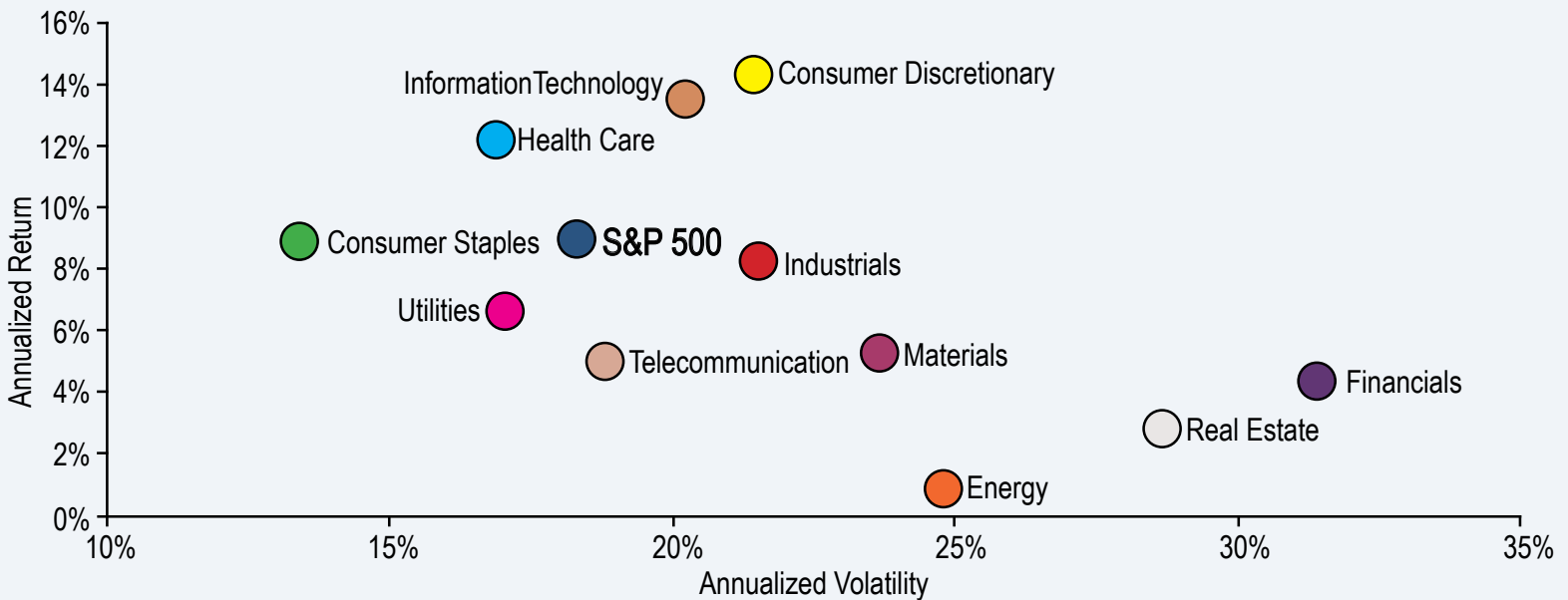


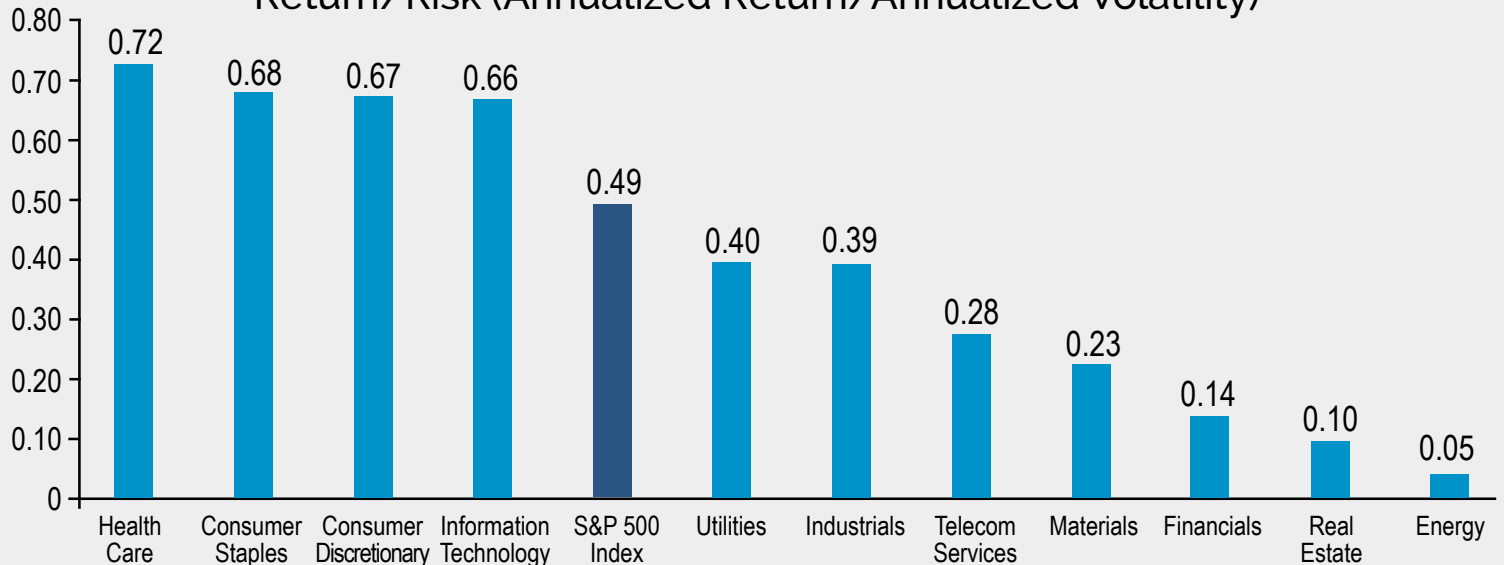
S&P 500 Scatterplot: Long-Term Performance Versus Risk

- The best performing sectors in the past 10 years were Consumer Discretionary and Information Technology. The worst performing sectors were Energy and Real Estate.
- The sectors with the lowest volatility in the past 10 years were Consumer Staples and Health Care. The highest volatility sectors were Financials and Real Estate.
- Adjusting for risk, the best performing sectors were Health Care and Consumer Staples.

S&P 500 Sectors: 10 Year Risk vs. Return



Return/Risk (Annualized Return/Annualized Volatility)



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Source: Bloomberg. Data as of 4/30/2018. Past performance is not a guarantee of future results.

Related pieces: U.S. Large Caps

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Fed Model: Equity Valuations Remain Favorable in Low Rate Environment

What is the Fed Model?

- The model compares the stock market forward earnings yield to the yield on long term government bonds (The U.S. 10 Year Government Bond Yield)
- Stocks and bonds are considered fairly valued when these two yield measures are equal.
- When the earnings yield is higher, stocks are considered attractive relative to bonds. Conversely, when bond yields are higher than earnings yield, bonds are considered more attractive relative to stocks.

Stocks appear attractive, earnings yield remains higher than bond yields

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- Are U.S. equities forecasted to provide attractive earnings growth? ✓
- Have the forecasts for U.S. earnings remained strong? ✓

U.S. Large Caps: OUSA **U.S. Small Caps: OUSM**

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