

A top-down view of a black plastic seedling tray containing numerous small, light green seedlings growing in dark soil. The seedlings are arranged in a grid pattern, with some showing more developed leaves than others. The tray has a grid of circular holes, and the soil is dark and moist.

MAINSTREET
ADVISORS



INVESTING IN VOLATILE MARKETS
TOM MCKINSTRY, CFA

TODAY'S PRESENTATION

- WELCOME
- CURRENT MARKET ENVIRONMENT
- RISKS FOR INVESTORS DURING VOLATILE PERIODS
- AREAS OF RELATIVE STABILITY DURING VOLATILE PERIODS
- FINAL THOUGHTS

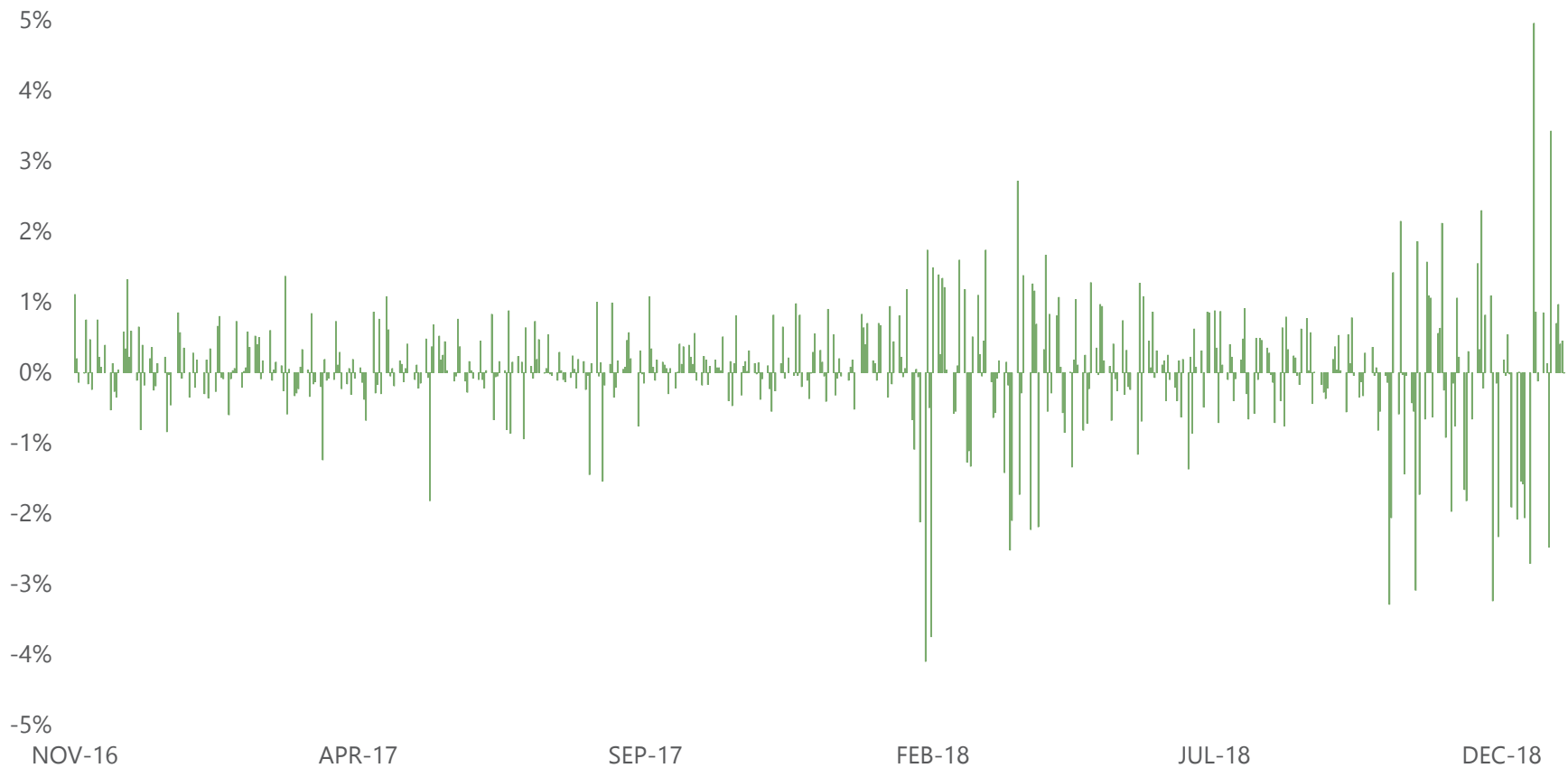
A row of potted bonsai trees in ornate containers. The trees are small, green, and have dark, gnarled trunks. They are planted in rectangular, light-colored pots with colorful, intricate patterns. The pots are arranged in a line, receding into the background. The background is a plain, light-colored wall.

CURRENT MARKET
ENVIRONMENT

THE VOLATILITY LANDSCAPE

VOLATILITY: S&P 500 1-DAY PRICE CHANGE NOVEMBER 2016 TO CURRENT

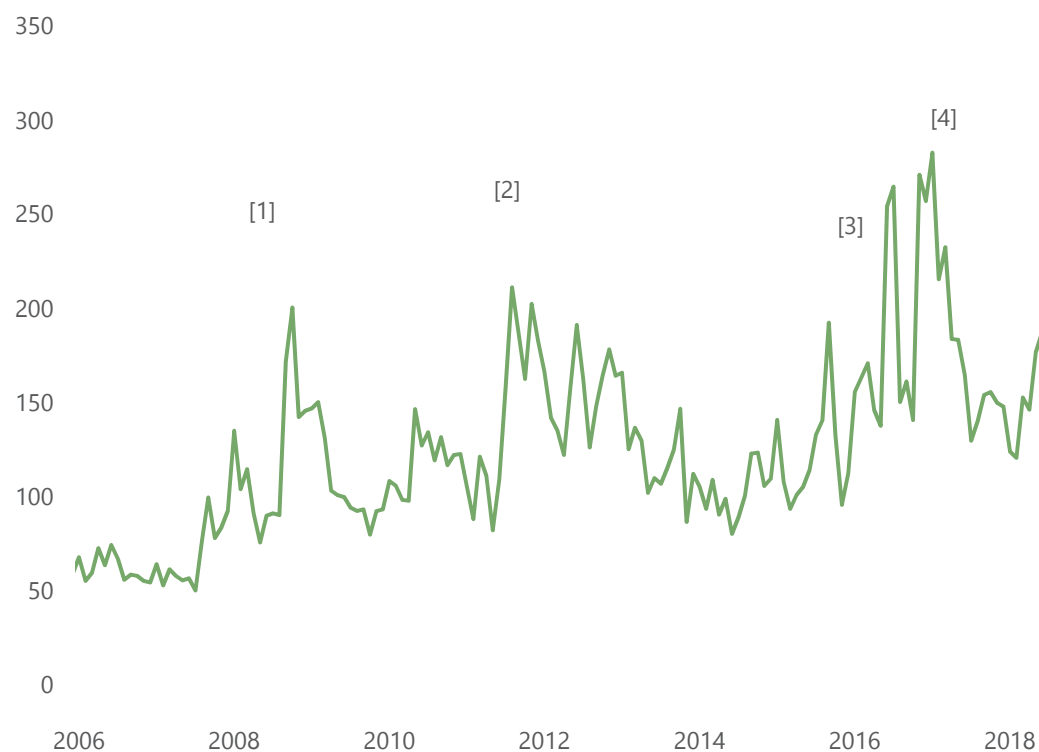
- NUMBER OF DAILY 1% OR GREATER PRICE CHANGES: 7 IN 2017; 64 IN 2018; 28 IN 4Q18
- NO 3% DECLINE IN 2017, FIRST TIME SINCE 1995
- VOLATILITY: S&P 500 1-DAY PRICE CHANGE NOVEMBER 2016 TO CURRENT



THE VOLATILITY LANDSCAPE

GLOBAL ECONOMIC POLICY UNCERTAINTY INDEX: MONTHLY, AS OF DECEMBER 2018

A POTENTIAL TRADE WAR WITH CHINA IS CONTRIBUTING TO HIGHER UNCERTAINTY.



