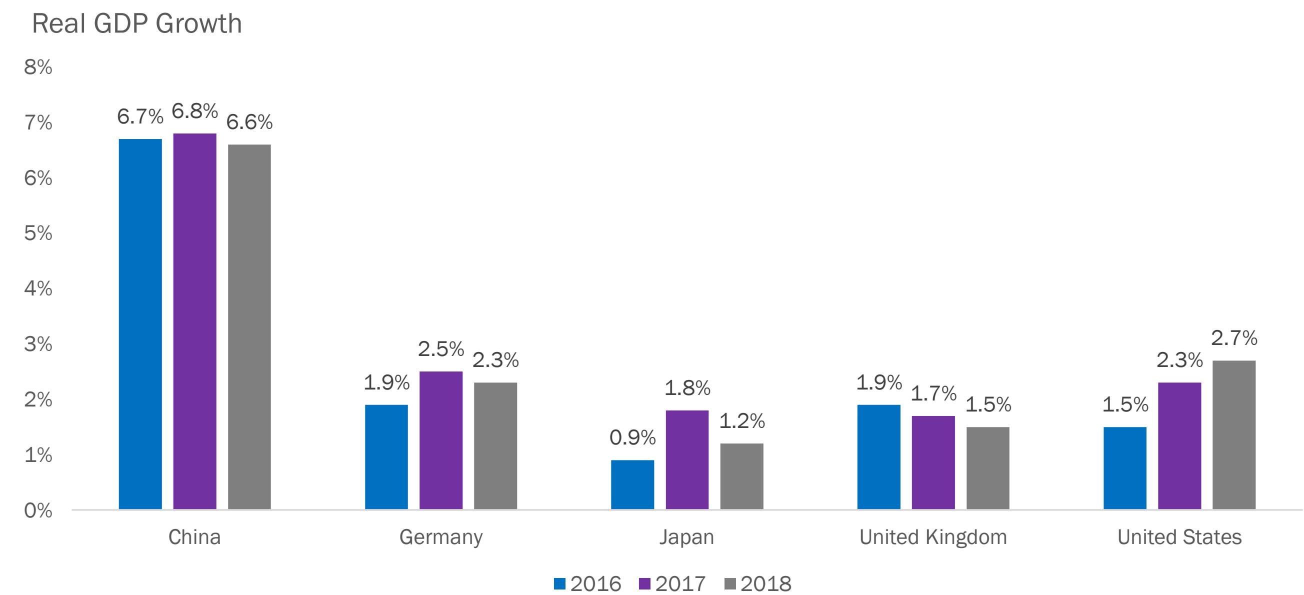
CERITY PARTNERS

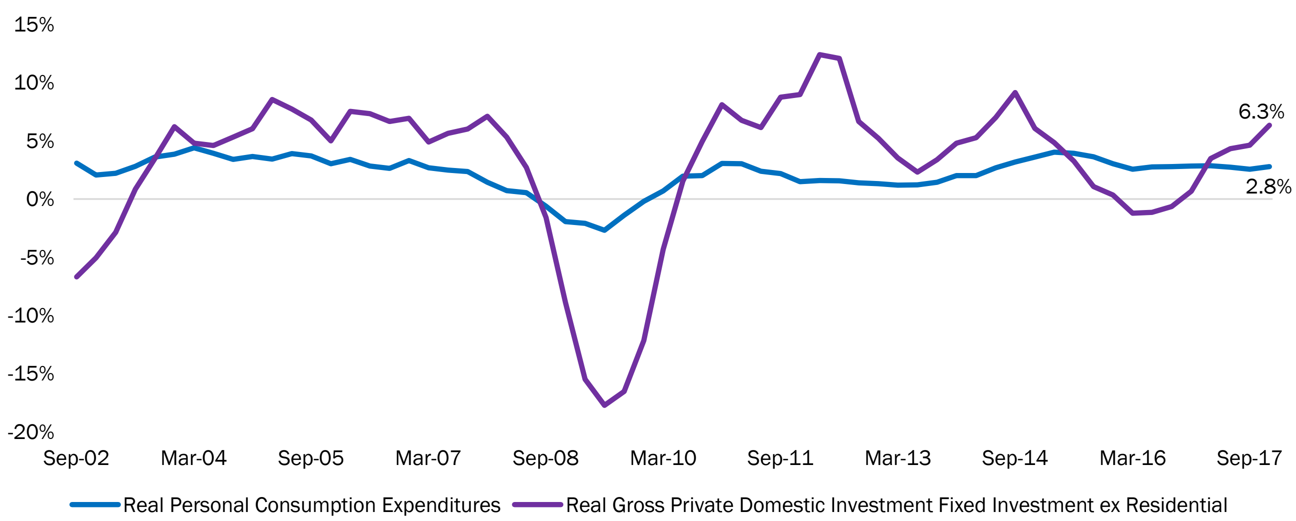
Economic Outlook and Market Forecast

March 2018

Advice-driven financial service.

The Global Economic Backdrop





Source: IMF & Factset; 2018 GDP Growth Rates are forecasts

Global GDP growth remains robust, although business and consumer surveys, as well as harder data, are showing signs of a slight slowdown in the rate of growth.

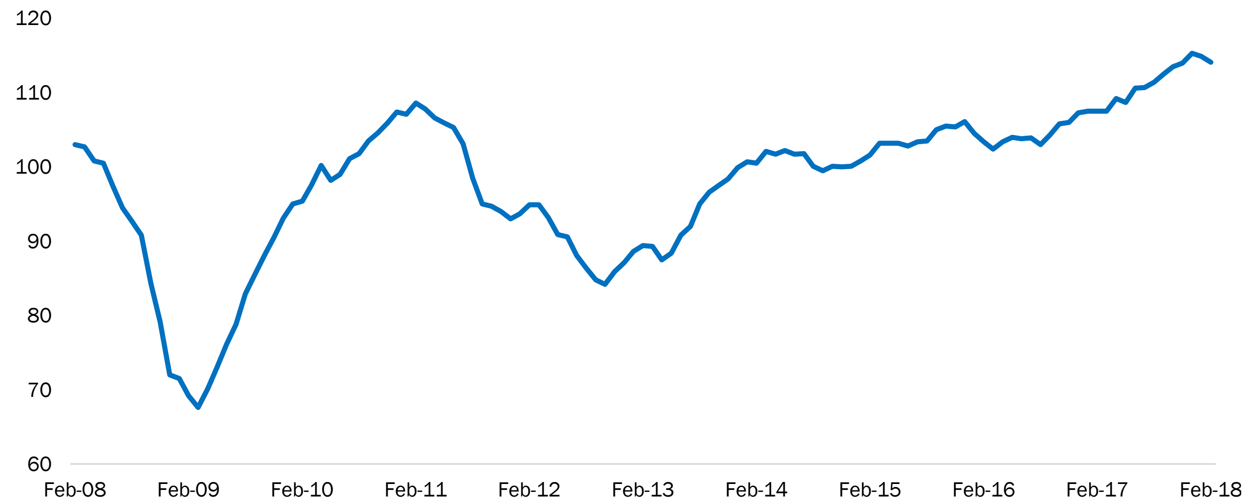
The disappointing business and consumer spending reported early this year is not consistent with the still-ebullient consumer and business surveys. As the benefits of tax reform become more tangible, we expect business spending to regain the momentum evident in the second half of 2017.

