THE

# SEDORIC GROUP

*of Steward Partners*

## 2020 OUTLOOK

# Key Points

## LOOKING BACK ON 2019 (WITH CHARTS)

- 2019 provided well above average returns.
- The precipitous decline in interest rates fueled stock market like returns in bonds and other investments but has concerning long-term repercussions.
- The probability of a near-term recession remains elevated, but the percentage has declined some from summer highs.

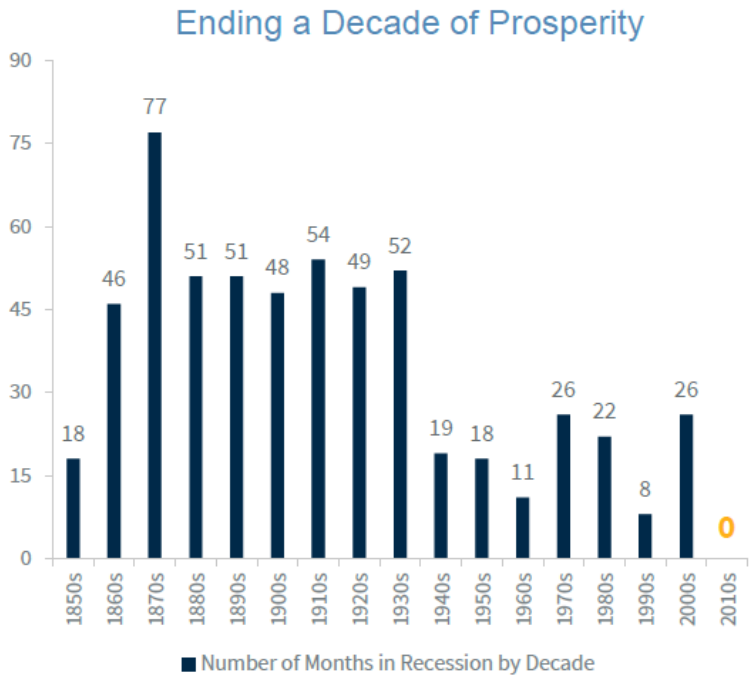
## IMPORTANT THEMES AS WE LOOK AHEAD (WITH CHARTS)

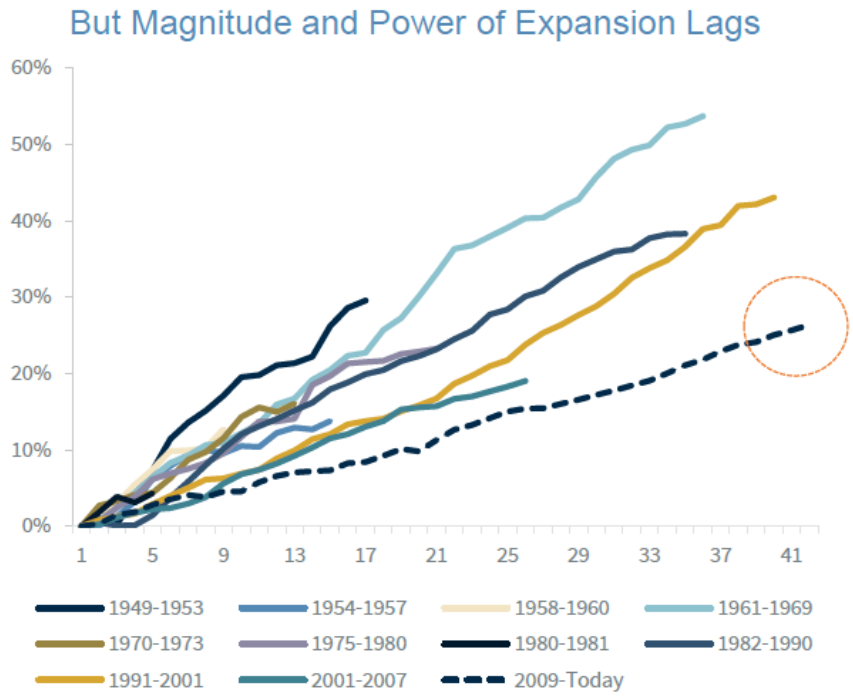
- Expensive equity markets coupled with low interest rates are likely to deliver the prudent investors below average returns over the coming decade.
- Negative interest rates remain a wild card variable for the global economy.
- The intergenerational wealth gap continues to be a concern and its implications for policies, leadership, and elections.
- An overview of The SECURE Act.

## ACTIONABLE ITEMS FOR THE YEAR(S) AHEAD (WITH CHARTS)

- It's time to reframe risk.
- Foreign equity markets remain relatively attractive with higher dividend yields and relative lower equity valuations. A softening dollar could be a tail wind.
- Tax flexibility and planning will be increasingly important for financial success. Tax burdens will be elevated.
- Consider six actionable steps in light of the SECURE Act.

