

Investment Advisory Group

Insights

SunTrust Advisory Services, Inc. |





HIGHLIGHTS

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Our 2017 themes remain largely intact...

Economy

Global Reset

Cyclical tailwinds provided a modest uptick to the global economy in the first half of the year.

World growth in the second half is expected to transition from acceleration to stability, while the US should bounce back from a weak start. Geopolitical risks, however, remain elevated.

Equity

Lean Bullish | Outcomes Widen

We continue to *lean bullish*. Recession risks are low, profits are rising, and investor sentiment is improving. That said, we expect a choppy market environment in the second half of the year.

We still like the US for its stability, see an opportunity in mid caps, remain positive on emerging markets, and have become more constructive on developed international markets.

Fixed Income

Interest Rate Inflection

The 10-year US Treasury yield has been in a trading range since late 2016. However, rates touched an important low in July 2016 following the Brexit shock. We expect rates to stay meaningfully above that low and drift higher over time.

We recommend keeping bonds at the lower end of allocation ranges; however, given the potential for wider market outcomes, high-quality bonds should act as shock absorbers.

Non-Traditional Investments

Offset Wider Outcomes

Hedge funds should help balance equity risk and a challenging environment for bonds.

Our favored strategies are diversified hedge funds, market neutral hedged equity and managed futures.

SECOND QUARTER MARKET RECAP

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Second Quarter Recap

Global stocks and bond markets remained oddly synchronized. Returns for both were mixed in June, but solid for the second quarter and first half of 2017.

The Federal Reserve (Fed) raised its target overnight rate in June by 0.25%—its third quarter-point move since December—yet yields were down over that span. Meanwhile, the Bank of England began signaling that it would also eventually start normalizing rates. US economic data progressively firmed, rebounding from the softness of the first quarter. European economic and earnings data continued to steadily improve, while solid demand in emerging markets persists.

Most stocks generally had a solid second quarter, easing up in June after strong returns during April and May. European stocks were a notable exception, stumbling in June but leading the pack for the quarter. Emerging markets held the top spot for 2017.

US stocks stretched their rally to eight straight months, the longest winning streak since 2011, and matched its longest run since 1995. A strong month saved the second quarter for small caps, boosting their year-to-date gains. Yet, 6 of the 11 S&P sectors declined in June as the telecom sector had a dreadful quarter and energy has yet to post a positive month in 2017.

The 10-year US Treasury yield ended the quarter at 2.30%, down modestly for the quarter. Yields for shorter maturities rose during the quarter, such as the 2-year US Treasury, while the yield for the 30-year maturity fell for a third straight month.

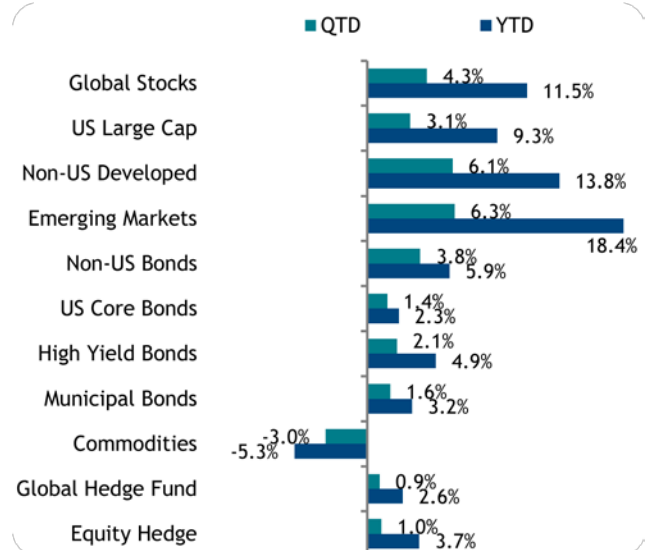
Higher quality bonds suffered during the past month with US core bonds down modestly, while corporate and high yield bonds outperformed. Yet, most bond

indices notched solid returns for the second quarter and in the first half of the year.

Non-US bonds were also down modestly during June, but had a strong second quarter. Within the US, municipal bonds stumbled for the first time in seven months.

Commodities fell for a fourth straight month as good performance by industrial metals and agriculture was negated by falling prices for energy and precious metals. Master limited partnerships (MLPs) declined for a fifth consecutive month.

Figure 1: Major Market Returns



Data Source: FactSet; Data as of June 30, 2017. Return values based on indices by MSCI, S&P, Bloomberg, and HFR. Please see disclosure page for index definitions. An investment cannot be directly made into an index.

