

### Economic Overview

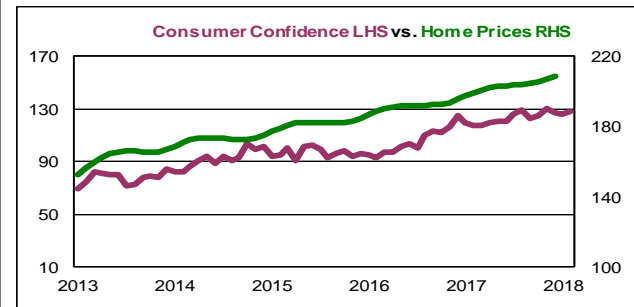
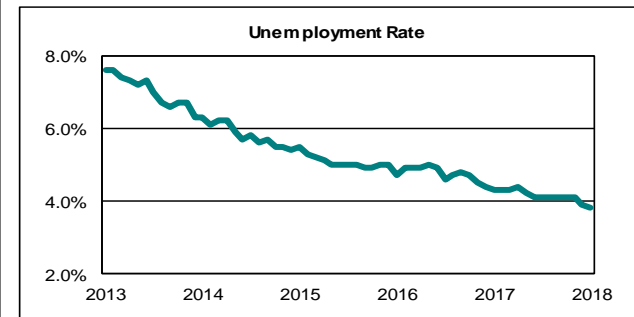
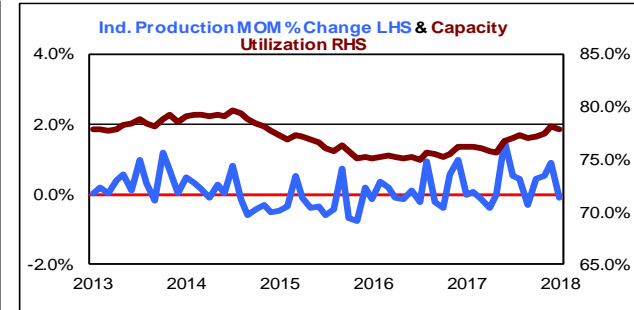
Falling unemployment and rising home prices were the two constants in June's economic data while the rest of the metrics we track were a mixed bag. The 3<sup>rd</sup> reading for Q1 GDP showed just a 2% annualized growth rate in the first quarter, slightly below expectations. Rising short-term interest rates and the growing specter of a global trade war are starting to work their way into the data and will likely impact the economy going forward.

The unemployment rate for May edged down to just 3.8%, the lowest reading in nearly 20 years. The underemployment rate dipped to 7.6% while the labor force participation rate fell to 62.7%. Average hourly earnings edged up a higher than expected +0.3% and are now up +2.7% YoY. Initial Jobless Claims averaged 221K on the month.

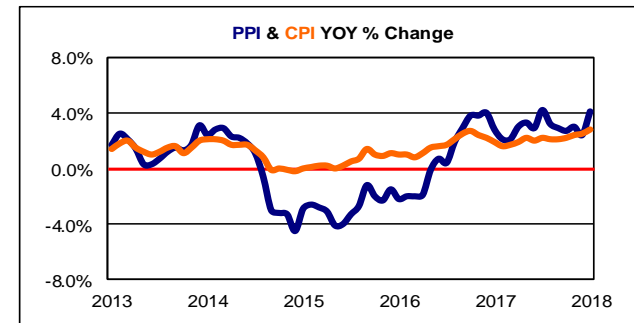
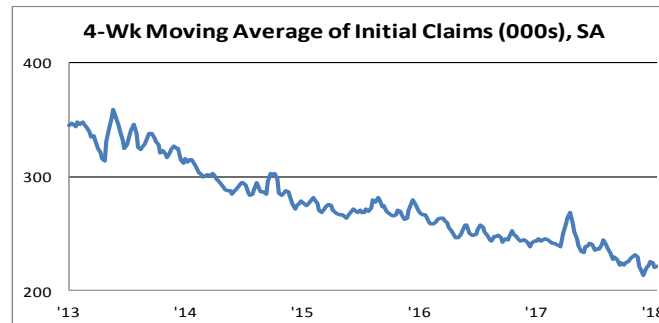
Home prices continued to grind higher as June's report on April prices showed the S&P CoreLogic CS US home price index up 6.4% YoY. New Home Sales for May surged a better than expected 6.7% while Existing Home Sales were down slightly. Housing Starts for May rose 5.0% MoM while the MBA Mortgage Application index rose 5.1%.

