Covenant Asset Management, LLC

Third Quarter 2019 Investment Perspectives

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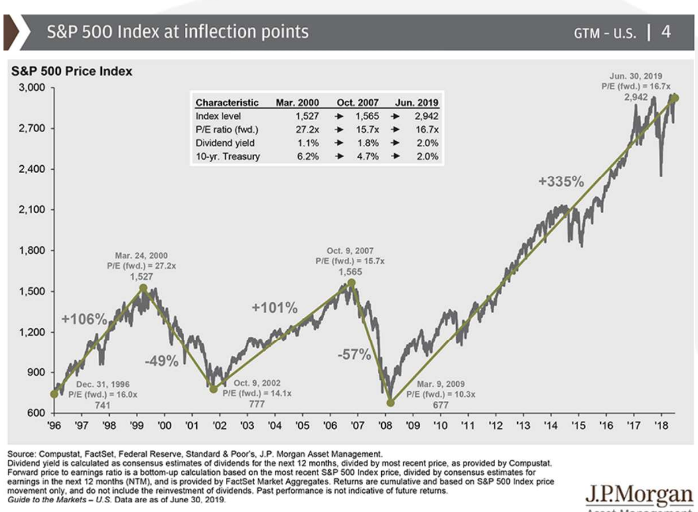
Economic and Financial Markets Review & Outlook

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

Through April, U.S. stock indices had recaptured nearly all of the ground lost during the fourth quarter of 2018. The Federal Reserve Bank had backed off on its plan to raise the fed funds rate in 2019 and expectations were high that the U.S. and China would consummate a trade deal. When trade negotiations collapsed in early May, markets sold off, but quickly rebounded in June on hopes for Fed Funds rate cuts beginning this summer. At the G20 meeting in late June, the U.S. and China agreed to restart trade negotiations and the U.S. postponed enacting 25% tariffs on an additional $300 billion of Chinese imports. These developments were enough to trigger a rally in stocks and, by early July, the Dow Jones Industrials, S&P 500 and Nasdaq had all surged to record highs. At the beginning of the second quarter, ten-year U.S. Treasury Note yields stood at 2.5%. By the end of the quarter, the yield on this instrument had fallen to 2.0%. Weak global and U.S. manufacturing economic data alarmed bond investors. The decline in longer-dated bond yields caused the yield curve to invert because short-term yields were now relatively higher.

