QUARTERLY CHARTBOOK
Q4 2019

Tectonic

TECTONIC FINANCIAL

Bank

Nationally chartered bank offering specialized services and innovative solutions. Named most profitable community bank in Texas by DD&F consulting (2017).

Tectonic Advisors

Privately owned, SEC registered investment adviser with $2 billion in assets under management and advisement as of December 2019.

SANDERS MORRIS HARRIS

Privately owned, dually registered broker dealer and registered investment advisor firm established in 1987.
Member FINRA/SIPC

HWG INSURANCE

Full service personal and commercial insurance agency. Established partners and clients in all 50 states.

US Stocks Rally in December, S&P Posts Best Year Since 2013

FINANCIAL MARKET UPDATE

The S&P 500 and Nasdaq Composite gained 9.1% and 12.5% in the fourth quarter, finishing the year off with gains of 31.5% and 36.7%, respectively. Overall, all eleven S&P 500 sectors rose in 2019, led by Tech (50.3%), Communication Services (32.7%), and Financials (32.1%).

Bloomberg's commodities index also performed well in Q4, grossing a 4% gain. Coffee (24.3%), WTI Crude (13.4%), and Unleaded Gasoline (12.9%) outperformed the index, while Natural Gas (-17.6%), Livestock (0.2%), and Gold (2.9%) underperformed.

MACROECONOMIC UPDATE

Following a year-and-a-half of tariffs, the U.S. and China reached a preliminary trade deal on December 13th. As part of the agreement, the U.S. cut in half an existing 15% import tax on $120 billion of Chinese goods and canceled new tariffs scheduled for December 15th.

After cutting the benchmark rate three times between July and October, Federal Reserve officials held the rate steady in December. Chairman Jerome Powell indicated the Fed felt no urgency to reverse cuts anytime soon, and that he would first want to see a sustained upturn in inflation.

Source: Bloomberg. Tectonic analysis.
US Aggregate Bonds refers to the Bloomberg Barclays US Aggregate Bond Index, REITs refers to the Dow Jones US Select REIT Index. All returns include dividends reinvested.
Data as of December 31, 2019

Tectonic

FINANCIAL
MARKET UPDATE
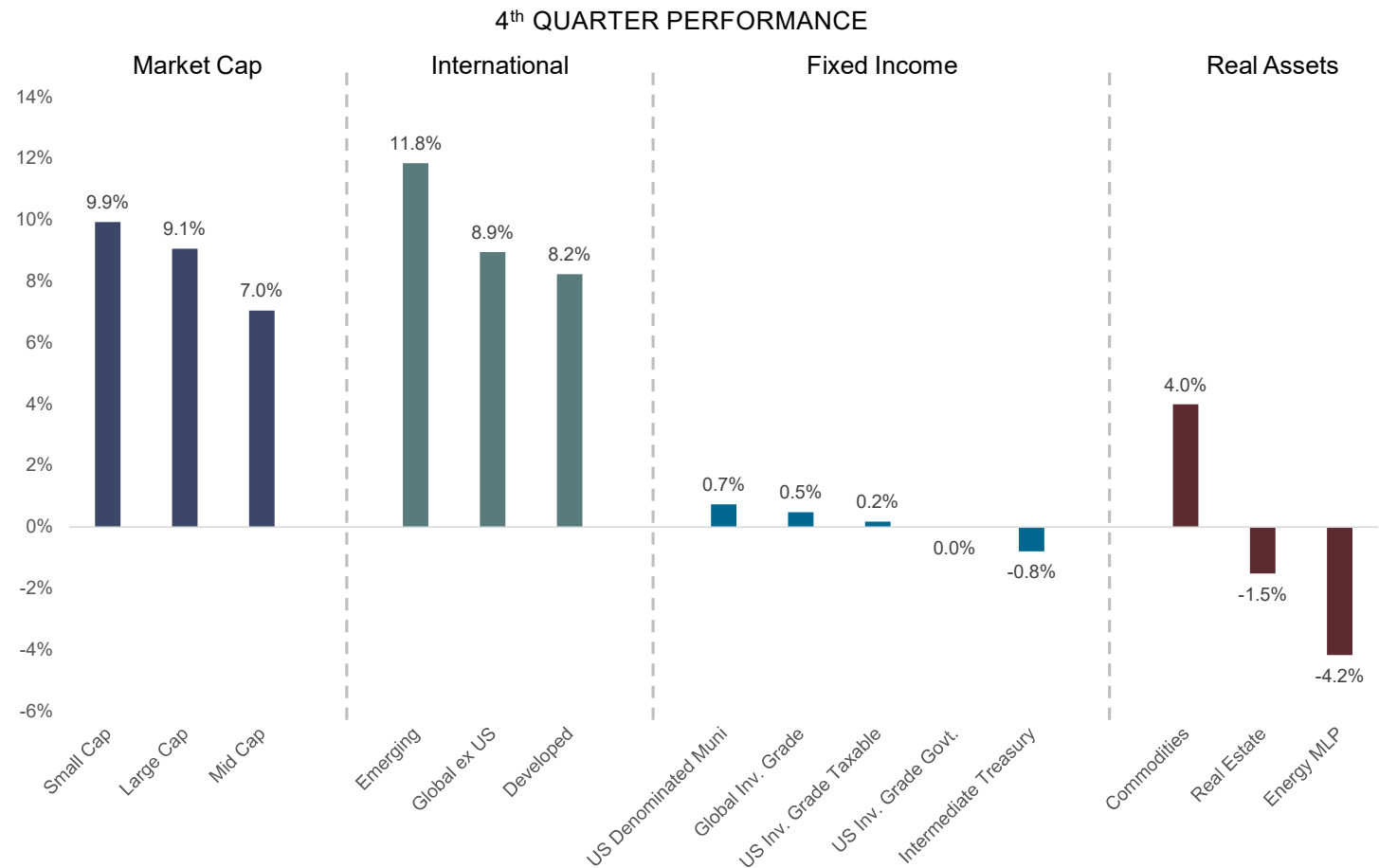
Emerging Markets, Growth Stocks Outpace Peers in Q4

Asset Class	Trailing Returns (%)						Annual Returns (%)			Benchmark
	Q4	YTD	1-Year	3-Year	5-Year	10-Year	2018	2017	2016	
U.S. Stocks										
Large Cap	9.1	31.5	31.5	15.3	11.7	13.5	-5.2	21.1	13.8	S&P 500
Large Cap Value	7.4	26.5	26.5	9.7	8.3	11.8	-8.9	12.9	19.1	Russell 1000 Value®
Large Cap Growth	10.6	36.4	36.4	20.5	14.6	15.2	-2.6	29.6	9.0	Russell 1000 Growth®
Mid Cap	7.0	30.5	30.5	12.0	9.3	13.2	-9.7	17.8	15.4	Russell Midcap®
Small Cap	9.9	25.5	25.5	8.6	8.2	11.8	-11.9	14.1	24.6	Russell 2000®
International Stocks										
Developed Markets	8.2	22.8	22.8	10.2	6.3	6.1	-13.6	26.6	4.3	MSCI EAFE
Developed and Emerging	8.9	22.1	22.1	10.4	6.1	5.5	-14.4	28.4	8.1	MSCI ACWI Excluding United States
Emerging Markets	11.8	18.4	18.4	11.6	5.6	3.7	-16.1	36.9	15.2	MSCI Emerging Mkts
Fixed Income										
US Investment Grade Taxable	0.2	8.7	8.7	4.0	3.0	3.7	0.3	3.6	2.6	BBgBarc US Agg Total Return
Global Investment Grade	0.5	6.8	6.8	4.3	2.3	2.5	-1.2	8.4	2.0	BBgBarc Global Agg Total Return
US Investment Grade Govt.	0.0	9.7	9.7	4.3	3.2	4.0	-0.1	4.1	2.9	BBgBarc US Agg Gov/Credit Total Return
US Denominated Municipal	0.7	7.5	7.5	4.7	3.5	4.3	1.3	5.4	0.0	BBgBarc Municipal Bond Total Return
Intermediate-Term Treasury	-0.8	6.9	6.9	3.3	2.4	3.1	1.2	2.4	0.9	BBgBarc US Treasury Total Return
Real Assets										
Energy MLP	-4.2	6.3	6.3	-4.5	-7.0	4.2	-14.2	-7.2	16.6	Alerian Master Limited Partnership
Real Estate	-1.5	21.7	21.7	5.7	5.2	10.3	-5.1	2.4	7.0	DJ US REIT
Commodities	4.0	5.4	5.4	-2.6	-5.0	-5.3	-13.3	2.5	12.5	Bloomberg Commodity

Source: Bloomberg, Tectonic analysis.
All calculations are cumulative total returns annualized, including dividends reinvested for the stated period and based on U.S. dollar returns.
Data as of December 31, 2019

Equities, Commodities Post Strong Quarter

4th QUARTER PERFORMANCE

Market Cap — Small Cap 9.9%, Large Cap 9.1%, Mid Cap 7.0%

International — Emerging 11.8%, Global ex US 8.9%, Developed 8.2%

Fixed Income — US Denominated Muni 0.7%, Global Inv. Grade 0.5%, US Inv. Grade Taxable 0.2%, US Inv. Grade Govt. 0.0%, Intermediate Treasury -0.8%