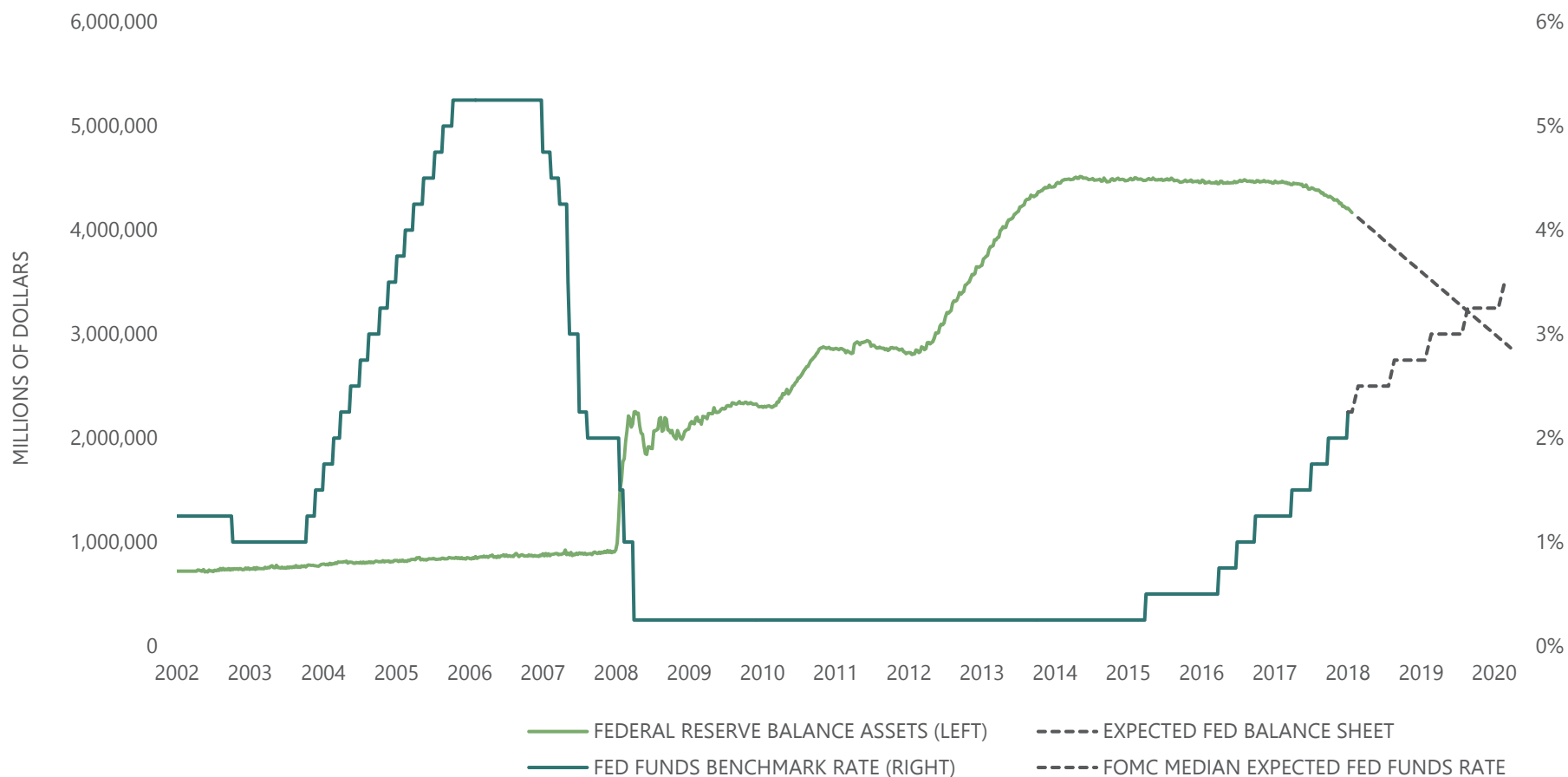
- [1] GLOBAL FINANCIAL CRISIS
- [2] EUROZONE CRISIS, U.S. FISCAL FIGHTS, CHINA LEADERSHIP TRANSITION
- [3] EUROPEAN IMMIGRATION CRISIS
- [4] U.S. ELECTION AND POLITICS IN EUROPE, BRAZIL, CHINA AND SOUTH KOREA

MOST POPULAR NEWS TOPICS ON BLOOMBERG

NEWS TOPIC	TOTAL
GOVERNMENT NEWS	491,273
POLITICS	481,823
ENERGY	468,991
TECHNOLOGY	406,432
ECONOMIC NEWS	400,008
OIL	354,680
CURRENCIES	303,401
BANKING	288,320
BLOOMBERG FIRST WORLD	276,723
UNITED KINGDOM	263,604
HEALTH CARE	237,945
THE WHITE HOUSE	229,123
GERMANY	228,134
EASTERN EUROPE	225,512
DOW JONES GLOBAL MARKETS	225,484
REAL ESTATE, REIT'S	218,883
CALIFORNIA	215,565
BIOTECH & PHARMA	189,344
HONG KONG	181,548
COMPUTER GENERATED	179,616

THE VOLATILITY LANDSCAPE

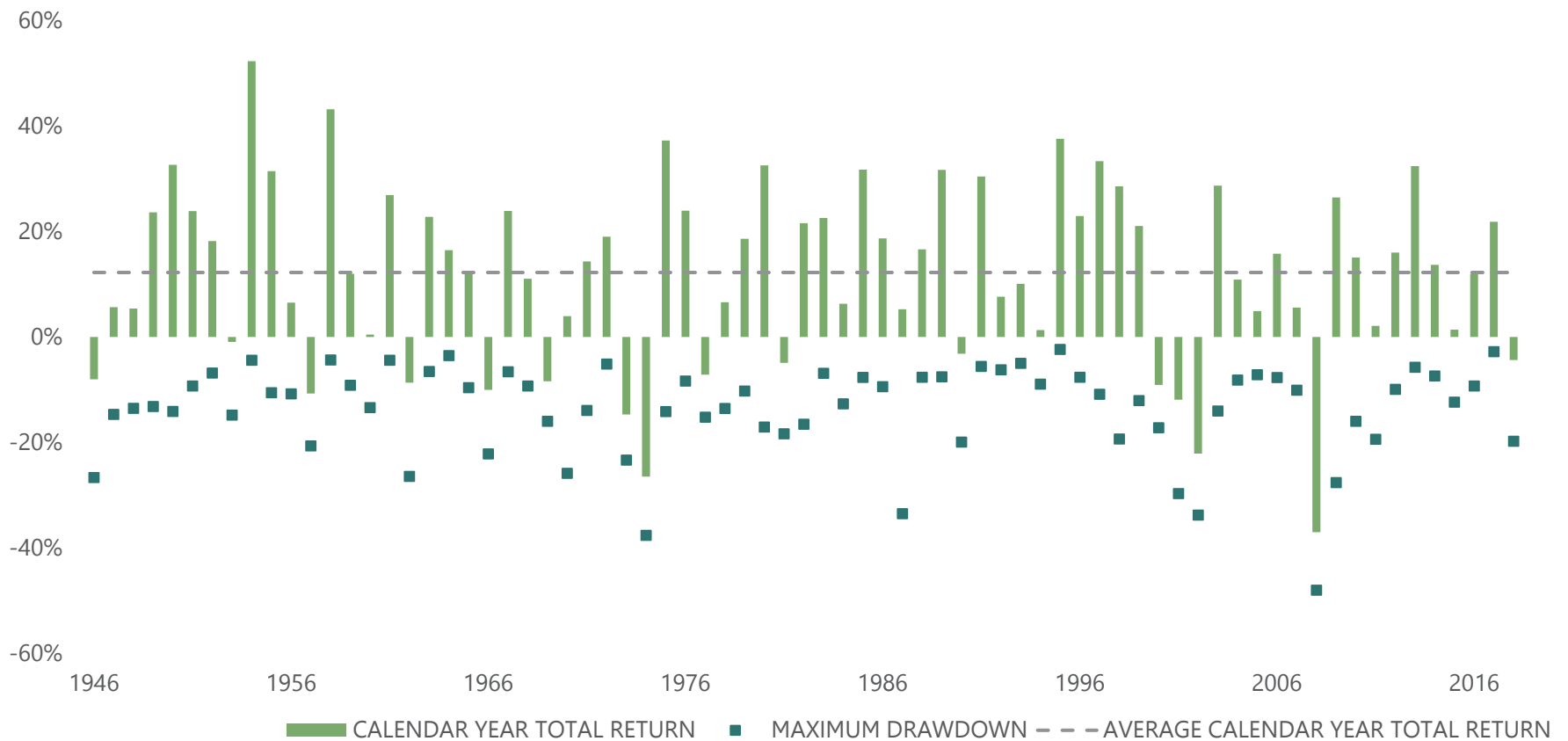
FED BALANCE SHEET AND FED FUNDS BENCHMARK RATE: 2002 THROUGH 2020 (ESTIMATED)



