

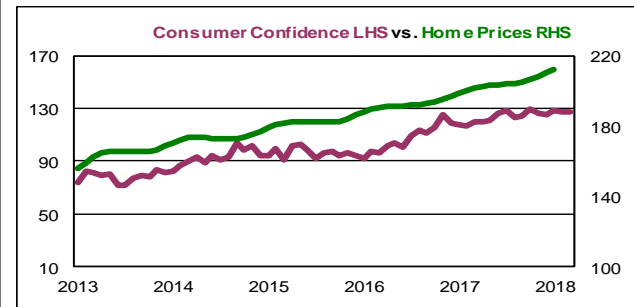
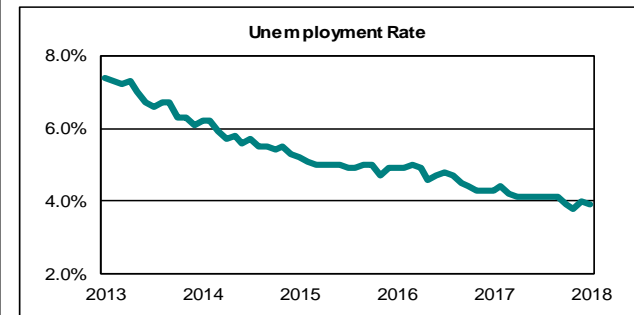
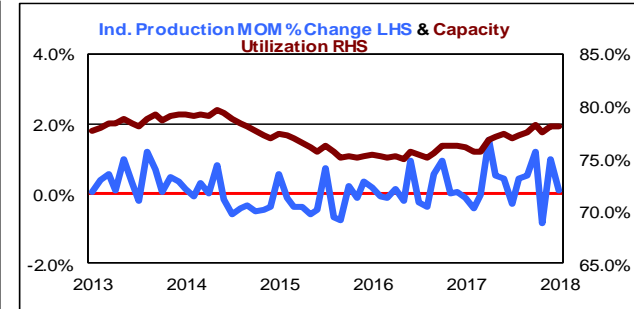
### Economic Overview

The US economy continued to chug along in August with scant evidence of a material slowdown anywhere on the horizon. The Federal Reserve held short-term interest rates steady in August, although the odds for a September rate hike weigh in at 96% currently (for more on this see our Fixed Income section of the NMMW). Unemployment in the US remains historically low, both manufacturing and service ISM's point to an expanding economy, and the housing market, although cooling in some areas, remains robust. Inflation is trending higher but is still far from problematic, while on the policy front, deregulation remains the order of the day. Ongoing trade frictions with China (and Europe, Mexico and Canada) have yet to destabilize the US economy.

If anything were likely to upset the economy at this point, it would likely be a policy mistake on the part of the Federal Reserve. Fed chair Powell has indicated that an additional 3-4 rate hikes over the coming year are possible, which would bring the Fed Funds rate to somewhere around 3.0% to 3.25%. While not overly restrictive by historical standards, after years of the economy operating at the zero boundary, the rate may have an outsized impact on highly levered companies with marginal earnings.

157,000 new nonfarm jobs were created in July, shy of estimates for 193,000; however, June's number was revised up from 202,000 to a robust 234,000. The unemployment rate fell from 4.0% to 3.9% while the labor force participation rate held steady at 62.9%. Average hourly earnings ticked up +0.3% in July MoM and are now up +2.7% YoY. The U-6, or underemployment rate, dropped from 7.8% to 7.5% on the month.

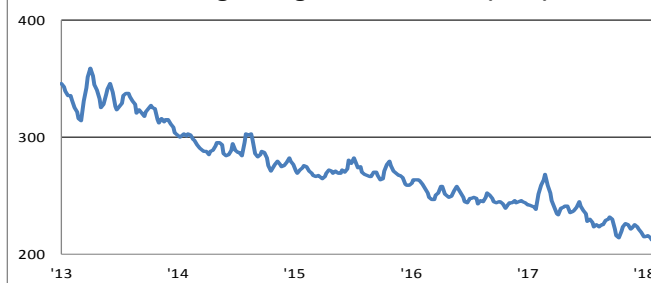
The Markit US Manufacturing PMI for July came in at 55.3, meeting expectations and consistent with June's reading. Factory Orders for June were up +0.7% MoM while Durable Goods Orders rose +0.8% MoM (July's preliminary reading showed a larger than expected decline of -1.7%). Industrial production for July rose less than expected at +0.1% MoM while Capacity Utilization held steady at 78.1%. As mentioned above, the impacts from the burgeoning trade war have yet to be felt across the economy. Anecdotal evidence suggests producers are seeing higher prices for materials, and those cost increases will most surely be passed through to the consumer. Stay tuned.



