Market Update

Summary

Economic Overview

- **The Global economy** experienced a synchronized slowdown in the first quarter, but China is showing signs of recovery after leading the slowdown.
- **The US economy** slowed down in the first quarter, but signs of economic recovery have started to emerge. Time will tell whether this a short-term bounce or the beginning of a sustained economic recovery.
- **The Developed Market economies** continued to decelerate in the first quarter, due to softer global demand and global trade conflict concerns.
- **The Emerging Market economies** led the global economic slowdown ahead of developed economies, but they seem to be rebounding first.
- **The Gross Domestic Product** forecast is 2.3% for the first quarter, slightly up from 2.2% in the fourth quarter, according to the *GDPNow* model.
- **Inflation** was mixed, with headline CPI inflation rising to 1.9% and core CPI declining to 2.0% in March, but the overall subdued inflation dynamics can provide the Federal Reserve justification for its new dovish stance.
- **The Federal Reserve** maintained the target range for the fed funds rate at 2.25% - 2.50%, which was expected by market participants.

Capital Markets

- **Global equity markets** posted strong returns in the first quarter on the back of global central banks' dovish stance and US-China trade progress.

Market Snapshot	Quarter	YTD	1 year	3 years	5 years
S&P 500	13.65%	13.65%	9.50%	13.51%	10.91%
Dow Jones Industrial Average	11.81%	11.81%	10.09%	16.37%	12.21%
NASDAQ Composite	16.81%	16.81%	10.63%	17.97%	14.29%
Russell 2000	14.58%	14.58%	2.05%	12.92%	7.05%
MSCI EAFE	9.98%	9.98%	-3.71%	7.27%	2.33%
Bloomberg Barclays Capital U.S. Aggregate	2.94%	2.94%	4.48%	2.03%	2.74%
FTSE 3 Month US T Bill	0.60%	0.60%	2.11%	1.17%	0.72%

*Source: Zephyr Associates Inc. Past performance is not indicative of future results.

- **The US equity market** saw all major indices rally strongly during the first quarter, buoyed by the Fed's patient approach on further rate hikes, positive trade developments with China, and better than anticipated economic data.
- **International equity markets** followed US equity performance in a synchronized risk-on environment, with both developed and emerging markets recording positive returns, in contrast to last quarter.
- **The US Treasury yield curve** stayed partially inverted in striking contrast to the optimistic outlook enjoyed by risky assets.
- **The US bond market** rose as interest rates declined over a slow growth outlook and credit spreads tightened in response to the Fed's dovish stance.

Outlook

- Equity markets expect that the US will slow down but still generate positive growth, and that combined tailwinds will help reignite global growth in 2019.
- It remains to be seen whether the US and global economy will rebound in the coming months or decelerate. As the stock and government bond markets price nearly opposite views, market disruption could resolve this divergence.

Economic Overview

The global economy experienced a synchronized slowdown in the first quarter, most notably in Europe. However, after leading the global economic slowdown in recent periods, China appears to show signs of recovery as government efforts to stimulate its economy finally started to take hold. The US economy also decelerated during the first quarter after delivering robust growth last year, and soft economic data persuaded the Federal Reserve to halt its rate hiking path. The combination of the Federal Reserve's dovish stance, signs of China's economic recovery, and optimism about the trade conflict between the US and China helped to boost investor confidence, and global risky assets enjoyed one of the strongest rallies in history during the quarter. According to the World Economic Outlook report published in April 2019, the International Monetary Fund (IMF) expects that the global economy will grow at 3.3% this year, 0.2% lower than what was forecast in January. The negative revisions reflect slower growth in major economies and ongoing global trade disputes.

US Economy

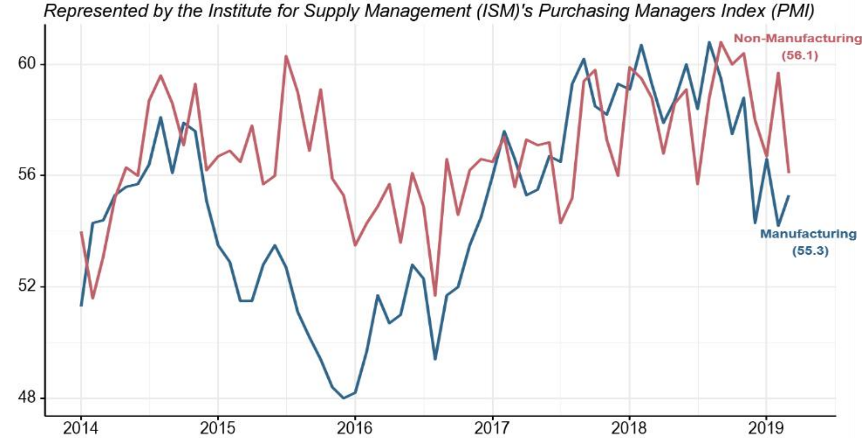
US economic activity slowed down in the first quarter, in sync with the slowing of other developed economies. Although most economic data continued to decelerate from the fourth quarter of last year, signs of economic recovery started to emerge. Time will tell whether this a short-term bounce or the beginning of a sustained economic recovery.

Specifically, underlying economic activity started to rebound, as reflected in manufacturing numbers from the Institute for Supply Management (ISM) (see the *US Business Outlook* chart). US manufacturing activity rose to 55.3 in March from 54.2 in February, which was the lowest recording in the last two years, well exceeding the consensus estimate of 54.5. The details show that the strength was broad-based, with 16 out of 18 sectors experiencing growth in business conditions in March. Key areas such as new orders, production, and employment all showed solid growth during the quarter, defying the concerns related to a global economic slowdown. The ISM surveys poll supply managers on their business prospects and are closely watched because they have been one of the most reliable leading indicators. Despite the recent declines, the index remains well above the 50-point threshold that separates expansion from contraction in the US manufacturing economy.

The service sector, which makes up about 80% of US Gross Domestic Product (GDP), experienced a slowdown in March. The non-manufacturing ISM survey, the measure of economic movement in the service sector, dropped to 56.1 in March from 59.7 in February, missing the consensus estimate of 58. Key areas such as business activity and new orders all dropped. While the overall survey still shows a positive

US Business Outlook

Represented by the Institute for Supply Management (ISM)'s Purchasing Managers Index (PMI)



Source: Institute For Supply Management

outlook, tight labor market conditions and capacity constraints weighed on sentiments.

US non-farm payroll employment growth rose by 196,000 in March, well above market expectations of a 180,000 increase after the weak result of 22,000 in February. The February number was also revised up to 33,000. For the quarter, the report still depicts strong labor market conditions, with job gains averaging 180,000 per month. This is a slower pace than last year, but it extends to 101 the number of consecutive months of positive month-over-month growth and helps to alleviate fears of an impending recession in the US. The jobless rate was 3.8% in March, unchanged from February and in line with expectations.

