Stratos Wealth Partners

Elevating Financial Strategies

2020 Market/Economic Outlook

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I/we would like to share our wishes for a happy, healthy and pleasant 2020 for you and your family and to tell you how much we value your relationship, friendship, and the confidence you have placed in us.

In addition, we would like to share some “visual” thoughts with you that describe 2019’s financial market results and the basis for our cautiously optimistic 2020 economic and financial market outlook.

In 2019, U.S. stocks and bonds had one of the best years in terms of annual returns in the past decade. As concern about U.S. economic growth lessened, the Federal Reserve turned from “hawkish” to “dovish” and lowered interest rates three times, and progress was apparently made on trade relations between China and the U.S., all three major equity indexes ended the year near their all-time highs. In fact, the strength and breadth in the equity markets was so pervasive that approximately ninety percent of the stocks in the S&P 500 rose this year.

With the decline in interest rates, bonds rallied as well and provided investors with unexpectedly positive returns. More than likely fleeting.

As you are probably aware, the rally in stocks was not limited to U.S. markets. From Europe to South America to the Far East, major equity indexes provided double digit results in many countries outside the U.S.; a surprising result when considering the concerns about a global economic slowdown.

With interest rates, inflation and unemployment at or near historic lows, corporate profits expected to continue to grow, evidence of some improving global economic fundamentals and the belief that a trade agreement between the U.S. and China will be agreed upon, our outlook for the economy and the financial markets is again positive; but at this time cautiously so. 2020’s financial market returns are not likely to be a repeat of 2019’s unusually high results.

The following slides are included to reinforce the basis for our outlook.

We wish you and your family a Happy New Year and look forward to meeting with you in the near future!

Fed policy, Hawkish to Dovish

U.S. imposes 15% tariff on Chinese consumer goods

U.S. Unemployment @ **50 year low**!

INFLATION IS MIA IN 2019

2019, CLEARLY A YEAR TO REMEMBER

The Dow, S&P 500 & NASDAQ attain record highs!

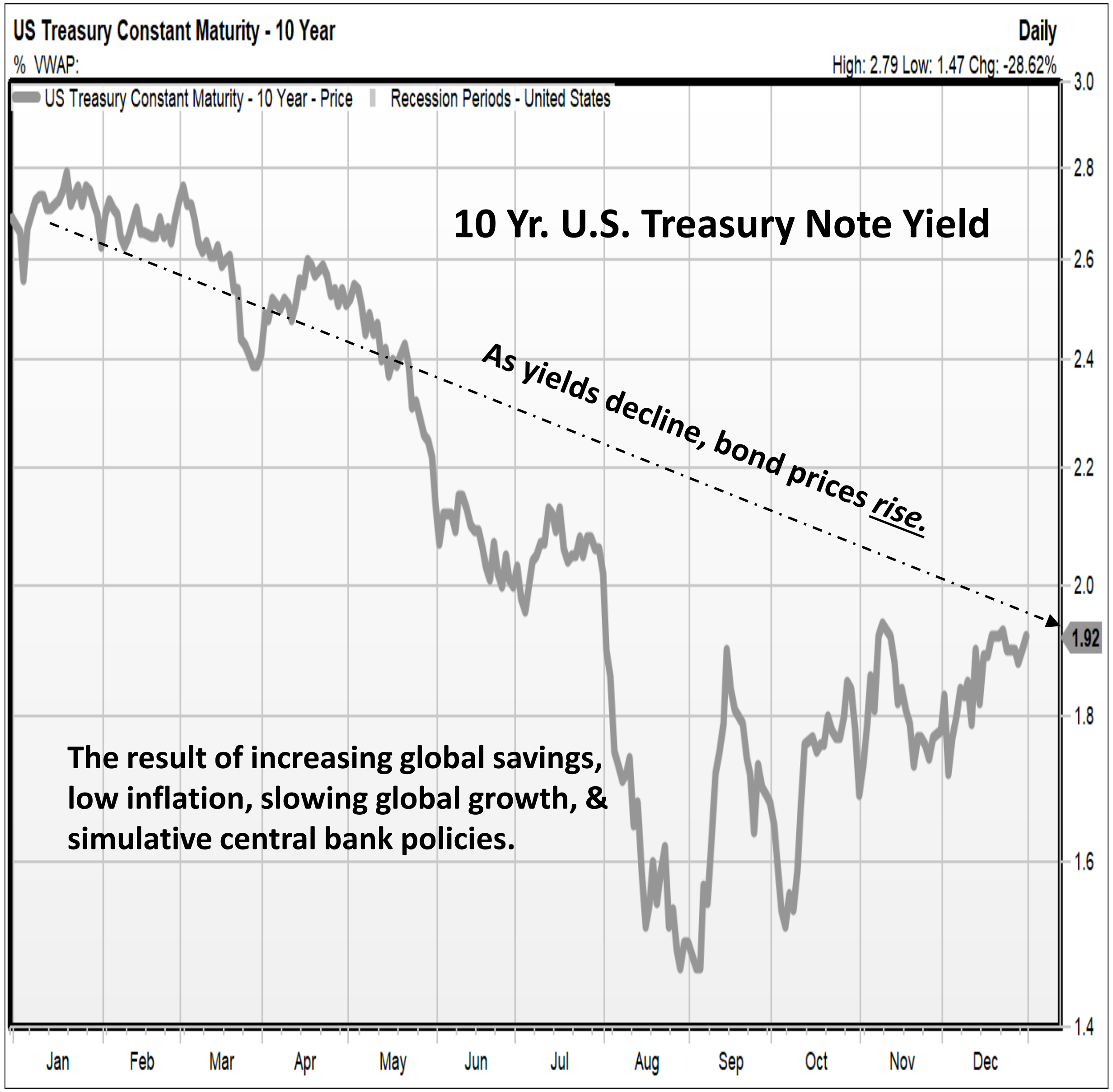
LONGEST EVER (35 DAYS) U.S. GOVERNMENT SHUTDOWN

