Grove Street Fiduciary, LLC
Wealth and Trust Advisors

April 2019

Market Commentary & Quarterly Market Review

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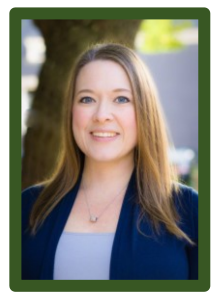

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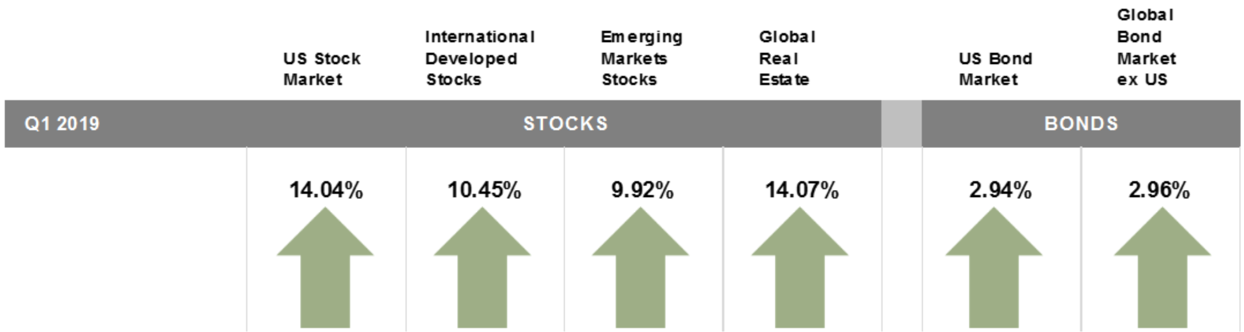
Market Commentary: April 2019

Remember the polar vortex and U.S. government shutdown? With longer days and warmer weather finally arriving here in New England, those events seem a distant memory. Both happenings ended just less than three months ago. Not only has the change in weather made January feel further away, but also the news cycle moves so quickly that it is easy to lose track of time. The faster the news cycle, the more I am compelled to slow down and study before writing this commentary.

Two pieces of "pivotal" research prompted me to look both forward and backward in time to give us a clearer framework to help understand the investment environment we face. Before I get to that, let's review the figures for the quarter.



The arrows above (also found on page 2 of the Quarterly Market Review) show the dramatic rebound from the end of 2018. After its worst December since 1931, the S&P 500 Index returned more than 11% for the first two months of 2019, its best early year performance in nearly 30 years. Fewer worries about a potential U.S.-China trade war, the government shutdown, and the slowing effects of higher interest rates certainly helped. It seems the bull market wanted to celebrate its 10th birthday on a higher note. Opposing the strong market performance, a flat yield curve and leveling corporate earnings indicate diminishing strength. *The truth is likely in the middle.* [Interesting note on yield curve opportunities: Past is not a prologue after a yield curve inversion. Historically, yield curve inversions have marked reversals in the long-term relative performance of growth and value stocks, large and small cap stocks, and U.S. and International stocks.] Among other things, trade tensions between the U.S. and China, the U.S. and Europe, and Brexit will likely hinder gains in the short-term as well as make markets volatile in 2019, both up and down.

You will find 10-year and 20-year research reports in abundance this year and next as we approach 2020. Looking to the future, two studies, one by Oxford University and another by the McKinsey Global Institute, found that almost half of all jobs could be replaced by technology in the next decade. The McKinsey study went even further, concluding this could happen with technology that exists today, without more innovation in artificial intelligence. At the same time, this month, jobless claims in the U.S. hit a 50-year low with unemployment at 3.8%. According to the Department of Labor, at the end of January, the U.S. economy had 7.6 million unfilled jobs, but only 6.5 million people were looking for work. Economists describe the point we are in now as the beginning of an "economic pivot" where a fundamental shift occurs in how goods and services are produced and delivered. [Think self-driving cars and 3D printing. For more on this subject, search "Fourth Industrial Revolution".] What will the next decade look like? Just from this information, one can see that it will certainly have more technology and different uses of human capital. Examining your portfolio for a moment, through our normal risk-adjusted allocation process, observe how technology has become a larger part of your investments, just as it has grown in the capital markets. This will only increase as labor and technology innovate together from this pivot point.

Looking back a decade, we saw a pivot in the stock market occur from International and Emerging to U.S. equities. U.S. stocks were just ending the "lost decade" of 2000-2009 where the S&P 500 Index had an annualized return of -0.9%. [$1 million dollars invested in the S&P 500 Index at the start of the period declined to $910,000 by the end of 2009.] Investors with global portfolios fared much better during that same time with International and Emerging Market stocks producing annualized returns of 3.1% and 10.1%, respectively. Today, one year shy of the following 10-year span, the opposite has been true; U.S. stocks have far outpaced both International and Emerging Markets with annualized returns of 11.7%, 3.7%, and 2.5%, respectively. This has driven the U.S. share of the world's stock markets to 55%, the highest it has ever been. We should not expect it to stay that way. Abundant evidence exists indicating the U.S. will continue to have some growth, but it will be outpaced by China in the next 10 years. This is the second pivot we should expect.

