# Nottingham Monthly Market Wrap
## February 28, 2018

NOTTINGHAM ADVISORS

### Economic Overview

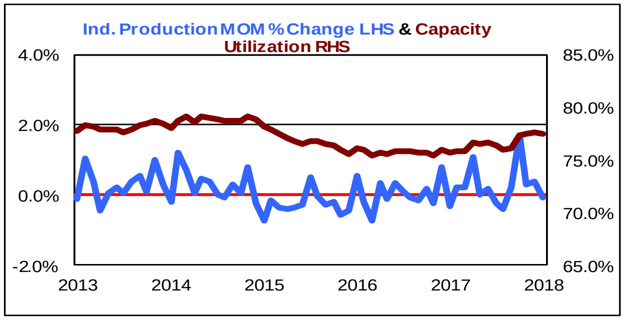
The backward-looking nature of most economic data reports implies that the anticipated stimulative effects of the recent Tax Cuts and Jobs Act of 2017 have yet to be realized and shouldn't be looked for in current readings. That's a good thing given the tepid nature of the data we've seen over the past month. While hardly dismal, the data doesn't support the elevated equity valuations we currently see in the U.S. market.

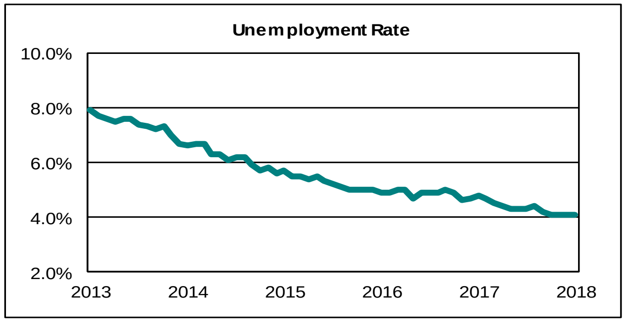
The second release on Q4 GDP showed the economy expanding at a +2.5% SAAR, down slightly from the initial report of +2.6% growth. The aforementioned fiscal stimulus provided by tax cuts will likely not work its way into the data until later in Q2 or Q3. Our bet at this point is for GDP growth north of +3% as we approach the end of the year. The accuracy of this prognostication depends a lot on the pace of Federal Reserve rate hikes. Any deviation from the plan for 2 to 3 hikes will likely make this +3% target more difficult to achieve.

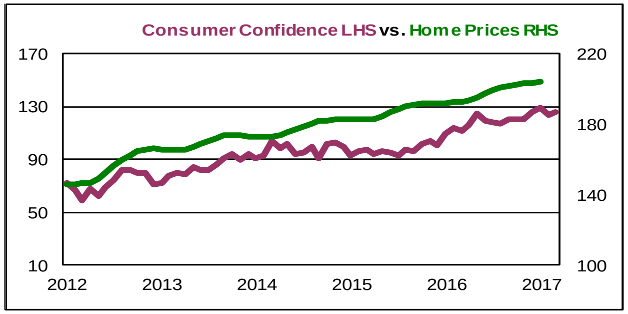
The Unemployment Rate for January came in at 4.1%, consistent with expectations and the prior month's reading, as 200,000 new jobs were created, slightly ahead of surveys. Average hourly earnings for the month rose a better than expected +0.3% and are now up +2.9% YoY. Initial jobless claims averaged 220,000 in February.

Hints of inflation have been the proverbial canary in the coal mine for this long-running bond bull market. With the debate on whether broad price inflation can exist in this era of the internet still ongoing, it will take meaningful and persistent inflationary signals to change bond investor behavior. On top of the wage growth mentioned above, CPI for January surged +0.5% (versus expectations for +0.3% growth) while PPI came in consistent with pre-market surveys at +0.4% MoM. Although the PCE Deflator remains somewhat lackluster at +1.7%, CPI at +2.1% YoY and PPI up +2.7% YoY signals something's in the air.

New Fed Chair Jerome Powell testified before the House Financial Services Committee this week and opened the door to the potential for a fourth rate hike in 2018. The bond market continues to take the under on this bet and as we've cautioned numerous times in the past, it rarely pays to bet against the Fed.

