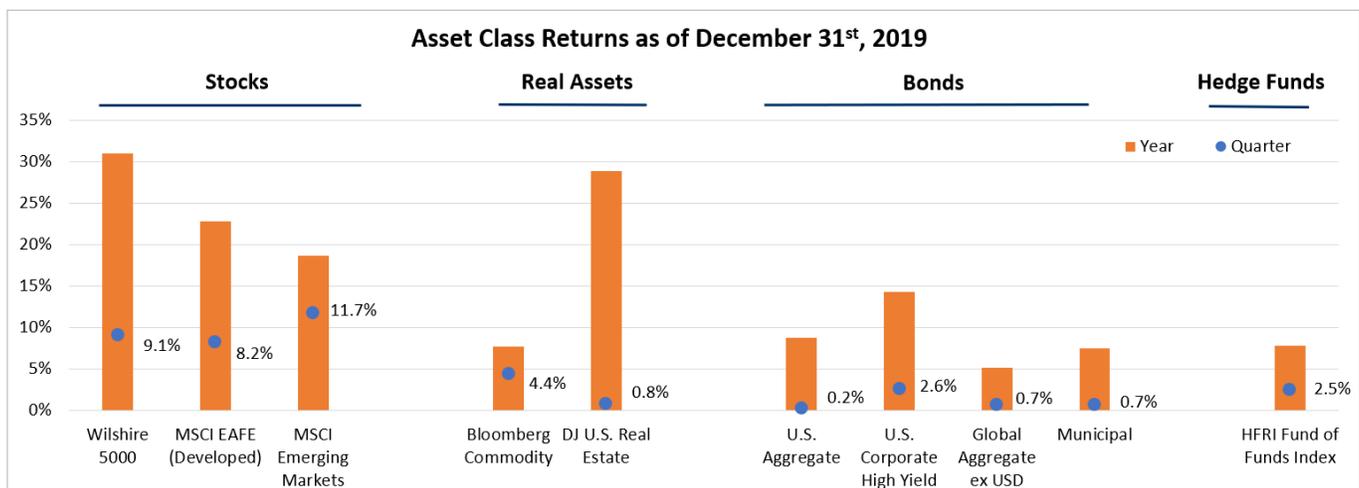


Investment Newsletter

EXECUTIVE SUMMARY

Investors had many reasons to celebrate as 2019 came to an end. All major asset classes gained ground with U.S equities surging over 30%, a reversal from 2018 when many investments experienced the worst drawdowns since the financial crisis. Surprisingly resilient global growth, better than expected corporate earnings, and supportive central banks propelled risk assets upward. Setbacks triggered by the U.S./China trade war and recession fears proved short lived and markets soon recovered. At the same time, accommodative monetary policy and easing financial conditions supported fixed income and real assets such as real estate and gold. Commodities with supply/demand imbalances such as energy and agriculture had the weakest returns.

In equity markets, U.S. large capitalization growth stocks continued to dominate. While most sectors and individual companies advanced, a handful of large companies, primarily in the technology and financial services sectors, were the major contributors to return. International growth stocks outperformed value by the largest margin ever. As the year progressed, the equity markets showed signs of dispersion. Value stocks shined during bouts of market volatility. Optimism over trade and economic growth led riskier assets such as emerging markets and small capitalization stocks to rally at year-end.



Morningstar & Hedge Fund Research, Inc. (HFRI); Bond indices from Bloomberg Barclays

As we look forward to 2020, geopolitical risks and economic uncertainty will likely continue to impact the investing markets. Ironically, while the stock markets surged over the past year, investors were piling money into money market and defensive bond sectors. By many measures, valuations are high across the major asset classes. U.S. stock market volatility remains below average, restrained by investor optimism and access to low cost debt. Historically speaking, these conditions have consistently led to lower returns down the road. Emerging markets, with the highest growth rates and compelling valuations, have the greatest return potential, but are particularly susceptible to trade war risks and sudden outflows when investors get nervous. Following the drop in interest rates experienced over the past year, cash and short-term bonds are yielding less than inflation and are now a less powerful tool to protect investment portfolios from volatility and the erosion of purchasing power.

Market timing is not a valid response to these market conditions as there is no reliable way to determine when to get in and when to get out. A broadly diversified portfolio with defensive and growth-oriented assets is designed to weather the ups and downs of various asset classes. The goal is to systematically use declines in individual asset categories as opportunities to buy low and sell high by rebalancing back to strategic weights tied to the investment time frame and risk tolerance.



