SENIOR SOLUTIONS UPDATE

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SUBJECT:	2019 - 2020 INVESTMENT COMMENTARY
DATE:	JANUARY 25, 2020

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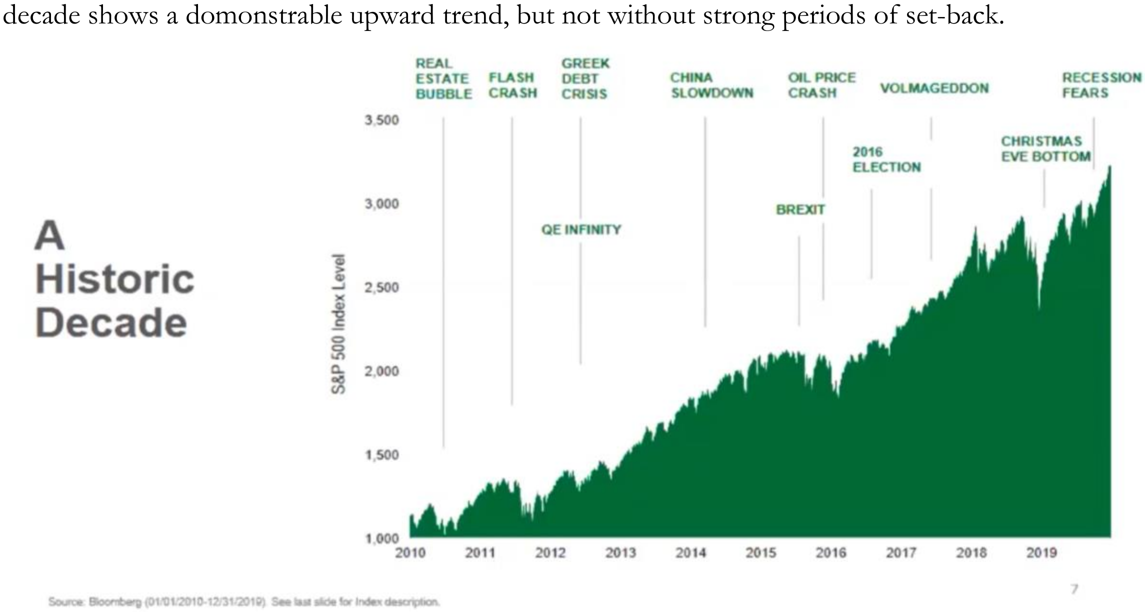
Review

There was a global slowdown that started in April 2018 and it did not look promising at the start 2019. It wasn't until the US FOMC reversed course and dropped rates, that the US financial markets spiked. The global economy is still balancing on an inflection point. 'Recessions are often as unexpected as a power cut,' reported Barclays. Investing is about funding profitable companies and garner the returns.

The timing and magnitude of returns are difficult to predict. Valuations rely behavioural biases as well as fundamental analysis. The term 'assets' has its roots in the Latin term 'ad satis' or 'to satisfy'. Investing wisely can improve the chances of satisfying investment goals. The growth of the S&P Index over the last decade shows a domonstrable upward trend, but not without strong periods of set-back.



