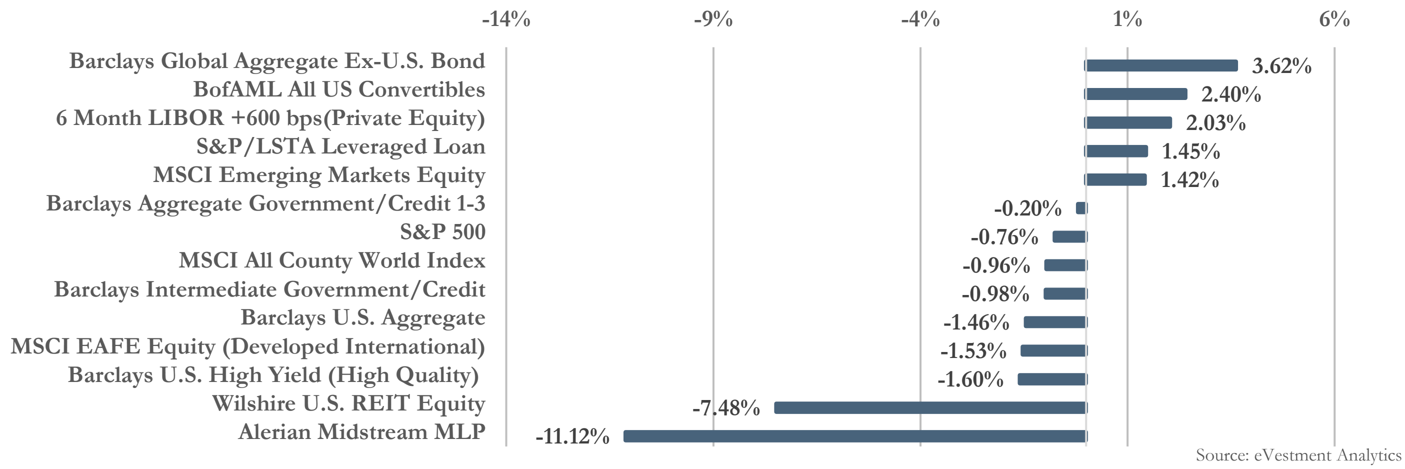
GLOBAL MARKETS OUTLOOK & Q1 2018 REVIEW

MARCH 31, 2018

DISCLAIMER

I. GLOBAL MARKETS REVIEW – 2018 FIRST QUARTER

SELECT BENCHMARKS – YEAR TO DATE AT MARCH 31, 2018



Source: eVestment Analytics

II. GLOBAL MARKETS 2018 FULL-YEAR OUTLOOK

First Quarter Review

The first quarter of 2018 was a restless period for investors, as significantly higher than expected spikes of volatility saw markets advance strongly in January, and then recede in February and March. The first three-month trading period saw generally negative returns across both global equity and fixed income markets. The MSCI All Country World Index, the broadest measure of global equity market returns, fell 1% during the quarter. Global bond markets fared better, with the Barclays Global Aggregate Index gaining 1.4%, however the U.S. investment grade market lost 1.5%. It was common to suggest that the equity volatility in Q1 was the result of specific headwinds, such as the mounting global trade fear of Facebook's data sharing fiasco; however, we think the February correction (defined as a decline of >10%) was actually the direct result of 10-year U.S. Treasury yield movement, which jumped from 2.4% to 2.8%. This unforeseen yield spike occurred after a surprisingly strong U.S. wage inflation report that investors took as a sign that the Fed would increase its pace of tightening.

2018 Full-Year Outlook

We expect the ongoing global trade negotiations to remain the narrative in the near term. As the U.S. and large global trading partners trade threats, there appear to be no clear "winners". With the fluidity of global trade at stake, we expect that any tariff skirmishes will undoubtedly result in market volatility. Policy risks have overtaken economic fundamentals in driving short-term market behavior, but eventually economic factors will drive growth, earnings, inflation and rates.

Macroeconomic data is supportive of additional synchronized global expansion. Here in the U.S. we expect tax reform, deregulation and fiscal stimulus to bolster both consumer and business spending. Data pertaining to increasing wage inflation has the market pricing in three to four rate hikes in 2018, and we expect the 10-year U.S. Treasury yield to end this year in the 3.00%-3.50% range (2.74% as of March 31, 2018).

