

Economic Overview

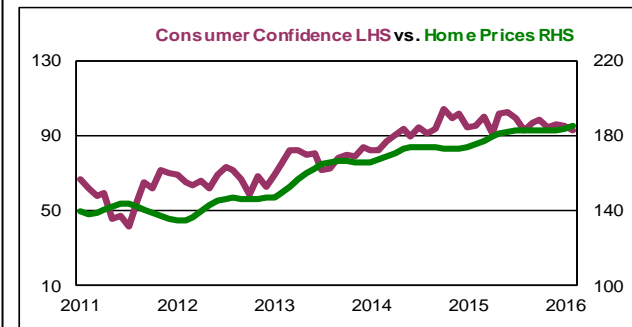
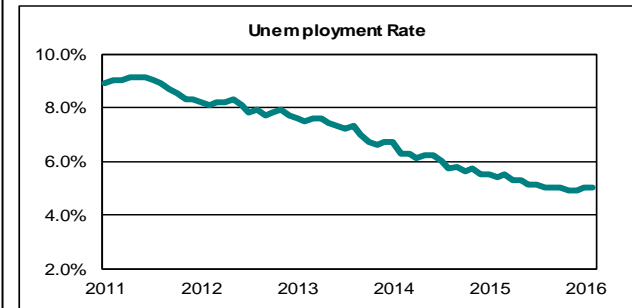
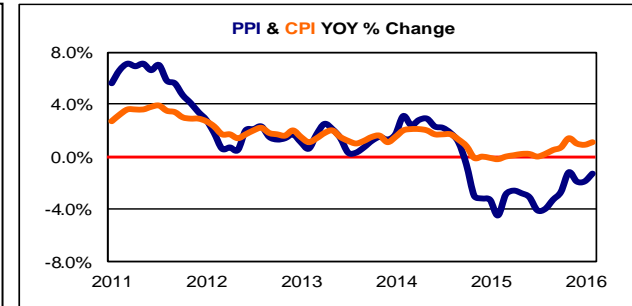
The U.S. economy appeared to improve enough during May to bring the Fed back into play. While the futures market was pricing in at the end of April just a 12% chance of a Fed Funds rate hike at the upcoming June FOMC meeting, those odds have increased to 30% as of now. While overall U.S. (& global) growth remains sluggish, the employment picture is strong and stable, housing continues to improve and nascent signs of consumer price inflation are appearing.

U.S. Q1 GDP growth was revised up slightly at month's end, showing the U.S. economy grew at a real annualized rate of +0.8%, up slightly from the prior reading of +0.5%. The first quarter typically suffers from various seasonal effects, and most economists are predicting U.S. economic growth will settle in somewhere near +2.5% going forward. Despite a slight decline in corporate profits in Q1, equity markets are indicating a bottoming is in place and earnings should improve going forward.

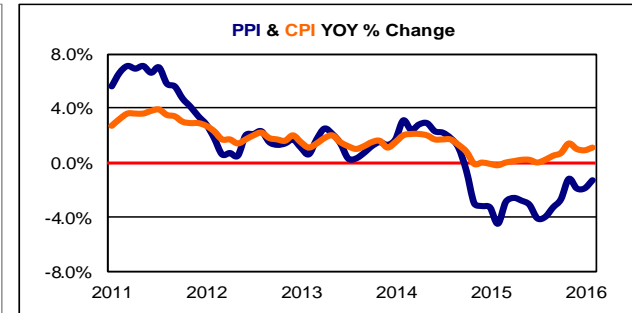
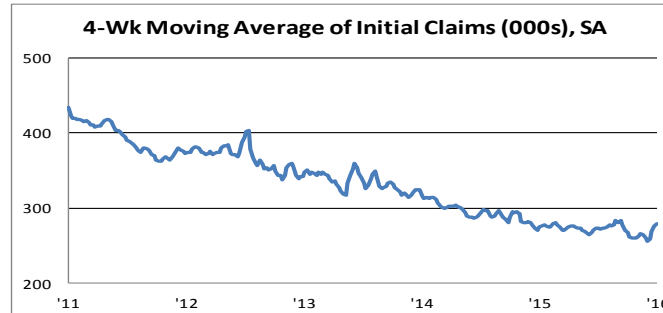
The U.S. Unemployment Rate came in at +5.0% for April, unchanged from March. Importantly, Average Hourly Earnings rose +0.3% M/M and are now up +2.5% Y/Y. The average workweek held steady at 34.5 hours while the Labor Force Participation Rate fell from 63.0% to 62.8%.

The housing market continues to rebound from the recession of 2008, as evidenced by New Home Sales surging +16.6% M/M in April and Housing Starts increasing by +6.6% M/M versus estimates for just half that. The S&P/Case-Shiller Home Price Index showed U.S. prices rising +5.4% Y/Y through March. The dearth of new builds over the past 5 years is finally coming to light as demand shifts from renting to buying following a dramatic rise in rental prices.

All of this bodes well for the U.S. economy and should embolden the Fed to continue on their path to interest rate normalization sooner rather than later. While June is a maybe, July is highly likely.



