MARKET STRATEGY VIEWPOINT

2019 Outlook - Pulling on the Reins

December 17, 2018

Our work indicates U.S. and foreign equity markets could show flat to mid-single-digit upside in 2019. Although risk may be biased to the downside as global growth fades.

We believe it is the directional change (i.e. some deterioration) in many fundamental conditions that will effect asset prices in 2019. U.S. and non-U.S. economic growth is expected to ease, but remain positive.

HB Retirement - We specialize in the investment design assistance and function of corporate retirement plans and wealth management for individuals. We provide insight and specialized support to assist you in managing your fiduciary obligations, and assist your employees with retirement planning.

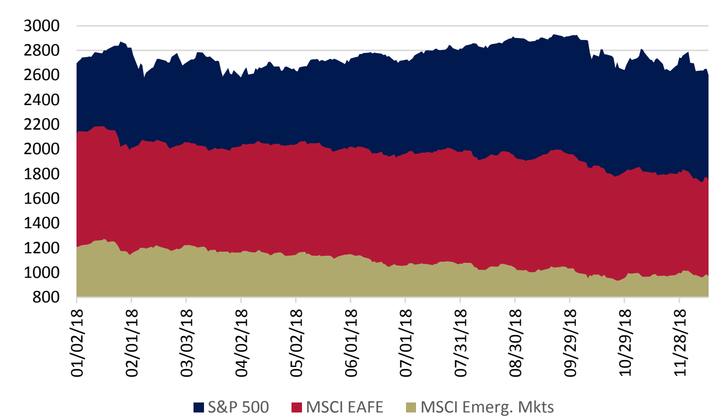
Directional Change

Record low market volatility in 2017 gave way to a comparatively unsettled environment in 2018; leaving many to question sustainable economic strength and the direction of risky asset prices. Time-honored indicators such as narrowing Treasury yield spreads, and other economic metrics seemingly point to a business cycle that may have already reached top speed and is now beginning to slow again. The Federal Reserve hurriedly pulled some chips off the table and now has apparently signaled a pause to check that players still remain in their seats. Indeed, siphoning off historically-accommodative policy was likely to be a tough pill for this market to swallow; despite the shot of tax policy adrenalin. So now, investors are left asking how long the cyclical advance can continue and have asset prices already reached their peak?

In our view, investors base decisions on the directional change in price, policy, and fundamentals more than the level of each variable. Thus the tightening monetary policy, the slowing economic environment, and the likely downshift in earnings growth to come has been material in the way market participants think about forward returns. Recent market activity, we believe, may be prelude to what may set up as a relatively lackluster investment backdrop in 2019. We recommended investors pull back on risk-taking in 2018, and we reiterate that point with even more conviction now.

Figure 1: Broad Global Equity Indices - Daily Prices

Source: Bloomberg



Base-Case Global Projections for 2019

- Global economic growth decelerates in 2019; back toward its long-run trajectory as the U.S. tax impact fades. China growth continues to moderate. U.S. corporate earnings forecasts to undergo material revision and EPS growth may be flat in 2019.

- U.S. political risk runs extra hot in 2019 as the U.S. House becomes a full-time antagonist. Concerns of U.S. political instability weigh heavily on market sentiment. China trade issues get worse before they get better as U.S. ramps up pressure for change.

- Populist and nationalist political winds persist as global citizens increase their skepticism of the current political class. Confidence in politicians' ability to manage the global economy and related policy continues to wane. The wave of outsiders upsetting the political elite and vying for seats endures.

See the return tables at the back of this report for financial market performance by asset segment.

- In 2019, broad U.S. equity benchmarks barely finish in the black, as do developed international markets. Emerging markets, relieved by less policy tightening and only modest dollar strength, manage mid-single-digit gains despite persistent China risks.

- Prevailing inflation worry morphs into some deflation concern as economies slow. Demand for Treasuries remains strong despite supply overhang. The Bloomberg Barclays U.S. Aggregate Bond Index finishes 2019 with a positive total return.

Federal Reserve interest rate policy expected to be less onerous in 2019.

- The Federal Reserve raises Fed funds 50bps in 2019 and continues to reduce the size of its balance sheet. The European Central Bank fails to raise rates in 2019 as economic and political uncertainty rises. Pulling back on central bank liquidity proves unsettling, but still-easy policy backstops markets and keeps risk of material equity deterioration contained.

- U.S. investment grade and high yield corporate spreads widen as slowing growth begins to shine some light on U.S. debt levels. Bond buyers and lenders grow more wary of speculative exposure.

- Broad commodity indices close modestly higher in 2019, although they remain near multi-decade lows; leaving risky asset buyers with some place to go. Energy and metals prices, having already fallen materially in 2018, hold fast as suppliers slow production and/or further restrict capacity.

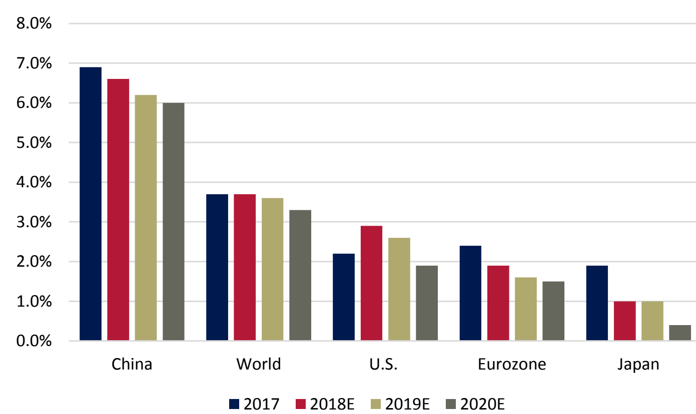
- U.S. growth stocks end their reign of outperformance as the value style comes to the fore. Large-cap also outperforms small-cap as market risk taking ebbs. Demand for dividend stocks returns as capital appreciation disappears and the focus on total returns resurfaces.

2019 Key Issues

The 2019 investment landscape is marked with multiple issues that may act as headwinds for global equity prices and also keep interest rates low. Clearly the investment environment is becoming more challenging and investors are wisely considering the potential ramifications of a mature economic cycle globally. For 2019, we anticipate a market transition to a more value-centric, low-beta approach as the concept of economic reflation shifts to more deflationary concerns. In this environment, risky asset prices may struggle while economic and earnings growth rates taper and the likelihood of the next recession (however modest) increases.