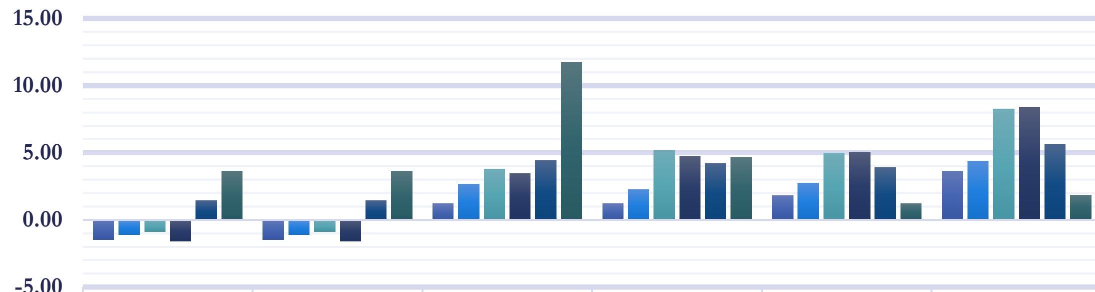
Internationally, fundamentals remain broadly positive. Growth indicators are slightly weaker but generally stable, commodity prices are expected to continue rising, corporate earnings are strong, and diminishing accommodative monetary policy is forecasted. The repricing in February and March made global equities more attractive.

III. GLOBAL ASSET CLASS OUTLOOK – 2018 FULL YEAR

Asset Class	View	Tailwinds	Headwinds
U.S. Equity	**Neutral**	Sustainable GDP growth; tax cuts & deregulation; earnings	Trade & immigration policy risk; expensive
	U.S. equity markets are well positioned to continue their positive growth trend; no recession forecast in 2018; reliable earnings delivery and good cash flow; more normal P/E ratios post-correction.		
Europe ex.-UK Equity	**Favorable**	Economic recovery & earnings acceleration; higher GDP growth	Euro appreciation; qualitative easing expiration; potential trade war
	Valuations are attractive relative to U.S. equities; higher relative returns expected in 2018 amid further strengthening fundamentals, continued U.S. dollar weakness and higher corporate earnings.		
EM Equity	**Neutral**	Sustainable earnings; improved fiscal conditions, local consumption	Global trade critical; Chinese growth deceleration; trade war
	Emerging markets equity rally is expected to continue; fundamentals are forecasted to remain strong and the outlook is compelling; unrealistic to assume a repeat of 2017's stellar returns.		
REIT Equity	**Favorable**	Strong fundamentals; occupancy & rent growth; high yield	Rising rates; sector supply/demand imbalances
	U.S. REIT prices are expected to remain fairly discounted; returns are expected to bounce back after lagging in 2017; vulnerable to further rate increases in the short-term.		
Midstream MLP	**Favorable**	Improving fundamentals; institutional flows, low valuations, revenue growth	Oil price volatility; negative sentiment; retail flows; FERC proposal
	Highest potential upside of any global equity asset class; macroeconomic backdrop remains favorable; FERC-proposed income tax proposal disrupted sector; over 6% yield.		
U.S. Treasuries	**Unfavorable**	Safe haven; demand for duration	Rising inflation; reduced foreign demand; weaker dollar => inflation
	Expect further flattening of the yield curve as the Fed prepares to raise short-term rates three times in both 2018 and 2019; prices fall as yields move higher; expect periods of negative total return.		
IG U.S. Bonds	**Unfavorable**	Low default rates; low volatility; issuance pickup	Narrow credit spreads; increased duration risk, premium prices
	Municipal bonds offer a better after-tax yield compared to tax-equivalent bonds; total returns are expected to be lower in 2018, or negative; tax reform reduces muni demand.		
HY U.S. Bonds	**Neutral**	Low default risk; search for higher yield; lower tax rate	Bonds trading at a premium to par; price risk; equity correlation 0.72
	Expect high yield bonds to benefit for the synchronized global expansion; foreign demand should remain high in 2018; total return will come from yield and not gain; no signs of increased credit risk.		
Floating Rate Bonds	**Favorable**	Trading at discount to par; "no" rate risk, two more Fed rate increases	Volatility ties to high yield market
	The loan market should benefit for proposed Fed tightening; default rate is expected to remain low; coupon-clipping environment in 2018; total return forecast of 4.5-5.0%.		
Global ex.-U.S. Bonds	**Neutral**	Healthy global economy; currency appreciation vs. weakening $U.S.	Uncertain rate environment; flight to quality currency risk
	Global growth should lead to improving credit fundamentals, greater commodity/goods demand; EM currencies and debt spreads should react positively.		