# *Looking Back on 2019*

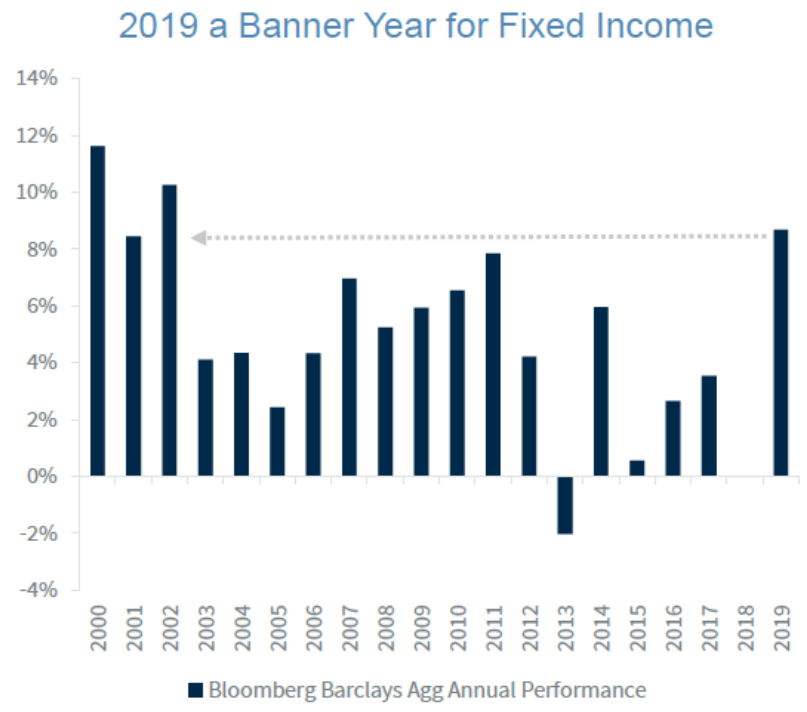


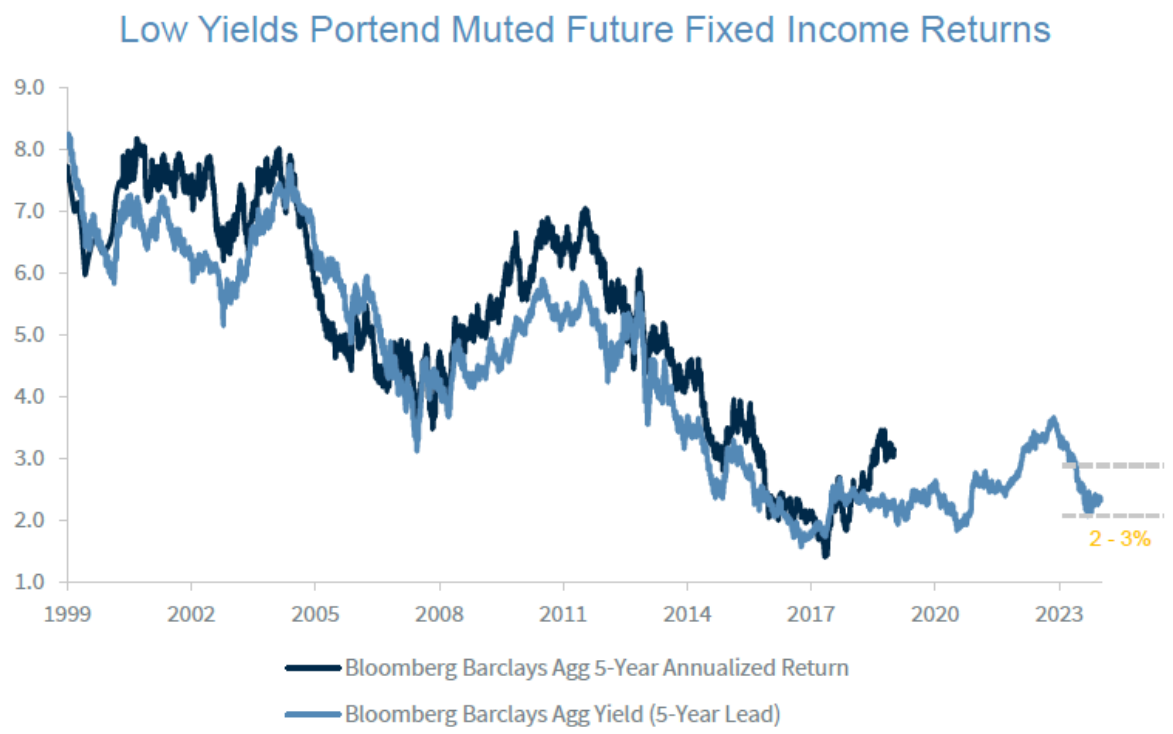




*Raymond James:10 Themes for 2020*

As you open your end of year statement, enjoy it for what it was – an unusually generous and well above average year. 2019 was an anomaly and delivered the exact opposite of 2018: headlines galore (i.e. trade wars and impeachment), an inverted yield curve and recessionary concerns, deficit spending like we're in the midst of a recession, and yet every major asset class delivered positive returns.

- 2019 was historical marking the first U.S. decade without a recession since records began in 1850.
- The current expansion (2009 – Today) is also the longest on record, though it lacks the strength and robust nature of previous recoveries (i.e. slower wage growth, low inflation, accommodative fiscal and monetary policy, etc.)




*Raymond James:10 Themes for 2020*

## BENEATH THE SURFACE IN 2019 WAS THE PRECIPITOUS DECLINE IN INTEREST RATES

- The decline in global interest rates fueled equity like returns within pockets of the bond market in 2019 (as a reminder: as interest rates decline, bonds appreciate).
- Today's low rates suggest paltry returns for bonds, and perhaps equities, moving forward.
- When interest rates are low, by default, and without regard for risk of loss, investors often stretch for yield in REITS, MLPs, private placement, and collectibles.

## Asset class returns

GTM - U.S. | 60

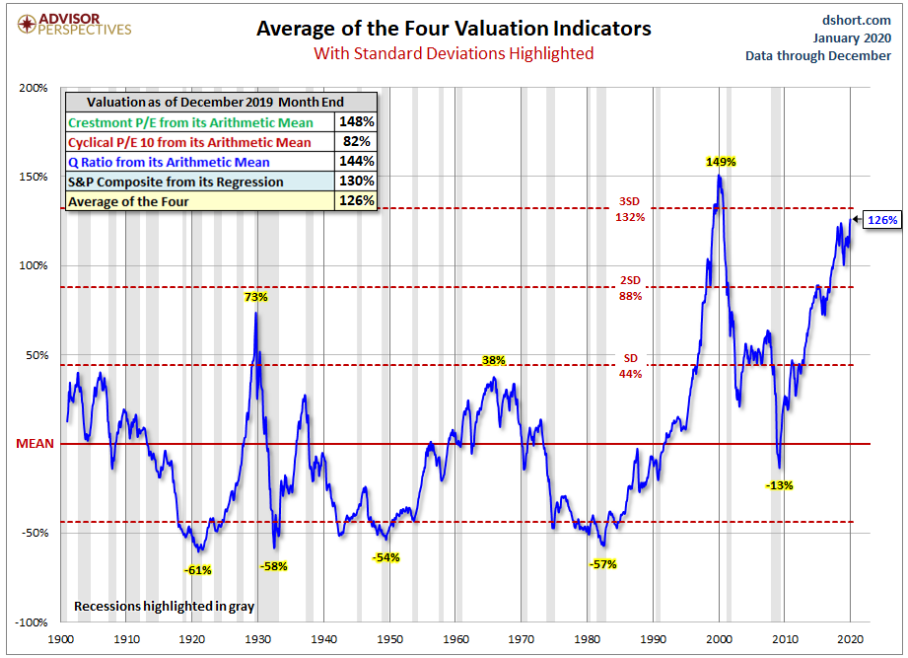
| 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2005 - 2019 Ann. | 2005 - 2019 Vol. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| EM Equity 34.5% | REITs 35.1% | EM Equity 39.8% | Fixed Income 5.2% | EM Equity 79.0% | 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% | 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% | 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% | 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% | 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% | 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 26.5% | 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% | 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% | 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% | 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% | 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. -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 December 31, 2019.

J.P.Morgan
Asset Management

# ALONG WITH FIXED INCOME, 2019 WAS ANOTHER BANNER YEAR FOR EQUITIES, ESPECIALLY U.S. EQUITIES

- Global equity markets delivered sizable returns in 2019 after laying an egg in 2018.
- U.S. equities continued their stretch of out-performance relative to foreign markets. That can change.
- Valuations remain elevated within a highly unusual range, which has historically led to below-average future returns.

