
Market Review

4th Quarter 2019



EPSTEIN
FINANCIAL SERVICES

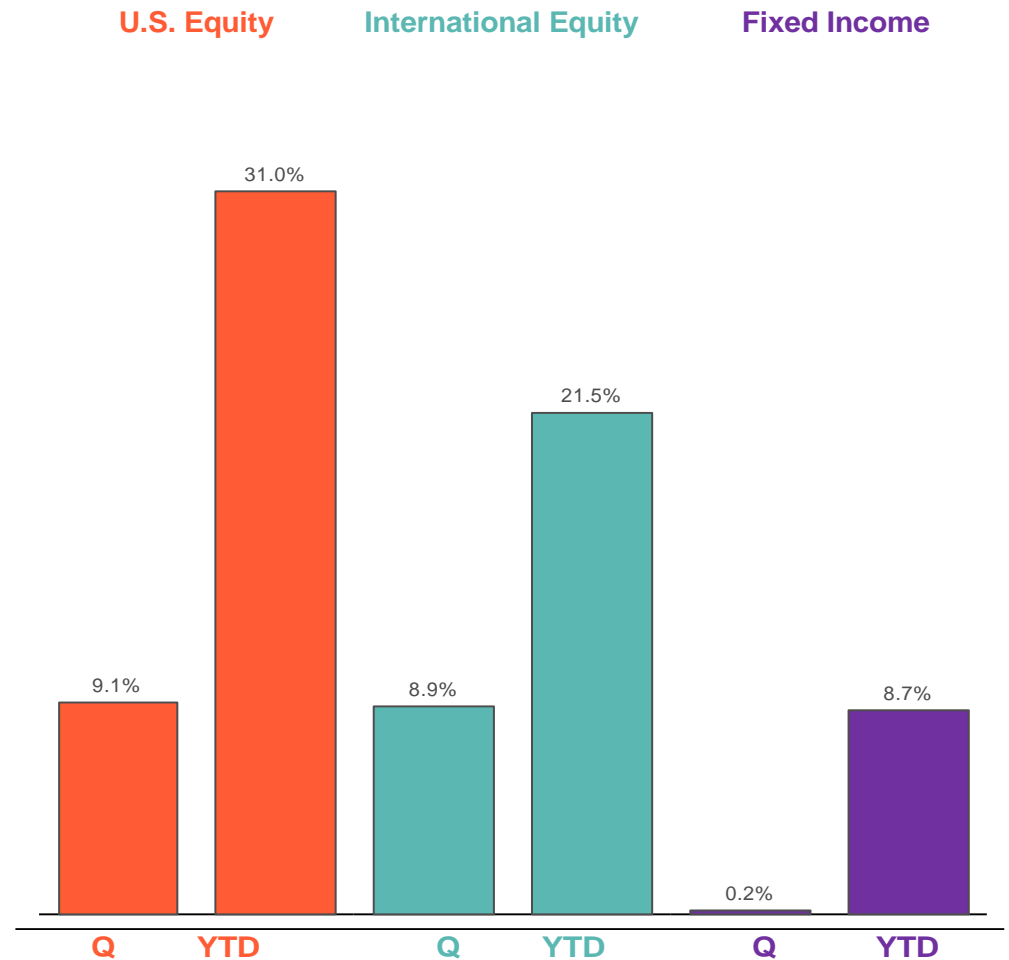


Q4 2019 Market Review

SUMMARY

- U.S. equity markets finished the year strong, up 9.1% (Russell 3000) in the fourth quarter on improving economic data and trade discussions between China and the U.S.
- International equities rallied as well, posting an 8.9% gain over the quarter (MSCI ACWI ex U.S.).
- The U.S. fixed income market was up slightly with a 0.2% gain for the quarter (Bloomberg Barclays U.S. Aggregate) as market interest rates remained relatively steady quarter-over-quarter.
- The U.S. labor market remained tight with December unemployment at 3.5%.
- U.S. GDP growth was reported up 2.1%, a slight acceleration from the prior quarter.
- Growth stocks continued their outperformance this quarter with the Russell 1000 Growth outperforming the Russell 1000 Value by 3.2%.
- The Federal Reserve cut rates by 0.25% during the quarter and signaled the likelihood of a pause in rate cuts from here.

