SENIOR SOLUTIONS UPDATE

FROM:	PATRICE HORNER, CFP, MBA
SUBJECT:	4TH QUARTER 2019 INVESTMENT UPDATE
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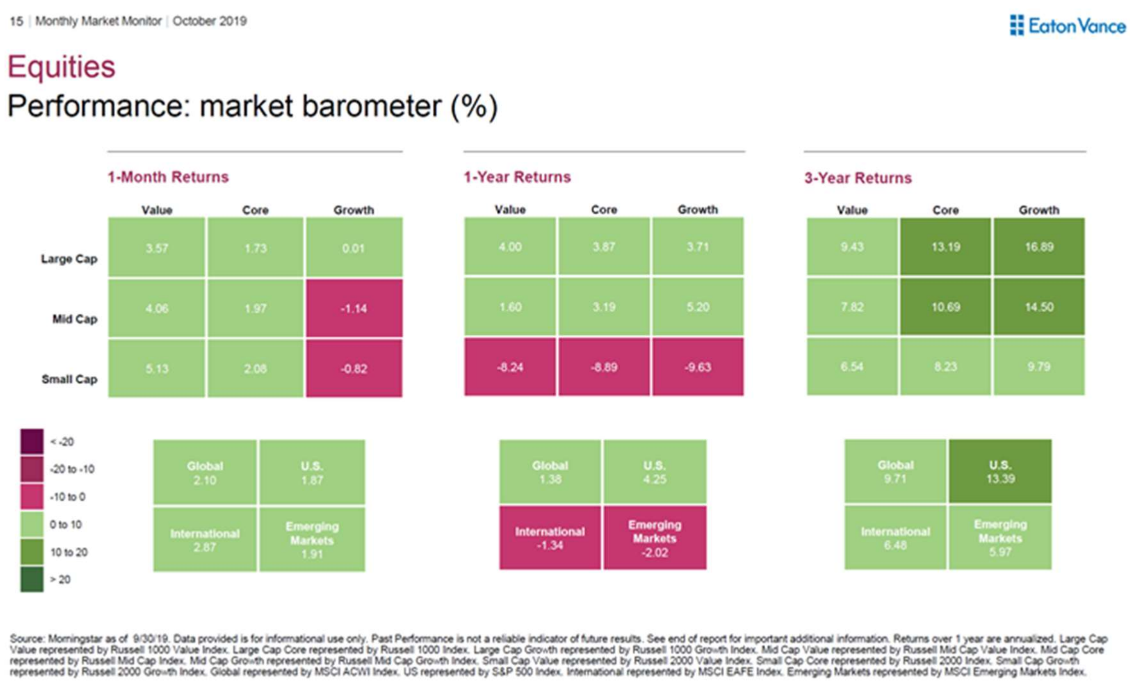
SSL Senior Solutions
25 Woodlands Road, Pembroke HM 09 (441) 29

Overview

The tumultuous third quarter churned-up the financial markets like the Summer hurricanes did to the countries impacted by the changing winds. The financial markets went through a great rotation during the August trading month. There was a shift from the last decade of Growth to a renewed appreciation on Value and Large Cap sectors internationally.



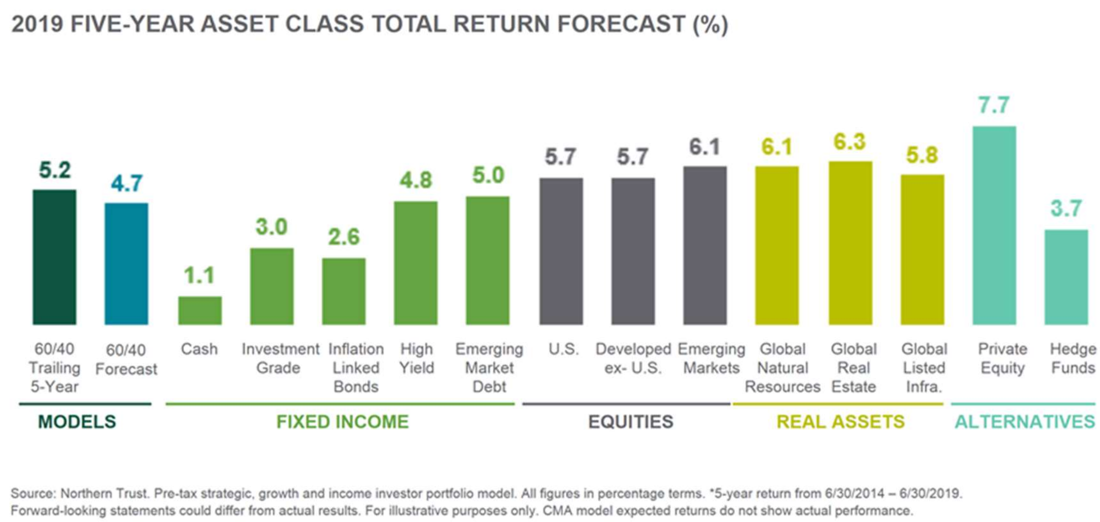
Once the markets settled, they were stirred by news of a dearth of money for U.S. overnight lending between banks. In late September, the U.S. Federal Reserve bank began offerings billions in repurchase agreements (repos), marking the first time such assets were sold since the 2008 financial crisis. They injected USD $270 billion. The Federal Overnight Market Committee (FOMC) issued a statement that the demand for currency was due to tax payments. There have been billions in penalties to the US tech companies operating in the EU.

