Monthly Performance
June 2018

HANSEATIC MANAGEMENT SERVICES

	Jun	May	Apr	Rolling 3 Months	Year to Date	Rolling 1 Year	Rolling 3 Year	Rolling 5 Year	Rolling 7 Year	Rolling 10 Year	Inception
DOMESTIC STRATEGIES											
LARGE CAP EQUITY											**Jan-02**
Gross	-0.57%	5.57%	1.14%	6.16%	11.52%	30.68%	14.51%	16.28%	15.08%	10.01%	9.93%
Net	-0.60%	5.55%	1.12%	6.09%	11.37%	30.28%	14.13%	15.89%	14.69%	9.63%	9.53%
Russell 1000 Growth	0.96%	4.38%	0.35%	5.76%	7.25%	22.51%	14.98%	16.36%	14.88%	11.83%	7.98%
ALL CAP GROWTH EQUITY											**Sep-10**
Gross	0.45%	7.27%	1.35%	9.21%	10.36%	27.23%	12.26%	15.26%	13.88%		17.69%
Net	0.40%	7.22%	1.30%	9.05%	10.05%	26.60%	11.90%	14.86%	13.55%		17.38%
Russell 3000 Growth	0.95%	4.53%	0.33%	5.87%	7.44%	22.47%	14.63%	16.14%	14.69%		17.24%
ALL CAP GROWTH CONCENTRATED EQUITY											**Jul-16**
Gross	0.17%	4.51%	-0.05%	4.64%	12.28%	27.58%					28.48%
Net	0.08%	4.44%	-0.12%	4.40%	11.85%	26.77%					27.85%
Russell 3000 Growth	0.95%	4.53%	0.33%	5.87%	7.44%	22.47%					21.59%
MID CAP EQUITY											**Jul-14**
Gross	-1.16%	5.15%	-0.62%	3.29%	6.90%	23.85%	9.23%				8.82%
Net	-1.22%	5.09%	-0.67%	3.11%	6.53%	22.92%	8.35%				7.95%
Russell Midcap Growth	0.39%	3.74%	-0.94%	3.16%	5.40%	18.52%	10.73%				10.41%
SMID EQUITY											**Jul-15**
Gross	0.08%	9.79%	0.59%	10.53%	8.45%	24.67%	9.74%				9.74%
Net	0.07%	9.78%	0.58%	10.49%	8.40%	24.37%	9.24%				9.24%
Russell 2500 Growth	0.84%	5.32%	-0.64%	5.53%	8.04%	21.53%	10.86%				10.86%
SMALL CAP EQUITY											**Jul-15**
Gross	0.34%	10.30%	1.02%	11.80%	11.53%	27.89%	9.08%				9.08%
Net	0.34%	10.30%	1.01%	11.79%	11.51%	27.84%	9.02%				9.02%
Russell 2000 Growth	0.78%	6.30%	0.10%	7.23%	9.70%	21.86%	10.60%				10.60%

*Please refer to page 3 of this presentation for performance disclosures. Past performance is not indicative of future results. *estimate*

