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U.S ECONOMY: Concerns Over Global Trade

Beginning of Trade War?
The Trump Administration increased tariffs on steel by 25% and on aluminum by 10%. This further escalated as the administration ordered $60 billion in tariffs on Chinese imports. China subsequently announced tariffs against 128 U.S. products, implementing it in two steps, which would have a $3 billion and $1.9 billion impact, respectively. This has the potential to significantly impact global economic growth, and the hope is that this encourages more productive trade negotiations.

Fed Raises For 6th Time
As expected, the Federal Reserve under new chair Jerome Powell unanimously voted to raise interest rates 0.25%. This was the sixth increase since December 2015, when the Fed started tightening monetary policy for the first time after the financial crisis Policymakers also hinted that future hikes could be steeper based on the strength of the economy.

Technology Pressured
Public pressure increased on social media company Facebook (FB), as the U.S. Senate requested that CEO Mark Zuckerberg testify about its privacy issues, along with the CEOs of Alphabet (GOOG, GOOGL) and Twitter (TWTR). Separately, 37 state attorney generals said they would investigate the issue, along with the UK.

Consumers Boost Q4 GDP Growth
U.S. GDP growth for Q4 2017 was revised upwards to 2.9% from 2.5%, led by increased consumer spending. This marks the third quarter in a row of GDP growth close to or exceeding the Trump administration's target of 3%.

Job Growth Continues, But Slows
March employment slowed as only 103k jobs were added to the economy versus forecasts of 185k. The unemployment rate remained at 4.1% for the past 6 months, while average earnings rose 2.7% over the past year. March was the 90th consecutive month of job growth, and employers have added an average of just over 200k jobs per month in 2018.

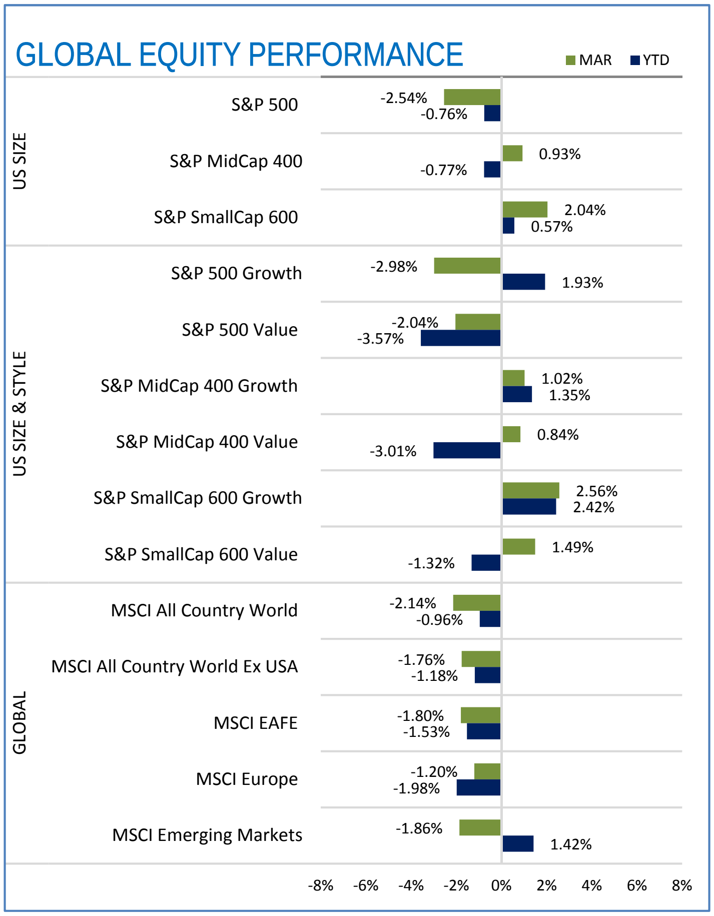
Corporate Confidence Continues To Rise
The Conference Board ***Measure of CEO Confidence™***, which rebounded in the fourth quarter of 2017, made further gains in the first quarter of 2018. *"CEO confidence improved further in the first quarter of 2018, following a rebound in late 2017. CEOs remain positive about short-term growth prospects in the U.S., and to a lesser degree, about prospects in other mature and emerging markets. Hiring plans have eased compared to last year, with more than half of CEOs anticipating an increase in employment levels in their industry. However, close to 40 percent say finding qualified workers remains a major obstacle to hiring."*

