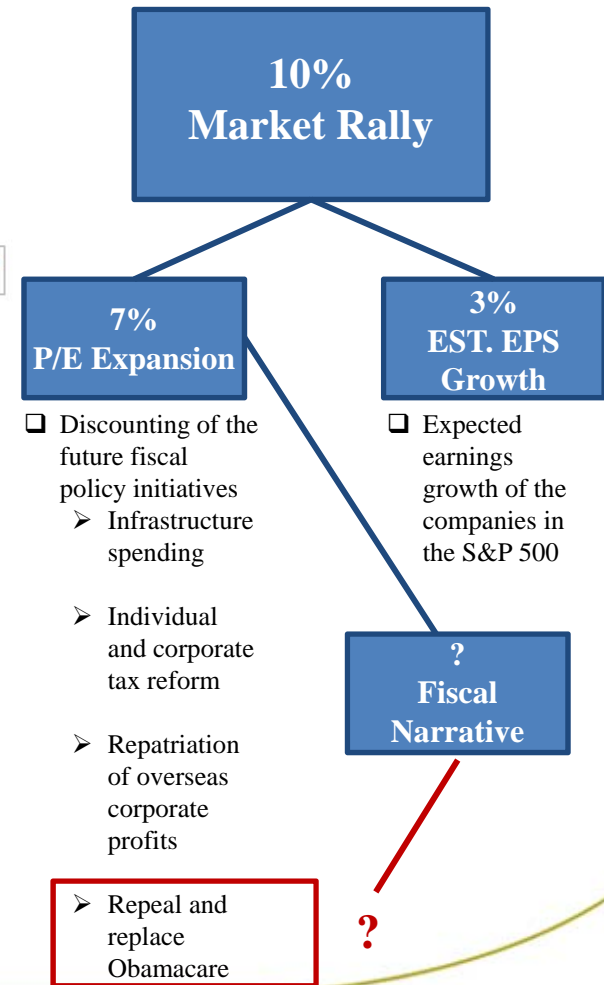
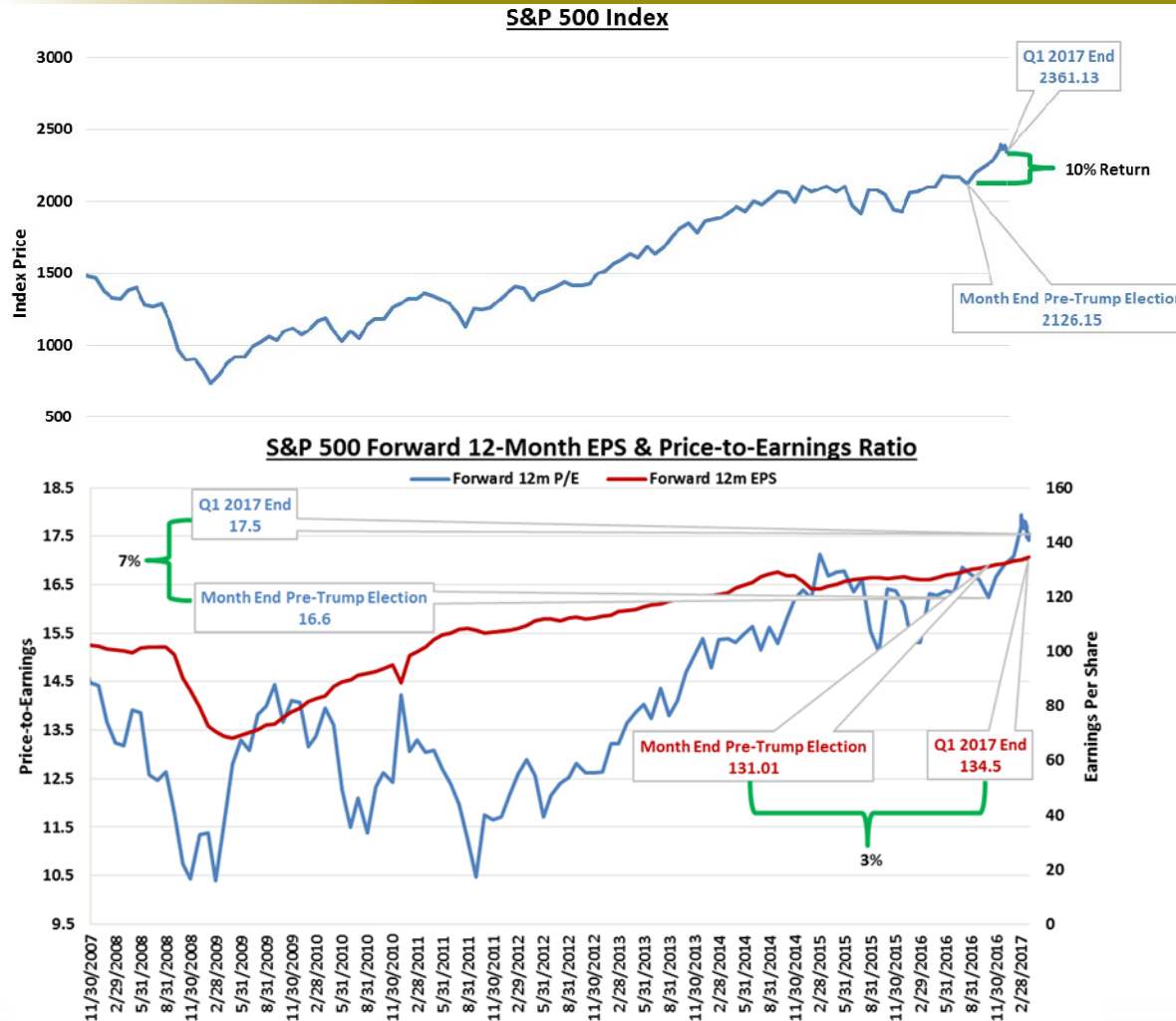