Slowing Economies. Most economic forecasters indicate that economic growth across major countries will peak in 2018 and decelerate in 2019 and 2020. World GDP, according to Bloomberg consensus forecasts, should be 3.7% in 2018 and 3.6% and 3.3% in the two years to follow. Those same forecasters expect U.S. GDP to reach 2.9% in 2018 and then fall back to 2.6% and 1.9% in 2019 and 2020 respectively. The impact of the U.S. tax cuts should be reduced over this time period just as the rest of the developed world falls back toward its long-run growth rate. China's growth, meanwhile, is also facing a decelerating trajectory as GDP is expected to fall from 6.6% in 2018 to 6.0% in 2020. Trade issues, economic rebalancing, and the reining-in of debt-fueled growth are key issues in China.

Figure 2: Key Country/Region GDP Trajectory by Year
Source: Bloomberg consensus estimates E=estimates



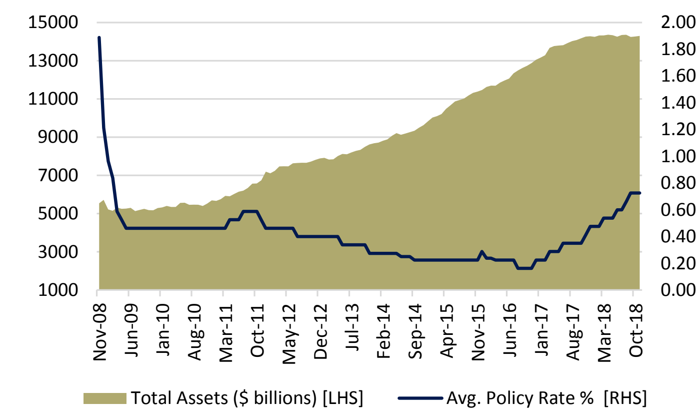
In our view, 2019 earnings forecasts may have to come down materially from the current 10% growth expectation (S&P 500).

Slowing Earnings Growth. According to S&P Dow Jones data, operating earnings per share for the S&P 500 are expected to close up 27% in 2018, which reflects notable benefits from the upshot in economic strength and revised corporate tax policy. Today, estimates for 2019 call for 10% earnings growth, although we believe analysts have yet to properly adjust estimates to reflect probable conditions. Foremost is the falling oil price impact which we expect will cause Index and Energy sector forecasts to be pushed lower in coming weeks/months. The Energy sector showed the fastest earnings growth in 2018, and we expect that to be reversed materially in 2019. Overall, S&P 500 Index earnings estimates are also likely to fall in the near and intermediate-term. When all is accounted, we believe U.S. year-over-year earnings may be relatively flat in 2019. Our work indicates earnings growth in the emerging markets could reach mid-to-high single digits in 2019, while developed foreign market earnings should be flat to slightly higher.

Tighter Monetary Policy. While interest rate policy could be close to neutral for major central banks in 2019 (perhaps only the Fed will raise rates) we anticipate policymakers will continue to allow their balance sheets to contract. The net effect should be tighter policy. Meanwhile, U.S. and global economies will be digesting the Federal Reserve's 2018 tightening action throughout the new year. It appears that Fed rate increases may have already had a depressing effect on conditions and those effects could indeed linger in the coming quarters. The offset may be some eventual market relief as the Federal Reserve will likely taper its policy tightening, and the European Central Bank may leave rates unchanged through 2019.

Figure 3: Central Bank Assets and Average Policy Rate

Source: Federal Reserve, European Central Bank (ECB), Bank of England (BoE), Bank of Japan (BoJ)
Assets include: Fed, ECB, BoJ; Avg. Rate includes: Fed, ECB, BoE, BoJ

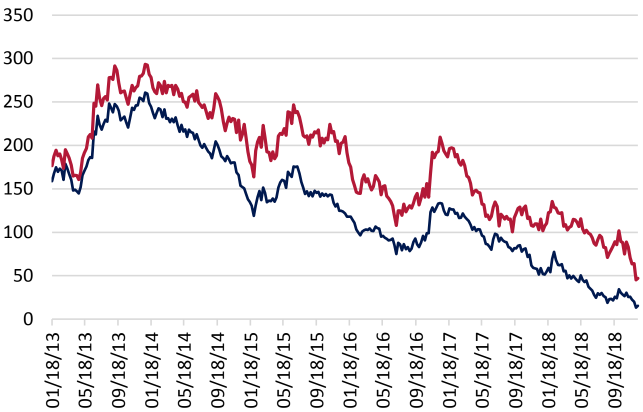


A divided U.S. Congress and Executive branch has historically been a good thing for equity markets. In our view, 2019 may be different.

Political Risk. U.S. political risk could get hotter in 2019 as the House of Representatives will shift to Democrat leadership. We expect unsettled policy direction and condemnation of capitalist initiatives previously instituted. The aggregate should be a net negative for capital markets. Political instability is likely to continue in many parts of Europe, with recent turmoil in Italy, France and the United Kingdom persisting. Meanwhile, the U.S./China trade and policy battle should remain center-stage. We believe philosophical differences between the two powers are deep and real fixes are unlikely to come overnight. In our view, investors should prepare for these issues to continue effecting market activity.

Historically, when short-term vs. long-term Treasury yield spreads fall below zero, recession has consistently followed, with some lag.

Figure 4: U.S. Treasury Yield Spreads (basis points)
Source: Bloomberg

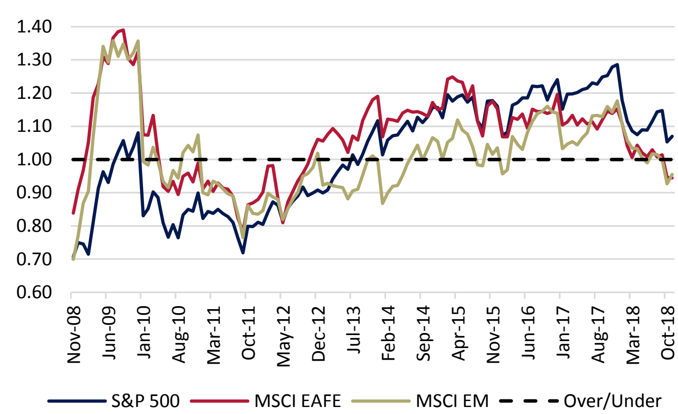


Valuation Compression. The recent equity drawdown has brought decidedly rich valuations back to more reasonable levels. Relative to the 10 -year rolling trailing price-to-earnings (PE) average, U.S. markets are the most expensive, followed by emerging markets, and finally EAFE markets. Returns-on-equity (a measure of profitability) are more attractive in the U.S., while margins in foreign markets are not as robust. Thus, higher relative PEs in the U.S. are probably justified. With all this in mind, global PEs may have further to fall in 2019, particularly in the U.S., as investors price in the slower growth environment and reduced visibility. In addition to some leveling-off of earnings growth, multiple compression may be another factor that weighs on stocks in the new year.

