



Asset Allocation Strategy: 2Q2018 Favor International vs. US Overweight Energy and Financials Underweight Consumer, Canada, Intl Small Cap

The Atlas asset allocation strategy performance slightly trailed benchmark for Q1.

Positive Contributors:

- Overweight Info Tech, Underweight Consumer
- Stock Selection, Preferred Stock
- Overweight Emerging Market, Underweight Canada

Negative Contributors:

- Overweight Europe
- Exposure to M&A, MLPs

Fear has returned to the market. Or perhaps a better way to state increased market volatility is the elimination of investor apathy. Regardless, factors the market has ignored (US equity valuations, increasing rates, tight credit spreads, inflationary pressure, reduced QE, protectionism) are now influencing investor psychology. The recent 10% correction in FAANG stock valuation has negatively affected momentum-only investors and could move market bias towards valuation fundamentals. As such, we continue to emphasize international markets over US markets. Since 2011, domestic markets have outperformed international markets. It seems inevitable to us the long-term trend will reverse to mean and offer an extended period of international markets outperforming. If interested, look at these [additional charts](#) that support our perspective.

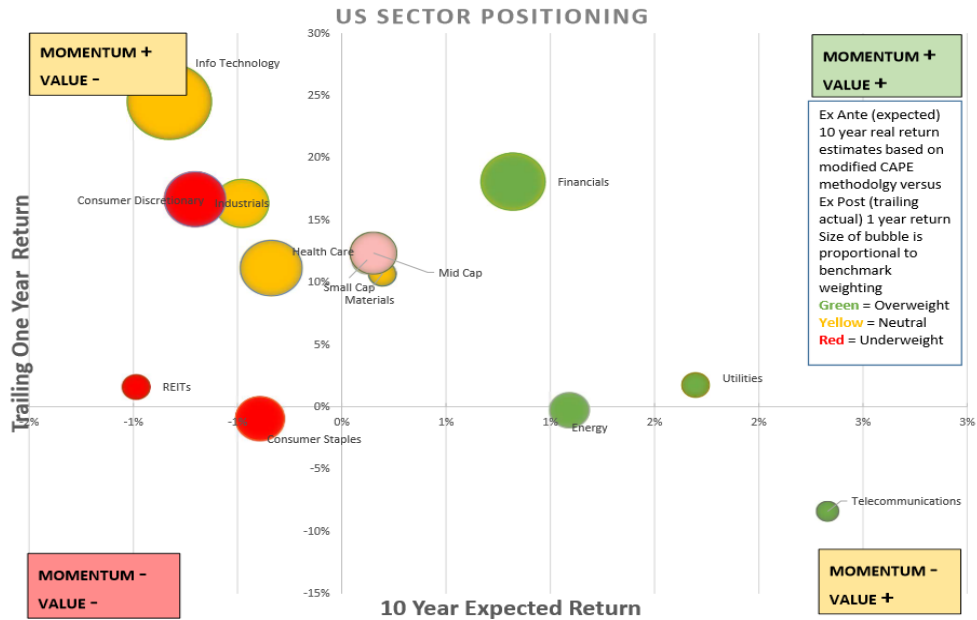
Below is our current analysis of market opportunities and how we are positioning portfolios.

We would be glad to discuss or answer any questions.



US Sector Return Estimates

The chart to the right shows our current evaluation of the sector choices available to US equity investors. This evaluation drives our allocation decisions. Markets which appear most attractive for investment are in the upper right. Those sectors that have both good value and positive momentum. Future real returns based on historical value norms are unappealing.

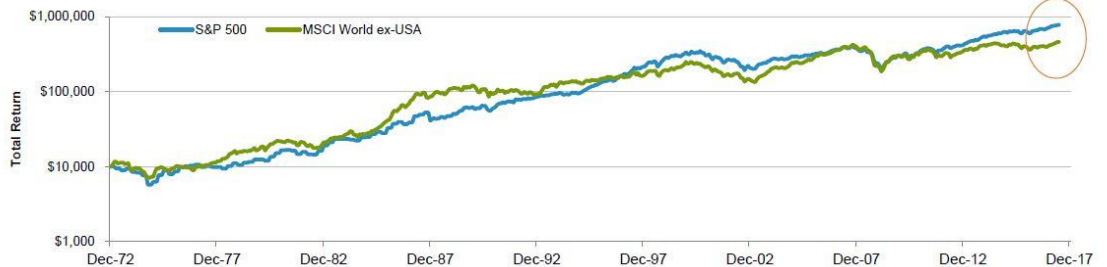


U.S. Has Outperformed but Cycle May Be Turning

Support for Non-US stocks

US stocks have been doing well for the last 6 years. However, performance gaps are at historical extremes and we believe the cycle is turning. The market may begin to recognize our thesis of relative valuation attractiveness in Non-US markets. Rotation should lead to improved performance by International markets.

U.S. EQUITIES OPEN UNPRECEDENTED GAP WITH NON-U.S.