Inflation data was mixed although May's Producer Price Index report showed a higher than expected +0.5% MoM surge in prices at the wholesale level, while consumer prices edged up +0.2%. Producer prices are now up +3.1% YoY while consumer prices rose +2.8% YoY. The PCE Deflator for May rose +0.2% MoM and is up just +2.3% YoY.

As suggested at the outset above, short-term interest rates are trending higher as the Federal Reserve raised the Funds rate 0.25% at its June meeting. 3-month LIBOR has risen from 1.70% at the start of the year to 2.34% today. Along with short-term interest rate pressures is a looming trade war. Tariffs are being enacted on an ever-widening range of goods and the repercussions are only beginning to be felt. Should tensions escalate and spill over into a global trade war, we would expect inflation to surge and GDP to be negatively impacted. While we remain bullish on the impact of the tax reform act, we remain hopeful that cooler heads will prevail on trade and a major war can be averted.



Key Data Points				
Name	Current	For	Previous	For
Retail Sales ex. Autos MOM %	0.90%	May	0.40%	April
Housing Starts	1350K	May	1286K	April
Factory Orders MOM %	-0.80%	April	1.70%	March
Leading Indicators MOM %	0.20%	May	0.40%	April
Unit Labor Costs	2.90%	Q1 2018	2.50%	Q4 2017
GDP QOQ (Annualized)	2.00%	Q1 2018	2.90%	Q4 2017
Wholesale Inventories	0.50%	May	0.10%	April
MBA Mortgage Applications	-4.90%	June	-2.90%	May



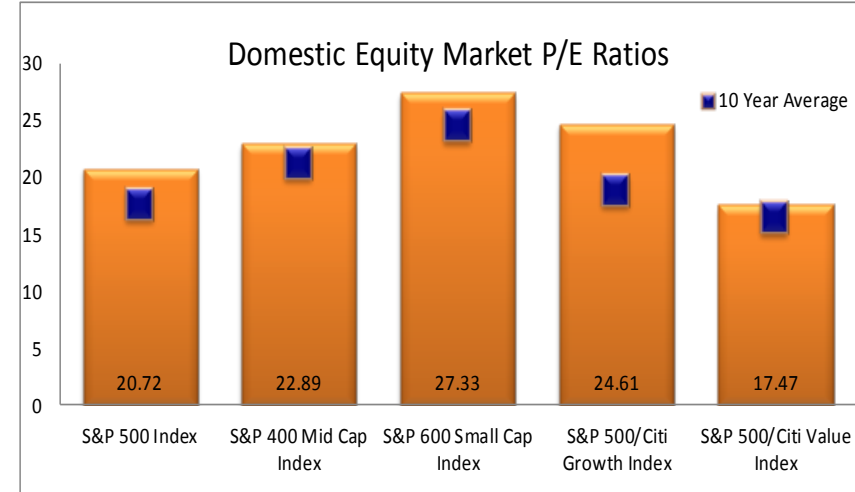


### Domestic Equity

U.S. equity markets posted positive returns in June, with the benchmark S&P 500 Index returning +0.62% during the period. Mid-Caps, as measured by the S&P 400 Index, returned +0.42%, but the top performing slice of the market were Small-Caps, as the S&P 600 Index rose +1.13% on the month. At the half-way point for the year, Small-Caps have been the best performers, up +8.77% on the year (compared to Large- and Mid-Caps which returned +4.29% and +3.43%, respectively). Expectations for improved U.S. economic data in Q2 has buoyed U.S. equity markets relative to international markets, and insulation from trade threats has given a shot in the arm to smaller cap U.S. equities.

