Covenant
Asset Management, LLC

Second Quarter 2019 Investment Perspectives

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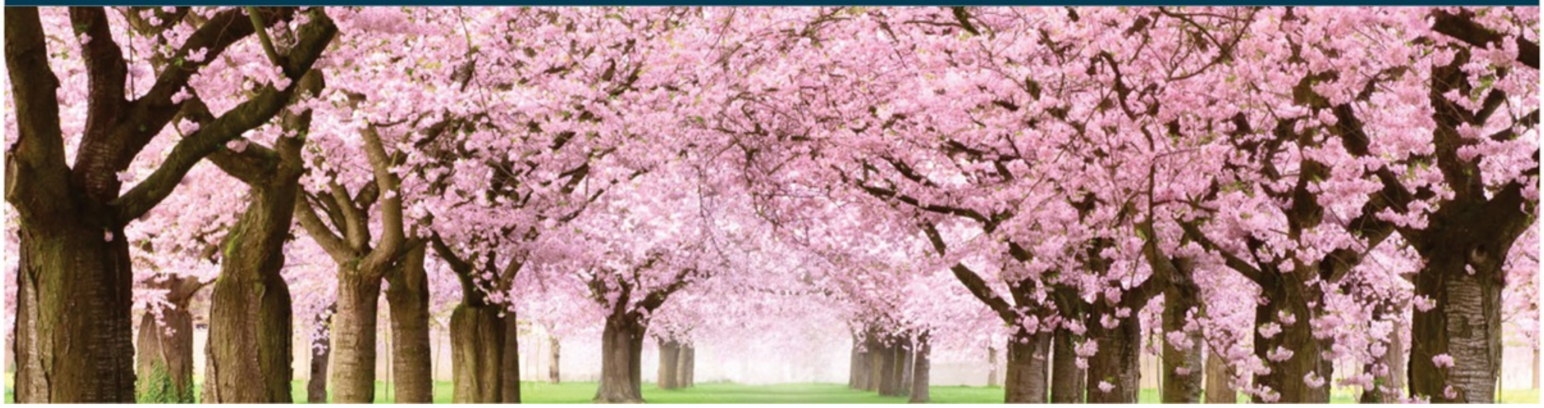
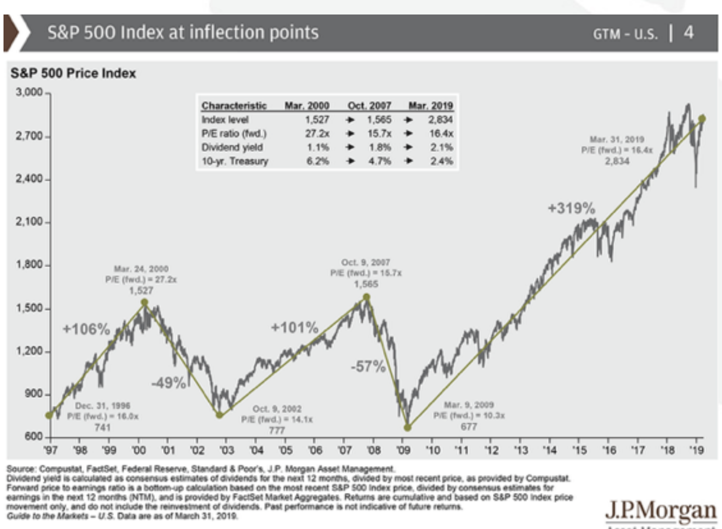
Economic and Financial Markets Review & Outlook

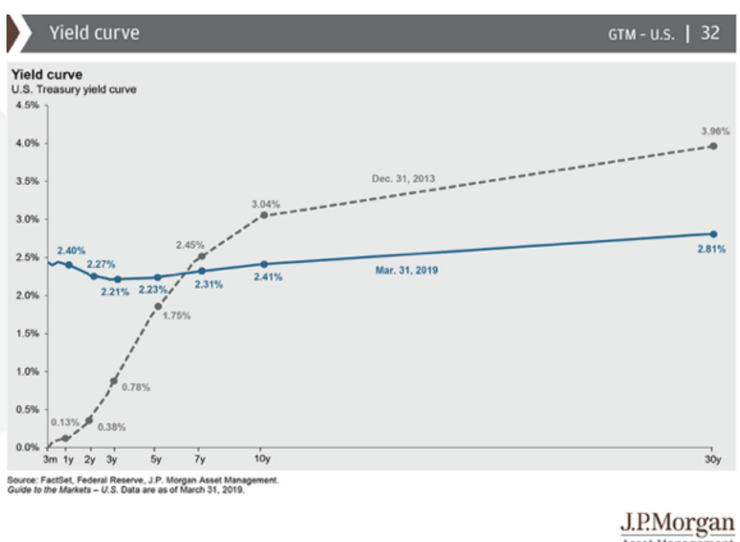


Covenant Asset Management is pleased to offer our latest investment perspectives. In this publication we review first quarter results and highlight key economic, financial, and political themes, which we expect will drive markets and investment performance in the coming months.