Key Data Points				
Name	Current	For	Previous	For
Retail Sales ex. Autos MOM %	0.80%	April	0.40%	March
Housing Starts	1172K	April	1099K	March
Factory Orders MOM %	1.50%	March	-1.90%	February
Leading Indicators MOM %	0.60%	April	0.00%	March
Unit Labor Costs	4.10%	Q1 2016	2.70%	Q4 2015
GDP QOQ (Annualized)	0.80%	Q1 2016	1.40%	Q4 2015
Wholesale Inventories	0.10%	March	-0.60%	February
MBA Mortgage Applications	-4.10%	May	-3.40%	April

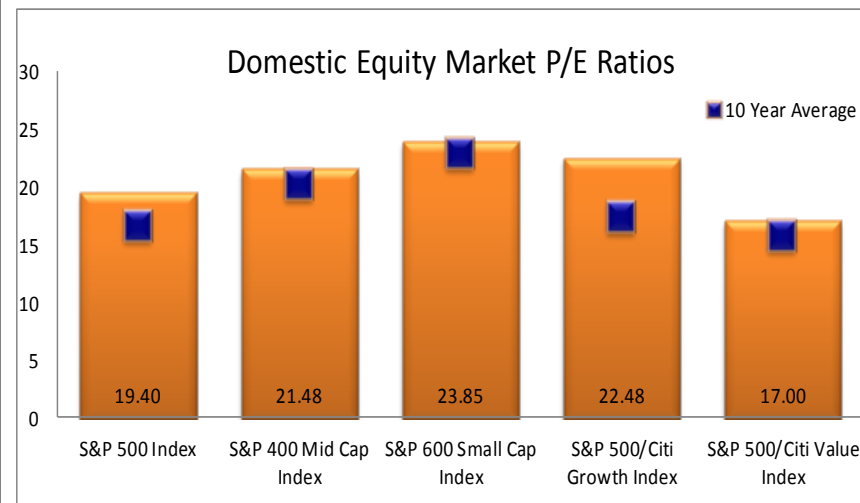


Domestic Equity

U.S. equities added to their yearly gains in May, with the benchmark S&P 500 tacking on +1.80% during the month, bringing its year to date total return to +3.57%. Mid-caps, as measured by the S&P 400 Mid Cap Index gained +2.31% in May and are now up +7.48% on the year. Continuing the positive trend, small-caps, as measured by the S&P 600 Small Cap Index gained +1.66% on the month, and are now up a stealthy +5.58% on the year. While this year's equity gains have been better than expected given the start to the year (market plummet heading into February), concerns over global growth, China, politics, the Fed, etc., the one year returns are still somewhat lackluster. Over the past year the S&P 500 has been the best game in town, up +1.71%, while mid- and small-caps returned -0.42% and +0.36%, respectively. What's more is the S&P 500 has gone more than 250 days without making a new high, highlighting the continued risks that remain in the market, both macro and fundamental. For reference, the S&P 500's all-time high of 2,128 was reached on July 20, 2015.

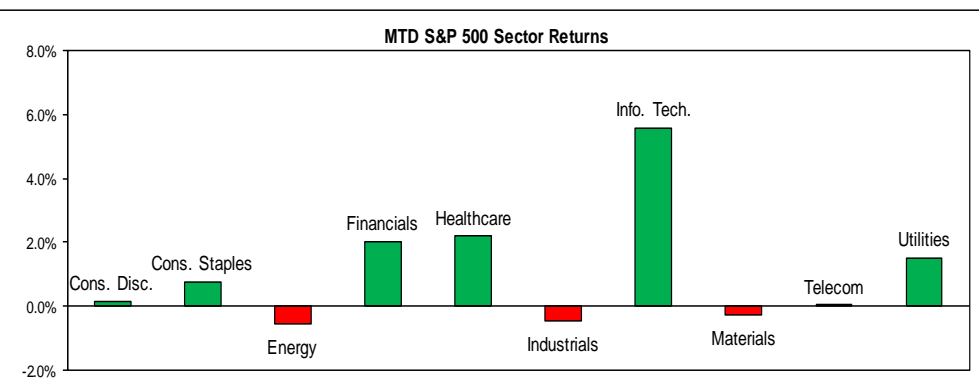
Growth stocks, as measured by the S&P 500 Citi Growth Index gained +2.67% on the month, after falling out of favor earlier in the year. While Growth stocks did rebound and are up +1.91% on the year, they are still overshadowed by Value stocks, as measured by the S&P 500 Citi Value Index, which is now up +5.31% year to date. Value stocks' outperformance of +340 basis points year to date has been helped by Energy and Financial stocks, something we've written about previously, but also the fall from grace of many of 2015's top Growth picks. The "value" proposition of Value stocks remains their relative underperformance relative to Growth and the overall market, in addition to more reasonable valuations compared to Growth and the overall market. However, while this potential reversion has not taken place yet (Value trails Growth by a wide margin on a trailing 1-, 3-, and 5-year basis), it could reestablish itself if the market begins to falter or if valuations become a point of emphasis as the Fed begins to raise rates.

From a sector standpoint, Technology stocks rebounded sharply and erased April's losses (when earnings releases hampered Apple, Google, and Microsoft) by gaining +5.60% in May. Financials and Healthcare, the two other bottom performing sectors through April, each rebounded nicely, gaining +2.03% and +2.20%, respectively. Notable laggards included Energy and Materials, which lost -0.58% and -0.29%, respectively. Defensive, yield-sensitive sectors such as Utilities and Telecoms remain the year's top performers, each up more than +14% a piece, but likely face headwinds as Yellen & Co. get set to raise interest rates this summer.



