TFC FINANCIAL
The Financial Counselors

COMMENTARY | 1Q 2019
April 2019

OUR VIEW

Equities rebounded strongly to start the year, as many of the fears that dominated the headlines in December faded from view.

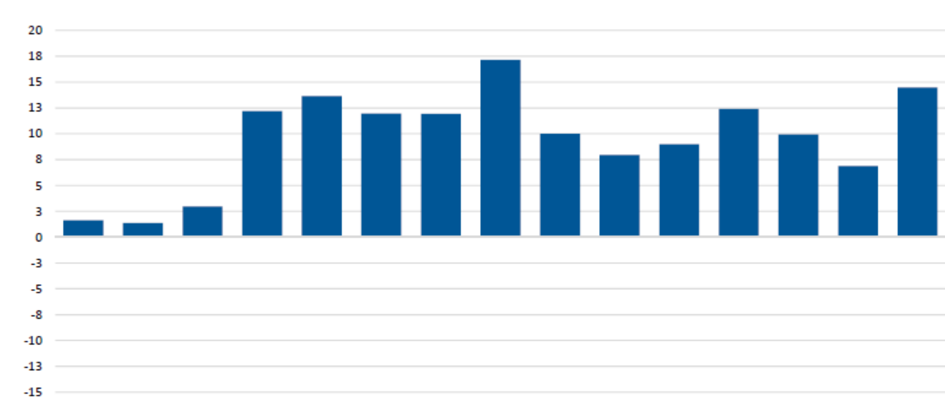
Q1 Market Performance

Equities rebounded strongly to start the year, as many of the fears that dominated the headlines in December faded from view. The longest government shutdown in history ended after 35 days. The Federal Reserve responded to slowing economic growth by pausing rate hikes and Fed Chair Jerome Powell provided more clarity on the Fed's balance sheet reduction plans. Speculation that President Trump would fire Powell subsided; however, the nomination of Herman Cain and potential nomination of Fed critic Stephen Moore to the Federal Reserve Board of Governors is a signal that Trump will blame Powell for slowing economic growth. The U.S. and China seemingly closed in on a trade deal, though details remain elusive.

Global equities, as represented by the MSCI All Country World Index, rose by 12.2% during the first quarter. U.S. large company stocks rebounded strongly, with the S&P 500 gaining 13.6%. U.S. small company stocks and Global REITs outpaced large company stocks, rising more than 14%. International and emerging markets stocks gained approximately 10%. Value stocks also rebounded, though growth stocks continue to outpace value in much of the world. Short-term bonds provided slightly positive returns during the quarter, and longer-term bonds benefited from falling interest rates.

Technology, Real Estate and Industrials led the S&P 500 rally from a sector perspective, while Healthcare and Financials lagged.

Quarter To Date Returns 3/31/2019



	Short Term Bonds	Short Term Muni Bonds	Barclays Agg.	Global Equities	S&P 500	US Large Value	US Small Value	US Small Growth	Intl. Large Core	Intl. Large Value	Intl. Small Value	Intl. Small Growth	EM	Frontier Markets	Global Real Estate
QTD	1.6	1.3	2.9	12.2	13.6	11.9	11.9	17.1	10.0	7.9	9.0	12.4	9.9	6.9	14.5
12M	3.5	3.0	4.5	2.6	9.5	5.7	0.2	3.9	-3.7	-6.1	-9.9	-8.8	-7.4	-15.0	10.3
Full Cycle*	2.6	2.4	3.9	3.8	7.8	6.0	6.2	8.1	0.8	-0.3	3.1	3.6	0.3	-1.7	3.2

* Full Cycle is the annualized return from October 2007 peak to present.

TFC client portfolios benefited from the strong equity market performance. TFC's tilt toward small company stocks helped portfolio returns, as did our positioning in real estate stocks. Emerging Markets also made a positive contribution to portfolio returns. Although value stocks throughout the world gained ground in absolute terms, then lagged in relative terms and detracted marginally from TFC performance relative to client benchmarks.

Market Outlook

As discussed in our January letter, we think that global economic growth is slowing rather than stalling. The American consumer is in good shape, which should help bolster economic growth in the coming months. Jobs are plentiful, wage growth is picking up and consumer balance sheets are under control. The rebound we expect in Chinese growth would also help economic growth. China's growth slowdown last year had significant ramifications for global growth. China's policy response should boost 2019 growth, particularly in the second half of the year. Stimulus measures include tax cuts to support consumer spending and liquidity injections designed to channel bank credit to consumers and private-sector businesses. China is also increasing public infrastructure spending.

