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ECONOMY: Global Economies Continue to Recover

Q4 GDP Revised Downward

Fourth-quarter U.S. gross domestic product (GDP) was revised from 2.6% to 2.2%. Nonetheless, this still exceeds the expectations of 2.1% growth and the underlying fundamentals remain solid.

Eye ON The Fed

In her Congressional testimony, Fed Chair Janet Yellen made it clear the Fed expects growth to pick up this year, and that, "If economic conditions continue to improve, as the Committee anticipates, the Committee will at some point begin considering an increase in the target range for the federal funds rate on a meeting-to meeting basis."

Inflation Remains Benign

Core consumer inflation marginally surprised to the upside with prices up 0.2% in January over December and up 1.6% over the prior year for the second month in a row. Gas prices plunging 19% kept headline inflation negative.

ISM "Reports on Business"

Economic activity in the manufacturing sector expanded in February for the 26th consecutive month, and the overall economy grew for the 69th consecutive month, according to the latest survey by the Institute for Supply Management (ISM). The Non-Manufacturing Index grew in February for the 61st consecutive month.

Consumer Confidence Recedes

The Conference Board Consumer Confidence Index®, which had increased in January, fell modestly in February. "*After a large gain in January, consumer confidence retreated in February, but still remains at pre-recession levels. Consumers' assessment of current conditions remained positive, but short-term expectations declined. While the number of consumers expecting conditions to deteriorate was virtually unchanged, fewer consumers expect conditions to improve, prompting a less upbeat outlook. Despite this month's decline, consumers remain confident that the economy will continue to expand at the current pace in the months ahead.*"

More Jobs, More People Quit

U.S. employers advertised the most jobs in 14 years in January, and more workers quit. Job openings rose 2.5% to nearly 5 million, the most since January 2001, according to the Labor Department. The number of people who quit their jobs increased 3% to 2.8 million, the most in more than six years. More quits are generally a sign of confidence in the economy.

Eurozone Recovering….

Citigroup's latest reading on its economic surprise index for Europe scored the highest since March 2013. German GDP in the fourth quarter expanded at a 2.8% annual rate over the prior quarter, while growth in Spain was confirmed at nearly 3%. Overall GDP gains across the Eurozone hit 1.4% in the fourth quarter, well above expectations.

….And Exuding More Confidence

The European Commission's index of consumer confidence was the highest since 2007. The German business outlook index hit its highest mark since last August. In Italy, business confidence rose to the highest level since June 2011, and consumer confidence jumped to the highest level in almost 13 years.

