GEMMER
ASSET MANAGEMENT LLC
LOCAL PARTNER
GLOBAL INVESTING

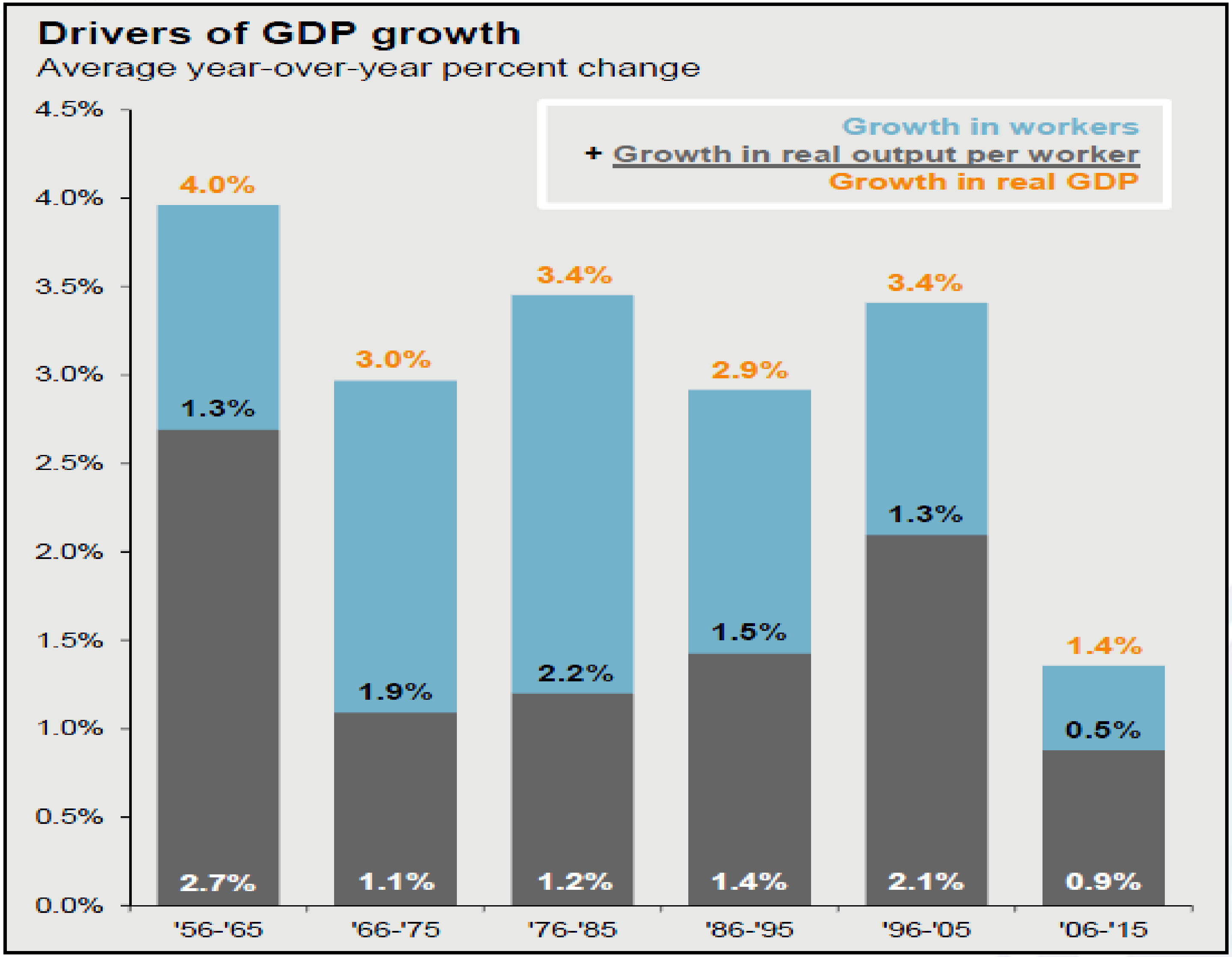
WHERE DO WE GO FROM HERE?