TRAILING RETURNS (12/31/2019)



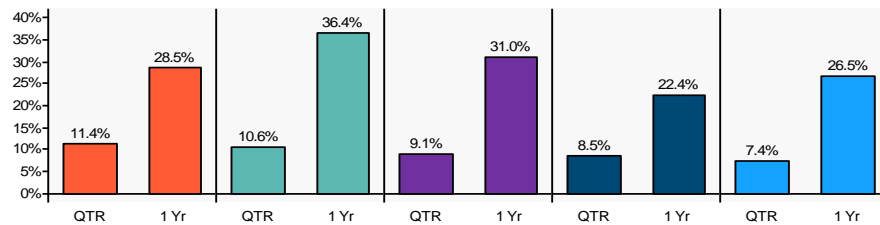
Quarterly and year-to-date returns of the following indices: U.S. Equity (Russell 3000 Index), Fixed Income (Bloomberg Barclays U.S. Aggregate Bond Index) and International Equity (MSCI ACWI ex U.S. Index)

Q4 2019 Market Review – U.S. Equity

U.S. EQUITY

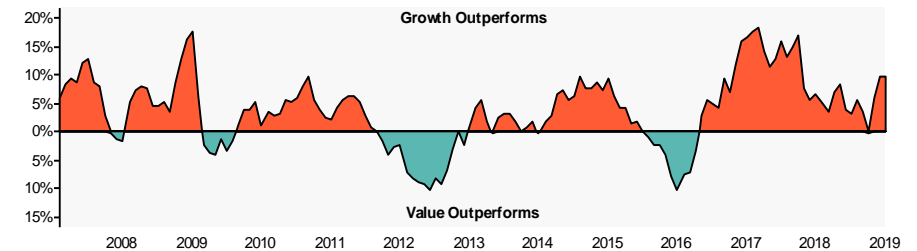
- The broad U.S. equity market, as measured by the Russell 3000 Index, was up 9.1 % for the quarter.
- The best performing U.S. equity index for the quarter was Russell 2000 Growth, returning a positive 11.4%.
- The worst performing U.S. equity index for the quarter was Russell 1000 Value, returning a positive 7.4%.

INDEX PERFORMANCE (sorted by trailing quarterly performance)



	QTR	YTD	1 Yr	3 Yr	5 Yr	10 Yr
Russell 2000 Growth	11.4	28.5	28.5	12.5	9.3	13.0
Russell 1000 Growth	10.6	36.4	36.4	20.5	14.6	15.2
Russell 3000	9.1	31.0	31.0	14.6	11.2	13.4
Russell 2000 Value	8.5	22.4	22.4	4.8	7.0	10.6
Russell 1000 Value	7.4	26.5	26.5	9.7	8.3	11.8

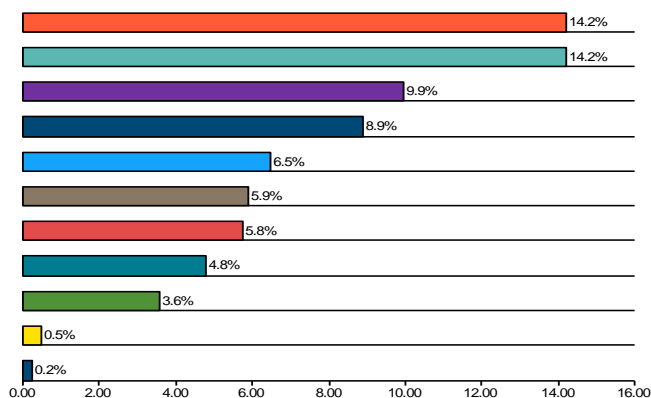
GROWTH VS. VALUE



Over the last year, growth stocks outperformed value stocks by 9.9%. For the trailing quarter, growth stocks outperformed value stocks by 3.2%.

The graph above is plotted using a rolling one-year time period. Growth stock performance is represented by the Russell 1000 Growth Index. Value stock performance is represented by the Russell 1000 Value Index.