Q2 2017 LOOK AHEAD

Disclaimer

Certain information in this presentation constitutes forward-looking statements. Due to various risks, uncertainties, and assumptions made in our analysis, actual events or results or actual performance of the markets covered by this presentation may differ materially from those described. The information herein reflects our current views only, is subject to change, and is not intended to be promissory or relied upon by the reader. There can be no certainty that events will turn out as presented. Data are from sources deemed to be reliable. No representation or warranties either expressed or implied are made as to the accuracy of the information presented.

Fiscal Stimulus Narrative – Repealed & Replaced?



Data Source: Bloomberg LP; Phillips & Co estimates;
Data is from sources deemed to be reliable. No representation or warranties either expressed or implied are made as to the accuracy of the information presented.

U.S. Consumer to the Rescue

**Average
Hourly
Earnings**



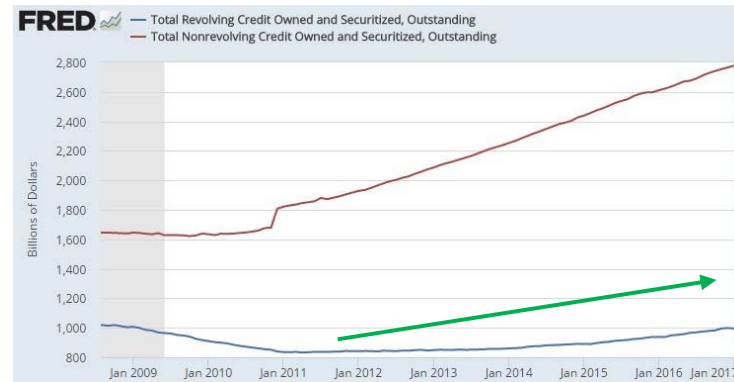
**Personal
Savings Rate**



