

January 13, 2020

## Retirement Funding Advisors Investment Strategies Update

### **2020 Game Plan: High Valuations & Slowing Growth Signal Caution**

Happy New Year!

Each December, Retirement Funding Advisors (RFA) evaluates the global economic environment and relative investment opportunities to create the basis for our investment strategy for the upcoming year. The purpose of this letter is to update you on the results of the 2019 strategy and to outline our strategy for 2020.

### **Global Market Overview**

2019 turned out to be a good year for the U.S. economy and an excellent year for investment returns. While economic growth slowed over the course of the year, U.S. unemployment remained close to a 50-year low, and inflation stayed slow and steady. The geopolitical risks that dominated markets for much of 2019 faded in the fourth quarter, helping global equity markets to post strong gains. Fixed income returns were boosted by accommodative global central banks.

	<i>S&amp;P 500 Index</i>	<i>Barclays U.S. Aggregate Bond Index</i>	<i>Barclays Global Aggregate Bond Index</i>	<i>MSCI EAFE (Developed Foreign Country) Index</i>	<i>MSCI Emerging Markets Index</i>	<i>MSCI All Country World Stock Index</i>
<b>Q4 2019 Returns</b>	9.07%	0.18%	0.49%	8.17%	11.84%	8.95%
<b>1 Year Returns</b>	31.49%	8.72%	6.84%	22.01%	18.44%	26.60%

In this environment, diversified investors experienced favorable returns, as illustrated by the Morningstar Allocation Category returns below:

	<i>Allocation 30%-50% Equities</i>	<i>Allocation 50%-70% Equities</i>	<i>Allocation 70%-85% Equities</i>
<b>Q4 2019 Returns</b>	3.23%	5.06%	6.11%
<b>1 Year Returns</b>	14.79%	18.89%	21.08%

### **2019 Game Plan in Review**

Entering 2019 we believed the extent of geopolitical tensions would be the greatest threat and opportunity to global corporate profits and economic expansion. In the U.S., we thought economic growth was likely to slow as the impact of fiscal stimulus faded. We believed these expectations for slowing global economic growth, stable inflation, and cautious global central banks meant global interest rates would rise only modestly from prevailing low levels. We anticipated that global bond markets would face increased volatility, creating opportunities for active managers. Overall, we expected modest returns for global equities and flat bond returns.

In this environment we recommended increasing U.S. large cap target allocations while decreasing allocations to international developed and emerging markets. We thought small companies would be the most vulnerable to pronounced economic slowdown and recommended maintaining the current allocation mix within small/midcap equities. In bond markets we emphasized actively managed portfolios, and broad diversification while maintaining a defensive underweight position in duration, with reduced and selective credit and non-U.S. currency exposure.

## The results were...

Global economic growth slowed in 2019 to 2.7%, and as the chart to the right indicates, growth has now slowed each of the last three years after peaking in 2017. World trade volume has decreased significantly as uncertainties continued with the ongoing U.S. China trade war, and the Brexit outcome remained unclear. In fact, global trade volume was lower for the year ending October 2019 than it was for the year ending October 2018.

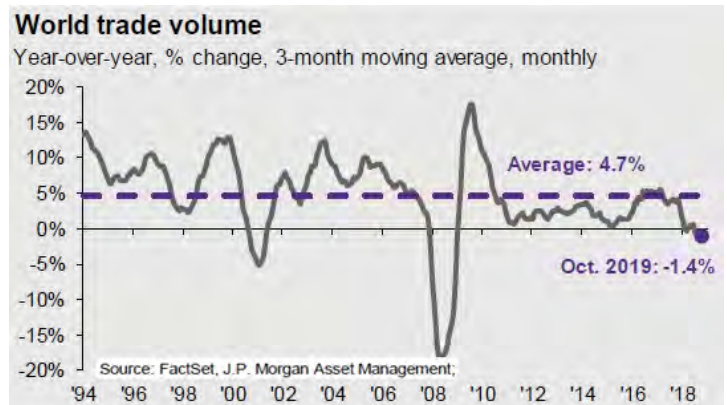
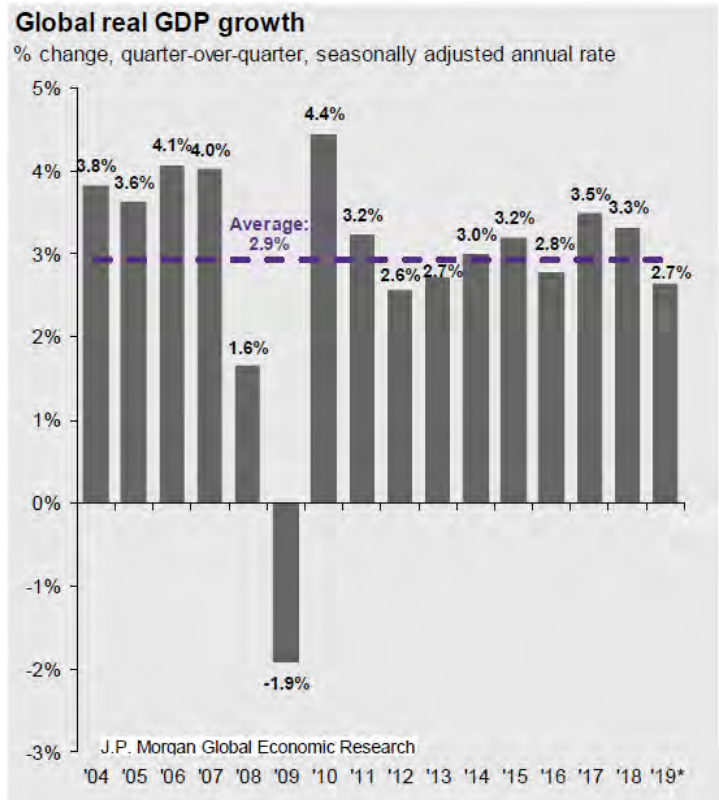
Global growth in corporate earnings fell short of expectations, and a midyear inverted yield curve created an equity market sell off in the third quarter, and a rally in the bond markets.

However, global central banks reacted to rising tariffs and slowing economic growth, and the Federal Reserve, European Central Bank and others aggressively cut interest rates in a bid to boost growth and offset the damaging effects of a global trade war. This accommodative monetary policy boosted equity returns, and prices for the S&P 500, MSCI EAFE, and MSCI Emerging Markets indices were up 31.5%, 21.9% and 18.9%, respectively. The 10-year Treasury ended the year at 1.92% vs. 2.69% a year earlier, helping fixed income to post favorable returns for the year.

## U.S. Economy and Markets

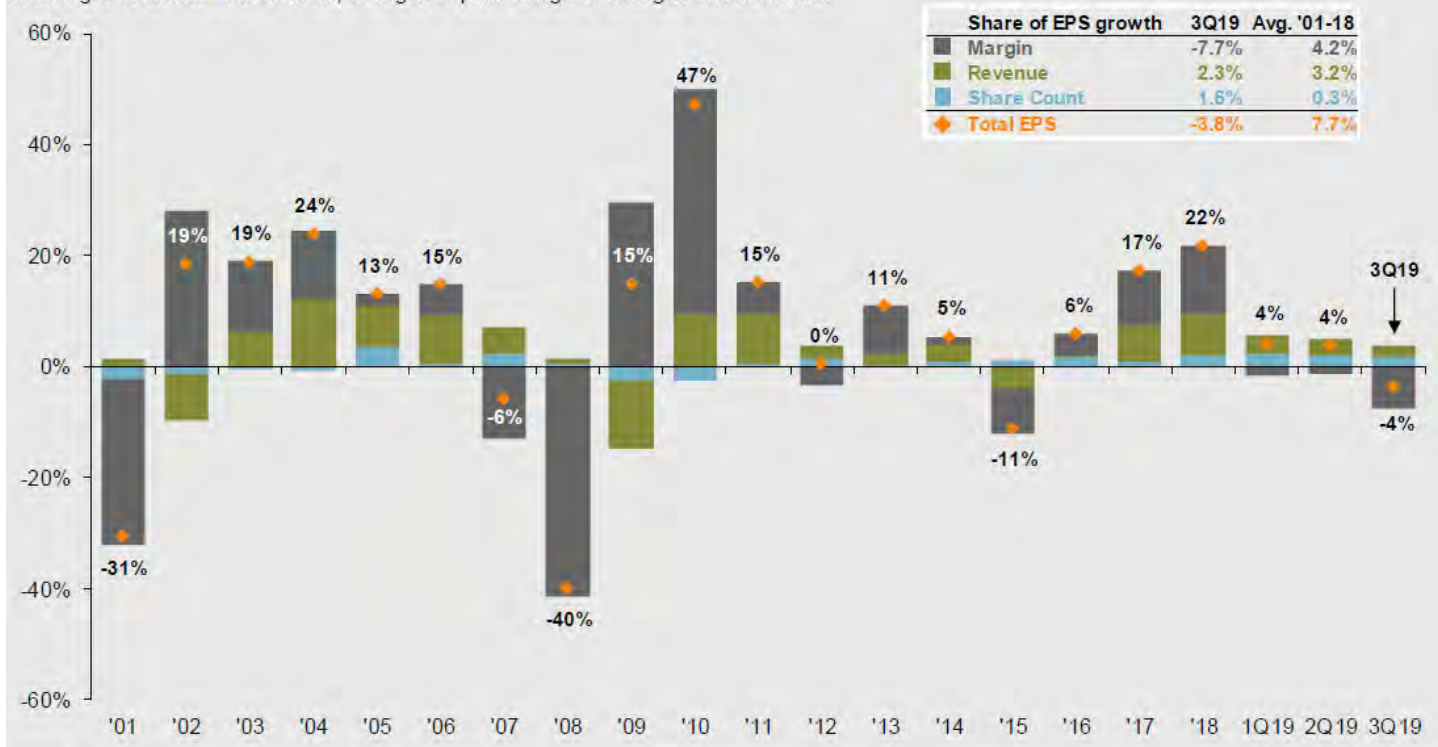
U.S. equities achieved robust gains in Q4 as trade uncertainty faded with the U.S. and China's phase one trade deal announcement, while economic data remained stable. The trade deal, which is due to be signed in mid-January, means the planned new tariffs will not be imposed. Meanwhile, U.S. tariffs imposed in September on \$120 billion of Chinese goods will be reduced by half. China has also agreed to increase purchases of U.S. goods, with agricultural produce emphasized. The reality and uncertainty of the tariff outcomes has generated a consumption tax on consumers, the threat of lower consumer spending, and less corporate capital investments. However, consumer confidence remains high with low unemployment, low interest rates, and low inflation. The U.S. 10-year yield rose from 1.66% to 1.92% during the quarter, while the two-year yield dropped from 1.62% to 1.57%, steepening the yield curve as investors took a more optimistic view on the economy.

Profit growth was extremely strong for most of 2018, but has slowed materially in 2019, and operating earnings per share declined in the third quarter. This decline was driven largely by diminished profit margins, as indicated in the chart below which shows the composition of earnings-per-share growth. Profits are expected to rebound in the fourth quarter but only achieve low single-digit growth in 2020 as margins continue to come under pressure. Margins narrowed on a year-over-year basis in the third quarter but remain elevated at 11.3%. Solid wage growth, higher input costs and any further increases in tariffs will continue to put downward pressure on margins going forward.



## S&P 500 year-over-year operating EPS growth

Annual growth broken into revenue, changes in profit margin & changes in share count



Source: Compustat, FactSet, Standard & Poor's, J.P. Morgan Asset Management. EPS levels are based on annual operating earnings per share except for 2019, which is quarterly. Percentages may not sum due to rounding. Past performance is not indicative of future returns.

## International Developed Economies and Markets

Eurozone equities advanced in the final quarter of the year as stocks were supported by improving economic data from Germany, as well as the phase one trade deal agreed by the U.S. and China. The eurozone composite purchasing managers' index was unchanged at 50.6 in December – a level that indicates the manufacturing sector is expanding but growth is slowing. Annual inflation was 1.0% in November, up from 0.7% in October but still well below the European Central Bank's target of close to 2%. Christine Lagarde took over as president of the European Central Bank, and in her first major speech urged governments to boost public investment in order to increase domestic demand in Europe. The European Central Bank maintained a negative deposit rate in 2019 and took the controversial step of relaunching its quantitative easing program in the third quarter.

## Emerging Markets Economies and Markets

Emerging market equities posted a strong gain in the fourth quarter, benefiting from an easing in geopolitical concerns. The MSCI Emerging Markets Index increased in value and outperformed the MSCI World. China posted a strong gain and outperformed in the wake of progress towards the phase one trade agreement. Against this backdrop, the stock markets in Taiwan and South Korea also outperformed. Russia and Colombia generated strong returns, benefiting from crude oil price strength as oil producing nations announced further production cuts for the first quarter of 2020. Oil price strength was a headwind for Indian equities, in addition to concerns over slowing growth.

## 2020 Game Plan: High Valuations & Slowing Growth Signal Caution

Entering 2020 we believe the extent of geopolitical tensions will continue to be the greatest threat and opportunity to global corporate profits and economic expansion. Political risks will continue to add uncertainty in the global economy. These include the trade dispute between the U.S. and China, the possibility of a disorderly Brexit, and escalated conflict between U.S. and Iran.

