

**Global Economy**

A pervasive feeling that recession is not on the immediate horizon due to ongoing moderate growth fueled the equity markets once again in November. Optimism surrounding a US-China trade accord was present throughout the month, while mixed signals across the global economy were enough to drive key benchmarks to new all-time highs. In keeping with the risk-on theme, government bond yields increased and credit spreads extended their recent tightening trend. US Consumer Confidence declined for a fourth consecutive month, but the forward-looking expectations index improved. Impeachment hearings in the US have had seemingly little effect on the markets, yet investors will continue to be faced with this and other political wildcards such as the December 12th Brexit vote going forward.

The Federal Open Market Committee (FOMC) did not meet in November, and all indications point to no change at the upcoming meeting on December 10<sup>th</sup> - 11<sup>th</sup>. Statements made in November indicated future moves would not occur unless the economic outlook were to change materially. Minutes from the October meeting indicated continued discussion on the repo market and possible implementation of a more permanent solution to the volatility experienced in September.

The second estimate of 3Q-19 real GDP reported growth at an annualized rate of 2.1%, up 0.2% from the advance release. Upward revisions to private inventory investment and nonresidential fixed investment were offset somewhat by downward revisions to state and local spending. Personal consumption growth remained solid at 2.9%. Consensus estimates of 4Q-19 real GDP are coming in around 1.6%, in line with the recent GDPNow estimate by the Atlanta Fed.

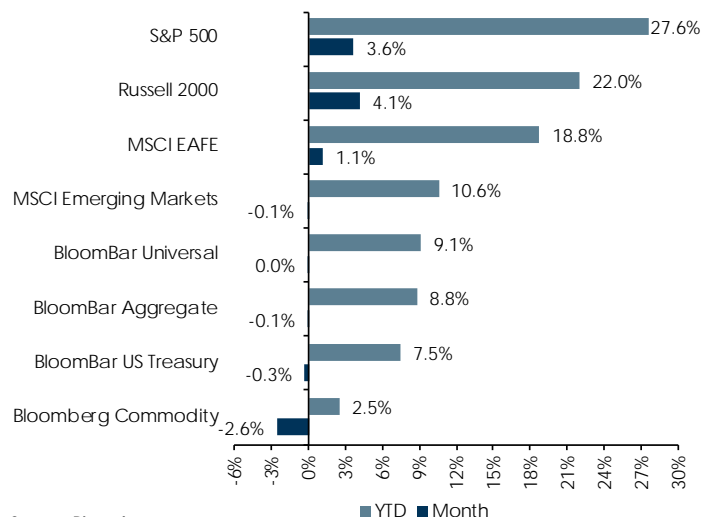
266,000 new jobs were added in November, well above expectations, and the prior two months were revised up as well. The unemployment rate returned to the 50-year low of 3.5%, matching September's rate. Average hourly wage gains remain moderate, advancing at a year-over-year pace of 3.1%. The Core CPI index declined slightly to 2.3% year-over-year, while the FOMC's preferred measure, the Core PCE index, edged down to 1.6% year-over-year through October.

	Current	Dec-18
US GDP (%)	2.10	3.40
US Unemployment (%)	3.50	3.90
CPI (Core) (%)	2.30	2.20
Fed Funds (%)	1.50 – 1.75	2.25 – 2.50
10 Year UST Yld (%)	1.78	2.69
S&P 500 Div Yld (%)	1.85	2.15
S&P 500 P/E (Trailing)	20.89	17.12
Gold/oz.	\$1,465.60	\$1,281.30
Oil (Crude)	\$55.17	\$45.41
Gasoline (Natl Avg)	\$2.67	\$2.36
USD/Euro	\$1.10	\$1.15
USD/GBP	\$1.29	\$1.28
Yen/USD	¥109.49	¥109.69

Source: Bloomberg

**Global Markets**

**Key Market Indices**



Source: Bloomberg

Returns were solidly up once again across developed markets in November, with small cap stocks leading the way. The S&P 500, which represents large US-based entities, again reached new all-time highs by appreciating +3.6% for the month and is back up nearly 28% for the year. Strength was generally broad based, with IT (+5.2%), Healthcare (+4.9%), Financials (+4.8%) and Industrials (+4.1%) leading the way. Utilities (-2.3%) and Real Estate (-2.0%) were notable laggards. Small cap stocks, as represented by the Russell 2000, outperformed large stocks by 50 bps for the month at +4.1%, with Growth (+5.9%) significantly outperforming Value (+2.3%).

