MIRACLE MILE ADVISORS

MARKET LANDSCAPE

Q4 2019

2019 Q4 OVERVIEW

Q4 Performance Summary

Following a volatile third quarter, and unrelenting trade negotiation headlines, US stocks (S&P 500) powered through the end of the year with a gain of 9.07% in the final three months of 2019. The Federal Reserve helped spark a rally on October 8th when it resumed the expansion of its balance sheet in support of the overnight funding markets. As these assets found their way into the financial system, both equity and credit markets moved higher. A softening in the U.S./China trade dispute provided additional support as U.S. stocks closed 2019 with the largest gain since 2013.

Global equity markets responded similarly, with emerging markets (MSCI EM) leading the way with gains of 11.84% in Q4 and 18.42% for the year. Developed international (MSCI EAFE) markets rose 8.17% in Q4 and 22.01% in 2019. U.S. small caps also finished strong, posting a 25.52% return for the year, but trailing the S&P 500 total return of 31.49% for the year.

While markets may have ended the year near all-time high values, global economic growth fundamentals have only begun to suggest a rebound. After more than a year-long malaise in manufacturing, the U.S. and China manufacturing indicators resumed expansion in Q4, while the EU remained in contraction. Investors are betting that the EU referendum will yield a "clean" Brexit on January 31, 2020 and the "Phase One" U.S./China trade agreement will be signed and will serve as a basis for continued progress on the trade conflicts. With the S&P 500 now trading at more than 18 times forecasted 2020 earnings, expectations are high.

Bond markets returns were barely positive for the quarter, though investment grade fixed income (Bloomberg Bond Index) gained 8.72% for the year. Following an inversion of the 3-month to 10-year yield curve of -0.51% in August, this measure concluded the year "un-inverted" at +0.37%. Rapid steepening following inversions has historically preceded recessions, but only if the un-inversion coincides with a rise in the unemployment rate. Hence, we will be watching labor data closely into 2020.

2019 was a welcome reprieve from a rough 2018 where few asset classes provided positive returns. 2020 begins with high hopes but little room for error. After a great year, it is time to see if reality can meet expectations.

Q4 ECONOMIC HIGHLIGHTS

- On December 13th, the U.S. and China announced agreement of a "Phase One" trade deal. While "phases" appeared to be simply a market-friendly label for deferring unresolved issues to a later date, markets took relief in the end of the upward spiral in trade tensions after months of contentious rhetoric.
- On December 12th, the UK decisively voted for a rapid conclusion to Brexit. With some details left to be resolved, Britain will exit the European Union with a deal on January 31, 2020.
- On October 11th, the Federal Reserve announced a 0.25% cut in the fed funds rate. But perhaps of more impact, they also announced a program of intervention in the overnight repurchase market to improve liquidity in targeted areas of the markets, which has expanded their balance sheet.

MMA CORE INVESTMENT THEMES

ECONOMIC DATA MAY HAVE BOTTOMED

Signs of a trough in global economic data surfaced in the middle of Q4. While the U.S. appears to have shown bottoming of a relatively shallow contraction, China's renewed expansion follows almost two years of contraction. Europe's manufacturing data also appears to have troughed, although it remains in contractionary territory.

FEDERAL RESERVE IS STANDING FIRMLY BEHIND MARKETS

With unprecedented support for the overnight funding markets, the Federal Reserve has resumed use of its balance sheet. Though Chairman Powell has stated that this support is "not QE," the proportionate balance sheet expansion has equaled prior quantitative easing rounds with an analogous impact on capital markets thus far.

U.S. MARKET VALUATIONS REQUIRE GLOBAL REBOUND TO JUSTIFY

After 2019's strong advance, the S&P 500 trades at more than 18 times 2020 earnings. Forecasted EPS growth of nearly 10% in 2020 is based on expectations of a trough in global manufacturing and a durable trade deal to support this growth. A lot will have to go right in 2020 to meet investor expectations.

