

Global Economy

Measures of US economic sentiment continued to gain strength, even as the pace of real activity has yet to fully reflect this high level of optimism. In response to the prospects of pro-growth policies offered by the new US administration, both consumer and business confidence remained on an uptrend. The Conference Board's Consumer Confidence index advanced to 114.8 in February from January's 111.6. The potential for tax cuts as well as improved labor market conditions helped bolster consumer attitudes. Likewise, business optimism registered strong gains in February given the likely possibility of a less restrictive regulatory environment. The NFIB Small Business Confidence Index edged up to 105.9 in January from 105.8 in December, and is decidedly higher from the pre-election level of 94.9 in October 2016.

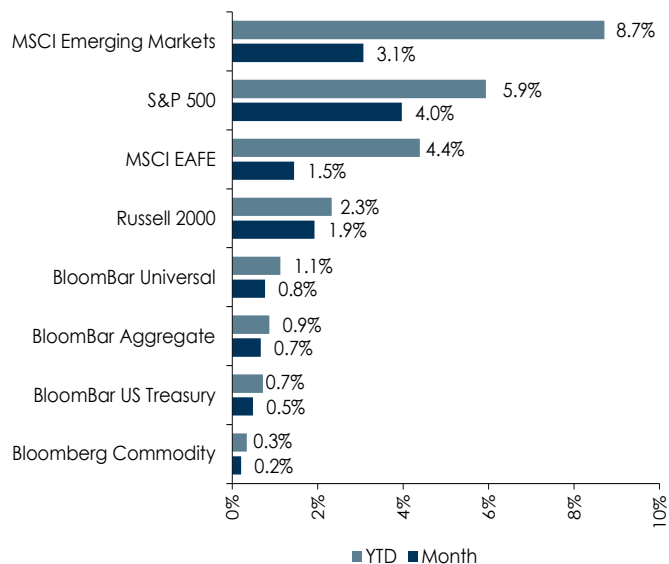
The Commerce Department reported a second revision to Q416 gross domestic product, maintaining a 1.9% growth rate as consumer spending, business investment and government spending all rose. A downward revision in exports curtailed growth and offset these other factors. A gauge of manufacturing activity climbed in February to 57.7 versus 56.0 in January, driven by a rise in new orders and production. Similarly, a measure of the US services industries increased to 57.6 in February from 56.5 the prior month, as companies saw gains in new orders. Overall business activity surged to 63.6 from 60.3, representing the highest level in six years.

Inflation gathered momentum in January as consumer prices increased 0.6% following a 0.3% gain in December. Higher costs for gasoline and new cars were the primary drivers for the month. Over the past 12 months, consumer prices rose 2.5%, the most since March 2012. The core CPI index, which excludes food and energy costs, rose 0.3%, the most in five months and increased 2.3% from January 2016. The Federal Reserve (Fed) left interest rates unchanged during their February meeting and said it anticipates rates will rise gradually amid expectations of "some further strengthening" in the labor markets and a return to 2% inflation. The Fed's preferred inflation gauge, the core personal consumption expenditures price index, has been below their 2% target since April 2012, rising 1.7% in January over the past year.

	Current	Dec-16
US GDP (%)	1.90	3.50
US Unemployment (%)	4.70	4.70
CPI (Core) (%)	2.30	2.10
Fed Funds (%)	0.50 – 0.75	0.50 – 0.75
10 Year U.S.T Yld (%)	2.39	2.45
S&P 500 Div Yld (%)	1.99	2.09
S&P 500 P/E (Trailing)	21.76	20.96
Gold/oz.	\$1,253.90	\$1,151.70
Oil (Crude)	\$54.01	\$53.72
Gasoline (Natl Avg)	\$2.41	\$2.42
USD/Euro	\$1.06	\$1.05
USD/GBP	\$1.24	\$1.23
Yen/U.S.D	¥112.77	¥116.96

Global Markets

Key Market Indices



US stocks posted steady gains in February, amid hopes of lower taxes and other pro-growth policies promised by US President Donald Trump. The S&P 500 rallied 4% in February, posting gains for 15 of the 19 trading days, bringing the year-to-date (YTD) advance to 5.9%. Nine of the eleven S&P 500 sectors gained, led by healthcare (+6.2%). That sector rebounded from a poor January after the new administration pledged to streamline the regulatory approval process for new drugs. Energy stocks performed the worst, falling 2.7% and adding to a YTD loss of 6.3% despite a rise in oil prices during the month. With 98% of the S&P 500 companies having reported Q416 profits, operating earnings show a 6% gain from the same period last year. Roughly 65% of firms beat the consensus analyst estimates, while 23% came in below projections. Mid cap stocks (+2.8%) marched higher in February amid strong gains in healthcare and financial companies. Small cap stocks lagged both mid and large caps, climbing 1.9% with healthcare again being the standout performer as it soared 6.7%.

