Windsor™
WEALTH MANAGEMENT

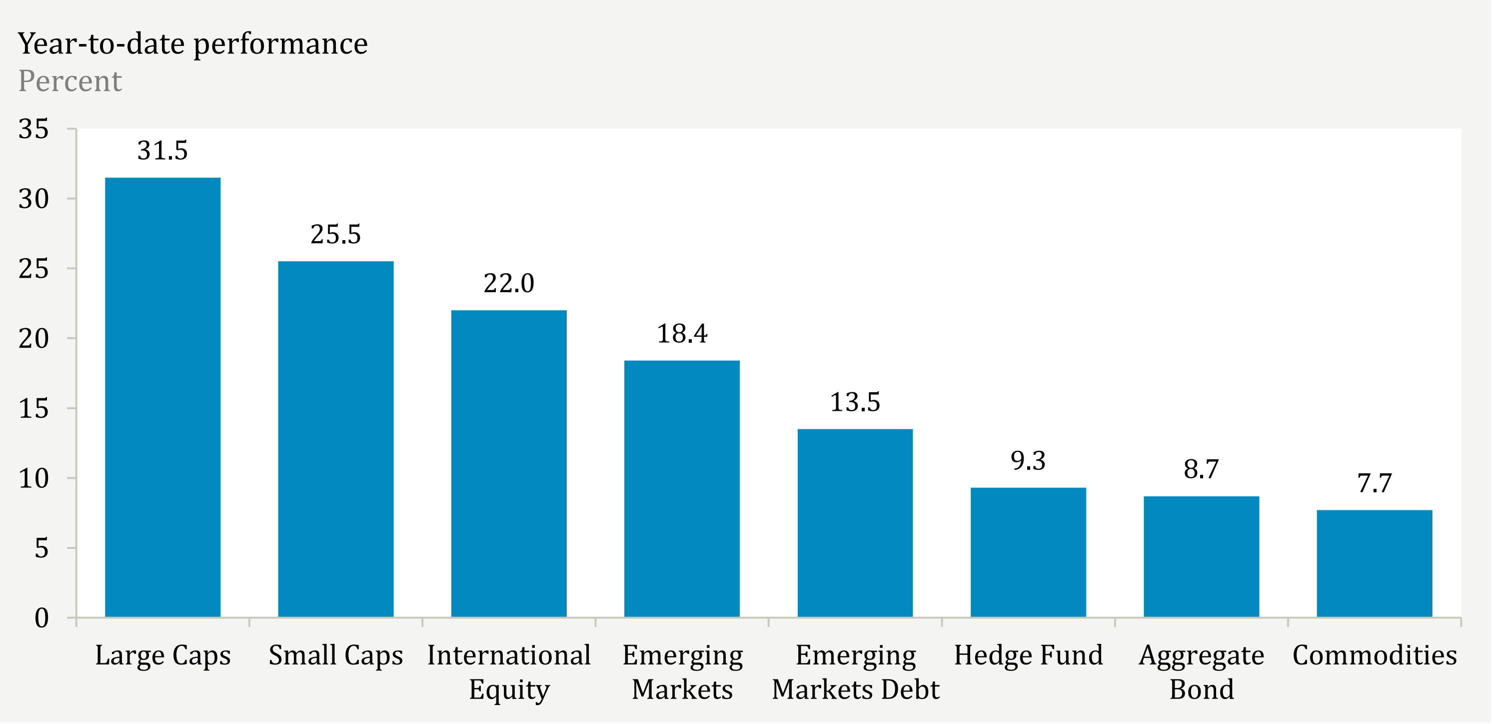
Dream boldly. Plan wisely.

Wisdom in your corner.

2019 Year in Review

Overall Market Performance

All major asset categories posted strong results in 2019. The shift to monetary easing and lower interest rates boosted returns to bonds, and U.S. large cap equities led the outperformance of U.S. versus non-U.S. stocks.

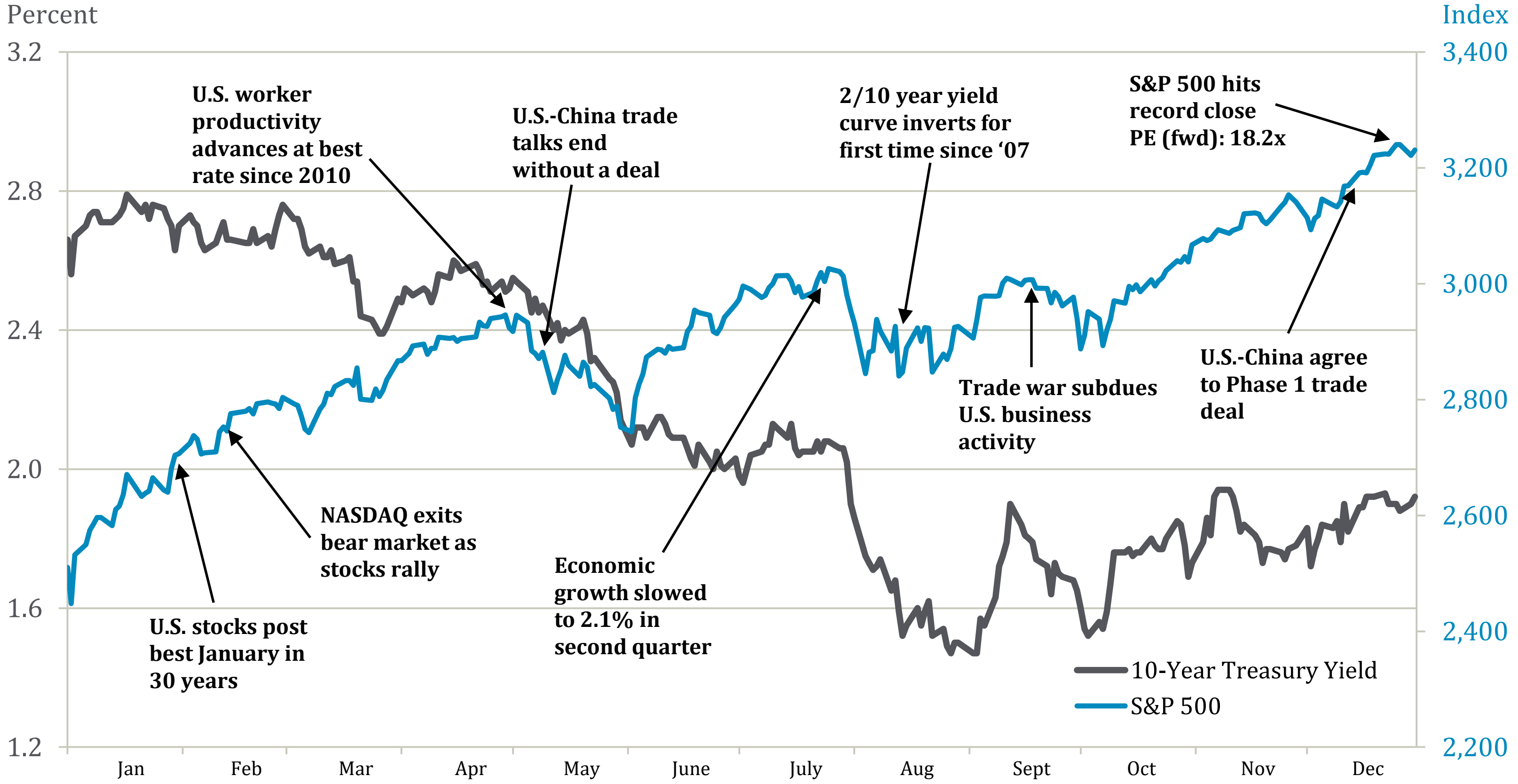


The following indices were used for asset class returns: S&P 500 TR, Barclays Aggregate Bond, Russell 2000, Credit Suisse Hedge Fund (as of November 30, 2019), MSCI Emerging, MSCI EAFE NR, JPMorgan EM Global Index, Bloomberg Commodity TR USD. Data as of December 31, 2019.