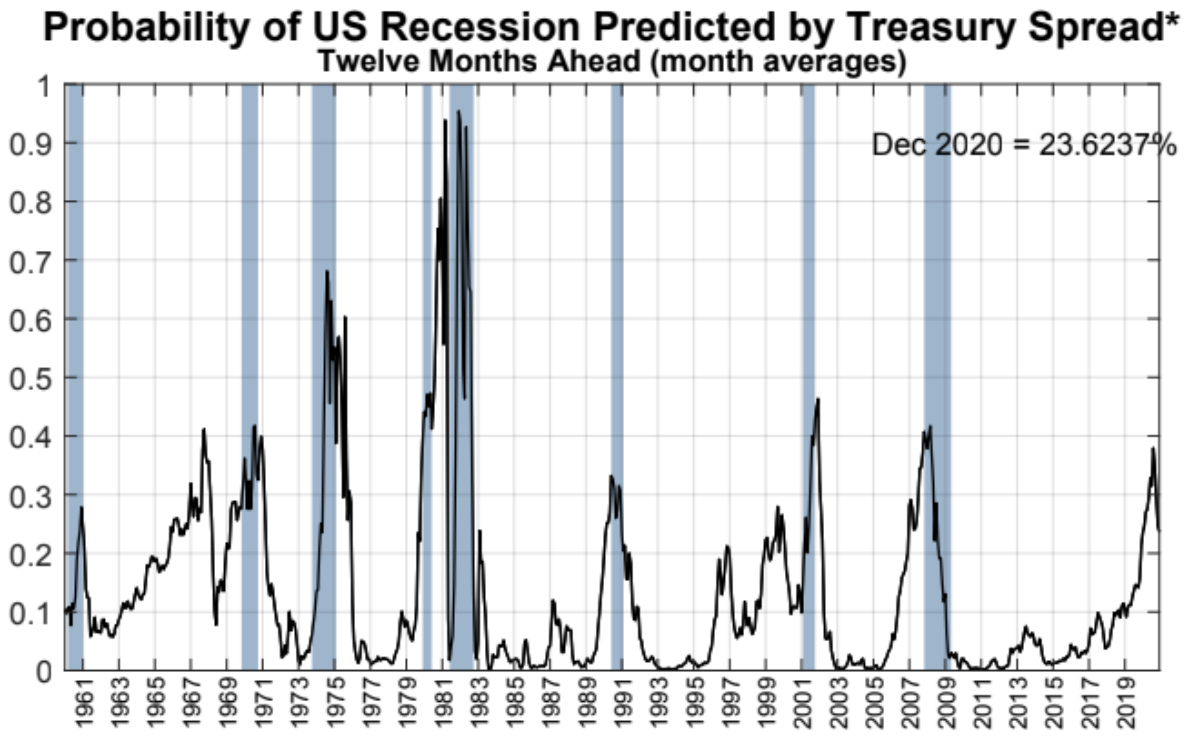



www.advisorperspectives.com/dshort/updates/2020/01/06/market-remains-overvalued


www.marketwatch.com/story/the-stock-markets-rally-to-start-2020-means-it-will-take-the-average-worker-a-record-114-hours-to-buy-one-unit-of-the-sp-500-2020-01-02?mod=home-page

## U.S. EQUITY VALUATIONS REMAIN EXTENDED AND IN RARE TERRITORY

- U.S. equity markets remain expensive according to most valuation methods. For reference, it now costs the average worker a record 114 hours to buy one share of the S&P 500.
- Typically, valuations of this kind would be associated with extreme concern. Low interest rates, and in some cases negative interest rates, may extend or support rich valuations longer than anyone imagined.




*Parameters estimated using data from January 1959 to December 2009, recession probabilities predicted using data through Dec 2019. The parameter estimates are $\alpha$=-0.5333, $\beta$=-0.6330.

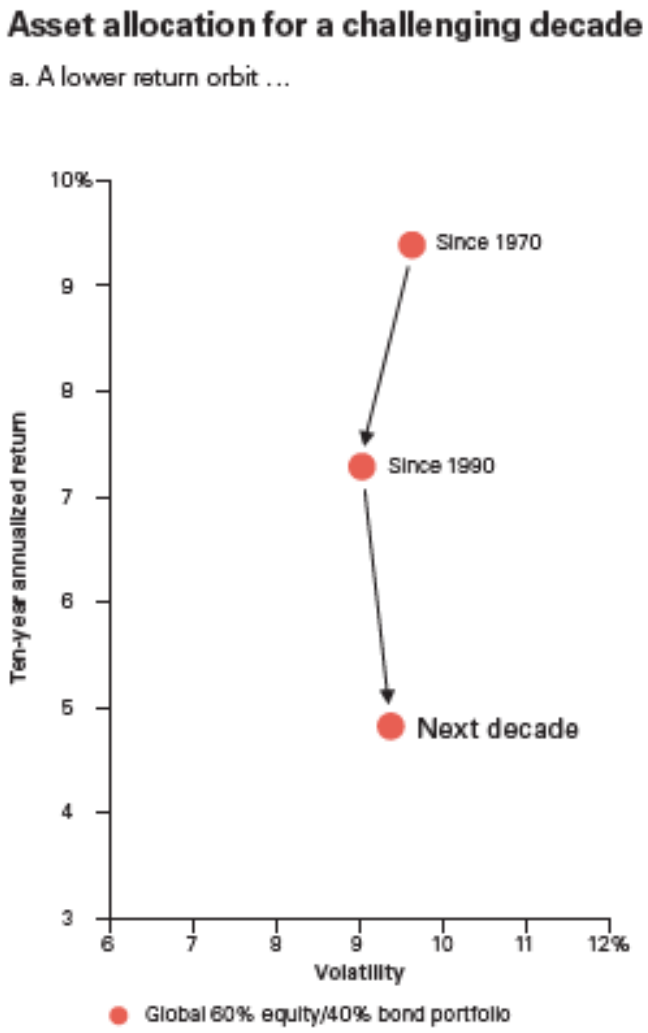
Updated 06-Jan-2020

www.newyorkfed.org/medialibrary/media/research/capital_markets/Prob_Rec.pdf

## THE PROBABILITY OF A RECESSION REMAINS ELEVATED; HOWEVER IT IS DOWN FROM ITS HIGH A FEW MONTHS AGO

The probability of a recession went up considerably during the summer of 2019. That probability has subsided some as central banks around the world have resumed lowering interest rates to bolster economic growth and to stave off deflation. Central banks are now stuck between a rock and a hard place and have fewer tools to deal with circumstances as they develop.