Sources: SPDR Indices, MSCI, Bloomberg Barclays, Institute for Supply Management, US Federal Reserve of Economic Data, ycharts.com

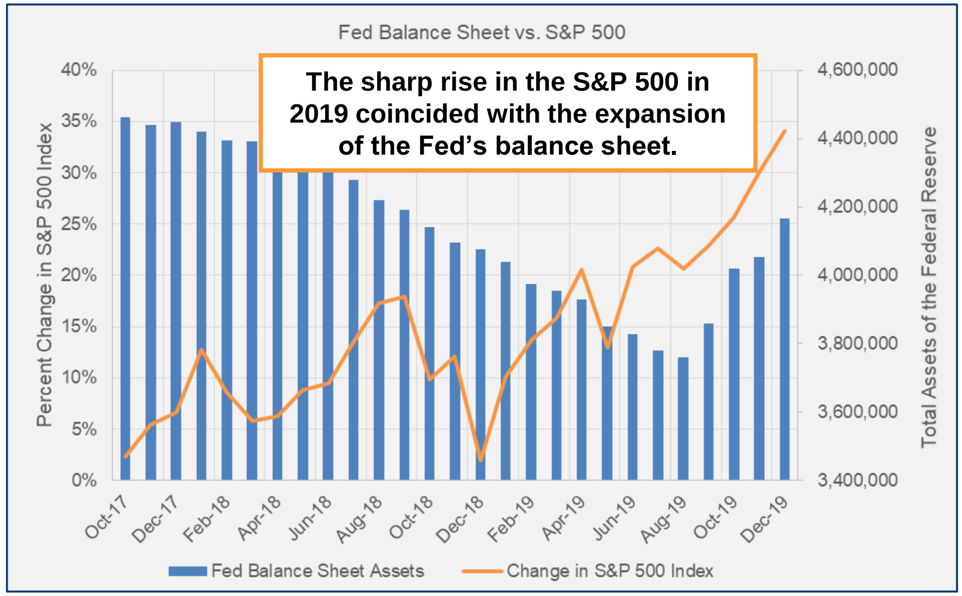
MMA CORE INVESTMENT THEMES

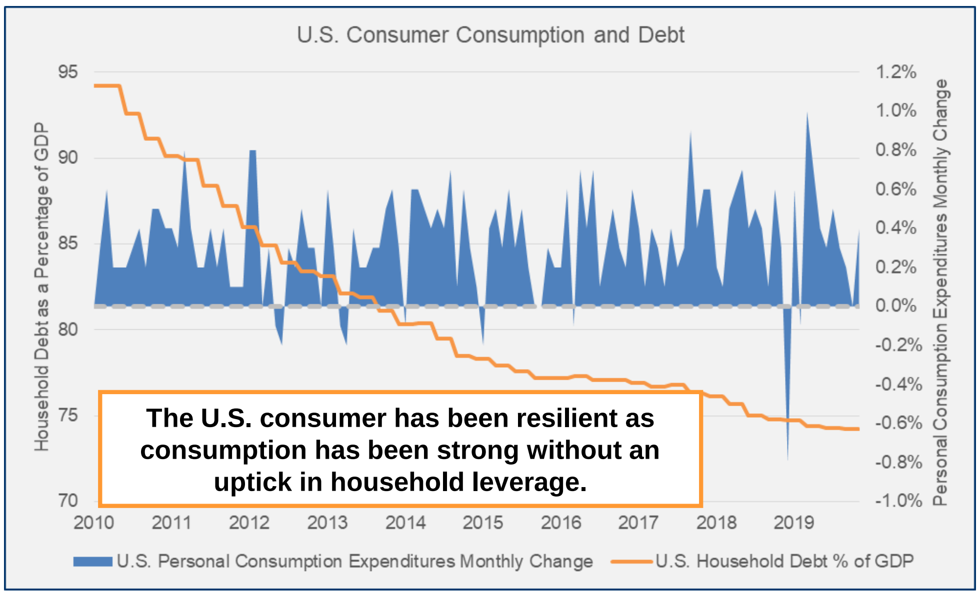
Where did we come from?