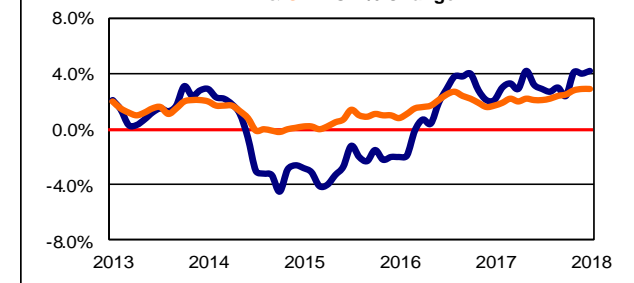
### Key Data Points

Name	Current	For	Previous	For
Retail Sales ex. Autos MOM %	0.60%	July	0.20%	June
Housing Starts	1168k	July	1158k	June
Factory Orders MOM %	0.70%	June	0.40%	May
Leading Indicators MOM %	0.60%	July	0.50%	June
Unit Labor Costs	-0.90%	Q2 2018	3.40%	Q1 2018
GDP QOQ (Annualized)	4.20%	Q2 2018	2.20%	Q1 2018
Wholesale Inventories	0.70%	July	0.10%	June
MBA Mortgage Applications	-1.70%	August	-2.60%	July

### 4-Wk Moving Average of Initial Claims (000s), SA



### PPI & CPI YOY % Change





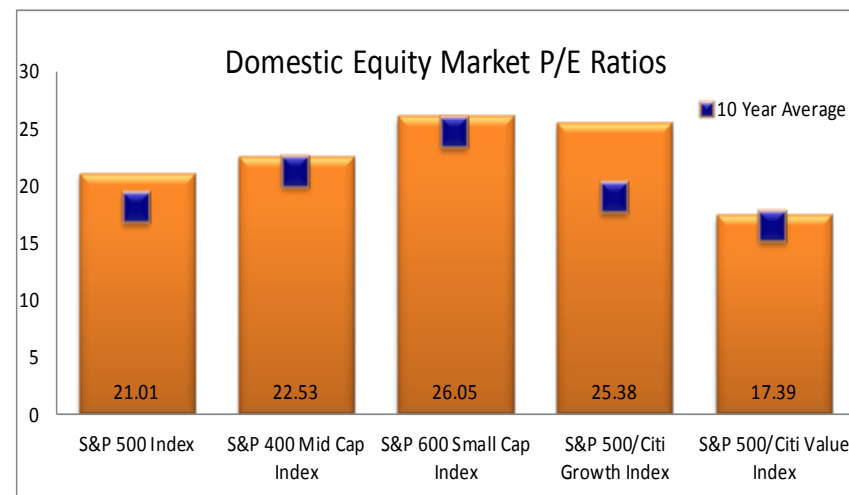
### Domestic Equity

U.S. equities continued their hot streak in August as the S&P 500 touched a new record high of 2914.04. The benchmark Large-Cap Index rose +3.3% on the month and is now up +9.9% YTD. Mid- and Small-Caps rose +3.2% and +4.8%, respectively on the month. Small-Caps remain one of the best performing indices this year with the Small-Cap 600 Index up +18.3% YTD. Growth stocks, as measured by the S&P 500/Citi Growth Index, continued their outperformance, rising +4.9% MTD. Value Stocks, as measured by the S&P 500/Citi Value Index, managed to eke out positive gains on the month, rising +1.4%; however, Value Stocks continue to underperform Growth Stocks YTD with the difference a staggering 13.3%. Over the past 5-years, the annualized underperformance of Value versus Growth now stands at nearly 5.9%.

On the sector front, Technology and Consumer Discretionary continue to be the top performers. On the month, the Technology sector rose +6.9% thanks to a +20.04% gain in Apple. While the largest U.S. company by market cap (now \$1.1 Trillion) continues to buy back billions of dollars worth of its own stock and continues to get accolades from the likes of Warren Buffet. Both Apple's trailing and forward P/E multiples have expanded YTD with it's trailing P/E expanding from a multiple of 17.9x to 20.9x and it's forward P/E expanding from 15.0x to 19.5x. The stock has gained a whopping +36.05% YTD.