In the broad international developed markets, the MSCI EAFE index was up modestly at +1.1%, with returns hampered somewhat for US-based investors by increasing strength in the US dollar. The returns were fairly broad based, however, with most areas up modestly and Europe pacing the group at +1.5%. Among the major sectors, IT (+4.0%) and Healthcare (+3.4%) showed particular strength, with Real Estate (-1.9%) and Utilities (-1.8%) trailing.

Emerging market stocks, as represented by the MSCI Emerging Markets index, were essentially flat at -0.1%. The category is still significantly underperforming other major equity indexes for the year, though still in double digit territory at +10.6%. The Latin America region was down meaningfully at -4.1% while Asia posted a positive return at +0.5%. The Consumer Discretionary sector continued to do well at +3.7% and is up +27.0% for the year.

Real estate, as measured by the FTSE EPRA/NAREIT Developed index, was down for the month at -1.2%, taking year-to-date performance back to +22.3%. The Alerian MLP index was down meaningfully again at -5.7%, dragging the category into negative territory for the year at -1.8%. The near-month NYMEX oil contract was up solidly at +1.8% and is up +21.5% on the year. Gold reversed October's impressive rally, declining -3.3% for the month. The broadly diversified Bloomberg Commodity index was down -2.6% for the month, giving back half of its 2019 gains.

**Global Markets (continued)**

US Treasury (UST) yields ascended rapidly with the optimistic tone in early November, before falling back to finish only modestly higher for the month. The yield curve flattened on the longer end, but the FOMC's recent rate cuts have thus far resolved the inversions that had previously fueled recessionary concerns. In this environment, the high-quality government bond complex returned -0.3% for the month. The 10-year UST yield traded within a 25 bps intra-month range before settling at 1.78%. While still notable at over \$10 trillion, the global stock of negative yielding debt continued to contract as yields for developed market sovereign bonds outside of the US followed a similar upward pattern.

The BloomBar US Aggregate Bond index outperformed risk-free US Treasuries on both an absolute and duration-matched basis. With a slight loss of -0.1% in November, year-to-date performance of +8.8% remains quite remarkable given prevailing yield levels. Spreads for IG corporates were another 5 bps tighter for the month, with BBB-rated issues leading in a more risk-on environment. The benchmark's yield-to-worst moved 7 bps higher overall, and now resides at 2.30%.

The BloomBar 1-15-Year Municipal index returned +0.2% in November, taking year-to-date performance to +6.1%. Record-setting mutual fund inflows continue to benefit the category, as tax-exempt yields were mostly unchanged across the curve despite heavy supply. The 10-year municipal/UST ratio fell back to ~84% with municipal outperformance.

The BloomBar US Corporate High Yield index advanced +0.3% for the month and has now delivered +12.1% year-to-date. Benchmark spreads were 22 bps tighter on average, with increased dispersion and ongoing weakness in the less-liquid CCC-rated sleeve. All-in yields were down slightly at 5.6% and lag the compensation currently offered by the comparable leveraged loan category. With US dollar appreciation, unhedged international bonds underperformed. Local currency emerging market bonds were particularly weak, with yields rising sharply in several key countries.

**Selected Bond Yields**

10 Year Sovereign Bond Yields (%)		
	Current	Dec-18
Japan	-0.08	-0.01
Germany	-0.36	0.24
France	-0.05	0.71
United Kingdom	0.70	1.28
Spain	0.41	1.41
United States	1.78	2.69
Italy	1.23	2.74
Mexico	7.08	8.64
Brazil	6.92	9.24