IV. 2018 FIXED INCOME MARKETS

SELECT BENCHMARKS – GLOBAL FIXED INCOME MARKETS – **UPDATED MARCH 31, 2018**



	1Q18	YTD	1-Year	3-Years	5-Years	10-Years
US Aggregate Bond	-1.46	-1.46	1.20	1.20	1.82	3.63
US Municipal Bond	-1.11	-1.11	2.66	2.25	2.73	4.40
US Corporate High Yield	-0.86	-0.86	3.78	5.17	4.99	8.27
US High Quality High Yield	-1.60	-1.60	3.47	4.71	5.06	8.36
S&P/LSTA Leveraged Loans	1.45	1.45	4.43	4.20	3.89	5.62
Global Agg. Ex-U.S.	3.62	3.62	11.75	4.63	1.23	1.85

Source: eVestment Analytics

U.S. INVESTMENT GRADE TAXABLE BONDS [1Q 2018 -1.46%]

REVIEW: U.S. investment grade bond markets produced negative total returns in the first quarter, as yields increased and prices fell. The Barclays U.S. Aggregate Bond Index declined 1.5% and the yield spiked 41 basis points to 3.1%. The Index ended the quarter with a 0.86 correlation to the 10-year U.S. Treasury. In terms of attribution, U.S. Corporate bonds performed worst within the Aggregate, down 2.3%, and traded at the highest premium to par (+$2.30). U.S. Asset Backed bonds and U.S. Agency bonds performed the best, and were less expensive to purchase, but ultimately declined 0.4% and 0.5%, respectively. U.S. Treasuries declined 1.2% overall, with shorter-term bonds handily outperforming longer-dated bonds. At quarter-end, the 10-year U.S. Treasury yielded 2.74%.

The Federal Reserve, headed by its new Chair Jerome Powell, raised rates in March by an additional 0.25%. This move was expected and fully priced in. The market is now pricing in three to four 0.25% rate hikes in 2018. At 1.75%, the U.S. Central Bank policy rate is now the highest amongst its peers: Bank of England at +0.5%; Bank of Japan at -0.10%; and the European Central Bank at about 0%.

OUTLOOK: We have a neutral to negative outlook for U.S. investment grade taxable bonds. Long-end yields appear set to rise further, meaning flat to negative returns should be expected for Treasuries. Corporate bond new issuance should be robust, but demand could be light as investors look for less rate sensitive sources of income. These technical conditions may lead to negative total return in longer term investment grade bonds until the rising rate cycle plays out.

U.S. MUNICIPAL BONDS [1Q 2018 -1.11%]

REVIEW: U.S. municipal bonds declined 1.1% in the first quarter. This was the worst first quarter result for municipals in 15 years, as new tax rules and concerns about rising interest rates reduced demand for new state and local government debt. Specifically, demand for municipal bonds diminished in late 2017 and early 2018 after Congress passed legislation that lowered tax rates for banks and insurance companies from 35% to 21%. Tax-exempt bonds, understandably, became significantly less attractive to taxable corporate investors.

OUTLOOK: While banks and property and casualty companies have become less drawn to tax-free municipals as a result of the recent tax adjustments, higher tax bracket individual investors should continue to consider them. For individual investors looking for reliable current income and low default risk, U.S. investment grade municipal bonds still offer a tax-equivalent yield advantage to U.S. investment grade taxable bonds. At quarter-end, the Barclays U.S. Municipal Bond Index yielded 2.7%, which equates to a 4.4% taxable yield -- at quarter-end the Barclays Aggregate Bond Index yielded 3.1%. A risk to municipal bonds is that they carry a high premium (+$7.20) and relatively long duration, the latter of which make these bonds more susceptible to price declines as rates move higher. These bonds are best bought by buy-and-hold long-term investors.

HIGH YIELD [1Q 2018 -0.86%]

REVIEW: U.S. high yield bonds fell 0.9% in the first quarter. The asset class maintains a relatively high correlation to U.S. equity markets and subsequently sold off amid the market volatility in February and March. During the quarter, the high yield bond aggregate yield increased from 5.7% to 6.2%, while defaults remained low at 2.2%. The Barclays High Quality High Yield Index underperformed the broad high yield index and declined 1.6% during the first quarter.

OUTLOOK: U.S. high yield bonds serve as an excellent buffer against rising rates. Eaton Vance estimates that a 1% rise in interest rates (the market's priced-in forecast for 2018) would result in a price decline of 4.2%, however the 6.2% yield would more than offset that negative price return and generate up to a 2.0% total return (note this hypothetical scenario assumes a parallel shift in the yield curve and steady spreads).