Economic fundamentals clearly appear to be improving, and rising earnings estimates have brought valuations down to more reasonable levels; however, market sentiment around tit-for-tat tariff announcements and fears of an all out trade war seem to be winning out. At the sector level, defensive sector returns show investors positioning their dollars more conservatively, with Consumer Staples, Real Estate, Utilities, and Telecoms posting strong returns, up +4.50%, +4.44%, +2.77%, and +2.37%, respectively, broadly outperforming the broader S&P 500 Index. While rate sensitive sectors caught a bid in June, their year to date performance has been flat to negative as interest rates have risen. With the Federal Reserve likely to continue hiking rates in the second half of the year, rate sensitive sectors will likely again come under pressure; however, during periods of market anxiety they will likely outperform in the short run.

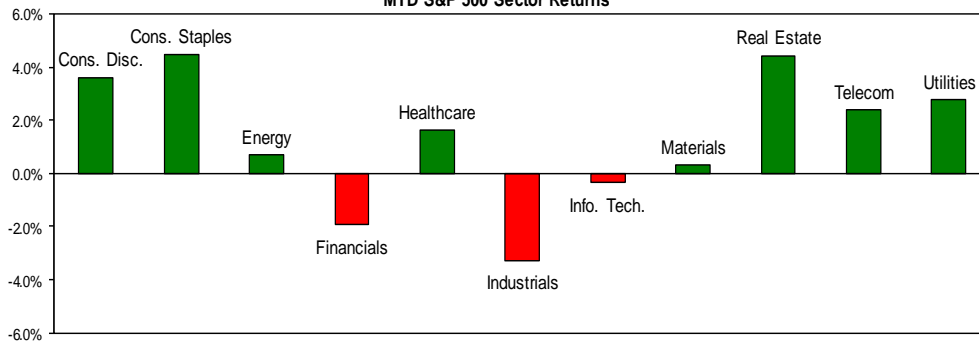
The Industrial, Financial, and Technology sectors posted negative returns of -3.31%, -1.92%, and -0.35%, respectively. Industrial companies undoubtedly have a lot to lose if a trade war breaks out and their monthly performance reflects that. Financial stocks followed 10-Year Treasury yields lower on the month despite all 35 banks passing Round 1 of the Fed's stress tests, and most banks upping their capital distributions (buybacks and dividends) meaningfully. Technology shares came under pressure for the first month in recent memory, but remain up +10.9% on the year, trailing only Consumer Discretionary (thanks to Amazon), which has risen +11.5% year to date.



### Domestic Equity Returns

Name	MTD	QTD	YTD	1 Year	3 Year	5 Year
S&P 500 Index	0.62%	3.43%	2.65%	14.36%	11.92%	13.40%
S&P 400 Mid Cap Index	0.42%	4.29%	3.49%	13.49%	10.88%	12.66%
S&P 600 Small Cap Index	1.13%	8.77%	9.37%	20.41%	13.76%	14.53%
S&P 500/Citi Growth Index	0.60%	5.25%	7.28%	20.62%	14.47%	15.96%
S&P 500/Citi Value Index	0.63%	1.40%	-2.23%	7.57%	8.81%	10.43%