Real Assets — Commodities 4.0%, Real Estate -1.5%, Energy MLP -4.2%

Tectonic

A Strong Year For Asset Class Returns Across the Board

2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	YTD
Emerging 34.3	REIT 34.3	Emerging 39.7	U.S. Inv. Grade 5.2	Emerging 78.9	MLP 35.6	MLP 13.9	Emerging 18.6	Small Cap 38.8	REIT 30.6	REIT 3.4	Small Cap 21.2	Emerging 37.8	U.S. Inv. Grade 0.0	Large Cap 31.5
Comdty. 17.5	Emerging 32.5	MLP 12.6	Global Inv. Grade 4.8	MLP 75.6	Small Cap 26.8	REIT 8.2	Developed 17.9	Mid Cap 34.8	Large Cap 13.7	Large Cap 1.4	MLP 18.3	Developed 25.7	Global Inv. Grade -1.2	Mid Cap 30.5
Developed 14.1	MLP 27.1	Developed 11.7	Small Cap -33.7	Mid Cap 40.4	REIT 26.6	U.S. Inv. Grade 7.8	Mid Cap 17.2	Large Cap 32.4	Mid Cap 13.2	U.S. Inv. Grade 0.5	Mid Cap 13.7	Large Cap 21.8	Large Cap -4.4	Small Cap 25.5
Mid Cap 12.6	Developed 27.0	Comdty. 11.1	Comdty. -36.5	Developed 32.6	Mid Cap 25.4	Global Inv. Grade 5.6	Small Cap 16.3	MLP 27.6	U.S. Inv. Grade 6.0	Developed -0.3	Large Cap 11.9	Mid Cap 18.5	REIT -5.4	Developed 22.8
REIT 12.2	Small Cap 18.3	Global Inv. Grade 9.5	Large Cap -36.9	Small Cap 27.1	Emerging 19.2	Large Cap 2.1	Large Cap 15.9	Developed 23.4	Small Cap 4.9	Mid Cap -2.4	Emerging 11.7	Small Cap 14.6	Mid Cap -9.1	REIT 21.7
MLP 7.8	Large Cap 15.8	U.S. Inv. Grade 7.0	MLP -37.0	Large Cap 26.4	Comdty. 16.7	Mid Cap -1.6	REIT 15.9	REIT 0.1	MLP 4.8	Global Inv. Grade -3.2	Comdty. 11.4	Global Inv. Grade 7.4	Small Cap -11.0	Emerging 18.6
Large Cap 4.9	Mid Cap 15.2	Large Cap 5.6	REIT -40.1	REIT 26.2	Large Cap 15.1	Small Cap -4.2	MLP 4.8	U.S. Inv. Grade -2.0	Global Inv. Grade 0.6	Small Cap -4.4	REIT 5.5	U.S. Inv. Grade 3.5	MLP -12.4	U.S. Inv. Grade 8.7
Small Cap 4.5	Global Inv. Grade 6.6	Mid Cap 5.5	Mid Cap -41.4	Comdty. 18.7	Developed 8.3	Developed -11.7	Global Inv. Grade 4.3	Emerging -2.3	Emerging -2.0	Emerging -14.6	U.S. Inv. Grade 2.6	REIT 2.6	Comdty. -13.0	Global Inv. Grade 6.8
U.S. Inv. Grade 2.4	U.S. Inv. Grade 4.3	Small Cap -1.6	Developed -42.9	Global Inv. Grade 6.9	U.S. Inv. Grade 6.5	Comdty. -13.4	U.S. Inv. Grade 4.2	Global Inv. Grade -2.6	Developed -4.3	Comdty. -24.7	Global Inv. Grade 2.1	Comdty. 0.7	Developed -13.3	MLP 6.3
Global Inv. Grade -4.5	Comdty. -2.7	REIT -18.2	Emerging -53.1	U.S. Inv. Grade 5.9	Global Inv. Grade 5.5	Emerging -18.2	Comdty. -1.1	Comdty. -9.6	Comdty. -17.0	MLP -32.6	Developed 1.6	MLP -6.5	Emerging -14.3	Comdty. 5.4

Source: Bloomberg, Tectonic analysis.
All calculations are cumulative total returns annualized, including dividends reinvested for the stated period and based on U.S. dollar returns.
Data as of December 31, 2019

Growth and Large Cap Equities Continue to Outperform Peers
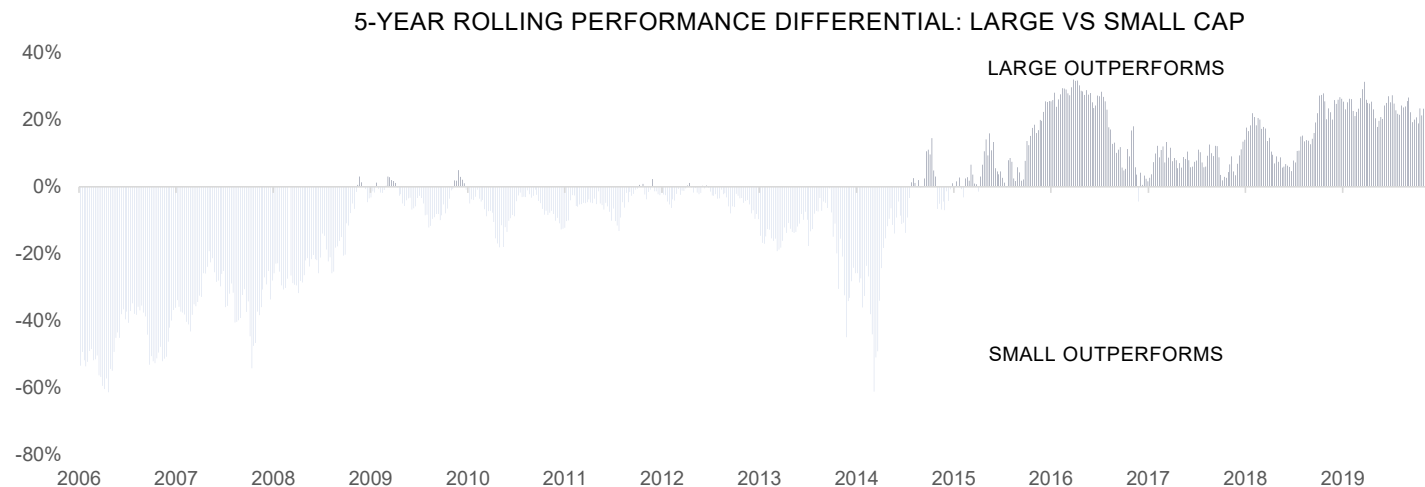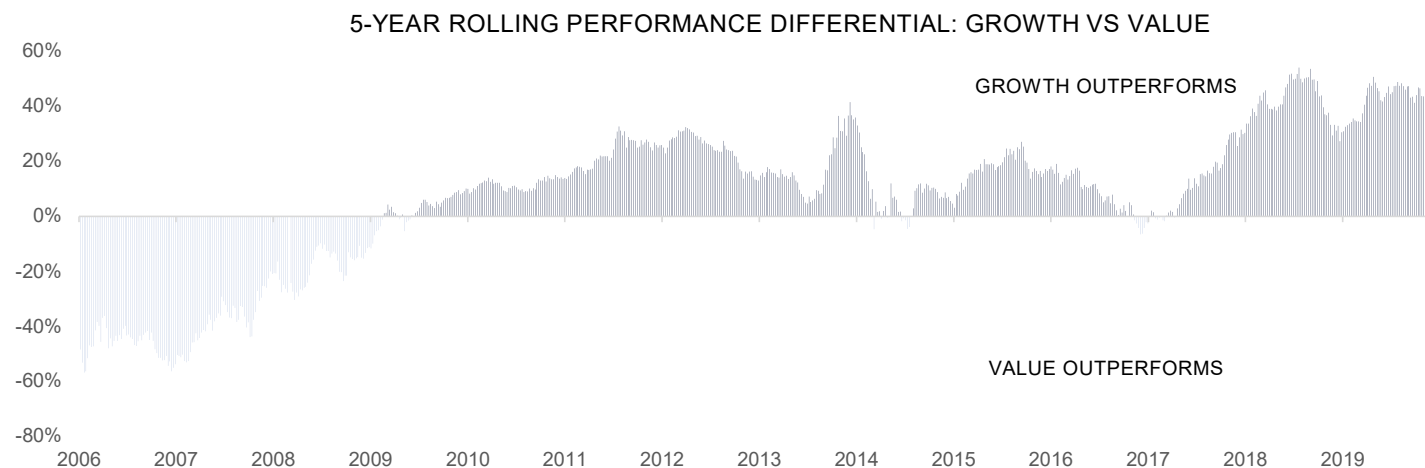
5-YEAR ROLLING PERFORMANCE DIFFERENTIAL: GROWTH VS VALUE

GROWTH OUTPERFORMS

VALUE OUTPERFORMS

5-YEAR ROLLING PERFORMANCE DIFFERENTIAL: LARGE VS SMALL CAP
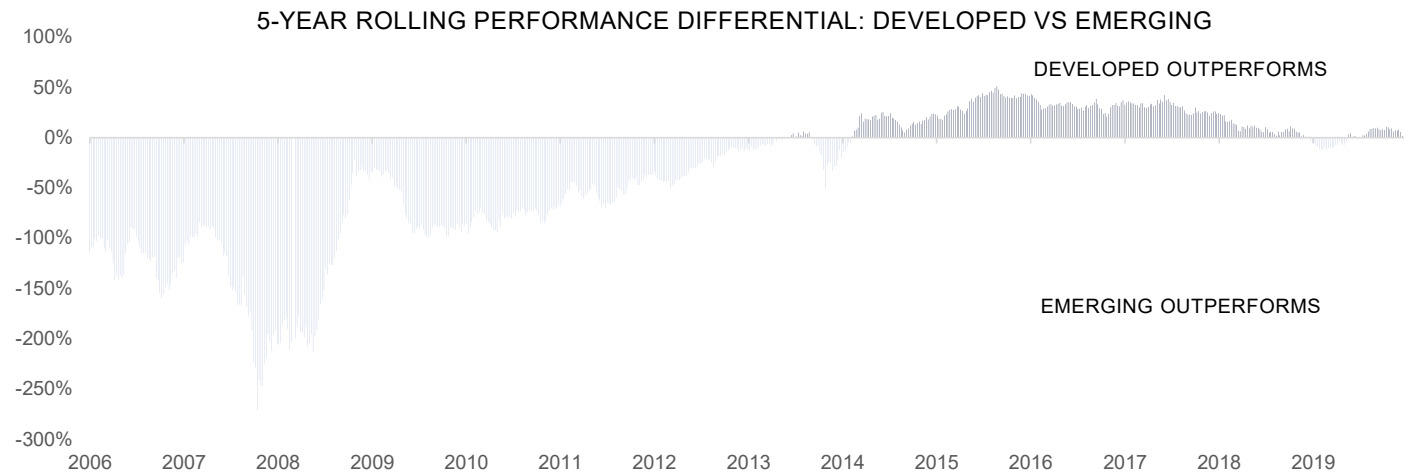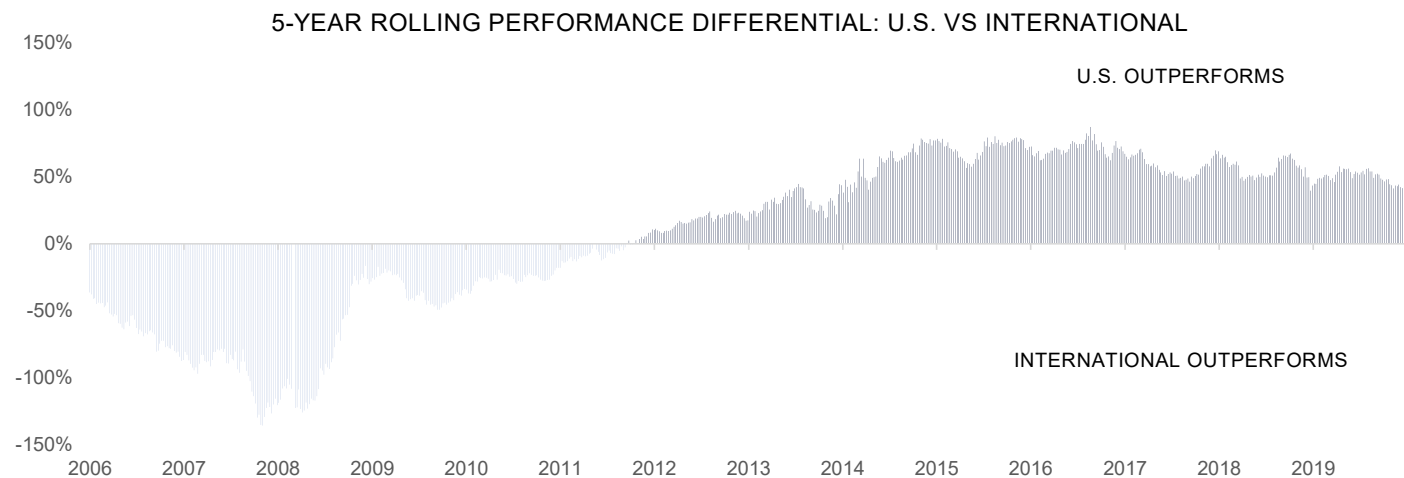