A trade deal between the U.S. and China could also help economic growth and market sentiment. Although U.S. companies were expected to boost capital spending in response to corporate tax reform, business spending has fallen far short of expectations. Trade tensions created uncertainty about input costs, supply chains and potential tariffs, diminishing the enthusiasm of corporate CEOs to initiate capital spending projects. Clarity about trade could be a catalyst for a long-hoped-for rise in business spending.

The most likely scenario for the remainder of 2019 is a global economy that grows at a slower pace than the peaks reached after the Global Financial Crisis, helped by a de-escalation of trade tensions, a Fed that stays on hold for an extended period of time, and Chinese stimulus that provides a mild boost to global growth. We see recession as more of a risk for 2020 or 2021 than this year, but there are near-term risks that could reverse market sentiment and equity markets may decline in advance of the next recession. Politics may be a greater risk for the markets than monetary policy or economic momentum. A disappointing trade deal with China or the imposition of new tariffs on Europe would be negative catalysts for equity markets, as would implementation of some of the more extreme economic policy proposals being floated in Washington D.C. by politicians from both parties.

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Portfolio Positioning

TFC is positioned roughly in line with long-term strategic targets for stocks, though we are maintaining enough portfolio liquidity to address known cash needs over the next six to twelve months. Global growth and reasonable valuations in much of the world support a neutral weight to equities. Policy uncertainty and the longevity of the economic cycle makes heightened volatility an unfortunate reality for 2019. Bonds remain a necessary counterweight to equities. TFC continues to favor shorter-term/investment grade credits supplemented with intermediate-term bonds that provide appropriate diversification.

The U.S. remains the fastest growing developed market, but is relatively expensive compared to other developed markets and is vulnerable to growth disappointments and tightening profit margins. The Euro Area is facing slowing manufacturing growth and uncertainty about trade policy and Brexit. Negative sentiment toward the euro area may have peaked, however, and a rebound in global economic growth could provide a major boost to the export-sensitive region as well as to emerging markets.

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Please join Michelle Soufan and I for the quarterly TFC webinar, scheduled for Wednesday, April 24 at 9:00 am.

We continue to monitor the market environment and will incrementally adjust the portfolio based on new information. As always, we welcome your comments and questions. Please contact me or your TFC advisor should you have any questions or concerns.

Please join Michelle Soufan and I for the quarterly TFC webinar, scheduled for Wednesday, April 24 at 9:00 am. An invitation will follow, and we'll post the webinar on our website for those who are unable to attend live.

Availability of Updated Form ADV Part 2A Brochure and Part 2B Brochure Supplement

Annually, at this time of year, Registered Investment Advisors (RIAs) like TFC are required to update our SEC disclosure reports. Please refer to page 5, "Notice of Availability of Updated Form ADV Part 2A Brochure and Form ADV Part 2B Brochure Supplement." The firm takes these compliance requirements and our fiduciary responsibilities seriously. If you have any questions about these reports, please don't hesitate to contact us directly.

Sincerely,

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Notice of Availability of Updated Form ADV Part 2A Brochure And Form ADV Part 2B Brochure Supplement

As an SEC-registered investment adviser, we are required to update annually in the first quarter of each calendar year our Form ADV, which includes our Form ADV Part 2A Brochure and Form ADV Part 2B Brochure Supplement. If, in connection with our annual update, we make material changes to our Brochure or Brochure Supplement since the date of our last annual update, we are required to provide (or offer to provide) our clients with copies of them.

In connection with the just completed annual update of our Form ADV, there were no material changes to our Brochure or Brochure Supplement.

By this notice, we are offering to provide you a copy of our Brochure and Brochure Supplement. You may obtain copies by sending an email to Constance Wyllie, Chief Compliance Officer and Director of Client Service & Operations, at cwyllie@tfcfinancial.com, or by calling Ms. Wyllie at 617-210-6700.

You can also find our Brochure and Brochure Supplement, as well as other information about us, through the SEC's Investment Adviser Public Disclosure (IAPD) portal: www.adviserinfo.sec.gov. You can search this site by a unique identifying number, known as a CRD number. Our firm CRD number is 105062.

Please do not hesitate to call us if you have any questions.

Notice dated April 5, 2019