GLOBAL ECONOMIC OUTLOOK

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Despite ongoing challenges and geopolitical concerns, the cyclical tailwinds underpinning our *global reset* theme have endured. The acceleration phase of this uptick in global growth, however, has largely occurred and is now transitioning to a slower, stable part of the cycle, where growth is less synchronized. Within the US, economic data progressively firmed from the softness of the first quarter, keeping growth in the 2.0% to 2.5% range for 2017.

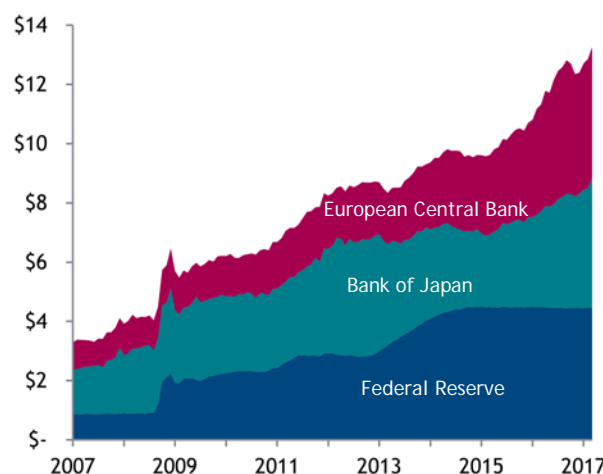
Global Monetary Policy Still Accommodative

Given the steady recovery of the global economy, central banks are slowly beginning the process of normalizing policy, although it is hardly the yield stampede many feared. More importantly, global monetary policy remains quite accommodative, which we expect will persist for the foreseeable future.

As expected, the Federal Reserve raised the overnight federal funds target in June as it continues to gradually normalize policy. The next step will be to begin to process of shrinking its balance sheet, which currently holds \$4.5 trillion in US Treasuries and mortgage-backed securities. The reinvestment of maturing bonds, which are fully reinvested currently, will be diminished in small increments over the next few years. We expect the Fed will further detail the balance sheet reduction in the coming months and commence late this year. The odds of another quarter-point rate hike late this year are 50% currently.

Other global central banks have been patient, mostly just talking about adjusting at this point. The Bank of England and Bank of Canada have indicated their readiness to begin lifting their equivalent of the federal funds target in the near future. *{Note: The Bank of Canada raised rates in early July.}* However, two major central banks continue to ramp up their balance sheets (Figure 2). The European Central Bank has yet to complete its bond buying program, while the Bank of Japan remains committed to holding yields near zero. Moreover, the People's Bank of China has shifted to letting its currency devalue against a broad basket of currencies, which is a form

Figure 2: Total Assets on Central Bank Balance Sheets (Trillions)



Data Source: Strategas

of monetary policy easing, though it has the ability to ease more directly if needed.

Global Growth Transitions to Stability

The global economy is roughly a decade removed from the Great Recession, and the recovery has been helped in part by monetary policy and, more recently, by cyclical tailwinds such as rising global trade and corporate earnings. This *global reset*, as we are calling it, has continued to unfold.

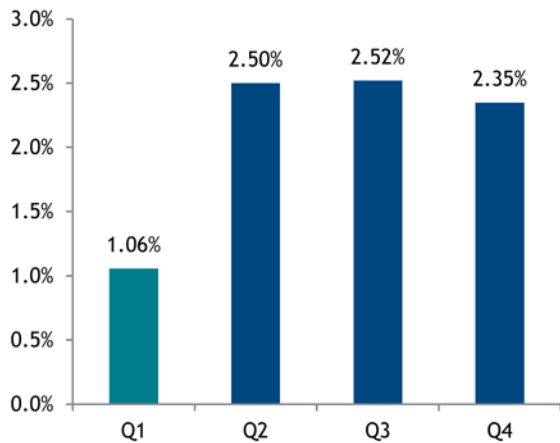
Developed economies—such as the US, the United Kingdom and Europe—have rebounded from a mid-2016 slowdown. Meanwhile, Asian economies, including China, India, South Korea and Indonesia, have improved. Moreover, others, such as Russia and



GLOBAL ECONOMIC OUTLOOK

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Figure 3: Seasonality of US Economic Growth: Average Gross Domestic Product by Quarter (2010–2016)



Data Source: FactSet

Argentina, have recovered from recessions. In summary, the past couple of quarters have provided firm evidence of a global synchronized recovery.

The acceleration phase of this uptick in global growth, however, has largely occurred and is now transitioning to a slower, stable part of the cycle, where growth is less synchronized. As such, the difference between emerging markets (EM) and developed economies growth rates appears to be increasing, which we expect to persist.

