

## US Economy

Strong consumer spending and aggressive fiscal policy initiatives are driving healthy economic growth in the U.S. and offsetting some weakness in housing and net trade. Capital spending by businesses remains key for this long economic expansion to continue.

## Monetary Policy

The Fed is set to raise the fed funds rate by another 0.25% at its December meeting and may be nearing the end of its tightening cycle. Expect only two more increases in 2019 if inflation remains benign. The dollar is likely to stay strong through yearend and then weaken in 2019 amid growing concerns over the mounting fiscal deficits.

## Bond Markets

As the market reacts to above trend U.S. Growth, we expect the entire yield curve to shift higher. The shape of the curve and any sign of flattening will help determine whether the current level of economic growth is sustainable.

Heightened equity market volatility has caused some concurrent weakness in the high-yield bond sector, although there is no discernable pickup in current or expected default rates. Valuation remains the major impediment to an increased weighting in this asset class.

## Equity Markets

The multiple expansion phase of this U.S. equity bull market is likely over, which means investors will look to earnings as a primary driver of higher returns. While earnings growth rates are expected to slow, they should remain in a healthy range of 7% to 10% for all of 2019.

## Economic Forecast provided by HPM Partners

	12-Mo		2018 est.	2019 est.
	Current	Forecast		
Fed Funds Rate	2.25%	2.75%	World GDP Growth Rate	3.90%
Crude Oil WTI (\$/bbl)	\$65.31	\$70.00	US GDP Growth Rate	3.00%
Gold (\$/ozt)	\$1,215.00	\$1,250.00		2.90%
US 10-Year Treasury Yield	3.15%	3.25%		
S&P 500 Index	2,716	3,000		
HY Fixed Income Spread**	381 bps	400 bps		

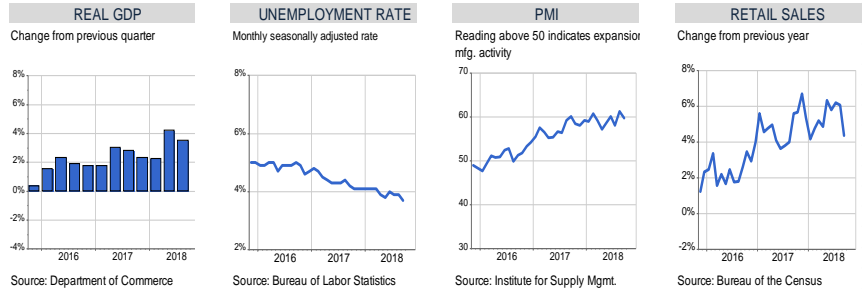
\*Source: Factset  
\*\*High Yield Spread is the BofA Merrill Lynch High Yield Master II relative to the US 10Year Treasury Bond.

## Rate Environment

Treasury Statistics/Rates	Current		Historical	
	YTD %	52- Wk HI	52-Wk LO	
US Treasury 2yr	2.88%	162 bps	2.91%	1.58%
US Treasury 5yr	2.98%	97 bps	3.07%	1.99%
US Treasury 10yr	3.15%	68 bps	3.23%	2.32%
US Treasury 30yr	3.40%	31 bps	3.40%	2.69%
LIBOR - 3 Month	2.54%	154 bps	2.54%	1.38%
LIBOR - 6 Month	2.80%	148 bps	2.80%	1.58%
LIBOR - 12 Month	3.07%	139 bps	3.07%	1.85%

Treasury Statistics and Libor Curve provided by Factset

## Key Economic Data



## Equity Market Performance

Index	Current	% Change			52 Week		Trailing P/E	Forward P/E	Current Yield
		Last Week	YTD	52 Week	HI	LO			
DOW	25,151.08	1.29%	3.41%	32.48%	26,828.39	23,271.28	16.62	14.84	2.1
S&P 500	2,715.52	-2.00%	3.01%	25.49%	2,930.75	2,564.62	17.41	15.56	2.1
NASDAQ	7,310.05	-1.92%	5.83%	35.72%	8,109.69	6,706.21	23.24	20.08	0.1
R2000	1,521.10	-1.96%	-0.60%	13.96%	1,740.75	1,463.79	19.77	22.90	0.1
VIX (S&P)	20.81	6.74%	92.30%	51.21%	37.32	9.14	N/A	N/A	N/A

\*Source: Factset

## LBO Market

1Q13 2Q13 3Q13 4Q13 1Q14 2Q14 3Q14 4Q14 1Q15 2Q15 3Q15 4Q15 1Q16 2Q16 3Q16 4Q16 1Q17 2Q17 3Q17 4Q17 1Q18 2Q18

### 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	10.69x
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	10.45x

### 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	4.03x
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	4.45x

### 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%	51.9%
Institutional MM	43.1%	43.0%	40.9%	42.0%	47.0%	40.4%	45.0%	45.7%	50.0%	44.8%	49.1%	40.5%	39.1%	42.3%	45.6%	51.0%	55.4%	48.4%	44.0%
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%	36.3%

LBO Market Data was provided by Thomson Reuters

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