Global equities provided investors with solid gains as economic data continued to be supportive. The MSCI ACWI index climbed 2.9% and added to a YTD gain of 5.7%. The MSCI EAFE index of non-US developed markets advanced 1.5%, with healthcare the top performing sector. In the Eurozone, equities rose following strong data from the region's manufacturing sector. The flash composite purchasing managers' index rose to 56.0 in February from 54.4 in January, with any readings above 50 signaling expansion. The MSCI Europe index increased 1.2% led by a 6.1% rise in healthcare and a 5.8% gain in consumer staples. Japanese stocks posted modest gains, while the Japanese yen showed less volatility compared to recent periods and strengthened versus the US dollar (USD) for the second consecutive month. Investors continued to rotate into perceived riskier equities in February, with emerging market equities recording a positive return as the MSCI Emerging Market index climbed 3.1%.

The Bloomberg Commodities index was marginally positive in February as gold rose 3.8% and oil increased 2.3%.

Global Markets (continued)

Global bonds managed slight gains, as investors weighed political uncertainty in Europe and potentially higher short-term rates in the US. The Bloombar Global Aggregate index advanced 0.5%, leaving this broad index up 1.6% YTD. US Treasury (UST) performance was mixed in February after Fed comments suggested a March interest rate hike would be considered. This helped to lift short-maturity yields late in the month, thereby flattening the yield curve. The two-year UST yield rose from 1.20% to 1.26% for the month, while 10-year UST yields fell by 6 basis points (bps) over the month to 2.39%. The Bloombar US Aggregate index rose 0.7%, while the Bloombar US Corporate Investment Grade index jumped 1.2% with an ongoing tightening in corporate credit spreads. The Bloombar US Corporate High Yield index gained 1.5% in February.

European bonds delivered gains, especially in core sovereign markets within the euro zone and the United Kingdom (UK). German benchmark 10-year yields fell from 0.44% to 0.21%, while Italian 10-year yields dropped 18 bps to 2.09%. In France, bond prices declined initially amid anxiety about upcoming French presidential elections, but reversed course later in the month, as 10-year yields fell 15 bps to 0.89%. Uncertainty regarding the timeline for the UK's exit from the euro zone, caused demand for the safe haven UK sovereign debt, sending yields 27 bps lower to 1.15%.

Emerging market (EM) bonds extended a January rally driven by the attractiveness of generally higher interest rates offered versus developed market bonds. The USD sovereign JPMorgan EMBI Global index rose 2.1%, following January's advance of 1.4% and yields declined 23 bps to 5.67%. The drop in yields narrowed the premium to US Treasuries to 334 bps. Likewise, local currency denominated EM bonds climbed, as the JPMorgan GBI-EM Global Diversified index rose 1.8%. EM corporate issues also recorded gains, as the JPMorgan CEMBI index logged a return of 1.5%, sending yields to 4.67% from 4.88%.

Selected Bond Yields

10 Year Sovereign Bond Yields (%)		
	Current	Dec-16
Japan	0.06	0.05
Germany	0.21	0.21
France	0.89	0.69
Spain	1.66	1.38
Italy	2.09	1.82
United States	2.39	2.45
Portugal	3.88	3.76
Greece	7.15	7.11

Indices Report (Periods Ending February 28, 2017)