A global portfolio both protected and preserved investment returns during 2000-2009. Today, your global portfolio leaves you poised for both security and opportunity for the next decade. We are so grateful for your trust - thank you!

May you enjoy a wonderful spring.

"A horse never runs so fast as when he has other horses to catch up and outpace."
– Ovid, ancient Roman poet

Best regards,

Carl Amos Johnson, MBA, CFP®, AIF®
April 22, 2019

Q1

Quarterly Market Review

First Quarter 2019

Grove Street Fiduciary, LLC
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Quarterly Market Summary

Index Returns

Q1 2019	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate	US Bond Market	Global Bond Market ex US
	STOCKS				BONDS	
	14.04%	10.45%	9.92%	14.07%	2.94%	2.96%

Since Jan. 2001	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate	US Bond Market	Global Bond Market ex US
Avg. Quarterly Return	2.0%	1.4%	2.9%	2.6%	1.1%	1.1%
Best Quarter	16.8%	25.9%	34.7%	32.3%	4.6%	4.6%
	2009 Q2	**2009 Q2**	**2009 Q2**	**2009 Q3**	**2001 Q3**	**2008 Q4**
Worst Quarter	-22.8%	-21.2%	-27.6%	-36.1%	-3.0%	-2.7%
	2008 Q4	**2008 Q4**	**2008 Q4**	**2008 Q4**	**2016 Q4**	**2015 Q2**

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]). Bloomberg Barclays data provided by Bloomberg.

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Long-Term Market Summary

Index Returns

	STOCKS				BONDS	
	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate	US Bond Market	Global Bond Market ex US
1 Year	8.77%	-3.14%	-7.41%	13.93%	4.48%	5.23%
5 Years	10.36%	2.20%	3.68%	6.63%	2.74%	4.27%
10 Years	16.00%	8.82%	8.94%	14.84%	3.77%	4.29%

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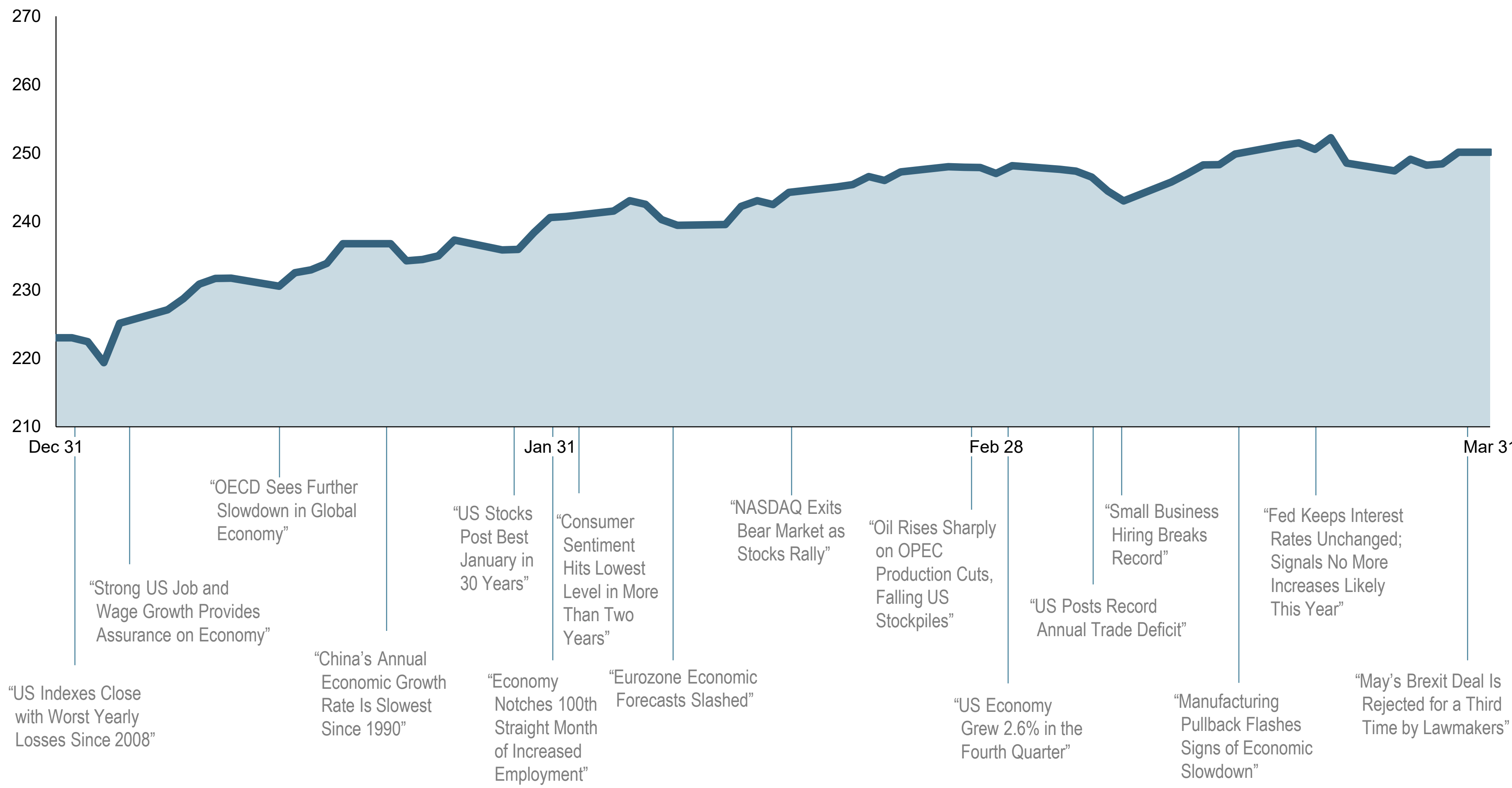
Market segment (index representation) as follows: US Stock Market (Russell 3000 Index), International Developed Stocks (MSCI World ex USA Index [net div.]), Emerging Markets (MSCI Emerging Markets Index [net div.]), Global Real Estate (S&P Global REIT Index [net div.]), US Bond Market (Bloomberg Barclays US Aggregate Bond Index), and Global Bond Market ex US (Bloomberg Barclays Global Aggregate ex-USD Bond Index [hedged to USD]).

