GGFS

GARY GOLDBERG FINANCIAL SERVICES

2019

INVESTMENT OUTLOOK & THESIS

Disclosure: This information is not intended to be investment or any other advice and is for informational purposes only. Please consult with your investment advisor before making any investment decisions.

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EXECUTIVE SUMMARY

Given our economic and corporate earnings outlook for 2019, the late year sell-off has created some attractive valuations, increasing our bullish outlook for the year. In spite of the ongoing Sino-American trade war, our fundamental view of where we are in the economic cycle is little changed. We continue to expect global growth to gradually slow, as will earnings growth. However, the impact of this on U.S. equities will be offset by a less hawkish Federal Reserve, modestly cheap equities and a slowing pace of rate hikes. Core inflation will continue to be subdued and inflation expectations remain modest. Stock market volatility will persist, albeit at much lower levels than in late 2018. Investors should expect significant performance divergence amongst the sectors of the S&P, with rate sensitive sectors such as Utilities, Consumer Staples, Communication Services and Financials outperforming their more cyclical counterparts. Unlike 2018, fixed income markets should fare well next year, in particular intermediate term high quality bonds, as the ebbing of rate hikes and higher overall rates increase bonds' attractiveness.

- Continued modest economic growth with little apparent risk of a recession within the next 12 months
- Inflation will likely be below the Fed's 2% target, calling the Fed's posture into question – policy risks are rising
- Tight credit spreads offer little value but default rates are expected to remain low
- Equity valuations are cheap and the corporate earnings outlook remains strong
- The slowing housing market is an emerging risk to consumer spending and our forecast

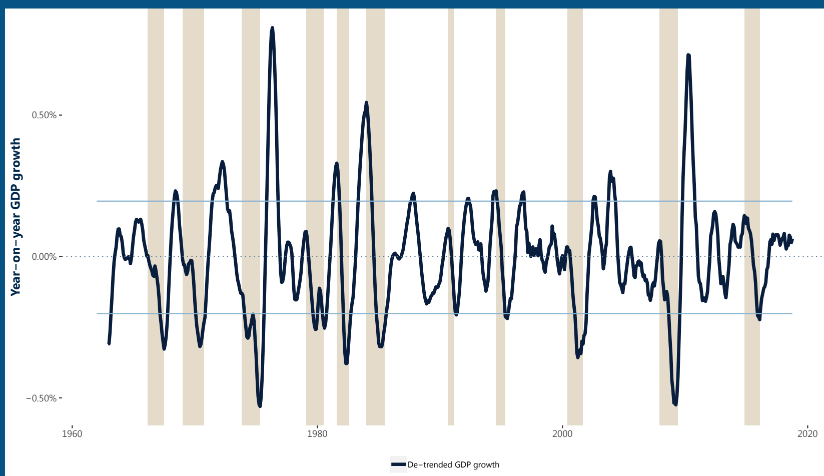
2019

ECONOMIC OUTLOOK

IN SPITE OF THE SHARP RISE IN MARKET VOLATILITY AND ENSUING INVESTOR NERVOUSNESS, OUR ECONOMIC MOMENTUM SIGNALS INDICATE THAT THE U.S. ECONOMY CONTINUES TO GROW AT A HEALTHY PACE AND THAT THERE IS LITTLE RISK OF A RECESSION IN THE SHORT TERM.

ANALYSIS

Our analysis shows that the economy is more likely in the seventh inning as opposed to the ninth inning of the cycle. One component of our analysis that factors into this conclusion is that corporations experienced a significant slowdown in 2015 and 2016, thereby allowing for a 'reset' of sorts.



