



Summit Strategies Group

8182 Maryland Avenue, 6th Floor

St. Louis, Missouri 63105

314.727.7211

Monthly Economic & Capital Market Update

January 2017

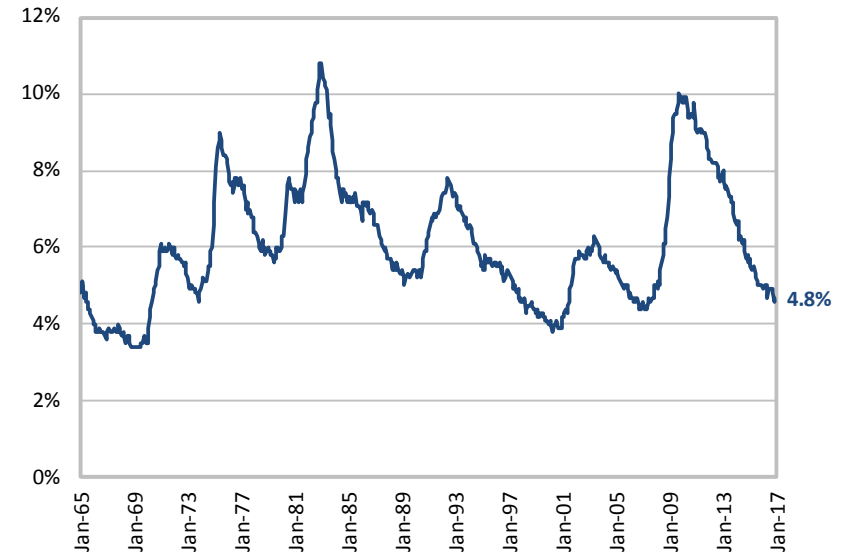
Economy

- From the election of Donald Trump in November to his inauguration in January, surveys of future economic conditions showed significantly increased expectations for global demand. Consumers and businesses alike have showed more economic optimism, which helped boost equity markets to begin 2017. While expectations have increased, actual economic data has been mostly in line with the slow, steady growth trajectory of economies over the past several years. A theme worth following in coming months and quarters will be to see if actual economic activity matches the increase in expectations since the election.
- The US economy experienced positive job growth for the 76th consecutive month in January as employers added 227,000 jobs during the month. January's strong figure exceeded market expectations by nearly 50,000 jobs and represented a 45% increase from December's figure of 156,000 jobs. The unemployment rate rose slightly to 4.8% from December's 4.7%, and the labor force participation rate was unchanged at 62.9%; the most concentrated job gains occurred in retail trade, construction, and financial activities. Wages, as measured by average hourly earnings of private sector workers, increased 0.1% for the month and 2.5% year-over-year. Payrolls from November and December were revised downward by 39,000 total jobs.
- Real GDP grew at a 1.9% annual rate during the fourth quarter, according to the first estimate released by the Bureau of Economic Analysis. The 1.9% GDP growth overall for the US economy in 2016 matches 2015's growth rate and remains well below historical levels. The fourth quarter figure, which will be revised twice in coming months, reflected lower exports and consumer spending than the previous quarter. GDP growth during the third quarter was 3.5%.
- January marked the 85th consecutive month of expansion in the US services sector. The ISM non-manufacturing Purchasing Managers Index (PMI) came in at 56.5, slightly below last month's record high of 57.2. A reading over 50.0 indicates expansion in the services sector.