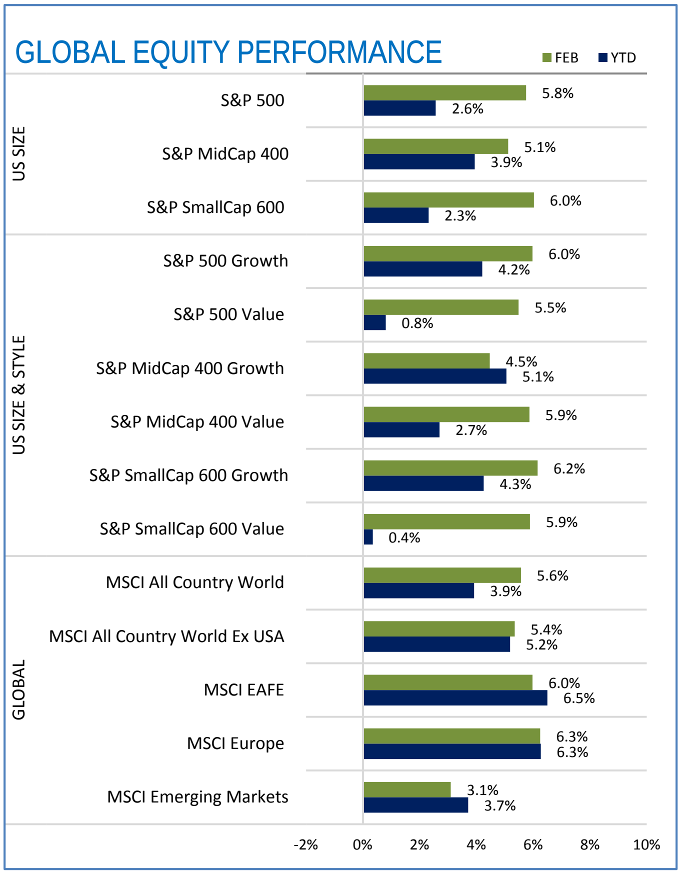
Japan Exits Recession

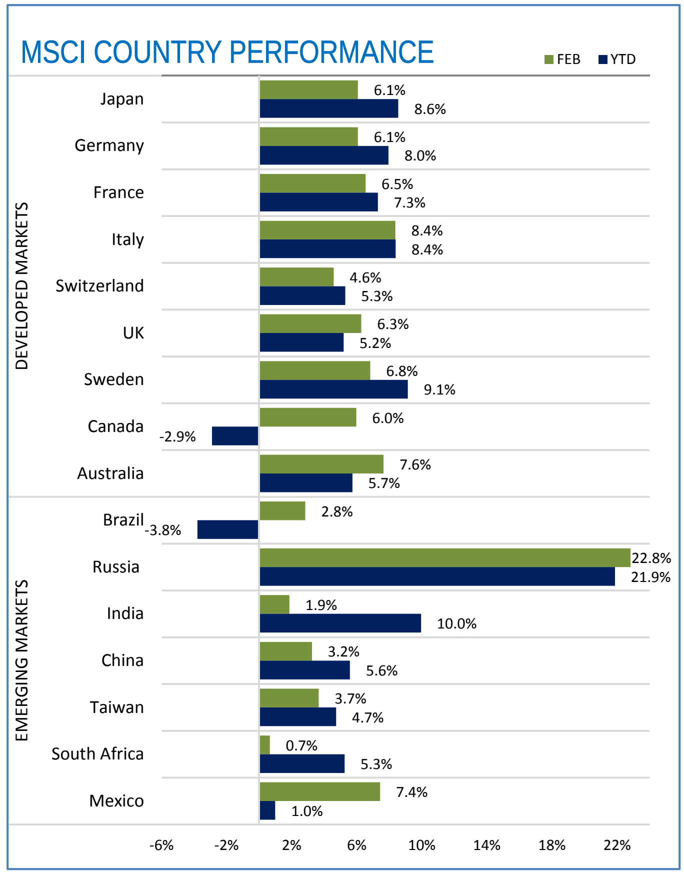
Fourth-quarter GDP numbers showed that Japan moved out of recession. However, Japan's economy grew less than initially thought in the final quarter of 2014, revised government data showed, revealing an even weaker emergence from recession than previously believed. Initial estimates of 2.2% growth were revised downward to 1.5%.

Deal or No Deal

A temporary deal extends Greece's current bailout program for just four months. This means Greece gets the funding it needs for a while longer. But the deal requires reforms proposed by Greece to be detailed by the end of April and agreed upon by the European Union (EU), the International Monetary Fund (IMF), and the ECB.

GLOBAL EQUITIES: Strong Month for Global Equities





A Noticeable Change

While the beginning of 2015 was marked by significantly higher volatility in the equity markets, that changed in February. After peaking in January at 23.34, the S&P 500 Volatility Index (VIX), often referred to as the "fear index, closed the month at 13.34. Improving global economies and stabilizing oil prices reduced deflationary fears and investors were again in "risk on" mode.

All Sizes & Styles

U.S. stock performance was robust across the board. Gains were indiscriminant - both small & large, growth & value – nearly all U.S. equity indices gained in February. The S&P 500 returned 5.8% for the month, while the S&P Small Cap 600 Growth led the way with a 6.2% return. The worst performer from a size and style perspective was the S&P Mid Cap 400 Growth index, only returning 4.5%.