World Stock Market Performance

MSCI All Country World Index with selected headlines from Q1 2019

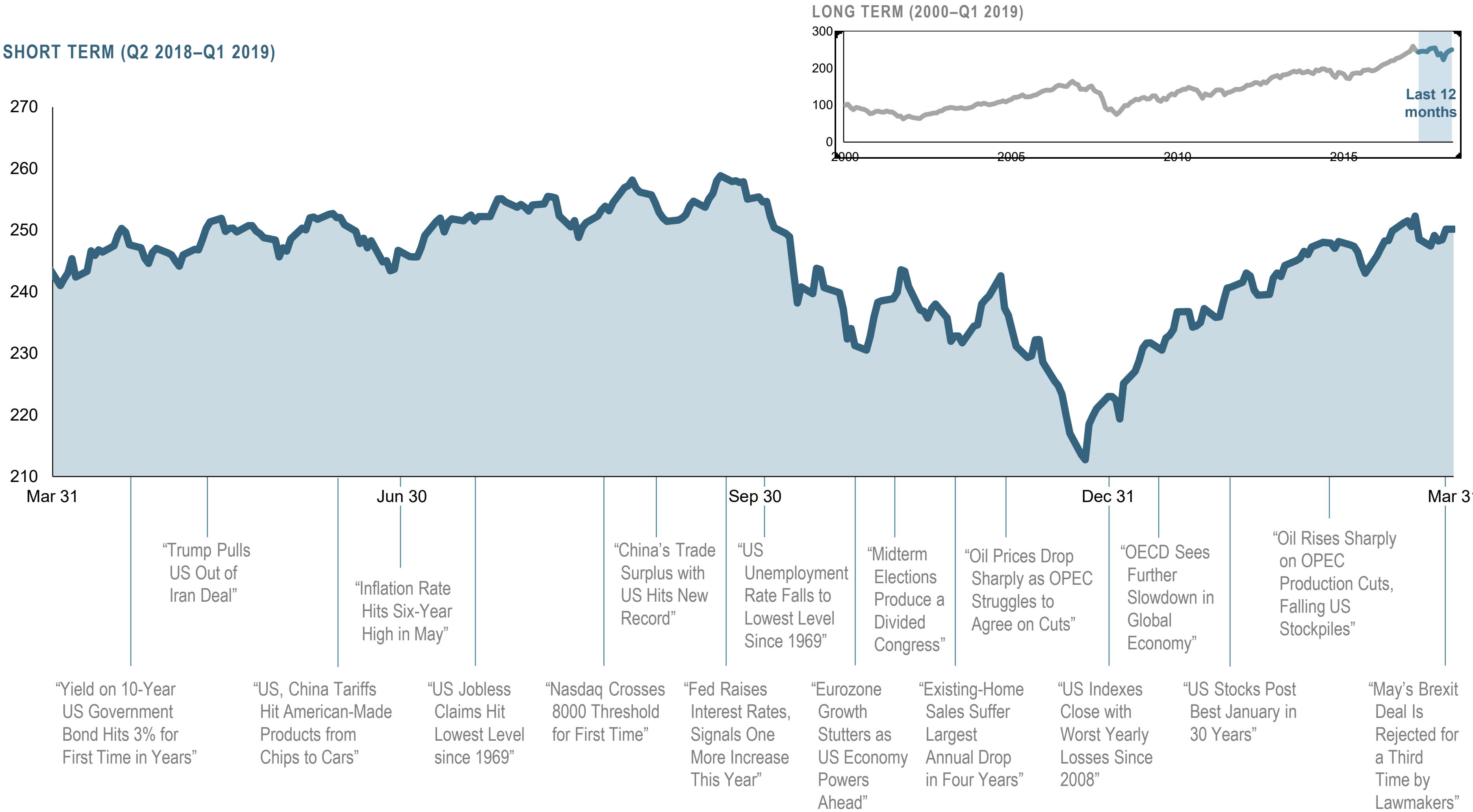


These headlines are not offered to explain market returns. Instead, they serve as a reminder that investors should view daily events from a long-term perspective and avoid making investment decisions based solely on the news.

