



Our investment experts share their perspectives on market events, economic data and developing themes in our monthly review of the global capital markets.

EQUITY HIGHLIGHTS

- Global equities continued a strong start to 2019 with positive returns in April, as the MSCI ACWI IMI rose 3.31% during the month. U.S. equities again outperformed emerging markets and international developed markets in April, led by relative strength in the large- and mid-cap growth segments. Over the past year, U.S. Equities have been strongly positive – Russell 3000 Index returned 12.68% - while Developed ex-U.S. and Emerging Markets have posted negative absolute returns. Information Technology and Communication Services were the top performing sectors domestically in April, while Health Care and Real Estate lagged.
- After a challenging 2018, the performance of actively-managed equity strategies has improved during 2019.
- U.S. growth equities have outperformed value by a wide margin since the global financial crisis, driven partially by a prolonged low economic growth environment and significant outperformance from large-cap information technology, communication services and consumer discretionary companies. Stretched growth valuations could lead to improvement in value relative performance.

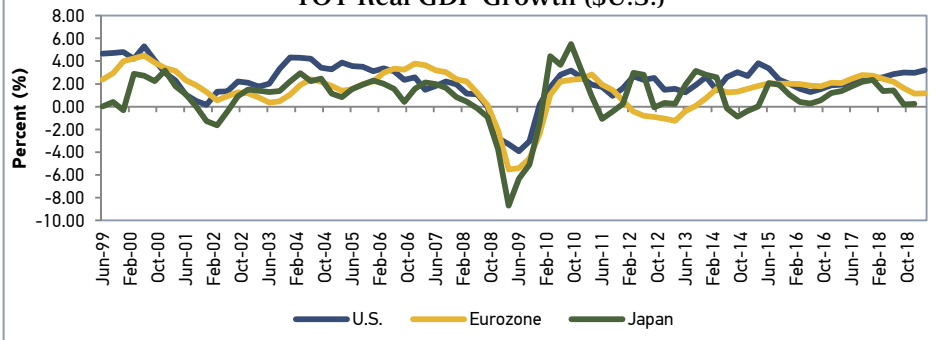
FIXED INCOME HIGHLIGHTS

- The rally in credit continued throughout the month of April with risk assets domestically and abroad producing positive returns. High yield, which was the top performer in the first two months of the year was again a top returning asset class in April, up 1.42%. Investment grade corporates (+0.49%) and emerging market debt (+0.40%) also produced positive results. Government related securities were negative for the month, down 0.27%. Foreign sovereign bonds were also down 0.11%. The Bloomberg Barclays U.S. Aggregate Bond Index, a proxy for the overall bond market, returned 0.03% in March.
- In a reversal from the previous month, 10-year government bond yields in select foreign markets moved higher in April, led by yields in the United Kingdom which increased by 20 bps. Yields on the 10-year German Bund moved back into positive territory (+0.03). Domestic rates, as represented by the yield of the 10-year Treasury, increased by 10 bps from 2.41% to 2.51%.
- Municipal/Treasury yield ratios moved higher on the front-end of the curve while longer-dated ratios moved lower. Ratios remain below historical averages.

Stock Indexes	YTD	Bond Indexes	YTD	Other Indexes	YTD	U.S. Treasury Yields		Rates/Commodities	
MSCI ACWI IMI	16.01%	Barclays US Aggregate	2.97%	US Fund Multialternative	5.30%	6-month	2.46%	Prime Rate	5.50%
Russell 3000	18.60%	Barclays Gbl Treas xUS Hdg	2.70%	DJ Equity All REIT	16.93%	1-year	2.39%	LIBOR (3 Mo)	2.58%
S&P 500	18.25%	Barclays US TIPS	3.54%	Bloomberg Commodity	5.88%	3-year	2.24%	Oil Price (\$/barrel)	\$63.91
MSCI EAFE	13.07%	Barclays US High Yield	8.78%			5-year	2.28%	Gold (\$/t oz)	\$1,285.70
MSCI EM	12.23%	Barclays EM Aggregate	5.85%			10-year	2.51%		
						30-year	2.93%		

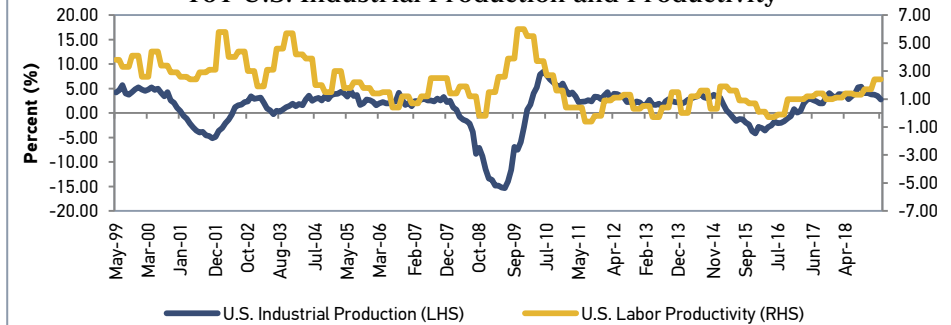


YOY Real GDP Growth (\$U.S.)



