Capital Markets Update - 4Q 2018

SOLARIS Asset Management

Notable 4Q Market Performance

	S&P 500 (Large Cap Stocks)	MSCI EAFE (International Developed Stocks)	MSCI Emerging Markets (EM Stocks)	Barclays Aggregate (Bonds)	10-Year Treasury (Bonds)	HFRI Hedge Fund Composite (Hedge Funds)	USD	WTI Crude Oil
4Q Return	-13.52%	-12.50%	-7.40%	1.64%	3.87%	-5.34%	1.09%	-37.49%
2018 Return	-4.38%	-13.36%	-14.25%	0.01%	0.00%	-4.08%	4.40%	-20.46%

4Q 2018 Market Commentary

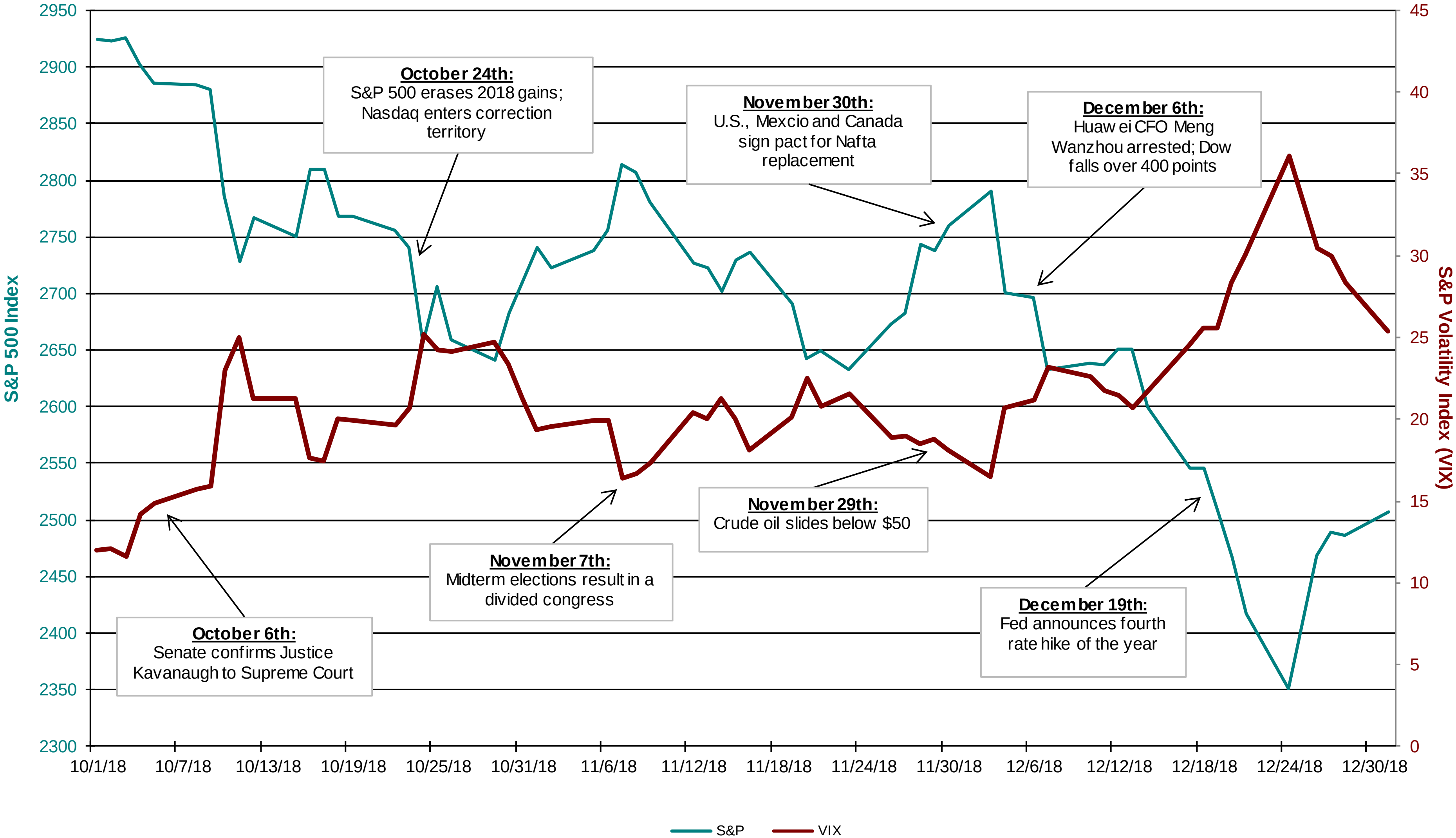
Risk assets sold off sharply during the 4th Quarter, leading the domestic stock market down for its worst annual performance since 2008. Investors spurned healthy US economic data, as unemployment remained below 4%, inflation (as measured by CPI) held above 2% and corporate earnings continued to post impressive double-digit growth. Non-US stocks were weighted down by US-China trade war rhetoric, uncertainty surrounding the pathway and effects of Brexit and the unsustainably high level of non-performing loans on the books of Italian banks. In addition, the unrelenting strength of the US dollar resulted in big declines for emerging market equity markets. Bonds proved more resilient but still the Barclays Global Aggregate Bond Index lost -1.2% in 2018. Towards the end of the year, credit spreads began to widen, signaling concern for lower liquidity and the overall quality of corporate bonds. As a result, high yield bonds fell -4.5% in Q4.

What is spooking the market and do these fears justify the kind of negative market action we witnessed in 2018, particularly in the final quarter of the year? Could it be wrong-minded decisions by central bankers including the Fed? Is it an increase in operating leverage on the balance sheets of corporations and households? Perhaps it's the post-peak corporate earnings outlook? Or could it be the slowdown in China's growth? While these are valid concerns, we don't think they paint a sufficiently dire picture to account for the recent re-rating of global markets. Take for example the Fed's attempt to break the market's codependency on easy money/zero interest rates. Even if the Fed's policy moves were to invert the yield curve, the average time from inversion to bear market since 1965 has been 17 months. Yes, the market is a discounting mechanism, but this lead time suggests there may be upside this year.

So although fundamentals have begun to erode, they have not deteriorated *drastically* and are not the primary reason for most of the recent negative investor sentiment. Rather, markets are preoccupied with the unpredictable nature of decisions that impact economic growth. Investors and corporations crave a steady, reliable hand — not confrontational trade or inconsistent foreign policy. Concern over policy missteps become amplified when there is a lack of confidence in, or a clear understanding of, the direction we are heading. Exacerbating this is the deafening feedback loop of sensationalized and polarizing reportage. One can only hope that this troubling phase will play itself out and we will return to a more thoughtful discourse based on shared objectives that are fully and well articulated.

Notwithstanding the heightened level of political and geopolitical risk, we remain long-term, fundamental investors, and we are not abandoning equities especially now that their valuations have become more attractive. Equity exposure has already been taken down via market action. We would not take further steps in this direction other than for the few clients who find this inflated level of volatility too difficult to bear.

The S&P 500 falls -13.5% During 4Q; Finishes -4.4% for 2018 as Trade Fears and Rising Interest Rates Loom Large



Source: Bloomberg, WSJ.com.

