



GROVE STREET FIDUCIARY, LLC  
WEALTH AND TRUST ADVISORS

*FEBRUARY 2020*

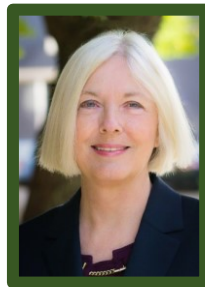
## MARKET COMMENTARY & QUARTERLY MARKET REVIEW



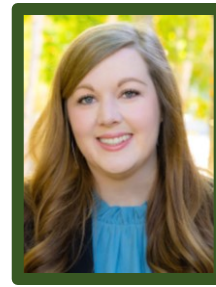
**CARL A.  
JOHNSON**



**HAZEL E.  
HENSEL**



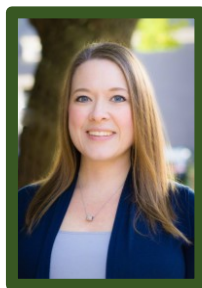
**ELINE  
RUEDIGER**



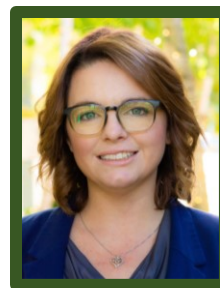
**ASHLEY L.  
REITER**



**LISA A.  
CAREY**



**STEPHANIE  
SAMUELSON**

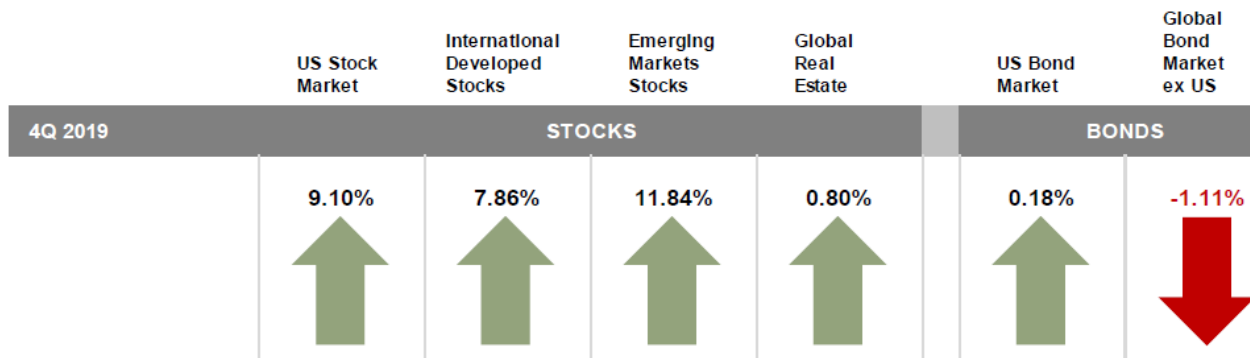


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## Market Commentary: February 2020

What a week! The U.K. formally quit the European Union, the U.S. Senate rejected witnesses in President Trump's impeachment trial, the World Health Organization declared the Coronavirus outbreak a global health emergency, and Australia continues to fight massive bushfires. It is no wonder markets around the world, including the Dow, posted the worst January in four years. Yet even among all these weighty events, there was news of another struggle, a Great Power struggle, that arguably may have more lasting and greater economic impact than the ones listed above. Before I unwrap that battle and the good news that comes with it, let's review the figures for the quarter.



The quarterly performance arrows above (also found on page 2 of the Quarterly Market Review) were so strong for stocks, they could be mistaken for annual returns.

Emerging Markets was the leader for the last three months while Real Estate was the laggard among stocks. In fixed income, U.S. Bonds edged upward while Global Bonds declined. For the year however, both U.S. and Global Bonds nearly doubled their ten-year averages. The returns for stocks were nearly the exact inverse of the same quarter in 2018 where we saw double-digit declines. These sorts of wild swings may be the new normal. Take heart, your portfolio is prepared to benefit from it.

Stocks and bonds had a stellar run in 2019. History suggests that stock gains could very well continue. Since 1920, after rising 25% or more in a year, the S&P 500 has ended the following year higher 67% of the time. As for fixed income, the low borrowing rates we have experienced for such a long time will inevitably turn higher and erode purchasing power. We are watching the market's complacency about inflation and have taken conservative positions to sidestep any surprises. In particular, we have prepared your bond investments for potentially higher bond yields this year by keeping the duration low with short-term bonds and increasing or adding an allocation to Treasury Inflation Protected Securities (TIPS).

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The recent events I mentioned at the beginning of this commentary overshadowed a trial held in Vancouver, Canada, that is part of a new era in Great Power competition, specifically between the U.S. and China, the world's two greatest economies. [A "Great Power" is a sovereign state possessing the ability to influence on a global scale. The U.S., U.K., China, Russia, and France are considered Great Powers.] China's largest private company, Huawei, is the world's second biggest smartphone vendor and is a major equipment provider for 5G high-speed wireless networks, the internet's future infrastructure. Its CFO is on trial in Canada for extradition to the U.S. on charges of violating U.S. sanctions against Iran. The U.S. blacklisted Huawei on the larger concern that Beijing could use its gear for spying. The U.S. is pushing allies to do the same. *Much more significant than a trade war, this battle may be creating a precarious choice, a 'Digital Cold War', where countries must choose between two technology systems, the U.S. or China.* Much of this is driven by China's goal of becoming the world's leading Artificial Intelligence power by 2030 and achieving technological self-sufficiency. The potential impact of two technological ecospheres and an AI arms race will likely be major elements in the competition among the Great Powers in the next decade.

January 27th marked seventy-five years since the Red Army liberated Auschwitz, the conclusion of another battle between the Great Powers. As your fiduciaries, we are proactively monitoring the impact of these challenges on your investments and making recommendations that provide diversification and protection. Here is the good news for you; the capital markets are powerful and if your investments reflect their weighting, regardless of the struggle between global powers, you will win. We will continue to safeguard your investing success by recommending positions in each of the economies, watching closely the balances.

Meanwhile, we hope that our work allows you to have more time to do the things you love to do. May the balance of 2020 bring you blessings, as you are to us.

