



INSIGHT & PERSPECTIVE

2019 Outlook - Pulling on the Reins

December 17, 2018

Our work indicates U.S. and foreign equity markets could show flat to mid-single digit upside in 2019. Although risk may be biased to the downside as global growth fades.

We believe it is the directional change (i.e. some deterioration) in many fundamental conditions that will effect asset prices in 2019. U.S. and non-U.S. economic growth is expected to ease, but remain positive.

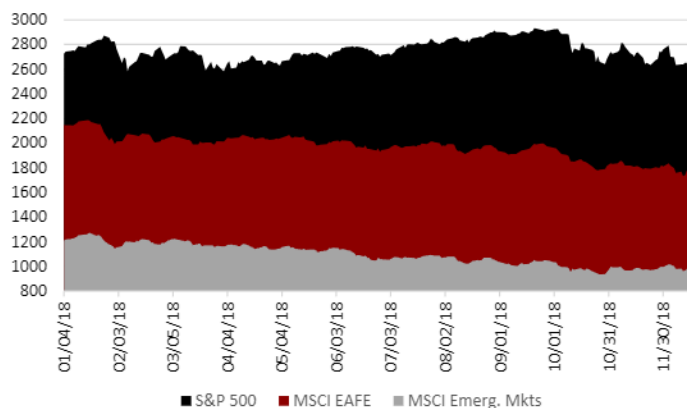
Directional Change

Record low market volatility in 2017 gave way to a comparatively unsettled environment in 2018; leaving many to question sustainable economic strength and the direction of risky asset prices. Time-honored indicators such as narrowing Treasury yield spreads, and other economic metrics seemingly point to a business cycle that may have already reached top speed and is now beginning to slow again. The Federal Reserve hurriedly pulled some chips off the table and now has apparently signaled a pause to check that players still remain in their seats. Indeed, siphoning off historically-accommodative policy was likely to be a tough pill for this market to swallow; despite the shot of tax policy adrenalin. So now, investors are left asking how long the cyclical advance can continue and have asset prices already reached their peak?

In our view, investors base decisions on the directional change in price, policy, and fundamentals more than the level of each variable. Thus the tightening monetary policy, the slowing economic environment, and the likely downshift in earnings growth to come have been material in the way market participants think about forward returns. Recent market activity, we believe, may be a prelude to what may set up as a relatively lackluster investment backdrop in 2019. We recommended investors pull back on risk-taking in 2018, and we reiterate that point with even more conviction now.

Figure 1: Broad Global Equity Indices - Daily Prices

Source: Bloomberg



Base-Case Global Projections for 2019

- ◆ Global economic growth decelerates in 2019; back toward its long-run trajectory as the U.S. tax impact fades. China growth continues to moderate. U.S. corporate earnings forecasts to undergo material revision and EPS growth may be flat in 2019.
- ◆ U.S. political risk runs extra hot in 2019 as the U.S. House becomes a full-time antagonist. Concerns of U.S. political instability weigh heavily on market sentiment. China trade issues get worse before they get better as U.S. ramps up pressure for change.
- ◆ Populist and nationalist political winds persist as global citizens increase their skepticism of the current political class. Confidence in politicians' ability to manage the global economy and related policy continues to wane. The wave of outsiders upsetting the political elite and vying for seats endures.
- ◆ In 2019, broad U.S. equity benchmarks barely finish in the black, as do developed international markets. Emerging markets, relieved by less policy tightening and only modest dollar strength, manage mid-single-digit gains despite persistent China risks.
- ◆ Prevailing inflation worry morphs into some deflation concern as economies slow. Demand for Treasuries remains strong despite supply overhang. The Bloomberg Barclays U.S. Aggregate Bond Index finishes 2019 with a positive total return.
- ◆ The Federal Reserve raises Fed funds 50bps in 2019 and continues to reduce the size of its balance sheet. The European Central Bank fails to raise rates in 2019 as economic and political uncertainty rises. Pulling back on central bank liquidity proves unsettling, but still-easy policy backstops markets and keeps the risk of material equity deterioration contained.
- ◆ U.S. investment grade and high-yield corporate spreads widen as slowing growth begins to shine some light on U.S. debt levels. Bond buyers and lenders grow more wary of speculative exposure.
- ◆ Broad commodity indices close modestly higher in 2019, although they remain near multi-decade lows; leaving risky asset buyers with some place to go. Energy and metals prices, having already fallen materially in 2018, hold fast as suppliers slow production and/or further restrict capacity.
- ◆ U.S. growth stocks end their reign of outperformance as the value style comes to the fore. Large-cap also outperforms small-cap as market risk taking ebbs. Demand for dividend stocks returns as capital appreciation disappears and the focus on total returns resurfaces.

See the return tables at the back of this report for financial market performance by asset segment.

Federal Reserve interest rate policy expected to be less onerous in 2019.

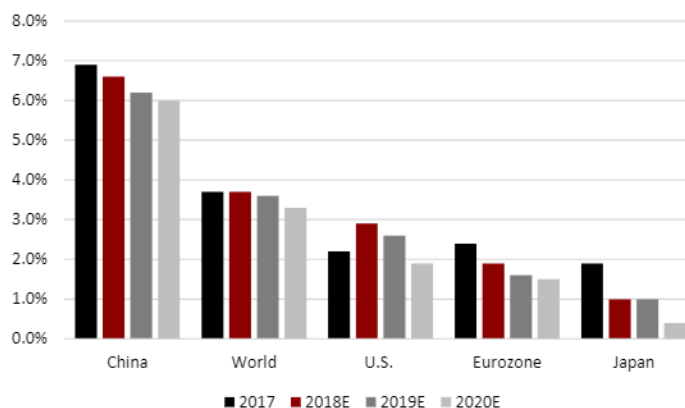
2019 Key Issues

The 2019 investment landscape is marked with multiple issues that may act as headwinds for global equity prices and also keep interest rates low. Clearly the investment environment is becoming more challenging and investors are wisely considering the potential ramifications of a mature economic cycle globally. For 2019, we anticipate a market transition to a more value-centric, low-beta approach as the concept of economic reflation shifts to more deflationary concerns. In this environment, risky asset prices may struggle while economic and earnings growth rates taper and the likelihood of the next recession (however modest) increases.

