THE ROSELINE GROUP™

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SECOND QUARTER 2019 MARKET PERSPECTIVE

ASSET CLASS RETURNS FOR Q2 2019

INDEX	QTD	YTD
US Equities		
S&P 500 Index	4.30%	18.54%
NYSE	2.78%	14.73%
NASDAQ	3.58%	20.66%
Equal-Weight Indices		
Value Line Geometric	0.05%	12.90%
Economically-Sensitive Indices		
Dow Jones Transportation Index	0.52%	14.08%
Hedged Equity Benchmark Index		
HFRX Equity Hedge Index	0.02%	5.97%
International Equities		
MSCI EAFE (Developed Markets)	3.68%	14.03%
MSCI Emerging Markets	0.61%	10.59%

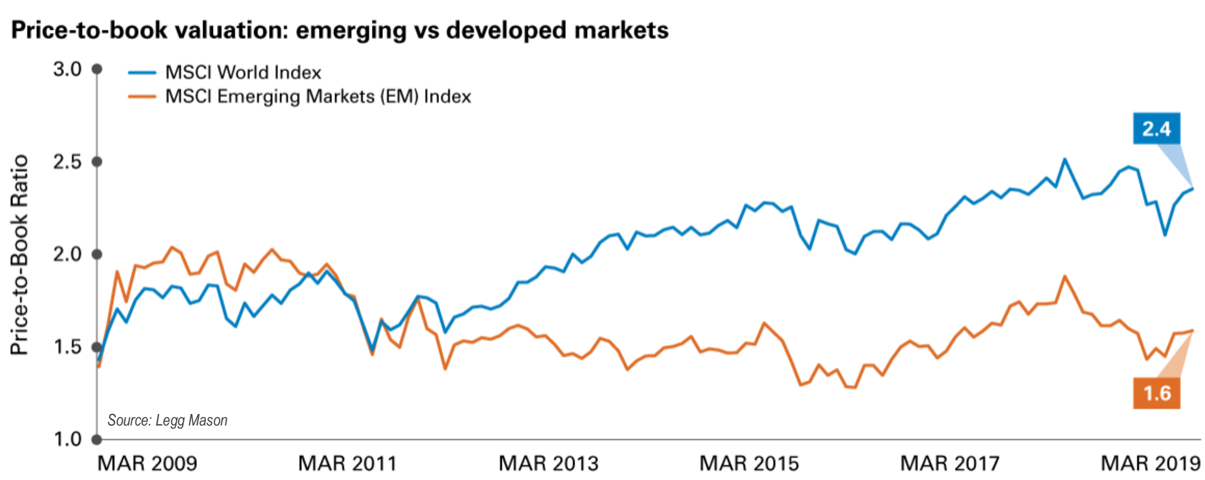
INDEX	QTD	YTD
Fixed Income		
US 10Y Treasury Bond (Price)	3.70%	4.88%
Barclay's US Aggregate Bond Index	3.08%	6.11%
Low Quality Corporate Bonds	4.31%	13.82%
Precious Metals		
Gold Bullion	9.05%	9.89%
Silver Bullion	-1.17%	-2.26%
Precious Metals Miners (GDX)	14.47%	21.69%
Commodities		
Blooomberg Commodity Index	-1.78%	3.82%
S&P GSCI Commodity Index	-1.42%	13.34%
Currencies		
US Dollar (DXY)	-1.20%	-0.06%

Sources: Kitco, Google Finance, Standard & Poors, HFR, StockCharts. Data as of June 30, 2019.
See the end of this document for an explanation of the indices mentioned above. An investor cannot invest in an index.

The second quarter saw renewed volatility in stocks, strong performance from bonds, and the possible beginning of a breakout in precious metals.

| EQUITY MARKETS

Domestic equities outperformed both international developed and emerging markets. For the quarter, the S&P 500 was up 4.3%, EAFE was up 3.68%, and emerging markets rallied in June to finish up 0.61%. Thus, the relative valuation advantage of emerging market stocks compared to U.S. stocks continued to widen during the quarter.[1]



Increasing profit projections for emerging markets demonstrates analysts' growing confidence that EM equities will be able to withstand the impact of a global slowdown better than developed markets.[2] However, despite superior economic growth and attractive valuations, trade policy and political tensions are still imposing significant burdens on international equities.[3]

