

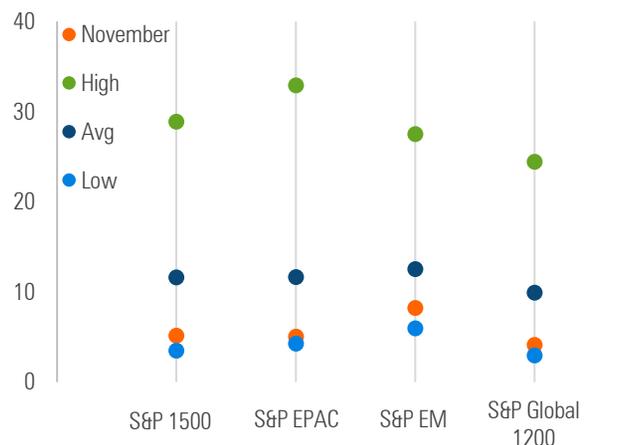
GLOBAL EQUITIES EXTEND THEIR POSITIVE STREAK TO 13 CONSECUTIVE MONTHS

- The end of 2017 will cap off the third decade of performance for the MSCI ACWI Index. Never before has it entered December with a chance to notch a full calendar year of positive monthly returns. This year it heads into December with plenty of momentum, up 23% year-to-date and with a record 13 consecutive months of positive returns.
- In addition to its potential to set a record for monthly returns, the MSCI ACWI Index is on pace to record its lowest average monthly volatility for a full calendar year.
- Volatility increased across all three global equity market segments in November, but remained in a historically low range and below their five-year averages.
- In the U.S., mid-cap stocks led the way with a return of 3.7%, while Telecom returned 5.8%, leading all sectors.
- Although higher than they were a year ago, low bond yields continue to detract from bonds' value as a meaningful source of strategic return, while their ongoing low correlation to equities help them maintain their usefulness as a tactical diversifier.