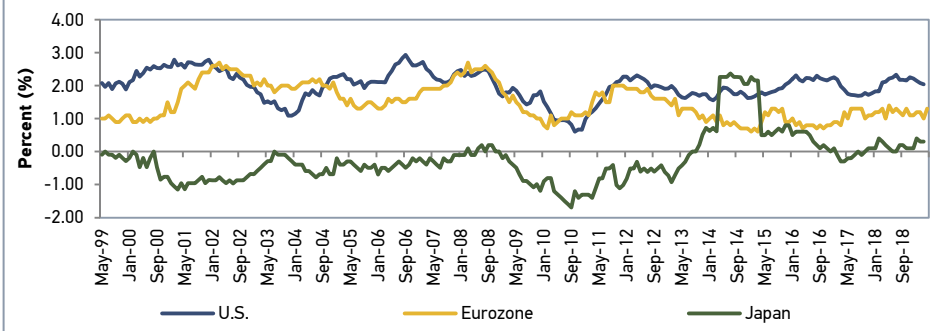
U.S. and Eurozone data as of 03.31.2019, Japan data as of 12.31.2018; Source: FactSet

YoY U.S. Industrial Production and Productivity



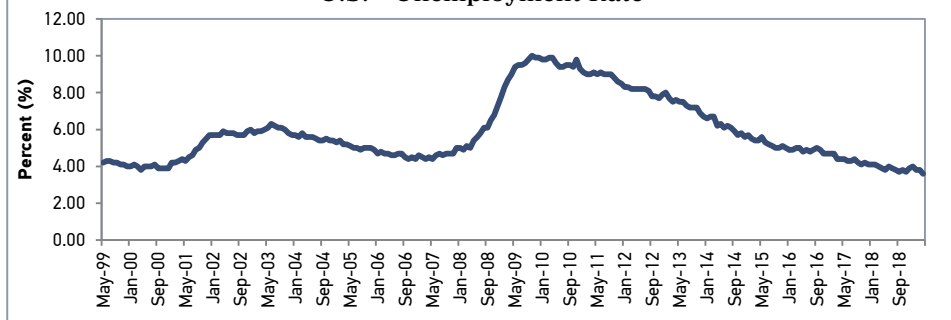
Data as of 03.31.2019; Source: FactSet

Core Consumer Price Index (YoY Growth)



Eurozone data as of 04.30.2019. U.S. and Japan data as of 03.31.2019; Source: FactSet; The sudden increase in Japan CPI growth in 2014 coincided with an increase in national sales tax that impacted final price levels.

