The Concord Advisory Group, Ltd.

July 2017 Market Highlights

"Home Run Derby"

The Concord Advisory Group, Ltd.
www.concordadvisory.com

700 Alexander Park | Suite 203 | Princeton, NJ 08540
Phone: (609) 987-9000

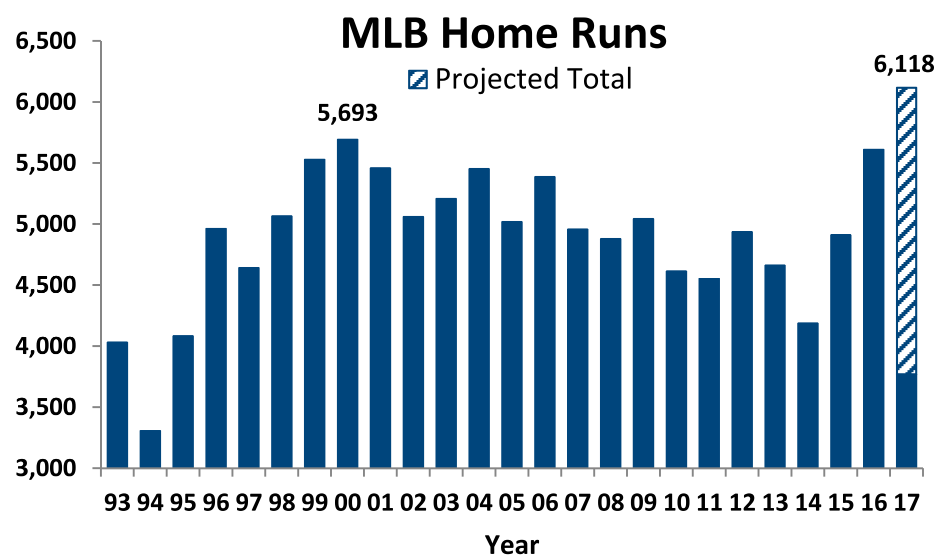
Concord Advisory Group: *July 2017 Market Highlights*
Commentary: "Home Run Derby"

Balls are flying out of major league ballparks at an amazing and historic rate in 2017. If the current pace holds, batters will hit over 6,100 home runs, smashing the previous record of 5,693, set in 2000. [Baseball started testing for steroids before the 2003 season.] From a business perspective, MLB should be happy with the home run surge, because home runs help attract new fans. With the exception of pitchers, players are likewise happy, because higher home run totals tend to increase the size of their next contract. Many baseball writers and commentators believe that a "juiced" ball is responsible for the surge. While the reasons for the surge in home runs are mere speculation, the fact that an incentivized outcome is happening should not be surprising.

Similarly, if investors want to have good portfolio outcomes, it is important that the incentives of the firms they hire be as closely aligned with theirs as possible. One sign of proper alignment is an investment manager sharing in negative outcomes. A substantial co-investment by the manager in the strategy ensures loss sharing, but is not always possible. Having the portfolio managers' career tied to the success of the strategy also is beneficial. The number of strategies a PM manages matters, because the PM that manages only one strategy has more career risk tied to his investors' outcome than a PM that manages multiple strategies.

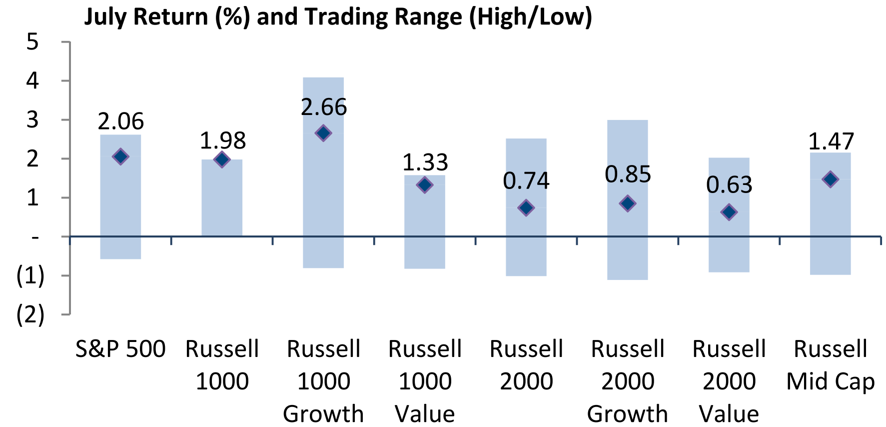
A boutique, employee-owned firm generally has better alignment with investor outcomes than a firm with a third-party ownership structure. However, under any ownership structure, it is important that the investment team is managing the portfolio to maximize investor results and not to protect the profitability of the firm.