Global Equity Markets: 2017 YTD % Δ



30-Day Volatility: 5-Year Historical Range



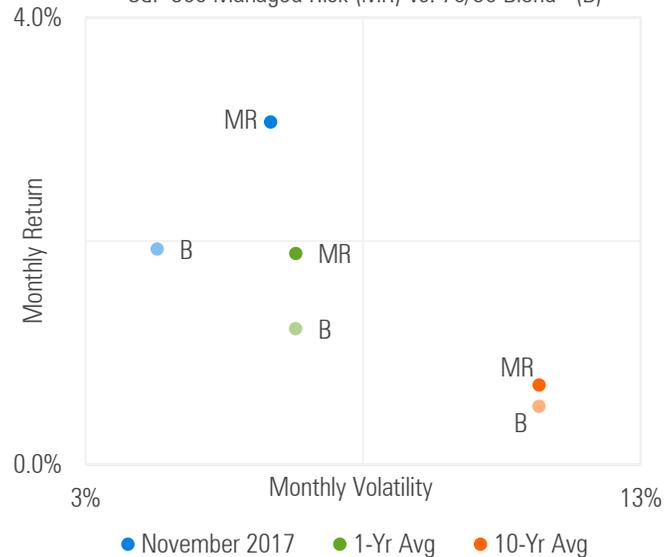
Rolling 3-Month Correlation to S&P 1500



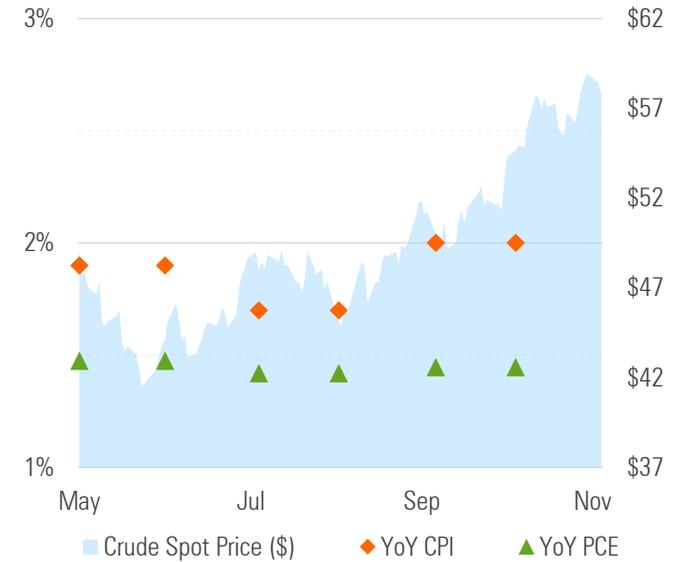
- Low equity-market volatility meant that the **S&P 500 Managed Risk Index**, which has an 18% vol target and no fixed allocation to bonds, maintained its 100% equity allocation for the sixteenth consecutive month. It matched the return and volatility of the S&P 500 while outperforming a 70/30 stock/bond* blend by 114 bps during the month.
- Over the last 10 years, the Managed Risk Index has exhibited a slightly lower average monthly volatility than a 70/30 blend, while generating an average of 19 bps of excess monthly return.
- After rising for two consecutive months, the U.S. dollar fell in November, boosting returns for U.S. investors in international equities.
- The spot price of crude oil climbed more than 5% in November, reaching its highest level since the middle of 2015 as OPEC reduced production to its lowest level since May.
- The latest inflation readings showed no signs of increase. Both CPI and PCE came in at the same levels as the prior month, while the five-year breakeven inflation rate finished the month lower.

*As measured by the S&P 500 Index and the S&P US Aggregate Bond Index.

S&P 500 Managed Risk (MR) vs. 70/30 Blend* (B)



Oil & Inflation: Trailing 6 Months



Total Returns as of November 30, 2017

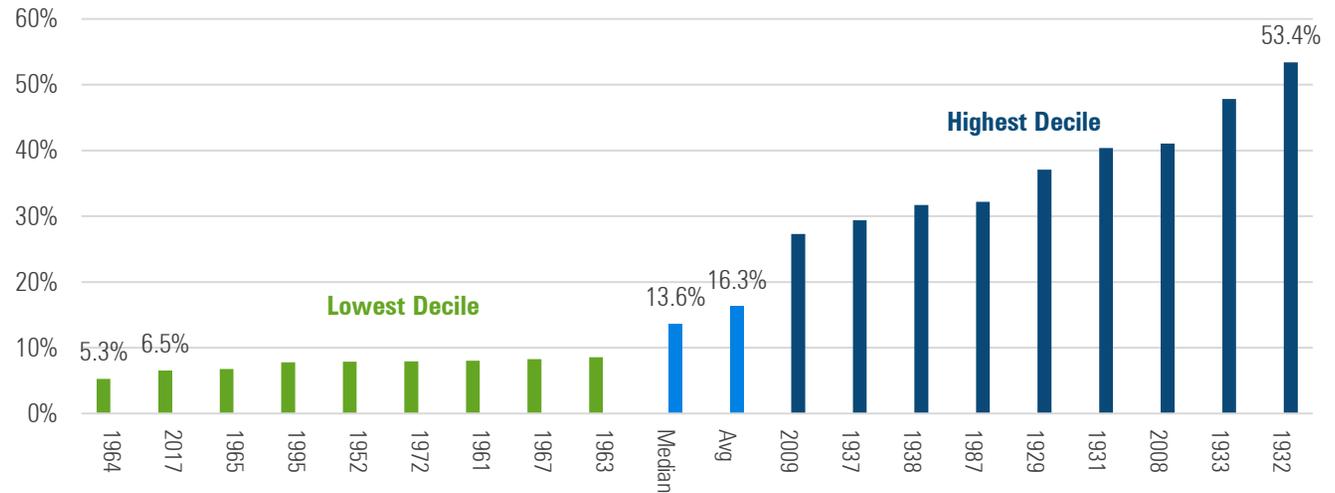
	S&P 500	S&P 500 MR	S&P 400	S&P 600	S&P EPAC	S&P EM	S&P Global 1200	S&P US AGG	Crude Oil	US Dollar
1 Month	3.1%	3.1%	3.7%	3.5%	1.1%	0.4%	2.0%	-0.1%	5.3%	-1.5%
3 Months	7.6%	7.6%	10.2%	12.6%	5.4%	3.4%	6.4%	-0.4%	26.0%	0.9%
6 Months	10.9%	10.9%	11.2%	14.0%	8.2%	12.9%	10.2%	0.7%	21.0%	-2.9%
1 Year	22.9%	22.9%	18.5%	17.7%	27.7%	33.2%	25.0%	3.0%	16.2%	-7.3%



