WestEnd Advisors

Macroeconomic Highlights

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Table of Contents

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WestEnd Outlook Highlights

- Our outlook for moderate U.S. economic growth remains intact, while some late-cycle signs of slowing growth affirm our view that a sustained economic reacceleration is unlikely.

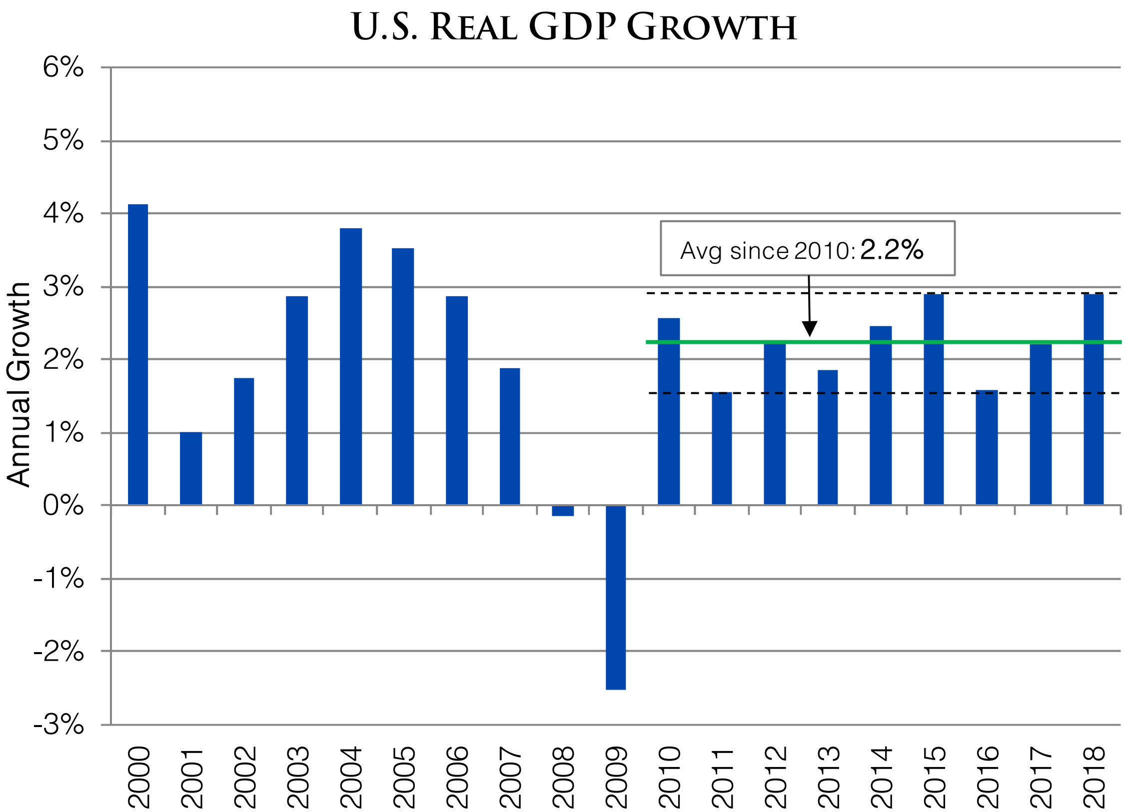
- Moderate growth and an advanced economic cycle warrant exposure to U.S. sectors with a mix of cyclical and secular drivers as well as sectors with limited economic sensitivity – sector selectivity will be increasingly important going forward.

- Our outlook for international equities is less positive, overall, given economic and geopolitical challenges, but we continue to view Asia as well positioned among overseas markets.

- In balanced portfolios, we continue to emphasize shorter-duration fixed-income securities; while the risk of rising rates has eased somewhat, the cost of avoiding that risk is low given the flattened yield curve.

U.S. Economic & Market Backdrop

U.S. Economy Continues to Deliver Moderate Growth



Source: Bureau of Economic Analysis, WestEnd Advisors

Portfolio Impact

Moderate growth and an advanced economic cycle warrant exposure to a mix of sectors:

Technology & Communication Services:

Sectors that benefit from sustained cyclical and secular growth drivers.

Consumer Staples, Health Care & Utilities:

Sectors that deliver steady earnings growth and can benefit from secular growth drivers.

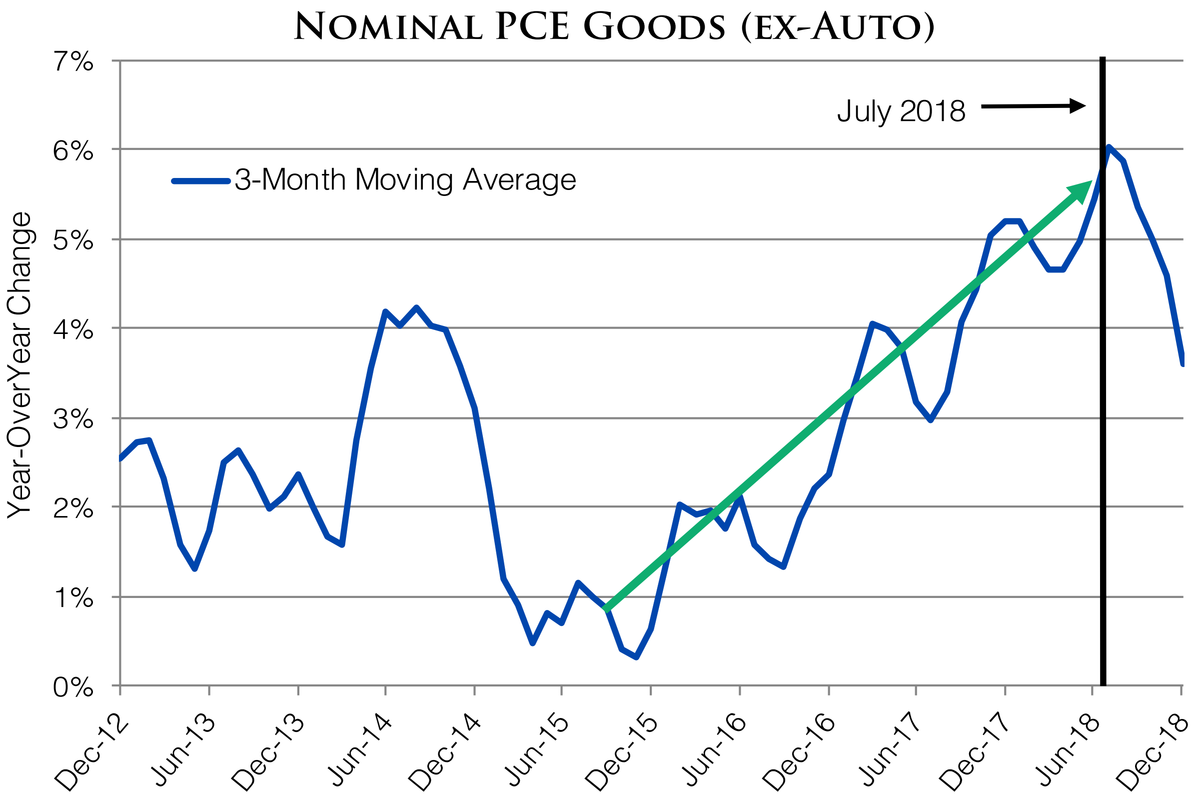
Avoid sectors like Energy and Industrials that typically benefit from dynamic economic growth.

