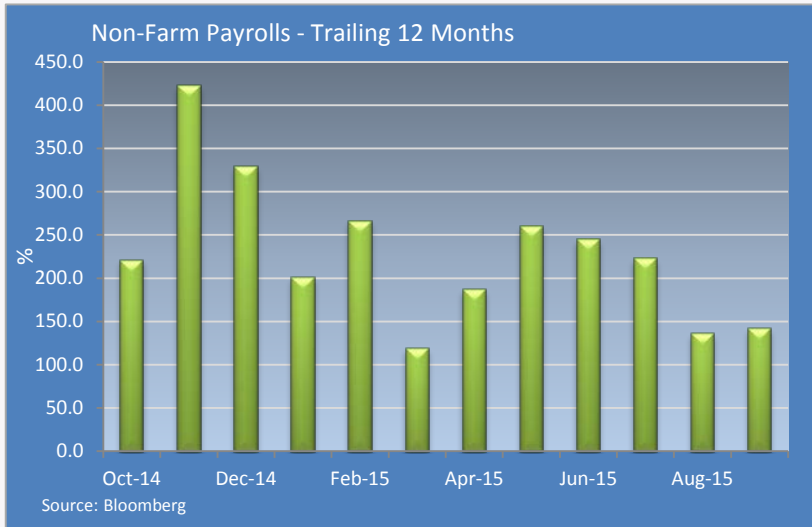




Chart of the Week



Weekly Highlights

- **Domestic stocks posted a strong gain this week** as investors digested dovish Fed minutes, and assumed that there is little chance of a rate hike this year.
- **World markets also had strong gains** with developed equities up significantly, while emerging market equities posted even better results.
- **U.S. Treasury yields rose for the week** as investors sold out of treasuries and increased their allocations to stocks.
- **Commodity indices also rose** for the week along with equity markets.

Talking Points

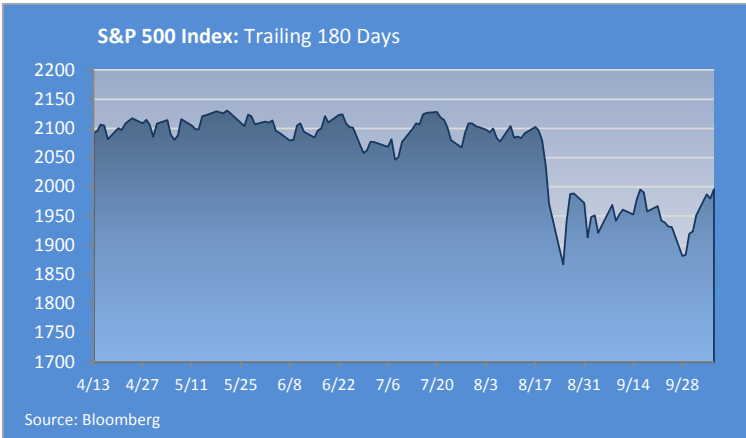
- **Among equities**, small caps outperformed large caps, and growth stocks underperformed value stocks. Domestic stocks underperformed international equities. Developed markets underperformed emerging market stocks.
- **Treasury yields rose** as investors became more bullish on equities.
- **Commodity indices rose** as investors are searching for a bottom.
- **The dollar index declined** this week against a basket of six major currencies on dovish Fed policy statements.
- **Among economic data released this week**, weekly jobless claim came in at 263,000 below the 271,000 consensus forecast, ISM nonmanufacturing came in 60 bps below forecast, and the trade deficit came in near consensus estimates at -\$48 billion.

MARKET DASHBOARD

	Last Price	Change	% Chg.	YTD %
S&P 500	2,014.89	63.53	3.26%	-2.1%
Dow Industrials	17,084.49	612.12	3.72%	-4.1%
Nasdaq	4,830.47	122.70	2.61%	2.0%
Russell 2000	1,165.36	51.24	4.60%	-3.3%
Euro Stoxx Index	362.82	14.96	4.30%	5.9%
Shanghai Composite	3,183.15	90.81	2.94%	-1.6%
Russell Global	1,610.28	58.64	3.64%	-3.4%

Source: Bloomberg; Index % change is based on price.

	Last Price	Change	% Chg.	YTD %
Russell Global EM	2,524.52	124.22	4.92%	-11.1%
10-Year US Treas.	2.10	11 bps	NM	NM
DJ UBS Comm. Idx.	91.01	3.12	3.55%	-12.8%
Gold	\$1,156.69	\$18.05	1.59%	-2.3%
Crude Oil	\$49.50	\$3.96	8.70%	-15.8%
Dollar Index	94.86	-0.96	-1.00%	5.1%
VIX Index	17.08	-3.86	-18.43%	-11.0%



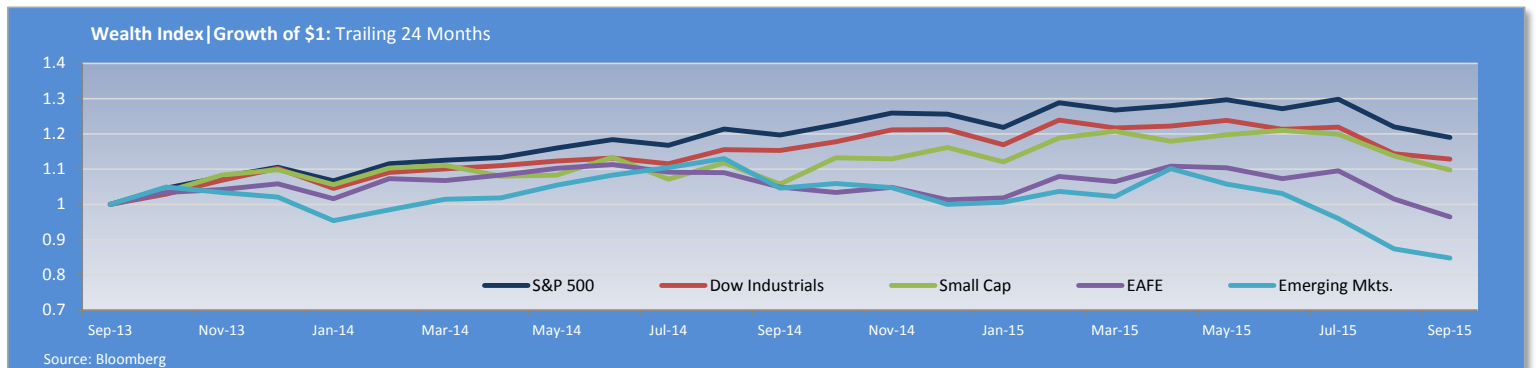
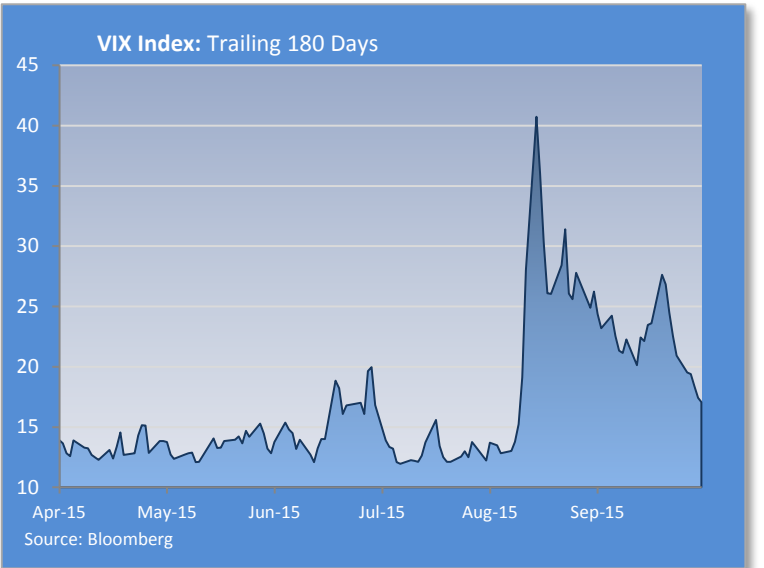
	One Week		YTD			
	Value	Growth	Value	Growth		
L	3.80%	3.14%	2.53%	-6.49%	-1.94%	2.64%
	4.32%	3.53%	2.74%	-3.86%	-2.16%	-0.62%
S	5.72%	4.60%	3.48%	-5.69%	-3.27%	-0.93%

Source: Bloomberg

Sector Performance:
S&P/Global Industry Classification Sectors (GICS)

	% Wgt in S&P 500	Week % Chg.	YTD % Chg.
Consumer Discretionary	13.0	2.44%	7.7%
Consumer Staples	9.9	3.46%	1.7%
Energy	7.4	7.77%	-13.7%
Financials	16.1	2.44%	-6.1%
Health Care	14.4	0.25%	-0.1%
Industrials	10.3	6.10%	-4.9%
Information Technology	20.4	3.49%	0.7%
Materials	3.0	6.77%	-5.2%
Telecom Services	2.3	2.44%	-5.8%
Utilities	3.0	1.10%	-7.4%

Source: Bloomberg



THE ECONOMY AND MARKETS

A Macro View – Is the Party Finally Over?

After a strong period of equity market growth since March 2009, investors are asking “is the party finally over”? Although the answer depends on whom you ask, more and more market participants are saying “probably”. This week, famed investor Cliff Asness, the founder of AQR, one of the largest hedge fund firms in the world, stated that, going forward, equities likely will return around 4%, versus the historical 7-8% the S&P 500 has returned. In his mind, the party is over, and investors should expect muted returns going forward. Following his reasoning, the Shiller PE ratio, which looks at price to long-term, inflation-adjusted earnings, is at a high of around 24 (historically it has been around 16). While you don’t normally see PhDs from Chicago using back-of-the envelope math, Shiller’s thinking is that, at the current multiple, investors can expect to receive a 4% earnings yield on their equity investments with little earnings growth potential going forward.

When making these predictions, it might be useful to step back and review what drives equity market returns. The first is dividend yield, the second is growth in earnings per share, and the third is multiple expansion. Dividend yield is straightforward: it is dependent on earnings because it is simply the payout ratio of a company’s earnings and, therefore, can only grow if earnings also grow. Muted growth in earnings per share and lack of multiple expansion potential appear to have Dr. Asness and others worried.

Multiple expansion happens when the PE ratio increases because market participants are paying more for a dollar of earnings. According to the Shiller PE ratio, investors currently are paying about \$24 dollars for \$1 dollar of earnings, when historically they have paid about \$16. If one believes in mean reversion, the price for each dollar of earnings needs to drop from \$24 to \$16 dollars, which will be a 33% loss for investors. Although that scenario seems frightening, it is only one valuation metric. Other metrics show the S&P 500 trading around the mean during the past two full market cycles (Price to Book, Price to TTM Earnings, etc.). Academics spend a considerable amount of time arguing over the best valuation metric, but what we know is that most metrics don’t indicate the S&P 500 is undervalued, and investors should not expect multiple expansion to help them in the future unless there is another massive injection of liquidity into the financial system (QE infinity).

