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SECOND QUARTER MARKET OVERVIEW

Stocks continued the upward trend they have enjoyed so far this year into Second Quarter 2019. Large stocks posted the highest gains, as trade tensions between the U.S. and China eased for the time being.

The S&P 500 index of large, U.S. stocks surged 4.30% for the quarter, while the Russell 2000 index of small U.S. stocks gained 2.10%.

International stocks saw a similar dispersion between large and small. The MSCI EAFE index of large stocks in Europe, Australasia, and the Far East gained 3.68%. Meanwhile, the MSCI EAFE small-cap index gained 1.71%.

Alternative asset classes were a mixed bag during Second Quarter. The Dow Jones U.S. REIT (real estate) stock index gained 0.82%, while the S&P Global REIT index gained 1.29%. Meanwhile, the MSCI Emerging Markets index eked out a 0.61 % gain.

Fixed income enjoyed significant gains during Second Quarter, as the possibility of an interest-rate cut from the Federal Reserve buoyed bonds. For the quarter, the Barclays U.S. Aggregate bond index gained 3.08%.

As has been proven time and again in recent years, investors are generally better off staying invested and letting the stock market run its course than they are taking the advice of the market pundits who are proven wrong far more than they are right.

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Second Quarter **2019**

The Uncommon Average:

"I have found that the importance of having an investment philosophy—one that is robust and that you can stick with—cannot be overstated."

—David Booth

The U.S. stock market has delivered an average annual return of around 10% since 1926.¹ But short-term results generally vary, and in any given period stock returns can be positive, negative, or flat. When setting expectations, it's helpful to see the range of outcomes experienced by investors historically. For example, how often have the stock market's annual returns actually aligned with its long-term average?

Exhibit 1, on the next page, shows calendar year returns for the S&P 500 Index since 1926. The shaded band marks the historical average of 10%, plus or minus 2 percentage points. The S&P 500 Index had a return within this range in only six of the past 93 calendar years. In most years, the index's return was outside of the range—often above or below by a wide margin—with no obvious pattern. For investors, the data highlights the importance of looking beyond average returns and being aware of the range of potential outcomes.

SELECTED 2019 EQUITY INDICES

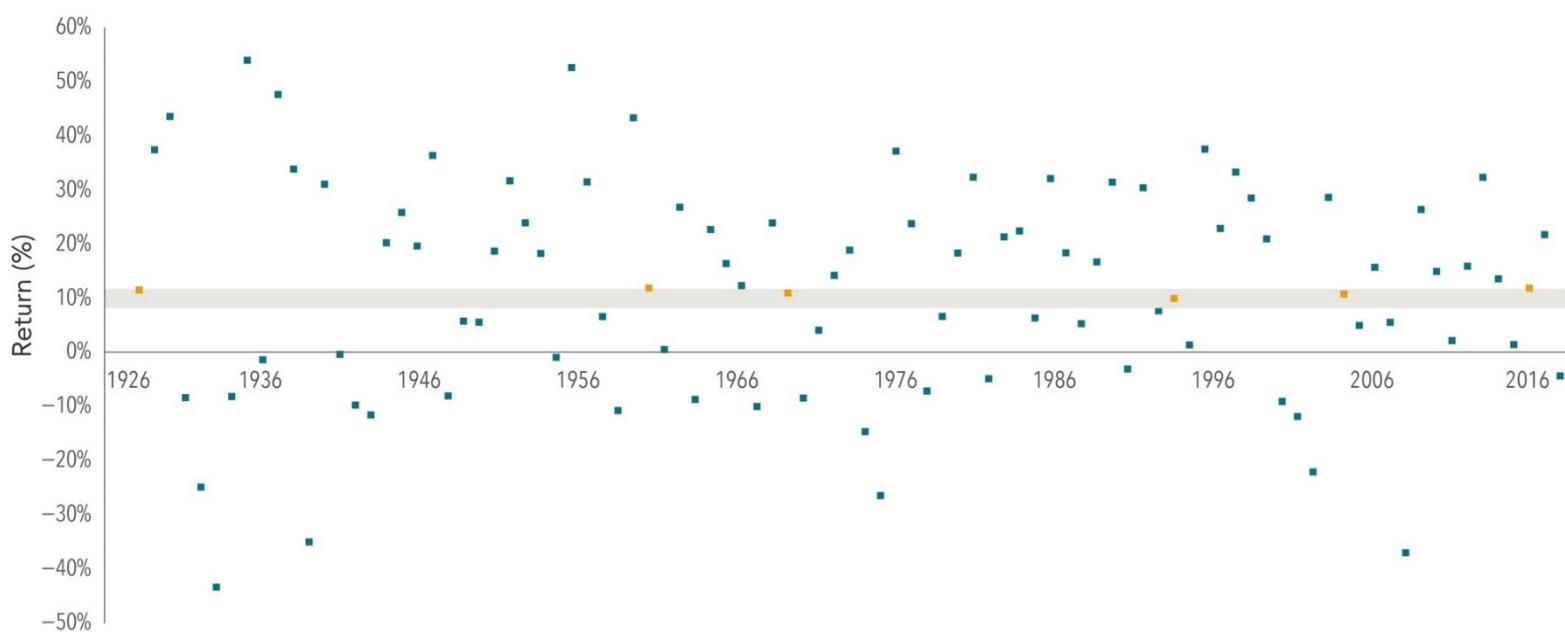
	Jun. '19	2 nd Qtr.	YTD
S&P 500 Total Return (Large-Cap Stocks)	7.05%	4.30%	18.54%
Russell 2000 Total Return (Small-Cap Stocks)	7.07%	2.10%	16.98%
MSCI EAFE (Developed International Stocks)	5.93%	3.68%	14.03%
MSCI Emerging Markets (International Emerging Stocks)	6.24%	0.61%	10.58%