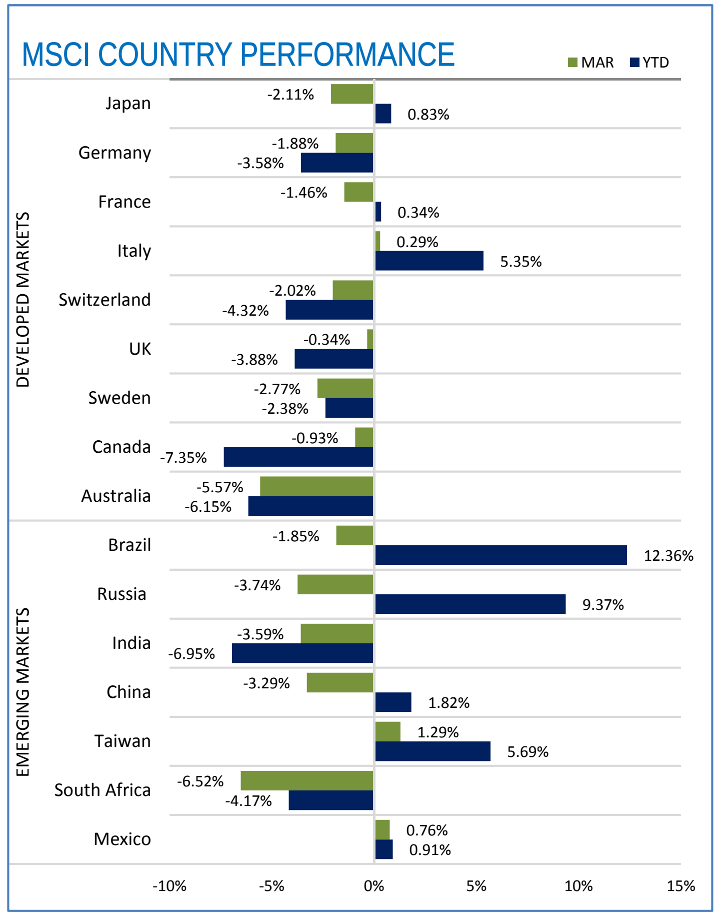
ECB Beginning To Normalize?
The European Central Bank (ECB) kept eurozone interest rates on hold, but dropped its pledge to increase the size of its quantitative easing program if need be, which was seen as a further step towards normalizing monetary policy. However, the ECB governing council reiterated that it will continue with a "patient, persistent and prudent" approach to existing stimulus measures.

China To Hit Growth Targets?
China's economic growth is expected to reach 6.6% this year, according to a report from the Asian Development Bank (ADB). In its annual publication 'Asian Development Outlook 2018,' the bank said China's growth accelerated on strong demand from home and abroad. *"Expansion in China should moderate to 6.6% in 2018 and 6.4% in 2019 as economic policy leans further toward financial stability and a more sustainable growth trajectory."* China has set its GDP growth target at around 6.5% for 2018.

North Korea Open To Meet Trump
South Korea delivered a letter from North Korea to the U.S. inviting President Trump to North Korea for talks, saying it was prepared to suspend its nuclear and missile tests. Trump agreed to meet with North Korean leader Kim Jong-un to discuss denuclearization, while the exact time and place remain open.

GLOBAL EQUITIES: Equities Fall On Trade Concerns





Size and Style Matter in March

U.S. equity markets continued to decline in March as the S&P 500 fell 2.54%. This was an improvement over the 3.69% decline in February and coupled with January's 5.73% surge, left the index down only 0.76% YTD. While the S&P 500 failed to set a new high in March, it also failed to revisit the correction low despite trading in a wide range. Small and mid cap U.S. equity returns were positive in March as the S&P MidCap 400 gained 0.93% and the S&P SmallCap 600 gained 2.04%. Despite whispers of a change in leadership as technology stocks were pressured, growth continued to outperform value across the market capitalization spectrum.