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INTERNATIONAL STRATEGIES											
DEVELOPED MARKETS EQUITY											**Apr-17**
Gross	-2.08%	-2.92%	2.21%	-2.84%	-2.61%	11.22%					13.50%
Net	-2.08%	-2.92%	2.21%	-2.84%	-2.61%	11.21%					13.49%
MSCI EAFE	-1.39%	-2.81%	1.89%	-2.34%	-4.49%	4.01%					7.33%
INTERNATIONAL EQUITY											**Apr-17**
Gross	-2.09%	-1.88%	-0.70%	-4.60%	-3.49%	15.10%					13.73%
Net	-2.10%	-1.89%	-0.71%	-4.63%	-3.53%	15.03%					13.66%
MSCI ACWI ex USA	-2.11%	-2.76%	1.29%	-3.59%	-5.28%	4.58%					7.61%
LATIN AMERICA EQUITY											**Jan-14**
Gross	-3.36%	-12.20%	-2.22%	-17.03%	-13.03%	4.26%	10.77%				5.89%
Net	-3.43%	-12.25%	-2.28%	-17.19%	-13.36%	3.52%	10.07%				5.29%
Russell Latin America	-3.22%	-13.73%	-1.28%	-17.57%	-11.64%	-1.17%	2.40%				-3.12%
MODERATELY CONSERVATIVE STRATEGY											
GROWTH & INCOME EQUITY											**Sep-10**
Gross	-0.55%	3.53%	-0.81%	2.13%	1.42%	15.11%	9.67%	10.49%	11.62%		11.91%
Net	-0.62%	3.46%	-0.88%	1.91%	1.00%	14.22%	8.94%	9.81%	11.11%		11.45%
S&P 500 Total Return	0.62%	2.41%	0.38%	3.43%	2.65%	14.37%	11.93%	13.42%	13.23%		15.31%
TAX EFFICIENT STRATEGY											
ALL CAP TAX EFFICIENT EQUITY											**Nov-17**
Gross	-1.83%	4.48%	-0.75%	1.80%	7.47%						9.16%
Net	-1.92%	4.39%	-0.83%	1.54%	6.92%						8.41%
SPDR S&P 500 ETF Trust	0.13%	2.43%	0.52%	3.09%	1.66%						5.49%

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The Large Cap Equity composite includes all fully discretionary accounts invested in the Large Cap strategy. The strategy seeks long-term growth of capital. The strategy typically invests in large capitalization stocks that have optimal risk/return profiles according to their Q Score. The proprietary Hanseatic Q Score is a dynamic quantitative analytic for identifying strong market performers. On April 25, 2017 the composite name was changed to Large Cap Equity. Prior to April 25, 2017 the composite was known as the Large Cap Institutional Equity. The benchmarks for the composite are the Russell 1000® Growth Index and the S&P 500® Total Return Index.

The All Cap Growth Equity composite includes all fully discretionary accounts invested in the All Cap Growth strategy. The strategy seeks long-term growth of capital. The strategy typically invests in small, mid and large capitalization stocks that have optimal risk/return profiles according to their Q Score. The proprietary Hanseatic Q Score is a dynamic quantitative analytic for identifying strong market performers. The strategy may comprise companies of any size, from large, well-established firms to small, emerging growth franchises. The benchmark for the composite is the Russell 3000® Growth Index. On October 1, 2014 the benchmark was changed to the Russell 3000 Growth benchmark for a more suitable comparison.

The All Cap Growth Concentrated Equity composite includes all fully discretionary accounts invested in the All Cap Growth Concentrated strategy. The strategy seeks long-term growth of capital. The strategy typically invests in small, mid and large capitalization stocks that have optimal risk/return profiles according to their Q Score. The proprietary Hanseatic Q Score is a dynamic quantitative analytic for identifying strong market performers. The strategy is concentrated, non-diversified, and may comprise companies of any size, from large, well-established firms to small, emerging growth franchises. The benchmarks for the composite are the SPDR® S&P 500 ETF (SPY) and Russell 3000 Growth Index. On April 1, 2018, the SPDR® S&P 500 ETF (SPY) benchmark was added, retroactively to inception of the composite, for a more suitable comparison.

The Mid Cap Equity composite includes all fully discretionary accounts invested in the Mid Cap strategy. The strategy seeks long-term growth of capital. The strategy typically invests in medium capitalization stocks, between $2 and $10 billion, which have optimal risk/return profiles according to their Q Score. The proprietary Hanseatic Q Score is a dynamic quantitative analytic for identifying strong market performers. The benchmark for the composite is the Russell Midcap® Growth Index. On April 1, 2015 the benchmark was changed to the Russell Midcap® Growth Index to provide a more suitable comparison. The S&P 400® Total Return was shown in presentations prior to April 1, 2015.

The SMID Cap Equity composite includes all fully discretionary accounts invested in the SMID Cap strategy. The strategy seeks long-term growth of capital. The strategy typically invests in small and medium capitalization stocks which have optimal risk/return profiles according to their Q Score. The proprietary Hanseatic Q Score is a dynamic quantitative analytic for identifying strong market performers. The benchmark for the composite is the Russell 2500™ Growth Index.