We're also on Trillion Dollar watch for another market darling, Amazon, which ended August with a market capitalization of \$982 Billion after rising +13.24% on the month. Amazon's outsized weight in the Consumer Discretionary sector (25.5%) has propelled the sector higher throughout the year, up +5.1% MTD and +19.4% YTD.

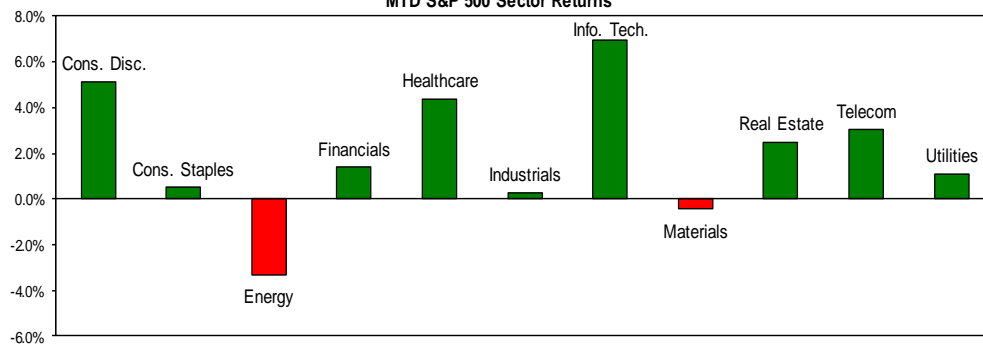
Upcoming changes to the Global Industry Classification Standard (GICS) by S&P will go into effect later this month (more on that in next month's *Market Wrap*), will **increase** Apple and Amazon's respective weights in their sectors by reclassifying other companies to a new Communications sector. Those using ETFs to pick sectors or industry groups may want to check the expected impact to their holdings to minimize any potential surprises.



### Domestic Equity Returns

Name	MTD	QTD	YTD	1 Year	3 Year	5 Year
S&P 500 Index	3.26%	7.10%	9.94%	19.65%	16.09%	14.50%
S&P 400 Mid Cap Index	3.19%	5.01%	8.67%	19.98%	14.82%	13.27%
S&P 600 Small Cap Index	4.83%	8.14%	18.27%	32.36%	19.18%	15.37%
S&P 500/Citi Growth Index	4.89%	8.49%	16.39%	25.68%	18.67%	17.23%
S&P 500/Citi Value Index	1.36%	5.46%	3.12%	13.23%	12.90%	11.31%

### MTD S&P 500 Sector Returns



### S&P 500 Sector Returns

Sector	MTD	QTD	YTD	1 Year	3 Year	5 Year	% of S&P 500
Consumer Discretionary	5.13%	7.06%	19.37%	32.25%	17.82%	17.02%	13.51%
Consumer Staples	0.51%	4.61%	-4.34%	1.00%	7.36%	9.25%	7.44%
Energy	-3.30%	-1.92%	4.75%	22.10%	7.28%	1.15%	5.72%
Financials	1.39%	6.73%	2.37%	16.88%	16.38%	14.53%	13.34%
Healthcare	4.37%	11.27%	13.31%	16.12%	11.50%	15.41%	14.38%
Industrials	0.30%	7.64%	2.59%	13.14%	16.06%	13.61%	9.55%
Information Technology	6.93%	9.17%	21.03%	32.77%	27.36%	23.15%	26.27%
Materials	-0.45%	2.50%	-0.66%	9.96%	13.40%	10.18%	2.47%
Real Estate	2.49%	3.60%	4.44%	6.31%	8.63%	8.88%	2.68%
Telecommunications	3.05%	5.44%	-3.36%	3.65%	6.92%	5.66%	1.88%
Utilities	1.12%	3.00%	3.33%	0.71%	11.89%	11.43%	2.75%

