



Review of Market Performance Fiscal Year 2017

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- ◆ Equity markets surged in the fiscal year ended June 30, 2017, as an uptick in global economic activity helped lift expectations for corporate earnings growth across developed and emerging markets. The S&P 500's impressive result (17.9%*), which came even as the so-called Trump reflation trade fizzled late in the fiscal year, topped only the United Kingdom (13.3%) among major developed equity markets. Continental Europe (24.4%) delivered the top performance, shrugging off fears of heightened political risk and capitalizing on its attractive relative valuations. Japan (19.2%) followed closely behind despite a difficult year for the yen. Among developed markets sectors, financials (35.0%) and information technology (33.3%) led.
- ◆ Emerging markets equities (23.7%) had one of their best performances in recent years. The majority of gains came in the fiscal year's second half, aided by global cyclical forces and a weakening US dollar. Regionally, emerging Asia (27.9%) outperformed emerging Latin America (15.0%) and emerging Europe, the Middle East & Africa (12.9%), due in part to the stellar performance of heavily weighted China (32.2%). Weaknesses among some commodity exporters did emerge near the end of the fiscal year, as crude oil prices fell back below \$50 per barrel.
- ◆ Global bond markets were roiled by the sharp sell-off in government bonds that followed the US election. Ten-year US Treasury (-5.2%) yields jumped from 1.88% on November 8 to 2.45% by the end of the year, as investors shifted into risk assets in the hopes of pro-growth fiscal policies. Although investor appetite for credit remained strong, with US high yield (12.7%) delivering a solid result, neither US aggregate bond benchmarks (-0.3%) nor developed markets equivalents (-2.2%) could handle the back up in government bond markets.

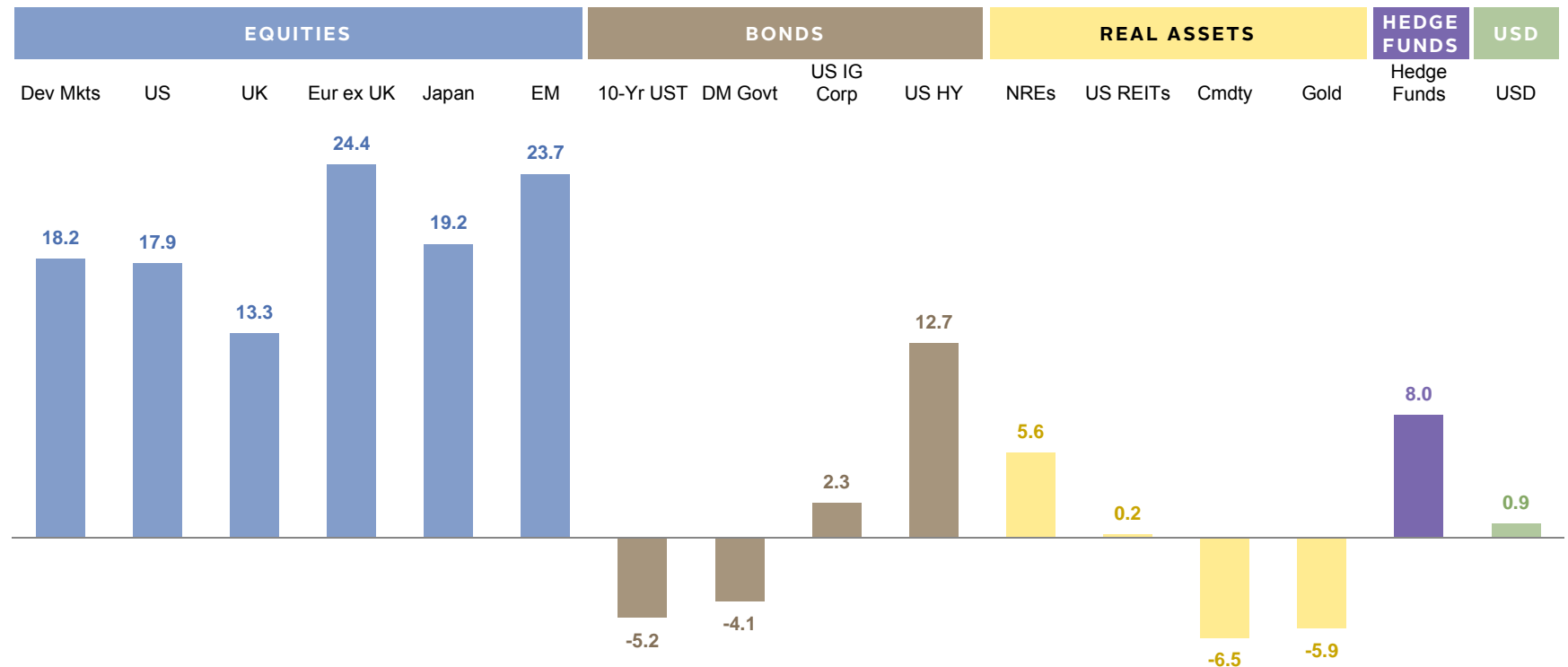
- ◆ Among real assets, natural resources equities (5.6%) posted a decent return despite weak performance in the second half of the fiscal year, as investors grew increasingly concerned about supply imbalances in crude oil markets. These concerns also held back the Alerian MLP Index (0.4%) and the Bloomberg Commodity Total Return Index (-6.5%). Despite finishing strongly, both gold (-5.9%) and US REITs (-0.6%) under delivered to investors this fiscal year.
- ◆ Preliminary data from Hedge Fund Research, Inc., suggest emerging markets equity hedge funds (15.2%) outpaced other strategies this fiscal year. Hedge fund returns at a broad industry level were solid, with the widely followed HFRI Fund Weighted Composite returning a preliminary 8.0%, and the HFRI Equity Hedge, 12.5%.
- ◆ For the one-year period ended December 31, 2016, the Cambridge Associates LLC US Private Equity Index® and the Cambridge Associates LLC US Venture Capital Index® delivered horizon internal rates of return (IRRs) of 12.9% and 0.3%, respectively. Over the five-year period ended December 31, 2016, the same indexes posted horizon IRRs of 13.2% and 14.0%, respectively.
- ◆ The US dollar ended the year about where it began, when looking at a trade-weighted basket of major currencies. But, US dollar movements against individual currencies were not so straightforward, with the US dollar gaining against the pound (2.9%) and the yen (9.5%) but falling against the euro (-2.6%). The pound was pinned down by Brexit concerns, with its average exchange rate against the US dollar this fiscal year the lowest since the year ended June 30, 1985.

Equity markets outperformed other asset classes in FY 2017

Improvements in corporate earnings growth expectations helped drive the equity results

Global Asset Class Performance: Fiscal Year 2017

Total Return (%) • USD Terms



Sources: Barclays, Bloomberg L.P., Citigroup Global Markets, Federal Reserve, FTSE International Limited, Hedge Fund Research, Inc., MSCI Inc., National Association of Real Estate Investment Trusts, Standard & Poor's, and Thomson Reuters Datastream. MSCI data provided "as is" without any express or implied warranties.

Notes: All returns are total returns in USD terms, except gold, for which returns are based on changes in the spot price. Asset classes represented by the following indexes: MSCI World ("Dev Mkts"), S&P 500 ("US"), MSCI UK ("UK"), MSCI Europe ex UK ("Eur ex UK"), MSCI Japan ("Japan"), MSCI Emerging Markets ("EM"), Datastream US Ten-Year Treasury Bond ("10-Yr UST"), Citigroup World Government Bond ("DM Govt"), Bloomberg Barclays US Corporate Investment Grade Bond Index ("US IG Corp"), Bloomberg Barclays US High-Yield Composite Bond ("US HY"), 80% Datastream World Oil & Gas and 20% Datastream World Mining ("NREs"), FTSE® NAREIT All Equity REITs ("US REITs"), Bloomberg Commodity TR ("Cmdty"), Gold Bullion Prices ("Gold"), HFRI Fund Weighted Composite ("Hedge Funds"), and the Federal Reserve Broad US Dollar ("USD"). Total returns for all MSCI indexes are net of dividend taxes. Hedge Fund Research data are preliminary for the preceding five months.

The stellar FY 2017 equity results followed a lackluster FY 2016

The rebounds in continental Europe and emerging markets surprised many

Global Equity Performance: Fiscal Year 2017 vs Fiscal Year 2016

Total Return (%) • USD Terms



Sources: MSCI Inc., Standard & Poor's, and Thomson Reuters Datastream. MSCI data provided "as is" without any express or implied warranties.

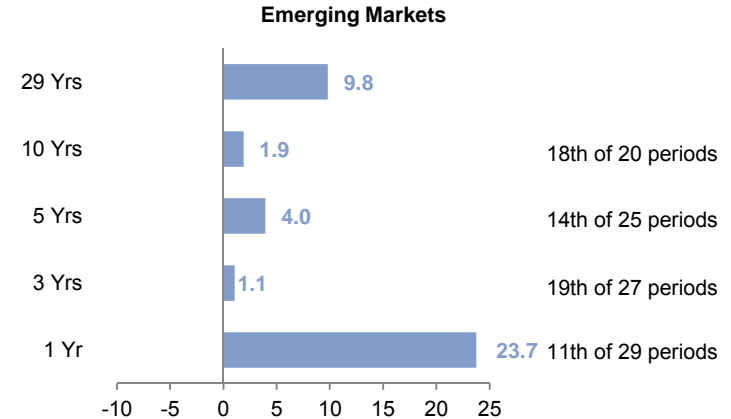
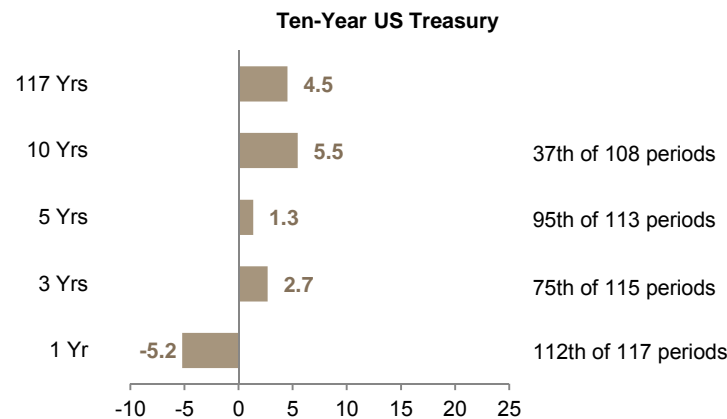
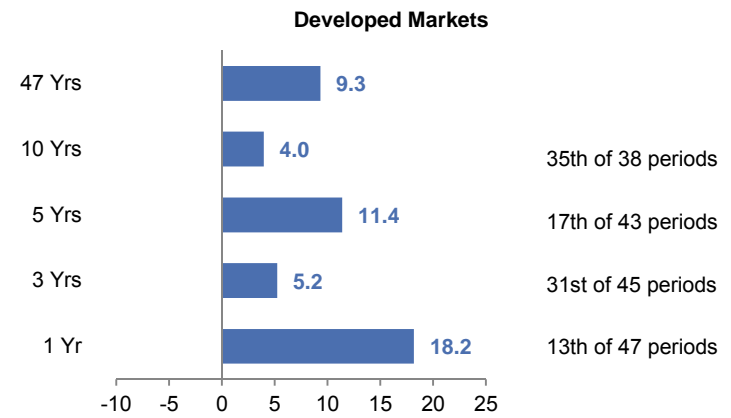
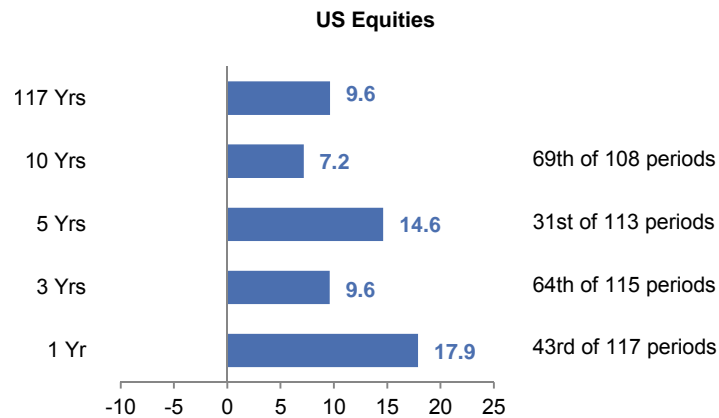
Notes: Asset classes represented by the following indexes: MSCI All Country World ("Global"), MSCI World ("Dev Mkts"), MSCI EAFE ("DM ex US"), S&P 500 ("US"), MSCI UK ("UK"), MSCI Europe ex UK ("Eur ex UK"), MSCI Japan ("Japan"), MSCI Emerging Markets ("Emerging Mkts"), MSCI Emerging Markets Asia ("EM Asia"), MSCI Emerging Markets Europe, the Middle East and Africa ("EM EMEA"), MSCI Emerging Markets Latin America ("EM Lat Am"), and MSCI Frontier Markets ("FM"). Total returns for all MSCI indexes are net of dividend taxes.

