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Market Review and Outlook

April 2018

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2018 Investment Highlights

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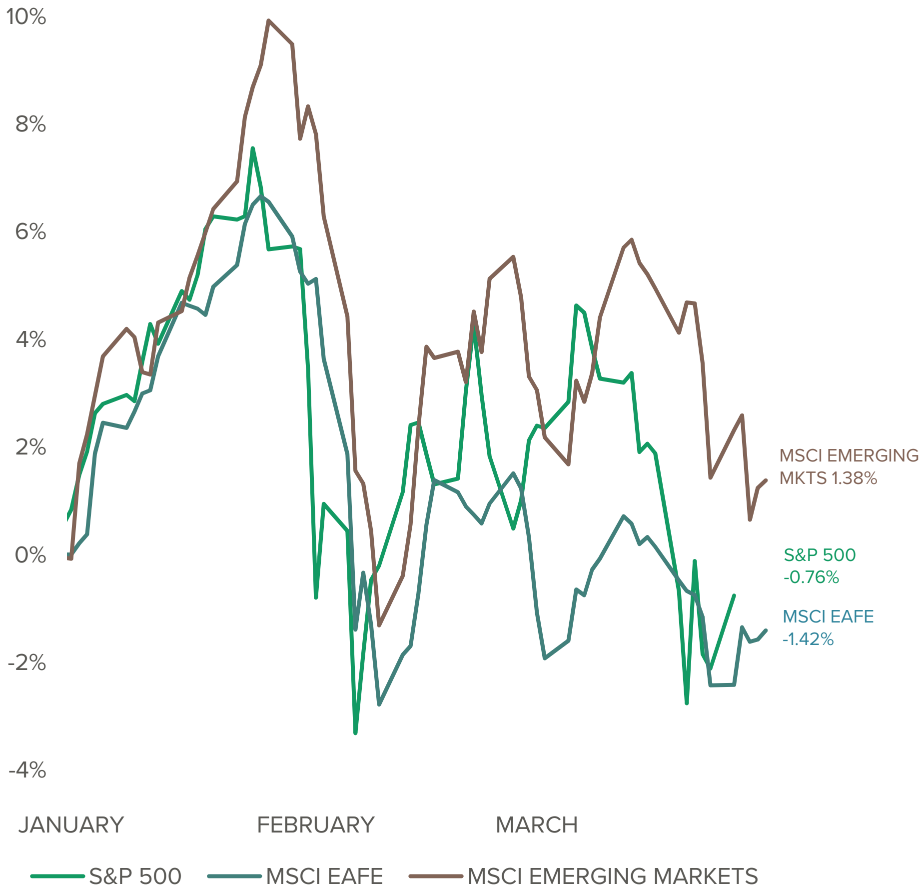
EQUITY MARKET RETURNS
FROM 1/1/2018 THROUGH 3/31/2018



Source: Bloomberg

- The Return of *Normal* Equity Market Volatility - Last year was a unique one for global stocks, both in terms of outsized returns and unusually low volatility. After vacillating for the first three months of the year, most asset categories finished 1Q18 modestly negative.

- Rising Interest Rates and Threats of Inflation - The Fed and its new chairman, Jerome Powell, made clear their desire to oversee a protracted monetary policy tightening cycle. Foreign central banks also appear to be on a path toward monetary policy normalization.

- U.S.-China Trade Tensions - A brewing trade war with China likely poses the greatest current risk to both the economic recovery and the bull equity market. That said, the tariffs imposed thus far have been a half-measure relative to the Trump Administration's protectionist rhetoric during the campaign. Both sides likely want to avoid significant commercial disruption between the two most central economies in a highly integrated global trade network.

- Equity Market Trends Continue - While the quarter was one of the weakest in recent memory, the biggest winners in 2017 continued to lead the pack during 1Q18. Growth outperformed value, technology stocks bested all other S&P 500 Index sectors, and emerging markets beat both developed foreign and domestic equity markets.

- Supportive Fundamental Backdrop - Strong corporate earnings growth, steady global economic growth, improved labor markets, and relatively low interest rates continue to make for a favorable environment for equities.

2018 Outlook

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2018 OUTLOOK (Established 1/1/18)	2018 OUTLOOK (Updated 4/1/18)
Domestic Equities: While valuations are elevated, a continuation of the strong fundamental backdrop should allow domestic equities to produce mid- to high-single digit results in 2018, with the first half of the year likely stronger than the second half.	Though equities may likely continue to swing widely based on inflation readings, Fed action and political events, strong earnings growth and economic backdrop should lead equities to rise by year-end. We are, however, rebalancing portfolios to ensure they align with our clients' loan term goals and risk appetites.
International Equities: Attractive relative valuations versus U.S. equities, improving economic growth prospects and an uptrend in corporate earnings should position foreign equities for another good year in 2018.	We continue to be bullish on foreign equities relative to domestic equities, and overweight emerging markets.
Equity Income: U.S. production of oil, natural gas and liquids is expected to grow in 2018, leading to higher revenues and earnings for MLPs. The strategy should be able to provide a 7-8% dividend yield and 2-4% earnings growth; an attractive opportunity on both an absolute and relative basis.	We continue to believe most of the drivers of underperformance are sentiment driven and not a result of permanent impairment. MLP fundamentals are improving and we see greater potential upside and limited downside risk from today's levels.
Fixed Income: We expect rates to increase gradually throughout the year with minimal change to the steepness of the yield curve at year-end. 2018 fixed income results should be close to the coupon rate of interest, as bonds are unlikely to benefit from lower rates or be dramatically negatively impacted by rising rates.	We expect the current Fed regime, in the face of the increased likelihood of upticks in inflation as the business cycle ages, will err on the side of caution and continue to hike rates to stave off an overheated economy. Keeping duration somewhat shorter and employing floating rate fixed income investments will likely be important tools in an effort to navigate a protracted period of rising interest rates.

Keys to Success in 2018 and Beyond

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Looking ahead, it is important that we position portfolios to capture the upside we expect in 2018. That said, as we are deep into one of the longer bull equity markets in history, and the U.S. economy is likely in a late stage of the economic cycle, it is equally important that we position portfolios to protect client capital. In order to accomplish this we are taking a number of steps, all of which are fundamental to our investment philosophy:

- Rebalance portfolios to each client's long-term asset allocation: As the equity market continues to rise, portfolios have organically become more aggressive. We are actively taking profits to insure that client portfolios remain aligned with their long-term asset allocation targets.

- Maintain our valuation-conscious discipline: We understand that our conservative, value-focused philosophy means that we may miss out on all of the upside in momentum-driven years like 2017. We are firm believers that this approach will help protect capital when markets turn.

- Seek pockets of value: Though most equity asset classes are trading at valuations above historical averages, there are pockets of value that remain attractive on both an absolute and relative basis.

- Utilize alternative investments: Where appropriate, we utilize both private and liquid alternative investments to provide meaningful portfolio diversification. These strategies are less reliant on equity markets to produce positive results and can be a useful tool to provide downside protection.

