

CHARTBOOK

MAY 2018



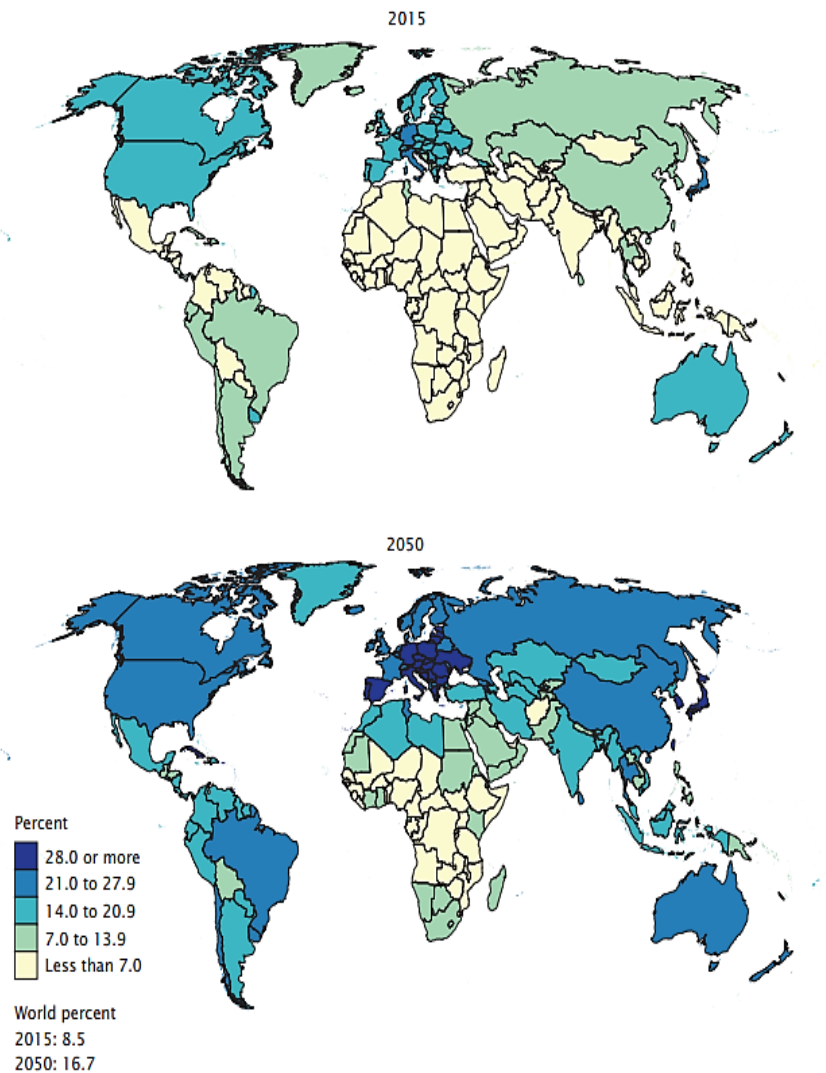
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DEMOGRAPHICS CONTINUE TO IMPACT GROWTH

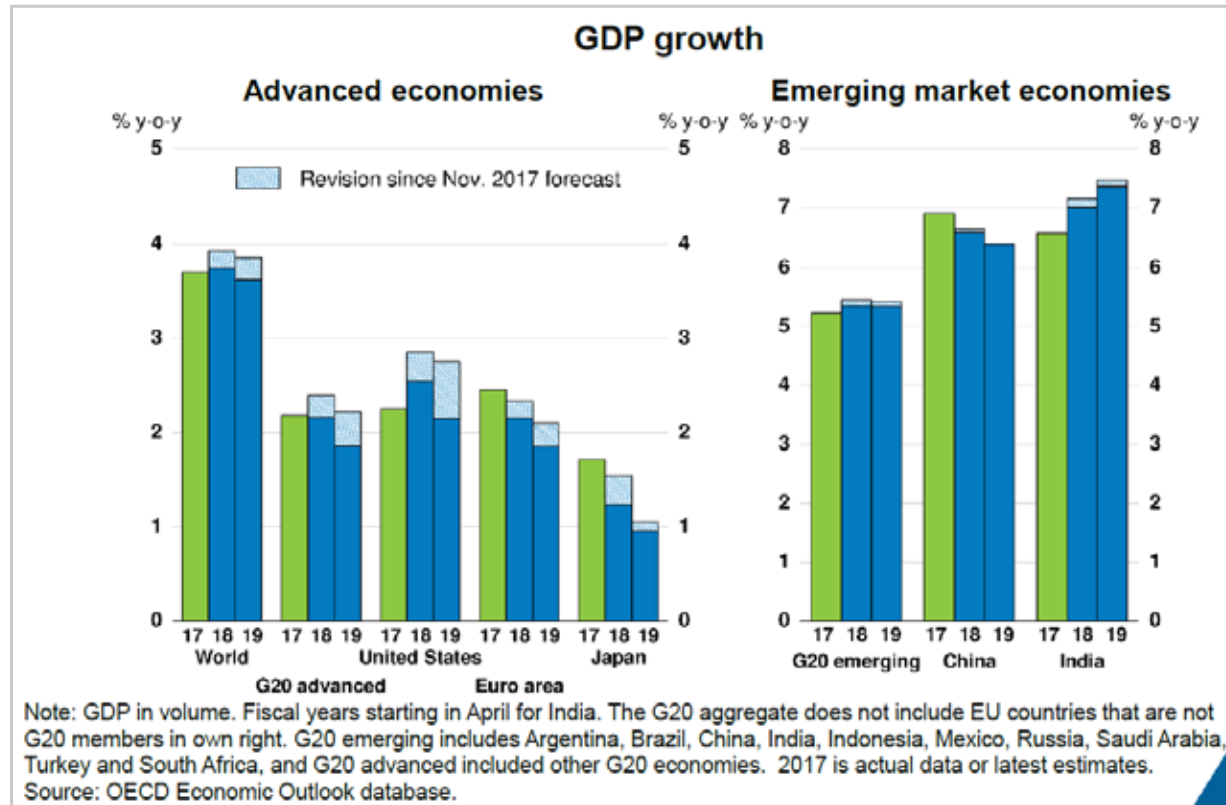
Figure 2-1.
Percentage of Population Aged 65 and Over: 2015 and 2050



The aging of the developed world will continue to moderate global growth.

[Source: An Aging World: 2015
International Population, March 2016]

MODEST GLOBAL EXPANSION CONTINUES



Source: OECD Interim Economic Outlook March 2018

The growth revisions are greater for the developed world.

SYNCHRONIZED GROWTH ACROSS THE G20

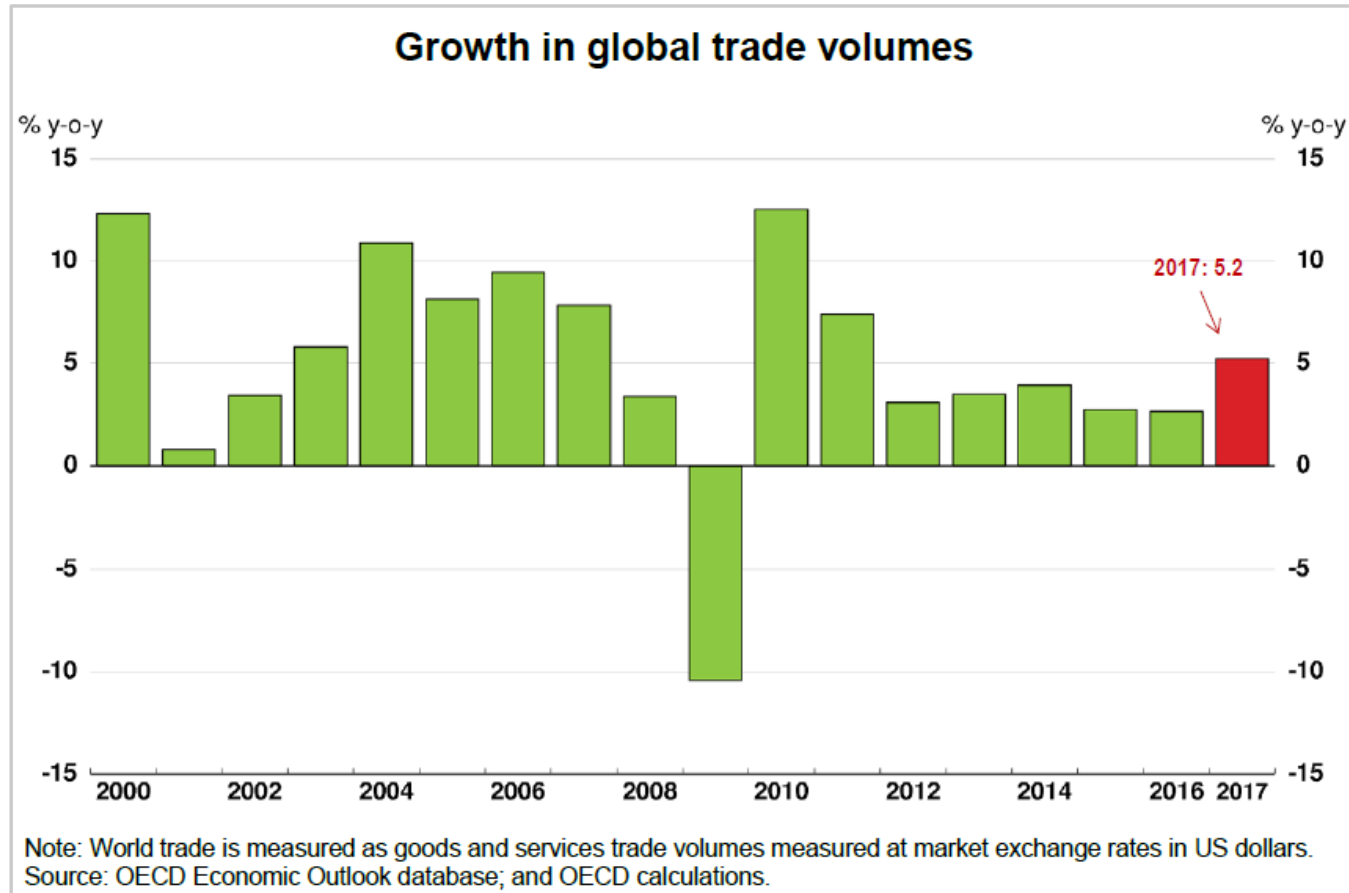
GDP growth									
Year-on-year, %. Arrows indicate the direction of revisions since November 2017									
	2017	2018	2019		2017	2018	2019		
World	3.7	3.9	3.9	G20	3.8	4.1	4.0		
Australia	2.3	3.0	3.0	Argentina	2.9	3.2 =	3.2 =		
Canada	3.0	2.2	2.0	Brazil	1.0	2.2	2.4		
Euro area	2.5	2.3	2.1	China	6.9	6.7	6.4 =		
Germany	2.5	2.4	2.2	India ¹	6.6	7.2	7.5		
France	2.0	2.2	1.9	Indonesia	5.1	5.3	5.4 =		
Italy	1.5	1.5 =	1.3 =	Mexico	2.3	2.5	2.8		
Japan	1.7	1.5	1.1	Russia	1.5	1.8	1.5 =		
Korea	3.1	3.0 =	3.0 =	Saudi Arabia	-0.8	1.6 =	1.7 =		
United Kingdom	1.7	1.3	1.1 =	South Africa	1.2	1.9	2.1		
United States	2.3	2.9	2.8	Turkey	6.9	5.3	5.1		