Source: Bloomberg

**Indices Report (Periods Ending November 30, 2019)**

Index Name	1 Month (%)	YTD (%)	1 Year (%)	3 Years (%)	5 Years (%)	10 Years (%)	15 Years (%)
<b>Equity</b>							
S&P 500	3.63	27.63	16.11	14.88	10.98	13.44	9.03
Russell 1000	3.78	27.74	16.10	14.67	10.80	13.49	9.17
Russell 1000 Growth	4.44	32.40	21.01	19.79	13.71	15.23	10.56
Russell 1000 Value	3.09	23.15	11.33	9.59	7.83	11.69	7.67
Russell 2500	4.29	25.12	11.41	10.27	8.77	13.13	8.91
Russell 2000	4.12	22.01	7.51	8.57	8.22	12.38	7.92
Russell 2000 Growth	5.89	25.61	10.93	12.15	9.48	13.68	8.90
Russell 2000 Value	2.34	18.25	3.96	4.98	6.83	10.99	6.85
Wilshire 5000 Cap Wtd	3.71	27.29	15.45	14.19	10.72	13.42	9.16
MSCI ACWI	2.48	22.92	14.31	12.55	7.83	9.21	7.45
MSCI ACWI ex US	0.90	17.02	11.77	9.77	4.34	5.22	5.73
MSCI EAFE	1.14	18.78	13.04	10.17	4.77	5.81	5.41
MSCI EAFE Local Currency	2.10	20.67	13.64	9.32	6.65	8.18	6.43
MSCI EAFE Growth	1.80	24.85	18.85	13.05	6.77	7.25	6.31
MSCI EAFE Value	0.42	12.70	7.22	7.27	2.68	4.29	4.43
MSCI Emerging Markets	-0.13	10.56	7.70	9.42	3.51	3.69	7.67
<b>Fixed Income</b>							
ICE BofA ML 1-3 Yr Treasury	-0.04	3.33	4.14	1.78	1.30	1.12	2.15
BloomBar US Aggregate	-0.05	8.79	10.79	4.10	3.08	3.59	4.22
BloomBar Gov't Bond	-0.29	7.42	9.70	3.46	2.50	2.85	3.74
BloomBar US Credit	0.19	13.47	15.18	5.87	4.33	5.18	5.17
BloomBar 10 Yr Municipal	0.25	7.28	8.75	5.31	3.69	4.57	4.68
BloomBar US Corp High Yield	0.33	12.08	9.68	6.31	5.40	7.71	7.16
FTSE World Gov't Bond	-1.16	5.60	8.13	3.79	1.84	1.30	2.83
BloomBar Global Aggregate	-0.76	6.22	8.37	3.91	2.05	2.03	3.23
BloomBar Multiverse	-0.75	6.39	8.41	4.05	2.20	2.23	3.39
<b>Real Assets</b>							
FTSE NAREIT US Real Estate	-1.51	26.76	16.33	10.02	7.73	12.78	8.32
FTSE EPRA/NAREIT Dev RE	-1.17	22.30	15.67	10.18	6.49	9.57	7.11
Bloomberg Commodity	-2.56	2.52	-4.54	-1.97	-6.36	-5.01	-3.20
<b>Cash and Equivalents</b>							
US T-Bills 90 Day	0.12	2.13	2.32	1.63	1.05	0.57	1.40

## Definitions

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### **Bloomberg Barclays Capital Aggregate**

The Bloomberg Barclays Capital Aggregate index covers the U.S. investment grade fixed rate bond market, including government and corporate securities, agency mortgage pass-through securities, and asset-backed securities.

### **Bloomberg Barclays Capital Global Aggregate Index**

The Bloomberg Barclays Capital Global Aggregate Index provides a broad-based measure of the global investment-grade fixed income markets. The three major components of this index are the U.S. Aggregate, the Pan-European Aggregate, and the Asian-Pacific Aggregate Indices. The index also includes Eurodollar and Euro-Yen corporate bonds, Canadian government, agency and corporate securities, and U.S.D investment grade 144A securities.

### **Bloomberg Barclays Capital Muni 5 Yr**

The Bloomberg Barclays Capital Municipal Bond Index is a rules-based, market-value-weighted index engineered for the long-term tax-exempt bond market. To be included in the index, bonds must be rated investment-grade (Baa3/BBB- or higher) by at least two of the following ratings agencies: Moody's, S&P, and Fitch. They must have an outstanding par value of at least \$7 million and be issued as part of a transaction of at least \$75 million. The bonds must be fixed rate, have a dated-date after December 31, 1990, and must be at least one year from their maturity date.

### **Bloomberg Barclays Capital U.S. Credit Index**

This index is the U.S. Credit component of the U.S. Government/Credit Index. It consists of publicly issued U.S. corporate and specified foreign debentures and secured notes that meet the specified maturity, liquidity, and quality requirements. To qualify, bonds must be SEC-registered.

### **The Bloomberg Barclays U.S. Treasury Index**

The Bloomberg Barclays U.S. Treasury Index is a component of the Bloomberg Barclays U.S. Aggregate Index. This U.S. Treasury Index includes only public obligations of the U.S. Treasury with a remaining maturity of one year or more. U.S. Treasury bills are excluded due to the maturity constraint.

### **The Bloomberg Barclays Capital U.S. Universal Index**

The Bloomberg Barclays Capital U.S. Universal Index represents the union of the U.S. Aggregate Index, the U.S. High-Yield Corporate Index, the 144A Index, the Eurodollar Index, the Emerging Markets Index, and the non-ERISA portion of the CMBS Index. Municipal debt, private placements, and non-dollar-denominated issues are excluded from the Universal Index. The only constituent of the index that includes floating-rate debt is the Emerging Markets Index.

