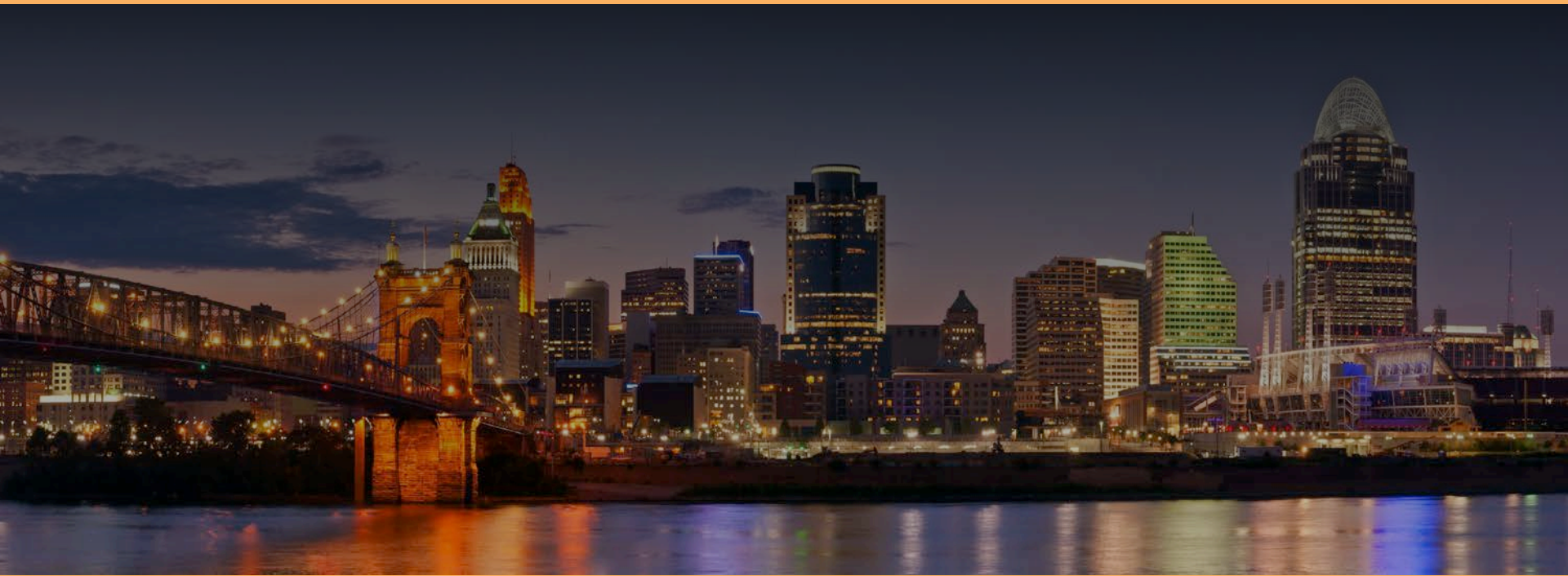


FEG 2017 INVESTMENT FORUM



THE CAROUSEL OF ECONOMIC AND MARKET CYCLICALITY



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*Managing Principal, Chief
Investment Strategist*

Fund Evaluation Group, LLC





A person wearing a dark blue suit, white shirt, and red tie stands behind a dark podium. Two microphones are positioned on the podium. The background is a blurred American flag. Overlaid on the center is a circular diagram with an orange center and a grey ring divided into four segments. The word 'PEST' is written in white in the center, and the four segments are labeled 'POLITICAL', 'TECHNOLOGICAL', 'SOCIAL', and 'ECONOMIC' in white.

PEST

POLITICAL

TECHNOLOGICAL

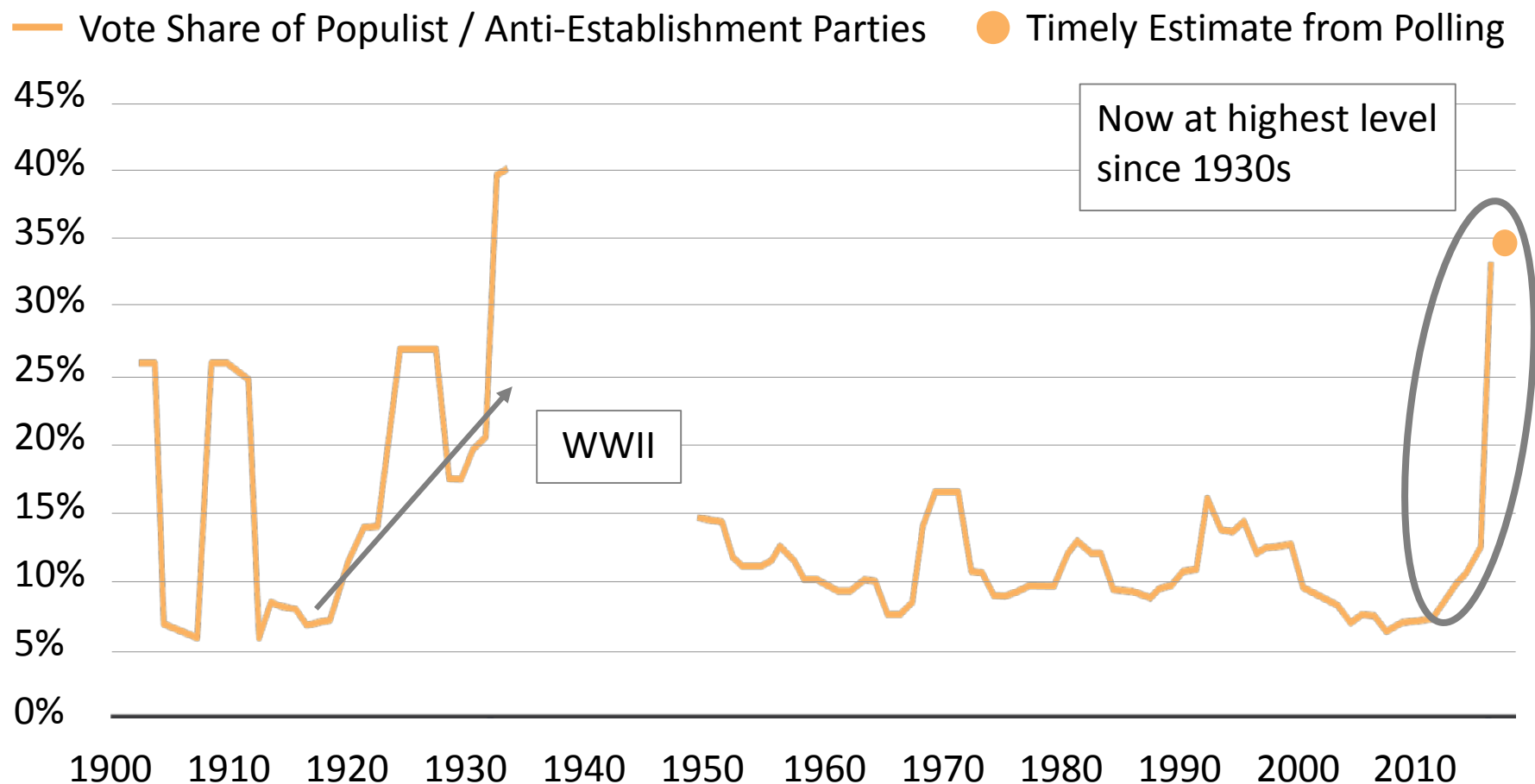
SOCIAL

ECONOMIC

“ *Now, along comes Mr. Vance, offering a compassionate, discerning sociological analysis of the white underclass that has helped drive the politics of rebellion, particularly the ascent of Donald J. Trump.* ”

–Jennifer Senior
New York Times

DEVELOPED WORLD POPULISM INDEX



The latest point includes cases like Trump, UKIP in the UK, AfD in Germany, National Front in France, Podemos in Spain, and Five Star Movement in Italy. It doesn't include major emerging country populists, like Erdogan in Turkey or Duterte in the Philippines. In the rest of the study, we look at populists of the past rather than those now in office in order to study the phenomenon because the stories of ones in power or possibly coming to power are still being written. For example, while we consider Donald Trump to be populist, we have more questions that answers about him and are using these other cases to assess him against by seeing if he follows a more archetypical path or if he deviates from it significantly.

