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October 2017

Astoria's Macro Insights

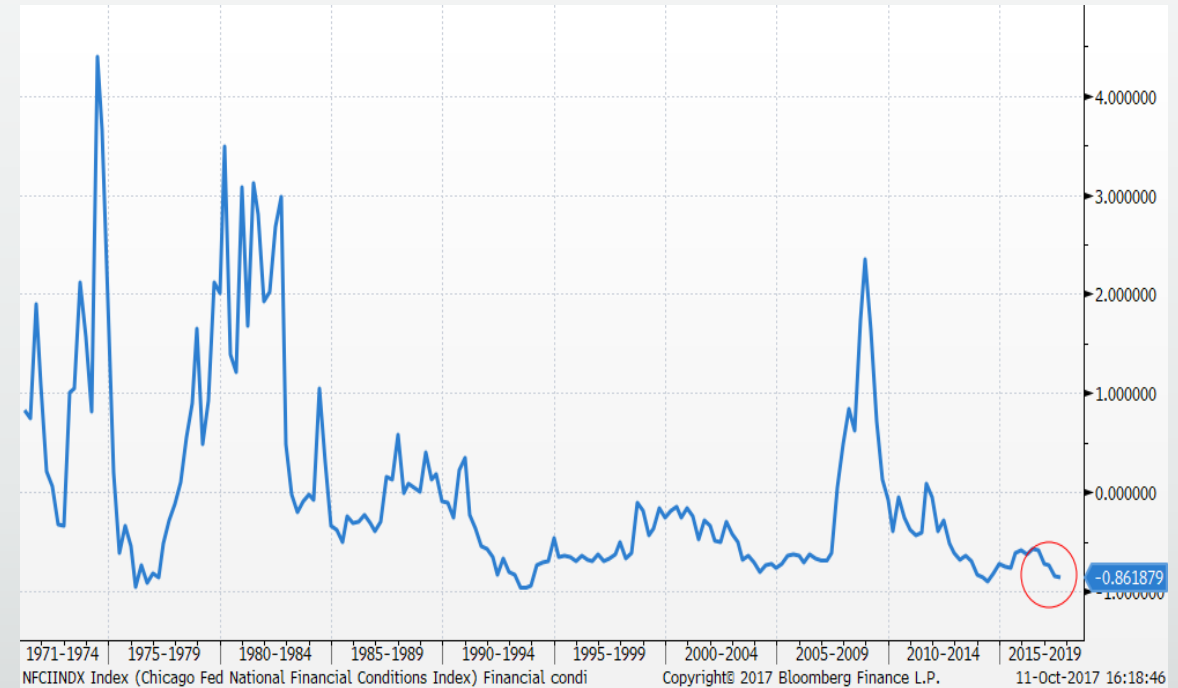
- Since 2010, our **Multi Asset Risk Allocation** model has captured 81% of the upside and 57% of the downside vs. our benchmark (70% MSCI ACWI / 30% Lehman US Agg). Our **Sharpe Ratio** over the past 1 year is **3.4** (we don't use leverage in our models).
- Astoria utilizes a **disciplined, cross asset quantitative framework**. We are **transparent** and share our model portfolio allocations in our notes. We feel that is a **differentiator**.
- We outlined our **pro-growth, cyclical recovery bias** in our previous **Macro Insights** ([read here](#), [here](#), and [here](#)). This thesis is born from our models and indicators.
- The environment for **cyclical equities** is as **good** as it has been in several years. Global growth and earnings remain solid and supports a **pro-cyclical bias** (EM & DM over US, EM debt over US credit, Value over Growth, Equity Risk over Yield & Carry) in our view.
- When will we turn bearish? When (1) **earnings deteriorate** (2) **inflation rises** or (3) **financial conditions materially weaken**.

Our Macro Insights deck is updated on a monthly basis. Refer to our website for updates
<https://www.astoriaportadv.com>

The Current Environment is as Good as it Gets: (1) Good EPS (2) Muted Inflation (3) Extremely Loose Financial Conditions

- **Earnings revisions ratios** remain **high** for most of the key developed equity markets.
- Consensus earnings growth is **higher** in Emerging Markets, Japan, and Europe compared to the US.
- Cross Asset Correlations are **near multi-year lows** making it a better overall environment for alpha generation.
- There is **no more alpha** in the market? Really?
 - EM Equities are up 30% in 2017.
 - The year to date difference between the S&P500 Technology & Energy sector is 40%.
 - **Alpha is there.** It just looks slightly different now compared to history.
- Are there **risks** in the marketplace? Yes, but when aren't there risks? It's all about the **distribution of outcomes** and **modeling it accordingly**.