Taking multiple expansion off the table leaves us with earnings growth, which seemed to be Dr. Asness’s point: there is little chance of earnings growth going forward. As a refresher, earnings grow by one of two ways. The first is to increase top line revenue; the second is to increase margins. With operating margins hovering around their all-time highs (given cost-cutting strategies of corporate America following the Credit Crisis), there is little chance that expanding margins will save the day. For equities to continue to rise, investors need top-line revenue growth.

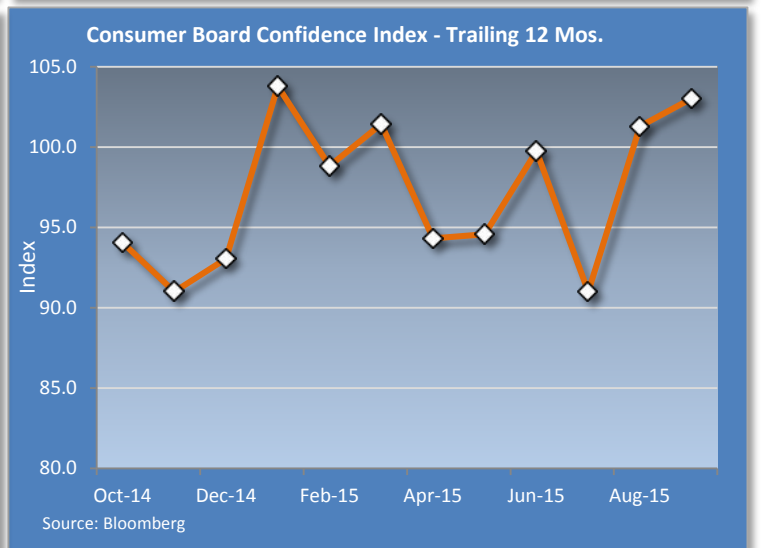
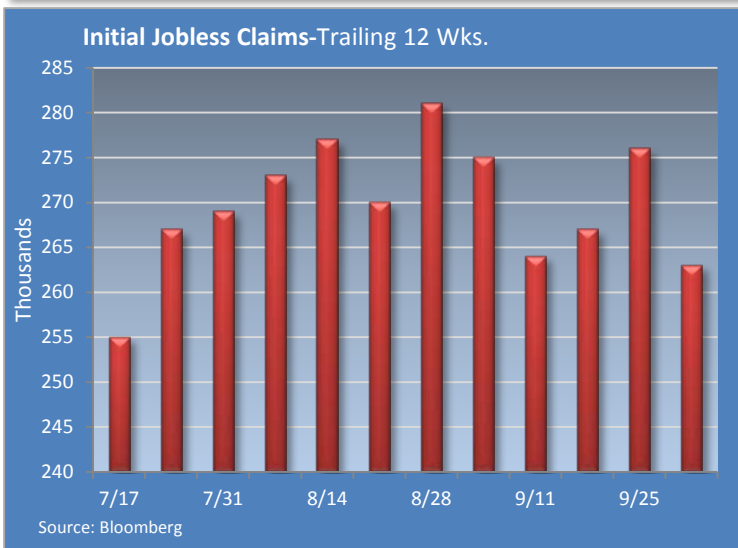
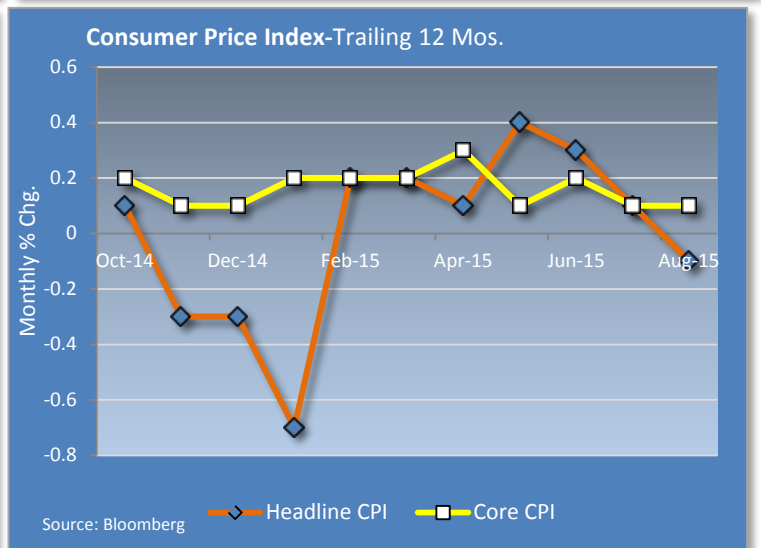
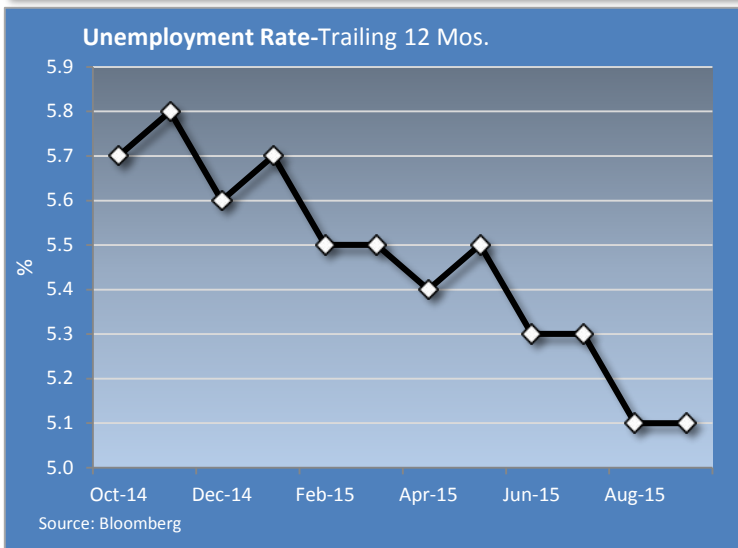
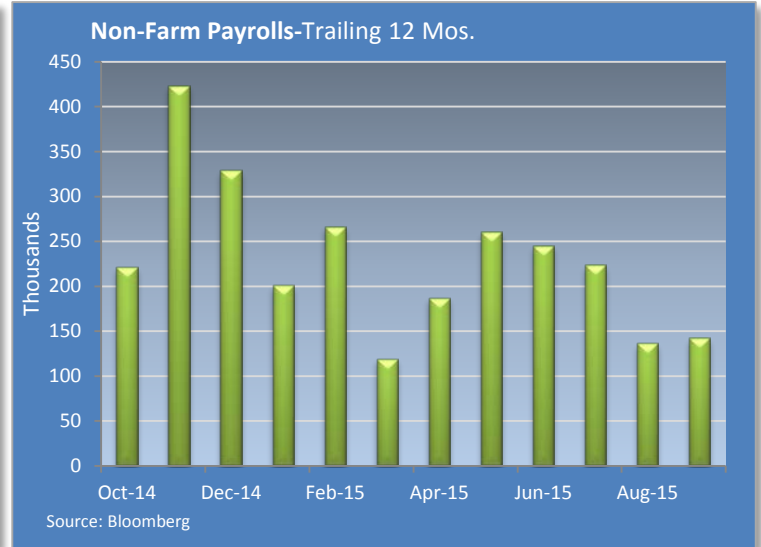
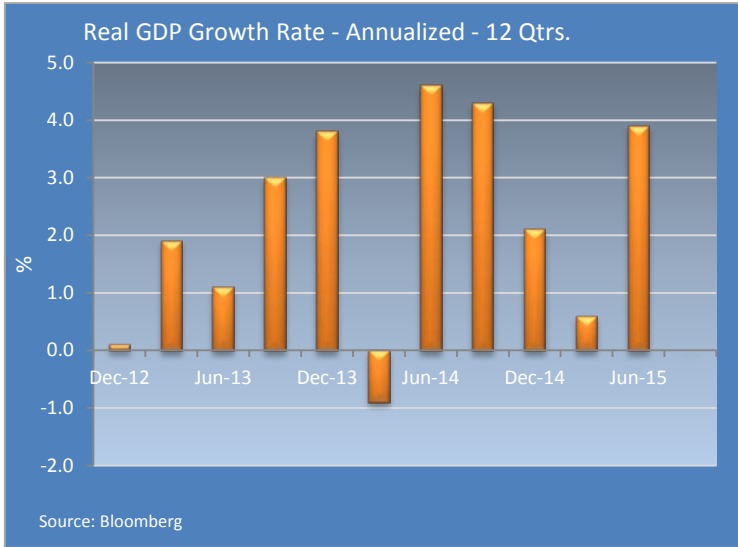
Since the Credit Crisis, revenue growth has been muted, and is close to the rate of inflation. This does not fare well for stocks. We need *increasing* revenue growth to drive equity market returns, and market participants lack conviction that this will happen. According to FactSet, consensus thinking is that revenue growth will decline in Q3’s earnings releases, and analysts do not expect growth to increase until Q1 2016. Although most of this decline is coming from the Energy sector, analysts predict that only two sectors (Telecom Services and Healthcare) will have positive revenue growth, and that is bad for equity investors. We expect many participants will closely examine revenue numbers during this earnings season and, if numbers are below expectations, things could get ugly. Although we must wait out the entire earnings season to see the results, it seems likely that staled revenue growth, high margins, and a fairly valued stock market may mean that, maybe, the party is finally over.

Price earnings ratio is based on average inflation-adjusted earnings from the previous 10 years, known as the Cyclically Adjusted PE Ratio (CAPE Ratio), *Shiller PE Ratio*, or *PE 10*

Price to book ratio is a ratio used to compare a stock’s market value to its book value. It is calculated by dividing the current closing price of the stock by the latest quarter’s book value per share.

Price-to-earnings ratio is calculated as a stock’s current share price divided by its earnings per share for a twelve-month period (usually the last 12 months, or trailing twelve months (TTM)).