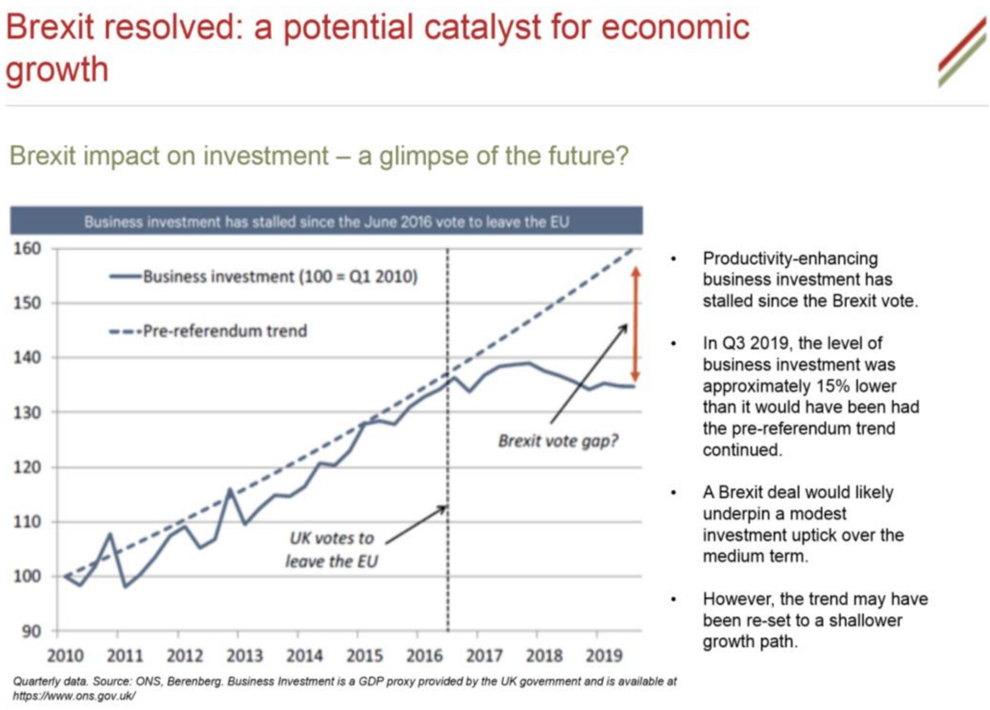
In a vacuum, 2019 returns were astounding on a yearly basis. But the rates of return were entirely unjustified on earnings growth basis. It is more appropriate to average 2018-19 over the two years, to remove the effect of the 'Christmas Eve Bottom', which led 2019 to start in a hole. Clark Blackman in Advisors' Perspectives, pointed out that over a two years horizon, the return is a more reasonable +12.1% for the S&P 500, +10.0% for the Dow and +14.0% for the Nasdaq. Historically, large company returns have averaged around 10% and small company returns around 12%.

Market Overview

Stocks are at all-time highs in the face of potential impact of geopolitics and policy uncertainties in the US, China, Brexit, and Iran . While, the stock-to-bond ratio signal the start of another expansion.

JP Morgan conservatively forecasts global growth to meager 2.% over the next 10 to 15 years, down 20 basis points (bps) from last year. Developed market forecasts remain unchanged at 1.5%, but emerging market (EM) forecasts were trimmed to 3.9%. Over the long run, developed markets ex-U.S. are set to outperform U.S. markets. The US is reaching a peak with possible slower growth in the near future.

In Europe, manufacturers suffered from a slowdown in exports. While other sectors were resilient as the job market was steady and inflation low. The markets were supported by macroeconomics and cheap valuations. Euro Stoxx 600 Index (SXXP) broke out of a 20-year base. And European Small Caps are attractive. UK valuations could see a big boost if the business investment trend returns to the mean

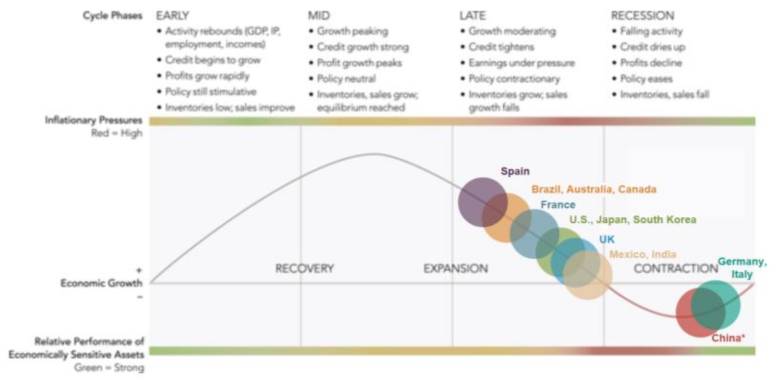


Equity markets are over-extended and open to risk of correction, according to Fitch Solutions. In addition, the US economy is growing at its slowest rate in a decade, forecast at 2% for 2020, with global growth pegged at 3% for 2020. There is nothing on the 2020 horizon that will stimulate US GDP expansion. In 2019, equities rose due to expanding multiples more than strong economics.