Chicago Fed Financial Conditions Index is at 45 Year Lows

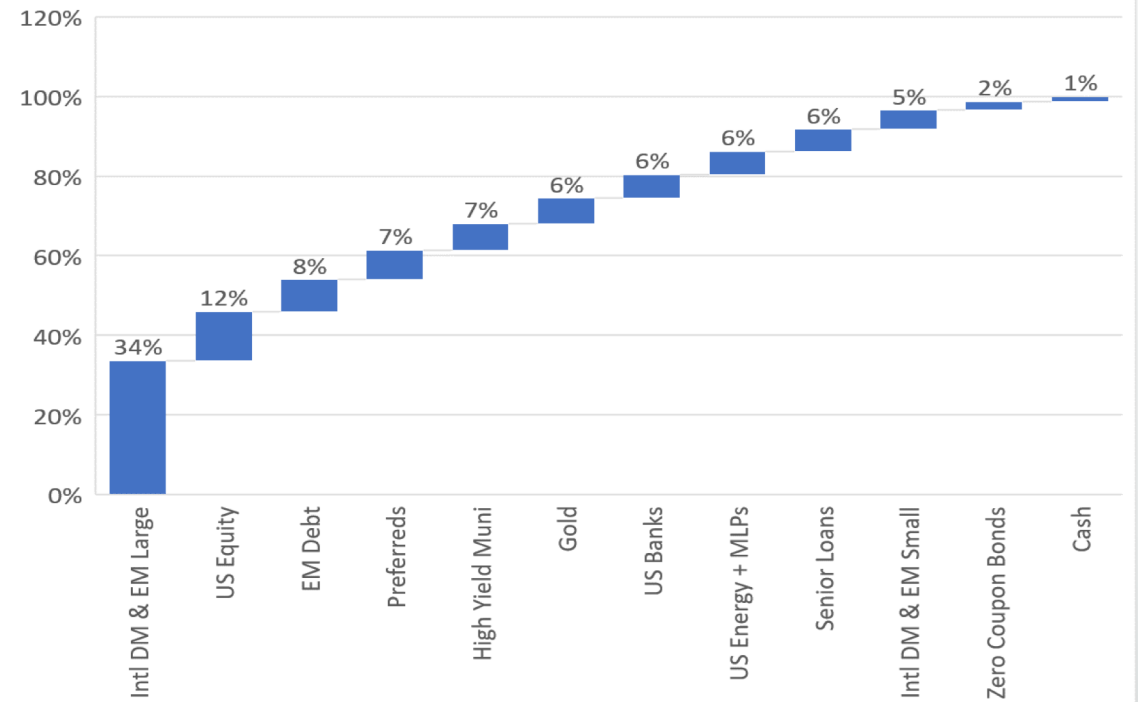


Source: Chicago Federal Reserve Bank, Bloomberg, Astoria Portfolio Advisors LLC

Astoria's Multi-Asset Risk Allocation Model

- We wrote in our **July Macro Insights** that of the **50+** indicators and models that we monitor, there are several that would **ignite risk reduction**:
 - (1) aggressive **Fed tightening**
 - (2) an **inverted** yield curve
 - (3) significantly **tighter financial conditions**
 - (4) **deterioration** in the **global earnings cycle**
- We are modeling probability distributions for each of these outcomes. For now, our model remains skewed to **International & Cyclically orientated ETFs** on the equity side.
- To dampen our portfolio volatility, we incorporate various income strategies, Gold, and some cash.
- We have been vocal about our preference for **Emerging Markets, US cyclicals, and Small Caps** (both in the US and Internationally).
- See chart to the right for Astoria's current **Multi Asset Risk Allocation Model**.

