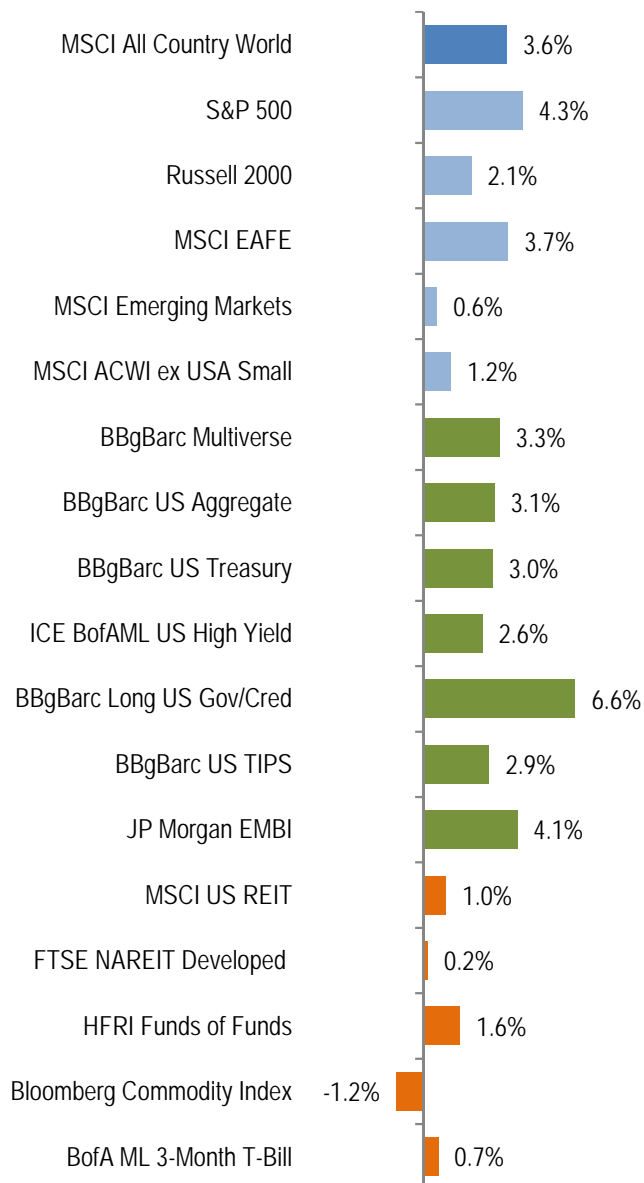


Second Quarter 2019



Second Quarter 2019: The Roaring Nineteens

U.S. stocks are off to their best start to a year since 1997, as the S&P 500 rose 4.3% in the second quarter and 18.5% in the first half of 2019. The rally followed a disappointing fourth quarter of 2018, in which investors fretted about trade wars, slowing global growth, and the future path of Federal Reserve policy. Each of those themes had their part to play in the second quarter.

Better-than-expected employment and GDP numbers in April helped buoy equity markets before they swooned on escalated Chinese trade war fears and a surprising threat of additional tariffs on imported Mexican goods from President Trump. By late June, however, the S&P 500 had risen again, as trade war fears dissipated and Federal Reserve Chairman Powell weighed whether an interest-rate cut will be needed in the coming months.

The dovish shift in messaging from the Federal Reserve has done little to appease President Trump, who has repeatedly called for rate cuts over the past several months. Chairman Powell has reiterated the importance of central bank independence, but his hand may be forced, particularly if trade war uncertainty begins to drag down global growth. The bond market is certainly anticipating that the next interest rate move will be down, not up. The 10-year Treasury's yield has hovered around 2.0%, below the current Federal Funds rate range, and futures markets are betting on the likelihood of three to four rate cuts over the next two years. Bond market returns were positive with the downward move in yields, and longer-dated assets outperformed.