LARGE OUTPERFORMS

SMALL OUTPERFORMS

Source: Bloomberg, Tectonic analysis.
Performance is calculated on a five-year rolling average on a weekly basis. Indices used are the Russell 1000 Growth Index (Growth), Russell 1000 Value Index (Value), S&P 500 Index (Large), and Russell 2000 Index (Small). All returns include dividends reinvested.
Data as of December 31, 2019

Tectonic

U.S. and Developed Equities Outperform Peers

5-YEAR ROLLING PERFORMANCE DIFFERENTIAL: U.S. VS INTERNATIONAL

U.S. OUTPERFORMS

INTERNATIONAL OUTPERFORMS

5-YEAR ROLLING PERFORMANCE DIFFERENTIAL: DEVELOPED VS EMERGING

DEVELOPED OUTPERFORMS

EMERGING OUTPERFORMS

Source: Bloomberg, Tectonic analysis.
Performance is calculated on a five-year rolling average on a weekly basis. Indices used are the S&P 500 index (U.S.), MSCI ACWI ex US Index (International), MSCI EAFE Index (Developed), and MSCI MXEF Index (Emerging).
Data as of December 31, 2019

Tectonic

US & Growth Equities Expensive vs. Int'l & Value

FORWARD PRICE/EARNINGS RATIOS
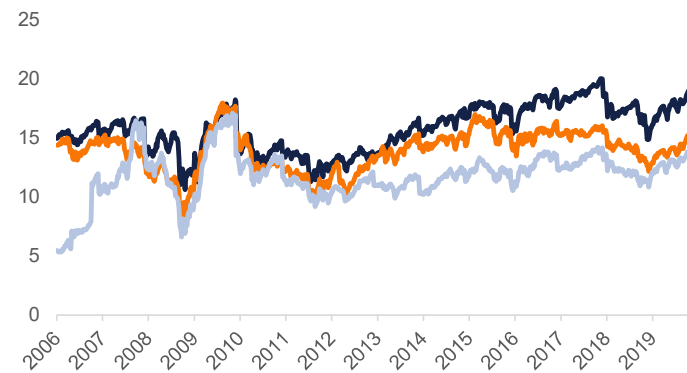

10 YR MOVING AVERAGE PRICE/EARNINGS RATIOS

■ S&P　　■ EAFE　　■ Emerging
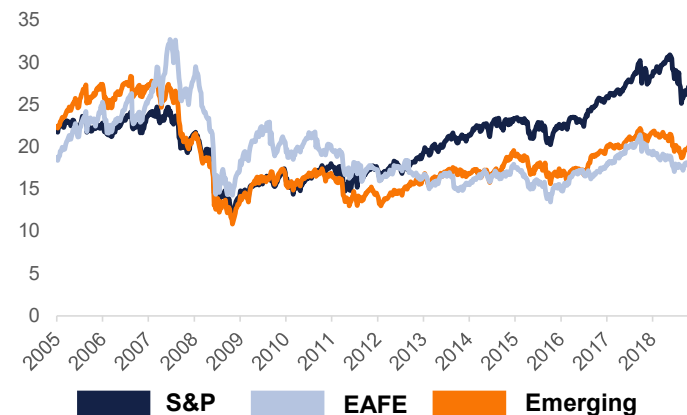
FORWARD PRICE/EARNINGS RATIOS

Index	Current	Average FWD P/E	Std Dev From 10 Year Mean
S&P 500	19.8	16.0	1.8
S&P 500 Growth	24.7	18.0	2.4
S&P 500 Value	16.2	14.3	1.1
S&P MidCap 400	19.9	18.4	0.9
S&P MidCap 400 Growth	25.1	20.2	2.4
S&P MidCap 400 Value	16.2	16.9	-0.4
S&P SmallCap 600	21.1	19.9	0.6
S&P SmallCap 600 Growth	23.3	20.7	1.1
S&P SmallCap 600 Value	19.2	19.3	0.0
MSCI EAFE	15.8	14.0	1.2
MSCI EAFE Growth	22.9	17.0	2.8
MSCI EAFE Value	12.0	11.9	0.1
MSCI Emerging Markets	14.7	11.9	2.6
MSCI Europe	15.9	13.7	1.1
MSCI Pacific	15.6	13.7	1.6
MSCI ACWI	17.8	14.8	1.7

Source: Bloomberg, Tectonic analysis.
Price to earnings is price divided by consensus analyst estimates of earnings per share for the next 12 months. Average P/E is calculated using 10 years of history. Indices used are the S&P 500 index (S&P), MSCI EAFE index (EAFE), and MSCI Emerging Markets index (Emerging). Average P/E and standard deviations are calculated using 10 years of history. Data as of December 31, 2019

S&P 500 Trading Slightly Below 20x Forward P/E

S&P 500 FORWARD P/E RATIO

+ 1 Standard Deviation 20.5

25-Year Average 17.2

Dec. 31st 19.8

- 1 Standard Deviation 13.9
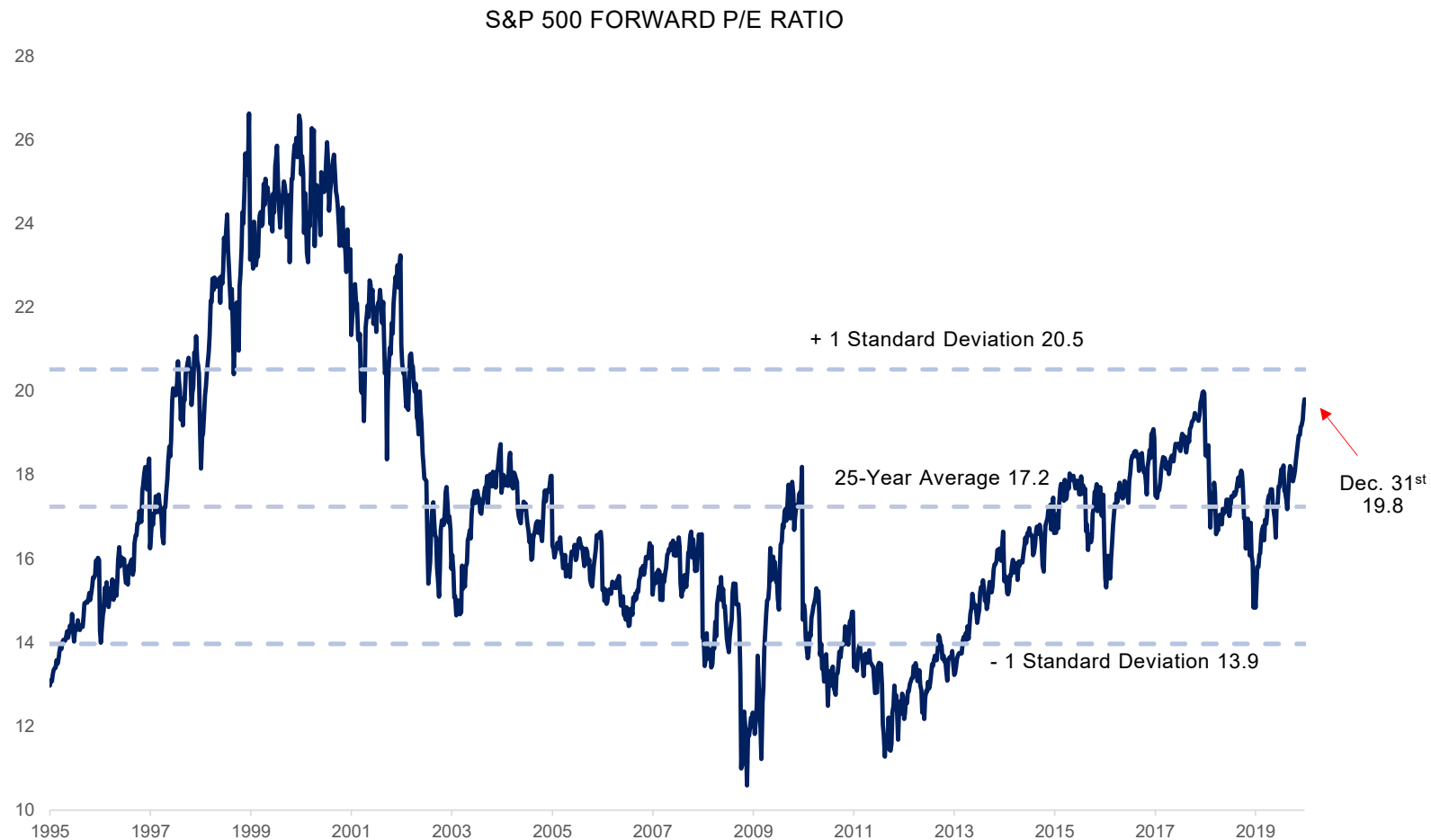
Source: Bloomberg, Tectonic analysis.
P/E bands are one standard deviation away from the 10 year P/E mean.
Data as of December 31, 2019

