VANTAGE CONSULTING GROUP
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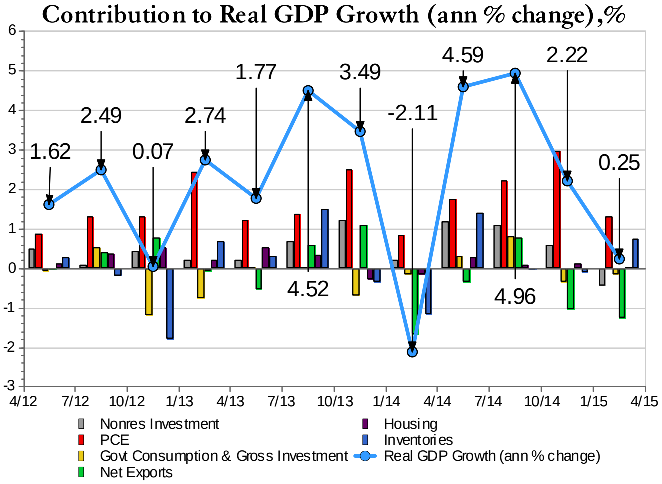
Market Review

April 2015

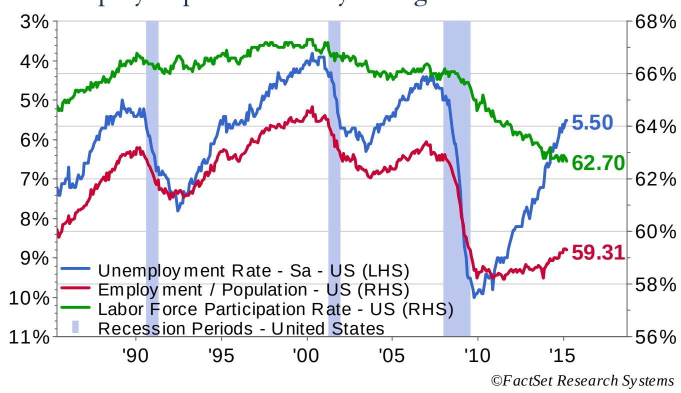
Economic Review

First quarter real GDP in US grew 0.2%, well below the expected 1%, according to the initial estimate released by the Bureau of Economic Analysis. This increase primarily reflected positive contributions from personal consumption expenditures (PCE) and private inventory investment, which were partly offset by negative contributions from exports, nonresidential fixed investment, and state and local government spending. Real final sales of domestic product (GDP less change in private inventories) decreased 0.5% in the first quarter. This lack of growth pushed market expectations of a rate hike from mid-2015 to later in the year.

Contribution to Real GDP Growth (ann % change),%



Total nonfarm payrolls increased 126,000 in March, well below economists' expectations. This was the lowest gain since December 2013. Employment growth has averaged 269,000 jobs per month over the past twelve months. The unemployment rate held steady at +5.5% and the number of unemployed persons hardly changed at 8.6 million. The



unemployment rate and the number of unemployed people have declined 1.1% and 1.8 million, respectively, over the past twelve months. The civilian labor- force- participation-rate held steady at 62.7%. The employment-population ratio also held at 59.3%.

Home prices, as measured by the S&P/Case-Shiller 20-city Home Price Index, gained 5% year-over-year (YoY) in February, compared to 4.5% YoY in January. Existing home sales increased 9.1% month-over-month (MoM) to 5.19 million units in March and 10.4% YoY. Existing homes inventory increased to 2 million units, or 4.6 months of supply. New home sales declined by 11.4% to an a.r. of 481,000, with a significant setback in the Northeast and Southern United States. Building permits, a leading indicator for housing starts, declined 5.7% MoM during March. Housing starts increased only 2.0% MoM, the weakest pace since early 2014.

The Consumer Price Index increased 0.2% MoM in March and declined 0.1% YoY. The Core CPI (which excludes food and energy costs) rose +0.2% MoM and is up +1.8% YoY. The Personal Consumption Expenditure (PCE) Deflator, is up only 0.2% YoY, while Core PCE (which also excludes food and energy) is up 1.3% YoY. Measures of Breakeven inflation widened in April. The 5 year/5 year forward breakeven inflation rate was 14 bps higher, rising to 2.03%.

The April Federal Open Market Committee (FOMC) statement noted slowdown in growth and employment during the first quarter although it attributed much of this slowdown to transitory factors. The market currently expects a rate hike as part of the September or December meeting. The next FOMC meeting will be held on June 16 and 17.

The International Monetary Fund (IMF) boosted its estimate for the Eurozone's 2015 and 2016 growth rates to 1.5% and 1.6%, respectively. The IMF warned, however, that its outlook for the region is fragile due to uncertainty over Greece's future in the Euro and continued fighting in Ukraine. Eurostat's flash estimate of inflation in the Eurozone was 0.0%, the first time in four months that the region has not deflated. Energy prices have dominated the headline inflation reading in recent months, and the partial rebound of energy prices in April drove the headline estimate higher. Core CPI remained very low at 0.6%, unchanged from March.

