

Dear Valued Client:

The Ringling Museum in Sarasota, FL is a must see. The museum is home to one of the finest art and cultural collections in the U.S. Among the many sites to visit is the Circus Museum, a walk back in time to the history of the circus and the legacy that John Ringling and his brothers built to be “The Greatest Show on Earth”. It is here that you can see an incredible miniaturized display of the circus and all of its performers, parade wagons, and posters highlighting the wonders that existed within.

The museum also offers some interactive opportunities including the chance to squeeze into a clown car, climb aboard a real rail car, and walk the tightrope. For many investors, walking the tightrope in the circus is probably a perfect metaphor to describe the experience of 2019. Falling economic data and earnings offset by falling interest rates and timely tweets have worked to impair our balance.

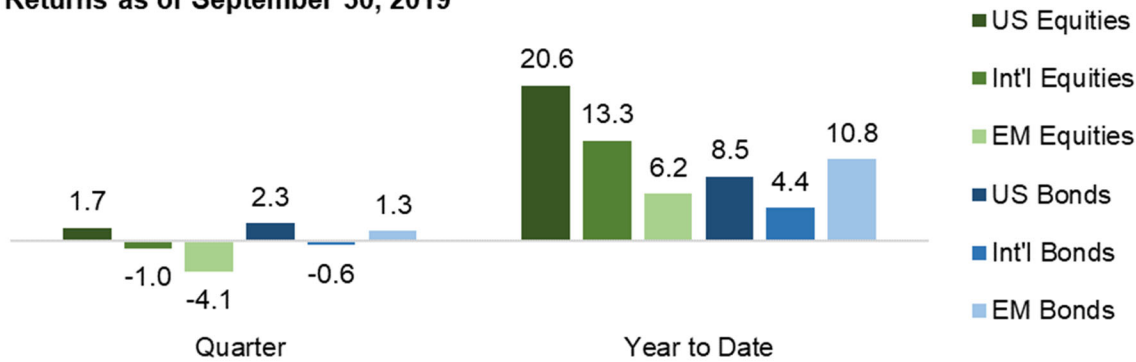
Taking this a step farther, Showtime has created a documentary entitled “The Circus: Inside the Wildest Political Show on Earth”. Showtime describes it as a non-partisan, never-before-attempted take on one of the most fascinating and consequential periods in modern American history. The impact of politics has always had a place in financial market discussions.

While today’s events feel extreme, a recent Bank of America Merrill Lynch commentary noted that between 1968 and 1976, a period that included the Vietnam War, the end of the Bretton Woods monetary system, and oil crisis, and Nixon’s impeachment process, the markets reacted most closely to the path of interest rates. Easing promoted rallies while tightening caused corrections. Many argue that the ability to save markets with monetary easing is weakening. With negative rates in Europe and seemingly more limited options in the U.S., it will be interesting to see if history can be a guide.

Third Quarter Market Review

The third quarter was a bit of a roller coaster ride in the markets with the flight to safety driving market returns. Bonds saw the stronger relative returns across the board for the quarter as investors sought safety amid the growing global tensions. Over the year-to-date period, however, equities continued their winning streak in the developed markets.

Returns as of September 30, 2019



Source: Morningstar

US equities provided the strongest returns for the quarter and year-to-date at 1.7% and 20.6% respectively. In local currency terms, the international developed markets marginally outperformed the US markets for the quarter with a return of 1.8%. But the move in the dollar created a large headwind wiping almost 3% from the return for the quarter. Emerging market (EM) equities saw the weakest relative returns, with Latin America seeing the largest negative returns.

