

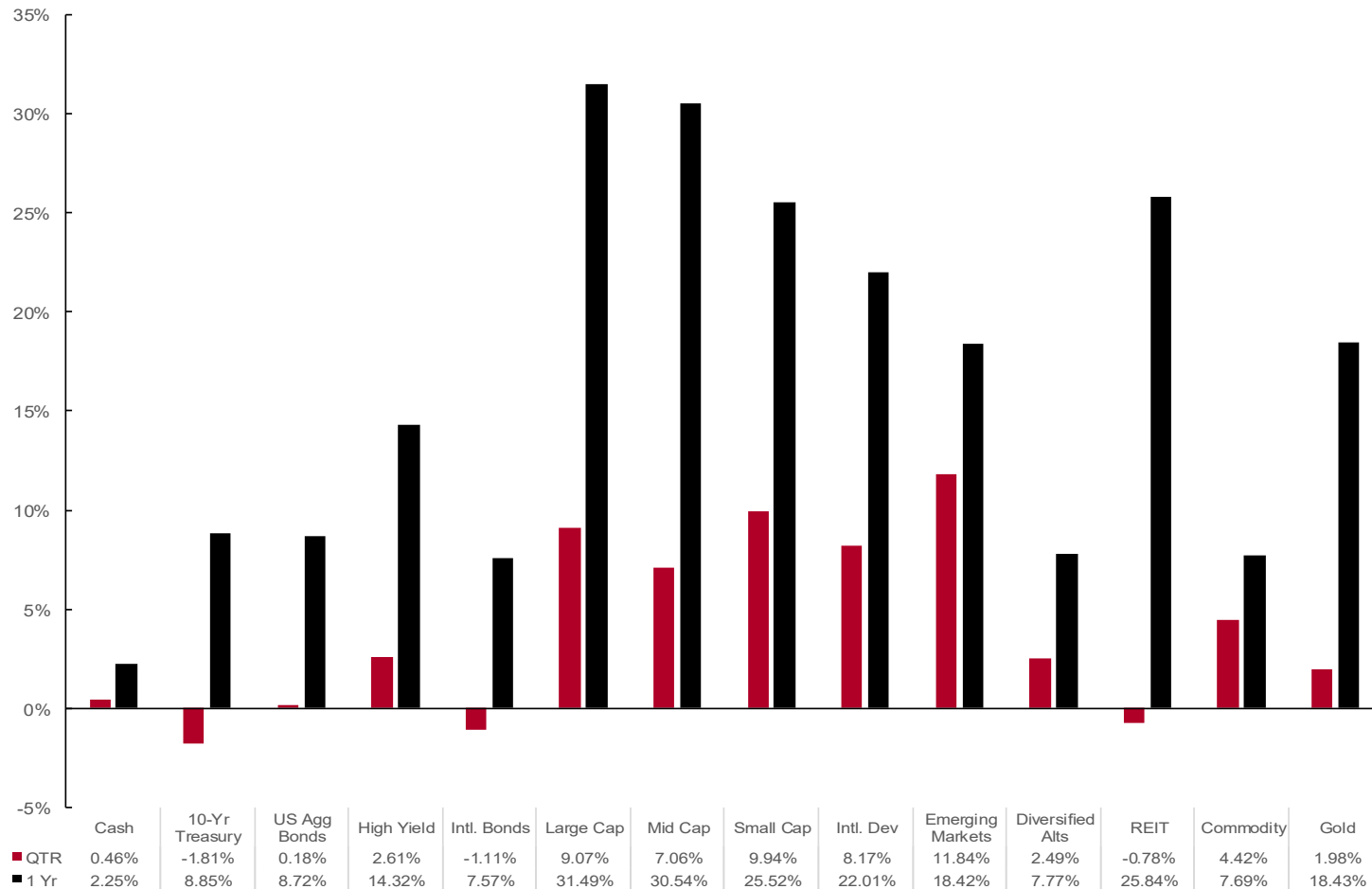
# Quarterly Market Overview

**As of 12/31/2019**



# Market Summary

The fourth quarter of 2019 capped off a terrific year for investors of all stripes. Unlike 2018, where returns were negative across most every asset class, 2019 saw a reversal of fortune as stocks, bonds, and commodities made up for 2018 losses and then some. As the year came to a close, the risks posed by trade tensions with China and an inverted U.S. Treasury yield curve had subsided, which allowed the capital markets to produce strong returns and the chances of an economic recession to diminish.