Domestic Equity Returns

Name	MTD	QTD	YTD	1 Year	3 Year	5 Year
S&P 500 Index	1.80%	2.19%	3.57%	1.71%	11.04%	11.64%
S&P 400 Mid Cap Index	2.31%	3.56%	7.48%	-0.42%	9.66%	9.96%
S&P 600 Small Cap Index	1.66%	2.85%	5.58%	0.36%	9.92%	10.64%
S&P 500/Citi Growth Index	2.67%	1.37%	1.91%	2.61%	12.86%	12.70%
S&P 500/Citi Value Index	0.91%	3.04%	5.31%	0.44%	8.98%	10.48%



S&P 500 Sector Returns

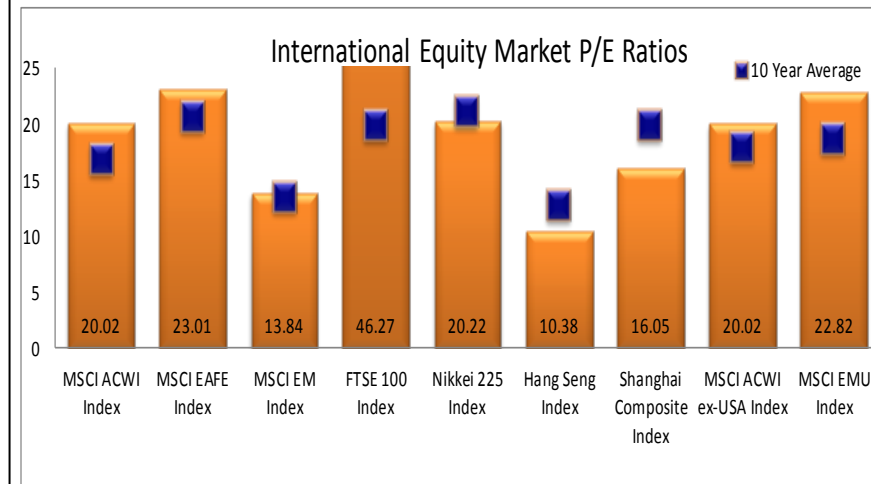
Sector	MTD	QTD	YTD	1 Year	3 Year	5 Year	% of S&P 500
Consumer Discretionary	0.14%	0.28%	1.88%	5.69%	14.01%	16.34%	12.75%
Consumer Staples	0.77%	-0.52%	5.02%	10.78%	12.35%	13.31%	11.12%
Energy	-0.58%	8.07%	12.41%	-10.13%	-2.98%	-0.27%	7.00%
Financials	2.03%	5.50%	0.16%	-1.33%	8.21%	10.50%	15.81%
Healthcare	2.20%	5.19%	-0.60%	-3.29%	15.85%	16.77%	14.43%
Industrials	-0.48%	0.41%	5.42%	3.29%	11.24%	10.82%	9.89%
Information Technology	5.60%	-0.09%	2.51%	3.12%	14.91%	13.44%	20.32%
Materials	-0.29%	4.65%	8.43%	-5.02%	7.46%	5.90%	2.84%
Telecommunications	0.02%	-2.09%	14.18%	11.80%	7.70%	9.45%	2.58%
Utilities	1.51%	-0.94%	14.48%	14.63%	13.45%	12.08%	3.25%

International Equity

International equities were a mixed bag in May, with countries and regions performing very differently, even as global equities, as measured by the MSCI ACWI Index rallied +0.21% on the month. Developed International equities, as measured by the MSCI EAFE Index, lost -0.79% on the month, with pockets of strength and weakness amongst its constituents. Most notably, Japan, as measured by the Nikkei 225 Index, gained +3.41%. For investors who hedged the currency, gains could have been even larger, as the Yen weakened -4.0% against the Dollar. However, even after a strong month, Japanese equities are still down -8.68% on the year in Dollar terms. Strong monthly gains in Japan were echoed by gains in the Eurozone, as measured by the MSCI EMU Index, which gained +2.52% on the month. Headline risk over "Brexit" likely held back U.K. equities, as measured by the FTSE 100 Index, which gained +0.32% on the month. Even so, U.K. equities do not look cheap relative to their European counterparts.

Emerging Markets, as measured by the MSCI EM Index, gave back much of the year's gains in May, losing -3.71%. Weakness in Chinese equity markets, as measured by the Shanghai Composite Index, persisted as Chinese equities lost -0.60% on the month. May's poor showing brings the Shanghai Composite's year to date return to -17.44%, and its 1-year return to -35.74%. While those numbers are indeed staggering, they should be taken within the context of overall weak international equity performance. The 1-year total return for the MSCI EAFE index is -9.15%, followed by the Nikkei 225 at -14.64%, and MSCI EM at -17.34%. While owning international equities has definitely been a drag on investor returns in the short run, they may offer more upside relative to U.S. equities over the next few years.

