

Finding Investment Opportunity in Stagflation

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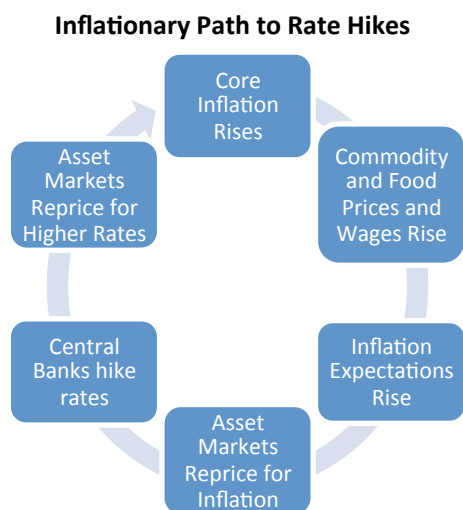


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After years of disinflation, inflation should be back on investors' radar despite slow economic growth. While core inflation and personal consumption expenditures are both below the Federal Reserve's 2% inflation target, it has reached a 2-year high in the US and has retraced its pre-crisis levels in developed economies (except Europe) despite modest global economic growth. The bond market is signaling rising inflation expectations reflected in the Treasury breakeven inflation rate, up 50 bps to 1.72% since February, and a mini-bond sell-off in recent weeks. We think there are five inflationary factors to consider:

Five Inflationary Factors

- The prices of key items such as commodities, health care, energy and housing are rising.
- Tight labor markets, rising hourly wages and low productivity growth are raising unit labor costs.
- Central banks' changing attitudes toward zero to negative rates and higher inflation means less monetary accommodation.
- A weaker US dollar would support higher inflation.
- Potential for rising deficits and fiscal stimulus under a new US administration.



Preserver is positioned for mild stagflation characterized by rising inflation and modest economic growth. Most longer duration, fixed coupon securities have limited appeal given the risks of rising rates as central bankers and market participants respond to higher inflation expectations. We believe Treasury inflation-protected securities, leveraged loans, non-agency mortgage-backed securities and selected mortgage REITs are sensible income-oriented investments in an inflationary environment with by modest economic growth.

Investment Idea	Yields	Interest Rate Risk	Comment
US TIPs	.625-2.25%	Varies	Explicit inflation protection and are undervalued based on current break-even rates.
Leveraged Loans	5%	Medium	Floating-rate coupons reset with rising short-term rates.
Real Estate Income	4-10%	Low	Non-Agency Residential Mortgage-Backed Securities (RMBS) can be floating rate and select mortgage REITs hold floating rate securities.

Source: Yield data from Federal Reserve Bank St. Louis, as of 11/1/16, S&P/LSTA Leveraged Loan Index, FTSE NAREIT Mortgage REIT Index and IHS Markit.

Disclosures:

Investors should carefully consider a fund's investment objectives, risks, charges and expenses before investing. This and other important information is contained in the fund's prospectus, which should be read carefully before investing. To obtain a fund prospectus, call 1-844-838-2119. The fund is distributed by Unified Financial Securities, LLC.

All investments involve risks, including loss of principal. There is no guarantee that any investment strategy will be successful or achieve any particular results.

Treasury Inflation Protected Securities (TIPS) are bonds offered by the US Treasury Department that are designed to protect you from inflation. Leveraged loans are loans extended to companies that already have considerable amounts of debt and carry a higher risk of default. Non-agency mortgage-backed securities are mortgage-backed securities sponsored by private companies other than government-sponsored enterprises. The value of some mortgage-backed securities may be particularly sensitive to changes in prevailing interest rates. Fixed income securities are affected by a number of risks, including fluctuation in interest rates, credit risk, and prepayment risk. In general, as prevailing interest rates rise, fixed income securities prices will fall. Real Estate Investment Trust (REITs) is a company that owns or finances income-producing real estate.