Thank you for your trust.

*"The war for freedom will never really be won because the price of freedom is constant vigilance over ourselves and our Government." – Eleanor Roosevelt*

Best regards,



Carl Amos Johnson, MBA, CFP®, AIF®

February 2, 2020

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GROVE STREET FIDUCIARY, LLC  
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# Q4

Quarterly Market Review







Fourth Quarter 2019

# Quarterly Market Summary

## Index Returns



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	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate	US Bond Market	Global Bond Market ex US
<b>4Q 2019</b>	<b>STOCKS</b>				<b>BONDS</b>	
	<b>9.10%</b> 	<b>7.86%</b> 	<b>11.84%</b> 	<b>0.80%</b> 	<b>0.18%</b> 	<b>-1.11%</b> 
<b>Since Jan. 2001</b>						
Avg. Quarterly Return	2.1%	1.5%	2.9%	2.6%	1.2%	1.1%
Best Quarter	16.8%	25.9%	34.7%	32.3%	4.6%	4.6%
	<b>2009 Q2</b>	<b>2009 Q2</b>	<b>2009 Q2</b>	<b>2009 Q3</b>	<b>2001 Q3</b>	<b>2008 Q4</b>
Worst Quarter	-22.8%	-21.1%	-27.6%	-36.1%	-3.0%	-2.7%
	<b>2008 Q4</b>	<b>2008 Q4</b>	<b>2008 Q4</b>	<b>2008 Q4</b>	<b>2016 Q4</b>	<b>2015 Q2</b>

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: US Stock Market (Russell 3000 Index), International Developed Stocks (MSCI World ex USA Index [net div.]), Emerging Markets (MSCI Emerging Markets Index [net div.]), Global Real Estate (S&P Global REIT Index [net div.]), US Bond Market (Bloomberg Barclays US Aggregate Bond Index), and Global Bond Market ex US (Bloomberg Barclays Global Aggregate ex-USD Bond Index [hedged to USD]). S&P data © 2020 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. MSCI data © MSCI 2020, all rights reserved. Bloomberg Barclays data provided by Bloomberg.

# Long-Term Market Summary

## Index Returns

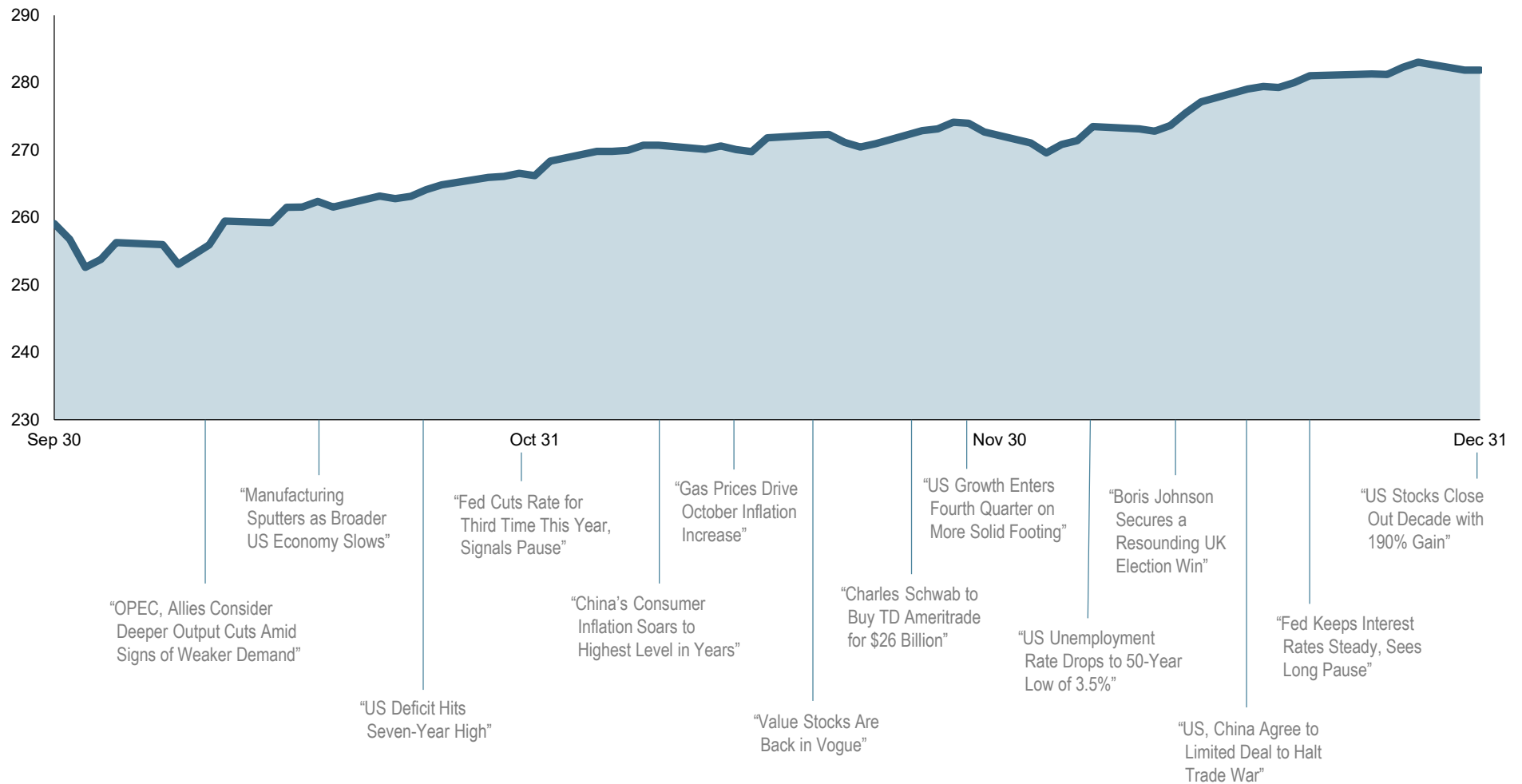


	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate	US Bond Market	Global Bond Market ex US
<b>1 Year</b>	<b>STOCKS</b>				<b>BONDS</b>	
	31.02%	22.49%	18.42%	23.12%	8.72%	7.57%
<b>5 Years</b>						
	11.24%	5.42%	5.61%	5.56%	3.05%	3.87%
<b>10 Years</b>						
	13.42%	5.32%	3.68%	9.31%	3.75%	4.29%

