



## IIA THIRD QUARTER 2019 REVIEW

September 30, 2019

Benign quarterly stock market returns masked intra-quarter volatility in the third quarter. The S&P 500 stock market index set a new record-high in late July which was soon followed by the worst trading day of the year. Stock returns fell broadly in August, driven by concerns over escalating trade tensions and additional tariffs on Chinese goods. For the quarter, the S&P 500 large-cap index gained 1.7% and 20.6% on a year-to-date basis, while Mid- and Small companies lost -0.1% and -0.2%, respectively.

Internet searches for the term “recession” hit a 10-year high in August, partially driven by renewed trade worries. Additionally, the current inverted Treasury yield curve, which is often viewed as a precursor to recessions, likely distorted predictive economic models. For the past few quarters, bond prices, and therefore the yield curve, have been significantly affected by heavy global demand for U.S. Treasuries, which is exaggerating the decline in longer-dated bond yields and contributing to the inverted curve. The bond market’s Barclays Aggregate Index gained 2.3% for the quarter and 8.4% for the year.

U.S. and global economic growth is clearly moderating. Business investment and manufacturing have been weighed down by diminished global trade and ongoing, pervasive uncertainties. U.S. consumers, however, have continued to provide an important boost to the economy prompted by healthy household balance sheets and a strong labor market.

The Federal Reserve cut its short-term Federal Funds interest rate twice during the third quarter. The FOMC pointed to the importance of offsetting downside risks from weaker global growth and trade policy. The Fed’s outlook for the U.S. economy continues to be “favorable,” however, and further changes to monetary policy will be highly data-dependent.

Domestic securities markets have been surprisingly resilient in the face of multiple unresolved issues. Short-term setbacks in trade developments have tended to punish stock investors, while intermittent positive progress has provided a boost to equities. Current equity levels suggest that the markets have priced in an eventual trade resolution, therefore investors may be best served to rein in return expectations for the coming period.

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**Market Value 9/30/19:** **\$30,137,741**

| <b><u>Performance as of 9/30/19:</u></b> | <b><u>3Q19</u></b> | <b><u>YTD-9/30/19</u></b> | <b><u>Inception 5/31/16</u></b> |
|--|--------------------|---------------------------|---------------------------------|
| <b>DIT</b>                               | <b>+1.31%</b>      | <b>+18.83%</b>            | <b>+7.34%</b>                   |
| <b>Blended Benchmark*</b>                | <b>+1.15%</b>      | <b>+14.99%</b>            | <b>+8.60%</b>                   |

*\*MSCI World / Barclays Aggregate Blended Benchmark*

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Fund data is on a trade date basis and income and dividends are included in fund returns on an accrual basis. Fund returns are gross of management fees unless indicated otherwise. Returns for longer than one year are annualized.

The BBT IIA \* Diversifying Asset Class benchmark is an equal weighted blend of the S&P Global Infrastructure Index and the Bloomberg Commodity TR Index.

The Blended Benchmark for mastered or "household" accounts is a weighted blend of the benchmarks assigned to each sub-account based on the actual percentage that each sub-account comprises within the overall relationship. The Blended Benchmark for a single account is a weighted blend of the benchmarks assigned to each strategy sleeve based on the actual percentage of the sleeve within the overall account.

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