This fiscal year's equity returns compare favorably to long-term trends

In contrast, ten-year US Treasuries saddled investors with one of their worst FY performances

Average Annual Compound Returns for Various Time Periods

Periods Ended June 30, 2017 • Total Return (%) • USD Terms



Sources: Global Financial Data, Inc., MSCI Inc., Standard & Poor's, and Thomson Reuters Datastream. MSCI data provided "as is" without any express or implied warranties.

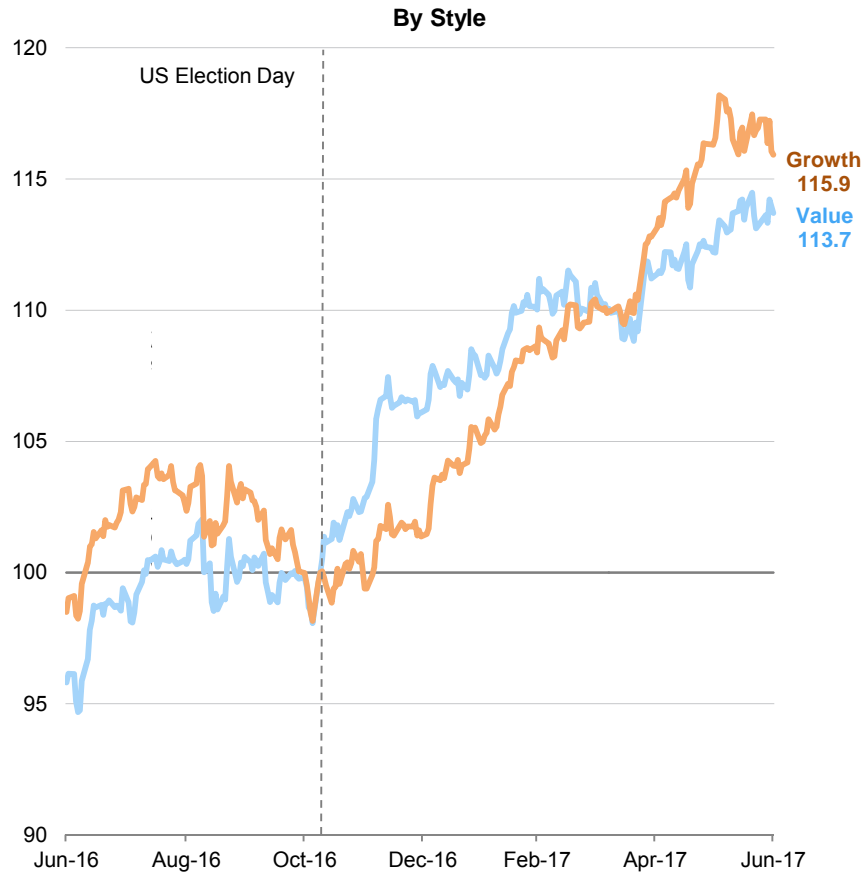
Notes: Asset classes represented by the following indexes: S&P 500 ("US Equities"), MSCI World ("Developed Markets"), Datastream US Ten-Year Treasury Bond ("Ten-Year US Treasury"), MSCI Emerging Markets ("Emerging Markets"). A ranking of first indicates the best performance among all periods. Total returns for all MSCI indexes are net of dividend taxes. Total returns for the MSCI Emerging Markets Index are gross of dividend taxes prior to fiscal year 2002. The first full fiscal year periods are 1901 for S&P 500 and Ten-Year US Treasury, 1971 for MSCI World, and 1989 for MSCI Emerging Markets.

Value and small cap equities surged following the US election

Rising inflation expectations buoyed both

Developed Markets Equity Performance

June 30, 2016 – June 30, 2017 • USD Terms • November 8, 2016 = 100



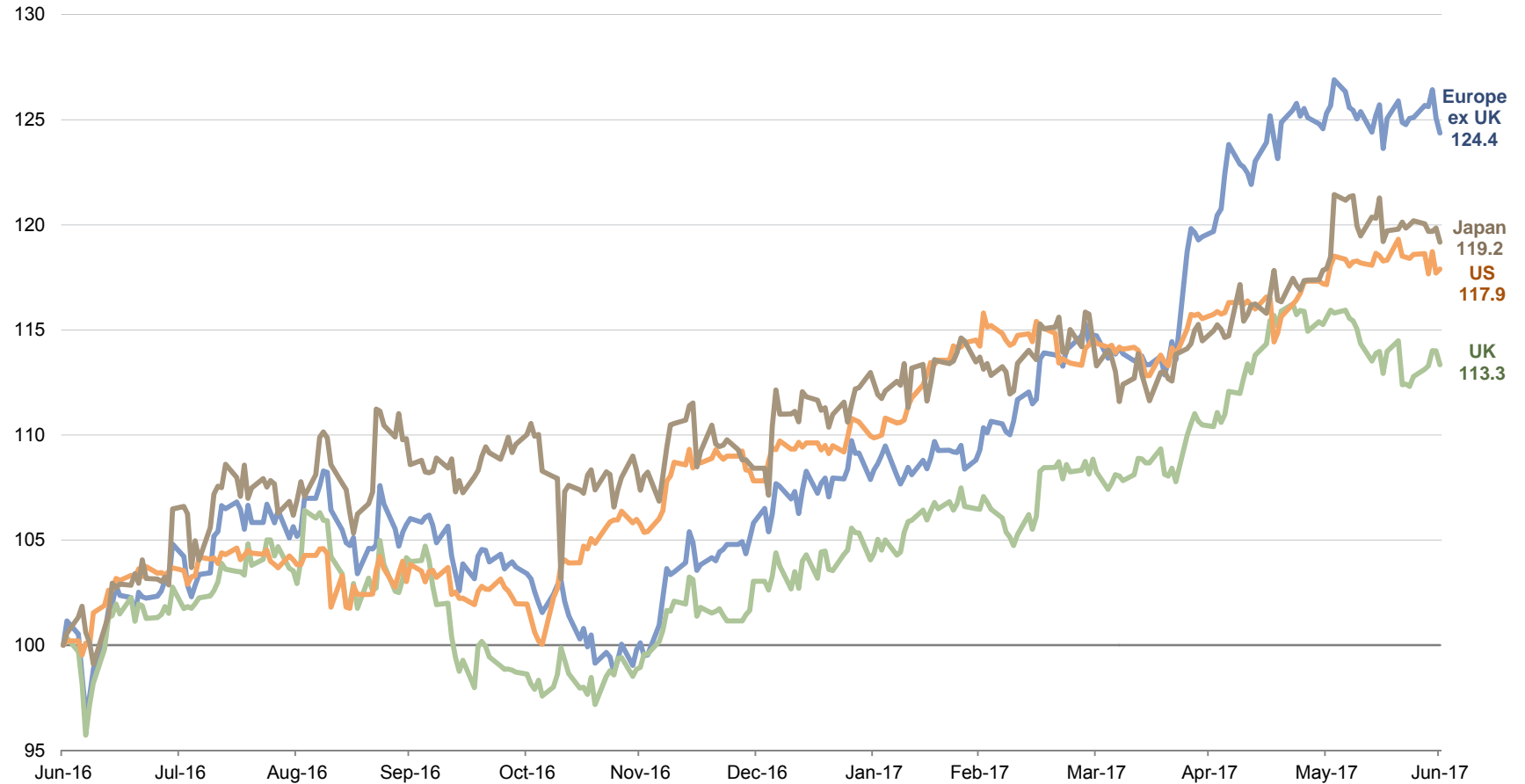
Sources: MSCI Inc. and Thomson Reuters Datastream. MSCI data provided "as is" without any express or implied warranties.
 Note: Data represent daily total returns net of dividend taxes for the MSCI World Index.

An uptick in global cyclical momentum helped continental Europe resurge

Japan equities trailed closely behind, despite currency headwinds

Developed Markets Equity Performance: Fiscal Year 2017

June 30, 2016 – June 30, 2017 • USD Terms • June 30, 2016 = 100



Sources: MSCI Inc., Standard & Poor's, and Thomson Reuters Datastream. MSCI data provided "as is" without any express or implied warranties.

