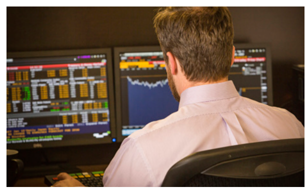
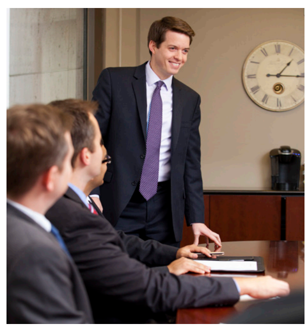
RESEARCH REVIEW

APRIL 2018

INSIDE THIS ISSUE

Economic Update	2
Market Returns	3
Global Equity	4
Fixed Income	5
Real Assets	6
Diversifying Strategies	6
Disclosures	7
Research and Investment Team	8





In April, the crude oil spot price increased to its highest level since late-2014. This increase in the cost of energy may serve as a tailwind behind higher inflation and nominal interest rates over the cyclical horizon, potentially counterbalanced by incrementally tighter U.S. monetary policy. During the month, most equity markets witnessed positive returns, however, a rising U.S dollar and ongoing trade war concerns weighed on the performance of emerging market equities. A more than 20 basis point rise in the 10-Year Treasury Note yield led to sizable declines across the higher quality sectors of the fixed income market, with continued outperformance experienced by lower quality credits. In real assets, increasing energy prices helped drive solid gains in both energy infrastructure and commodities, while recent weakness in real estate investment trusts (REITs) moderated during the month.

F·E·G® investment advisors

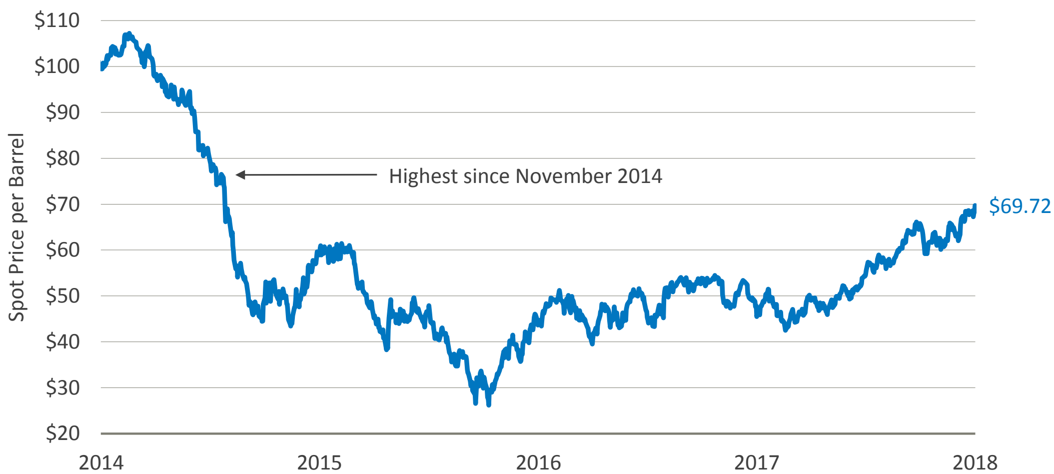
ECONOMIC UPDATE

Crude Oil Spot Prices Increase to Three+ Year High

From June 2014 to February 2016, crude oil spot prices declined by 75%, with West Texas Intermediate (WTI) crude declining from over $107 per barrel to just above $26 by February 2016. Steep price declines across the energy spectrum at that time were driven by accelerating U.S. production growth, fears of waning growth in oil demand, ballooning U.S. inventory levels, as well as declining Federal Reserve (Fed) monetary policy support for the economy and a sharp increase in the U.S. dollar. However, since bottoming in 2016, WTI spot prices have nearly tripled to approximately $70 per barrel.

Reasons supporting the recent gain in crude prices include a shift in the global oil market supply/demand imbalance, declining OPEC production growth, sound economic fundamentals both domestically and abroad, and rebounding inflationary sentiment, among other drivers.