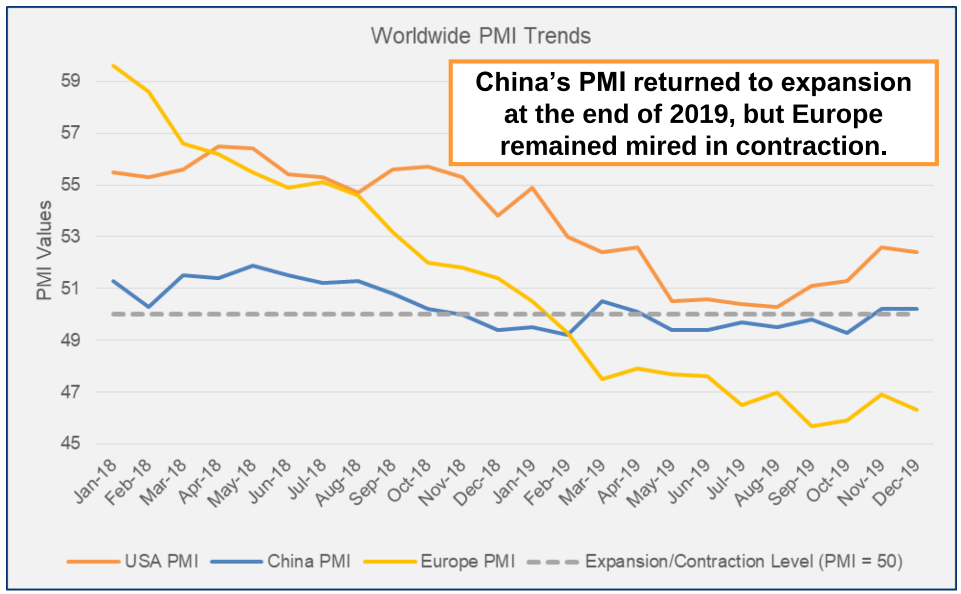
- **Returns and investor sentiment picked up in Q4.** Following a negative Q3 for global stocks, the S&P rallied 9.07% in Q4. Emerging markets led the gains with 11.84% in Q4 with Developed International also performing well.
- **Federal Reserve increases support.** The Federal Reserve expanded its balance sheet by more than $300B in Q4 which coincided with a resumption in risk taking. “Not QE” has approached the amount of prior rounds of QE.
- **U.S. dollar weakened while risk taking resumed.** The dollar’s relentless rise in 2019 reversed in Q4, likely as a sign of relief in overnight funding markets and potential trough in international economic data.

ACTION ITEMS:

- Diversification rewards are improving as International Developed and Emerging Markets performed well. More than half of Emerging Market’s 18.42% return for 2019 return was generated in the fourth quarter alone.







