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Still Living In Fear of Crisis

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- **The Citi Private Bank Global Investment Committee maintained its** +5.5% overweight in global equities and -5.5% underweight in fixed income -5.5%. However, it made small changes to the relative share of emerging market and developed market equity holdings.

- **Markets have seen a predictable rise in volatility, plunging and recovering amid concerns over Greece and China.** We believe neither of these country-level issues risks a turning point for the world economy. Greek contagion risks have greatly diminished in our view.

- **In China, local share markets (A-shares) have seen a significant bubble and bust unfold in just four months. Meanwhile the Chinese economy showed no similar inflation and contraction.** China's links to world financial markets are far less developed than in Greece, but it's economy is 60X the size. Yet even markets as nearby as Hong Kong saw relatively little impact from the rise and fall of A-shares. For the purposes of assessing China risk abroad, we look to its economy, not its local stock market.

- **The Fed may begin to very gradually raise short-term interest rates as early as September.** Fixed-income markets haven't fully priced in this timing. However, the positioning and behavior of other markets suggests a milder response than mid 2013's "tantrum."

- **Falling petroleum and a Fed- induced rally in the U.S. dollar are two risks facing a particular set of emerging markets.** We remain underweight emerging market debt in EMEA and Latin America. and some share markets with strong petroleum exposures. Given its external vulnerability and potentially economically-harmful political scandals, the GIC increased its underweight in Brazil. We reinvested proceeds in Japanese small cap shares.

- **Asia looks to benefit anew if petroleum cost declines resume.** North Asia's external position is very different from other EMs with current account deficits, though this does not protect them from all external concerns. Given a strong negative correlation to the yen and the country's large petroleum trade deficit, Japanese shares may be a relative beneficiary of higher short-term U.S. rates.

- In summary, **we maintain our constructive view of the very-moderately growing global economy.** However, prospective Fed rate-rises emphasize late cycle U.S. economic risks and spill-overs when looking out a year or more. Our very gradual moves to decrease portfolio risk over the past year reflect this view and we expect to continue this process.

Asset classes	–2	–1	0	1	2
Core equities					
Developed large cap				■	
Developed small/mid cap				■	
Emerging markets				■	
Core fixed income					
Developed sovereign	■				
Developed corporate investment grade			■		
Developed corporate high yield				■	
Emerging market sovereign		■			
Securitized		■			
Focus investment views					
Europe equities				■	
US large cap equities				■	
US small/mid cap equities			■		
Japan equities				■	
UK equities				■	
Europe ex UK small/mid cap equities				■	
Peripheral Europe sovereign fixed income	■				
Core Europe sovereign fixed income		■			
Japan sovereign fixed income	■				
US & Euro corporate high yield				■	
US Treasuries		■			
US inflation-linked bonds			■		

Allocations as of July 22, 2015.
–2 = very underweight; –1 = underweight; 0 = neutral
1 = overweight; 2 = very overweight

GIC Meeting Summary July 22

The Citi Private Bank Global Investment Committee maintained its +5.5% overweight allocation to global equities and -5.5% underweight in fixed income. However, it made small changes to the relative share of emerging market and developed market equity holdings.

Since late June's meeting, global financial markets have seen a predictable rise in volatility, amid concerns over Greece and China. We believe neither issue is likely to undermine the world economic recovery or financial markets during our 12-18 month tactical investment horizon.

Greece's sharp economic decline has shown no signs of spreading internationally. The Eurozone has steeled itself against such systemic risks over recent years and its broader economic recovery seems to be firmly intact.

Likewise, the dramatic three-week collapse of Chinese A-shares hasn't spilled over substantially to other markets, even as near as Hong Kong**. For the purposes of assessing China risk abroad, we look to its economy, not its local stock market**. While we don't expect a strong and sustained pick-up in currently weak Chinese growth, policymakers have room to enact significant stimulus measures.

We consider north Asian equities are among the most attractive among emerging markets. The region's economies would benefit from further oil-price falls, which we see as a significant risk.

The Fed's desire to raise US interest rates as early as September seems unlikely to generate the shock of the "taper tantrum" in 2013. Various markets have meaningfully, but not entirely, priced in such a move. U.S. dollar strength - coupled with other potential surprises such as more oil-price declines – could trigger another bout of volatility. In this light, and given its external vulnerability and potentially economically-harmful political scandals, the GIC increased its underweight in Brazil equities. We reinvested proceeds in Japanese small cap shares. More generally, we increasingly see selective investing in small cap shares as an outperformance opportunity, though not at a broad index level, or in all regions.

In summary, **we maintain our constructive view of the very-moderately growing global economy.** However, prospective Fed rate-rises emphasize late cycle U.S. economic risks and spill-overs when looking out a year or more. Our very gradual moves to decrease portfolio risk over the past year reflect this view and we expect to continue this process.

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Like the outnumbered Spartans at Thermopylae, a "few" Greeks kept confidence in the Eurozone at bay sporadically over the past five years.

Yet if we believed Greek membership in the Eurozone was absolutely indispensable, we wouldn't invest in Eurozone assets.

Look Beyond Greece and China

Akin to 300 Spartans holding off the vast Persion army, as we see it, there actually is a significant similarity between the Greek financial standoff of the past five years and the ancient battle of Thermopylae.

Greece's total outstanding debt is just 3.3% of the Eurozone's. Its economy is just half as large a share. Private Greek debt has almost entirely migrated to official holders since 2011, with the remainder equal to just over 2% of Eurozone banks sharply expanded equity capital, including Greece's banks (See June 2015 Quadrant "QE Erased, QE to Return"). Yet for five years, Greece has intermittently held back confidence in Eurozone stability.

If the ECB decides to purchase Greek debt (which is uncertain, but increasingly likely) maturing Greek government bonds would consume just 4% of the ECB's asset purchase program[1].Yet the threat of a Greek financial catastrophe, particularly its departure from the Eurozone, has been held out as the one single thing that must be avoided to preserve Eurozone financial stability, if not the currency blocs its existence. (And by extension, as the Europe goes, so goes the world.)

The circumstances leading to bank closures and capital controls - plunging a weak Greek economy into disarray - are tragic ones for the Greek public. The latest Greek bailout proposal suffers the same weaknesses of the previous ones. However, if we believed that Greek membership in the Eurozone was absolutely and indisputably pivotal, we wouldn't invest in Eurozone assets.

The juxtaposition of robustly priced financial assets in almost every corner of the world, and yet a lingering sense vulnerability to the crisis triggers of the past, is a strange one. In our view, it suggests a backdrop in which false warnings might embolden greater risk taking. While slightly harder to shrug off than Greek worries, the same may be true in China, where policymakers are trying to establish asymmetric risks to asset prices.

Greece, China/Europe, Asia

The financial events in China are even more difficult to explain than the events in Greece. Unlike Greece, most should care about China's economic linkages to the world given its much larger economy ($10.2 trillion vs $170 billion for Greece) and dramatically larger contribution to global growth. It's true that China has, in the past year, increased its financial integration in world markets. But China's financial system remains not only tightly controlled by the state but significantly isolated compared even to many emerging markets.

So **what did the sudden sharp rise and fall of A-shares tell us about China's economy? Very little** (see figure 1). What does it tell us about the wider global opportunity investing in China? Not very much more (see figure 2).

[1]Greece may qualify for ECB QE purchases later this year assuming bailout terms are accepted by EU parliaments, ECB holdings of Greek debt fall below about one third of outstanding debt, and if the ECB relaxes the credit ratings requirement for purchases. While highly speculative, we can imagine a very large (potentially short-lived) rise in Greek financial asset prices if these criteria are met.

Figure 1. Shanghai Composite Stock Market Index (RHS) vs. Chinese Composite Economic Growth Index (LHS)

Source: Bloomberg as of July 20, 2015.
Indices shown for comparative purposes only. Investors cannot invest directly in an index. (LHS=Left Hand Side), (RHS=Right Hand Side).

Figure 2. Shanghai Composite Index (Y/Y%) vs Hang Seng Index (Y/Y%)

Source: Bloomberg as of July 20, 2015.

The China-A share bubble and bust has set back foreign investor confidence in China. Yet in the present case, the local share market swings had little correlation to anything else, most importantly, China's economy

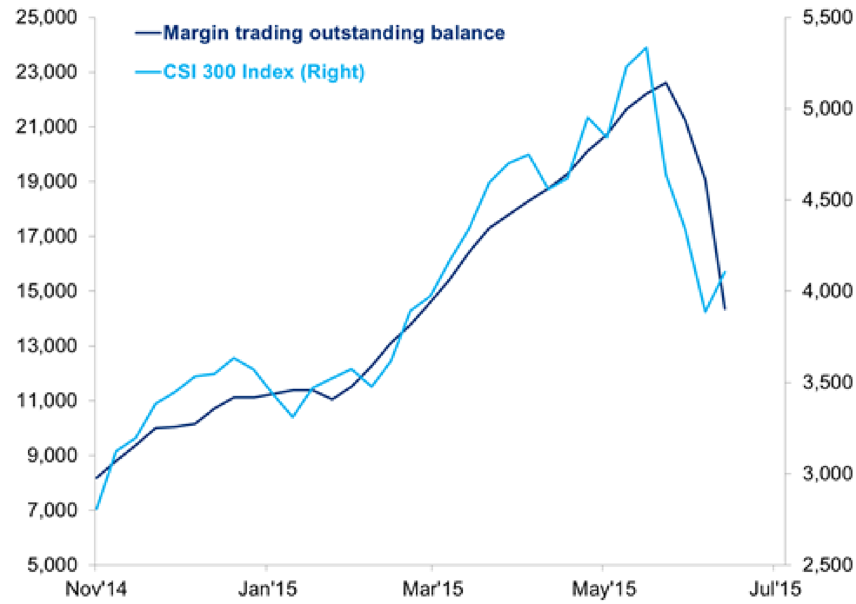
As figure 3 shows, the margin-debt driven bubble in China A-shares occurred surprisingly quickly – in a matter of a few months. A subsequent sharp decline took place over a mere three weeks. China's economy had not taken a dramatically different course over these months.