Note: GDP in volume. Difference in percentage points based on rounded figures. Dark green for upwards revision of 0.2 percentage points and more. The G20 aggregate does not include EU countries that are not G20 members in own right.
1. Fiscal years starting in April.

Source: OECD Interim Economic Outlook March 2018

Although Europe's growth has begun to moderate, the trend for G20 is up.

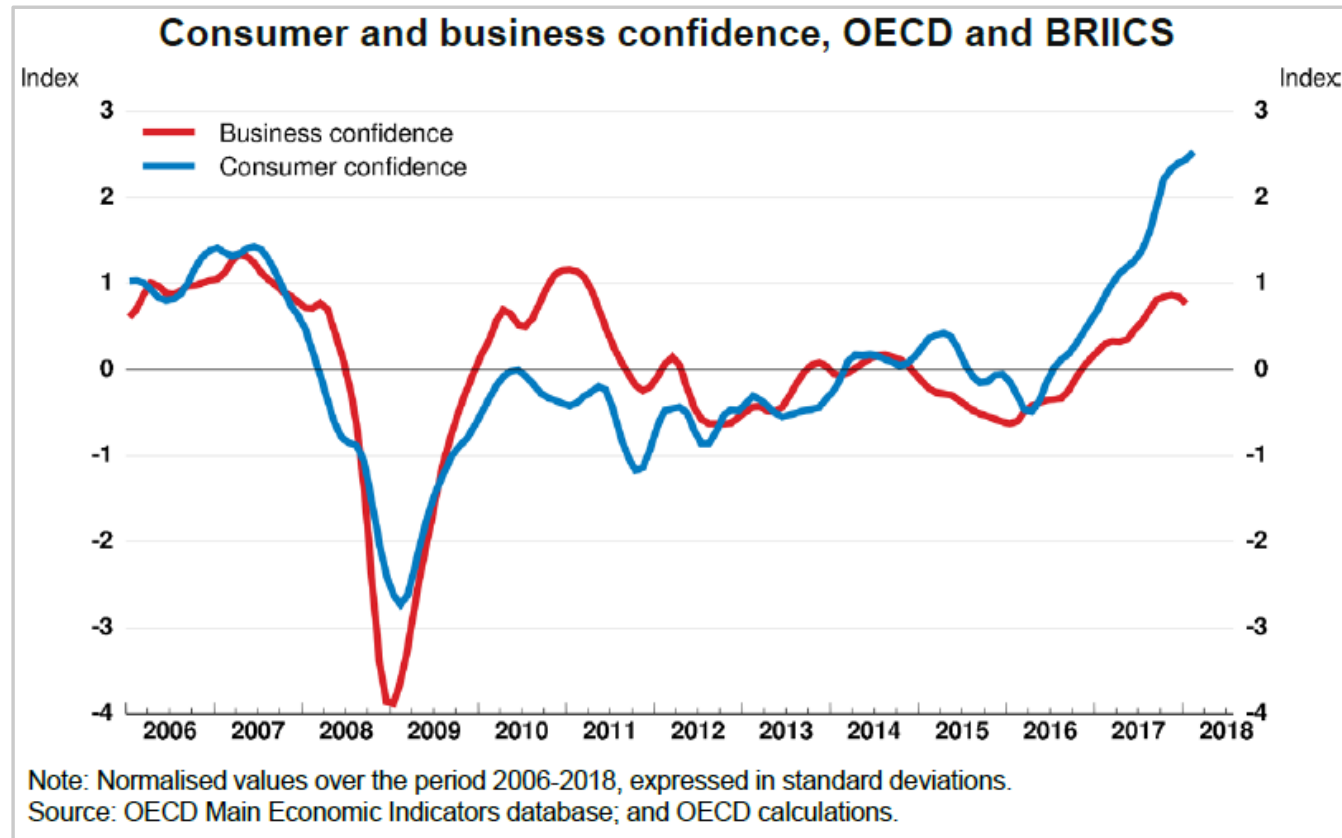
TRADE GROWTH BOUNCED BACK IN 2017



Source: OECD Interim Economic Outlook March 2018

Global trade bounced back, but what will be the impact of tariffs?