CRUDE OIL (WTI) SPOT PRICE



Data sources: Bloomberg, L.P.; Data as of May 4, 2018

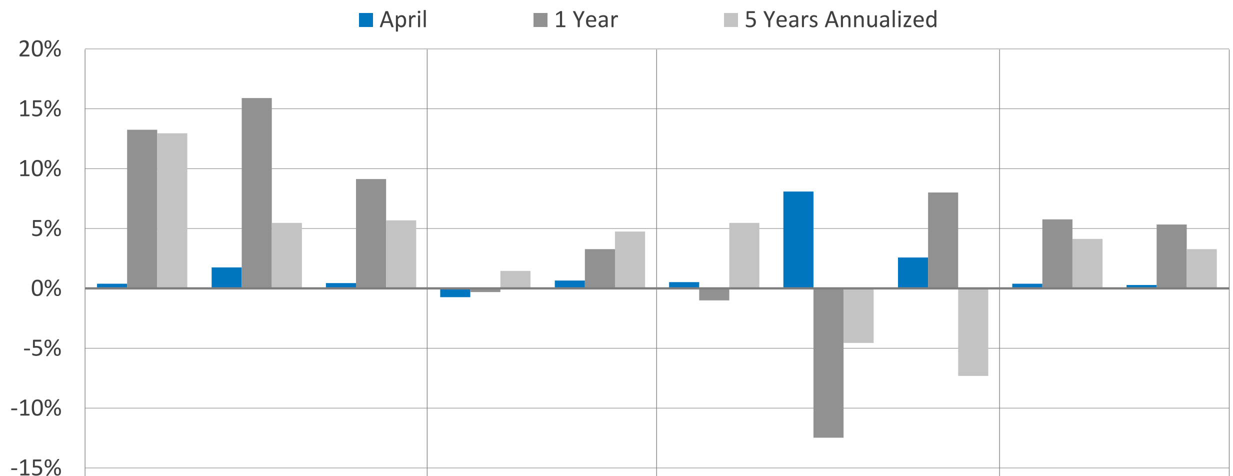
Until recently, the rally in crude oil prices seemed unacknowledged by the energy infrastructure asset category. In April, however, the Alerian MLP Index posted an 8.1% total return, the strongest monthly gain since April 2016 (data source: Alerian, Bloomberg). While likely too early to assume recent poor momentum in energy infrastructure has exhausted itself, the improvement is encouraging.

As oil prices have increased, inflationary sentiment has followed, in turn supporting nominal interest rate increases and market expectations for near-term Fed interest rate hikes. The 10-year breakeven inflation rate—which measures the yield differential between the nominal 10-year Treasury Note and the 10-year Treasury Inflation-Protected Security—has recently increased to nearly 2.20%, the highest since August 2014. A continued rise in market-implied measures of future inflation—a key input in the mosaic of factors assessed by the Fed when conducting monetary policy—is likely to support the case for an ongoing tightening of monetary conditions, both in the way of a higher fed funds rate, as well as the partial winddown of the Fed's balance sheet.

In summary, as the supply imbalance has improved and OPEC production growth has slowed, crude oil prices have increased to healthy levels markedly higher than the trough prices that strained the energy markets. Rising oil prices have helped support inflationary sentiment, further fueling the Fed's continued normalization of its monetary policy support.