We continue to expect larger macro policy steps and the immense accumulated savings of China to be put to work with the aim of stabilizing real economic activity, particularly labor markets (please see *China in detail* feature section below). The global backdrop is also significantly more constructive for China now than was the case during the global economic peak of 2007.

In China, policymakers sought to channel domestic savings beyond real estate markets, recapitalize state owned enterprises and open financial markets to the outside world. In part, some of the steps to modernize and open China's financial markets seem to have made it more susceptible to the very abrupt, speculative boom and bust.

Of course policymakers in China encouraged markets when asset prices moved their way. Yet when markets moved aversely, the same market forces were unwelcome and trampled on with steps to bar exits. The whole episode could make foreign investors more wary of approaching China's local markets in the future. But can the same not be said of the world's developed markets as policymakers intervened with different means during the global financial crisis?

Figure 3. Chinese Mainland A-Share Index vs Margin Debt (Mil. of Yuan)

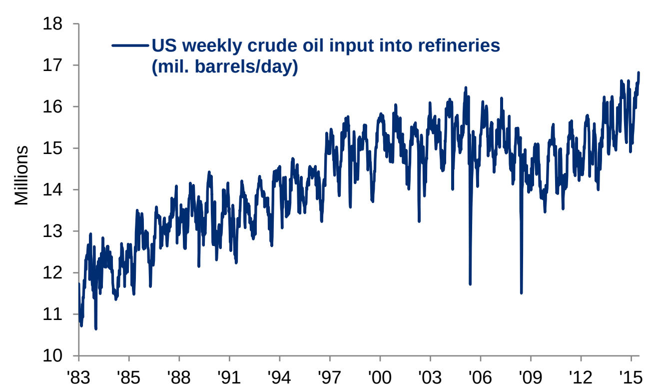


Source: Bloomberg as of July 20, 2015.

For Asia more broadly, the latest decline in petroleum costs may reinvigorate its relative performance, which has suffered during the confidence woes of China and Greece.

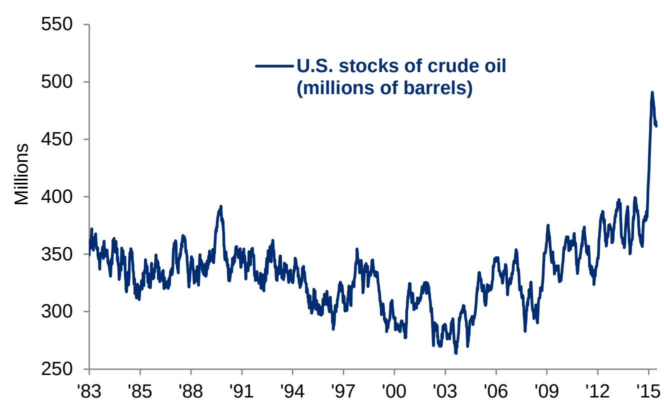
As figures 4-5 show, the latest drop in the petroleum price has come despite a seasonal peak in U.S. refining demand, which for a time, mitigates inventory concerns. A future rise in Iranian oil supplies is somewhat speculative and hardly a secret if trade sanctions fall. However, the *quite predictable* force of weaker U.S. seasonal demand and still high levels of U.S. and OPEC production could result in another oil swoon.

Figure 4. Weekly crude oil input into refineries



Source: Haver Analytics as of July 20, 2015.

Figure 5. US stocks of crude oil



Source: Haver Analytics as of July 20, 2015.

Merely seasonal vulnerabilities in the petroleum market could drive a larger performance wedge in emerging markets.

Markets such as Japan and India benefit, while Russia and Brazil would suffer (see figure 6). Our full allocation to Asia's emerging debt and overweights in key equity markets would likely be relative beneficiaries. Our existing underweights in EMEA and Latin America would suffer.

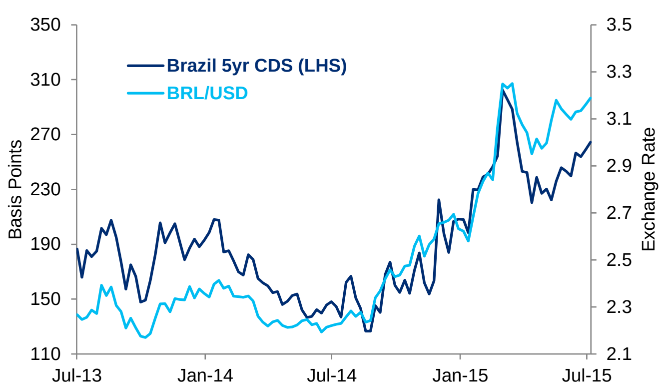
Figure 6. Petroleum exports/imports as % of GDP, by Select Country

EMEA	Net Crude Oil Exports (% of GDP)	Asia	Net Crude Oil Imports (% of GDP)
Kazakhstan	24.9	Thailand	11.7
Nigeria	18.1	Taiwan	6.7
Russia	9.1	India	6.0
Egypt	0.5	Hong Kong	5.8
Georgia	0.3	Korea	5.7
Latvia	0.0	Singapore	5.3
Estonia	0.0	Indonesia	3.3
Moldova	0.0	Japan	3.3
Albania	0.0	China	2.5
Turkey	-1.3	Philippines	2.3
Romania	-2.1	Turkey	1.5
Czech Republic	-2.1	Malaysia	-0.1*
Kenya	-2.2		
Hungary	-2.5		
Poland	-2.7		
Serbia	-2.8		
Israel	-3.2		
Ukraine	-3.3		
Croatia	-3.4		
Slovakia	-3.5		
Macedonia	-5.2		
Bulgaria	-7.3		
Jordan	-7.4		
Lithuania	-14.6		
Belarus	-15.3		

Source: Haver Analytics as of July 20, 2015.

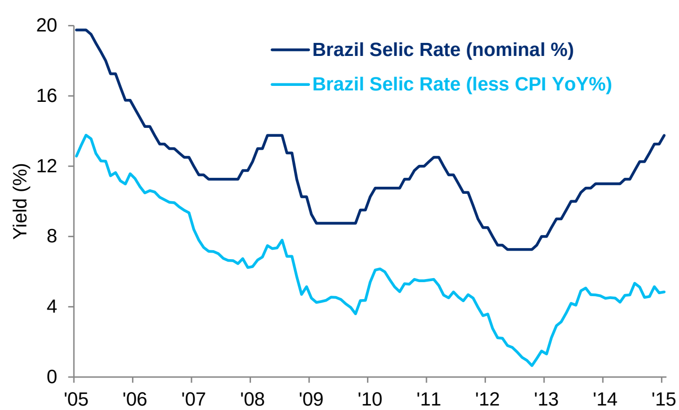
In the case of Brazil, an ongoing scandal over the use of state oil revenues for political purposes threatens to further harm local and international investor sentiment. While this issue might be just a memory in 1-2 years time, before then, it could set off an averse dynamic of higher real interest rates and a weakening currency (see figures 7-8).

Figure 7. Brazil CDS vs. BRL/USD exchange rate



Source: Bloomberg as of July 20, 2015.

Figure 8. Brazil Selic Rate vs. Rate less inflation



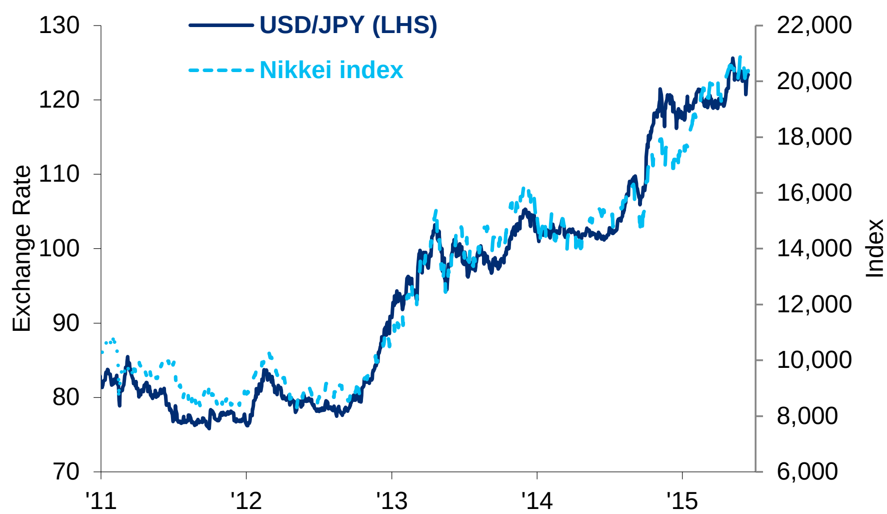
Source: Haver Analytics as of July 20, 2015.

A set of vulnerabilities for Brazil are a set of potential benefits for Japan's markets.

A weaker oil price and a short-term U.S. rate hike in September would do Brazil no favors. For currency hedged investors, very high real interest rates in Brazil likely represent the stronger opportunity than local equity markets. As such, we further increased our underweight in Brazil's shares, choosing to reinvest the proceeds in Japanese small capitalization shares. (This brings our weighting there consistent with our overweight in large capitalization shares).

Much of North Asia's equities are cheaply valued in our view (with the exception of small cap Chinese A-shares). Still, a U.S. policy tightening would not present a complete absence of difficulties. Japan, however, is likely to be a relative beneficiary, with its combination of currency depreciation, low interest costs and petroleum sensitivity favoring its equity markets (see figure 9).