Tectonic

Quarterly Economic Chartbook

Leaders: Technology & Communication Services

	Materials	Financials	Industrials	Energy	Cons. Disc.	Cons. Staples	Health Care	Technology	Comm. Services	Utilities	Real Estate
S&P 500 Weight	2.7%	12.8%	9.2%	4.5%	10.2%	7.7%	13.7%	22.0%	10.4%	3.6%	3.2%
Beta to S&P 500	1.3	1.2	1.2	1.2	1.1	0.6	0.8	1.1	0.6	0.3	0.7
YTD	24.6%	32.1%	29.3%	11.8%	27.9%	27.6%	20.8%	50.3%	32.7%	26.4%	29.0%
Since Market Peak	5.3%	2.5%	7.4%	0.6%	12.0%	9.9%	11.0%	13.0%	4.9%	7.8%	3.5%
Since Market Low	14.8%	20.4%	19.0%	6.4%	22.8%	14.8%	17.6%	23.0%	12.0%	14.7%	18.1%

S&P 500 SECULAR PERFORMANCE 2019
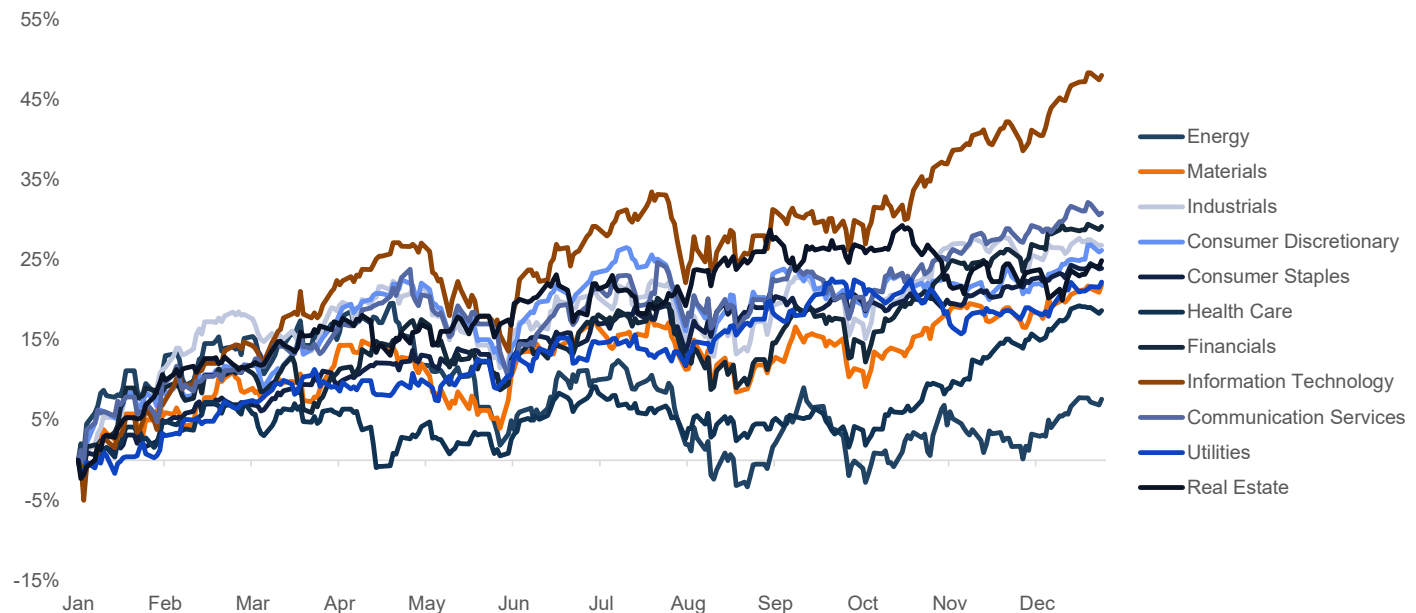
Source: Bloomberg, Tectonic analysis.
Year to Date calculations are cumulative total return, since market peak (10/9/07 – 12/31/2019) and since market low (3/9/09 – 12/31/2019) are annualized total returns. Beta calculations are based on 10 years of monthly price returns for the S&P 500 and its respective sub-indices.
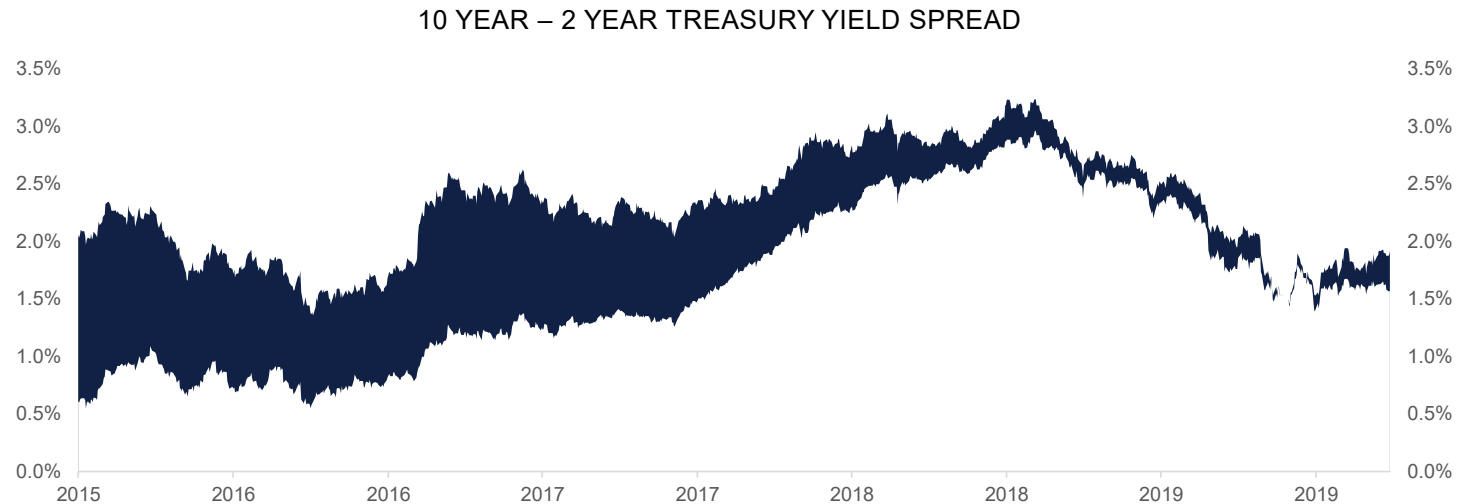Data as of December 31, 2019

Since '09, S&P 500 Has Gained 14.7% Per Year

ANNUALIZED PERFORMANCE OVER VARIOUS PERIODS

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
1992	7.6																											
1993	8.8	10.1																										
1994	6.3	5.6	1.3																									
1995	13.3	15.3	18.0	37.5																								
1996	15.2	17.2	19.6	30.0	22.8																							
1997	18.0	20.2	22.9	31.1	28.0	33.3																						
1998	19.5	21.6	24.0	30.5	28.2	30.9	28.6																					
1999	19.7	21.5	23.5	28.5	26.4	27.5	24.7	21.0																				
2000	16.1	17.2	18.2	21.3	18.3	17.2	12.2	4.9	-9.1																			
2001	12.9	13.5	14.0	15.9	12.6	10.7	5.7	-1.0	-10.5	-11.9																		
2002	9.2	9.3	9.2	10.3	6.9	4.4	-0.6	-6.8	-14.5	-17.2	-22.1																	
2003	10.7	11.0	11.0	12.2	9.4	7.6	3.8	-0.6	-5.3	-4.1	0.1	28.7																
2004	10.7	10.9	11.0	12.0	9.5	8.0	4.8	1.2	-2.3	-0.5	3.6	19.4	10.8															
2005	10.3	10.5	10.5	11.4	9.1	7.6	4.8	1.8	-1.1	0.5	3.9	14.4	7.8	4.9														
2006	10.6	10.8	10.9	11.7	9.7	8.4	5.9	3.4	1.1	2.9	6.2	14.7	10.4	10.2	15.8													
2007	10.3	10.5	10.5	11.3	9.3	8.1	5.9	3.7	1.7	3.3	6.1	12.8	9.2	8.6	10.6	5.6												
2008	6.7	6.7	6.4	6.8	4.8	3.4	1.0	-1.4	-3.6	-2.9	-1.5	2.4	-2.2	-5.2	-8.3	-18.4	-36.9											
2009	7.7	7.7	7.6	8.0	6.2	5.0	2.9	0.9	-0.9	0.0	1.6	5.5	2.1	0.4	-0.7	-5.6	-10.7	26.4										
2010	8.1	8.1	8.0	8.5	6.8	5.7	3.8	2.0	0.4	1.4	3.0	6.7	3.9	2.7	2.3	-0.8	-2.9	20.6	15.1									
2011	7.8	7.8	7.7	8.1	6.5	5.4	3.7	2.0	0.6	1.5	2.9	6.2	3.6	2.6	2.3	-0.2	-1.6	14.1	8.4	2.1								
2012	8.2	8.2	8.1	8.5	7.0	6.1	4.5	2.9	1.7	2.6	4.0	7.1	4.9	4.2	4.1	2.3	1.7	14.6	10.9	8.8	15.9							
2013	9.2	9.2	9.2	9.6	8.3	7.5	6.0	4.7	3.6	4.6	6.2	9.2	7.4	7.0	7.3	6.1	6.2	17.9	15.9	16.2	23.9	32.4						
2014	9.4	9.4	9.4	9.8	8.5	7.8	6.5	5.2	4.2	5.3	6.7	9.5	8.0	7.7	8.0	7.0	7.3	17.2	15.4	15.5	20.4	22.7	13.7					
2015	9.0	9.1	9.0	9.4	8.2	7.5	6.2	5.0	4.1	5.0	6.3	8.9	7.4	7.1	7.3	6.4	6.5	14.8	13.0	12.6	15.3	15.1	7.4	1.4				
2016	9.1	9.2	9.2	9.5	8.4	7.7	6.5	5.4	4.5	5.4	6.7	9.1	7.7	7.5	7.7	6.9	7.1	14.4	12.8	12.4	14.6	14.3	8.9	6.5	11.9			
2017	9.6	9.7	9.7	10.0	8.9	8.3	7.2	6.2	5.4	6.3	7.6	9.9	8.7	8.5	8.8	8.2	8.5	15.2	13.9	13.7	15.8	15.8	12.0	11.4	16.8	21.8		
2018	9.0	9.1	9.1	9.4	8.3	7.7	6.6	5.6	4.9	5.7	6.8	9.0	7.8	7.5	7.7	7.1	7.2	13.1	11.7	11.3	12.7	12.1	8.5	7.2	9.2	7.9	-4.4	
2019	9.8	9.9	9.8	10.2	9.2	8.6	7.6	6.7	6.1	6.9	8.1	10.2	9.1	9.0	9.3	8.8	9.1	14.7	13.5	13.4	14.9	14.7	12.0	11.7	14.4	15.3	12.1	31.5

