

## At a Glance

During the fourth quarter of 2019, the Global Wealth Strategy portfolio produced a net return of 4.13%, bringing the 2019 net return up to 15.92%. The fourth quarter returns for the MSCI AC World Index and the Barclays US Aggregate Bond Index were up 8.95% and 0.18%, finishing the year up 26.60% and 8.72%, respectively. Positive news on a trade agreement between the US and China helped produce robust returns for global equity markets for the quarter.

## Market Recap

The fourth quarter capped off a great year for global equity markets. A key driver behind the gains came from investor confidence that a trade agreement would finally be reached between the US and China. In particular, the technology sector reacted favorably with the two largest companies in the MSCI ACWI Index, Apple (AAPL) and Microsoft (MSFT) posting large gains for both the year and quarter. Apple and Microsoft were up a remarkable 31.50% and 13.82% for the quarter and 88.97% and 57.57% respectively for the year.

Emerging markets also had a strong response to the positive news surrounding the trade agreement and outperformed both the US and developed international markets during the quarter.

US equity markets benefited from a cut in interest rates by the US Federal Reserve in October and a better than expected jobs report for the month of November.

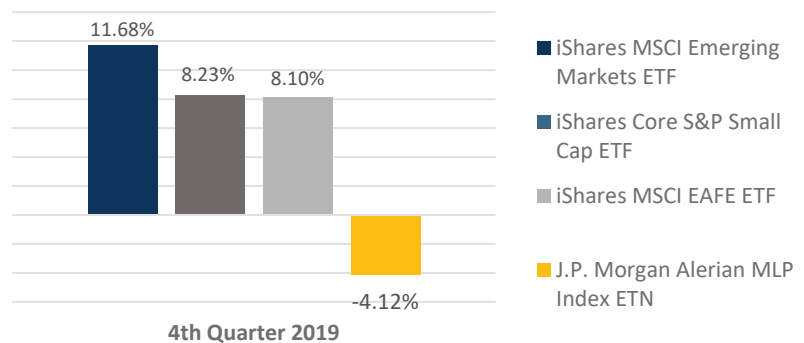
Although the US Federal Reserve cut interest rates in October, bond yields increased and produced mixed results for fixed income markets that left the 10-year US treasury bond in the red for the quarter.

## What Helped and What Hurt

International Equities rebounded off of their losses in the third quarter and made the largest contribution to the portfolio's return in the fourth quarter.

Within International Equities, the portfolio benefited from an overweight to Emerging Markets, which finished the quarter as the best performing segment in the portfolio with the iShares MSCI Emerging Markets ETF up 11.68% for the quarter.

Performance of Top Contributors and Detractors



The US Equities class was also a major contributor to the portfolio's success in the fourth quarter as a phase one trade agreement with China averted tariffs scheduled to go into effect on December 15<sup>th</sup>. In addition, the drag on markets over concerns of a potential recession appeared to dissipate during the quarter. The portfolio's overweight to Small-Cap and Mid-Cap equities helped take advantage of their strong returns for the quarter.

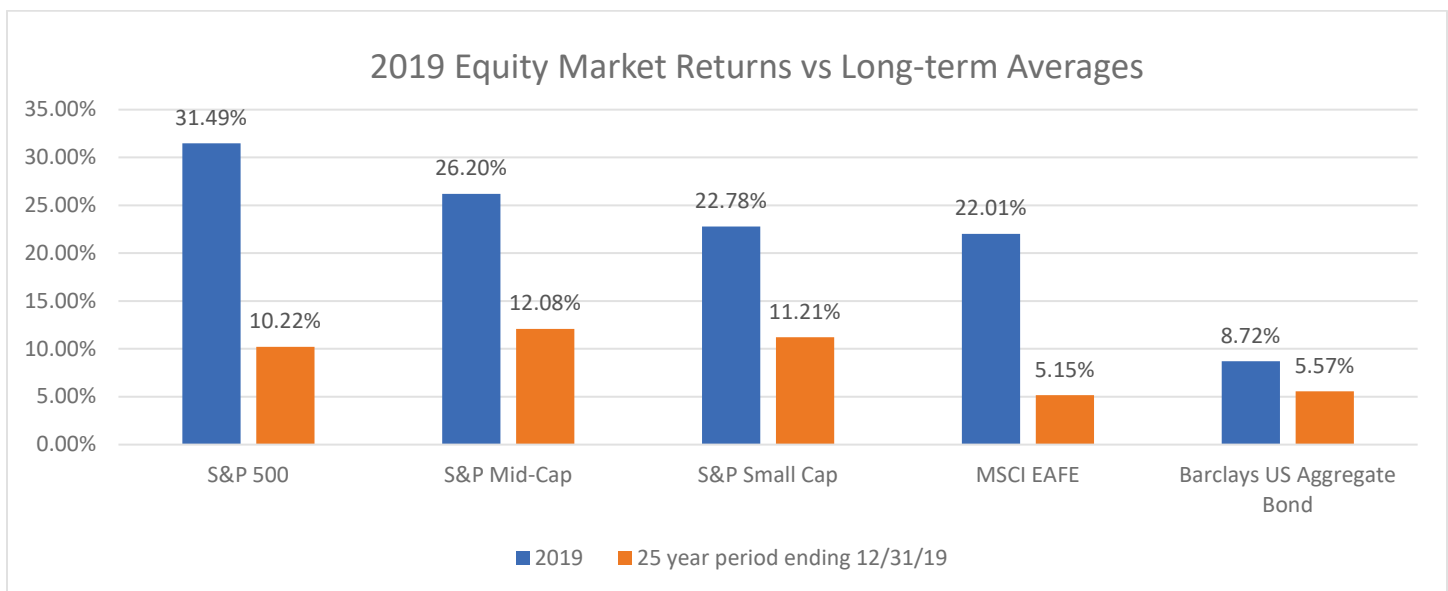
The Inflation Hedges class did not fare as well and was hurt by investor appetite for higher risk assets along with a rise in bond yields. This proved to be too much of a headwind to overcome for some defensive and interest rate sensitive sectors. The Utilities Select Sector SPDR ETF produced a return of a mere 0.75% while the Vanguard Real Estate ETF ended the quarter with a small loss of -0.54%. Although MLPs were down for the quarter, they did bounce back in December with the J.P. Morgan Alerian MLP Index ETN up 8.29% for the month. The portfolio also maintained an underweight to MLPs which helped mitigate its negative impact on the portfolio's return in the fourth quarter.

