TRIVANT

CUSTOM PORTFOLIO GROUP, LLC

July 2019

Quarterly Insights

EXECUTIVE SUMMARY

US Stocks Have Strong Q2 And Lead All Major Regions YTD

In the Second Quarter, the domestic S&P 500 Index was up 4.30%. It is up 18.54% year-to-date to lead all major regions. Anticipation of an upcoming Fed rate cut started in April and was the major Q2 performance driver. China was the laggard in Q2 (-4.02%) due to trade war concerns. The Bloomberg Barclay's US Aggregate Bond Index rose 3.09% in Q2 (bond yields fell) and is up 6.12% year-to-date. On June 19, the Fed paused rate hikes again, but signaled an openness to future cuts.

Plan To Have A Fun Retirement!

Planning for retirement is more than just saving and investing. In the past, a financial plan was mainly geared towards one question: "Will I have enough money to retire"? Financial planning has evolved. Today, the approach is more holistic. The broader question is "what will my retirement look like"? Instead of merely assessing when it may be financially feasible to retire, we also consider the type of lifestyle you would like to enjoy once you have retired. Technology has advanced to enable greater mutual collaboration to test multiple scenarios and evaluate the tradeoffs to achieving your ideal retirement. We use advanced technology (MoneyGuidePro®) to help our clients.

John Barber, CFA

Dan Laimon, MBA

Michael Harris, CFA, CFP®

Second Quarter 2019

In This Issue

www.trivant.com

1-866-4-TRIVANT

toll free

Planning For Retirement Is More Than Just Saving And Investing

In the past, a financial plan was mainly geared towards one question: "Will I have enough money to retire"? Financial planning has evolved. Today, the approach is more holistic. The broader question is "what will my retirement look like"? Instead of merely assessing when it may be financially feasible to retire, we also consider the type of lifestyle you would like to enjoy once you have retired. Put another way, we place importance on both the quantitative and qualitative factors you deem important to have fun.

Planning For Your Fun Retirement: Expectations & Concerns We Address		
Factor	**Discussion To Have**	**Factor Type**
Retirement Expectations	What Is Your Ideal/Desired Lifestyle?	Qualitative
Retirement Concerns	How Much Is Needed To Fund This Lifestyle?	Quantitative
Health Concerns	What Happens If Your Health Deteriorates?	Qualitative & Quantitative
Personal & Family Concerns	Charitable/Family/Legacy Considerations	Qualitative & Quantitative

We Use Advanced Technology To Generate Your Customized Retirement Plan

As the approach to planning has become more holistic, technology has advanced to enable greater mutual collaboration to test multiple scenarios and evaluate the tradeoffs to achieving your ideal retirement. We provide this advanced technology (MoneyGuidePro®) to our clients. The "Top 3" concerns in retirement are:

1. **Running Out of Money**

A successful retirement can be defined as "not running out of money". We want your probability of success (stated as a percentage) to be in a very high "safe zone". Advanced technology will calculate this number.

2. **Cost of Health Care or Long Term Care (LTC)**

Even with advanced technology, no one can predict your health care/LTC costs. If you do not already have LTC insurance, we suggest self-insuring to a target $250,000 (see Quarterly Insights, October 2018, page 5).

3. **Suffering Investment Losses**

When calculating your probability of success, there are assumptions used regarding long-term rates of return for stocks and bonds. We want to run these assumptions under a variety of market scenarios (good and bad). Advanced technology enables Monte Carlo simulations (running your retirement scenario 1000 times under various market conditions and concluding your overall average probability of success).

Welcome To MoneyGuidePro®

You are unique and deserve a plan that is unique to you. We use MoneyGuidePro® to help you:

Identify Your Goals — We define your needs, wants and wishes in retirement; prioritize them and create a plan to make progress towards them.

Explore The Possibilities Of Tradeoffs — To help you get the retirement you want, adjustments such as spending less, saving more, retiring later, adjusting "wants and wishes", or changing how you invest may be necessary.

Test Your Plan For The Unexpected — We stress test for events such as sudden market drops.

Plan For More Fun And Less Stress — Planning is about doing more with what you have.

Let's Get Started

We are pleased to provide our clients what we consider a very important analysis. Over the next three pages, we will highlight the inputs, outputs and potential adjustments you can expect in formulating your plan.