The strong growth in the labor market came amid concerns over a slowdown in US economic growth. Average hourly earnings, a measure of labor costs, increased 3.2% year-over-year in March, below the market expectation of a 3.4% rise. Even though the increase was weaker than the February number, the previous month's result was the fastest growth since early 2009, indicating sustained strength of labor cost pressures. The softer wage growth, on the other hand, aligns with the Federal Reserve's new patient approach toward inflation. Overall, as labor market indicators tend to lag business sentiment data, these combined results show that the US economy may be in a late market cycle where growth slows down but inflation pressure remains firm from rising labor costs.

Developed Market Economies

Eurozone economic growth continued to decelerate in the first quarter, as manufacturing activity slowed down due to softer global demand and concerns over global trade conflicts. Eurozone industrial production fell to -0.3% on an annualized basis in February. Economic sentiment, represented by the Eurozone Composite Purchasing Managers Index (PMI), declined to 51.6 in March from 51.9 in February, continuing its downward trend this year since its peak of 58.8 in January 2018. On a positive note, the unemployment rate continued to drop to 7.8% in February, the lowest level since 2008, representing tight labor market conditions. The Eurozone headline Consumer Price Index (CPI) fell to 1.4% year-over-year in March, down from 1.5% reported in February, below the European Central Bank (ECB)'s medium-term target level of near-but-below 2.0%. The decline was mainly due to a sharp fall in energy prices. Core inflation, which excludes volatile food and energy prices and which the ECB monitors closely because it reflects domestic fundamentals, fell to 0.8% from 1.0% the previous month. While most ECB policymakers believed that the downside risk is temporary and expect to carry out normalization plans in 2020, some members of the ECB committee questioned the accuracy of the ECB's forecasting models and advocated for more dovish actions, given the consistent downside revisions in recent periods.

Japan's economy also slowed down during the quarter. The latest manufacturing data suggest a negative impact from softer global demand, especially from China. CPI rose to 0.5% year-over-year in March, an increase from 0.2% in February. Core CPI was unchanged at 0.4% in March from the previous month. While labor market conditions remained tight, slowing economic growth and a low inflation trend, far below the Bank of Japan (BOJ)'s 2.0% target level, caused the BOJ to continue to hold its ultra-loose monetary policy steady.

Emerging Market Economies

China's economy, the world's second largest, is believed to have grown at 6.4% in the first quarter, the lowest reading since 1991. However, the government's various stimulus efforts finally appear to have boosted China's domestic economic activity. By the end of March, both exports and imports began to rebound, reflecting positive sentiments from progress in trade talks with the US, and more importantly, faster growth in domestic demand. Other key emerging economies such as Brazil and India also showed signs of recovery. Emerging economies led the global economic slowdown ahead of developed economies, and they seem to be rebounding first as well, provided that this change of trend is not short-term in nature.

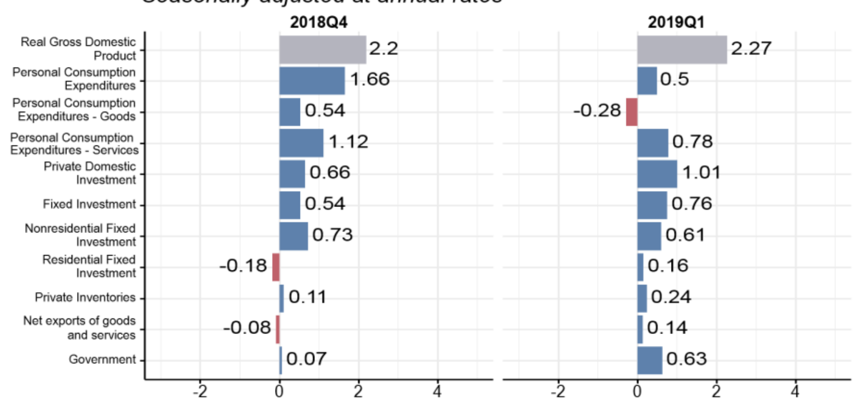
Gross Domestic Product (GDP)

The annualized growth rate is estimated to be 2.27% for January through March, slightly up from 2.20% in the fourth quarter, according to the Federal Reserve Bank of Atlanta's *GDPNow* forecast model announced on April 15, 2019. Fourth quarter GDP growth was revised down from 2.6% to 2.2%, reflecting a slower pace of growth since last quarter. The *GDPNow* model mimics the data construction methodology used by the Bureau of Economic Analysis (BEA), and provides a "nowcast" of GDP growth that aims to address the lagged nature of the BEA's estimates of GDP, which are released in stages over the course of several months.

Economic growth has slowed down during the quarter in tandem with the broader global economic growth trend. Consumer spending, which accounts for more than two-thirds of US GDP, contributed only 0.5% to the GDP growth rate, which is not a good sign for the longer-term health of the economy. Nonresidential fixed investment, a gauge of business investment, contributed 0.61% down from 0.73%. Net exports, which turned positive this quarter and contributed 0.14%, may also reflect slower domestic activity. On a positive note, capital spending, represented by private domestic investment, contributed 1.01% to the GDP growth rate. While US economic strength remains resilient relative to the rest of the world, with the fiscal stimulus effect fading, US economic growth continued to decelerate since the second half of the last year (see the *Quarter-to-Quarter US Real GDP Contribution* chart).

Quarter-to-Quarter US Real GDP Contribution

Seasonally adjusted at annual rates



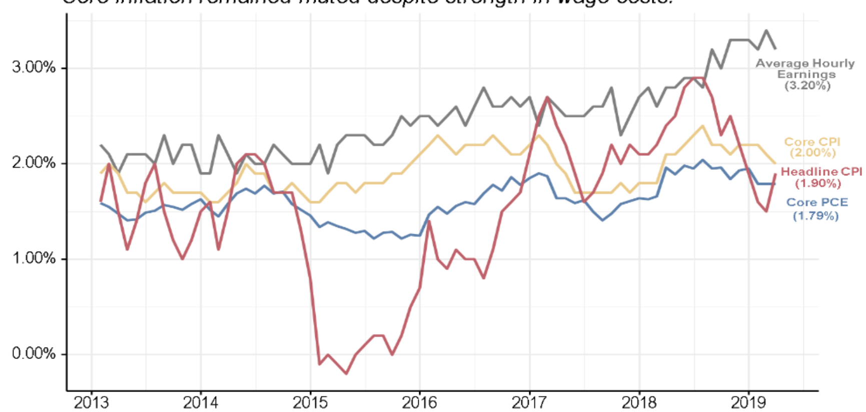
Source: U.S. Bureau of Economic Analysis and Federal Reserve Bank of Atlanta
Note: Graph shows contributions to Percent Change in Real Gross Domestic Product and the current quarter contributions are estimates from GDPNow model.