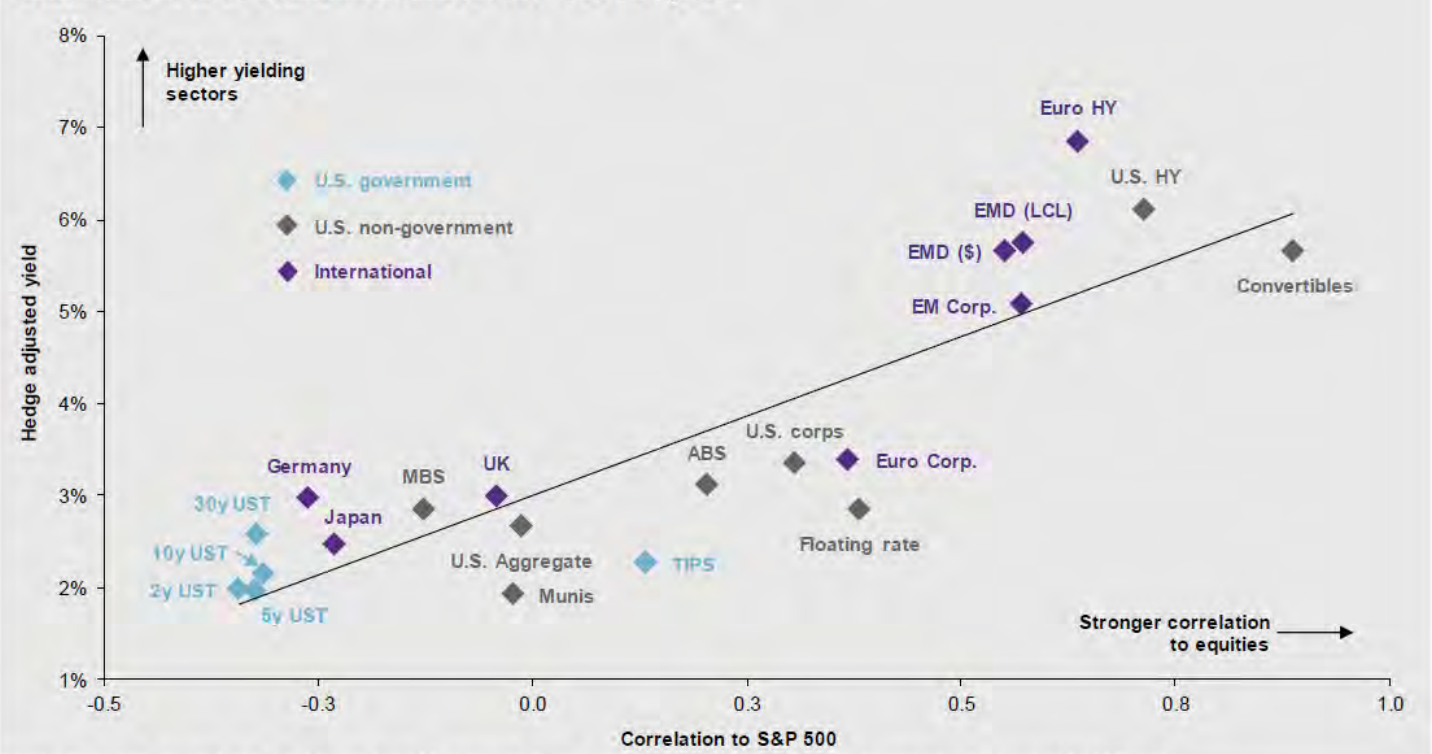
We think global economic growth will continue to slow and is projected to grow at a rate of 3.4% in 2020 (per IMF). The U.S. (2.1% projected) will continue to be the economic leader among developed nations, with Europe expected to pick up modestly from 1.2% in 2019 to 1.4% in 2020. Emerging markets growth is projected at 4.6%, with India (7.0%) leading the way, and China growth expected to fall again from 6.1% in 2019 to 5.8% in 2020.

The trade wars contributed to multiple central banks lowering interest rates, which have generated an environment of negative bond yields in many non-U.S. countries. Global monetary policy aimed at maintaining growth and averting trade tension disruptions will keep interest rates low.

We expect that corporate earnings growth will be in the single digits as profit margins continue to come under pressure, and that the global real GDP growth rate will be low. Consumer spending is likely to slow as the impact of the 2017 tax cut fades.

Within global equity markets our expectation is muted returns for U.S. equities given stretched valuations, expectations for slower economic growth, and lower projected corporate earnings growth. Emerging market equities will continue to be sensitive to currency risk and impacts from trade tensions. In Europe valuations are close to historical levels, while Japan and emerging markets are trading below historical levels.

**Correlation of fixed income sectors vs. S&P 500 and yields**



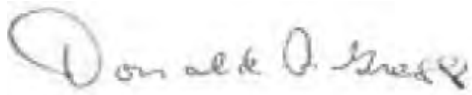
Source: Bloomberg, FactSet, ICE, J.P. Morgan Asset Management. Sectors shown above are represented by Bloomberg indices except for EMD and ABS – U.S. Aggregate; MBS: U.S. Aggregate Securitized - MBS; U.S. corps: U.S. Corporates; Munis: Muni Bond 10-year; U.S. HY: Corporate High Yield; TIPS: Treasury Inflation-Protected Securities (TIPS); Floating Rate: U.S. Floating Rate; Convertibles: U.S. Convertibles Composite; ABS: J.P. Morgan ABS Index; EMD (\$): J.P. Morgan EMBIG Diversified Index; EMD (LCL): J.P. Morgan GBI EM Global Diversified Index; EM Corp.: J.P. Morgan CEMBI Broad Diversified Index; Euro Corp.: Euro Aggregate Corporate Index; Euro HY: Pan-European High Yield Index. Convertibles yield is based on the U.S. portion of the Bloomberg Barclays Global Convertibles. Country yields are represented by the global aggregate for each country. Yield and return information based on bellwethers for Treasury securities. Correlations are based on 15-years of monthly returns for all sectors. International fixed income sector correlations are in hedged U.S. dollar returns except EMD local index. Yields for all indices are hedged using three-month LIBOR rates between the U.S. and international LIBOR and are a 12-month average.

In this environment we recommend maintaining a broad global diversification while monitoring geopolitical developments. Within fixed income holdings we recommend reducing allocations to funds with above average credit, liquidity and currency risks, while increasing duration and overall credit quality. Core fixed income holdings provide critical diversification to offset the risk of an equity market correction. As the chart above illustrates, many fixed income sectors have very low, or even negative, correlations to U.S. equity returns.

In summary, 2020 offers both challenges and opportunities in the global stock and bond markets. With this in mind, investors should be positioned for any cash requirements over the next twelve months.

As always, I will continue to recognize your individual circumstances in recommendations designed for your portfolio.

Please feel free to call me with any questions that you may have.

A handwritten signature in dark ink that reads "Donald I. Gregg". The signature is written in a cursive style with a large initial "D".

Sincerely,  
Donald I. Gregg  
President  
Retirement Funding Advisors

## 2019 RFA GAME PLAN IN REVIEW: RESPONDING TO TEMPERED EXPECTATIONS

	We thought...	We recommended.	And the results were...
<b>Economies</b>	<ul style="list-style-type: none"> <li>Global economic growth shows signs of slowing, and is projected to grow at a rate of 3.7% (per IMF). The U.S. (2.5% projected) continues to be the economic leader among developed nations, with Europe expected to slow from 2.2% in 2018 to 2.0% in 2019. Emerging markets growth is projected at 4.7%, with India (7.4%) leading the way, and China growth expected to fall from 6.6% in 2018 to 6.2% in 2019.</li> <li>Global Purchasing Managers' Index data show that most global economies are still in expansion mode, with a few notable exceptions such as Italy, Taiwan and Korea.</li> <li>The Trump led direction for changes in our trade agreements and tariffs, as well as implementation of sanctions has created additional uncertainty, lower earnings and lower revenue expectations.</li> </ul>	<ul style="list-style-type: none"> <li>Monitor economic and market impact of evolving global monetary and fiscal policies.</li> <li>Monitor global economic trends and geopolitical developments.</li> </ul>	<ul style="list-style-type: none"> <li>Global growth slowed to 2.7% in 2019.</li> <li>Global Purchasing Manufactures indices for manufacturing and services showed declines.</li> <li>World trade volume decreased.</li> </ul>
<b>Politics</b>	<ul style="list-style-type: none"> <li>Political risks are adding to uncertainty in the global economy. These include the trade dispute between the U.S. and China, the possibility of a disorderly Brexit in March, and renewed fiscal conflict between Italy's populist government and European Union (EU) officials.</li> </ul>	<ul style="list-style-type: none"> <li>Maintain a broad global diversification.</li> <li>Monitor global geopolitical developments.</li> </ul>	<ul style="list-style-type: none"> <li>Uncertainties continued with the ongoing U.S. and China trade war, the Brexit outcome still unclear, the USMCA was not signed, and President Trump was impeached.</li> </ul>
<b>Bond Markets</b>	<ul style="list-style-type: none"> <li>The Federal Reserve has softened its plans to increase the discount rate twice in 2019, while continuing to reduce the size of its balance sheet.</li> <li>Weakening growth momentum and low inflation readings will deter the European Central Bank (ECB) from raising short term interest rates in 2019.</li> <li>ECB has ended quantitative easing program, but has pledged to maintain its balance sheet size by reinvesting the proceeds of bonds bought under the stimulus program.</li> <li>Current yields provide little opportunity for pricing gains other than through currencies.</li> </ul>	<ul style="list-style-type: none"> <li>Emphasize actively managed portfolios.</li> <li>Broad diversification by maintaining a defensive underweight position in duration, with reduced and selective credit and non U.S. currency exposure.</li> </ul>	<ul style="list-style-type: none"> <li>The Federal Reserve lowered the Fed funds rate three times in 2019.</li> <li>European Central Bank, Bank of England and Japan remained accommodative in 2019.</li> <li>A midyear inverted yield curve created an equity market sell off in the third quarter, and a rally in the bond markets.</li> <li>The 10 year Treasury ended the year at 1.92% vs. 2.69% a year earlier.</li> </ul>
<b>Stock Markets</b>	<ul style="list-style-type: none"> <li>For 2018, analysts are projecting earnings growth of 23.1%, 6.0%, and 11.9% for S&amp;P 500, MSCI EAFE, and MSCI Emerging Markets respectively. For 2019, analysts are projecting earnings growth of 7.4%, 6.2%, and 9.0% for S&amp;P 500, MSCI EAFE, and MSCI Emerging Markets, respectively.</li> <li>For 2018, analysts are projecting revenue growth of 8.9%, 4.8%, and 11.5% for S&amp;P 500, MSCI EAFE, and MSCI Emerging Markets respectively. For 2019, analysts are projecting revenue growth of 5.2%, 2.9%, and 7.2% for S&amp;P 500, MSCI EAFE, and MSCI Emerging Markets, respectively.</li> <li>The forward price earnings ratios for the S&amp;P 500, MSCI EAFE and MSCI Emerging Markets are 14.4, 11.7 and 10.4, respectively.</li> <li>The U.S. stock market has shown sensitivity to the possibility that Federal Reserve actions may accelerate economic slowdown.</li> <li>Market volatility late in 2018 brought equity valuations closer to long-run averages.</li> </ul>	<ul style="list-style-type: none"> <li>Maintain a broad global stock mix emphasizing diversification at the sector level.</li> <li>Emphasize actively managed portfolios.</li> </ul>	<ul style="list-style-type: none"> <li>Global growth in corporate earnings fell short of expectations.</li> <li>Global valuations were extended as stock prices rallied.</li> <li>Investment sentiment tracked expectations of a trade deal between U.S. and China.</li> <li>Stocks prices for the S&amp;P 500, MSCI EAFE, and MSCI emerging markets indices were up 31.5%, 21.9% and 18.9%, respectively.</li> </ul>
<b>Large vs. Small</b>	<ul style="list-style-type: none"> <li>Large multi-national corporations are more vulnerable to trade tensions and currency risk weighing on earnings.</li> </ul>	<ul style="list-style-type: none"> <li>Maintain allocations to small/midcap equities.</li> </ul>	<ul style="list-style-type: none"> <li>U.S. large cap stocks continued to outperform small cap and mid cap stocks.</li> </ul>
<b>Domestic vs. Foreign</b>	<ul style="list-style-type: none"> <li>Emerging equities are vulnerable to currency risk and impacts from trade tensions.</li> <li>International developed economies have struggled to maintain momentum, and slowing growth could become a headwind for corporate earnings.</li> </ul>	<ul style="list-style-type: none"> <li>Increase the U.S. large cap allocations while decreasing allocation to international developed and emerging markets.</li> </ul>	<ul style="list-style-type: none"> <li>The U.S. and China trade war was detrimental to the emerging markets.</li> </ul>

