Economic and Capital Market Review

Fourth Quarter 2019

Positive developments in geopolitics, fiscal policy and monetary policy provided strong tailwinds for financial markets during the fourth quarter. A de-escalation in trade negotiation rhetoric from both the U.S. and China aided risk appetites, while a cautious Federal Reserve provided additional accommodation with a third consecutive rate cut in October. Coupled with a continuation of positive consumer-related economic data, these developments set the stage for equities to sustain record-high valuations, while investment-grade and high-yield credit spreads approached post-crisis lows.

The U.S. and China signed a limited trade deal in January, signaling a pause in the nearly two-year trade war between the world's two largest economies and setting the stage for talks for a broader agreement down the road.

The “Phase One” agreement, the product of months of negotiations between officials in Washington and Beijing, calls for China to purchase an additional $200 billion worth of U.S. goods and services over the next two years, including another $32 billion in agriculture products. China also promised not to pressure foreign companies to turn over their intellectual property for the right to do business there and to refrain from devaluing its currency to give its companies an advantage over foreign competitors.

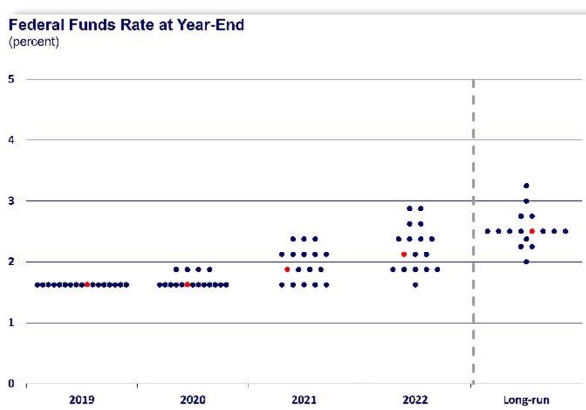
Meanwhile, the U.S. will keep in place most of the tariffs it imposed on $360 billion in Chinese products over the past 18 months as incentive for China to negotiate a broader “Phase Two” deal.

However, analysts question how much the U.S. really got out of the deal. U.S. consumers won’t get much of a financial reprieve from the deal, economists say, because while the truce helps consumers avoid the pain of further tariffs, it doesn't erase all the earlier ones. The most important element of this deal is what didn't happen: further tariffs.

It is fair to say that all the big trade issues between the U.S. and China remain unaddressed and punted into the future.

Federal Open Market Committee (FOMC)

It appears the Fed’s “mid-cycle adjustment” is complete now that we are one meeting removed from the third consecutive cut in the fed funds rate which is currently targeted between 1.5-1.75%. The December FOMC meeting statement struck a balanced tone, as the Fed acknowledged that uncertainties had somewhat subsided. However, Chairman Powell noted that for the FOMC to consider future rate hikes, inflation would have to move materially higher on a sustained basis. For the time being, that appears to be a tall order, as most of the Fed’s preferred inflation measures continue to undershoot their long-term objectives.



As we discussed last quarter, the Fed had to expand its focus beyond policy rate decisions to also include the stability of short-term funding markets, which experienced significant volatility during the fourth quarter. The Fed waged an aggressive response, which combined open-market repurchase operations with the

Northview Asset Management, LLC
12117 FM 2244 |Building III, Suite 280 | Austin, TX 78738
T: 855.373.2900 | F: 512.852.6779 |www.northviewam.com

initiation of Treasury bill purchases at a pace of $60 billion per month. These measures were particularly helpful as markets navigated through the year-end when funding pressures have a tendency to develop.

Real Gross Domestic Product (GDP)

According to preliminary data released by the Commerce Department, the U.S. economy grew 2.1% in the fourth quarter, closing out a year in which gross domestic product decelerated to its slowest pace in three years amid a continuing drag in business investment (private investment). For the full year, the economy grew 2.3%, well below the 2.9% increase in 2018 and slightly below the 2.4% increase in 2017.

