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U.S ECONOMY: A Strong End to 2017

"Tax Cuts & Jobs Act"

The first major change in U.S. tax law in three decades was passed in December. Tax rates for all individual tax brackets are lower and some brackets widened. Deductions for state and local taxes and mortgage interest are limited for some individuals, the standard deduction is nearly doubled, and tax credits for dependents expanded. Key changes for businesses are the cut in marginal corporate tax rates from 35% to 21%, repeal of the corporate alternative minimum tax, five-year 100% expensing of investments, and a combined tax reduction for qualifying S corporations and limited-liability companies. This should hopefully lead to expanded growth in 2018.

Last Hike With Yellen

The Fed hiked interest rates for the last time with Janet Yellen as Chair. The Fed continued to signal that evidence of inflation and improvements in the labor markets reinforced its view for continued normalization of monetary policy. The Fed will likely raise the fed funds rate again in March despite some continued concerns about the outlook for inflation and the flattening of the yield curve. Growth is expected to remain above its long-term rate in 2018, due in part to the tax bill increasing consumer spending and capital investment.

Over 2 Million New Jobs in 2017

The U.S. economy created 148,000 net new jobs in December. Along with previous revisions, the average gain over the past three months was 203,700 jobs, which marks the highest three-month average posted since September 2016. The U.S. added 2.055 million jobs in 2017 and the unemployment rate held steady to end the year at 4.1%

Manufacturing Finishes Strong

The ISM manufacturing index for December remained in solid expansion territory, coming in at 59.7 to extend a five-month streak above 58. The last time the index posted such a run was in 2004, and then 1987 prior to that. Activity rose across most sub-categories, particularly new orders, which rose to a 13 year high.

Global Monetary Policy to Synchronize?

After a period in which the Fed was somewhat by itself in terms of tightening monetary policy, there now seems to be a bit more support from other major central banks. The Bank of England (BoE) held rates, but expects further modest increases, while the European Central Bank (ECB) is also guiding monetary policy in a somewhat less expansionary direction.

Euro-zoned In

The Eurozone composite Purchasing Managers Index (PMI), a private sector activity survey and leading economic indicator, rose to an 82-month high and beat expectations in December. The economic uptick continued to be broad-based. The Eurozone Manufacturing PMI also rose to a record in December, while the services sector also remains robust. Consumer confidence in the region remains high, reflecting the positive economic backdrop.

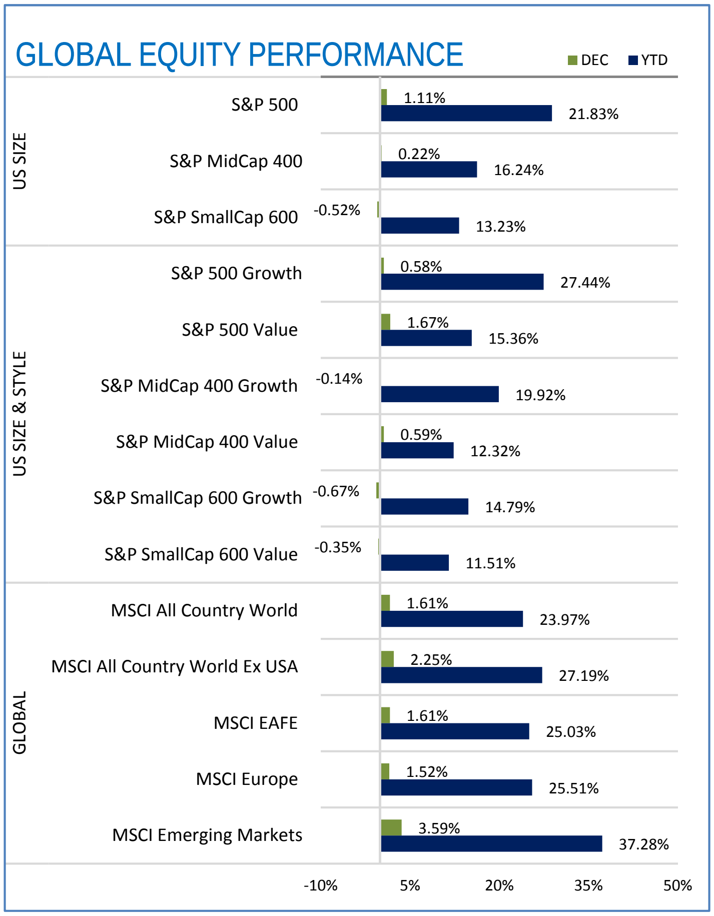
Land of the Rising Sun & Business Confidence