Hong Kong protests

"Messy" Washington politics

Yield curve inverts!

2019 – A VERY, VERY GOOD YEAR FOR FINANCIAL MARKETS



SOURCE: FactSet Research Systems

2020 CAUTIOUS OPTIMISM

The Positives

- ✓ Very strong employment factors.
- ✓ A strong consumer.
- ✓ Fed & global central banks easing.
- ✓ Improving housing market (rates).
- ✓ Low inflation.
- ✓ Subdued investor sentiment.
- ✓ Subdued analyst's expectations.
- ✓ Equity valuations (P/E) historically moderate.
- ✓ Strong market breadth.

The Concerns

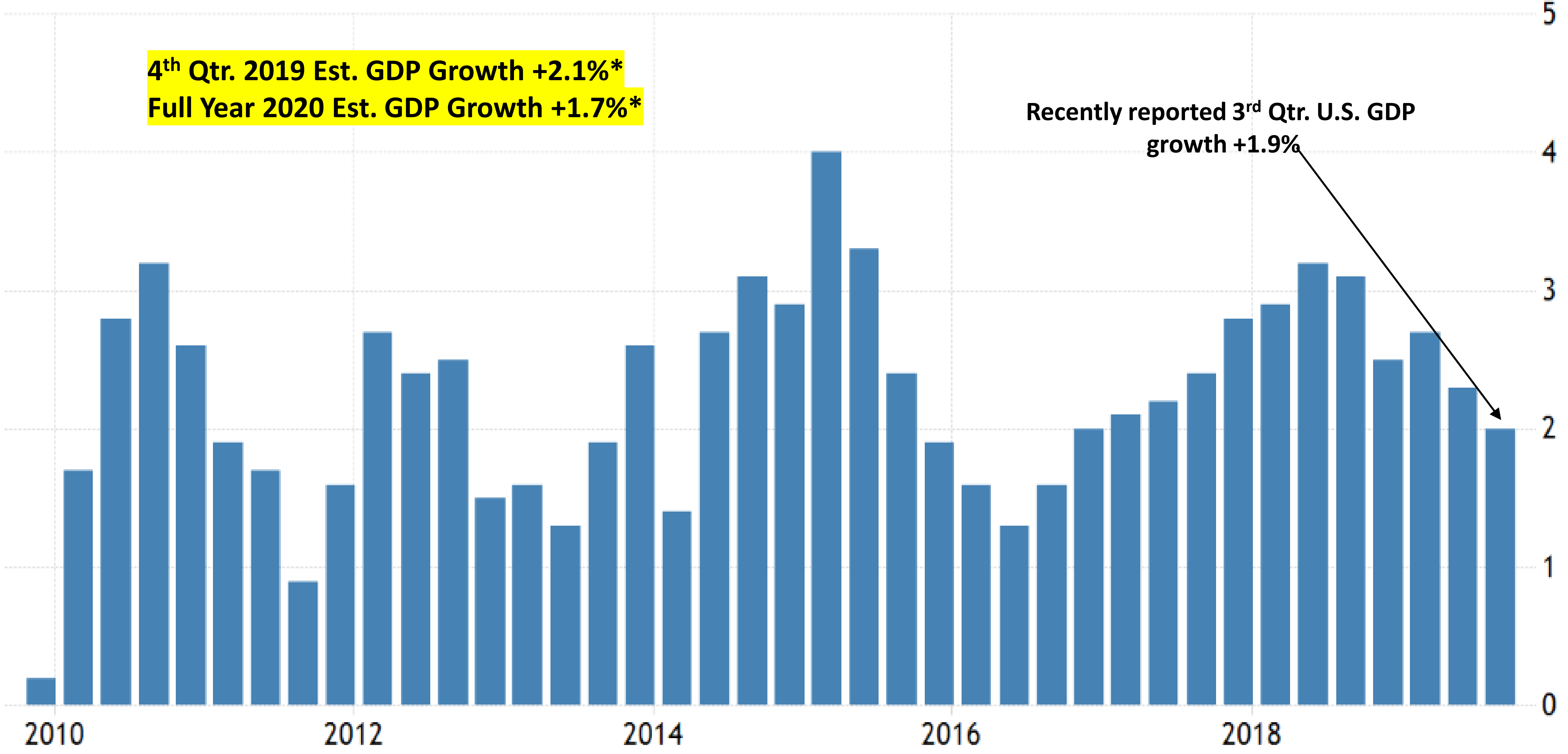
- ➢ Trade uncertainties.
- ➢ Washington turmoil (impeachment, 2020 elections).
- ➢ Global manufacturing data weak.
- ➢ Yield curve message (relieved?).
- ➢ IPO market weakening.
- ➢ Strong U.S. dollar.
- ➢ Defensive stocks outperforming.
- ➢ Geopolitical issues (Brexit, Hong Kong, Syria, China, North Korea, etc.).

