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Monthly Market Commentary
September 2017

ECONOMY: Taxes, Tightening & Positive Economic Data

The Proposed Tax Reform
Republican officials released their proposal to reform the tax code. Highlights of the plan included a doubling of the standard deduction, a consolidation to three brackets of 12%, 25% and 35%, and the removal of most deductions except mortgage interest and charitable contributions. On the business side, the proposal lowers the top corporate rate to 20%, and creates a 25% rate for pass-through businesses.

Quantitative Tightening?
The Federal Reserve left rates unchanged in September, as was widely expected. However, the Fed announced that it will begin to wind down its balance sheet beginning in October. The plan is to only reinvest principal payments above a cap, which will start at $10 billion per month and increase every three months until the cap is $50 billion. The plan is contingent upon continued positive economic data.

Hurricanes Hit Employment
Employment contracted for the first time in seven years last month as Hurricanes Harvey and Irma disrupted hiring. Nonfarm payrolls contracted by 33,000 jobs in September, led by a 111,000 decline in the leisure and hospitality sector.

Homeownership Continues To Fall
Homeownership rates continued to drop across broad demographic groups from 2013 to 2016, according to the Federal Reserves "Survey of Consumer Finances." The report, produced every 3 years, showed that the percent of families owning a primary residence fell 1.5% to 63.7%, marking continuous declines since the 2007 survey.

Business Momentum Continues
The ISM manufacturing and nonmanufacturing indexes hit multi-year highs in September. The ISM manufacturing index continued its positive momentum into September. At 60.8, the index rose to its highest level since 2004. The ISM non-manufacturing index also hit a new high in September, supported by rising current activity, new orders and employment.

Germans Re-Elect Merkel
Voters in Germany re-elected Chancellor Angela Merkel for her fourth term in September. This was not much of a surprise considering the German economy has been expanding steadily for the past 4 years, and the unemployment rate has dropped to its lowest level in the post-reunification period.

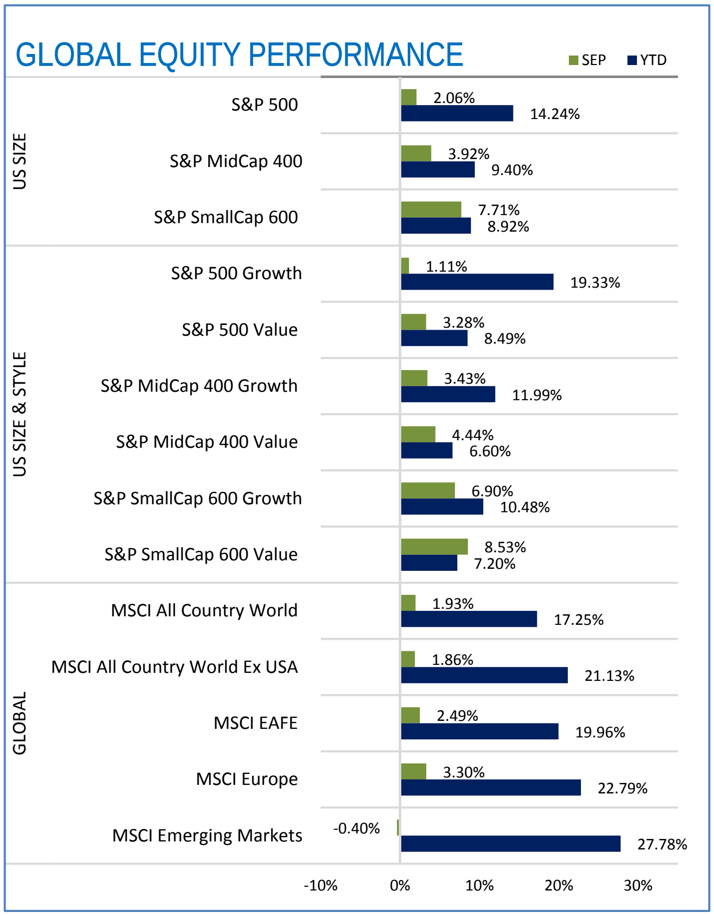
Strengthening the EMU
The election in May of Emmanuel Macron as the president of France gave new hope to proponents of European Monetary Union (EMU) reform. Macron has proposed that centralized fiscal authorities should have a larger budget that can be used to stabilize economic growth when shocks hit the Eurozone, and he also has called for a deeper banking union among the 19 economies of the euro area.