Economic growth is driven by three factors: how many people are working, what tools they are working with, and how efficient those people are at using those tools.

Mature U.S. and Global Business Cycles

Business Cycle Framework



Note: The diagram above is a hypothetical illustration of the business cycle. There is not always a chronological, linear progression among the phases of the business cycle, and there have been cycles when the economy has skipped a phase or retraced an earlier one. * A growth recession is a significant decline in activity relative to a country's long-term economic potential. We use the "growth cycle" definition for most developing economies, such as China, because they tend to exhibit strong trend performance driven by rapid factor accumulation and increases in productivity, and the deviation from the trend tends to matter most for asset returns. We use the classic definition of recession, involving an outright contraction in economic activity, for developed economies. Source: Fidelity Investments (AART), as of 11/30/19.

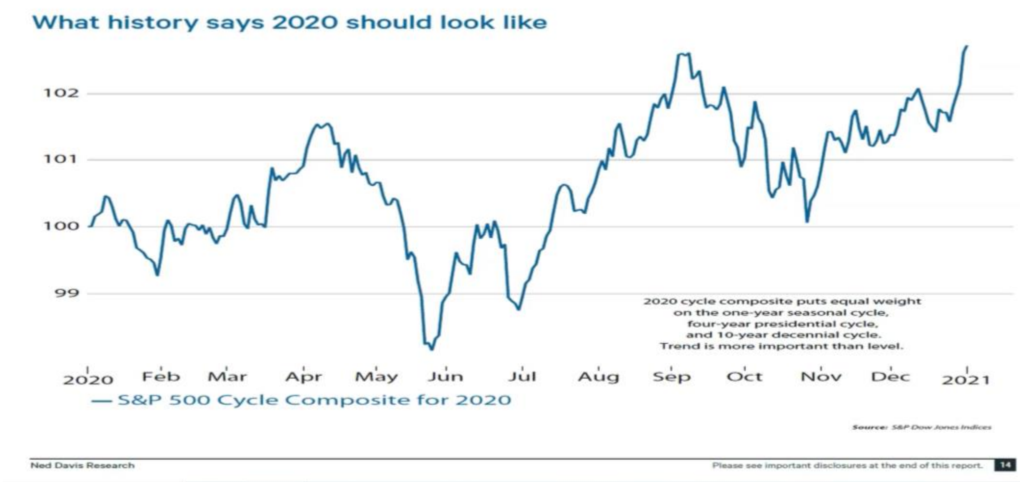
Equity Markets

The liquidity created from recent US rate easing flowed into the stock market, escalating prices. These higher prices pushed valuations to 57% above mean. Wellington Investment Management advises to be focused on the valuation of any further growth exposure, especially in the US. As a result the Low-Volatility style of investing is starting to look expensive in the US but not necessary in other regions.

The leadership of the Growth vs the Value style investing is still unclear. Support for the Value approach is small if the economy is entering a cyclical cycle. There was a rotation from Growth to Value in mid-Sept 2019. These trends tend to continue for five months before reverting, which would be May 2020. Sector trends include:

- *A shift from Defensive to Cyclical sectors has already turned more positive. Cyclical sentiment are now at high levels.*
- *Large Cap stocks are better positioned to benefit in the current economic climate. It is moving to a less advantageous for Small Caps, however there may be a shorter tactical opportunity.*
- *Financials look attractive across global markets.*
- *Semiconductors and other cyclical groups may see continued strength in 2020.*
- *Health Care is attractive now that US politics has shifted away from Medicare for All. There is also too much risk priced into healthcare and energy, meaning there is potential upside.*
- *Forecasted returns from global real assets and infrastructure have held up remarkably well. The forecast is that core U.S. real estate returns will average 5.8% over next 10-15 yrs. Focus on more defensive areas of the real assets market.*
- *In the Transportation sector, port volumes, rail car loading, truck volumes and air freight contracted about 5% year-on-year.*
- *Precious metals are less important as a hedge with low inflation risk. Industrial metals and natural resources are favored. Commodities in backwardation with a positive roll-yield.*