Capital Markets Update - 4Q 2018

SOLARIS Asset Management

Domestic Capital Markets Snapshot: Risk Assets Hit Hard in 4Q

U.S. Equity

	4Q 2018 Value	4Q 2018 Blend	4Q 2018 Growth	Full Year 2018 Value	Full Year 2018 Blend	Full Year 2018 Growth
Large Cap	(11.72)	(13.82)	(15.89)	(8.27)	(4.78)	(1.51)
Mid Cap	(14.95)	(15.37)	(15.99)	(12.29)	(9.06)	(4.75)
Small Cap	(18.67)	(20.20)	(21.65)	(12.86)	(11.01)	(9.31)

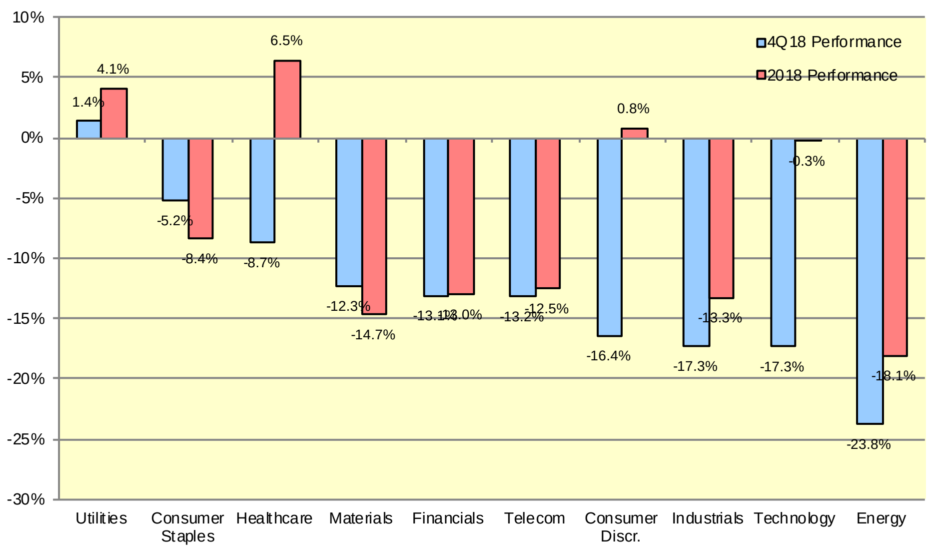
Source: Bloomberg

U.S. Fixed Income

	4Q 2018 Short Term	4Q 2018 Int Term	4Q 2018 Long Term	Full Year 2018 Short Term	Full Year 2018 Int Term	Full Year 2018 Long Term
Treasuries	1.31	2.24	4.19	1.56	1.41	(1.84)
Corporate	0.89	0.75	(1.64)	1.64	0.01	(6.76)
High Yield	N/A	(4.36)	(7.79)	N/A	(1.77)	(7.58)

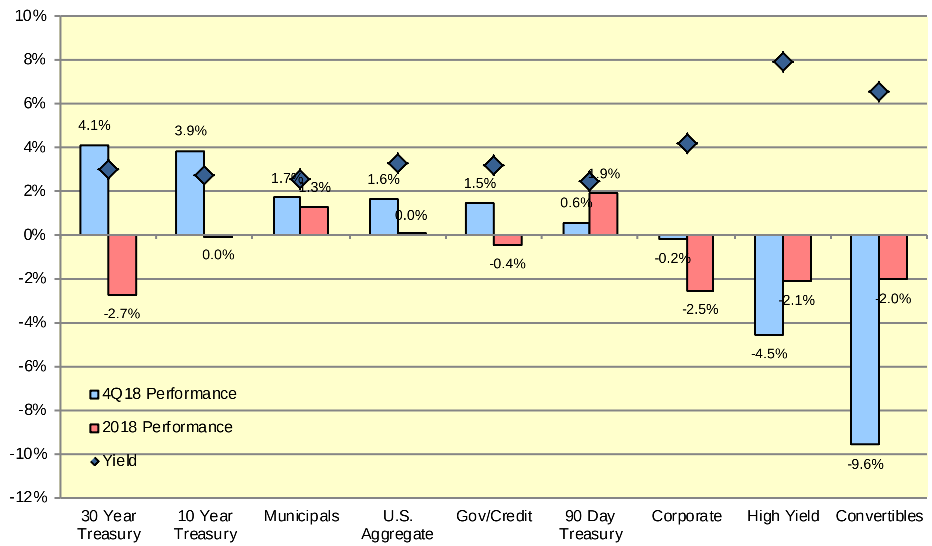
Source: Bloomberg

S&P Sector Performance



Source: Bloomberg

Domestic Fixed Income Performance

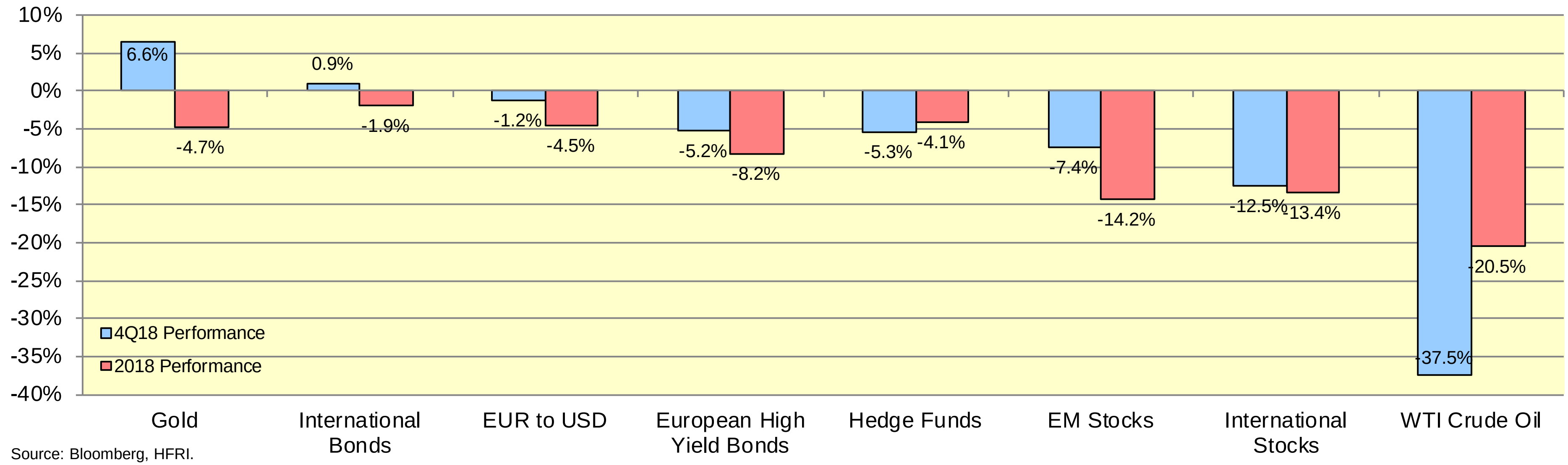


Source: Bloomberg, JP Morgan.

Capital Markets Update - 4Q 2018

SOLARIS Asset Management

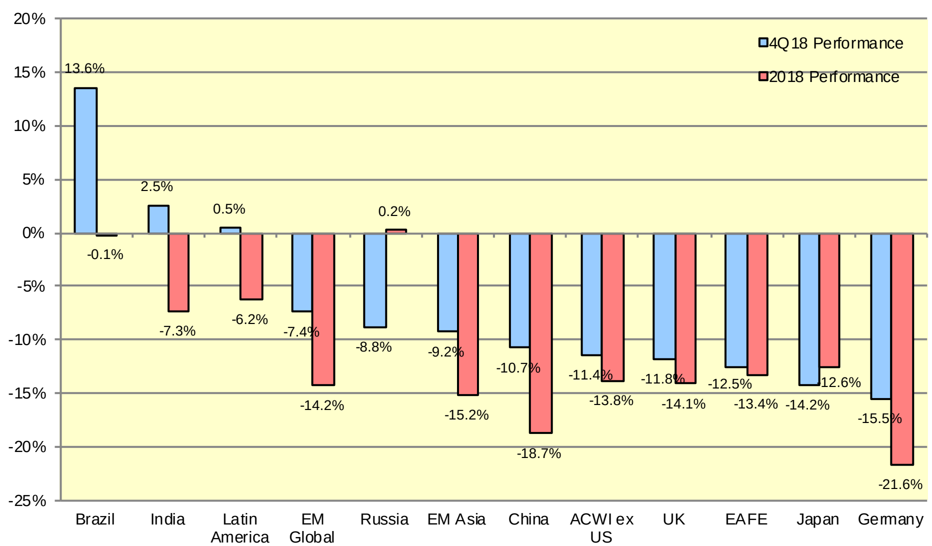
International Capital Markets Snapshot: Trade War and Brexit Uncertainty Brought Negative Returns to 2018



Source: Bloomberg, HFRI.

Note: All returns in USD.

