

MARKET & ECONOMIC REVIEW

For Period Ending 3/31/2019

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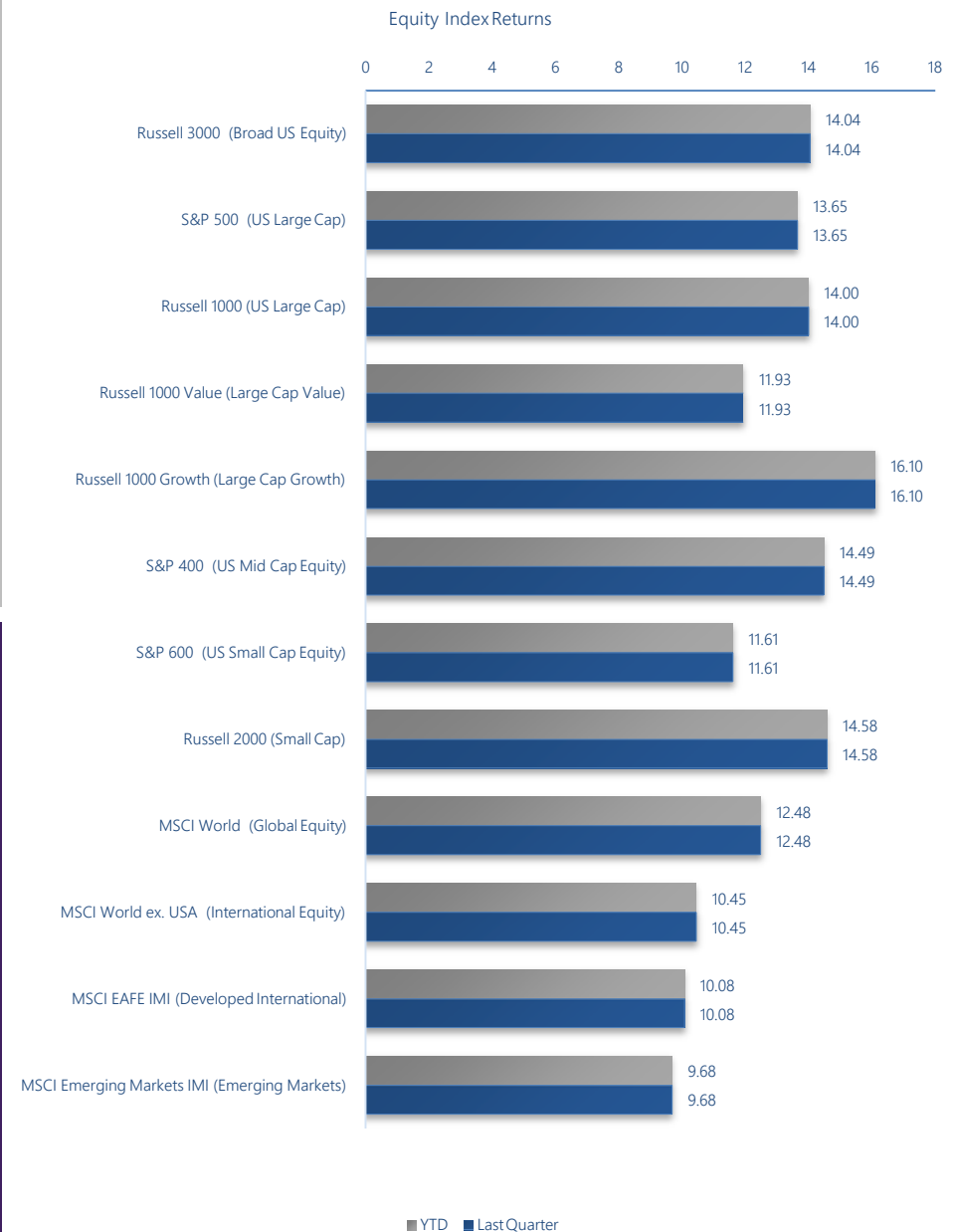
ProCourse
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Domestic Equity

- S&P 500 posted a 13.7% gain for the quarter – the best Q1 return in over 20 years (Q1 1998) and the best quarterly return since Q3 2009.
- Small Cap (Russell 2000) outperformed Large Cap (Russell 1000).
- Growth (Russell 1000 Growth) outperformed Value (Russell 1000 Value).
- Technology and Industrials were the best performing sectors while Healthcare and Financial services lagged.
- The Federal Reserve taking a more dovish stance towards monetary policy as well as speculation around a positive resolution to the U.S./China trade dispute helped to fuel equity gains during the quarter.
- Some of the rebound has also been attributed to an “oversold” fourth quarter in 2018 and increased investor optimism as the federal government shutdown was finally resolved in January.