We are forecasting above trend growth for the remainder of the year, and while the relatively high correlation to U.S. equities could result in periods of price volatility, it may also result in capital appreciation. High quality high yield bonds are more attractive than U.S. investment grade bonds in the current market environment.

FLOATING RATE [1Q 2018 +1.45%]

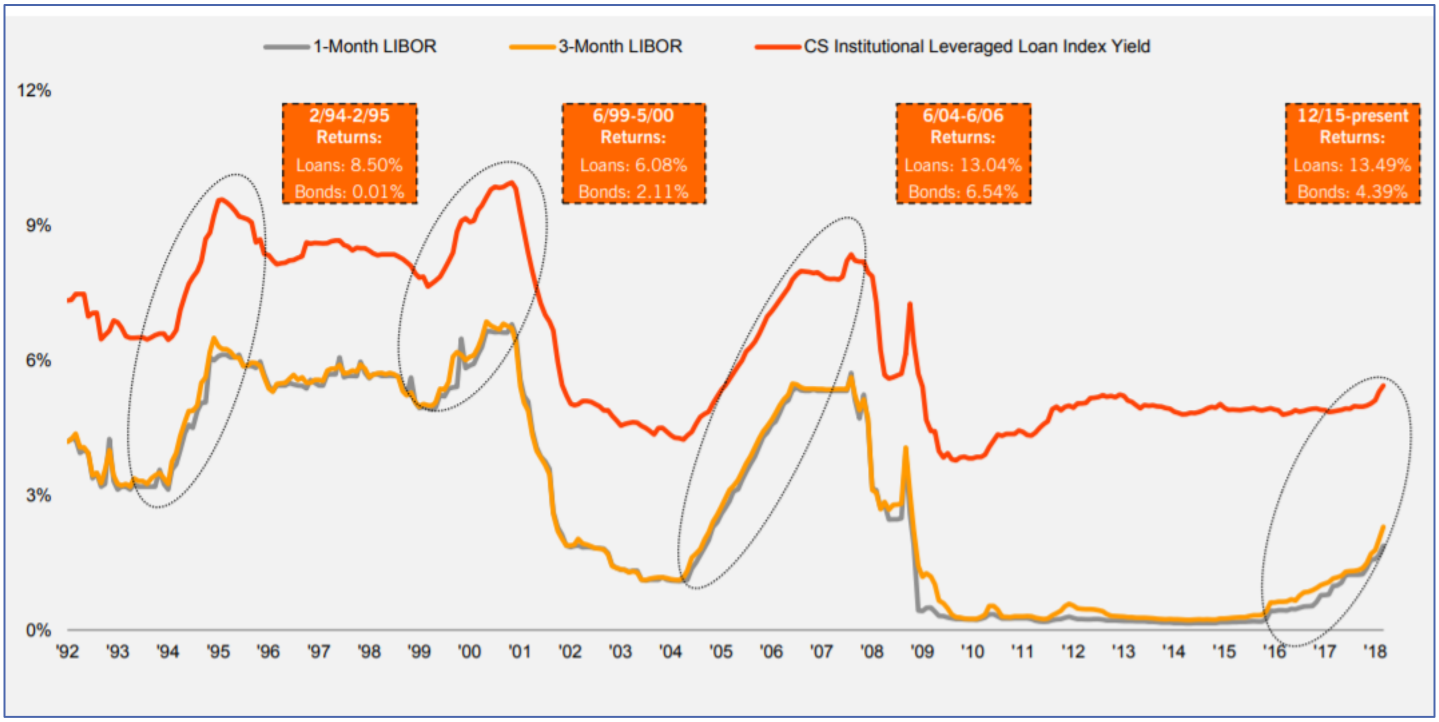
REVIEW: Floating rate loans were the star performer in the first quarter. The S&P/LSTA Leveraged Loan Index gained 1.5%, which compared favorably against most global equity and fixed income indexes. The Index ended the quarter attractively priced at a $1.60 discount to par, although some of the higher quality loans traded at a premium; the yield to worst was 5.31%.

OUTLOOK: Fundamental conditions are attractive and floating rate loans are well positioned to generate positive total returns in 2018, although premium prices will act as a headwind to return. The annual default rate has ticked up slightly, but remains close to the median rate of 1.9%. Technical factors indicate the outstanding loan market is growing at a sustainable pace, and that institutional fund flows are steadily increasing. The new deal pipeline is supportive of increasing demand.

