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QUARTERLY MARKET INSIGHTS
1ST QUARTER 2019



THE IPO MARKET PICKS UP STEAM

A wave of highly anticipated initial public offerings (IPOs) in the first half of 2019 somewhat ironically kicked off with 167-year-old iconic denim-maker Levi Strauss & Co.'s March 21 listing on the New York Stock Exchange. Next up was U.S.-focused rideshare firm Lyft Inc., which began trading March 28 on the Nasdaq with an implied market capitalization of approximately \$20 billion. Lyft is the most recent example of a so-called "unicorn" IPOs which are often consumer technology-focused firms backed by large venture capital firms with valuations of at least \$1 billion based on previous rounds of private funding. The IPO procession is expected to continue into the spring months headlined by Lyft's massive rideshare competitor Uber Technologies, room-sharing platform Airbnb, shared office space network WeWork, and image sharing application Pinterest.

IPO proceeds averaged \$51.6 billion per year from 2010 to 2014 before moderating in recent years to average \$32.8 billion per year between 2015 and 2018, according to data provided by Renaissance Capital. Expectations for \$50 billion to \$70 billion of IPO proceeds in 2019 would mark the largest dollar amount since the \$85.3 billion raised in 2014. What's driving this apparent acceleration in public listings? The traditional notion of an IPO can invoke images of an upstart, growing American company announcing its arrival to the world by accessing coveted public capital and trading on a major exchange. Yet, the recent batch of IPOs appears to be colored by a slightly different brush.

First, the beginning of 2019 has provided a much friendlier environment for IPO valuations than the angst-ridden fourth quarter of 2018. An environment characterized by mounting negative sentiment surrounding risky assets as prevailed in the final months of 2018 will often spook the decision makers behind IPOs. Thus, we saw an IPO backlog, as investment bankers and senior management of firms aspiring for a public listing hit the pause button. The first quarter of 2019 brought a strong stock market rally.

Importantly, beginning in January, investors witnessed a clear pivot in the expected direction of monetary policy from the U.S. Federal Reserve, which now projects no interest rate hikes this year. How is the interest rate backdrop related to IPO supply? In general, a less aggressive path of expected interest rate hikes implies Fed policymakers might be concerned about the durability of economic growth. If growth across the economy is projected to be lackluster, investors tend to be more attracted to firms which are able to generate above-trend revenue growth despite the uninspiring backdrop. After all, when something is scarce (in this case growth), its price is often bid upward in free market economies. All of the firms mentioned above have in common high levels of revenue growth, even though most of them are not profitable today.

Another important difference between 2019's headline IPOs and those of previous years lies in the nature of the businesses. In short, firms like Uber Technologies, Airbnb and WeWork are further along in their development cycle and expected to command significantly higher public market valuations than their predecessors. Some market commentators argue the guiding purpose of the IPO market has changed in recent decades from primarily an effective method to raise equity capital for business expansion to increasingly a channel for founders, powerful private investors and early-stage employees to cash out. This created a scenario where public market investors are now more likely to access recently listed firms at a more advanced stage of their business cycle than in previous decades. For instance, Uber, WeWork and Airbnb are expected to price IPOs with implied market capitalizations of \$120 billion, \$45 billion and \$35 billion respectively. Uber alone is expected to go public with a market capitalization greater than the combined market capitalizations of General Motors, Ford and Tesla. When iPhone-maker Apple Inc. went public in 1980, its market capitalization was \$1.34 billion. In 1980, the largest company in the U.S. by market capitalization was technology blue blood IBM with a market capitalization of roughly \$39.5 billion. Apple was about 3.4% of the size of IBM upon its 1980 IPO. Today, Microsoft has the largest market capitalization in the U.S. stock market at \$920 billion. If Uber's forthcoming IPO is priced at a \$120 billion market capitalization, it would be 13% that of Microsoft and good enough to be within the largest 150 stocks in the S&P 500.