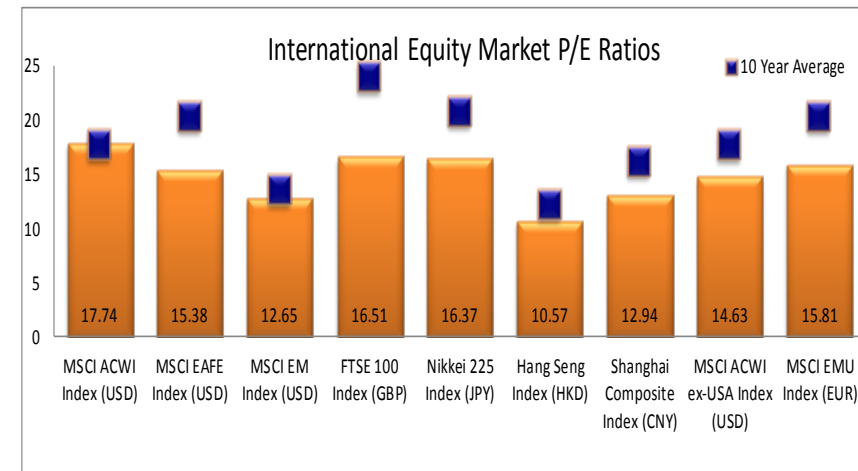
### International Equity

International Equities posted another month of losses and continue to be hurt by fears of tariffs, geopolitics, and a rising U.S. Dollar (to name a few). Developed Markets equities as measured by the MSCI EAFE Index lost -1.9% on the month, and are now down -1.9% YTD. Emerging Markets fared worse, with the benchmark MSCI Emerging Markets Index losing -2.7% on the month and -6.9% on the year.

While International returns have lagged the S&P 500 YTD we continue to see absolute and relative value outside the United States. It is important to remember the three components of international returns: 1) Price Appreciation/Depreciation; 2) Dividends; 3) **Currency**. The latter has been an important swing factor year to date, as the U.S. Dollar, as measured by the DXY Index, has gained +3.3%. Consider the implication in the Eurozone. The MSCI EMU Index has gained +1.0% YTD in **EUR** terms, while the same index measured in **USD** has lost -2.4%. The difference between the two returns (3.4%) closely resembles the change in EUR/USD exchange rate YTD, where the Euro has lost -3.41%. In the short-term, we believe that any resolution (or incrementally positive news) to issues plaguing countries like Turkey, NAFTA negotiations, or trade negotiations with the EU and China could ultimately start to reverse the Dollar's gains. Dollar weakness would likely lend support to International and EM currencies, as well as investor confidence in long term investing in the space.

EM total returns have also suffered from currency movements, with the MSCI EM Currency Index down -5.0% YTD. Threats of tariffs have hurt most major EM currencies, and dragged the Shanghai Composite Index down -15.7% YTD in CNY terms and -20.0% in USD terms. Fears of a currency crisis in Turkey and a spill over into other countries such as India, South Africa, and Argentina remain front page news and have painted the rest of EM with a broad stroke. Countries with sizeable current account deficits will likely see their currencies come under pressure. Valuations in Emerging Markets remain compelling, but may get cheaper.

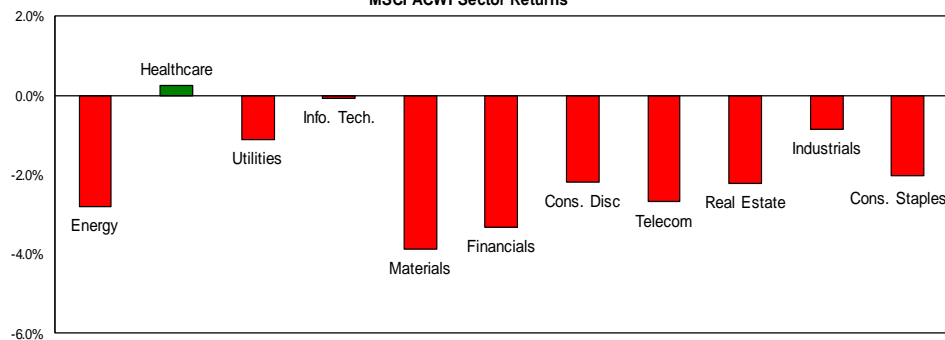
Those with long-term time horizons who are able to ride out the volatility will likely be rewarded for their patience.



