Market Commentary for Q3 2018

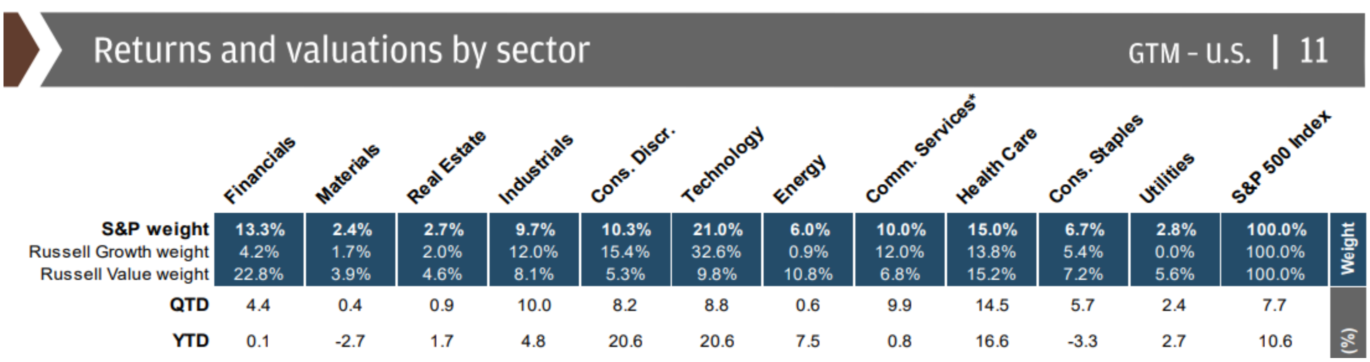
Asset Class	Allocation %	Q1	Q2	Q3	YTD
S&P 500 (US Large Cap Stocks)	20.0%	-0.8%	3.4%	8.0%	10.6%
Russell 2000 (US Small Cap Stocks)	10.0%	-0.1%	7.8%	3.8%	11.5%
MSCI EAFE (Developed International Stocks)	10.0%	-1.4%	-1.0%	1.4%	-1.0%
MSCI EME (Emerging Markets)	10.0%	1.5%	-8.0%	-0.9%	-7.4%
REITS (Real Estate)	10.0%	-6.7%	8.0%	0.5%	1.8%
Commodities	10.0%	-0.4%	0.4%	-2.0%	-2.0%
Barclays Aggregate (Bonds)	20.0%	-1.5%	-0.1%	0.0%	-1.6%
Cash	10.0%	0.3%	0.5%	0.5%	1.3%
Diversified Portfolio (70% Stock/30% Fixed Inc.)	100.0%	-1.1%	1.4%	1.9%	2.2%

Source: JP Morgan Guide to the Markets Q4 2018

Executive Summary:

- Based on our research, we believe the US Stock Market is actually still in the *early* stage of a secular Bull market. This is contrary to what the financial media often reports. This doesn't mean we won't see a market correction. Market corrections happen often in bull markets. They don't necessarily break the bigger uptrend.
- We believe fixed income is in the early stages of a Bear market after a very long 37+ year bull run.
- There are two primary factors to any economy; Growth and Inflation. Crew believes that domestic growth still looks positive and domestic inflation still looks benign for the next couple of years.

U.S. Stock Market: Both US Large Cap and Small Cap Stocks saw positive returns for the third quarter with US Large Cap Stocks offering the best results followed by Small Caps (see chart above). "Growth" for both US Large and Small Caps outperformed "Value". Value stocks are defined as shares of a company with solid fundamentals that are priced below those of its peers, based on analysis of price/earnings ratio, yield, and other factors. Since the market bottomed in March of 2009, Growth Stocks have outperformed Value across the Large, Mid and Small Cap stocks. During July – September, the S&P 500 created the new Communications Service Sector. Many of the component companies will come from the Consumer Discretionary and Technology Sectors. Alphabet Inc. (Google), Facebook and Netflix are now in the new sector. Three stocks – Netflix and (both share classes of) Google represent over 40% of the new sector.



