Covenant Asset Management, LLC

First Quarter 2020 Investment Perspectives

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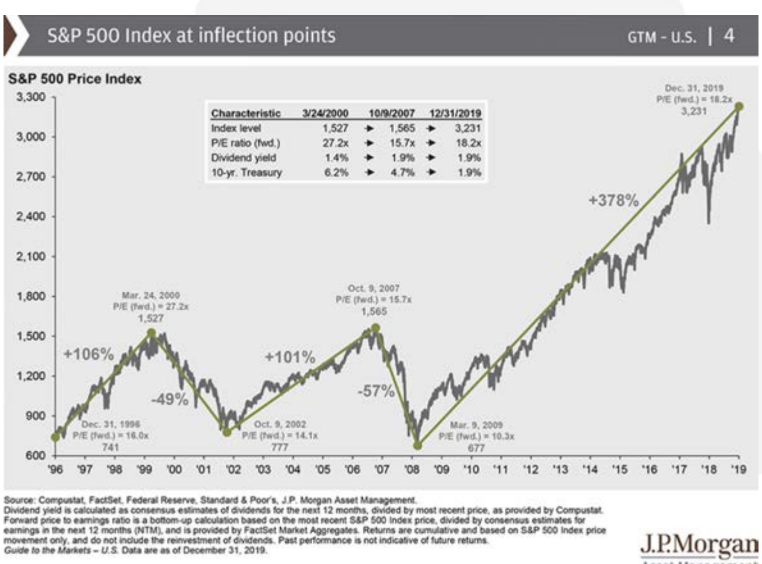
Economic and Financial Markets Review & Outlook

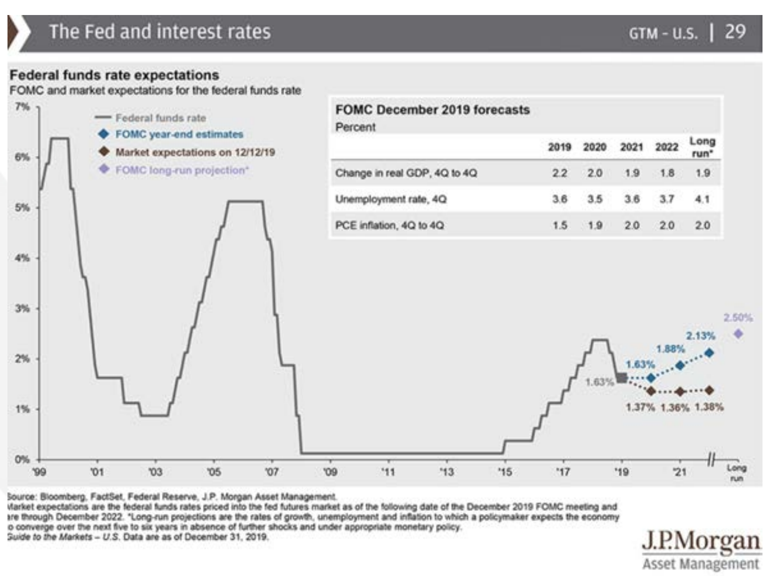
Covenant Asset Management is pleased to offer our latest investment perspectives. In this publication we review 2019 results and highlight key economic, financial and political themes which we expect will drive markets and investment performance in the coming months.