## 2020 RFA GAME PLAN: HIGH VALUATIONS & SLOWING GROWTH SIGNAL CAUTION

	We think...	We recommend...	We expect...
<b>Economies</b>	<ul style="list-style-type: none"> <li>Global economic growth will continue to slow and is projected to grow at a rate of 3.4% in 2020 (per IMF). The U.S. (2.1% projected) will continue to be the economic leader among developed nations, with Europe expected to pick up modestly from 1.2% in 2019 to 1.4% in 2020. Emerging markets growth is projected at 4.6%, with India (7.0%) leading the way, and China growth expected to fall again from 6.1% in 2019 to 5.8% in 2020.</li> <li>The trade wars contributed to multiple Central Banks lowering interest rates, which have generated an environment of negative bond yields in many non-U.S. countries.</li> <li>The reality and uncertainty of the tariff outcomes has generated a consumption tax on consumers, causing the threat of lower consumer spending, and less corporate capital investments. However, consumer confidence remains high with low unemployment, low interest rates and low inflation.</li> </ul>	<ul style="list-style-type: none"> <li>Monitor economic and market impact of evolving global monetary and fiscal policies.</li> <li>Monitor global economic trends and geopolitical developments.</li> </ul>	<ul style="list-style-type: none"> <li>Corporate earnings growth rates will be moderate (single digit) as profit margins continue to come under pressure.</li> <li>Global real GDP growth rates will be low.</li> <li>Consumer spending is likely to slow as the impact of the 2017 tax cut fades.</li> <li>The possibility of an extended interest rate inversion in the U.S. will keep the Federal Reserve on watch for further rate cuts to extend the current economic expansion cycle.</li> </ul>
<b>Politics</b>	<ul style="list-style-type: none"> <li>Political risks will continue to add uncertainty in the global economy. These include the trade dispute between the U.S. and China, the possibility of a disorderly Brexit, and escalated conflict between U.S. and Iran.</li> </ul>	<ul style="list-style-type: none"> <li>Maintain a broad global diversification while monitoring geopolitical developments.</li> </ul>	<ul style="list-style-type: none"> <li>Geopolitical tensions will continue and risks could be persistent and significant.</li> <li>In the U.S., 2020 elections will begin to dominate the political landscape.</li> </ul>
<b>Bond Markets</b>	<ul style="list-style-type: none"> <li>The general direction is central banks keeping rates lower for longer.</li> <li>The Federal Reserve reversed course and lowered the discount rate three times in 2019 in response to low inflation, economic weakness overseas and rising trade tensions.</li> <li>The European Central Bank maintained a negative deposit rate in 2019 and took the controversial step of relaunching its quantitative easing program in the third quarter.</li> <li>The Bank of China cut reserve requirements and signaled continued action in 2020 to reduce borrowing costs for companies.</li> </ul>	<ul style="list-style-type: none"> <li>Reduce allocations to funds with above average credit, liquidity and currency risks, while increasing duration and overall credit quality.</li> </ul>	<ul style="list-style-type: none"> <li>Global monetary policy aimed at maintaining growth and averting trade tension disruptions will keep interest rates low.</li> <li>Current yields provide little opportunity for pricing gains other than through currencies.</li> <li>Increased duration and higher credit quality will serve as protection from negative surprises.</li> </ul>
<b>Stock Markets</b>	<ul style="list-style-type: none"> <li>For 2020, the growth in U.S. corporate earnings will continue to slow to low to mid single digits as profit margins fall.</li> <li>Greater economic stability should increase international earnings expectations.</li> <li>Valuations favor international stocks.</li> <li>The forward price earnings ratios for the S&amp;P 500, MSCI EAFE and MSCI emerging markets are 18.4, 14.7 and 12.8, respectively.</li> </ul>	<ul style="list-style-type: none"> <li>Maintain a broad global stock mix emphasizing diversification at the sector level.</li> <li>Emphasize actively managed portfolios.</li> </ul>	<ul style="list-style-type: none"> <li>Extent of geopolitical tensions will continue to be the greatest threat and opportunity to global corporate profits and economic expansion.</li> </ul>
<b>Large vs. Small</b>	<ul style="list-style-type: none"> <li>Equity valuations favor small and mid-cap stocks over large cap stocks.</li> <li>Small and mid-cap companies are less vulnerable to trade war disruptions.</li> </ul>	<ul style="list-style-type: none"> <li>Broaden U.S. stock diversification with increased allocation to mid-cap funds.</li> </ul>	<ul style="list-style-type: none"> <li>Muted returns for U.S. equities given stretched valuations, expectations for slower economic growth, and lower projected corporate earnings growth.</li> </ul>
<b>Domestic vs. Foreign</b>	<ul style="list-style-type: none"> <li>Emerging market equities will continue to be sensitive to currency risk and trade war tensions.</li> <li>Valuations for Europe are close to historical levels, while Japan and emerging markets are trading below historical levels.</li> </ul>	<ul style="list-style-type: none"> <li>Reduce moderately the current overweight in emerging markets.</li> </ul>	<ul style="list-style-type: none"> <li>Extent of geopolitical tensions will be the greatest threat and opportunity to global corporate profits and economic expansion.</li> </ul>

## Retirement Funding Advisors

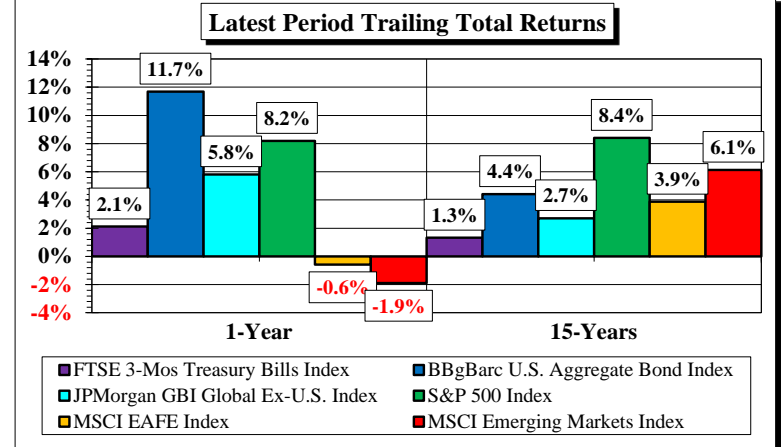
# THE (CAPITAL) MARKETS ENVIRONMENT

For the Periods Ending February 29, 2020

*“And this, too, shall pass away” – Abraham Lincoln (1859)*

Stock Market Index Statistics	Trail. 12M P/E Ratio	Fwd. 12M P/E Ratio	Fwd. 12M EPS Grw.	Dividend Yield
S&P 500 Index	20.5x	17.6x	9.4%	2.1%
MSCI EAFE Index	14.6x	13.3x	10.0%	3.6%
MSCI EM Index	14.0x	11.8x	19.3%	2.8%

*Source: S&P Dow Jones Indices, LLC and MSCI, Inc.*



Capital Market Index / Morningstar Category	25 years	YTD	1 Mon.	3 Mos.	1 Yr.	3 Yrs.	5 Yrs.	7 Yrs.	10 Yrs.	15 Yrs.	20 Yrs.
U.S. Consumer Price Index (Inflation)	2.2%	0.2%	0.1%	0.4%	2.2%	2.1%	2.0%	1.6%	1.8%	2.0%	2.1%
FTSE 3-Month Treasury Bills Index (Cash)	2.4%	0.3%	0.1%	0.4%	2.1%	1.7%	1.1%	0.8%	0.6%	1.3%	1.7%
Bloomberg Barclays U.S. Aggregate Bond Index (Bonds)	5.5%	3.8%	1.8%	3.7%	11.7%	5.0%	3.6%	3.3%	3.9%	4.4%	5.2%
JPMorgan Government Bond Index Global Ex-U.S. (Bonds)	4.4%	1.2%	0.0%	2.0%	5.8%	4.2%	2.7%	1.0%	1.6%	2.7%	4.4%
S&P 500 Index (Large-Cap Stocks)	9.6%	-8.3%	-8.2%	-5.5%	8.2%	9.9%	9.2%	12.3%	12.7%	8.4%	6.0%
S&P MidCap 400 Index (Mid-Cap Stocks)	11.2%	-11.9%	-9.5%	-9.4%	-3.4%	3.3%	5.5%	9.1%	11.1%	8.5%	8.6%
Russell 2000 Index (Small-Cap Stocks)	8.7%	-11.4%	-8.4%	-8.8%	-4.9%	3.5%	5.1%	8.6%	10.4%	7.2%	6.2%
MSCI EAFE Index (Intl. Stocks - Developed Mkts.)	4.8%	-10.9%	-9.0%	-8.1%	-0.6%	3.9%	2.0%	4.0%	4.8%	3.9%	2.9%
MSCI Emerging Markets Index (Intl. Stocks - Undeveloped Mkts.)	N/A	-9.7%	-5.3%	-3.0%	-1.9%	4.9%	2.7%	1.8%	3.2%	6.1%	N/A
Morningstar Allocation--15% to 30% Equity	5.1%	-0.9%	-1.6%	0.2%	5.8%	3.6%	2.9%	3.2%	4.2%	3.8%	4.2%
Morningstar Allocation--30% to 50% Equity	5.5%	-3.1%	-3.2%	-1.6%	5.1%	4.1%	3.5%	4.0%	5.0%	4.3%	4.1%
Morningstar Allocation--50% to 70% Equity	6.5%	-5.0%	-4.8%	-3.1%	4.9%	5.1%	4.3%	6.0%	6.9%	5.2%	4.5%
Morningstar Allocation--70% to 85% Equity	6.8%	-7.1%	-6.2%	-4.9%	2.9%	5.0%	4.2%	6.4%	7.3%	5.5%	4.3%
Morningstar Allocation--85% + Equity	7.5%	-8.7%	-7.5%	-6.2%	2.2%	5.5%	4.8%	7.5%	8.5%	5.9%	4.8%
Morningstar Nontraditional Bond	N/A	-0.4%	-0.7%	0.7%	3.7%	2.7%	2.2%	1.8%	2.4%	2.6%	3.1%
Morningstar Muni National Intermediate Bond	4.2%	2.9%	1.2%	3.2%	8.4%	4.6%	3.3%	2.9%	3.5%	3.6%	4.1%
Morningstar Intermediate Core Bond	5.0%	3.4%	1.5%	3.3%	10.4%	4.6%	3.3%	3.0%	3.9%	4.0%	4.6%
Morningstar Intermediate Core-Plus Bond	5.6%	3.0%	1.2%	3.1%	10.3%	4.7%	3.5%	3.3%	4.3%	4.5%	5.2%
Morningstar Multisector Bond	5.7%	0.7%	-0.3%	1.6%	7.1%	4.2%	3.6%	3.4%	4.8%	4.6%	5.2%
Morningstar World Bond	5.0%	0.4%	-0.3%	1.6%	5.4%	3.6%	2.3%	1.7%	2.7%	3.3%	4.5%
Morningstar Large Value	7.8%	-12.1%	-9.5%	-9.7%	-0.8%	3.8%	4.8%	8.2%	9.1%	5.8%	5.9%
Morningstar Large Blend	8.0%	-8.7%	-8.2%	-6.3%	5.3%	7.9%	7.0%	10.1%	10.5%	7.0%	4.7%
Morningstar Large Growth	8.7%	-4.8%	-6.5%	-2.4%	10.7%	13.4%	9.9%	12.9%	12.5%	8.5%	4.0%
Morningstar Mid-Cap Value	9.2%	-13.0%	-9.9%	-10.6%	-4.6%	1.1%	3.2%	7.3%	9.0%	6.5%	8.0%
Morningstar Mid-Cap Blend	9.2%	-10.8%	-9.0%	-8.7%	-1.7%	3.4%	3.9%	7.7%	9.4%	6.7%	6.4%
Morningstar Mid-Cap Growth	9.2%	-5.6%	-6.6%	-4.1%	6.7%	10.9%	7.8%	10.8%	11.5%	8.1%	4.2%
Morningstar Small Value	9.0%	-15.3%	-10.2%	-12.4%	-11.3%	-2.1%	1.9%	5.4%	7.9%	5.5%	8.0%
Morningstar Small Growth	9.3%	-7.1%	-6.9%	-5.4%	0.2%	9.1%	7.1%	10.3%	11.4%	7.5%	4.5%
Morningstar Foreign Large Value	4.9%	-11.6%	-8.4%	-8.3%	-4.5%	1.3%	0.3%	2.6%	3.4%	2.7%	3.2%
Morningstar Foreign Large Growth	5.5%	-7.6%	-6.1%	-4.2%	6.8%	8.1%	4.4%	5.4%	6.2%	5.1%	2.2%
Morningstar Diversified Emerging Mkts	6.0%	-9.2%	-5.0%	-3.3%	-0.7%	4.1%	2.1%	1.2%	2.7%	5.2%	5.1%



### R.F.A. Mathematics of Investing Fact

**-20%/+25%** - An initial investment of \$10,000 that falls to \$8,000 is a mathematical loss of **-20%**. To gain back your original \$10,000 investment from \$8,000 requires not a return of +20% but **+25%**. Given this mathematical principal, prudent Investment Advisors hue to the edict of being the ‘tortoise’ rather than the ‘hare’. Or, in a different vernacular, provide Clients upside participation but with moreover downside protection.