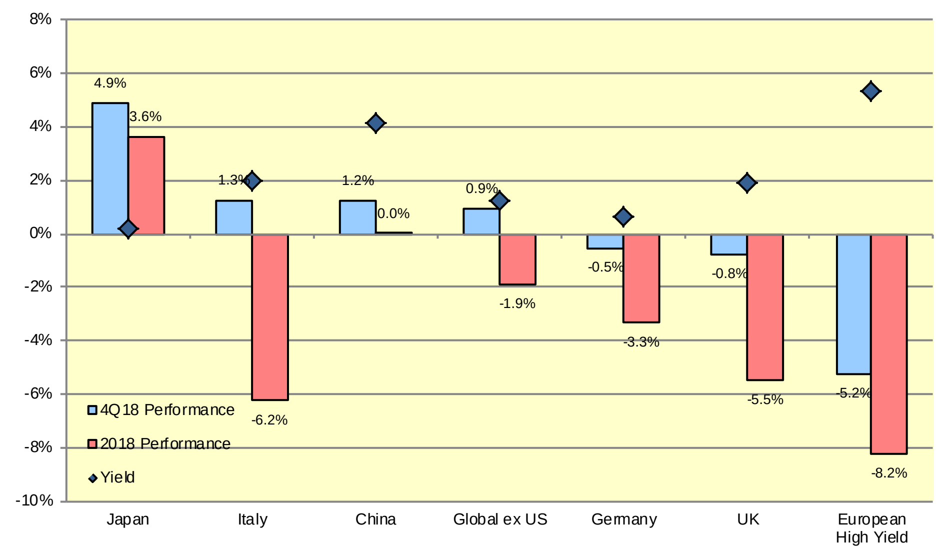
International Equity Performance



Source: Bloomberg

Note: All returns in USD.

International Fixed Income Performance



Source: Bloomberg, JP Morgan. Country returns and yields represent those of Aggregate indices.

Note: All returns in USD.

Key Market Themes

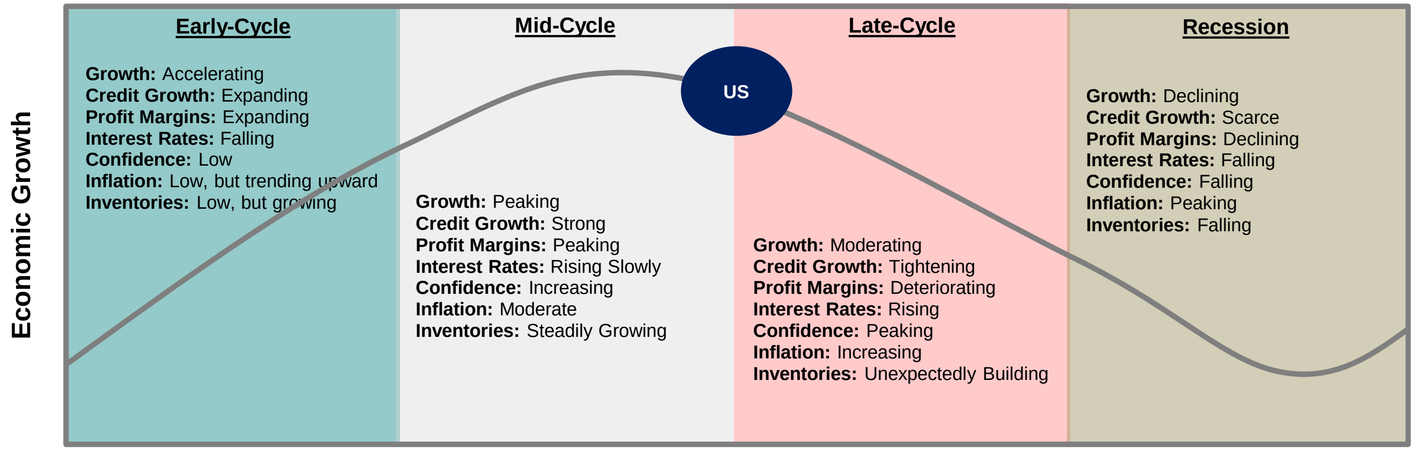
(1) Late Cycle Dynamics
(2) Tightening Global Liquidity
(3) China Transactions
(4) Globalization Backlash

Source for entire section: NEPC. Additional sources, if any, are listed at bottom of pages.

SOLARIS Asset Management

(1) Late Cycle Dynamics

U.S. economy has transitioned to a late cycle environment



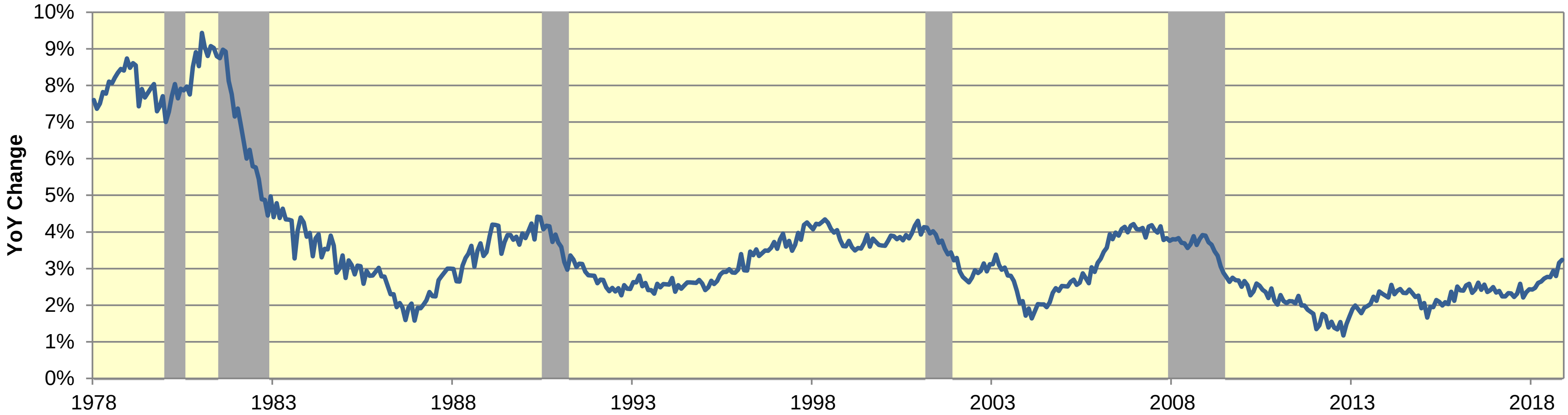
Late Cycle Checklist

Indicators	Expected Late Cycle Behavior	Current State
Yield Curve	Inverting	Close
Inflation	Rising	Yes
Equities	Peaking/Rolling Over	Yes
Rates	Rising	Yes
Growth	Choppy, Dipping 12-24 months Ahead	Yes
Credit Spreads	Stable to Rising	Yes
Output	Near or Above Potential	Yes
Unemployment	Declining/Bottoming	Yes

