



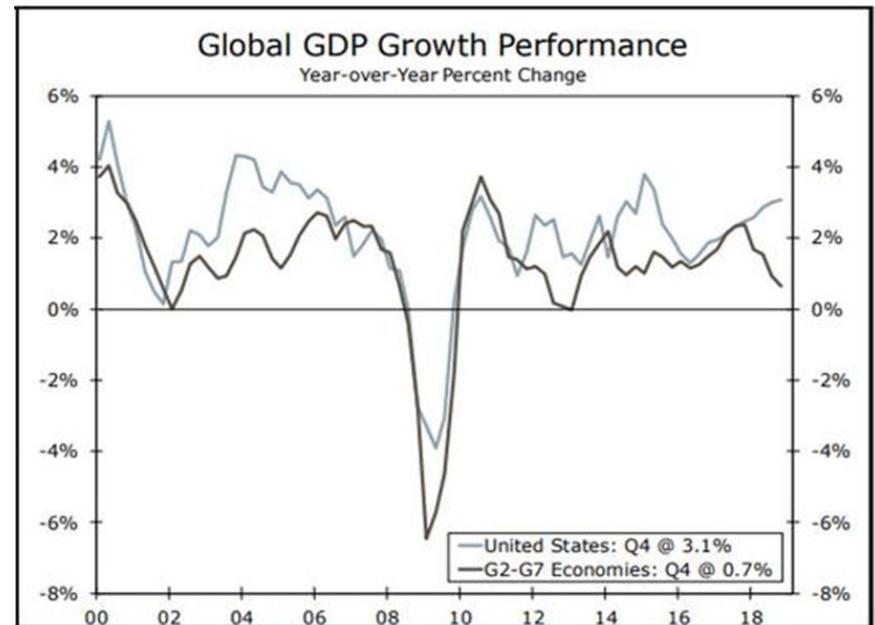
NEWPORT CAPITAL GROUP

# ECONOMIC AND CAPITAL MARKETS OVERVIEW

1<sup>ST</sup> QUARTER 2019

# U.S. ECONOMIC OVERVIEW

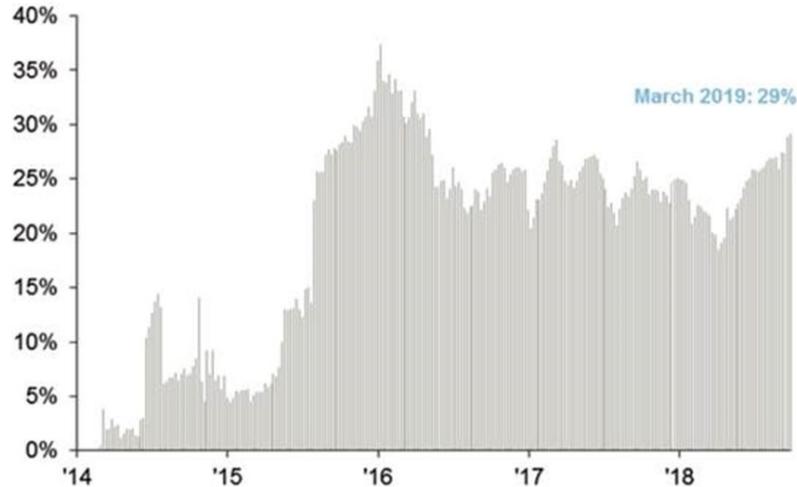
- The U.S. economy expanded at an annualized 2.2% real rate in the fourth quarter of 2018, below the 3.4% rate experienced in the third quarter. Real GDP increased by 2.9% in 2018 as compared with 2.2% in 2017, benefitting from the December 2017 tax reform.
- The deceleration in real GDP growth in the fourth quarter reflected decelerations in private inventory investment, PCE, and federal government spending and a downturn in state and local government spending. These movements were partly offset by an upturn in exports and acceleration in nonresidential fixed investment. Imports increased less in the fourth quarter than in the third quarter.
- The U.S labor market remains strong as unemployment ended the quarter at 3.8%, remaining near a fifty-year low. For the first quarter, nonfarm payrolls averaged a gain of 180K per month as compared with 254K in fourth quarter. Wage growth remained unchanged from year-end with hourly wages up 3.2% year-over-year in March after reaching a 3.4% annual rate in February.
- Inflationary pressures remained subdued during the first quarter continuing to come in below the U.S. Federal Reserve's 2.0% annual targeted rate for the core Personal Consumption Expenditure Index (PCE).
- Oil prices (Crude) increased 29.3% for the quarter primarily on supply concerns. Year-over-year, oil prices were flat.
- The Federal Reserve's Open Market Committee (FOMC) left rates unchanged at its January and March meetings. The target rate remained 2.25% to 2.50%. The FOMC indicated no interest rate hikes this year, and one in 2020, striking a decidedly dovish tone, which was well received by the markets.



