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INVESTMENT COMMITTEE MARKET COMMENTARY

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U.S. EQUITIES

U.S. stocks rose last week and finished a strong March, as investors bet that a batch of strong economic data, including the latest jobs report, will not speed up the pace of interest-rate increases by the Federal Reserve.

a) ***Dow Jones +1.58% MTD +7.22% YTD +2.20%*** b) ***S&P 500 +1.84% MTD +6.78% YTD +1.35%***
c) ***Russell 2000 +3.63% MTD +7.98% YTD -1.52%***

Drivers: I) ***The U.S. created 215,000 new jobs in March in another show of strength for the economy. Economists had forecast a 203,000 increase*** in new nonfarm jobs. The unemployment rate, though, rose to 5% from 4.9%, but that was due to more workers joined the labor force. The size of the labor force has increased by 2 million people in the past five months, a sign work may be coming easier to find.

II) Worker pay rebounded after a small decline in the prior month. ***Wages rose 0.3% in March to $25.43 an hour. Over the past 12 months, hourly pay has risen at a mild 2.3% rate.*** Although wage gains have picked up, they are still increasing at ***a much slower rate than is typical so far into a recovery***. Sluggish pay is a big reason why the U.S. economy has been unable to speed up.

III) ***The University of Michigan's consumer sentiment survey fell to a reading of 91 from 91.7 in February***, marking the fourth monthly fall in a row. That is actually a bit higher than the preliminary reading of 90 and in line with the 91 in the compiled consensus forecast. ***The rise in gas prices seems to have weighed on U.S. consumers in March.***

IV) ***Auto makers saw another month of gains in U.S. sales in March as favorable weather and a pair of extra selling days helped drive the industry toward its highest expected monthly volume in a decade.*** Ford Motor Co. reported sales rose 7.8% in the month to 253,064. General Motors Co.'s sales for the month edged up 0.9% to 252,128. Fiat Chrysler Automobiles NV posted an 8.1% rise to 213,187 vehicles sold during the month, the highest sales for March in a decade.

V) ***Equity prices in March are higher, with Mid-Cap, Value, Consumer Discretionary and Staples leading equity price performance. The laggards for the month are Large Cap and Growth Stocks along with Healthcare.***

Capitalization: ***Large Caps +6.97%*** (YTD +1.17%), ***Mid-Caps +8.19%*** (YTD +2.24%) and Small Caps +7.98% (YTD -1.52%). Style: ***Value +9.93%*** (YTD +6.02%) and ***Growth +6.94%*** (YTD +0.98%). Industry Groups (Leaders): Telecommunication +6.36% (YTD +16.43%), Utilities +7.99% (YTD +15.48%), ***Consumer Staples +10.72%*** (YTD +6.18%), Industrials +7.05% (YTD +5.19%), Technology +8.73% (YTD +4.03%), Basic Materials +7.53% (YTD +3.44%), Energy +10.00% (YTD +3.35%), Information Technology +8.94% (YTD +2.53%) and ***Consumer Discretionary +11.66%*** (YTD +1.47%). (Laggards): Financial Services +7.29% (YTD -5.09%) and ***Healthcare +2.71%*** (YTD -5.55%).

EUROPEAN EQUITIES

The MSCI Europe index was up last week gaining +1.03%. European equities were down during the first quarter, with bank shares under pressure while a rise in the euro weighed on exporters.

Drivers: I) ***Surveys of manufacturing-sector activity published by financial data firm Markit showed that activity at euro-zone factories picked up slightly in March***, as a rise in output in Ireland, Italy and Spain offset lackluster growth at factories in Germany and France. Markit's closely watched purchasing managers index for euro-zone manufacturing rose to 51.6 in March from 51.2 in February.

II) ***Consumer prices in the currency union fell on the year in March***, according to an official estimate Thursday, albeit at a slower pace than a month earlier. A***nnual inflation was minus 0.1% in March, compared with minus 0.2% in February***, the European Union's official statistics agency said. ***Signs that disinflationary pressures intensified among manufacturers in March will likely worry European policy makers.*** The ECB is not alone

among central banks in facing subdued inflation. Falling commodity prices and sub-par growth are weighing on price pressures across the global economy.
III) ***Performance of European Indexes for the week, month-to-date and year-to-date. The MSCI Europe Index rose by +1.03% for the week (MTD +6.28% YTD -3.18%).***

ASIAN EQUITIES
Asian equity markets ended lower last week, led by stocks in Japan who suffered their biggest drop in more than a month last Friday amid worries about deteriorating sentiment among Japanese companies. The Dow Jones Asia Pacific Index was down -1.12% for the week, (MTD +8.04), (YTD -2.25%).

Drivers: I) ***A Bank of Japan survey released last Friday showed a sharp drop in business confidence in the first quarter.*** The main index of the quarterly tankan survey gauging sentiment among large manufacturers came to plus 6 in March, down from plus 12 in the December poll. ***The result shows confidence weakened across most industries, despite further easing action by the central bank in the quarter with the introduction of a negative interest rate policy.***

II) ***China's official manufacturing purchasing managers index increased to 50.2 last month from 49.0 in February. This is the first time in eight months the figure has been at or above 50***, the level dividing expansion from contraction. Economists said ***optimism in March among manufacturers was boosted by greater stability in the yuan after a volatile start to 2016***, a boost in Chinese stock markets and signaling at China's annual legislative session earlier in the month that growth will remain a priority.