The Small Cap Equity composite includes all fully discretionary accounts invested in the Small Cap strategy. The strategy seeks long-term growth of capital. The strategy typically invests in small capitalization stocks which have optimal risk/return profiles according to their Q Score. The proprietary Hanseatic Q Score is a dynamic quantitative analytic for identifying strong market performers. The benchmark for the composite is the Russell 2000® Growth Index. The benchmark for the composite is the Russell 2000® Growth Index.

The Developed Markets Equity composite includes all fully discretionary accounts invested in the Developed Markets strategy. The strategy seeks long-term growth of capital. The strategy typically invests in large, mid and small capitalization stocks that have optimal risk/return profiles according to their Q Score. The proprietary Hanseatic Q Score is a dynamic quantitative analytic for identifying strong market performers. The strategy may comprise companies of any size, from large, well-established firms to small, emerging growth franchises. The investable universe includes stocks selected from a broad range of companies in Europe, Australia, Asia, and the Far East from the MSCI EAFE, an index primarily composed of large- and mid-capitalization developed market equities, excluding the U.S. and Canada. The benchmark for the composite is the MSCI EAFE Index.

The International Equity composite includes all fully discretionary accounts invested in the International strategy. The strategy seeks long-term growth of capital. The strategy typically invests in large, mid and small capitalization stocks that have optimal risk/return profiles according to their Q Score. The proprietary Hanseatic Q Score is a dynamic quantitative analytic for identifying strong market performers. The strategy may comprise companies of any size, from large, well-established firms to small, emerging growth franchises. The investable universe includes stocks selected from a broad range of international developed and emerging market companies from the MSCI ACWI ex U.S., an index primarily composed of large- and mid-capitalization non-U.S. equities. The benchmark for the composite is the MSCI ACWI ex U.S. Index.

The Latin America Equity composite includes all fully discretionary accounts invested in the Latin America strategy. The strategy seeks long-term growth of capital. The strategy typically invests in small, mid and large capitalization stocks that have optimal risk/return profiles according to their Q Score. The proprietary Hanseatic Q Score is a dynamic quantitative analytic for identifying strong market performers. The strategy may comprise companies of any size, from large, well-established firms to small, emerging growth franchises. The benchmark for the composite is the Russell Latin America Index.

The Growth & Income Equity composite includes all fully discretionary accounts invested in the Growth & Income strategy. The strategy seeks income and capital appreciation via a portfolio of companies that have the ability and willingness to pay dividends. The strategy typically invests in small, mid and large capitalization stocks that have optimal risk/return profiles according to their Q Score. The proprietary Hanseatic Q Score is a dynamic quantitative analytic for identifying strong market performers. The strategy may comprise companies of any size, from large, well-established firms to small, emerging growth franchises. The benchmark for the composite is the S&P 500® Total Return Index.

The All Cap Tax Efficient Equity composite includes all fully discretionary accounts invested in the All Cap Tax Efficient strategy. The strategy seeks long-term growth of capital by using equities in a tax efficient manner: long-term holding period (greater than 18 months) and lower turnover target (approximately 40% or lower). The strategy typically invests in mid and large capitalization stocks that have optimal risk/return profiles according to their Q Score. The proprietary Hanseatic Q Score is a dynamic quantitative analytic for identifying strong market performers. The strategy may comprise companies of any size, from large, well-established firms to smaller, emerging growth franchises. The benchmark for the composite is the SPDR® S&P 500 ETF (SPY).

Performance results are based on estimates. For gross and net performance results, see performance table. Commentary section is based on gross performance results only for better comparison to benchmark data. Although the information contained in the commentary sections have been obtained from sources we believe to be reliable, the accuracy and completeness of such information and the opinions expressed herein cannot be guaranteed. Past performance is not necessarily indicative of future results. Different types of investments involve varying degrees of risk.

MARKET COMMENTARY

SECOND QUARTER 2018

U.S. equities advanced in the second quarter despite rising trade tensions among the United States, China, Canada, Mexico and the European Union. Economic data was supportive as the unemployment rate reached an 18-year low of 3.8% accompanied by robust wage growth. Robust first-quarter earnings reports also helped push stock markets higher.

