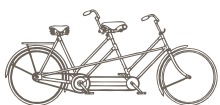


Quarterly Outlook

JANUARY 2020

Stocks' valuation metrics are stretched relative to historical averages, making it essential that earnings growth materializes in order to lift the stock market higher.



TANDEM
WEALTH ADVISORS®

Fourth Quarter 2019

Stocks surged in the final quarter of 2019 as near-term trade policy pressure eased and the Fed left interest rates unchanged in its final meeting. The strong finish led to a year of outstanding returns for most major asset classes.

A pivot in Fed policy at the beginning of the year and three subsequent interest rate cuts provided the impetus for positive investment returns in 2019 despite consistent trade uncertainty and geopolitical turmoil at home and abroad. Worldwide central bank accommodation provided the backdrop for stocks, government and corporate bonds, and commodities to simultaneously deliver profits to investors. Each of the S&P 500's 11 economic sectors produced double-digit positive returns in 2019, while developed and emerging international equity markets also delivered robust performance. The investment grade bond market was flat in the fourth quarter as measured by the Bloomberg Barclays US Aggregate Bond Index, yet returned nearly 9% for the year, as corporate bonds earned double-digit total returns. For the decade, the S&P 500 delivered an annualized return of 13.54% (total return), while the less volatile bond market posted an annualized return of 3.74% (total return).

The US economy, now in its 11th year of expansion, has been consistently powered by personal consumption, with business investment, government spending, and exports contributing relatively less to GDP. In the fourth quarter, smart policy execution by the Fed allowed the expansion to continue, albeit at a decelerating pace relative to the first half of the year. A dovish policy stance in addition to strong income and job creation powered the domestic economy, allowing the Fed to leave interest rates unchanged in their December meeting. Interest rates are expected to remain low and stable for most of 2020. Federal Reserve Chairman Powell indicated that the hurdle to reverse recent interest rate cuts will be high given sluggish global growth and still below-target inflation.

Going Forward: Tandem's Outlook

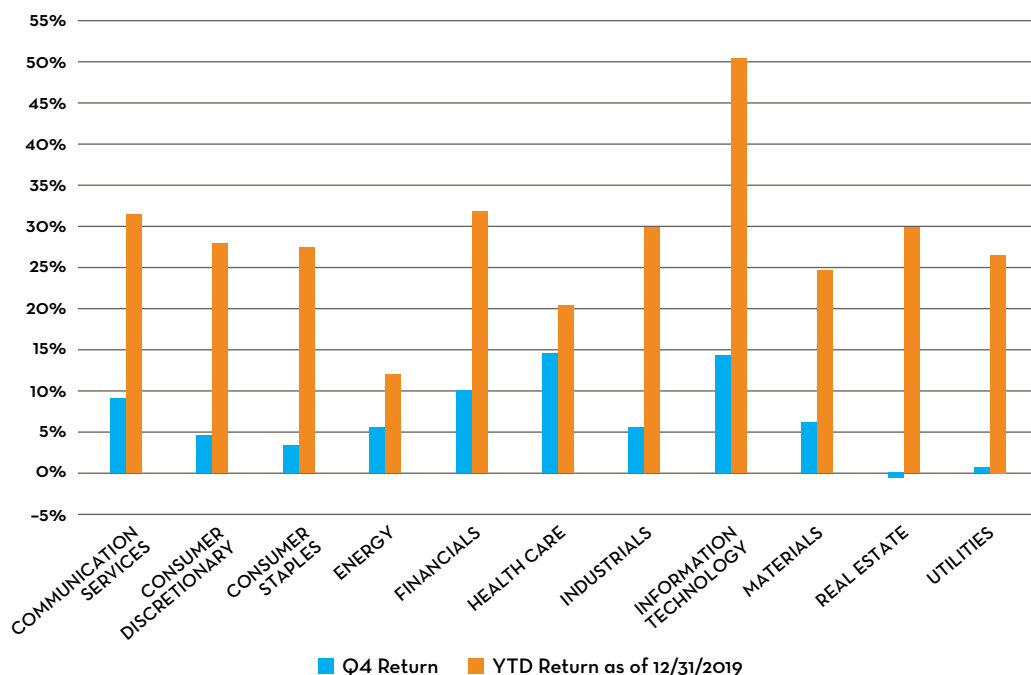
A dichotomy remains within the US economy, with consumer spending steadily pushing the expansion forward as the manufacturing sector (a smaller portion of GDP) contracts. Tandem expects the consumer to persist in the face of a still healthy labor market, yet the risk remains that persistent factory weakness may finally lead to job losses. Additionally, we expect market volatility to increase with a domestic election on the horizon, an uncertain corporate investment outlook, and rising geopolitical tension. Nevertheless, economists' consensus expectations call for the economy to grow at a 1.8% pace in 2020, just under its long-run consensus potential of 2%.

Quarterly Outlook

JANUARY 2020

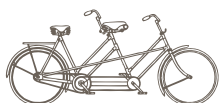
Index/Instrument	Category	Q4 Total Return	YTD Total Return (as of 12/31/2019)
S&P 500	Large-capitalization US stocks	9.06%	31.48%
S&P 400	Mid-capitalization US stocks	7.05%	26.17%
Russell 2000	Small-capitalization US stocks	8.20%	22.74%
MSCI World ex USA Index	Developed markets international stocks	7.93%	23.27%
MSCI Emerging Markets Index	Emerging markets international stocks	11.74%	18.63%
Bloomberg Barclays US Aggregate Bond Index	Broad investment-grade, US bonds	0.18%	8.72%
US Treasuries	US government bonds	-0.79%	6.86%

Q4 2019 Sector Performance



Investment returns are likely to be muted over the next year relative to 2019 performance. Stocks' valuation metrics are stretched relative to historical averages, making it essential that earnings growth materializes in order to lift the stock market higher. Within the bond market, credit spreads remain narrow relative to last year's elevated levels, so bond returns are likely to be driven by their income potential over the next twelve months.

Tandem continues to monitor economic and market conditions at home and abroad to apply a disciplined approach to portfolio management.



TANDEM
WEALTH ADVISORS®