



# Monthly Investment Commentary

September 2019

## Recessions?

Recessions are inevitable and occur at the end of every economic cycle, so the US economy is sure to have one. The unknown factor is the amount of time until it arrives, as the lead time from rates inversion until recession is highly variable:

- The median span from an inversion in the 10y-3m curve and recessions historically was 12 months—with a range of five to 23 months.
- The median S&P 500 performance during those spans was 4.2%—with a range of -16.6% to +22.8%.
- The median span from an inversion in the 10y-2y curve and recessions historically was 17 months—with a range of 10 to 24 months.
- The median S&P 500 performance during those spans was 4.4%—with a range of -12.0% to +30.0%.
- Of course, past performance is no guarantee of future results, but importantly, the ranges show that there is little consistency historically in terms of recessions' timing or stock market performance in the aftermath of inversions in the yield curve.

### MRM NET COMPOSITE PORTFOLIO RESULTS (As of 08/31/2019)

MRM PLATFORMS VS. BENCHMARK	YTD	1-YEAR	3 Years Annualized	5 Years Annualized
<b>Dynamic Overlay</b>	<b>+6.97%</b>	<b>-0.87%</b>	<b>+8.57%</b>	<b>+3.90%</b>
<i>Morningstar Average Tactical Return</i>	+9.44%	-0.93%	+4.84%	+2.65%
<b>All Equity</b>	<b>+6.59%</b>	<b>-3.24%</b>	<b>+15.44%</b>	<b>+10.41%</b>
<i>S&amp;P 500 Total Return</i>	+18.34%	+2.92%	+12.70%	+10.11%
<b>Dynamic International</b>	<b>+0.87%</b>	<b>-8.01%</b>	<b>-2.07%</b>	<b>-2.89%</b>
<i>MSCIEAFE with dividends</i>	+10.14%	-2.75%	+6.44%	+2.38%
<b>Global Strategies</b>	<b>+4.63%</b>	<b>-6.47%</b>	<b>+5.25%</b>	<b>+4.91%</b>
<i>(50%) S&amp;P / (50%) MSCIEAFE</i>	+14.24%	+0.09%	+9.66%	+6.53%
<b>Tax-Advantaged Income*</b>	<b>+22.46%</b>	<b>+9.01%</b>	<b>NA</b>	<b>NA</b>
<i>Dow Jones US Select Dividend Total Return</i>	+12.05%	+0.89%	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

**Trade tensions continue to mount**

The trade picture has shown few signs of improvement, as global manufacturing continues to weaken and myriad manufacturers continue to express uncertainty and are holding off on capital spending due to the trade dispute between China and the US. Due to the latest tariff escalations; and limited incentive for either side to compromise at this stage, we see little prospect of a resolution in the near future. Barring some minor positive developments, the general rhetoric over the past couple of months has shown no evidence of a conciliatory tone. The tit for tat continues, and the longer the dispute and escalations continue, the more damage it is likely to do to corporate animal spirits and capital spending intentions. The prospective risk is that manufacturing’s weakness starts to bleed into the consumer/services side of the economy. This may already be underway, with the latest services purchasing managers index (PMI) from Market falling to 50.9 (which is barely above the 50 mark denoting expansion). The slide coincided with a weaker manufacturing reading, which did dip to slightly below the 50 line. This weakness into services could be exacerbated by the fact that the next two rounds of tariffs on Chinese imports are a direct hit to consumer goods.

**Mid-cycle adjustment, or something more?**

For now, the Fed appears to be more focused on the consumer’s strength in holding up the economy. The July Federal Open Market Committee Meeting (FOMC) minutes reiterated what Fed Chairman Jerome Powell noted immediately following the FOMC meeting last month—that the July rate cut was a “mid-cycle adjustment” rather than a “pre-set course” for an easing cycle. Yet, despite that, investors are still pricing in at least two more rate cuts this year. The divergence between these expectations and the Fed’s signaling will have to be resolved at some point, and market volatility could increase along with convergence.

**MRM’s View**

While manufacturing continues to weaken and the US-China trade dispute shows no sign of a resolution, the US consumer continues to power the economy thanks to positive wage growth and a tight labor market. However, it’s prudent to be prepared for more bouts of volatility, and have a very well diversified portfolio (as all of MRM’s platforms).

Source: Schwab

**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%

ISHARES MSCI EMERGING MARKETS	35.00%
ISHARES MSCI EAFE MIN VOLATILITY	7.00%

MRM Dynamic International	
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.***

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