



# Asset Class Outlook – Q3 2018

Asset Class	Sector	Current Outlook	Change	Comments
<b>Equities</b>	<b>U.S. Large Cap</b>	↑		Strong momentum for U.S. large caps due to tax cuts, strong margins and broad global growth.
	<b>U.S. Mid Cap</b>	↑		A rebound in oil prices boosted the mid-cap energy sector, propelling YTD outperformance for the asset class.
	<b>U.S. Small Cap</b>	↑		Strong benefits from tax reform, as small cap companies typically pay higher taxes. Minimal impact from protectionist policies.
	<b>U.S. Growth</b>	↑		Double digit earnings growth in Consumer Discretionary and Technology support growth investing.
	<b>U.S. Value</b>	↔	▼	Neutral on the style relative to growth, though mid to late cycle opportunities can be found in Energy and Materials.
	<b>International</b>	↑		Economic measures indicate strong expansion across developed countries, however momentum favors domestic markets.
	<b>Emerging Markets</b>	↑		Recent currency moves have pulled down the sector but growth estimates and fundamentals remain favorable.
<b>Fixed Income</b>	<b>Treasuries</b>	↔		We look for the Treasury curve to continue to flatten as the Fed is likely to raise rates at least 1 more time this year.
	<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>	↔		Recent pullback may provide for pockets of opportunity but overall the sector is fully valued.
	<b>High Yield Bonds</b>	↔		Limited supply has provided support recently, however further upside is potentially muted due to valuations.
<b>Alternatives</b>	<b>Real Estate</b>	↔		Home values continue to appreciate as employment remains strong but supply constraints limit homebuilders.
	<b>Commodities</b>	↑		Material and energy commodities show pricing strength while agricultural commodities likely impacted by tariffs.
	<b>US Dollar</b>	↔		Economic growth, trade negotiations and global interest rate dynamics likely to keep the currency in a trading range.

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