Source: Bridgewater Associates

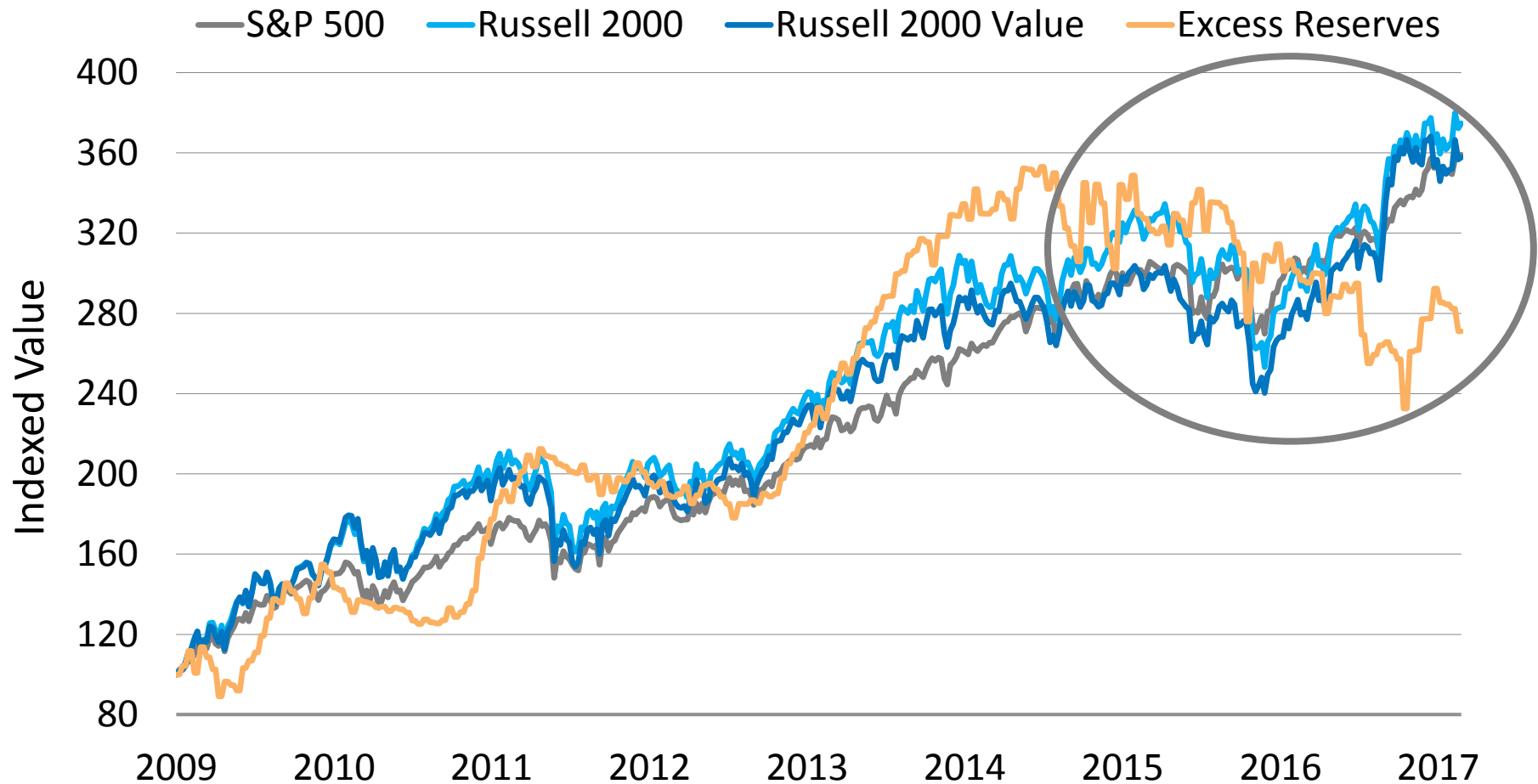
DEMOCRACY VERSUS CAPITALISM





EXCESS RESERVES & U.S. EQUITIES

(March 18, 2009 - Present)



Source: Bloomberg, L.P., Fund Evaluation Group, LLC; Data as of 5/10/2017

Note: All data indexed to the commencement of QE1 (March 18, 2009)