Upside 'limited,' risk 'elevated'

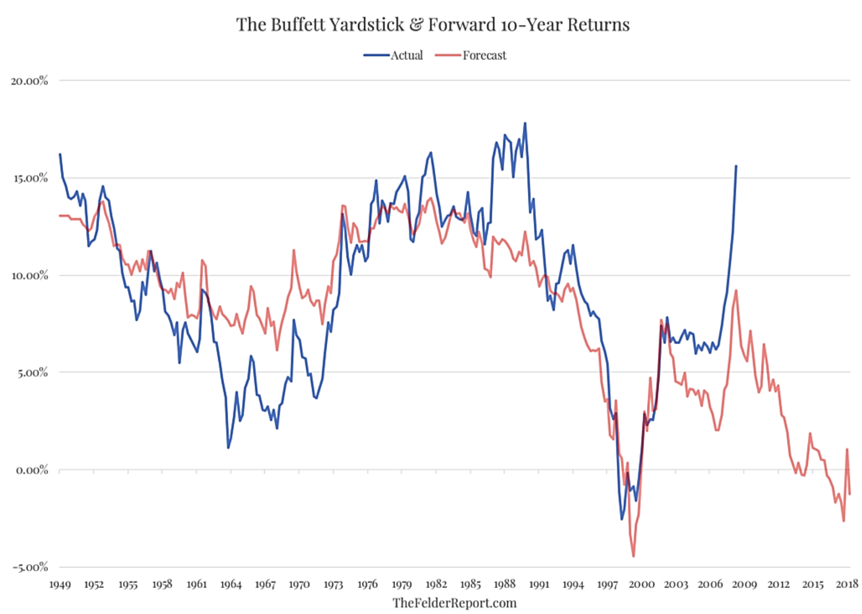
"Our view remains that the US economy is experiencing a material slowdown after running too hot last year and this slowdown is now manifesting itself in poor earnings growth and deteriorating economic conditions," Michael Wilson, equity strategist at Morgan Stanley, said in a note to clients.

Wilson expects that if the data continues to weaken through the third quarter, the market is likely to see a 10% correction. Even in the best-case scenario, with Federal Reserve easing, Wilson sees upside as "limited" and says "risk is elevated."

Source: CNBC

In the U.S., concerns are centered around earnings challenges and high valuations. Morgan Stanley has issued a series of warnings that expectations for interest rate cuts are fully priced into the market, and that valuations are far too high given deteriorating manufacturing and economic data. They have predicted both a recession and stock market correction in the next twelve months.[4] Both Morgan Stanley and State Street Global Advisors have noted a low level of corporate capital expenditures in the U.S.[5] UBS has also gone on record warning of a potential bursting bubble in equity markets.[6]

One major metric for equity market valuations is the ratio of total market capitalization to U.S. GDP, known as the "Buffet Yardstick". This valuation measure is at its second-highest level in the last fifty years, behind March 2000. At this level, investors are paying such a high price for stocks that they're likely to receive basically nothing in return in the coming decade.[7]

