HIGHTOWER
ACACIA WEALTH ADVISORS

Investment Synopsis

Fourth Quarter 2016

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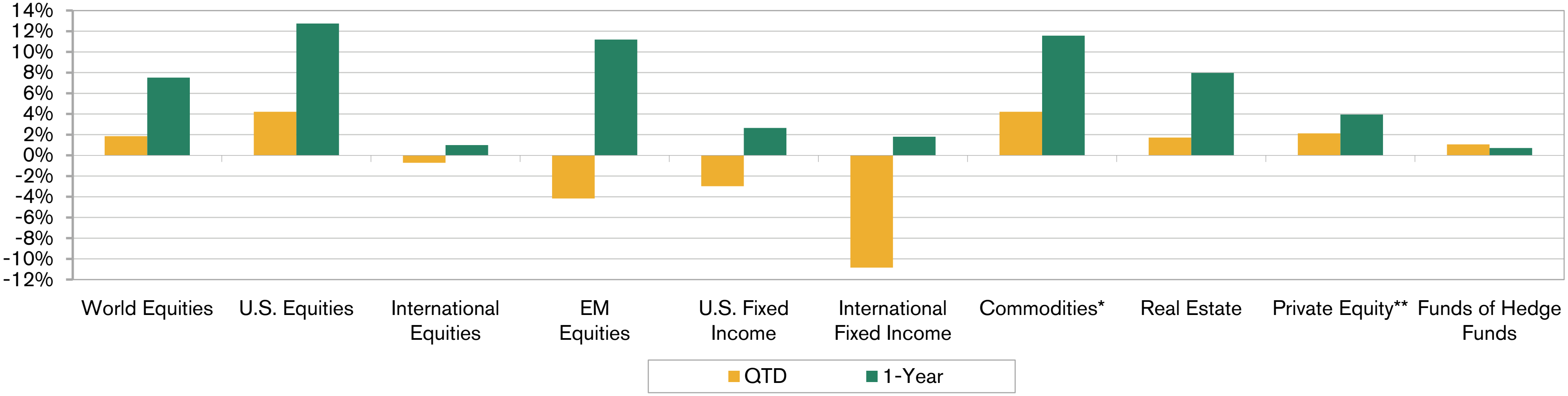
Fourth Quarter 2016 Investment Performance: Summary by Asset Class

This section provides data on investment performance for select market indices mostly for the fourth quarter (Q4) 2016, as well as Rogerscasey's commentary.

Asset Class Summary: Quarter-to-Date (QTD) and One-Year Returns



Asset Class	Indices	QTD	YTD	1-Year	3-Year	5-Year	10-Year
Equities	MSCI World (Net of dividends)	1.86	7.51	7.51	3.80	10.41	3.83
	Russell 3000	4.21	12.74	12.74	8.43	14.67	7.07
	MSCI EAFE (Net of dividends)	-0.71	1.00	1.00	-1.60	6.53	0.75
	MSCI EM (Net of dividends)	-4.16	11.19	11.19	-2.55	1.28	1.84
Fixed Income	Bloomberg Barclays U.S. Aggregate	-2.98	2.65	2.65	3.03	2.23	4.34
	Citigroup Non-U.S. WGBI (Unhedged)	-10.84	1.81	1.81	-2.18	-1.94	2.54
Other	Commodity Splice*	4.21	11.57	11.57	-15.93	-11.04	-6.84
	NCREIF NPI	1.73	7.97	7.97	11.02	10.92	6.93
	Thomson Reuters Private Equity**	2.13	2.94	3.95	13.11	10.89	10.33
	HFRI Fund of Funds Composite	1.06	0.71	0.71	1.26	3.46	1.33

*Commodity Splice, a Rogerscasey index, blends the Bloomberg Commodity Index (50%) and the S&P GSCI Index (50%), rebalanced monthly.

**Performance reported as of Q2 2016 because Q3 2016 and Q4 2016 performance data is not yet available.
Sources: eVestment Alliance, Investment Metrics, Thomson One and Hedge Fund Research, Inc.

World equity markets were positive in Q4 to close out a strong year for equities. On a global developed factor* basis for Q4, Value and Risk performed well, while Growth and Sentiment performed poorly. Results for Quality were mixed. Non-U.S. developed and emerging market equities both underperformed U.S. equity, due in large part to the U.S. dollar's strength during the quarter.

U.S. and international fixed income were both down in Q4, although they were positive for the year. U.S. nominal Treasury yields increased sharply in Q4, while high-quality credit spreads contracted modestly.

Commodities gained in Q4 to close a strong year. On a sector basis, Livestock, Industrial Metals, and Energy had positive returns, while Precious Metals and Agriculture declined.

Hedge fund of funds gained modestly in Q4 and for the year. With regard to direct hedge funds, Relative Value, Event-Driven, and Equity Hedge posted positive returns, while Macro was slightly negative.

*Factors are attributes that explain differences in equity performance. Stocks are sorted based on their exposure to a particular factor, with the factor return being the difference in returns between stocks with high exposure and low exposure to a particular attribute.

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World Economy: Key Indicators

This section provides data on select U.S. and global economic indicators for Q4 2016 along with Rogerscasey's commentary.

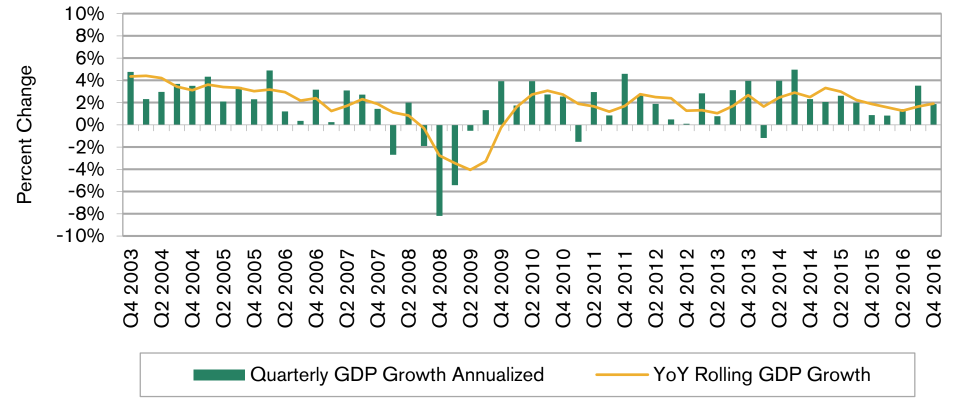
GDP Growth

Real GDP grew at an annualized rate of 1.9 percent in Q4. The adjacent graph shows annualized GDP growth, along with the year-over-year (YoY) rolling percentage change in GDP.

Positive contributors to Q4's growth included personal consumption expenditures, private inventory investment, residential fixed investment, nonresidential fixed investment and state and local government spending. Exports and federal government spending detracted from GDP growth during the quarter.

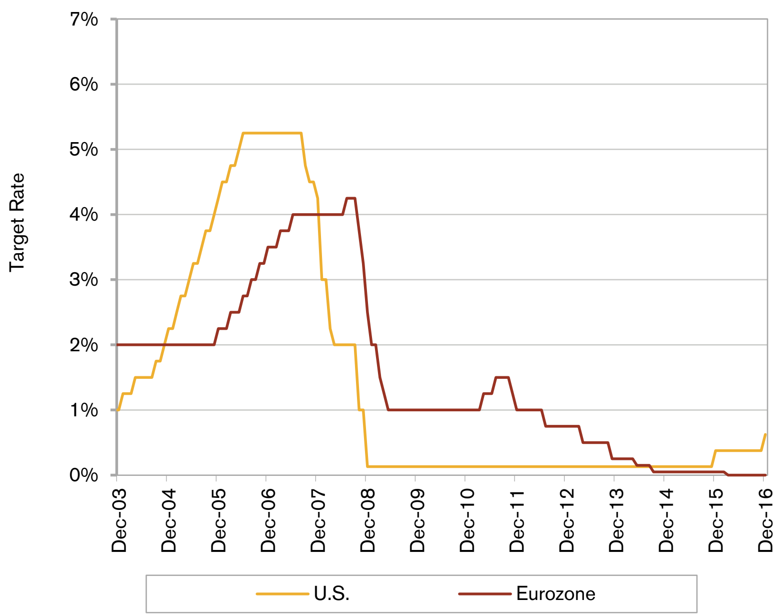
Disposable personal income grew less in Q4 than in Q3. The personal savings rate was 5.6 percent in Q4 compared to 5.8 percent in Q3.

U.S. GDP Growth: Annualized Quarterly and Year-over-Year (YoY) Rolling (%)



Source: U.S. Bureau of Economic Analysis

Target Rates: U.S. and Eurozone



Sources: Rogerscasey using data from the Federal Reserve Board and the European Central Bank

Monetary Policy

At its December meeting, the Federal Open Market Committee (FOMC) stated the following:

- The labor market has continued to strengthen.
- Economic activity has been expanding at a moderate pace since mid-year.
- Household spending has been increasing moderately, but business fixed investment remains soft.
- Inflation remained below the Federal Reserve's 2 percent objective due to decreased energy prices and lower-priced non-energy imports, but should rise to 2 percent over the medium term.
- The target range for the federal funds rate was increased to between 0.50 and 0.75 percent, which was only the second rate hike in 10 years.

In December, the European Central Bank (ECB) held its target refinancing rate at zero percent, its marginal lending rate at 0.25 percent, and its deposit rate at -0.40 percent. The ECB also decided to continue its asset purchasing program at the pace of €80 billion per month.

The Bank of Japan (BoJ) in December continued its quantitative and qualitative easing policies, including annual increases in JGB holdings of ¥80 trillion, a target rate of zero percent on 10-year JGBs, and an interest rate of -0.1 percent on excess bank reserves.

World Economy: Key Indicators

This section provides data on select U.S. and global economic indicators for Q4 2016 along with Rogerscasey's commentary.

Inflation

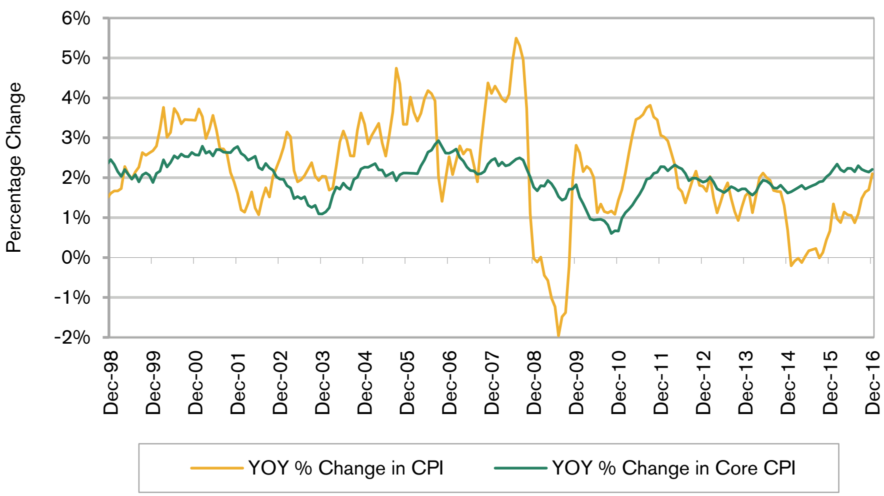
The headline seasonally adjusted Consumer Price Index (CPI)* was up 0.84 percent in Q4, and increased 2.10 percent on a YoY basis.

Seasonally adjusted Core CPI, which excludes both food and energy prices, rose 0.53 percent in Q4 and 2.21 percent YoY.

