Mainsail
WEALTH ADVISORS

Quarterly Market Review

4TH QUARTER 2019

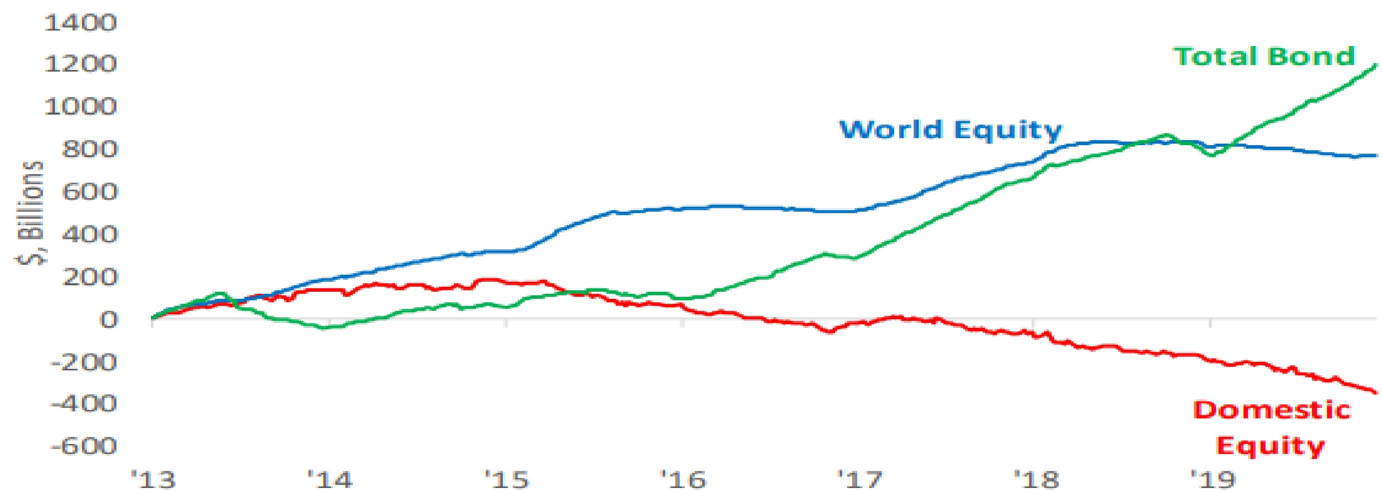
What a Difference a Year Makes

At the close of 2018 I'm not sure many would have predicted such a sharp move higher in equity markets in 2019. Afterall we were coming off one of the worst Decembers in over 20 years, the Federal Reserve seemed committed to continual rate hikes, there was that scary inverted yield curve, and the trade war with China seemed almost certain to cause economic turmoil in the year ahead. Instead what ensued was a reversal spurred by a dramatic shift in investor sentiment as things turned out to be "not as bad" as feared. For the year, S&P earnings were essentially flat, meaning nearly all of the gains were attributed to what we call "multiple expansion" where investors are willing to pay a higher multiple on earnings. Typically this occurs during periods when investor sentiment is improving, which was certainly the case in 2019. This move came on the heels of 2018 which saw one of the largest multiple *contractions* in recorded history. Clearly investors have not been quite sure what to make of the current set of economic challenges and opportunities.

So what then might lie ahead? As we head into 2020, the optimism we saw in 2019 seems likely to continue at least for the first half of the year. The Federal Reserve remains accommodative, the US and China have agreed to a phase one trade deal, and global economic activity looks to have bottomed. Both earnings growth and global economic growth are also expected to pick up in 2020. The big unknown as we embark on the coming year is just how impacted market, consumer, and business sentiment will be from the 2020 election process. It is our view, that given the dividend nature of our country, and increasingly polarizing rhetoric from both sides of the isle, it is unlikely that sentiment improves markedly until after the election silly season has passed. While, we tend to believe that political outcomes have much less economic impact than most people think we are mindful of the short term impact these events can have on asset prices. With all this being said, we believe that returns are likely to be muted for 2020 but that downside risks remain relatively low.

