

### Diversification - Why Its Important

We've all understood the concept of diversification since we first heard the phrase, "Don't put all your eggs in one basket." At Catalyst Private Wealth we're cautioning our clients, "Don't put all your eggs into US equities." While perhaps not as memorable as that childhood idiom, given our current 10-year US equity bull market, that advice helps us minimize investment losses. Which is more important than a catchy phrase.

### Asset Class Results

(data as of March 31, 2019)

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2004 - 2018 Ann.	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 25.5%	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, S & P'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 & 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. See disclosures. All data represents total return for stated period. Past performance is not indicative of future returns. - U.S. Data are as of March 31, 2019.

The "Skittles Chart" above may look confusing, but it does hold a simple truth about diversification. The "stack ranking" of different asset classes shows the value of diversification.

On December 29th, 1989, in the Japanese equity market, the Nikkei 225 (a Tokyo Stock Exchange index) hit its all-time high. Over the next two decades, the index lost over 81% of its value. In fact, the Nikkei still has yet to recover to its highs of the late 1980's. This example underscores that sometimes the best way to preserve and compound wealth is to avoid catastrophic losses.

Investing globally across developed and developing markets mitigates the chance of a single market becoming solely responsible for either great wealth or great ruin for our clients. That diverse global perspective also exposes us to positive surprises in powerful international equity markets. While our investment team doesn't have a crystal ball, our dynamic client portfolios are robust enough to survive unexpected market shocks - because we embrace diversification.

## Estate Planning - What you need

Wealth can bring a number of complexities, both during your life, and upon your passing. To ensure your financial matters are addressed when you die or if you become incapacitated, a foundational Estate Plan will enforce your wishes. At a minimum, all clients should have the following documents in place.

**Last Will** – This document outlines your desires upon your passing. These can include naming a guardian for your minor children (if applicable), instructing how debts or taxes should be paid, and ultimately the disposition of your assets. Also, Wills are often combined with Revocable Living Trusts to work in conjunction with the settlement of your estate.



**Revocable Living Trust** – This legal document outlines who will get your assets, upon your passing. This document can be modified during your lifetime as goals and objectives change. Upon your passing, this document will outline the disposition of your assets to your intended beneficiaries, and can assist in avoiding a potentially time-consuming and costly court-administered Probate process. Leveraging a Living Trust can assist in expediting the process, and keep your assets private.



**Medical Directive/Health Care Proxy** – This document allows you, while still of legal capacity, to establish provisions and guidelines for who will make medical decisions on your behalf, should you become incapacitated.



**Durable Power of Attorney for Financial Matters** – This legal Document allows you to designate an individual to have the authority to direct your finances, should you become incapacitated. These matters could include paying bills, asset disposition/acquisition decisions, and paying taxes.



Creating a comprehensive estate plan is a substantial undertaking. However, clients certainly feel more secure when the appropriate documents and strategies are in place. But the process doesn't stop there. It's important to review an estate plan regularly and update documents with significant change in your life.

At Catalyst, our extensive network of Estate Planning professionals will assist in creating these vital documents. Moreover, we will work with you to make sure all the appropriate areas are addressed and do much of the "legwork" with you. We'd love to speak with you regarding your estate and legacy planning goals and objectives.