Slowing Economies. Most economic forecasters indicate that economic growth across major countries will peak in 2018 and decelerate in 2019 and 2020. World GDP, according to Bloomberg consensus forecasts, should be 3.7% in 2018 and 3.6% and 3.3% in the two years to follow. Those same forecasters expect U.S. GDP to reach 2.9% in 2018 and then fall back to 2.6% and 1.9% in 2019 and 2020 respectively. The impact of the U.S. tax cuts should be reduced over this time period just as the rest of the developed world falls back toward its long-run growth rate. China's growth, meanwhile, is also facing a decelerating trajectory as GDP is expected to fall from 6.6% in 2018 to 6.0% in 2020. Trade issues, economic rebalancing, and the reining-in of debt-fueled growth are key issues in China.

Figure 2: Key Country/Region GDP Trajectory by Year

Source: Bloomberg consensus estimates E=estimates



In our view, 2019 earnings forecasts may have to come down materially from the current 10% growth expectation (S&P 500).

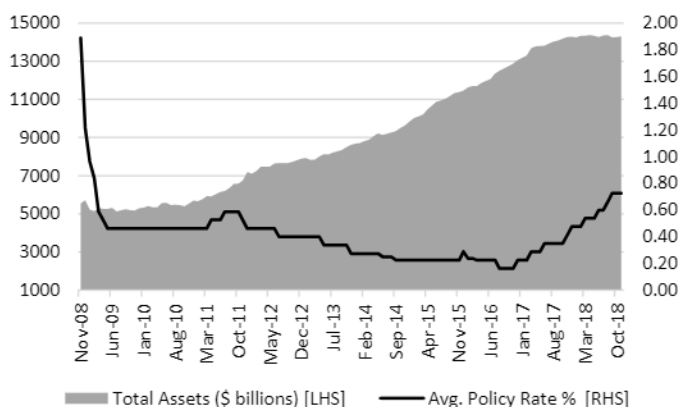
Slowing Earnings Growth. According to S&P Dow Jones data, operating earnings per share for the S&P 500 are expected to close up 27% in 2018, which reflects notable benefits from the upshot in economic strength and revised corporate tax policy. Today, estimates for 2019 call for 10% earnings growth, although we believe analysts have yet to properly adjust estimates to reflect probable conditions. Foremost is the falling oil price impact which we expect will cause Index and Energy sector forecasts to be pushed lower in coming weeks/months. The Energy sector showed the fastest earnings growth in 2018, and we expect that to

be reversed materially in 2019. Overall, S&P 500 Index earnings estimates are also likely to fall in the near and intermediate-term. When all is accounted, we believe U.S. year-over-year earnings may be relatively flat in 2019. Our work indicates earnings growth in the emerging markets could reach mid-to-high single digits in 2019, while developed foreign market earnings should be flat to slightly higher.

Tighter Monetary Policy. While interest rate policy could be close to neutral for major central banks in 2019 (perhaps only the Fed will raise rates) we anticipate policymakers will continue to allow their balance sheets to contract. The net effect should be tighter policy. Meanwhile, U.S. and global economies will be digesting the Federal Reserve's 2018 tightening action throughout the new year. It appears that Fed rate increases may have already had a depressing effect on conditions and those effects could indeed linger in the coming quarters. The offset may be some eventual market relief as the Federal Reserve will likely taper its policy tightening, and the European Central Bank may leave rates unchanged through 2019.

Figure 3: Central Bank Assets and Average Policy Rate

Source: Federal Reserve, European Central Bank (ECB), Bank of England (BoE), Bank of Japan (BoJ)
Assets include: Fed, ECB, BoJ; Avg. Rate includes: Fed, ECB, BoE, BoJ



A divided U.S. Congress and Executive branch has historically been a good thing for equity markets. In our view, 2019 may be different.

Political Risk. U.S. political risk could get hotter in 2019 as the House of Representatives will shift to Democrat leadership. We expect unsettled policy direction and some condemnation of capitalist initiatives previously instituted. The aggregate should be a net negative for capital markets. Political instability is likely to continue in many parts of Europe, with recent turmoil in Italy, France and the United Kingdom persisting. Meanwhile, the U.S./China trade and policy battle should remain center-stage. We believe philosophical differences between the two powers are deep and real fixes are unlikely to come overnight. In our view, investors should prepare for these issues to continue affecting market activity.

Figure 4: U.S. Treasury Yield Spreads (basis points)

Source: Bloomberg

Historically, when short-term vs. long-term Treasury yield spreads fall below zero, recession has consistently followed, with some lag.



Valuation Compression. The recent equity drawdown has brought decidedly rich valuations back to more reasonable levels. Relative to the 10-year rolling trailing price-to-earnings (PE) average, U.S. markets are the most expensive, followed by emerging markets, and finally EAFE markets. Returns-on-equity (a measure of profitability) are more attractive in the U.S., while margins in foreign markets are not as robust. Thus, higher relative PEs in the U.S. are probably justified. With all this in mind, global PEs may have further to fall in 2019, particularly in the U.S., as investors price in the slower growth environment and reduced visibility. In addition to some leveling-off of earnings growth, multiple compression may be another factor that weighs on stocks in the new year.