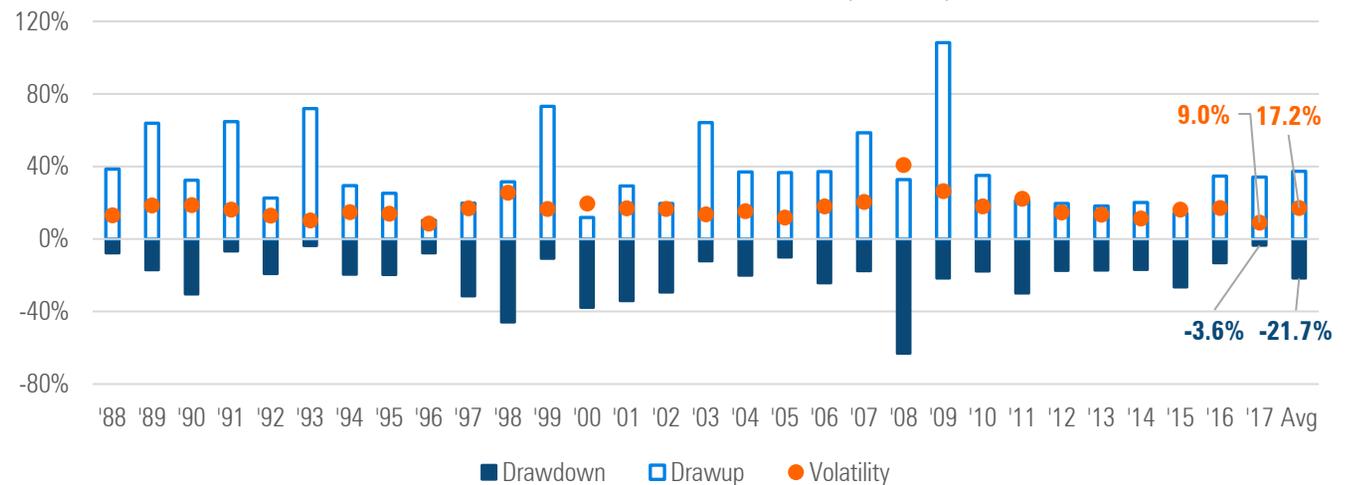
2017 A HISTORIC YEAR FOR EQUITIES

- The end of 2017 marks the 90th calendar year of index data for the S&P 500. With a year-to-date return of 19.4%, it's on pace for a return well above its long-term calendar year average of 11%.
- Arguably more impressive than its return, however, is the exceptionally low volatility it has exhibited. At less than half the average calendar year volatility, there has been only one year out of the last 90 (1964) when the index was less volatile than it has been this year through November.
- The U.S. equity market has not been the only one to have an exceptional year; emerging market equities have also had a historic year in terms of risk-adjusted performance.
- As the MSCI EM Index closes the books on its 30th calendar year of data, 2017 is on pace to record its smallest drawdown ever (one-fifth of the 30 year average), as well as the lowest volatility and highest Sharpe ratio in more than a decade.