- Tactically shift portfolios to capture opportunities: As has always been the case, we review portfolios on an ongoing basis and shift strategies when we uncover a more favorable risk/reward opportunity. This may include raising cash levels as valuation levels rise too far, investing where transitory variables have unnecessarily impacted asset prices, and seeking new ideas that offer superior risk/return trade-offs.

Investment Strategy Review

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U.S. Equity Markets: 1Q 2018 Review

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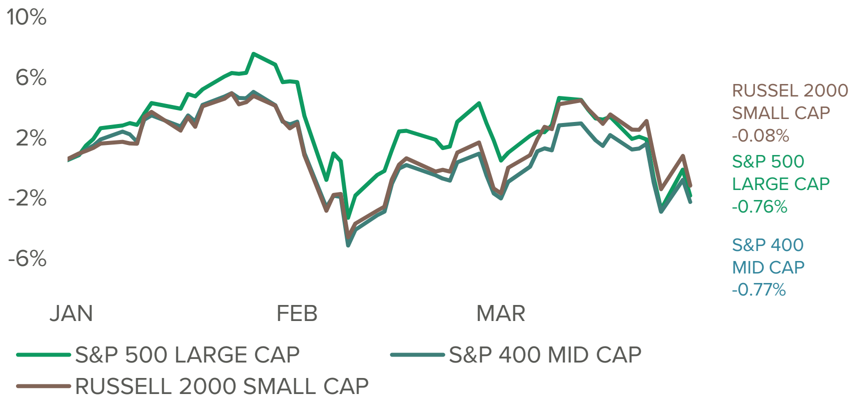
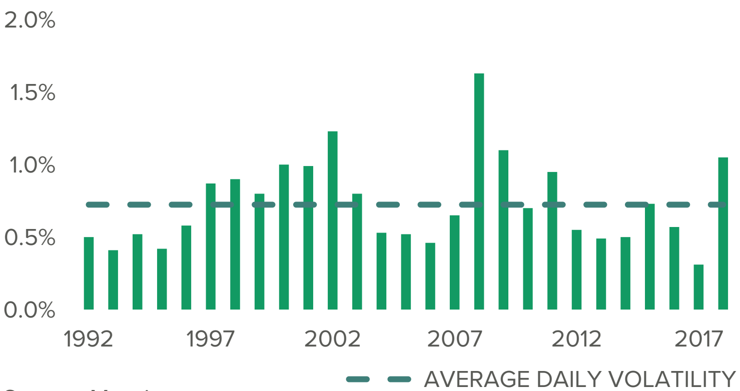
EQUITY MARKET RETURNS
FROM 1/1/2018 THROUGH 3/31/2018



Source: Bloomberg

DOW JONES INDUSTRIAL INDEX DAILY PRICE CHANGE
FROM 1/1/1992 THROUGH 3/31/2018



Source: Morningstar

The first quarter of 2018 was marked by a significant uptick in volatility. Equity markets fluctuated during the quarter, finishing modestly negative, as fears of Fed rate increases and trade tensions dominated headlines and drove overall market sentiment.

- Stocks repeatedly sold off and generally rebounded after each round of tit-for-tat tariffs were announced by U.S. and Chinese officials.
- All major categories of U.S. stocks posted slightly negative returns.
- Mid and small cap U.S. companies outperformed large corporations.
- Growth again outperformed value by a wide margin.
- Just two sectors of the S&P 500 Index, Technology and Consumer Discretionary, posted positive results. All other sectors, led by Energy (-5.9%), Consumer Staples (-7.1%), and Telecom (-7.5%) posted negative returns.

It is important to point out that the equity volatility we saw during the first quarter was much more “normal” than the very muted volatility we have experienced over the past several calendar years.

- The seemingly big swings we have been seeing on the Dow are actually quite normal when put in the proper context and examined on a percentage basis.
- In 2017, we observed the lowest average daily volatility in a quarter century. That average was 0.30%, compared to the 25-year average of 0.73%.

Though equities may likely continue to swing widely based on inflation readings, Fed action and political events, strong earnings growth and economic backdrop should lead equities to rise by year-end. We are, however, rebalancing portfolios to ensure they align with our clients' loan term goals and risk appetites.

Equity Income: 1Q 2018 Review

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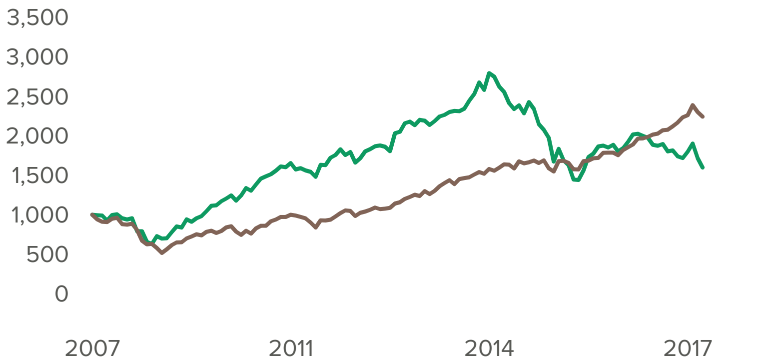
MARKET PERFORMANCE

INDEX NAME	FROM 1/1/2018 THROUGH 3/31/18
Alerian MLP Index	-11.1%
FTSE Mortgage REIT Index	-6.7%
S&P 500 Index	-0.8%
Bloomberg Barclays U.S. AGG Intermediate	-1.5%

Source: Bloomberg

S&P 500 AND ALERIAN MLP GROWTH OF $1,000 FROM 1/1/2008 THROUGH 3/31/2018



Source: Morningstar

The first quarter of 2018 saw a continuation in a challenging period of performance for the Cedar Hill Equity Income strategy. That said, in mid/late January, we liquidated the strategy's mortgage REIT holdings.

After a recovery that began in late 2017 and continued into mid/late January, MLPs are back near their 52-week lows. The drivers of this reversal were:

- General market uneasiness and an uptick in volatility
- Concerns about higher interest rates
- Continued pressure on the energy sector
- The Federal Energy Regulatory Commission (FERC) announced a change in the way MLPs receive compensation on certain pipeline contracts. Though this will have limited impact on MLP profitability, it caused additional investor angst.

We continue to believe most of the drivers of underperformance are sentiment driven and not a result of permanent impairment. MLP fundamentals are improving and we see greater potential upside and limited downside risk from today's levels, based on the following:

- The U.S. energy renaissance is expected to continue. As the volume of energy running through pipelines and other energy infrastructure increases, revenue, earnings and distribution rates should grow accordingly.
- Despite high stock price volatility, distributions from midstream energy MLPs have been growing. Importantly, MLPs earn distributable cash flow that is on average 1.1 to 1.3 times greater than their dividend payments.
- MLP valuations are attractive both on an absolute basis and relative to most other asset categories.
- The 8% annual distribution rate, which is expected to grow at a 2-4% annual rate, presents an attractive "yield + growth" absolute return potential.