ECONOMY

ECONOMIC OUTLOOK SHOWS SLOWER GROWTH FOR 2019

The final reading for annualized U.S. GDP growth in the fourth quarter of 2018 came in at 2.2%, less than the previously reported 2.6%, a deceleration from the third quarter reading of 3.4%. The slower growth primarily reflected less-than-expected contributions from personal consumption and nonresidential fixed investment and a decline in government spending. For all of 2018, the U.S. economy advanced 2.9%, above the 2.2% recorded in 2017 and the highest growth rate since 2015. During Federal Reserve Chairman Powell's comments following the March Federal Open Market Committee (FOMC) meeting he said the Fed plans to halt the tapering of its balance sheet by September. Additionally, the FOMC released their summary of economic projections which showed the median FOMC official felt there would be no need for a rate hike in 2019. Relative to the previous projections released in December, which showed an expectation of two rate hikes in 2019, the March projections were perceived to be dovish. The FOMC also reduced its outlook for U.S. economic growth to 2.1% in 2019, down 0.2% from their 2.3% forecast in December. They cited weaker economic growth in Europe and China as a headwind for the U.S. economy.

Consumer sentiment readings were mixed in March, as the Conference Board indicator's 124.1 March reading was worse than expected, while the University of Michigan's March indicator exceeded expectations. The Conference Board Consumer Confidence Index registered at 124.1 in March, which was down from 131.4 in February. The final March results from the University of Michigan Consumer Sentiment show overall consumer sentiment improved from the February result.

ECONOMIC INDICATORS	LATEST	3MO PRIOR	CHANGE*
REAL GDP (QoQ ANNUALIZED)	2.2%	3.4%	▼
TRADE BALANCE	-51.1	-56.5	▲
UNEMPLOYMENT RATE	3.8%	3.9%	▲
NON-FARM PAYROLLS	196K	227K	▼
ISM MANUFACTURING	55.3	54.3	▲
ISM NON-MANUFACTURING	56.1	58.0	▼
RETAIL SALES (LESS AUTOS)	-0.6%	0.4%	▼
INDUSTRIAL PRODUCTION	0.0%	0.7%	▼
HOUSING STARTS	1162M	1206M	▼
CONSUMER PRICE INDEX (YoY)	1.9%	1.9%	-
CONSUMER CONFIDENCE	124.1	126.6	▼
EXISTING HOME SALES	5.51M	5.21M	▲
CONSUMER CREDIT	15.18B	19.73B	▼
CRUDE OIL PRICE	53.79	50.93	▼

Source: Bloomberg. Past performance does not guarantee future results. *The change arrow is indicative of a positive or negative change in the economic nature of the data series. For example, a downward-pointing change arrow assigned to the crude oil price field will correspond with an increase in the actual price of crude oil over the last three months. This is because a short-term increase in the price of crude oil has historically been detrimental to U.S. economic growth.

Consumer sentiment increased to 98.4 in March, up from 93.8 in February. While the readings from both surveys remain at favorable levels, they have been softening since last summer, adding to indications of a moderation in economic growth looking forward.

EMPLOYMENT & MANUFACTURING

Domestic employers added 196,000 new jobs to the U.S. economy in March, slightly more than the expected amount of 175,000.

ECONOMY CONTINUED

Nonfarm payrolls posted a solid rebound from the upwardly revised 33,000 jobs added in February. The unemployment rate also held steady at 3.8% last month, just above a near 50-year low of 3.7% reached last fall. Payroll gains in March were led by education and health while manufacturing continued to weaken with a loss of 6,000 jobs. Average hourly wages for private-sector workers grew 3.2% from a year earlier, which was a strong increase, though a slowdown from February's 3.4% gain. Despite the faster wage increases, most companies have not passed on their higher labor costs to consumers through higher prices, keeping inflation subdued.

The U.S. ISM Manufacturing Index increased to 55.3 in March, up from 54.2 in February. Any number above 50 indicates manufacturing expansion. Positive surprises in the new orders, production and employment components were the biggest drivers of the March report's strength. Of the 18 manufacturing industries, 16 reported growth in March, led by Printing and Related Support Activities, Textile Mills, and Food, Beverage and Tobacco Products. The two industries reporting contraction in March were Apparel, Leather and Allied Products and Paper Products.

