

## Key Takeaways

- **Equity markets continued to plod higher for the most part; we see increasing opportunities outside the U.S.**
- **Despite additional planned Fed rate hikes, longer term interest rates fell**
- **Economic growth should rebound from 1<sup>st</sup> quarter doldrums, but remains challenged longer-term**

## Overview

- Global equity markets were mixed, with U.S. large cap rising modestly while mid- and small-cap U.S. stocks declined. Overseas, most markets rose led by Europe and Asia ex-Japan.
- Bond prices were also positive with investment grade credit outpacing high yield, Treasuries, and mortgage-backed securities.
- Hedging strategies were slightly positive, but commodities declined again, led lower by oil prices.

## Areas of Opportunity & Concern

- We believe equity markets, particularly the U.S., have priced in robust economic conditions and earnings. As a result, we have tilted portfolios toward factors, sectors, and regions that we believe are more attractively valued and may better weather some retrenchment.
- The Fed seems intent on maintaining its drive toward higher short-term rates, even if the longer fixed income maturities have not followed suit.
- Political and geopolitical risks remain high, in our view. Health care and tax reform remain highly fluid and uncertain, infrastructure spending is at best postponed, while both the debt ceiling and fiscal year 2018 battles are likely to be messy.
- We continue to focus on active diversification from straight beta portfolio exposures in favor of factor allocations, along with non-correlated investment strategies and direct equity hedge strategies.

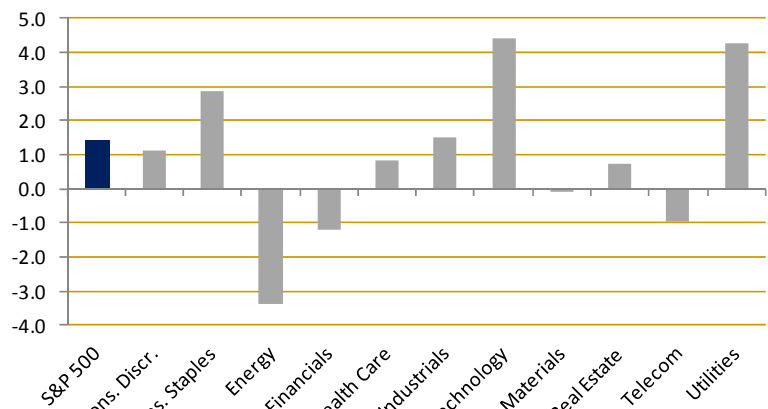
## Key Market & Economic Indicators

	Bullish	Favorable	Neutral	Cautious	Bearish
<b>Equities</b>					
		May 2017	Trailing 3 Months	Trailing 1 Year	Current View
U.S. Large & Mid Cap		1.41%	2.57%	17.47%	Neutral
U.S. Small Cap		-2.03%	-0.83%	20.36%	Cautious
International		3.67%	9.23%	16.44%	Cautious
Emerging Markets		2.96%	7.87%	27.41%	Cautious
<b>Fixed Income</b>					
U.S. Aggregate		0.77%	1.49%	1.58%	Neutral
U.S. Government		0.64%	1.29%	0.07%	Cautious
U.S. Corporate		1.08%	1.93%	3.89%	Favorable
U.S. High Yield		0.87%	1.81%	13.58%	Neutral
Non-U.S. Developed		2.66%	4.44%	0.06%	Cautious
Emg Market Debt		1.87%	5.26%	11.92%	Bearish
<b>Alternatives</b>					
REITs		-0.77%	-2.92%	2.91%	Neutral
Commodities		-1.54%	-7.38%	-7.15%	Bearish
Managed Futures		0.11%	-3.07%	-3.39%	Cautious
Hedge Fund		0.24%	0.69%	5.97%	Favorable

Source: Morningstar

Data as of 05/31/2017

## S&P 500 Sector Returns (%) 1 Month Trailing (As of 05/31/2017)



Source: Morningstar

# Important Disclosures

---

The statements contained herein are based upon the opinions of Genesis Wealth Advisors (Genesis), its investment research provider, Palladium LLC (Palladium), 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 Palladium 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 Palladium 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 Palladium 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](http://www.Genesisadvisors.com) or call us at 800-245-7526.