



MONTH IN REVIEW

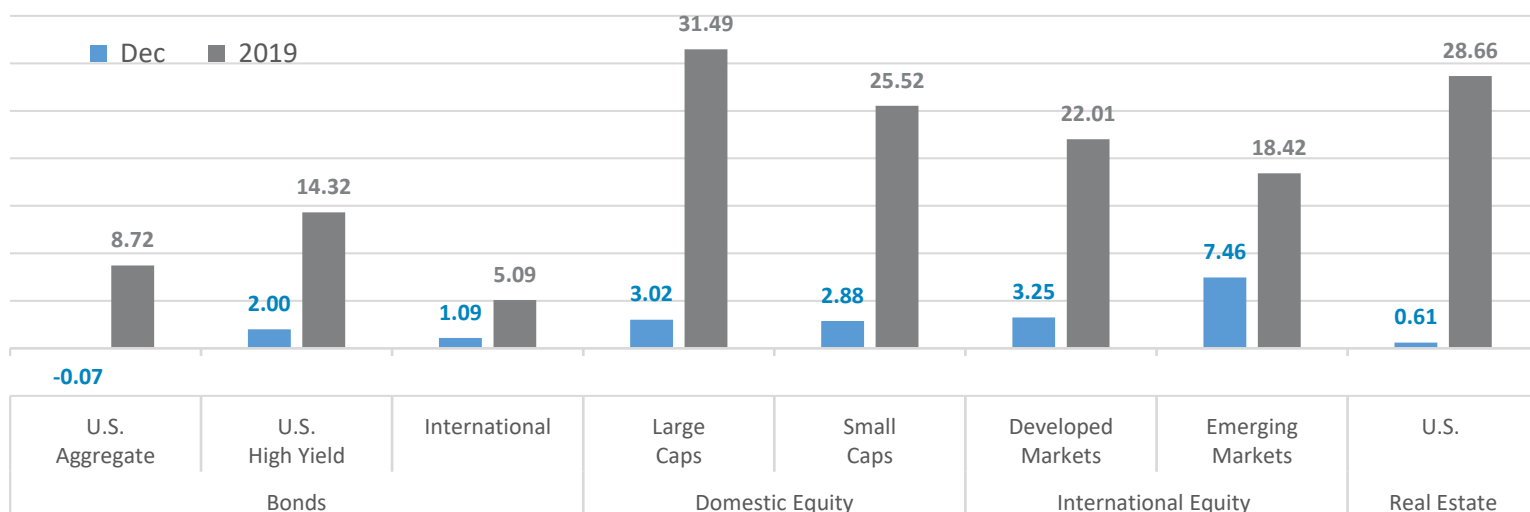
December 2019

Quick Takes

- **Record high run.** Stocks closed out the year with another winning month, the fourth straight month of gains for global equities. The S&P 500 recorded an additional 9 all-time highs, to follow the 11 record highs in November (2019 saw 35 total record highs).
- **Long-awaited trade deal arrives?** After months of speculation, tweets and press reports about the progress of U.S.-China trade negotiations, a deal finally emerged on December 13. All nine of the S&P 500 record highs that were made in December came on and after December 12.
- **The rise of Emerging Markets.** The U.S.-China trade deal, a falling U.S. dollar, and signs of an upturn in global economic growth all helped emerging markets stocks surge by +7.5% in December. Emerging Markets have only had four other months in the past five years with a higher return than December.
- **Inflation gets the greenlight.** Fed chairman Jerome Powell gave the greenlight to inflation, saying “in order to move rates up, I would want to see inflation that’s persistent and that’s significant.” That, along with improving global growth, pushed bond yields higher and longer duration bond prices down.

Asset Class Performance

As good as November was broad asset class performance, December was even better. The S&P 500 finished just 0.5% from its December 27th all-time high. All asset classes were positive in December except for U.S. bonds, which just slipped into the red with a -0.07% decline. Emerging markets, up +7.5%, had their best month since January.



Source: Bloomberg, as of December 31, 2019. Asset-class performance is presented by using total returns for an index proxy that best represents the respective broad asset class. U.S. Bonds (Barclays U.S. Aggregate Bond TR), U.S. High Yield (Barclays U.S. HY 2% Issuer-Capped TR), International Bonds (Barclays Global Aggregate ex USD TR), Large Caps (S&P 500 TR), Small Caps (Russell 2000 TR), Developed Markets (MSCI EAFE NR USD), Emerging Markets (MSCI EM NR USD), Real Estate (FTSE NAREIT All Equity REITS TR).