JANUARY 4TH, 2017

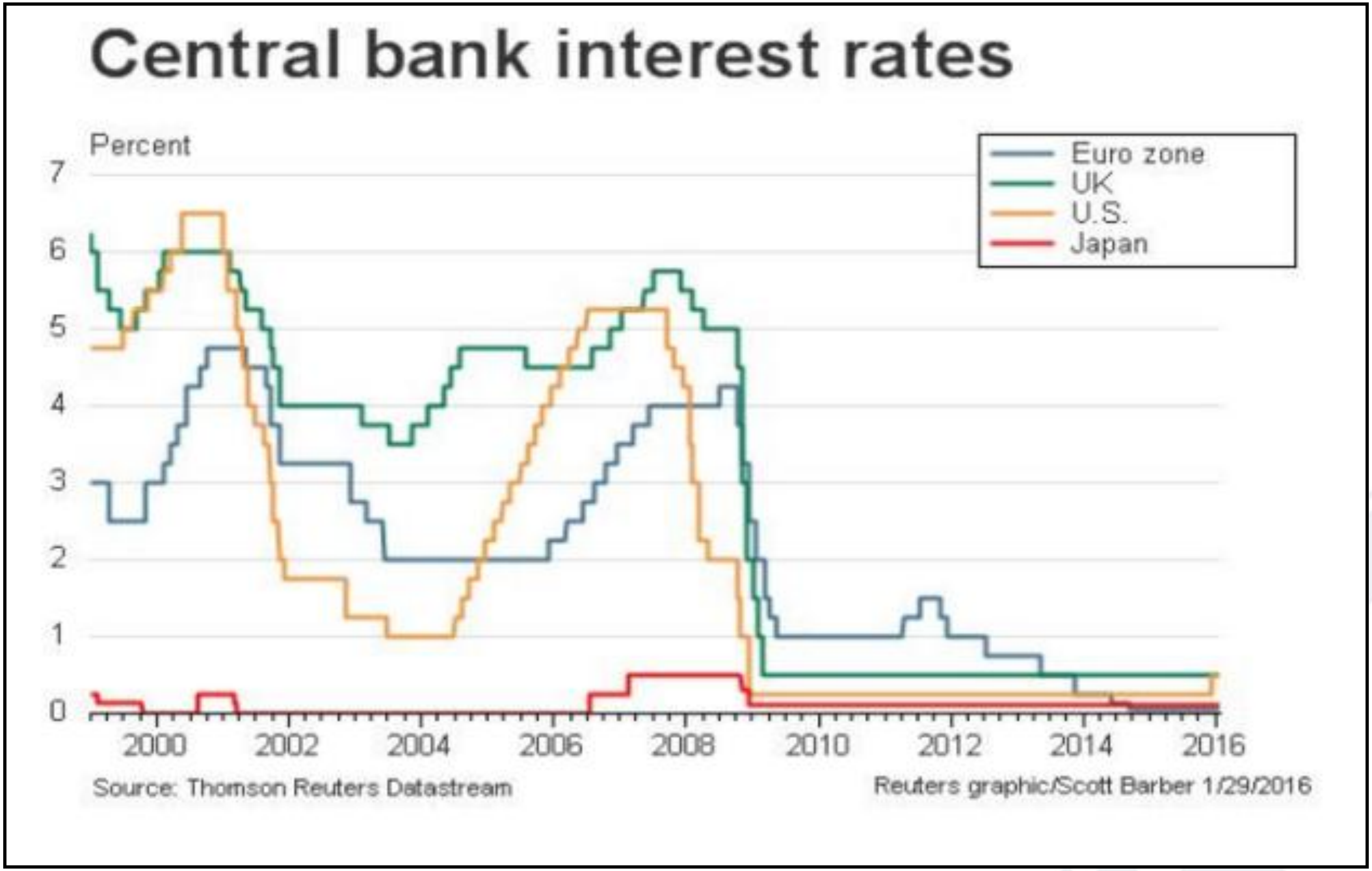
AGENDA

1. A post crisis world
2. The populist backlash
3. Investment implications
4. What are the risks?
5. Q&A

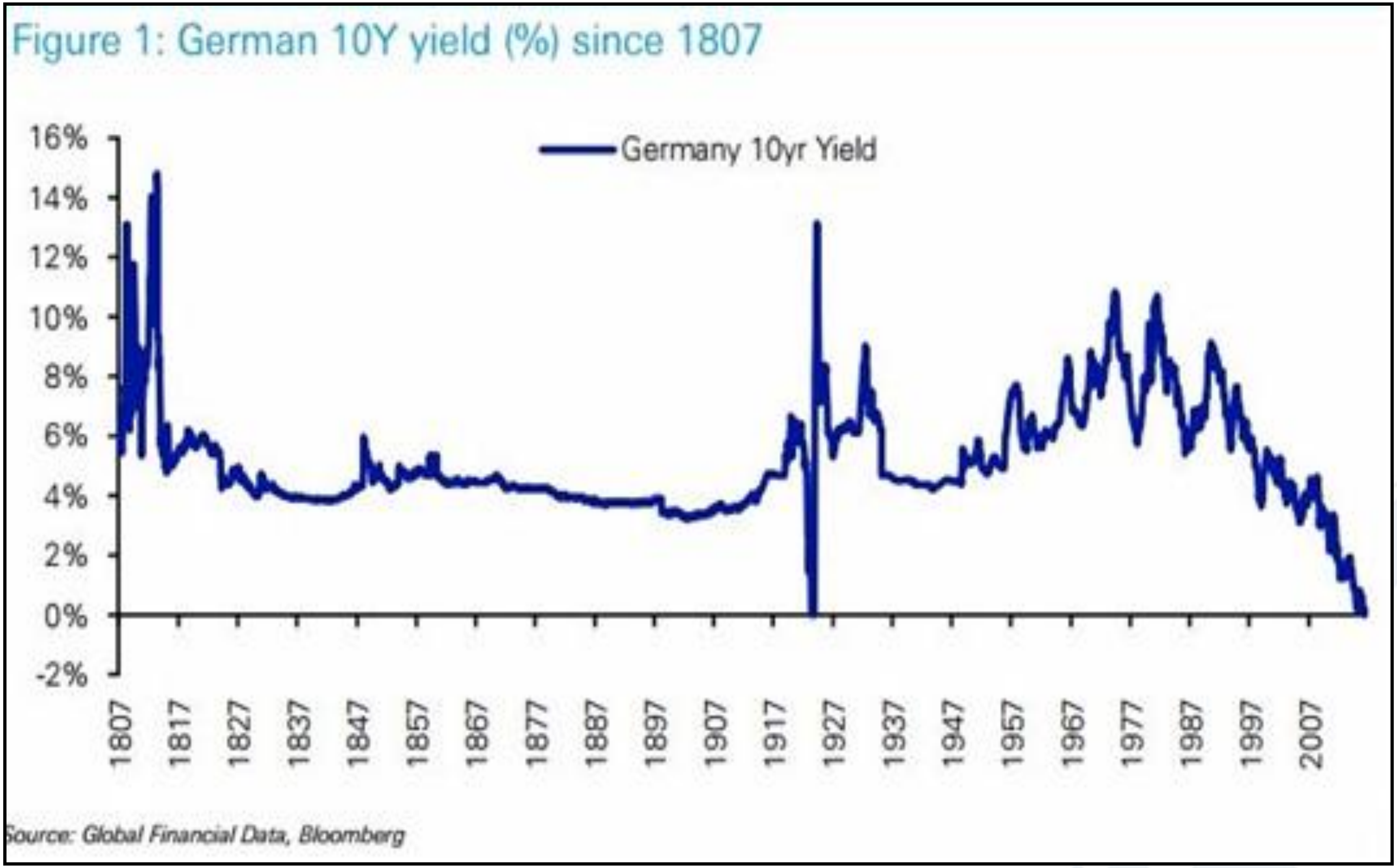
STRUCTURALLY SLOWER GROWTH…



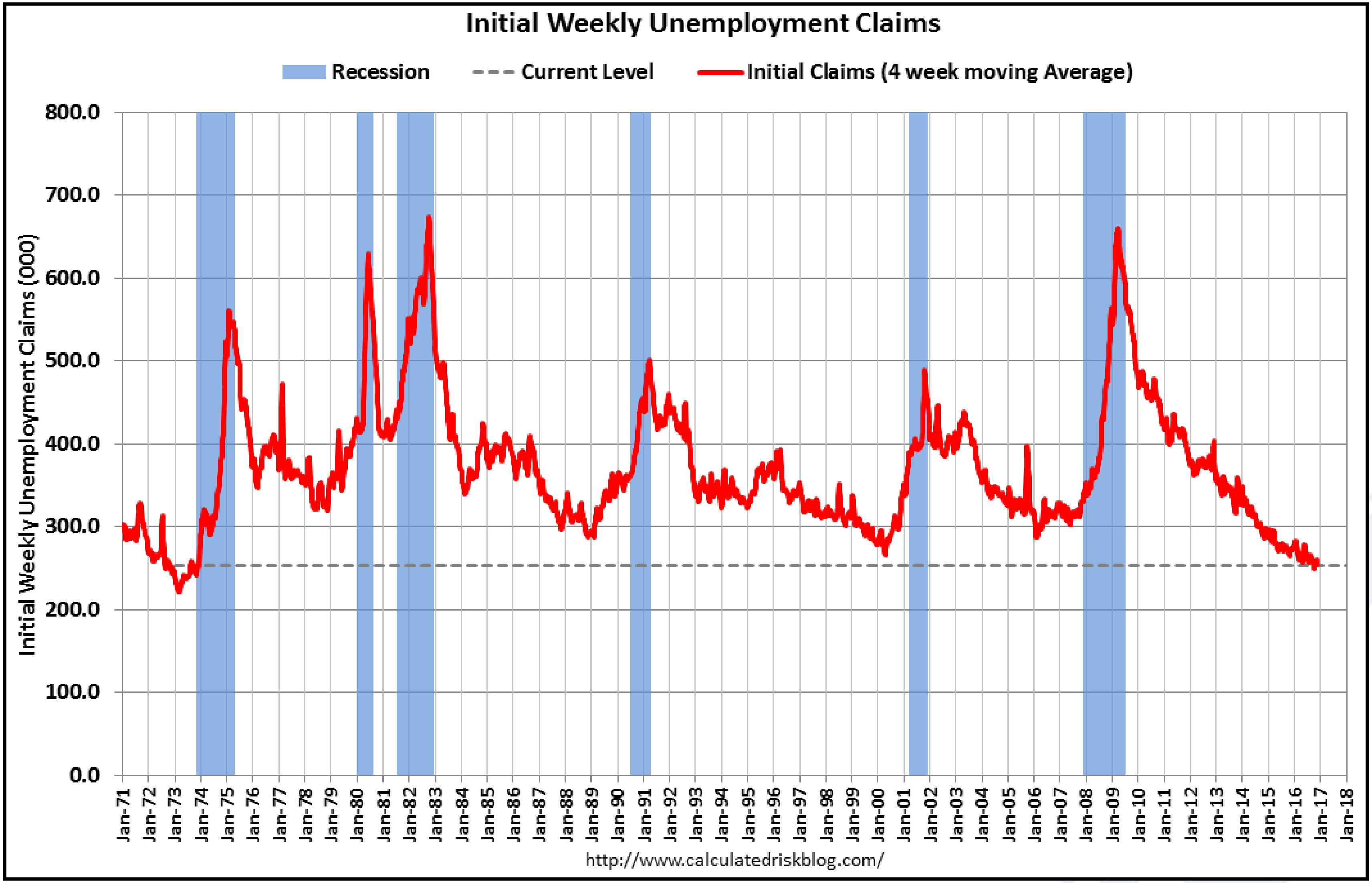
…HAS LEAD TO HISTORICALLY LOW RATES



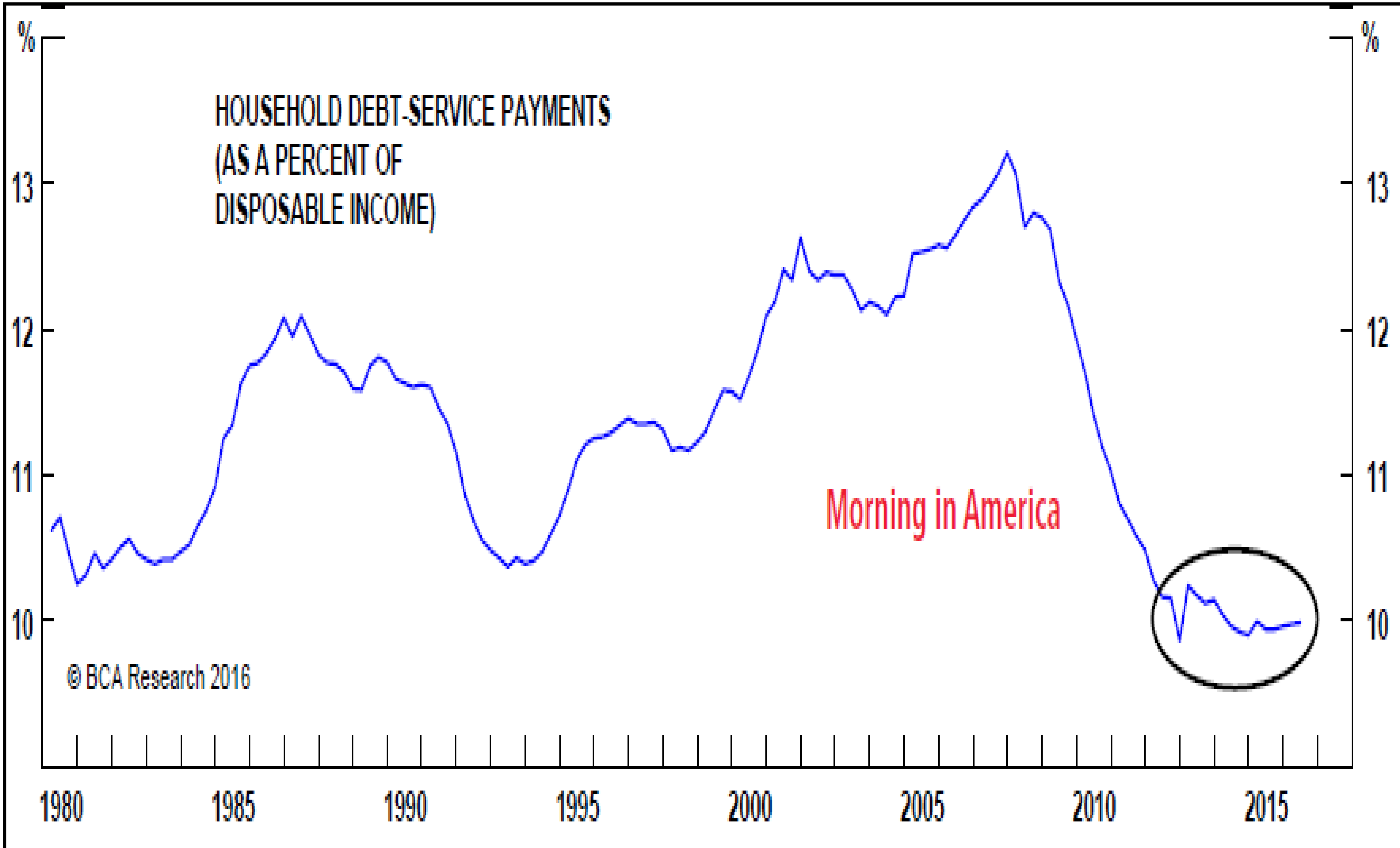
GERMAN BONDS AT GENERATIONAL LOWS



BUT NOT ALL BAD - LABOR MARKET HAS HEALED

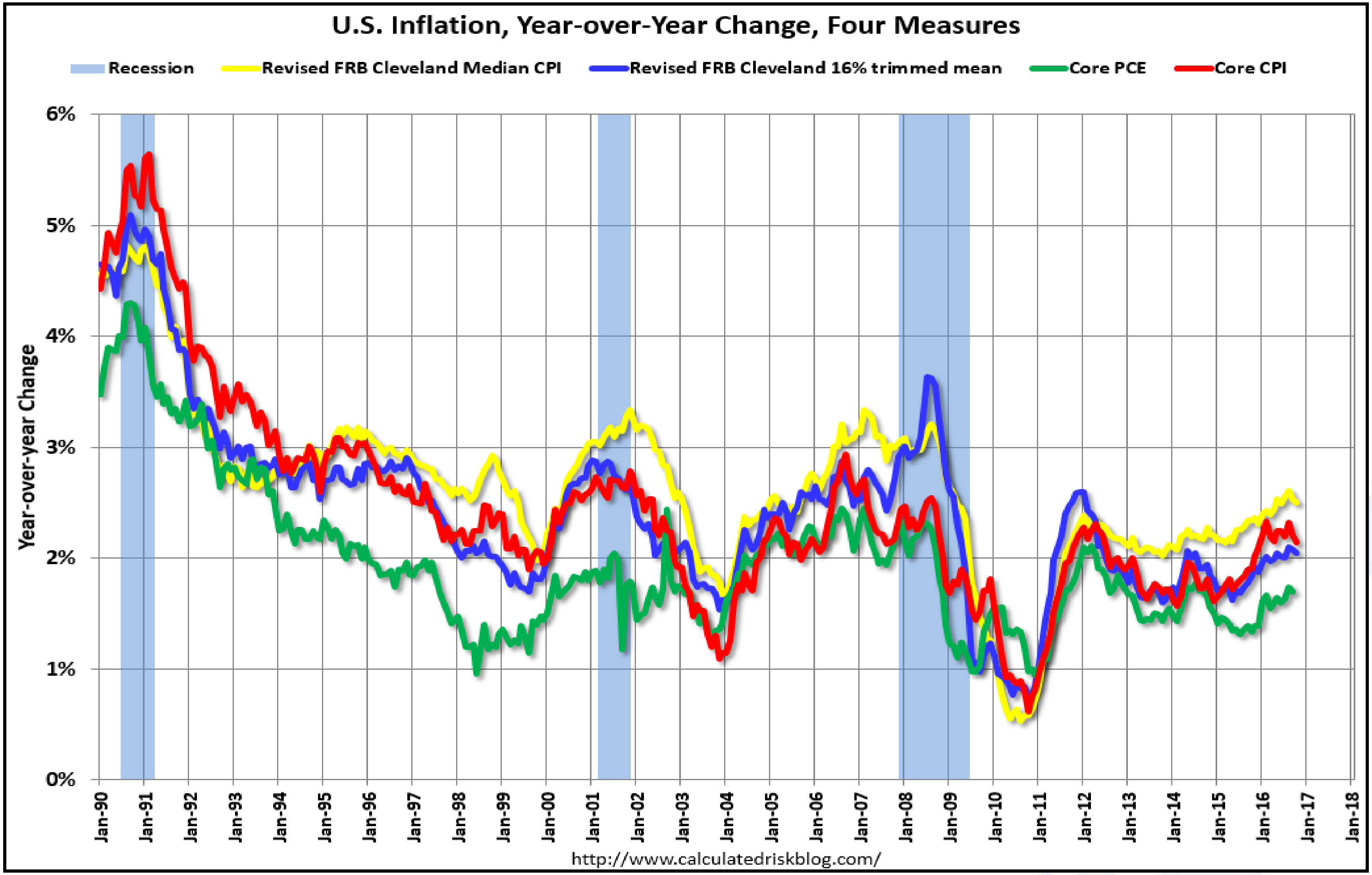


PAST EXCESSES HAVE BEEN CORRECTED



WAGE GROWTH IS PICKING UP…

…AS IS INFLATION

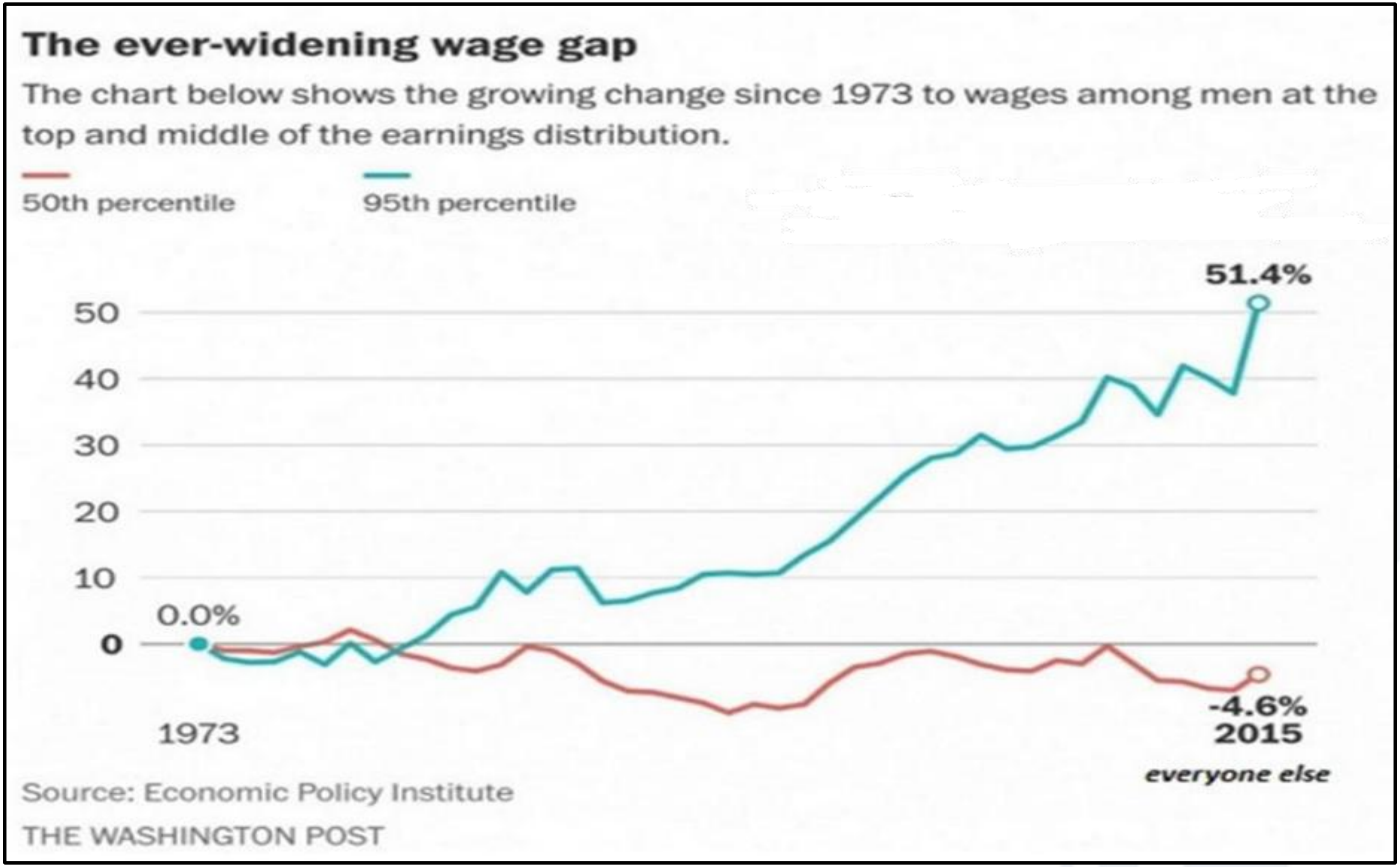


OUTLOOK FOR 2017 BT*

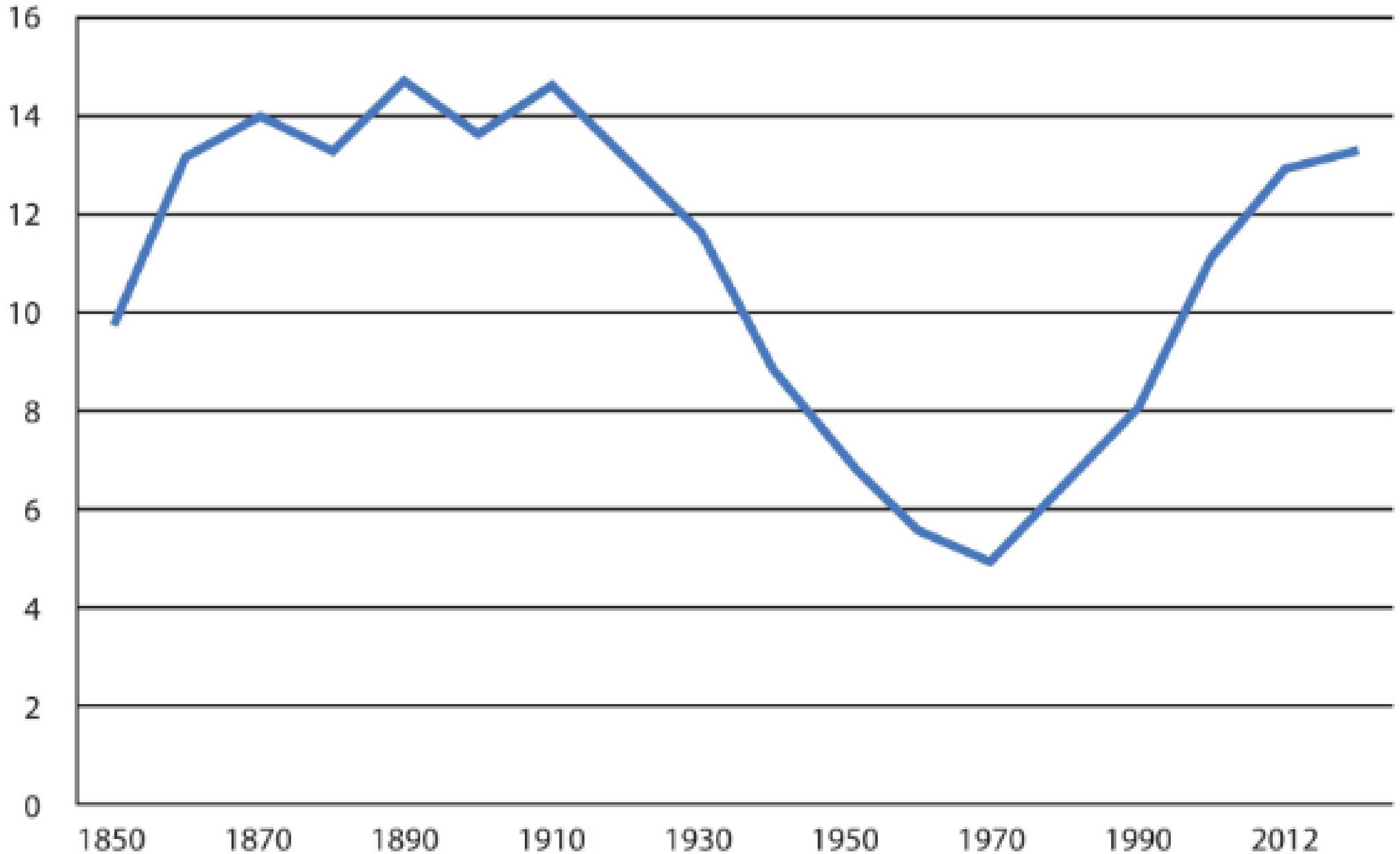
IMF World Economic Projections*		
	2016 est.	2017 est.
World Growth	3.1%	3.4%
Advanced Economies	**1.6%**	**1.8%**
United States	1.6%	2.2%
Europe	1.9%	1.7%
Japan	0.5%	0.6%
Emerging Economies	**4.2%**	**4.6%**
China	6.6%	6.2%
