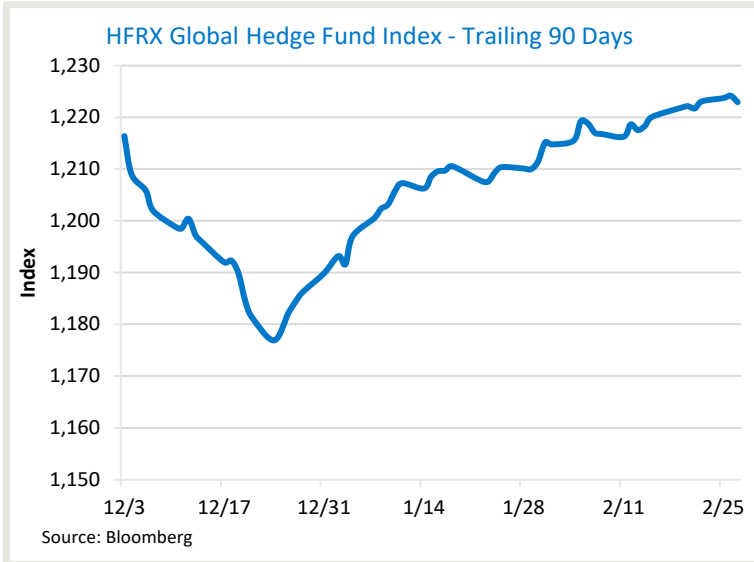


Alternative Investments

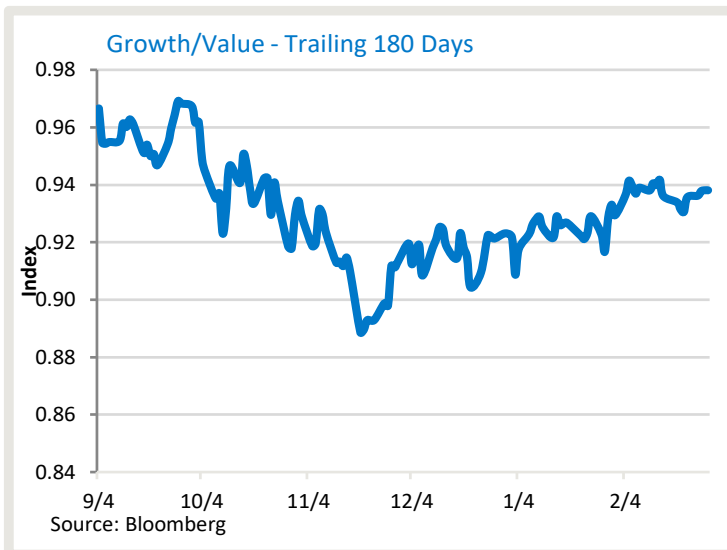
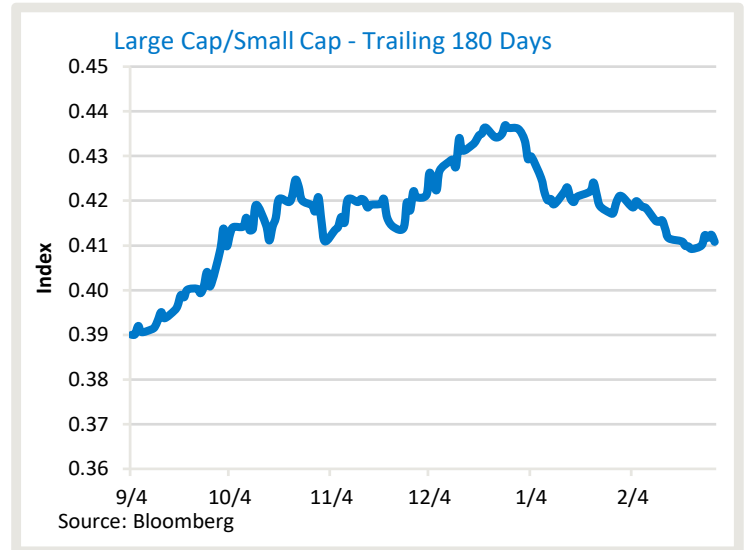