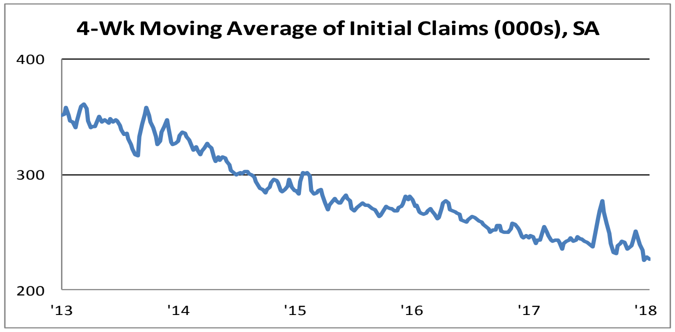


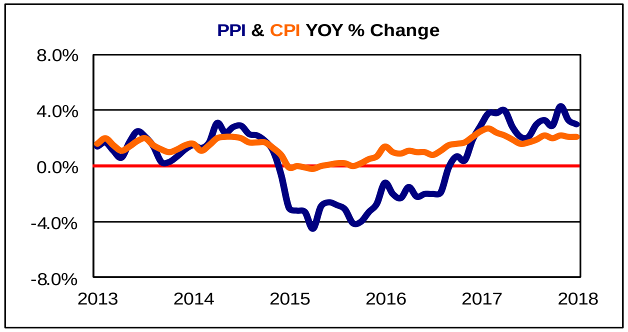




**Key Data Points**

| Name | Current | For | Previous | For |
|---|---|---|---|---|
| Retail Sales ex. Autos MOM % | 0.00% | January | 0.10% | December |
| Housing Starts | 1326K | January | 1209K | December |
| Factory Orders MOM % | 1.70% | December | 1.70% | November |
| Leading Indicators MOM % | 1.00% | January | 0.60% | December |
| Unit Labor Costs | 2.00% | Q4 2017 | -0.10% | Q3 2017 |
| GDP QOQ (Annualized) | 2.50% | Q4 2017 | 3.20% | Q3 2017 |
| Wholesale Inventories | 0.70% | January | 0.60% | December |
| MBA Mortgage Applications | 2.70% | February | -2.60% | January |



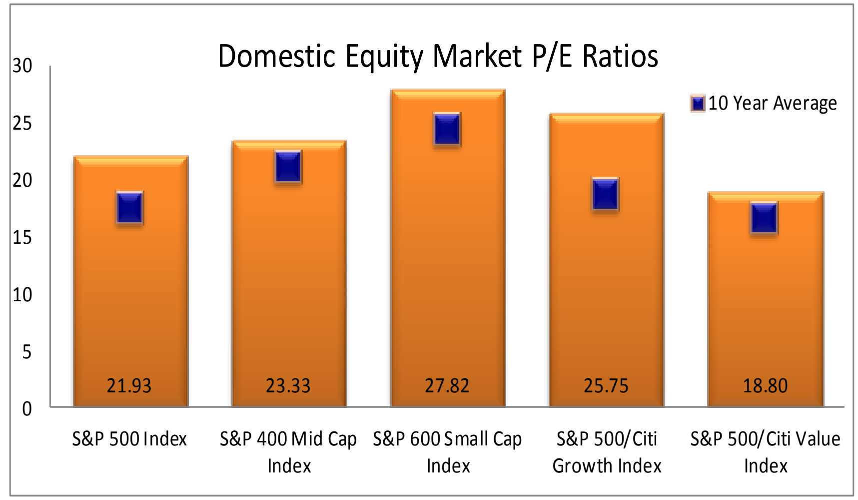
## Domestic Equity

U.S. equity markets hit a speed bump in February, ending a 15-month streak of positive monthly returns on the benchmark S&P 500 index, which fell -3.69% on the month. Volatility surged, and the S&P 500 had 12 market sessions with more than a +/- 1% move, the most in more than two years. February 2018 was very reminiscent of February 2016 (the last time U.S. equity markets hit a rough patch), except instead of oil prices collapsing much can be blamed on rising interest rates (10-year Treasury yields jumped as high as 2.95% during the month) and the potential regime change ushered in by new Fed Chair Powell.

February's losses on the S&P 500 come after the index rose +5.72% in January, bringing year to date gains to +1.83%. Small- and Mid-Caps fared similarly, falling -3.88% and -4.43% respectively on the month. For those asking "what has changed" from 2017 to 2018, the easy answer is "not much." Technology stocks such as Facebook, Amazon, Apple, Netflix, Microsoft, and Google continue to power the market, and remain responsible for an outsized portions of its returns, both in 2017 and thus far in 2018. On the month, the S&P 500 Technology sector returned +0.10%, echoing the positive sentiment that continues to buoy Technology shares, which are up +7.73% year to date. Financials continue to hold up well, specifically the Banks, as the yield curve has shifted significantly YTD. Financials returned -2.78% on the month, with Banks not far behind (-2.73%). Energy was the worst performing sector, losing -10.82% on the month, and remains the only sector with a negative 5-year annualized return (-0.36%).

