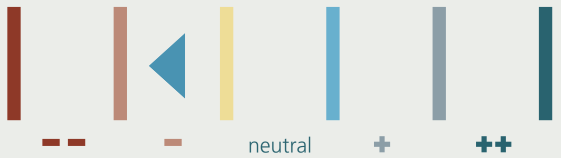
Short-term Asset Class Forecasts

over the next 1-3 months

QS Investors

June 2019

QS Leading Economic Indicator



Our proprietary leading economic indicator declined slightly month-over-month and moved into negative territory. Weakness in the past month has come from global trade data, manufacturing data and the change in initial claims data.

QS Leading Economic Indicator Index is a proprietary composite of economic data that QS Investors believes are significant in determining financial and economic conditions in the U.S.

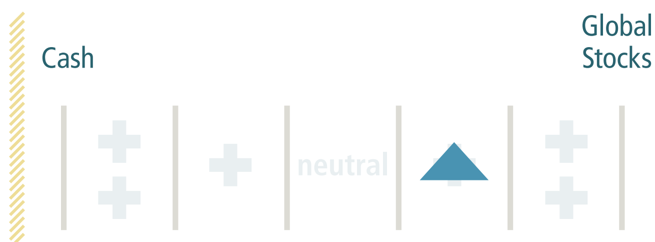
Asset Class Preference

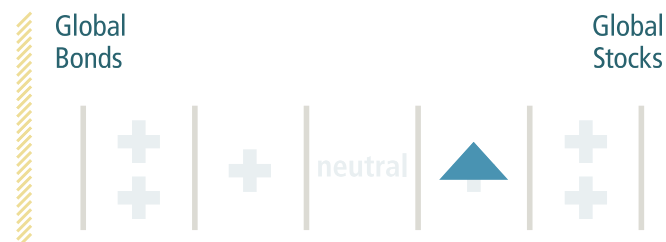
Our outlook for U.S. stocks outperforming investment grade bonds remains in positive territory. Valuation, as measured by comparing the earnings yield to the ten-year treasury yield, continues to be the largest driver of this preference, as the factor's strength ranks in the top quartile on a historical basis. The thirty-eight basis point drop in the ten-year treasury yield in May drove the valuation factor.

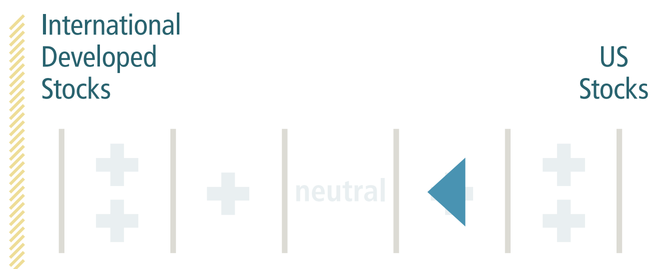
In U.S. fixed income, we think that investment grade bonds will outperform high yield bonds over the next month, a significant reversal compared to last month's forecast. This change has been driven by spread widening between high yield and investment grade bonds and the rise in equity volatility.

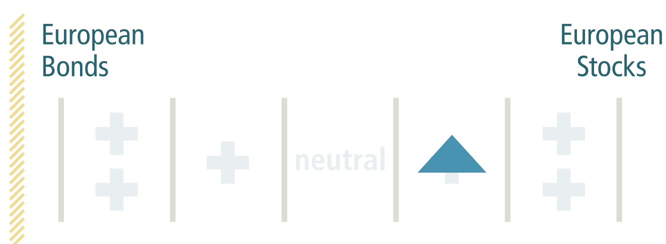
We continue to believe that U.S. stocks are positioned to outperform their international developed market counterparts, however the position has moderated after reaching the strongest level in five years in April. The model's preference is driven by options market data (which shows greater demand for volatility protection in international-developed markets than in the U.S.), better price momentum in the U.S. and yield curve dynamics. Yield curves in other developed markets are flattening at a faster rate than in the U.S. which we interpret as a sign of lower economic prospects.

European stocks are forecasted to outperform European bonds in our model. Five of the six explanatory variables built into the model concur with this conclusion, including European stock price momentum, valuation, spreads on short-term banking lending rates, and European government yields.









Asset Class Preferences are based on QS Investors proprietary quantitative factor models. These rules-based financial models use a combination of indicators that analyze asset valuations, investor sentiment, and the broad economy.

◀▶ Change from previous month ▲ No change from previous month

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