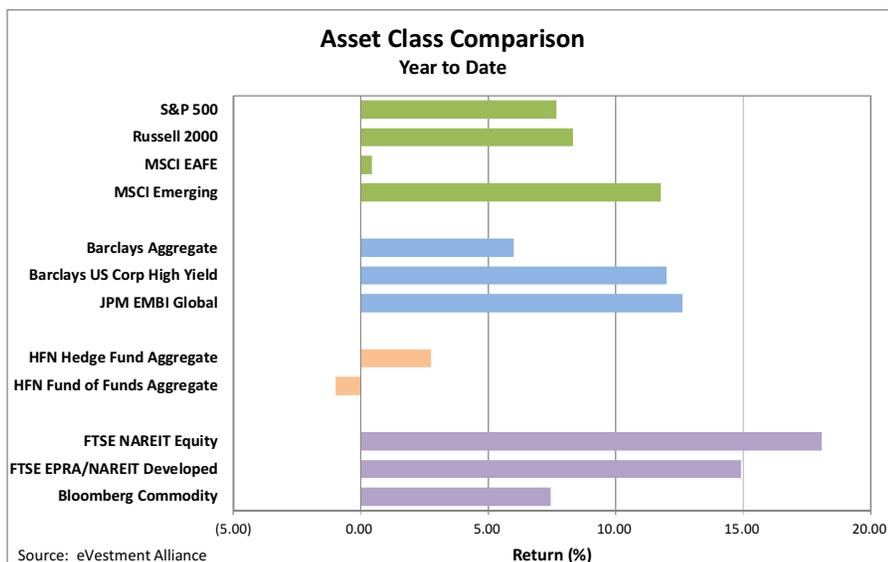
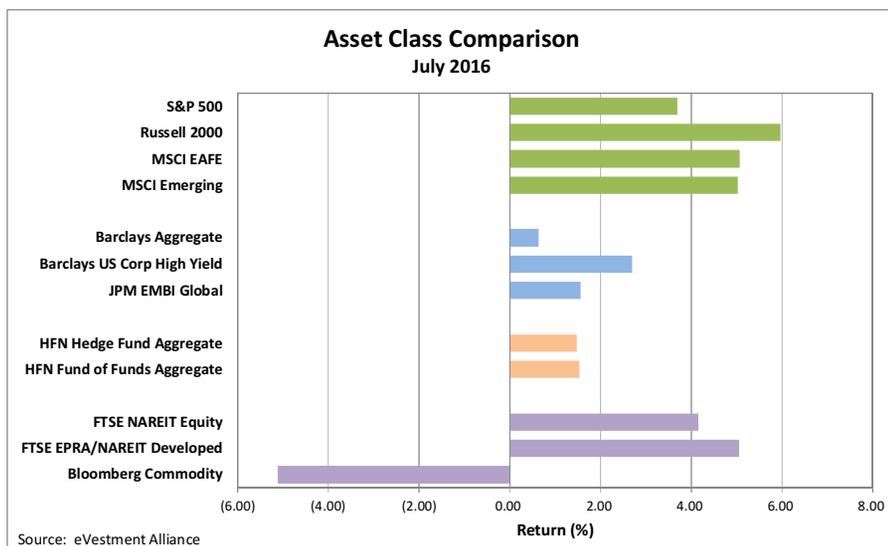


Market Overview

- July was a solid month for risk assets with gains recognized nearly across the board. Commodities were the exception, dragged down by a 15% decline in crude oil. The expectation of continued policy accommodation by central banks, particularly in Europe, and the very low level of interest rates sent investors looking for sources of return particularly in higher yielding assets. In the U.S., economic data was generally positive with strength in monthly payrolls and solid reports for consumer confidence, retail sales and housing. While 2nd quarter GDP, a lagging economic indicator, came in much weaker than expected at 1.2%, market expectation was for a pickup later in the year. Better than expected corporate earnings also provided a boost for stocks.
- In fixed income markets, risk assets outperformed as investors reached for yield and sentiment improved. The U.S. yield curve flattened on demand for long bonds while short rates increased on positive economic data and a Fed statement that still left prospects open for a rate hike later in the year. In overseas markets, the ECB reduced its economic growth forecasts for the next two years opening up the possibility for further economic stimulus measures. The ECB target rate was left unchanged for the month at zero. In the U.K., the Bank of England left rates unchanged at 0.50% and a political handoff was made to Conservative Party leader, Theresa May, who replaced David Cameron on the heels of the Brexit vote. Elsewhere, the Bank of Japan expanded its economic stimulus plan but left interest rate targets unchanged. The Yen rallied strongly on the month with the Euro also higher against the Greenback.
- Emerging market equities did well on continued global central bank accommodation, funds inflows and better relative valuations when compared to developed markets. U.S. dollar denominated emerging market bonds were also good performers on spread compression while local currency bonds were relative laggards. Commodities were down more than 5% driven down by crude oil offset by increase in the price of precious metals while REITs added to their strong gains for the year. REITs continue to perform well on a decline in interest rates and good fundamentals across most property market segments.