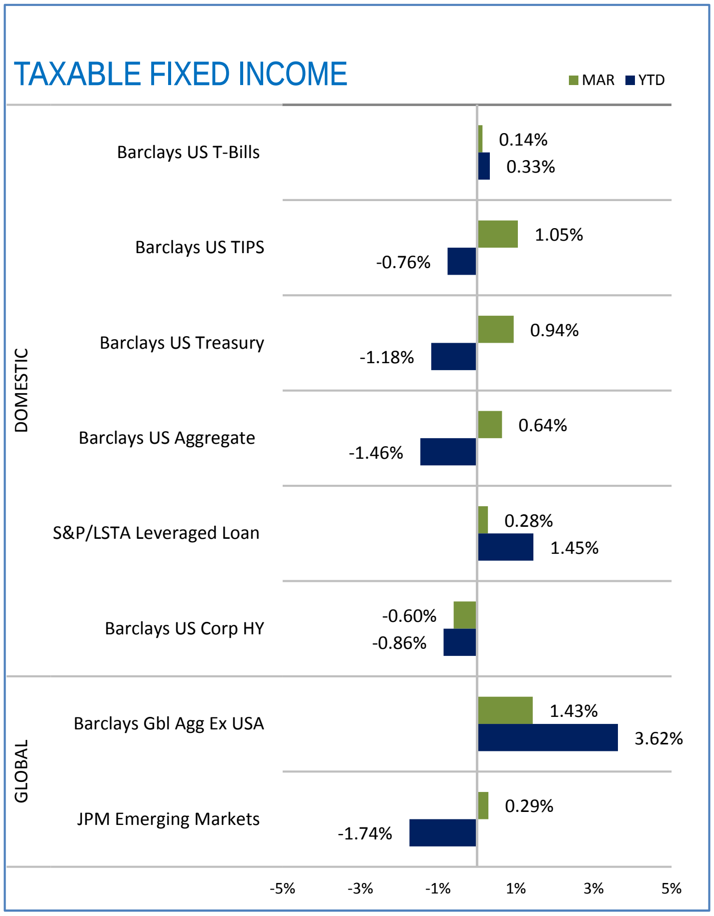
Volatile or Normal?

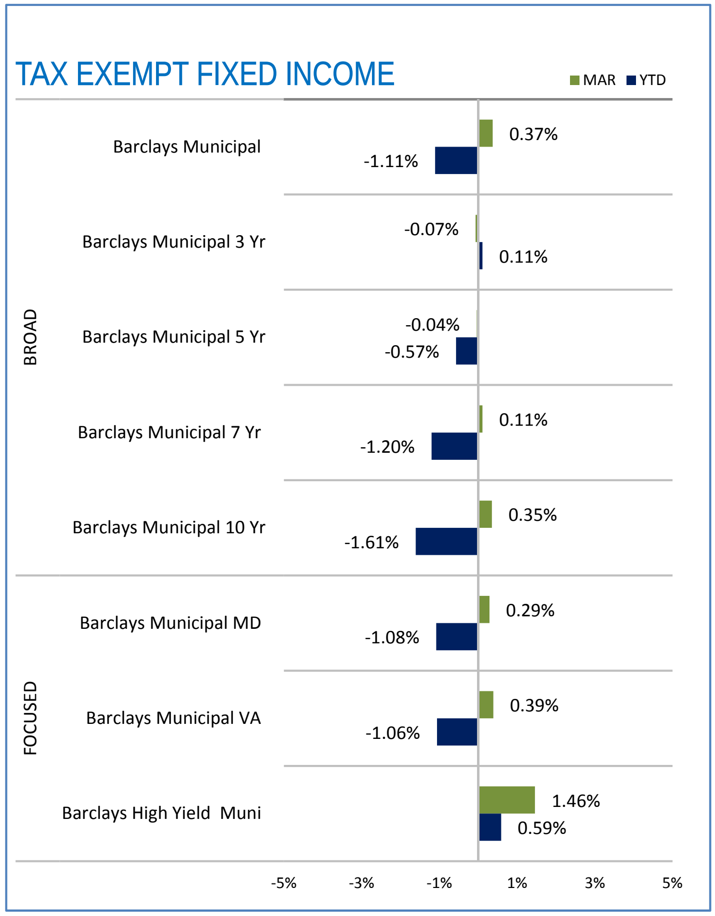
Volatility persisted in March. The VIX ended March at 19.97, up 42% year to date but below its long term average. It has been a stark difference from the low levels of volatility in 2017 when the VIX averaged only 11.09. Through the first three months of the year, the S&P 500 has 33 days where it has moved up or down by 1%. There were only 8 in all of 2017. There have been 5 days where the S&P 500 has moved up or down 2%, and this did not happen once in 2017

