MONTHLY Outlook & Tactical Update

DECEMBER | 2018

COUGAR GLOBAL INVESTMENTS
AN AFFILIATE OF CARILLON TOWER ADVISERS

Cougar Global Investments, a global tactical asset allocation strategist since 1993, employs a unique investment philosophy based upon the avoidance of loss.

Rigorous research, advanced statistical modeling and macroeconomic scenario analysis are combined with the tactical use of highly-liquid ETFs to create investor-centric portfolios focused on minimizing downside risk.

Cougar Global's process allows the investment team to adapt to changing market and economic conditions by reviewing the asset mix for each strategy monthly and rebalancing as necessary. This monthly, proprietary forecasting scenario process forms the foundation of Cougar Global's approach.

- **MANAGER** Outlook
- **MACRO ECONOMIC** Scenario Analysis
- **ASSET ALLOCATION** Shifts

EFFECTIVE December 19, 2018

The volatility over October and November in global stock markets has intensified going into December. In fact, the S&P 500 Index is on pace for its worst December since the Great Depression, falling almost 10% in less than three weeks. Since peaking in late September 2018, the S&P 500 Index is now down over 15%. While the sell-off that started in October was primarily driven by the Technology sector, more recently, stock prices of companies in the Financial, Industrial Goods and Healthcare sector have also fallen sharply. This suggests investors are grappling with broader macro concerns at this point.

While declining stock prices and volatility can create fear and panic, it is important to stay calm and avoid any knee-jerk reactions, which could negatively impact long-term returns. **Our approach at Cougar Global to navigating extremely volatile periods is to take stock of the fundamentals and, if the economic outlook over the next 12-months has changed, re-align our portfolios accordingly.**

Below we offer our view on the three key issues that we believe lie at the heart of the recent financial market volatility.

First is the escalation of the trade war between the U.S. and China. Our expectation is that tensions between the U.S. and China will likely continue. However, we do expect incremental progress on key issues over the coming months and years. This is already happening. As a gesture of goodwill, immediately after the Trump-Xi meeting at the G20 in Buenos Aires, China announced an array of punishments for companies that support or engage in intellectual-property theft. China has also announced large purchases of soybeans and natural gas from the U.S., while promising to reduce tariffs on American automobile imports.

The second issue concerning investors is the pace of U.S. Federal Reserve tightening of monetary policy. Investors are concerned that rate hikes by the Federal Reserve may serve to choke off the economic recovery in the U.S. In our opinion, these concerns are valid, although overblown. U.S. real GDP growth is projected to stay strong at 2.3% in 2019, unemployment is currently close to all-time lows at 3.7% and wage growth is beginning to pick-up, showing a reading of 3.1% in Q3 2018. We believe the U.S. economy is strong enough to withstand slightly higher interest rates.

The third and final issue concerning investors is the risk of a global economic slowdown. With the fiscal stimulus from tax cuts wearing off, we think real GDP growth in the U.S. is poised to cool in 2019, albeit we do not expect a recession. Our Macroeconomic Scenario (MES) Analysis framework – which focuses on the U.S. economy – captures this dynamic well. Our probability of **Growth** stands at **29%**, **Stagnation** at **60%**, **Inflation** at **4%**, **Recession** at **0%** and **Chaos** at **7%**. In other words, we expect U.S. economic growth in the U.S. to be weaker than 2018, but not too weak. We are also keeping a close eye on economic growth outside the U.S., as this impacts revenue and profitability of U.S. and non-U.S. companies alike.

We made some changes to the portfolios over December.

For our Global Tactical Strategy Conservative Growth, we reduced our exposure to U.S. Large, Mid and Small Cap stocks and increased our exposure to U.S. Aggregate Bonds. We expect 2019 to be a positive, but volatile, year for stocks. Accordingly, in our view, for clients with a low tolerance for risk, holding a more conservative and diversified portfolio will be key to seeing this period of heightened volatility through.