Where Has All the Money Gone

As we were doing research to wrap up the year, I came across this chart and thought it was too interesting not to share. What you will find below is a visual that depicts what investors have been doing with their wallets since 2013. It is amazing to us just how much money continues to pour into bonds and out of US equities despite the large move upward in stock prices and the large move downward in yields. This is in sharp

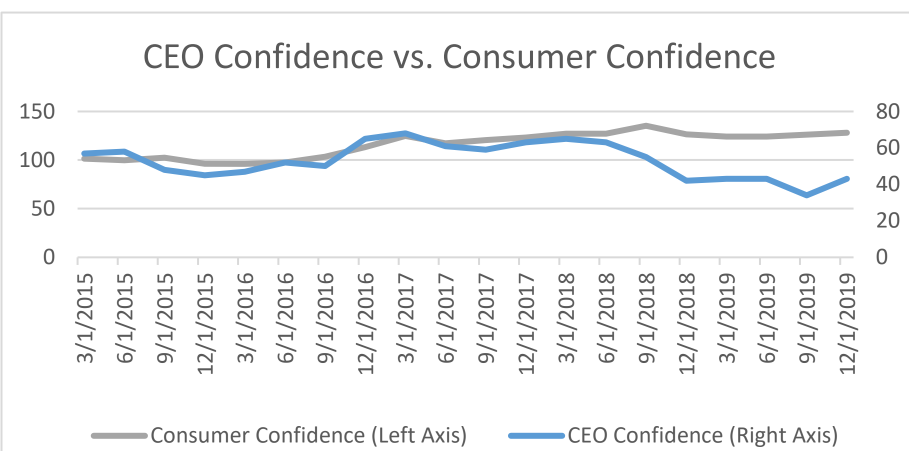


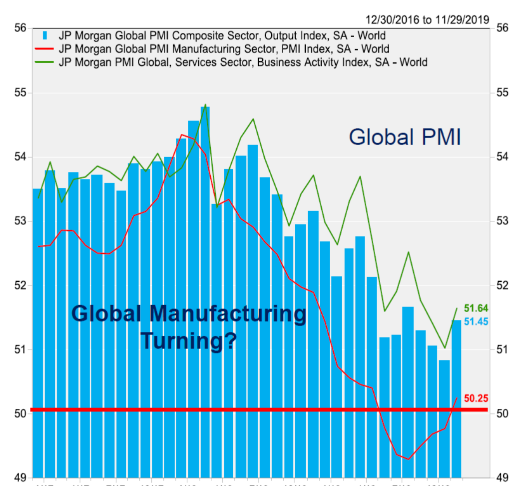
contrast to the market movements in and around 2000 when investors flocked into equities at absurd prices and out of bonds, despite very attractive yields. This is partly why the current bull market has been dubbed "the most hated bull in history". Keep in mind that since 2009, the S&P 500 has averaged an astonishing 16% return/year, which based on this data, is not enough to keep investors from pulling money out of stocks in record numbers. What does this mean for future equity market returns? Only time will tell, but one thing is clear, the average investors has not participated as much in the last 10 years as they have in other bull market runs.

4th Quarter Highlights

Most equity asset classes posted strong returns for Q4 and ended the year on a high note.

- S&P 500 advanced 9.07% with value stocks outperforming growth, which has been rare during this bull market run.
- Developed International Stocks gained ground but continued to underperformed the US, posting an 8.21% return in Q4[1]
- Small Caps also underperformed US Large Cap stocks posting an 8.21% [2]return for the quarter.
- Emerging Markets saw a significant snap back during Q4, posting a 11.93%[3] gain the back of a weakening dollar and optimism surround the China trade deal.
- Bond Yields across most longer and intermediate dated maturities rose during the quarter with the 10 year Treasury rising from 1.64% to 1.91% and the 30 year Treasury rising from 2.1% to end the quarter at 2.37%. Rising yields are seen as a sign of confidence from the bond market that economic activity is likely to improve in the coming quarters.
- Another positive out of the bond market was the yield curve. The spread between the 10 Year bond yield and the 3month bond yield improved and is no longer inverted (generally considered to be a warning sign that a recession is near).
- CEO confidence bounced back sharply in the 4th quarter after reaching the lowest level since 2008 in Q3.
- Consumer sentiment improved in Q4 and remains near the highest levels in the last 20 years. Global Manufacturing, which has been in decline since the beginning of 2018 snapped back and is showing signs of bottoming. This could be very important sign that the global economy may be poised to improve in 2020.