LABOR PRODUCTIVITY

GDP

HOURS WORKED

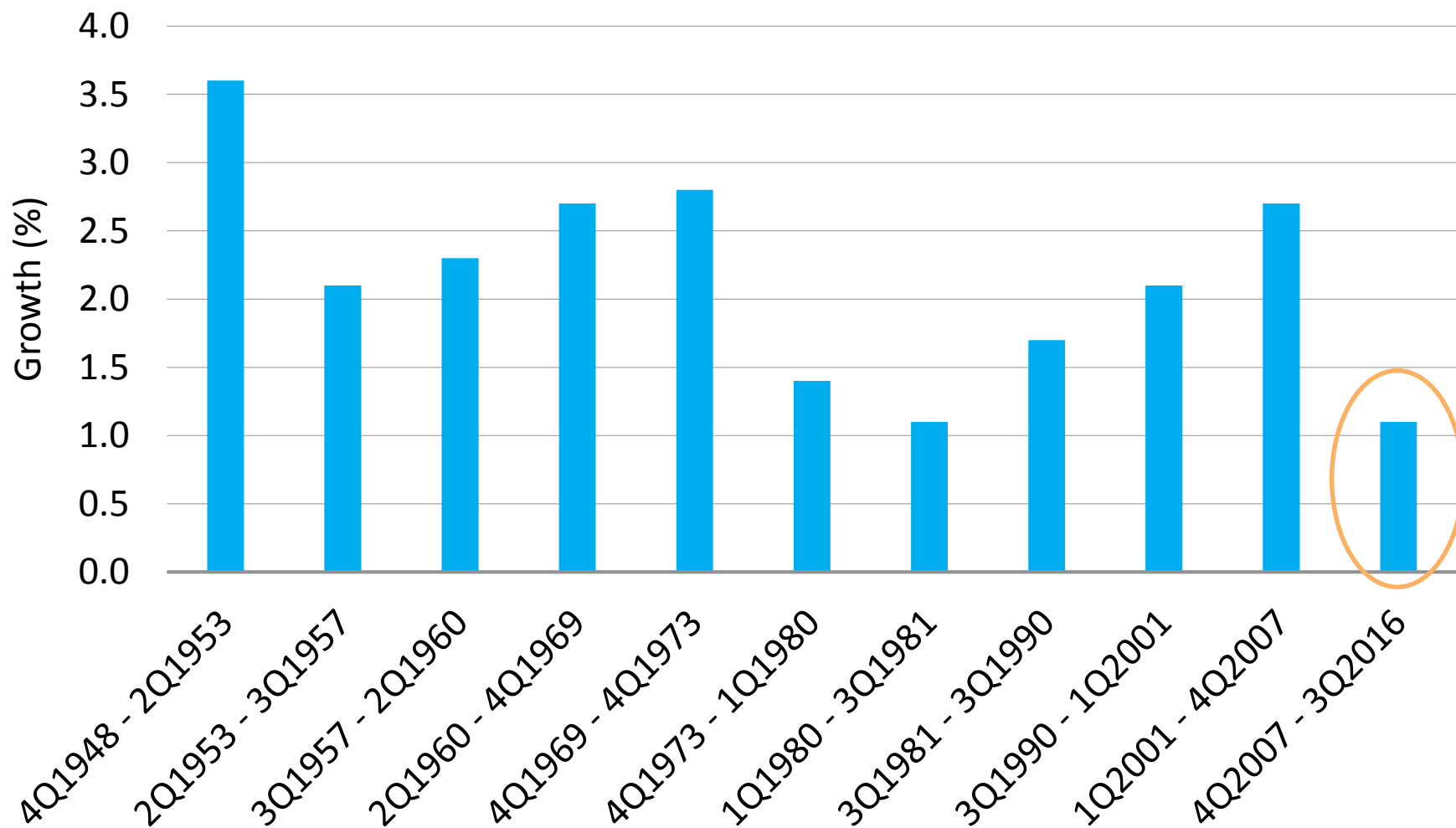


VELOCITY OF MONEY

GDP

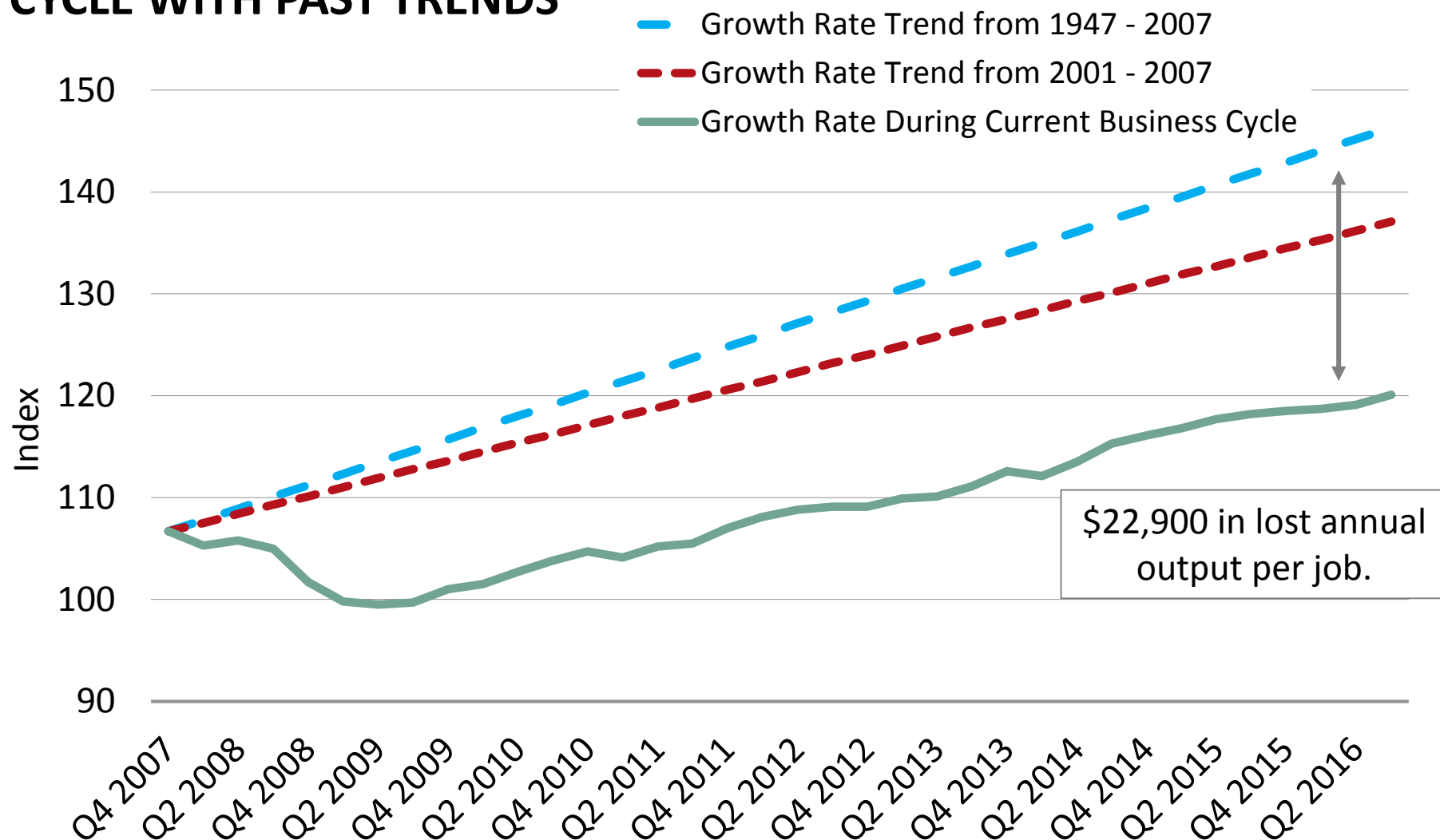
MONEY SUPPLY

AVERAGE ANNUAL GROWTH RATE OF LABOR PRODUCTIVITY DURING BUSINESS CYCLES



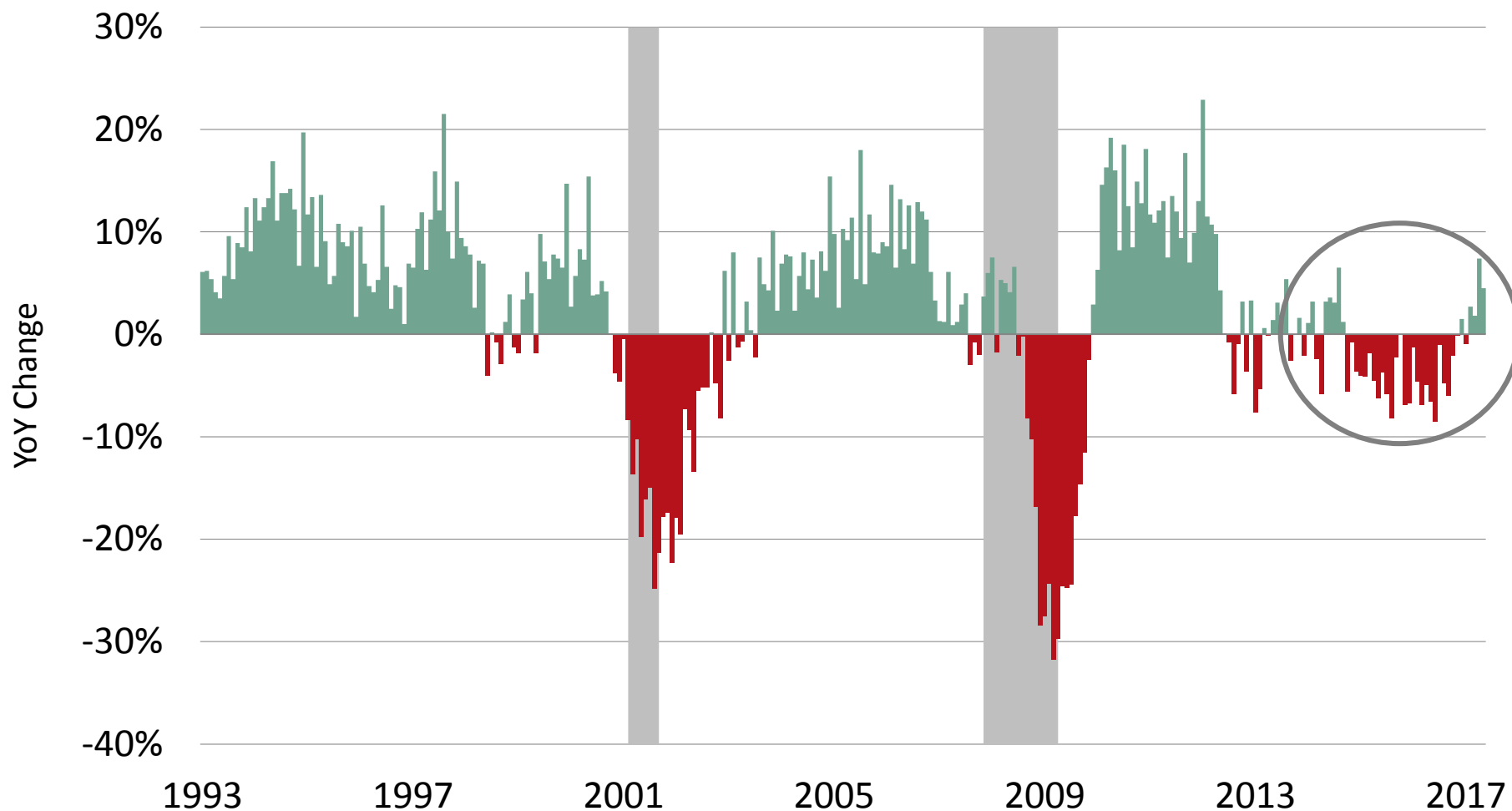
Source: U.S. Bureau of Labor Statistics

COMPARING OUTPUT OF THE CURRENT BUSINESS CYCLE WITH PAST TRENDS



Source: U.S. Bureau of Labor Statistics

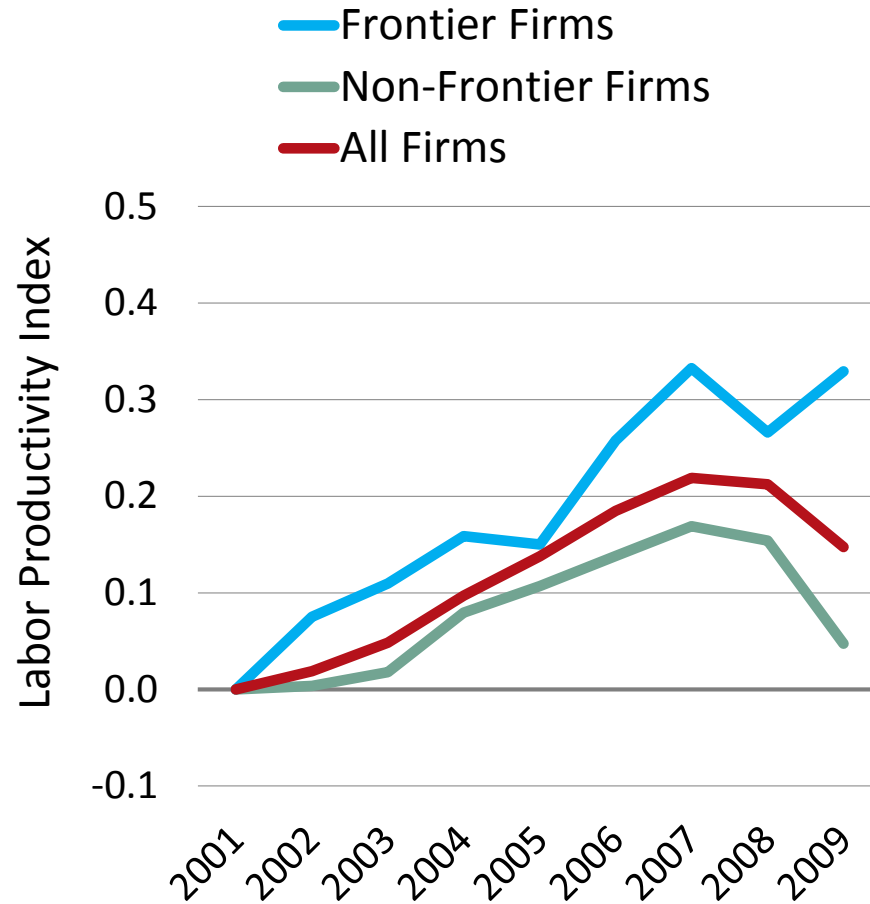