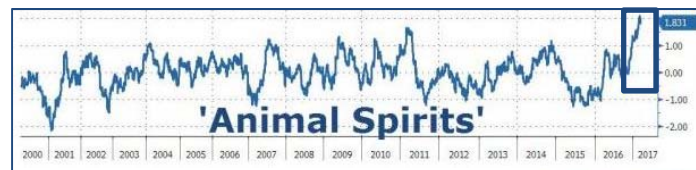
**Median
Household
Income**



Credit



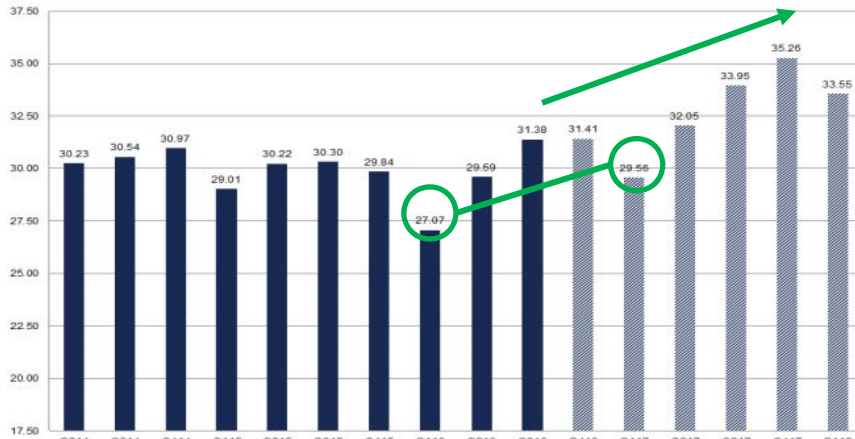
- ❑ Consumers remain in the driver's seat as sentiment hits new highs
- ❑ The well has not dried up yet – higher wages, increased credit, and personal savings rates remain in steady uptrends



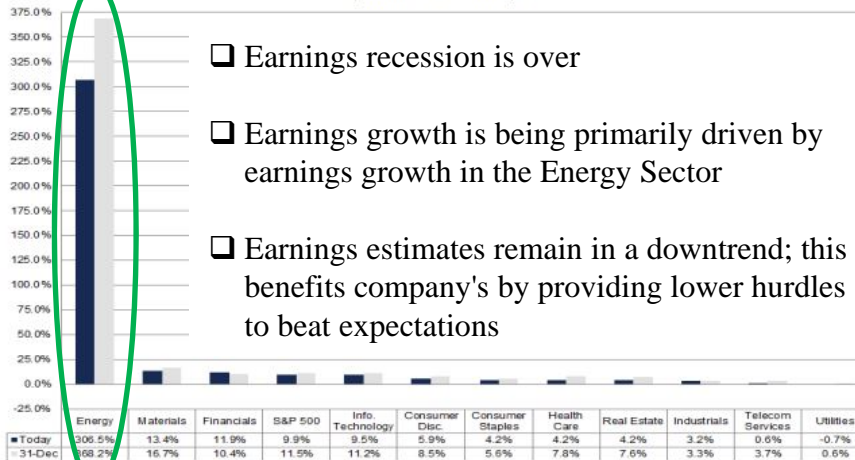
Data Source: Economic Research Federal Reserve Bank of St. Louis; Zero Hedge,
<http://www.zerohedge.com/news/2017-03-01/peak-animal-spirits>;
 Data is from sources deemed to be reliable. No representation or warranties either expressed or implied are made as to the accuracy of the information presented.

Corporate America Benefits

S&P 500 Quarterly Bottom-Up EPS Actuals & Estimates
(Source: FactSet)



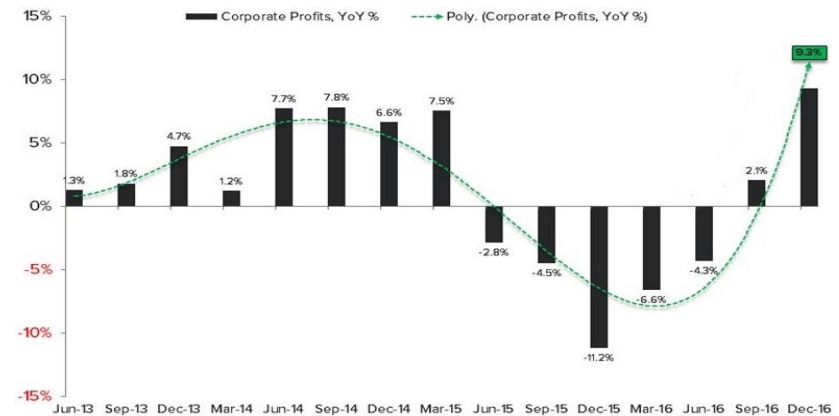
S&P 500 Earnings Growth: CY 2017
(Source: FactSet)



- ☐ Earnings recession is over
- ☐ Earnings growth is being primarily driven by earnings growth in the Energy Sector
- ☐ Earnings estimates remain in a downtrend; this benefits company's by providing lower hurdles to beat expectations



