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ECONOMY: US Economic Data Improves in May

1ST QUARTER GDP

The second estimate of Q1 GDP showed growth expanded at a slightly faster pace than initially estimated . The estimate was revised higher to 0.8% versus the previous estimate of 0.5% due to a lesser than estimated drawdown in inventories, improved net exports and stronger residential investment.

STRENGTH IN HOUSING

Housing data was strong as new and existing home sales, starts and permits all rose. However, home price growth slowed to the weakest pace since October 2015.

CONSUMER CONFIDENCE DECLINES

The Conference Board ***Consumer Confidence Index***®, which had decreased in April, declined further in May. *"Consumer confidence declined slightly in May, primarily due to consumers rating current conditions less favorably than in April. Expectations declined further, as consumers remain cautious about the outlook for business and labor market conditions. Thus, they continue to expect little change in economic activity in the months ahead."*

ISM DATA POSITIVE

According to the Institute For Supply Management (ISM) economic activity in the manufacturing sector expanded in May for the third consecutive month, while the non-manufacturing sector (services) grew in May for the 76th consecutive month. The overall economy grew for the 84th consecutive month..

THE ELECTION: TRUMP VS CLINTON?

Donald Trump has reached the number of delegates needed to clinch the GOP presidential nomination, securing his status as the presumptive Republican nominee and avoiding a contested convention. Hillary Clinton secured a majority of delegates to the Democratic National Convention in early June — making the former secretary of state the presumptive nominee of the Democratic Party. Rival Bernie Sanders has vowed to continue his campaign.

INCOME GROWTH TO SUPPORT CONSUMER SPENDING

First-quarter disposable income growth was upwardly revised to 4% versus 2.9% initially, with wages and salaries rising at a 4.7% annualized pace. Fourth-quarter wage and salary income growth was also upwardly revised to a 6.2% pace.

THE "LOW GROWTH TRAP"

The Organization for Economic Cooperation and Development (OECD) released its semi-annual forecast this week and said the global economy is stuck in a "low-growth trap." The OECD said that monetary policy has become overtaxed, and it implored governments to turn to fiscal and structural policies in an effort to jumpstart economic growth. The OECD projects that global GDP will grow only 3.3% in 2017 which would represent the 6th consecutive year below the long-run average of 3.5%.