Figure 9. Japanese equities are positively correlated to USD/JPY



Source: Bloomberg as of July 20, 2015.

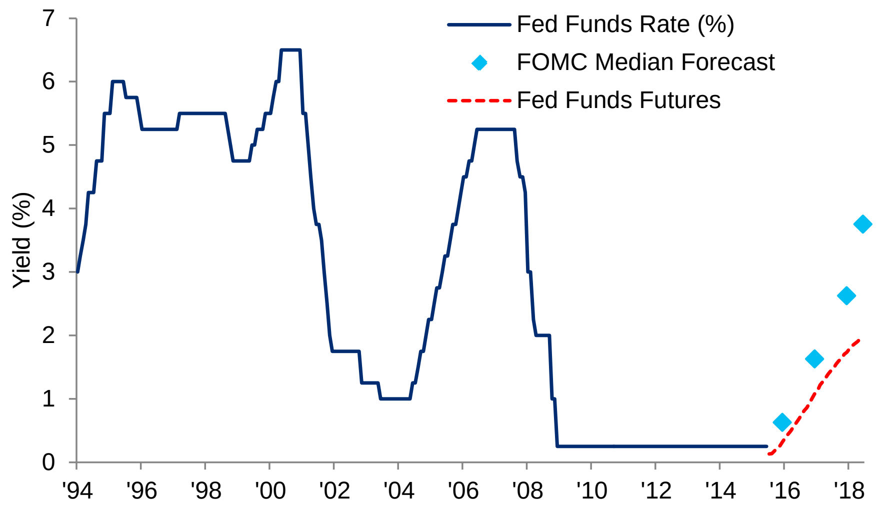
In Asia outside of Japan, export dependence alongside the desire for some level of currency stability, leaves vulnerability. However, savings flow concerns are much worse in the external deficit countries of emerging Europe and Latin America, where U.S. dollar strength and falling commodities are a net negative (again see figure 6).

Warning, Minor Turbulence Ahead

Somewhat akin to the perennial Greek worries, markets have been warned for years of a pending U.S. rate hike in a tightening cycle that the Fed has promised will be asymmetric in scope to its easing.

The Federal Reserve added $3.6 trillion to its balance sheet in easing efforts over seven years. In "normalizing" policy, its central expectation is to sell nothing. The rate path assumed in financial markets may be a bit too sanguine over the next few months. But we expect it will be closer to the mark than the Fed's long-term assumptions. Even the Fed's assumptions fall short of the scope of historical tightening cycles (see figure 10).

Figure 10. Historical Fed Funds Rate with FOMC Forecast and Fed Funds Futures



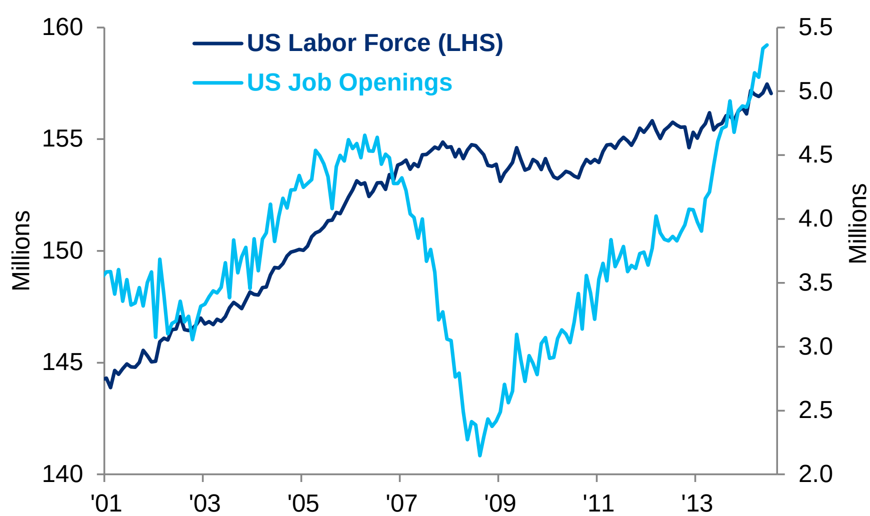
Source: Bloomberg, Federal Reserve, Haver Analytics as of July 22, 2015.
All forecasts are expressions of opinion and are subject to change without notice and are not intended to be a guarantee of future events.

U.S. monetary policy has proven effective in spurring labor demand, but not labor supply.

The two must grow at the same pace over long periods (a decade or less).

As we noted in our mid year review and outlook (See, Slow Growth: What It Means for Returns), short of a supply-side economic miracle, the U.S. recovery pace is unlikely to accelerate sharply. Even the slow recovery to date has halved the U.S. unemployment rate. We disagree with views that somehow easy monetary policy can single-handedly revive U.S. growth potential. While Fed Chair Yellen was urged during her latest Congressional testimony to view labor markets as depressed through the prism of weak labor force participation, U.S. labor force growth hasn't been significantly aroused by record high unfilled job openings (see figure 11). The Fed can print money, but it can't print labor.

Figure 11. Labor force growth hasn't been significantly aroused by record high unfilled job openings



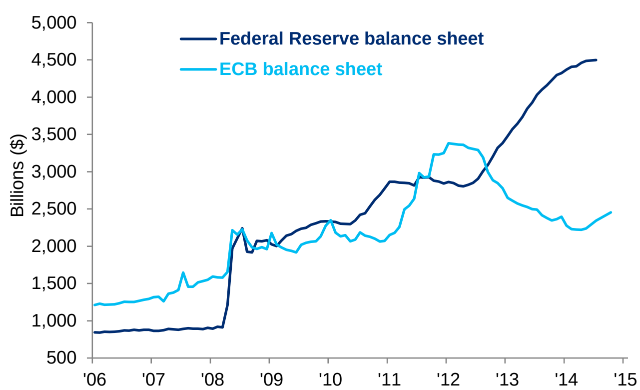
Source: Haver Analytics as of July 20, 2015.

Better Late Than Never in Europe

In the Eurozone away from Greece, post crisis economic management has seemed worse than in the U.S. from our perspective. Bank recapitalization came years late, as did monetary policy accommodation. Fiscal policy tightening has been pro-cyclical. Put together, this has created unusual lags in performance between the U.S. cycle and continental Europe's.

What has gone "wrong" is actually why we see opportunity in the cyclical "laggard" that is now finally growing, so deep into the larger global recovery cycle (see figures 12-13).

Figure 12. Unusual monetary policy divergence likely to close over next two years



Source: Bloomberg as of July 20, 2015.

Figure 13. S&P 500 vs. EuroSTOXX

Source: Haver Analytics as of July 20, 2015.

China in Detail

Sharp Renminbi Depreciation Unlikely. Anti-Corruption Drive May Ease

Ken Peng
Shirley Wong

Extraordinary A-share volatility has pushed some to argue that a weaker currency is China's solution. Others believe market oriented reforms are stalled. We disagree in both cases. We expect relative currency stability to coexist with moderately recovering Chinese growth. One catalyst may be allaying so-called anti-corruption activities ahead of a political transition in 2017.

While many see a sharp currency depreciation as an easy spur for Chinese growth, China would likely see negative consequences from its global impact.

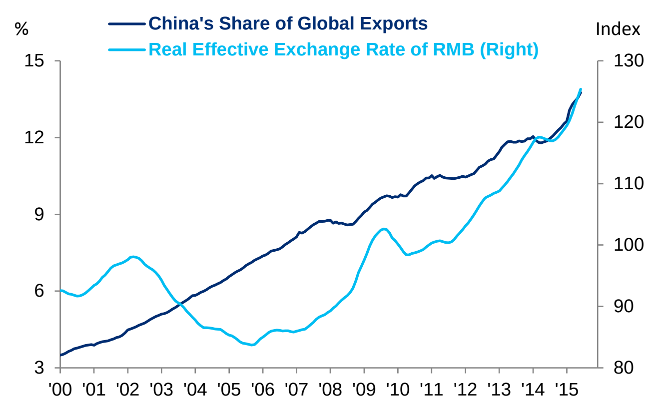
China raised eyebrows Friday when its state council announced that it will allow the renminbi to trade in a wider range against the dollar. The announcement came just as a weaker-than-expected survey of Chinese manufacturers was reported for the month of July, and officials said they would increasingly take steps to support the nation's exporters. However, no sharp depreciation of the scope seen in the early 1990s should be anticipated from China given it's far different size and role in the world economy.

A relatively stable RMB is not only crucial for China, it is necessary for the global economy. Notably, despite currency strength in recent years, China continued to gain global export market share (figure 14). Poor export growth is a result of weaker global demand and a revival of developed market (DM) manufacturing.

A marked depreciating of the RMB could lead to a currency war among emerging market (EM) exporters and capital outflows, which may trigger greater financial turmoil, further depressing China's growth.

While the tools of stimulus are being watched, equity market intervention in the past month coincided with the passage of the National Security Law (NSL), which elevated concerns that China's market liberalization reforms are stalling. We believe these are unrelated events. Instead, the NSL passage and other evidence suggest that the anti-corruption campaign is moderating ahead of the mid-term leadership transition under President Xi. The impact on growth is likely positive.

Figure 14. China's share of global exports rose to over 13% despite strengthening RMB



Source: IMF, Bank of International Settlements, as of June 2015.

Figure 15. Valuation, Yield and Recent Performance of key Greater China Equity Indices

	CSI 300	MSCI China	HSCI	TWSE
Forward PE (Wtd Avg)	14.4	10.1	11.5	12.2
Simple Avg	51.2	14.0	15.6	22.7
Median	25.8	11.6	12.0	11.5
Price-Book (Wtd Avg)	2.5	1.5	1.4	1.5
Simple Avg	6.4	2.2	2.0	2.1
Dividend Yield	1.6	2.8	2.5	3.6
Performance since 7/8	16.1	9.9	10.5	-2.1

Source: Bloomberg as of July 23, 2015.