MARKET RETURNS

APRIL 2018



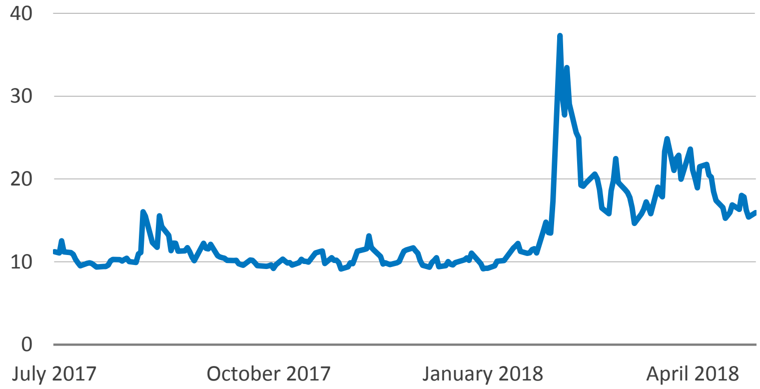
	GLOBAL EQUITY			FIXED INCOME		REAL ASSETS			DIVERSIFYING STRATEGIES	
	S&P 500 Index	MSCI ACWI ex-U.S.	HFRI Equity Hedge Index	Blmbrg Barclays U.S. Agg Index	Blmbrg Barclays HY Index	FTSE NAREIT All Equity Index	Alerian MLP Index	Blmbrg Cmdty Index	HFRI Fund Wtd Comp. Index	HFRI Fund of Fund Index
April	0.4%	1.8%	0.4%	-0.7%	0.7%	0.5%	8.1%	2.6%	0.4%	0.3%
1 Year	13.3%	15.9%	9.1%	-0.3%	3.3%	-1.0%	-12.5%	8.0%	5.8%	5.3%
5 Years Annualized	12.9%	5.5%	5.7%	1.5%	4.8%	5.5%	-4.5%	-7.3%	4.1%	3.3%

Data sources: Lipper, HedgeFund Research

GLOBAL EQUITY

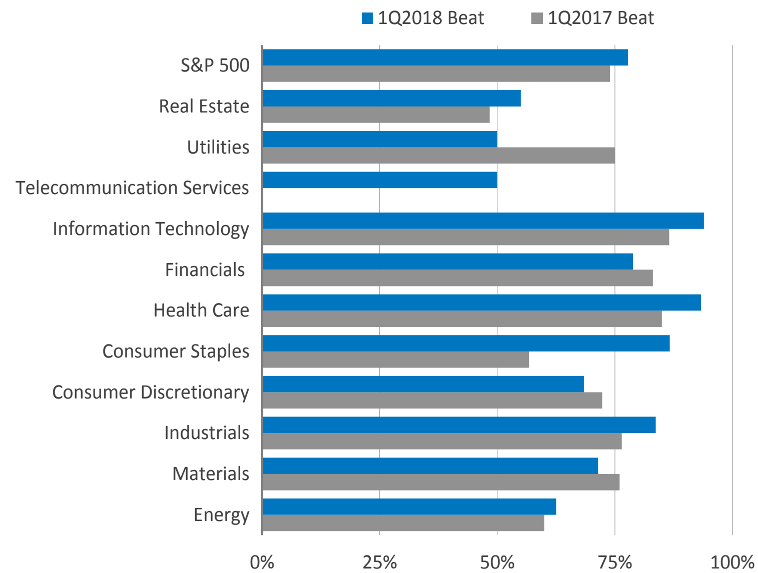
- Driven by a multitude of factors, volatility dominated global equity markets throughout the first quarter. The trend showed signs of softening slightly during the month of April, with the measure declining from February's peak levels as positive earnings news hit the market.
- Positively, 78% of the S&P 500 Index companies that reported earnings beat their first quarter earnings estimates. Over the past five years, an average of 68% of companies beat earnings estimates. Notably, the technology sector, which has been in headlines given the exuberant valuations and recent price appreciation, witnessed 94% of reporting companies to have beaten their earnings estimates as of the end of April.
- Of the three major indices charted, the MSCI EAFE Index, measuring international developed equities, was the best performing index during the month of April, followed by the U.S. Russell 3000 Index. Emerging Market equities ended the month of April flat, but continue to be the best-performing index year-to-date.
- Sentiment data within Europe illustrated some stabilization within the euro zone. The euro zone unemployment rate fell to 8.5% in April, driven by declines in France, Spain, and Italy. The stronger labor market supported consumer confidence within the region, evidenced by a year-over-year increase in consumer spending.
- Chinese economic growth continued to strengthen despite the looming threat of a trade war between China and the United States. Additionally, China's economy showed desired signs of the long-term transitioning from a predominately export and investment-led economy to a consumption-driven economy. Chinese consumption accounted for approximately 80% of the economy's growth, with net exports falling by approximately 10%.