SECTOR (Sorted by trailing quarterly performance)



	QTR	YTD	1 Yr	3 Yr	5 Yr	10 Yr
Information Technology	14.2	49.7	49.7	26.8	19.9	17.3
Health Care	14.2	20.9	20.9	16.5	10.7	15.2
Financials	9.9	31.2	31.2	11.3	11.2	12.4
Telecommunication Svcs.	8.9	32.2	32.2	4.6	7.8	9.6
Materials	6.5	23.9	23.9	8.5	7.0	9.5
Industrials	5.9	29.8	29.8	10.8	9.8	13.6
Energy	5.8	10.1	10.1	-4.5	-2.9	2.6
Consumer Discretionary	4.8	27.4	27.4	15.6	12.2	16.7
Consumer Staples	3.6	27.0	27.0	9.6	8.1	12.2
Utilities	0.5	25.2	25.2	13.6	10.5	12.2
Real Estate	0.2	28.0	28.0	10.5	8.5	12.8

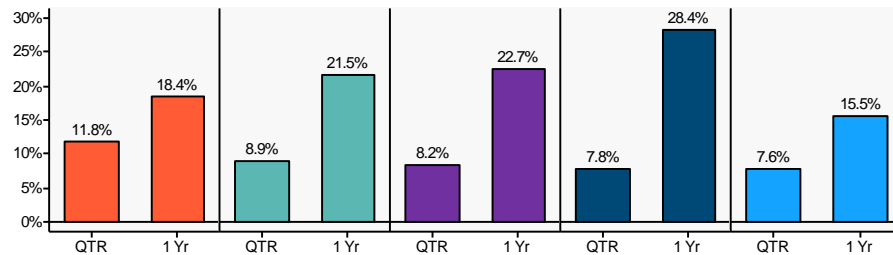
Source: S&P 1500 Sector Indices

Q4 2019 Market Review – International Equity

INTERNATIONAL EQUITY

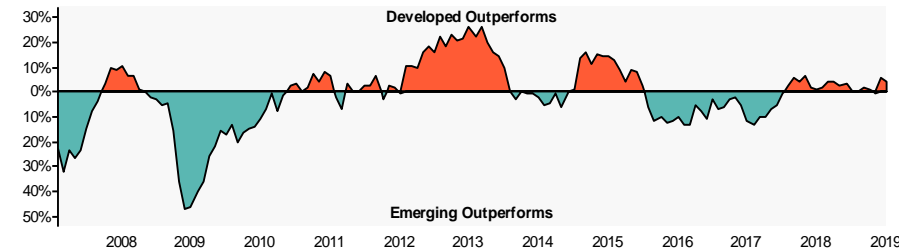
- Developed international equity returned a positive 8.2% in the last quarter (MSCI EAFE).
- Emerging market equity posted a positive 11.8% return (MSCI Emerging Markets Index).

INDEX PERFORMANCE (sorted by trailing quarterly performance)



	QTR	YTD	1 Yr	3 Yr	5 Yr	10 Yr
MSCI Emg Markets	11.8	18.4	18.4	11.6	5.6	3.7
MSCI ACWI ex US	8.9	21.5	21.5	9.9	5.5	5.0
MSCI EAFE	8.2	22.7	22.7	10.1	6.2	6.0
MSCI EAFE Large Growth	7.8	28.4	28.4	13.5	7.8	6.9
MSCI EAFE Large Value	7.6	15.5	15.5	5.8	3.0	3.5

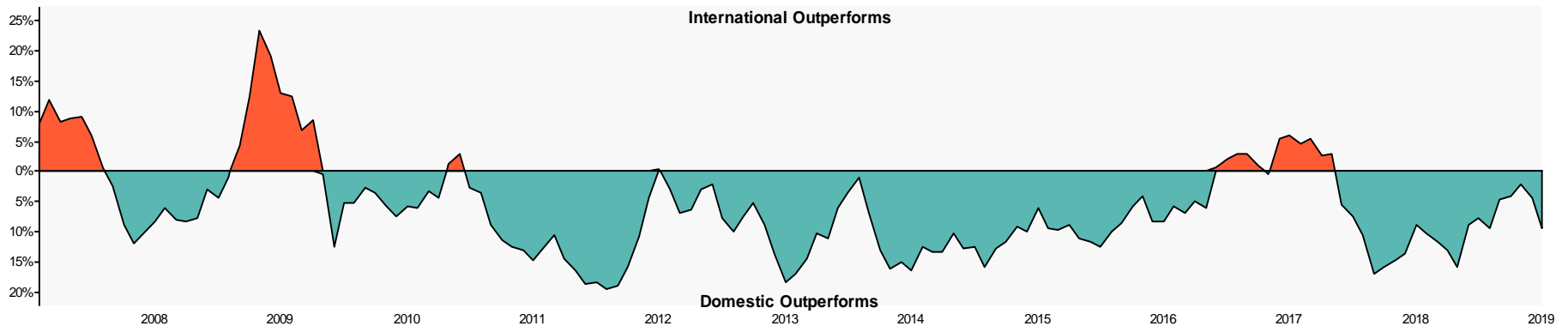
DEVELOPED VS. EMERGING MARKETS



Over the last year, developed international stocks outperformed emerging market stocks by 4.3%. For the trailing quarter, emerging market stocks outperformed developed international stocks by 3.6%.