Developed Economies

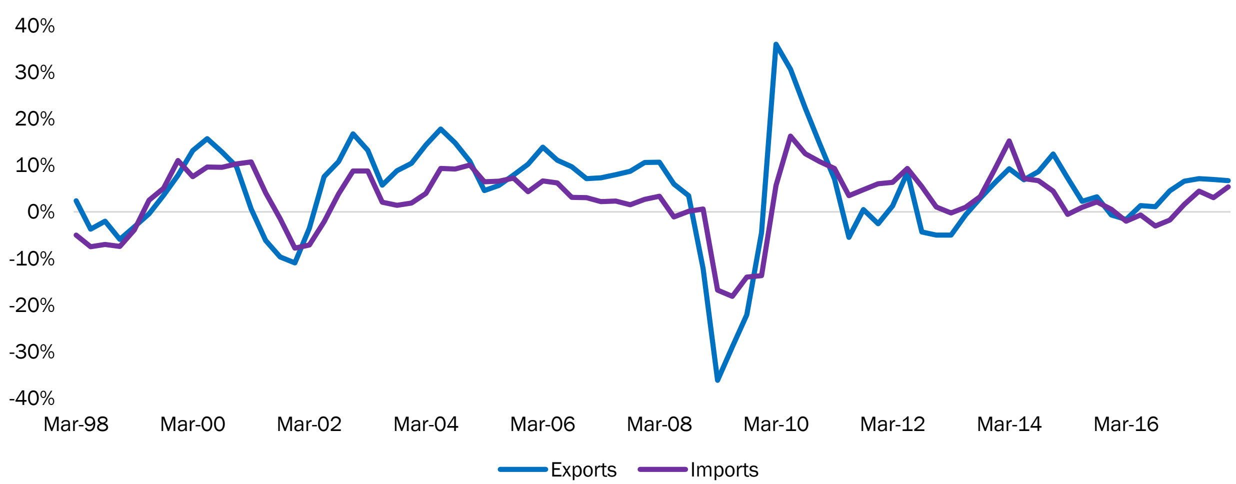
In contrast with the US, Eurozone survey numbers have begun to weaken, even as the more backward-looking actual spending data remained rather strong. Consumer spending is improving in Germany, but the sharp appreciation in the euro and pound sterling over the last 12 months is beginning to negatively impact export growth and industrial spending.

The stronger yen and weak domestic consumption are slowing Japanese economic momentum, although corporate tax reform should lead to increased business spending on capital projects.