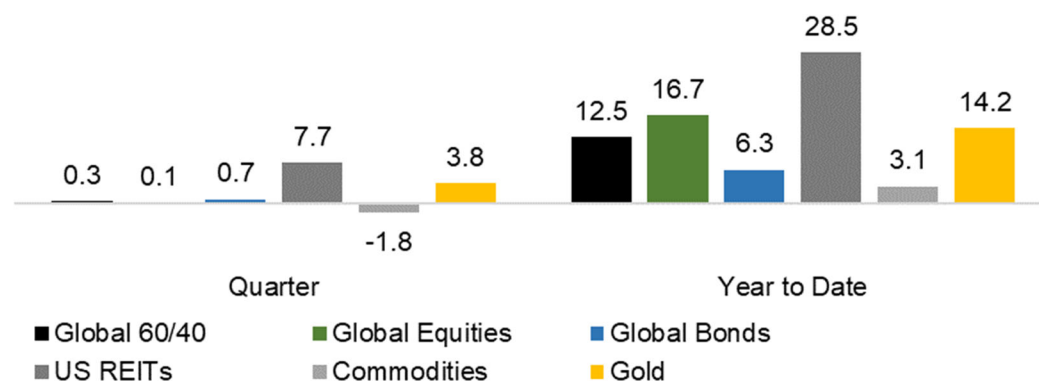
Within the US, there were rotations toward the more defensive sectors that tend to be impacted by shifts in interest rates. Utilities, real estate and consumer staples were the top performing sectors, each up over 6%. Despite seeing some sharp reversals in September, value continued to trail growth in the large-cap space for the quarter and year-to-date. However, in the small-cap space, the strength of the rally in value was enough to lift returns above growth for the quarter. But for the year, small-cap value continued to be the weakest style.

The demand for safety saw yields plummet in longer term bonds, lifting the return of long-term treasuries to 7.9% for the quarter and an impressive 19.8% year-to-date. Corporate bonds fared reasonably well over the quarter and maintained their year-to-date strength with returns above 10% and the higher quality credits having the edge over both periods.

US REITs benefited from the fall in rates and saw a return of 7.7% for the quarter, lifting year-to-date returns to an impressive 28.5% making it the strongest performing asset class year-to-date. Market uncertainty helped lift gold to a return of 3.8% for the quarter and 14.2% for the year as people sought the safety of the yellow metal.

Relative to a globally balanced (60/40) stock/bond index, diversification into REITs has been a significant tailwind to returns for the year— as has exposure to gold— as investors sought safer assets amid global uncertainty. While lagging for the quarter, an overweight to equities has been beneficial for the year-to-date period, especially if the exposure was biased toward US markets. Longer term bond exposure has also been an area of strength in diversified portfolios as yields fell since the beginning of the year.

Returns as of September 30, 2019



Source: Morningstar

Outlook

In a piece entitled “Does China Hold the Keys to a Global Economic Bounce?”, Fidelity analysts note that “over the past decade, swings in China’s economy-and in the global economy outside the U.S. in general- have been extremely important to global financial markets. The cyclical swings in global trade and manufacturing, underpinned by China’s accelerations and decelerations, have displayed a strong correlation with the performance of global stocks.” The marked decline in global manufacturing driven by the trade renegotiation has already moved the measurement of manufacturing activity into contractionary territory. Furthermore, business confidence has fallen and that will likely mean less investment and continued weakness in this reading.

Fortunately, consumer spending continues to be positive owing to low unemployment, rising wages, easy money policy, and low inflation. The leading economic indicators point to continued albeit slowing growth. Home construction and auto sales remain healthy and fiscal stimulus remains in play. There are few bubbles to burst.

Other things we are watching include the concentration of power - and market capitalization - in just a handful of technology names echo’s early 2000. Within the technology sector alone, Microsoft, Apple, Google, Amazon, and Facebook comprise about 50% of the entire sector's market capitalization. Those five companies also make up about a quarter of the entire U.S. stock market. Unlike 2000, the technology company valuations seem reasonable based on forward looking earnings and their stable outlook. Of concern, however, is the risk of regulation that looms over these companies.

Regulation seems inevitable, and it's actually one of those rare areas in politics with bi-partisan support. Overseas, Europe has already taken formidable regulatory action with the enactment of the General Data Protection Regulation, or GDPR. GDPR covers everything from giving users much more control over their personal data, to setting standards for how corporations can collect and use user data, to setting fines for technology companies in violation of the laws (already in the hundreds of millions). It may also provide a template for future U.S. law.

We are also monitoring the mortgage markets for signs of stress. We have seen a pick-up in non-qualified loans in the last 1.5 years. For now, overall mortgage delinquency rates remain low. Banks holding the mortgages are

significantly better capitalized than in 2008.