Source: Bloomberg, Tectonic analysis.
Calculations for periods over one year are cumulative total returns annualized. Dates used for calculations are December 31 of the previous year to December 31 of the year listed.
For example, an investor who was in the market from 1996 to 2017 experienced an 8.9% annualized total return. The dates used for this calculation are 12/31/1995 – 12/31/2017.
Data as of December 31, 2019

Since '09, US Agg Bonds Have Gained 3.9% Per Year

ANNUALIZED PERFORMANCE OVER VARIOUS PERIODS

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
1992	7.4																											
1993	8.6	9.7																										
1994	4.6	3.2	-2.9																									
1995	7.9	8.1	7.2	18.5																								
1996	7.0	6.9	6.0	10.8	3.6																							
1997	7.5	7.5	6.9	10.4	6.6	9.7																						
1998	7.6	7.7	7.3	10.0	7.3	9.2	8.7																					
1999	6.5	6.4	5.9	7.7	5.2	5.7	3.8	-0.8																				
2000	7.1	7.1	6.7	8.4	6.4	7.2	6.4	5.2	11.6																			
2001	7.2	7.2	6.9	8.4	6.8	7.4	6.9	6.3	10.0	8.4																		
2002	7.5	7.5	7.3	8.6	7.3	7.9	7.5	7.3	10.1	9.3	10.3																	
2003	7.2	7.2	6.9	8.1	6.9	7.3	7.0	6.6	8.6	7.6	7.1	4.1																
2004	7.0	7.0	6.7	7.7	6.6	7.0	6.6	6.2	7.7	6.7	6.2	4.2	4.3															
2005	6.7	6.6	6.3	7.2	6.2	6.4	6.1	5.7	6.8	5.9	5.2	3.6	3.4	2.4														
2006	6.5	6.4	6.2	7.0	6.0	6.2	5.9	5.5	6.4	5.6	5.1	3.8	3.7	3.4	4.3													
2007	6.5	6.5	6.2	7.0	6.1	6.3	6.0	5.7	6.5	5.8	5.4	4.4	4.5	4.6	5.6	7.0												
2008	6.4	6.4	6.2	6.9	6.0	6.2	5.9	5.6	6.4	5.7	5.4	4.6	4.6	4.7	5.5	6.1	5.2											
2009	6.4	6.4	6.2	6.8	6.0	6.2	5.9	5.7	6.3	5.8	5.4	4.8	4.9	5.0	5.6	6.0	5.6	5.9										
2010	6.4	6.4	6.2	6.8	6.0	6.2	6.0	5.7	6.3	5.8	5.5	5.0	5.1	5.2	5.8	6.2	5.9	6.2	6.5									
2011	6.5	6.5	6.3	6.8	6.1	6.3	6.1	5.9	6.5	6.0	5.8	5.3	5.4	5.6	6.1	6.5	6.4	6.8	7.2	7.8								
2012	6.4	6.3	6.2	6.7	6.0	6.2	6.0	5.8	6.3	5.9	5.6	5.2	5.3	5.4	5.9	6.1	5.9	6.1	6.2	6.0	4.2							
2013	6.0	5.9	5.7	6.2	5.6	5.7	5.4	5.2	5.7	5.2	5.0	4.5	4.5	4.6	4.8	4.9	4.6	4.4	4.1	3.3	1.0	-2.0						
2014	6.0	5.9	5.7	6.2	5.6	5.7	5.5	5.3	5.7	5.3	5.0	4.6	4.7	4.7	5.0	5.0	4.8	4.7	4.4	3.9	2.7	1.9	6.0					
2015	5.8	5.7	5.5	5.9	5.3	5.4	5.2	5.0	5.4	5.0	4.7	4.3	4.3	4.3	4.5	4.5	4.2	4.1	3.8	3.2	2.1	1.4	3.2	0.5				
2016	5.6	5.6	5.4	5.8	5.2	5.3	5.1	4.9	5.2	4.8	4.6	4.2	4.2	4.2	4.3	4.3	4.1	3.9	3.6	3.1	2.2	1.7	3.0	1.6	2.6			
2017	5.5	5.5	5.3	5.7	5.1	5.2	5.0	4.8	5.1	4.7	4.5	4.1	4.1	4.1	4.3	4.3	4.0	3.9	3.6	3.2	2.4	2.1	3.2	2.2	3.1	3.5		
2018	5.3	5.3	5.1	5.4	4.9	5.0	4.7	4.5	4.8	4.5	4.2	3.9	3.9	3.8	3.9	3.9	3.6	3.5	3.2	2.8	2.1	1.7	2.5	1.7	2.1	1.8	0.0	
2019	5.5	5.4	5.2	5.6	5.1	5.1	4.9	4.7	5.0	4.7	4.5	4.2	4.2	4.1	4.3	4.3	4.0	3.9	3.7	3.4	2.9	2.7	3.5	3.0	3.7	4.0	4.3	8.7

Source: Bloomberg, Tectonic analysis.
Calculations for periods over one year are cumulative total returns annualized. Dates used for calculations are December 31 of the previous year to December 31 of the year listed.
For example, an investor who was in the market from 1996 to 2017 experienced an 5.1% annualized total return. The dates used for this calculation are 12/31/1995 – 12/31/2017.
Data as of December 31, 2019

Tectonic

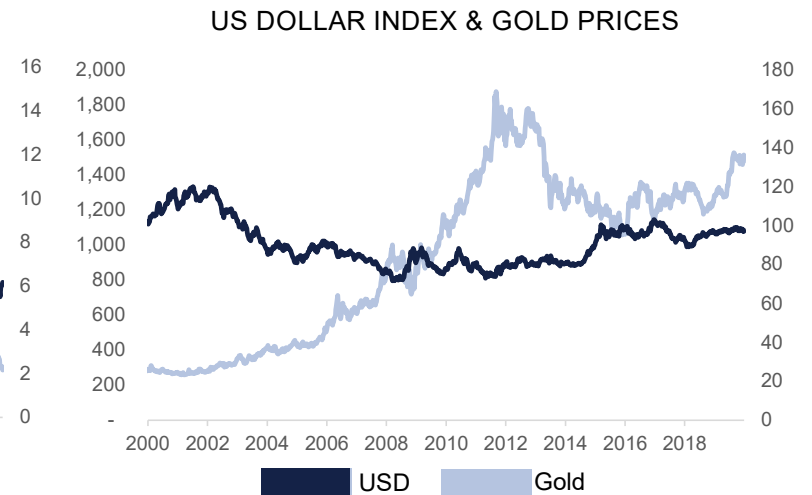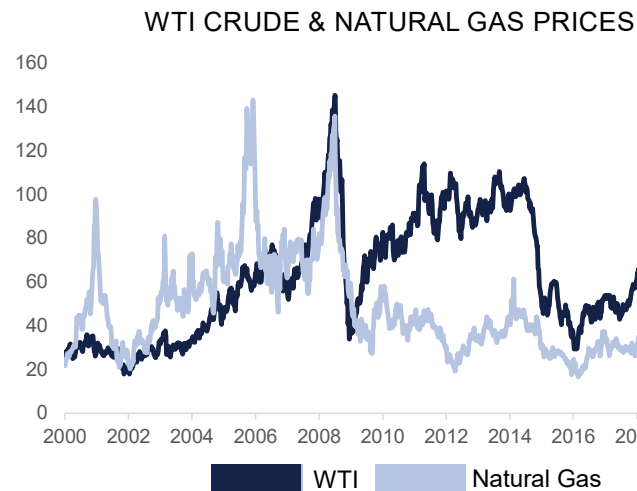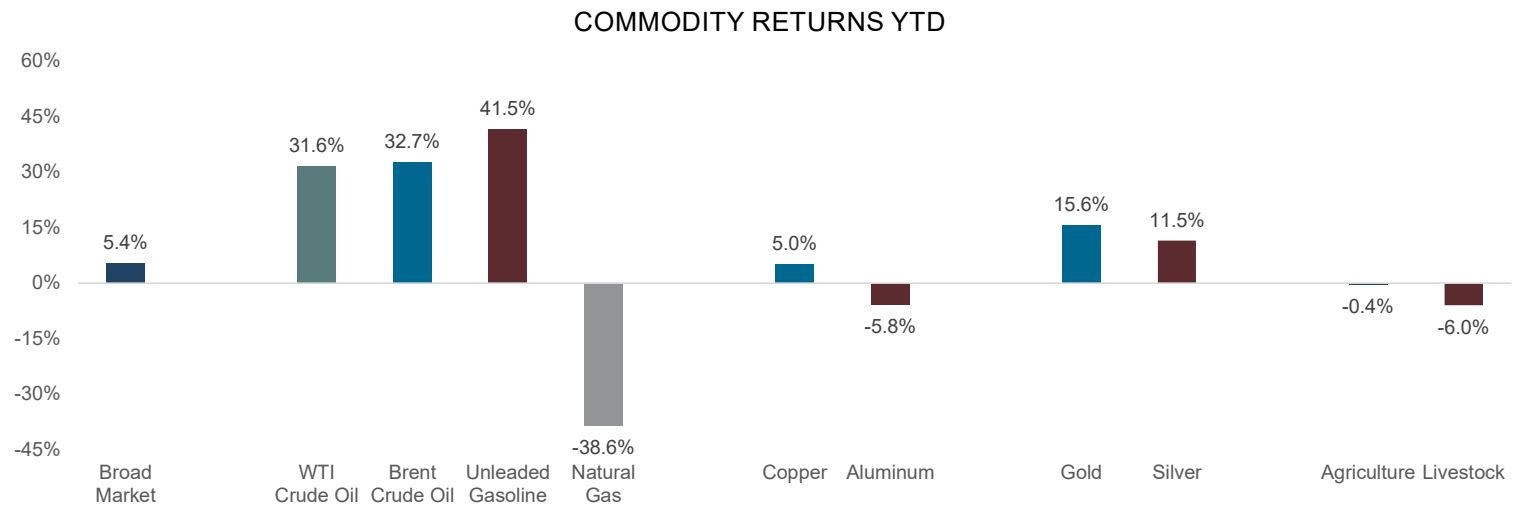# 10 Year – 2 Year Treasury Spread Widens in Q4