Graph Source: MSCI ACWI Index [net div.]. MSCI data © MSCI 2019, 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



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Graph Source: MSCI ACWI Index [net div.]. MSCI data © MSCI 2019, all rights reserved.
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US Stocks

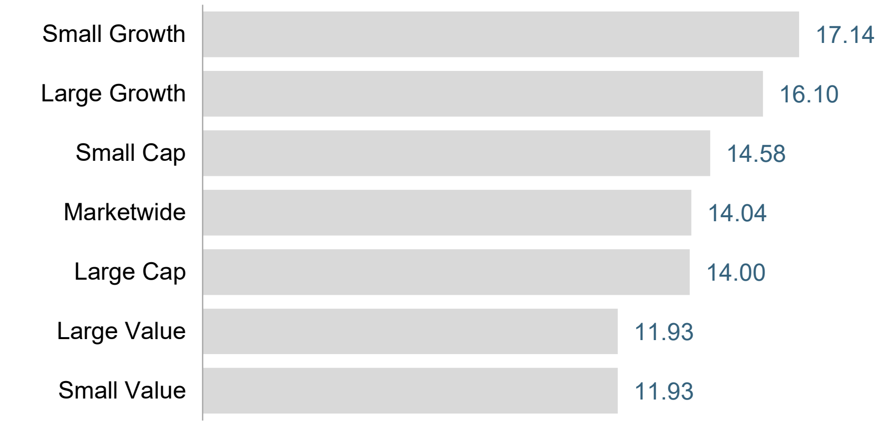
First Quarter 2019 Index Returns

US equities outperformed both non-US developed and emerging markets.

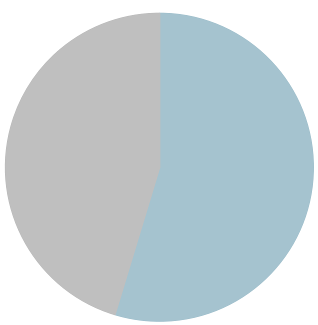
Small caps outperformed large caps in the US.

Value underperformed growth across large and small cap stocks.

Ranked Returns for the Quarter (%)



World Market Capitalization—US



55%
US Market
$28.3 trillion

Period Returns (%)

** Annualized*

Asset Class	1 Year	3 Years*	5 Years*	10 Years*
Large Growth	12.75	16.53	13.50	17.52
Large Cap	9.30	13.52	10.63	16.05
Large Value	5.67	10.45	7.72	14.52
Small Growth	3.85	14.87	8.41	16.52
Small Cap	2.05	12.92	7.05	15.36
Small Value	0.17	10.86	5.59	14.12
Marketwide	8.77	13.48	10.36	16.00

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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. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes.

International Developed Stocks

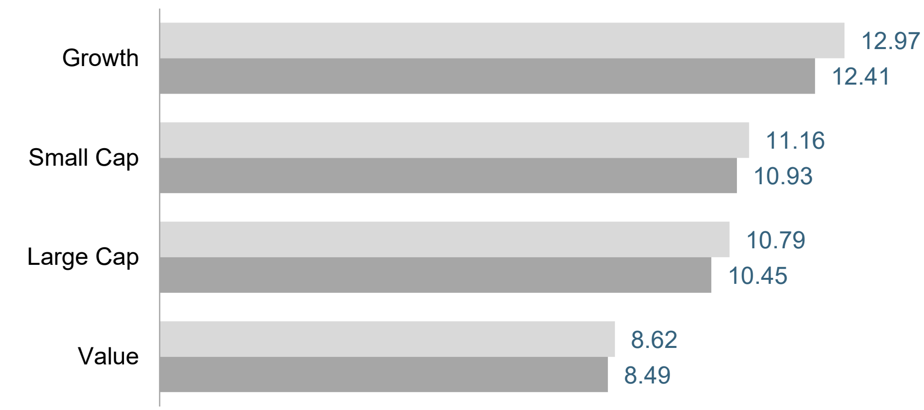
First Quarter 2019 Index Returns

In US dollar terms, developed markets outside the US outperformed emerging markets but underperformed the US equity market during the quarter.

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

Value underperformed growth across large and small cap stocks.

Ranked Returns for the Quarter (%)

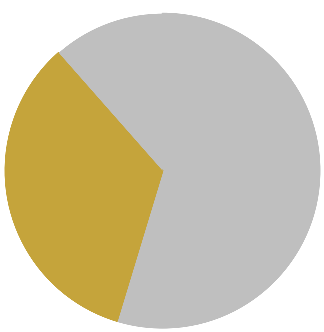


World Market Capitalization—International Developed

34%

International Developed Market

$17.5 trillion



Period Returns (%)

** Annualized*

Asset Class	1 Year	3 Years*	5 Years*	10 Years*
Growth	-0.82	7.42	3.67	9.35
Large Cap	-3.14	7.29	2.20	8.82
Value	-5.46	7.13	0.68	8.25
Small Cap	-8.66	7.28	3.69	12.25

