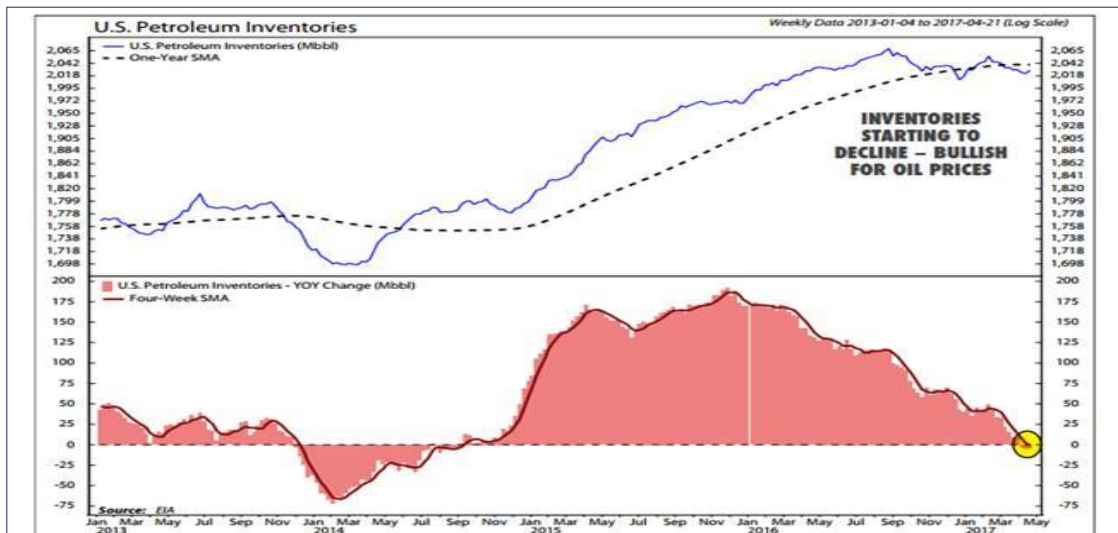


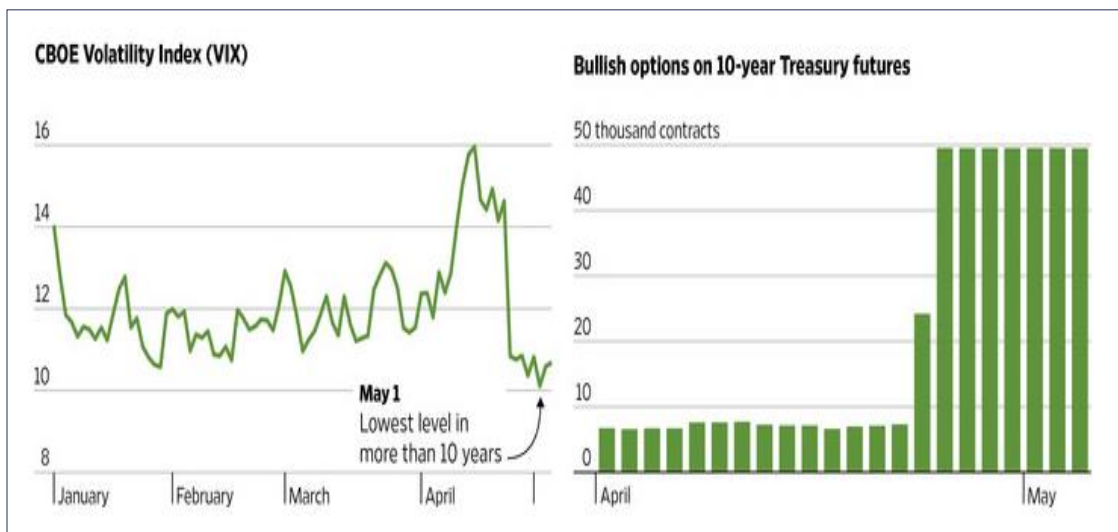
# Market Recap

## Supply & Demand – Sticking to the Fundamentals



Source: Ned Davis Research Group

## Market 'Fear Index' is Missing Underlying Investor Anxiety



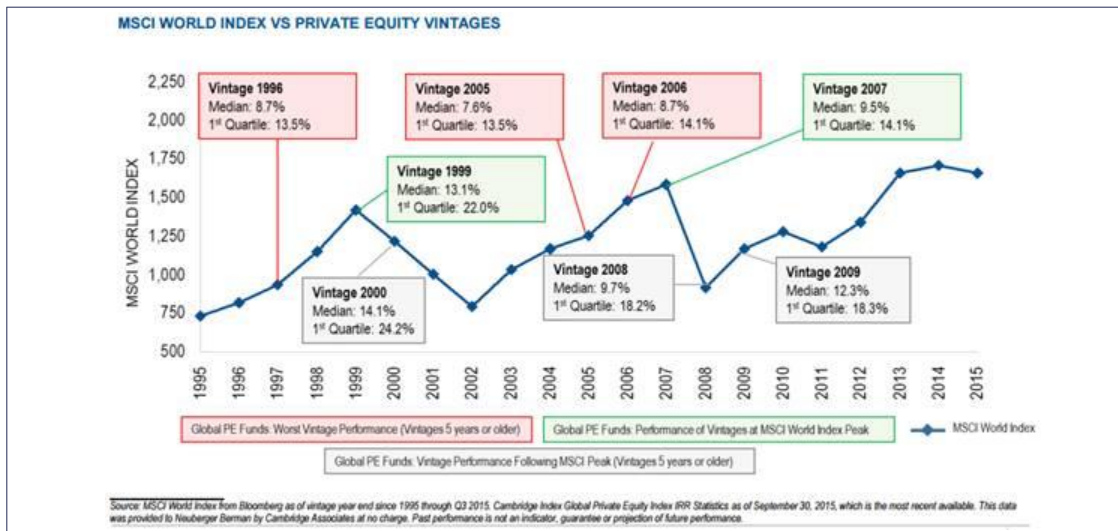
Source: Wall Street Journal

Members of OPEC are widely expected to extend production cuts (equating to ~2% of daily global output) for an additional nine months as they seek to bolster crude oil prices. Given the severe price declines experienced over the past few years, the fact that oil has stabilized in the \$50 range is welcome news. OPEC's efforts to rebalance the supply/demand dynamics have largely been thwarted, however, by the nimble efforts of U.S. shale producers who are able to quickly ramp up production in step with higher commodity prices. With large stockpiles built up around the globe, the outlook for future prices is increasingly dependent on disciplined output beyond the cartel. Recent market trends suggest that investors remain unconvinced about a near-term breakout to the upside as Energy has been the worst-performing sector in the S&P 500 this year, trailing the index by -19%.

The CBOE Volatility Index (VIX) – a measure of the implied volatility behind S&P 500 options – has historically been cited as the gauge of fear and pessimism in the stock market (a higher VIX means a higher level of fear). Recently, the VIX has approached all-time lows, indicating minimal investor fear. However, this indicator, alone, may be misleading. Investors may no longer be buying S&P 500 options to protect their portfolios, instead managing risk by buying call options on 10-Year Treasury Bonds. A spike in volume on Treasury options just as the VIX plunged to new lows, indicates that the decline in the 'fear index' is not necessarily reflective of the risks inside the system. While the outlook for the U.S. Economy has improved materially this year, concerns around geo-political uncertainties and the ability of the Trump Administration to enact its pro-growth policies have limited investor optimism.