Eurozone - Business Survey, Economic Sentiment Indicator, Euro Area



Japanese Real YoY Export & Import Growth

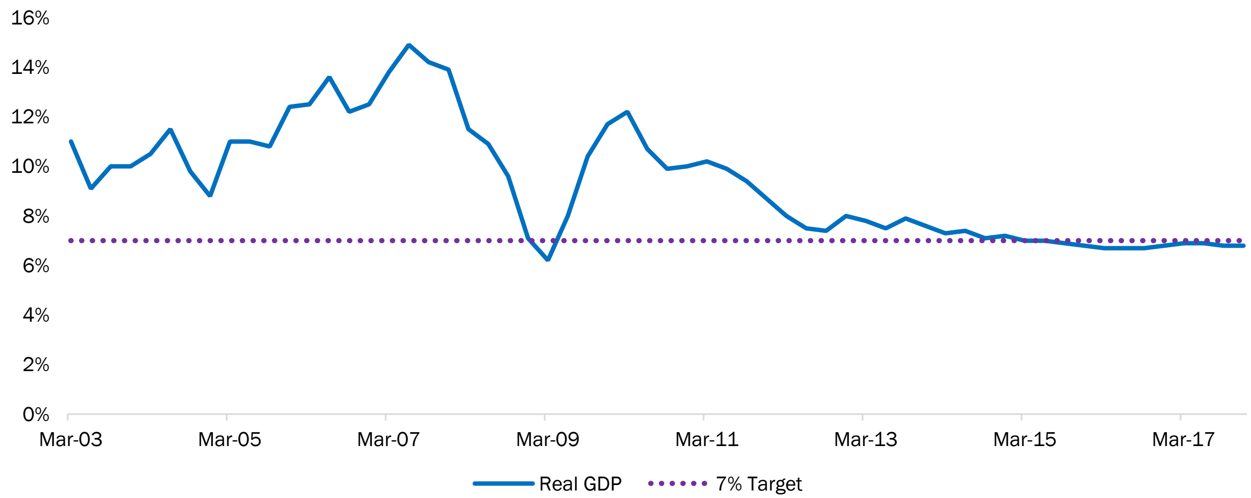


Source: Factset

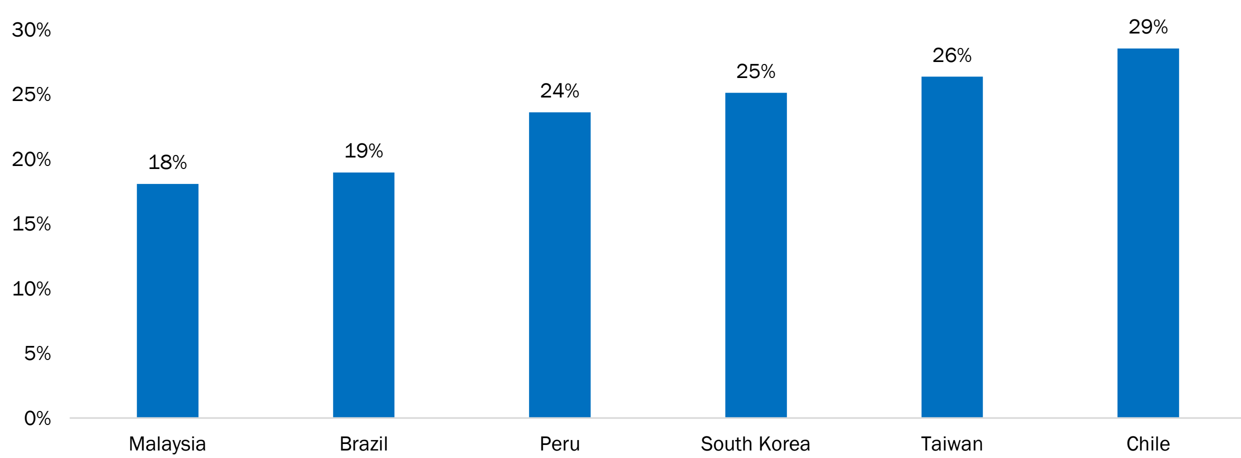
Emerging Market Economies

The Chinese growth slowdown continues to be managed effectively by an even more powerful central government. The impact of this slowdown on their Asian trading partners and the Latin American commodity producers appears mild at this time, but will begin to be felt over the coming months.

Chinese Real GDP Growth



Exports to China as % of Total Exports (as of 2016)



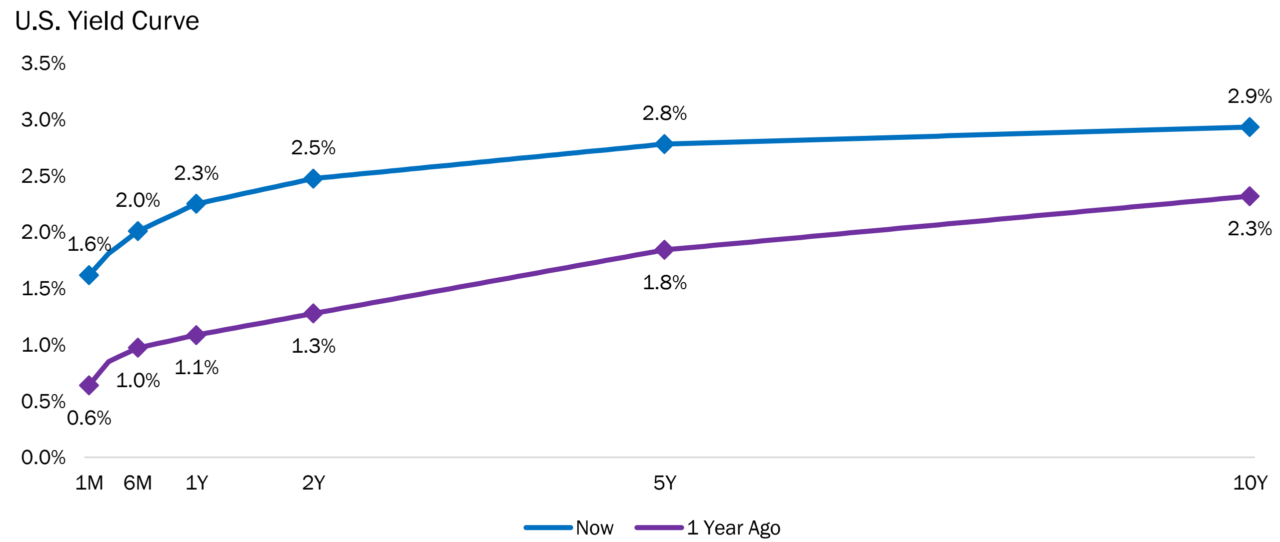
Source: Factset

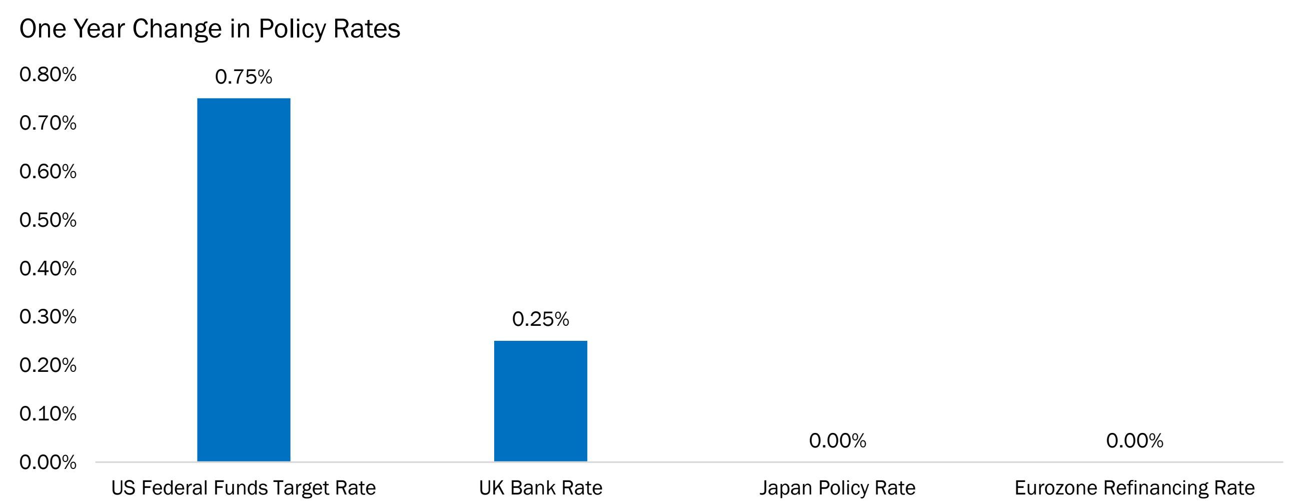
Monetary Policy

As US economic momentum continues into 2018 and the expansionary fiscal impact of the 2017 tax reforms is experienced, this raises the probability the Federal Reserve will increase the fed funds rate four times this year.

Eurozone inflation is at the lowest level in over a year, which should provide cover for the ECB to continue its gradual approach to ending bond purchases and eventually increasing rates. The recent euro appreciation is also keeping the more hawkish committee members at bay.