Events that Moved Markets in 2019

It was a year that began with investors courting a bear market and ended with the biggest gains from stocks since 2013. Equity markets rocketed higher thanks to an improved economic picture, alleviated trade tensions, and a dovish Fed.

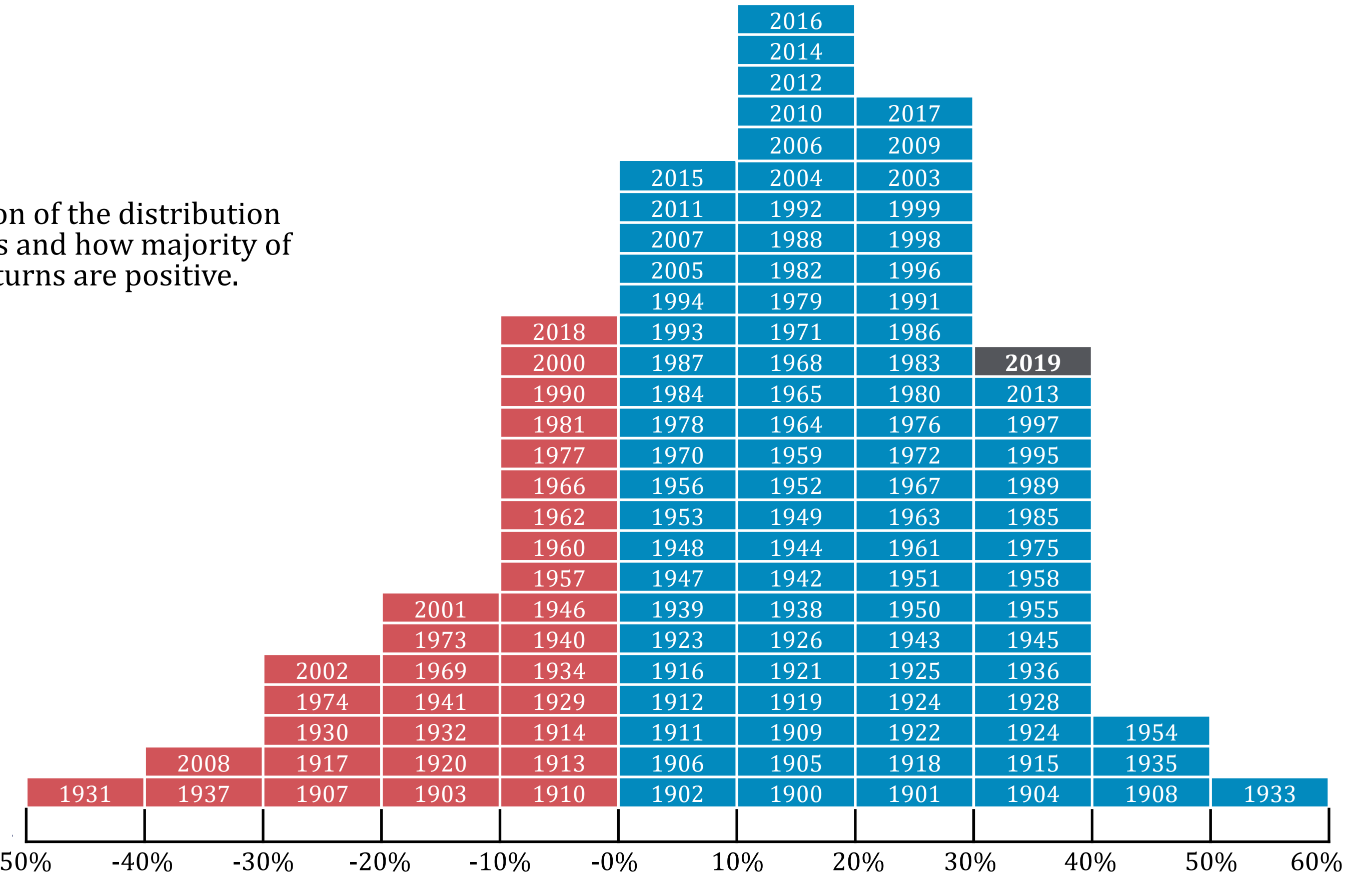
10-Year Treasury Yield and S&P 500



Calendar Year Stock Returns (1900-2019)

The S&P 500 gained 31.5 percent during 2019, its best performance since 2013 and the 13th year in the last 25 years that it has returned at least 15 percent for the calendar year. Over the long-term, the S&P 500 has been up during 40 of the last 50 years, i.e., 80 percent of the time.

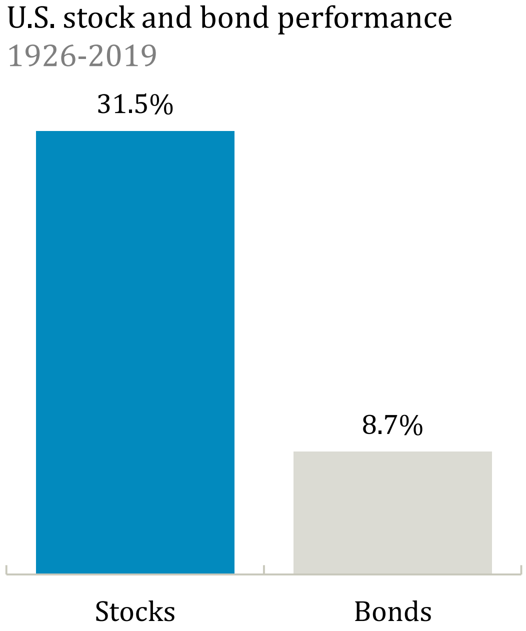
- Illustration of the distribution of returns and how majority of yearly returns are positive.



Source: Robert Shiller, FMRCo, Data as of December 31, 2019.

2019 was a Historic Year

2019 was the 18th and 19th best year for stocks and bonds, respectively, since 1926. Only four years have been better than 2019 for both stocks and bonds combined.