Index Name	1 Month (%)	YTD (%)	1 Year (%)	3 Years (%)	5 Years (%)	10 Years (%)	15 Years (%)
Equity							
S&P 500	3.97	5.94	24.98	10.63	14.01	7.62	7.35
Russell 1000	3.87	5.96	25.53	10.19	13.94	7.69	7.65
Russell 1000 Growth	4.15	7.66	22.15	10.47	13.79	9.07	7.37
Russell 1000 Value	3.59	4.33	29.13	9.90	14.02	6.20	7.76
Russell 2500	2.41	3.83	31.75	7.33	13.10	7.82	9.66
Russell 2000	1.93	2.33	36.11	6.93	12.89	7.22	8.93
Russell 2000 Growth	2.45	4.12	30.91	5.42	12.29	8.03	8.51
Russell 2000 Value	1.45	0.72	41.29	8.37	13.43	6.31	9.13
Wilshire 5000 Cap Wtd	3.72	5.57	26.65	10.25	13.90	7.72	7.95
MSCI ACWI	2.85	5.68	22.76	5.38	8.84	4.64	7.11
MSCI ACWI ex US	1.61	5.22	19.88	0.27	4.02	1.84	6.95
MSCI EAFE	1.45	4.39	16.31	-0.17	5.63	1.50	6.39
MSCI EAFE Local Currency	2.16	2.27	19.18	6.72	10.77	2.77	5.05
MSCI EAFE Growth	2.23	5.67	11.74	0.76	5.85	2.41	6.12
MSCI EAFE Value	0.70	3.19	20.99	-1.20	5.32	0.52	6.57
MSCI Emerging Markets	3.07	8.71	29.94	1.73	-0.02	3.20	10.10
Fixed Income							
BofA ML 1-3 Yr Treasury	0.10	0.23	0.39	0.67	0.62	2.04	2.32
BloomBar US Aggregate	0.67	0.87	1.42	2.64	2.24	4.28	4.52
BloomBar Gov't Bond	0.48	0.72	-1.15	1.96	1.41	3.78	4.06
BloomBar US Credit	1.11	1.45	5.72	3.61	3.56	5.26	5.50
BloomBar 10 Yr Municipal	0.70	1.45	-0.27	3.47	3.10	4.76	4.83
BloomBar US Corp High Yield	1.46	2.93	21.83	4.72	6.84	7.49	8.62
Citigroup World Govt Bond	0.39	1.40	-1.24	-1.28	-0.82	3.04	4.96
BloomBar Global Aggregate	0.47	1.61	0.59	-0.47	0.21	3.35	4.91
BloomBar Multiverse	0.52	1.73	1.67	-0.26	0.48	3.50	5.09
Real Assets							
NCREIF Property	0.00	0.00	7.97	11.02	10.91	6.93	9.00
NFI ODCE Net	0.00	0.00	7.73	11.02	11.14	4.84	7.15
FTSE NAREIT US Real Estate	3.41	3.53	16.73	11.32	11.62	4.83	10.90
Bloomberg Commodity	0.21	0.34	15.95	-13.02	-9.82	-5.87	1.06
Cash and Equivalents							
US T-Bills 90 Day	0.04	0.09	0.39	0.16	0.14	0.73	1.34

Definitions

Bloomberg Barclays Capital Aggregate

The Bloomberg Barclays Capital Aggregate index covers the U.S. investment grade fixed rate bond market, including government and corporate securities, agency mortgage pass-through securities, and asset-backed securities.

Bloomberg Barclays Capital Global Aggregate Index

The Bloomberg Barclays Capital Global Aggregate Index provides a broad-based measure of the global investment-grade fixed income markets. The three major components of this index are the U.S. Aggregate, the Pan-European Aggregate, and the Asian-Pacific Aggregate Indices. The index also includes Eurodollar and Euro-Yen corporate bonds, Canadian government, agency and corporate securities, and U.S.D investment grade 144A securities.

Bloomberg Barclays Capital Muni 5 Yr

The Bloomberg Barclays Capital Municipal Bond Index is a rules-based, market-value-weighted index engineered for the long-term tax-exempt bond market. To be included in the index, bonds must be rated investment-grade (Baa3/BBB- or higher) by at least two of the following ratings agencies: Moody's, S&P, and Fitch. They must have an outstanding par value of at least \$7 million and be issued as part of a transaction of at least \$75 million. The bonds must be fixed rate, have a dated-date after December 31, 1990, and must be at least one year from their maturity date.

Bloomberg Barclays Capital U.S. Credit Index

This index is the U.S. Credit component of the U.S. Government/Credit Index. It consists of publicly issued U.S. corporate and specified foreign debentures and secured notes that meet the specified maturity, liquidity, and quality requirements. To qualify, bonds must be SEC-registered.

The Bloomberg Barclays U.S. Treasury Index

The Bloomberg Barclays U.S. Treasury Index is a component of the Bloomberg Barclays U.S. Aggregate Index. This U.S. Treasury Index includes only public obligations of the U.S. Treasury with a remaining maturity of one year or more. U.S. Treasury bills are excluded due to the maturity constraint.

The Bloomberg Barclays Capital U.S. Universal Index

The Bloomberg Barclays Capital U.S. Universal Index represents the union of the U.S. Aggregate Index, the U.S. High-Yield Corporate Index, the 144A Index, the Eurodollar Index, the Emerging Markets Index, and the non-ERISA portion of the CMBS Index. Municipal debt, private placements, and non-dollar-denominated issues are excluded from the Universal Index. The only constituent of the index that includes floating-rate debt is the Emerging Markets Index.