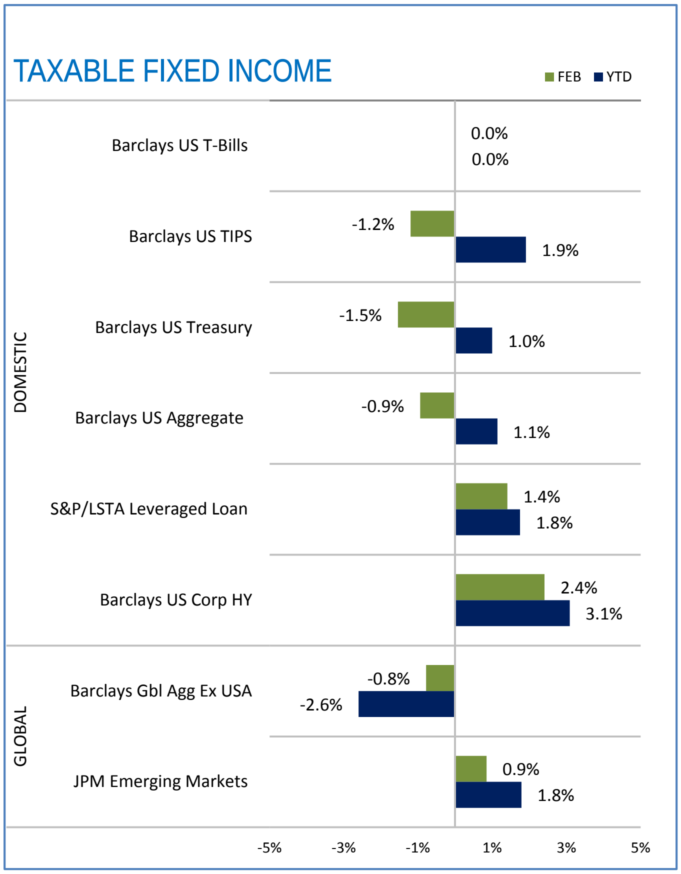
Even Better Across the Pond

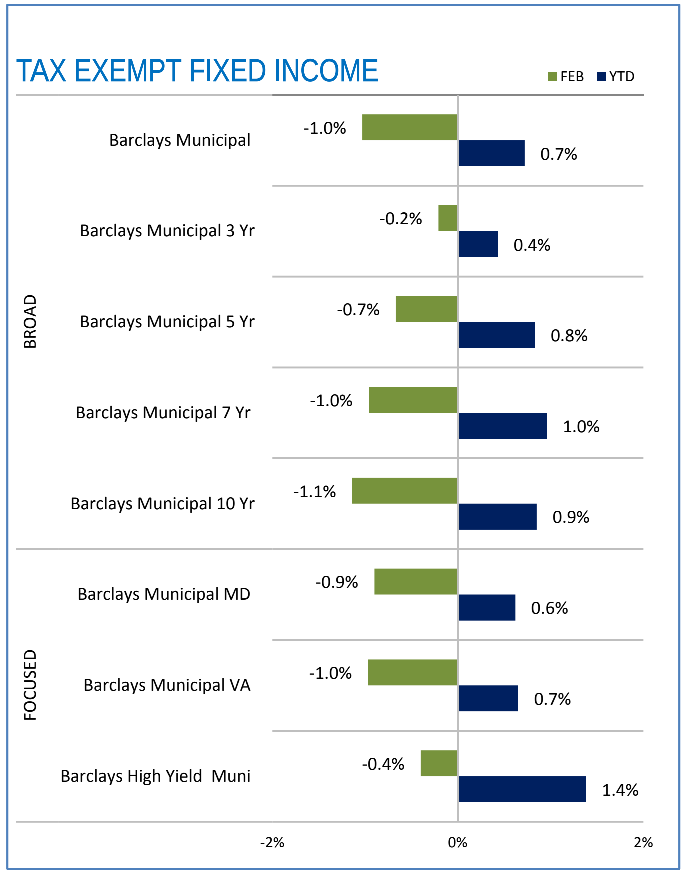
Despite the strong U.S. returns, European equities fared even better. Amidst better economic conditions, many European markets delivered strong returns in February. The MSCI EAFE returned 6.0%, highlighted by Italy up 8.4%, Australia up 7.6%, Sweden up 6.8% and France up 6.5%. While Japan was up 6.1% for the month, it was the lone highlight within developed Asia.