The graph above is plotted using a rolling one-year time period. Developed international stock performance is represented by the MSCI EAFE Index. Emerging market stock performance is represented by the MSCI Emerging Markets Index.

INTERNATIONAL VS. DOMESTIC



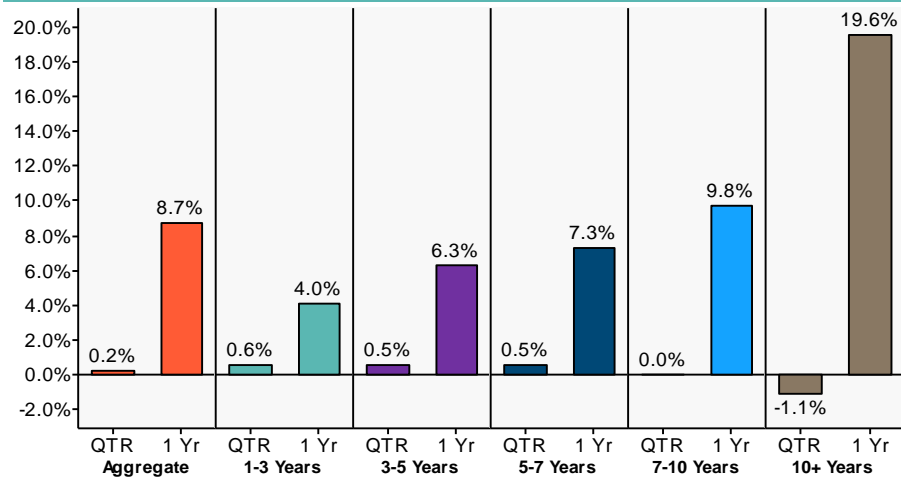
The graph above is plotted using a rolling one-year time period. International stock performance is represented by the MSCI ACWI ex U.S. Index. Domestic stock performance is represented by the Russell 3000 Index.

Q4 2019 Market Review – Fixed Income

FIXED INCOME

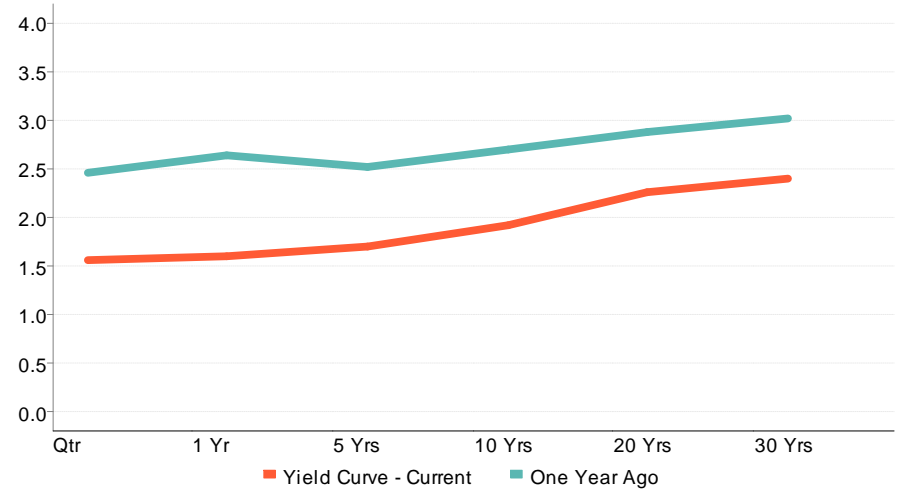
- The broad U.S. fixed income market returned a positive 0.2% (Bloomberg Barclays U.S. Aggregate) for the quarter.
- The best performing sector for the quarter was High Yield Corporate Bond, returning a positive 2.6%. The worst performing sector for the quarter was Government, returning a negative 0.8%.

