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ECONOMY: US & Europe Expanding

Q4 GDP Revised Upward

The third release of Q4 GDP was revised up to 2.1% from 1.9% previously. The slight upward revision was attributed to higher consumer spending and slightly higher business investment.

Fed Increases Rates Again

For the second time in three months, the Federal Reserve raised its short-term target rate 0.25% amidst rising confidence in the U.S. economy. The overnight Federal Funds rate target increased to a range of 0.75% to 1.0%. While the move was widely anticipated by the financial markets, it sets the stage for additional rate hikes ahead.

U.S. Household Wealth Rising

The Federal Reserve's Financial Accounts of the U.S. report for Q4 2016 showed that household wealth in the United States increased $2.04 trillion to a hit a fresh record high of $92.8 trillion at the end of 2016. The strong stock market performance after the election and rising home prices were the primary factor. Households' financial assets, which reflect investment wealth, rose 2.1% in Q4, while nonfinancial assets such as real estate, rose 1.9%

Congress Will Need To Revisit Debt Ceiling

The nation's borrowing limit has been suspended since November 2015, and on March 15 reset to the total amount borrowed at that point in time (roughly $20 trillion). The Treasury department will begin taking measures to stay under the borrowing limit. These measures, combined with the influx of revenues from tax collections should keep the Treasury under the debt limit and with resources to continue funding the government's existing obligations. Treasury Secretary Steven Mnuchin called on Congress to raise the borrowing limit "at the first opportunity."

Confidence Rises

The Conference Board ***Consumer Confidence Index***®, which had increased in February, improved sharply in March. Both the Present Situation Index and the Expectations Index increased for the month. *"Consumer confidence increased sharply in March to its highest level since December 2000. Consumers' assessment of current business and labor market conditions improved considerably. Consumers also expressed much greater optimism regarding the short-term outlook for business, jobs and personal income prospects. Thus, consumers feel current economic conditions have improved over the recent period, and their renewed optimism suggests the possibility of some upside to the prospects for economic growth in the coming months."*

BOE Maintains Policy

As largely expected, the Bank of England (BOE) voted in favor of keeping monetary policy unchanged at 0.25% at its most recent meeting. The BOE is willing to allow inflation to run above its 2% target temporarily to protect jobs and economic growth. The jobless rate in the U.K. has declined to 4.7%, the lowest rate since 1975.

Brexit Now Official!

In a historic, yet highly anticipated moment, British Prime Minister Theresa May triggered Article 50 of the Lisbon Treaty, formally declaring the U.K.'s intentions to withdraw from the European Union (EU). The signing begins the two-year legal process that will end with the U.K. leaving the EU.