Economic Growth	4Q19	3Q19	2Q19
Real GDP (1)	**2.1%**	**2.1%**	**2.0%**
Personal Consumption (2)	1.2%	2.1%	3.0%
Private Investment (2)	-1.1%	-0.2%	-1.2%
Government (2)	0.5%	0.3%	0.8%
Net Exports (2)	1.5%	-0.1%	-0.6%
Real GDP Components			
Domestic Final Sales (1)	1.6%	2.2%	3.7%
Foreign Trade Effect (1)	1.5%	-0.1%	-0.6%
Final Sales (1)	3.1%	2.1%	3.1%
Inventory Effect (1)	-1.0%	0.0%	-0.9%
Real GDP (1)	2.1%	2.1%	2.0%
Demand Components			
Personal Consumption (1)	1.8%	3.1%	4.6%
Business Fixed Investment (1)	-1.5%	-2.3%	-1.0%
Residential Investment (1)	5.8%	4.6%	-2.9%
Government Spending (1)	2.7%	1.7%	4.8%

(1) Annualized Q/Q % Change, (2) Contribution to GDP Growth

Continued gains in consumer spending (personal consumption) helped propel the economy in the year's final three months, though the rate of increase came in at 1.8%, well below the 3.1% pace in the third quarter. Still, personal consumption expenditures was 1.2% of the 2.1% quarterly rise in GDP which is an important barometer considering the consumer accounts for 68% of what is now a $22 trillion U.S. economy.

The report also showed that final demand - a measure of underlying growth that strips out some of the most volatile components – rose 1.6% this quarter after climbing 2.2% in 3Q19 and 3.7% in 2Q19.

Overall, this was another goldilocks report, which while hardly confirming the "greatest economy in American history", will give the Fed a green light to hold interest rates steady for the foreseeable future.

Inflation

The Consumer Price Index (CPI) measures price changes in consumer goods and services from the perspective of the purchaser.

Inflation	12/19	5 Year High	5 Year Low
Headline (All Items)			
CPI (3)	2.3%	2.9%	-0.2%
PCE (3)	1.6%	2.5%	0.1%
PPI (3)	1.3%	3.4%	-1.5%
Core (Less Food and Energy)			
CPI (3)	2.3%	2.4%	1.6%
PCE (3)	1.6%	2.1%	1.2%
PPI (3)	1.1%	2.9%	0.2%
Inflation Expectations			
5Yr Breakeven Inflation	1.6%	2.1%	1.1%
10Yr Breakeven Inflation	1.7%	2.1%	1.3%
30Yr Breakeven Inflation	1.8%	2.2%	1.5%

(3) Y/Y % Change

The Personal Consumption Expenditures Index (PCE) includes a broader range of expenditures than CPI and uses a formula that adjusts for changes in consumer behavior. PCE measures price changes from the perspective of the purchaser.

The Producer Price Index (PPI) measures the change in selling prices of goods and service by domestic producers from the perspective of the seller. PPI inflation generally appears before CPI and PCE.

When making decisions on monetary policy, the Fed is most interested in the less volatile Core PCE, which excludes food and energy. Core PCE inflation increased +1.6% on a year-over-year basis and continues to trend below Fed's target of +2.0%. The early signs of inflation we saw a few months ago have dissipated as inflation was tame during the quarter.

Northview Asset Management, LLC
12117 FM 2244 |Building III, Suite 280 | Austin, TX 78738
T: 855.373.2900 | F: 512.852.6779 |www.northviewam.com

Business

The Conference Board's Leading Economic Index (LEI) decreased 0.4% during the quarter to 111.2. For the twelve-month period ending December, the leading economic index has increased by +0.1%. The LEI has now declined in four out of the last five months. Its six-month growth rate turned slightly more negative in the final quarter of 2019, with the manufacturing indicators pointing to continued weakness in the sector. However, financial conditions and consumers' outlook for the economy remain positive, which should support GDP growth of about 2.0% through early 2020.