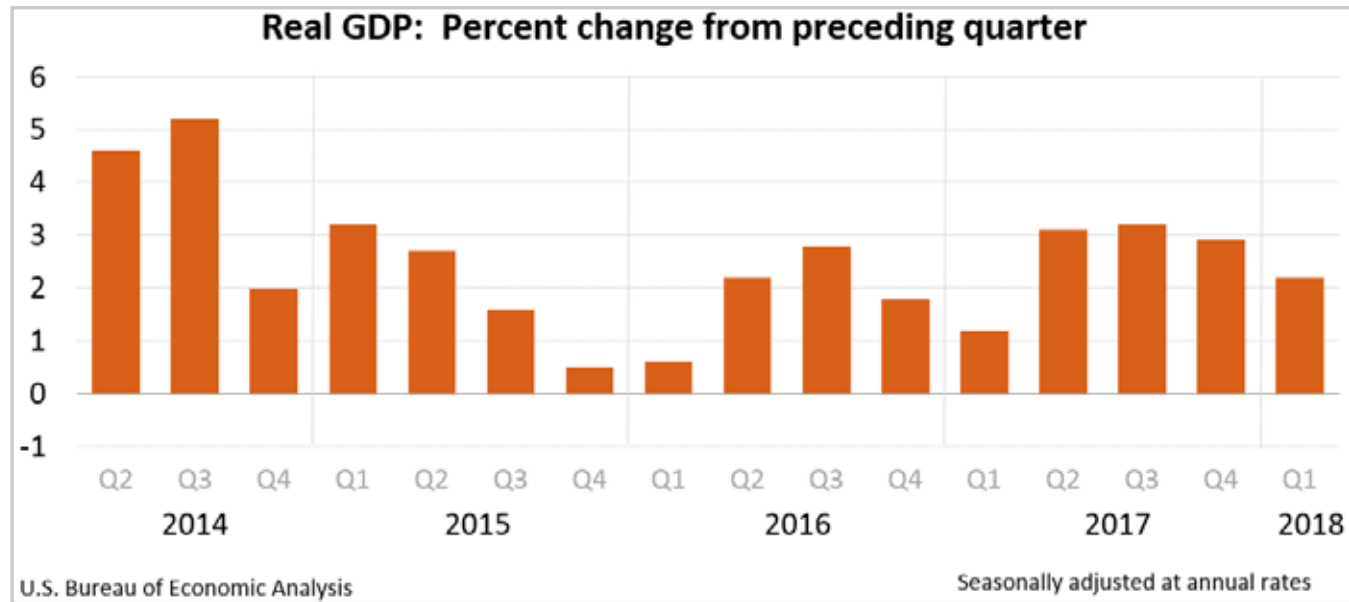
CONFIDENCE IS BUOYANT



Source: OECD Interim Economic Outlook March 2018

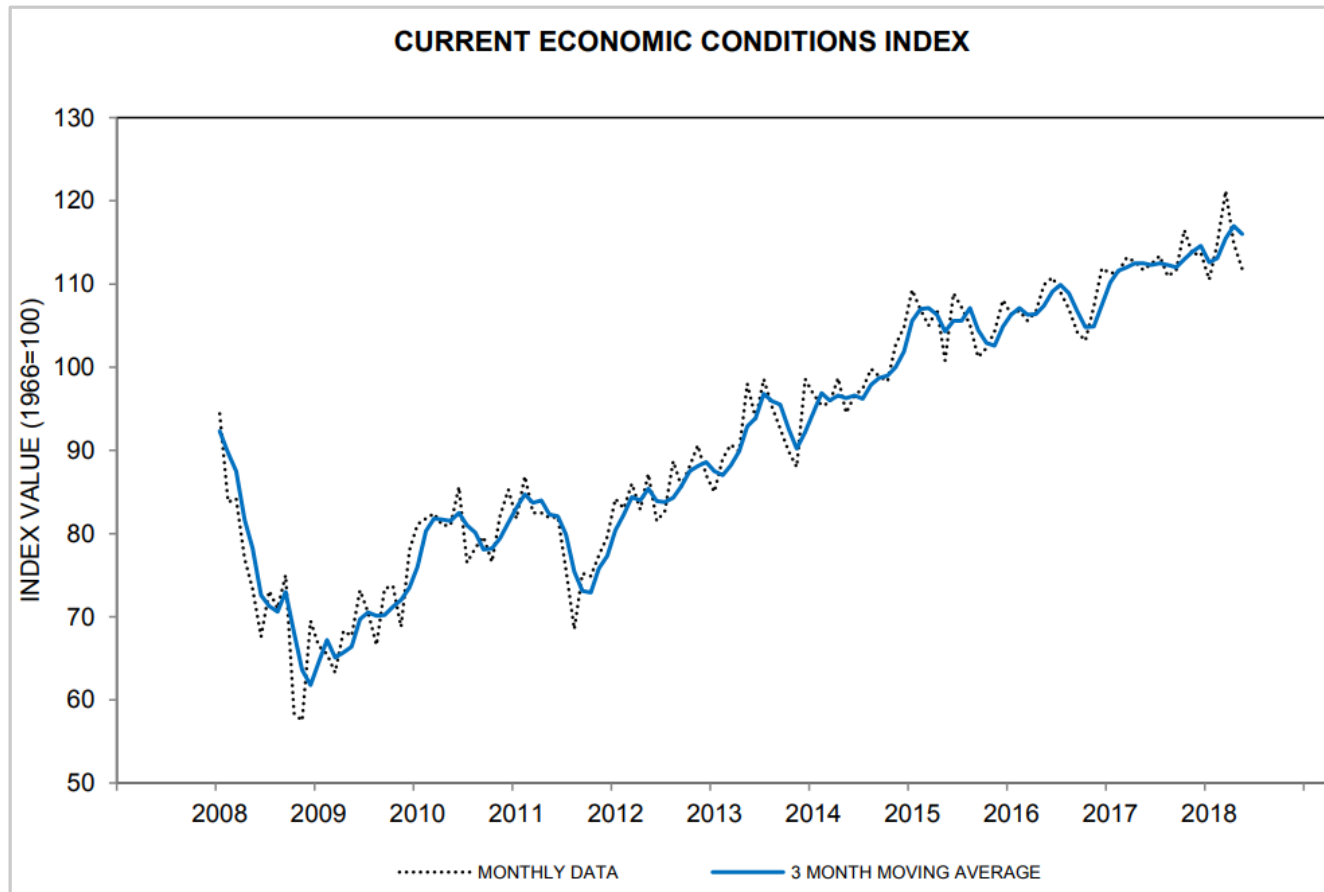
Consumers and businesses worldwide are confident- albeit at levels that sometimes signal pullback.

U.S. GDP GROWTH - STEADY



The first quarter of 2018 reflected better first quarter growth than prior years. Tax cuts should bump growth further in 2018.

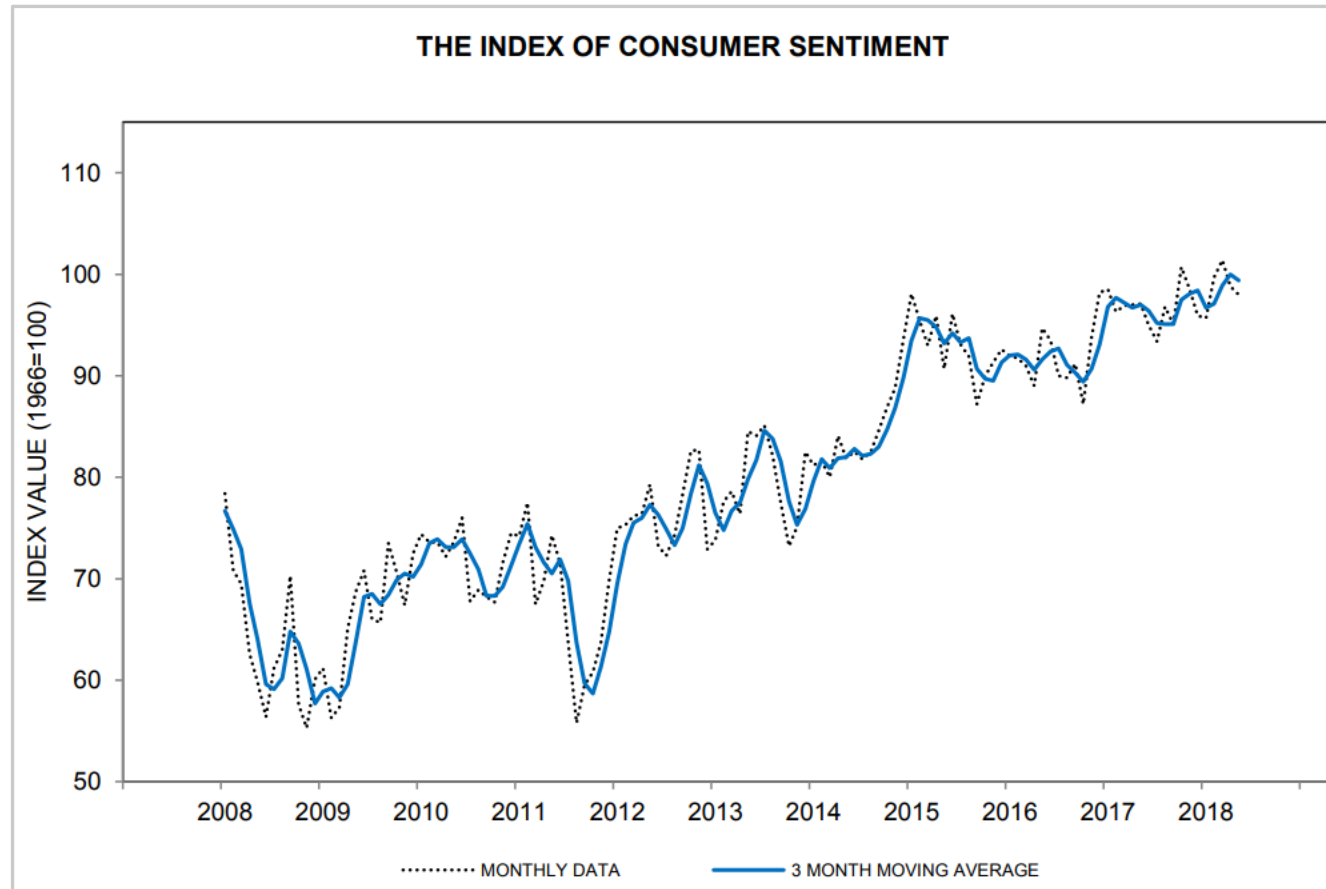
U.S. CONSUMERS REMAIN CONTENT



Source: University of Michigan, May 2018

U.S. consumers remain very happy with their current economic circumstances.

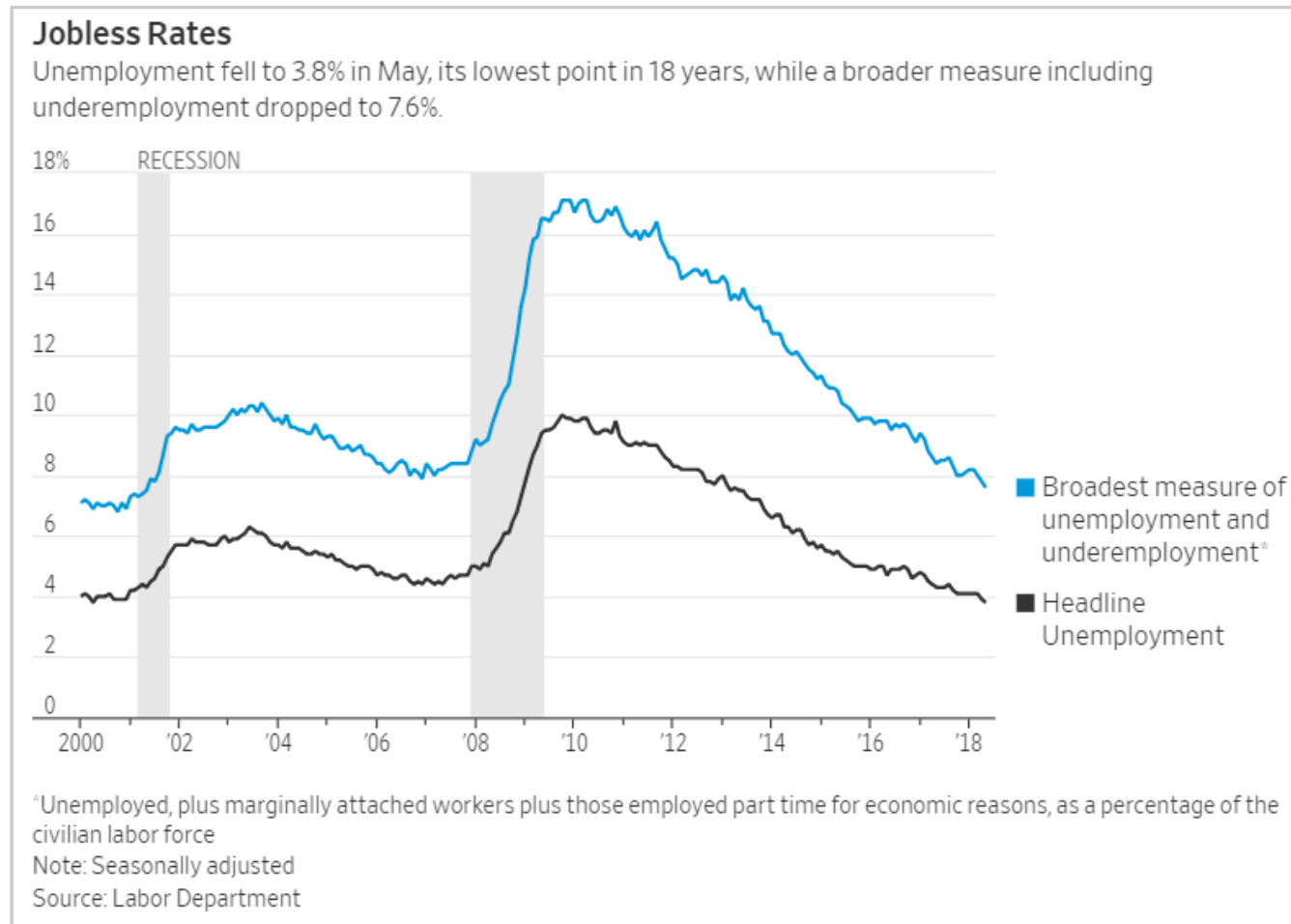
U.S. CONSUMERS' EXPECTATIONS REMAIN (TOO?) BRIGHT