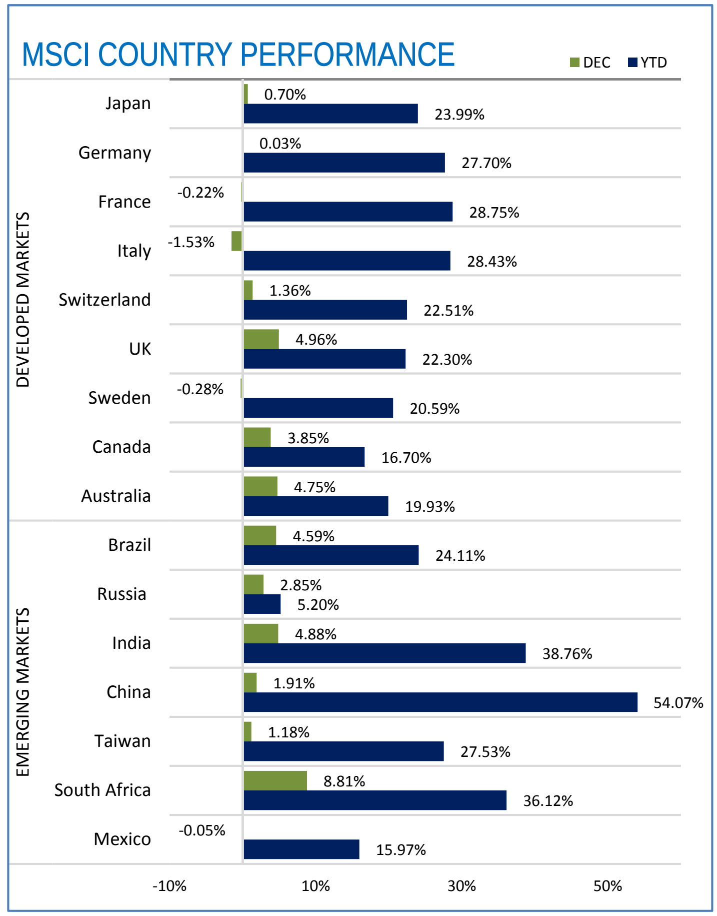
The Bank of Japan (BoJ)Tankan Survey for December showed the large manufacturers' business confidence index achieved its highest level since December 2006, adding further evidence that the economy is gathering some momentum from exports and solid corporate profits.

Chinese Manufacturing Recovers

Growth in China's manufacturing sector unexpectedly picked up to a four-month high in December as factories cranked up production to meet a surge in new orders. The Caixin/Markit Manufacturing Purchasing Manager's Index (PMI) rose to 51.5 in December, from 50.8 in November, and far outpacing economists' expectations for a slight dip to 50.6. Analysts have expected some softening in China's manufacturing activity due to a crackdown on air pollution, a cooling property market and higher borrowing costs. However, the data showed output grew at the fastest pace in three months, bolstered by improving demand.

GLOBAL EQUITIES: Strong Close For Global Equities





S&P 500 Finishes Strong

The U.S. equity market posted fresh all-time highs in December boosted by President Trump's end-of-year tax-cutting package and promised infrastructure spending. The S&P 500 gained 1.11% in December and was up 21.83% in 2017. It was a remarkable year which saw nine of the eleven sectors post gains, 377 issues end in the black & 125 in the red, and 62 new closing highs. All of this equaled investors gaining $3.55 trillion in wealth along with another $420 billion in cash dividends.