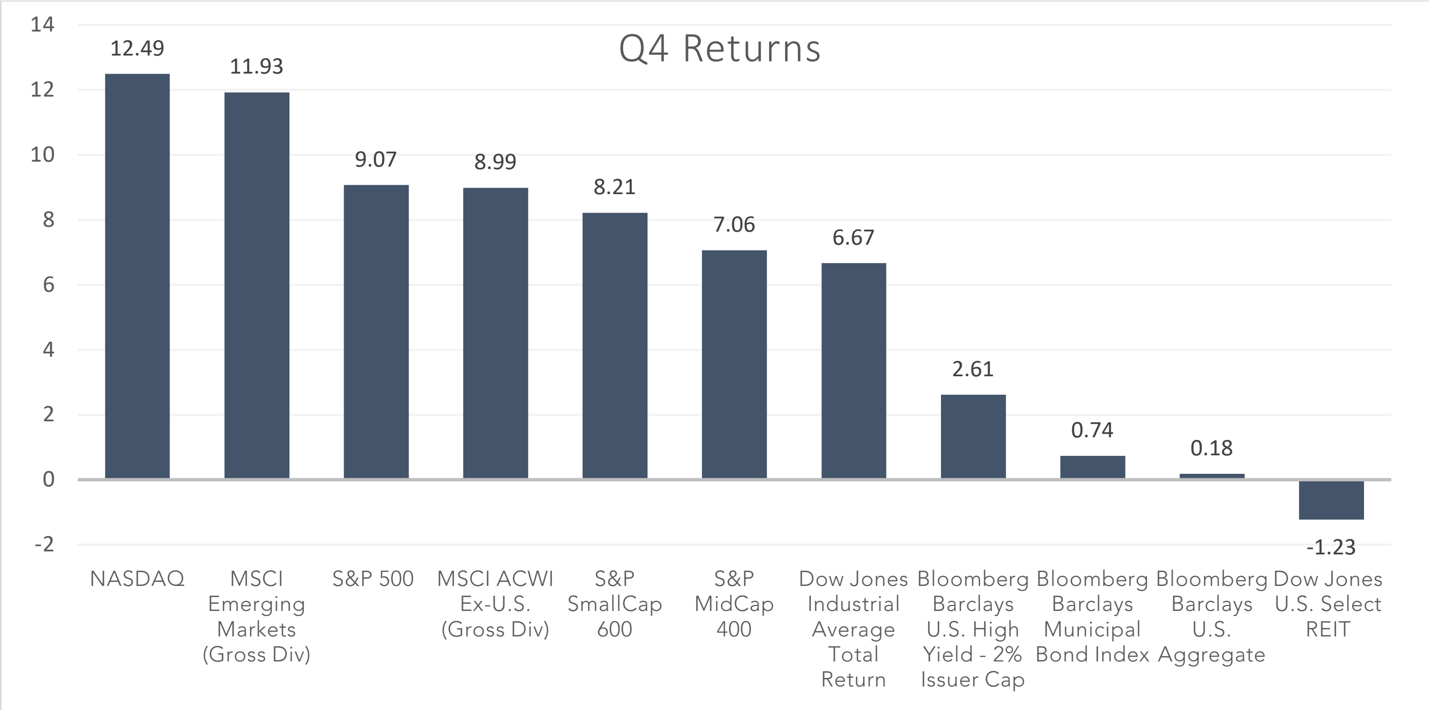
---

1 As measured by the MSCI EAFE

2 As measured by the S&P 600

3 As measured by MSCI Emerging Markets

Q4 Market Statistics



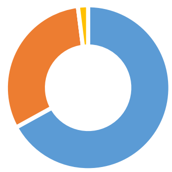
Source Thomson Reuters

EQUITY	AS OF 12/31/2019*	4Q 2019 RETURN**	12-MONTH RETURN
DOW JONES INDUSTRIAL AVERAGE	28,538.44	6.02%	22.34%
S&P 500 INDEX	3,230.78	9.07%	31.49%
NASDAQ COMPOSITE INDEX	8,972.61	12.17%	35.23%
MSCI EAFE INDEX	2,036.94	8.21%	22.66%
RATES	**AS OF 12/31/2019**	**AS OF 9/30/2019**	**AS OF 12/31/2018**
FED FUNDS TARGET RANGE	1.50-1.75	1.75-2.00	2.25-2.50
3-MONTH LIBOR	1.91	2.08	2.81
2-YEAR TREASURY	1.57	1.62	2.48
10-YEAR TREASURY	1.92	1.68	2.69
30-YEAR MORTGAGE	3.74	3.64	4.53
PRIME RATE	4.75	5.15	5.50
COMMODITIES	**AS OF 12/31/2019***	**4Q 2019 RETURN****	**12-MONTH RETURN**
GOLD	$1,523.10	3.41%	18.87%
CRUDE OIL	$61.06	12.93%	34.46%

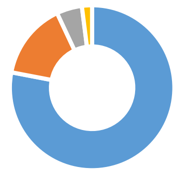
Source: Raymond James Investment Strategy Quarterly Q4 2019

Raymond James' Recommend Strategic Asset Allocations:

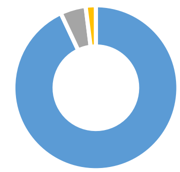
The Raymond James' Strategic Allocation recommendations serve as a guide in our decision on asset allocation. From time to time, we do deviate from these recommendations based upon our team's short term outlook.