U.S. - Unemployment Rate



Data as of 04.30.2019; Source: FactSet

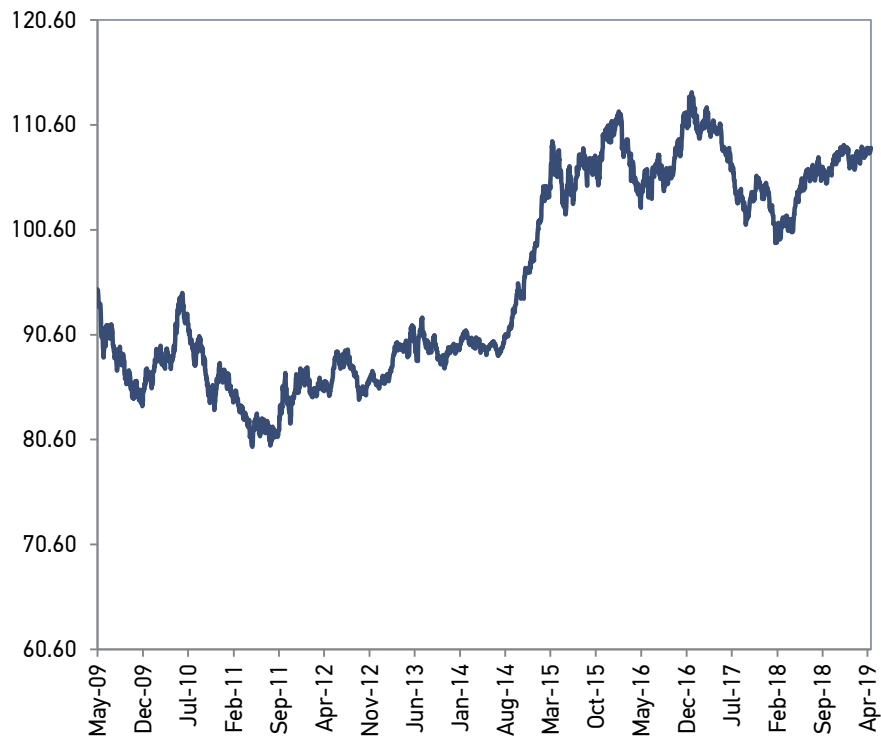
- Year-over-year GDP growth in the U.S. increased following a strong first quarter and has moved further above growth in Europe and Japan.
- Year-over-year U.S. productivity growth continued to improve in the first quarter and is at a multi-year high. Industrial production growth has moderated in recent months.
- U.S. inflation has leveled out at a little above 2% while European inflation has stabilized near 1%. Japan inflation remains very low but positive.
- April employment growth numbers were solid and the unemployment rate moved down to a forty-five year low of 3.6%.



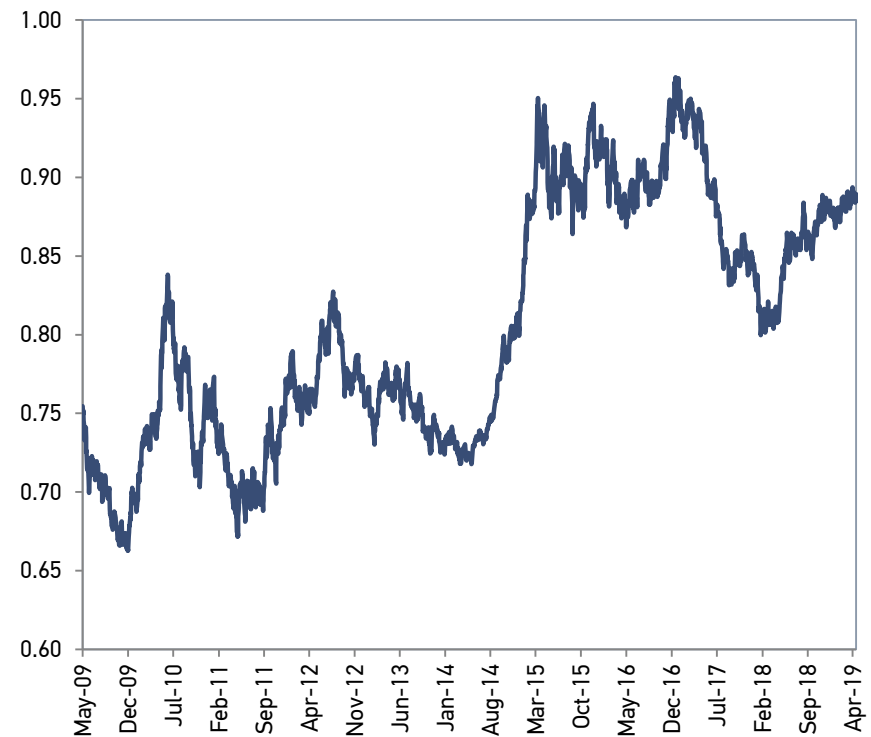
Leading	Initial Jobless Claims	<ul style="list-style-type: none"> In the week ending April 26th the four-week moving average of Initial Jobless Claims was 212,500 an increase of 6,500 from the previous week's revised average of 206,000.
	Manufacturing	<ul style="list-style-type: none"> ISM Manufacturing registered 52.8% in April a 2.5 percentage point decrease over the previous reading. A reading below 50.0% indicates contraction. ISM Manufacturing New Orders registered 51.7% in April a 5.7 percentage point decrease over the previous reading. ISM Non-Manufacturing registered 55.5% in April a 0.6 percentage point decrease over the previous reading.
	Housing/Construction	<ul style="list-style-type: none"> Building permits fell 0.5% in March and have fallen 6.5% over the past year.
Coincident	Consumer Confidence	<ul style="list-style-type: none"> The Consumer Confidence Index rose in April to 129.20 compared to 124.20 in March.
	Nonfarm Payrolls	<ul style="list-style-type: none"> Total nonfarm payroll employment gained 263,000 in April while the unemployment rate fell to 3.6%.
	Industrial Production	<ul style="list-style-type: none"> Industrial Production fell 0.10% in March and is up 2.77% over the past year.
	Personal Income	<ul style="list-style-type: none"> Real Disposable Personal Income fell 0.19% in March and is up 2.34% over the past year.
Lagging	Ratio of Consumer Installment Credit to Personal Income	<ul style="list-style-type: none"> This ratio was 0.2% in March and rose 1.1% year-over-year. Consumer borrowing tends to lag improvements in personal income by many months because people remain hesitant to take on new debt until they are sure that their improved income level is sustainable.
	Inflation	<ul style="list-style-type: none"> CPI (All Items) rose 0.4% in March and is up 1.9% over the trailing one year period. CPI (Core) rose 0.1% in March and is up 2.0% over the trailing one year period.