	QTD	YTD	1 Year	3 Years	5 Years	15 Years
S&P 500	4.3%	18.5%	10.4%	14.2%	10.7%	8.8%
S&P 500 Value	4.0%	16.7%	8.7%	10.6%	7.9%	7.5%
S&P 500 Growth	4.6%	20.2%	12.0%	17.3%	13.1%	9.8%
Russell 2000	2.1%	17.0%	(3.3%)	12.3%	7.1%	8.2%
Russell 2000 Value	1.4%	13.5%	(6.2%)	9.8%	5.4%	7.3%
Russell 2000 Growth	2.7%	20.4%	(0.5%)	14.7%	8.6%	8.9%
MSCI EAFE (USD)	3.7%	14.0%	1.1%	9.1%	2.2%	5.3%
MSCI EAFE (Local)	2.8%	13.7%	2.2%	9.8%	5.9%	5.7%
MSCI Emerging Markets (USD)	0.6%	10.6%	1.2%	10.7%	2.5%	8.7%
MSCI Emerging Markets (Local)	0.2%	10.1%	1.8%	11.1%	6.1%	9.8%
BBgBarc US Aggregate	3.1%	6.1%	7.9%	2.3%	2.9%	4.3%
FTSE NAREIT Developed	0.2%	15.1%	8.6%	5.4%	5.8%	8.0%
HFRI Fund of Funds	1.6%	6.3%	1.3%	4.3%	2.2%	3.0%
BofA ML 3-Month T-Bill	0.7%	1.3%	2.4%	1.4%	0.9%	1.4%

Sources: Sellwood Consulting LLC, Morningstar Direct, Investment Metrics, Federal Reserve Economic Data
Returns for periods longer than 1 year are annualized.

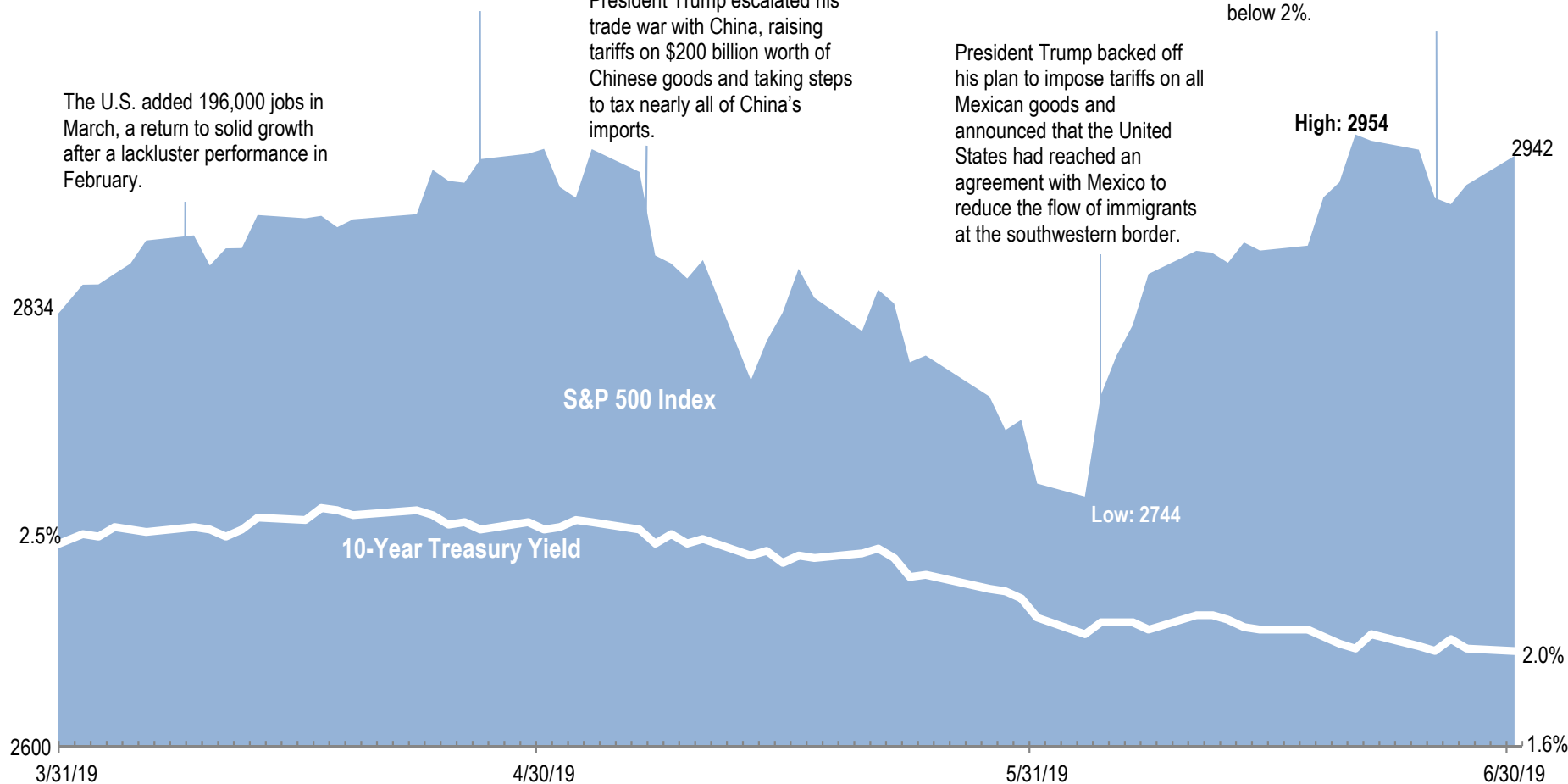
The Commerce Department announced U.S. GDP rose at a 3.2% annual rate in the first three months of the year. That is faster than most economists expected, and far better than the outlook from early this year, when many forecasts projected a figure closer to 1.0%.

