BOULAY

First Quarter 2019 Market Perspective

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Prepared by: Boulay Financial Advisors, LLC

Outside our office windows, spring is starting to emerge. The sun is out, the days hit 60 degrees, the ice is melted on the lake, the green shoots of grass are finally visible, and true to every Minnesota spring, there is at least one large snowstorm still in the forecast. While our clients residing in warmer weather states may not be able to appreciate the parallel, those of us in Minnesota are appreciating thawing out from one of the coldest winters on record while at the same time experiencing the thaw from the ice cold markets that closed out 2018. The first quarter of 2019 has been a reversal in almost every asset class. In the chart below, the S&P 500 provides a perfect example as it pegged a 4th Quarter loss of 13.5% to close out 2018 and has now since recovered for a 13.6% gain through March 31st. This marks only the 6th time in 50 years (200 quarters) that a "double-digit loss" quarter has been followed by a "double-digit gain" quarter; a rare event indeed. The volatility experienced over the last two quarters provides just another example of why a diversified asset allocation coupled with a disciplined rebalancing process are fundamental components of our core investment principles.

It is clear in the quarterly numbers below that equities and most other "risk on" assets enjoyed a terrific quarter. The key catalyst for the rebound in equity markets appears to have been the Federal Reserve's shift in their stance on monetary policy. After hiking interest rates four times throughout 2018, including a hike in their mid-December meeting, the market seemed to be pricing in even further rate hikes into 2019. However, as the equity markets fell off in late December, Federal Reserve board members suddenly reversed their prior sentiment and introduced the idea that they intended to be more "patient" with rate hikes going forward. That turn in policy appears to have been just what the doctor ordered as equity markets found a bottom and subsequently recovered throughout most of the 1st quarter.

While none of us would complain about a repeat performance in 1st Quarter 2019 in the 2nd Quarter, the numbers tell us that it is highly unlikely. Using the S&P 500 in yet another example, over the last 50 years (200 quarters) only 16 of those quarters (8%) produced a better quarterly return than what we just experienced this past quarter. The good news is that in 14 of those 16 instances the Quarter's performance was still positive. At the moment, the market experts seem to be concerned about an "inverted yield curve" and its historical implications regarding recessions and market corrections. While the inverted yield curve is indeed something we will continue to monitor, if the previous two quarters have proved anything, it's that the markets can be unpredictable. No one single market indicator is the be-all and end-all for what will or can take place in the future.

1st Quarter 2019

Common Indices' Return	1st Quarter 2019	Year to Date 2019	Avg Annual 3 Yr. Return	Avg Annual 5 Yr. Return	Avg Annual 10 Yr. Return	Avg Annual 15 Yr. Return
Common Stocks:						
Dow Jones Industrial	11.81%	11.81%	16.37%	12.21%	15.97%	9.02%
S&P 500	13.65%	13.65%	13.51%	10.91%	15.92%	8.57%
Russell 2000	14.58%	14.58%	12.92%	7.05%	15.36%	8.04%
MSCI EM	9.91%	9.91%	10.68%	3.68%	8.94%	7.92%
MSCI EAFE	9.98%	9.98%	7.27%	2.33%	8.96%	5.11%
Bonds:						
BarCap Aggregate	2.94%	2.94%	2.03%	2.74%	3.77%	3.89%
Real Estate & Other:						
DJ US Select REIT	15.72%	15.72%	5.29%	8.93%	18.50%	8.34%
DJ Global Select REIT	14.34%	14.34%	4.93%	7.84%	16.28%	-
Bloomberg Commodity Tr USD	6.32%	6.32%	2.22%	-8.92%	-2.56%	-2.79%

As the spring season ensues, we will all wash the last clumps of salt from underneath our vehicles, we will refresh the cedar chips around the landscaping, and most will go through their homes in some sort of traditional spring-cleaning process to make sure things are squared up for the rest of the year. We would like to suggest the idea that your financial house should be no different. Making sure those 401K plans are being maxed out, IRA contributions and Roth conversions are complete, gifts out of your estate or to charity are done, and health care costs are minimized as much as possible for the rest of the year can provide the same sense of accomplishment you feel once your spring cleaning list is complete. As with most things in life, making sure the little things are done time and time again and letting the results compound is what typically makes all the difference.

Please remember we are here to help you "get there" by building, preserving and transferring wealth. We are also available as a sounding board to help your family and friends should they have financial questions. To contact the Boulay Financial Advisors, LLC team, call 952.893.9320 or email learnmore@BoulayGroup.com.

Benchmarks

The following are unmanaged indices of common stocks, bonds, and commodities. An investment cannot be made directly into an index, or into the blended index.

Dow Jones Industrial Average
Serves as the benchmark for the overall U.S. stock market and is composed of 30 U.S. stocks. The index is a price weighted index.

S&P 500
Serves as the benchmark for the overall U.S. stock market and is composed of 500 stocks of companies primarily based in the United States. The index is a market-value weighted index.

Russell 2000
Serves as the benchmark for U.S. Small/Mid Cap Equities, and measures the performance of the 2,000 smallest companies in the Russell 3000 Index.

MSCI EM
The MSCI Emerging Markets (EM) IndexSM is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. As of May 2005 the MSCI Emerging Markets Index consisted of the following 26 emerging market country indices: Argentina, Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Israel, Jordan, Korea, Malaysia, Mexico, Morocco, Pakistan, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, Turkey and Venezuela

MSCI EAFE© Index
Serves as the benchmark for International Equities, and is a total return index reported in U.S. dollars based on share prices and reinvested gross dividends of approximately 1,200 companies from 20 countries in the developed world outside of North America. The securities may be subject to investment risk, currency rate risk, economic and monetary policy risk, differences in auditing standards, and risks related to political and economic developments.

BarCap Aggregate Bond
Serves as the benchmark for U.S. Fixed Income securities, and is composed of approximately 6,000 publicly traded bonds including U.S. government, mortgage-backed, corporate and Yankee bonds with an average maturity of approximately 10 years. The index is weighted by the market value of the bonds included in the index, and represents assets that are subject to risk including loss of principal.

DJ U.S. Select REIT
Serves as the benchmark for Real Estate, and measures U.S. publicly traded Real Estate Investment Trusts. The index is a subset of the Dow Jones Wilshire Real Estate Securities Index. The index is weighted by both full market capitalization and float-adjusted market capitalization.

DJ U.S. Global Select REIT
The Dow Jones Global Select Real Estate Securities index is a float-adjusted market capitalization index designed to measure the performance of publicly traded real estate securities in developed and emerging countries. The Index is a measure of the types of global real estate securities that represent the ownership and operation of commercial or residential real estate.

Bloomberg Commodity
Serves as the benchmark for Commodities. A broadly diversified index composed of futures contracts on physical commodities that allows investors to track commodity prices through a single measure. The weighting of the index is rebalanced annually around each of the underlying commodities proportion of global economic significance and market liquidity.