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# World Stock Market Performance

MSCI All Country World Index with selected headlines from Q4 2019



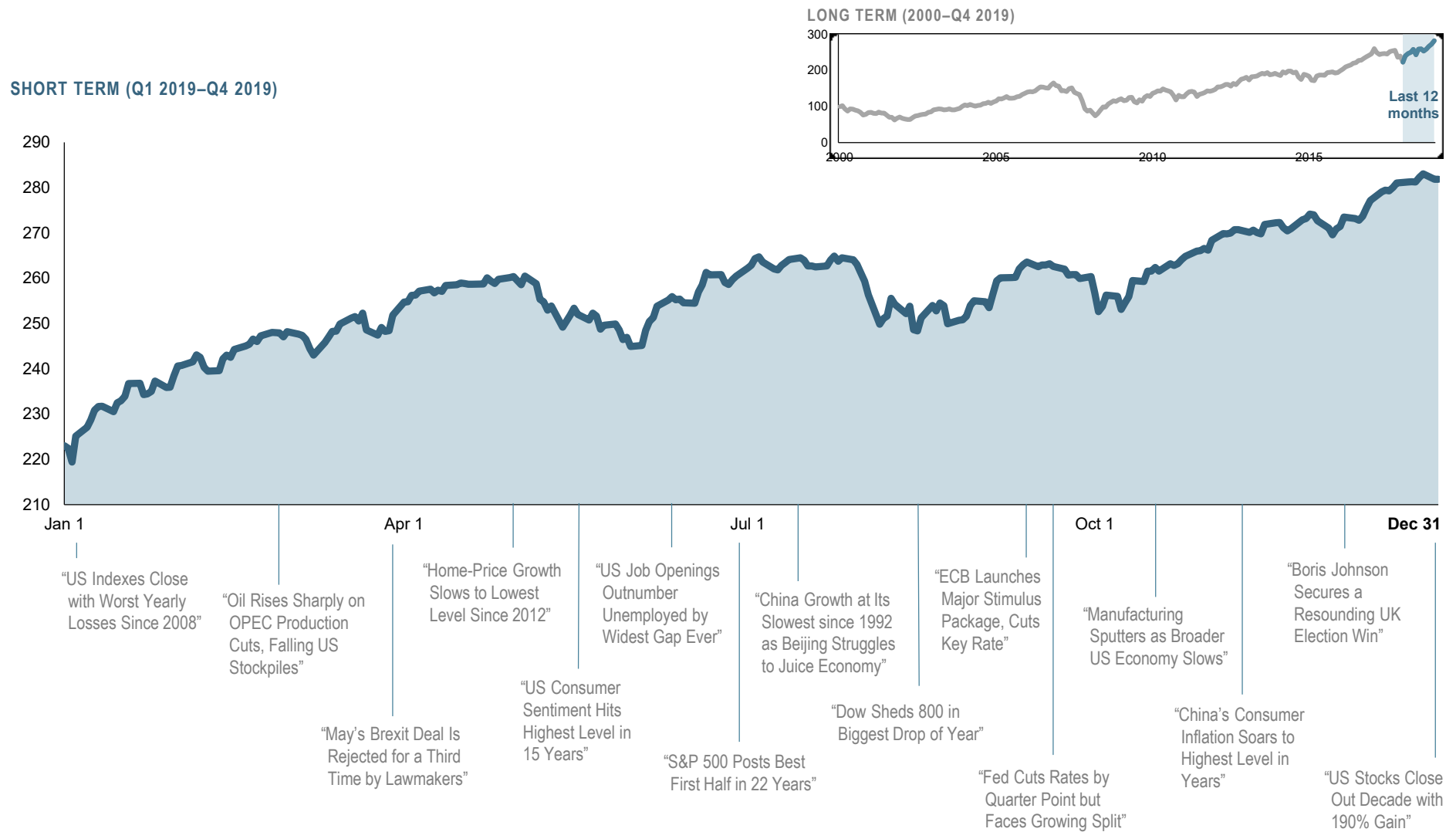
*These headlines are not offered to explain market returns. Instead, they serve as a reminder that investors should view daily events from a long-term perspective and avoid making investment decisions based solely on the news.*

Graph Source: MSCI ACWI Index [net div.]. MSCI data © MSCI 2020, all rights reserved.

It is not possible to invest directly in an index. Performance does not reflect the expenses associated with management of an actual portfolio. **Past performance is not a guarantee of future results.**

# World Stock Market Performance

MSCI All Country World Index with selected headlines from past 12 months



*These headlines are not offered to explain market returns. Instead, they serve as a reminder that investors should view daily events from a long-term perspective and avoid making investment decisions based solely on the news.*

Graph Source: MSCI ACWI Index [net div.]. MSCI data © MSCI 2020, all rights reserved.

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# US Stocks

## Fourth Quarter 2019 Index Returns

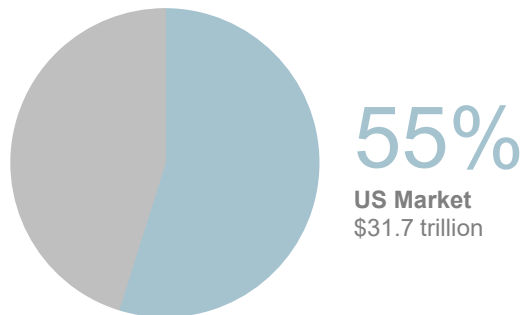
US equities outperformed non-US developed equities but underperformed emerging markets stocks in the fourth quarter.

Value underperformed growth in the US across large and small cap stocks.