SUMMIT FINANCIAL

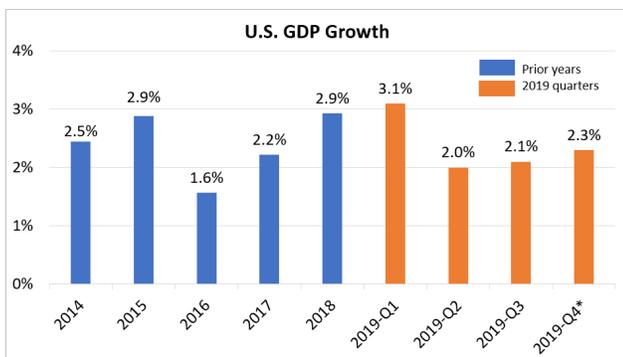
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ECONOMIC GROWTH

The longest economic expansion on record continued in the fourth quarter and throughout 2019. U.S. GDP growth is at a healthy level, albeit behind last year. Unsurprisingly, 126 months into this economic expansion and predictions for a recession in the next (fill in the blank) period are commonplace. While predicting the timing of the next recession is a difficult, if not an impossible exercise, most core portions of the economy appear to be on solid footing with limited areas of obvious excess.

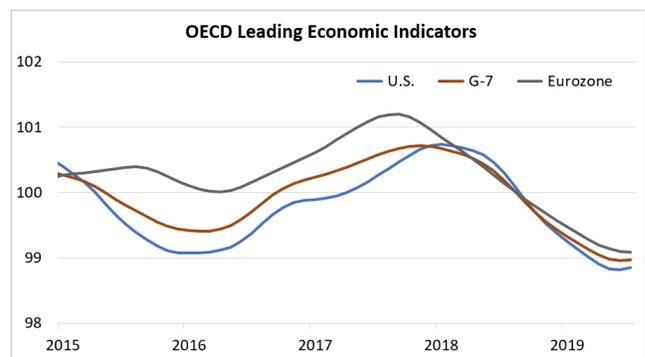
The U.S. consumer continued to be the core engine of domestic growth. A resilient labor market and subsequent low levels of unemployment paired with recent wage inflation have encouraged healthy household spending. Manufacturing remains a weak spot in both the U.S. and global economy, and a key area of focus for many investors. Despite manufacturing data still being in contractionary territory in many regions globally, recent data suggests that the weakness could be bottoming. Additionally, it continues to represent a smaller portion of the overall economy and stock market than it did historically.

Improved economic data resulted in lifted sentiment late in the year. While many investors appear more optimistic, core risks remain globally including political uncertainty, challenging demographics, and strained foreign relations among others.



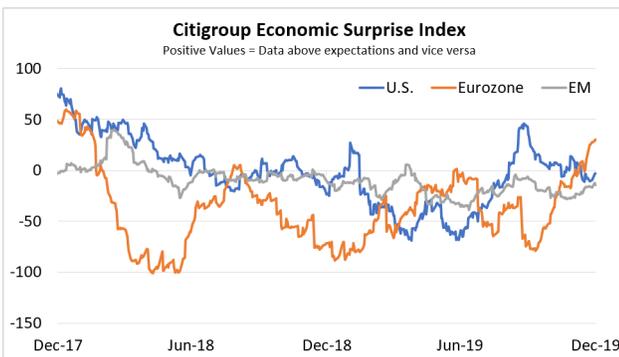
U.S. Department of Commerce, *Atlanta Fed GDPNow Estimate

Full-year 2019 GDP growth is expected to come in at close to 2%, below 2018's level but still a healthy reading. The slowdown in year-over-year growth is partially attributable to escalating trade tensions and the subsequent impact on personal and business spending. Additionally, the effects of the 2017 tax cuts have diminished.



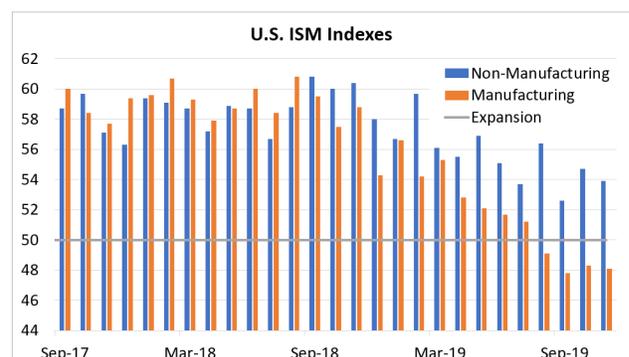
Organization for Economic Cooperation and Development

After a string of lower readings, leading economic indicators (LEIs) have stabilized. Improved consumer confidence, strong market performance, and a recovering housing market all have influenced more positive readings. Stabilizing LEIs suggest that economic growth could continue into 2020.