CORPORATE PROFITS, YoY %



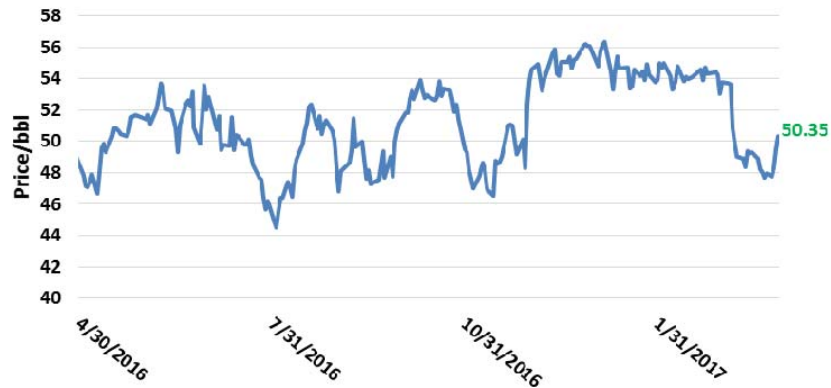
S&P 500 CY 2017 Bottom-Up EPS: 26-Weeks
(Source: FactSet)



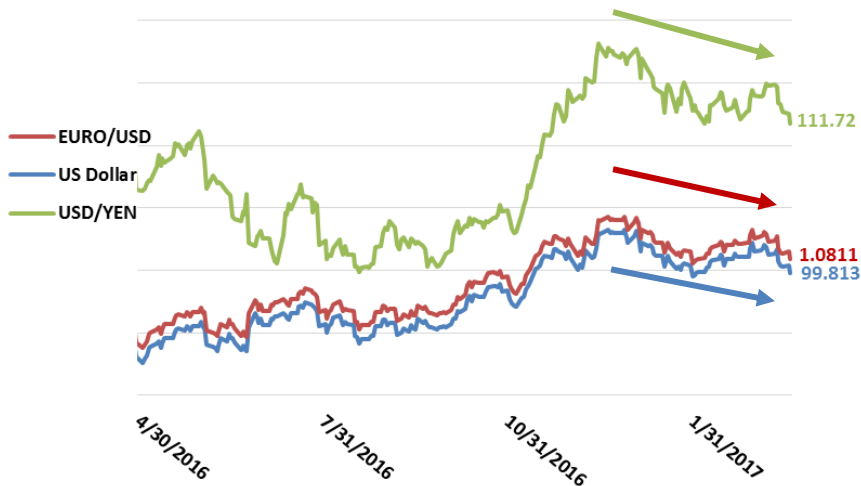
Data Source: Factset,
https://insight.factset.com/hubfs/Resources/Research%20Desk/Earnings%20Insight/EarningsInsight_032417.pdf; Bloomberg LP; BEA; Hedgeye Risk Management;
 Data is from sources deemed to be reliable. No representation or warranties either expressed or implied are made as to the accuracy of the information presented.

U.S. Macro Drivers

WTI Crude Oil



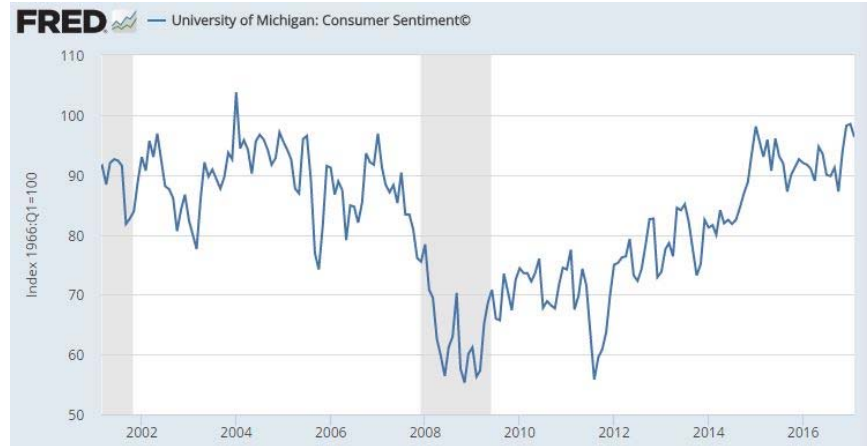
Currency Pairs



OPEC Production Target Levels

As of Feb. 2017

<u>Country</u>	<u>Reduced Prod. (000) bbls/day</u>	<u>Target Reached</u>
Saudi Arabia	-747	Yes
Iraq	-147	
U.A.E	-88	
Kuwait	-129	
Venezuela	-80	
Angola	-110	Yes
Algeria	-36	
Qatar	-26	
Ecuador	-22	
Gabon	-8	