***As of October 2016**		

* BT (before Trump)®

BUT THE GAINS HAVE NOT BEEN SHARED EVENLY

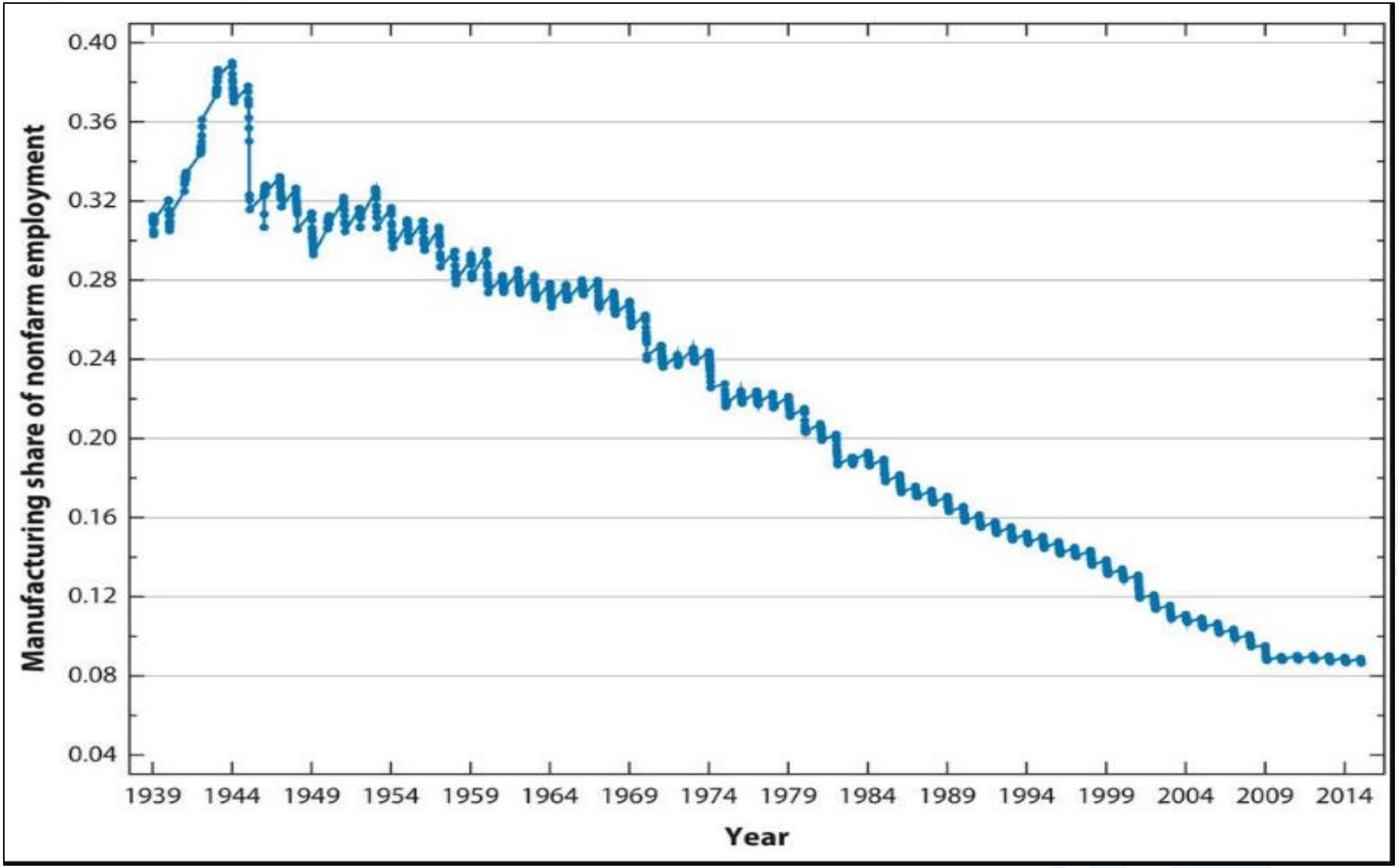


FOREIGN-BORN AS A % OF TOTAL U.S. POPULATION

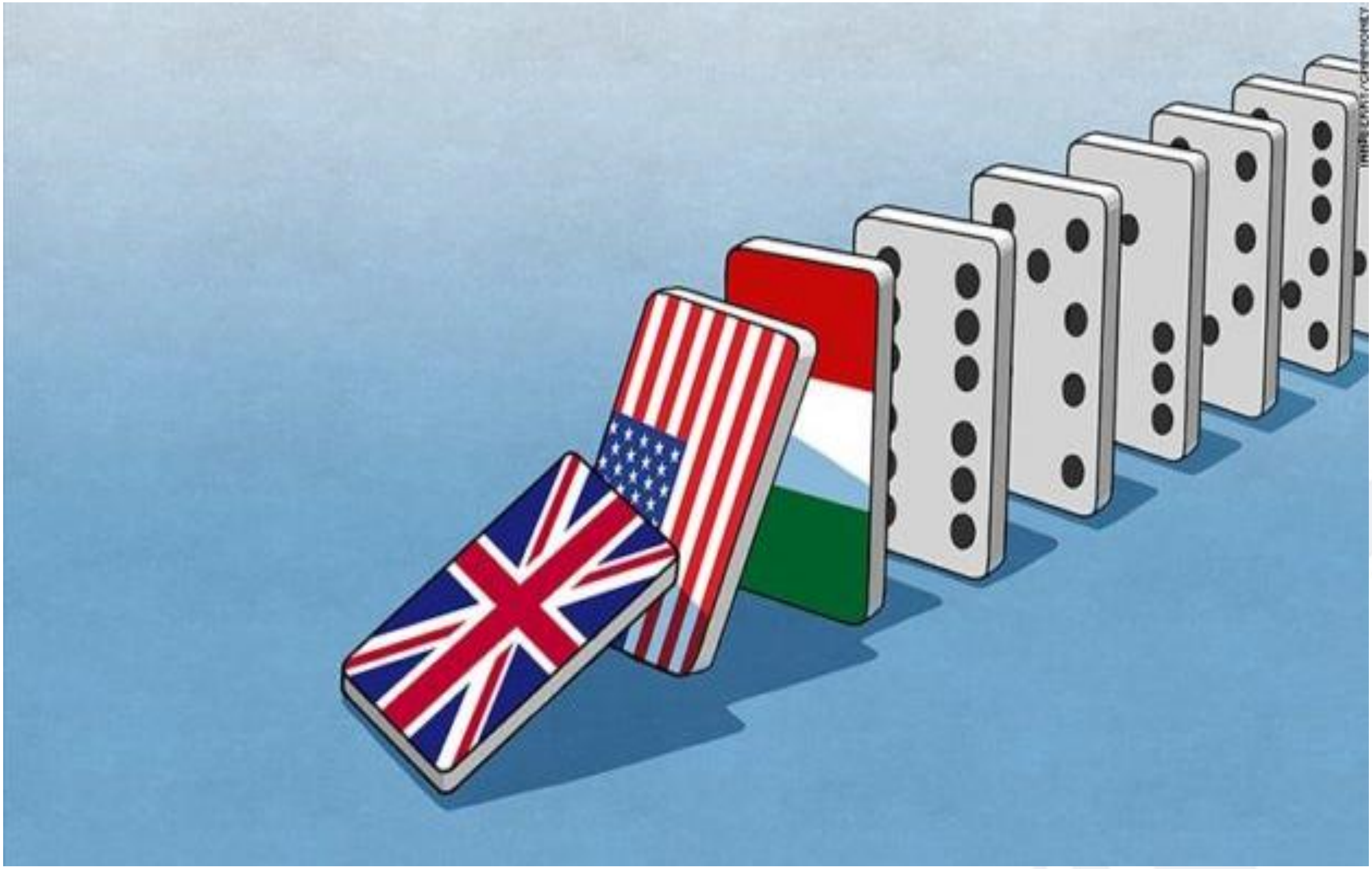


Graph: Courtesy of Niall Ferguson

SECULAR DECLINE OF MANUFACTURING EMPLOYMENT



THE POLITICAL DOMINOS STARTED TO FALL IN 2016



U.K. RETREATS FROM THE WORLD

5AM REFERENDUM SPECIAL

Daily Mail

FRIDAY, JUNE 24, 2016 www.dailymail.co.uk DAILY NEWSPAPER OF THE YEAR 65p

Overjoyed: A jubilant Nigel Farage in London early today celebrating the stunning victory for the Leave campaign

WE'RE OUT!

THE SIMPSONS CALLED IT IN 2000

ITALY PUTS ANOTHER CRACK IN THE EURO

END OF AN ERA?

WorldViews | Analysis

The global wave of populism that turned 2016 upside down

By Adam Taylor December 19

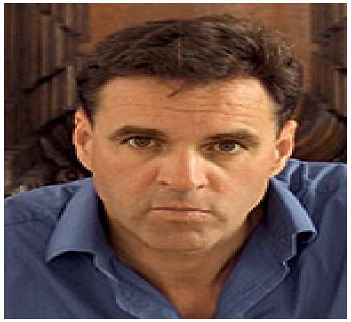
Deutsche
Asset Management

A closer look

Backlash against globalization: Déjà vu?