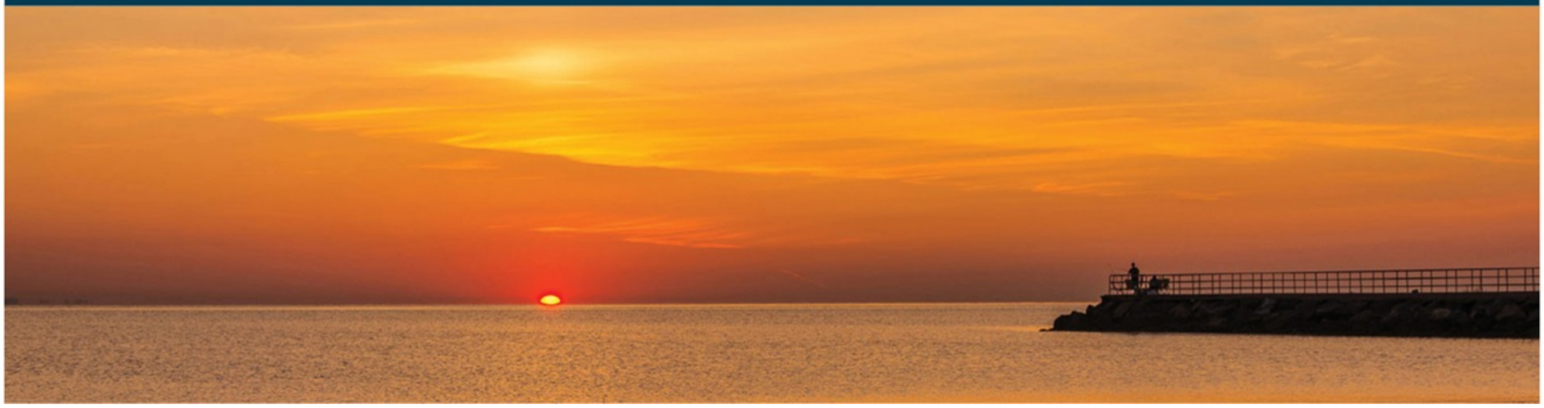
1. After a brutal end to 2018, stocks recovered sharply in the first quarter
2. Real GDP and earnings growth in 2019 is expected to decelerate from 2018's robust pace
3. With growth slowing, the Fed is no longer expected to hike rates in 2019 and is expected to end its balance sheet shrinkage by September
4. Perceived investment risks have diminished in the first quarter due to a more dovish Fed and deescalating trade tensions
5. New growth opportunities are emerging with the advent of 5G and a new generation of technology IPOs

Investors have been on a roller-coaster-like ride in the past six months. After attaining all-time highs in early October 2018, major U.S. stock indices took a dive to near bear market territory by the end of December. However, once the Federal Reserve Bank got its policy and messaging aligned with investor expectations, markets have experienced a strong recovery. To briefly review the circumstances surrounding this round-trip, we call to memory the perfect storm in mid-December 2018. Investors were frightened that global economic conditions were rapidly deteriorating, a trade war with China was about to escalate, and President Trump was about to make a foreign policy blunder by exiting Syria too quickly. By early January, the Fed had moderated its hawkish stance on monetary policy, the administration had dialed back its rhetoric about China and concerns over Middle East policy had abated. These positive developments allowed markets to rebound from deeply over-sold conditions. With sentiment that both economic and geo-political risks



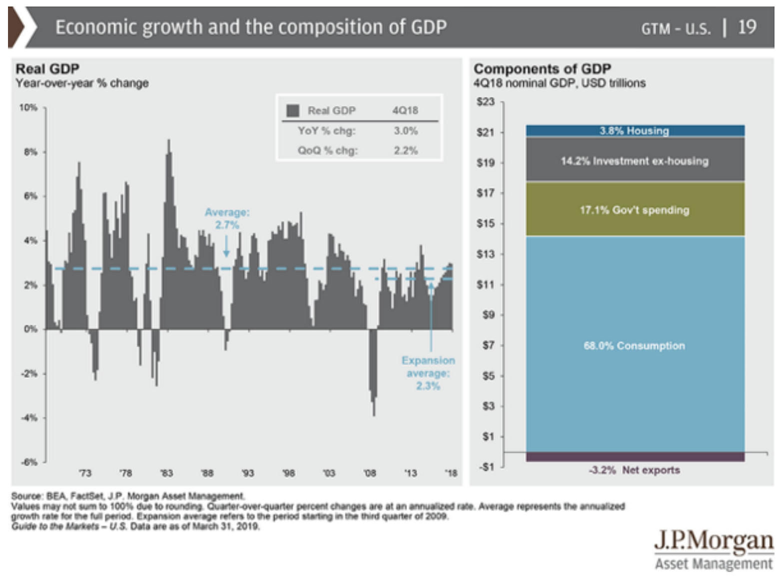


Economic and Financial Markets Review



had been reduced, investors jumped back into risk assets and have driven stock prices to within a few percentage points of the October highs. At the press conference after the March FOMC meeting, Fed Chairman Powell indicated the Fed would most likely not raise Fed Funds rates in 2019 and would end its asset run-off, dubbed quantitative tightening by the investment community, by September. These comments frightened bond investors into believing that global growth was deteriorating too rapidly and the risk of recession had risen. Within days of the FOMC meeting, the ten-year U.S. Treasury Note yield had dropped below 2.40% and the yield curve became slightly inverted at the short end of maturities. This means that very short-term rates on maturities of less than one year were higher than longer term rates out to ten years.