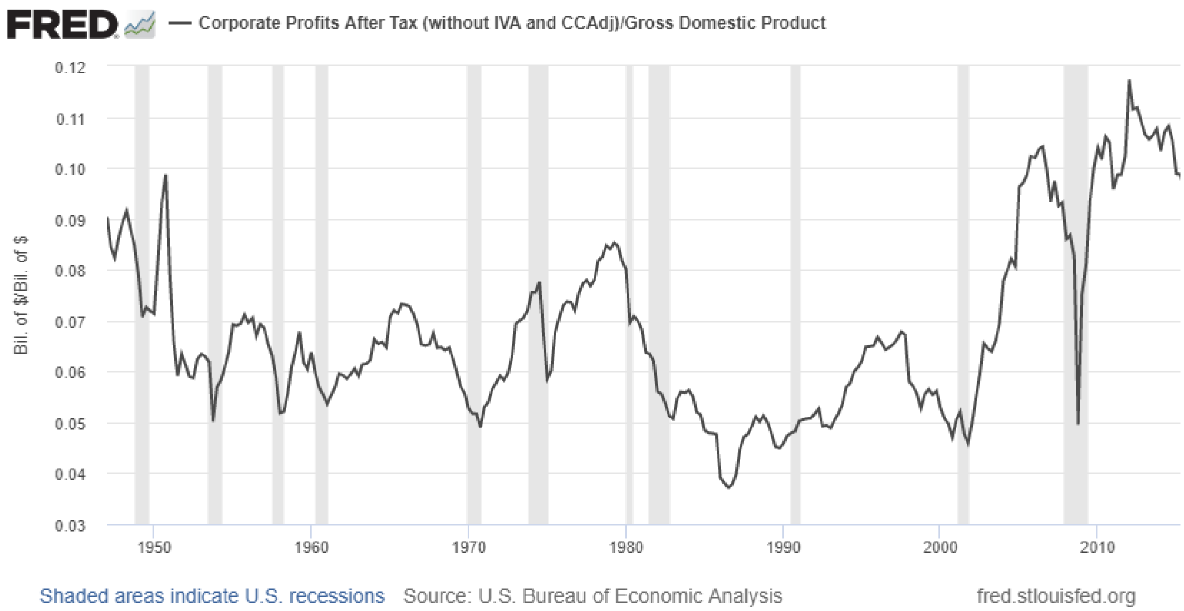


| ECONOMIC OUTLOOK

As a measure of economic growth, factory output declined across Europe and Asia, and barely rose in the U.S. Globally it was the second straight month of manufacturing output decline, which has not happened since 2012.[8]

According to the St. Louis Federal Reserve, corporate profits currently account for 9.2% of GDP, which is almost a third higher than the 7% average from the last fifty years.[9] Despite this high historical level, corporate profits have shown weak momentum over the last year, stalling in the fourth quarter of 2018 and the beginning of 2019.[10]

Operating margins appear unsustainably high. Net profit margins for S&P 500 companies averaged 11.25% over the past four quarters, well above the 9% average from the previous thirty quarters.[11] As a result, Q2 2019 earnings for the S&P 500 are expected to shrink 2% to 3%; this would be the first decline in U.S. corporate profits since 2016. Analyst expectations for Q3 2019 have similarly continued to deteriorate. Companies exposed to tariffs are predicted to take a particularly strong hit.[12]

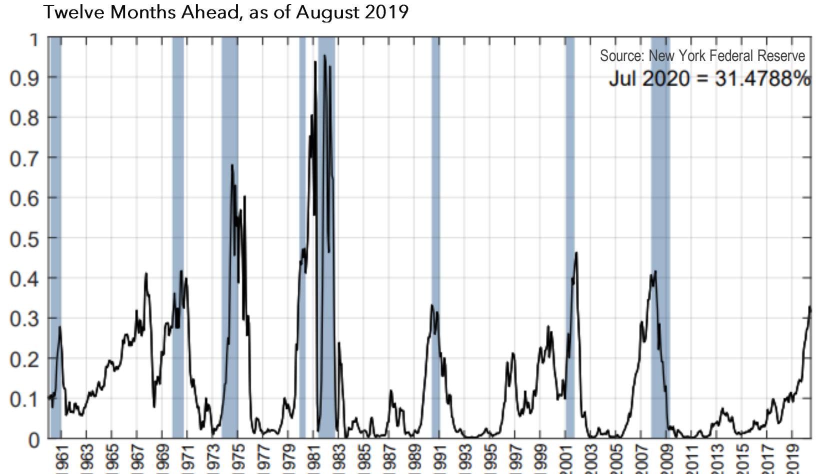


Stock buybacks, which have created fuel for equity markets throughout the ten-year bull market cycle, are still robust: S&P 500 companies are on track to buy back about $940 billion of stock in 2019, potentially surpassing the record set last year. However, companies are now returning more cash to shareholders than they are generating in free cash flow. This is the first time this has happened in the post-crisis period, according to Goldman Sachs's chief equity strategist: "Unless earnings growth accelerates materially, companies will likely continue to fund spending by drawing down cash balances and increasing leverage."[13] We believe equity markets are likely to experience continued volatility, with a possible downward bias.

