

2ND QUARTER 2019 - ADVISORY COMMENTARY

THE SECOND QUARTER OF THE YEAR SAW A CONTINUED SHIFT TOWARD SLOWER ECONOMIC DATA WORLDWIDE. THIS WAS ALSO ACCOMPANIED BY A SEA CHANGE IN THE OUTLOOK FOR INTEREST RATES. THE GROWING CONSENSUS NOW VIEWS LOWER INTEREST RATES AS THE ODDS-ON BET AS WE HEAD INTO THE SECOND HALF OF 2019.

NEGATIVE INTEREST RATES ARE SWEEPING THE GLOBE AGAIN, OUTSIDE OF THE U.S. AT LEAST. GLOBAL GOVERNMENT BOND MARKETS HAVE SEEN LARGE PRICE GAINS WHICH ARE ONCE AGAIN PUSHING YIELDS DOWN BELOW ZERO. THIS MAY SEEM ODD, IF NOT IMPOSSIBLE, TO MOST INVESTORS. BUT, REST ASSURED, MANY INVESTORS AROUND THE GLOBE ARE COMFORTABLE PAYING A GOVERNMENT TO ALLOW THEM TO LEND THEM MONEY RATHER THAN TAKE THEIR CHANCES IN THE GLOBAL EQUITY MARKETS RIGHT NOW. THIS IS TRULY UNPRECEDENTED IN THE HISTORY OF MARKETS, INTEREST RATES AND INVESTING.

GIVEN THE LOWER RATE ENVIRONMENT THAT SEEMS TO BE PERCOLATING, IN THE MIDDLE OF THE QUARTER WE INCREASED OUR WEIGHTING TO LONG TERM U.S. TREASURY BONDS, REAL ESTATE AND UTILITIES. IT'S HARD TO FORECAST HOW LONG WE'LL HOLD THESE OVER-WEIGHTED EXPOSURES, BUT THE OUTLOOK NOW SEEMS TO FORETELL A FAVORABLE ROAD AHEAD FOR INTEREST RATE-SENSITIVE AREAS.

INTERESTINGLY, AT THE END OF JUNE GOLD EXPERIENCED A FORCEFUL BREAKOUT FROM AROUND \$1,340/OZ TO WELL ABOVE THE \$1,400-LEVEL. THIS CAUSED GOLD-RELATED STOCKS TO ALSO SEE A NICE JUMP IN PRICE. MOST INVESTORS VIEW GOLD AS A HEDGE AGAINST TURMOIL AND, MORE SPECIFICALLY, INFLATION. BUT HISTORY SHOWS THAT GOLD PERFORMS THE BEST WHEN WE'RE IN AN ENVIRONMENT OF DECLINING INTEREST RATES, AS IT REMOVES MUCH OF THE OPPORTUNITY COST ASSOCIATED WITH HOLDING AN ASSET THAT DOESN'T HAVE A YIELD ATTACHED TO IT.

IN ADDITION TO RAISING A LITTLE MORE CASH, WE EXITED OUR ENERGY HOLDINGS DURING THE QUARTER AS WE SEE STAGNANT ECONOMIC GROWTH TAKING HOLD ACROSS THE GLOBE. TYPICALLY, ENERGY COMMODITIES AND ENERGY EQUITIES SEE SIDEWAYS TO FLAT PERFORMANCE WITHIN THIS TYPE OF BACKDROP.

REGARDLESS OF WHETHER IT SEEMS RIGHT OR WRONG, IT LOOKS AS THOUGH WE WILL BE SEEING LOWER INTEREST RATES IN THE UNITED STATES AND AROUND THE WORLD. IS THIS SIGNALING A DEEPER ECONOMIC PULLBACK, A FURTHER SIGN OF THE WORSENING WORLDWIDE DOLLAR SHORTAGE OR JUST A NEW PARADIGM OF INVESTING THAT WE ALL NEED TO ADJUST TO? AS ALWAYS, TIME WILL TELL.

SINCERELY,



BRIAN WECKMAN
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2ND QUARTER 2019 - MARKET UPDATE

EQUITY MARKETS

- S&P 500 INDEX TR +4.30%
- DOW JONES INDUSTRIAL AVERAGE TR +3.21%
- NASDAQ COMPOSITE INDEX +3.58%
- RUSSELL 3000 INDEX TR +4.10%
- CBOE SPX MARKET VOLATILITY INDEX +9.99%

FIXED INCOME MARKETS

- BARCLAYS U.S. AGGREGATE BOND INDEX +3.08%
- BARCLAYS U.S. TREASURY 5-7 YEAR INDEX +3.24%

ALTERNATIVE INVESTMENTS, COMMODITIES & CURRENCIES

- S&P GSCI TOTAL RETURN INDEX -1.42%
- GSCI WEST TEXAS INTERMEDIATE EXCESS RETURN -3.43%
- U.S. DOLLAR INDEX -1.18%
- GOLD SPOT +8.77%
- DOW JONES COMPOSITE REIT INDEX TR +1.20%
- CBOE BUYWRITE MONTHLY INDEX +3.28%