International Equity Markets: 1Q 2018 Review

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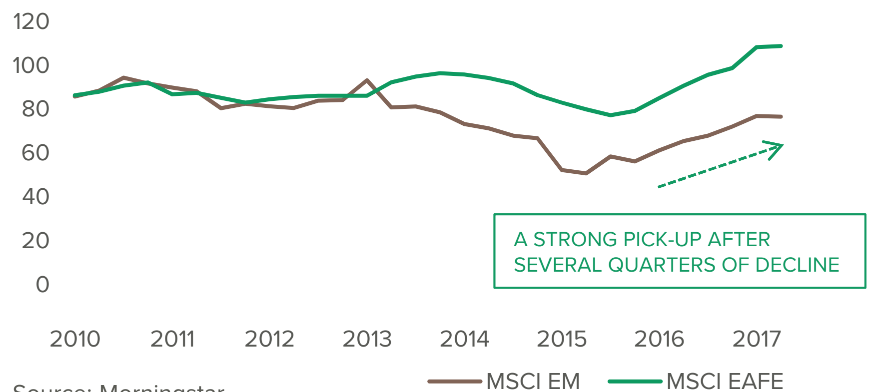
MARKET PERFORMANCE

INDEX NAME	FROM 1/1/2018 THROUGH 3/31/2018
S&P 500	-0.76%
MSCI EAFE	-1.53%
MSCI Europe	-1.98%
NIKKEI 225 (Japan)	-5.06%
MSCI Emerging Markets	1.50%
MSCI BRIC	2.38%
MSCI Emerging Asia	0.94%
MSCI Latin American	8.02%

Source: Bloomberg

DEVELOPED AND EMERGING EQUITY EARNINGS
QUARTERLY AS OF 3/31/2018



Source: Morningstar

Following a sharp market leadership reversal which saw foreign stocks take the reigns from their domestic equity counterparts during 2017, foreign equities generally underperformed U.S. stocks during the first quarter of 2018.

Emerging markets (EM) were the only major equity category to post positive results in 1Q18. Sentiment remains strong for EM economies and corporations for the following reasons:

- Strong demographic trends are afoot. More than 90% of the next one billion entrants into the global middle class from 2015 to 2022 will be from India, China, or other Asian countries.
- Most investors are grossly underweight in their exposure to emerging markets, particularly when you consider the asset class as a percentage of global GDP.
- According to the IMF, emerging markets GDP growth is estimated to be more than 2.5 times that of developed markets outside of the U.S.
- After two years of double-digit earnings declines, emerging markets' earnings began growing again in 2016. Consensus estimates project strong continued growth in earnings.
- In a world of relatively expensive stock valuations, emerging markets are currently trading near their long-term trailing earnings average and at a considerably larger-than-average discount to developed foreign markets.

We continue to be bullish on foreign equities relative to domestic equities, and overweight emerging markets.

Fixed Income Markets: 1Q 2018 Review

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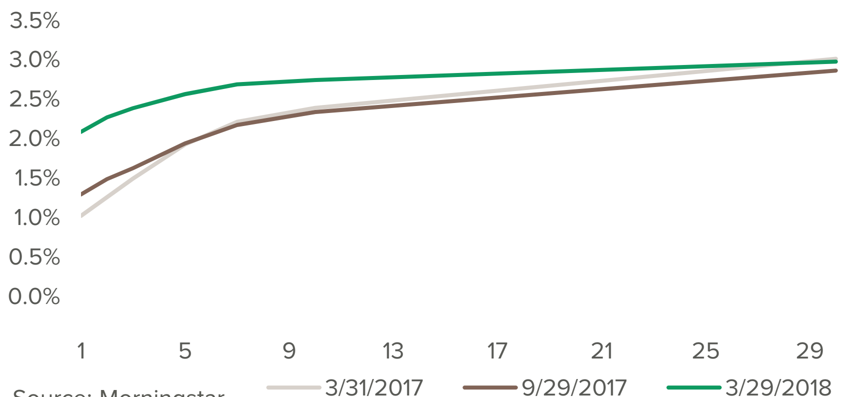
INTEREST RATES

BOND INDEX	12/29/2017	3/29/2018
1-Year Treasury	1.73%	1.08%
5-Year Treasury	2.21%	2.56%
10-Year Treasury	2.41%	2.74%
30-Year Treasury	2.74%	2.97%
Bloomberg Barclays U.S. AGG Intermediate	2.56%	2.99%
Bloomberg Barclays 5-Yr Muni Bond	1.95%	2.22%
Bloomberg Barclays U.S. Corporate Credit Index	3.25%	3.76%
Bloomberg Barclays U.S. High Yield	5.72%	6.19%

Source: Bloomberg

U.S. TREASURY YIELD CURVE
IN YEARS



Source: Morningstar

While interest rates still remain well below historical averages, they moved marginally higher in 1Q18, weighing on longer-duration bond categories.

- As a result of rising rates, which was perhaps primarily a response to wage inflation sensitivity, nearly all fixed income asset classes posted negative total returns during the first quarter.
- Yields are particularly low for riskier fixed income asset classes, suggesting that investors remain willing to take on greater risk for less income potential.
- The increased market volatility during the quarter caused credit spreads to widen slightly, but they remain very tight (i.e. expensive) relative to history.
- Fiscal easing (tax cuts and increased government spending) could prove to be a tailwind for GDP growth, but may likely put upward pressure on both inflation and interest rates.
- New Fed Chairman, Jerome Powell, in his first congressional testimony in February, stuck a somewhat surprisingly dovish tone. Investors interpreted his comments that “inflation is moving up to target” to mean that the Fed may hike four times in 2018.

We expect the current Fed regime, in the face of the increased likelihood of upticks in inflation as the business cycle ages, will err on the side of caution and continue to hike rates to stave off an overheated economy. Keeping duration somewhat shorter and employing floating rate fixed income investments will likely be important tools in an effort to navigate a protracted period of rising interest rates.