II) Performance of Asian Indexes for the week, month-to-date and year-to-date. ***The Nikkei was lower by -4.93% (MTD +5.35% YTD -10.79%), the Hang Seng Index advanced by +0.92% (MTD +8.71% YTD -5.19%) and the Shanghai Composite rose by +1.01% (MTD +11.75% YTD -15.12%).***

FIXED INCOME
Treasury yields posted their biggest weekly declines in two months, largely due to a dovish tone from the Federal Reserve Chairwoman Janet Yellen earlier this week.

Performance: I) ***The 10-year Treasury yield was lower last week ending at 1.772% down from 1.900%. The 30-year yield dropped last week declining from 2.673% to 2.599%.***

II) ***Performance for the week, month-to-date and year-to-date. Barclays US Aggregate Bond was up +0.58% last week, MTD +0.92% and YTD +3.03%. The Barclays US MBS TR rose by +0.46% last week, MTD +0.30% and YTD +2.00%. The Barclay's US Corporate HY Index rose last week by +0.34%, MTD +4.44% and YTD +3.35%.***

COMMODITIES
The DJ Commodity Index was lower last week falling from 245.18 to 240.33 and was up month to date +4.00% (YTD -0.57%) as energy prices fell on doubts over an output freeze for oil.

Performance: I) ***The price of oil settled at a more than two-week low last Friday, pressured by growing doubts that major crude producers will agree on a plan to freeze output.*** For the week the price of oil was lower, falling from $39.59 to $36.63 per barrel.

II) ***The ICE USD Index***, a gauge of the greenback's movement against six other major currencies, ***was negative dropping from 96.13 to 94.61 for the week. The USD dollar fell as investors decided that the March jobs report, while better-than-expected, likely would not change the Fed's plan for raising interest rates.*** For the week the Yen strengthened climbing from ¥113.09 to ¥111.72 and the Euro rose from 1.1167 to 113.91 against the USD.

III) ***Gold ended the week higher, as traders weighed the likelihood that upbeat U.S. economic data may give the Federal Reserve reason to raise interest rates.*** For the week gold was higher rising from $1218.7 to $1223.6.

HEDGE FUNDS

Hedge funds returns in March are mostly higher, as core strategies Equity Hedge, Distressed, Event Driven, and Relative Value are in positive territory and only Macro experiencing a negative return.

Performance:

I) ***The HFRX Global Hedge Fund Index is higher at +1.24% MTD and -1.87% YTD.***
II) ***Equity Hedge is positive at +2.79% MTD and has fallen -2.93% YTD.***
III) ***Event Driven is up MTD +2.63% and is down YTD -1.23%.***
IV) ***Distressed Debt is higher at +4.35% MTD and is negative YTD -1.50%***
V) ***Macro/CTA has fallen by -1.12% MTD and is up +0.08% YTD.***
VI) ***Relative Value Arbitrage is positive at +0.05% and is down -2.76% YTD.***

ECONOMIC DATA WATCH AND MARKET OUTLOOK

Heading into next week, investors will focus on three main themes, the U.S. dollar, oil and the Federal Reserve. The U.S. Dollar Index fell 1.6% last week after Fed Chairwoman Janet Yellen reiterated the need to take a cautious approach to raising interest rates. A tighter monetary policy boosts the currency on a confidence in the economy and as investors chase yields.

Oil prices will also be under close watch due to the higher price correlation between oil and the equity market. Stocks have closely shadowed oil recently with correlation between the two assets hitting a multi-year high of 0.6 earlier last week. Oil traded lower last Friday after Mohammad bin Salman, the deputy crown prince of Saudi Arabia, said in an interview the country will only freeze its production if other major producers agree to do the same.

The Fed will remain in investor's thoughts with the Fed minutes from the March meeting due for release on Wednesday. The Fed had unexpectedly dialed back its hawkish stance in early March by signaling two more interest rate hikes this year rather than the four it had previously projected.

On the economic data front as mentioned, the Fed releases minutes from its March 15-16 meeting Wednesday, offering more detail on the decision to stand pat on rates. At the time, Ms. Yellen said "caution" was the appropriate course, comments she echoed in a March 29 speech.

The Commerce Department releases international-trade figures for February on Tuesday. In 2015, a strong dollar and weak overseas demand pushed trade volumes down from the prior year, with exports taking an especially large hit. That was a drag on the U.S. economy. ***The next report may show whether the effects of a strong dollar are starting to diminish.***

The Labor Department on Tuesday will provide a more detailed picture of job market movement when it releases February's job openings and labor turnover survey, or Jolts. Instead of just knowing how many jobs employers added, we will also find out how many people quit or were laid off, as well as how many hires and job openings there were, ***offering a more in-depth view of the labor market's health.***

The service sector has been another relative bright spot in the economy, though activity has been trending lower since mid-2015. ***The Institute for Supply Management's nonmanufacturing purchasing-managers index due out Tuesday (estimated to improve from 53.4 to 54.5). The figures should help show if the slowdown elsewhere in the economy is negatively affecting services.***