KEY THEMES

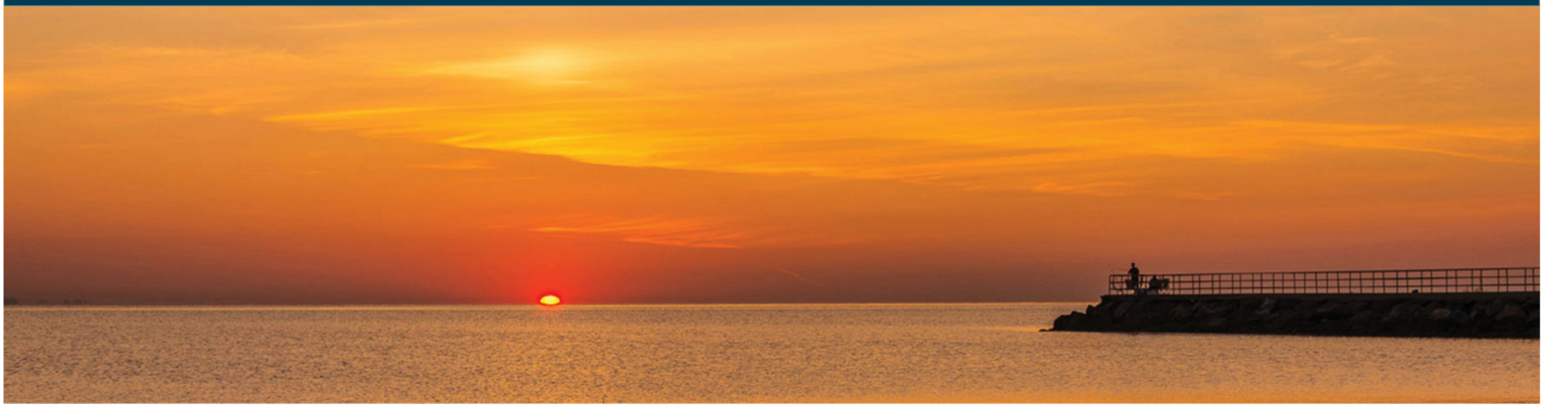
1. The perfect storm of late 2018 turned into calm and rising seas during 2019.
2. Mid-east tensions have escalated in the early days of 2020, creating geo-political uncertainties and pressuring markets.
3. Trade issues and monetary policy are likely to fade from investors view as the year progresses and 2020 elections come into focus.

Few predicted the banner year for financial markets in 2019. A year ago, investors were nervous about trade policy, a slowing economy, too tight monetary policy and possible Russian collusion leading to a removal of President Trump from office. As the year progressed, each of these issues was dealt with in a manner pleasing to investors.The U.S. economy did indeed slow from 2018's pace, but still grew faster than expected and likely above 2% for all of 2019. The Fed reversed course and, instead of raising interest rates, ended up cutting the fed funds rate by a cumulative 75 basis points and restored a normal, positively sloped yield curve. Trade tensions, especially with China, have eased. A phase one deal is scheduled to be signed in mid-January. While it is likely that no material progress will be made on the next phase of negotiations before the 2020 U.S. elections, no further escalation is expected either. Finally, the Russian collusion allegations which dogged the President for two and a half years were finally put to rest, when the Mueller report was released and no evidence of Russia colluding with the Trump campaign was found.



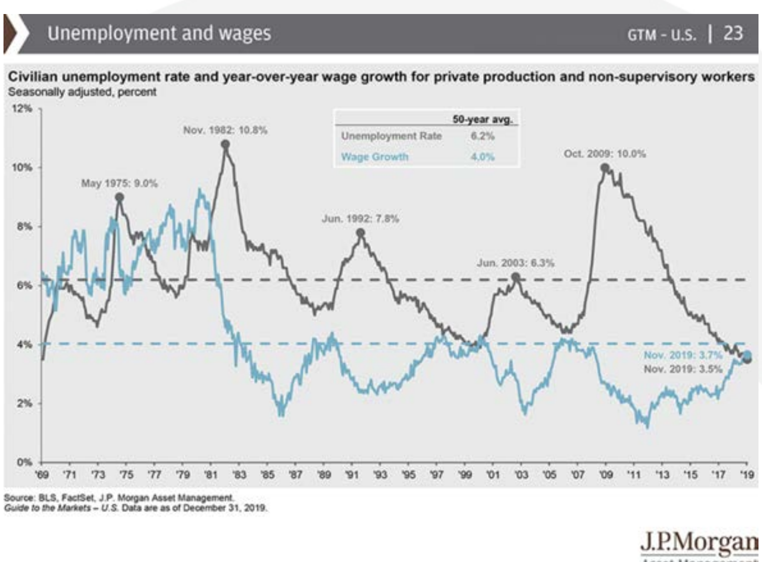


Economic and Financial Markets Review



Although choppy at times, markets responded favorably to the resolution of these concerns and exited last year with the Dow Jones Industrial Average, S&P 500 and Nasdaq composite hitting record high after record high.