In the UK, the Office for National Statistics' (ONS) estimate for March inflation was 0% for the second consecutive month, the lowest level since comparable records began in 1989. The government expected inflation to turn negative in March, driven by lower gas utility prices,

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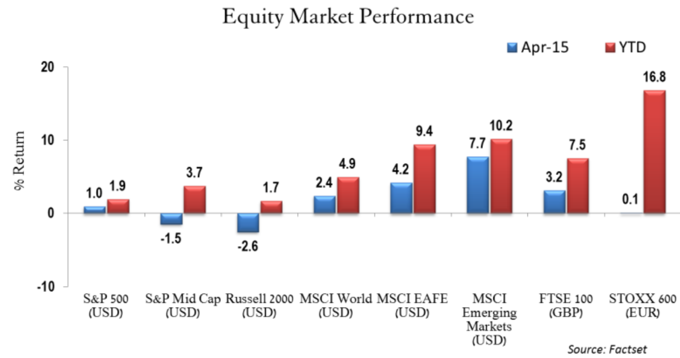
but a rebound in oil prices offset the utility decrease. In addition, the number of jobless people dropped to 1.84 million, the lowest level since July 2008, according to ONS. The unemployment rate fell to 5.6%, in line with forecasts, and wages rose by 1.8%. The tame inflation and strong labor market figures have been a boon to conservatives in the UK, as they seek to maintain control of parliament in May's elections. The Bank of England held interest rates steady at 0.5% in a unanimous vote, citing prospective deflation in the coming months and the pending parliamentary elections as reasons to hold rates unchanged.

In Japan, inflation ticked up in March, as the country's Core CPI grew 2.2% year-over-year, topping the 2.1% analyst forecast. Excluding the effects of the country's sales tax hike in April 2014, which distorted consumer spending patterns, CPI rose 0.2%, above expectations for 0.1% growth. The Bank of Japan (BOJ) kept its stimulus program unchanged, as the bank remains on pace to buy ¥80 trillion ($670 billion) worth of bonds annually. In addition, the BOJ extended its target date for achieving 2% inflation to the first half of 2016, essentially a 6 month extension from the original year-end 2015 target. In China, the economy grew at the slowest pace since 2009, registering 7% year-over-year growth for the first quarter of 2015, which matched analyst expectations. The Chinese property market, which accounts for 20% of the economy, is also showing signs of slowing down; residential property sales fell 9% year-over-year in the first quarter, while unsold property inventory rose 24%.

Equity Markets

Global equities rallied in April, with the MSCI World Index gaining 2.4%. Domestic large cap stocks, as measured by the S&P 500, rallied 1.0% in April, and are now up 1.9% in 2015. Domestic mid-cap stocks, as measured by the S&P 400 returned -1.5% and the Russell 2000 small-cap index finished the month down 2.6%. The headline indices for Europe (STOXX 600) and the UK (FTSE 100) gained 0.1% and 3.2%, respectively. Emerging Markets had a strong month, as the MSCI Emerging Markets index rose 7.7% in April. At the sector level, Energy and Materials led the US markets higher, with gains of 6.7% and 3.1%, respectively. Health Care was the worst performing sector in April, losing 1.3% as Biotechnology stocks broadly sold off in the last week of the month.



The S&P 500 traded nearly straight up through the first three weeks of April, the index was up 2.5% for the month through April 24 before falling 1.5% to close the month up 1.0%. Market volatility, as measured by the CBOE Market Volatility Index (VIX), fell slightly to end the month at 14.55, down from 15.29 at the end of March, but above the intra-month low of 12.29. The 14.55 reading is well below the long-run average of 20. The volatility of European stocks, as measured by the Euro Stoxx 50 VIX Index, spiked to 25 in the mid-month, and settled at 24.21, higher than March's 21.10 close.

Bond Markets

The fixed income markets experienced a whipsaw in April as several weeks of declining yields were reversed in a matter of days. Weaker than expected economic data for the second consecutive month helped US Treasury rates decline for most of April. Longer dated Treasury yields reversed the slow grind lower and rose toward the end of the month, in tandem with an increase in global government bond yields. Credit spreads tightened a touch despite heavy supply during April with the Credit Index OAS narrowing 2 bps to close April at 122 basis points.

The yield on the 10-year US Treasury bond increased 12 bps to close April at 2.05%. The yield on the 30-year US Treasury bond rose 21 basis points to close at 2.75%. The US Treasury curve steepened with the two year yields almost unchanged at 0.56%. The UK 10-year benchmark gilt yield climbed 25 bps, to close at 1.85%. The yield on German 10-year benchmark bonds reached a low of 0.075% on April 20th and then rose nearly 30 basis points by month end to close at 0.36% at the end of April.