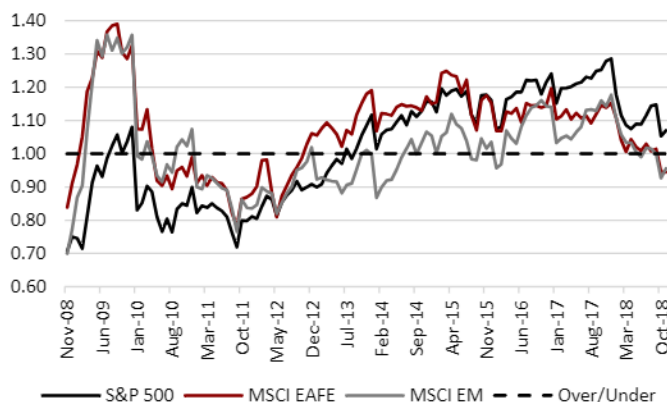
Figure 5: Global Equity Index - Current Trailing PE to Rolling 10yr Avg. PE Ratio

Source: Bloomberg

Data based on month-end readings through Nov. 2018

Global equity valuations have come down recently, although U.S. metrics, in particular, may have further to contract.

In Figure 5, chartlines above 1.0 indicate price-to-earnings (PE) ratios above the 10yr PE average.



Weak projected returns across the board, we believe, leave little room for definitive asset class bets.

Asset Allocation Strategy

We believe 2019 will be a year investors will want to keep their stock/bond mix at or near their long-term, strategic allocation. Given recent market activity, tactical tilts may favor equities to start the year although just marginally. Our work shows only modest differences between expected bond and equity returns for the new year. Simply stated, we anticipate returns in both asset classes to be somewhat lackluster, and on a risk-adjusted basis, returns may favor the fixed-income asset class.

As has been the case through 2018, we believe investors may increasingly find value in the alternative asset class where low-volatility strategies may prove optimal in this environment. Overall portfolio risk should indeed be managed down, which includes lower-beta equity exposure and higher-credit bond exposure. Commodity prices could bounce back modestly in 2019 as supply/demand imbalances are corrected.

Table 1: Asset Class Projected Returns - 2019

2018 returns through 12/14/18; BBG = Bloomberg, Barc = Barclays; ACWI = All Country World Index
Source: Bower Hill Capital Management

	2018	2019		2018	2019
Global Equities			Fixed Income		
MSCI ACWI	-6.46%	4% - 7%	BBG Barc U.S. Agg. Bond Idx	-0.89%	1% - 3%
U.S. Equities			Commodities		
S&P 500 Index	-0.91%	0% - 5%	Bloomberg Commodity Index	-7.82%	3% - 6%

Global Equity View

A late-inning business cycle and the growing risk of a modest recession beginning in 2020 has us guarded in our view of global equities. Absent some trade, debt, political or other shock we do not expect a full-on bear market but perhaps a 2019 environment with several unanswered questions and few upside catalysts. We believe the action by central bankers to rein in the post-crisis monetary regime could be the primary issue for markets as investors question the market's ability to stand on its own. Indeed, market fundamentals are still favorable, but the heightened trajectory of fundamental risks appears to be extinguishing investor confidence. Combine political and trade risk, plus likely waning corporate earnings growth and you get little incentive to extend equity risk profiles.

For 2019, our work points to a target return range for the S&P 500 Index of 0% to 5%. The MSCI EAFE may rebound slightly from a poor 2018 to finish within that range as well. Eurozone and U.K. equities could get a modest bid once Brexit has passed (end of Q1). Meanwhile, we expect emerging markets to post high single-digit gains as the Fed lightens-up on raising interest rates and the dollar's upward trajectory eases a bit. We expect

Latin America to be a point of interest here and friendlier fiscal/monetary policies in China could aid a Shanghai Composite rebound following a dismal 2018. This could translate into a fairly strong market for Asia-Pacific ex Japan equities next year.

Table 2: 2019 Fundamental Global Equity Views

Source: Bower Hill Capital Management

China equity markets may have already priced in considerable bad news (trade, economic weakening). Any improvement in sentiment could be a positive for the Asia-Pacific region in 2019. As such the Asia-Pacific may prove to be the strongest investment region in 2019.

U.S. Equities	Dev. Foreign Mkts	Emerging Mkts	Global Region of Strength
Underweight	Equalweight	Overweight	Asia-Pac ex Japan
			Overweight

Fixed Income View

In our view, fixed-income investors will want to continue to rein-in credit risk in 2019.

On the bond side, our lower-for-longer interest rate view, present in 2018, persists through 2019. Consistent with our expectations, we now are getting more confirmation from U.S. central bankers that the economy is giving the Fed little leeway in raising interest rates substantially. Two more rate hikes may be in the cards for 2019, as the Fed targets a structurally low normalized Fed funds rate. We anticipate low Treasury yields and a flattening yield curve that crimps funding mechanisms and slows the economy. Wide yield spreads between Treasuries and other developed sovereign debt should keep Treasury demand high and offset additional supply from U.S. deficit funding. The 10-year Treasury yield, in our view, may finish 2019 at approximately 3%, nearly unchanged from where we are today. The three-month Treasury bill to 10yr Treasury yield spread could close to near-zero, while the 2yr/10yr Treasury spread is expected to invert. We believe the Bloomberg Barclays Treasury Index return should be positive next year, owing to less aggressive interest rate hikes.

In investment grade corporate credit we see spreads widening that may cause returns to lag Treasuries again in 2019. However, some IG demand could come from managers trading up out of high-yield exposure in search of better credits. We believe trading up in credit should be a constant theme in 2019, as we anticipate high-yield default risk to rise as we move through next year.