Source: University of Michigan, May 2018

U.S. consumers are very optimistic about the financial future; we are wary of the elevated level for such a long period.

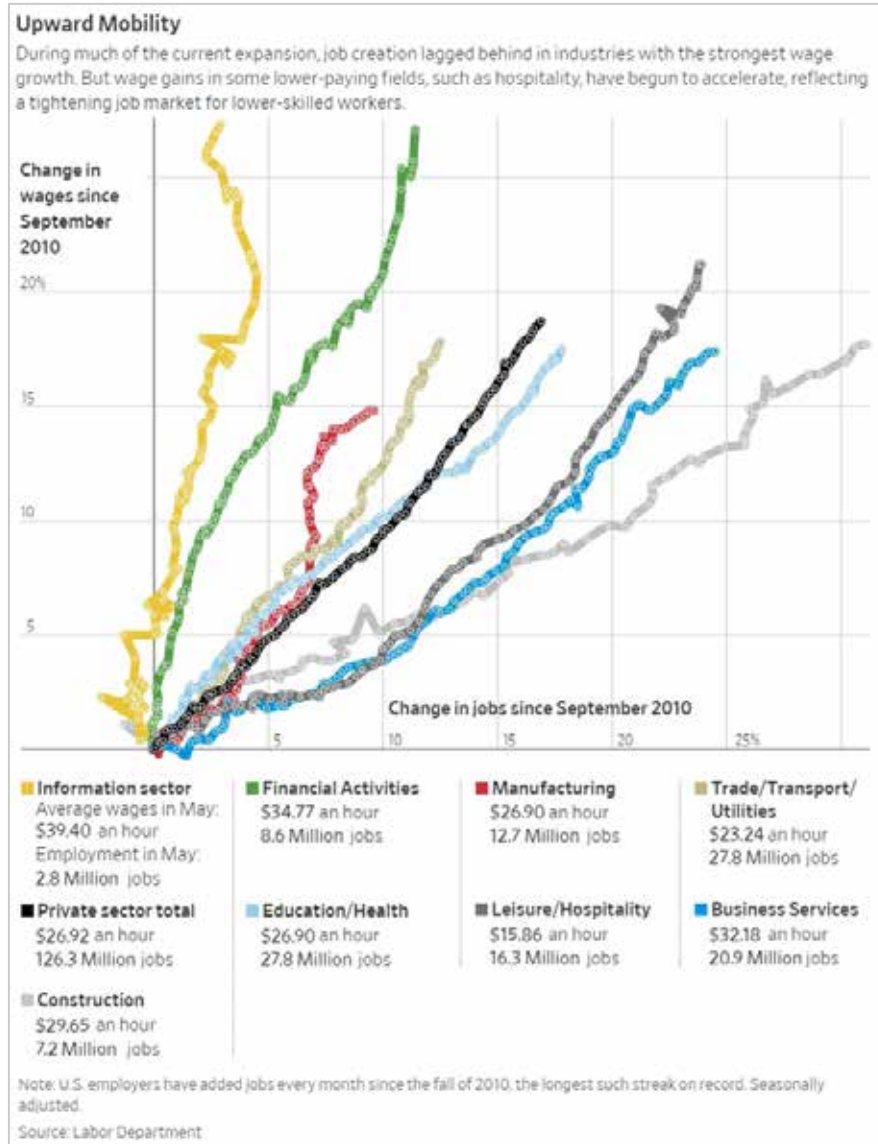
THE JOBLESS RATE HAS PLUMMETED TO 18 YEAR LOWS



Source: Wall Street Journal, June 1, 2018, "Unemployment Rate Falls to 18-Year Low; Solid Hiring in May"

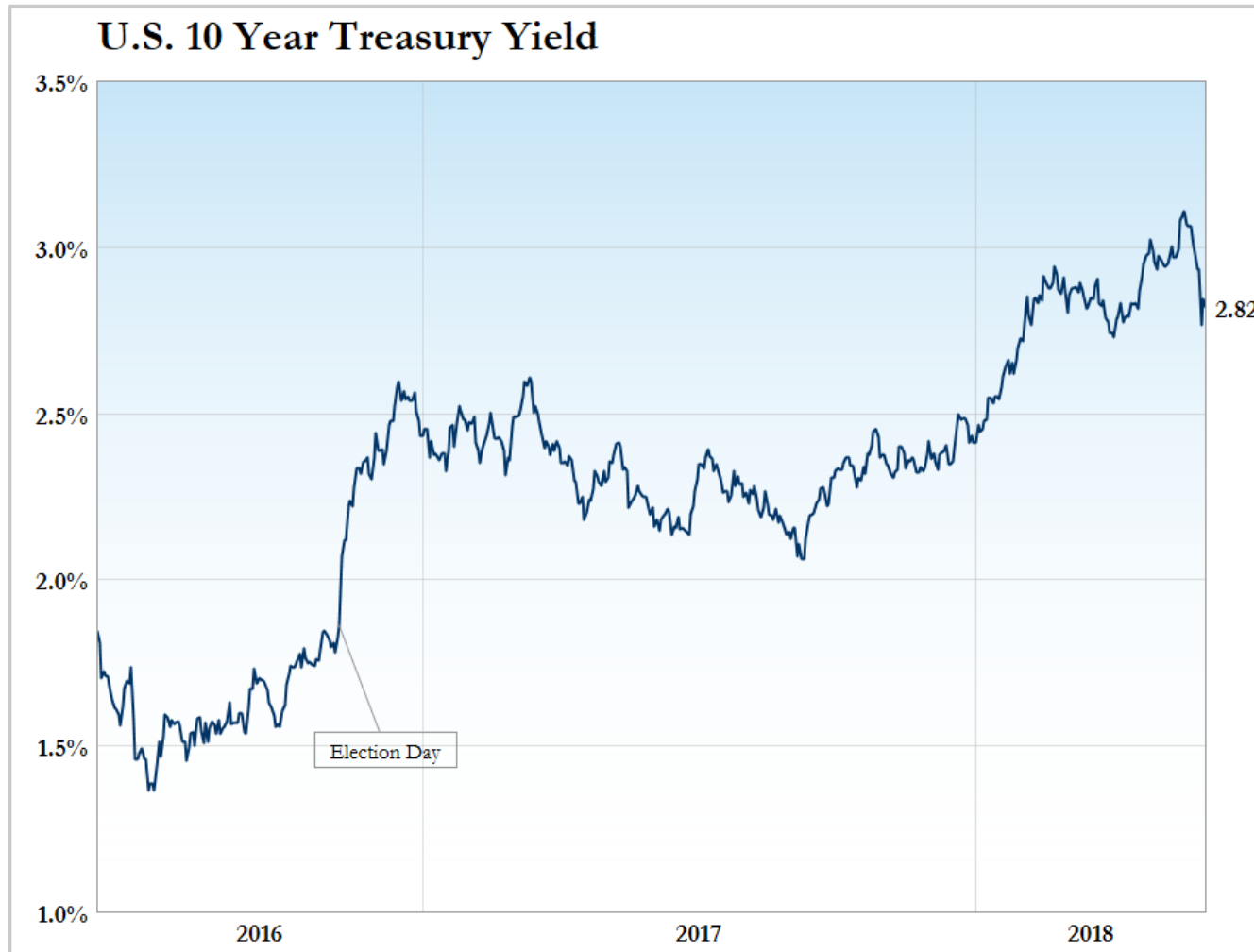
Typically, an unemployment rate this low is a late-cycle occurrence. Will wages rise just as the cycle begins to slow or has the whole cycle been elongated?

WAGE INFLATION HAS JUST STARTED



Source: Wall Street Journal, June 1, 2018, "Unemployment Rate Falls to 18-Year Low; Solid Hiring in May"

U.S. 10 YEAR TREASURY YIELD



[Source: Thomson Reuters Datastream]

Through May 31, 2018

The 10 year yield has not yet sustained a decisive break up through 3%.