Other Charts

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Leading Economic Indicators

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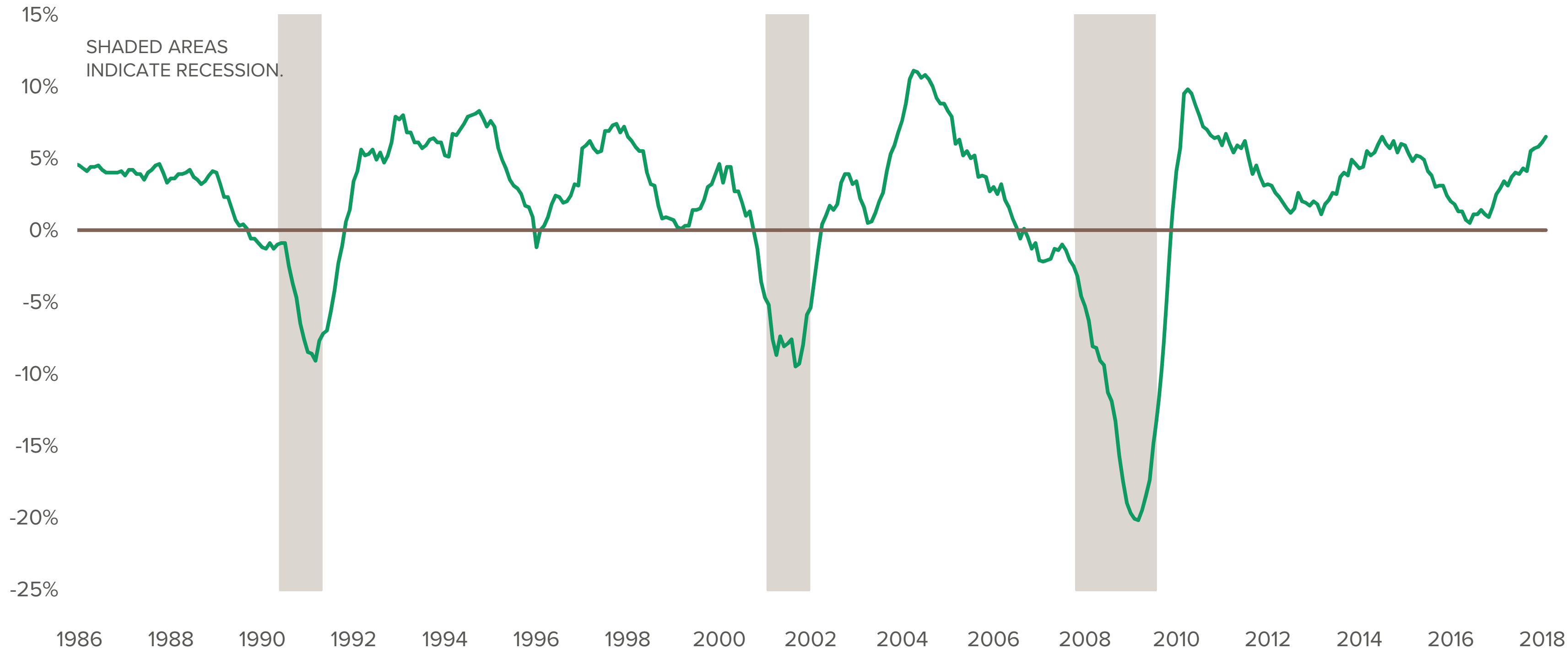
Leading indicators include economic variables that tend to move before changes in the overall economy. A negative reading in these indicators preceded each of the last three recessions. The latest reading suggests current economic conditions still remain favorable.

CONFERENCE BOARD U.S. LEADING ECONOMIC INDICATORS INDEX
PERCENT CHANGE YOY, MONTHLY, FROM 6/30/1986 THROUGH 2/28/2018



Source: Bloomberg

U.S. GDP & Inflation

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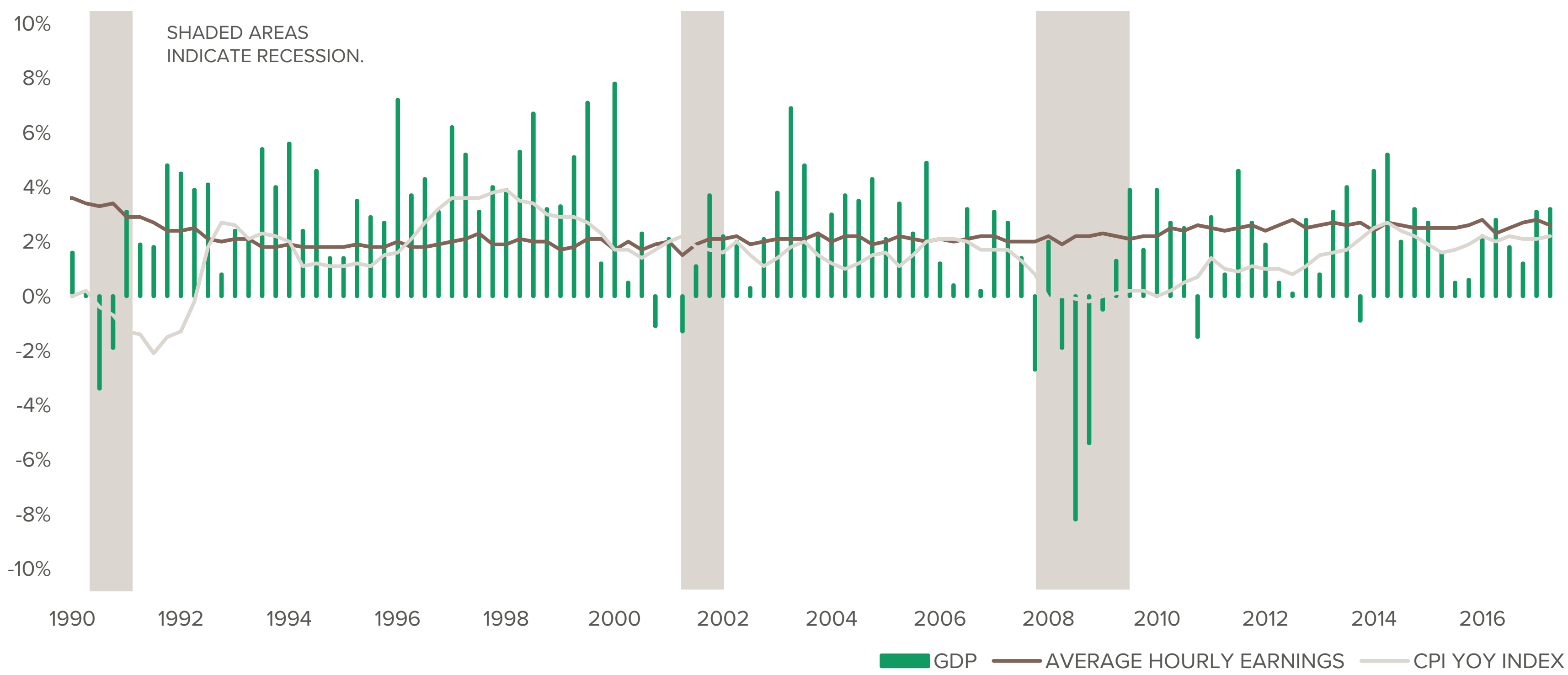
While the current recovery has been longer than most past economic expansions, the pace has been somewhat anemic. The silver lining may be that the period of economic expansion is not yet over.