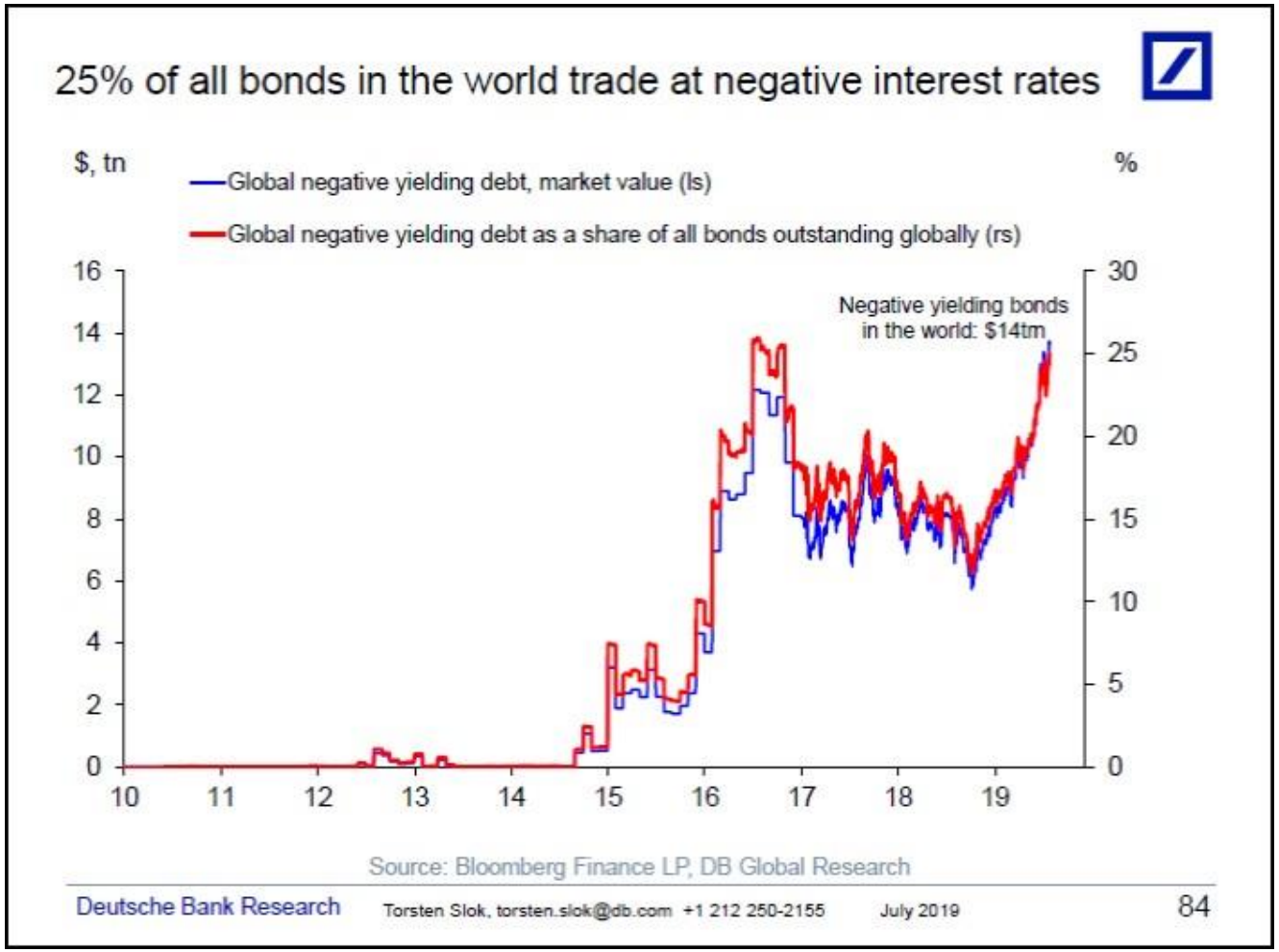
# *Important Themes as We Look Ahead*




Vanguard economic and market outlook for 2020

## A LOWER RETURN WORLD

- Low interest rates coupled with elevated equity valuations equate to a lower return, yet more volatile world for the balanced and prudent investor.
- The unbalanced investor risks permanent impairment of capital and/or an irresponsible amount of volatility that's likely disproportionate with their plan and emotional tolerance.
- Relatively attractive asset classes based on valuations are also some of the most volatile asset classes in the world (i.e. emerging markets, foreign small/mid-caps).
- There is no denying the unfortunate timing of this dilemma as a generation embarks on retirement and underfunded benefits are put to the test (Pensions, Public Pensions, Medicare, and Social Security)
- The ripple effect of lower returns on pensions and insurance companies cannot be ignored and has the potential to increase taxes and various premium payments.
- With interest rates already so low, central banks have limited firepower to help combat the next recession and are apt to resort to unconventional strategies.

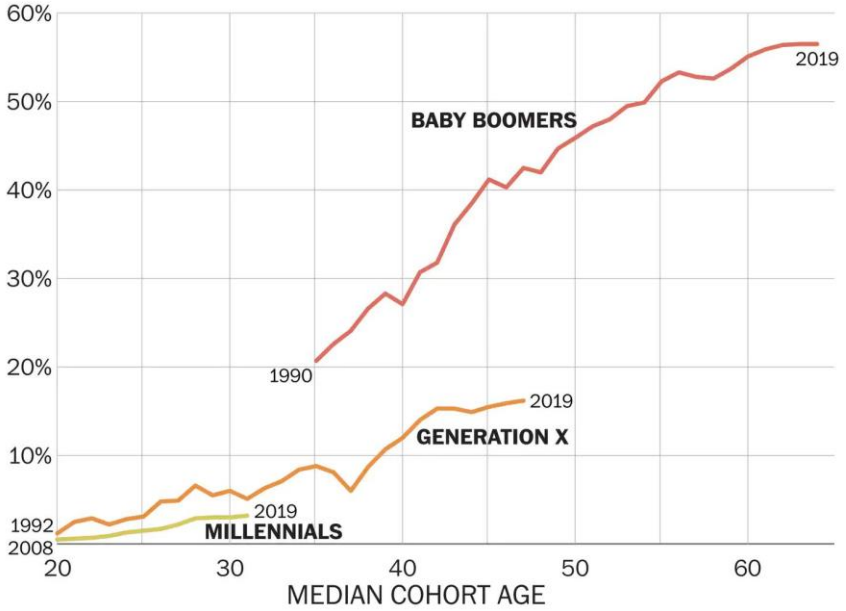



## IN JULY OF 2019 NEARLY $14 TRILLION, OR ROUGHLY 25%, OF GLOBAL GOVERNMENT BONDS WERE TRADING WITH NEGATIVE YIELDS

- No one knows how a world awash with negative yielding bonds plays out, but we believe negative yields pose significant risk to the global economy and only fuels greater economic imbalances.
- Negative rates assure lower returns on "safe" assets and/or create the desire to "risk up" in search of higher returns and income.
- This desire to "risk up" for income and higher returns is what fuels expensive markets and economic imbalances. Eventually, these imbalances recalibrate - in the most extreme cases by way of recession (i.e. tech bubble or the financial collapse of 2008).