An End to The Russian Bear

Russian stocks rallied nearly 23% amidst a peace deal to end the Ukraine conflict, reducing the risk of more economic sanctions on the country. Hopes of a lasting truce in Ukraine and a rebound in crude oil prices drove a rally in the ruble, which climbed roughly 14% against the dollar in February.

FIXED INCOME: High Yield Rally





Treasury Rally Fades

U.S. Treasuries experienced selling pressure, driving their yields higher, as signs of improving global economic growth encouraged investors to move into riskier fixed income asset classes. By late February, the yield on the 10-year Treasury had increased about 40 basis points, marking the quickest sell-off since the "taper tantrum" in 2013. The 10-year note recovered in the last week of the month to finish at a 2.0% yield.

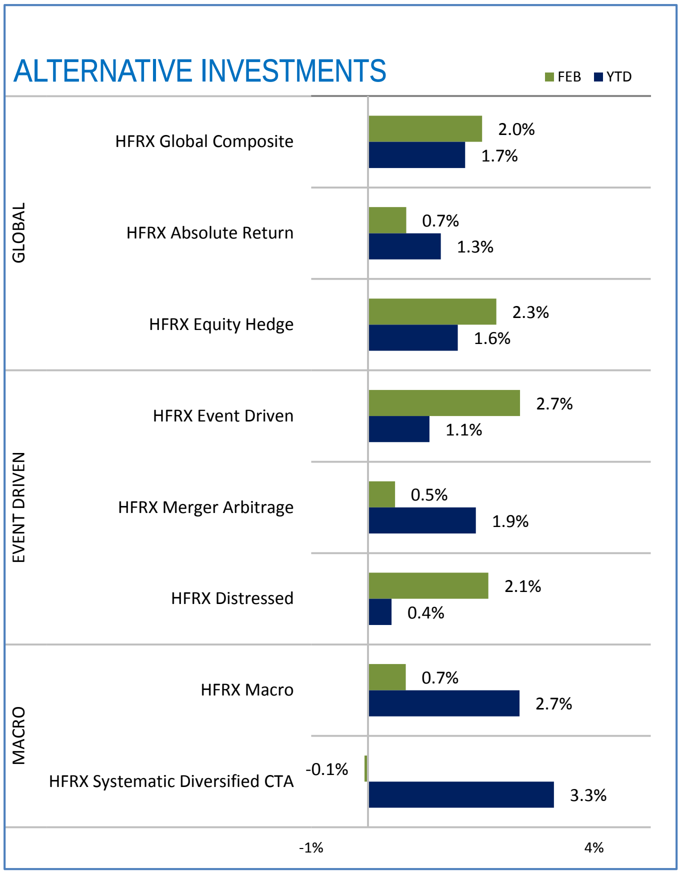
Higher Oil Supports High Yield

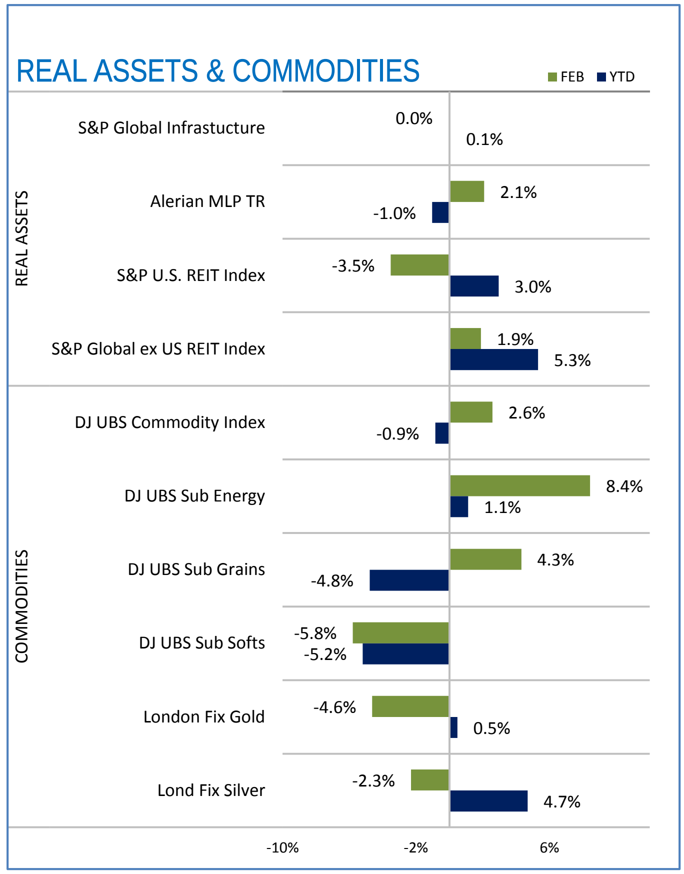
High yield bonds returned 2.4% in February, continuing their 2015 rally. Since debt from energy-related issuers accounts for a large proportion of most high yield indexes, rising crude oil prices supported the asset class. Overall, high yield credit spreads, which measures the additional yield above comparable maturity Treasuries, narrowed significantly.

Muni's Break Their Streak

The broad municipal bond market posted its first monthly loss since December 2013, weighed down by heavy new issuance and the sell-off in Treasuries. In Puerto Rico, a federal judge struck down the territory's Recovery Act, which would have allowed Puerto Rico's public corporations to restructure their debt. Puerto Rico's general obligation municipals fell as both Standard & Poor's and Moody's downgraded Puerto Rico's debt, citing an increased risk of default.

