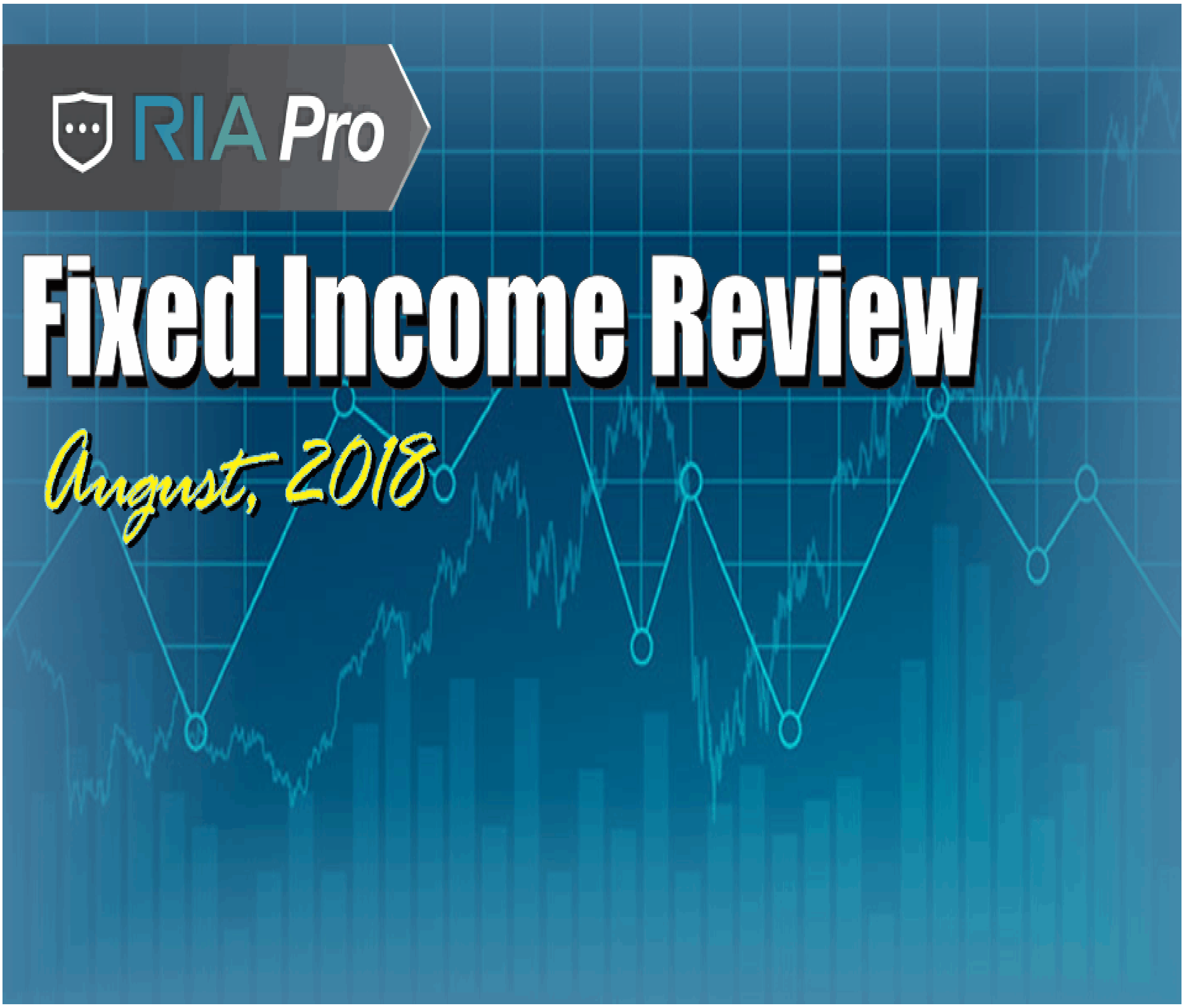
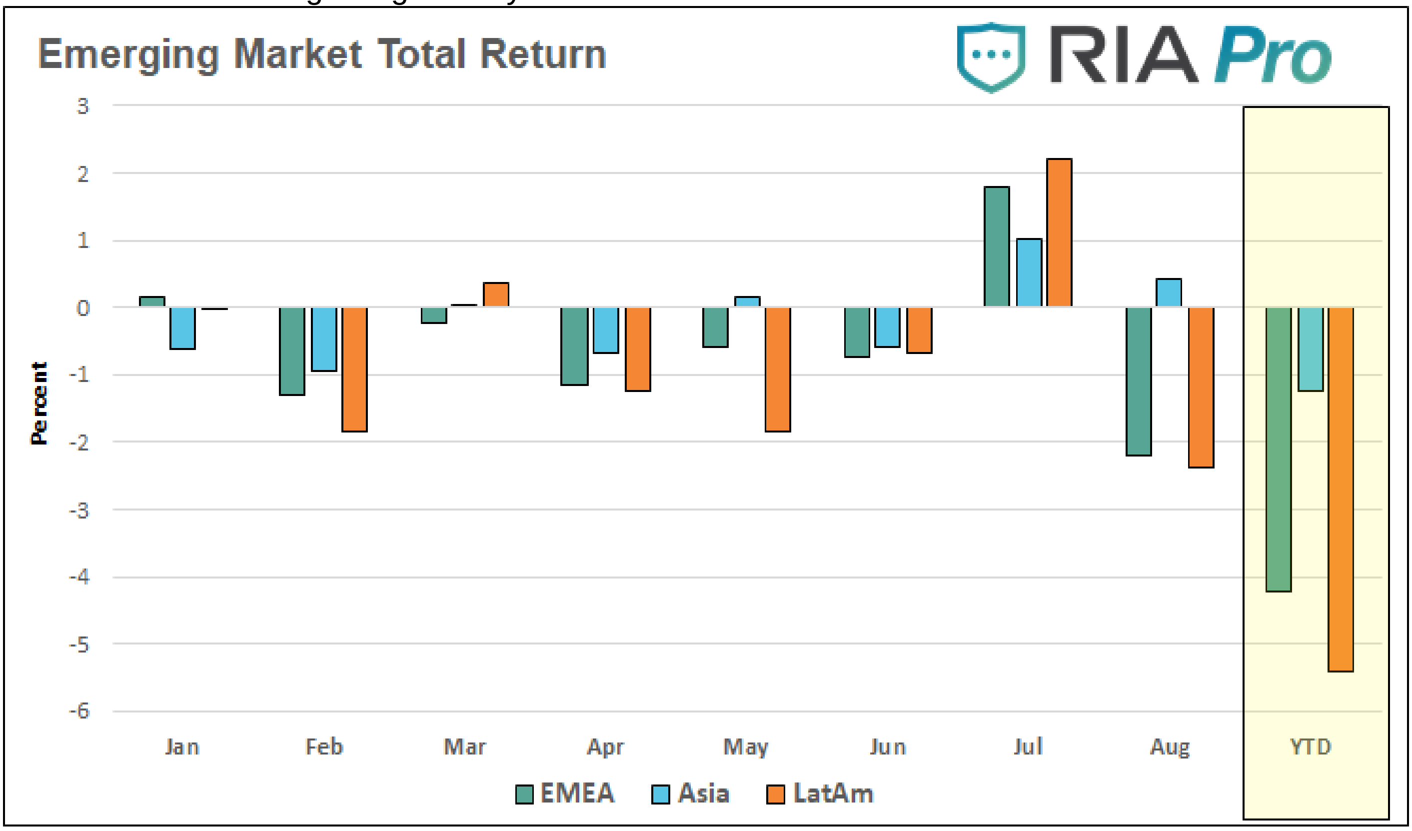