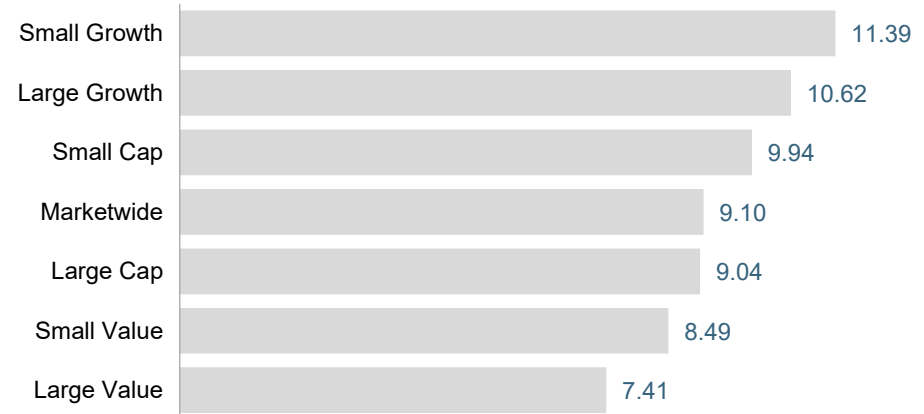
Small caps outperformed large caps in the US.

REIT indices underperformed equity market indices.

### World Market Capitalization—US



### Ranked Returns (%)



### Period Returns (%)

Asset Class	* Annualized				
	QTR	1 Year	3 Years*	5 Years*	10 Years*
Small Growth	11.39	28.48	12.49	9.34	13.01
Large Growth	10.62	36.39	20.49	14.63	15.22
Small Cap	9.94	25.52	8.59	8.23	11.83
Marketwide	9.10	31.02	14.57	11.24	13.42
Large Cap	9.04	31.43	15.05	11.48	13.54
Small Value	8.49	22.39	4.77	6.99	10.56
Large Value	7.41	26.54	9.68	8.29	11.80

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: Marketwide (Russell 3000 Index), Large Cap (Russell 1000 Index), Large Cap Value (Russell 1000 Value Index), Large Cap Growth (Russell 1000 Growth Index), Small Cap (Russell 2000 Index), Small Cap Value (Russell 2000 Value Index), and Small Cap Growth (Russell 2000 Growth Index). World Market Cap represented by Russell 3000 Index, MSCI World ex USA IMI Index, and MSCI Emerging Markets IMI Index. Russell 3000 Index is used as the proxy for the US market. Dow Jones US Select REIT Index used as proxy for the US REIT market. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. MSCI data © MSCI 2020, all rights reserved.



# International Developed Stocks

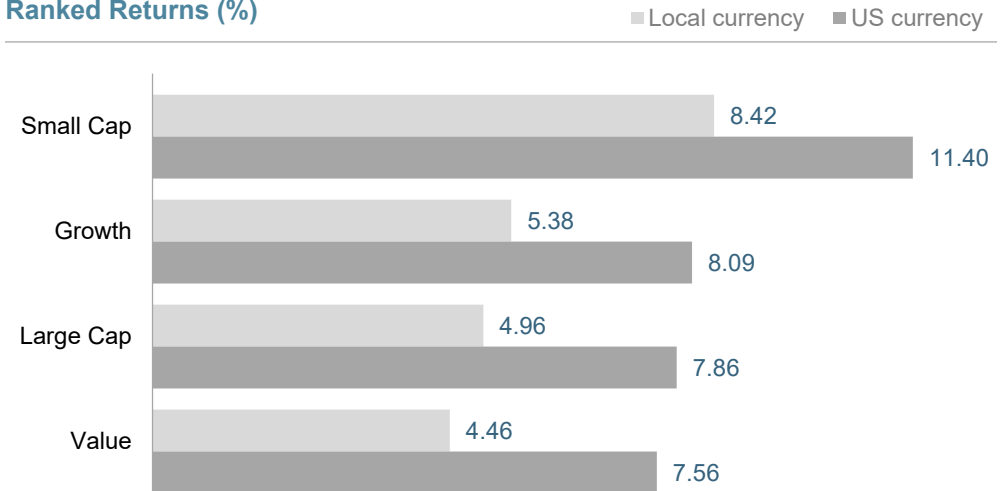
## Fourth Quarter 2019 Index Returns

In US dollar terms, developed markets outside the US underperformed both the US equity market and emerging markets equities during the quarter.

Small caps outperformed large caps in non-US developed markets.

Value underperformed growth across large and small cap stocks.

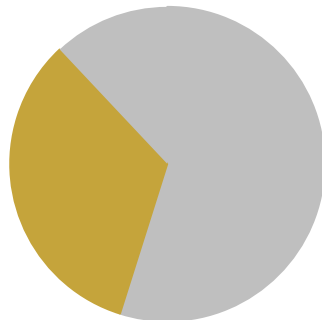
### Ranked Returns (%)



### World Market Capitalization—International Developed

**33%**

International Developed Market  
\$19.2 trillion



### Period Returns (%)

Asset Class	QTR	* Annualized			
		1 Year	3 Years*	5 Years*	10 Years*
Small Cap	11.40	25.41	10.42	8.17	8.04
Growth	8.09	27.92	12.34	7.18	6.51
Large Cap	7.86	22.49	9.34	5.42	5.32
Value	7.56	17.02	6.36	3.59	4.05

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: Large Cap (MSCI World ex USA Index), Small Cap (MSCI World ex USA Small Cap Index), Value (MSCI World ex USA Value Index), and Growth (MSCI World ex USA Growth Index). All index returns are net of withholding tax on dividends. World Market Cap represented by Russell 3000 Index, MSCI World ex USA IMI Index, and MSCI Emerging Markets IMI Index. MSCI World ex USA IMI Index is used as the proxy for the International Developed market. MSCI data © MSCI 2020, all rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes.



# Emerging Markets Stocks

## Fourth Quarter 2019 Index Returns

In US dollar terms, emerging markets outperformed developed markets, including the US, in the fourth quarter.

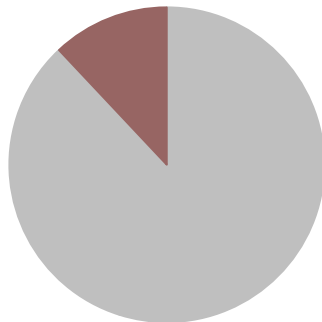
Value stocks underperformed growth stocks.