Balanced



Balanced With Growth



Growth

	Balanced	Balanced With Growth	Growth
EQUITY	64%	78%	93%
US Large Cap Equity	36%	44%	52%
US Mid Cap Equity	7%	8%	10%
US Small Cap Equity	4%	6%	6%
Non-US Developed Market Equity	13%	16%	20%
Non-US Emerging Market Equity	4%	4%	5%
Real Estate	0%	0%	0%
Commodities	0%	0%	0%
FIXED INCOME	31%	15%	0%
Investment Grade Long Maturity Fixed Income	0%	0%	0%
Investment Grade Intermediate Maturity Fixed Income	24%	15%	0%
Investment Grade Short Maturity Fixed Income	7%	5%	0%
Non-Investment Grade Fixed Income (High Yield)	0%	0%	0%
Global (non-U.S.) Fixed Income	0%	0%	0%
Multi-Sector Bond	3%	0%	0%
ALTERNATIVE INVESTMENTS	0%	0%	5%
CASH & CASH ALTERNATIVES	2%	2%	2%

GENERAL DISCLOSURE

Securities offered through Raymond James Financial Services, Inc., Member FINRA/SIPC

Mainsail Wealth Advisors, Raymond James Financial Services, Inc., its affiliates, officers, directors or branch offices may in the normal course of business have a position in any securities mentioned in this report. This information is not intended as a solicitation or an offer to buy or sell any security referred to herein.

Investment advisory services offered through Raymond James Financial Services Advisors, Inc. Mainsail Wealth Advisors is not a registered broker/dealer and is independent of Raymond James Financial Services, Inc.

Source Thomson Reuters, please see disclosure section for sector index definitions.

Advisory fees are in addition to the internal expenses charged by mutual funds and other investment company securities. To the extent that clients intend to hold these securities, the internal expenses should be included when evaluating the costs of a fee-based account. Clients should periodically re-evaluate whether the use of an asset-based fee continues to be appropriate in servicing their needs. A list of additional considerations, as well as the fee schedule, is available in the firm's Form ADV (Part 2A) as well as the client agreement. Please ask your Advisor if you would like a copy of this Disclosure Document.

The information contained in this report does not purport to be a complete description of the securities, markets, or developments referred to in this material. The information has been obtained from sources considered to be reliable, but we do not guarantee that the foregoing material is accurate or complete. Any opinions are those of Mainsail Wealth Advisors LLC and not necessarily those of Raymond James. Expressions of opinion are as of this date and are subject to change without notice. Past performance may not be indicative of future results. Investing always involves risk, including the loss of principal. There is no guarantee that any strategy will be successful. Asset allocation and diversification do not ensure a profit of protect against a loss.

Performance data quoted represents past performance and does not guarantee future results. Please contact your financial representative if there has been a change in your investment objectives, special restrictions, or financial circumstances. The MSCI EAFE (Europe, Australasia, and Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the United States & Canada. The EAFE consists of the country indices of 21 developed nations. Inclusion of these indexes is for illustrative purposes only. Keep in mind that individuals cannot invest directly in any index, and index performance does not include transaction costs or other fees, which will affect actual investment performance. Individual investor's results will vary. Past performance does not guarantee future results. There is an inverse relationship between interest rate movements and fixed income prices. Generally, when interest rates rise, fixed income prices fall and when interest rates fall, fixed income prices rise. U.S. government bonds and Treasury bills are guaranteed by the U.S. government and, if held to maturity, offer a fixed rate of return and guaranteed principal value. U.S. government bonds are issued and guaranteed as to the timely payment of principal and interest by the federal government. Treasury bills are certificates reflecting short-term obligations of the U.S. government. International investing involves special risks, including currency fluctuations, different financial accounting standards, and possible political and economic volatility. Investing in emerging and frontier markets can be riskier than investing in well-established foreign markets.