### **BofA ML High-Yield Index Master II**

The BofA ML High-Yield Index is an unmanaged index that tracks the performance of below investment grade U.S. dollar-denominated corporate bonds publicly issued in the U.S. domestic market.

### **Bloomberg Commodity Index**

The Dow Jones UBS Commodity Total Return Index aims to provide broadly diversified representation of commodity markets as an asset class. The index is comprised of futures contracts on physical commodities. Currently the index includes 20 commodity nearby futures contracts, which are weighted to account for economic significance and market liquidity

### **CITI World Government Bond Index**

The WGBI is a market-capitalization-weighted benchmark that tracks the performance of the 19 government bond markets of Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, the Netherlands, Portugal, Spain, Sweden, Switzerland, the United Kingdom, and the United States.

### **FTSE EPRA/NAREIT Developed Index**

The FTSE EPRA/NAREIT Developed Index is designed to track the performance of listed real estate companies and REITs worldwide. The index constituents are free-float adjusted as well as screened for liquidity, size and revenue. The index incorporates Real Estate Investment Trusts (REITs) and Real Estate Holding & Development companies. Constituents are classified into distinct property sectors based on gross invested book assets as disclosed in the latest published financial statement.

### **HFRI Fund of Funds (FOF) Conservative Index**

The HFRI Monthly Indices (HFRI) are equally weighted performance indexes, utilized by numerous hedge fund managers as a benchmark for their own hedge funds. FOFs classified as "Conservative" exhibit one or more of the following characteristics: seeks consistent returns by primarily investing in funds that generally engage in more "conservative" strategies such as Equity Market Neutral, Fixed Income Arbitrage, and Convertible Arbitrage; exhibits a lower historical annual standard deviation than the HFRI Fund of Funds Composite Index.

### **HFRI Fund of Funds (FOF) Strategic Index**

The HFRI Monthly Indices (HFRI) are equally weighted performance indexes, utilized by numerous hedge fund managers as a benchmark for their own hedge funds. FOFs classified as 'Strategic' exhibit one or more of the following characteristics: seeks superior returns by primarily investing in funds that generally engage in more opportunistic strategies such as Emerging Markets, Sector specific, and Equity Hedge; exhibits a greater dispersion of returns and higher volatility compared to the HFRI Fund of Funds Composite Index.

### **MSCI ACWI Index (exU.S.)**

The MSCI ACWI Index (ex U.S.) is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets outside the United States. The MSCI ACWI consists of 44 country indices comprising 23 developed and 21 emerging market country indices. The developed market country indices included are: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and the United Kingdom. The emerging market country indices included are: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey.

### **MSCI EAFE® Index**

The MSCI EAFE Index (Europe, Australasia, Far East) is an unmanaged free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the U.S. & Canada. As of June 2006 the MSCI EAFE Index consisted of the following 21 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the United Kingdom.

### **MSCI EAFE Growth Index**

The MSCI-EAFE Growth Index is an unmanaged index constructed from the constituents of the MSCI EAFE Index on a country-by-country basis for the 21 countries included in the index.

### **MSCI EAFE Value Index**

The MSCI-EAFE Value Index is an unmanaged index constructed from the constituents of the MSCI EAFE Index on a country-by-country basis for the 21 countries included in the index.

### **MSCI Emerging Markets Index**

The MSCI Emerging Markets Index is an unmanaged float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. As of June 2006 the MSCI Emerging Markets Index consisted of the following 22 emerging market country indices: 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.

### **Ncreif® Property Index**

Ncreif Property Index is a quarterly time series composite total rate of return measure of investment performance of a large pool of individual commercial real estate properties acquired in the private market for investment purposes only.

### **Russell 1000® Growth Index**

The Russell 1000 Growth Index measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth rates.

### **Russell 1000® Value Index**

The Russell 1000 Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 companies with lower price-to-book ratios and lower expected growth rates.

### **Russell 2000® Index**

The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000 Index is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index.

### **Russell 2000® Growth Index**

The Russell 2000 Growth Index measures the performance of the small-cap growth segment of the U.S. equity universe. It includes those Russell 2000 companies with higher price-to-value ratios and higher forecasted growth rates.

### **Russell 2000® Value Index**

The Russell 2000 Value Index measures the performance of small-cap value segment of the U.S. equity universe. It includes those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values.

### **Russell Midcap® Index**

The Russell Midcap Index measures the performance of the mid-cap segment of the U.S. equity universe. The Russell Midcap Index is a subset of the Russell 1000 Index. It includes approximately 800 of the smallest securities in the Russell 1000 Index based on a combination of their market cap and current index membership.

### **S&P 500**

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

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