China's market share in global exports has risen from 10.5% in 2010 to 13.5% this year despite 25% real effective exchange rate appreciation. This gain is likely a dividend of past infrastructure investment and more recent gains in quality and value added content in Chinese manufacturing.

So why are China's exports are still weak? Well, most of EM exports are also declining. Excluding China, EM Asia exports declined by 5.5% over the year though 1Q 2015 while non-Asia EM exports dropped by 18.0%, and global trade shrank by 7.8%. China's exports actually grew by 4.7% in 1Q.

Three factors are depressing EM exports: 1) soft global demand; 2) return of manufacturing to DM; and 3) sharply lower commodity prices. In this backdrop, a small change in China's exchange rate is not going to move the needle at all for export growth.

But what if the RMB depreciated by a large amount? In that case, other EMs would be forced to devalue their currencies as well, capital outflows from EM would intensify, EM assets would be sold off, further feeding back on DM growth. This could generate greater financial turmoil and drags on global growth. What China would lose in capital outflows and financial markets would be far more than what might be gained from exports. Policymakers seem well aware of this.

Aside from the economic reasons, there are also longer-term objectives that China expects from a stable currency. These include inclusion in a key IMF currency basket, pricing power over commodity producers, and leverage in key bilateral relationships. A relatively strong currency would also encourage domestic structural adjustment away from exports and investment towards consumption and services.

Anti-corruption to ease ahead of leadership transition

Away from the headlines and lurch to stop the share market drop, China still aims at market reforms.

If China's currency cannot depreciate significantly, how can growth stabilize and recover? The answer may be political. We believe that recent developments signal some potential easing in anti-corruption in coming years.

- **Mid-term transition**: From now through 2017, China's senior leadership is likely to transition towards people selected by President Xi's administration. This suggests a cleaner slate and greater incentive to elevate other performance metrics, such as the economy. After the mid-term transition, when political battles are less pertinent, there may be more confidence to allow greater room for markets to determine economic outcomes.
- **National Security Law (NSL)**: The recent passage of the NSL coincided with large scale equity intervention, but the two are unrelated since NSL has been in progress for more than a year. Instead, this is the next step in anti-corruption where 1-on-1 battles turn into a legal framework. The NSL's all-encompassing wording appears worrisome, but this merely enshrines the legality of what has already been done. Hence, we see it as a signal that fighting "tigers and flies" is moderating to monitoring behavior of newly placed officials.
- **Macau visa**: The most easily visible signal is, perhaps, the relaxation of the Macau visa policy. In July last year, the Macau visa policy was tightened amid a flurry of investigations of

business people linked to official corruption. A year later, these policies were relaxed, potentially signalling that constructive aspects of the campaign have also passed.

Anti-corruption has been seen as a drag on investment because it has reduced incentives for government and business stakeholders to expedite investment projects of any sort. It has brewed into a fear of taking any action. So, moderating the campaign could potentially improve project execution.

“Anti-corruption has brewed into a fear of taking any action. This freeze seems likely to thaw.

Moderate recovery is possible with stable exchange rate

“Standard” policy easing is also in play.

Aside from currency and politics, real financing costs remain unsuitably high. When the equity market was in a frenzy, monetary policy stalled for fear of exacerbating volatility. The fall and subsequent stabilization of local equity markets is allowing more flexibility in monetary policy. We expect additional reductions in benchmark interest rates and the reserve requirement. This is especially necessary because capital outflows and exchange rate stabilization have reduced China’s foreign exchange reserves, which also makes up China’s base money supply.

Still, growth in the current quarter remains challenged by the likely shrinkage in financial sector activity post the A-share correction. However, non-financial growth could still improve. Excluding the outsized financial sector growth, China’s GDP grew just 6.0% in 1Q and 5.8% in 2Q. With an incipient improvement in property markets and rebounding industrial production in June, non-financial GDP may be able to offset some of the slowdown in finance.

A-shares still may be stuck in a relatively tight range compared to the past year. Margin leverage has fallen, but remains high at RMB1.4tn or 2.6% of market cap (again see figure 3). Those who levered up may also be inclined to sell down their holdings when prices allow. Valuations also remain lofty. These will act as caps on A-share prospects, while policy support for growth acts as a floor.

Hong Kong and Taiwan Offer Opportunity

The key beneficiaries of stabilization are likely to be lower valued shares in Hong Kong and Taiwan. But both Hong Kong and Taiwan markets have seen some collateral damage from the A-share selloff. When many A-shares were suspended from trading or “limit down,” investors sold these shares to obtain liquidity and to hedge China exposure. But since the bottom on July 8, Hong Kong shares had rebounded much less than A-shares, while Taiwanese shares fell further. (Figure 15).

Portfolio allocations

This section shows the strategic and tactical allocations for risk levels 1 to 5 set by Citi Private Bank's Global Investment Committee on July 22, 2015. Recommend allocations reflect annual rebalancing and model revisions.

Risk level 1

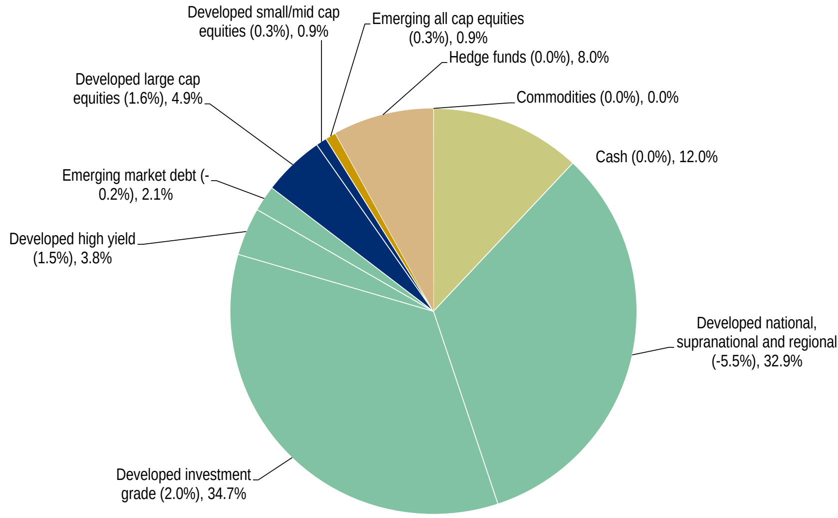
Risk level 1 is designed for investors who have a preference for capital preservation and relative safety over the potential for a return on investment. These investors prefer to hold cash, time deposits and/or lower risk fixed income instruments.

Classification	Strategic (%)	Tactical (%)	Active (%)
Cash	**12.0**	**12.0**	**0.0**
Fixed income	**75.6**	**73.4**	**-2.2**
Developed Investment Grade	**71.1**	**67.5**	**-3.5**
Developed national, supranational and regional	**38.4**	**32.9**	**-5.5**
Americas	**11.5**	**11.0**	**-0.6**
EMEA	**16.3**	**14.5**	**-1.8**
UK	2.9	2.4	-0.5
Core Europe	7.8	7.2	-0.6
Peripheral Europe	4.9	4.4	-0.5
Others	0.6	0.5	-0.1
Asia	**9.7**	**6.4**	**-3.3**
Asia (ex Japan)	0.3	0.2	-0.1
Japan	9.4	6.2	-3.2
Supranational	**0.9**	**1.0**	**0.1**
Developed corporate investment grade	**32.7**	**34.7**	**2.0**
Fixed	**32.7**	**34.7**	**2.0**
Americas	**20.2**	**21.4**	**1.2**
US	19.0	20.1	1.1
Canada	1.2	1.3	0.1
EMEA	**12.3**	**13.1**	**0.8**
Europe (ex UK)	9.5	10.1	0.6
UK	2.7	2.9	0.2
Asia	**0.2**	**0.2**	**0.0**
Asia (ex Japan)	0.2	0.2	0.0
Japan	0.0	0.0	0.0

Classification	Strategic (%)	Tactical (%)	Active (%)
Floating	**0.0**	**0.0**	**0.0**
Developed high yield	**2.3**	**3.8**	**1.5**
Americas	**1.7**	**2.7**	**1.0**
EMEA	**0.6**	**1.1**	**0.5**
Emerging market debt	**2.3**	**2.1**	**-0.2**
Americas	**0.3**	**0.3**	**-0.0**
EMEA	**0.3**	**0.2**	**-0.1**
Asia	**1.6**	**1.6**	**-0.0**
Equities	**4.4**	**6.6**	**2.2**
Developed Equities	**3.8**	**5.7**	**1.9**
Emerging Equities	**0.6**	**0.9**	**0.3**
Hybrid investments	**8.0**	**8.0**	**0.0**
Hedge funds	**8.0**	**8.0**	**0.0**
Real Assets	**0.0**	**0.0**	**0.0**
Commodities	**0.0**	**0.0**	**0.0**
Total	**100.0**	**100.0**	**0.0**

Strategic = benchmark; tactical = the Citi Private Bank Global Investment Committee's current view; and active = the difference between strategic and tactical. MBS = mortgage-backed securities; ABS = asset-backed securities. All allocations are subject to change at discretion of the GIC of the Citi Private Bank. *The tactical allocation corresponds to a maturity of 7 to 10 years. Minor differences may result due to rounding.

Risk level 1: tactical allocations



Figures in brackets are the difference versus the strategic benchmark

Strategic = benchmark; tactical = the Citi Private Bank Global Investment Committee's current view; and active = the difference between strategic and tactical. All allocations are subject to change at discretion of the GIC of the Citi Private Bank.