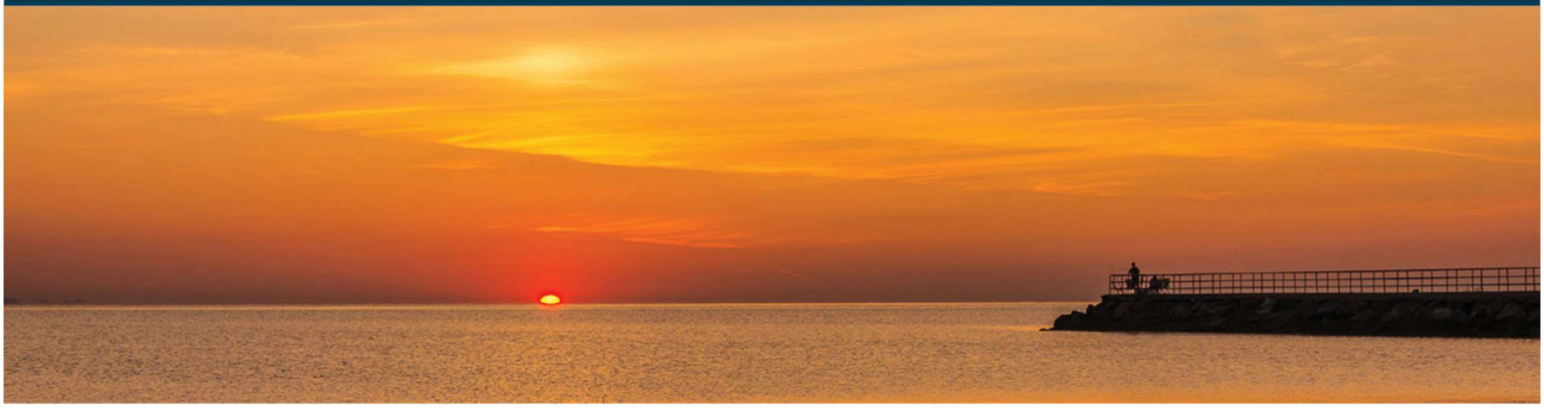


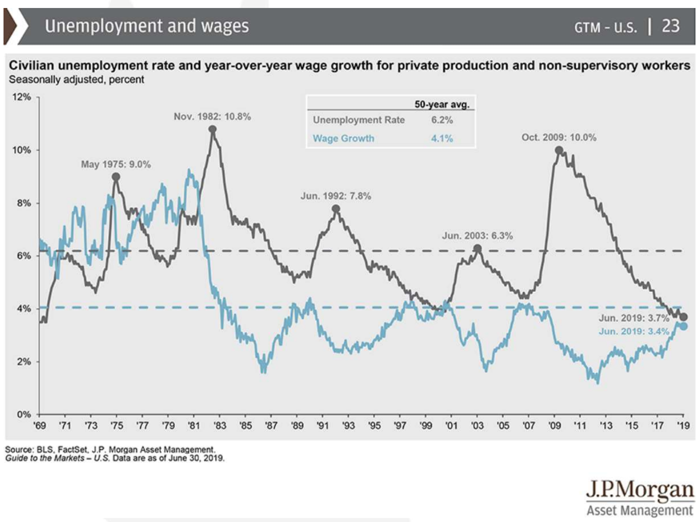
While manufacturing trends have weakened, the U.S. consumer remains healthy, as the 3.7% unemployment rate continues to hover near 50-year lows. In addition, wage growth has improved to levels not seen in more than a decade. Employment trends, while slower than last year, are still strong. Monthly average job creation of 172,000 ten years into an economic expansion is impressive by historical standards. And job listings now outnumber the number of people looking for work. Lower interest rates should also benefit consumers by making the purchase of homes and autos more affordable. At the same time, inflation remains low,

KEY THEMES

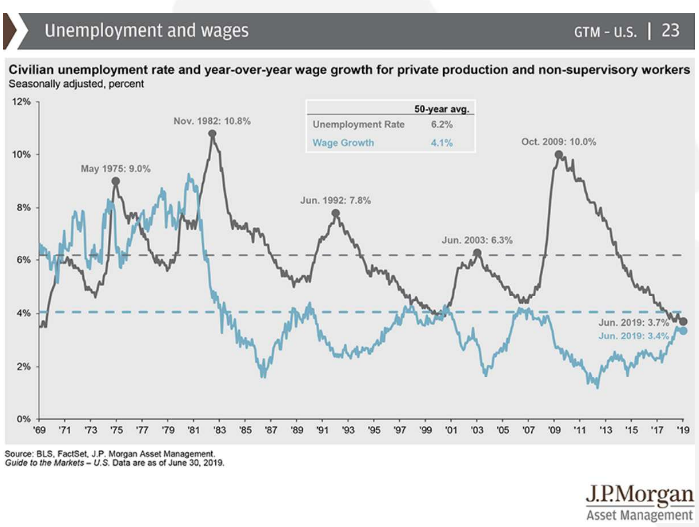
1. After a sharp rebound to start the year, markets became more volatile in the second quarter, but ultimately ended higher.
2. Bond yields plummeted on slowing economic data and hopes for Fed rate cuts. But U.S. stock indices continue setting record highs suggesting the likelihood of a soft landing.
3. The China tariff battle is ongoing, but tensions eased after the U.S. chose not to escalate the tariff levels and agreed instead to renew trade negotiations at the G20 in Tokyo.
4. Geopolitical tensions have risen as Iran is becoming increasingly belligerent.