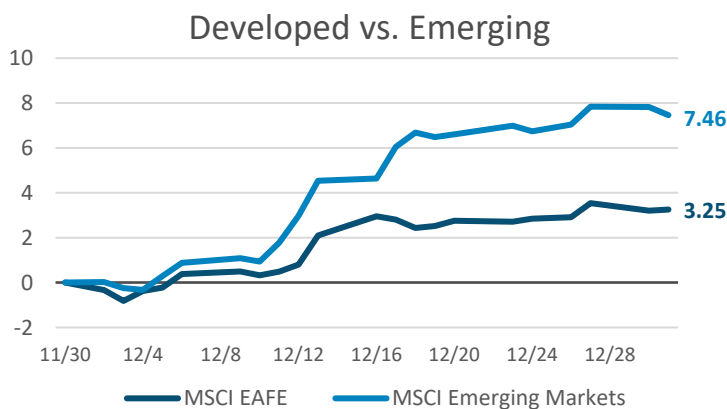
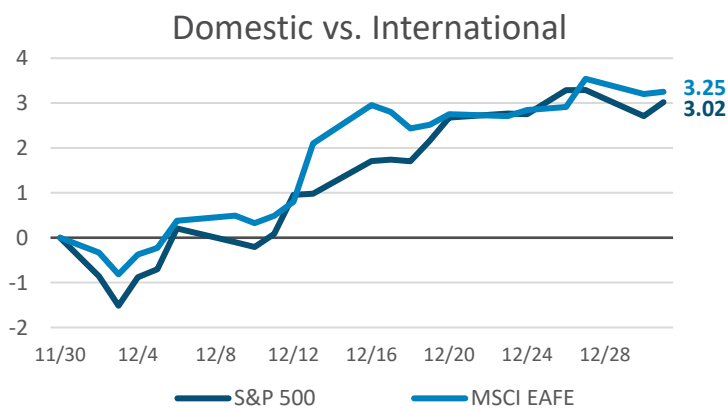
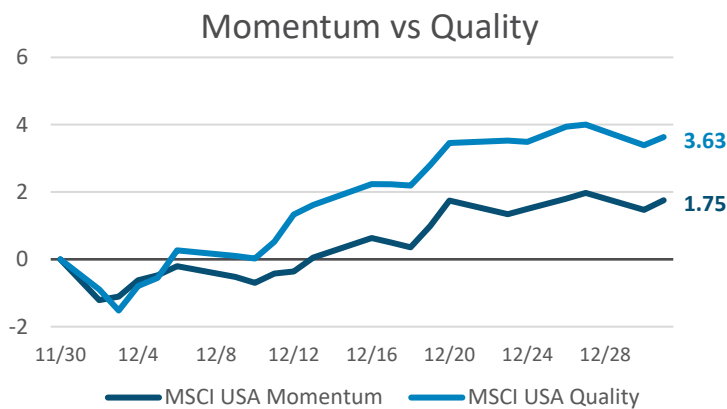
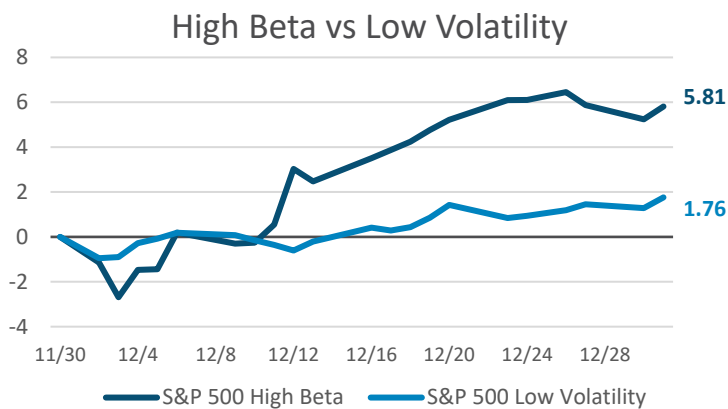
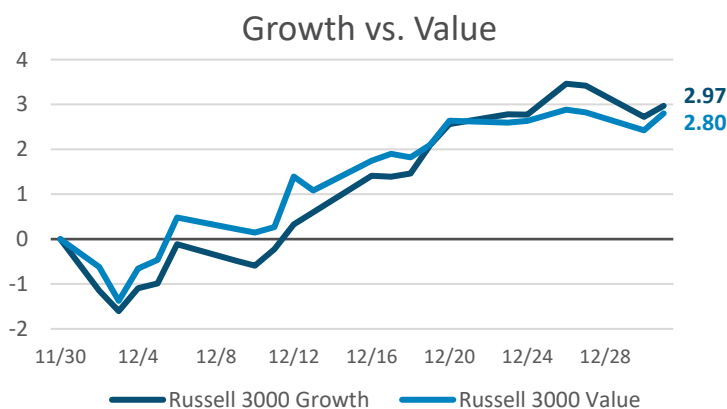
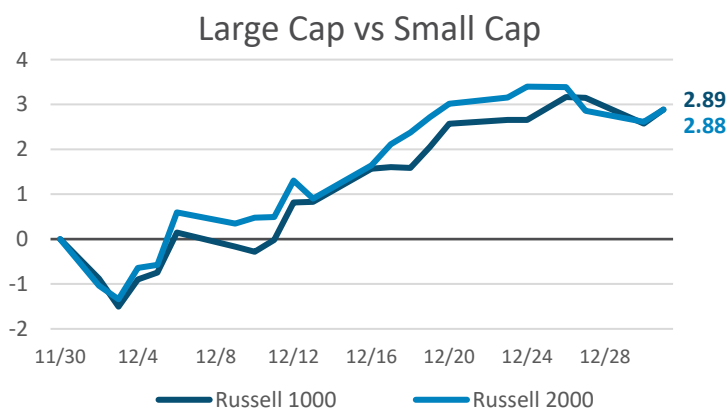