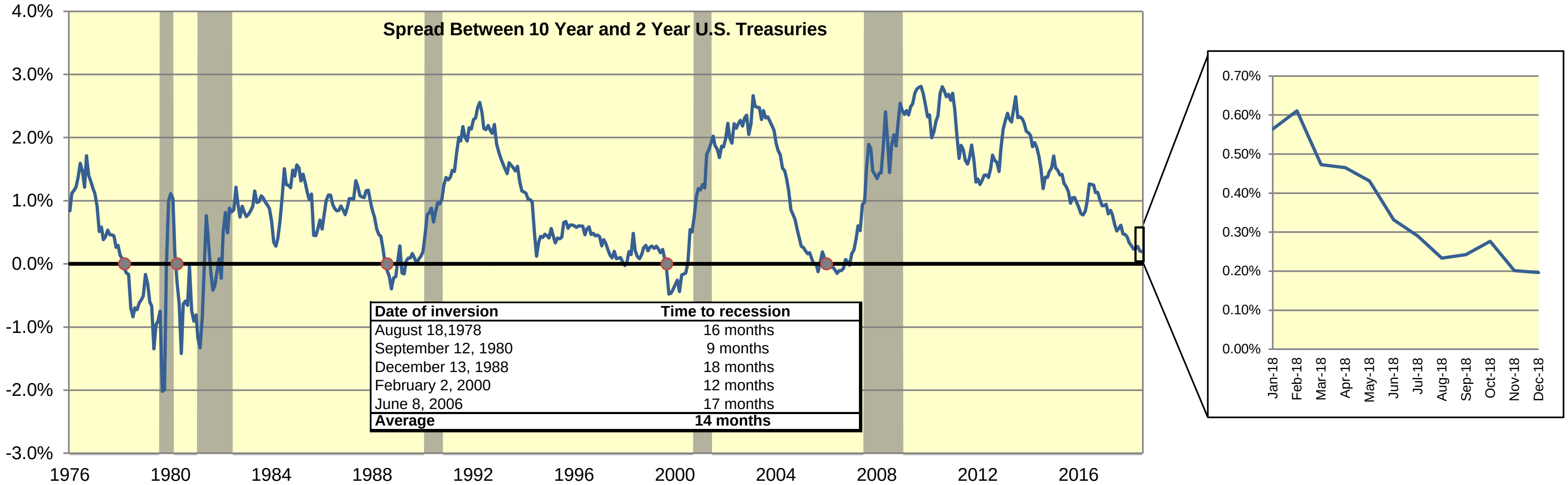
Capital Markets Update - 4Q 2018

(1) Late Cycle Dynamics – Key Indicators

U.S. Average Hourly Earnings Peaked Prior to Recessions: Indicates Potential Lower Profit Margins, Rising Inflation



Inverted Yield Curve is Normally a Precursor to a Recession: Spreads Continue to Tighten



Date of inversion	Time to recession
August 18,1978	16 months
September 12, 1980	9 months
December 13, 1988	18 months
February 2, 2000	12 months
June 8, 2006	17 months
Average	**14 months**

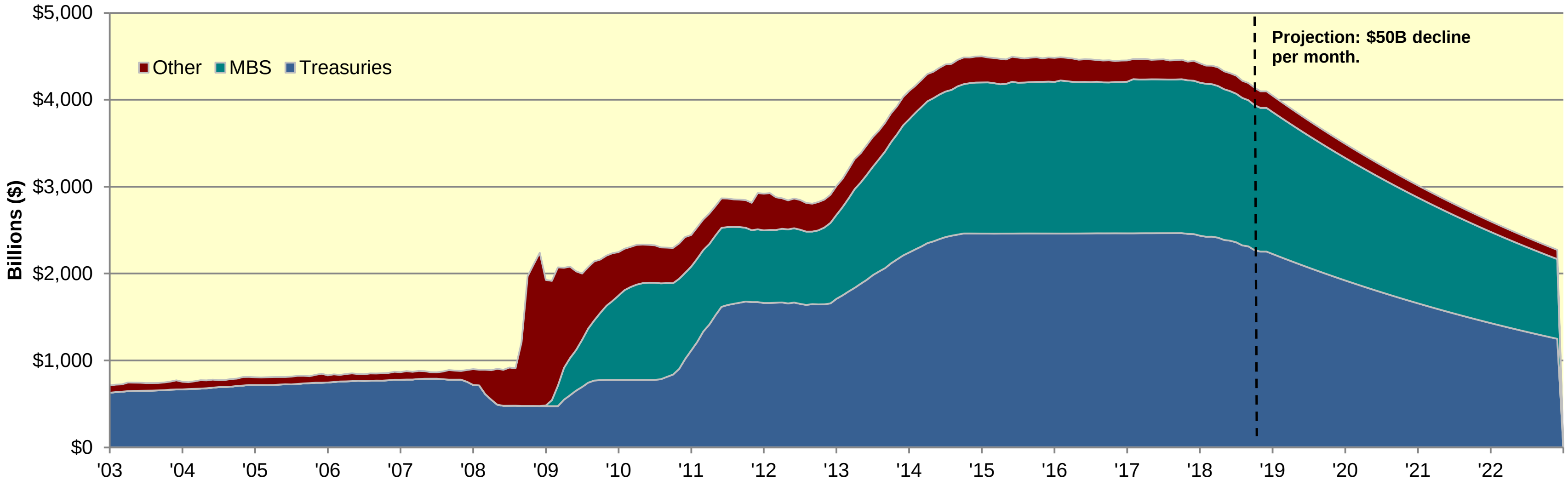
Source: Bloomberg (Top); Bloomberg, JP Morgan (Bottom).

