

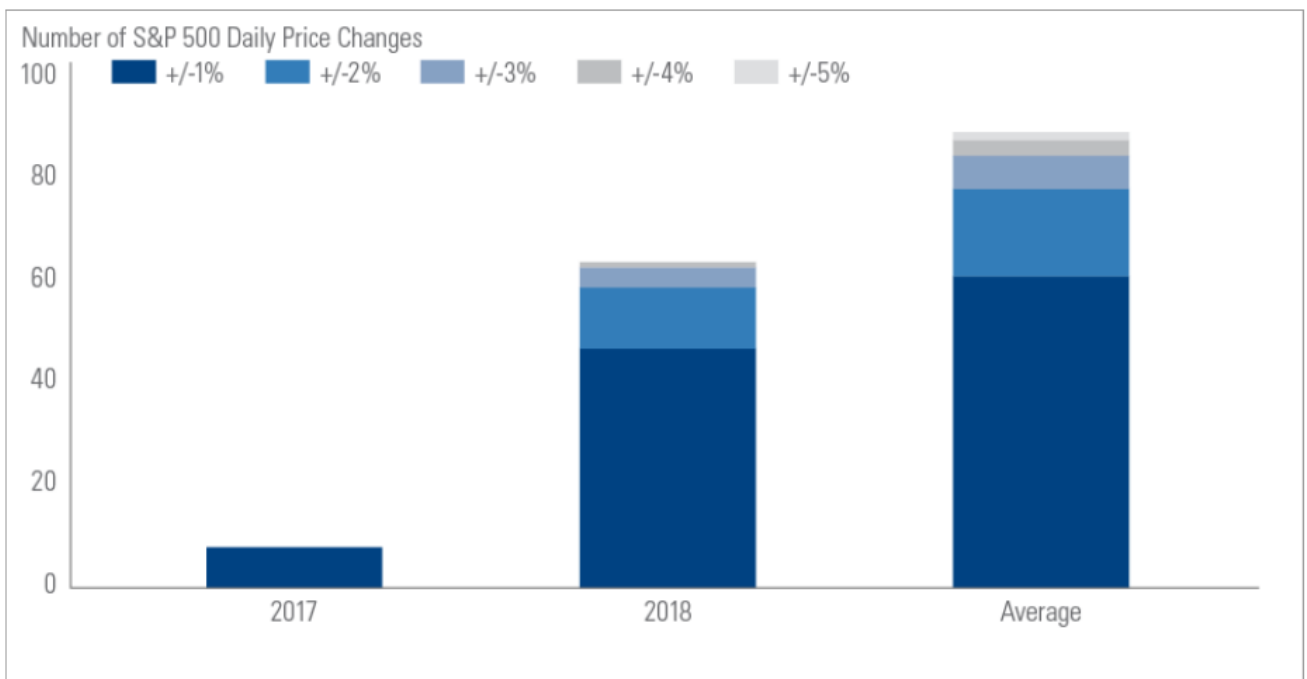
November 26th, 2018

Thoughts Around the Recent Market Volatility

In lieu of the increased volatility in the capital markets, and as we're heading into the final month of the year, I wanted to provide our thoughts on the capital markets as a whole and our current thinking on portfolio construction.

Whenever there is an event, or series of events, that forces the market (for whichever asset class) to have a serious directional move (as we have just seen with the U.S. equity markets), we ask ourselves if there have been any significant underlying economic changes that would force us to evaluate our portfolio weighting in an asset class or the underlying strategies we have chosen to access said asset class.

With regards to the U.S. economy, we do not anticipate a recession in the next six to eight months and do not believe a change in our portfolio strategies is necessitated. The recent volatility in the market is normal – different data points drive the market up or down, and as of late have been driving it down. We're seeing current market prices reflect lower expected corporate earnings growth, but we still anticipate corporate earnings to grow. As investors take the gains from the tech run-up in the last few years and rotate into value stocks, fundamental and quality names that were oversold earlier this year are now being bought. This is all healthy. This chart, (courtesy of our partners at Goldman Sachs Asset Management) helps put the volatility over the last few years in historical context.



Source: Bloomberg and GSAM. As of November 3, 2018.

We are constantly evaluating the strategies in our portfolio models and researching those that we think can improve our long term risk-adjusted returns. We are also evaluating asset classes that we currently do not have exposure to and seeing if their three to five year expected returns merit the risk we would be taking on. In that light, we will be removing three municipal bond strategies in our taxable accounts that have become highly correlated to one another and replace them with two new ones that invest in different sub-set of munis (one more investment-grade, the other high-yield). We'll also be investing in a new infrastructure strategy that we have been monitoring over the course of this year in order to provide an inflation hedge and further diversification in our portfolios.

As usual, as the month comes to a close, we'll be providing asset class data points and some further thoughts around them. In the meantime, please do not hesitate to reach out to any one of us with any questions that you have.

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