ECONOMIC DATA



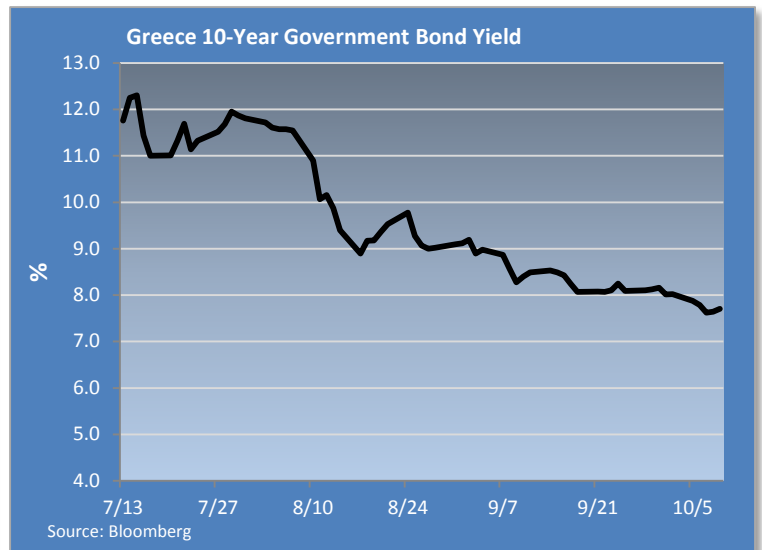
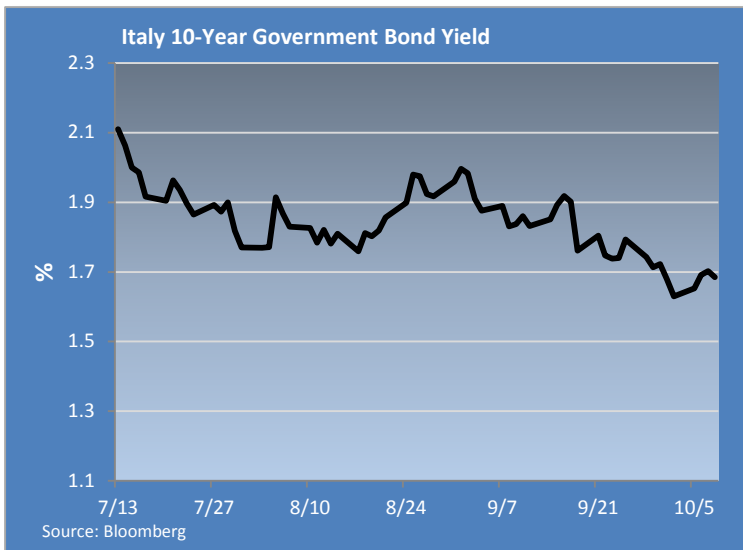
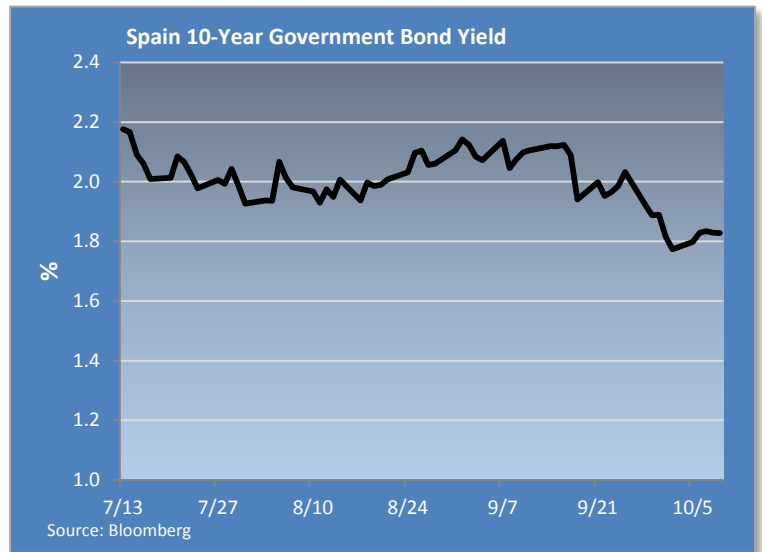
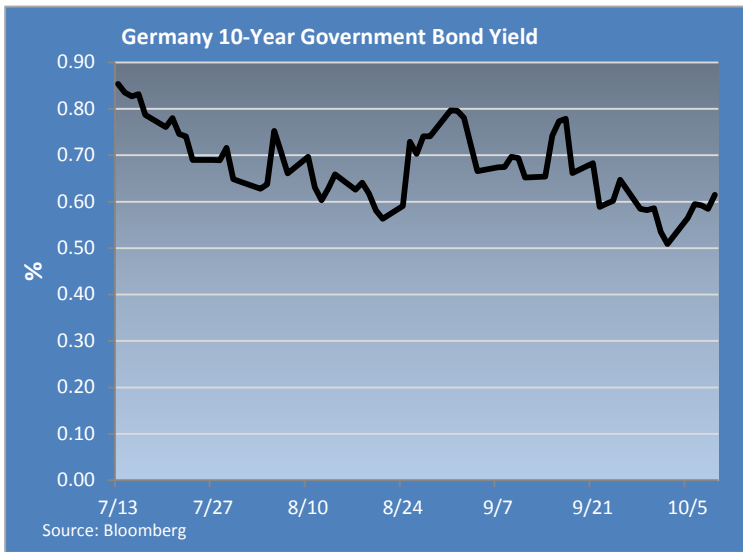
EUROZONE

SELECTED EUROPEAN SOVEREIGN YIELD PERFORMANCE

	Last	Change	% Chg.	YTD %
Germany 10-Yr. Govt.	0.61	-10 bps	NM	NM
Greece 10-Yr. Govt.	7.70	17 bps	NM	NM
Italy 10-Yr. Govt.	1.69	-5 bps	NM	NM
Spain 10-Yr. Govt.	1.83	-5 bps	NM	NM
Belgium 10-Yr. Govt.	0.93	-10 bps	NM	NM

	Last	Change	% Chg.	YTD %
France 10-Yr. Govt.	0.99	-9 bps	NM	NM
Ireland 10-Yr. Govt.	1.18	-7 bps	NM	NM
Portugal 10-Yr. Govt.	2.40	-10 bps	NM	NM
Netherlands 10-Yr. Govt.	0.79	-9 bps	NM	NM
U.K. 10-Yr. Govt.	1.86	-15 bps	NM	NM

Source: Bloomberg
Basis points (bps)



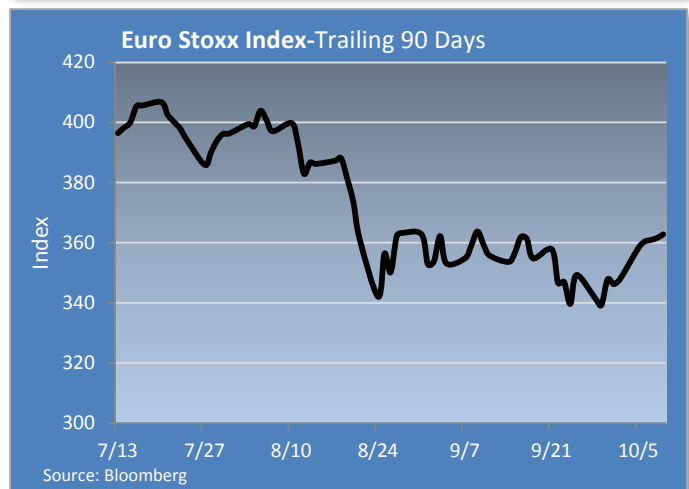
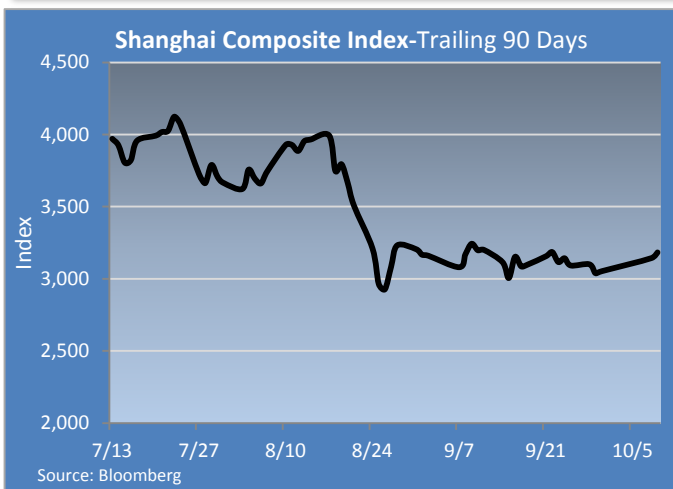
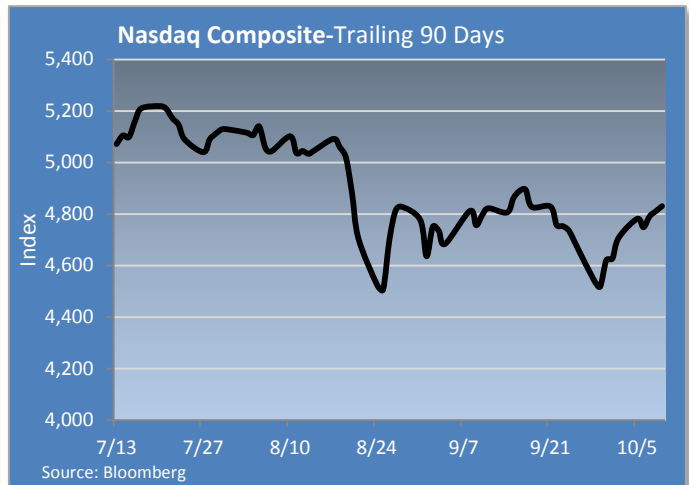
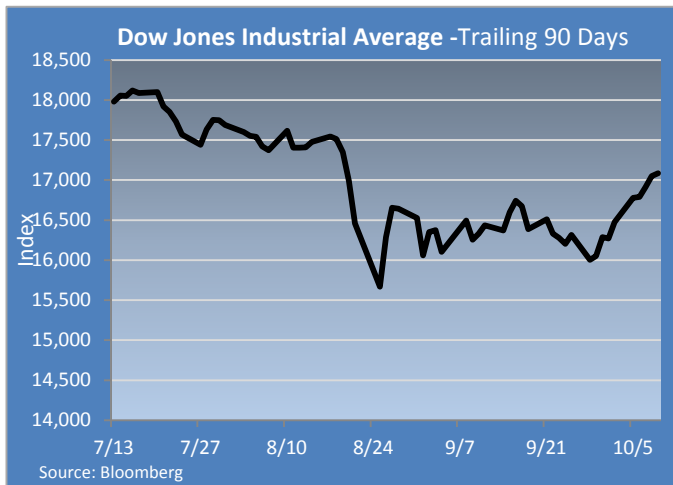
EQUITIES

WORLD MARKET PERFORMANCE

	Last	Change	% Chg.	YTD %
S&P 500	2,014.89	63.53	3.26%	-2.14%
Dow Industrials	17,084.49	612.12	3.72%	-4.14%
Nasdaq Composite	4,830.47	122.70	2.61%	1.99%
Russell Global	1,610.28	58.64	3.64%	-3.4%
Russell Global EM	2,524.52	124.22	4.92%	-11.1%
S&P/TSX (Canada)	13,964.36	624.62	4.68%	-4.57%
Mexico IPC	44,375.62	1640.47	3.84%	2.85%
Brazil Bovespa	49,338.41	2304.95	4.90%	-1.34%
Euro Stoxx 600	362.82	14.96	4.30%	5.92%
FTSE 100	6,416.16	286.18	4.67%	-2.28%
IBEX 35 (Spain)	10,309.60	706.00	7.35%	0.29%

	Last	Change	% Chg.	YTD %
Swiss Market Index	8,680.21	164.69	1.93%	-3.37%
CAC 40 Index (France)	4,701.39	242.51	5.44%	10.03%
DAX Index (Germany)	10,096.60	543.53	5.69%	2.97%
Irish Overall Index	6,136.49	45.23	0.74%	17.45%
Nikkei 225	18,438.67	713.54	4.03%	5.66%
Hang Seng Index	22,458.80	952.71	4.43%	-4.86%
Shanghai Composite	3,183.15	90.81	2.94%	-1.59%
Kospi Index (S. Korea)	2,019.53	40.21	2.03%	5.43%
Taiwan Taiex Index	8,445.96	140.93	1.70%	-9.25%
Tel Aviv 25 Index	1,519.72	31.18	2.09%	3.74%
MICEX Index (Russia)	1,728.44	115.88	7.19%	23.76%

Source: Bloomberg; Index % change is based on price.