THE VOLATILITY LANDSCAPE

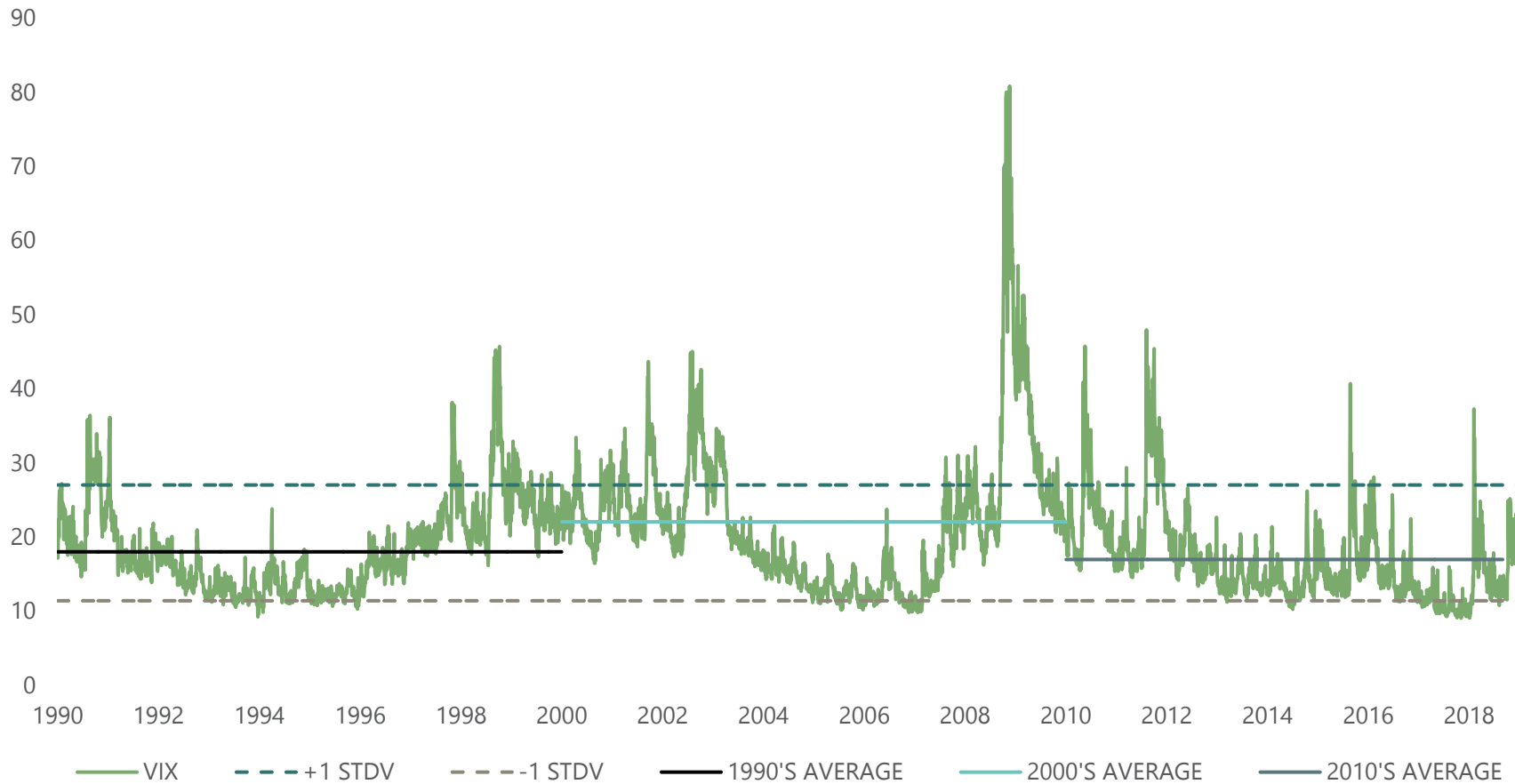
VOLATILITY: S&P 500 ANNUAL RETURNS AND MAXIMUM DRAWDOWNS 1946 TO CURRENT

- 57 OF 73 YEARS ENDED IN POSITIVE TERRITORY WITH AN AVERAGE CALENDAR YEAR RETURN OF 12.2% AND A MEDIAN CALENDAR YEAR RETURN OF 13.7%.
- THE AVERAGE PEAK-TO-TROUGH DRAWDOWN OVER THIS PERIOD WAS 13.7% WITH AN AVERAGE LENGTH OF ABOUT 75 DAYS



THE VOLATILITY LANDSCAPE

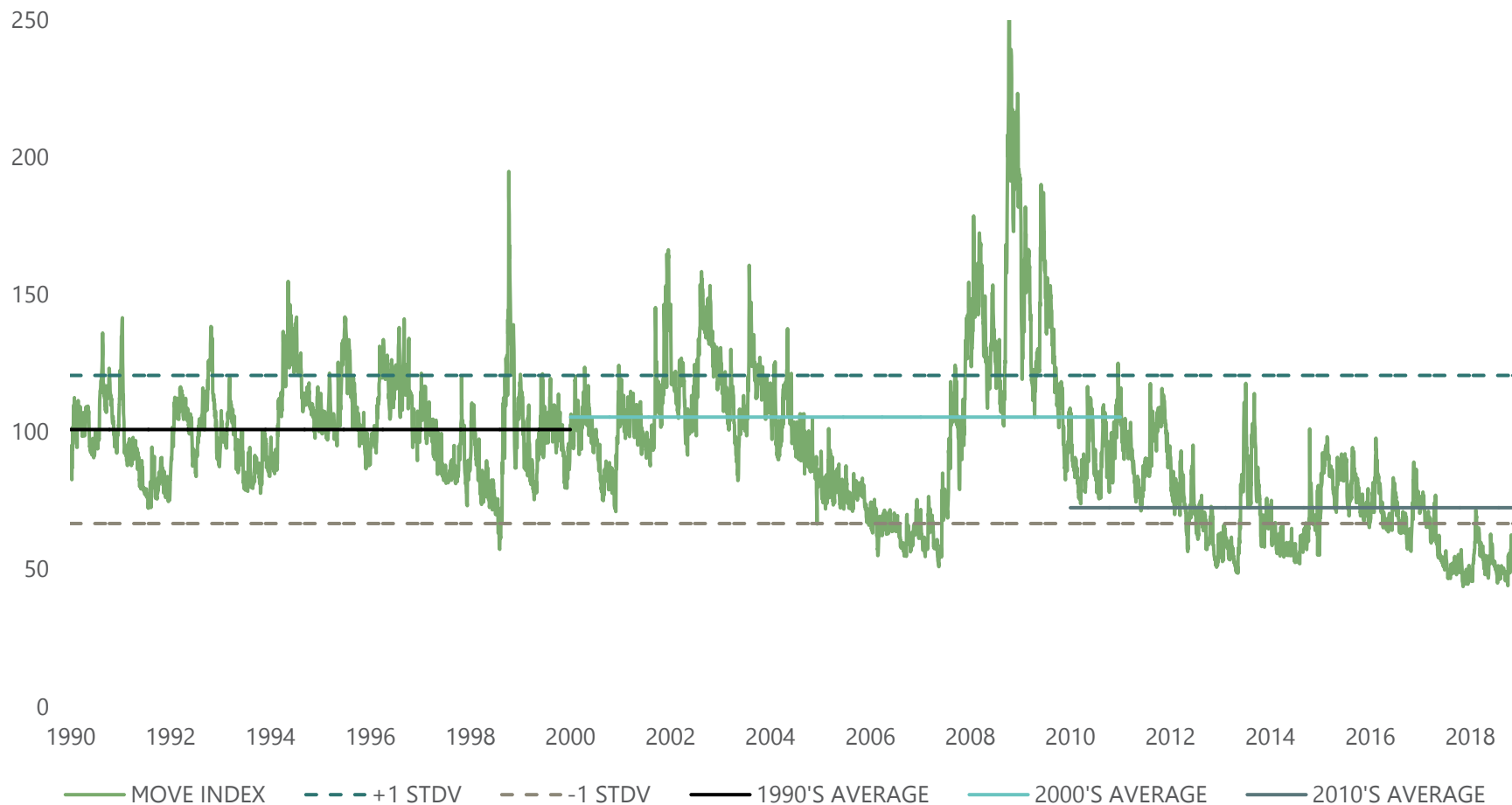
THE CBOE VOLATILITY INDEX (VIX) JANUARY 1990 TO JANUARY 2019



*SEVERAL DAILY READINGS DURING OCTOBER THROUGH DECEMBER 2008 NOT SHOWN FOR SCALING PURPOSES
SOURCE: BLOOMBERG. PAST PERFORMANCE DOES NOT GUARANTEE FUTURE RESULTS.