### International Equity Returns

Name	MTD	QTD	YTD	1 Year	3 Year	5 Year
MSCI ACWI Index (USD)	0.84%	3.91%	3.77%	12.00%	13.51%	10.29%
MSCI EAFE Index (USD)	-1.90%	0.53%	-1.88%	4.94%	8.53%	6.32%
MSCI EM Index (USD)	-2.68%	-0.47%	-6.92%	-0.34%	12.69%	5.43%
FTSE 100 Index (GBP)	-3.28%	-1.81%	-0.21%	4.09%	11.41%	6.99%
Nikkei 225 Index (JPY)	1.44%	2.58%	1.52%	18.63%	10.04%	13.30%
Hang Seng Index (HKD)	-2.10%	-2.55%	-4.15%	3.11%	13.82%	9.05%
Shanghai Composite Index (CNY)	-5.12%	-3.23%	-15.72%	-16.98%	-2.81%	7.80%
MSCI ACWI ex-USA Index (USD)	-2.06%	0.31%	-3.16%	3.70%	9.52%	5.99%
MSCI EMU Index (EUR)	-2.65%	0.77%	0.95%	4.98%	7.95%	10.06%

### MSCI ACWI Sector Returns



### MSCI ACWI Ex U.S. Sector Returns

Sector	MTD	QTD	YTD	1 Year	3 Year	5 Year	% of ACWI Ex. USA
Energy	-2.79%	0.00%	5.76%	21.12%	14.55%	2.56%	7.98%
Healthcare	0.25%	4.49%	6.15%	10.17%	2.19%	7.20%	6.29%
Utility	-1.11%	1.28%	1.87%	-0.47%	8.12%	7.39%	5.58%
Information Technology	-0.07%	0.29%	-0.72%	8.14%	21.26%	15.05%	10.95%
Materials	-3.88%	-1.58%	-4.54%	3.84%	14.28%	4.34%	7.14%
Financials	-3.33%	0.46%	-7.58%	-1.69%	6.96%	5.11%	21.95%
Consumer Discretionary	-2.19%	-1.97%	-6.01%	3.40%	6.88%	5.77%	11.00%
Telecommunications	-2.68%	1.44%	-8.55%	-8.45%	-0.82%	2.25%	4.49%
Real Estate*	-2.22%	-1.28%	-5.53%	0.16%	N/A	N/A	3.57%
Industrials	-0.85%	1.56%	-2.61%	5.39%	10.18%	7.14%	11.28%
Consumer Staples	-2.03%	-0.16%	-3.32%	1.15%	7.09%	5.94%	9.76%

\*The MSCI ACWI Ex. USA Real Estate Sector was developed on August 31st, 2016

### Fixed Income

The Federal Reserve will meet September 25th and 26th, with the second day of the meeting being followed by the Fed's economic projections and a press conference with Chairman Jerome Powell. The market is expecting another rate increase.

The front of the yield curve flattened in August, with the 2Y10Y spread shrinking from 29 bps to 23 bps. We did see some steepening farther out, with the 10Y30Y spread growing to 15 bps, from 13 bps last month. A significant push higher in inflation due to a tight employment market, or the effects of a trade war, have not made their way into the economic numbers, nor are any concerns being reflected in the current shape of the curve, as of yet.

Investment Grade and High Yield corporate bonds had positive returns for the month. In both cases, spreads widened marginally during the month, but were more than compensated for by the coupon income.

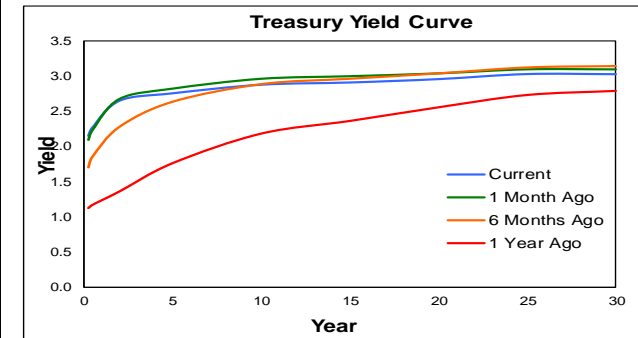
Emerging market sovereign spreads also widened (more significantly) during the month of August, as the concerns about Turkey and Argentina continued. This has weighed on the performance of EM fixed income. Of the indexes that we track, it has turned in the worst performance of the bunch over the past month, YTD, and 1-year time frames.

While EM debt has not widened enough to approach being historically cheap on an absolute basis, it is possible to frame it as relatively inexpensive. Typically, when risk asset spreads are widening, it occurs throughout the lower quality fixed income universe. Year to date, EM spreads have experienced significant widening while U.S. High Yield has weathered a much more benign spread environment. This divergence has allowed EM to appear comparatively less expensive.

