

**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

**U.S. Stocks**

**Yield:** 1.95% **Risk:** 20.52%

TREND CARRY  
**A F**

U.S. stocks continue to outperform, eroding the income we are looking for. U.S. stocks continue to offer one of the worst absolute levels of income in our stock universe. We see U.S. stocks as a solid total return option and can be used as a good hedge against inflation and rising rates with continued regulatory changes.

**International Stocks**

**Yield:** 3.19% **Risk:** 12.89%

TREND CARRY  
**B C**

Developed foreign markets have benefitted greatly by the slowdown in bond purchases by the European Central Bank and Bank of Japan. Additionally, the U.S. dollar has seen a further decline relative to the euro and yen, significantly benefitting this asset class. Caution might be in order as the U.S. dollar is extremely oversold.

**Emerging Market Stocks**

**Yield:** 2.42% **Risk:** 15.91%

TREND CARRY  
**A D**

Emerging market stocks still produce low income, but the asset class offers strong diversification away from the U.S. economic environment. The strong trend, valuation and possible change in the long-term cycle all favor this asset class.

**U.S. Real Estate**

**Yield:** 4.29% **Risk:** 17.77%

TREND CARRY  
**D C**

The positive correlation with bonds should be taken seriously, especially for any investor with a large position in fixed-rate bonds. Values need to improve here to provide income justifying a position.

**Master Limited Partnerships (MLPs)**

**Yield:** 8.76% **Risk:** 24.25%

TREND CARRY  
**F B**

Volatility remains very high in this asset class and needs to moderate before increasing positions.

**Preferred Stocks**

**Yield:** 5.66% **Risk:** 3.30%

TREND CARRY  
**C A**

Preferred stocks are the asset class to own for safe U.S.-based income. They do have a positive correlation to bonds, but the higher income stream should help protect them from changes in rates. Barring a recession, preferred stocks are a good safety asset class.

**Utilities**

**Yield:** 3.65% **Risk:** 16.87%

TREND CARRY  
**D D**

Utilities declined sharply along with other rate-sensitive asset classes. This asset class won't provide good exposure if rates continue to rise.

**International Real Estate**

**Yield:** 4.28% **Risk:** 11.83%

TREND CARRY  
**C A**

International real estate is still a great asset class for income, but the increased volatility has eaten away at the relative risk per unit of income. However, it will likely rebound as stocks find some better footing.

**EM Infrastructure**

**Yield:** 3.77% **Risk:** 11.75%

TREND CARRY  
**B B**

If EM stocks are too volatile, we believe this asset class 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 positive cash flow.

Source: Bloomberg, Salient Partners, L.P., as of 03/31/18. 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 Aggregate Index** represents a broad-based measure of the global investment-grade fixed income markets, with index components for government and corporate securities, mortgage pass-through securities and asset-backed securities.

**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.

**CBOE Volatility Index** is a popular measure of market risk and is constructed using the implied volatility of S&P 500 index options.

**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 Industrial Average (DJIA)** is a price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry and are listed on the New York Stock Exchange.

**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 Europe Index** is a free float-adjusted market capitalization index designed to measure developed market equity performance in Europe.

**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.

**NYSE Advance/Decline Indicator** is a technical indicator that charts the difference between the number of advancing stocks and declining stocks on the NYSE in a given market on a given day.

**NYSE New High/Lows** is a technical indicator that charts the highest and lowest prices over 52 weeks of NYSE stocks in a given market on a given day.

**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.

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

**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.

Not FDIC Insured | No Bank Guarantee | May Lose Value

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