Business	12/19	5 Year High	5 Year Low
Leading Economic Index	111.2	112.0	97.9
Leading Economic Index (3)	0.9%	6.5%	0.1%
Small Business Optimism	102.7	108.8	92.6
ISM PMI	47.2	60.8	47.2
ISM NMI	55.0	60.8	51.6

(3) Y/Y % Change

According to the latest Manufacturing ISM Report on Business, the overall economy grew for the 128th consecutive month. The past relationship between the ISM PMI and the overall economy indicates that the December reading of 47.2% corresponds to a 1.3% increase in real gross domestic product on an annualized basis. *(A PMI reading above 42.9%, over a period of time, generally indicates an expansion of the overall economy.)*

The latest Non-Manufacturing ISM Report on Business indicates economic activity in the non-manufacturing sector grew for the 119th consecutive month. The past relationship between the ISM NMI and the overall economy indicates that the December reading of 55.0% corresponds to a 2.2% increase in real gross domestic product on an annualized basis. *(An NMI reading above 48.6%, over a period of time, generally indicates an expansion of the overall economy.)*

Employment

Better than expected job growth during October through December has been a reassuring bulwark for our aging but resilient economic expansion. Job growth is an important propellant fueling our consumer-driven economy. Incredibly, job growth has persisted for an unprecedented 111 months.

Labor	12/19	5 Year High	5 Year Low
Wage Growth (3)	3.0%	3.1%	2.0%
Unemployment Claims (5)	234	301	212
Nonfarm Payrolls (6)	184	285	135
Unemployment Rate-U3	3.5%	5.7%	3.5%
Under-employment Rate-U6	6.7%	11.3%	6.7%
Labor Force Participation	63.2%	63.3%	62.4%

(3) Y/Y % Change, (5) Four Week Moving Average in Thousands,
(6) Three Month Moving Average in Thousands

The unemployment rate remained at 3.5%, the lowest rate since December 1969, as employers added an average of 184,000 jobs per month to the US economy during the quarter. This strength is very welcome news given that slowing global growth, trade anxiety and an obvious softening in the manufacturing sector had raised angst about the durability of the expansion.

The BLS calculates six versions of the unemployment rate. The official and most quoted rate is the U-3 version. The broadest or most inclusive version of the unemployment rate is U-6 version which includes all persons marginally attached to the labor force plus those employed part-time for economic reasons. During the quarter, U-6 decreased slightly to 6.7% matching the low point of the previous expansion. U-6 was as high as 17.1% during the last recession. The labor force participation rate remains at 63.2% during the quarter which was about the only metric that did not improve.

Against this backdrop, economists and investors viewed the jobs reports as a neutral sign. It was neither strong enough to confirm a robust economy, nor weak enough to confirm a weakening economy.

Northview Asset Management, LLC
12117 FM 2244 |Building III, Suite 280 | Austin, TX 78738
T: 855.373.2900 | F: 512.852.6779 |www.northviewam.com

Consumer

Historically, strength in consumer confidence surveys bodes well for increased economic activity in the following months. The December survey reading of 128.2 was driven primarily by consumers' more positive assessment of the current job market and increased optimism about future job prospects. Optimism about the labor market should continue to support confidence in the short-term and, as a result, consumers will continue driving growth and prevent the economy from slowing in early 2020.

Consumer	12/19	5 Year High	5 Year Low
Consumer Confidence	128.2	137.9	91.0
Consumer Sentiment	99.3	101.4	87.2
Auto Sales (3)	-3.9%	8.7%	-5.5%
Retail Sales (3)	5.8%	6.5%	1.5%

(3) Y/Y % Change

Housing

Homebuilding took a sharp turn higher to end 2019, but it is far from enough to satisfy the current demand. The U.S. housing market is short nearly 4 million homes, according to new analysis from realtor.com. Analyzing U.S. census data, the report showed that the 5.9 million single-family homes built between 2012 and 2019 do not offset the 9.8 million new households formed during that time. Even with an above average pace of construction, it would take builders between four and five years to get back to a balanced market.

Housing	12/19	5 Year High	5 Year Low
Housing Affordability	164	184	138
Housing Starts (4)	1,608	1,608	888
Building Permits (4)	1,420	1,474	1,057
New Home Sales (4)	694	729	458
Existing Home Sales (4)	5,540	5,720	4,860

(4) Monthly Seasonally Adjusted Annual Rate in Thousands

The shortfall today can be traced back to the foreclosure crisis more than a decade ago. When millions of homes went into foreclosure, home construction plummeted. Builders crawled back by focusing mainly on higher-end homes, where the margins are more attractive. Supply has always been leanest on the low end, as investors have been very active in that price range since the foreclosure crisis. In addition, roughly 5 million mostly entry-level homes have been turned into single-family rentals, and strong demand for those rentals means investors are unlikely to put the homes up for sale anytime soon.