Capital Markets Update - 4Q 2018

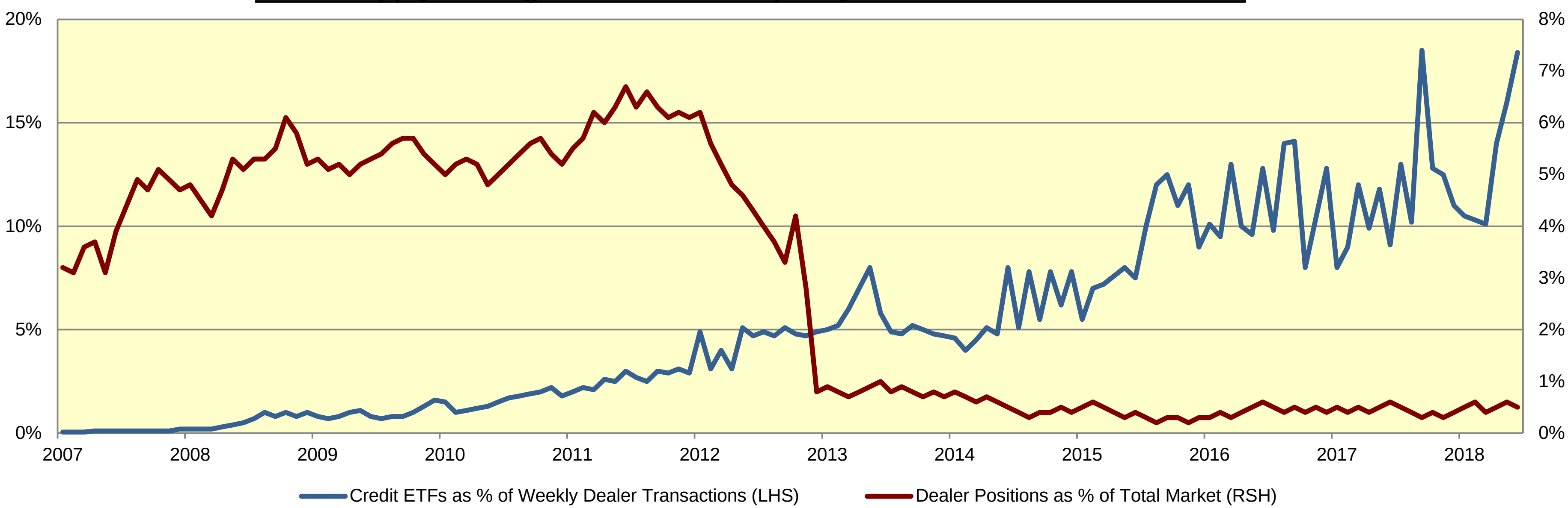
SOLARIS Asset Management

(2) Tightening Global Liquidity

Federal Reserve Balance Sheet Assets: QE Reversal Has Already Commenced



Credit Supply/Trading: Credit Market Liquidity Could Prove To Be a Problem

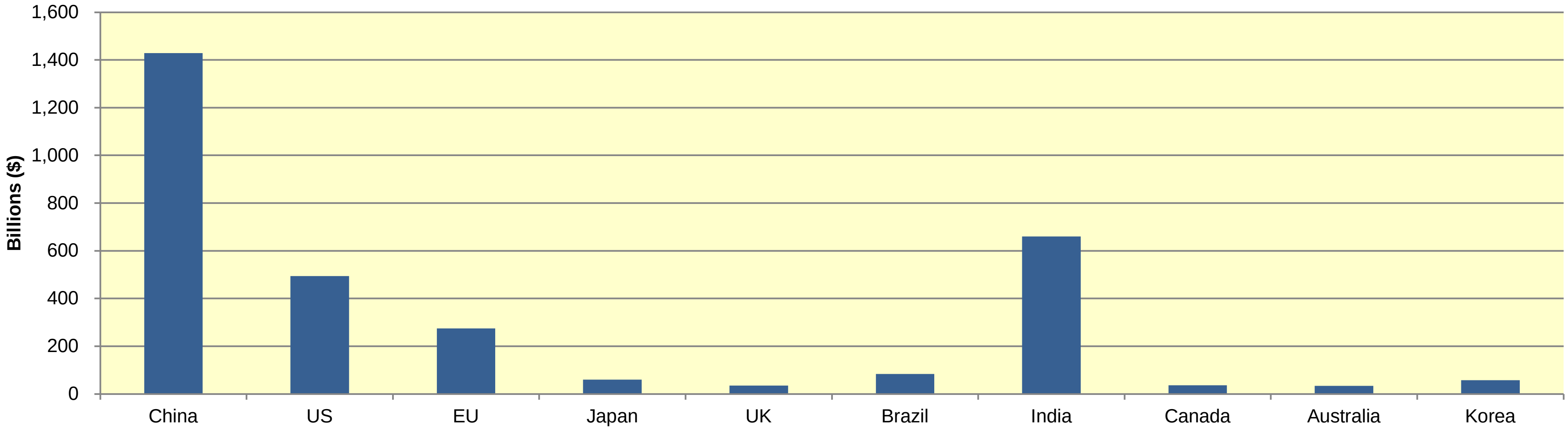


Source: Bloomberg (Top).

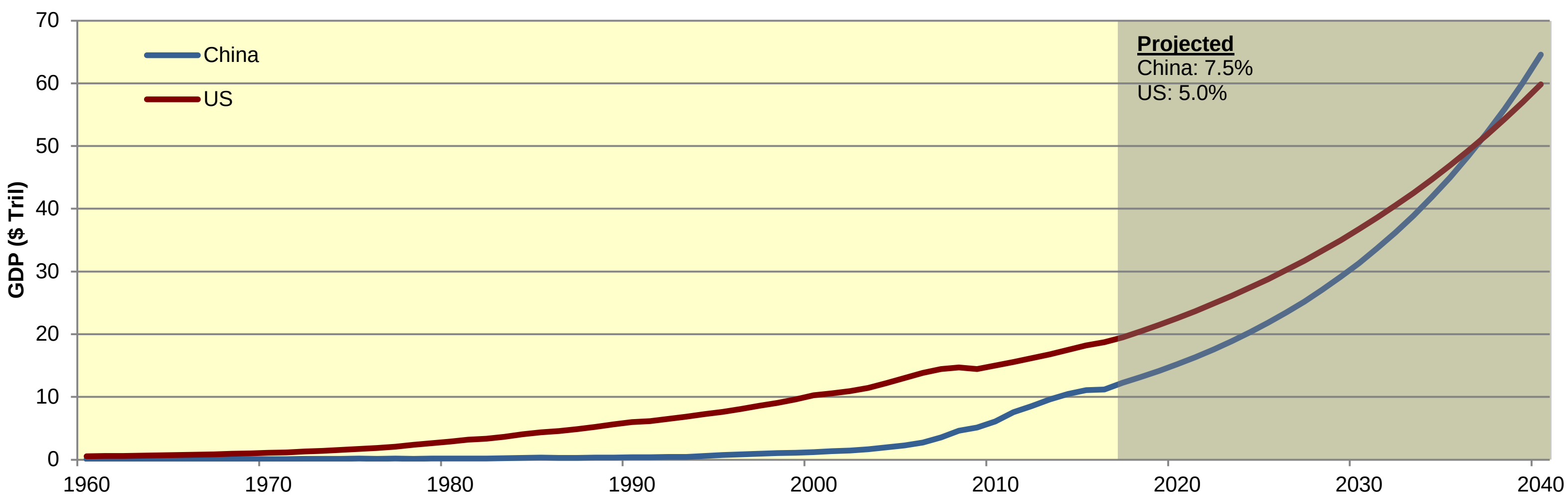
SOLARIS Asset Management

(3) China Transitions: Navigating as a World Leader

2019 Projected Real GDP Growth: China Outpaces the Rest of World



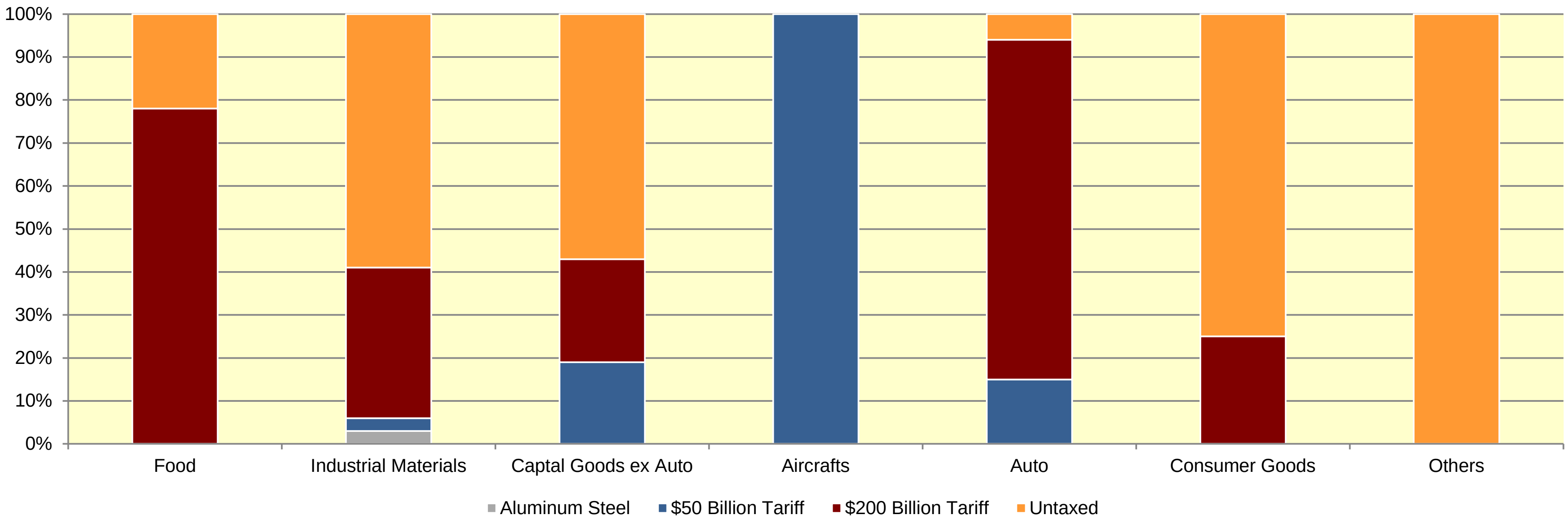
Nominal GDP Growth: China Projects to Surpass U.S.