Inflation

The headline CPI inflation rate rose to 1.9% in March from 1.5% in February, due to an increase in food and shelter costs. The headline CPI declined from the high of 2.9% in July 2018 as energy prices suffered a steep decline. Core CPI inflation declined to 2.0% in March from 2.2% in February, slightly below expectations. The decrease was mainly attributable to a large drop in prices for apparel and used cars and trucks. The apparel price decline may reflect effects from new data collected directly from department store companies, which the March report incorporated for the first time. The Fed's preferred gauge of inflation, the core PCE Index, which excludes volatile food and energy components, came in at 1.8% year-over-year in January from 2.0% in December. February data is delayed and will be released together with March data on April 29th due to the government shutdown that ended in January. Economists initially expected that if wage growth, represented by average hourly earnings growth, reaches 3.0% on a sustained basis, labor cost pressures will push core PCE inflation above 2.0% (see the *US Inflation Outlook* chart). With the slowing domestic economy and a strong US Dollar, core inflation has declined in recent periods, despite tight labor market conditions that boosted wage growth. The subdued inflation dynamics can provide the Fed justification for further dovish actions.

US Inflation Outlook

Core inflation remained muted despite strength in wage costs.



Source: U.S. Bureau of Economic Analysis

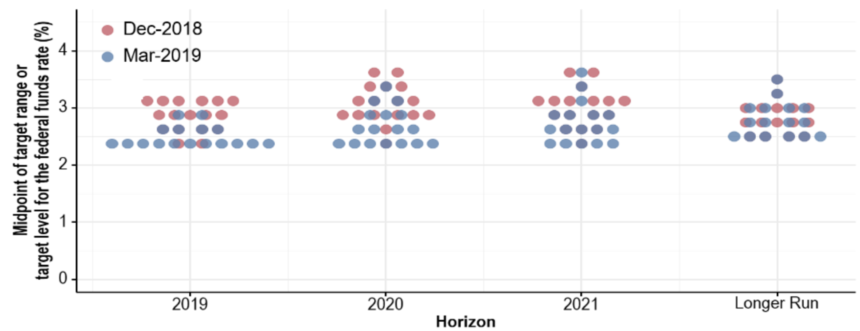
Federal Reserve Policy

Since a dramatic dovish turn in January, the Federal Open Market Committee (FOMC) has expressed a patient approach in future rate hike plans. As the pause in further rate hikes in the first half of the year was widely expected and the committee maintained its interest rate target of 2.25% - 2.50%, market participants focused more on the Fed's communication and the "dot plot," which it uses to signal its outlook for future target interest rates.

According to the FOMC "dot plot" (see the *FOMC participants' assessments* chart), the distribution of participants' assessments in the March meeting (blue dots) skewed lower relative to the December meeting (pink dots) for the years 2019 through 2021, due to the slowdown in economic growth and muted inflation pressures in the US. The median projection signaled a slower approach to tightening going forward. The committee members projected no rate hikes in 2019, down from two forecasted in the December meeting, bringing the median fed funds rate to 2.4% by the end of 2019. It was a dovish surprise as some market participants expected potential hikes in the latter half of the year. It still projected one more hike in 2020, bringing the median fed funds rate to 2.6% by the end of 2020, from 3.1% previously. The median long run rate, the so-called "neutral rate," was unchanged at 2.8%. The committee members also surprised the financial markets by announcing a plan to stop balance sheet reduction later this year.

FOMC participants' assessments of appropriate monetary policy: Midpoint of target range or target level for the federal funds rate

March 2019



Source: Federal Reserve Board Note: Each shaded circle indicates the value (rounded to the nearest 1/8 percentage point) of an individual participant's judgment of the midpoint of the appropriate target range for the federal funds rate or the appropriate target level for the federal funds rate at the end of the specified calendar year or over the longer run.

Capital Markets

Equities

Global equity markets, represented by the MSCI World Equity Index, posted strong returns in the first quarter with a +12.48% return on the back of global central banks' dovish stance, progress toward a trade settlement between the US and China, and positive signs of a pickup in economic activity in China.

In the US, all major indices rallied strongly during the first quarter, buoyed by the Fed's patient approach on further rate hike plans, positive developments in trade disputes with China, and better than anticipated economic data during the quarter. The Dow Jones Industrial Average finished the quarter with a gain of +11.81%; the S&P 500 gained +13.65%; the NASDAQ Composite grew by +16.81% in the first quarter; and the Russell 2000 returned +14.58% for the quarter (see the *Index Returns* table on p. 8).

Within US equity markets, small cap stocks outperformed large cap stocks in a risk-on environment while growth outpaced value across all market capitalizations, in anticipation of a rebound in economic growth during the quarter. The Russell 1000 Growth Index of large cap growth stocks outperformed the Russell 1000 Value Index by +4.17%. The Russell Midcap Growth Index exceeded the Russell Midcap Value Index by +5.25%. Small growth stocks in the Russell 2000 Growth Index generated +17.14% relative to +11.93% by the Russell 2000 Value Index. Across market capitalizations, mid cap stocks showed the strongest performance, with a return of +16.54% versus the +14.00% and +14.58% returns of large and small cap stocks for the quarter, represented by the Russell Midcap, Russell 1000 Index and the Russell 2000 Index, respectively (see the *Equity Style Returns* table on p. 9).

Within the ten S&P Global BMI US economic sectors, pro-cyclical sectors outperformed defensive sectors. Energy stocks also benefited from anticipated economic growth and concerns over oil supply control by OPEC members. Defensive stocks performed the worst during the quarter. Information Technology was the best performing sector during the quarter with a return of +20.74%, thanks to anticipated economic growth and easier financial conditions in the markets. It was followed by Industrials (+16.73%) and Energy (+16.66%). The Health Care sector was the worst performing with a gain of +8.17% due to concerns over a renewed health care reform effort in Washington. It was followed by Financials (+8.83%) as a lower interest rate outlook weighed on the sector. There was wide overall performance dispersion among sectors during the quarter, with Information Technology outperforming the Health Care sector by +12.57% (see the *Equity Sector Returns* table on p. 9).

International equity performance also followed that of US equity markets in a synchronized risk-on environment. Both developed and emerging markets recorded positive returns, in contrast to last quarter. Developed market equities, represented by the MSCI EAFE Index, finished the quarter with a gain of +9.98%. The MSCI Emerging Markets Index of emerging markets stocks generated +9.91% for the quarter (see the *Index Returns* table on p. 8).

