

Key Takeaways

- **Mid to long term asset returns expected to be below the long term averages**
- **Invest in innovative technologies that are and will continue to effect global industries in a positive way**
- **Growth expected to slow as debt levels rise and demographics play a role**

Overview

- Stocks remained in a volatile pattern during the month of April with investors focused on the direction of the benchmark 10 Year Treasury yield.
- Positive earnings momentum has the bulls predicting that the bull market has plenty of steam left and the bears skeptical that earnings strength can't continue given the weak outlook in economic growth.
- We believe that most traditional asset classes are over valued, but also believe that earnings expectations are too optimistic and bond yields are more than likely to remain in a narrow range around the 3.0% yield level.

Areas of Opportunity & Concern

- We remain strong believers of innovative technologies that are driving change across multiple industries in the global economy. This is where capital is being spent on R&D and productivity enhancements. Advances in genetics, robotics, artificial intelligence, nanotechnology, clean technology, biotech and ecommerce are areas of focus.
- Outside of the innovation theme, we believe in low cost beta exposures to broad global equities, especially well capitalized quality companies, diversified exposure to credit and lower than market duration on the fixed income side and a mix of low cost beta exposures and active alpha on the alternative side.
- Longer term we believe equity earnings cannot grow faster than the overall economy and the valuations are slightly rich. Given were yield is for the US equity market coupled with more likely lower longer term earnings growth (lower economic growth due to higher debt and demographics) and slightly elevated valuations, we believe a realistic range of future equity returns falls between 4.0-5.5%.

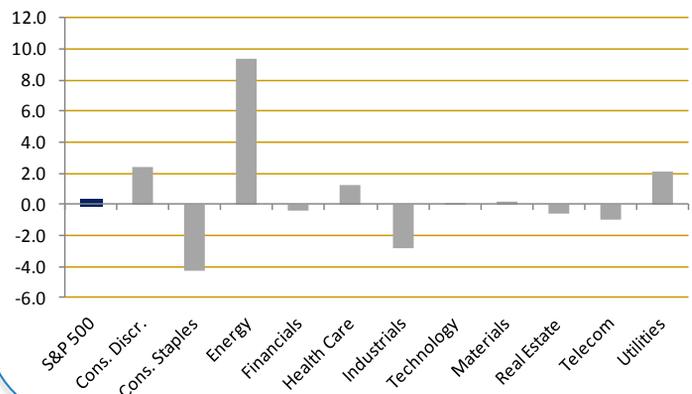
Key Market & Economic Indicators

	Bullish	Favorable	Neutral	Cautious	Bearish
Equities		Apr 2018	Trailing 3 Months	Trailing 1 Year	Current View
U.S. Large & Mid Cap		0.38%	-5.77%	13.27%	Cautious
U.S. Small Cap		0.86%	-1.79%	11.54%	Cautious
International		2.28%	-4.09%	14.51%	Neutral
Emerging Markets		-0.44%	-6.80%	21.71%	Neutral
Fixed Income					
U.S. Aggregate		-0.74%	-1.05%	-0.32%	Neutral
U.S. Government		-0.80%	-0.62%	-1.04%	Cautious
U.S. Corporate		-0.91%	-2.11%	0.65%	Neutral
U.S. High Yield		0.65%	-0.81%	3.26%	Neutral
Non-U.S. Developed		-2.34%	-1.95%	8.88%	Cautious
Emg Market Debt		-2.80%	-2.92%	7.68%	Bearish
Alternatives					
REITs		1.43%	-2.82%	-3.26%	Neutral
Commodities		2.91%	1.00%	12.24%	Bearish
Managed Futures		-3.04%	-13.24%	-5.00%	Cautious
Hedge Fund		-0.98%	-1.01%	3.20%	Favorable

Source: Morningstar

Data as of 04/30/2018

S&P 500 Sector Returns (%) 1 Month Trailing (As of 04/30/2018)



Source: Morningstar

Important Disclosures

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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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