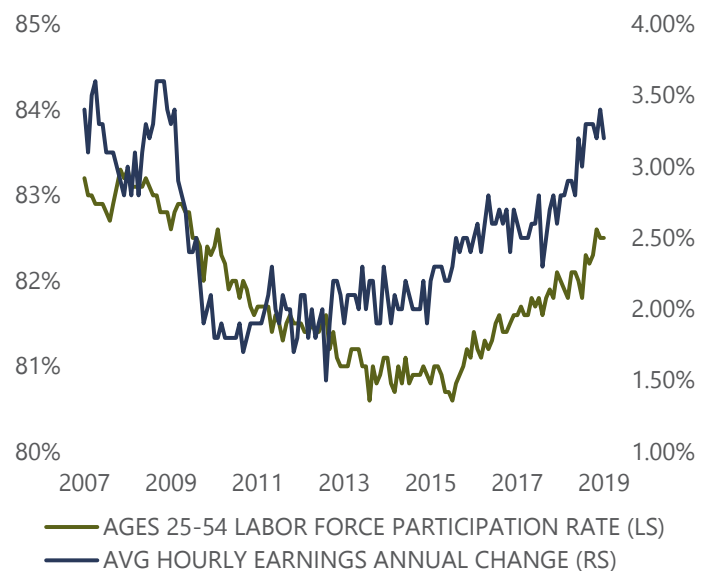
HOUSING & RETAIL SALES

The housing sector received mixed news during the first quarter of 2019. U.S. homebuilding in February was weaker than expected with an 8.7% decline to a seasonally adjusted annual rate of 1.162 million units. Building permits for future construction were also weak in February, registering a 1.6% decline. The outlook for housing has improved recently, however, due to a one-year low in 30-year fixed mortgage interest rates

and slower growth in housing prices. The improvement appears to be starting to show in new home sales which rose for a second consecutive month in February.

U.S. retail sales fell in February by 0.2%, as consumers pulled back their spending on building materials, groceries, furniture, electronics and clothing. February's weakness follows an upwardly revised 0.7% gain in January. Excluding automobiles, gasoline, building materials and food services, retail sales fell 0.2% in February after an upwardly revised 1.7% surge in January. These so-called core retail sales historically correspond most closely with the consumer spending component of GDP.

U.S. LABOR FORCE PARTICIPATION & WAGE TRENDS
MARCH 2007 THROUGH MARCH 2019



Source: Bloomberg. Past performance does not guarantee future results.

EQUITY

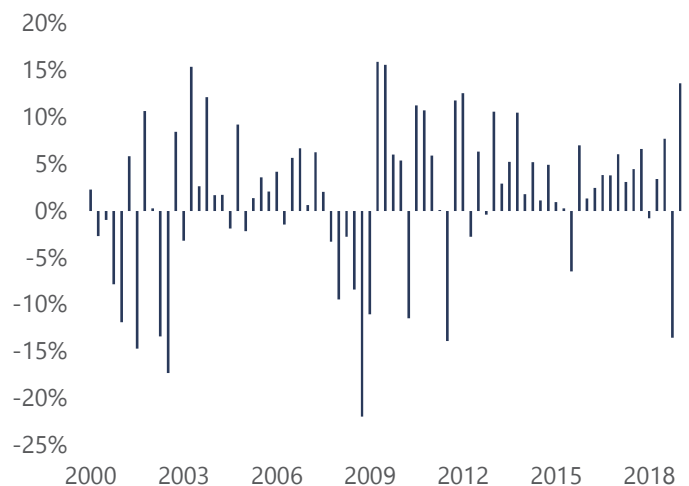
FED PIVOT PROPELS A WINTER RALLY

Global equity markets experienced a strong rebound in the first quarter and clawed back most of their double-digit loss from the previous quarter. Some of the major concerns behind sharp losses for stocks in the fourth quarter were somewhat alleviated in the first quarter. After five consecutive quarterly interest rate increases, in January, the Federal Reserve adopted a less aggressive stance toward rate hikes. Fed officials communicated they will take a more patient, data-dependent approach and indicated they expect no rate hikes this year. Another catalyst behind the rally was the improved optimism about trade negotiations between the U.S. and China. In-person trade discussions were held in both countries and trade representatives said they made progress to narrow their differences.