Floating rate loans show their worth when rates rise, and with the market pricing in four 0.25% rate increases in 2018, we believe it is an appropriate time to maintain a full allocation to this asset class and suggest loans make up about half of investors' non-investment grade bond allocation.

Floating rate loans do well in a rising rate environment because their coupon income resets regularly (roughly every 40-60 days, on average). This resetting provision is unique, and it allows these senior and secured loans to maintain a fixed spread over a variable base rate, in this case LIBOR. The chart at the top of page five (Exhibit 1) demonstrates how floating rate loans have performed in prior rising rate environments.

Exhibit 1: Floating Rate Loan Returns During Rising Rate Environments



Sources: Eaton Vance; Credit Suisse, FRED

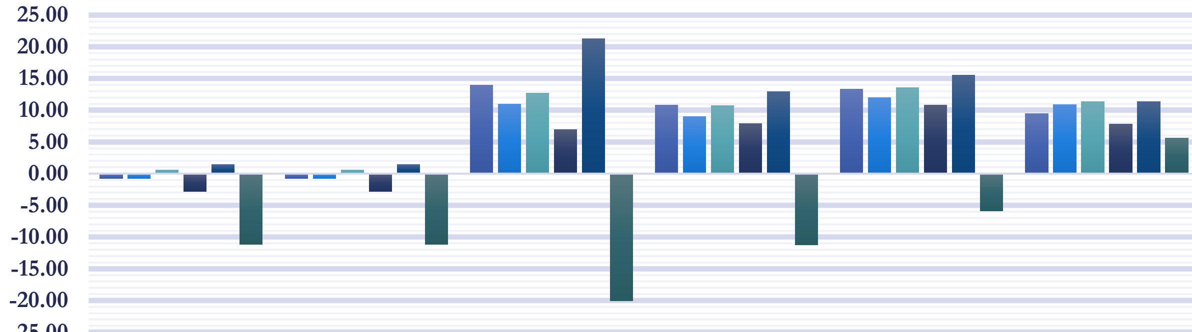
EMERGING MARKETS DEBT [1Q 2018 +3.62%]

REVIEW: The sharp global equity sell-off had minimal impact on global non-U.S. bonds, which were on balance stable throughout the first quarter. The Barclays Global Aggregate ex-U.S. Index gained 3.6% during the quarter, which compared favorably against U.S. government bonds. While the total return was excellent, the yield remained relatively low at only 1.1%, and duration eclipsed 7.7 years. Local currency returns were far less favorable, with countries such as Germany and the UK declining 0.34% and 0.92%, respectively.

OUTLOOK: Looking ahead we maintain a neutral outlook towards emerging markets debt. Currency fluctuation is inherently challenging to predict, as are inflation patterns, and global monetary policy action could continue to diverge. It would be particularly challenging to recommend an overweight to this asset class due to the complexity of balancing both bottom-up and top-down analyses. Notwithstanding this, the global economy is generally healthy, and any further weakening of the U.S. dollar should benefit this asset class.

IV. 2018 U.S. EQUITY MARKET

SELECT BENCHMARKS – U.S. EQUITY MARKETS – **UPDATED MARCH 31, 2018**



	1Q18	YTD	1-Year	3-Years	5-Years	10-Years
S&P 500	**-0.76**	**-0.76**	**13.99**	**10.78**	**13.31**	**9.49**
S&P Mid Cap 400	**-0.77**	**-0.77**	**10.97**	**8.96**	**11.97**	**10.90**
S&P Small Cap 600	**0.57**	**0.57**	**12.68**	**10.76**	**13.56**	**11.35**
Russell 1000 Value	**-2.83**	**-2.83**	**6.95**	**7.88**	**10.78**	**7.78**
Russell 1000 Growth	**1.42**	**1.42**	**21.25**	**12.90**	**15.53**	**11.34**
Alerian MLP	**-11.12**	**-11.12**	**-20.07**	**-11.24**	**-5.85**	**5.60**

Source: eVestment Analytics

U.S. LARGE CAP EQUITY [1Q 2018 -0.76%]

REVIEW: U.S. equities began 2018 strongly, but ended the quarter poorly, as volatility reentered the market. U.S. tax cuts and fiscal stimulus buoyed markets during the first few weeks of the year, but with the market overvalued, headwinds halted forward momentum. Fear of additional monetary tightening, which could act as a headwind to U.S. growth, combined with mounting global trade uncertainty and regulatory concerns around large technology companies served as the primary catalysts for the market correction.