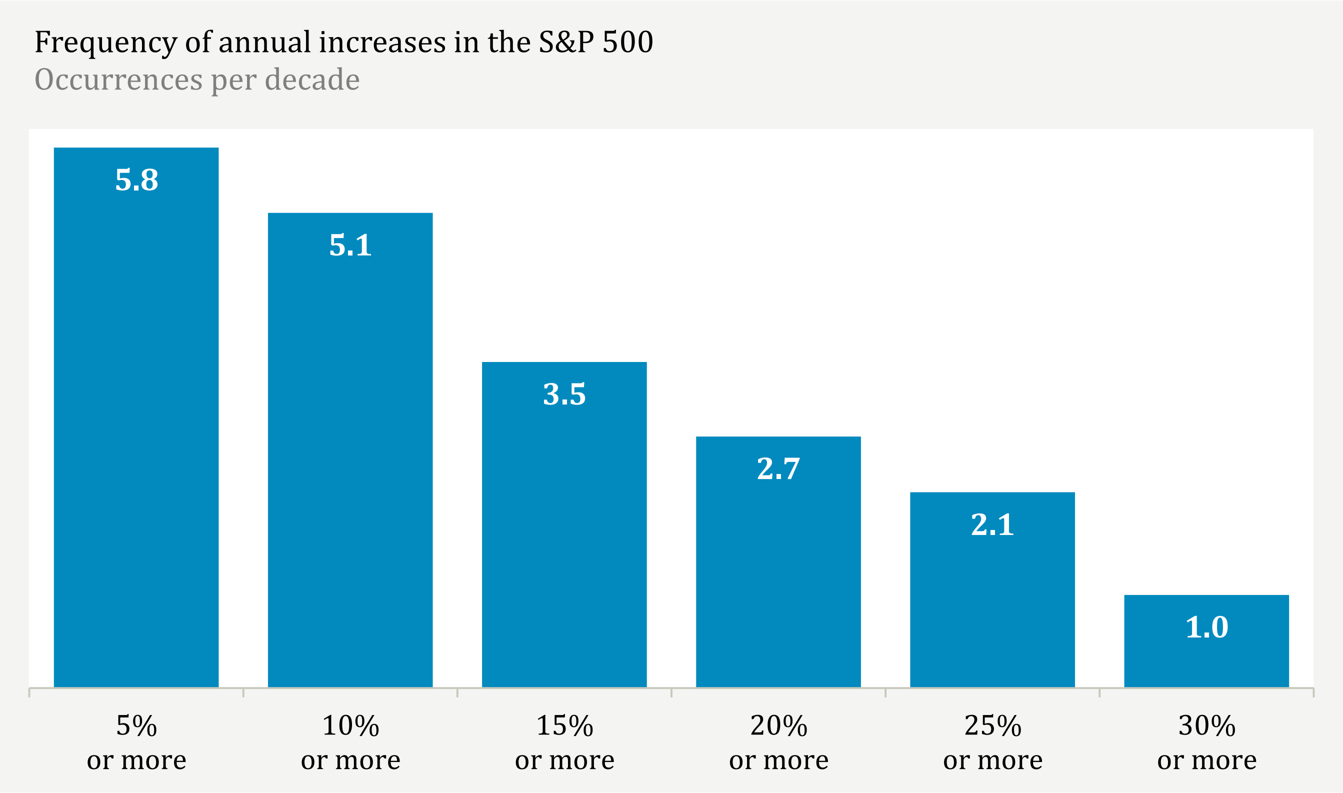


			Following year	
	Stocks	**Bonds**	**Stocks**	**Bonds**
1985	31.7	22.1	18.7	15.3
1989	31.7	14.5	-3.1	9.0
1995	37.6	18.5	22.7	3.6
1997	33.4	9.7	28.6	8.7
2019	31.0	8.7	?	?

Source: BlackRock Student of the Market, Morningstar. Stocks represented by the IA SBBI U.S. Large Cap TR Index and U.S. Bonds by the IA SBBI U.S. IT Gov Bond Tr Index. Past performance does not guarantee or indicate future results. Data as of December 31, 2019.

Outsized Increases Aren't So Rare

The 20+ percent gain in the S&P 500 last year was the second such increase in the last decade and the 25th in the history of the index. This is fairly par for the course, as the S&P has historically recorded a 20 percent rise roughly once every four years.



Source: Bloomberg, Nationwide. Data as of December 31, 2019.

S&P Envy – Diversified Portfolio Ripe for Regret

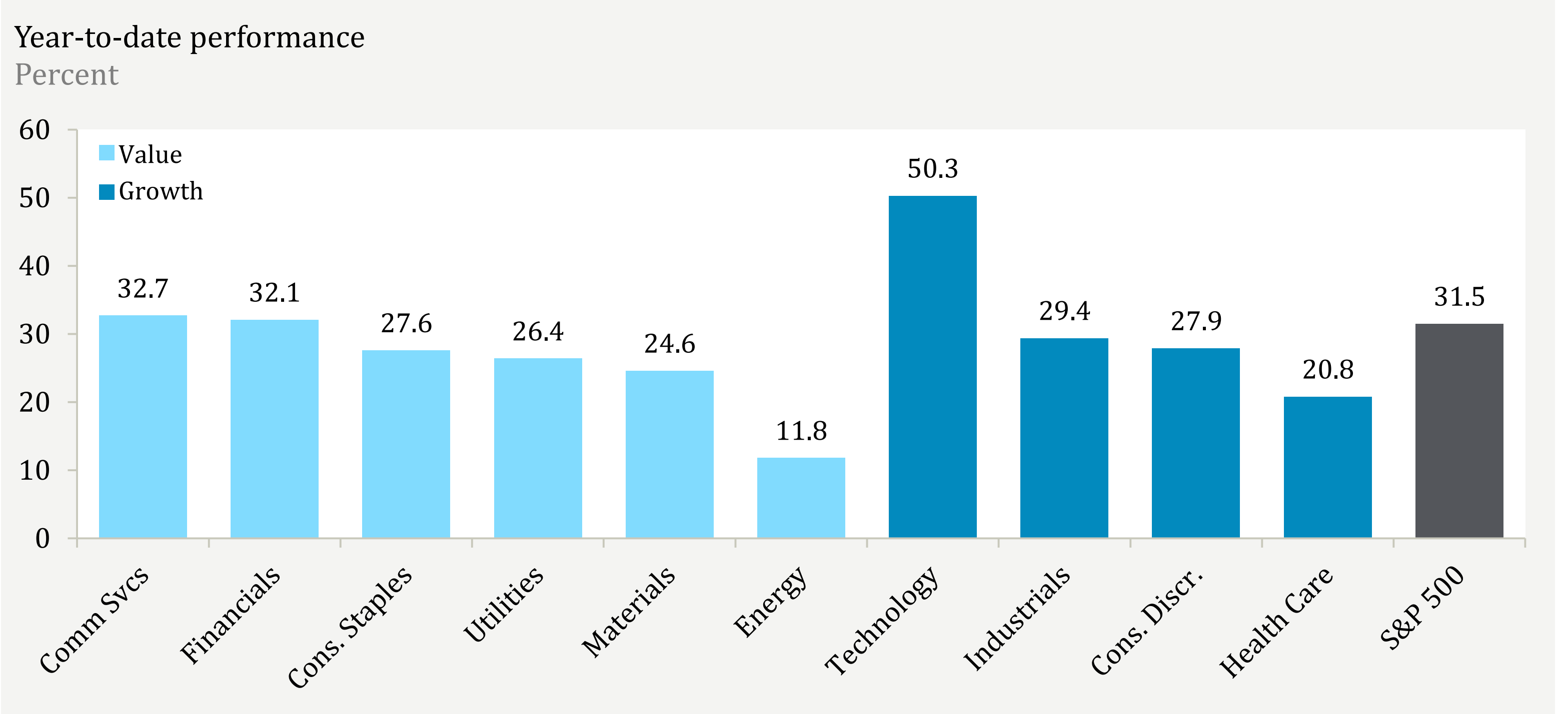
It is tempting to compare one's own portfolio to the S&P 500 even when it doesn't reflect the average investor's diversified portfolio. It is important to remember that diversification doesn't ensure a profit or guarantee against a loss, but it can help mitigate the risk and volatility in your portfolio.

Years	S&P 500	Diversified Portfolio	
8/2000–2002	(40.1%)	(18.6%)	"I lost money"
2003–2007	+82.9%	+73.8%	"I didn't make as much"
2008	(37.0%)	(24.0%)	"I lost money"
2009–2019	+351%	+191.7%	"I didn't make as much"
Total Return	**+211.4%**	**+213.5%**	**"Diversification wins even when it feels like it's losing"**
Gr $100k	**$311,420**	**$313,510**	

Source: BlackRock Student of the Market, Morningstar. Diversified Portfolio is represented by 40% S&P 500 Index, 15% MSCI EAFE Index, 5% Russell 2000 Index, 30% Bloomberg Barclays US Aggregate Bond Index, and 10% Bloomberg Barclays US Corporate High Yield Index. Past performance does not guarantee or indicate future results. Data as of December 31, 2019.