Source: Wells Fargo Monthly Outlook – 3/13/19

# GLOBAL DEBT AND INFLATION TRENDS

Percentage of global government debt with a negative yield



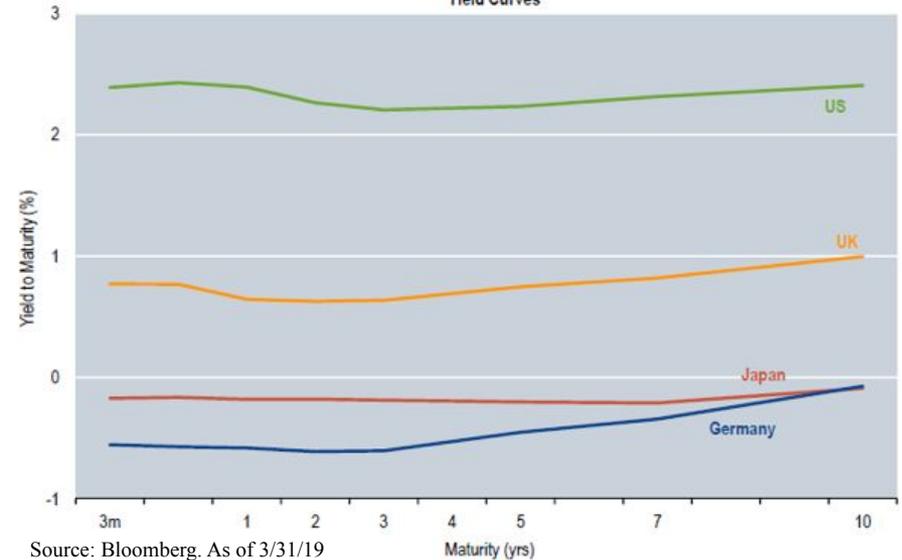
Source: JPMorgan Asset Management

Core Inflation Rates: 12-Month Changes in Core Consumer Inflation



Source: Bureau of Economic Analysis, Bloomberg. As of 3/31/19

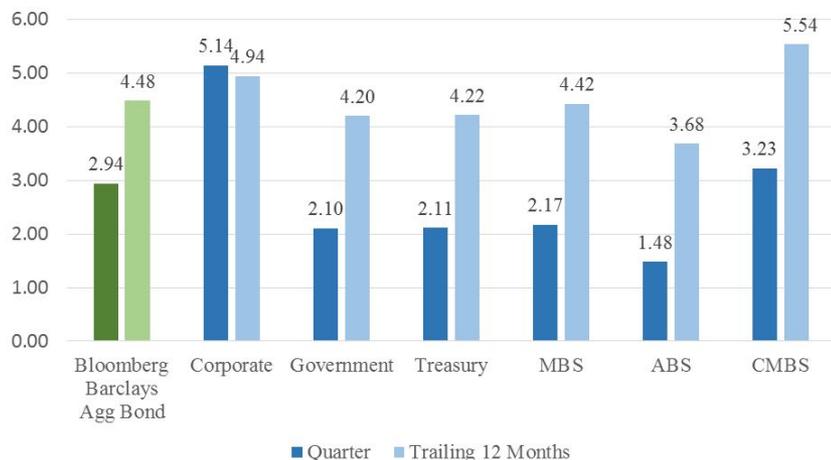
Yield Curves



Source: Bloomberg. As of 3/31/19

# U.S. FIXED INCOME MARKET OVERVIEW

Bloomberg Barclays Aggregate Returns by Sector (%)  
as of March 31, 2019



- The Bloomberg Barclays U.S. Aggregate Index gained 2.9% in the first quarter. Corporates were the strongest performing sector (+5.1%), followed by Commercial Mortgage Back Securities (CMBS) (+3.2%). Higher yielding bonds and longer-dated issues outperformed.
- The U.S. Fixed Income markets enjoyed the Federal Reserve's 180-degree pivot on monetary policy. Following the March meeting, the Fed's more dovish tone on interest rates and balance sheet management resulted in a major decline in U.S. Treasury rates and an inverted yield curve where shorter-term yields are higher than intermediate-term yields, out to 7-year maturities.

