

~ MAY 2018 NEWSLETTER ~

Monthly Summary

U.S. investments dominated the month with stocks, bonds and real estate all posting healthy returns. Robust corporate profits and a positive outlook over the coming months overtook the headwind from rising interest rates. Strong returns from the technology sector led to sharp outperformance by small capitalization and growth stocks. International investments were hampered by weaker currencies versus the U.S. dollar and stock market downturns in Europe and Latin America. International stocks, including emerging markets, are now underwater year to date. Commodities did well overall, despite a decline in oil prices. The 10-year U.S. Treasury, the closely watched bellwether for economic growth and inflation, breached the 3% threshold before falling back by month-end. Asset flows favored defensive fixed income investments, resulting in positive returns for high quality U.S. bonds. High yield bonds were flat for the month.

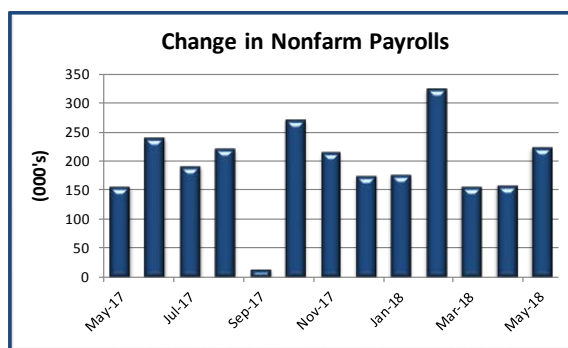
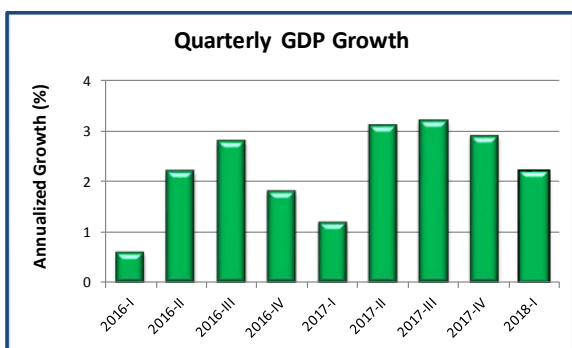
Geopolitical risks continued to rattle investors with trade tensions, the future of the Eurozone and the nuclear ambitions of Iran and North Korea generating headlines during the month. Europe appears to be losing momentum and slowing global trade is sapping emerging countries. In the U.S., a strong employment report, high business confidence and support from the manufacturing sector bode well for economic growth. However, the housing market is having a soft year during the spring selling season and consumer spending has been unusually weak. Core inflation is heating up and a key inflation metric followed by the Federal Reserve (Personal Consumption Expenditures Price Index, essentially a measure of goods and services targeted towards individuals and consumed by individuals) has recently spiked. Higher interest rates and inflation are a threat to stock market valuations and may lead to further market volatility.

Economic Data

General	Prior	Current
GDP growth	2.9% (Q4 2017)	2.2% (Q1 2018)
Trade balance	-\$47.2B (Mar)	-\$46.2B (Apr)

Employment	Prior	Current
Initial jobless claims	223,000 (5/26)	222,000 (6/2)
Continuing claims	1.72MM (5/19)	1.74MM (5/26)
Change in non-farm payrolls	159,000 (Apr)	223,000 (May)
Unemployment rate	3.9% (Apr)	3.8% (May)
Average weekly hours	34.5 (Apr)	34.5 (May)

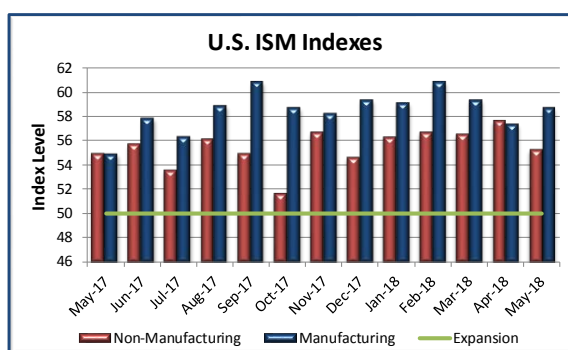
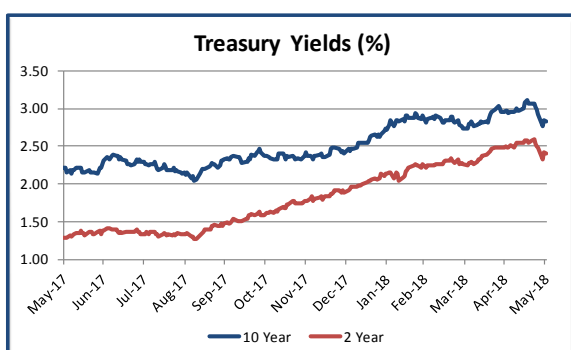
Consumer	Prior	Current
Consumer confidence index (Conference Board)	125.6 (Apr)	128.0 (May)
Retail sales growth	0.7% (Mar)	0.2% (Apr)
Change in consumer credit	\$12.3B (Mar)	\$9.3B (Apr)



Manufacturing & Service	Prior	Current
ISM manufacturing index	57.3 (Apr)	58.7 (May)
ISM non-manufacturing index	56.8 (Apr)	58.6 (May)
Durable goods orders growth	2.7% (Mar)	-1.7% (Apr)
Industrial production growth	0.7% (Mar)	0.7% (Apr)
Capacity utilization	77.6% (Mar)	78.0% (Apr)

Real Estate	Prior	Current
New home sales	672,000 (Mar)	662,000 (Apr)
Existing home sales	5.6MM (Mar)	5.5MM (Apr)
S&P CoreLogic CS home price index (YoY)	6.5% (Feb)	6.5% (Mar)

Inflation	Prior	Current
Consumer price index/Core (YoY growth)	2.5%/2.1% (Apr)	2.8%/2.2% (May)
Producer price index/Core (YoY growth)	3.0%/2.9% (Apr)	2.6%/2.5% (May)



Market Returns

	May 2018	YTD 2018
Fixed Income		
BBgBarc Aggregate Bond	0.7%	-1.5%
BBgBarc Municipal Bond	1.1%	-0.3%
BBgBarc Gbl Agg. ex. U.S.	-1.9%	-0.6%
Alternatives		
Bloomberg Commodity	1.4%	3.6%
DJ U.S. Real Estate	3.3%	-2.6%

	May 2018	YTD 2018
Domestic Equities		
Wilshire 5000	2.8%	2.4%
S&P 500	2.4%	2.0%
Russell 2000	6.1%	6.9%
International Equities		
MSCI EAFE (Developed)	-2.2%	-1.5%
MSCI EM (Emerging)	-3.5%	-2.6%

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