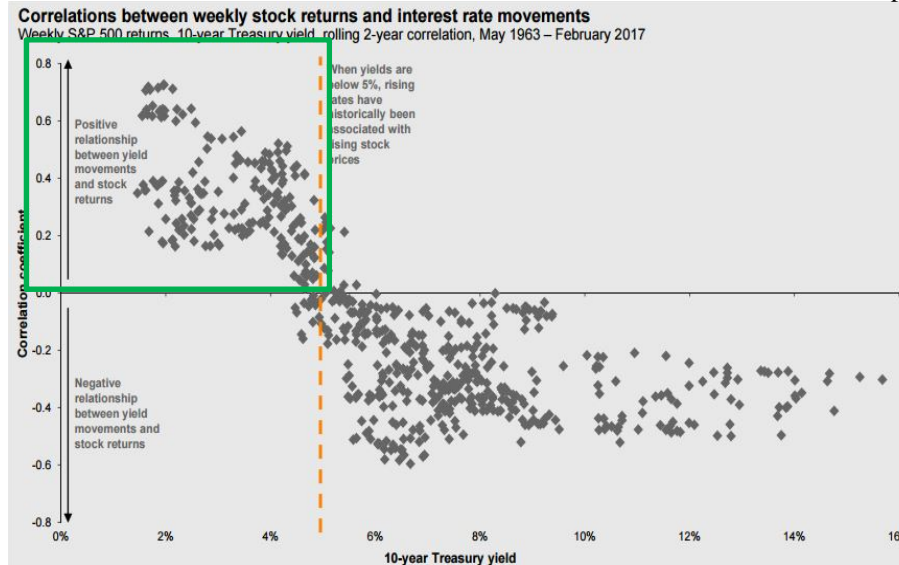
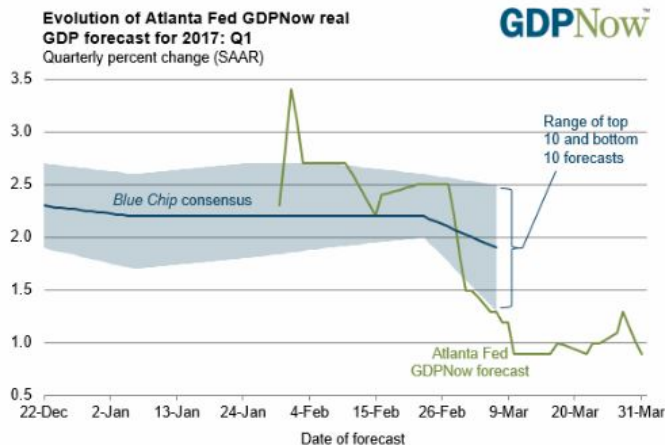
Data Source: Bloomberg LP; OPEC secondary-source estimates; IEA preliminary estimates;
Economic Research Federal Reserve Bank of St. Louis /University of Michigan;
Data is from sources deemed to be reliable. No representation or warranties either expressed or
implied are made as to the accuracy of the information presented.

U.S. Macro Drivers

Fed Funds Rate Increase Probability

Current Implied Probabilities			3) Add/Remove Rates ▾							
Dates	Meeting	Calculation	Calculated 03/31/2017							
Meeting	Prob Of Hike	Prob of Cut	0.75-1	1-1.25	1.25-1.5	1.5-1.75	1.75-2	2-2.25	2.25-2.5	
05/03/2017	13.3%	0.0%	86.7%	13.3%	0.0%	0.0%	0.0%	0.0%	0.0%	
06/14/2017	56.7%	0.0%	43.3%	50.1%	6.7%	0.0%	0.0%	0.0%	0.0%	
07/26/2017	63.0%	0.0%	37.0%	49.1%	13.0%	1.0%	0.0%	0.0%	0.0%	
09/20/2017	80.0%	0.0%	20.0%	43.5%	29.6%	6.5%	0.4%	0.0%	0.0%	
11/01/2017	82.1%	0.0%	17.9%	41.1%	31.0%	8.9%	1.1%	0.0%	0.0%	
12/13/2017	88.5%	0.0%	11.5%	32.8%	34.6%	16.8%	3.9%	0.4%	0.0%	
01/31/2018	89.2%	0.0%	10.8%	31.5%	34.5%	17.9%	4.6%	0.6%	0.0%	

