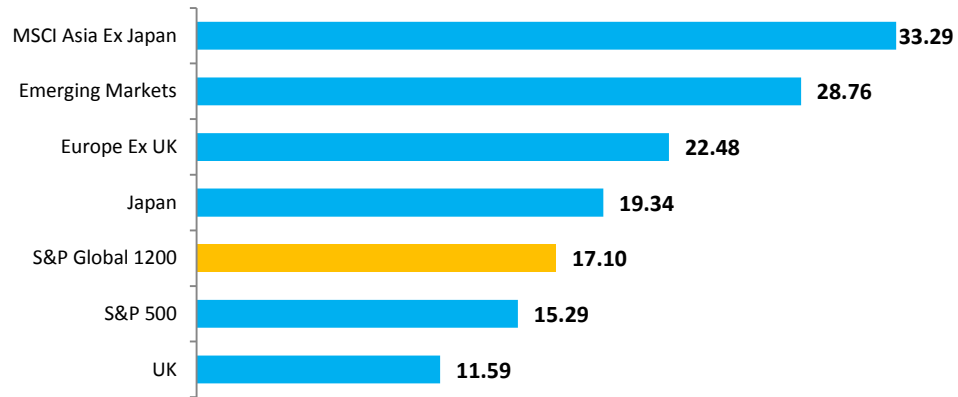


# GLOBAL MARKET BRIEFING

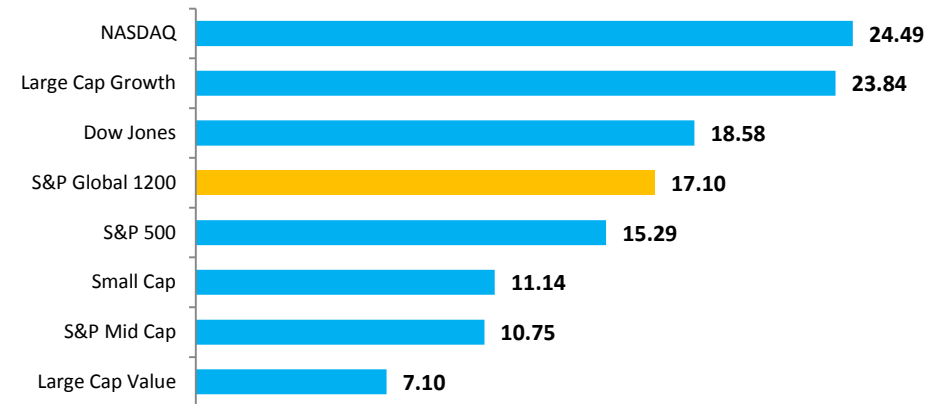
November 2017

# Positive Stock Markets YTD

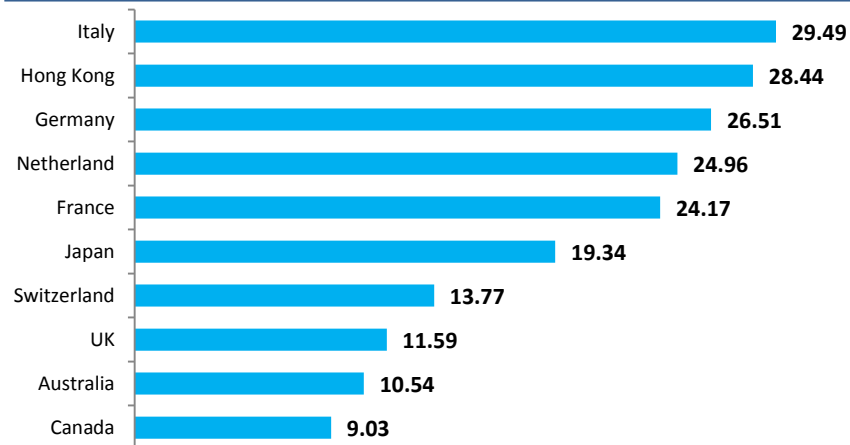
## US Underperformed Global Markets On A Relative Basis



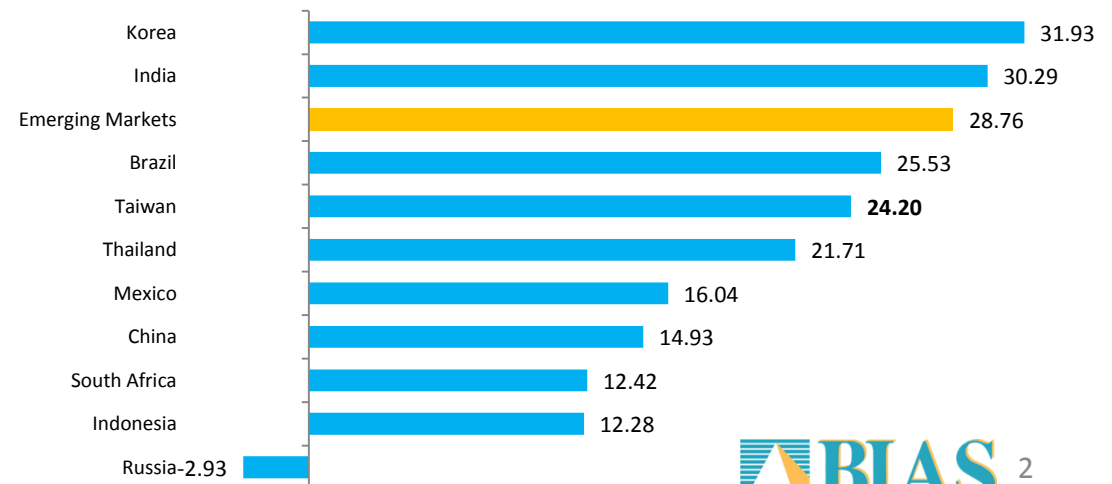
## NASDAQ Was The Best Performing Index In US