Looking forward

Overall, domestic economic indicators continued to be moderate during the fourth quarter of 2019. The prospects for 2020 appear favorable based on positive trends in consumer spending, job gains and inflation. We expect the U.S. economy to grow at annualized rate of +2.0% in 2020 due in part to low unemployment and low inflation, a combination that produces stronger consumer purchasing power.

Northview Asset Management, LLC
12117 FM 2244 |Building III, Suite 280 | Austin, TX 78738
T: 855.373.2900 | F: 512.852.6779 |www.northviewam.com

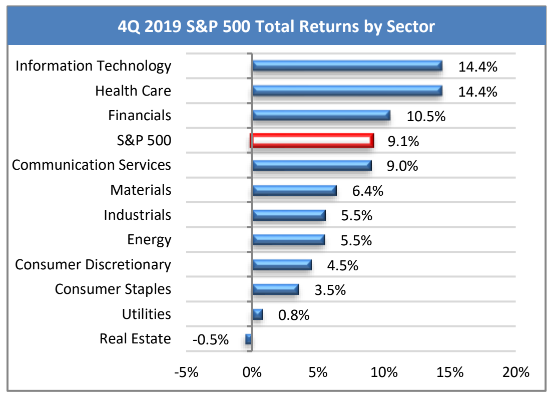
Equity Market Summary

The stock market soared to new heights in the fourth quarter, thanks to an improved economic picture, alleviated trade tensions and a dovish Fed. The benchmark S&P 500 index rose 9.1% in Q4, the Dow Jones Industrial Average was up 6.7%, and the Nasdaq was up 12.5%. Results overseas were also positive as the MSCI EAFE index up 8.7% and the MSCI Emerging Markets index up 11.7%.

Equity investors closed the books on 2019 in a decidedly bullish mood as global fundamentals showed early evidence of a year's worth of coordinated monetary easing and fiscal stimulus. There was modest relief in the US and Eurozone manufacturing and service sector data, while corporate performance brightened overall as it digested the impacts of rate cuts that began early in the year. The markets rallied further on progress in US-China trade talks.

Equity Total Returns			
	4Q 19	YTD	12 MO
DJIA	6.7%	25.3%	25.3%
S&P 500	9.1%	31.5%	31.5%
Nasdaq	12.5%	36.8%	36.8%
International (1)	8.7%	23.1%	23.1%
Emerging Markets (2)	11.7%	18.1%	18.1%
Domestic Market Cap			
Mega (3)	10.5%	32.9%	32.9%
Large (4)	9.8%	31.8%	31.8%
Mid (5)	7.1%	30.5%	30.5%
Small (6)	9.9%	25.5%	25.5%
Domestic Style			
Growth (7)	10.7%	35.9%	35.9%
Core (7)	9.1%	31.0%	31.0%
Value (7)	7.5%	26.2%	26.2%

(1) MSCI EAFE IMI, (2) MSCI Emerging Markets IMI, (3) Russell Top 50, (4) Russell Top 200, (5) Russell Midcap, (6) Russell 2000, (7) Russell 3000



From a fundamental perspective, valuations increased faster than fundamentals strengthened. Earnings for U.S. companies are feeling the pressure of the slower global growth. Going into the reporting season for the fourth quarter the pressure on earnings continues. The strong job market, while good for the economy as a whole, also creates margin pressure for companies as wages rise. As a result, blended earnings growth for 2019 is projected to be **0%** on revenue growth of **4%**. While blended earnings growth for 2020 is projected to be **9%** on revenue growth of **5%**. In our opinion, analysts 2020 projections are a stretch.

Large companies continue to garner favor, probably because of their perceived stability as the economic cycle ages, and the top half of the market cap universe has experienced a larger increase in valuation than the bottom half (large vs small market cap). The uptick in valuations seems at odds with the fundamentals we discussed earlier including the global weakness in capital expenditures, a key ingredient for economic growth and the drop in the global PMI manufacturing figures, which are posting their lowest readings since 2012.