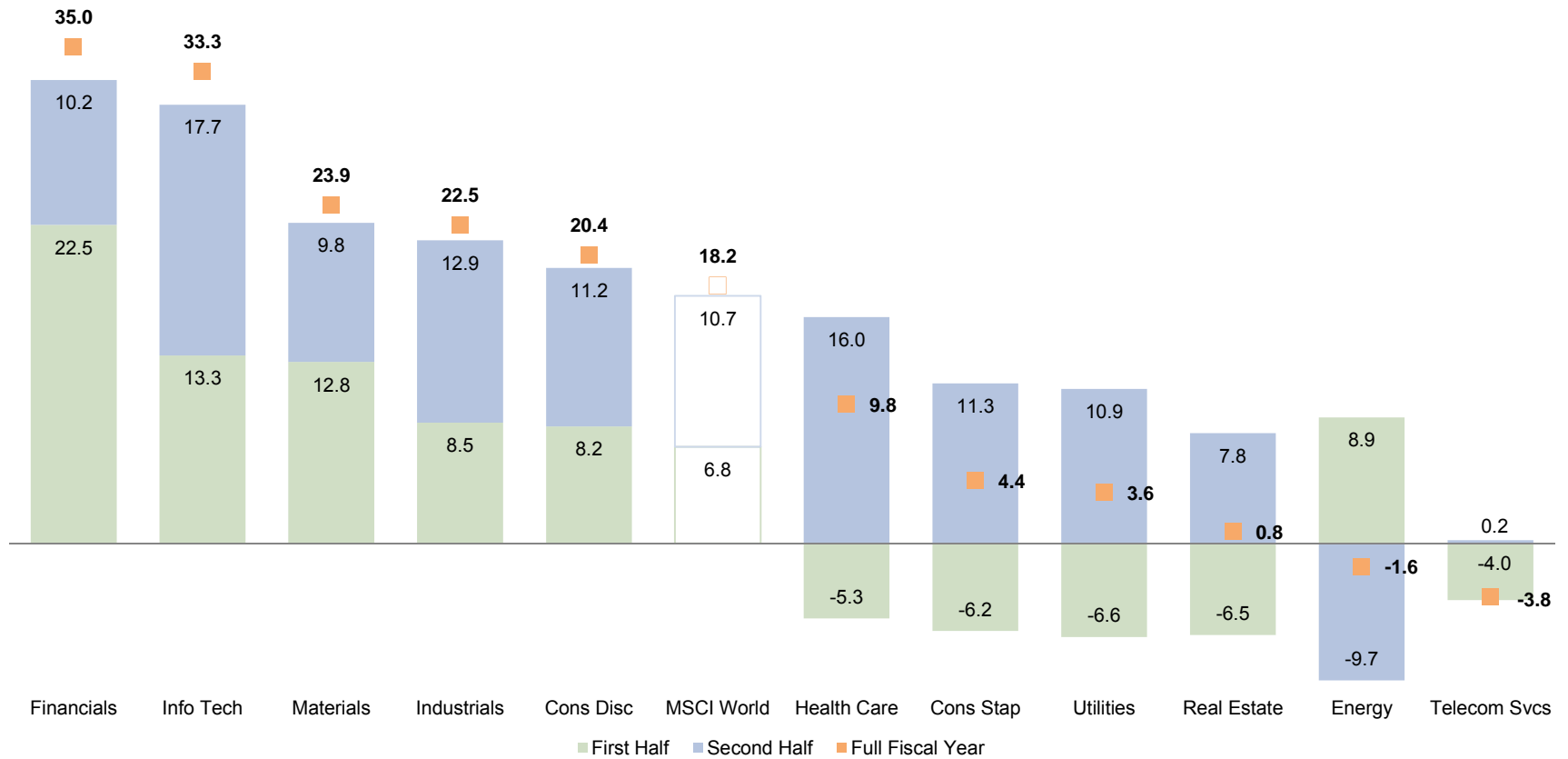
Notes: Equity markets represented by: MSCI Europe ex UK Index ("Europe ex UK"), MSCI Japan Index ("Japan"), S&P 500 Index ("US"), and MSCI UK Index ("UK"). Total return data for all MSCI indexes are net of dividend taxes. Data are daily.

Developed equity performance driven by financials and IT

Financials benefited from an upward shift in government yield curves

Developed Markets Sector Returns for Fiscal Year 2017

As of June 30, 2017 • USD Terms • Total Returns (%)



Sources: MSCI Inc. and Thomson Reuters Datastream. MSCI data provided "as is" without any express or implied warranties.

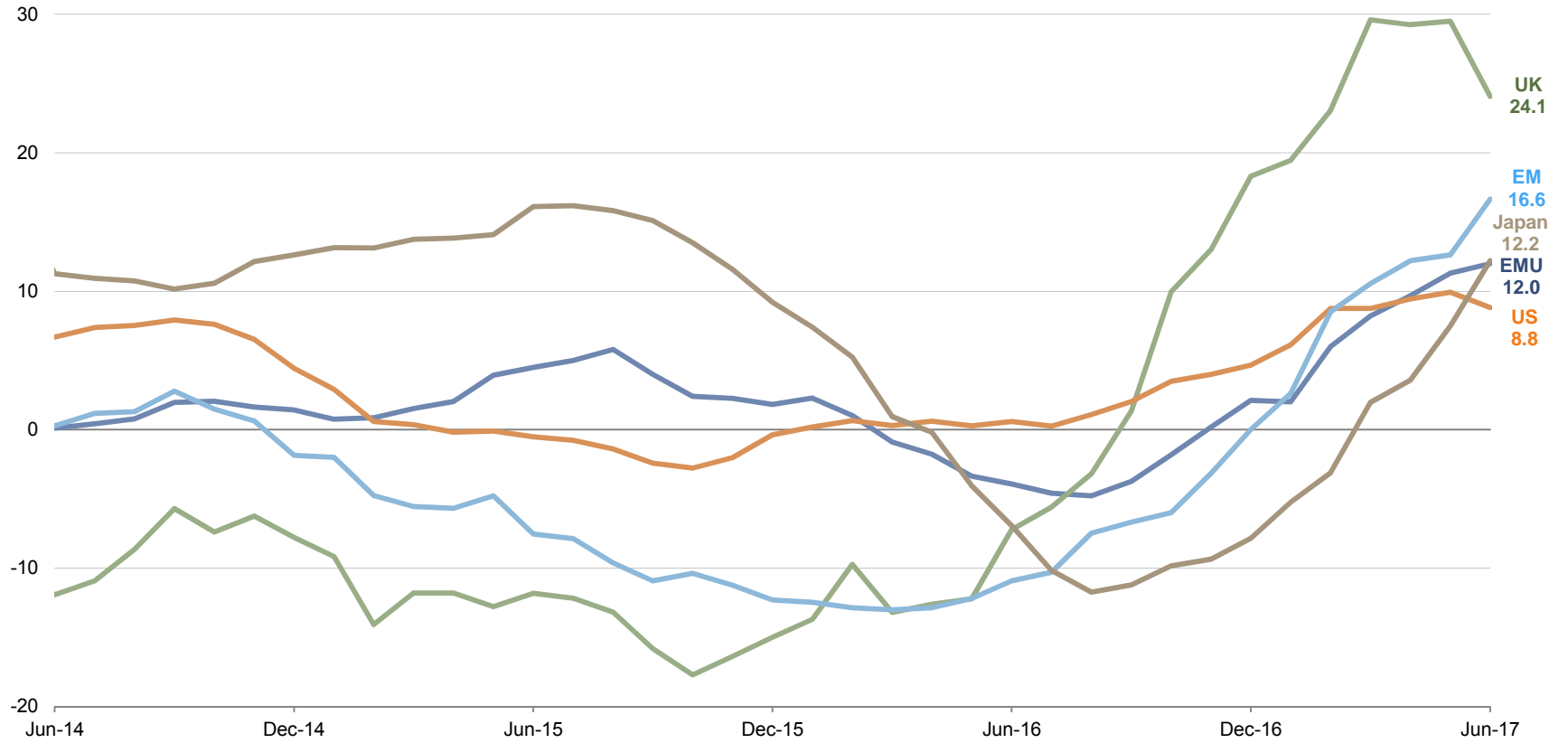
Notes: Developed markets represented by the MSCI World Index. Data for all MSCI indexes are net of dividend taxes. As of September 1, 2016, real estate is removed from the financials sector and is now a sector of its own. First half and full fiscal year returns for the sector are calculated since the inception date. Figures will not sum exactly to total return calculation due to the effect of combining cross terms.

Corporate earnings growth expectations surged in recent quarters

Prospects for UK corporates rose the most, following multi-year declines in earnings

Year-over-Year Change in 12-Month Forward EPS

June 30, 2014 – June 30, 2017 • Percent (%)



Sources: MSCI Inc. and Thomson Reuters Datastream. MSCI data provided "as is" without any express or implied warranties.

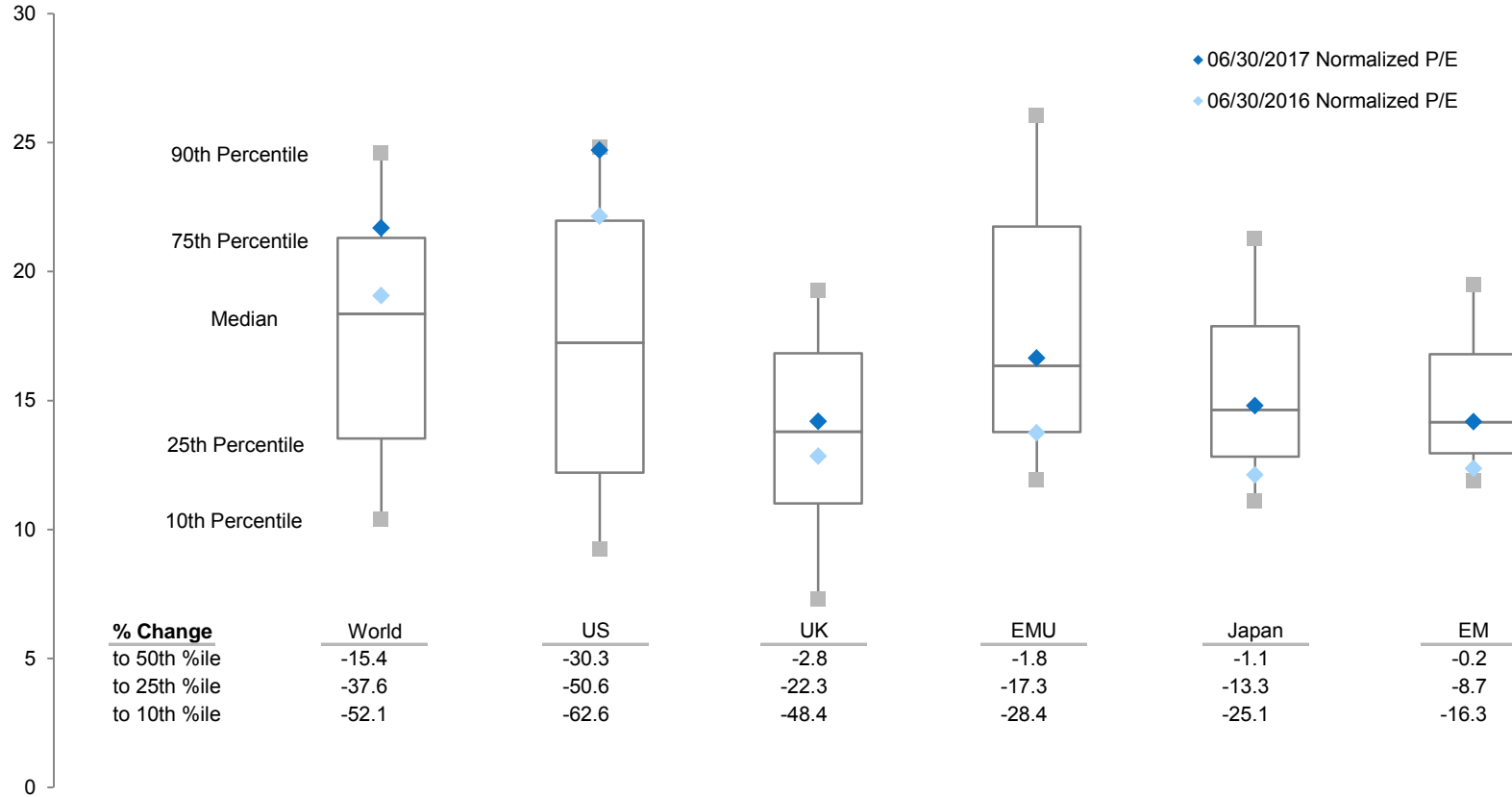
Note: Data are monthly.