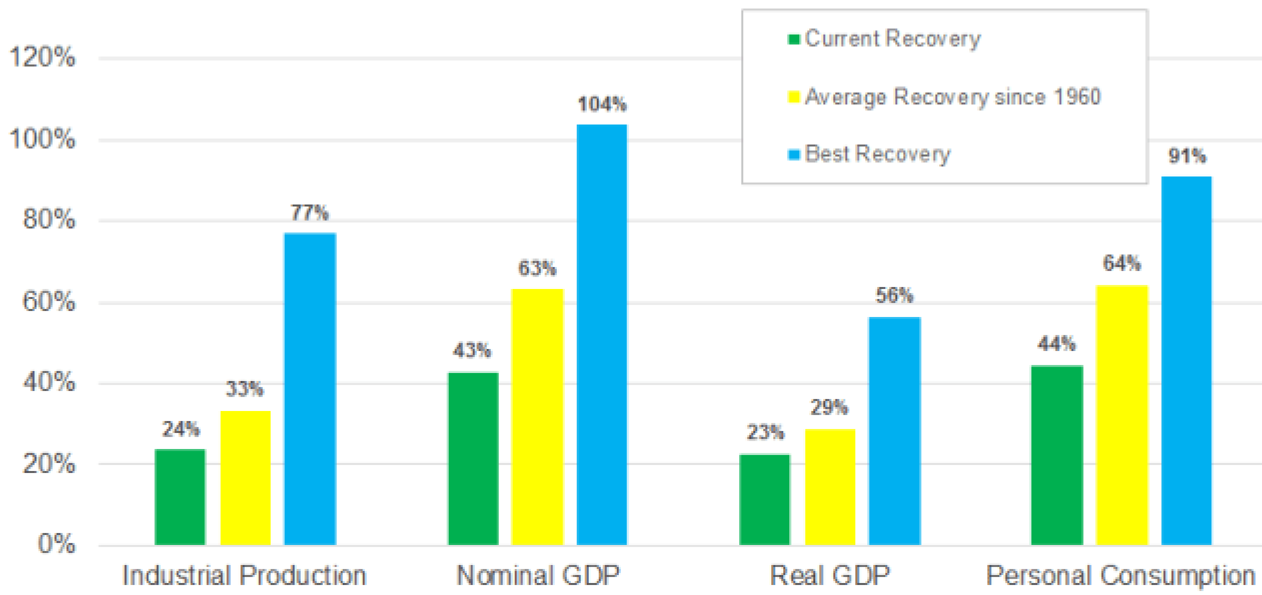
Returns and valuations by sector — GTM – U.S. | 11

	Financials	Materials	Real Estate	Industrials	Cons. Discr.	Technology	Energy	Comm. Services*	Health Care	Cons. Staples	Utilities	S&P 500 Index	
S&P weight	13.3%	2.4%	2.7%	9.7%	10.3%	21.0%	6.0%	10.0%	15.0%	6.7%	2.8%	100.0%	Weight
Russell Growth weight	4.2%	1.7%	2.0%	12.0%	15.4%	32.6%	0.9%	12.0%	13.8%	5.4%	0.0%	100.0%	
Russell Value weight	22.8%	3.9%	4.6%	8.1%	5.3%	9.8%	10.8%	6.8%	15.2%	7.2%	5.6%	100.0%	
QTD	4.4	0.4	0.9	10.0	8.2	8.8	0.6	9.9	14.5	5.7	2.4	7.7	(%)
YTD	0.1	-2.7	1.7	4.8	20.6	20.6	7.5	0.8	16.6	-3.3	2.7	10.6	

Source: JP Morgan Guide to the Markets Q3 2018

The forward Price/Earnings ratio on the S&P 500 Index is 16.8X, just a little above the 16.1X average over the past 25 years. We don't think stocks look expensive, especially when you review the following economic recovery factors chart. This is what we call a "hated bull" market, which we believe could actually add to its long-duration. This recovery is subpar to average recoveries, and the best recovery (not this one) since 1960. We still like Technology, Consumer Discretionary, and Healthcare.