Citigroup

Following weakness last quarter, Eurozone data surprised consensus to the upside, pushing its level to strongly positive territory for the first time since early 2018. Emerging market data was also incrementally more positive but to a lesser extent.



Institute for Supply Management

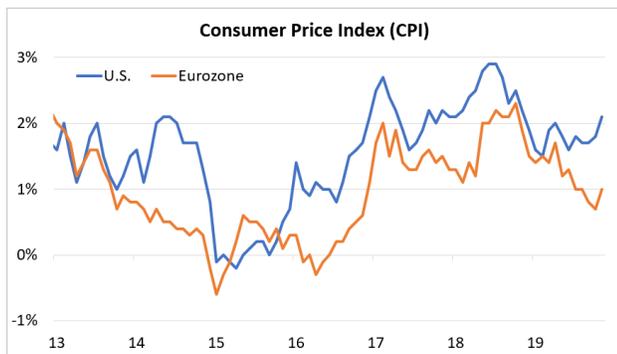
Manufacturing data remained at a contractionary level below 50 in Q4, but has improved from recent lows. Non-manufacturing data also increased from last quarter and remains at expansionary levels. Improved trade discussions have helped to improve both metrics.

ECONOMIC GROWTH

Tame inflation and accommodative central banks have both played key roles in keeping the expansion alive, at least for the time being. Unlike a variety of core investment assets that are broaching new highs, consumer inflation has been relatively stable over the past several years, hovering around 2% domestically. Stable inflation allowed global central banks to keep monetary policy loose, helping support fragile global growth. This is evidenced by three Federal Reserve rate cuts over the course of the year. Expectations for further U.S. rate cuts in 2020 are limited with the Fed having completed its self-titled 'mid-cycle adjustment.' That said, unexpected economic conditions could result in global central banks changing course.

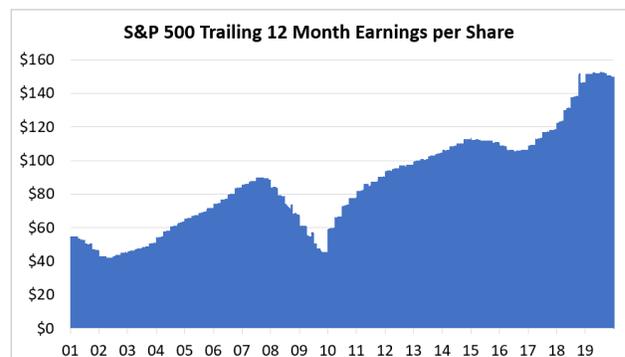
Slower growth and generous levels of easing have contributed to a flatter yield curve domestically. While U.S. rates remain at the lower range of history, they are higher than many other developed economies. That said, the differential has narrowed following recent interest rate cuts, contributing to U.S. Dollar weakness late in the year.

Profit growth slowed considerably over the past year following impressive metrics in 2018. This slowdown is largely attributable to eroding margins influenced by higher labor costs. Margin expansion has been the largest driver of earnings expansion over the past several years, presenting a headwind for equity markets going forward.



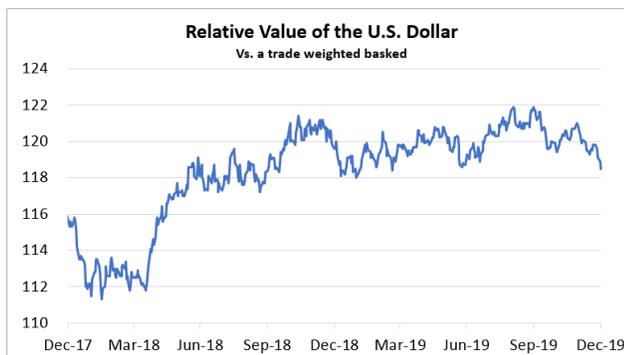
U.S. Bureau of Labor Statistics

U.S. inflation stayed steady over the course of 2019. Traditional inflationary pressures, such as a tight labor market and rising wages have been offset by lower energy costs and productivity improvements. Outlooks for continued slow growth should keep inflation at bay heading into 2020, barring any extraneous shock.



