



# INVESTMENT & WEALTH MANAGEMENT UPDATE

OCTOBER 25, 2019

THIRD QUARTER - 2019



## IN THIS ISSUE

Economic & Market Perspectives	1
Notes from our President & CEO	2
Market Review	3
Contact Us	3
Company News	4

## ECONOMIC & MARKET PERSPECTIVES

Michael Carlisle, Vice President & Investment Committee Chair

As autumn rapidly falls upon us, numerous reasons for cautious optimism exist from both economic and market perspectives. The U.S. consumer remains a driving force in 2019 market performance representing roughly 70% of economic activity. Recent gains in housing starts and building permits provide additional support for an optimistic outlook. With unemployment at 3.7%, near a 50-year low, tight labor markets have driven modest wage increases. Due to demographic shifts, it's reasonable to expect these trends to continue even in the face of slowing global growth.

From a cautionary viewpoint, ongoing trade tensions continue

to drive most narratives. Trade negotiations with China remain a primary focus for investors. Weak economic data from the Eurozone, where manufacturing activity sits at a seven-year low, casts a shadow on global markets. Rising tension in the middle east with Iran, Turkey and Syria are also raising investor concern regarding equities in general, but in particular, foreign equity markets. With all these headwinds, foreign equity valuations in general have remained well below U.S. valuations.

These issues have the Fed proceeding cautiously with its recent quarter point rate cut. Markets have priced this in while exhibiting concerns of future growth, and are

currently testing new highs. U.S. political friction with the pending impeachment inquiry will continue to lockdown the political class at a time when fiscal policy may be necessary to combat a recession, as the capacity for monetary policy to do so diminishes.

Yes, there are reasons to be both hopeful and concerned as autumn proceeds. In the face of market drops, most successful investors have preached: do not panic, stay invested, diversify, allocate to your "real" level of risk, and if possible, ignore the noise of the day-to-day market. For the U.S. investor, this advice has proven sound over many market cycles.

## NOTES FROM OUR PRESIDENT & CEO



Mark Knackendoffel, President & CEO

### Account Statement Format Change

You may recall that we recently refined our Asset Allocations, expanding our targeted portfolios from 7 asset allocations to 11 asset allocations.

These range from:

0-100	0% Equity – 100% Fixed Income
to	
100-0	100% Equity – 0% Fixed Income

In conjunction with these changes, we've rearranged our Asset Allocation categories to more-clearly display these Equity ↔ Fixed Allocations. We eliminated the "Real Assets" Category and reclassified its two holdings:

- Vanguard Inflation-Protected Bond Fund Moved to Fixed Income
- Cohen & Steers Real Estate Securities Fund Moved to Equities

Now it should be easier to view your total Equity ↔ Fixed Asset mix.

### Building Your Nest Egg – What's Most Important . . . and What Can You Control?

Approximately 25 years ago, I started reading a regular financial advice column written by Jonathan Clements for the Wall Street Journal. In one of my favorite columns, he professed that there were only four factors that determine the value of your nest egg:

1. How soon you start saving.
2. How much you save.
3. How much your savings program costs.
4. The long-term rate of return of your savings program.

While all of these factors are critically important, Mr. Clements observed that it's the first three over which most investors and savers have the greatest control, but it's the last one on which they tend to have the greatest focus. So, the message is to save early and aggressively, keep your costs down, and develop a diversified portfolio that provides long-term competitive returns. Thank you, Mr. Clements!



# QUARTERLY MARKET REVIEW: JULY - SEPTEMBER 2019



The Trust Company's Investment Committee:

Toby Marks; Michael Carlisle; Katie Seay; Mark Knackendoffel; Eli Sallman

## CONTACT US

800 Poyntz Ave., P.O. Box 1806  
**Manhattan, KS 66505**  
785.537.7200

4210 Philips Farm Road, Suite 109  
**Columbia, MO 65201**  
573.876.7000

333 West 9th Street, Suite A  
**Lawrence, KS 66044**  
785.371.9555

908 Broadway, Suite B  
**Marysville, KS 66508**  
785.562.2344

**THETRUSTCO.COM**

**800.285.7878**

The 3<sup>rd</sup> Quarter was full of ups and downs for stocks and the economy, much like the 2nd Quarter.