Global equity valuations have come down recently, although U.S. metrics, in particular, may have further to contract.

In Figure 5, chartlines above 1.0 indicate price-to-earnings (PE) ratios above the 10yr PE average.

Figure 5: Global Equity Index - Current Trailing PE to Rolling 10yr Avg. PE Ratio
Source: Bloomberg
Data based on month-end readings through Nov. 2018



Asset Allocation Strategy

Weak projected returns across the board, we believe, leave little room for definitive asset class bets.

We believe 2019 will be a year investors will want to keep their stock/bond mix at or near their long-term, strategic allocation. Given recent market activity, tactical tilts may favor equities to start the year although just marginally. Our work shows only modest differences between expected bond and equity returns for the new year. Simply stated, we anticipate returns in both asset classes to be somewhat lackluster, and on a risk-adjusted basis, returns may favor the fixed-income asset class.

As has been the case through 2018, we believe investors may increasingly find value in the alternative asset class where low-volatility strategies may prove optimal in this environment. Overall portfolio risk should indeed be managed down, which includes lower-beta equity exposure and higher-credit bond exposure. Commodity prices could bounce back modestly in 2019 as supply/demand imbalances are corrected.

Table 1: Asset Class Projected Returns - 2019

2018 returns through 12/14/18; BBG = Bloomberg, Barc = Barclays; ACWI = All Country World Index

Source: HB Retirement

	2018	2019		2018	2019
Global Equities			**Fixed Income**		
MSCI ACWI	-6.46%	4% - 7%	*BBG Barc U.S. Agg. Bond Idx*	-0.89%	1% - 3%
U.S. Equities			**Commodities**		
S&P 500 Index	-0.91%	0% - 5%	*Bloomberg Commodity Index*	-7.82%	3% - 6%

Global Equity View

A late-inning business cycle and the growing risk of a modest recession beginning in 2020 has us guarded in our view of global equities. Absent some trade, debt, political or other shock we do not expect a full-on bear market but perhaps a 2019 environment with several unanswered questions and few upside catalysts. We believe the action by central bankers to rein-in the post crisis monetary regime could be the primary issue for markets as investors question the market's ability to stand on its own. Indeed, market fundamentals are still favorable, but the heightened trajectory of fundamental risks appears to be extinguishing investor confidence. Combine political and trade risk, plus likely waning corporate earnings growth and you get little incentive to extend equity risk profiles.

Our work points to a target return range for the S&P 500 Index of 0% to 5%. The MSCI EAFE may rebound slightly from a poor 2018 to finish within that range as well. Eurozone and U.K. equities could get a modest bid once Brexit has passed (end of Q1). Meanwhile, we expect emerging markets to post high single-digit gains as the Fed lightens-up on raising interest rates and the dollar's upward trajectory eases a bit. We expect Latin America to be a point of interest here and friendlier fiscal/monetary policies in China could aid a Shanghai Composite rebound following a dismal 2018. This could translate into a fairly strong market for Asia-Pacific ex Japan equities next year.

China equity markets may have already priced in considerable bad news (trade, economic weakening). Any improvement in sentiment could be a positive for the Asia-Pacific region in 2019. As such the Asia-Pacific may prove to be the strongest investment region in 2019.

Table 2: 2019 Fundamental Global Equity Views
Source: HB Retirement

			Global Region of Strength
U.S Equities	Dev. Foreign Mkts	Emerging Mkts	Asia-Pac ex Japan
Underweight	*Equalweight*	*Overweight*	*Overweight*

Fixed Income View

On the bond side, our lower-for-longer interest rate view, present in 2018, persists through 2019. Consistent with our expectations, we now are getting more confirmation from U.S. central bankers that the economy is giving the Fed little leeway in raising rates substantially. Two more rate hikes may be in the cards for 2019, as the Fed targets a structurally low normalized Fed funds rate. We anticipate low Treasury yields and a flattening yield curve that crimps funding mechanisms and slows the economy. Wide yield spreads between Treasuries and other developed sovereign debt should keep Treasury demand high and offset additional supply from U.S. deficit funding. The 10-year Treasury yield, in our view, may finish 2019 at approximately 3%, nearly unchanged from where we are today. The three-month Treasury bill to 10yr Treasury yield spread could close to near-zero, while the 2yr/10yr Treasury spread is expected to invert. We believe the Bloomberg Barclays Treasury Index return should be positive next year, owing to less aggressive rate hikes.

In our view, fixed-income investors will want to continue to rein-in credit risk in 2019.

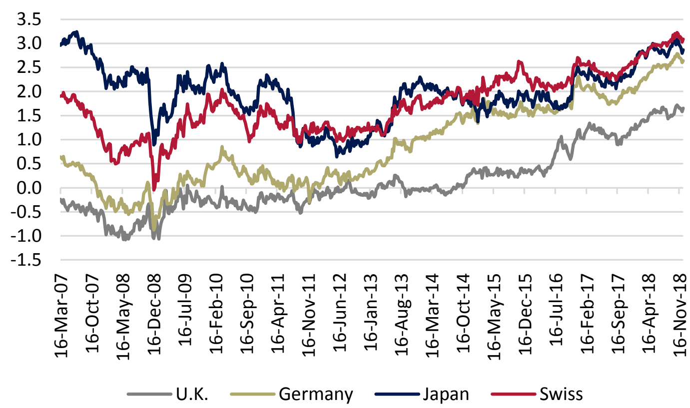
In investment grade corporate credit we see spread widening that may cause returns to lag Treasuries again in 2019. However, some IG demand could come from managers trading up out of high-yield exposure in search of better credits. We believe trading up in credit should be a constant theme in 2019, as we anticipate high-yield default risk to rise as we move through next year.

In our view, developed and emerging sovereign debt offer little value and the U.S. bank loan space may trade more like the high-yield market despite the typically better credit hierarchy. We believe core-bonds (Treasuries, mortgages, investment-grade corporates) will be the fixed income investment of choice in the new year. Meanwhile, given the flat yield curve, most overall fixed income value should occur at the short-end where relatively attractive yields may be accumulated in exchange for minimal duration risk. Broadly, we are forecasting the Bloomberg Barclays U.S.

Aggregate Bond Index, the market's core-bond proxy, to finish 2019 with a gain of 1% to 3%.