The blended earnings decline for the S&P 500 for 4Q19 is projected to be -1.9%. For companies that generate more than 50% of sales inside the U.S., the blended earnings decline is -0.5%. For companies that generate less than 50% of sales inside the U.S., the blended earnings decline is -4.5%.

The same holds true for revenue. The blended revenue growth rate for the S&P 500 for Q4 2019 is projected to be 2.9%. For companies that generate more than 50% of sales inside the U.S., the blended revenue growth rate is 4.1%. For companies that generate less than 50% of sales inside the U.S., the blended revenue decline is -0.5%.

Looking forward

Looking forward to 2020, we see more volatility in the markets driven by mixed economic signals and the increased reliance on the Fed. In the current environment, we are now neutral to negative on equities and will hold a slightly underweight exposure until the corporate earnings rebound.

Northview Asset Management, LLC
12117 FM 2244 |Building III, Suite 280 | Austin, TX 78738
T: 855.373.2900 | F: 512.852.6779 |www.northviewam.com

Taxable Bond Market Summary

The dovish tone from the Federal Reserve set the stage for a continued rally in both risky and risk-free fixed income assets. The Bloomberg Barclays U.S. Aggregate Bond Index generated a return of +0.2% in the quarter, pushing its 12 Month return to +8.7%.

The fourth quarter saw a sharp turn in sentiment across fixed income markets that led to a selloff in interest rates and further tightening in credit spreads. The primary catalyst of the reversal was the completion of a "phase one" trade agreement between the U.S. and China, though positive signs from the labor market and evidence of stability in global manufacturing lifted sentiment as well.

Additionally, the Fed made it clear that tightening was effectively out of the question until the committee sees meaningful evidence of inflation, suggesting monetary policy is likely to remain accommodative indefinitely. By year-end, worries of a trade war inspired global slowdown or a central bank induced liquidity crisis had been replaced with talk of green shoots, inflection points and the recession that never was.

U.S. Treasury yields responded by moving sharply higher during the quarter. The Treasury curve experienced a significant steepening, causing the sector to generate a slight loss while still holding on to its best full-year returns since 2011. At the short end, rates were pulled lower by the Fed's decision to cut the overnight rate for the third time this year. Intermediate and long rates, on the other hand, sold off as investors gained confidence in the outlook for global growth and the belief the Fed would let inflation "run hot."

Credit enjoyed a solid run into year-end amid the broad rally in risk assets, with investment grade spreads compressing to their tightest level since early 2018. The lowest-rated segment of the investment grade market led the way, as the combination of an upbeat earnings season and dissipating macroeconomic worries allayed concerns about a wave of ratings downgrades. High yield corporates were the best-performing sector of the taxable bond market, enjoying a rally that saw spreads push close to their decade tights despite healthy new issuance. This strong showing was due in large part to a benign outlook for defaults, which are generally expected to be idiosyncratic and concentrated in the lowest quality, commodity-exposed names.

U.S. Treasury Yield Curve				
	Dec 19	QTR BPS Δ	YTD BPS Δ	12 MO BPS Δ
2 Year	1.58%	-5	-90	-90
5 Year	1.69%	14	-82	-82
10 Year	1.92%	24	-77	-77
30 Year	2.39%	27	-63	-63
Credit Spreads				
	Dec 19	QTR BPS Δ	YTD BPS Δ	12 MO BPS Δ
AAA	17 bps	-1	1	1
AA	50 bps	-5	-24	-24
A	70 bps	-18	-49	-49
BBB	125 bps	-27	-72	-72
< BBB	334 bps	-39	-192	-192
Taxable Bond Total Returns				
		4Q 19	YTD	12 MO
Aggregate Bond Index		0.2%	8.7%	8.7%
International		0.7%	5.1%	5.1%
Emerging Markets		2.1%	13.1%	13.1%
Domestic Sector				
Treasury		-0.8%	6.9%	6.9%
Agency		0.5%	7.6%	7.6%
Corporate		1.2%	14.5%	14.5%
Securitized		0.6%	6.4%	6.4%
Domestic Quality				
AAA		-0.2%	6.7%	6.7%
AA		0.0%	9.5%	9.5%
A		0.7%	13.0%	13.0%
BBB		1.7%	16.4%	16.4%
< BBB		2.6%	14.3%	14.3%
Domestic Maturity				
Short (1)		0.6%	4.0%	4.0%
Intermediate (2)		0.5%	7.3%	7.3%
Long (3)		-1.1%	19.6%	19.6%

(1) Short 1-3 Years, (2) Intermediate 5-7 Years, (3) Long 10+ Years

Risk assets are richly valued in our view, given the mixed outlook on earnings growth and the Fed's willingness to let inflation "run hot". We believe tempered enthusiasm is warranted, as forward return expectations have moderated given the lower level of yields and spreads across the maturity and quality spectrum.