U.S. 10 YEAR TREASURY YIELD

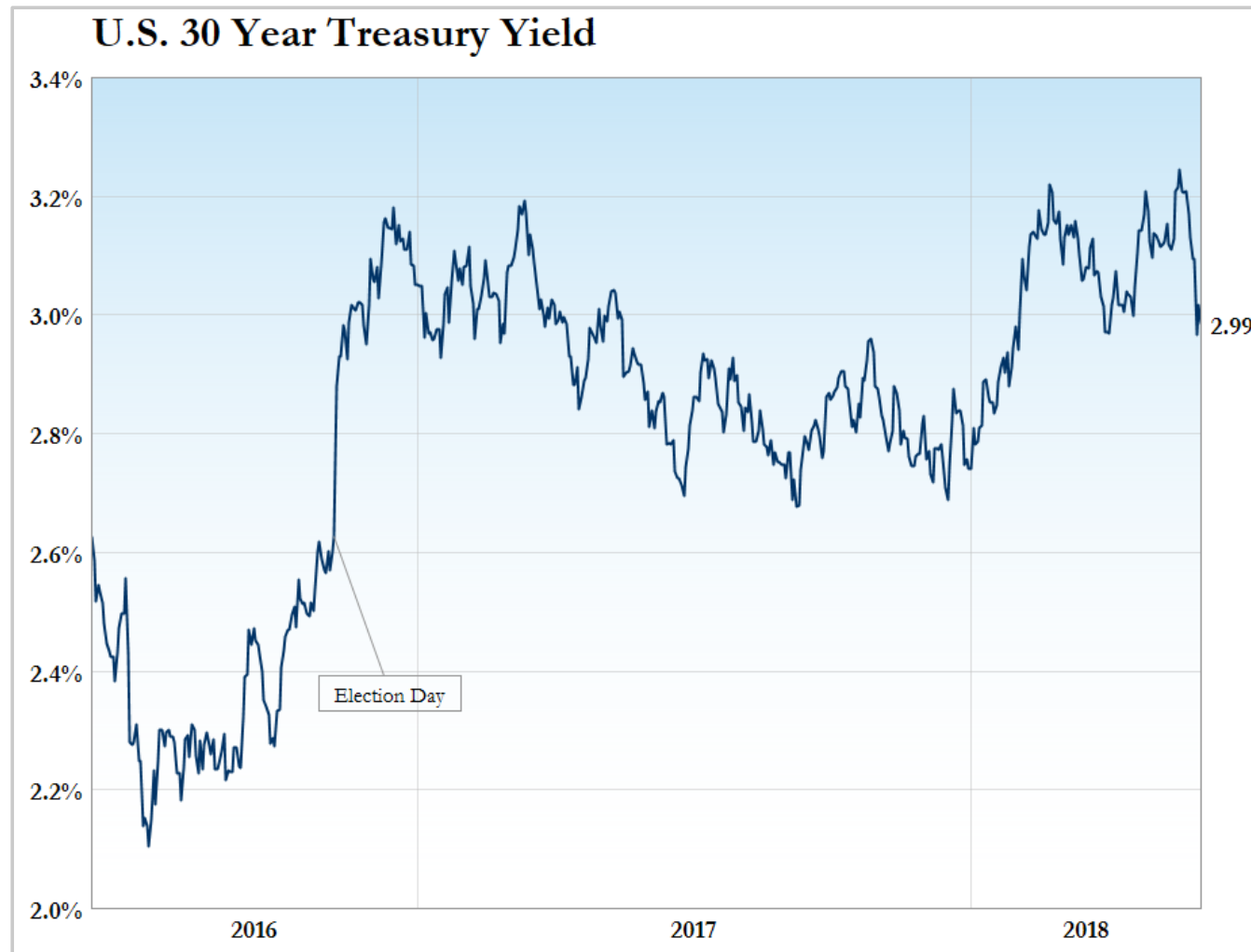


Source: Thomson Reuters Datastream

Through May 31, 2018

To herald a long term shift, the 10 year rate must move decisively above 3%, and stay there or rise more.

U.S. 30 YEAR TREASURY YIELD

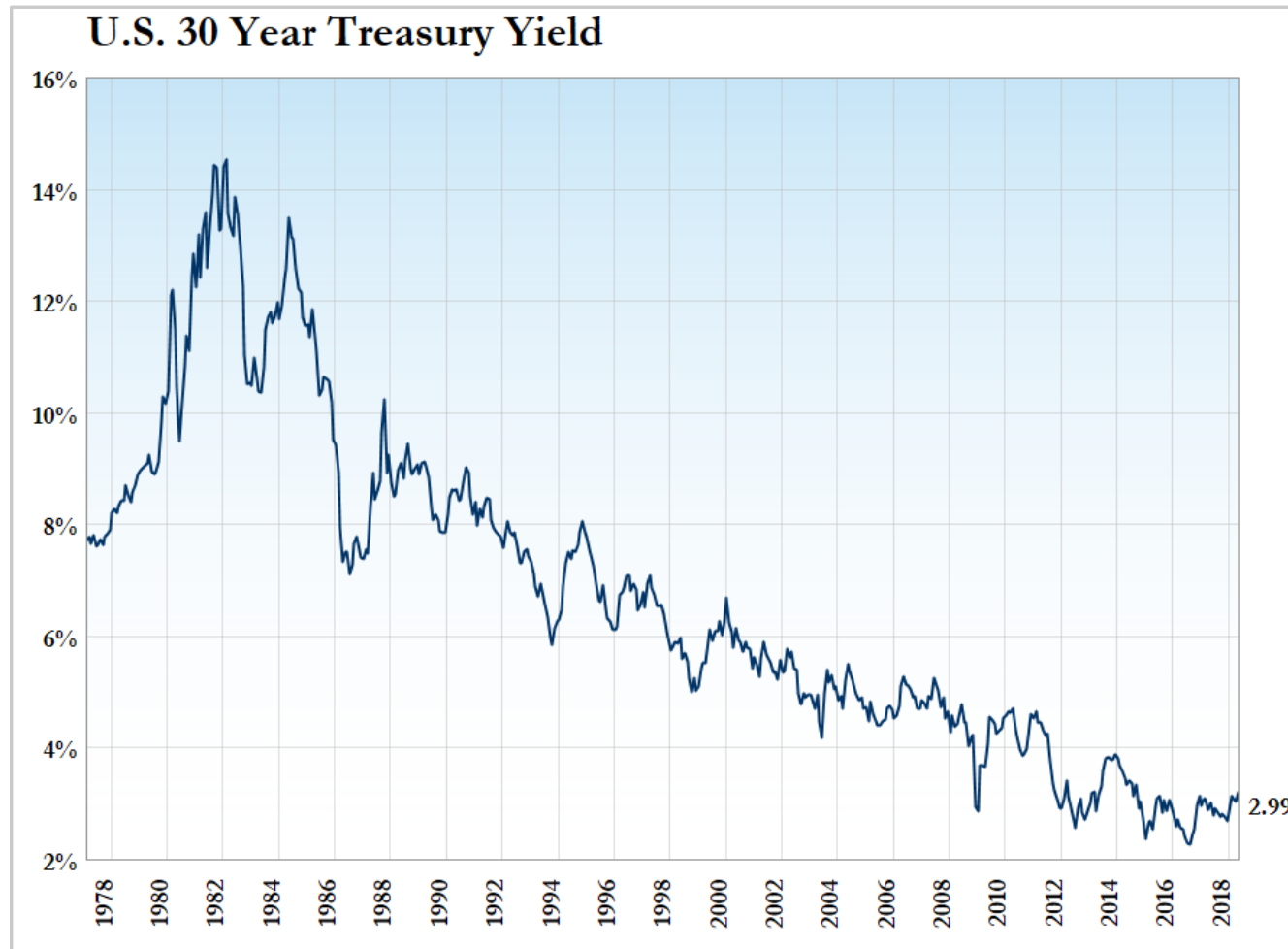


Source: Thomson Reuters Datastream

Through May 31, 2018

The 30 year rate has been increasing at a much slower rate than the 2, 5, and 10 year rates.

U.S. 30 YEAR TREASURY YIELD



Source: Thomson Reuters Datastream

Through May 31, 2018

The 30 year has also not broken out decisively above the long-term downtrend.