Figure 6: U.S. Treasury 10yr Yield Differential vs. Other Developed Mkt. Sovereigns (%)
Source: Bloomberg

Attractive Treasury yields versus the rest of the developed world, in our view, should keep Treasury bond demand high and yields low.



Commodity View

Commodity markets priced in significant bad news in 2018; leaving some room for a modest price rebound next year.

Signs of weakness in global economies and lingering trade concerns have weighed on commodity prices since mid-2018; leaving the Bloomberg Commodity Index near multi-decade lows. China demand uncertainty and high inventories in some markets added to a sluggish market. Although, the commodity complex started the year fairly strong, led by oil, the reflation in commodity prices failed to materialize as previous synchronization in global growth faded. The good news is that we believe market corrections that have occurred in 2018 may benefit the complex in 2019, despite a slower global growth pace.

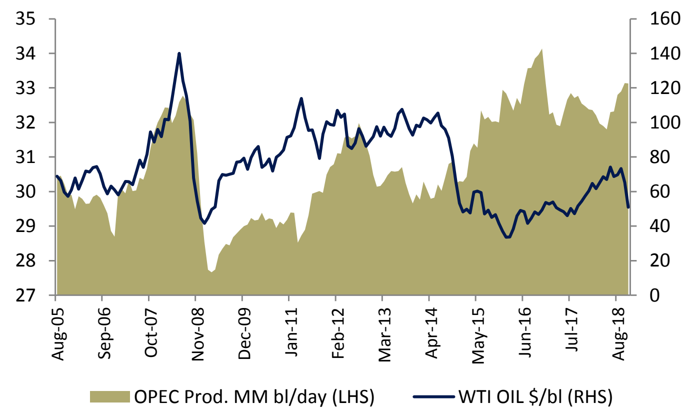
In our view, slower investment spending and capacity take-outs, particularly in industrial metals, are rightsizing previous supply/demand imbalances. We believe the capacity reductions could eventually add some price support and cause a modest rebound in metals markets in 2019.

Oil markets may also see some slight price support if OPEC decides to lower production quotas again in early 2019, which would not be a surprise to us. This could help further correct a currently oversupplied market. Still, any potential OPEC action could be offset by U.S. output that remains at historically high levels. After enduring a 15% drawdown this year, we believe West Texas Intermediate crude may find some eventual price support at $50 per barrel.

Gold demand was weak over 1H 2018, but has since recovered as other asset prices have become more volatile. With the Federal Reserve likely slowing its rate increases in 2019, and with the U.S. dollar perhaps rising only modestly, we believe the environment for gold prices could improve. However, absent an economic shock, we believe gold may have a tough time breaking above long-term resistance at $1350 per oz. ($1242 on 12/17/18).

Figure 7: OPEC Crude Oil Production vs. WTI

Source: Bloomberg



Questions?

Please contact us should you need further detail on this analysis and/or our general market view. We will be glad to have a discussion as to how these and other circumstances may effect your asset allocation or portfolio strategy.

Risks

Investors should be aware of the risks associated with all portfolio strategies, and variable market conditions. Monetary policy changes, military activity abroad, the level and change in market interest rates, corporate earnings, domestic and foreign governmental policies, global economic data, and other geopolitical events can have a substantial effect on portfolio performance, our macroeconomic theories, and the effectiveness of strategic and tactical portfolio approaches.