Source: Morningstar

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# Broad Market Review

As of 12/31/2019

Returns (%)	3 Mo.	1 Yr.	3 Yrs.	5 Yrs.	10 Yrs.
<b>Capital Markets</b>					
DJ Industrial Average TR USD	6.67	25.34	15.74	12.59	13.41
NASDAQ 100 TR USD	12.99	39.46	22.90	16.92	18.07
Russell 3000 TR USD	9.10	31.02	14.58	11.24	13.42
S&P 500 TR USD	9.07	31.49	15.28	11.70	13.56
<b>Domestic Large Cap Equities</b>					
Russell 1000 TR USD	9.04	31.43	15.06	11.48	13.54
Russell 1000 Value TR USD	7.41	26.54	9.69	8.29	11.80
Russell 1000 Growth TR USD	10.62	36.39	20.50	14.63	15.22
<b>Domestic Mid Cap Equities</b>					
Russell Mid Cap TR USD	7.06	30.54	12.06	9.33	13.20
Russell Mid Cap Value TR USD	6.36	27.06	8.10	7.62	12.42
Russell Mid Cap Growth TR USD	8.17	35.47	17.37	11.61	14.24
<b>Domestic Small Cap Equities</b>					
Russell 2000 TR USD	9.94	25.52	8.60	8.23	11.83
Russell 2000 Value TR USD	8.49	22.39	4.77	6.99	10.57
Russell 2000 Growth TR USD	11.39	28.48	12.50	9.34	13.01
<b>International Equities</b>					
MSCI EAFE NR USD	8.17	22.01	9.57	5.67	5.50
MSCI EAFE Value NR USD	7.82	16.09	6.31	3.54	3.98
MSCI EAFE Growth NR USD	8.45	27.90	12.85	7.71	6.95
MSCI ACWI Ex USA NR USD	8.92	21.51	9.87	5.51	4.97
MSCI EMNR USD	11.84	18.42	11.58	5.61	3.68
<b>Cash &amp; Fixed Income</b>					
FTSE Treasury Bill 3 Mon USD	0.46	2.25	1.65	1.05	0.56
BBgBarc US Agg Bond TR USD	0.18	8.72	4.03	3.05	3.75
BBgBarc Gbl Agg Ex USD TR Hdg USD	-1.11	7.57	4.39	3.87	4.29
BBgBarc US Corporate High Yield TR USD	2.61	14.32	6.37	6.13	7.57
<b>Alternatives</b>					
HFRI Fund of Funds Composite USD	2.49	7.77	3.69	2.25	2.77
MSCI US REIT GR USD	-0.78	25.84	8.06	7.04	11.93
Bloomberg Commodity TR USD	4.42	7.69	-0.94	-3.93	-4.73