December 2016

Populism as a Backlash against Globalization - Historical Perspectives



***Niall Ferguson** is a Senior Fellow at Stanford University's Hoover Institution, a Senior Fellow of the Center for European Studies at Harvard University, and a Visiting Professor at Tsinghua University in Beijing. You may follow him on Twitter @nfergus.*

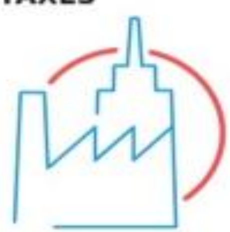
TRUMP'S (POSSIBLE) ECONOMIC INITIATIVES

TRUMP

INDIVIDUAL TAXES

- Large, broad-based tax cut
- Consolidate seven income-tax brackets into three (10%, 15% and 25%)
- Eliminate alternative minimum tax (AMT) and estate tax
- Upper-income taxpayers would see a smaller tax bill; 45% of taxpayers would see little or no change*

CORPORATE TAXES



- Reduction of top tax bracket from 35% to 15%
- Elimination of a wide range of business deductions

FOREIGN TRADE

- Remove support for TPP
- Scrap existing agree-ments like NAFTA
- 35% to 45% tariffs on Mexico and China

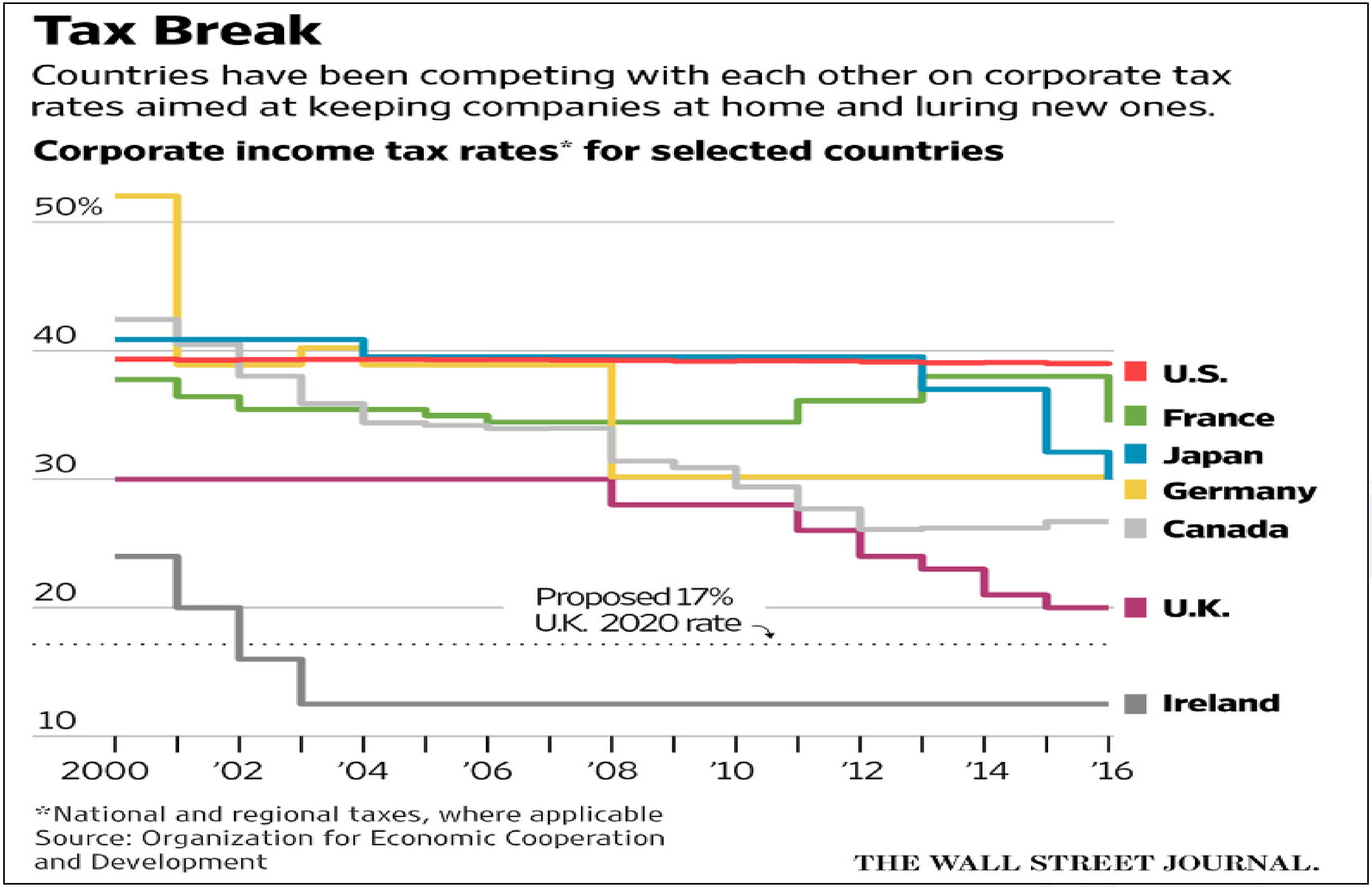
REGULATION

- Repeal federal legislation on health insurance industry
- Relax—if not elimi-nate—regulations for segments of energy industry and finance

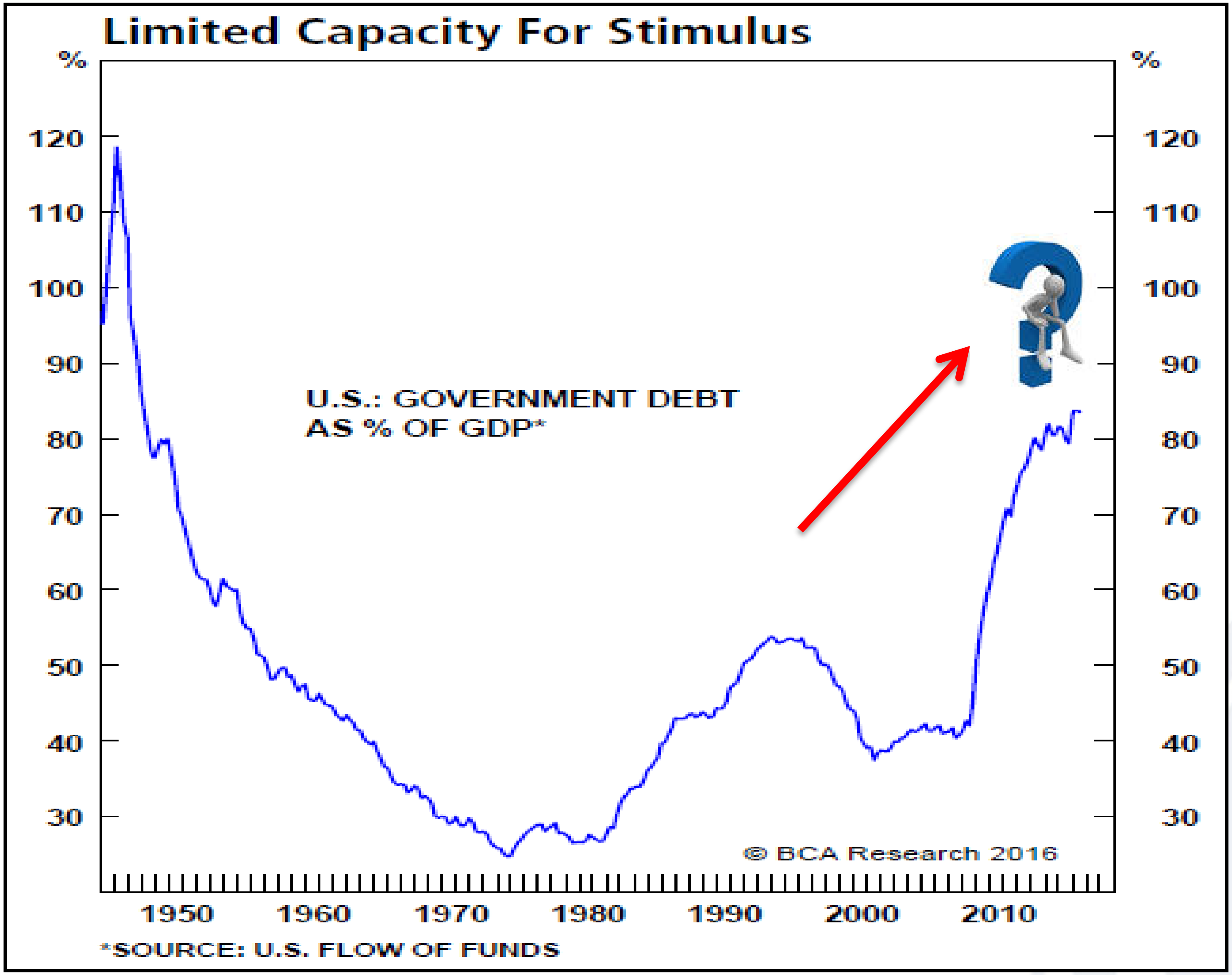
FEDERAL SPENDING

- Increase military spending
- Target elimination of fraud and waste in government programs

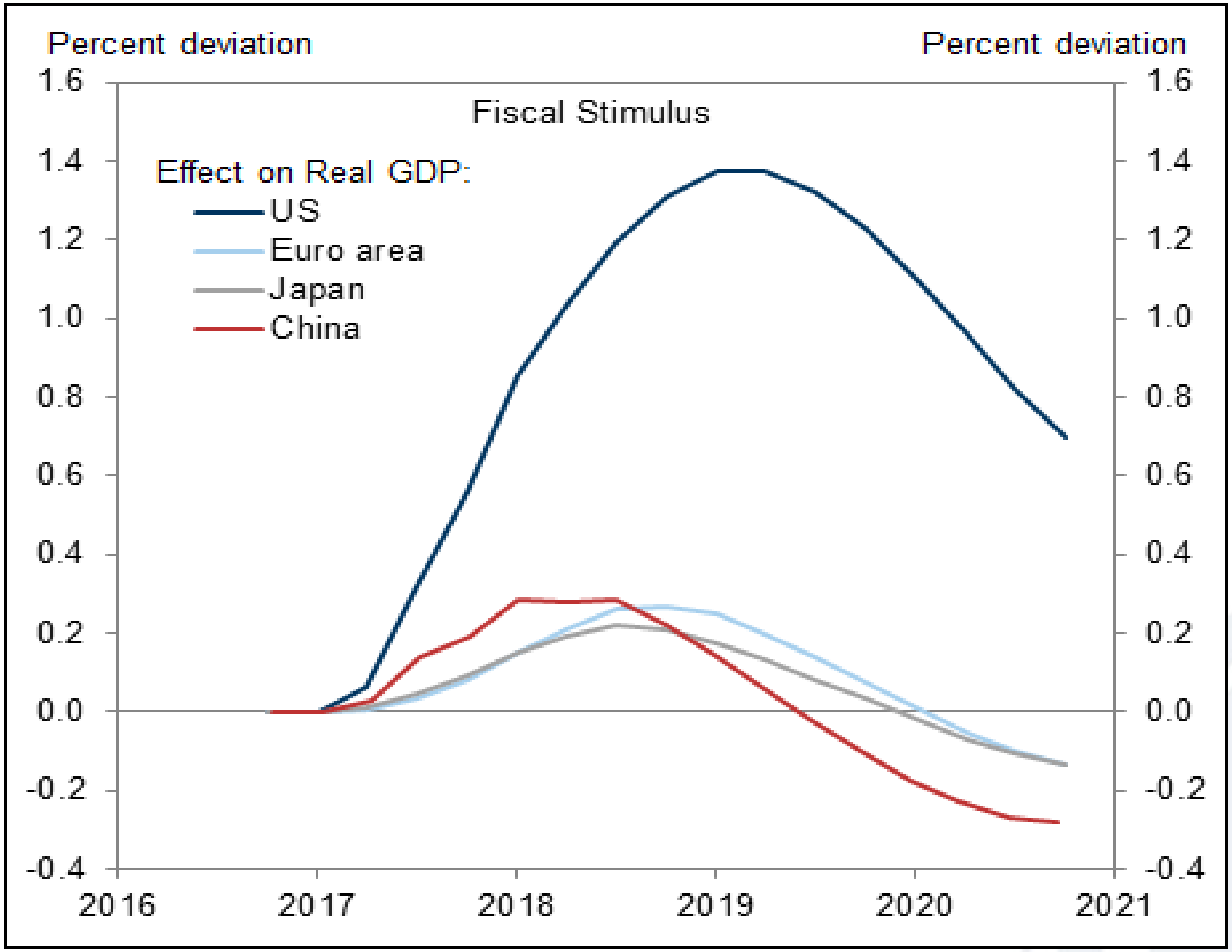
THERE IS ROOM TO CUT



HOW MUCH IS ENOUGH?