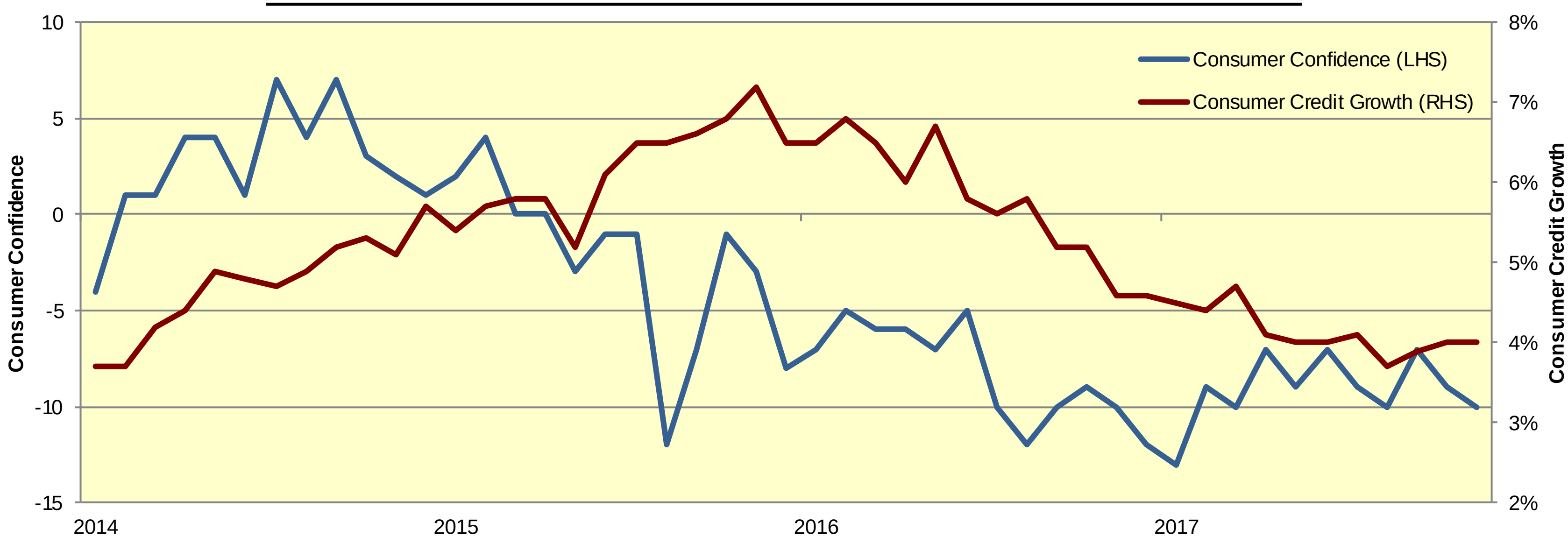
Source: OECD (Top); Bloomberg (Bottom).

(4) Globalization Backlash: Fallout From Brexit, Trade War

U.S. Tariffs on China: Many Goods Impacted By Trade War



U.K. Consumer Confidence vs. Credit: Will We See a Brexit Referendum?



Source: Bloomberg (Top); Bloomberg (Bottom).

2019 Opportunities

(1) Take Advantage of Equity Valuations
(2) Maintain Emerging Market Overweight
(3) Raise Low Risk Fixed Income Exposure
(4) Allocate to Midstream Energy

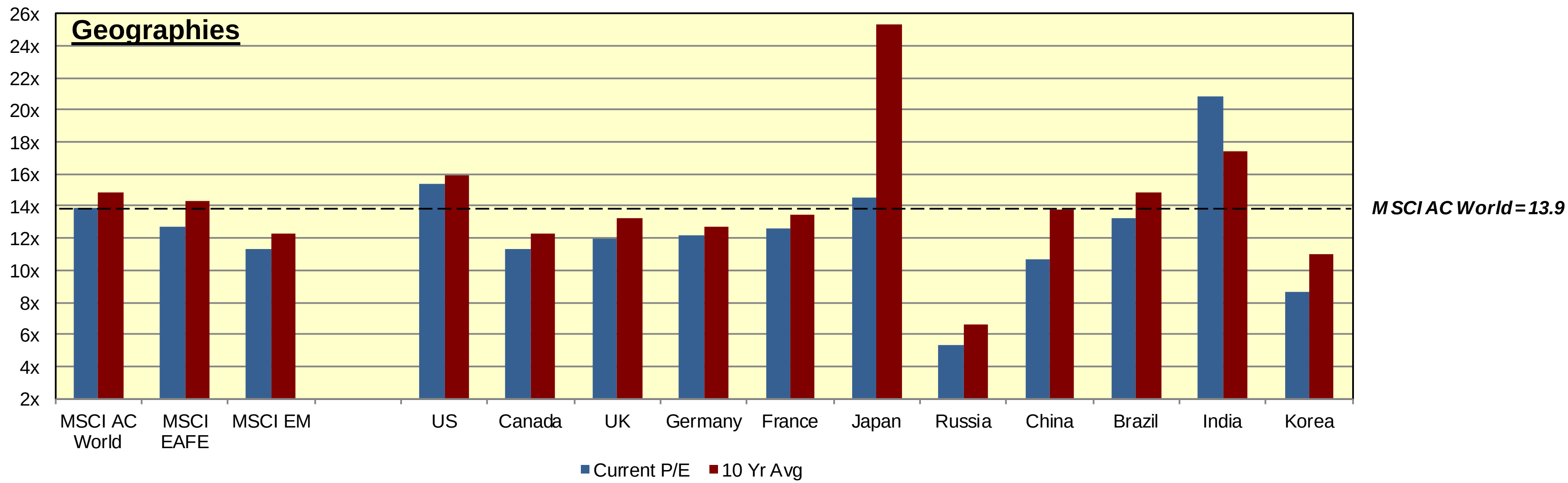
Source for entire section: NEPC. Additional sources, if any, are listed at bottom of pages.

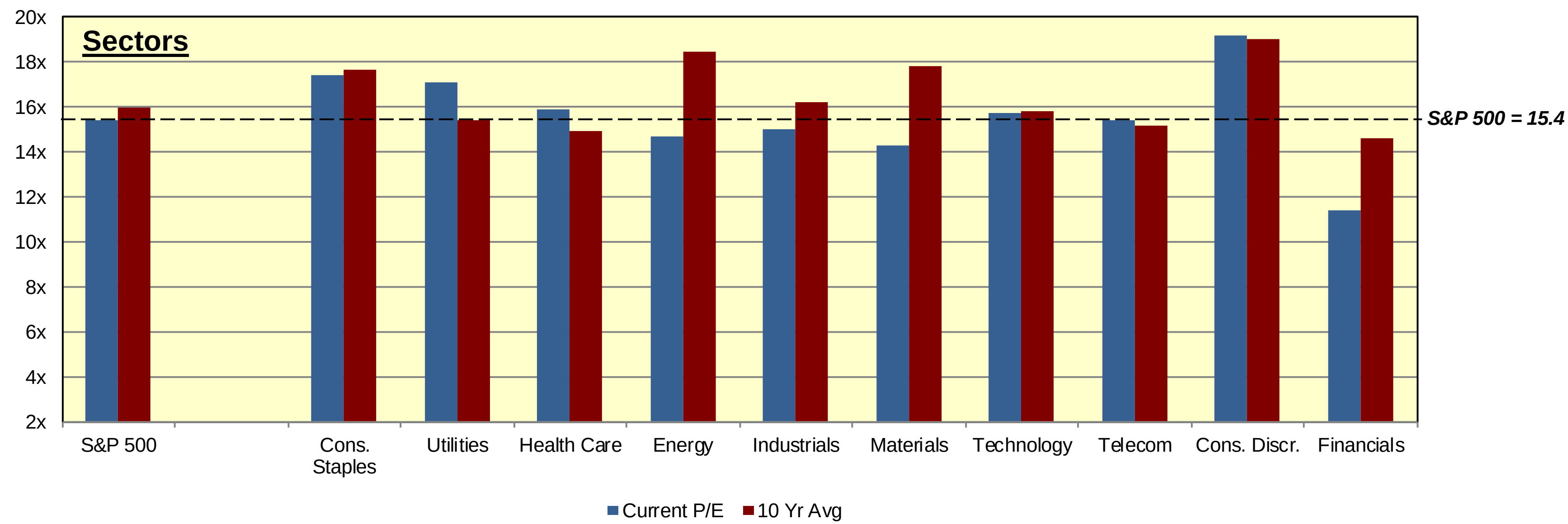
Capital Markets Update - 4Q 2018

SOLARIS Asset Management

(1) Take Advantage of Equity Valuations

Current Price / Earnings Ratio vs. 10 Year Average: Opportunities Across Geographies and Sectors

