Quarterly Investment Summary

MARCH 2019

Performance Summary (as of 03/31/2019)

	Target Allocation	Trailing Returns				
	Equity/Fixed	3 Months	YTD	1 Year	3 Year	5 Year
Fixed Income	0%/100%	2.72%	2.72%	3.98%	2.34%	2.07%
Conservative	25%/75%	5.02%	5.02%	4.01%	4.53%	3.64%
Balanced	50%/50%	7.28%	7.28%	3.84%	6.61%	4.92%
Growth	75%/25%	9.58%	9.58%	3.72%	8.69%	6.26%
Equity	100%/0%	12.03%	12.03%	3.60%	10.62%	7.65%

Market Commentary

- Buoyed by the Federal Reserve's pivot to a more dovish stance, financial markets showed signs of stabilizing in March after strong returns in January and February dissipated December 2018 market losses. More recent economic releases point to a moderation in growth as compared to the pace that was experienced in the second and third quarters of 2018. Fourth quarter real GDP growth clocked in at +2.2%, which was a downward revision to the 2.6% initial estimate released in February. Uncertainty over tariffs and the ongoing trade dispute with China continue to weigh on future growth prospects. Regarding manufacturing activity, the March ISM index came in at 55.3, a slight increase off of a below-consensus February print. Although significantly below mid-2018 highs, activity remains economically supportive as anything above 50 denotes expansion. Consumers remain upbeat overall, however the most recent consumer confidence index released in late-March declined following a rebound in February. While overall consumer confidence remains just shy of the record levels last seen in the late-1990s/ early-2000s, the overall trend in confidence has been softening since last summer. The big question on the minds of investors seems to be whether the economy will simply slow back to the rate of growth that has characterized the recovery-to-date (i.e. a "soft landing") or will slip into a recession sometime in the coming months.

- Returns moderated in the month of March after a very strong January and February, but still managed to tack on gains with the S&P finishing the month up by just under 2%. For the entire 3-month period, the total return for the S&P 500 was 13.65%, which was the best first quarter return since 1998. Returns during the quarter were well distributed with smaller-cap and international stocks also participating in the rally. Growth stocks were once again in favor over value stocks, as technology was the dominant sector. Stock valuations have increased relative to where they stood at year-end with the forward P/E ratio back above 16x. This puts the market roughly in-line with the average multiple over the past five years and just slightly higher than the average of the past decade.

- Bond yields declined to fresh lows in the concluding days of the first quarter following a dovish Fed outlook and economic data that continues to point to slowing growth both globally and here at home. The yield on the 10-year US Treasury note dropped below 2.40%, matching the levels last seen in late-2017 and well below the multi-year highs of 3.25% seen last November. Short-term rates in the U.S. have also retreated as the Federal Reserve's Open Market Committee signaled that they are likely to remain on hold in the upcoming months. In the statement released at the conclusion of their March meeting, Fed officials reduced the number of interest rate increases they expect in 2019 from two to zero and only one in 2020.