

Summary of Recent Events

Syria/Russia

In response to a chemical weapon attack attributed to the Russian-backed Syrian government in early April, the US launched retaliatory missile strikes targeting an airfield believed to be associated with the attack.

South China Sea

As ongoing territorial disputes over key islands, shipping lanes and geological resources in the South China Sea continue, the US has grown increasingly uncomfortable with China's use of military strength to claim control over key parts of the contested areas.

Korean Peninsula

North Korea continues its pursuit of nuclear weapons technology and most recently stepped up its efforts with a series of missile launches.

Afghanistan

In its continuing efforts to eliminate ISIS' foothold in eastern Afghanistan, the US dropped its largest non-nuclear weapon (the GBU-43/B) ever used in combat on a suspected Islamic State underground tunnel complex located near the Pakistan border.

United Kingdom

In Early June, a third terror attack killed seven people in London and injured dozens more. On June 9th, voters denied Teresa May's Conservative party a parliamentary majority, further complicating Brexit.

Middle East

Recently, a number of countries in the Middle East have cut diplomatic ties with Qatar – specifically, Saudi Arabia, Egypt, Bahrain and the United Arab Emirates.

Paris Accord

The US withdrawal from the Paris Climate Accord has increased political pressure on the Trump administration, both domestically and internationally.

Implications

While opportunities for diplomatic resolutions remain in each case, the involvement of military assets underscores existing tensions where the US has stepped in to protect its own interests or those of its allies. While terror attacks often have muted financial impact, the increasing frequency should not be overlooked. In the Middle East, any disruption of oil or natural gas supplies would likely have a near-term negative impact.

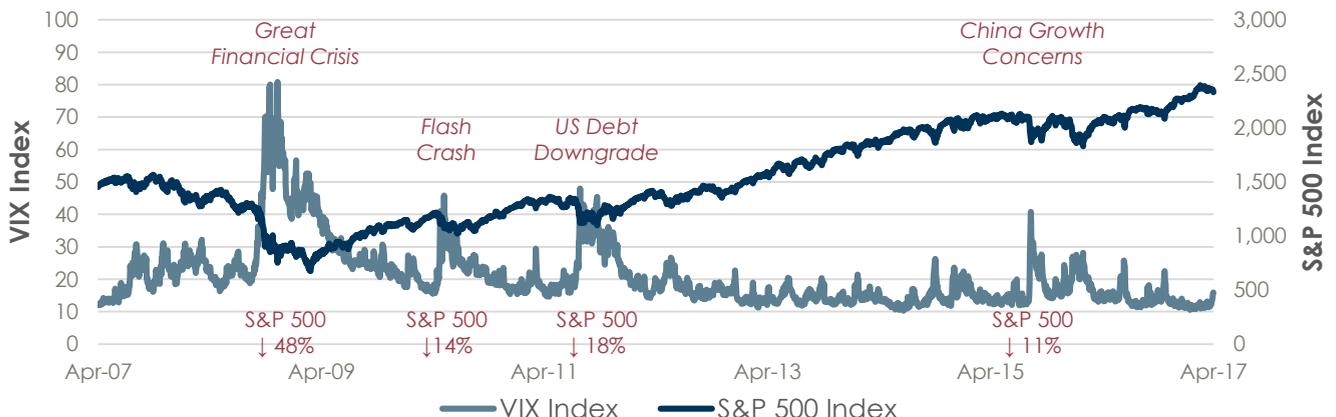
An increase in military action – by the US or others – in any of these regions would likely be of concern to global financial markets, potentially resulting in increased short-term volatility. Similarly, any unanticipated political outcomes (elections, trade negotiations, etc.) would also likely result in higher market volatility, especially if they are viewed as obstacles to growth.

In the US, continued challenges to proposed fiscal policies could lead to market disappointment, pressuring equity investments. At the same time, fixed income investments may face headwinds as two additional rate increases are expected this year.

Portfolio Positioning

Geopolitical and policy uncertainty is one of ACG's key investment themes. However, predicting the timing of these events is exceedingly difficult and the resulting impact on financial markets is even more challenging. As can be seen in the chart below, prior periods of volatility have not necessarily correlated with geopolitical events. Therefore, we recommend that investors remain globally diversified and employ risk-reducing strategies, including equity long-short and fixed income absolute return strategies. The volatility-reducing characteristics of these strategies could help protect capital in the event of a major market shock.

VIX Index and S&P 500 Index



Source: Federal Reserve Bank of St. Louis

Disclosures and Legal Notice

The views expressed are those of Asset Consulting Group. They are subject to change at any time. These views do not necessarily reflect the opinions of any other firm.

Opinions and estimates offered constitute our judgment and are subject to change without notice, as are statements of financial market trends, which are based on current market conditions. We believe the information provided here is reliable, but do not warrant its accuracy or completeness. This material is not intended as an offer or solicitation for the purchase or sale of any financial instrument. The views and strategies described may not be suitable for all investors. This material has been prepared for informational purposes only, and is not intended to provide, and should not be relied on for accounting, legal or tax advice. References to future returns are not promises or even estimates of actual returns a client portfolio may achieve. Any forecasts contained herein are for illustrative purposes only and are not to be relied upon as advice or interpreted as a recommendation.

Please be aware that there are inherent limitations to all financial models, including Monte Carlo Simulations. Monte Carlo Simulations are a tool used to analyze a range of possible outcomes and assist in making educated asset allocation decisions. Monte Carlo Simulations cannot predict the future or eliminate investment risk. The output of the Monte Carlo Simulation is based on ACG's capital market assumptions that are derived from proprietary models based upon well-recognized financial principles and reasonable estimates about relevant future market conditions. Capital market assumptions based on other models or different estimates may yield different results. ACG expressly disclaims any responsibility for (i) the accuracy of the simulated probability distributions or the assumptions used in deriving the probability distributions, (ii) any errors or omissions in computing or disseminating the probability distributions and (iii) and any reliance on or uses to which the probability distributions are put.

This material is presented with the understanding that it is not rendering accounting, legal or tax advice. Please consult your legal or tax advisor concerning such matters. No assurance can be given that the investment objectives described herein will be achieved and investment results may vary substantially on a quarterly, annual or other periodic basis. There is no representation or warranty as to the current accuracy of, nor liability for, decisions based on such information.

The information presented herein is presented solely to assist you in creating a portfolio structure and forming investment guidelines and investment allocations. The information contained in this report is based on information obtained by ACG from sources that are believed to be reliable including: subscription services and information provided directly from the managers themselves. ACG has not attempted to verify the accuracy of the information provided, but believes it to be reliable and representative of the portfolios being managed by the manager. However, investor specific investment policies may cause dispersion in returns from the manager's composite data and actual returns of specific investors may vary.

© 2017 Asset Consulting Group. All Rights Reserved. Asset Consulting Group is the sole owner of all rights, title, and interest to the materials, methodologies, techniques, and processes set forth herein, including any and all intellectual property rights. No part of this document may be reproduced, stored, or transmitted by any means without the express written consent of Asset Consulting Group.