

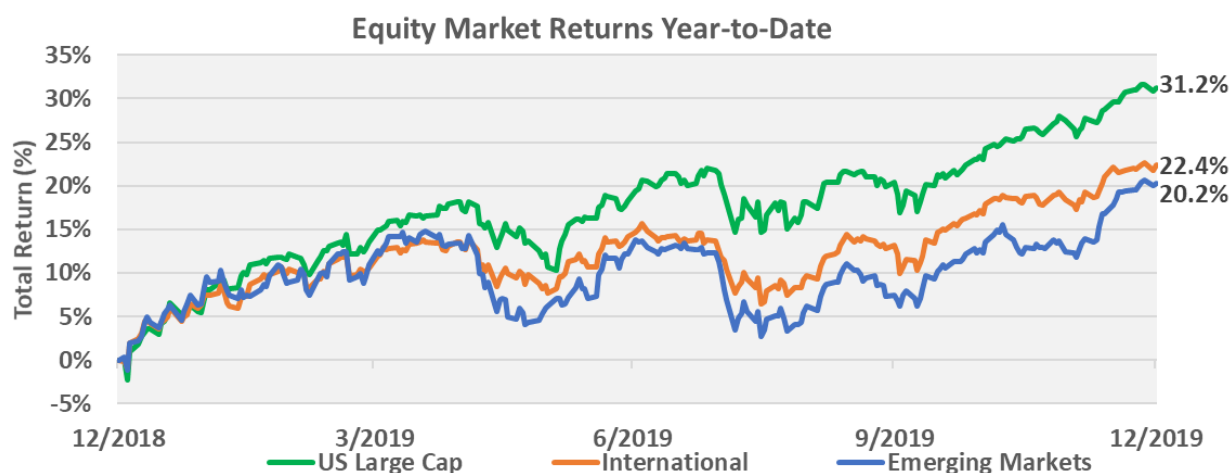


2019 – A Very Good (and Unexpected) Year!

Happy New Year! 2019 was an exciting and gratifying year for our firm as we welcomed a significant number of new family groups and endowment clients and continued to strengthen our capabilities and resources. [Matt Underwood, CFA, CAIA](#), joined the GSIS family as our Director of Research and Portfolio Management and in early 2020 we plan to engage several other individuals to enhance the depth and talent of our team.

We identified [iCapital Network](#) as a strategic partner to help us to source and implement Alternative Investment opportunities to enhance long-term portfolio returns. They provide us with access to institutional quality managers and niche strategies at significantly reduced minimums and fees. Importantly, they are 100% independent of the conflicts and layered fees that are so common among similar firms. With over 200 professionals researching the alternative landscape and over \$40 billion under advisement, they add a capability to us that dwarfs other firms' internal, and often conflicted, capabilities. iCapital is an excellent example of our pursuit of superior outsourced capabilities.

2019 was a very good year for financial markets. Many global equity indices reached all time high levels, despite the doom and gloom forecasts for recession, higher interest rates and meek equity returns that were so prevalent by Wall Street's strategists and economists at the end of 2018. **We maintained our disciplined process and rebalanced client accounts in late December 2018 to take advantage of the significant 4Q 2018 decline. This was driven by our valuation analysis that indicated compelling opportunities across most major equity asset classes. The rebalancing decision added significant value to client accounts in 2019.**

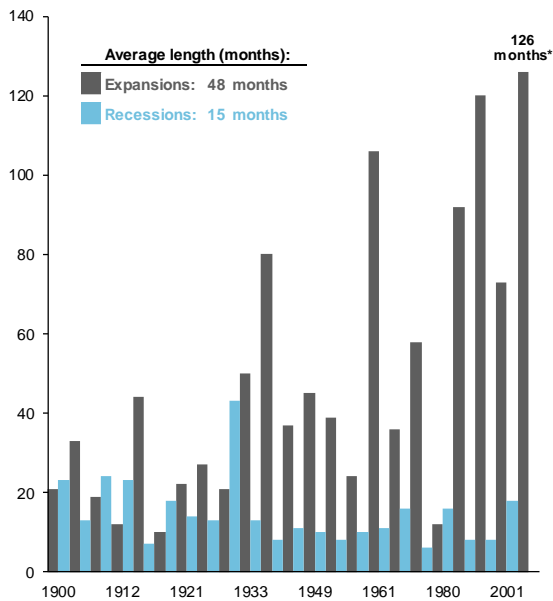


Forecasting is Folly:

As you know, Global Strategic has found that economic or financial market forecasting is not just impossible, but often hurts long term results. Recessions are impossible to predict and the data that confirms a recession is frequently so late in arrival that the damage is done before you get the confirmation. Legendary investor Peter Lynch has said that more people have lost money anticipating corrections than in the actual

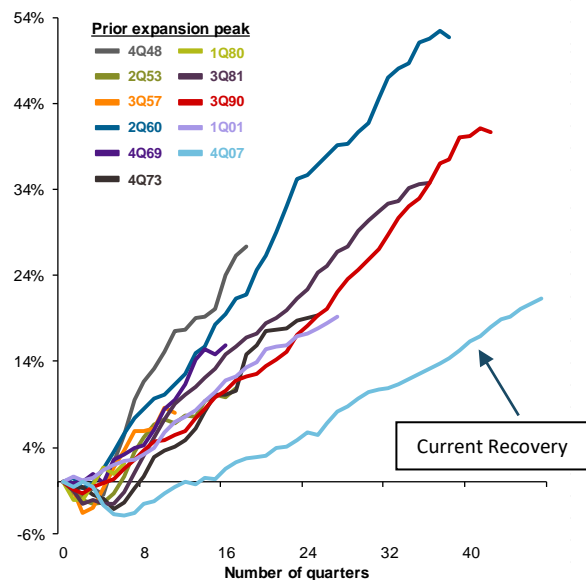
corrections. With so much current forecasting controversy with regard to the potential for a recession, we thought it would be valuable to take a look back at historic expansions and recessions.

Length of economic expansions and recessions



Strength of economic expansions

Cumulative real GDP growth since prior peak, percent



Source: JPMorgan

These two graphs were included in our 3Q 2019 client portfolio reviews that we felt highlighted several important points given all the recession banter:

- Recessions are short relative to expansions.
- The current expansion is the longest in history, but the most muted since 1948.
- Most previous expansions had immediate and significant quarters of recovery.

The long and slow expansion from the Great Credit Crisis has confounded many academics and investment professionals. We have pointed out in the past that economies rarely stop growing because of old age but, as the cycle extends, they become more vulnerable to external shocks and/or policy errors.

One “policy error” factor potential that we are watching carefully is that Central Banks around the world may be losing their effectiveness to combat economic shocks. With rates so low and Central Bank balance sheets so full it makes sense that monetary policy tools have been weakened. This may make interest rate volatility rise on both the up and downside. [Matt Underwood has authored a brief explanation of this point of view and it is attached to this Commentary.](#)

Given the strong equity returns of 2019, valuation levels have increased across most major equity categories and, as a result, our portfolios are more defensively positioned across both equities and fixed income categories. Thank you for your trust and confidence in us.

Sincerely,

Donald E. Callaghan
 Co-Managing Partner and Chief Investment Officer

Matthew Underwood, CFA, CAIA
 Director of Research and Portfolio Management