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U.S ECONOMY: Synchronized Global Growth

GROWTH SLOWS IN Q4

The first estimate of Q4 U.S. GDP came in at 2.6%, falling short of expectations of 2.9% growth. Strong domestic demand and consumer spending led to a significant jump in imports in Q4. The economy grew 2.3% in 2017, an acceleration from the 1.5% growth in 2016. Economists expect annual GDP growth will hit the government's 3% target this year, spurred in part by a weak dollar, rising oil prices and a strengthening global economy.

U.S. GOV'T CLOSED FOR BUSINESS

On Friday, Jan. 19, 2018, the U.S. government officially shut down after a series of short term funding plans. Negotiations continued through the weekend, with an agreed extension until February 8th. The U.S. government continues to get closer and closer to its statutory debt limit.

FED HOLDS – NEW CHAIR IN FEB

The Federal Reserve continued to back its plan for gradual interest rate increases, while also revealing greater dissent on the future of inflation and the impact of income tax reform. The last increase was in December, the third increase of 2017, with expectations for another increase in March 2018. Jerome Powell, approved by Congress to become the 16th Chair of the Federal Reserve, will preside over the next meeting.

HOUSING DATA SLOWS

Existing home sales fell 3.6% in December after growing 5.1% in November. New home sales also declined 9.3% in December, after following a sharp rise in November. Tight supplies and rising interest rates are impacting the housing market.

LEI POINTS TO CONTINUED GROWTH

The Conference Board Leading Economic Index (LEI) for the U.S. increased 0.6% in December, following a 0.5% increase in November, and a 1.3% increase in October. *"The U.S. LEI continued rising rapidly in December, pointing to a continuation of strong economic growth in the first half of 2018. The passing of the tax plan is likely to provide even more tailwind to the current expansion. The gains among the leading indicators have been widespread, with most of the strength concentrated in new orders in manufacturing, consumers' outlook on the economy, improving stock markets and financial conditions."*

STRONG JOB GROWTH & WAGE GAINS

The January employment report came in ahead of expectations, with the U.S. economy adding 200,000 jobs. While the unemployment rate was unchanged at 4.1%, average hourly earnings jumped 2.9%, hinting that the tight labor market may push inflation expectations higher.

IMF UPS GLOBAL GROWTH EXPECTATIONS

The International Monetary Fund (IMF) typically updates its global forecast twice annually in April and in October. However, the IMF also makes interim updates based on changing global dynamics. Citing the sweeping U.S. tax cuts, which it expects to boost investment in the world's largest economy and help its main trading partners, the IMF revised up its forecast for global GDP growth in 2018 and 2019 by 0.2% a year to 3.9% annually for each year.

