Market Commentary for Q2 2019

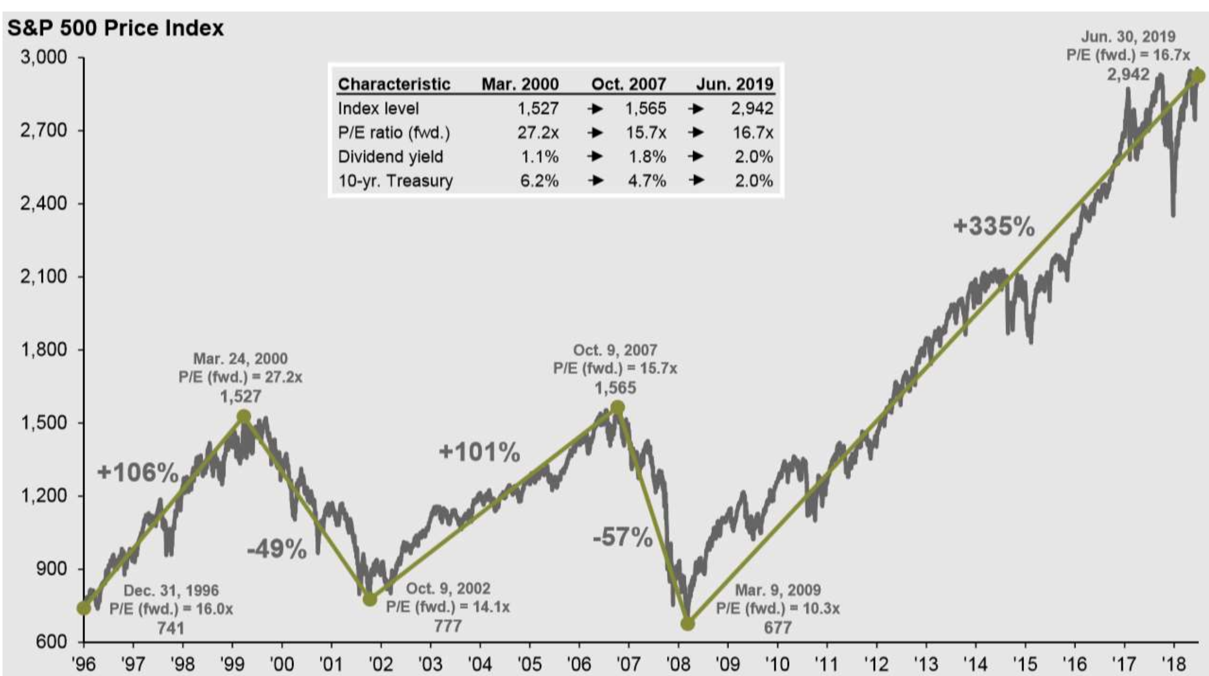
Asset Class	Allocation %	Q1	Q2	YTD
S&P 500 (US Large Cap Stocks)	25.0%	13.6%	4.9%	18.5%
Russell 2000 (US Small Cap Stocks)	10.0%	14.6%	2.4%	17.0%
MSCI EAFE (Developed International Stocks)	10.0%	10.1%	4.4%	14.5%
MSCI EME (Emerging Markets)	10.0%	10.0%	0.8%	10.8%
REITS (Real Estate)	10.0%	17.2%	2.1%	19.3%
Commodities	5.0%	6.3%	-1.2%	5.1%
Barclays Aggregate (Bonds)	25.0%	2.9%	3.2%	6.1%
Cash	5.0%	0.6%	0.6%	1.2%
Diversified Portfolio (70% Stock/30% Fixed Inc.)	100.0%	9.7%	3.0%	12.6%

The chart above shows that a hypothetical growth balanced portfolio would have grown 3.0% during Q2 2019.

Executive Summary:

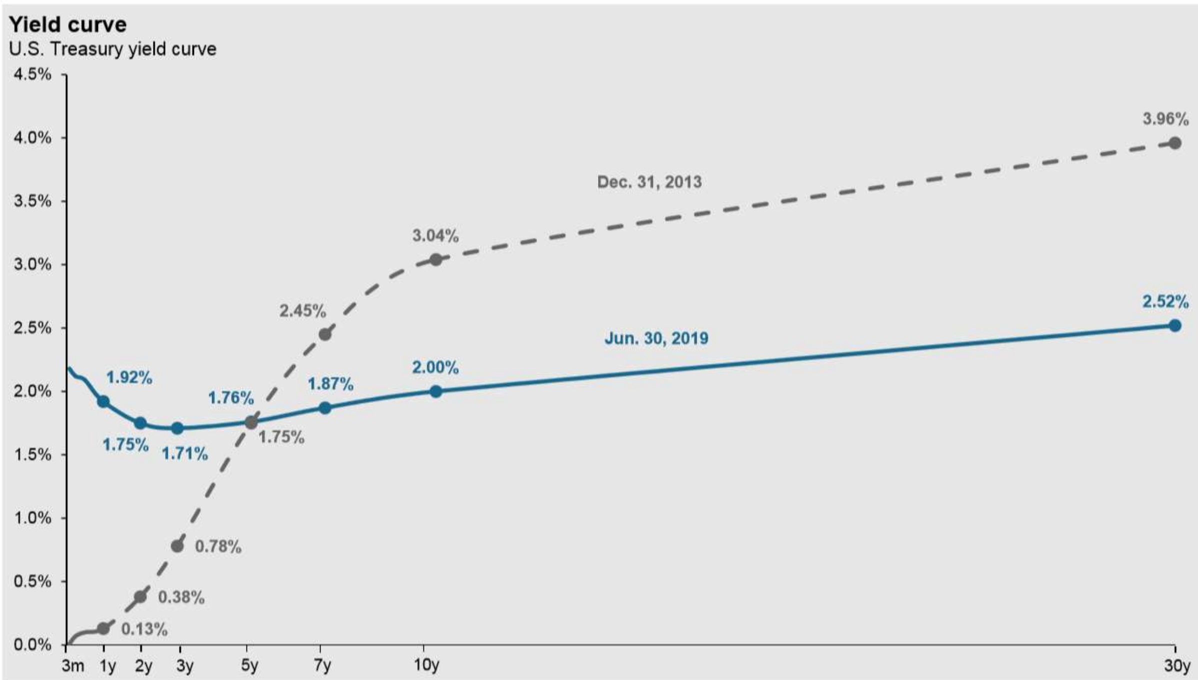
- In the second quarter of 2019, investment markets performed well (though mainly in the last month of the quarter). A potential economic slowdown (including tariff concerns with Mexico and China) was a main concern.
- Bonds performed quite well as economic concerns pushed interest rates lower. The yield curve inverted because of economic worries; but only the short end of the curve inverted.
- We still recommend a "risk on" strategy: favoring Stocks (growth) over Bonds and Cash (protection). We believe an economic slowdown will be averted as tariff concerns dissipate and projected Fed rate cuts do, indeed, occur; Specifically, we look for three rate cuts for a total decrease of 0.75% (75 basis points) over the next year.