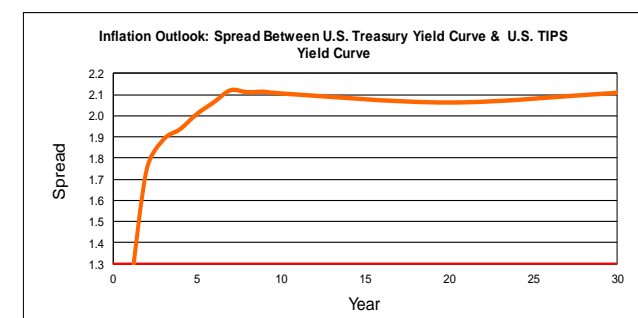
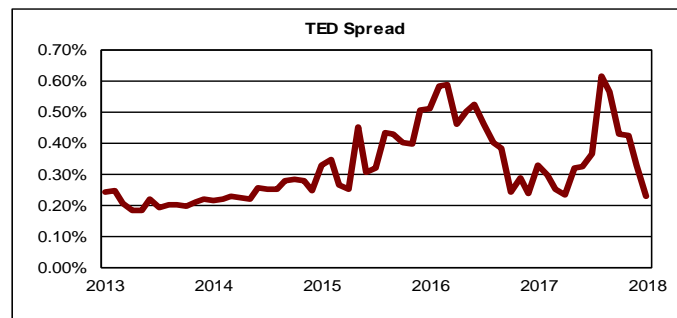
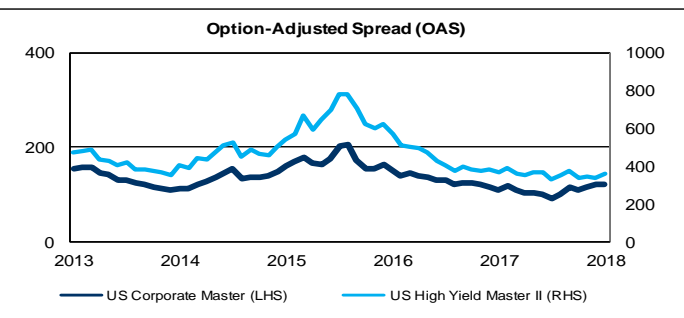
Municipal bonds have lagged a bit, and now offer slightly better yields compared to Treasuries. 2-year munis now yield 65% of Treasury yields vs. 61% last month, while 5-year munis yield 74% vs. 69%, and 10-year munis yield 86% of Treasury yields vs. 84% in July.

Central Bank Activity				
Name	Current	1 Month Ago	6 Months Ago	1 Year Ago
Fed Funds Rate	2.00%	2.00%	1.50%	1.25%
Bank of Japan Target Rate	0.10%	0.10%	0.10%	0.10%
European Central Bank Rate	0.00%	0.00%	0.00%	0.00%
Bank of England Official Bank Rate	0.75%	0.75%	0.50%	0.25%

Fixed Income Returns				
Name	MTD	QTD	YTD	1 Year
Bloomberg Barclays US Government Index	0.76%	0.35%	-0.71%	-1.29%
Bloomberg Barclays US Agg Index	0.64%	0.67%	-0.96%	-0.87%
Bloomberg Barclays US Corporate Index	0.49%	1.33%	-1.98%	-0.78%
Bloomberg Barclays US Corporate High Yield Index	0.74%	1.84%	2.00%	3.34%
Bloomberg Barclays EM USD Agg Index	-1.35%	0.28%	-3.56%	-2.86%
Bloomberg Barclays Global Agg Treasuries USD Index	0.12%	-0.04%	0.83%	1.10%
Bloomberg Barclays Municipal Index	0.26%	0.50%	0.25%	0.51%



U.S. Treasury Yields									
Period	3 Month	6 Month	2 Year	5 Year	10 Year	15 Year	20 Year	25 Year	30 Year
Current	2.15%	2.27%	2.65%	2.75%	2.88%	2.91%	2.96%	3.03%	3.03%
1 Month Ago	2.09%	2.24%	2.67%	2.82%	2.96%	3.00%	3.04%	3.09%	3.09%
6 Months Ago	1.70%	1.86%	2.28%	2.63%	2.88%	2.96%	3.04%	3.12%	3.14%
1 Year Ago	1.12%	1.17%	1.36%	1.76%	2.18%	2.36%	2.55%	2.73%	2.79%