Stock market investors, and our view is that Chairman Powell's comments and recent economic reports suggest that, while economic conditions have slowed from last year's rapid pace, recession is unlikely within the next year or more. Some of the economic slowdown in the first quarter can be attributed to temporary factors including severe weather, the government shutdown and the hangover effects of the sharp drop in asset prices late last year. During the market turmoil, consumer and business confidence retreated from elevated levels in mid-2018 and have yet to fully recover. These indicators are important to watch as a sign of spending intentions for both consumers and businesses. Additionally, investors have become increasingly confident that a trade deal with China is probable. Our view is that some agreement will be made to take the issue off the table until after the 2020 elections. It is less likely that the most important issues concerning forced technology transfers and intellectual property theft can be



resolved soon. Anything short of an escalation of trade tensions should pacify investors and continue the trend toward a lower risk investment environment. With monetary policy and trade no longer considered near-term threats, slowing growth in Europe and worries over Brexit remain as areas of concern.

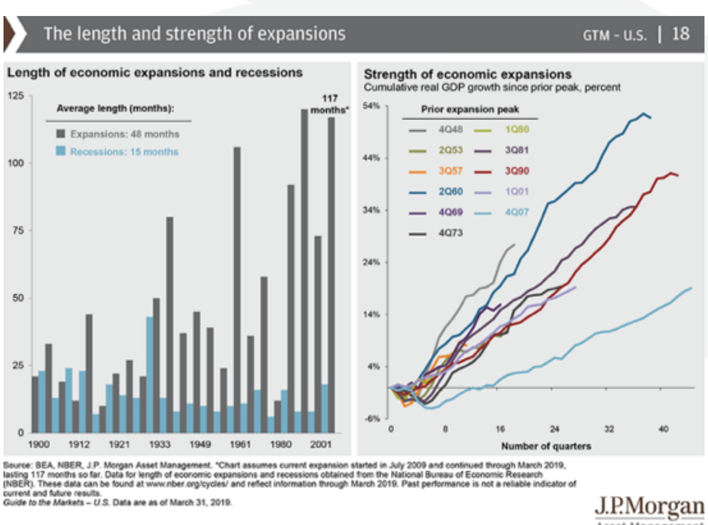
For the first time since the financial crisis in 2008/2009, we believe there is the potential for new growth leaders to emerge. Last week, we outlined the opportunity we see for investors with the development and rollout of 5G, the next generation of wireless networks. If you have not had the opportunity to read these comments, please click on the following 5G blog link. In addition to 5G, we also see emerging opportunities in a new generation of companies who are exploiting the vast opportunities of the internet and an increasingly connected world. These include fast-growing public companies as well as impending IPOs expected to go public this year. We intend to retain our discipline of not investing in companies until they become profitable and we have

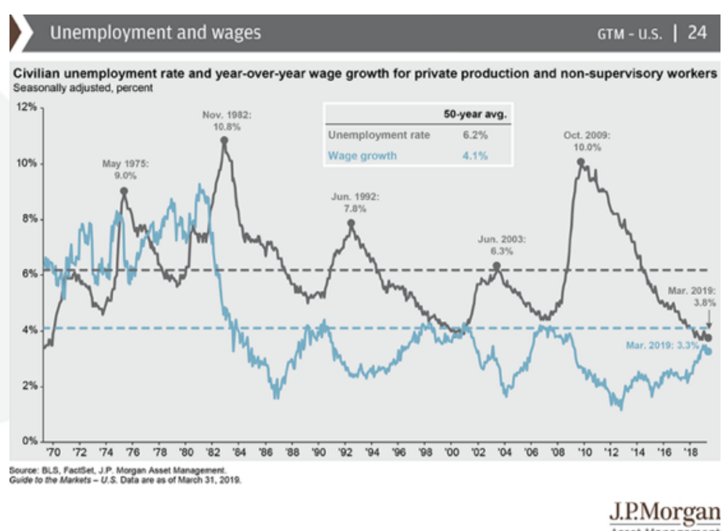
Economic and Financial Markets Challenges

confidence in their profitability and growth trends. After a decade of leading the U.S. stock market higher, we believe it is likely that the best days of strong relative price performance may be ending for the FAANG stocks (Facebook, Apple, Amazon, Netflix, Google). While these stocks may continue to appreciate in value along with the market, we do not expect the kind of market leading results we have all become accustomed to. The biggest reason for our expectations is size. All of these companies have now achieved revenue and market capitalization levels that make it more difficult to grow these measures at as fast a rate as when they were smaller. In order to make room for the emerging opportunities described above, clients should expect some of the funds to seed new opportunities to come from a reduction in FAANG stocks' holdings.