CAPITAL GOODS NEW ORDERS NONDEFENSE EX. AIRCRAFT & PARTS "CORE CAPEX"



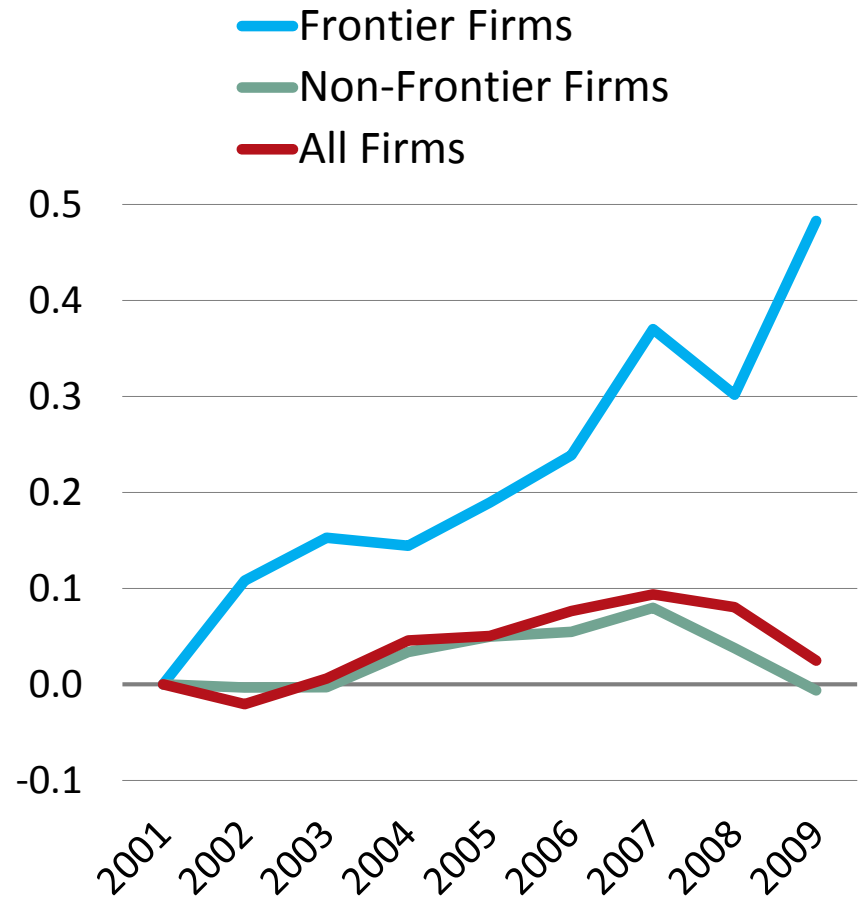
Source: U.S. Census Bureau, Bloomberg, L.P.; Data as of June 2017.

SPILLOVER SLOWDOWN

Manufacturing Sector

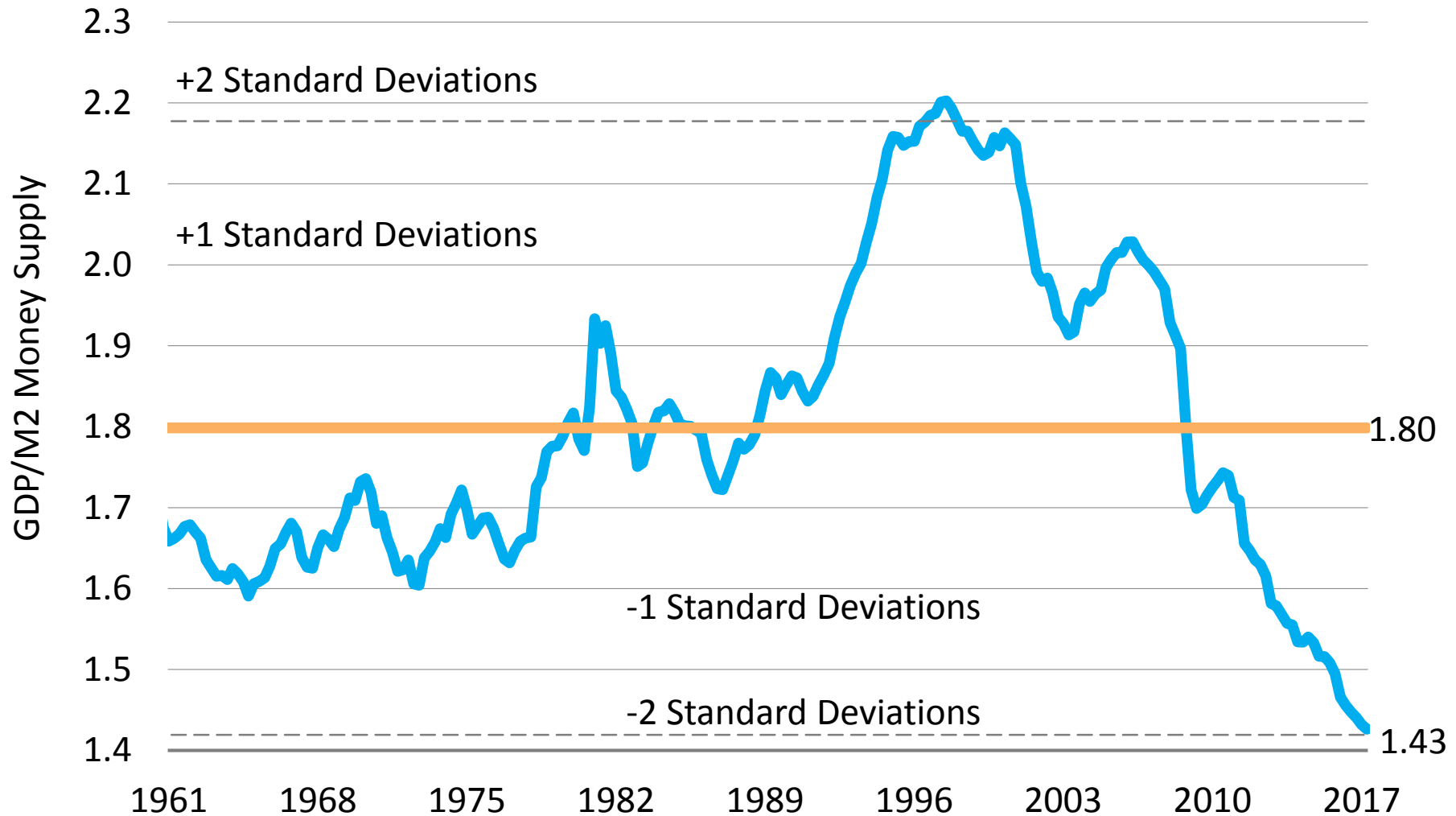


Services Sector



Source: [Keynote speech on the future of productivity: Productivity by all and for all](#); Palabras de Ángel Gurría, Secretario General, OECD

