



INVESTMENTS • PLANNING • TAX • ESTATE • SOLUTIONS

March 2019 – Investment Committee Meeting Summary

Due to the cross currents of coronavirus and the March 9th, oil price shock, our view is fluid and subject to change on short notice. Corporate profits were flat in 2019 and will be down in 2020 (have to assume at least ten percent at this point). Housing is strong with existing home inventories at record low levels. Jobs are widely available, February’s non-farm payroll was very high at 273,000 new jobs and wage growth is consistently strong at over 3% year over year. Inflation, while low, is creeping higher, now at 2.3%. Consumer confidence remains elevated. The market is down ~20% peak to trough in 2020 due to the impact of the virus and the collapse in oil prices. It is unknowable how long and deep either of these events will impact the economy. Travel and tourism have been disproportionately impacted thus far.

Asset Class	View	Comments
Equities		
US Large Cap	Positive	US economic growth is positive while much of the globe is at zero growth. Record low levels of unemployment and rising wages should continue to fuel economic growth. Equity valuations look reasonable relative to alternatives. We favor minimum-volatility and quality positions because of where we are in the economic cycle.
US Small Cap	Neutral	Likely to be impacted to a greater degree in an extended slow down.
International Developed Markets	Negative	Globally economies will struggle with the virus. Uncertainty is high.
International Emerging Markets	Negative	Historically Emerging markets are very volatile. The risk factor is too great when compared to the reward opportunities at this time.
Fixed Income		
US Government Bonds	Negative	Record low yields. Guaranteed negative real rates of return at these levels.
US Corporates (Credit)	Neutral	Spreads have widened offering yields well above Treasuries.
US High Yield	Neutral	Spreads are very high. Assuming the US economy muddles through the current problems, likely to be compensated for the risk at these levels.
Global Fixed Income	Negative	Negative yields; weak economies; political uncertainty.
Alternatives		
Commodities	Negative	Global economic growth is slow. There are no natural resource shortages. There will certainly be a short-term oil glut.
REITs (Real Estate)	Neutral	The backdrop for REITs is relatively good; however, REITs are a small part of the economy. Since clients are already overweight real estate assets, there is no need to add further real estate exposure.