INVESTMENT COMMITTEE MARKET COMMENTARY

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U.S. EQUITIES

U.S. stocks though mixed on Friday followed a strong four-day advance, as the major indexes posted broad gains in the wake of Donald Trump's unexpected Election Day win, their largest weekly gains in years.

a) ***Dow Jones +5.52% MTD +4.07% YTD +10.70%*** b) ***S&P 500 +3.87% MTD +1.92% YTD +7.90%***
c) ***Russell 2000 +10.27% MTD +7.71% YTD +14.34%***

Drivers: I) For the week, the Dow gained 5.52% for the week in its largest weekly gain since December 2011, the S&P 500 jumped 3.87% in its largest weekly gain since October 2014. The Nasdaq rose 3.80% in its biggest weekly rise since February. Meanwhile, the Russell 2000 was also a strong performer last week gaining 10.27%. ***On a sector basis, Financials was the star gaining about 10.0% from Wednesday to Friday.***

II) ***President-elect Trump is potentially providing a boost to financial and industrial stocks, as he has said he plans to increase spending to fund infrastructure projects***. That would provide a l***ift to construction companies, while banks would benefit as bond yields are expected to rise***. A policy of lighter regulation is also seen as potentially helping financial firms. On the flip side, promises of individual and corporate tax cuts could bloat the already sizable Federal deficit.

III) ***Consumer confidence surged in early November***, as Americans said the ***economic outlook improved***. The University of Michigan's initial November sentiment reading, which was taken before the results of the presidential election were known, ***jumped to 91.6 from 87.2 in October***. That was 0.3% higher than at the same time a year ago, and exceeded the 2016 average of 91.1.

IV) ***The number of job openings in the United States rose slightly in September and remained near record levels,*** offering more proof companies are still willing to hire despite a somewhat slower economy. Companies were seeking to hire 5.49 million people in September, up from 5.45 million in August, according to a government survey of employers. Job openings had hit a record high of 5.9 million in the spring.

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

Capitalization: ***Large Caps +1.96%*** (YTD +7.89%), Mid-Caps +2.09% (YTD +8.99%) and ***Small Caps +7.71%*** (YTD +14.34%). Style: ***Value +5.92%*** (YTD +19.35%) and ***Growth +4.00%*** (YTD +10.09%). Industry Groups (Leaders): Energy +1.31% (YTD +17.52%), ***Financial Services +9.80%*** (YTD +13.73%), Materials +3.00% (YTD +12.29%), Information Technology -0.83% (YTD +11.54%), Technology -1.40% (YTD +10.67%), Utilities -6.80% (YTD +8.98%), Telecommunication -2.18% (YTD +7.70%) and ***Consumer Staples -8.17%*** (YTD +2.23%). (Laggards): Healthcare +4.43% (YTD -0.77) and ***Consumer Discretionary -8.70%*** (YTD -0.68%).

EUROPEAN EQUITIES

The MSCI Europe index was higher last week rising +0.22%. European equities rose as health-care and infrastructure shares bounced up on expectations those sectors could benefit from polices being proposed by the incoming Trump administration in the U.S., including plans to spend on upgrading infrastructure.

Drivers: I) ***After the U.S. election the next date on the calendar to note is December 4th***. *That is when* **Italians will head to the polls to vote on a constitutional referendum**, *and* **Austrians will vote in a presidential runoff** *election* where Norbert Hofer, the far-right Freedom Party's candidate, has a shot at becoming the European Union's first far-right leader. A no to the Italian referendum could lead to a vote regarding leaving the EU in 2017 for Italy.

II) ***A victory for the conservative Hofer in Austria meanwhile, would embolden European populists, who have several opportunities to upset the established political order when Germany, France and the Netherlands hold elections in 2017.*** In all three countries, far-right populists are poised to make considerable gains. In France, Marine Le Pen, the leader of the National Front, could upset the deeply unpopular incumbent, Socialist François Hollande.

III) ***Performance of European Indexes for the week, month-to-date and year-to-date. The MSCI Europe Index was up +0.22% for the week (MTD -1.35% YTD -4.57%).***

ASIAN EQUITIES

Asian equity markets were mixed as developed markets were higher on prospects of companies benefiting from proposed U.S. infrastructure spending, while emerging markets suffered from fears over the re-negotiation of existing trade pacts. The Dow Jones Asia Pacific Index was lower by -1.22% for the week, (MTD -2.72), (YTD +2.60%).

Drivers: I) ***China's foreign exchange reserves fell at a faster pace in October, pointing to accelerated capital outflows, according to data from the People's Bank of China.*** Reserves fell by $45.73 billion from the previous month to $3.121 trillion, following a drop of $18.79 billion in September. The fall suggests outflow pressure may have increased in October despite government efforts to tighten control over capital flows and stabilize the yuan.

II) ***Japanese wages edged up on the year in September, suggesting that workers are only seeing modest pay gains*** despite government efforts to convince companies to pay more. ***Overall cash wages rose 0.2% on year***, according to the labor ministry. Overall wages were flat in August. The increase was supported by a 0.4% rise in base wages, the third consecutive month of increase.

