

Market Update and Model Portfolio Reviews 12/31/2019

Model Strategies Trailing Returns* Compared to Respective Global and Domestic Benchmarks

		Ultra Aggressive	1-Month	3-Month	6-Month	YTD	1-Year	2-Year	Inception	
Higher Risk/Reward Potential 	Target Risk/Reward Profile		Model Strategy	1.19%	1.80%	4.10%	18.70%	18.70%	6.08%	8.92%
	90% Equity		Global Benchmark	2.98%	7.81%	7.87%	23.54%	23.54%	5.51%	10.49%
	10% Bond		Domestic Benchmark	2.50%	7.76%	9.39%	27.45%	27.45%	9.82%	12.64%
		Aggressive	1-Month	3-Month	6-Month	YTD	1-Year	2-Year	Inception	
Higher Risk/Reward Potential 	Target Risk/Reward Profile		Model Strategy	0.93%	1.56%	3.84%	17.23%	17.28%	5.77%	7.73%
	80% Equity		Global Benchmark	2.63%	6.90%	7.19%	21.74%	21.74%	5.26%	9.69%
	20% Bond		Domestic Benchmark	2.20%	6.88%	8.55%	25.19%	25.19%	9.11%	11.58%
		Growth	1-Month	3-Month	6-Month	YTD	1-Year	2-Year	Inception	
Higher Risk/Reward Potential 	Target Risk/Reward Profile		Model Strategy	0.72%	1.31%	3.48%	15.61%	15.61%	5.35%	7.28%
	70% Equity		Global Benchmark	2.27%	5.99%	6.51%	19.94%	19.94%	5.00%	8.88%
	30% Bond		Domestic Benchmark	1.91%	6.00%	7.71%	22.93%	22.93%	8.39%	10.52%
		Growth and Income	1-Month	3-Month	6-Month	YTD	1-Year	2-Year	Inception	
Higher Risk/Reward Potential 	Target Risk/Reward Profile		Model Strategy	0.54%	1.10%	3.32%	14.20%	14.20%	4.95%	6.38%
	60% Equity		Global Benchmark	1.92%	5.09%	5.83%	18.14%	18.14%	4.75%	8.06%
	40% Bond		Domestic Benchmark	1.61%	5.11%	6.87%	20.67%	20.67%	7.66%	9.69%
		Balanced	1-Month	3-Month	6-Month	YTD	1-Year	2-Year	Inception	
Higher Risk/Reward Potential 	Target Risk/Reward Profile		Model Strategy	0.52%	0.99%	3.14%	13.53%	13.53%	4.64%	5.85%
	50% Equity		Global Benchmark	1.56%	4.17%	5.14%	16.33%	16.33%	4.49%	7.23%
	50% Bond		Domestic Benchmark	1.32%	4.23%	6.03%	18.42%	18.42%	6.90%	8.34%
		Moderate	1-Month	3-Month	6-Month	YTD	1-Year	2-Year	Inception	
Higher Risk/Reward Potential 	Target Risk/Reward Profile		Model Strategy	0.46%	0.88%	2.96%	12.66%	12.66%	4.42%	5.75%
	40% Equity		Global Benchmark	1.20%	3.27%	4.46%	14.53%	14.53%	4.23%	6.38%
	60% Bond		Domestic Benchmark	1.02%	3.35%	5.19%	16.16%	16.16%	6.14%	7.24%
		Conservative	1-Month	3-Month	6-Month	YTD	1-Year	2-Year	Inception	
Higher Risk/Reward Potential 	Target Risk/Reward Profile		Model Strategy	0.40%	0.73%	2.72%	11.85%	11.85%	4.03%	5.08%
	30% Equity		Global Benchmark	0.85%	2.36%	3.78%	12.73%	10.93%	3.98%	5.52%
	70% Bond		Domestic Benchmark	0.73%	2.46%	4.35%	13.90%	13.90%	5.35%	6.12%
		Ultra Conservative	1-Month	3-Month	6-Month	YTD	1-Year	2-Year	Inception	
Lower Risk/Reward Potential 	Target Risk/Reward Profile		Model Strategy	0.35%	0.61%	2.55%	10.78%	10.78%	3.69%	4.56%
	20% Equity		Global Benchmark	0.49%	1.45%	3.10%	10.93%	10.93%	3.72%	4.64%
	80% Bond		Domestic Benchmark	0.43%	1.58%	3.51%	11.64%	11.64%	4.54%	5.16%