INPUTS: MoneyGuidePro®

PERSONAL INFORMATION

EXPECTATIONS & CONCERNS

Retirement Expectations
Active Lifestyle
Quiet Lifestyle
Volunteering / Helping Others
Moving To A New Home
Work By Choice
Time To Travel
Start A Business
Time With Friends & Family
Less Stress (Peace Of Mind)

Money Concerns
Not having a paycheck
Running out of money
Suffering investment losses
Leaving money to others

Health Concerns
Cost of health care or LTC
Current/future health issues
Getting ill/dying early
Living too long

Personal & Family Concerns
Being Bored
Parents Needing Care

Other Concerns

RETIREMENT AGE
Target Retirement Age

PLANNING AGE
How long will you live: Do you smoke? How would you rate your health? Does your family have longevity?

NEEDS: LIFESTYLE GOALS BEFORE AND AFTER RETIREMENT
Living Expense (Target Annual Amount)
Health Care
Car

WANTS: LIFESTYLE GOALS BEFORE AND AFTER RETIREMENT
Rate Items You List According To Importance: High (10) to Low (1)

WISHES: LIFESTYLE GOALS BEFORE AND AFTER RETIREMENT
Rate Items You List According To Importance: High (10) to Low (1)

WANT/WISH: LEAVE BEQUEST GOAL
Description, Recipient(s), When Will This Bequest Be Given (for example, end of plan), Target Amount
Rate Bequest According To Importance: High (10) to Low (1)

RETIREMENT INCOME
Social Security Benefits
Part-Time Work & Other Retirement Income
Pension Income

INVESTMENT ASSETS
Retirement Plans (401k, 403b)
Traditional / Inherited / SEP IRA
Roth IRA
529 Savings Plan
Annuities
Cash Value Life Insurance
Taxable Accounts (Individual, Joint, Trust)

OTHER ASSETS
Home, Business, Rental Property, Vacation Home

LIABILITIES

RISK SCORE
How much market risk are you willing to accept on a scale of 1 to 100 (1 is lowest and 100 is highest)
Two thirds of all investors score between 40 and 60
Only 1 in 1000 select a score lower than 20 or greater than 80

ADDITIONAL CONSIDERATIONS
Other Information: Stock Options, Restricted Stock, Deferred Compensation, Small Business Ownership
Insurance: Group/Term Life (Death Benefit), Cash Life Insurance (Death Benefit, Cash Value), Disability, LTC
Estate Checklist: Will, Provision for Bypass Trust, Date Documents Last Reviewed, Medical Directive, POA

OUTPUTS: MoneyGuidePro®

Let's look at a scenario where we run MoneyGuidePro® with your "entire wish list" of what will make you happy in retirement and the Probability of Success (based on a Monte Carlo Simulation) comes up short. Here are the section highlights of the outputs:

Probability of Success - Current Scenario

Based on your "Planning Age" (how long you will live) and a Monte Carlo Simulation:

710 Successes
1000 Trials

The Confidence Zone 75% - 90%

71%
Probability of Success

Below Confidence Zone

Results - Current Scenario

Portfolios (allocation, inflation assumption)
Investments (total investment portfolio)
Social Security (optimal filing strategy)
Total Spending For Life Of Plan

Plan Summary

Needs
Wants & Wishes

Net Worth Summary

All Resources

Personal Information and Summary of Financial Goals

Expectations and Concerns (Summary)

Worksheet Detail

Total Portfolio Value Graph - how your portfolio may hypothetically perform over the life of the plan
Detailed Cash Flow Spreadsheet

Age(s)	Year	Beg. Portfolio Value	Additions to Assets	Other Additions	Post Retirement Income	Investment Earnings	Investment Return	Taxes	Funds Used	Ending Portfolio Value

Start of Plan

End of Plan

Beginning Portfolio Value
\+ Additions To Assets
\+ Other Additions
\+ Post Retirement Income (Pension and Social Security)
\+ Investment Earnings
\- Taxes
\- Funds Used
= Ending Portfolio Value

POTENTIAL ADJUSTMENTS: MoneyGuidePro®

Whenever your Probability Of Success falls below the Confidence Zone, we have to make adjustments in your plan to get you "In" or "Above" the Confidence Zone. This is a collaborative discussion where you dictate to us your preferences and what will make you happy. We run a series of "What If Scenarios" that will culminate in your Recommended Scenario. To help you get the retirement you want, adjustments such as spending less, saving more, retiring later, adjusting "wants and wishes", and/or changing how you invest may be necessary. Your rate of spending (which drives your portfolio withdrawal rate) is by far the most sensitive adjustment to attaining a satisfactory Probability Of Success.