International Equity

- MSCI World ex. US posted a 10.5% gain for the quarter.
- Domestic equities outperformed international equities.
- Developed market equities outperformed emerging market equities.
- European equities rose along with the global rally even as concerns around slowing economic growth grew throughout the quarter. Equities were supported when the European Central Bank announced they would restart the bank’s stimulus program to spur growth.
- Japanese equities rose as well even as the Japanese economy appeared to show signs that it may be contracting.
- Emerging market equities rose on signs of the U.S.-China trade negotiations began to show signs of progress and as the Federal Reserve signaled a slower pace of interest rate hikes in 2019.

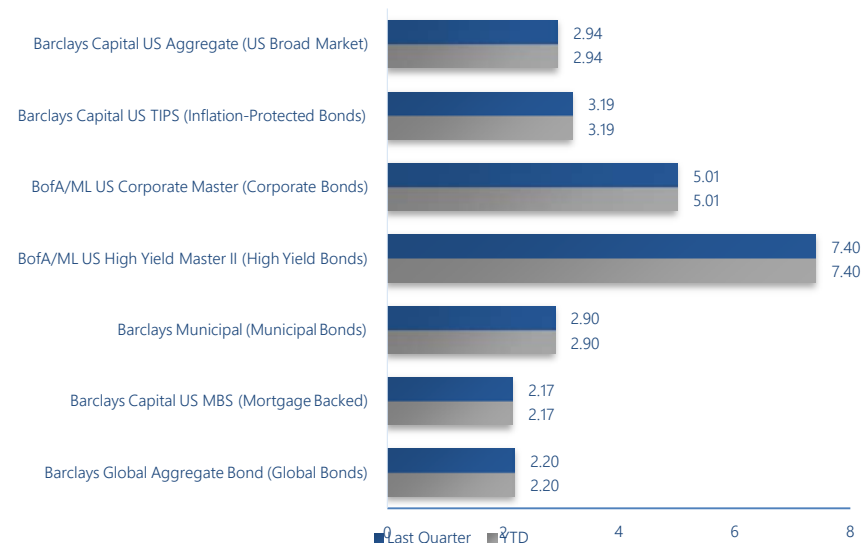


Source: Index Factsheets as of 3/31/2019 from the following index providers: MSCI Indices (www.msci.com), S&P Dow Jones Indices (www.us.spindices.com), FTSE Russell Indices (www.ftse.com).