BofA ML High-Yield Index Master II

The BofA ML High-Yield Index is an unmanaged index that tracks the performance of below investment grade U.S. dollar-denominated corporate bonds publicly issued in the U.S. domestic market.

Bloomberg Commodity Index

The Dow Jones UBS Commodity Total Return Index aims to provide broadly diversified representation of commodity markets as an asset class. The index is comprised of futures contracts on physical commodities. Currently the index includes 20 commodity nearby futures contracts, which are weighted to account for economic significance and market liquidity

CITI World Government Bond Index

The WGBI is a market-capitalization-weighted benchmark that tracks the performance of the 19 government bond markets of Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, the Netherlands, Portugal, Spain, Sweden, Switzerland, the United Kingdom, and the United States.

FTSE EPRA/NAREIT Developed Index

The FTSE EPRA/NAREIT Developed Index is designed to track the performance of listed real estate companies and REITs worldwide. The index constituents are free-float adjusted as well as screened for liquidity, size and revenue. The index incorporates Real Estate Investment Trusts (REITs) and Real Estate Holding & Development companies. Constituents are classified into distinct property sectors based on gross invested book assets as disclosed in the latest published financial statement.

HFRI Fund of Funds (FOF) Conservative Index

The HFRI Monthly Indices (HFRI) are equally weighted performance indexes, utilized by numerous hedge fund managers as a benchmark for their own hedge funds. FOFs classified as "Conservative" exhibit one or more of the following characteristics: seeks consistent returns by primarily investing in funds that generally engage in more "conservative" strategies such as Equity Market Neutral, Fixed Income Arbitrage, and Convertible Arbitrage; exhibits a lower historical annual standard deviation than the HFRI Fund of Funds Composite Index.

HFRI Fund of Funds (FOF) Strategic Index

The HFRI Monthly Indices (HFRI) are equally weighted performance indexes, utilized by numerous hedge fund managers as a benchmark for their own hedge funds. FOFs classified as 'Strategic' exhibit one or more of the following characteristics: seeks superior returns by primarily investing in funds that generally engage in more opportunistic strategies such as Emerging Markets, Sector specific, and Equity Hedge; exhibits a greater dispersion of returns and higher volatility compared to the HFRI Fund of Funds Composite Index.

MSCI ACWI Index (exU.S.)

The MSCI ACWI Index (ex U.S.) is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets outside the United States. The MSCI ACWI consists of 44 country indices comprising 23 developed and 21 emerging market country indices. The developed market country indices included are: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and the United Kingdom. The emerging market country indices included are: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey.

MSCI EAFE® Index

The MSCI EAFE Index (Europe, Australasia, Far East) is an unmanaged free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the U.S. & Canada. As of June 2006 the MSCI EAFE Index consisted of the following 21 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the United Kingdom.

MSCI EAFE Growth Index

The MSCI-EAFE Growth Index is an unmanaged index constructed from the constituents of the MSCI EAFE Index on a country-by-country basis for the 21 countries included in the index.

MSCI EAFE Value Index

The MSCI-EAFE Value Index is an unmanaged index constructed from the constituents of the MSCI EAFE Index on a country-by-country basis for the 21 countries included in the index.

MSCI Emerging Markets Index

The MSCI Emerging Markets Index is an unmanaged float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. As of June 2006 the MSCI Emerging Markets Index consisted of the following 22 emerging market country indices: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Israel, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey.

Ncreif® Property Index

Ncreif Property Index is a quarterly time series composite total rate of return measure of investment performance of a large pool of individual commercial real estate properties acquired in the private market for investment purposes only.

Russell 1000® Growth Index

The Russell 1000 Growth Index measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth rates.

Russell 1000® Value Index

The Russell 1000 Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 companies with lower price-to-book ratios and lower expected growth rates.

Russell 2000® Index

The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000 Index is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index.

Russell 2000® Growth Index

The Russell 2000 Growth Index measures the performance of the small-cap growth segment of the U.S. equity universe. It includes those Russell 2000 companies with higher price-to-value ratios and higher forecasted growth rates.

Russell 2000® Value Index

The Russell 2000 Value Index measures the performance of small-cap value segment of the U.S. equity universe. It includes those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values.

Russell Midcap® Index

The Russell Midcap Index measures the performance of the mid-cap segment of the U.S. equity universe. The Russell Midcap Index is a subset of the Russell 1000 Index. It includes approximately 800 of the smallest securities in the Russell 1000 Index based on a combination of their market cap and current index membership.

S&P 500

Standard and Poor's 500 Index is a capitalization-weighted index of 500 large U.S. stocks. The index is designed to measure performance of the broad domestic stock market through changes in the aggregate market value of 500 stocks representing all major industries.

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