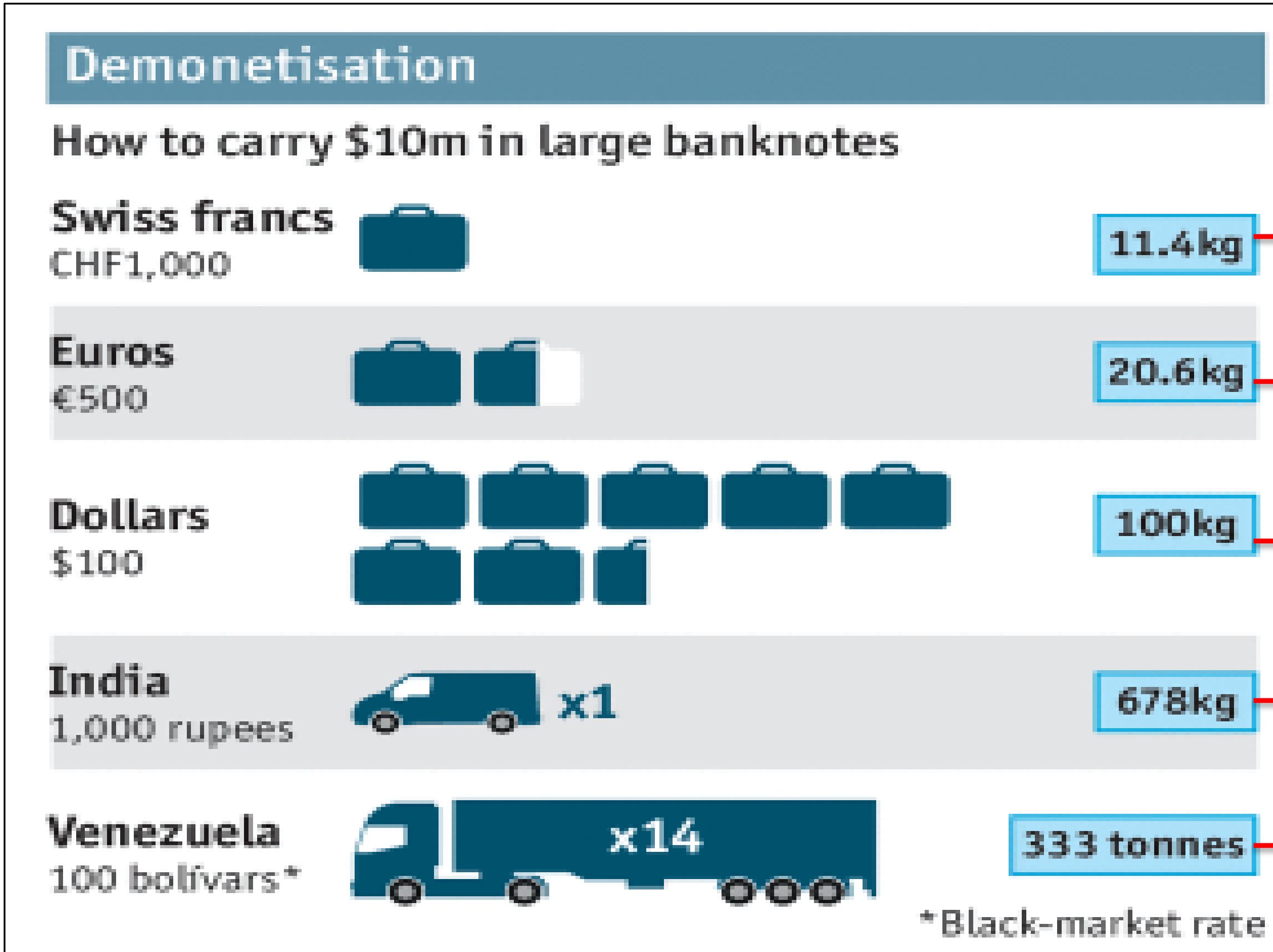


EMBRACING KEYNES…



…MEANS RISING INFLATION EXPECTATIONS

WE HAVE A LONG WAY TO GO THOUGH



25lbs

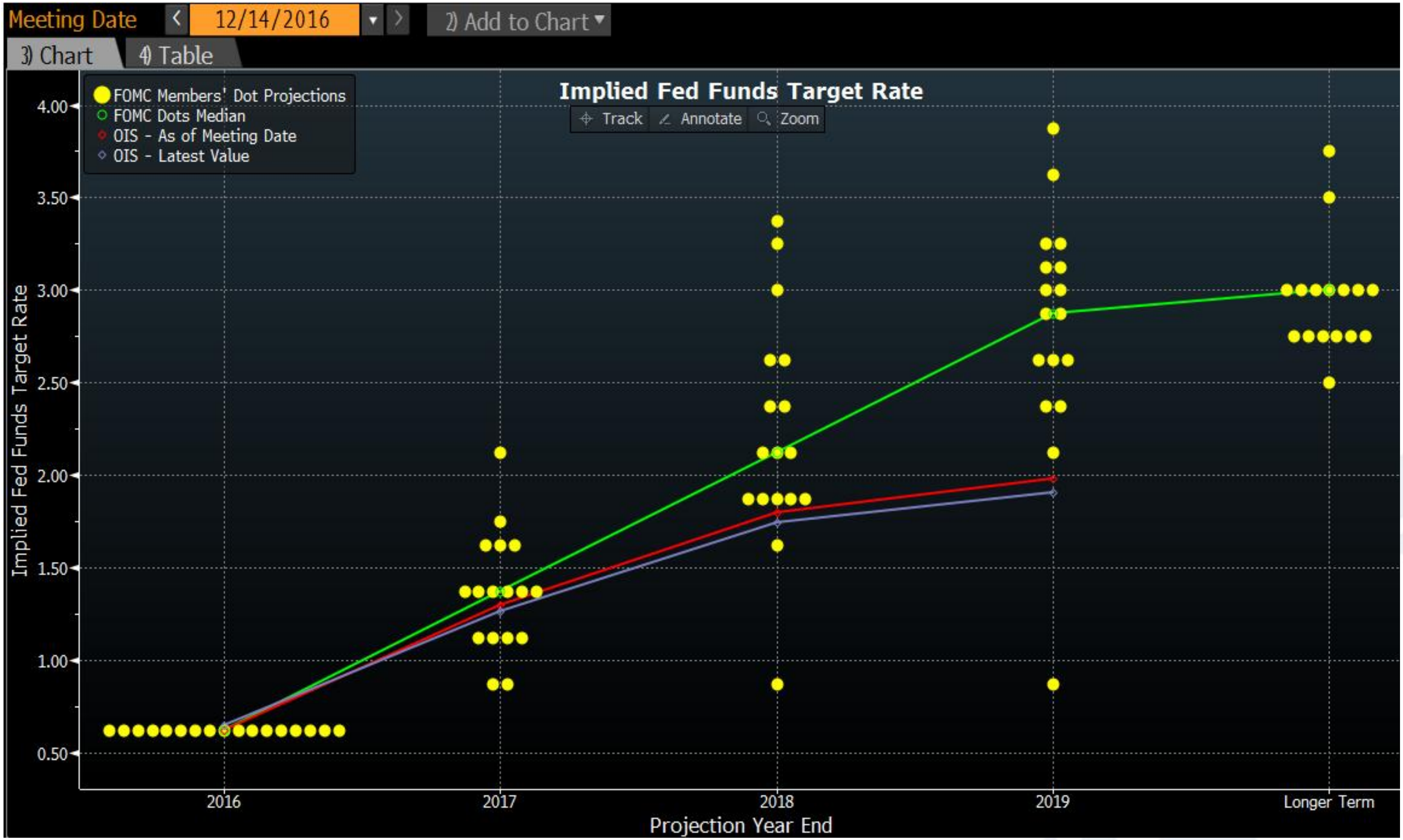
45lbs

220lbs

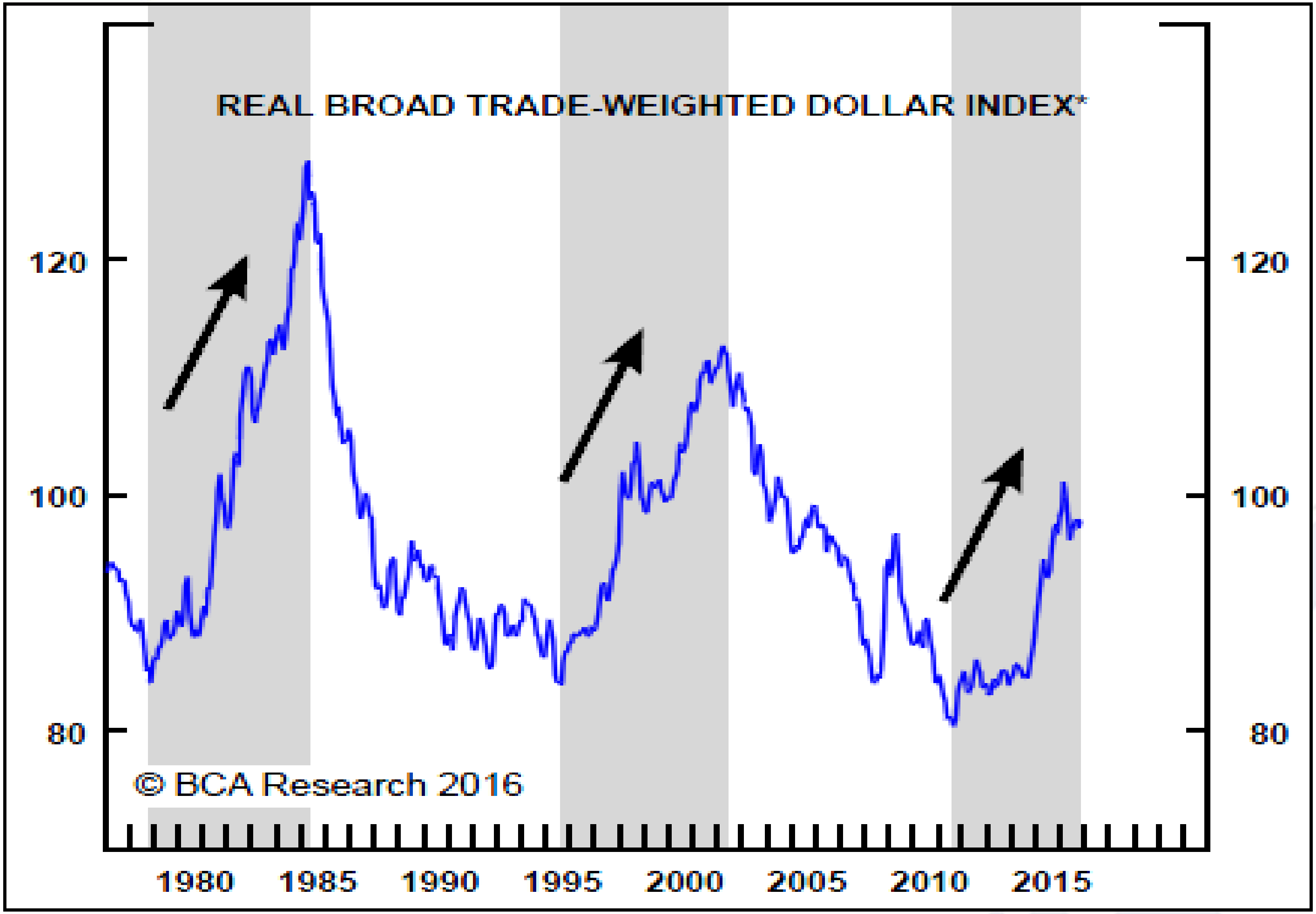
1,495bls

???!!!!!

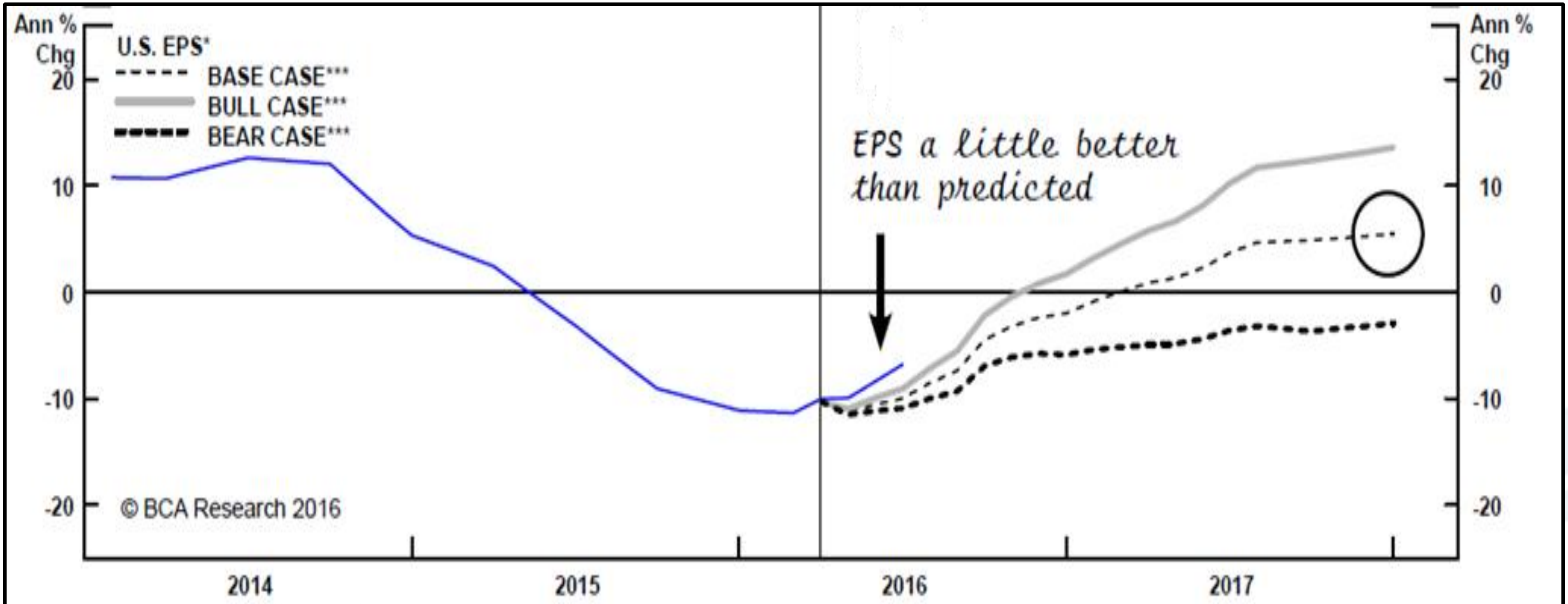
MAYBE THE FED DOTS AREN'T SO CRAZY AFTER ALL



THE DOLLAR BULL MARKET COULD ROLL ON

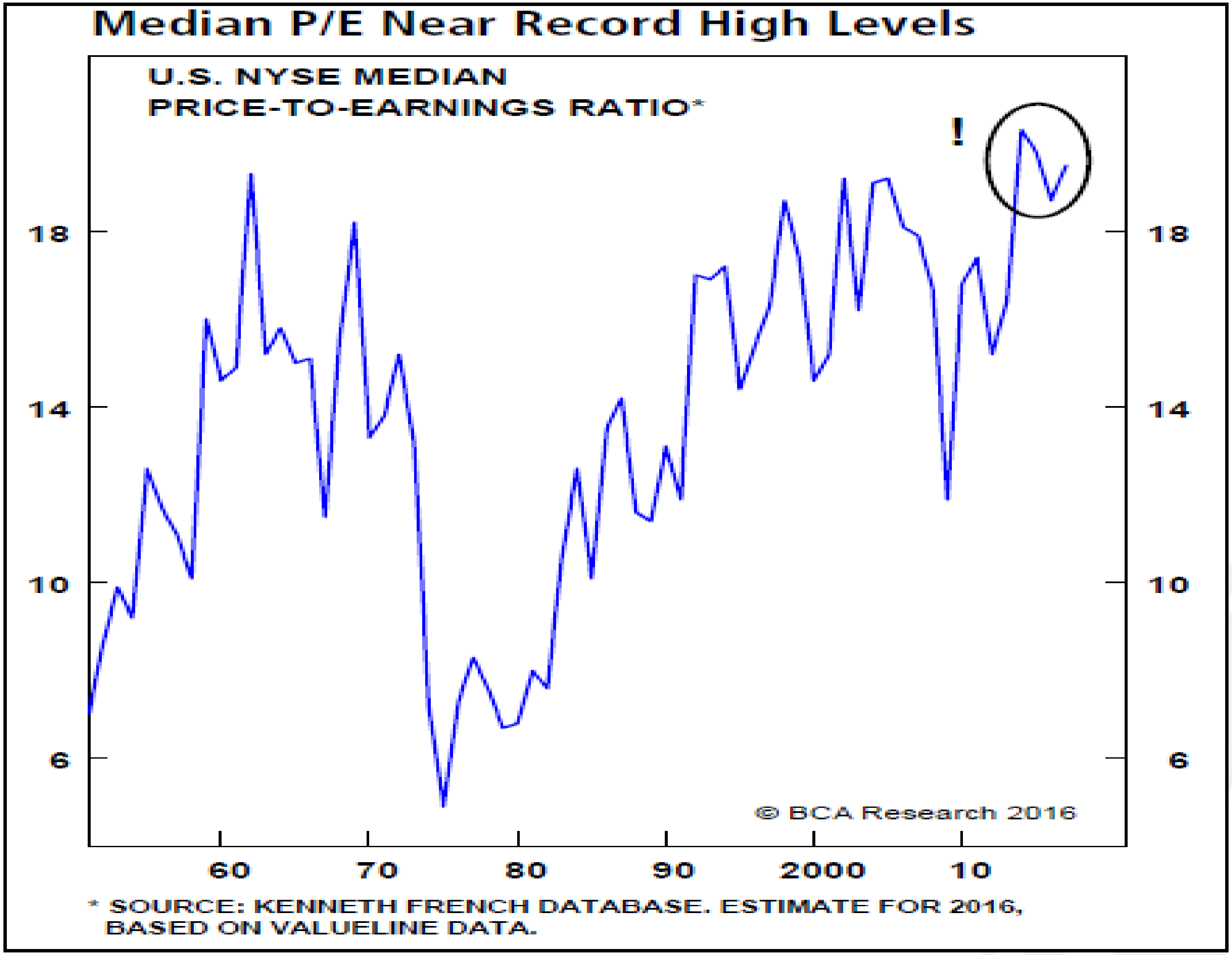


EQUITY GAINS PERSIST….