SELECTED 2019 FIXED INCOME INDICES

	Jun. '19	2 nd Qtr.	YTD
Barclays U.S. Aggregate (Broad Domestic Bonds)	1.26%	3.08%	6.11%
Barclays 1-5 Yr. Credit (Short-Term Domestic Bonds)	0.95%	2.06%	4.50%
Barclays 5-10 Yr. Credit (Intermediate-Term Domestic Bonds)	2.27%	4.36%	9.85%
Barclays U.S. TIPS (Treasury Inflation Protected Securities)	0.86%	2.86%	6.15%
FTSE World Gov't 1-5 Yr. Hedged (Short-Term Global Bonds)	0.63%	1.51%	2.69%

¹ As measured by the S&P 500 Index from 1926-2018.

**Exhibit 1. S&P 500 Index Annual Returns
1926–2018**



In US dollars. S&P data © S&P Dow Jones Indices LLC, a division of S&P Global. Indices are not available for direct investment. Index returns are not representative of actual portfolios and do not reflect costs and fees associated with an actual investment. Past performance is no guarantee of future results. Actual returns may be lower.

Tuning in to Different Frequencies:

Despite year-to-year volatility, investors can potentially increase their chances of having a positive outcome by maintaining a long-term focus. **Exhibit**

2, below, documents the historical frequency of positive returns over rolling periods of one, five, and 10 years in the U.S. market. The data shows that, while positive performance is never assured, investors' odds improve over longer time horizons.

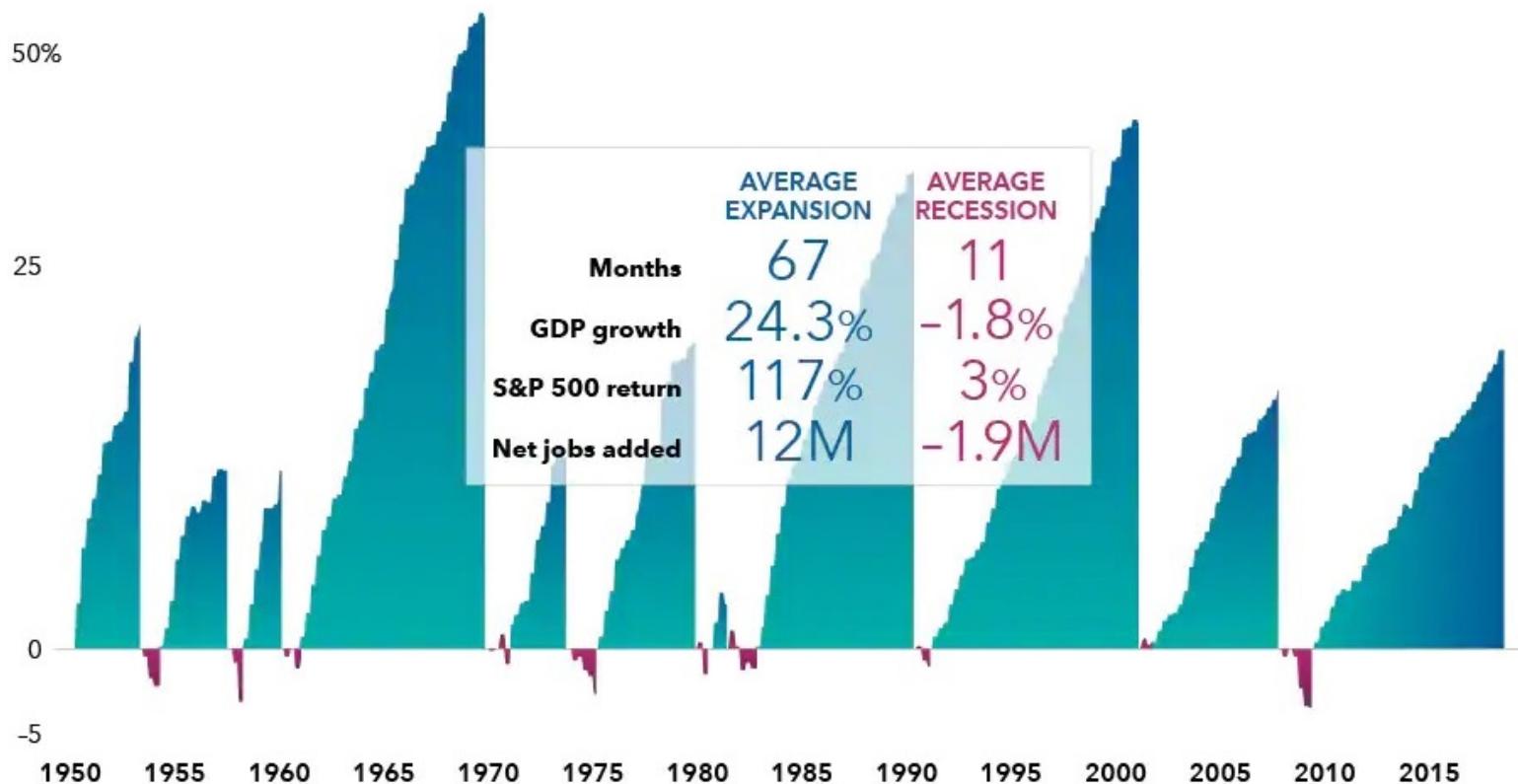
Exhibit 2. Frequency of Positive Returns in the S&P 500 Index