Economic and Financial Markets Review

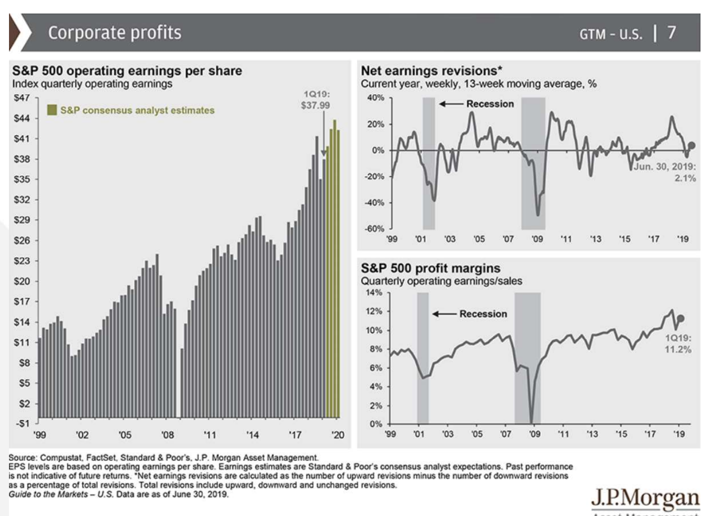




as online shopping and global sourcing of products and labor keeps a lid on prices.



With the 2020 national elections less than eighteen months away, the likelihood of any significant legislative initiatives passing into law is pretty dim. With this in mind, we continue to believe the most significant driver for financial markets in the months ahead will be monetary policy. Investor expectations are for the Fed to cut the Fed Funds rate 2-3 times by year-end, thus reducing the rate by 50-75 basis points. These cuts, if they were to occur, would restore the yield curve to a more normal shape for an expanding economy. With weak growth in Europe and slowing growth in China and Japan, other central banks have communicated their willingness to reduce their interest rate or undertake other stimulative monetary easing measures. As a result, the U.S. dollar has strengthened, which adds to the case for the U.S. Fed to cut rates. Without rate cuts, the dollar may rise further and make U.S. products and services less price competitive relative to countries with weaker currencies. Our view is any Fed rate cuts would be precautionary to prevent further economic slowing and would sustain the current expansion. Stock investors share this view, resulting in record highs in recent days. Investors may also be



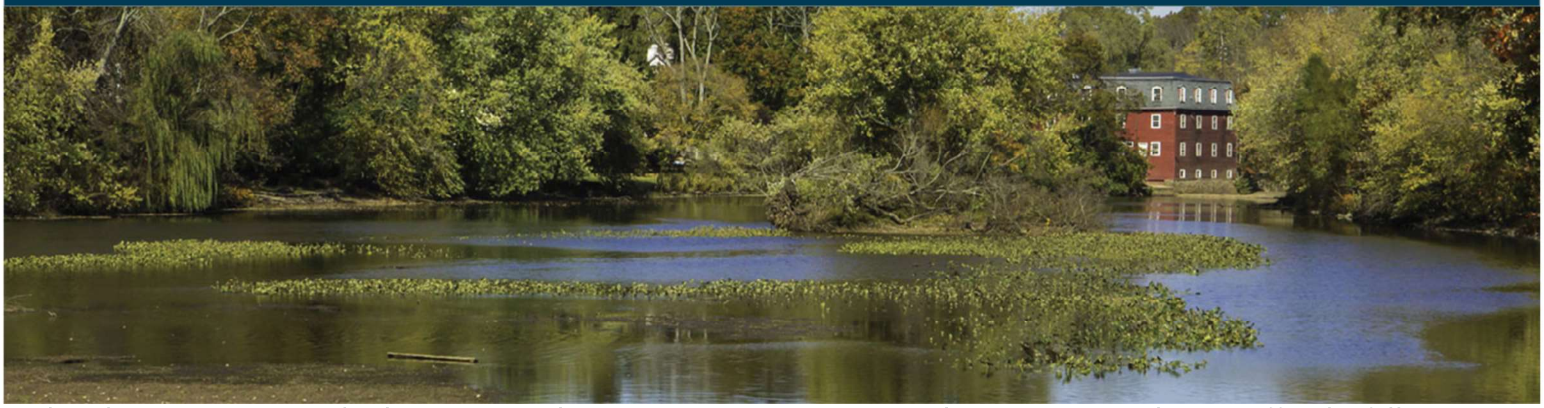
looking ahead to an expected earnings recovery starting in this year's fourth quarter. Corporate earnings growth has stalled since the fourth quarter of 2018 and that trend is expected to continue in the