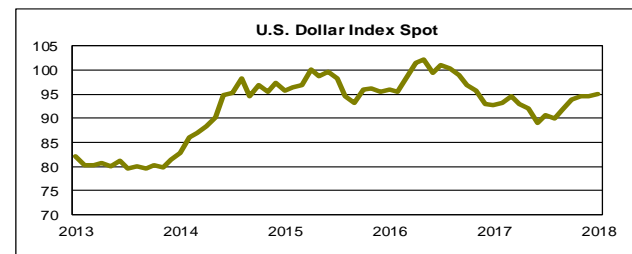
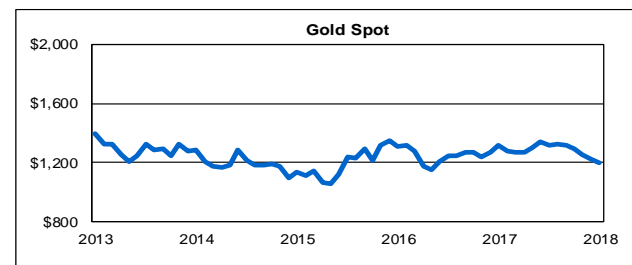
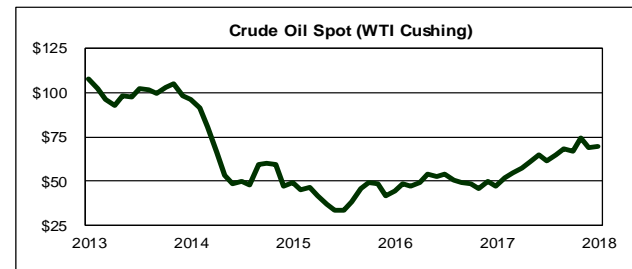
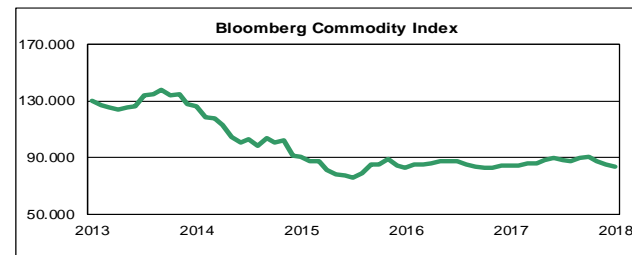


### Alternative Investments

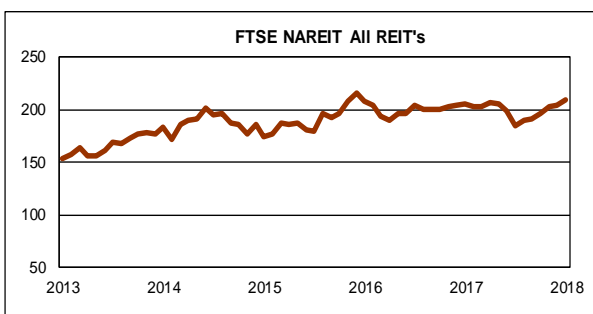
Alternative investments provided mixed results in August, with strength in the U.S. Dollar dragging down many alternative asset classes. The Dollar, as measured by the DXY Index, rose +0.6% on the month, and is now up +3.3% on the year. The Dollar's strength has been broad based, likely caused by stronger economic growth in the U.S., threats over global trade, and continued asset flows into mega-cap growth names (Apple, Amazon, to name a few). The U.S. economy continues to fire on all cylinders, with measures of growth, inflation, and confidence hitting multi-year highs. The rise in the Dollar, coupled with the aforementioned rise in inflation, have hurt the value of Gold. The precious metal shed -1.9% on the month, and is down -7.8% on the year, closing August as \$1,201/ounce, down from a monthly closing high of \$1,345/ounce in January.

Furthermore, Commodities, as measured by the Bloomberg Commodities Index, lost -1.9% on the month and are down -5.0% on the year. Commodities have been hurt on multiple fronts, including weakness in both metals and agriculture, as well as global trade concerns. However, while broadly speaking Commodities have been a poor performer, crude oil has risen sharply. West Texas Intermediate (WTI) crude oil rose +1.5% on the month to close just shy of \$70/barrel. WTI has gained +15.5% on the year, or nearly \$10/barrel; however, WTI is down -5.9% from a monthly closing high of \$74/barrel reached in June. Real Estate, as measured by the FTSE NAREIT All-REIT Index, rose +2.4% in August, and is up +1.9% on the year. This compares with the S&P 500 Real Estate sector which gained +2.5% on the month, and +4.4% on the year. Defensive sectors such as Real Estate have benefitted from strength in the bond market, as the 10-year U.S. Treasury bond yield briefly rose above 3% earlier this year, but has since remained range bound in the 2.8-2.9% range, helping buoy sectors such as Real Estate.