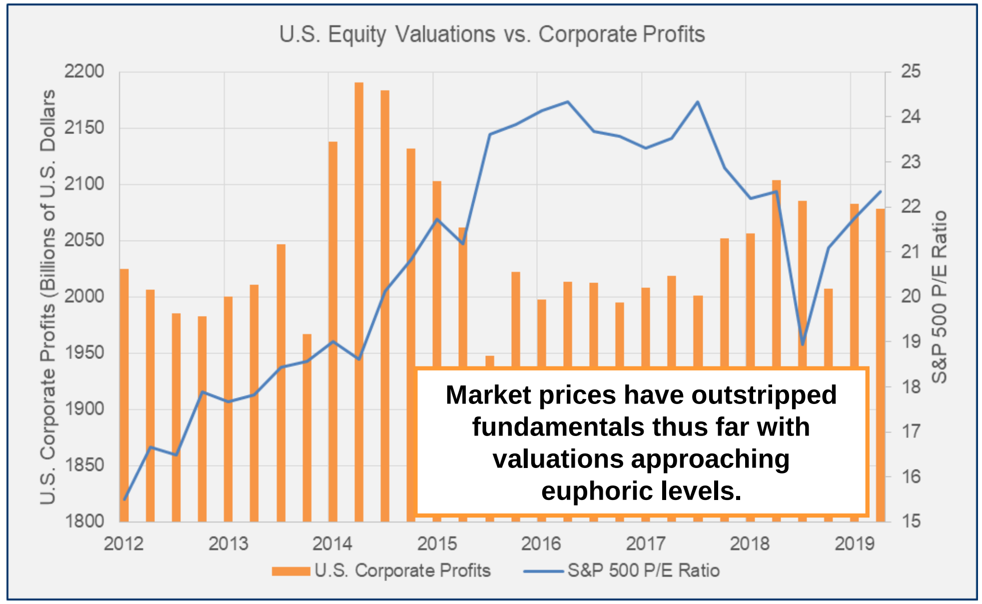
MMA CORE INVESTMENT THEMES

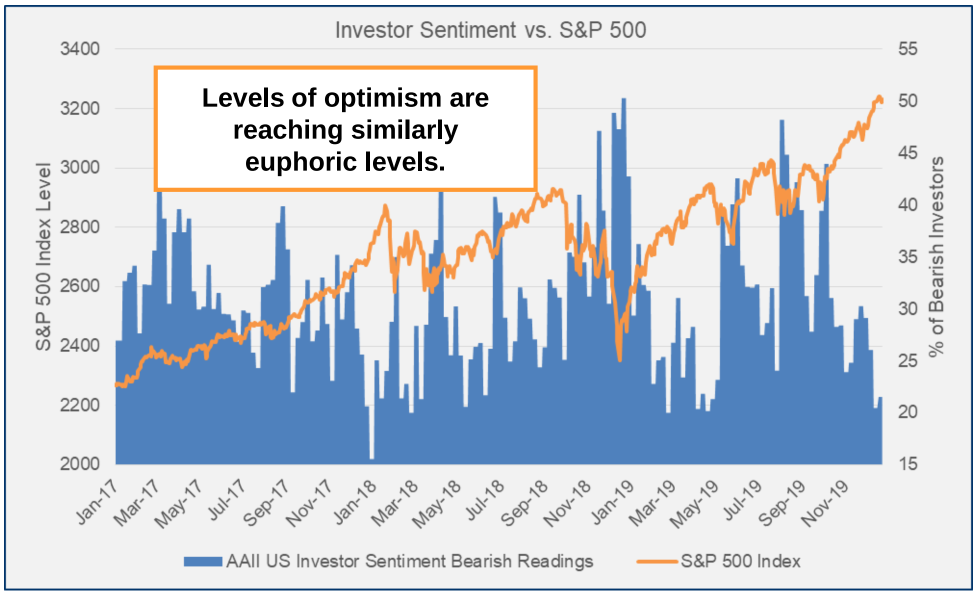
Where are we now?

- **Valuations in U.S. appear stretched.** The S&P 500 trades at 20x 2019 earnings and over 18x forecasted 2020 earnings, which is historically expensive.
- **Expectations rising after 2018 estimates proved too high.** Analysts were arguably too optimistic after 2017 and too pessimistic entering 2019. While expectations have risen entering 2020, corporate performance will still have to materialize to justify today's pricing.
- **History suggests positive returns are likely.** Following years of strong returns, subsequent calendar years have historically shown above average returns.

ACTION ITEMS:

- Following a year with very low volatility, expecting an uptick seems prudent. Possible catalysts for a pullback in equity prices include disappointing earnings, a reduction in Fed balance sheet expansion, geopolitics, and the election cycle.