## Intergenerational wealth

Share of national wealth owned by each generation, by median cohort age

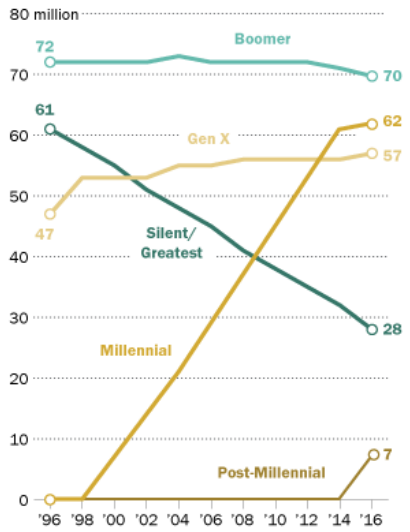



Source: Federal Reserve Distributional Accounts THE WASHINGTON POST

*Chart adapted from Gray Kimbrough*

**Number of Millennials eligible to vote approaching that of Boomers**

*Eligible voters by generation, 1996-2016*




Note: Eligible voters are U.S. citizens ages 18 and older. Millennials refers to population ages 20 to 35 as of 2016.
Source: Pew Research Center tabulations of the 1996-2016 Current Population Survey November Supplement (IPUMS).

PEW RESEARCH CENTER

## INTERGENERATIONAL WEALTH GAP: WHEN WILL THE CAN KICK BACK?

- The intergenerational wealth gap continues to be a global concern and portends the upcoming election. The outcome may be more a matter of generational values rather than political affiliations.
- For the first time in recent history, Millennials and Gen Xers have the potential to represent many voters.
- The rise in generational and income inequality in conjunction with relatively low taxes and severely underfunded benefit systems has the potential to create generational tensions and an escalating tax environment (i.e. state and local pensions, Medicare, etc.)

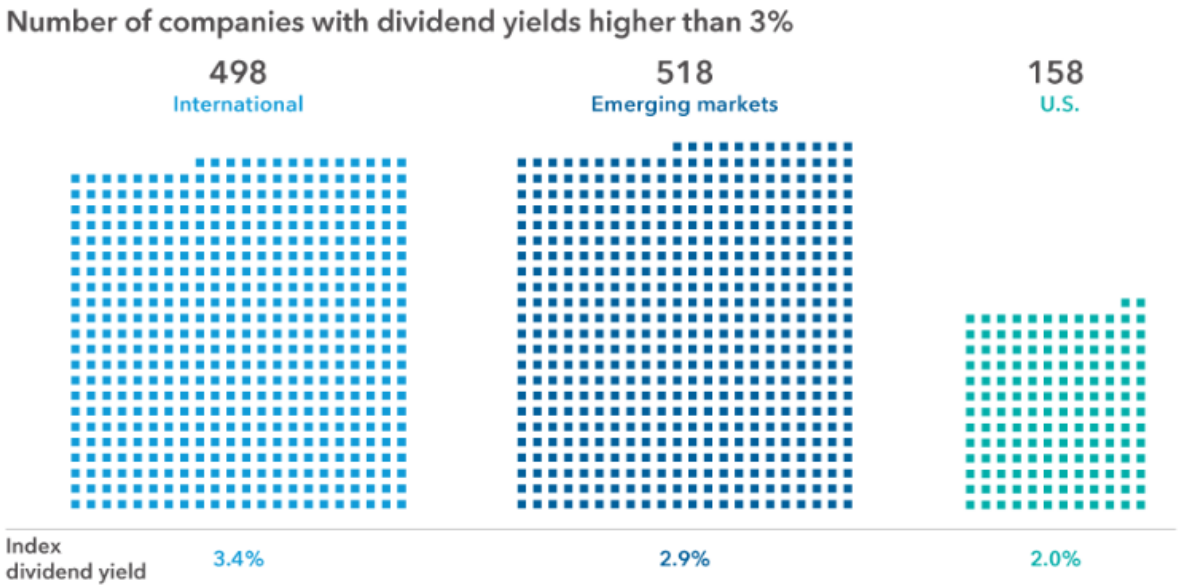
## THE SECURE ACT

The passage of the SECURE Act in the 11th hour of 2019 represents a concerning trend in D.C. and within the Federal tax code. Approved by Congress with bipartisan support and signed by President Trump as part of a spending bill, this was the first major retirement income overhaul in more than three decades. The SECURE Act has wide reaching implications on retirement savings and estate planning. Although there are positive changes within the SECURE Act, the back-door money grab by means of the removal of "stretch" inherited IRA provisions is indicative of an attempt to leverage the taxpayer to make up for negligent budget deficits and decades of misspent resources. It was also a gift to the insurance industry who suffers from opacity and low interest rates in funding future obligations to their policy holders.

**The SECURE Act key takeaways:**

- **Elimination of the lifetime "stretch" provision for non-spouse beneficiaries of inherited IRA's and other retirement accounts replaced by a 10-year distribution cap.** The elimination of the stretch provision has profound implications for families and future generations where IRA, 401k and/or 403b plans are in place.
- The Secure Act sets a tone for future "11th hour" tax policies that impact us all. It follows the December 2017 Tax Bill which impacted many of the public, benefitted corporations, and eliminated many itemized deductions.
- Repeals the maximum age for traditional IRA contributions, which was 70 ½.
- Increases the required minimum distribution (RMD) age for retirement accounts to 72 (previously 70 ½).
- Permits parents to withdraw up to $5,000 from retirement accounts penalty-free within a year of childbirth or adoption for qualified expenses.
- Allows parents to withdraw up to $10,000 from 529 plans to repay student loans.

# *Actionable Items for the Year(s) Ahead*



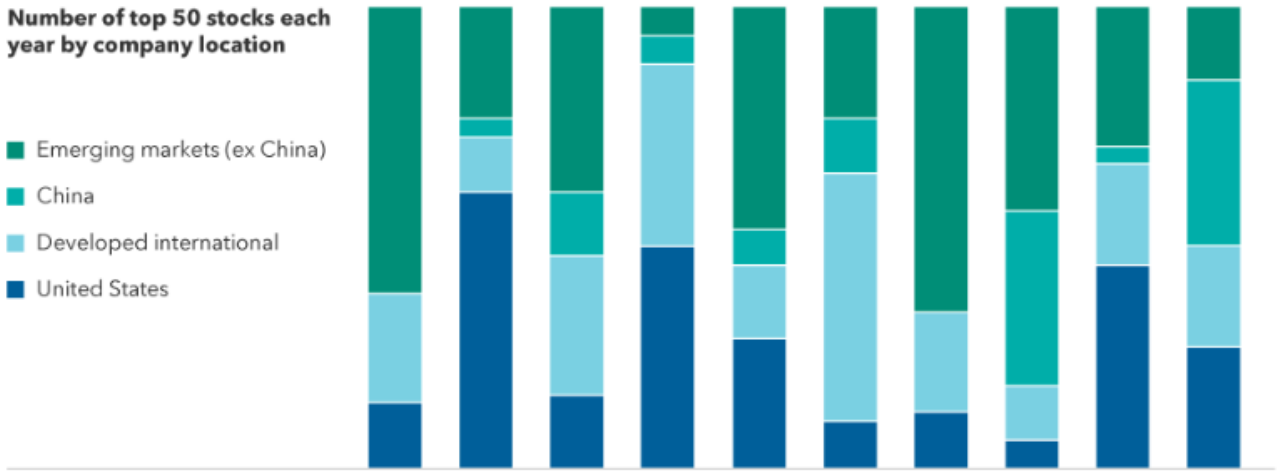

Sources: Capital Group, MSCI, RIMES. As of 8/31/19. Regions represented by MSCI USA, MSCI World ex USA and MSCI Emerging Markets indexes.