| FIXED INCOME

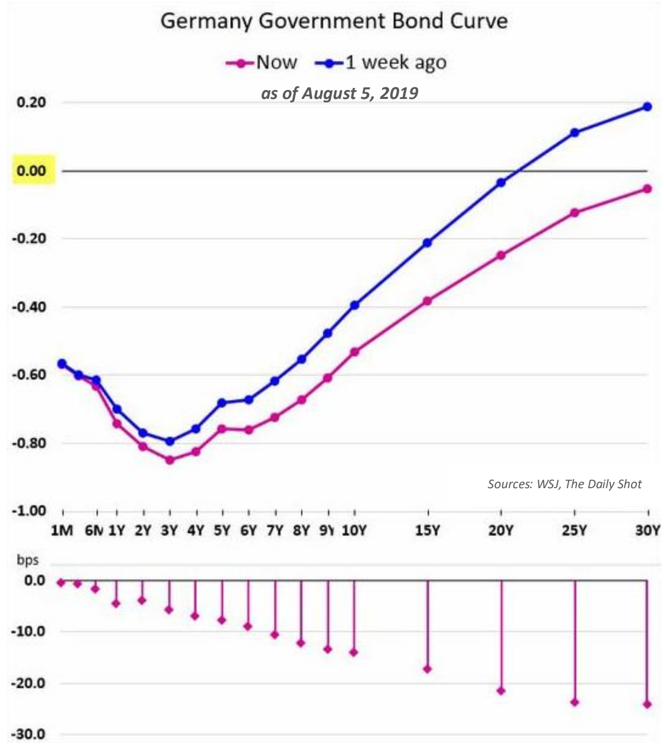
Bond prices appreciated during the second quarter, as yield curve flattening stayed persistent. Inversion – in which long-term debt is yielding at a lower rate than short-term debt – is firmly in place, and has been getting worse as long-term rates continue to approach record lows. Historically, the longer the yield term is inverted, the more likely it is that there will be a recession; a yield curve inversion has preceded every U.S. recession in the last fifty years.[14]

Probability of U.S. Recession Predicted by Treasury Spread
Twelve Months Ahead, as of August 2019



In July, the Federal Reserve lowered interest rates by 25 basis points for the first time since 2008 in an attempt to boost growth and reach inflation targets. Despite this precautionary effort to protect the U.S. economy from slowing growth, the decision to cut rates lessens the central bank's ability to encourage further economic activity.[15]

Global bonds worth $15 trillion (roughly a quarter of all debt issued by governments and companies around the world) are currently trading with negative yields.[16] When an investor purchases negative-yielding debt, they are certain to get back less than what they paid, if they hold the bond to maturity. Some European "high yield" low-quality debt securities are now trading at negative yields: in other words, investors are paying for the privilege of holding "junk" bonds.[17]



If central banks continue cutting rates, bond yields are likely to follow them lower. Strategists at BMO Capital Markets point out how the depressed level of real yields "speak volumes as to market expectations for diminished global growth in coming decades."[18]

| PRECIOUS METALS + COMMODITIES

Precious metals rose sharply in June and July and are now widely expected to continue performing well, on balance with corrections along the way. The global proliferation of negative-yielding debt, the expectation of lower interest rates in the U.S. in addition to recession risk, and continuing international tensions have all contributed to a bullish outlook for precious metals.

Analyst expectations foresee gold bullion prices up to $1,700 per ounce in the short-term.[19] One of these forecasts comes from billionaire investor Paul Tudor Jones, who called gold the best trade in the market in late June and identified the quick run-up that occurred this summer.[20] David Roche, president and global strategist at London-based Independent Strategy, sees gold prices pushing up to $2,000 per ounce by year end.[21]

Broad-based commodities were up for the quarter and year-to-date, but they lagged behind equities and precious metals. The S&P GSCI commodity index is at a 50-year low relative to the S&P 500. We continue to believe that commodities are at generational lows, and attractively priced for substantial long-term growth. During previous commodity market cycles, commodities averaged about 190% in cumulative returns over their full up-cycle, and lasted an average of 7 years.[22] We see no reason for that to be different this time around.

DISCLOSURES

A. Past performance is not a guarantee of future results.

B. Global/International investing involves risks not typically associated with U.S. investing, including currency fluctuations, political instability, foreign taxation, uncertain economic conditions and different accounting standards. Investing in emerging markets can be riskier than investing in well-established foreign markets due to their relative smaller size and lesser quality.

C. Investments that are concentrated in a specific sector or industry may be subject to a higher degree of market risk than funds whose investments are more diversified.

D. The commentary above 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. Information has been obtained from sources believed to be reliable, but its accuracy and completeness are not guaranteed.