## Europe And Hong Kong Staged A Strong Recovery

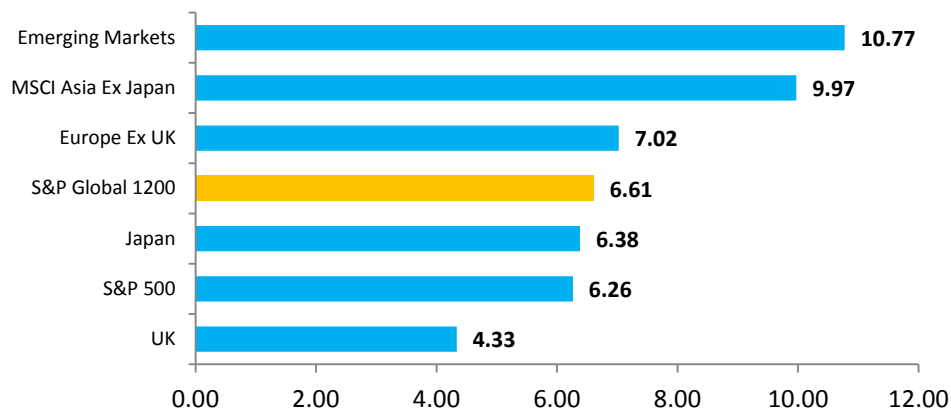


## Korean And Indian EMs Have Been The Strongest Performers

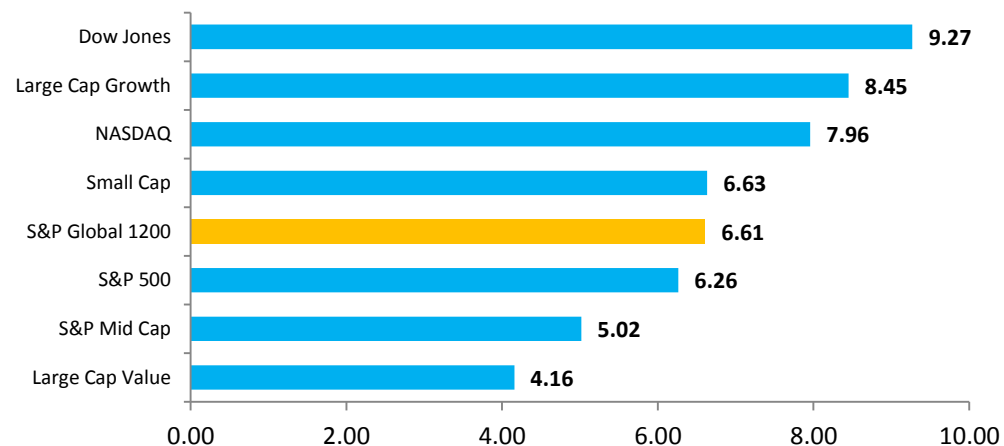


# Stock Markets Performance Since June 30, 2017

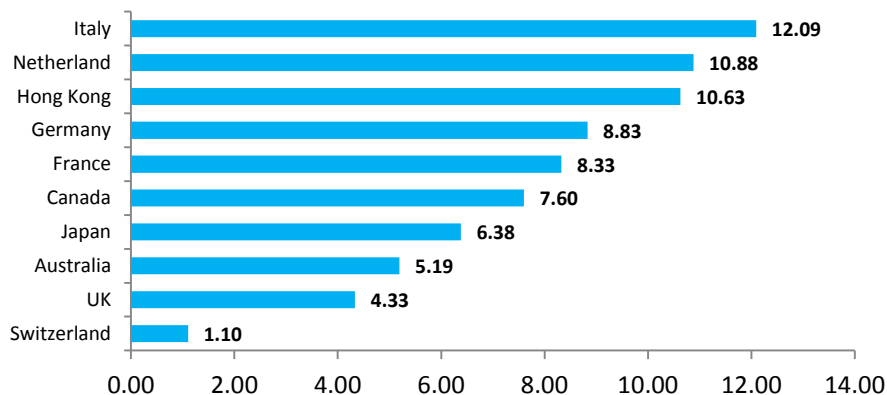
## US Underperformed Global Markets On A Relative Basis



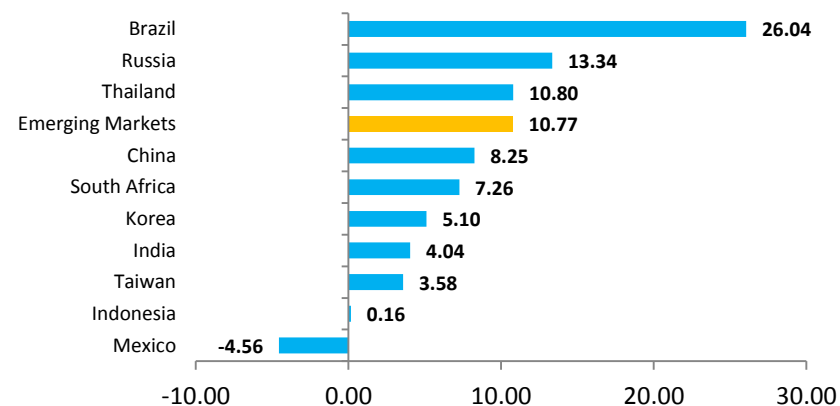
## Dow Jones Was The Best Performing Index In US



## Europe And Hong Kong Staged A Strong Recovery



## Brazil And Russia Were The Strongest Performers In EM



# Is It Time To Worry ?

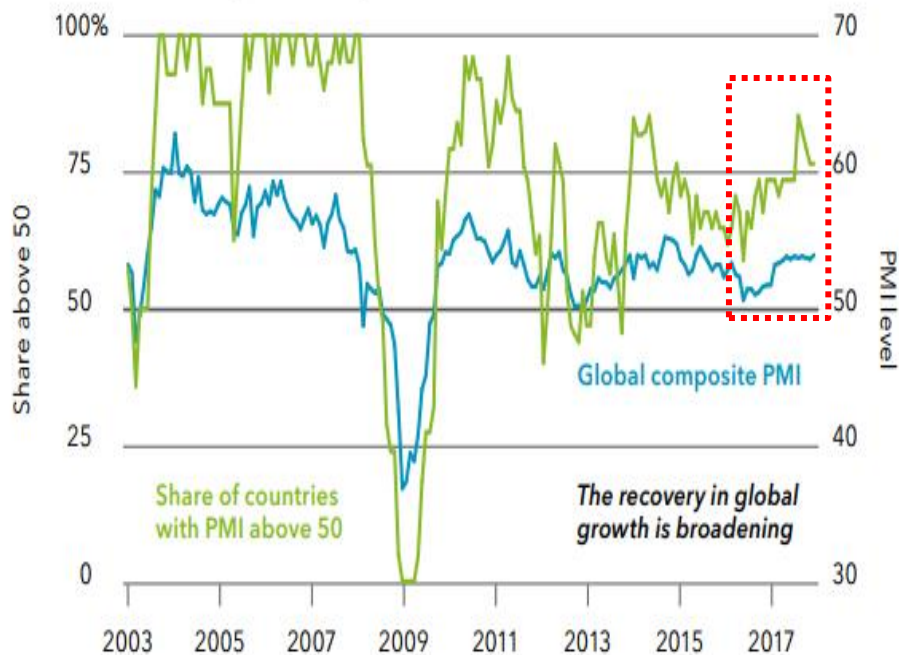


# Latest Market Advance is Sustainable For Multiple Reasons

## Synchronous Global Recovery Continues

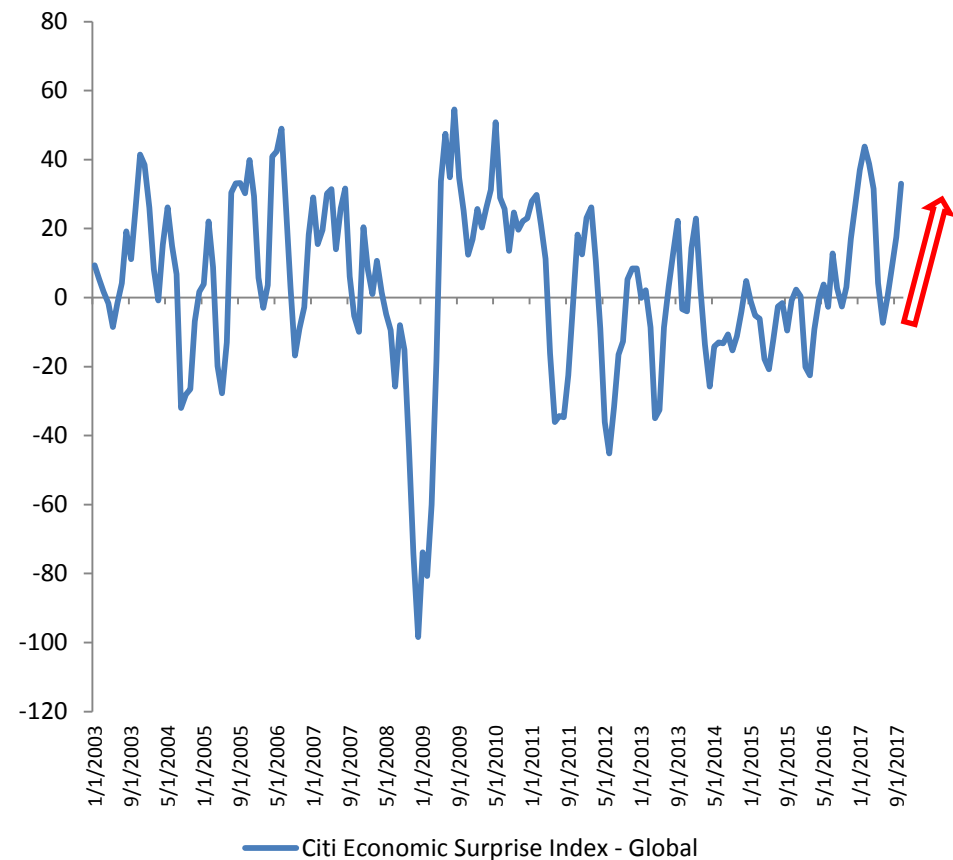
### Three-quarters Of The Countries Are Clocking Up Growth

Breadth and level of global composite PMI, 2003-2017



Sources: BlackRock Investment Institute, with data from Markit, September 2017. Notes: The blue line is the global composite Purchasing Managers' Index (PMI) and includes manufacturing and services activity for 34 countries. The green line shows the share of countries in this index with a PMI above 50, indicating expanding activity.