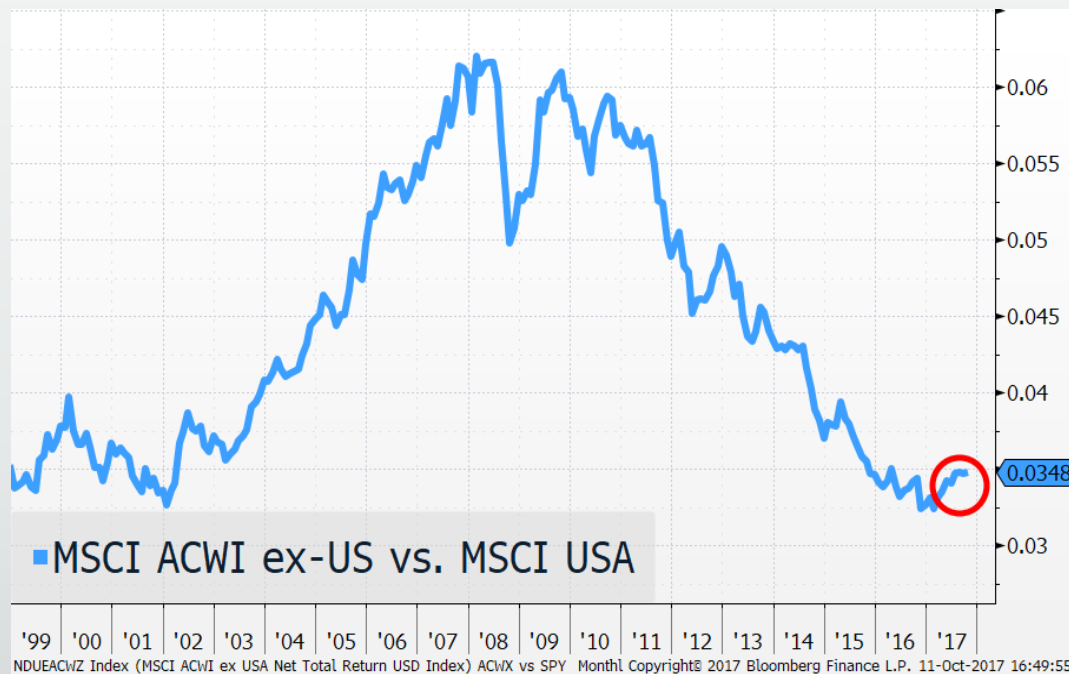
Astoria's Multi Asset Risk Allocation Model Portfolio Weights (Oct '17)



Source: Astoria Portfolio Advisors LLC

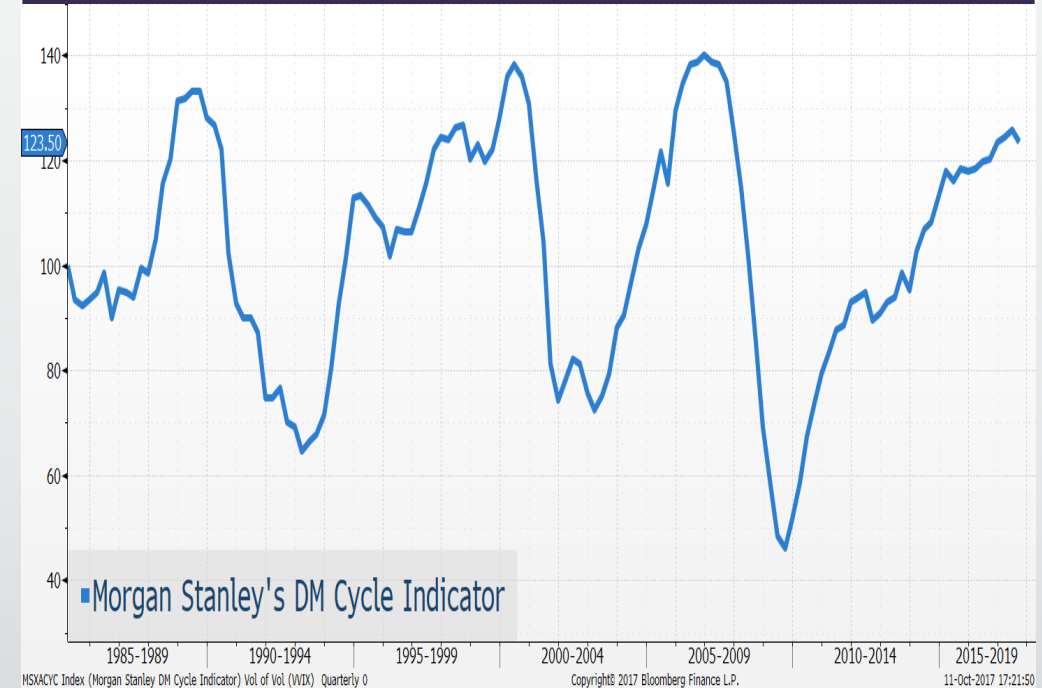
While International Equities Are This Year's Biggest Winners, There is a Long Way to Go.