second and third quarters of 2019. However, expectations are for earnings growth to rise to high-single digits in the fourth quarter and into next year. Lower interest rates and rising earnings present a rosy scenario for stock investors. And now that an escalation of trade tensions appears to be postponed for the foreseeable future, the coast is clear for further stock market gains in the second half of this year.

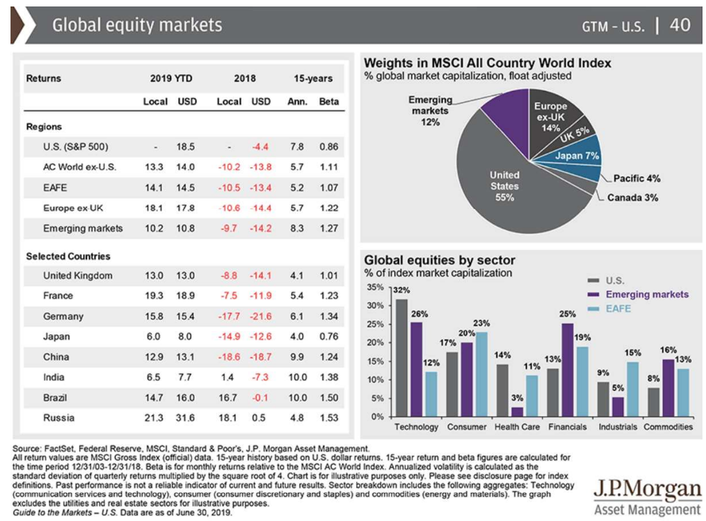
From a strategy standpoint, we believe an environment which includes lower interest rates and slower, but still solid economic growth favors growth stocks from a style standpoint. In addition, declining interest rates drive investors looking for current income to seek bond alternatives. These bond alternatives include high yield bonds, REITS, MLPs and high yield stocks. For investors seeking growth, we have begun to sow the seeds of new growth concepts within the technology, communications, health care, fintech and other sectors. We have outlined in previous communications our interest surrounding 5G communications investment opportunities. We anticipate continuing to add investments expected to be beneficiaries of the rollout and implementation of 5G networks. Cloud computing, software-as-a-service and other subscription-based business models are also areas of interest for growth investors. With regard to investors who require current income, our focus remains on identifying companies with historic and prospective annual earnings growth of 5% or more, coupled with a policy of declaring dividends based upon earnings (payout ratio), not to exceed 60%. In addition, companies meeting our criteria generally have experienced leadership with a commitment to shareholder interests. These companies should also exhibit financial strength through low debt ratios, high returns on equity, and an ability to self-finance their growth. Typically they will also command a leading position within their industry, based upon a long history of brand awareness, low cost structure or other competitive advantages.

We encourage you to contact your Covenant financial advisor with any comments or questions related to any issues discussed within this commentary or any issues related to your specific account(s). Please accept our best wishes for a relaxing and enjoyable summer.