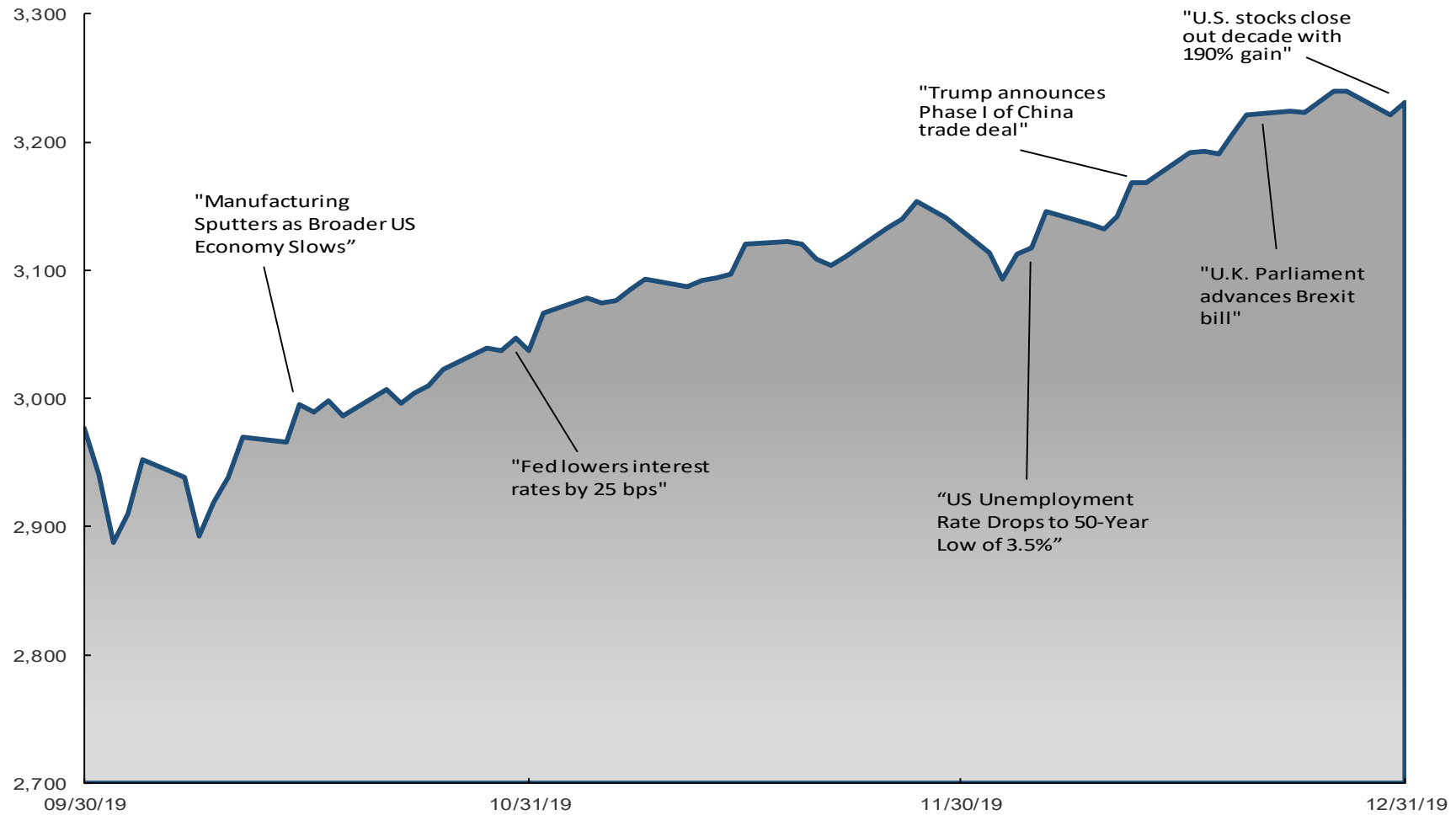
Source: Morningstar

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# Stock Market Performance with Headlines

## S&P 500 Index for Q4 2019



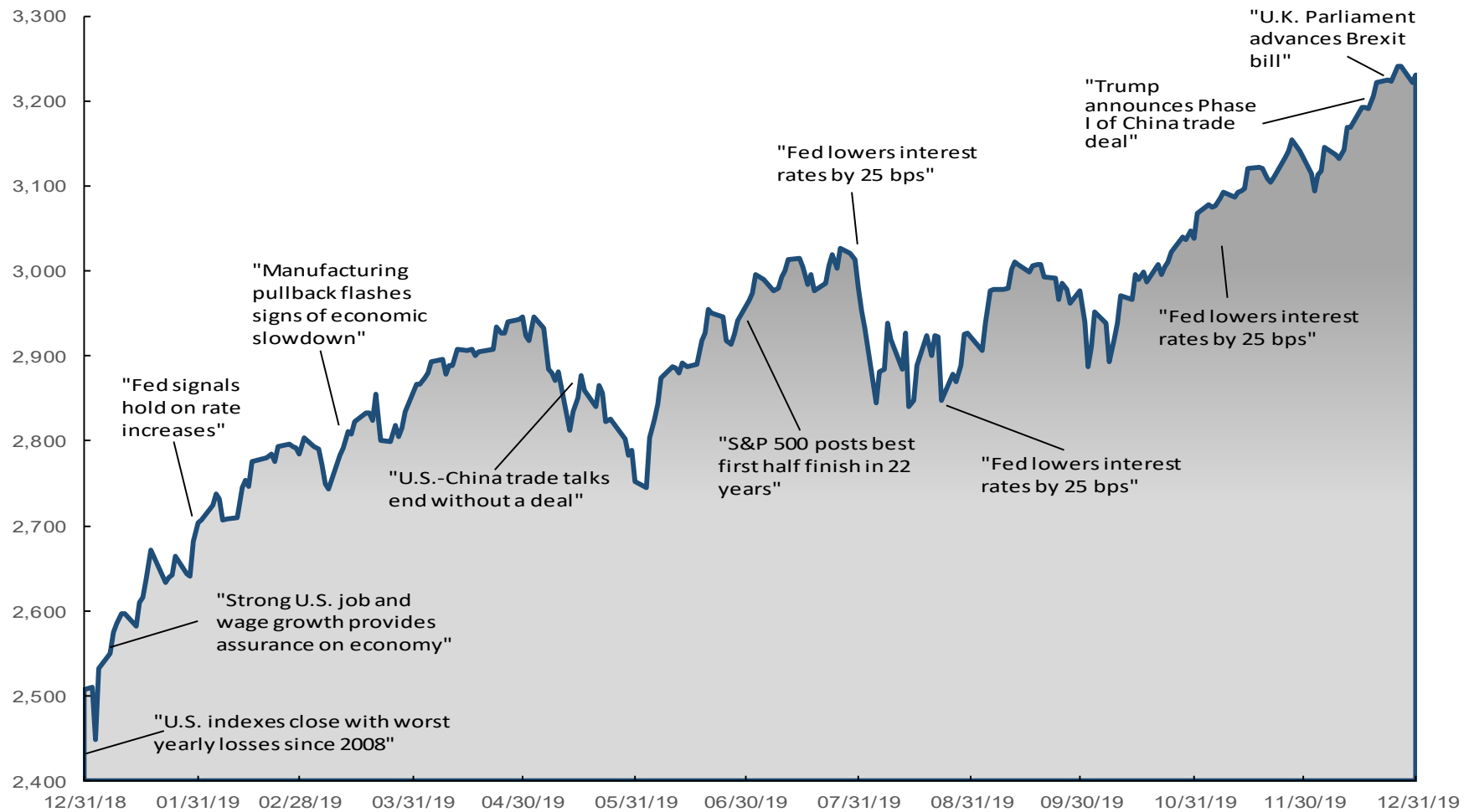
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# Stock Market Performance with Headlines