Small caps underperformed large caps.

### World Market Capitalization—Emerging Markets

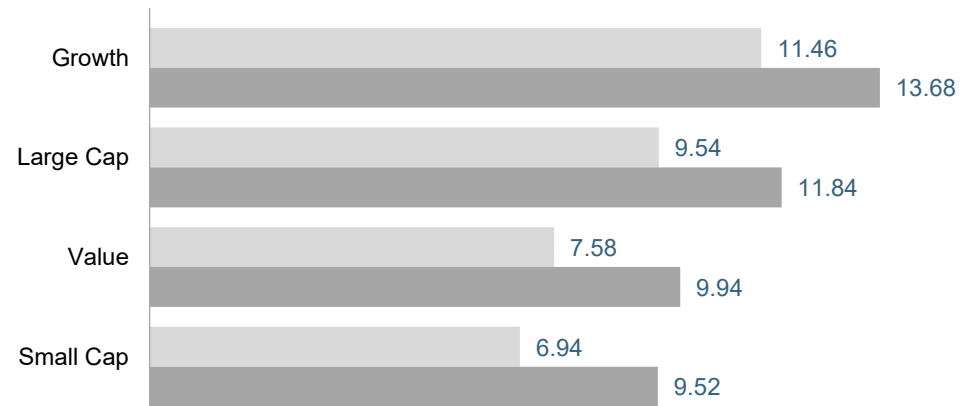
12%

Emerging Markets  
\$6.9 trillion



### Ranked Returns (%)

■ Local currency ■ US currency



### Period Returns (%)

\* Annualized

Asset Class	QTR	1 Year	3 Years*	5 Years*	10 Years*
Growth	13.68	25.10	14.50	7.45	5.20
Large Cap	11.84	18.42	11.57	5.61	3.68
Value	9.94	11.94	8.57	3.67	2.08
Small Cap	9.52	11.50	6.70	2.97	2.95

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: Large Cap (MSCI Emerging Markets Index), Small Cap (MSCI Emerging Markets Small Cap Index), Value (MSCI Emerging Markets Value Index), and Growth (MSCI Emerging Markets Growth Index). All index returns are net of withholding tax on dividends. World Market Cap represented by Russell 3000 Index, MSCI World ex USA IMI Index, and MSCI Emerging Markets IMI Index. MSCI Emerging Markets IMI Index used as the proxy for the emerging market portion of the market. MSCI data © MSCI 2020, all rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes.