US Equities Outperformed For Most of The Post Credit Crisis Period.



Source: Bloomberg, MSCI, Astoria Portfolio Advisors LLC

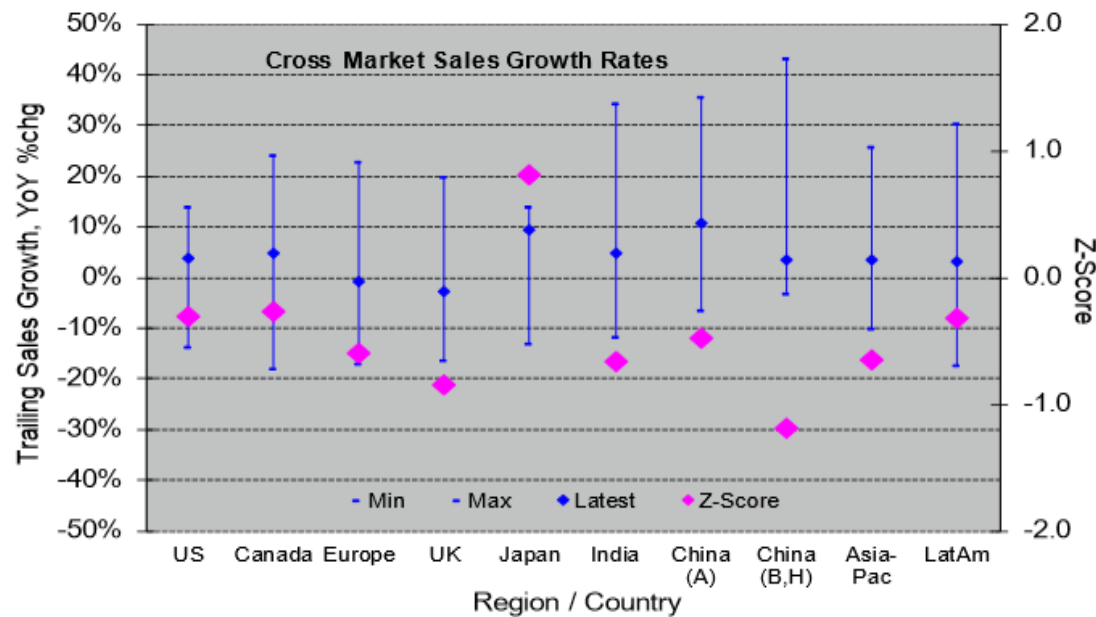
Morgan Stanley's Cycle Indicator for Developed Markets Still Points to Expansionary Phase



Source: Morgan Stanley, Bloomberg, Astoria Portfolio Advisors LLC.
MS' DM Cycle Indicator is a weighted avg. of the US (MSXACYCU), Euro Area (MSXACYCE), and Japan (MSXACYCJ) cycle indicators.