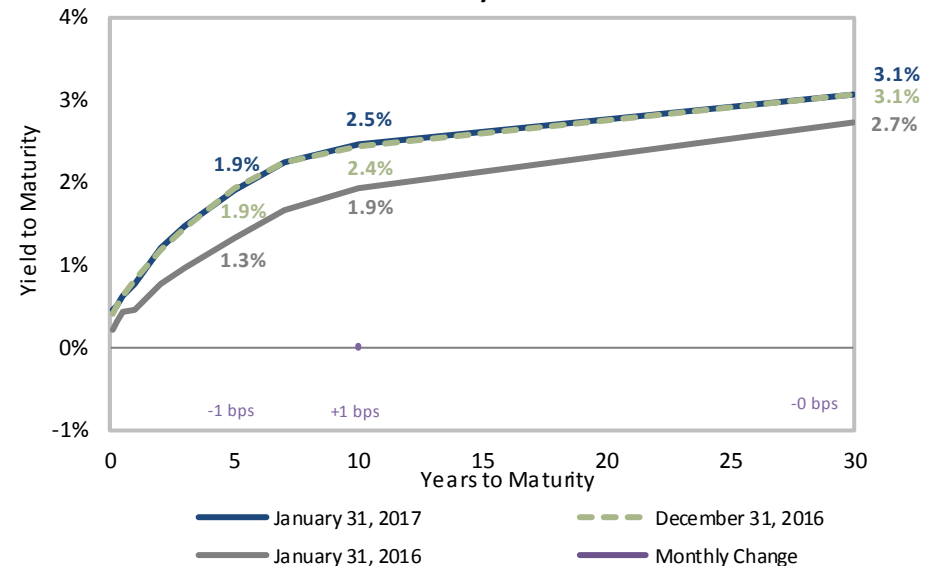
Yield Curve

- The spread between 2-year and 30-year Treasuries contracted 2 bps to 186 bps in January. Over the past 30 years the spread between the 2- and 30-year Treasuries has averaged 167 bps.

Unemployment Rate



Treasury Yield Curve



Growth Assets

January 31, 2017

Public Equities

- Global equity markets were broadly positive in January despite intra-month volatility. The S&P 500 gained 1.9%, outpacing domestic small cap stocks, as the Russell 2000 gained 0.4%. International markets outperformed domestic with developed large cap equities gaining 2.9% and developed small cap equities rising 3.5%. Emerging markets posted the strongest returns, gaining 5.5% as the dollar declined.
- Master limited partnerships (MLPs) returned 4.9% in January. Positive returns were posted across almost all sectors, with shipping leading outperformance at 11.0%. MLPs have gained 38.9% year-to-date, with energy services being the best performer at 118.7%. Positive performance for the month can be attributed to reduction in oil reserves and potential energy policies from the new administration.

Public Debt

- The Bloomberg Barclays High Yield Index returned 1.5% for the month of January as spreads tightened 21 bps, driving the strong performance for the month.