In terms of attribution, growth once again outperformed value, as more economically sensitive sectors have performed better than more demand defensive sectors. While these cyclical sectors have outperformed since mid-2016, they are considerably overpriced, even after U.S. equity prices reset in January and February. Exhibit 2 provides a comparison of year-to-date U.S. equity returns and valuations by investment style. U.S. growth stocks have outperformed both balanced and value stocks year-to-date. U.S. large, mid and small cap value is where we see the best relative opportunity within the U.S. equity market.

Exhibit 2: U.S. Equity Returns and Valuations by Style

Style	YTD Return	Current P/E vs. 15-yr Average P/E	Current P/E vs. 15-yr Average P/E
Large Growth	1.4%	19.5 / 16.7	116%
Large Blend	-0.8%	16.4 / 14.5	113%
Large Value	-2.8%	14.2 / 13.2	107%
Mid Growth	2.2%	19.7 / 18.1	109%
Mid Blend	-0.5%	16.6 / 15.8	105%
Mid Value	-2.5%	14.7 / 14.2	104%
Small Growth	2.3%	31.0 / 25.6	121%
Small Blend	-0.1%	22.4 / 20.2	111%
Small Value	-2.6%	17.0 / 16.8	101%

Sources: JP Morgan Guide to the Markets, Factset, Russell Investment Group, S&P

OUTLOOK: We have a neutral outlook for U.S. equities, and expect low-to-mid single digit returns for stocks in 2018. The correction in the first quarter was overdue, and in our opinion was a healthy reaction to an overheated market. The U.S. economy is acclimating to late-cycle trends, such as tighter employment, a moderate acceleration of inflation and monetary policy normalization, which has flattened the yield curve. U.S. corporate earnings are strong, but forecasted to moderate to about 6.5% in 2019. Fiscal policy supports growth, and lower corporate tax burdens should stimulate business investment.

While consumer sentiment remains high and the economy is generally healthy, there remain a number of meaningful headwinds that are likely to result in intermittent periods of higher volatility in the months and quarters ahead, including elevated spending, low wage growth, and rising consumer debt. The consumer has carried much of the burden of growth during this recovery, and increased business investment will be needed to carry the recovery forward if growth is to increase as forecasted.

ENERGY INFRASTRUCTURE AND MASTER LIMITED PARTNERSHIPS [1Q 2018 -11.12%]

REVIEW: The first quarter of 2018 was a particularly challenging period for energy infrastructure and master limited partnerships. The Alerian MLP Index began the year well, gaining 5.8% in January, but negative investor sentiment stemming from proposed tax changes derailed the sector and led to a double-digit decline during a period of rising oil prices in Q1. This serves as a reminder that oil prices should no longer be relied upon as the barometer for energy infrastructure and master limited partnership returns.

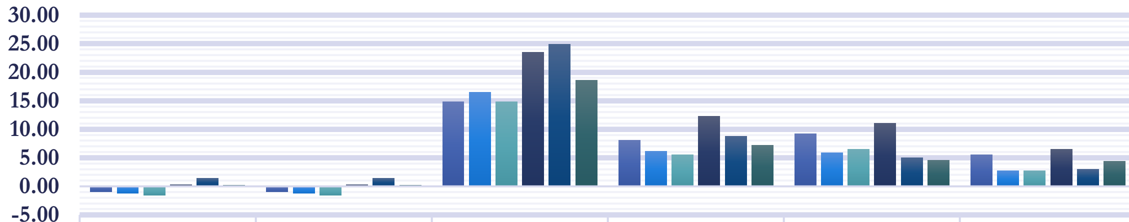
So. what happened? FERC, the body that regulates interstate pipelines, proposed that MLPs operating pipelines on a "cost of service" basis could no longer incorporate income taxes as a cost of service. MLPs with this type of FERC-regulated arrangement are currently able to charge their customers a cost of service, plus a regulated margin on their pipeline. We wish to take note that this proposal applies only to assets regulated by FERC and operating with this type of cost-plus-fee arrangement. FERC only regulates interstate pipelines, meaning just a handful of companies would be affected.

OUTLOOK: We believe the sell-off during the first quarter was an overreaction to headline risk, and the proposed FERC income tax allowance reversal has little to no impact on most core holdings. Speaking with our investment managers, is seems clear that the sell-off was prompted by the erroneous assumption that the pass-through nature of MLPs was ending, which is simply not true.