- Are rising rates in question if the fiscal narrative dies?
- GDPNow forecast for Q1 2017 by the Atlanta Fed has been revised downward
- The probability of three rate increases in 2017 has declined
- Rising interest rates are not always indicative of declining stock prices



Data Source: Bloomberg LP; JP Morgan Asset Management, https://am.jpmorgan.com/blob-gim/protected/1383426387662/83456/MI-GTM_1Q17_March.pdf?segment=AMERICAS_US_ADV&locale=en_US; U.S. Department of the Treasury; Phillips & Co estimates; Federal Reserve Bank of Atlanta, <https://www.frbatlanta.org/cqer/research/gdpnow.aspx?panel=1>
Data is from sources deemed to be reliable. No representation or warranties either expressed or implied are made as to the accuracy of the information presented.

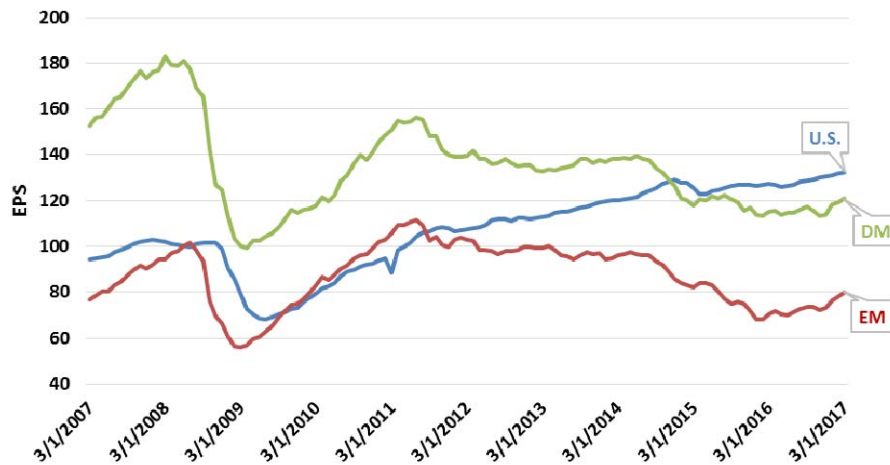
Emerging Markets



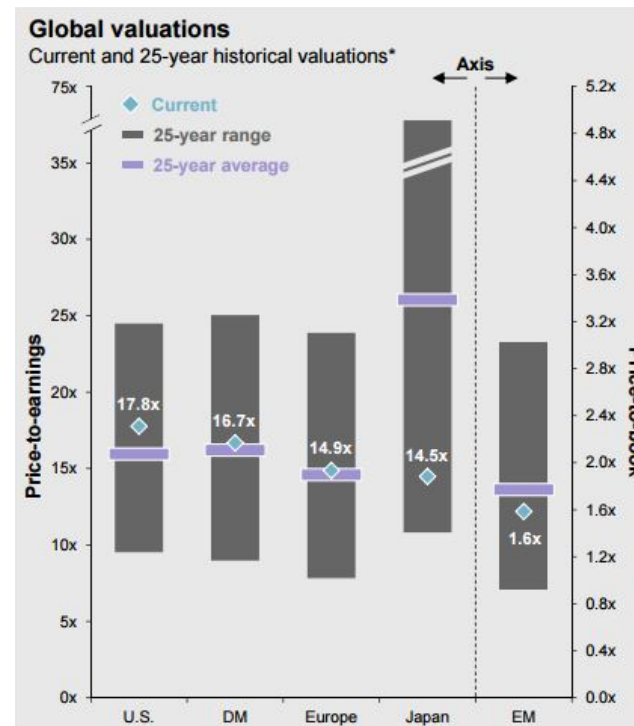
- U.S. Dollar Index currently sits at levels not seen since dot com bubble

		10 - Yr Correlation				
U.S. Dollar (\$)	1.00					
EM Index	-0.67	1.00				
Pound (£)	-0.64	0.51	1.00			
Euro (€)	-0.96	0.63	0.55	1.00		
Yen (¥)	-0.24	-0.08	-0.10	0.14	1.00	