ANCHORED GROWTH BENCHMARK +3.66%

(70% RUSSELL 3000, 25% BARCLAYS U.S. AGGREGATE BOND INDEX, 5% CASH)

FOUNDATION TOTAL RETURN BENCHMARK +3.34%

(50% RUSSELL 3000, 40% BARCLAYS U.S. AGGREGATE BOND INDEX, 10% CASH)

INFLATION-PLUS INCOME BENCHMARK +1.93%

(40% BARCLAYS U.S. AGGREGATE BOND INDEX, 40% BARCLAYS U.S. TREASURY SHORT INDEX, 20% CASH)

*SOURCE: KWANTL.COM (7/7/19). INDEXES ARE UNMANAGED AND CANNOT BE INVESTED INTO DIRECTLY. UNMANAGED INDEX RETURNS DO NOT REFLECT FEES, EXPENSES, OR SALES CHARGES. INDEX PERFORMANCE IS NOT INDICATIVE OF THE PERFORMANCE OF ANY INVESTMENT. PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS.



THE OPINIONS VOICED IN THIS MATERIAL ARE FOR GENERAL INFORMATION ONLY AND ARE NOT INTENDED TO PROVIDE SPECIFIC ADVICE OR RECOMMENDATIONS FOR ANY INDIVIDUAL.

THE ECONOMIC FORECASTS MAY NOT DEVELOP AS PREDICTED AND THERE CAN BE NO GUARANTEE THAT STRATEGIES PROMOTED WILL BE SUCCESSFUL.

PRECIOUS METAL INVESTING INVOLVES GREATER FLUCTUATION AND POTENTIAL FOR LOSSES.

THERE IS NO GUARANTEE THAT A DIVERSIFIED PORTFOLIO WILL ENHANCE OVERALL RETURNS OR OUTPERFORM A NON-DIVERSIFIED PORTFOLIO. DIVERSIFICATION DOES NOT PROTECT AGAINST MARKET RISK.

STOCK INVESTING INVOLVES RISK INCLUDING LOSS OF PRINCIPLE.

GOVERNMENT BONDS AND TREASURY BILLS ARE GUARANTEED BY THE US GOVERNMENT AS TO THE TIMELY PAYMENT OF PRINCIPAL AND INTEREST AND, IF HELD TO MATURITY, OFFER A FIXED RATE OF RETURN AND FIXED PRINCIPAL VALUE.

The Standard & Poor's 500 Index is a capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

Dow Jones Industrial Average is the most widely used indicator of the overall condition of the stock market, a price-weighted average of 30 actively traded blue chip stocks, primarily industrials. The 30 stocks are chosen by the editors of the Wall Street Journal. The Dow is computed using a price-weighted indexing system, rather than the more common market cap-weighted indexing system.

The NASDAQ Global Market Composite consists of 1,450 stocks that meet NASDAQ's strict financial and liquidity requirements, and corporate governance standards. The Global Market Composite is less exclusive than the Global Select Market Composite.

The Russell 3000 Index is a market capitalization weighted equity index maintained by the Russell Investment Group that seeks to be a benchmark of the entire U.S. stock market. More specifically, this index encompasses the 3,000 largest U.S.-traded stocks, in which the underlying companies are all incorporated in the U.S.

The CBOE SPX Market Volatility Index shows the market's expectation of 30-day volatility. It is constructed using the implied volatilities of a wide range of S&P 500 index options. This volatility is meant to be forward looking and is calculated from both calls and puts. The VIX is a widely used measure of market risk and is often referred to as the "investor fear gauge."

The Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency).

The Barclays US Treasury Bond Index measures the performance of U.S. Treasury securities that have a remaining maturity of at least seven years and less than 10 years.

The S&P GSCI is recognized as a leading measure of general price movements and inflation in the world economy. The index – representing market beta – is world-production weighted. It is designed to be investable by including the most liquid commodity futures, and provides diversification with low correlations to other asset classes.

The GSCI West Texas Intermediate Excess Return Index reflects the returns that are potentially available through an unleveraged investment in the West Texas Intermediate (WTI) crude oil futures contract plus the Treasury Bill rate of interest that could be earned on funds committed to the trading of the underlying contracts.

The U.S. Dollar Index is a measure of the value of the U.S. dollar relative to majority of its most significant trading partners. This index is similar to other trade-weighted indexes, which also use the exchange rates from the same major currencies.

Gold Spot refers to the price paid for current delivery of 1 ounce of physical gold.

The Dow Jones Composite REIT Index contains all publicly traded U.S. REITs in the S&P Dow Jones Indices U.S. stock universe that are classified into one of three subcategories—equity, mortgage or hybrid—as defined by the REIT/RESI Industry Classification Hierarchy.

The CBOE S&P 500 BuyWrite Index (BXM) is a benchmark index designed to track the performance of a hypothetical buy-write strategy on the S&P 500 Index.



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