In addition to the financial challenges, trade and manufacturing companies are experiencing a serious slump from the disturbing US/China trade war. Globally, investment has been put on hold as investors await clarity on the economy and trade flows, with emerging markets particularly affected. While Brexit is paralyzing the European economic environment. Plus, the attack on the Arab oil fields and the rioting in Hong Kong were unexpected political disturbances, all adding to the 'risk velocity'.

Market Summary

Global trade had already contracted by 1.6% year-over-year as of June, with 60% of the key advanced and emerging economies experiencing an economic contraction. Financial markets maybe pricing-in a higher risk of recession than warranted by the economic fundamentals, suggesting the chance of a relief rally. However, there are indications of the slowdown on many fronts. Key indicators like the Purchasing Managers Index (PMI) show that the domestic markets have been negatively affected. The recent sharp rise in tariffs has slowed a trade trend that started more than 50 years ago, in the 1960-70s. The trade war is disrupting global value chains, which had kept inflation in check during robust economic growth.

When the overall economy does slow, there is little leeway for reducing rates or continued Quantitative Easing (QE) through buying up securities to add liquidity to the markets. Within the EU Germany might have capacity for fiscal stimulus. The EU Central Bank will start buying €20 billion of bonds a month in November, although limited by the overall percentage of a market the EU can hold. The U.S. is adding to their balance sheet selectively. Neither regions have much room to lower rates.



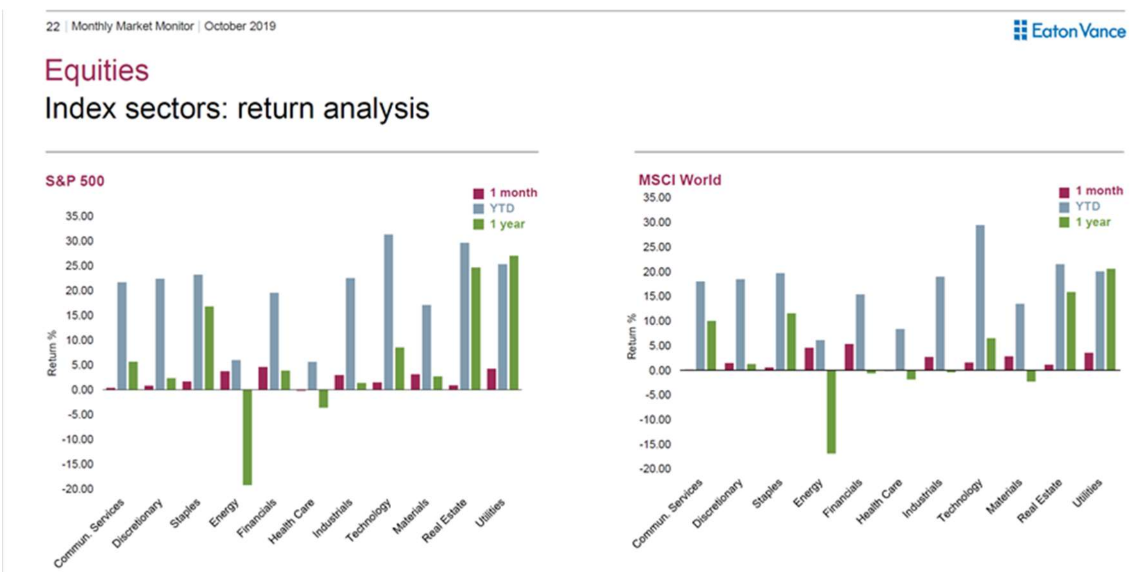
The International Monetary Fund estimates that the GDP in Emerging Markets (EM) will continue to grow faster than Developed markets (DM) for the next 3-4 years, when EM economies could represent approximately 63% of global GDP. Over the past 30 years, EM equities has produced an average annual return of 12.4%. It hasn't been a straight path, where almost 10 years had negative returns below -10%. Conversely, returns of greater than 30% were experienced in 10 years. For the longer-term allocating to EM does not require a high premium over DM. Similarly, the relative risk of investing in the Small-Cap sector does not require returns much higher than Large-Caps. Right now though, pricing and potential returns favor U.S .Large Cap Value-orientated stocks, with equities relatively inexpensive to bonds.