## S&P 500 Index from the Past 12 Months



Source: Morningstar

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# Annual Total Returns of Key Asset Classes

As of 12/31/2019

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	
26.85%	7.84%	18.22%	38.82%	13.69%	5.67%	21.31%	37.28%	3.17%	36.39%	Best Performing ↑ ↓ Worst Performing
25.48%	4.98%	17.51%	34.76%	13.45%	1.38%	17.34%	30.21%	0.01%	31.49%	
18.88%	3.94%	17.32%	33.48%	13.22%	1.36%	17.13%	25.03%	-1.51%	30.54%	
16.71%	2.64%	17.28%	32.53%	13.05%	0.55%	13.80%	21.83%	-2.08%	26.54%	
15.51%	2.11%	16.35%	32.39%	8.79%	-0.27%	11.96%	18.52%	-4.02%	25.52%	
15.12%	0.39%	16.00%	22.78%	5.97%	-0.81%	11.19%	14.65%	-4.38%	22.01%	
15.06%	-1.55%	15.81%	8.96%	4.89%	-2.44%	7.08%	13.66%	-8.27%	18.42%	
7.75%	-4.18%	15.26%	7.44%	3.37%	-3.83%	4.90%	7.77%	-9.06%	14.32%	
6.54%	-5.72%	6.46%	1.18%	2.45%	-4.41%	2.65%	7.50%	-11.01%	8.72%	
5.70%	-12.14%	4.79%	-2.02%	-2.19%	-4.47%	1.00%	3.54%	-13.79%	7.77%	
3.28%	-18.42%	4.21%	-2.60%	-4.90%	-14.92%	0.51%	2.48%	-14.57%	7.57%	

S&P 500
Large Cap Value
Large Cap Growth
Bonds

Mid Cap Blend
Small Cap Blend
Alternatives
Foreign Bonds

Foreign Stocks
Emerging Markets
High Yield

Source: Morningstar

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# U.S. Equity

As of 12/31/2019

## 3 Month

	Value	Core	Growth
Large	7.4	9.1	10.6
Mid	6.4	7.1	8.2
Small	8.5	9.9	11.4

## 1 Year

	Value	Core	Growth
Large	26.5	31.5	36.4
Mid	27.1	30.5	35.5
Small	22.4	25.5	28.5

## 3 Year

	Value	Core	Growth
Large	9.7	15.3	20.5
Mid	8.1	12.1	17.4
Small	4.8	8.6	12.5

## 5 Year

	Value	Core	Growth
Large	8.3	11.7	14.6
Mid	7.6	9.3	11.6
Small	7.0	8.2	9.3

Returns in the style boxes are represented by the Russell indexes and the S&P 500 for the Large Cap Core space. Boxes shown in red represent returns below 0%. Gray boxes represent returns between 0% and 10%. Returns above 10% are shown in black.