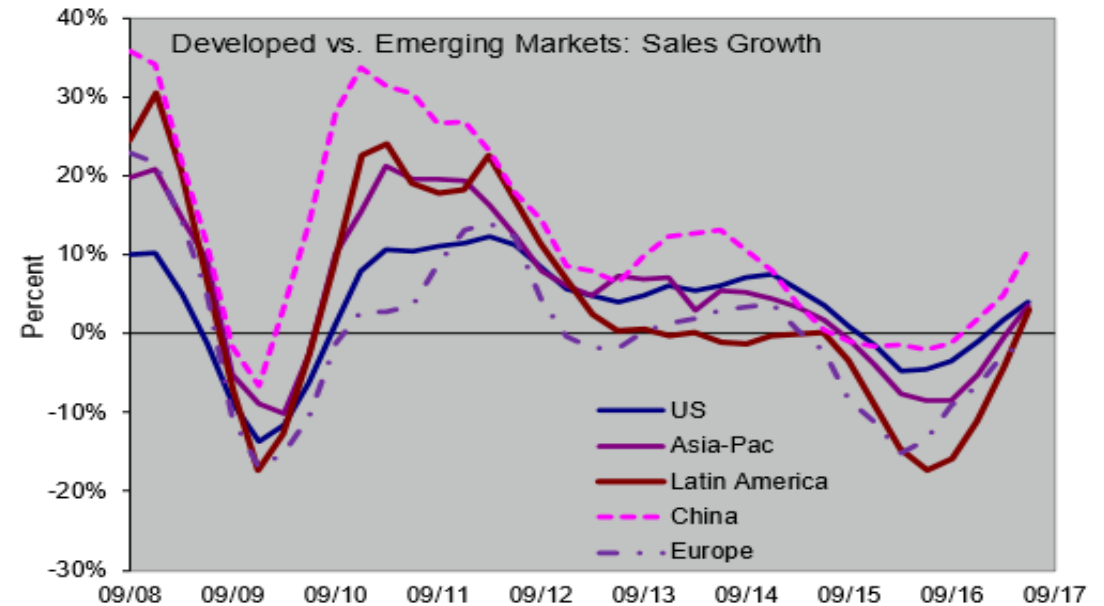
Sales Growth Remains Strong Globally

Growth Continues to Recover Globally but Remains Below Their Respective Norms



Source: Cirrus Research

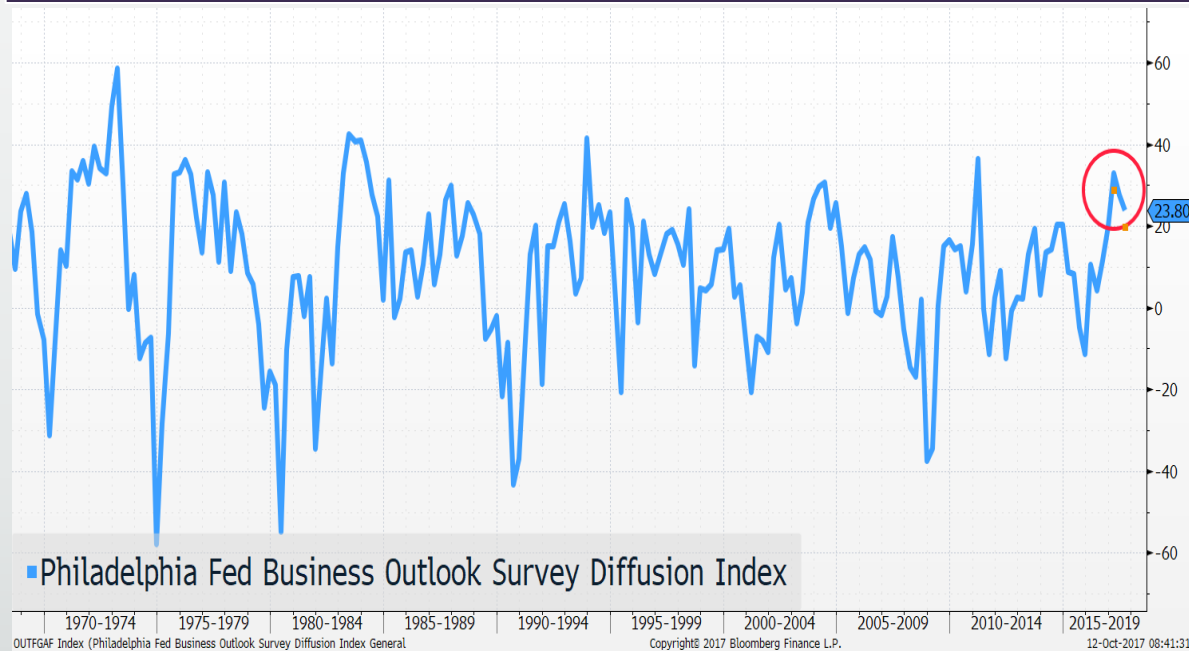
Sales Growth is Inflecting Higher Globally