CBOE VOLATILITY INDEX



Data source: CBOE

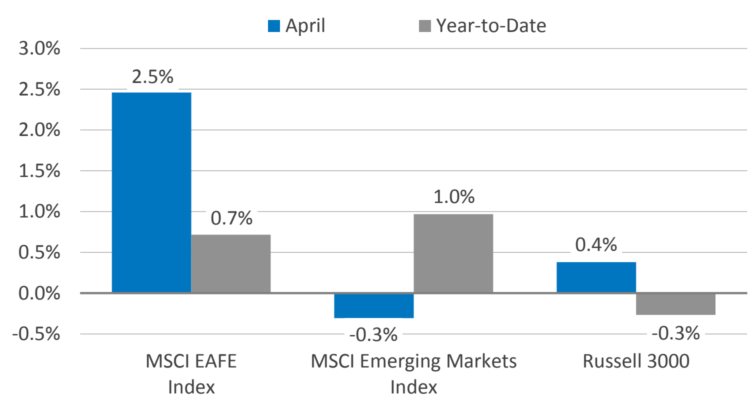
S&P COMPANIES BEATING ESTIMATES



Data source: S&P

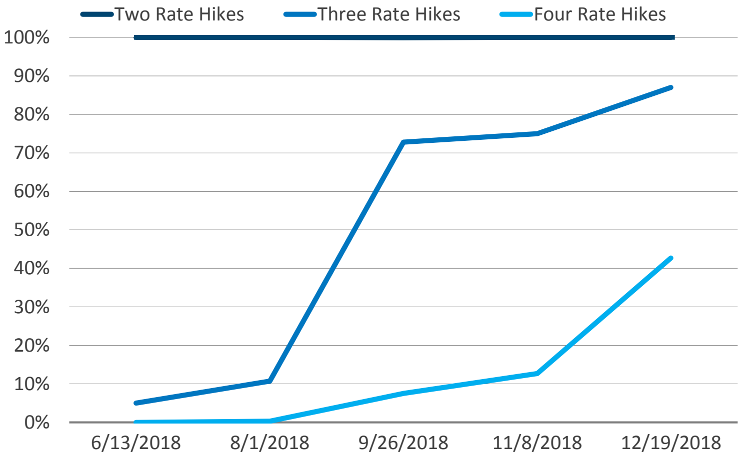
MSCI INDICES PERFORMANCE

Returns in U.S. Dollars



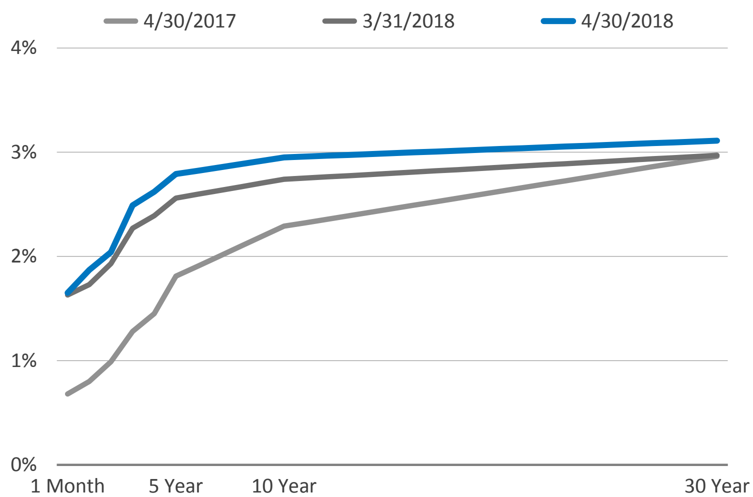
Data source: MSCI

IMPLIED PROBABILITY OF RATE HIKES



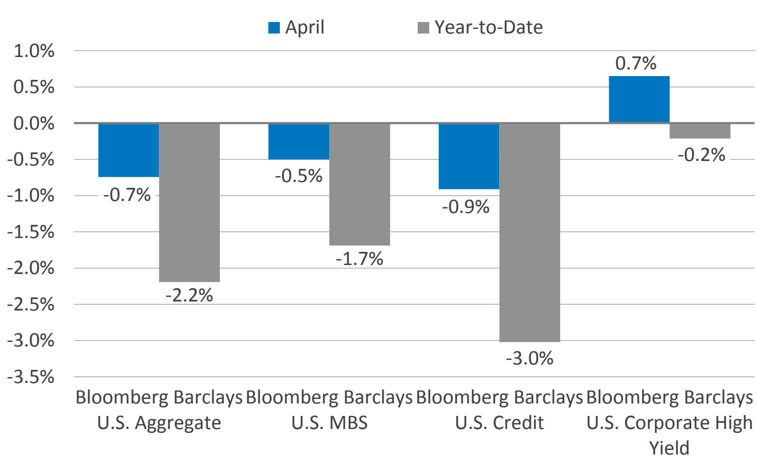
Data source: CME Group

U.S. TREASURY YIELD CURVE



Data source: Bloomberg, L.P.

BLOOMBERG BARCLAYS BOND INDICES PERFORMANCE



Data source: Bloomberg, L.P., Barclays

FIXED INCOME

- Minutes from the March 20-21 meeting of the Federal Open Market Committee (FOMC) were released in April. Of note is that all participants saw an improving economy and increasing inflation in the near term. Several FOMC members suggested that the Federal Reserve's policy stance language should be changed from "accommodative" to "neutral" or "restraining."
- Short-term yields continued to rise in April, but the long end of the yield curve remained contained. As measured by the 10-year 2-year spread, the yield curve hit its flattest levels since 2007 on April 17, bottoming out at 41 basis points.
- 10-year Treasury yields briefly crossed 3% for the first time since 2014 on inflation fears and remained close to this level through the end of the month. Broad fixed income yields reset to 3.3%, their highest level since 2010.