The reappointment of Chairman Kuroda confirms the Bank of Japan will continue with its attempts to stoke domestic inflation by maintaining a highly accommodative monetary policy for some time to come.





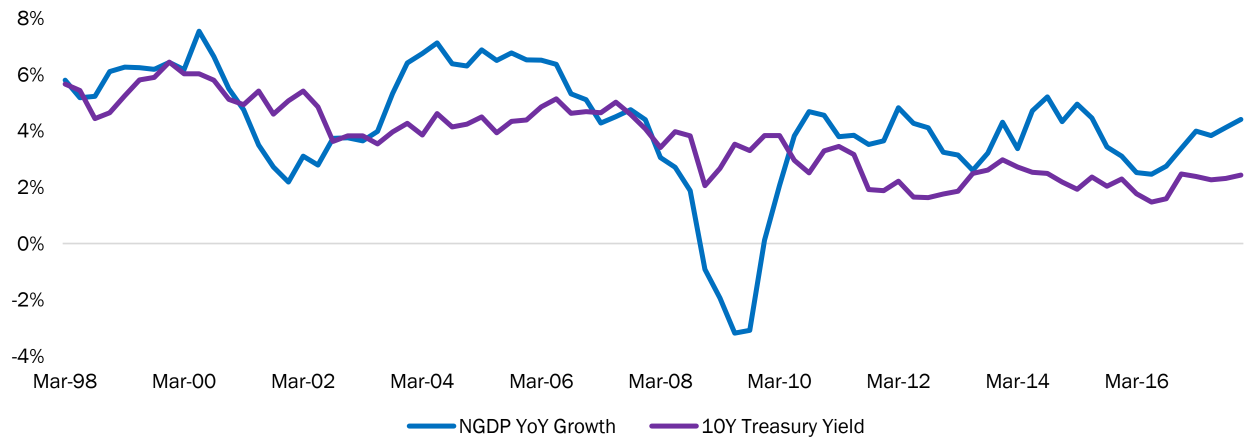
Source: Factset

U.S. Fixed Income

The expectation of higher US economic growth relative to other developed market economies should offset fears of higher US deficit spending and allow the dollar to maintain a rather narrow trading range in 2018.

Heightened inflationary concerns that grabbed the headlines help explain the sharp rise in bond yields in 2018. The so-called crowding out effect, from increased Treasury bond issuance to fund higher deficits, may be a longer term reason for what is likely the beginning of a bear market for bonds.

Nominal GDP and Long-Term Rates



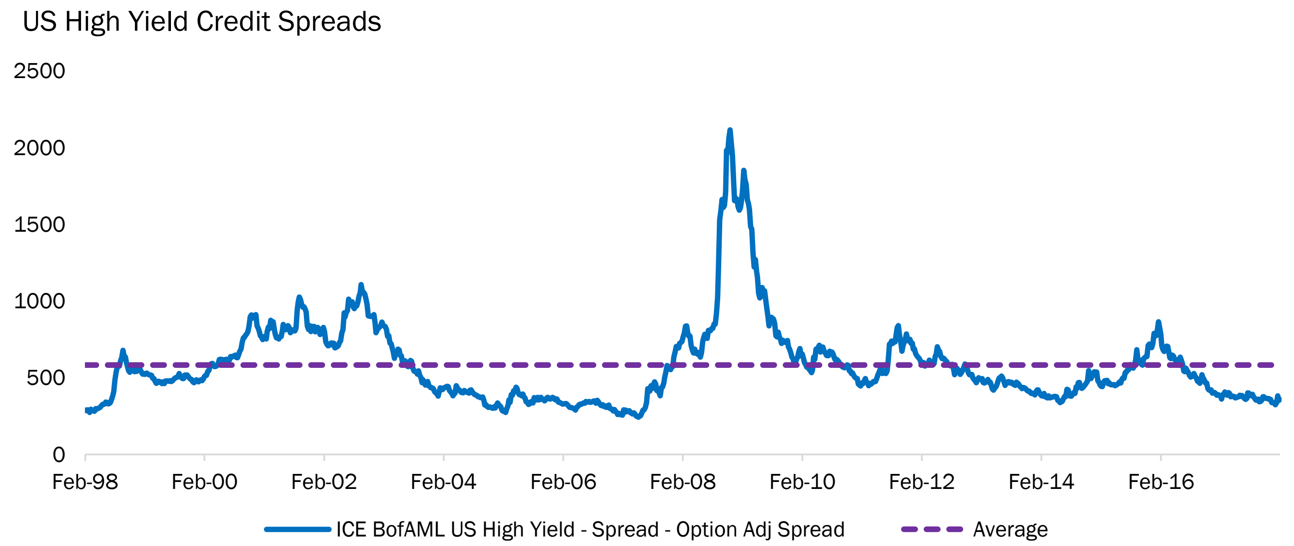
10-Year Breakeven Inflation Rate

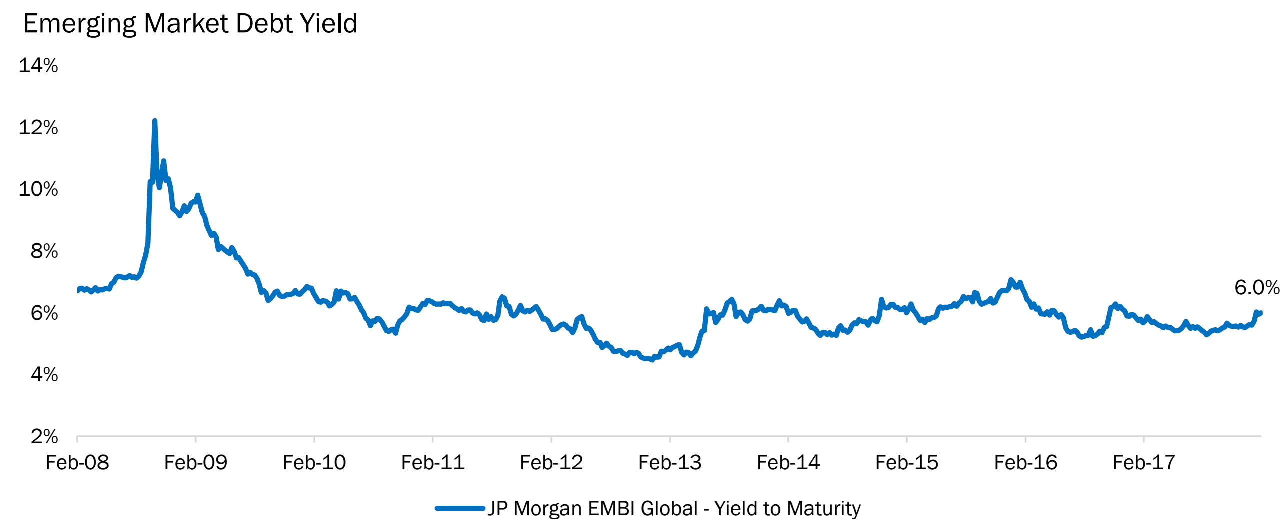
Source: FRED

Credit Markets

Continued narrow spreads between rates of high yield debt and comparable maturity Treasurys suggest that high yield investors remain unconcerned about an imminent rise in default rates, although valuations appear full at these price levels.

