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INVESTMENT COMMITTEE MARKET COMMENTARY

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U.S. EQUITIES

U.S. stocks finished higher last week due to a Fed induced rally, but closed near session lows Friday based on reports that major oil producers are not likely to reach an agreement to freeze production at a meeting this weekend which resulted in the largest one-day loss for oil since mid-July.

a) ***Dow Jones +0.76% MTD -0.67% YTD +6.94%*** b) ***S&P 500 +1.20% MTD -0.18% YTD +7.65%***
c) ***Russell 2000 +2.45% MTD +1.28% YTD +11.65%***

<u>Drivers:</u> I) ***Reports released last Friday*** *speculated that Saudi Arabia views a* **planned meeting of members of OPEC and other top oil-producers** *set for next week in Algeria, was merely a consultation* and ***does not expect a concrete pact to be reached***. This deflated crude oil prices, which had benefited from the prospects of an agreement.

II) ***The Federal Reserve last Wednesday kept interest rates unchanged, but Chairwoman Janet Yellen said one increase is "appropriate" this year*** barring any major new risks to the economy. The central bank stood still even though Yellen said senior Fed officials "are generally pleased with how the economy is doing." She said the Fed still wants to see more progress in the labor market, more people finding jobs or looking for work again and noted that inflation is still on the low side.

III) ***Home builder construction tumbled in August***, another sign of choppy momentum for the housing market. ***Housing starts*** ran at a seasonally adjusted ***annual pace of 1.14 million***, the Commerce Department reported last Tuesday, ***5.8% below July and missing forecasts of a 1.18 million rate***. That was 0.9% lower than a year ago. The slowdown may have been caused by the floods in Louisiana and extreme hot summer weather in the South.

IV) ***Manufacturing activity in September grew at the slowest rate in three months as purchasing managers blamed weak new orders and the strong dollar***, according to data released Friday. The Markit flash U.S. manufacturing purchasing managers index fell to 51.4 in September from 52, marking the lowest level since June. ***The PMI reading was close to the post-crisis low of 50.7, reached in May.***

V) ***Equity prices in September are mixed with Small-Cap, Growth, Consumer Discretionary and Utilities leading equity price performance. The laggards for the month are Mid-Cap and Value Stocks along with Financials.***

Capitalization: Large Caps -0.11% (YTD +7.71%), ***Mid-Caps -0.13%*** (YTD +9.89%) and ***Small Caps +1.28%*** (YTD +11.65%). Style: ***Value -0.38%*** (YTD +14.90%) and ***Growth -0.16%*** (YTD +10.87%). Industry Groups (Leaders): Telecommunication +0.49% (YTD +19.23%), ***Utilities +4.30%*** (YTD +20.47%), Energy -0.74% (YTD +14.33%), Technology +1.48% (YTD +12.42%), Information Technology +1.59% (YTD +11.91%), Consumer Staples +2.12% (YTD +14.18%), Materials -2.15% (YTD 10.37%), ***Consumer Discretionary +3.49%*** (YTD +11.89%), Industrials -1.05% (YTD +10.54%), Healthcare +0.92% (YTD +3.21) and ***Financial Services -2.56%*** (YTD +1.45%). (Laggards):

EUROPEAN EQUITIES

The MSCI Europe index was higher last week climbing +2.86%. European equities rallied last week as the U.S. Federal Reserve refrained from raising interest rates and indicated it would keep monetary policy loose for at least another few months.

Drivers: I) ***The euro-zone economy as a whole is stuck in neutral, as the composite PMI fell to 52.6 from 52.9 in August, a 20-month low.*** That left the average reading for the third quarter below that of the second, although IHS Markit said it was consistent with an unchanged 0.3% rate of growth. ***Germany has been losing steam*** as the country's composite PMI fell to 52.7 from 53.3 to hit a 16-month low. ***Export dependent manufacturers continued to prosper, while service providers that depend more on the domestic market struggled.***

II) ***The euro-zone's annual rate of inflation remained at 0.2% in August, far below the ECB's target of just under 2%.*** With inflationary pressures also still relatively benign and business confidence at service providers falling to a 21-month low, the ***door remains open for policy makers to provide further policy support later in the year*** if they see economic conditions weaken further.

III) ***Performance of European Indexes for the week, month-to-date and year-to-date. The MSCI Europe Index rose +2.86% for the week (MTD +1.29% YTD +0.42%).***

ASIAN EQUITIES

Asian equity markets were mixed, as some markets were boosted by the Fed's and BOJ's decision to continue with their easy-money policies, while Japanese stocks weighed down by a strong yen. The Dow Jones Asia Pacific Index was up +3.47% for the week, (MTD +2.86), (YTD +7.56%).

Drivers: I) ***Japan's central bank announced Wednesday that it would keep its key interest rate steady at -0.1%. The Bank of Japan also said it would expand its monetary base until inflation becomes stable above 2%.*** The BOJ intends to abandon its monetary base target, but maintain an annual rate of government-bond buying at 80 trillion yen.

II) ***Japanese exports fell in August from a year earlier, marking the 11th straight month of decline***. Exports dropped 9.6% from a year earlier to 5.316 trillion yen ($52.3 billion) in August, according to data released Wednesday by the finance ministry. ***The latest fall extends the longest sequence of on-year declines in exports since the global financial crisis***. Economists had expected a drop in exports of 7.2%.