By all accounts, the U.S. economy is performing well. The labor market continues to exceed expectations with average monthly job gains of approximately 200,000. Unemployment rates remain near a fifty year low at 3.5% and the labor force participation rate has risen by almost a full percentage point over the last two years. Wage growth, after being stuck at 2% for the better part of ten years, has risen to 3.7% in the past year. Tax reform legislation and deregulation has benefitted consumers and both small and large companies and likely extended the economic expansion. Lower interest rates and lowered trade tensions are expected to lead to an uptick in economic and corporate earnings growth as we enter 2020. Business sentiment and industrial production contracted throughout 2019, largely on escalating trade tensions. With these tensions easing, it is likely that both sentiment and industrial production will improve in the year ahead.



Financial markets enter 2020 with fewer concerns than a year ago and expectations for a revival of business investment, corporate earnings and foreign economies. The stock market momentum from 2019 may well carry into the first quarter or two of the new year, but, as investors look ahead to the November elections, it is possible that markets may hesitate or correct based upon the possibility of less favorable tax and regulatory policy that could ensue depending on the outcome of the election. The biggest risk for investors would be a sweep by democrats in the 2020 election. One party control of government has historically created the worst legislative outcomes and, should democrats act on their threat to abolish the legislative filibuster rule in the Senate, tax increases and increased regulations across many industries are a likely outcome. At this writing, betting markets show a 75% probability of democrats retaining control of the House of Representatives and Republicans maintaining control of the Senate with the Presidency a toss-up. Markets could become especially unnerved if one of the more socialist candidates, such as Bernie Sanders or Elizabeth Warren, are able to win the democratic nomination. Since no votes have been cast in primary contests yet, it is too early to tell the direction the democratic nominating process will take.

Iran's continued provocations in the mid-east finally evoked a military response by the U.S. in the early days of 2020. The Trump administration's policy had been to counter Iranian aggression through the use of increased economic sanctions. That changed when an American contractor in Iraq was killed by an Iranian-backed Iraqi militia missile strike. The U.S. retaliated with its own missile strike which killed 25 Iranian-backed Iraqi militiamen and Iran

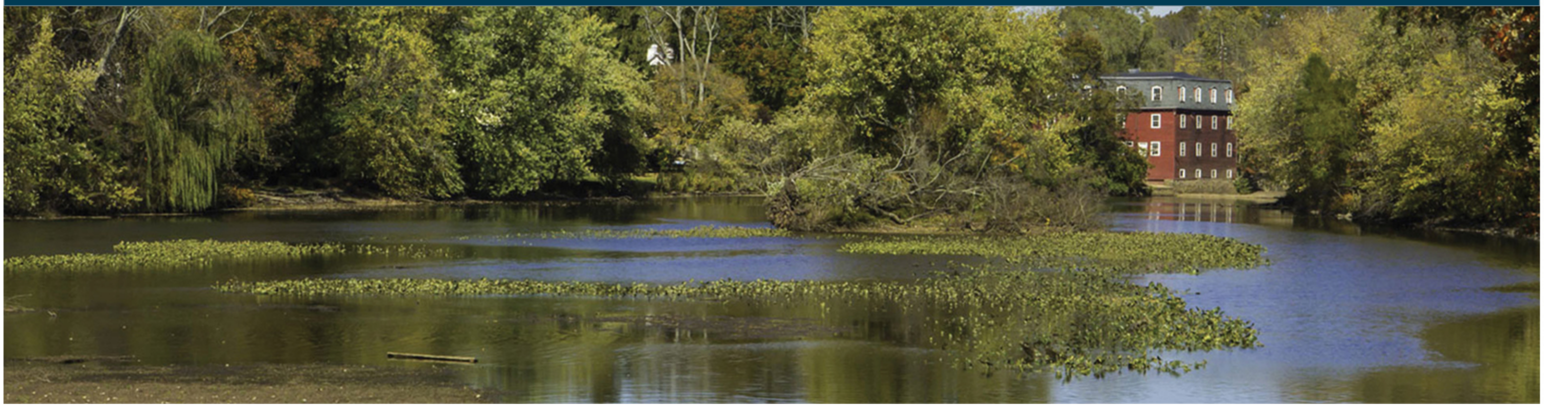
Economic and Financial Markets Challenges

reportedly sanctioned an attack on the U.S. embassy in Iraq. Though no one was harmed in this attack, U.S. intelligence officials claim Iran's highest ranking general had ordered the attack and was planning larger attacks against U.S. troops, assets or other interests in the region. General Soleimani was well-known to U.S. intelligence and was reported to be behind many attacks that killed U.S. soldiers. As a consequence, President Trump authorized a drone strike near the Baghdad Airport that killed the Iranian general. In a likely face-saving move, Iran retaliated with a missile strike aimed at U.S. forces in Iraq. There were no reported casualties and limited damage from the attack. The leadership of both countries is now attempting to de-escalate the conflict and it is not in either country's best interest to pursue a full-blown war. We're still in the early phases of this clash and things could change in the weeks and months ahead. Financial markets initially sold off upon hearing of both the U.S. and Iran strikes, but surged to record highs when President Trump, in an address to the nation, eased worries of further escalation in U.S.-Iranian tensions.