- Credit sensitive assets—i.e., bank loans and high yield bonds—continued to outperform interest rate sensitive assets, ending the month in positive territory and outperforming the Bloomberg Barclays U.S. Aggregate Bond Index by approximately 140 basis points.

REAL ASSETS

REAL ESTATE

- U.S. REIT returns benefitted from first quarter earnings generally coming in above expectations and investors focusing more on short-term lease sectors.
- Internationally, Swedish property companies performed particularly well during the month, as first quarter earnings results reported rising rents and values in 2018. Japan was the best performing market in the Asian Pacific region, boosted by the stronger-than-expected office market despite an impending increase in Tokyo's office supply.

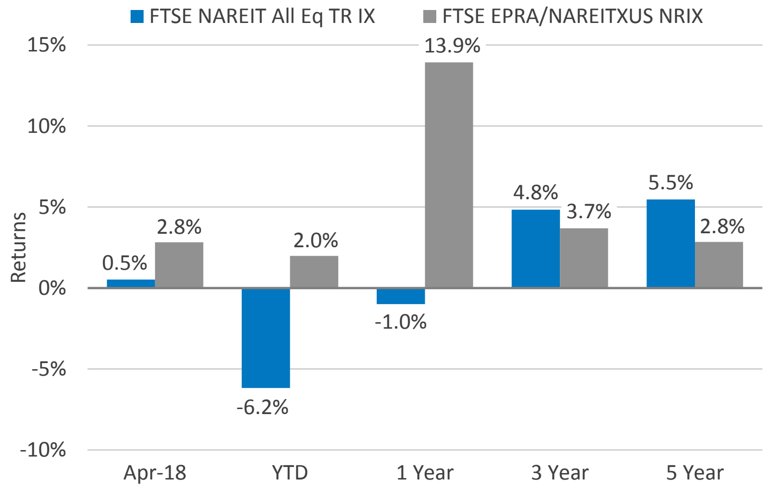
NATURAL RESOURCES

- Oil prices continued their gain in April on news of declining inventories and increasing demand. During the month, the Department of Energy forecasted production growth of 10%, resulting in 11.6 million barrels a day by the end of 2019 compared to the current 10.5 million.
- Despite potential pressures from trade disputes between the U.S. and China—to whom the U.S. heavily exports soybeans—soybean prices have held relatively steady.