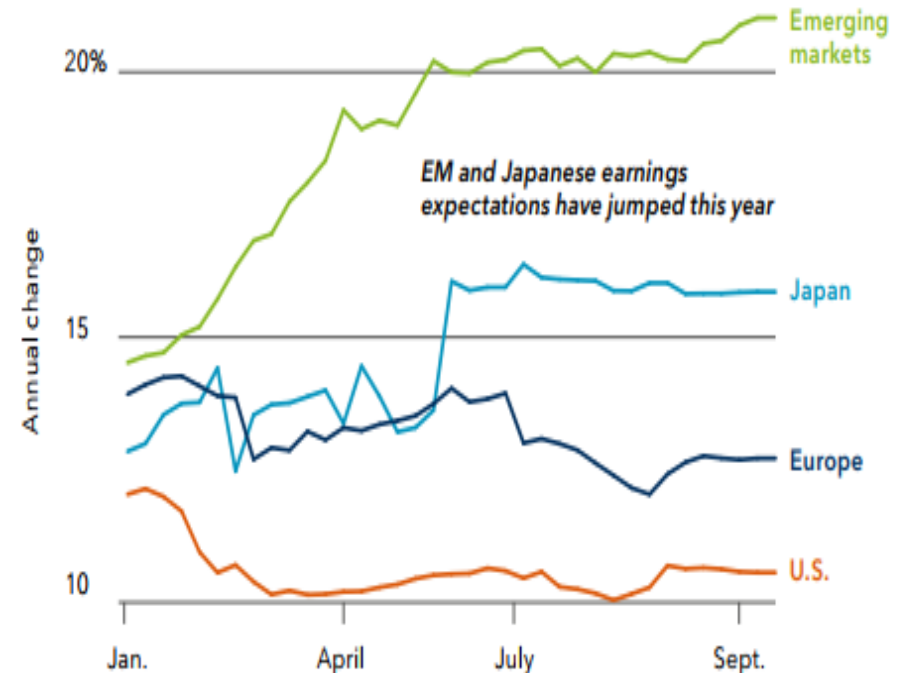
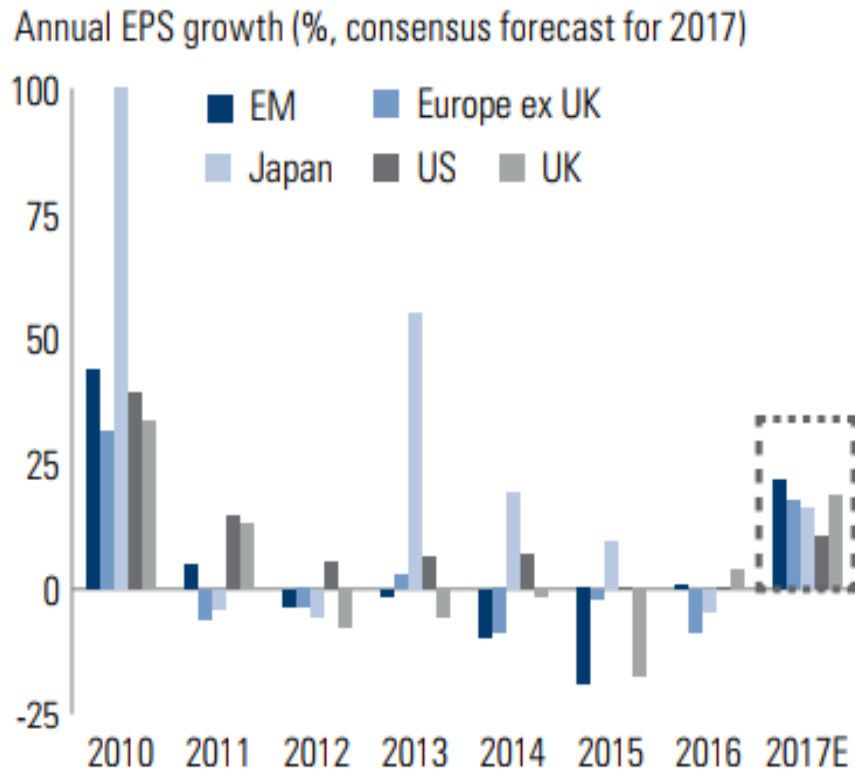
### Global Economic Data Has Surprised To The Upside



# Latest Market Advance is Sustainable For Multiple Reasons

## Corporate Earnings Are Expanding On The Back Of Sustained Global Expansion

Global Earnings Forecasts Are Being Revised And Are Positive For All Major Regions The First Time Since 2010



Sources: BlackRock Investment Institute, with data from Thomson Reuters, September 2017.

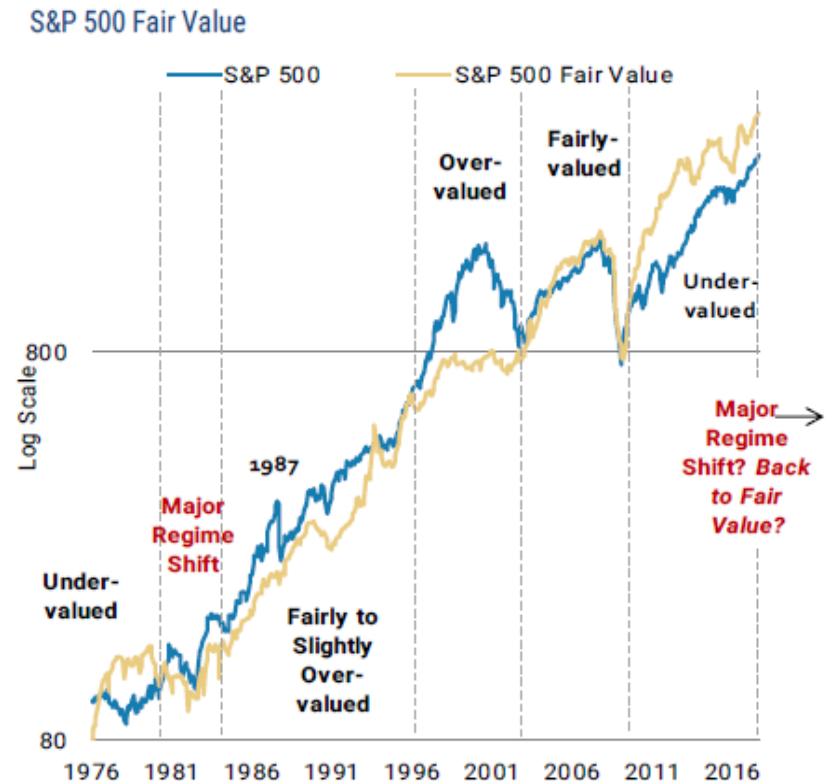
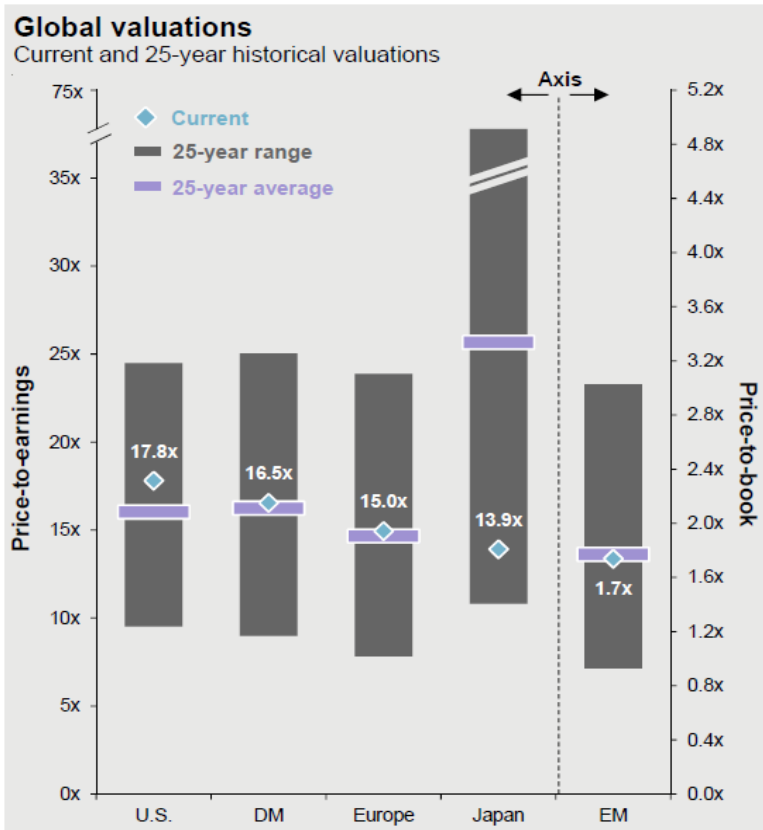
Note: The lines show the path of aggregate analyst expectations of 2017 earnings growth for companies in various regions.