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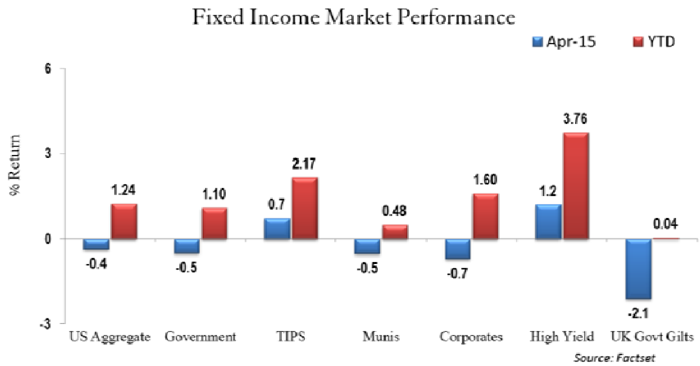
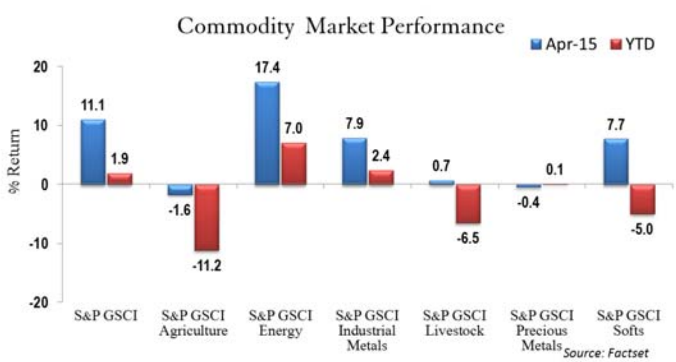


Commodities

The S&P GSCI Total Return Index, a headline index of 24 commodities, gained 11.1% in April, erasing the first quarter's losses and moving into positive territory for the year. The index is up 1.9% through the first 4 months of 2015, as a rebound in energy, industrial metals, and softs pushed the index higher. The Industrial Metals sub-index rallied 7.9% in April, as Lead (+16.4%), Zinc (+13.2%), and Nickel (+12.5%) rallied strongly on supply concerns. Geopolitical and labor tensions have impacted Nickel supply forecasts in particular, as Indonesia has halted exports of ore, Philippine mines have cut shipments, and a labor strike at the world's second largest ferronickel mine in Colombia has caused BHP Billiton to issue force majeure notices to customers with unfilled orders.

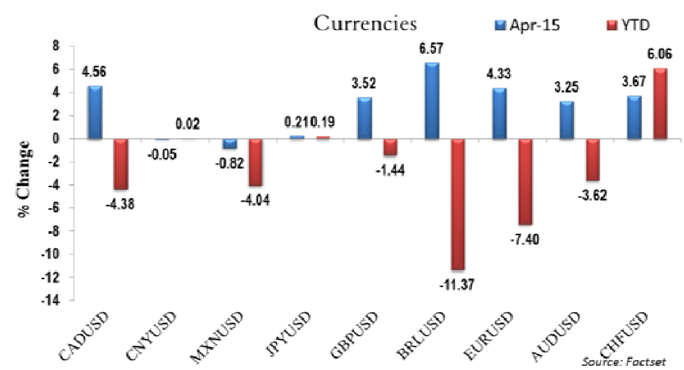


The Energy sub-index reversed March's losses, gaining 17.4% in April; the sub-index has rallied 7.0% year-to-date, but has declined 40.7% over the last 12 months. West-Texas Crude Oil opened the month at $47.60/bbl. and traded up nearly all month, closing April at $59.63. The oil markets were boosted by falling rig counts in the US as the number of active oil rigs fell to 760, the lowest since December 2010, and less than half of the peak of 1,609 reached in October 2014. In addition, the Organization of the Petroleum Exporting Countries (OPEC) forecast an increase in demand for its oil of 29.3 million barrels per day in 2015. Oil traded up in six straight sessions in the middle of April after the US Energy Information Administration (EIA) announced that crude inventories had only risen by 1.3 million barrels, much lower than analysts' forecasts of 3.5 million barrels.

US refining margins contracted slightly in April, as Refined Products rose significantly but underperformed Crude Oil nevertheless. Heating Oil (+15.6%), Gasoline (+15.5%), and Gasoil (+14.0%) all posted large gains in April. The US national average price of gasoline increased to $2.58 per gallon, the highest level in 2015 but significantly lower than the $3.69 reading one year ago.

Currencies

The US Dollar weakened against a basket of peers in April after rallying for nine consecutive months. The US Dollar Index depreciated 3.6% in April and is up +5.02% for the year.



The Euro strengthened versus US Dollar and most other peers, as consumer prices stopped falling in April, easing fears of deflation. The Euro rose 4.3% to close at 1.12055 USD/EUR. The British Pound also strengthened 3.52% against the US Dollar in April to close at 1.53675.