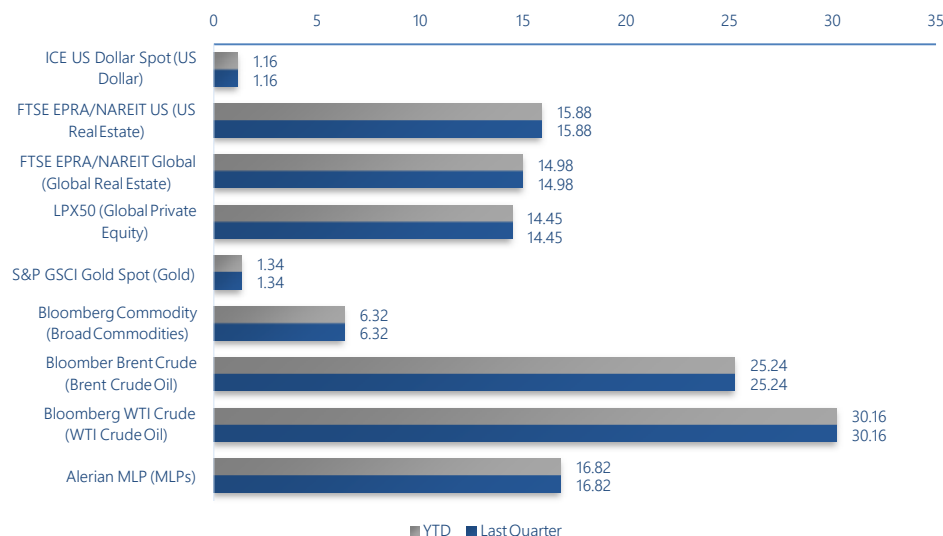
Fixed Income

- The yield on the 10-Year Treasury ended the quarter at 2.41%
- Yields fell across the U.S. Treasury yield curve over the quarter.
- In March, the 10 year Treasury yield dipped below the 3 month Treasury yield, the first time that has happened since 2007.
- The Federal Reserve kept the fed funds rate at 2.5% at its January and March meetings and said it expected no further increases for the rest of 2019.
- Investment grade corporate and high yield bonds rallied during the quarter, gaining 5.0% and 7.4% respectively.
- Interest rates generally decreased in global fixed income markets with longer-term bonds outperforming shorter-term bonds.
- In Europe, government bond prices rose sharply following the announcement that the ECB would restart its stimulus program.

Fixed Income Index Returns
















Alternative Investment Index Returns



Alternative Investments

- Commodities posted a 6.3% gain during the quarter. The top performers were WTI Crude Oil (29.4%), Unleaded Gas (25.92%), and Brent Crude Oil (24.5%). The worst performing commodities were Kansas Weath (-13.1%), Coffee (-10.0%), and Chicago Wheat (-9.5%).
- The US Dollar gained 1% during the quarter, appreciating against the Euro and Japanese yen but depreciating against the Chinese yuan.
- Brent Crude and West Texas Intermediate (WTI) Crude Oil rebounded sharply by 26% and 29% respectively.
- US REITs outperformed Global REITs posting a 15.9% gain for the quarter compared to a 15.0% gain for the quarter globally.
- Global Private Equity and MLPs posted gains this quarter of 14.5% and 16.8% respectively.

Source: Index Factsheets as of 3/31/2019 from the following index providers: Bloomberg Barclays Indices (www.bloomberg.com), BofA Merrill Lynch (www.bofaml.com), Intercontinental Exchange (www.theice.com), LPX Group (www.lpx-group.com), Credit Suisse (lab.credit-suisse.com), FTSE Russell Indices (www.ftse.com). All other data was sourced from Morningstar.

| Macroeconomic Variable | Latest Data | Previous Quarter | Change |
|---|------------------------------|---------------------------------|--|
| Real U.S. GDP (% Q/Q Annualized) | 2.2% (Q4 2019) | 3.4% (Q3 2018) |  0.8% |
| Headline Inflation (% Y/Y) | 1.9% (March 2019) | 1.9% (December 2018) |  0.0% |
| Core Inflation (% Y/Y) | 2.1% (March 2019) | 2.2% (December 2018) |  0.1% |
| Unemployment (%) | 3.8% (March 2019) | 3.9% (December 2018) |  0.1% |
| Hours Worked (Average/Week) | 34.5 (March 2019) | 34.5 (December 2018) |  00.0 |
| Average Hourly Wages (\$) | \$27.70 (March 2019) | \$27.48 (December 2018) |  \$0.22 |
| Average Price of Gas (\$/Gallon - Regular) | \$2.516 (March 2019) | \$2.366 (December 2018) |  \$0.15 |
| Dollar/Euro (\$/€) | 1.1228 (March 2019) | 1.1456 (December 2018) |  0.0228 |
| Yen/Dollar (¥/\$) | 110.68 (March 2019) | 109.70 (December 2018) |  0.98 |
| Yuan/Dollar (¥/\$) | 6.7112 (March 2019) | 6.8755 (December 2018) |  0.1643 |
| Fed Funds Rate (% Range) | 2.25 – 2.50% (March 2019) | 2.25 – 2.50% (December 2018) |  0.00% |
| S&P 500 (Price Level) | 2,834.40 (March 2019) | 2,506.85 (December 2018) |  327.55 |
| Ten Year Treasury Yield (%) | 2.41% (March 2019) | 2.69% (December 2018) |  0.28% |