On an unadjusted 12-month basis ending December 31, 2016, the index for all items less food and energy rose 2.2 percent while the energy index rose 5.4 percent and the food index fell by 0.2 percent. Gasoline and fuel oil energy index components increased the most, both climbing more than 9.0 percent. Medical care services and shelter costs each increased by 3.9 percent and 3.6 percent, respectively.

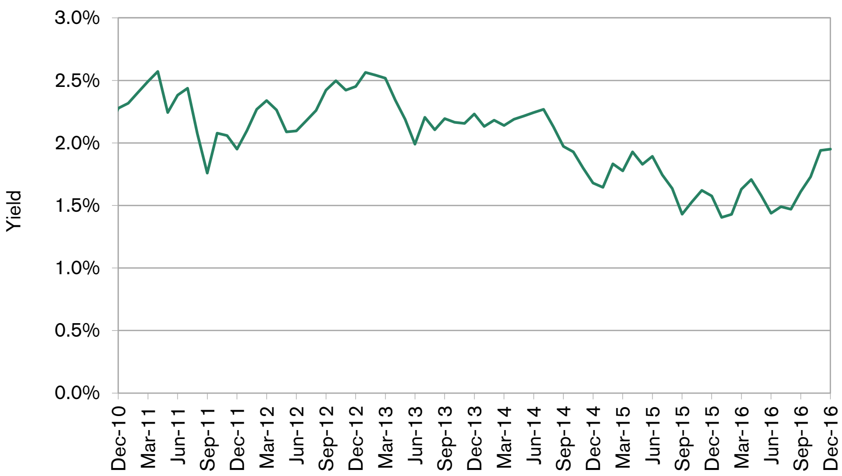
* Headline CPI is the CPI-U, the CPI for all urban consumers.

Headline CPI and Core CPI: Percentage Change YoY



Source: U.S. Bureau of Labor Statistics

10-Year Break-Even Inflation Rate



Source: Bloomberg

Break-Even Inflation

The adjacent graph shows the 10-year break-even inflation rate, which measures the difference in yield between a nominal 10-year Treasury bond and a comparable 10-year Treasury Inflation-Protected Securities (TIPS) bond. The break-even inflation rate is an indicator of the market's inflation expectations over the horizon of the bond.

During Q4, the 10-year break-even rate increased to 1.95 percent from Q3's 1.61 percent. This indicator had recently lagged, but is now in-line with the Fed's expectations of inflation rising to 2 percent in the medium term.

World Economy: Key Indicators

This section provides data on select U.S. and global economic indicators for Q4 2016 along with Rogerscasey's commentary.

Labor Market and the Unemployment Rate

The unemployment rate decreased from 4.9 percent in Q3 to 4.7 percent at the end of Q4.

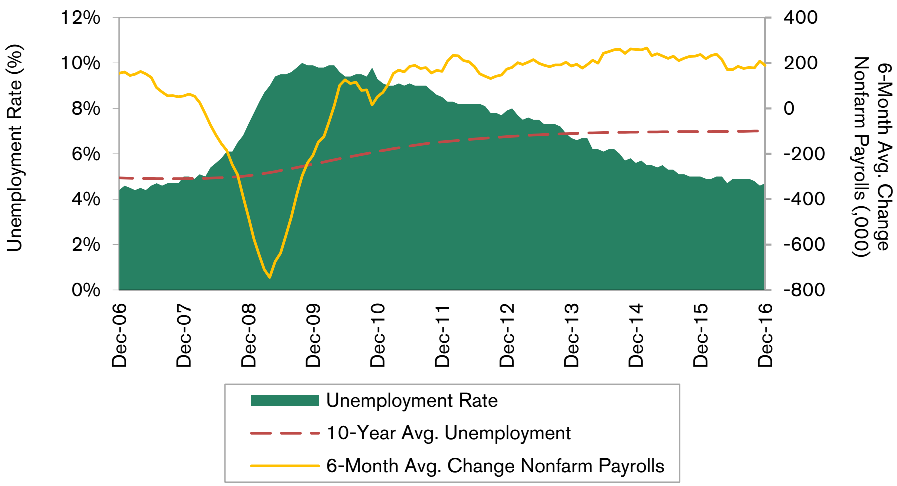
Total nonfarm payrolls increased by 495,000 jobs in Q4. Employment in private industries increased with service-providing jobs accounting for almost the entire gain, while goods-producing jobs increased modestly. Government employment remained stable in Q4.

The one-month total private diffusion index* stood at 57.1 in December, down from 62.0 the prior year. The one-month manufacturing diffusion index stood at 48.7 in December versus 55.1 the prior year.

The labor force participation rate was 62.7 percent in December and was unchanged year-over-year.

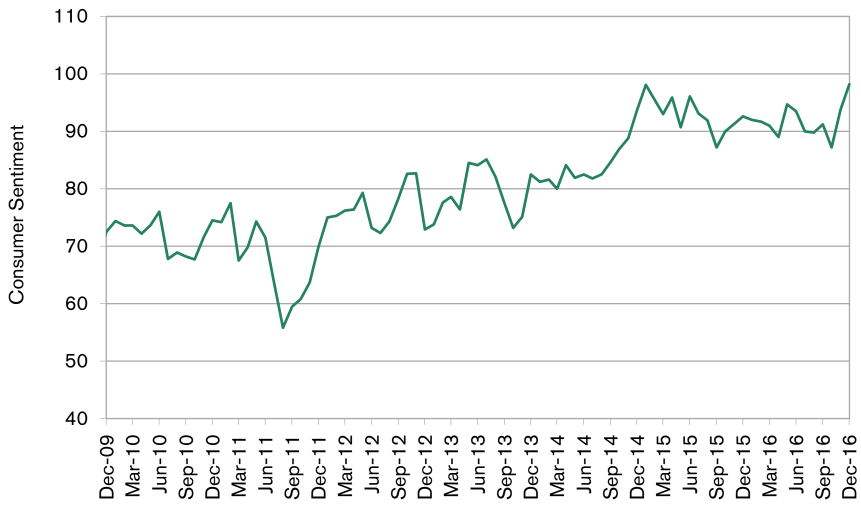
*Per the Bureau of Labor Statistics, figures represent the percent of industries with employment increasing plus one-half of the industries with unchanged employment, where 50 percent indicates an equal balance between industries with increasing and decreasing employment.

Unemployment and Nonfarm Payrolls



Source: U.S. Bureau of Labor Statistics

U.S. Consumer Sentiment



Source: Moody's Economy.com using data from the Thomson Reuters/University of Michigan Consumer Sentiment Index

Consumer Sentiment

The University of Michigan Index of U.S. Consumer Sentiment is an economic indicator that measures individuals' confidence in the stability of their incomes as well as the state of the economy. The Index of Consumer Sentiment increased from 91.2 in September to 98.2 in December, its highest level since January 2004.

The Index of U.S. Consumer Sentiment's level in December increased from its level at the beginning of 2016 (92.6) and surged after the surprise result of the presidential election. Both the index measuring current economic conditions and the expectations index rose during Q4, particularly following the election, as consumers expressed favorable expectations for economic policy changes under the new administration.

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Investor Sentiment: Mutual Fund Flows

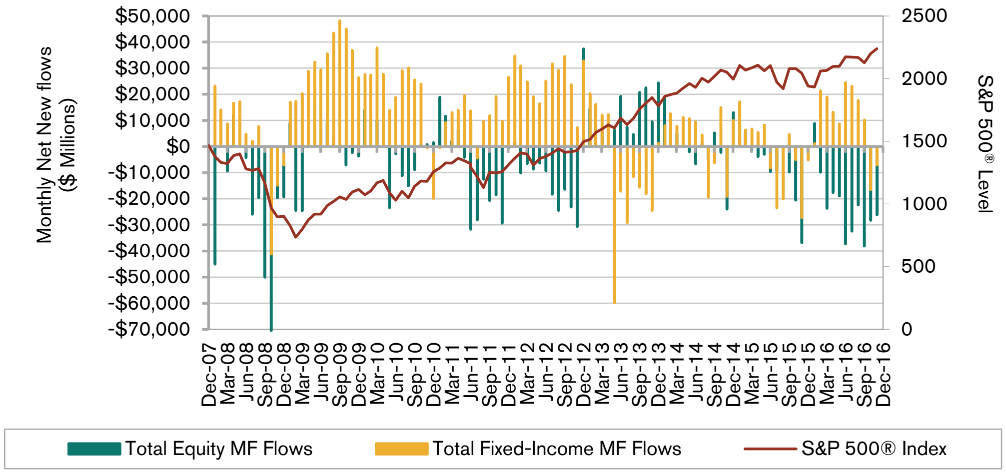
This page presents mutual fund flows across equity and fixed-income funds. Flow estimates are derived from data collected covering more than 95 percent of industry assets and are adjusted to represent industry totals.

Net Mutual Fund Flows

The adjacent graph shows net flows into equity and fixed income mutual funds since September 2007. In Q4, mutual funds experienced net outflows of approximately $129.8 billion, following outflows of around $28.2 billion in Q3 2016. Outflows throughout the quarter continued to be driven by equity mutual funds, which totaled $92.4 billion. Fixed income and hybrid mutual fund also had net outflows of $13.4 billion and $24.0 billion, respectively. Overall, October was the weakest month for equity funds, with outflows of $33.0 billion, while it was the strongest for fixed income funds, with inflows of $10.2 billion.

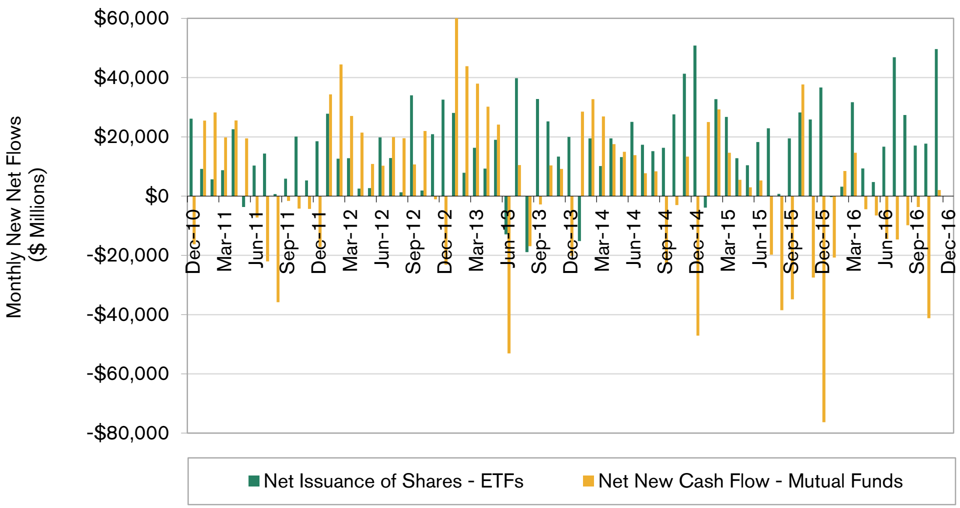
From an asset class perspective, the $92.4 billion of equity outflows continued to be driven by U.S. equity mutual funds across the market cap spectrum, though all cap funds had outflows of $33.0 billion. Global equity outflows were driven by non-U.S. mutual funds. Fixed income inflows were led by high yield and government bond funds in November. Municipal bonds saw net outflows totaling of $26.3 billion.