GDP in Q4 2018 grew at a 2.2% annualized rate compared to the prior quarter. Q4 growth was below the pace of Q2 and Q3 2018.

For the full year 2018, real GDP grew 2.9% compared to the prior year. Economic growth in 2018 was at the high end of the range in annual growth since the start of the economic recovery.

The U.S. economy is on track to grow again in 2019, but the pace of growth will likely decelerate from what was achieved in 2018. The production data has softened in early 2019, and consumers are unlikely to maintain the strong pace of growth from 2018.

U.S. Consumer Spending Growth to Decelerate



Source: Bureau of Economic Analysis, WestEnd Advisors

Portfolio Impact

A more advanced economic cycle demands being selective within both equity and fixed income asset classes to identify attractive investment opportunities.

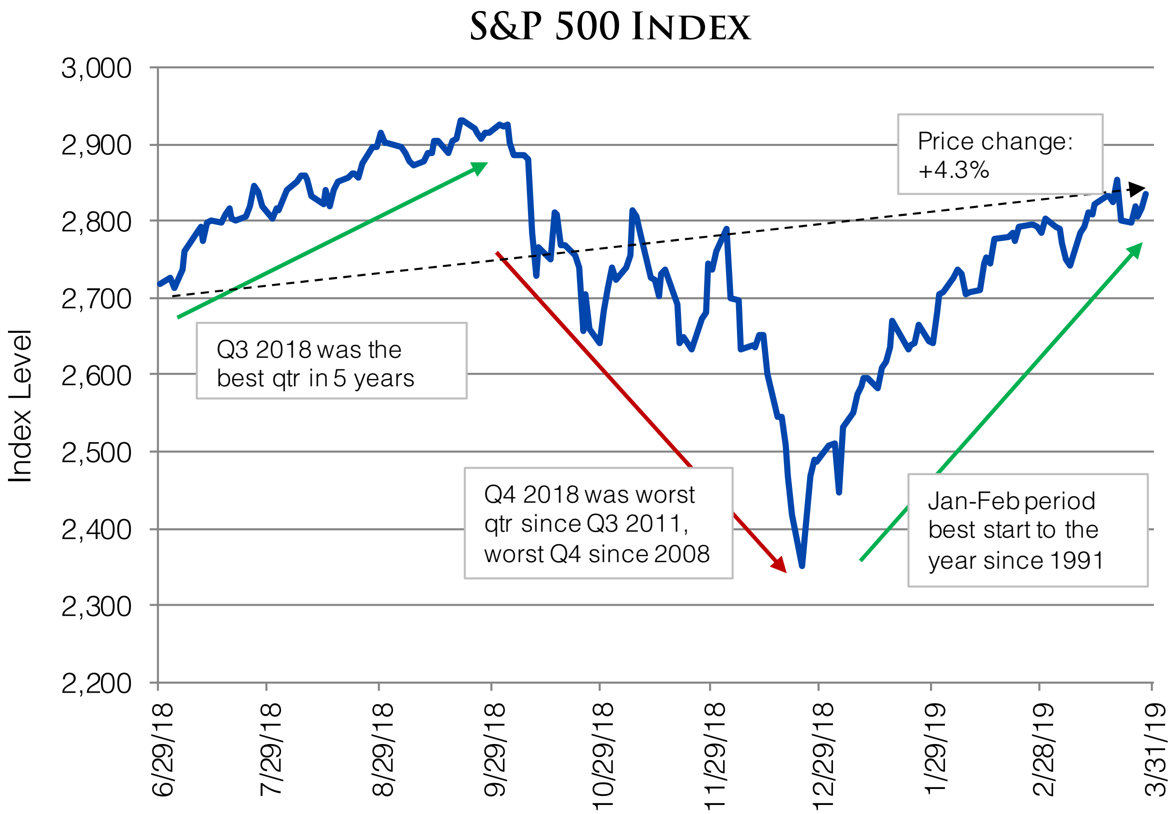
A deceleration in consumer spending growth will contribute to slower overall economic growth.

In 2018, the U.S. consumer exhibited some of the strongest spending seen during this economic cycle.

Spending growth in 2018 benefitted from a number of developments that supported consumer confidence including healthy income growth, record-low layoffs, the 2017 tax reform legislation and a strong rally in the stock market in 2017.

Not only are the tailwinds of tax reform and the stock market rally likely to diminish this year, but strong economic growth, which peaked in the middle of 2018 and will be lapped this year, creates a more difficult growth hurdle for 2019.

Big Equity Markets Swings, but Muted Return



Source: Bloomberg, WestEnd Advisors

Portfolio Impact

Economic growth in the U.S. has been relatively steady even as the stock market has delivered some significant positive and negative moves in recent quarters.

We have seen a series of significant swings in the stock market since the start of Q3 2018.

- The second half of 2018 was a tale of two markets. Q3 was the best quarter in 5 years, and then Q4 was the worst quarter in 7 years.
- The roller coaster ride carried over to 2019, as the market rally in the first two months of the year was the strongest two-month start to a year in nearly 30 years.

Despite all the sizable moves, the S&P 500 Index value was only up 4.3% over the nine months ended March 2019.