THE VOLATILITY LANDSCAPE

THE MOVE BOND VOLATILITY INDEX: JANUARY 1990 THROUGH JANUARY 2019

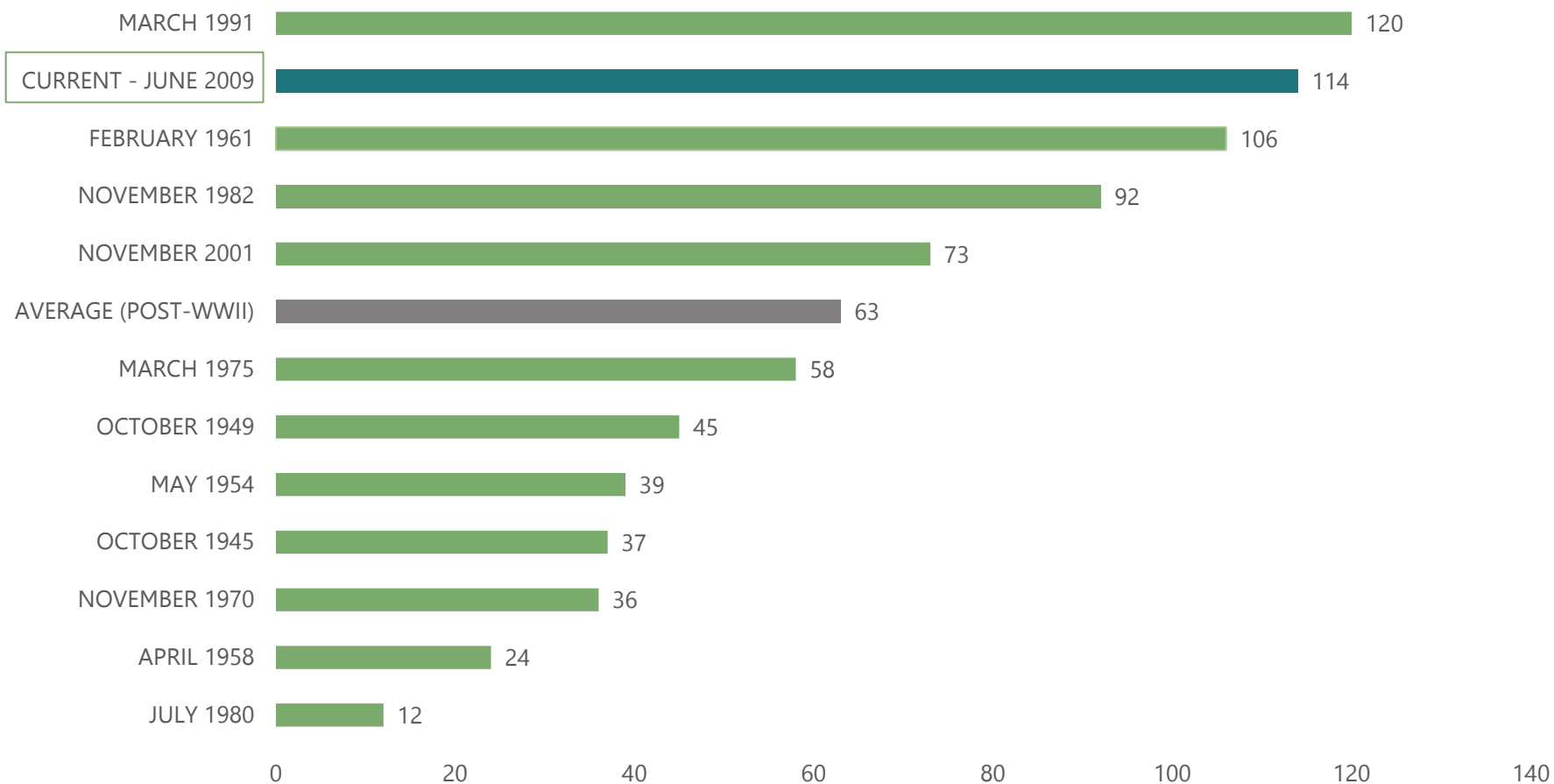


*SEVERAL DAILY READINGS DURING OCTOBER THROUGH DECEMBER 2008 NOT SHOWN FOR SCALING PURPOSES
SOURCE: BLOOMBERG. PAST PERFORMANCE DOES NOT GUARANTEE FUTURE RESULTS.

U.S. BUSINESS CYCLE EXPANSIONS: HISTORICAL VIEW

DURATION OF EXPANSIONS SINCE 1945 (MONTHS, TROUGH TO PEAK), AS OF DECEMBER 2018

CURRENT CYCLE IS THE 2ND LONGEST SINCE 1945



ASSET CLASS CORRELATION TRENDS

JANUARY 1992 THROUGH JANUARY 2019



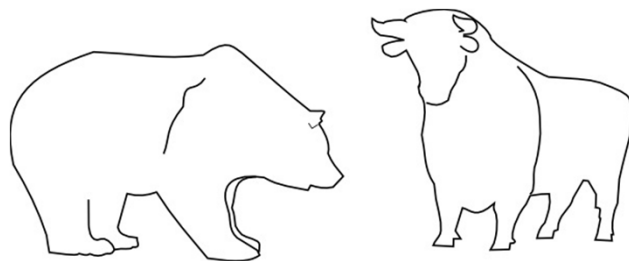
SOURCE: BLOOMBERG PAST PERFORMANCE DOES NOT GUARANTEE FUTURE RESULTS. NINE ASSET CLASS INDEXES: S&P MIDCAP 400 INDEX, RUSSELL 2000 INDEX, MSCI EAFE INDEX, MSCI EMERGING MARKETS INDEX, FTSE EPRA/NAREIT DEVELOPED INDEX, BLOOMBERG COMMODITY INDEX, BLOOMBERG BARCLAYS U.S. AGGREGATE BOND INDEX, ICE BAML GLOBAL GOVERNMENT BOND INDEX, ICE BAML U.S. HIGH YIELD INDEX

A close-up photograph of several green plant leaves, likely from a corn plant, showing detailed vein patterns and a slightly textured surface. The leaves are arranged diagonally across the frame. In the center, there is a semi-transparent grey rectangular box containing white text.