Quarterly Real GDP - Year-over-Year % Growth

Country	Actuals												Estimates				
	Q4 '15	Q1 '16	Q2 '16	Q3 '16	Q4 '16	Q1 '17	Q2 '17	Q3 '17	Q4 '17	Q1 '18	Q2 '18	Q3 '18	Q4 '18	Q1 '19	Q2 '19	Q3 '19	Q4 '19
Australia	2.7	2.7	3.3	2.3	2.7	2.2	2.1	2.8	2.4	3.0	3.1	2.8	3.0	2.7	2.6	2.9	2.9
Austria	1.3	2.3	1.8	1.7	2.6	2.2	2.7	3.0	2.8	3.2	2.8	2.4	2.3	1.8	2.1	2.1	2.0
Belgium	1.6	1.3	1.6	1.5	1.3	1.9	1.5	1.5	1.9	1.5	1.4	1.6	1.4	1.5	1.5	1.3	1.3
Canada	0.3	2.4	-1.8	4.4	2.3	4.1	4.4	1.3	1.7	1.7	2.9	2.0	1.9	1.6	2.3	1.9	1.9
Finland	0.6	2.7	1.7	2.8	2.7	3.2	3.2	2.2	2.6	2.6	2.3	2.4	3.0	2.9	2.7	N/A	N/A
France	1.0	1.3	1.1	0.9	1.2	1.4	2.3	2.7	2.8	2.2	1.6	1.4	1.2	1.4	1.6	1.6	1.6
Germany	1.3	2.4	2.2	2.1	1.9	2.1	2.2	2.7	2.8	2.0	1.9	1.2	1.1	1.3	1.2	1.8	1.7
Hong Kong	1.9	1.1	1.8	2.2	3.4	4.4	3.9	3.6	3.4	4.6	3.5	2.9	2.5	1.8	2.3	2.6	2.6
Ireland	25.3	2.4	3.3	1.4	12.7	2.9	6.2	13.2	6.5	9.0	8.7	4.9	2.8	4.2	2.5	3.3	3.5
Italy	1.3	1.3	1.2	1.2	1.3	1.6	1.7	1.7	1.6	1.4	1.2	0.7	0.6	0.5	0.6	0.9	1.1
Japan	-1.8	2.8	0.1	1.3	0.7	3.3	2.1	2.7	1.5	-1.3	2.8	-2.5	1.9	1.2	1.3	2.1	-3.0
Netherlands	1.4	2.3	2.4	2.1	2.0	3.0	2.9	2.8	2.7	2.8	3.1	2.4	2.5	2.2	2.1	2.0	2.0
New Zealand	4.5	4.3	4.8	4.7	3.8	3.3	2.4	2.5	3.1	2.8	2.8	3.0	2.8	2.9	2.7	2.7	2.6
Norway	0.7	0.9	2.9	-1.0	1.9	4.5	-1.0	2.9	1.6	-0.7	3.4	1.1	2.0	2.2	2.1	2.1	2.1
Portugal	1.6	1.3	1.3	2.3	2.8	3.1	3.1	2.5	2.5	2.2	2.4	2.1	1.8	1.8	1.6	1.7	1.6
Singapore	1.3	2.1	2.0	1.7	3.7	2.5	2.8	5.5	3.6	4.6	4.1	2.2	2.4	2.3	2.5	2.5	2.7
Spain	4.1	3.6	3.3	3.1	2.7	2.9	3.1	2.9	3.1	2.8	2.5	2.5	2.3	2.3	2.2	2.1	2.2
Sweden	4.7	3.5	3.0	1.9	1.4	1.5	2.6	2.5	2.7	3.3	2.7	1.6	1.9	1.8	1.7	2.0	2.0
Switzerland	0.7	1.6	1.9	1.7	1.1	1.0	1.4	1.7	2.6	3.2	3.2	2.2	1.9	1.5	1.1	1.6	1.6
United States	0.4	1.5	2.3	1.9	1.8	1.8	3.0	2.8	2.3	2.2	4.2	3.5	2.6	2.4	2.5	2.3	2.0
United Kingdom	2.2	2.1	1.7	1.7	1.7	1.8	1.9	1.8	1.4	1.1	1.2	1.5	1.4	1.7	1.7	1.5	1.5
Brazil	-5.5	-5.1	-3.2	-2.5	-2.3	0.1	0.6	1.4	2.2	1.2	0.9	1.3	1.7	1.9	2.3	2.6	3.0
Chile	2.2	2.7	0.9	1.2	0.3	-0.4	0.5	2.5	3.3	4.5	5.4	2.8	3.1	2.9	2.9	3.7	3.2
China	6.8	6.7	6.7	6.7	6.8	6.9	6.9	6.8	6.8	6.8	6.7	6.5	6.4	6.3	6.2	6.2	6.2
Colombia	3.0	3.5	2.2	0.9	1.3	1.3	2.2	1.8	1.7	2.6	2.5	2.6	2.8	2.9	3.1	3.4	3.4
Czech Republic	5.1	3.1	3.5	1.6	1.7	3.6	3.6	4.9	4.9	3.4	2.7	2.5	2.8	3.0	3.1	3.0	2.8
Greece	-0.2	-0.8	-1.0	1.2	-0.3	-0.2	1.5	2.4	2.1	2.2	1.5	2.4	1.9	1.6	1.9	1.9	N/A
Hungary	3.6	1.3	3.1	2.5	1.9	4.3	3.5	4.1	4.5	4.5	4.9	4.9	4.1	4.0	3.8	3.4	3.0
India	7.3	9.3	8.1	7.6	6.8	6.1	5.6	6.3	7.0	7.7	8.2	7.1	7.1	7.1	7.2	7.6	7.7
Indonesia	5.2	4.9	5.2	5.0	4.9	5.0	5.0	5.1	5.2	5.1	5.3	5.2	5.2	5.2	5.1	5.1	5.2
Korea	3.2	3.0	3.5	2.7	2.6	2.9	2.8	3.8	2.8	2.8	2.8	2.0	2.9	2.6	2.6	2.5	2.6
Malaysia	4.7	4.1	4.0	4.3	4.5	5.6	5.8	6.2	5.9	5.4	4.5	4.4	4.5	4.4	4.6	4.4	4.4
Mexico	2.7	3.0	3.3	2.1	3.3	3.5	1.9	1.5	1.5	1.2	2.6	2.5	2.2	2.0	2.1	2.0	2.4
Philippines	6.7	6.7	7.0	7.1	6.7	6.5	6.6	7.2	6.5	6.6	6.2	6.1	6.3	6.4	6.5	6.1	6.3
Poland	4.6	3.1	3.4	2.8	2.8	4.6	4.2	5.4	5.0	5.3	5.1	5.1	4.5	4.0	3.9	3.7	3.5
Russia	-2.7	-0.5	-0.4	-0.2	0.4	0.6	2.5	2.2	0.9	1.3	1.9	1.5	1.8	1.6	1.3	1.5	1.7
South Africa	0.5	-0.3	0.6	0.9	1.0	1.0	1.2	1.6	1.4	0.8	0.4	1.1	0.3	1.3	1.7	1.7	1.6
Taiwan	-0.5	-0.1	1.2	2.1	2.8	2.9	2.5	3.4	3.5	3.2	3.3	2.3	2.3	2.3	2.4	2.3	2.3
Thailand	2.9	3.4	3.6	3.1	3.0	3.4	3.9	4.3	4.0	4.8	4.6	3.3	4.0	3.5	3.6	4.0	4.1
Turkey	7.5	4.8	4.9	-0.8	4.2	5.3	5.3	11.5	7.3	7.2	5.3	1.6	-1.1	-1.7	-1.1	1.8	3.3