In the environment described above, and as a result of the strong market appreciation throughout 2019, we modestly reduced equity exposure in April, July and then again in November. High quality and diversification remain paramount considerations.

With respect to fixed-income (bonds) we continue to limit purchases to short-to-intermediate maturities.

U. S. ECONOMIC GROWTH – *Likely To Continue* – NO RECESSION ANTICIPATED

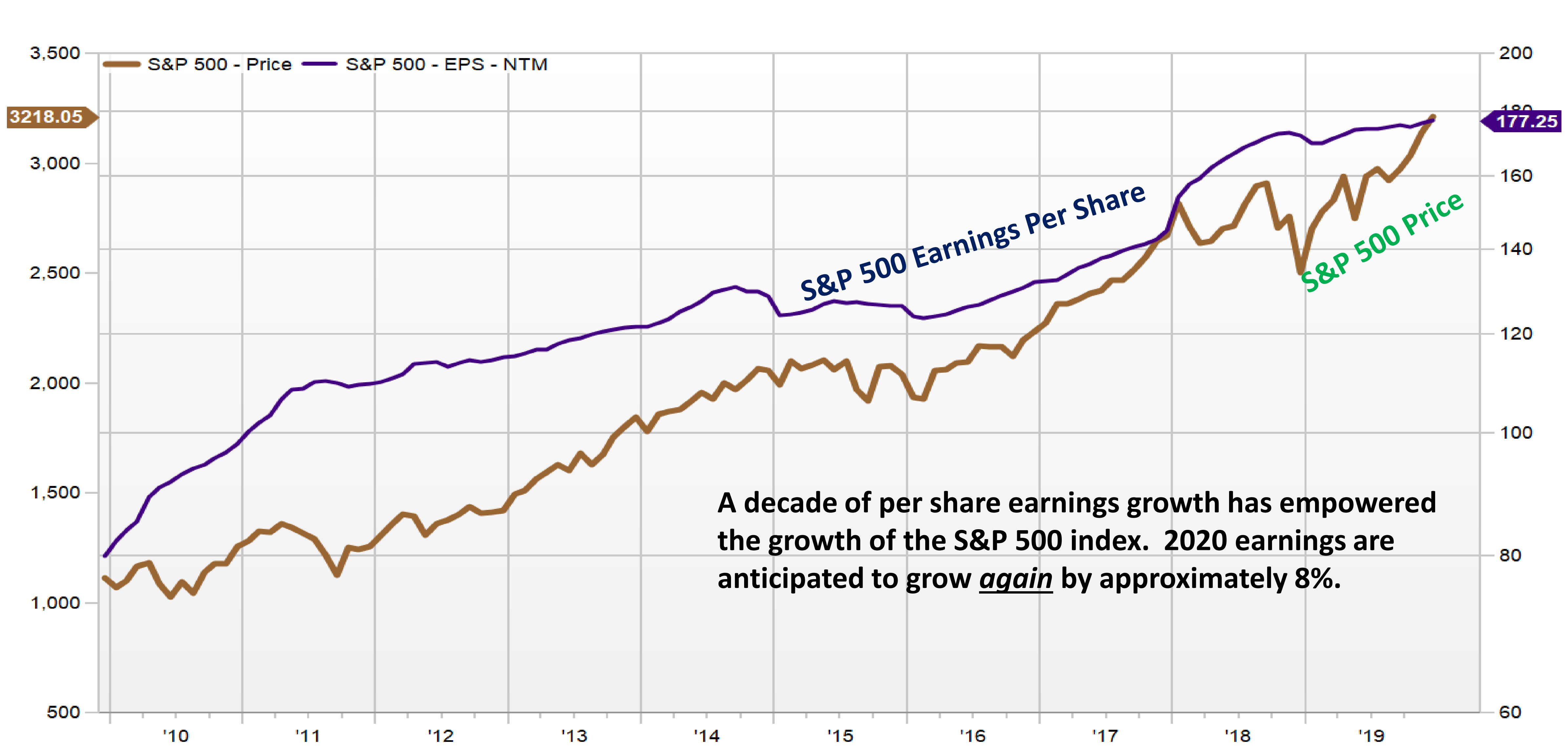
(Low Unemployment, Rising Wages, Growing Household Net Worth & Muted Inflation)