For the Global Tactical Strategy Moderate Growth, we took advantage of wider credit spreads, and more attractive yields, to introduce allocations to High Yield Bonds (Yield-to-Maturity (YTM) at 7.1%), Emerging Market Debt (YTM at 6.2%) and Senior Loans (YTM at 6.3%). We believe panic in these markets has created an attractive opportunity for long-term investors, given our benign outlook for the U.S. economy.

Finally, for both the Global Tactical Strategy Moderate Growth and Global Tactical Strategy Growth, we reduced exposure to U.S. large, mid and small cap stocks, and introduced an allocation to Emerging Market Equities. Given the heightened market volatility, there is scope – in our opinion – for the Federal Reserve to adopt a more dovish tone around interest rate hikes in 2019, which could put downward pressure on the U.S. Dollar. In addition, several Emerging Markets, such as India, Brazil, and Indonesia, are showing resilience with potential for upside in 2019. China is providing fiscal and monetary stimulus to try to reinvigorate economic growth, and there is also scope for a boost in investor confidence as a result of a trade deal between the U.S. and China. Combined, these factors may serve as tailwinds to Emerging Market stocks in 2019.

Our approach at Cougar Global to navigating extremely volatile periods is to take stock of the fundamentals and, if the economic outlook over the next 12-months has changed, re-align our portfolios accordingly.

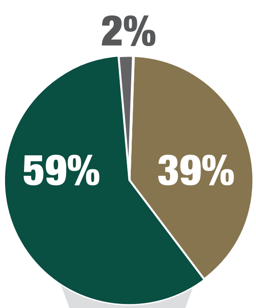
On a monthly basis, the Cougar Global investment team establishes the probabilities of the future path of the U.S. economy over the next 12 months and quantifies its independent global research into the following five scenarios:

Scenario	November	Current	Change
GROWTH	29%	29%	0%
INFLATION	4%	4%	0%
STAGNATION	60%	60%	0%
CHAOS	7%	7%	0%
RECESSION	0%	0%	0%

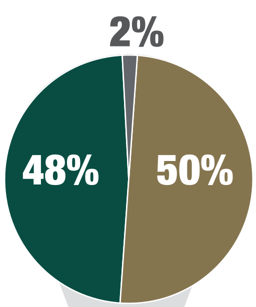
Nov. MES as of Nov. 26, 2018
Current MES as of Dec. 19, 2018

ASSET ALLOCATION Shifts **DECEMBER | 2018**

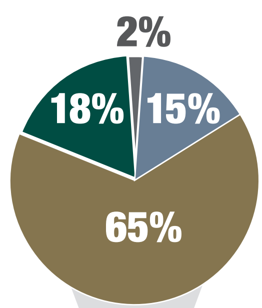
Global Tactical Strategy Conservative



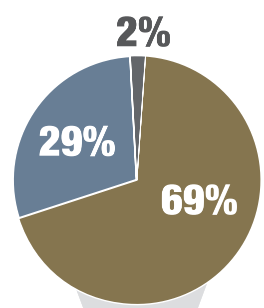
Global Tactical Strategy Conservative Growth