<b>Capital Market Index / Morningstar Category</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
U.S. Consumer Price Index ( <i>Inflation</i> )	2.2%	2.1%	2.2%	2.0%	0.7%	0.7%	1.4%	1.8%	3.0%	1.4%	2.8%	-0.1%
FTSE 3-Month Treasury Bills Index ( <i>Cash</i> )	2.3%	1.9%	0.8%	0.3%	0.0%	0.0%	0.1%	0.1%	0.1%	0.1%	0.2%	1.8%
Bloomberg Barclays U.S. Aggregate Bond Index ( <i>Bonds</i> )	8.7%	0.0%	3.5%	2.7%	0.6%	6.0%	-2.0%	4.2%	7.8%	6.5%	5.9%	5.2%
JPMorgan Government Bond Index Global Ex-U.S. ( <i>Bonds</i> )	5.2%	-1.7%	9.9%	1.9%	-4.8%	-2.5%	-5.1%	0.8%	5.9%	6.8%	3.9%	11.4%
S&P 500 Index ( <i>Large-Cap Stocks</i> )	31.5%	-4.4%	21.8%	12.0%	1.4%	13.7%	32.4%	16.0%	2.1%	15.1%	26.5%	-37.0%
S&P MidCap 400 Index ( <i>Mid-Cap Stocks</i> )	26.2%	-11.1%	16.2%	20.7%	-2.2%	9.8%	33.5%	17.9%	-1.7%	26.6%	37.4%	-36.2%
Russell 2000 Index ( <i>Small-Cap Stocks</i> )	25.5%	-11.0%	14.7%	21.3%	-4.4%	4.9%	38.8%	16.4%	-4.2%	26.9%	27.2%	-33.8%
MSCIEAFE Index ( <i>Intl. Stocks - Developed Mkts.</i> )	22.0%	-13.8%	25.0%	1.0%	-0.8%	-4.9%	22.8%	17.3%	-12.1%	7.8%	31.8%	-43.4%
MSCI Emerging Markets Index ( <i>Intl. Stocks - Undeveloped Mkts.</i> )	18.4%	-14.6%	37.3%	11.2%	-14.9%	-2.2%	-2.6%	18.2%	-18.4%	18.9%	78.5%	-53.3%
Morningstar Allocation--15% to 30% Equity	10.9%	-3.1%	6.5%	5.7%	-2.1%	3.4%	4.0%	8.3%	1.8%	9.6%	19.2%	-16.3%
Morningstar Allocation--30% to 50% Equity	14.8%	-5.0%	9.6%	6.7%	-2.4%	3.9%	7.1%	9.2%	1.7%	10.0%	20.4%	-18.9%
Morningstar Allocation--50% to 70% Equity	18.9%	-5.9%	13.2%	7.4%	-2.0%	5.8%	16.1%	11.9%	-0.4%	11.7%	24.0%	-28.2%
Morningstar Allocation--70% to 85% Equity	21.1%	-7.8%	16.2%	7.8%	-2.7%	5.6%	20.9%	13.4%	-3.4%	13.4%	29.3%	-34.4%
Morningstar Allocation--85% + Equity	24.5%	-9.2%	19.7%	7.9%	-1.8%	5.5%	26.7%	15.4%	-4.2%	14.8%	30.1%	-38.5%
Morningstar Nontraditional Bond	6.7%	-1.2%	4.3%	4.7%	-1.5%	0.9%	0.4%	7.0%	-0.9%	5.6%	19.0%	-14.2%
Morningstar Muni National Intermediate Bond	6.8%	0.8%	4.5%	-0.2%	2.5%	6.3%	-2.3%	5.6%	8.4%	2.2%	12.5%	-2.7%
Morningstar Intermediate Core Bond	8.3%	-0.5%	3.8%	3.2%	-0.3%	5.1%	-1.4%	6.9%	5.8%	7.7%	13.5%	-5.1%
Morningstar Intermediate Core-Plus Bond	8.9%	-0.6%	4.3%	3.9%	-0.4%	5.4%	-0.9%	7.8%	6.3%	8.6%	15.0%	-4.0%
Morningstar Multisector Bond	9.7%	-1.6%	6.1%	7.1%	-2.0%	3.4%	2.2%	11.6%	2.9%	10.6%	25.7%	-15.0%
Morningstar World Bond	6.8%	-1.4%	6.9%	3.8%	-4.1%	1.7%	-2.9%	7.8%	3.3%	6.8%	13.6%	-2.2%
Morningstar Large Value	25.0%	-8.6%	16.1%	14.6%	-4.1%	10.2%	31.2%	14.6%	-0.8%	13.6%	24.3%	-37.4%
Morningstar Large Blend	28.6%	-6.2%	20.5%	10.1%	-1.5%	10.7%	31.3%	14.9%	-1.4%	14.2%	28.2%	-37.9%
Morningstar Large Growth	31.7%	-2.2%	27.8%	3.2%	3.6%	10.1%	33.9%	15.2%	-2.6%	15.4%	35.2%	-40.9%
Morningstar Mid-Cap Value	24.8%	-12.9%	13.6%	17.6%	-5.2%	9.3%	34.9%	16.5%	-3.9%	22.0%	34.1%	-37.0%
Morningstar Mid-Cap Blend	25.9%	-11.3%	15.9%	13.7%	-4.5%	7.8%	34.4%	15.9%	-4.1%	22.7%	37.5%	-39.7%
Morningstar Mid-Cap Growth	32.3%	-6.7%	24.5%	5.7%	-1.0%	6.9%	34.8%	14.0%	-4.2%	24.8%	38.9%	-43.9%
Morningstar Small Value	21.2%	-15.4%	9.1%	25.7%	-7.0%	3.3%	36.2%	16.0%	-4.3%	25.7%	29.9%	-32.5%
Morningstar Small Growth	27.7%	-6.0%	21.8%	11.0%	-2.5%	2.6%	40.8%	13.2%	-3.6%	27.0%	35.1%	-41.8%
Morningstar Foreign Large Value	18.0%	-15.4%	22.4%	3.1%	-3.3%	-6.1%	21.0%	16.5%	-12.9%	7.4%	29.9%	-42.5%
Morningstar Foreign Large Growth	27.9%	-14.2%	31.3%	-2.6%	1.1%	-4.0%	17.9%	18.1%	-12.6%	14.2%	39.2%	-46.8%
Morningstar Diversified Emerging Mkts	19.1%	-16.1%	34.7%	8.1%	-13.7%	-3.0%	-0.7%	18.1%	-19.6%	18.6%	73.4%	-54.7%

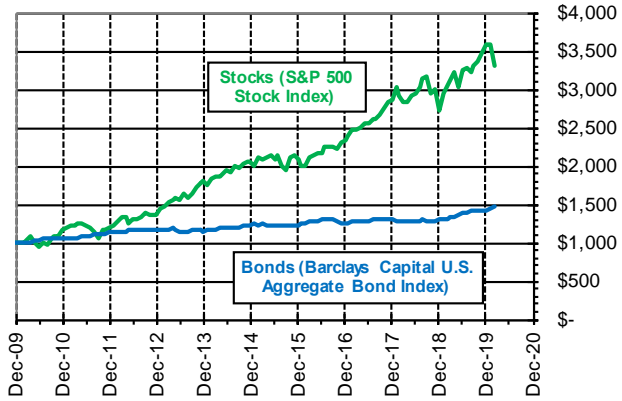
Note: Periods longer than 1-year are average annualized rates of total return. Source: Morningstar™ and Zephyr StyleADVISOR™.

### R.F.A. Bond Market Fact

**...except nearly 2018, 2013, 1999, and 1994** – In the past 20 calendar years, the domestic bond market has never posted a negative total return...**except nearly 2018, 2013, 1999, and 1994**. In a normal interest rate cycle, bonds can be the ‘buoyant life-jackets’ to a diversified asset allocation portfolio. Generally, Bonds provide long-term total returns lower than Stocks, but their fundamental structure and priority along the capital structure provide diversification benefits. **Note that for 2018, the total return for the domestic bond market was 0.0%; but up until 4<sup>th</sup> quarter it had a negative -1.6% year-to-date total return.**

### Stocks vs. Bonds

1

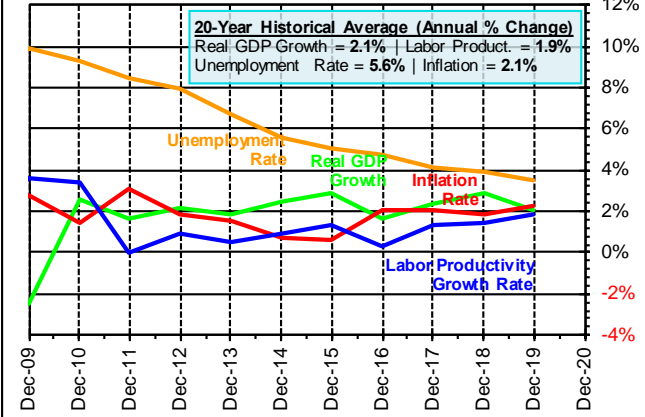


## MARKET BAROMETER

### February 28, 2020

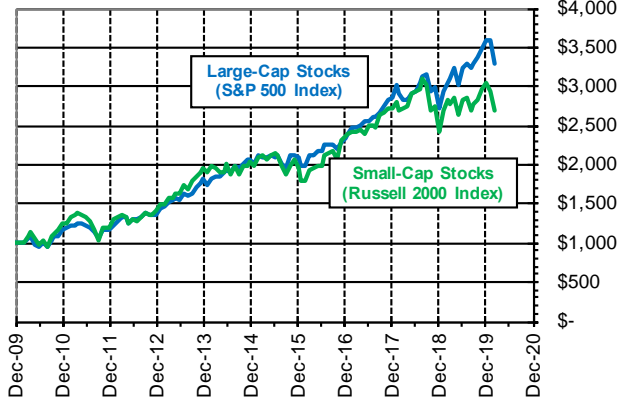
### The Economy - Select Statistics

6



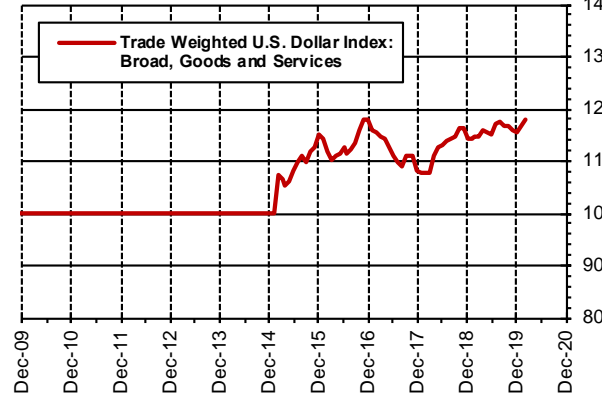
### Stocks - Large-Caps vs. Small-Caps

2



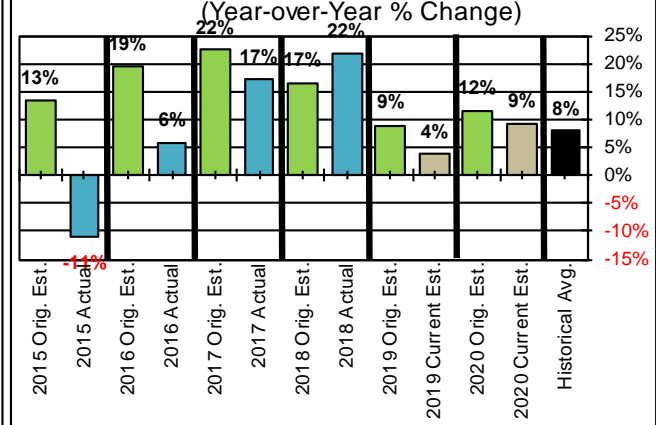
### Currencies Effect on Investing

4



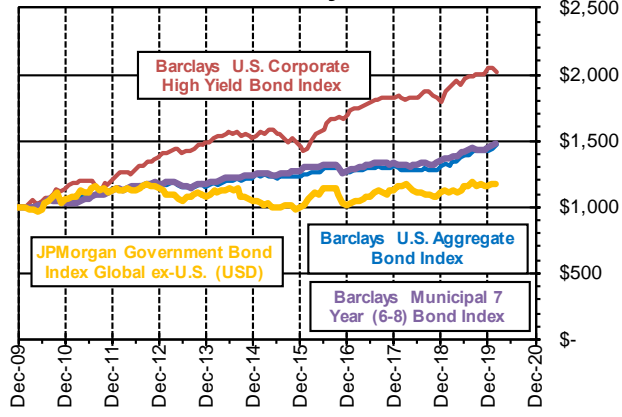
### Corporate Earnings (S&P 500 Index)

7



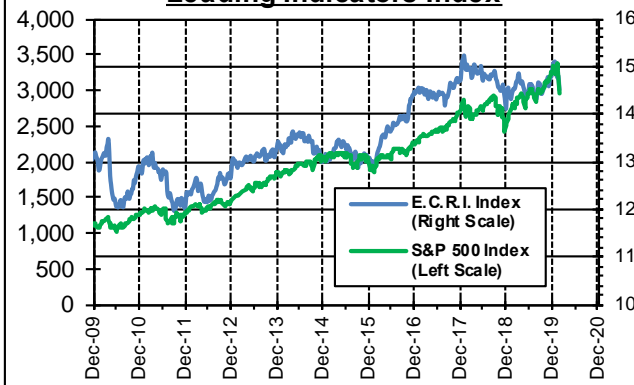
### Bond Market - By Sector Class

3



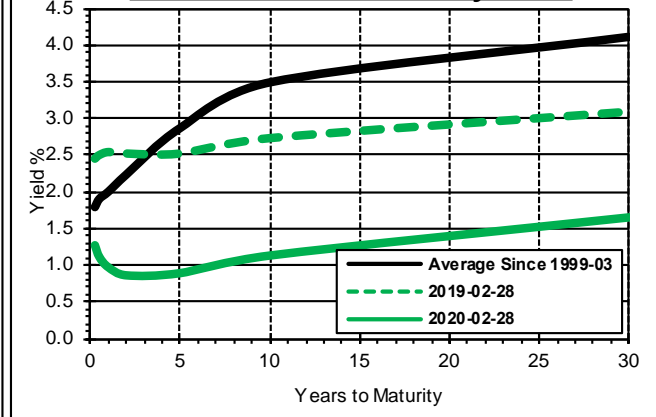
### E.C.R.I. U.S. Weekly Leading Indicators Index

5



### The Yield Curve - Treasury Rates

8



## SELECT MACRO ECONOMIC & CAPITAL MARKET STATISTICS

Statistic	2017	2018	2019	2020 Est.
CPI Rate (Inflation) <sup>1</sup>	2.1%	1.9%	2.3%	1.6%
Real GDP Growth Rate <sup>1</sup>	2.4%	2.9%	2.3%	1.2%
S&P 500 Earnings/Share <sup>2</sup>	\$124.52	\$151.60	\$157.31	\$172.01
<b>S&amp;P 500 Earnings Growth</b>	<b>17.2%</b>	<b>21.7%</b>	<b>3.8%</b>	<b>9.3%</b>
<b>S&amp;P 500 P/E Ratio<sup>2</sup></b>	<b>21.5x</b>	<b>16.5x</b>	<b>20.5x</b>	<b>17.6x</b>
<b>S&amp;P 500 Total Return</b>	<b>21.8%</b>	<b>-4.4%</b>	<b>31.5%</b>	<b>YTD -8.3%</b>

*Note: Figures in (parenthesis) represent previous month figure.*

### BAROMETER DEFINITIONS:

**S & P 500 Index (Stocks)** Widely regarded as the best single gauge of the U.S. equities market, this world-renowned index includes 500 leading companies in leading industries of the U.S. economy. The index is maintained by the S&P Index

**Barclays Capital U.S. Aggregate Bond Index (Bonds)** Committee, whose members include S&P's economists and index analysts. They follow a set of published guidelines and policies that provide transparent methodologies used to maintain the index. The Barclays Capital U.S. Aggregate Bond Index is a broad-based bond benchmark index that measures U.S. dollar-denominated investment grade taxable bonds including Treasury, Government-Related, Corporate, Mortgage-Backed, Asset-

**Russell 1000 Index (Large-Cap Stocks)** The Russell 1000 Index offers investors access to the extensive large-cap segment of the U.S. equity universe representing approximately 92% of the U.S. market. The Russell 1000 is constructed to provide a comprehensive and unbiased barometer for the large-cap segment and is reconstituted annually to ensure new and growing equities are reflected.

**Russell 2000 Index (Small-Cap Stocks)** The Russell 2000 Index offers investors access to the small-cap segment of the U.S. equity universe. The Russell 2000 is constructed to provide a comprehensive and unbiased small-cap barometer and is reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set.

**Russell 1000 Value Index (Value Investing)** The Russell 1000 Value Index offers investors access to the large-cap value segment of the U.S. equity universe. The Russell 1000 Value is constructed to provide a comprehensive and unbiased barometer of the large-cap value market.