Despite this transition, we are still positive on global growth. Our work suggests that global recession risks remain low. Global gross domestic product (GDP) growth is expected in the 2.7% to 2.8% range through the remainder of the year. Moreover, inflation is not an imminent threat to the recovery and global monetary policy remains accommodative.

While global growth has firmed, investment activity and capital formation are still being undermined by underlying political uncertainty and geopolitical risks. For instance, Europe continues to deal with unknowns of Brexit as well as upcoming German and Italian elections. Furthermore, here in the US, the expected reduction of regulations, tax cuts and corporate profit repatriation have been stalled behind other political priorities such as health care.

US Recovers from First Quarter Hiccup

The US backdrop is rebounding from a weak start to the year. Given the recent past, whereby first quarter growth has repeatedly been hampered for various reasons, the softness witnessed earlier this year should not have been a complete surprise (Figure 3).

Nonetheless, second quarter data has progressively firmed. Among the improved gauges are the ISM Manufacturing and Services Indices, and personal income. Most of the labor-related indicators, including the unemployment rate and weekly initial jobless claims, continue to hover near their lowest levels of the cycle. Retail and food sales have also remained resilient, up 3.8% year-over-year through May, despite a pullback in auto sales and gasoline prices.

For the full year, we anticipate growth in the 2.0%–2.5% range. At this juncture, the economic boost from the Trump administration's proposed fiscal expansion and regulatory roll-back initiatives remain in limbo given political constraints. While we still anticipate modest fiscal support, it increasingly appears to be a 2018 story.

Global markets saw broad-based gains in the second quarter on the back of a powerful global earnings recovery. We still *lean bullish* though expect a choppy environment in the second half. From a positioning standpoint, we like the US for its stability, see an opportunity in mid caps, have become more constructive on developed international markets and still see value in emerging markets. The backdrop for active managers is also improving.

Still Leaning Bullish

The first half of the year has been broadly consistent with our core global equity theme for 2017. That is, we have been advising investors to *lean bullish*, even while recognizing the range of potential market outcomes is wide given policy uncertainty. The key factors driving our investment view remain largely intact, including low global recession risks, improving profits, and better investor sentiment.

From a macro standpoint, the acceleration phase of the global economic reset is behind us, but growth is expected to remain firm. More than 90% of countries currently show manufacturing trends in expansion mode, the most robust readings since 2014.

Next, a powerful global earnings recovery is underway (Figure 4), which is driving stocks higher this year. This profits rebound is important given that absolute valuations are above their historical averages. Notably, the forward price-to-earnings ratio of the global equity market is largely unchanged this year, despite strong price gains. We expect profits to remain steady in the second half.

Finally, investor sentiment has greatly improved. Prior to the US election, stock funds saw the greatest outflows since the financial crisis. However, in the first six months of 2017, stock funds saw \$130 billion of inflows, the highest amount since 2012. Given equity inflows have lagged bond inflows by more than a two-to-one margin since 2009, there is scope for additional inflows.

Figure 4: Powerful Global Profits Recovery Underway



Data Source: JP Morgan; Countries represented by MSCI Indices; earnings based on 2017 bottom-up earnings estimates.

Market Trend Remains Positive, but Expect Periodic Short-Term Setbacks

While we remain positive, investors should not get lulled into a false sense of security by the unusually serene trading environment recently. Indeed, there has only been one calendar year since 1980 where the S&P 500 did not have at least one 5% pullback. Stocks have gone the longest period of this bull market without such a pullback (over a year). Also, a wide range of geopolitical risks remain from North Korea and the US debt ceiling debate, to the pace of Fed rate and balance sheet shrinkage, and Italian elections. That said, so long as the underlying economic and fundamental trends remain favorable, we advise sticking with the positive intermediate market trend and focusing less on timing every short-term twist and turn.