Source: Goldman Sachs, FactSet using MSCI EM index for Emerging Markets, MSCI Europe ex UK index for Europe Ex UK, Topix Index for Japan, S&P500 index for US and MSCI UK index for UK

# Latest Market Advance is Sustainable For Multiple Reasons

## Valuations Are Above Long-term Averages But Not Yet At Troubling Levels

### US Equity Market Valuation Measure Which Incorporate Interest Rates Reflect That US Stocks Are Still Undervalued



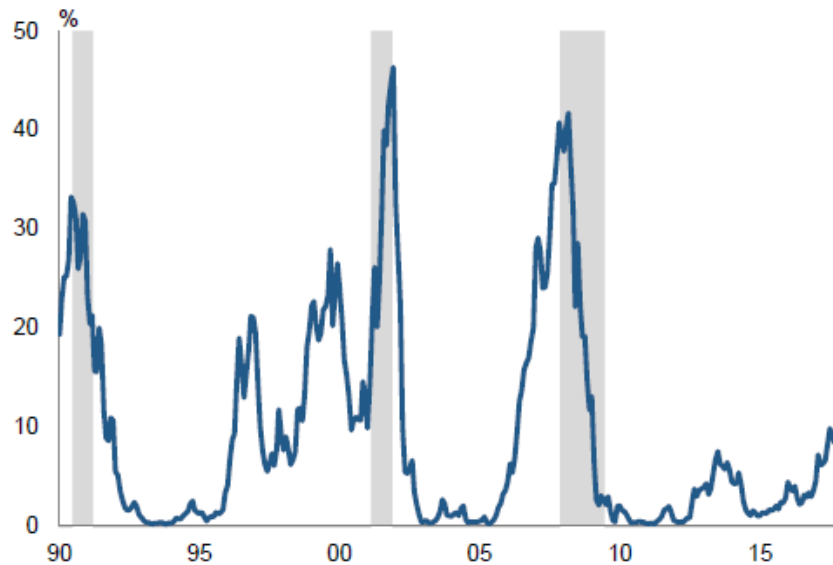
Source: FactSet, MSCI, Thomson Reuters, Standard & Poor's, J.P. Morgan Asset Management.  
\*Valuations refer to NTMA P/E for Europe, U.S., Japan and Developed Markets and P/B for emerging markets. Valuation and earnings charts use MSCI indices for all regions/countries, except for the U.S., which is the S&P 500. All indices use IBES aggregate earnings estimates, which may differ from earnings estimates used elsewhere in the book. MSCI Europe includes the Eurozone as well as countries not in the currency bloc, such as the U.K., Switzerland, Sweden and Norway (which collectively make up 46% of the overall index).  
Guide to the Markets – U.S. Data are as of September 30, 2017.

Source: FactSet, Bloomberg, Morgan Stanley Research as of Oct. 12, 2017. Note: S&P 500 fundamental data used post March 1993; Top 500 by market cap data used before 1993. LTM equity risk premium average is since 1920. ERP based on forward earnings yield and 10-year Treasury Yield. Fair Value based on consensus S&P 500 EPS and Moody's Baa Bond Index yield.

# Latest Market Advance is Sustainable For Multiple Reasons

## Recessionary Indicators Point to Limited Downside Risk – Credit Suisse

The NY Fed Places Only an 8% probability of recession in next 12 months



Source: Federal Reserve, National Bureau of Economic Research, Haver Analytics®, Credit Suisse

Start of Recession	Yield Curve	Inflation Trends	Labor Market	Credit Performance	ISM Mfg.	Earnings Quality	Housing Market
Nov-73	↓	↓	↓	↓	↓	↓	↓
Jan-80	↓	↓	↓	↓	↓	↓	↓
Jul-81	↓	↑	↑	↓	↓	↓	↓
Jul-90	↓	↓	↓	↓	↓	↓	↓
Mar-01	↓	↓	↓	↓	↓	↓	↔
Dec-07	↓	↓	↔	↓	↓	↓	↓
<b>Present</b>	↑	↑	↑	↑	↑	↑	↑

Key: ↓ Recessionary    ↑ Expansionary    ↔ Neutral

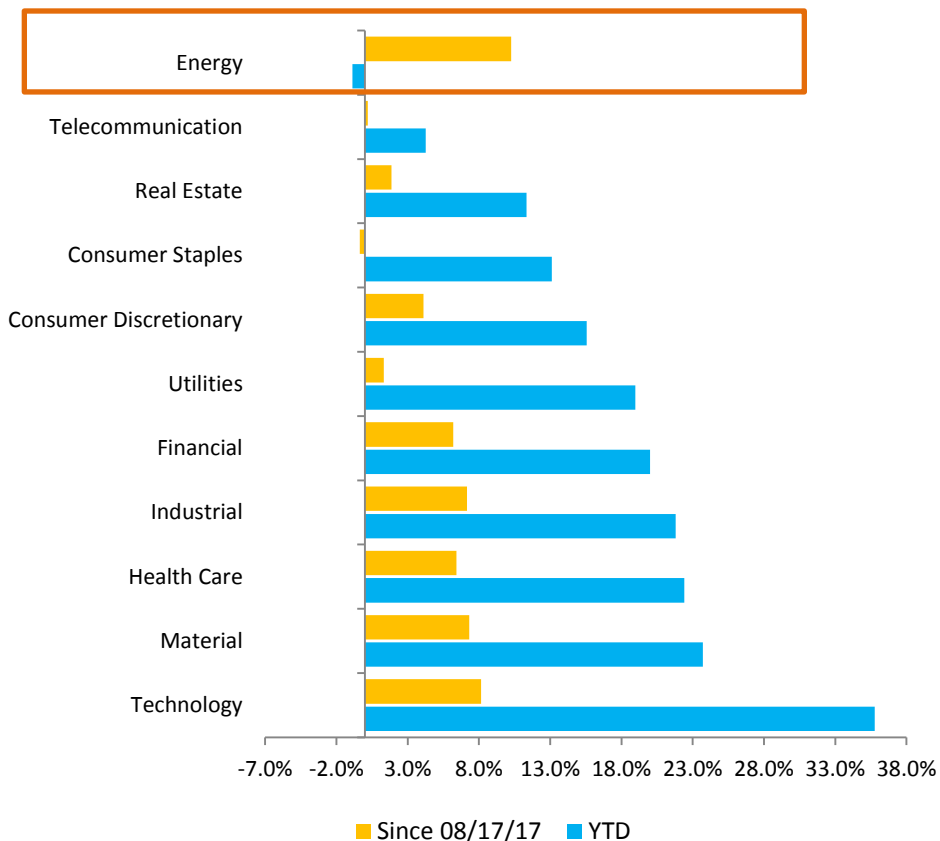
Source: Standard & Poor's, Federal Reserve, Bureau of Labor Statistics, ISM, Census Bureau, Haver Analytics®, National Bureau of Economic Research, Credit Suisse