## IT IS TIME TO REFRAME RISK

- If 'risk' is defined as the permanent impairment of capital, today's low interest rate environment creates significant risk for the conservative investor traditionally accustomed to living off traditional bonds during retirement.
- As a result, the attractive yield/income from foreign equity markets are apt to play an increasingly important role in generating income for retirees.
- For pre-retirees and savers, foreign markets, especially the emerging and frontier markets, show relative value as compared to the richly priced developed markets. This combined with the potential for compounding dividends could be a very attractive strategy for long-term investors.
- As a reminder, foreign exposure can be volatile. Additional exposure is assessed based on the durability of one's plan and one's emotional tolerance for volatility.

## If you think all the best stocks are in the U.S., think again

74% of the top stocks since 2010 have been based outside the U.S.




| Index return | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 YTD |
|---|---|---|---|---|---|---|---|---|---|---|
| U.S. | 15.1% | 2.1 | 16.0 | 32.4 | 13.7 | 1.4 | 12.0 | 21.8 | -4.4 | 27.6 |
| Non-U.S. | 11.2% | -13.7 | 16.8 | 15.3 | -3.9 | -5.7 | 4.5 | 27.2 | -14.2 | 16.5 |

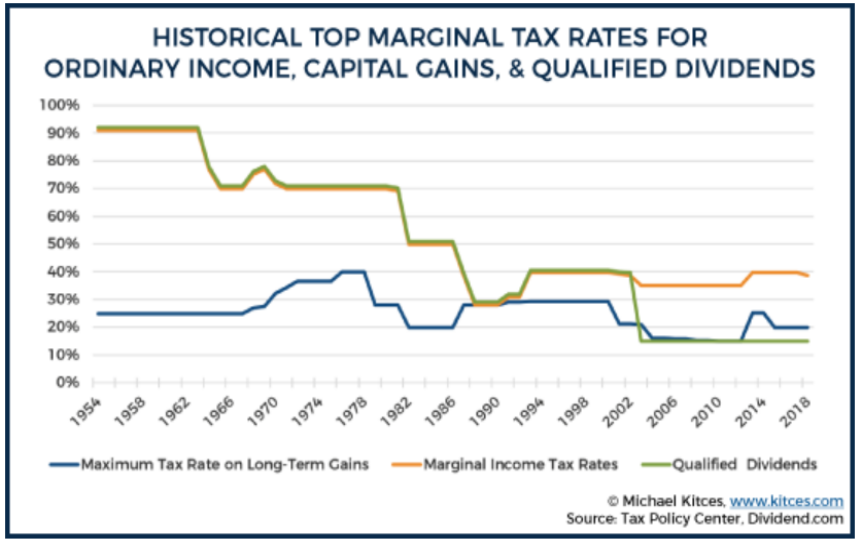
Sources: MSCI, RIMES. 2019 as of 11/30/19. Returns are in USD. Top 50 stocks are the companies with the highest total return in the MSCI ACWI each year. Returns table uses S&P 500 and MSCI ACWI ex USA indexes for U.S. and non-U.S., respectively.

## THINK GLOBAL

- Stock selection today is less about where a company is domiciled, and more about where their end consumer resides.
- Think about where all the components of the cars we drive originate from and where the vehicle is assembled.
- Where was your smartphone designed and assembled?
- When was the last time you spoke with a call center in India?

# THINK TAX EFFICIENCY - A RATE OF RETURN IS ONLY AS GOOD AS ITS NET RETURN AFTER PAYING TAXES

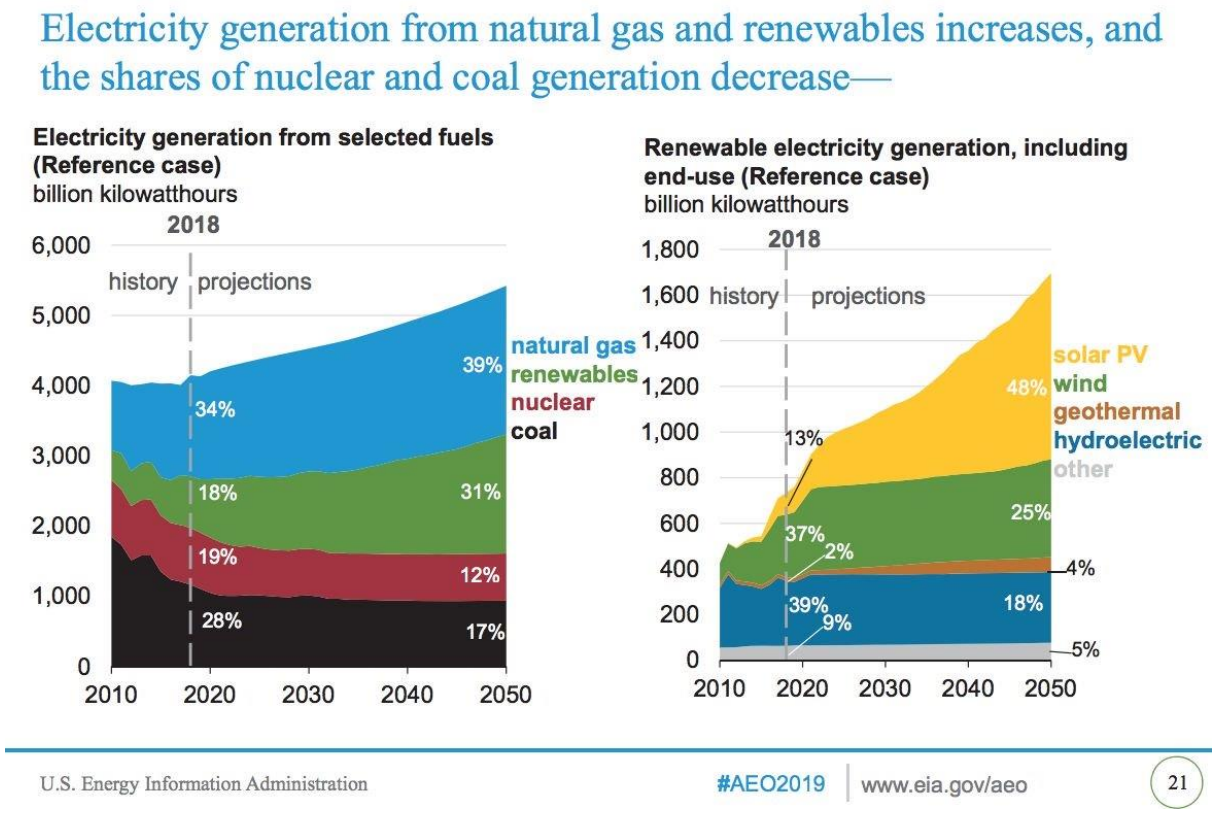
- In preparing for the future we must part with conventional thinking predicated on our own personal concept of what's 'normal' or 'fair' and accept that risks and opportunities are ever changing.
- If market returns moderate (something out of our control), the importance of improving net returns via tax efficiency becomes an increasingly important component of the planning and investment process (in our control).
- Tax rates today are near historical lows. Based on a multitude of factors, we believe there is a high probability of increased tax rates over time.
- For many of our clients, there is no assurance of being in a lower tax bracket during retirement than during their working years.
- For those clients in distribution, our current economic climate combined with evolving tax and estate laws warrants periodic review of distributions strategies to assure tax efficiency.
- For clients during their savings years, it's increasingly important to create future tax flexibility by saving within pre-tax, post-tax and Roth accounts, as the future tax landscape is unknown.
    - This means strategically planning which account types to save within on an annual basis.
- Whether you are a saver or in distribution, proper execution of Asset Location may be an effective way to increase net returns on your investment strategy.
    - Asset Location is the placement of specific investment strategies within the appropriate account type (i.e. Roth, pre-tax, post-tax accounts), aligning how that strategy is apt to perform with how distributions from that account are apt to be taxed in the future.
    - For example, this means holding the slowest growing/income-oriented portion of your portfolio within your IRA, and the more growth-oriented assets within your other accounts (i.e. post-tax and Roth).