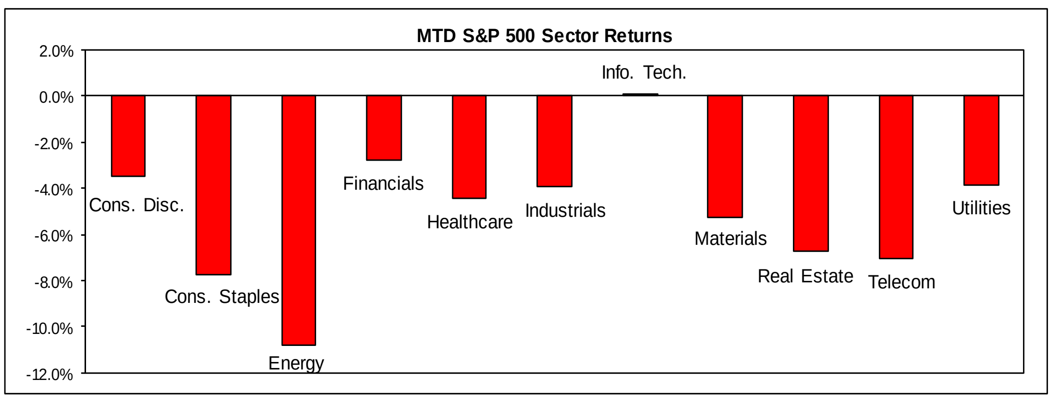
As yields rose, interest rate sensitive sectors such as Consumer Staples, Telecoms, Real Estate Investment Trusts (REITs), and Utilities suffered, with each sector losing -7.76%, -7.06%, -6.71%, and -3.86%, respectively on the month. Year to date, each sector has lost more than -6%. With expectations for higher interest rates in 2018, rate sensitive sectors will likely face additional headwinds in months ahead.

From a style standpoint, Growth stocks, as measured by the S&P 500/Citi Growth Index, outperformed Value stocks, as measured by the S&P 500/Citi Value Index, by nearly +350bps, reiterating strong Technology oriented sentiment. February was also a strong showing for single factors, with both the MSCI Momentum and Quality indices (not shown) outperforming the broader S&P 500 by a sizeable margin.




**Domestic Equity Returns**

| Name | MTD | QTD | YTD | 1 Year | 3 Year | 5 Year |
|---|---|---|---|---|---|---|
| S&P 500 Index | -3.69% | 1.83% | 1.83% | 17.09% | 11.11% | 14.71% |
| S&P 400 Mid Cap Index | -4.43% | -1.69% | -1.69% | 9.51% | 9.07% | 12.78% |
| S&P 600 Small Cap Index | -3.88% | -1.46% | -1.46% | 10.21% | 10.51% | 13.98% |
| S&P 500/Citi Growth Index | -2.02% | 5.06% | 5.06% | 24.90% | 13.13% | 16.92% |
| S&P 500/Citi Value Index | -5.48% | -1.57% | -1.57% | 8.61% | 8.58% | 12.13% |