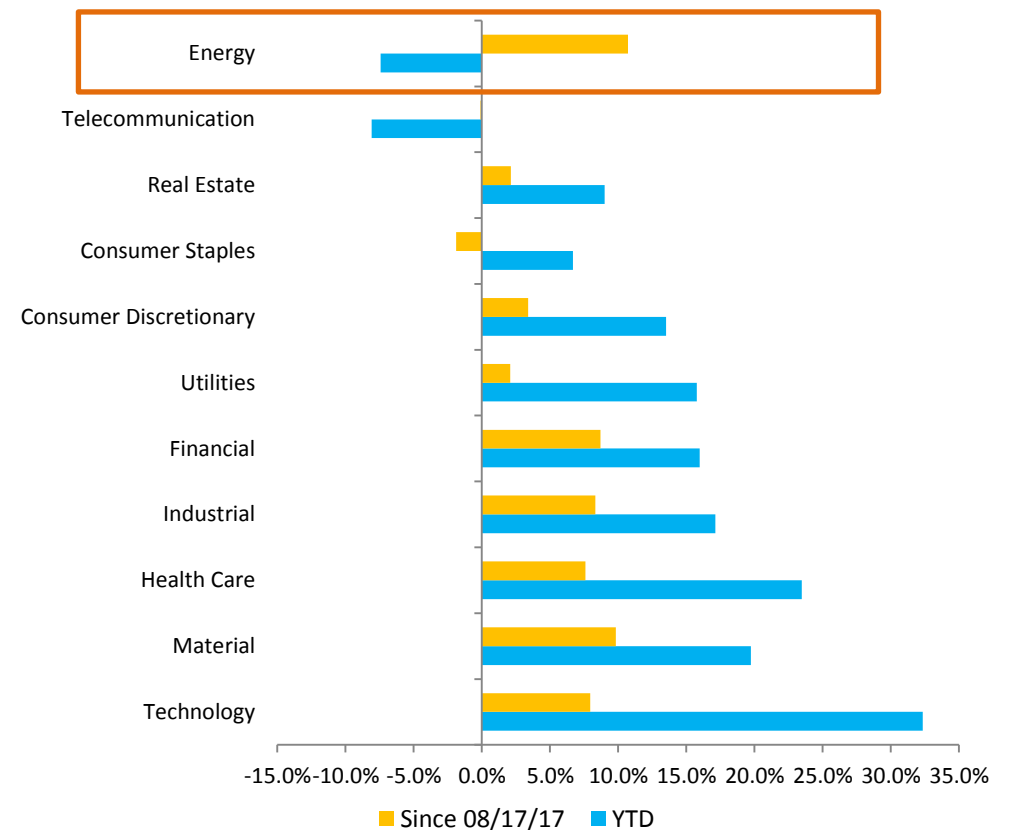
# Sector Rotation In Play

## Energy Has Rebounded Since Mid August And Looks To Be The Next Sector Ripe For Rotation

S&P Global 1200 Sector Returns – YTD Vs Since 08/17/17

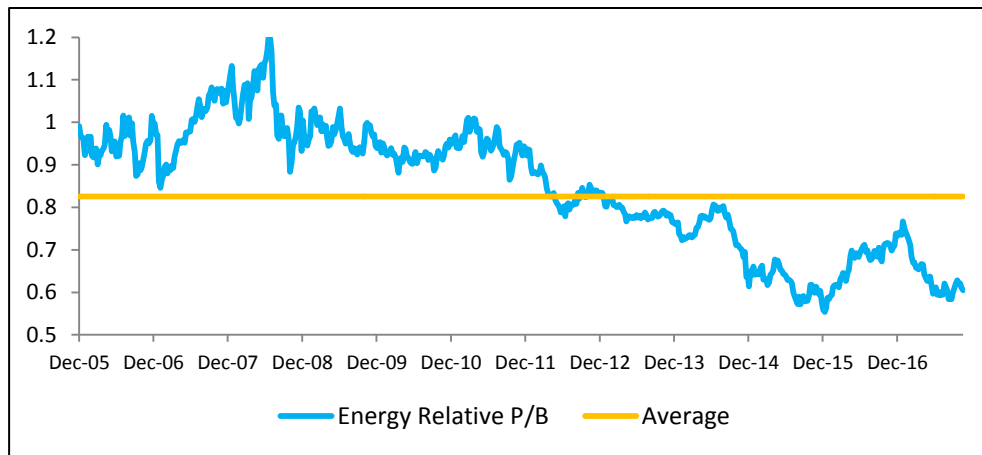


S&P 500 Sector Returns - YTD Vs Since 08/17/17

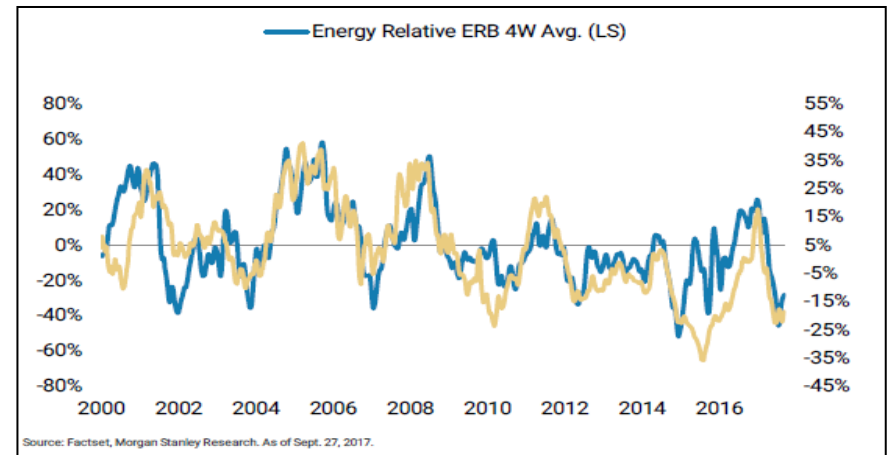


# Fundamentals And Technical Setup Looks Promising For Energy

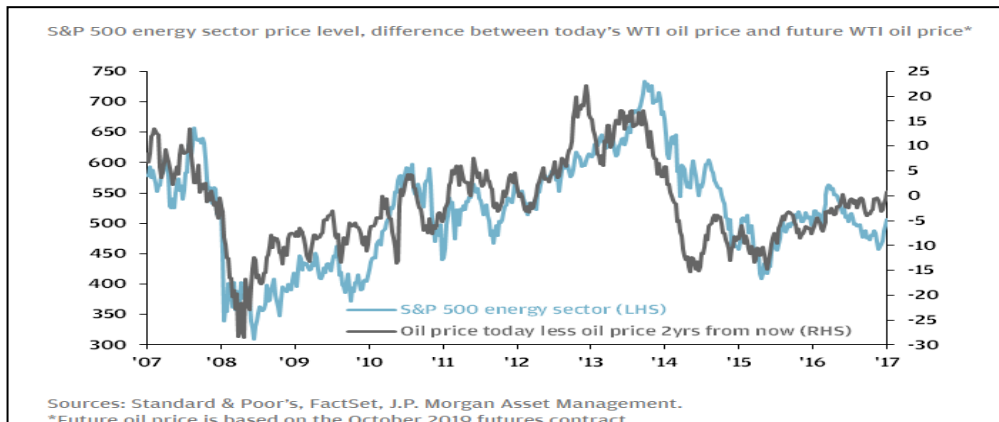
Energy P/B Relative to S&P 500 is close to all time low



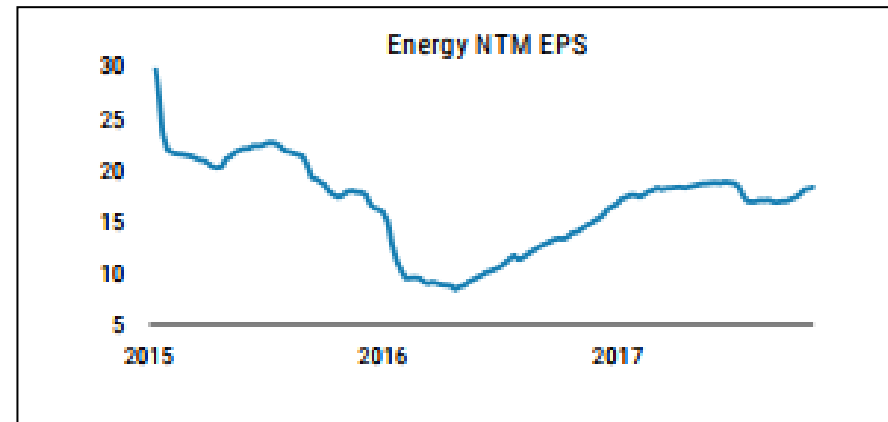
Energy Earnings Revisions breadth Has Bottomed Off Extreme Lows



Further backwardation should support Energy Stocks

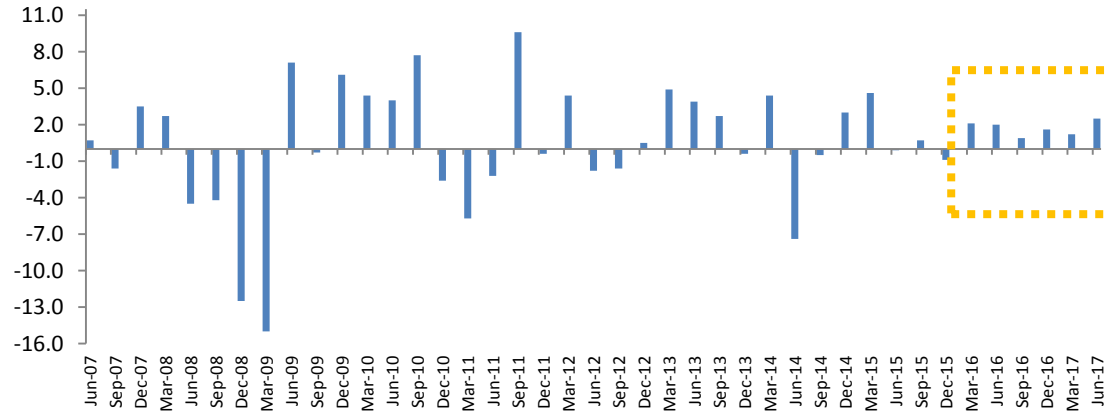


Energy Has Seen Strongest Earnings Revisions Since the Start of Q3 Earning Season