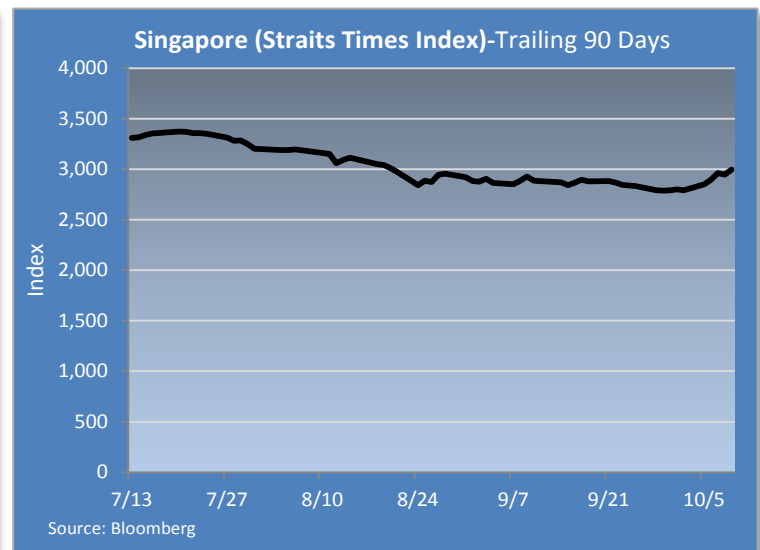
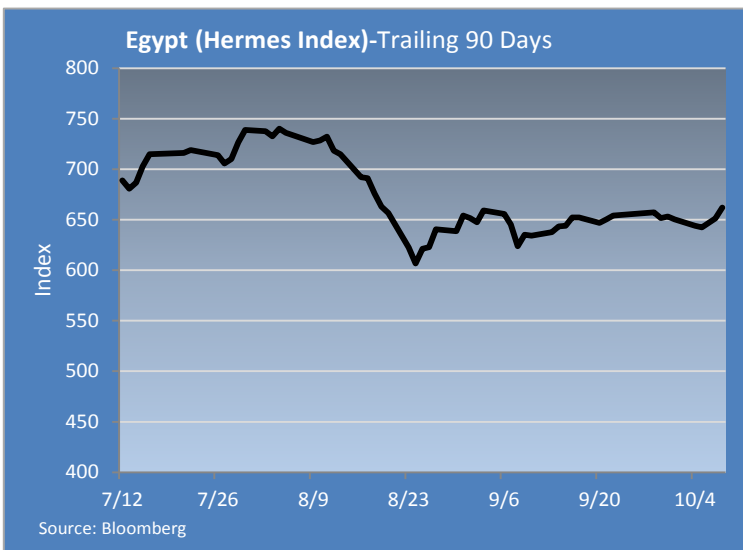
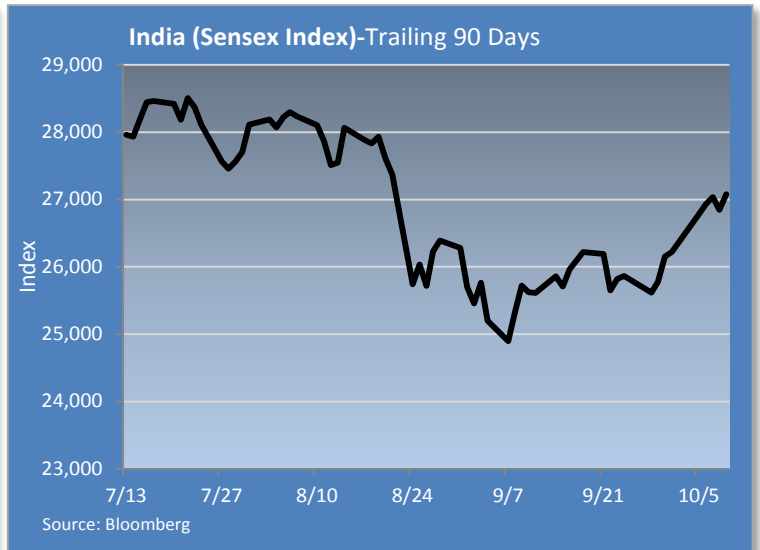
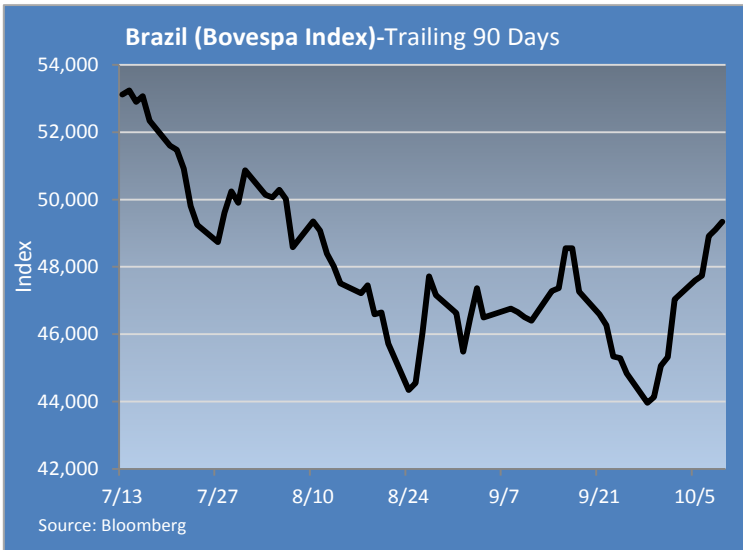
EQUITIES – EMERGING AND FRONTIER MARKETS

EMERGING AND FRONTIER MARKET PERFORMANCE

	Last	Change	% Chg.	YTD %
Mexico IPC	44,375.62	1640.47	3.8%	2.9%
Brazil (Bovespa Index)	49,338.41	2304.95	4.9%	-1.3%
MICEX Index (Russia)	1,728.44	115.88	7.2%	23.8%
Czech Republic (Prague)	981.18	16.94	1.8%	3.6%
Turkey (Istanbul)	79,214.93	4818.28	6.5%	-7.6%
Egypt (Hermes Index)	662.20	11.67	1.8%	-20.6%
Kenya (Nairobi 20 Index)	4,017.34	-92.26	-2.2%	-21.4%
Saudi Arabia (TASI Index)	7,685.27	343.33	4.7%	-7.8%
Lebanon (Beirut BLOM Index)	1,145.09	-0.70	-0.1%	-2.2%
Palestine	481.49	-1.98	-0.4%	-4.2%

	Last	Change	% Chg.	YTD %
Hang Seng Index	22,458.80	952.71	4.4%	-4.9%
India (Sensex 30)	27,079.51	858.56	3.3%	-1.5%
Malaysia (KLCI Index)	1,706.54	77.74	4.8%	-3.1%
Singapore (Straits Times Index)	2,998.50	205.35	7.4%	-10.9%
Thailand (SET Index)	1,411.33	64.98	4.8%	-5.8%
Indonesia (Jakarta)	4,589.34	381.55	9.1%	-12.2%
Pakistan (Karachi KSE 100)	33,843.18	873.45	2.6%	5.3%
Vietnam (Ho Chi Minh)	588.02	25.71	4.6%	7.8%
Sri Lanka (Colombo)	7,096.06	-9.48	-0.1%	-2.8%
Cambodia (Laos)	1,229.54	3.09	0.3%	-13.1%

Source: Bloomberg; Index % change is based on price.