Equity valuation metrics increased this fiscal year

US equities remain expensive relative to other opportunities

Normalized Price-Earnings Ratios by Region

As of June 30, 2017



Sources: MSCI Inc. and Thomson Reuters Datastream. MSCI data provided "as is" without any express or implied warranties.

Notes: Composite normalized price-earnings (P/E) ratio is used for World, US, UK, and EMU. Return on equity (ROE)-adjusted P/E ratio is used for Japan and EM. The composite normalized P/E ratio is calculated by dividing the inflation-adjusted index price by the simple average of three normalized earnings metrics: ten-year average real earnings (i.e., Shiller earnings), trend-line earnings, and ROE-adjusted earnings. Observation periods begin: January 31, 1970 for World; December 31, 1969 for US and UK; April 30, 1998 for EMU; January 31, 2002 for Japan; and September 30, 1995 for EM.

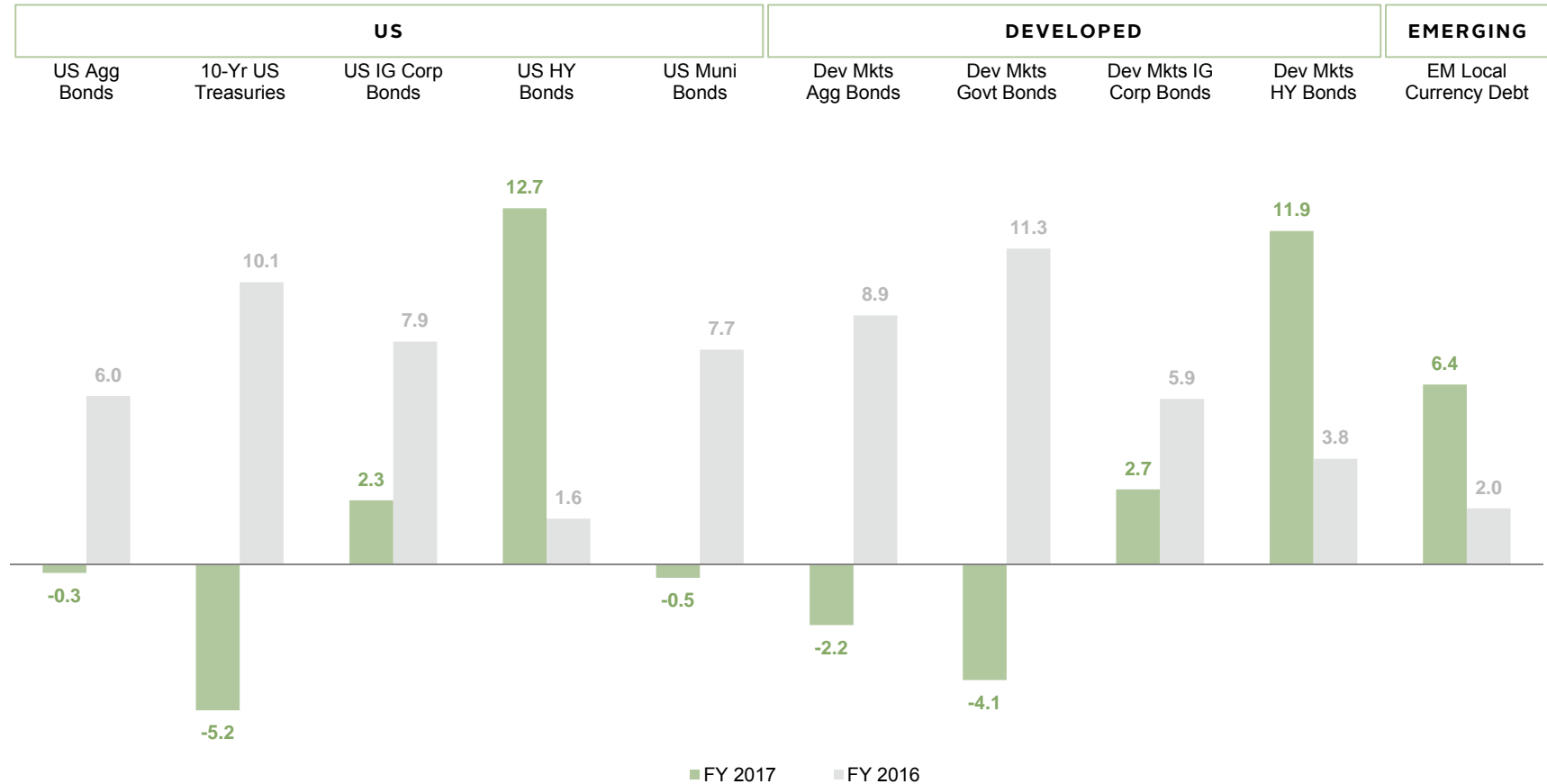
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Most bond markets underperformed in FY 2017 relative to FY 2016

The exception being low-quality credits, which benefited from positive cyclical factors

Global Bond Performance: Fiscal Year 2017 vs Fiscal Year 2016

Total Return (%) • USD Terms



Sources: Barclays, Bloomberg L.P., Citigroup Global Markets, J.P. Morgan Securities, Inc., and Thomson Reuters Datastream.

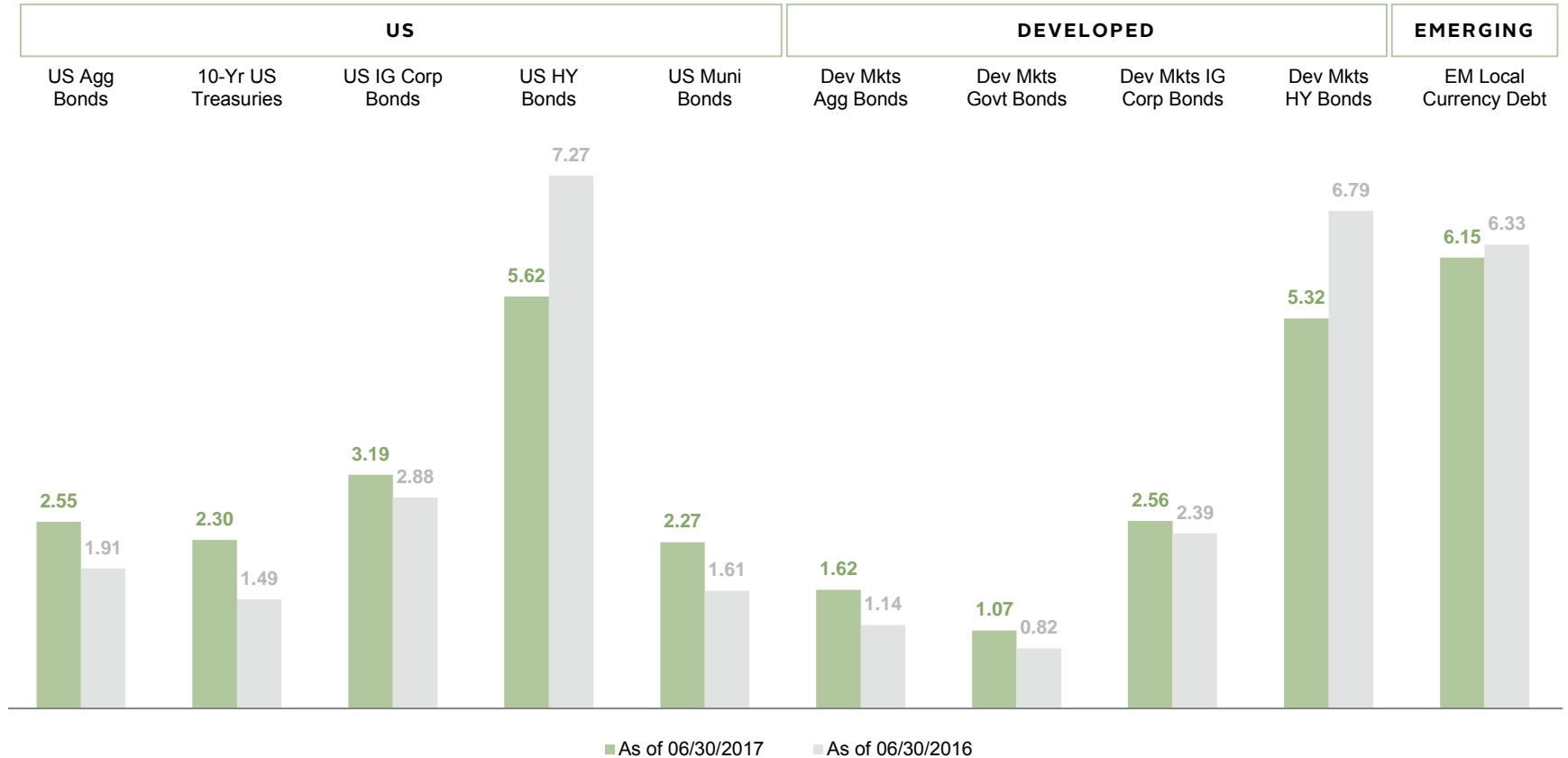
Notes: Asset classes represented by Bloomberg Barclays US Aggregate Bond Index ("US Agg Bonds"), Datastream US Ten-Year Treasury Index ("10-Yr US Treasuries"), Bloomberg Barclays US Corporate Investment Grade Bond Index ("US IG Corp Bonds"), Bloomberg Barclays High Yield Composite Bond Index ("US HY Bonds"), Bloomberg Barclays US Municipal Bond Index ("US Muni Bonds"), Bloomberg Barclays Global Aggregate Bond Index ("Dev Mkts Agg Bonds"), Citigroup World Government Bond Index ("Dev Mkts Govt Bonds"), Bloomberg Barclays Global Aggregate Corporate Bond Index ("Dev Mkts IG Corp Bonds"), Bloomberg Barclays Global High Yield Bond Index ("Dev Mkts HY Bonds"), and J.P. Morgan GBI-EM Global Diversified Index ("EM Local Currency Debt").