# Another Round of Abenomics: Make Japan Great Again

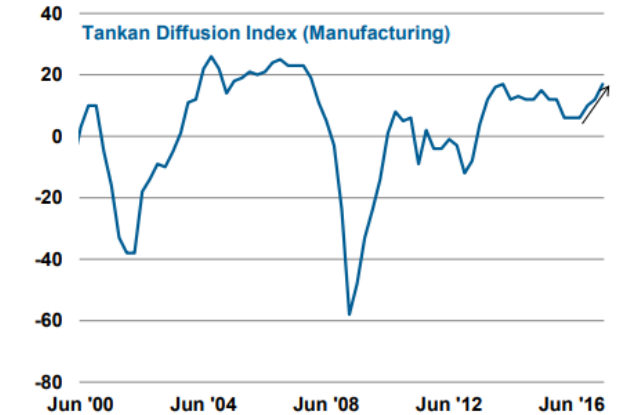
## Japan Is Experiencing Longest Expansion in Over 10 Years



Japan's GDP currently maintains positive quarter-over quarter growth for six straight quarters for the first time in 11 years.

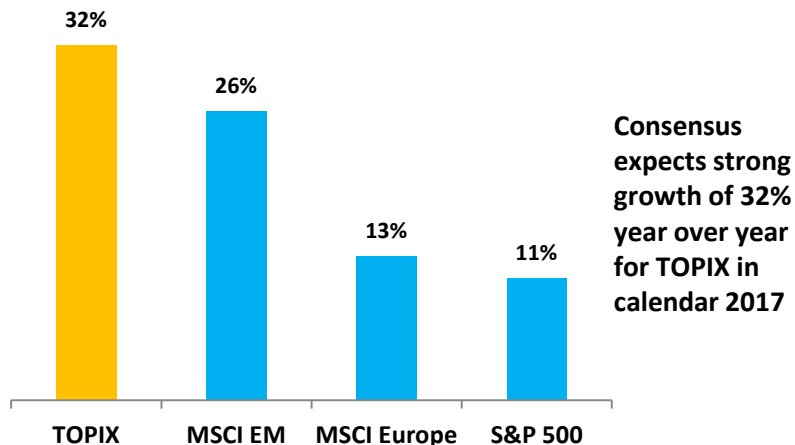
Source: Bloomberg, Morgan Stanley Research

## Tankan Highest Since 2007

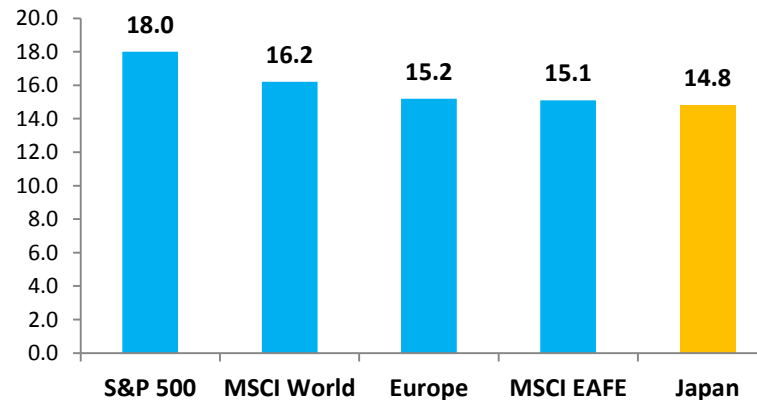


Source: Bloomberg, Morgan Stanley Research as of Sept. 12, 2017

## Stronger Growth And Low Equities Valuations Make A Compelling Case For Japan



Consensus expects strong growth of 32% year over year for TOPIX in calendar 2017

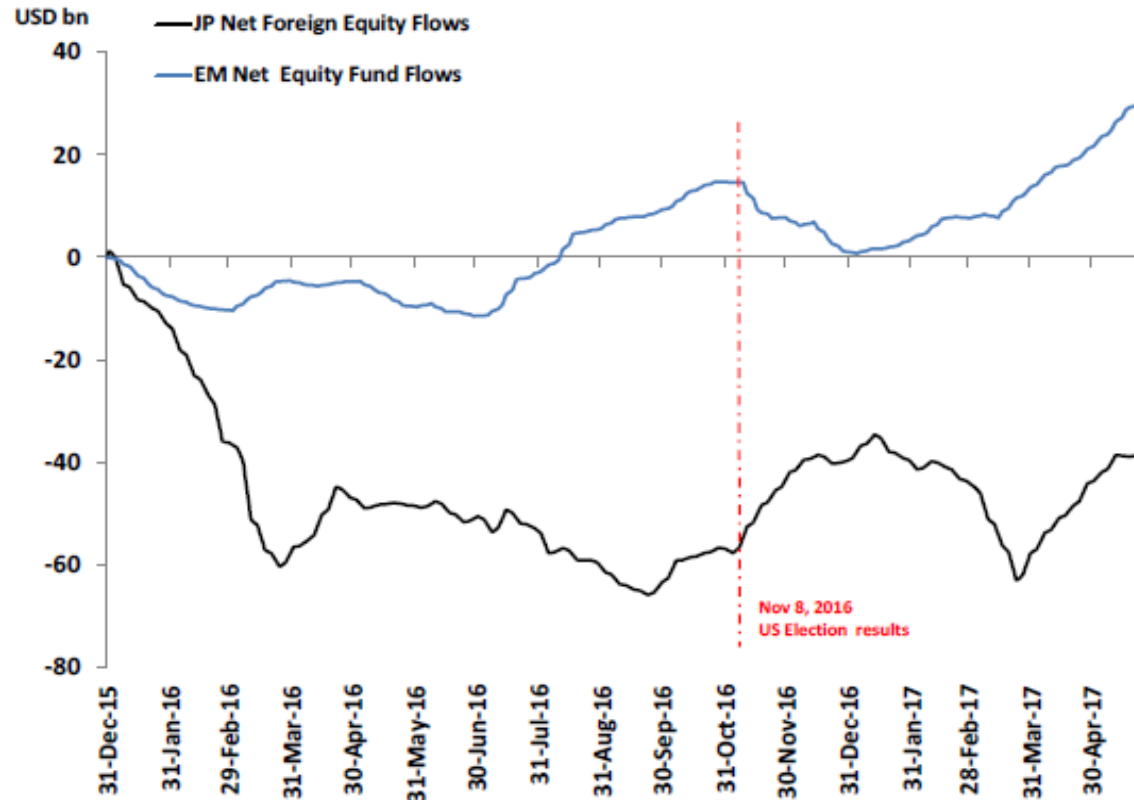


TOPIX trades at 9% discount to global equities on a 12 month consensus forward price to earnings ratio.

# Another Round of Abenomics: Make Japan Great Again

## Market Friendly Outcome Should Reverse Weak Investor Positioning in Japanese Equities

Exhibit 9: EM vs. Japan Net Equity Flows



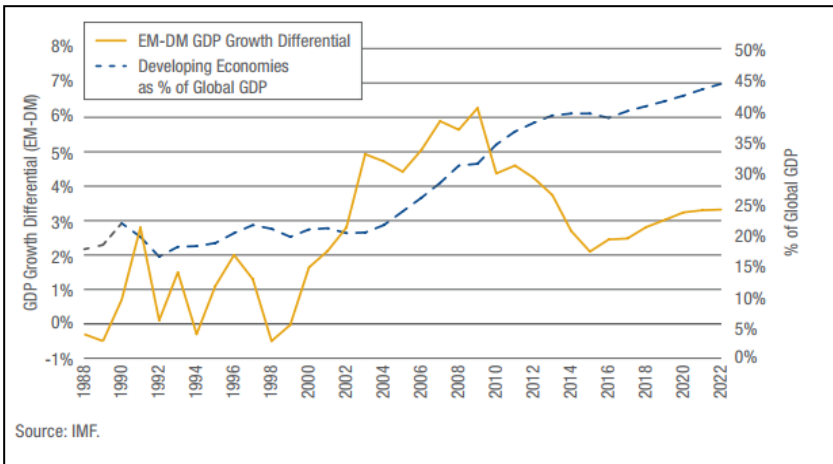
Source: EPFR, Fund Flows Database, Bloomberg, Morgan Stanley Research. Japan Net Equity Foreign Flows Data as of May 26, 2017. EM Net Equity Fund Flows Data as of May 24, 2017

Since the start of the year, EM equities have received US\$69.3bn of net foreign inflows compared to US\$1.4 bn in Japan. We expect Japan to gain major inflows as the Yen weakens and earnings continue their strong path at which point global managers will look to reduce their underweight positions.