This report is not a replacement for the official customer account statements from Raymond James or other custodians. Investors are reminded to compare the findings in this report to their official customer account statements.

Dividends are not guaranteed and must be authorized by the company's board of directors.

The process of rebalancing may result in tax consequences. Holding stocks for the long-term does not insure a profitable outcome. Investing in stocks always involves risk, including the possibility of losing one's entire investment.

The companies engaged in business related to a specific sector are subject to fierce competition and their products and services may be subject to rapid obsolescence. There are additional risks associated with investing in an individual sector, including limited diversification.

Commodities and currencies are generally considered speculative because of the significant potential for investment loss. They are volatile investments and should only form a small part of a diversified portfolio. Markets for precious metals and other commodities are likely to be volatile and there may be sharp price fluctuations even during periods when prices overall are rising.

There is an inverse relationship between interest rate movements and fixed income prices and bond prices. Generally, when interest rates rise, fixed income and bond prices fall and when interest rates fall, fixed income prices rise.

International investing involves special risks, including currency fluctuations, different financial accounting standards, and possible political and economic volatility.

Investing in emerging and frontier markets can be riskier than investing in well-established foreign markets.

Investing in small- and mid-cap stocks generally involves greater risks, and therefore, may not be appropriate for every investor.

SECTOR DEFINITIONS

The S&P 500® Consumer Discretionary Index comprises those companies included in the S&P 500 that are classified as members of the GICS® consumer discretionary sector.

The S&P 500® Consumer Staples Index comprises those companies included in the S&P 500 that are classified as members of the GICS® consumer staples sector.

The S&P 500® Energy Index comprises those companies included in the S&P 500 that are classified as members of the GICS® energy sector.

The S&P 500® Financials Index comprises those companies included in the S&P 500 that are classified as members of the GICS® financials sector.

The S&P 500® Health Care Index comprises those companies included in the S&P 500 that are classified as members of the GICS® health care sector.

The S&P 500® Industrials Index comprises those companies included in the S&P 500 that are classified as members of the GICS® Industrials sector.

The S&P 500® Information Technology Index comprises those companies included in the S&P 500 that are classified as members of the GICS® information technology sector.

The S&P 500® Materials Index comprises those companies included in the S&P 500 that are classified as members of the GICS® materials sector.

The S&P 500® Telecommunication Services Index comprises those companies included in the S&P 500 that are classified as members of the GICS® telecommunication services sector.

The S&P 500® Utilities Index comprises those companies included in the S&P 500 that are classified as members of the GICS® utilities sector.

The S&P 500® Real Estate Index comprises those companies included in the S&P 500 that are classified as members of the GICS® Real Estate sector.

The S&P 500 is an unmanaged index of 500 widely held stocks that is generally considered representative of the U.S. stock market.

INDEX DEFINITIONS

Inclusion of these indexes is for illustrative purposes only. Keep in mind that individuals cannot invest directly in any index, and index performance does not include transaction costs or other fees, which will affect actual investment performance. Individual investor's results will vary. Past performance does not guarantee future results.

The Dow Jones Industrial Average (DJIA), commonly known as "The Dow" is an index representing 30 stock of companies maintained and reviewed by the editors of the Wall Street Journal.

The S&P Mid Cap 400 Index is a capitalization-weighted index that measures the performance of the mid-range sector of the U.S. stock market.

The MSCI EAFE (Europe, Australasia, and Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the United States & Canada. The EAFE consists of the country indices of 21 developed nations.

The Barclays Capital US Aggregate Index is an unmanaged market value weighted performance benchmark for investment grade fixed rate debt issues, including government, corporate, asset backed, mortgage backed securities with a maturity of at least 1 year.

The S&P SmallCap 600® measures the small-cap segment of the U.S. equity market. The index is designed to track companies that meet specific inclusion criteria to ensure that they are liquid and financially viable.

NASDAQ Composite Index is an unmanaged index of securities traded on the NASDAQ system.

The MSCI World ex USA Index captures large and mid-cap representation across 22 of 23 Developed Markets (DM) countries*--excluding the United States. With 1,020 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country

The Barclays US Corporate High Yield 2% Issuer Capped Bond Index is an issuer constrained version of the flagship US Corporate High Yield Index, which measures the USD-denominated, high yield, fixed-rate corporate bond market. The index follows the same rules as the uncapped version, but limits the exposure of each issuer to 2% of the total market value and redistributes any excess market value index wide on a pro rata basis.