**Nominal Trade-Weighted U.S. Dollar
Major Currencies**



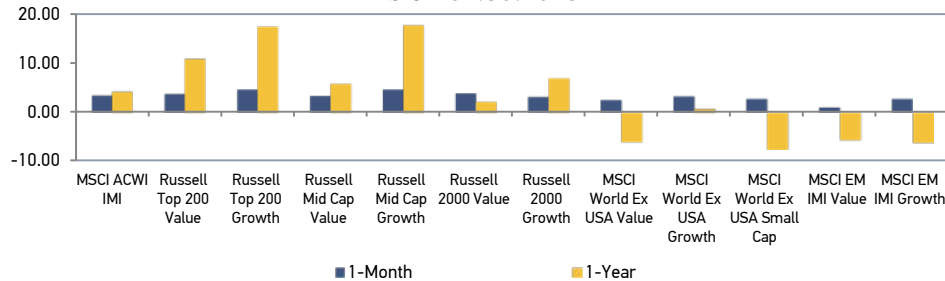
Euro per U.S. Dollar



- The Trade-Weighted U.S. Dollar Index (Major Currencies) rose 0.8% through April and the index is up 1.0% year-to-date. The dollar rose 0.2% versus the Euro in April.



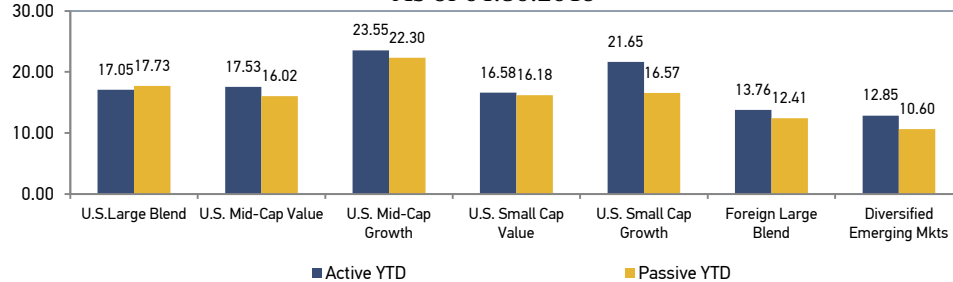
Equity Market Performance
As of 04.30.2019



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Source: Morningstar, Russell Investments

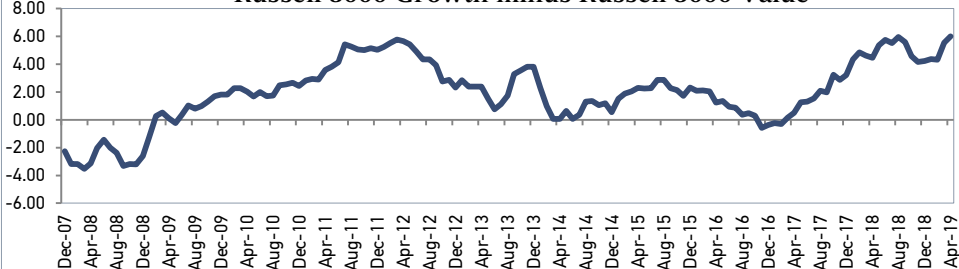
Active vs. Passive
As of 04.30.2019



Source: Morningstar, Russell Investments
Median return of Morningstar open-end fund category (institutional share class). Russell return of U.S. categories.

- After a challenging 2018, the performance of actively-managed equity strategies has improved in 2019. With the exception of U.S. Large Blend, all categories displayed on graph have seen higher returns from active management (in relation to passive) YTD in 2019.