Equity Markets

- Global equity markets showed surprising resiliency after the Brexit scare in late June. Policy accommodation and relatively good corporate earnings results helped drive returns. In the U.S., a string of good economic data and corporate earnings beats along with better prospects for future year-over-year comparisons propelled major indices to record highs. This will be the 5th consecutive quarter of contraction in U.S. corporate earnings boding well for future comparisons. Growth stocks outperformed value while higher beta small caps outperformed large caps. Across industries, IT and consumer discretionary sectors performed quite well while energy stocks were the worst relative performers on a decline in crude oil prices. In overseas markets, emerging markets continued to perform well adding to the year's impressive gains. Brazil was again the standout performer on optimism that the worst has passed on both the economic and political front. In Europe, stock prices rose in sympathy with global equity markets and a dearth of overtly negative news.

Fixed Income Markets

- The U.S. yield curve flattened on the month. Strong economic data releases and a more sanguine tone to the Federal Reserve's FOMC policy statement gave rise to rates on the short end of the curve. Rates on longer term bonds declined with strong demand by foreign buyers. High quality corporates also appealed to overseas buyers with spreads contracting by 11 bps to 145 bps over comparable Treasuries. All investment grade spread segments saw gains and outperformed Treasuries, except asset backed securities on new issue supply. Despite weakness in energy, investors snapped up high yield bonds. Yield spreads compressed by 50 bps overall during July ending the month at 540 bps, on an option-adjusted basis, yielding 6.71%. Emerging market bonds and non-U.S. developed market sovereign bonds also fared well on rate declines, spread compression and dollar weakness against major market currencies.

Alternative Strategies

- Hedge funds put in positive performance for July but lagged considerably with the best performers being directional and credit related strategies including long/short equity, convertible arbitrage and distressed. CTA/managed futures strategies which generally take positions in commodities, rates and FX lagged for the month.

Developed Market Returns (%)

| | Month | Year to Date |
|----------------------------|-------|--------------|
| S&P 500 | 3.69 | 7.68 |
| Russell 2000 | 5.97 | 8.33 |
| MSCI EAFE (\$) | 5.07 | 0.43 |
| MSCI Europe (\$) | 4.19 | (1.15) |
| MSCI UK (\$) | 2.77 | (0.37) |
| MSCI Japan (\$) | 6.48 | 0.54 |
| MSCI Pacific ex Japan (\$) | 6.95 | 9.59 |

Source: eVestment Alliance, MSCI

Emerging Market Returns (%)

| | Month | Year to Date |
|----------------------------|-------|--------------|
| MSCI EM (\$) | 5.03 | 11.76 |
| MSCI EM Asia (\$) | 4.89 | 7.42 |
| MSCI EM EMEA (\$) | 5.49 | 17.61 |
| MSCI EM Latin America (\$) | 5.52 | 32.40 |

Source: eVestment Alliance, MSCI

U.S. Fixed Income Returns (%)

| | Month | Year to Date |
|--------------------------------|-------|--------------|
| Barclays Aggregate | 0.63 | 5.99 |
| Barclays Government | 0.39 | 5.63 |
| Barclays U.S. TIPS | 0.87 | 7.17 |
| Barclays U.S. Inv. Grade Corp. | 1.46 | 9.25 |
| Barclays U.S. Mortgaged Backed | 0.20 | 3.31 |
| Barclays U.S. High Yield | 2.70 | 12.00 |
| Credit Suisse Leveraged Loan | 1.41 | 5.69 |

Source: eVestment Alliance, Barclays, Credit Suisse

Non-U.S. Fixed Income Returns (%)

| | Month | Year to Date |
|----------------------------------|-------|--------------|
| Citigroup Non-U.S. WGBI Hedged | 0.35 | 7.77 |
| Citigroup Non-U.S. WGBI Unhedged | 0.61 | 14.20 |
| JP Morgan EMBI Global | 1.56 | 12.62 |

Source: eVestment Alliance, Citigroup, JP Morgan

