

Review of the Markets

- Following the sell-off of risk assets in December 2018, these same assets soared back to start 2019. Smaller-cap stocks led the equity recovery by a wide margin. US equity prices led the global equity rebound. High-yield bonds led the recovery in the bond market.
- Investors should remember one thing from the behavior of the publicly-traded securities markets, that it is nearly impossible to time the market and to do so successfully with any consistency. Emotional decision making always leads to sub-optimal returns.
- Volatility defined the trailing one year market action. But the data show the actual trailing one-year returns approximate our longer-term return expectations. Bonds returned 3.17%. Large-cap stocks generated the normal equity premium and returned 4.68%. Small-cap stocks produced a small premium over large-cap. Non-US stocks did not perform in line with expectations as these markets had greater and dispersion within the different economy's performance.
- The potential of uncertainty in 2019 is higher. Unresolved trade tensions with China, a global growth slowdown and rising debt are events to monitor.

Our Views on Markets and Portfolios

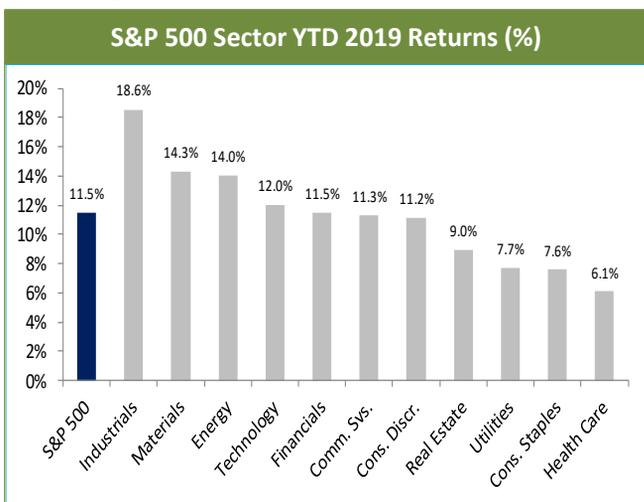
- Our view remains that future returns for both stocks and bonds will be below long-term historical averages, and volatility will be higher than normal. Success in navigating this scenario will require focus and patience.
- Global equity positions should remain in portfolios with low-cost beta exposures, with a tilt to fundamental factor and quality companies. We recommend higher quality and lower duration fixed-income holdings. Alternatives holdings continue as a mix of low cost beta and active alpha.
- Longer-term opportunities continue to exist in innovative global technologies where companies are making large capital investments. We continue to invest in ecommerce, gene therapies, AI, cleantech, 3D printing and other leading edge innovations.
- Exposures to liquid and transparent non-correlated strategies are still a sizable compliment of our broadly diversified investment strategies. We believe its most prudent to compound wealth longer-term via a thorough risk-based portfolio management approach.

Current Investment Strategy and Themes

- Equity flows still steady despite lower earnings ahead. Credit downgrades continue in less than investment grade debt.
- Global growth is slowing and potential gray swans include a central bank mis-step, U.S. – Chinese trade war & an over-inflated Collateralized Loan Obligations (CLO) market.
- We recommend positioning portfolios in a diverse mix of equity, credits & alternative investments that benefit in the later stages of the economic cycle.

Key Market Indicators					
	Bullish	Favorable	Neutral	Cautious	Bearish
	February 2019	Year to Date	Trailing 1 Year	Current View	
Equities					
U.S. Large Cap	3.21%	11.48%	4.68%	Cautious	
U.S. Small Cap	5.20%	17.03%	5.58%	Cautious	
International Developed	2.55%	9.29%	-6.04%	Neutral	
Emerging Markets Equity	0.22%	9.01%	-9.89%	Neutral	
Fixed Income					
U.S. Aggregate	-0.06%	1.00%	3.17%	Neutral	
U.S. Government	-0.26%	0.21%	3.21%	Neutral	
U.S. Corporate	0.22%	2.38%	2.72%	Neutral	
U.S. High Yield	1.66%	6.26%	4.31%	Cautious	
Non-U.S. Developed	-1.15%	0.64%	-3.42%	Cautious	
Emerging Market Debt	-1.05%	4.23%	-5.75%	Bearish	
Alternatives					
REITs	0.73%	12.56%	21.40%	Favorable	
Commodities	1.94%	7.43%	-2.80%	Cautious	
Managed Futures	-1.18%	-5.33%	-7.15%	Bearish	
Hedge Funds	0.63%	2.77%	-4.13%	Favorable	

Source: Morningstar, data as of 02/28/2019



Source: Morningstar

Important Disclosures

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Index definitions:

“U.S. Large Cap” represented by the S&P 500 Index.

“U.S. Small Cap” represented by the Russell 2000 Index.

“International” represented by the MSCI Europe, Australasia, Far East (EAFE) Net Return Index.

“Emerging” represented by the MSCI Emerging Markets Net Return Index.

“U.S. Aggregate” represented by the Bloomberg Barclays U.S. Aggregate Bond Index.

“U.S. Government” represented by the Bloomberg Barclays U.S. Government Bond Index.

“U.S. Corporate” represented by the Bloomberg Barclays U.S. Credit Bond Index.

“U.S. High Yield” represented by the Bloomberg Barclays U.S. Corporate High Yield Index.

“Non-U.S. Developed” represented by the S&P International Treasury ex U.S. Index.

“Emerging Market Debt” represented by the JP Morgan GBI-EM Global Core Index

“REITs” represented by the FTSE North American Real Estate Investment Trust (REIT) Equity REITs Index.

“Commodities” represented by the Dow Jones Commodity Index .

“Managed Futures” represented by the Credit Suisse Managed Futures Index.

“Global Macro” represented by the Credit Suisse Global Macro Index.

Direct investment in an index is not possible.

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