S&P Sector Performance

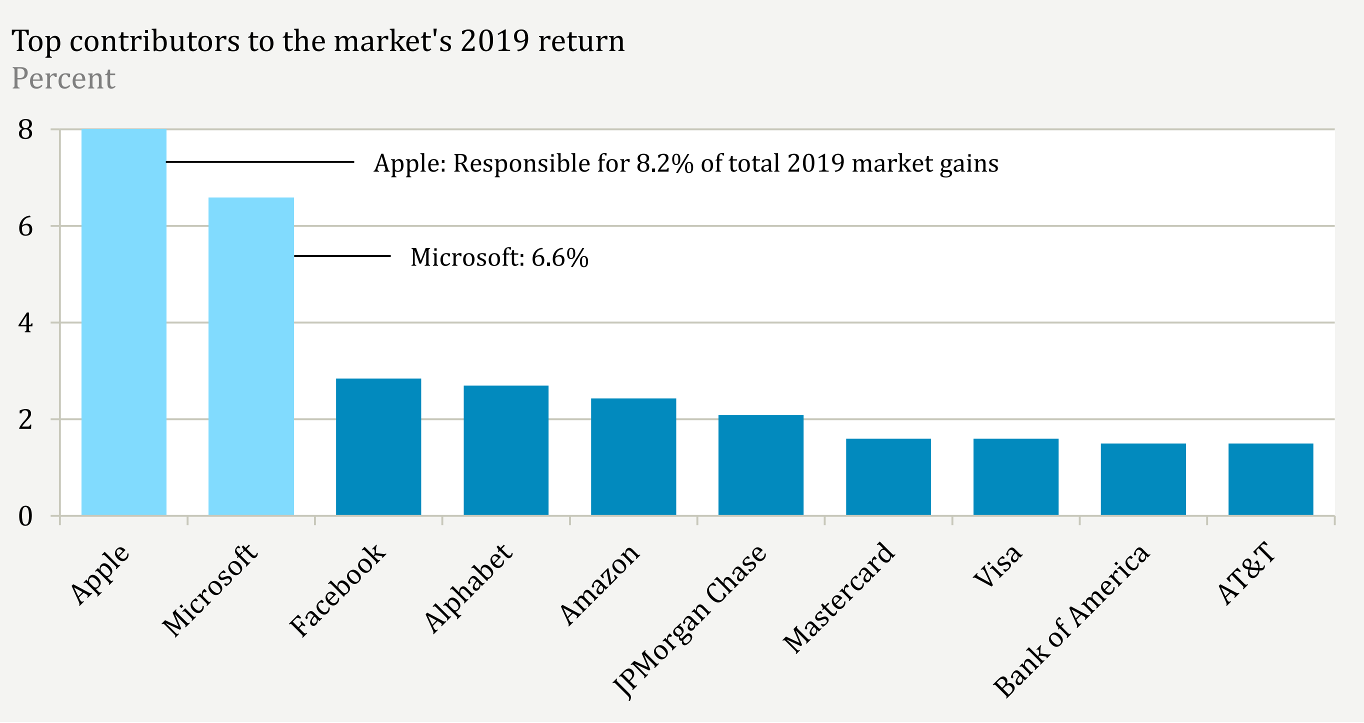
Technology was at the top of the returns trifecta—quarter, year, and decade. Much of it was fueled by the strength of the largest tech companies in the world, particularly Apple and Microsoft. The communications and financial sectors also performed well while strong earnings growth was seen in health care and utilities.



Source: Morningstar. Data as of December 31, 2019.

Two Stocks Dominated S&P 500 Returns

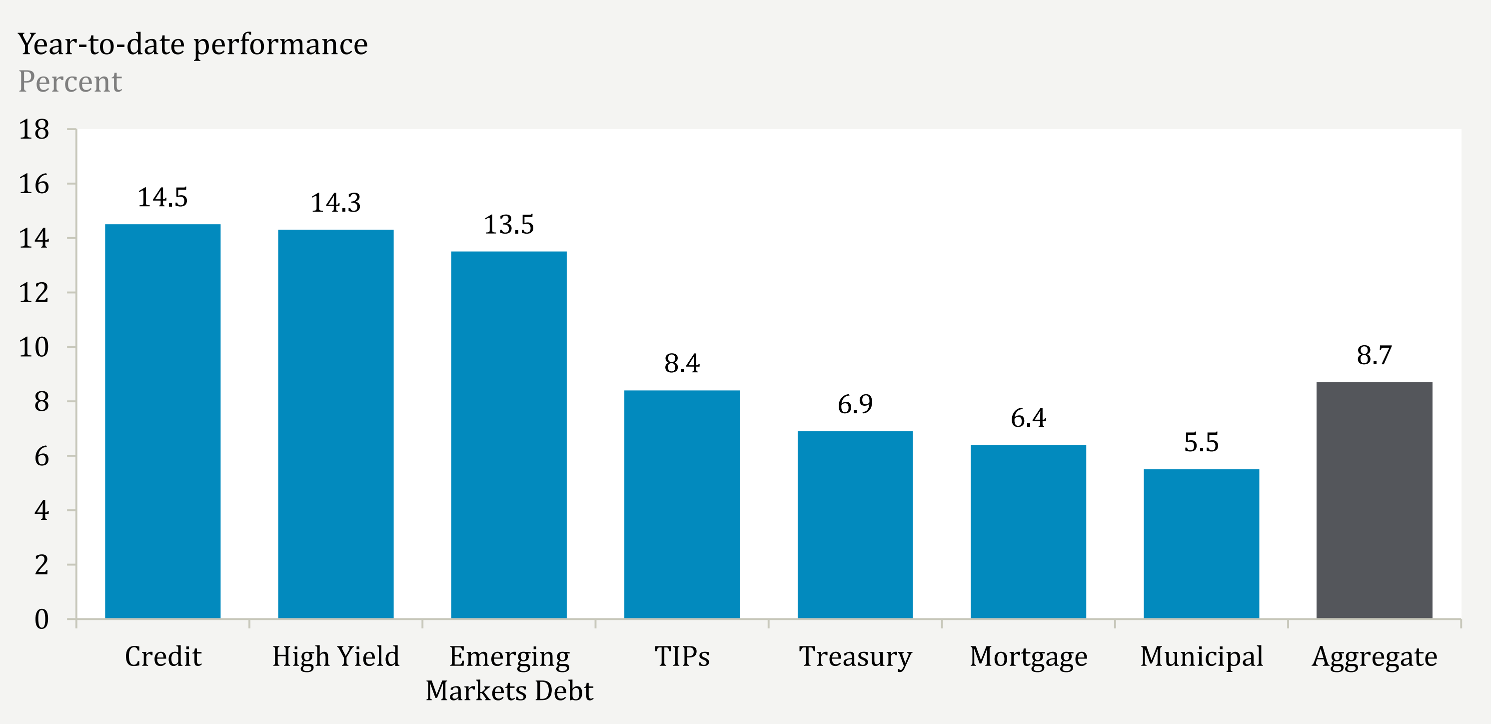
Apple and Microsoft, which surged 85 percent and 54 percent this year, respectively, together accounted for nearly 15 percent of the S&P 500′s advance in 2019. Their influence to the cap-weighted index was greater than the next eight biggest contributors combined.



Source: S&P Dow Jones Indices. Data as of market close Friday, December 27, 2019.

Fixed Income Performance

A broader risk rally helped both investment grade and high yield corporate bonds to especially strong performances in 2019. Treasury bonds had their best rally since 2014 as global flows sought safe havens due to continued weakness in the global economy, uncertainty from trade wars, and a new round of easing by global central banks.



The following indices were used for asset class returns: Barclays Capital TIPS, Barclays Municipal 5 Yr 4-6 TR USD, Barclays Capital U.S. Treasury, Barclays U.S. Corp IG, Fixed Rate MBS Index, JPMorgan EM Global Index, Barclays U.S. Corporate High Yield Index, Barclays Aggregate Bond. Data as of December 31, 2019.