Global Earnings



- EM shows attractive Global Earnings growth potential



- Correlation shows that EM moves in the opposite direction as the U.S. Dollar

- Current EM valuations are below historical levels

Developed Markets

Stoxx 600 EPS Growth Forecast Evolution



Source: BofA Merrill Lynch Global Research, IBES, 3 February 2017

- ☐ Developed Markets EPS growth forecasts show significant improvement
- ☐ Since the financial crisis market bottom, Developed Markets have rallied less than the U.S. and Emerging Markets
- ☐ European Consumer Confidence remains in a steady uptrend
- ☐ Geopolitical risks may be on the decline
- ☐ Nationalism appears to be fighting back against Populism throughout Europe

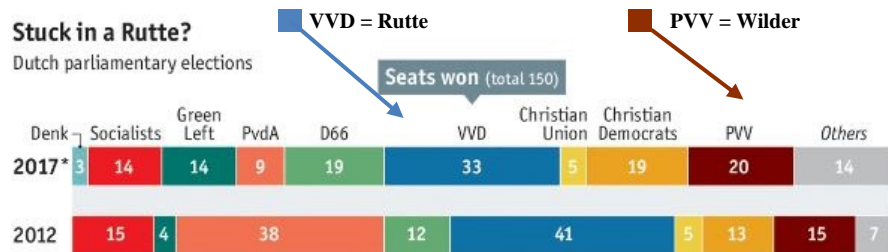
EU Consumer Confidence



Netherlands Election Results

Stuck in a Rutte?

Dutch parliamentary elections



Sources: Netherlands electoral council; national polls; NOS; Peilingwijzer; The Economist

* Preliminary figures

† Gained over 5% of the vote in 2017
‡ Reformed Political Party Youth

Economist.com

Le Pen Slips Further In French Election

Poll Source	Fieldwork Date	Emmanuel Macron	Marine Le Pen
		EM	FN
Odoxa	14-15 Jan 2016	65%	3%
Odoxa	14-15 April 2016	61%	39%
Ifop	28 Nov-3 Dec 2016	62%	38%
Ifop-Fiduciary	3-6 Jan 2017	65%	35%
Ipsos	20 Jan 2017	64%	36%
OpinionWay	7-9 Feb 2017	65%	35%

Data Source: Bloomberg LP; Trading Economics; European Commission; BofA Merrill Lynch Global Research; IBES; <http://www.nakedcapitalism.com/2017/03/nationalists-slipping-european-polls.html>; <http://www.economist.com/blogs/graphicdetail/2017/03/daily-chart-10>; <http://www.investmenteurope.net/opinion/someone-say-earnings-growth/>; <http://www.tradingeconomics.com/euro-area/consumer-confidence>; Data is from sources deemed to be reliable. No representation or warranties either expressed or implied are made as to the accuracy of the information presented.

Mean Reversion Dashboard

Style Current P/E as a % of 15yr Avg. P/E

	Value	Blend	Growth
Large	120.6%	116.4%	112.0%
Mid	119.4%	115.4%	109.4%
Small	119.7%	121.1%	122.6%