- Stock prices moved in response to the rhetoric from the U.S.-China trade war.
- Corporate earnings increased modestly.
- The Fed lowered interest rates . . . twice.
- More new jobs were added, but at a reduced rate.
- Wage growth continued . . .

modestly.

- Manufacturing and industrial production remain muted, along with the global economy.
- Nevertheless, consumers kept spending at a steady rate.

So, with all those ups and downs in the 3rd Quarter:

- Large-company stocks outperformed small-company stocks: the DJIA and the S&P 500 each rose 1.2% and the tech-dominated NASDAQ broke even.

- The Russell 2000 and the Global Dow dropped -2.8% and -1.7%.
- Crude oil dropped \$3.79 per barrel and the national average retail gas price, at \$2.65 per gallon, did not change.

Perhaps the most distressing news is that the federal budget deficit was \$120B in July and \$200B in August. Through the first 11 months of the fiscal year, the U.S. government deficit is \$1.1B, 19% higher than the same period last year.

Market/Index	12/31/2018 Market Close	As of 9/30/2019	Qtr Change	YTD Change
<b>S&amp;P 500</b>	\$2,507	\$2,977	1.19%	18.74%
<b>DJIA</b>	\$23,327	\$26,917	1.19%	15.39%
<b>NASDAQ</b>	\$6,635	\$7,999	-0.09%	20.56%
<b>Russell 2000</b>	\$1,349	\$1,523	-2.76%	12.96%
<b>Global Dow</b>	\$2,737	\$3,021	-1.73%	10.40%
<b>Fed Funds Rate</b>	2.25%-2.50%	1.75%-2.00%	-50 bps	-50 bps
<b>10-Year Treasury Rate</b>	2.68%	1.67%	-33 bps	-101 bps

## COMPANY NEWS

### Welcome Cole Bachamp!



We are thrilled with the recent addition of Cole Bachamp to our advisory team in Manhattan. As Associate Trust Officer, he works alongside senior advisors to serve personal trust, investment management, and institutional clients.

Before joining The Trust Company, Cole spent over seven years at Briggs Auto Group in Manhattan as the Finance and General Sales Manager.

Cole graduated from Kansas State University with a B.S. in Business Administration with an emphasis in Finance. He also was a student-athlete on the football team where he played wide receiver and special teams.

Cole and his wife, Bailey, are both Manhattan natives. She works for K-State Athletics as the Men's Basketball Recruiting Coordinator & Assistant to the Head Coach.

Their family includes a wild house cat named "Willie"! During their free time, Cole and Bailey enjoy traveling, cooking, reading and watching sports.

### Trust School Graduates

Several employees of The Trust Company recently completed The Schools of Banking's week-long courses in trust administration. The schools are sponsored by the Kansas and Nebraska Bankers Associations, and are respected industry-wide as an authority in trust services.

Cole Bachamp, Mackenzie Blakeslee, Preston Schotte and Samantha Varacalli earned certificates from the

School of Trust and Financial Services. Course content is designed to provide trust professionals with an overview of trust department functions and their interrelationships.

The Trust Company encourages all employees, regardless of their position in the company, to attend the biennial school at least once to develop a fuller understanding of their role within the organization and provide the best possible client service.



Mackenzie Blakeslee



Preston Schotte



Samantha Varacalli



**THETRUSTCO.COM**

800.285.7878

**INVESTMENT MANAGEMENT**  
**FINANCIAL PLANNING**  
**RETIREMENT PLANS**  
**TRUST ADMINISTRATION**

Some content prepared by Broadridge Investor Communication Solutions, Inc.  
Copyright 2019

**DISCLOSURES** —Broadridge Investor Communication Solutions, Inc. does not provide investment, tax, or legal advice. The information presented here is not specific to any individual's personal circumstances. To the extent that this material concerns tax matters, it is not intended or written to be used, and cannot be used, by a taxpayer for the purpose of avoiding penalties that may be imposed by law. Each taxpayer should seek independent advice from a tax professional based on his or her individual circumstances. These materials are provided for general information and educational purposes based upon publicly available information from sources believed to be reliable—we cannot assure the accuracy or completeness of these materials. The information in these materials may change at any time and without notice.

