



AUGUST 2016: PORTFOLIO REVIEW & OUTLOOK

Global markets were little changed in August, with volatility declining throughout the month and markets experiencing some of their lightest trading days of the year. Outside the U.S., in contrast to prior months, investors had little macro news to digest as most central banks had no scheduled announcements. In the U.S., the Federal Reserve held their annual Economic Symposium in Jackson Hole which concluded with remarks from Fed chairwoman Janet Yellen. Despite her insinuation that the markets were ready for another rate hike, investors showed little concern. This, coupled with a rebound in oil prices, seemed to give investors' confidence that fundamentals were returning to the markets. Both domestic and foreign equities were relatively flat for the month as measured by the S&P 500 (+0.1%) and MSCI ACWI ex U.S. (+0.3%). Within fixed income, U.S. dollar-denominated emerging market sovereign debt performed well, as did global high yield. Despite oil ending the month up (+5.2%), as measured by the Bloomberg WTI Crude Oil Index, commodities ended the month in negative territory. REITs also declined, finishing down (-3.4%) as measured by the Dow Jones US Select REIT Index.

Performance Summary

- Our Risk Regime portfolios delivered slightly negative returns for the month but outperformed their respective benchmarks.
- Positive relative performance during the month was largely due to our allocation to MLPs, emerging market debt, and European equities.
- Our allocation to global REITs, international equities, and global infrastructure detracted from returns during the month.

Positioning & Outlook

Our measures indicate that we are now in a fundamentally-driven market and that the near term risk of a significant drawdown has been reduced. China continues to show signs of weakness and an interest rate hike in the U.S. has the potential to disrupt global markets. Along with this, valuations across many asset classes appear inflated. In our view, the most prudent approach to navigating these markets is through broad, global diversification. With this in mind, at month end, we were overweight foreign and emerging market equities, foreign real estate, and U.S fixed income, and underweight global fixed income. While our outlook remains favorable as we emerge from the summer slow-down, we will continue to monitor the market environment and keep close watch on changes in our measures.



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