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Emerging Markets Stocks

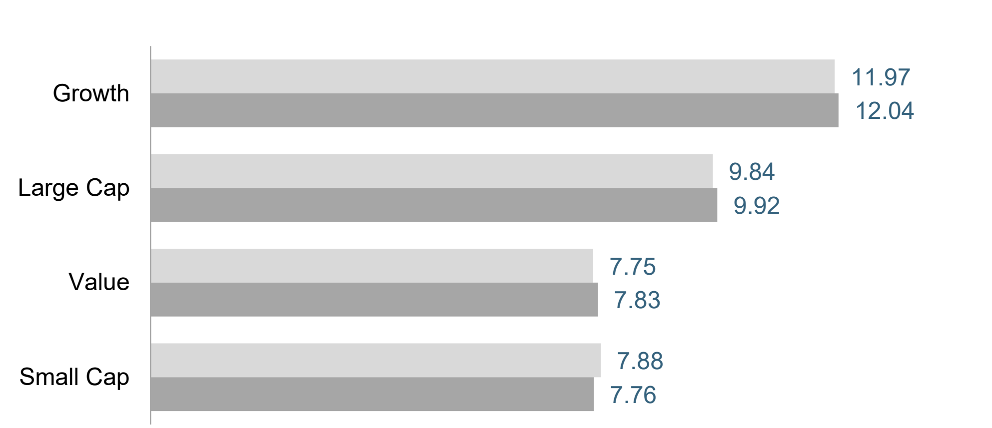
First Quarter 2019 Index Returns

In US dollar terms, emerging markets underperformed developed markets, including the US.

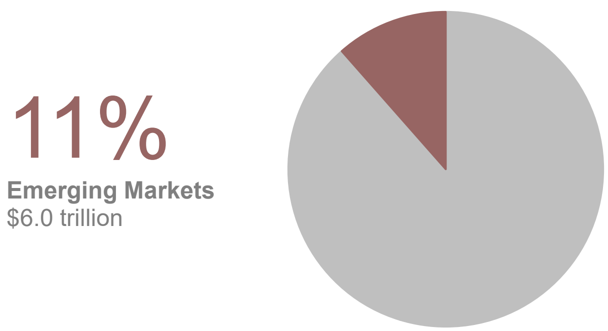
Value outperformed growth across small cap stocks but underperformed in large caps.

Small caps underperformed large caps.

Ranked Returns for the Quarter (%)



World Market Capitalization—Emerging Markets



Period Returns (%)

** Annualized*

Asset Class	1 Year	3 Years*	5 Years*	10 Years*
Value	-5.27	9.54	2.21	7.83
Large Cap	-7.41	10.68	3.68	8.94
Growth	-9.52	11.75	5.04	9.98
Small Cap	-12.42	5.95	1.76	10.37

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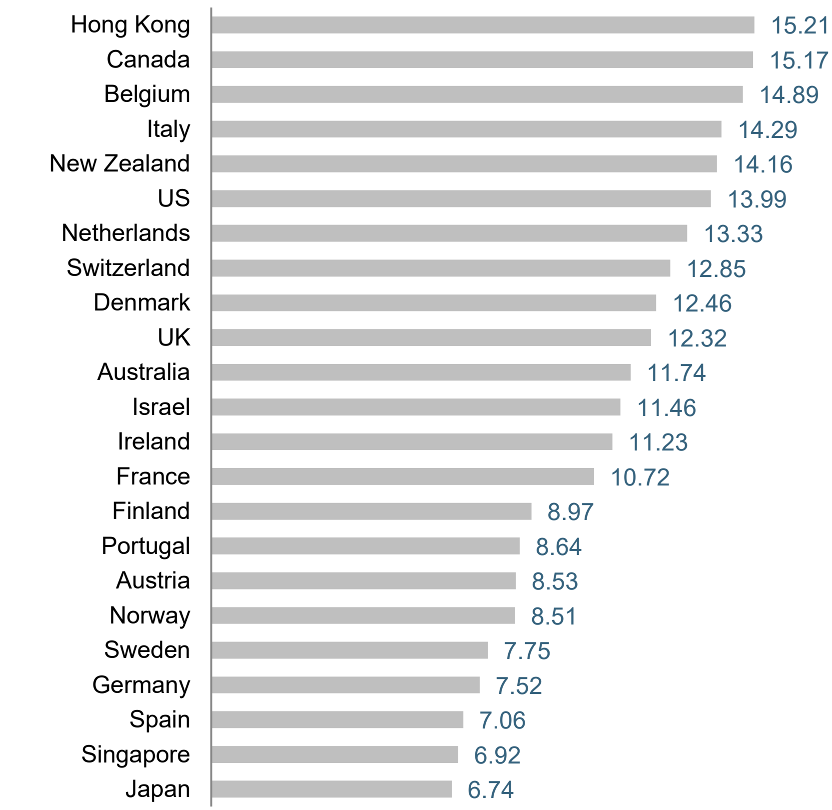
Market segment (index representation) as follows: Large Cap (MSCI Emerging Markets Index), Small Cap (MSCI Emerging Markets Small Cap Index), Value (MSCI Emerging Markets Value Index), and Growth (MSCI Emerging Markets Growth Index). All index returns are net of withholding tax on dividends. World Market 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.