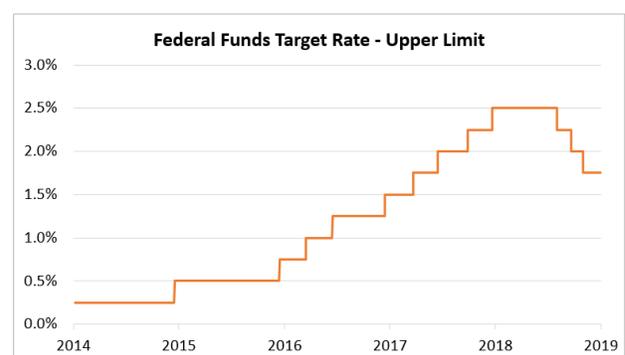
Bloomberg

Following a strong decade for profits in the U.S., earnings growth took a pause in 2019. In addition to margin pressure from rising wages, tariffs and eroding benefits from the 2017 tax cuts were factors. Looking forward, earnings growth could be more dependent on increased revenues and buybacks.



U.S. Federal Reserve and Bloomberg

Despite a decline late in the year, U.S. Dollar strength from 2018 carried over into 2019. While U.S. rates declined over 2019, they remained ahead of other developed markets. Strong domestic economic growth relative to developed Europe and Asia has also provided support.



St. Louis Federal Reserve

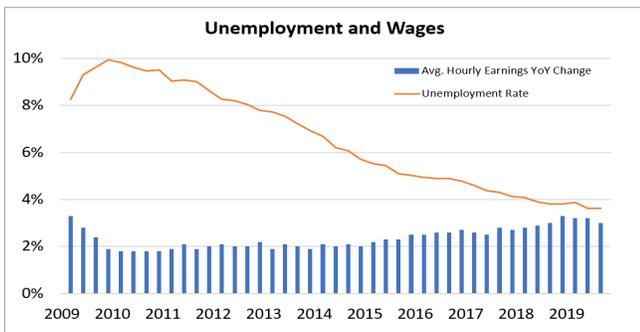
The Federal Reserve changed course in 2019, offering three 25 basis point rate cuts. As opposed to full-fledged monetary easing, these cuts were communicated as 'mid-cycle adjustments' and were in response to low inflation and global slowdown concerns following trade escalations and manufacturing weakness.

EMPLOYMENT AND CONSUMER

The overall employment environment has held up very well in 2019. More specifically, the national unemployment rate has remained below 4% throughout the entire year. In addition, there were approximately two million new jobs added. Even though this sounds impressive, this past year's additions lag behind the previous seven years of annual job growth levels.

The Consumer Confidence Index (CCI) was quite volatile throughout the year with a flat year-over-year change. Despite improving current conditions, consumers' future expectations declined. Falling expectations supported the lack of consumer spending growth that is forecasted. It may even turn the corner for various reasons including easing of recession fears, continual reports of positive economic data, and alleviating trade tensions.

In other areas of consumer data, auto sales declined through the year by almost 5%, it's worst growth rate since the 2008 collapse. Additionally, the personal savings rate as a percentage of disposable income has hovered around 8% for almost two years. This indicates that the average consumer has been increasing the amount of money they are able to save, making them better equipped for volatile periods and limiting the level of household leverage.



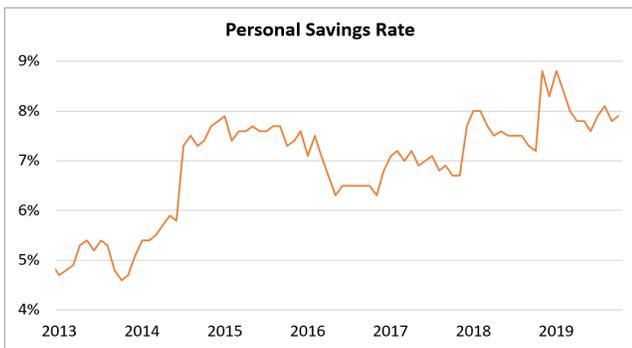
U.S. Bureau of Labor Statistics

A slow but steadily increasing hourly earnings wage to above 3% on a year-over-year basis is influenced by a declining unemployment rate level to below 4%. Wage growth is most pronounced in select high-demand sectors.