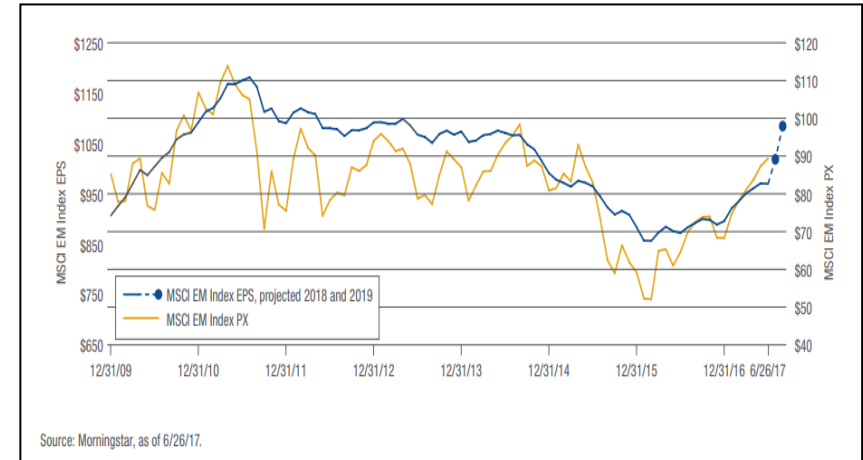
**Action: Overweight Japan**

# Emerging Market Equities

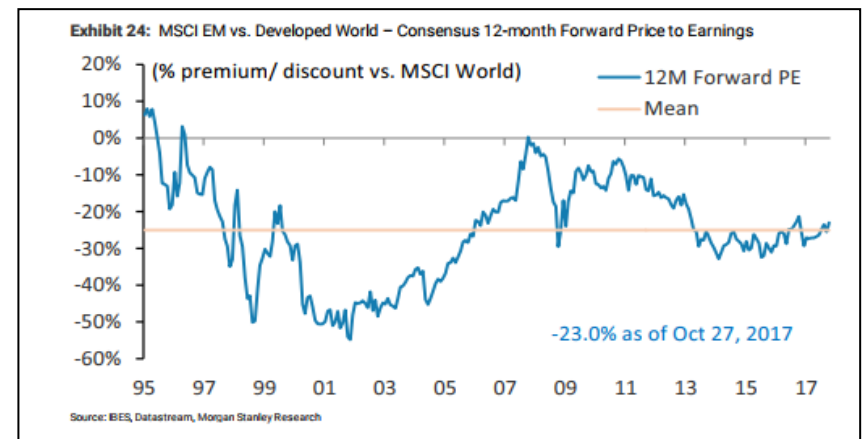
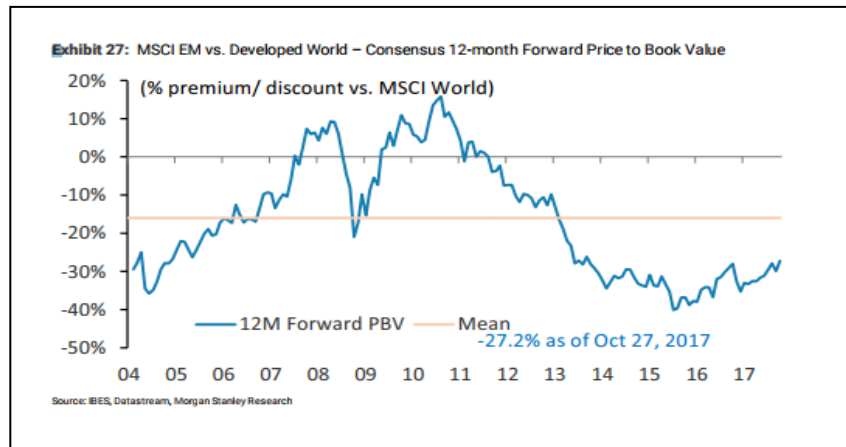
## EM GDP Growth Outpacing Developed Market Growth



## MSCI EM EPS Moving Back Towards Prior Peak

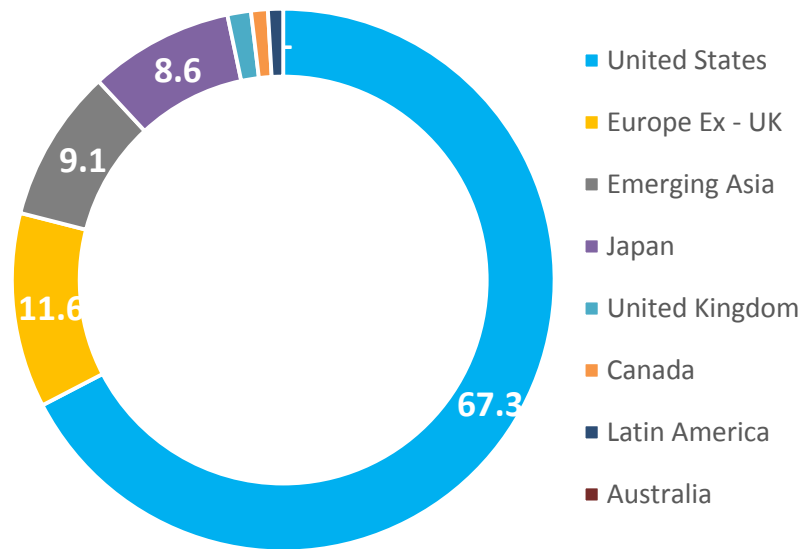


## Despite The Strong Outperformance YTD, EM Equities Valuation Remain Reasonable

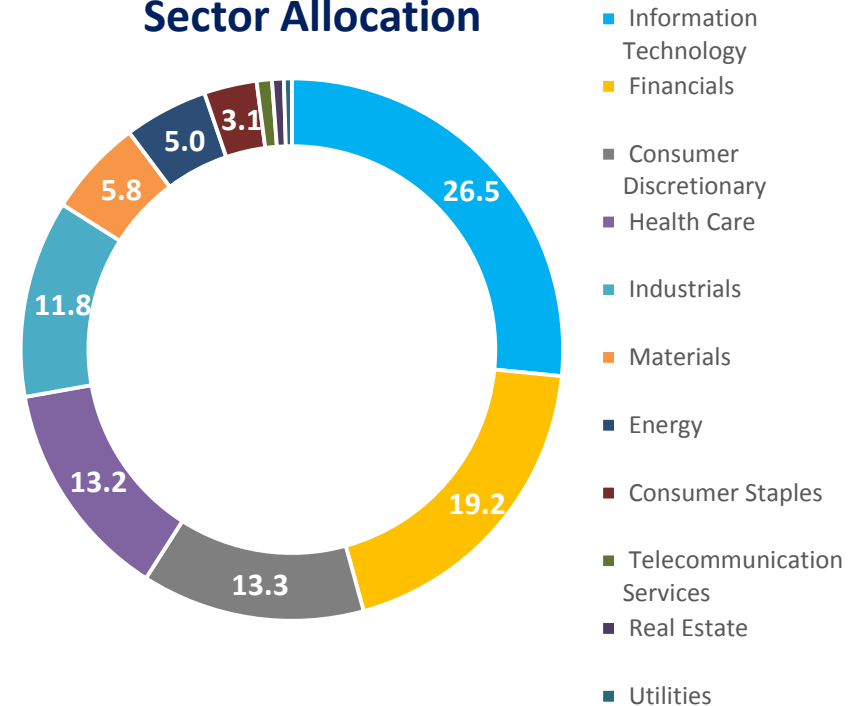


# Equity Strategy

## Region Allocation



## Sector Allocation



# But We Are Mindful Of Boogie Man

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Policy Missteps or  
Miscommunications