Regional Fwd P/E as a % of 10yr Avg. Fwd P/E

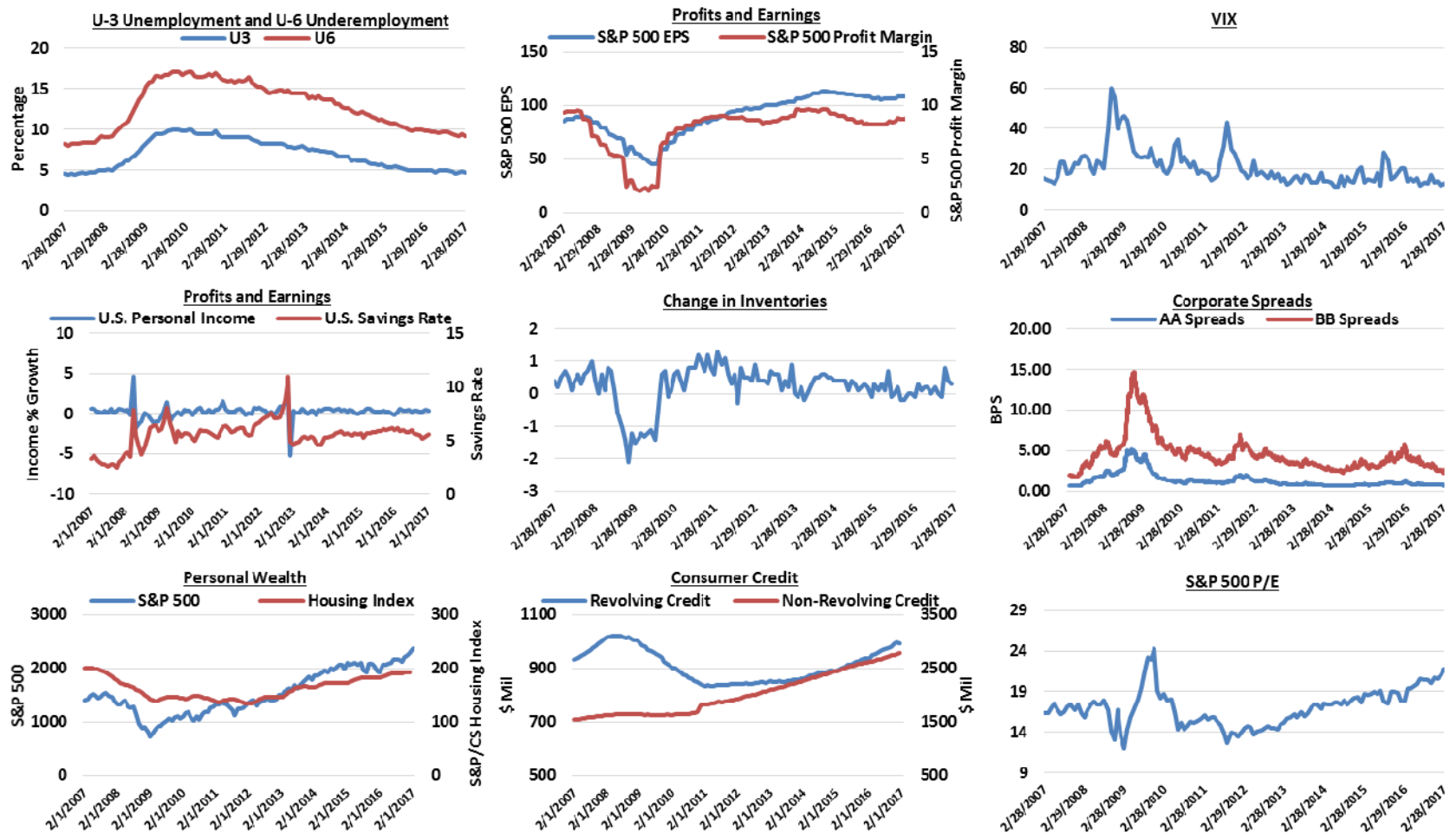
ACWI	EAFE Index	EM Index	United States	Germany	U.K.	China	Brazil	India	Russia
110.7%	107.2%	99.5%	114.7%	111.2%	114.5%	99.5%	102.2%	99.2%	84.6%

Sector Fwd P/E as a % of 20yr Avg. P/E

Financials	Technology	Health Care	Industrials	Energy	Cons. Discr.	Cons. Staples	Telecom	Utilities	Real Estate	Materials
109.1%	80.4%	84.0%	105.7%	165.5%	99.5%	103.0%	78.1%	122.8%	117.3%	110.3%

Data Source: Bloomberg LP; JP Morgan Asset Management, https://am.jpmorgan.com/blob-gim/protected/1383426387662/83456/MI-GTM_1Q17_March.pdf?segment=AMERICAS_US_ADV&locale=en_US
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Economic Dashboard



Data Source: Bloomberg LP and Economic Research Federal Reserve Bank of St. Louis. Data is from sources deemed to be reliable. No representation or warranties either expressed or implied are made as to the accuracy of the information presented.

Conclusions & Recommendations

Summary

- ☐ We expect the U.S. Dollar to weaken, which will bode well for Emerging Market Equities
- ☐ Emerging Markets should also benefit from stabilized commodity prices
- ☐ The fiscal narrative remains under pressure, and our belief is that it's tied to future Fed Funds Rate increases
- ☐ Expectations for 2 more Fed Funds Rate increases this year appear to be slowing
- ☐ Political risks appear to be reducing in correlation with improving earnings throughout the EU

Recommendations

- ☐ We continue to overweight U.S. Large Cap Equities
- ☐ Normalize allocation weightings in Emerging Markets and Developed International Markets
- ☐ With rising interest rates, it's imperative that fixed income duration is managed appropriately
- ☐ We find that the most efficient way to manage duration is through active fixed income management

THANK YOU

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