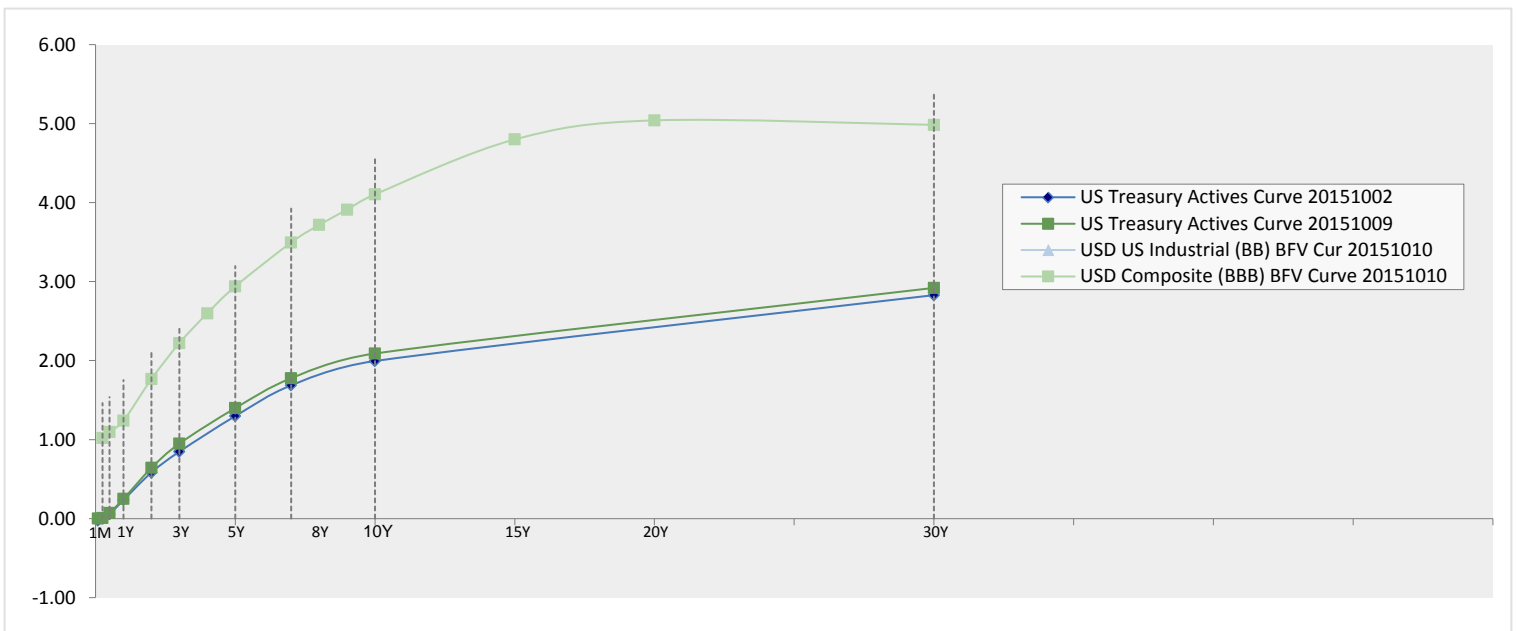
INTEREST RATES

SELECTED INTEREST RATES

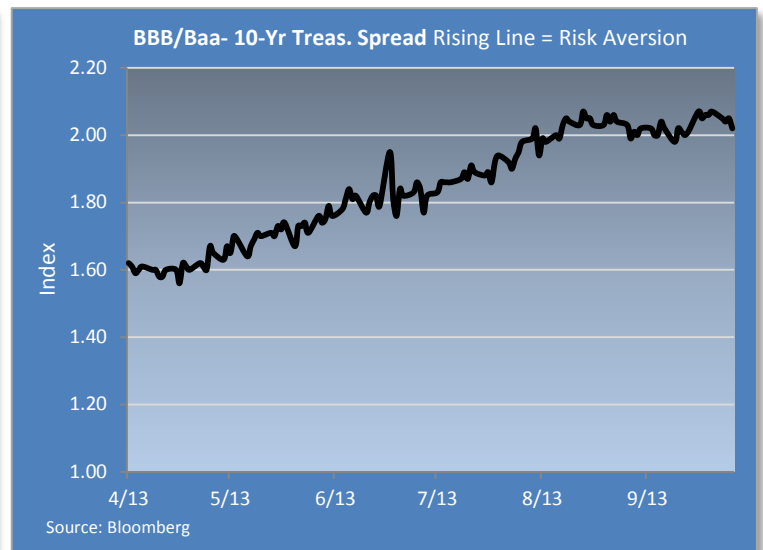
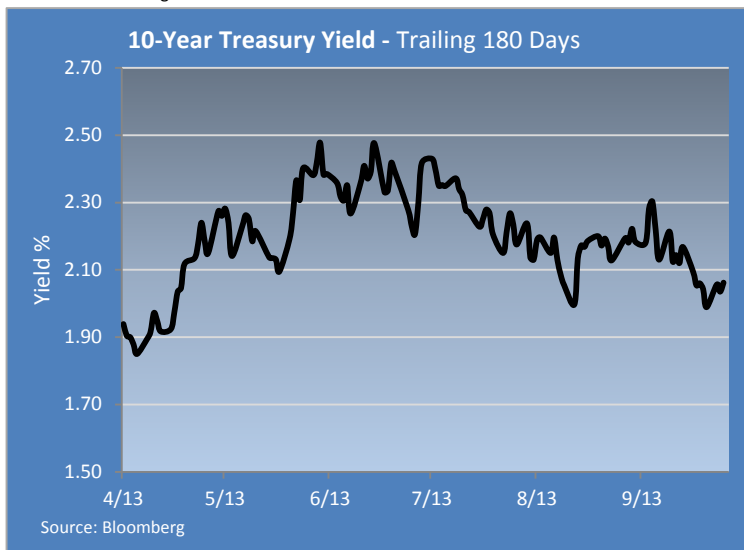
	Last	Change	% Chg.	YTD %
2-Yr. U.S. Treasury	0.64%	-1 bps	NM	NM
5-Yr. U.S. Treasury	1.41%	12 bps	NM	NM
10-Yr. U.S. Treasury	2.10%	11 bps	NM	NM
30-Yr. U.S. Treasury	2.93%	10 bps	NM	NM
German 10-Yr. Govt.	0.61%	-10 bps	NM	NM
France 10-Yr.	0.99%	-9 bps	NM	NM
Italy 10-Yr.	1.69%	-5 bps	NM	NM
Fed 5-Yr Fwd BE Inf.	1.74%	4 bps	NM	NM

	Last	Change	% Chg.	YTD %
Prime Rate	3.25%	0.00	NM	NM
Fed Funds Rate	0.25%	0.00	NM	NM
Discount Rate	0.75%	0.00	NM	NM
LIBOR (3 Mo.)	0.32%	-1 bps	NM	NM
Bond Buyer 40 Muni	4.03%	6 bps	NM	NM
Bond Buyer 40 G.O.	3.68%	NA	NM	NM
Bond Buyer 40 Rev.	4.07%	NA	NM	NM

Source: Bloomberg



Source: Bloomberg



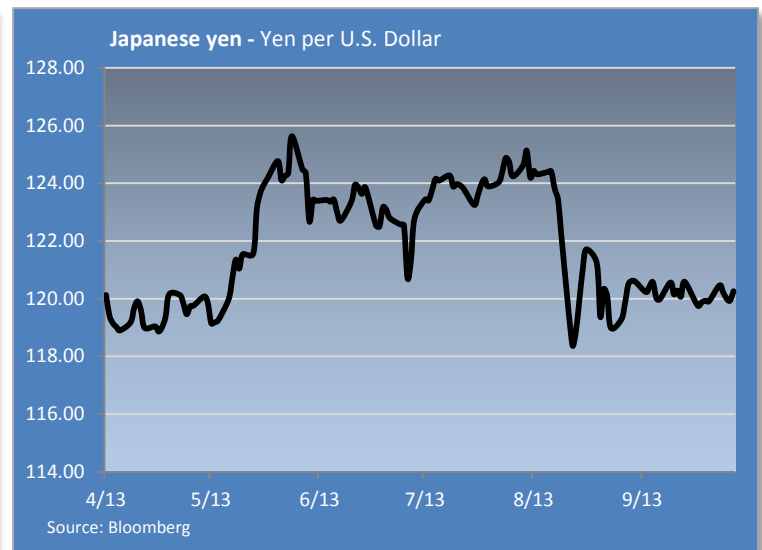
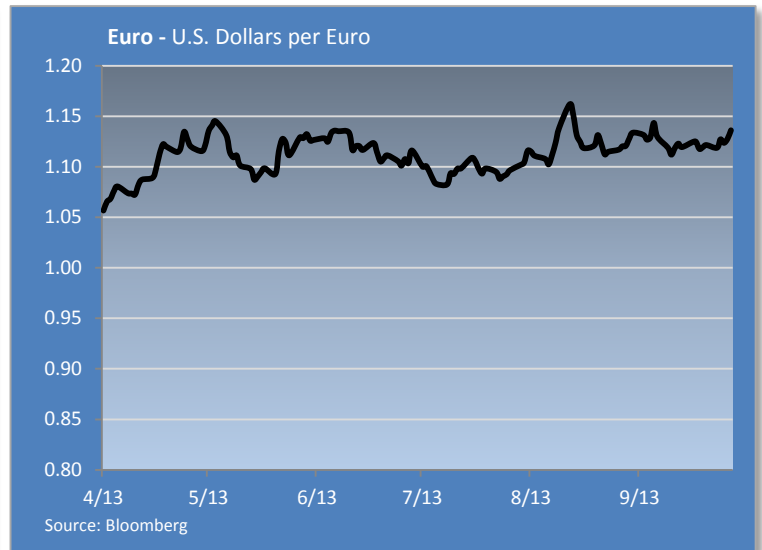
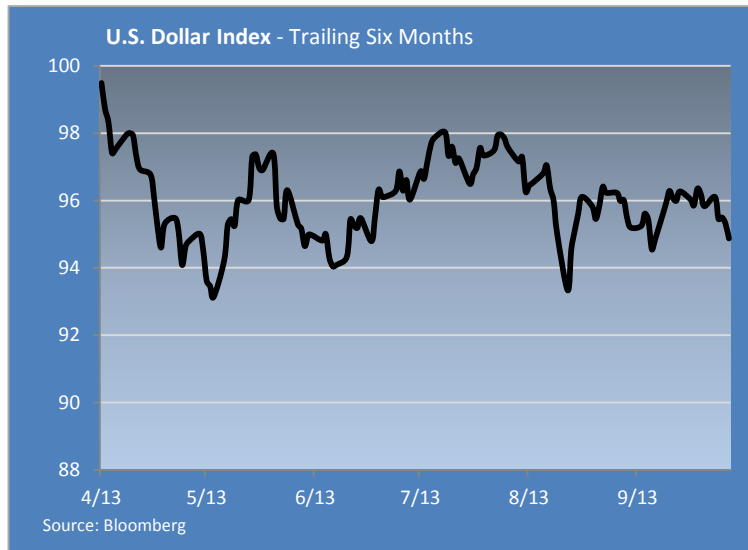
CURRENCIES

SELECTED CURRENCY PERFORMANCE

	Last	Change	% Chg.	YTD %
Dollar Index	94.86	-0.958	-1.00%	5.10%
Euro	1.14	0.015	1.30%	-6.08%
Japanese Yen	120.27	0.350	-0.29%	-0.40%
British Pound	1.53	0.013	0.86%	-1.68%
Canadian Dollar	1.29	-0.021	1.61%	-10.22%

	Last	Change	% Chg.	YTD %
Chinese Yuan	6.35	-0.012	0.19%	-2.20%
Swiss Franc	0.96	-0.010	1.06%	3.43%
New Zealand Dollar	0.67	0.026	4.07%	-14.16%
Brazilian Real	3.76	-0.175	4.67%	-29.27%
Mexican Peso	16.43	-0.320	1.95%	-10.26%