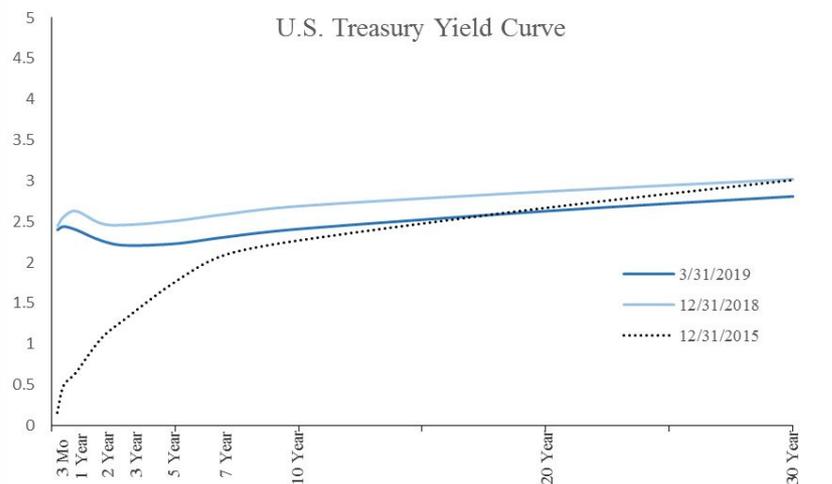
Returns by Quality (%)

	Qtr	YTD	1 Yr	3Yr	5 Yr
Barclays Aggregate Bond	2.94	2.94	4.48	2.03	2.74
Aaa	5.01	5.01	6.13	3.14	4.13
Aa	3.69	3.69	5.08	2.58	3.27
A	4.70	4.70	4.78	2.90	3.55
Baa	5.73	5.73	4.97	4.51	3.90
High Yield	7.26	7.26	5.93	8.56	4.68

Returns by Maturity (%)

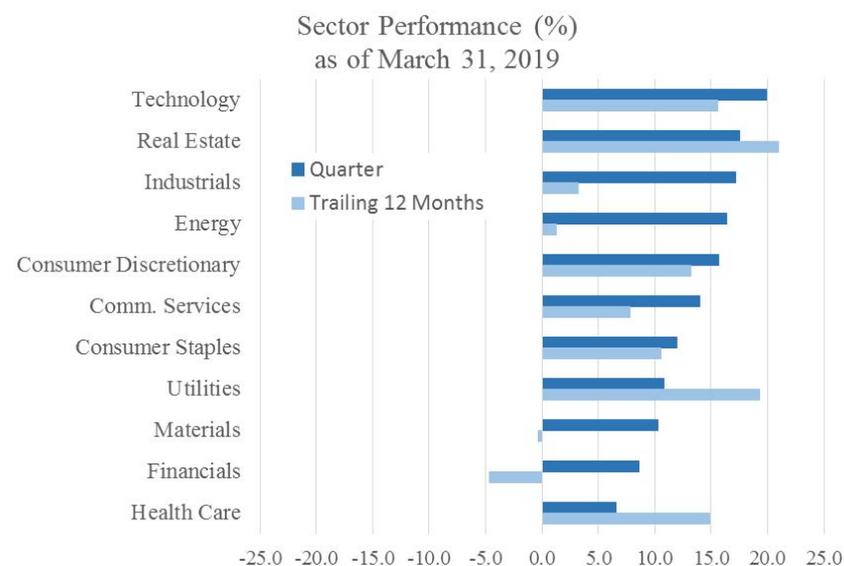
	Qtr	YTD	1 Yr	3Yr	5 Yr
3 Month T-Bills	0.62	0.62	2.24	1.29	0.80
1-3 Yr	1.22	1.22	3.05	1.34	1.24
3-5 Yr	2.14	2.14	4.21	1.62	2.13
5-7 Yr	2.59	2.59	4.79	1.81	2.57
7-10 Yr	3.08	3.08	5.15	1.80	3.11
>10 Yr	6.45	6.45	5.37	3.72	5.29