### MTD S&P 500 Sector Returns



### S&P 500 Sector Returns

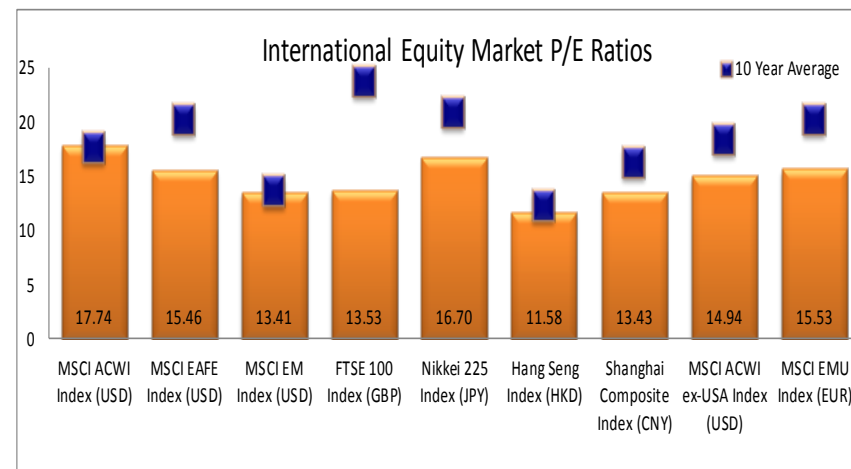
Sector	MTD	QTD	YTD	1 Year	3 Year	5 Year	% of S&P 500
Consumer Discretionary	3.61%	8.17%	11.50%	23.53%	14.44%	15.95%	13.46%
Consumer Staples	4.50%	-1.54%	-8.55%	-3.93%	5.52%	8.16%	7.68%
Energy	0.71%	13.48%	6.81%	20.99%	3.68%	2.21%	6.16%
Financials	-1.92%	-3.16%	-4.09%	9.61%	12.42%	13.08%	13.47%
Healthcare	1.63%	3.09%	1.83%	7.11%	5.68%	13.76%	13.85%
Industrials	-3.31%	-3.18%	-4.69%	5.32%	11.28%	12.62%	9.50%
Information Technology	-0.35%	7.09%	10.87%	31.30%	22.59%	21.88%	25.70%
Materials	0.34%	2.58%	-3.08%	9.90%	8.49%	10.85%	2.58%
Real Estate	4.44%	6.13%	0.81%	5.02%	7.25%	6.72%	2.82%
Telecommunications	2.37%	-0.94%	-8.35%	1.39%	3.86%	3.71%	1.93%
Utilities	2.77%	3.74%	0.32%	3.41%	11.69%	10.56%	2.85%

### International Equity

After a strong start to the year, International equities have recently come under pressure on many fronts. Developed International equities, as measured by the MSCI EAFE Index, lost -1.19% on the month, bringing YTD losses to -2.40%. Emerging Markets shed -4.13% in June, and have lost -6.60% on the year. EM equities took the brunt of the selling pressure after China-U.S. trade tensions escalated. While recent negative performance and increased volatility have caused investor outflows in the space, valuations for Emerging Markets equities remain a compelling long-term investment, especially given their double digit earnings growth expectations for 2018 and 2019.

Fears of a full blown trade war have impacted more than just China and Emerging Markets (China represents nearly 1/3 of EM), with concerns spilling over into Europe. Automobiles are a life blood to European powerhouse Germany, and recent auto-related tariffs could hit the European Union quite hard and have unintended consequences for German companies (i.e. BMW, Daimler, Volkswagen), especially those such as BMW that export nearly 70% of the cars that it produces in the United States (mainly to places such as China). Moreover, these unintended consequences show the interconnectedness of global supply chains, and underscores the complexity of negotiating any tariff relief when it comes to certain key products, not just autos. The MSCI EMU Index, a measure of Eurozone equities, lost -0.74% in USD terms in June, as the Euro weakened, increasing negative returns for dollar based investors.

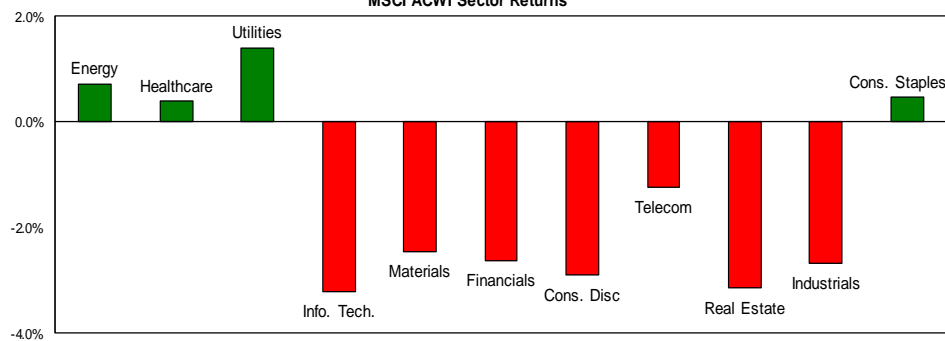
At the sector level, Utilities were the top performing sector in June, gaining +1.39%, and are now up +0.58% for the year. Besides Utilities, Healthcare and Energy are the only other sectors in positive territory YTD, up +1.59%, and +5.71%, respectively. Telecoms and Financials are the worst performers on the year, down -8.87% and -8.01%, respectively.