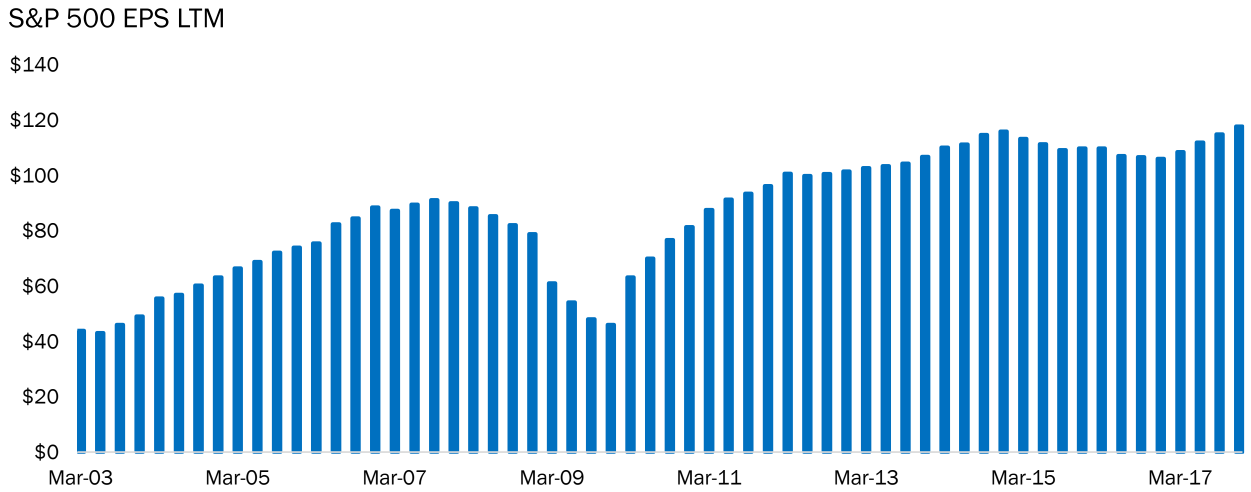
The Federal Reserve's resolve to move forward with policy normalization, and any resultant strengthening of the dollar, puts some pressure on emerging market debt. While global growth remains robust, EM central banks still have the flexibility to cut rates if conditions deteriorate, which would allow EM debt to offer attractive total returns.