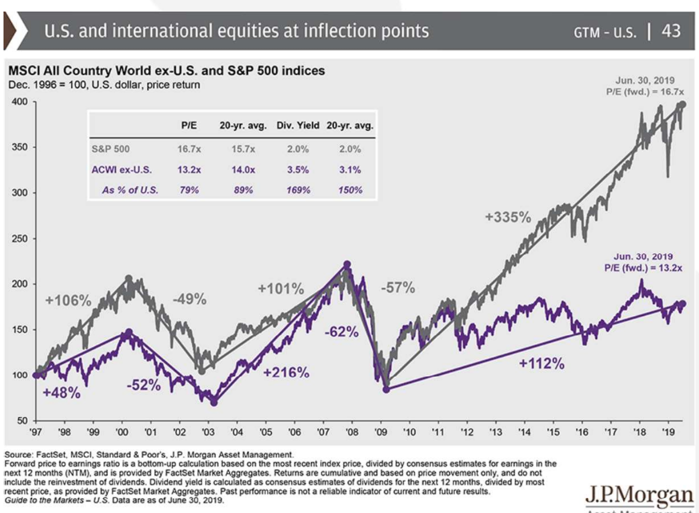
Economic and Financial Markets Challenges



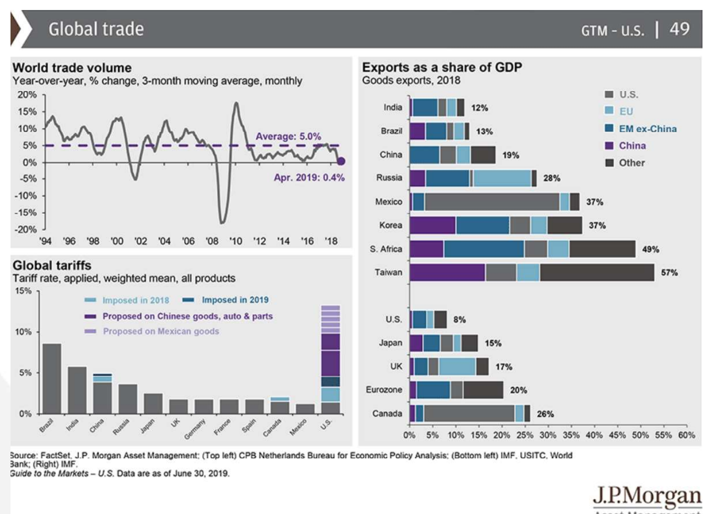
Rather than write extensively about equity valuations, economic statistics and investing principles, we offer the following charts organized by topic and courtesy of J.P. Morgan Asset Management:



Returns	2019 YTD		2018		15-years	
	Local	USD	Local	USD	Ann.	Beta
Regions						
U.S. (S&P 500)	-	18.5	-	-4.4	7.8	0.86
AC World ex-U.S.	13.3	14.0	-10.2	-13.8	5.7	1.11
EAFE	14.1	14.5	-10.5	-13.4	5.2	1.07
Europe ex-UK	18.1	17.8	-10.6	-14.4	5.7	1.22
Emerging markets	10.2	10.8	-9.7	-14.2	8.3	1.27
Selected Countries						
United Kingdom	13.0	13.0	-8.8	-14.1	4.1	1.01
France	19.3	18.9	-7.5	-11.9	5.4	1.23
Germany	15.8	15.4	-17.7	-21.6	6.1	1.34
Japan	6.0	8.0	-14.9	-12.6	4.0	0.76
China	12.9	13.1	-18.6	-18.7	9.9	1.24
India	6.5	7.7	1.4	-7.3	10.0	1.38
Brazil	14.7	16.0	16.7	-0.1	10.0	1.50
Russia	21.3	31.6	18.1	0.5	4.8	1.53



	P/E	20-yr. avg.	Div. Yield	20-yr. avg.
S&P 500	16.7x	15.7x	2.0%	2.0%
ACWI ex-U.S.	13.2x	14.0x	3.5%	3.1%
As % of U.S.	*79%*	*89%*	*169%*	*150%*



