

~ JULY 2018 NEWSLETTER ~

Monthly Summary

Global equity markets showed a strong month as U.S. stocks surged and international stocks pared back earlier losses. Large cap value stocks outperformed, overtaking technology and small cap companies, which led the market in recent months. U.S. companies are repurchasing their own stocks at record levels, providing a boost to stock prices. Although most companies delivered healthy earnings in the second quarter, a handful of widely held technology and auto firms struggled. The U.S. stock market is expensive based on an array of valuation measures. Investors should be cautious about their expectations for long-term price gains. U.S. interest rates rose with the largest increases at the long end of the yield curve. As a result, Treasury and government bonds declined. Credit-sensitive bonds posted positive returns and municipal bonds did well relative to taxable securities. After a modest upward shift, high yield bond default rates have stabilized. In commodities, gains in agriculture were offset by declining prices in the energy and metals sectors.

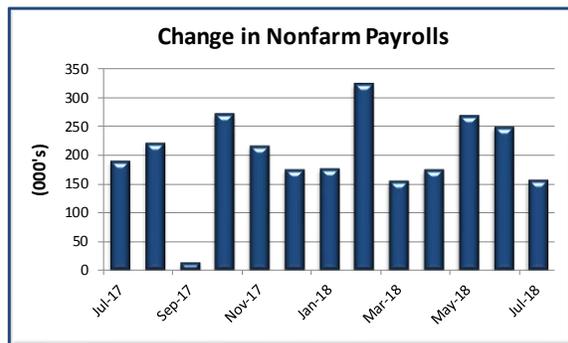
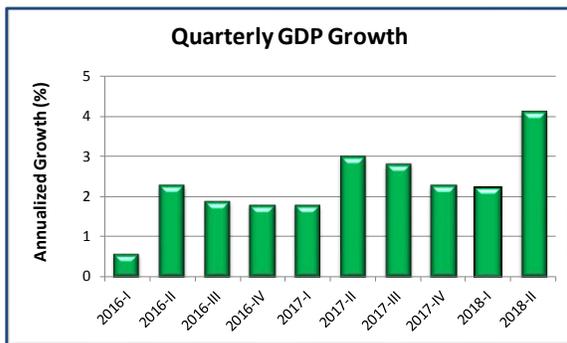
Although the U.S. economy accelerated in the second quarter, housing and auto sales appear to be weakening. Supply shortages, rising prices and a slowdown in exports are headwinds for manufacturing. The Federal Reserve left rates unchanged but forecasted additional hikes by year-end. Fears of a global trade war, with the U.S. at the center, intensified following threats of retaliatory tariffs from China and contentious negotiations with the European Union. The U.K. appears to be heading towards a chaotic exit from the E.U. The sharp increase in corporate debt is also a concern.

Economic Data

| General | Prior | Current |
|----------------|----------------|----------------|
| GDP growth | 2.2% (Q1 2018) | 4.1% (Q2 2018) |
| Trade balance | -\$43.2B (May) | -\$46.3B (Jun) |

| Employment | Prior | Current |
|-----------------------------|----------------|----------------|
| Initial jobless claims | 217,000 (7/21) | 218,000 (7/28) |
| Continuing claims | 1.75MM (7/14) | 1.72MM (7/21) |
| Change in non-farm payrolls | 248,000 (Jun) | 157,000 (Jul) |
| Unemployment rate | 4.0% (Jun) | 3.9% (Jul) |
| Average weekly hours | 34.6 (Jun) | 34.5 (Jul) |

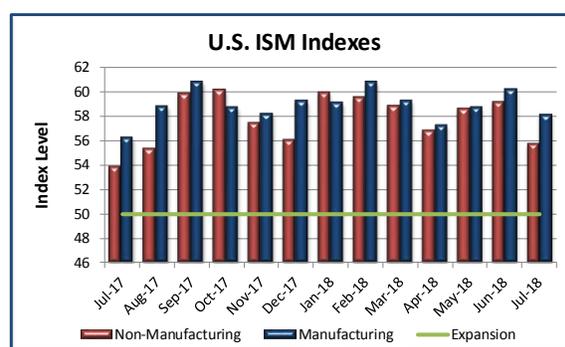
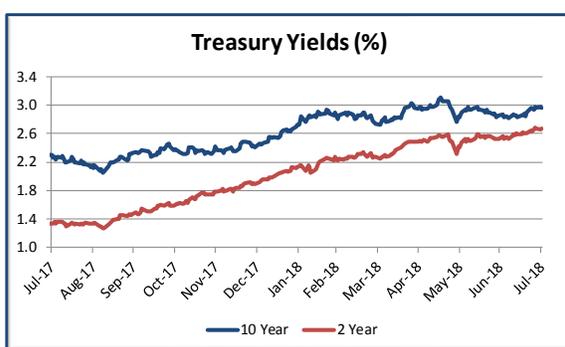
| Consumer | Prior | Current |
|--|---------------|----------------|
| Consumer confidence index (Conference Board) | 127.1 (Jun) | 127.4 (Jul) |
| Retail sales growth | 1.3% (May) | 0.5% (Jun) |
| Change in consumer credit | \$10.3B (Apr) | \$24.6B (May) |



| Manufacturing & Service | Prior | Current |
|------------------------------------|--------------|----------------|
| ISM manufacturing index | 60.2 (Apr) | 58.1 (Jul) |
| ISM non-manufacturing index | 59.1 (Apr) | 55.7 (Jul) |
| Durable goods orders growth | -0.3% (May) | 1.0% (Jun) |
| Industrial production growth | -0.5% (May) | 0.6% (Jun) |
| Capacity utilization | 77.7% (May) | 78.0% (Jun) |

| Real Estate | Prior | Current |
|---|---------------|----------------|
| New home sales | 666,000 (May) | 631,000 (Jun) |
| Existing home sales | 5.4MM (May) | 5.4MM (Jun) |
| S&P CoreLogic CS home price index (YoY) | 6.4% (Apr) | 6.4% (May) |

| Inflation | Prior | Current |
|--|-----------------|-----------------|
| Consumer price index/Core (YoY growth) | 2.8%/2.2% (May) | 2.9%/2.3% (Jun) |
| Producer price index/Core (YoY growth) | 3.1%/2.4% (May) | 3.4%/2.7% (Jun) |



Market Returns

| | July 2018 | YTD 2018 |
|---------------------------|------------------|-----------------|
| Fixed Income | | |
| BBgBarc Aggregate Bond | 0.0% | -1.6% |
| BBgBarc Municipal Bond | 0.2% | 0.0% |
| BBgBarc Gbl Agg. ex. U.S. | -0.4% | -1.7% |
| Alternatives | | |
| Bloomberg Commodity | -2.1% | -2.1% |
| DJ U.S. Real Estate | 0.9% | 2.3% |

| | July 2018 | YTD 2018 |
|-------------------------------|------------------|-----------------|
| Domestic Equities | | |
| Wilshire 5000 | 3.5% | 6.6% |
| S&P 500 | 3.7% | 6.5% |
| Russell 2000 | 1.7% | 9.5% |
| International Equities | | |
| MSCI EAFE (Developed) | 2.5% | -0.4% |
| MSCI EM (Emerging) | 2.2% | -4.6% |

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