Source: Bloomberg; Estimates = Bloomberg consensus estimates

MULTI-ASSET/SECTOR/STYLE RETURNS		Returns as of December 14, 2018							
Mkt/Sector/Style	Benchmark Index	Q4 - '18 (%)	YTD (%)	2017 (%)	2016 (%)	2015 (%)	2014 (%)	5-Yr. Ann. (%)	260D Vol (%)
U.S. EQUITY (Total Return)									
BROAD MARKET	RUSSELL 3000 INDEX	-11.1	-1.7	21.1	12.7	0.5	12.6	9.6	15.6
LARGE-CAP	S&P 500 INDEX	-10.4	-0.9	21.8	12.0	1.4	13.7	10.2	15.8
MID-CAP	S&P 400 MID-CAP INDEX	-13.9	-7.4	16.2	20.7	-2.2	9.7	7.7	14.9
SMALL-CAP	RUSSELL 2000 INDEX	-16.6	-7.0	14.6	21.3	-4.4	4.9	6.4	17.0
GROWTH	RUSSELL 3000 GROWTH INDEX	-13.4	1.3	29.6	7.4	5.1	12.4	11.7	18.3
VALUE	RUSSELL 3000 VALUE INDEX	-8.7	-4.9	13.2	18.4	-4.1	12.7	7.4	13.9
SECTOR	S&P 500 CONSUMER DISC INDEX	-13.6	4.2	23.0	6.0	10.1	9.7	11.3	18.7
SECTOR	S&P 500 CONSUMER STAPLES INDEX	0.7	-2.7	13.5	5.4	6.6	16.0	8.1	13.8
SECTOR	S&P 500 ENERGY INDEX	-18.1	-11.9	-1.0	27.4	-21.1	-7.8	-3.3	21.1
SECTOR	S&P 500 FINANCIALS INDEX	-12.1	-12.0	22.1	22.7	-1.6	15.2	9.2	18.9
SECTOR	S&P 500 HEALTH CARE INDEX	-6.4	9.1	22.1	-2.7	6.9	25.3	12.4	16.6
SECTOR	S&P 500 INDUSTRIALS INDEX	-14.5	-10.3	21.0	18.8	-2.6	9.8	7.8	17.8
SECTOR	S&P 500 MATERIALS INDEX	-11.6	-14.0	23.8	16.7	-8.4	6.9	5.2	18.3
SECTOR	S&P 500 REAL ESTATE INDEX	2.4	4.2	10.8	1.1	1.2	26.1	8.7	15.3
SECTOR	S&P 500 TECHNOLOGY INDEX	-14.2	3.4	38.8	13.8	5.9	20.1	16.9	22.6
SECTOR	S&P 500 COMMUNICATION SVCS INDEX	-9.7	-9.0	-1.3	23.5	3.4	3.0	4.0	20.4
SECTOR	S&P 500 UTILITIES INDEX	7.9	10.8	12.1	16.3	-4.8	29.0	12.6	14.6
BOND (Total Return)									
BROAD MARKET	BBG BARC US AGGREGATE BOND INDEX	0.7	-0.9	3.5	2.6	0.5	6.0	2.3	2.8
TREASURY	BBG BARC TREASURY BOND INDEX	1.4	-0.3	2.3	1.0	0.8	5.1	1.7	3.0
INV GRADE CORP	BBG BARC INV. GRADE CORP INDEX	-0.5	-2.9	6.4	6.1	-0.7	7.5	3.2	3.4
HIGH YIELD CORP	BBG BARC US HIGH YIELD INDEX	-2.5	0.0	7.5	17.1	-4.5	2.5	4.4	2.5
MORTGAGE-BACKED	BBG BARC US MBS INDEX	1.0	-0.1	2.5	1.7	1.5	6.1	2.3	2.5
COMMODITY (Total Return)									
BROAD MARKET	BBG COMMODITY INDEX	-4.1	-6.1	1.7	11.8	-24.7	-17.0	-7.8	11.4
ENERGY	BBG ENERGY INDEX	-13.5	1.7	-4.3	16.3	-38.9	-39.3	-15.9	23.8
INDUSTRIAL METALS	BBG INDUSTRIAL METALS INDEX	-4.9	-16.1	29.4	19.9	-26.9	-6.9	-2.1	17.8
PRECIOUS METALS	BBG PRECIOUS METALS INDEX	2.7	-8.2	10.9	9.5	-11.5	-6.7	-2.1	11.7
GRAINS	BBG GRAINS INDEX	4.0	-2.5	-11.3	-5.9	-19.4	-9.4	-10.2	17.3
SOFTS	BBG SOFTS INDEX	4.8	-20.2	-15.6	12.8	-9.9	-10.1	-9.3	18.3
	BBG=Bloomberg								
HEDGE FUND (Total Return)									
Hedge Fund Research	HFRX GLOBAL HEDGE FUND INDEX	N/A	N/A	6.0	2.5	-3.6	-0.6	-0.2	3.9
Hedge Fund Research	HFRX EQUITY HEDGE INDEX	N/A	N/A	10.0	0.1	-2.3	1.4	0.4	7.2
Hedge Fund Research	HFRX EQUITY MARKET NEUTRAL INDEX	N/A	N/A	1.7	-5.1	5.5	3.6	0.5	3.4
Hedge Fund Research	HFRX MACRO INDEX	N/A	N/A	2.5	-2.9	-2.0	5.2	-0.4	8.2
Hedge Fund Research	HFRX EVENT DRIVEN INDEX	N/A	N/A	6.5	11.1	-6.9	-4.1	-1.1	5.3
Hedge Fund Research	HFRX MERGER ARBITRAGE INDEX	N/A	N/A	2.2	4.3	8.4	2.2	3.1	3.5
Hedge Fund Research	HFRX ABSOLUTE RETURN INDEX	N/A	N/A	3.4	0.3	2.9	0.8	1.6	1.8
REAL ESTATE (Total Return)									
TOTAL REIT MKT	BBG NORTH AMERICAN REIT INDEX	0.4	2.0	9.0	9.0	3.2	29.1	10.4	14.4
APARTMENT	BBG REIT APARTMENT INDEX	3.9	9.1	5.4	3.4	15.5	38.1	13.7	17.2
HEALTH CARE	BBG REIT HEALTHCARE INDEX	8.7	12.9	0.6	7.0	-6.5	33.6	8.9	19.8
WAREHOUSE/INDUST.	BBG REIT WAREHSE./INDUST. INDEX	-1.2	5.7	20.8	31.5	5.9	21.5	17.3	18.0
MORTGAGE	BBG REIT MORTGAGE INDEX	-1.5	1.5	20.3	22.3	-9.9	19.4	10.7	11.0
OFFICE PROPERTY	BBG REIT OFFICE PROP INDEX	-5.2	-8.5	2.2	10.6	-0.2	24.4	6.0	16.3
RETAIL	BBG REIT RETAIL INDEX	2.4	2.4	-4.8	1.1	3.7	29.1	5.8	17.4

Data source: Bloomberg; BBG=Bloomberg; Barc=Barclays
260D Vol = 260-day volatility

