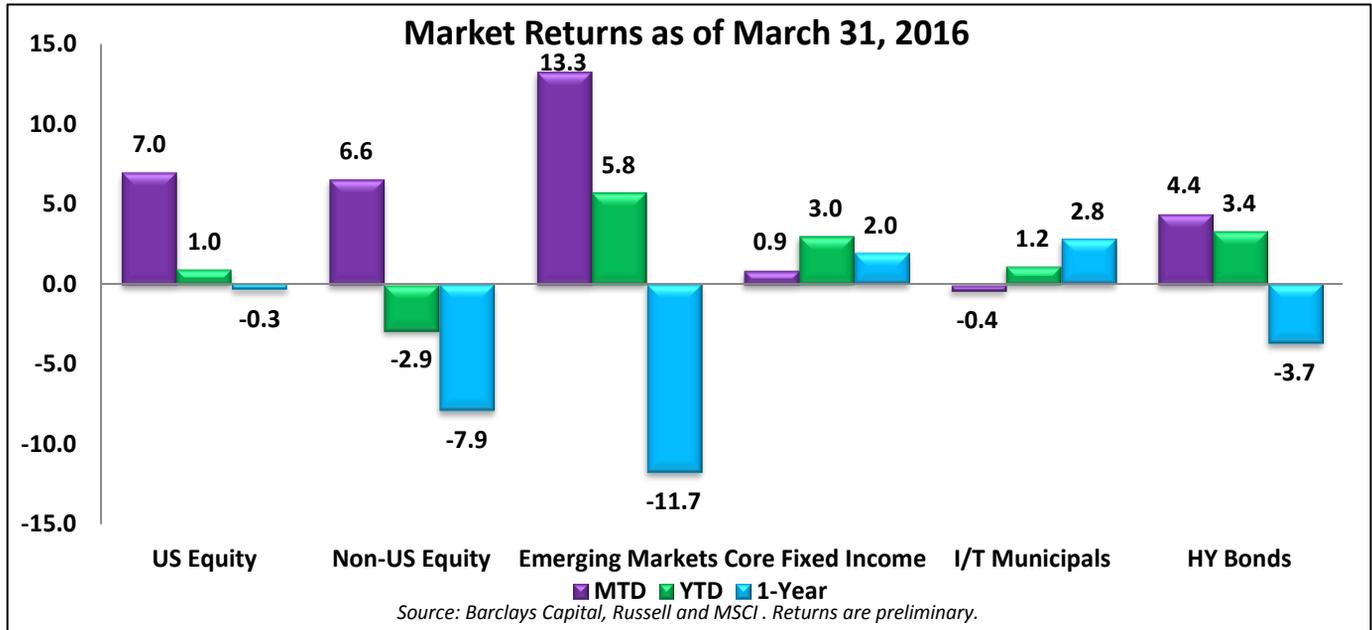


MARCH 2016



Global stocks rebounded sharply in March as investors' concerns regarding an imminent global recession subsided. In March, the market also responded favorably to the Federal Reserve's decision to keep interest rates at the same level, citing that "...global economic and financial developments continue to pose risks."

Economic Data

- **Real GDP** for the 4th quarter grew at 1.4%, higher than the second estimate of 1.0% reported in February. The upward revision was due to higher than previously reported consumer spending. For 2015, real GDP increased 2.4%, which was the same rate experienced in 2014.
- **Inflation** remained subdued in February. Over the past 12 months, the CPI index increased a meager 1.0%. However, core CPI (CPI minus food and energy) remained stable, rising 2.3% over the past 12 months and marked its largest year-over-year increase since 2012.
- **U.S. unemployment rate** in March was 5% and has changed very little over the past seven months. The economy added 215,000 jobs during March, close to the 209,000 average from the prior 3 months. Sectors adding jobs included retail, construction, and health care, while manufacturing and mining sectors continued to shed jobs.
- **Consumer confidence** improved in March, after declining in February. Lynn Franco of the Conference Board stated, "Consumers' assessment of current conditions posted a moderate decline, while expectations regarding the short-term turned more favorable as last month's turmoil in the financial markets appears to have abated."
- **Global manufacturing growth** improved modestly in March. Global growth remained stagnant, however, some early signs of improvement are emerging as output and new orders grew at a faster rate.

U.S. Equities

- Broad U.S. stocks staged a strong rebound in March, but the gains were not enough to erase the losses experienced over the past 12 months.
- Size – Small cap stocks were up 8% for the month and outperformed both mid and large cap stocks.
- Style – Value stocks outperformed growth stocks for the month, as energy and utilities sectors were among the best performing sectors.
- S&P 500 sector returns for the month of March:

Best		Worst	
Energy	9.31%	Health Care	2.77%
Information Technology	9.15%	Consumer Staples	4.75%
Utilities	8.03%	Telecom Services	6.36%

International Equities

- In March, international developed equities trailed U.S. equities. The U.S. dollar declined during the month, which aided international equity returns for U.S. based investors (MSCI EAFE was up 3% in local terms and 6.6% in U.S. dollar terms).
- Emerging market equities outperformed developed equities in both local terms (up 8.4%) and U.S. dollar terms (13.3%), as investors searched for bargains. Latin American region performed particularly well (Brazil's market was up over 30% for the month in U.S. dollar terms).

Fixed Income

- U.S. interest rates remained low in March. The 10-year U.S. Treasury ended the month little changed from the prior month at 1.8%, but lower than where it started the year at 2.3%.
- High yield bond staged a rally after declining meaningfully earlier in the year as investor risk appetite began to return to the bond market. Despite the bounce back in February and March, high yield bonds are still down close to 4% on a one-year basis.

Looking Ahead

- The markets continued to be focused on macro issues including the slow down in China, strong U.S. dollar, persistently low commodity prices, and geopolitical tensions. This has lead investors to become nervous and volatility to ensue. As uncomfortable as these times can be, active managers take these opportunities to buy good businesses at attractive prices.
- It is impossible to predict market behavior over the short-term, but over long periods of time, markets tend follow growth and earnings. An important key to successful investing is to remain focused on long-term goals.

www.acaciawealth.com

Meloni M. Hallock
310.246.0570

mhallock@acaciawealth.com

Alev Lewis
310.246.0530

alewis@acaciawealth.com

Amy Born
310.246.0520

aborn@acaciawealth.com

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