INVESTMENT COMMITTEE MARKET COMMENTARY

AUGUST 24, 2015 www.clearbrookglobal.com

U.S. EQUITIES

U.S. stocks plunged last Friday, ending a week of carnage that sent the Dow Jones Industrial Average into correction territory as fears about China's economy and global growth spurred heavy selling.

a) ***Dow Jones -5.71% MTD -6.64% YTD -6.12%*** b) ***S&P 500 -5.71% MTD -6.14% YTD -2.99%***
c) ***Russell 2000 -2.66% MTD -6.53% YTD -1.91%***

Drivers: I) ***The S&P 500 fell 64.84 points last Friday, or -3.20%, to settle at 1,970.89, falling below 2,000 for the first time since February. Consumer discretionary, energy and technology stocks were hit hardest. The index saw a -5.71% weekly fall, the steepest since September 2011***. The main benchmark wiped out $1.1 trillion of its market value over the week.

II) ***Selling pressure on Wall Street stemmed from downbeat data from China, which resulted in a rout of Asian and European markets as well as a renewed plunge in oil prices.*** Shares came under renewed pressure in Friday afternoon trading as the U.S. oil benchmark slid below $40 a barrel for the first time since February 2009 in response to global-demand concerns and a persistent supply glut.

III) ***U.S. manufacturers continued to expand in August but the pace of growth tapered off to the slowest rate since October 2013, Markit reported last week The Markit flash PMI index fell to 52.9 from 53.8 in July***. Some companies said the growth outlook at become more uncertain, partly due to a stronger dollar that is hurting exports. As a result, companies are taking a more cautious stance on hiring new workers

IV) ***The consumer price index rose by only +0.1% in July to mark the smallest increase in three months.*** The prices of most other consumer goods were little changed in July, ***perhaps a sign that the growing U.S. economy still has not sped up fast enough to threaten an upsurge in broader inflationary pressures***. Food prices climbed +0.2% while energy prices rose a smaller +0.1%. The weak set of inflation figures suggests there is still more slack in the U.S. economy than we had been led to believe.

V) ***Equity prices in August are thus far decidedly negative, with Mid-Cap and Value along with Utilities leading equity price performance. The laggards for the month are Small Cap and Growth Stocks along with Consumer Discretionary and Energy.***

Capitalization: Large Caps -3.14% (YTD +0.42%), ***Mid-Caps -2.57%*** (YTD +0.47%) and ***Small Caps -5.27%*** (YTD -1.91%). Style: ***Value -4.88%*** (YTD -5.88%) and ***Growth -5.34%*** (YTD +3.11%). Industry Groups (Leaders): Healthcare -6.32% (YTD +5.45%), ***Consumer Discretionary -7.33%*** (YTD +3.62%), Consumer Staples -5.03% (YTD -0.37%), Technology -7.06% (YTD -3.53%), Communication -2.91% (YTD -0.02%) and Financial Services -5.59% (YTD -3.05***%)***. (Laggards): ***Energy -8.52%*** (YTD -18.76%), ***Utilities +2.42%*** (YTD -2.95%), Basic Materials -5.87% (YTD -10.26%) and Industrials -5.05% (YTD -8.14%).

EUROPEAN EQUITIES

The Stoxx Europe 600 Index declined last week from 386.24 to 361.28, to close lower by -6.46%. European stocks fell into correction territory down, -12.70% from their April 15th highs, enduring their worst week of the year as downbeat Chinese data and Greek uncertainty weighed heavily on investor sentiment. Year to date the Stoxx Europe 600 is up +5.47% (MTD -8.85%).

Drivers: I) ***Greek Prime Minister Alexis Tsipras announced last Thursday that he resigned his post and call for a national election to be held within a month.*** The most likely election date is Sept. 20, according to Greek press reports citing government sources. Tsipras will now lead Greeks to the polls for the second time since he was elected on Jan. 25. He previously called for the July 5 referendum that resulted in a "no" vote on an austerity-reform package proposed by Greece's international creditors. In the address, Tsipras said he called the election because he is seeking a "clear mandate for a strong government."

II) ***German consumer sentiment is set to weaken in September despite improved clarity about Greece's future, market research group GfK said in its monthly survey last Friday.*** The forward-looking ***GfK consumer sentiment index is expected to weaken to 9.9 points in September from 10.1 points in August***, below economists' forecast of 10.1 points. "Despite the decline one can't say that the engine of consumption sputters or even gets stalled," GfK said, adding that the high level of the indicator suggests that private consumption remains a major pillar of expansion in Europe's largest economy.

III) ***Performance of European Indexes for the week, month-to-date and year-to-date. The EuroStoxx 600 Index fell by -6.46% for the week (MTD -8.85% YTD +5.47%).***

ASIAN EQUITIES

Asian equity markets were down decisively last week, due to worries about a slowing Chinese economy and the pressures that it had on the Chinese yuan, which have spurred a fresh bout of volatility in the market. The Dow Jones Asia Pacific Index was down -5.06% for the week.

Drivers: I) An early gauge of China's factory activity fell to a six-and-a-half year low in August despite China's efforts to reinvigorate slowing growth. The preliminary Caixin China Manufacturing Purchasing Managers' Index, ***a gauge of nationwide manufacturing activity, fell to a 77-month low in August of 47.1, compared with a final reading of 47.8 in July***, Caixin Media Co. and research firm Markit reported last Friday. Sub-indexes of both new orders and new export orders decreased at a faster pace in August, and output and employment also fell more rapidly.