- Local currency-denominated emerging market debt returned 2.3% during January as the asset class continued to rebound after its 7.0% initial decline following the election.

Private Equity

- The private equity environment proved to be robust in 2016, with over 800 funds closing globally for a total of \$345 billion. This marks the fourth consecutive year of fundraising totals exceeding \$300 billion, which remains below the nearly \$400 billion raised in both 2007 and 2008. Purchase price multiples for larger deals, as measured by S&P Leveraged Commentary and Data (S&P LCD), remain steady from 2015, while multiples in the middle market have declined by 10%. Manager sentiment suggests that the lower multiples in the middle market demonstrate that managers remain disciplined on pricing, resulting in fewer deals being completed.

Private Debt

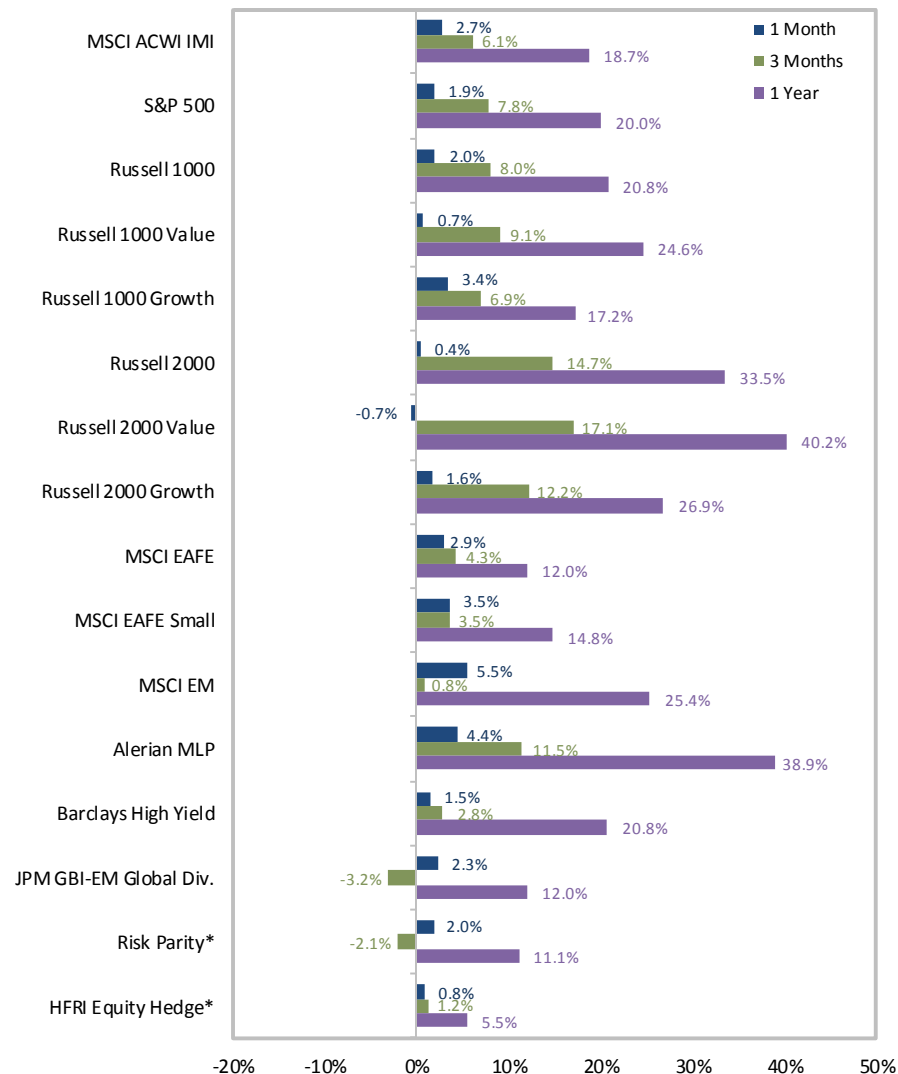
- In 2016, private debt saw 119 funds close for a combined total of \$74 billion, below the 2015 value of \$96 billion. According to Preqin, 2016 had the lowest number of fund closures since 2013, as the pace of fundraising has slowed to an average of 20 months, up from a 16-month average in 2015. Fundraising pace has slowed as capital is becoming increasingly concentrated among a small group of fund managers.