The Fixed Income class significantly underperformed equities but still made a positive contribution to fourth quarter's return. US treasuries reacted negatively to the rise in bond yields and the iShares 7-10 Year Treasury Bond ETF posted a small loss while the high yield, investment grade corporate and emerging market bond IShares ETFs managed to post modest gains. According to our proprietary risk evaluation model, the low risk environment continued in the fourth quarter. This allowed the portfolio to maintain an underweight to fixed income and increase its allocation to growth assets.

## Final Thoughts

The strong equity returns in the fourth quarter helped make 2019 the portfolio's best year since its inception. The portfolio also met its objective of providing downside protection during months when market risk increased.

Looking forward, it's important to keep in perspective that the returns achieved by equity and bond markets in 2019 are far from the norm. This is especially true for US Large Cap equities which were up three times more than their long-term average.



Source: FactSet. The historical performance of the index cited is provided to illustrate market trends. It is not possible to invest directly in an index. Index performance does not take into account fees and expenses. Past performance is no guarantee of future results.

Over short-term periods when market returns are well above average, it can be tempting to deviate from your objectives and take on additional risk. We remain committed to our disciplined process of allocating capital based upon risk in order to provide attractive returns when market risk is low and protect capital when market risk is high. We believe this is the most effective way to help investors achieve their goals and outperform over the long term.

## Important Disclosures

THIS DOCUMENT HAS BEEN PREPARED BY PARITAS CAPITAL MANAGEMENT, LLC ("PARITAS") SOLELY FOR THE PURPOSES OF PROVIDING SUMMARY INFORMATION REGARDING PARITAS AND ITS GLOBAL WEALTH STRATEGY ("GWS") COMPOSITE. THE INFORMATION CONTAINED HEREIN IS NOT, AND SHOULD NOT BE CONSTRUED, AS AN OFFER OR SOLICITATION OF AN OFFER TO BUY ANY FINANCIAL INSTRUMENT. AN INVESTMENT IN ACCORDANCE WITH THE GWS COMPOSITE DESCRIBED HEREIN HAS NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION ("SEC"), ANY STATE SECURITIES COMMISSION, OR OTHER ANY OTHER REGULATORY AUTHORITY, NOR HAVE ANY OF THESE AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OR THE ACCURACY OR ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL AND A CRIMINAL OFFENSE.

ANY REPRODUCTION, DISTRIBUTION, OR OTHER UNAUTHORIZED USE OF THIS DOCUMENT, AS A WHOLE OR IN PART, OR THE DISCLOSURE OF THE CONTENTS HEREOF, OTHER THAN TO THE RECIPIENTS FINANCIAL, TAX AND/OR LEGAL ADVISORS WITHOUT THE PRIOR WRITTEN CONSENT OF PARITAS IS PROHIBITED.

THE STRATEGIES AND/OR INVESTMENTS REFERENCED MAY NOT BE SUITABLE FOR ALL INVESTORS AS THE APPROPRIATENESS OF A PARTICULAR INVESTMENT OR STRATEGY WILL DEPEND ON AN INVESTOR'S INDIVIDUAL CIRCUMSTANCES AND OBJECTIVES.

THE INDICES ARE INCLUDED TO SHOW RELATIVE MARKET PERFORMANCE FOR THE PERIODS INDICATED AND ARE NOT NECESSARILY STANDARDS OF COMPARISON, SINCE INDICES ARE UNMANAGED, BROADLY BASED AND DIFFER IN NUMEROUS RESPECTS FROM THE GWS COMPOSITE. MARKET INDEX INFORMATION WAS COMPILED FROM SOURCES THAT PARITAS BELIEVES TO BE RELIABLE. HOWEVER, PARITAS DOES NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH DATA.