Expectations for tighter monetary policies led many bond yields to rise

Low-quality credits saw their yields fall

Global Bond Yields: Fiscal Year 2017 vs Fiscal Year 2016

Percent (%)



Sources: Barclays, Bloomberg L.P., Citigroup Global Markets, J.P. Morgan Securities, Inc., and Thomson Reuters Datastream.

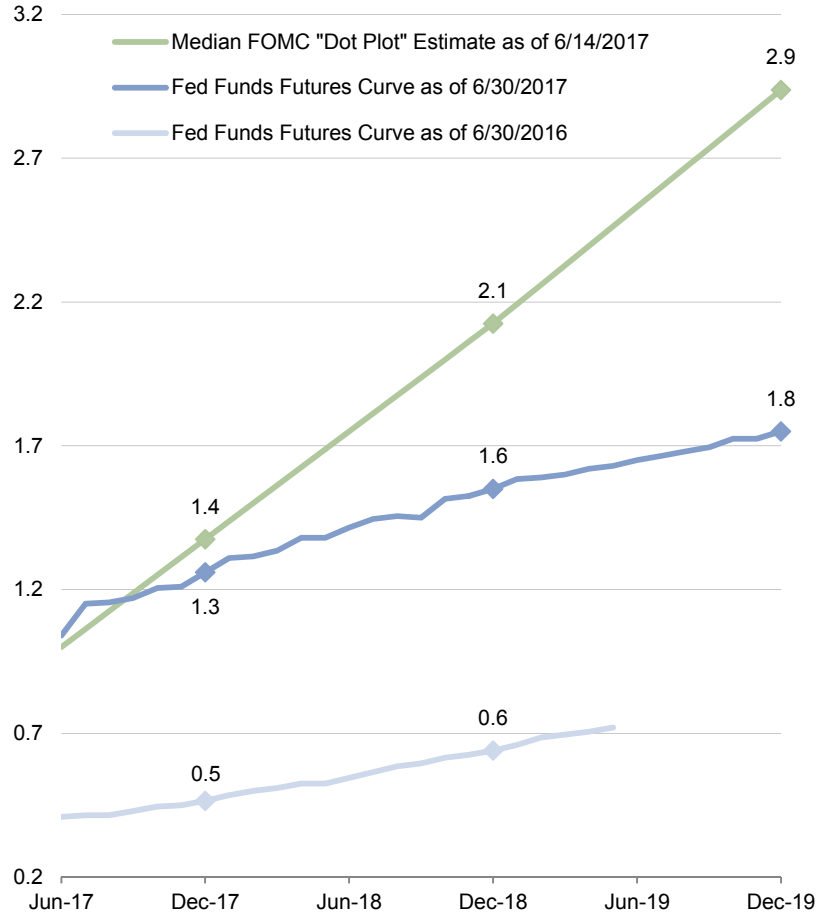
Notes: Asset classes represented by Bloomberg Barclays US Aggregate Bond Index ("US Agg Bonds"), Datastream US Ten-Year Treasury Index ("10-Yr US Treasuries"), Bloomberg Barclays US Corporate Investment Grade Bond Index ("US IG Corp Bonds"), Bloomberg Barclays High Yield Composite Bond Index ("US HY Bonds"), Bloomberg Barclays US Municipal Bond Index ("US Muni Bonds"), Bloomberg Barclays Global Aggregate Bond Index ("Dev Mkts Agg Bonds"), Citigroup World Government Bond Index ("Dev Mkts Govt Bonds"), Bloomberg Barclays Global Aggregate Corporate Bond Index ("Dev Mkts IG Corp Bonds"), Bloomberg Barclays Global High Yield Bond Index ("Dev Mkts HY Bonds"), and J.P. Morgan GBI-EM Global Diversified Index ("EM Local Currency Debt").

The market views the Fed's monetary policy assumptions as aggressive

Even as Treasury yields moved up materially this fiscal year

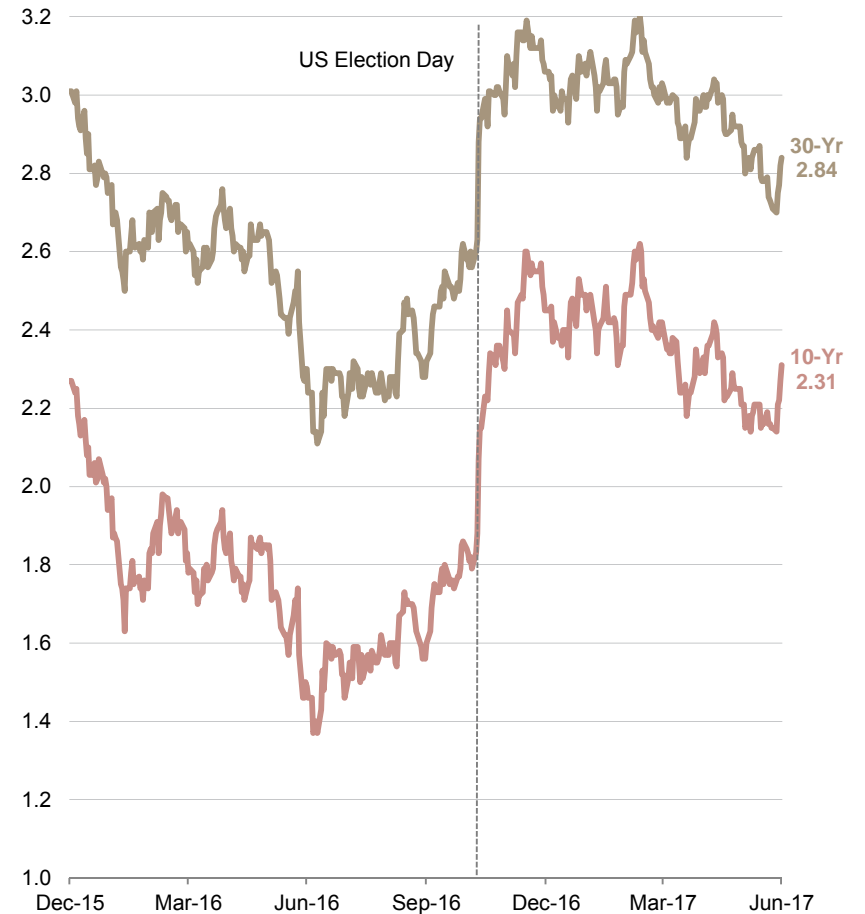
US Fed Funds Rate Expectations

Percent (%)



US Treasury Yields

December 31, 2015 – June 30, 2017 • Yield (%)



Sources: Bloomberg L.P., Federal Reserve, and Thomson Reuters Datastream.
 Note: Fed Funds Futures Curve June 2016 data end on May 2019. Yield data are daily.

Global government bond yields retreated after hitting historic lows

Still, yields remain low relative to history

Global Ten-Year Government Bond Yields

June 30, 2007 – June 30, 2017 • Percent (%)



Sources: Federal Reserve and Thomson Reuters Datastream.

Note: Data are weekly.

High-yield bond performance was steady in FY 2017

Yields fell as fears of widespread energy sector defaults faded

Bloomberg Barclays US High Yield Bond Index

June 30, 2016 – June 30, 2017



Sources: Barclays, Bloomberg L.P., and Thomson Reuters Datastream.

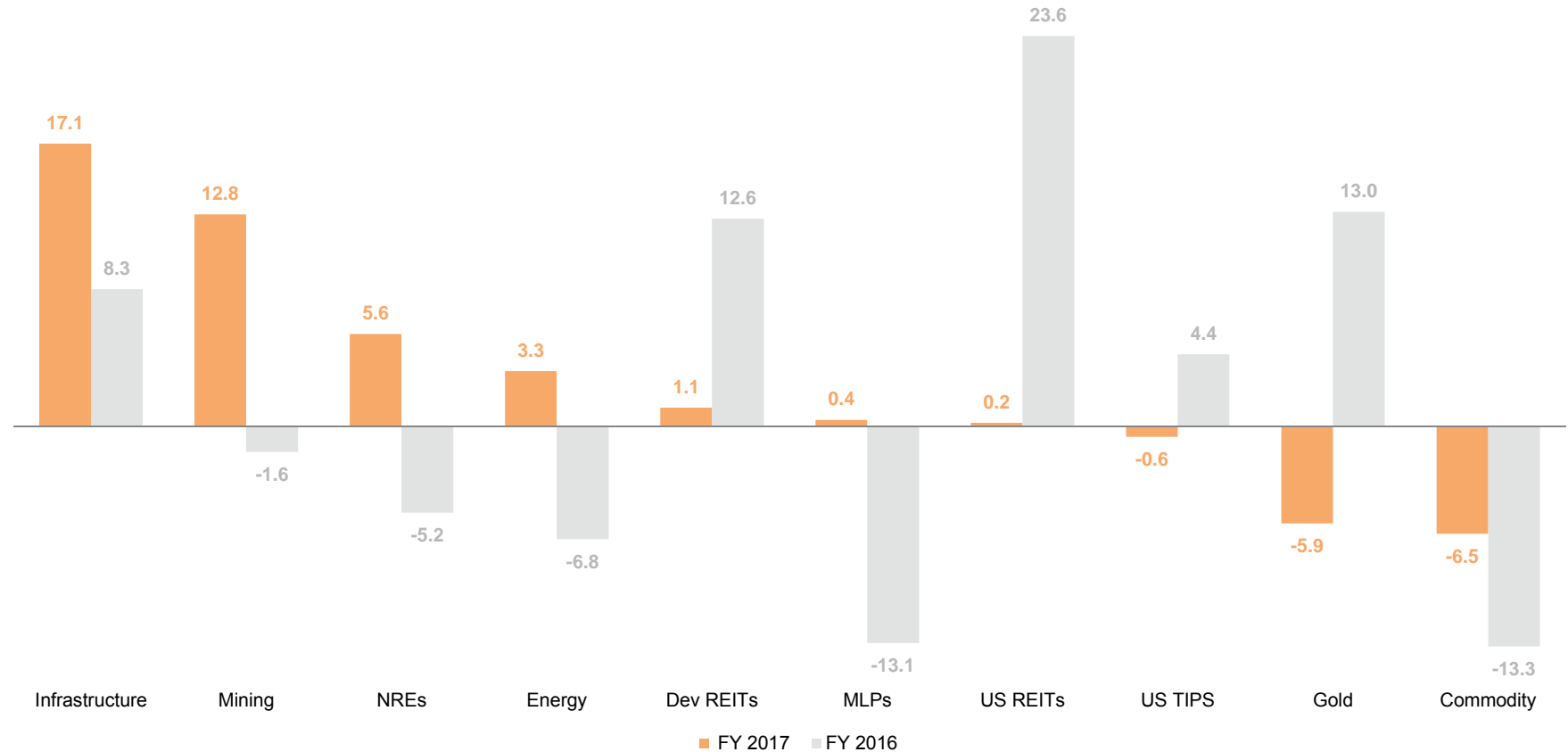
Notes: Data are daily. Returns rebased to 100 at June 30, 2016.