U.S. equities led most major global equity markets with the S&P 500 rising 13.7% in the quarter. That was the S&P 500's best quarterly return since 2009 and erased its entire 13.5% fourth quarter decline. The gain pushed the S&P 500 to 3.3% away from its all-time high of 2,930.75 reached last September. The bull market in domestic equities reached its 10-year anniversary in early March and became the longest bull market in S&P 500 history, surpassing the bull market of the 1990s. This is the second strongest bull market with a gain of 412% (17.6% annualized). The strongest bull market was the 536% return (21.6% annualized) during the 1990s. Our unofficial definition of a bull market is a continuous period during which a security or market index does not experience a 20% or greater correction.

Cyclically oriented U.S. sectors regained market leadership as improved risk sentiment drove a rotation back into areas of the market exhibiting higher growth characteristics. Defensive sectors including utilities, health care, and consumer staples were among the lower performing sectors after being the best places to hide within equities during the fourth quarter's decline.

S&P 500 INDEX QUARTERLY RETURNS
2000 THROUGH 1Q 2019



Source: Bloomberg. Past performance does not guarantee future results.

EQUITY CONTINUED

Foreign developed equities trailed their U.S. counterparts, but still posted a strong return of 10.1% despite soft economic data and political uncertainty. European equities received support from the European Central Bank's reaction to below-trend economic growth that included a new round of long-term, low-cost loans to stimulate bank lending and revised guidance to leave interest rates unchanged until at least the end of the year. Emerging markets performed in line with foreign developed markets. The MSCI Emerging Market index returned 10.0%, led by China's 17.7% gain. Newly implemented government stimulus in China and trade negotiation progress with the U.S. provided a boost to Chinese equities and other emerging markets with close economic ties to China.

As mentioned above, the often unloved bull market in domestic equities, born in the depths of the Great Recession on March 9, 2009, celebrated its 10-year anniversary this past quarter. Over this period the S&P 500 Index more than quadrupled in price terms from 683 to 2,834. S&P 500 trailing 12-month earnings per share (TTM EPS) doubled from \$45 to \$90 during the first two years of the bull market. Then, beginning in late 2011, increasingly higher valuation multiples for S&P 500 EPS (also known as price multiple expansion) became the primary driver of the bull market. From September 2011 to January 2018, the S&P 500 saw its ratio of price to trailing 12-month earnings (P/E ratio) expand from roughly 12.6 to 22.9, translating to an 82% P/E ratio expansion over this 64-month period. Meanwhile, over the same period, the S&P 500's TTM EPS increased from \$89.73 to \$123.14 – just a 37% improvement. As seen in the chart (right), however, earnings growth took the baton from price multiple expansion in early 2018 as the S&P 500's main growth engine.

From January 2018 to March 2019, the S&P 500's TTM EPS grew 23%, while its P/E multiple contracted 18% from 22.9 to 18.7. Almost counterintuitively, investors have assigned a lower price multiple on an S&P 500 earnings stream that has demonstrated above-trend growth over the last 18 to 24 months. A large part of this dynamic is likely related to investors' view that the economic expansion could be in the later stages of its lifecycle combined with heightened uncertainty over the future path of the U.S.-China trade conflict.

S&P 500 INDEX: EARNINGS & VALUATION
2007 THROUGH 1Q 2019



Source: Bloomberg. Past performance does not guarantee future results.