Macroeconomic Review

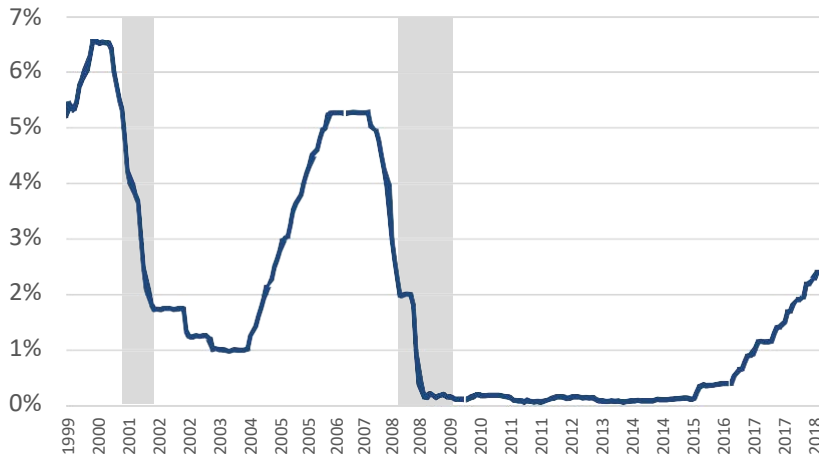
- GDP increased at an annualized rate of 2.2% in Q4 with Real GDP increasing by 2.9% for the 2018 calendar year. Residential fixed investments, state & local government spending, and net imports partly offset the positive contributions of personal consumption, private inventory investment and federal government spending.
- Headline inflation remained flat while core inflation fell slightly, from 2.2% to 2.1%, over the quarter.
- The unemployment rate fell 0.1%, to 3.8%, over the quarter while the labor force participation rate has remained relatively flat. Notable job gains were seen in healthcare and in professional and technical services.
- Average hourly earnings rose 3.2% over the last 12 months, ending March at \$27.70 per hour.

Political Review

- In U.S.-China trade negotiations, reports of progress were typically followed by reports of deterioration – dragging market sentiment along with it.
- The U.S. government re-opened after the longest partial government shutdown in U.S. history.
- In Brexit negotiations, the UK parliament was repeatedly unsuccessful at passing an agreement to orderly withdraw from the European Union. The United Kingdom has not been granted an extension through October 31st to pass an exit strategy or hold another referendum.
- French President Emmanuel Macron faced continuing protests against his governments plans to reform tax policy in the country.
- After speculation that Chinas economy was slowing down faster than expect, the Chinese government announced a new stimulus program to try and bolster growth.

Source: Bureau of Economic Analysis (www.bea.gov), Bureau of Labor Statistics (www.bls.gov), U.S. Energy Information Administration (www.eia.gov), FRED Economic Data (fred.stlouisfed.gov). Arrows depict the upwards, lateral, or downward change in direction for a given macroeconomic variable. The color of the arrow denotes the positive, neutral, or negative signal Pensionmark perceives for the change in macroeconomic variable. It is educational in nature and not designed to be taken as advice or a recommendation for any specific investment product, strategy, plan feature or other purpose in any jurisdiction. This data does not contain sufficient information for any investment decision and should not be relied upon when considering an investment strategy.

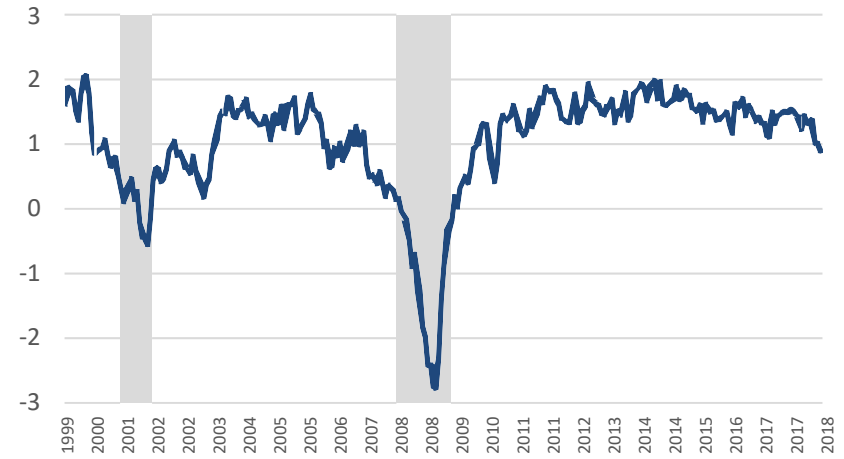
Effective Federal Funds Rate



Federal Reserve Interest Rate Hikes

With so much of the market activity reacting to decisions from the Federal Reserve on whether or not to raise interest rates, we will watch upcoming Federal Reserve meetings closely to see if they shift policy again, and what that may mean for markets.