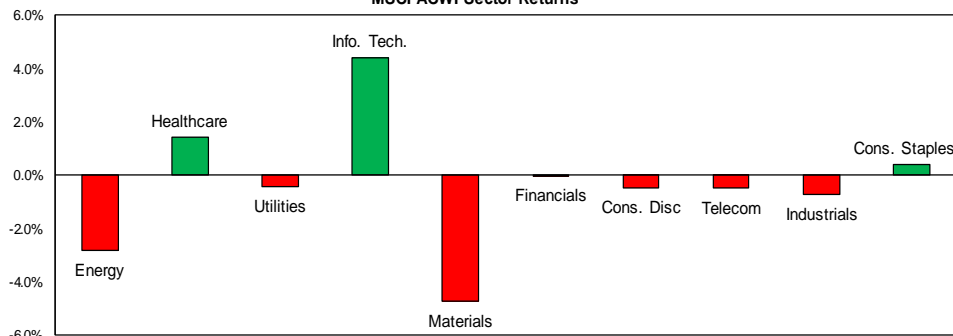
From a sector standpoint, Technology was the best global sector in May, posting a +4.40% gain, helped by strong performance from U.S. Tech stocks. Weak international equity performance across most sectors offset U.S. sector strength, resulting in negative sector performance across much of the global investable universe, outside of defensive sectors such as Healthcare and Consumer Staples. The most notable laggard was the Materials sector, which was dragged lower due to international weakness, whereas U.S. relative outperformance in the sector was driven by a takeover bid for seed giant Monsanto.



International Equity Returns

Name	MTD	QTD	YTD	1 Year	3 Year	5 Year
MSCI ACWI Index	0.21%	1.74%	2.14%	-4.84%	5.81%	5.78%
MSCI EAFE Index	-0.79%	2.16%	-0.75%	-9.15%	2.59%	2.69%
MSCI EM Index	-3.71%	-3.17%	2.34%	-17.34%	-4.64%	-4.51%
FTSE 100 Index	0.32%	1.75%	1.86%	-7.18%	1.87%	4.62%
Nikkei 225 Index	3.41%	2.84%	-8.68%	-14.64%	9.61%	14.28%
Hang Seng Index	-0.50%	0.95%	-3.83%	-21.16%	1.25%	0.95%
Shanghai Composite Index	-0.60%	-2.74%	-17.44%	-35.74%	11.09%	3.75%
MSCI ACWI ex-USA Index	-1.60%	1.06%	0.81%	-10.91%	0.68%	0.65%
MSCI EMU Index	2.52%	3.94%	-2.87%	-8.89%	9.03%	6.80%

MSCI ACWI Sector Returns



MSCI ACWI Sector Returns

Sector	MTD	QTD	YTD	1 Year	3 Year	5 Year	% of ACWI
Energy	-2.83%	5.18%	11.93%	-12.51%	-5.71%	-4.46%	6.79%
Healthcare	1.40%	4.68%	-2.10%	-6.17%	12.50%	13.85%	10.59%
Utility	-0.45%	-0.80%	7.97%	1.92%	6.51%	4.41%	3.55%
Information Technology	4.40%	0.10%	1.71%	-0.92%	12.42%	10.75%	14.08%
Materials	-4.74%	2.72%	8.84%	-13.06%	-3.03%	-6.10%	4.84%
Financials	-0.03%	3.16%	-1.93%	-10.58%	2.38%	3.84%	20.32%
Consumer Discretionary	-0.48%	-0.47%	-0.82%	-3.83%	8.37%	10.18%	12.88%
Telecommunications	-0.51%	-0.39%	6.61%	-0.21%	6.87%	5.61%	5.11%
Industrials	-0.74%	1.24%	4.87%	-2.14%	6.43%	5.66%	10.57%
Consumer Staples	0.42%	0.44%	5.30%	6.97%	8.31%	10.05%	11.28%



Fixed Income

The U.S. bond market continues to try and balance an improving U.S. economy and impending interest rate hike with skittish equity markets, sluggish global growth and relatively high yields versus international sovereign counterparts. While the yields available in the U.S. market today look positively miniscule to the average U.S. investor, they look quite generous to the German, Japanese and Swiss investor. At the very least, this theory helps explain why U.S. bonds rallied despite the fact that the odds for a near-term FOMC rate hike improved!

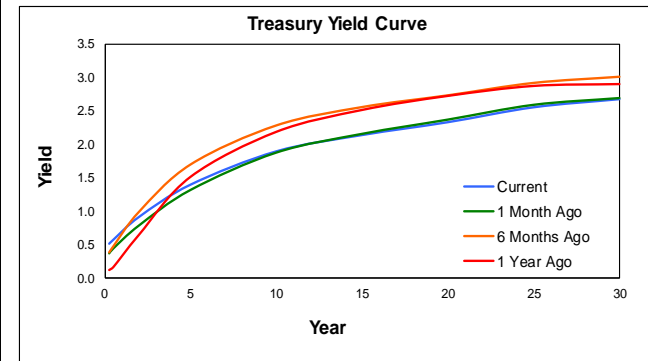
Tax-exempt high-yield debt led the way in May, driven by the default and evolving political solution to Puerto Rico's debt problems. As we go to press, it appears there is some consensus among the members of Congress as well as the Treasury Department for a comprehensive solution to the small commonwealth's fiscal woes. A possible solution would likely involve a broad restructuring of Puerto Rico's debt along with some form of fiscal oversight going forward to ensure the underlying roots of the problem get addressed. With the outcome far from certain, we would refrain from gambling on existing PR debt.