Source: Cirrus Research

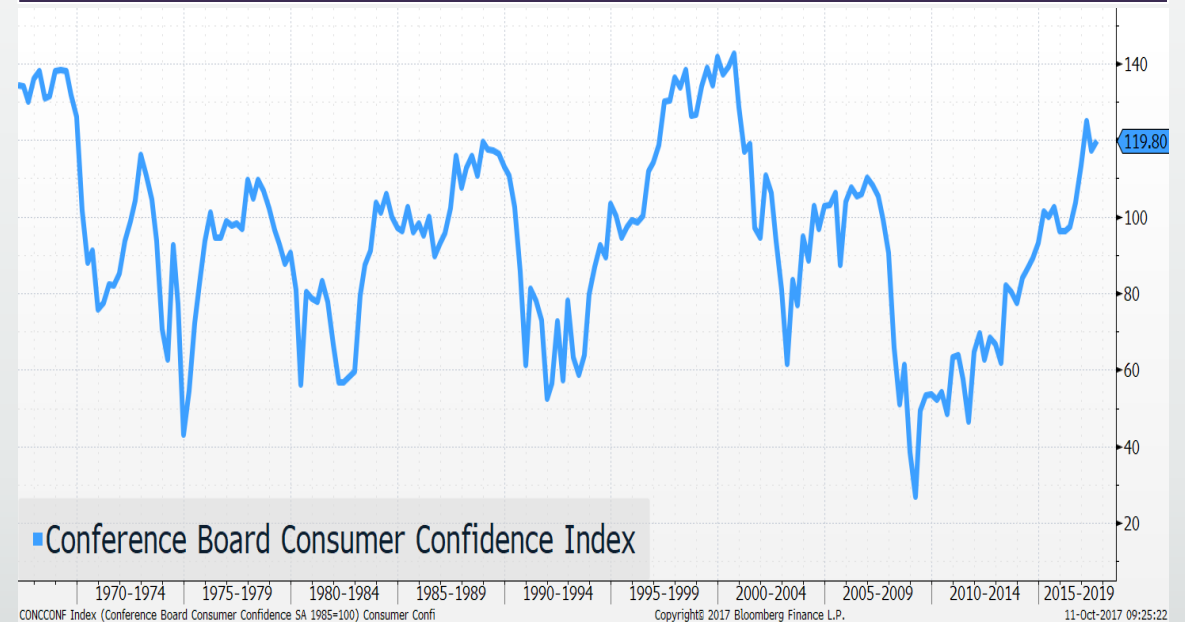
Economic Outlook Remains Near Multi Cycle Highs.

Philly Fed Business Outlook Survey Diffusion Index Remains Very Elevated



Source: Bloomberg, Philadelphia Federal Reserve Bank, Astoria Portfolio Advisors LLC

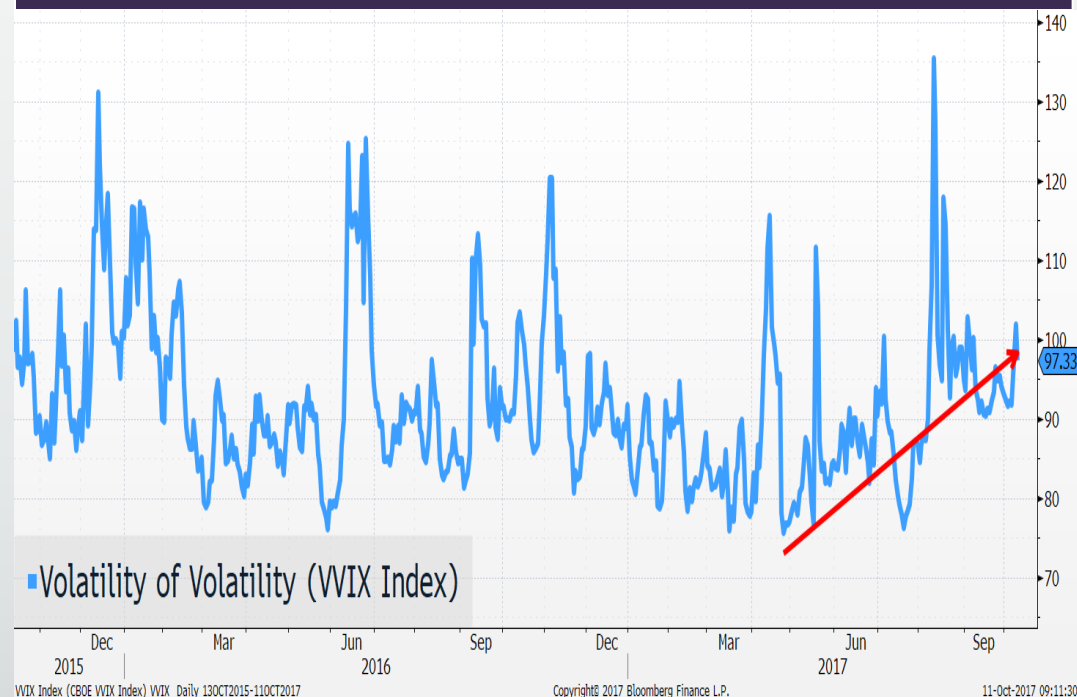
Consumer Confidence Remains Near Multi Decade Highs!