GLOBAL EQUITY

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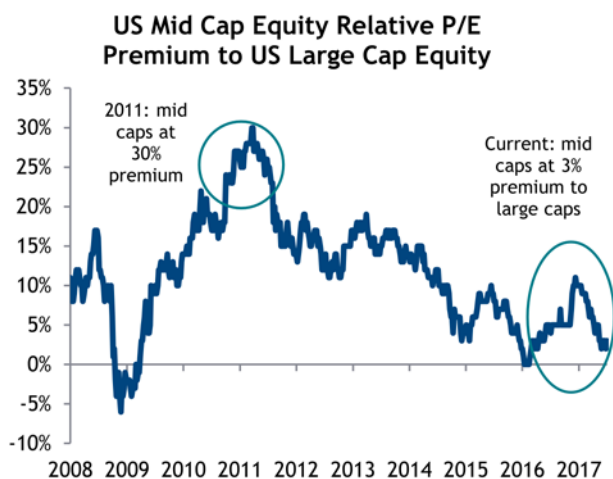
Regional Outlook

United States: The Blue-Chip Country

We maintain a positive view of the US for its stability but also recognize the bull market now ranks as the second longest and the third strongest in history. Valuations are at a premium relative to the globe; while the Fed's tightening cycle is well underway. The good news is recession risks remain low, and we expect a modest US economic rebound from a weak start this year. Odds also favor some fiscal stimulus, such as tax cuts in early 2018, which is likely to extend an elongated cycle.

Within the US, we view mid caps' underperformance this year as an opportunity. Relative to large caps, mid cap valuations have moved from a 30% premium in 2011 to just 3% currently (Figure 5). These companies would also benefit from lower taxes.

Figure 5: Mid Cap Relative Valuations Improved



Data Source: FactSet; Mid cap equity represented by Russell Mid Cap Index

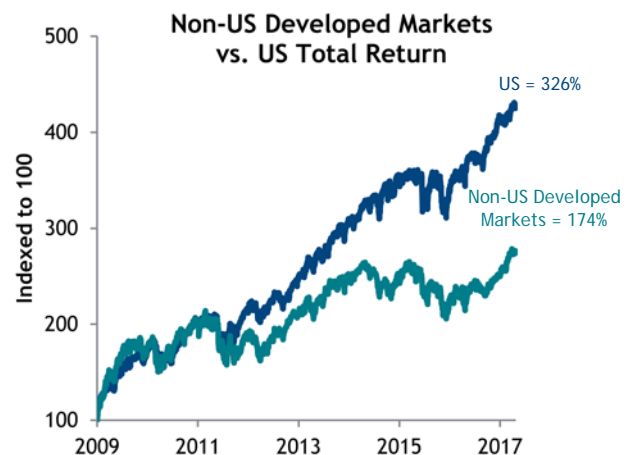
On a short-term basis, value's underperformance relative to the growth style this year has moved to an extreme and is due for a reprieve. We expect the dominance of technology, which is the largest sector

in the growth style, to wane in the near term, and we remain bullish on financials, the largest sector in value. We also hold a favorable view of industrials and consumer discretionary, such as homebuilders, which stand to benefit from a solid economy. Health care is our favorite defensive sector given attractive valuations and improved price trends.

Outlook for Non-US Developed Markets Brightening

During the second quarter, we advised boosting allocations to non-US developed markets. After significant underperformance relative to the US since the bull market launched in 2009, the outlook for these international markets is improving (Figure 6).

Figure 6: Still Upside in Non-US Developed Markets



Data Source: FactSet; Market returns represented by MSCI EAFE and MSCI USA

Relative price trends are stabilizing, and profits in Europe and Japan are among the strongest in the globe this year as economic trends exceed depressed expectations. At the same time, valuations for non-US developed market relative to the US are at the lower end of the historical range.

GLOBAL EQUITY

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Risks remain as the Brexit process is only beginning, and there are uncertainties around Italy's elections. Nevertheless, we would view pullbacks in Europe as an opportunity given improvement in economic and profit conditions as well as a still supportive monetary policy and easing political concerns post the French elections.

Outside of Europe, we maintain a favorable view of Japan. This is one of the few countries with a price-to-earnings ratio below its historical average. Moreover, Japanese corporate profit trends are rising, the government remains a large buyer of equities, corporations are flush with cash, and monetary policy remains very accommodative.

Emerging Markets Profits Rebound

We maintain a constructive on EM, after upgrading our outlook last fall. The EM universe is re-affirming its position as the world's principal growth engine. As a homogeneous bloc, EM is projected to grow at a rate above 4%, with higher growth possible as we move into 2018 given supportive cyclical trends (i.e., fiscal, monetary, and external advantages) and long-term structural advantages (i.e., favorable demographics, firmer productivity trends, low debt burdens, etc.).

The better growth outlook is important. Equity returns in EM tend to improve when economic growth widens relative to developed markets. Better economic growth is also translating into a sharp earnings recovery: earnings growth in EM is expected to rise 20% this year.