DISCLOSURE (Click links for sources. If in print, sources available upon request). Calculations & Definitions available upon request. *Trailing returns as of 12/31/2019 and are annualized returns if over 1-Year. See "Model Disclosure" page for important disclosures and information – Total Period Measured 12/31/2016 – 12/31/2019. "Inception" refers to Inception to Date. Inception calculation assumes end of day market prices on 12/30/2016 for starting period values to calculate Inception to Date figures. Performance presented net of highest advisory fee. Views and opinions are of Alternative Capitalis, LLC and are not intended as investment advice or recommendation(s). The results do not represent actual trading and actual results may significantly differ from the theoretical results presented. Past performance is no guarantee of future results.

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2019 was a banner year for most asset classes. The two best prior years compared to this year for large cap domestic equities were 1997 and 2013 up 33.36% and 32.29% respectively**. For the month of December, domestic large cap equities finished up [3.02%](#), and finished the year up [31.49%](#). Investment Grade Bonds* finished the month down -0.07% and up 8.72% for the year. A 60/40 stock/bond index had its best year in over two decades in 2019.***

Global Recession in 2019-2020?

December of 2018 certainly made investors and economists alike believe that we were heading for a major economic slowdown this year. We did see a slow down in 2019 with flat earnings growth year over year from 2018 to 2019 across domestic equities* and a slowdown in global manufacturing. On December 31, 2019 President Trump [tweeted](#) that a phase one trade deal would be inked at the White House on January 15, 2020. Currently, both Washington and Beijing agreed to limited terms of a phase one deal in December of 2019.

Federal Reserve Policy in 2019: Three “Insurance Cuts” in the face of Trade Tensions, weaker Domestic (and Global) economic data, and absent inflation.

The three interest rate cuts from the federal reserve in 2019 came after four interest rate hikes in 2018. Treasury yields fell across the yield curve in the first three quarters of 2019 while in the fourth quarter of 2019 trading in a relative range. The yield curve inverted earlier in the year where both the 3-month and 2-year Treasuries had higher yields than the 10-year Treasury, normally a classic signal of an impending recession on average 18 months on the horizon. We provided [research that focused on when market prices actually changed historically than when recessions actually were announced](#). The uninversion of the yield curve created a tailwind for the banking sector as a steeper yield curve makes for a more profitable environment for banks (banks tend to lend with higher longer rates and borrow with shorter lower rates).

Risks in 2020

Our biggest risk we believe in 2020 comes from multiple expansion in 2019 across risk assets without a return to material sustainable future growth rates to support year end valuations. Said differently, 2020 returns appear to have been fast forwarded to 2019 returns. As of year end domestic equities, when comparing price to forward earnings growth rates, are well above their historical valuation levels. On a sector level view, the Technology, Industrials and Consumer Staples sectors all have a lot of earnings growth to catch up on to justify their current year end multiples.

Fourth Quarter Model Strategy Review and Ideas

For the fourth quarter, all model strategies provided positive results. After an active summer, we stayed relatively static in the fourth quarter with our [final conviction trade on the year being the direction of interest rates in early November](#). We struggled to keep pace in the fourth quarter with our respective benchmarks after an early October risk on rally that capitulated through year end. As we look forward, we are beginning to express favor for exposures to Saudi Arabia and Hong Kong. Saudi Arabia pegs their currency to the Dollar while a Hong Kong exposure would be subject to currency risk through Hong Kong Dollar exposure. Saudi Arabia is more of a favorable valuation view while Hong Kong exposure is more of a contrarian view that the protest that have dragged down the local economy will begin to fizzle out.

DISCLOSURE (Click links for sources. If in print, sources available upon request). Calculations & Definitions available upon request. Measured by the Barclays US Aggregate Bond Index* - Morningstar. S&P 500 Total Return Index**. See “Model Disclosure” page for important disclosures and information. Views and opinions are of Alternative Capitalis, LLC and are not intended as investment advice or recommendation(s). Past performance is no guarantee of future results. Total Period Measured 12/31/2016 – 12/31/2019. “Inception” refers to Inception to Date. Inception calculation assumes end of day market prices on 12/30/2016 for starting period values to calculate Inception to Date figures. Performance presented net of highest advisory fee. The results do not represent actual trading and actual results may significantly differ from the theoretical results presented. Past performance is no guarantee of future results.