GOLD PRICE

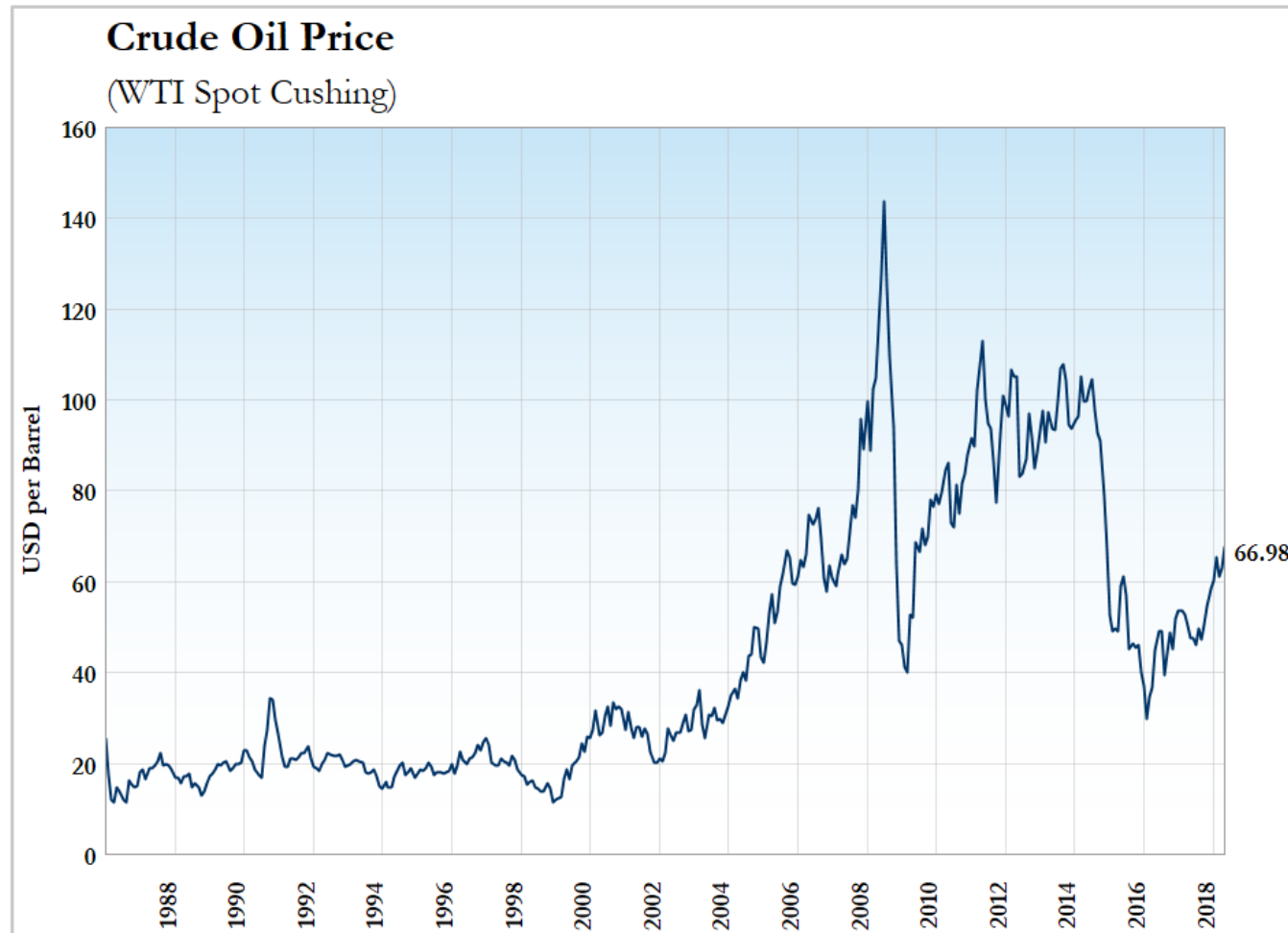


Source: Thomson Reuters Datastream

Through May 31, 2018

Gold may have based in a range, but it is unlikely to rise a lot if the dollar is also rising.

CRUDE OIL PRICE

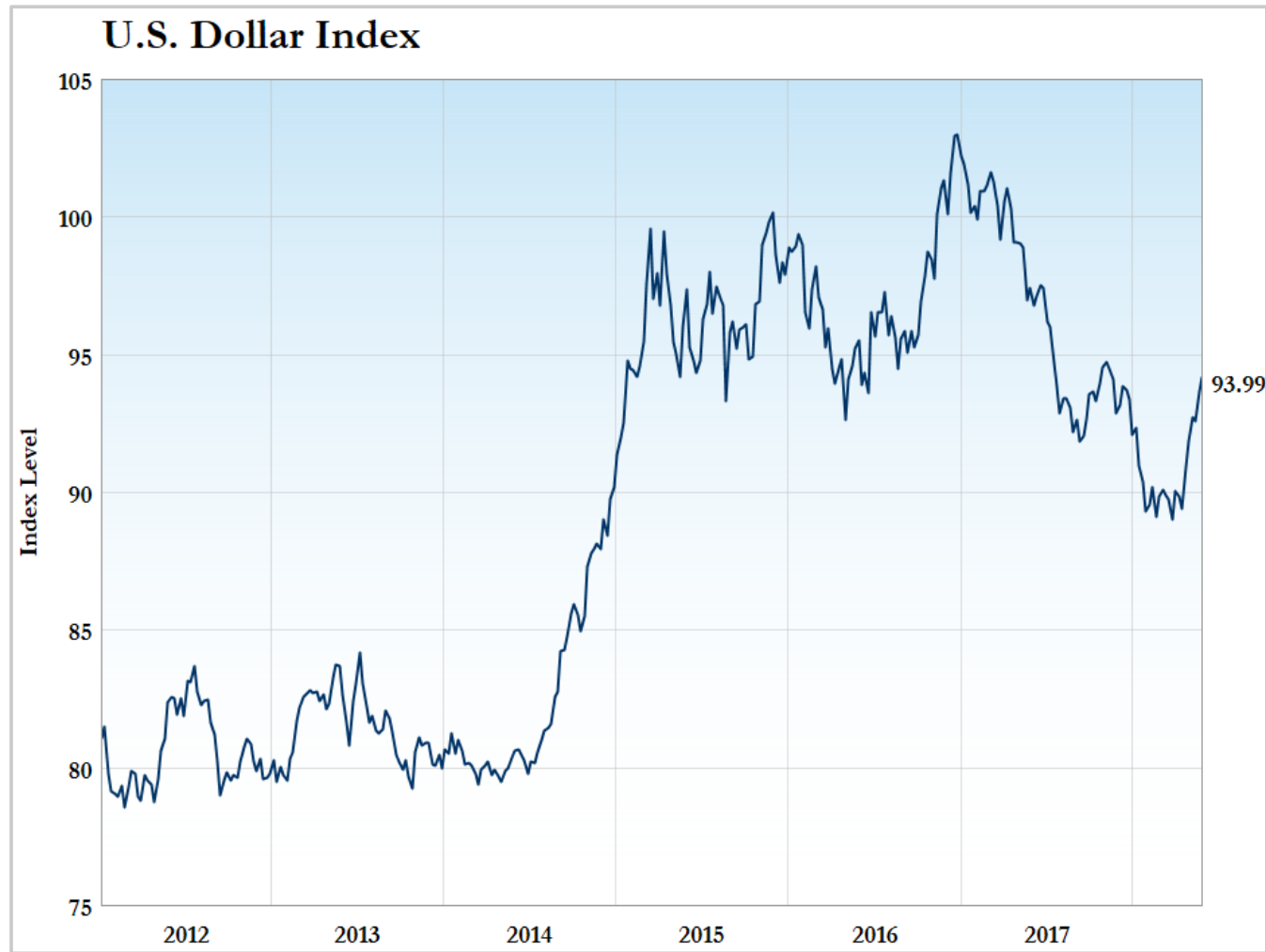


Source: Thomson Reuters Datastream

Through May 31, 2018

We have been saying that oil has based, and we still believe this as growing demand is meeting growing supply.

U.S. DOLLAR INDEX

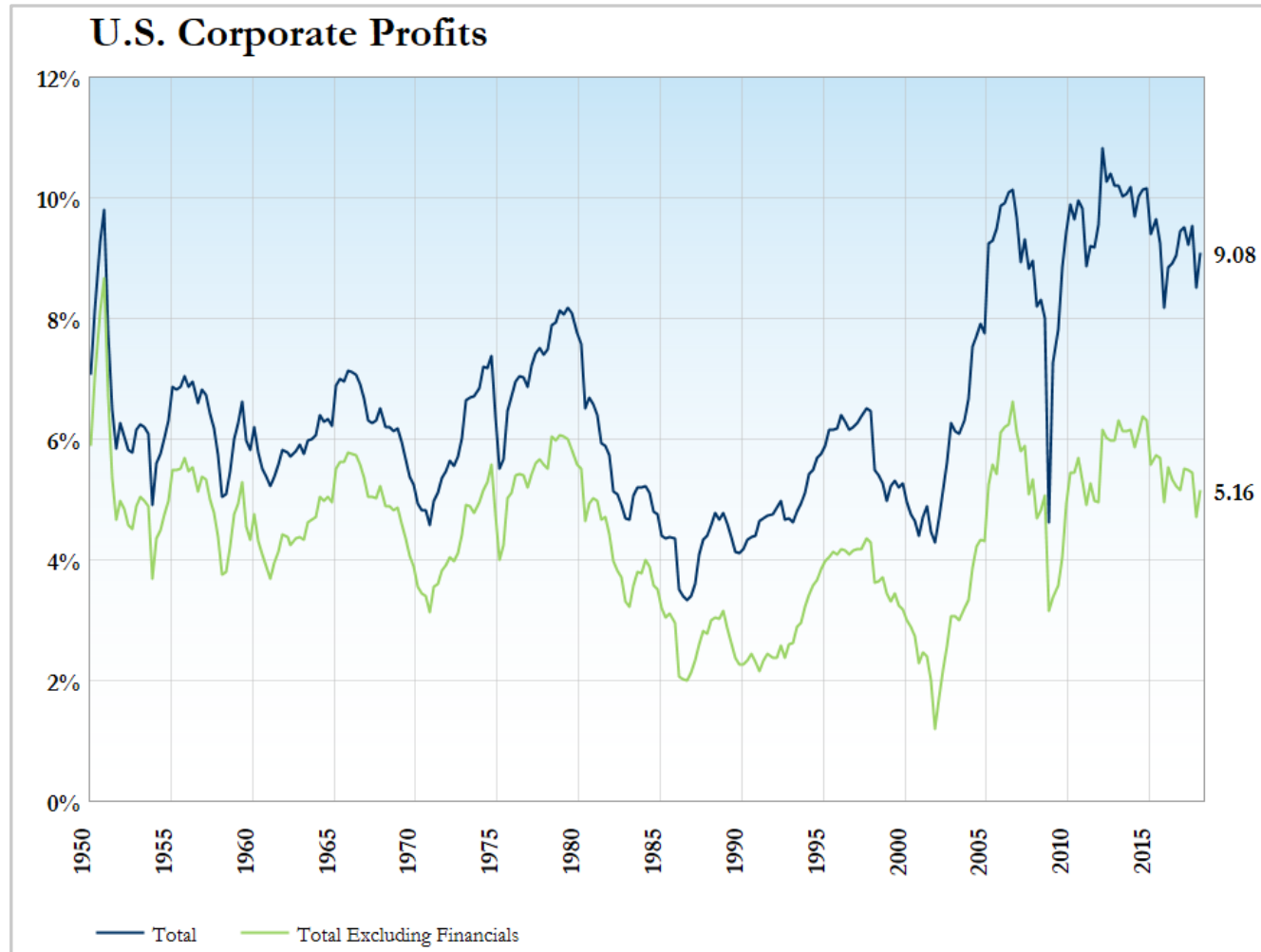


Source: Thomson Reuters Datastream

Through May 31, 2018

The dollar is rising on our interest rate rise. The future, however, is unclear.