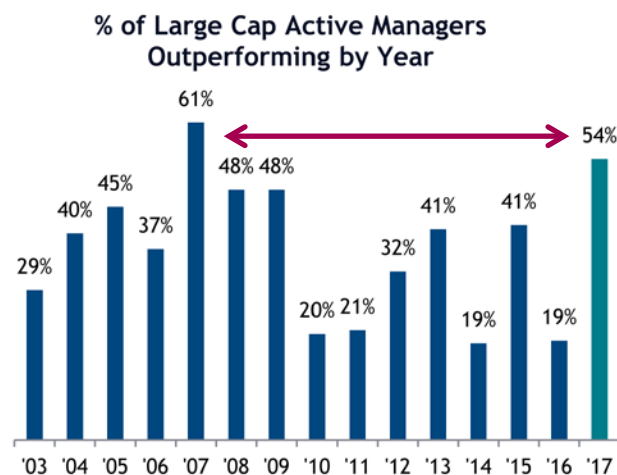
The possibility of trade protectionism and higher US interest rates pose threats to EM's strong

performance this year. Also, China is slowing as stimulus affects are receding somewhat, and political uncertainties remain, such as in Brazil and Turkey. Still, the weight of the evidence for EM is positive, and upside potential remains.

Backdrop for Active Managers Improving

Another important change this year that we have been anticipating is an improved environment for active managers. Given we are now in a mature phase of the cycle and past peak monetary accommodation, we are seeing greater dispersion in performance among stocks. Stock selection, therefore, has become increasingly important. Notably, the percentage of active US large cap managers outperforming rose to 54% in the first half, the best performance since 2007 (Figure 7).

Figure 7: Best Active Managers Performance



Data Source: Lipper Analytical Services, BofA Merrill Lynch

GLOBAL FIXED INCOME

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For the second consecutive quarter, the Fed raised rates a quarter point, but longer-term yields were flat to down. Given our expectations for rates to drift higher and a stable growth outlook, we advise keeping bonds at the lower end of allocation ranges. We are emphasizing high quality bonds, which should act as a shock absorber during periods of market tumult, and a tilt to shorter duration. We also favor a modest position in floating rate loans.

The Paradox of Fed Rate Hikes, Part II

Just as longer-term rates rose sharply on President Trump's election and overshot on the upside, they very likely overshot on the downside during the second quarter as inflation retreated and oil prices dropped. Lower inflation did not delay a second Fed rate hike for the year in June, and the Fed also revealed plans for reducing the balance sheet later this year. We expect more details regarding the balance sheet in the coming months and put the odds of a third rate hike at 50%, assuming the economic data largely continues on its current trend. However, we do not believe that reducing the balance sheet will significantly impact the bond market this year given the small amount of securities allowed to roll off. For illustration, if the balance sheet reduction plan started in the fourth quarter and ramped up to the maximum over the next year, it would still take nearly seven years to whittle the Fed's balance sheet back down to where it was prior to the Great Recession. This also assumes no recessions within that time period, which is unlikely.

Nonetheless, with a pickup in US growth expected in the second half and healthy labor market conditions, longer-term rates should drift higher. We continue to expect a range of 2%–2.75% for the 10-year Treasury yield, barring any geopolitical events creating a temporary spike down (i.e., North Korea).

Furthermore, the majority of the yield curve flattening for this year is likely behind us. The yield curve—or the difference in yield between the 10-year and the 2-year US Treasuries—already had flattened by nearly 0.5% at its low recently (Figure 8).

While the yield curve flattening this year created some investor angst as a possible signal of higher recession risks, it is still well above the lows seen in previous tightening cycles. Furthermore, once a tightening cycle begins, the yield curve tends to flatten over time as the economy improves, which is a condition that can endure for a while. Ultimately, financial conditions remain easy, lending standards have recently eased and our work suggests that recession risks remain low over the next 12 months.

Figure 8: Most of Yield Flattening This Year Is Likely Behind Us



Data source: Morningstar

Inflection Point for Rates

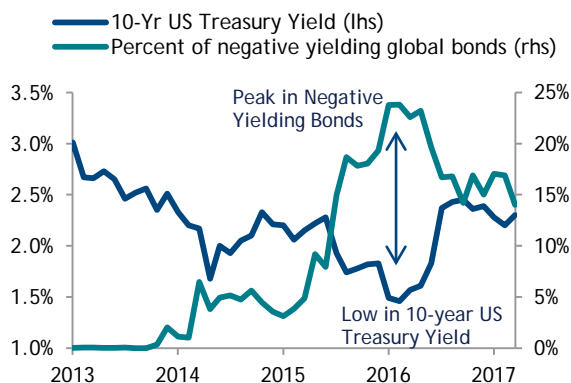
We continue to believe an important *inflection point* was made in rates in 2016 following the Brexit shock. We expect rates to gradually rise as we move into the second half of the year on a rebound in US growth and as we move past peak monetary accommodation.