Core positions

- Global fixed income remains underweight at -2.2% and global equity stays at a corresponding 2.2% overweight.
- Within fixed income, developed sovereign stays as the largest underweight at -5.5%. Developed corporate investment grade fixed income remains at an overweight position of 2.0%, while emerging market debt stays slightly underweight at -0.2%.
- High-yield is overweight at +1.5%, with both US and European high yield at an overweight position.
- With equities, developed large cap equities remain overweight by 1.6% with developed small and mid-cap at a 0.3% overweight position. Emerging equity is overweight at +0.3%.
- Within developed large cap equities, our largest overweight position is US at +0.9% with Europe at +0.5%. Japan has a small overweight position at +0.1%.
- Within emerging market equities, we are overweight China, India and Taiwan.

Risk level 2

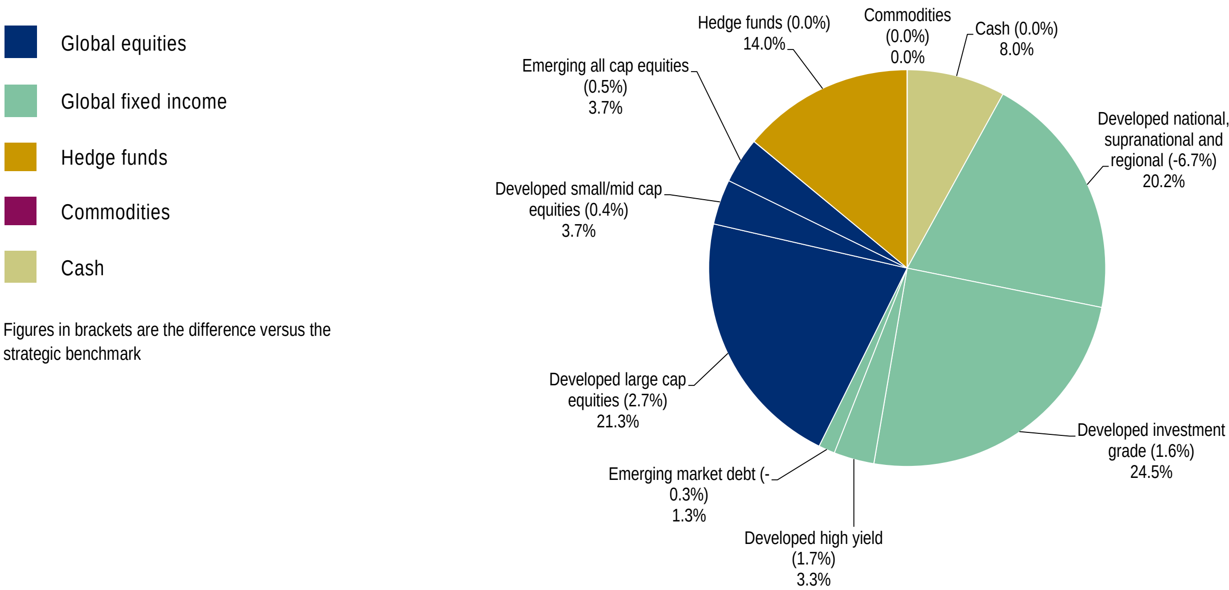
Risk level 2 is designed for investors who emphasize capital preservation over return on investment, but who are willing to subject some portion of their principal to increased risk in order to generate a potentially greater rate of return on investment.

Classification	Strategic (%)	Tactical (%)	Active (%)
Cash	**8.0**	**8.0**	**0.0**
Fixed income	**53.0**	**49.3**	**-3.7**
Developed Investment Grade	**49.8**	**44.7**	**-5.1**
Developed national, supranational and regional	**26.9**	**20.2**	**-6.7**
Americas	**8.1**	**7.2**	**-0.9**
EMEA	**11.4**	**9.1**	**-2.3**
UK	2.1	1.5	-0.6
Core Europe	5.5	4.6	-0.8
Peripheral Europe	3.4	2.8	-0.7
Others	0.4	0.3	-0.2
Asia	**6.8**	**3.2**	**-3.6**
Asia (ex Japan)	0.2	0.1	-0.1
Japan	6.6	3.0	-3.6
Supranational	**0.6**	**0.7**	**0.1**
Developed corporate investment grade	**22.9**	**24.5**	**1.6**
Fixed	**22.9**	**24.5**	**1.6**
Americas	**14.1**	**15.1**	**0.9**
US	13.3	14.2	0.9
Canada	0.8	0.9	0.1
EMEA	**8.6**	**9.3**	**0.7**
Europe (ex UK)	6.7	7.2	0.5
UK	1.9	2.1	0.1
Asia	**0.2**	**0.2**	**0.0**
Floating	**0.0**	**0.0**	**0.0**
Developed high yield	**1.6**	**3.3**	**1.7**
Americas	**1.2**	**2.3**	**1.1**
EMEA	**0.4**	**1.0**	**0.6**
Emerging market debt	**1.6**	**1.3**	**-0.3**
Americas	**0.2**	**0.2**	**-0.1**
EMEA	**0.2**	**0.1**	**-0.2**
Asia	**1.1**	**1.1**	**0.0**
Hybrid investments	**14.0**	**14.0**	**0.0**
Hedge funds	**14.0**	**14.0**	**0.0**
Real assets	**0.0**	**0.0**	**0.0**
Commodities	**0.0**	**0.0**	**0.0**
Gold	**0.0**	**0.0**	**0.0**

Classification	Strategic (%)	Tactical (%)	Active (%)
Equities	**25.0**	**28.7**	**3.7**
Developed Equities	**21.8**	**25.0**	**3.1**
Developed large cap equities	**18.6**	**21.3**	**2.7**
Americas	**10.9**	**12.2**	**1.4**
US all	10.1	11.6	1.4
Canada	0.7	0.7	-0.1
EMEA	**5.2**	**6.2**	**1.0**
UK	1.7	1.9	0.2
Germany	0.8	0.9	0.2
France	0.8	0.9	0.1
Switzerland	0.7	0.9	0.2
Benelux	0.3	0.3	0.1
Scandi	0.4	0.5	0.1
Spain	0.2	0.3	0.1
Italy	0.2	0.3	0.1
Others	0.1	0.1	0.0
Asia	**2.5**	**2.8**	**0.4**
Australasia	0.6	0.6	0.0
Far East ex Japan	0.3	0.4	0.1
Japan	1.5	1.8	0.3
Developed small/mid cap equities	**3.3**	**3.7**	**0.4**
Americas	**1.9**	**2.1**	**0.1**
EMEA	**0.9**	**1.1**	**0.2**
Europe (ex UK)	0.6	0.8	0.1
UK	0.3	0.3	0.0
Asia	**0.4**	**0.5**	**0.1**
Asia (ex Japan)	0.2	0.2	0.0
Japan	0.3	0.4	0.1
Emerging all cap equities	**3.2**	**3.7**	**0.5**
Americas	**0.6**	**0.5**	**-0.1**
Brazil	0.3	0.2	-0.1
Mexico	0.2	0.2	0.0
Other	0.1	0.1	0.0
EMEA	**0.6**	**0.6**	**0.0**
Turkey	0.0	0.0	0.0
Russia and Eastern Europe	0.3	0.3	0.0
South Africa	0.2	0.3	0.0
Other	0.0	0.0	0.0
Asia	**2.0**	**2.6**	**0.6**
China	0.6	0.8	0.1
India	0.2	0.4	0.2
South Korea	0.5	0.5	0.0
Taiwan	0.4	0.6	0.2
Other Emerging Asia	0.3	0.3	0.0
Total	**100.0**	**100.0**	**0.0**

Strategic = benchmark; tactical = the Citi Private Bank Global Investment Committee's current view; and active = the difference between strategic and tactical. MBS = mortgage-backed securities; ABS = asset-backed securities. All allocations are subject to change at discretion of the GIC of the Citi Private Bank. *The tactical allocation corresponds to a maturity of 7 to 10 years. Minor differences may result due to rounding.

Risk level 2: tactical allocations



Figures in brackets are the difference versus the strategic benchmark

Strategic = benchmark; tactical = the Citi Private Bank Global Investment Committee's current view; and active = the difference between strategic and tactical. All allocations are subject to change at discretion of the GIC of the Citi Private Bank.

Core positions

- Global fixed income is underweight at -3.7% and global equity overweight by 3.7%, with cash allocation at neutral.
- Within fixed income, developed sovereign stays as the largest underweight at -6.7%. Developed corporate investment grade fixed income has an overweight position of 1.6% with emerging debt underweight at -0.3% respectively.
- High-yield is overweight at +1.7%, with both US and European high yield at an overweight position.
- Within equities, developed large cap equities remain overweight at +2.7% with developed small and mid-cap overweight increased to +0.4%. Emerging equity stays overweight at a reduced position of +0.5%.
- Within developed large cap equities, our largest overweights are the US at +1.4% and Europe at +1.0%. Japan follows with 0.3% overweight position.
- Within emerging market equities, we have overweights to China, India, and Taiwan, with an underweight position in Brazil equities.

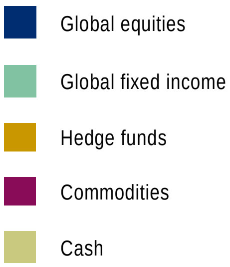
Risk level 3

Risk level 3 is designed for investors with a blended objective who require a mix of assets and seek a balance between investments that offer income and those positioned for a potentially higher return on investment. Risk level 3 may be appropriate for investors willing to subject their portfolio to additional risk for potential growth in addition to a level of income reflective of his/her stated risk tolerance.

