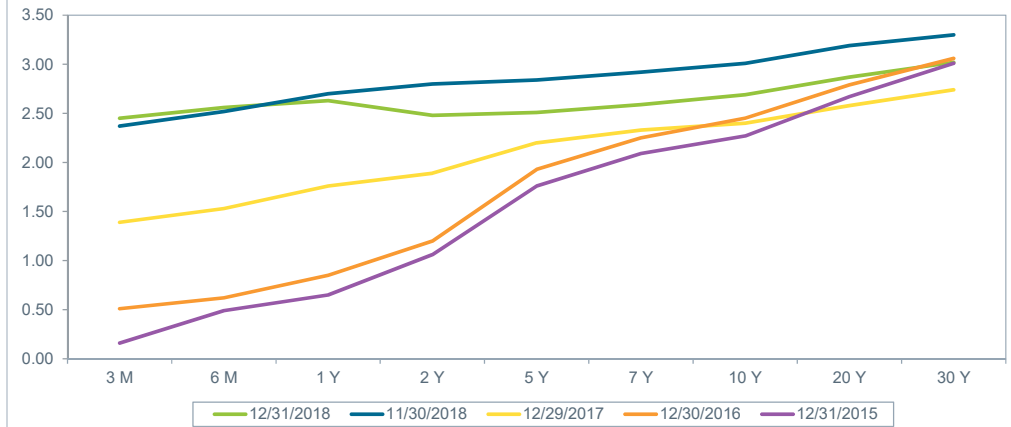


**General Market Commentary**

- Global equities sold off significantly during the month as investors grew increasingly worried about a slowdown in global growth, increased tension between the US and China, and a partial US government shutdown.
- The yield curve flattened during December, driven by a decline in inflation expectations and signs of weakening US economic growth.
- The FOMC raised US interest rates 25 basis points at the December meeting, and further revealed through the Summary of Economic Projections that they anticipate two additional rate increases in 2019, followed by one increase in 2020.
- Equity markets posted negative returns in December as the S&P 500 (Cap Wtd) Index returned -9.03% and the MSCI EAFE (Net) Index returned -4.85%. Emerging markets returned -2.66% as measured by the MSCI EM (Net) Index.
- The Bloomberg US Aggregate Bond Index returned 1.84% in December, outperforming the 1.50% return by the Bloomberg US Treasury Intermediate Term Index. International fixed income markets returned 2.54%, 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 -8.23% in December and 7.90% over the trailing five-year period.
- The Cambridge US Private Equity Index returned 18.52% for the trailing one-year period and 13.50% for the trailing five-year period ending September 2018.
- Crude oil's price fell by 10.84% during the month, and has decreased by 24.84% YoY.

**Treasury Yield Curve (%)**



Economic Indicators	Dec-18	Nov-18	Dec-17	10 Yr	20 Yr
Federal Funds Rate (%)	2.40 ▲	2.20	1.33	0.41	1.94
Breakeven Inflation - 1 Year (%)	-2.84 ▼	-1.11	0.85	0.83	N/A
Breakeven Inflation - 5 Year (%)	1.49 ▼	1.77	1.88	1.69	N/A
Breakeven Inflation - 10 Year (%)	1.71 ▼	1.97	1.98	1.98	N/A
Breakeven Inflation - 30 Year (%)	1.82 ▼	2.05	2.02	2.15	N/A
Bloomberg US Agg Bond Index - Yield (%)	3.28 ▼	3.54	2.71	2.64	3.98
Bloomberg US Agg Bond Index - OAS (%)	0.54 ▲	0.50	0.36	0.60	0.64
Bloomberg US Agg Credit Index - OAS (%)	1.43 ▲	1.29	0.89	1.51	1.47
Bloomberg US Corp: HY Index - OAS (%)	5.26 ▲	4.18	3.43	5.48	5.55
Capacity Utilization (%)	78.73 ▲	78.60	77.32	75.83	77.30
Unemployment Rate (%)	3.9 ▲	3.7	4.1	6.8	5.9
PMI - Manufacturing (%)	54.1 ▼	59.3	59.3	53.7	52.8
Baltic Dry Index - Shipping	1,271 ▲	1,231	1,366	1,405	2,312
Consumer Conf (Conf Board)	128.10 ▼	136.40	123.10	82.98	92.86
CPI YoY (Headline) (%)	1.9 ▼	2.2	2.1	1.5	2.2
CPI YoY (Core) (%)	2.2 —	2.2	1.8	1.8	2.0
PPI YoY (%)	1.4 ▼	1.6	3.2	1.5	2.3
M2 YoY (%)	4.5 ▲	3.9	4.7	6.2	6.3
US Dollar Total Weighted Index	91.79 ▼	92.03	87.47	81.41	86.26
WTI Crude Oil per Barrel (\$)	45 ▼	51	60	73	60
Gold Spot per Oz (\$)	1,282 ▲	1,223	1,303	1,305	879

Treasury Yield Curve (%)	Dec-18	Nov-18	Dec-17	Dec-16	Dec-15
3 Month	2.45	2.37	1.39	0.51	0.16
6 Month	2.56	2.52	1.53	0.62	0.49
1 Year	2.63	2.70	1.76	0.85	0.65
2 Year	2.48	2.80	1.89	1.20	1.06
5 Year	2.51	2.84	2.20	1.93	1.76
7 Year	2.59	2.92	2.33	2.25	2.09
10 Year	2.69	3.01	2.40	2.45	2.27
20 Year	2.87	3.19	2.58	2.79	2.67
30 Year	3.02	3.30	2.74	3.06	3.01

Market Performance (%)	MTD	QTD	CYTD	1 Yr	3 Yr	5 Yr	7 Yr	10 Yr
S&P 500 (Cap Wtd)	-9.03	-13.52	-4.38	-4.38	9.26	8.49	12.70	13.12
Russell 2000	-11.88	-20.20	-11.01	-11.01	7.36	4.41	10.44	11.97
MSCI EAFE (Net)	-4.85	-12.54	-13.79	-13.79	2.87	0.53	5.75	6.32
MSCI EAFE SC (Net)	-6.45	-16.05	-17.89	-17.89	3.73	3.06	8.79	10.51
MSCI EM (Net)	-2.66	-7.47	-14.58	-14.58	9.25	1.65	3.23	8.02
Bloomberg US Agg Bond	1.84	1.64	0.01	0.01	2.06	2.52	2.10	3.48
ICE BofAML 3 Mo US T-Bill	0.18	0.56	1.87	1.87	1.02	0.63	0.47	0.37
NCREIF ODCE (Gross)	1.76	1.76	8.35	8.35	8.25	10.41	10.99	7.00
FTSE NAREIT Eq REITs Index (TR)	-8.23	-6.73	-4.62	-4.62	2.89	7.90	8.49	12.12
HFRI FOF Comp Index	-1.60	-4.85	-3.92	-3.92	1.34	1.42	2.94	3.13
Bloomberg Cmdb Index (TR)	-6.89	-9.41	-11.25	-11.25	0.30	-8.80	-7.84	-3.78

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."