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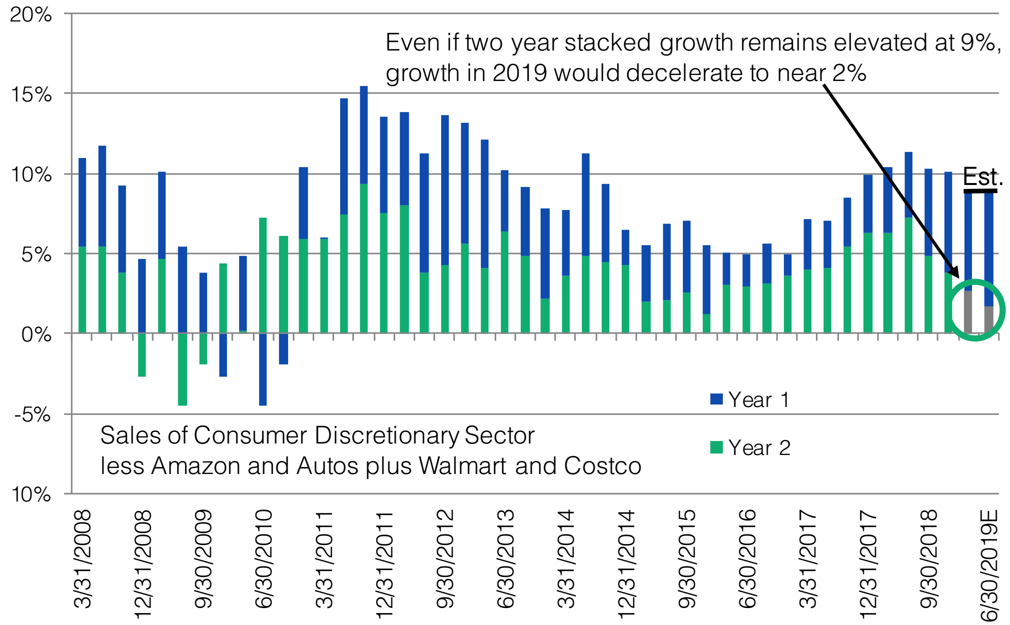
U.S. Sector Outlook

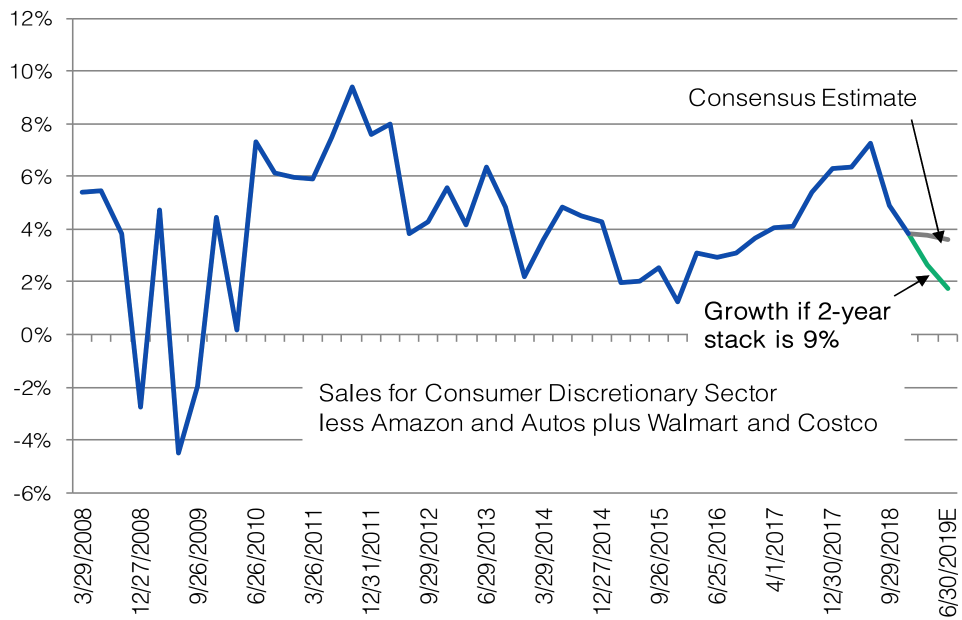
Sales Growth for Consumer Companies to Moderate

Aggregate Retail Two-Year Stacked Growth



Source: Company Data, WestEnd Advisors

Aggregate Retail Spending Year-Over-Year Growth



Source: Company Data, WestEnd Advisors

Portfolio Impact

We believe continued exposure to the consumer – a key driver of economic growth – is warranted.

We, however, now see a greater allocation to the Consumer Staples sector than the Consumer Discretionary Sector as appropriate.

The strength in consumer economic readings in 2018 carried over to company sales results, which reaccelerated to a seven-year high as of mid-2018.

Consumer-oriented company sales growth faces a higher hurdle in 2019, in part from lapping robust growth a year ago. By our estimates, sales growth could decelerate from its recent peak of over 6% during 2018 to 2% in 2019.

Despite these prospects, investor expectations for growth this year remain elevated.

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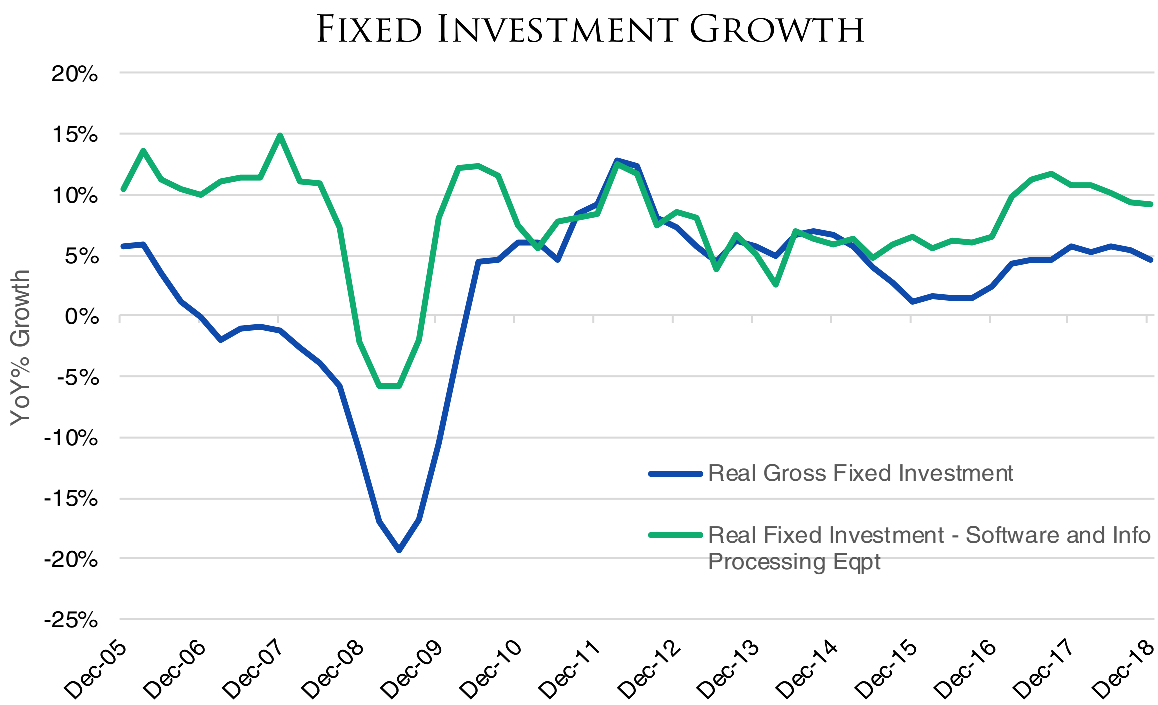
Tech CapEx Drives Technology Sector Growth



Source: Bureau of Economic Analysis, WestEnd Advisors

Portfolio Impact

Technological innovation and corporations' pursuit of productivity gains can drive higher Tech CapEx. Technology companies should benefit from these trends during this stage of the cycle.