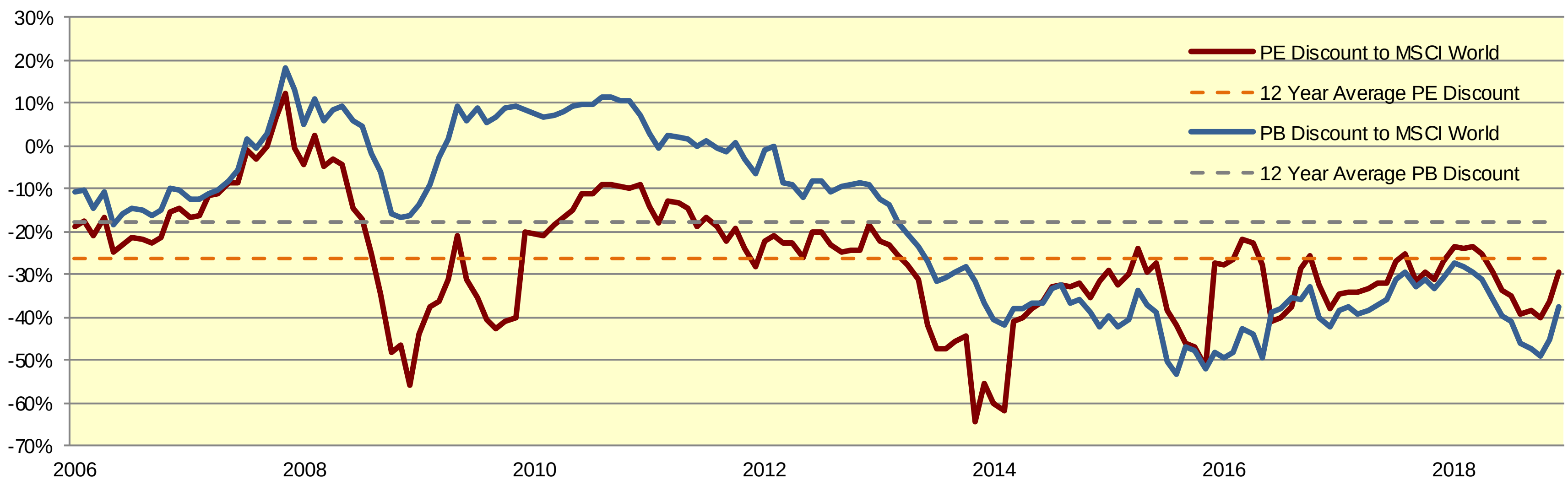




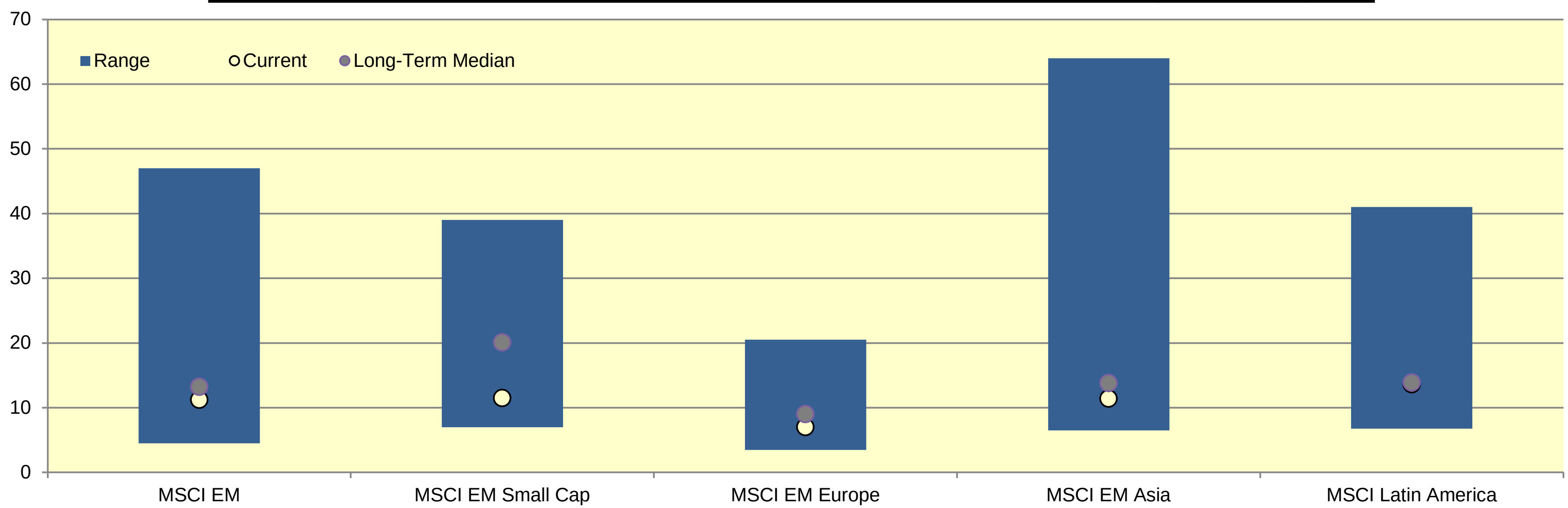
Source: Bloomberg. Price to earnings is price divided by Bloomberg consensus forward 12 month earnings estimate

(2) Maintain Emerging Market Overweight

Relative EM Equity Valuations: Current Valuations Below 12 Year Averages



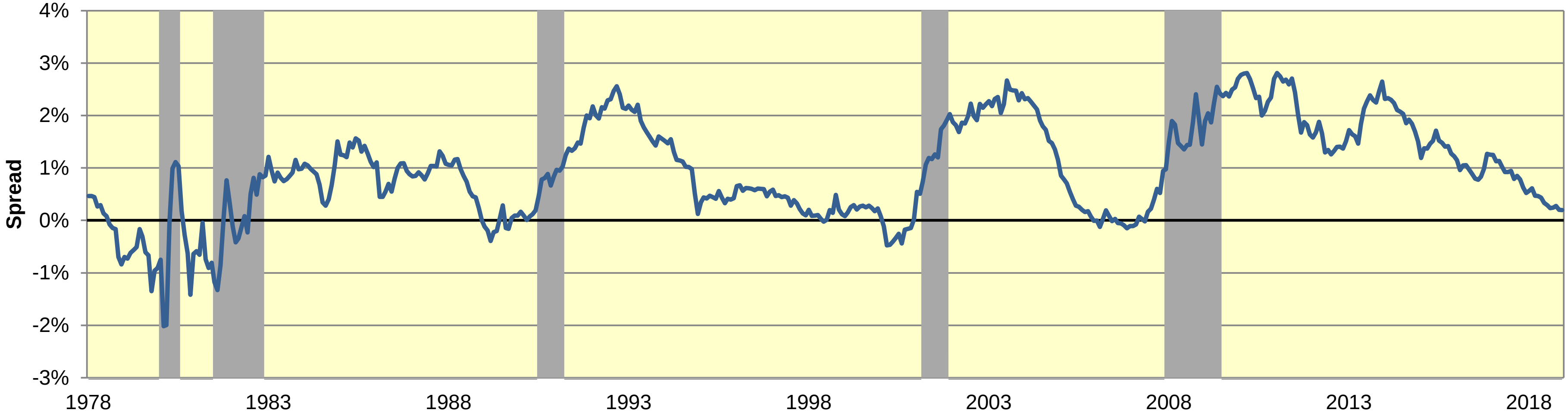
EM Forward PE Ratios: Attractive Prices Across EM Sectors and Geographic Regions