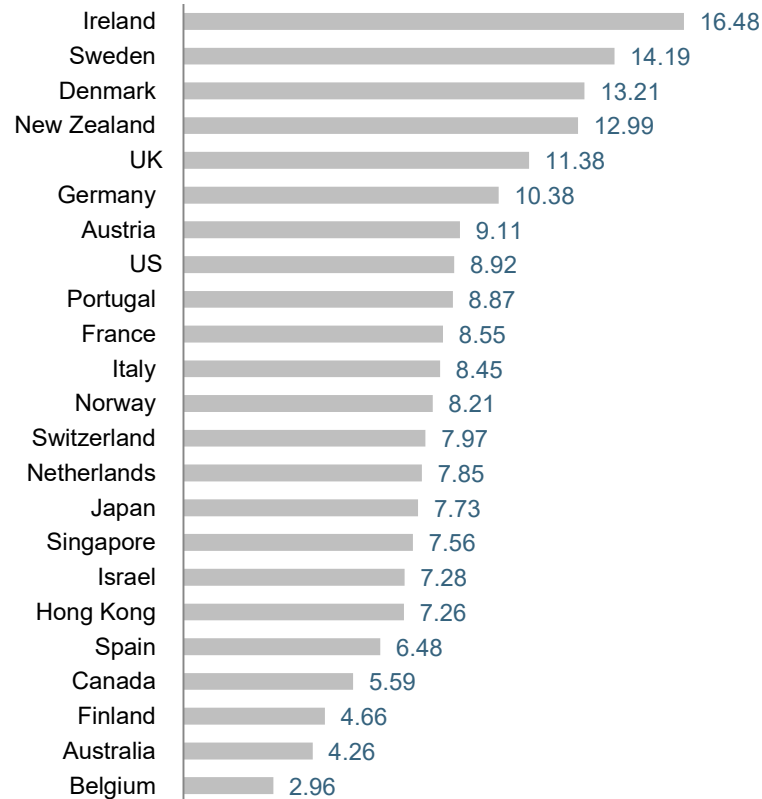


# Select Market Performance

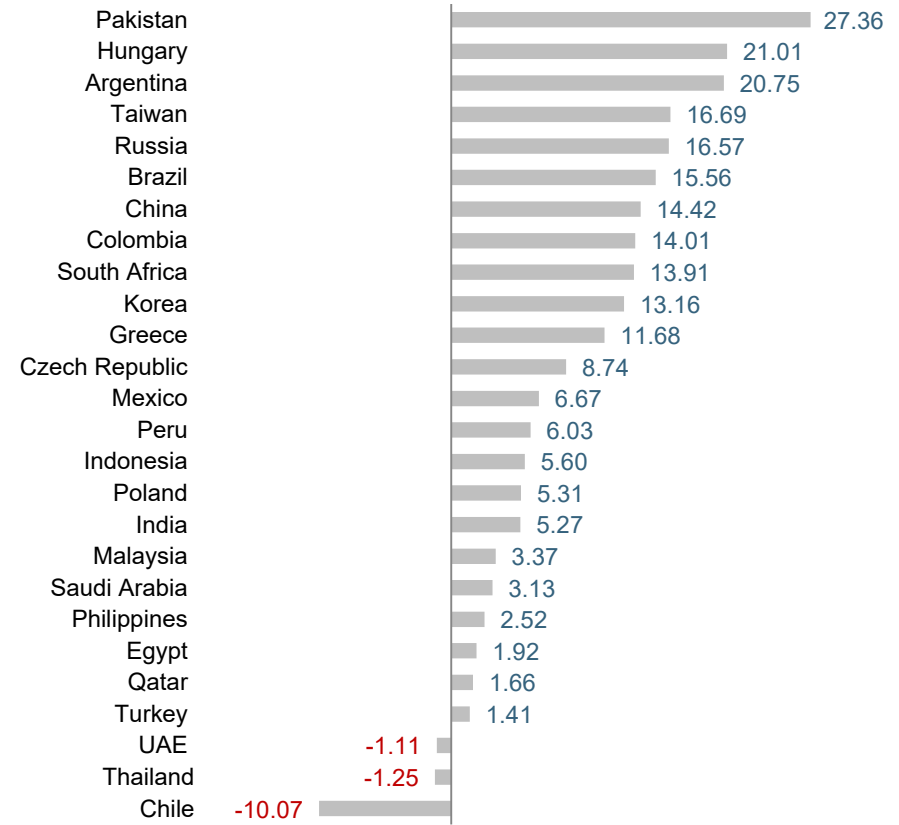
## Fourth Quarter 2019 Index Returns

In US dollar terms, Ireland and Sweden recorded the highest country performance in developed markets in the fourth quarter, while Australia and Belgium posted the lowest returns. In emerging markets, Pakistan and Hungary were the top performers, while Chile and Thailand posted the lowest performance.

### Ranked Developed Markets Returns (%)



### Ranked Emerging Markets Returns (%)



Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Country performance based on respective indices in the MSCI World ex US IMI Index (for developed markets), MSCI USA IMI Index (for US), and MSCI Emerging Markets IMI Index. All returns in USD and net of withholding tax on dividends. MSCI data © MSCI 2020, all rights reserved. UAE and Qatar have been reclassified as emerging markets by MSCI, effective May 2014. Saudi Arabia and Argentina have been reclassified as emerging markets by MSCI, effective May 2019.

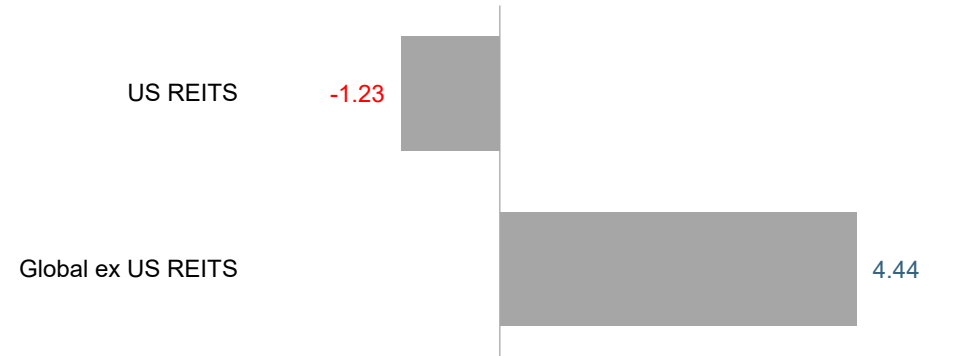


# Real Estate Investment Trusts (REITs)

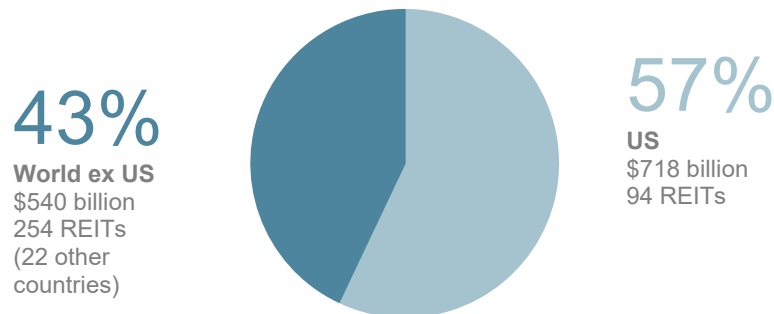
## Fourth Quarter 2019 Index Returns

US real estate investment trusts (REITs) underperformed non-US REITs in US dollar terms during the fourth quarter.

### Ranked Returns (%)



### Total Value of REIT Stocks



### Period Returns (%)

Asset Class	* Annualized				
	QTR	1 Year	3 Years*	5 Years*	10 Years*
Global ex US REITS	4.44	23.59	9.79	5.65	7.74
US REITS	-1.23	23.10	6.95	6.40	11.57

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Number of REIT stocks and total value based on the two indices. All index returns are net of withholding tax on dividends. Total value of REIT stocks represented by Dow Jones US Select REIT Index and the S&P Global ex US REIT Index. Dow Jones US Select REIT Index used as proxy for the US market, and S&P Global ex US REIT Index used as proxy for the World ex US market. Dow Jones and S&P data © 2020 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved.



# Commodities

## Fourth Quarter 2019 Index Returns

The Bloomberg Commodity Index Total Return increased 4.42% in the fourth quarter.

Coffee and soybean oil were the top performers, gaining 24.33% and 17.62%, respectively.