PERFORMANCE BY MATURITY

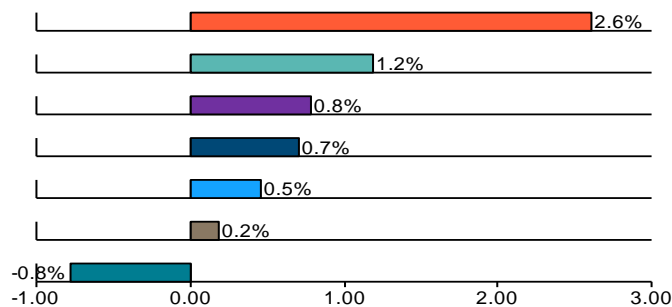


Source: Bloomberg Barclays U.S. Aggregate Indices

YIELD CURVE



SECTOR (Sorted by trailing quarterly performance)



	QTR	YTD	1 Yr	3 Yr	5 Yr	10 Yr
High Yield Corporate Bond	2.6	14.3	14.3	6.4	6.1	7.6
Corporate Investment Grade	1.2	14.5	14.5	5.9	4.6	5.5
TIPS	0.8	8.4	8.4	3.3	2.6	3.4
Mortgage Backed Securities	0.7	6.4	6.4	3.2	2.6	3.2
Cash	0.5	2.3	2.3	1.7	1.1	0.6
Aggregate Bond	0.2	8.7	8.7	4.0	3.0	3.7
Government	-0.8	6.8	6.8	3.3	2.4	3.0

Source: Bloomberg Barclays U.S. Indices

Q4 2019 Market Kaleidoscope

ASSET CLASS RETURNS

The following chart exhibits the volatility of asset class returns from year to year by ranking indices in order of performance, highlighting the importance of diversification.

2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
International 41.45	Sm Growth 29.09	Fixed Income 7.84	Global REIT 23.73	Sm Growth 43.30	Global REIT 22.81	Large Growth 5.67	Sm Value 31.74	Large Growth 30.21	Cash 1.87	Large Growth 36.39
Large Growth 37.21	Sm Value 24.50	Large Growth 2.64	Sm Value 18.05	Sm Value 34.52	Large Value 13.45	Global REIT 0.59	Large Value 17.34	International 27.19	Fixed Income 0.01	Sm Growth 28.48
Sm Growth 34.47	Global REIT 23.44	Global REIT 1.70	Large Value 17.51	Large Growth 33.48	Large Growth 13.05	Fixed Income 0.55	Commodities 11.77	Sm Growth 22.17	Large Growth -1.51	Large Value 26.54
Global REIT 33.68	Commodities 16.83	Balanced Index 0.87	International 16.83	Large Value 32.53	Balanced Index 6.61	Cash 0.05	Sm Growth 11.32	Balanced Index 15.46	Global REIT -4.77	Global REIT 24.49
Sm Value 20.58	Large Growth 16.71	Large Value 0.39	Large Growth 15.26	International 15.29	Fixed Income 5.97	Balanced Index -0.62	Balanced Index 7.28	Large Value 13.66	Balanced Index -5.12	Sm Value 22.39
Large Value 19.69	Large Value 15.51	Cash 0.10	Sm Growth 14.59	Balanced Index 13.57	Sm Growth 5.60	Sm Growth -1.38	Large Growth 7.08	Global REIT 8.63	Large Value -8.27	International 21.51
Commodities 18.91	International 11.15	Sm Growth -2.91	Balanced Index 10.55	Global REIT 2.81	Sm Value 4.22	Large Value -3.83	Global REIT 6.90	Sm Value 7.84	Sm Growth -9.31	Balanced Index 21.38
Balanced Index 18.87	Balanced Index 10.74	Sm Value -5.50	Fixed Income 4.22	Cash 0.07	Cash 0.03	International -5.66	International 4.50	Fixed Income 3.54	Commodities -11.25	Fixed Income 8.72
Fixed Income 5.93	Fixed Income 6.54	Commodities -13.32	Cash 0.11	Fixed Income -2.02	International -3.87	Sm Value -7.47	Fixed Income 2.65	Commodities 1.70	Sm Value -12.86	Commodities 7.69
Cash 0.21	Cash 0.13	International -13.71	Commodities -1.06	Commodities -9.52	Commodities -17.01	Commodities -24.66	Cash 0.33	Cash 0.86	International -14.20	Cash 2.28