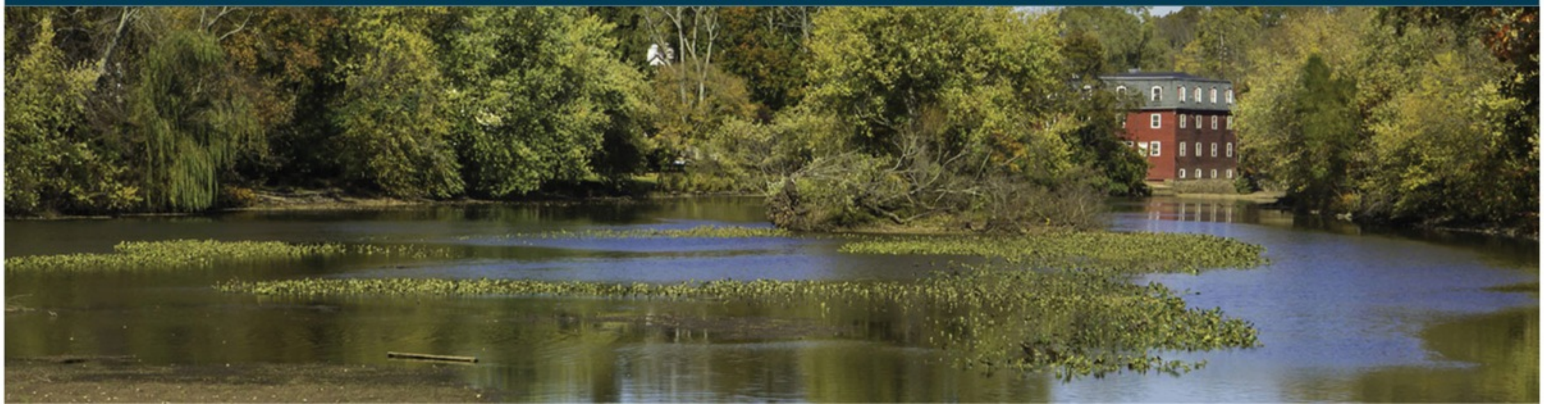
Another area of diversification certain clients may have noticed in their portfolios during the first quarter are structured CDs or Notes. These products have been around for many years, but it has been the better part of a decade since the market environment offered such appealing characteristics. Structured securities, also known as market-linked investments, are pre-packaged strategies that derive their return from an underlying security, basket of securities or indices. We use these securities in order to provide a combination of some downside protection, while allowing participation of much of the upside of the underlying security, index or basket, sometimes on a leveraged basis. At this stage of the economic and market cycle, we believe these products afford our clients attractive risk/reward characteristics. If appropriate for your individual objectives, you may see additional structured CDs and Notes purchased for your account to meet specific investment objectives.

It is possible that the Fed's reversal of monetary policy from hawkish to dovish within the last few months may have extended the life of the current economic expansion and bull market. However, we continue to believe we are in the late stages of these cycles and risk exposure should be checked to affirm it is in alignment with client objectives





Economic and Financial Markets Challenges



and risk tolerance. We advocate adhering to a disciplined and diversified investment strategy. This should allow our clients to ride out any market downturns and remain focused on their long-term goals. Please contact your Covenant financial advisor with any questions concerning our comments or strategy.

