

Quarterly Asset Class Outlook Q1 2018

Asset Class	Sector	Current Outlook	Change	Comments
Equities	U.S. Large Cap	↑		Strong profit margins, boosted by tax reform continue to benefit domestic large cap companies.
	U.S. Mid Cap	↑		Broad based revenue gains are a sign of strength for mid-sized companies with opportunities both domestically & internationally.
	U.S. Small Cap	↑		A rebound in commodity prices is a boost for energy and materials sectors, while housing strength supports financials.
	U.S. Growth	↑		Technology companies, driven by trends in robotics and artificial intelligence, continue to post double digit earnings growth.
	U.S. Value	↑	▲	Commodity prices have recovered due to increased demand, a strong signal for the Energy and Materials sectors.
	International	↑		Corporate earnings in Japan are at their highest level in over a decade, while the earnings recovery in Europe continues. Valuation is supportive of further upside.
	Emerging Markets	↑		Positioned to gain from improving trade volumes, better corporate earnings and a benign dollar.
Fixed Income	Treasuries	↓	▼	Treasury yields have moved higher as the Fed normalizes interest rates, challenging returns. An inflation surprise is also a risk.
	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	↔		Balance sheets are solid but spreads are at their tightest levels in this cycle.
	High Yield Bonds	↔		Defaults remain low but weakening underwriting standards calls for caution.
Alternatives	Real Estate	↔		Housing stability favors homebuilders but interest rate sensitivity can cause volatility in REITS.
	Commodities	↑	▲	Broad synchronized global growth is leading to increased demand while existing inventory is in decline.
	US Dollar	↔		Pro-growth fiscal stimulus should benefit the dollar, but potential trade restrictions could trigger international retaliation.

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