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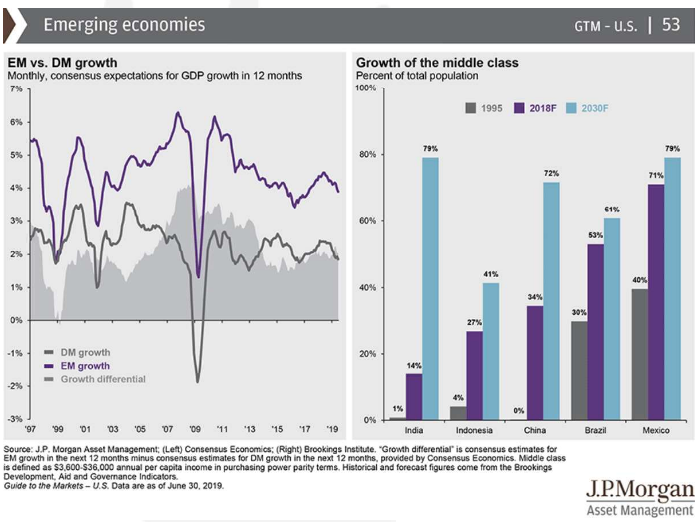
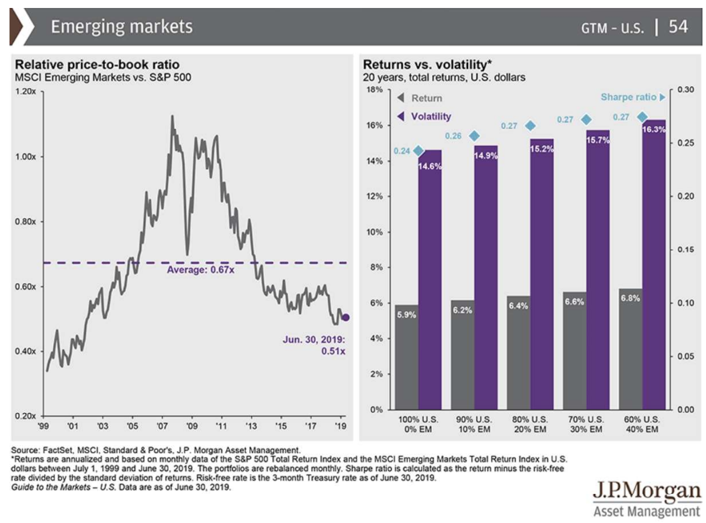