Volatility picks up when there is an absence of clearly articulated policies as we have now. Despite the pickup, volatility measures remain within the long-term averages (CME Group). We are hesitant to overreact to the day's news and have made just some small changes on the margin in our models.

We have outlined below an update on what we see as current tailwinds and headwinds for the markets.

Tailwinds:

- Accommodative monetary policy globally, appears that another rate cut is likely to happen in the US
- Consumer spending continues to be solid
- Low unemployment
- Modest inflation
- Lower rates driving a rebound in housing
- Fiscal stimulus

Headwinds:

- Slowing global economy
- Limited room for Central Bankers to help as negative yields overseas continue to rise
- Trade war uncertainty impacting confidence, capital expenditure spending, and company earnings
- Manufacturing contraction and service sector declines
- Late cycle in the economy
- Impeachment proceedings and general polarization in Washington
- Trillion-dollar deficit and growing

Walking the tightrope driven by much uncertainty is challenging. When asked the most dangerous part of walking a tightrope, a veteran tightrope walker replied "When you have to turn, because it's the only moment when you take your eyes off where you are headed and that's when you really risk falling". In other words, keeping focus on your goal helps to maintain your footing and get you to your destination.

PRW Wealth Management News

Chief Compliance Officer and Director of Wealth Management Services, Cathy Dolphyn, took advantage of several learning experiences over the past few months. As rules and regulations continue to change in an already heavily regulated industry, it is important to stay aware and ahead of the numerous updates. Our goal is to protect our clients and compliance is a critical factor in so doing. With that goal in mind, Cathy attended the following webinars: "GDPR Compliance" by TrustArc, Inc.; "The New Standard of Conduct for Investment Advisers and Brokers/Dealers" by Stark & Stark; Regulatory Compliance Watch's monthly, "Conquering Current Compliance Challenges"; and "CCO Speaks – Insights from Recent SEC Examinations" by SS&C Advent and Focus 1 Associates LLC.

In line with our compliance efforts, we select vendors that put our clients' privacy and security as a primary concern to help us deliver not only secure services, but also service that is high-touch and user-friendly. With the constant cybersecurity threats all around us, we recently updated our password manager across the enterprise. As administrator, Cathy attended "LastPass Enterprise Administrator Training" by LogMeIn. She also attended Broker/Dealer Lion Street's monthly Operations webinar to stay apprised of Lion Street's ongoing efforts to protect clients and facilitate client services.

Cheryl Mattar, Jared Sweeney, and Stephanie Manchon attended Schwab Solutions 2019, an all-day training event aimed at further developing usage of all the capabilities offered to the PRW team via our relationship with our custodian, Charles Schwab. Schwab recently announced that they were removing trading fees on equities, ETFs, and options and that is a welcome cost savings.

Ted Dziuba, Director of Advanced Planning, hosted meetings with representatives from Axa Financial, Allianz Life, Symetra and Prudential as part of his ongoing due diligence monitoring of PRW's suite of investment-grade life insurance partnership carriers. He also represented the firm at Lion Street's 2019 Boston Town Hall event, which included deep-dive technical analyses of Premium-Financed Life Insurance cases, as well as advanced case design opportunities currently available in the life insurance product marketplace. He also attended a design academy at Symetra Life Insurance Company's home office in Waltham, MA, spending a full day researching new product innovations in life and long-term care insurance.

Estate and Wealth Management Counsel, Janice Forgays, agreed to serve on the AALU Tax Advisory Group.

Also of note this past quarter - Principal William Payne had the opportunity to ring the Nasdaq stock market opening bell in his capacity as board member of HarborOne Bancorp, Inc., and PRW's Chief Investment Officer Elliot Herman was cited in two financial articles: MarketWatch.com article "Brace yourself: 10 steps to take now to prepare for the next recession" by Brett Arends and also in Kiplinger's article: "Live Well Without Running Out of Money in Retirement" by Eileen Ambrose.

Lastly, the PRW team was trained on our new videoconferencing system. We can now offer a face-to-face meeting regardless of any participant's location. With secure file-sharing and real-time collaborative work capabilities, we trust this will enhance the client experience, making it more convenient than ever to meet with any one of us. We are excited to share this technology. Please feel free to reach out to any member of the PRW team for further information.