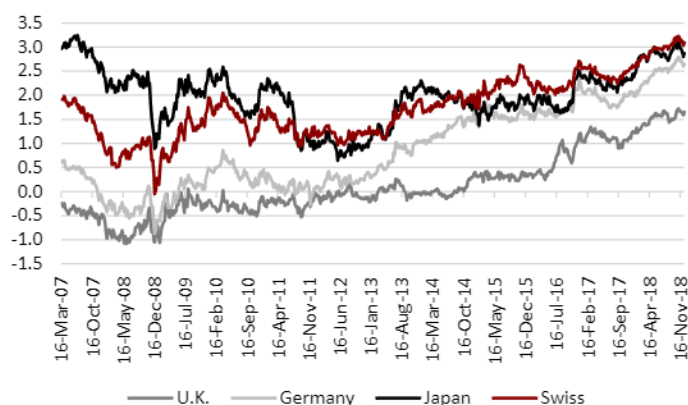
In our view, developed and emerging sovereign debt offer little value and the U.S. bank loan space may trade more like the high-yield market despite the typically better credit hierarchy. We believe core-bonds (Treasuries, mortgages, investment-grade corporates) will be the fixed income investment of choice in the new year. Meanwhile, given the flat yield curve, most overall fixed income value should occur at the short-end where relatively attractive yields may be accumulated in exchange for minimal duration risk. Broadly, we are forecasting the Bloomberg Barclays U.S.

Aggregate Bond Index, the market's core-bond proxy, to finish 2019 with a gain of 1% to 3%.

Figure 6: U.S. Treasury 10yr Yield Differential vs. Other Developed Mkt. Sovereigns (%)

Source: Bloomberg

Attractive Treasury yields versus the rest of the developed world, in our view, should keep Treasury bond demand high and yields low.



Commodity markets priced in significant bad news in 2018; leaving some room for a modest price rebound next year.

Commodity View

Signs of weakness in global economies and lingering trade concerns have weighed on commodity prices since mid-2018; leaving the Bloomberg Commodity Index near multi-decade lows. China demand uncertainty and high inventories in some markets added to a sluggish market. Although, the commodity complex started the year fairly strong, led by oil, the reflation in commodity prices failed to materialize as previous synchronization in global growth faded. The good news is that we believe market corrections that have occurred in 2018 may benefit the commodity complex in 2019, despite a slower global growth pace.

In our view, slower investment spending and capacity take-outs, particularly in industrial metals, are rightsizing previous supply/demand imbalances. We believe the capacity reductions could eventually add some price support and cause a modest rebound in metals markets in 2019.

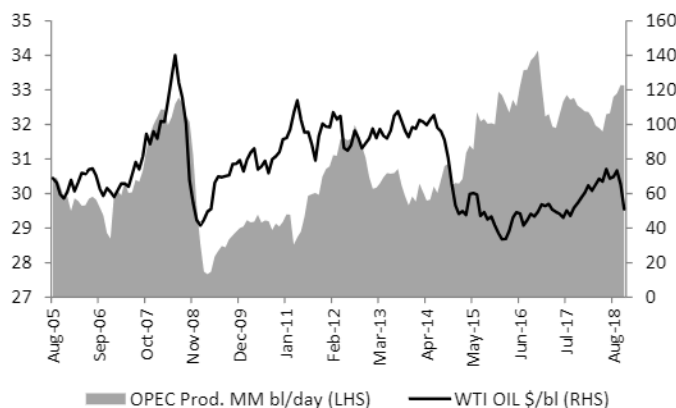
Oil markets may also see some slight price support if OPEC decides to lower production quotas again in early 2019, which would not be a surprise to us. This could help further correct a currently oversupplied market. Still, any potential OPEC action could be offset by U.S. output that remains at historically high levels. After enduring a 15% drawdown this year, we believe West Texas Intermediate crude may find some eventual price support at \$50 per barrel.

Gold demand was weak over 1H 2018, but has since recovered as other asset prices have become more volatile. With the Federal Reserve likely

slowing its interest rate increases in 2019, and with the U.S. dollar perhaps rising only modestly, we believe the environment for gold prices could improve. However, absent an economic shock, we believe gold may have a tough time breaking above long-term resistance at \$1350 per oz. (\$1242 on 12/17/18).

Figure 7: OPEC Crude Oil Production vs. WTI

Source: Bloomberg



Questions?

Please contact us should you need further detail on this analysis and/or our general market view. We will be glad to have a discussion as to how these and other circumstances may effect your asset allocation or portfolio strategy.

Risks

Investors should be aware of the risks associated with all portfolio strategies, and variable market conditions. Monetary policy changes, military activity abroad, the level and change in market interest rates, corporate earnings, domestic and foreign governmental policies, global economic data, and other geopolitical events can have a substantial effect on portfolio performance, our macroeconomic theories, and the effectiveness of strategic and tactical portfolio approaches.

