# Quarterly Investment Summary

**SEPTEMBER 2019**

## Performance Summary (as of 09/30/2019)

| | Target Allocation | Trailing Returns | | | | |
|---|---|---|---|---|---|---|
| | Equity/Fixed | 3 Months | YTD | 1 Year | 3 Year | 5 Year |
| Fixed Income | 0%/100% | 1.38% | 6.60% | 7.38% | 2.81% | 2.58% |
| Conservative | 25%/75% | 1.05% | 8.86% | 5.85% | 4.69% | 4.02% |
| Balanced | 50%/50% | 0.68% | 11.11% | 4.06% | 6.47% | 5.19% |
| Growth | 75%/25% | 0.35% | 13.37% | 2.34% | 8.24% | 6.39% |
| Equity | 100%/0% | 0.04% | 15.82% | 0.66% | 9.83% | 7.69% |

## Market Commentary

- The saga between the U.S. and China over trade disputes continued to drive market returns throughout the third quarter. Gold prices hit a six-year high in early September, as falling global interest rates and the prospects for decelerating growth intensified and prompted investors to seek the safe-haven asset. In the waning days of September, investors unwound fear-driven trades that roiled markets in August. The positive change in market sentiment to end the quarter was largely attributed to reconciliatory gestures between the two powers. The manufacturing sector contracted in August for the first time in three years, and is no doubt being weakened by the persistence of tariffs. More troubling than U.S. manufacturing weakness is the manufacturing slowdown in the eurozone. Eurozone manufacturing sentiment is at its weakest in years and the outlook for Germany, the region’s largest economy, is at its worst point in more than a decade. Although global trade woes continue, other areas of the economy are showing remarkable resilience. August retail sales growth beat expectations by a considerable margin and the unemployment rate remains low and stable. Many economists expect U.S. consumer spending to remain strong, offsetting manufacturing weakness, and ultimately supporting a continued expansion. One area of slight concern is consumer confidence. Although confidence remains high by historical standards, the reading did fall in September by more than economists expected.

- The stock market posted modest gains in September, rebounding nicely from August losses. The September gains have helped the S&P 500 Index hold on to its biggest year-to-date gain in more than two decades. September witnessed a rare rotation into “value” from “growth” as investors appeared less concerned about recent economic weakness. Many of the hardest-hit sectors in the stock market in August were among the best performers in September. Investor sentiment remains firmly with the U.S. relative to its international counterparts. In fact, except for the dot.com bubble period, the U.S. currently has the largest price premium over the eurozone, U.K., Japan and emerging markets since the 1980s.

- Intermediate and longer-term bond prices experienced heightened volatility during the third quarter, but continued upon their second-quarterly rally, as investors oscillated between doubt and acceptance of the continued economic expansion. Bond returns have been exceptional this year as bond prices move inversely with interest rates. The broadly-diversified Barclays Capital U.S. Aggregate Index is now up over 10% for the year. In September, higher-quality bonds outperformed lower-quality bonds as high-yield spreads widened. The Fed lowered interest rates during its September meeting for the second time in recent months to a range of 1.75%-2.00% as Fed Chair Powell cited “slower growth abroad and trade policy developments”.