Fixed Investment continues to contribute to U.S. real GDP growth, led by Fixed Investment in technology-related goods and services, which is outpacing Investment in structures and other equipment.

We believe that the fundamental drivers of higher tech spending can persist at this stage of the cycle for a couple of reasons:

- A wave of technological innovations such as cloud computing, cybersecurity, and software-defined networking has created opportunities and complexities that enterprises and small businesses are addressing.
- At this stage of the cycle, labor costs are rising, and investment in technology can enhance productivity.

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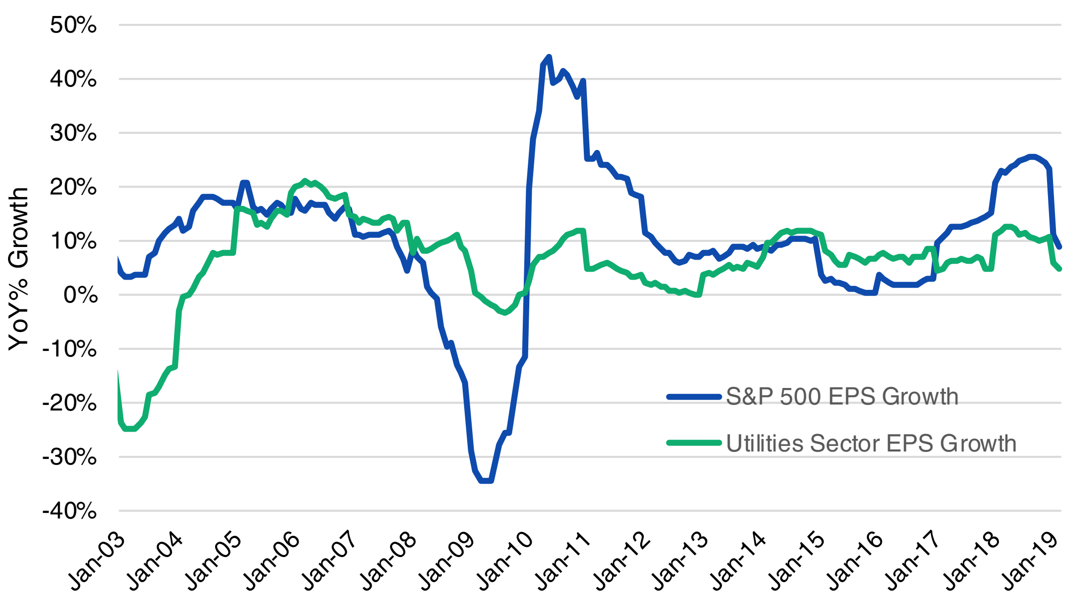
Utilities Sector Serves as a Ballast During Uncertain Markets

Utilties Sector and S&P 500 EPS Growth



Source: Bloomberg, WestEnd Advisors

Portfolio Impact

Utilities Sector stocks generate slow, but consistent earnings growth in varied economic environments. Utilities Sector exposure is warranted, in our view, given prospects for slowing economic growth, earnings uncertainty and potential market volatility.

As the economic cycle matures, revenue and earnings growth of S&P 500 companies become more vulnerable to declines, particularly for companies in the market's most economically-sensitive sectors.

The Utilities Sector generates consistent earnings growth during all phases of the economic cycle which insulates Utilities' share price performance from significant volatility in times of economic and market uncertainty.

Utilities Sector beta to the S&P 500 is ≈0.33 (5-year, weekly performance). In addition, Utilities' healthy dividend yields also can enhance shareholder returns during volatile markets.

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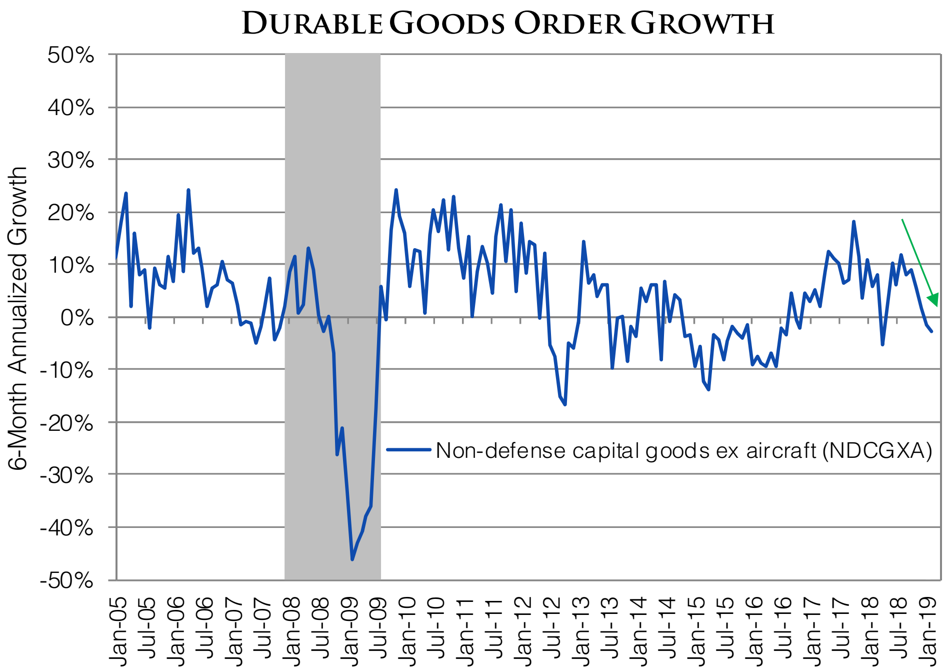
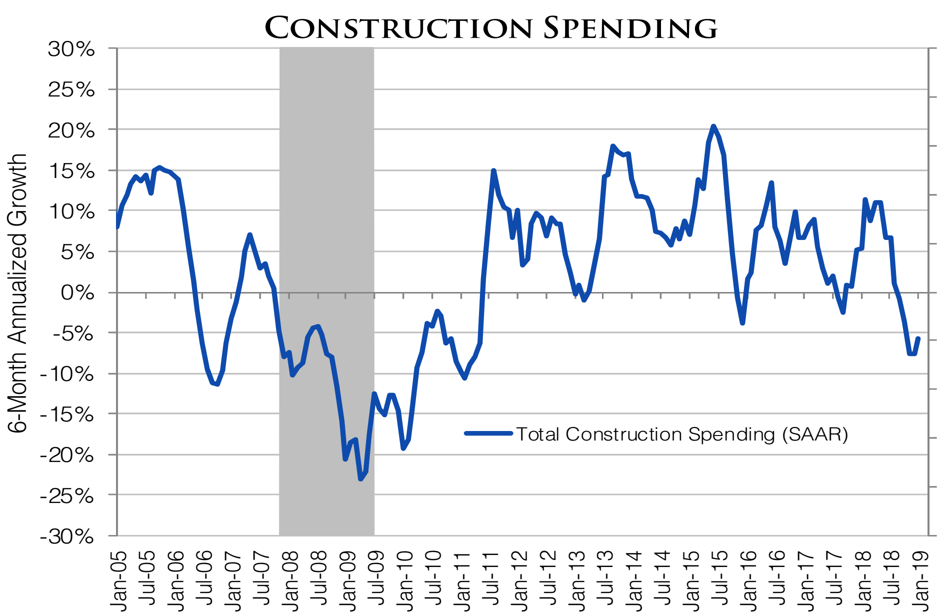
Industrials Sector Faces Headwinds