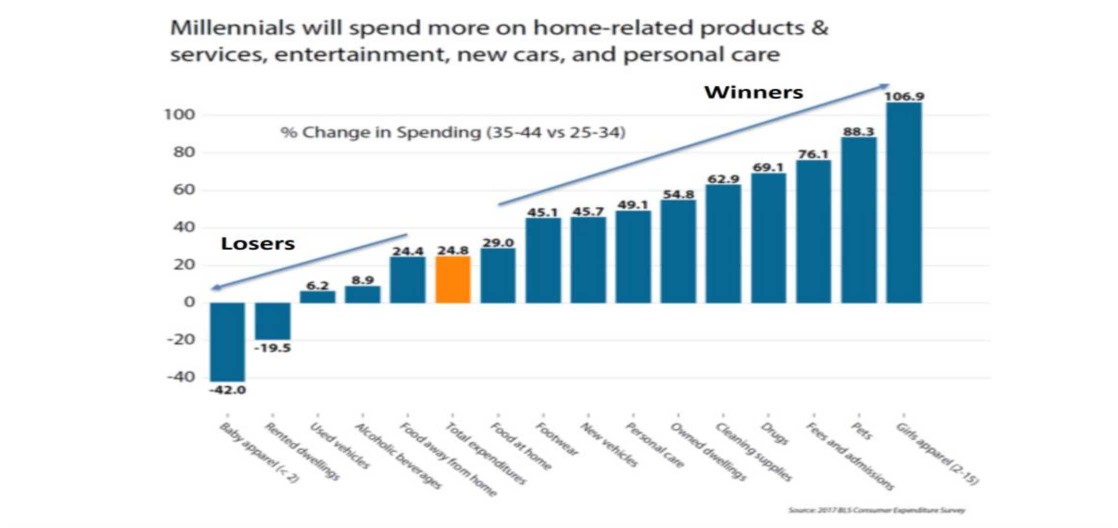
US Election Effect



There will be an election roller-coaster in 2020. The US election impact is likely to peak in Feb, Aug, and Nov. There are the early cacuses, followed by the party conventions in Summer, and then the after-election effect. That could be either positive or negative, depending upon the outcome.

The Echo-Boom

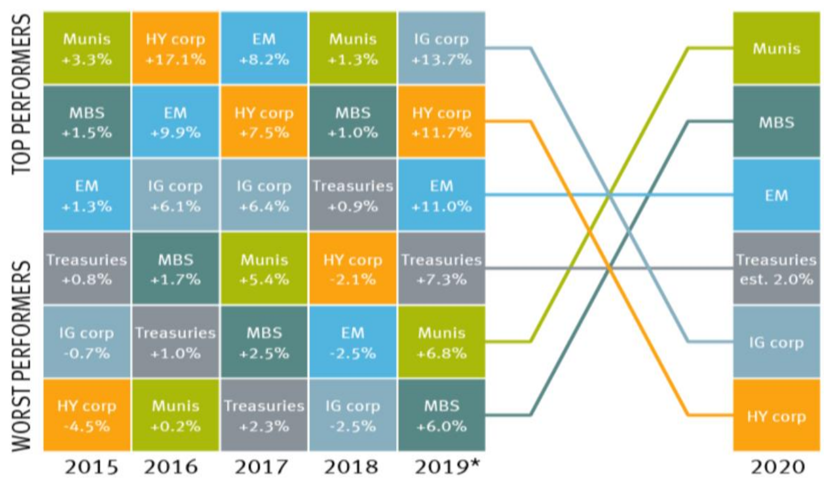
The "echo-boom" is already changing the economy. After being forced to delay major life events in the wake of the financial crisis, Millennials are finally moving out. Aided by historically low interest rates, household formation is at a post-financial crisis peak, ballooning real estate prices and all the spending that goes with it. This is resulting in a shift in spending from recreation and rental to the following:



In last decade, there were companies that created their own growth. Inexpensive components like circuits or silicon chips resulted in growth in other products. A surprising product area is Video Games. That is now the largest media. It represents a multiple of 8x the music and 3x the movie business. It is also growing 3x faster rate since 2007. Another area is Cloud Computing. The infrastructure still has growth potential to be realized. All these areas will continue to grow with the echo-boom.

