

## Quarterly Asset Class Outlook Q2 2017

Asset Class	Sector	Current Outlook	Change	Comments
<b>Equities</b>	<b>U.S. Large Cap</b>	↑		Pro-business policies may spur strong earnings growth.
	<b>U.S. Mid Cap</b>	↑		Should benefit from a higher weighting to the Industrials sector if substantial increases in military spending are enacted.
	<b>U.S. Small Cap</b>	↑		Stand to benefit from lower corporate taxes, increase in consumer spending and protectionist policies.
	<b>U.S. Growth</b>	↑	△	Favor technology sector due to companies that are major innovators and industry disruptors.
	<b>U.S. Value</b>	↔	▽	Cautious on energy sector as high inventories and concerns for more supply coming online continue to plague the sector.
	<b>International</b>	↑	△	Yen depreciation and the dovish stance from the BOJ should continue to support corporate profits in 2017. Economy in Europe is showing a decent acceleration.
	<b>Emerging Markets</b>	↑	△	Earnings growth potential is looking better. The risks and opportunities seem balanced.
<b>Fixed Income</b>	<b>Treasuries</b>	↔		Potential for interest rate volatility warrants caution.
	<b>Mortgage Backed Securities</b>	↑		Solid risk adjusted returns against the backdrop of an improving housing market support the sector. Favor non-agency mortgages.
	<b>Investment Grade Corporate Bonds</b>	↔		Fundamentals in IG are supportive, however spreads have tightened.
	<b>High Yield Bonds</b>	↔		Debt levels remain elevated as spreads have tightened, but low default rates persist.
<b>Alternatives</b>	<b>Real Estate</b>	↔		House stability favors homebuilders but interest rate sensitivity can cause volatility in REITS.
	<b>Commodities</b>	↔	▽	Commodity prices rose at the end of 2016, but the overall outlook has not improved as much and we remain cautious.
	<b>US Dollar</b>	↔		Pro-growth fiscal stimulus should benefit the dollar, but potential trade restrictions could trigger international retaliation.

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