Source: Bloomberg



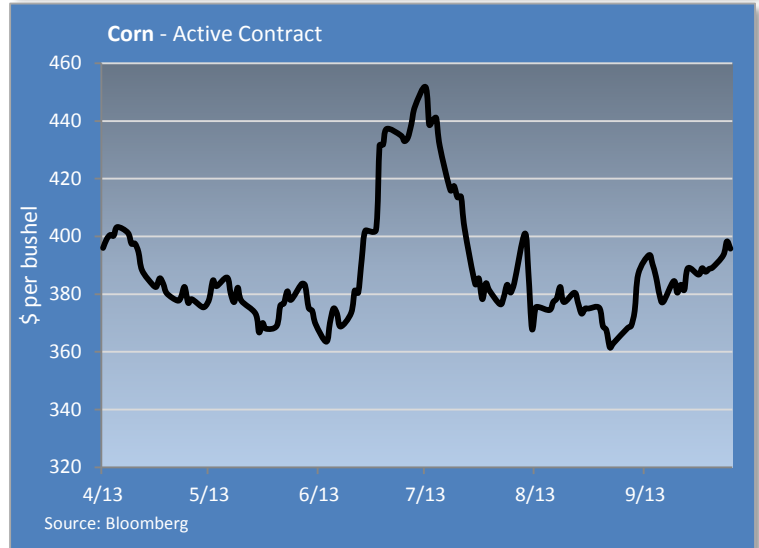
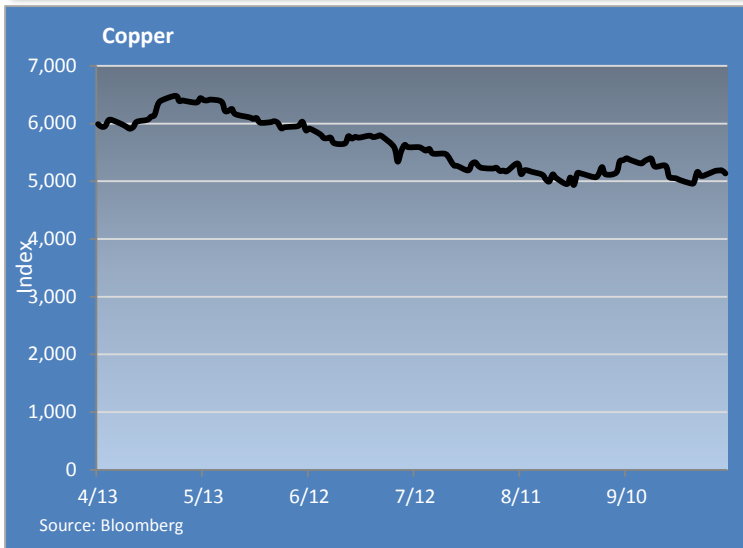
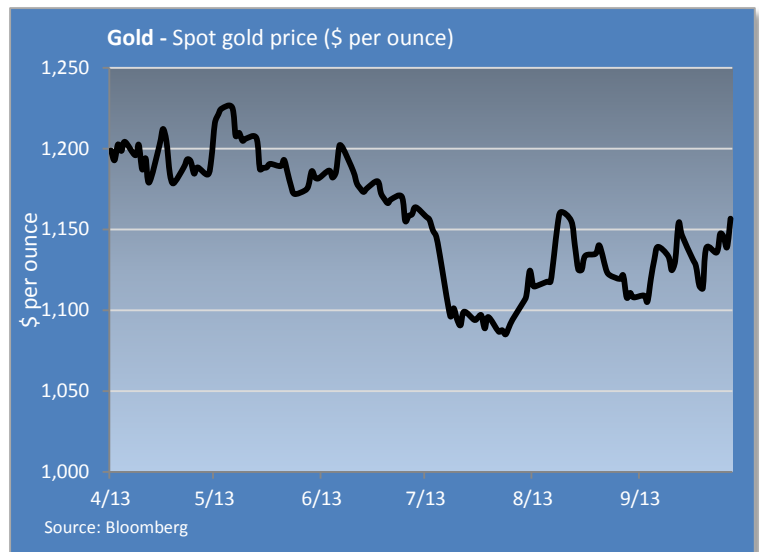
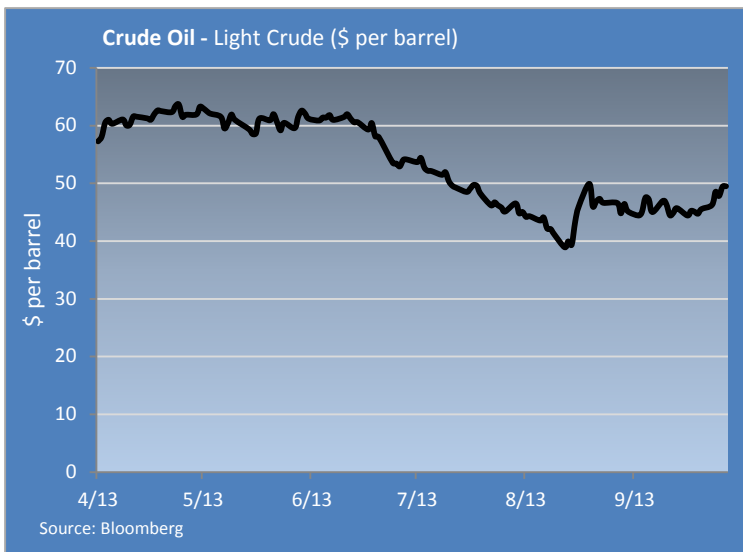
COMMODITIES

SELECTED COMMODITY MARKET PERFORMANCE

	Last	Change	% Chg.	YTD %
DJ UBS Comm. Idx.	91.01	3.12	3.55%	-12.77%
Rogers Int. Comm. Idx.	2379.80	105.51	4.64%	-14.78%
Crude Oil	\$49.49	\$3.96	8.70%	-15.80%
Natural Gas	\$2.52	\$0.07	2.77%	-20.54%
Gasoline (\$/Gal.)	\$2.32	\$0.03	1.22%	3.62%
Heating Oil	158.54	6.61	4.35%	-16.54%
Gold Spot	\$1,156.69	\$18.05	1.59%	-2.34%
Silver Spot	\$15.84	\$0.58	3.80%	0.80%

	Last	Change	% Chg.	YTD %
Platinum Spot	\$982.10	\$71.85	7.90%	-18.72%
Corn	382.75	-6.50	-1.67%	-9.09%
Wheat	509.25	-4.00	-0.78%	-17.16%
Soybeans	885.75	11.50	1.32%	-11.91%
Sugar	14.34	0.81	5.99%	-12.67%
Orange Juice	115.90	10.55	10.01%	-19.46%
Aluminum	1,561.00	3.00	0.19%	-15.74%
Copper	5,135.00	35.00	0.69%	-18.49%

Source: Bloomberg; % change is based on price.



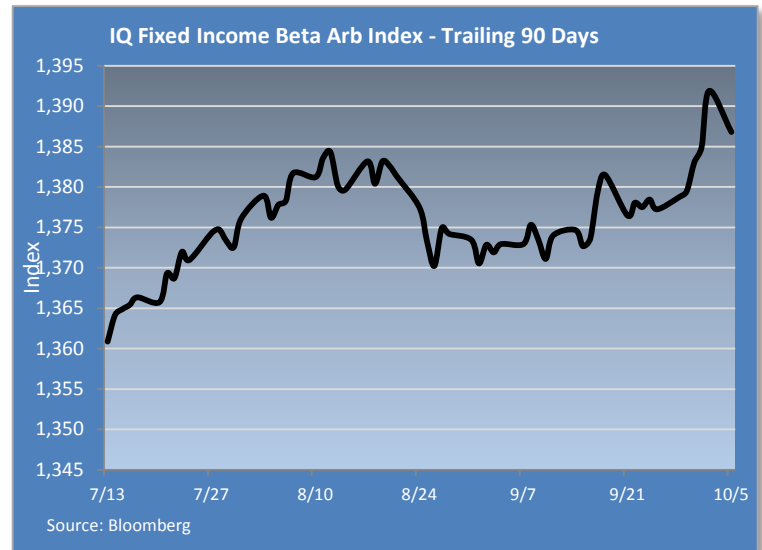
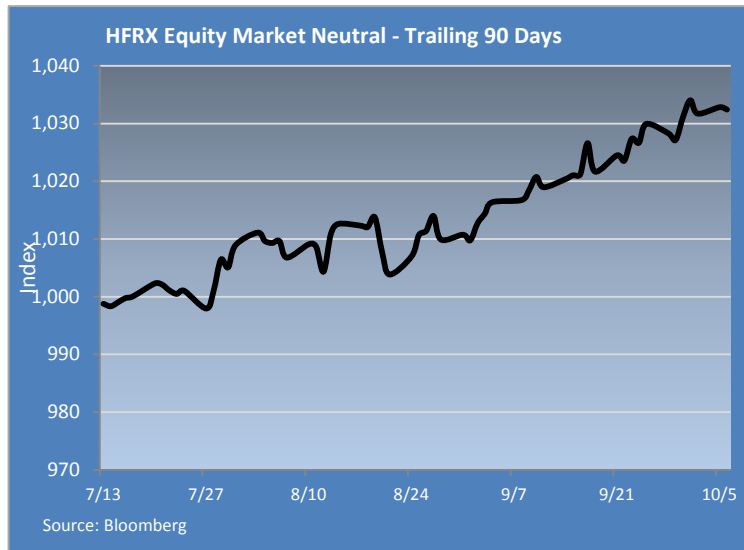
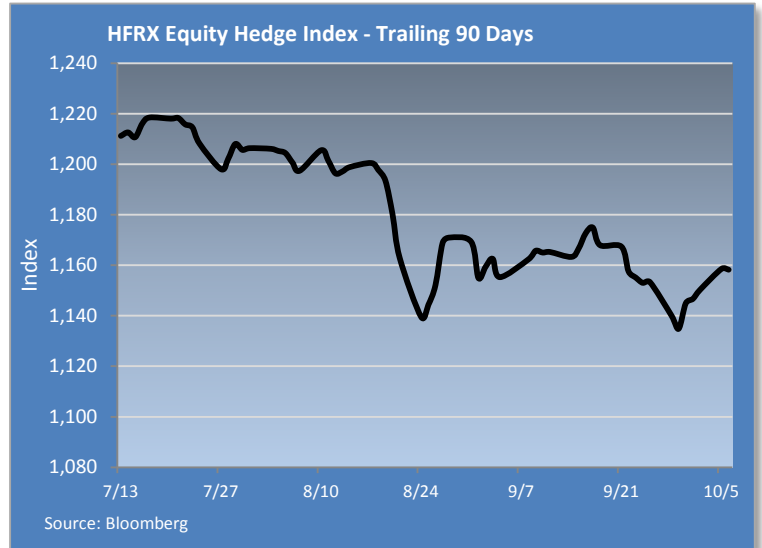
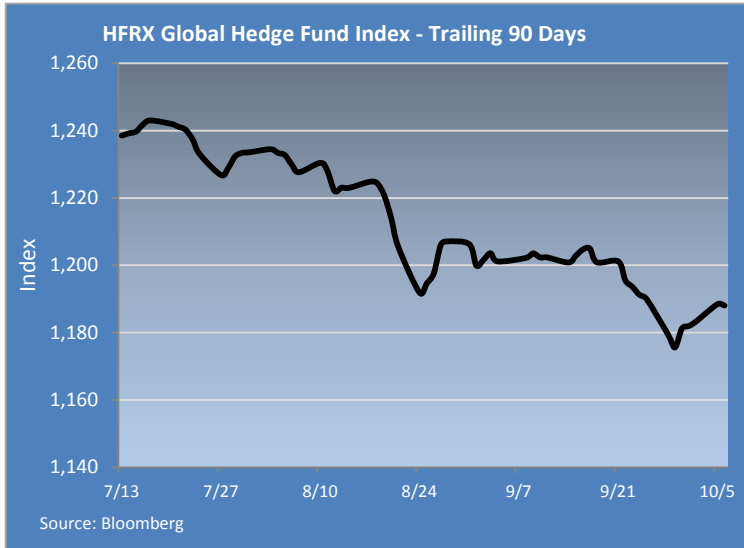
ALTERNATIVE INVESTMENTS