Adjustments To Improve Your Probability Of Success (In Order Of Impact)

FACTORS IN YOUR CONTROL:	1. Spending 2. Asset Allocation 3. When To Take Social Security 4. Other Considerations
FACTORS OUT OF YOUR CONTROL:	Health Issues Cost of Health Care / Long Term Care (LTC) Market Returns (why we run Monte Carlo Simulations)

CASE STUDY

Tom is 67 years old and Jane is 65 years old. They are contemplating immediate retirement, are both in good health, want an active lifestyle, enjoy traveling and golf, and are considering purchasing a vacation home (20% down-payment on a 30-year mortgage). Combined social security payments (taken now) would be $72,000 a year. They have $2 million in assets. They provide the following MoneyGuidePro® inputs:

Priority	Description	Amount (Annual)	Importance (Scale of 1 to 10)
Needs	Living Expense	$120,000	10
Wants	Travel & Golf	$30,000	9
Wishes	Vacation Home	$60,000	5

They also indicate a combined Risk Score (risk tolerance) of 58, which roughly translates to a target portfolio allocation of 70% stocks / 30% bonds. The initial output (Current Scenario) indicates a 71% Probability of Success (Below Confidence Zone). We discuss potential adjustments with Tom and Jane to boost the result. By foregoing the vacation home (of which Tom and Jane deem as moderate importance), their Probability of Success jumps to 91% (Above Confidence Zone). This becomes the Recommended Scenario for Tom and Jane.

Please Contact Us To Initiate Your MoneyGuidePro® Analysis

We want to help you plan to have a fun retirement! A comprehensive plan is important from the start and should be revisited/revised on a regular basis. Please contact us to initiate your MoneyGuidePro® analysis.

"By failing to prepare, you are preparing to fail."
Benjamin Franklin

US Stocks Have Strong Q2 And Lead All Major Regions Year-To-Date

In the Second Quarter, the domestic S&P 500 Index was up 4.30%, and is up 18.54% year-to-date. The US leads all major regions halfway through 2019. Anticipation of an upcoming Fed rate cut started in April and was the major Q2 performance driver. China was the laggard in Q2 (-4.02%) due to trade war concerns.

