Strategy Review | *Data as of 06/30/2017*

QUARTERLY HIGHLIGHTS

- ***For Q2-2017, the Opportunistic Growth Strategy model performed positively during a quarter marked by a strong rise in riskier equities and a slight rise in alternative allocations***
- ***The strategy model had contributions from its technology and systematic equity allocations, but slightly lagged its benchmark, the MSCI ACWI***
- ***Backed by strong market conditions, all portfolio allocations were in positive territory, but real estate and value equities were lesser contributors***

MARKET CONTEXT | OUTLOOK

Market results for Q2-2017 were once again strong, with non-U.S. equities and emerging markets outpacing U.S. equities, while bonds moved higher led by credit and high yield. Growth outpaced value handily in the U.S. during the quarter, and overseas equities were led by Europe and Asia ex-Japan. Commodities continued to struggle and declined for the quarter; the U.S. dollar weakened further and has given up all of its post-election appreciation. Hedging and lower correlation strategies continued to post modest returns, as a lack of trends and low levels of volatility persisted through much of the quarter, although technology-related stocks ended the quarter with some volatility pickup.

The Trump administration continues to struggle to find its sea legs, whether looking at the pace of executive branch appointments, the advance of significant legislation, or the ability to stay on message. Meanwhile, the Republican controlled Congress drifts rather aimlessly. Valuations are stretched, but not to extreme levels, and earnings have recovered from a multi-quarter negative run. We believe opportunities exist overseas in both developed and emerging markets that have attractive valuations and perhaps better near-term growth prospects. We believe the unnatural calm many markets have experienced recently will be succeeded by more customary levels of volatility. Investors should be prepared by structuring diversified portfolios with an eye toward significant risks that may manifest suddenly.

STRATEGY KEY CONTRIBUTORS | DETRACTORS

- Systematic equity, technology, and European equities were the main drivers of positive performance during the quarter.
- Allocations to sectors to real estate and value equities, while still positive, were lesser contributors.
- The strategy is actively managed with a long-term perspective, so it is reasonable to expect there will be periods when the strategy's results differ from the benchmark in pursuit of its objectives over time. Before fees, the strategy model has modestly outperformed its benchmark for three years; since inception in mid-2013, the strategy model has modestly underperformed its weighted average benchmark, albeit with lower risk as measured by standard deviation.

PORTFOLIO CHANGES

- Equity valuations by most measures are rich, especially in the U.S., although they have not approached the extreme levels of 2000. Interest rates and inflation remain at low levels despite central banks' efforts to raise them.
- Earnings have rebounded, led largely by energy companies. In the eighth year of a mediocre economic expansion, and after years of corporate expense management, share buybacks and other manipulations, the question becomes: how sustainable is the earnings picture?
- A number of market observers and participants are puzzled by the Fed's apparent intent to continue to hike interest rates, despite lackluster economic growth and quiescent inflation.
- During the quarter, we eliminated our allocation to a materials sector ETF, and redeployed the capital to Asia ex-Japan and European equities.

Strategy Summary

The Opportunistic Growth Strategy, on a long-term basis, seeks:

- To maximize capital appreciation through significant equity exposure
- Similar beta relative to global equities (~ 1.0)
- Superior risk-adjusted return: (Sharpe ratio > 1.0)
- To diversify the portfolio's long-only equity and other sources of risk
- Exposure to different sources of return than just traditional stocks

The Opportunistic Growth Strategy is:

- Actively managed by an experienced team of investment professionals, with daily liquidity
- Implemented at lower cost than many multi-asset class portfolios
- Invested in ETFs and mutual funds focused on multiple asset classes, including alternative strategies
- Typically appropriate as a portion of a more aggressive investor's total portfolio, with a long term investment time horizon and a high tolerance for risk.

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ABOUT OUR FIRM

Palladiem LLC is an independent, employee owned asset management firm that manages global, multi-asset class investment strategies, with an emphasis on alternative investments and active risk management. Palladiem's investment team has 30+ years experience working with high profile institutional clients in the public and corporate pension fund markets, as well as high-net-worth individuals.

The cornerstone of Palladiem's investment process was developed nearly 30 years ago. Refined and revised over time, this process has been implemented at both a major wire-house and managed account provider.

PORTFOLIO MANAGEMENT TEAM

Donald Robinson
CEO & Co-CIO
33 years industry experience

David Feldman
President & Co-CIO
32 years industry experience

Joseph J. Scavetti, Jr.
Chief Operating Officer
24 years industry experience

Jacqueline Dewey
Director Managed Account Services
23 years industry experience

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