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Successful Families



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First Quarter 2015: Investment Market Summary

Headlines:

European economic data continues to be strong, despite talks of a third bail-out package for Greece. This is evidenced by the upward move in the Eurozone Citi Economic Surprise Index, which has been trending upward since late 2014 and now sits in positive territory.

In contrast, U.S. economic data has been soft in the first quarter of 2015. In what looks like almost a repeat of Q1 2014, severe weather across the United States led to soft consumer spending and work interruptions for many across the country. The Atlanta Federal Reserve recently released their forecast for only 0.1% GDP growth for Q1 2015, which is far below Wall Street's expectations.

The euro hit a 12 year low of \$1.05 vs. the U.S. Dollar in March, indicative of the divergence in monetary policy between the U.S. Central Bank and European Central Bank. With the word patient being noticeably absent from the March Fed policy statement, Janet Yellen has given herself cover for a rate hike as early as June of this year.

Oil and related commodities had another tough month in March, with Brent Crude dropping 12.7%. Master Limited Partnerships (MLPs) had another challenging month, as investors struggle to discount how long crude oil will stay at these levels and at what point to adjust their future growth expectations.

Equities and risk assets broadly sold off in March, as investors revised their earnings expectations down due to the energy sector and U.S. dollar. For global companies with revenues abroad and costs in U.S. dollars, the continued rally in the U.S. dollar is starting to prove problematic to corporate earnings.

U.S. Small Caps (Russell 2000 +1.7%), REITs (+1.8%), and Asian equities (led by China and Hong Kong) bucked the trend in March and ended the month with sizable gains.

The best performing equity index in March was the China A Share 50, which gained 12.4%. The worst performer was Greece, which lost 16.6%.

The best performing sector in the U.S., both in March (+0.9%) and thus far in 2015 (+6.5%), was Health Care. In fact, the MSCI Healthcare Index has outperformed every other sector by over 600 basis points annualized over the last three years (+26.9% annualized).

Interest rates globally continued to move lower in March, with the German 10-year Bund sitting at 0.16% towards the end of the month and threatening to go negative. The implied volatility of interest rates has also been on the rise (as measured by the Merrill Lynch Move Index), while equity volatility remains relatively subdued.

Merger and Acquisition (M&A) activity has been robust thus far in 2015. According to Dealogic, \$888 billion global deal value was announced during Q1, marking the strongest first quarter in 5 years. With the U.S. Dollar Index (DXY) up over 20% in the last 12 months, U.S. firms sit in a strong position to acquire assets internationally.

Standard Indices	Mar 2015	YTD 2015	1 Year	3 Years	5 Years	10 Years
S&P 500 TR	-1.6%	1.0%	12.7%	16.1%	14.5%	8.0%
Wilshire 5000 Total Market Index	-1.3%	1.1%	10.1%	13.9%	12.3%	6.3%
MSCI EAFE	-1.4%	5.0%	-0.5%	9.5%	6.6%	5.4%
MSCI Emerging Markets	-1.4%	2.3%	0.8%	0.7%	2.1%	8.8%
Alerian MLP Index	-4.2%	-5.2%	-2.5%	9.2%	13.7%	13.0%
Barclays Global Aggregate Bond Index	-1.0%	-1.9%	-3.7%	-0.2%	2.3%	3.6%
Barclays US Intermediate Credit TR	0.4%	1.8%	4.4%	3.9%	5.0%	4.9%
Dow Jones Credit Suisse Hedge Fund Index	0.0%	1.9%	5.1%	6.4%	5.6%	5.9%

As always, we're available to answer any questions you may have.

Regards,

The Emerald Team

Disclosure
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