



APRIL 2016: PORTFOLIO REVIEW & OUTLOOK

A sense of normalcy returned to global markets in April. In contrast with previous months, where investors were heavily influenced by central bank decisions, market gains in April were driven primarily by fundamentals. Commodities rebounded due to a strong rally in oil. The turnaround in oil began early in the month with reports of a Saudi-Russian output freeze and continued throughout April. Oil ended the month trading above \$40/barrel for the first time since December of 2015. Of note, both foreign equities and foreign real estate outperformed their respective domestic counterparts. The measurements used for these comparisons were: the MSCI ACWI ex U.S. (+2.7%), the S&P 500 Index (+0.39%), the S&P Global ex-U.S. Property Index (+2.6%), and the Dow Jones U.S. Select REIT Index (-2.9%). This type of performance is consistent with a market driven by relative valuation. Within fixed income, developed and emerging market bonds outperformed U.S. government bonds while in the U.S., high-yield bonds outperformed their investment grade counterparts.

Performance Summary

- Our Risk Regime portfolios were positioned defensively for most of April while our measures confirmed that market conditions were in fact improving. Improving conditions led us to shift to a neutral portfolio as the near-term risk of a significant market downturn appears minimal.
- Strong performance during the month was largely due to our allocation to commodities which benefitted from rising oil prices. Other contributors during the month included allocations to short-term high yield, international treasury bonds, and international small-cap equities.
- Our allocation to U.S. real estate detracted from returns during the month.

Positioning & Outlook

Global uncertainty will cause volatility levels to remain slightly above average as we move into the summer months. The stronghold that central banks held over global markets towards the end of 2015 and the first quarter of 2016 is beginning to loosen and, in our view, fundamentals will drive growth going forward. Despite the current level of volatility, our models indicate that the probability of a significant market sell-off is reduced with the likelihood of continued choppiness in the markets to persist. Currently, we see the most opportunity for growth outside the U.S. and favor emerging market assets relative to their developed market counterparts. Within fixed income, we favor U.S. short-duration debt over intermediate and long-duration debt. We maintain an allocation to short-term U.S. bonds and foreign government bonds to provide stability to our portfolios. This capital can be reallocated to growth assets in the event market conditions continue to improve. Consequentially, we expect to remain in a neutral position relative to our benchmarks throughout May, with a slight chance of increasing allocations to risky assets later in the month.



Disclosures

The information contained in this presentation (the "Presentation") is highly confidential and is not to be reproduced or distributed to any other persons (other than professional advisors of the investors receiving these materials). The Presentation is intended solely for the use of the persons to whom it has been delivered. This Presentation has been prepared solely for informational purposes. The Presentation is not intended to provide professional or investment advice, and you are advised to seek independent professional advice prior to investing in any products or strategies described in the Presentation or recommended by Windham Capital Management, LLC. In addition, this Presentation is neither an offer to buy or sell any securities, nor a solicitation of an offer to buy or sell interests or shares in any fund or strategy.

Opinions expressed are current opinions as of the date appearing in this material only.

Windham Capital Management, LLC owns trademark and other intellectual property rights contained in this Presentation. You are prohibited from copying, reproducing, modifying, or distributing in any way the contents or any part of this Presentation for any purpose without our prior written consent.

Windham Capital Management, LLC does not intend for the information contained in this Presentation to be distributed to, or used by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation or would subject Windham to any registration requirement within such jurisdiction or country.

Additional information is available upon request. Windham Capital Management, LLC and its owners disclaim any and all liability relating to this Presentation, including without limitation any express or implied representations or warranties for statements contained in, and omissions from, this information. Windham's Investment products are offered exclusively by Windham.