RISKS DURING VOLATILE
PERIODS

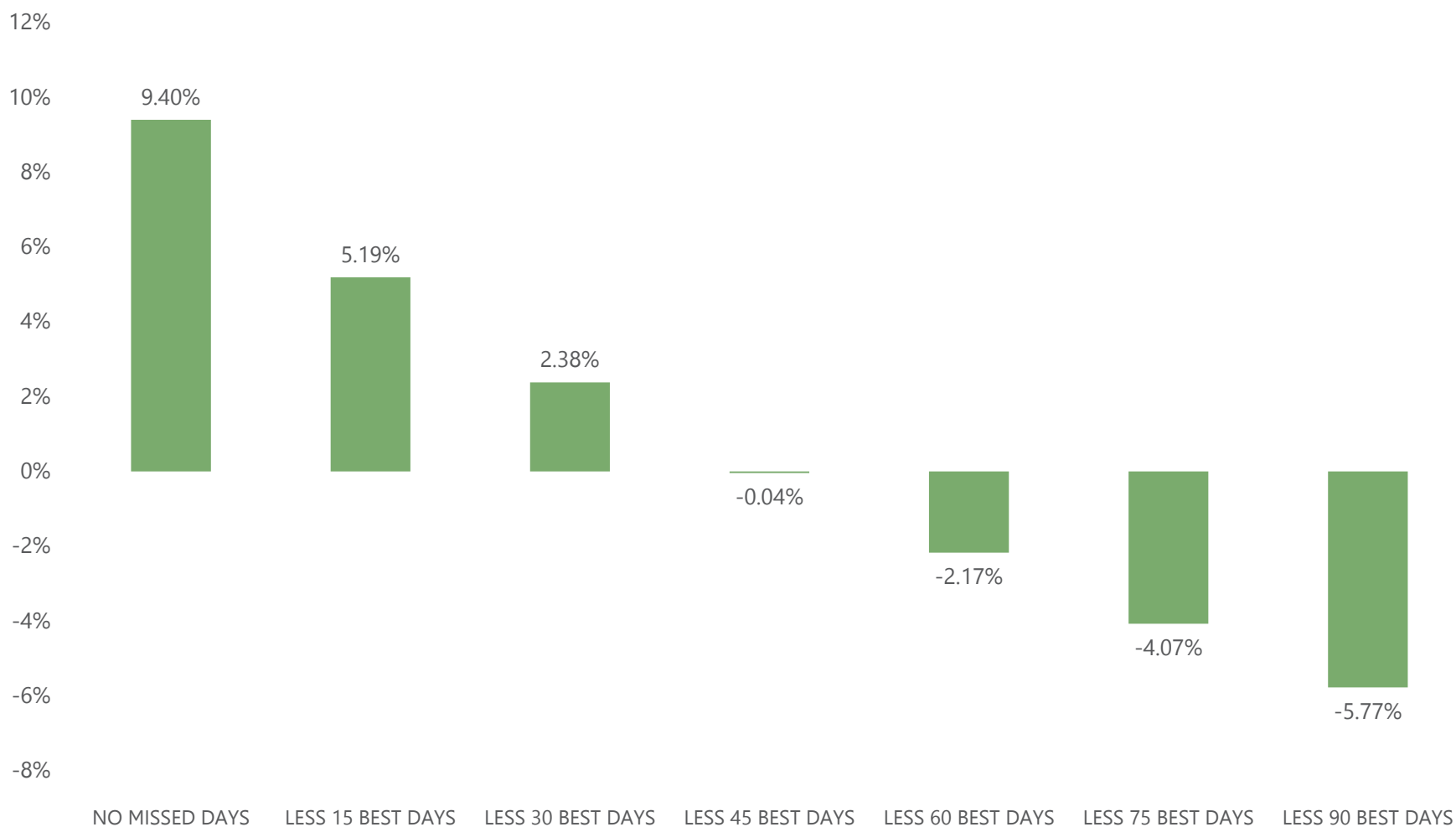
THE COST OF MARKET TIMING

INVESTORS, TRADERS AND HERDS

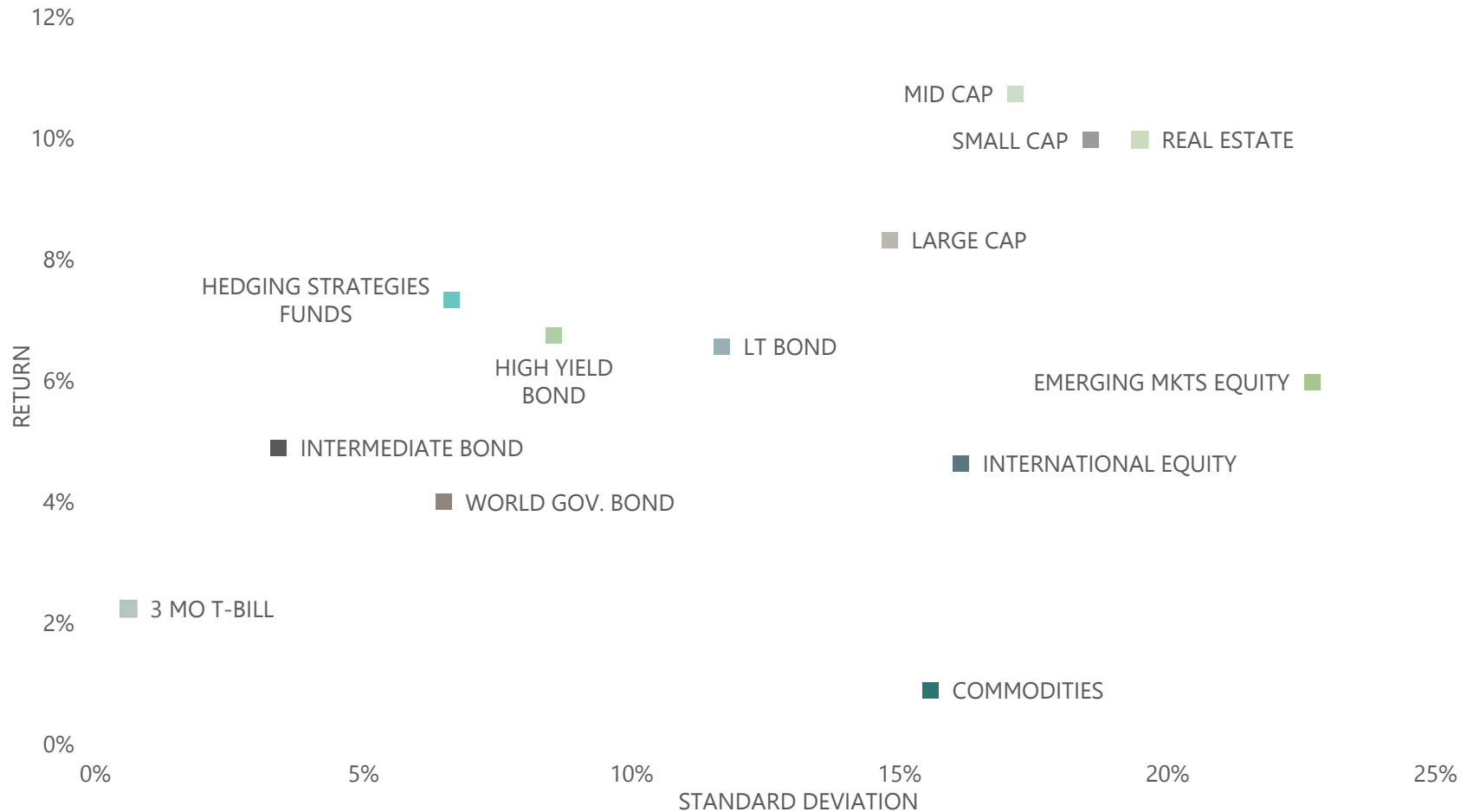


THE COST OF MARKET TIMING

TOTAL ANNUALIZED RETURN OF THE S&P 500, 1995 - 2018, WHEN MISSING THE BEST MARKET DAYS



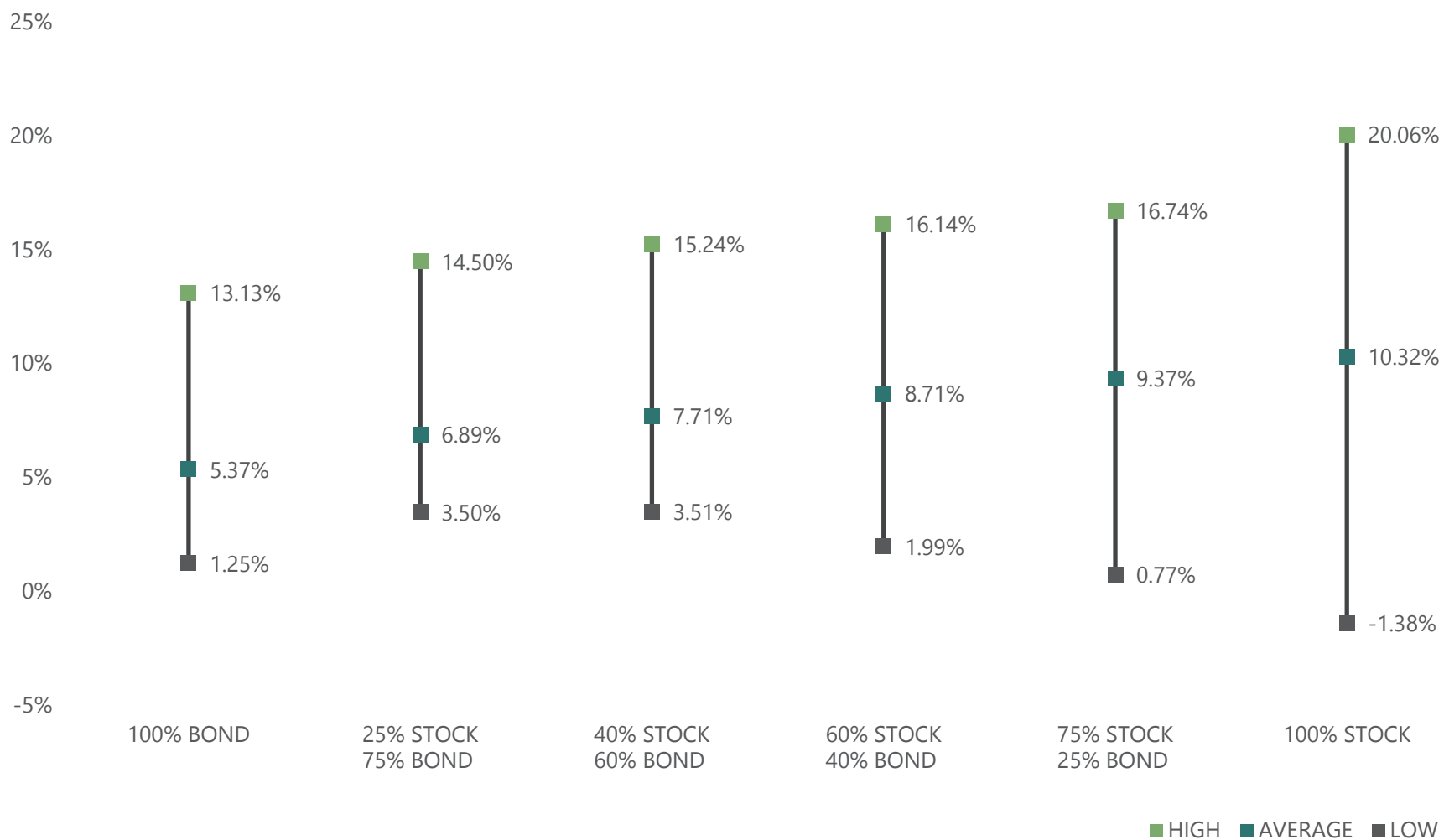
ASSET CLASS RISK VS. RETURN FROM JANUARY 1996 THROUGH DECEMBER 2018 (ANNUALIZED)



SOURCE: BLOOMBERG AND MORNINGSTAR. LARGE CAP - S&P 500, ST/IT BONDS - BARCLAYS CAPITAL U.S. AGGREGATE, GLOBAL BONDS - CITIGROUP WORLD GOVERNMENT BOND INDEX, COMMODITIES - BLOOMBERG COMMODITY INDEX, HEDGE FUNDS - CREDIT SUISSE HEDGE FUND INDEX, LT BOND - BARCLAYS CAPITAL US TREASURY LONG, HY BOND - ICE BOFAML US HIGH YIELD, LARGE FOREIGN - MSCI EAFE, REAL ESTATE - FTSE NAREIT ALL EQUITY REITS, SMALL CAP - S&P 600, MID CAP - S&P 400, CASH - CITIGROUP 3-MONTH TREASURY BILL, PAST PERFORMANCE DOES NOT GUARANTEE FUTURE RESULTS.

HISTORICAL RETURN RANGES

10 YEAR ROLLING PERIODS, 1 YEAR STEPS, 1926-2018



PERIODIC TABLE OF INVESTMENTS

ABRIDGED ASSET CLASS TOTAL CALENDAR YEAR RETURNS 2007 - 2018

LONG-TERM INVESTORS SHOULD STRIVE TO MAINTAIN A DIVERSIFIED PORTFOLIO.