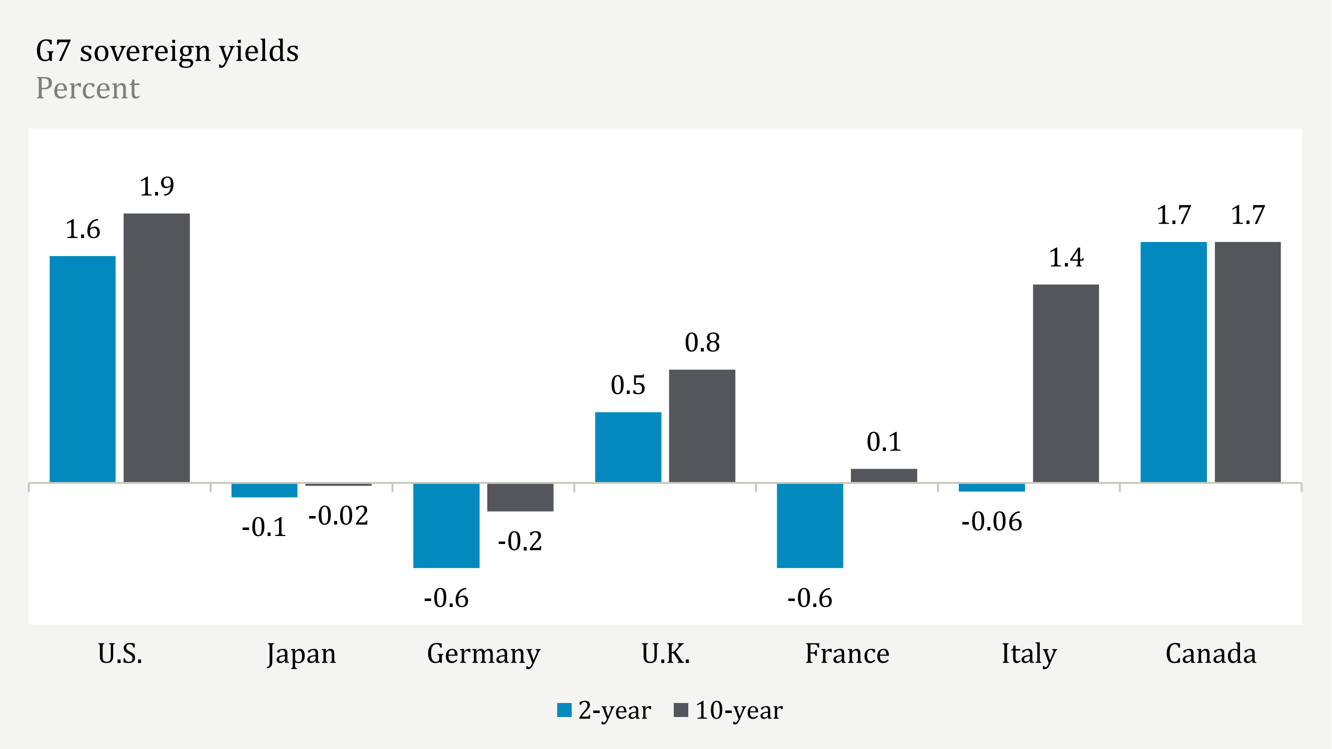
Yield Curve Steepening Accelerates

In August, recession fears swelled as the yield curve inverted. As the year progressed, bond markets stabilized and the yield curve that investors had feared finally steepened. The spread between the 2-year and 10-year Treasuries has now widened to the highest level since June, indicating that investors believe the global growth scare has been mitigated by rate cuts from the Fed and other central banks.

Source: St. Louis Fed, CNBC. Data as of December 31, 2019.

Low Global Yields Keep Treasury Rates in Check

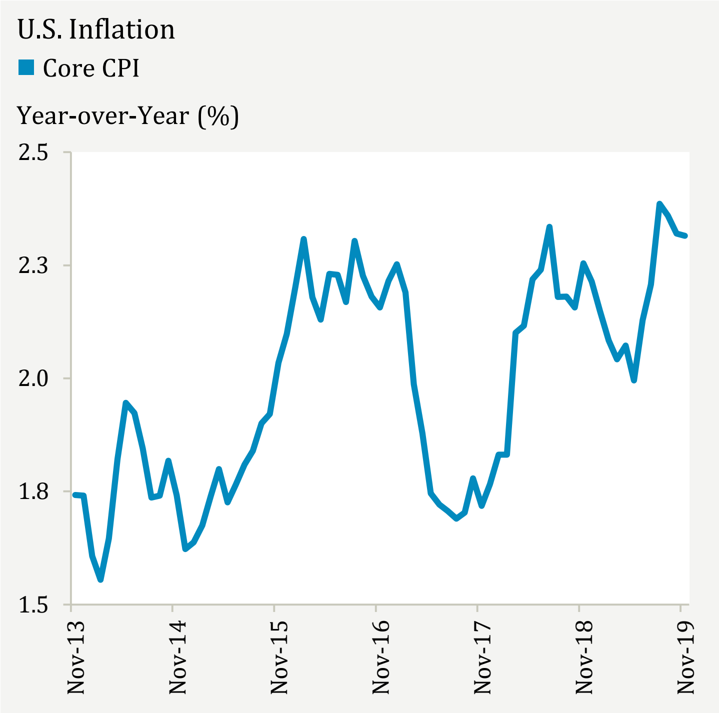
Demand for Treasuries remains healthy even at these levels due in large part to the extremely low level of long-term sovereign yields around the world. Long-term U.S. yields have historically exhibited a very high correlation with those in the rest of the G7, which have been in an almost unbroken decline in recent years.

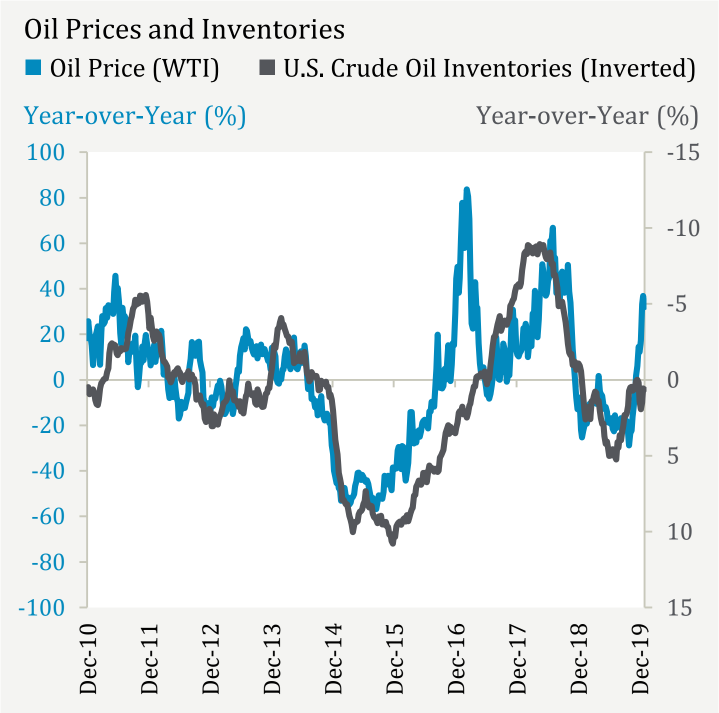


Source: Bloomberg, Nationwide. Data as of December 31, 2019.

Inflation Outlook Firm; Fed Likely on Pause

Core inflation has been generally stable at around two percent in recent years, with near-term expectations holding firm. The outlook for oil also is supportive, as prices have generally trended higher over the past several months amid a decline in inventories. The Fed is likely to be more permissive of inflationary pressure than in the past, implying an inclination to keep rates at current levels absent a major change in growth or inflation.