Finally, one of the strongest signs of alignment of interest occurs when a manager limits strategy capacity. Managing more assets increases the profitability of the manager, but if assets levels are too high, the ability to generate excess performance is compromised. Limiting capacity is perhaps the strongest sign that the investment manager's interests are properly aligned with those of the investors.

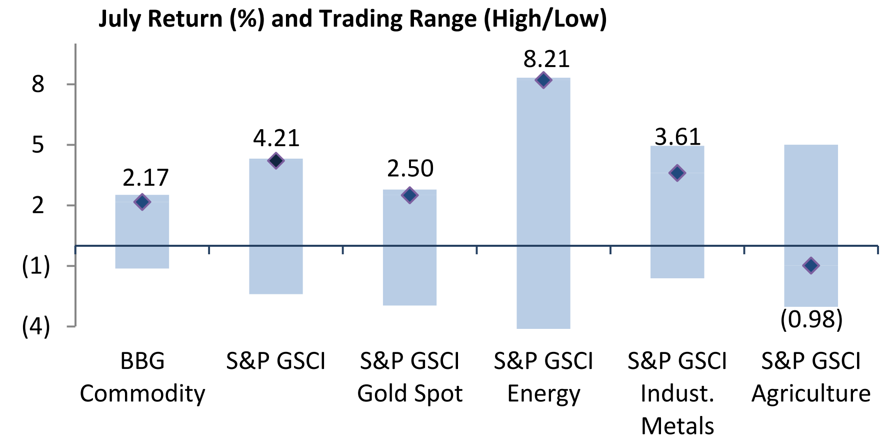


Concord Advisory Group: *July 2017 Market Highlights*
Monthly Charts

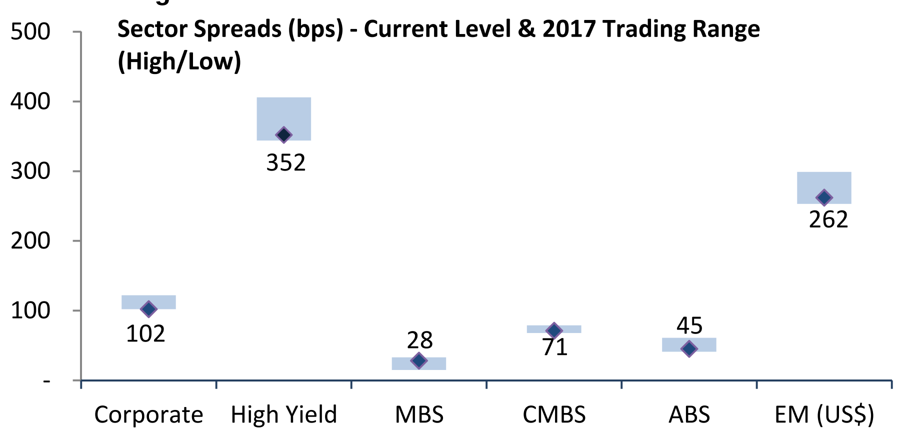
U.S. Equities: Positive earnings surprises allowed equities to extend gains into July. The recent weakening of the U.S. dollar has been benefitting the profitability of large cap companies.



Commodities: Higher oil prices, which ended the month near $53 per barrel, drove gains in broad commodities markets. Better demand from emerging markets and China aided copper in posting a 7% gain in July.



Fixed Income: Spread sectors outperformed as credit spreads tightened further. Intermediate-term bonds outperformed both short-term and long-term bonds.



International Equities: U.S. dollar weakness helped both developed and developing international equity markets outperform domestic equities.