GLOBAL EQUITY INDEX RETURNS		Returns as of December 14, 2018							
Regions / Countries	Benchmark Index	Q4 - '18 (%)	YTD (%)	2017 (%)	2016 (%)	2015 (%)	2014 (%)	5-Yr. Ann. (%)	260D Vol (%)
BROAD MARKET									
World	MSCI ALL-COUNTRY WORLD INDEX	-10.3	-6.5	24.7	8.5	-1.8	4.8	6.3	11.9
Developed Markets	MSCI EAFE INDEX	-10.9	-11.8	25.7	1.6	-0.3	-4.3	2.5	11.4
Emerging Markets	MSCI EMERGING MARKET INDEX	-7.1	-14.0	37.8	11.8	-14.6	-2.0	2.4	15.5
UNITED STATES	S&P 500 INDEX	-10.4	-0.9	21.8	12.0	1.4	13.7	10.2	15.8
CANADA	S&P/TSX COMPOSITE INDEX	-11.6	-13.2	9.1	21.1	-8.3	10.5	5.2	9.8
LATIN AMERICA									
Brazil	BRAZIL BOVESPA INDEX	13.6	-3.0	26.9	38.9	-13.3	-2.9	11.8	22.2
Chile	CHILE STOCK MKT SELECT	-5.9	-16.4	34.0	12.8	-4.4	4.1	7.1	13.7
Columbia	IGBC GENERAL INDEX	-13.7	-3.6	16.3	20.7	-24.1	-8.0	0.0	15.0
Mexico	MEXICO IPC INDEX	-22.8	-17.2	10.1	7.9	1.5	2.0	1.5	16.7
Peru	PERU GENERAL INDEX	-3.9	-7.6	28.3	58.1	-33.4	-6.1	4.6	11.7
UNITED KINGDOM	FTSE 100 INDEX	-11.5	-13.9	12.0	19.2	-1.4	0.7	5.2	12.6
EUROPE EX U.K.									
Austria	AUSTRIAN TRADED ATX INDX	-15.3	-18.3	32.8	11.1	12.9	-13.1	5.4	16.2
Belgium	BEL 20 INDEX	-10.4	-17.0	14.4	1.2	16.7	16.3	8.1	13.1
Czech Republic	PRAGUE STOCK EXCH INDEX	-10.1	-7.3	22.6	1.3	5.1	-0.3	6.0	10.0
Denmark	OMX COPENHAGEN 20 INDEX	-6.9	-12.3	18.7	-10.7	40.2	23.2	12.5	15.5
Finland	OMX HELSINKI INDEX	-13.7	-6.7	10.5	8.0	14.6	9.9	9.5	13.8
France	CAC 40 INDEX	-13.8	-11.5	12.5	8.8	11.9	2.5	7.0	13.7
Germany	DAX INDEX	-13.7	-20.9	12.5	6.9	9.6	2.7	3.8	15.4
Greece	ATHEX COMPOSITE	-8.9	-23.0	26.8	4.2	-25.0	-28.5	-9.6	20.2
Hungary	BUDAPEST STOCK EXCH INDX	5.0	-8.1	23.0	33.8	43.8	-10.4	16.8	18.2
Ireland	IRISH OVERALL INDEX	-17.6	-25.0	9.4	-2.7	33.0	16.7	6.7	13.6
Italy	FTSE MIB INDEX	-11.0	-16.2	16.9	-6.5	15.8	3.0	4.3	18.3
Netherlands	AEX-INDEX	-10.0	-9.6	16.5	13.6	7.3	8.7	9.6	13.2
Norway	OBX PRICE INDEX	-16.7	-1.7	19.5	14.1	2.6	4.0	9.4	15.2
Poland	WSE WIG 20 INDEX	-2.0	-12.4	28.9	7.9	-17.0	0.4	1.9	18.8
Portugal	PSI 20 INDEX	-12.7	-12.8	19.3	-9.0	14.9	-25.0	-2.2	12.6
Russia	RUSSIAN RTS INDEX $	-5.6	2.0	5.9	59.4	0.5	-42.3	0.7	24.5
Spain	IBEX 35 INDEX	-7.3	-13.9	11.3	2.5	-3.7	8.5	3.2	13.5
Sweden	OMX STOCKHOLM 30 INDEX	-13.0	-12.4	7.7	9.3	2.1	13.8	7.1	15.0
Switzerland	SWISS MARKET INDEX	-6.1	-6.2	17.9	-3.4	1.1	12.9	5.5	13.9
Turkey	ISE NATIONAL 100 INDEX	2.7	-42.6	52.8	12.0	-13.8	29.3	7.3	22.3
ASIA-PACIFIC EX JAPAN									
Australia	ALL ORDINARIES INDX	-10.2	-10.8	14.0	13.2	5.4	6.5	8.1	10.8
China	CSI 300 INDEX	-8.4	-24.4	24.3	-9.3	7.2	55.8	7.9	21.4
Hong Kong	HANG SENG INDEX	-5.7	-9.7	41.3	4.3	-3.9	5.3	6.2	19.9
Indonesia	JAKARTA COMPOSITE INDEX	5.6	-7.6	22.5	17.5	-10.5	24.8	10.3	16.0
India	BSE SENSEX 30 INDEX	0.4	-5.1	29.6	3.5	-3.7	32.0	13.2	12.6
Malaysia	FTSE BURSA MALAYSIA KLCI	-8.1	-7.5	13.2	0.1	-1.0	-2.6	1.2	10.9
New Zealand	NZX ALL INDEX	-4.1	0.7	24.2	10.9	14.6	18.8	14.6	10.1
Philippines	PSEi - PHILIPPINE SE IDX	5.4	-15.9	27.2	0.2	-2.0	25.5	7.4	17.9
Taiwan	TAIWAN TAIEX INDEX	-12.2	-8.2	19.4	15.5	-6.9	11.2	7.0	15.6
Thailand	STOCK EXCH OF THAI INDEX	-9.5	-6.1	17.3	23.9	-11.2	19.1	7.1	11.7
Singapore	STRAITS TIMES INDEX	-6.1	-9.1	22.0	3.8	-11.3	9.6	3.6	13.4
South Korea	KOSPI INDEX	-13.5	-20.3	23.9	5.2	4.1	-3.5	2.7	14.6
JAPAN	NIKKEI 225	-11.2	-5.1	21.3	2.4	11.0	9.0	8.7	18.0
MIDDLE EAST/AFRICA									
Eqypt	EGX 30 INDEX	-10.7	-12.0	25.4	80.3	-20.2	34.0	17.1	18.2
Israel	TEL AVIV 100 INDEX	-7.0	-2.6	6.4	-2.5	2.0	6.7	4.0	11.5
Morocco	MADEX FREE FLOAT INDEX	-3.3	-9.8	9.5	38.1	-3.9	10.6	7.8	8.5
South Africa	FTSE/JSE AFRICA ALL SHR	-8.5	-23.0	21.0	2.8	5.3	10.9	6.8	17.2

Data source: Bloomberg

260D Vol = 260-day volatility

Important Disclosures: *This material is not intended as ERISA, tax or investment advice and is not an offer to sell a security or a recommendation, to buy a security. If you are seeking investment advice specific to your needs, such advice services muct be obtained on your own, separate from this educational and informational report. This summary is based exclusively on an analysis of general market conditions and does not speak to the suitability of any specific proposed securities transaction. To determine which investments may be appropriate for you, consult your financial advisor prior to investing.*

All opinions and views mentioned in this report constitute our judgments as of the date of writing and are subject to change at any time. We will not advise you as to any change in figures or views found in this report.

Our judgement or recommendations may differ materially from what may be presented in a long-term investment plan. Investors should consult with an investment advisor to determine the appropriate investment strategy and investment vehicle. Investment decisions should be made based on the investor's specific financial needs and objectives, goals, time horizon and risk tolerance.