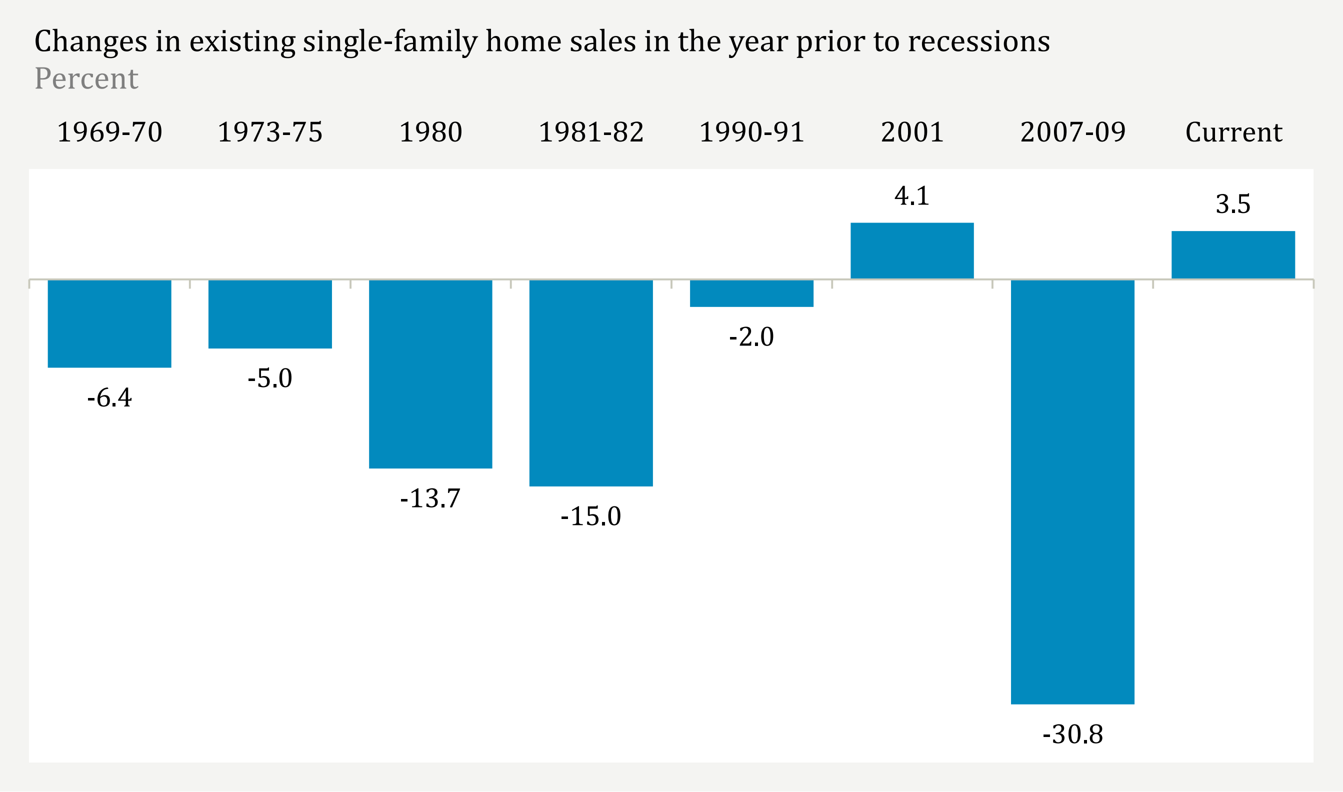




Source: (Left) Bureau of Labor Statistics, Haver Analytics, Fidelity Investments (AART). Core CPI: Consumer Price Index excluding food and energy. Data as of November 30, 2019. (Right) EIA, CME, Haver Analytics, Fidelity Investments (AART). Data as of December 31, 2019.

Encouraging Signs from the Housing Market

The housing market has been a fairly reliable leading indicator, as home sales have typically started to decline well before the economy has fallen into recession. The revival in home sales in 2019, then, should serve as a promising sign that a broader downturn is still not close at hand.



Source: National Association of Realtors, Nationwide. Data as of December 31, 2019.

Policy Uncertainty Subsided as 2020 Approached

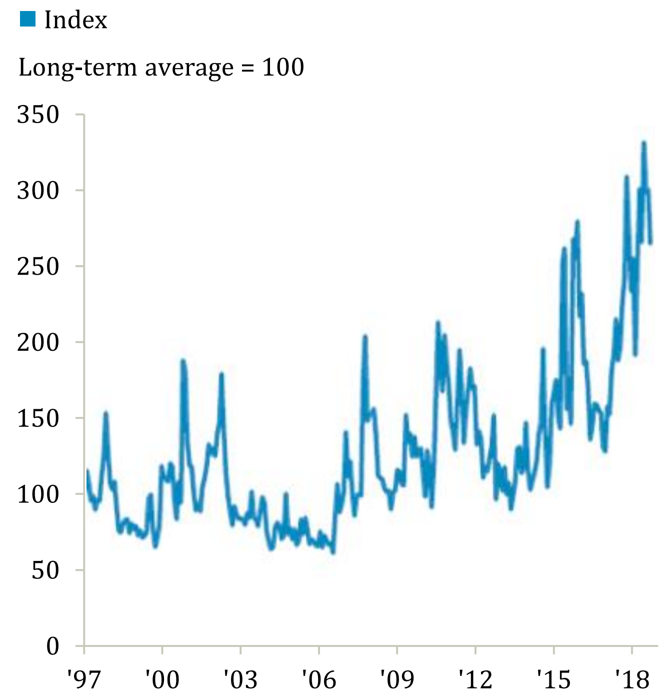
Global economic policy uncertainty rose to unprecedented levels in recent years amid an unclear outlook for monetary policies, trade conflict, Brexit, and a host of other issues. However, central banks' shift to global monetary easing and the de-escalation of the U.S.-China trade confrontation late in 2019 offered hope that uncertainty may prove less of a headwind for business confidence in 2020.

Policy Outlook Scorecard

■ Unfavorable ■ Favorable ■ Cautious

	2019	2020	Potential Trend Change
Deregulation	Favorable	Favorable	
Monetary Policy	Favorable	Favorable	
U.S. Fiscal	Favorable	Favorable	
ROW Fiscal		Favorable	Easier policies in Japan, China, Europe?
Trade Policy	Unfavorable	Cautious	U.S. - China de-escalation continues?
U.S. Elections		Cautious	Rising uncertainty?