Select Country Performance

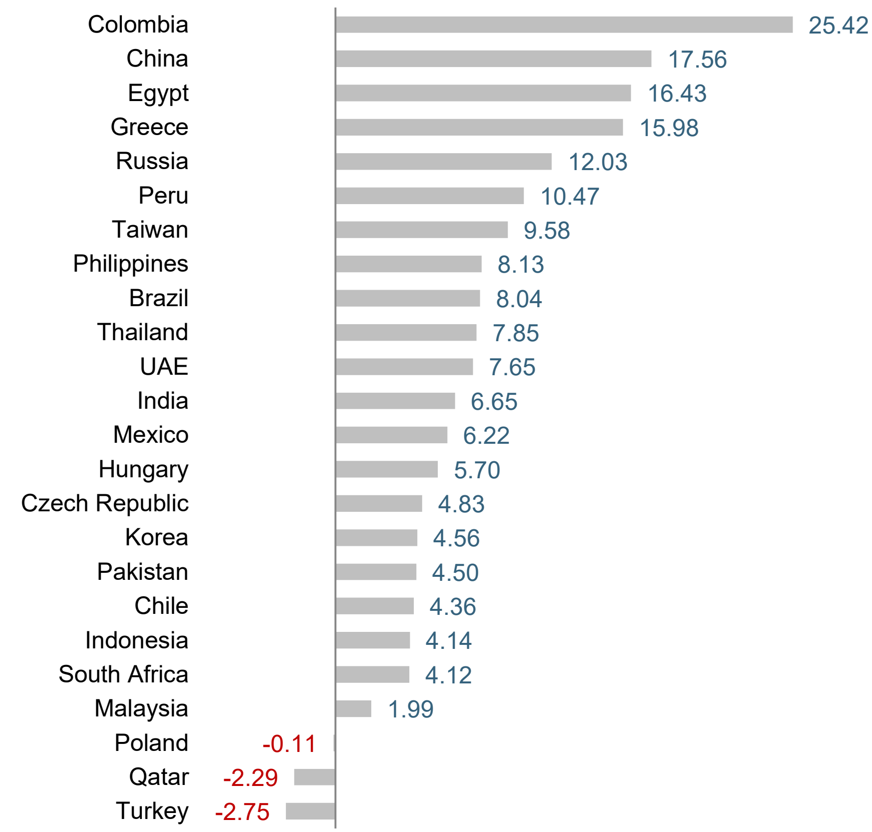
First Quarter 2019 Index Returns

In US dollar terms, Hong Kong and Canada recorded the highest country performance in developed markets, while Japan and Singapore posted the lowest returns for the quarter. In emerging markets, Columbia and China recorded the highest country performance, while Turkey and Qatar 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. UAE and Qatar have been reclassified as emerging markets by MSCI, effective May 2014.

Real Estate Investment Trusts (REITs)

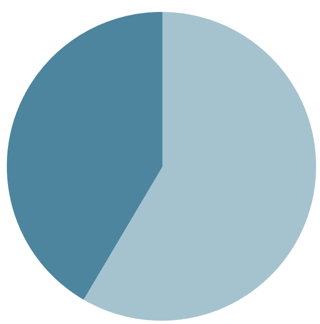
First Quarter 2019 Index Returns

US real estate investment trusts outperformed non-US REITs in US dollar terms.

Ranked Returns for the Quarter (%)

Total Value of REIT Stocks

41%
World ex US
$490 billion
248 REITs
(23 other countries)



59%
US
$691 billion
95 REITs

Period Returns (%)

** Annualized*

Asset Class	1 Year	3 Years*	5 Years*	10 Years*
US REITS	19.73	5.29	8.93	18.50
Global ex US REITS	4.75	4.34	5.03	12.18

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.

Commodities

First Quarter 2019 Index Returns

The Bloomberg Commodity Index Total Return returned 6.32% for the first quarter of 2019.