Global Tactical Strategy Moderate Growth



Global Tactical Strategy Growth



		Global Tactical Strategy Conservative			Global Tactical Strategy Conservative Growth			Global Tactical Strategy Moderate Growth			Global Tactical Strategy Growth		
Asset Class	Symbol	Previous Month	Current Month	Change	Previous Month	Current Month	Change	Previous Month	Current Month	Change	Previous Month	Current Month	Change
S&P 500	IVV	29	29	0	50	40	-10	44	40	-4	40	30	-10
S&P 400	IJH	5	5	0	15	5	-10	27	10	-17	29	10	-19
S&P 600	IJR	5	5	0	15	5	-10	27	15	-12	29	29	0
Emerging Markets	IEMG	0	0	0	0	0	0	0	15	15	0	29	29
TOTAL EQUITIES		**39**	**39**	**0**	**80**	**50**	**-30**	**98**	**80**	**-18**	**98**	**98**	**0**
Leveraged Loans	BKLN	0	0	0	0	0	0	0	5	5	0	0	0
High Yield Corporate Bond	HYG	0	0	0	0	0	0	0	8	8	0	0	0
Emerging Markets Bonds	EMB	0	0	0	0	0	0	0	5	5	0	0	0
U.S. Aggregate Bonds	AGG	39	39	0	18	48	30	0	0	0	0	0	0
Floating Rate Bonds	FLOT	5	5	0	0	0	0	0	0	0	0	0	0
Short-Term Treasuries	SHY	15	15	0	0	0	0	0	0	0	0	0	0
TOTAL FIXED INCOME		**59**	**59**	**0**	**18**	**48**	**30**	**0**	**18**	**18**	**0**	**0**	**0**
Cash	CASH	2	2	0	2	2	0	2	2	0	2	2	0

Total US Equity | Total Int'l Equity | Total Fixed Income | Cash | Gold

DISCLOSURES

Risks: An investment in Exchange Traded Funds (ETFs) involves the risk of losing money and should be considered as part of an overall program, not a complete investment program. An investment in ETFs involves additional risks: non-diversified, the risks of price volatility, competitive industry pressure, international political and economic developments, possible trading halts and index tracking error. Performance is directly related to the performance of underlying ETFs and the ability of each strategy to achieve its investment objective is directly related to the ability of the underlying ETFs to meet their investment objectives.

Tactical allocation investing presents specific risks, such as currency fluctuations, differences in financial accounting standards as well as potential political and economic instability. As with all equity investing, there is the risk that an unexpected change in the market or an ETF's holdings may have an adverse effect on its value and total return. The biggest risk of equity investing is that returns can fluctuate and investors can lose money.

Investing in small and mid-cap stocks generally involves greater risks, and therefore, may not be appropriate for every investor. Stocks of smaller or newer or mid-sized companies may be more likely to realize more substantial growth as well as suffer more significant losses than larger or more established issuers. Small and mid-cap companies generally involve greater risks than investing in larger capitalization companies. They often have narrower commercial markets, more limited managerial and financial resources, and more volatile trading than larger, more established companies. International investing involves special risks, including currency fluctuations, different financial accounting standards, and possible political and economic volatility. Stock investing involves risk, including the risk of loss. The prices of small and mid-cap stocks are generally more volatile than large cap stocks.

Investing in emerging markets can be riskier than investing in well-established foreign markets. Emerging and developing markets may be less liquid and more volatile because they tend to reflect economic structures that are generally less diverse and mature and political systems that may be less stable than those in more developed countries.

Because these strategies normally will hold a focused portfolio of fewer holdings than many other diversified strategies, the increase or decrease of the value of a single security may have a greater impact on the total return.

There is an inverse relationship between interest rate movements and fixed income prices. Generally, when interest rates rise, fixed income prices fall and when interest rates fall, fixed income prices generally rise. Bond investors should carefully consider risks such as: interest rate risk, credit risk, liquidity risk and inflation risk.

High-yield (below investment grade) bonds are not suitable for all investors and may present greater credit risk than other bonds. High Yield/Junk Bonds are not investment grade securities, involve substantial risks and generally should be part of the diversified portfolio of sophisticated investors.

Specific sector investing such as real estate can be subject to different and greater risks than more diversified investments. Declines in the value of real estate, economic conditions, property taxes, tax laws and interest rates all present potential risks to real estate investments. Commodities risk is the risk that investments in commodities, such as gold, or in commodity-linked instruments, will subject an underlying fund's portfolio to volatility that may also deviate from price movements in equity and fixed income securities. Commodities trading is generally considered speculative because of the significant potential for investment loss. Among the factors that could affect the value of the fund's investments in commodities are cyclical economic conditions, sudden political events, changes in sectors affecting a particular industry or commodity, and adverse international monetary policies. Markets for precious metals and other commodities are likely to be volatile and there may be sharp price fluctuations even during periods when prices overall are rising.