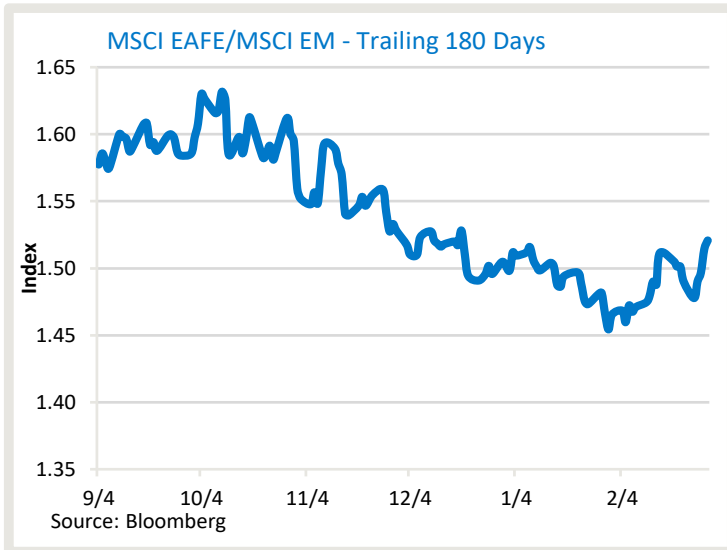
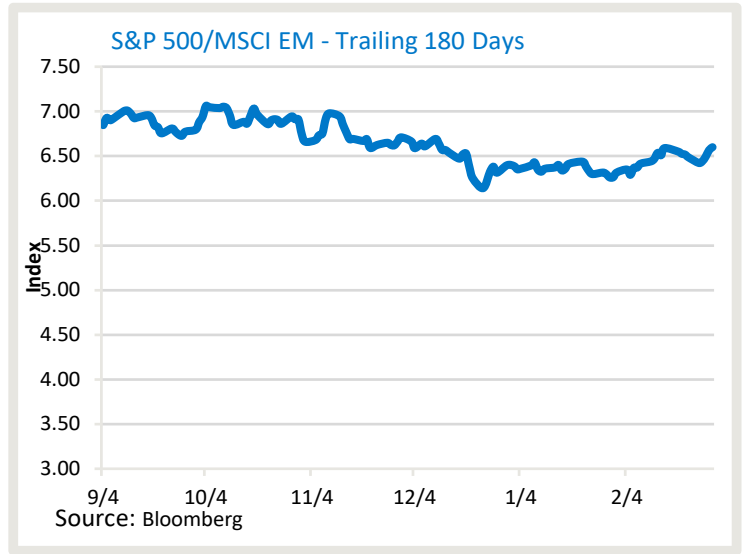
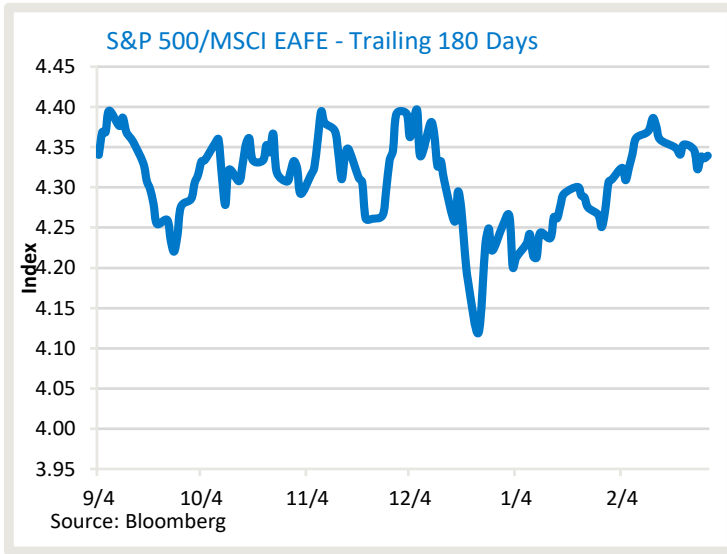
SELECTED ALTERNATIVE INVESTMENT INDEX PERFORMANCE