DIVERSIFYING STRATEGIES

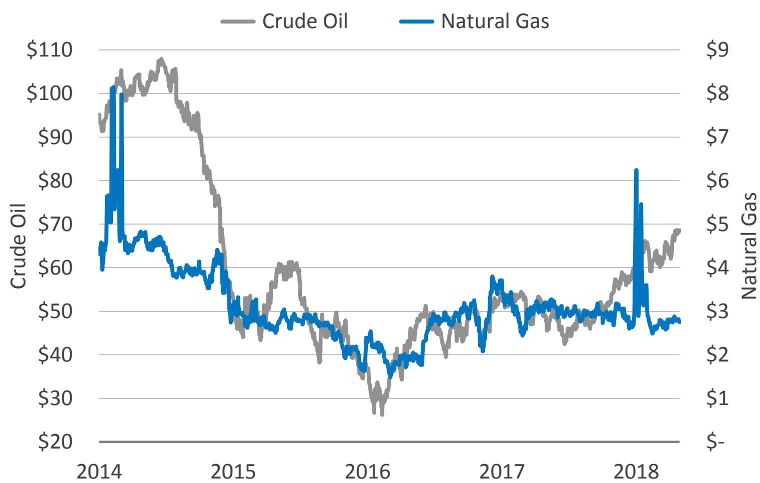
- 10-year Treasury yields hit 3% for the first time in more than four years in April. Discretionary macro managers continued to benefit from higher interest rates, as a number of managers have positioned for tighter monetary policy globally. Systematic macro managers endured headwinds from largely trendless and choppy markets.
- Volatility, particularly in U.S. equities, remained heightened following the February spike. Relative value managers benefitted from higher volatility and increased dispersion.

DOMESTIC vs. INTERNATIONAL REIT RETURNS
As of April 30, 2018



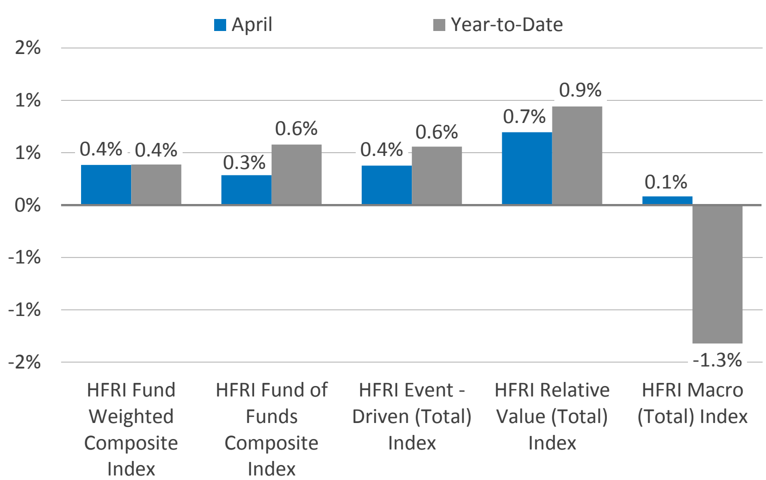
Data source: Bloomberg, L.P.

PRICE OF CRUDE OIL AND NATURAL GAS
As of April 30, 2018



Data source: Energy Information Agency

HFRI INDICES PERFORMANCE
Returns in U.S. Dollars



Data source: HedgeFund Research

DISCLOSURES

This report was prepared by FEG (also known as Fund Evaluation Group, LLC), a federally registered investment adviser under the Investment Advisers Act of 1940, as amended, providing non-discretionary and discretionary investment advice to its clients on an individual basis. Registration as an investment adviser does not imply a certain level of skill or training. The oral and written communications of an adviser provide you with information about which you determine to hire or retain an adviser. Fund Evaluation Group, LLC, Form ADV Part 2A & 2B can be obtained by written request directly to: Fund Evaluation Group, LLC, 201 East Fifth Street, Suite 1600, Cincinnati, OH 45202, Attention: Compliance Department.

The information herein was obtained from various sources. FEG does not guarantee the accuracy or completeness of such information provided by third parties. The information in this report is given as of the date indicated and believed to be reliable. FEG assumes no obligation to update this information, or to advise on further developments relating to it. FEG, its affiliates, directors, officers, employees, employee benefit programs and client accounts may have a long position in any securities of issuers discussed in this report.