III) Performance of Asian Indexes for the week, month-to-date and year-to-date. ***The Nikkei was higher by +2.78% (MTD -0.27% YTD -8.72%), the Hang Seng Index fell by -0.49% (MTD -1.80% YTD +2.81%) and the Shanghai Composite advanced by +2.26% (MTD +3.08% YTD -9.70%).***

FIXED INCOME

Treasury yields experienced their biggest jump in years, as the proposed increase in U.S. infrastructure spending and the potential rise in the U.S. deficit saw the iShares 20+ Year Treasury Bond ETF suffer a 7.4% decline last week, its largest weekly loss since its launch in 2002.

Performance: I) ***The 10-year Treasury was higher last week ending at 2.152% up from 1.776%. The 30-year yield rose last week climbing from 2.562% to 2.963%.***

II) ***Performance for the week, month-to-date and year-to-date. Barclays US Aggregate Bond was down -1.37% last week, MTD -1.21% and YTD +3.60%. The Barclays US MBS TR was lower at -0.80% last week, MTD -0.71% and YTD +2.67%. The Barclay's US Corporate HY Index fell by -0.03%, MTD -0.87% and YTD +14.68%.***

COMMODITIES

The DJ Commodity Index was lower last week by -0.41% and is down month to date -2.19% (YTD +6.89%) as commodities were negatively affected by oils continued decline due to supply and production concerns.

Performance: I) ***The price of oil was lower last week by -2.29%*** falling from $44.13 to $43.12 and is down month to date -7.98% (YTD +5.91%). Oil fell for a third-consecutive week marking their lowest finish since mid-September, as ***rising crude output from OPEC members quelled hopes for a final agreement later this month to reduce production.***

II) ***The ICE USD Index***, a gauge of the U.S dollar's movement against six other major currencies, ***was positive rising +2.17% from 96.89 to 98.99 for the week*** (MTD +0.64% YTD +0.30%). The USD saw its largest gain since February ***as investors expected that the infrastructure spending promised by President elect Trump would prompt the Federal Reserve to raise interest rates more quickly.***

III) ***Gold suffered its largest weekly decline in three years due to growing expectations for a Federal Reserve interest-rate increase next month***. For the week gold was lower by -5.96% dropping from $1305.2 to $1227.4 (MTD -3.59% YTD +15.62%).

HEDGE FUNDS

Hedge funds returns in November are mixed with the core strategies Equity Hedge and Event Driven higher, while Distressed, Macro and Relative Value are in negative territory.

Performance:

I) ***The HFRX Global Hedge Fund Index is higher at +0.27% MTD and +1.02% YTD.***

II) ***Equity Hedge has risen +1.11% MTD and is down -0.43% YTD.***

III) ***Event Driven is up MTD +0.18% and is higher YTD +7.22%.***

IV) ***Distressed Debt is lower at -0.01% MTD and is positive YTD +15.46%***

V) ***Macro/CTA has fallen by -0.42% MTD and is down -3.13% YTD.***

VI) ***Relative Value Arbitrage is lower at -0.04% and is down -0.28% YTD.***

ECONOMIC DATA WATCH AND MARKET OUTLOOK

As we head into next week, investors will see if equity markets can continue their rally driven by relief that the U.S. Presidential election was finally over. Potentially sustaining the market's rise will be the belief ***that a change in policy could lift both inflation and growth***, both lackluster over the past several years. Some of the ***proposed policy changes could lift corporate earnings in 2017 by 8% to 10%.***

Part of President elect Donald Trump's economic platform, has been a ***pledge to slash the 35% federal tax rate for some of the biggest U.S. companies to as low as 15%***. If implemented, this would drive corporate tax rates in the U.S. from among the highest, to lowest in the developed world. In addition, the new President has ***also proposed exempting overseas revenues from taxes, paving the way for multinationals like Apple Inc.to repatriate money parked abroad.***

If regulations are modified where the gap between the statutory rate and the average rate paid by U.S. companies is narrowed, the new effective tax rate could be between 20% to 25%. Given that each percentage point ***change in the tax rate is equivalent to about $1.50 of S&P 500 earnings per share***, a drop in the effective tax rate to 20% ***could boost 2017 EPS forecast by at least 8%***. This would represent nearly 20% growth versus 2016 compared with the current forecast of 10%

So far in the third quarter, the blended earnings growth rate for the S&P 500 is 2.9% with 71% of S&P 500 companies reporting earnings above the mean estimate, according to FactSet.

On the economic data and political front, Fed Chair Yellen is due to testify to the US Congress on Thursday November 17th at 10:00 EST. Yellen will testify to the Joint Economic Committee of Congress and the atmosphere will be highly charged following the recent US elections. The Committee and markets will want ***evidence on the Fed's thinking surrounding the economy and interest rates***, especially as Yellen can no longer use the excuse of the forthcoming election to avoid making substantive comments. ***The immediate focus will be on whether there are any comments on December's FOMC meeting.***

The US CPI data will be released on Thursday November 17th at 08:30 EST. US inflation will be a very important short-term focus and will also be a crucial influence over the medium term. ***Significantly, the data will be released just ahead of Yellen's congressional testimony and stakes have also been increased by the aggressive sell-off in US Treasuries.***

The latest US retail sales data will be released on Tuesday November 15th at 08:30 EST. US growth conditions will be an important focus in the short term, especially ahead of the December Federal Reserve meeting. A weak retail sales release would give the Fed some rationale for delaying a rate increase, while ***strong data would suggest that demand is holding firm. Stronger consumer confidence data suggests overall spending is likely to have held firm.***