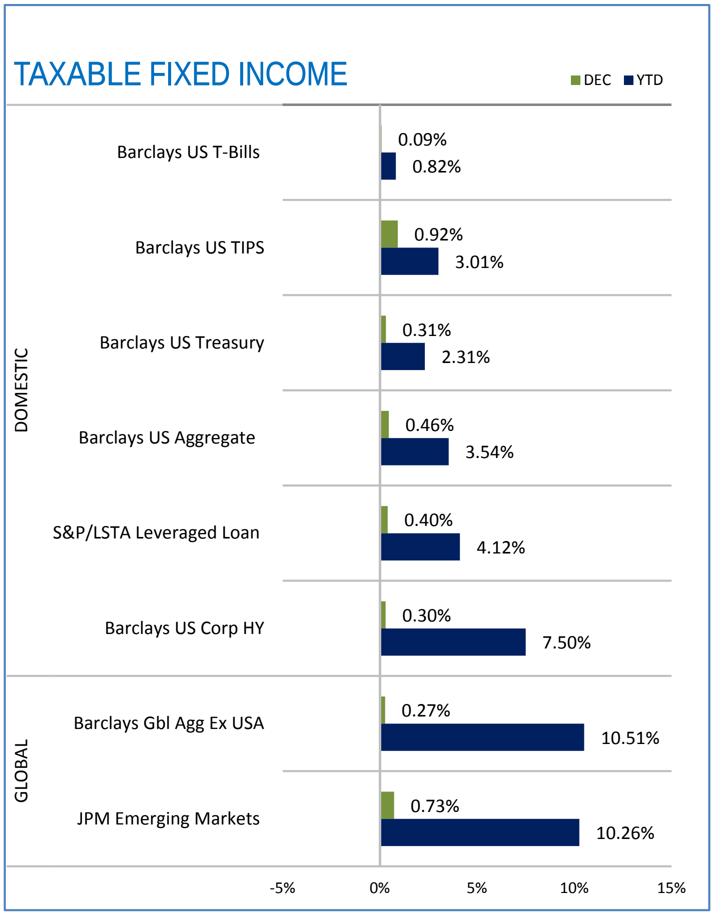
BREXIT Negotiations Boost UK

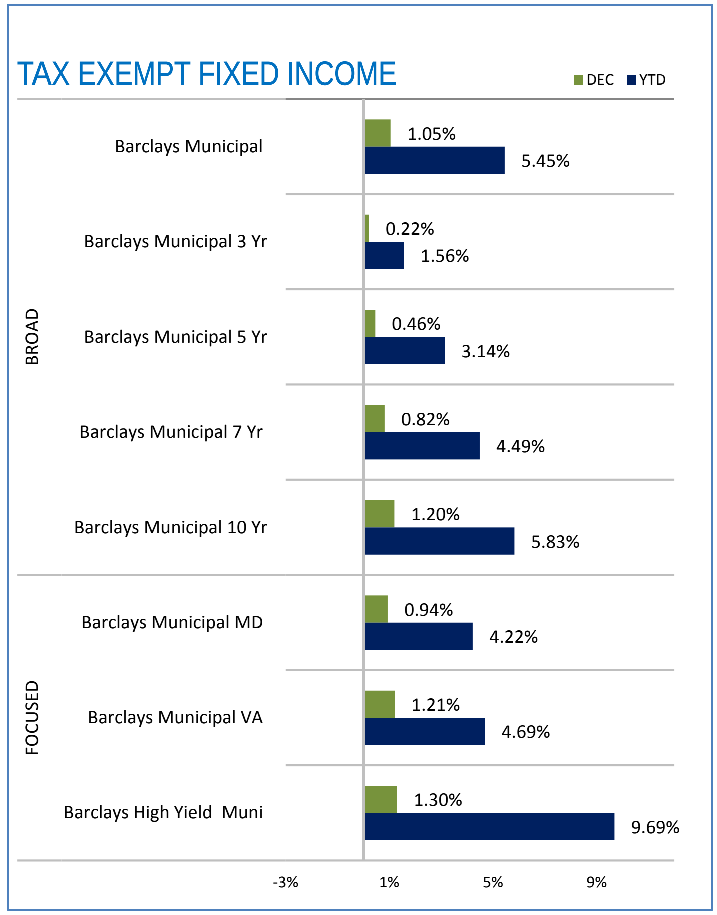
European equity markets were primarily flat in December, with the exception of the UK which gained 4.96%. There were some promising signs of progress in Brexit negotiations which was well received by the market. Early in the month, Theresa May travelled to Brussels to finalize terms, and after several days a deal on the key issues was finally agreed upon. The European Council concluded that there was enough progress to more negotiations into the second phase.