- Large Value (Russell 1000 Value)
- Large Growth (Russell 1000 Growth)
- Small Value (Russell 2000 Value)
- Balanced (40% Russell 3000, 40% Bloomberg Barclay's U.S. Aggregate, 20% MSCI ACWI ex US)
- Small Growth (Russell 2000 Growth)
- International (MSCI ACWI ex-US)
- Fixed Income (Bloomberg Barclays Agg)
- Global REIT (S&P Global REIT)
- Commodities (Bloomberg Commodities)
- Cash (Merrill Lynch 3-Mo T-Bill)

Source: Markov Processes International

Q4 2019 Market Review – Chart of the Quarter

The length and strength of expansions

The current economic expansion that started in July of 2009 has reached record territory in terms of length. Despite that, the current expansion trails several other cycles in magnitude of cumulative GDP growth. Economic cycles typically end when excesses build up in the economy. The muted strength of this recovery may imply this cycle has potential to continue.

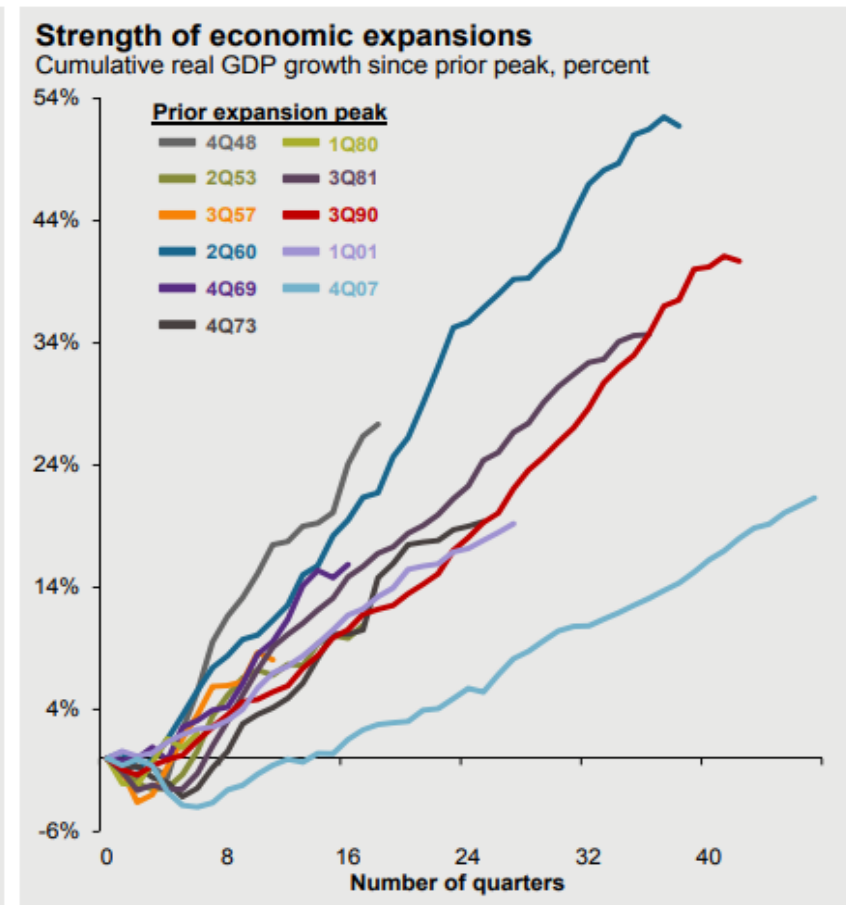
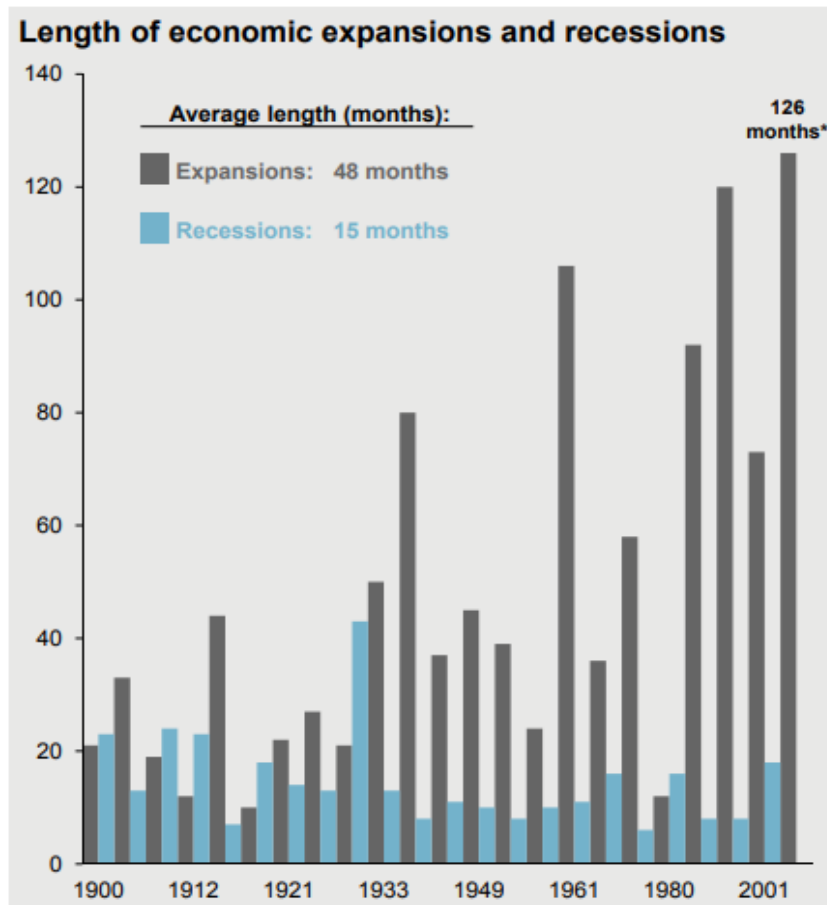