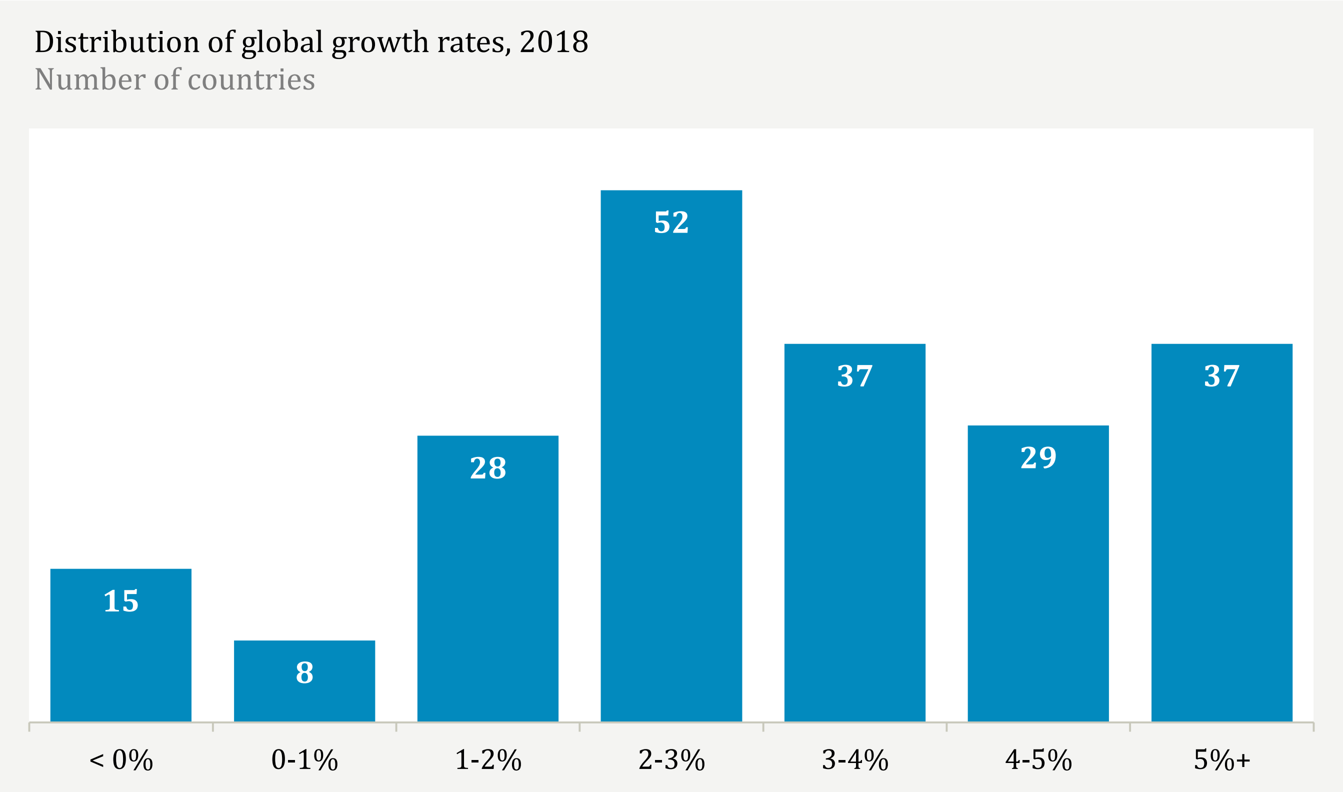
Global Economic Policy Uncertainty



Source: (Left) ROW: Rest of world. Fidelity Investments (AART). Data as of December 31, 2018. (Right) Economic Policy Uncertainty, Fidelity Investments (AART). Data as of November 30, 2019.

Modest Growth Across Much of World

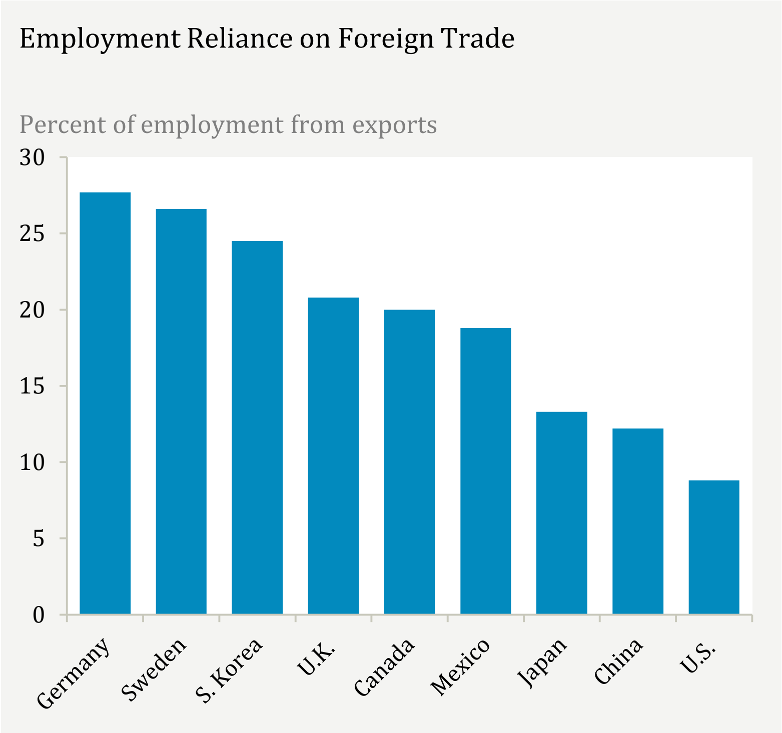
While global growth has downshifted, there are still very few countries either in recession or on the doorstep of a recession. The pace of expansion across most of the world is middling, but sustainable.

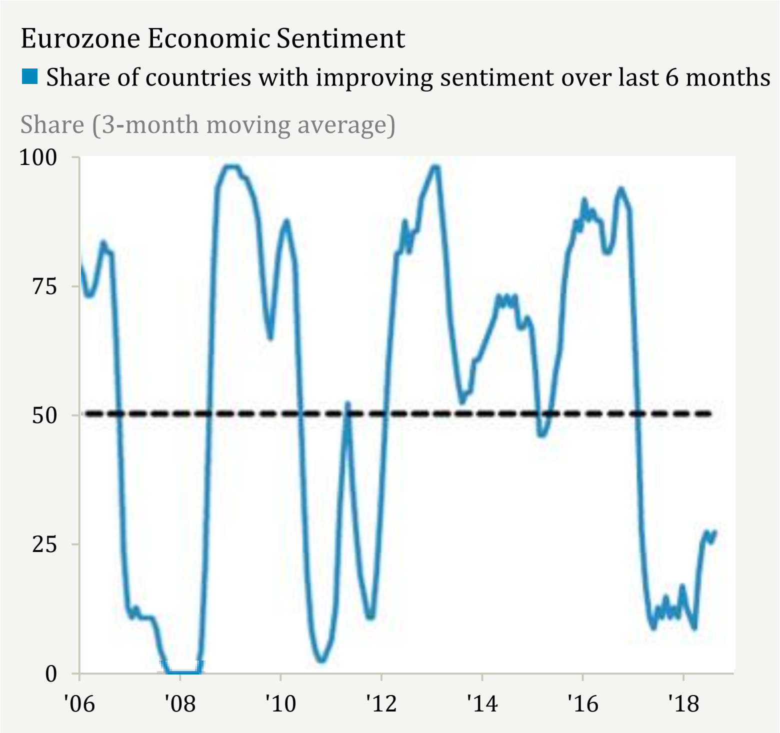


Source: HIS Global Insight, Nationwide. Data as of December 31, 2019.

Europe: Trade Drag Waning; Sentiment Improving

The global industrial and trade recession sapped momentum from major European economies, particularly those like Germany, where domestic growth relies heavily on the country's export sector. In late 2019, signs of a bottoming in manufacturing activity and a de-escalation of trade tensions helped lift business and economic sentiment from depressed levels.



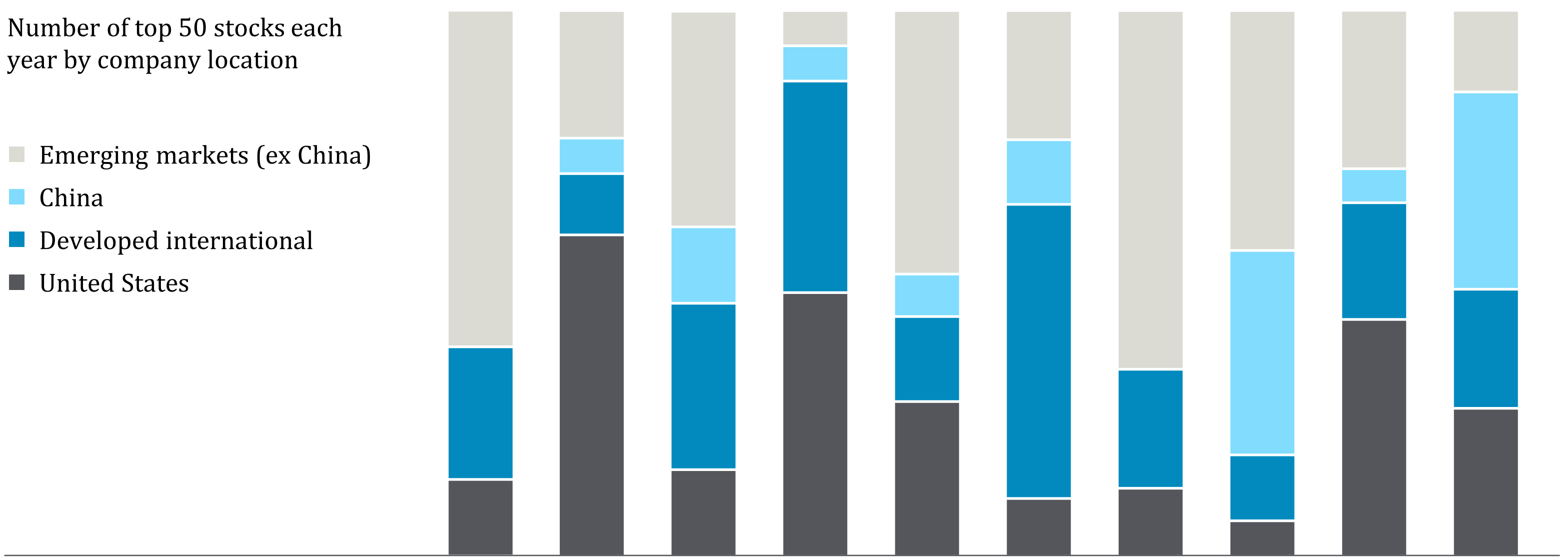


Source: (Left) OECD, Fidelity Investments (AART). Data as of September 30, 2019. Share of domestic business sector employment sustained by exporting activities. (Right) European Commission, Haver Analytics, Fidelity Investments (AART). Data as of November 30, 2019.