The Federal Reserve decided to hold interest rates steady at its June meeting, citing that uncertainties about the outlook of the economy have increased. Reactions to the news helped push the 10-year Treasury yield below 2%.

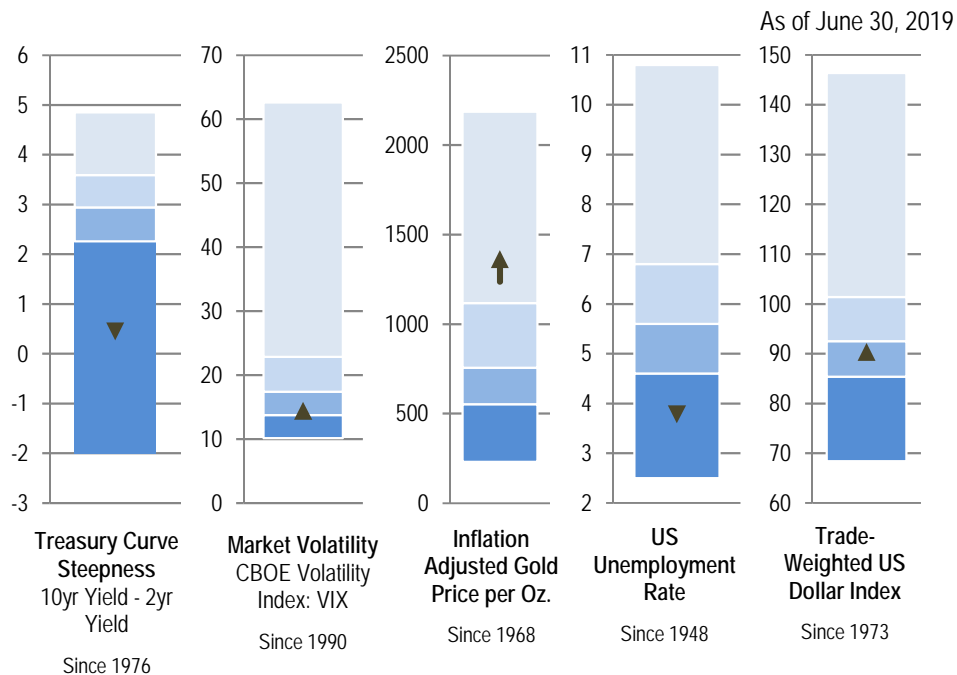
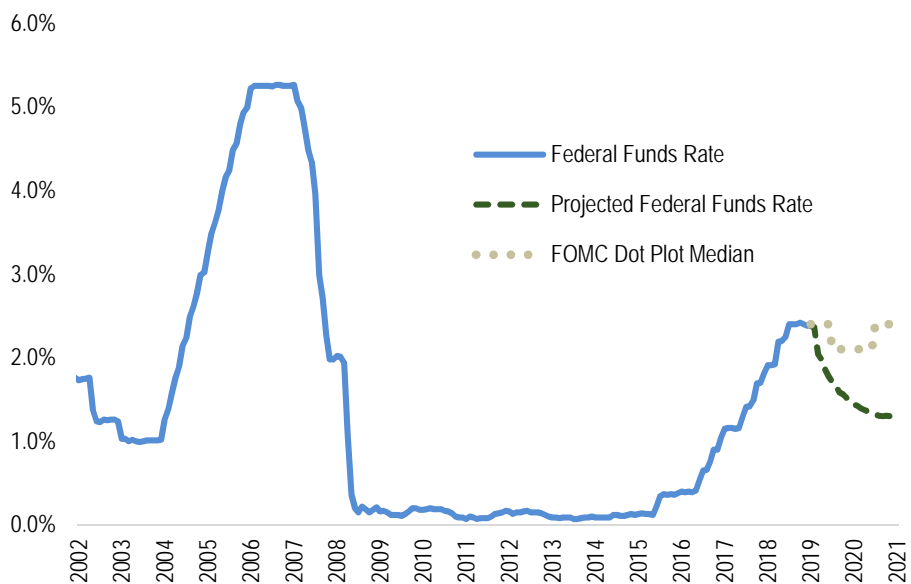
President Trump escalated his trade war with China, raising tariffs on \$200 billion worth of Chinese goods and taking steps to tax nearly all of China's imports.