The tech-oriented Nasdaq gained over 6%, only to be bested by the Russell 2000 small cap index which rose by almost 7.5%. The S&P 500 advanced 2.9% while the Dow Industrials lagged with a 0.7% gain.

For the first half of 2018, returns among the major equity indices and underlying sectors were mixed. Despite the net positive performance by the broad averages in 2018, seven of the eleven industry sectors are negative for the year. The Consumer Discretionary and Technology sectors were the strongest with gains just over 10% while the Consumer Staples and Telecom sectors posted negative returns of around 10%.

At the year's mid-point, the US has handily outperformed the rest of the world's equity markets. Europe and Japan are down 2.4% over the first half and emerging markets are down 7.4%. This is despite the Fed engaging in a modest tightening of monetary policy while the central banks in Europe and Japan are still easing. The outperformance of the US shares relative to the rest of the world is also notable because the consensus view has been that non-US markets had better valuations and more attractive forward return profiles than US stocks. Now, hopes of a prolonged synchronized period of global growth seem to have lessened because of weaker than expected data out of Europe and China.

The six month sideways consolidation in most markets and the divergent sector performance has coincided with increased economic and market risks. The economic expansion remains solid, but there are certainly risks that could negatively impact continued growth. By far the largest and most prominent risk to the economy is the escalation in trade war rhetoric, which reduces global demand, raises prices and eventually leads to lower investment. A second potential risk, and to some extent, a corollary to strong economic growth is tighter labor markets and inflation. Job openings are now the best in the history of the available data (Dec. 2000) and reflects the fact that there simply isn't enough available skilled labor within the US economy. Labor markets are like any other product market, and the cost of labor will generally increase when the demand for labor outstrips supply. Tight labor markets have implications for Fed policy as well as profit margins.

While volatility has moderated in the second quarter after a tumultuous first quarter saw an end to the abnormal calm of 2017, it is unlikely that the markets will have the luxury of low volatility in the months ahead. One reason to expect bouts of volatility is the generally tighter monetary policy and rising interest rates. Ten Year Treasury yields have been rising and have now breached a multi-decade downtrend. Also 2-10 and 10-30 yield curves have been flattening and could invert in the months ahead. Past instances of yield curve inversions have been reliable recession signals. Another potential source of volatility and risk is that mid-term election uncertainty has historically been the catalyst for larger than average market drawdowns. Given the nature of current political discourse, seatbelts may be in order.

Looking ahead, with the market risks described above duly noted, we retain our positive market outlook for the months ahead. Despite rhetoric that is uncomfortable for investors, we believe that both the United States and China each care about their respective self-interests. Shutting off trade channels between the two countries would inflict economic harm to both and is in neither's best interest. In addition, the amount of stimulus going into the US economy from tax cuts and deficit spending dwarfs the value of the tariffs announced to date. Also, the risk of recession remains quite low.

More important for us than the external news environment, our market models generally remain in positive low volatility trends which have historically tended to persist. Also, we have yet to observe warning signs from our internal risk models.

HANSEATIC QUARTERLY COMPOSITE PERFORMANCE AND ATTRIBUTION

LARGE CAP EQUITY (LG)

The Large Cap Equity composite return was 6.16%, the Russell 1000 Growth benchmark return was 5.76%. The composite's second quarter outperformance was derived from relative outperformance in four of eleven sectors. Healthcare, Energy, Industrials, and Staples were the most notable sectors contributing 1.78%, 0.43%, 0.32%, and 0.12% respectively to the relative performance. Tech, Consumer Discretionary, Materials, and Real Estate detracted 1.29%, 0.54%, 0.24%, and 0.11% respectively from performance. Financials and Telecom detracted a combined 0.09% from relative performance. The portfolio is overweight Energy and underweight Tech.