U.S. CORPORATE PROFITS REMAIN ROBUST - GROWTH RATE TO SLOW

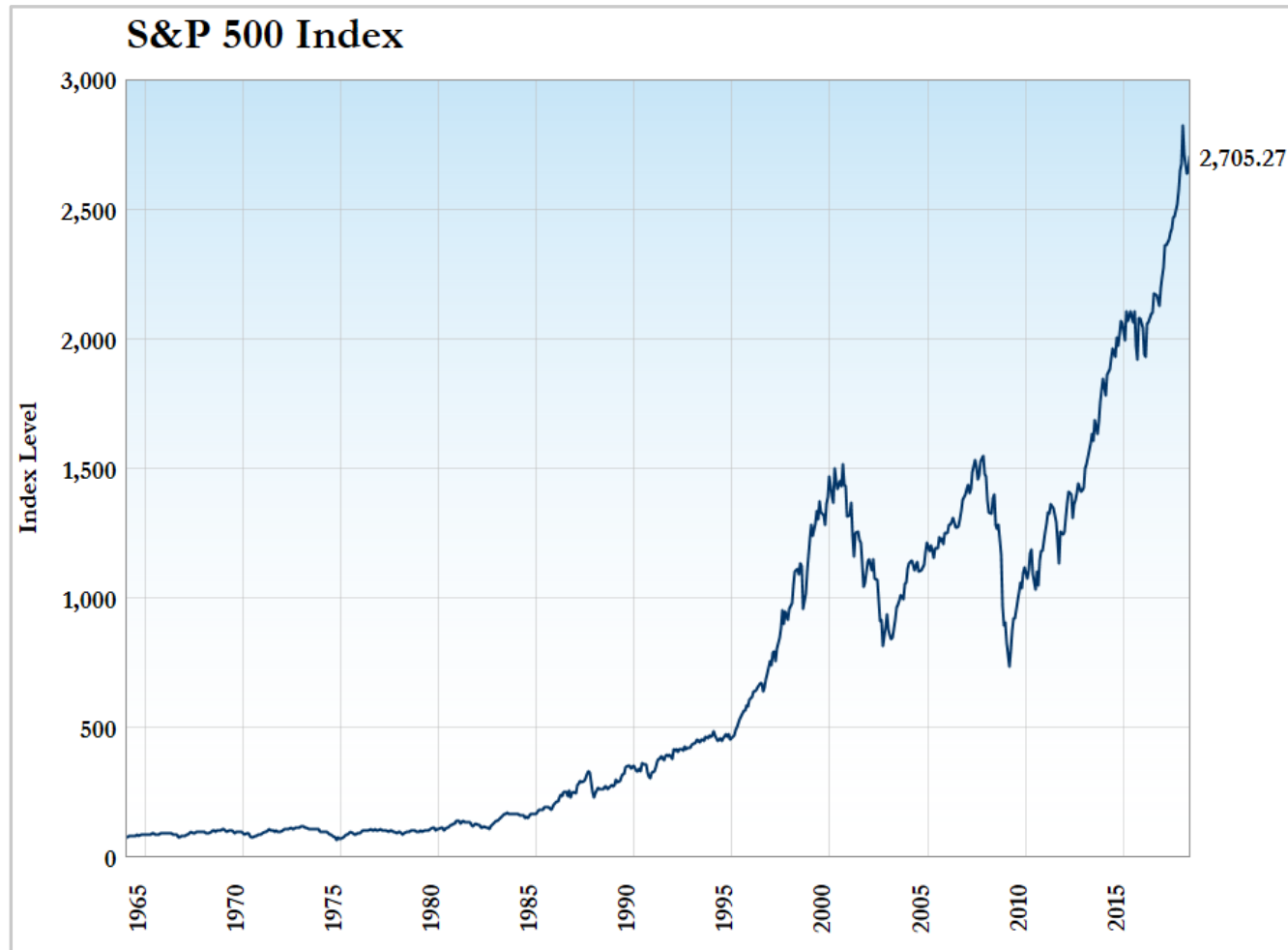


Source: Thomson Reuters Datastream

Through May 31, 2018

U.S. corporate profit growth remains torrid, but the growth rate will decline over the year-two ahead; thus challenging valuations.

S&P 500 INDEX

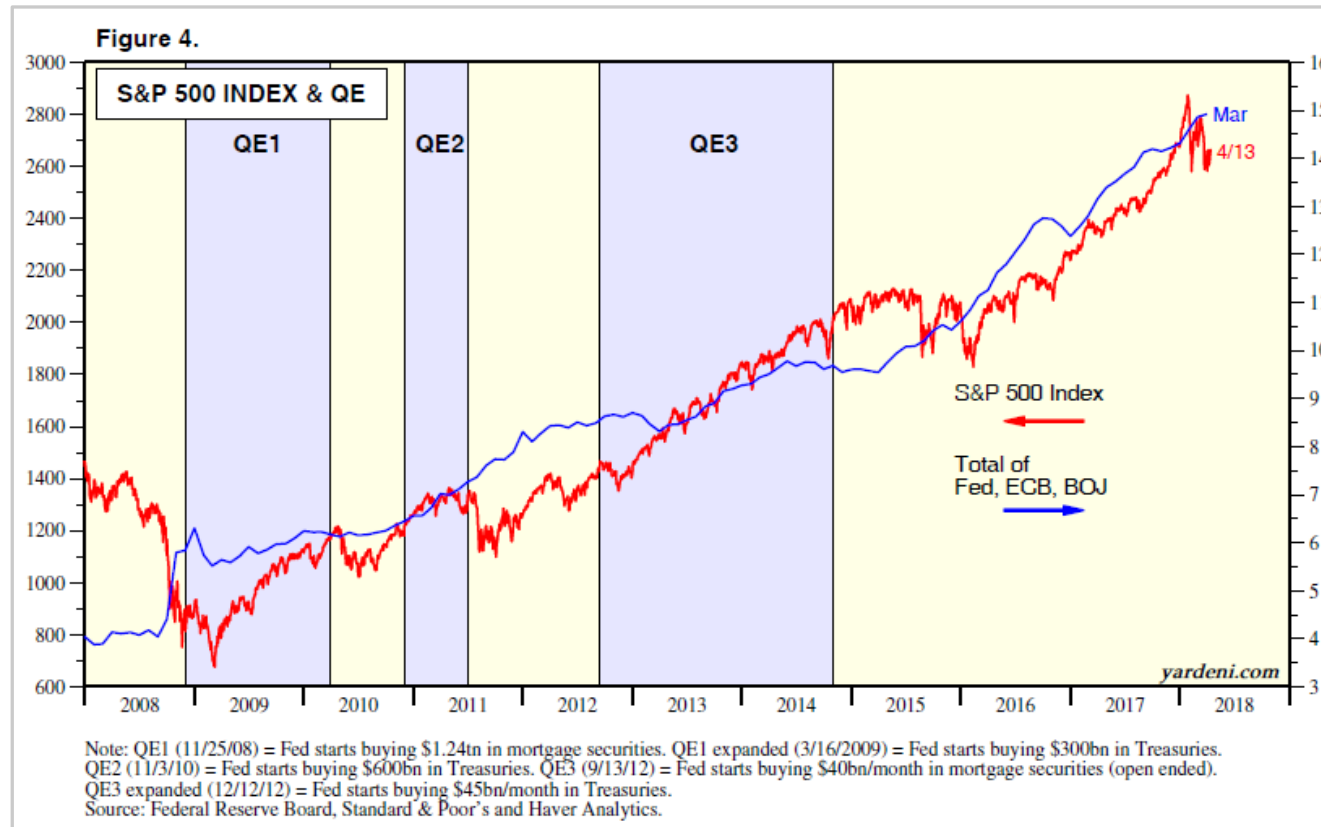


Source: Thomson Reuters Datastream

Through May 31, 2018

The S&P appears extended although current conditions are good.