Source: Bloomberg, Conference Board, Astoria Portfolio Advisors LLC

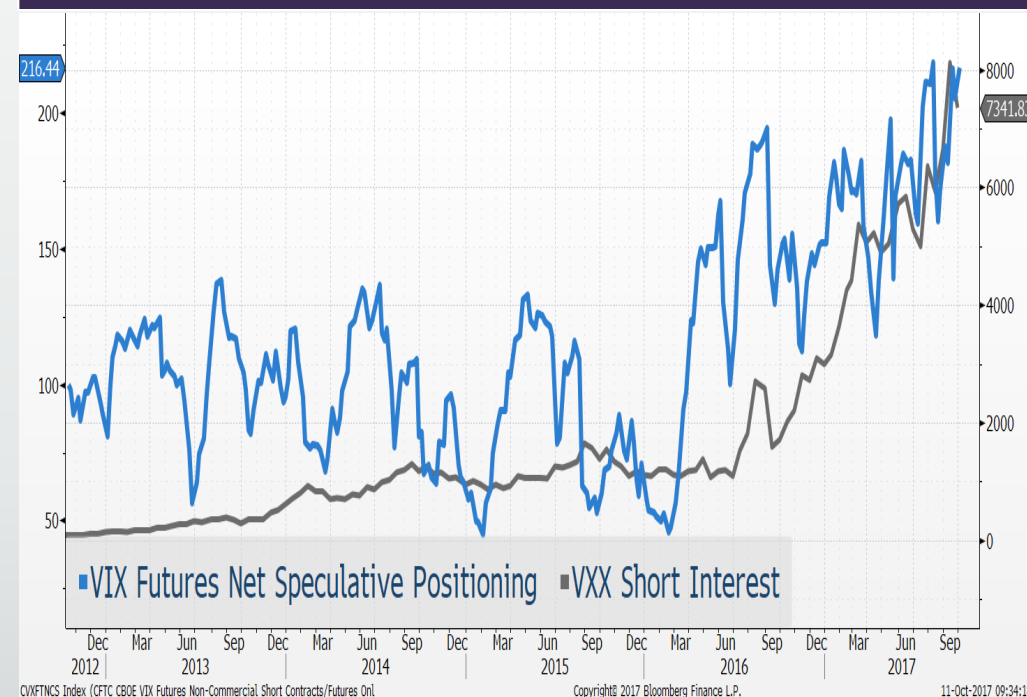
While The Short Volatility Trade has Provided Fantastic Sharpe Ratios in Recent Years, Investors Need to be Mindful of the Linkage Between Volatility and Liquidity.

