

Key Takeaways

- **Strong U.S. economic indicators and strong 1st quarter earnings pushed U.S. equities higher**
- **Economic news overseas was not as positive with heightened uncertainty in Southern Europe over populist elections**
- **Technology remains a strong driver of performance across most markets, especially the U.S.**

Overview

- Investors reacted positively to economic news in the U.S. especially to the stronger than expected labor market stats.
- Despite negative news on the trade front with respect to tariff talk, the US stock market continued to melt up on the recent positive economic news.
- On a fundamental basis we believe most publicly traded financial assets are over valued relative to market fair value and much of the recent rise in equities has been a result of higher investor confidence in stronger economic growth.

Areas of Opportunity & Concern

- Technology stocks and innovative technologies across most economic sectors continues to drive equity prices higher, despite elevated valuations and peak earnings. Despite near term concerns in the sector we still believe that the rapid rate of technological change (Moore's Law) will continue to shape future economic growth.
- While the economic numbers have been positive recently, backed by strong job numbers, we believe there is more below the surface that suggests that the positive reaction maybe premature or overdone. The rapid growth of debt and negative talk on trade tariffs should keep a lid on any higher than normal real growth.
- A number of developments in the public markets over the last several years is cause for concern. The number of publicly traded companies continues to decline with private markets commanding the majority of market share. This "De-democratization" of the individual public securities market has been compounded by the rapid growth of ETFs. Most individual investors do not have access top the private markets and its associated opportunities.

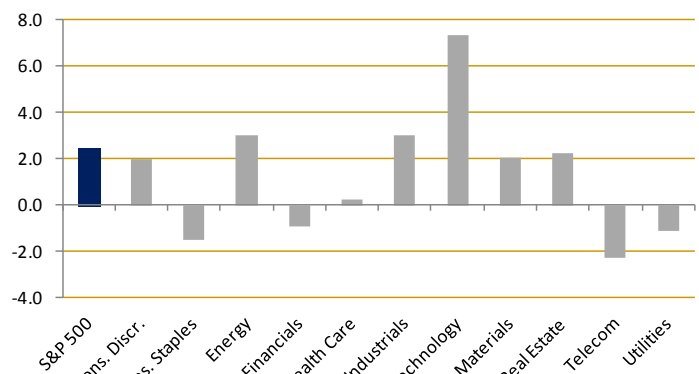
Key Market & Economic Indicators

	Bullish	Favorable	Neutral	Cautious	Bearish
		May 2018	Trailing 3 Months	Trailing 1 Year	Current View
Equities					
U.S. Large & Mid Cap		2.41%	0.19%	14.38%	■ Cautious
U.S. Small Cap		6.07%	8.37%	20.76%	■ Cautious
International		-2.25%	-1.82%	7.97%	■ Neutral
Emerging Markets		-3.54%	-5.76%	14.03%	■ Neutral
Fixed Income					
U.S. Aggregate		0.71%	0.61%	-0.37%	■ Neutral
U.S. Government		0.89%	1.01%	-0.80%	■ Cautious
U.S. Corporate		0.50%	-0.10%	0.08%	■ Neutral
U.S. High Yield		-0.03%	0.01%	2.35%	■ Neutral
Non-U.S. Developed		-1.96%	-2.70%	3.98%	■ Cautious
Emg Market Debt		-5.40%	-7.12%	-0.01%	■ Bearish
Alternatives					
REITs		3.95%	9.45%	1.34%	■ Neutral
Commodities		1.24%	4.22%	15.64%	■ Bearish
Managed Futures		-1.11%	-6.65%	-6.16%	■ Cautious
Hedge Fund		0.26%	-0.63%	2.88%	■ Favorable

Source: Morningstar

Data as of 05/31/2018

S&P 500 Sector Returns (%) 1 Month Trailing (As of 05/31/2018)



Source: Morningstar

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Index definitions:

“U.S. Large Cap” represented by the S&P 500 Index.

“U.S. Small Cap” represented by the Russell 2000 Index.

“International” represented by the MSCI Europe, Australasia, Far East (EAFE) Net Return Index.

“Emerging” represented by the MSCI Emerging Markets Net Return Index.

“U.S. Aggregate” represented by the Barclays U.S. Aggregate Bond Index.

“U.S. Government” represented by the Barclays U.S. Government Bond Index.

“U.S. Corporate” represented by the Barclays U.S. Credit Bond Index.

“U.S. High Yield” represented by the Barclays U.S. Corporate High Yield Index.

“Non-U.S. Developed” represented by the S&P International Treasury ex U.S. Index.

“Emg Market Debt” represented by the JP Morgan GBI-EM Global Core Index

“REITs” represented by the FTSE North American Real Estate Investment Trust (REIT) Equity REITs Index.

“Commodities” represented by the Dow Jones Commodity Index.

“Managed Futures” represented by the Credit Suisse Managed Futures Index.

“Global Macro” represented by the Credit Suisse Global Macro Index

Direct investment in an index is not possible.

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