Infrastructure and mining equities led listed real assets

Expectations for higher fiscal spending benefited both asset classes

Real Asset Performance: Fiscal Year 2017 vs Fiscal Year 2016

Total Return (%) • USD Terms



Sources: Alerian, Barclays, Bloomberg L.P., EPRA, FTSE International Limited, National Association of Real Estate Investment Trusts, and Thomson Reuters Datastream.

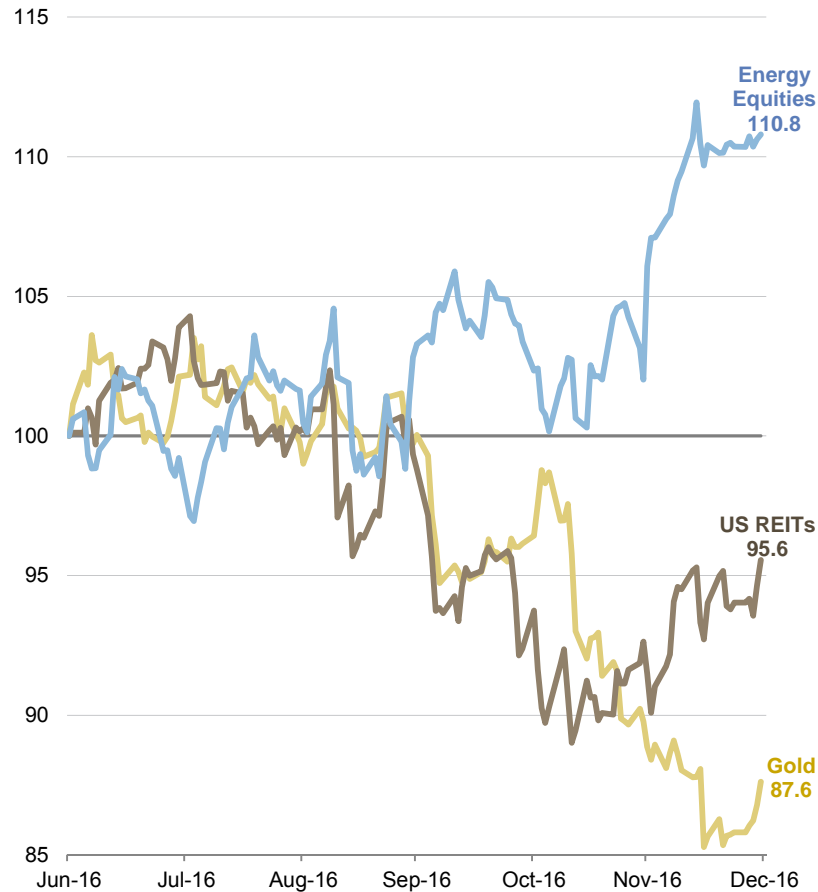
Notes: All returns are total returns in USD terms, except gold, for which returns are based on changes in the spot price. Asset classes represented by the following: MSCI World Infrastructure Index ("Infrastructure"), Datastream Mining Index ("Mining"), 80% Datastream World Oil & Gas and 20% Datastream World Mining ("NREs"), Datastream Oil & Gas Index ("Energy"), FTSE® EPRA/NAREIT Developed REITs Index ("Dev REITs"), Alerian MLP Index ("MLPs"), FTSE® NAREIT All Equity REITs Index ("US REITs"), Bloomberg Barclays TIPS Index ("US TIPS"), Gold Bullion Prices ("Gold"), and Bloomberg Commodity TR Index ("Commodity").

Fortunes reversed for some listed real assets this fiscal year

Energy equities fell victim to weaknesses in underlying commodity markets

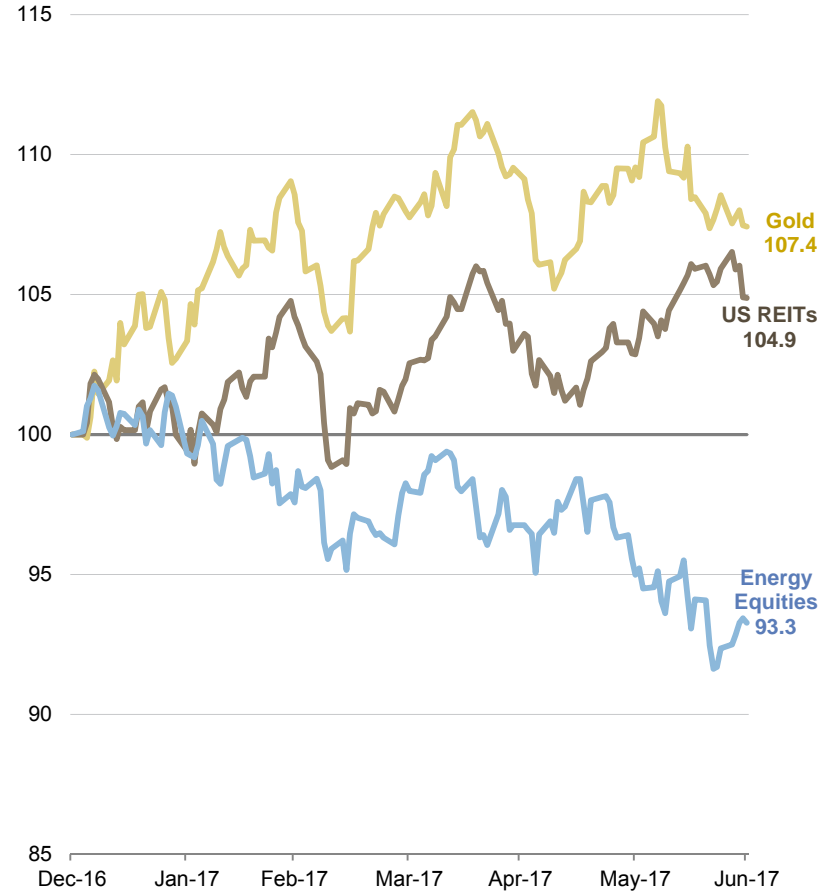
Real Assets First Half Performance

June 30, 2016 – December 31, 2016 • June 30, 2016 = 100



Real Assets Second Half Performance

December 31, 2016 – June 30, 2017 • December 31, 2016 = 100



Sources: FTSE International Limited, ICE Benchmark Administration Ltd., National Association of Real Estate Investment Trusts, and Thomson Reuters Datastream.

Notes: All returns are total returns in USD terms, except gold, for which returns are based on changes in the spot price. Asset classes represented by the following: Datastream Oil & Gas Index ("Energy Equities"), FTSE® NAREIT All Equity REITs Index ("US REITs"), and Gold Bullion Prices ("Gold").

Commodities have regularly been among the worst performers in recent years

With the gap between spot and total returns due to poor collateral and roll returns

Bloomberg Commodity Index Performance

June 30, 2007 – June 30, 2017 • June 30, 2007 = 100



Sources: Bloomberg L.P. and Thomson Reuters Datastream.

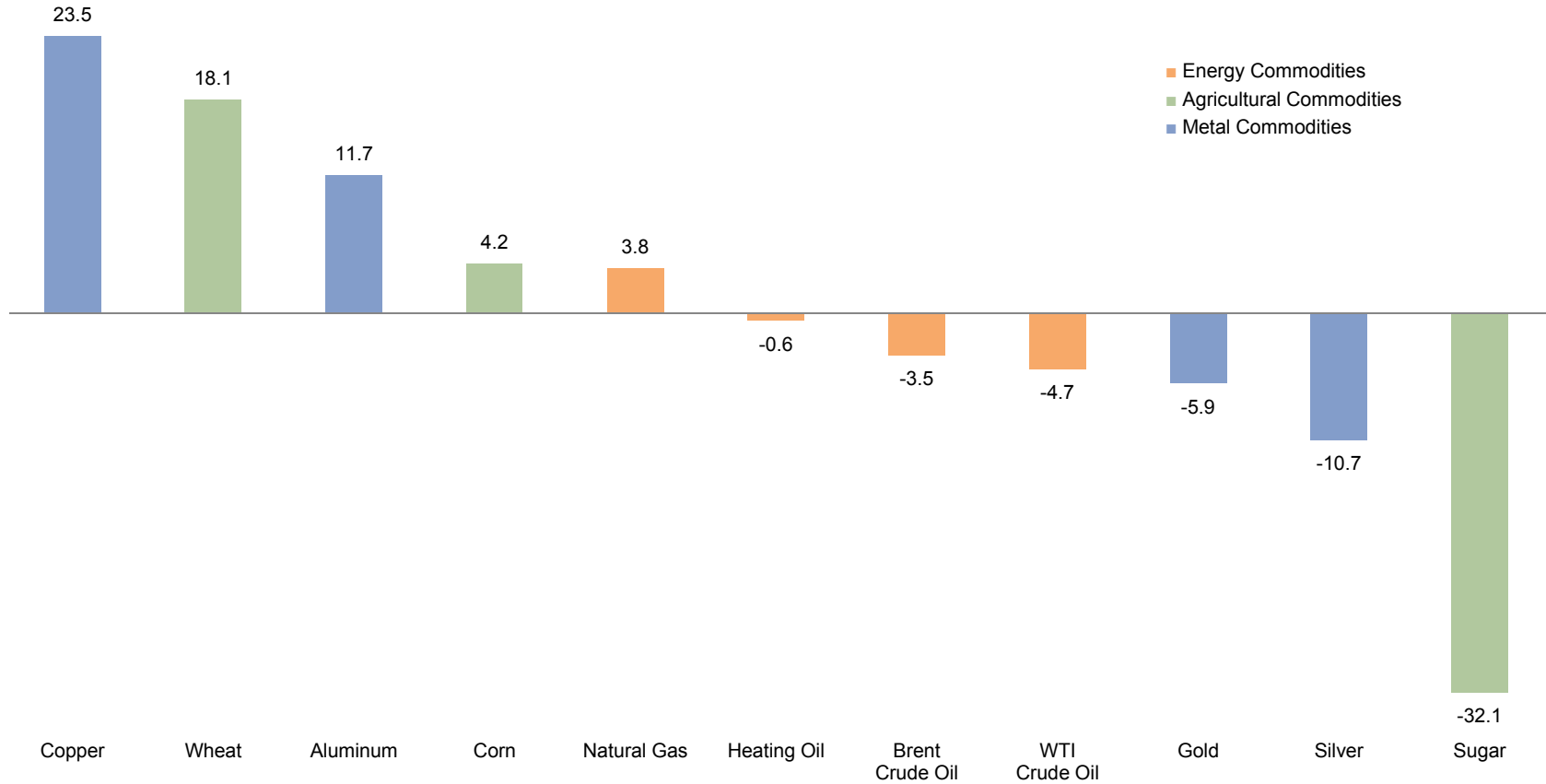
Note: Data are monthly.

Tightening supply/demand fundamentals helped copper prices surge

Wheat prices jumped in recent months amid rising drought fears

Commodity Spot Performance: Fiscal Year 2017

Percent (%)



Source: Bloomberg L.P.