Equity Markets

Equity markets have performed well despite fund outflows last quarter. Corporate buybacks concentrate earnings amongst fewer shares and M&A bolt on growth through acquisitions. Consumption remains the backbone of the global economy and confidence remains buoyant. Enthusiasm is supported by improved labor markets and wage gains.

At the large-cap level, the performance gap between Growth and Value has been narrow over the past year, with Value slightly outperforming. The outperformance of Growth over the longer term remains. Performance trends weaken as we move down in market capitalization, with Mid Caps underperforming Large Caps, and Small Caps underperforming Mid Caps over the period.

Most sectors except for Health Care and Utilities experienced strong year-to-date (YTD) returns. The Energy sector posted a large decline over the last year Oct-Sep but improved YTD. Consumer Stables, Real Estate, and Utilities have held strong returns both within the last 12 months and 2019 YTD. Technology sector is showing a spike YTD, but it was divided last year into three S&P sectors per the Global Industry Classification Standard ("GICS"). Sections are now included in information technology, consumer discretionary and communication (vs telecommunications).



Sector Return Trends

Communication Services sector continues to outperform.

Consumer Cyclical are affected by economic uncertainty.

Consumer Stables are strong and fairly valued.

Energy opportunities remain despite Saudi-oil volatility.

Financial Services have the best values with near-term risks.

Healthcare is stifled, with managed care, drugs, and biotech a plus.

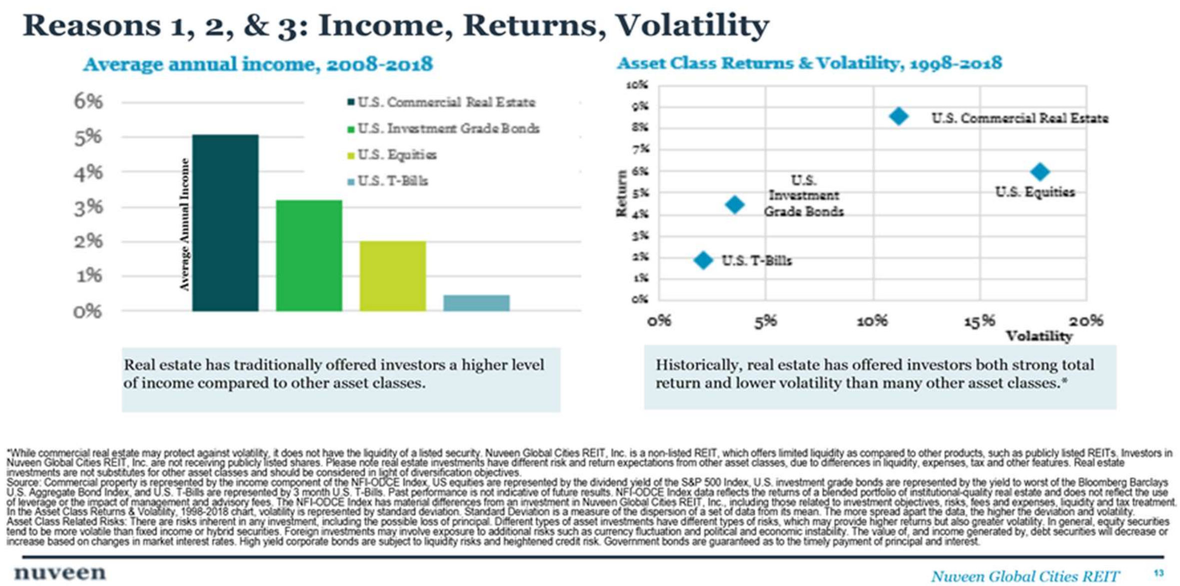
Tech sector looks upbeat, software and online media are favored.