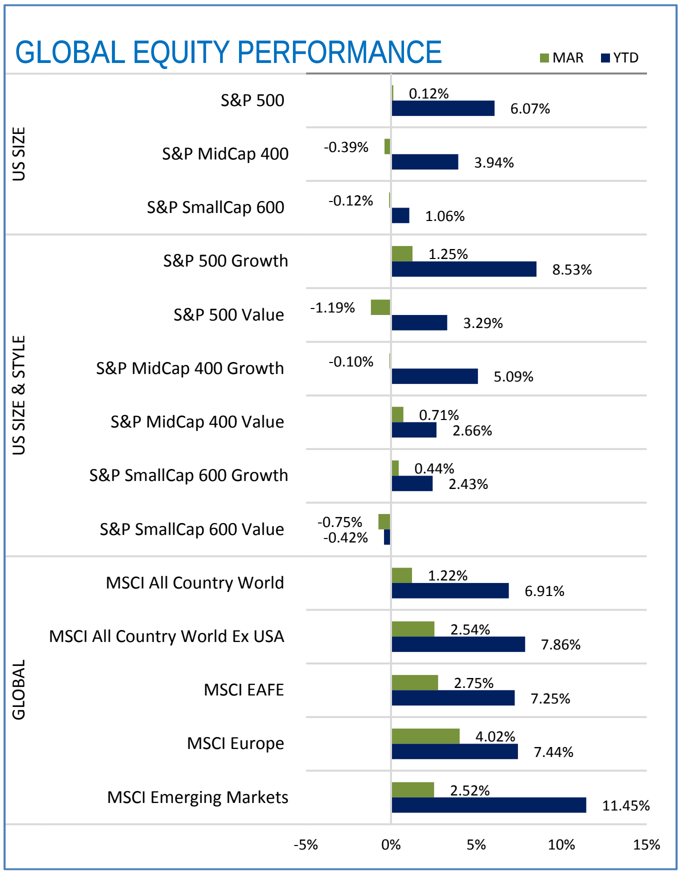
Optimism For Eurozone

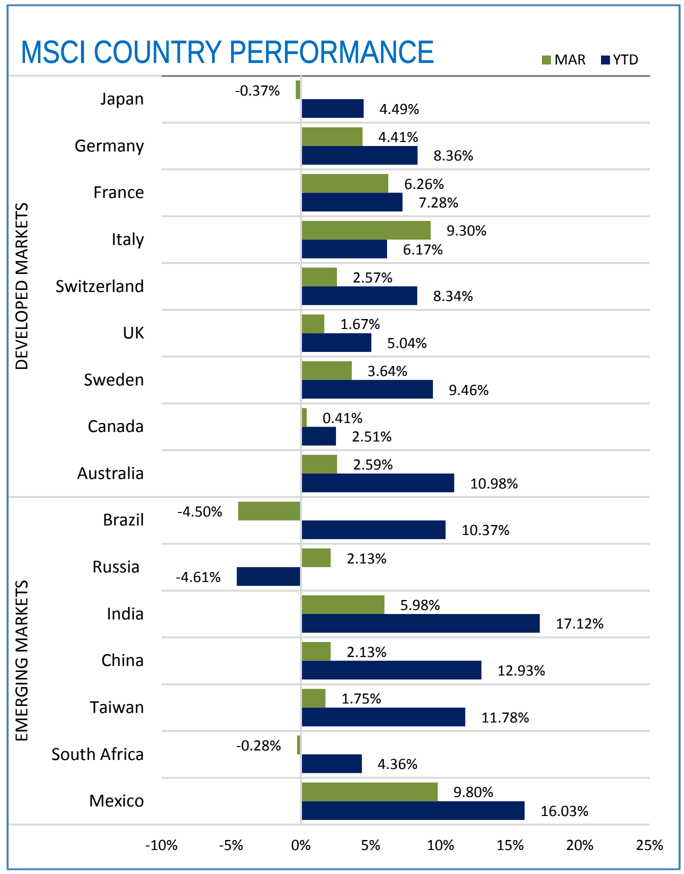
The Eurozone is enjoying its best period of economic activity since the region's debt crisis in 2011. IHS Markit's survey of private sector firms in the 19-country bloc hit a six-year high last month driven by higher employment, output and new orders. The regions two largest economies, France & Germany, accounted for the bulk of the growth.

Mexican Growth Strong

Economic activity in Mexico accelerated in January, up 2.96% year over year, besting market expectations of slower growth. Mexico's central bank increased its benchmark rate to 6.50% at its most recent meeting. This is the fourth time the central bank has raised rates since the U.S. election, partly to help the struggling peso which hit an all-time low January 20th.

GLOBAL EQUITIES: Global Equities Surge





S&P 500 Closes Flat

Upward momentum from February continued in the beginning of March, but sentiment quickly became more cautious as the month progressed. The failure to even vote on replacing the Affordable Care Act (Obamacare) and mixed economic data held the S&P 500 essentially flat in March. However, the index did generate a healthy 6.07% in Q1.