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What Worked, What Didn't

- Emerging Markets emerge.** Emerging markets stocks were the best performing asset class in December, with a +7.5% gain. The gains were fueled by an initial US-China trade agreement, a decline in the U.S. dollar (and corresponding rise in oil/commodities, and signs of a rebound in Chinese economic growth.
- High Beta thrives?** High beta, with a +5.8% advance, had its best month since June's +10.3% gain. It has outperformed Low Volatility for four consecutive months now, the longest winning streak since a five month streak ending in Dec. 2016.
- Size and Style fail to distinguish.** The broad markets in developed countries did little to distinguish themselves. Large cap, small cap, growth, value, domestic and international were all up about +3% give or take a quarter percent or so.

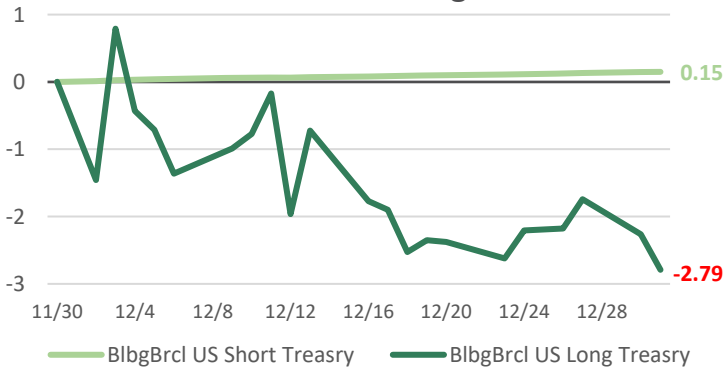




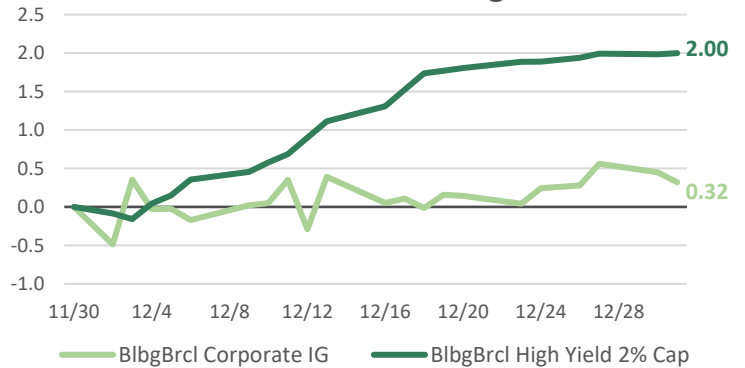
What Worked, What Didn't

- Inflation gets a greenlight.** At his Dec. 11 press conference, Fed chairman Jerome Powell basically gave the greenlight to inflation signaling that he won't raise rates until he sees inflation "that's persistent and that's significant". That, combined with signs that global economic growth may be turning up, pushed bond yields higher and longer duration bond prices down.
- Short duration and inflation hedged sectors outperform.** Long Treasuries had their worst month since Oct. 2018, falling -2.8%. Yields have been trending up since Sept. and long treasuries have had negative returns for four straight months.
- International bonds rebound.** International bonds rebounded from November's losses helped by the U.S. dollar's decline, improving prospects for global growth, and a U.S.-China trade agreement.

