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INVESTMENT COMMITTEE MARKET COMMENTARY

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U.S. EQUITIES

U.S. stocks fell last week driven by losses in technology and biotech stocks. Last week brought greater uncertainty over the timing of the first Federal Reserve rate hike and a weaker than expected reading on U.S. gross domestic product in the first quarter.

a) ***Dow Jones -1.21% MTD -0.45% YTD +0.78%*** b) ***S&P 500 -1.28% MTD +0.96% YTD +1.92%***
c) ***Russell 2000 -4.03% MTD -2.54% YTD +1.65%***

Drivers: I) ***The nation's economic growth slowed to a crawl in the first quarter, a period marked by severe weather, a soaring dollar that curbed American exports and a steep drop in investment by U.S. energy companies after oil prices tanked. GDP expanded by a meager 0.2% annual pace***, well below the forecast of a 1.2% gain. By contrast, the economy grew at a 2.2% rate in the final three months of 2014.

II) ***Consumers confidence fell in April, reflecting a slowdown in hiring and dimmer expectations about economic growth in the months ahead. The consumer confidence index dropped to 95.2 from a revised 101.4 in March, touching the lowest level since December***, the Conference Board said Tuesday. Economists had projected the index to total 102.5. The present situation Index declined for the third consecutive month. Coupled with waning expectations, there is little to suggest that economic momentum will pick up in the months ahead.

III) ***U.S. house prices picked up in February, rising 0.5%, according to the S&P/Case-Shiller 20-city composite index released Tuesday.*** Among the 16 cities that saw home prices rise, San Francisco and Denver had the fastest growth. Meanwhile, Cleveland posted the sharpest price drop, falling 1%. After seasonal adjustments, home prices rose 0.9% in February, matching January's gain. ***Compared with February 2014, prices for the 20-city index were up 5%, the fastest growth in half a year. Economists had expected year-over-year price growth of 4.8% in February.***

IV) ***Consumer spending rose a seasonally adjusted 0.4% in March, the Commerce Department reported last week. But personal income was flat last month, likely reflecting slower job creation***. Economists forecasted a seasonally adjusted 0.5% increase in spending and a 0.2% gain in income. Also, inflation as gauged by the PCE price index climbed 0.2% in March. The core PCE index that excludes food and energy rose 0.1%.

V) ***Equity prices for the month were mixed, with Large-Cap and Value along with Energy, Communication and Basic Materials leading equity price performance. The laggards for the month are Small Cap and Growth Stocks along Healthcare.***

Capitalization: ***Large Caps +0.55%*** (YTD +1.96%), Mid-Caps +0.41% (YTD +3.73%) and ***Small Caps -2.10%*** (YTD +1.84%). Style: ***Value +1.62%*** (YTD +1.26%) and ***Growth -1.10%*** (YTD +5.09%). Industry Groups (Leaders): ***Healthcare +0.40%*** (YTD +5.78%), ***Communication +5.55%*** (YTD +6.86%), Consumer Cyclicals +0.83% (YTD +4.33%), ***Energy +9.79% (YTD +4.95%)***, Technology +3.42% (YTD +3.20%), ***Basic Materials +4.14%*** (YTD +3.25%) and Industrials +2.78% (YTD +0.37%). (Laggards): Financial Services +2.12% (YTD -1.06***%) and*** Utilities +2.22% (YTD -5.18%).

EUROPEAN EQUITIES

The Stoxx Europe 600 Index declined by 3.37% last week from previous 408.42 to 394.66. European stocks experienced its first monthly loss of 2015, as investors weighed a rise in the euro and concerns about slowing global growth. Year to date the Stoxx Europe 600 is up +15.22% (MTD -0.15%).

Drivers: I) ***Eurozone consumer prices stopped falling in April, further easing fears that a slide into deflation could derail the currency area's fragile economic recovery.*** The European Union statistics agency Eurostat last week reported consumer prices were unchanged from a year earlier, having fallen in each month since December. The central bank initiated QE during the first quarter as it feared that the collapse in energy prices toward the end of last year would lead to declines in the prices of other goods and services. That in turn could have triggered a deflationary spiral, during which consumers and businesses delay spending, damping economic growth.

II) ***German jobless claims declined by less than expected in April, but the jobless rate remained at a record low, making Germany's labor market the most vibrant in the euro-zone.*** The BA labor agency said last Thursday that jobless claims in April were down 8,000 from March when taking account of seasonal swings, their seventh consecutive fall. Germany's adjusted jobless rate remained at a record low of 6.4%, in line with expectations and underpinned by solid economic growth. Analysts expect Europe's largest economy to expand by around 2% this year.

III) ***Performance of European Indexes for the week, month-to-date and year-to-date. The EuroStoxx 600 Index dropped by +1.17% for the week (MTD -0.15% YTD +15.22%).***

ASIAN EQUITIES

Asian equity markets were lower last week following unexpectedly weak U.S. gross domestic product figures earlier in the week. The Dow Jones Asia/Pacific Index was down -1.74% for the week.

Drivers: I) ***An official gauge of China's manufacturing sector held steady in expansionary territory in April, official data showed last Friday.*** China's official manufacturing Purchasing Managers Index stood at 50.1 in April, unchanged from March, the China Federation of Logistics and Purchasing, which issues the data with the National Bureau of Statistics, said in a statement. The April PMI beat the median 50.0 forecast from The Wall Street Journal's poll of 11 economists.