### International Equity Returns

Name	MTD	QTD	YTD	1 Year	3 Year	5 Year
MSCI ACWI Index (USD)	-0.51%	0.68%	-0.16%	11.31%	8.81%	10.03%
MSCI EAFE Index (USD)	-1.19%	-1.06%	-2.40%	7.40%	5.48%	7.03%
MSCI EM Index (USD)	-4.13%	-7.90%	-6.60%	8.53%	6.02%	5.39%
FTSE 100 Index (GBP)	-0.24%	9.51%	1.63%	8.69%	9.69%	8.22%
Nikkei 225 Index (JPY)	0.57%	4.08%	-1.06%	13.46%	5.26%	12.25%
Hang Seng Index (HKD)	-4.52%	-2.53%	-1.64%	16.28%	7.00%	10.64%
Shanghai Composite Index (CNY)	-7.28%	-9.12%	-12.91%	-8.59%	-10.84%	9.96%
MSCI ACWI ex-USA Index (USD)	-1.85%	-2.47%	-3.49%	7.79%	5.62%	6.55%
MSCI EMU Index (EUR)	-0.80%	2.98%	0.18%	4.09%	5.33%	11.05%

### 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	0.71%	7.50%	5.71%	28.45%	9.43%	3.69%	7.79%
Healthcare	0.38%	1.52%	1.59%	3.78%	0.79%	6.57%	5.99%
Utility	1.39%	1.55%	0.58%	4.02%	7.13%	6.99%	5.51%
Information Technology	-3.22%	-2.91%	-1.14%	15.69%	16.29%	15.46%	11.10%
Materials	-2.46%	-0.30%	-3.06%	16.53%	9.50%	5.83%	7.27%
Financials	-2.63%	-7.08%	-8.01%	2.22%	3.21%	5.60%	21.64%
Consumer Discretionary	-2.92%	-3.23%	-4.28%	8.77%	4.51%	6.98%	11.43%
Telecommunications	-1.24%	-6.06%	-9.87%	-6.12%	-2.90%	2.76%	4.32%
Real Estate	-3.16%	-2.83%	-4.31%	7.40%	N/A	N/A	3.70%
Industrials	-2.69%	-2.63%	-4.11%	6.22%	7.12%	7.60%	11.20%
Consumer Staples	0.46%	-0.49%	-3.19%	3.35%	6.06%	5.90%	10.05%

### Fixed Income

Chairman Powell's FOMC met on June 12-13, and decided that with unemployment low, inflation close to target, and economic activity rising at a solid rate, the federal funds rate should be increased by 25 bps. The market is expecting another 25 bp hike at September's meeting.

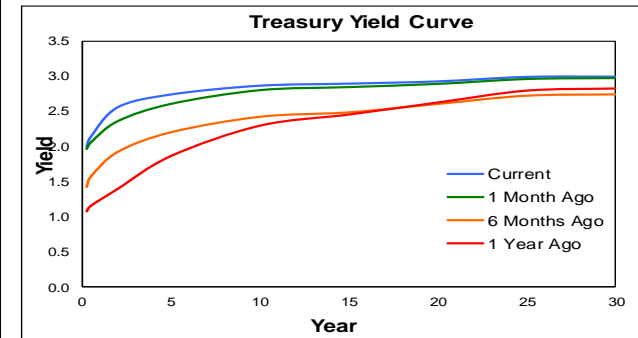
The Treasury curve has continued to flatten, with the yield pickup on a 10-year Treasury over a 2-year falling to 31 bps. The flatter the curve, the closer we come to inversion, a much watched sign of economic slowdown/recession. We are cognizant of this, but still satisfied with the current domestic economic data, and the expected effects of the fiscal stimulus still coming through the pipeline. The 10-year Treasury spent the first half of the month of June in the 2.90% to 2.95% range, as yields moved higher along with the stock market. Mid-month, this trend reversed. As stocks sold off, the 10-year yield gave ground, tracking lower along with risk-market sentiment, and closing out June at 2.84%, near the lows of the month.