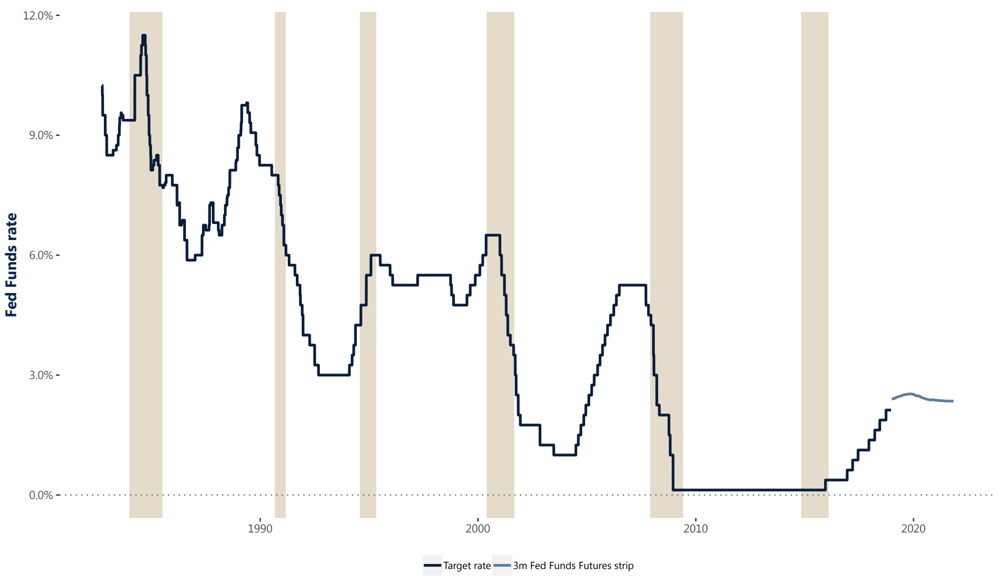
Macroeconomic Advisers LLC / IHS Markit; Board of Governors of the Federal Reserve System; Bruderman Asset Management calculations

This 'reset' plays an integral part of the reason we aren't as close to the end of the business cycle or economic expansion as many believe we are.

We expect the Federal Reserve to gradually become more dovish and slow its rate hikes as well as possibly moderating the velocity of its balance sheet unwind which is draining liquidity from the system at an unprecedented rate.

HOWEVER, THERE IS A RISK, GIVEN THE CURRENT GEOPOLITICAL CLIMATE, THAT THE FED MAY HAVE ALREADY TIGHTENED TOO MUCH AND THAT THE RISKS OF RECESSION-PROVOKING POLICY ERRORS ARE RISING.

The economic impact of monetary policy does not typically impact the economy for 15-18 months after the Federal Funds rate peaks.

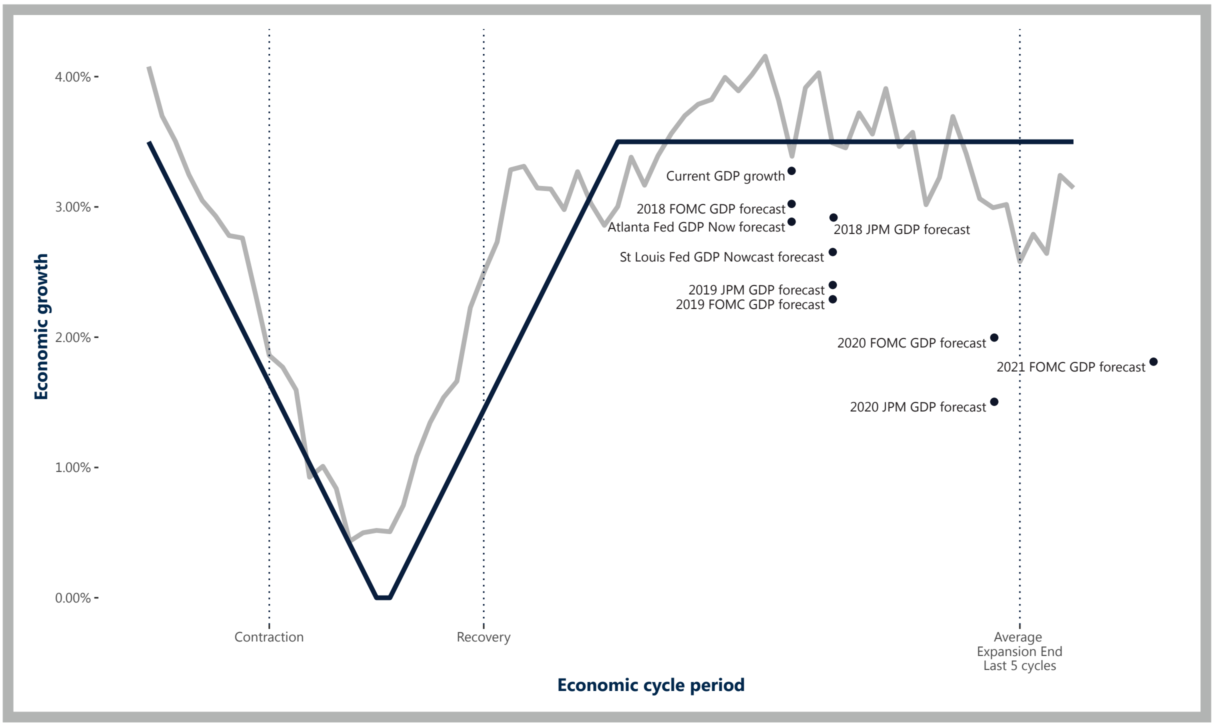


FED FUNDS RATE

Board of Governors of the Federal Reserve System; CME Group Inc

BASED ON OUR RESEARCH AND A REVIEW OF FORECASTS BY 10 OF THE WORLD'S LARGEST INVESTMENT FIRMS, WE EXPECT THE U.S. ECONOMY TO GROW BY PERHAPS 2-3% IN 2019, DOWN FROM 3-4% IN 2018.