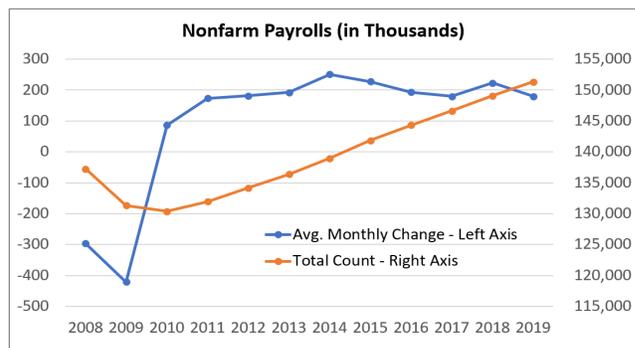
Conference Board

A volatile level of consumer confidence throughout the year resulted in a flat one-year absolute index level move. External factors will likely play an influence on this index's future levels.



U.S. Bureau of Labor Statistics

The personal savings rate has risen since 2013. This rise is a positive indication on the overall health of domestic consumer balance sheets.



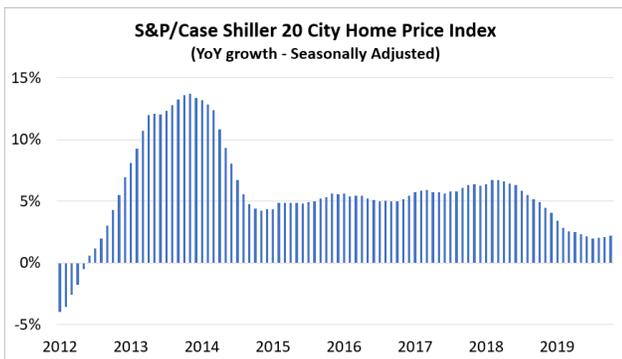
U.S. Bureau of Labor Statistics

The total nonfarm payroll listing has grown to over 150 million people nationwide. There has also now been a remarkable 110 consecutive months with a positive change in the nonfarm payroll to report.

HOUSING AND COMMERCIAL REAL ESTATE

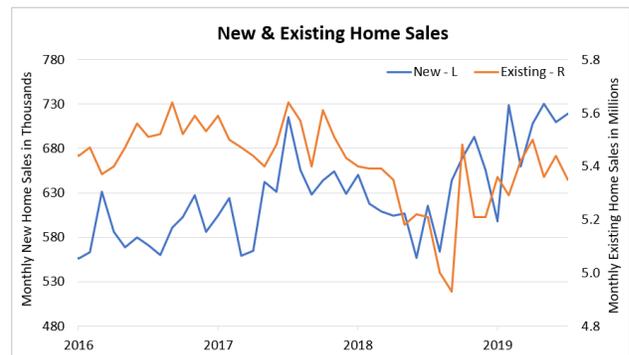
Commercial real estate continued to expand in 2019, despite concerns about high valuations and late-cycle risk to demand. Operating income grew, tenant demand is stable in most sectors, overall debt levels are below average and the ability to repay debt is healthy. Most sectors saw modestly higher prices but the industrial sector, which is benefiting from the shift to e-commerce and constrained supply, materially outperformed. Investors have favored defensive sectors such as health care and residential properties but have been shifting into secondary market segments as core properties become more expensive. Private real estate funds have seen large inflows of capital which should support valuations as funds are invested. On the downside, commercial property transaction volume fell, foreign investors saw net withdrawals from U.S. properties and REIT M&A activity sharply declined over the past year, perhaps reflecting the uncertain economic and political climate.

The U.S. housing market has stabilized after a slowdown that began in early 2018. Although lower mortgage rates are likely the trigger for the recent improvement, decelerating price appreciation and a strong labor market with higher wage gains have made housing more affordable. Home builder sentiment rebounded in the second half of the year, leading to a rise in building activity which bodes well for residential spending next year. However, the low inventory available in the much larger existing home market inhibits home sales tallies but should support further price gains. Reflecting changes in U.S. demographics, rental properties and multi-family units are becoming increasingly important to the residential real estate market.



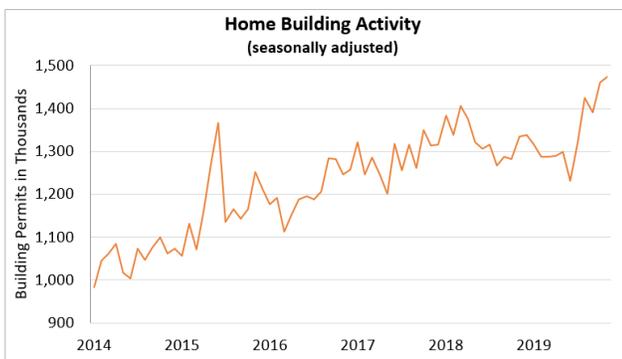
S&P/Case Shiller

U.S. home prices continued to rise but at the slowest pace since 2013. Inflation-adjusted prices are below the peak reached in 2006. Prices of luxury properties in high tax states with abundant supply have seen price declines.



