PLAYING THE GLOBAL INDUSTRIAL RECOVERY

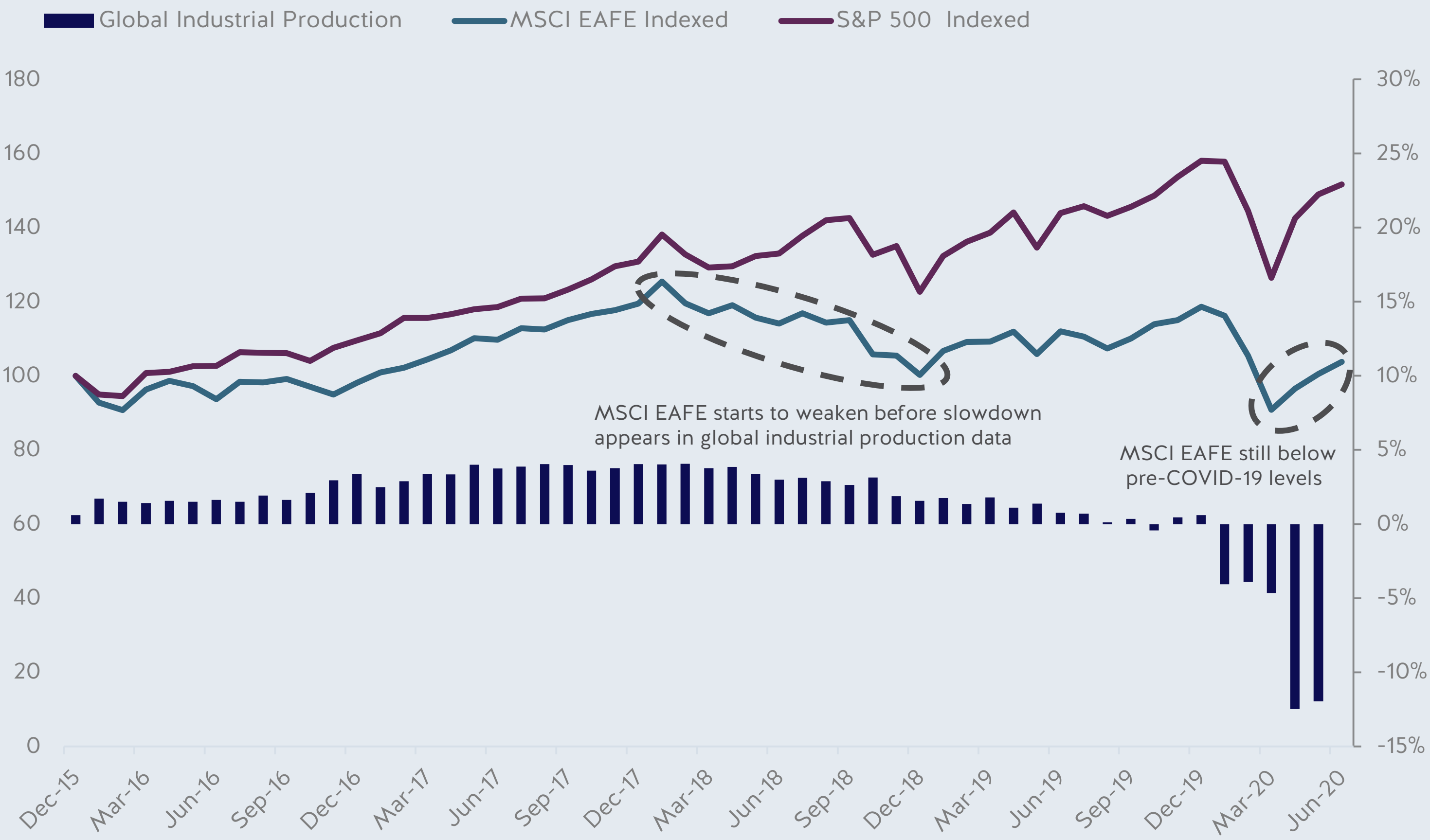
THE INDUSTRIAL CYCLE PEAKED IN 2018 & IS NOW IN A POSSIBLE BOTTOM

- US stocks (driven by a handful of technology stocks) historically have little correlation with global industrial production – they have continued to move higher even as global industrial production slowed down and eventually collapsed in the wake of COVID-19
- Non-US stocks on the other hand, have been more exposed to manufacturing and thus the industrial cycle in recent years
- With global industrial production at multi-year lows and non-US stocks well below pre-COVID-19 levels, non-US markets may be a better way to play the industrial recovery

SKATE TO WHERE THE PUCK IS GOING

- It may be a good time to position portfolios now – historically non-US markets have tended to inflect several months before global industrial productions inflects
- Historically there has been a two to three-month lag in reporting of global industrial production data

MSCI EAFE MORE CLOSELY CORRELATED WITH GLOBAL INDUSTRIAL PRODUCTION



Source: Bloomberg, Netherlands Bureau for Economic Policy Analysis

Note: MSCI EAFE and S&P 500 indexed to 100 as of December 2015

Important Risks and Disclosure:

The MSCI EAFE Index is a free float-adjusted market capitalization index that is designed to measure the market performance of developed markets, excluding the US & Canada. The index is not available for direct investment. The index provides total returns in US dollars with net dividends reinvested.

The S&P 500 Index is a widely recognized unmanaged index including a representative sample of 500 leading companies in leading sectors of the US economy and is not available for purchase. Although the S&P 500 Index focuses on the large-cap segment of the market, with approximately 80% coverage of US equities, it is also considered a proxy for the total market.

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