Asia Leads EM

Emerging market equities registered positive gains in December with the MSCI Emerging markets gaining 3.59% for the month and 37.28% for the year. 2017 was the best year for emerging markets versus developed markets since 2009. Asia was the best performer from a regional perspective, driven by China, Korea and India. However, the overall country winner in 2017 was Poland, which benefited from a strengthening recovery in the Eurozone. The bottom three markets were Qatar, UAE and Russia.

FIXED INCOME: Flattening & Taxes





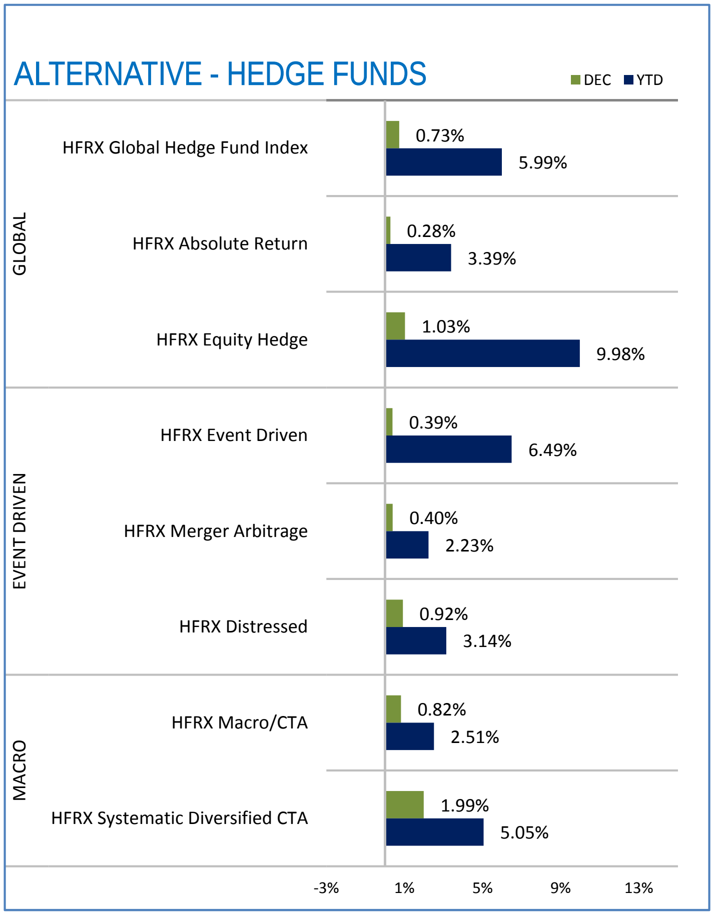
STABLE & FLATTENING BOND MARKET

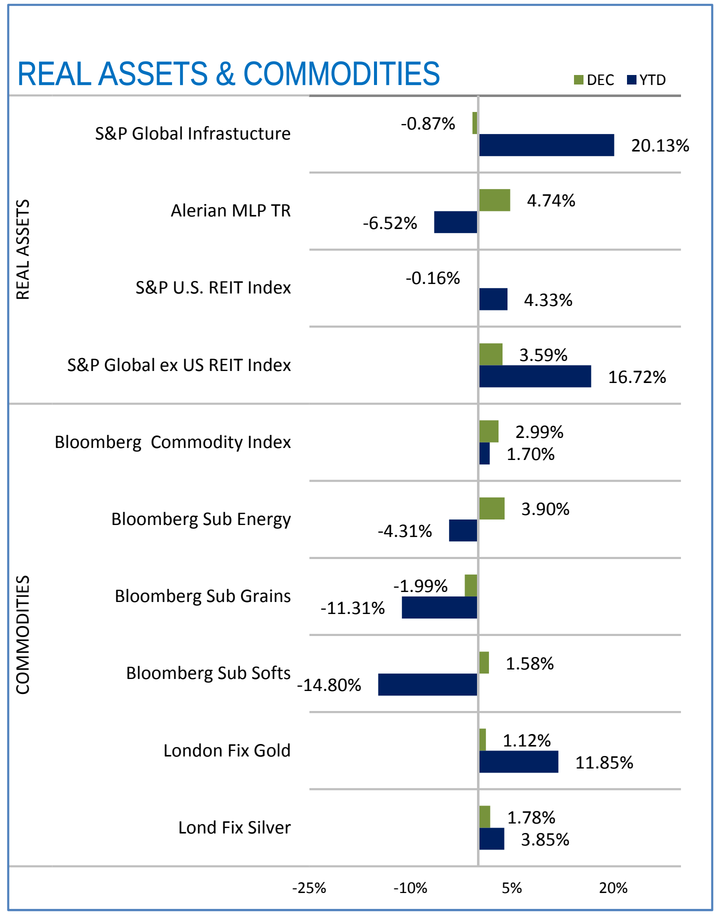
2017 marked a relatively stable bond market where the 10-year Treasury traded within a 60 basis points (bps) range for the year. This is the tightest trading band since 2000, and the 10-year yield ended the year nearly where it began. Nonetheless, the yield curve flattened in 2017. Short rates rose, driven by the gradual normalization of monetary policy, while long-term rates fell due to supply/demand factors. The yield difference between the 2-year and 30-year Treasury narrowed by 87 bps, a significant change when compared to just 9 bps of flattening that occurred between these two yields in 2016.

IMPACT OF TAX LEGISLATION ON MUNICIPAL MARKET

The new "Tax Cuts and Jobs Act" will impact both the demand for and supply of municipal debt going forward. In the near term, the effect of the tax changes is positive for investors. Demand from individuals for tax-free bonds is expected to remain strong as the top marginal income tax rate fell only modestly to 37% from 39.6%. Demand from investors in higher tax states