In other risk off news, Emerging Market bond spreads have been experiencing a fairly consistent widening since early February of this year. The trend continued in June. By the end of the month, EM spreads had risen over 100 bps from the 2018 lows, and were at their widest since Q4 of 2016. Investment grade (IG) corporate bond spreads have also continued to widen. 10-year BBB corporates currently offer a spread of 164 bps over Treasuries, or 37% more spread than at their lows in January. High Yield spreads have traded in a range of 300 to 370 bps over the 10 year Treasury since late 2016. They are currently near the top of the range, but looking unstressed. Compared to the IG spread widening cited above, High Yield spreads are only 23% wider than their January lows. In a tumultuous rising interest rate environment, high yield has held up quite well in 2018.

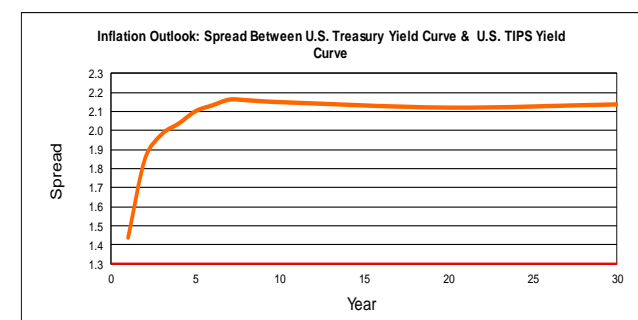
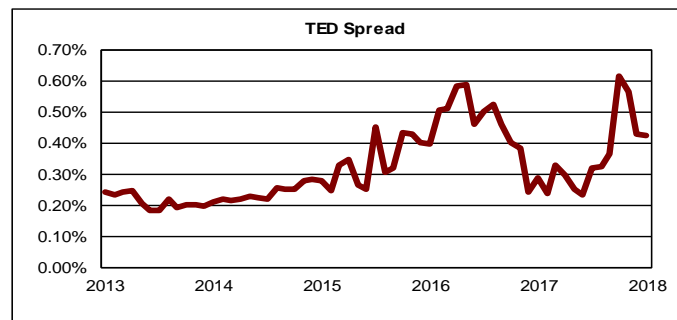
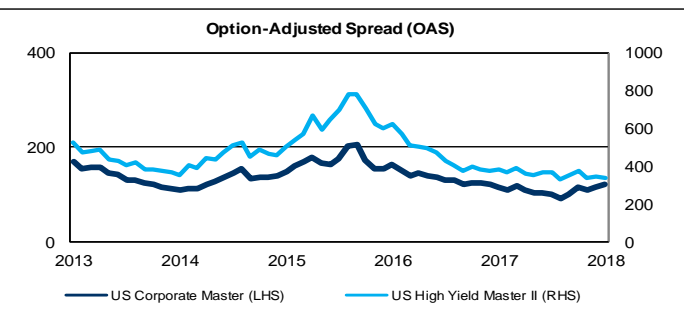
The story of the municipal bond market has not changed. Supply remains constrained, supporting prices. The short end of the curve appears rich on a relative value basis, versus intermediate and long dated muni maturities. The risk/return tradeoff that needs to be weighed here is the additional duration that comes with the higher yields of long dated muni bonds. With the potential for rates to continue moving higher, it is best to avoid the siren call of 20+ year municipal bonds, unless you are pursuing an ALM/LDI strategy.