Source: U.S. Census Bureau, WestEnd Advisors



Source: U.S. Census Bureau, WestEnd Advisors

Portfolio Impact

Progress in the U.S. economic cycle along with an outlook for unexciting global growth warrants avoiding Industrials Sector stocks.

The economy has made significant progress since the cyclical trough in 2009. Business CapEx orders and construction spending have improved significantly from their lows.

Business CapEx (measured by NDCGXA orders) saw strong growth in 2017 and 2018. Part of the growth in 2018 can be attributed to U.S. tax reform and accelerated depreciation benefits. While those benefits can extend into 2019, our view is that CapEx growth will likely be slower this year given the current stage of the economic cycle.

Higher interest rates since 2016 have also pressured certain areas of the economy, including construction spending, which turned negative in late 2018.

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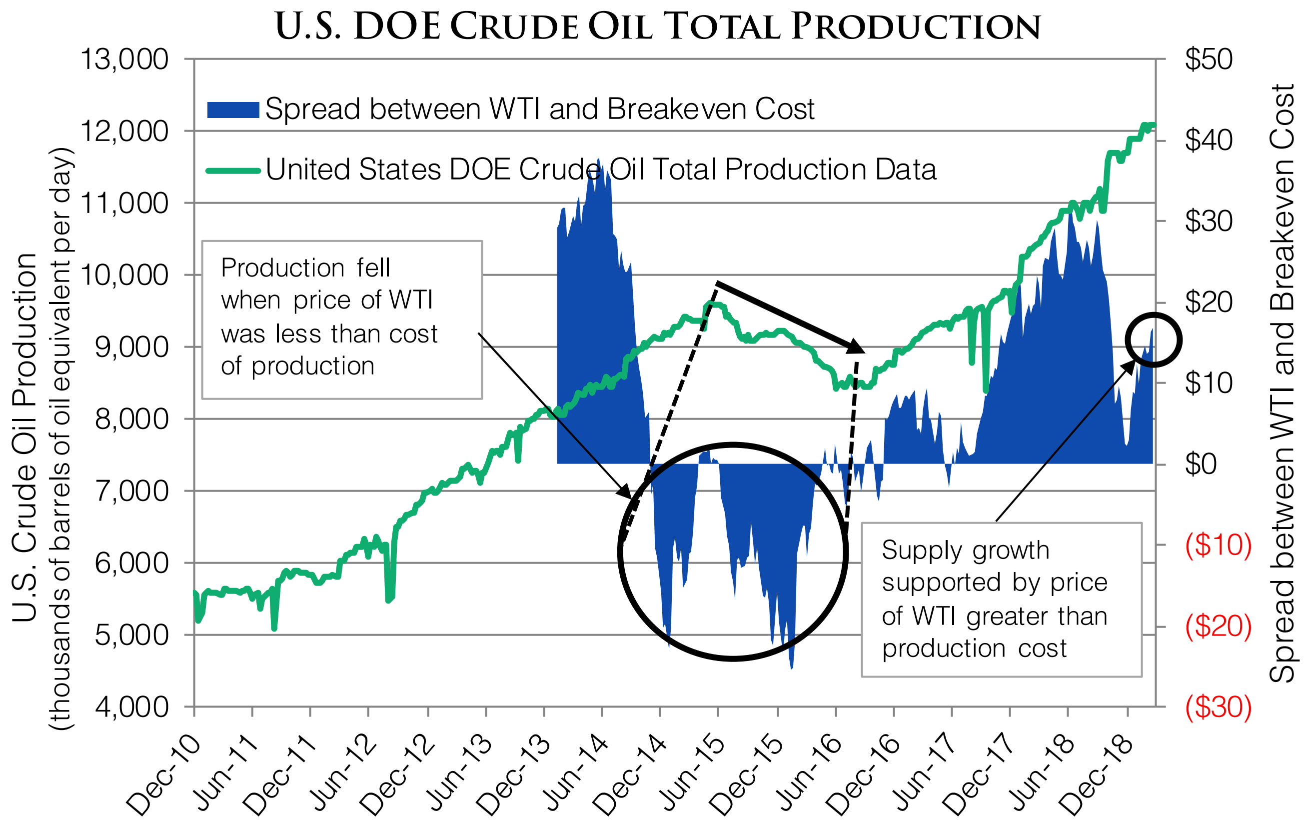
Energy Sector Challenges Likely to Persist



Source: U.S. Department of Energy, Rystad Energy, BTU Analytics, WestEnd Advisors

Portfolio Impact

A low likelihood of dynamic economic growth together with a challenged earnings outlook and extended valuations leads us to believe the risks outweigh the opportunities in the Energy Sector.

Crude oil prices fell in Q4 as oil inventories increased and more Iranian oil than expected hit the market. The global growth concerns that hurt oil in Q4 abated in part in Q1, which contributed to oil's rally this year.