II) Performance of Asian Indexes for the week, month-to-date and year-to-date. ***The Nikkei was lower by -2.44% (MTD +2.04% YTD +11.92%), the Hang Seng Index was up +1.10% (MTD +12.73% YTD +19.18%) and the Shanghai Composite climbed higher by +0.61% (MTD +18.50% YTD +37.31%).***

FIXED INCOME

Treasury yields rose pushing bond prices to their lowest levels since March 17. The selloff was prompted by the new supply coming into the bond market, a rout in German bunds and some optimism around the Greek bailout saga.

Performance: I) ***The 10-year Treasury yield was higher last week, ending at 2.117% up from 1.909%. The 30-year yield rose last week advancing from 2.612% to 2.829%.***

II) Performance for the week, month-to-date and year-to-date***. Barclays US Agg Bond*** was down ***-0.46%*** last week, ***MTD -0.36% and YTD +1.24%***. The ***Barclays US MBS TR fell by -0.12%*** last week, MTD ***+0.04% and YTD +1.10%***. The ***BofAML US HY Master II was lower last week by -0.03%, MTD +1.21% and YTD +3.77%.***

COMMODITIES

The DJ Commodity Index weakened last week dropping from 316.15 to 314.90 but is higher month to date +3.54% (YTD -2.71%) as commodities rallied on the back of a lower USD and higher energy prices.

Performance: I) ***Oil prices were up for the seventh week in a row as the outlook for the market is starting to improve. The number of U.S. rigs actively drilling for oil continues to fall, supplies at the nation's storage hub begin to drop and tensions in the Middle East raise concerns over the potential disruptions to global supplies.***

II) ***The ICE USD Index***, a gauge of the greenback's movement against six other major currencies, was lower falling from 96.86 to 95.21 for the week. ***The USD fell for a third straight week, which strategists believe is being driven by technical factors rather than fundamental. Traders are anxious to book profits.*** For the week the Yen was weaker falling from ¥118.98 to ¥120.18 and the Euro advanced from 1.0873 to 1.1198 against the USD.

III) ***Gold settled last Friday at the lowest level in six weeks, logging the third straight weekly loss as investors looked to the latest economic data to help gauge demand.*** For the week gold fell from $1179.90 to $1177.4.

HEDGE FUNDS

Hedge funds returns are primarily higher in April. The core strategies: Event Driven, Equity Hedge, Distressed and Relative Value are positive for the month, while Macro/CTA ended negative.

<u>Performance</u>: I) ***The HFRX Global Hedge Fund Index is higher at +0.21% MTD and +2.28% YTD.***
II) ***Equity Hedge is up at +1.19% MTD and has risen +3.42% YTD.***
III) ***Event Driven has advanced MTD +0.52% and is higher YTD +1.96%.***
IV) ***Distressed Debt is up +1.40% MTD and is positive YTD +1.87%***
V) ***Macro/CTA is lower at -2.67% MTD but is up +0.64% YTD.***
VI) ***Relative Value Arbitrage has risen by +0.96% and is up +2.58% YTD.***

ECONOMIC DATA WATCH AND MARKET OUTLOOK

Heading into next week, investors will realize that April proved to be a cruel month for investors in financial markets, many of whom had bet the U.S. dollar would continue its march higher, the oil prices would fall further and the rally in bond markets around the world would continue unabated.

Instead, the trades that had proven winners in recent months backfired, as an accumulation of negative economic data dimmed the outlook for the U.S. economy and prompted many investors to push back their expectations for when the Federal Reserve will raise interest rates. The return of Greek troubles as a disruptive force and flare-ups in the Middle East made it harder to predict where markets were headed.

The euro strengthened 4.5% against the dollar in April after tumbling 11% in the first quarter. The U.S. benchmark crude-oil price soared 25% after declining 11% in the first three months of the year. The Nasdaq Biotechnology Index fell 2.8% in April after jumping 13% in the first quarter. Yields on German government bonds bounced higher after nearing zero last week.

The rapid ascent in global stock and bond markets has created worries about lofty valuations, making them vulnerable to a selloff. A slowdown in U.S. growth, a brightening outlook for Europe, pockets of resilience in Chinese demand and rapid cutbacks by U.S. shale-oil producers are just some of the surprise factors behind the turnabout across stock, bond, currency and commodity markets.

Many investors though, say they are staying with their bets. They expect the U.S. economy to rebound as it did last year after hitting a soft patch. The European Central Bank continues to pump billions of euros into its economy through bond purchases. Oil supplies in the U.S. remain abundant even as they show signs of receding, potentially pressuring crude prices.

On the economic data front ***the Labor Department releases the April jobs report Friday. Economists expect nonfarm payrolls increased by 220,000 jobs last month. That follows the unexpectedly weak 126,000 jobs added in March***, a miss that economists blamed on weather. To the extent winter conditions did hold down March hiring, expect to see big April rebounds in payrolls in the construction and leisure and hospitality sectors. Economists also expect the April unemployment rate slipped to 5.4% from 5.5% in March.

The Commerce Department releases the actual March inventory data on manufacturing Monday and wholesalers Friday. A big miss in either sector could mean a large revision to GDP when Commerce releases its second take on GDP on May 29.

Productivity growth has lagged in this expansion compared with upturns that have lasted this long. The difference worsened in the fourth quarter when productivity fell at a 2.2% annual rate. Labor releases first-quarter data next Wednesday, and economists believe output per hour worked fell again last quarter. That is because aggregate work time grew faster that output did.