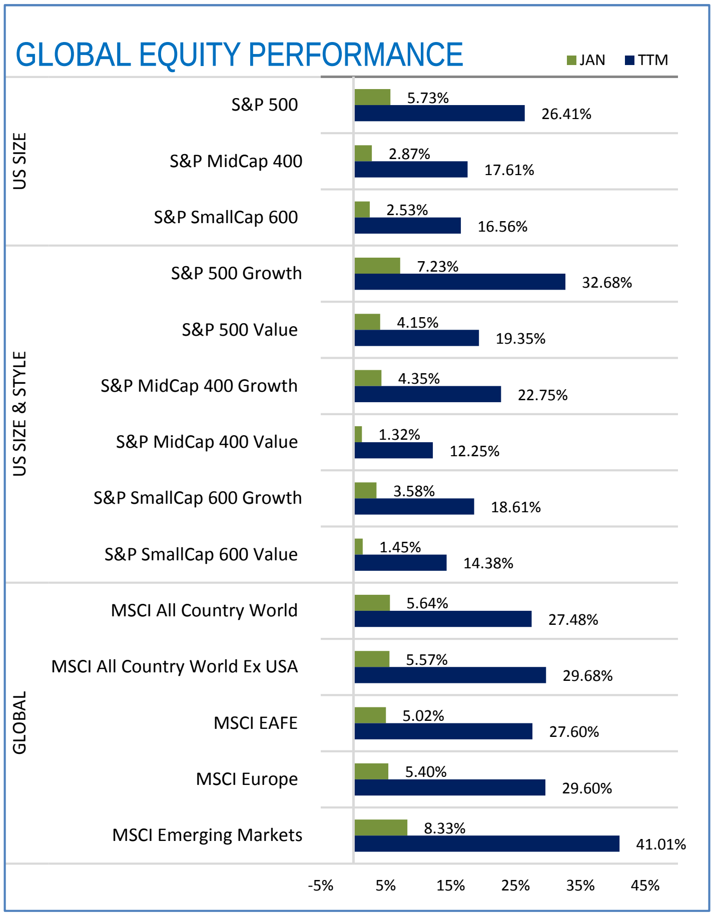
EUROZONE GROWTH CONTINUES

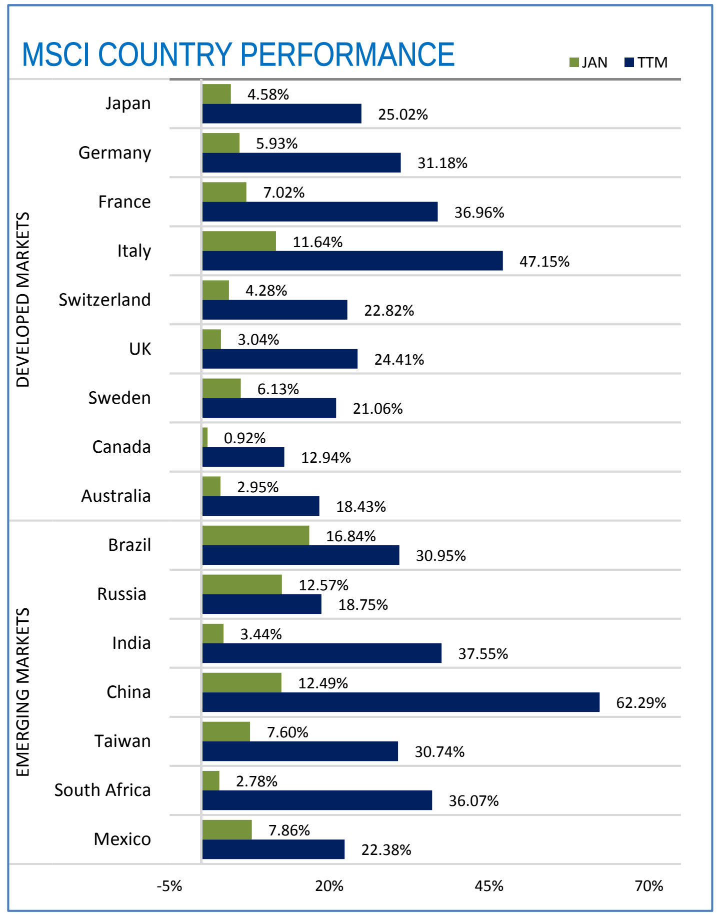
According to the initial estimates, Eurozone GDP grew 2.7% in Q4 2017. Continued strong growth in the region and low inflation may influence the European Central Bank (ECB) to begin tightening policy sooner than expected. Inflation continues to be benign.

CHINA OUTPACES EXPECTATIONS

China's economy grew 6.9% in 2017, ending the year on a positive note as official figures topped the government target of 6.5% according to the country's statistics bureau. The 2017 data represented an improvement over 2016, when China's economy grew 6.7% - the lowest growth rate in 26 years. China's GDP grew 6.8% in Q4, and topped analysts' forecast for 6.7% growth. The world's second-largest economy has been working to balance economic stability and growth.

GLOBAL EQUITIES: Global Growth Benefits Equities





STRONG JANUARY = STRONG YEAR?

