THE ROSELINE GROUP™

TAXES | PLANNING | INVESTMENTS

FOURTH QUARTER 2019 MARKET PERSPECTIVE

ASSET CLASS RETURNS

INDEX	QTD	YTD
US Equities		
S&P 500 Index	9.07%	31.49%
NYSE	6.98%	22.32%
NASDAQ	12.17%	35.23%
Equal-Weight Indices		
Value Line Geometric Equity Index	6.05%	16.90%
Economically-Sensitive Indices		
Dow Jones Transportation Index	5.19%	18.87%
Hedged Equity Benchmark Index		
HFRX Equity Hedge Index	2.64%	10.71%
International Equities		
MSCI EAFE (Developed Markets)	8.17%	22.01%
MSCI Emerging Markets	11.84%	18.44%

INDEX	QTD	YTD
Fixed Income		
US 10Y Treasury Bond (Price)	-1.45%	5.25%
Barclay's US Aggregate Bond Index	0.00%	8.52%
High Yield Corporate Bonds	2.51%	17.91%
Precious Metals		
Gold Bullion	3.08%	18.31%
Silver Bullion	4.99%	15.27%
Precious Metals Miners (GDX)	10.34%	39.74%
Commodities		
Bloooomberg Commodity Index	4.00%	5.44%
S&P GSCI Commodity Index	8.31%	17.63%
Currencies		
US Dollar (DXY)	-3.01%	0.23%

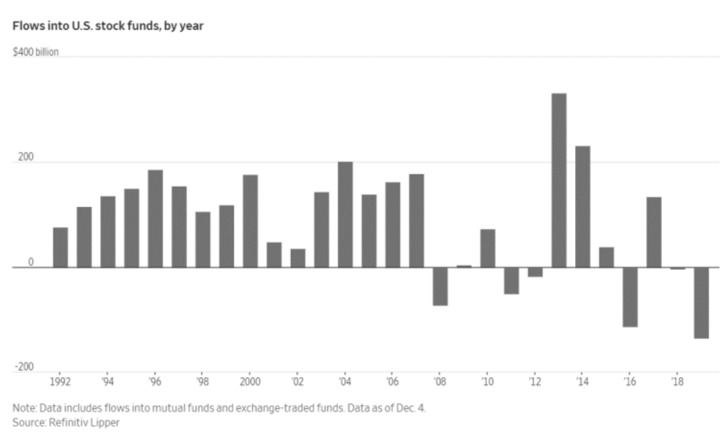
Sources: Kitco, Google Finance, Standard & Poors, HFR, StockCharts. Data as of December 31, 2019.
See the end of this document for an explanation of the indices mentioned above. An investor cannot invest in an index.

As 2018 was the worst year for financial markets in 45 years, 2019 was one of the best years on record for all investments.

| EQUITY MARKETS

Equities performed well domestically and internationally. The S&P 500 rose 9.1% in the fourth quarter to finish the year up 31.5%. Equities in developed international markets were up 8.2% for the quarter and 22.0% for the year, and emerging market equities were up 11.8% for the quarter and 18.4% for the year.

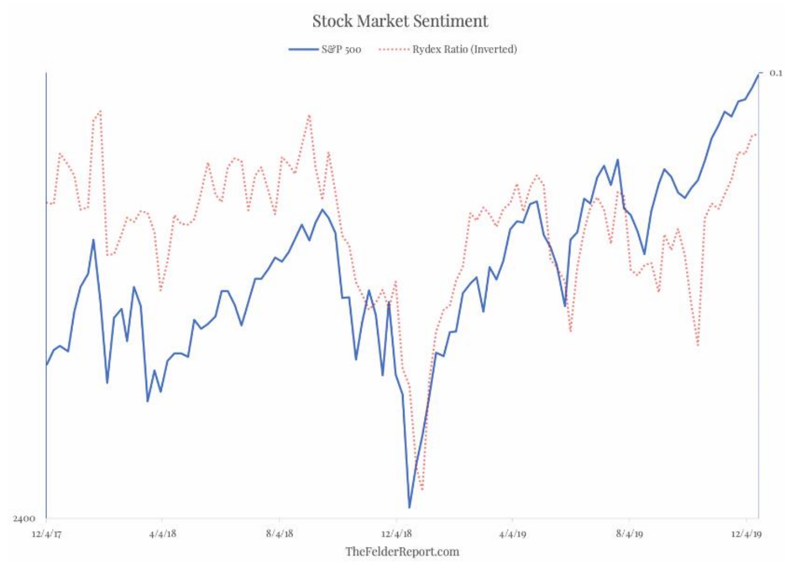
Valuations raced ahead of earnings as the forward-looking price-to-earnings multiple rose from 14x earnings to 19x. According to Goldman Sachs, valuation expansion (rather than actual earnings growth) accounted for 92% of the market's appreciation in 2019.[1] For 2020, many Wall Street analysts believe corporate profits will have to drive any further price appreciation. [2] U.S. total stock market capitalization is now at about 155% of Gross Domestic Product, compared to the long-term average of 85%.[3]



Early in the fourth quarter, managers at nearly half of the world's largest investment funds (pension plans, endowments and insurance companies) thought that the stock market would experience a setback in 2020. While 48% expressed that view, 41% acknowledged saying the same thing entering 2019.[4] For most of the year, investors were somewhat pessimistic, withdrawing the largest amount of money on record (going back to 1992) from U.S. equity-focused mutual funds and exchange traded funds (ETFs).[5] An October 2019 survey conducted by Kiplinger's Personal Finance found that U.S. investors over forty with at least $100,000 of investable assets were reducing equity allocations and stockpiling cash.[6]

By the end of the year, however, it seems euphoria had become rampant among U.S. investors and fund managers.