Chart Source: J.P. Morgan Asset Management, BEA, NBER. *Chart assumes expansion started in July 2009.

Q4 2019 Disclosures

Performance of indexes reflects the unmanaged result for the market segment the selected stocks represent. Indexes are unmanaged and not available for direct investment.
Citigroup Corporate Bond is an index which serves as a benchmark for corporate bond performance. You cannot invest directly in an index.

Citigroup Mortgage Master is an index which serves as a benchmark for U.S. mortgage-backed securities performance.

Citigroup WGBI Index is an index which serves as a benchmark for global bond performance, including 22 different government bond markets.

Credit Suisse High Yield Index is an unmanaged, trader priced index constructed to mirror the characteristics of the high yield bond market.

BC (Barclays Capital) U.S. Aggregate Bond Index represents securities that are U. S., domestic, taxable, and dollar denominated. The index covers the U. S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. These major sectors are subdivided into more specific indices that are calculated and reported on a regular basis.

BC Credit Bond Index includes 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.

BC U.S. Corporate Investment Grade represents investment grade corporate securities that are U. S., domestic, taxable, and dollar denominated.

BC High Yield Corporate Bond represents below investment grade corporate securities that are U. S., domestic, taxable, and dollar denominated.

BC TIPS Index includes publicly issued U.S. government treasury inflation protected securities that meet the specified maturity, liquidity and other requirements.

BC Mortgage Backed Securities covers agency mortgage-backed pass-through securities (both fixed-rate and hybrid ARMs) issued by Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC).

BC Government Index includes publicly issued U.S. government securities that meet the specified maturity, liquidity and other requirements.

BarCap U.S. Aggregate 1-3 Yr. TR USD Index represents securities in the BC U.S. Aggregate Index that have maturity dates over the next 1 to 3 years.

BarCap U.S. Aggregate 3-5 Yr. TR USD Index represents securities in the BC U.S. Aggregate Index that have maturity dates over the next 3 to 5 years.

BarCap U.S. Aggregate 5-7 Yr. TR USD Index represents securities in the BC U.S. Aggregate Index that have maturity dates over the next 5-7 years.

BarCap U.S. Aggregate 7-10 Yr. TR USD Index represents securities in the BC U.S. Aggregate Index that have maturity dates over the next 7 to 10 years.

BarCap U.S. Aggregate 10+ Yr. TR USD Index represents securities in the BC U.S. Aggregate Index that have maturity dates over 10 years.

DJW 5000 (Full Cap) Index measures the performance of all U.S. common equity securities, and serves as an index of all stock trades in the United States.

MSCI FI Emerging Markets is a rules-based index which serves as a benchmark for emerging country fixed income performance.

MSCI FI EAFE International is a rules-based index which serves as a benchmark for developed international country fixed income performance.