**S&P 500 Sector Returns**

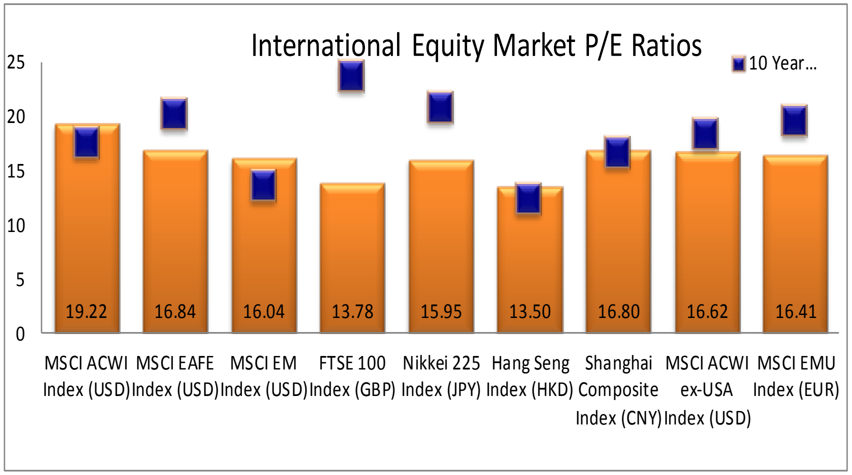
| Sector | MTD | QTD | YTD | 1 Year | 3 Year | 5 Year | % of S&P 500 |
|---|---|---|---|---|---|---|---|
| Consumer Discretionary | -3.46% | 5.54% | 5.54% | 22.13% | 12.88% | 17.33% | 13.20% |
| Consumer Staples | -7.76% | -6.30% | -6.30% | -0.32% | 5.02% | 9.85% | 8.29% |
| Energy | -10.82% | -7.42% | -7.42% | -2.80% | -2.40% | -0.36% | 5.38% |
| Financials | -2.78% | 3.51% | 3.51% | 19.90% | 15.70% | 17.32% | 14.57% |
| Healthcare | -4.45% | 1.90% | 1.90% | 14.31% | 6.99% | 16.07% | 13.54% |
| Industrials | -3.95% | 1.15% | 1.15% | 16.26% | 11.65% | 15.10% | 10.22% |
| Information Technology | 0.10% | 7.73% | 7.73% | 36.26% | 20.10% | 22.20% | 24.88% |
| Materials | -5.26% | -1.33% | -1.33% | 15.98% | 7.20% | 11.38% | 2.88% |
| Real Estate | -6.71% | -8.47% | -8.47% | -3.02% | 0.43% | 4.54% | 2.60% |
| Telecommunications | -7.06% | -6.55% | -6.55% | -5.00% | 3.78% | 5.02% | 1.83% |
| Utilities | -3.86% | -6.81% | -6.81% | -1.99% | 6.44% | 9.50% | 2.61% |

### International Equity

International equities were also hit hard in February, suffering from a global equity rout that left few parts of the global equity universe unscathed. Developed International equities, as measured by the MSCI EAFE Index, lost -4.48% on the month. Emerging Markets performed similarly, with the MSCI EM Index losing -4.63% on the month. From a regional perspective, the Eurozone underperformed, with the MSCI EMU Index shedding -3.74% in EUR terms, but -5.34% in USD terms, as the Euro weakened slightly versus the U.S. Dollar during February. At the individual country level, China was especially hit hard, with the Shanghai Composite Index giving back -6.36% (CNY), while the Hang Seng Index in Hong Kong was not far behind, losing -6.0% (HKD). The United Kingdom continued its economic slump, with the FTSE 100 Index losing -3.39% in GBP terms, plus another -2.71% in currency terms, for a total return of -6.1% to U.S. based investors. Japan fared better, with the benchmark Nikkei 225 Index losing -4.41% in JPY terms, while strength in the Yen buoyed U.S. based investors (+2.36%) for a total return of -2.05% on the month in USD terms.

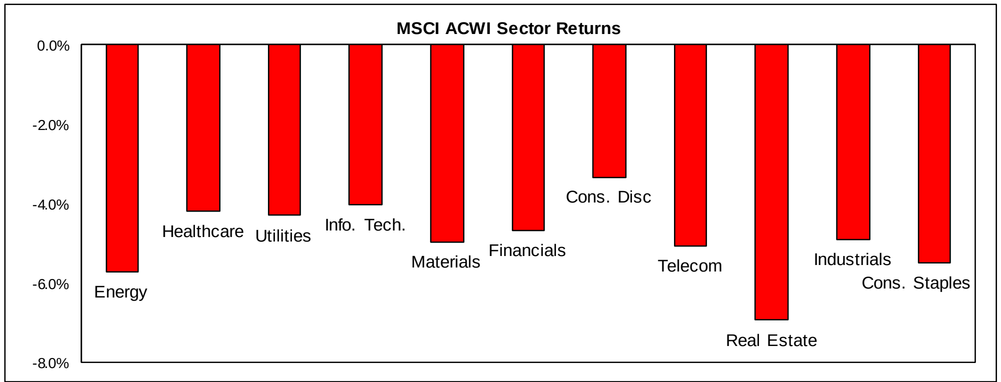
From a sector standpoint, all 11 international sectors finished meaningfully in the red, posting losses of -3.33% (Consumer Discretionary) to -6.95% (REITs) on the month. Strength in Technology stocks was nowhere to be found, with the MSCI ACWI ex. U.S. Technology sector losing -4.04%, in sharp contrast to its U.S. brethren. As we've noted in the past, the MSCI EM sector is highly concentrated at the sector level (Technology, 27.6%), and the top five names in the index (Tencent, Alibaba, Samsung, Taiwan Semiconductor, Naspers) make up 19.38%. As many of those stocks have doubled in price and become more expensive, lesser favored sectors playing on consumption driven themes, countries that have been out of favor (such as Brazil) and regions that are more localized (less correlated with the global economy) in Southeast Asia look more attractive. From a factor standpoint, Value and Quality remain favorable characteristics to ride out market volatility and add exposure within the EM space.