## SIX ACTIONABLE STEPS TO CONSIDER REGARDING THE SECURE ACT

Although not pleased with the passage of the SECURE Act, we are prepared, and have been preparing our clients for decades now. The SECURE Act represents a considerable change in the tax code regarding retirement assets. Most notable is the elimination of the stretch IRA which elongates required distributions from inherited IRA accounts in a way that is apt to lessen one's tax exposure. Moving forward, most inherited IRA accounts will have to be fully withdrawn within 10 years. This is projected to dramatically increase tax consequences, thus lessening one's net inheritance. There are also "second derivative" issues for families to consider where a large IRA, 401k or any deferred asset is in play.

1. **Re-evaluate your savings and/or your distribution strategies.**
    - Make sure you're not disproportionately saving in a tax deferred manner.
    - If you're drawing on your assets, make sure to review your distribution strategy within the context of your estate goal and projected future tax exposure.
2. **Proper execution of Asset Location.** In its most simple form, this means holding the slowest growing/income-oriented portion of your portfolio within your IRA, and the more growth and tax efficient-oriented assets within your other accounts (i.e. post-tax and Roth).
3. **Roth Conversions.** This may be a strategy to consider, especially with 72 being the new age for RMD (Required Minimum Distributions).
4. **Charitable Intentions**. This has always been an attractive strategy to consider for RMD's as many consider QCD's (Qualified Charitable Distributions) to reduce taxable income but is now likely deserving extra attention.
5. **Review your Beneficiaries.** Be sure to review the beneficiary designation of your retirement accounts with extra attention on the "Per Stirpes" and Trust options.
6. **Take a closer look at your trust.** If you were using your trust as a beneficiary of an IRA or 401(k), there may be language within the trust preventing the distribution of RMD's until year 10. This would translate to a fully taxable lump sum distribution in year 10, the exact opposite of what the trust was originally intended. Those with trusts named as beneficiaries have concerns and should seek legal counsel.




## PROGRESS TAKES TIME

Setbacks can happen quickly, while progress tends to take time. Despite our cautious tone as we prepare for the coming decade, there is great economic progress taking place beneath the surface. Every known problem provides the opportunity for a solution. Whether government helps or hinders these solutions, we know private investment is opportunistic and much happens at the local, not national, level. Advancements in healthcare, AI, robotics, renewable energy, 5G, blockchain, etc. are apt to reshape our daily lives.

Lastly, we're grateful for your ongoing support and trust during these past twelve months and as we look ahead. We're thrilled with the culture, expertise, and caliber of the professionals we associate with, and how our independent collective advocacy will help us remain in front of your evolving goals and lifestyles. We look forward to the obstacles and opportunities of 2020 and beyond.

With warmth,

Tom Sedoric
Partner, Executive Managing Director
Wealth Manager

D. Casey Snyder, CFP®
Partner, Senior Vice President
Wealth Manager

Erika Luczynski
Partner, Vice President
Wealth Management Associate

Brittany Long
Partner, Vice President
Senior Registered Client Administrative Manager

*Steward Partners Global Advisory, LLC and The Sedoric Group maintains a separate professional business relationship with and our registered principals offer securities through Raymond James Financial Services, Inc. Member FINRA/SIPC. Investment advisory services are offered through Steward Partners Investment Advisory, LLC.*