Asset class returns

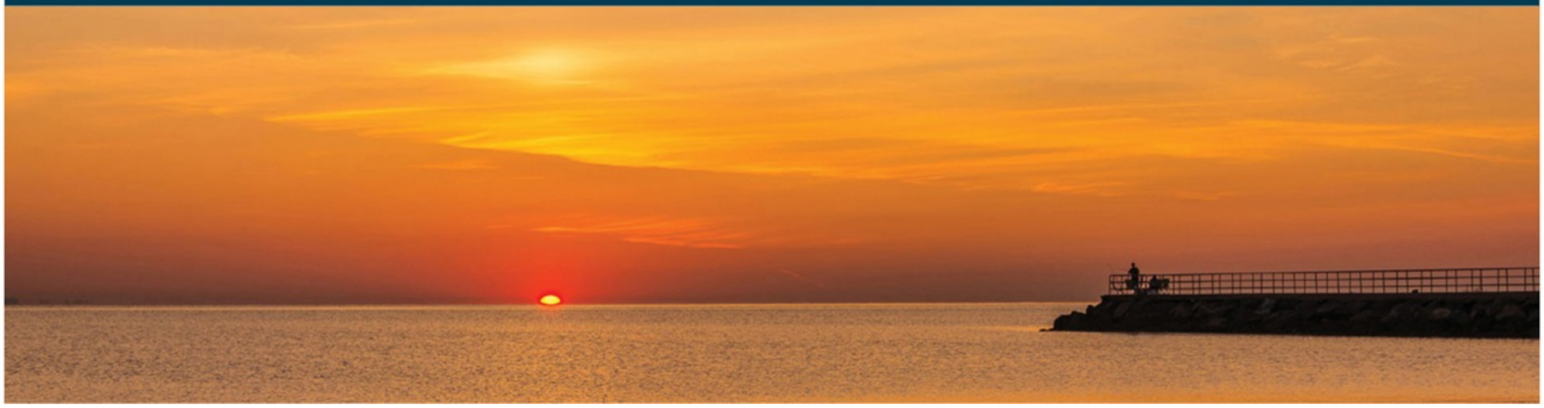
GTM – U.S. | 60

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	YTD	2004 - 2018 Ann.	2004 - 2018 Vol.
REITs 31.6%	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%	REITs 17.2%	REITs 8.5%	REITs 22.4%
EM Equity 26.0%	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%	Small Cap 14.6%	EM Equity 8.3%	EM Equity 22.1%
DM Equity 20.7%	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%	Large Cap 13.6%	Large Cap 7.8%	Small Cap 18.6%
Small Cap 18.3%	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 10.1%	Small Cap 7.5%	Comdty. 18.6%
High Yield 13.2%	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%	EM Equity 10.0%	High Yield 7.3%	DM Equity 17.6%
Asset Alloc. 12.8%	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%	Asset Alloc. 9.1%	Asset Alloc. 6.2%	Large Cap 14.5%
Large Cap 10.9%	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 6.3%	DM Equity 5.2%	High Yield 11.0%
Comdty. 9.1%	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%	Comdty. 6.3%	Fixed Income 3.9%	Asset Alloc. 10.3%
Fixed Income 4.3%	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%	Fixed Income 2.9%	Cash 1.3%	Fixed Income 3.3%
Cash 1.2%	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 0.6%	Comdty. -2.5%	Cash 0.8%

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 12/31/03 – 12/31/18. Annualized volatility is calculated as the standard deviation of quarterly returns multiplied by the square root of 4. Please see disclosure page at end for index definitions. All data represents total return for stated period. Past performance is not indicative of future returns.
Guide to the Markets – U.S. Data are as of March 31, 2019.

J.P.Morgan Asset Management

Economic and Financial Markets Challenges

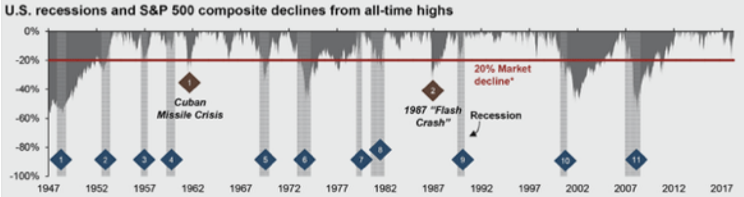


Rather than write extensively about equity valuations, economic statistics and investing principles, we offer the following charts organized by topic and courtesy of J.P. Morgan Asset Management:

Recessions and bear markets

GTM - U.S. | 15

U.S. recessions and S&P 500 composite declines from all-time highs



Characteristics of recessions and related stock market declines

Recession	Recession: Peak Quarter	Trough Quarter	% Decline	Related Market Sell-off: Peak Date	Trough Date	% Decline	Macro Environment: Commodity Spike	Aggressive Fed	Extreme Valuations
1 Recession of 1949	4Q48	4Q49	-1.5%	6/15/1948	6/13/1949	-21%			◆
2 Recession of 1953	2Q53	2Q54	-2.4%	1/5/1953	9/14/1953	-15%			
3 Recession of 1958	3Q57	2Q58	-3.0%	8/2/1956	10/22/1957	-22%			◆
4 Recession of 1960-61	2Q60	1Q61	-0.1%	8/3/1959	10/25/1960	-14%			◆
5 Recession of 1969-70	4Q69	4Q70	-0.2%	11/29/1968	5/26/1970	-36%		◆	
6 Recession of 1973-75	4Q73	1Q75	-3.1%	1/11/1973	10/3/1974	-48%	◆		
7 Recession of 1980	1Q80	3Q80	-2.2%	2/13/1980	3/27/1980	-17%	◆	◆	
8 Recession of 1981-82	3Q81	4Q82	-2.5%	11/28/1980	8/12/1982	-27%		◆	
9 Early 1990s recession	3Q90	1Q91	-1.4%	7/16/1990	10/11/1990	-20%	◆	◆	
10 Early 2000s recession	1Q01	4Q01	-0.4%	3/24/2000	10/9/2002	-49%	◆		◆
11 Great Recession	4Q07	2Q09	-4.0%	10/9/2007	3/9/2009	-57%	◆	◆	
Non-recession Bear Markets									
1 1962 flash crash, Cuban Missile Crisis	-	-	-	12/12/1961	6/26/1962	-28%			◆
2 1987 flash crash, program trading, overheating markets	-	-	-	8/25/1987	12/4/1987	-34%			◆
Average	-	-	-1.9%	-	-	-30%			