Energy infrastructure and midstream master limited partnerships remain an attractive investment both in terms of upside potential and current income. We expect the headline-driven sell-off during the first quarter to be an isolated event and that the sector will normalize as retail investors reenter the market in line with institutional fund flows. This asset class is currently trading well below its historical average - significantly lower than other domestic and international equity asset classes. An 8% MLP index yield is demonstrative of the sector's good cash flow and distribution growth. Our mid-stream infrastructure managers have generally reduced FERC-impacted holdings and introduced lower correlated mid-stream C-Corps securities into portfolios.

V. 2018 FOREIGN EQUITY MARKETS

SELECT BENCHMARKS – NON-U.S. EQUITY MARKETS – **UPDATED MARCH 31, 2018**



	1Q18	YTD	1-Year	3-Years	5-Years	10-Years
MSCI ACWI	**-0.96**	**-0.96**	**14.85**	**8.12**	**9.20**	**5.57**
MSCI ACWI ex-U.S.	**-1.18**	**-1.18**	**16.53**	**6.18**	**5.89**	**2.70**
MSCI EAFE	**-1.53**	**-1.53**	**14.80**	**5.55**	**6.50**	**2.74**
MSCI EAFE Small Cap	**0.24**	**0.24**	**23.49**	**12.25**	**11.10**	**6.48**
MSCI Emerging Markets	**1.42**	**1.42**	**24.93**	**8.81**	**4.99**	**3.02**
MSCI EM Small Cap	**0.17**	**0.17**	**18.62**	**7.23**	**4.58**	**4.36**

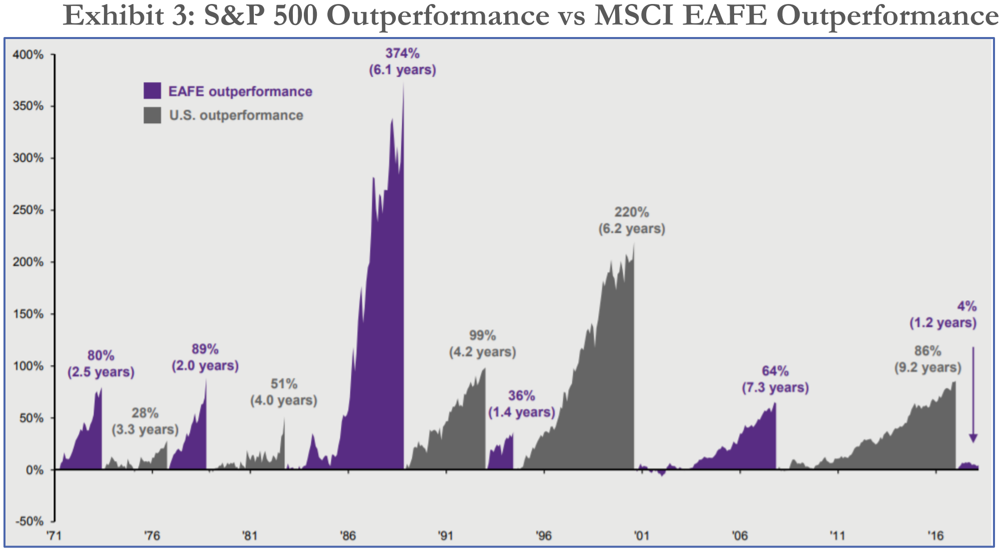
Source: eVestment Analytics

INTERNATIONAL DEVELOPED EQUITY [1Q 2018 -1.53%]

REVIEW: The MSCI EAFE Index lost 1.5% in the first quarter despite solid earnings results, accommodative monetary policy and attractive equity valuations. Non-U.S. developed markets declined in Q1 as investor fears spread over the pace of U.S. interest rate rises as well as increasing wariness of threats to global trade. Most of the quarterly losses occurred in March; however, as rate-sensitive sectors such as healthcare and telecommunication services declined. Contrary to U.S. equity markets, the energy sector produced the highest return in March. As of quarter end, the MSCI EAFE Index yielded 3.2%, and was trading just 0.8 over its historical average valuation.

OUTLOOK: We have a favorable outlook towards non-U.S. developed markets and expect the MSCI EAFE Index to outperform the S&P 500 Index in 2018. We believe the combination of accommodative European central bank policy, earnings acceleration, improving employment, better valuations and higher yield are all supportive of non-U.S. equity returns. We remain wary of the U.S. dollar, as a strengthening dollar has historically hurt international returns, but as shown in Exhibit 3 below, international developed equities and U.S. equities often trade market leadership for multi-year periods.