President Trump backed off his plan to impose tariffs on all Mexican goods and announced that the United States had reached an agreement with Mexico to reduce the flow of immigrants at the southwestern border.

The U.S. added 196,000 jobs in March, a return to solid growth after a lackluster performance in February.

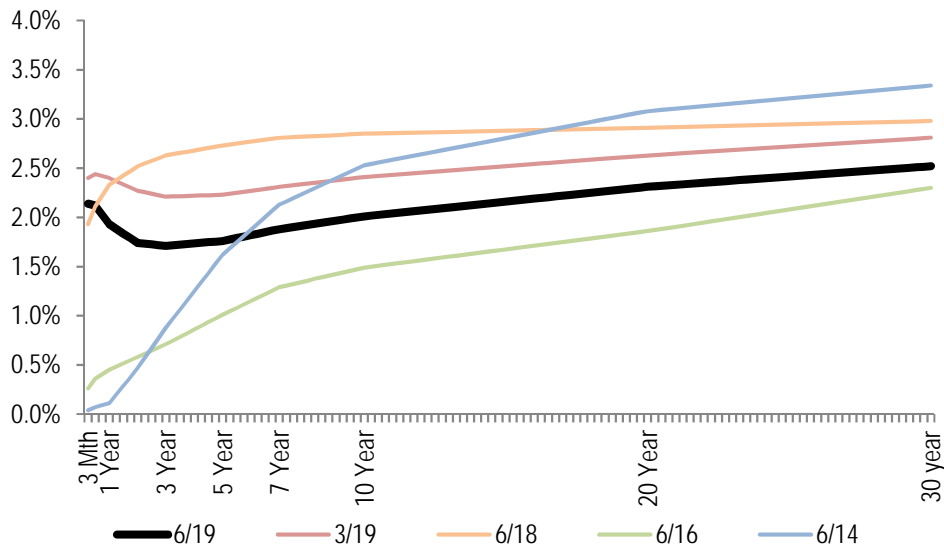


Federal Funds Rate



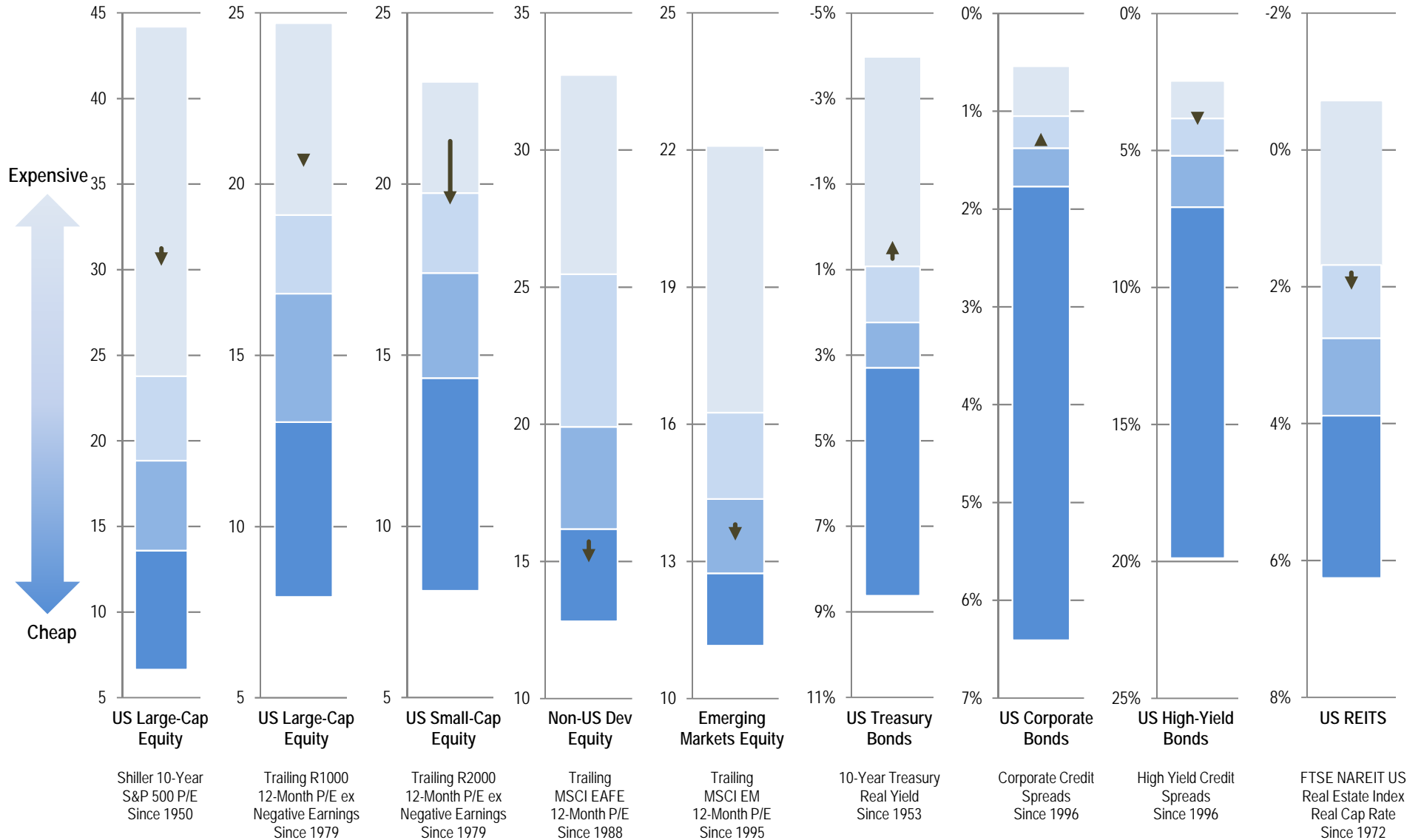
	6/2019	3/2019	6/2018	6/2016	6/2014
Market Inflation Expectations					
5 Year	1.5	1.8	2.1	1.4	2.0
10 Year	1.7	1.9	2.1	1.4	2.3
20 Year	1.8	1.9	2.1	1.3	2.3
CPI Year-over-Year	---	1.9	2.8	1.0	2.1
West Texas Crude Oil	58.5	60.2	74.1	48.3	106.1
Consumer Sentiment Index	98.2	98.4	98.2	95.5	82.5
US Corp Profits (% of GDP)	---	9%	10%	9%	11%
Real GDP Growth YoY	---	3.1	4.2	2.3	5.1
Federal Funds Rate	2.40	2.41	1.82	0.38	0.10

US Treasury Yield Curve



Sources: Sellwood Consulting LLC, Morningstar Direct, Investment Metrics, Federal Reserve Economic Data, CME Group
 Arrows in the top-right charts represent year on year change.