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	10 YEARS ANNUALIZED
EMERGING MARKETS 39.8%	LT BOND 24.0%	EMERGING MARKETS 79.0%	REAL ESTATE 27.9%	LT BOND 29.9%	REAL ESTATE 19.7%	SMALL CAP 41.3%	REAL ESTATE 28.0%	REAL ESTATE 2.8%	SMALL CAP 26.6%	EMERGING MARKETS 37.8%	ST/IT BOND 0.0%	SMALL CAP 15.8%
COMMODITIES 16.2%	GLOBAL BOND 10.9%	HY BOND 57.5%	MID CAP 26.6%	REAL ESTATE 8.3%	EMERGING MARKETS 18.6%	MID CAP 33.5%	LT BOND 25.1%	LARGE CAP 1.4%	MID CAP 20.7%	LARGE FOREIGN 25.6%	GLOBAL BOND -0.8%	MID CAP 15.6%
LARGE FOREIGN 11.6%	ST/IT BOND 5.2%	MID CAP 37.4%	SMALL CAP 26.3%	ST/IT BOND 7.8%	LARGE FOREIGN 17.9%	LARGE CAP 32.4%	LARGE CAP 13.7%	ST/IT BOND 0.5%	HY BOND 17.5%	LARGE CAP 21.8%	LT BOND -1.8%	REAL ESTATE 15.2%
GLOBAL BOND 10.9%	HEDGE FUNDS -23.3%	LARGE FOREIGN 32.5%	EMERGING MARKETS 19.2%	GLOBAL BOND 6.4%	MID CAP 17.9%	LARGE FOREIGN 23.3%	MID CAP 9.8%	LARGE FOREIGN -0.4%	LARGE CAP 12.0%	MID CAP 16.2%	HY BOND -2.3%	LARGE CAP 14.3%
LT BOND 9.8%	HY BOND -26.4%	REAL ESTATE 28.0%	COMMODITIES 16.8%	HY BOND 4.4%	SMALL CAP 16.3%	HY BOND 7.4%	ST/IT BOND 6.0%	LT BOND -1.2%	COMMODITIES 11.8%	SMALL CAP 13.2%	REAL ESTATE -4.0%	HY BOND 12.0%
MID CAP 8.0%	SMALL CAP -31.1%	LARGE CAP 26.5%	HY BOND 15.2%	LARGE CAP 2.1%	LARGE CAP 16.0%	HEDGE FUNDS 6.7%	SMALL CAP 5.8%	SMALL CAP -2.0%	EMERGING MARKETS 11.6%	REAL ESTATE 8.7%	LARGE CAP -4.4%	EMERGING MARKETS 9.5%
ST/IT BOND 7.0%	COMMODITIES -35.6%	SMALL CAP 25.6%	LARGE CAP 15.1%	SMALL CAP 1.0%	HY BOND 15.6%	REAL ESTATE 2.9%	HY BOND 2.5%	MID CAP -2.2%	REAL ESTATE 8.6%	LT BOND 8.5%	HEDGE FUNDS -6.7%	LARGE FOREIGN 8.0%
LARGE CAP 5.5%	MID CAP -36.2%	COMMODITIES 18.9%	LT BOND 9.4%	MID CAP -1.7%	ST/IT BOND 4.2%	ST/IT BOND -2.0%	GLOBAL BOND -0.5%	GLOBAL BOND -3.6%	ST/IT BOND 2.6%	GLOBAL BOND 7.5%	SMALL CAP -8.5%	LT BOND 4.5%
HEDGE FUNDS 4.2%	LARGE CAP -37.0%	HEDGE FUNDS 13.4%	LARGE FOREIGN 8.2%	HEDGE FUNDS -8.9%	LT BOND 3.6%	EMERGING MARKETS -2.3%	HEDGE FUNDS -0.6%	HEDGE FUNDS -3.6%	HEDGE FUNDS 2.5%	HY BOND 7.5%	MID CAP -11.1%	ST/IT BOND 3.7%
HY BOND 2.2%	REAL ESTATE -37.7%	ST/IT BOND 5.9%	ST/IT BOND 6.5%	LARGE FOREIGN -11.7%	HEDGE FUNDS 3.5%	GLOBAL BOND -4.0%	EMERGING MARKETS -1.8%	HY BOND -4.6%	GLOBAL BOND 1.6%	HEDGE FUNDS 6.0%	COMMODITIES -11.2%	GLOBAL BOND 2.0%
SMALL CAP -0.3%	LARGE FOREIGN -43.1%	GLOBAL BOND 2.6%	HEDGE FUNDS 5.2%	COMMODITIES -13.3%	GLOBAL BOND 1.6%	COMMODITIES -9.5%	LARGE FOREIGN -4.5%	EMERGING MARKETS -14.6%	LARGE FOREIGN 1.5%	ST/IT BOND 3.5%	LARGE FOREIGN -13.4%	HEDGE FUNDS 1.6%
REAL ESTATE -15.7%	EMERGING MARKETS -53.2%	LT BOND -12.9%	GLOBAL BOND 5.2%	EMERGING MARKETS -18.2%	COMMODITIES -1.1%	LT BOND -12.7%	COMMODITIES -17.0%	COMMODITIES -24.7%	LT BOND 1.3%	COMMODITIES 1.7%	EMERGING MARKETS -14.2%	COMMODITIES -3.5%

LARGE CAP - S&P 500, ST/IT BONDS - BLOOMBERG BARCLAYS CAPITAL U.S. AGGREGATE BOND INDEX, EMERGING MARKETS - MSCI EM GR USD, GLOBAL BONDS - FTSE WORLD GOVERNMENT BOND INDEX, COMMODITIES - BLOOMBERG COMMODITY INDEX, HEDGE FUNDS -HFRX GLOBAL HEDGE FUND INDEX, LT BOND - BLOOMBERG BARCLAYS CAPITAL U.S. TREASURY LONG, HY BOND - MERRILL LYNCH HIGH YIELD MASTER II, LARGE FOREIGN - MSCI EAFE, REAL ESTATE - FTSE NAREIT ALL EQUITY REITS, SMALL CAP - S&P 600, MID CAP - S&P 400. PAST PERFORMANCE DOES NOT GUARANTEE FUTURE RESULTS. SOURCE: MORNINGSTAR. DIVERSIFICATION DOES NOT GUARANTEE A PROFIT OR PROTECT AGAINST LOSS

PERIODIC TABLE OF INVESTMENTS

ASSET CLASS TOTAL CALENDAR YEAR RETURNS 1996 - 2018

A BASIC TWO ASSET CLASS PORTFOLIO OF U.S. LARGE CAP STOCKS AND ST/IT BONDS PROVIDED SIGNIFICANT PROTECTION FROM THE MARKET DECLINES OF 2001, 2002, 2008 AND 2018

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	
REAL ESTATE 35.3%	LARGE CAP 33.4%	LARGE CAP 28.6%	INT'L DM 27.3%	COMM. 31.8%	REAL ESTATE 13.9%	COMM. 25.9%	INT'L DM 39.3%	REAL ESTATE 31.6%	COMM. 21.4%	REAL ESTATE 34.4%	COMM. 16.2%	LT BOND 24.0%	HY BOND 57.5%	REAL ESTATE 27.6%	LT BOND 29.9%	REAL ESTATE 19.7%	SMALL CAP 41.3%	REAL ESTATE 28.1%	REAL ESTATE 2.8%	SMALL CAP 26.6%	EMERG. MKTS 37.3%	ST/IT BOND 0.0%	
																			50/50 PORT 1.0%				
	50/50 PORT 21.6%	50/50 PORT 18.7%																	50/50 PORT 9.9%				50/50 PORT -2.2%
											50/50 PORT 6.5%	50/50 PORT -16.0%			50/50 PORT 5.0%		50/50 PORT 15.2%						
							50/50 PORT 16.4%									50/50 PORT 10.1%					50/50 PORT 7.0%	50/50 PORT 12.7%	
50/50 PORT 13.3%			50/50 PORT 10.1%					50/50 PORT 7.6%		50/50 PORT 10.1%			50/50 PORT 16.2%	50/50 PORT 10.8%									
									50/50 PORT 3.7%														
						50/50 PORT -5.9%																	
				50/50 PORT 1.3%	50/50 PORT -1.8%																		
LT BOND -0.9%	COMM. -3.4%	COMM. -27.0%	LT BOND -8.7%	INT'L DM -14.0%	INT'L DM -21.2%	LARGE CAP -22.1%	T-BILLS 1.1%	T-BILLS 1.2%	GLOBAL BOND -6.9%	COMM. 2.1%	REAL ESTATE -17.8%	INT'L DM -43.1%	LT BOND -12.9%	T-BILLS 0.1%	COMM. -13.3%	COMM. -1.1%	LT BOND -13.9%	COMM. -17.0%	COMM. -24.7%	T-BILLS 0.3%	COMM. 1.7%	EMERG. MKTS -14.5%	

LARGE CAP - S&P 500, ST/IT BONDS - BLOOMBERG BARCLAYS CAPITAL U.S. AGGREGATE BOND INDEX, T-BILLS - CITIGROUP 3 MONTH TREASURY BILL INDEX, GLOBAL BONDS - CITIGROUP WORLD GOVERNMENT BOND INDEX, COMMODITIES - BLOOMBERG COMMODITY INDEX, HEDGE FUNDS -HFRX GLOBAL HEDGE FUND INDEX, LT BOND - BLOOMBERG BARCLAYS CAPITAL U.S. TREASURY LONG, HY BOND - MERRILL LYNCH HIGH YIELD MASTER II, LARGE FOREIGN - MSCI EAFE, REAL ESTATE - FTSE NAREIT ALL EQUITY REITS, SMALL CAP - S&P 600, MID CAP - S&P 400, 50/50 PORTFOLIO IS COMPRISED OF 50% S&P 500 INDEX AND 50% BLOOMBERG BARCLAYS U.S. AGGREGATE BOND INDEX SOURCE: MORNINGSTAR INC. PAST PERFORMANCE DOES NOT GUARANTEE FUTURE RESULTS. SOURCE: MORNINGSTAR. DIVERSIFICATION DOES NOT GUARANTEE A PROFIT OR PROTECT AGAINST LOSS.