The momentum in U.S. equities continued in January. The S&P 500 posted 14 new closing highs for its 21 trading days and resulting in a 5.73% gain for the month. This was the best January for the index since 1997 when it opened with a 6.13% gain. The S&P 500 closed up 33.36% in 1997. Many market participants believe January tends to be an indicator for the rest of the year. In fact, the so called 'January Indicator' has been accurate 72% of the time since 1928 - "so goes January, so goes the year."

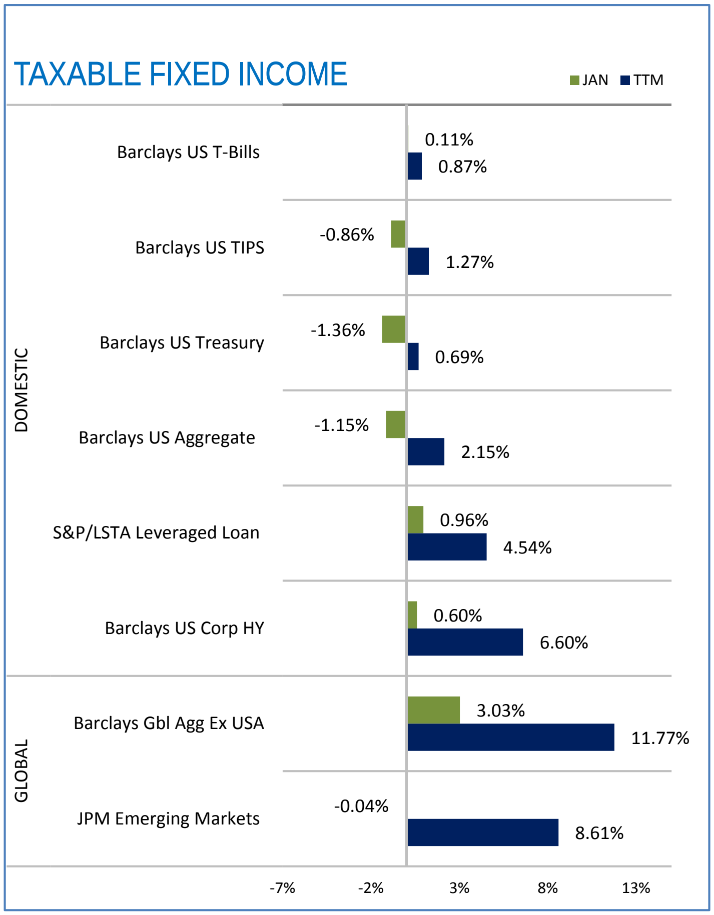
ECONOMIC DATA BOOSTS EUROZONE

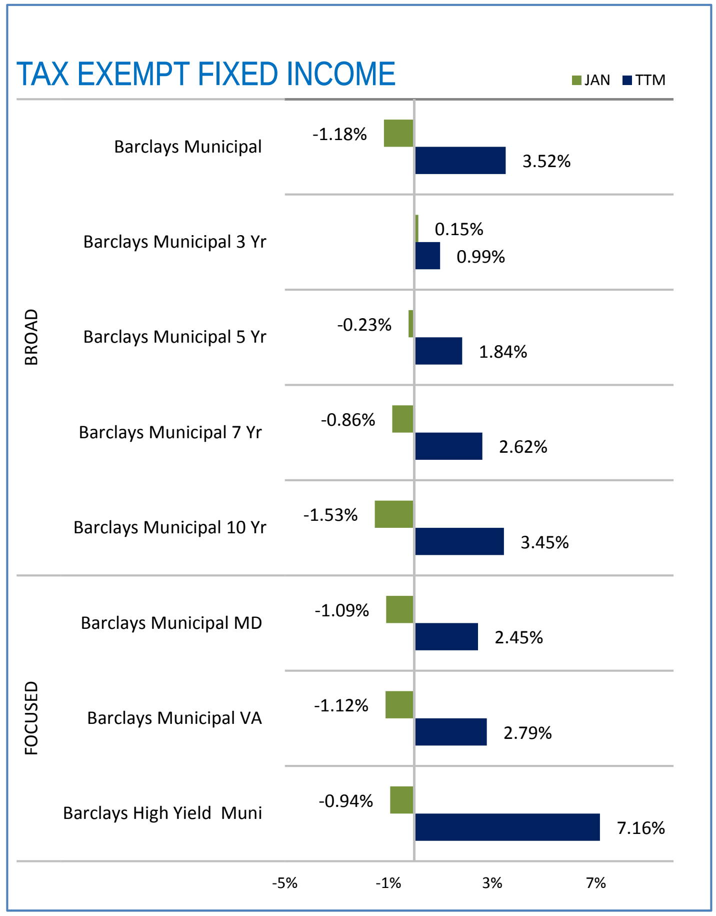
European equity markets were boosted by an accelerating economy. Initial estimates of Eurozone GDP showed the economy expanded by 2.7% in Q4, marking 19 straight quarters of growth. The accelerating economy and improving data pushed the MSCI Europe Index higher by 5.40%.