Source: FactSet, NBER, Robert Shiller, Standard & Poor's, J.P. Morgan Asset Management.
*A bear market is defined as a 20% or more decline from the previous market high. The related market return is the peak to trough return over the cycle. Periods of "Recession" are defined using NBER business cycle dates. "Commodity spikes" are defined as movement in oil prices of over 100% over an 18-month period. Periods of "Extreme Valuations" are those where S&P 500 last 12 months' P/E levels were approximately two standard deviations above long-run averages, or time periods where equity market valuations appeared expensive given the broader macroeconomic environment. "Aggressive Fed Tightening" is defined as Federal Reserve monetary tightening that was unexpected and/or significant in magnitude. Bear and Bull returns are price returns.
Guide to the Markets – U.S. Data are as of March 31, 2019.

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Sources of earnings per share growth

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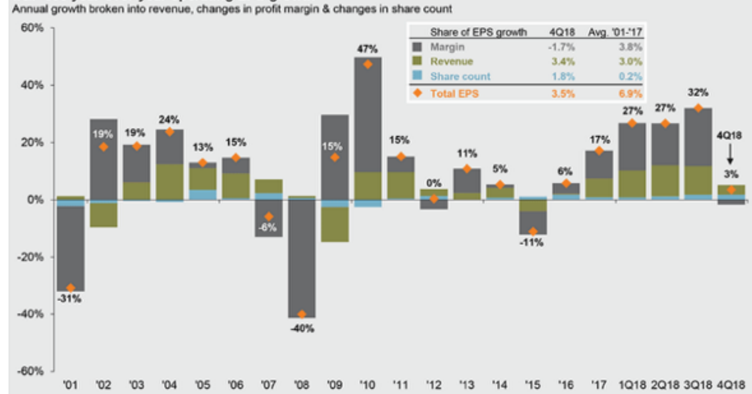
S&P 500 year-over-year operating EPS growth

Annual growth broken into revenue, changes in profit margin & changes in share count



Source: Compustat, FactSet, Standard & Poor's, J.P. Morgan Asset Management.
EPS levels are based on annual operating earnings per share except for 2018, which is quarterly. Percentages may not sum due to rounding. Past performance is not indicative of future returns.
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Stock market since 1900

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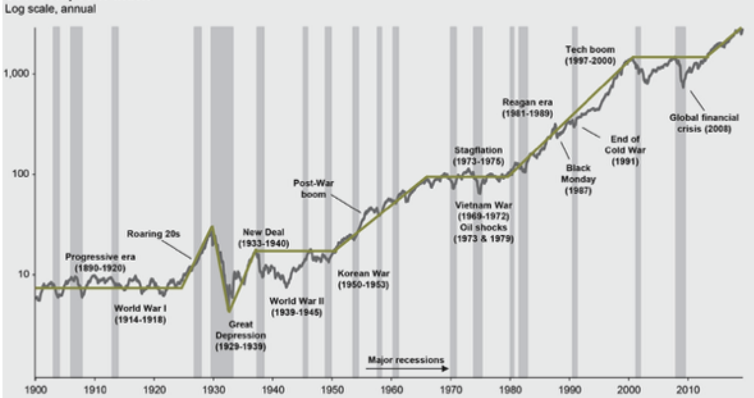
S&P Composite Index

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 March 31, 2019.

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Annual returns and intra-year declines

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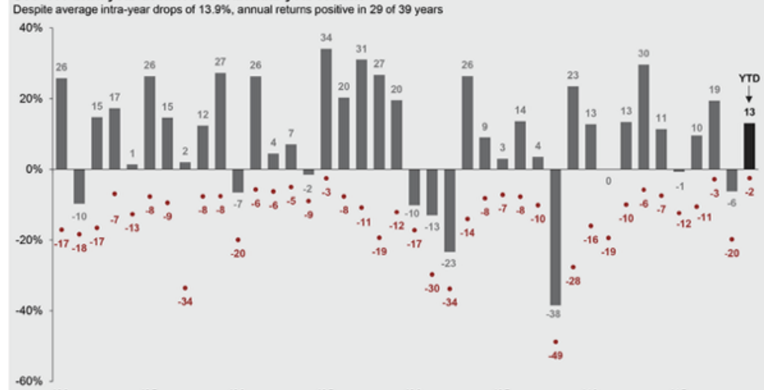
S&P 500 intra-year declines vs. calendar year returns