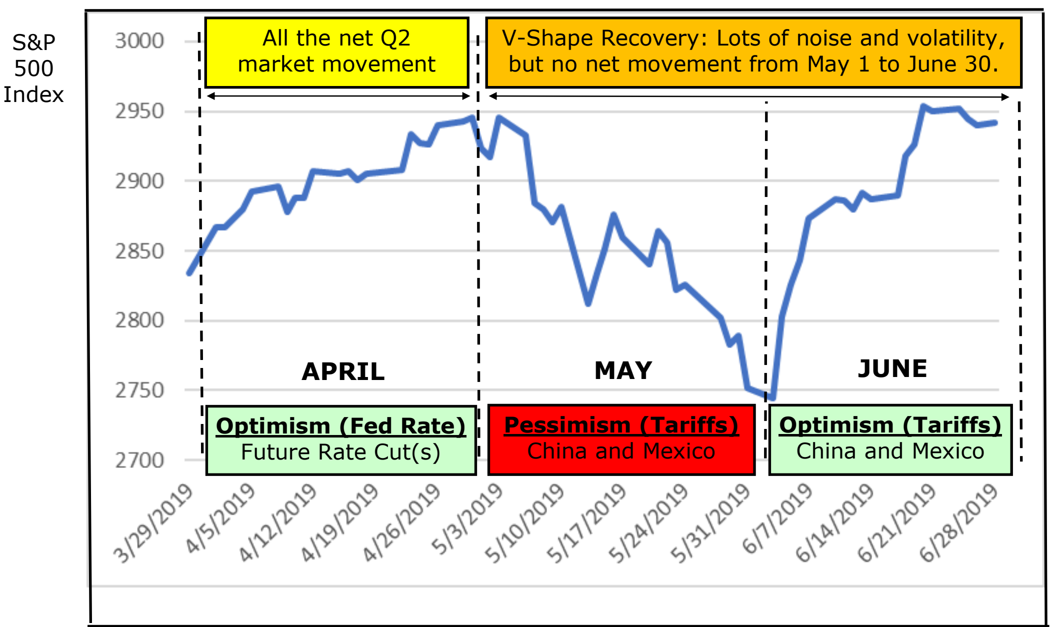
Equity Index Performance

Index	Q2 2019	2019 YTD
S&P 500 (Domestic)	**4.30%**	**18.54%**
MSCI EAFE (Foreign) *	**3.68%**	**14.03%**
MSCI Emerging Markets	**0.61%**	**10.58%**
MSCI EMU (European Monetary Union)	**5.48%**	**15.97%**
MSCI Japan	**1.02%**	**7.75%**

* Europe, Australia and the Far East

There Are Mixed Signals Regarding Interest Rates And The US-China Trade War

In January the market expected one or two Fed rate hikes in 2019. On March 20, the Fed paused interest rate hikes, signaling no rate hikes this year and one increase in 2020. On June 19, the Fed paused rate hikes again, but signaled an openness to future cuts. Tariff pessimism (May) and optimism (June) was a zero-sum gain.



Q2 2019 HIGHLIGHTS: MONTH-BY-MONTH

APRIL

After the Fed paused hikes in late March, there was immediate speculation regarding future rate cuts. Market optimism resulted.

MAY

Pessimistic news/speculation regarding China/Mexico tariffs pushed the market down.

JUNE

Mexico tariffs were removed. Speculation shifted positive regarding Chinese relations.

We Maintain A Low Risk Portfolio

There was minimal Q2 sector performance disparity: Financials (7.77%) and Technology (6.68%) led; Energy (-3.86%) and Real Estate (1.47%) lagged. Year-to-date, Technology (27.32%) is the leader and Health Care (8.61%) is the laggard. Relative sector weightings have not been a major performance driver so far in 2019. US versus foreign weighting, on the other hand, has been a driver. We have maintained a high (85%-90%) US target. In a time frame we deem as having mixed market signals, we believe it is best to "hold steady" and maintain a low risk portfolio. While it may appear we made significant portfolio changes during Q2 (we bought three stocks and sold five stocks, see Your Portfolio, page 9), the net effect was less pronounced. We moderately raised Energy and the US while slightly lowering Technology, Emerging Markets and Europe.

Bonds Rise In Q2

The Bloomberg Barclay's US Aggregate Bond Index, a broad-based representation of bond performance, rose 3.09% in the Second Quarter, following a 2.94% rise in Q1. Year-to-date, the index is up 6.12%. On June 19, the Federal Reserve paused rate hikes, but signaled an openness to future cuts. The yield curve is partially inverted - an inversion is when short-term rates exceed longer-term rates.

Key US Interest Rates	March 31, 2019	June 30, 2019	Change
Federal Reserve Board Funds Target Rate	2.50%	2.50%	0 basis points
2-Year Treasury (Constant Maturity)	2.27%	1.75%	- 52 basis points
5-Year Treasury (Constant Maturity)	2.24%	1.76%	- 48 basis points
10-Year Treasury (Constant Maturity)	2.41%	2.00%	- 41 basis points

Positive Yield US Bonds Stand Out From Negative Yield European And Japanese Bonds

A bond yield is negative when investors get back less than what they paid if the bond is held to maturity. $12 trillion of investment grade bonds (mostly in Europe and Japan) have reached negative yields (source: Barclays). US investment grade bonds have positive yields. Why the difference? Heightened demand for "safe domestic bonds" in Europe and Japan has driven up their bond prices to a point of negative yields.

Government Bond Yields On June 19, 2019 (Sources: Seeking Alpha, Tradeweb)									
COUNTRY	6-Month	1-Year	2-Year	3-Year	5-Year	7-Year	10-Year	30-Year	***
Switzerland	(0.75)	(0.64)	(0.89)	(0.91)	(0.87)	(0.76)	(0.52)	(0.01)	96%
Germany	(0.58)	(0.68)	(0.74)	(0.76)	(0.68)	(0.58)	(0.31)	0.27	88%
France	(0.59)	(0.60)	(0.68)	(0.66)	(0.53)	(0.31)	(0.02)	1.15	76%
Japan	(0.13)	(0.17)	(0.20)	(0.22)	(0.22)	(0.22)	(0.12)	0.36	74%
USA	2.19	2.03	1.81	1.75	1.78	1.89	2.03	2.52	0%

*** Share of Total Government Debt With Negative Yields

Why Would Anyone Buy A Bond That Has A Negative Yield?