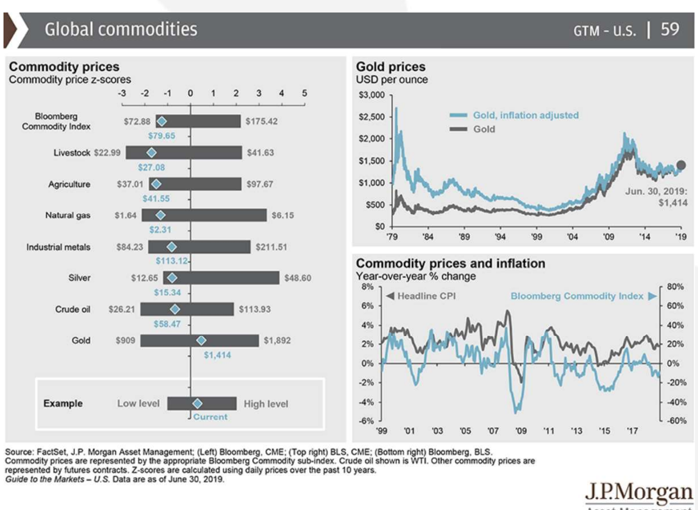
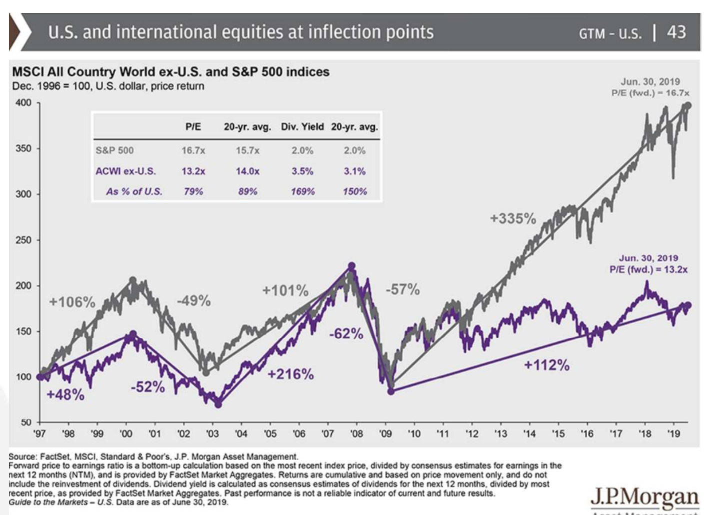
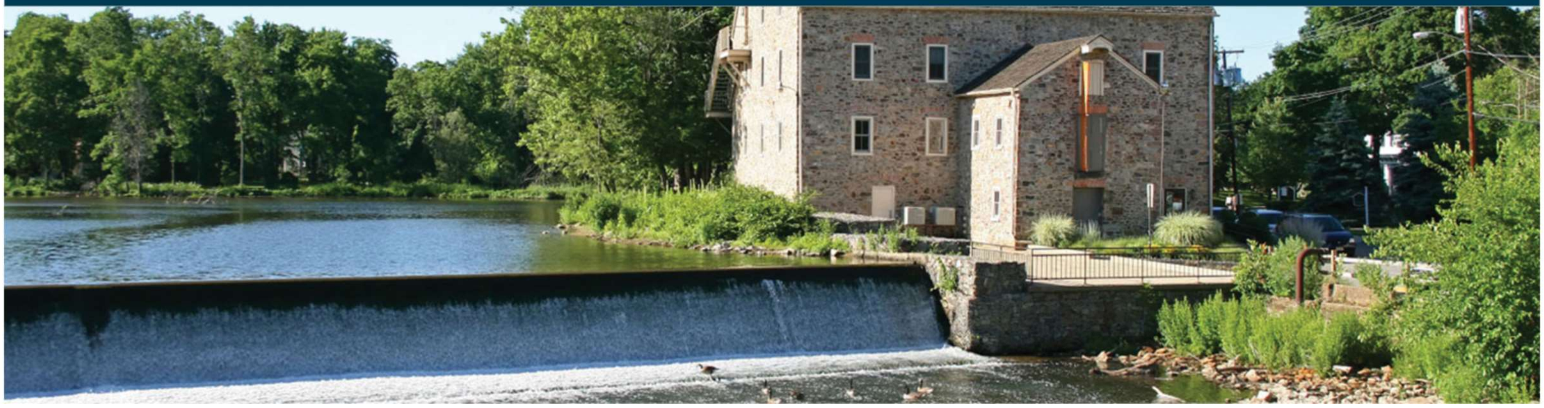








