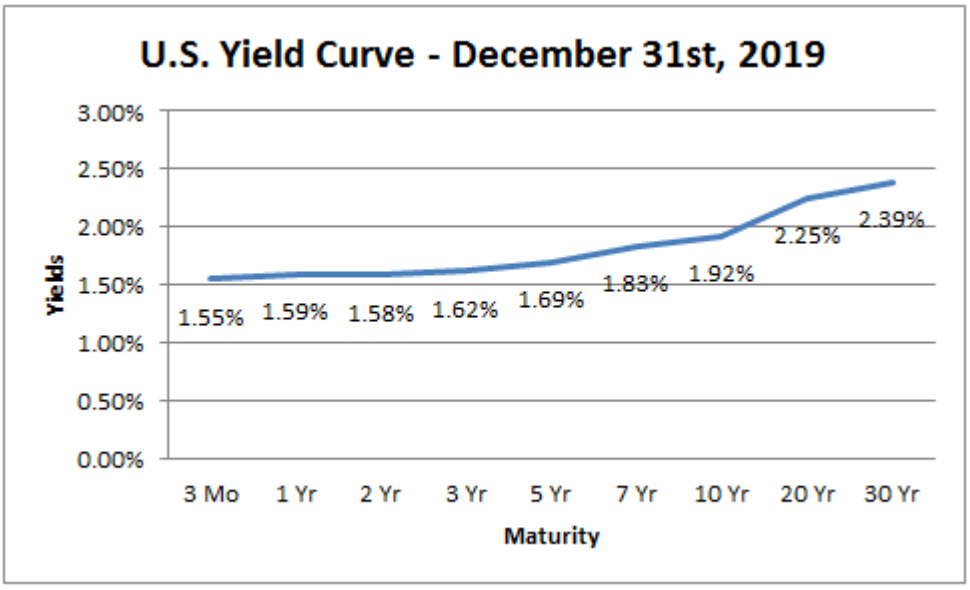
Fourth Quarter 2019 Market and Investment Summary

Markets closed out the year (and decade) on a positive note as major stock market indices around the globe closed at or near record highs. In December the US and China announced the completion of a "Phase One" trade deal that is set to be signed later this month. Unsurprisingly, global stocks rallied as market participants cheered the de-escalation of a potential trade war. Global economic data has rebounded, also giving life to the current market rally. The US economy grew by an annualized 2.1 percent in the third quarter, which was revised upwards from an initial reading of 1.9 percent in October. Fourth quarter gross domestic product (GDP) figures will come out at the end of January. The unemployment rate remained low at 3.5 percent while consumer confidence remains close to all-time highs. Inflation remains in check as the core inflation rate, which excludes volatile items such as food and energy, aligned with market forecasts at 2.3 percent. Generally speaking, most economic data matched or surpassed expectations which buoyed risky assets such as stocks.

As you may have heard last summer, news was active about the inversion of the yield curve, which plots the income percentage offered by high-quality US government bonds of various maturities. An inverted yield curve can signal an economic slowdown in the future, and this indicator caused many to predict a recession was nigh. The Federal Reserve responded both quickly and proactively, reducing interest rates three times during the year, in order to keep the economy growing at a healthy pace. The yield curve has since "un-inverted," which is a positive sign for economic growth going forward.



Source: www.treasurydirect.gov

US and international stocks perform well

	Q4 - 2019	2019
S&P 500 Index	9.1%	31.5%
Dow Jones Industrial Average	6.7%	25.3%
Nasdaq Composite Index	12.5%	36.7%
S&P MidCap 400 Index	7.1%	26.2%
Russell 2000 Index	9.9%	25.5%

Source: Morningstar

As you can see from the chart above, the S&P 500 performed extremely well during 2019, providing investors with one of the best years in its history. The NASDAQ, comprised mostly of technology stocks, was the best-performing index in both the fourth quarter and the year. Small companies (measured by the Russell 2000 index) and medium-sized company stocks (tracked by the S&P MidCap 400) also had a strong 2019, both returning over 25 percent. All major US indices benefitted from better-than-expected economic news and the Phase One trade deal between the US and China.

	Q4 - 2019	2019
MSCI EAFE (International Developed)	8.2%	22.0%
MSCI Emerging Markets	11.8%	18.4%

Source: Morningstar. International Developed measured by the MSCI EAFE NR USD. Emerging Markets measured by the MSCI EM NR USD.

International developed and emerging market stocks performed in line with domestic stocks, returning 22 percent and 18.4 percent, respectively, during 2019. Emerging market stocks lagged US stocks during most of year, but rallied at year-end thanks to the US-China trade negotiations. Overall, emerging markets treated investors kindly in the fourth quarter of 2019 (11.8 percent). International developed stocks rebounded from an underwhelming 2018, returning over 20 percent for 2019. Brexit uncertainty has subsided as the UK's Conservative Party won an outright majority in the December elections. The outcome will likely lead to a period of political stability as Prime Minister Boris Johnson looks to negotiate a trade deal with the EU by the end of 2020.