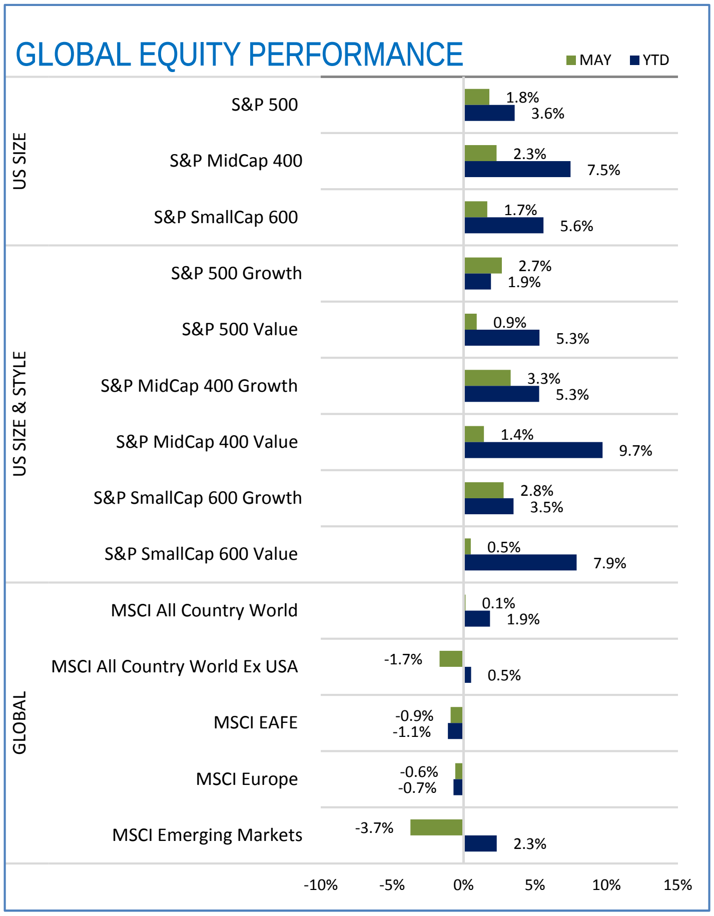
IEA CUTS OVERSUPPLY ESTIMATE

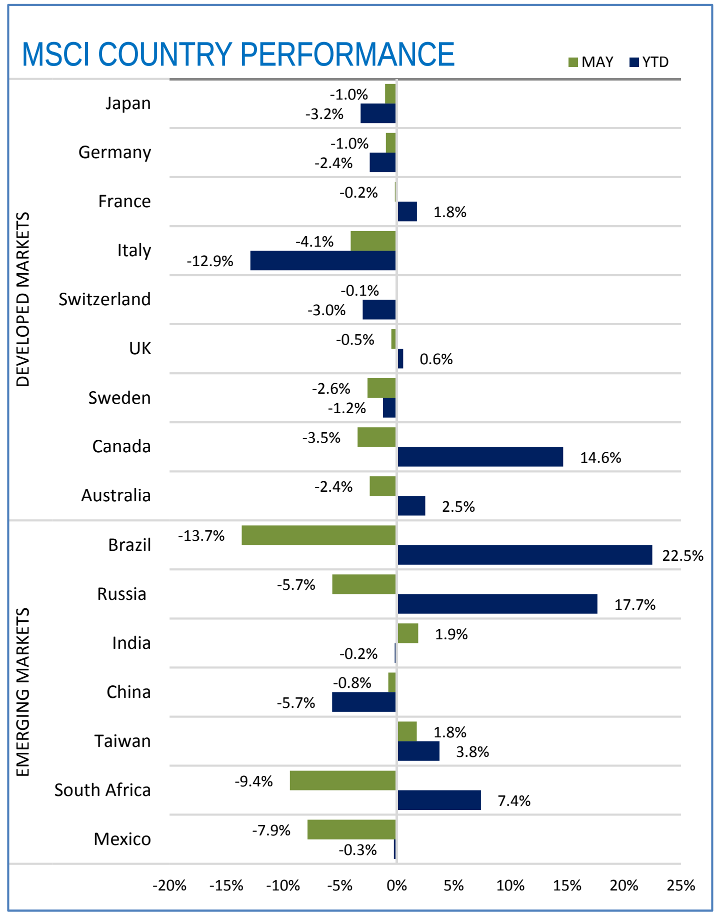
The International Energy Agency believes global oil markets are moving closer to balance as the year progresses due to increased demand and less supply disruptions. However, the large inventory overhang may still cap further increases in oil prices

THE COMING "BREXIT" VOTE

On June 23rd, the U.K. will hold a vote to either continue on as a member of the European Union (EU), or break those economic and political ties. The issues with a "Brexit" would all depend on what gets negotiated as terms of the exit, particularly with regard to access to the single European market. The more optimistic proponents of Brexit claim that the U.K. could negotiate very free access, similar to that granted to Norway and Switzerland. However, attitudes toward a country that recently rejected EU membership may be more hostile in reality. The EU is by far the dominant trading partner of the U.K. and some estimates suggest the U.K. could lose 2% to 5% of GDP in the year or two after a Brexit vote. The "Leave" campaign appears to be gaining ground relative to those that wish to "Remain" in recent polls.

GLOBAL EQUITIES: Markets Respond to Local Data





Modest Gains For U.S. Stocks

U.S. stocks generated modest gains in May, as the S&P 500 closed up 1.8% for the month. Mid and small cap stocks also posted gains of 2.3% and 1.7% respectively. Value stocks continue to have a significant performance edge relative to growth stocks year to date.

"Brexit" Concerns Push Europe Lower

European stocks, measured by the MSCI Europe Index, fell 0.6% in May. Lingering debt concerns amongst financial institutions pushed markets down in Italy and Spain. More pressing, however, was investors weighing the outcome of a British exit from the European Union. A referendum vote is scheduled for June 23rd.