FED UP WITH INVERSION

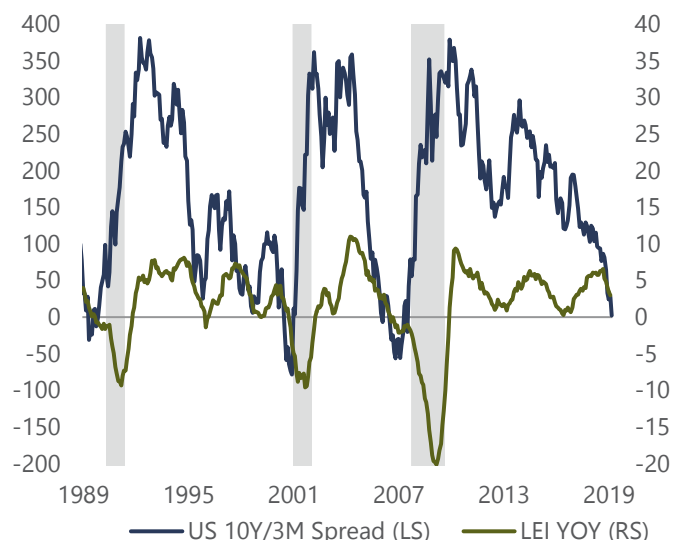
Global growth fears, curve inversion, and “Fed speak” garnered much of the financial media’s attention during the first quarter of 2019. After members of the policy-setting FOMC spent most of January quelling fears and advocating for a pause in monetary tightening, investors grew much more apprehensive about global growth during the quarter. Weaker Chinese economic data and an increasing possibility for a no-deal Brexit caused the outlook for growth in the euro zone to decline, which further fueled the anxiety across bond markets. This drove sovereign bond yields to decline around the world, leaving an estimated \$10.2 trillion of global sovereign bonds with negative yields. In the U.S., the benchmark 10-year Treasury yield declined 27 basis points to end the quarter at 2.41% (a 15-month low). As a result, the yield on three-month U.S. Treasury bills traded above that on 10-year Treasury notes for five consecutive days, providing ample material for ominous headlines.

Much has been said about the implication of the Treasury yield curve inversion, especially since a majority of past inversions heralded economic recessions, but the recently observed inversion appears to have been short lived. Besides, other closely followed leading indicators, such as the Conference Board’s Leading Economic Index or the Purchasing Managers’ Index, have not confirmed the cautious signal from the yield curve. Global central banks have responded to slowdown concerns by taking a much more accommodative policy stance than investors expected at the outset of the year. Provided that these policy measures lead to a reversal in sentiment and economic activity, especially in China and the euro zone, interest rates around the world could move higher by

year end. For the time being, it is likely that the geopolitical events will keep uncertainty elevated and a relatively tight range of rates through the second quarter. This, in turn, suggests the Treasury curve will remain relatively flat.

Through the end of the first quarter the Bloomberg Barclays (Bbg Barc) U.S. Aggregate bond index returned 2.94%, while the Bbg Barc U.S. Government/Credit Index returned 3.26% as credit recovered from the distress experienced in late 2018. U.S. TIPS also performed well in the first quarter outpacing returns on nominal Treasuries with similar maturities.

THE YIELD CURVE AND ECONOMIC INDICATORS
JANUARY 1989 THROUGH FEBRUARY 2019



Source: Bloomberg. Past performance does not guarantee future results.

