

US Economy



After the typical seasonal slowdown, capital spending in the US has resumed the momentum exhibited in late 2017. Given the advanced age of the current capital stock and the tax benefits accruing to corporations, capital spending is expected to be a key driver of US economic growth for 2018. Strong job growth and higher wages in a tighter labor market will keep the American consumer on a steady spending path.

Monetary Policy



Fiscal policy has finally taken the baton from monetary policy as the primary government driver of US GDP growth. The expected economic boost from the 2017 tax package has raised the probability of three further hikes by the Fed this year beyond the 0.25% increase announced in March.

Bond Markets



Lower inflation expectations and trade skirmishes have caused US intermediate and longer term yields to back off from their February highs. Higher deficits caused by the recently passed tax reform and spending legislation, coupled with a lower volume of purchases from the Fed, should push the bellwether 10-year Treasury yield back to 3.00% by year-end.

Equity Markets



We are roughly halfway through the Fed tightening cycle and do not expect further valuation multiple expansion in US equity markets. Earnings growth, driven not just by lower tax rates but also by improved revenue growth rates, should generate respectable returns across the capitalization spectrum.

LBO Market

	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	
Purchase Price Multiple																					
Large Corporate	8.40x	8.70x	9.20x	10.40x	9.70x	9.74x	11.98x	10.15x	10.03x	10.24x	10.19x	9.24x	11.09x	11.35x	11.85x	9.15x	9.91x	10.60x	10.53x	13.20x	
Middle Market	8.60x	7.80x	8.70x	8.10x	8.30x	8.62x	8.90x	8.52x	8.57x	9.56x	9.65x	10.08x	9.63x	9.70x	10.23x	9.64x	9.49x	9.63x	10.82x	10.29x	
Average Leverage Multiple (EBITDA < \$15M)																					
Senior Leverage	2.82x	3.30x	3.16x	3.30x	3.23x	3.24x	3.39x	3.35x	3.35x	3.62x	3.39x	3.63x	3.46x	3.78x	3.72x	3.43x	3.86x	3.86x	3.97x	3.83x	
Total Leverage	3.25x	4.09x	3.48x	3.96x	3.85x	3.86x	4.15x	4.01x	3.76x	4.16x	4.10x	4.09x	3.95x	4.28x	4.35x	4.07x	4.31x	4.37x	4.33x	4.22x	
Average Total Equity Contribution																					
Private MM	47.2%		49.0%	49.3%	47.3%	48.0%	45.7%	48.4%	52.4%	51.0%	51.4%	52.9%	52.8%	51.9%	54.4%	51.7%	49.8%	55.3%	50.4%		
Institutional MM	43.1%		43.0%	40.9%	42.0%	47.0%	40.4%	45.0%	45.7%	50.0%	44.8%	N/A	49.1%	40.5%	39.1%	42.3%	45.6%	51.0%	55.4%		
Large Corp.	30.8%		31.0%	35.0%	31.4%	40.2%	33.9%	38.5%	39.2%	39.1%	38.5%	43.7%	44.3%	45.5%	35.6%	40.3%	40.3%	37.6%	47.2%		

LBO Market Data was provided by Thomson Reuters

Economic Forecast provided by HPM Partners

	Current	12-Mo Forecast	2018 est.
Fed Funds Rate	1.75%	2.00%	
Crude Oil WTI (\$/bbl)	\$64.94	\$55.00	
Gold (\$/ozt)	\$1,327.30	\$1,250.00	
US 10-Year Treasury Yield	2.74%	2.75%	
S&P 500 Index	2,571	2,800	
HY Fixed Income Spread**	372 bps	425 bps	
World GDP Growth Rate			3.75%
US GDP Growth Rate			2.70%

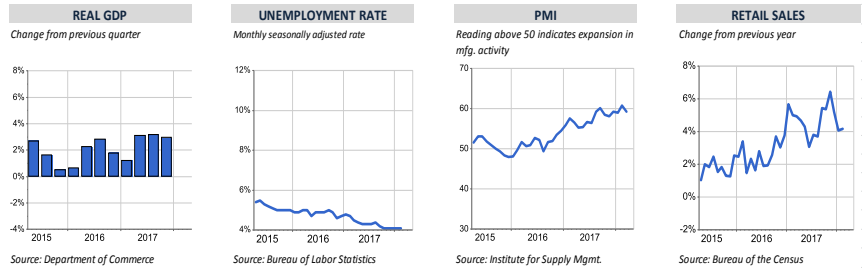
*Source: Factset
**High Yield Spread is the BofA Merrill Lynch High Yield Master II relative to the US 10-Year Treasury Bond.

Rate Environment

	Current		Historical	
	YTD %		52-Wk HI	52-Wk LO
US Treasury 2yr	2.26%	100 bps	2.34%	1.17%
US Treasury 5yr	2.56%	55 bps	2.69%	1.62%
US Treasury 10yr	2.74%	26 bps	2.94%	2.04%
US Treasury 30yr	2.97%	-11 bps	3.22%	2.66%
LIBOR - 3 Month	2.31%	131 bps	2.31%	1.15%
LIBOR - 6 Month	2.45%	113 bps	2.45%	1.39%
LIBOR - 12 Month	2.66%	98 bps	2.68%	1.70%

Treasury Statistics and Libor Curve provided by Factset

Key Economic Data



Equity Market Performance

Index	Current	% Change			52 Week HI	52 Week LO	Trailing P/E	Forward P/E	Current Yield
		Last Week	YTD	52 Week					
DOW	23,516.42	2.42%	-1.96%	25.59%	26,616.71	20,404.49	19.05	15.93	2.17%
S&P 500	2,570.54	2.05%	-0.76%	20.91%	2,872.87	2,328.95	19.60	16.41	1.96%
NASDAQ	6,855.82	1.01%	2.32%	31.21%	7,588.32	5,805.15	26.41	21.25	0.00%
R2000	1,490.62	1.35%	-0.08%	14.55%	1,610.71	1,345.24	19.77	22.90	0.00%
VIX (\$&P)	24.65	-19.70%	80.89%	42.24%	37.32	9.14	N/A	N/A	N/A

*Source: Factset

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