Within international equity markets, the developed Asia-Pacific region, represented by the MSCI Pacific ex Japan Index, was the best performing sector with a return of +12.24% in the first quarter, as governments' efforts to boost their economies and stabilize domestic financial markets helped to support market sentiments. The region was boosted by China's positive economic data, as it is highly dependent on China's economic growth. Next for the quarter was the United Kingdom, represented by MSCI United Kingdom Index, which finished the quarter with +11.89% return. Emerging markets and Japanese equity markets underperformed the rest of the international markets for the quarter, as signs of an economic slowdown and political turmoil were most intense in those markets (see the *Foreign Market Returns* table on p. 10).

Fixed Income

US interest rates declined during the quarter, except at the very short-end of the yield curve where the Federal Reserve controls the rates. Despite positive economic growth priced in by equity markets, government bond markets continued to price in a high likelihood of US economic recession by next year, as it expects a rate cut by the Fed by next year. Unless the Fed cuts interest rates without supporting economic data, as new Fed board candidates currently suggest, market participants expect that disappointing data will pressure the Fed to lower rates as in the past.

In fact, the market's pricing of the Fed's projected rate path against the Fed's actual action created a distortion in the US Treasury yield curve, and the curve shape is no longer upward sloping. Many parts of the yield curve have inverted now in striking contrast to the optimistic outlook enjoyed by risky assets.

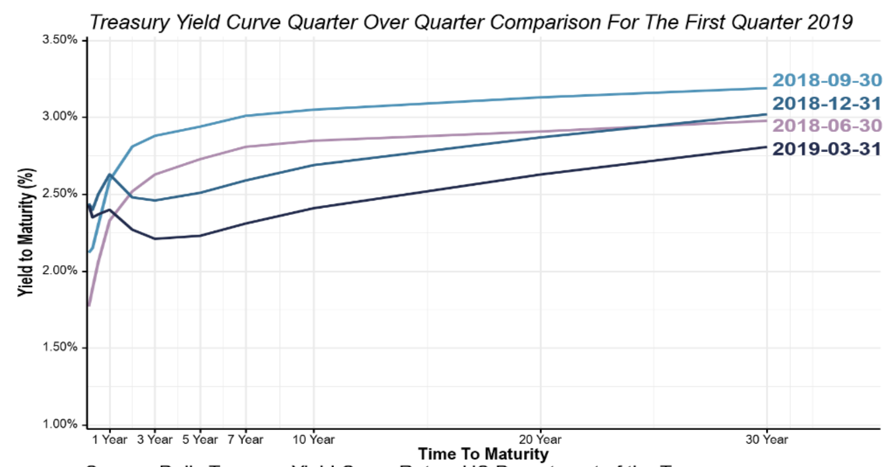
The yield on the 3-month US Treasury bill fell to 2.40% from 2.45% the previous quarter; the 10-year US Treasury note fell from 2.69% at the end of December to 2.41% by the end of March; and the 30-year Treasury bond also declined from 3.02% in December to 2.81% in March (see the *US Treasury Yield Curve* chart on the following page).

As shown in the *Historical Movement of US Treasury Yield Curve* graph, since the fourth quarter of 2018, many parts of the US Treasury yield curve stayed inverted despite the Federal Reserve's loosening monetary policy in the first quarter. The government interest rate markets appear to price that the Fed's previous tightening monetary policy has already caused enough economic damage that the current policy change is not enough to avoid an economic downturn, which will force the Fed to lower rates in the near future. While the difference between the 10-year and 2-year yields declined to 0.14% by March, from 0.16% reached at the beginning of January, the difference between the 5-year and 1-year yields inverted further to -0.17% by the end of March, from -0.11% reached at the beginning of January.

Regarding fixed income sector performance, as interest rates declined over a slow economic growth outlook and credit spreads tightened in response to the Fed's dovish policy stance, all fixed income sectors generated positive returns. Credit-sensitive fixed income sectors generated the best returns as a result, and sectors considered to be safe-havens underperformed the rest of the market sectors. The broad US bond market, represented by the Bloomberg Barclays Capital U.S. Aggregate Index, finished the quarter with a gain of +2.94%, while high yield bonds, represented by the Bloomberg Barclays Capital High Yield Index of non-investment grade bonds, finished the quarter with a gain of +7.26% (see the *Index Returns* table on p. 8).

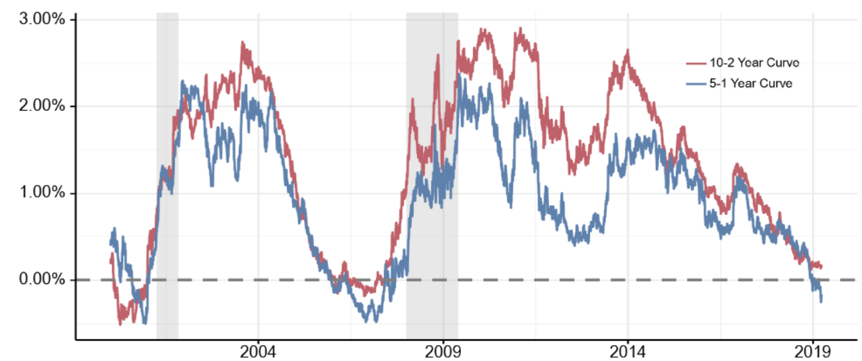
The high yield credit spread narrowed more than the investment grade credit spread, helping high yield bonds, represented by the Bloomberg Barclays Capital High Yield Index, to outperform the other US bond market sectors with a return of +7.26% for the quarter. Investment grade bonds, represented by the Bloomberg Barclays Capital Credit Index, generated +4.87% for the quarter. Demand for commercial mortgage-backed securities (CMBS) were still strong during the quarter; CMBS and mortgage-backed securities (MBS) markets produced positive returns with +3.24% and +2.17% returns for the quarter, as represented by the Bloomberg Barclays Capital CMBS Index and Bloomberg Barclays Capital MBS Index, respectively. Asset-backed securities (ABS) underperformed the rest of fixed income sectors (see the *Fixed Income Sector Returns* table on p. 10).

US Treasury Yield Curve



Source: Daily Treasury Yield Curve Rates, US Department of the Treasury

Historical Movement of US Treasury Yield Curve



Source : Federal Reserve
Note: The red line show the difference between benchmark 10- and two-year government bond yields in percentage points. The blue line show the difference between benchmark 5- and one-year government bond yieldsin percentage points. Gray bars indicate recessions as determined by the National Bureau of Economic Research.