	Last	Change	% Chg.	YTD %		Last	Change	% Chg.	YTD %
HFRX Global Hedge Fund Index	1222.92	-0.16	-0.01%	2.78%	HFRX Distressed Index	1025.88	0.63	0.06%	2.43%
HFRX Equity Market Neutral	961.58	-5.87	-0.61%	-1.14%	HFRX Merger Arbitrage Index	1842.57	-0.26	-0.01%	1.37%
HFRX Equity Hedge Index	1211.85	1.49	0.12%	5.28%	HFRX Convertible Arbitrage Index	805.36	0.73	0.09%	2.25%
HFRX Event-Driven Index	1508.47	0.77	0.05%	2.53%	HFRX Macro CTA Index	1109.11	-3.43	-0.31%	-1.51%
HFRX Absolute Return Index	1070.44	-1.24	-0.12%	1.17%	IQ Fixed Income Beta Arb Index	1505.35	1.72	0.11%	2.93%

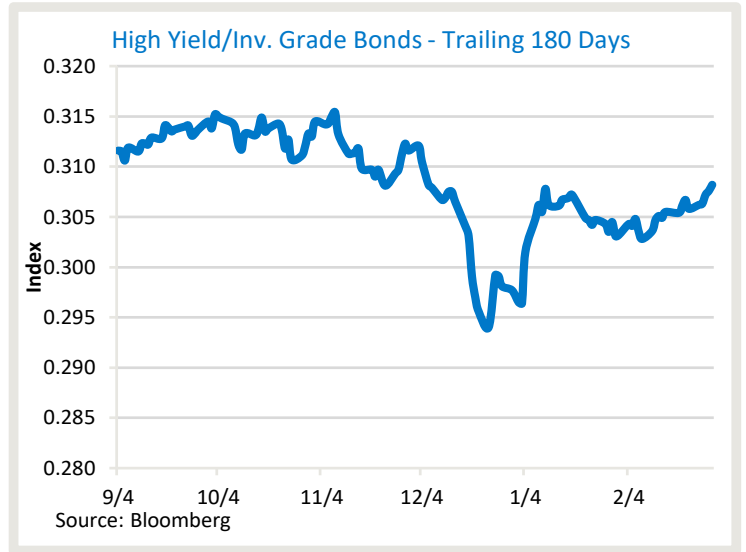
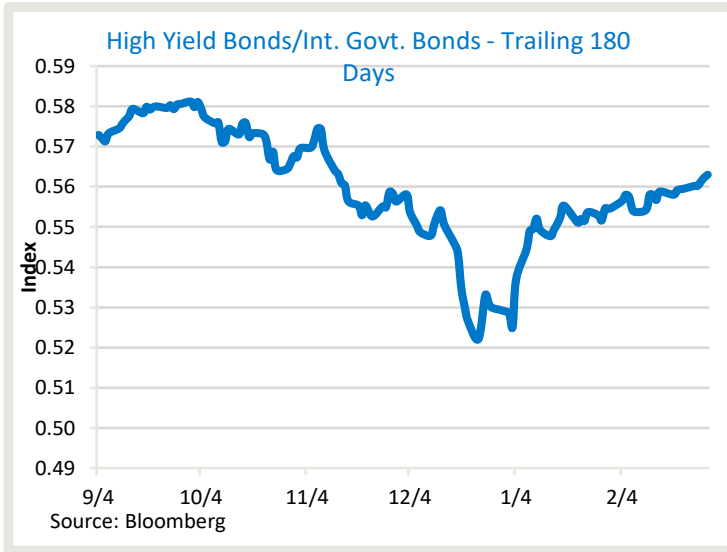
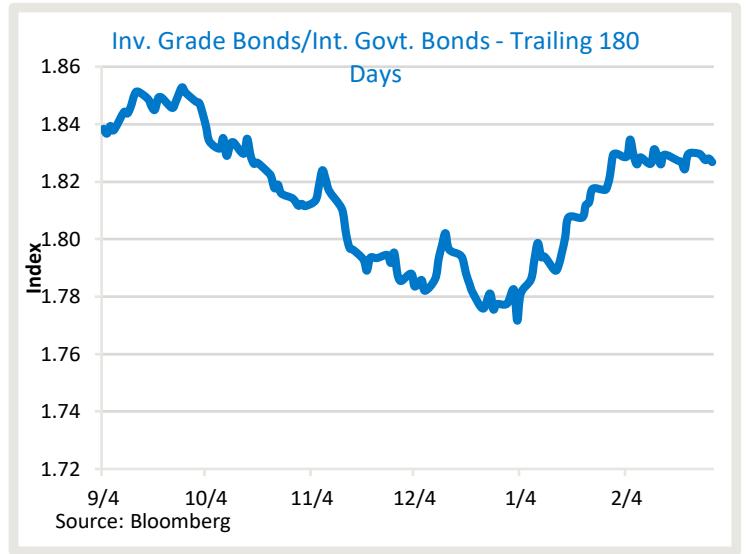
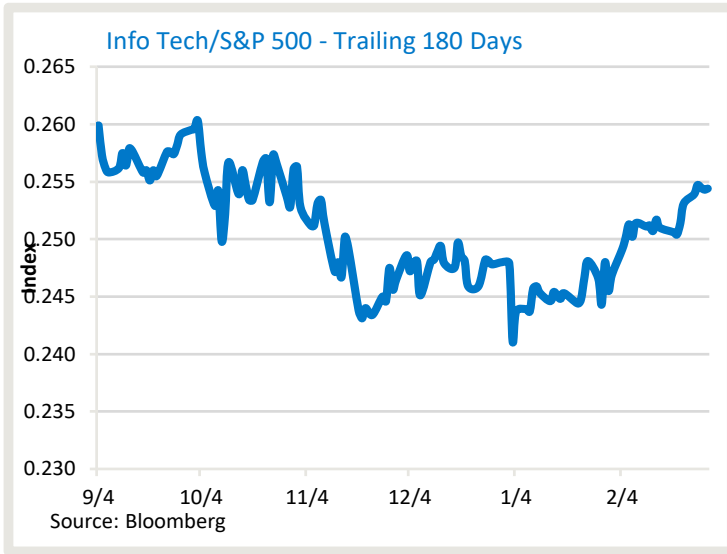
Source: Bloomberg; Index % change is based on price.



Portfolio Construction



Portfolio Construction (continued)



WEEKLY ASSET CLASS PERFORMANCE (Prior 12 weeks ending Thursday)