Risk Parity

- Risk Parity strategies gained in December, with gains distributed across most asset classes.

Growth Hedge Funds

- Growth hedge funds contributed in December, with the largest gains coming from distressed and activist strategies. Merger arbitrage and other event-driven strategies were also positive. Long/short equity funds also posted gains, especially quantitative strategies and fundamental value-driven programs.



* Data was not available at time of publication – returns are previous month's.
Note: Risk Parity returns are based on an internally comprised benchmark.
All returns are USD.

Income Assets

January 31, 2017

Public Debt

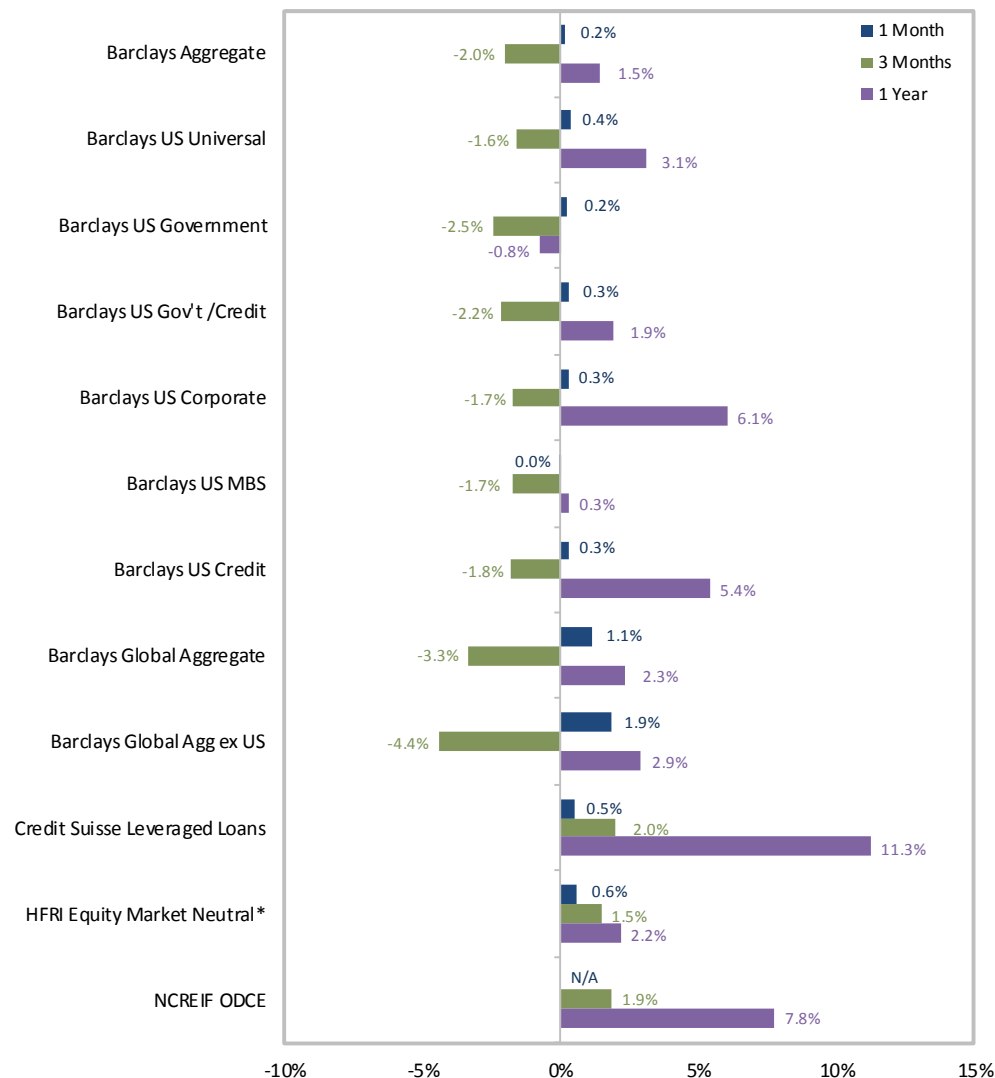
- The 10-year US Treasury yield traded within a 15 basis point band during the month before ending January at 2.4%, unchanged from the end of December.
- After the spread volatility observed to end 2016, January was a relatively calm month for core fixed income with OAS changing only one basis point during the month.
- The duration of the broad index remained stable during the month, as extensions in the securitized sector were offset by decreasing duration of the Treasury sector.
- International bonds posted a return of 1.9% during January, with gains on currency of 2.8% overwhelming a 1.1% price decline.
- Bank Loans returned 0.5% during the month of January, which is consistent with coupon-like returns for the month. A wave of refinancings within the asset class has offset the principal gains of some lower-rated issues, leaving the average price of loans in the index constant.