Outlook

After a sharp selloff in the fourth quarter, global risky assets enjoyed one of the strongest rebounds in years as the Federal Reserve announced a more patient approach toward future monetary policy than what market participants anticipated, China introduced a large credit stimulus injection, and the prospects of a trade settlement between the US and China improved.

The Federal Reserve has indicated no more rate hikes and the completion of balance-sheet normalization this year. Other global central banks have also helped to support a risk-on mood by adopting more accommodative stances as economic data continued to disappoint. China has shown a more aggressive response to decelerating growth. The government's initial policy response was mainly through tax cuts to avoid repeating another sharp debt increase resulting from relying too much on large credit stimulus injections. It appears, however, that policy makers resorted to using the same large credit stimulus programs to prevent a hard landing. Total social financing, a broad measure of credit and liquidity in the system, has reached a record amount during the quarter, far exceeding market expectations. China's efforts appear to have succeeded in boosting domestic economic activity, and the latest economic data show signs of a turnaround, despite lingering doubts on data quality. As China is a key to global economic growth, its positive economic development helped to buoy the risk-on sentiments in the global financial markets. Optimism over the trade conflicts between the US and China also helped bolster market sentiment.

With the positive economic news described above, global risky assets continued to recover from last quarter's sell-off. Equity markets came close to previous record-high levels, and credit spreads continued to tighten. Despite a strong US Dollar, oil prices retraced recent losses, climbing close to $65 per barrel from the December lows on the back of geopolitical risk and OPEC production cuts, providing grounds for higher inflation expectations. Risky asset markets now appear to be pricing in a V-shaped economic recovery on the back of positive developments in the first quarter. The markets expect that the US will slow down but still generate positive growth in 2019, and that the Chinese economy will recover under recent stimulus efforts. The narratives are that combined tailwinds will help reignite growth later in 2019.

US government markets, on the other hand, are pricing in an economic slowdown. As discussed in recent Market Updates, the spread between December 2019 and December 2020 Eurodollar futures contracts still imply a quarter-point rate cut for the year 2020, compared with a quarter-point rate hike expected by the Fed. Even the near-term forward rate, the Fed's new leading economic indicator that measures the spread between the future fed funds rate implied by Treasury bills six quarters from now and the current fed funds rate, was negative during the quarter and signaling near-term rate cuts. Despite a series of positive economic developments, the US government bond markets question whether the Fed's current change of stance is enough to stop a downward economic trend.

It remains to be seen whether the US and global economy will rebound in the coming months or decelerate more from here. As the stock and government bond markets price nearly opposite views, the resolution of these diverging expectations may cause large drawdowns in whichever market has mispriced future economic developments. In the unlikely event that the Fed lowers rates without actual signs of economic recession, which is encouraged by the current administration, then both markets may be correctly pricing the future outcomes.

Despite optimism on a trade agreement between the US and China, other geopolitical risks remain and may cause market turbulence. Another trade conflict may arise due to potential US tariffs on Europe, and obstacles to passing the USMCA deal between the US, Canada and Mexico could cause disruption. European political uncertainty lingers on with BREXIT further delayed and no compromises in sight.

While the global economic outlook and its implications for financial markets are an imminent concern for market participants, how to address current socio-economic issues and future economic slowdowns were hotly debated topics during the quarter. There is growing criticism that central banks' quantitative easing (QE) policies may have contributed to rising wealth inequality in society. Labor income has not risen relative to previous economic cycles, while share buybacks motivated by artificially low interest rates have occurred at the expense of future investments, further widening the gap between the haves and the have-nots.

In this context, the possibility of active fiscal policies has received notable attention, both as a means to address income inequality and to fight future economic downturns. A consensus is building that a combination of aggressive fiscal policy and monetary policy will be needed to solve future economic challenges and address past deficiencies of QE policies. The discussion of a trillion-dollar infrastructure deal currently underway in Washington can be understood in this larger context. Such a policy shift could target specific industries that benefit lower income classes and reduce inequality in the process. The ability to focus vast government investment via fiscal policy could also lead to structural changes among US equity sectors, resulting in fundamental differences between the future and the passing era of QE.

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Index Returns

Domestic Equity	Q1	YTD	1 year	3 years	5 years	10 years
S&P 500	13.65%	13.65%	9.50%	13.51%	10.91%	15.92%
Russell 1000	14.00%	14.00%	9.30%	13.52%	10.63%	16.05%
Russell 1000 Growth	16.10%	16.10%	12.75%	16.53%	13.50%	17.52%
Russell 1000 Value	11.93%	11.93%	5.67%	10.45%	7.72%	14.52%
Russell Midcap	16.54%	16.54%	6.47%	11.82%	8.81%	16.88%
Russell Midcap Growth	19.62%	19.62%	11.51%	15.06%	10.89%	17.60%
Russell Midcap Value	14.37%	14.37%	2.89%	9.50%	7.22%	16.39%
Russell 2000	14.58%	14.58%	2.05%	12.92%	7.05%	15.36%
Russell 2000 Growth	17.14%	17.14%	3.85%	14.87%	8.41%	16.52%
Russell 2000 Value	11.93%	11.93%	0.17%	10.86%	5.59%	14.12%
Dow Jones Industrial Average	11.81%	11.81%	10.09%	16.37%	12.21%	15.97%
NASDAQ Composite	16.81%	16.81%	10.63%	17.97%	14.29%	18.93%
Foreign Equity						
MSCI EAFE	9.98%	9.98%	-3.71%	7.27%	2.33%	8.96%
MSCI Emerging Markets	9.91%	9.91%	-7.41%	10.68%	3.68%	8.94%
MSCI World	12.48%	12.48%	4.01%	10.68%	6.78%	12.38%
Real Estate						
FTSE Nareit Equity-Reits	16.33%	16.33%	20.86%	6.13%	9.12%	18.28%
Natural Resources						
S&P North American Natural Resources	16.21%	16.21%	-2.38%	4.57%	-4.16%	5.31%
Fixed Income						
Bloomberg Barclays Capital U.S. Aggregate	2.94%	2.94%	4.48%	2.03%	2.74%	3.77%
Bloomberg Barclays Capital High Yield	7.26%	7.26%	5.93%	8.56%	4.68%	11.26%
Cash						
FTSE 3 Month US T Bill	0.60%	0.60%	2.11%	1.17%	0.72%	0.41%

* Source: Zephyr Associates Inc. This report has been prepared for informational purposes only. It is based on information generally available to the public from sources believed to be reliable. No representation is made that information is accurate or complete. Past performance is not indicative of future results. Additional information is available upon request. It is not possible to invest directly in an index. The indices are unmanaged and do not incur management fees, transaction costs or other expenses associated with investable products. All returns reflect the reinvestment of dividends and other income.