ALL CAP GROWTH EQUITY (AG)

The All Cap Growth Equity composite return was 9.21%, the Russell 3000 Growth benchmark return was 5.87%. The composite's second quarter outperformance was derived from relative outperformance in seven of eleven sectors. Energy and Consumer Discretionary contributed 1.28% and 1.24% to relative performance. Financials, Healthcare, Staples, Industrials, and Tech contributed a combined 1.10%. Materials, Real Estate, Telecom, and Utilities detracted 0.16%, 0.09%, 0.02%, and 0.01% respectively from relative performance. The portfolio is overweight Energy and underweight Tech.

ALL CAP GROWTH CONCENTRATED EQUITY (CD)

The All Cap Growth Concentrated Equity composite return was 4.64%, the SPDR S&P 500 ETF Trust (SPY) benchmark return was 3.09%. The composite's second quarter outperformance was derived from strong performance by 2 stocks: Weight Watchers International, Inc. (WTW, Consumer Discretionary) and WellCare Health Plans, Inc. (WCG, Healthcare) contributing a combined 4.09% to the relative outperformance. Notable detractors were Northrop Grumman Corporation (NOC, Industrials) and Morgan Stanley (MS, Financials) detracting a combined 1.20% from the relative gain. The balance of portfolio holdings contributed in a range from up 0.74% to down 0.26%, with 11 winning stocks and 13 losing stocks during the quarter. The portfolio is overweight Industrials and Materials and underweight Staples.

ALL CAP TAX EFFICIENT EQUITY (TE)

The All Cap Tax Efficient Equity composite return was 1.80%, the SPDR S&P 500 ETF Trust (SPY) benchmark return was 3.09%. The composite's second quarter underperformance was derived from poor performance in 3 stocks: National Instruments Corporation (NATI, Tech), Applied Materials, Inc. (AMAT, Tech), Alnylam Pharmaceuticals, Inc. (ALNY, Biotech) detracting a combined 1.72% from the relative gain. Notable contributors during the quarter were Diamond Offshore Drilling, Inc. (DO, energy), PBF Energy Inc. (PBF, energy), and SVB Financial Group (SIVB, Financials) contributing a combined 2.06% to relative performance. The balance of portfolio holdings contributed in a range from up 0.47% to down 0.38%, with 19 winning stocks and 14 losing stocks during the quarter. There was a corporate action during the quarter which resulted in a modest loss, 0.05%. Wyndham Worldwide Corporation (WYN, Consumer Discretionary) spun off into two entities: Wyndham Destinations, Inc. (WYND, Consumer Discretionary) and Wyndham Hotels and Resorts, Inc. Both resulting holdings were sold because of the lack of historical data. The portfolio is overweight Tech, Industrials, and Energy and underweight Healthcare and Utilities.

MID CAP EQUITY (MC)

The Mid Cap Equity composite return was 3.29%, the Russell Midcap Growth benchmark return was 3.16%. The composite's second quarter outperformance was derived from relative outperformance in four of eleven sectors. Energy, Healthcare, Industrials, and Staples contributed 0.72%, 0.63%, 0.49%, and 0.19% respectively to relative performance. Relative underperformance in Consumer Discretionary, Tech, Materials, Financials, Real Estate, and Telecom ranged from -0.68% (Consumer Discretionary) to -0.05% (Telecom). The portfolio is overweight Energy and is underweight Tech.

SMID EQUITY (SM)

The SMID Cap Equity composite return was 10.53%, the Russell 2500 Growth benchmark return was 5.53%. The composite's second quarter outperformance was derived from relative outperformance in eight of eleven sectors. Notable were Energy, Staples, and Real Estate respectively contributing 2.79%, 0.99%, and 0.76% to the relative gain. Tech, Telecom, Utilities, Consumer Discretionary, and Financials contributed a combined 2.18% to relative performance. Healthcare, Industrials, and Materials detracted 0.84%, 0.67%, and 0.20% sequentially from relative performance. The portfolio is overweight Energy and is underweight Industrials.