In Q4, the price for WTI remained above the average breakeven cost (approx: $42) for shale producers, and WTI as of the end of Q1 ($60) is even higher above the breakeven cost after the recent rebound.

Therefore, record U.S. shale production is likely to continue and weigh on crude oil prices and Energy Sector earnings.

International Economic & Market Backdrop

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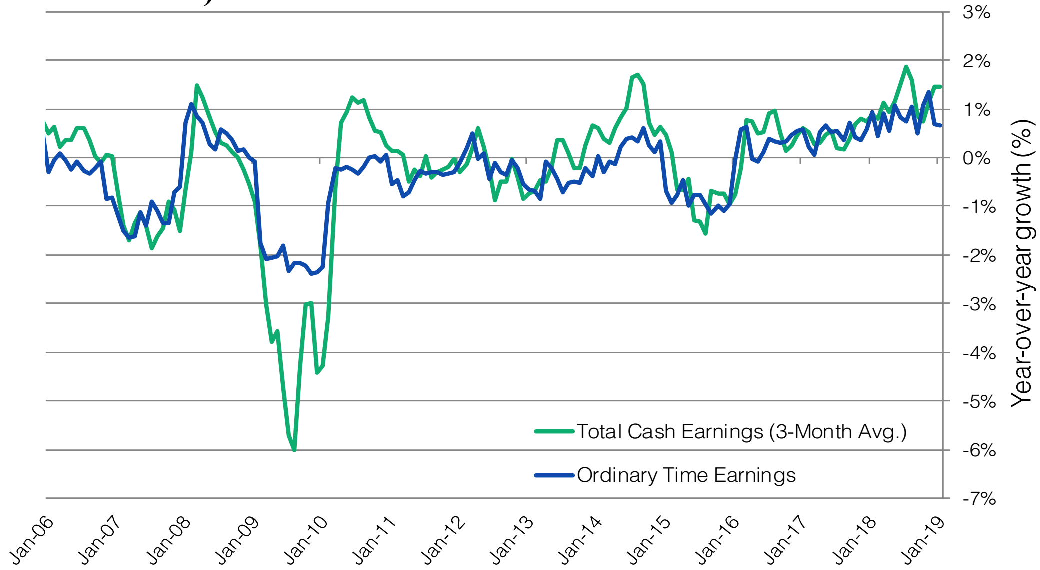
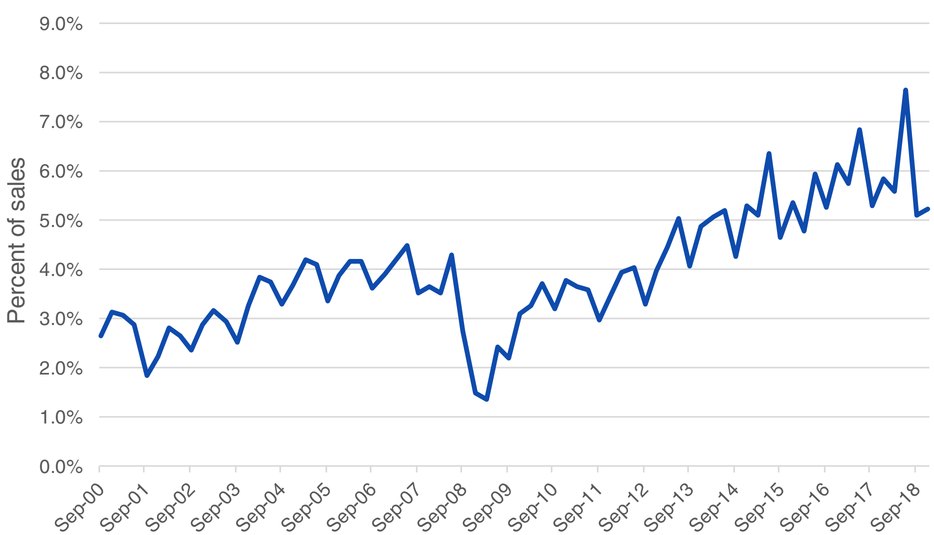
Japan on Track for Positive, Albeit Slow, Growth

Japanese Personal Income Growth



Source: Ministry of Health, Labour, and Welfare Japan, WestEnd Advisors

Japan Corporate Profits As A Percent of Sales



Source: Ministry of Finance Japan, WestEnd Advisors

Portfolio Impact

Japanese equities collectively trade at a significant discount to U.S. stocks. In recent quarters, Japan's economic trends have shown signs of stabilization, and there is potential for further improvement.

The negative factors that weighed on Japan's Q3 GDP proved temporary as Q4 GDP growth rebounded.

Slow, positive economic growth should carry over to 2019. Wage growth illustrates these positive trends and should support the consumer-based economy (top chart).

Corporate profits also continue to improve, and higher margins can offset cost pressures from a tight labor market.

Another sales tax increase looms in the fall of 2019, but economic impacts should be more mild than the last hike in 2014 due to government programs designed to mitigate the effects of the tax hike.

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Europe: More Economic Questions Than Answers

Source: Deutsche Bundesbank, WestEnd Advisors

Source: German Federal Statistical Office, WestEnd Advisors

Portfolio Impact

Developed Europe experienced economic slowdowns in Italy and Germany in the second half of 2018. Some of the growth headwinds look to have been temporary. European equity valuations remain below U.S valuations.

Attention has been focused on Germany's slow growth in the second half of 2018. Temporary events are partly to blame, such as regulatory disruption to the auto industry which has weighed on German export growth. We expect that auto-related headwinds will subside by mid-2019, but even a slowdown of that length could be damaging to Europe.

China's slowdown is also cited as a contributor to Germany's slowdown, which we do not necessarily see. Exports to China are only ≈8% of total German exports.

Outside of industry and manufacturing, German households have maintained positive spending growth, supported by stable labor market conditions.

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Sluggish Global Growth Weighs on Trade

Source: Bloomberg, WestEnd Advisors

Source: Bloomberg, WestEnd Advisors

Portfolio Impact

A variety of economic headwinds have weighed on international trade across major economies. Dynamic global growth looks unlikely in part because of softer export readings.

China's trade relationship with the U.S. is being watched closely by us and other investors. Nevertheless, for China, only 19% of exports go to the U.S., and for the U.S., only 7% of exports go to China.

It is important to acknowledge that global trade growth, which includes many countries unaffected by U.S. and China trade relations, has also slowed. This is evident for the largest Developed Market exporters as well as the largest Emerging Market exporters.

We believe the global trade slowdown is being driven by a global growth deceleration, which is natural at this stage of the economic cycle. That said, we continue to monitor trade carefully as a furthering decline in trade growth may signal a more severe global slowdown.