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Model Disclosure

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Thus, the performance shown does not reflect the impact that material economic and market factors had or might have had on decision making if actual investor money had been managed. Model portfolio performance is shown net of the model advisory fee of 1.25%, the highest fee charged by Alternative Capitalis, LLC. This reflects a change from Alternative Capitalis, LLC highest fee charged to a client(s) account from 1% to 1.25% annually. April 1, 2018 model performance to most recent date presented adjusts for the higher 1.25% annual fee. Model portfolio performance is shown net of the sample trading costs based on our Custodian's, TD Ameritrade Institutional, trading costs. Performance does not reflect the deduction of other fees or expenses, including but not limited to brokerage fees, custodial fees and fees and expenses charged by mutual funds and other investment companies. Performance results shown include the reinvestment of dividends and interest on cash balances where applicable. The data used to calculate the model performance was obtained from sources deemed reliable and then organized and presented by Alternative Capitalis, LLC. The performance calculations have not been audited by any third party. Actual performance of client portfolios may differ materially due to the timing related to additional client deposits or withdrawals and the actual deployment and investment of a client portfolio, the reinvestment of dividends, the length of time various positions are held, the client's objectives and restrictions, and fees and expenses incurred by any specific individual portfolio. The performance calculations are based on a hypothetical investment of \$100,000 for both the model and benchmarks presented. **Benchmarks:** The performance results shown are compared to the performance of the performance of a blended ETF (exchange-traded-fund) portfolio comprised of the following two ETF's symbols, SPY & AGG, are described below. The benchmarks used are investable ETFs and their performance calculation is inclusive of the highest fee charged to a client(s) account, 1.25% annually. This will reduce the total return of the investable benchmark by the annualized rate of 1.25%. The ETF symbol SPY (SPDR® S&P 500® ETF Trust) which seeks to provide investment results that, before expenses, correspond generally to the price and yield performance of the S&P 500® Index (the "Index"). Visit <https://us.spdrs.com/en/etf/spdr-sp-500-etf-SPY> for more information about the ETF. The S&P 500® Index results do not reflect fees and expenses and you typically cannot invest in an index. The ETF symbol AGG (iShares Core U.S. Aggregate Bond ETF). The iShares Core U.S. Aggregate Bond ETF seeks to track the investment results of an index composed of the total U.S. investment-grade bond market. (the "Index"). Visit <https://www.ishares.com/us/products/239458/ishares-core-total-us-bond-market-etf> for more information about the ETF. The index composed of the total U.S. investment-grade bond market results do not reflect fees and expenses and you typically cannot invest in an index. The benchmark is blended representing a weighting of a percentage (%) to SPY and percentage (%) to AGG based on the respective model weights below. Unless otherwise indicated, the benchmarks are not rebalanced to maintain their original weighting over the period measured. Instead, they are comprised of the starting allocation and will shift given the prevailing market environment over the period measured. **Return Comparison:** To benchmark the results, the ETF (exchange-traded-fund) symbol SPY (SPDR® S&P 500® ETF Trust) which seeks to provide investment results that, before expenses, correspond generally to the price and yield performance of the S&P 500® Index (the "Index"). The S&P 500 was chosen as it is generally well recognized as an indicator or representation of the stock market in general and includes a cross section of equity holdings. In addition, the ETF symbol AGG was chosen as a benchmark. The iShares Core U.S. Aggregate Bond ETF seeks to track the investment results of an index composed of the total U.S. investment-grade bond market. The total U.S. investment-grade bond market was chosen as it is generally well recognized as an indicator or representation of the bond market in general and includes a cross section of debt holdings. For each respective model benchmark the performance measurement weightings are as follows to SPY / AGG %: 20/80, 30/70, 40/60, 50/50, 60/40, 70/30, 80/20, 90/10 % respectively for Ultra Conservative, Conservative, Moderate, Balanced, Growth & Income, Growth, Aggressive, Ultra Aggressive. **OPTIONS TRADING RISK DISCLOSURE:** Options Trading – Both the purchase and writing (selling) of options contracts – involves a significant degree of risk not suitable for all investors. Investors should carefully consider the inherent risks and financial obligations associated with options trading as further detailed in the Options Clearing Corporate booklet "[Characteristics and Risks of Standardized Options](#)." 233 Harvard St, #307, Brookline, MA 02446 is Alternative Capitalis, LLC's client facing address. All books, records, receipts, correspondence (mailing address) and day to day operations are located at 1565 West St, Wrentham, MA 02093.