Monthly Mutual Fund Net Flows ($ Millions) Q4 2016



Source: Investment Company Institute

Mutual Fund Flows vs. ETFs ($ Millions): New Net Cash Flows



Source: Investment Company Institute

Mutual Fund Flows vs. Exchange-Traded Funds

Unlike mutual funds, ETFs experienced net inflows in Q4, totaling $123.8 billion. Flows were greatest in December with $56.5 billion of net inflows, $54.2 billion of which were equity ETFs, and $5.7 billion were fixed income ETFs, while hybrid and commodity ETFs had $3.4 billion in outflows. In total, throughout Q4, equity ETFs had $118.1 billion of net inflows, driven by U.S. ETFs, followed by $12.6 billion in fixed income, and outflows of $7.1 billion in commodity ETFs.

At the end of November, the most recent data available, ETF assets totaled about $2.4 trillion, up from around $2.1 trillion in November 2015.

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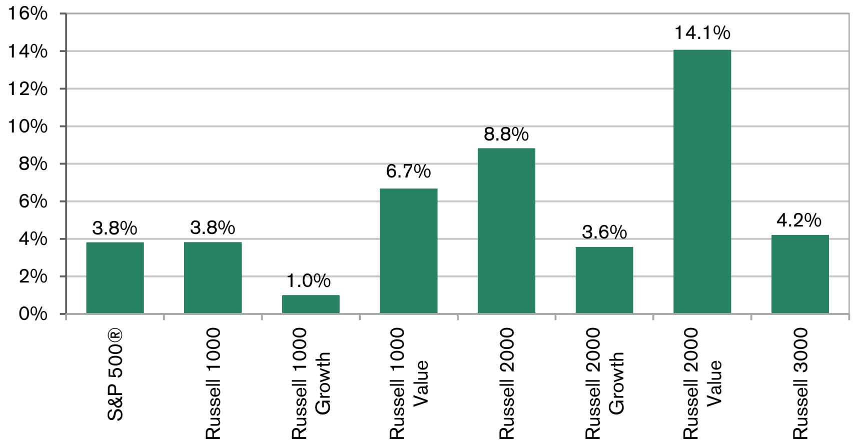
Investment Performance: U.S. Equities

This section presents data and Rogerscasey's commentary on U.S. equity index returns and sector performance for Q4 2016.

U.S. Equity Index Returns

The graph below illustrates Q4 2016 rates of return for selected U.S. equity indices. The table shows returns for the latest quarter, year-to-date, one-year, three-year, five-year and 10-year annualized timeframes. All data in the table are percentages.



Equity Indices	QTD	YTD	1 Year	3 Year	5 Year	10 Year
S&P 500® Index	3.82	11.96	11.96	8.87	14.66	6.95
Russell 1000	3.83	12.05	12.05	8.59	14.69	7.08
Russell 1000 Growth	1.01	7.08	7.08	8.55	14.50	8.33
Russell 1000 Value	6.68	17.34	17.34	8.59	14.80	5.72
Russell 2000	8.83	21.31	21.31	6.74	14.46	7.07
Russell 2000 Growth	3.57	11.32	11.32	5.05	13.74	7.76
Russell 2000 Value	14.07	31.74	31.74	8.31	15.07	6.26
Russell 3000	4.21	12.74	12.74	8.43	14.67	7.07

Sources: Standard & Poor's and FTSE Russell Investments

S&P 500 Index® Sector Performance – Q4 2016

	QTD (%)	YTD (%)
Consumer Discretionary	2.3	6.0
Consumer Staples	-2.0	5.4
Energy	7.3	27.4
Financials	21.1	22.8
Healthcare	-4.0	-2.7
Industrials	7.2	18.9
Information Technology	1.2	13.8
Materials	4.7	16.7
Telecommunications Services	4.8	23.5
Utilities	0.1	16.3

This table shows quarter-to-date and year-to-date price changes for each sector.
Source: Standard & Poor's

Index and Sector Performance

The S&P 500® (3.8 percent) gained in Q4. In general, the U.S. market delivered strong returns for domestic investors. In line with the guidance from prior FOMC meetings, the Fed raised its key interest rate in December by 0.25 percent (see "Monetary Policy" on page 2). While this is a significant event, Q4 was dominated by Donald Trump's victory in the presidential election. His plans to increase infrastructure spending, cut taxes, and streamline government regulation were viewed positively by domestic companies. The Russell 2000 Growth (3.6 percent) and Russell 2000 Value (14.1 percent) ended Q4 up, as small cap companies benefited from the impetus that expansive fiscal policies may bring to the domestic economy. The Russell 1000 Value (6.7 percent) and Russell 1000 Growth (1.0 percent) both gained, but more moderately.

In large cap stocks, there was significant dispersion across the sector returns. Financials (21.1 percent) rallied off the back of the election and rate increase, while Energy (7.3 percent) and Industrials (7.2 percent) also performed well. Meanwhile, bond proxy sectors such as Utilities (0.1 percent) and Consumer Staples (-2.0 percent) fared less well, and Healthcare (-4.0 percent) underperformed all sectors and ended the calendar year in negative territory (-2.7 percent).

Investment Performance: U.S. Equities

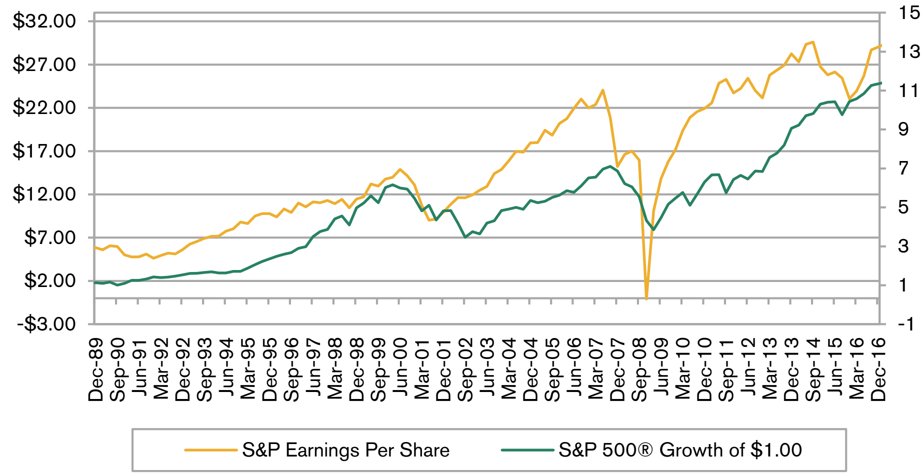
This section presents Rogerscasey's commentary on U.S. equity earnings and growth- vs. value-stock performance for Q4 2016.

U.S. Equity Market Earnings and Volatility

The adjacent graph compares the earnings per share of companies in the S&P 500® Index and the growth of $1.00 in that index since December1989. While earnings per share growth does not align perfectly with the growth of stock prices, there does appear to be a directional linkage, which is something many investors count upon.

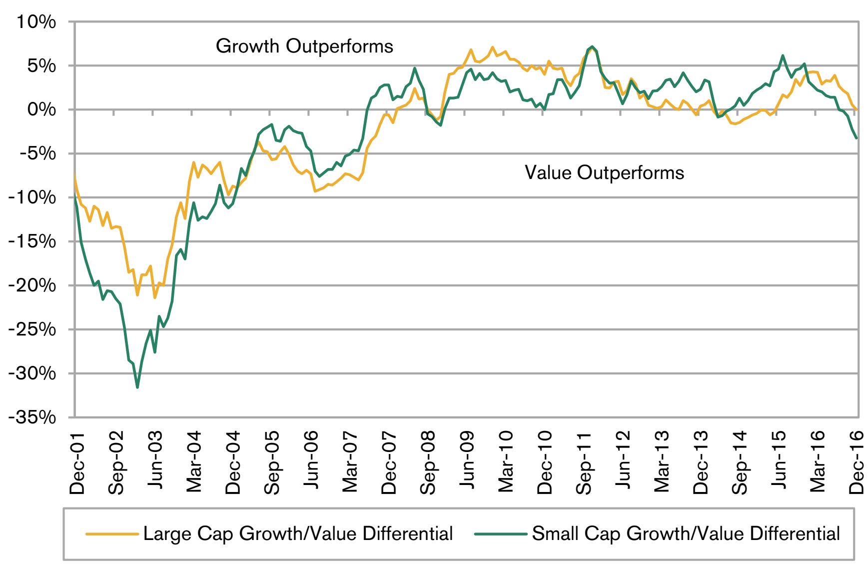
Earnings are perhaps the single most studied metric in a company's financial statements because they show a company's profitability. A company's quarterly and annual earnings are typically compared to analysts' estimates and guidance provided by the company itself. In most situations, when earnings do not meet either of those estimates, a company's stock price will tend to drop. On the other hand, when actual earnings beat estimates by a significant amount, the share price will likely surge. At the aggregate level, these swings tend to be more muted.

S&P 500® Index: Earnings Per Share and Growth of $1.00



Source: Standard & Poor's

Growth Stocks vs. Value Stocks (Rolling 3-Year)



Source: FTSE Russell Investments

Growth vs. Value

The adjacent graph depicts the growth versus value differential for both large- and small-cap stocks over rolling three-year intervals. The large-cap calculation uses the Russell 1000 Growth versus the Russell 1000 Value and the small-cap differential is composed of the Russell 2000 Growth versus the Russell 2000 Value. When either line is above 0 percent, the market has been favoring growth stocks over value, and vice-versa.

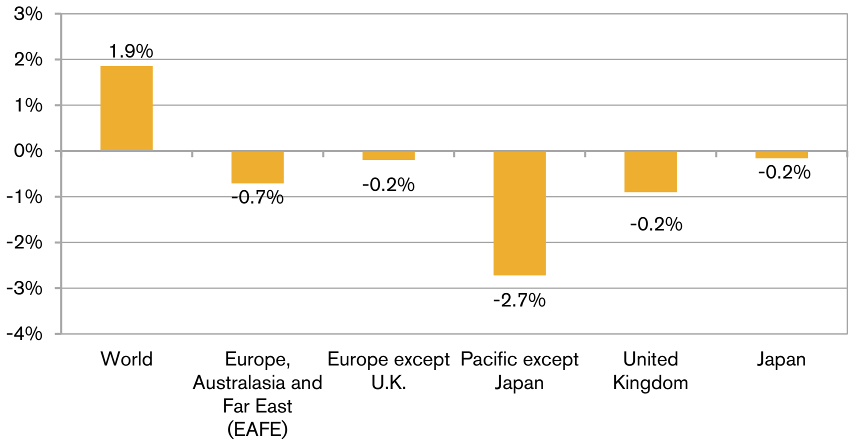
In recent years growth and value have largely been irrelevant in driving large cap equity returns, as the spread between the growth and value benchmarks has been relatively narrow in comparison to equivalent time periods in the early 2000s. However, since the 2016 presidential election, markets have shown a distinct preference for value stocks, and this already had a significant impact on the direction of the rolling 3-year average for small cap stocks, and a less pronounced but notable impact on the rolling 3-year average for large cap stocks.

Investment Performance: Non-U.S. Equities

This section presents data and Rogerscasey's commentary on international equity returns and sector performance for Q4 2016.

MSCI Non-U.S. Equity Index Returns

The graph below illustrates Q4 2016 rates of return for selected non-U.S. equity indices. The table shows returns for the latest quarter, year-to-date, one-year, three-year, five-year and 10-year annualized timeframes. All data in the table are percentages.