Looking forward

We continue to maintain a "defensive overweight" to credit by emphasizing shorter duration holdings and avoiding issuers that we feel lack the ability to maintain their credit fundamentals.

Northview Asset Management, LLC
12117 FM 2244 |Building III, Suite 280 | Austin, TX 78738
T: 855.373.2900 | F: 512.852.6779 |www.northviewam.com

Municipal Bond Market Summary

Despite a sharp backup in Treasury yields, municipal bonds were able to post modest gains in the fourth quarter, locking in the strongest calendar year for returns since 2014. The Bloomberg Barclays Municipal Bond Index was up +0.7% in the quarter, pushing its 12 Month return to +7.6%.

The outperformance of municipal bonds versus Treasuries was largely driven by heavy flows into the tax-exempt space. The municipal bond market provides one of the last shelters for current income from federal taxation. Limits on taxpayer deductions for state and local tax (SALT) drove investors to seek out tax exempt municipals, at almost any cost.

Technical factors, or supply and demand dynamics, were a positive for the municipal market. On the supply front, new municipal bond issuance totaled $143 billion in the fourth quarter, according to SIFMA. This represents an increase of almost 55% compared to 4Q18 supply.

On the demand front, fund inflows remained robust, with investors pouring $25 billion into municipal bond funds during the quarter, according to Lipper fund flow data. Mutual funds have now experienced 51 straight weeks of net inflows. The unprecedented strength of inflows contributed to the aforementioned relative strength the municipal market has enjoyed in 2019.

Looking ahead to 2020, the municipal bond market appears to be in good shape, both fundamentally and technically. States and municipalities have banked the revenue windfall of the past few years, building reserves back above their prerecession highs. Conservative budgeting practices have been cited in a substantial number of upgrades in 2019, and barring a downturn, there's little reason to believe that will change anytime soon. Meanwhile, even with the tremendous run of performance in 2019, demand for tax-exempt income should continue to be relentless, especially with the political uncertainty that will accompany the lead-up to November's presidential election.

AAA Municipal Yield Curve (%)				
	Dec 19	QTR BPS Δ	YTD BPS Δ	12 MO BPS Δ
2 Year	1.06%	-21	-74	-74
5 Year	1.14%	-14	-82	-82
10 Year	1.48%	1	-83	-83
30 Year	2.15%	4	-94	-94
Municipal AAA Yield to Treasury Yield Ratio (%)				
	Dec 19	QTR Δ	YTD Δ	12 MO Δ
2 Year	67%	-11%	-6%	-6%
5 Year	67%	-15%	-11%	-11%
10 Year	77%	-10%	-9%	-9%
30 Year	90%	-9%	-12%	-12%
Municipal Bond Total Returns				
		4Q 19	YTD	12 MO
Municipal Bond Index		0.7%	7.6%	7.6%
Type				
General Obligation		0.8%	7.3%	7.3%
Revenue		0.7%	7.9%	7.9%
Quality				
Aaa		0.7%	6.7%	6.7%
Aa		0.7%	7.1%	7.1%
A		0.7%	8.1%	8.1%
Baa		1.0%	9.9%	9.9%
<Baa		0.9%	10.7%	10.7%
Maturity				
Short [1]		0.9%	3.7%	3.7%
Intermediate [2]		1.0%	6.7%	6.7%
Long [3]		0.8%	7.7%	7.7%

[1] Short 3 Years, [2] Intermediate 6-8 Years, [3] Long 8-12 Years

Looking forward

We continue to maintain a "defensive overweight" to municipals by emphasizing intermediate duration holdings and avoiding issuers that we feel lack the ability to maintain their credit fundamentals.