U.S. GDP, INFLATION & WAGE GROWTH FROM 1/1/1990 THROUGH 3/31/2018



Source: Bloomberg

Employment Data

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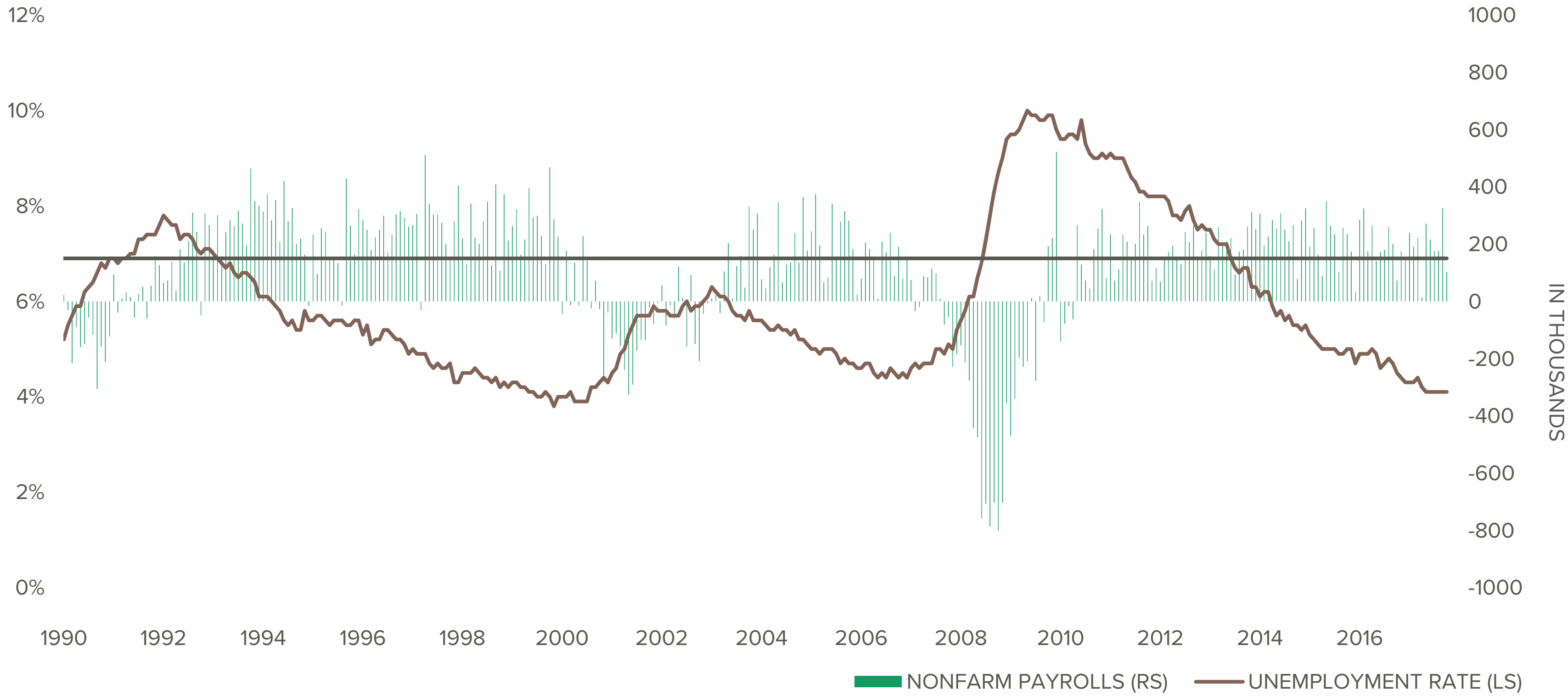
A trend of relatively consistent job additions since early 2011 has brought the unemployment rate down to nearly 4% and eliminated much of the slack remaining in the labor market.

UNEMPLOYMENT RATE & NONFARM PAYROLLS
FROM 6/1/1990 THROUGH 3/31/2018



Source: Bloomberg

U.S. Dollar Strength

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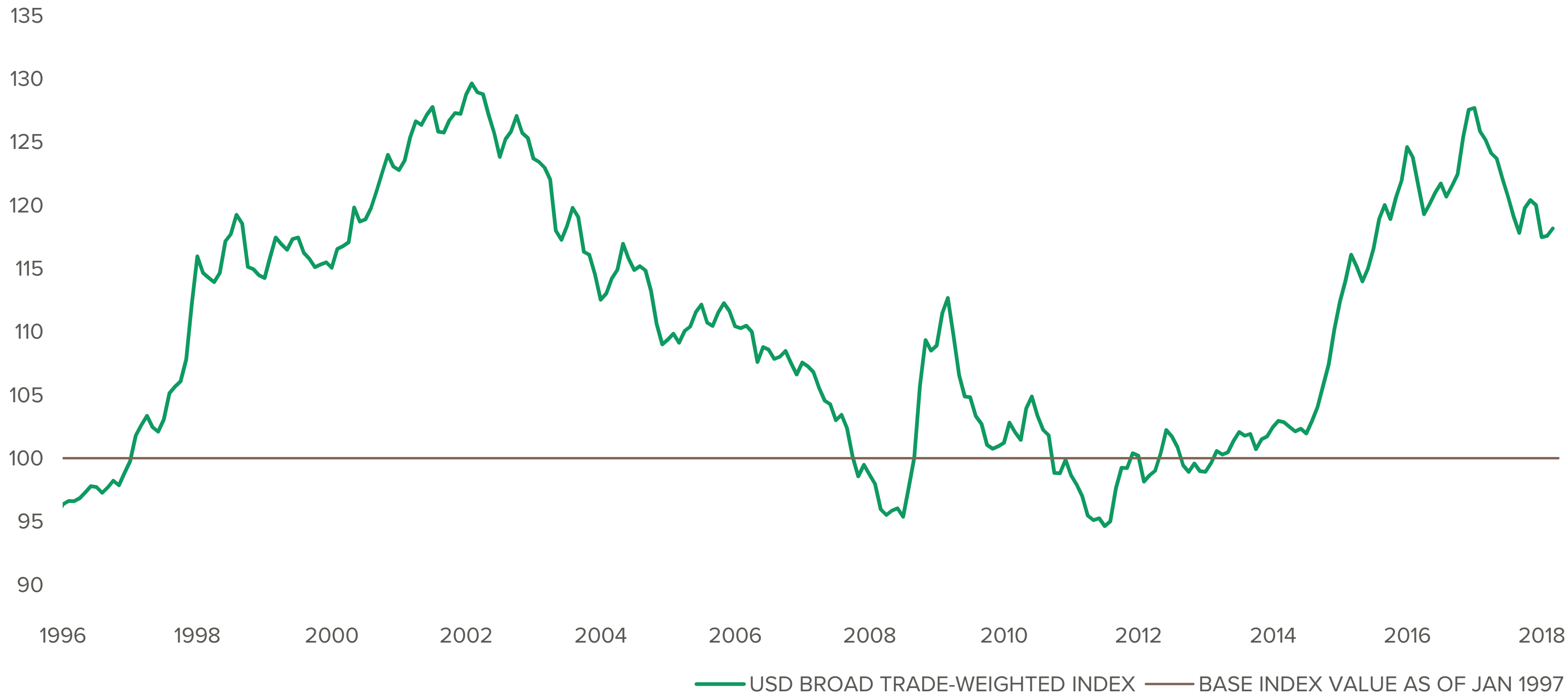
While it has stabilized somewhat over the past two years, the value of the U.S. dollar remains very strong relative to a basket of global currencies. An expectation of higher international interest rates should continue to be a headwind for the U.S. dollar in 2018.

