

U.S. Stocks
Yield: 1.96%

Risk: 7.20%

TREND CARRY
A D

Strong performance of U.S. stocks is eroding the income. Stocks now have the worst absolute level of income. We believe the low volatility and possible changes to the regulatory environment still make the asset class a good total return option. Plus, we see it is a good hedge against inflation and rising rates.

International Stocks
Yield: 3.05%

Risk: 8.71%

TREND CARRY
C C

The push to unwind the European Union appears to have lost some steam following the French election and the nationalist candidate appears to be set for a loss. This shift strengthens pro-euro parties throughout the union and will likely be further reinforced in Germany's election. We think all of this is positive for foreign stocks.

Emerging Market Stocks
Yield: 2.44%

Risk: 9.48%

TREND CARRY
A F

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. Furthermore, the recent trend has been gaining strength.

U.S. Real Estate
Yield: 4.15%

Risk: 9.67%

TREND CARRY
D B

The positive correlation with bonds should be taken seriously, especially for any investor with a large position in fixed-rate bonds. At this point, large allocations don't make much sense.

Master Limited Partnerships (MLPs)
Yield: 6.68%

Risk: 11.92%

TREND CARRY
B A

The slowdown in oil has weakened the trend in MLPs, but the income per unit of risk is still one of the best among stocks. The upcoming IPO of Saudi Arabia's state oil company will likely keep oil prices toward the higher end of the current range and is a positive for this asset class.

Preferred Stocks
Yield: 2.94%

Risk: 2.74%

TREND CARRY
D A

Preferred stocks are the asset class to own for safe U.S.-based income. They do not have a positive correlation to bonds, but the higher income stream should help protect them from changes in rates. Plus, as bank stocks rallied, the bank-heavy preferred market declined. Preferred stocks kept pace with the S&P 500 while still delivering some decent income.

Utilities
Yield: 3.41%

Risk: 10.53%

TREND CARRY
C D

Utilities have had a good year in terms of performance, but as the high level of risk suggests, their fate has been tied to interest rates and the macro environment doesn't support large allocations to rate sensitive assets.

International Real Estate
Yield: 3.61%

Risk: 8.20%

TREND CARRY
F B

This asset class benefitted from the French post-election rally, but employment growth is still slow in Europe and Japan. Until that changes, it is hard to imagine these companies being able to ignore the negative macro environment.

EM Infrastructure
Yield: 2.96%

Risk: 8.90%

TREND CARRY
B C

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.

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 04/30/2017. 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 U.S. excluded while hedging the currency back to the U.S. 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. 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 with a maturity between one and up to (but not including) three 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.

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.

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 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.

Not FDIC Insured | No Bank Guarantee | May Lose Value

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