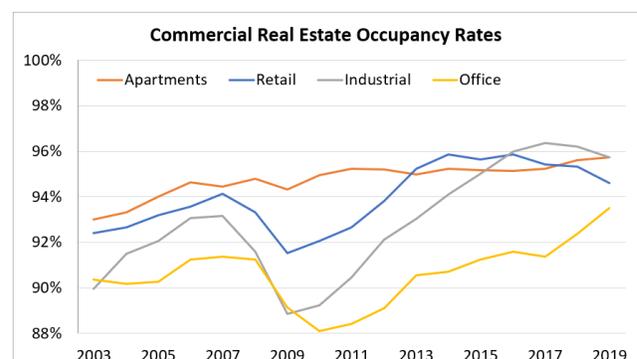
U.S. Bureau of the Census, U.S. Department of Housing and Urban Development and National Association of Realtors

Lower mortgage rates and improving affordability have helped existing and new home sales to recover from the slowdown experienced in 2018. Inventories remain low which could hamper the pace of future sales activity.



U.S. Bureau of the Census, U.S. Department of Housing and Urban Development

Homebuilder sentiment has sharply rebounded. Leading indicators such as building permits and housing starts suggest that the housing recovery that began in mid-2019 should be sustained in the coming months.



Nareit

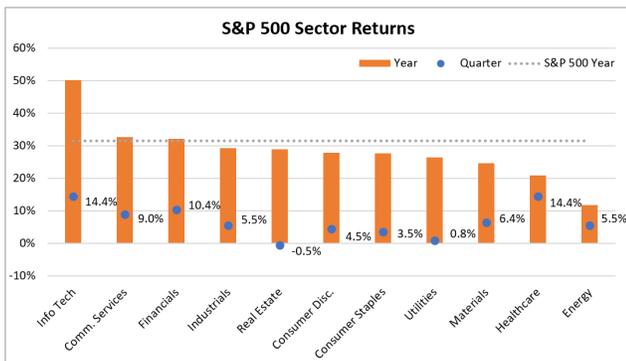
Modest supply is tightening capacity in most commercial real estate sectors and promoting rent increases. The retail sector is expected to stabilize as properties are re-purposed to meet other consumer needs.

EQUITY MARKETS

Coming out of 2018, trade and slower growth concerns dominated sentiment and the S&P 500 Index realized its first negative year since 2008. Fast-forward 12-months and things looked dramatically different. While concerns from 2018 carried over into the new year, they became less pronounced or dramatically improved in the case of trade. This contributed to many equity market indices realizing their best calendar year gains since 2013. While volatility was present at times, the severity of drawdowns was limited and the maximum pullback for the S&P 500 Index didn't even top 10%.

Within U.S. markets, growth once again outpaced value and large-caps exceeded small-caps, as measured by the respective Russell indices. The fourth quarter was a particularly strong period for U.S. markets, benefiting from a 'Phase One' trade deal with China and better than expected economic data. International equities also fared well despite still lagging U.S. counterparts. Overseas, developed markets tended to exceed emerging market indices.

Contrary to last year, the majority of global equity market performance came from multiple expansion rather than earnings growth. As a result, most valuation measures increased and most major indices are near or above long-term averages. While less predictable in the short-term, higher starting valuations suggest lower returns moving forward.



Bloomberg

Growth-oriented sectors, including IT and communication services, led the way for both the quarter and year. While the healthcare sector finished towards the bottom of the group, it made a strong recovery late in the year. Energy was a key laggard, dragged down by weakness in the price of oil.



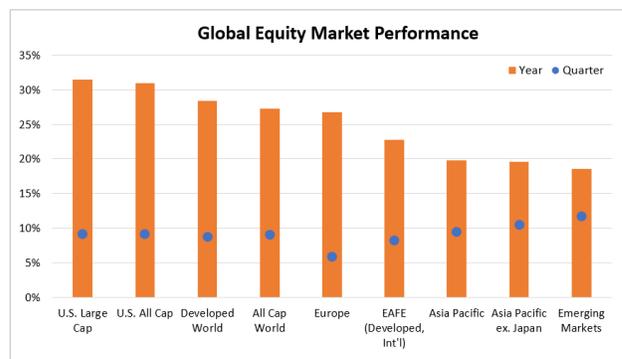
Bloomberg; U.S. indices from Russell and World indices from MSCI

Large-cap and mid-cap stocks generally outperformed their small-cap counterparts globally. Underperformance of small-caps, particularly small-cap value, has resulted in a more compelling valuation case for that portion of the market.