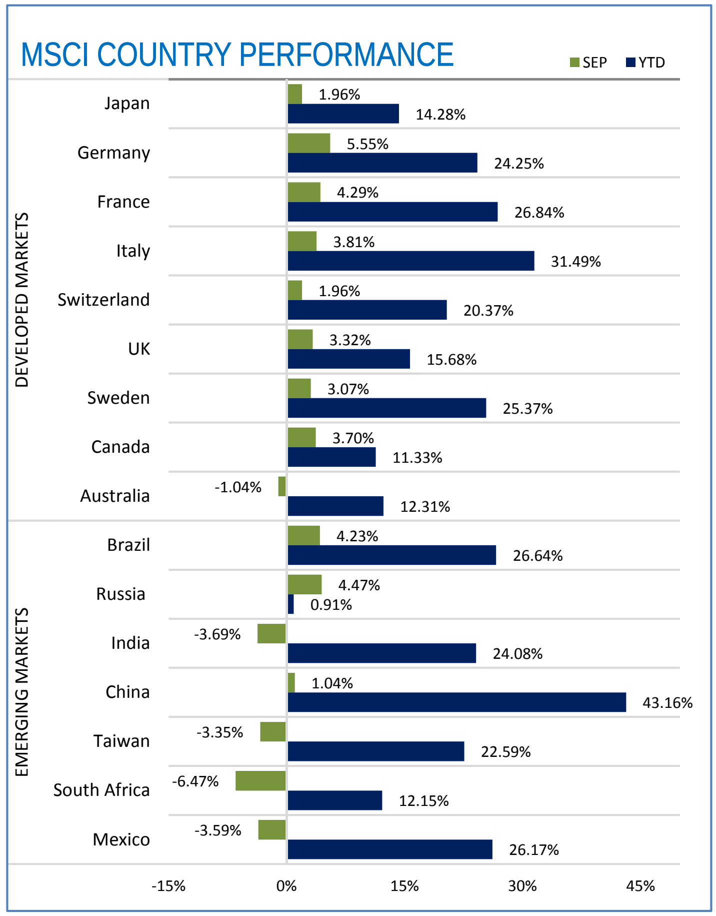
Europe To Start Tightening?
While no changes were made in September, the focus is now on the upcoming European Central Bank (ECB) meeting in October. Many expect the ECB to outline its policy outlook and make a formal announcement about the future of its asset purchases. Conversely, the Bank of England (BOE) made clear its intention to raise rates in November.

European Data Positive Again
The European economy continues to surprise to the upside. Eurozone manufacturing sector activity continued to improve in September to its highest levels in over 6 years. The latest European Commission survey on economic sentiment stood at levels comparable to the peak in 2007, and Eurozone GDP is now forecast to rise 2.1% in 2017, up from 1.4% market consensus at the start of the year.

Japan Stays Loose
As the Federal Reserve, ECB and BOE have or are expected to begin tightening, the Bank of Japan (BOJ) elected to keep its stimulus programs unchanged. Economic growth in Japan has been relatively strong in recent quarters, as it has expanded for six consecutive quarters – its longest streak in more than a decade.

GLOBAL EQUITIES: Emerging Equities Underperform





Momentum Continues

The U.S. equity market ended September in positive territory as the S&P 500 gained 2.06% – its sixth straight monthly rise and longest winning streak since May 2013. The market gains were propelled by the Republicans, unveiling a sweeping tax reform proposal aimed at lowering the corporate tax rate from 35% to 20%. Since the Nov. 8, 2016, election, the S&P 500 was up 19.93% and has set 47 new closing highs.