U.S. DOLLAR VS. 26 FOREIGN CURRENCIES
FROM 1/1/1996 THROUGH 3/31/2018



Source: Bloomberg

US. Federal Funds Target Rate

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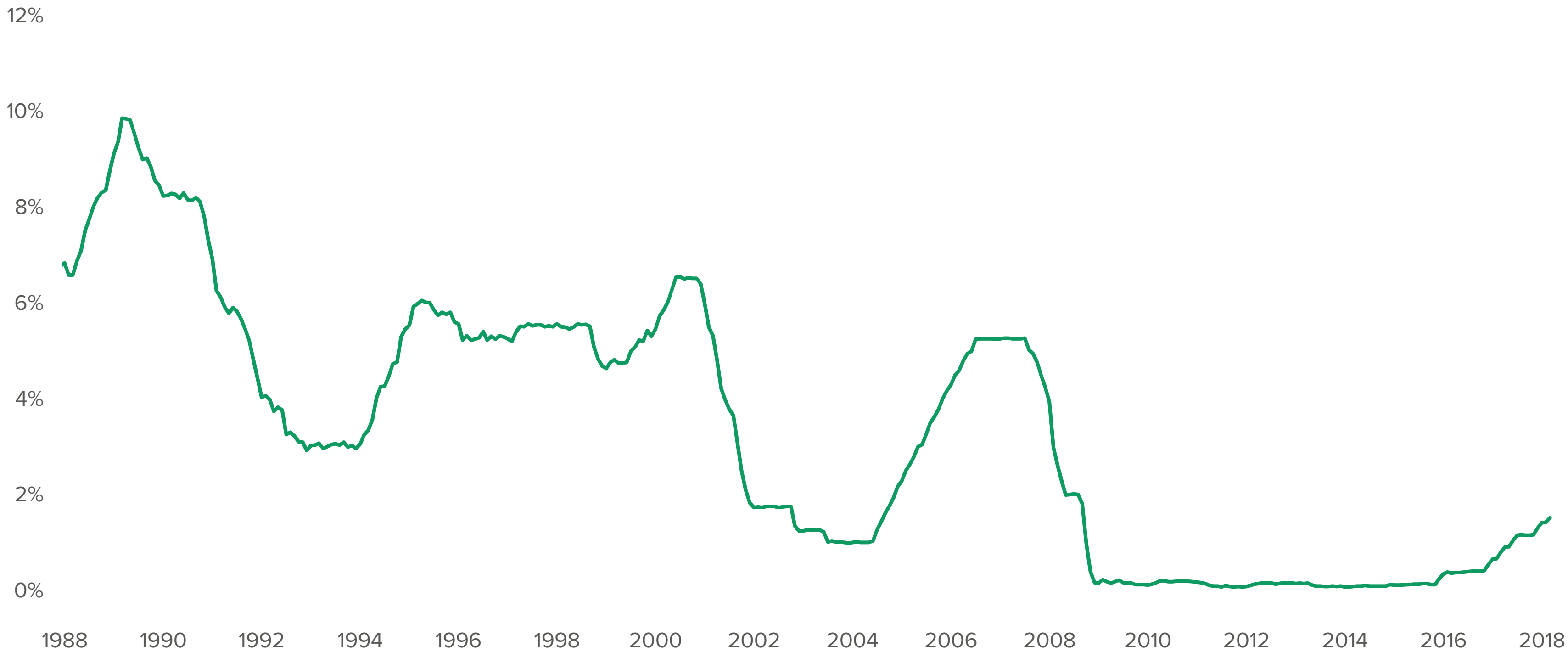
After several years of historically easy monetary policy, the Federal Reserve has begun to lift the U.S. Federal Funds Effective Rate towards its long-term target level. The Fed raised interest rates five times, for a cumulative 1.25% increase since the end of 2015, and a total of three to four hikes are expected in 2018.

U.S. FEDERAL FUNDS TARGET RATE
FROM 1/1/1988 THROUGH 3/31/2018



Source: Bloomberg

Long Term U.S. 10-Year Treasury Yield

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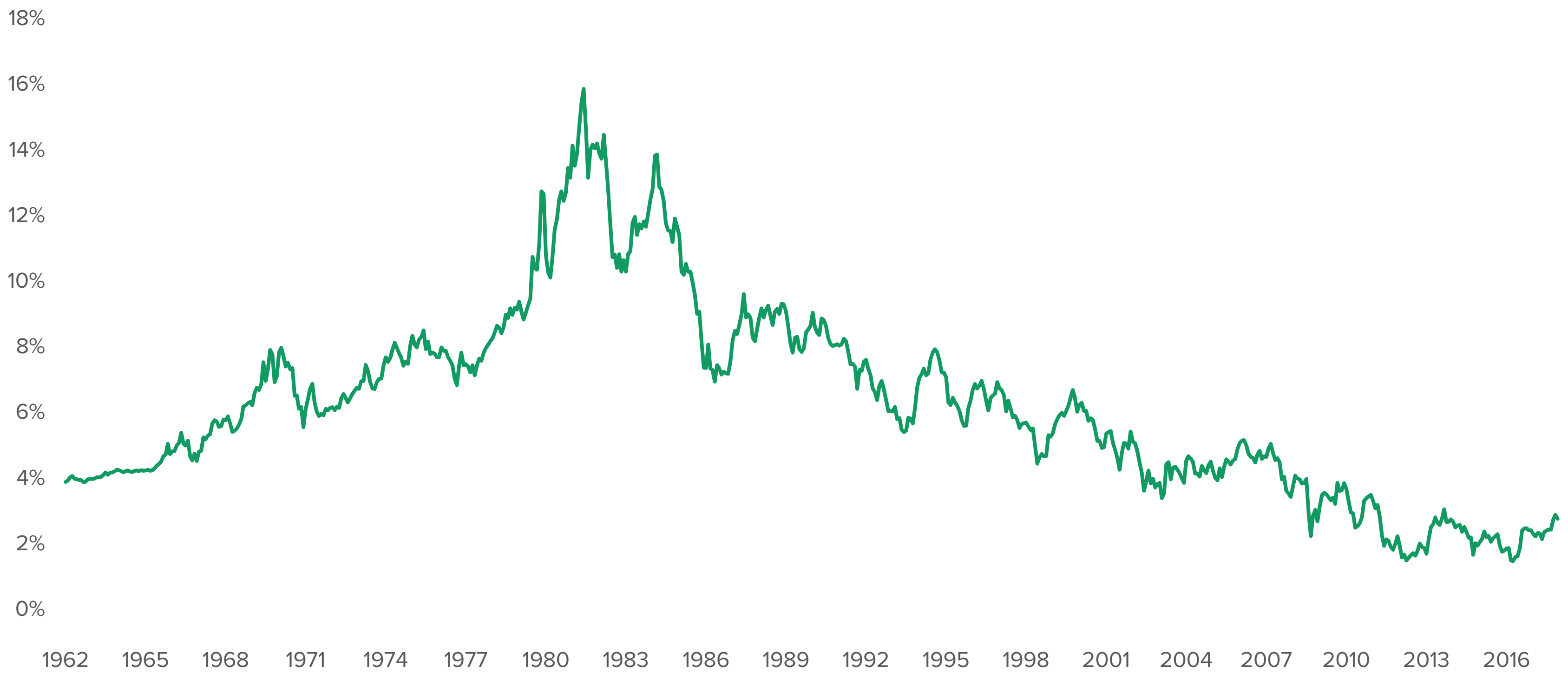
The 37-year bull market for bonds has driven the 10-Year Treasury yield to near historically low levels.