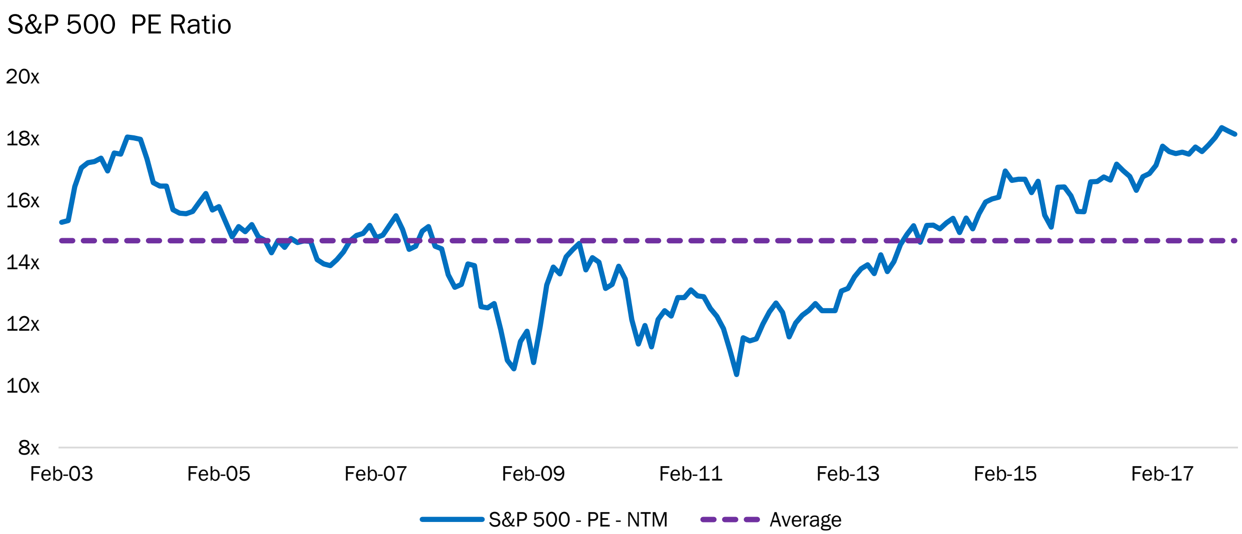




Source: Factset

U.S. Equities





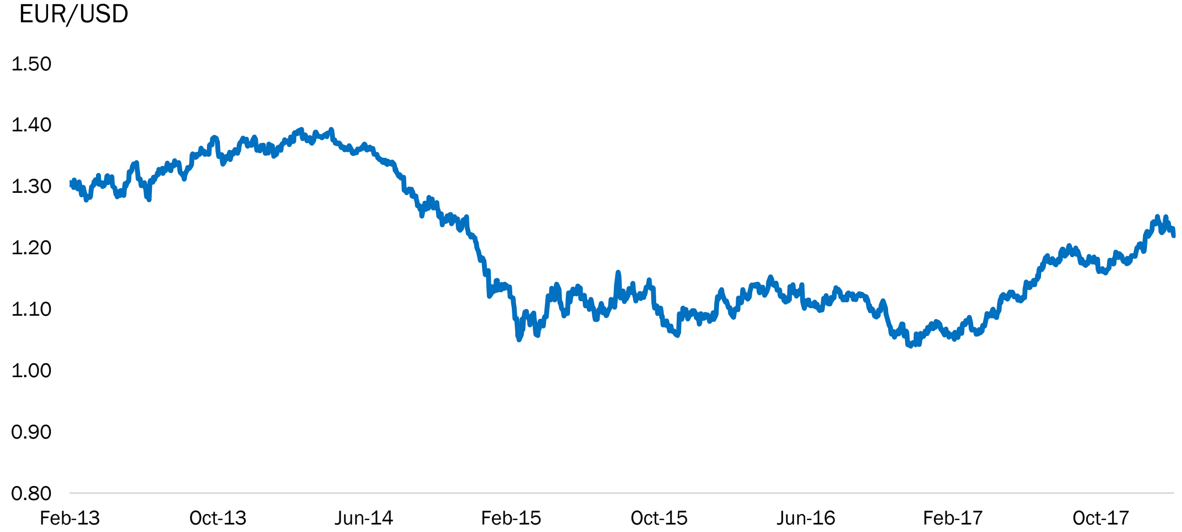
Source: Factset

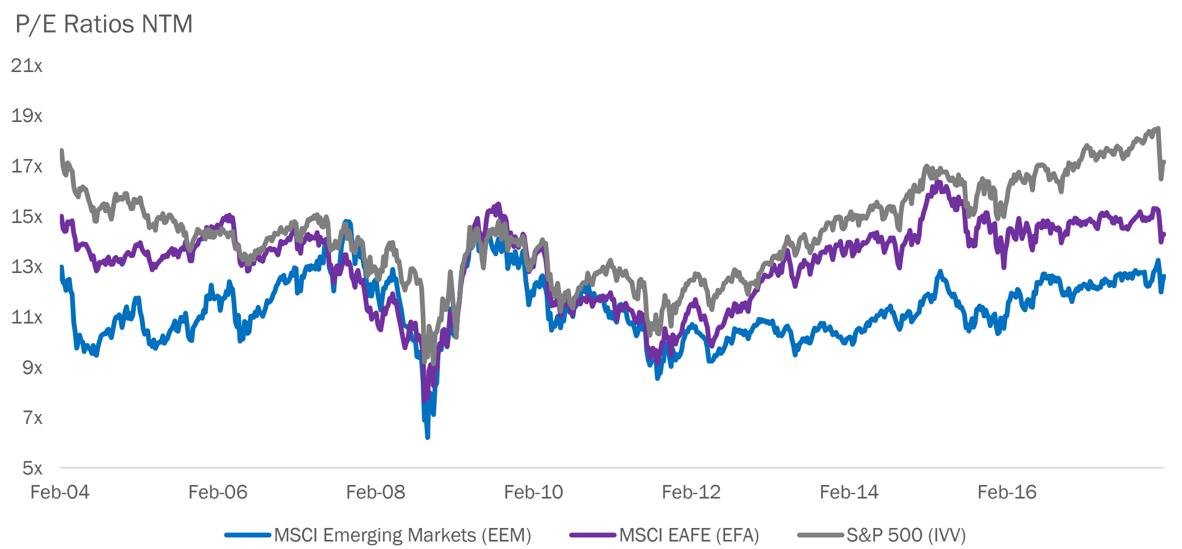
After hitting historic lows last year, volatility returned to US equity markets with a vengeance in February. Earnings will be the primary driver of mid to high single digit returns over the remainder of the year. Further expansion of valuation multiples is unlikely, given the upward bias for interest rates.

International Equities

Eurozone equities remain cheap compared to their US counterparts. Continued monetary easing by the ECB should offset any pressure on economic and earnings growth from a rising euro and allow comparable price appreciation to the US.

Lower relative valuations allowed emerging markets equities to hold up well in the recent global volatility. The expected increase in US economic growth as we progress through the year bodes well for revenues and earnings in many of these markets.