**Russell 1000 Growth Index (Growth Investing)** The Russell 1000 Growth Index offers investors access to the large-cap growth segment of the U.S. equity universe. The Russell 1000 Growth is constructed to provide a comprehensive and unbiased barometer of the large-cap growth market.

**Trade Weighted Dollar Index (Broad)**<sup>5</sup> The Trade Weighted Dollar Index is an economic instrument used by economies to compare their exchange rate against those of trading partners. Those trading partners that constitute a larger portion of an economy's exports and imports receives a higher index weighting. The trade weighted index is used to make a more complete comparison between one economy's currency and other currencies it interacts with. It's a more comprehensive analysis than comparing two currencies, such as the U.S. dollar and Japanese Yen. Currency's of the index include the Euro Area, Canada, Japan, Mexico, China, United Kingdom, Taiwan, Korea, Singapore, Hong Kong, Malaysia, Brazil, Switzerland, Thailand, Philippines, Australia, Indonesia, India, Israel, Saudi Arabia, Russia, Sweden, Argentina, Venezuela, Chile and Colombia.

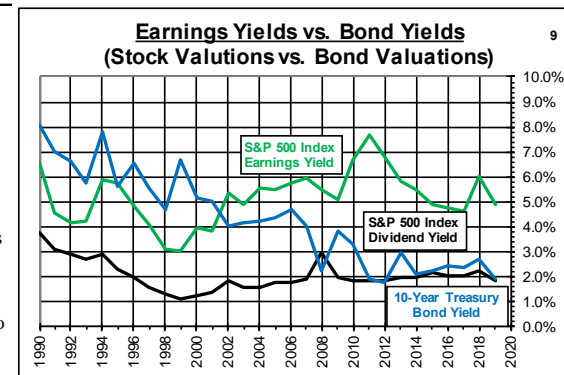
**E.C.R.I. U.S. Weekly Leading Indicators Index** Directly addresses concerns about freshness of data forecasters versus existing leading indicators, including the well-known monthly Index of Leading Economic Indicators (LEI), originally developed by ECRI's founder Geoffrey Moore for the U.S. Commerce Department. This index has an average lead of 10 months at business cycle peaks and three months at business cycle troughs - a longer overall lead than LEI. ECRI's approach focuses on an array of the best cyclical indicators, to identify clearly and objectively when a turn in a cycle lies ahead. Unlike econometric models that project from past trends, these cyclical indicators are specifically designed to predict future changes in the direction of the economy. They turn before the economy does - but the focus is on the timing of a change in direction. ECRI uses an array of 19 specialized leading indexes in the context of an "economic cycle cube" covering various sectors and aspects of the economy. Because ECRI uses separate leading indexes to track the various aspects of each economy, they do not need to be re-jiggered every time the economy's performance deviates from standard economic theory.

**Labor Productivity Rate (Output per hour, nonfarm business)**<sup>4</sup> Productivity is a measure of economic efficiency which shows how effectively economic inputs are converted into output. Advances in productivity, that is the ability to produce more with the same or less input, are a significant source of increased potential national income. The U.S. economy has been able to produce more goods and services over time, not by requiring a proportional increase of labor time, but by making production more efficient. Productivity is measured by comparing the amount of goods and services produced with the inputs which were used in production. Labor productivity is the ratio of the output of goods and services to the labor hours devoted to the production of that output.

**Unemployment Rate**<sup>4</sup> U.S. Department of Labor Civilian Unemployment Rate.

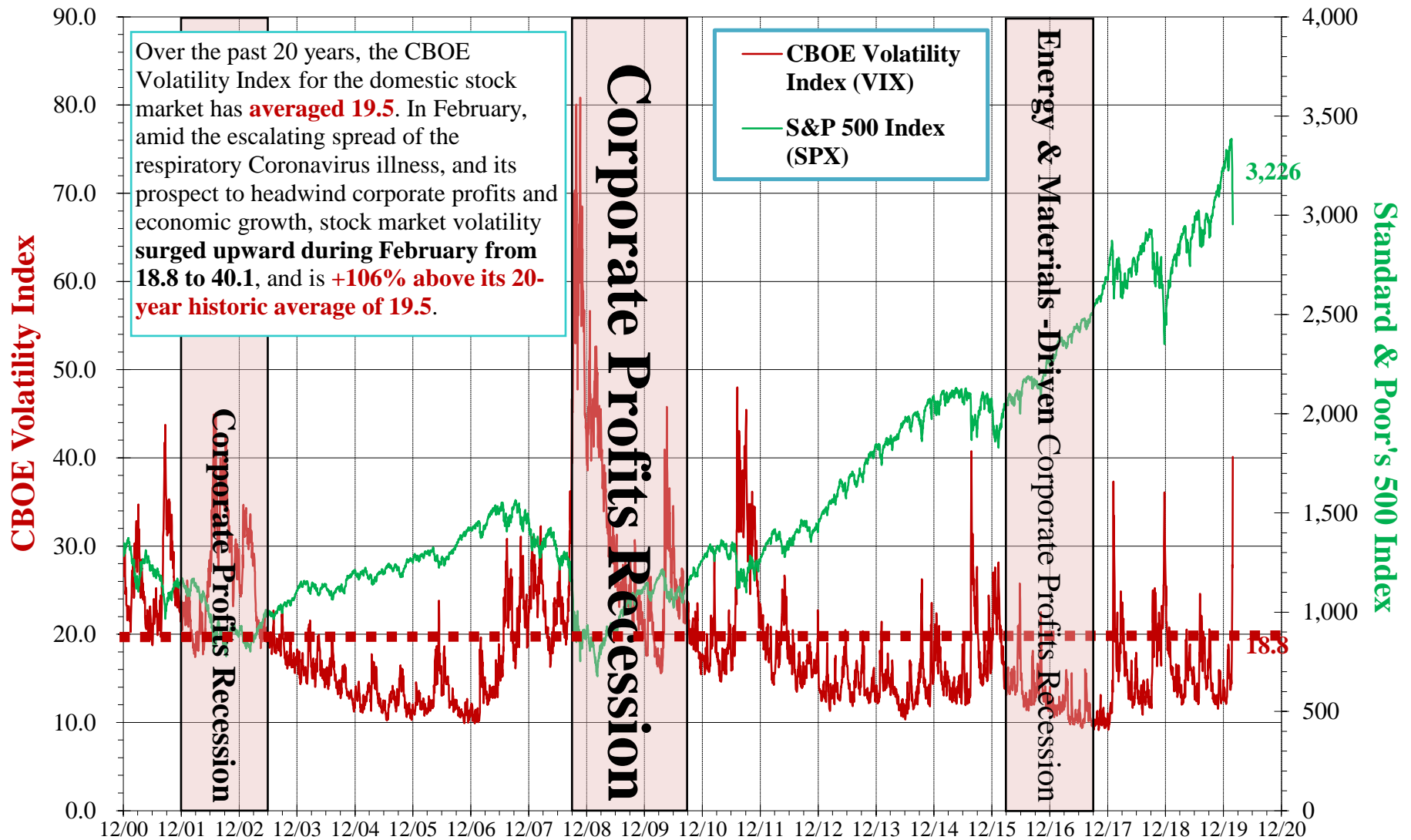
**U.S. Treasury Yield Curve**<sup>3</sup> Current interest rates from U.S. Treasury Bills, Notes, and Bonds from 3 months to 30 years.

Statistic	Current 02/29/2020	Past 12-Months	
		High	Low
S&P 500 Index Level	<b>2,954</b>	3,386	2,743
% Below High / % Above Low	n/a	<b>-12.8%</b>	7.7%
<b>S&amp;P 500 Dividend Yield</b>	<b>2.06%</b>	N/A	N/A
3-Month Treasury Bill Rate <sup>3</sup>	<b>1.27%</b>	2.43% (Apr.)	<b>1.27% (Feb.)</b>
<b>10-Year Treasury Bond Yield</b>	<b>1.13%</b>	2.51% (Apr.)	<b>1.13% (Feb.)</b>
U.S. Unemployment Rate <sup>4</sup>	<b>3.5%</b>	3.8% (Mar.)	3.5% (Sep.)



<sup>1</sup>2017-2019 data from The Bureau of Labor Statistics and 2020 estimates from The Wall Street Journal Economic Forecasting Survey. <sup>2</sup>Standard & Poor's (Historical Operating Earnings using Bottom Up Estimates). <sup>3</sup>The U.S. Department of The Treasury. Historical yield curve is as far back as public data available (June 1997). <sup>4</sup>The Bureau of Labor Statistics. <sup>5</sup>Board of Governors of the Federal Reserve System. N/A = Not Available.

## 20-Year Stock Market - Performance (Reward) vs. Volatility (Risk)



Shaded "Corporate Profits Recession" bars indicate two or more consecutive quarters of rolling 12-month negative corporate profits/earnings growth rates in S&P 500 Index Operating Earnings of domestic-based, multi-national companies. The VIX Index is calculated by taking the weighted average of the Implied Volatility of 8 S&P 100 (OEX) calls and puts with an average time to expiration of 30 days. As such, it measures fear and optimism as manifested in OEX options activity. When traders become fearful, the VIX index rises, and when traders are complacent, the VIX index falls.

# Standard & Poor's - Corporate Operating Profits/Earnings by Economic Sector

Through the Period Ending February 28, 2020



## S&P 500 Index (Large-sized market capitalization, mostly multi-national companies, representing ~83% of the domestic stock market.)

2016 A	% Chg	2016 P/E	2017 A	% Chg	2017 P/E	2018 E	% Chg	2018 P/E	2019 E	% Chg	2019 P/E	2020 E	% Chg	2020 P/E	S&P 500 Index
\$106.26	5.8%	21.1	\$124.52	17.2%	21.5	\$151.60	21.7%	16.5	\$157.31	3.8%	20.5	\$172.01	9.3%	17.6	S&P 500 Index
\$33.30	9.4%	19.5	\$35.23	5.8%	22.3	\$39.84	13.1%	19.6	\$39.46	-1.0%	25.0	\$42.65	8.1%	21.6	Consumer Discretionary Sector
\$25.33	4.2%	21.0	\$27.32	7.9%	21.5	\$29.35	7.4%	17.8	\$30.50	3.9%	21.2	\$31.76	4.1%	20.1	Consumer Staples Sector
-\$3.49	-74.5%	-158.9	\$13.28	N/M	40.2	\$30.61	130.5%	13.9	\$16.09	-47.4%	28.4	\$21.90	36.1%	15.4	Energy Sector
\$23.78	3.3%	16.3	\$26.59	11.8%	17.5	\$31.25	17.5%	12.7	\$43.43	39.0%	11.8	\$38.19	-12.1%	11.5	Financials Sector
\$42.45	9.6%	18.8	\$45.08	6.2%	21.2	\$50.04	11.0%	20.0	\$55.61	11.1%	21.4	\$73.33	31.9%	15.5	Health Care Sector
\$27.07	-3.3%	19.9	\$30.29	11.9%	21.1	\$37.43	23.6%	14.5	\$35.48	-5.2%	19.4	\$37.26	5.0%	16.5	Industrials Sector
\$37.99	0.1%	21.3	\$50.59	33.2%	21.9	\$63.70	25.9%	17.1	\$63.34	-0.6%	25.4	\$75.49	19.2%	21.1	Information Technology Sector
\$13.01	53.2%	24.0	\$17.18	32.1%	22.1	\$21.58	25.6%	14.7	\$17.06	-20.9%	22.6	\$19.50	14.3%	17.6	Materials Sector
\$9.86	-18.8%	17.9	\$10.18	3.2%	16.3	\$11.78	15.7%	11.8	\$8.25	-30.0%	22.0	\$9.65	17.0%	17.7	Communication Services Sector
\$13.67	21.5%	18.1	\$14.53	6.3%	18.4	\$15.41	6.1%	17.4	\$15.66	1.6%	21.0	\$16.46	5.1%	20.8	Utilities Sector
\$7.38	N/A	25.8	\$5.60	-24.1%	36.4	\$6.40	14.3%	30.1	\$7.02	9.7%	34.3	\$5.41	-22.9%	44.8	Real Estate (Pro Forma Pre 2016-09)

## S&P MidCap 400 Index (Mid-sized market capitalization, multi-national and national companies, representing ~6% of the domestic stock market.)

2016 A	% Chg	2016 P/E	2017 A	% Chg	2017 P/E	2018 E	% Chg	2018 P/E	2019 E	% Chg	2019 P/E	2020 E	% Chg	2020 P/E	S&P MidCap 400 Index
\$64.53	16.3%	25.7	\$78.12	21.1%	24.3	\$95.98	22.9%	17.3	\$95.40	-0.6%	21.6	\$111.69	17.1%	16.4	S&P MidCap 400 Index
\$37.97	16.2%	17.8	\$42.42	11.7%	18.8	\$51.29	20.9%	12.6	\$38.55	-24.8%	20.8	\$47.58	23.4%	14.6	Consumer Discretionary Sector
\$70.41	-1.8%	24.0	\$73.57	4.5%	23.5	\$82.88	12.7%	19.1	\$75.51	-8.9%	23.0	\$91.14	20.7%	17.5	Consumer Staples Sector
-\$53.10	N/M	-9.6	-\$1.60	N/M	-264.3	-\$1.33	-16.9%	N/M	-\$2.13	N/M	-119.0	\$7.01	N/M	19.8	Energy Sector
\$44.82	23.4%	20.2	\$51.81	15.6%	19.5	\$62.64	20.9%	13.3	\$81.65	30.3%	12.6	\$84.47	3.5%	10.6	Financials Sector
\$49.91	-0.1%	26.2	\$51.61	3.4%	31.0	\$59.37	15.0%	28.6	\$84.15	41.7%	24.7	\$78.94	-6.2%	25.2	Health Care Sector
\$40.18	1.0%	20.9	\$45.66	13.6%	22.4	\$55.56	21.7%	15.5	\$51.85	-6.7%	22.0	\$63.03	21.6%	15.9	Industrials Sector
\$59.68	25.9%	31.2	\$74.69	25.2%	31.0	\$98.63	32.1%	22.0	\$88.79	-10.0%	34.8	\$142.84	60.9%	19.4	Information Technology Sector
\$17.88	12.2%	24.0	\$27.47	53.6%	18.6	\$36.50	32.9%	11.0	\$27.12	-25.7%	17.5	\$26.63	-1.8%	14.9	Materials Sector
\$3.18	-84.8%	82.5	-\$11.38	N/M	-13.0	\$7.24	N/M	20.4	\$7.24	0.0%	23.5	\$10.94	51.1%	13.5	Communication Services Sector
\$24.34	15.0%	20.1	\$26.18	7.6%	20.2	\$25.59	-2.3%	21.4	\$26.63	4.1%	22.9	\$29.00	8.9%	19.8	Utilities Sector
\$8.10	N/A	28.3	\$7.27	-10.2%	31.3	\$9.37	28.9%	21.8	\$7.98	-14.8%	30.5	\$6.71	-15.9%	34.3	Real Estate (Pro Forma Pre 2016-09)

## S&P SmallCap 600 Index (Small-sized market capitalization, mostly national and regional companies, representing ~3% of the domestic stock market.)