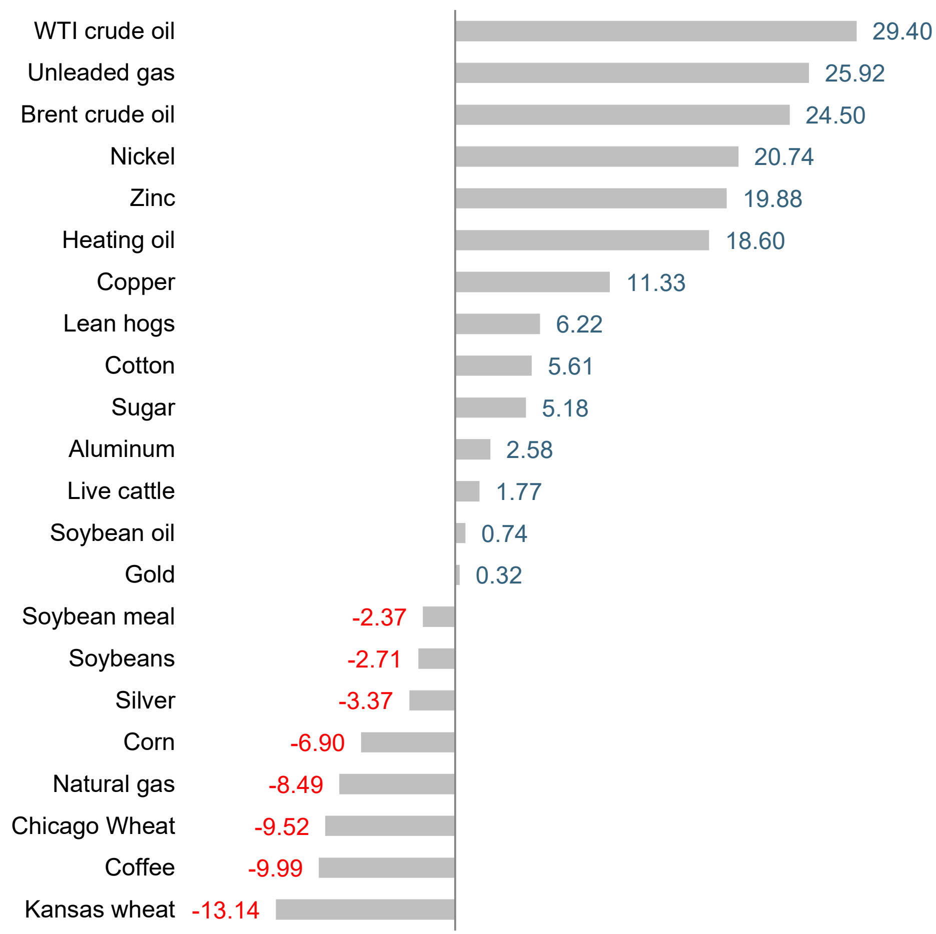
The energy complex led quarterly performance. Crude oil gained 29.40%, and unleaded gas added 25.92%.

Grains was the worst-performing complex. Wheat (Kansas) and wheat (Chicago) declined by 13.14% and 9.52%, respectively.

Period Returns (%) ** Annualized*

Asset Class	QTR	1 Year	3 Years*	5 Years*	10 Years*
Commodities	6.32	-5.25	2.22	-8.92	-2.56

Ranked Returns for Individual Commodities (%)



Fixed Income

First Quarter 2019 Index Returns

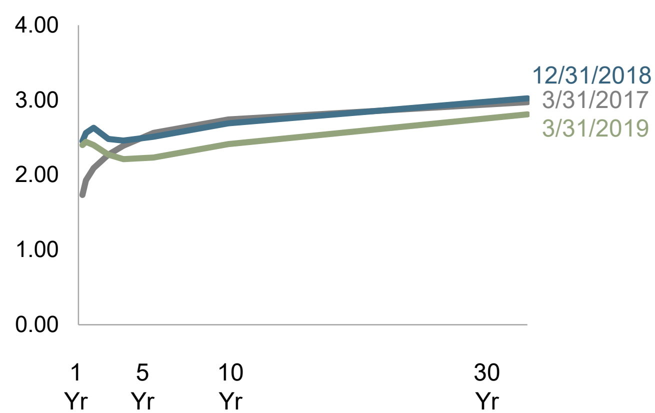
Interest rates decreased in the US Treasury fixed income market during the first quarter. The yield on the 5-year Treasury note declined 28 basis points (bps), ending at 2.23%. The yield on the 10-year Treasury note decreased 28 bps to 2.41%. The 30-year Treasury bond yield fell 21 bps to finish at 2.81%.

On the short end of the curve, the 1-month T-bill yield was relatively unchanged at 2.43%, while the 1-year T-bill yield dipped 23 bps to 2.40%. The 2-year Treasury note finished at 2.27% after a 21 bps decrease.

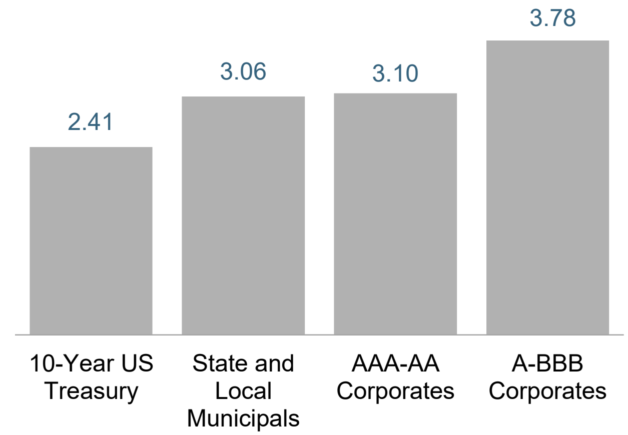
In terms of total returns, short-term corporate bonds gained 1.83%. Intermediate-term corporate bonds had a total return of 3.82%.

Total returns for short-term municipal bonds were 1.33%, while intermediate munis gained 2.78%. Revenue bonds outperformed general obligation bonds.