Although we believe the economic expansion and bull market in stocks are likely to continue this year, from a strategy standpoint, it is important to remember that we are in the later stages of both. Risk management through diversification, both across and within asset classes is even more important at this time. In addition, adherence to the right mix amongst various asset classes tailored to meet investor objectives is vital. It is also important to be vigilant in purchasing financially strong companies with healthy balance sheets and strong positive cash flow and to be alert for signs of deteriorating financial fundamentals. A review of client's access to cash to meet expenses is important as well to avoid the necessity of liquidating assets at depressed prices whenever the next downturn occurs.

We are grateful for your business and the trust you have placed in us to advise and manage your financial affairs. We wish you a happy, healthy and prosperous 2020 and look forward to meeting or speaking with you soon.

Financial Markets Charts

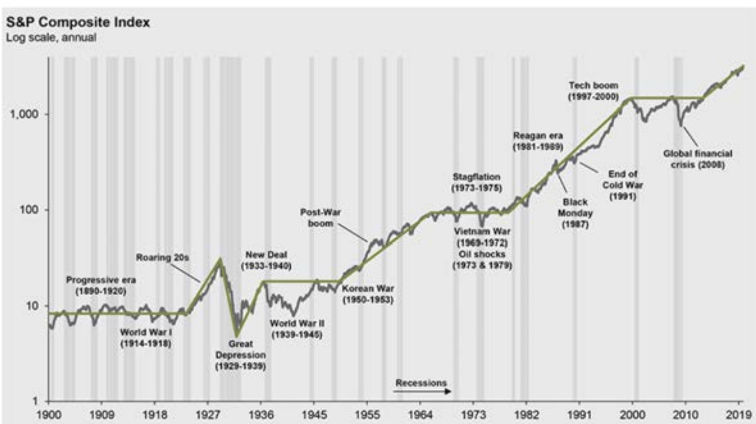


Rather than write extensively about equity valuations, economic statistics and investing principles, we offer the following charts organized by topic and courtesy of J.P. Morgan Asset Management:

Stock market since 1900

GTM - U.S. | 15

S&P Composite Index
Log scale, annual



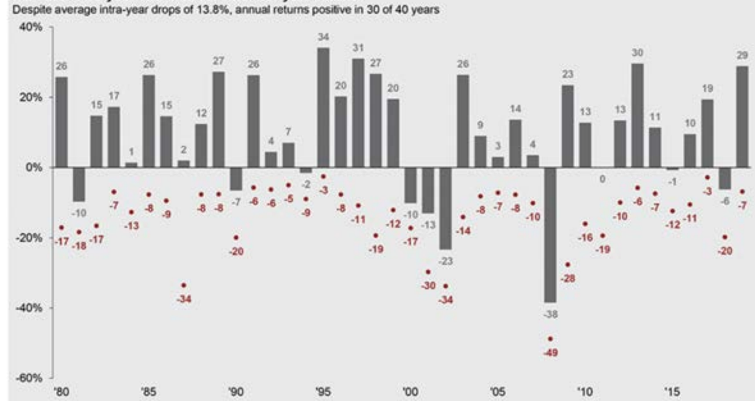
Source: FactSet, NBER, Robert Shiller, J.P. Morgan Asset Management.
Data shown in log scale to best illustrate long-term index patterns. Past performance is not indicative of future returns. Chart is for illustrative purposes only.
Guide to the Markets – U.S. Data are as of December 31, 2019.

J.P.Morgan Asset Management

Annual returns and intra-year declines

GTM - U.S. | 13

S&P 500 intra-year declines vs. calendar year returns
Despite average intra-year drops of 13.8%, annual returns positive in 30 of 40 years



Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management.
Returns are based on price index only and do not include dividends. Intra-year drops refers to the largest market drops from a peak to a trough during the year. For illustrative purposes only. Returns shown are calendar year returns from 1980 to 2019, over which time period the average annual return was 8.9%.
Guide to the Markets – U.S. Data are as of December 31, 2019.

