Monthly Update

January 2019

Current Investment Strategy and Themes

- ***Equity markets recover in January. Global growth and earnings point to a downward trend in 2019.***
- ***Global credit tightening and trade effects point to a slowdown and risks of eroding credit quality and increasing debt levels.***
- ***Structure portfolios with low cost beta exposure and quality in both equity and fixed income assets.***

Review of the Markets

- Global equity markets surged across the world in January after prices bottomed on December 22, 2018. US equity markets outperformed the international developed and emerging markets indices. The steep decline in the 4th quarter 2018, put the US equity market in a 'correction'. From the December bottom through the end of January, the S&P 500 rose 15.01%.
- Within the equity universe, markets broadened and leadership was in mid and small caps over large caps. The S&P Midcap index rose 10.64% for the month and the S&P SmallCap rose 11.25%. REITS outperformed equity indices. The various domestic and international Low and Minimum Volatility equity index strategies lagged the S&P 500 by several hundred basis points. Commodity indices also turned up sharply in January, led by petroleum and industrial metals.
- Longer dated bonds yields moved down very slightly in January to produce small positive returns across the fixed income indices. High yield bonds behaved like equities, and in January rose sharply. There were no major changes in the shape of the yield curves as they continue to be flat or inverted across various maturities. The January Federal Reserve announcement was that interest rate increases were on hold, and that they will be patient in a "solid" economy was seen as positive to equity investors.

Our Views on Markets and Portfolios

- The equity market bottomed one day before the government shutdown began, proving again that investing based on news and politics is a dangerous endeavor we avoid. Fundamentals and data drive our decision making process. We see "fair" valuations in an environment of falling earnings growth. US earnings will be slower in 2019 for many reasons. The global economy is experiencing the impact of China's trade, economic growth, and credit problems. Feeling the negative results are US commercial real estate, massive declines in Chinese corporate earnings, and global companies that operate in China.
- Despite the recovery in asset prices in January, we recommend investors remain committed a low cost, quality focused portfolio across the asset classes.

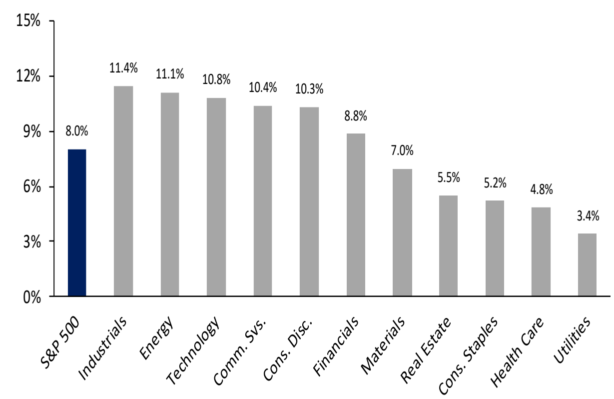
Key Market Indicators

Bullish | Favorable | Neutral | Cautious | Bearish

Equities	January 2019	Three Months	One Year	Current View
U.S. Large Cap	8.01%	0.26%	-2.31%	Cautious
U.S. Small Cap	11.25%	-0.41%	-3.52%	Cautious
International Developed	6.57%	1.27%	-12.51%	Neutral
Emerging Markets Equity	8.77%	10.24%	-14.24%	Neutral
Fixed Income				
U.S. Aggregate	1.06%	3.53%	2.25%	Neutral
U.S. Government	0.47%	3.50%	2.72%	Neutral
U.S. Corporate	2.16%	3.63%	0.94%	Neutral
U.S. High Yield	4.52%	1.40%	1.73%	Cautious
Non-U.S. Developed	1.81%	4.17%	-3.48%	Cautious
Emerging Market Debt	5.34%	9.39%	-5.82%	Bearish
Alternatives				
REITs	11.75%	7.41%	11.23%	Favorable
Commodities	5.39%	-1.74%	-6.46%	Cautious
Managed Futures	-4.20%	0.63%	-13.64%	Bearish
Hedge Funds	2.13%	-0.46%	-7.03%	Favorable

Source: Morningstar, data as of 1/31/2019

S&P 500 Sector January 2019 Returns (%)



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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