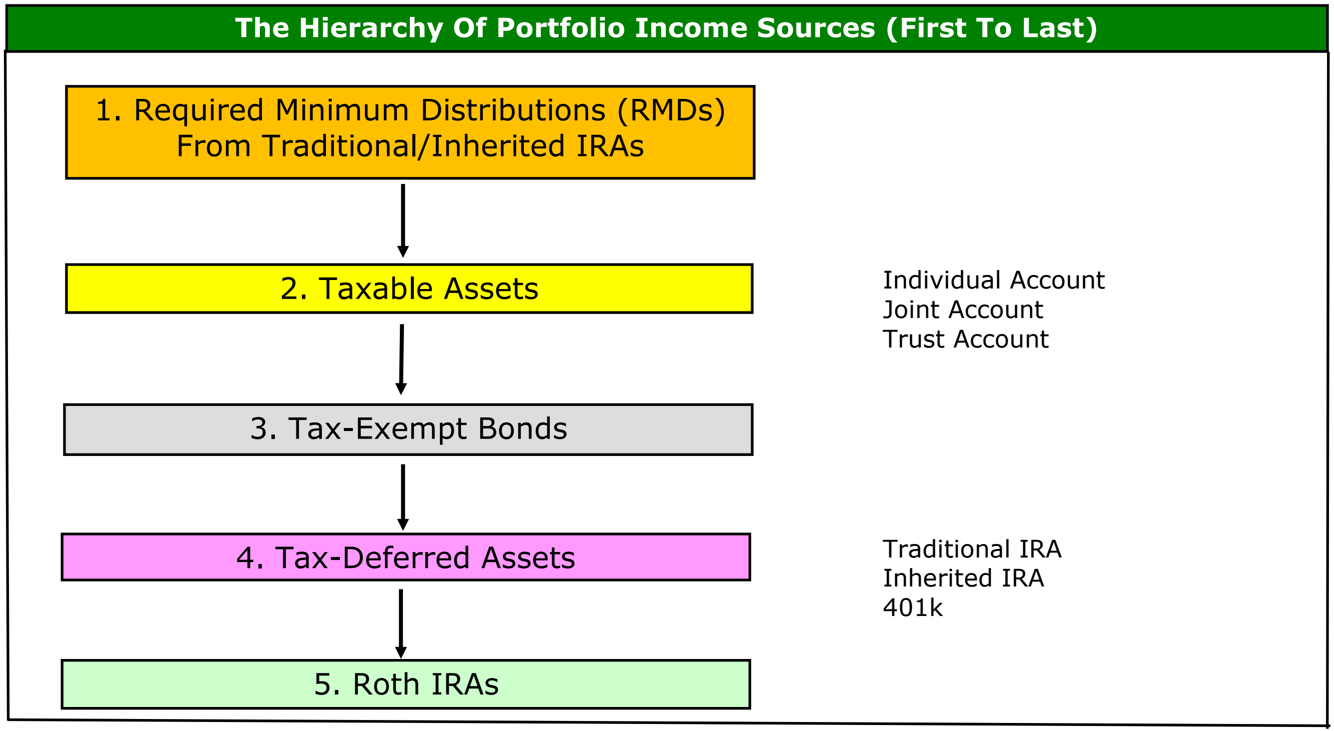
Negative bond yields are the result of several concerns: the strength of the economy, the US-China trade war, geopolitics (Middle East) and low inflation. Consider Europe's effort to combat its anemic 1.2% GDP growth. On June 18, Mario Draghi (president of the ECB) signaled heightened economic stimulus through interest rate cuts (going lower than its current 0.25%) and quantitative easing (buying bonds). In tough economic conditions, investors seek the safest assets (such as government bonds). Here are reasons why an investor/organization may buy a 10-Year German government bond that has a negative (-0.31%) yield:

- The ECB charges European banks 0.4% to hold their money in deposits - which is more expensive than the 0.31% negative yield. From the banks' perspective, these bonds are more attractive than the ECB. This is intentional. The ECB wants banks to put their capital into the economy rather than just sitting on cash.
- Government-backed bonds are safest in a downturn (the "cost of the insurance" is the negative yield).
- Further rate cuts should push up the bond price (the price increase could supersede the negative yield).
- There are stipulations for large organizations (such as banks and pension funds) to hold domestic assets.