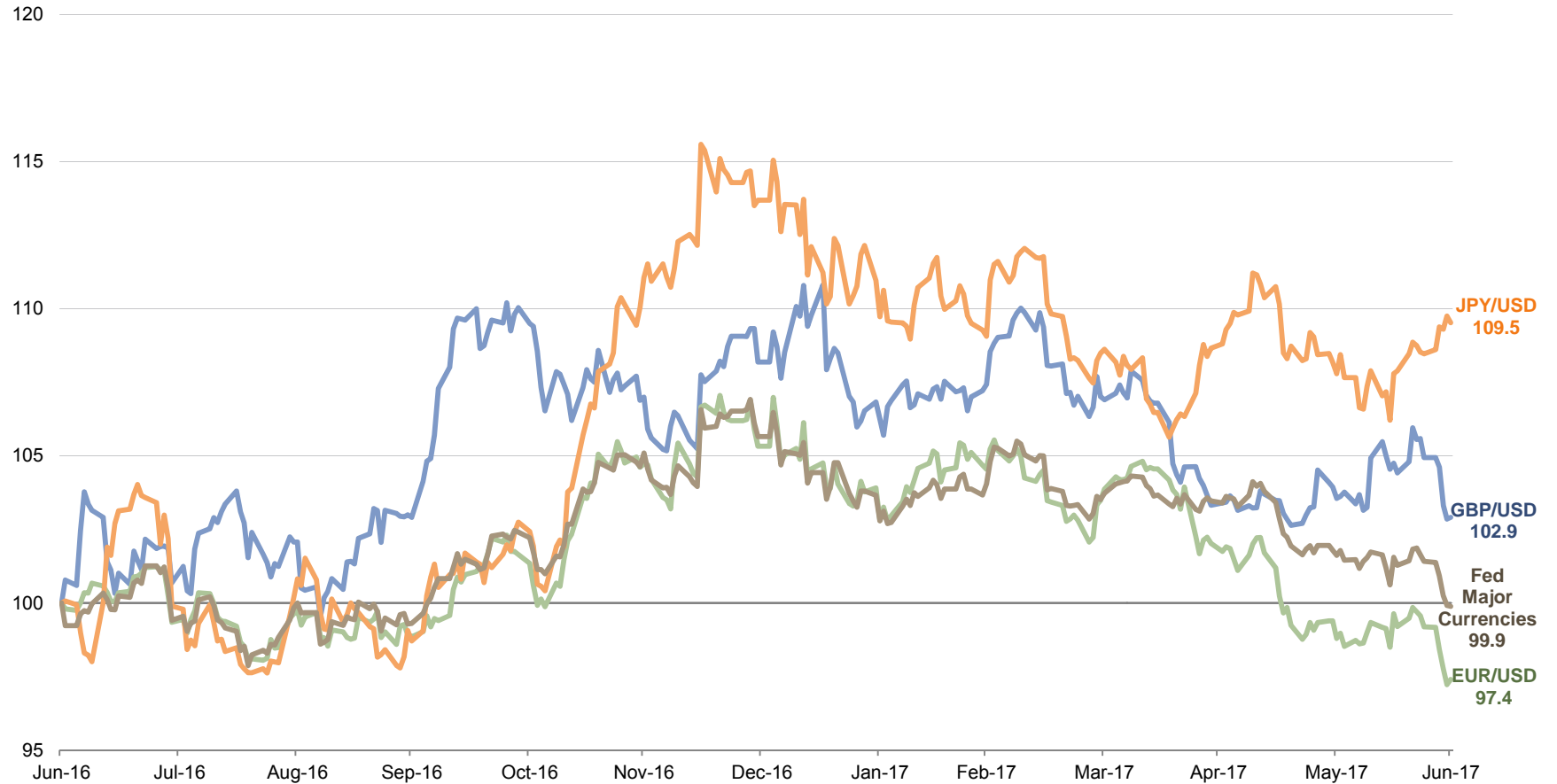
Note: Spot returns reflect changes in near-month contracts.

The US dollar finished the fiscal year flat against other major currencies

Among US dollar currency pairs, the euro gained and the pound and yen fell

Cumulative Wealth of US Dollar vs Major Developed Markets Currencies

June 30, 2016 – June 30, 2017 • June 30, 2016 = 100



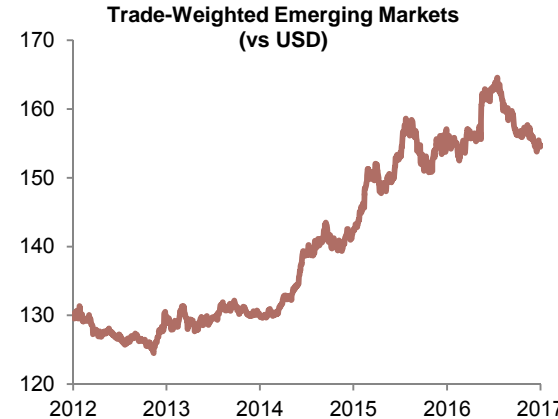
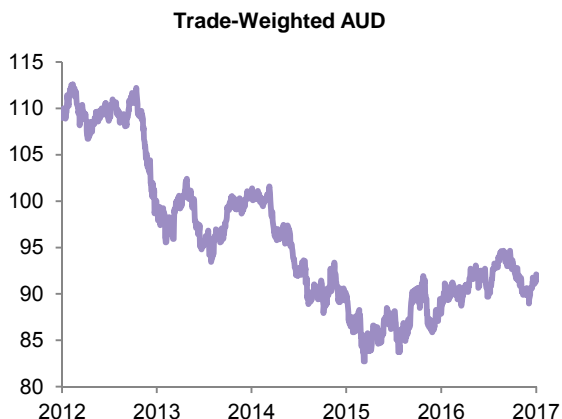
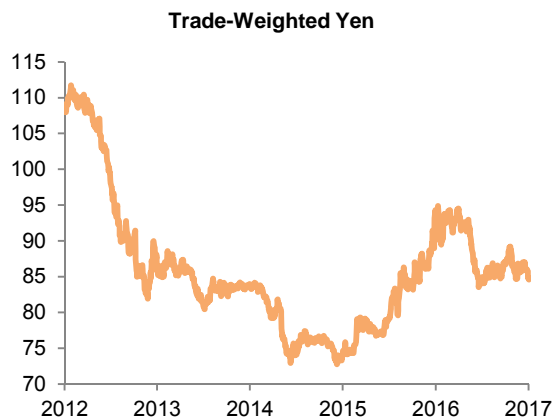
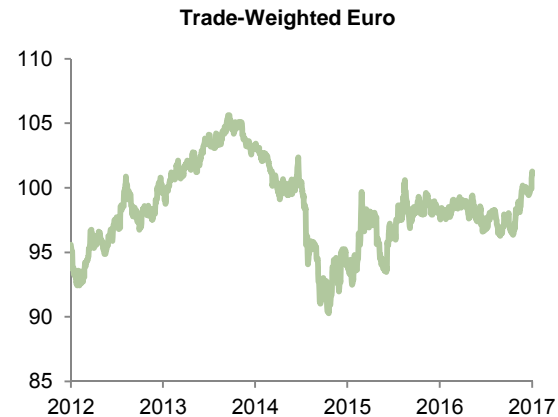
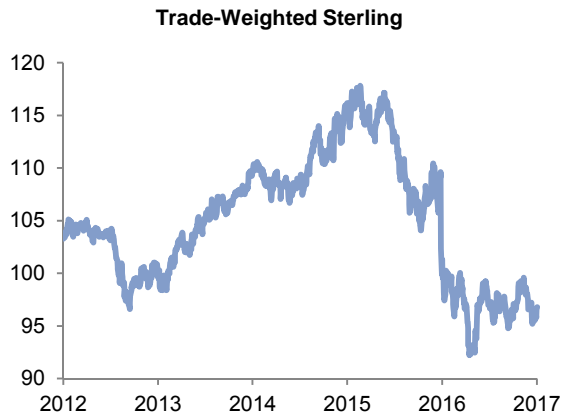
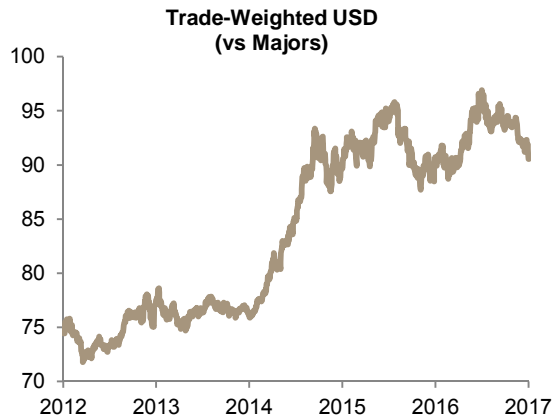
Sources: Federal Reserve, MSCI Inc., and Thomson Reuters Datastream. MSCI data provided "as is" without any express or implied warranties.
 Note: Data are daily.

The euro's upswing this fiscal year caught many investors by surprise

In contrast, many expected Brexit concerns would keep the pound low

Exchange Rate Movements

June 30, 2012 – June 30, 2017



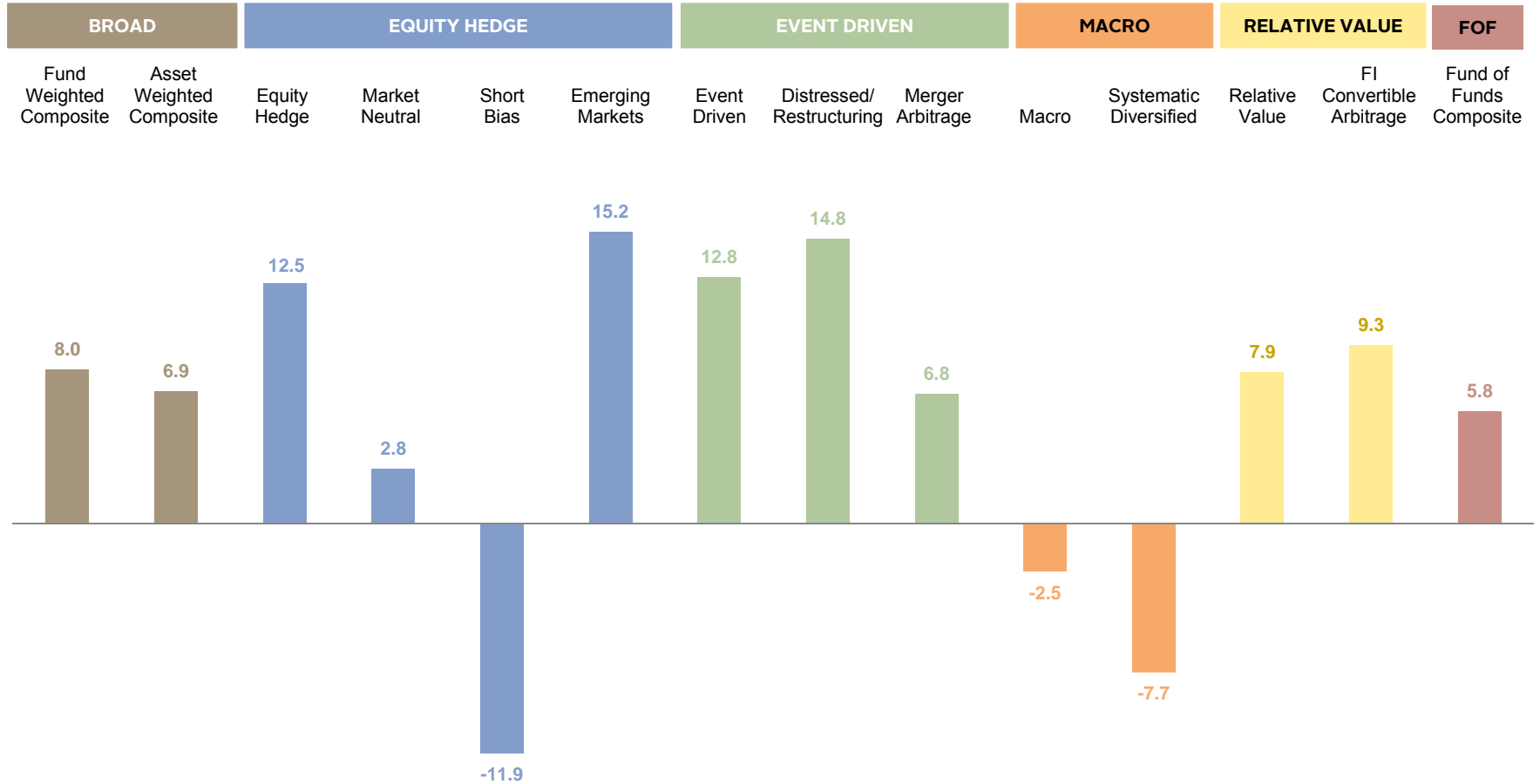
Sources: Federal Reserve, J.P. Morgan Securities, Inc., and Thomson Reuters Datastream.