Equity Style Returns

First Quarter

	Value	Blend	Growth
Large	11.93%	14.00%	16.10%
Mid	14.37%	16.54%	19.62%
Small	11.93%	14.58%	17.14%

Year-to-Date

	Value	Blend	Growth
Large	11.93%	14.00%	16.10%
Mid	14.37%	16.54%	19.62%
Small	11.93%	14.58%	17.14%

Trailing One Year

	Value	Blend	Growth
Large	5.67%	9.30%	12.75%
Mid	2.89%	6.47%	11.51%
Small	0.17%	2.05%	3.85%

Trailing Three Years

	Value	Blend	Growth
Large	10.45%	13.52%	16.53%
Mid	9.50%	11.82%	15.06%
Small	10.86%	12.92%	14.87%

Trailing Five Years

	Value	Blend	Growth
Large	7.72%	10.63%	13.50%
Mid	7.22%	8.81%	10.89%
Small	5.59%	7.05%	8.41%

Trailing Ten Years

	Value	Blend	Growth
Large	14.52%	16.05%	17.52%
Mid	16.39%	16.88%	17.60%
Small	14.12%	15.36%	16.52%

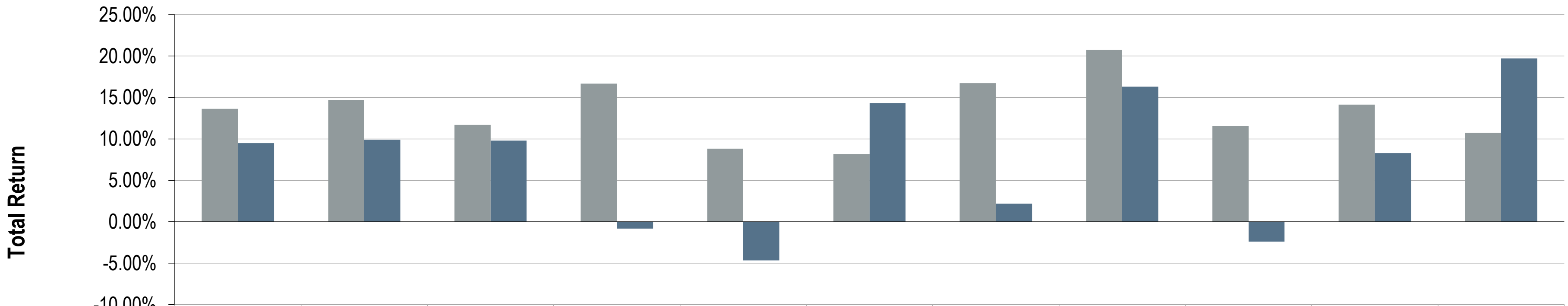
Large Cap
Russell 1000 Value Index; Russell 1000 Index; Russell 1000 Growth Index.

Mid Cap
Russell Mid Cap Value Index; Russell Mid Cap Index; Russell Mid Cap Growth Index.

Small Cap
Russell 2000 Value Index; Russell 2000 Index; Russell 2000 Growth Index.

Source: Index Returns Taken from Zephyr StyleAdvisor.

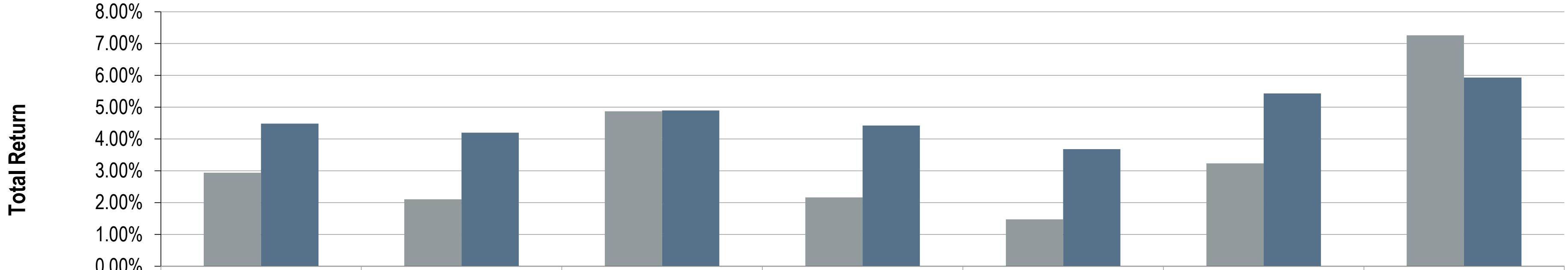
Equity Sector Returns (as of Mar 31, 2019)



	S&P 500	Cons. Discr.	Cons. Staples	Energy	Financials	Health Care	Industrials	Info Tech	Materials	Telecom Services	Utilities
1 quarter	13.65%	14.66%	11.70%	16.66%	8.83%	8.17%	16.73%	20.74%	11.58%	14.15%	10.73%
1 year	9.50%	9.90%	9.78%	-0.82%	-4.68%	14.31%	2.18%	16.29%	-2.40%	8.29%	19.72%

* Source: Zephyr Associates Inc. Sectors represent the S&P Global BMI US GICS sector returns. This report has been prepared for informational purposes only. It is based on information generally available to the public from sources believed to be reliable. No representation is made that information is accurate or complete. Past performance is not indicative of future results. Additional information is available upon request. It is not possible to invest directly in an index. The indices are unmanaged and do not incur management fees, transaction costs or other expenses associated with investable products. All returns reflect the reinvestment of dividends and other income.

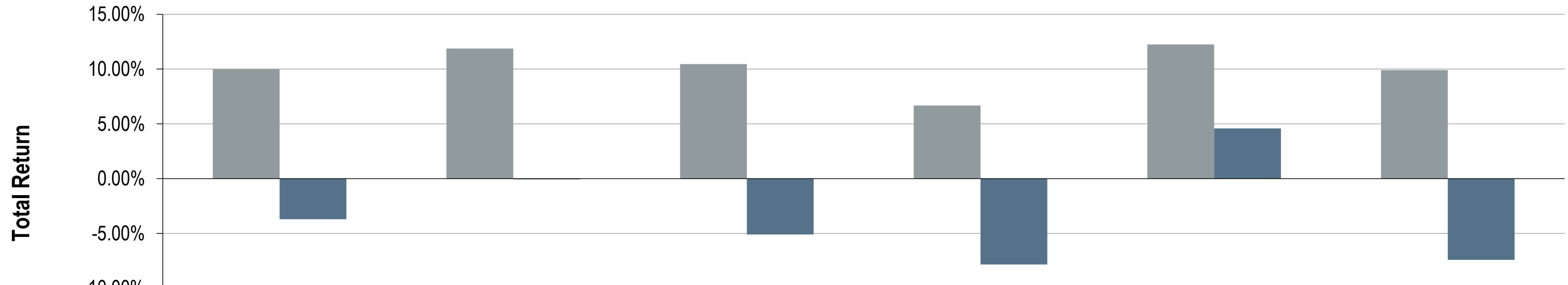
Fixed Income Sector Returns (as of Mar 31, 2019)