Relative Value Hedge Funds

- Relative value hedge funds outperformed in December, with long/short credit strategies and fixed income arbitrage being the strongest performers. Volatility arbitrage, asset-backed paper strategies, and equity market neutral programs were all positive as well.

Core Real Estate

- The fourth quarter return for the NCREIF ODCE Index was 2.1% gross and 1.8% net, with the majority of gains coming from income rather than price appreciation. Continued progress in the labor market and economic recovery have acted as a tailwind for real estate performance, with the asset class turning in a strong gain of 7.7% in 2016. As capitalization rates have decreased in recent years, so have core real estate returns; 2016's return was the lowest since 2009 for the asset class.



* Data was not available at time of publication – returns are previous month's.
Note: All returns are USD.

Diversification Assets

January 31, 2017

Inflation

- Inflation expectations continued to increase during January, ending the month with 10-year breakeven inflation expectations above 2.0%.

Deflation

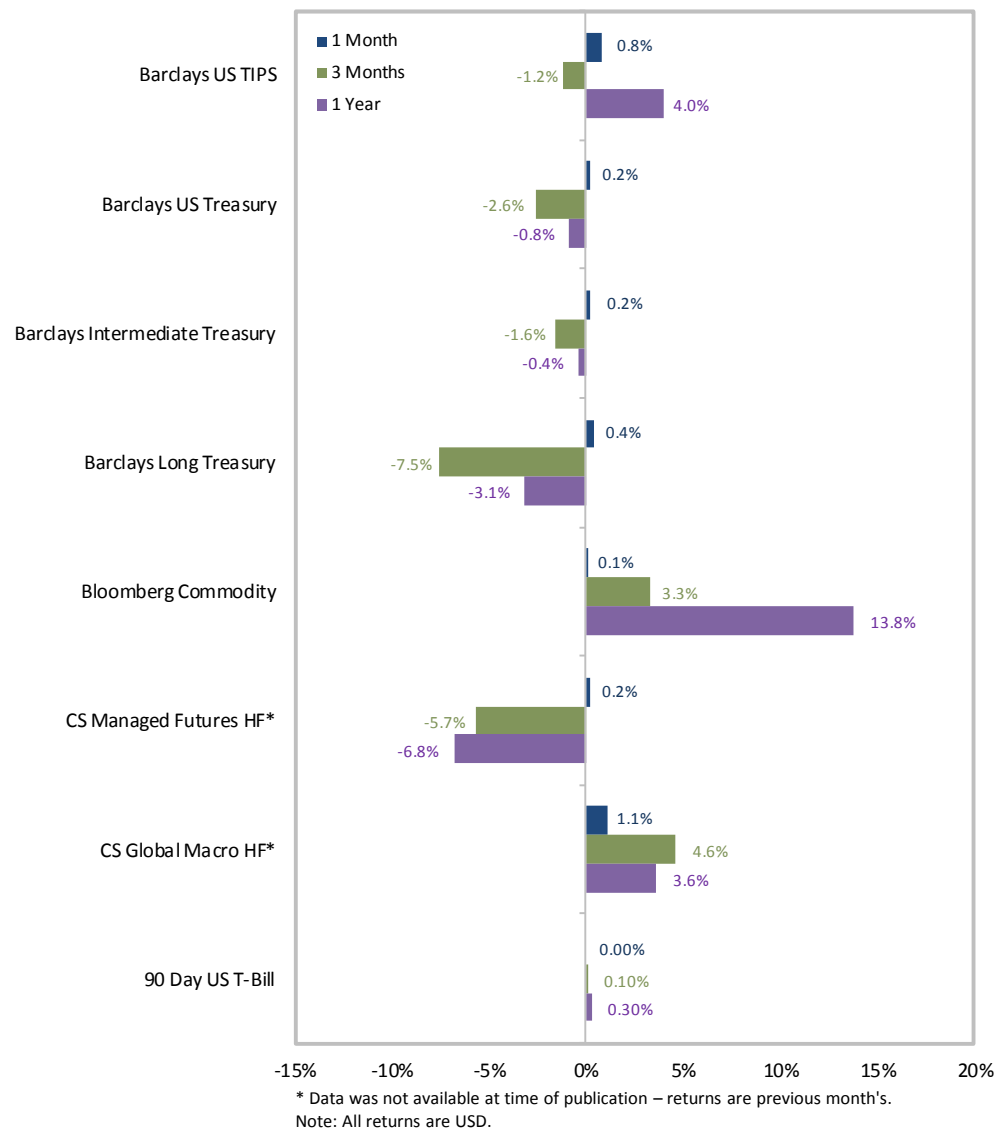
- The Bloomberg Barclays Long Treasury Index returned 0.4% for the month, 12 basis points of which can be attributed to price return. January was the first month to observe a positive price return for the Long Treasury index since July of 2016.
- Cash continues to offer no relative return, as 90-day T-bills were flat for the month and returned 0.3% for the one-year period.

Commodities

- The Bloomberg Commodity Index returned 0.1% for the month of January. The largest detractor from performance was energy, with natural gas declining 16.3% for the month. Zinc and silver produced the highest returns of 11.3% and 9.7%, respectively. Year-to-date, the index remains positive at 13.8% with zinc and Brent Crude Oil being the largest contributors to performance.

Tactical Trading

- Tactical Trading strategies gained in December. Discretionary global macro strategies led performance, while CTAs were also positive.



DISCLOSURES

Summit has prepared this presentation for the exclusive use of its intended audience. Any information contained in this report is for information purposes only and should not be construed to be an offer to buy or sell any securities, investment consulting, or investment management. The information herein was obtained from various sources, which Summit believes to be reliable. Summit cannot assure the accuracy of any third-party-generated numbers. Past performance is no guarantee of future results, and no graph, chart, or formula can, in and of itself, be used to determine which managers or investments to buy or sell. Any forward-looking projection contained herein is based on assumptions that Summit believes is reasonable, but which are subject to a wide range of risks, uncertainties, and the possibility of loss. Actual results and performance will differ from those expressed or implied by such forward-looking projections.

This report may contain opinions developed by Summit. Summit does not guarantee the accuracy or completeness of the information contained in this report. The opinions, market commentary, portfolio holdings, and characteristics are as of the date(s) shown and subject to change.

Private investments and hedge funds are subject to less regulation than other types of pooled vehicles. Alternative investments may involve a substantial degree of additional risk, including the risk of total loss of an investor's capital and lack of liquidity, and therefore may not be appropriate for all investors. Clients should review the Offering Memorandum, the Subscription Agreement, and any other applicable documents prior to investing. Summit does not provide legal or accounting advice. Clients should consult with their own legal advisor and/or accountant on these opportunities, including the review of any Subscription Document, Offering Memorandum, or Partnership Agreement.

Summary statistical data such as standard deviation (risk), Sharpe ratio, and tracking error is calculated using industry-standard methodology. Details regarding these calculations are available upon request.