J.P.Morgan Asset Management

S&P 500 valuation measures

GTM - U.S. | 5

S&P 500 Index: Forward P/E ratio

Valuation measure	Description	Latest	25-year avg.*	Std. dev. Over-/under-Valued
P/E	Forward P/E	18.18x	16.28x	0.60
CAPE	Shiller's P/E	30.78	27.20	0.58
Div. Yield	Dividend yield	1.93%	2.09%	0.41
P/B	Price to book	3.32	2.96	0.49
P/CF	Price to cash flow	12.97	10.62	1.28
EY Spread	EY minus Baa yield	1.63%	-0.02%	-0.84

Source: FactSet, FRB, Robert Shiller, Standard & Poor's, Thomson Reuters, J.P. Morgan Asset Management.
Price to earnings is price divided by consensus analyst estimates of earnings per share for the next 12 months as provided by IBES since January 1995, and FactSet for December 31, 2019. Average P/E and standard deviations are calculated using 25 years of IBES history. Shiller's P/E uses trailing 10-years of inflation-adjusted earnings as reported by companies. Dividend yield is calculated as the next 12-month consensus dividend divided by most recent price. Price to book ratio is the price divided by book value per share. Price to cash flow is price divided by NTM cash flow. EY minus Baa yield is the forward earnings yield (consensus analyst estimates of EPS over the next 12 months divided by price) minus the Moody's Baa seasoned corporate bond yield. Std. dev. over-/under-valued is calculated using the average and standard deviation over 25 years for each measure.
*P/CF is a 20-year average due to cash flow data availability.
Guide to the Markets – U.S. Data are as of December 31, 2019.

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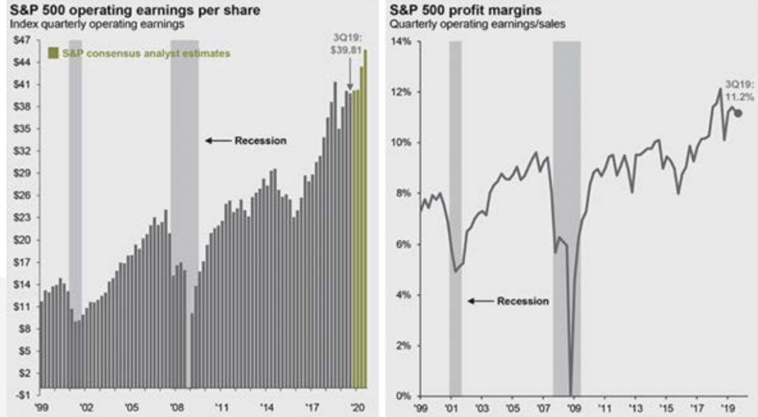
Corporate profits

GTM - U.S. | 7

S&P 500 operating earnings per share
Index quarterly operating earnings

S&P 500 profit margins
Quarterly operating earnings/sales



Source: Compustat, FactSet, Standard & Poor's, J.P. Morgan Asset Management.
EPS levels are based on operating earnings per share. Earnings estimates are Standard & Poor's consensus analyst expectations. Past performance is not indicative of future returns.
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Financial Markets Charts

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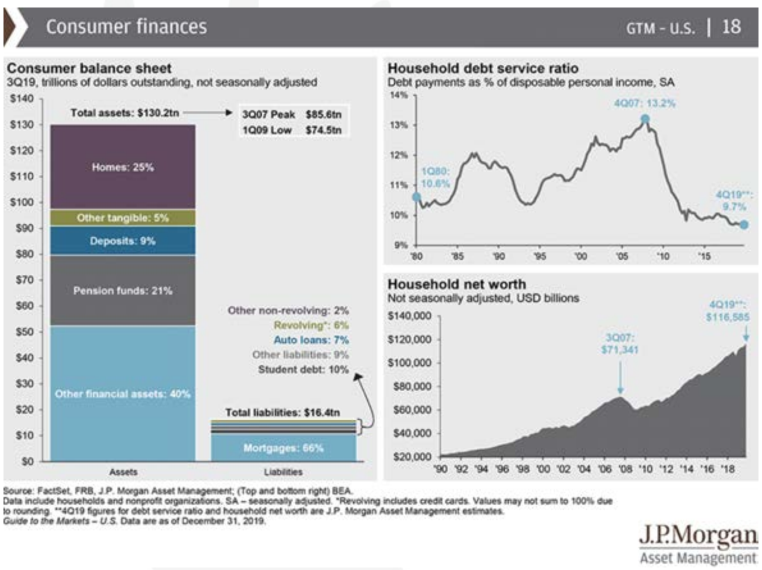