Taxable U.S. debt did little in March with the ML US Treasury/Agency Master, the ML US Broad Market and the ML US Corporate Master Index all approximately unchanged. U.S. High Yield benefitted from an improving equity market as the ML US High Yield Master II Index gained +0.72%, now up +4.75% on the year. U.S. high yield spreads have rallied 282 basis points from the mid-February high and are now fairly to fully valued.

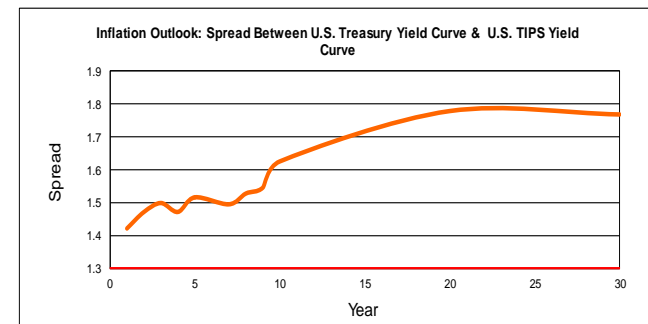
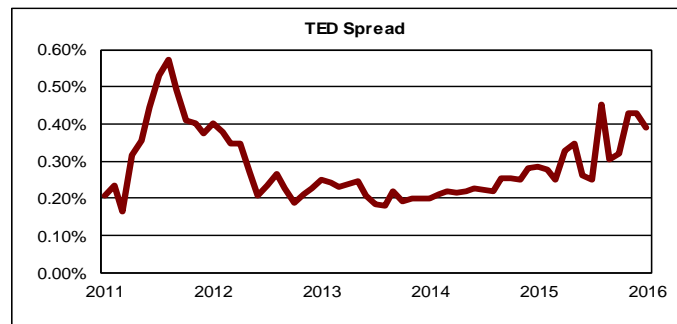
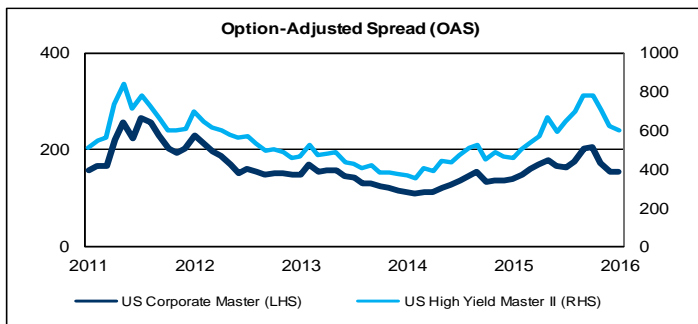
Global bonds rallied slightly in May, despite growing fears over the possibility of a "Brexit". With the UK referendum to decide whether to exit the European Union set for June 23rd, investors on both sides of the English Channel are on edge. Too close to call at this point, any exit by Britain from the EU would only heighten the uncertainty around whether this fledgling union can remain conjoined. A "No" vote by UK voters (meaning stay in the EU), should be met by a rally in the Pound as well as the FTSE. All eyes will be on this compelling situation over the coming weeks.

Central Bank Activity				
Name	Current	1 Month Ago	6 Months Ago	1 Year Ago
Fed Funds Rate	0.50%	0.50%	0.25%	0.25%
Bank of Japan Target Rate	0.10%	0.10%	0.10%	0.10%
European Central Bank Rate	0.00%	0.00%	0.05%	0.05%
Bank of England Official Bank Rate	0.50%	0.50%	0.50%	0.50%

Fixed Income Returns				
Name	MTD	QTD	YTD	1 Year
ML U.S. Treasury/Agency Master Index	0.04%	-0.08%	3.20%	3.15%
ML U.S. Broad Market Index	0.04%	0.42%	3.50%	3.06%
ML U.S. Corporate Master Index	-0.07%	1.29%	5.27%	3.36%
ML U.S. High Yield Master II Index	0.72%	4.75%	8.15%	-0.92%
ML USD Emerging Market Sovereign & Credit Index	0.29%	4.83%	8.20%	9.89%
ML Global Government Bond II Index	0.56%	0.39%	4.13%	4.73%
ML Municipal Master Index	0.31%	1.08%	2.74%	6.13%
ML Municipal High Yield Index	1.45%	2.06%	4.39%	2.11%



U.S. Treasury Yields									
Period	3 Month	6 Month	2 Year	5 Year	10 Year	15 Year	20 Year	25 Year	30 Year
Current	0.51%	0.57%	0.91%	1.39%	1.89%	2.13%	2.33%	2.55%	2.67%
1 Month Ago	0.36%	0.44%	0.78%	1.31%	1.87%	2.15%	2.37%	2.59%	2.69%
6 Months Ago	0.38%	0.47%	0.99%	1.69%	2.28%	2.55%	2.73%	2.91%	3.01%
1 Year Ago	0.12%	0.16%	0.65%	1.51%	2.18%	2.51%	2.72%	2.87%	2.90%

