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INVESTMENT COMMITTEE MARKET COMMENTARY

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U.S. EQUITIES

U.S. equity markets hit record highs for a third consecutive week on hopes that President-elect Donald Trump's economic proposals, including massive corporate tax cuts and financial and environmental deregulation, will ignite higher levels of economic growth.

a) ***Dow Jones +1.51% MTD +5.91% YTD +12.66%*** b) ***S&P 500 +1.45% MTD +4.33% YTD +10.45%***
c) ***Russell 2000 +2.41% MTD +13.20% YTD +20.17%***

Drivers: I) ***Last week U.S. equity indexes hit record highs*** as the Dow and the Nasdaq rose 1.5%, while the S&P gained 1.4%. The Russell climbed 2.3% for the week. Since the election, the S&P is up 3.4%, and it has risen in 10 of the past 14 sessions. ***The size and speed of the recent rally has some investors concerned that the gains may have sped ahead of fundamentals.***

II) ***An early read on service sector growth in November was the second-highest of the past 12 months*** as the long and hotly contested presidential election came to an end. ***Markit's flash November purchasing manager's index came in at 54.7***, down slightly from October's 54.8. ***Survey participants commented on "stronger demand from both businesses and consumers in November, helped by the improving economic backdrop."***

III) ***New-home sales fell in October and continued to point to a market moving forward very slowly. Sales ran at a seasonally adjusted annual rate of 563,000, the Commerce Department reported, down 1.9%*** from the 574,000-level set in September. Since the recession, home builders have been cautious in ramping up construction, as strong demand for housing has been held back by lean supply that is keeping prices higher.

IV) ***A measure of consumer confidence rose sharply in November as many Americans expressed greater optimism after the election of Donald Trump as president***. The consumer sentiment survey climbed to 93.8 last month from an initial 91.6, hitting the highest level since early summer. The second and final reading for November was up from 87.2 in October.

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 +4.60%*** (YTD +10.69%), Mid-Caps +6.22% (YTD +13.40%) and ***Small Caps +13.20%*** (YTD +20.17%). Style: ***Value*** +***11.74%*** (YTD +25.90%) and ***Growth +9.10%*** (YTD +15.50%). Industry Groups (Leaders): Energy +6.04% (YTD +23.00%), ***Financial Services +13.64%*** (YTD +17.71%), Telecommunication +5.44% (YTD +16.09%), Materials +6.12% (YTD +15.69%), Information Technology +1.54% (YTD +14.21%), Technology +1.22% (YTD +13.61%), Utilities -4.55% (YTD +11.62%) and ***Consumer Staples -8.01%*** (YTD +2.40%). (Laggards): Healthcare +3.37% (YTD -1.77) and ***Consumer Discretionary -8.96%*** (YTD -0.97%).

EUROPEAN EQUITIES

The MSCI Europe index was higher last week rising +1.31%. European equities rallied for a third week in a row, led by healthcare stocks as Johnson & Johnson made a takeover bid for biotech company Actelion.

Drivers: I) ***Worrisome for global investors is the Italian constitutional referendum, which is slated for Dec. 4***, the same day as a runoff presidential election in Austria where a victory by Norbert Hofer, the Freedom Party's candidate, would make him Europe's only far-right leader. ***Polls suggest that the "no" vote will prevail, which could indefinitely shelve hoped-for fiscal reforms and lead the dissolution of the country's government, led by Prime Minister Matteo Renzi.***

II) ***German business sentiment was steady in November, a sign that the country's economic upturn remains intact, the Ifo institute reported last week. The Ifo business climate index came in at 110.4 points in November***, unchanged from October and broadly ***in line with analysts' forecasts***. German companies were more satisfied with their current business situation, but lowered their outlook for the coming six months. In the manufacturing sector, this was due to less dynamic export prospects.

III) ***Performance of European Indexes for the week, month-to-date and year-to-date. The MSCI Europe Index was up +1.31% for the week (MTD -2.08% YTD -5.27%).***

ASIAN EQUITIES

Asian equity markets were higher last week led by Japanese shares which hit a 10-month high, as the Yen continued to decline against the U.S. dollar. The Dow Jones Asia Pacific Index was higher by +1.07% for the week, (MTD -2.68), (YTD +2.65%).

Drivers: I) ***The People's Bank of China set the yuan weaker again, by 0.3% against the U.S. dollar last week***. This was the 12th straight fixing lower. The Chinese economy has stabilized, and they have moved out of deflation. As such the fundamental trends are good. ***The main headwind is the currency, which will prompt a flow of capital out of China to the U.S. in search of higher yields and return.***

II) ***Japanese exports extended their losses to a 13th straight month in October, indicating that the world's third-largest economy has yet to regain full strength*** despite better-than-expected growth in the third quarter. ***Exports fell 10.3% from a year earlier in October to 5.870 trillion yen***, data released last week by the Ministry of Finance showed. ***The reading came in worse than a 9.4% drop forecast by economists.*** Exports decreased 6.9% in September.