Trade Talks Sink Foreign Markets

Foreign equity markets followed the U.S. markets lower primarily caused by global trade concerns. Increased U.S. tariffs on steel and aluminum, along with retaliatory tariffs by China pushed global markets lower. The MSCI EAFE Index fell 1.80% and the MSCI Europe Index fell 1.20% in March. Emerging markets equities declined as well, with Russia, India, China and South Africa all down more than 3% for the month. The MSCI Emerging Markets Index declined 1.86%.

FIXED INCOME: Trade Concerns & Volatility Benefit Bonds





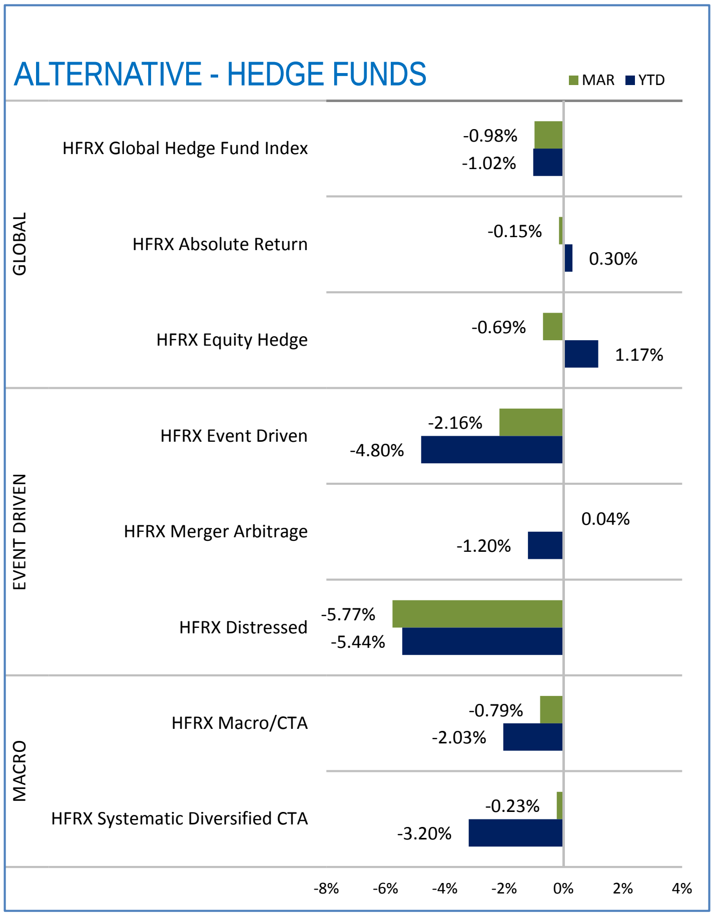
Equity Volatility Benefits Bonds

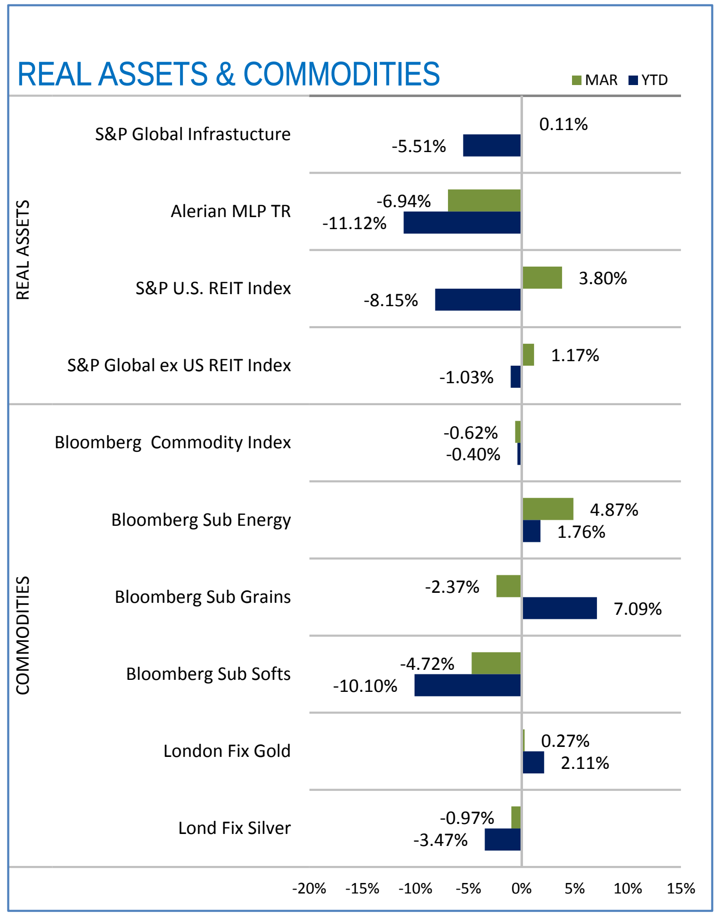
The Treasury yield curve continued to flatten as the 10-Year Treasury yield fell 13 basis points (bps) in March to 2.74% while short term rates remained unchanged. Rising uncertainty and concern over global trade policy and tariffs have the potential to negatively impact economic growth. The Fed raised the Fed Funds rate another 25 bps at its March meeting, bringing the new target range to 1.50% - 1.75%. The concern over a potential trade war and ongoing equity market volatility helped push bond prices higher. The Barclays U.S. Aggregate Bond Index gained 0.64% in March, but ended Q1 down 1.46%.

High Yield Muni's Outperform

