



Monthly Investment Commentary

April 2019

Economic Update

The general tone in risk markets improved notably in Q1 2019, but cracks in this bullishness began to surface toward the end of March. A sharp decline in Treasury yields began immediately following the March 20 FOMC meeting, which was more dovish than expected, and weaker global economic data and geopolitical concerns further fueled an increase in Treasury prices and implied rate volatility in the ensuing days. Additionally, the 3-month/10-year Treasury yield spread inverted for the first time since mid-2007. On the data front, preliminary readings on March manufacturing PMI data from Europe were much weaker than expected, particularly for Germany, and U.S. data for both services and manufacturing came in below expectations. The U.S. manufacturing reading was the lowest since June 2017, and the March decline in the service sector survey erased much of the gains from the prior two months. Geopolitical risks from Brexit have also contributed to a bullish tone in Treasuries, creating a snowball effect.

MRM NET COMPOSITE PORTFOLIO RESULTS (As of 03/31/2019)

MRM PLATFORMS VS. BENCHMARK	YTD	1-YEAR	3 Years Annualized	5 Years Annualized
Dynamic Overlay	+5.83%	+4.23%	+9.52%	+4.48%
<i>Morningstar Average Tactical Return</i>	+7.20%	+0.33%	+5.76%	+3.04%
All Equity	+7.79%	+11.29%	+16.98%	+11.32%
<i>S&P 500 Total Return</i>	+13.65%	+9.50%	+13.51%	+10.91%
Dynamic International	+4.76%	-11.98%	+0.99%	-2.66%
<i>MSCIEAFE with dividends</i>	+10.13%	-3.22%	+7.80%	+2.81%
Global Strategies	+7.29%	-0.26%	+7.60%	+5.40%
<i>(50%) S&P/ (50%) MSCIEAFE</i>	+11.89%	+3.14%	+10.97%	+7.17%
Tax-Advantaged Income*	+16.41%	+6.85%	NA	NA
<i>Dow Jones US Select Dividend Total Return</i>	+11.08%	+7.20%	NA	NA

MRM Group claims compliance with the Global Investment Performance Standards (GIPS®). Returns are net of fees. For more information visit www.mrminv.com.

Please contact MRM Group to obtain a Compliant Presentation and/or MRM's list of Composite descriptions.

* Tax-Advantaged Income composite started 06/01/2017.

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The Move in Treasuries

The move in Treasuries was not mirrored in risk markets. U.S. equities were slightly higher amid the bond rally and credit spreads were only modestly wider (investment-grade credit spreads actually tightened). Nevertheless, a sharp move in government bond yields for less than obvious reasons raises questions in broad markets of whether bond investors are pricing for a larger paradigm shift. While the front-end of the yield curve (2yr-5yr) has been inverted for much of the last four months, the 3-month/10-year inversion sparked fresh concerns of what the move may be signaling. Most market participants are well aware of the correlation between curve inversion and recession risks.

The Policy Pivot

Perhaps the greatest catalyst for the rebound in market sentiment in 2019 has been the Fed’s policy pivot that began in early January. Just one month before, Fed leaders were defiant in the face of heightened market volatility and much external criticism, particularly from the White House. At the December meeting, the FOMC raised the fed funds rate and, more importantly, maintained its guidance for continued rate hikes in 2019 and beyond. Equity markets deteriorated further before the FOMC capitulated in January and began using the word “patience” with regards to future policy decisions.

Yield Curve Inversion

There has been more market focus in recent days/weeks on yield curve inversion, as participants attempt to interpret the implications of the change in rates and curve slope. The 3-month/10-year inversion was widely noted, but another important measure of curve slope highlighted in the last year by Fed staff members was also noteworthy. In June 2018, Eric Engstrom and Steven Sharpe of the New York Fed wrote an article titled “(Don’t Fear) The Yield Curve,” in which they discounted the usefulness of far-term yield spreads, such as the 2-year/10-year spread, at gauging market expectations for Fed policy and, consequently, the high historical correlation of inverted yield curves and recessions. Alternatively, the article opined that a “near-term forward spread” was more intuitive choice in assessing these factors, and the metric used was a 3-month Treasury bill.

MRM’s View

As we look out and try to examine the current environment, there certainly are risks. The most meaningful would be the result of the U.S.-China trade talks. Our stance has been that we expect positives over the intermediate term. However, if the current talks fall apart or a solid agreement that, among other things, removes U.S. tariffs does not come to fruition, then there would likely be downside risk in the stock market. At MRM we are very vigilant.

Source: ALM FIRST

MRM model holdings as of March 31, 2019

MRM Global Strategies

APPLE INC COM	5.00%
BROADCOM LTD SHS	5.00%
BOEING CO	10.00%
SALESFORCE COM INC	5.00%
ISHARES MSCI EMERGING MARKETS	10.00%
ISHARES MSCI EAFE MIN VOLATILITY	5.00%
ISHARES MSCI SINGAPORE INDEX	5.00%
ISHARES MSCI BRAZIL INDEX	5.00%
INTERNATIONAL BUSINESS MACHS	5.00%
INTUITIVE SURGICAL INC NEW	7.00%
LILLY ELI & CO	5.00%
LOCKHEED MARTIN CORP	5.00%
MCDONALDS CORP	7.00%
MICROSOFT CORP	4.00%
NETFLIX COM INC	5.00%
SPDR S&P 500 TRUST	5.00%
ULTA BEAUTY INC NEW	5.00%
FDIC CASH NOT COVERED BY SIPC	2.00%