S&P and MSCI

A strong finish to the year stemming from multiple expansion resulted in higher valuations across global markets. Most major equity markets have P/E ratios at or above longer-term averages. Exceptions include Japan and emerging markets.



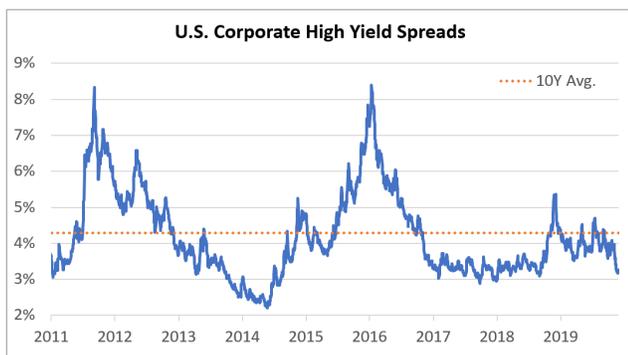
S&P and MSCI

Performance over the quarter was overwhelmingly positive across global markets. In a similar fashion to last year, U.S. large-cap securities were top performers. International markets, both developed and emerging, still produced impressive results despite lagging the U.S.

FIXED INCOME AND ALTERNATIVE MARKETS

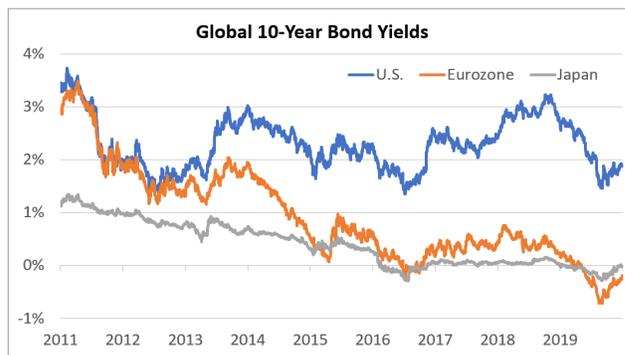
Credit markets capped off a spectacular year of performance continuing the very impressive bull-market run that began a decade ago. Most bond asset classes had positive returns, directly benefiting from the annual rate decline. Within the corporate market, credit spreads narrowed additionally boosting performance. Municipal bond performance remained strong emanating from an extremely high level of demand paired with limited new issuance. Interestingly, despite the Federal Reserve sending preliminary messages it will likely keep the key interest rate stagnant for the foreseeable future following the October cut, interest rates rose in yield during the 4th quarter. The less common repurchase agreements were also used a few times by the Fed to aid in their interest-rate monitoring, and create temporary liquidity when needed. The U.S. 10-year Treasury yield closed the year at 1.92%, close to its 4th quarter high in spite of the large annual decline. Globally throughout the year, interest rates declined but more recently started to move slightly higher, with some bonds emerging out of negative yield territory. Some investors believe that the length of time those rates were negative may have long-term detrimental economic effects. Additionally the U.S. dollar has marginally weakened versus some currencies within the 4th quarter.

Hedge funds also performed positively for the year, although less than most domestic stock indices. That said, the industry produced the best one-year performance in a decade. The equity hedge category led the charge given the rise in global equity markets. On the contrary, event-driven hedge funds faced a few challenges along the way, largely tied to company specific developments. Commodities remained highly volatile, having been the victim of geopolitics and supply disruptions.



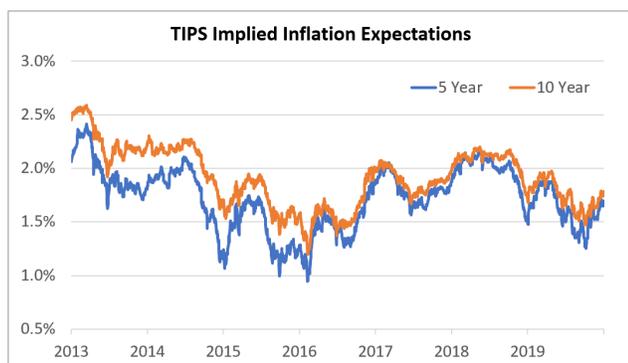
Barclays Capital

After a four-year decline, corporate high yield spreads ended the past year approaching a 3% level, well below the historical 10-year average.