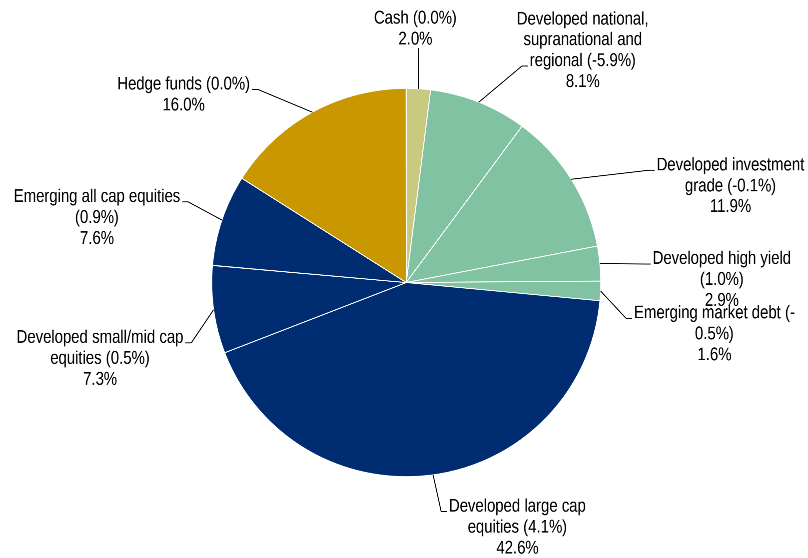
Classification	Strategic (%)	Tactical (%)	Active (%)
Cash	**2.0**	**2.0**	**0.0**
Fixed income	**30.0**	**24.5**	**-5.5**
Developed Investment Grade	**26.0**	**20.0**	**-6.0**
Developed national, supranational and regional	**14.0**	**8.1**	**-5.9**
Americas	**4.2**	**3.1**	**-1.1**
EMEA	**5.9**	**3.8**	**-2.1**
UK	1.1	0.6	-0.5
Core Europe	2.9	2.0	-0.9
Peripheral	1.8	1.2	-0.6
Others	0.2	0.1	-0.1
Asia	**3.5**	**0.9**	**-2.7**
Asia (ex Japan)	0.1	0.0	-0.1
Japan	3.5	0.8	-2.6
Supranational	**0.3**	**0.3**	**0.0**
Developed corporate investment grade	**12.0**	**11.9**	**-0.1**
Fixed	**12.0**	**11.9**	**-0.1**
Americas	**7.4**	**7.3**	**-0.1**
US	7.0	6.9	-0.1
Canada	0.4	0.4	0.0
EMEA	**4.5**	**4.5**	**0.0**
Europe (ex UK)	3.5	3.5	0.0
UK	1.0	1.0	0.0
Asia	**0.1**	**0.1**	**0.0**
Floating	**0.0**	**0.0**	**0.0**
Developed high yield	**1.9**	**2.9**	**1.0**
Americas	**1.4**	**1.9**	**0.5**
EMEA	**0.5**	**1.0**	**0.5**
Emerging market debt	**2.1**	**1.6**	**-0.5**
Americas	**0.3**	**0.2**	**-0.1**
EMEA	**0.3**	**0.0**	**-0.3**
Asia	**1.5**	**1.4**	**-0.1**
Hybrid investments	**16.0**	**16.0**	**0.0**
Hedge funds	**16.0**	**16.0**	**0.0**
Real assets	**0.0**	**0.0**	**0.0**
Commodities	**0.0**	**0.0**	**0.0**
Gold	**0.0**	**0.0**	**0.0**

Classification	Strategic (%)	Tactical (%)	Active (%)
Equities	**52.0**	**57.5**	**5.5**
Global Developed Equities	**45.3**	**49.9**	**4.6**
Developed large cap equities	**38.5**	**42.6**	**4.1**
Americas	**22.6**	**24.3**	**1.7**
US all	21.1	23.1	2.0
Canada	1.5	1.2	-0.3
EMEA	**10.8**	**12.7**	**1.9**
UK	3.6	3.8	0.2
Germany	1.6	1.9	0.3
France	1.6	1.8	0.3
Switzerland	1.6	1.9	0.4
Benelux	0.6	0.7	0.1
Scandi	0.9	1.0	0.1
Spain	0.5	0.7	0.2
Italy	0.4	0.6	0.2
Others	0.2	0.2	0.0
Asia	**5.1**	**5.7**	**0.5**
Australasia	1.2	1.2	0.0
Far East ex Japan	0.7	0.8	0.1
Japan	3.2	3.7	0.5
Developed small/mid cap equities	**6.8**	**7.3**	**0.5**
Americas	**4.0**	**4.0**	**0.0**
EMEA	**1.9**	**2.2**	**0.3**
Europe (ex UK)	1.3	1.6	0.3
UK	0.6	0.6	0.0
Asia	**0.9**	**1.1**	**0.2**
Asia (ex Japan)	0.3	0.3	0.0
Japan	0.6	0.8	0.2
Emerging all cap equities	**6.7**	**7.6**	**0.9**
Americas	**1.3**	**0.9**	**-0.4**
Brazil	0.7	0.3	-0.4
Mexico	0.4	0.4	0.0
Other	0.2	0.2	0.0
EMEA	**1.2**	**1.2**	**0.0**
Turkey	0.1	0.1	0.0
Russia and Eastern Europe	0.5	0.5	0.0
South Africa	0.5	0.5	0.0
Other	0.1	0.1	0.0
Asia	**4.2**	**5.5**	**1.3**
China	1.3	1.6	0.3
India	0.5	1.0	0.5
South Korea	1.1	1.1	0.0
Taiwan	0.8	1.3	0.5
Other Emerging Asia	0.6	0.6	0.0
Total	**100.0**	**100.0**	**0.0**

Risk level 3: tactical allocations



Figures in brackets are the difference versus the strategic benchmark



Strategic = benchmark; tactical = the Citi Private Bank Global Investment Committee's current view; and active = the difference between strategic and tactical. All allocations are subject to change at discretion of the GIC of the Citi Private Bank.

Core positions

- Global fixed income is underweight by 5.5% while global equities stays overweight at +5.5%, with the cash allocation at neutral.
- Within fixed income, developed sovereign stays as the largest underweight at -5.9%, with long-term US treasuries at a neutral position. Developed corporate investment grade is neutral while emerging market fixed income has a reduced underweight of -0.5%.
- High-yield remains overweight at +1.0%, with equal overweights to US and European high yield.
- Within equities, developed large cap equities are overweight by 4.1% with developed small and mid-cap at an increased overweight of 0.5%. Emerging equity stays overweight at slightly decreased position of +0.9%.
- Within developed large cap equities, our largest overweights remain US at +2.0% and Europe ex UK at +1.7%. Japan follows with a 0.5% overweight. UK is at a small overweight position of 0.2%.
- Within developed small/mid cap equities, we are now overweight Japan small cap in addition to a previous overweight position in Europe ex UK.
- Within emerging market equities, we are overweight China, India and Taiwan. Brazil stays at an increased underweight position.

Risk level 4

Risk level 4 is designed for investors with a blended objective who require a mix of assets and seek a balance between investments that offer income and those positioned for a potentially higher return on investment. They are willing to subject a large portion of their portfolio to greater risk and market value fluctuations in anticipation of a potentially greater return on investment. Investors may have a preference for investments or trading strategies that may assume higher-than-normal market risks and/or potentially less liquidity with the goal (but not guarantee) of commensurate gains.

Classification	Strategic (%)	Tactical (%)	Active (%)
Cash	**0.0**	**0.0**	**0.0**
Fixed income	**12.3**	**6.3**	**-6.0**
Developed Investment Grade	**11.5**	**5.6**	**-5.9**
Developed national, supranational and regional	**6.2**	**2.2**	**-4.0**
Americas	**1.9**	**0.9**	**-1.0**
EMEA	**2.6**	**1.0**	**-1.6**
UK	0.5	0.2	-0.3
Core Europe	1.3	0.5	-0.7
Peripheral	0.8	0.3	-0.5
Others	0.1	0.0	-0.1
Asia	**1.6**	**0.2**	**-1.4**
Asia (ex Japan)	0.0	0.0	0.0
Japan	1.5	0.2	-1.3
Supranational	**0.1**	**0.1**	**-0.1**
Developed corporate investment grade	**5.3**	**3.4**	**-1.9**
Americas	**3.3**	**2.1**	**-1.2**
US	3.1	1.9	-1.1
Canada	0.2	0.1	-0.1
EMEA	**2.0**	**1.3**	**-0.7**
Europe (ex UK)	1.5	1.0	-0.6
UK	0.4	0.3	-0.2
Asia	**0.0**	**0.0**	**0.0**
Developed high yield	**0.4**	**0.6**	**0.2**
Americas	**0.3**	**0.4**	**0.1**
EMEA	**0.1**	**0.2**	**0.1**
Emerging market debt	**0.4**	**0.2**	**-0.2**
Americas	**0.1**	**0.0**	**0.0**
EMEA	**0.1**	**0.0**	**-0.1**
Asia	**0.3**	**0.1**	**-0.1**
Hybrid investments	**20.0**	**20.0**	**0.0**
Hedge funds	**20.0**	**20.0**	**0.0**
Real assets	**0.0**	**0.0**	**0.0**
Commodities	**0.0**	**0.0**	**0.0**
Gold	**0.0**	**0.0**	**0.0**