Looking ahead, all eyes are on Italian elections scheduled for Sunday, where the populist 5 Star Movement leads in the latest polls; however, without a majority. The wildcard will be whether or not the group has a strong showing amongst undecided voters, similar to Brexit and the French elections of years past.




**International Equity Returns**

| Name | MTD | QTD | YTD | 1 Year | 3 Year | 5 Year |
|---|---|---|---|---|---|---|
| MSCI ACWI Index (USD) | -4.16% | 1.27% | 1.27% | 19.43% | 8.94% | 10.70% |
| MSCI EAFE Index (USD) | -4.48% | 0.32% | 0.32% | 20.76% | 6.22% | 7.65% |
| MSCI EM Index (USD) | -4.63% | 3.31% | 3.31% | 30.93% | 9.40% | 5.40% |
| FTSE 100 Index (GBP) | -3.39% | -5.28% | -5.28% | 3.43% | 5.43% | 6.55% |
| Nikkei 225 Index (JPY) | -4.41% | -3.00% | -3.00% | 17.58% | 7.44% | 15.84% |
| Hang Seng Index (HKD) | -6.00% | 3.32% | 3.32% | 34.77% | 11.59% | 10.05% |
| Shanghai Composite Index (CNY) | -6.36% | -1.43% | -1.43% | 2.63% | 1.38% | 9.20% |
| MSCI ACWI ex-USA Index (USD) | -4.70% | 0.62% | 0.62% | 22.23% | 6.79% | 6.87% |
| MSCI EMU Index (EUR) | -3.74% | -0.65% | -0.65% | 10.76% | 4.52% | 11.14% |




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

| Sector | MTD | QTD | YTD | 1 Year | 3 Year | 5 Year | % of ACWI Ex. USA |
|---|---|---|---|---|---|---|---|
| Energy | -5.73% | -1.44% | -1.44% | 18.69% | 5.79% | 0.78% | 7.02% |
| Healthcare | -4.20% | -0.28% | -0.28% | 11.56% | 0.51% | 7.29% | 6.16% |
| Utility | -4.31% | -4.65% | -4.65% | 4.18% | 3.54% | 6.38% | 5.25% |
| Information Technology | -4.04% | 3.20% | 3.20% | 42.78% | 17.49% | 16.10% | 11.45% |
| Materials | -4.97% | 0.51% | 0.51% | 24.16% | 8.55% | 2.74% | 7.55% |
| Financials | -4.68% | 2.73% | 2.73% | 23.70% | 7.58% | 7.07% | 21.54% |
| Consumer Discretionary | -3.33% | 1.89% | 1.89% | 25.96% | 6.30% | 9.32% | 11.58% |
| Telecommunications | -5.07% | -2.45% | -2.45% | 8.48% | -0.40% | 5.68% | 5.11% |
| Real Estate* | -6.95% | -2.36% | N/A | N/A | N/A | N/A | 3.46% |
| Industrials | -4.90% | 0.67% | 0.67% | 22.88% | 8.29% | 8.11% | 11.35% |
| Consumer Staples | -5.49% | -3.69% | -3.69% | 13.27% | 5.10% | 5.56% | 9.52% |

## Fixed Income

New Federal Reserve Chairman Jerome Powell provided a relatively bullish economic outlook in his first outing testifying before the House Financial Services Committee on February 27th, and the markets reacted with the USD strengthening, interest rates moving a bit higher, and the likelihood of a fourth rate hike in 2018 increasing substantially. He will provide additional testimony before the Senate Banking Committee today. Expectations are that Chairman Powell may present a more balanced view on the economy to avoid further market impact, having gained experience from his prior performance.

Interest rates continue to creep higher. The 2.25% yield on the two year Treasury bond has risen to a level that hasn't been seen since 2008, while the ten year Treasury has flirted with the 3% level last breached in late 2013. Credit spreads widened a bit along with the equity market turmoil, but do not appear to present a compelling value opportunity as they are still hovering near historically tight levels. Price impact of spread widening can be limited by keeping portfolio credit exposure within the short/intermediate maturity range. A 50 basis point increase in spread will have a roughly -0.9% price impact on a 2 year bond, a -2.3% price impact on a 5 year bond, and a -3.8% price impact on a 10 year bond.