Quarterly Real GDP HEATMAP - Year-over-Year % Growth

Country	Actuals												Estimates				
	Q4 '15	Q1 '16	Q2 '16	Q3 '16	Q4 '16	Q1 '17	Q2 '17	Q3 '17	Q4 '17	Q1 '18	Q2 '18	Q3 '18	Q4 '18	Q1 '19	Q2 '19	Q3 '19	Q4 '19
Australia	2.7	2.7	3.3	2.3	2.7	2.2	2.1	2.8	2.4	3.0	3.1	2.8	3.0	2.7	2.6	2.9	2.9
Austria	1.3	2.3	1.8	1.7	2.6	2.2	2.7	3.0	2.8	3.2	2.8	2.4	2.3	1.8	2.1	2.1	2.0
Belgium	1.6	1.3	1.6	1.5	1.3	1.9	1.5	1.5	1.9	1.5	1.4	1.6	1.4	1.5	1.5	1.3	1.3
Canada	0.3	2.4	-1.8	4.4	2.3	4.1	4.4	1.3	1.7	1.7	2.9	2.0	1.9	1.6	2.3	1.9	1.9
Finland	0.6	2.7	1.7	2.8	2.7	3.2	3.2	2.2	2.6	2.6	2.3	2.4	3.0	2.9	2.7	N/A	N/A
France	1.0	1.3	1.1	0.9	1.2	1.4	2.3	2.7	2.8	2.2	1.6	1.4	1.2	1.4	1.6	1.6	1.6
Germany	1.3	2.4	2.2	2.1	1.9	2.1	2.2	2.7	2.8	2.0	1.9	1.2	1.1	1.3	1.2	1.8	1.7
Hong Kong	1.9	1.1	1.8	2.2	3.4	4.4	3.9	3.6	3.4	4.6	3.5	2.9	2.5	1.8	2.3	2.6	2.6
Ireland	25.3	2.4	3.3	1.4	12.7	2.9	6.2	13.2	6.5	9.0	8.7	4.9	2.8	4.2	2.5	3.3	3.5
Italy	1.3	1.3	1.2	1.2	1.3	1.6	1.7	1.7	1.6	1.4	1.2	0.7	0.6	0.5	0.6	0.9	1.1
Japan	-1.8	2.8	0.1	1.3	0.7	3.3	2.1	2.7	1.5	-1.3	2.8	-2.5	1.9	1.2	1.3	2.1	-3.0
Netherlands	1.4	2.3	2.4	2.1	2.0	3.0	2.9	2.8	2.7	2.8	3.1	2.4	2.5	2.2	2.1	2.0	2.0
New Zealand	4.5	4.3	4.8	4.7	3.8	3.3	2.4	2.5	3.1	2.8	2.8	3.0	2.8	2.9	2.7	2.7	2.6
Norway	0.7	0.9	2.9	-1.0	1.9	4.5	-1.0	2.9	1.6	-0.7	3.4	1.1	2.0	2.2	2.1	2.1	2.1
Portugal	1.6	1.3	1.3	2.3	2.8	3.1	3.1	2.5	2.5	2.2	2.4	2.1	1.8	1.8	1.6	1.7	1.6
Singapore	1.3	2.1	2.0	1.7	3.7	2.5	2.8	5.5	3.6	4.6	4.1	2.2	2.4	2.3	2.5	2.5	2.7
Spain	4.1	3.6	3.3	3.1	2.7	2.9	3.1	2.9	3.1	2.8	2.5	2.5	2.3	2.3	2.3	2.2	2.2
Sweden	4.7	3.5	3.0	1.9	1.4	1.5	2.6	2.5	2.7	3.3	2.7	1.6	1.9	1.8	1.7	2.0	2.0
Switzerland	0.7	1.6	1.9	1.7	1.1	1.0	1.4	1.7	2.6	3.2	3.2	2.2	1.9	1.5	1.1	1.6	1.6
United States	0.4	1.5	2.3	1.9	1.8	1.8	3.0	2.8	2.3	2.2	4.2	3.5	2.6	2.4	2.5	2.3	2.0
United Kingdom	2.2	2.1	1.7	1.7	1.7	1.8	1.9	1.8	1.4	1.1	1.2	1.5	1.4	1.7	1.7	1.5	1.5
Brazil	-5.5	-5.1	-3.2	-2.5	-2.3	0.1	0.6	1.4	2.2	1.2	0.9	1.3	1.7	1.9	2.3	2.6	3.0
Chile	2.2	2.7	0.9	1.2	0.3	-0.4	0.5	2.5	3.3	4.5	5.4	2.8	3.1	2.9	2.9	3.7	3.2
China	6.8	6.7	6.7	6.7	6.8	6.9	6.9	6.8	6.8	6.8	6.7	6.5	6.4	6.3	6.2	6.2	6.2
Colombia	3.0	3.5	2.2	0.9	1.3	1.3	2.2	1.8	1.7	2.6	2.5	2.6	2.8	2.9	3.1	3.4	3.4
Czech Republic	5.1	3.1	3.5	1.6	1.7	3.6	3.6	4.9	4.9	3.4	2.7	2.5	2.8	3.0	3.1	3.0	2.8
Greece	-0.2	-0.8	-1.0	1.2	-0.3	-0.2	1.5	2.4	2.1	2.2	1.5	2.4	1.9	1.6	1.9	1.9	N/A
Hungary	3.6	1.3	3.1	2.5	1.9	4.3	3.5	4.1	4.5	4.5	4.9	4.9	4.1	4.0	3.8	3.4	3.0
India	7.3	9.3	8.1	7.6	6.8	6.1	5.6	6.3	7.0	7.7	8.2	7.1	7.1	7.1	7.2	7.6	7.7
Indonesia	5.2	4.9	5.2	5.0	4.9	5.0	5.0	5.1	5.2	5.1	5.3	5.2	5.2	5.2	5.1	5.1	5.2
Korea	3.2	3.0	3.5	2.7	2.6	2.9	2.8	3.8	2.8	2.8	2.8	2.0	2.9	2.6	2.6	2.5	2.6
Malaysia	4.7	4.1	4.0	4.3	4.5	5.6	5.8	6.2	5.9	5.4	4.5	4.4	4.5	4.4	4.6	4.4	4.4
Mexico	2.7	3.0	3.3	2.1	3.3	3.5	1.9	1.5	1.5	1.2	2.6	2.5	2.2	2.0	2.1	2.0	2.4
Philippines	6.7	6.7	7.0	7.1	6.7	6.5	6.6	7.2	6.5	6.6	6.2	6.1	6.3	6.4	6.5	6.1	6.3
Poland	4.6	3.1	3.4	2.8	2.8	4.6	4.2	5.4	5.0	5.3	5.1	5.1	4.6	4.2	3.9	3.7	3.5
Russia	-2.7	-0.5	-0.4	-0.2	0.4	0.6	2.5	2.2	0.9	1.3	1.9	1.5	1.8	1.5	1.2	1.5	1.8
South Africa	0.5	-0.3	0.6	0.9	1.0	1.0	1.2	1.6	1.4	0.8	0.4	1.1	0.3	1.3	1.7	1.7	1.6
Taiwan	-0.5	-0.1	1.2	2.1	2.8	2.9	2.5	3.4	3.5	3.2	3.3	2.3	2.3	2.3	2.4	2.3	2.3
Thailand	2.9	3.4	3.6	3.1	3.0	3.4	3.9	4.3	4.0	4.8	4.6	3.3	4.0	3.5	3.6	4.0	4.1
Turkey	7.5	4.8	4.9	-0.8	4.2	5.3	5.3	11.5	7.3	7.2	5.3	1.6	-1.1	-1.7	-1.1	1.8	3.3