Central Bank Activity				
Name	Current	1 Month Ago	6 Months Ago	1 Year Ago
Fed Funds Rate	2.00%	1.75%	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	0.50%	0.50%	0.50%	0.25%

Fixed Income Returns				
Name	MTD	QTD	YTD	1 Year
Bloomberg Barclays US Government Index	0.02%	0.10%	-1.05%	-0.63%
Bloomberg Barclays US Agg Index	-0.12%	-0.16%	-1.62%	-0.40%
Bloomberg Barclays US Corporate Index	-0.58%	-0.98%	-3.27%	-0.83%
Bloomberg Barclays US Corporate High Yield Index	0.40%	1.03%	0.16%	2.62%
Bloomberg Barclays EM USD Agg Index	-0.66%	-2.40%	-3.84%	-1.04%
Bloomberg Barclays Global Agg Treasuries USD Index	0.35%	0.30%	0.87%	2.23%
Bloomberg Barclays Municipal Index	0.09%	0.87%	-0.25%	1.56%



U.S. Treasury Yields									
Period	3 Month	6 Month	2 Year	5 Year	10 Year	15 Year	20 Year	25 Year	30 Year
Current	2.00%	2.14%	2.55%	2.74%	2.86%	2.89%	2.92%	2.99%	2.99%
1 Month Ago	1.96%	2.06%	2.36%	2.60%	2.80%	2.84%	2.89%	2.96%	2.97%
6 Months Ago	1.42%	1.57%	1.92%	2.20%	2.42%	2.48%	2.60%	2.72%	2.74%
1 Year Ago	1.07%	1.16%	1.39%	1.86%	2.29%	2.45%	2.62%	2.79%	2.82%

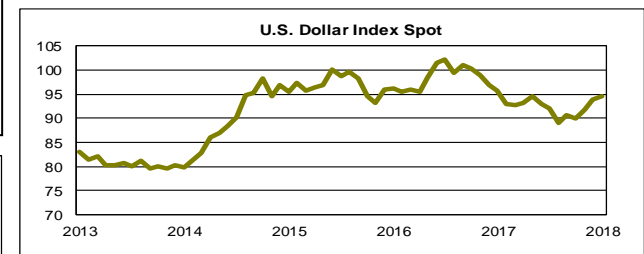
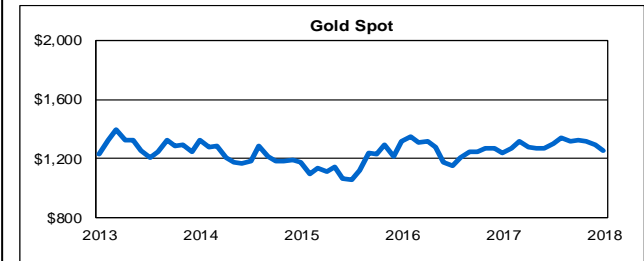
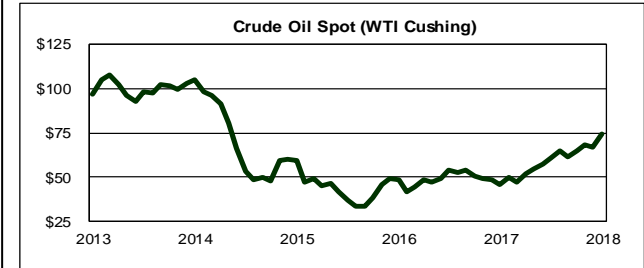
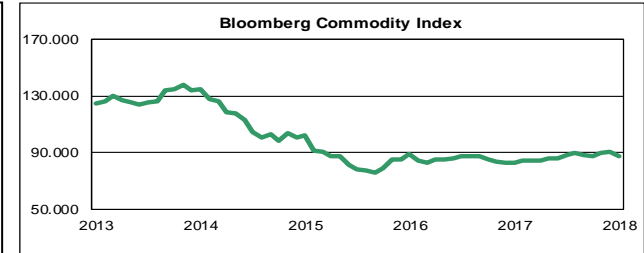


