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FIS Group Q1 2016: Moving Beyond a Forgettable Year

Finding confidence in Japanese, European, and Indian equities and assessing the possibility of a systemic tail risk event

PHILADELPHIA, PA, January 15, 2016 – FIS Group, a manager of U.S. and global developed, emerging and frontier markets equity portfolio strategies, today issued its Q1 2016 Market Outlook, which suggests caution on U.S. equities, highlights opportunities in Japan, Europe, and India, and assesses possible sources of a tail risk event that could disrupt global equities.

“The disappointing global growth in 2015 made for a forgettable year, and while 2016 opened with global market turmoil due to market volatility in China and a dive in oil prices we think this is much ado about nothing” said Tina Byles Williams, CEO and CIO of FIS Group.

The Q1 2016 Market Outlook titled “2015 In Review – A Forgettable Year,” details moving past the growth anemia and disappointment of last year, and highlights the three secular trends and six cyclical themes that will move markets in 2016.

On the secular front, there will be lower trend growth among G7 countries, the U.S. will experience the consequences of monetary policy exhaustion, and shifting global demographics and increasing service intensity of world economic growth will reorder the economic winners and losers among sectors and regions.



FIS Group forecasts six cyclical themes that will dominate the markets this year:

1. Stocks outperform bonds despite Fed tightening.
2. Peaking U.S. earnings that have already been challenged by the U.S. dollar's strength will be further strained by increasing wages and interest costs. Japanese equities is FIS's Group's highest conviction overweight followed by European equities.
3. Emerging markets are not a "screaming buy" and face more earnings and performance disappointment in 2016.
4. China's growth reduction (to around 6.5%) and restructuring, as well as the gradual depreciation of the renminbi as it decouples from the dollar peg will be fraught with policy missteps and continue to place pressure on other emerging market countries; but it will not pose a systemic risk to the developed world.
5. The U.S. dollar will have limited upside relative to the yen, euro and sterling but will meaningfully appreciate relative to most emerging market currencies.
6. Defensive sectors in the U.S. (and early cyclicals in Europe and Japan) will outperform deep cyclical sectors.

The outlook also includes an assessment of the possibility of a tail risk event with three key risks that could be disruptive to global equities as a result of a fundamentally weak growth backdrop, more vulnerable valuation levels and diminishing marginal benefits from monetary accommodation for real economic growth.

In addition to its quarterly Market Outlooks, which are based on research that examines market conditions, Ms. Byles Williams contributes to FIS Group's Market Insights Alerts, which examine global economic themes and are published throughout the year. The last Market Insights Alert was published in October 2015.

About FIS Group

FIS Group is an investment management firm that provides customized manager of managers investment solutions for institutional investors. For 19 years, we have delivered risk-adjusted returns by conquering the complexity of identifying high skill, high active share entrepreneurial managers that have gone largely undiscovered by the institutional investor community. Unique among our peers, FIS Group enhances risk-adjusted returns by using macro strategy insights to allocate capital among the managers and/or through a global macro tactical completion strategy. Our culture is a fusion of relentless curiosity and a scientific, disciplined process.

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