Overlapping Periods: 1926–2018



In US dollars. From January 1926–December 2018, there are 997 overlapping 10-year periods, 1,057 overlapping 5-year periods, and 1,105 overlapping 1-year periods. The first period starts in January 1926, the second period starts in February 1926, the third in March 1926, and so on. S&P data © S&P Dow Jones Indices LLC, a division of S&P Global. Indices are not available for direct investment. Index returns are not representative of actual portfolios and do not reflect costs and fees associated with an actual investment. Past performance is no guarantee of future results. Actual returns may be lower.

Exhibit 3. Frequency and Strength of U.S. Economic Expansions and Recessions
Cumulative GDP Growth: 1950-2018



Sources: Capital Group, National Bureau of Economic Research, Thomson Reuters. As of 9/30/18. Since NBER announces recession start and end months rather than exact dates, we have used month-end dates as a proxy for calculations of S&P 500 returns and jobs added. Nearest quarter-end values used for GDP growth rates. GDP growth shown on a logarithmic scale.

Recession Myths and Realities:

As much as the financial news and market pundits talk about the possibility of a pending recession, few news reports give the statistics for the frequency and length of economic expansions and recessions. While the statistics for recessions vary depending on when the measurement period is started, **Exhibit 3**, above, provides the statistics for the average expansion and recession since 1950.

There are three points to consider from viewing these statistics:

- **Recessions have been infrequent**—the U.S. has been in an official recession less than 15% of all months since 1950
- **Recessions have been relatively short**—the current economic expansion has been longer than the last 10 recessions combined
- **Recessions have been less impactful compared with expansions**—the average recession led to a contraction of -2% while an expansion grew the economy by an average of about 24%

Staying Focused:

While some investors might find it easy to stay the course in years with above-average returns, periods of substantially disappointing results may test an investor's faith in equity markets. Being aware of the range of potential outcomes can help investors remain disciplined, which in the long term can increase the odds of a successful investment experience.

What can help investors endure the ups and downs? While there is no silver bullet, understanding how markets work and trusting market prices are good starting points. An asset allocation that aligns with personal risk tolerances and investment goals is also valuable. By thoughtfully considering these and other issues, investors may be better prepared to stay focused on their long-term goals during different market environments.

Past performance does not guarantee future results. All investments include risk and have the potential for loss as well as gain.

Data sources for returns and standard statistical data are provided by the sources referenced and are based on data obtained from recognized statistical services or other sources we believe to be reliable. However, some or all information has not been verified prior to the analysis, and we do not make any representations as to its accuracy or completeness. Any analysis nonfactual in nature constitutes only current opinions, which are subject to change. Benchmarks or indices are included for information purposes only to reflect the current market environment; no index is a directly tradable investment. There may be instances when consultant opinions regarding any fundamental or quantitative analysis do not agree.

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