From a Hedge Fund standpoint, most strategies performed well in August, with 8 of 10 strategies posting positive returns. Macro strategies were the best performers, adding +2.4% on the month, while Merger Arbitrage continues to suffer YTD, despite rising interest rates, increasing volatility, and accelerating M&A activity. It should be noted that all 10 strategies have posted positive 5-year annualized returns; however, all trail the S&P 500's +14.5% annualized return over that time frame.



Hedge Funds						
Name	MTD	QTD	YTD	1 Year	3 Year	5 Year
Global Hedge	0.54%	0.39%	-0.46%	1.49%	1.80%	1.32%
Convertible Arbitrage	0.25%	0.16%	0.82%	2.61%	3.74%	0.94%
Distressed Securities	0.25%	0.49%	-5.75%	-4.98%	1.90%	0.99%
Equity Hedge (L/S)	-0.12%	0.60%	0.84%	5.17%	3.30%	2.91%
Equity Market Neutral	0.28%	0.14%	0.33%	-0.17%	-0.22%	1.56%
Event Driven	0.14%	-0.39%	-4.87%	-4.45%	2.76%	1.02%
Macro	2.35%	1.22%	-0.62%	0.99%	-0.70%	0.51%
Merger Arbitrage	-0.34%	-0.21%	-0.82%	0.06%	3.06%	3.51%
Relative Value Arbitrage	0.39%	0.34%	2.55%	3.74%	0.97%	0.51%
Absolute Return	0.28%	0.23%	1.28%	2.12%	1.77%	2.07%



Spot Rates					
Description	Current	1 Month Ago	3 Months Ago	6 Months Ago	1 Year Ago
CAD / USD	1.30	1.30	1.30	1.28	1.25
JPY / USD	111.03	111.86	108.82	106.68	109.98
USD / GBP	1.30	1.31	1.33	1.38	1.29
USD / EUR	1.16	1.17	1.17	1.22	1.19

Note: Price Return, Returns as of 08/30/18

**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, S5RLST)** – 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, Utilities, and Real Estate.

**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-indexes: 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.

**Bloomberg Barclays Global Treasuries USD Hedged Index (LGTTRUH)**– The Bloomberg Barclays Global Treasury Index tracks fixed-rate, local currency government debt of investment grade countries. The index represents the treasury sector of the Global Aggregate Index and contains issues from 37 countries denominated in 24 currencies.

**Bloomberg Barclays Municipal Bond Index (LMBITR)**– The Bloomberg Barclays Municipal Bond Index covers the USD-denominated long-term tax exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and prerefunded bonds.

**Bloomberg Barclays EM Hard Currency Aggregate Index (LG20TRUU)**- The Bloomberg Barclays Emerging Markets Hard Currency Aggregate Index is a hard currency Emerging Markets debt benchmark that includes USD-denominated debt from sovereign, quasi-sovereign, and corporate EM issuers.



**Bloomberg Barclays U.S. Government Index-** Bloomberg Barclays US Government Bond Index is comprised of the US Treasury and US Agency Indices. The index includes US dollar-denominated, fixed-rate, nominal US Treasuries and US agency debentures (securities issued by US government owned or government sponsored entities, and debt explicitly guaranteed by the US government).

**Bloomberg Barclays U.S. Aggregate Bond Index (LBSTRUU)-** The Bloomberg Barclays US Aggregate Bond Index is a broad-based benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency).

**Bloomberg Barclays U.S. Corporate Index (LUACTRUU)-** The Bloomberg Barclays US Corporate Bond Index measures the investment grade, fixed-rate, taxable corporate bond market. It includes USD denominated securities publicly issued by US and non-US industrial, utility and financial issuers.

**Bloomberg Barclays U.S. Corp High Yield Index (LFTR ML U.S. Corporate Index (COA0) –** The Bloomberg Barclays US Corporate High Yield Bond Index measures the USD-denominated, high yield, below-investment grade fixed-rate corporate bond market.

**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.

**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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