Municipal bond prices have exhibited strength, with an assist from the technical support provided by the decline in issuance due to restrictions in the tax reform bill. A typical 10 year Aaa muni yields 87% of the current 10 year Treasury yield. This is below the recent average of 95%, but roughly in line with the longer term average. There is some talk of relaxing the restriction on the pre-refunding of outstanding bonds, which would significantly increase the amount of issuance coming to market, easing the supply drought.

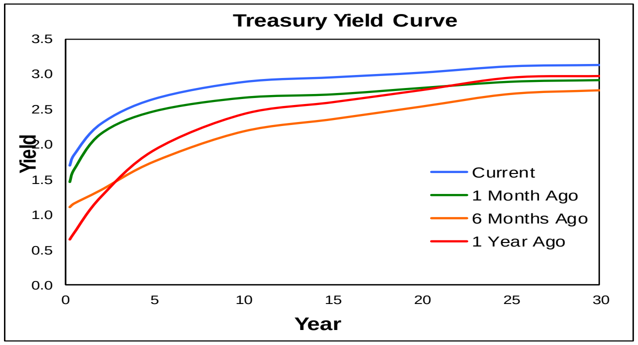
There has been some concern that during the recent equity market sell off, bonds also sold off, failing to exhibit their traditional inverse price performance (stocks down=bonds up, and vice versa). While it is unusual, bonds continue to provide a portfolio volatility buffer (they did not fall in price anywhere near as much as equities), and longer term, it is unlikely that this historical performance relationship has dissolved. Higher credit quality portfolios have held up better during the turmoil, due to their insulation from excessive credit spread widening.

**Central Bank Activity**

| Name | Current | 1 Month Ago | 6 Months Ago | 1 Year Ago |
|---|---|---|---|---|
| Fed Funds Rate | 1.50% | 1.50% | 1.25% | 0.75% |
| 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 | 0.50% | 0.50% | 0.25% | 0.25% |

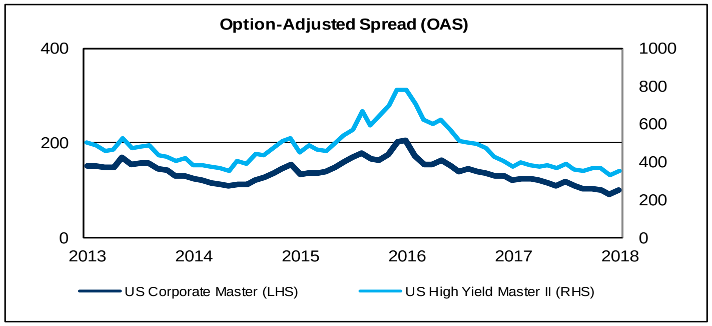
**Fixed Income Returns**

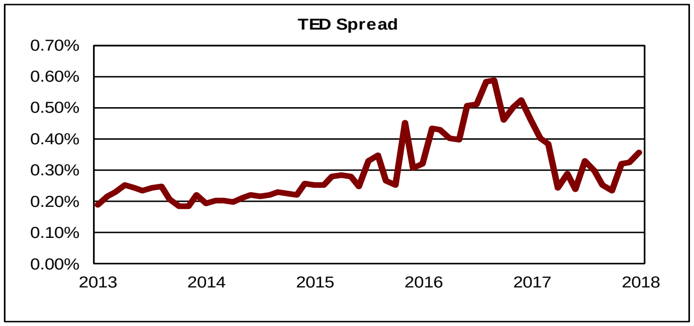
| Name | MTD | QTD | YTD | 1 Year |
|---|---|---|---|---|
| Bloomberg Barclays US Government Index | -0.74% | -2.06% | -2.06% | 0.09% |
| Bloomberg Barclays US Agg Index | -0.95% | -2.09% | -2.09% | 1.07% |
| Bloomberg Barclays US Corporate Index | -1.62% | -2.56% | -2.56% | 2.81% |
| Bloomberg Barclays US Corporate High Yield Index | -0.85% | -0.26% | -0.26% | 3.93% |
| Bloomberg Barclays EM USD Agg Index | -1.36% | -1.53% | -1.53% | 3.73% |
| Bloomberg Barclays Global Agg Treasuries USD Index | 0.10% | -0.55% | -0.55% | 1.81% |
| Bloomberg Barclays Municipal Index | -0.30% | -0.18% | -0.18% | 2.90% |