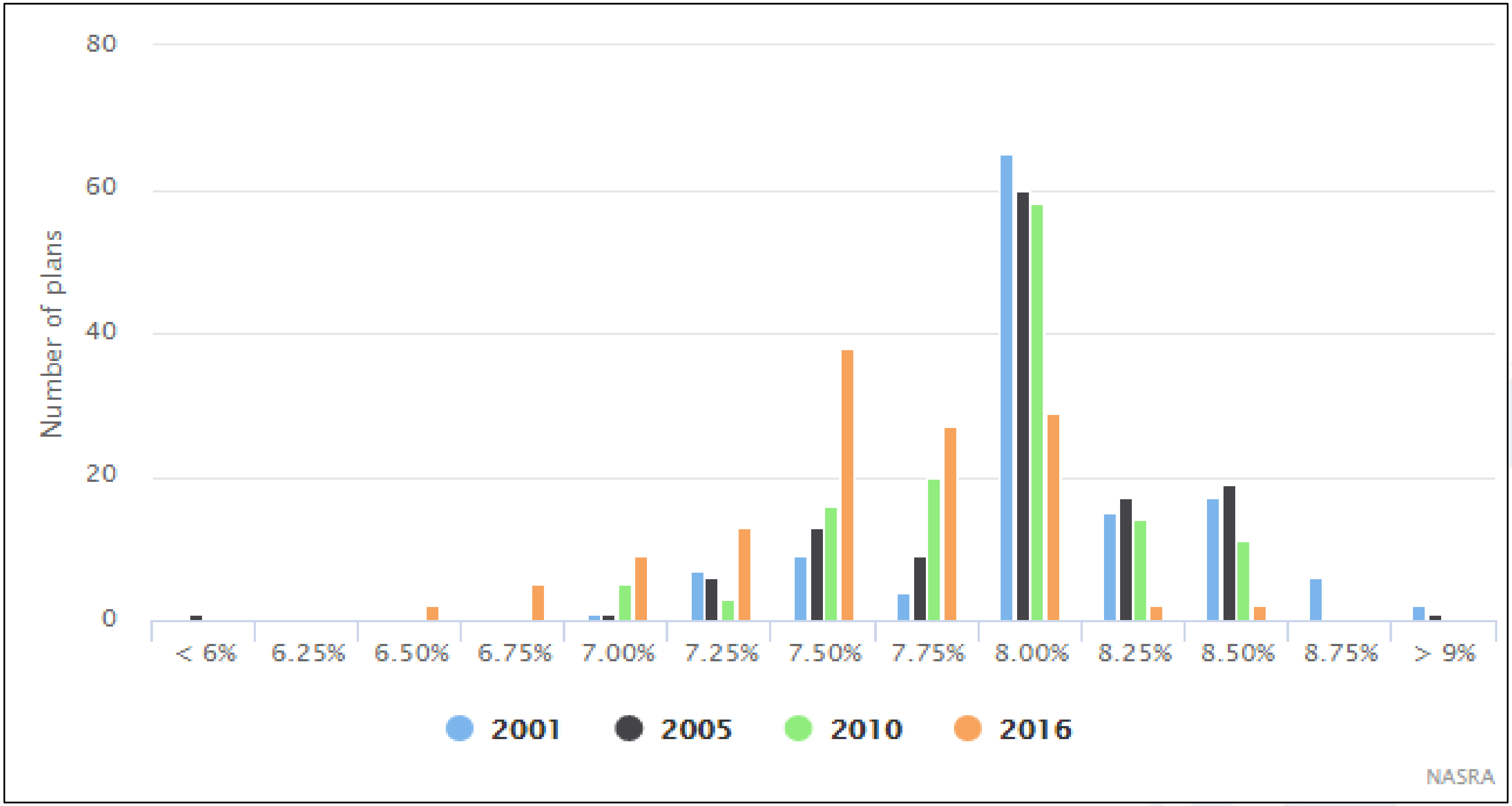
* SHOWN IN LOCAL CURRENCY TERMS.
** MODEL BASED ON GLOBAL INDUSTRIAL PRODUCTION, BRENT OIL PRICE, AND THE DIFFERENTIAL BETWEEN OECD GDP GROWTH AND OECD COMPENSATION PER EMPLOYEE GROWTH.
*** MODEL BASED ON DIFFERENTIAL BETWEEN U.S. GDP GROWTH AND U.S. TOTAL EMPLOYEE COMPENSATION GROWTH, U.S. INDUSTRIAL PRODUCTION, BRENT OIL PRICE, AND THE TRADE-WEIGHTED U.S. DOLLAR.
VERTICAL LINE DENOTES BEGINNING OF FORECASTING PERIOD.

…BUT CAP YOUR EXPECTATIONS

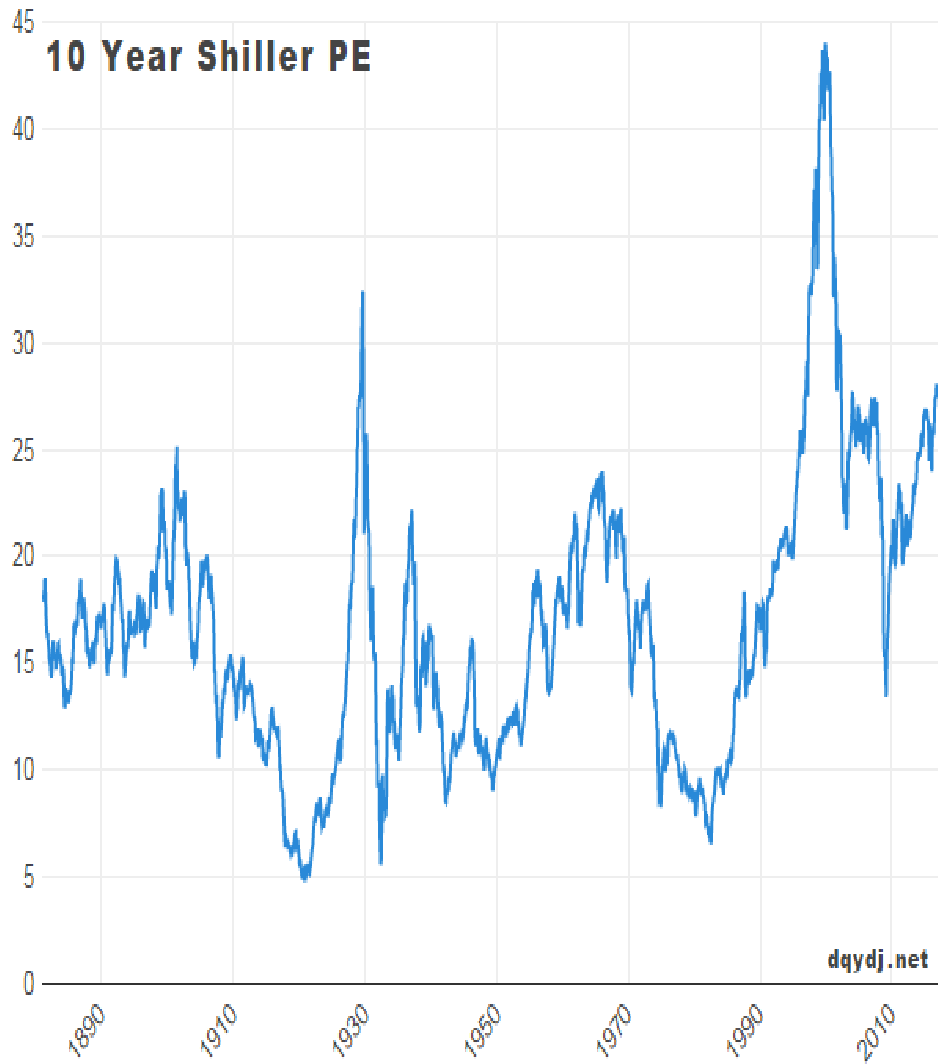


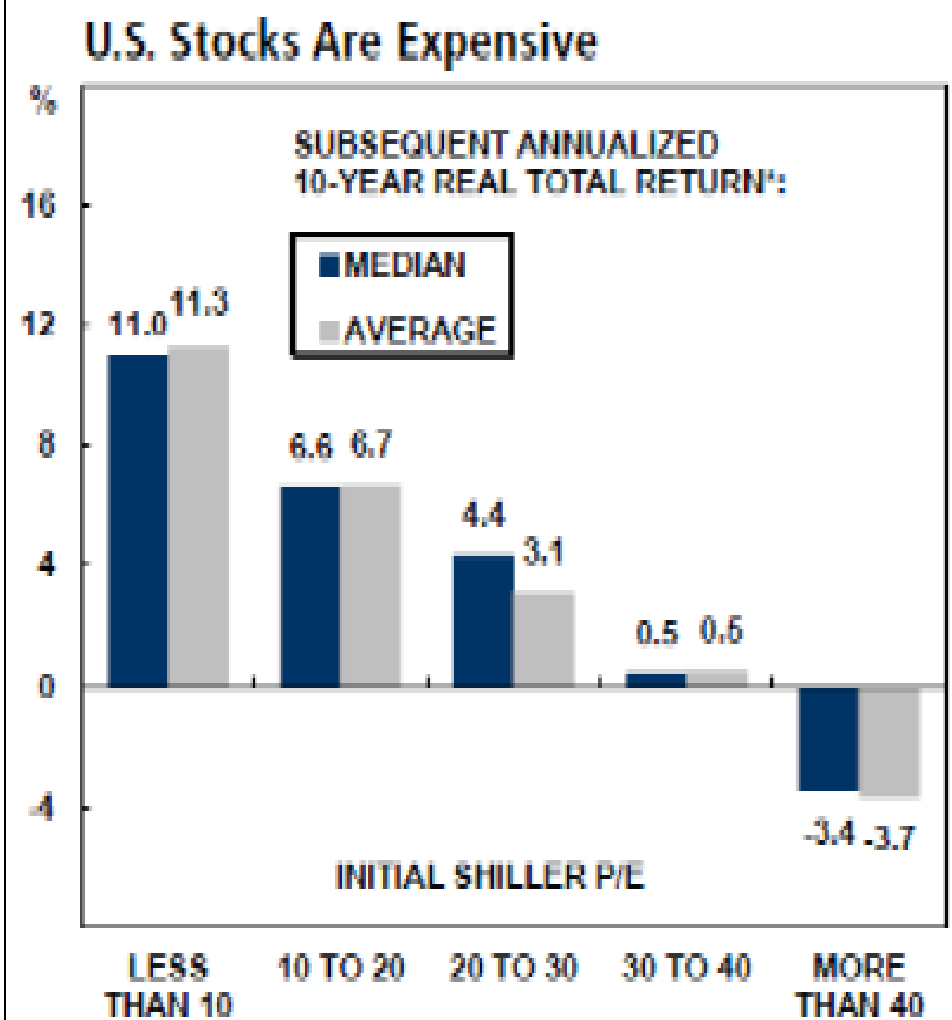
CalPERS board gives green light to cut assumed rate of return to 7%