Classification	Strategic (%)	Tactica l (%)	Active (%)
Equities	**67.7**	**73.7**	**6.0**
Global Developed Equities	**59.1**	**64.0**	**4.9**
Developed large cap equities	**50.2**	**54.7**	**4.5**
Americas	**29.5**	**31.1**	**1.6**
US all	27.5	29.6	2.1
Canada	2.0	1.5	-0.5
EMEA	**14.1**	**16.3**	**2.3**
UK	4.6	4.8	0.2
Germany	2.1	2.5	0.4
France	2.0	2.4	0.3
Switzerland	2.0	2.5	0.5
Benelux	0.7	0.9	0.2
Scandi	1.2	1.2	0.0
Spain	0.6	0.9	0.3
Italy	0.5	0.8	0.3
Others	0.2	0.3	0.1
Asia	**6.7**	**7.3**	**0.6**
Australasia	3.1	3.2	0.1
Far East ex Japan	0.9	1.0	0.1
Japan	4.2	4.8	0.6
Developed small/mid cap equities	**8.9**	**9.3**	**0.5**
Americas	**5.2**	**5.1**	**-0.1**
EMEA	**2.5**	**2.8**	**0.4**
Europe (ex UK)	1.7	2.0	0.4
UK	0.8	0.8	0.0
Asia	**1.2**	**1.4**	**0.2**
Asia (ex Japan)	0.4	0.4	0.0
Japan	0.7	1.0	0.3
Emerging all cap equities	**8.7**	**9.7**	**1.0**
Americas	**1.7**	**1.1**	**-0.6**
Brazil	0.9	0.4	-0.6
Mexico	0.5	0.5	0.0
Other	0.2	0.2	0.0
EMEA	**1.6**	**1.5**	**0.0**
Turkey	0.1	0.1	0.0
Russia and Eastern Europe	0.7	0.7	0.0
South Africa	0.7	0.6	0.0
Other	0.1	0.1	0.0
Asia	**5.4**	**7.1**	**1.7**
China	1.7	2.1	0.4
India	0.6	1.3	0.7
South Korea	1.4	1.3	0.0
Taiwan	1.0	1.7	0.7
Other Emerging Asia	0.8	0.8	0.0
Total	**100.0**	**100.0**	**0.0**

Strategic = benchmark; tactical = the Citi Private Bank Global Investment Committee's current view; and active = the difference between strategic and tactical. MBS = mortgage-backed securities; ABS = asset-backed securities. All allocations are subject to change at discretion of the GIC of the Citi Private Bank. *The tactical allocation corresponds to a maturity of 7 to 10 years. Minor differences may result due to rounding.

Risk level 4: tactical allocations

Global equities

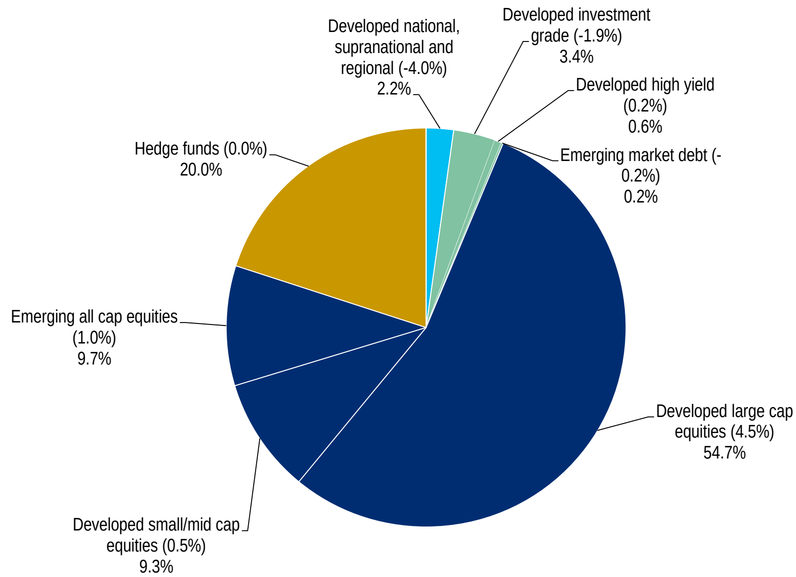
Global fixed income

Hedge funds

Commodities

Cash

Figures in brackets are the difference versus the strategic benchmark



Strategic = benchmark; tactical = the Citi Private Bank Global Investment Committee's current view; and active = the difference between strategic and tactical. All allocations are subject to change at discretion of the GIC of the Citi Private Bank.

Core positions

- Global equities remain overweight at 6.0% with a corresponding underweight position in global fixed income.
- Within fixed income, developed sovereign stays as the largest underweight at -4.0%. Developed investment grade and emerging market fixed income have underweights of -1.9% and -0.2% respectively.
- High-yield is overweight at 0.2%.
- Developed large cap equities remain overweight at 4.5% with developed small and mid-cap at an increased overweight at 0.5%. Emerging equity overweight is reduced to 1.0%.
- Within developed large cap equities, our largest overweights are the US with +2.1% and Europe at +2.3%. Japan follows with a 0.6% overweight position.
- Within emerging market equities, we are overweight China, India and Taiwan. Brazil is at an increased underweight position.

Risk level 5

Risk level 5 is designed for investors who emphasize return on investment. They are willing to subject their entire portfolio to greater risk and market value fluctuations in anticipation of a potentially greater return on investments. Investors may have a preference for investments or trading strategies that may assume higher-than-normal market risks and/or potentially less liquidity with the goal (but not guarantee) of commensurate gains. Clients may engage in tactical or opportunistic trading, which may involve higher volatility and variability of returns.

Classification	Strategic (%)	Tactical (%)	Active (%)
Cash	**0.0**	**0.0**	**0.0**
Fixed income	**0.0**	**0.0**	**0.0**
Developed Investment Grade	**0.0**	**0.0**	**0.0**
Developed national, supranational and regional	**0.0**	**0.0**	**0.0**
Developed Corporate Investment Grade	**0.0**	**0.0**	**0.0**
Americas	**0.0**	**0.0**	**0.0**
EMEA	**0.0**	**0.0**	**0.0**
Europe (ex UK)	0.0	0.0	0.0
UK	0.0	0.0	0.0
Asia	**0.0**	**0.0**	**0.0**
Asia (ex Japan)	0.0	0.0	0.0
Japan	0.0	0.0	0.0
Developed high yield	**0.0**	**0.0**	**0.0**
Americas	**0.0**	**0.0**	**0.0**
EMEA	**0.0**	**0.0**	**0.0**
Asia	**0.0**	**0.0**	**0.0**
Emerging market debt	**0.0**	**0.0**	**0.0**
Americas	**0.0**	**0.0**	**0.0**
EMEA	**0.0**	**0.0**	**0.0**
Asia	**0.0**	**0.0**	**0.0**
Equities	**80.0**	**80.0**	**0.0**
Global Developed Equities	**69.8**	**69.4**	**-0.3**
Developed large cap equities	**59.3**	**59.3**	**0.0**
Americas	**34.8**	**33.6**	**-1.2**
US all	32.4	32.1	-0.4
Canada	2.4	1.6	-0.8
EMEA	**16.6**	**17.8**	**1.2**
UK	5.5	5.2	-0.3
Germany	2.5	2.7	0.2
France	2.4	2.6	0.2
Switzerland	2.4	2.8	0.4
Benelux	0.9	1.0	0.1
Scandi	1.4	1.3	-0.1
Spain	0.7	1.0	0.3
Italy	0.6	0.9	0.3
Others	0.3	0.3	0.0

Classification	Strategic (%)	Tactical (%)	Active (%)
Asia	**7.9**	**7.9**	**0.0**
Australasia	1.9	1.6	-0.3
Far East ex Japan	1.1	1.1	0.0
Japan	4.9	5.2	0.3
Developed small/mid cap equities	**10.5**	**10.1**	**-0.4**
Americas	**6.1**	**5.5**	**-0.7**
EMEA	**2.9**	**3.1**	**0.2**
Europe (ex UK)	2.0	2.2	0.3
UK	1.0	0.9	-0.1
Asia	**1.4**	**1.6**	**0.2**
Asia (ex Japan)	0.5	0.5	-0.1
Japan	0.9	1.1	0.2
Emerging all cap equities	**10.2**	**10.6**	**0.3**
Americas	**2.0**	**1.1**	**-0.9**
Brazil	1.1	0.3	-0.8
Mexico	0.6	0.5	-0.1
Other	0.3	0.3	0.0
EMEA	**1.8**	**1.6**	**-0.2**
Turkey	0.1	0.1	0.0
Russia and Eastern Europe	0.8	0.7	-0.1
South Africa	0.8	0.7	-0.1
Other	0.1	0.1	0.0
Asia	**6.4**	**7.8**	**1.4**
China	2.0	2.3	0.3
India	0.7	1.4	0.7
South Korea	1.6	1.4	-0.2
Taiwan	1.2	1.8	0.7
Other Emerging Asia	0.9	0.8	-0.1
Hybrid investments	**20.0**	**20.0**	**0.0**
Hedge funds	**20.0**	**20.0**	**0.0**
Real assets	**0.0**	**0.0**	**0.0**
Commodities	**0.0**	**0.0**	**0.0**
Gold	**0.0**	**0.0**	**0.0**
Total	**100.0**	**100.0**	**0.0**

Strategic = benchmark; tactical = the Citi Private Bank Global Investment Committee's current view; and active = the difference between strategic and tactical. MBS = mortgage-backed securities; ABS = asset-backed securities. All allocations are subject to change at discretion of the GIC of the Citi Private Bank. Minor differences may result due to rounding.