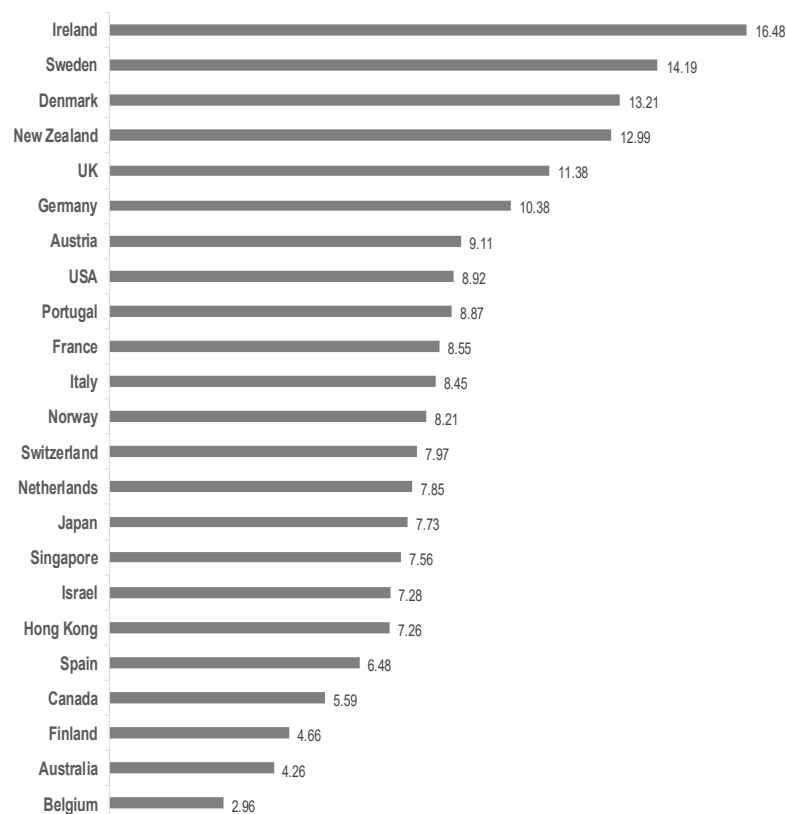
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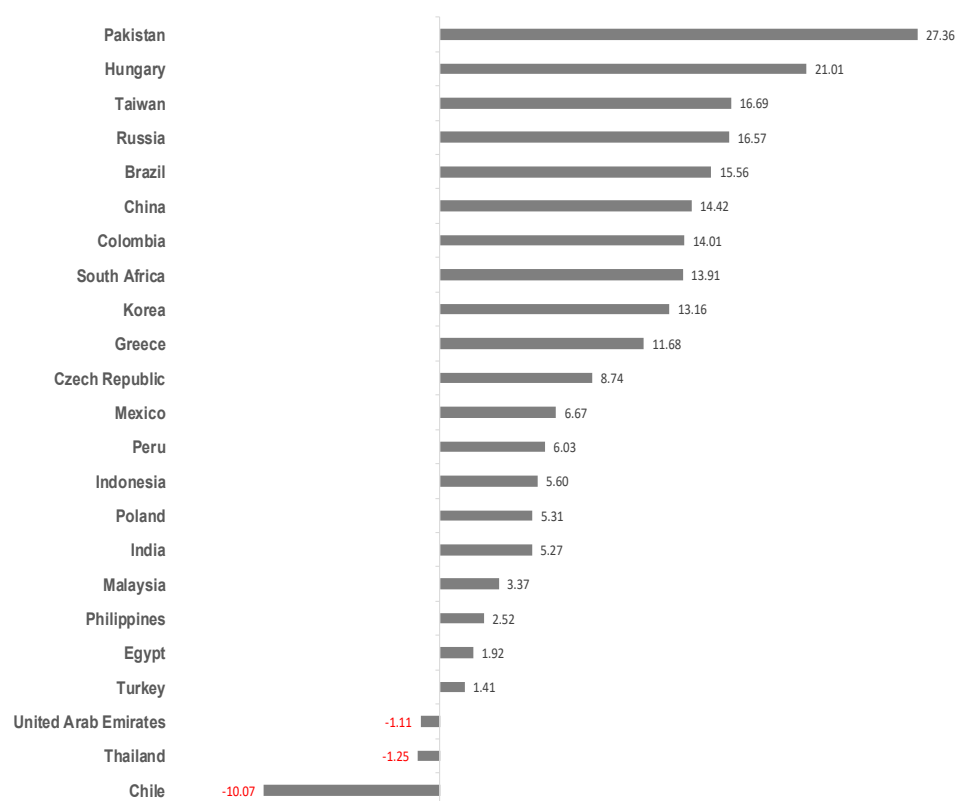
# International Equity

Developed international markets were broadly positive for the quarter, while still slightly trailing domestic markets. In the risk-on environment, emerging market stocks outperformed domestic equity stocks by 277 bps. Most countries posted positive results as well, with Chile as a notable exception, losing more than 10% for the quarter.