Event-driven and equity strategies led hedge fund performances

Emerging markets equity hedge funds was the top-performing sub-strategy

Fiscal Year-to-Date Hedge Fund Performance: HFRI Indexes

July 1, 2016 – June 30, 2017 • Total Return (%)



Source: Hedge Fund Research, Inc.

Note: Hedge Fund Research data are preliminary for the preceding five months.

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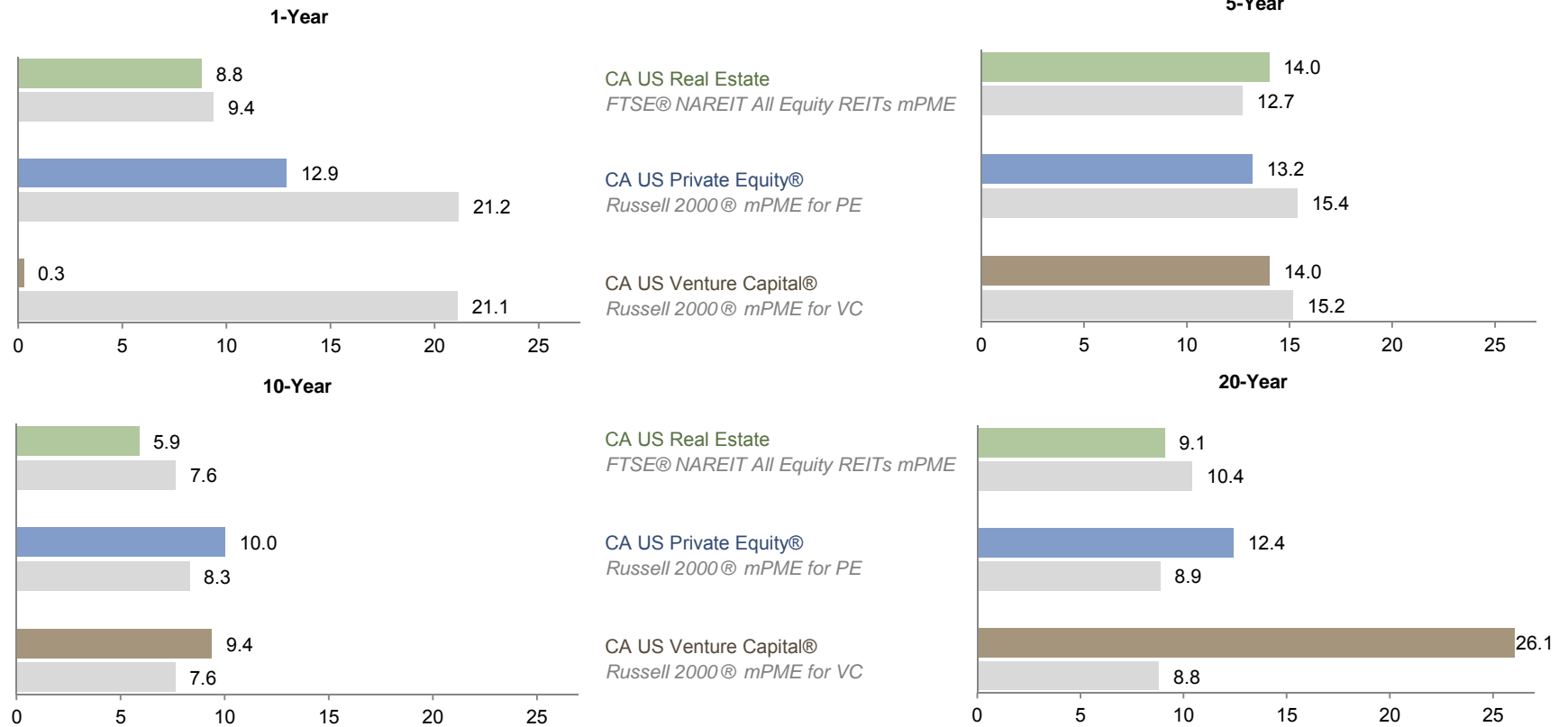


US PE and VC have delivered compelling long-term performance

Over the same time horizons, real estate has under delivered

Performance of Select Cambridge Associates Private Investment Indexes vs Public Equivalents

As of December 31, 2016 • Percent (%)



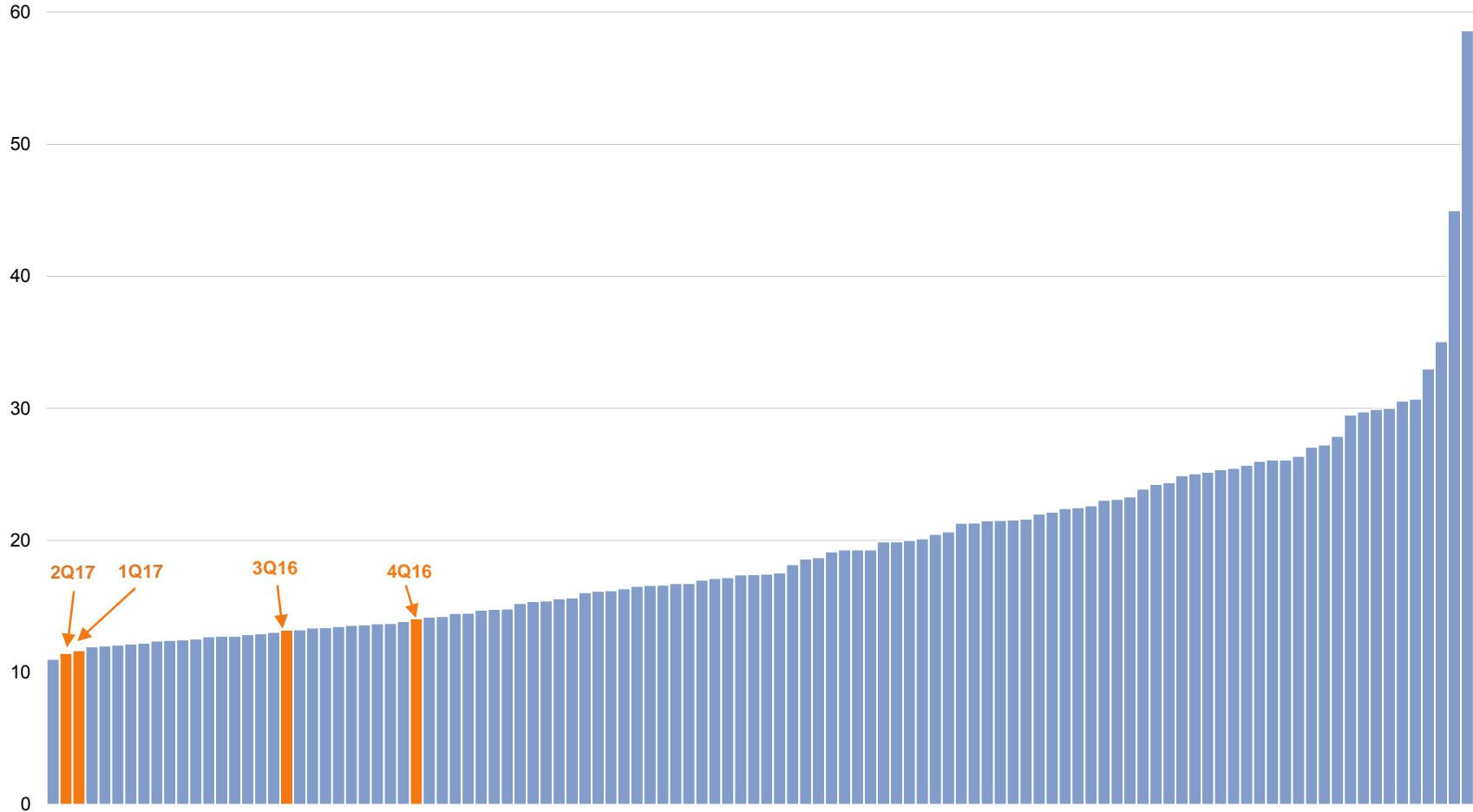
Sources: Cambridge Associates LLC, Frank Russell Company, FTSE International Limited, National Association of Real Estate Investment Trusts, and Thomson Reuters Datastream.
 Notes: Private indexes are pooled horizon IRRs, net of fees, expenses, and carried interest. The CA Modified Public Market Equivalent (mPME) replicates private investment performance under public market conditions. The public index's shares are purchased and sold according to the private fund cash flow schedule, with distributions calculated in the same proportion as the private fund, and mPME net asset value is a function of mPME cash flows and public index returns. Therefore, the same benchmark comparing two different private asset classes may have different mPME returns.

Market volatility has fallen to near multi-decade lows

Central bank policies have contributed to a calming in markets

Quarterly S&P 500 Implied Volatility Sorted in Ascending Order

First Quarter 1990 – Second Quarter 2017



Sources: Bloomberg L.P., Chicago Board Options Exchange, and Standard & Poor's.

Notes: The Chicago Board Options Exchange Volatility Index ("VIX") reflects a market estimate of future volatility, based on the weighted average of the implied volatilities for a wide range of strikes. Exhibit calculates average VIX observed for each quarter based on daily closes.