M2 MONEY VELOCITY



Source: BEA, Bloomberg, L.P.; Data as of 2Q 2017.





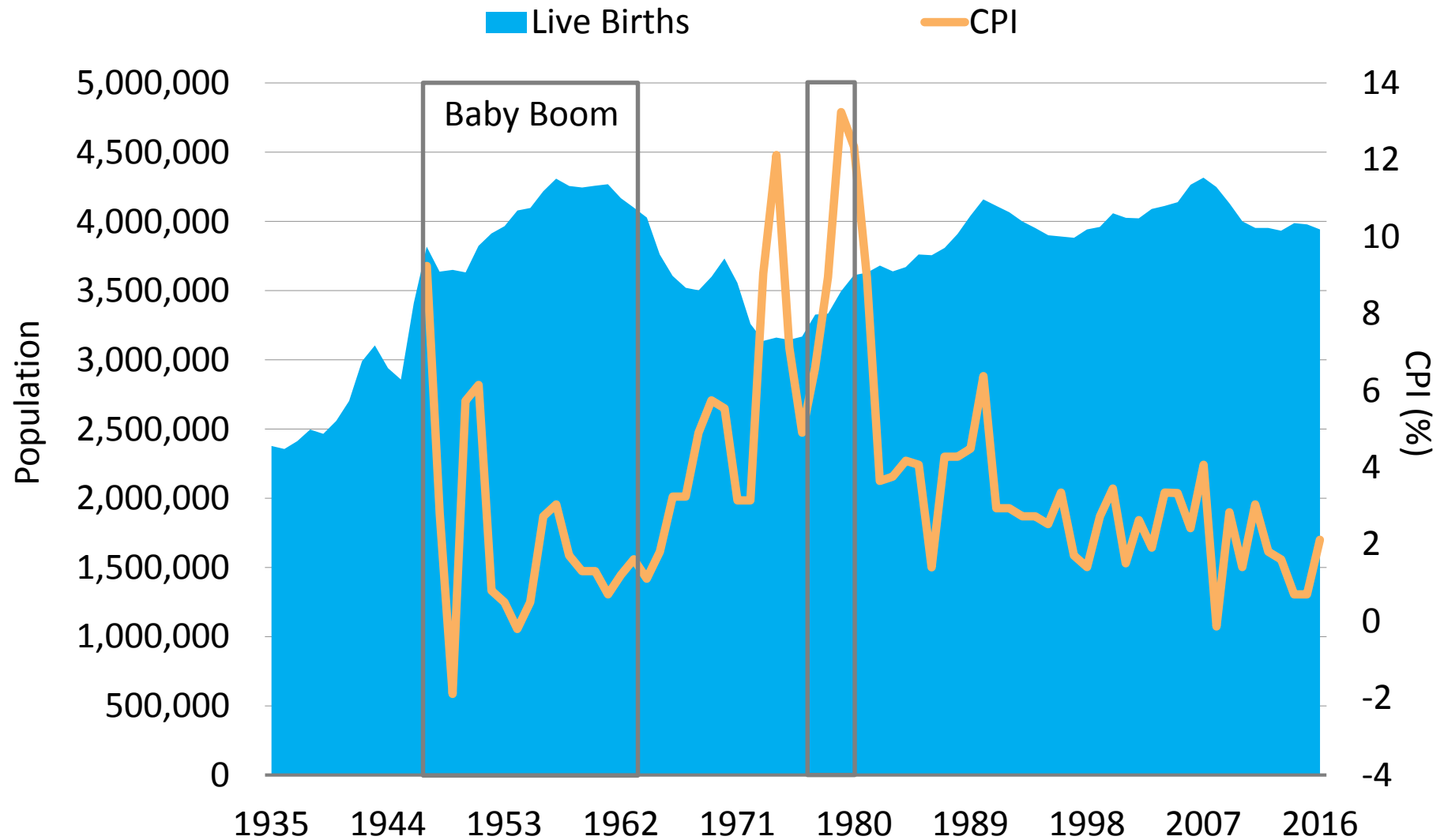
SOCIAL

TECHNOLOGICAL

ECONOMIC

POLITICAL

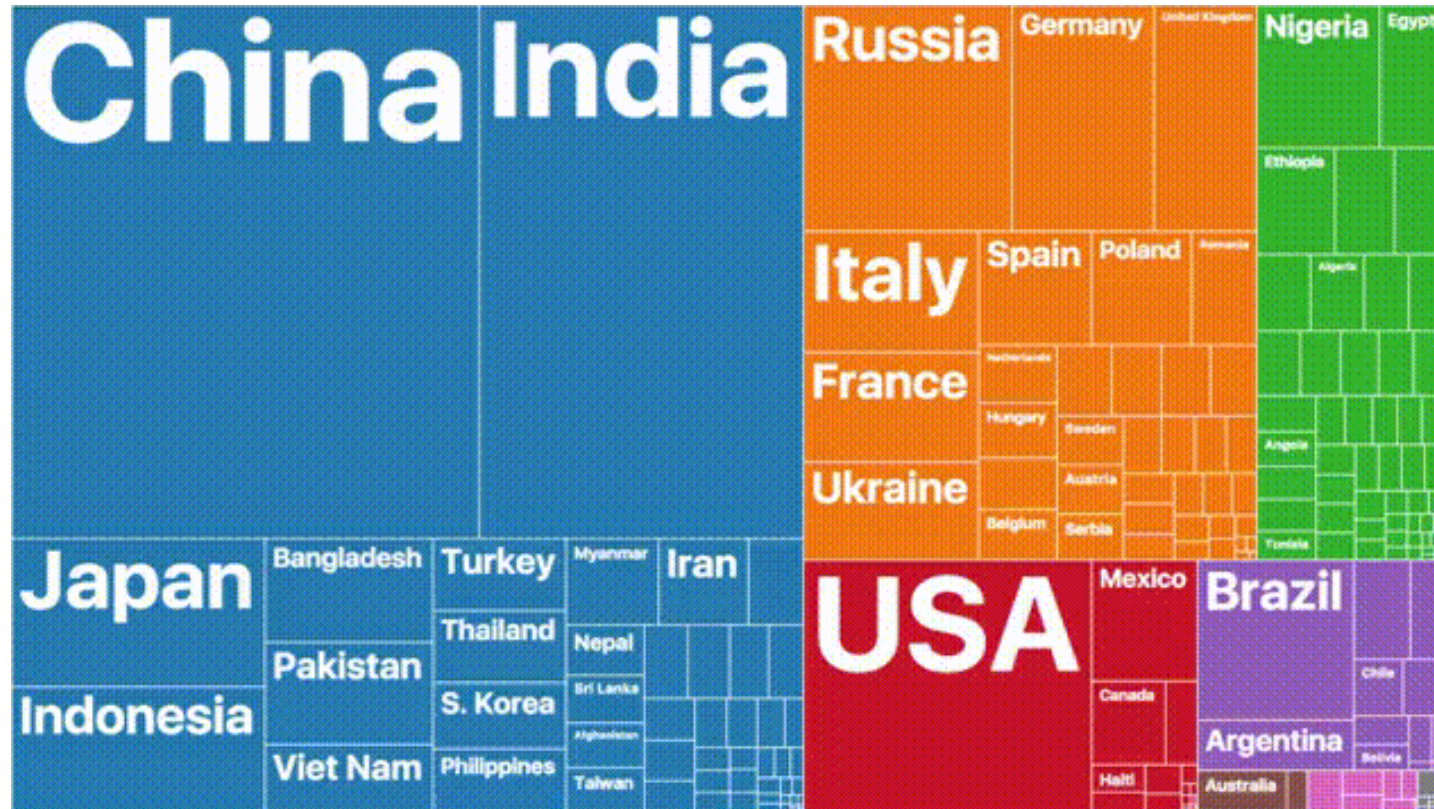
POPULATION DEMOGRAPHICS AND INFLATION



Source: BEA, Bloomberg, L.P.; Data as of 2Q 2017.