Exhibit 3: S&P 500 Outperformance vs MSCI EAFE Outperformance



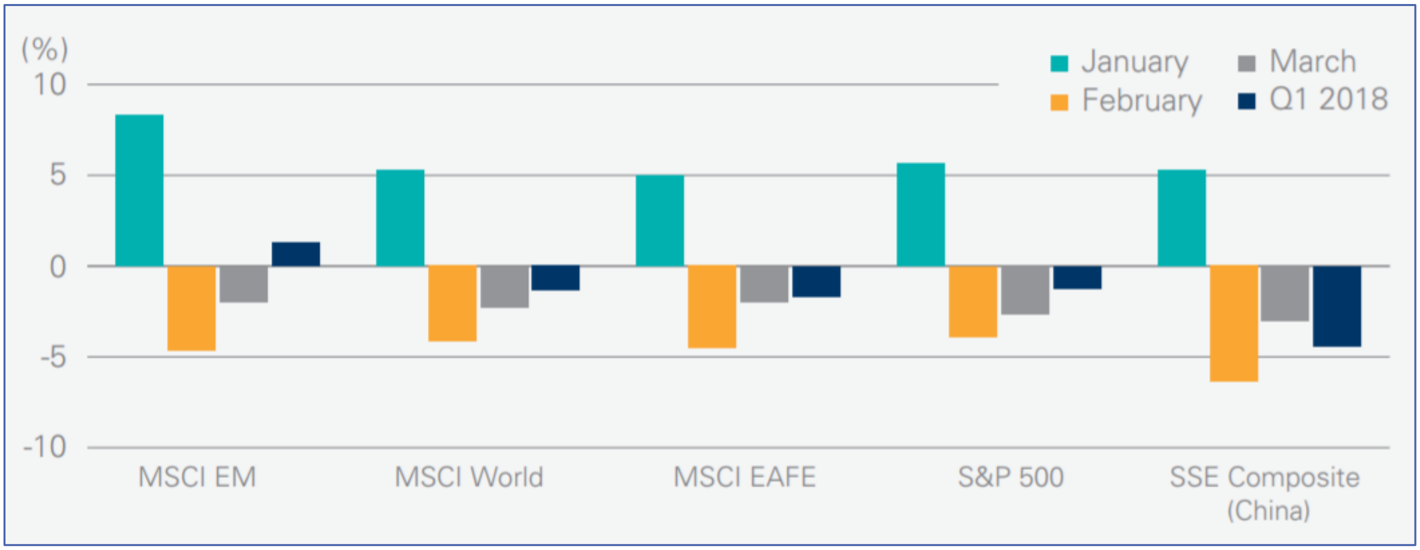
Sources: JP Morgan Guide to the Markets, Factset, Federal Reserve, MSCI, S&P

EMERGING MARKETS EQUITY [1Q 2018 +1.42%]

REVIEW: Emerging markets equities advanced in the first quarter. Investors have flooded emerging markets with capital in an attempt to catch part of the "EM Rally," which saw the index gain 37.3% in 2017. However, as the first quarter progressed sentiment towards the sector soured and trade threats between the U.S. and China escalated.

Looking at the data more closely, we see that while the quarterly result was favorable, the MSCI Emerging Markets Index only posted one positive month of gains. Excluding January, the MSCI EM Index declined 6.4%, showing higher volatility than developed markets. The chart below illustrates that volatility has returned to global equities in 2018, and emerging markets equities are not immune.

Exhibit 4: Global Equity Market Returns (Monthly & Q1 2018)



Sources: Lazard, SMCI, S&P, SSE

OUTLOOK: Looking ahead, we believe emerging markets can continue to offer positive total returns for long-term investors. Macroeconomic data remains broadly positive, growth indicators are slightly weaker but generally stable, commodity prices are expected to continue rising, corporate earnings are strong, and the asset class itself is relatively cheap compared to developed market equities. In terms of income, the MSCI Emerging Markets Index yielded 2.4% at quarter-end, slightly below its historical average.

While our outlook for emerging markets equity remains favorable, we do forecast a higher level of volatility in the coming months. The prospects for rising inflation and interest rates, strengthening U.S. dollar and a potential trade war, are all issues that should be closely monitored, as they may each serve as a headwind and catalyst for volatility.