BRICS DOMINATE EM

Emerging equity markets enjoyed a strong start to the year with broad gains being registered across all regions and sectors. Equity markets were supported by an improving outlook for global growth. Latin America was the best performing region with Brazil leading the way, gaining 16.84%. The MSCI Emerging Markets Index returned 8.33% for the month and was dominated by the largest countries. The MSCI BRIC Index (Brazil, Russia, India & China) returned 11.47% in January.

FIXED INCOME: Growth & Inflation Push Yields Higher





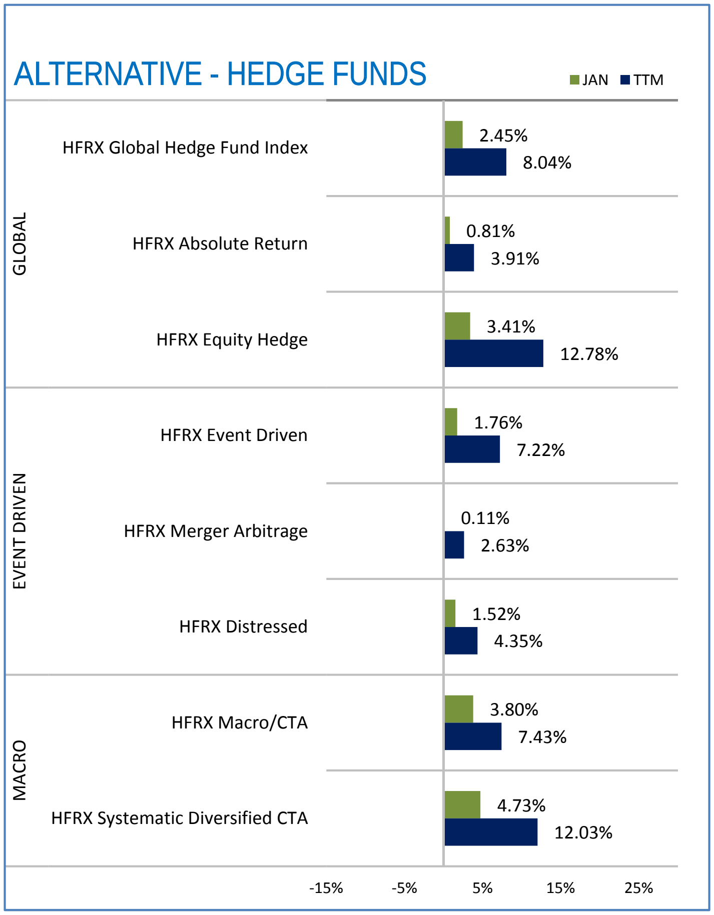
GROWTH & INFLATION IMPACT YIELDS

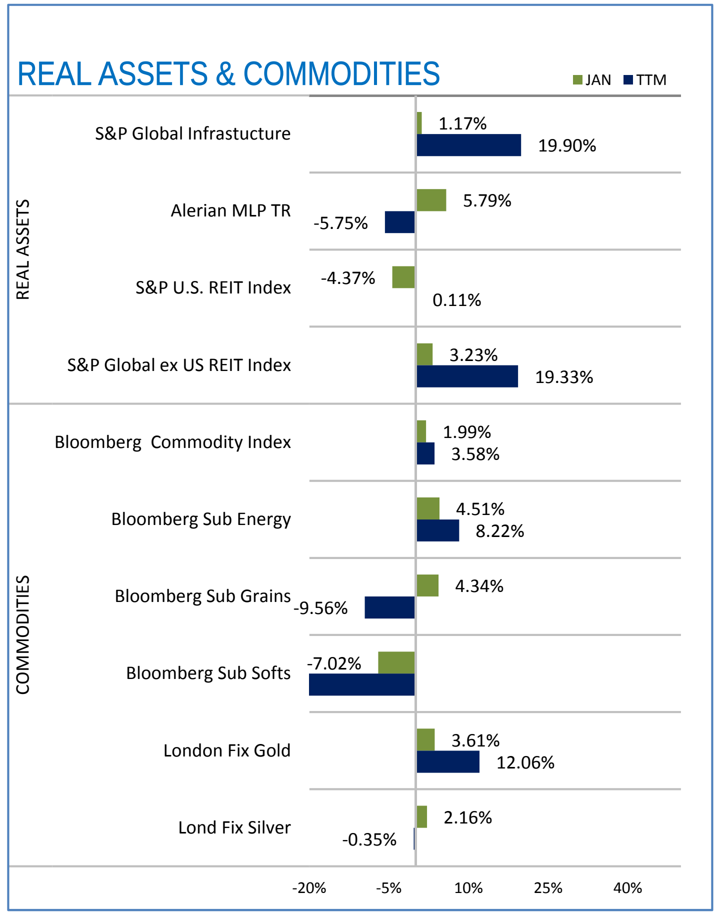
Treasury yields rose across the curve in January as investors reassessed their outlook for economic growth and inflation. The yield curve flattened modestly but steepened in the 2yr to 10yr range. The yield on the benchmark 10-year U.S. Treasury rose 31 bps to 2.72%, its highest level in 4 years. The outlook for economic growth has risen due to the recent corporate and personal tax cuts, while inflation expectations rose to above 2%. As yields rose, investment grade bonds generated negative returns for the month. Credit related sectors such as high yield bonds and leveraged loans rose 0.60% and 0.96% respectively.

MUNICIPAL MARKET STRUGGLES

The municipal market struggled in the first month following passage of the Tax Cuts and Jobs Act. Expectations for higher growth and inflation which pushed Treasury yields higher, did the same for municipal yields. Only shorter maturity issues generated positive returns in January with the Barclays Municipal 3 Year Index rising 0.15%.

ALTERNATIVES: Hedge Fund Performance Continues





Hedge Funds Momentum Continues

Hedge funds kept their momentum from December, and posted healthy gains in January as markets generally rose. The HFRX Global Hedge Fund Index posted a gain of 2.45% for the month, its largest monthly gain since May 2009. Global Macro indices ended the month up 3.8% and 4.73%, primarily due to trend following equity investments. The HFRX Equity Hedge Index gained 3.41% which marked its best month since December 2010, and its largest January gain since 2000.

REITs Fall As Rates Rise

The S&P U.S. REIT Index fell 4.37% in January. Rising bond yields appeared to spook investors evidenced by fund flows out of REIT mutual funds and ETFs. This helped push the yield on the index to 4.4% by month's end, which is low by historical standards but high in the current interest rate environment. Moreover, when the yield spread between REITs and the 10-year U.S. Treasury has been above 1.5% (1.68% at the end of January), equity REIT returns have historically been strong.