COUNTRIES BY POPULATION SIZE

1950-2100



YEAR

1950

Source: United Nations, Department of Economic and Social Affairs, Population Division.
World Population Prospects: The 2015 Revision. (Medium variant). Created with d3.js and Django.

COUNTRIES BY POPULATION SIZE

1950-2100

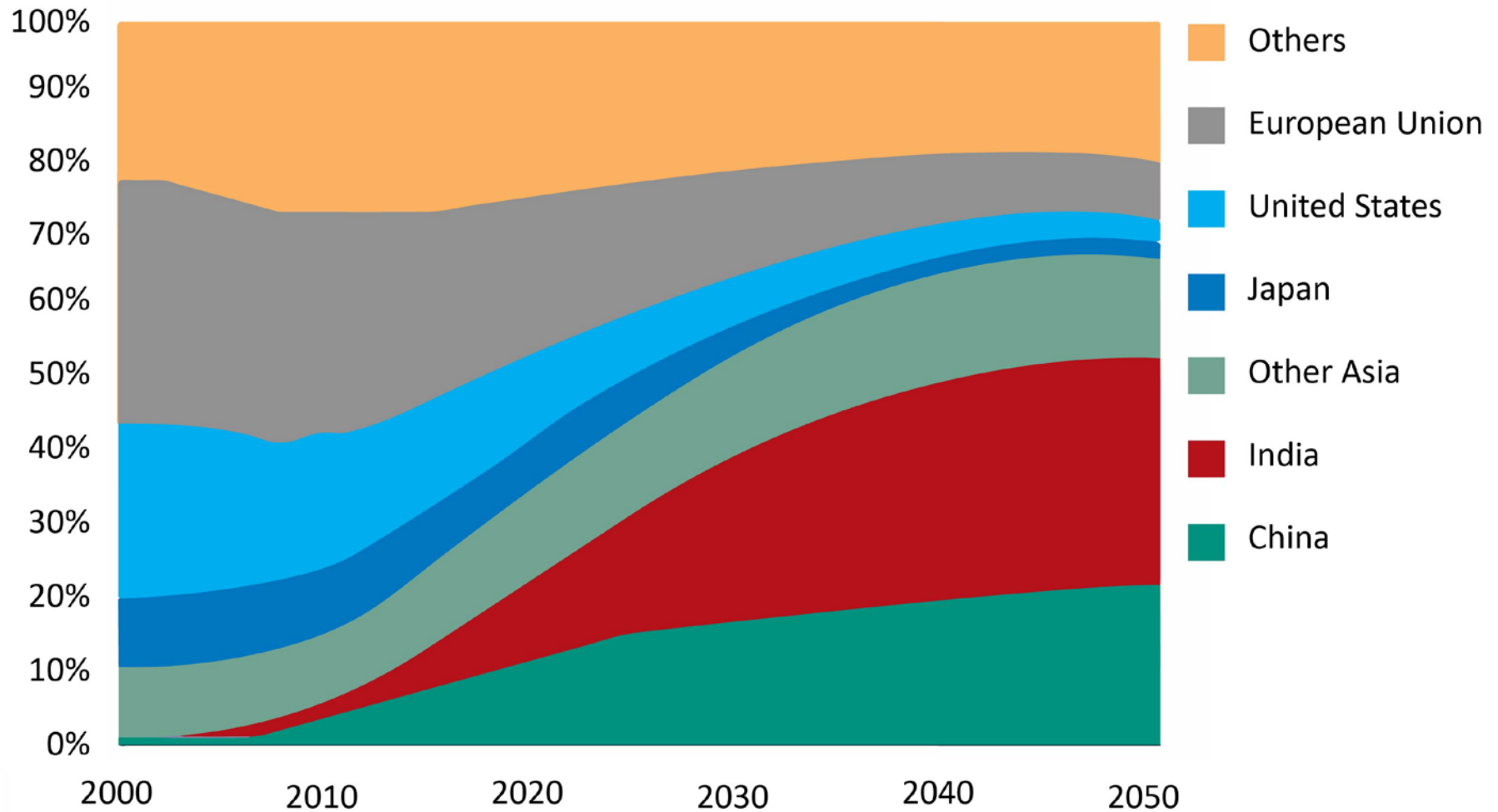


YEAR

2100

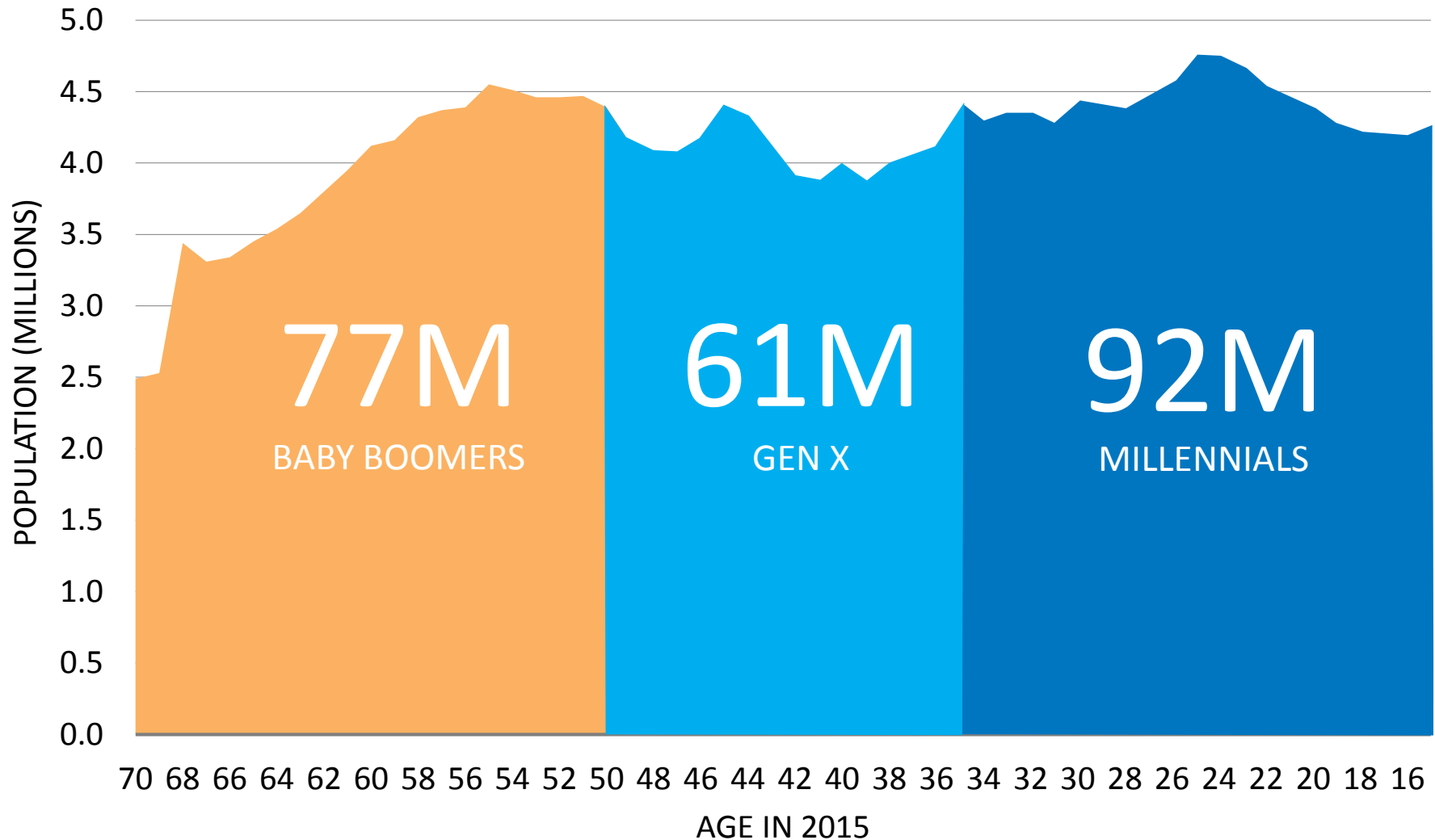
Source: United Nations, Department of Economic and Social Affairs, Population Division.
World Population Prospects: The 2015 Revision. (Medium variant). Created with d3.js and Django.