BY RANDY DIAMOND | DECEMBER 21, 2016 2:12 PM | UPDATED 5:47 PM



STRETCH VALUATIONS MEANS LOWER FUTURE RETURNS

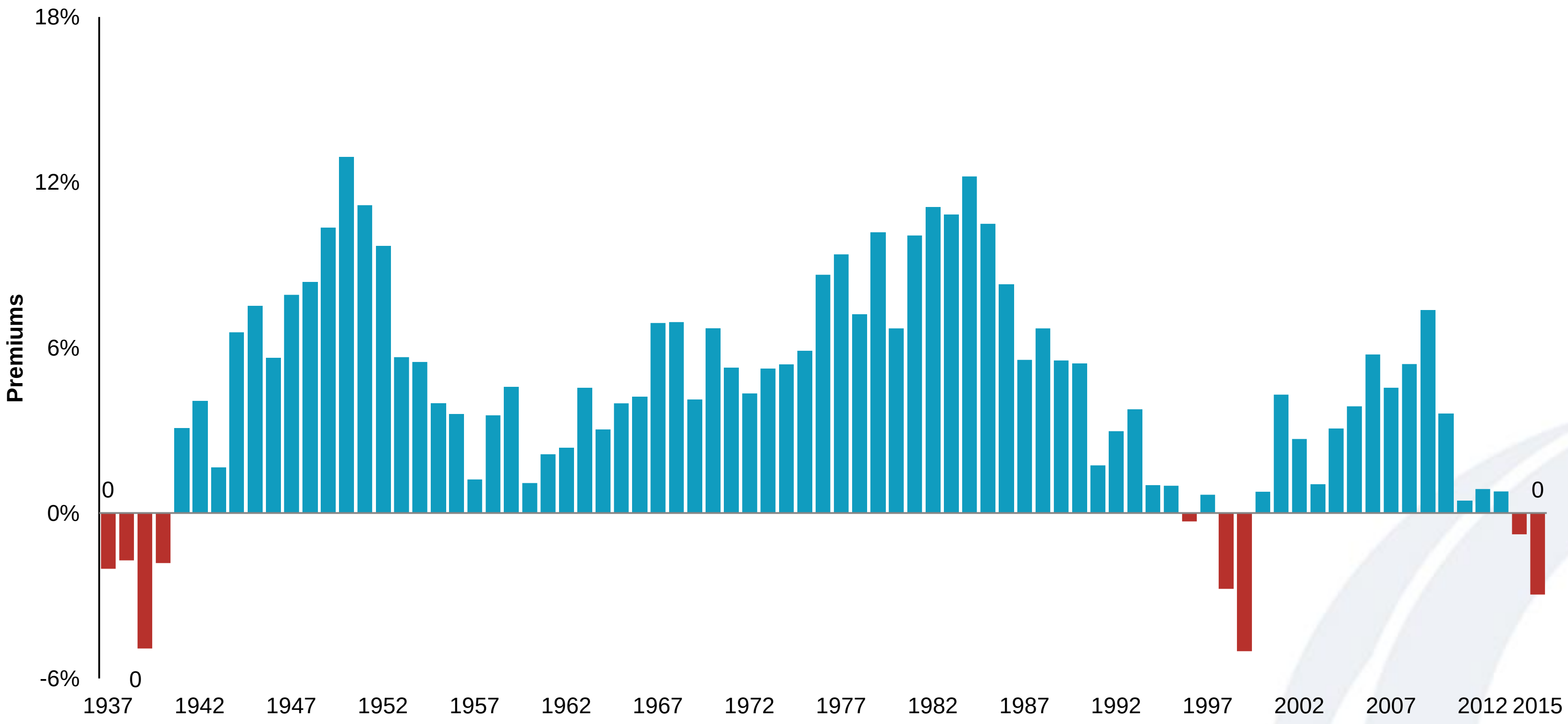




VALUE VERSUS GROWTH STOCKS

AN UNUSUAL 10-YEAR PERIOD

Value minus growth: US Markets
1937–2015



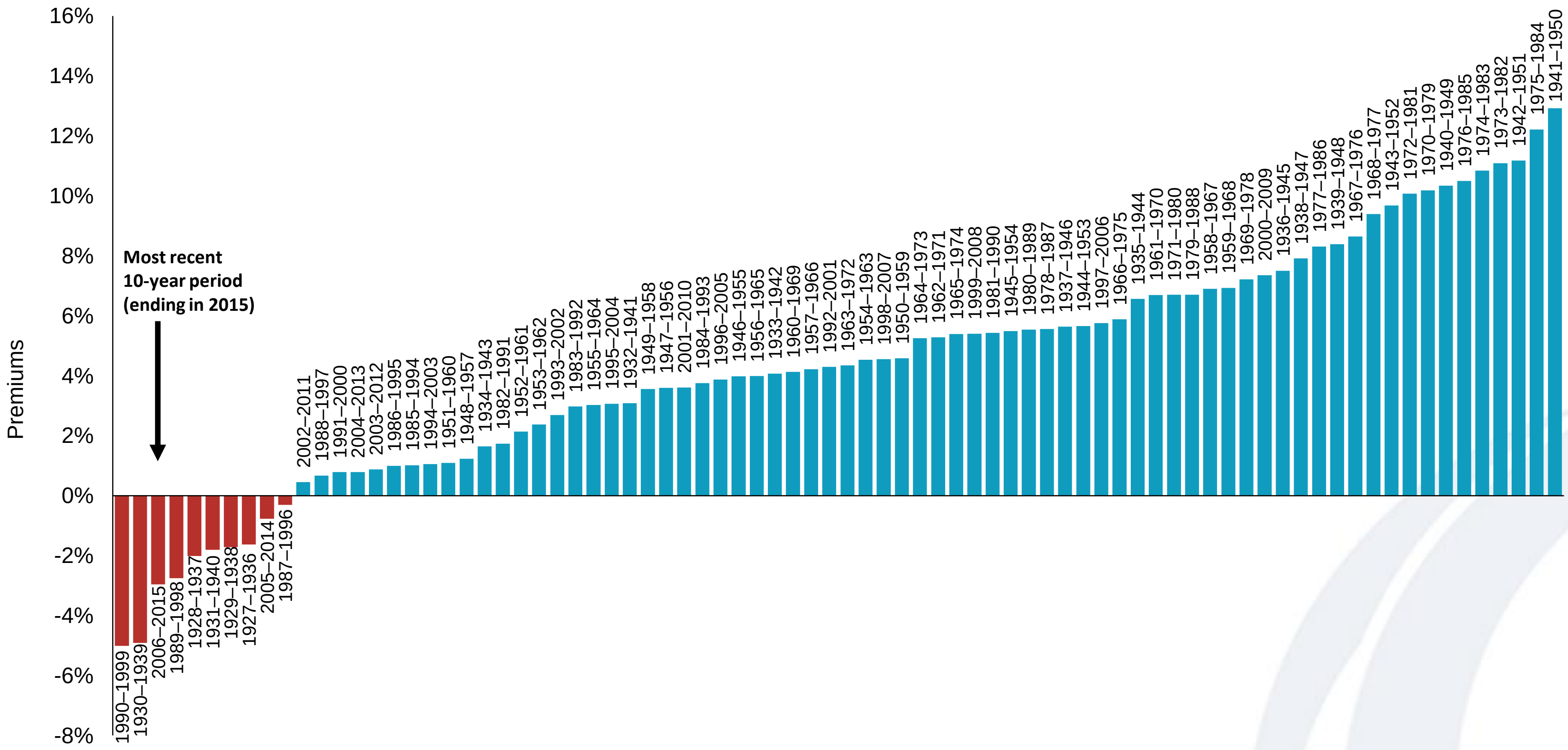
Information provided by Dimensional Fund Advisors LP.
In US dollars. The 10-year rolling relative price premium is computed as the 10-year annualized compound return on the Fama/French US Value Index minus the 10-year annualized compound return on the Fama/French US Growth Index. Fama/French indices provided by Ken French. Index descriptions available upon request. Eugene Fama and Ken French are members of the Board of Directors for and provide consulting services to Dimensional Fund Advisors LP.
Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is no guarantee of future results.

VALUE VERSUS GROWTH STOCKS

AN UNUSUAL 10-YEAR PERIOD

Value minus growth: US Markets
1937–2015

LOWEST TO HIGHEST



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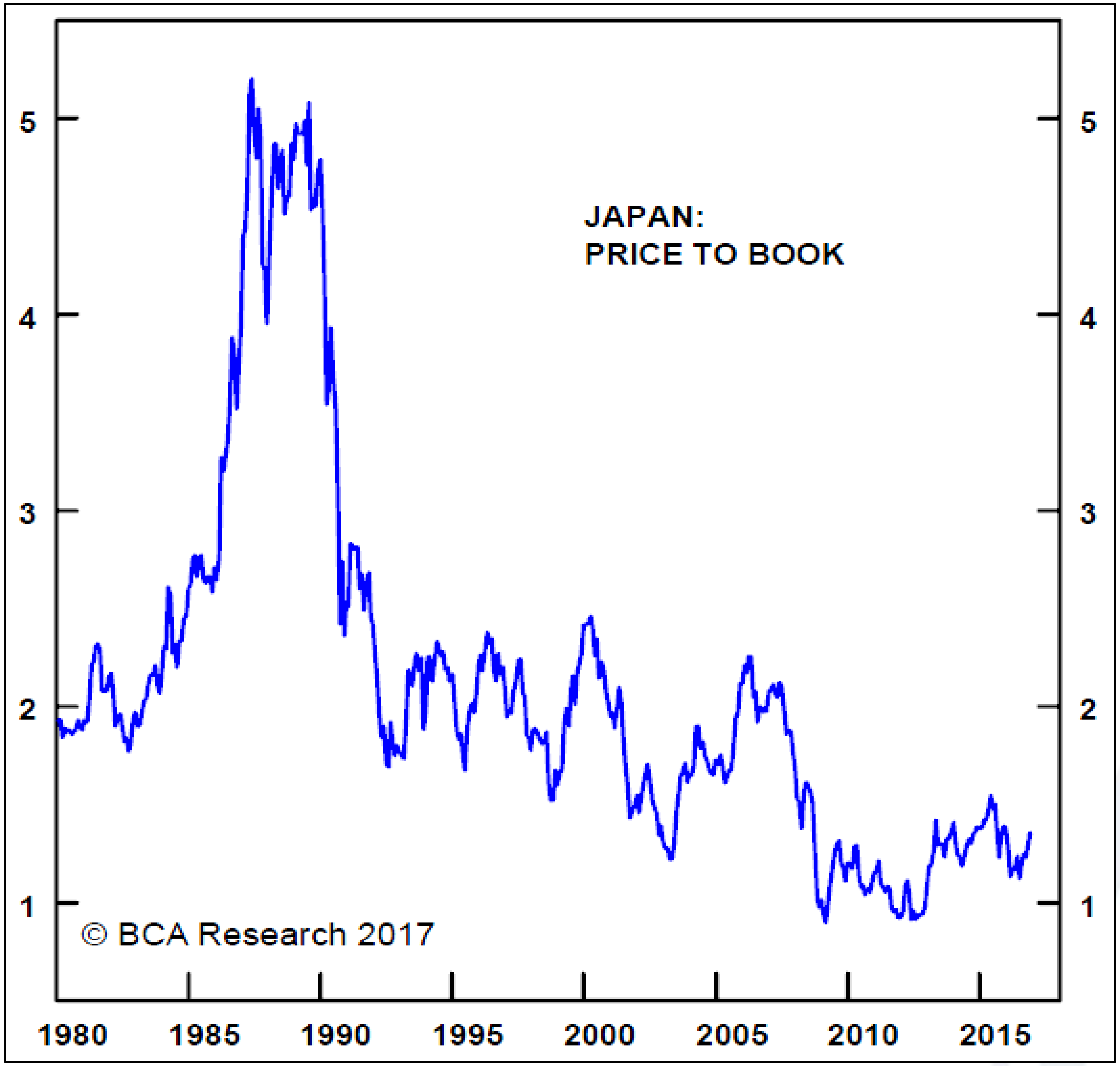
A VALUE PLAY *(NOT FOR THE FAINT OF HEART)*



EMERGING MARKETS

(SOMETHING FOR EVERYONE)

Emerging Markets: Why They Deserve a Place in Your Portfolio

By Michelle Gibley - December 16, 2016

Key Points

- Emerging market (EM) economic and corporate earnings growth could accelerate in 2017, and trade may prove more resilient than some expect.

Trump factor will determine how emerging markets perform in 2017

Silvia Amaro | @Silvia_Amaro

Wednesday, 28 Dec 2016 | 1:35 AM ET

CNBC

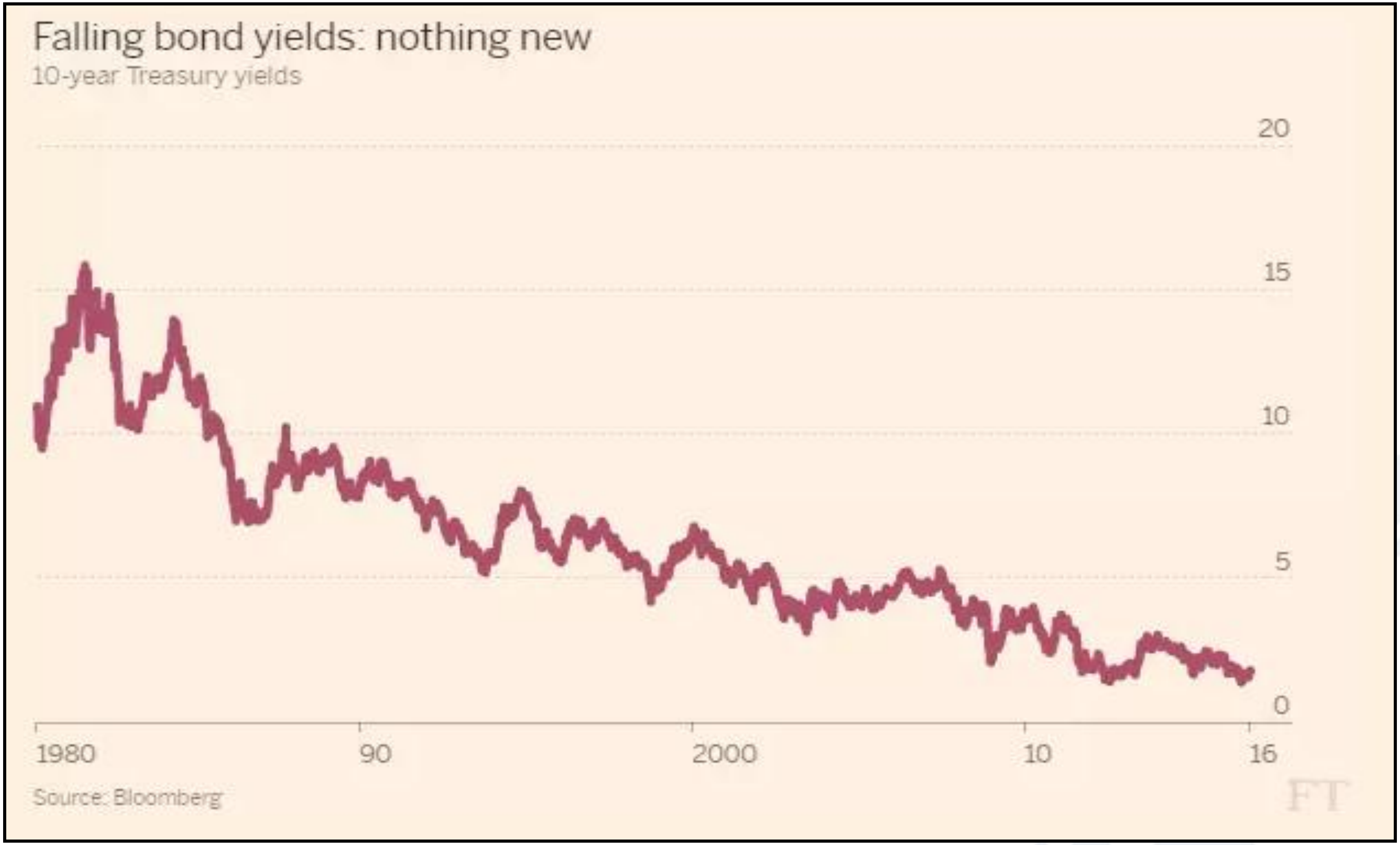
Strong Dollar Will Be Bad For Emerging Market Securities