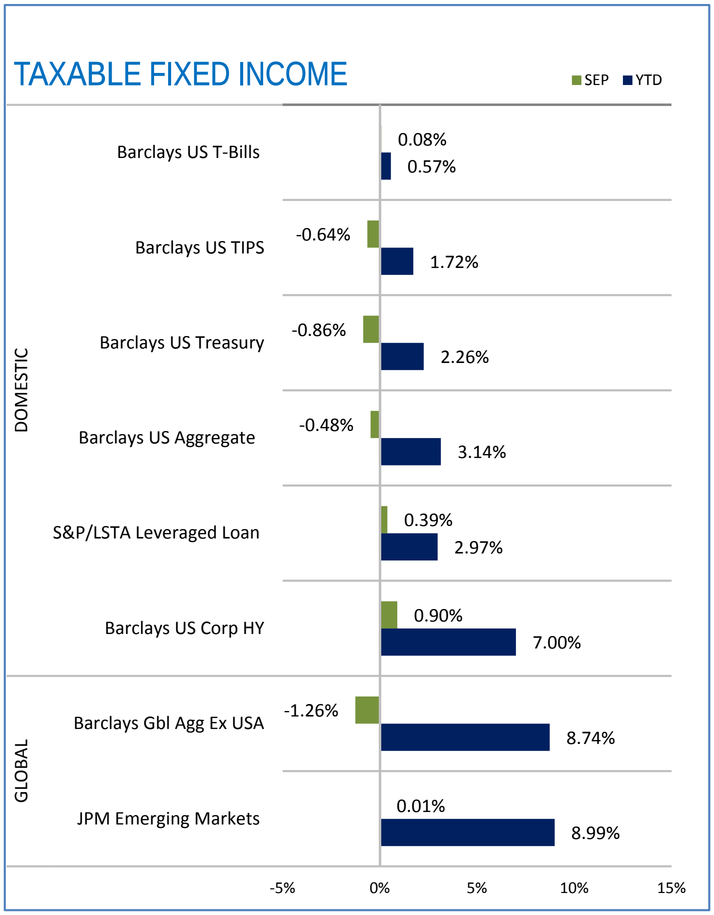
Strong Gains Across Europe

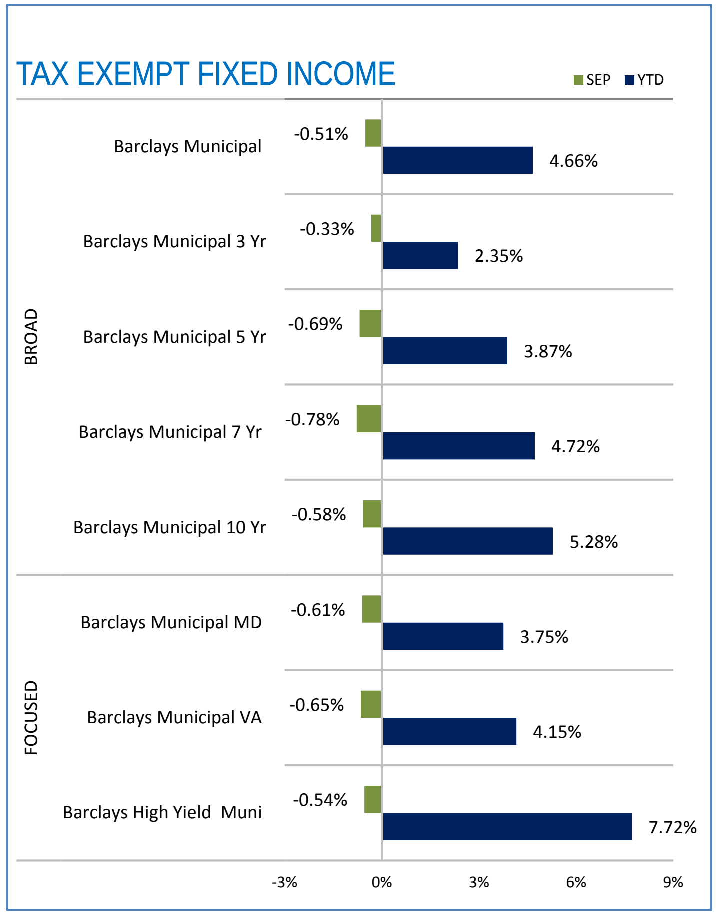
European stocks gained in September on the back of continued economic momentum. The MSCI Europe Index gained 3.3%, as Germany, France and Italy all gained more than 3% for the month. Many observers expect the European Central Bank to provide greater insight into future policy initiatives at its meeting in late October.

Emerging Underperform Developed

For the first month this year emerging markets underperformed developed markets. While the MSCI Emerging Markets Index fell 0.40% in September, it still holds a considerable lead, up 27.78% YTD. The primary drag on performance September came from the EMEA (Europe, Middle East and Africa) region Greece led the way with a 14.01% decline, followed by Turkey which was down 9.55%. Russia, which has struggled YTD, rallied 4.47% on the back of stronger oil prices.