US stocks, by sector

Sector	Q4 2019	Year-To-Date 2019
Technology	14.4%	50.3%
Health Care	14.4%	20.8%
Financials	10.5%	32.1%
Communication Services	9.0%	32.7%
Basic Materials	6.4%	24.6%
Industrials	5.5%	29.4%
Energy	5.5%	11.8%
Consumer Discretionary	4.5%	27.9%
Consumer Staples	3.5%	27.6%
Utilities	0.8%	26.3%
S&P 500	9.1%	31.5%

Source: JPMorgan Guide to the Markets via FactSet, Russell Investment Group, S&P.

All sectors of the S&P 500 finished 2019 in positive territory. Technology was the best performing sector (+50.3 percent) while energy was the worst (+11.8 percent). The fourth quarter of 2019 was great for the overall stock market, so it's not surprising that growth-related industries such as technology performed very well, while move-defensive sectors such as Consumer Staples and Utilities were the relative underperformers. Surprisingly, healthcare stocks were among the to- performing sectors (+14.4 percent), considering it's a hot button issue before election seasons.

Bonds continue to perform well

	Q4 - 2019	2019
Bloomberg Barclays Bond Aggregate	0.2%	8.7%
Corporate Bonds	1.2%	14.5%
High Yield Bonds	2.4%	15.7%
Bank Loans	1.70%	8.6%
Municipal Bonds	0.7%	7.5%

Source: Morningstar. Bond Aggregate measured by the Bloomberg Barclays US Aggregate Bond TR USD. Corporate Bonds measured by the Bloomberg Barclays US Corporate Bond TR USD. High Yield measured by the ICE BofAML US High Yield Index. Bank Loans measured by the S&P/LSTA Leveraged Loan TR Index. Municipal Bonds measured by the Bloomberg Barclays Municipal TR USD.

All major sectors of the bond market provided either high single-digit or low double-digit returns during the duration of 2019. The Fed cut interest rates three times last year. When interest rates decrease, bonds tend to appreciate in value. Despite the rate cut, more conservative bonds underperformed (relatively speaking) in Q4 as the 10-year US Government Bond increased from 1.68 percent in September to 1.92 percent at year end. Longer-term bonds tend to lose value when long-term government bond yields increase.

Risker bonds such as high-yield bonds and bank loans outperformed the Bloomberg Barclays Bond Aggregate during the fourth quarter, as investors favored riskier assets hoping that the de-escalating trade war would continue to keep the economy on solid footing.

Alternatives end mostly positive

	Q4 - 2019	2019
Oil	8.6%	22.7%
Gold	3.3%	18.0%
Real Estate	-1.2%	23.1%

Source: Morningstar. Gold measured by the LBMA Gold Price PM USD Index. Oil measured by the S&P GSCI Crude Oil TR (Price) Index. Real Estate measured by the Dow Jones US Select REIT TR USD (Price) Index.

Oil and gold exhibited positive returns during Q4, with real estate the loser at -1.2 percent. Gold's surprising performance (18 percent for the year) came despite the strengths of the positive returns of stocks and bonds. Traditionally, gold is a "safe haven" asset that investors flock to during times of economic uncertainty and large stock market declines. Following a dreadful Q4 in 2018, oil bounced back in 2019 (returning over 22 percent) due to increased oil prices resulting from continued global growth and ongoing tensions in the Middle East.

Outlook for 2020: more of the same

As we transition into 2020, it's certain that markets will move due to the presidential election, ongoing trade discussions, Middle East tensions, and impeachment proceedings. Based on current economic trends it is very possible that 2020 will look similar to 2019, economically speaking. However, it's unlikely the markets will respond in the same manner. The stock market was coming off a low point at the beginning of 2019, so 2020's expectations for stocks will be tempered. Economically stimulative fiscal policy (i.e. lower corporate tax rates & less regulation) and monetary policy (i.e. the Fed keeping interest rates low) should continue to help drive our current economic expansion forward.

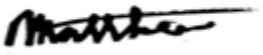
Consumer confidence will likely remain strong as long as wages increase and unemployment remains close to record lows. The US consumer accounts for over two-thirds of US economic growth, so eager and active buyers will likely offset the effects of any manufacturing slowdown caused by trade uncertainty.

It is too early to speculate on the outcome of the 2020 US presidential election without a clear Democratic nominee at this point. It is likely that volatility will increase as we get closer to November. But keep in mind that history has shown that in the long run, company fundamentals drive the stock markets are driven, not the party or parties that control Congress and the White House. At this time, it is improbable that any US-Iran conflict will filter through our economy in a negative way. The risk with any

conflict in the Middle East is that higher energy prices lead to slower consumer spending. If oil prices remain close to their current levels, then it's unlikely that global markets will feel any negative impact.

We continue to value the trust you place in our firm and are happy to answer any questions you may have.

Best regards,





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