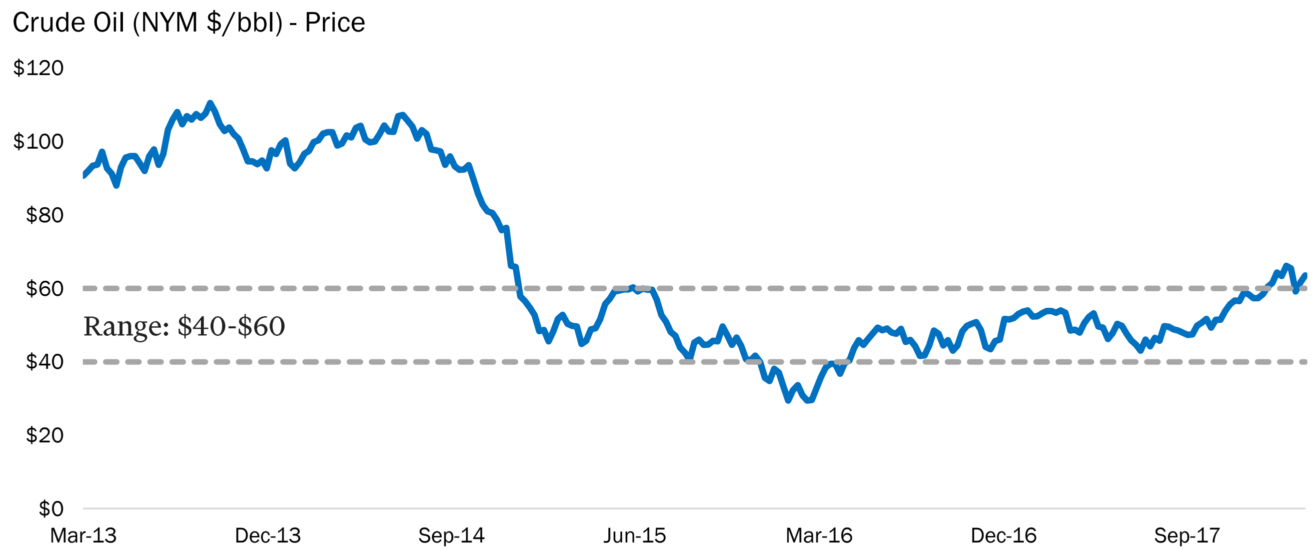


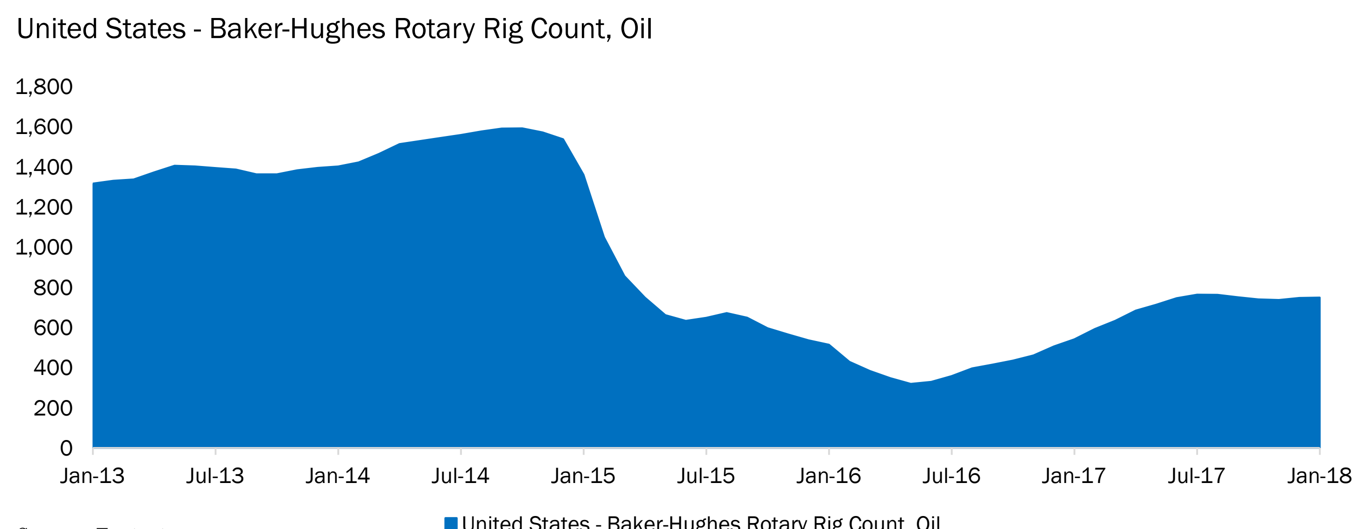


Source: Factset

Oil

Since West Texas Intermediate broke above $60 per barrel, oil markets are closely watching the response of the US shale producers to determine if this was a temporary blip, or reflective of a more permanent work down of excess inventories. Any slowdown in demand growth from China and other EM economies could cause further downward pressure on oil prices.



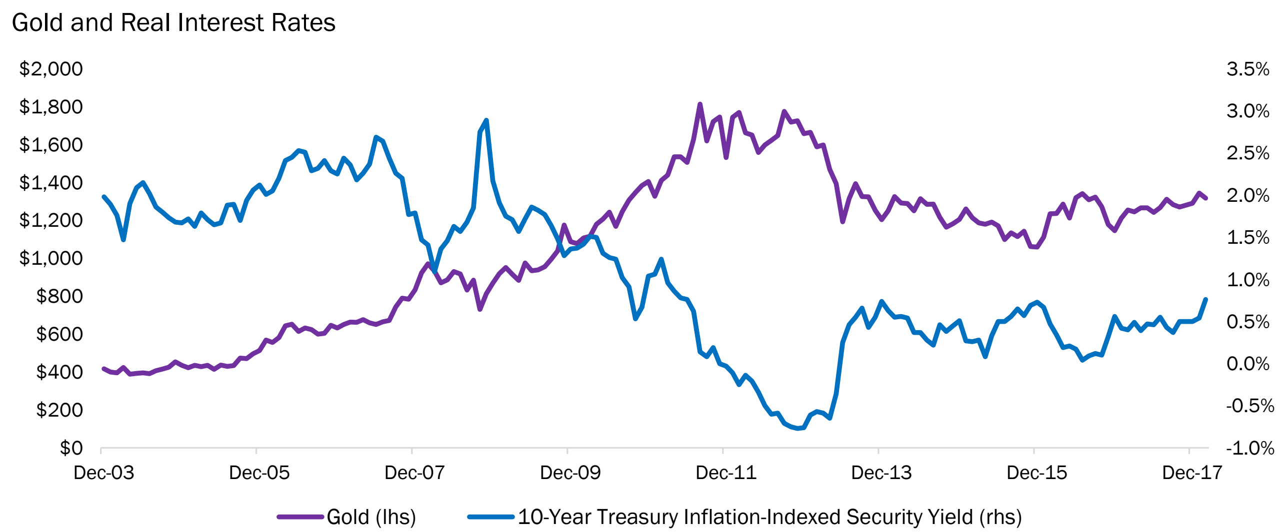


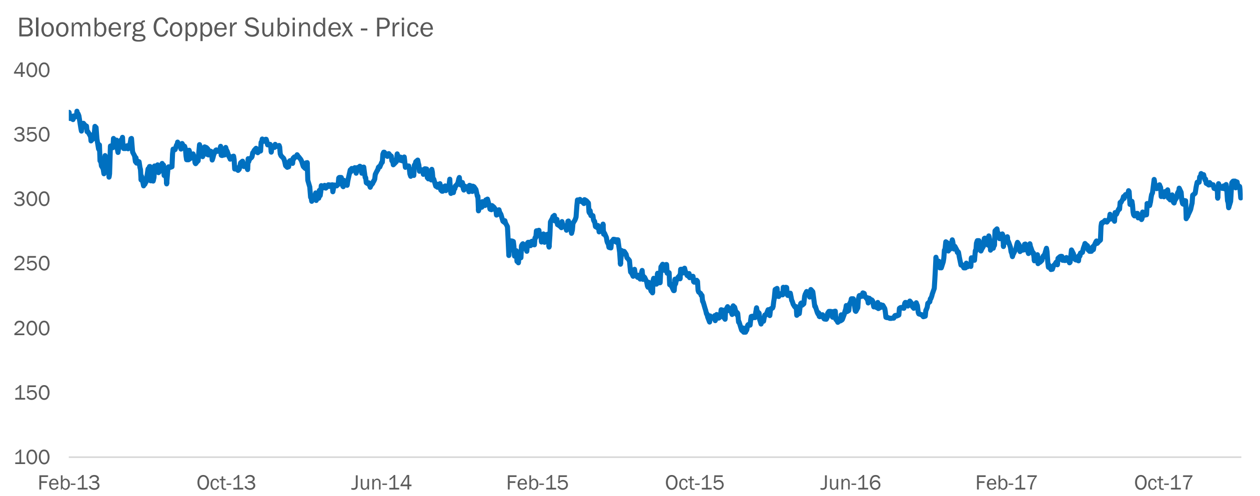
Source: Factset

Gold and Commodities

With inflation still benign and the Fed continuing on its tightening path, gold prices are likely to decline as we progress throughout the year.