Source: Trading Economics,; U.S. Bureau of Economic Analysis

*U.S. Bureau of Economic Analysis

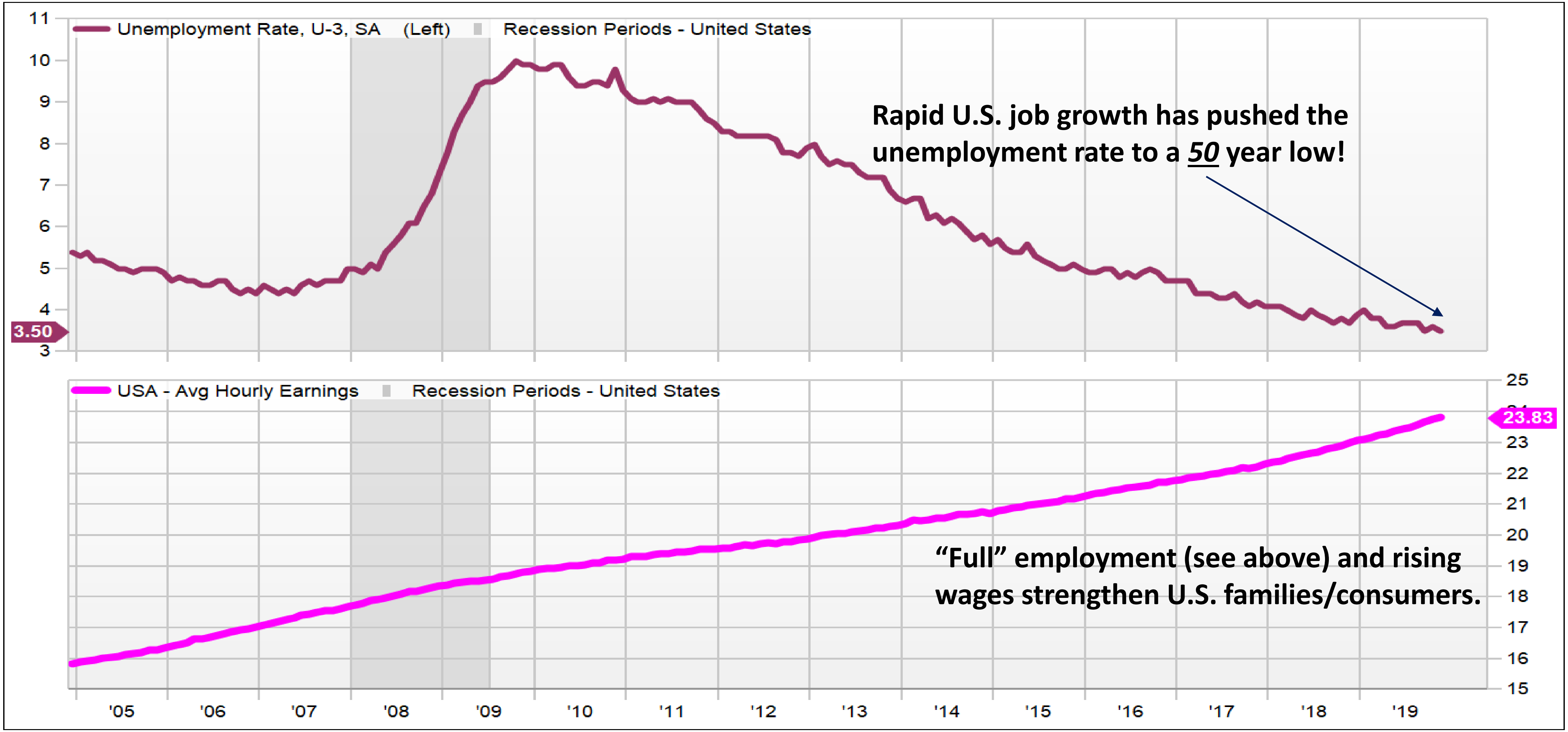
RISING CORPORATE EARNINGS - THE ENGINE THAT "DRIVES" STOCK PRICES