Northview Asset Management, LLC
12117 FM 2244 |Building III, Suite 280 | Austin, TX 78738
T: 855.373.2900 | F: 512.852.6779 |www.northviewam.com

Disclaimer

Advisory services offered through Northview Asset Management, LLC, a registered investment advisor.

Securities offered through Sanctuary Securities, LLC, member FINRA and SIPC.

Northview makes no representation as to the accuracy or completeness of information contained herein. The information is based upon data available to the public and is not an offer to sell or solicitation of offers to buy any securities mentioned herein. Any investment discussed may not be suitable for all investors. Investors must make their own decisions based on their specific investment objectives and financial circumstances. Investments are subject to risk, including but not limited to market and interest rate fluctuations. Any performance data represents past performance which is no guarantee of future results. Prices/yields/figures mentioned herein are as of the date noted unless indicated otherwise. All figures subject to market fluctuation and change. Additional information available upon request.

Economic Index Descriptions

Real Gross Domestic Product (GDP): Real GDP is a basic measure of U.S. economic output adjusted for inflation. Alternatively, it can be thought of as the final value of all goods and services produced within the U.S. Positive Real GDP growth signals an expanding economy.

Consumer Price Index (CPI): Measuring the change in the CPI provides an estimate for inflation. The CPI tracks the price of a basket of consumer goods and services. High inflation or deflation (negative inflation) can be signs of economic worry. CPI is typically reported in two ways: headline and core CPI. Headline CPI includes all categories that comprise the CPI basket of goods and services. Core CPI, which is closely monitored by the Fed, strips out the more volatile Food and Energy categories.

Personal Consumption Expenditure Chain-type Price Index (PCE): Measuring the change in the PCE provides an estimate for inflation. In comparison to CPI, which uses one set of expenditure weights for several years, this index uses expenditure data from the current period and the preceding period. This price index method assumes that the consumer has substituted from goods whose prices are rising to goods whose prices are stable or falling. Core PCEPI, which is closely monitored by the Fed, strips out the more volatile Food and Energy categories.

Producer Price Index (PPI): Measuring the change in the PPI provides an estimate for inflation. The PPI is a weighted index of prices measured at the wholesale, or producer level. A monthly release from the Bureau of Labor Statistics (BLS), the PPI shows trends within the wholesale markets (the PPI was once called the Wholesale Price Index), manufacturing industries and commodities markets. All of the physical goods-producing industries that make up the U.S. economy are included, but imports are not. The PPI measures the average changes over time in the selling prices received by domestic producers.

Conference Board Index of Leading Economic Indicators (LEI): The LEI is designed to signal peaks and troughs in the business cycle. The ten components of for the U.S. include: average weekly manufacturing hours; average weekly initial claims for unemployment insurance; manufacturers' new orders for consumer goods and materials; ISM® Index of New Orders; manufacturers' new orders for nondefense capital goods excluding aircraft orders; building permits for new private housing units; stock prices of 500 common stocks; Leading Credit Index™; interest rate spread on 10-year Treasury bonds less federal funds and average consumer expectations for business conditions.

NFIB Small Business Optimism Index: The small business optimism index is compiled from a survey that is conducted each month by the National Federation of Independent Business (NFIB) of its members. The index is a composite of 10 seasonally adjusted components based on the following questions: plans to increase employment, plans to make capital outlays, plans to increase inventories, expect economy to improve, expect real sales higher, current inventory, current job openings, expected credit conditions, now a good time to expand, and earnings trend.

The Institute for Supply Management (ISM) PMI Index: The PMI is a composite index of five "sub-indicators", which are extracted through surveys to purchasing managers from around the country, chosen for their geographic and industry diversification benefits. The five sub-indexes are: Production, New orders, Supplier deliveries, Inventories and Employment level. An Index value over 50 indicates expansion; below 50 indicates contraction.

The Institute for Supply Management (ISM) Non-manufacturing Index (NMI): The NMI is a composite index of four "sub-indicators", which are extracted through surveys to purchasing managers from around the country, chosen for their geographic and industry diversification benefits. The four sub-indexes: Business activity, New orders, Employment, Supplier deliveries. An Index value over 50 indicates expansion; below 50 indicates contraction.