10 YEAR – 2 YEAR TREASURY YIELD SPREAD

Yield				
Index	Current	10 Year Average	Std Dev From 10 Year Mean	
Municipal	1.8	2.5		-1.4
GNMA	2.5	2.9		-0.7
US Liquid IG	3.0	3.6		-1.5
US Corporate-High Yield	5.1	6.7		-1.4
US Aggregate 1-3 Yr	1.8	1.3		0.7
US Agg Bond	2.3	2.5		-0.4
Global Treasury Ex US USD	0.9	1.4		-1.0

Spread to Treasuries				
Index	Current	10 Year Average	Std Dev From 10 Year Mean	
GNMA	0.4	0.3		0.8
US Liquid IG	1.0	1.5		-1.3
US Corporate-High Yield	3.3	4.8		-1.3
US Aggregate 1-3 Yr	0.2	0.3		-1.3
US Agg Bond	0.4	0.5		-1.0
Global Treasury Ex US USD	0.1	0.2		-1.0

Source: Bloomberg, Tectonic analysis.
Yields are yield to maturity and pre-tax. Indices have increased in precision as of 5/20/2008 to 4 decimal places. The rates are comprised of Generic United States on-the-run government bill/note/bond indices.
Data as of December 31, 2019

Tectonic

Broad Market Commodity Gains Driven by Gasoline & Crude

COMMODITY RETURNS YTD

- Broad Market: 5.4%
- WTI Crude Oil: 31.6%
- Brent Crude Oil: 32.7%
- Unleaded Gasoline: 41.5%
- Natural Gas: -38.6%
- Copper: 5.0%
- Aluminum: -5.8%
- Gold: 15.6%
- Silver: 11.5%
- Agriculture: -0.4%
- Livestock: -6.0%

WTI CRUDE & NATURAL GAS PRICES

WTI   Natural Gas

US DOLLAR INDEX & GOLD PRICES

USD   Gold

Source: Bloomberg, Tectonic analysis.
Commodity returns are shown as sectors and single commodities from Bloomberg's Commodity Index (BCOM). US Dollar Index indicates the international value of the USD by averaging the exchange rates between the USD and major world currencies.
Data as of December 31, 2019

Tectonic

ECONOMIC UPDATE

Velocity of Money Reaches Recent Lows as M1 Money Supply Crosses $3.9 Trillion
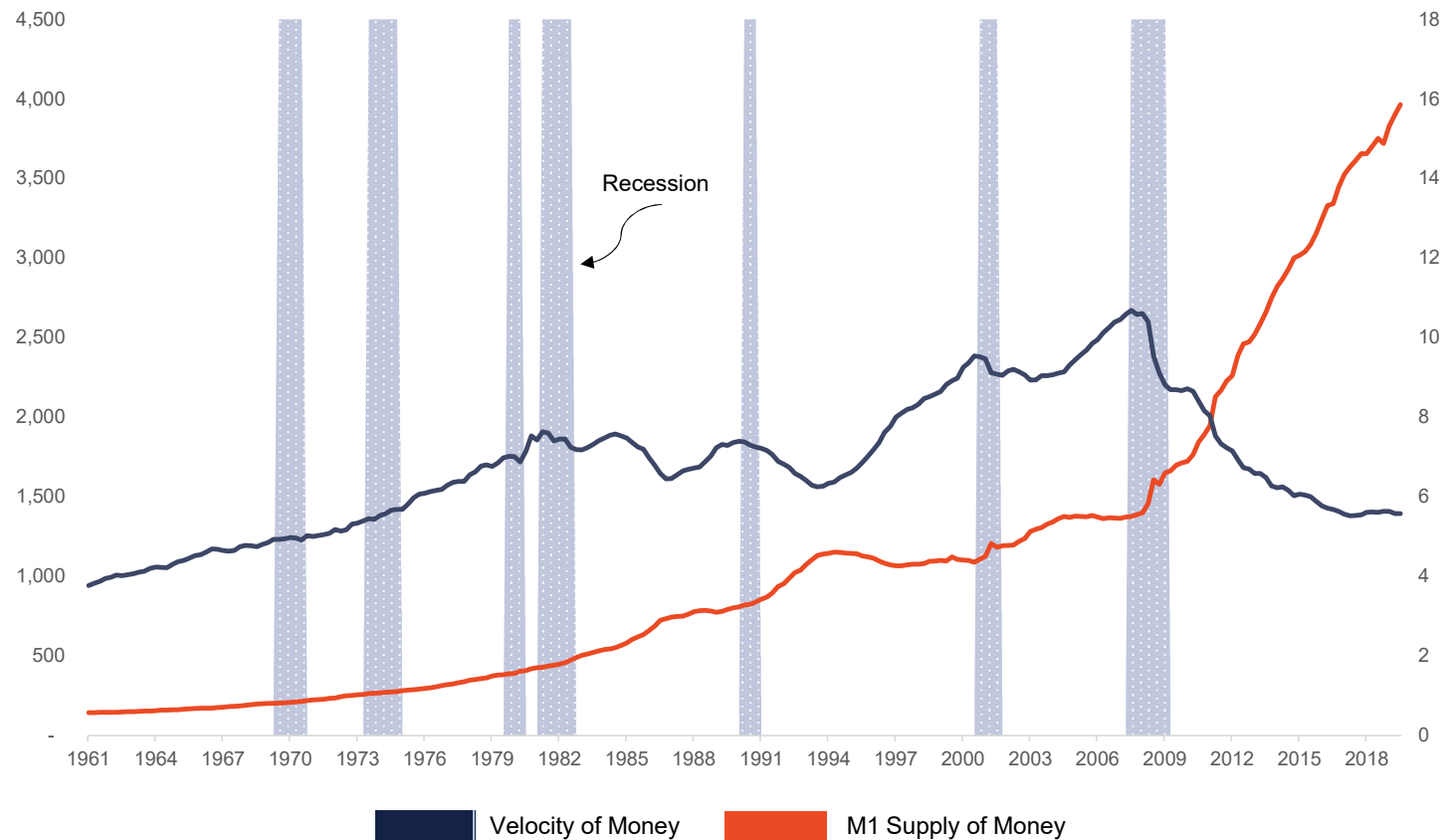
January 1ˢᵗ Marks the 127ᵗʰ Month Since the Great Recession

POST WWII ECONOMIC EXPANSION AND RECESSIONS (MONTHS)
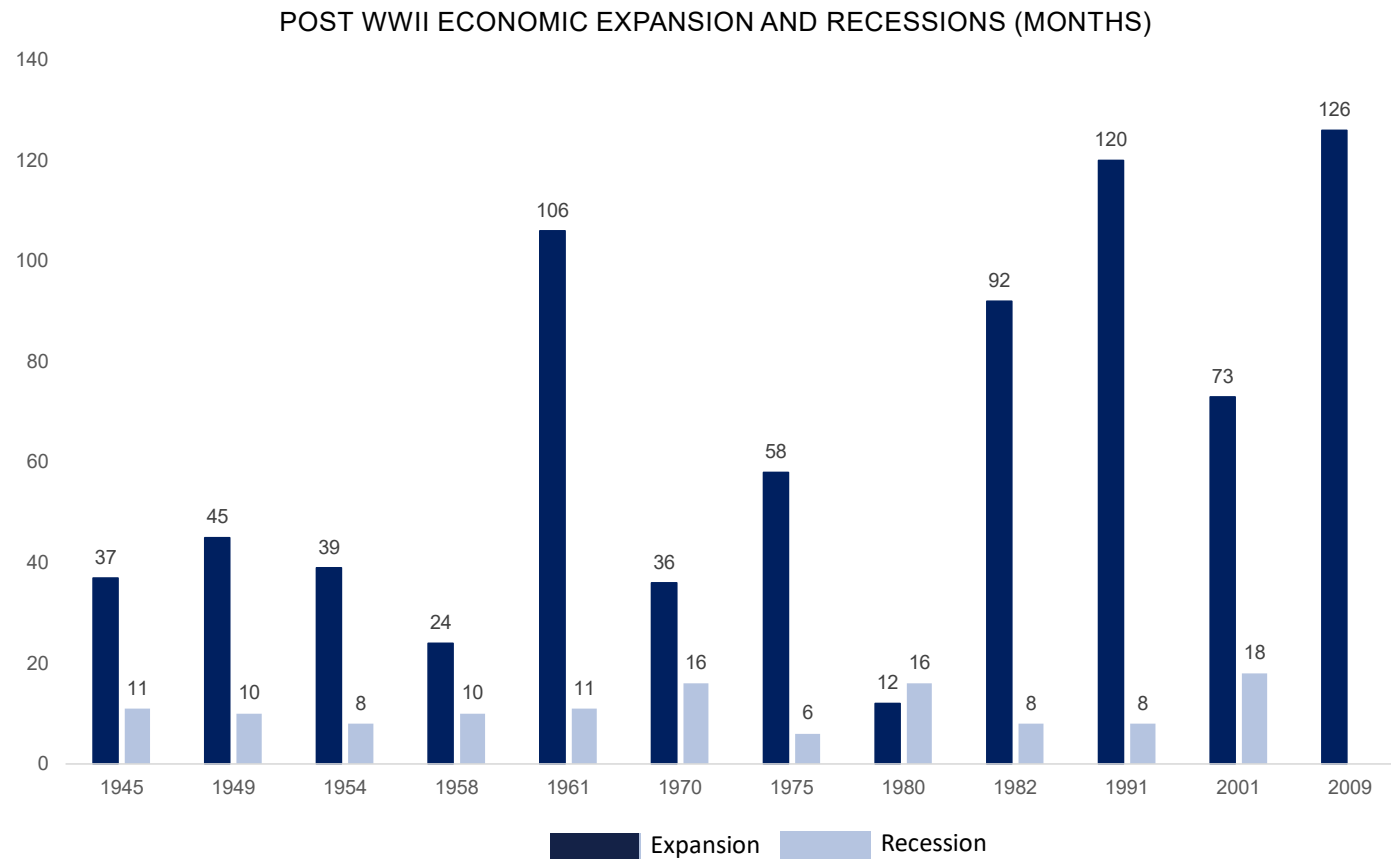
Source: Bloomberg, Tectonic analysis.
Chart assumes current expansion started in July 2009 and continued through September 2019, lasting 123 months so far. Past performance is not a reliable indicator of current and future results.
Data as of December 31, 2019

