



# Monthly Investment Commentary

August 2019

## Bond Yields

Central banks are easing monetary policy once again. Bond investors see this as pre-emptive action ahead of a global economic slowdown, perhaps even recession, whereas equity investors anticipate this will fuel a pick-up in corporate profitability by boosting GDP growth. Time will tell, but for now bond yields are at new lows – the German and Swiss governments can borrow at a negative interest rate for up to 50 years.

### MRM NET COMPOSITE PORTFOLIO RESULTS (As of 07/31/2019)

MRM PLATFORMS VS. BENCHMARK	YTD	1-YEAR	3 Years Annualized	5 Years Annualized
<b>Dynamic Overlay</b>	<b>+8.38%</b>	<b>+2.92%</b>	<b>+8.95%</b>	<b>+4.85%</b>
<i>Morningstar Average Tactical Return</i>	+9.69%	+0.57%	+4.83%	+3.07%
<b>All Equity</b>	<b>+8.55%</b>	<b>+4.20%</b>	<b>+16.46%</b>	<b>+11.33%</b>
<i>S&amp;P 500 Total Return</i>	+20.24%	+7.99%	+13.36%	+11.34%
<b>Dynamic International</b>	<b>+4.89%</b>	<b>-5.16%</b>	<b>-0.88%</b>	<b>-2.11%</b>
<i>MSCIEAFE with dividends</i>	+13.05%	-2.09%	+7.40%	+2.88%
<b>Global Strategies</b>	<b>+7.93%</b>	<b>-0.14%</b>	<b>+6.12%</b>	<b>+5.82%</b>
<i>(50%) S&amp;P / (50%) MSCIEAFE</i>	+16.65%	+2.95%	+10.53%	+7.44%
<b>Tax-Advantaged Income*</b>	<b>+20.54%</b>	<b>+9.17%</b>	<b>NA</b>	<b>NA</b>
<i>Dow Jones US Select Dividend Total Return</i>	+14.56%	+4.25%	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](http://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.*

Monthly Investment Commentary

**US and China**

Economists struggle to quantify the lasting impact of existing tariffs (\$250bn predominately on capital goods/industrial supplies/automotive), let alone those covered by the latest extension – the majority are consumer goods, which might have a more immediate impact on the US economy. The 7% year-on-year decline of Chinese exports to the US has been surprisingly low. This could mean the impact is predominately adverse sentiment surrounding investment decisions and raised costs rather than lost growth opportunities.

Beyond China, we anticipate US challenges to countries that have benefited from trade diversion such as Vietnam and Europe. Trade tensions unfortunately aren't limited to the US with the Japanese/South Korea dispute also escalating. An extended trade war, unrest in Hong Kong and Japan/Korea semiconductor tensions mean growth is slowing quite sharply in the rest of Asia. Japan has stabilized, however, with resilience in consumer spending offsetting negative net exports.

Despite the noise surrounding trade, the Chinese economy continues to grow strongly. Annual GDP growth slowed to near 6% in the second quarter of 2019 – services remained flat at around 7% growth, while manufacturing slowed to 5.6%. We expect a similar performance in the second half of the year based on a resilient consumer and government incentivized infrastructure spending. Policy easing will continue in a measured way, partly through monetary measures but mainly from fiscal policy. Currency weakness could be used as a measure against tariffs.

Meanwhile, US consumption rebounded in the second quarter, following the government shutdown and delayed tax rebates. Residential and business fixed investment languished however. The economy looks on track to grow 2.6%, a touch lower than last year but still well above the advanced world average. The growth in jobs is likely to slow while low levels of unemployment will likely keep wages growing at 3%+. Investors will be watching to see if higher labor costs can be passed on by price rises or whether competition forces margin compression.

The Federal Reserve announced an end to its 'quantitative tightening' balance sheet reduction and cut rates by 25bp to 2.25% – the first cut in nearly eleven years – citing a mid-cycle adjustment and insurance against downside risks from weak global trade. While it is not clear whether easier monetary policy is necessary at this stage or will compensate for slowing global trade it does represent a dovish pivot by the Fed and markets anticipate further cuts.

**MRM's View**

Markets have performed strongly year-to-date with US shares reaching a new high at the end of July. Investors have been prepared to look through the sharp deceleration in corporate profit growth in the expectation of an improvement in 2020 once supportive monetary policy kicks in. This optimism has pushed valuations towards the top end of their normal range, leaving them vulnerable to disappointing news. An estimated 3% increase in global earnings this year looks reasonable, but 10% growth for next year appears optimistic. We have become slightly more defensive in our stock-picking in recent months while retaining a focus on quality companies generating strong free cash flow.

Source: Quilter Cheviot

**MRM model holdings as of June 30, 2019**

**MRM Global Strategies**

APPLE INC COM	5.00%
AMAZON COM INC	5.00%
BROADCOM LTD SHS	5.00%
SALESFORCE COM INC	5.00%
DISNEY WALT CO DISNEY	5.00%
ISHARES MSCI EMERGING MARKETS	10.00%
ISHARES MSCI EAFE MIN VOLATILITY	5.00%
ISHARES MSCI SINGAPORE INDEX FUND	5.00%
ISHARES MSCI BRAZIL INDEX FUND	5.00%
FACEBOOK INC CL A	5.00%
INTUITIVE SURGICAL INC NEW	7.00%
J P MORGAN CHASE & 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 ALPHADEX	3.00%
ISHARES NASDAQ BIOTECH INDEX	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	13.00%
VANGUARD GROWTH INDEX FUND	5.00%
HEALTH CARE SELECT SECTOR SPDR	4.00%
FDIC CASH NOT COVERED BY SIPC	1.00%

**MRM All Domestic Equity**

APPLE INC COM	5.00%
AMAZON	5.00%
BROADCOM LTD SHS	5.00%
CENTENE CORP DEL	5.00%
SALESFORCE COM INC	5.00%
DISNEY WALT CO DISNEY	5.00%
FACEBOOK	5.00%
INTUITIVE SURGICAL INC NEW	7.00%
J P MORGAN CHASE & CO	5.00%
KANSAS CITY SOUTHN INDS INC	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%
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%

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

ISHARES FTSE CHINA 25 INDEX	16.00%
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 June 30, 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.

Valuations are computed and performance is reported in U.S. dollars. Client performance may differ based upon the structure of a particular investment program. For example, some programs are structured as wrap fee programs in which trading costs and brokerage commissions are included in one all-inclusive wrapped fee. As such, these costs may be higher than if the client were to pay trading costs and brokerage commissions separately. The standard management fee is 2.0%. Deviation from the model's diversified structure may result in different risk, return, and diversification characteristics and would therefore not be representative of the models.

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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.***

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