THE PACIFIC FINANCIAL GROUP INC.

Quarterly Asset Class Outlook Q2 2017

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