GLOBAL FIXED INCOME

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Indeed, the percentage of negative yields globally has declined from an extreme of 24% during the Brexit panic in 2016 to 14% currently (Figure 9). Therefore, we advise keeping fixed income positioning at the lower end of allocation ranges. Moreover, we prefer high quality bonds, which should help act as a shock absorber for the total portfolio, and a tilt to shorter duration.

Figure 9: Percentage of Negative Yields



Data Source: BoA Merrill Lynch

Still Constructive Credit Environment

Corporate bonds have done very well this year, and we continue to find this asset class attractive. Strong earnings are good for company balance sheets, and borrowing costs are still low. Spreads for investment-grade corporate bonds have declined this year, and while there is still room for spreads to narrow further, they are not far from their 2014 lows. Supply and demand fundamentals continue to be constructive especially if we see tax reform enacted—repatriation of overseas cash would likely reduce bond issuance.

We also favor floating rate bank loans. Relative to the investment grade corporate bond market, which has a

much longer duration, floating rate loans are more attractive given the higher yield, our constructive economic outlook and the Fed tightening cycle.

Compared to high yield corporate bonds, our view is floating rate loans offer better risk-adjusted return potential considering yields for high yield corporate bonds are hovering around their lowest levels since 2014. Although high yield corporate bonds should also perform well in a +2% GDP environment, these bonds have more interest-rate sensitivity as well as higher exposure to the energy sector, where spreads have recently widened due to the fall in oil prices. Floating rate loans also have a higher position in the capital structure than high yield corporate bonds, which we view as important given the potential for *wider market outcomes* this year.

Municipals' Gains to Moderate

Municipal bonds had another good quarter, once again outperforming the core taxable benchmark with spreads narrowing relative to treasuries. While valuations were highly favorable coming into this year with investors worried about the impact of tax reform, they are currently less compelling. Therefore, although we still view municipals bonds as attractive after adjusting for marginal tax rates, we do expect performance to moderate from here.

We continue to favor essential service bonds secured by a dedicated revenue source, such as hub airports, water, sewer and electric project bonds as well as established toll road bonds, over local general obligation (GO) debt. We also stress that credit research is key in this space considering several states are still without budgets and others (i.e., Alaska, Connecticut, Pennsylvania, and New Jersey) continue to carry negative outlooks and face the prospect of lower ratings.

Securities with floating interest rates generally are less sensitive to interest rate changes but may decline in value if their interest rates do not rise as much, or as quickly, as prevailing interest rates. Unlike fixed-rate securities, floating rate securities generally will not increase in value if interest rates decline. Changes in interest rates also will affect the amount of interest income the Fund earns on its floating rate investments. Floating rate securities involve liquidity risk, which may affect the ability of investors to buy and sell them at the desired time or price.



NON-TRADITIONAL INVESTMENTS

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Equity-based hedge funds posted gains during the quarter, while trend reversals in fixed income and commodities pressured managed futures. Hedge funds should help balance equity risk and a challenging environment for bonds. Our favored strategies are diversified hedge funds, market-neutral hedged equity and managed futures.

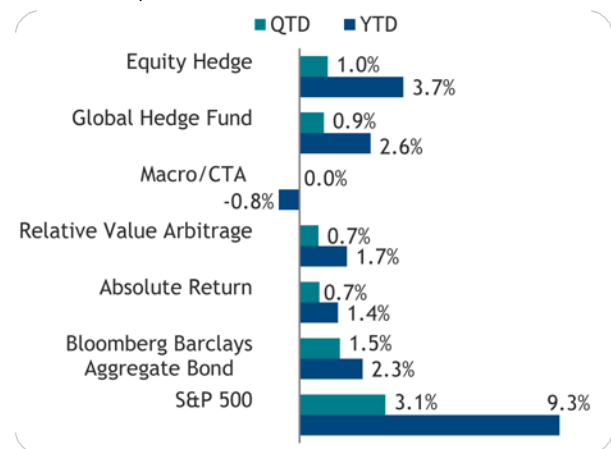
With stock prices and bond yields near record levels, we expect traditional asset class returns to moderate in the coming years. Thus, the rationale for including less-correlated assets in portfolios, such as non-traditional strategies, remains. We are still constructive on hedged equity as both intra-stock correlations and dispersion have markedly improved from the past few years, while higher interest rates help to keep the cost of short selling contained.

