

U.S. Stocks
Yield: 2.09%

Risk: 8.56%

 TREND
B

 CARRY
D

In terms of income, we believe U.S. Stocks are pretty middle of the road but that income comes with a very reasonable level of risk. In fact recent market volatility has been near all time lows which means we should view this asset class with some skepticism as low volatility tends to predict a correction but deregulation could favor this asset class.

International Stocks
Yield: 3.19%

Risk: 9.77%

 TREND
D

 CARRY
B

Renewed strength in the U.S. dollar is putting pressure on Europe and Japan and this is reflected in the weak trend. However, when carry is good and trend is bad, it usually signals a reversal in fortune. Keep an eye on this one especially with the recent improvement in trend.

Emerging Market Stocks
Yield: 2.55%

Risk: 14.05%

 TREND
A

 CARRY
F

Emerging markets aren't offering much in terms of income right now but it is one of the most reasonably valued equity asset classes in terms of earnings and has had tremendous performance in the past several months following years of relative underperformance. This could potentially be the beginning of a long term cycle of outperformance.

U.S. Real Estate
Yield: 4.59%

Risk: 16.55%

 TREND
C

 CARRY
B

The positive correlation with bonds should be taken seriously especially for any investor with a large position in fixed rate bonds. This is probably a good speculative position on the basis of a rebound off the recent lows but not a good long term core position for now.

Master Limited Partnerships (MLPs)
Yield: 7.09%

Risk: 18.31%

 TREND
A

 CARRY
A

MLPs have bounced back from their 2016 lows and erased much of the losses from 2015. There is still a fair amount of price volatility but the income and growth potential makes this a good position for growth oriented investors that have little exposure to bonds. In other words, we think of this as a high yield proxy in the stock portfolio and deserves a position.

Preferred Stocks
Yield: 5.28%

Risk: 6.94%

 TREND
F

 CARRY
A

This is the asset class to own for safe U.S. based income. It does have a positive correlation to bonds but the higher income stream should help protect it from changes in rates. Plus as bank stocks rallied, the bank heavy preferred market declined. This could be a good way to play financials as they start their recovery.

Utilities
Yield: 3.56%

Risk: 18.40%

 TREND
C

 CARRY
D

Like real estate, utilities sold off as investors weighed the impact from rising rates. This provides an attractive way to get low volatility U.S. based income. However the earning multiples of this space and long term growth prospects are fairly weak signals. We think investors may want to look to Preferred Stocks instead of Utilities.

International Real Estate
Yield: 3.67%

Risk: 13.67%

 TREND
D

 CARRY
C

We believe this is an expensive and volatile asset class when compared to the other options out there. However, we see that the yield is starting to look fairly attractive and maybe there is a short term play here in the near future.

EM Infrastructure
Yield: 3.33%

Risk: 14.03%

 TREND
B

 CARRY
D

If EM Stocks are too volatile, we believe this is a great way to access to the economic growth of the Emerging Markets with some decent income and lower volatility. Additionally most of these stocks are backed with hard assets and good cash flow.

Grades: Quintile rankings of asset classes
 Downgrade Upgrade No Change

Trend: 12 month momentum
Carry: Current Yield / Current Std. Deviation

Risk: Based on 60-day std. deviation

Sources: Bloomberg, Salient Partners L.P., as of 12/31/16. The performance quoted represents past performance, does not guarantee future results and current performance may be lower or higher than the data quoted.

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Definition of Terms

Emerging market is a country that has some characteristics of a developed market but does not meet all of the standards to be a developed market.

Max drawdown is the percentage of loss that an asset incurs from its peak net asset value to its lowest value.

Sharpe ratio is a ratio developed by Nobel laureate William F. Sharpe to measure how a fund performs relative to the risk it takes.

Standard deviation measures the degree to which a fund's return varies from its previous returns or from the average of all similar funds.

Yield is the interest or dividends received from a security and is usually expressed annually as a percentage based on the investment's cost or on the U.S. government's debt obligations.

Index Definitions

Alerian MLP Index is the leading gauge of large- and mid-cap energy master limited partnerships (MLPs). The float-adjusted, capitalization-weighted index includes some of the most prominent companies and captures approximately 75% of available market capitalization.

Bloomberg Barclays 1-3 Year U.S. Treasury Index is an unmanaged index of public obligations of the U.S. Treasury with a maturity between one and up to (but not including) three years.

Bloomberg Barclays EM Sovereign is a rules-based market-value weighted index engineered to measure the fixed-rate local currency sovereign bonds issued in emerging markets as identified by Bloomberg.

Bloomberg Barclays Global Treasury ex USD is an unmanaged index composed of those securities included in the Bloomberg Barclays Global Aggregate Bond Index that are Treasury securities, with the US excluded while hedging the currency back to the US dollar.

Bloomberg Barclays Municipal Bond covers the USD-denominated, long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and pre-refunded bonds.

Bloomberg Barclays U.S. Aggregate Bond Index represents securities that are U.S. domestic, taxable and dollar denominated. The index covers the U.S. investment-grade, fixed-rate bond market, with index components for government and corporate securities, mortgage pass-through securities and asset-backed securities.

Bloomberg Barclays U.S. Corporate High-Yield Bond Index covers the USD-denominated, noninvestment-grade, fixed-rate, taxable corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below.

Bloomberg Barclays U.S. Credit is an index composed of corporate and non-corporate debt issues that are rated investment grade (Baa3/BBB) or higher.

Bloomberg Barclays U.S. MBS tracks the mortgage-backed pass-through securities of Ginnie Mae (GNMA), Fannie Mae (FNMA) and Freddie Mac (FHLMC).

Bloomberg Barclays U.S. Municipal Bond covers the USD-denominated, long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and pre-refunded bonds.

Bloomberg Barclays U.S. Treasury is an unmanaged index of public obligations of the U.S. Treasury with a remaining maturity of one year or more.

BofA Merrill Lynch U.S. Preferred Stock Fixed Rate Index consists of investment-grade, fixed and fixed-to-floating rate U.S. dollar-denominated preferred securities.

Credit Suisse Emerging Market Corporate Bond Index consists of U.S. dollar-denominated fixed-income issues from Latin America, Eastern Europe and Asia.

Dow Jones Global ex-U.S. Select REIT Index measures the performance of equity real estate investment trusts (REITs) and real estate operating companies (REOCs) traded globally, excluding the U.S.

Dow Jones U.S. Real Estate Index measures the performance of the real estate industry of the U.S. equity market.

JPMorgan Global Manufacturing Purchasing Managers Index is a composite index that serves as a global economic indicator by measuring different business conditions in 24 countries, including global manufacturing output, new orders and employment across the global manufacturing sector.

MSCI EAFE (Europe, Australasia and Far East) Index is a stock market index that is designed to measure the equity market performance of developed markets outside of the U.S. and Canada.

MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets.

MSCI Emerging Markets Infrastructure Index captures the global opportunity set of companies that are owners or operators of infrastructure assets.

MSCI World Index is a free float-adjusted market capitalization index designed to measure equity market performance in the global developed markets.

S&P 500 Index is an unmanaged index of 500 common stocks chosen to reflect the industries in the U.S. economy.

Not FDIC Insured | No Bank Guarantee | May Lose Value

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