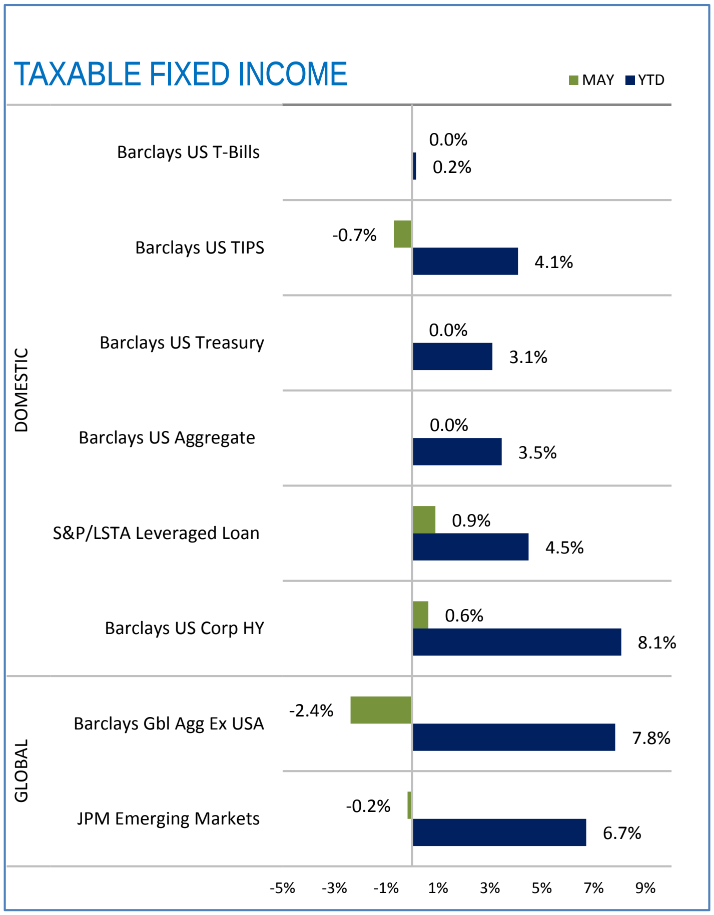
Emerging Markets Respond to the FED

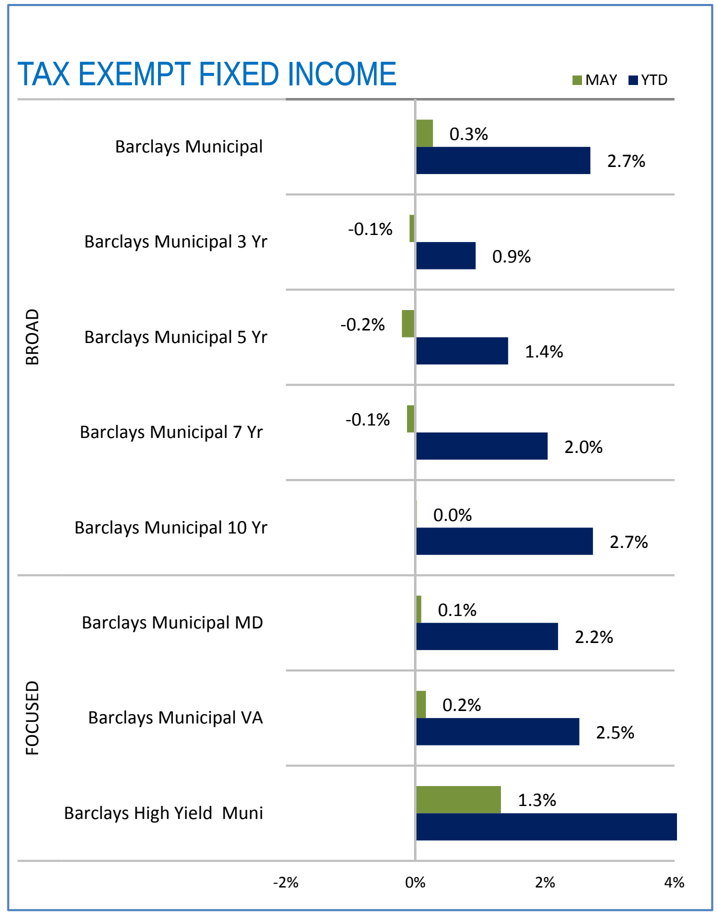
Emerging markets stocks fell 3.7% in May as minutes from the Federal Reserve's latest policy meeting revived the possibility of an interest rate increase this summer. The MSCI Emerging Markets Index fell to a two-month low on May 19.

Continued Issues For Brazil

Brazilian stocks sank nearly 14% as corruption probes continued to ensnare members of Brazil's political and business establishment. The widening probes raised questions about the new government's credibility and whether it can resolve the country's fiscal and economic crises.

FIXED INCOME: Riskier Assets Rally





Yield Curve Flattening

The hawkish sentiment from the Federal Reserve caused yields on shorter-term U.S. Treasuries to increase. Fed policy has much greater influence over short term rates. Longer-term Treasury yields were little changed, causing the yield curve to flatten. The difference between the 2 year and 10 year Treasury yield currently stands at 0.94%. This is down significantly from 1.75% in June 2015.