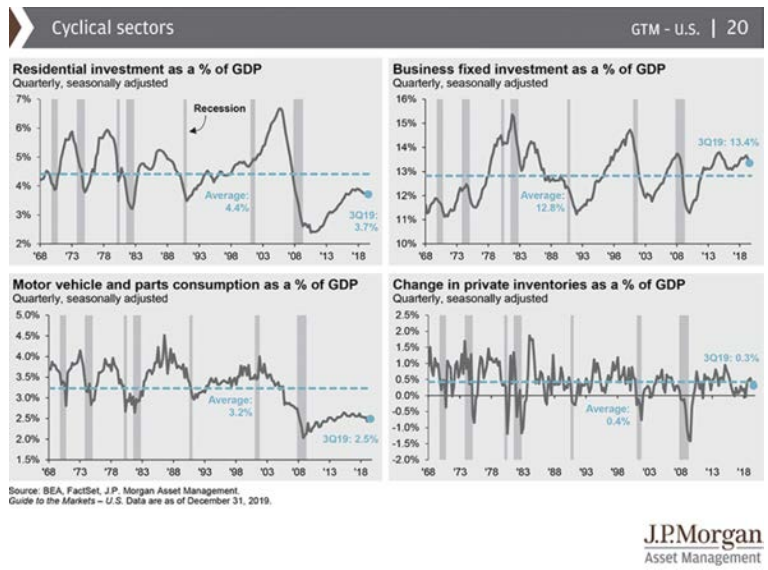

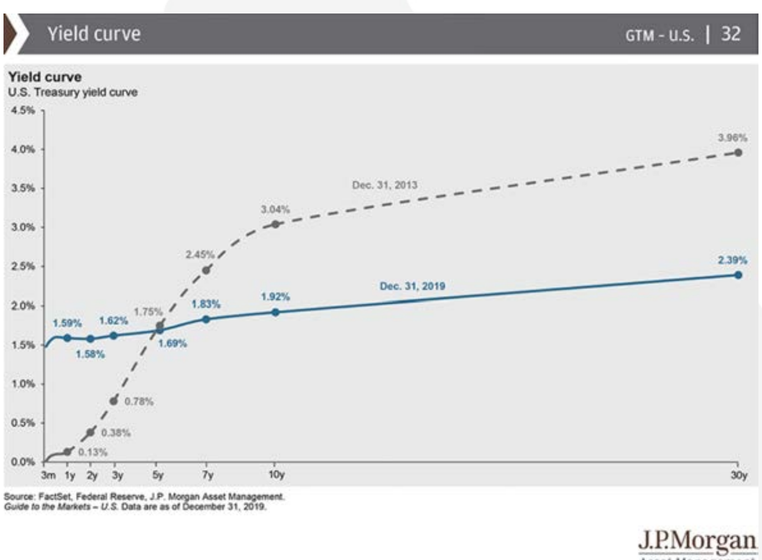

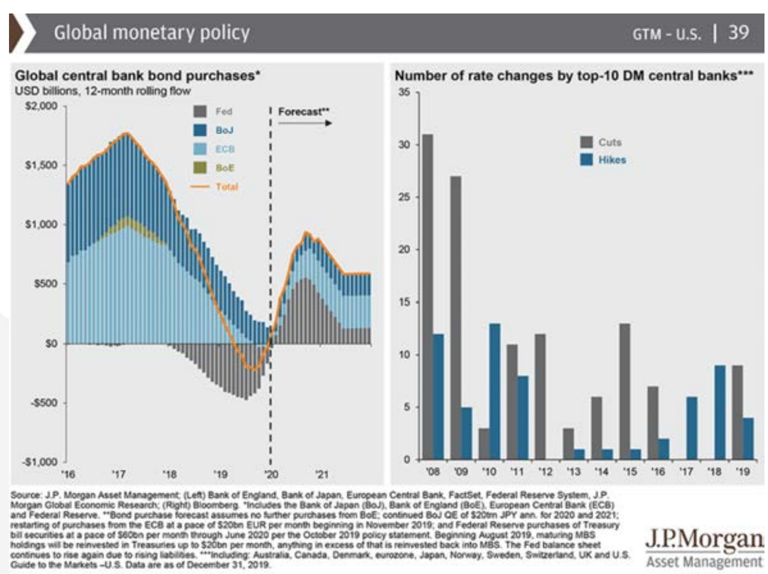

Financial Markets Charts

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Asset class returns

GTM - U.S. | 60

2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2005 - 2019 Ann.	2005 - 2019 Vol.
EM Equity 34.5%	REITs 35.1%	EM Equity 39.8%	Fixed Income 5.2%	EM Equity 79.0%	REITs 27.9%	REITs 8.3%	REITs 19.7%	Small Cap 38.8%	REITs 28.0%	REITs 2.8%	Small Cap 21.3%	EM Equity 37.8%	Cash 1.8%	Large Cap 31.5%	Large Cap 9.0%	REITs 22.2%
Comdty. 21.4%	EM Equity 32.6%	Comdty. 16.2%	Cash 1.8%	High Yield 59.4%	Small Cap 26.9%	Fixed Income 7.8%	High Yield 19.6%	Large Cap 32.4%	Large Cap 13.7%	Large Cap 1.4%	High Yield 14.3%	DM Equity 25.6%	Fixed Income 0.0%	REITs 28.7%	REITs 8.3%	EM Equity 22.1%
DM Equity 14.0%	DM Equity 26.9%	DM Equity 11.6%	Asset Alloc. -25.4%	DM Equity 32.5%	EM Equity 19.2%	High Yield 3.1%	EM Equity 18.6%	DM Equity 23.3%	Fixed Income 6.0%	Fixed Income 0.5%	Large Cap 12.0%	Large Cap 21.8%	REITs -4.0%	Small Cap 25.5%	Small Cap 7.9%	Comdty. 18.6%
REITs 12.2%	Small Cap 18.4%	Asset Alloc. 7.1%	High Yield -26.9%	REITs 28.0%	Comdty. 16.8%	Large Cap 2.1%	DM Equity 17.9%	Asset Alloc. 14.9%	Asset Alloc. 5.2%	Cash 0.0%	Comdty. 11.8%	Small Cap 14.6%	High Yield -4.1%	DM Equity 22.7%	EM Equity 7.8%	Small Cap 17.7%