Basic Materials offer potential and have select opportunities in rare metals.

The Industrials sector holds despite an economic slowdown.

Income from REITs are attractive with potential capital gains.

Utilities are positioned to benefit if interest rates continue to decline.



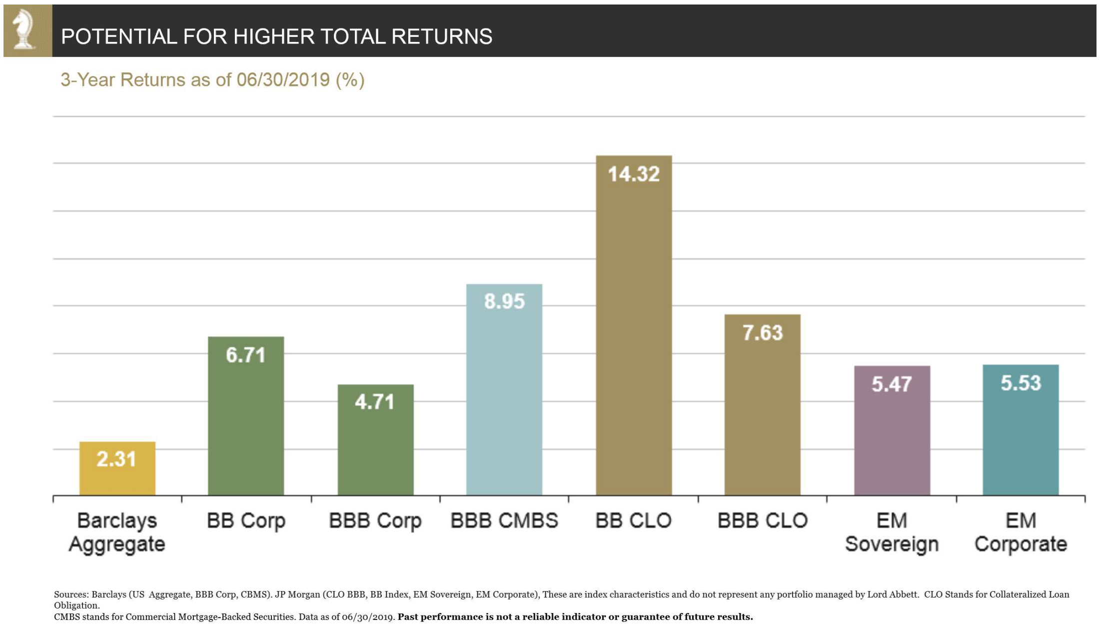
Real Estate has been a historical hedge against inflation. REIT income distributions typically outpace inflation. Property values also tend to rise during inflationary periods. According to Brookfield Public Services Group, Real Estate overall is normally priced, whereas as of June 19, infrastructure and MLPs were valued below average. Ron Arnault of Research Affiliates said that 'unconventional assets are mostly priced to offer better returns', ie emerging market equities or debt, commodities, and REITs

A strong U.S. dollar continued this year, because U.S. economic growth prospects look better than the rest of the world. The U.S. FOMC is expected to continue cutting rates. Other global central banks may follow with easier monetary policy offsetting the FOMC impact. The steadily rise in the U.S. dollar has been a downside for the EM. Half the currencies saw their volatility rise with major EM currency pairs moving in tandem, reducing diversification benefits.

Fixed Income Market

The U.S. rates hit a cycle high of around 2.5% a year ago. The U.S.-China trade war, slowed global growth. A weakening U.S. economic outlook prompted an about-face in rate hikes. The *10-year* Treasury yield peaked at 3.25% a year ago, then dropped in 2019 to 2.68%, and fell as low as 1.44% in August (The record low was 1.32% in 2016). The *30-year* Treasury yield was at a 3.47% a year ago, started 2019 at 3.01% and slid to a new record low 1.9%. Globally, there is now $15 trillion of debt with negative yields.