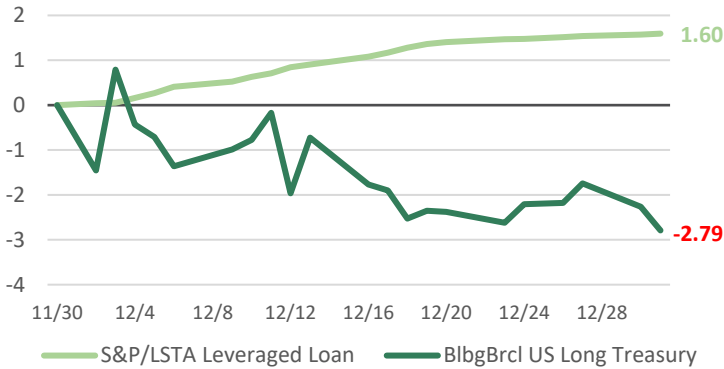
Short Duration vs Long Duration



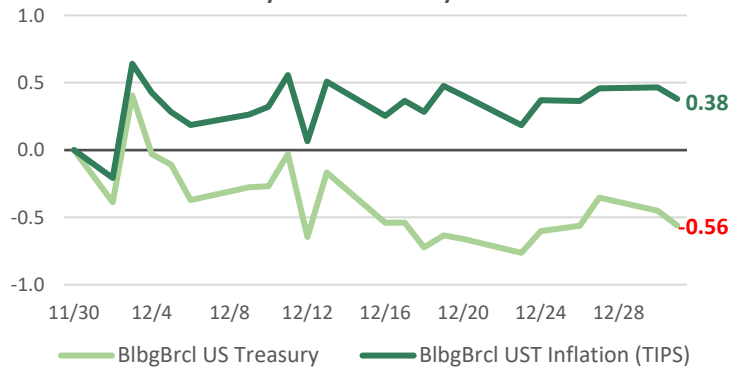
Investment Grade vs High Yield



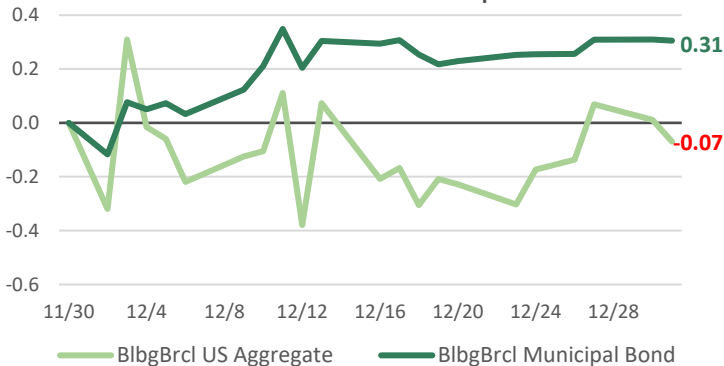
Credit vs Duration



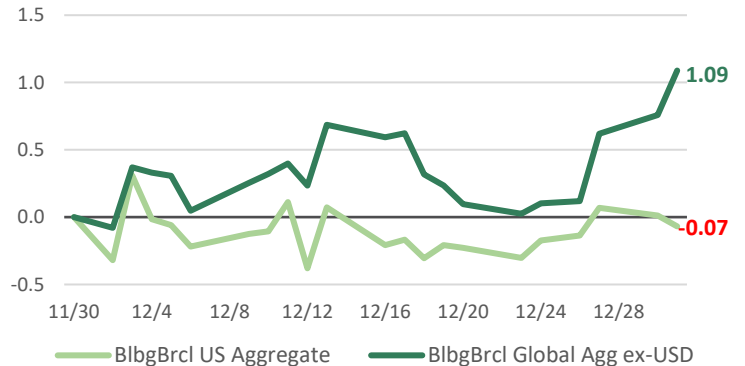
Treasury vs Treasury Inflation



Taxable vs. Municipal



Domestic vs. International



December 2019 Asset Class Performance

MONTH IN REVIEW



The Importance of Diversification. From period to period there is no certainty what investment will be the best, or worst, performer. Diversification mitigates the risk of relying on any single investment and offers a host of long-term benefits, such as less portfolio volatility, improved risk-adjusted returns, and more effective compounding.

	Dec-02	Dec-03	Dec-04	Dec-05	Dec-06	Dec-09	Dec-10	Dec-11	Dec-12	Dec-13	Dec-16	Dec-17	Dec-18	Dec-19	Dec-20	Dec-23	Dec-24	Dec-26	Dec-27	Dec-30	Dec-31	Dec
High	EM -0.02	RE 0.61	IEQ 0.92	EM 0.45	SCV 1.30	RE 0.20	EM 0.35	EM 1.46	EM 1.74	IEQ 0.69	IEQ 1.06	EM 0.91	RE 1.30	RE 0.83	MCG 0.73	SCG 0.41	RE 0.27	LCG 0.72	IBD 1.10	RE 0.08	RE 0.58	EM 7.71
	IBD -0.02	IBD 0.53	LCV 0.76	MCV 0.32	SCG 1.06	USB 0.05	IBD 0.33	IBD 0.65	LCV 1.13	USB 0.40	EM 0.83	SCV 0.72	EM 0.54	LCG 0.61	RE 0.62	LCG 0.22	SCG 0.26	EM 0.72	EM 0.40	SCV 0.01	IEQ 0.46	SCV 3.41
	HYB -0.07	USB 0.45	EM 0.76	LCV 0.20	IEQ 0.91	HYB 0.00	HYB 0.24	IEQ 0.53	SCV 1.12	LCG 0.33	LCG 0.82	IBD 0.40	SCV 0.43	MCG 0.47	LCV 0.57	IEQ 0.16	MCG 0.16	RE 0.53	RE 0.27	USB 0.00	MCV 0.40	MCV 2.99
	USB -0.11	SCG 0.00	SCV 0.75	SCV 0.17	LCV 0.88	IBD -0.09	SCV 0.15	LCG 0.36	MCV 0.92	60/40 0.19	SCG 0.82	HYB 0.31	MCV 0.26	SCG 0.39	MCV 0.56	EM 0.13	USB 0.12	IEQ 0.43	IEQ 0.17	HYB -0.07	IBD 0.29	IEQ 2.98
	60/40 -0.45	60/40 -0.13	SCG 0.74	HYB 0.15	LCG 0.83	SCV -0.10	SCG 0.09	60/40 0.35	IEQ 0.67	MCG 0.14	MCG 0.75	SCG 0.19	HYB 0.18	MCV 0.33	SCG 0.50	HYB 0.05	SCV 0.12	60/40 0.30	USB 0.13	IBD -0.12	LCV 0.28	LCG 2.89