SELECTED ALTERNATIVE INVESTMENT INDEX PERFORMANCE

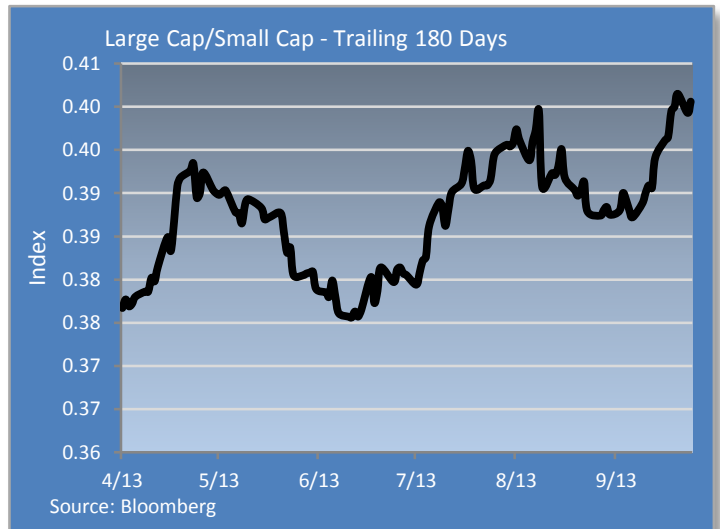
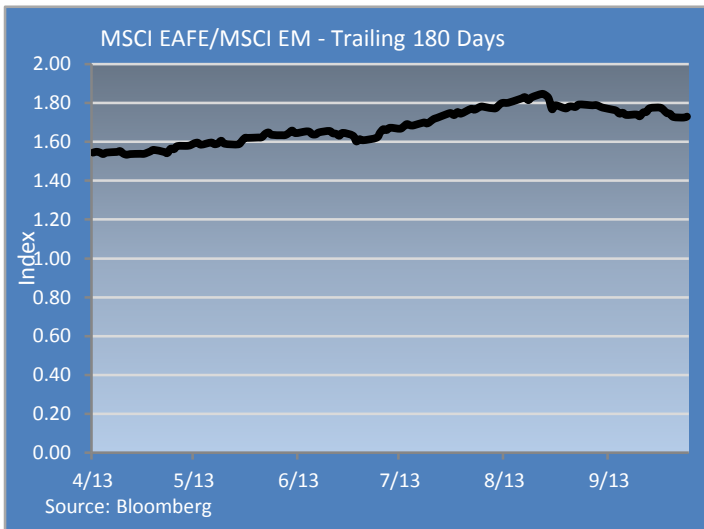
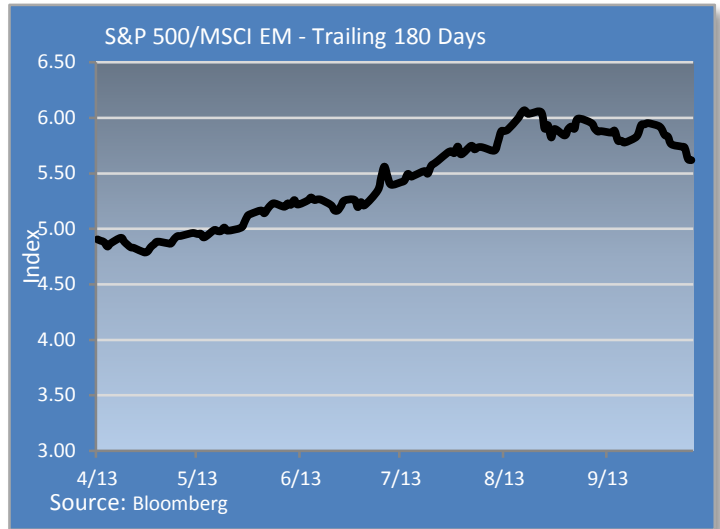
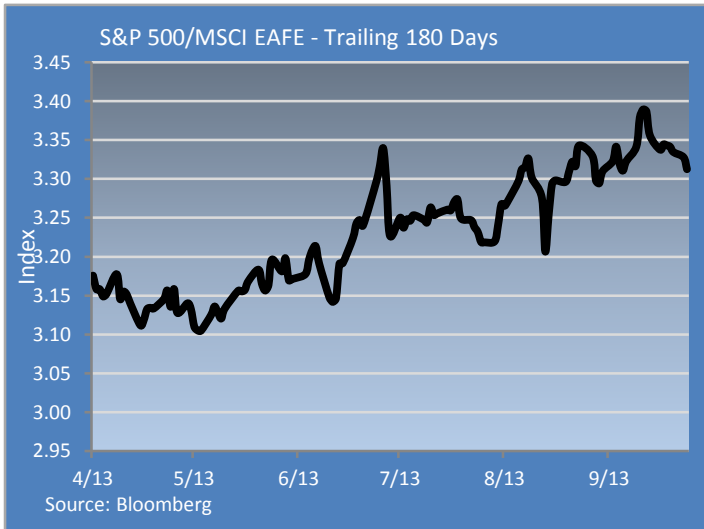
	Last	Change	% Chg.	YTD %
HFRX Global Hedge Fund Index	1192.49	9.15	0.77%	-2.13%
HFRX Equity Market Neutral	1026.05	-5.67	-0.55%	4.03%
HFRX Equity Hedge Index	1157.85	7.57	0.66%	-2.03%
HFRX Event-Driven Index	1448.80	25.46	1.79%	-4.26%
HFRX Absolute Return Index	1027.93	5.13	0.50%	3.13%

	Last	Change	% Chg.	YTD %
HFRX Distressed Index	962.72	4.04	0.42%	-4.55%
HFRX Merger Arbitrage Index	1695.98	7.31	0.43%	5.79%
HFRX Convertible Arbitrage Index	714.35	6.18	0.87%	1.62%
HFRX Macro CTA Index	1157.72	-13.93	-1.19%	-2.96%
IQ Fixed Income Beta Arb Index	1387.54	-4.35	-0.31%	-0.01%

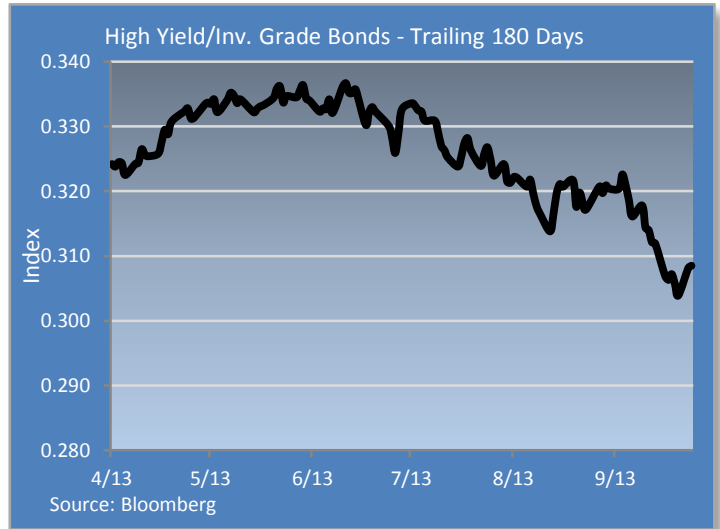
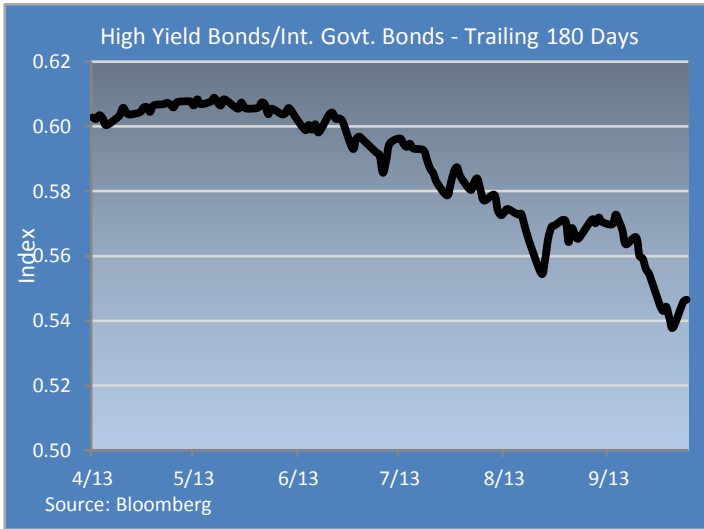
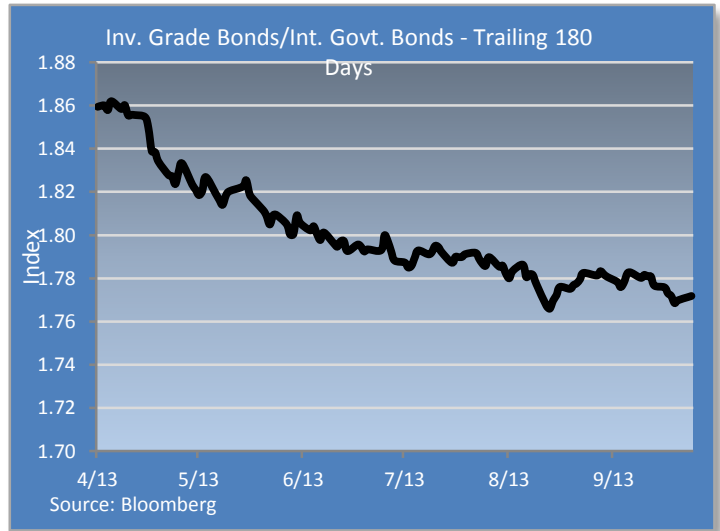
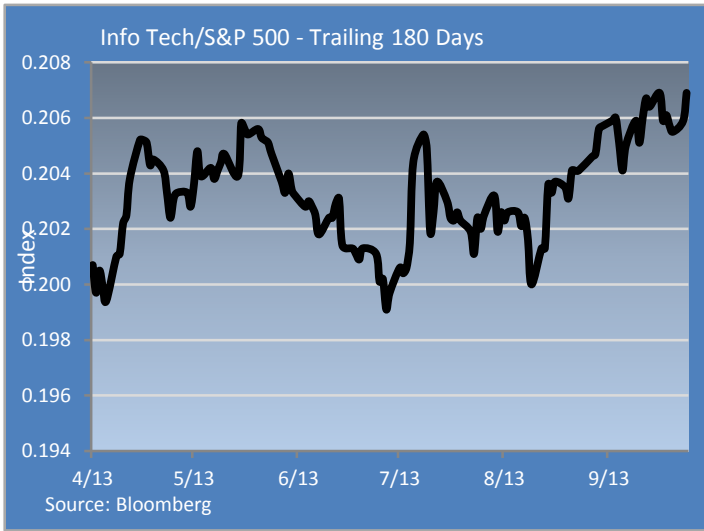
Source: Bloomberg; Index % change is based on price.



PORTFOLIO CONSTRUCTION



PORTFOLIO CONSTRUCTION (cont'd.)



WEEKLY ASSET CLASS PERFORMANCE (Prior 12 weeks ending Thursday)

			7/23	7/30	8/6	8/13	8/20	8/27	9/3	9/10	9/17	9/24	10/1	10/8
Equity	Domestic Equity	Large Cap (R200)	-0.95%	0.33%	-1.31%	-0.16%	-2.44%	-2.30%	-1.90%	0.10%	1.94%	-2.79%	-0.41%	4.51%
		Small Cap (R2000)	-2.19%	-1.04%	-1.32%	-0.91%	-2.67%	-1.61%	-0.73%	0.69%	2.40%	-3.66%	-3.51%	5.99%
	Int'l. Equity	MSCI EAFE	-0.89%	-0.97%	0.88%	-1.58%	-2.73%	-3.57%	-1.56%	0.36%	1.27%	-5.35%	0.96%	4.75%
		MSCI Em. Mkts.	-1.93%	-3.19%	-1.02%	-2.27%	-3.99%	-2.07%	-1.43%	0.33%	2.90%	-5.05%	1.52%	6.36%
Fixed Income	BarCap Agg. (AGG)	0.33%	-0.06%	-0.06%	0.10%	0.41%	-0.43%	-0.05%	-0.10%	0.24%	0.10%	0.15%	-0.04%	
	High Yield (JNK)	-1.36%	0.45%	-1.26%	-0.96%	-0.86%	0.38%	-0.32%	0.62%	-0.40%	-1.87%	-2.40%	2.63%	
Commodities	DJ UBS Index	-3.76%	-1.87%	-2.26%	-0.09%	-1.35%	-1.69%	1.94%	-0.31%	-0.13%	-1.30%	-0.84%	3.69%	
Alternatives	Hedge Funds (HFRX Global)	-0.36%	-0.32%	-0.29%	-0.55%	-0.75%	-0.65%	-0.21%	-0.10%	0.22%	-1.14%	-0.77%	0.89%	
Asset Allocation	60/40*	-0.69%	-0.31%	-0.53%	-0.50%	-1.51%	-1.62%	-0.99%	0.16%	1.22%	-2.32%	-0.32%	3.10%	
	48/32/20 (w/Alts.)**	-0.62%	-0.31%	-0.48%	-0.51%	-1.36%	-1.43%	-0.83%	0.11%	1.02%	-2.08%	-0.41%	2.66%	

Source: Bloomberg; *60/40 portfolio = 30% Large Cap/10% Small Cap/15% EAFE/5% Emerging Markets/35% BarCap Agg./5% High Yield.