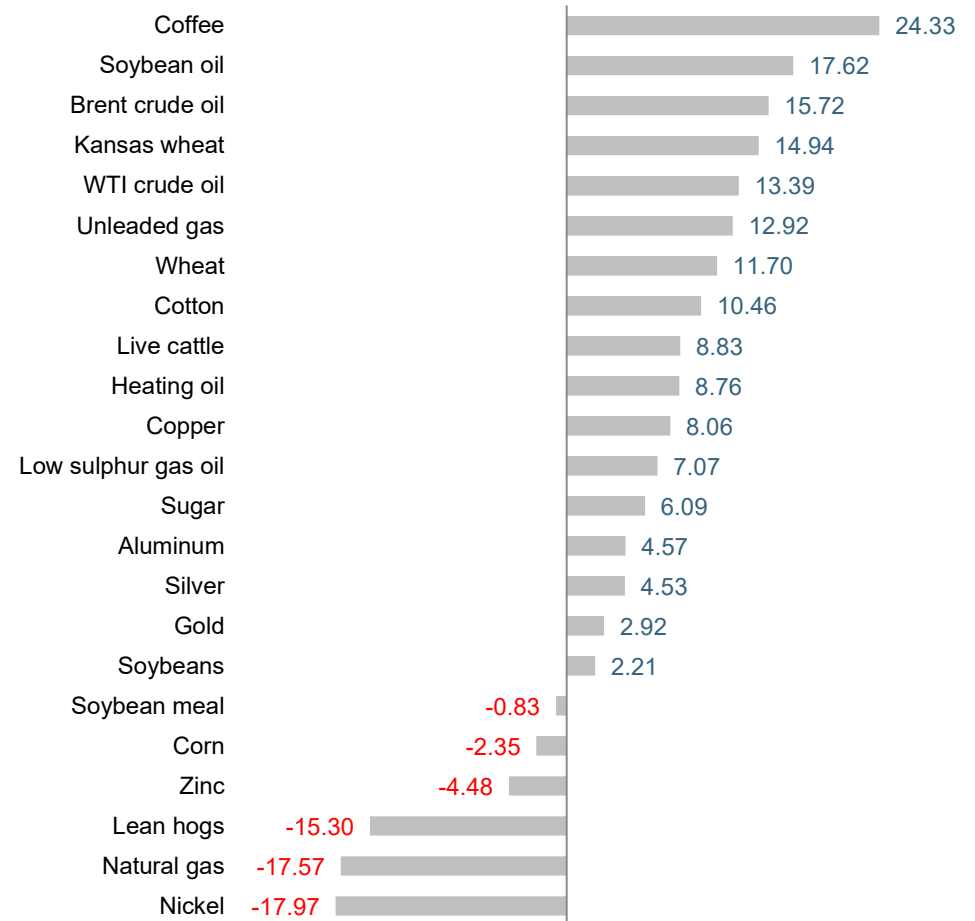
Nickel and natural gas were the worst performers, declining by 17.97% and 17.57%, respectively.

### Period Returns (%)

\* Annualized

Asset Class	QTR	1 Year	3 Years*	5 Years*	10 Years*
Commodities	4.42	7.69	-0.94	-3.92	-4.73

### Ranked Returns (%)



# Fixed Income

## Fourth Quarter 2019 Index Returns

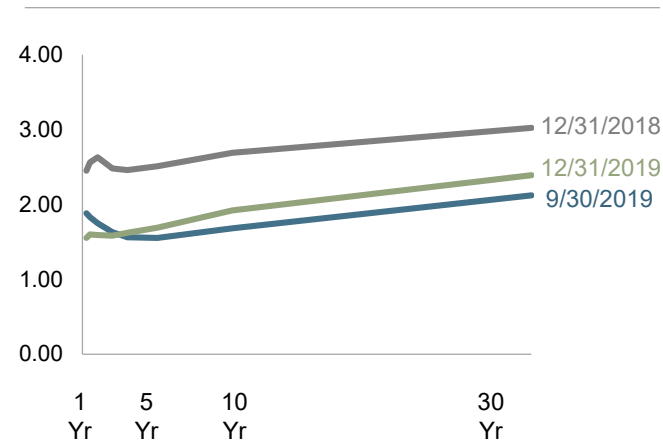
Interest rate changes were mixed in the US Treasury market during the fourth quarter. The yield on the 5-year Treasury note increased 14 basis points (bps), ending at 1.69%. The yield on the 10-year note rose 24 bps to 1.92%. The 30-year Treasury bond yield increased 27 bps to 2.39%.

On the short end of the yield curve, the 1-month Treasury bill yield decreased to 1.48%, while the yield on the 1-year bill dipped 16 bps to 1.59%. The 2-year note yield finished at 1.58% after a decrease of 5 bps.

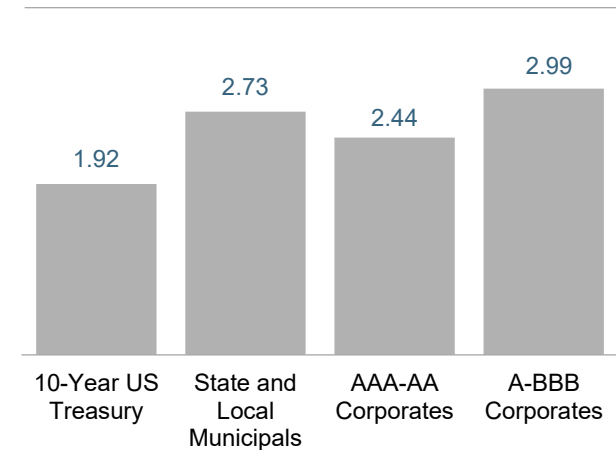
In terms of total returns, short-term corporate bonds gained 0.95%. Intermediate corporate bonds had a total return of 1.10%.

The total return for short-term municipal bonds was 0.84%, while intermediate-term munis returned 0.93%. General obligation bonds outperformed revenue bonds.

### US Treasury Yield Curve (%)



### Bond Yield across Issuers (%)



### Period Returns (%)

Asset Class	QTR	1 Year	3 Years*	5 Years*	10 Years*
Bloomberg Barclays US High Yield Corporate Bond Index	2.61	14.32	6.37	6.13	7.57
FTSE World Government Bond Index 1-5 Years	1.01	2.43	2.40	0.74	0.19
Bloomberg Barclays US TIPS Index	0.79	8.43	3.32	2.62	3.36
Bloomberg Barclays Municipal Bond Index	0.74	7.54	4.72	3.53	4.34
ICE BofA 1-Year US Treasury Note Index	0.59	2.93	1.78	1.25	0.83
ICE BofA US 3-Month Treasury Bill Index	0.46	2.28	1.67	1.07	0.58
Bloomberg Barclays US Aggregate Bond Index	0.18	8.72	4.03	3.05	3.75
FTSE World Government Bond Index 1-5 Years (hedged to USD)	0.18	3.86	2.37	1.92	1.85
Bloomberg Barclays US Government Bond Index Long	-4.06	14.75	6.95	4.16	6.97

\*Annualized

One basis point (bps) equals 0.01%. Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Yield curve data from Federal Reserve. State and local bonds are from the S&P National AMT-Free Municipal Bond Index. AAA-AA Corporates represent the Bank of America Merrill Lynch US Corporates, AA-AAA rated. A-BBB Corporates represent the ICE BofA Corporates, BBB-A rated. Bloomberg Barclays data provided by Bloomberg. US long-term bonds, bills, inflation, and fixed income factor data © Stocks, Bonds, Bills, and Inflation (S&BBI) Yearbook™, Ibbotson Associates, Chicago (annually updated work by Roger G. Ibbotson and Rex A. Sinquefeld). FTSE fixed income indices © 2020 FTSE Fixed Income LLC, all rights reserved. ICE BofA index data © 2020 ICE Data Indices, LLC. S&P data © 2020 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved.