ALTERNATIVES: Interest Rates Impact REITs





Alternatives Post Healthy Gains

Hedge funds generally posted positive performance in February. The HFRX Event Driven Index returned 2.7%, its best monthly performance since January 2013. Other event driven strategies such as Merger Arbitrage and Distressed securities also posted gains for the month. Global macro strategies struggled a bit as energy commodities posted strong gains, a strong trend reversal from previous months.

Oil to Gold Ratio

An analysis of the oil-gold relative price suggests that worries of deflation may be overdone and confirms the view that the collapse in oil prices is more reflective of increased production rather than decreasing demand. In recent months, the exchange rate between gold and oil has experienced a very strong move, bringing the oil-gold ratio (the number of barrels of oil needed to purchase one ounce of gold) to near record highs. Since June, the number of barrels of WTI required to purchase one ounce of gold has more than doubled from 12.5 to 28 as oil prices plunged and gold prices held relatively steady. During the past 30 years, the oil-gold ratio has averaged about 16 barrels of oil for one ounce of gold. However, it achieved 28.25 in February 2009 and rose to over 30 during the 1985-86 slump in oil prices.

REIT Momentum Stymied

As interest rates rose in February, U.S. REITs fell 3.5%. REIT investors have been concerned about an improving economy, solid job reports and an enhanced level of economic activity on one hand and the associated anticipation of the Federal Reserve's tightening cycle on the other. While positive data strengthens the industry's fundamentals and builds demand for commercial properties, increasing interest rates appear to wipe out much of the optimism.