Despite average intra-year drops of 13.9%, annual returns positive in 29 of 39 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 2018, over which time period the average annual return was 8.4%.
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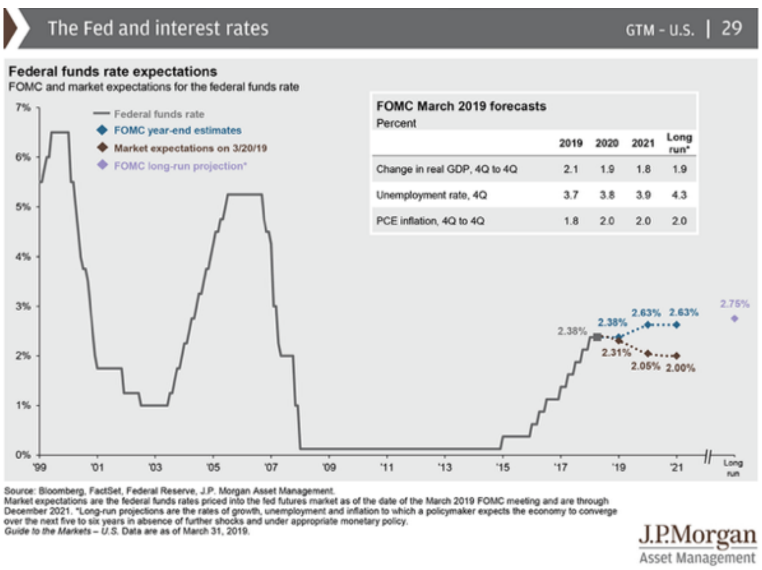
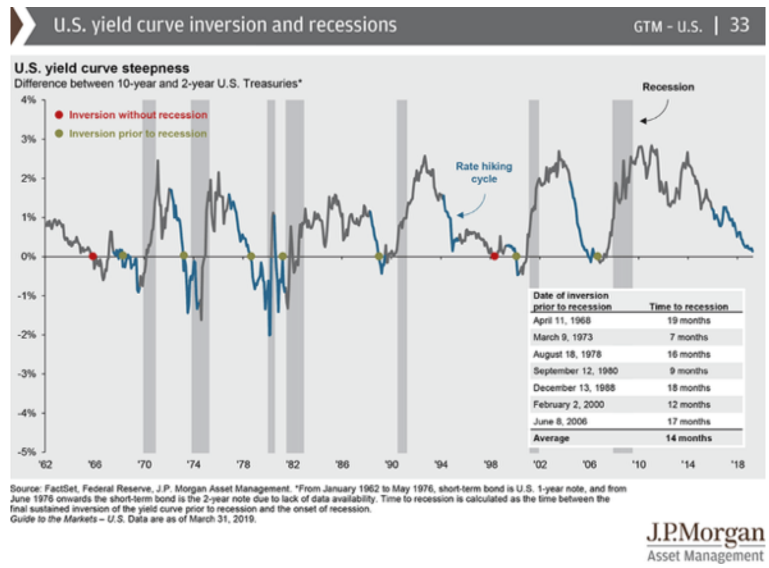
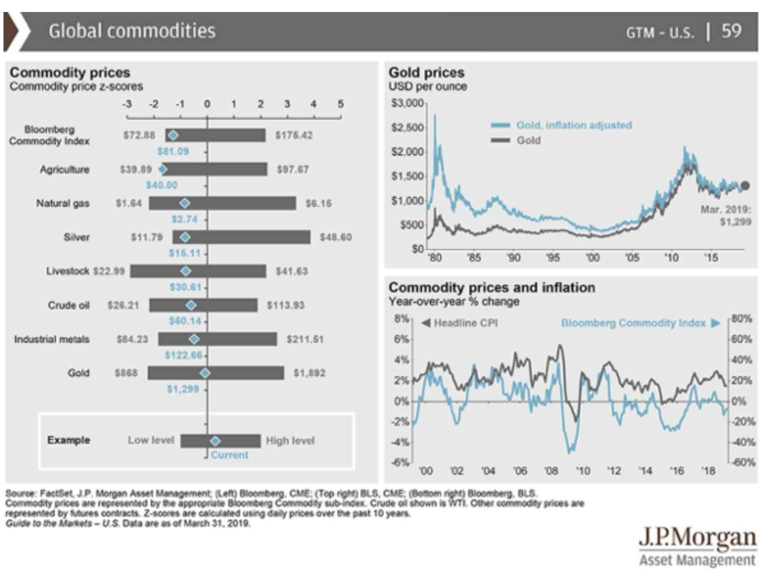
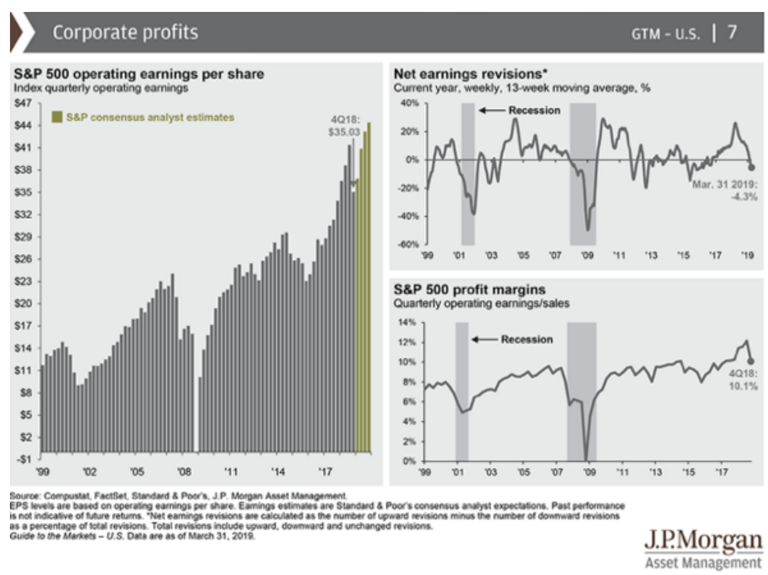
Economic & Financial Markets Charts