Highest Probability of Recession Since 2008

NY FED PROBABILITY OF RECESSION IN NEXT 12 MONTHS

Labor Force Participation Ticks Up, Unemployment Lowest Since 1969

US LABOR FORCE PARTICIPATION RATE

U-3 US UNEMPLOYMENT RATE

Consumer Sentiment Rebounds on Trade Optimism

U. MICHIGAN CONSUMER SENTIMENT

PERSONAL INCOME (% GROWTH YoY) VS PERSONAL SAVINGS (% PERSONAL INCOME)


Personal Savings   Personal Income
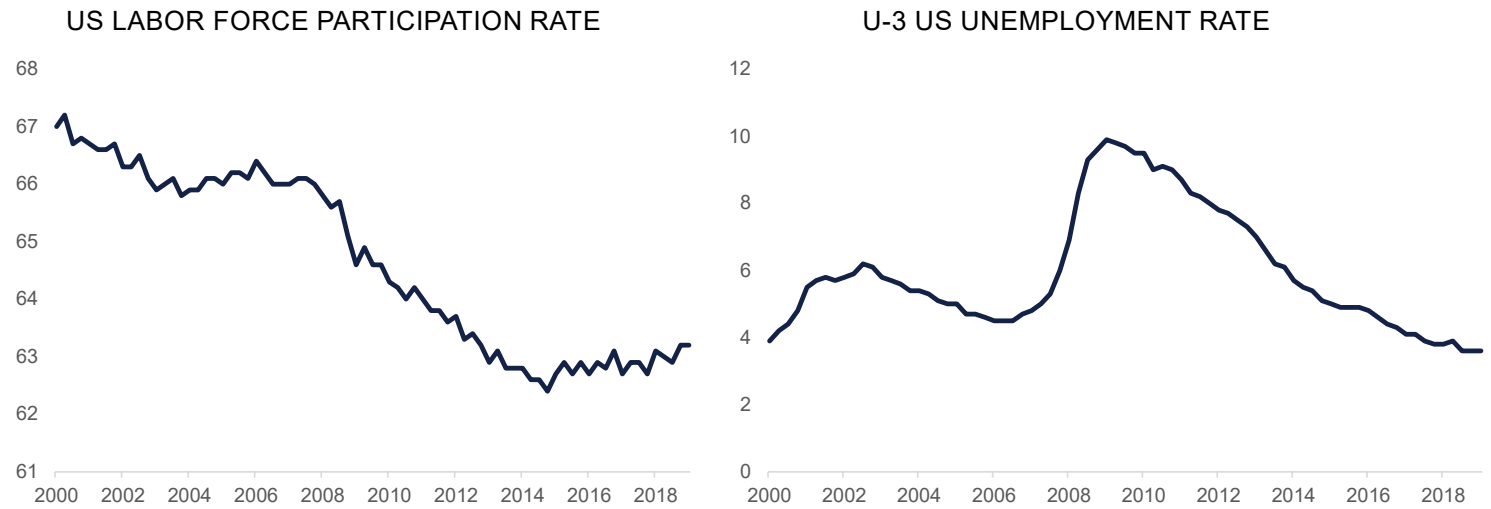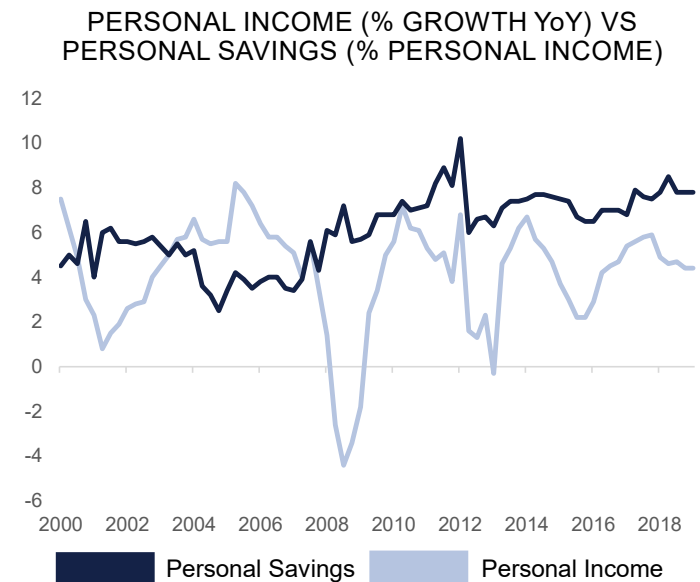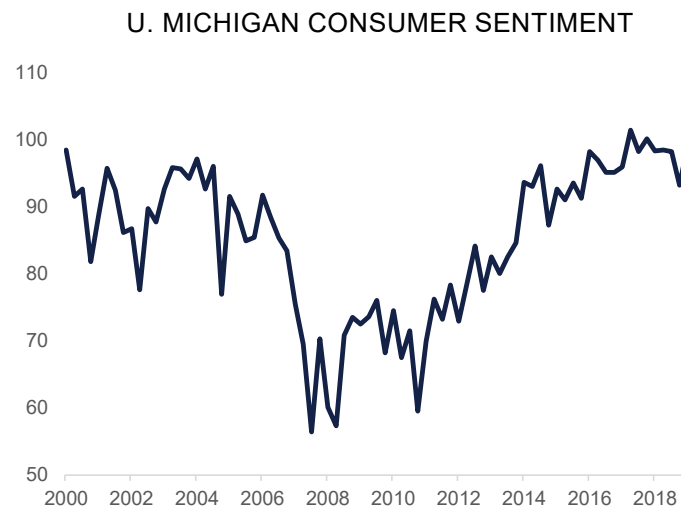
Source: Bloomberg, Tectonic analysis.
Data shown above is represented by the University of Michigan Consumer Sentiment index, U.S. Personal Savings as a % of Disposable Personal Income index, and U.S. Personal Income YoY index.
Data as of December 31, 2019

Q4 2019 GDP Numbers Will be Released on January 30th

GDP QUARTER-ON-QUARTER GROWTH (%) VS GDP (BILLIONS)
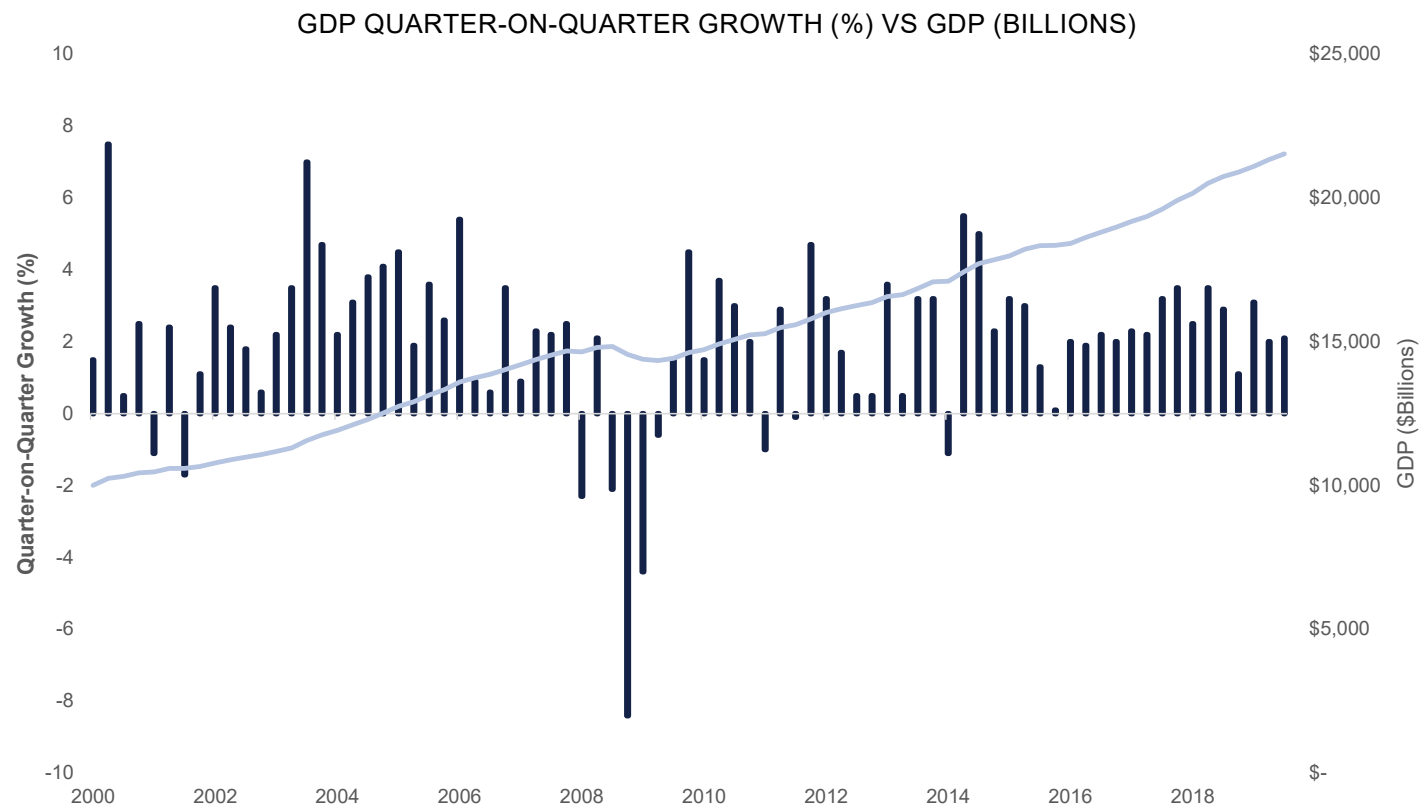
Source: Bloomberg, Tectonic analysis.
Quarter-over-quarter percent changes are at an annualized rate.
Data as of September 30, 2019

Inflation Rates Remain Low

CONSUMER PRICE INDEX (CPI)

CPI   Core CPI

PRODUCER PRICE INDEX (PPI)