FIXED INCOME: Time to Wind Down





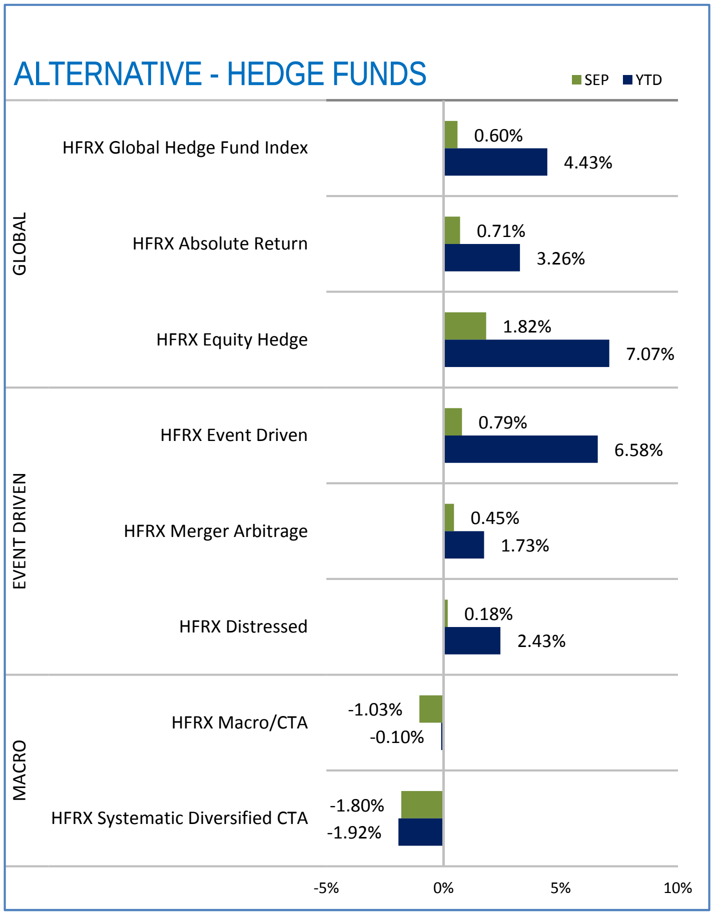
Fed To Wind Down

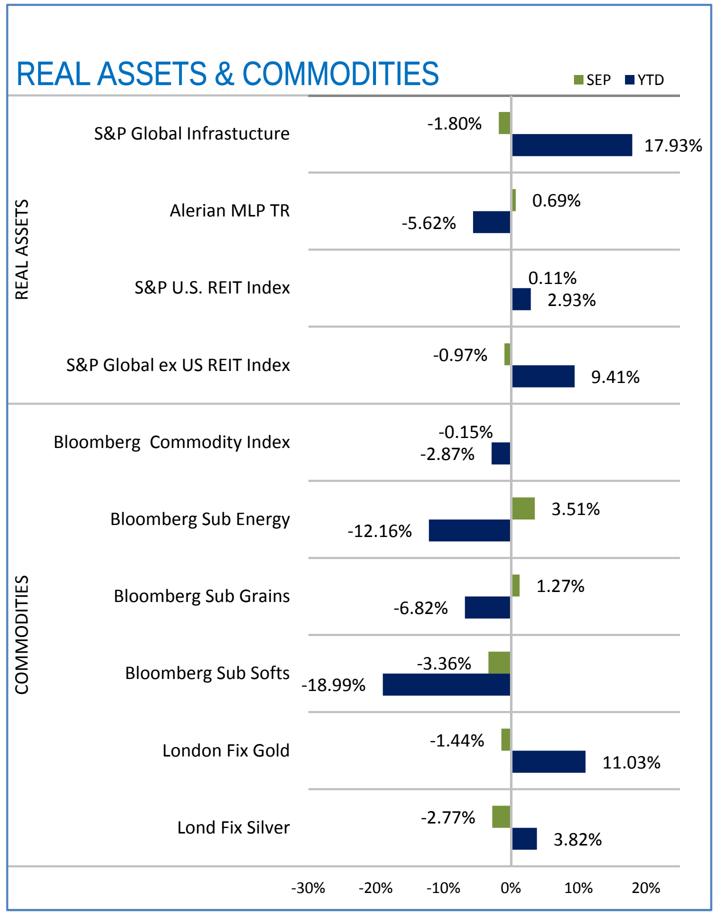
Interest rates moved higher in September as the Fed said it would be being winding down its balance sheet. While the Fed held policy rates steady, they will begin liquidating $10 billion a month of the $4.5 trillion portfolio of Treasury and mortgage backed securities. They then plan to increase this amount every three months until they reach $50 billion. The 10-year U.S. Treasury Bond closed at 2.34%, up from last month's 2.12% and down from year-end 2016's 2.45%.

The State of Cities

The National League of Cities (NLC) released its annual Update on City Fiscal Conditions for 2017 during the middle of September. The report noted that despite optimism by the majority of financial officers, revenues are beginning to slow and city general funds have still not fully recovered from the Great Recession. On average, general funds stand at 98% of 2006 levels while issues such as infrastructure spending, pension funding, health care, and other social issues continue to need funding. For the month, as yields generally rose, municipal bonds sold off across the curve. The Barclays Municipal Bond Index fell 0.51% in September.

ALTERNATIVES: Currencies & Commodities Sink Macro Funds





Hedge Funds Follow Market Gains

The HFRX Global Hedge Fund Index gaining 0.60% in September as global financial markets rose. Global macro strategies continued to struggle due to the British Pound Sterling gaining versus the U.S. Dollar and the relative strength in the energy markets. Equity hedge strategies gained as developed equity markets generally rose, while event driven strategies benefited from favorable merger arbitrage and special situations investments.

REITs On Hold

REITs moved lower in September as broad concerns about the economy, the direction of interest rates and the length of the current real estate cycle affected the sector. The S&P U.S. REIT Index rose 0.11% versus a 2.06% gain for the S&P 500. From a sector standpoint, self-storage REITs gained 5.58%, while residential REITs fell 2.56%.