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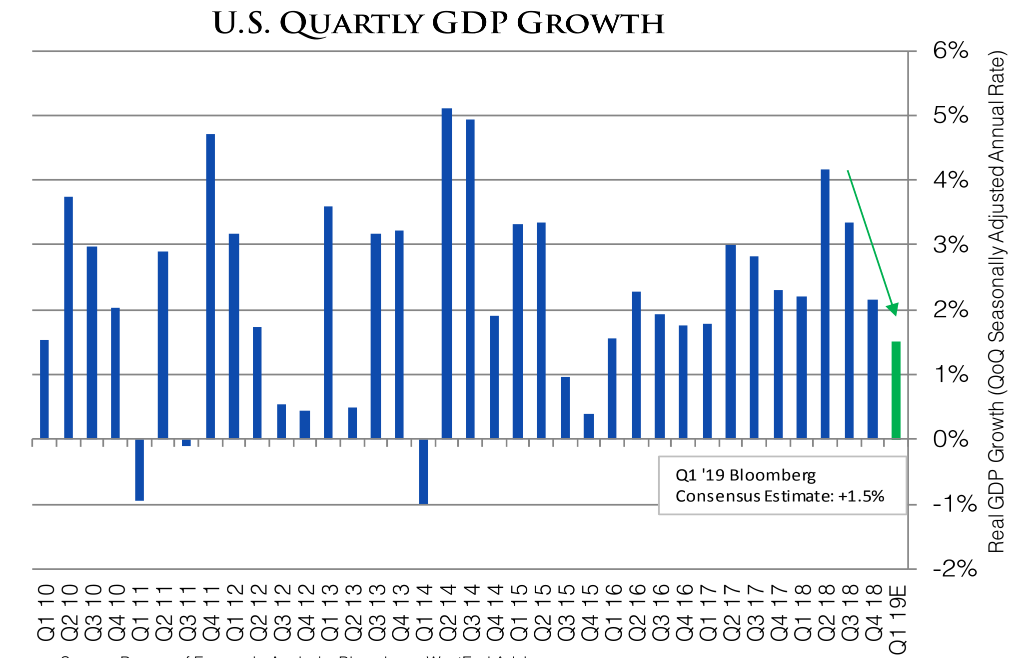
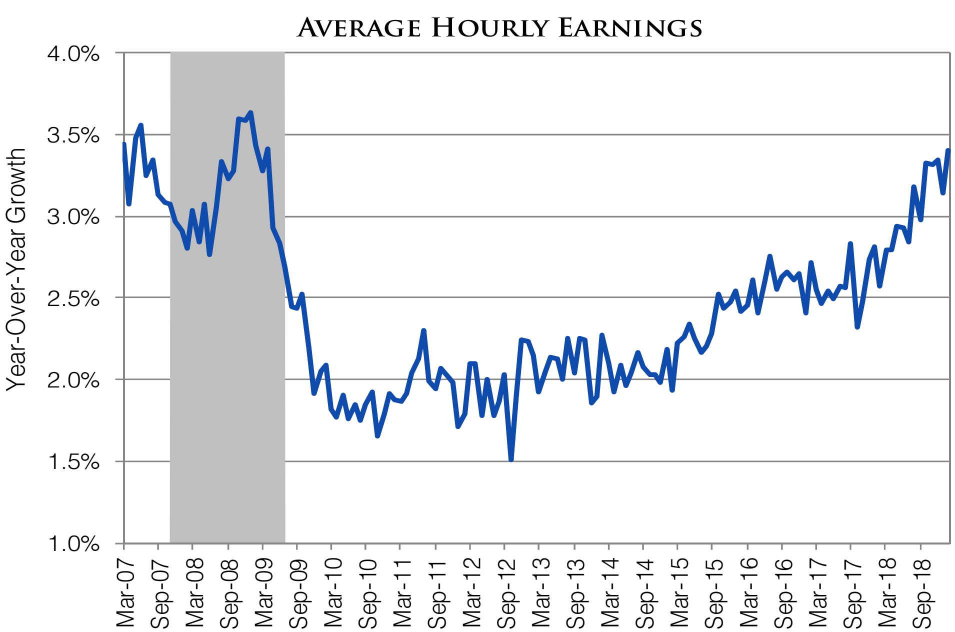
Inflation and Interest Rates

Crosscurrents Shape the Inflation Picture



Source: Bureau of Economic Analysis, Bloomberg, WestEnd Advisors



Source: Bureau of Labor Statistics, WestEnd Advisors

Portfolio Impact

Fixed Income: Closer to the end of the interest rate hike cycle, but upward pressure on rates remain. Emphasize short-duration securities.

Equities: Less risk of an extended move higher in interest rates makes exposure to the Consumer Staples and Utilities Sectors more attractive.

There have been some dovish developments to start the year, which contributed to lower long-term interest rates:

- Fed comments indicating that they will be "patient"
- Data pointing to a further slowing of GDP growth (top chart)

At the same time, upward pressures on interest rates exist from tight labor markets and below-trend inflation expectations.

- Average hourly earnings growth puts pressure on businesses to raise prices
- Long-term inflation expectations, based on 10-year Treasury break-even rates, are 1.86% today, below the average of 2.0% from 2010 to mid-2018.