U.S. Stock Market: U.S. stocks had an impressive quarter in general; adding to the great results of Q1. Growth stocks outperformed Value. Financials were the best performing sector, followed by Technology. Energy was the worst performing sector. The S&P 500 is sitting on its long-term uptrend line and looks, to us, no worse than "fairly valued."



Foreign Stock Markets: Provided positive results, but still lagged U.S. stocks. U.S. Dollar strength is a primary reason, though concerns about global economies are also contributing. Foreign stocks look potentially undervalued when compared to the U.S. This has led us to consider increasing exposure to individual foreign country funds. A surging middle class in the populations of some of these regions (China and India) is a growth driver. We look at emerging market investment allocations over a longer time period; often 3-to-5 years. Returns can be more volatile there.

U.S. Bond Market: As fears of recession increased, the Bond Market prepared and partially inverted; note the 1-year to 7-year bond maturities in the chart below (blue line). Though concerning, we believe this is a temporary situation as the economy prepares for potential rate cuts by the FOMC (overnight lending rates) at the short end of the curve.



Source: FactSet, Federal Reserve, J.P. Morgan Asset Management.
Guide to the Markets – U.S. Data are as of June 30, 2019.

Commodities & Real Estate: Commercial real estate (REIT) returns slowed during the quarter after leading in Q1. We are still committed to this sector based on strong growth and attractive cash flow yield returns. Commodities remain a weak relative performer due to globalization and automation. This may continue.

A Long-Term Perspective:

We believe the U.S. stock market remains in a "secular" Bull Market. This means we are long-term positive but understand we may periodically encounter market corrections in the shorter-term. When the market (or quality stocks) correct lower, we often see this as an opportunity to buy. Buying into the correct opportunistic areas is where we focus our efforts and best thinking.

Looking at the past 19½ years (2000 through 6/30/2019), the average annual return on the S&P 500 is 5.6%; well below the long-term average of 10.1% (this long-term average is calculated from 1/1/1926 to 6/30/2019).

The financial media has expressed worries about "new highs" in the stock market, leading viewers to believe prices must fall. Don't be worried; new highs are actually "normal". Nearly two thirds of the time, the S&P 500 sets new record highs annually. Since 1926, the S&P 500 has reached a new high in 57 out of 93 years (61%). The market is not a rubber band destined to snap back. If an economy is steadily growing, a stock market can steadily rise as well.

*For a full description of the Five Star Wealth Manager Award, including description and award methodology, please follow the link here:
https://www.fivestarprofessional.com/wmdisclosures/CINWM19

Market Commentary Sources: JP Morgan, Morgan Stanley, CNBC, The Vanguard Group, Charles Schwab & Co., The Wall Street Journal, Seekingalpha.com, Macrotrends LLC

Disclosures:

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Index Definitions:

An index is a portfolio of specific securities, the performance of which is often used as a benchmark in judging the relative performance of certain asset classes. Indexes are unmanaged portfolios and investors cannot invest directly in an index. An index does not charge management fees or brokerage expenses, and no such fees or expenses were deducted from the performance shown.

MSCI EME is an Index that captures large and midcap representation across 24 Emerging Markets (EM) countries*. With 846 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

S&P 500 is an index of 500 stocks chosen for market size, liquidity and industry grouping, among other factors. The S&P 500 is designed to be a leading indicator of U.S. equities and is meant to reflect the risk/return characteristics of the large cap universe.

MSCI EAFE is an index created by Morgan Stanley Capital International (MSCI) that serves as a benchmark of the performance in major international equity markets as represented by 21 major MSCI indexes from Europe, Australia and Southeast Asia.

Barclays Aggregate Bond is an index used by bond funds as a benchmark to measure their relative performance. The index includes government securities, mortgage-backed securities, asset-backed securities and corporate securities to simulate the universe of bonds in the market. The maturities of the bonds in the index are more than one year.

Russell 2000 is a small-cap stock market index of the bottom 2,000 stocks in the Russell 3000 Index. The index is maintained by FTSE Russell, a subsidiary of the London Stock Exchange Group.