Municipal issuance declined in Q1 as a result of the tax reform legislation, as supply was down 32% over 2017 primarily due to the elimination of tax-exempt refundings. In March, the longest maturities outperformed but suffered the worst performance for the quarter as rates rose and the yield curve steepened. The Barclays Municipal Bond Index rose 0.37% in March but fell 1.11% for Q1. Along the quality spectrum, high yield municipals outperformed higher credit quality issues as the Barclays High Yield Municipal Bond Index rose 1.46%.

ALTERNATIVES: MLP Declines Push Yields Higher





AS MLPS FALL, YIELDS & SPREADS RISE

Master limited partnerships (MLPs), as measured by the Alerian MLP Index fell 6.9% in March. The best-performing MLP subsector for March was the Gathering and Processing group, while the Upstream subsector generated the weakest returns, on average. MLP yield spreads, as measured by the Alerian MLP Index yield relative to the 10-Year U.S. Treasury Bond, widened by 62 basis points (bps) over the month, ending the quarter at 6.17%. This compares to the trailing five-year average spread of 4.67% and the average spread since 2000 of approximately 3.64%. The yield on the Alerian MLP Index at the end of March was 8.9%.

DISTRESSED DEBT…DISTRESSED INVESTORS

Hedge funds followed the global equity markets in March and generated negative returns. The HFRX Global Hedge Fund Index declined 0.98% for the month. Distressed debt was the biggest loser, declining 5.77% due to investments in the industrial and energy sectors. Global macro strategies declined marginally, while merger arbitrage eked out a 0.04% gain for the month.