Thank you.

Sincerely,

Bill

William A. Payne

Rick

Richard A. Renwick

Elliot

Elliot B. Herman

This material is for informational purposes only and not meant as Tax or Legal advice. Please consult with your tax or legal advisor regarding your personal situation. PRW Wealth Management LLC does not provide legal or tax advice. Some of this material is written by Assetmark Inc. and is provided with permission. The material is for informational purposes only. It represents an assessment of the market environment at a specific point in time and is not intended to be a forecast of future events, or a guarantee of future results. It is not guaranteed by PRW Wealth Management LLC for accuracy, does not purport to be complete and is not intended to be used as a primary basis for investment decisions. It should not be construed as advice meeting the particular investment needs of any investor. Neither the information presented nor any opinion expressed constitutes a solicitation for the purchase or sale of any security. The indices mentioned are unmanaged and can't be directly invested into.

Past performance doesn't guarantee future results; one can't directly invest in an index; diversification doesn't protect against loss of principal. All investing involves risk, including the potential loss of principal; there is no guarantee that any investing strategy will be successful. Neither the information nor any opinion expressed herein constitutes a solicitation for purchase or sale of any securities, and should not be relied on as financial advice.

Index Definitions

Bloomberg Commodity – measures the price of physical commodities futures contracts traded on US exchanges, except aluminum, zinc and nickel, which trade on the London Metal Exchange. Weightings are determined by rules designed to insure diversified commodity exposure.

Bloomberg Barclays Emerging Markets USD Aggregate - The index is a flagship hard currency Emerging Markets debt benchmark that includes fixed and floating-rate US dollar-denominated debt issued from sovereign, quasi-sovereign, and corporate EM issuers. Country eligibility and classification as Emerging Markets is rules-based and reviewed annually using World Bank income group and International Monetary Fund (IMF) country classification.

Bloomberg Barclays Global Aggregate - An index of global investment grade debt from twenty-four local currency markets including treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers. The index also includes Eurodollar, Euro-Yen, and 144A index-eligible securities, and debt from five local currency markets.

Bloomberg Barclays Global Aggregate ex USD - The index is a flagship hard currency Emerging Markets debt benchmark that includes fixed and floating-rate US dollar-denominated debt issued from sovereign, quasi-sovereign, and corporate EM issuers. Country eligibility and classification as Emerging Markets is rules-based and reviewed annually using World Bank income group and International Monetary Fund (IMF) country classification.

Bloomberg Sub Gold- measures the price of gold futures contracts, reflecting the return of underlying commodity futures contract price movements quoted in USD.

Bloomberg Barclays US Aggregate- measures the performance of USD-denominated, investment-grade, fixed-rate taxable bond market of SEC-registered securities. The index includes Treasury bonds, Government-related corporate, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS sectors.

Bloomberg Barclays US Corporate High Yield - The index measures the market of USD-denominated, non-investment grade, fixed-rate, taxable corporate bonds. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below. The index excludes emerging market debt.

Bloomberg Barclays US Treasury Long - The index measures the performance of long-term government bonds issued by the US Treasury. It includes all publicly issued, US Treasury securities that have a remaining maturity of 10 or more years, are non-convertible, are denominated in US dollars, are rated investment grade, are fixed rate, and have \$250 million or more of outstanding face value.

FTSE US NARIET all Equity REITs – measures the performance of publicly traded US real estate securities, such as real estate investment trusts (REITs) and real estate operating companies.

MSCI ACWI - A free float-adjusted capitalization weighted index that is designed to measure the equity performance of countries considered to represent both developed and emerging markets.

MSCI EAFE - A free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of countries considered to represent developed markets, excluding the U.S. and Canada.

MSCI Emerging Markets - A free float-adjusted, market capitalization index that is designed to measure the equity market performance of countries considered to represent emerging markets.

S&P 500 - An unmanaged index that is generally considered representative of the US equity market, consisting of 500 leading companies in leading industries of the US economy (typically large-cap companies) representing approximately 75% of the investable US equity market.