MSCI Indices	QTD	YTD	1 Year	3 Year	5 Year	10 Year
World	1.86	7.51	7.51	3.80	10.41	3.83
Europe, Australasia and Far East (EAFE)	-0.71	1.00	1.00	-1.60	6.53	0.75
Europe except U.K.	-0.20	-0.56	-0.56	-2.62	7.41	0.36
Pacific except Japan	-2.72	7.85	7.85	-0.59	5.24	3.94
United Kingdom	-0.90	-0.10	-0.10	-4.40	3.97	0.32
Japan	-0.16	2.38	2.38	2.49	8.17	0.54

Source: Morgan Stanley Capital International

MSCI EAFE Sector Performance – Q4 2016

	QTD (%)	YTD (%)
Consumer Discretionary	1.3	-3.7
Consumer Staples	-10.6	-5.0
Energy	9.2	20.2
Financials	9.1	-2.5
Healthcare	-7.9	-13.9
Industrials	-2.1	4.4
Information Technology	-3.3	2.0
Materials	3.4	21.6
Telecommunications Services	-7.4	-10.3
Utilities	-8.0	-8.7

This table shows quarter-to-date and year-to-date price changes for each sector.
Source: Morgan Stanley Capital International

Index and Sector Performance

The year 2016 was an eventful one, as the political dramas around the globe took center stage. The first half saw the Philippine presidential election and Brexit, while much of the second half of was dominated by U.S. election concerns, with Q4 featuring the surprising victory of Donald Trump. Although initially there was pull-back, U.S. and international markets have rallied since then amidst expectations for higher U.S. inflation and the Fed raising rates. Additionally, the ECB's extension of its QE program boosted markets. With these positive events, all broad indices finished Q4 with gains in local currency terms; however, due to a strong USD, returns in USD terms were subdued, as shown in the table above. For instance, the EAFE index posted a -0.7 percent return in USD terms, but gained 7.1 percent in local terms.

On a country by country basis, Asia-ex Japan nations were hardest hit in Q4 as expectations of further interest rate hikes in 2017 gained momentum, leading the Pacific ex Japan index (-2.7 percent) to decline the most of all regional indices. The two biggest detractors were Hong Kong (-9.0 percent) and Singapore (-3.6 percent).

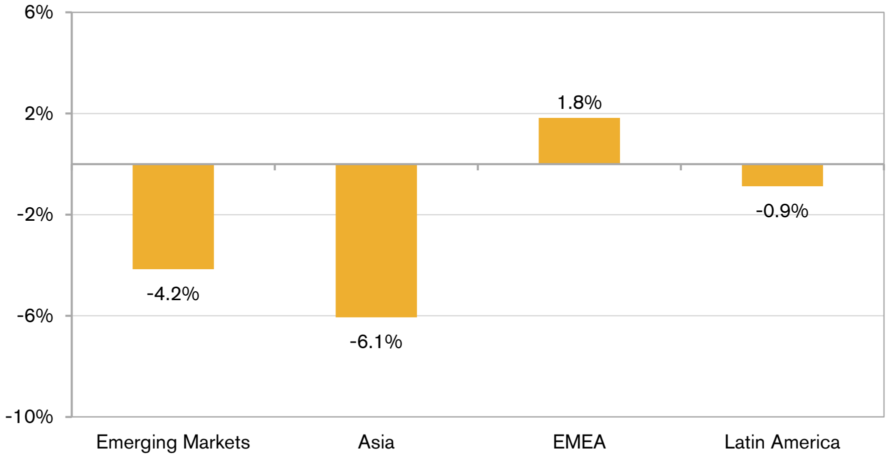
There was notable dispersion across sector returns. Areas such as Healthcare (-7.9 percent), Utilities (-8.0 percent) and Consumer Staples (-10.6 percent) lost the most in Q4, as well as for the year (-13.9 percent, -8.7 percent and -5.0 percent, respectively). Sectors such as Materials (3.4 percent) and Energy (9.2 percent) fared much better following OPEC's November 30 agreement to cut oil production, and ended the year at 21.6 percent and 20.2 percent, respectively.

Investment Performance: Emerging Market Equities

This section presents data and commentary on emerging market (EM) equity returns and sector performance for Q4 2016.

MSCI Emerging Market Equity Index Returns

The graph below illustrates Q4 2016 rates of return for selected emerging market equity indices. The table shows returns for the latest quarter, year-to-date, one-year, three-year, five-year, and 10-year annualized timeframes. All data in the table are percentages.



MSCI EM Indices	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Emerging Markets (All)	-4.16	11.19	11.19	-2.55	1.28	1.84
Asia	-6.06	6.14	6.14	0.14	4.36	3.43
Europe, Middle East and Africa (EMEA)	1.83	19.94	19.94	-6.65	-1.23	-1.24
Latin America	-0.88	31.04	31.04	-7.46	-5.69	0.27

Source: Morgan Stanley Capital International

MSCI EM Sector Performance – Q4 2016

	QTD (%)	YTD (%)
Consumer Discretionary	-9.5	0.9
Consumer Staples	-10.5	0.4
Energy	8.0	36.5
Financials	-0.7	12.9
Healthcare	-9.6	-7.5
Industrials	-6.2	-1.9
Information Technology	-6.3	16.8
Materials	4.2	31.4
Telecommunications Services	-6.2	2.0
Utilities	-6.8	3.2

This table shows quarter-to-date and year-to-date price changes for each sector.
Source: Morgan Stanley Capital International

Index and Sector Performance

The MSCI Emerging Markets (EM) Index declined 4.2 percent in Q4. Uncertainty over U.S. trade and foreign policies and the prospect of tighter USD liquidity hurt emerging markets. At the total index level, currency had a negative impact for U.S. investors, with local currency returns coming in 2.7 percent above the USD results.

From a regional perspective, Asia (-6.1 percent) was the worst performing region in Q4. China (-7.1 percent) declined over concerns of possible U.S. protectionist policy implementation. In addition, the potential for accelerated U.S. monetary policy tightening has supported the USD and led the renminbi to devalue, increasing pressure on capital outflows from China. Latin America (-0.9 percent) also declined, as Mexican equities fell (-7.9 percent) due to uncertainty around a possible change in U.S. trade policy. However, the expectations of higher fiscal spending in the U.S. triggered a strong rise in industrial metal prices, benefitting countries such as Brazil (2.1 percent) and Chile (2.2 percent). EMEA (1.8 percent) posted positive results in Q4. Russia (18.6 percent) registered the strongest return within the region, lifted by a recovery in energy prices after OPEC and 10 non-OPEC members, including Russia, reached an agreement for production cuts.

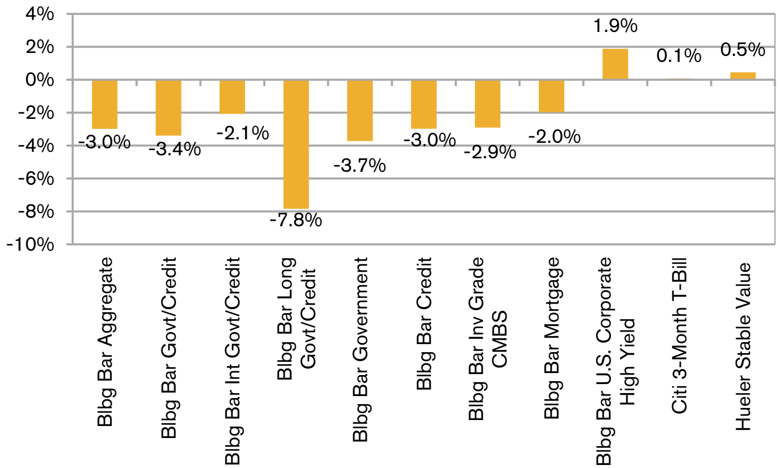
All sector returns were negative in Q4 except for Energy (8.0 percent) and Materials (4.0 percent), which also posted the strongest returns for the year at 36.5 percent and 31.4 percent, respectively. Consumer Staples (-10.5 percent) and Healthcare (-9.6 percent) posted the weakest results.

Investment Performance: U.S. Fixed Income

This section presents select U.S. fixed-income index data along with commentary on option-adjusted spreads (OAS) during Q4 2016.

U.S. Fixed Income Index Returns

The graph below illustrates Q4 2016 rates of return for selected U.S. fixed-income indices. The table shows returns for the latest quarter, year-to-date, one-year, three-year, five-year and 10-year annualized timeframes. All data in the table are percentages.



Fixed-Income Indices	QTD	YTD	1-Year	3-Year	5-Year	10-Year
Blbg Bar Aggregate	-2.98	2.65	2.65	3.03	2.23	4.34
Blbg Bar Govt/Credit	-3.39	3.05	3.05	3.04	2.29	4.40
Blbg Bar Int Govt/Credit	-2.07	2.08	2.08	2.09	1.85	3.84
Blbg Bar Long Govt/Credit	-7.84	6.67	6.67	7.16	4.07	6.85
Blbg Bar Government	-3.72	1.05	1.05	2.26	1.22	3.86
Blbg Bar Credit	-2.97	5.63	5.63	4.07	3.85	5.31
Blbg Bar Inv Grade CMBS	-2.91	3.50	3.50	2.88	3.72	4.81
Blbg Bar Mortgage	-1.97	1.67	1.67	3.07	2.06	4.28
BofA ML US High Yield Master II	1.88	17.49	17.49	4.72	7.35	7.34
Citi 3-Month T-Bill	0.08	0.27	0.27	0.11	0.09	0.73
Hueler Stable Value	0.45	1.79	1.79	1.75	1.87	2.77

Sources: Bloomberg Barclays (Blbg Bar), Citigroup and Hueler Analytics

OAS* in Bps

	9/30/2016	12/31/2016	Change in OAS	10-Year Average
U.S. Aggregate Index	47	43	-4	72
U.S. Agency (Non-mortgage) Sector	21	21	0	44
Securitized Sectors:				
Mortgage-Backed Securities (MBS)	14	15	+1	52
Asset-Backed Securities	55	59	+4	145
Commercial MBS	84	75	-9	258
Corporate Sectors:				
U.S. Investment Grade	138	123	-15	187
Industrial	140	125	-15	170
Utility	132	117	-15	173
Financial Institutions	137	120	-17	216
U.S. High Yield	480	409	-71	607

*OAS is the yield spread of bonds versus Treasury yields taking into consideration differing bond options.
Source: Bloomberg Barclays

Option-Adjusted Spreads

Continuing the trend from Q2 and Q3, spreads tightened further during Q4 on strong demand from global investors for higher and positive-yielding fixed income assets, particularly within the lower-credit-quality bucket. As widely expected, the Fed raised the Fed Funds rate by 25 bps at its December meeting. In addition, Fed officials are expected to hike rates three times in 2017 in anticipation of higher inflation and stronger economic growth. Donald Trump's victory in the U.S. presidential election further fueled this inflationary and pro-growth economic sentiment. Lastly, the ECB's quantitative easing program was extended until the end of 2017, which, in our view, provides global support for fixed income as an asset class. As shown in the adjacent table, high yield spreads once again tightened the most (480 to 409 bps) and current levels are well below the 10-year average of 607 bps, while investment grade corporate spreads declined by 15 bps to 123 bps, which is also below the 10-year average of 187 bps.