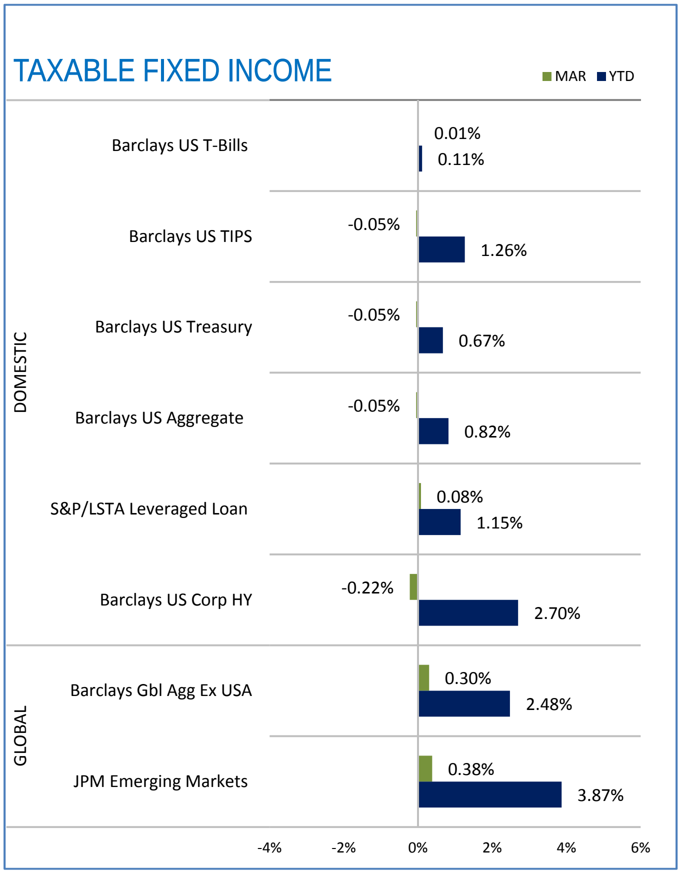
European Markets Surge Higher

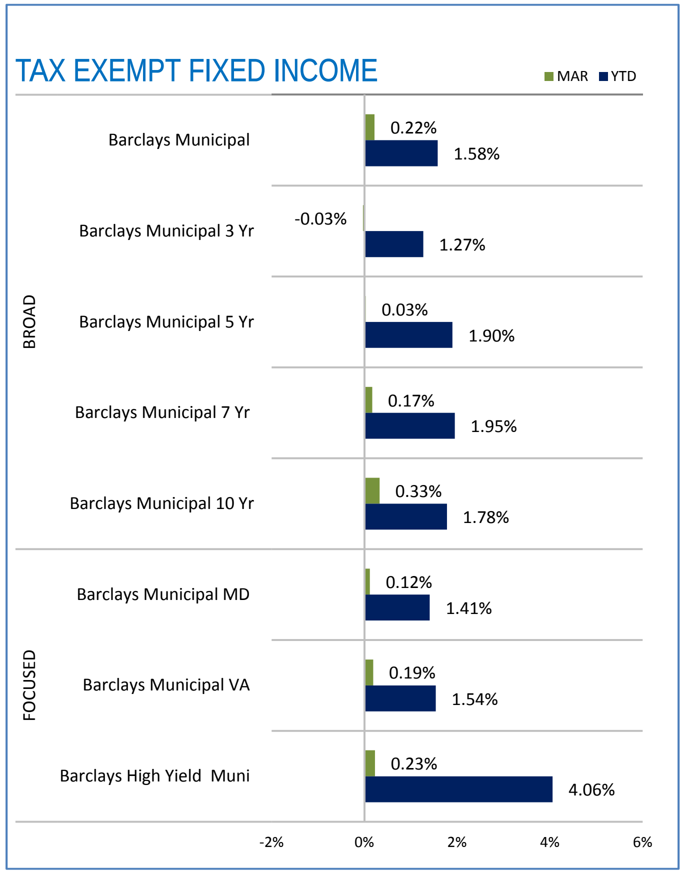
European markets booked strong gains to close the quarter on the back of improving economic data in the region. Unemployment in the region fell to the lowest levels in 8 years, while manufacturing continued its upward trend. Equity markets in Italy, France, and Germany all registered significant gains, as the MSCI Europe Index closed March up 4.02% and 7.44% for the quarter.

Emerging Momentum

Emerging equity markets gained further ground in March, making it the third month in a row of outperformance versus developed equity markets. The MSCI Emerging Markets index closed March with a 2.52% gain, and is up 11.45% through Q1. The best performing region was emerging Asia, led by India and Korea. Mexico was the strongest performing country, gaining 9.80%. However, gains in the Latin American region were held back by disappointing returns from Brazil which fell 4.50%