The results do not represent actual trading and actual results may significantly differ from the theoretical results presented.

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Model Disclosure Continued

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ETF	Earliest Available Price Data for ETF	Backfill Index 1	Earliest Available Data for Index Backfill 1	Backfill Index 2	Earliest Available Data for Index Backfill 2
BNDX	5/31/2013	ICE BofAML Global Broad Market Index	9/22/1998	N/A	N/A
VT	6/24/2008	MSCI All Country World Index TR	12/29/2000	S&P 500 (TR) Index	9/22/1998
BND	4/3/2007	Barclays US Aggregate Bond Index	9/22/1998	N/A	N/A

The ETF symbol BNDX (Vanguard Total International Bond ETF). The Vanguard Total International Bond ETF attempts to track the performance of the Bloomberg Barclays Global Aggregate ex-USD Float Adjusted RIC Capped Index (USD Hedged). Visit <https://investor.vanguard.com/etf/profile/BNDX> for more information about the ETF. The ETF symbol VT (Vanguard Total World Stock ETF) seeks to track the performance of the FTSE Global All Cap Index, which covers both well-established and still-developing markets. Visit <https://investor.vanguard.com/etf/profile/VT> for more information about the ETF. The ETF symbol BND (Vanguard Total Bond Market ETF). The Vanguard Total Bond Market ETF attempts to track the performance of the Bloomberg Barclays U.S. Aggregate Float Adjusted Index and attempted to track the Bloomberg Barclays U.S. Aggregate Bond Index through December 31, 2009. Visit <https://investor.vanguard.com/etf/profile/BND> for more information about the ETF. The benchmark is blended representing a weighting of a percentage (%) to BND, percentage (%) to VT and percentage (%) to BNDX based on the respective model weights below. Unless otherwise indicated, the benchmarks are not rebalanced to maintain their original weighting over the period measured. Instead, they are comprised of the starting allocation and will shift given the prevailing market environment over the period measured. **Return Comparison:** To benchmark the results, the ETF symbol BNDX (Vanguard Total International Bond ETF) attempts to track the performance of the Bloomberg Barclays Global Aggregate ex-USD Float Adjusted RIC Capped Index (USD Hedged). The Vanguard Total International Bond ETF was chosen as it is generally well recognized as an indicator or representation of the global bond market, ex-U.S. bonds, and tracks an investment-grade, non-USD denominated bond index, hedged against currency fluctuations for U.S. investors. The ETF symbol VT (Vanguard Total World Stock ETF) seeks to track the performance of the FTSE Global All Cap Index, which covers both well-established and still-developing markets. The Vanguard Total World Stock ETF was chosen as it is generally well recognized as an indicator or representation of the global stock market and tracks a market-cap-weighted index of global stocks covering approximately 98% of the domestic and emerging market capitalization. The ETF symbol BND (Vanguard Total Bond Market ETF) attempts to track the performance of the Bloomberg Barclays U.S. Aggregate Float Adjusted Index and attempted to track the Bloomberg Barclays U.S. Aggregate Bond Index through December 31, 2009. The Vanguard Total Bond Market ETF was chosen as it is generally well recognized as an indicator or representation of the U.S. Domestic bond market, and tracks a broad, market-value-weighted index of U.S. dollar-denominated, investment-grade, taxable, fixed-income securities with maturities of at least one year. For each respective model benchmark the performance measurement weightings are as follows to BND/VT/BNDX %: 66/20/14, 57.8/30/12.3, 49.5/40/10.5, 41.2/50/8.8, 33/60/7, 24.7/70/5.3, 16.5/80/3.5 and 8.2/90/1.8 % respectively for the Ultra Conservative, Conservative, Moderate, Balanced, Growth & Income, Growth, Aggressive and Ultra Aggressive Global Benchmarks.