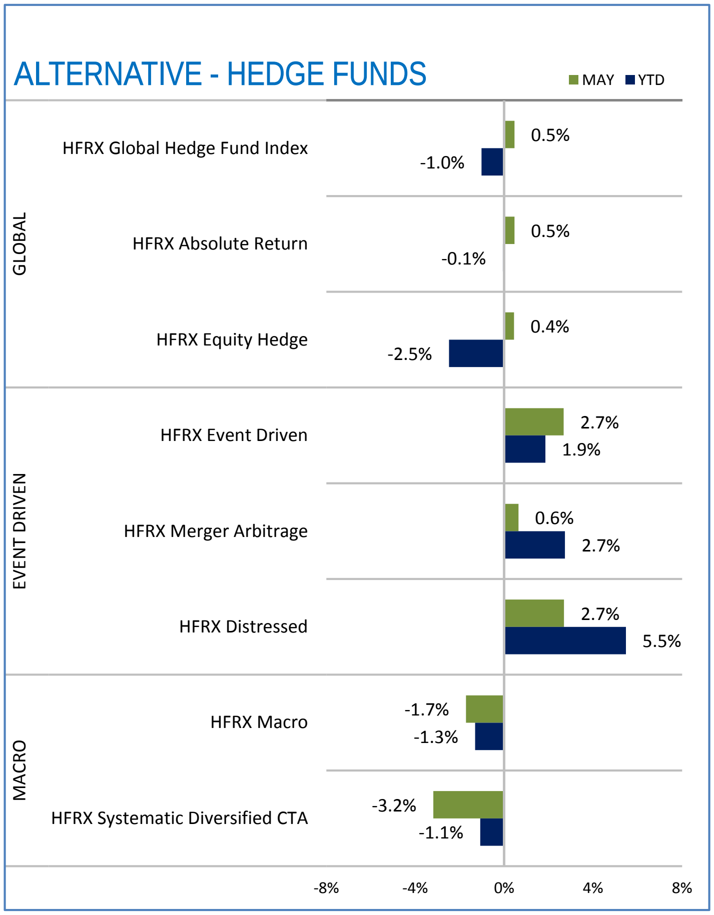
U.S. Rates High In Relative Terms

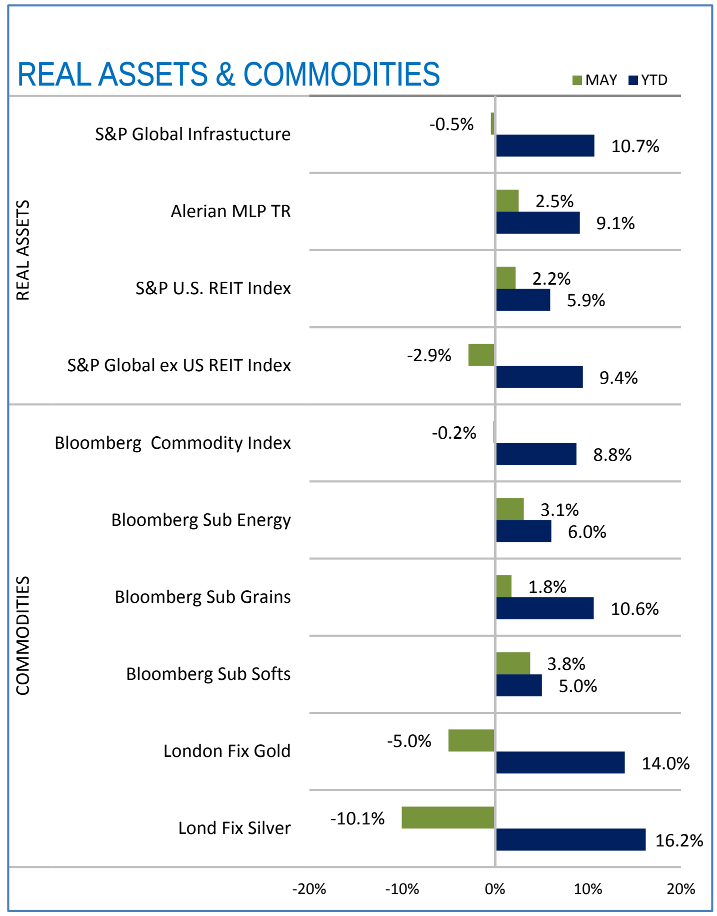
Foreign demand for U.S. dollar denominated fixed income assets, such as U.S. Treasury debt, agency and private corporate debt has been strong. U.S. yields retain an advantage relative to foreign fixed income assets for the major markets, such as Japan, France, Germany and Canada. JP Morgan estimates the value of global government bonds with negative yields at $8.3 trillion.

Rally In High Yield Slows

High yield bonds produced modest returns, although the pace of their gains slowed from earlier in the year. The Barclays U.S. High Yield Corporate index was up 0.6% in May and 8.1% YTD. High yield bonds continue to benefit from the ongoing rebound in oil prices and strength in energy sector issuers.

ALTERNATIVES: Good Time To Be Distressed





Returns Dependent On The Strategy

Hedge funds were mostly flat in May, as the HRFX Global Hedge Fund Index returned only 0.5%. The HFRX Event Driven Index returned 2.7% due to outperformance in the distressed and special situations categories. Global Macro strategies fell 1.7% and Commodity Trading Advisors (CTAs) fell 3.2%..

No Luster In May

After a great start to the year, gold fell 5% in May. This represents the first monthly decline for the precious metal this year. There are increased expectations that the Federal Reserve is ready to increase rates again. Additionally, improving U.S. growth prospects added to the negative outlook for gold, seen generally as a hedge against inflation and economic concerns.