U.S. Treasury Yield Curve



# U.S. EQUITY MARKET OVERVIEW

Domestic Equity Performance (%)					
Large Cap	Qtr	YTD	1 Yr	3Yr	5 Yr
Russell 1000 Value	11.93	11.93	5.67	10.45	7.72
S&P 500	13.65	13.65	9.50	13.51	10.91
Russell 1000 Growth	16.10	16.10	12.75	16.53	13.50
Mid Cap	Qtr	YTD	1 Yr	3Yr	5 Yr
Russell Mid Cap Value	14.37	14.37	2.89	9.50	7.22
Russell Mid Cap	16.54	16.54	6.47	11.82	8.81
Russell Mid Cap Growth	19.62	19.62	11.51	15.06	10.89
Small Cap	Qtr	YTD	1 Yr	3Yr	5 Yr
Russell 2000 Value	11.93	11.93	0.17	10.86	5.59
Russell 2000	14.58	14.58	2.05	12.92	7.05
Russell 2000 Growth	17.14	17.14	3.85	14.87	8.41

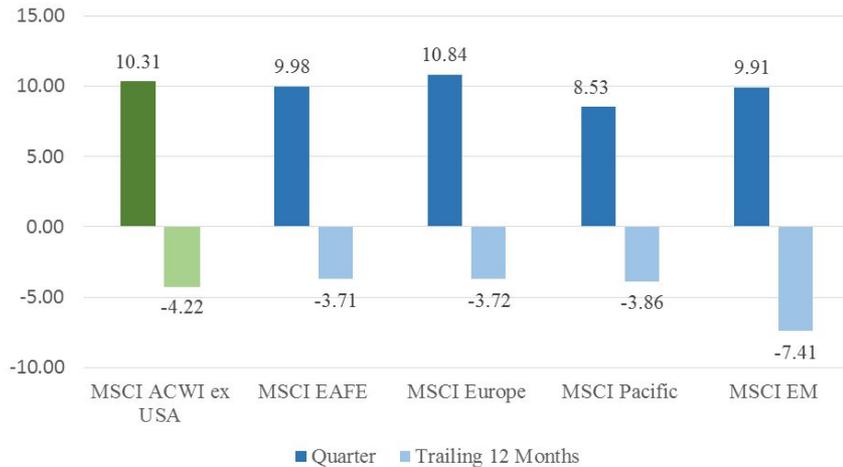


- The S&P 500 Index gained 13.7% in the first quarter, almost erasing the large decline from the 4<sup>th</sup> quarter of 2018. The equity markets were positive as the Fed left interest rates unchanged, signaling no more increases in 2019, and encouraging news surrounding the U.S. – China trade deal.
- Growth stocks outperformed value in each of the capitalization categories as investors paid up for riskier assets – a reversal from the 4<sup>th</sup> quarter of 2018 when investors flocked to safety. Mid-cap and Small-cap stocks outperformed Large-cap issues.
- Economically sensitive sectors like Technology (+19.9%), Real Estate (+17.5%), and Industrials (+17.2%) led the markets while more cyclical sectors such as Materials (+10.3%), Financials (+8.6%), as well as Health Care (+6.6%) lagged.
- REITs were a large beneficiary of the drop in interest rates.



# INTERNATIONAL MARKETS OVERVIEW

International Equity Market Returns (%)  
as of March 31, 2019



	10-Yr Govt Bond Yield (%)	Exchange Rate	
United States	2.41	DEX	97.28
United Kingdom	1.05	Pound/USD	1.30
Germany	-0.07	Euro/USD	1.12
France	0.32		
Japan	-0.09	USD/Yen	110.84
China	3.10	USD/Yuan	6.72
Brazil	8.99	USD/Real	3.92
Data as of 3/31/19			

- International stocks were positive in the first quarter as tensions between the U.S. and China subsided on progress in trade negotiations. The MSCI ACWI ex USA index gained 10.3% and each of the regional indexes posted gains during the quarter. The MSCI EAFE Index increased 10.0%. The MSCI Europe index was the best performing of the regional indexes with a 10.8% return. The Emerging Markets Index returned 9.9%.
- International stocks were relative underperformers as compared to the U.S in the first quarter on slower economic growth and a stronger US dollar. The US dollar (DXY) strengthened by 1.2% in the quarter on stronger relative US economic growth and gained 7.9% year- over-year.



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