II) ***Worries about China's decision last week to devalue its yuan has intensified investor concerns that weakness in the world's second-largest economy will weigh on global growth, particularly among China's northern Asian competitors in the exports market.*** Benchmarks in Taiwan and Hong Kong are nearing bear-market territory, defined as a 20% drop from a recent peak. Hong Kong shares are headed for the worst weekly performance since 2011.

II) Performance of Asian Indexes for the week, month-to-date and year-to-date. ***The Nikkei was lower by -5.28% (MTD -5.58% YTD +11.38%), the Hang Seng Index was down by -6.59% (MTD -9.04% YTD -5.06%) and the Shanghai Composite dropped by -11.54% (MTD -4.26% YTD +8.44%).***

FIXED INCOME

Treasury yields fell last week as the 10-year yield posted its largest weekly decline in five months and finished at a nearly four-month low, amid concerns about a global growth slowdown.

Performance: I) ***The 10-year Treasury yield was lower last week, ending at 2.041% down from 2.200%. The 30-year yield fell last week declining from 2.845% to 2.730%.***

II) Performance for the week, month-to-date and year-to-date. ***Barclays US Aggregate Bond*** was up +***0.59%*** last week, ***MTD -0.51% and YTD +1.10%***. The ***Barclays US MBS TR rose by +0.30%*** last week, MTD ***+0.32% and YTD +1.17%***. The ***BofAML US HY Master II was lower last week by -0.76%, MTD -2.14% and YTD -0.32%.***

COMMODITIES

The DJ Commodity Index fell last week from 279.14 to 271.40 and is down month to date -4.56% (YTD -16.15%) as rising oil inventories and worries over a global economic slowdown sent prices lower.

Performance: I) ***Oil prices fell last week after data from Baker Hughes showed that the number of active U.S. oil drilling rigs rose, and weaker than expected Chinese manufacturing data spurred worries about the outlook for energy demand.*** For the week the price of oil fell from $42.18 to $40.29 per barrel.

II) ***The ICE USD Index, a gauge of the greenback's movement against six other major currencies, was lower falling from 96.59 to 94.80 for the week.*** The USD fell for the second week in a row as plunging U.S. stocks pushed volatility to uncomfortable levels, forcing investors to reevaluate their expectations for the timing of the first

Federal Reserve interest-rate hike since 2006. For the week the Yen rallied higher advancing from ¥124.32 to ¥ 122.05 and the Euro was stronger rising from 1.1108 to 1.1388 against the USD.

III) ***Gold saw its largest weekly gain since January, as prices for the metal rallied as falling equity markets continued to scare investors.*** For the week gold climbed higher from $1113.20 to $ 1159.9.

HEDGE FUNDS

Hedge funds returns in August are lower, with all core strategies Equity Hedge, Event Driven, Distressed, Macro/CTA and Relative Value in negative territory.

Performance:
I) ***The HFRX Global Hedge Fund Index is lower at -1.59% MTD and -0.37% YTD.***
II) ***Equity Hedge is negative at -2.18% MTD and has fallen -0.16% YTD.***
III) ***Event Driven has declined MTD -2.51% and is down YTD -2.82%.***
IV) ***Distressed Debt is lower at -2.07% MTD and is negative YTD -1.97%***
V) ***Macro/CTA is down at -0.75% MTD and is up +0.17% YTD.***
VI) ***Relative Value Arbitrage has fallen by -0.69% and is up +1.41% YTD.***

ECONOMIC DATA WATCH AND MARKET OUTLOOK

Heading into next week investors are bracing for another potential bout of market volatility. Last week, stocks saw their biggest weekly declines since 2011 with both the Dow Jones Industrial Average and the S&P 500 index falling about 5.80%, and the Nasdaq Composite Index losing 6.8%. ***The Dow and the NASDAQ are in a corrective phase as both indexes are more than 10% below their 52-week highs. Keeping the market on edge will be the Federal Reserve's widely-anticipated September Federal Open Market Committee meeting in 13 trading days. We believe along with most market strategists, though economic data is still mixed, a rise in September would help to alleviate the uncertainty over Fed policy and permit the markets to go back to determining asset valuations on a fundamental basis.***

With the uncertainties of when the Fed will decide to raise rates, and the competing concerns of an improving U.S. economy against deteriorating emerging market conditions, ***market veterans are advising investors to remain calm, make sure to have proper diversification and take advantage of buying high quality assets at lower prices.***

On the economic data front two gauges of consumers' sentiment will be released. ***The Conference Board publishes its consumer-confidence index Tuesday (expected to improve from 90.9 to 93.4). July's report showed a drop in optimism. The University of Michigan reports its consumer-sentiment reading Friday (projected to rise from 92.9 to 93.1).*** The preliminary August figures for that index also showed a decline.

An important measure of manufacturing demand, ***durable-goods orders, will be released Wednesday*** by the Commerce Department ***(estimated to decline from 3.4% to -1.0%)***. The data will be watched for signs that the sector is strengthening after a slow start to the year, especially outside of airplanes and cars.

The Commerce Department issues its first revision to second-quarter GDP on Thursday. The initial reading showed the economy expanded at a 2.3% annual pace this spring (expected to be revised to 3.4%). Look to see if the revision is smaller than typical, after the government pushed to include more trade data in initial estimate for the first time in July.

The latest readings on spending and incomes will come from the Commerce Department on Friday, but all eyes will be on the report's ***inflation gauge (estimated to remain flat at 0.1%).*** The annual change in the PCE index has held below the Fed's 2% target for more than three years. The measure has shown a slight pickup in recent months, but only to a 0.3% year-over-year increase in June.