	IEQ -0.51	HYB -0.14	MCV 0.68	LCG 0.13	MCV 0.79	MCV -0.16	IEQ 0.04	USB 0.27	SCG 0.61	HYB 0.10	SCV 0.72	MCV 0.11	SCG 0.13	SCV 0.23	LCG 0.43	SCV 0.03	HYB 0.08	LCV 0.25	60/40 0.12	MCV -0.22	MCV 0.25	LCV 2.66
	LCV -0.57	IEQ -0.37	MCG 0.59	RE 0.09	MCG 0.62	60/40 -0.20	60/40 0.02	MCG 0.22	LCG 0.55	RE 0.10	LCV 0.66	LCV 0.09	LCG 0.10	LCV 0.21	EM 0.20	60/40 0.01	MCV 0.06	MCV 0.23	LCG -0.01	60/40 -0.33	EM 0.22	SCG 2.26
	MCV -0.72	MCG -0.41	LCG 0.54	60/40 0.02	EM 0.58	LCV -0.27	MCV -0.01	HYB 0.21	MCG 0.52	EM -0.05	MCV 0.65	USB 0.01	MCG 0.01	60/40 0.18	60/40 0.18	LCV -0.04	LCV 0.04	IBD 0.21	LCV -0.01	LCV -0.40	SCG 0.17	60/40 2.17
	SCV -0.81	SCV -0.52	60/40 0.41	IBD -0.08	60/40 0.45	LCG -0.36	USB -0.04	MCV 0.12	60/40 0.36	IBD -0.30	RE 0.64	60/40 0.01	60/40 0.01	USB 0.11	IEQ 0.07	USB -0.07	60/40 0.03	MCV 0.16	HYB -0.05	SCG -0.46	LCG 0.17	IBD 2.15
	LCG -1.12	EM -0.52	RE 0.39	SCG -0.08	RE 0.17	EM -0.39	LCV -0.07	LCV 0.11	HYB 0.23	LCV -0.31	60/40 0.47	LCG -0.08	LCV -0.05	EM 0.04	USB 0.02	MCG -0.07	LCG -0.01	HYB 0.15	MCG -0.07	MCG -0.63	60/40 0.14	HYB 1.91
	SCG -1.16	LCG -0.58	HYB 0.30	USB -0.12	HYB 0.14	SCG -0.40	LCG -0.11	SCV -0.01	IBD 0.01	SCG -0.34	IBD 0.41	MCG -0.21	IEQ -0.13	IEQ 0.00	IBD -0.04	MCV -0.11	IEQ -0.10	SCV 0.10	MCV -0.11	EM -0.67	SCV 0.12	MCV 1.19
	MCG -1.17	MCV -0.71	IBD 0.13	MCG -0.13	USB -0.14	IEQ -0.52	MCG -0.15	SCG -0.06	USB -0.43	MCV -0.42	HYB 0.19	IEQ -0.57	USB -0.20	IBD -0.03	SCV -0.09	IBD -0.23	IBD -0.17	USB 0.09	SCV -0.46	LCG -0.68	HYB 0.09	RE 0.85
Low	RE -1.48	LCV -0.83	USB -0.17	IEQ -0.19	IBD -0.19	MCG -0.59	RE -0.60	RE -0.97	RE -1.31	SCV -0.62	USB -0.20	RE -0.85	IBD -0.65	HYB -0.05	HYB -0.15	RE -0.57	EM -0.22	SCG 0.00	SCG -0.63	IEQ -0.75	USB -0.23	USB -0.05