Asset allocation and diversification do not ensure a profit or protect against a loss. All investments are subject to risk. There is no assurance that any investment strategy will be successful or that any securities transaction, holdings, sectors or allocations discussed will be profitable. Strategies discussed are subject to change at any time due to market conditions or opportunities. Past performance does not guarantee or indicate future results. There is no guarantee that these investment strategies will work under all market conditions.

Corporate bonds are considered higher risk than government bonds but normally offer a higher yield and are subject to market, interest rate and credit risk as well as additional risks based on the quality of issuer coupon rate, price, yield, maturity and redemption features.

Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise and are subject to availability and change in price.

Mortgage-Backed Securities are subject to credit, default risk, prepayment risk that acts much like call risk when you get your principal back sooner than the stated maturity, extensions risk, the opposite of prepayment risk, and interest rate risk. Government bonds and Treasury bills are guaranteed by the U.S. Government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value.

MES Notes: Cougar Global Investments calculates the Macro Economic Scenario Analysis (MES) by assigning probabilities to each of the five economic scenarios (Growth, Stagnation, Inflation, Chaos and Recession) over a one-year forecast horizon. The MES is based on quantitative data sourced from various firms and then weighted and may be adjusted based upon Cougar Global Investments thought capital. MES is subject to change. These are hypothetical examples and are not representative of any specific situation. Actual economic results may vary. Economic forecasts set forth may not develop as Cougar MES indicates and there can be no guarantee that these strategies promoted will be successful. Past performance is no guarantee of future results.

Macro Economic Scenarios:
GROWTH - U.S. economy is growing at or above its potential growth rate
RECESSION - U.S. economy is shrinking (negative quarter over quarter growth rate)
STAGNATION - U.S. economy is growing more slowly than its potential growth rate
INFLATION - Consumer Price Index (CPI) inflation rate is higher than U.S. economy's potential growth rate
CHAOS - A high-impact, low-probability event (aka "black swan")
Current Consensus: Wall Street Journal Economic Forecasting Survey – a survey of quarterly U.S. Real GDP forecasts over the next 12 months
Cougar Global Investments MES Source: Cougar Global Investments
This research material has been prepared by Cougar Global Investments.

Opinions and estimates offered constitute Cougar's judgment and are subject to change without notice, as are statements of financial market trends, which are based on current market conditions. Under no circumstances does the information contained within represent a recommendation to buy, hold or sell any security and it should not be assumed that the securities transactions or holdings discussed were or will prove to be profitable. All holdings are subject to change daily.

In March 2018, Abe Sheik was name co-CIO. In October 2018, Dr. James Breech stepped down from his role as co-CIO and Abe Sheik was name CIO. The investment process and philosophy remains unchanged.

About Cougar Global Investments: Cougar Global Investments Limited (Cougar Global) is an investment manager that utilizes tactical asset allocation to construct globally diversified portfolios. Effective 4/30/15, Cougar Global was acquired by Raymond James Financial, Inc. (NYSE:RJF) and in 2016 Cougar Global became an affiliate of Carillon Tower Advisers, Inc., a wholly owned subsidiary of Raymond James Financial, Inc. Prior to 4/30/15, Cougar Global was an independent investment management firm not affiliated with any parent organization. Cougar Global is registered as a Portfolio Manager with the Ontario Securities Commission (OSC) and with the United States Securities and Exchange Commission (SEC) as a Non-Resident Investment Advisor. Prior to 01/02/2013, the firm was named Cougar Global Investments LP.

COUGAR
GLOBAL INVESTMENTS
AN AFFILIATE OF CARILLON TOWER ADVISERS

Scotia Plaza, 40 King Street West, Suite 2706 | Toronto, Ontario, Canada M5H 3Y2 | 416.368.5255 | 800.387.3779 | cougarglobal.com

CG18-0658 Exp. 1/31/19