

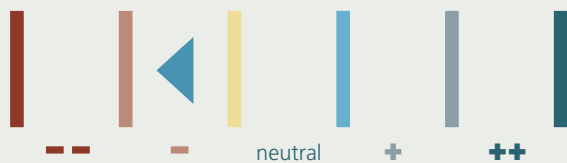
Short-term Asset Class Forecasts

over the next 1-3 months



August 31, 2018

QS Leading Economic Indicator



Our economic outlook at the end of August furthered a negative trend. This positioning was largely driven by a substantial pullback in our measurement of global trade, which we measure through a global shipping price proxy. Over the past few months, we have observed this measurement moving from strong growth, to modest growth, and most recently to contraction. The economic outlook is further diminished by negative manufacturing and building 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.

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QSCR-18242 (9/18)

Asset Class Preference

Despite the impact of the negative economic outlook, we remain modestly bullish on equities due to our outlook on valuation, a slight pullback in interest rate trend, and improving leverage conditions.

We believe international equities are positioned to outperform U.S. stocks. Four out of five factors in our tactical model favor international equities, including yield curve steepness (the U.S. yield curve continued to flatten in August), options market data, valuation, and volatility. Only price momentum was in favor of U.S. stocks.

