

Quarterly Asset Class Outlook Q3 2017

| Asset Class | Sector | Current Outlook | Change | Comments |
|---------------------|---|--|--------|---|
| Equities | U.S. Large Cap |  | | Solid corporate earnings and expectations for improving global economic 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 |  | | Health Care and Technology continue to show momentum due to earnings strength. |
| | U.S. Value |  | | Financials should benefit from increases in dividends and buybacks, while Energy continues to struggle due to supply issues. |
| | International |  | | Economic leading indicators have strengthened in Europe, and unemployment is showing signs of improvement. In Japan, exports expanded and industrial production remains strong. |
| | Emerging Markets |  | | Positioned to gain from improving trade volumes, better corporate earnings and a benign dollar. |
| Fixed Income | Treasuries |  | | The Fed had raised rates twice this year and is on target to begin the reduction of their balance sheet in the second half which may lead to rate volatility. |
| | 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 |  | | Economic growth is supportive of credit but debt levels and credit quality show a caution sign. |
| | High Yield Bonds |  | | Debt levels remain elevated as spreads have tightened, but low default rates persist. |
| Alternatives | Real Estate |  | | Housing 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. |

Disclosure: This material is for information purposes only and is not intended to be a solicitation, offering, or recommendation of any security or investment product. Market data contained in this article has been obtained from sources believed to be reliable, but is not guaranteed. Commentary in this article contains the current opinion of the author(s) as of the date above, which are subject to change without notice. No part of this article may be reproduced in any form, or referred to in any other publication, without the express written consent of The Pacific Financial Group, Inc. Investing in any security involves risk of loss. Before investing in any TPGF portfolio please consult a competent financial professional.