MSCI EAFE Index is listed for foreign stock funds (EAFE refers to Europe, Australia, and Far East). Widely accepted as a benchmark for international stock performance, it is an aggregate of 21 individual country indexes.

MSCI EAFE Large Value represents the large cap value stocks within the MSCI EAFE Index.

MSCI EAFE Large Growth represents the large cap growth stocks within the MSCI EAFE Index.

MSCI EM (Emerging Markets) Index serves as a benchmark for each emerging country. The average size of these companies is (U.S.) \$400 million, as compared with \$300 billion for those companies in the World index.

MSCI World Index is a rules-based index that serves as a benchmark for the developed global equity markets.

MSCI Europe ex UK Index is a rules-based index that serves as a benchmark for the Europe's equity markets, excluding the United Kingdom.

MSCI Pacific ex Japan Index is a rules-based index that serves as a benchmark for Asia Pacific's equity markets, excluding Japan.

MSCI United Kingdom Index is a rules-based index that serves as a benchmark for the United Kingdom's equity markets. MSCI Japan is a rules-based index that serves as a benchmark for Japan's equity markets.

Nareit All Reit Index includes all tax-qualified REITs with common shares that trade on the New York Stock Exchange, the American Stock Exchange or the NASDAQ National Market List.

3-Month T-bills (90 Day T-Bill Index) are government-backed short-term investments considered to be risk-free and as good as cash because the maturity is only three months.

Russell 1000 Growth Index is a market-capitalization weighted index of those firms in the Russell 1000 with higher price-to-book ratios and higher forecasted growth values.

Russell 1000 Value Index is a market-capitalization weighted index of those firms in the Russell 1000 with lower price-to-book ratios and lower forecasted growth values.

Russell Top 200 Growth Index is a market-capitalization weighted index of those firms in the Russell Top 200 with higher price-to-book ratios and higher forecasted growth values.

Russell Top 200 Value Index is a market-capitalization weighted index of those firms in the Russell Top 200 with lower price-to-book ratios and lower forecasted growth values.

Russell 2000 Growth Index is a market-weighted total return index that measures the performance of companies within the Russell 2000 Index having higher price-to-book ratio and higher forecasted growth values.

Russell 2000 Index consists of the smallest 2000 companies in the Russell 3000 Index, representing approximately 7% of the Russell 3000 total market capitalization.

Russell 2000 Value Index is a market-weighted total return index that measures the performance of companies within the Russell 2000 Index having lower price-to-book ratios and lower forecasted growth values.

Russell MidCap Growth Index is a market-weighted total return index that measures the performance of companies within the Russell MidCap Index having higher price-to-book ratios and higher forecasted growth values.

Russell Mid-Cap Index includes firms 201 through 1000, based on market capitalization, from the Russell 3000 Index.

Russell MidCap Value Index is a market-weighted total return index that measures the performance of companies within the Russell MidCap index having lower price-to-book ratios and lower forecasted growth values.

Russell Top 200 Index consists of the 200 largest securities in the Russell 3000 Index.

Russell 3000 Index is a market-capitalization weighted index, consisting of 3,000 U.S. common equity securities, reflective of the broad U.S. equity market.

Salomon 1-10 Yr. Governments is an index which serves as a benchmark for U.S. Government bonds with maturities ranging from 1 to 10 years.

S&P 500 Index measures the performance of the largest 500 U.S. common equity securities, and serves as an index of large cap stocks traded in the United States.

S&P 1500 Energy Index measures the performance of the energy sector in the S&P 1500 Index.

S&P 1500 Industrials measures the performance of the industrial sector in the S&P 1500 Index.

S&P 1500 Financials measures the performance of the financials sector in the S&P 1500 Index.

S&P 1500 Utilities measures the performance of the utilities sector in the S&P 1500 Index.

S&P 1500 Consumer Discretionary Index measures the performance of the consumer discretionary sector in the S&P 1500 Index.

S&P 1500 Consumer Staples Index measures the performance of the consumer staples sector in the S&P 1500 Index.

S&P 1500 Information Technology measures the performance of the information technology sector in the S&P 1500 Index.

S&P 1500 Materials measures the performance of the materials sector in the S&P 1500 Index.

S&P 1500 Health Care measures the performance of the health care sector in the S&P 1500 Index.

S&P 1500 Telecommunications Services Index measures the performance of the telecommunications services sector in the S&P 1500 Index.

Q4 2019 Disclosures

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