The probability of Congress passing a meaningful infrastructure bill has declined as we move closer to the US mid term elections. Adding to this, the engineered slowdown of Chinese industrial production should cause prices of most industrial metals to decline in the coming months.





Source: Factset

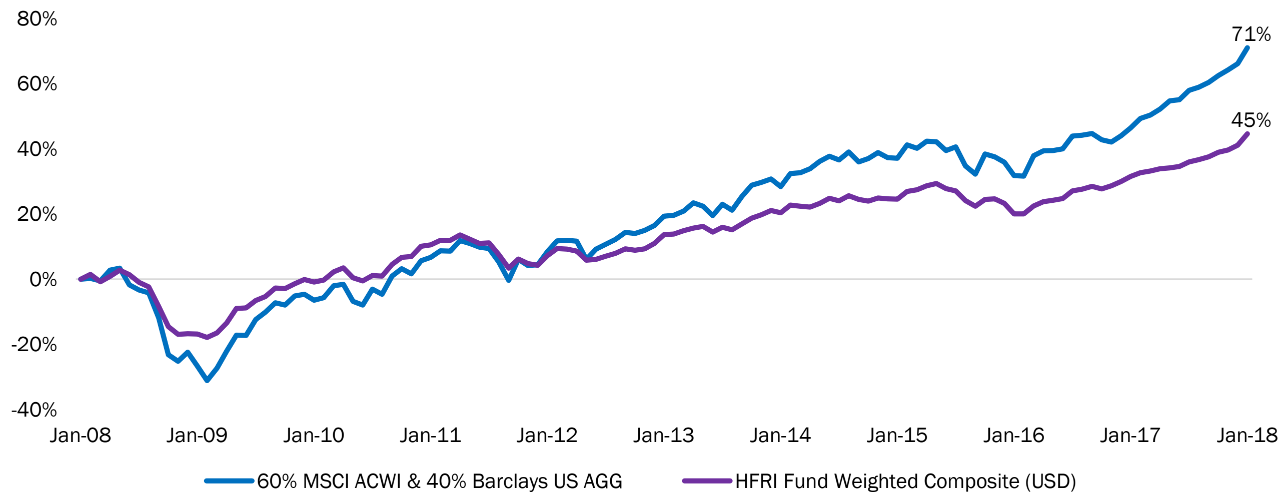
CERITY PARTNERS

Hedge Funds & Private Equity

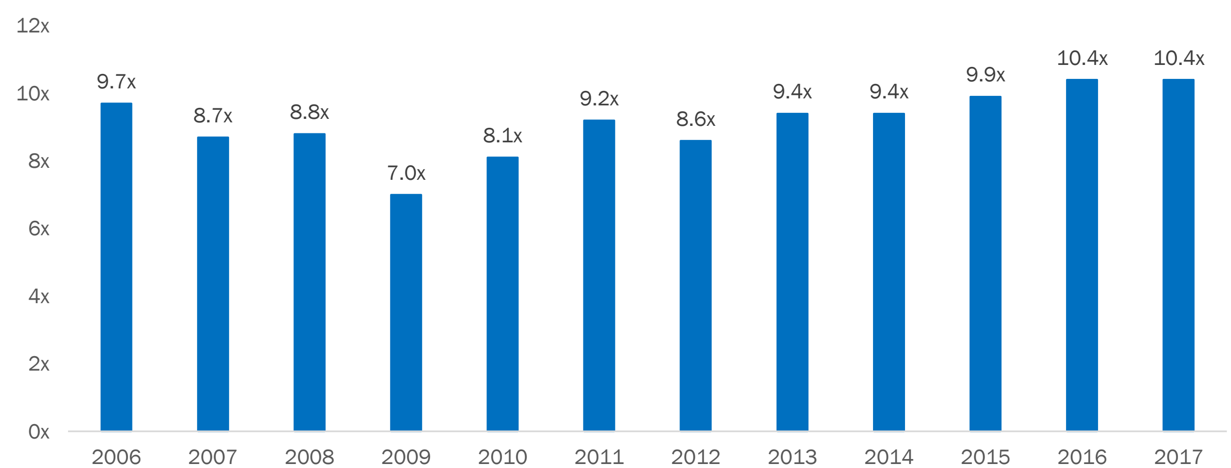
Persistently low market volatility and high market correlations have been a challenge for hedge fund managers since the global financial crisis. Policy normalization moves by global central banks should create more favorable conditions for differentiated managers, and allow investors to offset portfolio risks more effectively going forward.

High asset valuations have made it difficult for private equity managers to acquire companies at reasonable prices. We maintain our focus on seasoned, disciplined managers and continue to seek value in dislocated markets, or those experiencing disruption from technological or regulatory change.

Cumulative Returns of Hedge Funds and a 60/40 Portfolio



US Middle Market M&A Transaction Multiples



Source: Factset, Pitchbook

Important Information

Cerity Partners LLC ("Cerity Partners") is an SEC registered investment adviser with offices in New York, Illinois, Ohio, Michigan and California. This commentary is limited to general information about Cerity Partners' services and its financial market outlook, which may not be suitable for everyone. The information contained herein should not be construed as personalized investment advice. Past performance is no guarantee of future results. There is no guarantee that the views and opinions expressed in this brochure will come to pass. Investing in the financial markets involves risk, including the risk of loss of the principal amount invested; and may not be appropriate for everyone. The information presented is subject to change without notice and should not be considered as an offer to sell or a solicitation of an offer to buy any security. All information is deemed reliable but is not guaranteed. For information pertaining to the registration status of Cerity Partners, please contact us or refer to the Investment Adviser Public Disclosure web site (www.adviserinfo.sec.gov). For additional information about Cerity Partners, including fees and services, send for our disclosure statement as set forth on Form ADV Part 2A using the contact information herein. Please read the disclosure statement carefully before you invest or send money.