FIXED INCOME: Fed Hikes Again





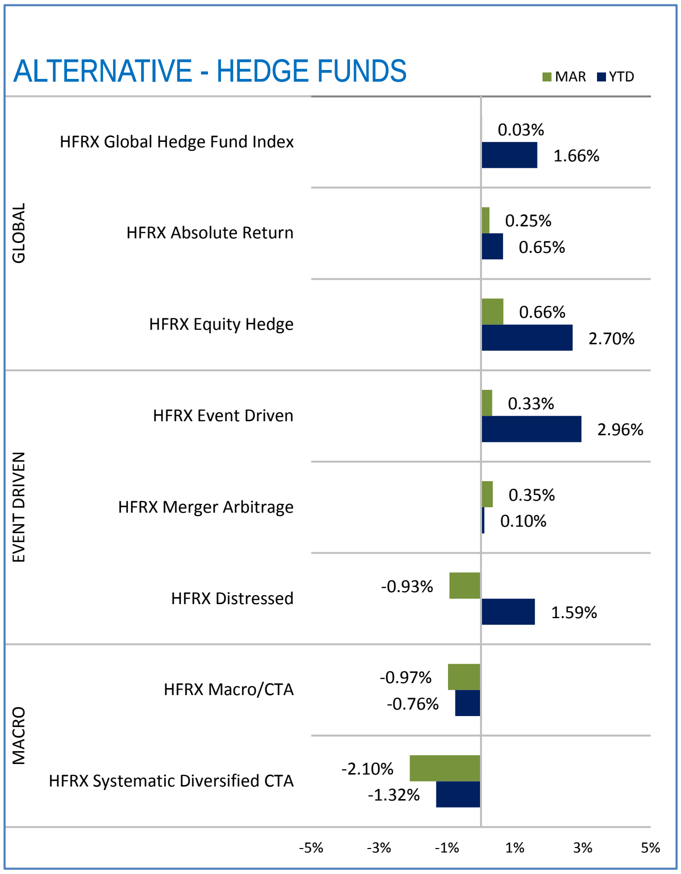
FED HIKES AGAIN

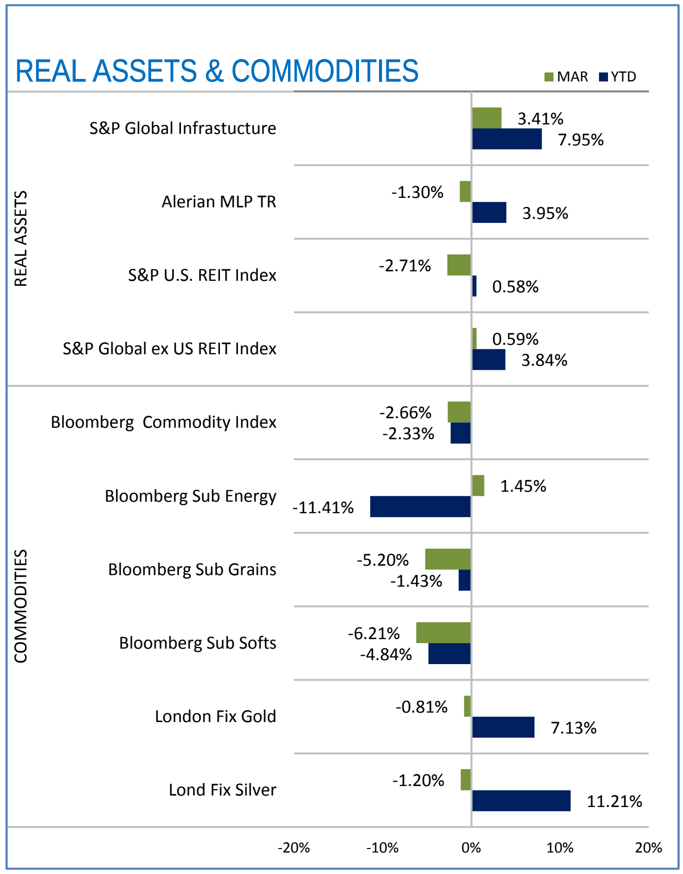
The bond market's focus in March was the Federal Reserve (Fed) and its monthly meeting to decide U.S. interest rate policy. As was widely expected, the Fed increased rates 0.25% at its March meeting. The statement accompanying the increase and official Fed forecasts, however, suggested a more gradual path of interest rate hikes than previously communicated. This shift in tone helped ease pressure on U.S. Treasuries, which subsequently led other core government bond yields lower.

EM LEADS FIXED INCOME

Emerging market bonds were big winners among fixed income asset classes in Q1, with the JPM Emerging Markets Bond Index rising 3.87% compared to only 0.82% for the Barclays U.S. Aggregate Bond Index. Much of the price gain this year represents a rebound from late 2016. The combination of higher U.S. interest rates, a strengthening dollar and the threat of U.S. trade tariffs weighed on emerging markets bonds in the fourth quarter, but concerns about all three issues have subsided in early 2017.

ALTERNATIVES: Mixed Month For Commodities





Global Macro Hedge Funds Struggle

Hedge funds returns were mixed in March. The HFRX Equity Hedge Index gained 0.66% as global equity markets were mixed. Global Macro strategies continued to struggle as global commodity markets failed to provide any sustainable trends. The HFRX Macro/CTA Index fell 0.97% while the Systematic Diversified CTA fell 2.10% to close the quarter.

Commodities Close Q1 Down

Commodities fell 2.66% in March, led by losses in grains and, to close the quarter down 2.33%. The 11.4% decline in the energy sub-index was the heaviest drag on the index's total return, subtracting about 4%. Agriculture was next, at negative 1.1%, while precious and industrial metals combined to add about 2.70%.