US Treasury Yield Curve (%)



Bond Yield across Issuers (%)



Period Returns (%)

*Annualized

Asset Class	QTR	1 Year	3 Years*	5 Years*	10 Years*
Bloomberg Barclays Municipal Bond Index	2.90	5.38	2.71	3.73	4.72
Bloomberg Barclays US Aggregate Bond Index	2.94	4.48	2.03	2.74	3.77
Bloomberg Barclays US Government Bond Index Long	4.64	6.20	1.54	5.43	5.19
Bloomberg Barclays US High Yield Corporate Bond Index	7.26	5.93	8.56	4.68	11.26
Bloomberg Barclays US TIPS Index	3.19	2.70	1.70	1.94	3.41
FTSE World Government Bond Index 1-5 Years	0.34	-2.04	0.40	-0.95	0.71
FTSE World Government Bond Index 1-5 Years (hedged to USD)	1.16	3.13	1.59	1.65	1.73
ICE BofAML 1-Year US Treasury Note Index	0.82	2.44	1.21	0.85	0.70
ICE BofAML US 3-Month Treasury Bill Index	0.60	2.12	1.19	0.74	0.43

One basis point 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 BofAML 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 (SBBI) Yearbook™, Ibbotson Associates, Chicago (annually updated work by Roger G. Ibbotson and Rex A. Sinquefield).

Déjà Vu All Over Again

First Quarter 2019

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Investment fads are nothing new. When selecting strategies for their portfolios, investors are often tempted to seek out the latest and greatest investment opportunities.

Over the years, these approaches have sought to capitalize on developments such as the perceived relative strength of particular geographic regions, technological changes in the economy, or the popularity of different natural resources. But long-term investors should be aware that letting short-term trends influence their investment approach may be counterproductive. As Nobel laureate Eugene Fama said, "There's one robust new idea in finance that has investment implications maybe every 10 or 15 years, but there's a marketing idea every week."

WHAT'S HOT BECOMES WHAT'S NOT

Looking back at some investment fads over recent decades can illustrate how often trendy investment themes come and go. In the early 1990s, attention turned to the rising "Asian Tigers" of Hong Kong, Singapore, South Korea, and Taiwan. A decade later, much was written about the emergence of the "BRIC" countries of Brazil, Russia, India, and China and their new place in global markets. Similarly, funds targeting hot industries or trends have come into and fallen out of vogue. In the 1950s, the "Nifty Fifty" were all the rage. In the 1960s, "go-go" stocks and funds piqued investor interest. Later in the 20th century, growing belief in the emergence of a "new economy" led to the creation of funds poised to make the most of the rising importance of information technology and telecommunication services. During the 2000s, 130/30 funds, which used leverage to sell short certain stocks while going long others, became increasingly popular. In the wake of the 2008 financial crisis, "Black Swan" funds, "tail-risk-hedging" strategies, and "liquid alternatives" abounded. As investors reached for yield in a low interest-rate environment in the following years, other funds sprang up that claimed to offer increased income generation, and new strategies like unconstrained bond funds proliferated. More recently, strategies focused on peer-to-peer lending, cryptocurrencies, and even cannabis cultivation and private space exploration have become more fashionable. In this environment, so-called "FAANG" stocks and concentrated exchange-traded funds with catchy ticker symbols have also garnered attention among investors.

THE FUND GRAVEYARD

Unsurprisingly, however, numerous funds across the investment landscape were launched over the years only to subsequently close and fade from investor memory. While economic, demographic, technological, and environmental trends shape the world we live in, public markets aggregate a vast amount of dispersed information and drive it into security prices. Any individual trying to outguess the market by constantly trading in and out of what's hot is competing against the extraordinary collective wisdom of millions of buyers and sellers around the world.

With the benefit of hindsight, it is easy to point out the fortune one could have amassed by making the right call on a specific industry, region, or individual security over a specific period. While these anecdotes can be entertaining, there is a wealth of compelling evidence that highlights the futility of attempting to identify mispricing in advance and profit from it.

It is important to remember that many investing fads, and indeed, most mutual funds, do not stand the test of time. A large proportion of funds fail to survive over the longer term. Of the 1,622 fixed income mutual funds in existence at the beginning of 2004, only 55% still existed at the end of 2018. Similarly, among equity mutual funds, only 51% of the 2,786 funds available to US-based investors at the beginning of 2004 endured.

Déjà Vu All Over Again

(continued from page 18)

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WHAT AM I REALLY GETTING?

When confronted with choices about whether to add additional types of assets or strategies to a portfolio, it may be helpful to ask the following questions:

1. What is this strategy claiming to provide that is not already in my portfolio?

2. If it is not in my portfolio, can I reasonably expect that including it or focusing on it will increase expected returns, reduce expected volatility, or help me achieve my investment goal?

3. Am I comfortable with the range of potential outcomes?

If investors are left with doubts after asking any of these questions, it may be wise to use caution before proceeding. Within equities, for example, a market portfolio offers the benefit of exposure to thousands of companies doing business around the world and broad diversification across industries, sectors, and countries. While there can be good reasons to deviate from a market portfolio, investors should understand the potential benefits and risks of doing so.

In addition, there is no shortage of things investors can do to help contribute to a better investment experience. Working closely with a financial advisor can help individual investors create a plan that fits their needs and risk tolerance. Pursuing a globally diversified approach; managing expenses, turnover, and taxes; and staying disciplined through market volatility can help improve investors' chances of achieving their long-term financial goals.

CONCLUSION

Fashionable investment approaches will come and go, but investors should remember that a long-term, disciplined investment approach based on robust research and implementation may be the most reliable path to success in the global capital markets.

Source: Dimensional Fund Advisors LP.
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