	BBgBarc US Agg Bond TR USD	BBgBarc US Government TR USD	BBgBarc US Credit TR USD	BBgBarc US MBS TR USD	BBgBarc ABS TR USD	BBgBarc CMBS IG Elig for US Agg TR USD	BBgBarc High Yield Corporate TR USD
1 quarter	2.94%	2.10%	4.87%	2.17%	1.48%	3.24%	7.26%
1 year	4.48%	4.20%	4.89%	4.42%	3.68%	5.43%	5.93%

* Source: Zephyr Associates Inc. and Morningstar. This report has been prepared for informational purposes only. It is based on information generally available to the public from sources believed to be reliable. No representation is made that information is accurate or complete. Past performance is not indicative of future results. Additional information is available upon request. It is not possible to invest directly in an index. The indices are unmanaged and do not incur management fees, transaction costs or other expenses associated with investable products. All returns reflect the reinvestment of dividends and other income.

Foreign Market Returns (as of Mar 31, 2019)



	MSCI EAFE (Net)	MSCI UNITED KINGDOM (Net)	MSCI EUROPE ex UK (Net)	MSCI JAPAN (Net)	MSCI PACIFIC ex JAPAN (Net)	MSCI EM (EMERGING MARKETS) (Net)
1 quarter	9.98%	11.89%	10.45%	6.66%	12.24%	9.91%
1 year	-3.71%	-0.07%	-5.09%	-7.84%	4.59%	-7.41%

* Source: Zephyr Associates Inc. and Morningstar. This report has been prepared for informational purposes only. It is based on information generally available to the public from sources believed to be reliable. No representation is made that information is accurate or complete. Past performance is not indicative of future results. Additional information is available upon request. It is not possible to invest directly in an index. The indices are unmanaged and do not incur management fees, transaction costs or other expenses associated with investable products. All returns reflect the reinvestment of dividends and other income.

Asset Class Returns (as of Mar 31, 2019)

2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	YTD	10 Years (04/2009-03/2019)
Inv. Gr. Bond 5.24%	Emerging Markets 78.51%	Small Growth 29.09%	REITs 8.29%	Emerging Markets 18.22%	Small Growth 43.30%	REITs 30.14%	Large Growth 5.67%	Small Value 31.74%	Emerging Markets 37.28%	Inv. Gr. Bond +0.01%	Small Growth 17.14%	REITs 18.23%
High Yield -26.16%	High Yield 58.21%	REITs 27.96%	Inv. Gr. Bond 7.84%	REITs 18.06%	Small Value 34.52%	Large Value 13.45%	REITs 3.20%	Nat. Resour. 30.87%	Large Growth 30.21%	Large Growth -1.51%	REITs 16.33%	Large Growth 17.52%
Small Value -28.92%	Nat. Resour. 37.54%	Small Value 24.50%	High Yield 4.98%	Small Value 18.05%	Large Growth 33.48%	Large Growth 13.05%	Inv. Gr. Bond 0.55%	Large Value 17.34%	Developed Mkts 25.03%	High Yield -2.08%	Nat. Resour. 16.21%	Small Growth 16.52%
Large Value -36.85%	Large Growth 37.21%	Nat. Resour. 23.88%	Large Growth 2.64%	Large Value 17.51%	Large Value 32.53%	Inv. Gr. Bond 5.97%	Developed Mkts -0.81%	High Yield 17.13%	Small Growth 22.17%	REITs -5.04%	Large Growth 16.1%	Large Value 14.52%
REITs -37.73%	Small Growth 34.47%	Emerging Markets 18.88%	Large Value 0.39%	Developed Mkts 17.32%	Developed Mkts 22.78%	Small Growth 5.60%	Small Growth -1.38%	Small Growth 11.32%	Large Value 13.66%	Large Value -8.27%	Large Value 11.93%	Small Value 14.12%
Large Growth -38.44%	Developed Mkts 31.78%	Large Growth 16.71%	Small Growth -2.91%	High Yield 15.81%	Nat. Resour. 16.49%	Small Value 4.22%	Large Value -3.83%	Emerging Markets 11.19%	Small Value 7.84%	Small Growth -9.31%	Small Value 11.93%	High Yield 11.26%
Small Growth -38.54%	REITs 27.99%	Large Value 15.51%	Small Value -5.50%	Large Growth 15.26%	High Yield 7.44%	High Yield 2.45%	High Yield -4.47%	REITs 8.52%	High Yield 7.5%	Small Value -12.86%	Developed Mkts 9.98%	Developed Mkts 8.96%
Nat. Resour. -42.55%	Small Value 20.58%	High Yield 15.12%	Nat. Resour. -7.35%	Small Growth 14.59%	REITs 2.47%	Emerging Markets -2.19%	Small Value -7.47%	Large Growth 7.08%	REITs 5.23%	Developed Mkts -13.79%	Emerging Markets 9.93%	Emerging Markets 8.94%
Developed Mkts -43.38%	Large Value 19.69%	Developed Mkts 7.75%	Developed Mkts -12.14%	Inv. Gr. Bond 4.21%	Inv. Gr. Bond -2.02%	Developed Mkts -4.90%	Emerging Markets -14.92%	Inv. Gr. Bond 2.65%	Inv. Gr. Bond 3.54%	Emerging Markets -14.58%	High Yield 7.26%	Nat. Resour. 5.31%
Emerging Markets -53.33%	Inv. Gr. Bond 5.93%	Inv. Gr. Bond 6.54%	Emerging Markets -18.42%	Nat. Resour. 2.20%	Emerging Markets -2.60%	Nat. Resour. -9.77%	Nat. Resour. -24.28%	Developed Mkts 1.00%	Nat. Resour. 1.23%	Nat. Resour. -21.07%	Inv. Gr. Bond 2.94%	Inv. Gr. Bond 3.77%

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Bloomberg Barclays Capital Asset-Backed Securities Index: Represents the ABS sleeve of the Bloomberg Barclays Capital U.S. Aggregate Index. This index is comprised of securitized debt within the credit cards, autos, and utilities subsectors.