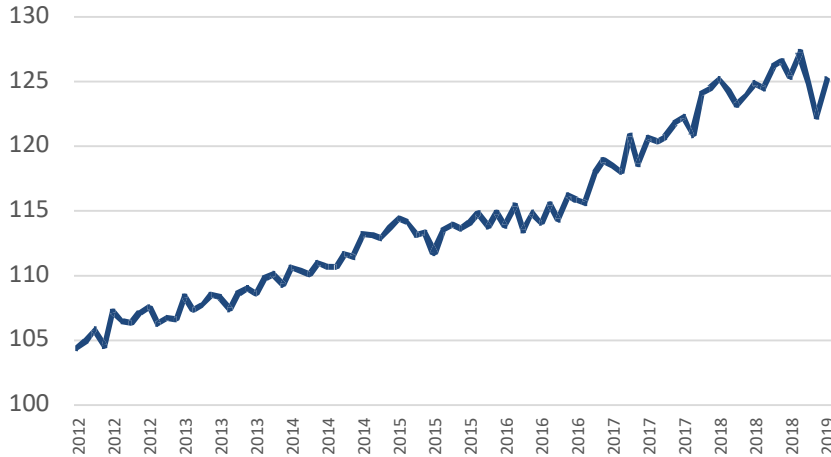
Leading Index for the United States



Composite Leading Indicators

This Leading Index from the Federal Reserve is designed to provide early signals of an economic downturn. Given the level and direction of the index, a downturn appears unlikely in the near-term, but this will be closely monitored throughout 2019.

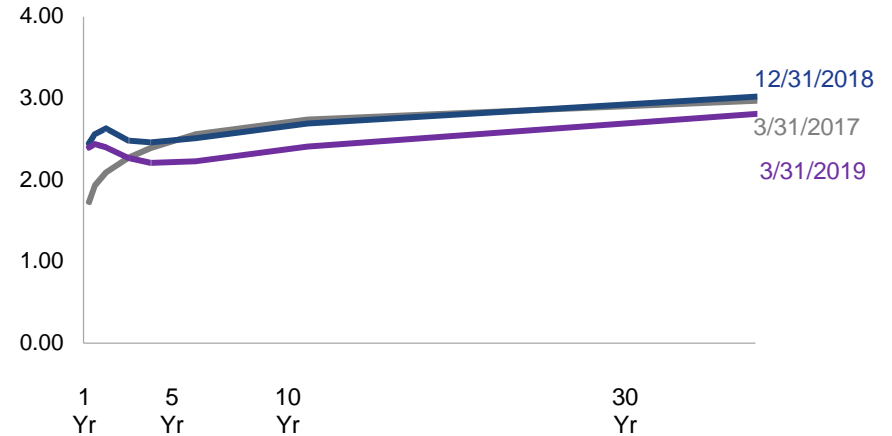
World Trade Volume



Global Trade Tensions

Global trade tensions caused primarily by the U.S.-China trade dispute has led to a sharp decline in trade volume over the last several months. Though it has rebounded lately, if trade volume continues to lag, it could have implications on global growth.

US Treasury Yield Curve (%)



Treasury Yield Curve

The yield curve inverted on March 22nd, raising concerns with investors that a recession is imminent in the next 18 months. Many economists believe that the market forces at work are different from those in the past, reducing the predictability of an inversion.

Source: Federal Reserve of St. Louis (www.fred.stlouisfed.org), CPB Netherlands Bureau for Economic Policy Analysis (www.cpb.nl), U.S. Treasury (www.treasury.gov). This data does not contain sufficient information for any investment decision and should not be relied upon when considering an investment strategy.