Monthly Fixed Income Review ? August 2018

Interest rate and credit markets in the U.S. continued to demonstrate resilience in August despite rising global problems. With the exception of emerging market (EM) credits, all major fixed-income sectors registered positive returns for the month. The constructive momentum from July carried over and picked up steam in August. Meanwhile, EM gave back most of the prior month?s gain.

RIA Pro	MTD Total Return	3 Month Total Return	YTD Total Return	12 Month Total Return	Current Yield to Worst
U.S. Aggregate	0.64	0.54	-0.94	-1.05	3.30
Agg. Treasury	0.76	0.36	-0.71	-1.54	2.75
Agg. Investment Grade - Corp.	0.49	0.74	-1.97	-1.01	3.95
Agg. High Yield - Corp.	0.74	2.25	2.00	3.40	6.27
Agg. Securitized (ABS, MBS, CMBS)	0.63	0.56	-0.42	-0.55	3.42

Data Courtesy Barclays **U.S. Treasuries** ? As the best performer of the month, the largest gains in the sector were in the long maturities of the yield curve. This is a reflection of the character of the persistent curve flattening. Maturities beyond 10 years had a total return for the month of between 1.33% and 1.64% while the 1-3 year sector was up only 0.33%. For the moment, the Treasury market is shrugging off the heavy supply pipeline needed to fund growing deficits. **Corporates** ? Strength in corporate fundamentals on display in the Q2 earnings parade no doubt played a role in last month?s performance. Investment grade (IG) performance again lagged that of the high yield sector for the third month in a row but supply dynamics largely help explain the divergence. High yield issuance fell for the 7th straight month while merger and acquisition driven issuance is fueling supply in the investment grade sector. Despite a typically quiet week heading into the Labor Day holiday, IG new issuance for the month was heavy at $86.5 billion, the third largest August on record. Looking ahead, those trends are likely to continue as September is normally the second largest issuance month behind May. **Emerging Markets** ? Fixed-income securities came under the same withering pressure that EM currencies and equity markets have seen since April. So far, there appear to be no signs of the stress letting up as the Trump administration and strengthening U.S. dollar continue to apply pressure. EM credit returns have been negative in six of the eight months this year and the word on every investor?s mind at this stage is ?contagion?. The chart below offers a detailed look at the breakout of EM returns by broad geography and the progression of stress since the beginning of the year.



*Data Courtesy Barclays• (EMEA ? Europe/Middle East/Africa)*Even though the risks seem concentrated in just a few countries (Turkey, Argentina, Brazil, South Africa), the concern is that investors begin to treat all developing countries the same and reduce risk on a wholesale basis. It traditionally begins, as we are now observing, with weakness spreading across the more vulnerable EM countries and eventually engulfs even the stronger hands. If that scenario develops as it did beginning in 1997, it will bring with it a multitude of opportunities to acquire quality assets in those countries that are being unjustifiably beaten down. Those would include the stronger exporters with current-account surpluses like South Korea and Taiwan. The following table provides returns for selected ETF?s that mirror the major fixed income asset classes.

RIA Pro	MTD Total Return	3 Month Total Return	YTD Total Return	12 Month Total Return
AGG (U.S. Aggregate)	0.57	0.64	-1.11	-1.26
GOVT (Agg. Treasury)	0.75	0.51	-0.78	-1.72

Data Courtesy Barclays