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DEFINITIONS

The ***Standard & Poor's 500 Index*** *(S&P 500 TR) is an index of 500 stocks chosen for market size, liquidity and industry grouping, among other factors. The S&P 500 is designed to be a leading indicator of U.S. equities and is meant to reflect the risk/return characteristics of the large cap universe.*

The ***NYSE Composite*** *is a stock market index covering all common stock listed on the New York Stock Exchange, including American depositary receipts, real estate investment trusts, tracking stocks, and foreign listings. Over 2,000 stocks are covered in the index, of which over 1,600 are from United States corporations and over 360 are foreign listings.*

The ***NASDAQ Composite*** *is a stock market index of the common stocks and similar securities listed on the NASDAQ stock market. Along with the Dow Jones Average and S&P 500 it is one of the three most-followed indices in US stock markets. The composition of the NASDAQ Composite is heavily weighted towards information technology companies.*

The ***Value Line Geometric Composite Index*** *is an index created by the Kansas City Board of Trade in 1961, and is the first market index to trade futures market. It is an equally weighted index using a geometric average. The index contains approximately 1,675 companies from the NYSE, American Stock Exchange, Nasdaq, Toronto and over-the-counter markets.*

The ***Dow Jones Transportation*** *Average is a U.S. stock market index from S&P Dow Jones Indices of the transportation sector, and is the most widely recognized gauge of the American transportation sector.*

The ***HFRX Equity Hedge Index*** *is provided by Hedge Fund Research, Inc. and is a commonly-used benchmark for Equity Hedge funds. Equity Hedge strategies maintain positions both long and short in primarily equity and equity derivative securities.*

The ***Morgan Stanley Capital International (MSCI) EAFE Index*** *is a benchmark of the performance in major international equity markets as represented by 21 major MSCI indexes from Europe, Australia and Southeast Asia. This international index has been in existence for more than 30 years.*

The ***MSCI Emerging Markets Index*** *is an index that is designed to measure equity market performance in global emerging markets. The Emerging Markets Index is a float-adjusted market capitalization index that consists of indices in 21 emerging economies: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey.*

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 ***iShares U.S. Treasury Bond ETF (GOVT)*** *is an exchange-traded fund that seeks to track the investment results of an index composed of U.S. Treasury bonds. It offers market-cap-weighted exposure to the broad Treasury bond market across the term structure, from one year to 30 years.*

DEFINITIONS CONTINUED ON NEXT PAGE

DEFINITIONS (CONTINUED)

*The **iShares iBoxx USD Investment Grade Corporate Bond ETF (LQD)** is an exchange-traded fund that tracks a market-weighted index of US corporate investment-grade bonds across the maturity spectrum.*

*The **SPDR Bloomberg Barclays High Yield Bond ETF (JNK)** is an exchange-traded fund that tracks a market-weighted index of highly liquid, high-yield, US dollar-denominated corporate bonds.*

***Gold and silver bullion** is legal tender that is held in reserves by central banks or used by institutional investors. Bullion is gold and silver that is officially recognized as being at least 99.5% pure and is in the form of bars or ingots.*

*The **VanEck Vectors Gold Miners ETF (GDX)** is an exchange-traded fund that seeks to track the overall performance of companies involved in the gold mining industry.*

*The **Bloomberg Commodity Index** is a broadly diversified commodity price index distributed by Bloomberg Indexes. The index tracks prices of futures contracts on physical commodities on the commodity markets, and is designed to minimize concentration in any one commodity or sector.*

*The **U.S. Dollar Index (DXY)** is an index of the value of the United States dollar relative to a basket of foreign currencies. The Index goes up when the U.S. dollar gains "strength" (value) when compared to other currencies. It is a weighted geometric mean of the dollar's value relative to the following select currencies: euro, Japanese yen, pound sterling, Canadian dollar, Swedish krona, and Swiss franc.*

*The **Invesco CurrencyShares Euro Trust (FXE)** is an exchange-traded fund that tracks the changes in value of the euro relative to the US dollar. The euro is the currency of 19 European Union countries.*

*The **Invesco CurrencyShares Japanese Yen Trust (FXY)** is an exchange-traded fund designed to track the price of the Japanese yen. The Japanese yen is the national currency of Japan and the currency of the accounts of the Bank of Japan, the Japanese central bank.*

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[22] *Data: Thomson Reuters Equal Weight Commodity Index. Cumulative nominal returns since 1956.*