Source: FactSet Research Systems

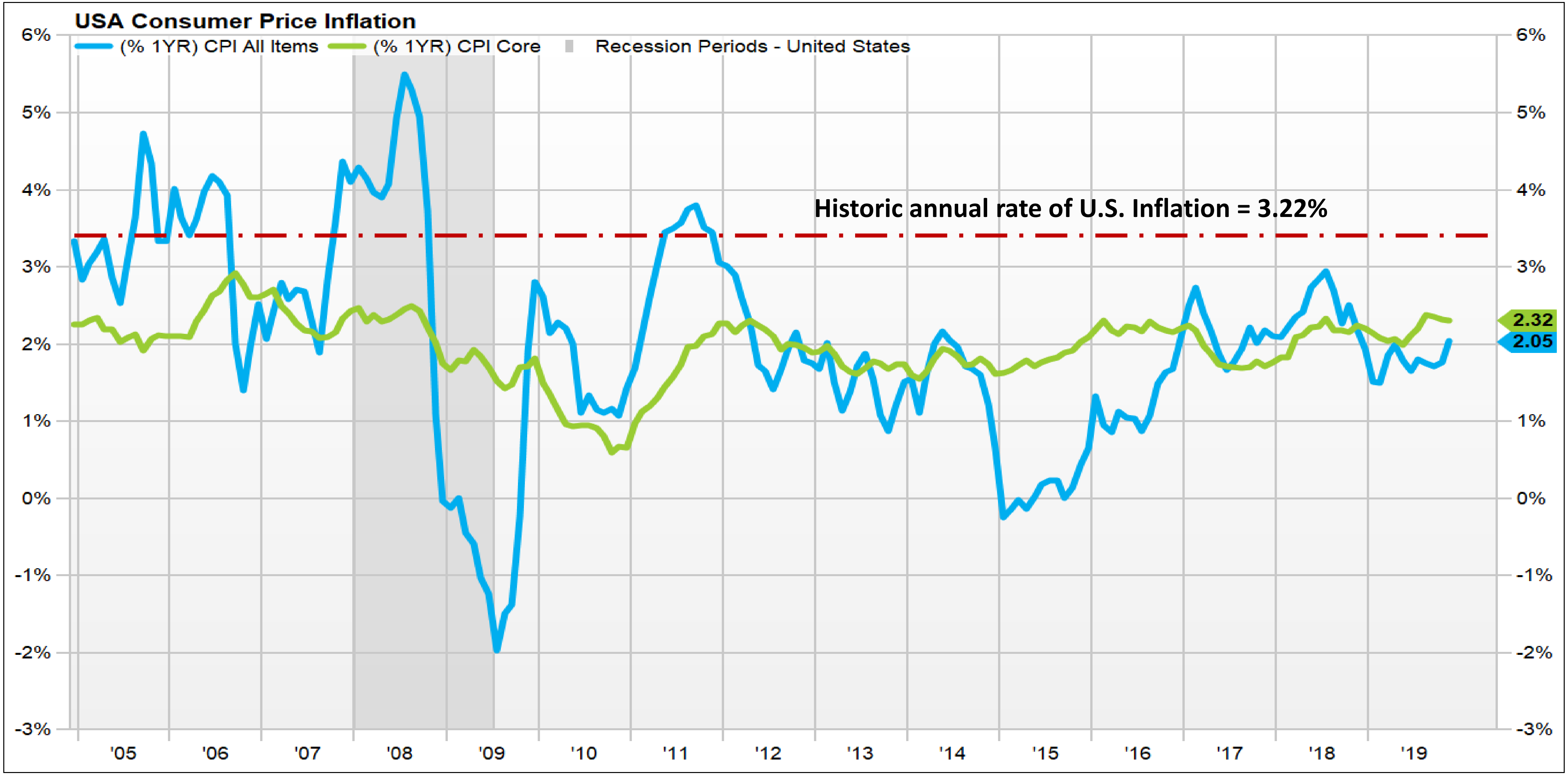
LOW UNEMPLOYMENT & RISING WAGES – KEY TO A HEALTHY U.S. ECONOMY