Fixed Income Market

Ranked returns: We see 2019's worst performers setting the pace in 2020



Note: MBS = Agency mortgage-backed securities, EM = Emerging market government debt, IG corp = Investment-grade corporates, HY corp = High-yield corporates

Source - RBC Wealth Management, Bloomberg Barclays bond indexes; *2019 returns through 11/19/19

The rise in the 2019 US Bond returns rose due to the reduction in interest rates and the narrowing of the spreads to the US Treasury rates, that was a result of a bid-up in price of higher-risk fixed income types. The spread between BB and A is the tightest since 2015, meaning investors are not being paid for added risk. The Yield Curve flattened from unusal demographic and monetary factors. But is not inverted,

Wellington remains moderately bullish on High Yield and Securitized Loans. Columbia Threadneedle - notes that Mortgage and Asset-backed securities are attractive due to the higher yields and amortizing principle payments. Whereas Investment-Grade Credit has slid to neutral. Spreads are about 100 bps over Treasuries, which is below the median since the index's inception. If they return to normal, prices will drop. Emerging Market Debt is more vulnerable to global political uncertainty. Shorter-duration investments in US High-Yield and Securitized Assets offer interesting return potential.

Securitized assets offer several potential benefits: structures that are default-remote and more diversified than Corporate Bonds. They are touted as a way to tap into the relatively healthy US consumer and offer spreads that compare favorably to Corporate Bonds of similar credit rating.

The dollar is anticipated to slide from its current holding pattern, with EUR/USD value of 1.38, USD/JPY of 88, and for GBP/USD of 1.48. So there is further scope anticipated for sterling strength from the current 1.30. A drop in the yen signals an increased readiness to take risks, explained Axioma Risk Monitor. Gold is currency of choice when countries are devaluing currencies. There is no default risk for Gold. It tends to rally with rate declines and real rates are low. Any bond defaults will be in a few troubled sectors: 11% in Energy, with the oilfield equipmnt service defaults more than 20%, and 7% in Telecoms. Healthcare, Financial Services, Media, Real Estate, and Retail Sectors have rates below 2%.

Asset Allocation

This Northern Trust tactical over or underweights asset classes and/or sectors from an overall index. It is an illustration of the institutional perspective and impacts the SSL allocation focus.

Tactically Overweight Equities, Underweight Bonds

		ASSET CLASS	STRATEGIC (%)	TACTICAL OVER/UNDERWEIGHT (%)	TACTICAL (%)
RISK CONTROL	Fixed Income	Cash	2	-2	0
RISK CONTROL	Fixed Income	U.S. Investment Grade	34	-5	29
RISK CONTROL	Fixed Income	Inflation-Linked Bonds	5	-5	0
RISK ASSETS	Fixed Income	U.S. High Yield	5	5	10
RISK ASSETS	Equities	U.S. Equity	25	4	29
RISK ASSETS	Equities	Dev. Ex-U.S. Equity	15	1	16
RISK ASSETS	Equities	Emerging Market Equity	6	-2	4
RISK ASSETS	Real Assets	Global Listed Infrastructure	2	2	4
RISK ASSETS	Real Assets	Global Real Estate	2	3	5
RISK ASSETS	Real Assets	Global Natural Resources	4	-1	3
RISK ASSETS	Gold	Gold	0	0	0

Source: Northern Trust Investment Strategy. Allocations above reflect Northern Trust's Global Policy Model; the proxy account for the Investment Policy Committee. Allocations as of 12/5/2019. SAA = Strategic Asset Allocation. TAA = Tactical Asset Allocation.

Northern Trust favors High Yield for fixed income. Developed Country equities are emphasized with an increase to Ex-US. Investments in Global Listed Infrastructures and Real Estate are increased. SSL also sees potential in select Emerging Markets and Commodities. The 1Q20 Model Portfolio is attached.

Conclusion - *CONTROLLING THE CONTROLLABLE*

With so much uncertainty in the World, it is likely to be a volatile year. SSL continues to focus on protecting downside risk, while trimming Low Vol gains and adding to more Cyclical Sectors. More emphasis will also be placed on Europe while Emerging Markets will be maintained near current levels.

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.