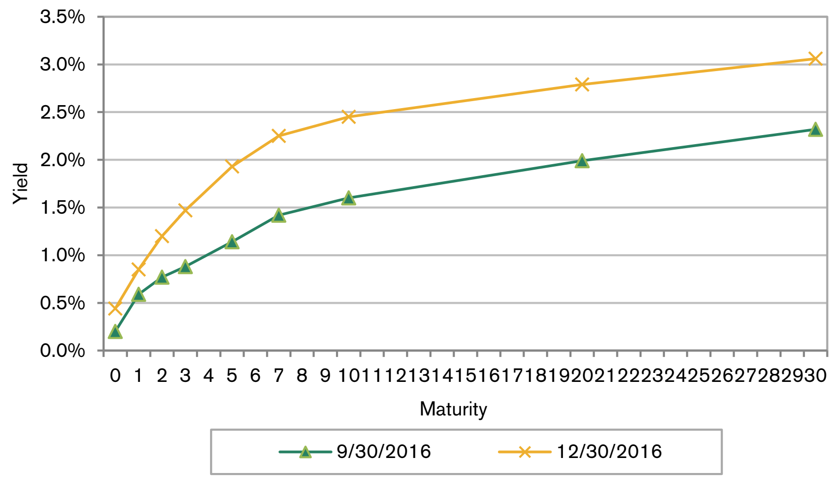
Investment Performance: U.S. Fixed Income

This section presents commentary on the U.S. Treasury yield curve and credit spreads during Q4 2016.

Yield Curve

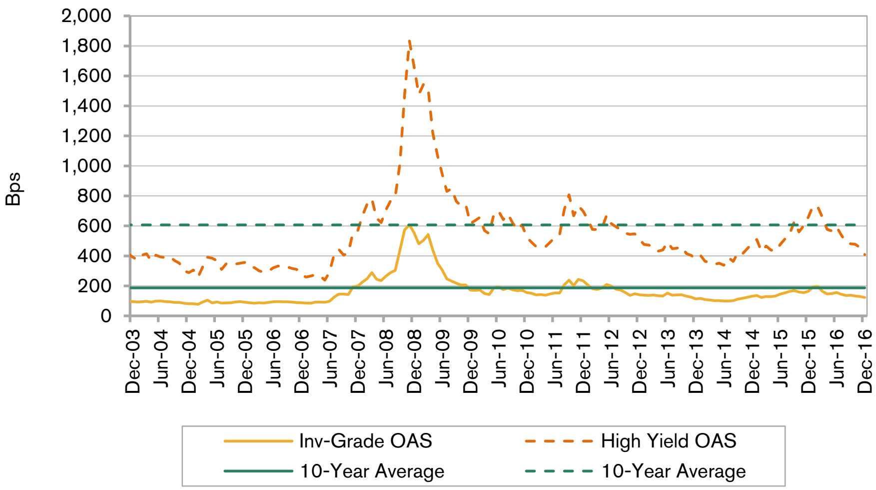
Treasury yields rose sharply across the board in Q4, largely in response to Trump's win during the U.S. presidential election. The yield curve steepened in Q4, as the short end of the curve rose at a slower rate when compared to the long-end of the curve. The 10-year note rose from 1.60 percent at the end of September to 2.44 percent at the end of December, an 84 bps change. It is also worth noting that the 10-year note jumped from 1.86 percent on Election Day to 2.44 percent at the end of December, in anticipation of President Trump delivering on his campaign promise on fiscal stimulus, which would manifest itself through tax cuts and infrastructure spending.

U.S. Treasury Yield Curve



Source: U.S. Treasury Department

Corporate Bond Spreads



Source: Bloomberg Barclays

Credit Spreads

Investment grade corporate spreads tightened by 15 bps during Q4 and ended the quarter with an option-adjusted spread of 123 bps over Treasuries, as shown in the adjacent graph. From a historical perspective, spreads are now 64 bps below the 10-year average of 187 bps.

High yield bond spreads narrowed during Q4 by 71 bps, ending with a OAS of 409 bps at the end of December, which is 198 bps below the 10-year average of 607 bps.

Investment Performance: Non-U.S. Fixed Income

This page focuses on international fixed-income asset class data and information on EM debt (EMD) for Q4 2016.

Developed Non-U.S. Fixed Income

In Q4, global sovereign bonds, as measured by the Citigroup World Government Bond Index (WGBI), generated a -3.1 percent return in local currency terms and further detracted from performance on an unhedged basis given the strengthening of the USD relative to other developed markets currencies during the period. The Bloomberg Barclays Capital Global Aggregate Index, which includes spread sectors, returned -2.3 percent, beating the sovereign-only Citigroup WGBI by roughly 80 bps. Non-U.S. government bonds, as measured by the Citigroup Non-U.S. WGBI, outperformed U.S. government bonds by approximately 110 bps in local currency terms. However, with the currency effect, Non-U.S. government bonds underperformed U.S. government bonds by 700 bps.

On an unhedged basis, all WGBI components finished Q4 in negative territory, with Japan (-14.7 percent), Italy (-9.2 percent), and Australia (-9.2 percent) posting the worst returns during the period. Canada (-5.8 percent) fell the least during the quarter.

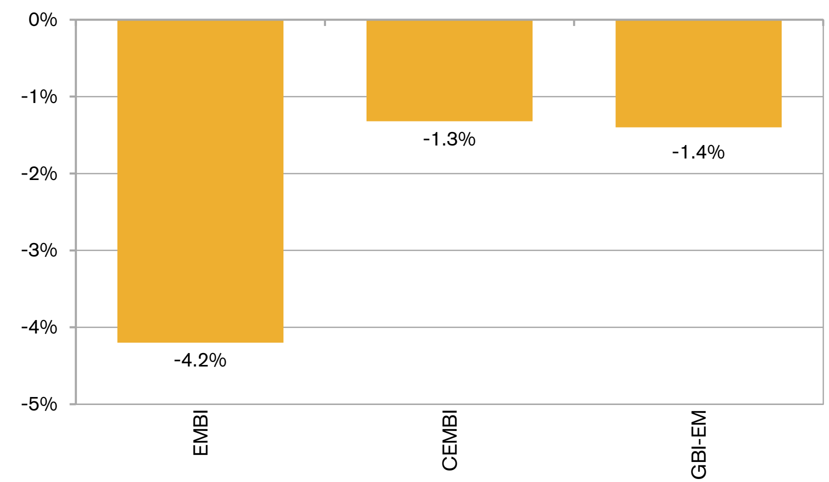
On a local currency basis, performance was also negative across the board. Japan was the top performer (-1.8 percent) while Australia (-4.1 percent) was the worst performing country during the quarter.

Citigroup WGBI: Returns of Major Constituents (%)

Country	Local Currency Return (Qtr)	Currency Effect	Unhedged Total Return (Qtr)
United States	-3.8	-	-3.8
Canada	-3.9	-1.9	-5.8
Australia	-4.1	-5.2	-9.2
Japan	-1.8	-12.9	-14.7
Austria	-2.6	-5.9	-8.6
Belgium	-3.5	-5.9	-9.5
France	-3.4	-5.9	-9.4
Germany	-2.5	-5.9	-8.5
Italy	-3.3	-5.9	-9.2
Netherlands	-2.7	-5.9	-8.7
Spain	-2.8	-5.9	-8.8
United Kingdom	-3.7	-4.7	-8.4
Non-U.S. Govt. Bond	-2.7	-8.2	-10.8
World Govt. Bond	-3.1	-5.5	-8.5

Sources: Citigroup and Bloomberg Barclays

Emerging Markets Debt Index Performance



Source: J.P. Morgan

Emerging Markets Debt

The USD-denominated J.P. Morgan EMBI Global Index (-4.2 percent) fell in Q4. The high yield component of the index (-3.0 percent) outperformed the investment grade category by over 220 bps. All regions within the index declined, but Middle East (-0.1 percent) and Africa (-2.0 percent) lost the least, while Asia (-5.0 percent) and Latin America (-5.0 percent) were the biggest detractors.

The J.P. Morgan CEMBI Broad Diversified Index, which comprises USD-denominated corporate bonds, returned -1.3 percent in Q4. The performance drivers were comparable to the EMBI Global Index in that lower quality credits outperformed higher quality names. However, from a regional perspective, Africa led the way (0.6 percent), while Eastern Europe (-0.2 percent) had the second-best performance despite posting a negative return. The Middle East (-2.1 percent) and Asia (-2.3 percent) were the worst performing regions.

The local currency benchmark, J.P. Morgan GBI-EM Global Diversified Index, returned -1.4 percent during Q4. Once again, Middle East and Africa were the best performing regions, each with 0.2 percent returns, while Eastern Europe (-1.2 percent) and Asia (-3.0 percent) were the biggest laggards during the period.

Investment Performance: Commodities and Currencies

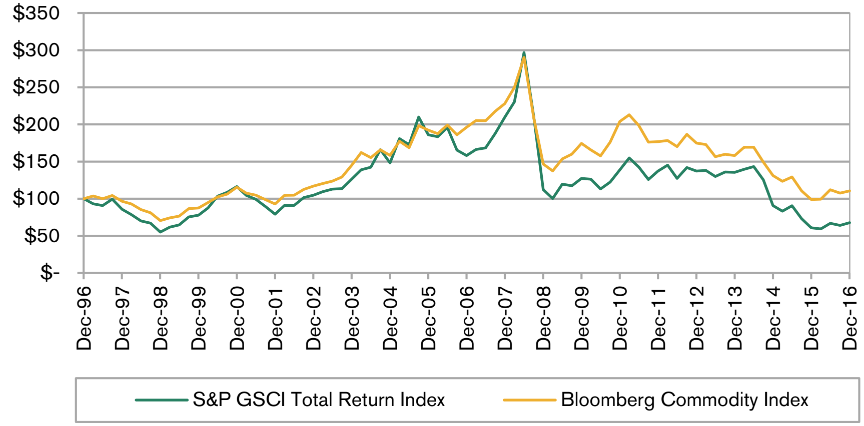
This section presents performance information about commodities and major world currencies as of Q4 2016.

Commodities

The adjacent graph shows the 20-year growth of $100 for the Bloomberg Commodity Index ("BCOM") and the S&P GSCI Index. Commodities finished the year strong, with the BCOM and the S&P GSCI posting their first calendar-year gains since 2010 and 2012, respectively. During Q4, the BCOM rose 2.7 percent and the S&P GSCI rose 5.8 percent.

The largest detractor during the quarter was Precious Metals (-14.0 percent BCOM; -13.2 percent GSCI), which fell due to expectations of higher interest rates and a strong USD. Agriculture (-2.1 percent BCOM; -3.1 percent GSCI) was the only other sector to decline in Q4. Livestock (20.8 percent BCOM; 18.4 percent GSCI) rebounded from a negative Q3, as cattle supplies remained tight throughout the quarter. Energy (10.6 percent BCOM; 8.7 percent GSCI) had a strong quarter as well, as the price of crude oil increased with expectations that members of OPEC and other major producers will abide by their agreement to limit output. Industrial Metals (6.1 percent BCOM; 5.7 percent GSCI) received strong tailwinds from Donald Trump's election win as infrastructure spending appears to be among his top priorities.