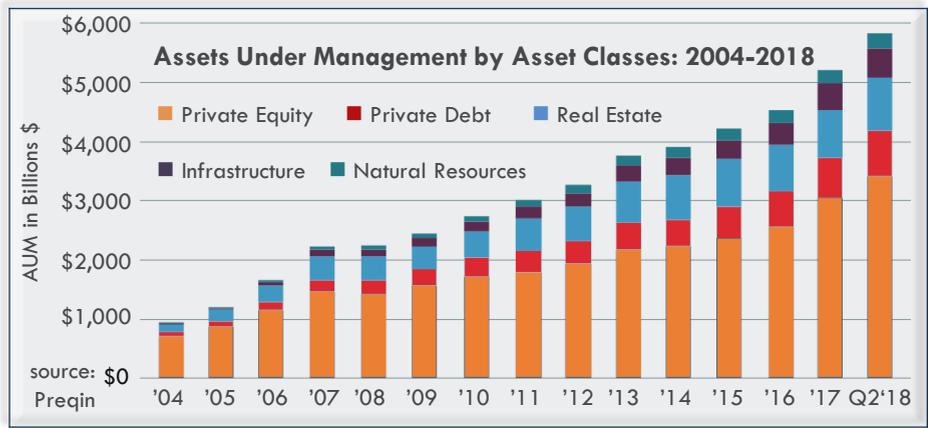
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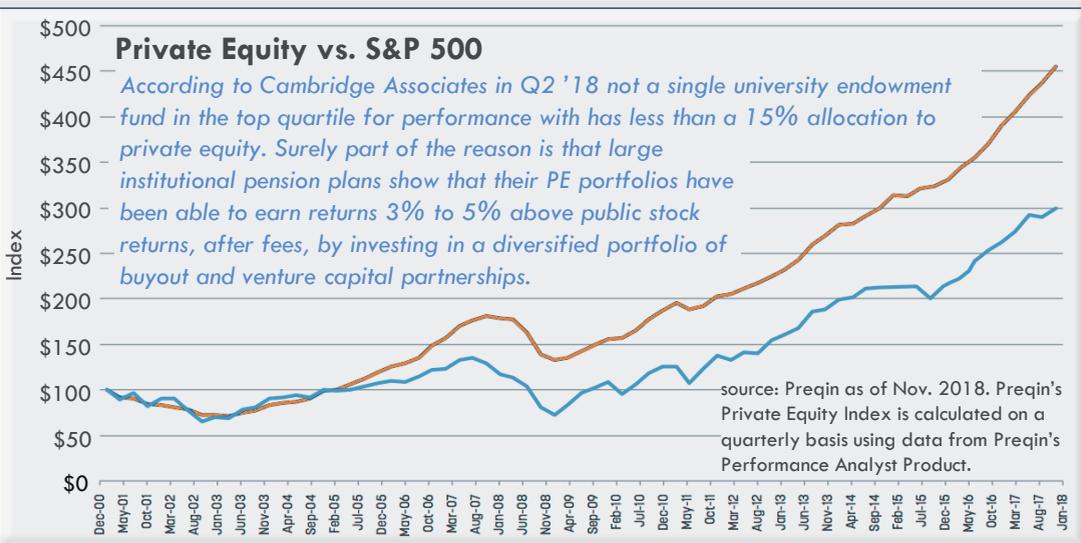
Uber’s recent IPO reminds us of Private Equity’s (PE) profound impact on the global investment landscape. Over the past 15 years, the extraordinary expansion of PE on multiple levels, coupled with a shrinking number of publicly-listed companies, is transforming the capital markets. This makes private assets an increasingly important component of any diversified portfolio.

Since 2004, the amount of assets overseen by private capital fund managers has exploded 600%; from \$941 billion to \$5.8 trillion today. For perspective, the four largest firms today manage more capital than the entire buyout industry even had 15 years ago. While opportunity sets have greatly expanded, bigger isn’t always better. Especially when it means more capital and competition chasing the same end markets.

Our CIO John Dodd recently shared a 2018 CFA Institute report regarding the value of PE exposure and the evolving role of public and private markets. The report states, “the concept of shareholder value maximization has become so entrenched in management theory that stock buybacks are now at historic highs while investment in new growth opportunities happens mostly in private markets.” In fact, since 1999, the number of companies in the S&P 500 with 20% revenue growth has fallen by 50%.



