

Index	Mar Return	1 Year
MSCI ACWI	1.22%	15.04%
Russell 2000	0.13%	26.22%
MSCI EAFE	2.75%	11.67%
Barclay's Aggregate Bond	0.01%	0.44%
Bloomberg Commodity	-2.66%	8.71%

The capital markets ended mostly higher in March with the exception of commodities which declined a bit over 2.50%. The decline was lead by oil which gave up over 4% for the month. International equities have outperformed their US counterparts in 2017, a trend that was not expected entering the year. International equities, especially emerging markets, have been more sensitive to the recent rebound in global growth and trend of positive economic surprises.

### Emerging Markets

Over the past three years US equities, as measured by the S&P 500, have advanced by 10% on annual basis. During the same period international equities have advanced less than 1%. The US has been the strongest global economy and was less impacted by the decline in commodity prices over the past 5 years.

Towards the end of 2015 the global economy was on the cusp of a recession, driven mostly by declining commodity prices and concerns over China's economic growth. Emerging market countries such as Brazil, which have economies that rely heavily on commodity prices, were impacted the most. Thankfully the strong US economy, low global interest rates, and the Chinese government's massive spending plan was able to push the global economy back in the right direction.

With the rebound in global growth came opportunity in emerging markets. Emerging markets performed well during the second half of 2016, and in the first quarter of 2017 outperformed US equities by over 5%. Even with the recent rebound, emerging market still appear to be much cheaper than US stocks based upon projected company earning over the next 12 months.

Moving into 2016, for a moderate portfolio we held a 2% weight in emerging market equity. Over the past year we have increased that target to 7.50%. In addition, we increased exposure to emerging markets bonds which pay a higher yield than US bonds. Emerging markets do bring more volatility with them and could be more prone to a decline if we see global growth begin to slow again. Therefore we will continue to monitor trends in the global economy.

# ABUNDANCE

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