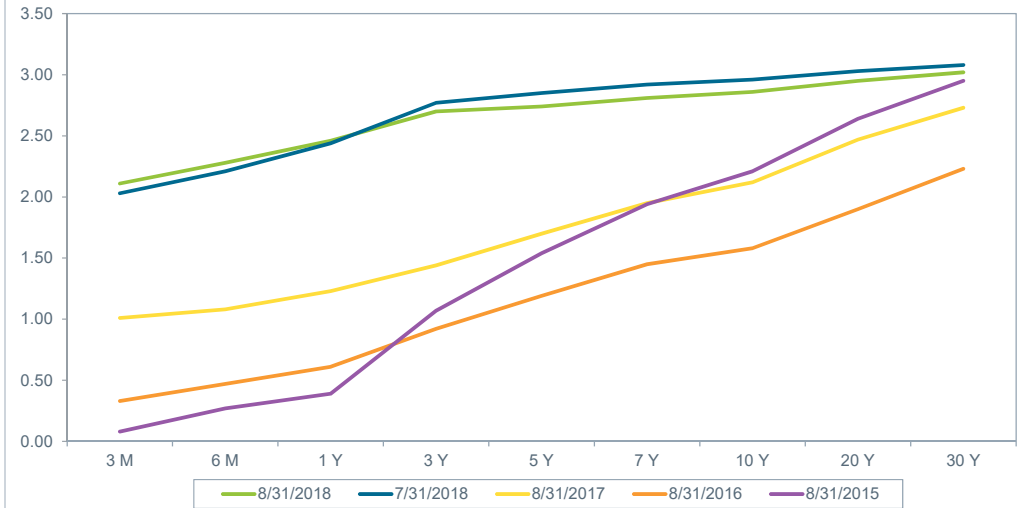


**General Market Commentary**

- While US equities reached all-time highs in August, international and emerging market stocks were down on the announcement \$200 billion of US tariffs on Chinese goods could go into effect as early as September. Emerging market stocks and bonds faced additional headwinds due to signs of economic weakness across some emerging markets and the rapid devaluation of the Turkish lira and Argentinian peso.
- In late August, it was announced that Core PCE, the Federal Reserve's preferred inflation measure, was up 2.3% year-over-year in July, breaching the Fed's 2% target. This led many market participants to speculate that the Fed will increase interest rates twice more in 2018, and up to three times in 2019.
- The US interest rate curve flattened during August as yields on shorter-dated issuances rose while longer-dated yields fell as market participants expect a tighter monetary policy going forward.
- Equity markets posted mixed returns in August as the S&P 500 (Cap Wtd) Index returned 3.26% and the MSCI EAFE (Net) Index returned -1.93%. Emerging markets returned -2.70% as measured by the MSCI EM (Net) Index.
- The Bloomberg US Aggregate Bond Index returned 0.64% in August, outperforming the 0.60% return by the Bloomberg US Treasury Intermediate Term Index. International fixed income markets returned -0.73%, as measured by the FTSE Non-US World Gov't Bond Index.
- Public real estate, as measured by the FTSE NAREIT Eq REITs Index (TR), returned 2.59% in August and 10.42% over the trailing five-year period.
- The Cambridge US Private Equity Index returned 16.17% for the trailing one-year period and 13.19% for the trailing five-year period ending March 2018.
- Absolute return strategies, as measured by the HFRI FOF Comp Index, returned 0.32% for the month and 3.80% over the trailing one-year period.
- Crude oil's price increased by 1.51% during the month, and has increased by 47.79% YoY.