Few inflation pressures are present and we expect core inflation to come in below the Fed's target rate of 2%. European growth will be somewhat lower averaging slightly below 1.25% in real terms, while Chinese real GDP growth is expected to be 5%.



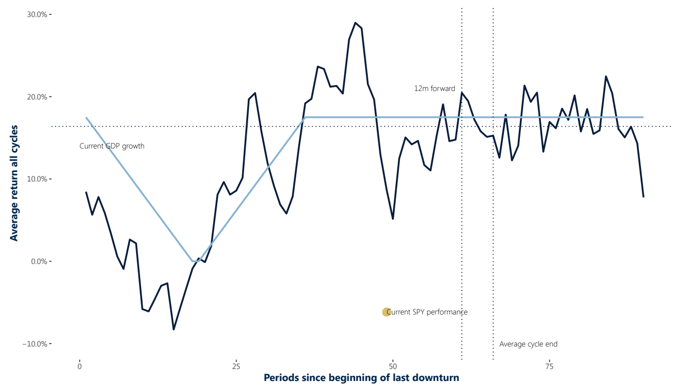
Bruderman Asset Management calculations; Board of Governors of the Federal Reserve System; The J.P. Morgan View, December 14, 2018, JPMorgan Chase & Co.

U.S. EQUITY RETURN

EXPECTATIONS

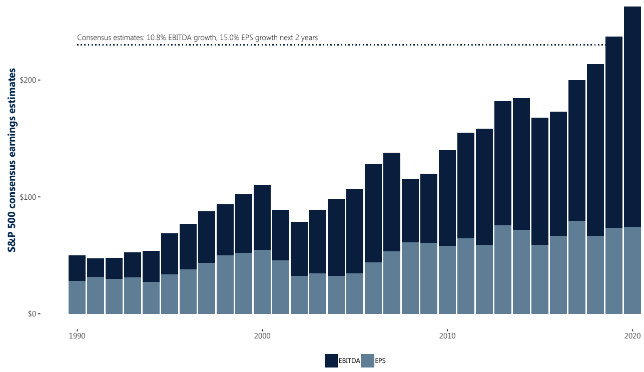
As the Fed moves from quantitative easing (QE) to a tightening posture, investors recalibrated their asset class return expectations, resulting in increased market volatility in 2018. As a result of strong earnings 2018 earnings growth and the late year sell-off in stocks valuations are now significantly cheaper and our models point to the possibility of double digit returns for stocks in 2019.

Equities are trading at levels typically seen at recession troughs



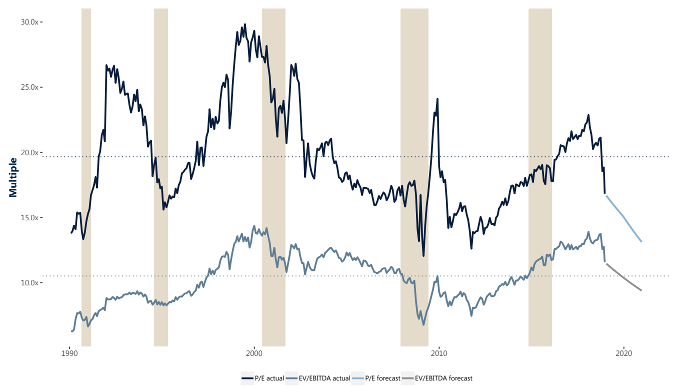
Bruderman Asset Management calculations

Earnings estimates remain strong, however



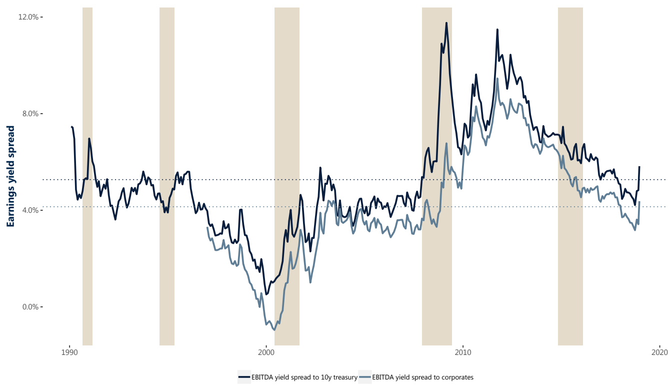
Bruderman Asset Management calculations; Bloomberg Finance LP