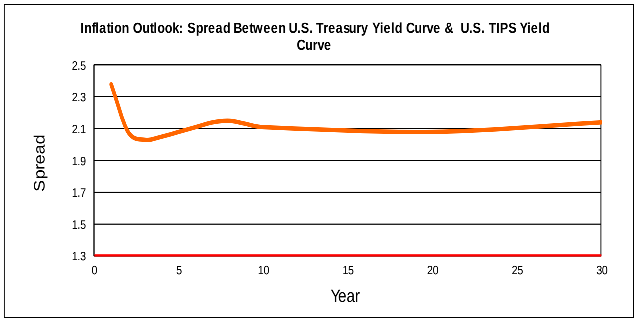



**U.S. Treasury Yields**

| Period | 3 Month | 6 Month | 2 Year | 5 Year | 10 Year | 15 Year | 20 Year | 25 Year | 30 Year |
|---|---|---|---|---|---|---|---|---|---|
| Current | 1.70% | 1.85% | 2.29% | 2.65% | 2.89% | 2.95% | 3.02% | 3.11% | 3.13% |
| 1 Month Ago | 1.46% | 1.64% | 2.15% | 2.47% | 2.66% | 2.71% | 2.80% | 2.89% | 2.91% |
| 6 Months Ago | 1.11% | 1.16% | 1.35% | 1.76% | 2.18% | 2.36% | 2.54% | 2.72% | 2.77% |
| 1 Year Ago | 0.65% | 0.74% | 1.25% | 1.92% | 2.43% | 2.60% | 2.77% | 2.95% | 2.97% |



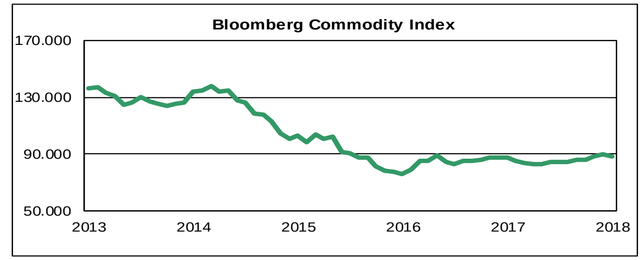



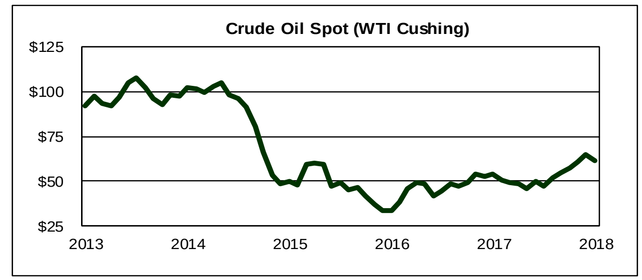
## Alternative Investments

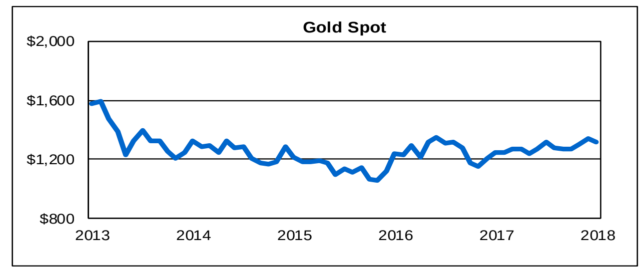
Alternative investments fared poorly in February, led by declines in commodities, real estate, and gold. Commodities, as measured by the Bloomberg Commodities Index, lost -1.8% on the month, helped lower by a pull back in oil prices. West Texas Intermediate (WTI) crude oil lost more than $3/barrel, or -4.8%, to close below $62/barrel on the month. Oil prices have come under pressure as inventories continue to undergo a supply and demand rebalance. U.S. oil production continues to hover at levels above 10 million barrels per day, levels not seen in decades. With energy companies largely profitable at $60/bbl oil prices, additional supply is likely to continue coming on line in 2018. The key question remains how much global demand rises, and how much supply comes *offline* from Venezuela and countries in the Middle East. These dynamics should likely keep oil prices range bound in the $55-70/bbl range this year, absent a shock to the market.