should increase since the value of the exemption rises now that deductibility of state and local taxes is capped. Offsetting this will be less demand from corporate investors with the new corporate rate at 21%, down from 35%. According to the most recent Federal Reserve data, corporations held 30% of all outstanding municipal debt. At the same time, new issuance is expected to fall since the new law prohibits municipalities from advance refunding their debt in the tax-exempt market.

ALTERNATIVES: Strong Year For Hedge Funds





Hedge Funds Post Best Results In Years

Hedge funds posted gains for December with the HFRX Global Hedge Fund Index posting a gain of 0.73%, ending the year with a gain of 6.0%, its best yearly performance since 2013. The HFRX Equity Hedge Index posted a gain of 1.03% for December and 10.0% in 2017, its best yearly performance since 2013, with gains from fundamental strategies. The HFRX Macro/CTA Index posted a gain of 0.82% for December and 2.5% for the year, its best yearly performance in the past 3 years, from gains in systematic trend-following and Emerging Markets managers. The HFRX Macro Systematic Index gained 1.99% for the month and also registered its best yearly performance since 2010.

Tax Reform Boosts MLPs

Master Limited Partnerships got a strong bid up in December, gaining 4.74%, with the passing of the Tax Cuts and Jobs Act. According to global law firm Baker Botts, MLPs will retain a lower effective tax rate over C Corporation for most investors. They estimate the effective tax rate on income from a C Corporation distributed to its shareholders at 36.8%, while income from an MLP being taxed at an effective rate of 29.6%.