We are more constructive on global macro strategies, which are likely to benefit from interest rate differentials between the US (tightening) and other developed markets (sustained easing or delaying tightening), creating trading opportunities in both global rates and currencies. Additionally, given equity and fixed income market valuations, relative value strategies continue to offer portfolio diversification and added value if dispersion and correlations remain low.

On balance, we are more cautious about event-driven and credit strategies, but remain constructive on merger arbitrage strategies, as higher rates support improved spreads. Likewise, reduced regulatory mandates from Washington should encourage deal activity. However, credit is expensive by most measures, and default rates are still modest by historical terms. Thus, we are less constructive on credit strategies at this time.

While managed futures have the ability to generate less correlated returns in various market environments, low volatility and the lack of sustained trends in fixed

Figure 10: Comparative HFRX Hedge Fund Returns of June 30, 2017



Data source: Municipal Market Data

income and currencies in recent months have hampered profitability. Ultimately, although we are less sanguine than we were coming into the year, we still anticipate higher volatility in the coming months and would maintain positions.

Hedge funds may involve a high degree of risk, often engage in leveraging and other speculative investment practices that may increase the risk of investment loss, can be highly illiquid, are not required to provide periodic pricing or valuation information to investors, may involve complex tax structures and delays in distributing important tax information, are not subject to the same regulatory requirements as mutual funds often charge high fees which may offset any trading profits, and in many cases the underlying investments are not transparent and are known only to the investment manager.



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International investing entails greater risk, as well as greater potential rewards compared to US investing. These risks include potential economic uncertainties of foreign countries as well as the risk of currency fluctuations. These risks are magnified in emerging market countries, since these countries may have relatively unstable governments and less established markets and economies.

Investing in smaller companies involves greater risks not associated with investing in more established companies, such as business risk, significant stock price fluctuations, and illiquidity.

Emerging Markets: Investing in the securities of such companies and countries involves certain considerations not usually associated with investing in developed countries, including unstable political and economic conditions, adverse geopolitical developments, price volatility, lack of liquidity, and fluctuations in currency exchange rates.

Asset classes are represented by the following indexes:

MSCI ACWI index (Morgan Stanley Capital International All Country World) is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The MSCI ACWI consists of 45 country indices comprising 24 developed and 21 emerging market country indices.

MSCI World captures large and mid-cap representation across 23 Developed Markets countries. The index covers approximately 85% of the free float-adjusted market capitalization in each country.

MSCI EM index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets.

MSCI EAFE index is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US & Canada.

MSCI USA Index is designed to measure the performance of the large and mid-cap segments of the US market. With 640 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in the US.

Dow Jones Industrial Average is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the Nasdaq.

S&P 500 Index is comprised of 500 widely-held securities considered to be representative of the stock market in general.

NASDAQ Composite Index includes all domestic and international based common type stocks listed on The NASDAQ Stock Market. The NASDAQ Composite Index is a broad based Index.

Russell 1000 index is a measure of the performance of the large-cap segment of the U.S. equity universe. It is a subset of the Russell 3000 Index and includes approximately 1000 of the largest securities based on a combination of their market cap and current index membership.

Russell 3000 index measures the performance of the 3000 largest US companies based on total market capitalization, which represents approximately 98% of the investable US equity market.

Russell Mid Cap index is a measure of the performance of the mid-cap segment of the U.S. equity universe. The Russell Midcap is a subset of the Russell 1000 Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The Russell Midcap represents approximately 31% of the total market capitalization of the Russell 1000 companies.

Russell 2000 Index is comprised of 2000 smaller company stocks and is generally used as a measure of small-cap stock performance.



INVESTMENT ADVISORY GROUP

FTSE NAREIT US Real Estate Index Series is designed to present investors with a comprehensive family of REIT performance indexes that span the commercial real estate space across the US economy, offering exposure to all investment and property sectors.

Bloomberg Commodity Index is composed of futures contracts on physical commodities. It currently includes 22 commodity futures in six sectors. The weightings of the commodities are calculated in accordance with rules that ensure that the relative proportion of each of the underlying individual commodities reflects its global economic significance and market liquidity.

Barclays Aggregate Bond Index is the broadest measure of the taxable U.S. bond market, including most Treasury, agency, corporate, mortgage-backed, asset-backed, and international dollar-denominated issues, all with investment-grade ratings (rated Baa3 or above by Moody's) and maturities of one year or more.

Barclays Intermediate Government/Credit index represents securities that are SEC-registered, taxable, and dollar denominated. The index measures the performance of U.S. Dollar denominated U.S. Treasuries, government-related and investment-grade U.S. corporate securities that have a remaining maturity of greater than one year and less than ten years.