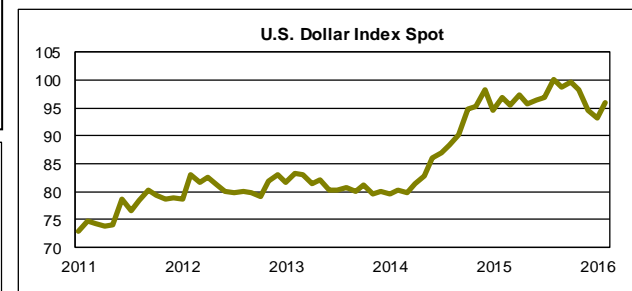
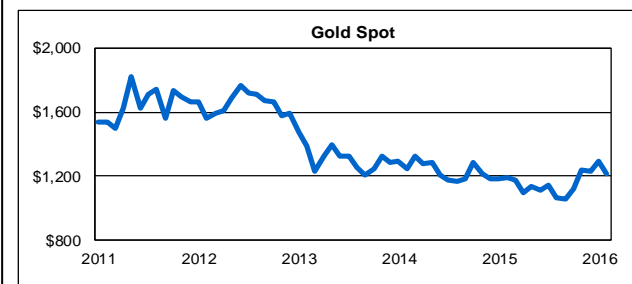
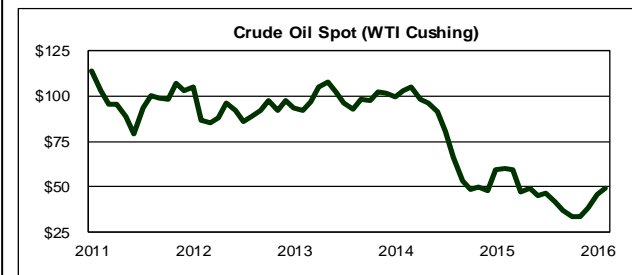
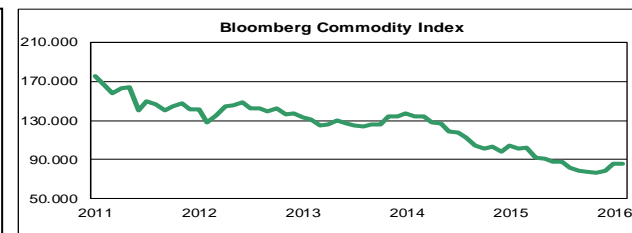


Alternative Investments

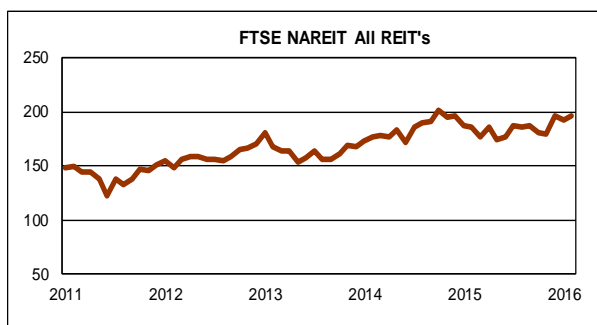
Alternative investments by and large fared quite well in May, led by a continued rebound in West Texas Intermediate (WTI) crude oil, which gained +6.9% on the month to close above \$49/barrel. WTI crude oil has now rebounded more than +80% off its intra-month low in February of \$26/barrel, and briefly crossed the psychological \$50/barrel mark during the month. This comes as a swath of supply disruptions from Canada to Nigeria have taken millions of barrels per day of supply offline, helping to bring the market back towards equilibrium. While crude prices have rallied sharply over the past few months, risks now may be to the downside. This stems mainly from the likelihood of increased U.S. shale production at \$50/barrel (re: Pioneer Natural Resources, one of the largest West Texas shale plays, has said it would bring 10 rigs online at \$50/barrel oil), but remains to be seen. Furthermore, any resolution of supply disruptions could bolster crude inventories and send prices lower. Barring continued or increased disruptions in supply, or a sudden Summer boost in unforeseen demand, it is possible that the risk/return profile for crude oil at \$50/barrel is asymmetric to the downside. Stay tuned.

In other alternative news, heightened expectations for a Summer (June/July) interest rate hike is increasingly being re-priced into global markets, with a notable beneficiary being the U.S. Dollar, which gained +3.0% on the month. The release of April's Fed minutes showed a clear communication from the Fed that June is a live meeting, and barring a setback in economic data, a rate hike is likely. What's more, many Fed officials have become more hawkish over the past month, signaling that two or three rate hikes may be possible. While the market clearly isn't expecting three hikes, the odds of two hikes are still plausible, as Fed Funds futures are currently pricing in a 25% chance of a Fed Funds range of 0.75% to 1.00% by year end.

The Dollar's gain was Gold's pain, as the shiny metal lost -6.0% on the month. Notable currency moves included the Canadian Loonie, Japanese Yen, and the Euro, which weakened -4.3%, -4.0%, and -2.8%, respectively against the Dollar. Fears over "Brexit" look to have subsided somewhat over the past three months, as the Pound has strengthened +4.1% against the Dollar. Looking ahead into the second half of the year, the European Central Bank is set to start buying corporate bonds today, increasing stimulus in the Eurozone, while Japanese Prime Minister Abe delayed the upcoming sales tax hike to 2019 overnight and is expected to announce a fiscal stimulus plan in the coming weeks. It is clear that both the Eurozone and Japan face economic growth challenges (as does most of the developed world), but a renewed policy divergence discussion likely seems warranted as further stimulus by the ECB and Bank of Japan, rising rates in the U.S., and diverging growth trends (U.S. positive, Eurozone/Japan stagnant) could continue to bode well for continued Dollar strength heading into the Summer months.