SHARES OF GLOBAL MIDDLE-CLASS CONSUMPTION 2000-2050

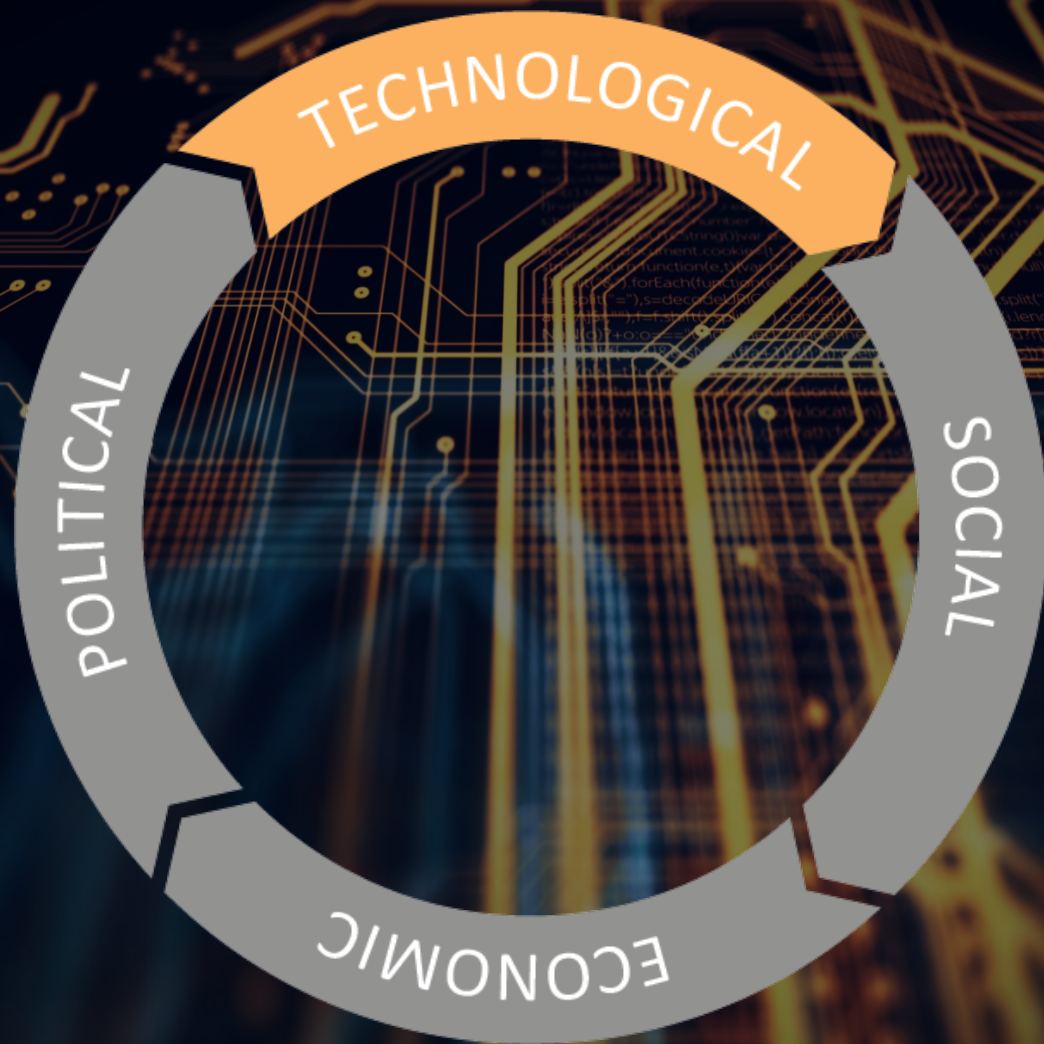


Source: Organization for Economic Co-operation and Development

SHIFTING POPULATION DEMOGRAPHICS



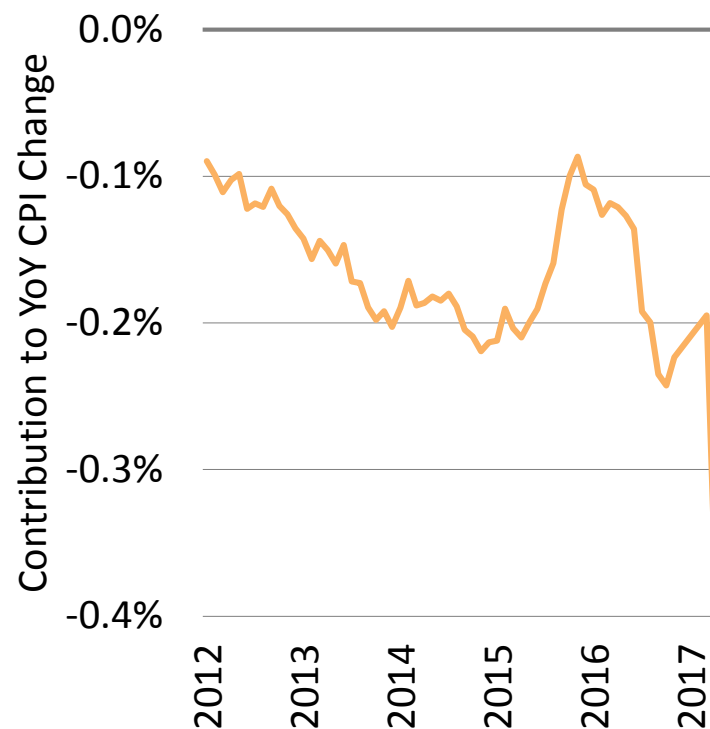
Source: U.S. Census Bureau



TECH-DISRUPTED SECTORS CONTRIBUTION TO CPI

INFLATION CATEGORY	DISRUPTOR
Energy Comm.	Fracking
Household Furnishings	IKEA, Amazon
Televisions	Smartphones, tablets
Audio Equip.	Streaming, smartphones
Sports Equip.	Amazon
Photographic Equip.	Smartphone cameras
PCs & Peripheral Equip.	Smartphones, tablets
Video Discs & Other Media	Netflix, digital media