2016 A	% Chg	2016 P/E	2017 A	% Chg	2017 P/E	2018 E	% Chg	2018 P/E	2019 E	% Chg	2019 P/E	2020 E	% Chg	2020 P/E	S&P SmallCap 600 Index
\$25.60	30.2%	32.7	\$31.19	21.8%	30.0	\$39.05	25.2%	21.6	\$36.86	-5.6%	27.7	\$53.32	44.7%	16.6	S&P SmallCap 600 Index
\$23.87	17.4%	20.2	\$24.04	0.7%	23.3	\$33.31	38.6%	15.2	\$33.78	1.4%	17.5	\$42.57	26.0%	11.6	Consumer Discretionary Sector
\$76.11	-1.2%	21.7	\$63.83	-16.1%	27.8	\$58.09	-9.0%	28.6	\$74.92	29.0%	25.4	\$83.99	12.1%	18.8	Consumer Staples Sector
-\$119.00	N/M	-6.4	-\$20.50	N/M	-27.4	\$7.37	-136.0%	43.5	-\$23.61	N/M	-11.5	-\$4.18	N/M	-36.4	Energy Sector
\$46.04	24.7%	21.6	\$53.79	16.8%	19.3	\$60.87	13.2%	15.6	\$76.83	26.2%	14.5	\$86.65	12.8%	11.1	Financials Sector
\$13.87	-66.0%	126.4	-\$4.59	-133.1%	-514.1	\$15.34	N/M	168.7	\$23.29	51.8%	133.5	\$87.55	275.9%	33.5	Health Care Sector
\$37.11	0.5%	24.6	\$44.23	19.2%	23.9	\$54.09	22.3%	17.1	\$58.72	8.6%	20.2	\$69.02	17.5%	14.8	Industrials Sector
\$16.94	11.4%	35.9	\$23.12	36.5%	28.9	\$22.66	-2.0%	26.7	\$15.16	-33.1%	55.5	\$42.22	178.5%	17.3	Information Technology Sector
\$19.09	85.0%	25.5	\$23.22	21.6%	22.8	\$26.07	12.3%	15.6	\$20.57	-21.1%	23.5	\$25.98	26.3%	14.9	Materials Sector
\$0.07	-12.5%	43.4	\$0.01	-85.7%	322.2	-\$0.01	N/M	N/M	\$0.00	N/M	2300.8	\$0.06	N/M	53.8	Communication Services Sector
\$35.67	1.5%	23.2	\$36.21	1.5%	26.5	\$38.93	7.5%	23.9	\$37.53	-3.6%	29.7	\$41.36	10.2%	26.6	Utilities Sector
\$6.92	N/A	29.0	\$6.12	-11.6%	33.3	\$4.32	-29.4%	39.6	\$6.40	48.1%	32.2		N/A	N/A	Real Estate (Pro Forma Pre 2016-09)

Source: Standard & Poor's. Legend Key: A = Actual, E = Estimate, N/A = Not Available, N/M = Not Meaningful, P/E = Price/Earnings Ratio.

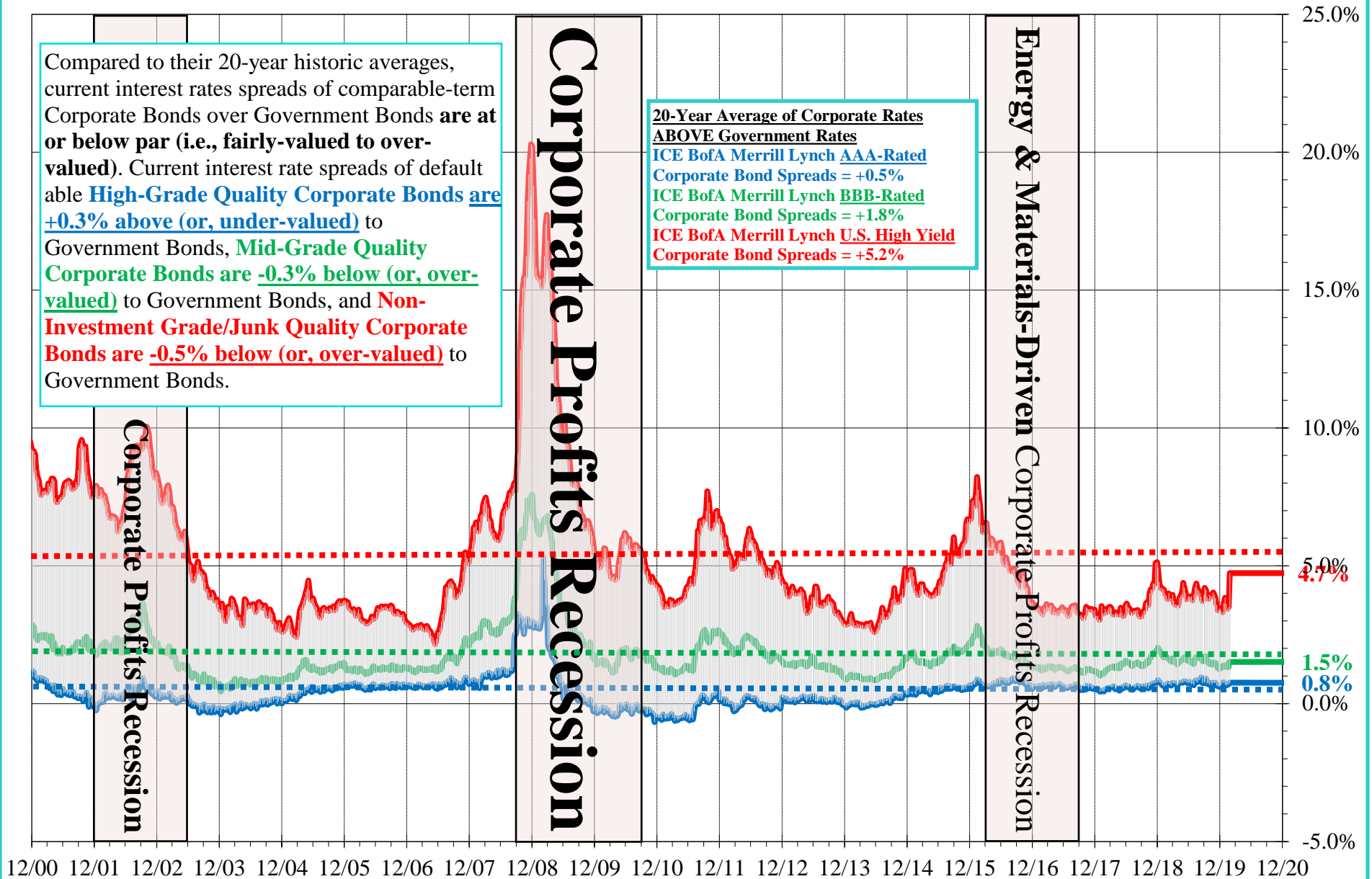
Estimates are bottom-up (i.e., at the company-level) from Standard & Poor's Research Analysts.

## 20-Year Bond Market - Interest Rates Spreads

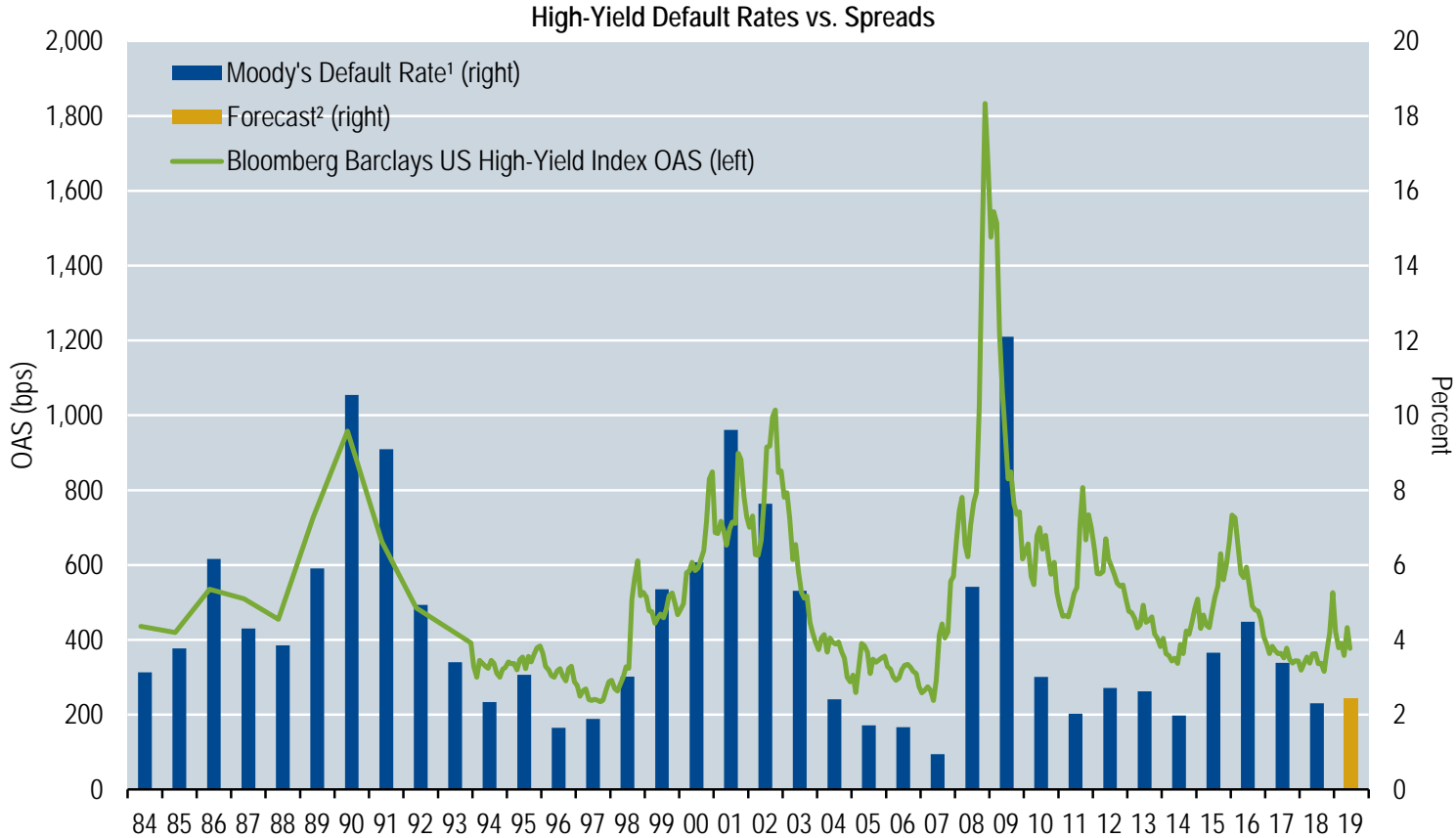
Corporate Bond Rates over Government Bond Rates

Compared to their 20-year historic averages, current interest rates spreads of comparable-term Corporate Bonds over Government Bonds are at or below par (i.e., fairly-valued to over-valued). Current interest rate spreads of default able **High-Grade Quality Corporate Bonds** are **+0.3% above (or, under-valued)** to Government Bonds, **Mid-Grade Quality Corporate Bonds** are **-0.3% below (or, over-valued)** to Government Bonds, and **Non-Investment Grade/Junk Quality Corporate Bonds** are **-0.5% below (or, over-valued)** to Government Bonds.