Year-To-Date Data As of 12/31/19



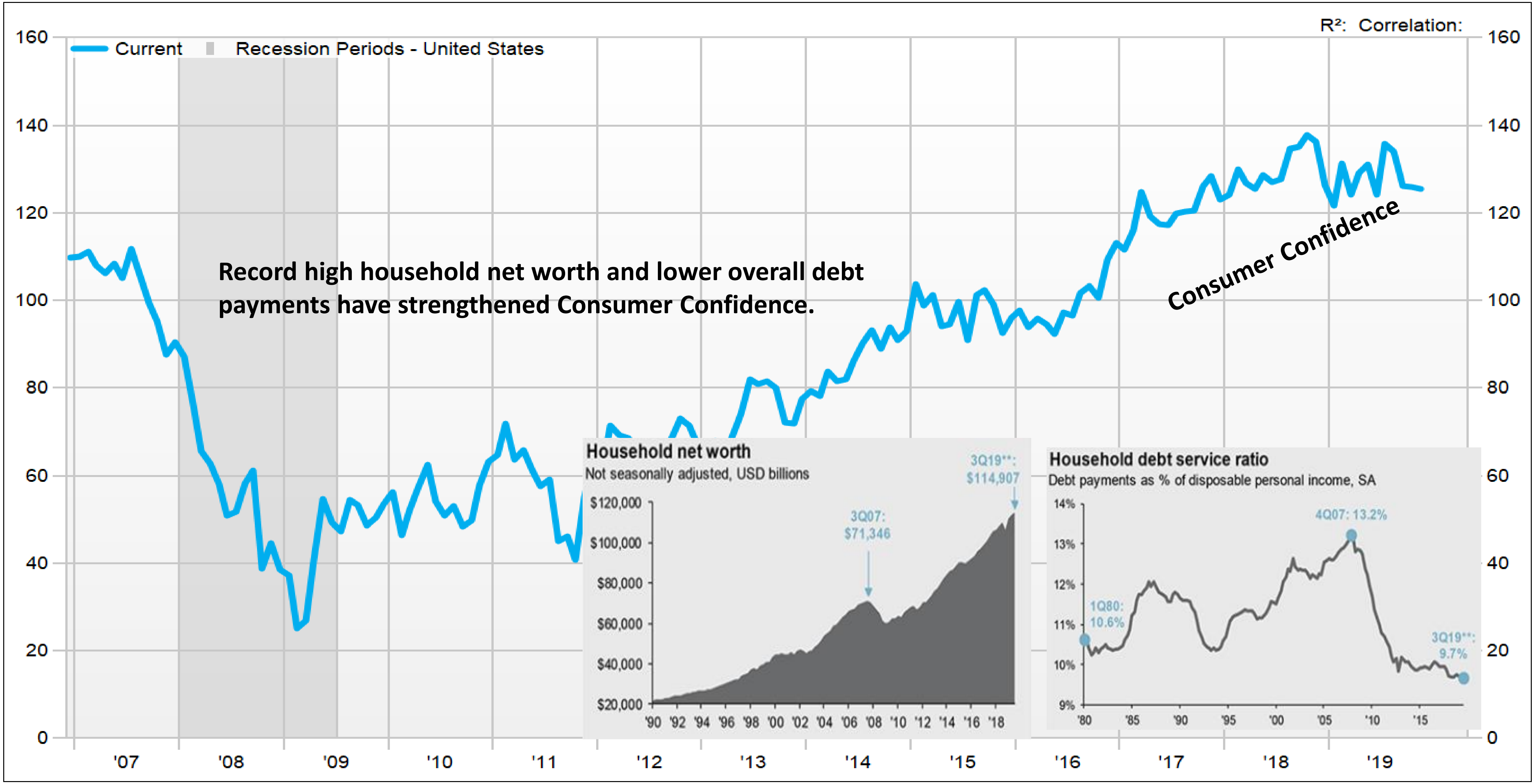
Source: Factset Research Systems

LOW INFLATION PROTECTS PURCHASING POWER & FINANCIAL MARKET VALUES



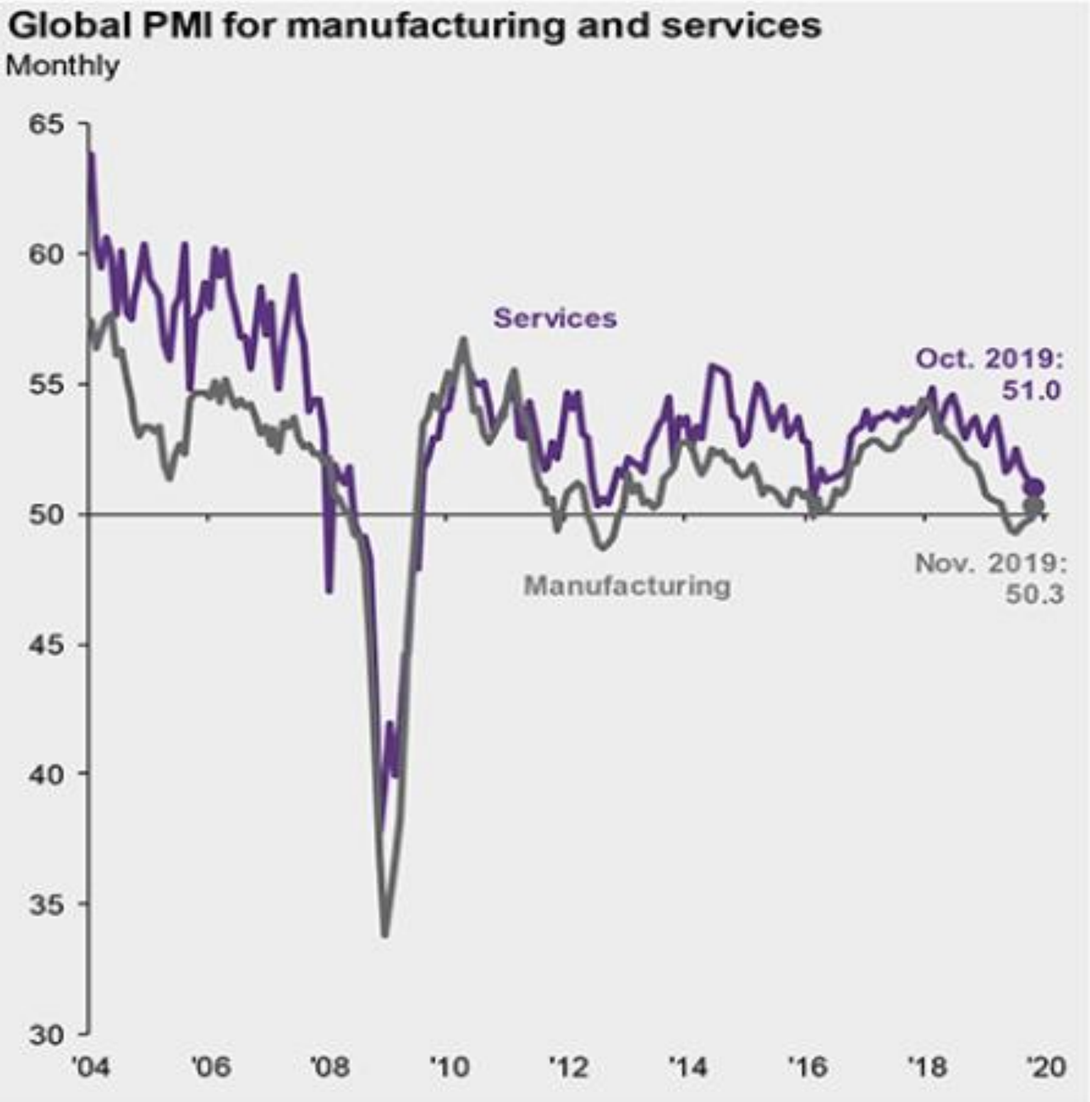
Source: FactSet Research Systems

CONSUMER CONFIDENCE IS THE BACKBONE OF A STRONG U.S. ECONOMY



Source: FactSet Research Systems

LESS THAN POSITIVE *GLOBAL* FACTORS THAT REQUIRE CLOSE SCRUTINY



Source: JP Morgan Asset Management

PROMINENT FINANCIAL MARKET STRATEGISTS & ECONOMISTS' 2020 OUTLOOKS

Economist's Firm	RBS	State Street	JP Morgan Chase	Nuveen	Yardini Research	Citi	Bank Of America	T. Rowe Price	Morgan Stanley	Black Rock	Actual As Of 12/12/19^	2020 Outlook Averages
S&P Target	3350	3249	3400	3100	3500	3375	3200	3250	3000	3480	3168	**3290.4**
S&P 500 EPS	$ 174.00	$ 165.80	$ 180.00	$ 174.00	$ 172.00	$ 174.25	$ 177.00	$ 170.00	$ 177.00	$ 174.00	$ 164.00	**$ 173.81**
GDP Growth	2.00%	1.90%	1.50%	2.10%	2.00%	2.00%	1.70%	2.25%	1.80%	1.80%		**1.91%**
Fed. Funds	1.50-1.75%	1.75-2.00%	1.23-1.50%	1.50-1.75%	1.25-1.50%	1.50-1.75%	1.50-1.75%	1.250-1.50%	1.50-1.75%	1.50-1.75%	1.50-1.75%	
10Yr. Tres.	2.10%	1.80%	2.04%	2.00%	1.80%	1.75%	2.20%	1.80%	1.75%	2.00%	1.82%	**1.92%**
+ Sectors*	F,IN,U	F,HC,T	COM.EN,HC ,IN,MAT	F,HC	EN F,HC,	CD, EN, F,HC,IN,T	CD, F, IN, U	HC, IN	STA,F, U	CD, F, HC,T		