The Vol of Vol Market Isn't Nearly As Complacent As Spot VIX



Source: Bloomberg, Astoria Portfolio Advisors LLC

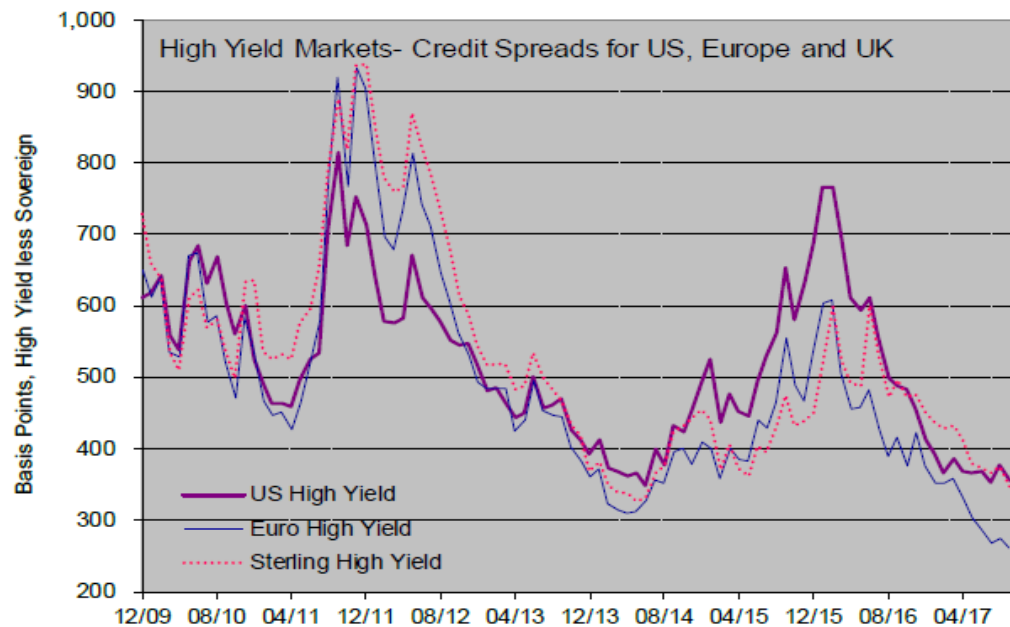
Short Equity Volatility Strategies have Never been as Extreme. This is Very Concerning.



Source: Bloomberg, Astoria Portfolio Advisors LLC

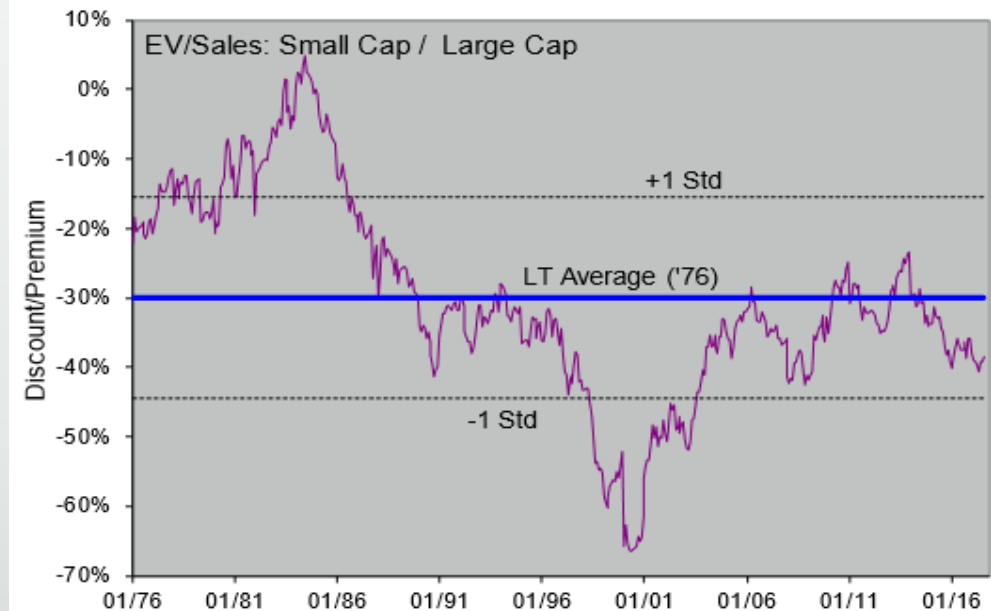
Credit Spreads & Small Caps

Credit Spreads Globally are Near 10 Year Lows



Source: Cirrus Research

On an EV/Sales Perspective, Small Caps Remains Attractive Compared to Large Caps



Source: Cirrus Research

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