# Tuning Out the Noise

Fourth Quarter 2019



When faced with short-term noise, it is easy to lose sight of the potential long-term benefits of staying invested.

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For investors, it can be easy to feel overwhelmed by the relentless stream of news about markets. Being bombarded with data and headlines presented as impactful to your financial well-being can evoke strong emotional responses from even the most experienced investors. Headlines from the “lost decade”<sup>1</sup> can help illustrate several periods that may have led market participants to question their approach.

**May 1999:**

Dow Jones Industrial Average Closes Above 11,000 for the First Time

**March 2000:**

Nasdaq Stock Exchange Index Reaches an All-Time High of 5,048

**April 2000:**

In Less Than a Month, Nearly a Trillion Dollars of Stock Value Evaporates

**October 2002:**

Nasdaq Hits a Bear-Market Low of 1,114

**September 2005:**

Home Prices Post Record Gains

**September 2008:**

Lehman Files for Bankruptcy, Merrill Is Sold

While these events are now a decade or more behind us, they can still serve as an important reminder for investors today. For many, feelings of elation or despair can accompany headlines like these. We should remember that markets can be volatile and recognize that, in the moment, doing nothing may feel paralyzing. Throughout these ups and downs, however, if one had hypothetically invested \$10,000 in US stocks in May 1999 and stayed invested, that investment would be worth approximately \$28,000 today.<sup>2</sup>

When faced with short-term noise, it is easy to lose sight of the potential long-term benefits of staying invested. While no one has a crystal ball, adopting a long-term perspective can help change how investors view market volatility and help them look beyond the headlines.

## The Value of a Trusted Advisor

Part of being able to avoid giving in to emotion during periods of uncertainty is having an appropriate asset allocation that is aligned with an investor’s willingness and ability to bear risk. It also helps to remember that if returns were guaranteed, you would not expect to earn a premium. Creating a portfolio investors are comfortable with, understanding that uncertainty is a part of investing, and sticking to a plan may ultimately lead to a better investment experience.

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1. For the US stock market, this is generally understood as the period inclusive of 1999–2009.

2. In USD. As measured by the S&P 500 Index. A hypothetical portfolio of \$10,000 invested on April 30, 1999, and tracking the S&P 500 Index, would have grown to \$28,408 on March 31, 2018. However, performance of a hypothetical investment does not reflect transaction costs, taxes, or returns that any investor actually attained and may not reflect the true costs, including management fees, of an actual portfolio. Changes in any assumption may have a material impact on the hypothetical returns presented. It is not possible to invest directly in an index.



# Tuning Out the Noise

(continued from page 13)



However, as with many aspects of life, we can all benefit from a bit of help in reaching our goals. The best athletes in the world work closely with a coach to increase their odds of winning, and many successful professionals rely on the assistance of a mentor or career coach to help them manage the obstacles that arise during a career. Why? They understand that the wisdom of an experienced professional, combined with the discipline to forge ahead during challenging times, can keep them on the right track. The right financial advisor can play this vital role for an investor. A financial advisor can provide the expertise, perspective, and encouragement to keep you focused on your destination and in your seat when it matters most.

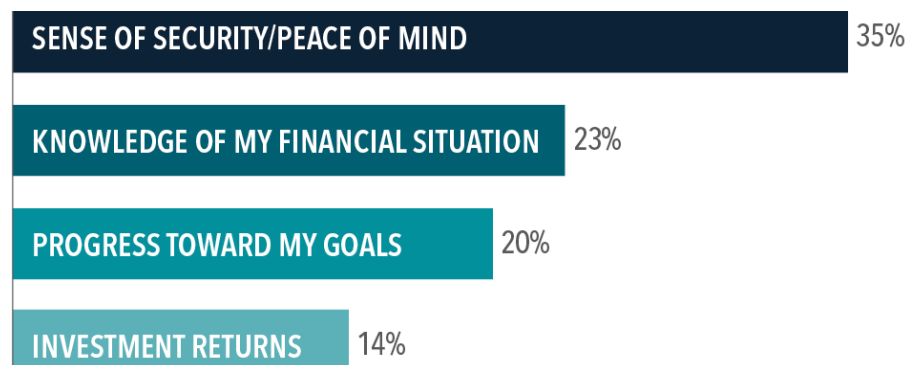
A recent survey conducted by Dimensional Fund Advisors (see **Exhibit 1**) found that, along with progress towards their goals, investors place a high value on the sense of security they receive from their relationship with a financial advisor.

Having a strong relationship with an advisor can help you be better prepared to live your life through the ups and downs of the market. That's the value of discipline, perspective, and calm. That's the difference the right financial advisor makes.

## EXHIBIT 1

### How Do You Primarily Measure the Value Received from Your Advisor?

*Top Four Responses*



Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is not a guarantee of future results. There is no guarantee investment strategies will be successful. Investing involves risks including possible loss of principal. Investors should talk to their financial advisor prior to making any investment decision. There is always the risk that an investor may lose money. A long-term investment approach cannot guarantee a profit.

"Dimensional" refers to the Dimensional separate but affiliated entities generally, rather than to one particular entity. These entities are Dimensional Fund Advisors LP, Dimensional Fund Advisors Ltd., Dimensional Ireland Limited, DFA Australia Limited, Dimensional Fund Advisors Canada ULC, Dimensional Fund Advisors Pte. Ltd, Dimensional Ireland Limited, Dimensional Japan Ltd., and Dimensional Hong Kong Limited. Dimensional Hong Kong Limited is licensed by the Securities and Futures Commission to conduct Type 1 (dealing in securities) regulated activities only and does not provide asset management services.