Rolling 5-Year Return Differential
Russell 3000 Growth minus Russell 3000 Value

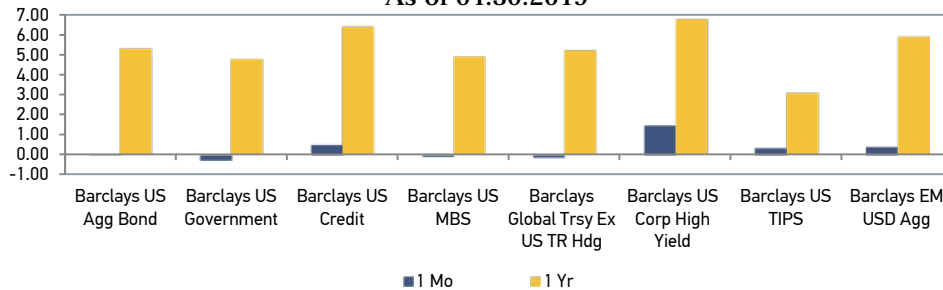


Data as of 04.30.2019; Source: Morningstar

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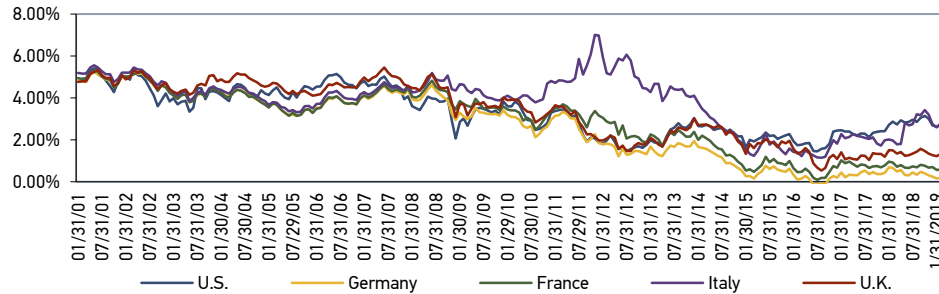


**Bond Market Performance
As of 04.30.2019**



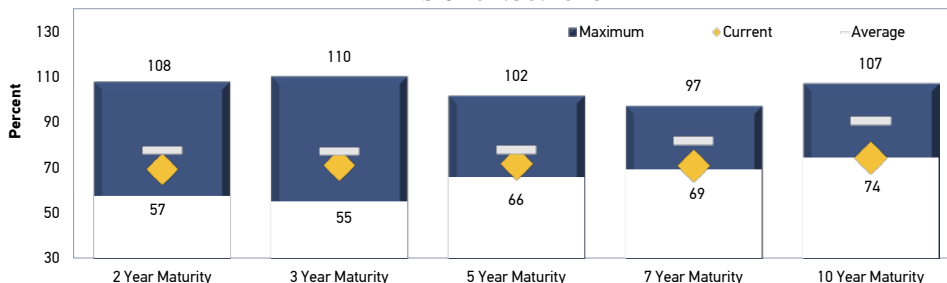
Source: Morningstar, Barclays

10-Year Government Bond Yields



Data as of 04.30.2019; Source: FactSet, U.S. Department of Treasury

**Municipal/Treasury Yield Ratios Over The Last 5 Years
As of 04.30.2019**



Source: Thompson Reuters; Sterling Capital Management Analytics.

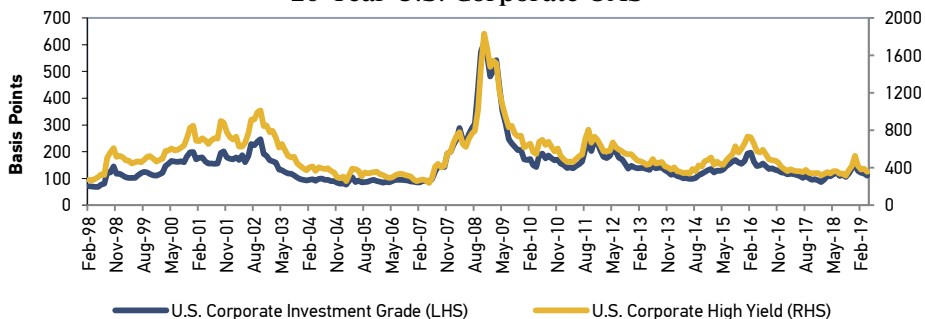
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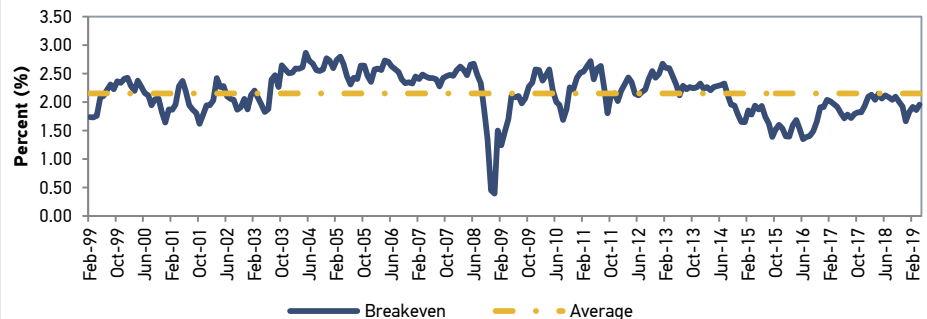