Bloomberg Barclays Capital Commercial Mortgage-Backed Securities (CMBS) Investment Grade Index: Part of the Bloomberg Barclays CMBS Index family. This index consists of investment grade CMBS that are eligible for inclusion in the Bloomberg Barclays Capital U.S. Aggregate Bond Index.

Bloomberg Barclays Capital Credit Index: Includes all publicly issued, fixed rate, nonconvertible investment grade dollar-denominated, SEC-registered corporate debt. Included among Yankees is debt issued or guaranteed by foreign sovereign governments, municipalities, governmental agencies, or international agencies.

Bloomberg Barclays Capital Government Bond Index: Composed of the Bloomberg Barclays Capital Treasury Bond Index (all public obligations of the U.S. Treasury, excluding flower bonds and foreign-targeted issues), and the Bloomberg Barclays Capital Agency Index (all publicly issued debt of U.S. Government agencies and quasi-federal corporations, and corporate debt guaranteed by the U.S. Government, excluding mortgage debt).

Bloomberg Barclays Capital High Yield Index: Covers the universe of fixed rate, non-investment grade debt. In general, all securities must be rated Ba1or lower by Moody's Investors Service, including defaulted issues. If no Moody's rating is available, bonds must be rated BB+ or lower by S&P; and if no S&P rating is available, bonds must be rated below investment grade by Fitch Investor's Service. A small number of unrated bonds are included in the index.

Bloomberg Barclays Capital Mortgage-Backed Securities (MBS) Index: Represents the MBS sleeve of the Bloomberg Barclays Capital U.S. Aggregate Bond Index. This index is comprised of fixed-rate and hybrid ARM pass throughs.

Bloomberg Barclays Capital U.S. Aggregate Bond Index: The index is a composite of four major sub-indexes: U.S. Government Index; U.S. Credit Index; U.S. Mortgage Back Securities Index and U.S. Asset Backed Securities Index. The index holds investment grade bonds. The ratings are based on S&P, Moody and Fitch bond ratings. The index does not include High Yield Bonds, Municipal Bonds, Inflation Indexed Treasury Bonds or Foreign Currency Bonds.

FTSE 3 Month US T Bill Index: This index measures monthly return equivalents of yield averages that are not marked to market. The Three-Month Treasury Bill Indexes consist of the last three 3-month Treasury bill issues.

Dow Jones Industrial Average (DJIA): Computed by summing the prices of the stocks of 30 companies and then dividing that total by an adjusted value — one which has been adjusted over the years to account for the effects of stock splits on the prices of the 30 companies. Dividends are reinvested to reflect the actual performance of the underlying securities.

FTSE NAREIT Equity REITs Index: A free-float adjusted, capitalization-weighted index that is comprised of all Equity REITs not designated as Timber REITs or Infrastructure REITs. Equity REITs are defined as REITs with 75% or greater of their gross invested book assets invested directly or indirectly in the equity ownership of real estate.

MSCI EAFE Index: The MSCI EAFE Index (Europe, Australasia, Far East) is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the U.S. & Canada. The MSCI EAFE Index consists of the following 22 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the United Kingdom.

MSCI Emerging Markets Index: The MSCI Emerging Markets (EM) Index℠ is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. The MSCI Emerging Markets Index consists of the following 21 emerging market country indices: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey.

MSCI Europe ex UK Index: Captures large and mid cap representation across 15 Developed Markets (DM) countries in Europe. With 340 constituents, the index covers approximately 85% of the free float-adjusted market capitalization across European Developed Markets excluding the UK.

MSCI Japan Index: Designed to measure the performance of the large and mid cap segments of the Japan market. With 316 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in Japan.

MSCI Pacific ex Japan Index: Captures large and mid cap representation across 4 of 5 Developed Markets (DM) countries in the Pacific region (excluding Japan). With 148 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

MSCI United Kingdom: Designed to measure the performance of the large and mid cap segments of the UK market. With 107 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in the UK.

MSCI World Index: The MSCI World Index is a free float-adjusted market capitalization index that is designed to measure global developed market equity performance. As of May 2005, the MSCI World Index consisted of the following 23 developed market country indices: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom and the United States.

Nasdaq Composite Index: Measures the performance of all issues listed in the Nasdaq Stock Market, except for rights, warrants, units, and convertible debentures.

Russell 1000® Index: Measures the performance of the large-cap segment of the U.S. equity universe. It is a subset of the Russell 3000 Index and includes approximately 1,000 of the largest securities based on a combination of their market cap and current index membership. The Russell 1000 represents approximately 92% of the Russell 3000 Index.

Russell 1000® Growth Index: Measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 companies with higher price-to book ratios and higher forecasted growth values.

Russell 1000® Value Index: Measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 companies with lower price-to-book ratios and lower expected growth values.

Russell 2000® Index: Measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000 Index is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership.

Russell 2000® Growth Index: Measures the performance of the small-cap growth segment of the U.S. equity universe. It includes those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values.

Russell 2000® Value Index: Measures the performance of the small-cap value segment of the U.S. equity universe. It includes those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values.

Russell Mid Cap® Index: Measures the performance of the mid-cap segment of the U.S. equity universe and is a subset of the Russell 1000 Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The Russell Midcap Index represents approximately 31% of the total market capitalization of the Russell 1000 companies.

Russell Mid Cap® Growth Index: Measures the performance of the mid-cap growth segment of the U.S. equity universe. It includes those Russell Midcap Index companies with higher price-to-book ratios and higher forecasted growth values.

Russell Mid Cap® Value Index: Measures the performance of the mid-cap value segment of the U.S. equity universe. It includes those Russell Midcap Index companies with lower price-to-book ratios and lower forecasted growth values.

S&P 500 Index: Measures the performance of the 500 leading companies in in the large cap segment of the market. Companies are chosen based upon their market size, liquidity and sector. Together these companies represent approximately 80% of the available market capitalization.

S&P Global BMI United States Sector Indices: A part of the S&P Global BMI benchmark series. All listed stocks must have at least $ 100 million in float adjusted market capitalization, and a value traded of at least $ 50 million for the last 12-months at the time of the annual reconstitution. Stocks are excluded if their market capitalization falls below $ 75 million, or if the value traded is less than US$ 35 million at the time of reconstitution. The S&P Global BMI adopted the Global Industry Classification Standard (GICS®) for its sector indices, which include Consumer Discretionary, Consumer Staples, Energy, Financials, Health Care, Industrials, Information Technology, Materials, Telecom Services, and Utilities.

S&P North American Natural Resources: The S&P North American Natural Resources Index provides investors with a benchmark that represents U.S. traded securities that are classified under the GICS® energy and materials sector excluding the chemicals industry; and steel sub-industry.