2017 RFA GAME PLAN: CHANGE IS BLOWING IN THE WIND

	We think…	We recommend…	We expect…
Economies	• The most significant risk entering 2017 is the uncertainty caused by the incoming Trump Administration. • The potential for new global trading partnerships will generate additional uncertainty and market volatility. • But, thoughtful changes in U.S. fiscal policies such as infrastructure initiatives and tax reform can stimulate economic growth, capital spending, increased corporate profits and wages, as well as push inflation higher. • The pace of global economic growth is projected to be moderate (3.4% per the IMF). Advanced economies are expected to grow 1.8%. The U.S. will lead developed nations (2.2%), while the Euro Area (1.5%), U.K. (1.1%), and Japan (0.6%) will struggle to gain momentum. Emerging economies will grow at 4.6% and outpace developed markets, with India (7.6%) and China (6.2%) leading the way. • A tight labor market and firming inflation in the U.S. should allow the Federal Reserve to continue to slowly raise *short-term* rates.	• Maintain a broad global diversification. • Monitor economic and market impact of evolving global monetary and fiscal policies. • Monitor Trump Administration policies closely, and re-evaluate after first 100 days.	• Modest returns for global equities and bonds. • A continuation of a strong U.S. dollar should help the economies and corporate earnings in Japan, Europe and emerging market countries by boosting exports. • The Federal Reserve will continue to increase the discount rate during 2017. • The growth outlook for emerging economies has improved, but volatility will remain elevated.
Politics	• The U.S. 2016 election and looming European and Asian elections and referendums may create new global alliances, as well as new geopolitical and economic leadership. • Geopolitical tensions have increased and risks could be persistent and significant.	• Maintain a broad global diversification. • Monitor global geopolitical developments.	• In the U.S., Congress will likely pass tax cuts and initiate additional infrastructure and defense spending in 2017. • Trending nationalism threatens a recovering global economy.
Bond Markets	• The Federal Reserve will gradually increase the discount rate in 2017 as circumstances unfold, with "normalcy" pushed back to 2018. • The European Central Bank will maintain monetary stimulus, while Japan has moved toward fiscal stimulus to spur growth. • Inflationary forces could increase in an already warming economy as a result of large amounts of fiscal stimulus, which would in turn push rates higher quicker and put pressure on the Federal Reserve to move more aggressively to hike rates.	• Emphasize actively managed portfolios. • Maintain broad diversification and a defensive underweight position in duration, with selective credit and non U.S. currency exposure.	• U.S. interest rates should rise in 2017 but only at a modest pace due to sluggish global growth and very cautious global central banks. • The divergence in global central bank monetary policies and current bond yields will impact currency prices and the total returns on bonds.
Stock Markets	• Corporate earnings growth in the U.S. has improved, and should support the U.S. equity market going forward. • While interest rate increases should not derail equity gains, they could define winners and losers in 2017 with cyclicals (such as financials and technology) outpacing defensives (such as utilities and REITs). • Stocks are an attractive option in a gradually increasing interest rate environment.	• Maintain a broad global stock mix emphasizing diversification at the sector level. • Emphasize actively managed portfolios.	• Global equity returns will outperform global bonds. • Opportunities will arise from favorable country, sector, and stock selection. • Fiscal, rather than monetary stimulus, will be the catalyst for further stock market gains.
Large vs. Small	• Without the benefit of new fiscal policy initiatives, the strong U.S. dollar may lower U.S. multinational revenue and earnings growth potential, making current valuations relatively high. • U.S. small and midcap companies may demonstrate greater growth potential due to their more limited exposure to export based production.	• Maintain current modest overweight to small/midcap equities.	• Selective sector and stock allocations will drive returns.
Domestic vs. Foreign	• Stronger U.S. GDP and earnings growth should support U.S. equities. • Emerging markets valuations are attractive, but they face risks from U.S. dollar strength and protectionism. • The selloff in international currencies has created selective valuation opportunities.	• Maintain overweight in U.S. stocks. • Maintain underweight in emerging markets.	• U.S. stocks will outperform foreign stocks.