20-Year U.S. Corporate OAS



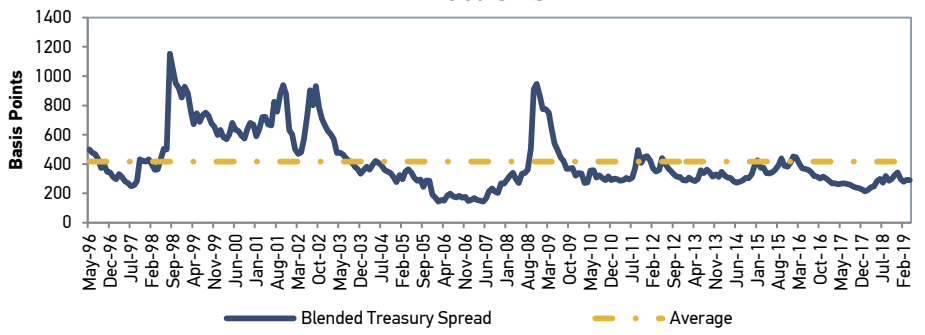
Data as of 04.30.2019; Source: FactSet

10-Year TIPS Breakeven



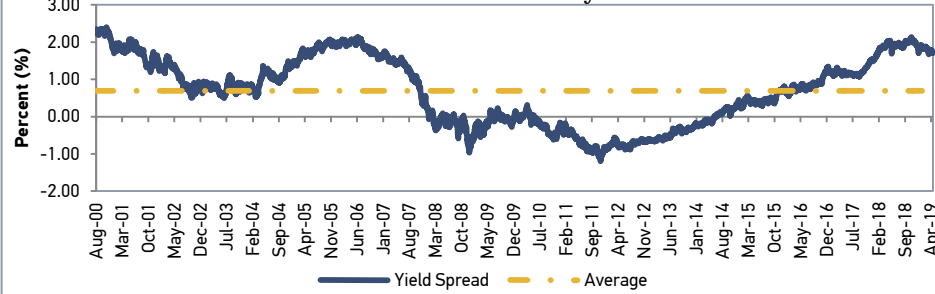
Data as of 04.30.2019; Source: Federal Reserve Board of Governors