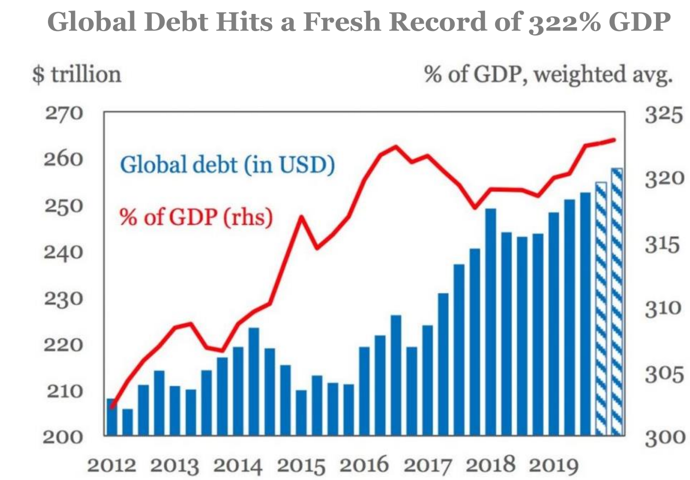
- The Q4 Fund Manager Survey from Bank of America Global Research found that expectations for global economic growth jumped the most on record, investor allocations to equities rose to the highest level in a year, and cash to the lowest level in six years.[7]
- The "Rydex Ratio", which measures tactical mutual fund investments, is at a historic level of bullishness.[8]
- A December survey of institutional investors from RBC Capital Markets showed only 15% of investors holding bearish sentiment, the lowest level since the third quarter of 2018 -- just before the S&P 500 dropped 19.8%.[9]
- In late December, the Daily Sentiment Index (a standard market indicator for futures traders) was at 91, which signifies "extreme greed"; one year ago this index was at 8, which signified "extreme fear".[10,11]



While investors hold a wide range of outlooks for 2020, a survey of the top strategists on Wall Street showed almost unanimous agreement that U.S. equities will come nowhere close to 2019's performance. Of the fourteen strategists surveyed, only one predicted as much as a 10% gain in the S&P 500; two forecasted declines, both of 3.7%.[12] As major market averages have started moving higher early in 2020, Bank of America and Goldman Sachs warned clients of valuation extremes.[13]

The Volatility Index, which measures investor expectations of future market volatility, declined from early October through late November. Since then, it has been making a succession of higher lows, even as market prices have moved higher. That divergence means to some market observers that a meaningful top is on the horizon.[14]

For much of 2019, recession seemed to be looming. The Business Roundtable, which is comprised of the top executives at the largest companies in the U.S., lowered their economic forecast in December for the seventh quarter in a row.[15,16] The latest quarterly release of the Duke University/CFO Global Business Outlook shows 52% of the chief financial officers in the U.S. believe a recession will strike in 2020; 56% say they have already taken steps to prepare for a downturn, including raising cash and reducing debt.[17] Despite that, the amount of corporate debt in the U.S. compared to Gross Domestic Product is near an all-time high, as it has been the last few years. Global debt has grown to nearly $253 trillion, which would put the global debt to GDP ratio at 322%, the highest on record.[18] Despite favorable borrowing conditions globally, refinancing risk is massive: a total of more than $19 trillion of syndicated loans and borrowings will mature in 2020.[19]

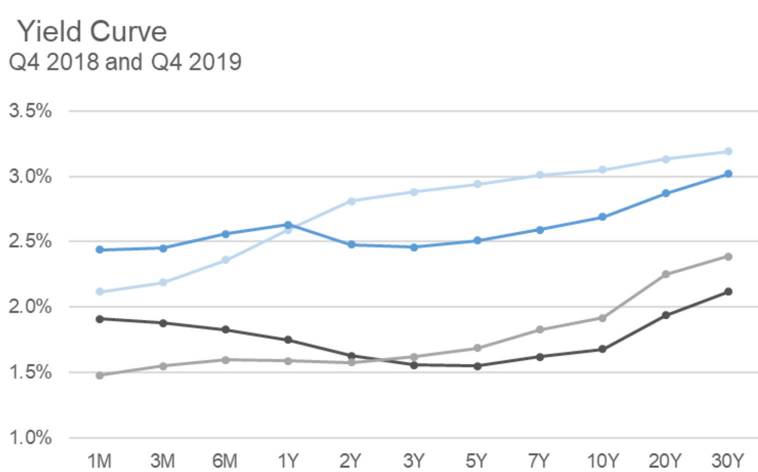


Source: IIF, BIS, IMF

| FIXED INCOME

Fixed income investments produced positive returns for the year, although outcomes in the fourth quarter were mixed. The Barclays U.S. Aggregate Bond Index was flat for the quarter but up 8.5% for the year; 10 year U.S. Treasuries were down 1.5% for the quarter, but up 5.3% for the year; and high-yield corporate bonds were up 2.5% for the quarter and 17.9% for the year.