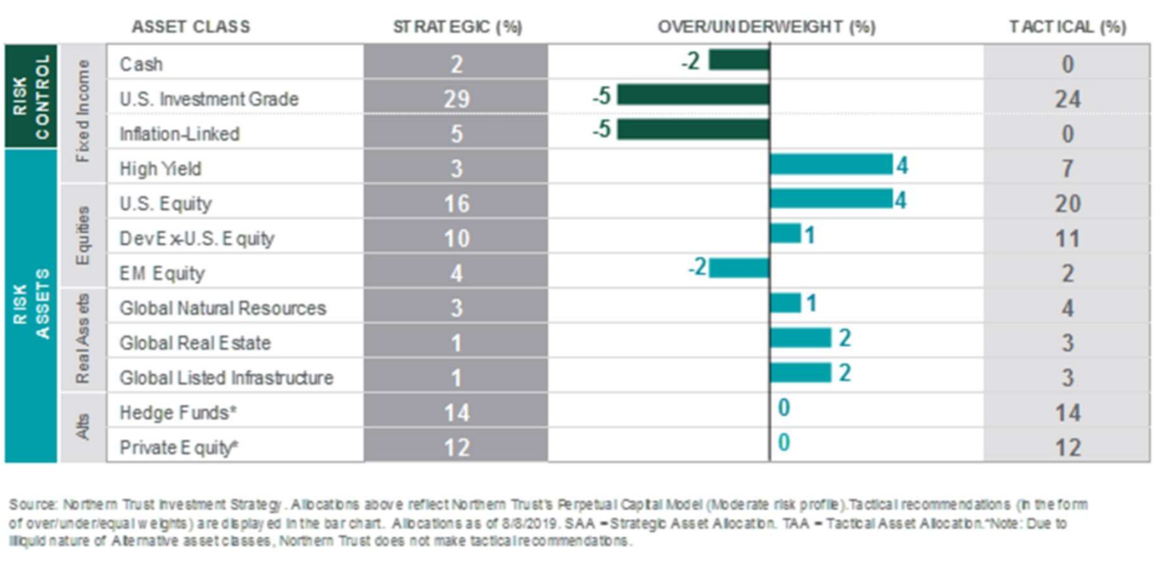
The entire U.S. yield curve shifted downward across short to long-term bonds, on anticipation of the upcoming rate cuts. The yield curve is not inverted, as currently short-term bonds have lower yields than long-term. Any economic slump will prompt Central Banks to be buyers of Investment Grade (IG) corporate bonds/credit and mortgage bank securities (MBS). This gives support to those fixed income options as safe-havens and pushes down the current yield. Investors are faced with low-yielding safer-bonds or riskier options. They are taking on more risk ahead of a likely economic contraction.



None-the-less, EU corporate bonds are experience strong demand. There has been an overall downward re-rating of many to BBB rated bonds. This reduction in credit ratings is due to companies adding more debt in this low rate environment. To offload the risk from their balance sheet, EU corporations have sold leveraged-loans to outside asset managers. EU banks also decreased their trading inventory due to Basel III regulations which reduced their bank liquidity buffer. This adds more risk to the sector.

Asset Allocation

A tactical allocation is created by over/underweighting asset classes and/or sectors from an overall index.



		ASSET CLASS	STRATEGIC (%)	OVER/UNDERWEIGHT (%)	TACTICAL (%)
RISK CONTROL	Fixed Income	Cash	2	-2	0
		U.S. Investment Grade	29	-5	24
		Inflation-Linked	5	-5	0
RISK ASSETS		High Yield	3	4	7
	Equities	U.S. Equity	16	4	20
		Dev Ex-U.S. Equity	10	1	11
		EM Equity	4	-2	2
	Real Assets	Global Natural Resources	3	1	4
		Global Real Estate	1	2	3
		Global Listed Infrastructure	1	2	3
	Alts	Hedge Funds*	14	0	14
		Private Equity*	12	0	12

Source: Northern Trust Investment Strategy. Allocations above reflect Northern Trust's Perpetual Capital Model (Moderate risk profile). Tactical recommendations (in the form of over/under/equal weights) are displayed in the bar chart. Allocations as of 8/8/2019. SAA – Strategic Asset Allocation. TAA – Tactical Asset Allocation. *Note: Due to illiquid nature of Alternative asset classes, Northern Trust does not make tactical recommendations.

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The above allocations illustrate investment approaches for secular-strategic and trending-tactical percentages. The implementation of these views is achieved by selecting, as a base, SMART ETFs that reflect the SSL view, along with the addition of certain sectors and alternatives to capture the shorter-term trends.

Conclusion

WINNING BY NOT LOSING

Lower volatility ETFs that include quality factors are intended to capture market upside while reducing the downside impacts.

The SSL 4Q19 allocation remains unchanged from the last quarter. A performance summary is included.

Previous performance is not a guarantee of future returns. All investments contain risk. Your particular portfolio should be designed to your level of risk and to target your financial goals. Review regularly.