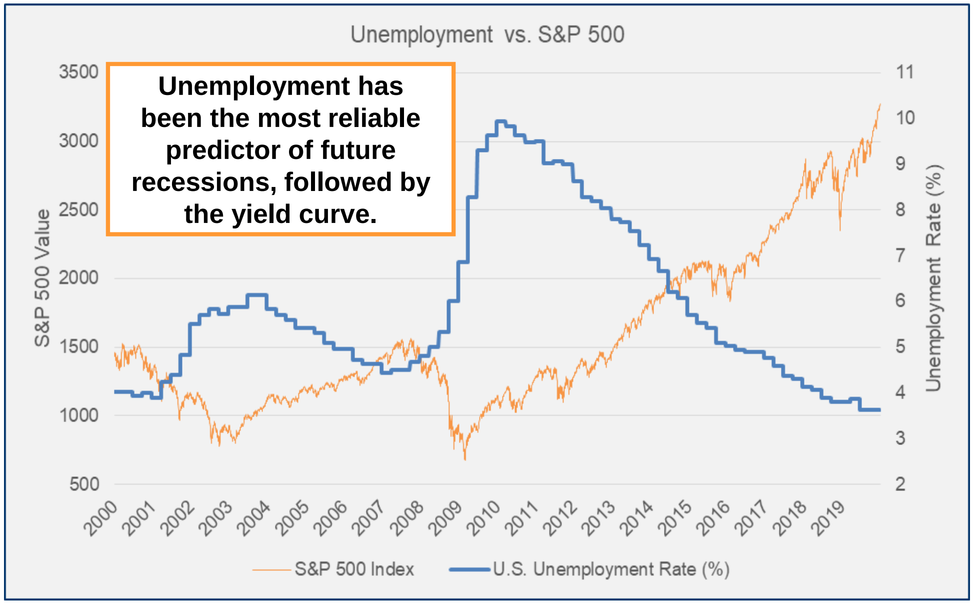
MMA CORE INVESTMENT THEMES

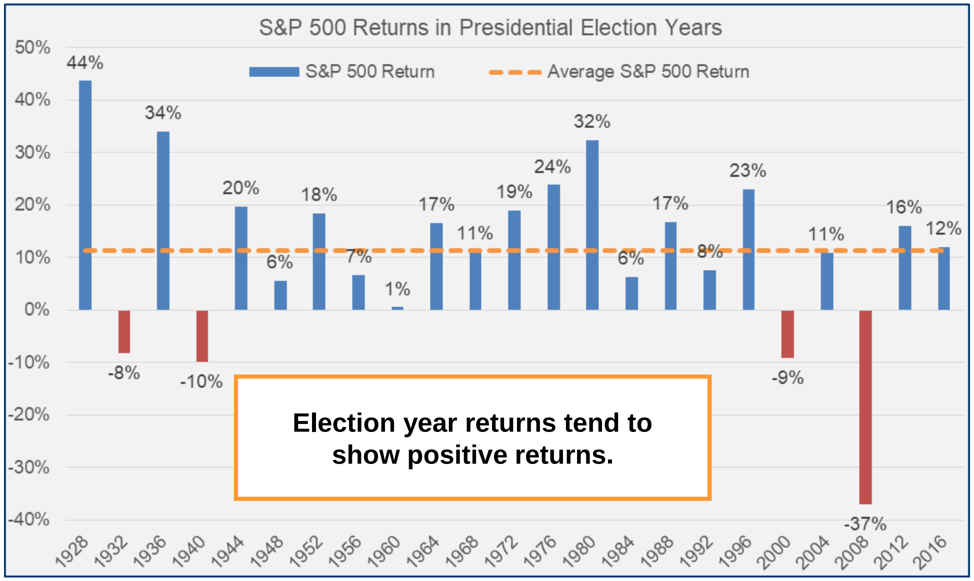
Where are we going?