U.S. 10-YEAR TREASURY YIELD
FROM 1/1/1962 THROUGH 3/31/2018



Source: Bloomberg

2-Year vs. 10-Year Treasury Yield Curve Spread

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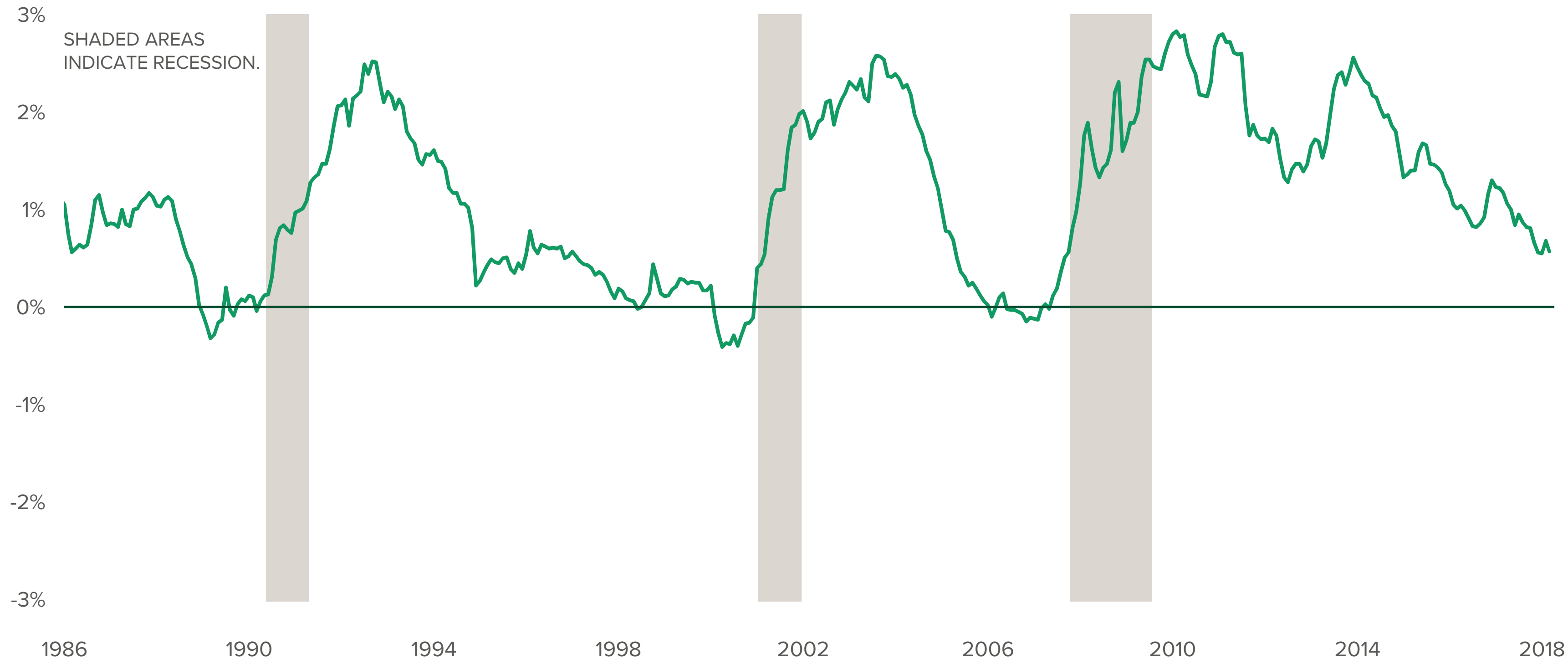
A comparison of long-term versus short-term Treasury rates illustrates that past recessions were preceded by an inverted yield curve (i.e. the 10-Year Treasury yield fell below the 2-Year yield). As of 3/31/17, the 10-Year yield remained 0.47% above the 2-Year yield.

10-YEAR U.S. TREASURY YIELD MINUS 2-YEAR U.S. TREASURY YIELD
FROM 1/1/1986 THROUGH 3/31/2018



Source: Bloomberg

Relative Yield

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10-Year U.S. Treasury bonds have historically provided a higher yield than equities. While less attractive than at year-end, equities continue to offer a comparatively attractive yield to Treasury bonds.

S&P 500 INDEX DIVIDEND YIELD VERSUS 10-YEAR TREASURY YIELD
FROM 1/1/1994 THROUGH 3/31/2018

Source: Bloomberg

Corporate Earnings & Revenue Growth

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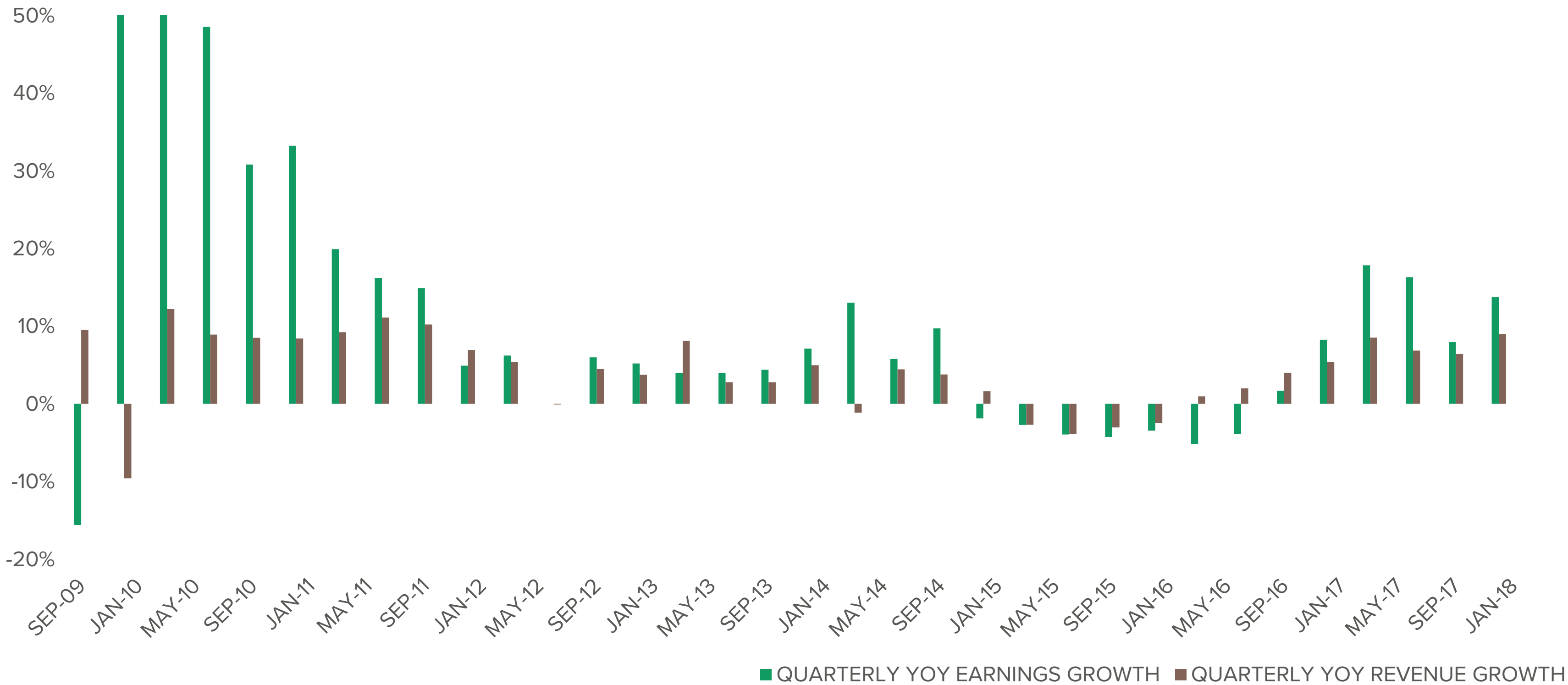
Quarterly earnings and revenue growth figures have been strong in the U.S. Solid corporate performance in 2018 will be necessary to continue supporting elevated valuations.