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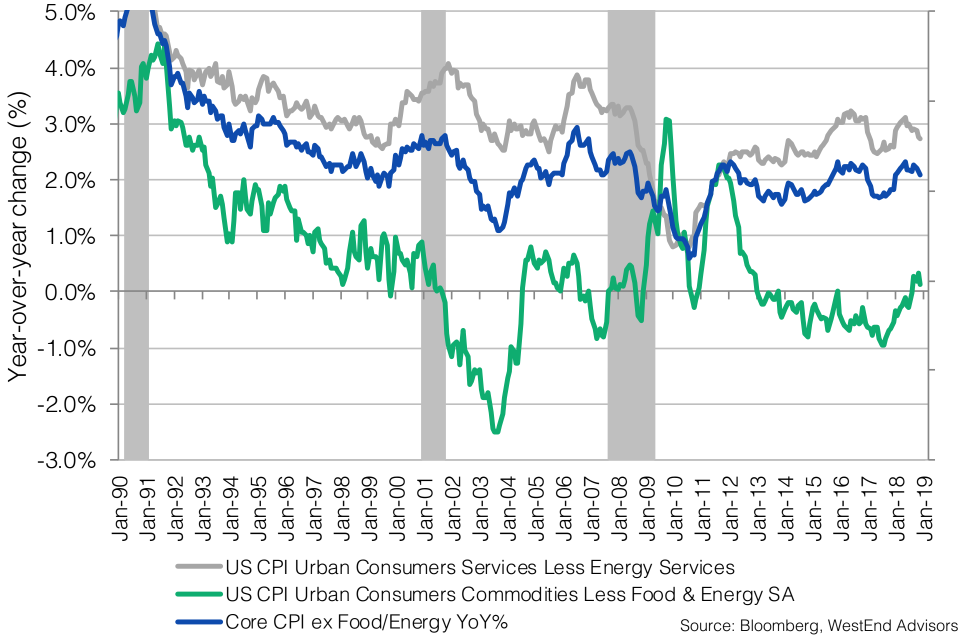
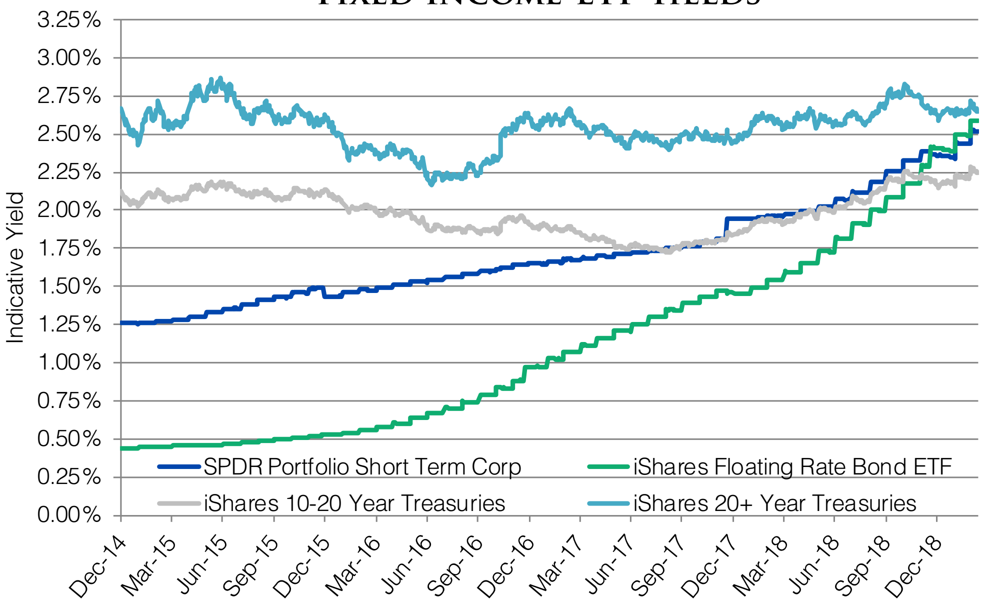
Impact of Stable Inflation and a Flat Yield Curve





Source: Bureau of Labor Statistics, WestEnd Advisors

Portfolio Impact

Given the increase in short-term interest rates, allocations to short-duration securities can generate significant income without taking on outsized duration risk.

Inflation has stabilized as goods inflation has picked up while services inflation has moderated slightly. The largest drivers of consumer inflation, rents and medical care costs, are not showing signs of a material acceleration, meaning inflation pressures could remain comfortably around 2% in the coming quarters. With inflation contained, there is less pressure on the FOMC to raise interest rates.

Short-term yields have moved higher as the Fed has raised short-term interest rates. Now, with a flat yield curve, income generation is very comparable for short and long-duration securities.

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The Standard and Poor's 500 Stock Index includes 500 stocks and is a common measure of the performance of the overall U.S. stock market. The MSCI ACWI consists of 47 country indexes comprising 23 developed and 24 emerging market country indexes. The total return of the MSCI ACWI (Net) Index is calculated using net dividends. Net total return reflects the reinvestment of dividends after the deduction of withholding taxes, using (for international indices) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties. The MSCI Europe Index represents a subset of the MSCI ACWI, comprising 15 developed market country indexes in Europe. An index is unmanaged and is not available for direct investment.

Any portfolio characteristics, including position sizes and sector allocations, among others, are generally averages and are for illustrative purposes only and do not reflect the investments of an actual portfolio unless otherwise noted. The investment guidelines of an actual portfolio may permit or restrict investments that are materially different in size, nature, and risk from those shown. The investment processes, research processes, or risk processes shown herein are for informational purposes to demonstrate an overview of the process. Such processes may differ by product, client mandate, or market conditions. Portfolios that are concentrated in a specific sector or industry may be subject to a higher degree of market risk than a portfolio whose investments are more diversified.

Holdings, Sector Weightings, and Portfolio Characteristics were current as of the date specified in this presentation. The listing of particular securities should not be considered a recommendation to purchase or sell these securities. While these securities were among WestEnd Advisors' strategies' holdings at the time this material was assembled, holdings will change over time. There can be no assurance that the securities remain in the portfolio or that other securities have not been purchased. It should not be assumed that recommendations made in the future will be profitable or will equal the performance of the securities presently in the portfolio. Individual clients' portfolios may vary. Upon request, WestEnd Advisors will provide a list of all recommendations for the prior year.

The Bloomberg Barclays US Treasury Bill Index tracks the market for Treasury bills issued by the US government. The Bloomberg Barclays US Mortgage Backed Securities (MBS) Index tracks agency mortgage-backed pass-through securities (both fixed-rate and hybrid ARM) guaranteed by Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC). The Bloomberg Barclays US Treasury Index measures US dollar-denominated, fixed-rate, nominal debt issued by the US Treasury. The Bloomberg Barclays US Corporate Bond Index measures the investment grade, fixed-rate, taxable corporate bond market. The Bloomberg Agriculture Spot Index measures the price movements of agricultural commodities included in the Bloomberg Commodity Index and select sub-indexes. The Bloomberg Precious Metals Spot Subindex measures the price movements of Precious Metals included in the Bloomberg Commodity Index and select sub-indexes. The Russell 2500 Index is composed of the smallest 2500 securities in the Russell 3000 Index. The Russell 2500 is constructed to provide a comprehensive and unbiased barometer for the small to mid-cap segment of the U.S. equity universe. The MSCI World ex-USA Index captures large and mid-cap representation across 22 of 23 Developed Markets (DM) countries excluding the United States. The MSCI EM (Emerging Markets) Index is a free-float weighted equity index that captures large and mid cap representation across 24 Emerging Markets (EM) countries. The Bloomberg Energy Spot Subindex measures the price movements of Energy included in the Bloomberg Commodity Index and select sub-indexes. The Bloomberg Industrial Metals Spot Subindex measures the price movements of Industrial Metals included in the Bloomberg Commodity Index and select sub-indexes.