### Developed Markets Returns, Q4 19 (%)



### Emerging Markets Returns, Q4 19 (%)



Source: Morningstar

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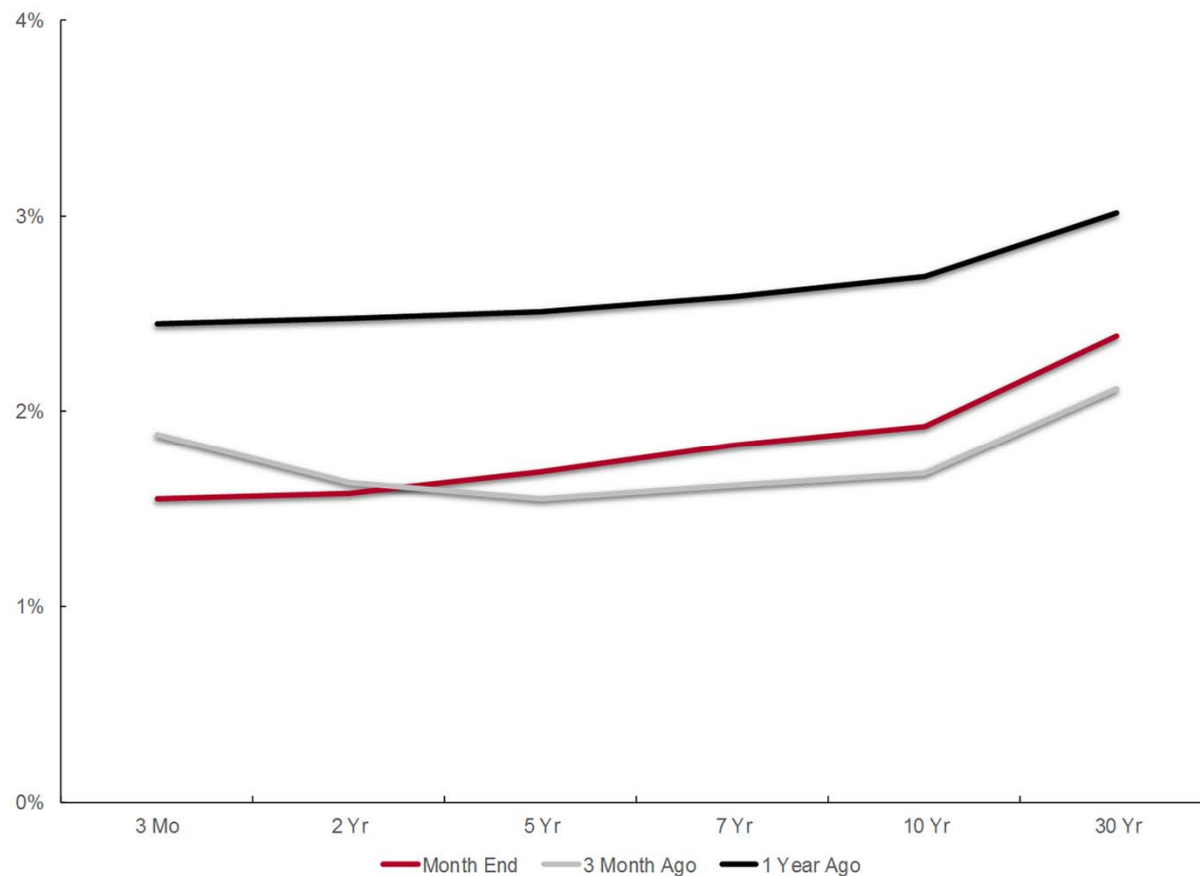




# Fixed Income

The U.S. Treasury yield curve un-inverted during the quarter. The Federal Reserve acted again to lower interest rates for the third time this year, in response to lower, but still positive, economic growth. As we enter 2020, the Federal Reserve has indicated their outlook for interest rates is stable as growth expectations stabilize and trade risks lessen.