Kenneth Rapoza, CONTRIBUTOR

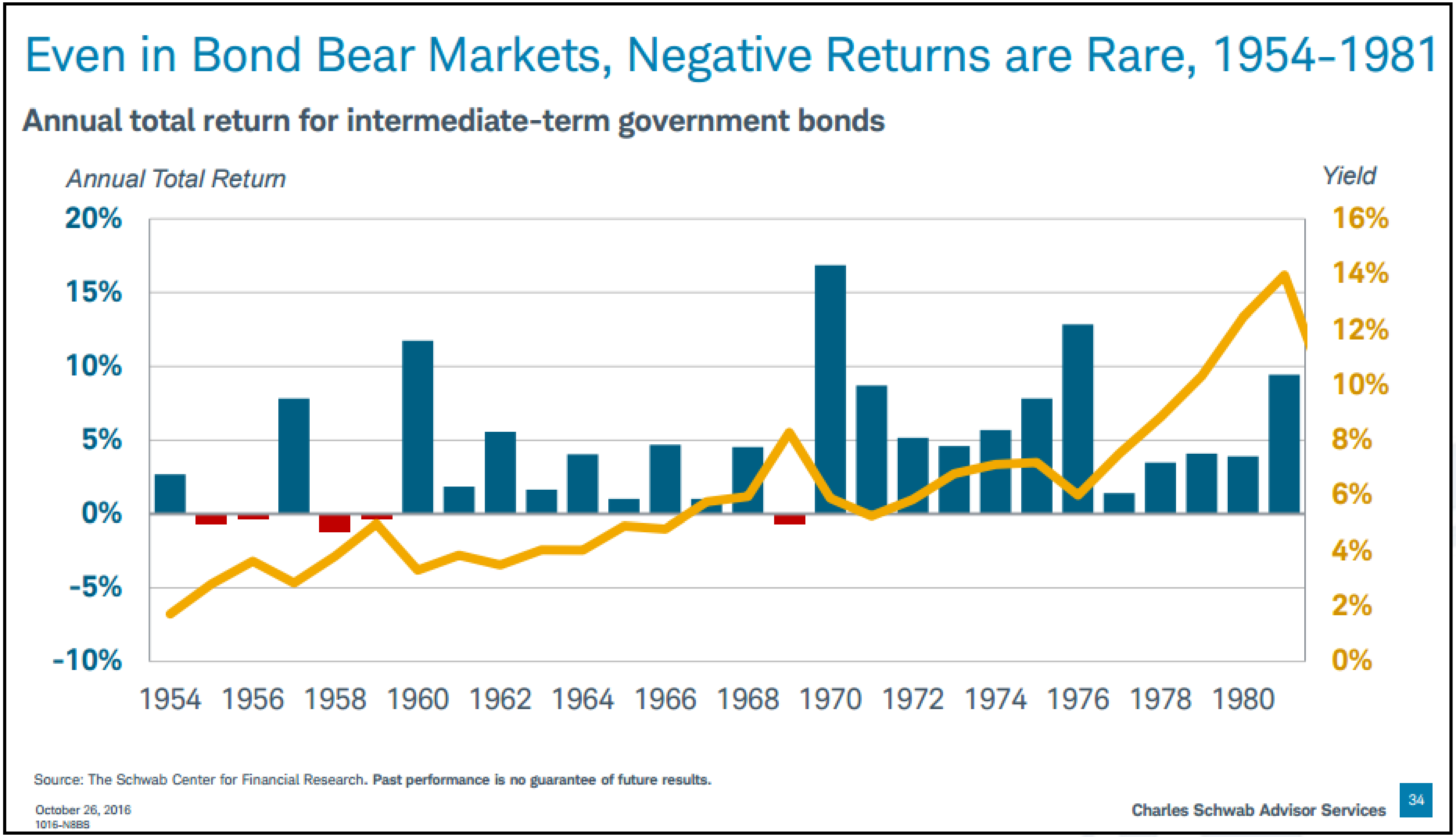
I cover business and investing in emerging markets. **FULL BIO**

Opinions expressed by Forbes Contributors are their own.

WHERE WILL MEAN REVERSION TAKE US?



BUT, BOND BEAR MARKETS ARE DIFFERENT!!

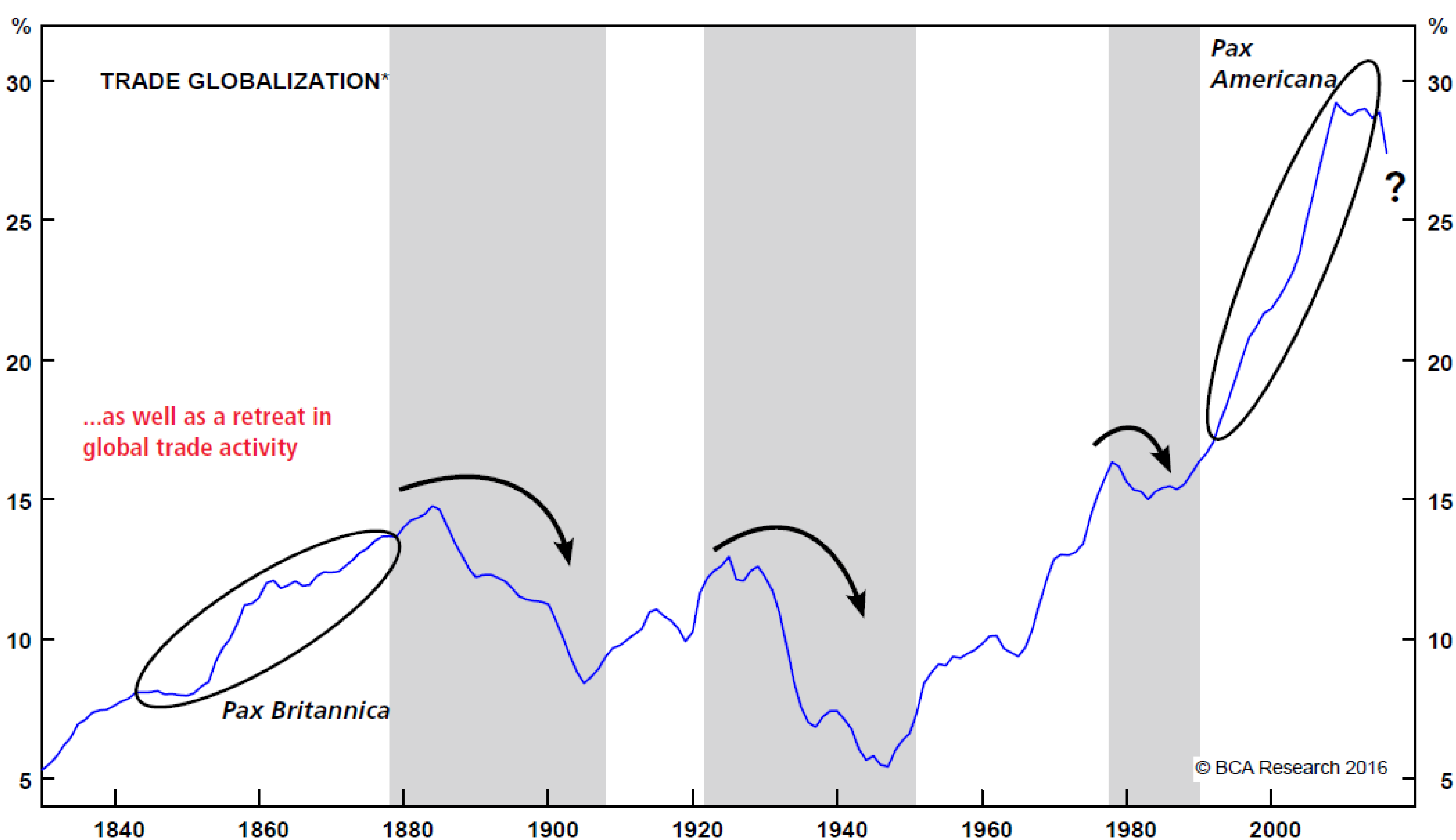


BONDS STILL PLAY A ROLL

10 Year Treasuries		Long-Term Treasuries		5 Year Treasuries	
Starting Yield (Jan. 1954)	2.50%	Starting Yield (Nov. 1949)	2.12%	Starting Yield (Dec. 1962)	3.56%
Ending Yield (Dec. 1959)	4.70%	Ending Yield (Dec. 1959)	4.47%	Ending Yield (Jan. 1970)	8.20%
Total Returns	**1.38%**	**Total Returns**	**0.02%**	**Total Returns**	**18.23%**
Starting Yield (Jan. 1958)	3.10%	Starting Yield (Dec. 1960)	3.80%	Starting Yield (May 1971)	5.06%
Ending Yield (Jan. 1969)	6.10%	Ending Yield (May 1970)	7.43%	Ending Yield (Aug. 1974)	8.63%
Total Returns	**27.53%**	**Total Returns**	**0.02%**	**Total Returns**	**13.47%**

THE RISKS (1)

A SECULAR PEAK?



* CALCULATED AS IMPORTS AS PERCENTAGE OF GDP FOR 148 COUNTRIES, WEIGHTED BY POPULATION.
SOURCE: BCA CALCULATIONS AND CHASE-DUNN C., KAWANO Y., AND BREWER B.,
"TRADE GLOBALIZATION SINCE 1795: WAVES OF INTEGRATION IN THE WORLD SYSTEM," AMERICAN SOCIOLOGICAL REVIEW, VOL. 65:1 (2000), PP. 77-95

NOW THAT PANDORA'S BOX IS OPEN

2017: Europe's year of rage

Across the continent, the pro-EU establishment has reason to fear the coming year's elections

James Forsyth

IF EVER THERE IS A YEAR TO KNOW YOUR LIMITATIONS

“There are two kinds of forecasters: those who don’t know, and those who don’t know they don’t know.”

— **John Kenneth Galbraith**

SUMMARY

1. Populism on the rise – fiscal policy takes center stage

2. Modest tailwind for growth & inflation

3. Hawkish Fed is dollar bullish

4. U.S. equities & lower return expectations

5. Value stocks and Japan vs. Europe.   EM??

6. Bond bear markets are different

DISCLOSURES

* After internal mutual fund fees but before GAM's fee. All dividends have been reinvested. Transaction fees, if any, have not been included.

The GAM 10 Model reflects a 100% equity strategy
The GAM 8 Model reflects an 80% equity / 20% bond strategy
The GAM 6 Model reflects an 60% equity / 40% bond strategy
The GAM 4 Model reflects an 40% equity / 60% bond strategy
The GAM 2 Model reflects a 20% equity / 80% bond strategy
The GAM 0 Model reflects a 100% bond strategy

The GAM model portfolios are presented to illustrate how we construct our portfolios and the returns that would have been achieved by investors with similar risk tolerance given the market conditions during the stated periods.

Keep in mind that G.A.M. utilizes "active asset management" so asset allocations may vary within predetermined ranges as market conditions change. Remember that the performance of these models does not represent actual trading and these results may vary somewhat from actual performance if G.A.M. were to actively manage a new client's account In addition, some clients may have different funds in their account than those used in the models for various reasons, for example: (1) the client may have a customized allocation due to specific objectives such as socially responsible investing (2) some mutual funds may choose to limit investments from current or new investors (3) some mutual funds may not be available due to the client's size of investment or (4) some mutual funds may not be available at the client's selected custodian. In these cases, alternative mutual funds with similar objectives are utilized.

The results for each model indicate past performance of the model and are not intended to represent actual client results and also do not predict future returns for client accounts.

Where indicated, performance results are presented before (or gross of) GAM's management fees and while reinvesting all dividends. Performance results for each gross model portfolio do not include any deduction for advisory fees (which generally range from 1.0% to 2.0% per annum depending upon, among other things, the size of the client account) or any custodial/transaction fees charged by the custodian. Actual annual returns would have been reduced by the amount of these advisory and custodial fees. For example, if such fees totaled 2.0% per annum, they would reduce a 10.0% per annum model portfolio return to 8.0% per annum. Standard GAM advisory fees are set forth in Part II of Form ADV.

The major market indexes that are presented are unmanaged indexes or index-based mutual funds commonly used to measure the performance of the U.S. and global stock/bond markets. These indexes have not necessarily been selected to represent an appropriate benchmark for the model portfolio performance, but rather is disclosed to allow for comparison to that of well known, widely recognized indexes. The volatility of all indexes may be materially different from that of client portfolios. This material is presented for informational purposes.

S&P 500 – Represented by the Vanguard 500 Index Fund (VFINX), based on a large cap US equity index
NASDAQ – Represented by the NASDAQ Composite, a market-capitalization weighted index of common stocks listed on the NASDAQ
Russell 3000 – Represented by the Russell 3000 Index, a group of the largest 3000 US companies, ranked by market capitalization
Russell 2000 – Represented by the Russell 2000 Index, a group of the smallest 2000 companies within the Russell 3000 Index, ranked by market capitalization
EAFE – Represented by the MSCI EAFE Index, an unmanaged capitalization-weighted index of companies representing the stock markets of Europe, Australasia and the Far East
Intermd Bonds – Represented by the Vanguard Interm-Term Bond Index Fund (VBIIX), based on a market-weighted bond index of intermediate-term bonds
STerm Bonds – Represented by the Vanguard Short-Term Bond Index Fund (VBISX), based on a market-weighted bond index of short-term bonds
High-Yield – Represented by the DWS High Income Fund (KHYAX), a fund that invests most of its assets in below-investment grade bonds

The performance presented and any related charts, graphs and any other related material is for use only by the adviser in a one-to-one private group client presentation that is accompanied by the above footnotes and disclosures. GAM's performance presentation is not intended for general advertising and/or public use or for any other purpose other than specified above.

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Any mutual fund performance presented in this material are used to illustrate opportunities within a diversified portfolio and do not represent the only mutual funds or investments used in actual client portfolios. We maintain a list of all recommendations made in our allocation models for at least the previous 12 months. If you would like a complete listing of previous and current recommendations, please contact our office.

Any past performance presented does not predict future returns.

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