Consumer Confidence Index (CCI): The Consumer Confidence Index is a well-known proxy for the attitudes of U.S. consumer towards topics such as the business climate, personal finances and spending. In essence, this index attempts to measure the confidence that consumers have in the overall economy. This is important because consumer spending accounts for a large portion of U.S. GDP.

Unemployment Rate: Calculated monthly by the Bureau of Labor Statistics, the unemployment rate is a gauge of the health of the U.S. labor market. High unemployment can stifle the growth of the economy.

Domestic Equity Benchmark Descriptions

Investment Style: Performance of different types of stocks will vary over time. A common way to characterize a stock is by market capitalization (e.g., large cap or small cap) or style (e.g., value or growth).

Northview Asset Management, LLC
12117 FM 2244 |Building III, Suite 280 | Austin, TX 78738
T: 855.373.2900 | F: 512.852.6779 |www.northviewam.com

Large Cap vs. Small Cap: Large companies tend to be more established companies and therefore exhibit lower volatility. Over an extended period of time, expected returns of small cap companies are often higher due to the risks associated with smaller, less established companies.

Mega Cap: The Russell Top 50 Index measures the performance of the 50 largest companies in the Russell 1000 Index, which represents approximately 40% of the total market capitalization of the of the Russell 1000 Index.

Large Cap: The Russell Top 200 Index measures the performance of the 200 largest companies in the Russell 1000 Index, which represents approximately 68% of the total market capitalization of the of the Russell 1000 Index.

Mid Cap: The Russell Midcap Index measures the performance of the 800 smallest companies in the Russell 1000 Index, which represent approximately 36% of the total market capitalization of the Russell 1000 Index.

Small Cap: The Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represents approximately 10% of the total market capitalization of the Russell 3000 Index.

Value vs. Growth: Value companies typically trade at discount valuations and may pay a dividend. Growth companies are those that are experiencing greater earnings growth prospects.

Growth: The Russell 3000 Growth Index measures the performance of those Russell 3000 index companies with higher price-to-book ratios and higher forecasted growth values.

Value: The Russell 3000 Value Index measures the performance of those Russell 3000 companies with lower price-to-book ratios and lower forecasted growth values.

Domestic Fixed Income Benchmark Descriptions

U.S. Aggregate Bond: The Barclays U.S. Aggregate Bond Index measures the performance of USD-denominated, SEC-registered, investment-grade, fixed-rate or step up, taxable bonds. The index includes bonds from the Treasury, Government-Related, Corporate and MBS (agency fixed-rate and hybrid ARM pass-through), ABS, and CMBS sectors. Securities included in the index must have at least 1 year until final maturity.

U.S. Treasury: The Barclays Capital U.S. Treasury Index measures the performance of public obligations of the U.S. Treasury with a remaining maturity of one year or more.

U.S. Agency: The Barclays Capital U.S. Agency Bond Index measures the performance of the agency sector of the U.S. government bond market and is comprised of investment-grade U.S. dollar-denominated debentures issued by government and government-related agencies, including FNMA. The index includes both callable and non-callable securities that are publicly issued by U.S. government agencies, quasi-federal corporations, and corporate and foreign debt guaranteed by the U.S. government.

U.S. Corporate: The Barclays Capital U.S. Corporate Bond Index measures the performance of publicly issued USD-denominated corporate and Yankee debentures and secured notes that meet specified maturity, liquidity, and quality requirements.

U.S. MBS: The Barclays Capital U.S. Mortgage Backed Securities Index measures the performance of mortgage-backed pass-through securities of Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC).

U.S. Municipal Bond: The Barclays Capital Municipal Bond Index measures the performance of the USD-denominated, investment grade, fixed-rate tax exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and pre-refunded bonds. Securities included in the index must have at least 1 year until final maturity.

General Obligation Bond Index: The Barclays General Obligation Bond Index measures the average market-weighted performance of general obligations securities that have been issued in the last five years with maturities greater than one year.

Revenue Bond Index: The Barclays Revenue Bond Index measures the average market-weighted performance of revenue backed securities that have been issued in the last five years with maturities greater than one year.

Northview Asset Management, LLC
12117 FM 2244 |Building III, Suite 280 | Austin, TX 78738
T: 855.373.2900 | F: 512.852.6779 |www.northviewam.com