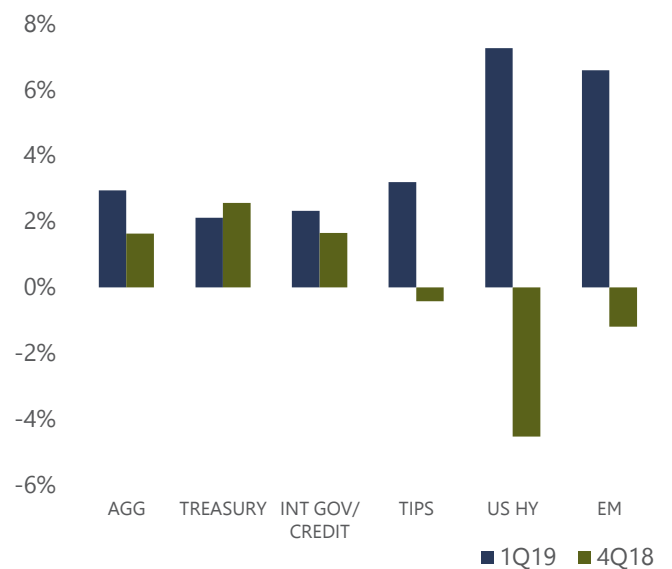
FIXED INCOME CONTINUED

Given this environment, we continue to underweight duration in our taxable portfolios as we do not find compelling reasons for holding a longer duration exposure at this time. Much of this has to do with the yields offered at the front end of the curve and a significant portion of the curve being flat or inverted. We continue to maintain a neutral to positive view on credit as investment-grade spreads to Treasuries currently sit within five to ten basis points of their five-year averages. Similarly, spreads on high-yield corporate bonds are also hovering around their five-year averages. Overall corporate credit metrics appear to be very solid, and credit exposure currently offers additional income relative to duration. For instance, a 10-year Treasury note only offers 20 basis points more in yield than a three-year Treasury note, but some maturity equivalent; A-rated corporates offer 55 more basis points in yield. If rates and spreads were to remain unchanged over the next 12 months, the three-year corporate alternative would be expected to generate a higher total return.

In tax-exempt portfolios it is currently warranted to take on some duration risk as the seven-year part of the curve and beyond appear to offer value relative to the shorter part of the municipal curve. On average, a seven-year tax-exempt bond offers a yield that is 72% of an equivalent Treasury offering, and bonds maturing within three years offer yields that are roughly 65% of three-year Treasury yields. The percentage climbs to 80% when looking beyond 11 years. This relative value inconsistency has been created by an increase in demand for short-term tax-exempt municipal bonds after the limitation of state and local tax deductions on the federal tax returns in 2018. In addition, lower federal tax brackets have driven short-term municipal yields to levels where tax-exempt bonds no longer make sense for a large number of investors.

As of March 29 the fed funds futures market indicated a 70% probability that the Fed would cut rates by the end of 2019, up from 12% at the end of 2018. While some investors believe a cut would mean the end of the current economic cycle, it might actually result in something more akin to the cuts seen in 1995 and 1996 where GDP recovered in the back half of 1995 and the expansion continued through the end of 2000. While the odds of a rate cut have increased, it is by no means certain. Future rate policy will likely depend on the state of the economy and inflation outlook. Both higher-than-expected real economic growth and higher-than-expected inflation would likely cause the Fed to start tightening policy again.

QUARTERLY PERFORMANCE OF FIXED INCOME SECTORS
4Q 2018 AND 1Q 2019



Source: Bloomberg. Past performance does not guarantee future results.

OUTLOOK

IS REAL ESTATE STILL A RELIABLE INDICATOR?

Investors may have been relieved, surprised, or both, by the broad equity market's recovery from the end of 2018. The rally in stocks from their late-December lows to the end of the first quarter measured roughly 20%, bringing major domestic stock indexes within a few percentage points of their all-time highs reached in 2018.

What could have caused this abrupt turn around? Two popular reasons are Federal Reserve policy and perceived improvements in U.S.-China trade talks. Regarding Fed policy, Chairman Powell's hawkish comments late last summer likely spooked investors. If this is true, then his reversal of that stance in December could just as easily explain the rally. Second, during the first few months of the year, reports of the "on again" and "off again" status of the U.S. - China trade negotiations turned closer to a productive agreement, than an all-out trade war as the quarter progressed. Lastly, signs of a slower path for the U.K.'s exit from the European Union (aka "Brexit") might have been constructive for European equities.

Headline news stories of global trade negotiations and central bank policy moves are viewed as popular powerful predictors of equity performance. Yet, they can quickly change from bullish to bearish for stocks. Though investors are cautioned not to put too much faith in items such as these, fundamental indicators can be just as misleading. In the first few months of the year, economic data reports indicating the holiday shopping season was not as strong as initially believed and further deceleration in retail sales in January and February could have been negative signals for stocks, but equity markets climbed higher nonetheless.

This outlook reviews eight macroeconomic data points to assess whether conditions are generally bullish or bearish for U.S. stocks over the next 12 months. Though each indicator is not perfect, we believe equity prices ought to reflect economic fundamentals in some manner. Currently three factors are bullish, three are bearish, one is neutral, and one is too close to call. Though the yield curve slope was a positive two basis points (0.02%)

at the end of March, it had actually inverted during the trading day several times that week. Additionally, other parts of the yield curve had inverted. The Federal Reserve's policies are considered bearish since their last move was to hike. Unemployment has turned from bullish to bearish because unemployment has risen when compared to six months ago. The S&P 500 momentum indicator has turned bullish with the recovery since the December lows. Inflation, measured by the Producer Price Index, is below its long-term average and bullish for the near term.