Risk level 5: tactical allocations

Global equities

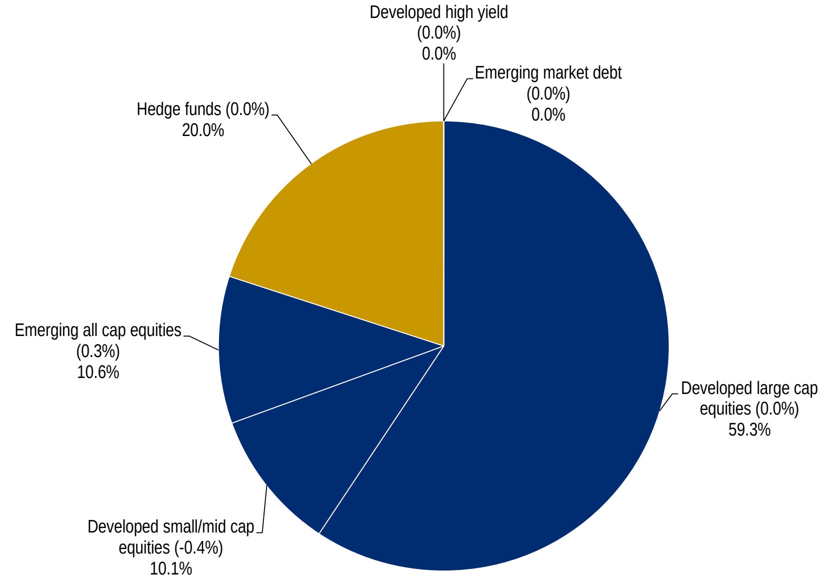
Global fixed income

Hedge funds

Commodities

Cash

Figures in brackets are the difference versus the strategic benchmark



Strategic = benchmark; tactical = the Citi Private Bank Global Investment Committee's current view; and active = the difference between strategic and tactical. All allocations are subject to change at discretion of the GIC of the Citi Private Bank.

Core positions

- Developed large cap equities are at an almost neutral position with developed small and mid-cap underweight at -0.4%. Emerging equity is at a corresponding overweight position of +0.3%.
- Within developed large cap equities, our largest overweight is in Europe at +1.2%. Japan follows with +0.2% position.
- Within emerging market equities, we are overweight China, India and Taiwan.

Strategy Bulletin – Previous Publications

Title	Publication Date
Update: Deal or Default? Italian and Spanish Yields Rise Above US Yields, Euro Falls Only Slightly on Continued Greek Impasse	June 15, 2015
Signs of Fundamental Recovery in Japan Call in Question Recent Sharp Yen Weakness	June 10, 2015
Let's play deal or default	June 8, 2015
Politics, Liquidity, Greece, and Fear	May 5, 2015
Replay of Last Year's 1Q US Weakness, But Also Something More	April 6, 2015
Duration matters	March 27, 2015
US Markets: Caught on the Wrong Side of QE?	March 25, 2015
Fed Patient in Actions if Not Words	March 18, 2015
US Labor Markets Catching Up with Easy Fed	March 6, 2015
Slippery Roads, Negative Growth Surprises, and Higher Rates	March 4, 2015
The Long and Short of the U.S. Dollar Recovery	February 26, 2015
Forget January	February 3, 2015

Quadrant – Previous Publications

Title	Publication Date
Broken Bunds	May 22, 2015
Time to Spread the Risk	April 27, 2015
US Interest Rates: Running Out of Zero?	March 20, 2015
Join Hands and Ease Together	February 27, 2015
It's Oil, Not Greece	January 16, 2015
Currency, Energy, Interest Rates: Impact and Allocation	November 24, 2014
Dress Rehearsal, Not the Real Show	October 23, 2014
Policy, Politics, Confidence Diverge	September 19, 2014
Global Recovery Stuck in "Low Earth Orbit"	August 22, 2014
All or Nothing Markets	July 28, 2014
Liquid Courage	June 23, 2014

Asset allocation definitions

Asset classes	Benchmarked against
Global equities	MSCI All Country World Index, which represents 48 developed and emerging equity markets. Index components are weighted by market capitalization.
Global bonds	Barclays Capital Multiverse (Hedged) Index, which contains the government-related portion of the Multiverse Index, and accounts for approximately 14% of the larger index.
Hedge funds	HFRX Global Hedge Fund Index, which is designed to be representative of the overall composition of the hedge fund universe. It comprises all eligible hedge fund strategies; including but not limited to convertible arbitrage, distressed securities, equity hedge, equity market neutral, event driven, macro, merger arbitrage and relative value arbitrage. The strategies are asset-weighted based on the distribution of assets in the hedge fund industry.
Commodities	Dow Jones-UBS Commodity Index, which is composed of futures contracts on physical commodities traded on US exchanges, with the exception of aluminum, nickel and zinc, which trade on the London Metal Exchange (LME). The major commodity sectors are represented including energy, petroleum, precious metals, industrial metals, grains, livestock, softs, agriculture and ex-energy.
Cash	Three-month LIBOR, which is the interest rates that banks charge each other in the international inter-bank market for three-month loans (usually denominated in Eurodollars).
Equities	
Developed market large cap (MSCI World)	MSCI World Large Cap Index, which is free-float adjusted and weighted by market capitalization. The index is designed to measure the equity market performance of the large cap stocks in 23 developed markets. Large cap is defined as stocks representing roughly 70% of each market's capitalization.
US (S&P 500)	Standard & Poor's 500 Index, which is a capitalization-weighted index that includes a representative sample of 500 leading companies in leading industries of the US economy. Although the S&P 500 focuses on the large cap segment of the market, with over 80% coverage of US equities, it is also an ideal proxy for the total market.
Europe (Euro STOXX 600)	The STOXX Europe 600 Index is derived from the STOXX Europe Total Market Index (TMI) and is a subset of the STOXX Global 1800 Index. With a fixed number of 600 components, the STOXX Europe 600 Index represents large, mid and small capitalization companies across 18 countries of the European region: Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom.
Europe ex UK (MSCI Europe ex UK)	MSCI Europe ex UK Large Cap Index, which is free-float adjusted and weighted by market capitalization. The index is designed to measure large cap stock performance in each of Europe's developed markets, except for the UK.
UK (MSCI UK)	MSCI UK Large Cap Index, which is free-float adjusted and weighted by market capitalization. The index is designed to measure large cap stock performance in the UK.
Japan (MSCI Japan)	MSCI Japan Large Cap Index, which is free-float adjusted and weighted by market capitalization. The index is designed to measure large cap stock performance in Japan.
Asia Pacific ex Japan (MSCI Asia Ex-Japan)	MSCI Asia Pacific ex Japan Large Cap Index, which is free-float adjusted and weighted by market capitalization. The index is designed to measure the performance of large cap stocks in Australia, Hong Kong, New Zealand and Singapore.
Developed market small and mid-cap (SMID, MSCI World Small Cap)	MSCI World Small Cap Index, which is a capitalization-weighted index that measures small cap stock performance in 23 developed equity markets.
Emerging market (MSCI EM)	MSCI Emerging Markets Index, which is free-float adjusted and weighted by market capitalization. The index is designed to measure equity market performance of 22 emerging markets.
China (MSCI China)	MSCI China Index, consists of a representative sample of Chinese securities, combining H, B, Red Chip, P Chip, and Free share classes.
Latam (MSCI Latam)	The MSCI EM (Emerging Markets) Latin America Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of emerging markets in Latin America. The MSCI EM Latin America Index consists of the following 5 emerging market country indexes: Brazil, Chile, Colombia, Mexico, and Peru*.
EM EMEA (MSCI EM EMEA)	The MSCI EM (Emerging Markets) Europe, Middle East and Africa Index is a free floatadjusted market capitalization weighted index that is designed to measure the equity market performance of the emerging market countries of Europe, the Middle East & Africa. The MSCI EM EMEA Index consists of the following 10 emerging market country indexes: Czech Republic, Greece, Hungary, Poland, Russia, Turkey, Egypt, South Africa, Qatar and United Arab Emirates*.
CSI 300 Index	The CSI 300 Index is a free-float weighted index that consists of 300 A-share stocks listed on the Shanghai or Shenzhen Stock Exchanges.
HSI Index	The Hang Seng Composite Index is a market-cap weighted index that covers about 95% of the total market capitalisation of companies listed on the Main Board of the Hong Kong Stock Exchange.
TWSE Index	The TWSE, or TAIEX, Index is capitalization-weighted index of all listed common shares traded on the Taiwan Stock Exchange.
Nikkei 225 Index	The Nikkei-225 Stock Average is a price-weighted average of 225 top-rated Japanese companies listed in the First Section of the Tokyo Stock Exchange.
China Li Ke Qiang Index	Measures China's economy using three indicators; railway cargo volume, electricity consumption and loans disbursed by banks.

Bonds	
Emerging sovereign	Citi Emerging Market Sovereign Bond Index (ESBI), which includes Brady bonds and US dollar-denominated emerging market sovereign debt issued in the global, Yankee and Eurodollar markets, excluding loans. It is composed of debt in Africa, Asia, Europe and Latin America. We classify an emerging market as a sovereign with a maximum foreign debt rating of BBB+/Baa1 by S&P or Moody's. Defaulted issues are excluded.
Supranationals	Citi World Broad Investment Grade Index (WBIG)—Government Related, which is a subsector of the WBIG. The index includes fixed rate investment grade agency, supranational and regional government debt, denominated in the domestic currency. The index is rebalanced monthly.
Corporate investment grade	Citi World Broad Investment Grade Index (WBIG)—Corporate, which is a subsector of the WBIG. The index includes fixed rate global investment grade corporate debt within the finance, industrial and utility sectors, denominated in the domestic currency. The index is rebalanced monthly.
Corporate high yield	Barclays Global High Yield Corporate Index. Provides a broad-based measure of the global high yield fixed income markets. It is also a component of the Multiverse Index and the Global Aggregate Index.
Securitized	Citi World Broad Investment Grade Index (WBIG)—Securitized, which is a subsector of the WBIG. The index includes global investment grade collateralized debt denominated in the domestic currency, including mortgage-backed securities, covered bonds (Pfandbriefe) and asset-backed securities. The index is rebalanced monthly.

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