Source: Bloomberg; Estimates = Bloomberg consensus estimates



INSIGHT & PERSPECTIVE

MULTI-ASSET/SECTOR/STYLE RETURNS		Returns as of December 14, 2018							
Mkt/Sector/Style	Benchmark Index	Q4 - '18 (%)	YTD (%)	2017 (%)	2016 (%)	2015 (%)	2014 (%)	5-Yr. Ann. (%)	260D Vol (%)
U.S. EQUITY (Total Return)									
BROAD MARKET	RUSSELL 3000 INDEX	-11.1	-1.7	21.1	12.7	0.5	12.6	9.0	15.8
LARGE-CAP	S&P 500 INDEX	-10.4	-0.9	21.8	12.0	1.4	13.7	9.6	15.9
MID-CAP	S&P 400 MID-CAP INDEX	-13.9	-7.4	16.2	20.7	-2.2	9.7	7.1	15.1
SMALL-CAP	RUSSELL 2000 INDEX	-16.6	-7.0	14.6	21.3	-4.4	4.9	5.7	17.1
GROWTH	RUSSELL 3000 GROWTH INDEX	-13.4	1.3	29.6	7.4	5.1	12.4	11.1	18.4
VALUE	RUSSELL 3000 VALUE INDEX	-8.7	-4.9	13.2	18.4	-4.1	12.7	6.9	14.0
SECTOR	S&P 500 CONSUMER DISC INDEX	-13.6	4.2	23.0	6.0	10.1	9.7	10.6	18.9
SECTOR	S&P 500 CONSUMER STAPLES INDEX	0.7	-2.7	13.5	5.4	6.6	16.0	7.7	13.9
SECTOR	S&P 500 ENERGY INDEX	-18.1	-11.9	-1.0	27.4	-21.1	-7.8	-3.8	21.1
SECTOR	S&P 500 FINANCIALS INDEX	-12.1	-12.0	22.1	22.7	-1.6	15.2	9.0	18.9
SECTOR	S&P 500 HEALTH CARE INDEX	-6.4	9.1	22.1	-2.7	6.9	25.3	12.0	16.7
SECTOR	S&P 500 INDUSTRIALS INDEX	-14.5	-10.3	21.0	18.8	-2.6	9.8	7.2	17.9
SECTOR	S&P 500 MATERIALS INDEX	-11.6	-14.0	23.8	16.7	-8.4	6.9	4.6	18.4
SECTOR	S&P 500 REAL ESTATE INDEX	2.4	4.2	10.8	1.1	1.2	26.1	7.8	15.6
SECTOR	S&P 500 TECHNOLOGY INDEX	-14.2	3.4	38.8	13.8	5.9	20.1	16.2	22.7
SECTOR	S&P 500 COMMUNICATION SVCS INDEX	-9.7	-9.0	-1.3	23.5	3.4	3.0	3.7	20.5
SECTOR	S&P 500 UTILITIES INDEX	7.9	10.8	12.1	16.3	-4.8	29.0	11.8	14.8
BOND (Total Return)									
BROAD MARKET	BBG BARC US AGGREGATE BOND INDEX	0.7	-0.9	3.5	2.6	0.5	6.0	2.3	2.8
TREASURY	BBG BARC TREASURY BOND INDEX	1.4	-0.3	2.3	1.0	0.8	5.1	1.7	3.0
INV GRADE CORP	BBG BARC INV. GRADE CORP INDEX	-0.5	-2.9	6.4	6.1	-0.7	7.5	3.2	3.4
HIGH YIELD CORP	BBG BARC US HIGH YIELD INDEX	-2.5	0.0	7.5	17.1	-4.5	2.5	4.3	2.5
MORTGAGE-BACKED	BBG BARC US MBS INDEX	1.0	-0.1	2.5	1.7	1.5	6.1	2.3	2.5
COMMODITY (Total Return)									
BROAD MARKET	BBG COMMODITY INDEX	-4.1	-6.1	1.7	11.8	-24.7	-17.0	-8.0	11.4
ENERGY	BBG ENERGY INDEX	-13.5	1.7	-4.3	16.3	-38.9	-39.3	-16.5	23.9
INDUSTRIAL METALS	BBG INDUSTRIAL METALS INDEX	-4.9	-16.1	29.4	19.9	-26.9	-6.9	-2.2	17.9
PRECIOUS METALS	BBG PRECIOUS METALS INDEX	2.7	-8.2	10.9	9.5	-11.5	-6.7	-1.9	11.7
GRAINS	BBG GRAINS INDEX	4.0	-2.5	-11.3	-5.9	-19.4	-9.4	-10.2	17.3
SOFTS	BBG SOFTS INDEX	4.8	-20.2	-15.6	12.8	-9.9	-10.1	-9.4	18.3
BBG=Bloomberg									
HEDGE FUND (Total Return)									
Hedge Fund Research	HFRX GLOBAL HEDGE FUND INDEX	N/A	N/A	6.0	2.5	-3.6	-0.6	-0.3	3.9
Hedge Fund Research	HFRX EQUITY HEDGE INDEX	N/A	N/A	10.0	0.1	-2.3	1.4	0.2	7.3
Hedge Fund Research	HFRX EQUITY MARKET NEUTRAL INDEX	N/A	N/A	1.7	-5.1	5.5	3.6	0.4	3.4
Hedge Fund Research	HFRX MACRO INDEX	N/A	N/A	2.5	-2.9	-2.0	5.2	-0.3	8.3
Hedge Fund Research	HFRX EVENT DRIVEN INDEX	N/A	N/A	6.5	11.1	-6.9	-4.1	-1.1	5.3
Hedge Fund Research	HFRX MERGER ARBITRAGE INDEX	N/A	N/A	2.2	4.3	8.4	2.2	3.1	3.5
Hedge Fund Research	HFRX ABSOLUTE RETURN INDEX	N/A	N/A	3.4	0.3	2.9	0.8	1.5	1.8
REAL ESTATE (Total Return)									
TOTAL REIT MKT	BBG NORTH AMERICAN REIT INDEX	0.4	2.0	9.0	9.0	3.2	29.1	9.4	14.7
APARTMENT	BBG REIT APARTMENT INDEX	3.9	9.1	5.4	3.4	15.5	38.1	13.0	17.4
HEALTH CARE	BBG REIT HEALTHCARE INDEX	8.7	12.9	0.6	7.0	-6.5	33.6	8.0	20.0
WAREHOUSE/INDUST.	BBG REIT WAREHSE./INDUST. INDEX	-1.2	5.7	20.8	31.5	5.9	21.5	16.1	18.3
MORTGAGE	BBG REIT MORTGAGE INDEX	-1.5	1.5	20.3	22.3	-9.9	19.4	9.8	11.4
OFFICE PROPERTY	BBG REIT OFFICE PROP INDEX	-5.2	-8.5	2.2	10.6	-0.2	24.4	4.8	16.5
RETAIL	BBG REIT RETAIL INDEX	2.4	2.4	-4.8	1.1	3.7	29.1	4.7	17.7

