

~ MAY 2015 NEWSLETTER ~

Monthly Summary

Stocks traded in a tight range in May. Despite light volume and low volatility, the S&P 500 index managed to hit four new closing highs during the period and ultimately finished the month with a slight gain. Investors have been faced with uncertainty over the economy's health and the timetable of Federal Reserve interest rate hikes. Dollar strength, West Coast port disruptions, and harsh winter weather pushed the U.S. economy into an annualized contraction of 0.7% in the first quarter. Consumers have also been particularly conservative in their spending patterns — unusual in light of fuel savings from the precipitous drop in oil prices. Recent data, however, suggests the economy may be normalizing. Housing, in particular, has experienced favorable dynamics. Household formation rates are back to pre-recession levels, sales volumes are up, and prices continue to rise. Tight inventories suggest ample room for new housing construction.

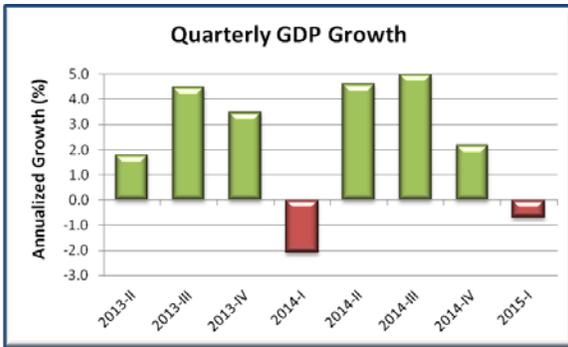
Outside of the U.S., investors were captivated by a rather dramatic upward move in German interest rates, from near zero, as well as the ongoing saga between Greece, its government, and the country's creditors. Greece, in desperate need of a deal to meet impending debt payments, has thus far failed to negotiate a package with its international creditors. Failure to do so in a relatively short period of time could result in the nation defaulting on its debt and exiting the euro zone.

Economic Data

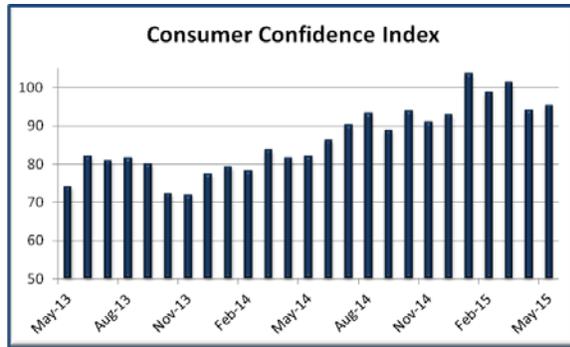
General	Prior	Current
GDP growth	2.2% (Q4)	-0.7% (Q1)
Trade balance	-\$35.9B (Feb)	-\$51.4B (Mar)

Employment	Prior	Current
Initial jobless claims	275,000 (5/16)	282,000 (5/23)
Continuing claims	2.2MM (5/9)	2.2MM (5/16)
Change in nonfarm payrolls	85,000 (Mar)	223,000 (Apr)
Unemployment rate	5.5% (Mar)	5.4% (Apr)
Average weekly hours	34.5 (Mar)	34.5 (Apr)

Consumer	Prior	Current
Consumer confidence index (Conf. Board)	94.3 (Apr)	95.4 (May)
Retail sales growth (YoY)	2.1% (Mar)	0.7% (Apr)
Change in consumer credit	\$14.8B (Feb)	\$20.5B (Mar)



Data Source: U.S. Department of Commerce

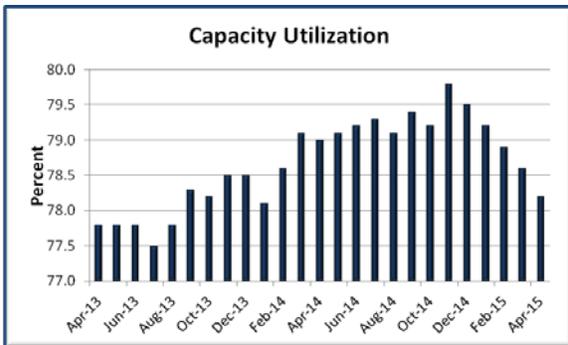


Data Source: The Conference Board

<u>Manufacturing & Service</u>	<u>Prior</u>	<u>Current</u>
ISM manufacturing index	51.5 (Mar)	51.5 (Apr)
ISM non-manufacturing index	56.5 (Mar)	57.8 (Apr)
Durable goods orders growth	5.1% (Mar)	-0.5% (Apr)
Industrial production growth	-0.3% (Mar)	-0.3% (Apr)
Capacity utilization	78.6% (Mar)	78.2% (Apr)

<u>Real Estate</u>	<u>Prior</u>	<u>Current</u>
New home sales	484,000 (Mar)	517,000 (Apr)
Existing home sales	5.2MM (Mar)	5.0MM (Apr)
Case-Shiller home price index (YoY)	5.0% (Feb)	5.0% (Mar)

<u>Inflation</u>	<u>Prior</u>	<u>Current</u>
Consumer price index/Core (YoY growth)	-0.1%/1.8% (Mar)	-0.2%/1.8% (Apr)
Producer price index/Core (YoY growth)	-0.8%/0.9% (Mar)	-1.3%/0.8% (Apr)



Data Source: U.S. Federal Reserve



Data Source: U.S. Census Bureau

Market Returns

	May 2015	YTD 2015
<u>Cash and Fixed Income</u>		
Barclays Aggregate Bond	-0.2%	1.0%
Barclays Municipal Bond	-0.3%	0.2%
Barclays Gbl Agg. ex. U.S.	-3.0%	-5.5%
<u>Alternatives</u>		
Bloomberg Commodity	-2.7%	-3.2%
DJ US Real Estate	-0.2%	-1.0%

	May 2015	YTD 2015
<u>Domestic Equities</u>		
Wilshire 5000	1.3%	3.7%
S&P 500	1.3%	3.2%
Russell 2000	2.3%	4.0%
<u>International Equities</u>		
MSCI EAFE (Developed)	-0.5%	8.6%
MSCI EM (Emerging)	-4.0%	5.7%

Data Sources: Morningstar & Hedge Fund Research, Inc.

Disclaimers

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