As of 12/31/2019



Source: Morningstar

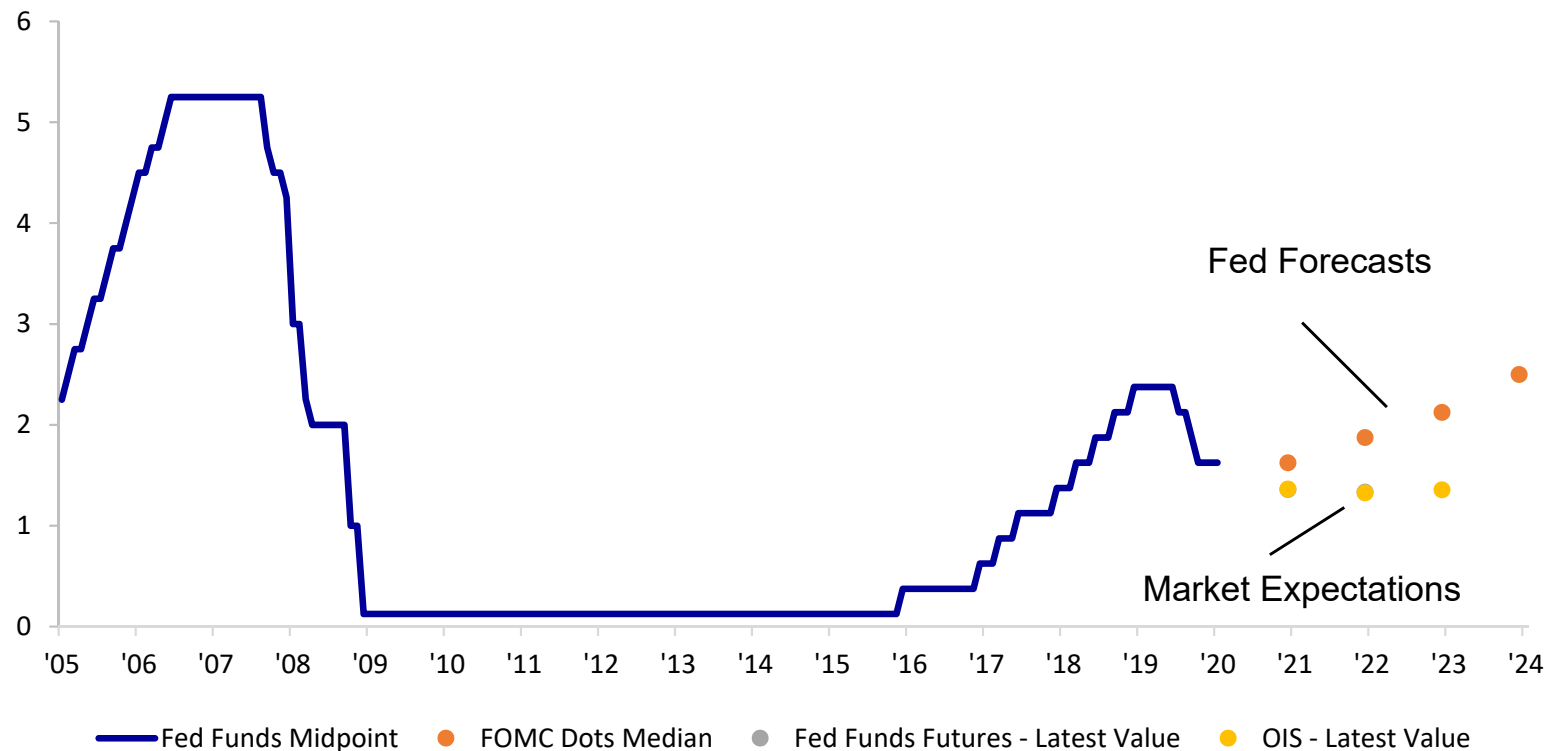
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# Fed Funds Rate

In the most recent communication, the Federal Open Market Committee (FOMC) indicated current monetary policy is “appropriate to sustain the current expansion”. The dot plot below reflects an outlook of stable rates among the Committee, while the market is expecting another 25 bp cut in 2020.

Market Expectations vs Fed Forecasts  
As of January 9, 2020



Source: Strategas

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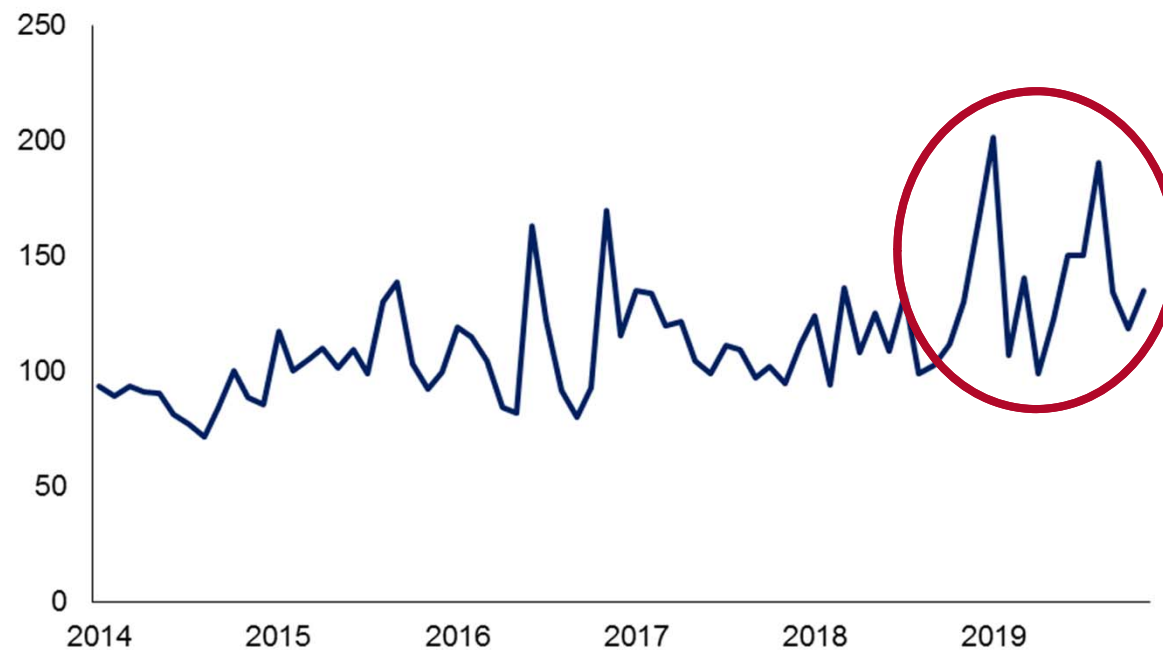