**20-Year Average of Corporate Rates ABOVE Government Rates**  
**ICE BofA Merrill Lynch AAA-Rated Corporate Bond Spreads = +0.5%**  
**ICE BofA Merrill Lynch BBB-Rated Corporate Bond Spreads = +1.8%**  
**ICE BofA Merrill Lynch U.S. High Yield Corporate Bond Spreads = +5.2%**

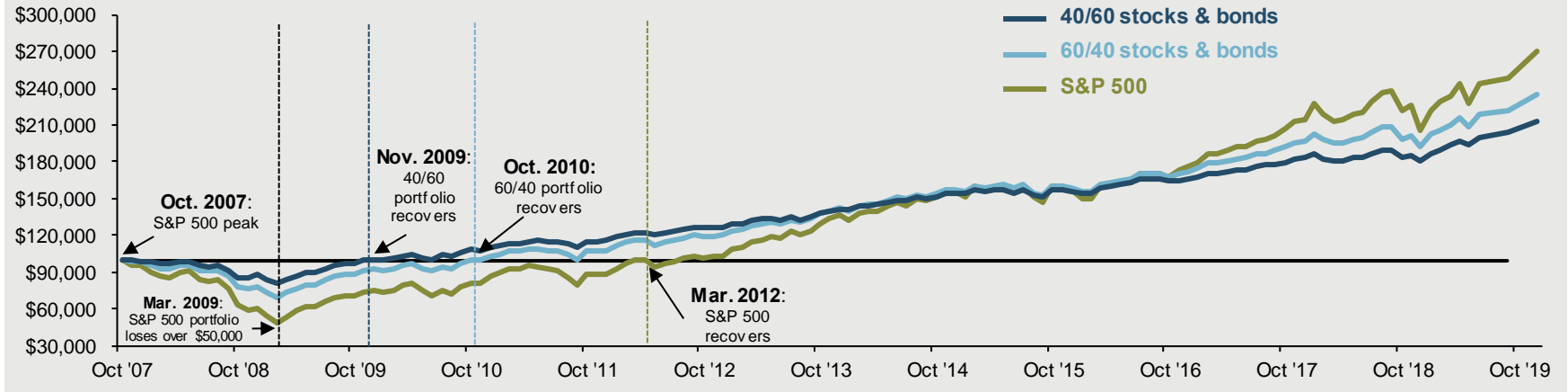


# Default Rates Remain Below the Long-Term Average

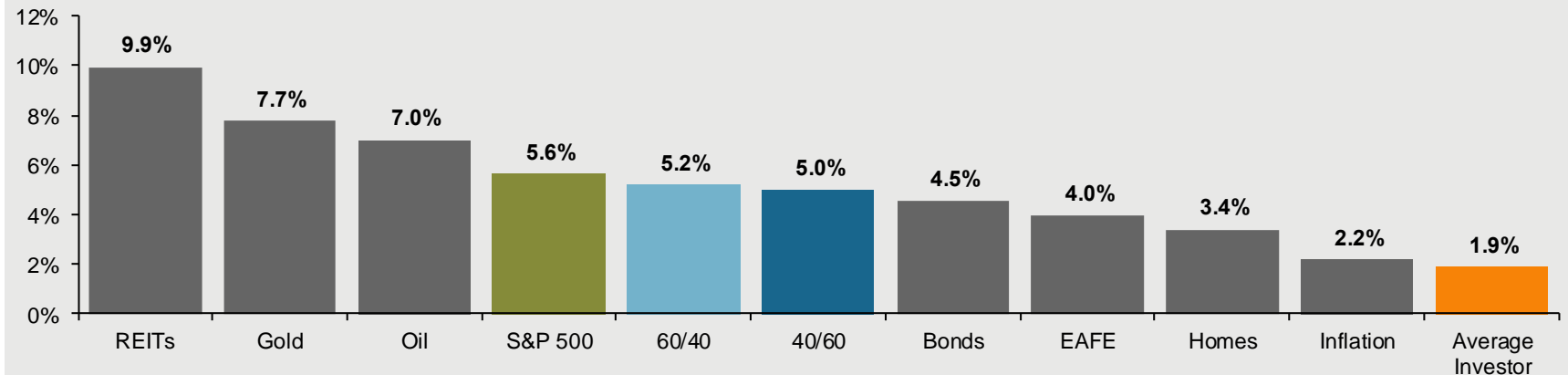


Source: Moody's, Bloomberg Barclays, Western Asset. As of 30 Jun 19  
<sup>1</sup>Moody's Trailing 12-Month Issuer-Weighted Spec-Grade Default Rate  
<sup>2</sup>Moody's baseline forecast for 31 Dec 19 as of 30 Jun 19

## Portfolio returns: Equities vs. equity and fixed income blend



## 20-year annualized returns by asset class (1998 – 2018)

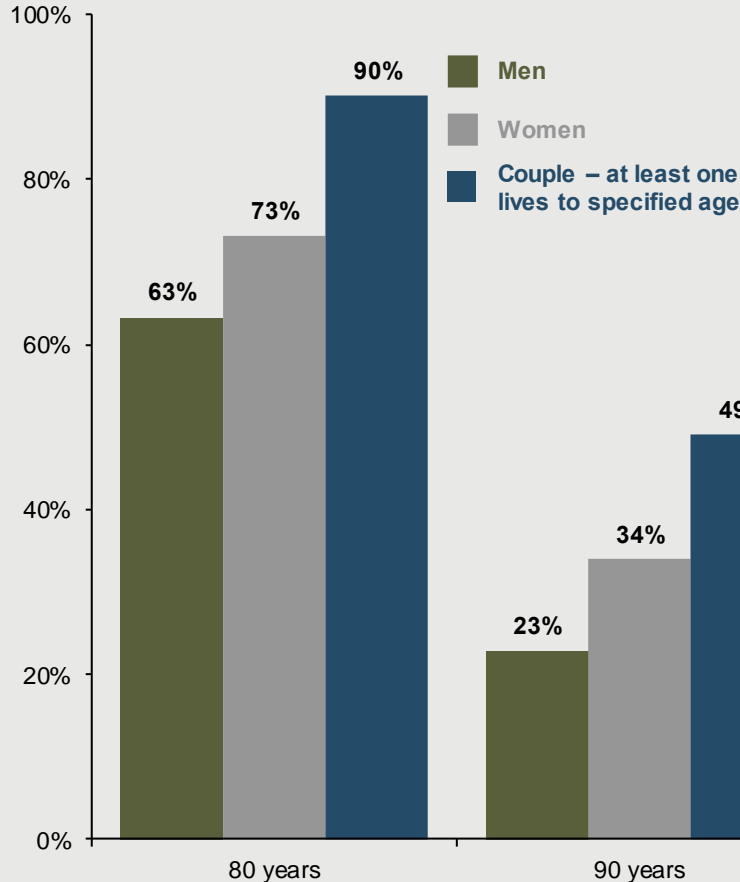


Source: J.P. Morgan Asset Management; (Top) Barclays, Bloomberg, FactSet, Standard & Poor's; (Bottom) Dalbar Inc. Indices used are as follows: REITs: NAREIT Equity REIT Index, EAFE: MSCI EAFE, Oil: WTI Index, Bonds: Bloomberg Barclays U.S. Aggregate Index, Homes: median sale price of existing single-family homes, Gold: USD/troy oz., Inflation: CPI. 60/40: A balanced portfolio with 60% invested in S&P 500 Index and 40% invested in high-quality U.S. fixed income, represented by the Bloomberg Barclays U.S. Aggregate Index. The portfolio is rebalanced annually. Average asset allocation investor return is based on an analysis by Dalbar Inc., which utilizes the net of aggregate mutual fund sales, redemptions and exchanges each month as a measure of investor behavior. Returns are annualized (and total return where applicable) and represent the 20-year period ending 12/31/18 to match Dalbar's most recent analysis. **Guide to the Markets – U.S. Data are as of February 29, 2020.**



## Probability of reaching ages 80 and 90

Persons aged 65, by gender, and combined couple



## Retirement savings gap

Anticipated amount needed vs. actual savings, thousands



Source: J.P. Morgan Asset Management; (Left) SSA 2016 Life Tables; (Right) 2019 Retirement Confidence Survey, Employee Benefit Research Institute and Greenwald & Associates; 2016 Survey of Consumer Finances, Federal Reserve.

EBRI survey was conducted from January 8, 2019 to January 23, 2019 through online interviews with 2,000 individuals (1,000 workers and 1,000 retirees) ages 25 and older in the United States.

Guide to the Markets – U.S. **Data are as of February 29, 2020.**

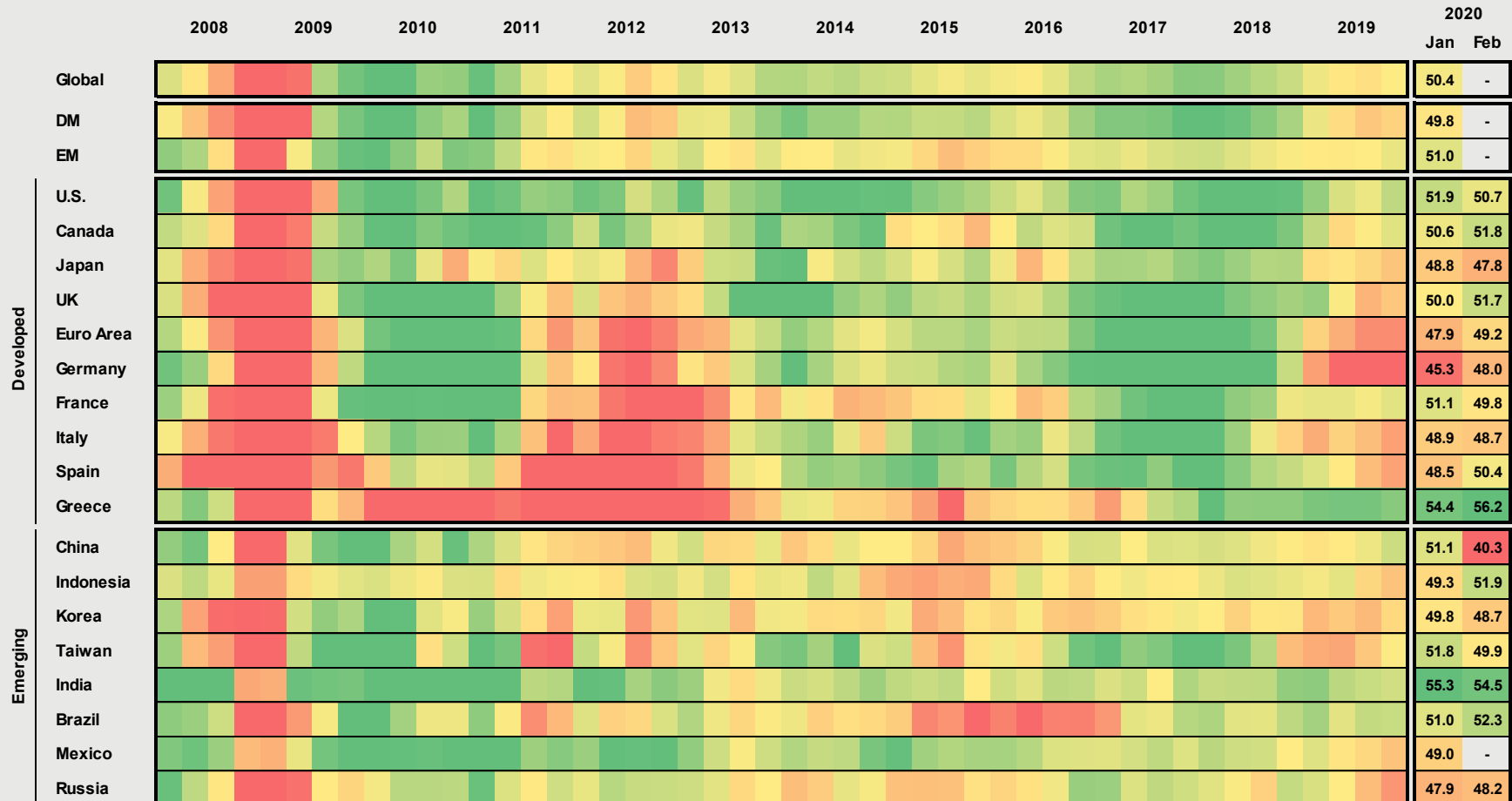
																2005 - 2019	
2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	YTD	Ann.	Vol.
EM Equity 34.5%	REITs 35.1%	EM Equity 39.8%	Fixed Income 5.2%	EM Equity 79.0%	REITs 27.9%	REITs 8.3%	REITs 19.7%	Small Cap 38.8%	REITs 28.0%	REITs 2.8%	Small Cap 21.3%	EM Equity 37.8%	Cash 1.8%	Large Cap 31.5%	Fixed Income 3.8%	Large Cap 9.0%	REITs 22.2%
Comdty. 21.4%	EM Equity 32.6%	Comdty. 16.2%	Cash 1.8%	High Yield 59.4%	Small Cap 26.9%	Fixed Income 7.8%	High Yield 19.6%	Large Cap 32.4%	Large Cap 13.7%	Large Cap 1.4%	High Yield 14.3%	DM Equity 25.6%	Fixed Income 0.0%	REITs 28.7%	Cash 0.3%	REITs 8.3%	EM Equity 22.1%
DM Equity 14.0%	DM Equity 26.9%	DM Equity 11.6%	Asset Alloc. 25.4%	DM Equity 32.5%	EM Equity 19.2%	High Yield 3.1%	EM Equity 18.6%	DM Equity 23.3%	Fixed Income 6.0%	Fixed Income 0.5%	Large Cap 12.0%	Large Cap 21.8%	REITs -4.0%	Small Cap 25.5%	High Yield -1.7%	Small Cap 7.9%	Comdty. 18.6%
REITs 12.2%	Small Cap 18.4%	Asset Alloc. 7.1%	High Yield -26.9%	REITs 28.0%	Comdty. 16.8%	Large Cap 2.1%	DM Equity 17.9%	Asset Alloc. 14.9%	Asset Alloc. 5.2%	Cash 0.0%	Comdty. 11.8%	Small Cap 14.6%	High Yield -4.1%	DM Equity 22.7%	Asset Alloc. -5.4%	EM Equity 7.8%	Small Cap 17.7%
Asset Alloc. 8.1%	Large Cap 15.8%	Fixed Income 7.0%	Small Cap -33.8%	Small Cap 27.2%	Large Cap 15.1%	Cash 0.1%	Small Cap 16.3%	High Yield 7.3%	Small Cap 4.9%	DM Equity -0.4%	EM Equity 11.6%	Asset Alloc. 14.6%	Large Cap -4.4%	Asset Alloc. 19.5%	REITs -5.8%	High Yield 7.2%	DM Equity 17.3%
Large Cap 4.9%	Asset Alloc. 15.3%	Large Cap 5.5%	Comdty. -35.6%	Large Cap 23.5%	High Yield 14.8%	Asset Alloc. -0.7%	Large Cap 16.0%	REITs 2.9%	Cash 0.0%	Asset Alloc. -2.0%	REITs 8.6%	High Yield 10.4%	Asset Alloc. -5.8%	EM Equity 18.9%	Large Cap -8.3%	Asset Alloc. 6.6%	Large Cap 14.0%
Small Cap 4.6%	High Yield 13.7%	Cash 4.8%	Large Cap -37.0%	Asset Alloc. 25.0%	Asset Alloc. 13.3%	Small Cap -4.2%	Asset Alloc. 12.2%	Cash 0.0%	High Yield 0.0%	High Yield -2.7%	Asset Alloc. 8.3%	REITs 8.7%	Small Cap -11.0%	High Yield 12.6%	EM Equity -9.7%	DM Equity 5.3%	High Yield 10.9%
High Yield 3.6%	Cash 4.8%	High Yield 3.2%	REITs -37.7%	Comdty. 18.9%	DM Equity 8.2%	DM Equity -11.7%	Fixed Income 4.2%	Fixed Income -2.0%	EM Equity -1.8%	Small Cap -4.4%	Fixed Income 2.6%	Fixed Income 3.5%	Comdty. -11.2%	Fixed Income 8.7%	DM Equity -10.9%	Fixed Income 4.1%	Asset Alloc. 10.0%
Cash 3.0%	Fixed Income 4.3%	Small Cap -1.6%	DM Equity -43.1%	Fixed Income 5.9%	Fixed Income 6.5%	Comdty. -13.3%	Cash 0.1%	EM Equity -2.3%	DM Equity -4.5%	EM Equity -14.6%	DM Equity 1.5%	Comdty. 1.7%	DM Equity -13.4%	Comdty. 7.7%	Small Cap -11.4%	Cash 1.3%	Fixed Income 3.4%
Fixed Income 2.4%	Comdty. 2.1%	REITs -15.7%	EM Equity -53.2%	Cash 0.1%	Cash 0.1%	EM Equity -18.2%	Comdty. -1.1%	Comdty. -9.5%	Comdty. -17.0%	Comdty. -24.7%	Cash 0.3%	Cash 0.8%	EM Equity -14.2%	Cash 2.2%	Comdty. -12.0%	Comdty. -2.6%	Cash 1.0%

Source: Barclays, Bloomberg, FactSet, MSCI, NAREIT, Russell, Standard & Poor's, J.P. Morgan Asset Management.