Quarterly Commodity Returns, Growth of $100: 20 Years



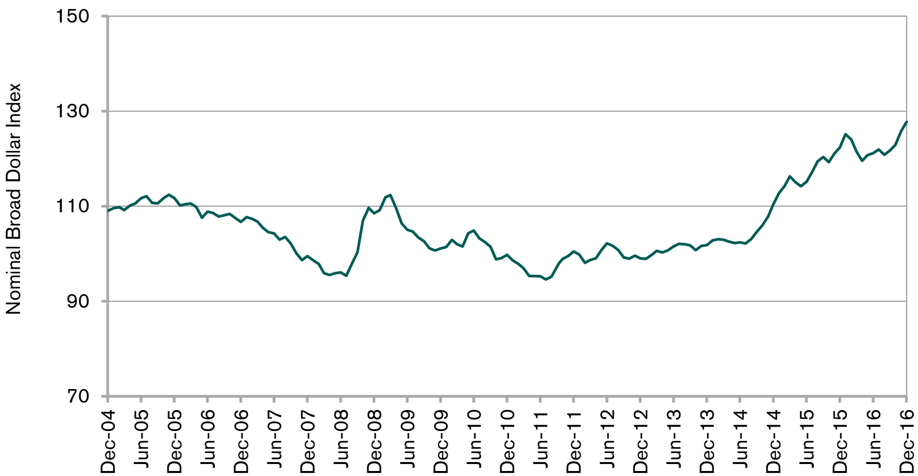
The graph above shows the major commodity indices, the S&P GSCI* Index and the Bloomberg Commodity Index**

* The S&P GSCI Index is calculated primarily on a world production-weighted basis and is composed of the principal physical commodities that are the subject of active, liquid futures markets.

** The Bloomberg Commodity Index is composed of futures contracts on physical commodities, with weighting restrictions on individual commodities and commodity groups to promote diversification.

Source: Bloomberg

Nominal Broad Dollar Index: USD vs. Basket of Major Trading Partners



Sources: Federal Reserve and Bloomberg

Currencies

The adjacent graph shows the U.S. dollar (USD) against a basket of 16 major market currencies, including those listed in the table below: the Canadian dollar (CAD), the euro (EUR), the Japanese yen (JPY), the Swiss franc (CHF) and the British pound-sterling (GBP).

In Q4, the U.S. nominal broad dollar index increased by 4.94 percent to 127.7. Higher relative economic growth should provide a tailwind for the USD to strengthen going forward.

USD Major Trading Partners	Pairs	Q4 Level	YTD	5-Year Average
Canada	USD/CAD	1.34	-2.88%	1.15
Eurozone	USD/EUR	0.95	3.21%	0.82
Japan	USD/JPY	116.96	-2.71%	102.99
Switzerland	USD/CHF	1.02	1.69%	0.95
U.K.	USD/GBP	0.81	19.38%	0.66

Investment Performance: Hedge Funds

This section provides an overview of hedge fund results along with an analysis of strategy performance during Q4 2016.

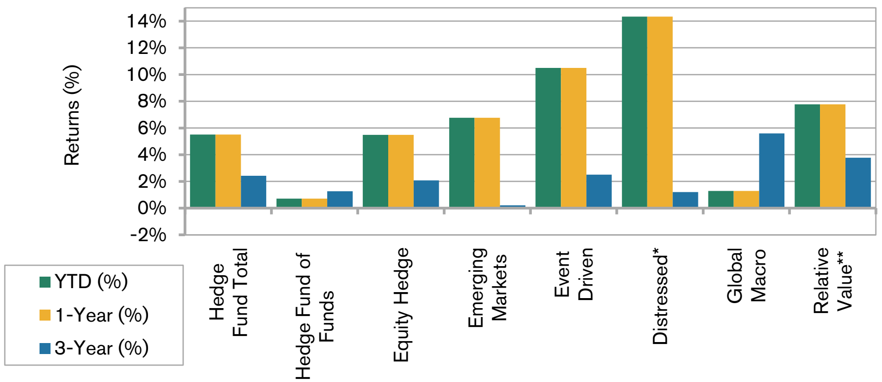
Hedge Fund Overview

The Hedge Fund Research, Inc. (HFRI) Fund Weighted Composite Index increased 1.2 percent during Q4, posting gains in both November and December. Of the five major hedge fund strategies, Event-Driven (3.5 percent) ended Q4 with the strongest performance. Relative Value (2.0 percent) was the second-best performer, followed by Equity Hedge (1.3 percent), Global Macro (-0.4 percent) and Emerging Markets (-1.2 percent).

Longer-term results were positive, as hedge funds recorded a gain of 2.4 percent over the three-year period ending December 31, 2016, as measured by the HFRI Fund Weighted Composite Index.

Hedge funds of funds posted a positive result in Q4, as measured by the HFRI Fund of Funds (FOF) Composite Index (1.1 percent), bringing the annual performance total into positive territory (0.7 percent).

Hedge Fund Industry Performance



* Distressed funds focus on companies that are close to or in bankruptcy.
**Relative-value funds focus on arbitrage opportunities between equity and fixed income securities.
Source: Hedge Fund Research, Inc.

HFRI Index Returns – Q4 2016 (%)

	Oct	Nov	Dec	QTD	YTD
Fund of Funds Composite	-0.3	0.3	1.1	1.1	0.7
FOF: Conservative	0.3	0.6	1.2	2.1	2.2
FOF: Diversified	-0.4	0.4	1.5	1.5	0.9
Fund Weighted Composite	-0.6	0.8	1.0	1.2	5.5
Equity Hedge (Total)	-0.8	1.3	0.8	1.3	5.5
Equity Market Neutral	0.2	0.4	0.5	1.1	1.8
Short Bias	-1.0	-0.8	-0.4	-2.2	0.4
Event-Driven (Total)	0.2	1.8	1.5	3.5	10.5
Distressed/Restructuring	1.5	1.5	1.8	4.8	14.3
Merger Arbitrage	-0.7	0.9	1.4	1.6	3.7
Relative Value (Total)	0.3	0.5	1.2	2.0	7.8
FI-Convertible Arbitrage	0.8	0.5	0.5	1.8	7.8
Global Macro (Total)	-1.2	-0.3	1.1	-0.4	1.3
Emerging Markets (Total)	0.8	-2.0	0.0	-1.2	6.8

Source: Hedge Fund Research, Inc.

Strategy Analysis

The HFRI Event-Driven Index (3.5 percent) was the best-performing major hedge fund strategy index in Q4. All six underlying indices contributed positively, but the strongest returns came from Activist (5.1 percent), Distressed/Restructuring (4.9 percent) and Special Situations (3.2 percent). Credit Arbitrage (2.4 percent), Multi-Strategy (1.7 percent) and Merger Arbitrage (1.7 percent) sub-strategy returns were meaningful as well.

The HFRI Relative Value Index (2.0 percent) also increased as all underlying indices were positive. The Fixed Income Yield Alternatives Index (3.1 percent) led performance, followed by the Fixed Income Corporate Index (2.3 percent), which realizes spread opportunities between multiple corporate bonds and the Fixed Income Convertible Arbitrage Index (1.8 percent).

The HFRI Equity Hedge Index (1.3 percent) posted mixed results across sub-strategies. The Technology/Healthcare (-2.3 percent), Short-Bias (-2.2 percent) and Energy/Basic Materials (-1.7 percent) sector-focused indices fell. However, Fundamental Value (3.6 percent) and Quantitative Directional (2.6 percent) help offset those losses.

The HFRI Global Macro Index (-0.4 percent) declined in Q4. Systematic Diversified (-2.3 percent) and Commodities (-0.7 percent) were the largest detractors to the index.

The HFRI Emerging Markets Index (-1.2 percent) was the worst performing major hedge fund strategy in Q4, as a strong gain in underlying regional index Russia/Eastern Europe (5.3 percent) was not enough to offset losses in India (-6.2 percent), China (-4.5 percent) and Asia ex-Japan (-4.2 percent).

Investment Performance: Private Equity

This section provides data on private equity industry performance, fundraising, buyout funds, initial public offering (IPO) activity and venture capital. The information in this section reflects the most recent private equity data available.

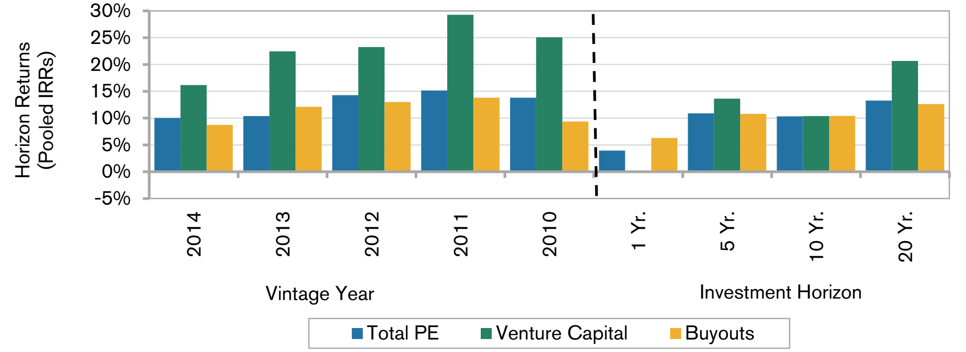
Private Equity Industry Performance

The adjacent graph shows private equity fund performance for Q2 2016, calculated as pooled internal rates of return (IRRs) of funds reporting to Thomson One. Performance for 2010 through 2014 vintage-year* funds, as well as one-, five-, 10- and 20-year returns, is calculated for funds in the following categories: total private equity, venture capital and buyouts.

The total return for private equity funds, comprising performance across all regions and strategies, was 2.1 percent in Q2 2016 and 4.0 percent over the one-year period. Long-term performance has been strong, with double-digit returns for the three-, five-, 10- and 20-year time periods of 13.1 percent, 10.9 percent, 10.3 percent and 13.3 percent, respectively.

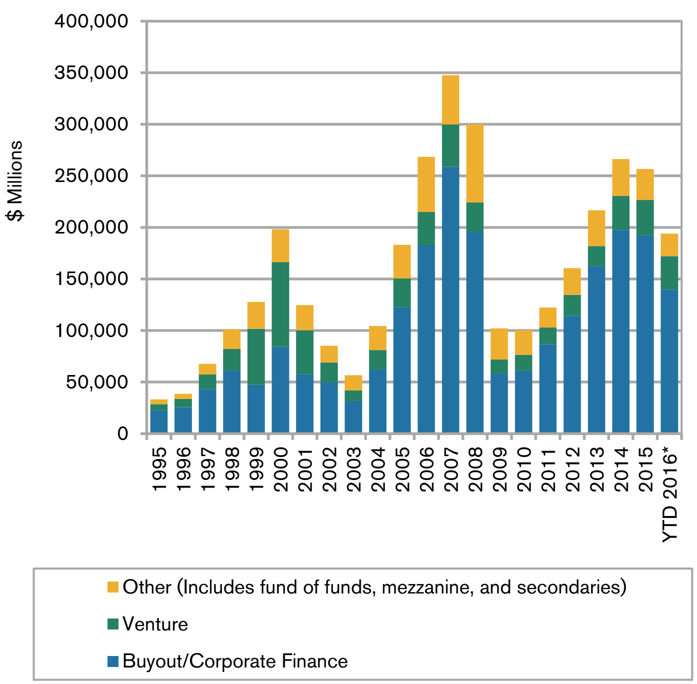
*"Vintage year" refers to the first year capital was committed in a particular fund. Vintage-year performance is calculated as the median percentile returns of all funds reporting as pooled IRRs.

Private Equity Performance by Vintage Year and Investment Horizon: All Regions



Source: Thomson Reuters

Private Equity Commitments: United States



*Through September 15, 2016
Source: *Private Equity Analyst*

Private Equity Overview

According to *Private Equity Analyst*, U.S. private equity funds raised approximately $194.0 billion year-to-date through September 15, 2016. This is over 41 fewer funds and is $3 billion less in capital than raised year-to-date through Q3 2015, but still represents the second highest Q3 fundraising period in dollar terms over the last five years. Buyout/corporate finance strategies raised the most capital among private equity strategies year-to-date at $139.7 billion. Venture capital raised $32.1 billion year-to-date, while other private equity funds, including fund of funds, mezzanine and secondaries, raised a combined total of $21.9 billion.