Data source: Bloomberg; BBG=Bloomberg; Barc=Barclays
260D Vol = 260-day volatility

GLOBAL EQUITY INDEX RETURNS		Returns as of December 14, 2018							
Regions / Countries	Benchmark Index	Q4 - '18 (%)	YTD (%)	2017 (%)	2016 (%)	2015 (%)	2014 (%)	5-Yr. Ann. (%)	260D Vol (%)
BROAD MARKET									
World	MSCI ALL-COUNTRY WORLD INDEX	-10.3	-6.5	24.7	8.5	-1.8	4.8	6.0	11.9
Developed Markets	MSCI EAFE INDEX	-10.9	-11.8	25.7	1.6	-0.3	-4.3	2.4	11.4
Emerging Markets	MSCI EMERGING MARKET INDEX	-7.1	-14.0	37.8	11.8	-14.6	-2.0	2.3	15.5
UNITED STATES									
	S&P 500 INDEX	-10.4	-0.9	21.8	12.0	1.4	13.7	9.6	15.9
CANADA									
	S&P/TSX COMPOSITE INDEX	-11.6	-13.2	9.1	21.1	-8.3	10.5	4.8	10.0
LATIN AMERICA									
Brazil	BRAZIL BOVESPA INDEX	13.6	-3.0	26.9	38.9	-13.3	-2.9	11.5	22.1
Chile	CHILE STOCK MKT SELECT	-5.9	-16.4	34.0	12.8	-4.4	4.1	6.8	13.7
Columbia	IGBC GENERAL INDEX	-13.7	-3.6	16.3	20.7	-24.1	-8.0	0.0	15.0
Mexico	MEXICO IPC INDEX	-22.8	-17.2	10.1	7.9	1.5	2.0	1.0	16.8
Peru	PERU GENERAL INDEX	-3.9	-7.6	28.3	58.1	-33.4	-6.1	4.0	11.7
UNITED KINGDOM									
	FTSE 100 INDEX	-11.5	-13.9	12.0	19.2	-1.4	0.7	4.8	12.6
EUROPE EX U.K.									
Austria	AUSTRIAN TRADED ATX INDX	-15.3	-18.3	32.8	11.1	12.9	-13.1	5.2	16.2
Belgium	BEL 20 INDEX	-10.4	-17.0	14.4	1.2	16.7	16.3	7.6	13.1
Czech Republic	PRAGUE STOCK EXCH INDEX	-10.1	-7.3	22.6	1.3	5.1	-0.3	5.9	10.0
Denmark	OMX COPENHAGEN 20 INDEX	-6.9	-12.3	18.7	-10.7	40.2	23.2	12.3	15.5
Finland	OMX HELSINKI INDEX	-13.7	-6.7	10.5	8.0	14.6	9.9	9.3	13.8
France	CAC 40 INDEX	-13.8	-11.5	12.5	8.8	11.9	2.5	6.7	13.7
Germany	DAX INDEX	-13.7	-20.9	12.5	6.9	9.6	2.7	3.5	15.4
Greece	ATHEX COMPOSITE	-8.9	-23.0	26.8	4.2	-25.0	-28.5	-9.8	20.2
Hungary	BUDAPEST STOCK EXCH INDX	5.0	-8.1	23.0	33.8	43.8	-10.4	16.3	18.1
Ireland	IRISH OVERALL INDEX	-17.6	-25.0	9.4	-2.7	33.0	16.7	6.1	13.7
Italy	FTSE MIB INDEX	-11.0	-16.2	16.9	-6.5	15.8	3.0	4.0	18.3
Netherlands	AEX-INDEX	-10.0	-9.6	16.5	13.6	7.3	8.7	9.3	13.2
Norway	OBX PRICE INDEX	-16.7	-1.7	19.5	14.1	2.6	4.0	8.9	15.2
Poland	WSE WIG 20 INDEX	-2.0	-12.4	28.9	7.9	-17.0	0.4	2.0	18.9
Portugal	PSI 20 INDEX	-12.7	-12.8	19.3	-9.0	14.9	-25.0	-2.6	12.6
Russia	RUSSIAN RTS INDEX \$	-5.6	2.0	5.9	59.4	0.5	-42.3	0.3	24.4
Spain	IBEX 35 INDEX	-7.3	-13.9	11.3	2.5	-3.7	8.5	2.9	13.6
Sweden	OMX STOCKHOLM 30 INDEX	-13.0	-12.4	7.7	9.3	2.1	13.8	6.7	15.0
Switzerland	SWISS MARKET INDEX	-6.1	-6.2	17.9	-3.4	1.1	12.9	5.3	13.9
Turkey	ISE NATIONAL 100 INDEX	2.7	-42.6	52.8	12.0	-13.8	29.3	8.2	22.3
ASIA-PACIFIC EX JAPAN									
Australia	ALL ORDINARIES INDX	-10.2	-10.8	14.0	13.2	5.4	6.5	8.3	10.8
China	CSI 300 INDEX	-8.4	-24.4	24.3	-9.3	7.2	55.8	8.4	21.4
Hong Kong	HANG SENG INDEX	-5.7	-9.7	41.3	4.3	-3.9	5.3	6.3	19.9
Indonesia	JAKARTA COMPOSITE INDEX	5.6	-7.6	22.5	17.5	-10.5	24.8	10.0	16.0
India	BSE SENSEX 30 INDEX	0.4	-5.1	29.6	3.5	-3.7	32.0	13.5	12.6
Malaysia	FTSE BURSA MALAYSIA KLCI	-8.1	-7.5	13.2	0.1	-1.0	-2.6	0.8	10.9