Foreign negative yield bonds are unattractive to us. We hold high quality US bonds that have positive yields.

The Hierarchy Of Portfolio Income Sources

Before and/or during retirement, it is almost certain that you will need to access funds from your portfolio assets to meet income needs. From which type of account(s) should funds be taken? There is a hierarchy of portfolio income sources that considers optimal tax efficiency. Call us to discuss!



1. Required Minimum Distributions (RMDs) From Traditional/Inherited IRAs

RMDs are taxed at your individual tax rate and must be taken from Traditional /Inherited IRAs no matter if you need these funds or not.

2. Taxable Assets

Realized capital gains are generally cheaper than individual tax rates - hence it is usually better (once your RMDs are satisfied) to access funds from Taxable Assets versus Tax-Deferred Assets. There are three considerations we bear in mind in an effort to minimize your taxes - keep investments for at least one year, tax-loss selling and legacy considerations (see Financial Planning Spotlight, April 2019, page 8).

3. Tax-Exempt Bonds

It is desirable to preserve tax-exempt bonds if possible. For example, some municipal bonds issued in an investor's home state avoid state taxes on interest income (very desirable for high-income investors).

4. Tax-Deferred Assets

Tax-deferred asset withdrawals are taxed at individual tax rates (a higher rate than capital gains).

5. Roth IRAs

Roth IRAs (funded by post-tax funds) can appreciate tax-free and any withdrawals are tax-free. Therefore, this is the most valuable type of account to preserve if at all possible.

We made several portfolio adjustments in Q2. The rationale for these moves included a desire to remain cautious in the midst of mixed signals (Fed interest rates and the US-China trade war). These adjustments were defensive in nature, buying three stocks and selling five stocks.

We bought Yum China Holdings Inc (symbol: YUMC; $17 billion market cap), the largest restaurant chain in China. Key holdings include KFC (5900 units) and Pizza Hut (2200 units). We also bought Continental Resources (symbol: CLR; $14 billion market cap), a US oil and gas producer with operations in North Dakota and Oklahoma. CLR gives us protection in the event of tensions between the US and Iran (which occurred in the Quarter). Finally, we bought Masimo Corp (symbol: MASI; $7 billion market cap), a US medical device business that focuses on non-invasive patient monitoring. We wanted to bolster our Health Care exposure in an area that is not sensitive to the political pressures of drug pricing.

We sold Celgene Corp (symbol: CELG), a biopharmaceutical firm dealing with cancer treatments and immunological diseases. Due to its announced merger with Bristol Myers Squibb (symbol: BMY), the CELG stock went from $59 (late December) to $94 (late March). We also sold Alcon Inc (symbol: ALC), an eye care devices company that was spun off from Novartis (symbol: NVS). To remain somewhat neutral to our China exposure in light of the YUMC purchase, we sold both iShares Edge MSCI Minimum Volatility Emerging Markets ETF (symbol: EEMV) and Baidu Inc ADR (symbol: BIDU; the largest Internet search company in China). Finally, we sold Infineon Technologies (symbol: IFNNF), one of Europe's largest chipmakers.

We will continue to closely monitor the market and adjust your portfolio as needed. Please feel free to contact us anytime to discuss questions or comments you may have. We will keep you informed of portfolio progress.

Respectfully submitted,

TRIVANT

CUSTOM PORTFOLIO GROUP, LLC

John Barber, CFA | Dan Laimon, MBA | Michael C. Harris, CFA, CFP®

Disclaimer

The information presented herein is intended for informational purposes only. All views are subject to change based on updated indicators. The recommendations made in this publication are made without regard to individual suitability. Investors should consider their own needs and objectives before making any investment decision.

Commentary in this review reflects our portfolio strategy. Many of our clients have different objectives and circumstances which are reflected in unique portfolio considerations. Please note that accounts may not contain all elements of the strategy discussed here. Additionally, individual client customizations and start dates may preclude certain elements of this strategy from being implemented.

Past performance is no guarantee of future results. A risk of loss is involved with investments in stock markets.