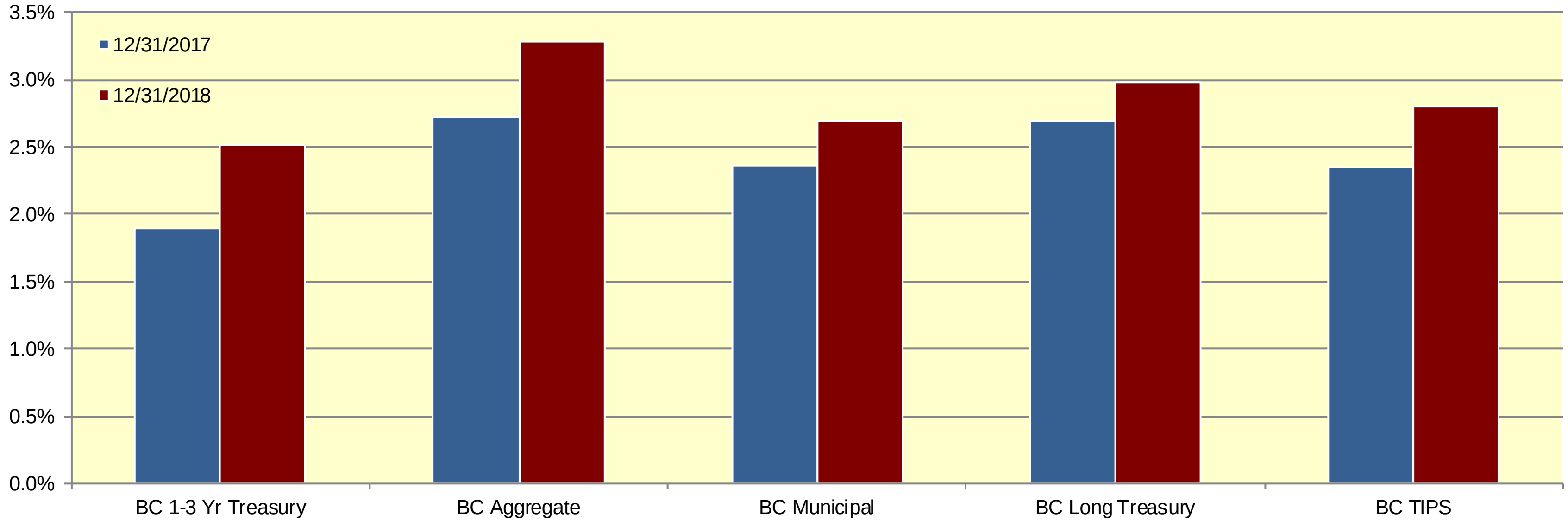
Source: Bloomberg (Top).

(3) Raise Low Risk Fixed Income Exposure

Treasury Yield Curve (10 Year vs. 2 Year): As Spreads Narrow, Reward For Taking on More Risk Diminishes



Low Risk Bond Yields Are On The Rise

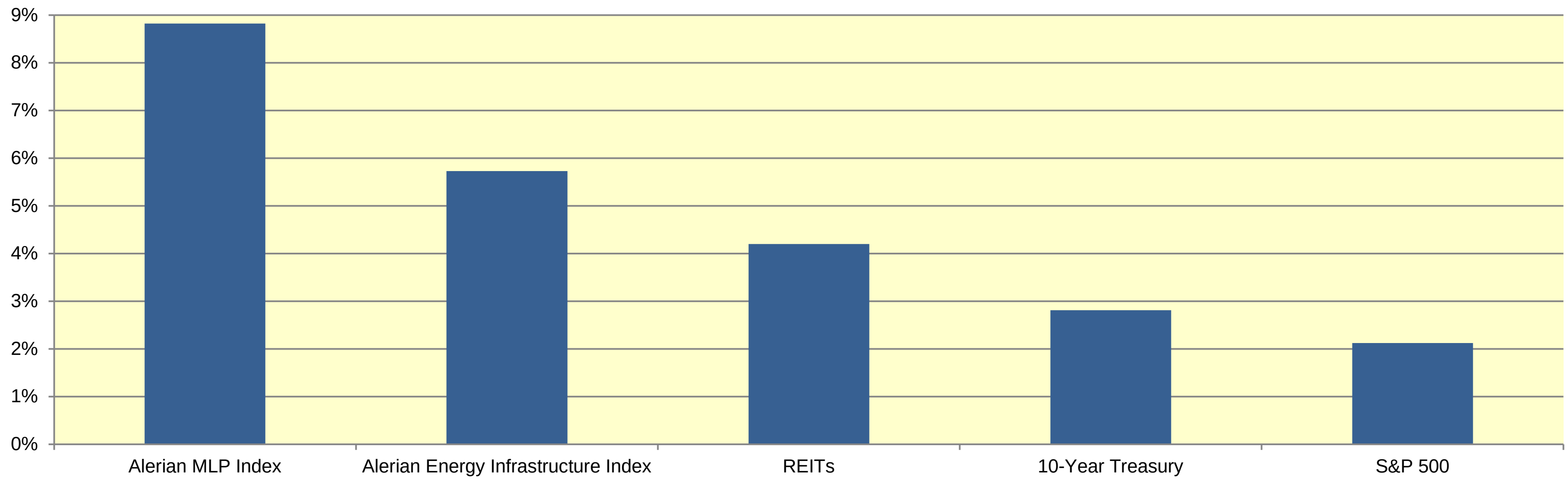


Source: Bloomberg (Top); Bloomberg (Bottom).

SOLARIS Asset Management

(4) Allocate to Midstream Energy

Asset Class Yield Comparison: Elevated Energy Sector Yields



P/EBITDA Multiple: Low Valuations Make Energy Attractive

Source: Bloomberg, Alerian (Top); Bloomberg (Bottom).

Important Disclosures

Solaris Advisors, LLC ("SA") is an investment advisor registered with the Securities and Exchange Commission under the Investment Advisors Act of 1940. SA is a wholly owned subsidiary of The Solaris Group, LLC.

This report and the proprietary work product of Solaris is being provided on a confidential basis for informational purposes only, solely for those persons to whom it is transmitted. Solaris believes that the information contained in this report is accurate and complete, but it makes no representation as to its accuracy or completeness, and it should not be relied on as such. This information is provided 'as is' and the user assumes the entire risk of any use it may make or permit to be made of this information. Neither Solaris nor any of its affiliates or any other person or entity involved in compiling, computing, creating, reporting or providing this information makes any express or implied warranties or representations, and they expressly disclaim all warranties including, without limitation, all warranties of originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose. Without limiting any of the foregoing, in no event shall Solaris have any liability for any direct, indirect, special, incidental, punitive, consequential or any other damages (including, without limitation, lost profits) even if notified of, or if it might otherwise have anticipated the possibility of such damages.

The views expressed in this report represent the opinions of Solaris Advisors, are based on information the firm considers to be reliable, and are subject to change without notice. There is no guarantee that the forecasts and opinions expressed in this report will be realized. Statistical data is obtained from a variety of sources each of which is set forth below its respective chart, graph, exhibit, etc. While these sources are believed to be trustworthy, their accuracy, timeliness, completeness, relevance or reliability cannot be assured. Global Capital Markets Performance is represented by index returns. These sources include Standard & Poor's (U.S. equity markets); Russell (U.S. equity markets); Barclays Aggregate (fixed income bond markets); Morgan Stanley (EAFE and Emerging Markets); HFRI (Hedge Funds); and Credit Suisse (Hedge Funds). The performance of the global capital markets does not represent the current or future performance of The Solaris Group entities which can substantially differ from the performance of those markets. The types of securities and investment strategies mentioned are not be suitable for everyone. Each investor needs to consider his, her or its investment strategies in light of their own particular facts and circumstances.

Index returns are derived principally from market indices on Bloomberg and other third party proprietary databases such as Morningstar, HFRI and CS Tremont. The following four broad-based indices are examples of indices used in reports for comparative purposes only and have been selected as they are well known and may be easily recognizable by investors. The S&P 500 Index includes 70% of all U.S equities and is weighted by market value, and its performance is thought to be representative of the U.S. stock market as a whole. The Barclays Aggregate Bond Index comprises government securities, mortgage-backed securities, asset-backed securities and corporate securities, and is a broad measure of the taxable, investment grade U.S. bond market. The MSCI EAFE Index (Europe, Australasia, Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the U.S. and Canada. It comprises 21 MSCI country indexes. The HFRI Monthly Indices are equal fund weighted and comprised of hedge funds that voluntarily report their performance to HFR. Each HFR broad strategy index consists of funds that allocate capital among several hedge fund strategies. Each strategic index consists of funds that allocate capital within a specific strategy. With respect to these and other indices used in this report, more detailed information is available upon request. Please note that these indices or performance benchmarks are comprised of securities which for the most part are dissimilar to the positions held directly or indirectly by the managers or funds in the portfolios represented in this report, and these indices or benchmarks do not have similar risk/return profiles to them. Additionally, indices are unmanaged; do not incur management fees, costs or expenses; and cannot be invested in directly. Benchmarks are provided for illustrative purposes only and should not be relied upon as an accurate measure of comparison.

Past Performance is No Guarantee of Future Results