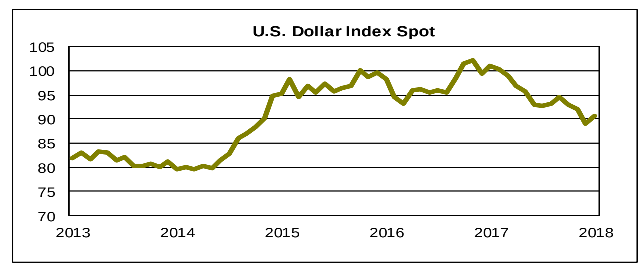
Interest rates rose sharply intra-month, with the benchmark 10-Year U.S. Treasury yield eclipsing 2.95%, before retreating. According to data from CME Group, market expectations for a fourth interest rate hike this year topped 35%, after Fed Chair Powell's congressional testimony at the beginning of the week. With signs of a pick up in inflation firming and the likelihood of higher interest rates all but certain, bond prices are due to come under pressure. Weakness in interest rate sensitive equities was apparent in February, with the FTSE NAREIT All REIT Index losing -7.2% on the month. With the back up in rates, and the expectations for a 4th interest rate hike increasing, the Dollar, as measured by the DXY Index rose +1.7% on the month. The Dollar's strength, coupled with higher real yields, helped push Gold -2.0% lower on the month, to close at $1,318/ounce.

The strength in the Dollar, taken together with weaker than expected data from the Eurozone, helped put downward pressure on the Euro, which weakened to $1.22 USD/EUR on the month. Other likely qualitative contributors to Euro weakness are uncertainty from the upcoming Italian elections Sunday and repatriated cash coming back to the U.S. from abroad (including Europe). Furthermore, the expectation for NAFTA negotiations to pick up in March has put downward pressure on the Canadian Loonie (and the Mexican Peso), which weakened from $1.23 CAD/USD to $1.28 CAD/USD in February. Weaker than expected global economic data from all countries was also a likely contributor to respective currency weakness.



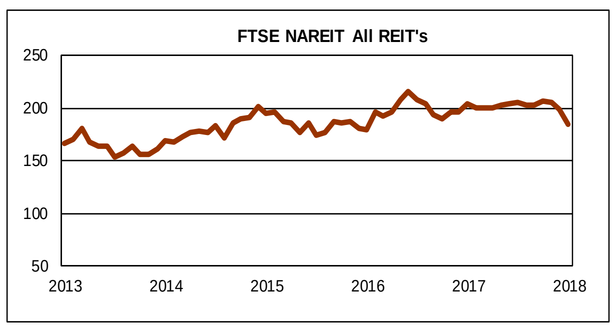




**Hedge Funds**

| Name | MTD | QTD | YTD | 1 Year | 3 Year | 5 Year |
|---|---|---|---|---|---|---|
| Global Hedge | -2.00% | 0.39% | 0.39% | 4.71% | 1.09% | 1.72% |
| Convertible Arbitrage | 0.39% | 0.41% | 0.41% | 5.20% | 3.91% | 2.13% |
| Distressed Securities | -0.55% | 0.96% | 0.96% | 1.55% | 3.32% | 3.05% |
| Equity Hedge (L/S) | -0.96% | 2.42% | 2.42% | 10.40% | 2.72% | 3.63% |
| Equity Market Neutral | -0.37% | 0.82% | 0.82% | 1.79% | 0.66% | 1.48% |
| Event Driven | -3.88% | -2.19% | -2.19% | 1.49% | 2.12% | 2.52% |
| Macro | -4.23% | -0.60% | -0.60% | 1.68% | -1.88% | 0.04% |
| Merger Arbitrage | -1.23% | -1.12% | -1.12% | 1.33% | 3.89% | 3.86% |
| Relative Value Arbitrage | 0.29% | 1.39% | 1.39% | 3.93% | 0.39% | 0.23% |
| Absolute Return | -0.28% | 0.53% | 0.53% | 3.51% | 1.91% | 2.17% |

Note: Price Return, Returns as of 02/27/18




**Spot Rates**

| Description | Current | 1 Month Ago | 3 Months Ago | 6 Months Ago | 1 Year Ago |
|---|---|---|---|---|---|
| CAD / USD | 1.28 | 1.23 | 1.29 | 1.25 | 1.33 |
| JPY / USD | 106.68 | 109.19 | 112.54 | 109.98 | 112.77 |
| USD / GBP | 1.38 | 1.42 | 1.35 | 1.29 | 1.24 |
| USD / EUR | 1.22 | 1.24 | 1.19 | 1.19 | 1.06 |

**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-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 (LGTRTRUH)–** 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 compromised 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 (LBUSTRUU)-** 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 (C0A0) –** 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 (C0A0) –** 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 (H0A0) –** 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 (USDX) indicates the general int'l value of the USD. The USDX 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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