*The indices are presented to provide you with an understanding of their historic long-term performance and are not presented to illustrate the performance of any security. Investors cannot directly purchase any index. Past performance is no guarantee of future results. Investing in foreign securities presents certain risks not associated with domestic investments, such as currency fluctuation, political and economic instability, and different accounting standards. This may result in greater share price volatility. These risks are heightened in emerging markets. The MSCI Europe, Australasia and Far East ("MSCI EAFE") Stock Index is an unmanaged group of securities widely regarded by investors to be representations of the stock markets of Europe, Australasia and the Far East. Source: MSCI. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indices or any securities or financial products. This report is not approved, reviewed or produced by MSCI. Dividends are not guaranteed and are subject to change or elimination. The graphs and tables making up this report have been based on unaudited, third-party data and performance information provided to us by one or more commercial databases. While we believe this information to be reliable, The Sedoric Group bears no responsibility for any errors or omissions. Additionally, please be aware that past performance is not a guide to the future performance of any manager or strategy, and that the performance results displayed herein may have been adversely or favorably impacted by events and economic conditions that will not prevail in the future. Therefore, caution must be used in inferring that these results are indicative of the future performance of any strategy, fund, manager, or group of managers. Any investment, including those in dividend paying equities, involves risks, including the risks of losing some or all of the invested capital. You cannot invest directly in an index. Index results assume the re-investment of all dividends and interest. Moreover, the information provided is not intended to be, and should not be construed as, investment, legal or tax advice. Nothing contained herein should be construed as a recommendation or advice to purchase or sell any security, investment, or portfolio allocation. Please consult your Advisor directly for investment advice related to your specific investment portfolio. The report herein is not a complete analysis of every material fact in respect to any company, industry or security. The opinions expressed here reflect the judgment of the author as of the date of the report and are subject to change without notice. Statistical information has been obtained from sources believed to be reliable, but its accuracy and completeness are not guaranteed. The material has been prepared or is distributed solely for information purposes and is not a solicitation or an offer to buy any security or instrument or to participate in any trading strategy. 0118-01208 i Ranking algorithm based on industry experience, interviews, compliance records, assets under management, revenue and other criteria by SHOOK Research, LLC, which does not receive compensation from the advisors or their firms in exchange for placement on a ranking. Investment performance is not a criterion. ii MSCI Emerging Markets Index: The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. The Index consists of the following 23 emerging market country indices: Argentina, Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Israel, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey. Source: MSCI. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indices or any securities or financial products. This report is not approved, reviewed or produced by MSCI. The Dow Jones Industrial Average is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange (NYSE) and the NASDAQ. The S&P 500 is an unmanaged index of 500 widely held stocks that is generally considered representative of the U.S. stock market.*

*www.bloomberg.com/news/articles/2017-09-19/norway-wealth-fund-says-reached-1-trillion-in-value iv*

*www.nasra.org/files/Issue%20Briefs/NASRAInvReturnAssumptBrief.pdf v https://am.jpmorgan.com/blob-gim/1383407651970/83456/MI-GTM_1Q181.pdf?segment=AMERICAS_US_ADV&locale=en_US. C18-024982*

*www.barrons.com/articles/its-been-a-rough-20-years-for-stocks-the-next-20-should-be-a-lot-better-51546648966*

*All indexes are unmanaged and an individual cannot invest directly in an index. Index returns do not include fees or expenses.*

*Equities: The Dow Jones Industrial Average is a price-weighted average of 30 actively traded blue-chip U.S. stocks. The MSCI ACWI (All Country World Index) is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The MSCI EAFE Index (Europe, Australasia, Far East) is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US & Canada. The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. The MSCI Europe Index is a free float-adjusted market capitalization index that is designed to measure developed market equity performance in Europe. The MSCI Pacific Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the Pacific region. The Russell 1000 Index® measures the performance of the 1,000 largest companies in the Russell 3000. The Russell 1000 Growth Index® measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values. The Russell 1000 Value Index® measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values. The Russell 2000 Index® measures the performance of the 2,000 smallest companies in the Russell 3000 Index. The Russell 2000 Growth Index® measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values. The Russell 2000 Value Index® measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values. The Russell 3000 Index® measures the performance of the 3,000 largest U.S. companies based on total market capitalization. The Russell Midcap Index® measures the performance of the 800 smallest companies in the Russell 1000 Index. The Russell Midcap Growth Index ® measures the performance of those Russell Midcap companies with higher price-to-book ratios and higher forecasted growth values. The stocks are also members of the Russell 1000 Growth index. The Russell Midcap Value Index ® measures the performance of those Russell Midcap companies with lower price-to-book ratios and lower forecasted growth values. The stocks are also members of the Russell 1000 Value index. The S&P 500 Index is widely regarded as the best single gauge of the U.S. equities market. The index includes a representative sample of 500 leading companies in leading industries of the U.S. economy. The S&P 500 Index focuses on the large-cap segment of the market; however, since it includes a significant portion of the total value of the market, it also represents the market.*

*Fixed income: The Bloomberg Barclays 1-3 Month U.S. Treasury Bill Index includes all publicly issued zero-coupon US Treasury Bills that have a remaining maturity of less than 3 months and more than 1 month, are rated investment grade, and have $250 million or more of outstanding face value. In addition, the securities must be denominated in U.S. dollars and must be fixed rate and non convertible. The Bloomberg Barclays Global High Yield Index is a multi-currency flagship measure of the global high yield debt market. The index represents the union of the US High Yield, the Pan-European High Yield, and Emerging Markets (EM) Hard Currency High Yield Indices. The high yield and emerging markets subcomponents are mutually exclusive. Until January 1, 2011, the index also included CMBS high yield securities. The Bloomberg Barclays Municipal Index: consists of a broad selection of investment- grade general obligation and revenue bonds of maturities ranging from one year to 30 years. It is an unmanaged index representative of the tax-exempt bond market. The Bloomberg Barclays US Dollar Floating Rate Note (FRN) Index provides a measure of the U.S. dollar denominated floating rate note market. The Bloomberg Barclays US Corporate Investment Grade Index is an unmanaged index consisting of publicly issued US Corporate and specified foreign debentures and secured notes that are rated investment grade (Baa3/BBB or higher) by at least two ratings agencies, have at least one year to final maturity and have at least $250 million par amount outstanding. To qualify, bonds must be SEC-registered. The Bloomberg Barclays US High Yield Index covers the universe of fixed rate, non-investment grade debt. Eurobonds and debt issues from countries designated as emerging markets (sovereign rating of Baa1/BBB+/BBB+ and below using the middle of Moody's, S&P, and Fitch) are excluded, but Canadian and global bonds (SEC registered) of issuers in non-EMG countries are included. The Bloomberg Barclays US Mortgage Backed Securities Index is an unmanaged index that measures the performance of investment grade fixed-rate mortgage backed pass-through securities of GNMA, FNMA and FHLMC. The Bloomberg Barclays US TIPS Index consists of Inflation-Protection securities issued by the U.S. Treasury. The J.P. Morgan Emerging Market Bond Global Index (EMBI) includes U.S. dollar denominated Brady bonds, Eurobonds, traded loans and local market debt instruments issued by sovereign and quasi-sovereign entities. The J.P. Morgan Domestic High Yield Index is designed to mirror the investable universe of the U.S. dollar domestic high yield corporate debt market. The J.P. Morgan Corporate Emerging Markets Bond Index Broad Diversified (CEMBI Broad Diversified) is an expansion of the J.P. Morgan Corporate Emerging Markets Bond Index (CEMBI). The CEMBI is a market capitalization weighted index consisting of U.S. dollar denominated emerging market corporate bonds. The J.P. Morgan Emerging Markets Bond Index Global Diversified (EMBI Global Diversified) tracks total returns for U.S. dollar-denominated debt instruments issued by emerging market sovereign and quasisovereign entities: Brady bonds, loans, Eurobonds. The index limits the exposure of some of the larger countries. The J.P. Morgan GBI EM Global Diversified tracks the performance of local currency debt issued by emerging market governments, whose debt is accessible by most of the international investor base. The U.S. Treasury Index is a component of the U.S. Government index.*