S&P 500 INDEX YOY QUARTERLY EARNINGS AND REVENUE GROWTH
FROM 9/30/2009 THROUGH 3/31/2018



Source: Bloomberg

Asset Class Returns

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Asset class performance is cyclical, highlighting the importance of constructing a broadly diversified portfolio.

PERIODIC TABLE OF ASSET CLASS TOTAL RETURNS
FROM 1/1/2007 THROUGH 3/31/2018

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	YTD 2018
EMERGING MARKETS 39.8%	LT BOND 24.0%	EMERGING MARKETS 79.0%	REAL ESTATE 27.6%	LT BOND 29.9%	REAL ESTATE 19.7%	SMALL CAP 41.3%	REAL ESTATE 28.1%	REAL ESTATE 2.8%	SMALL CAP 26.6%	EMERGING MARKETS 37.8%	GLOBAL BOND 2.5%
COMMODITIES 16.2%	GLOBAL BOND 9.2%	HY BOND 57.5%	SMALL CAP 26.9%	ST/IT BOND 7.8%	EMERGING MARKETS 18.6%	MID CAP 33.5%	LT BOND 25.1%	LARGE CAP 1.4%	MID CAP 20.8%	LARGE FOREIGN 25.6%	EMERGING MARKETS 1.5%
LARGE FOREIGN 11.6%	ST/IT BOND 5.1%	MID CAP 37.4%	MID CAP 26.6%	REAL ESTATE 7.3%	LARGE FOREIGN 17.9%	LARGE CAP 32.4%	LARGE CAP 13.7%	ST/IT BOND 0.6%	HY BOND 17.5%	LARGE CAP 21.8%	SMALL CAP 0.6%
LT BOND 9.8%	HEDGE FUNDS -23.3%	LARGE FOREIGN 32.5%	EMERGING MARKETS 19.2%	GLOBAL BOND 6.4%	MID CAP 17.9%	LARGE FOREIGN 23.3%	MID CAP 9.8%	LARGE FOREIGN -0.4%	LARGE CAP 12.0%	MID CAP 16.2%	COMMODITIES -0.4%
ST/IT BOND 7.4%	HY BOND -26.2%	REAL ESTATE 27.5%	COMMODITIES 16.8%	HY BOND 4.4%	SMALL CAP 16.3%	HY BOND 7.4%	ST/IT BOND 6.0%	LT BOND -1.2%	COMMODITIES 11.8%	SMALL CAP 13.2%	LARGE CAP -0.8%
GLOBAL BOND 5.7%	SMALL CAP -33.8%	SMALL CAP 27.2%	HY BOND 15.2%	LARGE CAP 2.1%	LARGE CAP 16.0%	HEDGE FUNDS 6.7%	SMALL CAP 4.9%	SMALL CAP -2.0%	EMERGING MARKETS 11.6%	REAL ESTATE 8.7%	MID CAP -0.8%
MID CAP 5.6%	COMMODITIES -35.7%	LARGE CAP 26.5%	LARGE CAP 15.1%	MID CAP -1.7%	HY BOND 15.6%	REAL ESTATE 2.9%	HY BOND 2.5%	MID CAP -2.2%	REAL ESTATE 8.6%	LT BOND 8.5%	HY BOND -0.9%
LARGE CAP 5.5%	LARGE CAP -37.0%	COMMODITIES 18.9%	LT BOND 9.4%	SMALL CAP -4.2%	ST/IT BOND 4.2%	ST/IT BOND -2.0%	GLOBAL BOND -0.5%	GLOBAL BOND -3.6%	ST/IT BOND 2.7%	GLOBAL BOND 7.5%	HEDGE FUNDS -1.0%
HEDGE FUNDS 4.2%	REAL ESTATE -37.3%	HEDGE FUNDS 13.4%	LARGE FOREIGN 8.2%	HEDGE FUNDS -8.9%	HEDGE FUNDS 3.5%	EMERGING MARKETS -2.3%	HEDGE FUNDS -0.6%	HEDGE FUNDS -3.6%	HEDGE FUNDS 2.5%	HY BOND 7.5%	LARGE FOREIGN -1.4%
HY BOND 1.9%	MID CAP -41.5%	ST/IT BOND 5.9%	ST/IT BOND 6.6%	LARGE FOREIGN -11.7%	LT BOND 3.4%	GLOBAL BOND -4.0%	EMERGING MARKETS -1.8%	HY BOND -4.6%	GLOBAL BOND 1.6%	HEDGE FUNDS 6.0%	ST/IT BOND -1.5%
SMALL CAP -1.6%	LARGE FOREIGN -43.1%	GLOBAL BOND 2.6%	GLOBAL BOND 5.2%	COMMODITIES -13.3%	GLOBAL BOND 1.7%	COMMODITIES -9.5%	LARGE FOREIGN -4.5%	EMERGING MARKETS -14.6%	LARGE FOREIGN 1.5%	ST/IT BOND 3.5%	LT BOND -3.3%
REAL ESTATE -17.8%	EMERGING MARKETS -53.2%	LT BOND -12.9%	HEDGE FUNDS 5.2%	EMERGING MARKETS -18.2%	COMMODITIES -1.1%	LT BOND -13.9%	COMMODITIES -17.0%	COMMODITIES -24.7%	LT BOND 1.3%	COMMODITIES 1.7%	REAL ESTATE -6.7%

Source: Bloomberg. Diversification does not guarantee a profit and does not eliminate the risk of loss. Emerging Markets: MSCI EM; Large Foreign: MSCI EAFE; Large Cap: S&P 500; Mid Cape: S&P MidCap 400 TR; Small Cap: S&P SmallCap 600; Real Estate: FTSE NAREIT All Equity REITs; LT Bond: BBgBarc US Treasury Long; Global Bond: Citi WGBI USD; HY Bond: ICE BofAML US High Yield; Hedge Funds: HFRX Global Hedge Fund Index; ST/IT Bond: BBGBarc US Agg Bond; Commodites: Bloomberg Commodity

Disclosures

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Inclusion of index information is not intended to suggest that its performance is equivalent or similar to that of the historical investments whose returns are presented or that investment with our firm is an absolute alternative to investments in the index (if such investment were possible). Investors should be aware that the referenced benchmark funds may have a different composition, volatility, risk, investment philosophy, holding times, and/or other investment-related factors that may affect the benchmark funds' ultimate performance results. Therefore, an investor's individual results may vary significantly from the benchmark's performance.

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