While geopolitical headlines and economic fundamentals are not foolproof indicators either, we believe it is

ECONOMIC INDICATOR	LATEST	SIGNAL
FED FUNDS POLICY	2.50%	BEAR
UNEMPLOYMENT RATE	3.80%	BEAR
STEEPNESS OF YIELD CURVE	0.02%	?
PRODUCER PRICES INDEX	0.50%	BULL
S&P 500 INDEX MOMENTUM	2834	BULL
WTI OIL PRICES	\$ 45.41	BULL
S&P / CASE-SHILLER HOME PRICE INDEX	212.00	BEAR
PHILADELPHIA FED SURVEY	9.4	NEUTRAL

Source: Bloomberg.

OUTLOOK CONTINUED

important to note that, relative to a few years ago, economic fundamentals have somewhat weakened.

REAL ESTATE MOMENTUM

Near term price momentum in residential real estate markets can influence stock market returns. Simply put, on average, when house prices are rising, American consumers tend to spend more on all types of items. They may save less for retirement, instead believing they can rely on a continuously rising home value to fund their golden years. Counterintuitively, rising house prices may actually encourage home buying since some home owners may fear they have to act now before prices become too expensive for them to afford. These arguments are oversimplified renditions of the wealth effect, a key theory in economics. Whatever the true reason, since the end of World War II, housing has been a key component of the U.S. economy and an influencer of stock market levels.

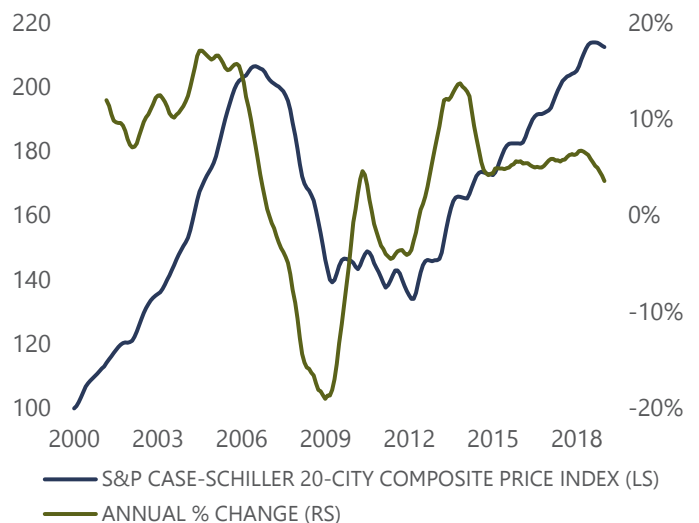
The chart (right) shows one measure of personal real estate worth, the Case Shiller 20 Metropolitan City Home Price index. After the steep declines in home prices during the sub-prime mortgage crisis of 2007 to 2009, prices recovered on average 5%-10% per year, finally matching their 2006 highs in February 2018. It may be the case that the housing market is getting stretched, as the slope of the annual appreciation has decreased over the last several months.

It's tough to determine if the weakness in housing is attributed to the typical seasonality factors related to winter months being weaker than warmer months, or if other factors are in play. These other factors could include rising interest rates. Though still historically low, fixed 30-year mortgage rates are nearly 1.5% higher than they were at the start of the current cycle.

Anecdotal reports on the behavior of the youngest (and fastest growing) cohort of buyers – the millennials – are multi-faceted. One side argues that millennials are too saddled with student loan debt to buy a home, while another argues that their reportedly frugal lifestyle has resulted in pent-up demand on the verge of being released. The idiosyncrasies of millennials' spending decisions aside, changes in home prices have historically been an important indicator for stock prices, and they have recently weakened. We will continue to monitor this factor and others with the goal of being better prepared for near-term moves in equities.

U.S. HOME PRICES

JANUARY 2000 THROUGH JANUARY 2019



Source: Bloomberg. Past performance does not guarantee future results.