Barclays US MBS Fixed Rate Index covers agency mortgage-backed pass-through securities (both fixed-rate and hybrid ARM) issued by Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC). Pool aggregates must have at least USA 250mn current outstanding, fixed-rate pool aggregates comprise individual TBA deliverable MBS pools mapped on the basis of agency, program, coupon, and origination year of the pool. Rated investment-grade (Baa3/BBB-/BBB-) or higher using the middle rating of Moody's, S&P, and Fitch after dropping the highest and lowest available ratings. When a rating from only two agencies is available, the lower ("more conservative") is used. When a rating from only one agency is available, that is used to determine index eligibility. Pool aggregates must have a weighted average maturity of at least 1 year.

BofA Merrill Lynch Treasury Master is an unmanaged index tracking government securities.

BofA Merrill Lynch U.S. Inflation-Linked Treasury Index: Tracks the performance of U.S. dollar denominated inflation linked sovereign debt publicly issued by the U.S. government in its domestic market. Qualifying securities must have at least one year remaining term to final maturity, interest and principal payments tied to inflation and a minimum amount outstanding of \$1 billion. Strips are excluded from the Index; however, original issue zero coupon bonds are included in the Index and the amounts outstanding of qualifying coupon securities are not reduced by any portions that have been stripped.

Barclays U.S. Treasury Bellwether Indices are a series of benchmarks tracking the performance and attributes of six on-the-run U.S. Treasuries that reflect the most recently issued 3m, 6m, 2y, 3y, 5y, 10y, and 30y securities. The bellwether indices follow Barclays index monthly rebalancing conventions.

Barclays Municipal Bond Blend 1-15 Year (1-17 Y) is an unmanaged index of municipal bonds with a minimum credit rating of at least Baa, issued as part of a deal of at least \$50 million, that have a maturity value of at least \$5 million and a maturity range of 12 to 17 years.

BofAML U.S. Corporate Master is an unmanaged index comprised of U.S. dollar denominated investment-grade corporate debt securities publicly issued in the U.S. domestic market with at least one year remaining term to final maturity.

BofAML US HY Master index is an index that tracks US dollar denominated below investment-grade corporate debt publicly issued in the US domestic market.

Citigroup Non-USD WGBI (USD) is an index covering thirteen government-bond markets: Australia, Austria, Belgium, Canada, Denmark, France, Germany, Italy, Japan, the Netherlands, Spain, Sweden, and the United Kingdom. For inclusion in this index, a market must total at least (U.S.) \$20 billion for three consecutive months.

Citigroup Non-USD WGBI (USD) Hedged is an index where the currency exposure is hedged and covers government-bond markets including the following: Australia, Austria, Belgium, Canada, Denmark, France, Germany, Italy, Japan, the Netherlands, Spain, Sweden, and the United Kingdom.

JP Morgan GBI-EM Global Diversified Composite is a comprehensive emerging

market debt index that tracks local currency bonds issued by Emerging Market governments. It includes only those countries that are directly accessible by most of the international investor base and excludes countries with explicit capital controls, but does not factor in regulatory/tax hurdles in assessing eligibility. The maximum weight to any country in the index is capped at 10%.

HFRX Indices (HFRX) are a series of benchmarks of hedge fund industry performance which are engineered to achieve representative performance of a larger universe of hedge fund strategies. Hedge Fund Research, Inc. ("HFR, Inc.") employs the HFRX Methodology, a proprietary and highly quantitative process by which hedge funds are selected as constituents for the HFRX Indices. This methodology includes robust classification, cluster analysis, correlation analysis, advanced optimization and Monte Carlo simulations. More specifically, the HFRX Methodology defines certain qualitative characteristics, such as: whether the fund is open to transparent fund investment and the satisfaction of the index manager's due diligence requirements. Production of the HFRX Methodology results in a model output which selects funds that, when aggregated and weighted, have the highest statistical likelihood of producing a return series that is most representative of the reference universe of strategies.

The CBOE Volatility Index® is a key measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices. Since its introduction in 1993, VIX has been considered by many to be the world's premier barometer of investor sentiment and market volatility. VIX is often referred to as the "investor fear gauge".

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The Alerian MLP Index is the leading gauge of large- and mid-cap energy Master Limited Partnerships (MLPs). The float-adjusted, capitalization-weighted index, which includes 50 prominent companies and captures approximately 75% of available market capitalization.

It is not possible to invest directly in an index.

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CN2017-2084EXP12-2017