Large cap: S&P 500, Small cap: Russell 2000, EM Equity: MSCI EME, DM Equity: MSCI EAFE, Comdty: Bloomberg Commodity Index, High Yield: Bloomberg Barclays Global HY Index, Fixed Income: Bloomberg Barclays US Aggregate, REITs: NAREIT Equity REIT Index, Cash: Bloomberg Barclays 1-3m Treasury. The "Asset Allocation" portfolio assumes the following weights: 25% in the S&P 500, 10% in the Russell 2000, 15% in the MSCI EAFE, 5% in the MSCI EME, 25% in the Bloomberg Barclays US Aggregate, 5% in the Bloomberg Barclays 1-3m Treasury, 5% in the Bloomberg Barclays Global High Yield Index, 5% in the Bloomberg Commodity Index and 5% in the NAREIT Equity REIT Index. Balanced portfolio assumes annual rebalancing. Annualized (Ann.) return and volatility (Vol.) represents period of 12/31/04 – 12/31/19. Please see disclosure page at end for index definitions. All data represents total return for stated period. The "Asset Allocation" portfolio is for illustrative purposes only. Past performance is not indicative of future returns.

Guide to the Markets – U.S. Data are as of February 29, 2020.

## Global Purchasing Managers' Index for manufacturing, quarterly



Source: Markit, J.P. Morgan Asset Management.

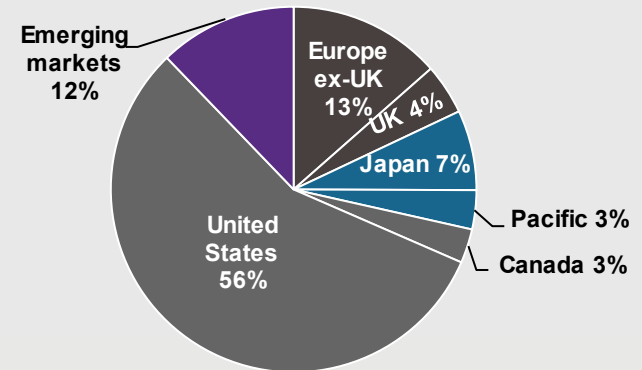
Heatmap colors are based on PMI relative to the 50 level, which indicates acceleration or deceleration of the sector, for the time period shown. Heat map is based on quarterly averages, with the exception of the two most recent figures, which are single month readings. Data for Canada, Indonesia and Mexico are back-tested and filled in from December 2007 to November 2010 for Canada and May 2011 for Indonesia and Mexico due to lack of existing PMI figures for these countries. DM and EM represent developed markets and emerging markets, respectively.

Guide to the Markets – U.S. **Data are as of February 29, 2020.**

Returns	2020 YTD		2019		15-years	
	Local	USD	Local	USD	Ann.	Beta
<b>Regions</b>						
U.S. (S&P 500)	-	-8.3	-	31.5	9.0	0.87
AC World ex-U.S.	-8.3	-10.4	21.4	22.1	5.7	1.10
EAFE	-9.2	-10.9	22.3	22.7	5.3	1.06
Europe ex-UK	-8.5	-10.2	27.5	25.9	5.9	1.20
Emerging markets	-7.0	-9.7	18.5	18.9	7.8	1.27
<b>Selected Countries</b>						
United Kingdom	-12.1	-15.3	16.5	21.1	4.2	1.01
France	-10.0	-11.9	29.3	27.0	5.9	1.22
Germany	-10.0	-12.0	23.9	21.7	6.4	1.32
Japan	-11.0	-10.4	18.9	20.1	4.3	0.75
China	-3.8	-3.9	23.3	23.7	11.3	1.26
India	-7.0	-8.0	10.0	7.6	9.2	1.31
Brazil	-9.7	-19.5	31.5	26.7	9.5	1.49
Russia	-11.0	-17.0	38.8	52.7	7.4	1.53

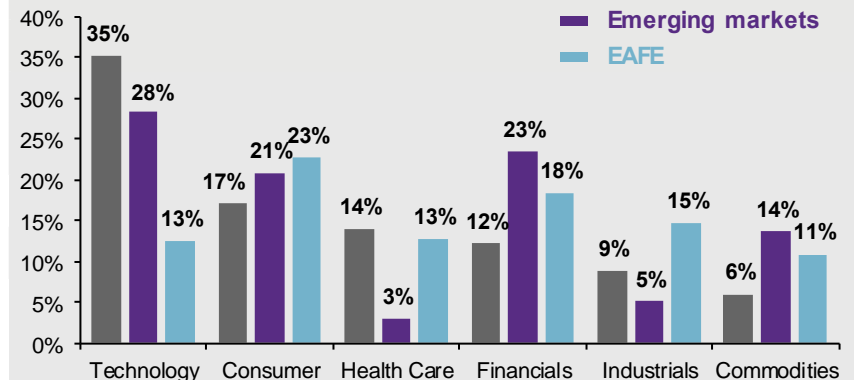
## Weights in MSCI All Country World Index

% global market capitalization, float adjusted



## Global equities by sector

% of index market capitalization



Source: FactSet, Federal Reserve, MSCI, Standard & Poor's, J.P. Morgan Asset Management.

All return values are MSCI Gross Index (official) data. 15-year history based on U.S. dollar returns. 15-year return and beta figures are calculated for the time period 12/31/04-12/31/19. Beta is for monthly returns relative to the MSCI AC World Index. Annualized volatility is calculated as the standard deviation of quarterly returns multiplied by the square root of 4. Chart is for illustrative purposes only. Please see disclosure page for index definitions. Past performance is not a reliable indicator of current and future results. Sector breakdown includes the following aggregates: Technology (communication services and technology), consumer (consumer discretionary and staples) and commodities (energy and materials). The graph excludes the utilities and real estate sectors for illustrative purposes.

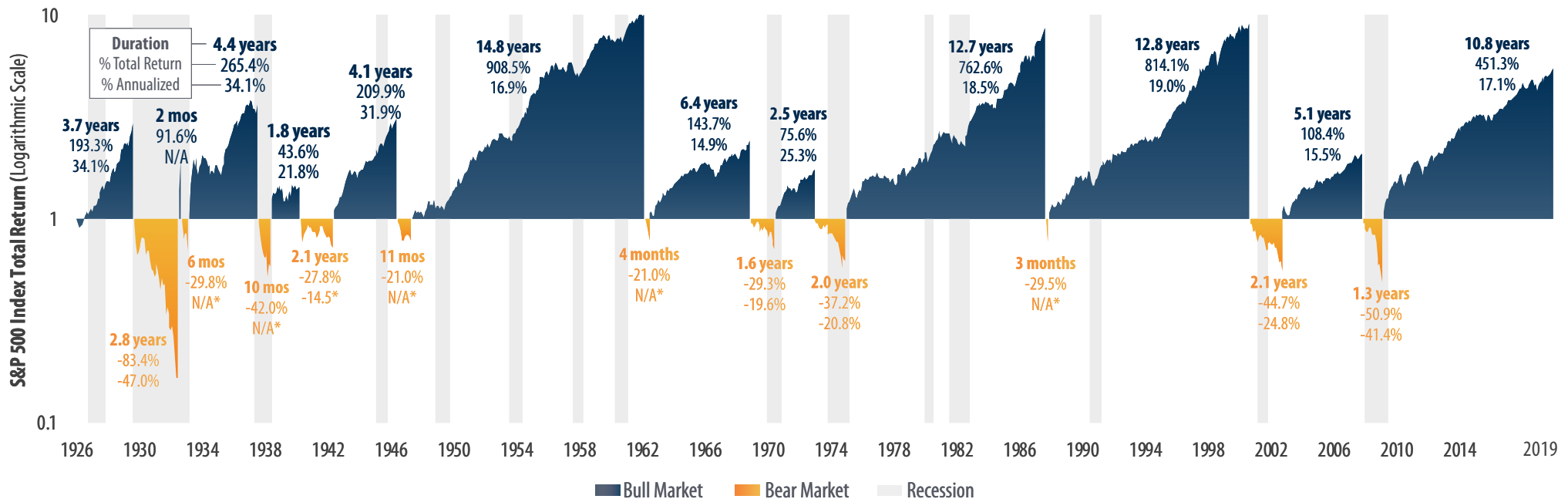
Guide to the Markets – U.S. Data are as of February 29, 2020.

# History of U.S. Bear & Bull Markets

1926 – 2019

This chart shows historical performance of the S&P 500 Index throughout the U.S. Bull and Bear Markets from 1926 through 2019. Although past performance is no guarantee of future results, we believe looking at the history of the market's expansions and recessions helps to gain a fresh perspective on the benefits of investing for the long-term.

- The average **Bull Market** period lasted 6.6 years with an average cumulative total return of 339%.
- The average **Bear Market** period lasted 1.3 years with an average cumulative loss of -38%.



Source: First Trust Advisors L.P., Bloomberg, Returns from 1926 - 2019. \*Not applicable since duration is less than one year.

These results are based on monthly returns—returns using different periods would produce different results. The S&P 500 Index is an unmanaged index of 500 stocks used to measure large-cap U.S. stock market performance. Investors cannot invest directly in an index. Index returns do not reflect any fees, expenses, or sales charges. This chart is for illustrative purposes only and not indicative of any actual investment. These returns were the result of certain market factors and events which may not be repeated in the future. Past performance is no guarantee of future results. The information presented is not intended to constitute an investment recommendation for, or advice to, any specific person. By providing this information, First Trust is not undertaking to give advice in any fiduciary capacity within the meaning of ERISA, the Internal Revenue Code or any other regulatory framework. Financial advisors are responsible for evaluating investment risks independently and for exercising independent judgment in determining whether investments are appropriate for their clients.

# Investing Through Recessions...

## S&P 500 Index returns after recession lows

S&P 500 Index Low During Recession <sup>1</sup>	S&P 500 Index Gain/Loss After....				FY1 Real	Year after	FY2 Real
	3 Mos.	6 Mos.	9 Mos.	1 Yr.	GDP <sup>2</sup>	"1 Yr."	GDP <sup>2</sup>
June 13, 1949	14.5%	19.2%	26.6%	33.7%	-0.5%	N/A	8.7%
September 14, 1953	9.9%	17.7%	27.5%	38.5%	4.6%	43.8%	-0.6%
October 22, 1957	6.1%	9.8%	19.0%	31.5%	2.0%	9.7%	-0.9%
October 25, 1960	15.9%	25.2%	27.6%	30.9%	2.5%	-20.0%	2.3%
May 26, 1970	16.9%	20.8%	38.7%	44.5%	0.2%	11.1%	3.4%
October 3, 1974	13.5%	29.9%	51.5%	34.6%	-0.6%	21.2%	-0.2%
March 27, 1980	18.3%	31.1%	39.1%	37.1%	-0.3%	-16.9%	2.5%
August 12, 1982	37.8%	41.6%	61.1%	57.7%	-1.9%	2.0%	4.5%
October 11, 1990	6.7%	28.8%	28.7%	28.8%	1.9%	5.6%	-0.2%
September 21, 2001	18.0%	17.2%	2.8%	-13.7%	1.1%	22.7%	1.8%
March 9, 2009	39.3%	52.8%	69.2%	66.9%	-2.6%	15.7%	2.9%
<b>Average</b>	<b>17.9%</b>	<b>26.7%</b>	<b>35.6%</b>	<b>35.5%</b>	<b>0.6%</b>	<b>9.5%</b>	<b>2.2%</b>
<b>Median</b>	<b>15.9%</b>	<b>25.2%</b>	<b>28.7%</b>	<b>34.6%</b>	<b>0.2%</b>	<b>10.4%</b>	<b>2.3%</b>

Note: Sourced by Ned Davis Research, Inc. <sup>1</sup>Defined by the National Bureau of Economic Research (NBER). <sup>2</sup>Real GDP % change based on chained 2005 dollars, % change from preceding period at seasonally adjusted annual rates; FY1 is current calendar year of stock market low, FY2 is the following calendar year. N/A = Not available.

A study by Ned Davis Research revealed that in the past 11 economic recessions stock markets rebound very quickly after bottoming. On average, after bottoming, in six months stocks returned 27% and in a year returned 36%. Though no one can *consistently* predict the peaks and troughs of the capital markets (stocks and bonds), investors benefit more by maintaining a long-term risk/reward perspective, and staying disciplined to their investment strategies.

While historically stocks have generated strong returns following their lows in nearly every *short-term* period. The year after "1 Yr." has shown mixed results, and on average, a resumption of *near-historically average* stock market returns.