### Alternative Investments

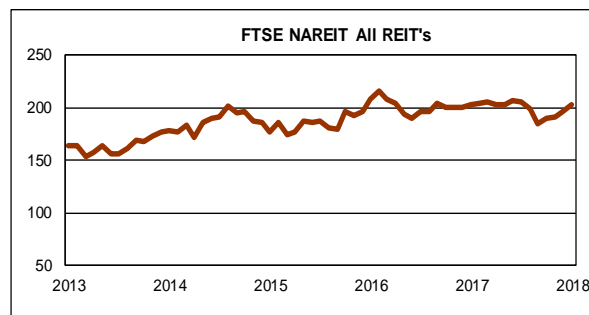
Alternative investments zigged and zagged in June, posting outsized returns across asset classes. West Texas Intermediate (WTI) crude oil was the top performing alternative during the period, rising +10.6% to close above \$74/barrel. WTI's monthly closing price represented the highest levels seen since September 2014. Much of the rise in crude prices comes from OPEC's production "cut" of 600,000 barrels per day announced this month. The "cut" comes from a reduction in the 1.8 million barrel cut (2% of output) OPEC and others announced in 2016. Furthermore, over the weekend President Trump called on Saudi Arabia's King Salman to increase production by 2 million barrels per day. While Saudi Arabia has long been the world's swing producer (U.S. shale is now a close second) it has long been touted to have 1.5-2 million barrels per day of excess capacity that could be turned on fairly quickly. Trump's request comes after newly imposed sanctions on Iran and calls for U.S. allies to reduce Iranian oil purchases to zero by November. Coupled with supply disruptions elsewhere, rising oil prices could be in the cards heading into summer – clearly one element of a plea for help from our Saudi allies.

Even with WTI's more than +10% gain on the month, it wasn't enough to keep the Bloomberg Commodities Index from losing -3.6% on the month, as many of its other sub-components may be impacted from tariff threats. Another element of commodity weakness could be the strengthening U.S. Dollar. The Dollar, as measured by the DXY Index, rose +0.5% in June; however, more notably, the Dollar gained +5.0% during the quarter. The Dollar's rally comes at an inopportune time for U.S. investors, as a strong Dollar typically makes U.S. exports less competitive, dents corporate earnings (foreign currency translations), and makes international investing more complicated for Dollar based investors in places like Europe and Emerging Markets. The Dollar's strength has taken some of the shine off of Gold, with the precious metal losing -3.5% during June, in the face of rising geopolitical tensions and increased uncertainty. Even with interest rates falling during the quarter, Gold couldn't eke out any gains, finishing the month trading at \$1,253/ounce.

Most major currencies were largely unchanged on the month; however, it should be noted that the European Central Bank announced a tapering of its bond buying program, which sent the Euro plunging, even though it recovered some losses during the month. At recent levels, the EUR/USD exchange rate is down -5.1% QTD.



Hedge Funds						
Name	MTD	QTD	YTD	1 Year	3 Year	5 Year
Global Hedge	-0.38%	-0.03%	-1.05%	2.27%	0.76%	1.28%
Convertible Arbitrage	-0.57%	0.16%	0.26%	3.01%	3.48%	0.95%
Distressed Securities	-1.72%	-0.80%	-6.19%	-5.66%	0.68%	1.23%
Equity Hedge (L/S)	-1.14%	-1.40%	-0.24%	5.77%	1.57%	2.94%
Equity Market Neutral	-0.66%	-0.59%	0.14%	1.17%	0.37%	1.33%
Event Driven	-0.78%	0.00%	-4.80%	-3.10%	1.09%	1.29%
Macro	0.47%	0.56%	-1.48%	1.76%	-0.86%	0.08%
Merger Arbitrage	0.71%	0.67%	-0.53%	0.32%	3.55%	3.72%
Relative Value Arbitrage	0.23%	1.05%	2.04%	4.14%	0.61%	0.39%
Absolute Return	0.19%	0.73%	1.03%	3.03%	1.85%	2.03%



Spot Rates					
Description	Current	1 Month Ago	3 Months Ago	6 Months Ago	1 Year Ago
CAD / USD	1.31	1.30	1.29	1.26	1.30
JPY / USD	110.76	108.82	106.28	112.69	112.39
USD / GBP	1.32	1.33	1.40	1.35	1.30
USD / EUR	1.17	1.17	1.23	1.20	1.14





**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.

**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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