A photograph of a bonsai tree in a dark, rectangular pot. The tree has dense, vibrant green needles and a gnarled, dark brown trunk. The pot is covered in a thick layer of bright green moss. The bonsai is placed on a light-colored, textured stone ledge. In the background, there is a blurred view of water, possibly a pond or lake, with some colorful lights reflecting on its surface. A semi-transparent grey box with white text is overlaid on the image.

AREAS OF RELATIVE STABILITY
DURING VOLATILE PERIODS

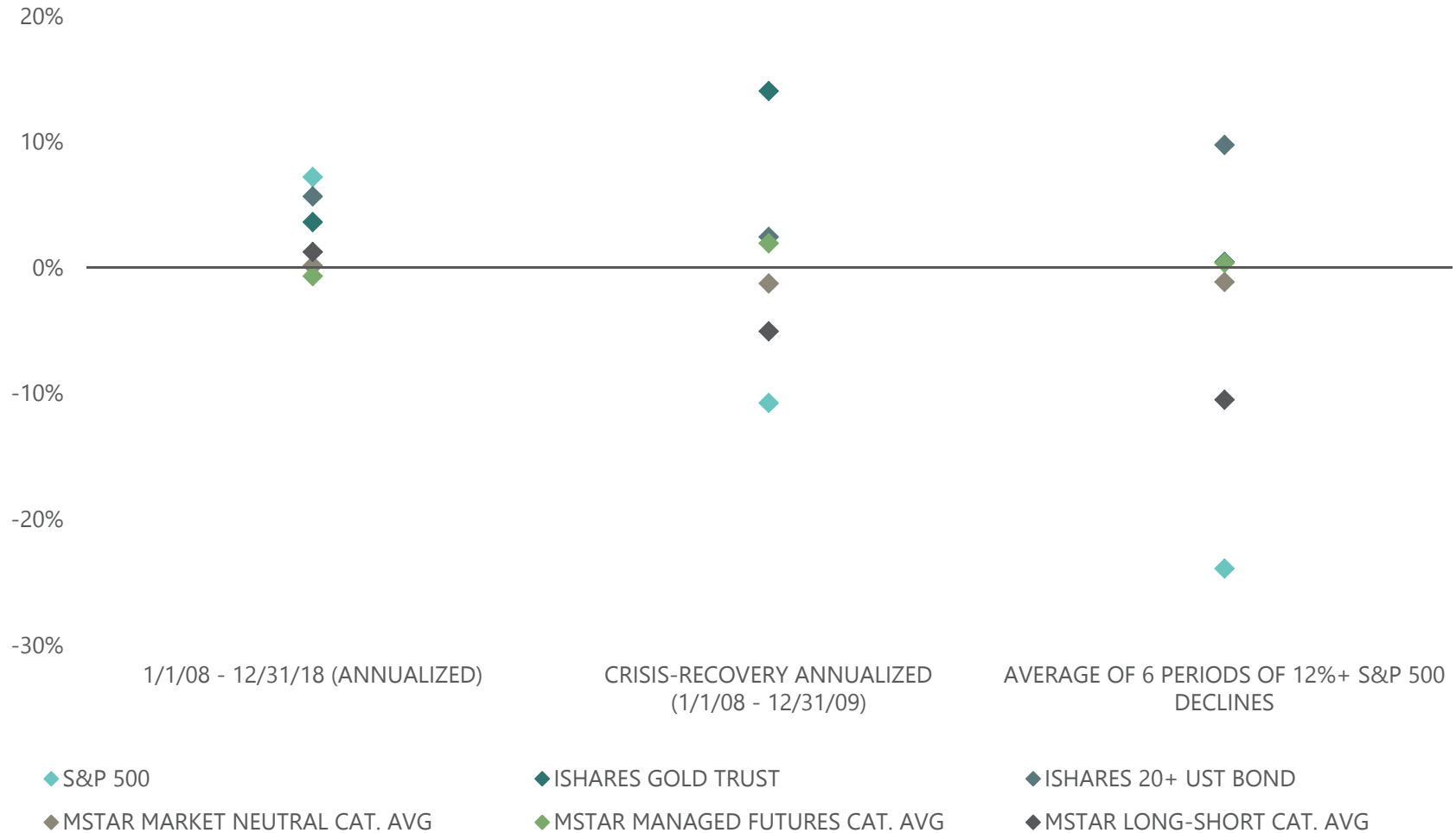
AREAS OF RELATIVE STABILITY

ASSET CLASSES AND STRATEGIES EXHIBITING LOW CORRELATION DURING EQUITY MARKET DECLINES



AREAS OF RELATIVE STABILITY

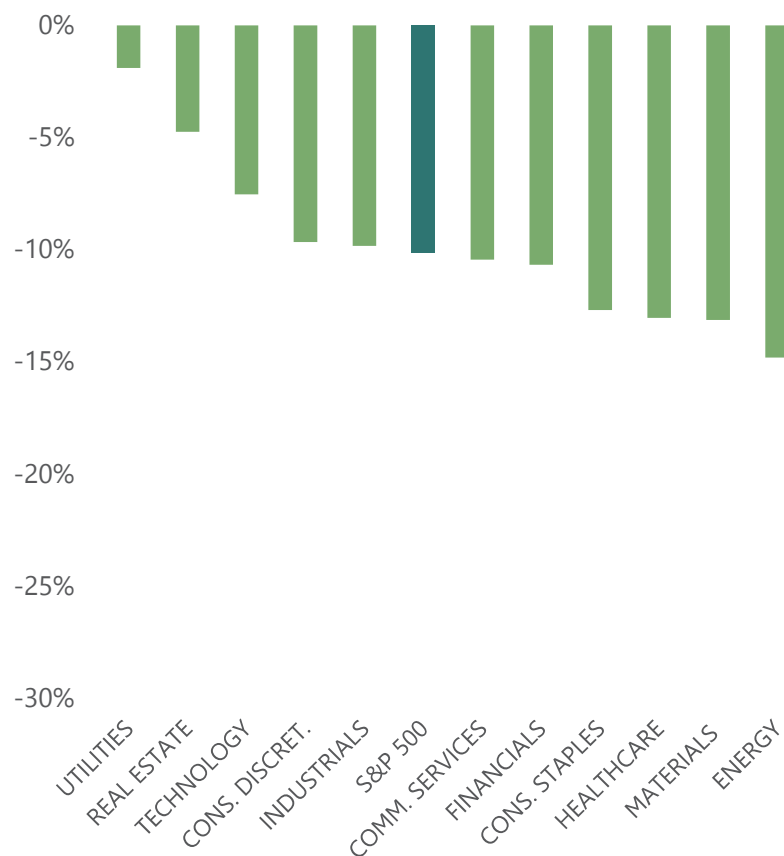
ASSET CLASSES AND STRATEGIES EXHIBITING LOW CORRELATION DURING EQUITY MARKET DECLINES