- **Follow-through on economic growth needed.** Market expects nearly 10% growth in U.S. corporate earnings and continued strong stock buyback activity to support valuations in 2020.
- **Federal Reserve support is key.** The Fed's unprecedented support of the overnight funding markets provided liquidity to capital markets and supported banks' lending ability. Any slowdown would be a disappointment.
- **A spike in unemployment would be a bearish signal.** Recessions have followed the combination of a steepening yield curve (after inverting) and an increasing unemployment rate. Labor data will be watched very carefully for indicators of forward economic activity.
- **Election years tend to show positive returns.** The frequency of positive returns in elections years is >80% which exceeds the rate for all years.

ACTION ITEMS:

- Monthly employment data and global manufacturing results top our list of macroeconomic indicators to watch. Q1 earnings are also key.





Q4 2019 MARKET OUTLOOK

Market Risks and Opportunities

KEY RISKS

NEARER TERM

Geopolitical risks & interrelated trade tensions

- Recent tensions risk exacerbating interrelated trade and political turmoil just as progress has recently been made.
- An oil price spike may threaten strong consumer spending which has supported the U.S. economy during a soft patch for business spending.

U.S. presidential election uncertainty looms

- As primary season begins, markets will likely begin weighing probabilities for a change in Administration or congressional composition.
- Impeachment overhang blurs this potential and headlines will abound.

LONGER TERM

Expectations for resumed global economic growth may not materialize

- Since the taming of trade negotiations, market prices have risen in expectation of a rebounding global economy, particularly in Europe and China. Such resumptions in growth may not materialize.
- The 2019 yield curve inversion suggested a coming recession. The risk of nearer term recession has receded but remains.

Federal Reserve support of "repo" markets could be reduced/withdrawn

- The Federal Reserve has poured support into the overnight funding markets since September, significantly expanding its balance sheet. Equity markets have declined whenever past QEs have been withdrawn.

KEY OPPORTUNITIES

NEARER TERM

Reduced trade tensions will allow for rebound in growth

- Increased clarity in U.S./China relations and Brexit provides a backdrop for increased business confidence and investment.

Calendar says that policy support from U.S. and China will soon kick in

- Monetary policy works with a lag. 2019-2H stimulus measure in both the U.S. and China will begin impacting 2020-Q1.

Incoming ECB Chief supporting calls for EU fiscal stimulus

- Incoming ECB Chief Christine Lagarde's support for European fiscal policy stimulus has only increased as a result of Brexit agreement.
- Central bank monetary policy remains accommodative globally.

LONGER TERM

Markets respond favorable to election certainty regardless of outcome

- Headline risk may lead to volatility during 2020, but markets respond favorably to outcome certainty almost always.
- Underlying economic fundamentals are the longer term market drivers, with near-term headline uncertainties having little lasting impact.

Fed intervention may have bridged cyclical slowdown

- Lessons learned from prior cycles may have led to the Fed's proactive bent.
- The Federal Reserve's strong pivot on interest rates and its intervention in overnight funding markets have buoyed equity markets through an 18-month global "slow patch," allowing a continuation of the current expansion..

Q4 2019 ASSET CLASS PERFORMANCE

Quarterly Performance Summary

Asset Class	Current Portfolio Weightings	Performance			
EQUITIES	**Underweight**	**Q4 19**	**2019**	**2018**	**2017**
US Large Cap	**Overweight**	+9.07%	+31.49%	-4.38%	+21.83%
US Mid Cap	Neutral	+7.06%	+30.55%	-9.06%	+18.52%
US Small Cap	Neutral	+9.94%	+25.52%	-13.82%	+14.65%
International Developed	**Underweight**	+8.17%	+22.01%	-13.79%	+25.03%
Emerging Markets	Neutral	+11.84%	+18.42%	-14.58%	+37.28%
ALTERNATIVES	**Underweight**				
Opportunistic Yield	**Underweight**	+2.61%	+14.32%	-2.08%	+7.50%
FIXED INCOME	**Overweight**				
US Tax Exempt (Municipals)	Neutral	+0.74%	+7.54%	+1.28%	+1.90%
US Taxable (Corporates)	Neutral	+0.18%	+8.72%	+0.01%	+1.27%
Cash	**Overweight**	+0.46%	+1.26%	+1.88%	+0.85%