Asset Alloc. 8.1%	Large Cap 15.8%	Fixed Income 7.0%	Small Cap -33.8%	Small Cap 27.2%	Large Cap 15.1%	Cash 0.1%	Small Cap 16.3%	High Yield 7.3%	Small Cap 4.9%	DM Equity -0.4%	EM Equity 11.6%	Asset Alloc. 14.6%	Large Cap -4.4%	Asset Alloc. 19.5%	High Yield 7.2%	DM Equity 17.3%
Large Cap 4.9%	Asset Alloc. 15.3%	Large Cap 5.5%	Comdty. -35.6%	Large Cap 26.5%	High Yield 14.8%	Asset Alloc. -0.7%	Large Cap 16.0%	REITs 2.9%	Cash 0.0%	Asset Alloc. -2.0%	REITs 8.6%	High Yield 10.4%	Asset Alloc. -5.8%	EM Equity 18.9%	Asset Alloc. 6.6%	Large Cap 14.0%
Small Cap 4.6%	High Yield 13.7%	Cash 4.8%	Large Cap -37.0%	Asset Alloc. 25.0%	Asset Alloc. 13.3%	Small Cap -4.2%	Asset Alloc. 12.2%	Cash 0.0%	High Yield 0.0%	High Yield -2.7%	Asset Alloc. 8.3%	REITs 8.7%	Small Cap -11.0%	High Yield 12.6%	DM Equity 5.3%	High Yield 10.9%
High Yield 3.6%	Cash 4.8%	High Yield 3.2%	REITs -37.7%	Comdty. 18.9%	DM Equity 8.2%	DM Equity -11.7%	Fixed Income 4.2%	Fixed Income -2.0%	EM Equity -1.8%	Small Cap -4.4%	Fixed Income 2.6%	Fixed Income 3.5%	Comdty. -11.2%	Fixed Income 8.7%	Fixed Income 4.1%	Asset Alloc. 10.0%
Cash 3.0%	Fixed Income 4.3%	Small Cap -1.6%	DM Equity -43.1%	Fixed Income 5.9%	Fixed Income 6.5%	Comdty. -13.3%	Cash 0.1%	EM Equity -2.3%	DM Equity -4.5%	EM Equity -14.6%	DM Equity 1.5%	Comdty. 1.7%	DM Equity -13.4%	Comdty. 7.7%	Cash 1.3%	Fixed Income 3.4%
Fixed Income 2.4%	Comdty. 2.1%	REITs -15.7%	EM Equity -53.2%	Cash 0.1%	Cash 0.1%	EM Equity -18.2%	Comdty. -1.1%	Comdty. -9.5%	Comdty. -17.0%	Comdty. -24.7%	Cash 0.3%	Cash 0.8%	EM Equity -14.2%	Cash 2.2%	Comdty. -2.6%	Cash 1.0%