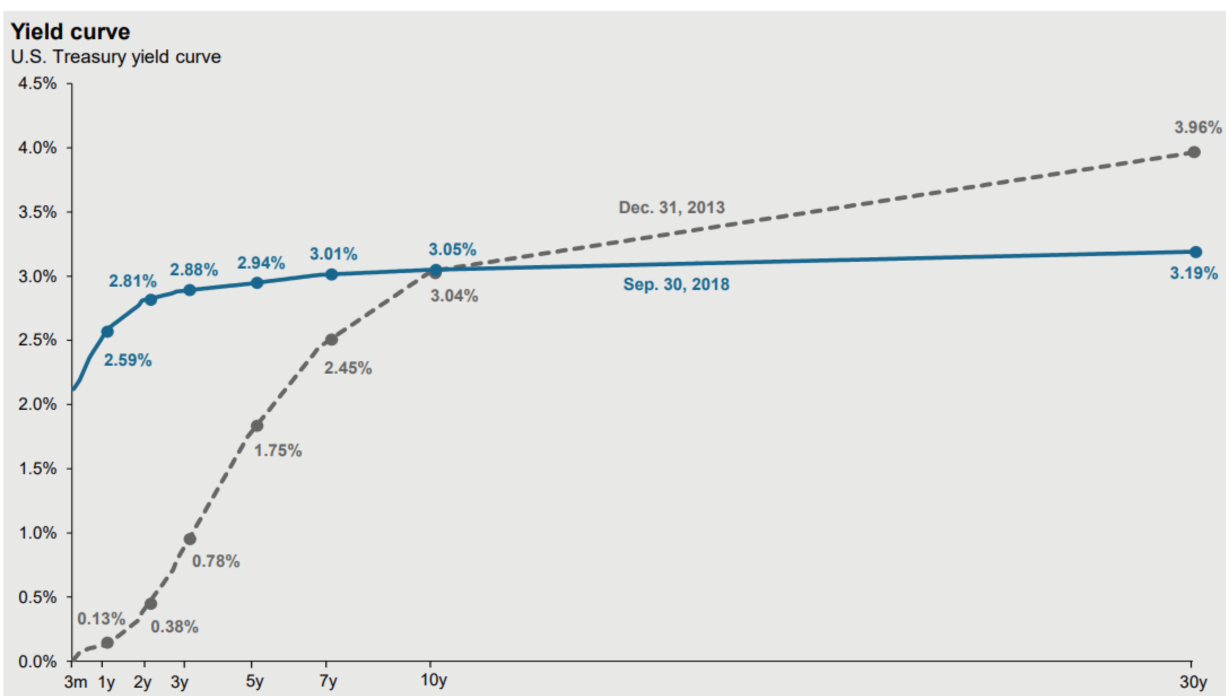
The Current Economic Recovery vs. The Average and Best



Source: Federal Reserve Bank of St. Louis, Armbruster Capital Management, Inc.

Foreign Stock Markets: In U.S. dollar terms, stock returns for markets outside the U.S. are broadly negative for 2018. On the positive side, Developed International Stocks experienced a positive return for Q3. Switzerland, Sweden, & Japan had some of the best Q3 rebounds. Emerging Markets are still suffering the dual threats of increased inflation and trade wars. Mexico & Brazil did bounce higher in Q3. China & India continued to struggle.

U.S. Bond Market: As the Fed increased interest rates for the third time this year, bonds delivered further negative returns. The concerns of an inverted yield curve suddenly diminished as the spread between the 10- and 2-year treasury yields widened after quarter-end. The Fed indicated the potential for one more interest rate increases this year and three more next year. It should also be noted that several Fed Governors believe the US still has many years ahead of robust growth.



Commodities & Real Estate: Commodity returns turned negative during Q3, dropping 2%. Precious metals are down. Crude oil maintained its YTD strength. REITS were flat for Q3 after a nice recovery in Q2. We are positive on gold and also on domestic commercial real estate.

Our Forecast for the Rest of 2018:

US stock market diversification helped portfolios in Q3 2018, as noted on the first chart of this newsletter. However, it has been hard to make money outside of U.S. stocks so far this year. We now expect a widening out of stock gains as International Markets improve. We believe the US and the International Stock Markets offer favorable returns on both an absolute and relative based on solid economic growth. We believe these markets are in the early stages of a bull market. Political pressures may be hindering International (and especially Emerging) Markets; near-term.

We still expect U.S. stock prices to be up by 10+% at Year-End. This will be led by Small Cap U.S. stocks, which have less exposure to a trade war (they import less, and they export less). The Federal Reserve (FOMC) will likely raise overnight lending rates again in December 2018. The economy will handle that in stride. The midterm elections will bring less change than predicted by the media. Stocks probably experience another move higher after the elections.

Asset Allocation Around the World:

We found the following chart interesting. It shows the asset allocation tendencies of companies based in four broad geographic regions – Europe, North America, Asia-Pacific and Emerging Markets (by the top 5 biggest portfolio holdings categories). As you can see, the maturity of and level of organizational quality of a region's stock markets increases investor comfort with owning public equities (stocks) versus other types of investments in those regions.

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Robert F. Jung
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Scott H. Dooley
2012 • 2013 • 2014 • 2016 • 2017 • 2018

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*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/CINWM18

Sources: JP Morgan, CNBC, The Vanguard Group, Charles Schwab & Co., The Wall Street Journal, Seekingalpha.com

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 mid cap 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.