Legend

60/40 Allocation
(60/40)

Large Growth (LCG)	Mid Growth (MCG)	Small Growth (SCG)	Intl Equity (IEQ)	U.S. Bonds (USB)	Intl Bonds (IBD)
Large Value (LCV)	Mid Value (MCV)	Small Value (SCV)	Emg Markets (EM)	High Yield Bond (HYB)	Real Estate (RE)

Source: Bloomberg. Asset-class performance is presented by using market returns from an exchange-traded fund (ETF) proxy that best represents its respective broad asset class. Returns shown are net of fund fees for and do not necessarily represent performance of specific mutual funds and/or exchange-traded funds recommended by the Prime Capital Investment Advisors. The performance of those funds may be substantially different than the performance of the broad asset classes and to proxy ETFs represented here. U.S. Bonds (iShares Core U.S. Aggregate Bond ETF); High-Yield Bond (iShares iBoxx \$ High Yield Corporate Bond ETF); Intl Bonds (SPDR® Bloomberg Barclays International Corporate Bond ETF); Large Growth (iShares Russell 1000 Growth ETF); Large Value (iShares Russell 1000 Value ETF); Mid Growth (iShares Russell Mid-Cap Growth ETF); Mid Value (iShares Russell Mid-Cap Value ETF); Small Growth (iShares Russell 2000 Growth ETF); Small Value (iShares Russell 2000 Value ETF); Intl Equity (iShares MSCI EAFE ETF); Emg Markets (iShares MSCI Emerging Markets ETF); and Real Estate (iShares U.S. Real Estate ETF). The return displayed as "Allocation" is a weighted average of the ETF proxies shown as represented by: 30% U.S. Bonds, 5% International Bonds, 5% High Yield Bonds, 10% Large Growth, 10% Large Value, 4% Mid Growth, 4% Mid Value, 2% Small Growth, 2% Small Value, 18% International Stock, 7% Emerging Markets, 3% Real Estate.

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