

U.S. Treasurys		Yield: 1.90%	Risk: 3.01%
TREND F	CARRY F	The collapse in U.S. Treasury trend and carry has continued. The Federal Reserve (Fed) has most recently announced its plan to reduce its balance sheet, carrying forward the bleak outlook for this asset class. If you must hold Treasurys, we think short duration/cash-like is best.	
U.S. Investment Grade Credit		Yield: 3.11%	Risk: 3.21%
TREND C	CARRY D	The downward trend for this asset class has continued. Although rates were raised in June, yield and volatility remain low, reinforcing our belief that high-yield corporates are a better choice for the current economic condition.	
Municipal Bonds		Yield: 2.27%	Risk: 1.75%
TREND D	CARRY C	Muni bonds offer an attractive yield relative Treasurys and the trend does appear to be improving. However, the low likelihood of recession favors taking more credit risk. Look to high-yield municipal bonds instead. But, if you must have a high-safety asset class, we think this asset class is your best bet over Treasurys.	
High-Yield Municipal Bonds		Yield: 6.10%	Risk: 2.84%
TREND B	CARRY B	High-yield municipal bonds contain more risk than rated municipal bonds, but, barring a recession, we believe high-yield municipal bonds are a good alternative to any investment-grade holding.	
U.S. High-Yield Corporate Bonds		Yield: 5.62%	Risk: 1.46%
TREND A	CARRY A	U.S. high-yield corporate bonds continue to be one of our favorite asset classes. Even with the rise in rates from the June Fed meeting, we still see strong trend and carry grades for this asset class.	
Emerging Market Corporate Debt		Yield: 6.25%	Risk: 2.09%
TREND A	CARRY A	EM corporate debt is also one of our favorite asset classes for 2017. The low price volatility and high current income make this asset class very attractive. We don't expect this asset class to deliver total return like it has over the past year, as lower oil prices will put continued pressure on the asset class.	
Emerging Market Sovereign Debt		Yield: 5.07%	Risk: 2.64%
TREND B	CARRY C	The U.S. dollar has been very weak as of late, which has benefitted EM sovereign bonds. As a result of the increase in price, the yield isn't looking as attractive per unit of risk. We think investors would do better with EM corporate bonds.	
International Sovereign Debt		Yield: 0.76%	Risk: 6.58%
TREND F	CARRY F	The slowing of bond buying by international policymakers coupled with the low yield of the asset class make it our least favorite asset class. We believe this asset class should currently be avoided.	
Mortgages		Yield: 2.87%	Risk: 2.41%
TREND C	CARRY D	Mortgages have shown resilience after the most recent rise in rates from the June Fed meeting. Although this asset class remains strong, we see mortgages as less attractive for income in the longer term.	
Short Term Treasurys (Cash Proxy)		Yield: 1.40%	Risk: 0.68%
TREND D	CARRY B	Currently we prefer credit risk over short duration, but in the event of recessionary environment, cash is starting to look very attractive.	

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

Source: Bloomberg, Salient Partners, L.P., as of 06/30/2017. The performance quoted represents past performance, does not guarantee future results and current performance may be lower or higher than the data quoted. This material is distributed for informational purposes only and should not be considered as investment advice, a recommendation of any particular security, strategy or investment product, or as an offer or solicitation with respect to the purchase or sale of any investment.

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Definition of Terms

Alerian MLP Infrastructure 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 EM Sovereign Bond Index 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 Index is an unmanaged index composed of those securities included in the Barclays Global Aggregate Bond Index that are Treasury securities, with the US excluded while hedging the currency back to the US dollar.

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

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

Bloomberg Barclays U.S. Municipal Bond Index 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. Municipal High Yield Index measures the noninvestment-grade and nonrated U.S. dollar-denominated, fixed-rate, tax-exempt bond market within the 50 United States and four other qualifying regions (Washington D.C., Puerto Rico, Guam and the Virgin Islands).

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

Bloomberg Barclays U.S. Treasury Bond 1-3 Year Term Index is an unmanaged index of public obligations of the U.S. Treasury includes public obligations of the U.S. Treasury with a maturity between 1 and

up to (but not including) 3 years.

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

Brexit a term for the potential or hypothetical departure of the United Kingdom from the European Union.

Consumer price index (CPI) is an index number measuring the average price of consumer goods and services purchased by households. The percentage change in the CPI is a measure of inflation.

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.

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

NASDAQ-100 is a modified capitalization-weighted index that includes the largest nonfinancial U.S. and non-U.S. companies listed on the NASDAQ stock market across a variety of industries, such as retail, healthcare, telecommunications, wholesale trade, biotechnology and technology.

Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index. The Russell 3000 Index represents approximately 98% of the investable U.S. equity market.

S&P 500 Financials Index comprises those companies included in the S&P 500 that are classified as members of the GICS® financials sector.

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

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.

Valuation is the process of determining the value of an asset or company based on earnings and the market value of assets.

VIX (the ticker symbol for the Chicago Board Options Exchange Volatility Index) is a popular measure of market risk and is constructed using the implied volatility of S&P 500 index options.

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.

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