Top Stocks Based Outside of U.S.

International equities rose in 2019 but have now lagged the S&P 500 Index eight times in the past decade. Yet at the same time, the companies with the best annual returns each year are overwhelmingly located outside the U.S. In 2019, 37 of the top 50 stocks were based on foreign soil. How can this be? It's all about opportunity. There are roughly three times as many investable foreign stocks as domestic.

74% of the top stocks since 2010 have been based outside the U.S.



Index return (%)	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
U.S.	15.1	2.1	16.0	32.4	13.7	1.4	12.0	21.8	-4.4	31.5
Non-U.S.	11.2	-13.7	16.8	15.3	-3.9	-5.7	4.5	27.2	-14.2	21.5

Source: Capital Group, MSCI, RIMES. Top 50 stocks are the companies with the highest total return in the MSCI ACWI each year. Data as of November 30, 2019. Returns table uses S&P 500 and MSCI ACWI ex USA indexes for U.S. and non-U.S., respectively. Data as of December 31, 2019.

2019: By the Numbers

60%

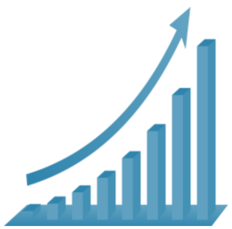
UP VS. DOWN

The S&P 500 was up 60% of trading days in 2019.

+0.48%

POPULATION

The lowest year-over-year growth rate since 1918.



TWO YEARS RUNNING

Advanced Micro Devices was the top performer in the S&P 500 the past two years, gaining 144% in 2019 after gaining 80% in 2018.

HOUSING

The average nationwide 30-year fixed mortgage interest rate. The record low average was 3.31% just over 7 years ago.

$23.201t

OVERSPENDING

The national debt closed 2019 at $23.201 trillion, an increase of $10.9 trillion over the last 10 years.

+34%

OIL PRICES

The price of oil ended 2019 at $61.06 a barrel, up 34% from its 2018 close of $45.41 a barrel.

Source: AMG, BTN Research, Census Bureau, Center for Disease Control, Freddie Mac, CME Group, Treasury Department. Data as of December 31, 2019.

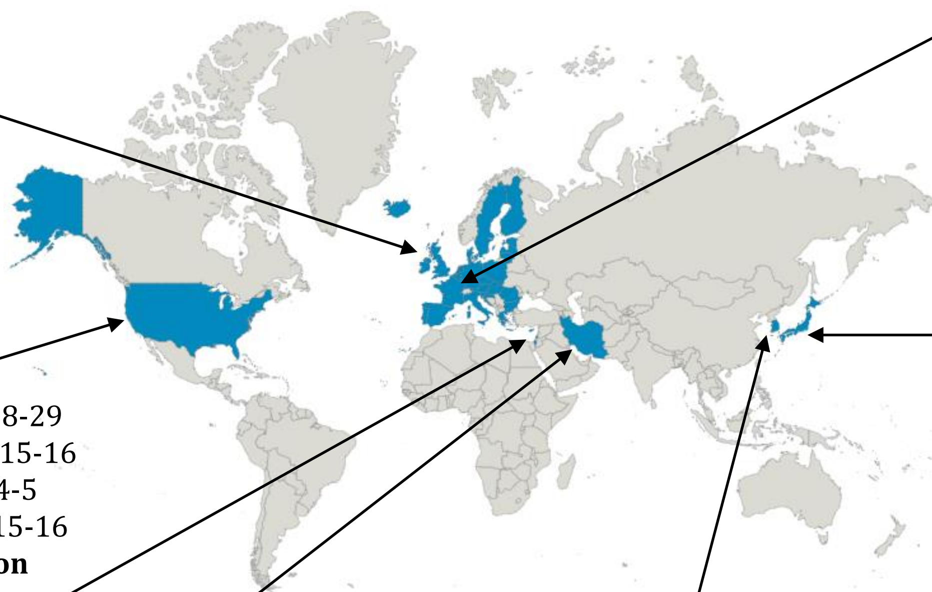
Global Macroeconomic Outlook

Global Economy	Despite still-weak manufacturing data in Germany, Europe's economic slowdown has stabilized. In the U.K., expect lingering Brexit and trade negotiations to dampen growth. Growth in China, which recently slowed to a nearly 30-year low, should improve due to fiscal stimulus.
U.S. Economy	The risk of a recession in the next year is fading, but growth may decelerate in the near term due to weaker capital spending and trade policy uncertainties. The U.S. economy likely will remain stronger than the economies of other developed markets.
Inflation	Weaker inflation remains a risk for the U.S. Lower energy prices and a slowdown in industrial production have fueled the recent deceleration in European inflation. Inflation remains low and below central bank targets in most emerging market countries.
Monetary Policy	The Fed appears to be set on pause for 2020. Expect the European Central Bank to continue QE through most of 2020. The People's Bank of China continues to step up its monetary policy support amid lingering trade tensions with the U.S.
Interest Rates	The ongoing risks to global growth and inflation have kept Treasury yields relatively low. Yield curves across Europe have started steepening due to central bank accommodation and improved global sentiment. Rates in Japan remain negative amid ongoing, but reduced, central bank stimulus.

Source: American Century Investments

Save the Dates

Events to watch in 2020



UK

UK to leave European Union
Jan. 31
End of Brexit transition period
Dec. 31

U.S.

Fed meetings

Jan. 28-29	July 28-29
Mar. 17-18	Sept. 15-16
April 28-29	Nov. 4-5
June 9-10	Dec. 15-16

Presidential election
Nov. 3

European Union

ECB meetings

Jan. 23	July 16
Mar. 12	Sept. 10
April 30	Oct. 29
June 4	Dec. 10

Japan

Bank of Japan meetings
Jan. 20-21
April 27-28
July 21-22
Oct. 29-30
Summer Olympics
July 24-Aug. 9

Israel

Parliamentary elections
March 2

Iran

Parliamentary elections
February

South Korea

Parliamentary elections
April 15

Source: BlackRock Investment Institute, with data from Bloomberg, December 2018.

Major Takeaways

1. It was a year filled with fears that were never realized: a global economic slowdown, disruptive trade wars and potential missteps from Federal Reserve policy.

2. Declining interest rates led to surprisingly positive bond market returns, while stocks bounced back strongly from their slump at the end of last year.

3. The U.S. economy has successfully engineered a soft landing to 2% growth and will likely sustain this pace through 2020 and avoid recession.

4. The global economy is forming a solid base in early 2020, thanks to consumers who are employed and spending and decent corporate profit trends, yet ongoing growth is susceptible to major policy risks.

Thank You!

Our team of professionals would like to thank you for the opportunity to earn your trust and confidence in the services provided by Windsor Wealth Management.

Randall D. Clark, CFP®

Channing F. Mitzell, CFP®

Robert S. Kaspar, CPA

Frank J. Esposito, CFA

Brian Shupe, CFA

Sue Hardman, CFA

Matt Ulsas, CFP®

Sandra Villiger, CFP®

Jamie Vladuchick, CFA

Windsor™
WEALTH MANAGEMENT

Dream boldly. Plan wisely.

500 E. 96th Street, Suite 450
Indianapolis, IN 46240
800.678.1078
www.windsorwealth.com