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:









Economic Charts

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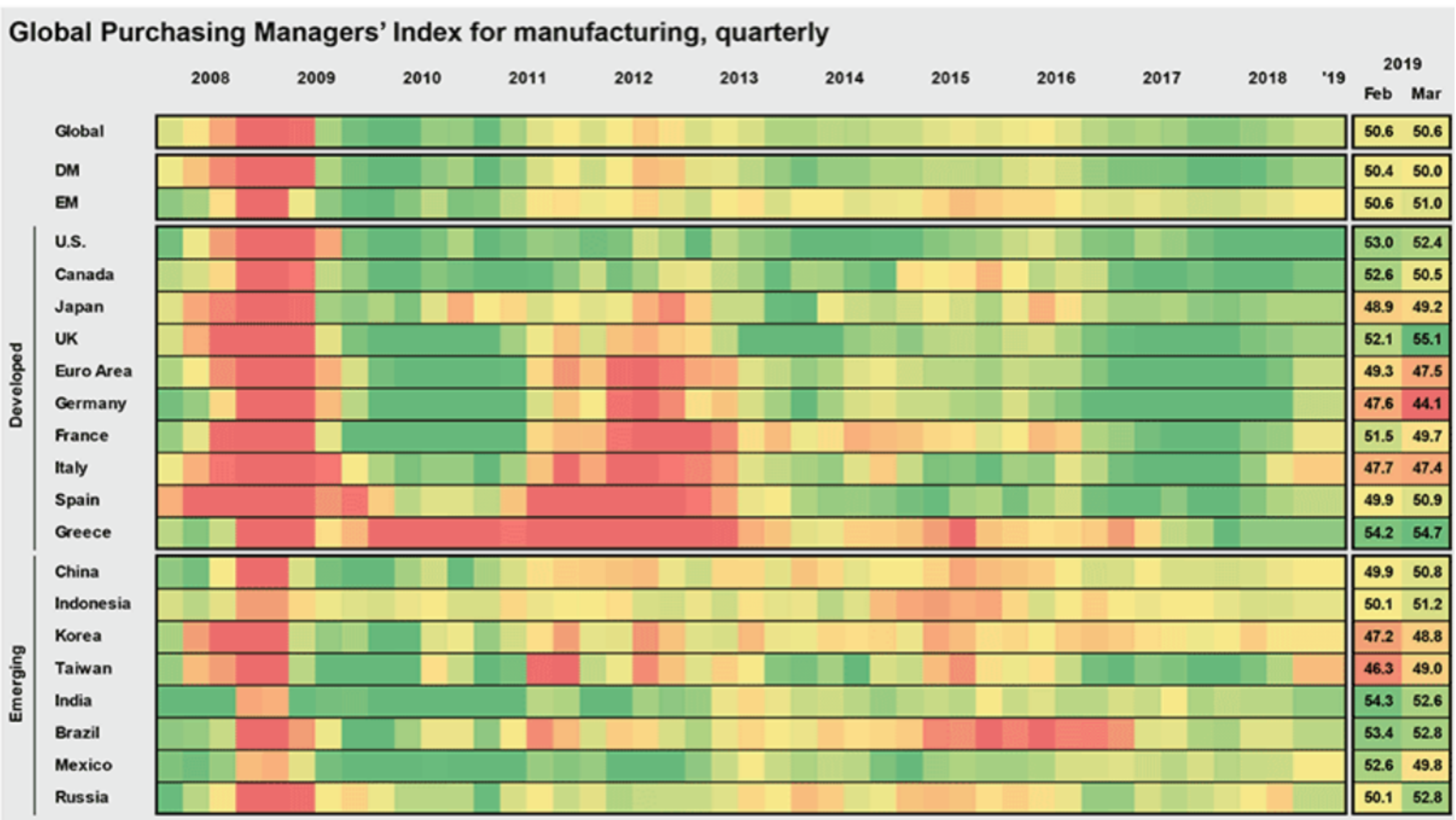
Manufacturing momentum

GTM – U.S. | 48



Source: Markit, J.P. Morgan Asset Management.
Heatmap colors are based on PMI relative to the 50 level, which indicates acceleration or deceleration of the sector, for the time period shown. Heat map is based on quarterly averages, with the exception of the two most recent figures, which are single month readings. Data for Canada, Indonesia and Mexico are back-tested and filled in from December 2007 to November 2010 for Canada and May 2011 for Indonesia and Mexico due to lack of existing PMI figures for these countries. DM and EM represent developed markets and emerging markets, respectively.
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