III) Performance of Asian Indexes for the week, month-to-date and year-to-date. ***The Nikkei was higher by +1.42% (MTD -0.79% YTD -11.98%), the Hang Seng Index rose by +1.50% (MTD +3.10% YTD +8.09%) and the Shanghai Composite advanced by +1.03% (MTD -1.67% YTD -14.28%).***

FIXED INCOME

Treasury yields saw their largest weekly fall in two months, as sub-par U.S. manufacturing data contributed to a government-bond rally. Yields on U.S. government bonds began their decline earlier in the week after the Federal Reserve left interest rates unchanged, increasing investor appetite.

Performance: I) ***The 10-year Treasury was lower last week ending at 1.618% down from 1.692%. The 30-year yield fell last week declining from 2.445% to 2.346%.***

II) ***Performance for the week, month-to-date and year-to-date. Barclays US Aggregate Bond was up +0.52% last week, MTD -0.12% and YTD +5.73%. The Barclays US MBS TR rose by +0.14% last week, MTD +0.23% and YTD +3.67%. The Barclay's US Corporate HY Index was higher by +0.90%, MTD +0.27% and YTD +14.84%.***

COMMODITIES

The DJ Commodity Index was higher last week by +1.17% rising from 257.09 to 260.12 and is up month to date +1.96% (YTD +7.61%) as oil was up on talks of a production freeze and metals rallied on delayed Fed action.

Performance: I) ***The price of oil was higher last week by +3.24% climbing from $43.19 to $44.59*** and is down month to date -0.25% (YTD +9.53%). Oil on Friday suffered from their worst one-day loss since mid-July, paring a weekly gain, after a Saudi Arabian delegate reportedly said oil producers are not likely to make a decision on production levels at a meeting next week.

II) ***The ICE USD Index***, a gauge of the U.S dollar's movement against six other major currencies, ***was negative falling -0.55% from 96.04 to 95.51 for the week (MTD -0.50% YTD -3.22%). The USD declined last week as the Federal Reserve delayed a rate hike till possibly December.*** For the week the Yen strengthened rising from ¥102.27 to ¥ 101.02 and the Euro rose from 1.1156 to 1.1227 against the USD.

III) ***Gold last Friday settled with a loss, but posted the strongest weekly advance in about two months as the precious metal was supported by the Federal Reserve's decision to hold off on hiking interest rates in September***. For the week gold was higher by +2.12% advancing from $1313.2 to $1341.10 (MTD +2.26% YTD 26.34%).

HEDGE FUNDS

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

<u>Performance</u>:

I) The HFRX Global Hedge Fund Index is higher at +0.36% MTD and +1.13% YTD.

II) ***Equity Hedge has risen +1.22% MTD and has fallen -0.99% YTD.***

III) ***Event Driven is up MTD +0.38% and is up YTD +7.52%.***

IV) ***Distressed Debt is higher at +0.39% MTD and is positive YTD +13.75%***

V) ***Macro/CTA has fallen by -0.45% MTD and is down -1.46% YTD.***

VI) ***Relative Value Arbitrage is negative at -0.03% and is down -0.77% YTD.***

ECONOMIC DATA WATCH AND MARKET OUTLOOK

As we head into next week, Investors will be keeping a close eye on the first of the presidential debates between Democrat nominee Hillary Clinton and GOP nominee Donald Trump ***for signs of a momentum shift in the heated race.*** The outcome from the head-to-head matchup carries the ***potential to deliver a round of volatility*** to U.S. equity markets coming off closely watched policy decisions by central bankers.

The first presidential debate between Clinton and Trump takes place Monday night at Hofstra University. ***The market's may react to a change in momentum, as Hillary Clinton now leads in the polls*** and a shift in voter sentiment may cause a bout of volatility. ***The market*** despite some recent concerns over the direction of oil prices, ***is still in a complacent mode as the VIX remains at low double digit levels***. The ***performance of one candidate or the other could also have ramifications on certain sectors of the market***, as Clinton is perceived as being negative for the healthcare while Trump is not.

On the economic data front, representatives of OPEC and non-OPEC members are due to hold informal talks in Algeria on Wednesday, September 28th. There will be a strong focus on the stance of Saudi Arabia and Iran given their strong rivalry both in terms of oil production and regional geo-politics. The stance of Iraq will also be very important for any deal to be reached, especially as it wants to increase production. ***Iran and Saudi Arabia have both been pushing output higher, which may make them more amenable to a deal that freezes output around current levels.***

The latest US durable goods orders data will be released on Wednesday September 28th at 08:30 EST. The US data releases will, however, still need to be ***watched very closely given the overall importance for underlying confidence in the outlook.*** The Fed remains concerned over weak investment levels, although an important element has been weakness in the oil sector, which is now stabilizing.

ECB President Draghi will testify to the European Parliament on Monday September 26th at 10:00 EST. ***There has been*** some tentative evidence that deflationary pressures have started to ease with a ***small increase in output prices in the latest Eurozone PMI data***. ***The increase, however, falls well short of the gains needed to trigger a sustained increase in inflation and the ECB will be under pressure to deliver more stimulus.***