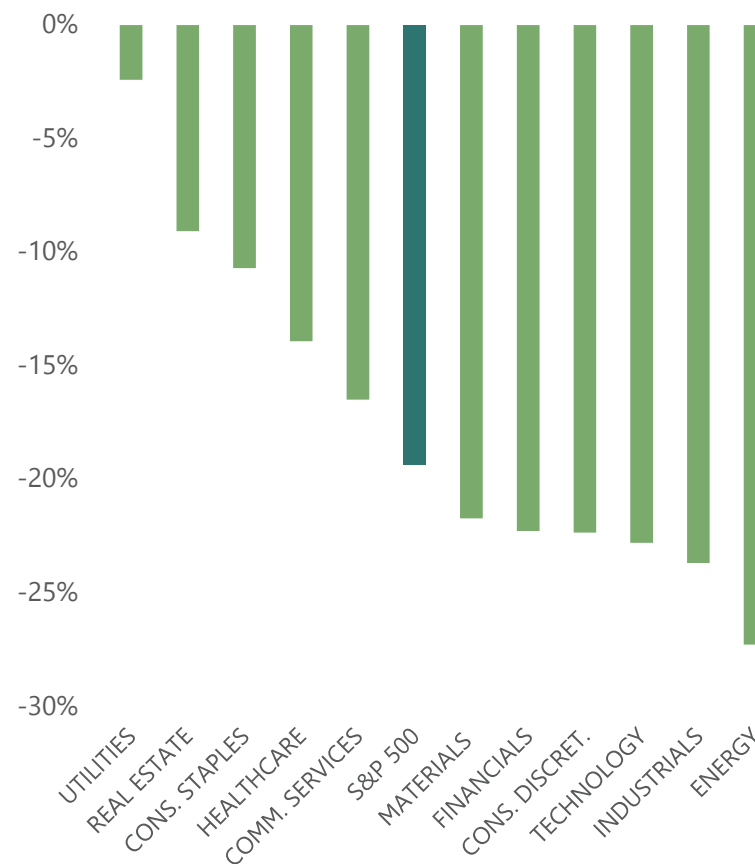
AREAS OF RELATIVE STABILITY

S&P 500 SECTOR PERFORMANCE DURING PERIODS OF MARKET STRESS IN 2018

JANUARY 26 THROUGH APRIL 2

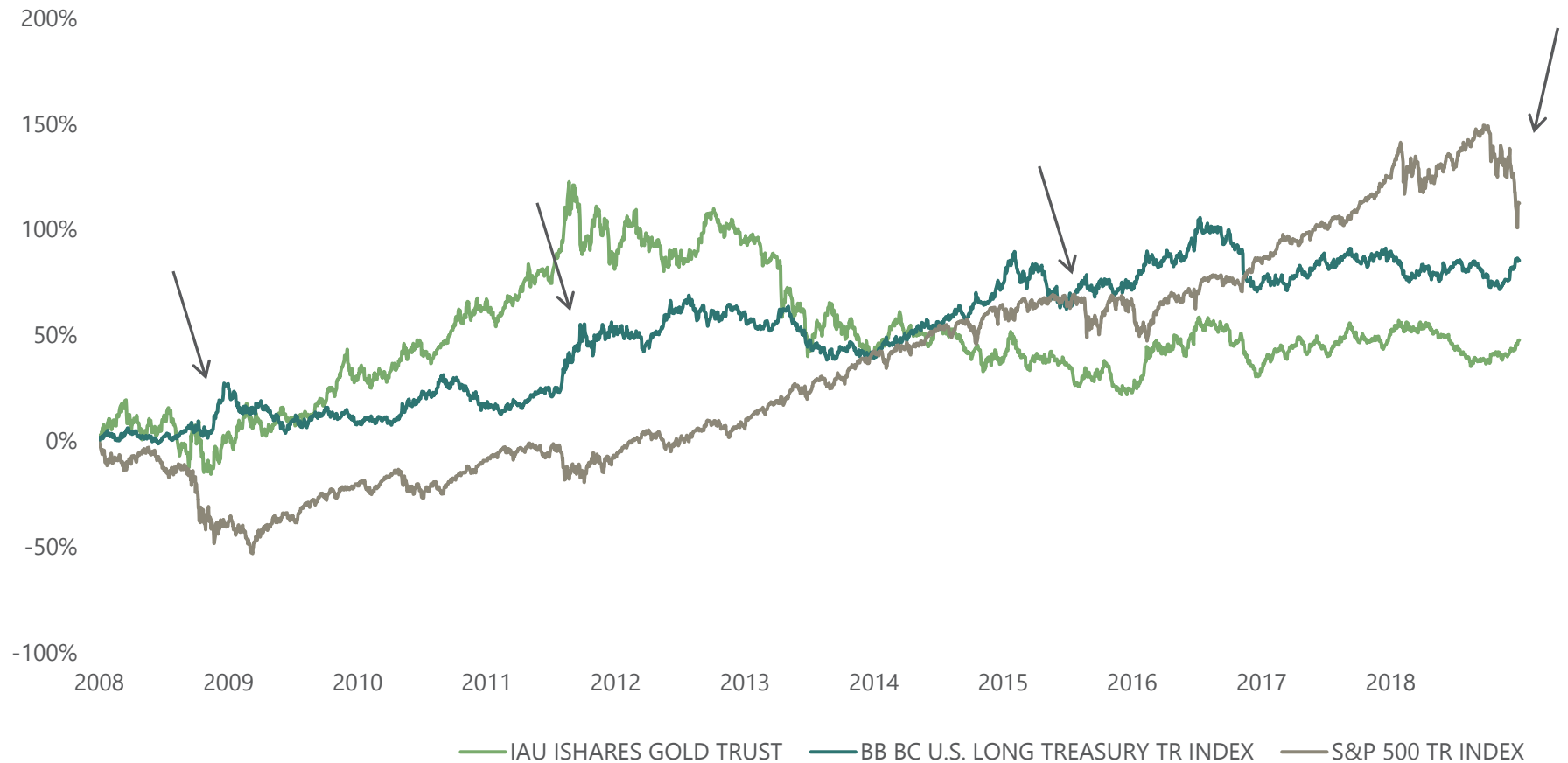


SEPTEMBER 20 THROUGH DECEMBER 24



AREAS OF RELATIVE STABILITY JANUARY 2008 THROUGH DECEMBER 2018

GOLD AND LONG-TERM U.S. TREASURY BONDS HAVE PROVEN HELPFUL BUT NOT WITHOUT DRAWBACKS



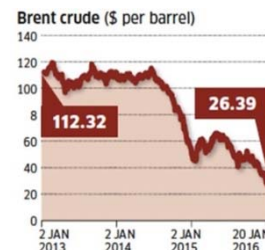
FINAL THOUGHTS AND
OUTLOOK



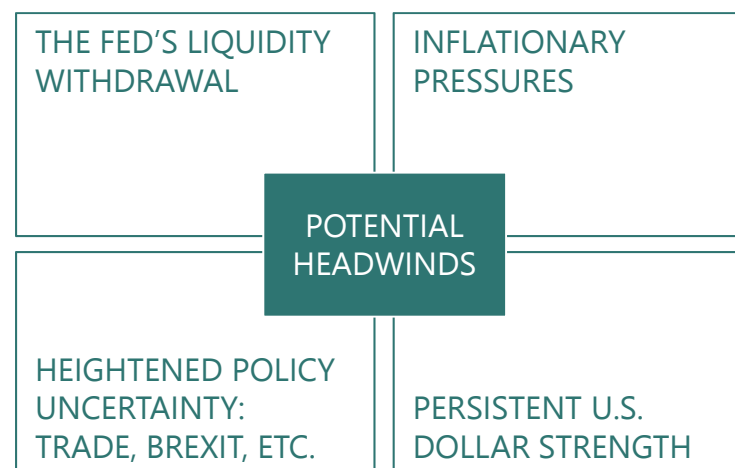
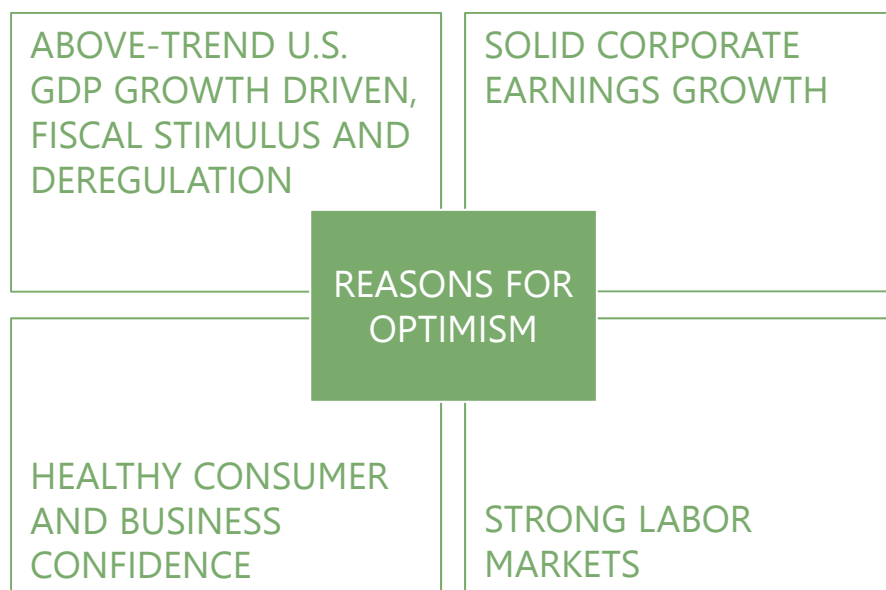
VOLATILITY IS A NORMAL PART OF INVESTING
 OVER THE LAST 3-4 YEARS, THERE HAVE BEEN PLENTY OF CONCERNING HEADLINES

SINCE MID-2015:

- CHINESE CURRENCY DEVALUATION
- CRUDE OIL PRICE COLLAPSE
- BREXIT
- 2016 PRESIDENTIAL ELECTION
- 2017 NORTH KOREAN THREATS
- VOLATILITY SHOCK JAN/FEB 2018
- BITCOIN/DIGITAL CURRENCY CRASH
- ITALIAN POPULISTS' VICTORY
- 2018 MID-TERM ELECTIONS
- U.S.-CHINA TRADE DISPUTE



ECONOMIC AND MARKET OUTLOOK





DISCLOSURES

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