As of June 30, 2019



Arrows represent year on year change. Trailing 12 month P/E and cap rate metrics exclude the top and bottom 5%.

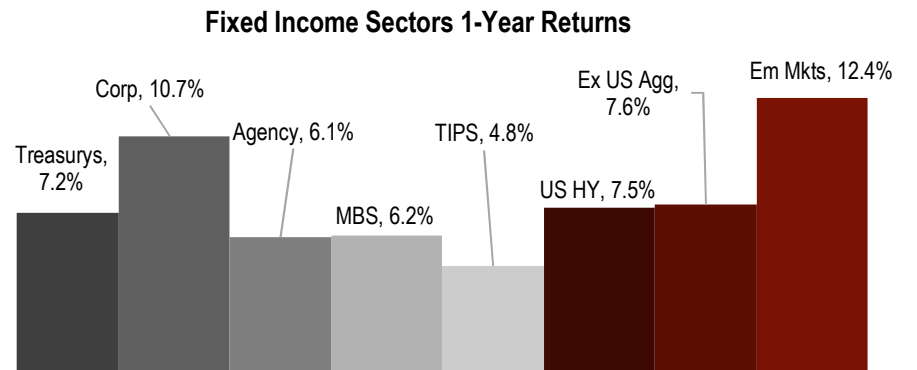
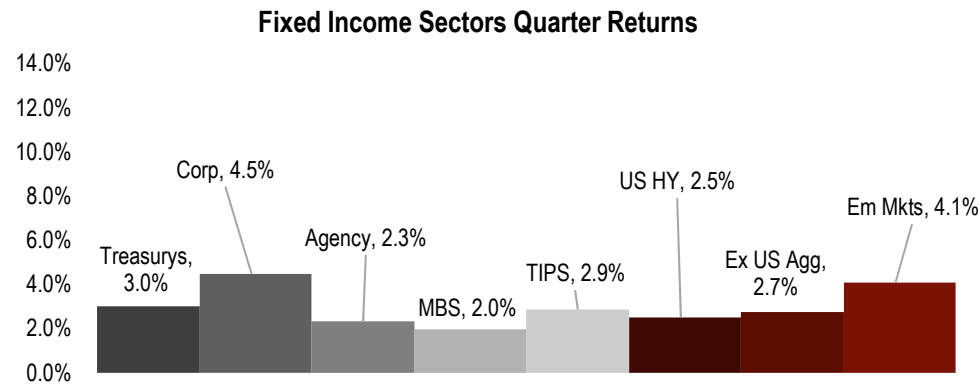
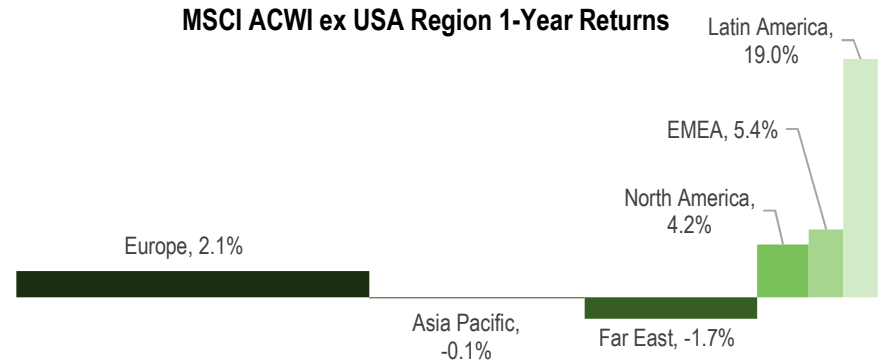
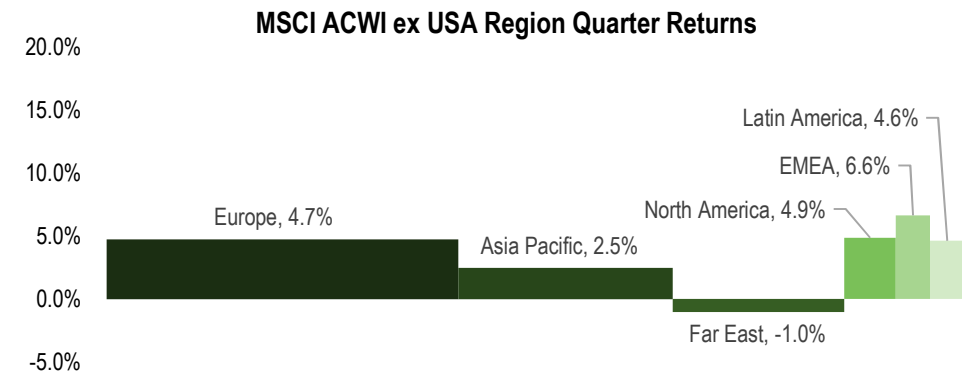
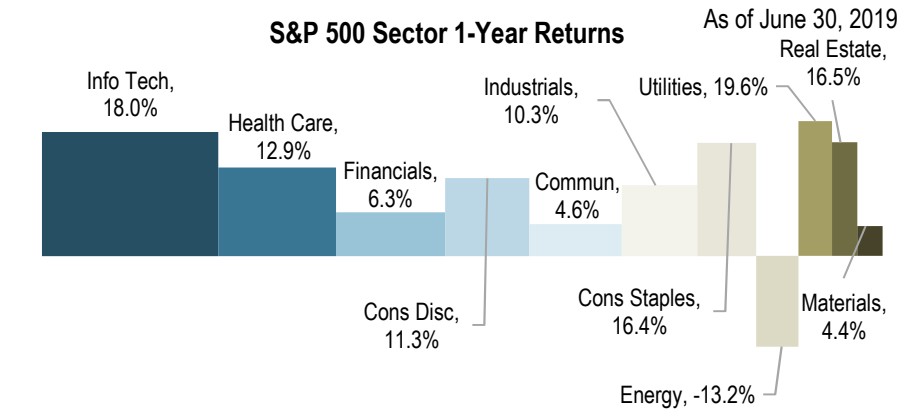
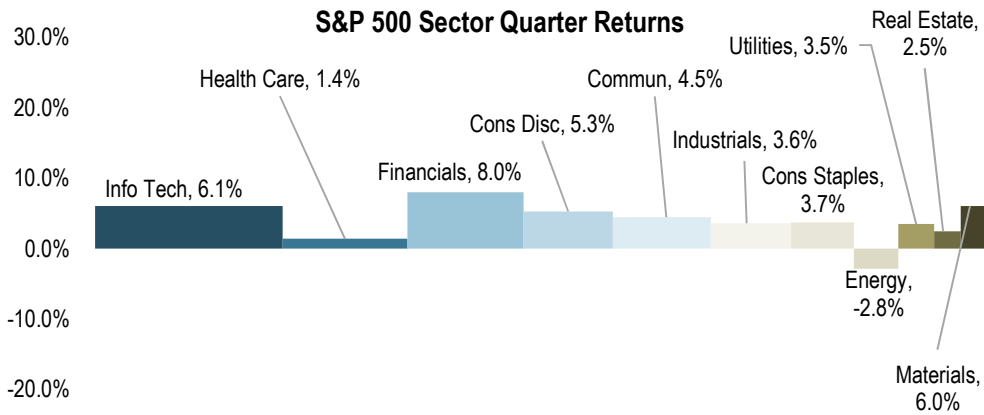
10-Year Treasury real yields are based on the constant maturity TIPS yields calculated by the Federal Reserve. Prior to 2003, real yields are calculated by adjusting the nominal yield with the prior 12-month change in core CPI-U.

Real cap rates are inflation adjusted using the applicable 10-year TIPS breakeven inflation rate. Prior to 2003, real cap rates are calculated by adjusting the cap rate with the prior 12-month change in the core CPI-U.

P/E metrics calculated by Investment Metrics and Morningstar may use different methodology.

Sources: Sellwood Consulting LLC, Robert Shiller Data, FTSE Russell, MCSI, Federal Reserve Economic Data, NAREIT

Sector and Region Returns



The equity bar widths depict end of the quarter region and sector weights. Fixed income bar widths do not depict specific sector weights.
Sources: Sellwood Consulting LLC, Morningstar Direct