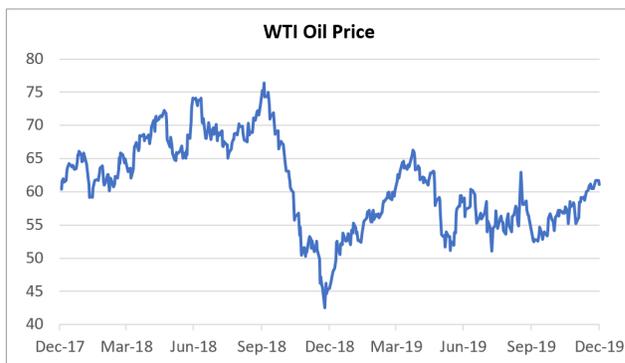
Bloomberg

Sovereign yields largely declined over the year but started to rebound in the fourth quarter. The Japanese yield even turned slightly positive after almost four years of holding at zero or negative rates.



U.S. Department of the Treasury

U.S. inflation expectations had a volatile year, but ultimately ended with a muted year-over-year return. This is attributable to a rise in the fourth quarter albeit future expectations remain subdued.



U.S. Energy Information Administration

The oil market had an overall surprisingly positive year. The commodity advanced by more than most domestic stocks during the year to offset its large decline in 2018. Prices have since remained around \$60 per barrel.

CAPITAL MARKET RETURNS

	Quarter	Year
Cash and Fixed Income		
U.S. Treasury Bills	0.5%	2.3%
Bloomberg Barclays U.S. Aggregate Bond	0.2%	8.7%
Bloomberg Barclays Municipal Bond	0.7%	7.5%
Bloomberg Barclays Global Aggregate ex. USD	0.7%	5.1%
Hedge Funds and Alternatives		
Bloomberg Commodity	4.4%	7.7%
DJ U.S. Real Estate	0.8%	28.9%
HFRI Fund of Funds Composite	2.5%	7.8%

	Quarter	Year
U.S. Equity		
Wilshire 5000	9.1%	31.0%
S&P 500	9.1%	31.5%
Russell 2000	9.9%	25.5%
International Equity		
MSCI ACWI ex. U.S.	9.2%	21.6%
MSCI EAFE (Developed)	8.2%	22.0%
MSCI Emerging Markets	11.7%	18.4%

Morningstar & Hedge Fund Research, Inc. (HFRI)

DISCLAIMER

This commentary was written by Craig Amico, CFA®, CIPM®, Senior Investment Analyst, Noreen Brown, CFA®, Director of Portfolio Management and Steven Melnick, CFA®, Senior Investment Analyst at Summit Financial, LLC., an SEC Registered Investment Adviser ("Summit"), headquartered at 4 Campus Drive, Parsippany, NJ 07054, Tel. 973-285-3600. It is provided for your information and guidance and is not intended as specific advice and does not constitute an offer to sell securities. Summit is an investment adviser and offers asset management and financial planning services. Indices are unmanaged and cannot be invested into directly. The Wilshire 5000 Total Market Index measures the performance of all U.S.-headquartered equity securities with readily available price data; the Standard & Poor's 500 Index (S&P 500) is an unmanaged group of securities considered to be representative of the stock market; the MSCI EAFE Index (Europe, Australasia, Far East) is a free float-adjusted market capitalization index designed to measure the equity market performance of developed markets, excluding the U.S. and Canada; the MSCI Emerging Markets Index is a free float-adjusted market capitalization index designed to measure the equity market performance of emerging markets; the Bloomberg Commodity Index measures the performance of an unleveraged, long-only investment in commodity futures that is broadly diversified and primarily liquidity weighted; the HFRI Fund of Funds Composite Index is an equally-weighted benchmark composed of over 400 domestic and offshore constituent funds having at least \$50 million under management or having been actively trading for at least 12 months; the Bloomberg Barclays U.S. Aggregate Bond Index is a market capitalization-weighted index comprising Treasury securities, Government agency bonds, mortgage backed bonds, corporate bonds, and some foreign bonds traded in the U.S.; the Bloomberg Barclays Global Aggregate Ex U.S. Index measures the performance of global investment grade fixed-rate debt markets that excludes USD-denominated securities. The Bloomberg Barclays Municipal Bond Index covers the U.S. dollar-denominated long-term tax-exempt bond market. Data in this newsletter is obtained from sources which we, and our suppliers believe to be reliable, but we do not warrant or guarantee the timeliness or accuracy of this information. Consult your financial professional before making any investment decision. Past performance is no guarantee of future results. Diversification/asset allocation does not ensure a profit or guarantee against a loss.