Genesis Wealth Advisors

A Wealth of Possibilities

Quarterly Update August 2017

Key Takeaways

- ***Financial markets ignore uncertainty and chaos – what gives?***
- ***Why diversification is now most crucial to investors***
- ***Beware of the pundits – they are only right until they are ultimately wrong***

Overview

- Despite high political and geopolitical risk, coupled with high financial market valuation and sub-par global economic growth, implied market volatility remains very low and markets continue to drive higher.
- Amid elevated valuations and a prolonged period without a market correction, steady economic growth and improving equity fundamentals have pushed bullish market sentiment to high levels.
- There is still a premium to bearing equity risk, albeit small. There is little risk premium reward in the bond market for bearing duration and/or credit risk.

Areas of Opportunity & Concern

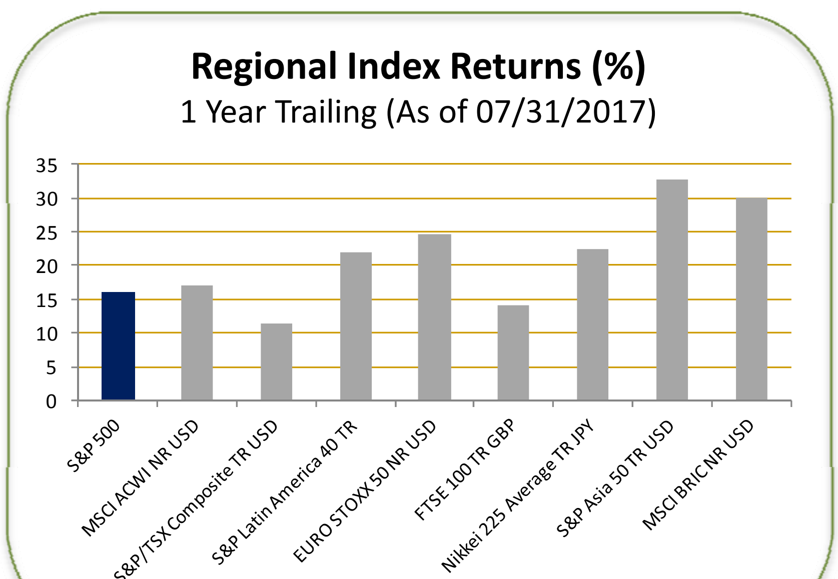
- With very little near term risk premium reward apparent in liquid traditional investments, it is crucial to be well diversified across asset class, economic sector, and common risk factors. It's about preserving capital in this "long in the tooth" bull market.
- Opportunity in the current market environment will require patience and fortitude, along with the will not to blindly follow the consensus or react to the pundits that proclaim we may or may not be in a market bubble.
- We believe that asset valuations (both beginning and relative) drive asset returns over longer periods of time, while short term results continue to be dominated by momentum, a large part behaviorally-based.
- We continue to focus on prudent diversification away from market-weighted portfolio exposures in favor of active factor allocations, along with non-correlated investment strategies and direct equity hedge strategies.

Key Market & Economic Indicators

Bullish | Favorable | Neutral | Cautious | Bearish

Equities	July 2017	Trailing 3 Months	Trailing 1 Year	Current View
U.S. Large & Mid Cap	2.06%	4.14%	16.04%	Neutral
U.S. Small Cap	0.74%	2.11%	18.45%	Cautious
International	2.88%	6.47%	17.77%	Neutral
Emerging Markets	5.96%	10.19%	24.84%	Neutral
Fixed Income				
U.S. Aggregate	0.43%	1.10%	-0.51%	Neutral
U.S. Government	0.17%	0.66%	-2.40%	Cautious
U.S. Corporate	0.73%	2.08%	1.26%	Favorable
U.S. High Yield	1.11%	2.12%	10.95%	Neutral
Non-U.S. Developed	3.03%	5.99%	-1.19%	Cautious
Emg Market Debt	1.92%	4.39%	7.66%	Bearish
Alternatives				
REITs	1.22%	2.64%	-4.47%	Neutral
Commodities	4.58%	1.00%	5.23%	Bearish
Managed Futures	2.52%	0.64%	-6.61%	Cautious
Hedge Fund	0.93%	1.38%	5.44%	Favorable

Source: Morningstar *Data as of 07/31/2017*



Source: Morningstar

Important Disclosures

The statements contained herein are based upon the opinions of Genesis Wealth Advisors (Genesis), its investment research provider, Palladiem LLC (Palladiem), and the data available at the time of publication and are subject to change at any time without notice. This communication does not constitute investment advice and is for informational purposes only, is not intended to meet the objectives or suitability requirements of any specific individual or account, and does not provide a guarantee that the investment objective of any model will be met. An investor should assess his/her own investment needs based on his/her own financial circumstances and investment objectives. Neither the information nor any opinions expressed herein should be construed as a solicitation or a recommendation by Genesis or its affiliates to buy or sell any securities or investments or hire any specific manager.

Genesis and Palladiem prepared this Update utilizing information from a variety of sources that it believes to be reliable that may include, but not be limited to, custodians, mutual fund companies, investment managers, Morningstar, Bloomberg, other third-party service providers and in some cases as directed by the client or their representative. Genesis and Palladiem take reasonable care to ensure the accuracy of such information but does not warrant that it is complete, accurate or adequate and it should not be relied upon as such.

It is important to remember that there are risks inherent in any investment and that there is no assurance that any investment, asset class, style or index will provide positive performance over time. Diversification and strategic asset allocation do not guarantee a profit or protect against a loss in a declining markets. Past performance is not a guarantee of future results. All investments are subject to risk, including the loss of principal. Portfolio positions referenced are subject to change at any time, your portfolio may not reflect the information referenced.

Genesis and Palladiem have discretion to change allocations to styles and vehicles at any time.

Index definitions:

“U.S. Large Cap” represented by the S&P 500 Index.
“U.S. Small Cap” represented by the Russell 2000 Index.
“International” represented by the MSCI Europe, Australasia, Far East (EAFE) Net Return Index.
“Emerging” represented by the MSCI Emerging Markets Net Return Index.
“U.S. Aggregate” represented by the Barclays U.S. Aggregate Bond Index.
“U.S. Government” represented by the Barclays U.S. Government Bond Index.
“U.S. Corporate” represented by the Barclays U.S. Credit Bond Index.
“U.S. High Yield” represented by the Barclays U.S. Corporate High Yield Index.
“Non-U.S. Developed” represented by the S&P International Treasury ex U.S. Index.
“Emg Market Debt” represented by the JP Morgan GBI-EM Global Core Index
“REITs” represented by the FTSE North American Real Estate Investment Trust (REIT) Equity REITs Index.
“Commodities” represented by the S&P Goldman Sachs Commodities Index (GSCI).
“Managed Futures” represented by the Credit Suisse Managed Futures Index.
“Global Macro” represented by the Credit Suisse Global Macro Index

Direct investment in an index is not possible.

Genesis Wealth Advisors is a Registered Investment Adviser.

For more information about Genesis, as well as its products, fees and services, please refer to Genesis’s website, www.Genesisadvisors.com or call us at 800-245-7526.