Pending Tax Reform

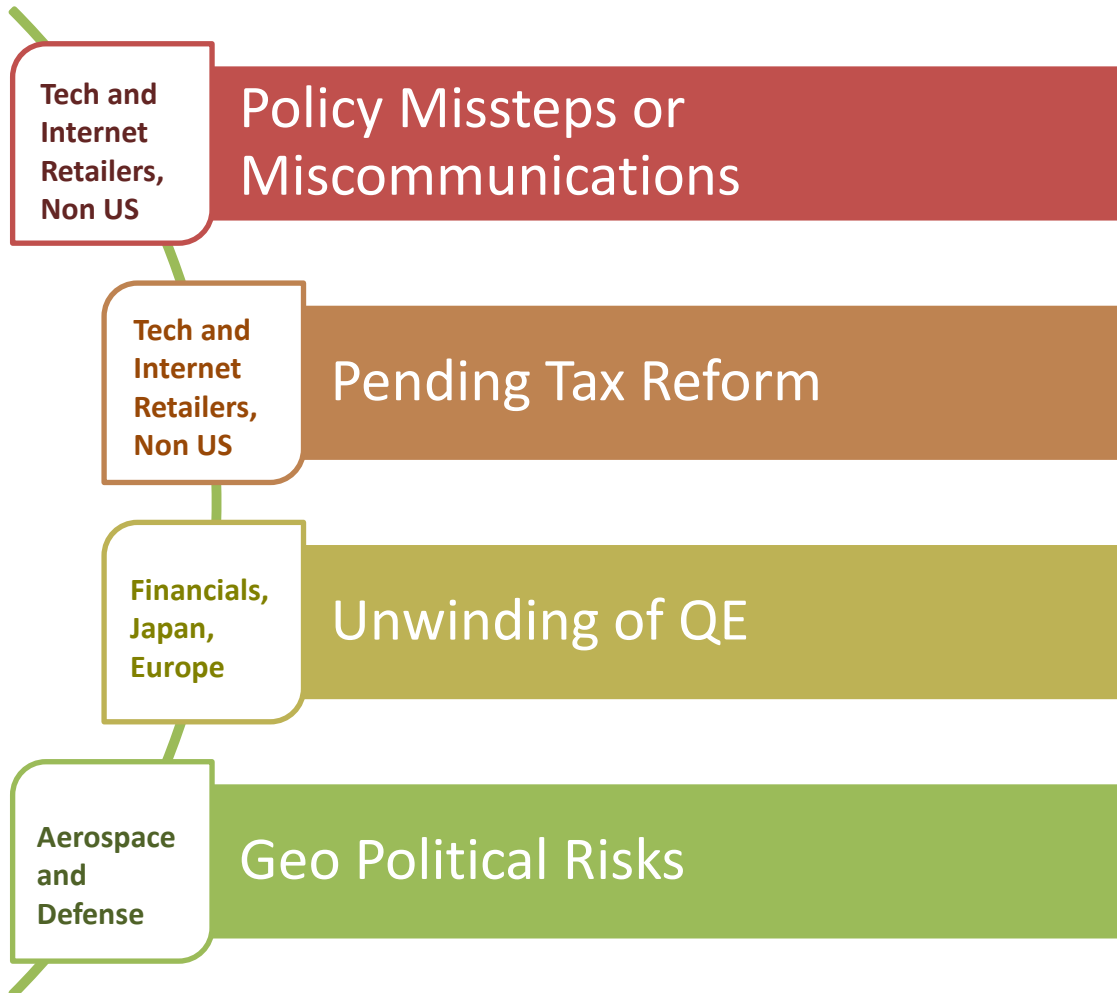
Unwinding of QE

Geo Political Risks



# But We Are Mindful Of Boogie Man

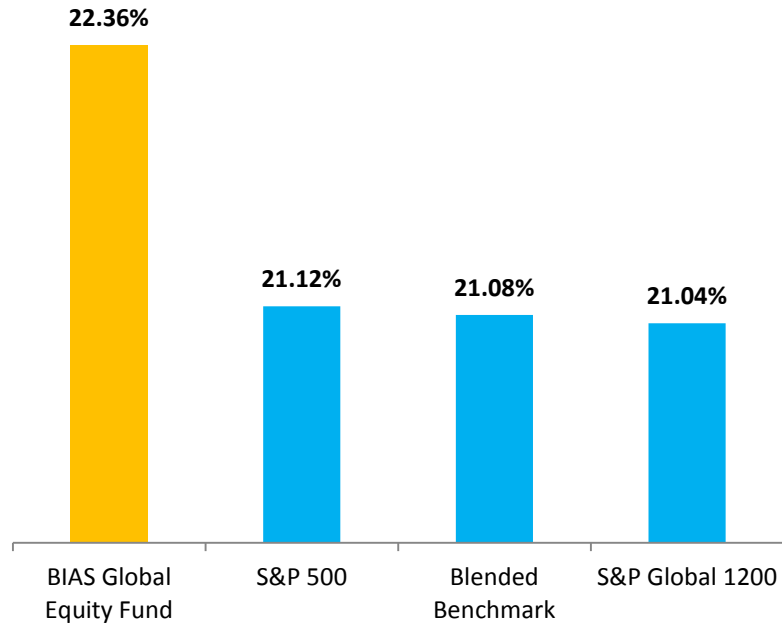
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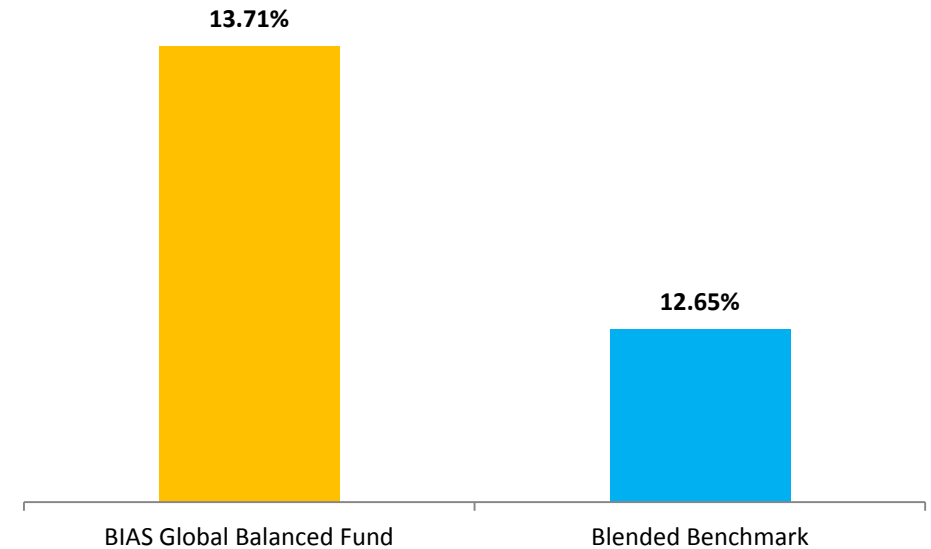


# BIAS Fund Performance – 1 Year

## Equity Fund Has Outperformed The Blended Benchmark By 128 bps



## Balanced Fund Has Outperformed The Blended Benchmark By 106 bps



All data for 1 Year as of October 31, 2017, shown in USD.. Source Bloomberg

Note: The Blended Benchmark for Equity Fund is a combination of 50% S&P 500 Index and 50% S&P Global 1200 Index.

Note: The Blended Benchmark for Balanced Fund is a combination of 30% S&P 500 Index and 30% S&P Global 1200 Index, 20% Citi 1-3 US Treasury Index and 20% Citi 3-7 US Treasury Index

# Disclaimer

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## **BENCHMARKS**

The S&P Global 1200 Index is a worldwide equity index representing 29 countries grouped in seven regional markets. The S&P Global 1200 Index was launched in 1997. The S&P Global 1200 Index represents about 70% of the world equity market. The S&P Global 1200 Index is weighted by market capitalization. The S&P Global 1200 Index is made of the following seven re-known indices: S&P 500 Index for the United States, S&P Europe 350 Index for Europe, S&P/TOPIX 150 Index for Japan, S&P/TSX 60 Index for Canada, S&P/ASX All Australian 50 Index for Australia, S&P Asia 50 for Asia, S&P Latin America 40 for Latin America. The S&P Global 1200 Index is calculated in real time in US dollars using real time currency conversion for indices not traded in dollars. The S&P Global 1200 Index is reconstituted on an as needed basis by Index Committees which includes representatives of all exchanges representing the underlying indices of the S&P Global 1200 Index.

S&P 500® is a trademark of The McGraw-Hill Companies. The S&P 500® Index tracks the stock performance of 500 US companies across four industry groups. It is a market-value weighted index with each stock's weight in the index proportionate to its market value.

This literature does not constitute an offer to sell or a solicitation for any securities offered by BIAS and cannot disclose all risks and significant elements of an investment therein.

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**PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS.**

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