ECONOMIC OUTLOOK AND INVESTMENT POLICY

ECONOMIC FACTORS	CURRENT OUTLOOK
U.S. GDP Growth	In the minutes from their December meeting, FOMC officials projected U.S. GDP growth would decline from 3.0% in 2018 to 2.1% in 2019.
Federal Funds Rate	The FOMC kept its benchmark federal funds rate to a range of 2.25% - 2.50%. Market implied odds indicate no additional hikes in 2019.
Inflation	Market participants expect inflation to average a subdued 1.8% annually over the next five years, compared to the Fed's stated target of 2.0%.
Employment	Slight increases in the labor force participation rate in recent quarters could bring higher-than-expected payrolls growth in the first half of 2019.
Consumer Confidence	Consumer optimism has waned in recent months, but remains above historical averages and appears to be supported by a healthy job market.
Oil	Supply disruptions related to political and military uncertainty in Venezuela and Libya could push crude oil prices higher in coming months.
Housing	A sharp decline in the average U.S. 30-year fixed mortgage loan rate could stabilize weakness seen across the domestic housing market in 2018.
International Economies	The IMF reduced its global growth forecast for 2019 to 3.3% from 3.5% citing escalating trade policy uncertainty and unknowns surrounding Brexit.

	MINIMUM	NEUTRAL	MAXIMUM	CURRENT OUTLOOK
FIXED INCOME				
Core Bonds				Recent communications from U.S. Federal Reserve policymakers indicate no additional interest rate hikes in 2019. As such, we believe there is a reasonable case to moderately reduce our underweight to the broad fixed income asset class. We believe a moderate underweight to fixed income relative to the mid-point of the strategic range is reasonable; however, given our view that no clear signs of a persistent economic contraction are present. Outside of the core investment grade allocation, our exposure to investment-grade floating rate securities could serve as a hedge against both rate hikes and inflation without undertaking more credit risk. We continue to see limited appeal in the broad international fixed income asset class.
TIPS				
Non-Investment Grade				
International				

	MINIMUM	NEUTRAL	MAXIMUM	CURRENT OUTLOOK
EQUITIES				
Large Cap				We believe it makes sense to modestly reduce our equity allocation to a neutral stance relative to the mid-point of our strategic range. While current valuations of most global equity indexes do not appear extended, headwinds including unresolved trade negotiations, economic slowdowns in China and Europe and expectations for flat to slightly negative U.S. corporate earnings growth in the first half of 2019 justify a moderate reduction. Given a majority of our concerns would likely have a disproportionate effect on international economies, we believe reducing developed market international equity exposure to a below-neutral stance is a prudent course of action.
Mid Cap				
Small Cap				
Developed International				
Emerging Markets				

	MINIMUM	NEUTRAL	MAXIMUM	CURRENT OUTLOOK	
ALTERNATIVES*					
	CAP PRES	IWSG	BAL	GWSI	GROWTH
Global Real Estate					
Global Infrastructure					
Hedged Equity					
Arbitrage					
Strategic Income					

Our expectation for elevated volatility in equity markets came to fruition in the final months of 2018. Both equity and bond prices stair-stepped higher in the first quarter, but we anticipate a reemergence of volatility across asset classes as 2019 unfolds. As such, we believe an overweight to alternative investments able to provide enhanced diversification for multi-asset class portfolios remains sensible. It is our view that U.S. government bonds are fairly valued, while the broad equity asset class is increasingly exposed to trade policy uncertainty and a deceleration of economic growth outside of the U.S. As such, we have constructed diversified alternatives portfolios meant to decrease the risk profile of their respective recommended total Alternative Investment portfolios are listed in the table (left) (CAP PRES, IWSG, BAL, GWSI, GROWTH).

The above minimum/neutral/maximum recommendations represent MainStreet Advisors' current positions relative to our Strategic Asset Allocation ranges. Views expressed have a 6-12 month horizon and are those of the MSA Investment Committee.

*Cap Pres: Capital Preservation, IWSG: Income with some growth, Bal: Balanced, GWSI: Growth with some income

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