Source: Barclays, Bloomberg, FactSet, MSCI, NAREIT, Russell, Standard & Poor's, J.P. Morgan Asset Management.
Large cap: S&P 500, Small cap: Russell 2000, EM Equity: MSCI EME, DM Equity: MSCI EAFE, Comdty: Bloomberg Commodity Index, High Yield: Bloomberg Barclays Global HY Index, Fixed Income: Bloomberg Barclays US Aggregate, REITs: NAREIT Equity REIT Index, Cash: Bloomberg Barclays 1-3m Treasury. The "Asset Allocation" portfolio assumes the following weights: 25% in the S&P 500, 10% in the Russell 2000, 15% in the MSCI EAFE, 5% in the MSCI EME, 25% in the Bloomberg Barclays US Aggregate, 5% in the Bloomberg Barclays 1-3m Treasury, 5% in the Bloomberg Barclays Global High Yield Index, 5% in the Bloomberg Commodity Index and 5% in the NAREIT Equity REIT Index. Balanced portfolio assumes annual rebalancing. Annualized (Ann.) return and volatility (Vol.) represents period of 12/31/04 – 12/31/19. Please see disclosure page at end for index definitions. All data represents total return for stated period. The "Asset Allocation" portfolio is for illustrative purposes only. Past performance is not indicative of future returns.
Guide to the Markets – U.S. Data are as of December 31, 2019.

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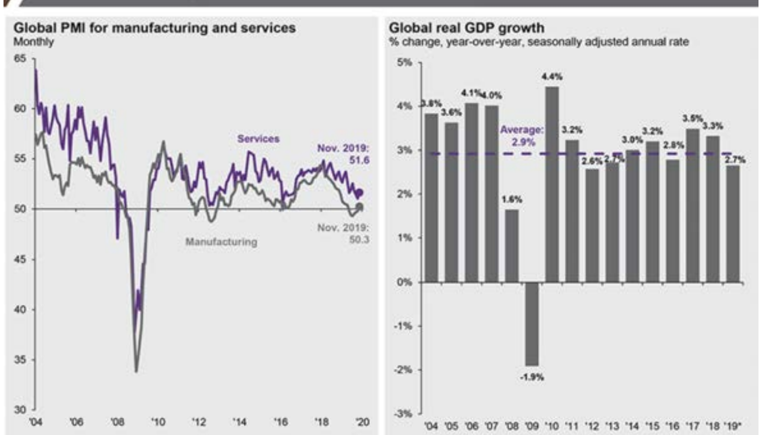
Global economic growth

GTM - U.S. | 47



Source: J.P. Morgan Asset Management; (Left) Markit; (Right) J.P. Morgan Global Economic Research.
PMI is the Purchasing Managers' Index. Global GDP growth is a GDP-weighted measure of real GDP at U.S. dollar market exchange rates. *Year-to-date is an average of the first three quarters and 3Q is a forecast.
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*Any performance-related data listed in this report may represent un-audited results compiled by Covenant Asset Management or others. It could be intended to reflect results that are indicative of Covenant's individual client's equity performance who religiously invest according to our model portfolios. This performance data represents past performance and individual client results may vary materially. Past performance does not guarantee future results and current performance may be higher or lower than the performance data quoted.

Covenant Asset Management, LLC