# Trade Tensions & Uncertainty Easing

In December, the U.S. and China announced a limited Phase 1 trade agreement, which is mostly related to China's agricultural purchases from the U.S. and an agreement to increase the purchases by an undisclosed amount.

While many details are still to be finalized, the announcement tempered the heightened policy uncertainty that plagued the markets and economy over the past 18-24 months. It reduced the risk that trade related issues were going to get worse. While the devil remains in the details, this positive progress on trade discussions could result in improved sentiment for 2020 and possibly serve as a tailwind for economic growth.

## US Economic Policy Uncertainty



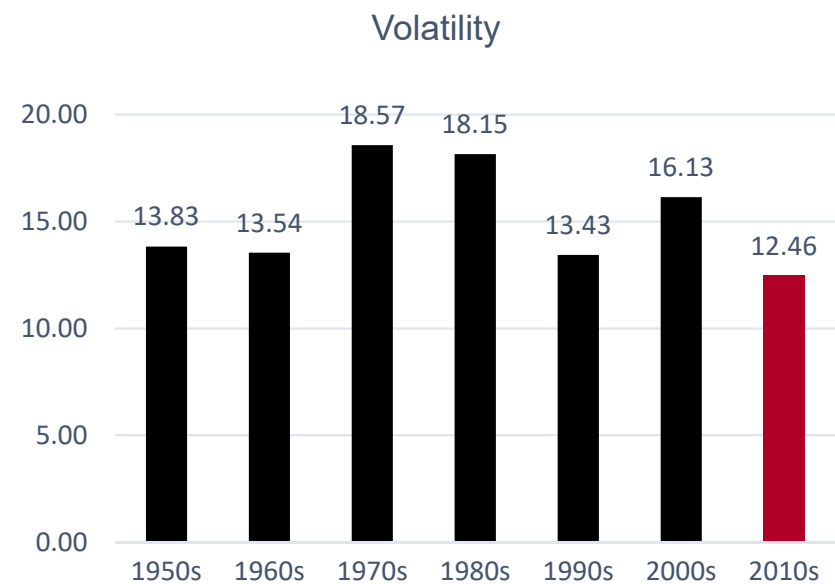
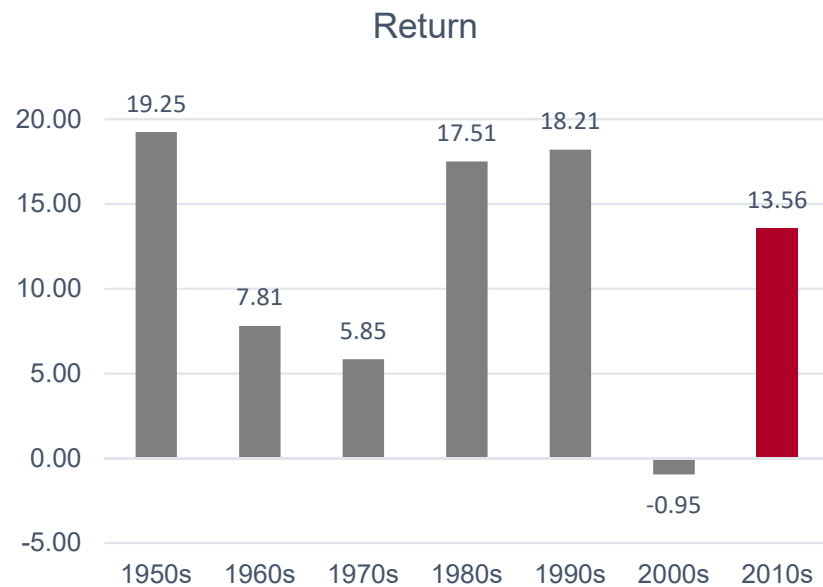
Source: Strategas (News-Based Policy Uncertainty Index)

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# The Past Decade

Over the past decade, the domestic equity market has been on a consistent upward trajectory, with little exception. However, it is not the overall return that has set the past decade apart – it is the lack of volatility that has been unparalleled.



Returns are annualized. Volatility is measured as standard deviation.  
Source: Morningstar (data)

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