CONCLUSION

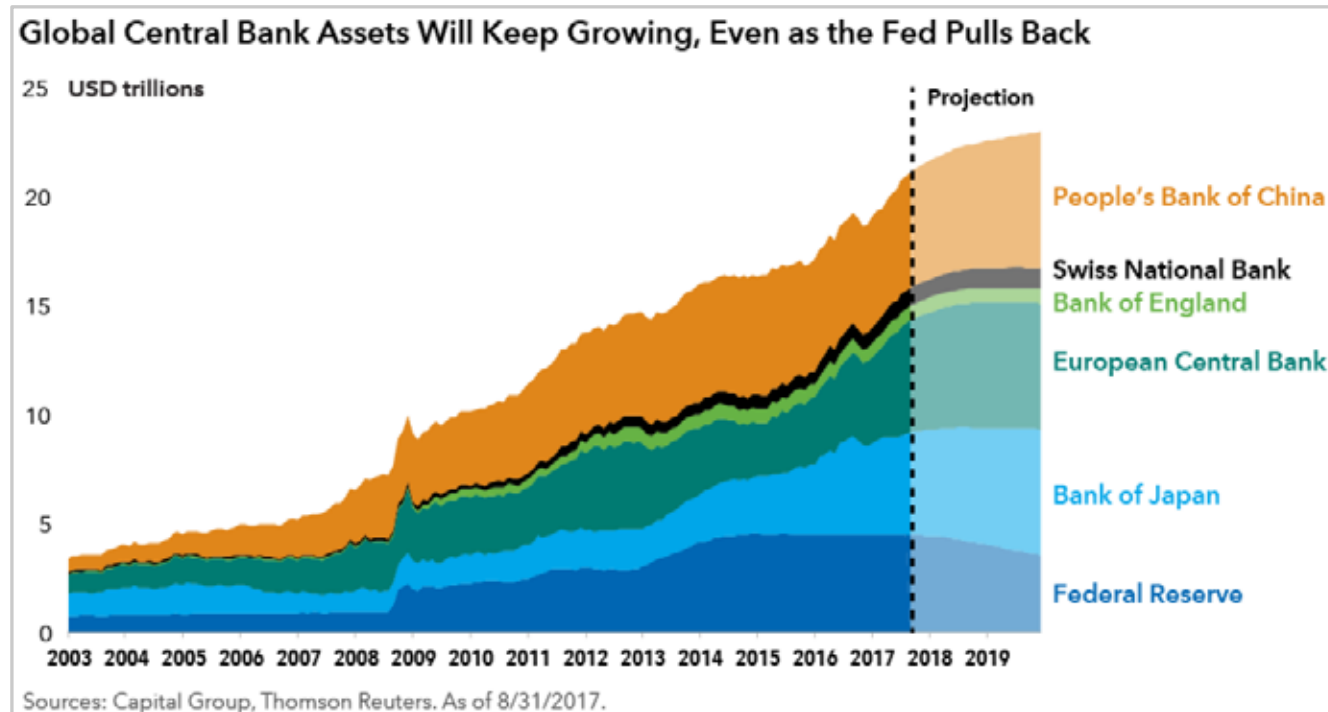


Source: Yardeni Research

Through March 2018

The correlation between markets and money printing will be the same on the way down as it was on the way up.

CONCLUSION



Look to the right side of the chart for the trajectory.

TWENTY YEAR VIEW OF ASSET CLASS RETURNS

Annual Returns of Key Indices (1998-2017) Ranked in Order of Performance (Best to Worst)

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Large Cap Growth 42.15%	Small Cap Growth 43.09%	Real Estate 31.04%	Small Cap Value 14.03%	Cmdty 23.86%	Small Cap Growth 48.53%	Real Estate 33.16%	Cmdty 17.54%	Real Estate 43.72%	Large Cap Growth 11.81%	Fixed Income 5.24%	Real Estate 41.25%	Small Cap Growth 29.09%	Fixed Income 7.84%	Real Estate 29.85%	Small Cap Growth 43.30%	Real Estate 14.73%	Large Cap Growth 5.67%	Small Cap Value 31.74%	Large Cap Growth 30.21%
Large Cap Core 28.58%	Large Cap Growth 28.25%	Cmdty 24.21%	Real Estate 12.35%	Fixed Income 10.26%	Small Cap Value 46.02%	Small Cap Value 22.25%	Real Estate 13.82%	Small Cap Value 23.48%	Cmdty 11.09%	Small Cap Value -28.92%	Large Cap Growth 37.21%	Small Cap Value 24.50%	Large Cap Growth 2.64%	Small Cap Value 18.05%	Small Cap Value 34.52%	Large Cap Core 13.69%	Large Cap Core 1.38%	Large Cap Value 17.34%	Int'l 25.03%
Int'l 20.00%	Int'l 26.96%	Small Cap Value 22.83%	Fixed Income 8.44%	Real Estate 3.58%	Int'l 39.17%	Int'l 20.69%	Int'l 13.50%	Int'l 23.47%	Int'l 8.62%	Cmdty -36.61%	Small Cap Growth 24.47%	Real Estate 20.03%	Large Cap Core 2.11%	Large Cap Value 17.51%	Large Cap Value 33.48%	Large Cap Value 13.45%	Fixed Income 0.55%	Large Cap Core 11.96%	Small Cap Growth 22.17%
Large Cap Value 14.68%	Large Cap Core 21.04%	Fixed Income 11.63%	Small Cap Growth -9.23%	Small Cap Value -11.43%	Real Estate 36.18%	Large Cap Value 15.71%	Large Cap Value 7.10%	Large Cap Value 22.24%	Small Cap Growth 7.05%	Large Cap Value -36.85%	Int'l 27.75%	Large Cap Growth 16.71%	Large Cap Value 0.39%	Large Cap Core 16.00%	Large Cap Value 32.53%	Large Cap Value 13.05%	Real Estate -0.41%	Cmdty 11.77%	Large Cap Core 21.83%
Fixed Income 8.69%	Cmdty 18.60%	Large Cap Value 6.08%	Large Cap Value -11.71%	Int'l -15.94%	Large Cap Value 31.77%	Small Cap Growth 14.31%	Large Cap Growth 5.26%	Large Cap Core 15.77%	Fixed Income 6.97%	Large Cap Core -37.03%	Large Cap Core 26.50%	Cmdty 16.67%	Small Cap Growth -2.91%	Large Cap Growth 15.26%	Large Cap Core 32.39%	Fixed Income 5.97%	Int'l -0.81%	Small Cap Growth 11.31%	Real Estate 15.01%
Small Cap Growth 1.23%	Large Cap Value 12.72%	Large Cap Core -9.11%	Large Cap Core -11.88%	Large Cap Value -20.85%	Large Cap Core 28.67%	Large Cap Core 10.88%	Large Cap Core 4.88%	Small Cap Growth 13.35%	Large Cap Core 5.48%	Large Cap Growth -38.44%	Small Cap Value 20.58%	Large Cap Value 15.51%	Small Cap Value -5.50%	Small Cap Growth 14.59%	Int'l 22.78%	Small Cap Growth 5.60%	Small Cap Growth -1.38%	Large Cap Growth 7.07%	Large Cap Value 13.66%
Small Cap Value -6.45%	Fixed Income -0.82%	Int'l -14.17%	Large Cap Growth -12.73%	Large Cap Core -22.10%	Large Cap Growth 25.65%	Cmdty 7.64%	Small Cap Value 4.71%	Large Cap Growth 9.07%	Large Cap Value -0.17%	Small Cap Growth -38.54%	Large Cap Value 19.69%	Large Cap Core 15.06%	Real Estate -8.14%	Int'l 13.55%	Real Estate 2.23%	Small Cap Value 4.22%	Large Cap Value -3.83%	Real Estate 4.62%	Small Cap Value 7.84%
Real Estate -17.01%	Small Cap Value -1.49%	Large Cap Growth -22.08%	Int'l -21.44%	Large Cap Growth -23.59%	Cmdty 22.66%	Large Cap Growth 6.13%	Small Cap Growth 4.15%	Fixed Income 4.33%	Real Estate -4.65%	Int'l -43.38%	Cmdty 18.72%	Fixed Income 6.54%	Cmdty -13.37%	Fixed Income 4.22%	Fixed Income -2.03%	Int'l -4.90%	Small Cap Value -7.48%	Fixed Income 2.65%	Fixed Income 3.54%
Cmdty -30.52%	Real Estate -2.58%	Small Cap Growth -22.43%	Cmdty -22.32%	Small Cap Growth -30.26%	Fixed Income 4.11%	Fixed Income 4.33%	Fixed Income 2.43%	Cmdty -2.71%	Small Cap Value -9.78%	Real Estate -48.90%	Fixed Income 5.93%	Int'l 4.90%	Int'l -14.82%	Cmdty -1.14%	Cmdty -9.58%	Cmdty -17.04%	Cmdty -24.70%	Int'l 1.00%	Cmdty 1.70%

The Barclays US Aggregate Bond Index is an unmanaged market-weighted index that consists of U.S. Government and agency securities, mortgage-backed securities issued by the Government National Mortgage Association, the Federal Home Loan Mortgage Corporation, or the Federal National Mortgage Association, and investment-grade (rated BBB or better) corporate bonds, all of which will mature within 30 years.

The Morgan Stanley Capital International (MSCI) EAFE Index is an unmanaged index that measures the total returns of developed foreign stock markets in Europe, Asia, and the Far East.

The Russell 2000 Growth Index consists of small-cap companies that have higher price-to-book ratios and higher forecasted growth values.

The Russell 2000 Value Index consists of small-cap companies that have lower price-to-book ratios and lower forecasted growth values.

The S&P 500 Index is an unmanaged index that consists of the common stocks of 500 large-capitalization companies, with various industrial sectors, most of which are listed on the New York Stock Exchange.

The FTSE EPRA/NAREIT Global Real Estate Index is designed to represent general trends in eligible real estate equities worldwide.*

The Russell 1000 Growth Index consists of large-cap companies that have higher price-to-book ratios and higher forecasted growth values.*

The Russell 1000 Value Index consists of large-cap companies that have lower price-to-book ratios and lower forecasted growth values.*

The Bloomberg Commodity Index reflects the return of underlying futures prices of 22 physical commodities. (Cmdty)

*As of 1/1/05, the Russell 1000 Growth and the Russell 1000 Value replaced the S&P/Barra Growth and the S&P/Barra Value, respectively. As of 1/1/06, the FTSE EPRA/NAREIT Index replaced the Wilshire U.S. REIT Index. Through 2004 on this chart, the S&P/Barra indices were used for Large Cap Growth and Large Cap Value. Through 2005 on this chart, the Wilshire U.S. REIT Index was used for Real Estate.



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