THE IMPORTANCE OF DIVERSIFICATION

| | | | | | | | | | | |
|-------------------------|--------------------------|--------------------------|--------------------------|--------------------------|-------------------------|--------------------------|-------------------------|--------------------------|--------------------------|-------------------------|
| Best ↑ ↓ Worst | REIT 27.6 | Fixed Income 7.8 | REIT 19.7 | Small Cap 38.8 | REIT 27.2 | REIT 2.1 | Small Cap 21.3 | EM Equity 37.8 | Cash 1.8 | REIT 16.7 |
| | Small Cap 26.9 | REIT 7.3 | High Yield 19.6 | Large Cap 32.4 | Large Cap 13.7 | Large Cap 1.4 | High Yield 14.3 | DM Equity 25.6 | Fixed Income 0.0 | Small Cap 14.6 |
| | EM Equity 19.2 | High Yield 3.1 | EM Equity 18.6 | DM Equity 23.3 | Fixed Income 6.0 | Fixed Income 0.5 | Large Cap 12.0 | Large Cap 21.8 | REIT -3.9 | Large Cap 13.6 |
| | Commodities 16.8 | Large Cap 2.1 | DM Equity 17.9 | Asset Allocation 13.9 | Asset Allocation 5.0 | Cash 0.0 | Commodities 11.8 | Small Cap 14.6 | High Yield -4.1 | DM Equity 10.1 |
| | Large Cap 15.1 | Cash 0.1 | Small Cap 16.3 | High Yield 7.3 | Small Cap 4.9 | DM Equity -0.4 | EM Equity 11.6 | Asset Allocation 14.3 | Large Cap -4.4 | EM Equity 10.0 |
| | High Yield 14.8 | Asset Allocation -0.6 | Large Cap 16.0 | REIT 2.3 | Cash 0.0 | Asset Allocation -1.9 | REIT 9.4 | High Yield 10.4 | Asset Allocation -5.6 | Asset Allocation 9.1 |
| | Asset Allocation 13.7 | Small Cap -4.2 | Asset Allocation 12.3 | Cash 0.0 | High Yield 0.0 | High Yield -2.7 | Asset Allocation 8.6 | REIT 9.3 | Small Cap -11.0 | High Yield 6.3 |
| | DM Equity 8.2 | DM Equity -11.7 | Fixed Income 4.2 | Fixed Income -2.0 | EM Equity -1.8 | Small Cap -4.4 | Fixed Income 2.6 | Fixed Income 3.5 | Commodities -11.2 | Commodities 6.3 |
| | Fixed Income 6.5 | Commodities -13.3 | Cash 0.1 | EM Equity -2.3 | DM Equity -4.5 | EM Equity -14.6 | DM Equity 1.5 | Commodities 1.7 | DM Equity -13.4 | Fixed Income 2.9 |
| | Cash 0.1 | EM Equity -18.2 | Commodities -1.1 | Commodities -9.5 | Commodities -17.0 | Commodities -24.7 | Cash 0.3 | Cash 0.8 | EM Equity -14.2 | Cash 0.6 |
| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | Q1 2019 |

Large Cap: S&P 500; Small Cap: Russell 2000; EM: MSCI EM; Commodities: Bloomberg Commodity; High Yield: Barclays Global High Yield; Fixed Income: Barclays US Agg Bond; DM: MSCI EAFE; Cash: Barclays US Treasury Bill 1-3 Month; REIT: FTSE NAREIT; "Asset Allocation" portfolio assumes 25% S&P 500, 10% Russell 2000, 15% MSCI EAFE, 5% MSCI EM, 25% Barclays US Agg Bond, 5% Barclays Global High Yield, 5% US Treasury Bill 1-3 Month, 5% Bloomberg Commodity, and 5% FTSE NAREIT.

Source: Morningstar Direct. Please see the Important Disclosures section of this report for Index Definitions. This information is not intended as a solicitation or an offer to buy or sell any security or investment product. Past performance is not indicative of future returns. Information is solely intended for recipients in jurisdictions where the named advisor(s) are licensed to engage the investing public. Investments and strategies mentioned may not be suitable for all investors. The S&P 500 and other such indices are unmanaged, do not incur fees or expense, cannot be invested into directly and individual investor's results will vary. As with all investments, various risks may exist and Pensionmark Financial Group, LLC recommends you consult with your financial advisor prior to making any investment decisions.

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