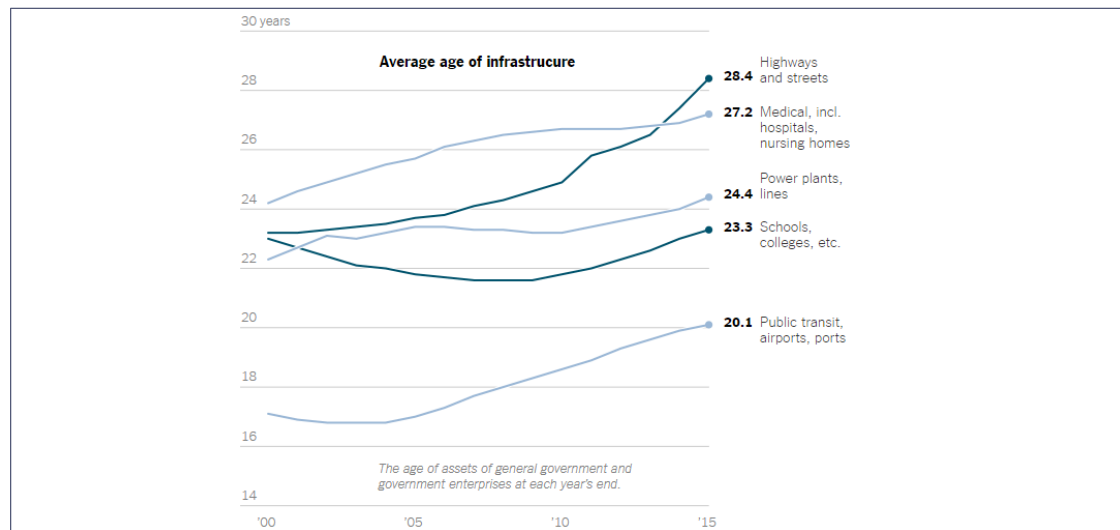
# Market Recap

## Private Equity Returns Throughout the Cycle



Source: Neuberger Berman

## Our Aging Infrastructure



Source: The New York Times

As an asset class characterized by long-term lock-up periods (typically 5-10 years), the cyclical backdrop is an underappreciated element of private equity investments. The vintage year timing plays an important role in a fund's ability to take advantage of market conditions throughout the business cycle. Key factors in play include the supply and demand of distressed assets, the availability of cheap (or more expensive) debt financing, and prevailing market conditions around the eventual exit (frequently via IPO). Based on historical figures, as an asset class, private equity returns have provided strong absolute returns relative to public equities over full market cycles. Diversification is a lesser known, but nonetheless important, benefit of this alternative vehicle. Largely due to the ability to invest in distressed assets at discount prices, private equity funds have generated some of their best returns when the public markets are at their worst.

At an average age of 24 years old, America's infrastructure has been pushed long past its intended lifespan. In March, the American Society of Civil Engineers assessed the quality of the country's infrastructure at a dismal grade of D+. Our railway systems fared the best, earning a B, while our transit infrastructure received a D-. On average, the nation's highways and streets are 28.4 years old, with one in every five miles of highway considered to be in "poor condition." Among other things, the deterioration of the country's roadways results in increased traffic congestion, which cost Americans an estimated \$160 billion in time and fuel in 2014. The ASCE estimates that America's infrastructure budget is underfunded by \$2 trillion and that failure to adequately fund these projects would cost the U.S. economy \$3.9 trillion and 2.5 million jobs over the next 8 years, and nearly \$14 trillion by 2040.

**Contact:** If you have any questions or comments, please do not hesitate to contact us at 703.992.6164. For more information about Harbour Capital Advisors, please visit our website at [www.harbourcapitaladvisors.com](http://www.harbourcapitaladvisors.com).

**Disclosure:** Harbour Capital Advisors, LLC (“HCA”) is an SEC-registered investment adviser located in McLean, Virginia. HCA and its representatives are in compliance with the current filing requirements imposed upon SEC-registered investment advisers by those states in which HCA maintains clients. HCA may only transact business in those states in which it is registered or qualifies for an exemption or exclusion from registration requirements. A direct communication by HCA with a prospective client shall be conducted by a representative that is either registered or qualifies for an exemption or exclusion from registration in the state where the prospective client resides. For information pertaining to the registration status of HCA, please contact the SEC or the state securities regulators for those states in which HCA maintains a notice filing. A copy of HCA’s current written disclosure statement discussing HCA’s business operations, services, and fees is available from HCA upon written request. HCA does not make any representations or warranties as to the accuracy, timeliness, suitability, completeness, or relevance of any information prepared by any unaffiliated third party and takes no responsibility therefor. All such information is provided solely for convenience purposes only and all users thereof should be guided accordingly. Past performance may not be indicative of future results. Therefore, there can be no assurance (and no current or prospective client should assume) that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by HCA) made reference to directly or indirectly by HCA will (i) be suitable or profitable for a client or prospective client’s investment portfolio or (ii) equal the corresponding indicated historical performance level(s). Different types of investments involve varying degrees of risk. Historical performance results for investment indices and/or categories generally do not reflect the deduction of transaction and/or custodial charges, the deduction of an investment management fee, or the impact of taxes, the incurrence of which would have the effect of decreasing historical performance results. The material contained herein is provided for informational purposes only and does not constitute an offer to buy or sell or a solicitation of an offer to buy or sell any option or any other security or other financial instruments. Certain content provided herein may contain a discussion of, and/or provide access to, HCA’s (and those of other investment and non-investment professionals) positions and/or recommendations as of a specific prior date. Due to various factors, including changing market conditions, such discussion may no longer be reflective of current position(s) and/or recommendation(s). Moreover, no client or prospective client should assume that any such discussion serves as the receipt of, or a substitute for, personalized advice from HCA, or from any other investment professional. HCA is neither an attorney nor an accountant, and no portion of the content provided herein should be interpreted as legal, accounting, or tax advice. The tax information contained herein is general in nature and is provided for informational purposes only. HCA does not provide legal, tax, or accounting advice. HCA cannot guarantee that such information is accurate, complete, or timely. Laws of a particular state or laws which may be applicable to a particular situation may have an impact on the applicability, accuracy, or completeness of such information. Federal and state laws and regulations are complex and are subject to change. Changes in such laws and regulations may have a material impact on pre- and/or after-tax investment results. Rankings and/or recognition by unaffiliated rating services and/or publications should not be construed by a client or prospective client as a guarantee that he/she will experience a certain level of results if HCA is engaged, or continues to be engaged, to provide investment advisory services, nor should it be construed as a current or past endorsement of HCA by any of its clients. Rankings published by magazines, and others, generally base their selections exclusively on information prepared and/or submitted by the recognized adviser.