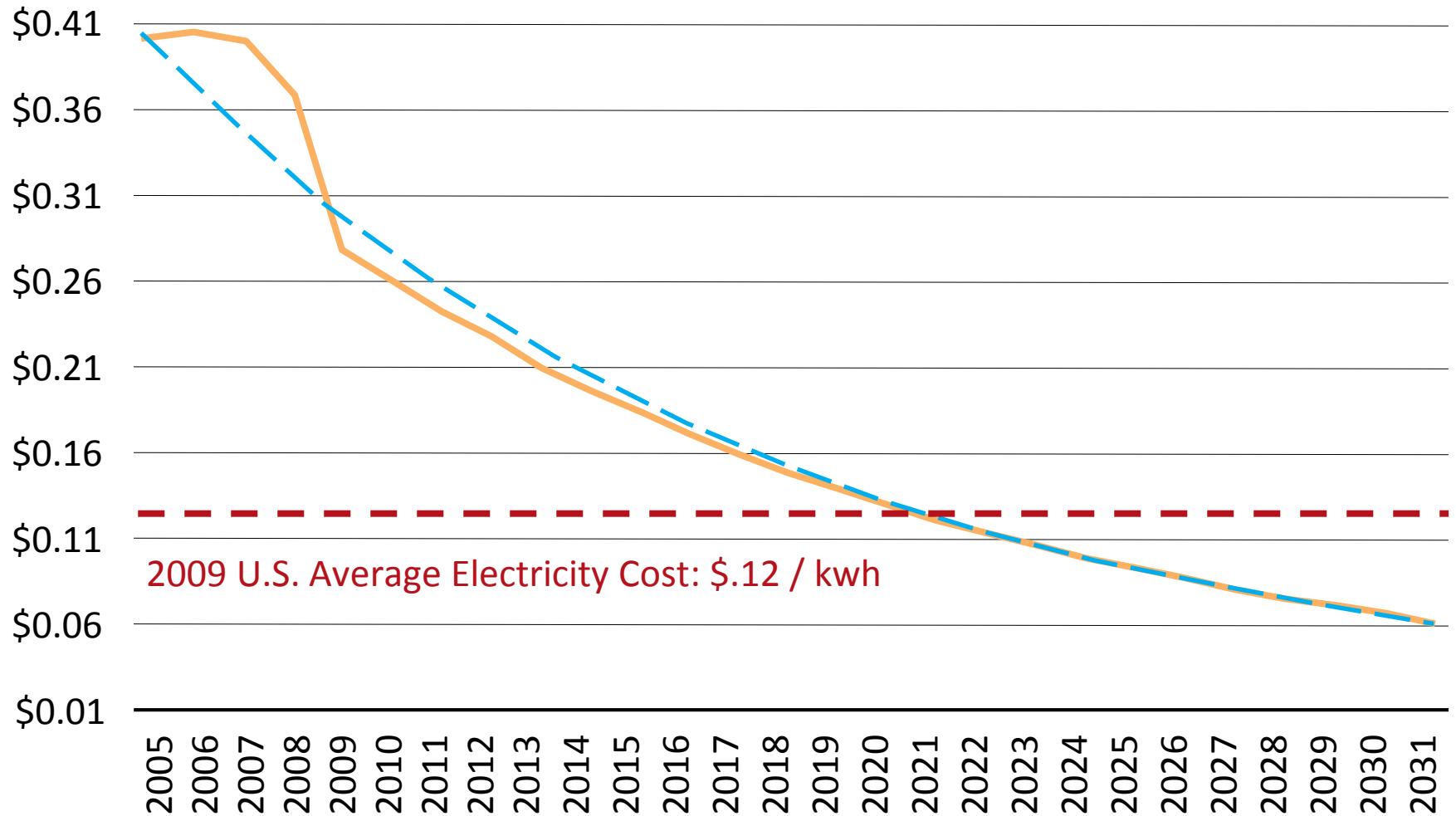
TECH-DISRUPTED SECTORS (EXCLUDING ENERGY)



Source: BEA, Bloomberg, L.P., Rick Rieder, BlackRock; Data as of 2Q 2017.

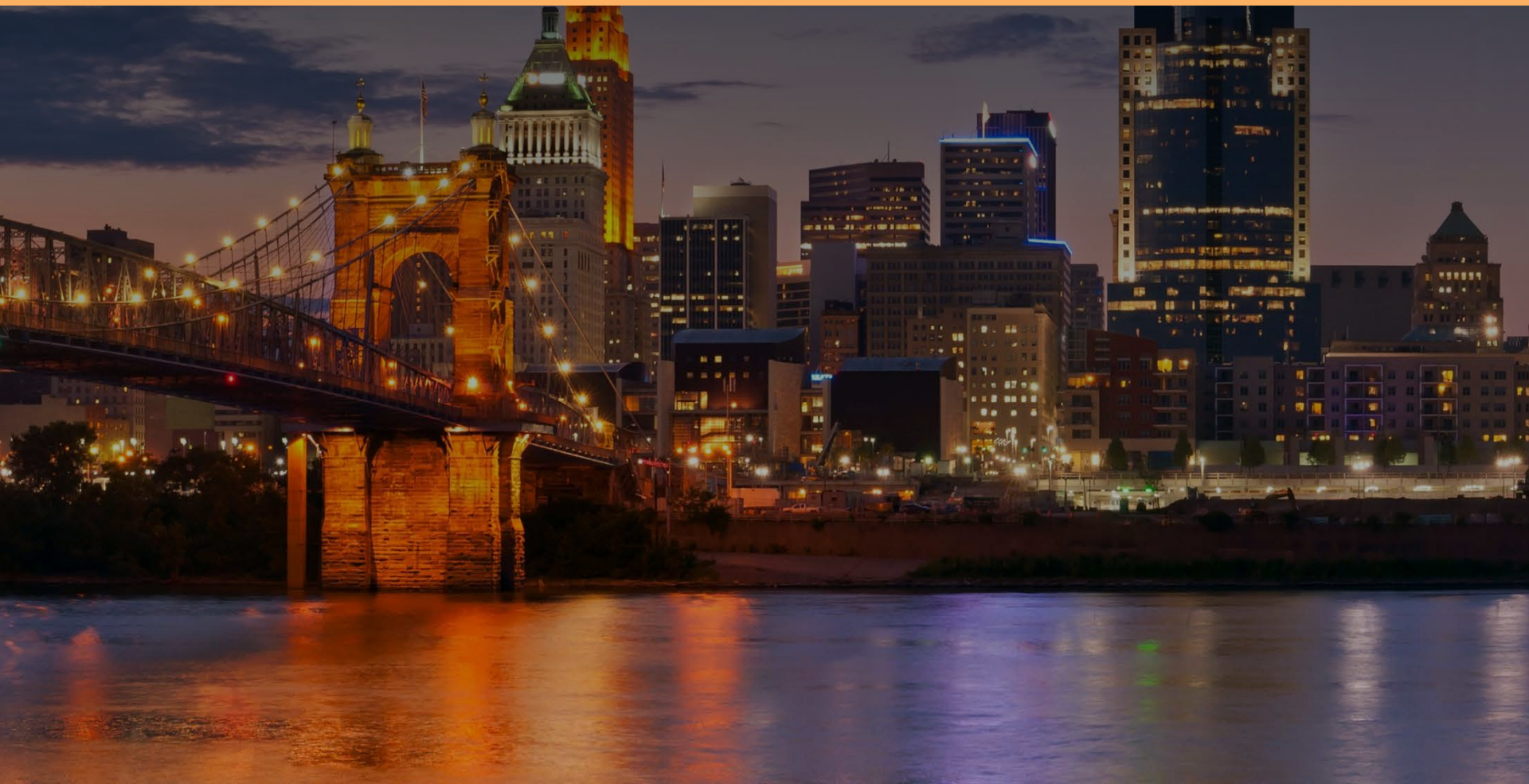
SOLAR PV COST PER KWH

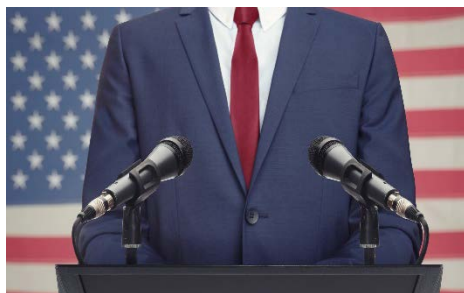
(Projected beyond 2009. All data in 2009 dollars)



Source Data to 2009: DOE NREL Solar Technologies Market Report, Jan 2010; Projections by Naam 2011

Key Take-Aways





POLITICAL

- Populism
- Democracy versus Capitalism



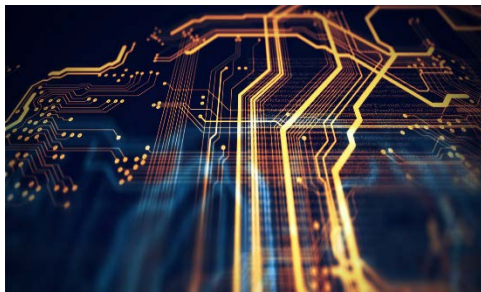
ECONOMIC

- Tighter monetary policy
- Need for fiscal policy



SOCIAL

- Weak demand
- Emerging market growth potential



TECHNOLOGICAL

- Disruptions keeping prices low
- Evolving labor market

DISCLOSURES

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