Index performance results do not represent any managed portfolio returns. An investor cannot invest directly in a presented index, as an investment vehicle replicating an index would be required. An index does not charge management fees or brokerage expenses, and no such fees or expenses were deducted from the performance shown.

Neither the information nor any opinion expressed in this report constitutes an offer, or an invitation to make an offer, to buy or sell any securities.

Any return expectations provided are not intended as, and must not be regarded as, a representation, warranty or predication that the investment will achieve any particular rate of return over any particular time period or that investors will not incur losses.

Past performance is not indicative of future results.

Investments in private funds are speculative, involve a high degree of risk, and are designed for sophisticated investors.

All data is as of April 30, 2018 unless otherwise noted.

INDICES

The Alerian MLP Index is a composite of the 50 most prominent energy Master Limited Partnerships that provides investors with an unbiased, comprehensive benchmark for this emerging asset class.

Barclays Capital Fixed Income Indices is an index family comprised of the Barclays Capital Aggregate Index, Government/Corporate Bond Index, Mortgage-Backed Securities Index, and Asset-Backed Securities Index, Municipal Index, High-Yield Index, and others designed to represent the broad fixed income markets and sectors within constraints of maturity and minimum outstanding par value. See https://ecommerce.barcap.com/indices/index.dxml for more information.

The CBOE Volatility Index (VIX) is an up-to-the-minute market estimate of expected volatility that is calculated by using real-time S&P 500 Index option bid/ask quotes. The Index uses nearby and second nearby options with at least 8 days left to expiration and then weights them to yield a constant, 30-day measure of the expected volatility of the S&P 500 Index. FTSE Real Estate Indices (NAREIT Index and EPRA/NAREIT Index) includes only those companies that meet minimum size, liquidity and free float criteria as set forth by FTSE and is meant as a broad representation of publicly traded real estate securities. Relevant real estate activities are defined as the ownership, disposure, and development of income-producing real estate. See www.ftse.com/Indices for more information.

HFRI Monthly Indices (HFRI) are equally weighted performance indexes, compiled by Hedge Fund Research Inc. (HFX), and are used by numerous hedge fund managers as a benchmark for their own hedge funds. The HFRI are broken down into 37 different categories by strategy, including the HFRI Fund Weighted Composite, which accounts for over 2000 funds listed on the internal HFR Database. The HFRI Fund of Funds Composite Index is an equal weighted, net of fee, index composed of approximately 800 fund- of- funds which report to HFR. See www.hedgefundresearch.com for more information on index construction.

J.P. Morgan's Global Index Research group produces proprietary index products that track emerging markets, government debt, and corporate debt asset classes. Some of these indices include the JPMorgan Emerging Market Bond Plus Index, JPMorgan Emerging Market Local Plus Index, JPMorgan Global Bond Non-US Index and JPMorgan Global Bond Non-US Index. See www.jpmorgan.com for more information.

Merrill Lynch high yield indices measure the performance of securities that pay interest in cash and have a credit rating of below investment grade. Merrill Lynch uses a composite of Fitch Ratings, Moody's and Standard and Poor's credit ratings in selecting bonds for these indices. These ratings measure the risk that the bond issuer will fail to pay interest or to repay principal in full. See www.ml.com for more information.

Morgan Stanley Capital International – MSCI is a series of indices constructed by Morgan Stanley to help institutional investors benchmark their returns. There are a wide range of indices created by Morgan Stanley covering a multitude of developed and emerging economies and economic sectors. See www.morganstanley.com for more information.

Russell Investments rank U.S. common stocks from largest to smallest market capitalization at each annual reconstitution period (May 31). The primary Russell Indices are defined as follows: 1) the top 3,000 stocks become the Russell 3000 Index, 2) the largest 1,000 stocks become the Russell 1000 Index, 3) the smallest 800 stocks in the Russell 1000 Index become the Russell Midcap index, 4) the next 2,000 stocks become the Russell 2000 Index, 5) the smallest 1,000 in the Russell 2000 Index plus the next smallest 1,000 comprise the Russell Microcap Index. See www.russell.com for more information.