			12/13	12/20	12/27	1/3	1/10	1/17	1/24	1/31	2/7	2/14	2/21	2/28
Equity	Domestic Equity	Large Cap (R200)	-1.49%	-6.97%	0.93%	-1.70%	5.89%	1.53%	0.06%	2.27%	-0.07%	1.39%	1.01%	0.43%
		Small Cap (R2000)	-3.03%	-7.45%	0.44%	-0.07%	8.61%	1.51%	-0.19%	2.39%	0.41%	2.62%	1.97%	0.00%
	Int'l. Equity	MSCI EAFE	0.86%	-3.39%	-1.50%	1.34%	4.49%	-0.24%	0.72%	1.98%	-0.47%	0.35%	2.09%	0.35%
		MSCI Em. Mkts.	0.67%	-2.61%	-0.78%	-0.29%	5.17%	1.03%	1.04%	2.99%	-0.76%	-0.27%	1.14%	0.00%
Fixed Income	BarCap Agg. (AGG)	0.18%	0.29%	-0.01%	1.11%	-0.57%	0.03%	0.28%	0.68%	-0.34%	0.11%	-0.08%	-0.06%	
	High Yield (JNK)	0.64%	-3.75%	0.27%	0.21%	4.14%	0.09%	-0.03%	1.09%	-0.34%	0.45%	0.40%	0.45%	
Commodities	Bloomberg Commodity Index	0.30%	-4.49%	-1.28%	-0.45%	2.63%	1.21%	-0.30%	0.64%	-0.85%	-0.10%	2.28%	-0.49%	
Alternatives	Hedge Funds (HFRX Global)	-0.72%	-1.08%	0.01%	0.61%	1.20%	0.32%	-0.02%	0.47%	0.15%	0.11%	0.28%	0.10%	
Asset Allocation	60/40*	-0.49%	-3.56%	0.07%	0.07%	3.57%	0.64%	0.26%	1.66%	-0.22%	0.78%	0.86%	0.18%	
	48/32/20 (w/Alts.)**	-0.54%	-3.06%	0.06%	0.18%	3.10%	0.57%	0.20%	1.42%	-0.15%	0.65%	0.74%	0.17%	

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	1.02	0.99	0.93	0.91	0.97	0.97	0.95	1.00	0.95	0.99	0.99	1.12	1.03	0.94
Large Cap Growth	0.98	1.00	0.97	0.92	0.89	0.96	0.95	0.94	0.98	0.94	0.97	0.97	1.10	1.01	0.92
Large Cap Value	1.01	1.03	1.00	0.94	0.92	0.98	0.98	0.96	1.01	0.96	1.00	1.00	1.13	1.04	0.95
Mid Cap Core	1.07	1.09	1.06	1.00	0.97	1.04	1.03	1.02	1.07	1.02	1.06	1.05	1.20	1.10	1.00
Mid Cap Growth	1.10	1.12	1.09	1.03	1.00	1.07	1.07	1.05	1.10	1.05	1.09	1.09	1.23	1.13	1.03
Mid Cap Value	1.03	1.05	1.02	0.96	0.93	1.00	1.00	0.98	1.03	0.98	1.02	1.02	1.15	1.06	0.97
Small Cap Core	1.04	1.05	1.02	0.97	0.94	1.01	1.00	0.98	1.03	0.99	1.02	1.02	1.16	1.07	0.97
Small Cap Growth	1.05	1.07	1.04	0.98	0.95	1.02	1.02	1.00	1.05	1.00	1.04	1.04	1.18	1.08	0.99
Small Cap Value	1.00	1.02	0.99	0.94	0.91	0.97	0.97	0.95	1.00	0.96	0.99	0.99	1.12	1.03	0.94
Int'l. Developed	1.05	1.07	1.04	0.98	0.95	1.02	1.01	1.00	1.05	1.00	1.04	1.03	1.17	1.08	0.98
Emerging Markets	1.01	1.03	1.00	0.95	0.92	0.98	0.98	0.96	1.01	0.96	1.00	1.00	1.13	1.04	0.95
REITs	1.01	1.03	1.00	0.95	0.92	0.98	0.98	0.96	1.01	0.97	1.00	1.00	1.14	1.04	0.95
Commodities	0.89	0.91	0.88	0.84	0.81	0.87	0.86	0.85	0.89	0.85	0.88	0.88	1.00	0.92	0.84
Int. Bond	0.97	0.99	0.96	0.91	0.88	0.94	0.94	0.92	0.97	0.93	0.96	0.96	1.09	1.00	0.91
High Yield	1.07	1.08	1.05	1.00	0.97	1.03	1.03	1.01	1.06	1.02	1.05	1.05	1.19	1.10	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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