Valuations are beginning to look cheap, especially on a forward basis



Bruderman Asset Management calculations; Bloomberg Finance LP

Valuations are also below average on a relative basis



Bruderman Asset Management calculations; Bloomberg Finance LP

U.S. FIXED

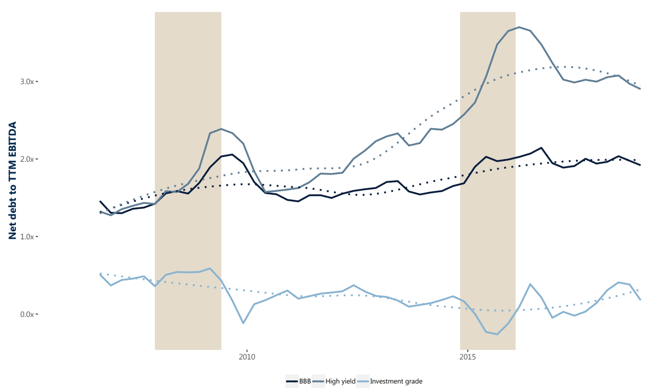
INCOME

HIGH QUALITY, INTERMEDIATE TERM BONDS SHOULD PERFORM WELL IN 2019.

Investment grade corporate bonds offer some value after nearly 50bps of spread widening in late 2018.

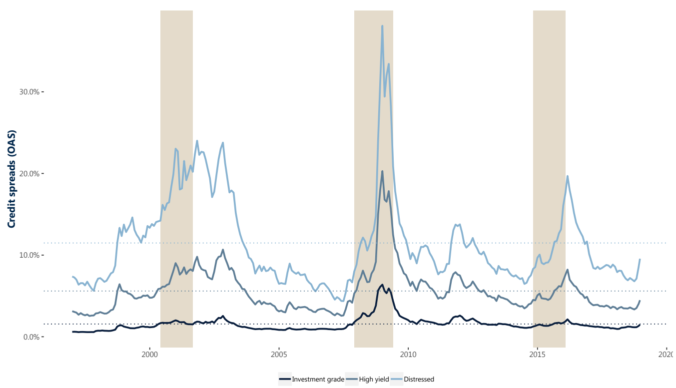
High yield and distressed debt remains unattractive on a risk-adjusted basis, despite spread widening of over 100bps. We expected speculative-grade credit spreads to continue to widen throughout the year as investors anticipate the credit implications of a slowing economy in 2020.

High grade and BBB leverage levels don't appear elevated and high yield leverage is already declining



Bruderman Asset Management calculations; Bloomberg Finance LP

Credit spreads are widening, however, as investors express concerns about a large volume of BBB-rated corporate debt



ICE BofAML Indices, ICE Benchmark Administration Limited

INTERNATIONAL EQUITIES

ALTHOUGH THERE ARE SOME VERY ATTRACTIVE VALUATION AMONGST LARGE-CAP EUROPEAN AND CHINESE EQUITIES, THE GLOBAL-MACRO HEADWINDS THESE MARKETS AND ECONOMIES FACE HEADING INTO THE NEW YEAR CAUSE US TO BE CAUTIOUS AND REMAIN UNDERINVESTED IN THESE MARKETS.

One potential offset to this is our expectation of a weakening US dollar which could boost non-US equity returns for US dollar investors. We believe US equities offer a better risk/return, however.

INTERNATIONAL FIXED INCOME

US DOLLAR YIELDS CONTINUE TO BE HIGHER THAN MOST DEVELOPED MARKETS AS THE US ECONOMY IS FURTHER ALONG IN THE CYCLE THAN OTHER COUNTRIES.

Although a weaker US dollar could boost non-US bond returns and emerging market debt could rally, we believe more attractive risk/return lies elsewhere.

IMPORTANT INFORMATION

Gary Goldberg Financial Services and GGFS are marketing names used by Bruderman Asset Management, LLC, an SEC-Registered Investment Adviser, and its affiliated company, Bruderman Brothers, LLC, an SEC-Registered Broker-Dealer and member of FINRA and SIPC. Investment Advisory Services are offered through Bruderman Asset Management, LLC, an SEC registered investment advisor. Securities offered through Bruderman Brothers, LLC, an SEC registered broker-dealer, member FINRA and SIPC.

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