S&P 500 Index consists of 500 stocks chosen for market size, liquidity and industry group representation, among other factors by the S&P Index Committee, which is a team of analysts and economists at Standard and Poor's. The S&P 500 is a market-value weighted index, which means each stock's weight in the index is proportionate to its market value and is designed to be a leading indicator of U.S. equities, and meant to reflect the risk/return characteristics of the large cap universe. See www.standardandpoors.com for more information.

Information on any indices mentioned can be obtained either through your consultant or by written request to information@feg.com

RESEARCH AND INVESTMENTS TEAM

CHERYL A. BARKER
Senior Research Liaison
Global Equities

NOLAN M. BEAN, CFA, CAIA
Managing Principal
Head of Institutional Investments

KEITH M. BERLIN
Senior Vice President
Director of Global Fixed Income and Credit

PATRICK BONNELL
Research Analyst
Global Fixed Income and Credit

CHRISTIAN S. BUSKEN
Senior Vice President
Director of Real Assets

KEVIN J. CONROY, CFA, CAIA
Vice President
Hedged Strategies

MATT DENBLEYKER
Vice President
Real Asset Research Analyst

BRAD DERFLINGER, CFA
Vice President
Assistant Portfolio Manager,
Risk Management

GREGORY M. DOWLING, CFA, CAIA
Managing Principal
Chief Investment Officer,
Head of Research

SUSAN MAHAN FASIG, CFA
Managing Principal
Portfolio Manager, Private Investments

ANTHONY L. FESTA, CFA
Managing Principal
Head of Portfolio Strategy

MICHAEL B. FRANKE, CFA
Senior Research Analyst
Hedged Strategies

ANANYA HANDA
Research Analyst
Global Fixed Income and Credit

EMILY C. HOGYA
Portfolio Analyst
Portfolio Management

BRIAN A. HOOPER
Vice President
Global Equities

GREGORY D. HOUSER, CFA, CAIA
Director
Research

XAVIER A. JIMENEZ
Research Analyst
Real Assets

MARK A. KOENIG, CFA
Senior Vice President
Director of Quantitative Analysis

J. ALAN LENAHAN, CFA, CAIA
Managing Principal
Chief Investment Officer,
Head of Portfolio Management

CHARLIE W. LUECKE
Senior Research Analyst
Private Equity

LAUREN M. MAYERNIK
Research Analyst
Private Equity

SEAN P. MCCHESNEY
Vice President
Hedged Strategies

MICHAEL J. O'CONNOR, CFA, CAIA
Vice President
Assistant Portfolio Manager,
Public Investments

SAMUEL A. RAGAN
Senior Research Analyst
Global Equities

BEN SULLIVAN
Research Analyst
Global Equities

G. SCOTT TABOR, CAIA
Senior Vice President
Private Capital

STEVEN G. THIEME, CFA
Senior Research Analyst
Hedged Equity

NATHAN C. WERNER, CFA, CAIA
Senior Vice President
Director of Private Equity

201 East Fifth Street
Suite 1600
Cincinnati, Ohio 45202

513.977.4400
information@feg.com
www.feg.com

Dallas | Detroit | Indianapolis

Subscribe to FEG's communications at ***www.feg.com/subscribe.***

The CFA designation is a professional certification issued by the CFA Institute to qualified financial analysts who: (i) have a bachelor's degree and four years of professional experience involving investment decision making or four years of qualified work experience[full time, but not necessarily investment related]; (ii) complete a self-study program (250 hours of study for each of the three levels); (iii) successfully complete a series of three six-hour exams; and (iv) pledge to adhere to the CFA Institute Code of Ethics and Standards of Professional Conduct.

The Chartered Alternative Investment Analyst Association® is an independent, not-for-profit global organization committed to education and professionalism in the field of alternative investments. Founded in 2002, the CAIA Association is the sponsoring body for the CAIA designation. Recognized globally, the designation certifies one's mastery of the concepts, tools and practices essential for understanding alternative investments and promotes adherence to high standards of professional conduct.

Research and Investments Team as of date of publication.