**Treasury Yield Curve (%)**



| Economic Indicators                     | Aug-18 | Jul-18 | Aug-17 | 10 Yr  | 20 Yr |       |
|---|--------|--------|--------|--------|-------|-------|
| Federal Funds Rate (%)                  | 1.91   | —      | 1.91   | 1.07   | 0.37  | 1.99  |
| Breakeven Inflation - 1 Year (%)        | 0.99   | ▲      | 0.87   | 0.73   | 0.73  | N/A   |
| Breakeven Inflation - 5 Year (%)        | 1.99   | ▼      | 2.00   | 1.65   | 1.63  | N/A   |
| Breakeven Inflation - 10 Year (%)       | 2.09   | ▼      | 2.13   | 1.77   | 1.95  | N/A   |
| Breakeven Inflation - 30 Year (%)       | 2.11   | ▼      | 2.15   | 1.86   | 2.13  | N/A   |
| Bloomberg US Agg Bond Index - Yield (%) | 3.30   | ▼      | 3.36   | 2.42   | 2.69  | 4.02  |
| Bloomberg US Agg Bond Index - OAS (%)   | 0.42   | ▲      | 0.40   | 0.42   | 0.65  | 0.64  |
| Bloomberg US Agg Credit Index - OAS (%) | 1.08   | ▲      | 1.03   | 1.04   | 1.62  | 1.48  |
| Bloomberg US Corp: HY Index - OAS (%)   | 3.38   | ▲      | 3.36   | 3.78   | 5.83  | 5.58  |
| Capacity Utilization (%)                | 78.10  | ▲      | 77.90  | 75.73  | 75.72 | 77.36 |
| Unemployment Rate (%)                   | 3.9    | —      | 3.9    | 4.4    | 6.9   | 5.9   |
| PMI - Manufacturing (%)                 | 61.3   | ▲      | 58.1   | 59.3   | 53.2  | 52.6  |
| Baltic Dry Index - Shipping             | 1,579  | ▼      | 1,747  | 1,184  | 1,431 | 2,303 |
| Consumer Conf (Conf Board)              | 133.40 | ▲      | 127.90 | 120.40 | 80.21 | 92.71 |
| CPI YoY (Headline) (%)                  | 2.7    | ▼      | 2.9    | 1.9    | 1.6   | 2.2   |
| CPI YoY (Core) (%)                      | 2.2    | ▼      | 2.4    | 1.7    | 1.8   | 2.0   |
| PPI YoY (%)                             | 3.6    | ▼      | 4.2    | 3.0    | 1.6   | 2.2   |
| M2 YoY (%)                              | 4.0    | ▲      | 3.9    | 5.3    | 6.3   | 6.3   |
| US Dollar Total Weighted Index          | 90.26  | ▲      | 89.78  | 87.75  | 81.05 | 86.35 |
| WTI Crude Oil per Barrel (\$)           | 70     | ▲      | 69     | 47     | 73    | 59    |
| Gold Spot per Oz (\$)                   | 1,201  | ▼      | 1,224  | 1,321  | 1,291 | 864   |

| Treasury Yield Curve (%) | Aug-18 | Jul-18 | Aug-17 | Aug-16 | Aug-15 |
|--------------------------|--------|--------|--------|--------|--------|
| 3 Month                  | 2.11   | 2.03   | 1.01   | 0.33   | 0.08   |
| 6 Month                  | 2.28   | 2.21   | 1.08   | 0.47   | 0.27   |
| 1 Year                   | 2.46   | 2.44   | 1.23   | 0.61   | 0.39   |
| 3 Year                   | 2.70   | 2.77   | 1.44   | 0.92   | 1.07   |
| 5 Year                   | 2.74   | 2.85   | 1.70   | 1.19   | 1.54   |
| 7 Year                   | 2.81   | 2.92   | 1.95   | 1.45   | 1.94   |
| 10 Year                  | 2.86   | 2.96   | 2.12   | 1.58   | 2.21   |
| 20 Year                  | 2.95   | 3.03   | 2.47   | 1.90   | 2.64   |
| 30 Year                  | 3.02   | 3.08   | 2.73   | 2.23   | 2.95   |

| Market Performance (%)          | MTD   | QTD   | CYTD  | 1 Yr  | 3 Yr  | 5 Yr  | 7 Yr  | 10 Yr |
|---------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|
| S&P 500 (Cap Wtd)               | 3.26  | 7.10  | 9.94  | 19.66 | 16.11 | 14.52 | 15.60 | 10.86 |
| Russell 2000                    | 4.31  | 6.13  | 14.26 | 25.45 | 16.11 | 13.00 | 14.87 | 10.46 |
| MSCI EAFE (Net)                 | -1.93 | 0.48  | -2.28 | 4.39  | 7.04  | 5.73  | 6.63  | 3.66  |
| MSCI EAFE SC (Net)              | -0.80 | -0.16 | -1.48 | 7.46  | 11.38 | 9.99  | 9.84  | 7.71  |
| MSCI EM (Net)                   | -2.70 | -0.57 | -7.18 | -0.68 | 11.42 | 5.04  | 2.77  | 3.45  |
| Bloomberg US Agg Bond           | 0.64  | 0.67  | -0.96 | -1.05 | 1.76  | 2.49  | 2.22  | 3.70  |
| ICE BofAML 3 Mo US T-Bill       | 0.18  | 0.34  | 1.15  | 1.52  | 0.79  | 0.49  | 0.37  | 0.35  |
| NCREIF ODCE (Gross)             | N/A   | N/A   | 4.30  | 8.44  | 9.37  | 11.04 | 11.39 | 5.29  |
| FTSE NAREIT Eq REITs Index (TR) | 2.59  | 3.42  | 4.47  | 6.01  | 9.61  | 10.42 | 10.32 | 7.70  |
| HFRI FOF Comp Index             | 0.32  | 0.57  | 1.25  | 3.80  | 2.75  | 3.51  | 3.23  | 1.89  |
| Bloomberg Cmtly Index (TR)      | -1.77 | -3.87 | -3.87 | 0.51  | -1.89 | -8.01 | -8.84 | -7.56 |

NCREIF performance is reported quarterly; MTD and QTD returns are shown as "N/A" on interim-quarter months and until available. Data shown is as of most recent quarter-end.

Treasury data courtesy of the US Department of the Treasury. Economic data courtesy of Bloomberg Professional Service.

Breakeven Inflation does not have 20 years of history; therefore, its 20-year average is shown as "N/A."