Venture-backed exit value declined in Q3 versus Q2, dropping approximately 2 percent in total realizations and 12 percent in number of exits. Both IPO and M&A activity has decreased in volume over the past two years, but exit value, which was $38.7 billion at the end of Q3, is expected to end 2016 somewhat higher than 2015, which saw a total exit value of $48.7 billion. Buyout IPO activity remained weak in Q3, as only two companies went public during the quarter. Year-to-date through Q3 there have only been five buyout IPO exits. Buyout M&A activity increased by approximately 11 percent in deal value and 17 percent in number of deals over Q2. Total deal value ($27.5 billion) and volume (142 deals) in Q3 was higher than the quarterly average of each since Q1 2011 ($23.4 billion; 137.4 deals).

Q3 venture capital deal activity declined 32 percent on a quarter-over-quarter basis in the number of companies receiving venture investment. However, at approximately $15 billion, investment in dollar terms was still very strong. Year-to-date venture investment through Q3 was approximately $56 billion, putting 2016's annual financing on track to being the second-highest on record, just behind 2015. In buyouts, disclosed deal value at $134.9 billion for closed deals year-to-date through Q3 has already exceeded the previous two full-year totals of $112.7 billion in 2014 and $117.5 billion in 2015, and is approximately $11 billion shy of matching 2013's highest annual disclosed deal volume for closed deals in the post-crisis era.

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Investment Performance: Real Estate

This page presents data and Rogerscasey's commentary on private and public real estate. The information below reflects the most recent data available.

Private Real Estate

The National Council of Real Estate Investment Fiduciaries (NCREIF) Property Index (NPI), which tracks private real estate in the U.S., gained 1.7 percent during Q4. The total return is composed of 1.1 percent income and 0.6 percent property-level appreciation. Over the trailing one-year period, the Index gained 8.0 percent, composed of 4.8 percent income and 3.1 percent property-level appreciation.*

In the regions of the U.S., the West performed the best during Q4 and over the last 12 months, as shown in the adjacent table. This marks the third straight year where the West outperformed the three other regions. Hotels performed the worst out of all five sectors, generating a negative property-level appreciation return for the Q4 and one-year time periods. Growth in asset values is slowing as property-level appreciation returns have decreased every quarter since Q1 2015. As cap rates start to level off at historical lows, income growth in real estate should be the main driver of stabilized real estate returns going into 2017.

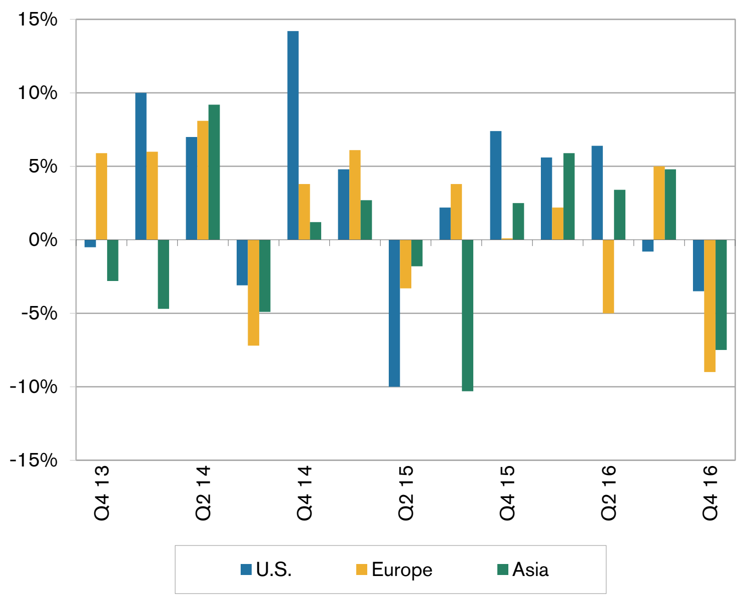
* Does not add up to total due to rounding.

National Property Index Sector and Region Performance

		Returns as of Q4 2016	
	Ending Weight (%)	QTD (%)	1 Year (%)
NCREIF NPI Total Return	100.0	1.7	8.0
Sector			
Apartment	24.3	1.7	7.3
Hotel	1.0	0.7	4.7
Industrial	14.4	3.0	12.3
Office	36.8	1.4	6.2
Retail	23.6	1.7	9.0
NCREIF Region			
East	33.7	1.4	6.4
Midwest	8.9	1.3	7.0
South	19.6	1.6	7.4
West	37.7	2.2	10.0

Source: National Council of Real Estate Investment Fiduciaries

Regional Real Estate Securities Performance



Source: National Association of Real Estate Investment Trusts

Public Real Estate

The FTSE EPRA/NAREIT Global Developed Real Estate Index total market capitalization remained at $1.4 trillion in Q4 and the breakdown was as follows: North America $787 billion, Europe $211 billion and Asia $355 billion. Real estate securities declined (-5.4 percent) on a global basis in Q4 as a result of rising interest rates and decelerating cash flows. The U.S. (-3.5 percent) outperformed Asia (-7.5 percent) and Europe (-9.0 percent), as measured by the FTSE EPRA/NAREIT indices. On a full year basis, Europe (-7.3 percent) was the only geography to post negative performance in 2016. Sector performance in the U.S. was mixed: Regional Malls (-11.4 percent), Healthcare (-10.8 percent), Net Lease (-10.4 percent) and Shopping Centers (-8.3 percent) lagged, while Lodging (20.4 percent), Diversified/Financial (5.3 percent), Secondary CBD/Suburban Office (3.5 percent), Apartments (2.0 percent), Data Centers (0.8 percent), Primary CBD Office (0.4 percent), Self-Storage (0.2 percent), Industrial (-0.5 percent), Student Apartments (-1.3 percent) and Single Family Homes (-1.9 percent) outperformed the broader index.

Property stocks in Europe were negative as a result of an increase in bond yields and lackluster rental growth. In Europe, Italy (-2.4 percent), Spain (-4.3 percent), U.K. (-4.4 percent) and Finland (-6.5 percent) lost less than the broader index, while Germany (-13.5 percent), Sweden (-11.9 percent) and France (-11.5 percent) underperformed the broader index. In Asia, Hong Kong (-12.1 percent), Singapore (-12.0 percent) and New Zealand (-9.1 percent) lagged, while Japan (-4.2 percent) and Australia (-5.9 percent) performed poorly but fared better than the broader index.

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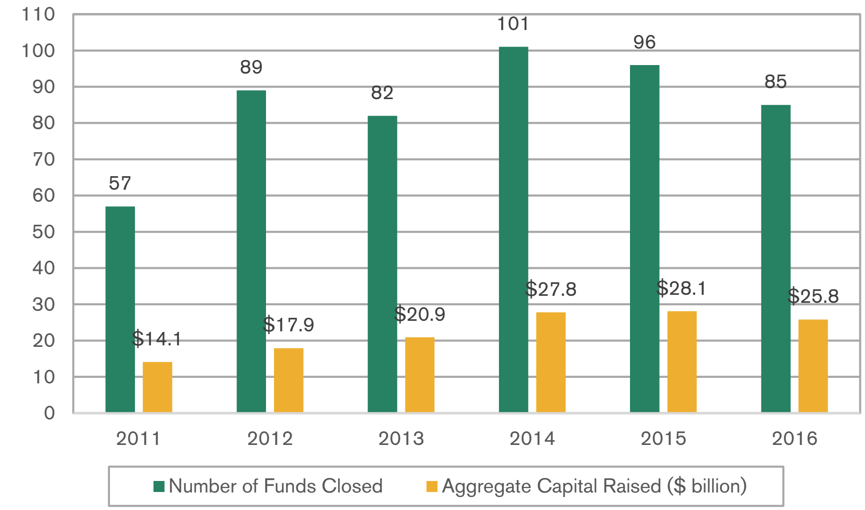
Investment Performance: Real Estate

This page presents data and Rogerscasey's commentary on value-added and opportunistic real estate. The information in this section reflects the most recent data available.

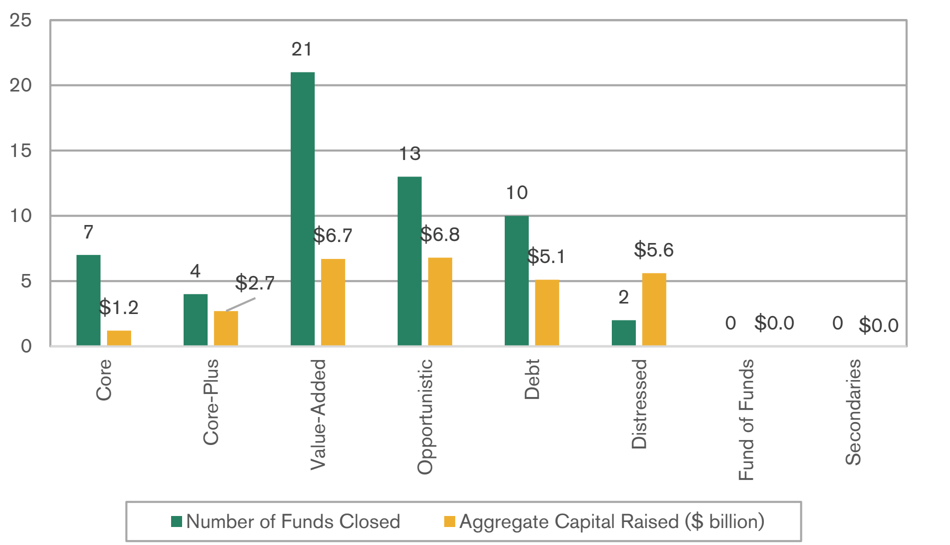
Value-Added and Opportunistic Real Estate

According to Preqin, closed-end private real estate fundraising increased in Q4 with a total of 57 funds receiving capital commitments of $28.1 billion. In aggregate, full year 2016 fundraising reached $106.0 billion, lagging the 2015 annual total by $12.1 billion. As shown in the graph below, value-added and opportunistic strategies received the most interest from investors with 21 value-added funds closing on $6.7 billion of capital commitments and 13 opportunistic funds closing on $6.8 billion of capital commitments during Q4. Real estate debt funds have also seen strong fundraising activity with 10 debt funds closing on $5.1 billion in capital commitments during Q4. As shown in the graph at right, value-added fundraising has strengthened significantly since 2011, but 2016 posted slightly weaker results compared to 2015 and 2014. Niche private real estate funds, which target investments in non-traditional property types such as student housing, senior homes, medical, and self-storage, have risen in the last decade, but still remain a relatively small portion of the North American real estate fundraising market. The strong interest in value-added and opportunistic funds has carried over into the niche private real estate sector, which is depicted in the graph on the bottom right, where almost 90 percent of total capital commitments raised from 2006 to 2016 was in value-added and opportunistic strategies.