SMALL CAP EQUITY (SC)

The Small Cap Equity composite return was 11.80%, the Russell 2000 Growth benchmark return was 7.23%. The Small Cap Equity composite's second quarter outperformance was derived from relative outperformance in eight of eleven sectors. Energy, Healthcare, Tech, Telecom, Consumer Discretionary, and Utilities were all notable contributing 1.52%, 1.12%, 0.78%, 0.72%, 0.60%, and 0.53% respectively to relative performance. Materials and Staples contributed a combined 0.16% to relative performance. Industrials, Real Estate, and Financials detracted 0.71%, 0.14%, and 0.01% sequentially from relative performance. The portfolio is overweight Tech and underweight Industrials and Healthcare.

DEVELOPED MARKETS (DM)

The Develop Markets Equity composite return was -2.84%, the MSCI EAFE Index return was -2.34%. The composite's second quarter underperformance was derived from negative performance in seven of eleven sectors. Consumer Staple and Energy contributed 0.69% and 0.65% respectively to performance. Financials, Industrials, Materials, and Consumer Discretionary detracted 1.26%, 1.21%, 0.59%, and 0.57% sequentially from performance. Tech, Healthcare, and Telecom detracted a combined 0.55% from performance. Utilities and Real Estate had no exposure. At the sector level, the portfolio is overweight Energy and underweight Financials. The portfolio is overweight China 3.40% and Netherlands 3.30%; and underweight Germany 7.56%, Switzerland 6.13%, Japan 4.25%, and Hong Kong 3.64%.

INTERNATIONAL (IN)

The International Equity composite return was -4.60%, the MSCI ACWI ex USA Index return was -3.59%. The composite's second quarter underperformance was derived from negative performance in eight of eleven sectors. Energy contributed 0.94% to performance.

Financials, Materials, and Consumer Discretionary detracted 2.74%, 0.86%, and 0.71% sequentially from performance. Tech, Staples, Telecom, Industrials, and Healthcare detracted a combined 1.22%. Utilities and Real Estate had no exposure. At the sector level, the portfolio is overweight Energy and Materials and underweight Financials, Staples, and Industrials. At the market level, the portfolio is underweight EM 3.26% and underweight DM 14.17%. At the country level, the portfolio is overweight China 5.60% and Canada 3.30%; and underweight Japan 5.85%, Switzerland 3.73%, and Korea 3.67%.

LATIN AMERICA EQUITY (LA)

The Latin America Equity composite return was -17.03%, the Russell Latin America Index return was -17.57%. The composite's second quarter modest outperformance was derived from increasing cash. Almost all sectors performed negatively during the quarter. Most notable were Industrials, Financials, Energy, and Materials detracting 4.17%, 3.40%, 3.11%, and 1.96% respectively from performance. Utilities, Telecom, Staples, Consumer Discretionary, and Tech detracted a combined 4.43%. Real Estate contributed a very modest 0.04% to performance. Brazil and Latin American stocks are the weakest country and international benchmark respectively in terms of second quarter 2018 performance. In early May, Brazilian stocks, and by extension Latin American stocks, began a waterfall decline, sinking 22% over a six week period. The primary catalyst for the slump in stocks was a truck driver strike which paralyzed the economy and raised political uncertainty. Trade tensions and a strong US Dollar also hurt performance.

Latin American stocks are currently very oversold by our measures, and should benefit from a reversion retracement move even in the least favorable scenario. Also, emerging markets in general are perceived to be very attractive from a valuation standpoint (J.P. Morgan Global Equity Views 2Q 2018). The portfolio is overweight cash and is underweight Financials and Staples.

GROWTH & INCOME EQUITY (GI)

The Growth & Income Equity composite return was 2.13%, the S&P 500 Total Return Index return was 3.43%. The composite's second quarter underperformance was derived from relative underperformance in five of eleven sectors. Notable were Energy, Financials, and Staples contributing 1.18%, 0.28%, and 0.25% respectively to relative performance. Consumer Discretionary, Telecom, and Materials contributed a combined 0.27% to relative performance. Tech and Healthcare detracted 2.20% and 0.82% respectively from relative performance. Industrials, Real Estate, and Utilities detracted a combined 0.27% from relative performance. The portfolio is overweight Energy and Consumer Discretionary and is underweight Healthcare and Tech.