EM Debt OAS



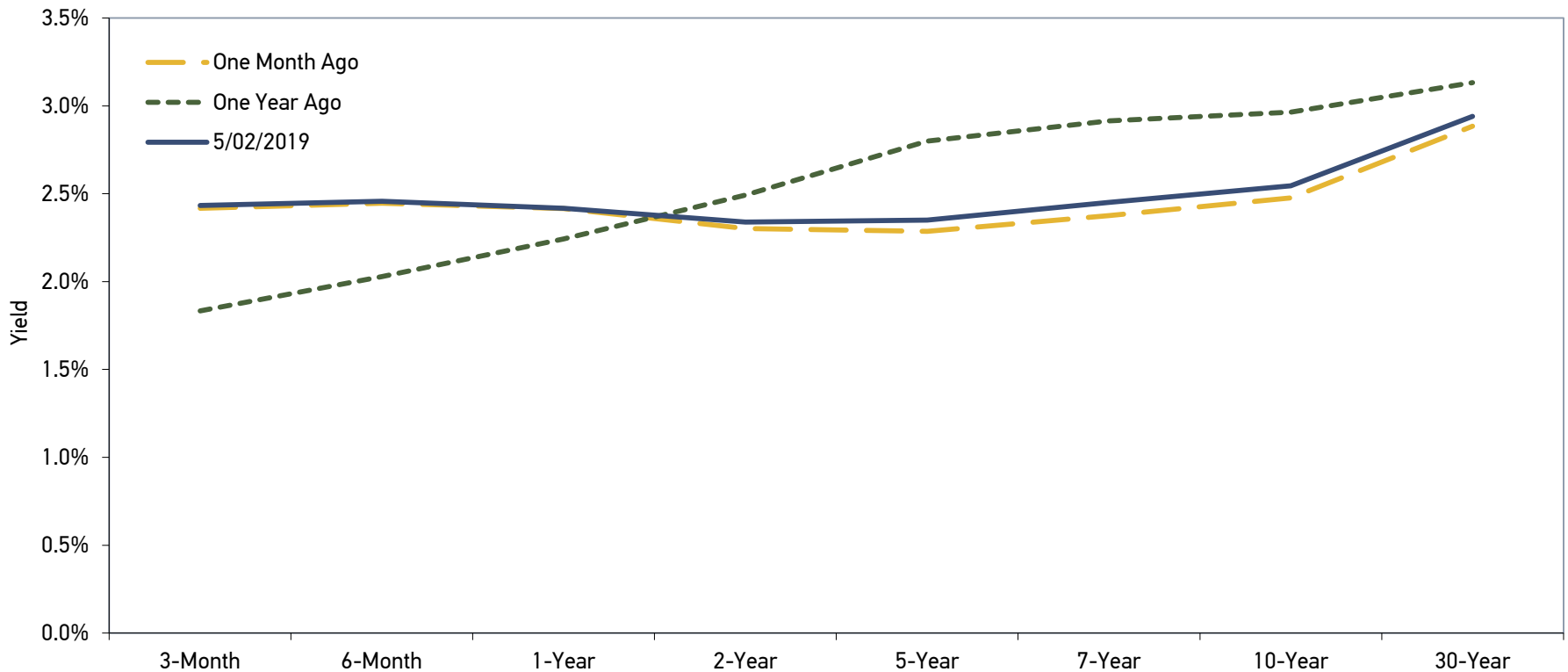
Data as of 04.30.2019; Source: Barclays

Yield Spread of Barclays U.S. Treasury Index to Global Ex-U.S. Treasury Index



Data as of 04.30.2019; Source: Barclays

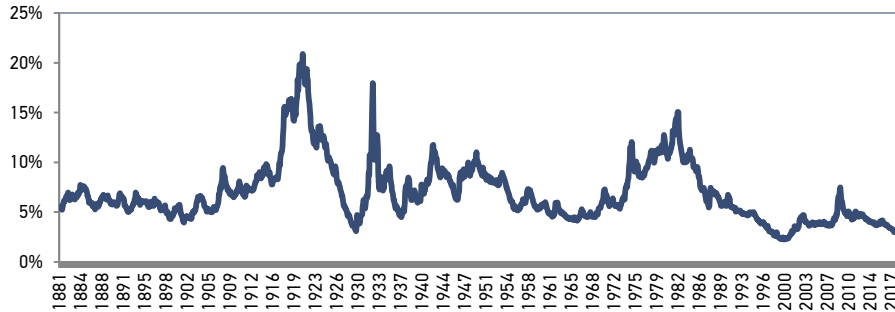
- Investment grade and high yield credit spreads moved significantly lower in April, continuing their strong performance this year.
- Market inflation expectations as measured by TIPS breakeven rates moved higher in April.
- Emerging Market credit spreads were little changed in April and remain well below both December highs and the long run average. The yield spread of U.S. to Global Treasuries moved mildly higher in April and remains above the historical average.



- Month-over-month, the yield curve shifted higher with key rates beyond five-years increasing between six and eight basis points. Three-month yields continue to trade higher than five-year yields, keeping that section of the curve inverted.

