

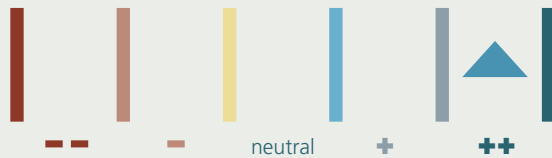
Short-term Asset Class Forecasts

over the next 1-3 months



October 2020

QS Leading Economic Indicator



Our proprietary leading economic indicator continues to stand in strong positive territory. This is driven by strong manufacturing data and a drop-in unemployment claims.

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.

Important Information

This material was prepared without regard to the specific objectives, financial situation or needs of any particular person who may receive it. It is intended for informational purposes only and it is not intended that it be relied on to make any investment decision. It does not constitute investment advice or a recommendation or an offer or solicitation and is not the basis for any contract to purchase or sell any security or other instrument, or for QS Investors to enter into or arrange any type of transaction as a consequence of any information contained herein. QS Investors does not give any warranty as to the accuracy, reliability or completeness of information which is contained in this document. Except insofar as liability under any statute cannot be excluded, no member of QS Investors, or any officer, employee or associate accepts any liability (whether arising in contract, in tort or negligence or otherwise) for any error or omission in this document or for any resulting loss or damage whether direct, indirect, consequential or otherwise suffered by the recipient of this document or any other person.

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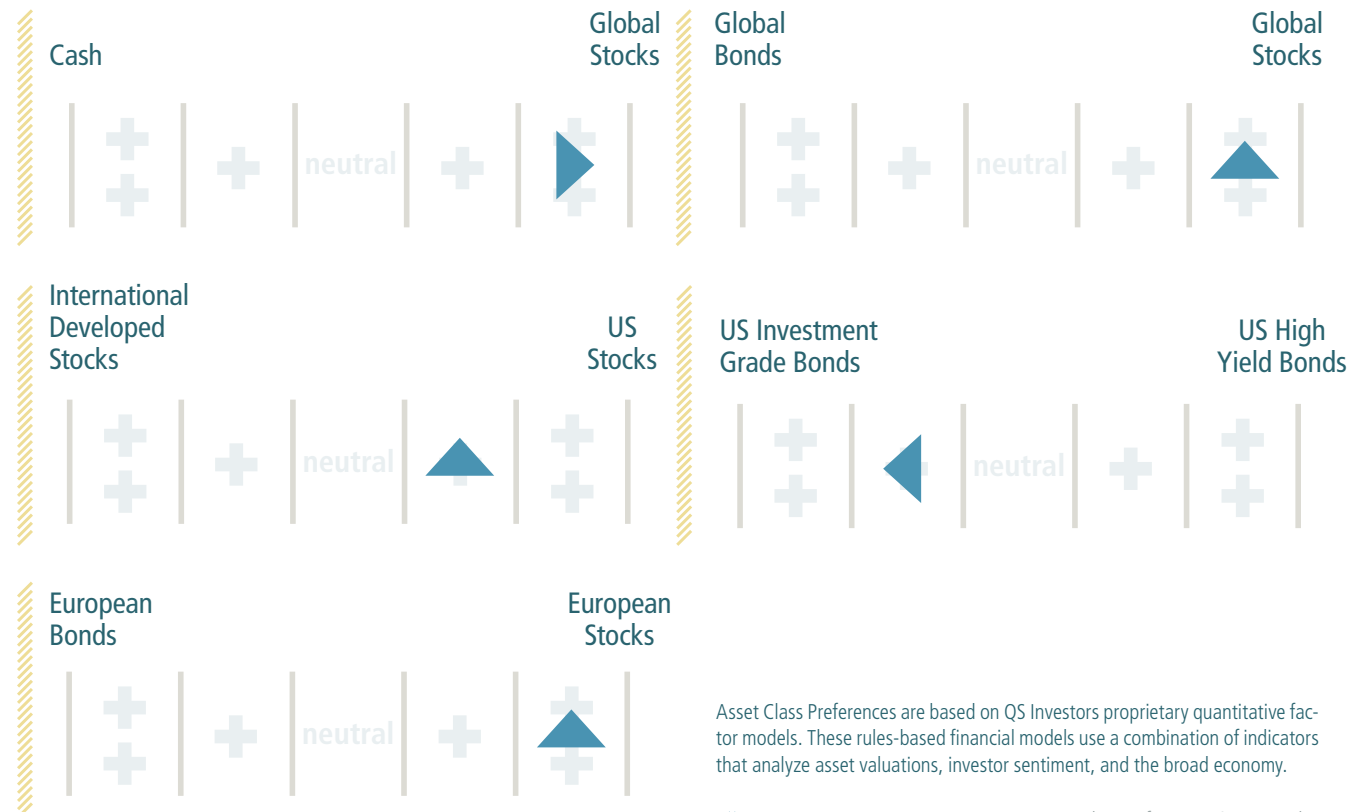
Asset Class Preference

Our tactical stock-bond model continues to favor U.S. stocks versus investment grade bonds. The valuation factor, which compares the earnings yield of the S&P 500 relative to the ten-year treasury yield, continues to strongly favor U.S. stocks. Additionally, the improvement in the QS leading economic indicator also drove the model's preference.

In U.S. fixed income, we forecast that investment grade bonds will outperform high yield, a change in view compared to last month. This is driven by the widening spread between the two asset classes.

We believe that U.S. stocks are positioned to outperform versus their international-developed market counterparts. 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 abroad and supports U.S. equities. Equity price momentum also prefers U.S. stocks, but the strength of this factor has declined.

European stocks are forecasted to outperform European bonds in our model; the strength of the signal has declined since last month. The decline in the signal is driven by a drop in European Leading Economic Indicators.



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