-Sectors*	CD, COM, M	EN, CD, U	STA, U	IN, M	STA, U	COM, STA, U	STA, MAT	CD	CD, T	EN, M		
Fwd. P/E	**19.3X**	**19.6X**	**18.9X**	**17.8X**	**20.3X**	**19.4X**	**18.6X**	**19.1X**	**16.9X**	**20.0X**	**16.0X**	**18.9x**
Mkt. RTN (?)	**5.7%**	**2.6%**	**7.3%**	**-2.1%**	**10.5%**	**6.5%**	**1.0%**	**2.6%**	**-5.3%**	**9.8%**		**1.03%**

A ***Worst case*** scenario: S&P 500 EPS of $ 165.80, Yield on 10 Yr. falls to 1.75%, GDP grows +1.5%
At 16.9X S&P 500 will be 2991 or - 5.3%

Modestly reduce equity allocations; stay short to intermediate in maturity; emphasize Staples, Financial, Utilities, and Health Care.

B ***Best case*** scenario: S&P 500 EPS of $ 172.00, Yield on 10 Yr. increases modestly to 2.20%, GDP grows 2.25%
At 20.3X S&P should be 3491 or + 10.5%

Maintain equity allocations; extend maturities modestly; emphasize Financial, Tech, Health Care, Industrial, and Consumer Discretion companies.

Worst case scenario based upon factors displayed in **RED** above.
Best case scenario based upon factors displayed in **GREEN** above

* Sector Abbreviations: T (Technology), EN (Energy), IN (Industrials), STA (Consumer Staples), U (Utilities), Com. (Communication Ser.)
CD (Consumer Discretionary), F (Financials), HC (Health Care),

^ Economic/Financial Market information as of 12/12/19

Source: Barron's; Parkview Partners Capital Management

2020 – Our View

- Moderate U.S. GDP growth (+1.75% - 2.25%) and ***no*** 2020 U.S. recession.
- U.S. Fed remains “dovish” & accommodative global central banks help stimulate economic growth/stability.
- Low inflationary environment remains e.g. < 2.25% - 2.50% likely to persist.
- Another record year of S&P 500 earnings e.g., $172 – $179 EPS (+5.0 - 10.0%)
- At least a partial agreement on trade with China and others - ***PATIENCE*** is critical.
- Slow but positive global growth (+2.75% - +3.5%*) – tariff resolution will improve global economic environment.
- Continuing political discord in Washington. Impeachment talk and approaching election magnify issues.
- Brexit, Syria, Hong Kong, North Korea, continue to create uncertainty.

- ***From existing equity market levels, and our expectation for continued positive earnings growth, and the current P/E, we anticipate 2020 equity portfolio total returns will be moderately positive (mid-single digit) but at times somewhat volatile. Expect more normalized corrections of 5-10%.***
- ***Returns from bond portfolios are likely to be modest (low single digit) due to the conservative, shorter maturity, high quality of those investments.***

Source: * International Monetary Fund