Sources: SPDR Indices, MSCI, Bloomberg, ycharts.com

*As of 12/31/19. Performance values are the returns of the respective indices and are not inclusive of management fees: US Large Cap = S&P 500 Composite, US Mid Cap = Russell Midcap, US Small Cap = Russell 2000, International = MSCI EAFE Net, Emerging Markets = MSCI EM (Emerging Markets) Net, US Tax Exempt (Municipals) = Bloomberg Barclays US Municipal Index, US Taxable (Corporates) = Bloomberg Barclays US Aggregate Index, Cash = ICE Bank of America/Merrill Lynch US T-Bill 3 Month, Opportunistic Yield = Bloomberg Barclays U.S. High Yield Composite. Past performance is no guarantee of future results.

DISCLOSURES

Important Disclosures

These materials are solely informational, based upon publicly available information believed to be reliable, and may change without notice. Our views may change depending on market conditions, the assets presented to us, and your objectives. This is based on market conditions as of the printing date. Miracle Mile Advisors, LLC shall not in any way be liable for claims relating to them, and makes no express or implied representations or warranties as to their accuracy or completeness or for statements or errors contained in, or omissions from, them. Legal, accounting and tax restrictions, transaction costs and changes to any assumptions may significantly affect the economics of any transaction. The information and analyses contained herein are not intended as tax, legal or investment advice and may not be suitable for your specific circumstances; accordingly, you should consult your own tax, legal, investment or other advisors, at both the outset of any transaction and on an ongoing basis, to determine such suitability. Miracle Mile Advisors, LLC does not render advice on tax and tax accounting matters to clients. This material was not intended or written to be used, and it cannot be used by any taxpayer, for the purpose of avoiding penalties that may be imposed on the taxpayer under U.S. federal tax laws. These materials do not constitute an offer to buy or sell any financial instrument or participate in any trading strategy.

IMPORTANT: Performance results are hypothetical, and do not reflect any actual client account or accounts. The hypothetical performance results have many inherent limitations, some of which are described below. No representation is being made that any account will or is likely to achieve profits or losses similar to those shown. In fact, there are frequently sharp differences between hypothetical performance results and the actual results subsequently achieved by any particular trading program. One of the limitations of hypothetical performance results is that they are generally prepared with the benefit of hindsight. In addition, hypothetical trading does not involve financial risk, and no hypothetical trading record can completely account for the impact of financial risk in actual trading. For example, the ability to withstand losses or to adhere to a particular trading program in spite of trading losses are material points which can also adversely affect actual trading results. There are numerous other factors related to the markets in general or to the implementation of any specific trading program which cannot be fully accounted for in the preparation of hypothetical performance results and all of which can adversely affect actual trading results.

Investing in securities involves risk and the possibility of loss of principal. Investing should be based on an individual's own goals, time horizon, and tolerance for risk

Page 3:
U.S. Consumer Consumption and Debt - Bloomberg
Fed Balance Sheet vs. S&P 500 - Bloomberg
Worldwide PMI Trends - Bloomberg

Page 4:
Investor Sentiment vs. S&P 500 – Bloomberg
U.S. Equity Valuations vs. Corporate Profits – Bloomberg
S&P 500 Annual Returns after High Performance Year (20% or greater) - Factset

Page 5:
U.S. Treasury 2-year vs. 10-year spread - Bloomberg
Unemployment vs. S&P 500 – Bloomberg
S&P 500 Returns in Presidential Returns – Bloomberg