New Zealand	NZX ALL INDEX	-4.1	0.7	24.2	10.9	14.6	18.8	14.6	10.1
Philippines	PSEI - PHILIPPINE SE IDX	5.4	-15.9	27.2	0.2	-2.0	25.5	6.8	17.9
Taiwan	TAIWAN TAIEX INDEX	-12.2	-8.2	19.4	15.5	-6.9	11.2	7.1	15.6
Thailand	STOCK EXCH OF THAI INDEX	-9.5	-6.1	17.3	23.9	-11.2	19.1	7.0	11.8
Singapore	STRAITS TIMES INDEX	-6.1	-9.1	22.0	3.8	-11.3	9.6	3.8	13.5
South Korea	KOSPI INDEX	-13.5	-20.3	23.9	5.2	4.1	-3.5	2.7	14.5
JAPAN									
	NIKKEI 225	-11.2	-5.1	21.3	2.4	11.0	9.0	9.0	18.1
MIDDLE EAST/AFRICA									
Egypt	EGX 30 INDEX	-10.7	-12.0	25.4	80.3	-20.2	34.0	17.1	18.1
Israel	TEL AVIV 100 INDEX	-7.0	-2.6	6.4	-2.5	2.0	6.7	3.5	11.5
Morocco	MADEX FREE FLOAT INDEX	-3.3	-9.8	9.5	38.1	-3.9	10.6	7.8	8.5
South Africa	FTSE/JSE AFRICA ALL SHR	-8.5	-23.0	21.0	2.8	5.3	10.9	6.8	17.2

Data source: Bloomberg
260D Vol = 260-day volatility



INSIGHT & PERSPECTIVE

Important Disclosures: *This commentary was not written by Magnus Financial Group LLC; rather, it was prepared for MAGNUS FINANCIAL GROUP LLC by Bower Hill Capital Management, a registered investment adviser in the Commonwealth of Pennsylvania.*

This material is for informational purposes only. It is not intended as and should not be used to provide investment advice and is not an offer to sell a security or a recommendation to buy a security. This summary is based exclusively on an analysis of general market conditions and does not speak to the suitability of any specific proposed securities transaction or investment strategy.

Judgment or recommendations found in this report may differ materially from what may be presented in a long-term investment plan and are subject to change at any time. This report's authors will not advise you as to any changes in figures or views found in this report.

Investors should consult with their financial advisor to determine the appropriate investment strategies and investment vehicles. Investment decisions should be made based on the investor's specific financial needs and objectives, goals, time horizon and risk tolerance.

Except for the historical information contained in this report, certain matters are forward-looking statements or projections that are dependent upon risks and uncertainties, including but not limited to factors and considerations such as general market volatility, global economic risk, geopolitical risk, currency risk and other country-specific factors, fiscal and monetary policy, the level of interest rates, security-specific risks, and historical market segment or sector performance relationships as they relate to the business and economic cycle.

Investment advisory services offered through MAGNUS FINANCIAL GROUP LLC; securities offered through Charles Schwab & Co., Inc., member FINRA/SIPC.

MAGNUS FINANCIAL GROUP LLC

280 Park Avenue, 25th Floor West,

New York, NY 10017

800-339-1367

www.MagnusFinancial.com