

Likes/Dislikes - December 27, 2019

Below are Evergreen Gavekal's Likes/Dislikes for December 27, 2019.

OUR CURRENT LIKES AND DISLIKES

Changes highlighted in **bold**.

LIKE

- **Large-cap growth (focus on lower P/E issues within this style; i.e., "growth at a reasonable price"; reduce buying due to the recent surge)**
- Some international developed markets, especially Japan (Due to the rapid recent appreciation, expect a decent correction as international markets now look overbought)
- Publicly-traded pipeline partnerships (MLPs and other mid-stream energy securities) yielding 7%-15% (after the recent powerful rally, be prepared for a minor pull-back; however, we remain bullish on the return potential for MLPs/mid-stream energy over the next several years)
- **Gold-mining stocks (buy more selectively after the recent rally; long-term, there remains considerable upside)**
- **Gold**
- Silver (use the recent correction to add a small position; look for larger pullback to build a full position)
- **Select international blue chip oil stocks (same as with gold-mining stocks)**
- One- to two-year Treasury notes
- Canadian dollar-denominated short-term bonds
- Short-term investment grade corporate bonds (1-2 year maturities)
- **Emerging market (EM) bonds in local currency (dial back buying after the recent rally)**
- Large-cap value (buy more carefully after the recent sharp up-move)
- Intermediate-term Treasury bonds (use the recent price weakness to accumulate)
- **Japanese Yen**
- Copper producers
- **South Korean Equities**
- High-dividend yield equities with safe distributions (as interest rates disappear, investors will go searching for yield; as with large cap value and international energy shares, moderate buying for now due to the recent rally)
- **Most cyclical resource-based stocks**

NEUTRAL

- Small-cap value
- Mid-cap value
- Emerging stock markets; however, a number of Asian developing markets appear undervalued
- Canadian REITs (some appear attractive)
- Intermediate-term investment-grade corporate bonds, yielding approximately 4%
- US-based Real Estate Investment Trusts (REITs)

- Long-term investment grade corporate bonds
- Preferred stocks (some US bank preferred stocks look attractive)
- Mexican stocks (after a healthy rally, we have sold all of our REIT holdings)
- Cash
- Solar Yield Cos (PG&E risk is rising again; taking profits in one of the more Calif-exposed companies)
- Intermediate municipal bonds with strong credit ratings
- Long-term municipal bonds
- Long-term Treasury bonds
- British pound currency

DISLIKE

- Small-cap growth
- Mid-cap growth
- Lower-rated junk bonds
- Floating-rate bank debt (junk)
- BB-rated corporate bonds (credit spreads widened significantly during the 4th quarter of 2018 but have declined sharply this year; we expect renewed widening in the months ahead) * **
- European banks
- Investment-grade floating rate corporate bonds (reducing exposure to these as Fed rate cuts are increasingly likely)
- US dollar
- Traditionally “safe” sectors such as Staples and Utilities due to elevated debt and valuation concerns
- Many semi-conductor tech stocks which have surged in price this year and generally trade at lofty prices despite falling earnings.

* Credit spreads are the difference between non-government bond interest rates and treasury yields.

** Some BB-rated issues are currently attractive despite our spread-widening fears.

DISCLOSURE: This material has been prepared or is distributed solely for informational purposes only and is not a solicitation or an offer to buy any security or instrument or to participate in any trading strategy. Any opinions, recommendations, and assumptions included in this presentation are based upon current market conditions, reflect our judgment as of the date of this presentation, and are subject to change. Past performance is no guarantee of future results. All investments involve risk including the loss of principal. All material presented is compiled from sources believed to be reliable, but accuracy cannot be guaranteed and Evergreen makes no representation as to its accuracy or completeness. Securities highlighted or discussed in this communication are mentioned for illustrative purposes only and are not a recommendation for these securities. Evergreen actively manages client portfolios and securities discussed in this communication may or may not be held in such portfolios at any given time.