AN INVESTMENT IN ACCORDANCE WITH THE GWS COMPOSITE MAY NOT BE SUITABLE FOR ALL INVESTORS. THIS MATERIAL HAS BEEN PREPARED FOR INFORMATIONAL PURPOSES ONLY, AND IS NOT INTENDED TO PROVIDE, AND SHOULD NOT BE RELIED ON FOR, INVESTMENT, ACCOUNTING, LEGAL OR TAX ADVICE.

INVESTING INVOLVES RISK, INCLUDING THE POTENTIAL OF LOSS OF SOME OR ALL PRINCIPAL INVESTED. INTERESTED PARTIES ARE ENCOURAGED TO REVIEW PARITAS' FORM ADV PART 2A, AS WELL AS PERTINENT PRODUCT DESCRIPTIONS TO CONSIDER SUCH RISK PRIOR TO INVESTING. THERE IS NO GUARANTEE THAT A DIVERSIFIED PORTFOLIO WILL ENHANCE OVERALL RETURNS OR OUTPERFORM A NON-DIVERSIFIED PORTFOLIO. DIVERSIFICATION DOES NOT PROTECT AGAINST MARKET RISK. STOCK INVESTING INVOLVES RISK INCLUDING LOSS OF PRINCIPAL. PAST PERFORMANCE IS NO GUARANTEE OR PROMISE OF FUTURE SUCCESS.

A PRO FORMA 0.60% MANAGEMENT FEE WAS APPLIED TO THE GROSS PERFORMANCE OF THE GWS COMPOSITE TO ARRIVE AT NET PERFORMANCE.

THE MSCI INDICIES ARE MARKET CAPITALIZATION-WEIGHTED INDICIES THAT ARE DESIGNED TO MEASURE THE INVESTABLE EQUITY MARKET PERFORMANCE OF US, INTERNATIONAL OR EMERGING MARKET STOCKS IN SUCH DEVELOPED AND EMERGING MARKETS. INDEX RETURNS INCLUDE REINVESTMENT OF CAPITAL GAINS AND DIVIDENDS, IF ANY, BUT DO NOT REFLECT ANY FEES OR EXPENSES. IT IS NOT POSSIBLE TO INVEST IN AN INDEX.

THE SHARES OF EXCHANGE-TRADED FUNDS ("ETFs") MAY TRADE AT PRICES AT, BELOW, OR ABOVE THEIR MOST RECENT NET ASSET VALUE. EQUITY SECURITIES WILL FLUCTUATE IN PRICE; THE VALUE OF INVESTMENTS IN ACCORDANCE WITH THE GWS COMPOSITE WILL THUS FLUCTUATE, AND THIS MAY RESULT IN A LOSS. SECURITIES IN CERTAIN FOREIGN COUNTRIES MAY BE LESS LIQUID, MORE VOLATILE, AND LESS SUBJECT TO GOVERNMENTAL SUPERVISION THAN IN THE UNITED STATES. THE VALUES OF THESE SECURITIES MAY BE AFFECTED BY CHANGES IN CURRENCY RATES, APPLICATION OF A COUNTRY'S SPECIFIC TAX LAWS, CHANGES IN GOVERNMENT ADMINISTRATION, AND ECONOMIC AND MONETARY POLICY. EMERGING MARKET SECURITIES CARRY SPECIAL RISKS, SUCH AS LESS DEVELOPED OR LESS EFFICIENT TRADING MARKETS, A LACK OF COMPANY INFORMATION, AND DIFFERING AUDITING AND LEGAL STANDARDS.

AN INVESTMENT IN BONDS CARRIES RISK. IF INTEREST RATES RISE, BOND PRICES USUALLY DECLINE. THE LONGER A BOND'S MATURITY, THE GREATER THE IMPACT A CHANGE IN INTEREST RATES CAN HAVE ON ITS PRICE. SELLING A BOND BEFORE IT REACHES ITS MATURITY MAY RESULT IN A LOSS UPON ITS SALE. BONDS ALSO CARRY THE RISK OF DEFAULT, WHICH IS THE RISK THAT THE ISSUER IS UNABLE TO MAKE FURTHER INCOME AND PRINCIPAL PAYMENTS. OTHER RISKS, INCLUDING INFLATION RISK, CALL RISK, AND PRE-PAYMENT RISK, ALSO APPLY. HIGH YIELD SECURITIES (ALSO REFERRED TO AS "JUNK BONDS") INHERENTLY HAVE A HIGHER DEGREE OF MARKET RISK, DEFAULT RISK, AND CREDIT RISK.

PARITAS CAPITAL MANAGEMENT, LLC IS A REGISTERED INVESTMENT ADVISOR WITH THE STATES OF CALIFORNIA, CONNECTICUT, MASSACHUSETTS, NEW JERSEY, NEW YORK, PENNSYLVANIA, AND TEXAS.