**48/32/20 portfolio = 24% Large Cap/8% Small Cap/12% EAFE/4% Emerging Markets/28% BarCap Agg./4% High Yield/20% HFRX Global Index.

RELATIVE STRENGTH MATRIX (BASED ON 30-DAY RSI)

	Large Cap Core	Large Cap Growth	Large Cap Value	Mid Cap Core	Mid Cap Growth	Mid Cap Value	Small Cap Core	Small Cap Growth	Small Cap Value	Int'l. Developed	Emerging Markets	REITs	Comm.	Int. Bond	High Yield
Large Cap Core	1.00	1.01	0.99	1.02	1.06	0.98	1.05	1.11	0.97	1.05	1.01	0.90	1.05	1.00	1.20
Large Cap Growth	0.99	1.00	0.97	1.00	1.05	0.96	1.03	1.10	0.95	1.04	0.99	0.89	1.03	0.99	1.19
Large Cap Value	1.01	1.03	1.00	1.03	1.08	0.99	1.06	1.13	0.98	1.07	1.02	0.91	1.06	1.01	1.22
Mid Cap Core	0.98	1.00	0.97	1.00	1.04	0.96	1.03	1.09	0.95	1.03	0.99	0.89	1.03	0.98	1.18
Mid Cap Growth	0.94	0.95	0.93	0.96	1.00	0.92	0.98	1.05	0.91	0.99	0.95	0.85	0.98	0.94	1.13
Mid Cap Value	1.03	1.04	1.01	1.04	1.09	1.00	1.07	1.14	0.99	1.08	1.03	0.92	1.07	1.02	1.24
Small Cap Core	0.96	0.97	0.94	0.97	1.02	0.93	1.00	1.06	0.92	1.01	0.96	0.86	1.00	0.95	1.15
Small Cap Growth	0.90	0.91	0.89	0.91	0.95	0.88	0.94	1.00	0.87	0.94	0.90	0.81	0.94	0.90	1.08
Small Cap Value	1.03	1.05	1.02	1.05	1.10	1.01	1.08	1.15	1.00	1.09	1.04	0.93	1.08	1.03	1.24
Int'l. Developed	0.95	0.96	0.94	0.97	1.01	0.93	0.99	1.06	0.92	1.00	0.96	0.86	0.99	0.95	1.14
Emerging Markets	0.99	1.01	0.98	1.01	1.06	0.97	1.04	1.11	0.96	1.05	1.00	0.89	1.04	0.99	1.20
REITs	1.11	1.13	1.10	1.13	1.18	1.08	1.16	1.24	1.07	1.17	1.12	1.00	1.16	1.11	1.34
Commodities	0.96	0.97	0.94	0.97	1.02	0.93	1.00	1.07	0.93	1.01	0.96	0.86	1.00	0.96	1.15
Int. Bond	1.00	1.01	0.99	1.02	1.06	0.98	1.05	1.12	0.97	1.05	1.01	0.90	1.05	1.00	1.21
High Yield	0.83	0.84	0.82	0.84	0.88	0.81	0.87	0.93	0.80	0.87	0.84	0.75	0.87	0.83	1.00

Source: Bloomberg

The Relative Strength Matrix provides an indication of how the various asset classes have performed relative to one another over the past 30 days. A number greater than 1.0 indicates that the asset class in the far left column has outperformed the corresponding asset class in the top row over the past 30 days. A number below 1.0 means the asset class on the left has underperformed the asset class at the top. The green shading indicates outperformance, and the red shading indicates underperformance.

INDEX OVERVIEW

The S&P 500 Index is an unmanaged index comprised of 500 widely held securities considered to be representative of the stock market in general. The S&P/Case-Shiller Home Price Indices measure the residential housing market, tracking changes in the value of the residential real estate market in 20 metropolitan regions across the United States. The Nasdaq Composite is a stock market index of the common stocks and similar securities listed on the NASDAQ stock market. The MSCI EAFE Index represents 21 developed markets outside of North America. The MSCI EAFE Growth Index is an unmanaged index considered representative of growth stocks of Europe, Australasia and the Far East. The MSCI EAFE Value Index is an unmanaged index considered representative of value stocks of Europe, Australasia and the Far East. The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. The MSCI Europe Index is an unmanaged index considered representative of stocks of developed European countries. The MSCI Pacific Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the developed markets in the Pacific region. The Barclays US Credit Index is an unmanaged index considered representative of publicly issued, SEC-registered US corporate and specified foreign debentures and secured notes. The Barclays US Aggregate Bond Index is a market capitalization-weighted index of investment-grade, fixed-rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities, with maturities of at least one year. The Barclays US Corporate High Yield Index covers the USD-denominated, non-investment grade, fixed-rate, taxable corporate bond market. Securities are classified as high-yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. The index may include emerging market debt. The Barclays Capital Municipal Bond Index is an unmanaged index comprised of investment-grade, fixed-rate municipal securities representative of the tax-exempt bond market in general. The Barclays US Treasury Total Return Index is an unmanaged index of public obligations of the US Treasury with a remaining maturity of one year or more. The Citigroup World Government Bond Index is a market capitalization weighted bond index consisting of the government bond markets of Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Malaysia, Mexico, the Netherlands, Norway, Poland, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom and the United States. The DJ-UBS Commodity Index Total ReturnSM measures the collateralized returns from a basket of 19 commodity futures contracts representing the energy, precious metals, industrial metals, grains, softs and livestock sectors. The Russell 1000 Index is a market capitalization-weighted benchmark index made up of the 1000 largest U.S. companies in the Russell 3000 Index. The Russell 1000 Growth Index is an unmanaged index considered representative of large-cap growth stocks. The Russell 1000 Value Index is an unmanaged index considered representative of large-cap value stocks. The Russell 2000 Index is an unmanaged index considered representative of small-cap stocks. The Russell 2000 Growth Index is an unmanaged index considered representative of small-cap growth stocks. The Russell 2000 Value Index is an unmanaged index considered representative of small-cap value stocks. The Russell 3000 Index is an unmanaged index considered representative of the US stock market. The Russell Midcap Index 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 Growth Index is an unmanaged index considered representative of mid-cap growth stocks. The Russell Midcap Value Index is an unmanaged index considered representative of mid-cap value stocks. The HFRX Indices are a series of benchmarks of hedge fund industry performance which are engineered to achieve representative performance of a larger universe of hedge fund strategies. Hedge Fund Research, Inc. employs the HFRX Methodology (UCITS compliant), a proprietary and highly quantitative process by which hedge funds are selected as constituents for the HFRX Indices. The ISM Non-Manufacturing Index is an index based on surveys of more than 400 non-manufacturing firms' purchasing and supply executives, within 60 sectors across the nation, by the Institute of Supply Management (ISM). The ISM Non-Manufacturing Index tracks economic data, like the ISM Non-Manufacturing Business Activity Index. A composite diffusion index is created based on the data from these surveys that monitors economic conditions of the nation. The ISM Manufacturing Index is an index based on surveys of more than 300 manufacturing firms by the Institute of Supply Management. The ISM Manufacturing Index monitors employment, production inventories, new orders and supplier deliveries. A composite diffusion index is created that monitors conditions in national manufacturing based on the data from these surveys. The Consumer Price Index (CPI) measures the change in the cost of a fixed basket of products and services. The Gross Domestic Product (GDP) rate is a measurement of the output of goods and services produced by labor and property located in the United States. Basis Point(s) is a unit that is equal to 1/100th of 1%, and is used to denote the change in a financial instrument. The basis point is commonly used for calculating changes in interest rates, equity indexes and the yield of a fixed-income security. The CBOE Volatility Index (VIX) is an up-to-the-minute market estimate of expected volatility that is calculated by using real-time S&P 500 Index option bid/ask quotes. The Index uses nearby and second nearby options with at least 8 days left to expiration and then weights them to yield a constant, 30-day measure of the expected volatility of the S&P 500 Index. The MSCI World ex-U.S. Index - captures large and mid-cap representation across 22 of 23 Developed Markets DM countries*--excluding the United States. With 1,002 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country. (* DM countries include: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the UK.) The MSCI Japan Index - is designed to measure the performance of the large and mid-cap segments of the Japanese market. With 320 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in Japan. The Barclays Global Aggregate ex-U.S. Index - is a market capitalization-weighted index, meaning the securities in the index are weighted according to the market size of each bond type. Most U.S. traded investment grade bonds are represented. Municipal bonds, and Treasury Inflation-Protected Securities are excluded, due to tax treatment issues. The index includes Treasury securities, Government agency bonds, Mortgage-backed bonds, Corporate bonds, and a small amount of foreign bonds traded in U.S. The University of Michigan Consumer Sentiment Index (MCSI) is a survey of consumer confidence conducted by the University of Michigan. The Michigan Consumer Sentiment Index (MCSI) uses telephone surveys to gather information on consumer expectations regarding the overall economy. A separately managed account (SMA) is an individual managed investment account offered typically by a brokerage firm through one of their brokers or financial consultants and managed by independent investment management firms (often called money managers for short) and have varying fee structures. An open-end index fund continuously issues and redeems shares based on investor demand. As an index fund, its investment objective is to duplicate the performance of the index it uses as a benchmark. Investment Grade or Investment Grade Bond - The broad credit designation given to corporate and municipal bonds which have a high probability of being paid and minor, if any, speculative features. Bonds rated Baa and higher by Moody's Investor Services or BBB and higher by Standard & Poor's are deemed by those agencies to be "investment grade". Non-Investment Grade - By definition, junk bonds are non-investment grade. A bond rated lower than Baa/BBB, also called a "high-yield" bond. Junk bonds are speculative compared with investment grade bonds. Risk-On Risk-Off - An investment setting in which price behavior responds to, and is driven by, changes in investor risk tolerance. Risk-on risk-off refers to changes in investment activity in response to global economic patterns. During periods when risk is perceived as low, risk-on risk-off theory states that investors tend to engage in higher-risk investments. When risk is perceived as high, investors have the tendency to gravitate toward lower-risk investments.

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