



Monthly Investment Commentary

August 2018

Does the Bull Still Have Room to Roam?

The equity market has been highly volatile despite a strong U.S. economy and record corporate earnings. Why are investors so nervous when the fundamentals appear so supportive? It's a function of where we are in the market cycle and the current risks that could usher in a recession and bear market. We're in the late stages of one of the longest bull markets in U.S. history, so naturally investors are going to be wondering how long the run will last and what might do it in. Every potential threat is magnified because the bull is so long in the tooth. We are not saying the risks aren't real. We have rising bond yields, increased commodity costs, wage pressures, the possibility of a change of control in Congress, the threat of a "cold war" with China, and the political uncertainty in Italy and Turkey. So investors have reason to be nervous, but there are just as many reasons to remain optimistic about the prospects for equities.

MRM NET COMPOSITE PORTFOLIO RESULTS (As of 07/31/2018)

MRM PLATFORMS VS. BENCHMARK	YTD	1-YEAR	3 Years Annualized	5 Years Annualized
Dynamic Overlay	+4.66%	+14.18%	+4.80%	+6.58%
<i>Morningstar Average Tactical Return</i>	+0.53%	+5.94%	+4.46%	+4.47%
All Equity	+15.55%	+35.10%	+10.03%	+12.36%
<i>S&P 500 Total Return</i>	+6.47%	+16.24%	+12.52%	+13.12%
Dynamic International	-7.54%	-3.85%	-0.21%	+0.85%
<i>MSCIEAFE with dividends</i>	+0.04%	+6.93%	+5.54%	+6.35%
Global Strategies	+4.73%	+14.21%	+4.30%	+8.53%
<i>(50%) S&P / (50%) MSCIEAFE</i>	+3.26%	+11.59%	+9.14%	+9.95%
Tax-Advantaged Income*	-3.07%	-0.32%	NA	NA
<i>Dow Jones US Select Dividend Total Return</i>	+3.36%	+11.71%	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.*

Which are the Most Threatening

The most worrisome risk, in our view, is a jump in inflation and more aggressive Federal Reserve [Fed] tightening than the market is expecting. That's the biggest concern because interest rates obviously affect the pricing of trillions of dollars in the bond markets, which affects equity prices. A spike in yields generates larger flows into bonds at the expense of equities. At this point, we don't expect inflation to spike. We've seen commodity prices rise this year, and there are labor shortages that could translate into higher wages, but there are also offsets to those pressures, such as automation, outsourcing and a stronger dollar. So the uptick in inflation is more tactical than strategic. We might get a bout of short-term inflation, but, in our view, it's not sticky.

The U.S. and China Trade Wars

Trade is the primary driver of global growth, so naturally we're concerned about the resurgence of protectionism. So far, there has been more saber rattling than real conflict. The tariffs announced by the Trump administration and China's response are worrisome, but we do not expect them to have a significant impact on U.S. and China overall trade volumes or the countries' economies by themselves. If the brinkmanship turns to an all-out trade war, that's a different story. We're of the mind that cooler heads will prevail.

Case for the Market

The most important is the U.S. economy, which is the healthiest it's been since the start of the Great Recession about 10 years ago. Economic growth is strong and likely to accelerate as the year progresses and business confidence is high, which increases capital expenditures. That investment stokes not only growth but also productivity, which helps keep a lid on inflation. Consumer spending, which accounts for about 70% of U.S. gross domestic product, is likely to rise because last year's tax cuts are putting money in consumers' pockets. So the table appears set for very solid economic growth over the next year, and that bodes well for corporate earnings, which we think will take stock prices to the next level.

MRM's View

Our analysis is that absent a spike in inflation or an all-out trade war with China — neither of which we foresee — stocks should rise into 2019. The risks are real, but we believe healthy economic growth will translate into solid corporate earnings over the next several quarters, which should power the market to new heights. There are more worries now than there were at the beginning of the year, but we think there are opportunities to capture if investors stay the course and increase diversification.

Source: U.S. Trust

MRM model holdings as of June 30, 2018

MRM Global Strategies

AMAZON COM INC	5.00%
BAIDU COM INC SPON ADR REP A	5.00%
BOX INC CL A	5.00%
CENTENE CORP DEL	5.00%
ISHARES MSCI EMERGING MARKETS INDEX	5.00%
ISHARES MSCI EAFE INDEX FUND	3.00%
LAUDER ESTEE COS INC CL A	5.00%
ISHARES MSCI NEW ZEALAND INVEST	5.00%
ISHARES MSCI HONG KONG INDEX FUND	10.00%
ISHARES FTSE CHINA 25 INDEX FUND	5.00%
J P MORGAN CHASE & CO	5.00%
MASTERCARD INC COM	5.00%
NIKE INC CL B	5.00%
RAYTHEON CO	5.00%
BOSTON BEER INC CL A	5.00%
SPDR S&P 500 TRUST	5.00%
TWITTER INC COM	5.00%
FDIC CASH NOT COVERED BY SIPC	12.00%

MRM Dynamic Overlay – ETFs

ISHARES MSCI EMERGING MKRKS	10.00%
ISHARES MSCI EAFE INDEX FUND	5.00%
ISHARES RUSSELL 1000 GROWTH	10.00%
ISHARES RUSSELL 2000 VALUE	5.00%
POWERSHARES QQQ TRUST	5.00%
ISHARES PHLX SOX SEMICON	5.00%
SPDR S&P 500 TRUST	10.00%
SPDR S&P 500 GROWTH ETF	5.00%
VANGUARD GROWTH INDEX FUND	8.00%
FINANCIAL SELECT SECTOR SPDR	5.00%
TECHNOLOGY SELECT SECTOR	10.00%
HEALTH CARE SELECT SECTOR	10.00%
CONSUMER DISCRETIONARY	10.00%
FDIC CASH NOT COVERED BY SIPC	2.00%

MRM Dynamic International

ISHARES MSCI EMERGING MARKETS	25.00%
ISHARES MSCI EAFE INDEX FUND	15.00%
ISHARES MSCI NEW ZEALAND INV	10.00%
ISHARES MSCI HONG KONG INDEX	20.00%
ISHARES MSCI NETHERLANDS INV	10.00%
ISHARES FTSE CHINA 25 INDEX	10.00%
ETF MANAGERS TR BLUESTAR	8.00%
FDIC CASH NOT COVERED BY SIPC	2.00%

MRM All Equity

APPLE INC COM	5.00%
ALLERGAN PLC SHS	5.00%
AMAZON COM INC	5.00%
ALIBABA GROUP HLDG LTD	5.00%
BOEING CO	5.00%
BAIDU COM INC SPON ADR REP A	4.50%
BOX INC CL A	5.00%
CENTENE CORP DEL	5.00%
LAUDER ESTEE COS INC CL A	5.00%
INTERNATIONAL BUSINESS MACHS	5.00%
INTUIT	5.00%
J P MORGAN CHASE & CO	5.00%
MASTERCARD INC COM	5.00%
MICROSOFT CORP	5.00%
NETFLIX COM INC	5.00%
NIKE INC CL B	5.00%
BOSTON BEER INC CL A	5.00%
TELEDYNE TECHNOLOGIES INC	5.00%
TWITTER INC COM	5.00%
VISA INC	4.50%
FDIC CASH NOT COVERED BY SIPC	1.00%

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 (When Potential Investments Look Unattractive)
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 June 30, 2018. 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.