The quarter saw significant change in the yield curve, moving from inversion (when long-term U.S. Treasury bonds have a lower yield than short-term bonds, seen as a historical recession indicator) to the yield curve's steepest level since October 2018. This prompted some observers to dismiss recession fears.[20] 2020 might be the first in several years that does not see changes in interest rates prompted by the Federal Reserve. The CME FedWatch tool reflects a probability of more than 50% that the Federal Reserve will stand pat through September, with the probability falling to 47% and 40.5% for November and December.[21,22]



Data Source: U.S. Treasury

Although the Federal Reserve may be at a standstill on interest rates, their unprecedented rescue of the repurchase market continues. The dramatic infusion of $75 billion in mid-September and continuing support of $60 billion per month has been required to keep interest rates from spiking to extreme levels within this market.[23] Some market experts see grave concerns from the apparent lack of liquidity. Dallas Federal Reserve President Robert Kaplan, a voting member of the Federal Open Market Committee, was quoted saying: "I'm going to be wanting to actively explore options that would allow us to restrain from here growth in the Fed's balance sheet. I do think the growth in the balance sheet is having some impact on the financial markets and on the valuation of risk assets … I want to be cognizant of not adding more fuel that could help create further excesses and imbalances."[24]

The Federal Reserve's repurchase operations may have been a driving force in shifting investors' risk appetite to historic levels of bullishness and greed with respect to equities. However, the bond market appears to view the Fed's actions in a more fearful way, recognizing the stress in the financial system and liquidity pressures building.[25] Time will tell which view is correct.

| COMMODITIES AND PRECIOUS METALS

Precious metals did not suffer in light of strong equity performance. Gold, silver and mining companies all showed strong growth and finished their best year since 2010. Gold was up 3.1% for the quarter and 18.3% for the year; silver was up 5.0% for the quarter and 15.3% for the year; and the precious metals miners were up 10.3% for the quarter and 39.7% for the year.

Despite pullbacks in the spring and fall, gold posted positive returns each quarter in 2019. Gold continued making higher highs and higher lows, a trend which began in late 2015. Although gold just reached its 2013 price level in U.S. dollars, it is at all-time highs in every major G10 currency other than the dollar and the Swiss Franc.[26] Gold and precious metals in general benefitted greatly from low real interest rates, persistent geopolitical risks, and ongoing late cycle economic uncertainty.

Although it appears these conditions will continue in 2020, some analysts have expressed more modest expectations, particularly if contentious geopolitical events (such as global trade conflicts) continue to occur with regularity.[27]

- BNP Paribas expects $1,650 per ounce of gold bullion or higher; Citi's outlook is for $1,625 per ounce in Q1 2020 followed by decline; and Credit Suisse expects an average for the year of $1570 per ounce.[28,29,30]
- Goldman Sachs in early December encouraged investors to diversify bond holdings into gold. Jeff Currie, Goldman Sachs' Global Head of Commodities Research, said in January 2020 that "the 1800-1900 range is pretty realistic" for the price of gold bullion per ounce, based on declines in real interest rates.[31,32]
- Peter Schiff, an economic advisor and forecaster at Goldmoney, expects that "gold is going through the roof", aided by his outlook for a falling U.S. dollar. The dollar did decline 3.01% in the fourth quarter, but was up 0.23% for the year.[33]
- Bridgewater Associates co-chief investment officer Ray Dalio said investors should consider gold a cornerstone asset in their portfolios as he sees gold pushing above $2000 per ounce, based on extremely loose monetary policy.[34,35]

Gold demand continues to grow from central banks and global investors. Fourteen central banks reported adding one or more metric tons of gold through the third quarter.[36] Global investors bought 400 tons of gold through physically-backed ETFs, bringing their collective holdings to 2,881 tons, surpassing the previous record set in 2012.[37,38] While demand has been growing, supply remains stagnant. That imbalance should be very supportive of further gains.

Gold ETF holdings hit new peak

Source: World Gold Council
© FT

Although broad-based commodities did not fare as well as precious metals in 2019, they still finished up for the year. The Bloomberg Commodity Index was up 4.0% for the quarter and 5.4% for the year, and the more energy-dependent S&P GSCI Index was up 8.3% for the quarter and 17.6% for the year, the best year for commodities since 2016. The surge in commodity prices in the fourth quarter boosted expectations for a solid upcoming year for commodities, particularly among those expecting global growth in 2020.[39] Renewed optimism regarding a U.S.- China trade deal helped drive year-end demand. Any additional easing of trade tensions would further support gains in commodity prices, which continue to be at historic lows relative to equities.[40] Further weakness in the dollar, which is expected by many to continue in 2020, could create an outstanding year for commodity investors.[41]

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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.

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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.*