PPI   Core PPI
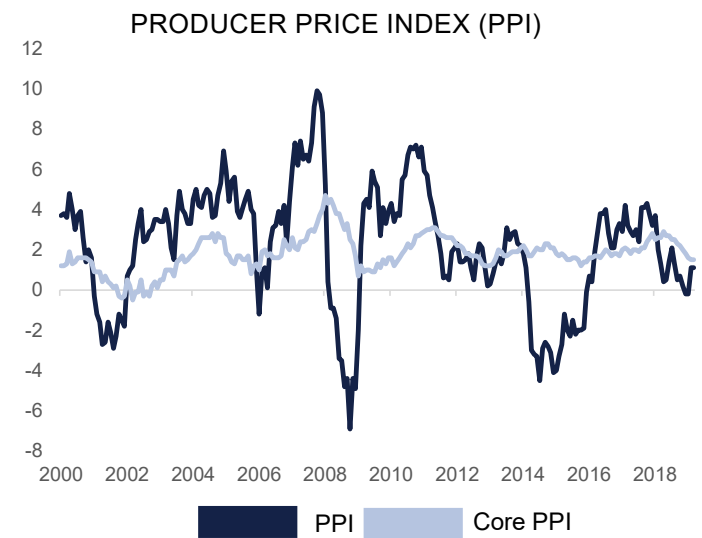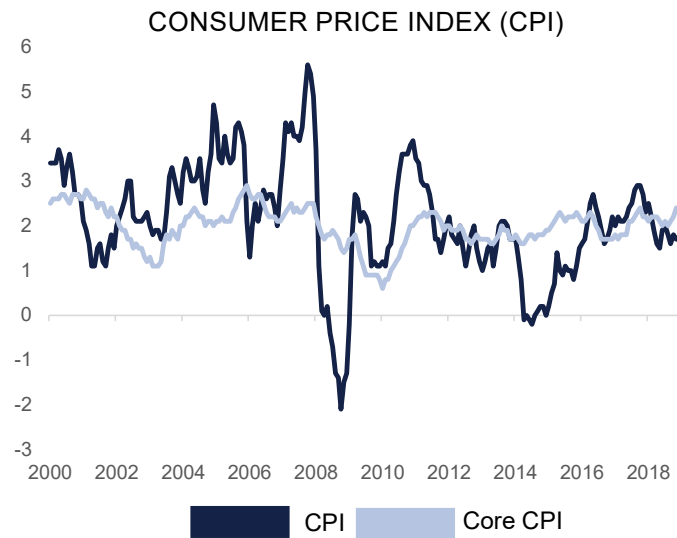
Source: Bloomberg, Tectonic analysis.
Consumer prices (CPI) are a measure of prices paid by consumers for a market basket of consumer goods and services. Producer prices (output) are a measure of the change in the price of goods as they leave their place of production. Core CPI and PPI exclude food and energy prices.
Data as of December 31, 2019

All Indexes are Unmanaged and an Individual Cannot Invest Directly in an Index. Index Returns do not Include Fees or Expenses.

EQUITIES:

The **Dow Jones Industrial Average** is a price-weighted average of 30 actively traded blue-chip U.S. stocks.

The **MSCI ACWI (All Country World Index)** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets and emerging markets.

The **MSCI EAFE (Europe, Australasia, Far East)** is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the U.S. and Canada.

The **MSCI Emerging Markets Index** is a free float-adjusted market capitalization index that is designed to measure the equity market performance in the global emerging markets.

The **MSCI Europe Index** is a free float-adjusted market capitalization index that is designed to measure developed market equity performance in Europe.

The **MSCI Pacific Index** is a free float-adjusted market capitalization index that is designed to measure equity market performance in the Pacific region.

The **Russell 1000 Index®** measures the performance of the 1,000 largest companies in the Russell 3000.

The **Russell 1000 Growth Index®** measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth.

The **Russell 1000 Value Index®** measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth.

The **Russell 2000 Index®** measures the performance of the 2,000 smallest companies in the Russell 3000.

The **Russell 2000 Growth Index®** measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth.

The **Russell 2000 Growth Index®** measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth.

Tectonic

All Indexes are Unmanaged and an Individual Cannot Invest Directly in an Index. Index Returns do not Include Fees or Expenses.

EQUITIES:

The **Russell 3000 Index®** measures the performance of the 3,000 largest companies based on total market capitalization

The **Russell Midcap Index®** measures the performance of the 800 smallest companies in the Russell 1000 index.

The **Russell Midcap Growth Index®** measures the performance of those Russell Midcap companies with higher price-to-book ratios and higher forecasted growth values. The stocks are also members of the Russell 1000 Growth index.

The **Russell Midcap Value Index®** measures the performance of those Russell Midcap companies with lower price-to-book ratios and lower forecasted growth values. The stocks are also members of the Russell 1000 Value index.

The **S&P 500 Index** is widely regarded as the best single gauge of the U.S. equities market. The index includes a representative sample of 500 leading companies in the leading industries of the U.S. Economy. The **S&P 500 Index** focuses on the large-cap segment of the market, however, since it includes a significant portion of the total value of the market, it also represents the market.

FIXED INCOME:

The **Bloomberg Barclays 1-3 Month U.S. Treasury Bill Index** includes all publicly issued zero-coupon U.S. Treasury Bills that have a remaining maturity of less than 3 months and more than 1 month, are rated investment grade, and have $250 million or more outstanding face value.

The **Bloomberg Barclays Global High Yield Index** is a multi-currency flagship measure of the global high yield debt market. The index represents the union of the U.S. High Yield, the Pan-European High Yield, and Emerging Markets (EM) Hard Currency High Yield Indices.

The **Bloomberg Barclays Municipal Index** consists of a broad selection of investment-grade general obligation and revenue bonds of maturities ranging from one year to thirty years.

The **Bloomberg Barclays US Corporate Investment Grade Index** consists of publicly issued U.S. corporate and specified foreign debentures and secured notes that are rated investment grade or above by at least two rating agencies, have at least one year to maturity, and have at least $250 million par amount outstanding.

All Indexes are Unmanaged and an Individual Cannot Invest Directly in an Index. Index Returns do not Include Fees or Expenses.

FIXED INCOME:

The **Bloomberg Barclays US High Yield Index** covers a universe of fixed rate, non-investment grade debt. Eurobonds and debt issues from countries designated as emerging markets (sovereign rating of Baa1/BBB+/BBB+ and below using the middle of Moody's, S&P, and Fitch) are excluded.

The **Bloomberg Barclays US Mortgage Backed Securities Index** is an unmanaged index that measures the performance of investment grade fixed-rate mortgage backed pass-through securities of GNMA, FNMA and FHLMC.

The **Bloomberg Barclays US TIPS Index** consists of inflation-protection securities issued by the U.S. Treasury.

The **U.S. Treasury Index** is a component of the U.S. Government Index.

OTHER ASSET CLASSES:

The **Alerian MLP Index** is a composite of the 50 most prominent energy Master Limited Partnerships (MLPs) that provides investors with an unbiased, comprehensive benchmark for the asset class.

The **Bloomberg Commodity Index** and related sub-indices are composed of futures contracts on physical commodities and represents twenty two separate commodities traded on U.S. exchanges, with the exception of aluminum, nickel, and zinc.

The **Dow Jones US Select REIT Index** measures U.S. REITs and REIT-like securities. It screens for market cap, liquidity, and percentage of revenue derived from ownership and operation of real estate securities. It is float market cap weighted.

DEFINITIONS:

Investing in **alternative assets** involves higher risks than traditional investments and is suitable only for sophisticated investors. They are not tax efficient and an investor should consult with his/her tax advisors prior to investing. Alternative investments have higher fees than traditional investments and they may also be highly leveraged and entail speculative investment techniques, which can magnify the potential for investment loss or gain. Investors may get back less than they invested.

Tectonic

INDEX DEFINITIONS & DISCLOSURES

All Indexes are Unmanaged and an Individual Cannot Invest Directly in an Index. Index Returns do not Include Fees or Expenses.

DEFINITIONS:

Bonds are subject to interest rate risk. Prices generally fall as interest rates rise**.**

Investments in **commodities** may have greater volatility than investments in traditional securities, particularly if the instruments involve leverage. The value of commodity derivative instruments may be affected by changes in overall market movements, volatility, interest rates, or factors affecting a particular industry or commodity such as drought, floods, weather, disease, embargoes, tariffs, and international economic, political and regulatory developments.

Derivatives may be riskier than other types of investments because they may be more sensitive to changes in economic or market conditions than other types of investments and could result in losses that significantly exceed the original investment.

Investments in **emerging markets** can be more volatile. The normal risks of investing in foreign countries are heightened when investing in emerging markets. The small size of securities markets and low trading volume can lead to a lack of liquidity, and in turn increase volatility. Emerging markets may not provide adequate legal protection for private or foreign investment or private property.

The price of **equity** securities may rise or fall because of changes in the broad market or changes in a company's financial condition, sometimes rapidly or unpredictably. These price movements may result from factors affecting individual companies, sectors or industries, or the securities market as a whole, such as changes in economic or political conditions. Equities are subject to "stock market risk" meaning that stock prices in general may decline over short or extended periods of time.

International investing involves a greater degree of risk and increased volatility. Changes in currency exchange rates and differences in accounting and taxation policies outside the U.S. can raise or lower returns. Some overseas markets may not be as politically and economically stable as the United States and other nations.

Mid-capitalization investing typically carries more risk than investing in well-established companies. Historically, mid-cap companies' stock has experienced a greater degree of market volatility than the average stock.

All Indexes are Unmanaged and an Individual Cannot Invest Directly in an Index. Index Returns do not Include Fees or Expenses.

DEFINITIONS:

Price to forward earnings is a measure of the price-to-earnings ratio (P/E) using forecasted earnings.

Real estate investments may be subject to a higher degree of market risk because of concentration in a specific industry, sector or geographical sector. Real estate investments may be subject to risks including, but not limited to, declines in the value of real estate, risks related to general and economic conditions, changes in the value of the underlying property owned by the trust and defaults by borrower.

Small-capitalization investing typically carries more risk than investing in well-established companies since smaller companies generally have a higher risk of failure. Historically, smaller companies' stock has experienced a greater degree of market volatility than the average stock.

DISCLOSURE:

All information contained herein is for informational purposes only. All materials are compiled from sources believed to be reliable. However, accuracy cannot be assured. Neither the information nor any opinion expressed constitutes a solicitation for the purchase or sale of any security. It is not our intention to state or imply in any manner that past results and profitability is an indication of future performance. Investors should be aware there are risks inherent in all investments such as fluctuations in investment principal. Before making an investment decision, please contact your financial professional. We do not accept client orders to effect securities transactions or other similar instructions through e-mail communications. Neither Tectonic Advisors, LLC, nor Sanders Morris Harris LLC offers tax, accounting or legal advice. We strongly encourage you to seek advice from qualified tax, accounting or legal experts regarding the best options for your particular circumstances. Securities and investment advisory services offered through Sanders Morris Harris LLC., Member FINRA/ SIPC. Investment advisory services are also offered through Tectonic Advisors, LLC.

Tectonic