Hedge Funds						
Name	MTD	QTD	YTD	1 Year	3 Year	5 Year
Global Hedge	0.44%	0.85%	-1.04%	-7.01%	-1.09%	-0.82%
Convertible Arbitrage	0.03%	1.95%	0.84%	-2.45%	-2.54%	0.36%
Distressed Securities	2.33%	6.70%	5.10%	-8.86%	-1.62%	-2.12%
Equity Hedge (L/S)	0.25%	0.27%	-2.67%	-7.92%	0.17%	-0.65%
Equity Market Neutral	0.58%	-1.28%	-3.84%	1.66%	1.83%	-0.57%
Event Driven	2.79%	3.23%	1.97%	-7.37%	-1.54%	0.32%
Macro	-1.50%	-1.17%	-1.10%	-4.32%	0.21%	-1.19%
Merger Arbitrage	0.62%	0.72%	2.35%	6.63%	4.95%	2.77%
Relative Value Arbitrage	-0.24%	0.64%	-2.14%	-7.74%	-2.78%	-1.59%
Absolute Return	0.34%	0.41%	-0.17%	0.28%	1.76%	0.84%



Spot Rates					
Description	Current	1 Month Ago	3 Months Ago	6 Months Ago	1 Year Ago
CAD / USD	1.31	1.26	1.35	1.34	1.25
JPY / USD	110.73	106.50	112.69	123.11	124.15
USD / GBP	1.45	1.46	1.39	1.51	1.53
USD / EUR	1.11	1.15	1.09	1.06	1.10



S&P 500 Index (SPX) – Standard and Poor's 500 Index is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

S&P 500 Sector Indices (S5COND, S5CONS, S5ENRS, S5FINL, S5HLTH, S5INDU, S5INFT, S5MATR, S5TELS, S5UTIL) – The S&P 500 is broken down into ten sub-indices according to the Global Industry Classification Standard (GICS) sectors. These ten sectors include Consumer Discretionary, Consumer Staples, Energy, Financials, Health Care, Industrials, Information Technology, Materials, Telecommunication Services, and Utilities.

S&P 400 Mid Cap Index (MID) – Standard and Poor's Mid Cap 400 Index is a capitalization-weighted index, which measures the performance of the mid-range sector of the U.S. stock market.

S&P 600 Small Cap Index (SML) – Standard & Poor's Small Cap 600 Index is a capitalization-weighted index that measures the performance of selected U.S. stocks with a small market capitalization.

S&P 500/Citigroup Growth Index (SGX) – The S&P 500/Citigroup Growth Index is a market capitalization-weighted index. All the stocks in the underlying parent index are allocated into value or growth. Stocks that do not have pure value or pure growth characteristics have their market caps distributed between the value & growth indices.

S&P 500/Citigroup Value Index (SVX) – The S&P 500/Citigroup Value Index is a market capitalization-weighted index. All the stocks in the underlying parent index are allocated into value or growth. Stocks that do not have pure value or pure growth characteristics have their market caps distributed between the value & growth indices.

MSCI AC World Index (MXWD) – The MSCI AC World Index is a free float-weighted equity index. The index includes both emerging and developed world markets.

MSCI EAFE Index (MXEA) – The MSCI EAFE Index is a capitalization-weighted index that monitors the performance of stocks from developed markets in Europe, Australia-Asia, and the Far East.

MSCI Emerging Market Index (MXEF) – The MSCI Emerging Market Index is a free-float weighted index that is designed to measure the equity performance of international emerging markets.

FTSE 100 Index (UKX) – The FTSE 100 Index is a capitalization-weighted index of the 100 most highly capitalized companies traded on the London Stock Exchange. The equities use an investability quotient weighting in the index calculation.

Nikkei 225 Stock Average Index (NKY) – The Nikkei-225 Stock Average is a price-weighted average of 225 top-rated Japanese companies listed in the First Section of the Tokyo Stock Exchange.

Hang Seng Index (HSI) – The Hang Seng is a free-float capitalization-weighted index of selected companies from the Stock Exchange of Hong Kong. The components of the index are divided into four sub-indices: Commerce and Industry, Finance, Utilities, and Properties.

Shanghai Stock Exchange Composite Index (SHCOMP) – The Shanghai Stock Exchange Composite Index is a capitalization-weighted index. The index tracks the daily price performance of all A-shares and B-shares listed on the Shanghai Stock Exchange.

S&P Global 1200 Index (SPGLOB) – The S&P Global 1200 Index is a composite index, comprised of seven regional and country indices – S&P 500, S&P Europe 350, S&P/TOPIX 150 (Japan), S&P TSX 60 (Canada), S&P/ASX 50 (Australia), S&P Asia 50, and S&P Latin America 50. The S&P Global 1200 is calculated in US dollars. The index is market-cap weighted.