MRM Dynamic Overlay – ETFs

ISHARES MSCI EMERGING INDEX	20.00%
ISHARES MSCI EAFE MIN VOLATILITY	5.00%
FIRST TRUST TECH ALPHADAX	3.00%
SPDR GOLD SHARES	3.00%
ISHARES NASDAQ BIOTECHNOLOGY	5.00%
ISHARES DOW JONES US AEROSPACE	10.00%
ISHARES RUSSELL 1000 VALUE INDEX	5.00%
ISHARES RUSSELL 2000 INDEX FUND	5.00%
ISHARES DOW JONES US HEALTH	5.00%
MIDCAP SPDR TRUST, SERIES 1	5.00%
ISHARES S&P 100 INDEX FUND	4.00%
POWERSHARES QQQ TRUST	5.00%
INVESCO S&P 500 LOW VOLATILITY	5.00%
SPDR S&P 500 TRUST	10.00%
VANGUARD GROWTH INDEX FUND	5.00%
FINANCIAL SELECT SECTOR SPDR	3.00%
FDIC CASH NOT COVERED BY SIPC	2.00%

MRM All Domestic Equity

APPLE INC COM	5.00%
BROADCOM LTD SHS	5.00%
BOEING CO	10.00%
CENTENE CORP DEL	5.00%
SALESFORCE COM INC	5.00%
INTERNATIONAL BUSINESS MACHS	5.00%
INTUITIVE SURGICAL INC NEW	7.00%
LILLY ELI & CO	5.00%
LOCKHEED MARTIN CORP	5.00%
MCDONALDS CORP	7.00%
MERCK & CO INC	5.00%
MICROSOFT CORP	4.00%
NETFLIX COM INC	5.00%
O REILLY AUTOMOTIVE INC	5.00%
PEPSICO INC	5.00%
PAYPAL HLDGS INC	5.00%
ULTA BEAUTY INC NEW	5.00%
VISA INC.	5.00%
FDIC CASH NOT COVERED BY SIPC	2.00%

MRM Dynamic International

ISHARES MSCI EMERGING MARKETS	35.00%
ISHARES MSCI EAFE MIN VOLATILITY	7.00%
SPDR S&P 500 TRUST	10.00%

ISHARES MSCI NEW ZEALAND INVEST	15.00%
ISHARES MSCI SINGAPORE INDEX	15.00%
FDIC CASH NOT COVERED BY SIPC	2.00%

ISHARES MSCI MEXICO INVESTABLE	6.00%
ISHARES MSCI BRAZIL INDEX FUND	10.00%

IMPORTANT DISCLOSURES

MRM Group, Inc. (“MRM”) is an SEC registered investment advisor and an independent management firm that is not affiliated with any parent organization. Using quantitative selection methods, each MRM strategy searches within a well-defined universe of securities, using consistent investment criteria to identify attractive investments and create diversified portfolios. MRM seeks to provide long-term capital growth.

STRATEGY	BENCHMARK	VEHICLES	CASH HOLDINGS <i>(When Potential Investments Look Unattractive)</i>
Dynamic Overlay	Morningstar Tactical Allocation	Domestic Securities	Up to 70%
All Domestic Equity	S&P 500 Total Return	Domestic Securities/ADR's	Up to 60%
Dynamic International	MSCI EAFE Gross	Exchange-Traded Funds (ETF's)/Other Securities	Up to 25%
Global Strategies	50% S&P 500 Total Return/ 50% MSCI EAFE Gross	Exchange-Traded Funds (ETF's)/Other Securities	Up to 50%
Tax-Advantaged Income	Dow Jones US Select Dividend Index	Domestic Securities	Up to 4%

The portfolios do NOT use inverse or leveraged ETFs. Universe vehicles may change, from time to time, when approved by the principal of MRM Asset Allocation Group at its sole discretion.

BENCHMARK NOTES

Morningstar’s Tactical Allocation Category averages returns for the peer group based on the return of each fund within the group, for the period shown. The S&P 500 Index with dividends is an unmanaged composite of 500 large-capitalization companies whose data is obtained from the Standard & Poor’s website. S&P 500 is a registered trademark of McGraw-Hill, Inc. The MSCI EAFE Gross Index is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the U.S. and Canada, with data from the MSCI website using price with reinvestment of dividends. The performance of blended benchmarks is shown for comparison because MRM uses securities which track indices related to these products. The Dow Jones US Select Dividend Index comprises 100 stocks and aims to represent the U.S.’s leading stocks by dividend yield. An investment cannot be made directly into an index.

DISCLOSURES

MRM Group claims compliance with the Global Investment Performance Standards (GIPS®). MRM has been independently verified for the periods January 1, 2008 through March 31, 2019. The verification report is available upon request. Verification assesses whether (1) MRM has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) MRM’s policies and procedures are designed to calculate the present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.

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If you wish to modify or impose reasonable restrictions concerning the management of your account, or if your financial situation, investment objectives, or risk tolerance have changed, please contact your MRM Group investment advisor representative or contact the Manager at (800) 233-1944. We will contact you at least annually to determine if your investment goals, objectives, and risk tolerance have changed.

All MRM platforms are suitable for long term investing. Please read the fact sheets and disclosures for each platform carefully before investing.