III) Performance of Asian Indexes for the week, month-to-date and year-to-date. ***The Nikkei was higher by +2.30% (MTD +5.50% YTD -3.43%), the Hang Seng Index rose by +1.70% (MTD -0.93% YTD +3.69%) and the Shanghai Composite advanced by +2.16% (MTD +5.21% YTD -7.83%).***

FIXED INCOME

Treasury yields ended the week at their highest levels since July 2015 as expectations for higher U.S. economic growth and inflation continued to drive fixed income markets.

Performance: I) ***The 10-year Treasury was higher last week ending at 2.359% up from 2.357%. The 30-year yield fell last week dropping from 3.037% to 3.007%.***

II) ***Performance for the week, month-to-date and year-to-date. Barclays US Aggregate Bond was down -0.20% last week, MTD -2.53% and YTD +2.33%. The Barclays US MBS TR was lower at -0.36% last week, MTD -2.00% and YTD +1.38%. The Barclay's US Corporate HY Index rose by +0.58%, MTD -0.75% and YTD +14.95%.***

COMMODITIES

The DJ Commodity Index was higher last week by +2.84% and is up month to date +1.44% (YTD +10.85%) as metals such as palladium hit their highest levels since June 2015 on rising U.S. and China growth expectations.

Performance: I) ***The price of oil was higher last week by +0.83%,*** rising from $45.58 to $45.96 and is down month to date -1.92% (YTD +12.90%). Oil rose for a second consecutive week as traders adopted a wait-and-see stance ahead of ***next week's crucial production meeting of the Organization of the Petroleum Exporting Countries, at which the cartel could agree on a deal to cut output.***

II) ***The ICE USD Index***, a gauge of the U.S dollar's movement against six other major currencies, ***was positive rising +0.16%*** from 101.34 to 101.50 for the week (MTD +3.19% YTD +2.85%). ***The U.S. dollar index continued its rally and remains up about 3.5% since the election, recently touching its highest level since April 2003***. It has gained nearly 7% over the past three months.

III) ***Gold fell last week to hit a new 9-month low intraday, suffering about a 2% drop for the week after the dollar index climbed to its highest level in over a decade***. For the week gold was lower by -1.76% dropping from $1207.3 to $1186.1 (MTD -6.83% YTD +11.74%).

HEDGE FUNDS

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

Performance:

I) ***The HFRX Global Hedge Fund Index is higher at +0.69% MTD and +1.45% YTD.***
II) ***Equity Hedge has risen +1.09% MTD and is down -0.45% YTD.***
III) ***Event Driven is up MTD +1.72% and is higher YTD +8.87%.***
IV) ***Distressed Debt is higher at +0.88% MTD and is positive YTD +16.50%***
V) ***Macro/CTA has fallen by -0.85% MTD and is down -3.55% YTD.***
VI) ***Relative Value Arbitrage is higher at +0.38% and is up +0.14% YTD.***

ECONOMIC DATA WATCH AND MARKET OUTLOOK

As we head into next week, investors will be focused on a spate of economic data reports, as well as the outcome of a highly-anticipated meeting of the Organization of the Petroleum Exporting Countries. Of interest, will the Jobs report out Friday, which will be the last one before the December FOMC meeting. Also on tap is the manufacturing data, for the sector which still accounts for about 12% of the country's economic output, and is a good measure of the stability of the economic engine. On Wednesday, November Chicago PMI data is set to be released, while Markit releases its manufacturing PMI gauge and the Institute of Supply Management releases its November manufacturing figures on Thursday.

Other economic data on hand include third-quarter GDP figures on Tuesday; October consumer spending, October core inflation figures, and the Fed's Beige Book on Wednesday; and November auto sales on Thursday.

There is still a few companies that have yet to release earnings. ***With virtually all the S&P 500 having already reported, third-quarter earnings for companies on the index are on track to rise 3.2 % from the year-ago quarter.***

On the economic data front, specific reports to keep an eye on include the latest US employment report which will be released on Friday December 2nd at 08:30 EST. The employment report will inevitably have a significant short-term impact with the main initial focus on the figure for non-farm payrolls.

This figure will be particularly important given that the Fed is looking to increase rates at the December meeting. The crucial element here is whether the data disrupts these expectations. From the Fed's perspective**,** a monthly employment gain of around 120,000 is sufficient to keep the unemployment rate stable***. A figure between 120,000-150,000 would be disappointing from an immediate perspective and compared with expectations of around 165,000, but would not prevent a December rate hike.***

The regular OPEC Ministerial meeting will be held in Vienna on Wednesday November 30th. The OPEC meeting will be extremely important for underlying sentiment surrounding oil markets as OPEC looks to finalize a deal to curb production. The original deal to curb production was reached in Algeria in September, but details of individual quotas were not agreed at that point with an interim committee set up to agree quotas by late November. According to sources, the technical committee has agreed its stance with a potential six-month deal to cut quotas by 4-4.5% except for Libya and Nigeria. There are also reports that Iranian and Iraqi quotas have been left until the ministerial meeting.

The latest US ISM manufacturing survey will be released on Thursday December 1st at 10:00 EST. The ISM manufacturing data moved higher last month, continuing the recovery from the slide into contraction territory seen for the August data. ***Markets will be looking for evidence on whether the election outcome has had any significant impact on confidence. Markets will also be looking for evidence surrounding pricing trends and the impact of a strong dollar.***