ML U.S. Treasury & Agency Index (GOAO) – The Merrill Lynch U.S. Treasury and Agency Index tracks the performance of U.S. dollar denominated U.S. Treasury and non-subordinated U.S. agency debt issued in the U.S. domestic market.

ML U.S. Broad Market Index (US00) – The Merrill Lynch U.S. Broad Market Index tracks the performance of U.S. dollar denominated investment grade debt publicly issued in the U.S. domestic market, including U.S. Treasury, quasi-government, corporate, securitized, and collateralized securities.



ML U.S. Corporate Index (COA0) – The Merrill Lynch U.S. Corporate Index tracks the performance of U.S. dollar denominated investment grade corporate debt publicly issued in the U.S. domestic market.

ML U.S. High Yield Index (HOA0) – The Merrill Lynch U.S. High Yield Index tracks the performance of U.S. dollar denominated below investment grade corporate debt publicly issued in the U.S. domestic market.

ML Global Government Index (W0G1) – The Merrill Lynch Global Government Index tracks the performance of investment grade sovereign debt publicly issued and denominated in the issuer's own domestic market and currency.

ML U.S. Municipal Securities Index (U0A0) – The Merrill Lynch U.S. Municipal Securities Index tracks the performance of U.S. dollar denominated investment grade tax-exempt publicly issued by U.S. states and territories, and their political subdivisions, in the U.S. domestic market.

FTSE NAREIT All REITs Index (FNAR) – The FTSE NAREIT All REITs Index is a free float adjusted market capitalization-weighted index that includes all tax qualified REITs listed in the NYSE, AMEX, and NASDAQ National Market.

Dow Jones UBS Commodity Index (DJUBS) – The Dow Jones UBS Commodity Index is composed of futures contracts on 19 physical commodities. It reflects the return of underlying commodity futures price movements only. Previously, the index was the Dow Jones AIG Commodity Index.

U.S. Dollar Index (DXY) – The U.S. Dollar Index (USDIX) indicates the general int'l value of the USD. The USDIX does this by averaging the exchange rates between the USD and 6 major world currencies. The ICE US computes this by using the rates supplied by some 500 banks.

HFrx Global Hedge Fund Index (HFrxGL) – The HFrx Global Hedge Fund Index is designed to be representative of the overall composition of the hedge fund universe. It is comprised of all eligible hedge fund strategies.

HFrx Convertible Arbitrage Index (HFrxCA) – The HFrx Convertible Arbitrage Index is designed to reflect the general performance of strategies in which the investment thesis is predicated on realization of a spread between related instruments in which one or multiple components of the spread is a convertible fixed income instrument.

HFrx Distressed Securities Index (HFrxDS) – The HFrx Distressed Securities Index is designed to reflect the general performance of strategies focused on corporate fixed income instruments, primarily on corporate credit instruments of companies trading at significant discounts to their value at issuance of obliged (par value) at maturity as a result of either formal bankruptcy proceeding or financial market perception of near term proceedings.

HFrx Macro Index (HFrxM) – The HFrx Macro Index reflects the general performance of strategies in which the investment process is predicated on movements in underlying economic variables and the impact these have on equity, fixed income, hard currency, and commodity markets.

HFrx Equity Hedge Index (HFrxEH) – The HFrx Equity Hedge Index is designed to reflect the general performance of strategies that maintain both long and short positions in primarily equity and equity derivative securities. A wide variety of investment processes can be employed to arrive at an investment decision, including both quantitative and fundamental techniques. Strategies can be broadly diversified or narrowly focused.

HFrx Equity Market Neutral Index (HFrxEMN) – The HFrx Equity Market Neutral Index is designed to reflect the general performance of strategies that employ sophisticated quantitative techniques of analyzing price data to ascertain information about future price movement and relationships between securities.

HFrx Event Driven Index (HFrxED) – The HFrx Event Driven Index reflects the general performance of strategies that maintain positions in companies currently or prospectively involved in corporate transactions of a wide variety including, but not limited to, mergers, restructurings, financial distress, tender offers, shareholder buybacks, debt exchanges, security issuance, or other capital structure adjustments.

HFrx Merger Arbitrage Index (HFrxMA) – The HFrx Merger Arbitrage Index reflects the general performance of strategies which employ an investment process primarily focused on opportunities in equity and equity related instruments of companies which are current engaged in a corporate transaction.

HFRX Relative Value Arbitrage Index (HFRXRVA) – The HFRX Relative Value Arbitrage Index reflects the general performance of strategies that maintain positions in which the investment thesis is predicated on realization of a valuation discrepancy in the relationship between multiple securities.

Economic Data Sources:

PPI & CPI – Bureau of Labor Statistics
Unemployment Rate – Bureau of Labor Statistics
Consumer Confidence – Conference Board
S&P/Case-Shiller Composite 20 – Case-Shiller
Industrial Production – Federal Reserve
Capacity Utilization – Federal Reserve
Retail Sales – U.S. Census Bureau
Housing Starts – U.S. Department of Commerce
Factory Orders – U.S. Census Bureau
Leading Indicators – Conference Board
Unit Labor Costs – Bureau of Labor Statistics
GDP – Bureau of Economic Analysis
Wholesale Inventories – U.S. Census Bureau
MBA Mortgage Applications – Mortgage Bankers Association
4-Week Moving Average of Initial Claims, SA – Bureau of Labor Statistics

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