



### JULY 2016: PORTFOLIO REVIEW & OUTLOOK

Despite a deluge of potentially anxiety-inducing macro events throughout the month, most global markets rose in July. In the U.S., both the Democratic and Republican parties held conventions to elect their respective presidential nominees. Though the conventions generated numerous headlines, markets appeared unaffected by much of the news. Outside the U.S., investors shrugged off another wave of terror attacks, choosing instead to focus on monetary stimulus around the globe. Of note, the European Central Bank left interest rates unchanged citing concerns related to the banking sector and geopolitical instability following Brexit. Late in July, the Bank of Japan stated it would only slightly increase its stimulus package and left rates in negative territory. This came as a surprise to many investors' given a recently announced spending package by the government. Even with these seemingly important events, returns across most major asset classes were positive for the month. Domestic equities performed well but underperformed their foreign counterparts as measured by the S&P 500 (+3.7%) and MSCI ACWI ex U.S. (+5.0%). Within fixed income, emerging market sovereign debt performed well, as did global high yield, U.S. bonds, and U.S. TIPS. Commodities fell during the month as a supply glut in oil pushed prices back near bear territory. REITs had another strong month, ending July up (+4.4%) as measured by the Dow Jones US Select REIT Index.

#### Performance Summary

- Our Risk Regime portfolios were positioned defensively for most of July as our models indicated that markets were prone to negative shocks. Our allocations to growth and defensive assets contributed to positive returns during the month.
- Positive absolute performance during the month was largely due to our allocation to equities. In the U.S., equities rose as continued strength in the job and housing markets gave investors' confidence. Globally, developed and emerging market equities performed well as many central banks left rates unchanged. Other contributors during the month included allocations to global REITs, international treasury bonds, and bank loans.
- Our allocation to commodities detracted from returns during the month as oil prices retreated towards bear territory.

#### Positioning & Outlook

There remains a great deal of uncertainty in global markets as we move into the latter half of the year including: consequences of Brexit, a close and contentious presidential election in the U.S., and continued concerns surrounding fiscal stimulus from central banks around the globe. These macro concerns, coupled with upcoming elections in France and Germany, indicate that valuations may be a less effective tool for generating excess returns. In response to this uncertainty, at month end, we were underweight domestic and foreign equities, real estate, and commodities, and overweight global fixed income. We will remain defensively positioned until we detect that the markets will be able to absorb a significant shock.



### 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.