U.S. EQUITIES CYCLICALITY VS NON-U.S. EQUITIES

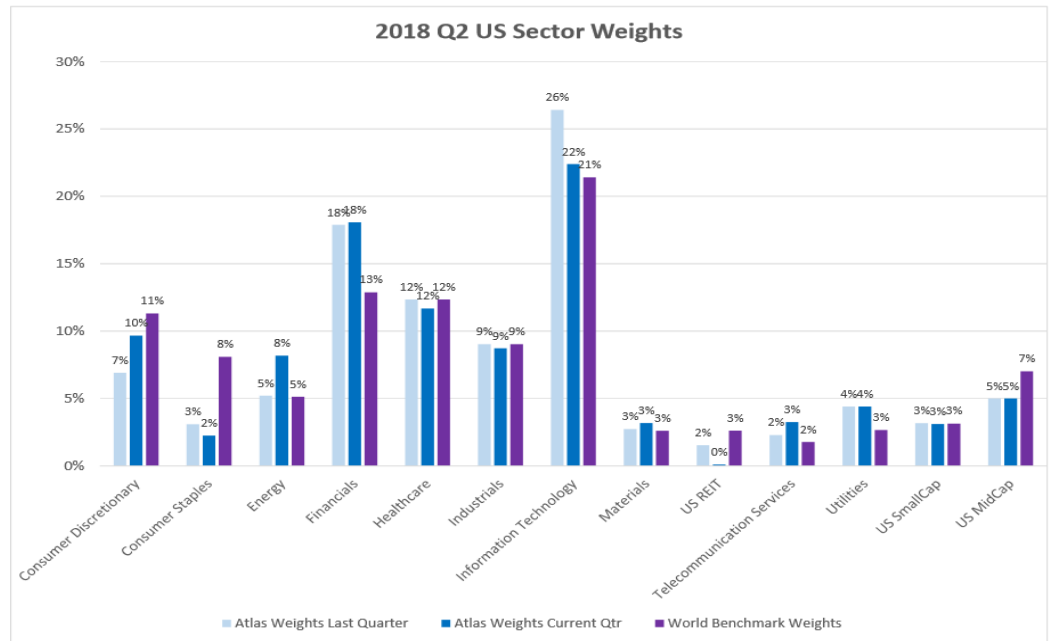


Past performance is no guarantee of future results. You can not invest direct in an index. Top chart source: Morningstar as of 12/31/17; Bottom chart source: MSCI EAFE Index vs. S&P 500 Total Return Index. Rolling 3-year return differential. Source: FactSet, as of 12/31/17.



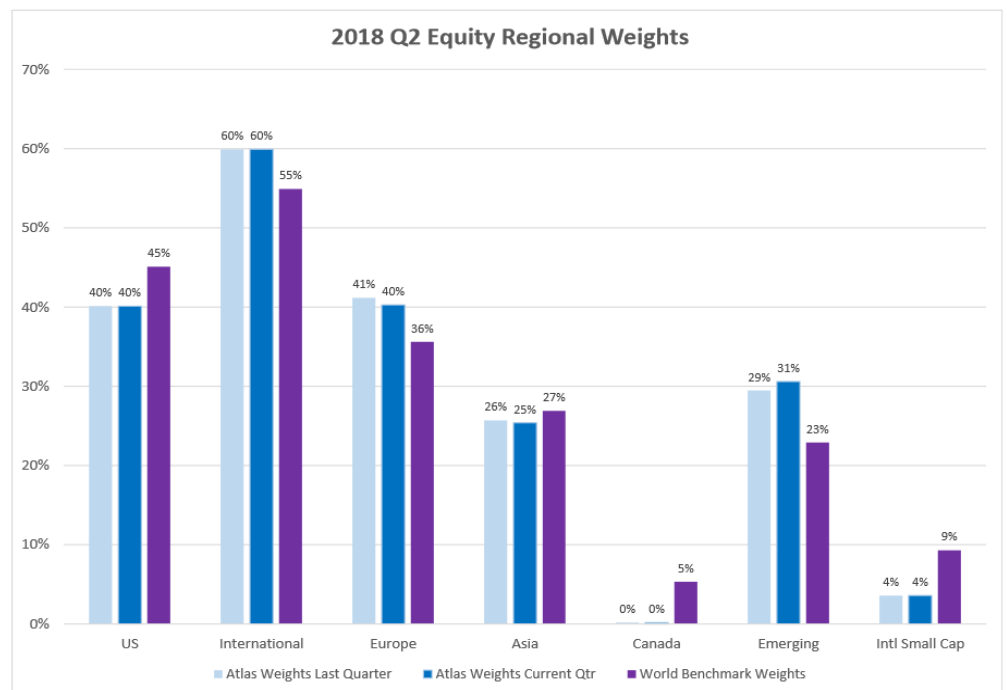
US Sector Positioning

Reduced Info Tech weighting based on valuation. Consumer and Real Estate underweight based on valuation. Overweight Financials, Energy, Utilities because of reasonable value and some momentum. Telecom Services overweight based on value, though momentum is unattractive. Neutral-weight Small Cap, Underweight Mid Cap.



Regional Positioning Chart

Atlas portfolios in relation to the weights of the benchmark global equity index are depicted to the right. The weighting preferences continued the trend we've implement most of the 24 months; reduced US exposure and increasing International weightings. We're underweight US equities versus both benchmark and International equities. Within International, we are overweight Europe and Emerging Markets while underweight Asia, Canada and Small Cap.





Disclosures

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