S&P 500 Calendar Year Volatility



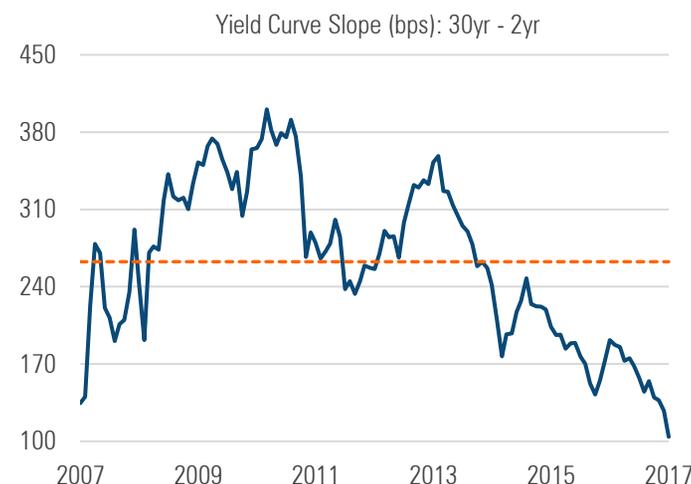
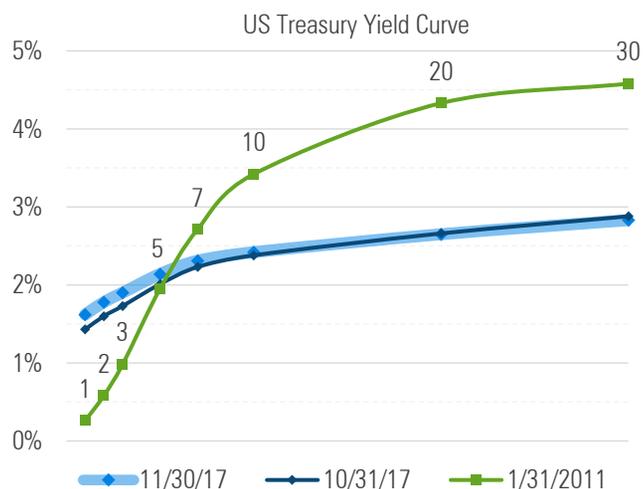
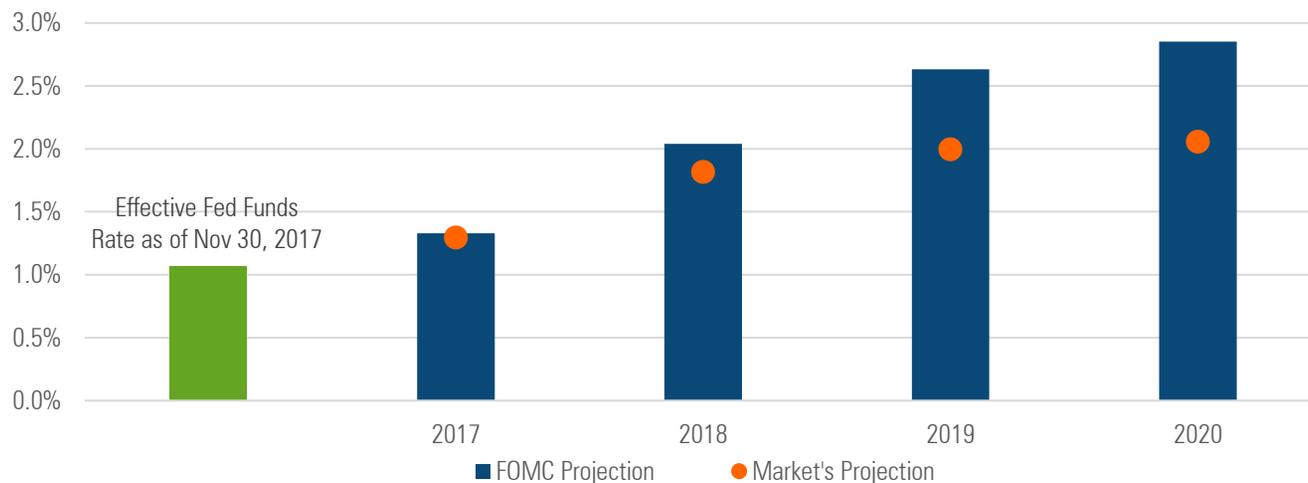
MSCI EM Calendar Year Drawdown, Drawup, Volatility



RATES: CANARY IN THE COALMINE?

- As 2017 draws to a close, there may be no question more perplexing than the future of interest rates.
- Minutes from the FOMC meeting released at the beginning of the month noted that, *“With core inflation readings continuing to surprise on the downside, however, many participants observed that there was some likelihood that inflation might remain below 2 percent for longer than they currently expected...”*
- Nevertheless, the FOMC continues to project a higher fed funds rate in the years ahead. Notably, the committee’s projections are higher than the rates projected by the futures market for fed funds.
- As of the end of November, the yield curve was exhibiting its flattest slope in more than a decade, driven in large part by higher short-term rates.
- Assuming the Fed won’t hike the curve into inversion, either long rates will rise or Fed hikes will be slower than projected. Both scenarios carry unsettling underlying implications for investors. Accordingly, we believe risk management remains crucial in the months ahead.

Fed Funds Projection For End of Year, as of Nov. 30, 2017



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