Financial Markets Charts



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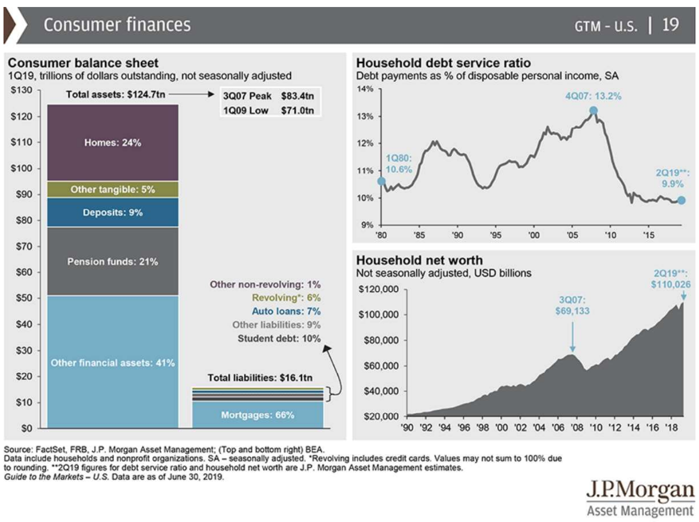

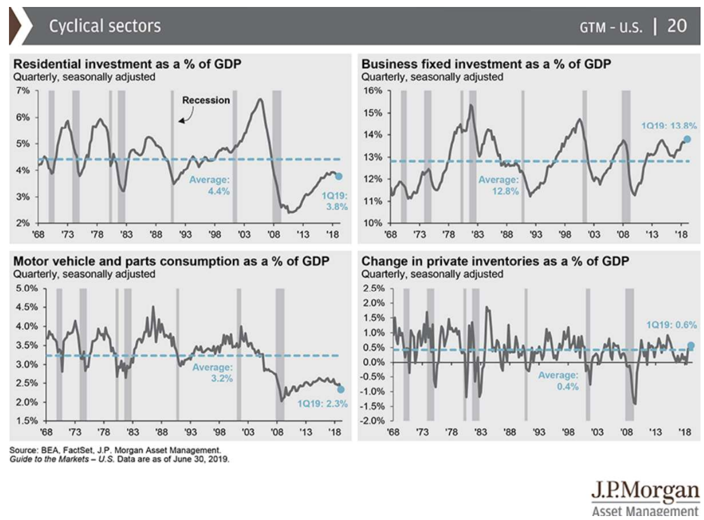

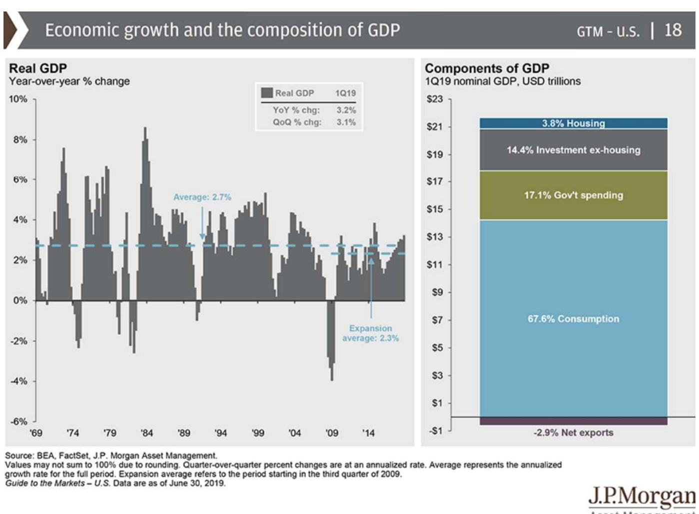

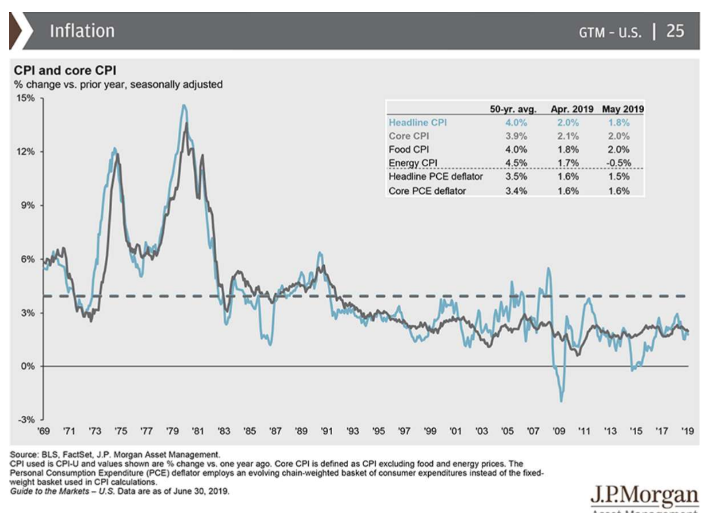

*Any performance-related data listed in this report may represent un-audited results compiled by Covenant Asset Management or others. It could be intended to reflect results that are indicative of Covenant's individual client's equity performance who religiously invest according to our model portfolios. 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.

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