Except for the historical information contained in this report, certain matters are forward-looking statements or projections that are dependent upon risks and uncertainties, including but not limited to such factors and considerations such as general market volatility, global economic risk, geopolitical risk, currency risk and other country-specific factors, fiscal and monetary policy, the level of interest rates, security-specific risks, and historical market segment or sector performance relationships as they relate to the business and economic cycle.

Economic and other investment forecasts set forth may not develop as predicted and there can be no guarantee that strategies mentioned will be successful.

There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not ensure against market risk.

Stock investing involves risk including loss of principle.

The prices of small and mid-cap stocks are generally more volatile than large cap stocks.

Value investments can perform differently from the market as a whole. They can remain undervalued by the market for long periods of time.

The fast price swings in commodities and currencies will result in significant volatility in an investor's holdings.

Precious metal investing involves greater fluctuation and potential for losses.

Investing in Real Estate Investment Trusts (REITs) involves special risks such as potential illiquidity and may not be suitable for all investors. There is no assurance that the investment objectives of this program will be attained.

Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise and bonds are subject to availability and change in price.

Government bonds and Treasury bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value.

High yield/junk bonds (grade BB or below) are not investment grade securities and are subject to higher interest rate, credit, and illiquidity risks than those graded BBB and above. They generally should be part of a diversified portfolio for sophisticated investors.

International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets.

Because of its narrow focus, sector investing will be subject to greater volatility than investing more broadly across many sectors and companies.

The CBOE Volatility Index® (VIX®) is meant to be forward looking, showing the market's expectation of 30-day volatility in either direction, and is considered by many to be a barometer of investor sentiment and market volatility, commonly referred to as "Investor Fear Gauge"

The MSCI All Country World Index is a market capitalization weighted index designed to provide a broad measure of equity-market performance throughout the world.

The MSCI EAFE Index is a free float –adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the U.S. and Canada.

The MSCI EM (Emerging Markets) Index is a free float-adjusted market capitalization index that is designed to measure the equity market performance of the emerging market countries of the Americas, Europe, the Middle East, Africa and Asia.

The S&P 500 Index is a capitalization weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing the major sectors of the U.S. economy.

The S&P 500 sector indices measure the performance of the widely-used Global Industry Classification Standard (GICS®) sectors and sub-industries. GICS enables market participants to identify and analyze a customized group of companies using a common global standard. Those sectors are: S&P 500 Consumer Discretionary, S&P 500 Consumer Staples, S&P 500 Energy, S&P 500 Financials, S&P 500 Health Care, S&P 500 Industrials, S&P 500 Materials, S&P 500 Real Estate, S&P 500 Technology, S&P 500 Telecom, and S&P 500 Utilities.

The S&P Midcap 400 Stock Index is an unmanaged index generally representative of the market for the stocks of mid-seized U.S. companies.

The Russell 2000 Index is an unmanaged index generally representative of the 2000 smallest companies in the Russell 3000 Index, which represents approximately 10% of the total market capitalization of the Russell 3000 Index.

The Russell 3000 Index is comprised of 3000 U.S. companies, as determined by market capitalization. The Index is comprised of stocks within the Russell 1000 (large-cap) and the Russell 2000 (small-cap) indices.

The Russell 3000 Growth Index is an unmanaged index comprise of those Russell 3000 companies with higher price-to-book rations and higher forecasted growth values. The Russell 3000 Value Index measures the performance of those Russell 3000 companies with lower price-to-book ratios and lower forecasted growth values.

The S&P Citigroup International Treasury ex U.S. Index is designed to reflect the performance of bonds issued by non-U.S. developed market countries.

The Bloomberg Barclays U.S. Aggregate Bond Index is an index of the U.S. investment grade fixed-rate bond market, including both government and corporate bonds.

The Bloomberg Barclays Treasury Bond Index is an index of U.S. dollar denominated, fixed-rate, nominal debt issued by the U.S. Treasury. Treasury bills are excluded by the index's maturity constraint.

The Bloomberg Barclays Investment Grade Corporate Bond Index measures the investment-grade, fixed-rate, taxable corporate bond market. The index includes U.S. dollar denominated securities publicly issued by U.S. and non-U.S. industrial, utility, and financial issuers.

The Bloomberg Barclays U.S. Corporate High-Yield Bond Index is an unmanaged market value weighted index compose of fixed-rate, publicly-issued, non-investment grade debt.

The Bloomberg Barclays U.S. Mortgage –Backed Securities Index tracks agency mortgage-backed pass-through securities guaranteed by GNMA, FNMA and FHLMC.

The Bloomberg Commodity Index (BCOM) is a broadly diversified commodity price index distributed by Bloomberg Indexes. The constituents of this broad index are also separated and indexed into commodity-specific segment which enables market participants to identify and analyze those individual commodity markets. Those related indices are: The Bloomberg Energy Index, The Bloomberg Industrial Metals Index, The Bloomberg Precious Metals Index, The Bloomberg Grains Index, and the Bloomberg Softs Index.

The Hedge Fund Research HFRX Global Hedge Fund Index is a U.S. dollar denominated benchmark representative of the overall composition of the hedge fund universe. It is comprised of all hedge fund strategies tracked by Hedge Fund Research including but not limited to absolute return, convertible arbitrage, distressed securities, equity hedge, equity market neutral, event driven, macro, merger arbitrage, and relative value arbitrage. Hedge Fund Research also compiles sub-indices representative of specific hedge fund strategies. Those sub-indices mentioned in this report are: The HFRX Equity Hedge Index, The HFRX Equity Market Neutral Index, The HFRX Macro Index, The HFRX Event Driven Index, The HRFX Merger Arbitrage Index, and The HFRX Absolute Return Index.

The Bloomberg North American REIT Index is a composite representing the Real Estate Investment Trust industry in North America. This broad composite also may be segmented into specific sub-groups of the REIT industry. Those sub-group indices mentioned in this report are: The Bloomberg REIT Apartment Index, The Bloomberg REIT Health Care Index, The Bloomberg REIT Warehouse/Industrial Index, The Bloomberg REIT Mortgage Index, The Bloomberg REIT Office Property Index, and The Bloomberg REIT Retail Index.

Individual country indices mentioned in this report, including the United States, Canada, Japan, the United Kingdom, and those in regions such as Europe, the Asia-Pacific, Latin America, and Middle East/Africa are representative of equity market activity in that specific country.

All indices are unmanaged and may not be invested into directly.

Securities offered through LPL Financial, Member FINRA/SIPC. Investment advisory services offered through HB Retirement, a registered investment advisor and separate entity from LPL Financial.