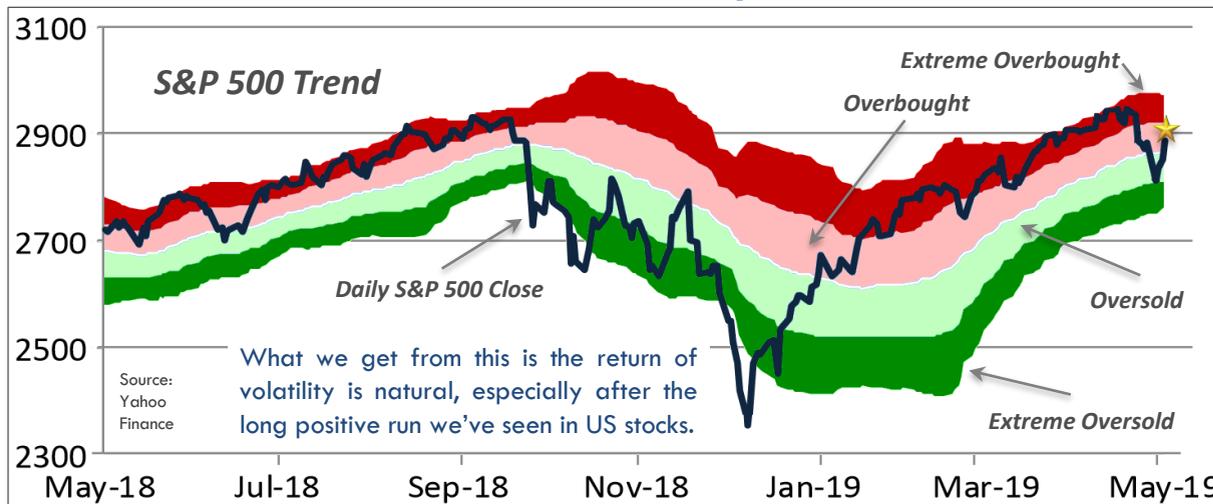
Once thought of as a “cottage industry,” the maturing PE industry has improved risk management and built a more sophisticated infrastructure to maximize returns; for example, implementing formal processes for deal sourcing and due diligence. Also, the Global Financial Crisis taught private fund managers several valuable lessons, from stress testing the performance of cyclical businesses to deepen their understanding of the potential effects of a recession. Of course, even with a more measured approach to deploying capital and evaluating risk, the likely consequence of more competition is that overall PE industry returns will decline; a byproduct of maturity and more dollars committed to the space.



The 2018 CFA Institute report commented that individual investors should like their institutional counterparts, allocate capital “into innovative business models through the private markets that offer potentially higher returns.”

The team at Catalyst couldn’t agree more, private equity is an asset class that almost all investors should consider.

## Market Trends – the Return of Volatility



Volatility is Back! The chart to the left show that in a week's time the S&P 500 has moved over 4.56% - from being almost two standard deviations above the 50-day moving avg. to just about one Std. Dev. below.

### EQUITY MARKET DATA: as of 5-16-2019 – Volatility returns to the global equity markets

Index	Last Week	Last Month	YTD	Last Year	TTM P/E	Earnings Yield	Price/Book	Dividend %
MSCI All World Index	0.17%	- 1.97%	13.61%	- 0.85%	16.88x	6.54%	2.27x	2.56%
S&P 500	0.19%	- 1.01%	15.71%	6.08%	16.52x	6.06%	3.24x	1.89%
Dow Jones Indl. Avg.	0.13%	- 1.98%	12.14%	4.68%	15.48x	6.47%	3.89x	2.19%
NASDAQ	- 0.18%	- 0.98%	19.95%	7.43%	22.51x	4.31%	4.34x	1.04%
Russell 2000 (sm.-caps)	- 0.84%	- 1.39%	16.39%	- 2.69%	21.41x	4.47%	2.01x	1.31%
EAFE Index (developed int'l)	0.52%	- 1.91%	11.09%	- 8.66%	13.23x	7.27%	1.55x	3.35%
Emerging Markets Index	- 1.64%	- 7.02%	4.56%	- 11.51%	11.99x	8.76%	1.55x	2.66%

Source: JP Morgan Asset Management, Yahoo Finance, Morningstar

### US BOND MARKET DATA: as of 5-16-2019

Item	Last	Last Month	A Yr. Ago
2-yr. Treas. Bond	2.20%	2.45%	2.76%
10-yr. Treas. Bond	2.40%	2.60%	3.09%
30-yr. Treas. Bond	2.83%	2.99%	3.21%

Source: www.treasury.gov

### COMMODITY MARKET DATA: as of 5-16-2019

Item	Last	Last week	Last Month	YTD	TTM
Gold	\$1,287	0.00%	1.22%	- 0.22%	- 2.60%
Oil	\$63.14	1.11%	- 2.61%	32.39%	- 5.71%
DB Comdty Tracker	\$16.05	2.49%	- 1.41%	11.37%	- 10.3%

Source: JP Morgan Asset Management, Yahoo Finance, Morningstar

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CATALYST PRIVATE WEALTH

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