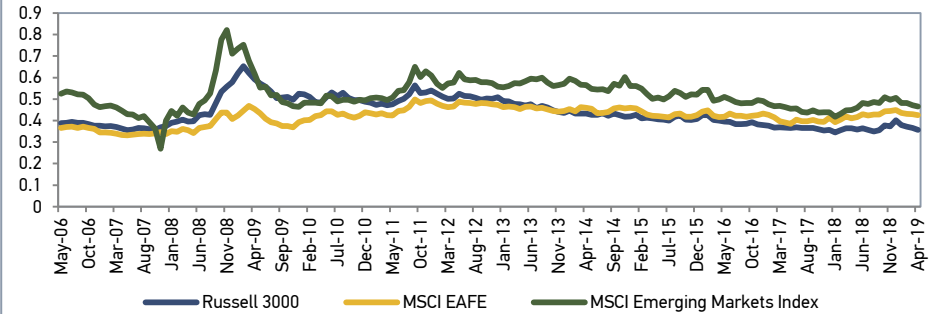


U.S. Cyclically Adjusted Earnings Yield



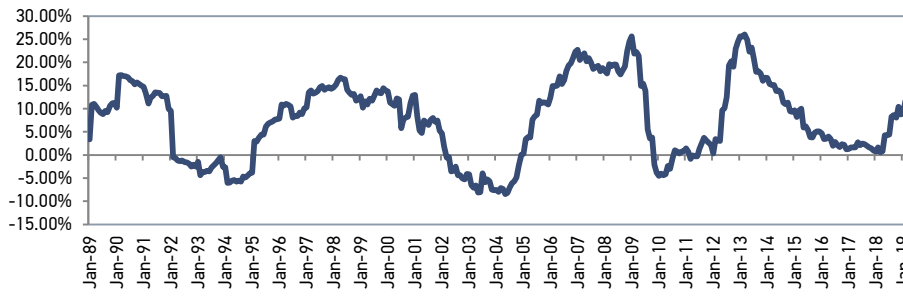
Data as of 04.30.2019; Source: Online Data Robert Shiller "US Stock Markets 1871-Present and CAPE Ratio"

Revenue to Firm Value



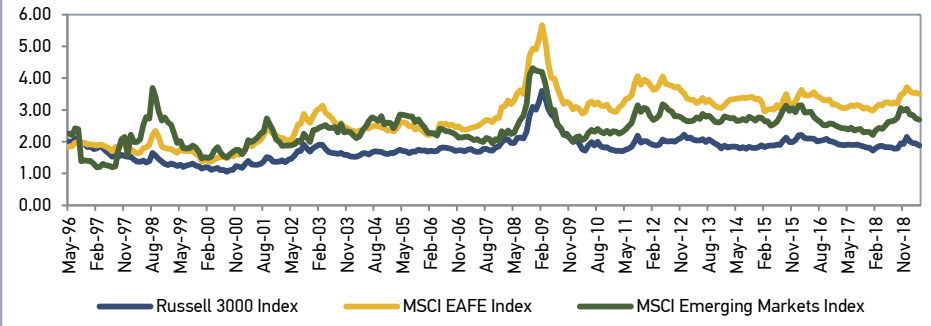
Data as of 04.30.2019; Source: Russell, MSCI

**U.S. 3 Year Real Revenue Growth –
Russell 3000 Non-Financials**



Data as of 04.30.2019; Source: FactSet, Russell, Bureau of Labor Statistics, Sterling Capital Analytics

Dividend Yield



Data as of 04.30.2019; Source: Russell, MSCI

- In April, the U.S. cyclically adjusted earnings yield drifted slightly lower on equity price increases and remains well below long-term averages. Long-term real U.S. sales growth remained at solid levels in April.
- Revenue to firm value ratios continued to drift lower in April following continued equity price increases.
- Dividend yields declined in both the US and International Markets. International Developed yields continue to provide a significant income advantage over the U.S.

Appendix



Core Consumer Price Index: Core inflation is a measure of inflation that excludes certain items, usually food and energy, that face volatile price movements.

Option Adjusted Spread (OAS): A bond's yield spread over comparable maturity government bonds, adjusted for any embedded options.

Real GDP: Real gross domestic product (GDP) is an inflation-adjusted measure that reflects the value of all goods and services produced by an economy in a given year, expressed in base-year prices.

Revenue to Firm Value: Total Index Revenues of the past 12 months divided by the sum of equity market value and the value of total debt. This is a measure of total sales generated on the total value (debt plus equity) of firms in the index.

TIPS Breakeven: The inflation rate implied by the spread in yield between U.S. TIPS (Treasury Inflation Protected Securities) and nominal U.S. Government Bonds of equal maturity.

U.S. 3 yr. Real Revenue Growth, Russell 3000 Non-Financials: For the Russell 3000 excluding financial firms, the percentage change in trailing 12-month inflation adjusted revenue over 12-month inflation adjusted revenue three years prior.

U.S. Cyclically Adjusted Earnings Yield: The 10-year average of annual, inflation adjusted earnings divided by the current inflation adjusted price of the S&P 500 index. This measure is the inverse of the Shiller CAPE Ratio.

YOY US Productivity Growth: The year-over-year growth in real U.S. output produced per hour worked for non-farm workers.



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