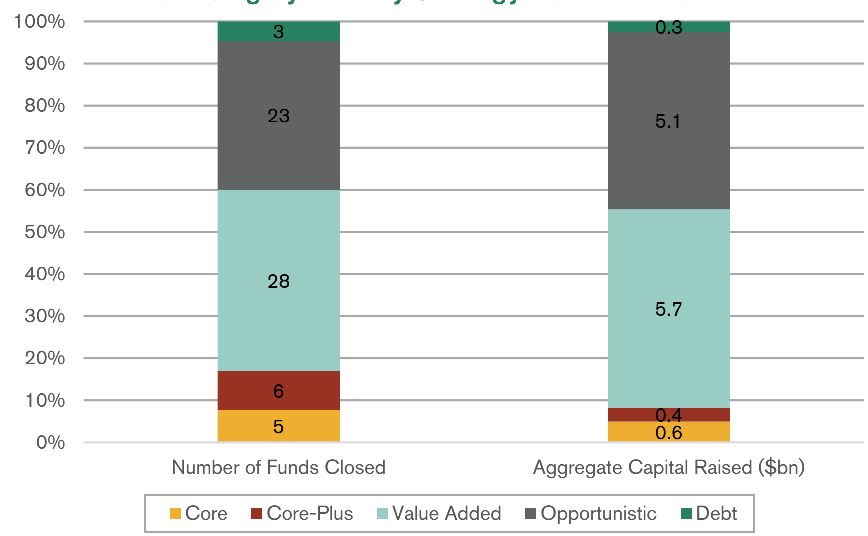
Annual Closed-End Value-Added Private Real Estate Fundraising from 2011 to 2016



Q4 2016 Closed-End Private Real Estate Fundraising by Primary Strategy



North America-Focused Closed-End Niche Private Real Estate Fundraising by Primary Strategy from 2006 to 2016



Source (this page): Preqin Real Estate Online

Noteworthy Developments

Rogerscasey finds the developments discussed in this section to be noteworthy for investors.

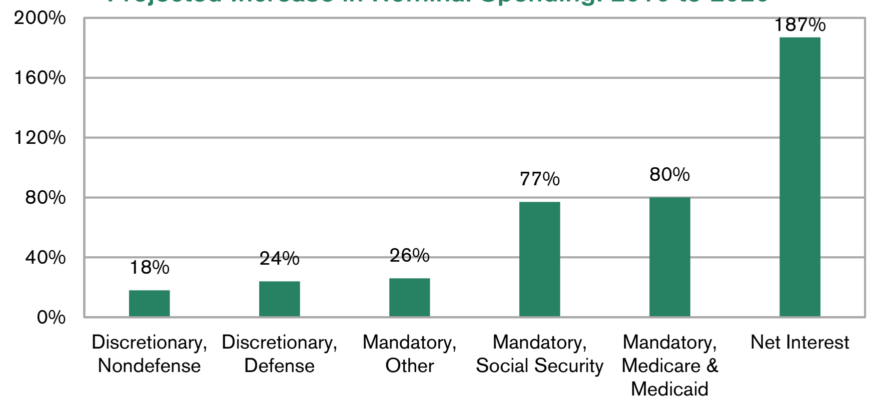
Interest on Federal Debt to Increase, Along with Payments

Over the next decade the fastest growing element of the federal budget will be interest payments on the federal debt. Driven primarily by projected increases in yields on Treasury bonds and to a lesser extent continuing budget deficits (which drive up the debt), interest payments are projected to rise sharply, nearly tripling in nominal terms, and doubling relative to projected GDP.

According to the CBO projections, debt held by the public will rise from $14 trillion at the end of 2016 (77 percent of GDP) to $23 trillion by 2026 (86 percent of GDP). Much of the increase in the budget deficits will be due to increased interest payments.

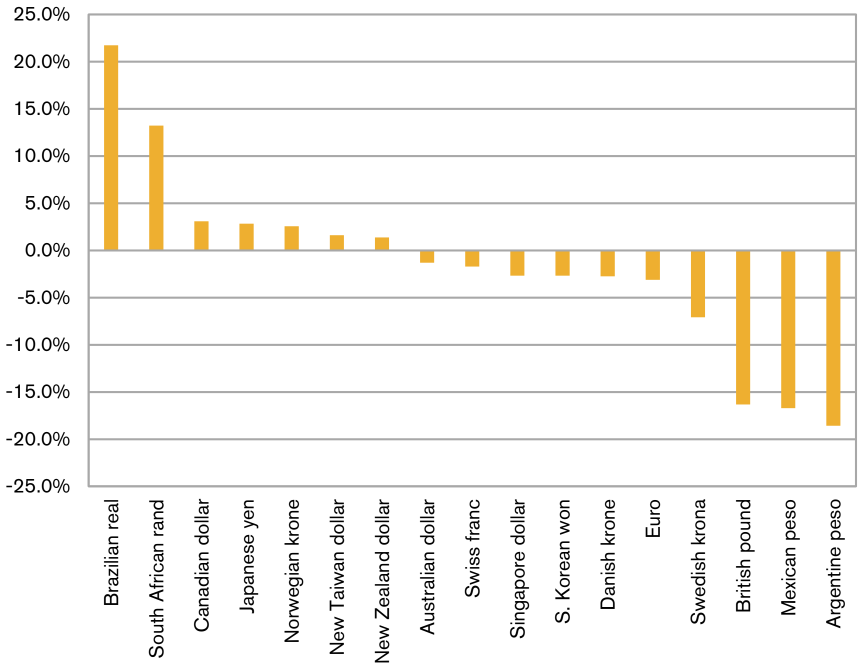
As these costs rise, interest spending is expected to crowd out other investment spending. For instance, while discretionary spending is projected to rise in nominal terms, it is projected to drop as a share of GDP to its lowest level since 1962. By 2027, interest spending is anticipated to exceed spending on national defense.

Projected Increase in Nominal Spending: 2016 to 2026



Source: Congressional Budget Office, *An Update to the Budget and Economic Outlook: 2016 to 2026*, August 2016

Foreign Currency Appreciation: Calendar Year 2016



Source: Bloomberg

Currency Risk

The adjacent graph shows the relative appreciation of 15 developed and emerging market currencies relative to the USD over the 2016 calendar year. Both the Brazilian real (21.7 percent) and South African rand (13.2 percent) have seen significant appreciation, while the Mexican peso (-16.7 percent) and Argentine peso (-18.6 percent) have fallen in value dramatically. The experience of these four emerging market currencies are indicative of a significant source of volatility within emerging equity markets. In developed market currencies, the British pound (-16.3 percent) has suffered in the wake of the Brexit referendum, while the Swedish krona (-7.1 percent) has also experienced significant depreciation.

The Balassa-Samuelson Effect, which links high productivity growth to higher wage growth, and ultimately higher real exchange rates, supports the traditional view that exposure to emerging market currencies over the long term is a risk premium that should add value for investors. However, given the recent low productivity growth in developed markets, exchange rates could remain in equilibrium, and as a result currency risk may increase the volatility of equity returns without contributing significantly to long-term appreciation in value. This hypothesis is supported by comparing the MSCI EAFE Currency Hedged Index (5.3 percent annualized return since 1/1/1988 with a volatility of 15.0 percent) with the MSCI EAFE Unhedged Index (4.9 percent annualized return since 1/1/1988 with a volatility of 17.1 percent).

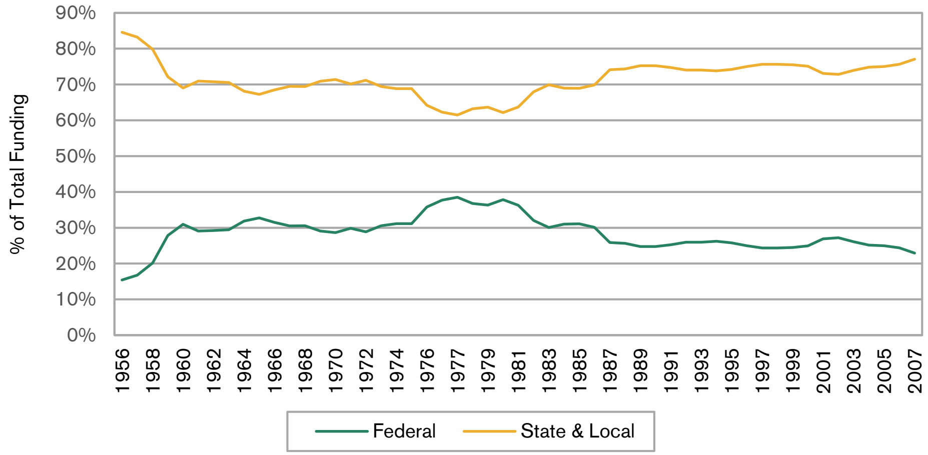
Noteworthy Developments

Rogerscasey finds the developments discussed in this section to be noteworthy for investors.

Municipal Bond Market

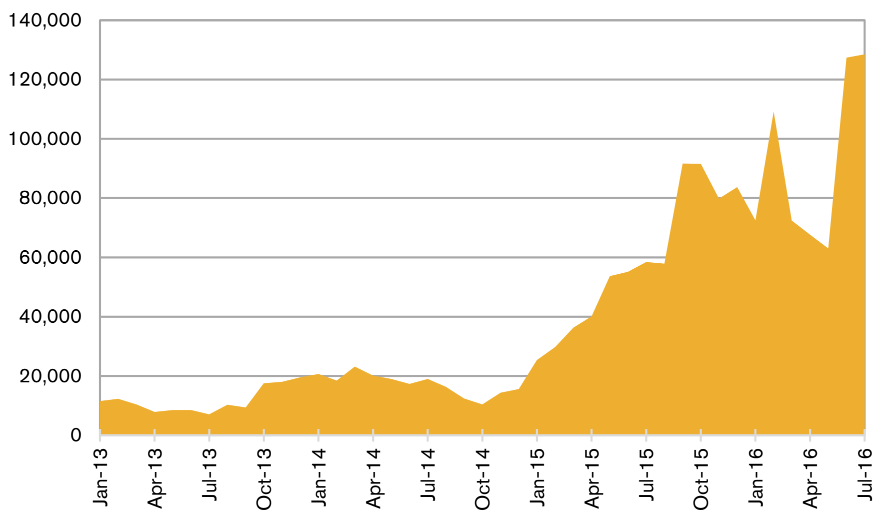
The adjacent graph compares federal and state and local infrastructure funding and shows that state and local municipalities, which have provided more than three times the funding to infrastructure projects than the federal government, have been critical to the competitiveness and safety of the U.S. infrastructure. The municipal bond market raises approximately 78 percent of the capital for infrastructure and development in the U.S. and is increasingly relevant as an investment opportunity for a wide range of investors, including cross-over buyers who may consider an investment in U.S. municipal bonds as a surrogate to investing in U.S. infrastructure. In addition, the recent market dislocation caused by the U.S. presidential election results has made the municipal bond market more attractive, from a relative value and credit quality standpoint, relative to other spread sectors.

U.S. Government Infrastructure Funding



Source: Congressional Budget Office, *Public Spending on Transportation and Water Infrastructure*, November 2010

Number of ESG Screens Applied by Individual Users in eVestment Alliance Database



Source: eVestment Alliance Database

ESG-Focused Manager and Product Screens

Environmental, Social and Governance (ESG) strategies are nothing new and come on the tail of Socially Responsible Investment (SRI) products. Although much can be written about the nuances and virtues of either approach and whether they are relevant, the adjacent graph reveals that ESG is very much on top of investors' minds. The graph shows the number of ESG-specific manager/product screens that are applied in the eVestment Alliance (eVestment) investment analytics database by a unique user each month. In January 2013, for example, there were less than 20,000 ESG screens applied in database searches, but, fast-forward two years and the number of screens tripled to close to 80,000 per unique user. In fact, according to eVestment, ESG screening has increased by 150 percent over the past 18 months and has seen some of the greatest activity compared to other categories of products. However, this does not signal a trend that client assets will soon follow or that asset managers are moving toward becoming more ESG-friendly. In the U.S., only 29 asset owners are UN Principles of Responsible Investing (PRI) signatories, while in Europe alone there are 183 signatories. Even so, we do not believe this is a fading trend, if European and Australian markets are any indication, and would expect the trend-line will continue its upward track into the foreseeable future.